

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 58th Legislature (2022)

4 COMMITTEE SUBSTITUTE
5 FOR
6 HOUSE BILL NO. 4354

By: Hill of the House

and

Kidd of the Senate

7
8
9
10 COMMITTEE SUBSTITUTE

11 [economic development - Oklahoma Research and
12 Development Attraction Act - Oklahoma Center for
13 the Advancement of Science and Technology -
14 effective date]

15
16
17 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

18 SECTION 1. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 5003.10f of Title 74, unless
20 there is created a duplication in numbering, reads as follows:

21 This act shall be known and may be cited as the "Oklahoma
22 Research and Development Attraction Act".

1 SECTION 2. NEW LAW A new section of law to be codified
2 in the Oklahoma Statutes as Section 5003.10g of Title 74, unless
3 there is created a duplication in numbering, reads as follows:

4 A. The Oklahoma Center for the Advancement of Science and
5 Technology ("OCAST") shall create a Research and Development
6 Attraction Grants Program ("Program"), to be administered in
7 accordance with this section for the purpose of fostering research
8 and development in key industry clusters, leading to the creation of
9 new products and services that are brought to market by Oklahoma-
10 based companies, or brought to market by companies financially
11 sponsored by an Oklahoma-based capital provider and which conduct a
12 substantial portion of total business activity in the State of
13 Oklahoma.

14 B. OCAST may award matching funds to eligible businesses to
15 offset a portion of expenses incurred through a collaborative
16 research and development project engagement with an Oklahoma
17 institution of higher education or nonprofit research institution.

18 C. OCAST may award matching funds up to fifty percent (50%) of
19 the cost of the project, not to exceed One Hundred Thousand Dollars
20 (\$100,000.00). A business may receive only one matching grant under
21 this section per year.

22 D. In order to be eligible for matching funds under this
23 section, a business must satisfy all of the following conditions:
24

1 1. The business must be an Oklahoma-based small business. For
2 the purposes of this section, "Oklahoma-based" means a business that
3 has its principal place of business in this state or a business that
4 has, in the preceding twelve (12) months, raised an equity round not
5 less than Five Hundred Thousand Dollars (\$500,000.00) with an
6 Oklahoma-based capital provider investing not less than ten percent
7 (10%) of such equity round, that commits to spend all eligible
8 Program funds in the State of Oklahoma, and that has filed a
9 certificate of qualification with the Oklahoma Secretary of State.
10 For the purposes of this section "small business" means a business
11 entity that employs not more than one hundred (100) persons;

12 2. In accordance with the Oklahoma Office of Science and
13 Innovation's 2021-2026 strategic plan, the business must operate in
14 one of the state's three strategic industry clusters, including
15 aerospace and autonomous systems, life sciences, and energy
16 diversification;

17 3. The research and development service provider which partners
18 with the business must be an Oklahoma-based research entity. For
19 the purposes of this section, "Oklahoma-based research entity" means
20 an institution of higher education or another nonprofit organization
21 that primarily provides research services, and which has its main
22 physical campus in this state. For the purposes of this section,
23 "research services" means research and development, technology
24 exploration, technical development, product development, and

1 commercialization intended to foster innovation in eligible small
2 businesses;

3 4. The research and development project for which matching
4 funds are provided must be conducted physically within the State of
5 Oklahoma, for the duration of the engagement with the Oklahoma-based
6 research entity; and

7 5. To be awarded matching funds under the Program, an Oklahoma-
8 based small business must file an application with OCAST, attesting
9 to the total cost of the project and demonstrating available and
10 unrestricted private capital to meet at least fifty percent (50%) of
11 the total project cost. Matching funds may be used only to purchase
12 research services, as defined in this section, from an Oklahoma-
13 based research entity.

14 E. When administering the Program under this section, OCAST
15 shall select eligible projects to qualify for matching funds within
16 the Research and Development Attraction Act based on factors
17 including, but not limited to:

18 1. The amount of private capital the matching funds will induce
19 to be spent in Oklahoma;

20 2. The total market size of the Oklahoma-based small
21 businesses' product or service offering;

22 3. Third-party validation of the Oklahoma-based small
23 businesses' intellectual assets, including but not limited to equity
24 raised from venture capital or private equity firms, federal

1 commercialization grants through the Small Business Innovation
2 Research or Small Business Technology Transfer programs, or
3 competitive federal research awards through National Institutes of
4 Health, National Science Foundation, Department of Defense,
5 Department of Energy, and others;

6 4. The projected future job creation impact of the Oklahoma-
7 based small business for the state;

8 5. Other economic benefits to the state, including through
9 increased state and local revenues and growth in private investment;

10 6. The need of the Oklahoma-based small business to acquire
11 specialized services and resources in Oklahoma;

12 7. The alignment of the project within Oklahoma's identified
13 cluster strategies; and

14 8. The impact on Oklahoma-based research entities, including
15 through increased revenue, exposure to new technologies, and
16 increased attraction opportunities for students, researchers, and
17 professional staff.

18 SECTION 3. NEW LAW A new section of law to be codified
19 in the Oklahoma Statutes as Section 5003.10h of Title 74, unless
20 there is created a duplication in numbering, reads as follows:

21 OCAST shall promulgate rules to enforce the provisions of the
22 Research and Development Attraction Grants Program, including the
23 following:

24 1. The application process for applying for matching funds;

1 2. The criteria to be used by OCAST to evaluate matching funds
2 applications from Oklahoma-based small businesses, and to determine
3 the amount of the award;

4 3. The evaluation metrics which will be gathered to report
5 efficacy of this pilot program back to the State of Oklahoma, which
6 may include, but will not be limited to, volume of applications,
7 technological diversity of companies taking up the Program, the
8 success of Oklahoma-based small businesses at raising follow-on
9 capital rounds or advancing in technological readiness level (TRL),
10 and follow-on capital spent in the state and at Oklahoma-based
11 research entities; and

12 4. The agreements that Oklahoma-based small businesses must
13 enter into, in regard to claiming matching funds and to ensure
14 compliance in spending of matching funds.

15 SECTION 4. This act shall become effective November 1, 2022.

16
17 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated
18 03/03/2022 - DO PASS, As Amended and Coauthored.