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ANNOUNCING

The Dikeman Honorarium

In recognition of 40 years of service to the people of Oklahoma, the Center for Economic and Management Research in OU's Price College of Business is proud to announce the Neil J. Dikeman, Jr. Honorarium. The purpose of this honorarium is to stimulate research on the Oklahoma economy, inform citizens, and guide public policy. For each paper accepted for publication in the *Oklahoma Business Bulletin*, \$500 will be provided to the author or authors of the paper. Recipients have two options: personal or institutional payment. The authors may designate that the award be paid to an institution in support of the research missions. In the latter case, the award is non-taxable. Also an additional \$1000 will be awarded to the paper judged by the editors as the best paper published in an academic year. Student involvement and co-authorship in publications is encouraged.

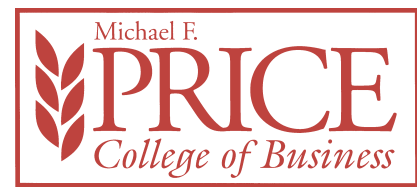
CEMR is proud to announce that the first recipients of the Dikeman Honorarium are Robert Henry Cox and Christian Breunig for their fine paper entitled "How Global is the Oklahoma Economy?" This paper was published in the April/July 2000 issue of the *Bulletin*. The award is small recognition for a job well done.

A wide variety of economic subject areas will be considered for publication in the *Bulletin*. Articles should be related to economic and business activity or public policy in the State of Oklahoma, but can include regional comparisons. Example topics include:

- Labor force trends and workforce development issues
- Future education demands, potential patterns and opportunities
- Population change and migration patterns
- High technology growth in Oklahoma
- Transportation problems and priorities
- Intra- and inter-state economic trends and forecasts
- Poverty in Oklahoma, its changing character
- Fiscal trends in Oklahoma—How long will the good times last?
- Personal income growth deficiencies, causes and solutions
- Growth potentials for the nation and Oklahoma's prospects
- The advance of immigrant populations in Oklahoma
- The future of the petroleum industry in Oklahoma
- Deregulation of utilities—Oklahoma implications
- Economic development programs—The Oklahoma experience
- Workman's compensation insurance—An impediment to Oklahoma growth?
- The effectiveness of local development programs in stimulating regional growth
- Health care in Oklahoma—How well are workers and their families covered?

The above are meant to be simply illustrative of the variety of subject matter that is considered relevant to the goals of the Dikeman Honorarium. We encourage you to submit your research to the *Bulletin*, which is in its 72nd year of publication. Please send papers to:

Patricia Wickham
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Thank you.

**The Center for Economic and
Management Research**

Business Highlights

by Robert C. Dauffenbach

National Economy

Even though the National Bureau of Economic Research, the official arbiter, has yet to call an end to the recession, by a variety of measures it appears that the 2001-2002 recession is over. The economists at the National Bureau seem to be waiting for more evidence that the pace of employment gains has picked up prior to calling the recession's end. We hope that they get such evidence soon.

Employment gains have certainly been little more than moderate. For June, nonfarm payroll employment was up only 36,000. For five consecutive months this measure of employment has hovered in the 130.7 million range.

“The Bureau of Labor Statistics reports that between March 2001 and January 2002 an average of 115,000 jobs were lost in manufacturing per month.”

While stability is certainly preferable to declines—an average of 160 thousand jobs per month were lost in the 11 month period beginning in March 2001—the US economy has failed to exhibit growth impulses sufficient to produce significant employment gains. Since the recession began, 1.9 million jobs have been lost. In good times, one-quarter million gains in payroll employment from month to month are not uncommon.

Manufacturing employment has been a principal challenge in this recession. The Bureau of Labor Statistics reports that between March 2001 and January 2002 an average of 115,000 jobs were lost in manufacturing per month. Losses are moderating; June's loss is estimated at 23,000. Recessions typically, of course, impact manufacturing differentially from the general economy. Typically, construction is impacted severely, as well. This recession has been quite different. Construction spending and employment in that industry have held up quite well. Still, a quarter of a million construction jobs have been lost.

Better times for manufacturing may be in our immediate future. The dollar has been under pressure in international currency markets. While this is a problem for some sectors of the economy, it is a blessing for manufacturing. As a result of the dollar's decline, US produced goods are now cheaper in foreign markets.

