January 20, 2021

Director Mike Jackson and the Legislative Office of Fiscal Transparency,

Thank you for the opportunity to respond to the third draft of the Rapid Response Evaluation Coronavirus Relief Funds Report prepared by the Legislative Office of Fiscal Transparency (LOFT). We know that your team has worked hard, and our team has had many positive interactions with LOFT over the last several months. We hesitate, however, to repeat the word "evaluation," which LOFT has used rather liberally. The word "evaluation" as defined by Merriam-Webster is the "determination of the value, nature, character or quality of something."[1]

The LOFT report cannot be accurately described as an evaluation. In the business, private and often public sector, an objective evaluation report would properly define the project being evaluated and proceed to clearly document positive, neutral and negative aspects of the project.

Good examples found in the Oklahoma public sphere are the numerous evaluation reports performed by the PFM Group for the Incentive Evaluation Commission. (As an example, please see the attached Aerospace Employer & Employee Tax Credits Evaluation Report, November 2, 2020, in Appendix A.)

In contrast, and despite the frequent and positive feedback provided on an ongoing basis by members of our Legislative Advisory Committee (LAC), LOFT has produced what appears to be an agenda-driven document which seeks only to cast negative light on the monumental accomplishments of the CARES *FORWARD* Team's work to distribute Coronavirus Relief Funds (CRF) in the middle of the global COVID-19 pandemic.

Please refer to the engagement letter of Aug. 28, 2020 sent to the Oklahoma Secretary of Budget which states LOFT's scope of work is to "Collect data on funds distributed by the federal government in response to the COVID-19 pandemic; identify any gaps in information; and present data trends or anomalies." Unfortunately, none of the three drafts of the report received from LOFT have properly assessed any other CARES Act funding beyond the $1.26 billion in CRF dollars received by the executive branch, which represents roughly **one-third of the $3.8 billion total CARES Act funds allocated to Oklahoma government entities** through the federal legislation. Further, LOFT not only went well outside of its scope with significant subjective and qualitative observations not rooted in the data, but, after having to scrap their entire inaccuracy-riddled draft report from November due to flaws we highlighted in the work product and process, LOFT was clearly challenged to prepare a coherent report, with entirely new findings, in the final month of the calendar year.

LOFT chose to conduct an urgent in-flight exercise significantly distracting the CARES *FORWARD* team while we worked to deliver essential aid to Oklahomans based on an inflexible

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[1] https://www.merriam-webster.com/dictionary/evaluation

federal deadline of Dec. 30, 2020. The CARES *FORWARD* team always expected—and still expects—to spend a significant amount of time after Dec. 30 looking at all documentation and organizing materials for the audits that will come. The timing of LOFT's work was an enormous distraction, pulling our team away from its critical duties to aid Oklahomans prior to a federally mandated deadline to, in many cases, help the brand-new LOFT analysts learn their trade and the workings of state government.

CARES *FORWARD* trained the LOFT team at the start of the engagement. **Despite this, over two months of our team's and LOFT's work on this engagement was wasted time as the LOFT team "evaluated" CARES *FORWARD* by literally counting words on spreadsheets while failing to leverage the training we provided them or even to log in to review the primary data that auditors will ultimately use. System log-in records shared with LOFT in our response to the draft November report illustrate this. The fact that LOFT cites their inability to find certain information is in part rooted in the fact that it wasn't even looking for it** for the first three months of the engagement, until late November or early December.

Ultimately, LOFT fails to provide a comprehensive and accurate review of the work of the CARES *FORWARD* Team in this report, as they only analyze transactions up to Dec. 2, a fact that LOFT does not make clear until page 17 of its report and never mentions in the breakdown of its methodology on page 26—while at the same time calling out the CARES *FORWARD* effort for having significant unspent funds at the time of the review. While LOFT worked to build a report based on numbers stopping in early December, the CARES *FORWARD* team continued to work diligently to distribute critical funds to Oklahomans by the federal deadline of Dec. 30, 2020. Several of LOFT's conclusions on how much and where funds were spent are therefore simply incomplete.

Since the LOFT report fails to properly describe the work or mission of the CARES *FORWARD* Team, we will do so now.

In the middle of a nationwide pandemic, which caused the forced closure of the American economy and the necessity of most civilian and public sector employees having to work remotely, the U.S. Government distributed $3.8 billion of relief through the CARES Act to multiple entities in Oklahoma, of which $1.5 billion of Coronavirus Relief Funds (CRF) was distributed to the executive branch of Oklahoma, Oklahoma County, Tulsa County and Oklahoma City. $1.26 billion of the CRF was specifically designated to the executive branch of the State of Oklahoma to assist with COVID-19 related expenses and provide economic support to those suffering from employment and business disruptions. To add to the complexity of the work, the deadline for all distributions was set for Dec. 30, 2020, with no provision to carry over funds or extend projects into the new year.

The mission of the CARES *FORWARD* Team, as often communicated to LOFT and well-understood by the LAC, is and has been:

- **Funding Opportunities:** Our mission is to maximize all federal dollars available for State agencies and local governments to rebuild and recover during this unprecedented time and to maintain the integrity of Oklahoma's $1.26 billion in Coronavirus Relief Funds (CRF) for COVID-19 related expenses, emergencies, and pandemic preparedness.
- **Rebuilding the Workforce:** Following guidance from the U.S. Treasury, the State will distribute grants to assist in rebooting Oklahoma's job creators that were affected by the presence of COVID-19.
- **Accelerating Recovery from Damages:** Leveraging a new platform, the State will fulfill reimbursements and get federal funds into communities of need as quickly as possible. The State will seek to minimize risks by working in coordination with accounting experts to ensure compliance of CRF distribution and reimbursements.

LOFT also completely neglects to properly understand and communicate the many successes of the CRF initiatives that were developed, implemented and managed by hundreds of apolitical state employees and Oklahomans who put in numerous extra hours beyond their regular work and life duties to assist the hurting people of Oklahoma. **Deployment of CRF literally preserved lives, homes, businesses, jobs and children's safety from abuse and neglect, and our team deployed the funds where it mattered while having to carve out dozens if not hundreds of person-hours to train and assist LOFT**. Just a few of these extraordinary successes include:

- **Support for Cities and Counties:** $250 million in CRF was allocated to over 400 cities and counties across the state. This funding helped ensure cities and counties could maintain critical health care responders, purchase PPE and implement necessary safety measures to mitigate the spread of COVID-19.
- **PPE for K-12 Schools:** Over $3 million in CRF was allocated to purchase PPE for all Oklahoma K-12 public schools that offered in-person learning opportunities for students during the COVID-19 pandemic.
- **Oklahoma Business Relief Program:** The OBRP program allocated $145 million in CRF to help over 8,000 local small businesses across the state overcome the economic challenges of COVID-19.
- **Eviction Mitigation:** The Eviction Mitigation program committed $10 million in CRF to support non-profits that are helping Oklahoma families stay in their homes after being impacted economically by the presence of COVID-19. To date, over 2,600 families have been assisted.
- **Food Supply Chain Stability:** This program utilized $10 million in CRF to administer economic grants to 40 Oklahoma meat processing businesses for the purpose of adding increased precautions to protect meat processing capacity in Oklahoma.
- **Community HOPE Centers:** $15 million in CRF was allocated to implement Community HOPE Centers across the state. Each center has mental health professionals, Oklahoma Department of Human Services staff, virtual learning tools, such as computers

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and iPads, meals and snacks, a weekend backpack program and other programming available to support families. Currently, the state has opened 52 centers with the capacity to serve over 2,900 kids.

- **Long Term Care Facility Grants:** To complement the Stitt administration's reopening plan for long-term care facilities and nursing homes, $35 million in CRF was designated towards helping each facility increase infectious disease protocols as well as provide financial support for the purchasing of PPE, additional cleaning supplies, and telehealth medicine.

We further find it disconcerting that the LOFT team never attempted to meet with all of the members of the CARES *FORWARD* Steering Committee. Although the initial engagement interview included the Oklahoma Secretary of Budget and the Director of Budget Policy, LOFT never interviewed or discussed the CRF distribution work with the Chief Operating Officer of Oklahoma, John Budd, who was tasked by Governor Stitt to develop an overall organization to receive and distribute the federal relief funds. Likewise, LOFT never interviewed the Oklahoma Secretary of Transportation, Tim Gatz, who was a critical member of the steering committee because of his vast experience in dealing with federal dollars and projects.

Also, despite repeated attempts to explain our work and educate LOFT staff, there seems to be an ongoing lack of understanding about how the entire CARES *FORWARD* Management structure, process and financial system of record work. For proper context, the CARES *FORWARD* Steering Committee and Project Management Office developed three avenues for CRF distributions, each with their own procedures and documentation. These three avenues are:

- **Reimbursement to State Agencies for COVID-19 Related Expenses**
    - Agency CFOs were taught early in the process to submit financial activity in compliance with guidelines
    - OMES divisions of Central Accounting & Reporting and Budget provided agencies with the procedures to follow (these documented procedures were provided to LOFT)
    - Requests were submitted to the Project Management Office (PMO) for review and reimbursement of approved items
- **Reimbursements to Cities and Counties**
    - Communiques, virtual meetings and training sessions were held to assist city and county staff with registering and utilizing the new online grant provisioning platform (Salesforce)
    - Provided cities and counties with instructions for the federally required subrecipient agreements and risk assessments to aid in the monitoring of CRF
    - Designed and adopted an allocation model for designated dollars allotted to each city and county to facilitate an equitable distribution of CRF

- **"Economic Support Grants" aimed at keeping state services functioning in a pandemic environment and distributing relief dollars to eligible projects**
  - Solicited ideas for "Economic Support Grants" from a broad group of stakeholders
  - Submitted requests for projects to the "pillars," including the description and answers to compliance related questions (Example for Community Hope Centers included in Appendix B)
  - Implemented a scoring analysis for all potential projects with critical criteria and an easy-to-understand quantitative scoring system, which was completed by three Steering Committee Members – Secretaries John Budd, Tim Gatz and Mike Mazzei. This was followed by presentation to the Governor for final approval or rejection.

We wish we could say otherwise, but the above clearly leads us to the conclusion that LOFT's "evaluation" began with findings in mind and was largely an agenda-driven exercise to simply find fault with the work of the CARES *FORWARD* Team, perhaps due to the unusual circumstance of the Executive Branch being given direct authority to expend funds by the federal government. We are frankly confused because our team operated apolitically; we not only followed legislative guidance in establishing our transparency website, but we also met frequently with a bi-partisan, bi-cameral LAC that engaged with us very positively and constructively. This assessment includes numerous inaccuracies and gross misrepresentations which call into question the entire credibility and usefulness of the report. The following pages address the details of these inaccuracies and gross misrepresentations.

John Budd
Chief Operating Officer
State of Oklahoma

Mike Mazzei
CARES *FORWARD* Team

Agency Response Template

Evaluation Report: Rapid Response Evaluation of State Expenditures of Coronavirus Relief Funds

    I.   Introductory Comments from Agency regarding the subject of evaluation
    II.   Technical response to findings and/or recommendations
    III.   Policy response to findings and/or recommendations

Finding 1: Process for spending coronavirus relief funds lacked structure and clarity

Does the agency agree with the facts as presented?	Does the agency agree with the recommendations related to this finding?
The CARES *FORWARD* team disagrees with Finding 1 and does not agree with the facts as presented by LOFT. A number of facts under Finding 1 are inaccurate and misleading. These inaccuracies are detailed by the CARES *FORWARD* team in the agency comments below.	The CARES *FORWARD* team believes the recommendations under Finding 1 fail to properly evaluate the distribution of CRF, instead focusing on irrelevant recommendations for the Oklahoma Legislature. The CARES *FORWARD* team agrees the Legislature should report accurate data to NCSL. Unfortunately, LOFT's report does not clearly identify that NCSL is the National Conference of State Legislatures, which is not an organization that involves the executive branch.

Agency Comments and Clarifications (Technical response)

CARES *FORWARD* response to "Finding 1: *Process for spending coronavirus relief funds lacked structure and clarity*"

LOFT recommendation under Finding 1 states: *The Legislature should consider forming a centralized body and process to distribute federal relief, with clear communication, accountability, and an emphasis on adequate approval documentation, processes, and data management. The Legislature should consider requiring the reporting of data to NCSL for the enhancement of transparency and readily available state comparisons.*

The CARES *FORWARD* Team disagrees with the finding. As soon as the CARES Act was passed and state executive leadership became aware that Oklahoma was going to receive $1.26 billion in Coronavirus Relief Funds (CRF) that must be spent by Dec. 30, a robust leadership team was developed (as shown on the "pillars" chart in LOFT's report) and communicated to the Legislative Advisory Committee (LAC) in every interaction with them. This project included multiple levels of assessment and approval, with the final approval of projects resting with Governor Stitt. In addition, the team set up regular meetings for the purpose of providing briefings to the legislature who had the ability at any time to ask additional questions and provide input on programs. **It should further be noted that CARES *FORWARD* has complied with all federally required reporting and the U.S. Treasury Office of Inspector General's online reporting system has accepted two reporting cycles for Oklahoma's use of CRF through Sept. 30, 2020, totaling $670,333,209.82 million. CARES *FORWARD* submitted Cycle 3 on Jan. 19, 2021, covering the time period of Oct. 1 to Dec. 31, 2020.**

The CARES *FORWARD* team agrees the Legislature should report accurate data to NCSL. Unfortunately, the report does not identify prior to this finding that NCSL is the National Conference of State Legislatures, which is not an organization that involves the executive branch.

The following are specific inaccuracies and misrepresentations noted in Finding 1:

- LOFT references an absence of leadership and structure. However, the CARES *FORWARD* organizational chart, which included hierarchy, was provided to LOFT (and cited in Figure 1 of its report) as well as to the LAC. The LAC was encouraged to submit ideas to "pillars" for consideration of funding through the Coronavirus Relief Fund (CRF).

Figure 01: CARES FORWARD Funding Pillars (Illustration of the CARES FORWARD structure and approval process for reimbursements and projects)
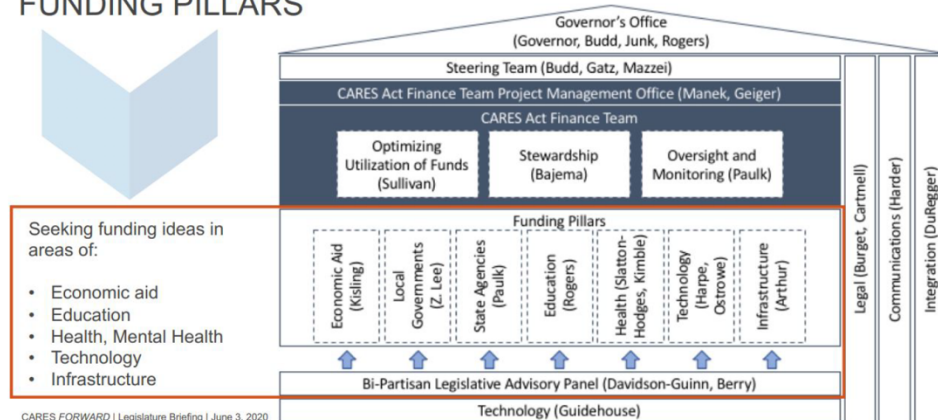
Figure 01 in LOFT Report

- LOFT has asserted that LAC was informed of decisions often after approval, which is misleading. LAC not only had direct input on use of funds, but they were also briefed every two weeks on project status, approvals, rejections, expenditures to date and potential future projects and expenditures. **In many cases, the LAC was informed about projects that were in development ahead of the actual approval and distribution, most notably the UI Trust Fund Deposit of $100 million. In other cases, projects were launched after LAC recommendations, such as Eviction Mitigation and PPE Reimbursement for Higher Education, which was actually developed in partnership with an LAC member, Rep. Kyle Hilbert**. Participation from members of the LAC in the bi-weekly meeting was at times minimal, therefore CARES *FORWARD* provided documentation after each meeting to be distributed to the legislature. Bi-weekly meetings have occurred throughout the timeline of CRF distributions (April through December) and continue today. Transparency and communication have been the goal of the CARES *FORWARD* team since inception.
- LOFT states CARES *FORWARD* only presented project and overall spending strategy summaries to legislators during a biweekly briefing versus providing complete project documents. CARES *FORWARD* has been diligent in quickly responding to any questions from members of the LAC, who did not have any outstanding requests for detail that were unsatisfied. It seems there is a general misconception on the purpose and depth of detail for LAC. LOFT's concern that a lack of detail was provided to the LAC omits the reality that legislators on the committee did not ask for the level of detail that LOFT staff

asked for. LOFT also, confoundingly, implies nefarious intent by CARES *FORWARD* not providing as much detail to the LAC in one-hour briefings as it did to a body that was explicitly brought in to review detail. **The LAC was participating in the process, not criticizing it**. It is noteworthy that LOFT did not assess the performance of the LAC, a crucial part of the overall CARES *FORWARD* process.

- CARES *FORWARD* has painstakingly documented all uses of CRF, and that information has been made available to the LAC and LOFT. In the report, LOFT acknowledges documentation for CRF expenditures is available in the two systems of record, PeopleSoft and Salesforce, systems which LOFT only really accessed to any material extent in the last month of its four-month engagement.

- LOFT asserts approval documentation was lacking in PeopleSoft, stating "where approval documentation is not present on PeopleSoft, it is likely contained as attachments to email messages between members of the team" (page 14 of LOFT report). This is inaccurate and misleading. Because agencies like the Oklahoma State Department of Health (OSDH) and the Oklahoma Department of Human Services (DHS), are explicitly allowed, by statutes approved by the legislature, to use different systems of record, there are multiple financial systems in state government. This means that at times, data may be transmitted between entities via email, but the data itself is still residing in the home system of record. **To our knowledge, LOFT did not seek to access the systems of record for OSDH and DHS, so it's easy to understand why LOFT might perceive that email is the only place this data resides**.

- Other than certain agencies, such as OSDH and DHS that are allowed by statute to interface payment files with PeopleSoft and maintain documentation in-house, statewide accounting procedures require documentation of expenditures when vouchers are processed. However, due to the pandemic emergency and the quick move by agencies to allow employees to telework, OMES Central Accounting and Reporting temporarily modified procedures to allow agencies to process vouchers and hold documentation until such time as individuals were back in the office and could properly scan supporting documents. This was not limited to expenditures related to COVID-19; by now most documentation is in the state's system of record. During this timeframe, agencies seeking reimbursement for COVID-related expenditures were required to submit documentation to the CARES *FORWARD* Team and that was often via e-mail because of the telework situation. This was a pandemic solution, not a permanent solution, and LOFT has been made aware of this.

- When LOFT was unable to or did not want to leverage primary systems of record during September, October and November, it no doubt hindered the LOFT team's ability to conduct its review. Access to both systems of record was granted to LOFT and training was provided on multiple occasions as to the use and navigation of these systems. Finally, on Dec. 3, the LOFT team decided to set up a shared site so that CARES *FORWARD* could re-submit all of the information that had previously been shared with LOFT. **When LOFT praises its shared site and talks about its difficulty in obtaining data, it should be noted that LOFT's failure to use the systems provided or even to have data protocols in place at the start of the engagement led to significant re-work by our team at a crucial moment in dealing with the Oklahoma pandemic**.

- The LOFT Team asserts that they have repeatedly asked for information on the documentation process of CARES FORWARD, specifically for the State's Department of Health and Department of Human Services. Documentation for both agencies was saved to LOFT's document sharing site on Dec. 8.

- LOFT asserts that it was given incomplete data sets and refers to an email in Appendix L where an OMES Accounting staff member said there wasn't enough data to find the information. The email in Appendix L leaves out the response from the CARES *FORWARD* team, which resolves the issue. The document that LOFT had given the OMES accounting staff to work off of had been filtered down **by LOFT** and columns were removed so that the information the OMES employee was working from was not complete. The MASTER detail spreadsheet (unfiltered and with all columns included) had all of the information necessary to trace any documents related to reimbursements that were in PeopleSoft. (See Appendix C for CARES *FORWARD*'s email to LOFT).

- LOFT describes confusion about accountability for the effort. This mystifies us. The project was managed exactly as shown in our "pillars" chart. Ideas were sought by pillar leaders from multiple sources, including the LAC. Pillar leaders fleshed out their proposed initiatives, our PMO and financial team vetted them to ensure compliance with CRF rules, our steering committee scored them, and the Governor approved or rejected them.

- LOFT also describes confusion about our scoring system itself. For initiatives that fell into the "Economic Support Projects" category, projects were scored, according to the matrix provided, on eligibility, fit with strategy, and significance. If Secretaries Budd, Gatz and Mazzei all scored a project above minimum requirements, the proposed project was presented to Governor Stitt for review and final approval. Federal guidance was

followed as to the eligibility of all expenditures and projects. The use of CRF funds had a finite timeline (Dec. 30) and this was factored into the approval process for projects and the completion thereof.

