

# The Oklahoma Economic Development Act of 1987: A Review



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## INTRODUCTION

The following analysis, prepared by the Research and Planning Division of the Oklahoma Department of Commerce, seeks to determine the status of some of the programs which were to be implemented following the passage of H.B. 1444 in 1987. This analysis was originally published as a part of the *1990 Update to Oklahoma's Strategic Economic Development Plan*.

Only those segments of the bill which became a part of Title 74 (State Government) have been examined. Information was gathered from the affected agencies, either directly or from agency-produced documents, and is current through June 30, 1990. Sections of Title 74 are quoted in the left column; commentary is in the right column. Additions to the original bill are shown with underscoring or as "NEW LAW"; deletions are shown with strike-through.

The agencies and boards which were affected by the passage of H.B. 1444 are:

- Oklahoma Futures
- Oklahoma Department of Commerce (ODOC)
- Oklahoma Center for the Advancement of Science and Technology (OCAST)
- Oklahoma Capital Investment Board (OCIB)
- Oklahoma Development Finance Authority (ODFA)

The assistance of these agencies in preparing this report is greatly appreciated.



**OKLAHOMA FUTURES****§ 5002.1. Statement of needs--Creation and status of Oklahoma Futures**

A. Oklahoma needs a public/private partnership to ensure that economic development efforts in this state promote state strategic economic objectives:

1. To expand existing Oklahoma firms which capitalize on Oklahoma's comparative economic advantages by producing value-added, export-oriented goods, processes and services;

2. To encourage the establishment and growth of new firms which create new value-added products, processes and services and can benefit from Oklahoma's comparative economic advantages;

3. To restructure established Oklahoma enterprises so that they can compete effectively in global, national and regional markets; and

4. To identify firms in worldwide economic growth sectors which would prosper from relocating to Oklahoma where they could benefit from the state's special economic strengths.

B. Oklahoma needs a public/private partnership to bring together the Oklahoma business community, agricultural community, financial community, universities, labor, and the state executive and legislative branches to coordinate short-term and long-term strategic economic analysis, planning, action and to conduct performance audits.

C. There is hereby created Oklahoma Futures. Oklahoma Futures is hereby constituted a board of state government.

**§ 5002.2. Mission of Oklahoma Futures**

The mission of Oklahoma Futures shall be to develop strategic economic policies, to maintain the integrity of economic development purposes across all state institutions, policies and programs and to be Oklahoma's originator, proponent, coordinator and overseer of state analyses and plans.

**§ 5002.3. Planning and oversight function of Oklahoma Futures--Membership of board--Terms--Vacancies--Officers--Meetings--Executive director--Staff and assistants--Travel expenses--Racial, gender and geographical balance**

A. In order to fulfill its mission as the originator, proponent, coordinator and overseer of economic analyses and plans, Oklahoma Futures shall be the central economic development policy planning and oversight board for all economic development activities in Oklahoma. Oklahoma Futures shall serve as an expert economic development advisory board to the Governor of Oklahoma, all other executive departments, the state legislature and the judiciary.

1. Oklahoma Futures shall be the economic development advisory board for the Oklahoma Department of Commerce.

2. Oklahoma Futures and the Oklahoma Department of Commerce shall act as policy developer and overseer to the Oklahoma Center for the Advancement of Science and Technology, the Oklahoma Development Finance Authority, and the Oklahoma Capital Investment Board.

3. Oklahoma Futures shall act as the central policy development board to any newly created Oklahoma agencies, authorities, departments and other entities of state government whose fundamental mission is the economic development of Oklahoma.

4. In its capacity as Oklahoma's central economic development policy planning and oversight board, Oklahoma Futures shall institutionalize ongoing means of collaboration between the executive and legislative branches, the business, agricultural and financial sectors, labor and management, educational institutions and local communities to create within a developing Oklahoma economy increased innovation, creativity, diversity and productivity which is greater than any one sector can achieve acting alone.

B. Oklahoma Futures shall be a board consisting of the following members:

1. The Governor;
2. The Lieutenant Governor;
3. The Speaker of the House of Representatives;
4. The President Pro Tempore of the Senate;
5. The President of the University of Oklahoma;
6. The President of Oklahoma State University;
7. The Director of the Oklahoma Department of Commerce;
8. The Chairman of the Economic Development Committee of the House of Representatives;

**Oklahoma Center for the Advancement of Science and Technology (OCAST):** According to OCAST's FY90 Business Plan, "As specified by statute, Oklahoma Futures has the following governance authority over OCAST:

a. Authority to approve a Five Year Policy Plan for OCAST, which must be consistent with the Futures' Five Year Economic Development Plan;

b. Authority to approve or disapprove OCAST's Annual Business Plan, which must be consistent with the Five Year Policy Plan;" also,

"Administrative policies and procedures are annually published and submitted to Oklahoma Futures. . .as required by statute (Title 74, Section 5060.9)."

**The Oklahoma Development Finance Authority (ODFA):** The ODFA FY90 Business Plan also points out the working relationship between the Authority and Oklahoma Futures:

"Oklahoma Futures. . .has been charged with the responsibility of developing strategic economic policy for the State of Oklahoma and efficiently coordinating the activities of the implementing organizations.

"Oklahoma Futures has developed achievement goals, enabling strategies and associated activities directed toward the primary mission of promoting the health, welfare, safety and economic security of the state's population. ODFA has been involved in the planning and coordinating effort since the beginning as detailed in HB 1444.

"The Authority also recognizes the underlying potential to achieve a greatly amplified effort in revitalizing the state's economy if limited resources are used in a coordinated fashion. ODFA has submitted proposed goals, strategies, and activities consistent with Oklahoma's Strategic Economic Development Plan 1988-1993 for consideration and approval of Oklahoma Futures.

"ODFA . . . submits its own annual business plan which must be approved by Oklahoma Futures prior to implementation by the Authority. Through procedures such as these, the State is assured that its limited resources are being applied to their most beneficial use."

**Oklahoma Capital Investment Board (OCIB):** An administrative division of the Oklahoma Development Finance Authority, OCIB, in its Proposed Business Plan dated April 27, 1989, states: "The Board will prepare a 5-year plan and an annual business plan and obtain approval of these plans from Oklahoma Futures."

9. The Chairman of the Economic Development Committee of the Senate;

10. The President of the Oklahoma AFL-CIO;

11. The Chairman of the Oklahoma State Chamber of Commerce and Associated Industries;

12. A representative of the Oklahoma Wheat Growers' Association appointed by the Governor from a list of three nominees submitted by the Association for a three-year term. Said representative shall be appointed within thirty (30) days of receipt of said list;

13. A representative of the Oklahoma Cattlemen's Association, appointed by the Governor from a list of three nominees submitted by the Association for a three-year term. Said representative shall be appointed within thirty (30) days of receipt of said list;

~~12.~~ 14. Six persons from the private sector appointed by the Governor, subject to confirmation by the Senate;

~~13.~~ 15. Two persons from the private sector appointed by the Speaker of the House of Representatives; and

~~14.~~ 16. Two persons from the private sector appointed by the President Pro Tempore of the Senate.

C. Persons initially appointed to Oklahoma Futures by the Governor shall serve for a term of office as follows:

1. Two members shall serve for a term of office of one (1) year,

2. One member shall serve for a term of office of two (2) years,

3. One member shall serve for a term of office of three (3) years, and

4. Two members shall serve for a term of office of four (4) years.

D. Persons initially appointed by the Speaker of the House of Representatives shall serve for a term of office of one (1) year and four (4) years respectively.

E. Persons initially appointed by the President Pro Tempore of the Senate shall serve for a term of office of two (2) years and three (3) years respectively.

F. All appointees to the board shall be selected for outstanding knowledge and leadership in their fields.

Current members of Oklahoma Futures are:

**Statutorily assigned by office or position:**

Governor Henry Bellmon, Co-Chairman

Lieutenant Governor Robert S. Kerr, III

Speaker of the House of Representatives Steve Lewis

President Pro Tempore of the Senate Bob Cullison

Dr. Richard Van Horn, President, University of Oklahoma

Dr. John Campbell, President, Oklahoma State University

Donald D. Paulsen, Director, Oklahoma Department of Commerce

Representative Don McCorkell, Jr., Chairman, House Economic Development Committee

Senator Ted Fisher, Chairman, Senate Economic Development Committee

Ross Williams, President, Oklahoma AFL-CIO

Joe Williams, Chairman, Oklahoma State Chamber of Commerce and Industry

Elmore Bathurst, Oklahoma Wheat Growers' Association

Joe Bob Drake, Oklahoma Cattlemen's Association

**Appointed by Governor Bellmon:**

G. Douglas Fox

Janet Drummond

James R. Tolbert, III (Co-Chairman)

Jimmy E. Stewart

Hans Helmerich

William M. "Bill" Cameron (Vice-Chairman)

**Appointed by former Speaker Jim Barker:**

William H. "Bill" Crawford

L. Francis Rooney, III

**Appointed by President Pro Tempore**

**Robert Cullison:**

H. E. "Gene" Rainbolt

Clyde C. Cole

Except as otherwise provided, appointed members shall serve for a term of four (4) years.

No appointed member may serve more than two consecutive full terms of office on Oklahoma Futures.