Other indicators are providing evidence that the US economy is skating along the bottom. The signs are generally positive, but not uniformly so. The June durable goods orders report was discouraging. New orders for manufactured goods fell by 3.8 percent and continued 3 percent below last year's results before adjusting for inflation. Unfilled orders were down, as well, and inventories fell for the seventeenth consecutive month. Generally declines in inventories are viewed as a positive result because manufacturers are expected to soon restock their shelves. With this many months down, such assessments are called into question.

The closely followed Purchasing Managers Index was up 0.5 percent in June to 56.2 percent, but the Institute for Supply Management's new

orders index declined by 2.3 points to 60.8 percent. Retail sales have remained quite strong, all things considered. June's total sales were up 1.1 percent from May and 3.3 percent from year ago levels. Electronic and appliance store sales were up 9.7 percent from last year. Overall, these results support a view that the economy is on fairly stable ground and is improving, but ever so slowly.

One great fear remains, namely that problems in financial markets, principally the stock market, will continue to get worse than they already are. If this happens, more trouble for the national economy could easily lie ahead. If there are, indeed, more Enrons and WorldComs out there, the stock market could fall substantially below even present low levels. Consumer confidence could be dramatically impacted, which would be troubling because the consumer has been the mainstay in these turbulent economic times. Recent reports on consumer confidence reveal the sensitivity of such results to the vagaries and vicissitudes of the stock market.

“...national employment is down 1.9 million from the peak in March 2001, Oklahoma still is 13,000 ahead of year ago levels.”

We are certainly being tested in such regards in recent days. Let us hope that these tests will soon pass with favorable outcomes.

All of these financial difficulties have taken their toll on the Oklahoma economy. WorldCom has a substantial base of operations in the Tulsa area. Tulsa has also been hit hard by the collapse in business prospects for Williams Brothers. State revenues have been under duress in recent months. All three significant sources of state revenue—individual income tax, sales tax, and oil and gas gross production taxes—are in decline in comparison to year ago results. Despite these difficulties, employment statewide has held up fairly well. While, as noted, national employment is down 1.9 million from the peak in March 2001, Oklahoma still is 13,000 ahead of year ago levels.

Price College Indicators

As readers of this quarterly report are aware, the Price College Indicators, developed at the University of Oklahoma Center for Economic and Management Research, are designed to provide leading indicators of economic activity for the nation, the state, and the two major metropolitan areas of Oklahoma. The indicators have been scaled so that a value of 50 signifies continuation of present trends while values greater or lower than 50 are associated with rising or falling trend rates of growth. The indicators also serve as instruments for producing forecasts. They have successfully foreshadowed every major national recession in the last 40 years. Many of the variables discussed above are examples of the types of variables that are included in the Price College Indicators.

Table I shows the PCI for national employment, the core rate of inflation, Oklahoma employment, and the two major Oklahoma Metropolitan Statistical Areas (MSAs) for the period 2000:1 – 2002:5.

Review of the above table clearly shows that the PCI for the national economy has clearly bottomed out and is showing distinct signs of turning upward. On the inflation front, the indicator appears to be searching for a bottom and is still providing quite striking evidence that inflation is not a problem for policy makers. Of course, it remains to be seen just how long this will remain to be true. Forecasting results discussed below are not as encouraging on the question of whether inflation will continually be on the back burner.

Less fortunately, the PCIs for Oklahoma and its two major metro areas are only beginning to show signs of turning upward. Furthermore, the Oklahoma indicators have reached levels significantly below those of the national economy. Typically, the Oklahoma economy is somewhat of a laggard in relation to the national economy. That is, the Oklahoma economy tends to *heat-up* only after signs are prevalent that the national economy is in a strong expansionary period. In recession, the Oklahoma economy *cools-down* at a slower rate than the national economy. There is hope that is what is happening now and Oklahoma and its two major metro areas will soon experience a more substantial recovery.