- LOFT criticizes the subjective nature of the approval process, while failing to note that the expectation set by U.S. Treasury was that initiatives would follow guidelines, with states having significant latitude to address priorities.
- LOFT cites that "Wyoming's project selection structure utilized a group composed of staff from the Office of State Lands and Investment and representatives from the Attorney General's Office. This group made recommendations to a Board for either approval or rejection of funds, with rejected proposals accompanied by a one or two sentence explanation" (page 11 of LOFT report). However, they do not provide a citation for this example. A quick google search by CARES *FORWARD* revealed the example is of a board document for one single agency that was allocated $174.5 million in CRF for cities, counties and local subdivisions, not the entire state of Wyoming CRF allocation of $1.25 billion.[2] Shown in Figure 2 of LOFT's report is a chart from the State Loan and Investing Board totaling $18.9 million in rejected projects to local entities. In order to properly compare what the Wyoming State Loan and Investing Board was administering to what CARES *FORWARD* was administering, our team used SalesForce to administer the city and county portion of the CRF grant. LOFT seemed to approve of that system and as a means to properly document activities related to reimbursements to cities and counties for eligible expenditures. As found on the Wyoming CRF transparency site, other funding streams went through different entities for approval (i.e. Economic and Business Relief was administered by the Wyoming Business Council).[3]
- LOFT's concern over clarity of documentation and cited complaints with the PeopleSoft system fails to recognize that CARES *FORWARD* stood up Salesforce for the purpose of administering the city and county grants, which the LOFT team states was "excellent documentation in a system that is intuitive, easy to navigate, and has substantive detail" (page 14 of LOFT report), but did not stand up Peoplesoft, the required system of record for most state agencies. In fact, as 62 O.S. § 34.11 requires OMES Division of Central Accounting and Reporting to "prepare uniform budget and accounting classifications for all state agencies and shall implement appropriate accounting methods and systems in state agencies," it was decided by state leadership in the late 1990s and early 2000s to pursue implementation of the Oracle PeopleSoft suite to accomplish this, and the project

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was specifically funded by line item appropriation throughout the years.[4] Further, [62 O.S. § 34.64](#) provides legislatively set parameters for state agencies to store financial data outside of the OMES system.[5] The example of "numerous instances of failed attempts to find sufficient approval documentation for a random selection of transactions" includes agency transactions that fall under this category (page 14 of LOFT report). **LOFT does not find PeopleSoft to its liking in the brief window of time LOFT actually attempted to use the system. It is hardly reasonable to take the CARES *FORWARD* team to task for its disgruntlement**. We happen to know efforts are in place to address this system, but that is outside the scope of our work and this engagement.

- LOFT fails to mention all of the structure that our team put in place to ensure dollars were used appropriately and any projects that were started were completed successfully. These include:
    - Daily Project Management Office meetings
    - Weekly Steering Committee meetings
    - Weekly Group Meeting of all CFT Participants
    - Weekly Project Reviews with all project sponsors
    - Weekly reviews with the Governor
    - Bi-weekly Legislative Advisory Committee meetings
    - The transparency website at caresact.ok.gov, adhering to state law and transparency guidelines set forth by the state legislature under [62 O.S. § 34.6](#).[6]
    - A brand-new portal for cities and counties
    - A project submission form that required all ideas to meet CRF guidelines prior to consideration
- Table 1 listed by LOFT is misleading and appears to deliberately cherry-pick examples of rejected projects. In fact, the examples of rejected projects all have clear reasons for rejection. To our knowledge, LOFT never asked for this information and only let our team know this was an area of concern on Dec. 31, with the issuance of a draft report. Briefly:
    - Rural Broadband expansion was not possible during this time period as the Legislature established a new Rural Broadband Council that has not yet developed a strategy to invest against

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[4] https://protect-us.mimecast.com/s/YS-HCM86MztDLknOSw9ArL?domain=oscn.net
[5] https://protect-us.mimecast.com/s/otByCNkRNAfJQPglC4-ody?domain=oscn.net
[6] https://www.oscn.net/applications/oscn/DeliverDocument.asp?CiteID=456770

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- REAL ID was budgeted in FY20, and so therefore investment of CRF dollars in that project would have violated Treasury guidelines and subjected them to clawback
- Hunters Against Hunger, while a great idea, does not produce a product that Food Banks can use due to USDA guidelines, which means that the program as summarized is not allowable

Table 01: Project Comparison Matrix – Selected Examples Including Verbatim Descriptions[9] - Project Rejection Criteria and Documentation is not readily available.

Projects	Rejected	Approved
Rural Broadband / Remote Work	**Rural Broadband Initiative:** "...has long term, direct benefit to Oklahoma's ability to respond to future technological demands."	**Remote Work for State Employees:** "...Create seamless online experiences for the citizens of Oklahoma when they engage with pandemic-impacted state agencies/Allow the State workforce to work remotely."
Federal Compliance / Pre-existing Mandates	**REAL ID:** "There are approximately 2.7 million driver licenses in the state of Oklahoma, and the agency has estimated that at least 650,000 will need a REAL ID to fly or enter federal facilities before the federal deadline of October 2021." [Initial directive from Federal government in 2005[10]]	**FBI Crime Reporting:** "The RMS would bring OHP into compliance with the FBI's NIBRS 2021 mandate for documentation when assisting local law enforcement agencies, as well as allowing proper documentation of site security provided for quarantined inmates." [Final directive from Federal government in 2016[11]]
Community Impact / Supply Chain Management	**Hunters Against Hunger:** "This program provides [food] to feed hungry Oklahoma families...[and has] provid[ed]over 2,000,000 meals to Oklahomans."	**Food Supply Chain Grants:** "This proposed funding of $10,000,000 would provide grants up to $1,000,000 for Oklahoma meat processors to build or expand their businesses and create additional meat processing capacity in Oklahoma."

Source: Legislative Office of Fiscal Transparency

Table 01 in LOFT Report

- **<u>The significant concern LOFT seems to have with rejected projects is confusing; federal auditing processes will look at how money was spent, not how money was not spent</u>**

- LOFT cites Higher Ed as an example of best practices in federal compliance requirements, apparently solely based on a LOFT survey. LOFT fails to note that every single CARES *FORWARD* project sponsor had to explicitly review Treasury guidelines to even submit a project. Additionally, each of the three best practices LOFT cites that higher education survey respondents said they had in place were in place with our process.

Finding 2: A significant component of Coronavirus Relief spending was for government modernization

Does the agency agree with the facts as presented?	Does the agency agree with the recommendations related to this finding?
The CARES *FORWARD* Team believes Finding 2 clearly demonstrates that the LOFT team misrepresents and fails to understand the overall "Economic Support Projects" and spending from the Coronavirus Relief Fund and does not agree with the facts as presented by LOFT. A number of facts under Finding 2 are inaccurate and misleading. These inaccuracies are detailed by the CARES *FORWARD* team in the agency comments below.	The CARES *FORWARD* team finds this recommendation irrelevant, as "clear guidelines and processes" were established in lockstep with Governor Kevin Stitt and his administration. It is important to note that as the head of the Executive branch, Governor Stitt cast the vision for the CARES *FORWARD* team and had final say in how federal relief funds were to be effectively distributed to benefit Oklahomans affected by the COVID-19 pandemic.

Agency Comments and Clarifications (Technical response)

CARES *FORWARD* response to "Finding 2: A significant component of relief funds was used for government modernization"

LOFT recommendation under Finding 2 states: *Prior to expending any future aid, Oklahoma should adopt clear guidelines and processes that result in better alignment to the Executive's vision for how federal relief funds benefit the State.*

The CARES *FORWARD* Team believes Finding 2 clearly demonstrates that the LOFT team misrepresents and fails to understand the overall "Economic Support Projects" and spending from the Coronavirus Relief Fund. "Economic Support Projects" were strategically directed to both keep the operations of state government functioning during the COVID-19 pandemic and also provide broad and targeted economic relief dollars through several types of grant projects to
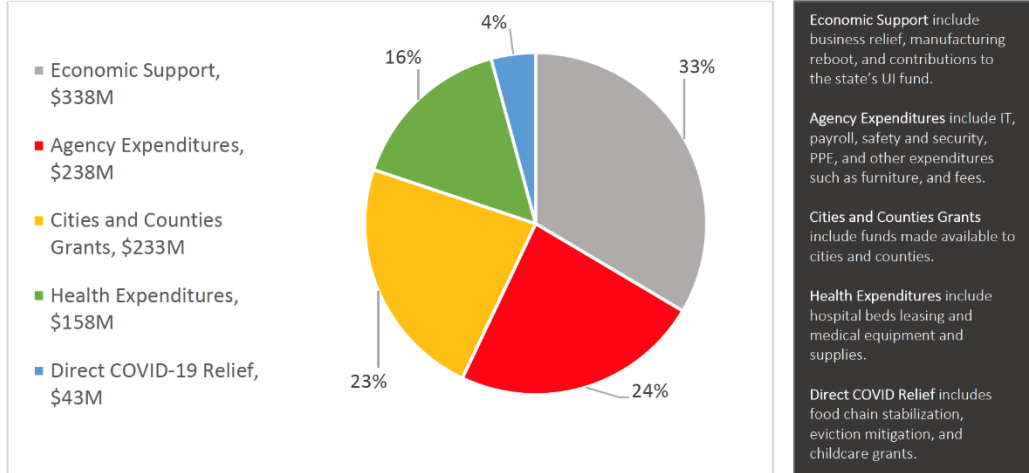
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thousands of Oklahomans. An overarching strategy was intentionally designed and pursued to balance the distribution of relief dollars toward health care costs, economic aid, educational priorities, cities and counties and support for the functioning of core state services as approved by the executive branch. **At all times, Treasury guidelines were a constraint**.

Further, LOFT makes the assertion that "a significant component of relief funds was used for government modernization" (page 17 of LOFT report). Continuity of state government is a crucial concern during a pandemic or any emergency. **It is, in fact, our most solemn responsibility to provide core services in times of emergency. The fact that "modernization" is positioned as a negative thing in LOFT's findings seems completely irresponsible and unsympathetic to the plight of Oklahomans in the pandemic**. Any of us who worked around the Capitol will never forget the lines wrapped around the Will Rogers Building, filled with desperate Oklahomans unable to receive their unemployment benefits given the use of a 1978 mainframe by the Oklahoma Unemployment Security Commission. Further, LOFT fails to identify the amount spent on government modernization, much less how it was a "significant component of relief funds."

The following are specific inaccuracies and misrepresentations noted in Finding 2:

- LOFT references six OMES purchase orders that are not included on the 'Agency reimbursement with detail MASTER'. While that statement is correct, the inference is wrong. The 'detail MASTER' includes only distributions from the CRF, and purchase orders established by an agency would never be reflected there unless associated with a direct disbursement from the fund. **Despite several attempts by the CARES FORWARD team to explain the detail MASTER spreadsheet, it appears that LOFT does not understand the data they are reviewing and are under a misconception that a purchase order is equivalent to a distribution. POs are not expenditures**. NTT Data, Inc. POs have not been funded directly from CRF, and therefore are not on the master balance sheet of distributions from the fund. As explained repeatedly throughout this project, some projects were advance-funded to assist agencies with complex cash flow needs while navigating the demands of a global pandemic and meeting aggressive project timelines to adhere to the Dec. 30 deadline for the funds. Those distributions are represented on the spreadsheet.
- The health expenditure dollars are incorrect by a large margin in Chart 4 (A breakdown of "Economic Support Projects" by allocation category, which was provided to LOFT, is included in Appendix D).

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Chart 04: Expenditures Grouped by Type – Transactions equal to or greater than $20,000, excluding returns and categorized.

Economic Support include business relief, manufacturing reboot, and contributions to the state's UI fund.

Agency Expenditures include IT, payroll, safety and security, PPE, and other expenditures such as furniture, and fees.

Cities and Counties Grants include funds made available to cities and counties.

Health Expenditures include hospital beds leasing and medical equipment and supplies.

Direct COVID Relief includes food chain stabilization, eviction mitigation, and childcare grants.

Source: Legislative Office of Fiscal Transparency

Chart 04 in LOFT Report

Please see the CRF Distributions by Categories table below for CRF amounts committed by allocation category. The dollars referenced here only include initiatives that are included in the "Economic Support" projects, and not distributions made to cities/counties or reimbursements to state agencies for COVID-19 eligible expenses. This information was shared with LOFT after our Jan. 5 Exit Conference.

Table 1: CRF Distributions by Categories

TOTAL CITIZEN ENGAGEMENT	$ 39,059,766.00	3.10%
TOTAL CITIZEN SERVICES AND INFRASTRUCTURE	$ 60,075,202.00	4.77%
TOTAL ECONOMIC AID	$ 352,433,758.33	27.99%
TOTAL HEALTH	$ 258,316,498.40	20.52%
TOTAL STATE GOVERNMENT CONTINUITY	$ 112,546,813.00	8.94%

Source: CARES *FORWARD* documentation

- LOFT points to the hand-selected CRF transactions listed in Table 2 stating, "the following projects and reimbursements appear to be unaligned with the U.S. Treasury definition of 'necessary' expenditures" (Table 2, page 19 of LOFT report).

Table 02: The following projects and reimbursements appear to be unaligned with the U.S. Treasury definition of "necessary" expenditures

Project Name or Description	Amount
Business Continuity / Disaster Recovery for State Agencies[21]	$100,000,000.00
Welcome Center Pandemic Modernization	$18,600,000.00
Tourism Remarketing Campaign	$2,000,000.00
HR-Exec. Search Consulting (Combined)	$849,919.02
IRS fee for offset of COVID Stimulus Payments (Combined)	$638,260.72
Cattlemen's Congress Event	$250,000.00
Office Furniture & Equipment	$80,000.00

Source: Legislative Office of Fiscal Transparency

Table 02 in LOFT Report

LOFT failed to present this concern to the CARES *FORWARD* team at any point during the review process **or even during the official exit conference on Jan. 5**. This is a brand-new surprise "finding" whose timing is highly questionable. But in fact, these programs and expenditures are all in line with U.S. Treasury guidelines and CARES *FORWARD* is happy to provide insight to each of these projects and expenditures:

- o **Business Continuity/Disaster Recovery for State Agencies:** Please see the Business Continuity/Disaster Recovery for State Agencies Project Follow Up document in Appendix E for a full breakdown of the project. To summarize, nothing is more critical to our mission as public servants during a pandemic than continuity of services to Oklahomans.

- o **Welcome Center Pandemic Modernization:** Please see the Welcome Center Pandemic Modernization Project Follow Up document in Appendix F for a full breakdown of the project, which added significant health safety provisions to these centers where visitors mix and meet.

- o **Tourism Remarketing Campaign:** Please see the Tourism Remarketing Campaign Project Follow Up document in Appendix G for a full breakdown of the project, which will drive needed recovery and economic activity in our state..

- o **HR-Exec. Search Consulting (Combined):** As has been consistently conveyed to LOFT, the master detail spreadsheet is a summary document of disbursements from the CRF. As such, state agencies utilize the State's Accounting Manual for these transactions for which they requested direct reimbursement. The "Account Code" at issue is below.

515410	HUMAN RESOURCES AND EXECUTIVE SEARCH CONSULTING SERVICES	Payments for services providing advice and assistance in the area of human resources (i.e., personnel, benefits, compensation, search and recruitment).

As the "Account Code" designations do not control actual spending ability in PeopleSoft Financials, LOFT has understandably misinterpreted the nature of the expense. The actual expenditures in question represent numerous Oklahoma State Department of Health (OSDH) contracts for temporary employees to aid in directly responding to the COVID-19 pandemic, namely contact tracers. The more appropriate account code follows.

515570	EMPLOYMENT PLACEMENT SERVICES	Payments for services providing employment listings and placement (of new employees). Also includes supplying workers for limited periods of time (temporary help).

While the criticism of a misleading account code use would be understood, questioning the legitimacy of the actual expenditure is completely inappropriate. Any legitimate effort to better understand the expenditures beyond the spreadsheet would result in evidence from paid invoices to clearly substantiate these as eligible expenditures of CRF. We would again note that LOFT only raised this issue <u>after</u> our exit conference, denying us the chance to answer questions during the review process.

- o **IRS fee for offset of COVID Stimulus Payments:** The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136, enacted March 27, 2020) included direct payments to individuals in 2020—referred to by the Internal Revenue Service (IRS) as "economic impact payments" ($1,200 per adult/$2,400 per couple filing a joint return; $500 for dependent children). Section 2201(d) of the CARES Act provides that these payments cannot be offset for past due debts to federal agencies, past due state income tax debt, or unemployment compensation debt, but it does not exempt those payments from offset for past-due child support for cases enforced by the Child Support Enforcement (CSE) program. This means that DHS incurred additional fees to process these payments. These fees were not budgeted for FY20 and were very clearly directly Covid-19 related. The IRS offset fee is $19.64 per offset. Child support services normally spends approximately $450,000 per year on IRS offset fees. FY20, the fee totaled $1,213,349 due to increased offsets of stimulus payments under the CARES Act. Treasury began offsetting economic impact payments (EIPs), paid

under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in OCSE Cycle 2020-16.

- o **Cattlemen's Congress Event**: $250,000 in CRF was allocated for the facility and staff of the Cattlemen's Congress Event to implement adequate social distancing measures, install hand sanitizing stations, adjust pens and stalls for appropriate spacing, allow for the event to be live streamed and implement any other measures necessary to allow the cattle show to move forward in a responsible and safe manner. It is incredibly important that beef producers have the opportunity to showcase and highlight their genetics as the beef industry strives to increase the efficiency of beef production. The Cattle Congress shows and sales allow the opportunity for beef breeders to improve the genetic potential of their cattle herd exponentially which ultimately leads to a more secure food supply.
- o **Office Furniture and Equipment**: Similar to the HR issue above, the agency reimbursement at hand is for used cubicles to house newly hired contact tracers and reflects the appropriate code the State Accounting Manual's objects of expenditure accounts, which is the following.

541110	OFFICE FURNITURE AND EQUIPMENT	Payments for purchase of general office machines (e.g., typewriters, adding machines, postage machines, facsimile machines, etc.); furniture (e.g., desks, chairs, files, etc.); office equipment (e.g., copying/duplicating machines, typewriters, adding machines, etc.) used in operation of an office; and movable equipment and furniture purchased under authority granted in bond or capital outlay appropriations acts. NOTE: For such items costing less than $500.00, OEC 536130, Office Supplies - Non-Expendable, may be used.

Furthermore, LOFT's table and entire report fails to specifically recognize the CARES *FORWARD* Team provided critical economic support to Oklahomans, including the following programs:

- o **Oklahoma Business Relief Program:** The OBRP program allocated $145 million in CRF to help over 8,000 local small businesses across the state overcome the economic challenges of COVID-19.
- o **Eviction Mitigation:** This program committed $10 million in CRF to support non-profits that are helping Oklahoma families stay in their homes after being impacted economically by the presence of COVID-19. To date, over 2,600 families have been assisted.
- o **Food Supply Chain Stability:** This program utilized $10 million in CRF to administer economic grants to 40 Oklahoma meat processing businesses for the

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purpose of adding increased precautions to protect meat processing capacity in Oklahoma.

- o **Child Care Stabilization:** Approximately $9.6 million in CRF was awarded to more than 2,200 childcare centers across Oklahoma to support the industry's efforts to deliver safe, essential services during the COVID-19 pandemic.
- o **Community HOPE Centers:** $15 million in CRF was allocated to implement Community HOPE Centers across the state. Each center has mental health professionals, Oklahoma Department of Human Services staff, virtual learning tools, such as computers and iPads, meals and snacks, a weekend backpack program and other programming available to support families. Currently, the state has opened 52 centers with the capacity to serve over 2,900 kids.
- o **Long Term Care Facility Grants:** To complement the Stitt administration's reopening plan of long-term care facilities and nursing homes, $35 million in CRF was designated towards helping each facility increase infectious disease protocols as well as provide financial support for the purchasing of PPE, additional cleaning supplies, and telehealth medicine.
- o **Oklahoma Arts and Cultural Industry Relief Grants:** The Oklahoma Arts and Cultural Industry Relief Grants program utilized $3 million in CRF to help restore lost jobs and support operations in the arts and cultural nonprofit sector at a time of economic crisis.
- o **OKAMA (Oklahoma Ambulance Association):** Oklahoma's Ground Ambulance Services have been challenged by the COVID-19 Pandemic, incurring expenses that they never could have anticipated. In a recent program, $5 million in CRF has been allocated to help Oklahoma's ambulance services reimburse expenses for staffing, PPE, medical supplies and lost insurance coverage.
- o **Food Bank Replenishment:** $6 million was distributed among Oklahoma organizations that assist in providing food for families in need by Oklahoma Department of Emergency Management (OEM). OEM, based on their expertise in responding to emergency situations, assessed the needs of each entity and distributed the funds to maximize the impact of each dollar. OEM accounted for the reach and capacity of each entity, most crucial needs, and other factors to determine the allocation.
- LOFT states, "Chart 05 depicts how neighboring states with similar Coronavirus Relief Fund allocations to Oklahoma have prioritized economic stabilization for small business grants. The following data represent 100 percent of the Economic Support expenditures

in other states, as available on NCSL, indicating a slightly above average allocation in Oklahoma ($184 million) towards direct economic support relative to neighboring states (on average, approximately $166 million)" (page 18 of the LOFT report).