G. Any vacancy in the appointive membership of Oklahoma Futures shall be filled for the unexpired term in the same manner as the original appointment. For gubernatorial appointments, if a vacancy occurs when the Senate is not in session, the Governor may appoint a member who shall exercise full powers until confirmation or rejection of the appointment by the Senate.

H. The Governor shall serve as co-chairman of Oklahoma Futures. The other co-chairman shall be elected annually from among the private sector members. A vice-chairman shall be elected annually from among all the members.

I. Oklahoma Futures shall meet at least once each calendar quarter and at such other times upon the call of the Governor.

J. The Director of the Oklahoma Department of Commerce shall be the chief executive officer of Oklahoma Futures.

1. Oklahoma Futures shall submit a list of at least three (3) nominees from a national search to the Governor. The Governor is free to appoint any individual to be the chief executive officer of Oklahoma Futures and the Director of the Oklahoma Department of Commerce, with the advice and consent of the Senate, giving reasonable consideration to the nominees submitted by Oklahoma Futures.

2. The Oklahoma Department of Commerce shall provide administrative staff and other assistance to Oklahoma Futures to develop annual five-year statewide economic plans, and manage and support the state's decentralized economic innovation system and economic information system.

K. Pursuant to rules promulgated by Oklahoma Futures, members shall be reimbursed for actual and necessary travel expenses in performing their duties as members of Oklahoma Futures.

L. In making appointments to the board of directors of Oklahoma Futures, appropriate consideration shall be given to representation upon the board by race, gender and geographical area.

The Oklahoma Department of Commerce provides administrative and research support to Oklahoma Futures on a general basis, and specifically provides Oklahoma Futures with current economic data and policy information as background in preparing the annual update to the five year economic development plan and Oklahoma Futures' annual report.

**§ 5002.4. Powers and duties of Oklahoma Futures**

A. In order to achieve its purpose, Oklahoma Futures shall have the power and duty to:

1. Oversee short-term and long-term strategic evaluation and analysis of the state's economy. Oklahoma Futures shall review and approve annually a five-year plan which shall guide the direction of future public and private actions, and report and make recommendations with respect to the state's economy to the Governor and the chairs of the standing committees on economic development of the House of Representatives and the Senate:

- a. Oklahoma Futures shall review, evaluate and oversee the implementation of the state's five-year economic development plan as developed by the Oklahoma Department of Commerce with the cooperation of the Oklahoma business community, agricultural community, financial community, universities, labor and the state executive and legislative branches. Proposed updates of the plan shall be submitted to Oklahoma Futures by the Department no later than September 1 of each year. Oklahoma Futures shall review, evaluate, revise if necessary, and approve a plan and updates thereof before transmitting the same to the Governor and the Legislature no later than October 1 of each year;
- b. The economic development plan shall be used by Oklahoma Futures to oversee the targeting of scarce state resources by size and sector of economic activity and by geographic location within the state in order to enhance the state's potential comparative economic advantages;
- c. The plan shall include:
  - (1) An analysis of the current state of and emerging trends in the Oklahoma economy over the next decade,
  - (2) An evaluation of the effectiveness of state economic development policies and programs in meeting the goals of the state's economic plan including, but not limited to, size of enterprise, sector of economic activity and location within Oklahoma, and a comparison with other states; the evaluation shall include, but not be limited to, an examination of quantifiable measures of the results of Oklahoma Futures' actions and plans, and

Oklahoma's Strategic Economic Development Plan 1988-1993 was adopted by Oklahoma Futures and published in October 1988. The 1989 Update to the five-year plan was approved by Oklahoma Futures on December 21, 1989.

This analysis of the "Oklahoma Economic Development Act of 1987" is a part of the 1990 Update, which will be presented to the Governor and Legislature by October 1, 1990.

(3) A listing in order of priority of recommendations for initiatives that will further the effective implementation of the state's economic development plan;

2. Act as the advisory policy development board to the Department of Commerce. Board responsibilities include nomination of three (3) candidates to the Governor for consideration for the dual position of Director of the Department of Commerce and chief executive officer of Oklahoma Futures; review and comment on the Department's annual business plan; and coordination, support and advice on development and use of a complete economic information system which will support the five-year planning process. The economic information system will be managed by the Department of Commerce.

3. Establish working relationships with the boards of the Oklahoma Center for the Advancement of Science and Technology, the Oklahoma Development Finance Authority and the Oklahoma Capital Investment Board. Oklahoma Futures shall oversee the establishment and develop similar working relationships with any other public or private entities as provided for by law; and

4. After seven (7) years of operation Oklahoma Futures shall evaluate the effectiveness of each entity provided for in this act (O.S.L. 1987, c. 222) responsible for economic development. The evaluation shall include a review of objective measures of the results of programs and operations managed or created by each such entity.

B. Oklahoma Futures shall seek advice from the general public and from professional associations, academic groups and institutions and individuals with knowledge of and interest in areas of economic development and planning.

C. All state agencies shall cooperate with Oklahoma Futures and its administrative agency, the Oklahoma Department of Commerce, in providing information and other assistance as may be requested for the performance of Oklahoma Futures' duties.

D. Oklahoma Futures shall utilize, seek to enhance and support the continuing economic analysis and information services provided by the public and private higher education institutions of this state.

At each meeting of Oklahoma Futures, a report of ODOC activities is given by the Executive Director with the opportunity for Oklahoma Futures to comment. Oklahoma Futures has been involved in the search process for the positions of Assistant Director-Business and International Division Director. Oklahoma Futures has advised ODOC in the development of its business plans.

There has yet been no vacancy in the dual position of Director of the Department of Commerce and chief executive officer of Oklahoma Futures.

Oklahoma Futures has reviewed both yearly business plans developed by the Department of Commerce and will review the FY 1991 business plan in June 1990.

ORIGINS, Oklahoma Resources Integrated General Information Network System, is a computer-based network created to provide information and serve decision and policy makers throughout the state. The system uses current technology to provide easy access to existing elements of statewide economic development information. The Oklahoma Department of Commerce, Oklahoma State University and the University of Oklahoma have combined personnel and resources to develop and maintain the ORIGINS program.

Along with the expertise available in these areas from the Oklahoma Futures members themselves, the board has from time to time approved the hiring of consulting firms (e.g., Midwest Research Institute and the Counsel for Community Development, Inc.), and was addressed on the education issue by Secretary of Education Sandy Garrett. During the process of formulating the Five Year Plan, Oklahoma Futures formed 18 Task Forces composed of over 650 people from all of the specified groups. The purpose of the Task Forces was to formulate reports to Oklahoma Futures which suggested items for inclusion in the Five Year Plan.

Oklahoma Futures and ODOC work with other state agencies on a regular basis, resulting in a cooperative effort on special projects.

Through its statutory representatives, the presidents of the University of Oklahoma and Oklahoma State University, Oklahoma Futures is continually updated on progress and needs of these institutions. Both of these universities have active economic development programs (both instructional and operational). Information from other higher education institutions is monitored as it becomes available. Perhaps one of the most useful economic development tools is ORIGINS, a joint effort of OU, OSU and ODOC.

**§ 5002.5. Annual Report of Oklahoma Futures**

A. Oklahoma Futures shall prepare with the assistance of the Department of Commerce an annual report which shall include:

1. A synopsis of the activities of Oklahoma Futures during the previous fiscal year;
2. The annual report, business plan and five-year plan of the Department of Commerce; and
3. A report of performance audits and evaluations conducted by Oklahoma Futures which shall include, but not be limited to, an examination of quantifiable measures of the results of Oklahoma Futures' actions and plans.

B. The report shall be transmitted to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate and the chairmen of the standing committees on economic development of the House of Representatives and the Senate on the first day of each legislative session.

The annual report shall specifically account for ways in which the needs, mission and programs of Oklahoma Futures described in this act have been carried out and recommendations shall specifically note what changes in the activities of Oklahoma Futures and the programs it oversees and of state government are necessary to better address the mission described in this act (Section 5002.1 et seq. of this title). Oklahoma Futures shall distribute its annual report by such means that will make it widely available to communities, firms and local economic development managers throughout this state.

**§ 5002.6. Evaluation of Oklahoma Futures**

Eight (8) years after the creation of Oklahoma Futures, the Speaker of the House of Representatives and the President Pro Tempore of the Senate shall create a broad commission to review, analyze and evaluate the extent to which Oklahoma Futures has achieved its statutory goals. The evaluation shall include, but not be limited to, an examination of quantifiable measures of the results of Oklahoma Futures' actions and plans.

With the assistance of the Department of Commerce, Oklahoma Futures has produced two annual reports (for fiscal years 1988 and 1989). These reports have summarized Oklahoma Futures' activities and have included as addenda the Department of Commerce annual report, business plan and five year plan. Also included have been the OCAST Business Plan, as required in Section 5060.8; the ODFA Business Plan, as required in Section 5062.4; and the OCIB Business Plan, as required in Section 5061.4.

The FY89 annual report focused on Oklahoma Futures' work to improve the quality of education in Oklahoma, the report of its Economic Development Incentives Task Force, and the report of its Global Trade Study Committee.

