

THE HOUSE OF REPRESENTATIVES  
Thursday, April 19, 2007

Committee Substitute for  
ENGROSSED  
Senate Bill No. 751

COMMITTEE SUBSTITUTE FOR ENGROSSED SENATE BILL NO. 751 - By: BASS, BARRINGTON, LERBLANCE, ANDERSON, GARRISON AND SCHULZ of the Senate and ARMES, BRADDOCK, COODY AND DORMAN of the House.

( revenue and taxation –authorizing extension of time limit under Quality Jobs Incentive Leverage Program – Military Base Protection and Expansion Incentive Act – Legislative Intent – definitions – Oklahoma Development Finance Authority – Military Base Protection and Expansion Bond Fund - venture capital tax credits – reporting - codification - emergency )

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

1 SECTION 1. AMENDATORY Section 5, Chapter 299, O.S.L. 2002 (68 O.S.  
2 Supp. 2006, Section 3655), is amended to read as follows:

3 Section 3655. A. Within sixty (60) days after filing the irrevocable election  
4 pursuant to Section 8 3658 of this ~~act~~ title, each establishment that has filed such  
5 election shall provide to the Oklahoma Development Finance Authority, on such form as  
6 may be prescribed by the Authority for this purpose, the total amount of investment and  
7 expenditure proposed by the establishment for the modernization or retooling of a facility  
8 located within the state owned by the establishment. The full amount of expenditures  
9 qualifying for the use of proceeds pursuant to Section 4 3654 of this ~~act~~ title shall be

1 made not later than five (5) years from the date as of which the disclosure document  
2 required by this subsection is filed; provided, such five-year-time period may be extended  
3 by the Oklahoma Department of Commerce if requested by the establishment.

4 B. The Oklahoma Development Finance Authority shall evaluate the information  
5 provided pursuant to subsection A of this section in order to determine the total principal  
6 amount of the issuance or issuances authorized by subsection A of Section 4 3654 of this  
7 ~~act~~ title. The total principal amount of any indebtedness issued by the Authority shall  
8 not exceed an amount required in order to allow all establishments that have made the  
9 disclosure required by subsection A of this section to fully expend proceeds made  
10 available to the establishment by the Authority, plus amounts required for repayment of  
11 the obligations, if applicable, and the costs of the issuance.

12 SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma  
13 Statutes as Section 5062.30 of Title 74, unless there is created a duplication in  
14 numbering, reads as follows:

15 Sections 2 through 8 of this act shall be known and may be cited as the “Military  
16 Base Protection and Expansion Incentive Act”.

17 SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma  
18 Statutes as Section 5062.31 of Title 74, unless there is created a duplication in  
19 numbering, reads as follows:

20 The Legislature finds:

21 1. It is in the best interest of the State of Oklahoma to ensure the continued  
22 location and expansion of established military bases and facilities in this state;

1           2. Growth to political subdivisions as a result of the presence and expansion of  
2 military bases and facilities requires improved and expanded municipal and school  
3 infrastructure and facilities; and

4           3. Political subdivisions that serve military bases are in critical need of capital  
5 improvement projects.

6           SECTION 4.   NEW LAW   A new section of law to be codified in the Oklahoma  
7 Statutes as Section 5062.32 of Title 74, unless there is created a duplication in  
8 numbering, reads as follows:

9           As used in the Military Base Protection and Expansion Incentive Act:

10          1. “Authority” means the Oklahoma Development Finance Authority;

11          2. “Capital project” means the acquisition, construction, expansion, replacement, or  
12 renovation of a municipal or school district facility, including real property, buildings,  
13 and other fixed assets. Capital project shall not include furnishings or equipment that is  
14 not a fixed asset; and

15          3. “Political subdivision” means a municipality, school district, or public trust of  
16 which a municipality or school district is the beneficiary.

17           SECTION 5.   NEW LAW   A new section of law to be codified in the Oklahoma  
18 Statutes as Section 5062.33 of Title 74, unless there is created a duplication in  
19 numbering, reads as follows:

20           There is hereby created a loan program, the purpose of which is to protect and  
21 retain established military bases and facilities and to support additional and expanded  
22 employment at such bases and facilities. The program shall provide funding to political

1 subdivisions to finance capital projects needed as a result of growth due to or in  
2 connection with an established military base.

