Sustaining a Business-Friendly Environment by Investing in Oklahoma

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Department of Commerce Modernization

There are 50 different ways for states to tackle economic development. That is to say each state has its own process for attracting businesses and encouraging expansion of those already in-state. Economic development can involve a complex web of funding for infrastructure, site development, marketing, and other incentives to entice businesses to move or expand into a state. Although each state has its own unique nuances, the structure of states' lead economic development organizations (EDOs) broadly fall into one of two categories: traditional state agencies, like departments of commerce, and hybrid, public-private EDOs.

A state agency, like the Department of Commerce (which is Oklahoma's current model) may serve as a state's lead EDO. Under this traditional model, the state agency leads the efforts surrounding securing funding for incentives, managing site development and facilitating meetings with businesses and communities. Some states, like Colorado, have a dedicated tax income stream to fund the incentives offered by the state. Oklahoma does not have a dedicated revenue stream.

Other states utilize a private, professional EDO, typically organized as a nonprofit corporation. In some cases, like with Ohio's state EDO, JobsOhio, no tax dollars or apportioned state dollars are utilized. Instead, the state has licensed the right to operate the state's liquor distribution monopoly to the private EDO, which is permitted to keep a portion of the profits from its management of that system (the vast majority of the profits are returned to the state). The result has been both a marked improvement in the quality and efficiency of the previously state-run liquor distribution system, as well as a substantial dedicated funding stream for economic development—all without assessing new taxes or diverting state appropriations from other functions of government. While Ohio's precise approach is not available to Oklahoma (the state does not maintain a similar monopoly), Ohio can serve as a case study on the competitive edge provided by the creative use of a state's existing assets and revenue streams to generate a significant dedicated revenue source for economic development. JobsOhio is considered by many to be the most successful state EDO in the nation—it's unique funding model and the nimble operating structure afforded it from sitting outside of state government play no small part in that success.

Key elements of successful state EDOs, regardless of the details of their structure, include the following:

- **strong private sector leadership,**
- **a nimble, private or private-like operating model,**
- **appropriate resources and/or dedicated funding,**
- **buy-in from elected officials,**
- **regional and sector-based strategies, and**
- **durability across election cycles.**

Traditional EDO Structure: State agency	Hybrid EDO Structure: Public-Private Partnership
▪ Strategy, leadership, and staff tend to turnover frequently, preventing sustained, long-term execution of strategy ▪ Limited ability to attract and retain quality professional talent ▪ Impairment of continuity needed for business and prospect relationships, strategic planning, marketing messaging, etc.	▪ Leadership and staff continuity creates substantial competitive advantage vs. traditional model states ▪ 501(c) has more flexibility to hire, fire, organize, compensate, and incentivize professional staff ▪ Private-sector board members provide distinctive expertise, regional representation, and CEO accountability ▪ Private funding of some business development and marketing activities expand economic development efforts

A Survey of Successful State EDO Models

Virginia Economic Development Partnership (VEDP)

The EDO model Virginia employs is a state economic development authority governed by a board of business leaders and state agency leadership. This body selects the CEO for the authority. VEDP operates more akin to a state affiliated entity, like a university, rather than a state agency. The funding for VEDP is through legislative appropriations, but VEDP is not subject to civil service constraints, like pay schedule and other state employee mandates. This is exceedingly useful because it allows VEDP to compensate its employees outside the government pay schedule and recruit talented individuals to work there. A model like VEDP also allows the EDO to maintain nondisclosures by exempting it from various open records laws to allow all parties to negotiate frankly and openly.

A different aspect of the VEDP is the Major Employment and Investment Project Approval Commission (MEI Commission). This is within the VEDP for pre-approval of incentive packages over $10 million and/or a change in state law is needed. This group meets in closed door sessions and is comprised of bipartisan legislators. This allows the legislators to be aware of major incoming projects and create legislation needed to close the deal, prior to the middle of a legislative session. The members of the MEI Commission sign non-disclosures to ensure confidentiality is maintained until the project is announced but allow members to work on the legislation needed.

Economic Development Corporation of Utah (EDCUtah)

Another fully private non-profit acting as the state's EDO is EDCUtah. EDCUtah was created by a group of Utah companies in 1987. The organization partners with the Utah Governor's Office of Economic Opportunity to recruit businesses to the state. EDCUtah can accept both public and private funds.

A Plan for Oklahoma

To compete in today's business recruitment arms race, Oklahoma needs an entity that solely focuses on business recruitment, retainment, and economic development for the state. The reorganization and modernization of the Department of Commerce will allow Commerce to continue what it does best, while creating an entity that runs with it to lead Oklahoma to a path of continued prosperity.

The new entity would create a strategic economic development plan for the state, focused on targeting critical industries that align with the state's goals. An independent board with expertise in marketing, business recruitment, critical industries, commerce, transportation, workforce development will lead the economic development entity for Oklahoma. The entity will assist local and regional economic development firms with recruitment of business in the state.

Like Virginia, Oklahoma's EDO needs to make legislators aware of projects prior to legislation on their desks. Providing a group of legislators with advance notice will ensure there is a collaborative approach to business recruitment. This buy-in is imperative. Not only for the EDO's success but also for the other issues facing Oklahoma.

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