Chart 05: Regional Comparison of "Economic Support" Expenditures

- Arkansas - $227.3 million in small business grants
- Kansas - $133.6 million in business grants and economic support
- Louisiana - $300 million in small business grants
- Missouri - $50 million in small business grants
- New Mexico - $100 million in small business grants, focusing on hospitality and restuarants
- Oklahoma - $184 million in grants and programs for businesses

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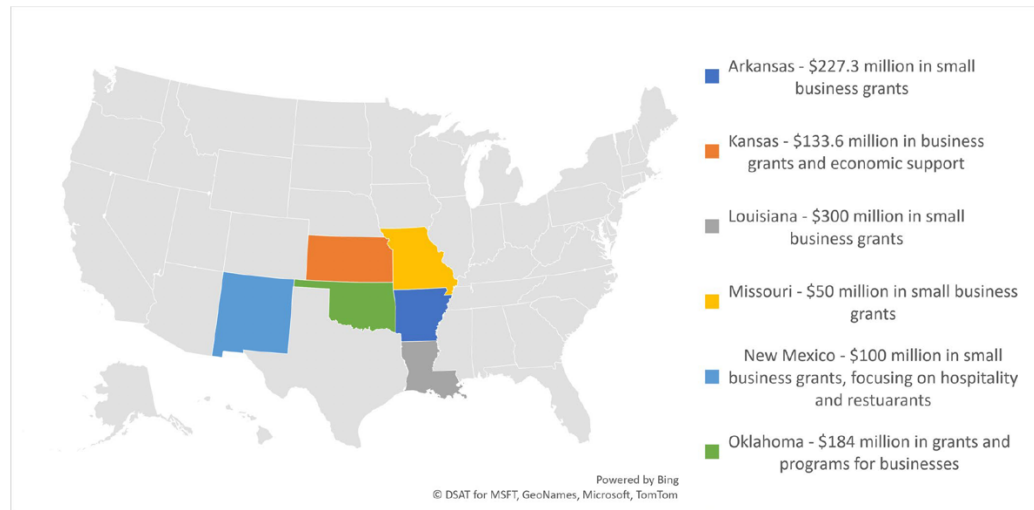
Source: Legislative Office of Fiscal Transparency

Chart 05 in LOFT Report

CARES *FORWARD* agrees that based on Chart 5, Oklahoma has allocated more CRF in direct economic support than a majority of the surrounding states listed. However, the source cited by LOFT misrepresents Oklahoma's total direct economic aid, and there is no other indication in the report as to how LOFT calculated this number.[7] CARES *FORWARD* dedicated $145 million to launch the Oklahoma Business Relief Program and combined with other programs, has allocated well over $300 million total in direct economic support to businesses, dwarfing most surrounding states.

It is important to note, CARES *FORWARD* was never asked to report data to NCSL, and LOFT never requested this specific comparison information, causing many programs to be misclassified. Additionally, a brief review of NCSL's website data indicates clear inaccuracies of Oklahoma's use of CRF.

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[7]

https://app.powerbi.com/view?r=eyJrIjoiMTcyNGQ5ZmUtNTY3Mi00YjViLTgyNjMtZjk1NzVkYTUyZGUzIiwi dCI6IjM4MmZiOGIwLTRkYzMtNDEwNy04MGJkLTM1OTViMjQzMmZhZSIsImMiOjZ9&pageName=ReportSe ction

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- LOFT questions, from their inaccurate representation of data in Table 2, the approval and funding process for CRF projects. As previously mentioned, CARES *FORWARD* has detailed documentation of the use of all CRF and this information has been made available to the LAC and LOFT. Please reference CARES *FORWARD*'s response to Finding 1 for more information regarding the team's efforts to diligently document CRF spending, update legislative members and provide Oklahomans with a transparent breakdown of all expenditures.
- We would further note that LOFT uses similar data in Appendix J to compare CRF utilization across states. **According to LOFT's analysis the states of Louisiana, Missouri, and New Mexico spent none of their Coronavirus Relief Funds to address health needs in the pandemic. If LOFT's analysis is correct, we are dismayed that our neighboring states chose not to use this opportunity to address health needs in their states, and we would encourage Oklahoma's legislature to raise this issue with their counterparts in those states. It does, however, seem unlikely that no funds were spent on health in these states, and more likely that LOFT's state analyses and comparisons to Oklahoma cannot be relied upon to draw conclusions.**
- LOFT questions the use of funding to launch information technology and compliance system programs, such as Business Continuity/Disaster Recovery for State Agencies. It is critically important to note that prior to the COVID-19 pandemic, the State of Oklahoma did not have a disaster recovery plan to ensure critical data is saved, meaning a disruption in the State's system could have resulted in a multi-day disruption in the delivery of essential services to Oklahomans. To be clear, if our tax systems went down, we could not properly collect and disburse funds. If any number of state agencies' systems went down, we could not provide aid checks to Oklahomans. It has been **unconscionable** for Oklahoma to be in this situation for these past few decades, and to our awareness, no one prior to the CARES *FORWARD* effort has ever attempted to address it. We are all extremely fortunate to have avoided a catastrophic outage prior to this. Once this extreme lack of emergency preparedness was identified, it would have been irresponsible for CARES *FORWARD* to not address the issue, provided, of course, that we followed Treasury guidelines. **The reality of a pandemic is the State must be able to continue to deliver critical services and outdated and unreliable systems are a direct threat to ensuring this can happen. Unemployed Oklahomans have lived this problem, and the Stitt administration has taken the necessary steps to address the antiquated system to ensure we can take care of our neediest citizens**.

- LOFT closes by recommending adoption of clear guidelines and processes. We will not belabor the point, but an enormous amount of structure was brought to this effort to ensure compliance and success.

Finding 3: Ongoing State needs may be underfunded

Does the agency agree with the facts as presented?	Does the agency agree with the recommendations related to this finding?
The CARES *FORWARD* team agrees that ongoing state needs related to COVID-19 expenses may be underfunded beyond 2020. However, this finding is wildly inappropriate as it relates to the scope of LOFT's evaluation, and CARES *FORWARD* does not agree with the facts as presented by LOFT. A number of facts under Finding 3 are inaccurate and misleading. These inaccuracies are detailed by the CARES *FORWARD* team in the agency comments below.	The CARES *FORWARD* team disagrees with this recommendation. The CARES *FORWARD* team's efforts to distribute CRF efficiently and effectively was rooted in a strategy that balanced the economic and health needs of our state and people amidst an on-going pandemic. As to benchmarking "spending outcomes to key performance indicators," such an exercise, while beneficial to a regular budget analysis and process, is not realistic in the middle of a pandemic where it is necessary to quickly and effectively deliver much needed relief dollars while operating under a finite deadline. Additionally, CARES *FORWARD* has shown an immense commitment to accountability and transparency throughout this process, including: • Launched a transparency portal at caresact.ok.gov to provide a breakdown of all CRF expenditures • Published all letters issued to cities and counties online • Met with the LAC a total of 11 times, • Met separately with both the President Pro Tempore of the Senate and the Speaker of the House

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	- Met four times with the Appropriation Chairmen of the Senate and the House (who are the Co-chairs of the LOFT board) - Implemented an intricate structure that incorporates dedicated state employees, agency heads, cabinet secretaries and the governor - Provided timely responses to inquiries Despite the federal government not requiring the executive branch to do so, Gov. Stitt and the CARES *FORWARD* team created and engaged the LAC in the process to distribute Oklahoma's $1.26 billion in CRF.

Agency Comments and Clarifications (Technical response)

CARES *FORWARD* response to "Finding 3: Ongoing State needs would be underfunded if not for additional aid"

LOFT Recommendation under Finding 3 states: *"Future disbursement of federal aid should be accompanied with a clear strategic plan that provides for more transparency and meaningful involvement from both the Executive and Legislative branches. The strategic plan should benchmark spending outcomes to key performance indicators directly attributable to an economic recovery and ensuring the health and safety of Oklahomans."*

The CARES *FORWARD* team has covered at length, in previous comments, how our efforts were rooted in a strategy balancing the various needs of Oklahoma. We have also covered the constructive engagement we enjoyed with our legislative partners.

The CARES *FORWARD* team agrees that ongoing state needs related to COVID-19 expenses may be underfunded beyond 2020. However, this finding is wildly inappropriate as it relates to the scope of this effort (to "Collect data on funds distributed by the federal government in response to the COVID-19 pandemic; identify any gaps in information; and present data trends or anomalies"). The CARES Act explicitly prohibited holding CRF for expenses beyond Dec. 30, 2020 (with very limited exceptions such as supply chain disruption). States did not receive an extension until Dec. 27, three days before the deadline. **LOFT implies, in the title of the**

finding itself, that the CRF funds should have been used for 2021 and ongoing needs; however, U.S. Treasury guidelines specifically prohibited revenue replacement as a permissible use of CRF payments.

The following are specific inaccuracies and misrepresentations noted as relevant to Finding 3:

- As mentioned under CARES FORWARD's response to Finding 2, the health expenditure dollars are still incorrect by a large margin under Finding 3. LOFT's reiteration of the inaccurate statement regarding IT expenditures is once again misleading.

- **LOFT indicates that the $100 million infusion into the Unemployment Trust Fund was too late to avoid a tax increase. LOFT is conflating two different things. Unemployment tax increases were due to unemployment experience in Oklahoma, similar to how any insurance policy works. Claims go up, rates go up. For Oklahoma to have avoided this tax increase, we estimate that $600 million in CRF dollars would have to have been deployed here, which would have significantly cut into expenditures on health, cities and counties, economic aid, and several other critical priorities.** The $100 million CRF deposit addressed, very effectively, a different need. The $100 million CRF deposit to the UI Trust Fund prevented a state-mandated surcharge on top of any experience-related rate increases due to the balance of the UI Trust Fund falling below $25 million.

- LOFT's cursory analysis of UI Investment between states in Table 3 does not lead to a valid comparison, as the chart does not take into account any quantifiable metrics, including beginning balances, rates of unemployment, etc. LOFT hand-selected state and focused solely on the contribution without factoring in <u>any</u> other information relevant to each state's decision, including the fact that many of these states may have significantly underfunded critical health or economic development needs.

Table 03: State Analysis of UI Investment as Percentage of Total Relief (Although Oklahoma was ranked in the top 10 states for UI solvency as of January 2020, the system required more investment.

State	Allocation	UI Investment	(Sorted by) % to UI	UI Fund Solvency Ranking
Iowa	$1.25B	$490M	39%	14
Nebraska	$1.25B	$427M	34%	6
Idaho	$1.25B	$200M	16%	10
Montana	$1.25B	$200M	16%	11
Alabama	$1.9B	$300M	16%	31
Mississippi	$1.25B	$181.8M	15%	4
Arkansas	$1.25B	$165M	13%	19
South Dakota	$1.25B	$100M	8%	5
Oklahoma	$1.53B	$100M	7%	7
Wyoming	$1.25B	$16.4M	1%	3

Source: Legislative Office of Fiscal Transparency

Table 03 in LOFT Report

Appendix A: Evaluation Report for the Aerospace Employer & Employee Tax Credits Evaluation, November 2, 2020

State of Oklahoma
Incentive Evaluation Commission
Aerospace Employer & Employee Tax Credits Evaluation

November 2, 2020

PFM Group Consulting LLC
BNY Mellon Center
1735 Market Street
43rd Floor
Philadelphia, PA 19103

Contents

Key Findings and Recommendations

Overview

In the early part of the 21st century, Oklahoma's aerospace industry increasingly encountered a lack of qualified applicants for engineering positions, posing a significant barrier to entry and an impediment to growth. In response to this issue, effective January 1, 2009, the State enacted a package of tax incentives designed to "address the critical shortage of engineering and technical talent facing the Oklahoma aerospace industry," including a tax credit for compensation paid to by aerospace employers as well as a tax credit for aerospace employees.[1]

Recommendation: The project team recommends retaining the State's tax credits for aerospace engineering employers and employees.

**Key Findings Pertaining to Employer and Employee Tax Credits**

- **According to industry accounts, the State of Oklahoma still has a "skills gap"[2] when it comes to filling aerospace engineering positions – but data show an increase in related degrees conferred within the state.** Industry representatives indicated they must often look outside of Oklahoma to fill positions due to a continuing shortage of aerospace engineering graduates and employees in the state. There is some evidence that overall numbers are improving, as data shows that degrees conferred at the State's public institutions in aerospace-related fields of study trended upward by a compound annual growth rate (CAGR) of 4.7 percent between the 2014-2015 and 2017-2018 academic years (the most recent year for which data is available).

- **The introduction of the tax credits may have helped increase aerospace engineering employment in the state.** Between 1999 and 2008 (the year prior to when Oklahoma's incentives began to be offered), employment declined by a CAGR of -7.5 percent. Following the implementation of the credits in 2009 (in conjunction with the end of the Great Recession), employment has increased by a CAGR of 14.2 percent.

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[1] It is important to note that the focus of this evaluation is on (1) the credit for qualified employers for compensation paid to qualified employees and (2) the credit for qualified employees. During initial discussions with the Tax Commission, it was determined that a third credit, for tuition reimbursement for aerospace employers, is not in use. For that reason, the project team suggested – and the Commission approved – exempting it from the evaluation process so that the focus of the analysis can be on those programs which are actively in use by the state's aerospace engineers and employers.

[2] The "skills gap" defines a fundamental mismatch between the skills that employers rely upon in their employees, and the skills that job seekers possess.

Figure 1: Aerospace Engineering Employees in Oklahoma, 1999-2019
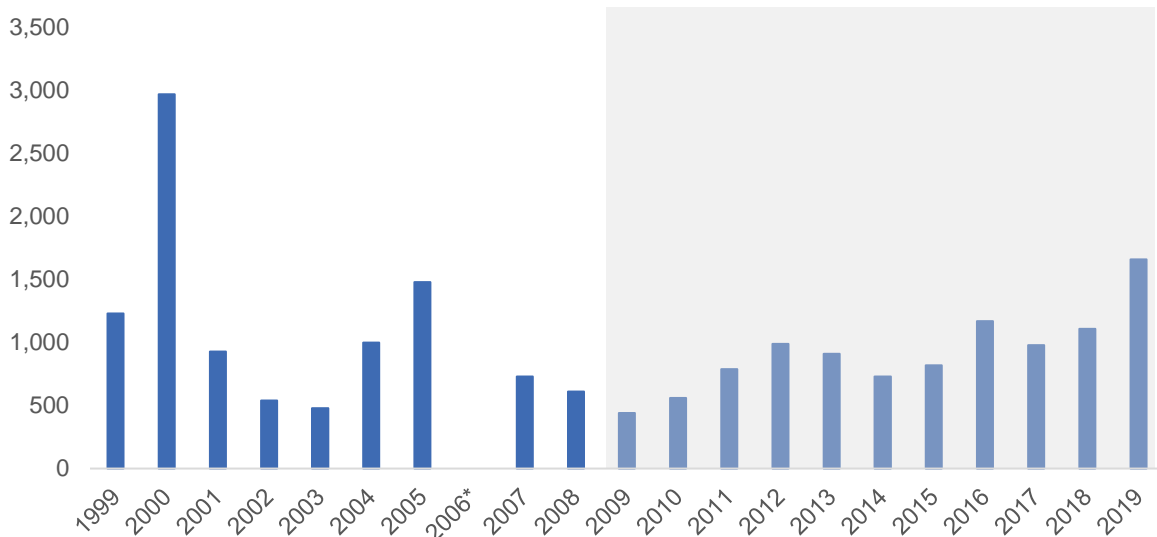
Source: BLS Occupational Employment Statistics data for Aerospace Engineers (SOC code 172011)
* No data reported for 2006
Note: shaded area represents the existence of Oklahoma's incentives

- **Average annual growth in aerospace engineering pay lags national growth as well as all Oklahoma occupations, generally.** The average wage for aerospace engineers in Oklahoma is well above the state's average wage, yet it increased by a CAGR of 1.3 percent between 2010 and 2019 – a rate of growth that lags the national rate for the occupation (2.2 percent) and the rate of Oklahoma wages for all occupations (2.4 percent).

- **The total economic activity associated with the tax credits substantially exceeds the cost to the State each year.** For each $1 paid by the State between 2013 and 2017, the economic output generated ranged from $72 to $89 annually. In 2017, the most recent year with available data, total economic activity associated with the 2,384 jobs for which claims were made reached $1.6 billion. Indirect and induced activity supported an additional 2,567 jobs – more than one additional job for each job supported by the incentive. Total employment supported in 2017 reached 4,951 jobs.

- **Oklahoma's tax credits are unique among states.** No other state was found to have a directly comparable program, and the credits appear to be valuable to industry representatives who recruit aerospace engineers.

Key Findings Pertaining to Employer Tax Credits

- **While the employer tax credit is being claimed by more employers, the cost to the State is declining.** Between 2013 and 2017, the number of employer returns claiming the credit increased by a CAGR of 21.5 percent, while the amount used to reduce tax liability (the foregone revenue to the State) trended downward by a CAGR of -27.4 percent. On a per-return basis, the average amount used to reduce tax liability is approximately $50,000 over the time period.

Table 1: Usage of Aerospace Employer Tax Credits, 2013-2017

Tax Year	Number of Returns	Total Amount Claimed	Estimated Employees Claimed*	Amount Used to Reduce Tax Liability	Average Amount Used to Reduce Tax Liability / Return
2013	22	$2,595,665	280-560	$1,133,449	$51,520
2014	36	$2,879,984	310-630	$2,001,145	$55,587
2015	33	$3,783,321	430-850	$2,908,642	$88,141
2016	37	$4,743,861	550-1,100	$1,790,880	$48,402
2017	48	$484,984	50-110	$314,861	$6,560
Avg.	35	$2,897,563	320-640	$1,629,795	$50,042

Source: Oklahoma Tax Commission; PFM analysis
* Calculation uses the average wage per OES data referenced in the preceding chapter; ranges are based on 10% credit for in-state degree and 5% for out-of-state degree. Estimates have been rounded.

Key Findings Pertaining to Employee Tax Credits

- **Use of the employee tax credit has increased – and the cost to the State has grown commensurately.** The incentive's use grew between 2013 and 2017 – both in terms of the number of returns (by a CAGR of 15.3 percent) and the amount used to reduce tax liability (by a CAGR of 15.2 percent). The average amount used to reduce tax liability has generally remained constant, at just over $3,100.

Table 2: Usage of Tax Credits for Aerospace Employees, 2013-2017

Tax Year	Number of Returns	Unused Credit Carried Over	Credit Established, Current Tax Year	Total Claimed	Amount Used to Reduce Tax Liability	Amount Used to Reduce Tax Liability / Return
2013	1349	N/A	N/A	$7,739,763	$4,206,737	$3,118
2014	1,501	$3,820,064	$6,550,532	$10,866,070	$5,067,377	$3,376
2015	1,999	$4,956,306	$8,787,471	$14,017,600	$6,288,098	$3,146
2016	2,283	$6,324,653	$9,665,287	$16,185,075	$7,164,341	$3,138
2017	2,384	$7,203,876	$10,182,183	$17,585,381	$7,400,323	$3,104
Avg.	1,903	$5,576,225	$8,796,368	$13,278,778	$6,025,375	$3,166

Source: Oklahoma Tax Commission

- **The incentive's Accreditation Board for Engineering and Technology (ABET) accreditation requirement has led to confusion among some employees claiming the credit.** In recent years, the employee tax credit has faced scrutiny, as some employees learned they do not qualify for the credit based on the ABET accreditation standards – even after their applications have been approved. This is because the Oklahoma Tax Commission (OTC) Compliance Division regularly conducts discovery projects related to the tax programs it audits, and through this process it has identified employees that it believes mistakenly claimed and received the credit.

Recommendations Pertaining to Employer Tax Credits

- **Enhance employer reporting to show overlap with the State's Quality Jobs incentives.** While this recommendation was made as part of the 2016 evaluation of this incentive, it has not been adopted by the OTC. There is possible overlap among the two incentives exists, but the current data does not support an analysis of this overlap. Based on discussions with industry representatives, the project team is aware that at least one major company – the Boeing Company – that participates in both programs, but detailed data for analysis is not available.

Recommendations Pertaining to Employee Tax Credits

- **Consider broadening the employee tax credit incentive eligibility.** As currently defined in statute, the employee tax credit is limited to employees who have been awarded an undergraduate or graduate degree from a qualified program accredited by the Engineering Accreditation Commission of ABET. The employee must not have been employed in the aerospace sector in Oklahoma immediately preceding employment with the employer. The State should consider these restrictions in conjunction with statewide economic development goals, as well as the goals of the incentive itself. It may be reasonable to loosen the ABET accreditation requirements to allow graduates of non-ABET accredited programs to qualify. It may also be reasonable to extend the credit beyond recent graduates to draw more experienced candidates to the State. Both measures may broaden the pool of potential aerospace engineering candidates and, as a result, increase the State's ability to recruit and retain industry talent.