The annual reports were transmitted to the appropriate officials and others and are available to the general public. The FY89 report relates activities undertaken by Oklahoma Futures in carrying out its duties, such as: review and (except in the case of ODOC) approval of business plans; approval of the Five Year Plan update; oversight of related agencies; and ongoing communication among members and their represented groups.

**§ 5003.1. OKLAHOMA DEPARTMENT OF COMMERCE ACT****§ 5003.2. Statement of needs--Oklahoma Department of Commerce created--Status**

A. Recognizing the geographic diversity of this state, Oklahoma needs one central, primary public-sector economic development agency for the state in order to manage or coordinate all public sector economic development activity.

Oklahoma needs an agency to work at the community and firm level to:

1. Create new and higher quality jobs for the people of this state through the expansion, creation, restructuring and recruitment of export-oriented Oklahoma firms which produce value-added goods, services and processes;

2. Encourage statewide economic diversification and stability;

3. Maintain a two-way flow of information between the central state economic development agency and firms, farms and communities;

4. Implement the strategic economic development five-year plan; and

5. Carry out policy development and research in support of Oklahoma Futures.

B. The Oklahoma Department of Commerce is hereby constituted an agency of state government.

C. Whenever the terms "Department of Economic Development" or "Department of Economic and Community Affairs" appear in the Oklahoma Statutes they shall mean and refer to the Oklahoma Department of Commerce.

**§ 5003.3. Mission of Oklahoma Department of Commerce**

The mission of the Oklahoma Department of Commerce shall be to support firms, farms, and local communities' growth, diversification, expansion and ability to compete in export markets in order to create new and better jobs for Oklahomans throughout the state.

**§ 5003.5. Relationship of Department of Commerce with Oklahoma Futures--Director of Department of Commerce**

A. In order to fulfill its mission to support firms, farms and local communities which create new and better jobs for Oklahomans, the Oklahoma Department of Commerce shall be the administrative

agency to its policy development board, Oklahoma Futures. Oklahoma Futures shall in no way interfere with the day-to-day management of the Department of Commerce but, shall provide long-term, annual oversight to ensure the Department fulfills the legislative purpose for which it is created.

B. The Director of the Department of Commerce shall hold office at the pleasure of the Governor and shall continue to serve until a successor is duly appointed and qualified. The salary of the Director shall be set by law.

C. The Director shall be qualified for such position by character, personality, ability, education, training and successful administrative experience in the public or private sector. When it becomes necessary for Oklahoma Futures to submit a list of nominees to the Governor for the Governor's consideration to fill the position of Director of the Department of Commerce, Oklahoma Futures shall establish criteria for selecting the nominees taking into consideration national standards of excellence for similar positions. The national search for nominees by Oklahoma Futures shall be conducted pursuant to the criteria so established.

D. The Director shall employ such persons as are necessary to implement the powers and duties of the Department. Because many of the powers and duties of the Department involve working closely with the private sector, certain employee positions of the Department must be governed, classified and compensated in a manner that compares equally to similar positions in the private sector. Therefore, in the annual business plan, the Director shall list, describe and justify all such positions and their compensation and shall designate and place them in unclassified status, exempt from the provisions of the Oklahoma Personnel Act (Section 840.1 et seq. of this title). All other employees and positions shall be classified and subject to the provisions of the Merit System of Personnel Administration as provided in the Oklahoma Personnel Act. Provided, nothing in this section shall be construed to limit the authority of the Legislature to specify the status of positions otherwise by law. Neither shall the Director have the authority to circumvent, disregard or otherwise disobey specific provisions of law regarding positions in the Department of Commerce.

E. The Director shall serve on the board of:

1. The Oklahoma Industrial Finance Authority;
2. The Oklahoma Center for the Advancement of Science and Technology;

Donald D. Paulsen has held the dual positions of Executive Director of the Department of Commerce and chief executive officer of Oklahoma Futures since January 1987. Mr. Paulsen also serves as Secretary of Commerce, a cabinet level position coordinating the work of 32 economic development-related state agencies, boards and commissions.

Prior to his service with the State of Oklahoma, he held the office of president of the Fife Corporation, an Oklahoma City-based electronics firm, for 13 years. Mr. Paulsen graduated from Iowa State University with a bachelor of science degree.

3. The Oklahoma Development Finance Authority; and

4. The Executive Bond Oversight Commission.

F. The Director, or a designee appointed by the Director, shall serve on the board of the Oklahoma Ordnance Works Authority.

G. The Director may serve as administrator of any interlocal agreement or compact to pursue economic development and to assign any employees of the Department or employee personnel to carry out duties or obligations pursuant to any interlocal agreement or compact for economic development.

**§ 5003.6. Powers and duties of Department**

The Oklahoma Department of Commerce shall have, exercise and perform those powers and duties necessary to implement and accomplish the statutorily stated mission and purpose of the Department.

**§ 5003.7. Five year economic development plan and updates**

A. The Oklahoma Department of Commerce shall prepare, with the cooperation of the Oklahoma business community, agricultural community, financial community, universities, labor and the state executive and legislative branches, a five-year economic development plan and annual updates for the State of Oklahoma. The recurring five-year economic development plan and annual updates shall be subject to the approval of Oklahoma Futures.

1. The purpose of the plan shall be to identify significant economic, social, and demographic trends which may have both short-term and long-term impacts on the state and local economy and to present strategies and recommendations that the state and local political subdivisions might adopt to improve or stabilize the economy.

2. The goals of the plan shall include the development of a diversified state economy, increasing employment, the maximum use of federal, state and local funds to achieve the goals or recommendations included in the plan, the maximum investment of capital in the economy of the state, and the improvement of the quality of life in the state.

3. The plan wherever possible shall make recommendations to encourage intergovernmental cooperation and public and private cooperation.

4. Copies of the plan and the annual updates shall be submitted to the Oklahoma Advisory Committee on Intergovernmental Relations, the Governor,

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The 1989 Update to the five-year plan was approved by Oklahoma Futures December 21, 1989 and distributed to the Governor, the Speaker, the President Pro Tempore and the Chairmen of the House and Senate Economic Development committees.

The 1990 Update will be presented to the Governor and Legislature by October 1, 1990.

the Speaker of the House of Representatives, the President Pro Tempore of the Senate and the chairmen of the standing committees on economic development of the Senate and of the House of Representatives in the annual report of Oklahoma Futures.

5. The Oklahoma Department of Commerce shall develop and manage a complete economic information system which will support the five-year planning process, and which will make available complete and timely information on the state economy. The economic information system shall be operated by public or private Oklahoma universities or an Oklahoma enterprise capable of providing such services in a cost-effective manner.

B. The Oklahoma Department of Commerce shall have the power and duty to develop and manage an Economic Innovation System, a decentralized statewide partnership, by responsively and innovatively coordinating technical assistance, grant and loan programs, with local, state, federal and private sector activities into a single statewide system.

C. The Oklahoma Department of Commerce shall have the power and duty to develop public works physical and financial planning capabilities to establish a statewide public works planning process that is accessible by local planners, that is objective, and that is managed by people highly skilled in all aspects of infrastructure planning.

D. The Department, in conjunction with the Oklahoma Development Finance Authority, is authorized to develop an infrastructure program which will enable political subdivisions of this state to finance public works projects in order to modify or improve existing public facilities for purposes of bringing said facilities, and the operation thereof, into compliance with and maintaining compliance with federal, state and local laws and regulations pertaining to the protection of the public health and the environment.

E. The Director shall develop an annual business plan for the Department. The business plan shall be submitted to Oklahoma Futures for its review and comment and shall be included in the annual report of Oklahoma Futures. The business plan shall include the need and mission of each division of the Department created by law or the Director and an analysis of past costs and benefits and future projected costs and benefits to the state of the programs of each division of the Department. The business plan shall be consistent with the goals of the recurring five-year plan specified in this section. Oklahoma Futures shall review and comment upon such plan before it is implemented. The Director

ORIGINS, Oklahoma Resources Integrated General Information Network System, is a computer-based network which was created to provide information and serve decision and policy makers throughout the state. The system uses current technology to provide easy access to existing elements of statewide economic development information. An Advisory Committee with membership composed of representatives from the public and private sectors was formed with a three-fold purpose: 1) Review, revise and comment on ORIGINS plans and program; 2) Insure ORIGINS meets needs of the users; and 3) Make sure up-to-date data items are provided and available for the system. The Oklahoma Department of Commerce, Oklahoma State University and the University of Oklahoma have combined personnel and resources to develop and maintain the ORIGINS program.

The Economic Innovation Network is a public/private partnership and job development incentives program designed to support economic development activities of multi-county, county-wide and local organizations throughout Oklahoma. The EIN's rules and regulations were officially approved in September, 1988. During the first three quarters of FY90, the Network formed 14 partnerships in its public/private partnership program and had 17 contractors in its jobs development incentive program. A user kit has been developed and an EIN database is in use.

The Community Planning, Management and Technical Assistance program in the Division of Community Affairs and Development has as its primary goal the provision of quality information to all municipal and county governments on issues which are common to most jurisdictions. Included in the pertinent issues are capital needs planning, management and budgeting; analyses of constitutional, statutory or regulatory changes; infrastructure research; leadership and organizational capacity; reference material; and on-site technical assistance. Division resources in FY89 provided infrastructure-related financing to 120 communities; 17 schools and hospitals, 21 Community Action Agencies, 11 Substate Planning Districts, and 14 other agencies or organizations.

shall distribute copies of the business plan by such means that will make it widely available to communities, firms and local economic development managers throughout this state.