Table I
Price College Indicators

Year:Mth	Natl. PCI	Inflation	OK PCI	OKC PCI	Tul PCI
2000:01	52	56	55	56	60
2000:02	53	57	57	57	62
2000:03	51	59	56	57	62
2000:04	51	60	54	57	62
2000:05	52	60	55	59	62
2000:06	54	59	59	62	65
2000:07	51	57	57	58	63
2000:08	50	57	54	53	61
2000:09	49	56	49	49	57
2000:10	49	54	46	48	56
2000:11	49	52	44	48	55
2000:12	45	49	39	43	49
2001:01	40	48	33	39	45
2001:02	33	46	25	32	39
2001:03	31	44	21	29	34
2001:04	29	40	19	25	31
2001:05	28	40	19	23	29
2001:06	24	37	14	17	25
2001:07	26	35	13	17	23
2001:08	27	32	11	15	21
2001:09	28	30	8	15	19
2001:10	27	27	8	13	18
2001:11	26	24	6	11	16
2001:12	30	23	12	15	17
2002:01	36	22	16	18	20
2002:02	44	22	24	26	25
2002:03	47	23	29	31	31
2002:04	50	25	33	36	35
2002:05	50	27	34	38	37

Forecasts

The PCIs provide a mechanism for forecasts of the underlying variables. Table II provides some historical data and shows the forecasts for 2002 and 2003. The values are for the ending month, December, of each year.

As noted in Table II, employment nationally is forecast to end the year only slightly down from the December 2001 level. Essentially, at the national level, the forecasting model is predicting a no growth year in nonfarm payroll. Inflation, at the core level, which excludes energy and food, is expected to be mild in 2002, rising only 2.4 percent. Inflation is expected to rise at a somewhat higher rate in 2003, 3.3 percent. Expectations for continuing employment growth in Oklahoma are encouraging, especially in relation to apparent problems nationally. Oklahoma employment is expected to rise by about 15,000 in 2002. Growth in jobs in 2003 should accelerate to a 31,000 gain, or 2.1 percent. The forecast for growth in Oklahoma City employment has improved to 1.5 percent 2002 and a quite respectable 2.0 percent rate for 2003. Tulsa continues to have some growth problems, but is expected to be growing at a 2.1 percent rate in 2003. Part of the explanation of the apparent anomaly in

US versus Oklahoma comparative growth is recent passage of right-to-work legislation in Oklahoma.

There still remains considerable risk to these forecasts for improvement in both the national and this state's economy. While the recession may be over, simply because the consumer has stayed in the game and construction spending has been so strong, the typical factors that rocket the economy out of recession are not to be relied upon this time. Stock market valuations, by some measures, still remain quite high. There are structural changes in laws regulating financial accounting that could have dramatic consequences. Congress has been vigorous in pursuit of new laws to correct for corporate malfeasance that has occurred in the past. Let us hope that the instances of most flagrant abuse are behind us. Then, possibly, we will see general improvement in sentiment and confidence and increases in business investment spending which will, in turn, provide a basis for a more rapid economic expansion.

Robert C. Dauffenbach is Director of the Center for Economic and Management Research and Associate Dean for Graduate Programs.

Table II
PCI Summary of Forecasts*

	Actual	Forecast		Growth Rate	
	Dec. 2001	Dec. 2002	Dec. 2003	2002/2001	2003/2002
Natl. Emp.	130,890	130,885	132,227	0.0%	1.0%
Inflation	188	193	199	2.4%	3.3%
OK Emp.	1,512	1,527	1,558	1.0%	2.1%
OKC Emp.	541	549	560	1.5%	2.0%
Tul Emp.	407	409	418	0.5%	2.1%

*Employment in thousands

A Note on New Administrative Organization of Oklahoma Economic Development

by Larkin Warner

In Senate Bill 1391, the 2002 session of the Oklahoma Legislature adopted changes in the organization and administration of state government economic development programs. These changes are among the most significant since a new comprehensive state economic development framework was adopted in House Bill 1444 in 1987. The measure, labeled the “Oklahoma Science and Technology Research and Development Act,” reflects the state’s growing concern over participating in “New Economy” growth. The purpose of this note is to provide a brief overview of the state’s organization and administration of economic development and what was changed by S.B. 1391. Several other economic development measures implemented by the 2002 session of the Oklahoma Legislature are also examined.

The Comprehensive Economic Development Framework of 1987

A brief review of the administrative organization of economic development created in 1987 provides the context for the provisions of S.B. 1391. The 1986 Oklahoma Legislature called for a major study of the state’s economic development programs and their administration. The resulting study was the basis for comprehensive restructuring in H.B. 1444 in 1987. Also in 1986, the Oklahoma Department of Commerce (ODOC) was created through a merger of the Department of Economic Development and the Department of Economic and Community Affairs. This brought together in a single agency the state’s industry attraction/

retention function and its community development/planning function. In terms of scale of budget and operations, ODOC remains by far the largest state agency with primary responsibility in economic development.