- **Clarify eligibility requirements in statute.** The State should seek to alleviate, in state law, the confusion associated with eligibility for this incentive, regardless of whether the preceding recommendations are implemented.

Introduction

Incentive Evaluation Commission Overview

In 2015, HB 2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. Between 2016 and 2019, the Commission conducted more than 40 evaluations.

The State's Tax Credits for Aerospace Engineers and Employers, first evaluated in 2016, are among nine programs scheduled for an updated review by the Commission in 2020. Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the Legislature related to these incentives.

2016 Evaluation: Key Findings and Recommendations

Significant findings from the 2016 evaluation of these programs are displayed in the following table:

Table 3: Summary of Findings, 2016 Evaluation

Fiscal and Economic Impact	Fiscal Impact: Between 2010 and 2014, aerospace employers and employees claimed a total of $18.4 million in credits – the amount of foregone revenue for to the State.
	Economic Impact: Between 2010 and 2014, the employer and employee tax credits resulted in $4.2 billion in economic output; $878.3 million in labor income, nearly 12,800 jobs and $46.3 million in State tax revenue.
Adequate Protections for Future Fiscal Impact?	The various benefit limitations, coupled with the fact that these credits are neither transferable nor refundable and have a limited (5 year) carry-forward provides adequate protection against significant, unanticipated fiscal impact.
Effective Administration?	Additional reporting by employers that shows the overlap with the Quality Jobs and Ad Valorem programs is required.
Achieving Its Goals?	Overall, the aerospace industry in the state is growing and the number of aerospace engineers employed outperforms other types of engineering jobs. While the data on decreasing engineering job openings is inconclusive (perhaps for technical reasons), overall, the employer and employee incentives seem to be an efficient part of growing a key Oklahoma industry.
Changes to Improve Future Evaluation	Enhance employer reporting to show the overlap with Quality Jobs incentives.

The project team recommended in 2016 that the program be retained. The Commission voted 5-0 to approve the project team's recommendation, and the incentive is still in place. Further, SB 120 (2017) extended the incentive's sunset date from January 1, 2018 to January 1, 2026.

2020 Criteria for Evaluation

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this tax credit, the specific goal included in legislation

is to "address the critical shortage of engineering and technical talent facing the Oklahoma aerospace industry."[3]

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

- Number and dollar value of approved credits by year of program;
- Employment growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Payroll growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Change in measures of the 'skills gap' for engineering and technical skills in the aerospace industry;
- Use with other related State business incentives;
- Return on investment.

2020 Evaluation Approach

To conduct its 2020 review of these tax credits, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Tax Commission (OTC);
- Reviewed and analyzed OTC-provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the OTC, Department of Commerce and Oklahoma Aeronautics Commission;
- In collaboration with the Oklahoma City, Tulsa and State Chambers of Commerce, conducted external stakeholder interviews with industry representatives;
- Benchmarked Oklahoma to other states.

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[3] Per HB 3239 of the 51st Oklahoma Legislature. Available at http://okhouse.gov/Documents/2008SessionInReview.pdf

Industry Background

Oklahoma Aerospace Background and History

Oklahoma's aerospace and aviation industries date back to the early 20th century, when Clyde Cessna began testing aircraft in the state. According to historians at the University of Tulsa, following World War I, two airlines were founded in the state (both of which were eventually purchased by American Airlines). During World War II, two large industrial facilities were built in the state to manufacture bombers for the U.S. Army Airforce. One of the facilities became Tinker Air Force Base, the largest aircraft maintenance complex and military-aviation logistics center in the world.[4]

Aerospace and aviation remain important to the State of Oklahoma's economy. According to a study conducted by the Oklahoma Aeronautics Commission in 2015-2017, the state's airports, off-airport aviation and aerospace businesses and military aviation collectively produce almost $44 billion of annual economic activity and support 206,000 jobs, with annual payroll of nearly $12 billion.[5]

The Aerospace Engineering Skills Gap

The "skills gap" defines a fundamental mismatch between the skills that employers rely upon in their employees, and the skills that job seekers possess. This mismatch makes it difficult for individuals to find jobs and for employers to find appropriately trained workers.[6]

The skills gap related to science, technology, engineering and math (STEM) professions is well-documented. According to one report by Randstad U.S., as of 2016, the U.S. had roughly 3.0 million more STEM jobs than it had workers to fill them.[7] More recently, a study by Deloitte and the Manufacturing Institute found that there are an estimated 3.4 million STEM jobs to be filled from 2015 to 2025 – and only 1.4 million qualified workers to do so.[8] According to an analysis by the Oklahoma State Regents for Higher Education, "Oklahoma is still in need of more traditional STEM graduates." The study found that one-year retention rates of STEM degree holders at all degree levels are lower than those rates for all fields combined.[9]

The preceding findings relate generally to STEM professions, but the challenges apply specifically to the aerospace industry. According to the Aerospace Industries Association (AIA), "the one-two punch of recent graduates entering the workforce unprepared for current demands and the looming retirement of large numbers of baby boomers also undermines the ability of businesses to grow and compete. The AIA also cited a 2005 survey by the National Association of Manufacturers (NAM) in which 65 percent of respondents reported a shortage of scientists and engineers, with a more acute problem in industries such as aerospace and defense.[10]

The AIA also found that 39 percent of aerospace companies predict an "extreme" impact on their business growth caused by the STEM labor shortage. The skills gap is expected to increase further, as current aerospace employees retire. In 2015, 18 percent of all U.S. aerospace engineers and 24 percent of all aerospace manufacturing employees were eligible for retirement. It was predicted that 41 percent of skilled tradesmen in

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[4] The University of Tulsa Department of Special Collections and University Archives, "The Rise of the Aerospace and Aviation Industries in Oklahoma," (February 18, 2013). Available at http://orgs.utulsa.edu/spcol/?p=2798

[5] Oklahoma Aeronautics Commission, "Oklahoma Aviation and Aerospace Economic Impact Study: Executive Summary," (June 4, 2018). Available at https://oac.ok.gov/resources/publications/oklahoma-aviation-aerospace-economic-impact-study-executive-summary

[6] The Brookings Institution, "Understanding the Skills Gap – and What Employers Can Do About It," (December 6, 2019). Available at https://www.brookings.edu/research/understanding-the-skills-gap-and-what-employers-can-do-about-it/

[7] Randstad U.S., "Employers Must Redefine STEM to Attract Future Talent, According to New Randstad U.S. Data," (August 2017). Available at https://rlc.randstadusa.com/press-room/press-releases/employers-must-redefine-stem-to-attract-future-talent-according-to-new-randstad-us-data

[8] U.S. News and World Report, "Bridging the STEM Skills Gap Involves Both Education and Industry Commitments," (July 9, 2018). Available at https://www.usnews.com/news/stem-solutions/articles/2018-07-09/commentary-industry-education-needed-to-bridge-stem-skills-gap

[9] Oklahoma State Regents for Higher Education, "Employment Outcomes Report, 2018," (June 27, 2019). Available at https://www.okhighered.org/studies-reports/employment-outcomes/employrpt2018.pdf

[10] AIA, "What Every Candidate Should Know About the Aerospace Workforce and STEM," (June 2016). Available at https://www.aia-aerospace.org/wp-content/uploads/2016/06/AIA_Campaign_Papers_Workforce.pdf

the aerospace industry would retire by 2017. At the same time, only 1.5 percent of the nation's 25- to 34-year-olds has a science degree, putting the U.S. in the bottom third of all Organization for Economic Cooperation and Development (OECD) countries.[11]

As a proxy for measuring how Oklahoma has fared with closing the skills gap, PwC releases annual aerospace manufacturing attractiveness rankings by state. One of the categories considered in the rankings is labor, including each state's labor force; basic, skilled and advanced education; and union flexibility (with skilled and advanced education accounting for 80 percent of the weighted total). Oklahoma's rank within the category in the 2017 study was 46th; in 2018 and 2019, it was 45th. While a slight improvement, Oklahoma remains near the bottom among states in this ranking.[12] This issue was echoed in interviews with industry representatives, who indicated there is still a shortage of aerospace engineering graduates and employees in the state. As a result, they must look outside of Oklahoma when offering internships and filling long-term positions.

Despite these observations and the Oklahoma State Regents for Higher Education finding that Oklahoma is still in need of more traditional STEM graduates, data shows that, at least in recent history, the number of degrees conferred at the state's public institutions in aerospace-related fields of study is trending upward. Across all degree levels, total degrees conferred have increased by a CAGR of 4.7 percent. Bachelor's degrees account for the majority, representing between 64 and 73 percent of all degrees conferred, depending on the year. Master's degrees account for an additional 25 to 35 percent of the total.

Figure 2: Degrees Conferred at Oklahoma Public Institutions, Aerospace-Related Fields of Study*
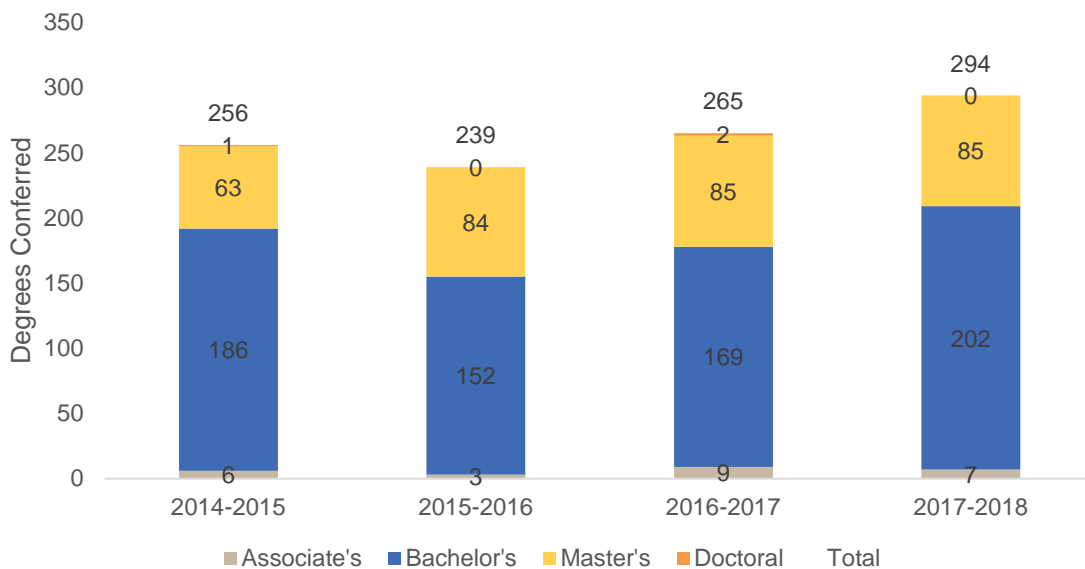
Source: Oklahoma State Regents for Higher Education
* Fields of study include Aerospace, Aeronautical and Astronautical/Space Engineering; Aeronautics/Aviation/Aerospace Science and Technology, General; and Aeronautical/Aerospace Engineering Technology/Technician

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[11] Ibid.
[12] PwC, "Aerospace Manufacturing Attractiveness Rankings," (2019). Available at https://www.pwc.com/us/en/industrial-products/publications/assets/pwc-aerospace-manufacturing-attractiveness-rankings-2019.pdf

Aerospace Engineering Employment and Pay

According to the U.S. Department of Labor, Bureau of Labor Statistics (BLS),[13] aerospace engineers primarily design aircraft, spacecraft, satellites and missiles, and test prototypes to ensure they function according to design. Their duties typically include:

- Direct and coordinate the design, manufacture, and testing of aircraft and aerospace products;
- Assess proposals for projects to determine if they are technically and financially feasible;
- Determine if proposed projects will result in safe operations that meet the defined goals;
- Evaluate designs to see that the products meet engineering principles, customer requirements, and environmental regulations;
- Develop acceptance criteria for design methods, quality standards, sustainment after delivery, and completion dates;
- Ensure that projects meet quality standards;
- Inspect malfunctioning or damaged products to identify sources of problems and possible solutions.

There were an estimated 67,200 aerospace engineering jobs in the U.S. in 2018. Aerospace engineers are employed in industries where workers design or build aircraft, missiles, systems for national defense, or spacecraft. They work primarily for firms that engage in manufacturing, analysis and design, research and development, and for the federal government.

The largest employment sectors for aerospace engineers are aerospace product and parts manufacturing (35 percent); federal government, excluding postal service (15 percent); engineering services (15 percent); navigational, measuring, electromedical and control instruments manufacturing (10 percent); and research and development in the physical, engineering and life sciences (9 percent).

Employment of aerospace engineers is projected to grow two percent from 2018 to 2028, slower than the average for all occupations. According to the BLS, aircraft are being redesigned to cause less noise pollution and have better fuel efficiency, which will help sustain demand for research and development. Also, new developments in small satellites have greater commercial viability. Growing interest in unmanned aerial systems will also help drive growth of the occupation. However, growth in research and development activities will be tempered by a projected decline in employment of aerospace engineers in the manufacturing industry.

Aerospace Engineering Employment
According to BLS estimates, Oklahoma had 1,660 aerospace engineers as of May 2019 (the most recent date for which data is available).[14] As shown in the following table, Oklahoma ranks 5th among all states for aerospace engineering employment per 1,000 jobs (1.026) and location quotient (2.38). Location quotients compare the concentration of an industry within a specific area to the concentration of that industry nationwide.[15] These statistics indicate that Oklahoma is favorably positioned relative to most other states with regard to its employment of aerospace engineers.

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[13] BLS, "Occupational Outlook Handbook: Aerospace Engineers." Available at https://www.bls.gov/ooh/architecture-and-engineering/aerospace-engineers.htm?view_full#tab-2
[14] BLS Occupational Employment Statistics data for Aerospace Engineers (Standard Occupational Classification code 172011). Estimates do not include self-employed workers.
[15] These ratios allow an area's distribution of employment by industry, ownership and size class to be compared to a reference area's distribution. If a location quotient is equal to 1, then the industry has the same share of its area employment as it does in the nation. A location quotient greater than 1 indicates an industry with a greater share of the local area employment than is the case nationwide.

Table 4: Top-Ranking States for Aerospace Engineer Employment

Rank	State	Employment per 1,000 Jobs	Location Quotient
1	Alabama	2.061	4.79
2	Washington	2.013	4.68
3	Kansas	1.758	4.08
4	Maryland	1.039	2.41
5	**Oklahoma**	**1.026**	**2.38**

Source: BLS Occupational Employment Statistics data for Aerospace Engineers (SOC code 172011).

The BLS began reporting detailed data for aerospace engineers in 1999. Between 1999 and 2019, aerospace engineer employment in Oklahoma increased by a compound annual growth rate (CAGR) of 1.5 percent – equal to the annual growth experienced across the U.S. as a whole during the same time period.[16] Between 1999 and 2008 (the year prior to when Oklahoma's incentives began to be offered), employment declined by a CAGR of -7.5 percent. Following the implementation of the credits in 2009 (in conjunction with the end of the Great Recession), employment has increased by a CAGR of 14.2 percent.

Figure 3: Aerospace Engineering Employees in Oklahoma, 1999-2019
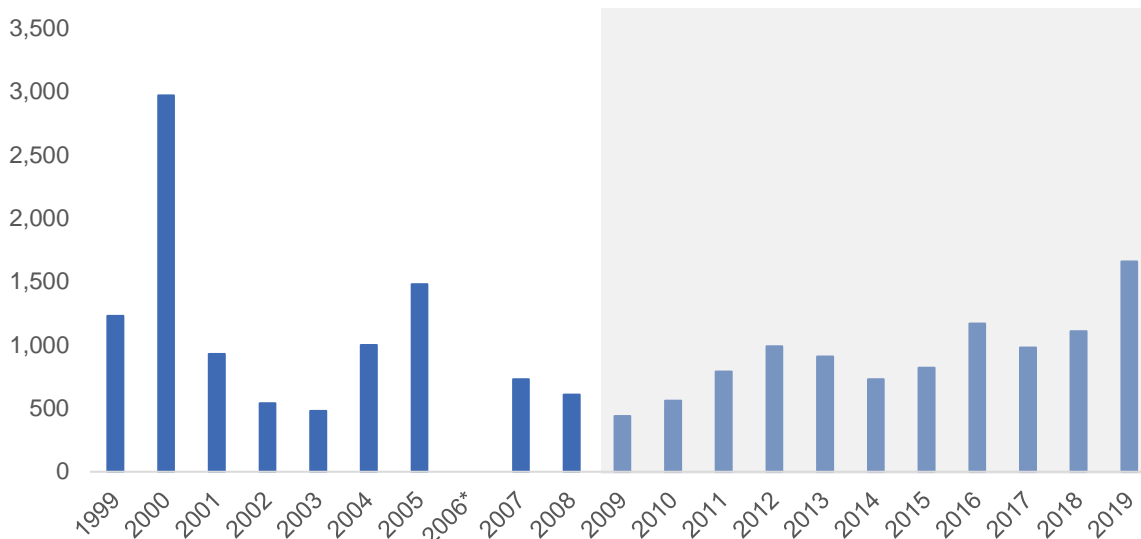
Source: BLS Occupational Employment Statistics data for Aerospace Engineers (SOC code 172011)
* No data reported for 2006
Note: shaded area represents the existence of Oklahoma's incentives

Nationally, between 1999 and 2008, aerospace engineering employment increased by a CAGR of 3.0 percent; between 2009 and 2019, annual growth slowed to just 0.3 percent. This suggests that Oklahoma's effort to recruit aerospace engineers has been successful in recent history relative to other states, perhaps due in some degree to the existence of its tax incentive programs.

Aerospace Engineering Pay
According to BLS estimates, the average wage of Oklahoma's aerospace engineers was nearly $100,000 as of 2019, though it varies by sector, as follows:

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[16] BLS Occupational Employment Statistics data for Aerospace Engineers (Standard Occupational Classification code 172011). Estimates do not include self-employed workers.

- Professional, Scientific and Technical Services: $110,050
- Manufacturing: $98,910
- Federal, State and Local Government: $95,710
- Transportation and Warehousing: $77,880

While not an apples-to-apples comparison due to cost of living and other economic factors, Oklahoma's cross-industry average wage for aerospace engineering ($98,450) is low in comparison to other states. Among the 34 states for which BLS data was available, Oklahoma ranks 28th – higher only than Nevada, Kentucky, North Carolina, Tennessee, West Virginia and Wisconsin.

Table 5: State Rankings, Aerospace Engineering Average Wage (2019)

State	Average Wage	Rank	State	Average Wage	Rank	State	Average Wage	Rank
Maryland	$135,400	1	Hawaii	$116,370	13	Utah	$103,930	25
Texas	$126,740	2	Minnesota	$113,590	14	New Mexico	$102,430	26
Colorado	$125,070	3	Pennsylvania	$112,840	15	Indiana	$102,190	27
California	$125,000	4	Georgia	$112,670	16	**Oklahoma**	**$98,450**	**28**
Virginia	$123,290	5	Arizona	$112,140	17	Nevada	$96,960	29
Arkansas	$123,250	6	Missouri	$110,560	18	Kentucky	$96,020	30
New York	$120,120	7	Connecticut	$109,630	19	North Carolina	$93,110	31
Alabama	$119,890	8	Illinois	$109,090	20	Tennessee	$91,340	32
Nebraska	$119,170	9	Louisiana	$108,570	21	West Virginia	$88,860	33
New Jersey	$116,740	10	Florida	$107,990	22	Wisconsin	$86,200	34
Oregon	$116,580	11	Mississippi	$106,570	23			
Ohio	$116,540	12	Kansas	$106,300	24			

Source: BLS Occupational Employment Statistics data for Aerospace Engineers (SOC code 172011)

The average wage for aerospace engineers in Oklahoma was $87,260 in 2010 (the earliest date during which data was consistently reported) and, as stated above, had increased to nearly $100,000 ($98,450) by 2019 – a CAGR of 1.3 percent. This annual growth is below that of the nation as a whole, which was 2.2 percent for aerospace engineers during the same time period. It is also below the growth in average Oklahoma wages for all occupations, which increased from $36,940 in 2010 to $45,620 in 2019 – a CAGR of 2.4 percent. This suggests that while Oklahoma firms have had success recruiting aerospace employees, they have not kept pace with the compensation increases seen in other occupations within Oklahoma as well as with national aerospace engineer compensation trends.

Industry Background Summary

Despite the importance of aerospace and aviation to Oklahoma's economy, the industry has struggled to recruit and retain aerospace engineering talent. Even today, industry representatives cite a continued shortage of qualified graduates and employees within the state. However, recent data suggests an upward trend of aerospace-related degrees conferred at the state's public institutions. Additionally, Oklahoma ranks favorably relative to most other states regarding its concentration of aerospace engineer employment, and since the introduction of its incentives, such employment has increased meaningfully. However, while Oklahoma firms have had success recruiting aerospace employees, they have not kept pace with the compensation increases seen in other occupations within Oklahoma as well as with national aerospace engineer compensation trends.