3 SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma  
4 Statutes as Section 5062.34 of Title 74, unless there is created a duplication in  
5 numbering, reads as follows:

6 A. When a political subdivision that is or will be impacted by growth at a military  
7 installation, proposes to acquire or construct a capital project, the Oklahoma  
8 Development Finance Authority may provide funding for the capital project in the form  
9 of loans, lease-purchase agreements, or other forms of indebtedness.

10 B. For the capital projects described in subsection A of this section, the Authority  
11 may issue bonds to provide funding:

- 12 1. To acquire real property, together with improvements thereon;
- 13 2. To construct buildings and other improvements to real property; and
- 14 3. To provide repairs, renovations, and improvements to real property and other  
15 fixed assets.

16 C. The Authority shall not issue bonds for loans, lease-purchase agreements, or  
17 other forms of indebtedness for a political subdivision pursuant to the Military Base  
18 Protection and Expansion Incentive Act except upon the certification by the governing  
19 body of the political subdivision that the political subdivision has received or will receive  
20 an amount sufficient to repay the indebtedness as a result of a voter-approved incentive  
21 derived from a tax levy.

1 D. The Authority may hold title to the new real property and improvements and  
2 place liens on improved existing real property until such time as any obligations issued  
3 for the purpose of the capital project are retired or defeased and may lease the real  
4 property and improvements to the political subdivision. Upon final redemption or  
5 defeasance of the obligations created pursuant to this section, title to the real property  
6 and improvements thereon shall be transferred from the Authority to the political  
7 subdivision.

8 E. The Authority may defer principal payments on loans made pursuant to the  
9 Military Base Protection and Expansion Incentive Act for a period not to exceed five (5)  
10 years.

11 SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma  
12 Statutes as Section 5062.35 of Title 74, unless there is created a duplication in  
13 numbering, reads as follows:

14 A. It is the intent of the Legislature that sufficient monies to fund the interest  
15 payments of any obligations issued by the Authority pursuant to this act during the  
16 initial five (5) years of the obligations be provided by legislative appropriation for deposit  
17 in the Military Base Protection and Expansion Bond Fund.

18 B. Upon the completion of the periods, if any, during which principal payments are  
19 deferred and during which interest payments are made from the Military Base  
20 Protection and Expansion Bond Fund for a political subdivision, the political subdivision  
21 shall pay all principal, interest, and other appropriate costs associated with the issuance

1 of the obligations. Payments may be in the form of lease payments to the Authority as  
2 described in subsection D of Section 6 of this act.

3 SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma  
4 Statutes as Section 5062.36 of Title 74, unless there is created a duplication in  
5 numbering, reads as follows:

6 A. There is hereby created within the State Treasury a special fund for the  
7 Oklahoma Development Finance Authority to be designated as the “Military Base  
8 Protection and Expansion Bond Fund”. All monies deposited into the fund shall be used  
9 and expended by the Authority solely for the purposes specified by the Military Base  
10 Protection and Expansion Incentive Act. The Authority shall use the monies in the fund  
11 to pay the principal, interest, and other costs associated with the issuance of obligations  
12 pursuant to the provisions of the Military Base Protection and Expansion Incentive Act.

13 B. The Authority may establish separate accounts within the Military Base  
14 Protection and Expansion Bond Fund as may be required to separately record  
15 transactions involving each political subdivision that applies to participate in the loan  
16 program created by this act and to provide for the distribution of monies deposited in the  
17 fund.

18 SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma  
19 Statutes as Section 2357.65A of Title 68, unless there is created a duplication in  
20 numbering, reads as follows:

21 A. As used in this section:

1           1. “Federally regulated investment company” means a qualified small business  
2 capital company as defined by Section 2357.61 of Title 68 of the Oklahoma Statutes and  
3 that is licensed by the United States Small Business Administration or the United States  
4 Department of Agriculture and which qualifies as one of the following types of entities:

- 5           a. a Small Business Investment Company, or
- 6           b. a Specialized Small Business Investment Company, or
- 7           c. a Rural Business Investment Company, or
- 8           d. a Community Development Entity as defined by Section 45D of the  
9                 Internal Revenue Code of 1986, as amended; and

10           2. “Qualified small business capital company” means an entity meeting the  
11 requirements of Section 2357.61 of Title 68 of the Oklahoma Statutes.

12           B. Federally regulated investment companies shall be exempt from the reporting  
13 requirements of subsections C and G of Section 2357.64 of Title 68 of the Oklahoma  
14 Statutes.