**§ 5003.8. Annual report--Evaluation of Department's performance**

A. In order to ensure that the Oklahoma Department of Commerce is effectively implementing its mission, purpose and objectives, the Department shall publish an annual report setting forth in detail the operations and programs conducted by it pursuant to this act (Sections 5003, 5003.3, 5003.4, 5003.6, 5003.8, 5004 and 5014 of this title) or to other legislation. The report shall review both statewide progress and departmental progress according to several measures including objective measures listed in the Department's five-year plan. The Department shall present this report to the Governor, the Legislature and Oklahoma Futures. The annual report shall specifically account for ways in which the needs, mission and programs of the Department described in this act have been carried out and recommendations shall specifically note what changes in the activities of the Department and the programs it administers and of state government are necessary to better address the mission described in this act. The Department shall distribute its annual report by such means that will make it widely available to communities, firms and local economic development managers throughout this state.

B. Seven (7) years after the Department of Commerce has become the central economic development agency for this state, Oklahoma Futures shall review, analyze and evaluate the extent to which the Department has achieved its statutory goals. The evaluation shall include, but not be limited to, an examination of quantifiable results of the Department's programs and plans.

Technical assistance was provided to 16 communities on community planning and management issues.

A new activity for FY90 is the provision of technical assistance and pertinent research on infrastructure issues through a cooperative university-Department of Commerce approach. The FY90 objectives were to develop proposals for combined contractual work by OU and OSU on critical infrastructure issues and continue to explore administrative details for establishment of an infrastructure research institute. The first step taken toward this objective, according to the Integrated Infrastructure Planning for Economic Development in Oklahoma Phase I Report, released in November 1989, was the awarding of "... a contract to the University of Oklahoma and Oklahoma State University (through a subcontract from OU) to carry out jointly the first phase of a planned longer term research project directed at developing a statewide CIP [capital improvement planning] effort in Oklahoma." The report was a survey of public works planning opportunities to promote "integrated infrastructure planning in Oklahoma."

According to the ODFA FY90 Business Plan, "the ODFA, working in conjunction with the Oklahoma Department of Commerce, is in the process of developing a program to provide financing for a prioritized group of infrastructure projects." At this time no rules or regulations have been written for this program, nor have priorities been defined. In the Integrated Infrastructure Planning for Economic Development in Oklahoma study, it is reported that ODFA president Carl Clark "believes that ODOC should develop a priority listing of infrastructure needs in consultation with the 'universe;' " and, "if a revolving loan program were set up, specific compliance criteria could be invoked by ODOC to foster local government compliance with state CIP guidelines." He also indicated that, "with respect to coordinating with ODOC on determining infrastructure priorities, ODFA is willing and interested in structuring its municipal financial needs survey with ODOC's input." ODOC's Community Affairs and Development Division is in the process of communicating with ODFA and defining priorities. This part of the process should be completed soon.

ODOC has developed and submitted to Oklahoma Futures business plans for fiscal years 1989 and 1990. The FY1991 business plan will be reviewed by Oklahoma Futures at their July 26, 1990 meeting.

Each of the plans has addressed the needs and missions of ODOC's divisions and provided budget information. Consistency with the goals of the state's five-year plan has been the primary emphasis of each year's business plan.

ODOC has published and distributed annual reports for fiscal years 1988 and 1989. The reports included quantitative information regarding specific program measurements and budgets, descriptions of existing programs, and also future initiatives.

**§ 5060.1. OKLAHOMA CENTER FOR THE  
ADVANCEMENT OF SCIENCE AND TECHNOLOGY  
ACT**

**§ 5060.2. Statement of need--Creation of Oklahoma Center for  
the Advancement of Science and Technology**

A. In order to expand and diversify Oklahoma's economy and provide new and higher quality jobs for Oklahomans, Oklahoma enterprises need an institution which combines the resources of the public and private sectors to encourage the development of new products, new processes and whole new industries in Oklahoma. The institution is needed to:

1. provide basic and applied research capital to move innovation to commercial application;

2. encourage the transfer of technology to firms and farms throughout the geographic regions of the state; and

3. stimulate seed-capital investment in firms which will use innovation from applied research in profitable commercial applications.

B. There is hereby created the Oklahoma Center for the Advancement of Science and Technology. The Oklahoma Center for the Advancement of Science and Technology is hereby constituted an instrumentality of the state and the exercise of the authority and powers conferred by this act (Section 5060.2 et seq. of this title) shall be deemed and held to be the performance of an essential governmental function.

**§ 5060.3. Mission of Oklahoma Center for the Advancement of  
Science and Technology**

The mission of the Oklahoma Center for the Advancement of Science and Technology shall be to foster innovation in existing and developing businesses by supporting basic and applied research, by facilitating technology transfer between research laboratories and firms and farms, and by providing seed-capital for new innovative firms and their products.

**§ 5060.5. Relationship with Oklahoma Futures and Department  
of Commerce**

In order to fulfill its mission as financier and coordinator of basic and applied research, technology transfer and seed-capital development, the Oklahoma Center for the Advancement of

In 1988, the Oklahoma Center for the Advancement of Science and Technology (OCAST) published a Five-Year Policy Plan which was consistent with Oklahoma Futures' Five-Year

Science and Technology shall be subject to the policy development of Oklahoma Futures.

1. Oklahoma Futures shall in no way interfere with the day-to-day administration of the Center, but shall provide long-term oversight by reviewing and approving the Center's five-year plan and annual oversight by reviewing and approving the Center's annual business plan to ensure the Center fulfills the legislative purpose for which it is created.

2. Notwithstanding other provisions of law, the Oklahoma Department of Commerce shall have the authority to expend funds to administer and operate the programs of the Oklahoma Center for the Advancement of Science and Technology until such time as designated by Oklahoma Futures.

**§ 5060.8. Exercise of powers and duties consistent with five-year plan developed by Oklahoma Futures**

The Oklahoma Center for the Advancement of Science and Technology shall exercise the powers and duties granted to it in a manner consistent with each five-year plan developed by Oklahoma Futures for the activities and programs of the Center. The Oklahoma Center for the Advancement of Science and Technology shall submit a proposed schedule of activities and goals to Oklahoma Futures in order to facilitate development of the first five-year plan provisions applicable to the Center. The board of directors of the Oklahoma Center for the Advancement of Science and Technology shall develop an annual business plan for the Center. The business plan shall be submitted to Oklahoma Futures for its approval and shall be included in the annual report of Oklahoma Futures. The business plan shall be consistent with the goals of the recurring five-year policy plan as provided by law. Oklahoma Futures shall approve such policy plan before it is implemented. The board of directors shall distribute copies of the business plan by such means that will make it widely available to communities, firms and local economic development managers throughout this state. The Oklahoma Center for the Advancement of Science and Technology shall have exclusive authority with respect to individual funding decisions if such funding is consistent with the five-year policy plan for the Center approved by Oklahoma Futures.

**§ 5060.9. Powers of Center--Tax exemption--Administrative policies**

Economic Development Plan. The Five Year Policy Plan is reviewed and revised annually and undergoes intensive review at least once every five years.

The OCAST Board and staff review the agency's programs, policies and procedures every year, and develop an Annual Business Plan which is consistent with the Five-Year Policy Plan.

The Five-Year Policy Plan and the Annual Business plans have been approved by Oklahoma Futures.

OCAST became an independent agency on May 1, 1988.

Proposed schedules of activities and goals are included in the Five-Year Policy Plan and annual Business Plans approved by Oklahoma Futures.

C. The Center shall adopt, publish and submit by January 1 of each year to Oklahoma Futures, the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives, appropriate administrative policies, including but not limited to policies governing the classification, employment, promotion, suspension, disciplinary action or dismissal of Center employees; purchasing; travel; and reimbursement of employees. All actions governed by said administrative policies shall be examined annually in the independent audit required by Section 37 of this act (Section 5060.22 et seq. of this title). The Center shall not be subject to state purchasing laws, except with respect to purchases required for the administrative expenses of the board of directors, or laws concerning travel or reimbursement of state employees. Professional service contracts executed by the Center shall not be subject to any requirement of law relating to competitive bidding.

Because many of the powers and duties of the Center involve working closely with the private sector, certain employee positions of the Center must be governed, classified and compensated in a manner that compares equally to similar positions in the private sector. Therefore, in the annual business plan, the board of directors shall list, describe and justify all such positions and their compensation and shall designate and place them in unclassified status, exempt from the provisions of the Oklahoma Personnel Act (Section 840.1 et seq. of this title). All other employees and positions shall be classified and subject to the provisions of the Merit System of Personnel Administration as provided in the Oklahoma Personnel Act. Provided, nothing in this section shall be construed to limit the authority of the Legislature to specify the status of positions otherwise by law. Neither shall the board of directors have the authority to circumvent, disregard or otherwise disobey specific provisions of law regarding positions in the Oklahoma Center for the Advancement of Science and Technology.