Incentive Usage and Administration

Incentive Characteristics

In the beginning of the 21st century, Oklahoma's aerospace industry increasingly encountered a lack of qualified applicants for engineering positions, posing a significant barrier to entry and an impediment to growth. In response to this issue, effective January 1, 2009, the State enacted a package of tax credits designed to "address the critical shortage of engineering and technical talent facing the Oklahoma aerospace industry," including:[17]

Table 6: Summary of Tax Credits for Aerospace Employers and Employees

Incentive	Program Description*
Tax Credit for Compensation Paid by Aerospace Employers ("Employer Credit")	Qualified employers can receive an income tax credit for compensation paid to a qualified employee. The credit is equal to 10% of the compensation paid for the first five years of employment in the aerospace sector if the employee graduated from an in-state institution or 5% if from an out-of-state institution. The credit is capped at $12,500 per employee per year and is non-refundable, non-transferrable and cannot be carried forward.
Tax Credit for Aerospace Employees ("Employee Credit")	Qualified employees in the aerospace sector can receive income tax credits of up to $5,000 per year for up to five years. Unused credits can be carried forward for five years but are non-refundable.

Source: 68 O.S. §§ 2357.302-304
It is important to note that the focus of this evaluation is on (1) the credit for qualified employers for compensation paid to qualified employees and (2) the credit for qualified employees. During initial discussions with the Tax Commission, it was determined that a third credit, for tuition reimbursement for aerospace employers, is not in use. For that reason, the project team suggested – and the Commission approved – exempting it from the evaluation process so that the focus of the analysis can be on those programs which are actively in use by the state's aerospace engineers and employers.

Employer Qualifications
Qualified employers are private or public organizations[18] whose principal business activity involves the aerospace sector, which refers to those engaged in the manufacture of aerospace or defense hardware or software, aerospace maintenance, aerospace repair and overhaul, supply of parts to the aerospace industry, provision of services and support relating to the aerospace industry, research and development of aerospace technology and systems, and the education and training of aerospace personnel.

The compensation paid to qualified employees refers to wages and salaries, and does not include employer-provided retirement, medical or healthcare benefits, reimbursement for travel, meals, lodging or any other expenses.

Employee Qualifications
A qualified employee must have been awarded an undergraduate or graduate degree from a qualified program by an institution. The program must be accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET). The employee must not have been employed in the aerospace sector in Oklahoma immediately preceding employment with the employer.

The statutory definition does not exclude any person who was employed in the aerospace sector, but not as a full-time engineer, prior to being awarded an undergraduate or graduate degree from a qualified program by an institution or any person who has been awarded an undergraduate or graduate degree from a qualified program

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[17] Per HB 3229
[18] This includes sole proprietors, general partnerships, limited partnerships, limited liability companies, corporations, other legally recognized business entities or public entities

by an institution and is employed by a professional staffing company and assigned to work in the aerospace sector in Oklahoma.

In November 2017, SB 120 extended the sunset date of both programs from January 1, 2018 to January 1, 2026.

Historic Use of the Tax Credits

Employer Credit
As shown in the following table, while the number of employer returns claiming the credit has increased (by a CAGR of 21.5 percent), the amount used to reduce tax liability (the foregone revenue to the State) trended downward by a CAGR of -27.4 percent. On a per-return basis, the average amount used to reduce tax liability is approximately $50,000 over the time period.

Table 7: Usage of Tax Credits for Aerospace Employers, 2013-2017

Tax Year	Number of Returns	Total Amount Claimed	Estimated Employees Claimed*	Amount Used to Reduce Tax Liability	Average Amount Used to Reduce Tax Liability / Return
2013	22	$2,595,665	280-560	$1,133,449	$51,520
2014	36	$2,879,984	310-630	$2,001,145	$55,587
2015	33	$3,783,321	430-850	$2,908,642	$88,141
2016	37	$4,743,861	550-1,100	$1,790,880	$48,402
2017	48	$484,984	50-110	$314,861	$6,560
Avg.	35	$2,897,563	320-640	$1,629,795	$50,042

Source: Oklahoma Tax Commission; PFM analysis
* Calculation uses the average wage per OES data referenced in the preceding chapter; ranges are based on 10% credit for in-state degree and 5% for out-of-state degree. Estimates have been rounded.

The biggest users of the employer credit are typically companies with a large presence in Oklahoma, such as the Boeing Company and NORDAM (an aerospace component manufacturing and repair company). While the government sector accounts for much of the aerospace employment within the State (e.g., Tinker Air Force Base), these entities are not required to pay income tax and therefore do not apply for the credit.

The State does not track employee activity following the five-year credit period, so it is not possible to determine the extent to which the tax credits retain employees in the state long-term, or whether employees leave Oklahoma after claiming credits. However, while employee/talent retention is an important element of the effort to close the skills gap in Oklahoma, tracking this activity is not likely a feasible or good use of resources.

Employee Credit
As shown in the following table, the incentive's use has increased in recent years – both in terms of the number of returns (by a CAGR of 15.3 percent) and the amount used to reduce tax liability (by a CAGR of 15.2 percent). The average amount used to reduce tax liability has generally remained constant, at just over $3,100.

Table 8: Usage of Tax Credits for Aerospace Employees, 2013-2017

Tax Year	Number of Returns	Unused Credit Carried Over	Credit Established, Current Tax Year	Total Claimed	Amount Used to Reduce Tax Liability	Amount Used to Reduce Tax Liability / Return
2013	1349	N/A	N/A	$7,739,763	$4,206,737	$3,118
2014	1,501	$3,820,064	$6,550,532	$10,866,070	$5,067,377	$3,376
2015	1,999	$4,956,306	$8,787,471	$14,017,600	$6,288,098	$3,146
2016	2,283	$6,324,653	$9,665,287	$16,185,075	$7,164,341	$3,138

Tax Year	Number of Returns	Unused Credit Carried Over	Credit Established, Current Tax Year	Total Claimed	Amount Used to Reduce Tax Liability	Amount Used to Reduce Tax Liability / Return
2017	2,384	$7,203,876	$10,182,183	$17,585,381	$7,400,323	$3,104
Avg.	1,903	$5,576,225	$8,796,368	$13,278,778	$6,025,375	$3,166

Source: Oklahoma Tax Commission

Notably, the number of returns in the preceding table exceeds the estimated number of employees claimed by employers in Table 7. As referenced previously, employment of aerospace engineers by the government sector may account for some of the reason for this. Additionally, while the employee credits can be carried forward, the employer credits cannot.

Finally, the number of returns in the preceding table also exceeds the BLS data references in the Background chapter of this report regarding total aerospace engineering employees in the State. This is attributable to the fact that the BLS data was used as a proxy for employment totals and growth over time, and is based on a specific SOC code (172011, Aerospace Engineers). It is likely that those employees claiming the credits include additional SOC codes, but this information is not currently collected by the OTC.

Incentive Administration

The OTC is responsible for the administration of these incentives, which is relatively straight-forward and entails two key components: employer/employee application for credit, and the OTC's verification and acceptance of claims. These are summarized in the following.

Application for Credit
To claim the credits, qualified employers must fill out and submit Form 565 (Credit for Employers in the Aerospace Sector); qualified employees must fill out and submit Form 564 (Credit for Employees in the Aerospace Sector). These forms collect the following information:

Table 9: Tax Credit Application Requirements

Credits for Employers in the Aerospace Sector (Form 565 Part 2)	Credit for Employees in the Aerospace Sector (Form 564)
- Name of qualified employer and federal employer identification number; - Business type; - Itemized credit computation, including the name of qualified employee(s), social security number, date of employment in Oklahoma, name of institution, compensation paid and credit amount; - Total credit for compensation paid.	- Name; - Social Security Number; - Employer name and federal employer identification number; - Date of employment in Oklahoma; - College or university name and location; name of ABET-accredited program - Date of graduation; - Credit computation, including credit for employment during current tax year, unused carryover credit and total credit available.

Source: OTC Forms 564 and 565

All claimants must also fill out the applicable fields of Form 511CR (Other Credits), including (1) unused credit carried over from prior year(s) (not applicable for employers), (2) credit established during the current tax year, and (3) total available credit (the sum of 1 and 2).

OTC Verification and Acceptance of Claims
When the OTC receives the required forms, they review them for accuracy and completeness. According to OTC representatives, typically, if an employee's application is denied, it is due to having a degree but not the "right one." This is discussed in the ABET Accreditation Requirement section that follows.

Administrative Issues

ABET Accreditation Requirement
As mentioned previously, to qualify for the employee credit, an employee must have been awarded an undergraduate or graduate degree from a qualified program that is accredited by the Engineering Accreditation Commission (EAC) of the Accreditation Board for Engineering and Technology (ABET). According to ABET data, there are 588 institutions worldwide that offer a total of 2,895 programs accredited by the EAC of ABET; there are 376 schools in the U.S. that offer 1,878 EAC-accredited programs. However, there are other programs offered that are not ABET accredited.

In recent years, the employee tax credit has faced scrutiny as some employees learned they do not qualify for the credit based on the ABET accreditation standards – even after their applications have been approved. This is because the OTC's Compliance Division regularly conducts discovery projects related to the tax programs it audits, and through this process it has identified employees that it believes mistakenly claimed and received the credit.

Though not enacted, SB 1461, introduced during the 2020 regular legislative session, sought to amend the definitions of "qualified employee" and "qualified program." The bill would have enabled employees who have been licensed as a Professional Engineer by the State Board of Licensure for Professional Engineers and Land Surveyors to qualify for the employee credit. It also would have clarified that a program is qualified even if only the undergraduate program is ABET accredited.

Data Collection and Availability Issues
In order to aid in its analysis of these incentives in accordance with the Commission's approved criteria for evaluation, the project team requested the following information from the OTC but was informed it was not available:

- Total degrees conferred (broken down by in-state versus out of state institutions) over the last 5 fiscal years;[19]
- Total payroll and average wage data by year over the last 5 fiscal years.

Based on a review of Forms 564 and 565, the project team's understanding is that the OTC would have access to the requested information. Form 564 collects the name and location of the college or university, the name of the qualified program and the employee's graduation date. Form 565 collects the total compensation paid to employees for which an employer is claiming a credit.

Additionally, there is possible overlap between the employer incentive and the Quality Jobs Program. However, the OTC does not currently have a process to track businesses' use of the employer credit with other related state business incentives.

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[19] As described previously, the Oklahoma State Regents for Higher Education collect limited Oklahoma-specific data regarding degrees conferred in the state.

Economic and Fiscal Impact

Economic and Fiscal Impact

A description of the IMPLAN economic impact methodology is provided in **Appendix B**.

The total economic impacts are measured by the economic output activity associated with the employment benefitted and supported by the aerospace wage incentive. It is assumed the jobs for which claims are made represent jobs which otherwise, without the incentive, would not have been created or retained.

The total economic activity associated with the supported employment exceeds the total claimed incentive amounts by substantial orders of magnitude on an annual basis. The value to total economic activity ranges from $72 to $89 in total economic output annually, for each $1 claimed, during the period 2013-2017. In 2017, the most recent year for which data is available, total economic activity, associated with the 2,384 jobs for which claims were made, reached $1.6 billion. Indirect and induced activity supports an additional 2,567 jobs; more than one additional job for each job supported by the incentive. Total employment supported in 2017 reached 4,951 jobs. The $1.6 billion in economic activity in 2017 is attributable to more than 150 business and industry sectors (among more than 500 sectors tracked via the IMPLAN input/output model). These sectors (listed in **Appendix C**) account for more than 99.5 percent of the economic activity associated with the Aerospace Employee and Employer Tax Credits, demonstrating how the incentives ripple through multiple sectors of the Oklahoma economy – creating jobs, wages and economic activity on a widespread basis. In addition to the aerospace industry, which accounts for at least 75 percent of all impacts, other key sectors benefitting include precision manufacturing, real estate for employee housing, medical services, retail and wholesale sellers, educational services and amusement and recreation.

The estimated tax revenues to the State of Oklahoma from this activity exceeded the amount claimed in each of the years 2013-2017. For each dollar claimed, more than $1.44 in State tax revenue was generated, by the total economic activity. In 2017, an estimated $1.65 in State taxes was generated for each $1.00 in incentives claimed.

Tax revenue generated to the State of Oklahoma was estimated by applying the long-term ratio of Oklahoma's gross state tax collections to Gross State Product (GSP); additional detail is provided in **Appendix D**.

The Aerospace Employee and Employer Tax Credits provide substantial total economic benefits. From a fiscal perspective, State tax revenue from this activity exceeds the incentive credits claimed. The following table illustrates the economic impact benefits.   For analysis purposes, the table compares total impacts with total estimated tax revenue and total claimed credit. These comparisons are provided only at the total impact level for each year and not the component elements, because there are no corresponding credits at the component levels.

Table 10: Economic Impacts Per Year, FY2013-FY2017

Year	Effect	Output	Value Added	Labor Income	Jobs	Estimated OK Tax Revenue	Total Claimed	Ratio: Output/ Claims	Ratio: Revenue/ Claims
2013	Direct Effect	$651,595,580	$191,406,016	$138,990,197	1,349				
	Indirect Effect	$99,044,964	$45,666,487	$29,068,642	528				
	Induced Effect	$123,982,377	$65,371,260	$36,235,780	924				
	Total Effect	**$874,622,920**	**$302,443,764**	**$204,294,619**	**2,801**	**$15,950,884**	**$10,335,428**	**$84.62**	**$1.54**
2014	Direct Effect	$736,037,405	$216,910,092	$157,511,533	1,501				
	Indirect Effect	$111,442,245	$51,751,711	$32,942,198	588				
	Induced Effect	$140,620,692	$74,082,389	$41,064,424	1,028				
	Total Effect	**$988,100,343**	**$342,744,192**	**$231,518,154**	**3,117**	**$18,076,329**	**$13,746,054**	**$71.88**	**$1.32**
2015	Direct Effect	$992,194,531	$291,872,130	$211,950,334	1,999				
	Indirect Effect	$147,626,418	$69,637,644	$44,327,527	783				
	Induced Effect	$186,339,625	$99,686,554	$55,257,005	1,370				
	Total Effect	**$1,326,160,573**	**$461,196,328**	**$311,534,865**	**4,151**	**$24,323,494**	**$17,800,921**	**$74.50**	**$1.37**
2016	Direct Effect	$1,135,086,561	$336,784,263	$244,566,292	2,283				
	Indirect Effect	$170,183,430	$80,353,660	$51,148,828	894				
	Induced Effect	$214,737,050	$115,026,796	$63,760,217	1,564				
	Total Effect	**$1,520,007,042**	**$532,164,719**	**$359,475,336**	**4,741**	**$28,066,367**	**$20,928,936**	**$72.63**	**$1.34**
2017	Direct Effect	$1,202,869,883	$358,270,502	$260,183,231	2,384				
	Indirect Effect	$181,447,849	$85,483,452	$54,414,699	933				
	Induced Effect	$229,827,347	$122,371,801	$67,831,608	1,633				
	Total Effect	**$1,614,145,079**	**$566,125,755**	**$382,429,538**	**4,951**	**$29,857,472**	**$18,070,365**	**$89.33**	**$1.65**

Source: PFM; IMPLAN Copyright 2020

Incentive Benchmarking

Benchmarking Peer State Programs

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are 'perfect peers' – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.[20] These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

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

In the case of these tax credits, comparable state programs – incentives which focus on recruiting aerospace industry talent – or more generally, recruiting for hard-to-fill positions – are rare. Perhaps most comparable is North Dakota's Workforce Recruitment Credit, which is available to businesses "for employing extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in the state."[21] The following table compares the two state programs.

Table 11: Comparison of Oklahoma Employer Credit and North Dakota Workforce Recruitment Credit

	Oklahoma	North Dakota
Eligible Business Types	Sole proprietors, general partnerships, limited partnerships, limited liability companies, corporations, other legally recognized business entities or public entities.	An individual, estate, trust, partnership, corporation or limited liability company.
Credit Amount	10% of the compensation paid for the first five years of employment if employee graduated from an Oklahoma institution; 5% if from out-of-state institution; may not exceed $12,500 annually for each qualified employee.	5% of the compensation paid during the first 12 consecutive months to an employee.
Carry Forward	None.	4 years.
Employee Qualifications	Employee must have been awarded degree from qualified program (i.e., ABET accredited) and not employed in sector in OK immediately preceding employment.	None.
Employer Qualifications	Business must be in the aerospace sector.	Must pay annual salary at least 125% of ND average wage; Must have employed all the following recruitment methods to fill a position for which credit is claimed:

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[20] The primary instances of exactly alike state incentive programs occur when states choose to 'piggyback' onto federal programs.
[21] North Dakota Office of State Tax Commissioner, "Workforce Recruitment Credit." Available at
https://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives/workforce-recruitment-credit

Oklahoma	North Dakota
	- Contracted with a professional recruiter for a fee; - Advertised in a professional trade journal, magazine or other publication directed at a particular trade or profession; - Provided employment information on a website for a fee; - Paid a signing bonus, moving expenses or atypical fringe benefits.

In addition to this incentive, other states were found to have incentives meant to encourage employee location decisions. Most have a focus on job creation in rural areas of the state, including the following:

Table 12: State Incentives Related to Employee Location Decisions

State	Program	Description
Florida	Rural Job Tax Credits[22]	Offers a tax incentive of $1,000 to $1,500 per qualified employee. For eligible businesses located within one of 36 designated "Qualified Rural Areas" to create meaningful employment opportunities that will improve the quality of life of those employed and to encourage economic expansion of new and existing businesses in rural areas of Florida.
Nebraska	Nebraska Advantage Rural Development Act Tax Credits[23]	Provides refundable tax credits of $2,750 per $50,000 of qualifying investment, rewarding investment and job creation in rural and impoverished communities.
Oregon	Rural Practitioner Tax Credit[24]	Provides tax credits of up to $5,000 per year for certain types of medical providers practicing in rural areas of the state.
Utah	Rural Economic Development Incentive Grant Program[25]	Designed for businesses creating new, high-paying jobs in rural Utah counties. Businesses may qualify for up to $250,000 in rural employment expansion grants each fiscal year.
Utah	Rural Jobs Program[26]	Enables an eligible business located in a rural county to expand and create high-wage jobs by providing flexible and affordable capital to small businesses in these areas.

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[22] Florida Department of Economic Opportunity, "Rural and Urban Job Tax Credit Programs." Available at https://floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resource/rural-and-urban-job-tax-credit-programs
[23] Nebraska Department of Revenue, "Rural Development Act Application Guide." Available at https://revenue.nebraska.gov/incentives/rural/application-guide
[24] Rural Health Information Hub, "Oregon Rural Practitioner Tax Credit Program." Available at https://www.ruralhealthinfo.org/funding/3161
[25] Utah Governor's Office of Economic Development, "Rural Development." Available at https://business.utah.gov/rural/
[26] Utah Governor's Office of Economic Development, "Rural Development." Available at https://business.utah.gov/rural/

Additionally, some states offer incentives meant to build a STEM pipeline within their borders. Notably, most state efforts entail comprehensive internship programs, including the following:

Table 13: State Incentives Related to Building STEM Pipelines

State	Program	Description
Iowa	STEM Internship Grant Program[27]	Provides grants to Iowa companies for internship programs with a goal of transitioning interns to full-time employment in Iowa upon graduation. For every $2 of wages earned by the student, $1 paid by the employer is matched by $1. Maximum award to an employer shall not exceed $50,000 per fiscal year.
Maryland	Technology Internship Grant Program[28]	Helps Maryland retain top tech talent by increasing the number of paid technical internships offered in the state. Can reimburse employers for up to 50 percent of an intern wage and up to $3,000 annually per intern. Limited to a maximum of six awarded internships in a fiscal year.
Massachusetts	Advanced Analytics Data Science Internship Program[29]	Creates internship opportunities for qualified candidates by enabling research institutions and companies to hire paid interns for up to six months. Reimburses for pay rates up to: $20 per hour for interns who have completed their Bachelor's degree for a total reimbursement of no more than $20,800 per intern; $25 per hour for interns who have completed their Master's degree for a total reimbursement of no more than $26,000 per intern; and $40 per hour for interns who have completed their Ph.D. for a total reimbursement of no more than $41,600 per intern.
Minnesota	SciTechsperience Internship Grant Program[30]	Paid internship program that connects college students in STEM disciplines with rewarding hands-on opportunities at Minnesota companies that need their skills. Companies receive assistance finding qualified candidates and a dollar for dollar wage match to cover 50 percent of intern wages (capped at $2,500).
Nebraska	Developing Youth Talent Initiative Grant Program[31]	Connects young Nebraskans in 7th and 8th grade to learning opportunities in the manufacturing and IT industries by creating collaboration between Nebraska businesses and public schools. Grants up to $250,000 with minimum award to two projects.
Pennsylvania	Manufacturing PA Innovation Grant Program[32]	Leverages internationally acclaimed science and engineering talent and discovery capacity of all PA's institutions of higher education to help ensure that PA remains a national and international leader in

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[27] Iowa Economic Development Authority, "STEM Internship Program." Available at http://www.stateincentives.org/programs/report.asp?ProgramID=4519

[28] University of Maryland Baltimore County, "Maryland Technology Internship Program." Available at https://mtip.umbc.edu/

[29] Massachusetts Life Sciences Center, "Advanced Analytics/Data Science Internship Program." Available at https://www.masslifesciences.com/programs/advanced-analytics-data-science-internship-challenge/

[30] Minnesota Department of Employment and Economic Development, "Internship Programs." Available at https://mn.gov/deed/business/finding-workers/incentives/internship.jsp

[31] Nebraska Department of Economic Development, "Developing Youth Talent Initiative." Available at https://opportunity.nebraska.gov/program/nebraska-developing-youth-talent-initiative/

[32] https://www.manufacturingpa.org/

State	Program	Description
		manufacturing and achieves the full economic potential for good, well-paying manufacturing jobs.