15           C. As a condition of the exemption authorized by this section, the federally  
16 regulated investment company shall provide to the Oklahoma Tax Commission not later  
17 than March 15 each year:

- 18           1. A copy of the federal license issued by the applicable federal regulatory entity;
- 19           2. A copy of all reports and compliance documents required by the federal

20 regulators; and

21           3. A copy of the annual financial audit of the federally regulated investment  
22 company.

1 D. A federally regulated investment company shall also prepare an annual  
2 summary report that discloses:

3 1. All investments made in for-profit business entities during the preceding  
4 calendar year;

5 2. The primary business address of each for-profit business entity in which any  
6 investment was made;

7 3. A statement of the business activity of each of the for-profit business entities  
8 described in paragraphs 1 and 2 of this subsection;

9 4. The type of investment instrument used to make the investment; and

10 5. A status report of all investments made by the federally regulated investment  
11 company.

12 E. The federally regulated investment company shall transmit a copy of the annual  
13 summary prescribed by subsection D of this section to the committees or subcommittees  
14 of the Oklahoma House of Representatives and the Oklahoma State Senate having  
15 primary jurisdiction over the Small Business Capital Formation Incentive Act, the State  
16 Treasurer, the State Auditor and Inspector, the Director of the Office of State Finance  
17 and the Oklahoma Tax Commission.

18 F. The report required by subsection D of this section shall be prepared and  
19 submitted until all of the monies available to the federally regulated investment fund  
20 have been fully invested, all of the investments have been completed and the proceeds  
21 from the investment have been disbursed to the equity investors.

1 SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma  
2 Statutes as Section 2357.76A of Title 68, unless there is created a duplication in  
3 numbering, reads as follows:

4 A. As used in this section:

5 1. “Federally regulated investment company” means a qualified rural small  
6 business capital company as defined by Section 2357.72 of Title 68 of the Oklahoma  
7 Statutes and that is licensed by the United States Small Business Administration or the  
8 United States Department of Agriculture and which qualifies as one of the following  
9 types of entities:

- 10 a. a Small Business Investment Company, or
- 11 b. a Specialized Small Business Investment Company, or
- 12 c. a Rural Business Investment Company, or
- 13 d. a Community Development Entity as defined by Section 45D of the  
14 Internal Revenue Code of 1986, as amended; and

15 2. “Qualified rural small business capital company” means an entity meeting the  
16 requirements of Section 2357.72 of Title 68 of the Oklahoma Statutes.

17 B. Federally regulated investment companies shall be exempt from the  
18 requirements of subsections C and G of Section 2357.75 of Title 68 of the Oklahoma  
19 Statutes.

20 C. As a condition of the exemption authorized by this section, the federally  
21 regulated investment company shall provide to the Oklahoma Tax Commission not later  
22 than March 15 each year:

- 1           1. A copy of the federal license issued by the applicable federal regulatory entity;  
2           2. A copy of all reports and compliance documents required by the federal  
3 regulators; and  
4           3. A copy of the annual financial audit of the federally regulated investment  
5 company.

6           D. A federally regulated investment company shall also prepare an annual  
7 summary report that discloses:

- 8           1. All investments made in for-profit business entities during the preceding  
9 calendar year;  
10          2. The primary business address of each for-profit business entity in which any  
11 investment was made;  
12          3. A statement of the business activity of each of the for-profit business entities  
13 described in paragraphs 1 and 2 of this subsection;  
14          4. The type of investment instrument used to make the investment; and  
15          5. A status report of all investments made by the federally regulated investment  
16 company.

17          E. The federally regulated investment company shall transmit a copy of the annual  
18 summary prescribed by subsection D of this section to the committees or subcommittees  
19 of the Oklahoma House of Representatives and the Oklahoma State Senate having  
20 primary jurisdiction over the Rural Venture Capital Formation Incentive Act, the State  
21 Treasurer, the State Auditor and Inspector, the Director of the Office of State Finance  
22 and the Oklahoma Tax Commission.

1 F. The report required by subsection D of this section shall be prepared and  
2 submitted until all of the monies available to the federally regulated investment fund  
3 have been fully invested, all of the investments have been completed and the proceeds  
4 from the investment have been disbursed to the equity investors.

5 SECTION 11. It being immediately necessary for the preservation of the public  
6 peace, health and safety, an emergency is hereby declared to exist, by reason whereof  
7 this act shall take effect and be in full force from and after its passage and approval.

8 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET,  
9 dated 04-18-07 - DO PASS, As Amended and Coauthored.