**§ 5060.10. Commercial application of results of research as condition of assistance**

The Oklahoma Center for the Advancement of Science and Technology shall require as a condition to any form of financial or other assistance authorized by this act (Section 5062.2 et seq. of this title) before such assistance is provided to any person, firm, business enterprise or corporation

Administrative policies are included in the OCAST Policies and Procedures Manual, which is submitted yearly to the designated state officials.

The annual audits have included the examination of actions governed by administrative policies.

Throughout all OCAST program solicitations, emphasis is placed on receiving from the applicants the assurance that the research projects submitted will have a significant potential for stimulating economic growth in Oklahoma. All OCAST funding contracts include the statement.

that any patent, license, copyright, goods, services, proprietary processes or other results of research that result in a commercial application shall be developed or produced by an Oklahoma-based firm or that a legitimate effort shall be made to apply the results of financial or other assistance in a manner that has a reasonable potential to create or enhance employment or other factors contributing to economic growth within Oklahoma. The board of directors of the Oklahoma Center for the Advancement of Science and Technology shall prescribe policies and procedures in order to implement the provisions of this section.

"OCAST requires that any patent, license, copyright, goods, services, proprietary processes or other results of research that result in a commercial application shall be developed or produced by an Oklahoma-based firm or that a legitimate effort shall be made to apply the results of financial or other assistance in a manner that has a reasonable potential to create or enhance employment or other factors contributing to economic growth within Oklahoma."

**§ 5060.11. Research Support Revolving Fund--Accounts--  
Transfer of funds**

A. There is hereby created in the State Treasury a revolving fund for the Oklahoma Center for the Advancement of Science and Technology to be designated the "Research Support Revolving Fund." The fund shall be a continuing fund, not subject to fiscal year limitations. The fund shall consist of all monies authorized by law for deposit in such fund including, but not limited to, gifts, grants, private donations, fee revenues and funds by government entities authorized to provide funding for the purposes authorized for the use of the fund. Monies deposited or apportioned to the credit of the fund in excess of that required for implementation of the program or programs for which expenditures from the fund are authorized may be transferred to any other fund under the control of the Center. The fund may be used to pay the administrative costs, including salary, fringe benefits and other operating costs, associated with the implementation of the program or programs for which expenditures from the fund are authorized. For any calendar year, fiscal year or equivalent year used for the purposes of accounting for the financial transactions of the Oklahoma Center for the Advancement of Science and Technology, no more than five percent (5%) of the total deposits to the Research Support Revolving Fund shall be expended for administrative costs. The limitation upon total expenditures for administrative costs provided by this section shall not include the recovery of indirect costs that may be allowed pursuant to a professional service contract or other agreement. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the Oklahoma Center for the Advancement of Science and Technology

B. The Center shall create five accounts within the Research Support Revolving Fund for use in the

implementation of the various programs for which the Center is responsible. The accounts shall be the "Centers of Excellence Account," the "Applied Research Account," the "MOST Eminent Scholars and Research Equipment Account," the "Health Research Account" and the "Technology Transfer Account."

C. All monies in the Health Research Fund which are unencumbered as of June 30, 1987, shall be transferred to the Health Research Account within the Research Support Revolving Fund.

D. All monies in the MOST Eminent Scholars and Research Equipment Revolving Fund which are unencumbered as of June 30, 1987, shall be transferred to the MOST Eminent Scholars and Research Equipment Account within the Research Support Revolving Fund.

#### § 5060.12. Centers of excellence

A. The purpose of this section is to authorize the establishment of two types of centers of excellence at institutions of higher education: centers of excellence for basic research and centers of excellence for applied research, development and technology transfer.

B. Centers of excellence for basic research will primarily undertake ongoing basic research that has potential for long-range value to the state's economic development. The centers should build on institutional strengths and conduct activity in areas of research in which the participating institutions of higher education have achieved or have true promise of attaining a standard of excellence as recognized by national and international peers.

C. Centers of excellence for applied research, development and technology transfer will primarily undertake applied research, development and technology transfer that has long-run potential for commercial development. The centers should build on institutional strengths and conduct activity in areas of research in which the participating institutions of higher education have achieved or have true promise of attaining a standard of excellence in applied research and development.

D. The Center shall award funding to centers of excellence in accordance with subsections E and F of this section.

E. The Center shall award funding from the Research Support Revolving Fund and the Centers of Excellence Account for new centers and increased funding for established centers only after:

The purpose of the Centers of Excellence program which OCAST has implemented is to create in Oklahoma science and technology centers engaged in first-rate collaborative research and development efforts involving Oklahoma higher education institutions, businesses, industries, non-profit organizations and government.

Each Center of Excellence must have a single unifying, intellectual theme which may focus on objectives within a single discipline or involve work across disciplines. OCAST Centers are *not* places, but rather collaborative research programs.

Centers of Excellence are funded for a period of five years, after which the centers can request an additional five year funding. A progress report is done every year, with a comprehensive progress report completed after three years. At this time an increase in funding can be requested.

The current Centers of Excellence are:

1. *Oklahoma Center of Excellence in Molecular Medicine*

Funds awarded in May 1989--\$8,744,663  
Partnership: University of Oklahoma Health Sciences Center  
University of Tulsa  
Oklahoma Medical Research Foundation  
Several private sector partners

1. Developing, adopting and publishing the criteria it shall use when evaluating centers of excellence; and

2. Reviewing proposals for new or established centers of excellence containing:

- a. documentation, in the case of applied research, development and technology transfer, that not less than fifty percent (50%) of the center's total funding will be provided by sources other than the Center and other than state-appropriated money; and, in the case of basic research, documentation that not less than twenty percent (20%) of the funding for centers conducting basic research will be provided by sources other than the Center and other than state-appropriated money; machinery or equipment may be considered as part of the matching funds, but must be accompanied by a statement that the center of excellence has received the machinery or equipment, that it is appropriate and useful to the program under review, and either:
  - (1) verifying that the machinery or equipment is donated, has only been used in testing to ensure quality control, or used by a wholesaler or retailer for demonstration purposes only and verifying the fair market value of the machinery or equipment on the date of the gift, or
  - (2) detailing the price paid by the center of excellence, with an invoice showing the amount paid for the equipment,
- b. a description of the proposed center's potential contribution to the state's economic development interests,
- c. an itemized operations budget, and
- d. other information that may be required by the board.

F. The board may approve proposals to establish new centers of excellence and increase funding for existing centers only after the board finds, based upon the proposal submitted, external peer reviews, and such additional investigation as the staff of the Center shall make and incorporate in its minutes that:

1. The proposed center of excellence involves more than one higher education institution;

2. In the case of applied research, development and technology transfer the proposed center of excellence has the potential to stimulate economic

2. *Laser Development and Application Center*  
 Funds awarded in May 1989--\$5,153,400  
 Partnership: Oklahoma State University  
 University of Oklahoma Health Sciences Center  
 Central State University  
 Southwestern Oklahoma State University  
 Eagle-Picher Laboratories

3. *Integrated Design and Manufacturing Center*  
 Funds awarded in May 1989--\$5,000,000  
 Partnership: Oklahoma State University  
 University of Oklahoma  
 University of Tulsa  
 Georgia Institute of Technology  
 A number of private sector partners

development in Oklahoma by fostering partnership between higher education institutions and businesses;

3. The center has the long-run potential to benefit existing and new businesses through innovation and development of new technology; and

4. Approval of the proposal will not create or foster unnecessary duplication of programs, particularly at the graduate level of instruction.

G. Any commercialized research that results from the funding of a center of excellence shall be subject to negotiations and policies pursuant to the provisions of this act (Section 5060.22 et seq. of this title).

### § 5060.13. Challenge funding of research

A. The Center may use the MOST Eminent Scholars and Research Equipment Account to carry out the purposes of this act (Section 5060.2 et seq. of this title) by awarding competitive funds, through professional service contracts or otherwise, to institutions of higher education, non-profit research foundations and private enterprises of special importance to the Oklahoma economy.

B. The Center is authorized to provide challenge funding to Oklahoma higher education institutions for the purpose of assisting such institutions to raise funds in research areas where they have achieved or have true promise of attaining a standard of excellence as recognized by national and international peers.

C. Any higher education institution which desires to obtain such challenge funding authorized in subsection B of this section shall submit an application to the Oklahoma Center for the Advancement of Science and Technology. Such application shall specify the total amount of funds such institution will provide to meet the requirements of the challenge funding and the research merits and economic benefits of the proposals as well as any other information which the Center may deem necessary in order to evaluate the application; provided, however, such institution shall not use state-appropriated funds for the purpose of meeting the requirements of such challenge funding.

D. Funding shall be awarded on the following basis:

1. For endowed chair professional service contracts or grants, the Center shall match Two Dollars (\$2.00) from the More Oklahoma Science

and Technology (MOST) Eminent Scholars and Research Equipment Account for every One Dollar (\$1.00) of interest income generated by the endowment for such chair; however, the amount of a state professional service contract or grant for any endowed chair shall not be less than Fifty Thousand Dollars (\$50,000.00) for any one fiscal year. Funding awarded to match such interest shall be limited to endowed chairs created after May 27, 1986; and

2. For research professional service contracts or grants, the Center shall match One Dollar (\$1.00) from the More Oklahoma Science and Technology (MOST) Eminent Scholars and Research Equipment Account for every One Dollar (\$1.00) of monies that will be raised by such institution for matching purposes. The minimum amount of a state professional service contract or grant for any research project shall not be less than Ten Thousand Dollars (\$10,000.00) and shall be limited to acquiring research equipment.