Finally, some states provide incentives which aim to fill targeted and/or hard to fill positions. Examples include the following:

Table 14: State Incentives Related to Filling Targeted/Hard-to-Fill Positions

State	Program	Description
Colorado	Aircraft Manufacturer New Employee Tax Credit[33]	$1,200 per qualified new employee for aircraft manufacturers located in a Colorado aviation development zone. [Note: Expired December 31, 2016.]
North Dakota	Workforce Recruitment Tax Credit[34]	Provides an income tax credit for employing extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in the state. Credit is equal to 5 percent of the compensation paid during the first 12 consecutive months to an employee hired to fill a position.
Texas	Governor's University Research Initiative[35]	Helps Texas public institutions of higher education recruit distinguished researchers from around the world. Matching grants are paid on a cost-reimbursement basis; the state's grant contribution may not exceed $5 million per distinguished researcher.

Review of Peer State Program Evaluations

The North Dakota Legislature's Taxation Committee sought to evaluate the State's Workforce Recruitment Credit based on the following factors:

- The number of claimants and the fiscal impact of the incentive;
- Employment opportunities, business growth or diversity in the state's economy resulting from the availability of the incentive;
- Negative impacts created as a result of the incentive;
- Benefits that flow to out-of-state concerns resulting from the incentive;
- Testimony from interested parties.

The Committee found low/no program usage in most years and cited confidentiality restrictions in years where the credit was claimed as a reason why the program could not be properly evaluated. Further, the Economic Development Association of North Dakota testified in support of eliminating the credit.[36]

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[33] Colorado Department of Revenue, "Aircraft Manufacturer New Employee Credit," (December 2012). Available at https://www.colorado.gov/pacific/sites/default/files/Income62.pdf
[34] North Dakota Office of State Tax Commissioner, "Workforce Recruitment Credit." Available at https://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives/workforce-recruitment-credit
[35] Texas Economic Development, "Governor's University Research Initiative." Available at https://gov.texas.gov/business/page/guri
[36] North Dakota Legislative Council, "Economic Development Tax Incentive Study – Workforce Recruitment Credit," (September 2018). Available at https://www.legis.nd.gov/files/resource/committee-memorandum/19.9170.04000.pdf

Appendices

Appendix A: Incentive Statute

§68-2357.301. Definitions.

As used in Sections 2357.301 through 2357.304 of this title:

1. "Aerospace sector" means a private or public organization engaged in the manufacture of aerospace or defense hardware or software, aerospace maintenance, aerospace repair and overhaul, supply of parts to the aerospace industry, provision of services and support relating to the aerospace industry, research and development of aerospace technology and systems, and the education and training of aerospace personnel;

2. "Compensation" means payments in the form of contract labor for which the payor is required to provide a Form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. Compensation shall not include employer-provided retirement, medical or health-care benefits, reimbursement for travel, meals, lodging or any other expense;

3. "Institution" means an institution within The Oklahoma State System of Higher Education or any other public or private college or university that is accredited by a national accrediting body;

4. "Qualified employer" means a sole proprietor, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity, or public entity whose principal business activity involves the aerospace sector;

5. "Qualified employee" means any person, regardless of the date of hire, employed in this state by or contracting in this state with a qualified employer on or after January 1, 2009, who has been awarded an undergraduate or graduate degree from a qualified program by an institution, and who was not employed in the aerospace sector in this state immediately preceding employment or contracting with a qualified employer. Provided, the definition shall not be interpreted to exclude any person who was employed in the aerospace sector, but not as a full-time engineer, prior to being awarded an undergraduate or graduate degree from a qualified program by an institution or any person who has been awarded an undergraduate or graduate degree from a qualified program by an institution and is employed by a professional staffing company and assigned to work in the aerospace sector in this state;

6. "Qualified program" means a program that has been accredited by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology (ABET) and that awards an undergraduate or graduate degree; and

7. "Tuition" means the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program. Tuition shall not include the cost of books, fees or room and board.

Added by Laws 2008, c. 417, § 1, eff. Jan. 1, 2009. Amended by Laws 2014, c. 30, § 1, eff. Nov. 1, 2014.

§68-2357.302. Credit for employee tuition reimbursement.

[Note: As discussed in the evaluation, this provision is not in use and was exempted by the Commission from review in 2020.]

A. Except as provided in subsection F of this section, for taxable years beginning after December 31, 2008, and ending before January 1, 2026, a qualified employer shall be allowed a credit against the tax imposed pursuant to Section 2355 of this title for tuition reimbursed to a qualified employee.

B. The credit authorized by subsection A of this section may be claimed only if the qualified employee has been awarded an undergraduate or graduate degree within one (1) year of commencing employment with the qualified employer.

C. The credit authorized by subsection A of this section shall be in the amount of fifty percent (50%) of the tuition reimbursed to a qualified employee for the first through fourth years of employment. In no event shall this credit exceed fifty percent (50%) of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a public institution in Oklahoma.

D. The credit authorized by subsection A of this section shall not be used to reduce the tax liability of the qualified employer to less than zero (0).

E. No credit authorized by this section shall be claimed after the fourth year of employment.

F. No credit otherwise authorized by the provisions of this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2010, for which the credit would otherwise be allowable. The provisions of this subsection shall cease to be operative on July 1, 2011.

Beginning July 1, 2011, the credit authorized by this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2011, according to the provisions of this section.

Added by Laws 2008, c. 417, § 2, eff. Jan. 1, 2009. Amended by Laws 2010, c. 327, § 26, eff. July 1, 2010; Laws 2011, c. 5, § 1; Laws 2014, c. 30, § 2, eff. Nov. 1, 2014; Laws 2017, c. 153, § 1, eff. Nov. 1, 2017.

§68-2357.303. Credit for compensation paid to employees.

A. Except as provided in subsection F of this section, for taxable years beginning after December 31, 2008, and ending before January 1, 2026, a qualified employer shall be allowed a credit against the tax imposed pursuant to Section 2355 of this title for compensation paid to a qualified employee.

B. The credit authorized by subsection A of this section shall be in the amount of:

1. Ten percent (10%) of the compensation paid for the first through fifth years of employment in the aerospace sector if the qualified employee graduated from an institution located in this state; or

2. Five percent (5%) of the compensation paid for the first through fifth years of employment in the aerospace sector if the qualified employee graduated from an institution located outside this state.

C. The credit authorized by this section shall not exceed Twelve Thousand Five Hundred Dollars ($12,500.00) for each qualified employee annually.

D. The credit authorized by this section shall not be used to reduce the tax liability of the qualified employer to less than zero (0).

E. No credit authorized pursuant to this section shall be claimed after the fifth year of employment.

F. No credit otherwise authorized by the provisions of this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2010, for which the credit would otherwise be allowable. The provisions of this subsection shall cease to be operative on July 1, 2011. Beginning July 1, 2011, the credit authorized by this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2011, according to the provisions of this section.

Added by Laws 2008, c. 417, § 3, eff. Jan. 1, 2009. Amended by Laws 2010, c. 327, § 27, eff. July 1, 2010; Laws 2011, c. 5, § 2; Laws 2014, c. 30, § 3, eff. Nov. 1, 2014; Laws 2017, c. 153, § 2, eff. Nov. 1, 2017.

§68-2357.304. Credit for employees.

A. Except as provided in subsection D of this section, for taxable years beginning after December 31, 2008, and ending before January 1, 2026, a qualified employee shall be allowed a credit against the tax imposed pursuant to Section 2355 of this title of up to Five Thousand Dollars ($5,000.00) per year for a period of time not to exceed five (5) years.

B. The credit authorized by this section shall not be used to reduce the tax liability of the taxpayer to less than zero (0).

C. Any credit claimed, but not used, may be carried over, in order, to each of the five (5) subsequent taxable years.

D. No credit otherwise authorized by the provisions of this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2010, for which the credit would otherwise be allowable. The provisions of this subsection shall cease to be operative on July 1, 2011. Beginning July 1, 2011, the credit authorized by this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2011, according to the provisions of this section.

Appendix B: IMPLAN Economic Impact Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN (IMpact Analysis for PLANning).

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Economic Indicators

Employment
Employment data in IMPLAN follows the same definition as Bureau of Economic Analysis Regional Economic Accounts (BEA REA) and Bureau of Labor Statistics Census of Employment and Wages (BLS CEW) data, which is full-time/part-time annual average. Thus, 1 job lasting 12 months = 2 jobs lasting 6 months each = 3 jobs lasting 4 months each. A job can be either full-time or part-time. Similarly, a job that lasts one quarter of the year would be 0.25 jobs. Note that a person can hold more than one job, so the job count is not necessarily the same as the count of employed persons.

Labor Income
Labor Income represents the total value of all forms of employment income paid throughout a defined economy during a specified period of time. It reflects the combined cost of total payroll paid to employees (e.g. wages and salaries, benefits, payroll taxes) and payments received by self-employed individuals and/or unincorporated business owners (e.g. capital consumption allowance) across the defined economy. Labor Income (LI) encompasses two additional representative metrics called Proprietor Income (PI) and Employee Compensation (EC).

Value Added
Value Added represents the difference between *Output* and the cost of *Intermediate Inputs* throughout a defined economy during a specified period of time. It equals gross Output minus Intermediate Inputs (consumption of goods and services purchased from other industries or imported). Value Added is a measure of the contribution to GDP made by an individual producer, Industry, or Sector.

Output
All analysis in IMPLAN is based on Output, which is the value of production by industry in a calendar year. IMPLAN Output data largely come from the same sources as those used by the BEA in developing their Benchmark Input-Output tables. Since output is the total production value of a Sector, it includes all components of production value or output for a given Sector: Output = Employee Compensation + Proprietor Income + Intermediate Expenditures + Tax on Production and Imports + Other Property Income.

Economic Effects

Input-Output (I-O) Analysis and IMPLAN (SAM) is designed to predict the ripple effect of an economic activity by using data about previous spending. Production in a given Sector in an economy supports demand for production in Sectors throughout the economy, both due to supply chain spending and spending by workers.

Direct Effect
A Direct effect is the initial exogenous change in final demand in terms of Industry Output, Employment, and Labor Income Dollars. When consumers purchase goods and services, they create final demand to the Industries producing the goods and services they consume. When you analyze final demand in IMPLAN, we call this a Direct Effect.

Indirect Effect

Indirect effects are the business to business purchases in the supply chain taking place in the region that stem from the initial industry input purchases. As the Industry specified in an Event spends their money in the region with their suppliers, this spending is shown through the Indirect Effect.

Induced Effect

The Induced Effects stem from income being spent throughout the Selected Region. Typically, the income being analyzed are the wages of employees working in the Direct/Indirect Industries.

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Appendix C: Incentive Impacts by Sector

Sector Description	Employment	Wages	Total
Aircraft manufacturing	1,211	$147,777,942	$868,860,119
Propulsion units and parts for space vehicles and guided missiles manufacturing	1,204	$115,876,980	$351,166,699
Owner-occupied dwellings	0	$0	$25,068,341
Wholesale - Machinery, equipment, and supplies	74	$6,087,963	$20,620,516
Hospitals	96	$7,326,243	$16,316,522
Other real estate	89	$1,539,121	$15,409,658
Wholesale - Household appliances and electrical and electronic goods	25	$1,884,775	$11,458,909
Management of companies and enterprises	66	$5,266,454	$10,537,058
Employment services	103	$4,231,472	$10,257,888
Truck transportation	58	$3,908,189	$9,803,645
Other aircraft parts and auxiliary equipment manufacturing	33	$2,571,739	$9,380,670
Offices of physicians	48	$5,117,454	$8,998,642
Monetary authorities and depository credit intermediation	35	$2,349,511	$8,775,667
Other local government enterprises	26	$1,534,302	$8,044,505
Electric power transmission and distribution	7	$792,655	$7,807,869
Full-service restaurants	122	$2,618,365	$7,049,666
Limited-service restaurants	99	$1,968,314	$6,855,663
Accounting, tax preparation, bookkeeping, and payroll services	50	$3,095,541	$6,362,422
Insurance agencies, brokerages, and related activities	31	$1,432,277	$6,190,453
Insurance carriers, except direct life	9	$726,890	$5,675,721
Tenant-occupied housing	15	$247,784	$5,508,513
Petroleum refineries	1	$147,977	$5,356,679
Wholesale - Other durable goods merchant wholesalers	22	$1,566,872	$5,238,860
Wholesale - Other nondurable goods merchant wholesalers	18	$1,060,317	$4,915,348
Electric power generation - Fossil fuel	3	$442,701	$4,054,834
Retail - General merchandise stores	58	$1,646,150	$3,940,103
Legal services	24	$1,601,920	$3,807,295
Wireless telecommunications carriers (except satellite)	3	$134,971	$3,707,069
Funds, trusts, and other financial vehicles	13	$421,205	$3,698,821
Wired telecommunications carriers	8	$667,742	$3,640,557
Oil and gas extraction	8	$573,520	$3,565,205
Retail - Nonstore retailers	33	$252,846	$3,482,499
Warehousing and storage	32	$1,344,990	$3,407,900
Other financial investment activities	35	$233,894	$3,228,942
Other support services	28	$1,167,170	$3,010,995
Business support services	45	$1,881,297	$2,902,306
Nursing and community care facilities	40	$1,389,494	$2,875,084
Retail - Food and beverage stores	36	$1,256,110	$2,758,085
Automotive repair and maintenance, except car washes	29	$1,337,382	$2,633,558
Retail - Motor vehicle and parts dealers	21	$1,061,968	$2,531,934

Sector Description	Employment	Wages	Total
Data processing, hosting, and related services	8	$428,257	$2,493,567
Natural gas distribution	4	$467,953	$2,477,416
Nondepository credit intermediation and related activities	18	$816,156	$2,402,993
All other food and drinking places	42	$1,230,738	$2,397,988
Offices of dentists	19	$1,215,506	$2,386,862
Wholesale - Petroleum and petroleum products	2	$183,088	$2,364,310
Radio and television broadcasting	6	$1,115,737	$2,338,234
Wholesale - Professional and commercial equipment and supplies	7	$668,128	$2,282,567
Wholesale - Drugs and druggists' sundries	3	$317,902	$2,256,038
Outpatient care centers	18	$1,117,347	$2,222,171
Retail - Health and personal care stores	27	$1,082,796	$2,106,822
Investigation and security services	37	$1,319,576	$2,027,669
Commercial and industrial machinery and equipment rental and leasing	6	$421,497	$1,974,925
Offices of other health practitioners	25	$1,438,773	$1,908,974
Other computer related services, including facilities management	8	$544,439	$1,818,741
Maintenance and repair construction of nonresidential structures	10	$524,084	$1,812,577
Management consulting services	18	$971,808	$1,806,458
Automotive equipment rental and leasing	8	$334,780	$1,803,651
Fabricated structural metal manufacturing	5	$403,443	$1,761,920
Retail - Gasoline stores	17	$493,574	$1,757,457
Services to buildings	41	$941,492	$1,748,829
Retail - Clothing and clothing accessories stores	23	$417,895	$1,741,940
Wholesale - Motor vehicle and motor vehicle parts and supplies	4	$290,948	$1,731,296
Securities and commodity contracts intermediation and brokerage	8	$481,024	$1,576,671
Scenic and sightseeing transportation and support activities for transportation	10	$632,415	$1,568,546
Metal mining services	4	$239,135	$1,526,273
Commercial and industrial machinery and equipment repair and maintenance	12	$744,732	$1,525,227
Retail - Miscellaneous store retailers	39	$639,043	$1,523,853
Custom computer programming services	11	$789,913	$1,501,990
Home health care services	30	$1,424,143	$1,500,411
Architectural, engineering, and related services	9	$653,402	$1,476,373
Car washes	13	$599,091	$1,457,009
Religious organizations	14	$631,835	$1,401,937
Couriers and messengers	14	$511,043	$1,399,024
Aircraft engine and engine parts manufacturing	3	$191,083	$1,366,809
Maintenance and repair construction of residential structures	7	$356,167	$1,357,515
Valve and fittings, other than plumbing, manufacturing	4	$316,356	$1,341,183
Advertising, public relations, and related services	9	$445,709	$1,296,671
Retail - Building material and garden equipment and supplies stores	11	$455,551	$1,284,029
Computer systems design services	10	$825,115	$1,263,826

Sector Description	Employment	Wages	Total
Rail transportation	2	$209,409	$1,256,254
Wholesale - Grocery and related product wholesalers	7	$408,125	$1,237,693
Facilities support services	8	$405,592	$1,231,753
Individual and family services	29	$802,324	$1,145,890
Direct life insurance carriers	4	$336,857	$1,090,825
Landscape and horticultural services	20	$561,476	$1,087,728
Retail - Furniture and home furnishings stores	12	$517,904	$1,052,234
Marketing research and all other miscellaneous professional, scientific, and technical services	16	$725,842	$1,042,190
Postal service	12	$923,909	$1,032,780
Grantmaking, giving, and social advocacy organizations	4	$156,969	$996,813
Software publishers	3	$285,595	$984,204
Medical and diagnostic laboratories	6	$367,956	$970,158
Machine shops	7	$417,958	$967,706
Retail - Electronics and appliance stores	11	$454,689	$943,266
Labor and civic organizations	8	$168,760	$908,798
Junior colleges, colleges, universities, and professional schools	11	$414,050	$903,381
Waste management and remediation services	4	$240,028	$885,105
Other educational services	18	$493,880	$874,096
Internet publishing and broadcasting and web search portals	1	$91,707	$846,029
Child day care services	22	$466,543	$830,374
Bottled and canned soft drinks & water	1	$70,817	$824,746
Retail - Sporting goods, hobby, musical instrument and book stores	17	$338,181	$807,748
Wholesale - Wholesale electronic markets and agents and brokers	16	$1,010,622	$797,244
Personal care services	26	$613,398	$778,630
Other ambulatory health care services	8	$371,210	$751,131
Specialized design services	14	$467,480	$747,371
Lessors of nonfinancial intangible assets	0	$25,706	$722,381
Spring and wire product manufacturing	3	$174,672	$716,213
Paperboard container manufacturing	1	$102,368	$715,359
General and consumer goods rental except video tapes and discs	7	$286,103	$714,009
Pipeline transportation	0	$677,971	$688,790
Other personal services	20	$452,433	$631,675
Office administrative services	12	$588,582	$621,013
Iron and steel mills and ferroalloy manufacturing	1	$44,140	$602,367
Business and professional associations	4	$157,763	$582,711
Satellite, telecommunications resellers, and all other telecommunications	2	$123,839	$565,117
Commercial Sports Except Racing	5	$325,707	$555,427
Community food, housing, and other relief services, including rehabilitation services	7	$186,971	$546,673
Residential mental retardation, mental health, substance abuse and other facilities	10	$305,590	$545,876
Newspaper publishers	4	$247,724	$540,017
Other state government enterprises	2	$204,577	$499,122

Sector Description	Employment	Wages	Total
Veterinary services	5	$203,952	$497,168
Periodical publishers	2	$193,239	$494,652
Paint and coating manufacturing	1	$47,744	$492,256
Scientific research and development services	2	$149,836	$474,809
Personal and household goods repair and maintenance	9	$338,620	$469,399
Gambling industries (except casino hotels)	3	$94,069	$467,773
Electronic and precision equipment repair and maintenance	3	$167,745	$451,808
Local government electric utilities	1	$62,898	$446,066
Fitness and recreational sports centers	11	$130,130	$436,449
Motion picture and video industries	3	$52,595	$428,361
Air transportation	2	$267,726	$428,316
Other amusement and recreation industries	8	$158,406	$427,022
Elementary and secondary schools	10	$374,342	$415,421
Metal coating and nonprecious engraving	2	$94,882	$405,686
Environmental and other technical consulting services	5	$286,422	$398,186
Dry-cleaning and laundry services	7	$228,538	$380,616
Cable and other subscription programming	0	$104,482	$379,618
Printing	3	$109,959	$376,350
Performing arts companies	3	$107,879	$344,312
Travel arrangement and reservation services	2	$88,612	$341,561
Other motor vehicle parts manufacturing	1	$39,221	$331,114
Electric power generation - Wind	0	$29,022	$322,305
State government electric utilities	1	$66,043	$321,430
Meat processed from carcasses	1	$35,735	$319,885
Promoters of performing arts and sports and agents for public figures	2	$38,102	$318,344
Fluid milk manufacturing	0	$23,657	$297,449
Video tape and disc rental	2	$71,770	$209,814
Tobacco product manufacturing	0	$6,716	$204,913
Bread and bakery product, except frozen, manufacturing	1	$66,430	$200,455
All other sectors and industries	75	$2,341,168	$7,926,670
Total	**4,951**	**$382,429,538**	**$1,614,145,079**

Appendix D: State of Oklahoma Tax Collection / Gross State Product

Year	Oklahoma GSP	Oklahoma Tax Revenue	Ratio
2005-06	$136,363,200,000	$8,435,214,025	6.2%
2006-07	$143,042,900,000	$8,685,842,682	6.1%
2007-08	$163,616,400,000	$9,008,981,280	5.5%
2008-09	$144,015,000,000	$8,783,165,581	6.1%
2009-10	$152,043,000,000	$7,774,910,000	5.1%
2010-11	$164,150,600,000	$8,367,871,162	5.1%
2011-12	$172,865,600,000	$8,998,362,975	5.2%
2012-13	$180,665,000,000	$9,175,334,979	5.1%
2013-14	$195,249,800,000	$9,550,183,790	4.9%
2014-15	$185,986,800,000	$9,778,654,182	5.3%
2015-16	$179,023,400,000	$8,963,894,053	5.0%
2016-17	$187,677,500,000	$8,789,362,844	4.7%
2017-18	$201,870,700,000	$9,837,247,035	4.9%
2018-19	$206,139,300,000	$11,091,161,884	5.4%
Average	**$172,336,371,429**	**$9,088,584,748**	**5.3%**

Sources: U.S. Bureau of Economic Analysis Regional Economic Accounts; OTC Annual Reports

Appendix B: Community Hope Centers Project Request

<u>**IDEA SUBMISSION PROJECT FOLLOW UP**</u>

Community Support Center Proposal

Project Sponsor: Hillary Buckholder

($15,000,000)
(Additional $15,000,000 to be requested in the event funding can be provided in 2021)

<u>Goals & Strategy Summary:</u>

A significant concern of the Oklahoma Department of Human Services that is shared by countless other states and national partners, is that during the spring semester school recess related to the COVID-19, the volume of nationwide reports of abuse and neglect to states' child welfare hotlines were approximately 45% <u>**below**</u> prior year levels. Intuitively, during times of stress, actual abuse and neglect are likely greater due to resource scarcity and uncertainty. The unprecedented reduction of reports of potential abuse and neglect can be attributed almost exclusively to the fact that children were not in school, where teachers and other school staff would have otherwise been there to see the children and report potential abuse. Oklahoma's children are likely to be experiencing greater levels of abuse and neglect, and remain in the homes of their abusers.