E. Persons selected to hold such endowed chairs or to receive funding for research as provided for in this section shall be selected pursuant to the procedures of the higher education institution which has been awarded such funding.

F. Approval of any challenge funding proposal shall be based upon the proposal submitted, external peer review and such additional investigation as the staff of the Center shall make.

The MOST Eminent Scholars Program received appropriations in FY 1987 and FY 1988 to support eight new endowed chairs at Oklahoma colleges and universities. To date, OCAST and non-State matching fund commitments in the program total nearly \$7.1 million. No new appropriations are anticipated.

The 1989 funding competition in the MOST Research Equipment Program awarded \$968,619 for 20 state-of-the-art equipment purchases at Oklahoma colleges and universities. To date, 42 projects have been funded in this program, with total OCAST and non-State funding commitments of nearly \$4.6 million. No new funds were appropriated for FY 1990. Appropriations, competitions and funding are expected to resume in FY 1991.

§ 5060.14. Oklahoma Health Research Committee

A. The Center may use the Health Research Account to carry out the purposes of this act (Section 5060.2 et seq. of this title) by awarding competitive health research funds, through professional service contracts, to institutions of higher education, nonprofit research foundations and private enterprises of special importance to the Oklahoma economy.

B. There is hereby created within the Oklahoma Center for the Advancement of Science and Technology, the Oklahoma Health Research Committee to be appointed by the Governor which shall consist of nine (9) members, no more than five nor less than three of whom shall be physicians licensed pursuant to the laws of this state. For the initial Committee, three members shall be appointed for a term of two (2) years; three members shall be appointed for a term of four (4) years; and three members shall be appointed for a term of six (6) years. Thereafter members shall be

Current members of the Oklahoma Health Research Committee are:

John Harley, M.D., Ph.D. (Chairman)  
Arthritis and Immunology Program  
Oklahoma Medical Research Foundation

David Albert, M.D.  
Corazonix, Inc.

Michael Anderson, Ph.D.  
Westminster Presbyterian Church

H. James Harmon, Ph.D.  
Department of Zoology  
Oklahoma State University

Charlotte Ownby, Ph.D.  
College of Veterinary Medicine  
Oklahoma State University

(continued)

appointed for a term of six (6) years. At all times the Committee shall be composed of at least:

1. One member from the clergy or who has an advanced degree in philosophy from an accredited institution of higher learning;

2. Five members who shall be basic health research scientists each having an established record of basic health science research accomplishment and a demonstrated interest in public service to represent the following areas: Epidemiology, public health or biometrics or psychology; biochemistry, anatomy or nutrition; microbiology, immunology or molecular biology; genetics, pathology, or pharmacology; biology or physiology; and

3. Three members who shall be clinical research scientists having an established record of clinical biomedical science research accomplishment and a demonstrated interest in public service to represent the clinical research disciplines.

The Health Research Committee as constituted prior to the effective date of this act shall be re-created within the Oklahoma Center for the Advancement of Science and Technology. Members of the Committee, formerly within the Oklahoma Department of Commerce, serving terms upon the effective date of this act shall continue to serve such terms.

Upon expiration of any term of office of the Health Research Committee, in making appointments to the Committee appropriate consideration shall be given to representation upon the Committee by race, gender and geographical area.

C. Any vacancy on the Committee shall be filled for the unexpired term within thirty (30) days after the vacancy occurs.

D. No more than three members of the Committee shall have the same primary affiliation with an institution of higher learning or a nonprofit research institution.

E. A basic health research scientist or clinical research scientist shall not be eligible to become a member of the Committee unless said scientist is the inventor of one or more products which have earned more than Two Hundred Thousand Dollars (\$200,000.00) in royalties or other profit within the fifteen (15) years immediately preceding appointment or is the principal investigator for research grants awarded by national health research organizations for at least five (5) years during the fifteen (15) years immediately preceding

Morris Reichlin, M.D.  
Arthritis and Immunology Program  
Oklahoma Medical Research Foundation

Bruce Roe, Ph.D.  
Department of Chemistry  
University of Oklahoma

Jay Talmadge Shurley, M.D.  
Oklahoma Mental Health Institute  
Oklahoma Department of Mental Health and  
Substance Abuse Services

appointment. Contractual commitments which have been made for a product or products shall qualify in meeting the royalty or profit requirement. Tentative commitments for future funding from national health research organizations shall satisfy the research grant requirement. Research grants awarded by the National Science Foundation, the National Institutes of Health, the American Heart Association, the Lung Association, the American Cancer Society, the Arthritis Foundation, the March of Dimes, and such other organizations that hold a peer-reviewed national competition for the distribution of research funds that the Committee deems acceptable from time to time shall satisfy the research grant requirement. Research grants which only may be awarded to investigators in this state shall not be used to satisfy the research grant time of support requirement. Service contracts or other grants which do not require submission of a research project or which are not funded competitively on the basis of scientific merit of the research project shall not satisfy the research grant time of support requirement.

F. Members of the Committee shall be reimbursed for expenses incurred in the performance of their duties as provided by the board of directors of the Center.

G. The Committee shall elect from its membership a chairman to serve a two-year term and such other officers from its membership as deemed necessary for the performance of the duties of the Committee. The Committee shall hold regular meetings not less than once a quarter and such additional meetings as called by the chairman as may be required for the proper discharge of the duties of the Committee. Any action by the Committee shall require the affirmative vote of a majority of its members present. Five members shall constitute a quorum.

#### § 5060.15. Evaluation of health research projects

The Committee shall evaluate the merits of proposed health research projects, the qualifications of investigators, and the facilities in which proposed health research projects will be performed, and shall advise the Center of its findings.

#### § 5060.16. Duties of Center relating to health research

The Oklahoma Center for the Advancement of Science and Technology, with the advice and consent of the Committee, shall:

1. Establish and operate a state program designed to secure and impartially distribute funds credited

Thirty-five new health research projects were funded as a result of the 1989 competition. Total dollar awards for the 1989 projects amounted to \$1,027,582.

to the Health Research Account to support professional service contracts for health research projects;

2. Ensure that funding to support health research projects is awarded only on the basis of scientific merit;

3. Design the health research program to ensure the optimum performance of the investigator and the maximum efficiency of the project;

4. Evaluate and approve health research projects to be funded by the Health Research Account;

5. Establish a procedure for the referral of proposed health research projects to the Committee for review;

6. Establish procedures for review of proposed health research projects by qualified individuals residing outside this state;

7. Suspend or terminate any professional service contract supporting health research projects for failure by an investigator, institution of higher learning, or nonprofit research institution to comply with the procedures, requirements, or bylaws of the Center; and

8. Enter into contracts to ensure the optimum performance of health research investigators and to ensure the maximum efficiency of proposed health research projects.

The 1990 funding competition attracted 108 new project proposals, bringing to 528 the total number of project proposals received in the program since its inception in 1987. For 1990, 26 projects were approved for a total of \$963,840. A total of 143 projects have been funded in this program since its inception.

**§ 5060.17. Conditions for award of professional service contract to support health research project**

No professional service contract shall be awarded by the Oklahoma Center for the Advancement of Science and Technology to support a health research project unless:

1. The investigators are residents of this state or become residents of this state before the ninetyth day after a professional service contract, pursuant to which they will be functioning as an investigator, has been funded by the Center;

2. The institutions that administer the professional service contracts are primarily located in this state and are able to assume financial responsibility for professional service contracts;

3. The professional service contract will not be transferred to any other institutions within the state without the approval of the Center and will not be transferred to an institution outside this state at any time; and

4. The funds will not be expended for patient care except if patient care is an intrinsic part of a funded professional service contract.

**§ 5060.18. Annual conference on commercial application of results of health research projects**

The Oklahoma Center for the Advancement of Science and Technology shall sponsor an annual conference of health research investigators, representatives of institutions of higher learning, non-profit research institutions, and representatives of industry to accelerate and facilitate the commercial development of new products and services conceived or developed as consequence of professional service contracts supporting health research projects.

**§ 5060.19. Criteria for award of funding or professional service contract--Applied research proposals--Small business innovation research--Commercialized research**

A. The Center may use the Research Support Revolving Fund and the Applied Research Account to carry out the purposes of this act (Section 5060.2 et seq. of this title) by awarding competitive applied research funds, through professional service contracts or otherwise, to institutions of higher education, nonprofit research foundations and private enterprises of special importance to the Oklahoma economy. The Center may use the fund to provide funding for the programs and purposes specified in subsection D of this section.

B. The board shall award funding or professional service contracts only after:

1. Developing, adopting and publishing the criteria it shall use when evaluating research proposals; and

2. Reviewing applied research proposals which present:

- a. documentation, if the proposal is from an institution of higher education or non-profit research institutions, that not less than fifty percent (50%) of the total direct cost of the proposed project will be provided by sources other than the Center and other than state-appropriated money; machinery or equipment may be considered as part of the matching funds for the research, but must be accompanied by a statement:

- (1) that the institution of higher education or nonprofit research institution

The third annual Oklahoma Health Research Conference was held April 16, 1990 in Oklahoma City.