Child Welfare systems across the nation are wrestling with how to reach children at risk when they are not in school buildings, and how to provide children and families the resources and supports they need to remove the stress of a deteriorated financial position and uncertainty around the COVID-19 impact.

Significant concern is surfacing as school districts offer remote learning options, which potentially further distance children from being identified as vulnerable and resources being deployed to their families to ameliorate the issues that contribute to abuse and neglect. Further, families that have suffered catastrophic financial loss due to COVID-19 are less likely to have the resources to overcome systemic barriers that would allow them to re-engage in the economy. Poverty is building in our communities, and children and families need supports more than ever to overcome dire circumstances including learning loss, hunger, homelessness & isolation. Based on anecdotal evidence, these concerns are beginning to present in the state's community partners, resulting in increasingly alarming reports of abuse and poverty by children visiting Boys and Girls Clubs and other community partners.

In summary, childhood trauma is building quickly in our communities and we have to be aggressive in building alternative support networks for children and families to get the resources that they need to thrive.

As of 7/16/2020, anecdotal indications are that approximately 30% of families are selecting a virtual learning option if provided. Additionally, very recent conversations indicate that large school districts are proposing amending their back to school policies from a full-time strategy to a part-time strategy, likely limiting student presence in a school building to two days per week. If this decision materializes, it is likely that there will be significantly greater need for the proposed 'Community Resource Center' model.

Proposal Summary Goal - Supporting the resource needs of children in the community by developing a 'Community Support Center' model.

The Oklahoma Department of Human Services proposes to directly collaborate with existing community partners to develop a new platform initially referred to as 'Community Support Centers' to serve the needs of the state's most vulnerable children. Requested funding would allow the existing partners (conceptually Boys & Girls Clubs, YMCAs, Urban League, etc) to develop robust programming and provide supports and resources to children and families to combat potentially unprecedented levels of Adverse Childhood Experiences related to COVID-19, build Hope and address the needs of children and families.

Funds will allow providers to, among potential other interventions, engage in the following required activities ('Program Activities'):

- Within the program period, provide trauma informed mental and emotional health professionals to work with children to address new and dramatic levels of childhood trauma;
- Provide deeper enrichment activities to combat social and emotional distress;
- Provide two meals and snacks to children daily to address rising food insecurity;
- Follow CDC guidelines, including the purchase of proper PPE, sanitation supplies and to maintain small group sizes;
- Work with students to help facilitate the student's engagement in the remote / virtual learning platform, including help with homework and other assignments;
- Cover increased administrative and overhead burden;

Note: OKDHS intends to provide an embedded worker (current OKDHS employee) in each Community Support Partner, allowing the agency to provide resources and intervene in potential abuse situations immediately as presented in the partner site. This opportunity helps the agency to achieve its goal of being preventative, solving problems for families before they reach a crisis.

Additional Mechanics:

- Funding is contemplated to be based on a per child per month basis, estimated at less than $600 for Large Sites (200 child target) and $800 for Small Sites (75 child

target) per month per child ('Per Child Funding Amount'). See the following section entitled "Estimated Financial Requirement' for further details;

- Waivers for specific services can be requested and will be considered on a case base case basis by OKDHS to provide flexibility for resources that might not be available in certain parts of the state.
- Proposed audit structure (draft subject to change):
  1. Payment is a flat monthly rate, based on enrollment, paid in two milestone payments, as identied above. Actual expenditures from the first 5 months will be reviewed and used to calculate and award the second payment.;
  2. OKDHS Childcare Services, which has a robust inspection process, will work with the OKDHS embedded employee and the provider to ensure that the required 'Program Activities' identified are actually on site as a condition to funding;

NOTE: Project program costs are intended to be estimates and program specifics are in draft form, as the project is not currently in operation and must be built immediately upon approval of funding. As program design is completed in the coming weeks, OKDHS requests flexibility to allow for evolution during execution, while maintaining the spirit of the proposal. Flexibility is also requested as school district re-opening plans differ, and might also evolve as the year proceeds. It is the intent of OKDHS to attempt to reduce program costs from estimates in an effort to serve more children statewide.

Estimated Financial Requirement:

The following chart provides an estimated expense structure for services provided by this platform. The analysis contemplates both a large site structure (200 children target) and a small site structure (75 children target).

Exhibit A - COVID Childcare Sustainability Payment
Budget Impact Methodology (estimated)

	Large Site Target	*Small Site Target*
Rooms	14	6
Children Served	200	75
Expenses:		
Food	$ 20,000	$ 7,500
Insurance	$ 9,500	$ 7,500
Office Supplies	$ 5,000	$ 2,500
Phone and Internet	$ 5,500	$ 5,500
PPE and Cleaning Costs	$ 25,000	$ 12,500
Program supplies	$ 20,000	$ 12,500
Salaries and Benefits*	$ 846,302	$ 433,294
Technology	$ 20,000	$ 12,500
Utilities	$ 11,000	$ 5,000
Administrative Overhead	$ 96,230	$ 52,879
Total Expenses	$ 1,058,532	$ 551,673
Cost per Child (estimate)	**$ 5,293**	**$ 7,356**
Cost per Child per month (10 months)	$ 529	$ 736

(est) all numbers are estimates and are subject to change as the program is developed.

Total Impact:

Based on estimated figures, and a fully funded requested budget of $15MM (through December 2020), OKDHS estimates that more than 4,200 children can be served in approximately 31 sites across the state of Oklahoma. It is also believed that, with some limitations and additional investment, the project can be scaled to additional sites serving more children and families in need.

FOLLOW UP QUESTIONS AND INFORMATION:

1) **Was this item included in your budget prior to March 27, 2020?**
   No

2) **How many locations need this equipment/application/etc.?**
   Estimated: 31 new sites, serving more than 4200 children

3) **Would there be installation or other up-front expenses in addition to those noted in the idea submission overview?**
   Requested funding provides for all projected needs

4) What is the total, estimated project cost?
$15,000,000, deployed before 12/30/2020. An additional $15,000,000 will be considered in the event additional funding options are made available through the federal government for the remaining school year (spring of 2021)

5) What is the estimated timeline for completion of the project and expenditures?
12/30/2020

6) Would the agency be able to incur the costs prior to reimbursement?
The project will be designed so as to end funding at 12/30/2020, however in the event additional funding can be made available in 2021, the project can be extended to finish the school year.

Appendix C: CARES FORWARD Response to Email Cited by LOFT Regarding OMES Accounting Staff

From:	Brandy Manek <Brandy.Manek@omes.ok.gov>
Sent:	Tuesday, December 8, 2020 12:15 PM
To:	Justin Anderson; jill.geiger.oklahoma; Regina Birchum
Cc:	Ryan Maren; Frank Magness; Courtney Cowart; Cathrine Calvert
Subject:	RE: [EXTERNAL] Re: Training with Justin
Attachments:	CRF Reimbursement Transactions for Documentation Review LOFT.xlsx

Thanks, Justin!!

So, it looks like Tom's sheet doesn't have all the info on it that the master sheet I provided has on it.

Also, LOFT team indicated that they wanted agency reimbursement items over $50K. As we conveyed, the "Contractual" items are not in the agency reimbursement bucket. Those are economic support projects.

If you remember, the master spreadsheet that was provided to LOFT contains all distributions from the state CRF fund to all 3 lanes of funding – 1. state agency reimbursements. 2. city/county reimbursements 3. economic support projects.

The spreadsheet I provided to Ryan and Justin for review was agency reimbursements over $50K – which was my understanding what LOFT requested to review documentation for (spreadsheet attached).

It was my understanding that Justin's purpose was to assist the team in understanding how to get to the documentation. If there were items that couldn't be located (maybe pcard transactions are a different step that Jill may need to convey how they reviewed documentation for), LOFT would reach out to Jill to see if we collected this documentation in a different format (i.e. agencies that are alternate pay agencies and/or have parallel financial systems).

Health Department documentation has been uploaded to the Teams site.

Apologies if I misunderstood what the ask was. Let us know how you would like to move forward.

From: Justin Anderson <Justin.Anderson@omes.ok.gov>
Sent: Tuesday, December 8, 2020 11:56 AM
To: jill.geiger.oklahoma <jill.geiger.oklahoma@gmail.com>; Regina Birchum <regina.birchum@okloft.gov>
Cc: Brandy Manek <Brandy.Manek@omes.ok.gov>; Ryan Maren <ryan.maren@okloft.gov>; Frank Magness <frank.magness@okloft.gov>; Courtney Cowart <courtney.cowart@omes.ok.gov>; Cathrine Calvert <Cathrine.Calvert@omes.ok.gov>
Subject: RE: [EXTERNAL] Re: Training with Justin

It was my understanding based on the email from Dec 1st, that we just needed to review how to locate uploaded documents from the spreadsheet CRF Reimbursement Transaction for Documentation Review LOFT (attached), for transactions over $50k. When I reviewed it, it looked like we simply needed to show how to navigate PeopleSoft and search using the BU, Voucher ID, or the Invoice number in a few situations. However when I spoke with Ryan and his team it appeared that they weren't entirely familiar with what I was basing the train on. Tom Bogdanowicz emailed me a copy of what he had been working on, (also attached) and it does not appear to have any voucher numbers or invoice numbers. There are some Vendor IDs that could be used to search by, however several only say "Contractual."

Having reviewed some of the information with Cathrine, several of the entries from Tom are PCard entries. Searching using the Supplier Name/VendorID we have been able to find a few of the vouchers on the initial spreadsheet associated with the ones from Tom but not many;

Line 13 is BU 340 Voucher 00428782
Line 14 is a PCARD from BU 030 Voucher 00013664, however the amount doesn't exactly match what Tom has.
Line 18 is 090, 00126899

However the first four entries, lines 2, 6, 10, and 12, do not appear to match anything on the initial spreadsheet we reviewed though. It looks like what they have requires a lot more searching.

I think from our side we just need clarification on what we are looking for. We were under the impression they only needed help with finding documents, but if they need additional info on the specific expenditures, they will have to talk to the agency.

It might also help if we knew where the information is from. It could be that the information isn't in PS or something specifically from an internal system or combined with other vouchers.

I hope this helps alleviate the confusion.

Justin Anderson | Compliance Officer II
p. 405-521-6197 | f. 405-521-3383
DCAR | OMES

Sign up to receive email or wireless updates from OMES.

From: Jill Geiger <jill.geiger.oklahoma@gmail.com>
Sent: Tuesday, December 8, 2020 10:47 AM
To: Regina Birchum <regina.birchum@okloft.gov>; Justin Anderson <Justin.Anderson@omes.ok.gov>
Cc: Brandy Manek <Brandy.Manek@omes.ok.gov>; Ryan Maren <ryan.maren@okloft.gov>; Frank Magness <frank.magness@okloft.gov>
Subject: [EXTERNAL] Re: Training with Justin

I'm not sure what information he has that you don't. Justin, can you share what you're referencing so we can understand any differences?

On Tue, Dec 8, 2020 at 10:40 AM Regina Birchum <regina.birchum@okloft.gov> wrote:

Jill and Brandy,

During our training today with Justin, he was working off a data spreadsheet with more information than what was provided to our team. We sent him a copy of the dataset that we were provided as a point of comparison, after which he agreed that we had "rather limited information to search on" and that we were "working with much less information" than he had.

Justin was very helpful in demonstrating how verifying documentation *should* work, if we had adequate data. Justin said he would be reaching out to Lynne Bajema for clarification, but I wanted to bring this to your attention as well.

Regina Birchum
Deputy Director

Legislative Office of Fiscal Transparency
Email: regina.birchum@okloft.gov
Phone: 405-724-7760 | Web: www.okloft.gov
2300 N Lincoln Room 107 Oklahoma City, OK 73105

Appendix D: Breakdown of "Economic Support Projects" by allocation category

NAME	Project Description	Final Budget	CRF Dollars out the Door	Allocation Area	
Safer State Welcome Centers	Update our Welcome Centers to accommodate social distancing and sanitation guidance provided by the Center for Disease Control.	$ 18,621,000.00	$ 2,702,391.24	Citizen Engagement	
Citizen Online Access	Web modernization - seamless online experience & allows for workforce to work remotely in emergency - 25 agencies & ok.gov	$ 20,438,766.00	$ 19,495,942.00	Citizen Engagement	
TOTAL CITIZEN ENGAGEMENT		$ 39,059,766.00			3%
Telework Support Platform	Replace the state's antiquated Human Resource Information System with a modern, cloud-based solution to enable effective teleworking.	$39,000,000	$35,456,387	Citizen Services and Infrastructure	
DPS Electronic Crash Reporting	Provide officers with a mobile application to scan the barcode on a driver license and scan the barcode on a vehicle dash to record the person and vehicle information. The officers would be able to submit the information electronically preventing the spread of COVID from citizens involved in collisions - along with potential transmission to law enforcement officers, records clerks and other DPS staff.	$1,500,000	$649,356	Citizen Services and Infrastructure	
DPS First Responder Interoperable Radio System P 25 Capabilities	The funding requested would finalize a solid public safety radio network that all public safety responders could utilize for digital radio communications and emergency responder location information during the on-going COVID-19 pandemic. Includes Tower Replacements	$9,400,000	$8,989,706	Citizen Services and Infrastructure	
DPS COVID Protective Response Equipment	Purchase equipment to outfit all 800 OHP members with uniforms that could be decontaminated, face shields, protective gloves and boots, along with equipment to maintain social distancing.	$1,632,100	$16,132,100	Citizen Services and Infrastructure	
OHP Reduced Response Time Communication Center	This project would enable OKDPS with Public Safety Answering Point (PSAP) capabilities for 911 calls.	$1,250,000	$1,241,803	Citizen Services and Infrastructure	
Pandemic Response Real Estate Strategy / Healthy Workplace Design	Strategic real estate plan to address the changed needs of state agencies/entities due to COVID 19 - includes design, hygiene, employee/customer interaction	$400,000	$150,000	Citizen Services and Infrastructure	
First Responder Interoperable Radio System	Create a law enforcement/public safety radio system: Oklahoma does not have statewide 800 MHz that functions in all 77 counties. Law enforcement, EMT services, fire services, and emergency managers statewide rely upon a mixture of UHF, VHF, Digital, and 800 megahertz channels, as COVID-19 continues and when statewide events such as COVID-19 pandemics occur there is no interoperability.	$1,700,000	$1,631,358	Citizen Services and Infrastructure	
First Responder Interoperable Radio System Infrastructure	Project would ensure that public safety agencies had the ability to commuicate and respond to COVID emergencies.	$1,650,000	$1,645,862	Citizen Services and Infrastructure	
Contactless Drivers License Renewals	Staff to process the backlog of drivers license renewals due to this COVID pandemic.	$128,102	$27,430	Citizen Services and Infrastructure	
Assessment of Barriers to Broadband Adoption	Comprehensive qualitative survey will help ensure that future dollars on broadband are spent on the correct remediation steps to ensure our educational and business systems are more effective in the current pandemic	$100,000	$75,000	Citizen Services and Infrastructure	
DPS Electronic Records Management	OHP does not have a Records Management System (RMS) to track calls for service and time spent as OHP responds to the COVID-19 pandemic. The RMS funding would allow OHP to track time spent and functions that occur when performing SNS, RSS, and PODs deployments or supporting local law enforcement agencies when they quarantine.	$1,500,000	$1,500,000	Citizen Services and Infrastructure	

Front Porch/Non-Profit Agency Collaboration (Unite Us)	Pilot year for Oklahoma and Tulsa Counties. Software is used by non-profits and municipalities for case management giving all entities "No Wrong Door" access to relevant customer information.	$245,000	$245,000	Citizen Services and Infrastructure	
Governor's Pandemic Communication Infrastructure	Communication Center for Governor to address public for COVID response	$70,000	$70,000	Citizen Services and Infrastructure	
Emergency Management EMPG Grant (COVID Response) State Match	Emergency Management Performance Grants-S Sub Reciepients (COVID Response) State Match	$1,500,000		Citizen Services and Infrastructure	
TOTAL CITIZEN SERVICES AND INFRASTRUCTURE		$60,075,202			5%
OESC Trust	OESC Trust Replenishment	$100,000,000	$100,000,000	Economic Aid	
DHS Community Support Centers	Direct collaboration with existing community partners to develop a new platform to serve the needs of the state's most vulnerable children - new platform is needed due to COVID affect on closure of schools, churches, etc.	$ 15,000,000.00	$ 9,756,677.31	Economic Aid	
Protect Transit	Ensure continuing sanitization for transit providers. Bus shields, cashless payments, disinfecting. Rural first focus.	$ 6,000,000.00	$ 1,499,998.29	Economic Aid	
Food bank replenishment	Provide funding to Food Banks given their higher level of usage in the pandemic	$ 6,000,000.00	$ -	Economic Aid	
Eviction Mitigation Program	Rental Assistance Reimbursement Program	$ 10,000,000.00	$ 9,773,707.93	Economic Aid	
Unemployment Check Disbursement System	Replace the OST paper check printing application and hardware. This is the system that prints unemployment claims. It has gone down twice since COVID 19 pandemic started.	$ 71,013.00	$ 56,042.50	Economic Aid	
DHS Foster Kids Christmas Support	System to enable remote gift-giving for foster children	$ 50,000.00	$ 40,039.00	Economic Aid	
Business Relief Program	Provide grants to businesses impacted by COVID.	$ 143,042,218.43	$ 143,011,474.39	Economic Aid	
Nursing Home and Long-Term Care Grants	Funds for all Long-term care facility types to improve infectious disease monitoring, prevention and mitiagtion	$ 30,649,710.00	$ 30,649,710.00	Economic Aid	
OESC System Deficiencies	Update OESC mainframe, which has caused multitude of issues and problems to accurately pay Oklahomans during the COVID19 pandemic	$ 17,000,000.00	$ 19,233,738.42	Economic Aid	
Food Supply Chain Stability	The pandemic has exacerbated challenges within our food supply chain, lack of access to capital, and obstacles to effective and efficient food distribution and, ultimately, food availability. This project outlines solutions to responde to these	$ 10,000,000.00	$ 10,000,000.00	Economic Aid	
DHS Child Care Industry Support	Business Relief Program for child care facilities. Sliding scale based on the star system.	$ 9,370,816.90	$ 9,370,816.90	Economic Aid	
Arts Council Grants - Resiliency, Relevance, and Reopening	COVID Resiliency, Relevance, and Reopening (RRR) grants to be administered by the Oklahoma Arts Council, the state arts agency. These grants would be open to any 501c3 nonprofit organization incorporated in Oklahoma meeting grant application criteria. No grant dollars will be provided for any reimbursement item which cannot be expended for a completed project or expense by December 30, 2020.	$ 3,000,000.00	$ 3,000,000.00	Economic Aid	
Tourism Remarketing	Provide funds to market safe Oklahoma Tourism to help rebuild tourism and hospitality industries	$ 2,000,000.00	$ 2,000,000.00	Economic Aid	
Cattle Congress Event	This funding would allow for the facility and staff of the Cattle Congress event to have in place adequate social distancing measures, hand sanitizing stations, adjust pens/stalling for appropriate spacing, allow for the event to be live streamed via the web and implement any other measures necessary to allow the cattle show to move forward in a responsible fashion.	$ 250,000.00		Economic Aid	
TOTAL ECONOMIC AID		$352,433,758			28%
Higher Ed Reimbursements	Reimbursement to Higher Ed institutions for PPE	$ 7,000,000	$ 6,431,715	Health	
Teacher Testing	School Testing and Guidance	$ 5,000,000	$ 1,067,883	Health	
Education K-12 PPE	Provision of PPE to K-12 schools	$ 3,666,016	$ 2,367,600	Health	
Surge	Hospital surge capacity	$ 169,135,000	$ 137,127,710	Health	