The first Applied Research competition drew 63 project proposals from 20 different higher education, non-profit foundations and private enterprise research facilities in the state. The proposals were evaluated for scientific merit and economic development potential and ranked for funding by peer reviewers from outside the state of Oklahoma.

Although 25 proposals were ranked for funding, available monies limited funding to the top 24 projects. In all, the proposals recommended for funding by the peer review process requested a total of \$3,732,052 for one, two and three year projects. Total budgets for individual projects ranged from \$16,500 to \$300,022.

A second competition in the Applied Research program was conducted this spring, with 121 proposals submitted. Following a peer review, awards in this competition are expected to be announced in mid-summer.

has received the machinery or equipment and that it is appropriate and useful to the program under review; and either

- (2) verifying that the equipment or machinery is donated and has only been used in testing to ensure quality control, or used by a wholesaler or retailer for demonstration purposes only and verifying the fair market value of the machinery or equipment on the date of the gift; or
  - (3) detailing the price paid by the institution of higher education or nonprofit research institution, with an invoice showing the amount paid for the machinery or equipment;
- b. documentation, if the proposal is from a private enterprise, that not less than fifty percent (50%) of the total direct cost of the proposed project will be provided by sources other than the Center and other than state-appropriated money. No portion of the fifty percent (50%) may be provided by in-kind services performed by the enterprise;
  - c. a description of the potential commercial application of and the industrial sectors that will likely benefit from the applied research project and the potential to enhance employment opportunities in Oklahoma;
  - d. an itemized research budget, time line and research methodology;
  - e. a recommendation from the sponsoring institution of higher education, nonprofit research institution or business enterprise; and
  - f. other information that may be required by the board.

C. The board may approve such applied research proposals after the board finds, based upon the proposal submitted, external peer review and such additional investigation as the staff of the Center shall make and incorporate in its minutes, that:

1. The proposed project is research that leads to innovation, new knowledge or technology and is not training or technical assistance for business firms;
2. The project has a reasonable probability to

The SBIR Phase I Incentive Funding Program is designed to encourage small, innovative Oklahoma businesses to seek federal research and development funding by applying for Small Business Innovation Research (SBIR) Phase I grants. The three-phased federal SBIR program was initiated in the Small Business Innovation Development Act of 1982 (PL97-219 and PL99-443) to stimulate technological innovation by requiring federal agencies to contract with small firms for a portion of their external research requirements. OCAST offers to fund 50% - not to exceed \$3,000 - of the cost of preparing an SBIR Phase I application.

In less than eight full months of operation during FY 1989, 36 awards were made in the Small Business Innovation Research Incentive Funding Program; 42 more awards have been made through March, 1990. OCAST anticipates a significant increase in applicants for reimbursement funding in this program during FY 1991.

Solicitations for the first cycle of funding in the new SBIR Matching Funds Program were available in February. This program is specifically designed to provide Phase I award-winning Oklahoma firms with an incentive to pursue Phase II of the federal competition.

The matching funds program has three basic goals: to increase the potential for bringing additional federal dollars into private-sector research in Oklahoma; to provide funding for the normal "gap" which occurs between a Phase I award and the notification regarding a Phase II award (from three to 18 months); and to encourage the establishment and growth of high-quality, innovative small firms in the state.

enhance employment opportunities within Oklahoma; and

3. The project is technically sound and will produce a measurable result.

D. The Center is directed to develop a small business innovation research (SBIR) matching support program which meets the highest current standards for state matching support to federal SBIR program grants. The Center shall also develop and implement a program to financially support the preparation of SBIR grant proposals by Oklahoma entities.

E. Any commercialized research that results from Center funding of applied research shall be subject to negotiations and policies pursuant to the provisions of this act.

**§ 5060.20. Information clearinghouse--Technical services--  
Technical information data bases and industrial liaison offices--  
Minority business assistance**

A. The Center may use the Technology Transfer Account to carry out the purposes of this section.

B. The Oklahoma Center for the Advancement of Science and Technology shall establish a clearinghouse to provide technology transfer and technical referral services and may charge reasonable user fees to recover the costs of providing such services. The Center may fund institutions of higher education to establish technical information data bases and industrial liaison offices which are easily accessible by both private and public sector organizations.

C. The Center shall provide to private enterprises and individuals, services which include, but are not limited to:

1. Disseminating research and technical information;

2. Referring clients to researchers or laboratories for the purpose of testing and evaluating new products, processes or innovations;

3. Assisting persons developing innovations or new technology in locating enterprises or entrepreneurs that may be interested in applying such innovations or new technologies; and

4. Providing managerial assistance to enterprises requesting such assistance, but particularly to those small enterprises of special importance to the Oklahoma economy.

D. The Center shall encourage business enterprises to use such technology transfer and

Through the new program, OCAST will match--at a rate of \$.50 for each dollar--the Phase I award received by the eligible firm. The maximum OCAST award in the program is \$25,000. Among other requirements for eligibility, the firm must have applied for a Phase II grant from the same federal agency which granted the firm's Phase I award.

The pilot phase of the OCAST computerized database of scientific and technical expertise is available for limited client use. Called TRAC (Technical Resources Access Center) and operational since late in 1989, the database is designed to make locating specific technical expertise in Oklahoma easier and faster.

At the present time, the TRAC database contains approximately 1,600 university-based technical experts in Oklahoma. Plans call for 1,000-1,500 additional names from the higher education and private sectors of the state to be included in the next two-year period. The purpose of the database is to locate the expertise needed; any subsequent arrangements between the requestor and the technical expert contacted are up to the two parties involved. For a limited time, a search of the TRAC database is free of cost.

technical support services as provided by institutions of higher education and especially the state's Small Business Development Centers.

E. The Center shall assist minority businesses in obtaining investments or loans or other means of financial assistance. The terms and conditions of such loans or financial assistance, including the charges for interest and other services, will be consistent with the provisions of this act (Section 5060.2 et seq. of this title). The Center shall solicit proposed minority business ventures for review and analysis.

**§ 5060.21. Seed-Capital Revolving Fund--Authorized investments--Investment committee**

A. There is hereby created in the State Treasury a revolving fund for the Oklahoma Center for the Advancement of Science and Technology to be designated the "Seed-Capital Revolving Fund." The fund shall be a continuing fund, not subject to fiscal year limitations. The fund shall consist of all monies authorized by law for deposit in the fund including but not limited to gifts, grants, private donations and funds by government entities authorized to provide funding for the purposes authorized for use of the fund and with payments on loans made from the fund, rents, dividends paid on shares of stock purchased with monies from the fund, royalty proceeds, or any other form of return on authorized investments made by the Center. Monies deposited or apportioned to the credit of the fund in excess of that required for implementation of the program or programs for which expenditures from the fund are authorized may be transferred to any other fund under the control of the Center. The fund may be used to pay the administrative costs, including salary, fringe benefits and other operating costs, associated with the implementation of the program or programs for which expenditures from the fund are authorized. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the Oklahoma Center for the Advancement of Science and Technology for purposes authorized by law. Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

B. The Seed-Capital Revolving Fund shall be managed consistent with the long-term goal that the revenues earned from investment of the fund be used to cover administrative costs of the fund; however, the revenues from the Seed-Capital

In 1988, Oklahoma citizens approved a constitutional amendment calling for OCAST to develop and initiate a seed capital program. OCAST then formed the Seed Capital Ad Hoc Advisory Committee. Comprised of knowledgeable and experienced private sector citizens, the committee spent months considering ways in which such a program could be designed and implemented to best meet the expressed needs of Oklahoma. After months of extensive planning, the Committee has recently made its recommendations for the establishment of an Oklahoma Seed Capital program.

The Committee recommended that state funds appropriated to implement the program be leveraged with private sector matching funds, thereby doubling the total amount available for investment in Oklahoma businesses.

The committee recommended a \$7 million appropriation to be invested in one or two privately managed investment partnerships specifically established to provide seed capital for start-up firms whose principal place of business is Oklahoma. The investment of state money would be contingent upon the investment of an equal amount of private funds in the partnerships.

The committee recommendations are designed to stimulate the development of a seed capital industry in the state. By taking the lead in establishing the first public/private partnership to make investments in innovative start-up firms, the state will demonstrate the availability of good early-stage investments in Oklahoma. The success of this effort is expected to attract the private sector development of other seed and venture capital funds in the state.

Revolving Fund shall not be used for the fund's administrative expenses of the fund until the principal of the fund would not be endangered by such use of fund revenues.

C. The Center may use the Seed-Capital Revolving Fund as follows:

1. To carry out the purposes of this act (Section 5060.2 et seq. of this title) through authorized investments, including:

- a. loans, loans convertible to equity, and equity,
- b. leaseholds,
- c. management or consultant service agreements,
- d. loans with stock subscription or similar warrants attached that are beneficially owned by the Center,
- e. loans with stock subscription or similar warrants attached that are beneficially owned by a party other than the Center,
- f. any other contractual arrangement in which the Center is providing scientific and technological services to any federal, state, county or municipal agency, or to any individual, corporation, enterprise, association or any other entity involving science and technology. The Center, in connection with the provision of any form of financial assistance, may enter into royalty agreements with an enterprise,
- g. participation as a general or limited partner in other seed-capital funds or participation as a limited partner in individual cases as authorized by the board of directors, and
- h. all other qualified securities as defined in this act; and

2. To pay all or a portion of the Center's administrative costs, including salary, fringe benefits and other operating expenses.

D. The Center may use the Seed-Capital Revolving Fund to purchase qualified securities issued by enterprises engaged in new product or process innovations subject to the conditions set forth in this section.

E. The Center may use the Seed-Capital Revolving Fund to make loans to business incubator facilities in exchange for royalties from future gross sales generated by enterprises created in the incubator.

Currently, there is virtually no financing available in Oklahoma for early-stage innovative enterprises.

Members of the Seed Capital Ad Hoc Advisory Committee are:

Bill Browning, Audit Partner  
Arthur Andersen & Company

Bob Craine, President  
TSF Capital

Doug Fox, President  
Tribune/Swab Fox Corporation

Robert Heard, Division Director  
Capital Resources Division  
Oklahoma Department of Commerce

Representative Sid Hudson  
Oklahoma House of Representatives

Jim Luby, President & Chief Operating Officer  
Corazonix, Inc.

Ron Pennington, Vice President  
Rural Enterprises, Inc.

Ken Phelps, Superintendent  
Tri-County Vo-Tech

Bob Rees, President  
Rees Source Ventures

Robert Rosander, President  
Tulsa Innovation Center, Inc.

Joe Tippens, Vice President  
Merrill Lynch Venture Capital

F. The Center shall make authorized investments in enterprises engaged in new product or process innovations only after:

1. Receipt of an application from the enterprise which contains:

- a. a business plan including a description of the enterprise and its management, product and market,
- b. a statement of the amount, timing and projected use of the capital required,
- c. a statement of the potential economic impact of the enterprise, including the number, location and types of jobs expected to be created, and
- d. such other information as the Center board of directors shall request.

2. Approval of the investment by the Center. Such approval may be made after the board of directors finds, based upon the application submitted by the enterprise and such additional investigation as the staff of the Center shall make and incorporate in its minutes, that:

- a. the proceeds of the investment or financial assistance will be used only to cover the seed-capital needs of the enterprise except as authorized by this section,
- b. the enterprise has a reasonable chance of success,
- c. the Center's participation is instrumental to the success of the enterprise and its retention within the state,
- d. the Center's investment is leveraged by at least one additional equity or near-equity investor,
- e. the enterprise has the reasonable potential to enhance employment opportunities within the state,
- f. the entrepreneur and other founders of the enterprise have already made or are contractually committed to make a substantial financial and time commitment to the enterprise,
- g. any securities to be purchased are qualified securities,
- h. there is a reasonable possibility that the Center will recoup at least its initial investment or financial commitment, and

- i. binding commitments have been made to the Center by the enterprise for adequate reporting of financial data to the Center, which shall include a requirement for an annual report, or if required by the board, an annual audit of the financial and operational records of the enterprise, and for such control on the part of the Center as the board of directors shall consider prudent over the management of the enterprise, so as to protect the investment or financial commitment of the Center, including in the discretion of the board and without limitation, right of access to financial and other records of the enterprise, and membership or representation on the board of directors of the enterprise.

G. The board of directors shall create an investment committee to assist in evaluating potential investments in qualified securities and provision of other forms of authorized financial assistance. The membership of this investment committee may include both directors and staff members of the Center, and other persons drawn from sources other than the Center who meet standards similar to those applying to the board of directors and who are recognized by their peers for outstanding knowledge and leadership in their fields, all of whom shall serve at the pleasure of the board.

H. The Center shall not make investments in qualified securities issued by enterprises in excess of the amount necessary to own more than forty-nine percent (49%) of qualified securities in any one enterprise at the time such securities are purchased by the Center, after giving effect to the conversion of all outstanding convertible qualified securities of the enterprise; however, in the event of severe financial difficulty of the enterprise, threatening, in the judgment of the board of directors, the investment of the Center therein, a greater percentage of such securities may be owned by the Center.

**§ 5060.22. Reports--Funding review and recommendations--  
Evaluation of Center's performance**

A. The Center shall publish an annual report which shall include an independent audit in accordance with generally accepted accounting principals [*sic*] which shall examine, among other things, actions governed by the administrative policies adopted by the Center. The Center shall present the report to the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the standing committees on higher education and economic development

In October, 1989 OCAST published a status report on the two-year start-up phase of the agency. The report contained organization and program development activities for the period July 1, 1987 through June 30, 1989, and audited financial data for the fiscal year 1988.

The FY89 financial audit has been completed and should be presented to the Board in May 1990.

of the Senate and the House of Representatives, and Oklahoma Futures, setting forth in detail the operations and transactions conducted by it pursuant to this or to other legislation. The annual report shall specifically account for the ways in which the need, mission and programs of the Center described in this act (Section 5060.2 et seq. of this title) have been carried out, including but not limited to, a review of the results of the Center's operations and transactions according to objective measures set forth in the Center's business plan. The report shall recommend specific changes in the activities of the Center which are necessary to better carry out the need and mission described in this act. The Center shall distribute its annual report by such means that will make it widely available to those innovative enterprises of special importance to the Oklahoma economy.

B. The Center shall annually review and prepare a report showing how and at what level other states fund the programs provided for under this act. The Center shall recommend an appropriate funding level for Oklahoma which will make these programs nationally competitive with those of other states. The Center's findings and recommendations shall be submitted to Oklahoma Futures for review and then submitted to the Governor and the Legislature including the standing committees of economic development and higher education of the Senate and the House of Representatives.

C. The Center shall adopt, upon review by Oklahoma Futures, a threshold funding level for each of the programs provided for under this act. The threshold amount shall provide for funding that is great enough to have a significant impact and carry out the intent of this act. If the funding for these programs falls below the threshold, then no funding shall be provided by the Center to the program funded below threshold level.

D. Seven (7) years after the Oklahoma Center for the Advancement of Science and Technology has begun operations, Oklahoma Futures shall review, analyze and evaluate the extent to which the Center has achieved its statutory need and mission. The evaluation shall include, but not be limited to, an examination of quantifiable results of the Center's programs and plans.

**§ 5060.23. Acquiring ownership of corporation or partnership prohibited--Exceptions**

The Oklahoma Center for the Advancement of Science and Technology shall not be permitted to

Included in the FY90 Business Plan is a "Funding Review of State Science and Technology Development Programs" report prepared for OCAST by Technology Development Associates of Takoma Park, Maryland. The report compares programs in leading states in categories that correspond to OCAST's Centers of Excellence, Applied Research, Technology Transfer and Seed Venture Capital programs; and indicates the annual funding amounts for these state programs.

OCAST's annual appropriation request is developed by staff and directors at the annual retreat. Information used in developing the request includes the funding level report; the results of the most recent assessment of program design and funding; input from the advisory committee assisting with the program's development, implementation and refinement; and estimates of income from other sources.

make an expenditure for purposes of any loan, grant or for purposes of acquiring any form of ownership in a corporation or partnership unless authorized by law including, but not limited to, Section 15 of Article X of the Oklahoma Constitution.

**OKLAHOMA CAPITAL INVESTMENT ACT****§ 5061.2. Statement of need--Oklahoma Capital Investment Board created**

A. Fundamental changes have occurred in national and international financial markets and in the financial markets of this state. Oklahoma needs to increase the availability of privately managed equity and near-equity financing for emerging, expanding and restructuring enterprises in Oklahoma. Such investments will create jobs for Oklahomans and will help to diversify the state's economic base.

B. There is hereby created as a part of the Oklahoma Development Finance Authority the Oklahoma Capital Investment Board which shall be operated as a separate and distinct administrative division of the Oklahoma Development Finance Authority with segregated funds, accounting system and administration.

**§ 5061.3. Mission of Oklahoma Capital Investment Board**

The mission of the Oklahoma Capital Investment Board shall be to mobilize new private sector equity and near-equity capital for investment in such a manner that will result in a significant potential to create jobs and to diversify and stabilize the economy of the State of Oklahoma.

**§ 5061.4. Relationship with Oklahoma Futures--Annual business plan**

In order to fulfill its mission as mobilizer of private equity and near-equity capital for Oklahoma enterprises, the Oklahoma Capital Investment Board shall be subject to the policy development of Oklahoma Futures. To ensure the Board fulfills the legislative purpose for which it is created, Oklahoma Futures shall provide long-term oversight by reviewing the Board's five-year plan, and annual oversight by reviewing the annual report pertaining to operations of the Board. The Oklahoma Capital Investment Board shall develop an annual business plan for the Board. The business plan shall be submitted to Oklahoma Futures for its approval and shall be included in the annual report of Oklahoma Futures. The business plan shall be consistent with the goals of the recurring five-year policy plan as provided by law. Oklahoma Futures shall approve such policy plan before it is implemented. The Board shall distribute copies of the business plan by such means that will make it widely available to

In August 1988 the original legislation was amended to reflect recommendations by the Attorney General due to questions of the constitutionality of some of the language.

In November 1988 the Attorney General rendered his opinion certifying that all features of the OCIB legislation were constitutional.

The FY90 Business Plan was prepared, approved by Oklahoma Futures, and distributed to economic development managers across the state.

In June 1990 the FY91 Business Plan will be presented to Oklahoma Futures for their review and approval.