Project	Description	Requested	Spent	Category	
DOC Touchless Timekeeping	Update DOC timekeeping system to facilitate electronic submission of time - currently paper timesheets are used at DOC - which means payroll can't be done entirely remotely	$ 900,000.00	$ 900,007.17	Health	
PPE Inventory Maganement System	Automation and strategic system for PPE inventory management.	$ 514,413.00	$ 12,358.00	Health	
Capitol Complex Buildings Cleaning and Sanitizing Windows	Perform deep cleaning and sanitizing in all OMES-managed buildings in the Oklahoma State Capitol Complex. The necessary actions include cleaning of floor, walls, windows, and all hard and soft surfaces in the buildings. One phase will be window cleaning only and the other phase will be all surfaces excluding windows (floors, carpets, window coverings, other hard & soft surfaces	$ 510,000.00	$ 97,734.00	Health	
DOC Infrared Thermometers/Scanners	Infrared scanners for facility, chapel and visiting room entrances.	$ 500,000.00	$ 498,924.50	Health	
Capitol Complex Food Safety and Sanitization	Sanitation measures include hand hygiene, masks, training for employees, and proper cleaning of all surfaces. Ensure adequate supplies to support healthy hygiene behaviors such as soap, hand sanitizer (containing at least 60% alcohol) placed on every table, paper towels, tissues and disinfectant wipes, and masks, being sure to use disposable versus reusable products. Adding no-touch, foot petal trash receptacles and signage promoting health and safety.	$ 440,000.00	$ 5,600.00	Health	
OU / OSU Testing	Additional funds to OU and OSU to foster on-campus testing	$ 400,000.00	$ 200,000.00	Health	
Face Masks for State Employees	40,000 face masks for state employees	$ 80,000.00	$ -	Health	
Vaccine survey	Survey of Oklahomans to determine willingness to take vaccine overall and by demographic categories	$ 44,000.00	$ -	Health	
PSA for mask-wearing	Develop public service advertisement to promote mask-wearing	$ 30,000.00	$ -	Health	
Healthy Workplace Air Quality Assessment	Research and guidance to reduce the likelihood of coronavirus/COVID 19 spread in an office/work place environment includes recommendations on managing HVAC (Heating, ventilation, air conditioning) systems.	$ 319,385.00	$ 319,385.00	Health	
COVID 19 Testing & Monitoring	Increase Lab Capacity for testing of COVID-19 and for related research capacity. Also, improve Testing Capacity and Contact Tracing through the improvement of technology and coordination across Health Department Systems	$ 55,000,000.00	$ 55,000,000.00	Health	
Mental Health COVID Services	Allow mental health and addiction providers to meet the increased need by attributing any annual increase in client load to COVID-19 under ODMH-developed criteria. Treatment for these individuals, when no other payer source exists, could be billed to an emergency treatment fund.	$ 5,000,000.00	$ 5,000,000.00	Health	
Tele Health for Mental Health Support	Provide technology (mobile devices), data, licenses so that clients can access mental health and addiction treatment virtually.	$ 2,600,000.00	$ 2,600,000.00	Health	
Mental Health Support for Law Enforcement Officers	Funding for local treatment agencies to develop and implement mental health treatment/education model that uses mobile tech. for real time support of law enforcement.	$ 1,200,000.00	$ 1,200,000.00	Health	
Technology Expansion Grants for Mental Health Providers	Create a pool for grants that can be distributed to local physicians, mental health and addiction providers, pediatricians, family medicine practices and school-based health services to add telehealth equipment and software, connect to consultation services, adopt evidence-based screening models, and provide one-time initial funding for staff or training, to better handle mental health care in primary care and pediatric settings and to expand tele-health in the behavioral health sector.	$ 1,000,000.00	$ 998,245.00	Health	

		Budget	Spent	Category	%
Mental Health Training for Front Line Staff and First Responders	Expand evidence-based mental health awareness training to first responders and educators, including Crisis Intervention training for law enforcement officers who are on the front line of dealing with the public's increased mental health needs outside of traditional care settings. ODMHSAS already curates training options.	$ 500,000.00	$ 500,000.00	Health	
DPS Digital Thermometers	Thermometers to allow troopers to check temperatures of persons taken into custody before transporting them to a county jail.	$ 20,631.40	$ 20,631.40	Health	
Mobile Health Units	Purchase vehicles to allow provision of health department services in rural Oklahoma during the pandemic	$ 4,294,053.00	$ 1,753,295.00	Health	
	Service Wing - devices to manufacture sanitizer	$ 163,000.00		Health	
TOTAL HEALTH		$ 258,316,498.40			21%
State Government Business Continuity	State of Oklahoma has evaluated that conditions brought on by COVID19 have created inequities in a wide scale evacuation of employees to perform state service due to COVID19. The state desperately needs to improve disaster recover & business continuity for all 189 state agencies.	$ 110,000,000.00	$ 106,180,691.81	State Government Continuity	
Remote Training State Employees	Provide access to a large database of classes to all state employees. These classes fall into several categories including support for teleworking, working in the coronavirus environment in which we now live and business and technology courses which furnish training on tools they are now using to function from home.	$ 600,000.00	$ -	State Government Continuity	
Pandemic Fiscal Cliff Review	Review of State Budget and Processes to determine possible solutions for funding government services in light of possible reduced revenues due to the pandemic	$ 350,000.00	$ -	State Government Continuity	
Nurse Licensure Modernization	Replace the legacy AS400 at Board of Nursing to improve ability to license nurses	$ 71,013.00	$ 20,720.00	State Government Continuity	
Paperless Accounts Payable Workflow	Roll-out accounts payable system statewide to foster remote working and faster provision of payment	$ 390,000.00	$ 179,727.50	State Government Continuity	
Virtual Education Programs for DOC Staff/Inmates	This project would facilitate the educational program for inmates to fall within social distancing guidelines.	$ 250,000.00	$ 133,065.09	State Government Continuity	
DOC Touchless Paperwork Processing	Computer kiosks placed in selected areas inside Oklahoma's prisons will provide corrections staff the ability to access the agency's intranet. ODOC's intranet houses educational materials provided by the Centers for Disease Control and Prevention and the Oklahoma State Department of Health.	$ 250,000.00	$ 615.34	State Government Continuity	
DOC Virtual Court Hearings	Equipment to facilitate virtual court proceedings for inmates.	$ 250,000.00	$ 48,353.86	State Government Continuity	
OMES Touchless Mail Handling	Envelope Inserters to assist OESC with their mail in this COVID pandemic.	$ 100,000.00	$ -	State Government Continuity	
Digital Claim Services / Risk Property Claim App (Lia's name)	First-party & third-party claim reporting platforms via GovDelivery allows its users to submit claims anytime from anywhere to address the state of emergency due to Covid-19. The platforms eliminate the need for physical contact between agency, college, and university staff, as well as, the public with the Risk Management department to reduce the risk of transmission of Covid-19.	$ 100,000.00	$ 33,000.00	State Government Continuity	
Crises coordination assessment	Assess Oklahoma's crisis/pandemic communication ability and identify opportunities for improvement.	$ 75,000.00	$ -	State Government Continuity	
Onboard National Guard for Election Support	The Oklahoma Military Department (OMD) needs to onboard 2,000-3,000 national guardsmen before the November elections. They want an automated process to alleviate manual data entry into PeopleSoft HCM.	$ 92,800.00	$ 68,440.00	State Government Continuity	

Remote Appointment Check-In	plan, purchase and implement a virtual check-in for use in OMES-managed buildings that will allow Oklahomans who choose to use the service to wait for appointments in their cars rather than waiting in lobbies.	$ 18,000.00	$ 18,000.00	State Government Continuity	
TOTAL STATE GOVERNMENT CONTINUITY		$ 112,546,813.00			9%
	TOTAL	$ 822,432,037.73			

Appendix E: Business Continuity/Disaster Recovery for State Agencies Project Follow Up document

IDEA SUBMISSION PROJECT FOLLOW UP

PROJECT/AGENCY/POINT PERSON: Steve Harpe

Business Continuity & Disaster Recovery/ OMES

PROJECT DESCRIPTION:

Overview: On March 15, 2020, OMES responded to Governor Stitt's Executive Order declaring an emergency caused by the impending threat of COVID-19. The State Emergency Operations Plan was activated. All State agencies established remote work policies that balanced the safety and welfare of state employees with the critical services they provide. As employees began to telework in record numbers, the Information Services division identified multiple facets of business continuity and disaster recovery that were not in place.

Recommendation: BC/DR is a necessary emergency acquisition. The State needs a data recovery center ensuring State agencies can access their data in a timely fashion allowing citizens to access the support they need that is provided by State government. The Health Department must be able to accumulate COVID 19 data. The Finance Department must be able to pay employees and vendors doing business with the State. The Oklahoma Employment Security Commission must be able to process unemployment claims. Medicaid and the State's self-insured health plan must be able to provide telemedicine and pay providers. Other agencies providing economic support to those experiencing financial crisis due to business interruptions related to COVID 19 closures must have business continuity. Business continuity addresses the emotional and economic health and safety of all Oklahomans.

Implementation and Planning Disaster Response: An on-premise hybrid cloud solution is recommended to bring OMES to the forefront of recovery for Oklahoma agencies. This would include hardware on-premise of the OMES data center, redundant hardware at an offsite location and Azure cloud.

For OMES to quickly respond to a disaster situation, a disaster recovery/business continuity site needs to be brought online. This DR site would allow OMES to provide core services immediately in the event of a building loss or catastrophic network disruption. OMES could then begin the restore of mission critical and business critical applications. Immediately available core services would include: Service Desk, O365 for email and file shares, Azure maintained applications, connectivity to compute/SAN storage, and backup information. Once these services are restored, OMES can quickly restore mission critical applications for Health Department, Finance Department, Human Services, Oklahoma Employment Security Commission and many others. For business continuity, this plan will include migration of agencies to files to O365 for easier access.

To build out the network and server environment, OMES would utilize VMware NSX or NSX-T, as a network virtualization platform. Network traffic overlay protocols would be established for encapsulating the network traffic. VMware Orchestrator would be utilized to automate and manage the processes of the environment. VMware Cloud Foundation, which consists of Operations Manager (vROPS), Log Insight, and Site Recovery Manager, would allow replication

of virtual servers between the OMES data center, Microsoft Azure, and a disaster recovery site. Replacement hardware for firewalls and switches at the remote sites and OMES data center will allow for better bandwidth for applications and through put to the state-of-the-art equipment supporting this disaster recovery business continuity environment. Better tooling to provide visibility and automation of services will be introduced with this solution.

Contingency Planning: Investing in the states core ability for disaster recovery with the goal to meet these identified items:

- Restore identified mission critical key services within 48 hours of the incident
- Restore business critical identified services within 5 days
- Recover to business as usual within 15 days

FOLLOW UP QUESTIONS AND INFORMATION:

1) **Was this item included in your budget prior to March 27, 2020?** No

2) **How many locations need this equipment/application/etc.?**
   All state agencies

3) **Could/should this become a statewide project?**
   Yes, and so far as it relates to all state agencies

4) **Would there be installation or other up-front expenses in addition to those noted in the idea submission overview?**
   Yes

5) **What is the total, estimated project cost?** $100M

6) **What is the estimated timeline for completion of the project and expenditures?**
   December 30,2020

7) **Would the agency be able to incur the costs prior to reimbursement?** No

8) **Would there be on-going costs to the agency after December 30, 2020? If so, could the agency cover such costs without additional funding?** There will be ongoing licensing and maintenance costs which the agency will address internally.

Appendix F: Welcome Center Pandemic Modernization Project Follow Up document

IDEA SUBMISSION PROJECT FOLLOW UP

PROJECT/AGENCY/POINT PERSON:

SAFER STATE WELCOME CENTERS PROJECT /Lieutenant Governor/Amy Blackburn

DESCRIPTION:

Requested by the Oklahoma Department of Transportation, Oklahoma Tourism and Recreation Department, Oklahoma Department of Commerce, and the Office of Lieutenant Governor Matt Pinnell

Oklahoma serves as a hub for both business and recreational ground travel. Serving as an intersection of two of the nation's most utilized highways (I-35 and I-40) as well as home to the most miles of Route 66 in the nation, Oklahoma is a crucial part of the transport infrastructure in the United States. Strategically located at each of our major points of entry and at major intersections in the state, our Welcome Centers serve as crucial facilities for both business and recreational travelers alike.

With some of the lowest infection rates in the nation, Oklahoma's response to the COVID-19 pandemic has been a model for many other states. Unfortunately, our surrounding states have not experienced the same relatively low case levels.
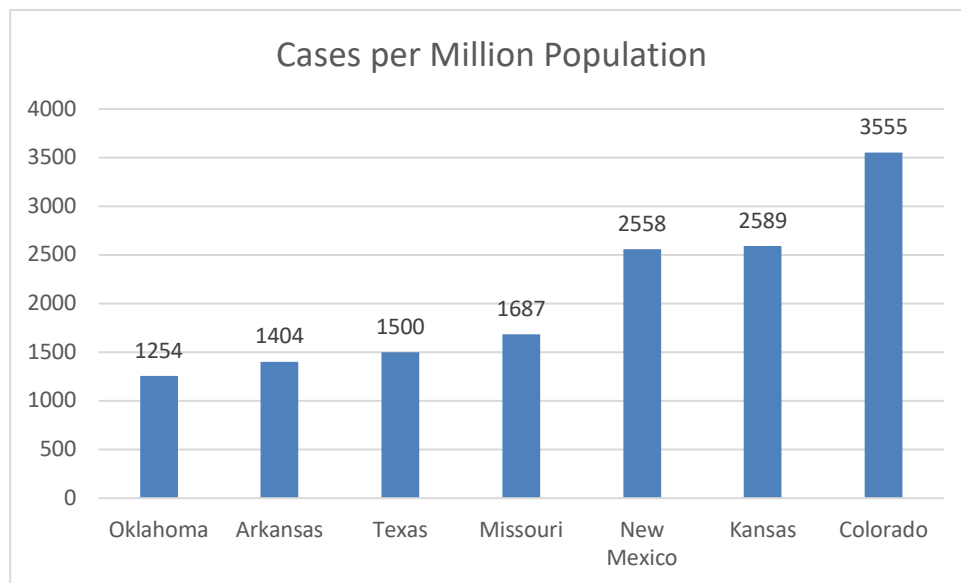
The Oklahoma Tourism and Recreation Department estimates that approximately 60% of all Welcome Center traffic is from the aforementioned surrounding states. In order to keep Oklahomans safe from increased COVID-19 infection levels from surrounding states, while maintaining our crucial role in the Nation's interstate infrastructure, our Welcome Centers must

be updated to accommodate social distancing and sanitation guidance provided by the Center for Disease Control.

These updates include touchless entry points, touchless bathroom amenities, counter barriers to protect Welcome Center staff, and revised layouts that allow visitors to socially distance while still enjoying the features and amenities at each Welcome Center. Further, additional amenities will be added to help bolster to Travel and Hospitality industry, which is lagging at a rate of -42% year-over-year. These amenities will include eye-catching signage, improved aesthetics to draw traffic, and socially-distanced picnic facilities to minimize capacity at nearby restaurants.

Oklahoma currently has 11 Welcome Centers. Based on cost opinions provided by Selser Schaefer Architects, the total cost of each will be approximately $1,862,100. For 10 out of 11 Welcome Centers (Capitol location excluded), the total cost will be $18,621,000.

FOLLOW UP QUESTIONS AND INFORMATION:

1) **Was this item included in your budget prior to March 27, 2020?** No.

2) **How many locations need this equipment/application/etc.?** 10

3) **Could/should this become a statewide project?** This project would affect 10 of our statewide 11 welcome centers (Capitol location excluded).

4) **What is the cost for each location/piece of equipment/etc., and would the costs vary?** Costs will vary by location.

5) **Would there be installation or other up-front expenses in addition to those noted in the idea submission overview? (If so, please include an estimate.)** No.

6) **What is the total, estimated project cost?** $18,621,000

7) **What is the estimated timeline for completion of the project and expenditures?** February 5, 2021

8) **Would the agency be able to incur the costs prior to reimbursement?** No.

9) Would there be on-going costs to the agency after December 30, 2020? If so, could the agency cover such costs without additional funding? **No.**

10) Will the work on this project be completed (project up and running) by December 30, 2020? **No; original timeline extended by Congress.**

Appendix G: Tourism Re-Marketing Campaign Project Follow Up document

<u>IDEA SUBMISSION PROJECT FOLLOW UP</u>

<u>PROJECT/AGENCY/POINT PERSON</u>: Secretary Sean Kouplen

Re-marketing Tourism & Safe Experiences

<u>PROJECT DESCRIPTION</u>: The state will promote that Oklahoma is open and ready for safe travel and tourism.

COVID-19 has significantly impacted the tourism industry across the entire state. This project would support Oklahoma retail, restaurants, and hospitality businesses across the state through a regional advertising campaign encouraging travel to Oklahoma, to mitigate the negative financial effects of COVID-19 to local businesses. The overall message is that Oklahoma is open, and the state's wide-open spaces and extra precautions provide the opportunity for safe travel and recreational activities.

The Oklahoma Department of Commerce (Commerce), in collaboration with the Oklahoma Tourism and Recreation Department (OTRD), will create and produce high-quality advertisements to market Oklahoma's exceptional tourism destinations and the steps taken to ensure safety of travelers. The ads will feature and be narrated by Governor Stitt.

Additional aspects of the project and messaging:

- Create two to three :30 spots and at least one :15
- Tactical Approach
  - Blend of broadcast and cable TV
  - Digital video – OTT, Trueview, social video
  - Cross-promotion on all OTRD social channels and Discover Oklahoma
- Governor Stitt - narrator
- Footage
  - Wide-open spaces/landscapes
  - Route 66
  - Museums: Urban Museum (Philbrook, Oklahoma City Museum of Art, etc.)
  - Retail and restaurants
- Showcase diversity (race, location, activity)

Drafted Content for one :30s spot

VIDEO:	AUDIO:
Open on featured landscapes, destinations and retail establishments in and throughout Oklahoma.	Today, we all need a place that offers hope. Oklahoma is open to the challenge. We are open with new, exciting places to explore, safely. We are open with amazing meals in safe surroundings. We are open to living, learning and dreaming under wide-open skies.
Cut to Governor Stitt	I'm Governor Stitt from the great state of Oklahoma. I'd like to extend an open invitation to unexpected adventures.
Cut to board featuring TravelOK logo and line OKHereWeGo.	Because here in Oklahoma…the possibilities are wide open.

FOLLOW UP QUESTIONS AND INFORMATION:

1) Was this item included in your budget prior to March 27, 2020? No

2) How many locations need this equipment/application/etc.? One

3) Could/should this become a statewide project? No

4) What is the cost for each location/piece of equipment/etc., and would the costs vary?

- Media hard costs: $1,850,000
- Creative production: $50,000-$100,000 (depending on creative scope of work)
- Tourism's marketing firm VI will also need to include hours for account and project management, digital strategy and digital ad operations. Estimated at $25,000

5) Would there be installation or other up-front expenses in addition to those noted in the idea submission overview? (If so, please include an estimate.) NO

6) What is the total, estimated project cost? $2,000,000

7) What is the estimated timeline for completion of the project and expenditures? 12/30/20

8) Would the agency be able to incur the costs prior to reimbursement? NO

9) Would there be on-going costs to the agency after December 30, 2020? If so, could the agency cover such costs without additional funding? NO