H.B. 1444 created several new units in state government so that the state could efficiently and effectively promote economic growth. The Oklahoma Center for the Advancement of Science and Technology (OCAST) was created to promote research and development leading to improved business productivity and new business formation. OCAST is currently the focal point for state government’s support of commercially feasible research and development, and for the development of advanced technology enterprises. Means to achieve this include state financial support for firms seeking federal Small Business Innovation Research funding, support of applied research and health-related research in both higher education and the private sector, extension-type assistance for manufacturing enterprise, and technical assistance to emerging high-tech companies as well as the provision of pre-seed and early risk financing for such enterprises. In implementing its manufacturing extension and high-tech start up support, OCAST relies on two private, not-for-profit, subsidiaries, the Oklahoma Alliance for Manufacturing Excellence and the Oklahoma Technology Commercialization Center.

Also in 1987, new entities were created to facilitate development finance including the Oklahoma Development Finance Authority (ODFA), the Oklahoma Capital Investment Board (OCIB), and the office of the State Bond Advisor along with the

Legislative and Executive Bond Oversight Commissions. ODFA, now labeled the Oklahoma Finance Authorities, oversees revenue and general obligation bond funds used to finance business development and public infrastructure. OCIB is now a public trust using tax credits to provide equity and near equity finance. The Bond Advisor and Oversight Commissions approve the issuance of development-related bonds and provide technical assistance in accessing capital markets for both private and public economic development projects.

The state's promotion of linkages between R&D and economic development embodied in OCAST was further expanded with constitutional amendments in 1988 permitting seed capital assistance to business and in 1998 permitting improved interface between research at state universities and commercial applications thereof. In 1998, the governor established the cabinet level position of Secretary of Science and Technology Development. In 2000, a seven-member Oklahoma Science and Technology Advisory Council was created by executive order. This evolved into a statutory Science and Technology Council in 2001 with the Secretary of Science and Technology as chair.

Oklahoma Futures

The crowning achievement of the 1987 legislation was arguably the creation of Oklahoma Futures, a 21-member advisory board to lead and coordinate the state's economic development efforts. The board's mission was comprehensive and included overseeing ODOC, OCAST, OCIB, and ODFA and the preparation of successive five-year overall plans for state economic development. Annual agency business plans were submitted for Futures approval. The statute required extensive participation of Futures in the appointment of the director of ODOC, though the final choice was to be made by the Governor with the advice and consent of the Senate.

Membership in Oklahoma Futures included the Governor, Lieutenant Governor, Speaker of the House, President Pro Tempore of the Senate, the presidents of the two state research universities, other key legislative leaders, and private sector leaders appointed by the Governor and the legislative leaders.

Futures exhibited promise in its first years. Well-known state business leaders served on the board. However, interest in Futures waned and participation by top leaders in the public and private sectors became less intense. Hints of problems appeared in 1991 when OCIB was removed from any Futures oversight and again in 1994 when the law was modified so that Futures members who were also elected officials were not to be counted in determining a quorum for meetings. Obviously, several key elected officials had ceased to treat Futures board meetings as events of significance. Oklahoma Futures was finally abolished by S.B. 1391 in 2002.

Given its promise in 1987, a question emerges why Oklahoma Futures failed to live up to expectations. Two features are suggested sources of difficulty. First, historically, Oklahoma's governors have, almost without exception, controlled economic development administration through the appointment of agency heads and relevant boards. Oklahoma Futures was an exception, with the governor controlling only about one-third of the appointments. It is thus easy to see why governors may have had a less vital interest in this board. Second, Oklahoma Futures had very little real authority; its function was primarily advisory. Top state business leaders and elected officials are used to exercising authority in their own organizations and tend to expect to have some authority vested in public boards on which they serve. Some of those serving in the early years began to question whether Futures was a desirable use of their valuable time.

S.B. 1391 and Technology-Based Economic Development

In addition to abolishing Oklahoma Futures, there are two other major changes in administration and organization implemented by S.B. 1391. First, OCAST's board of directors was reconstituted as the Oklahoma Science and Technology Research and Development Board. Second, the Oklahoma Institute of Technology was created as an institute or trust authority within OCAST. Except for the new responsibilities relating to the Oklahoma Institute of

Technology, OCAST's authority and functions remain unchanged under the new legislation. Before discussing these structural changes, it is important to review the goals of S.B. 1391.

Goals of the Act—The legislation begins by noting the underutilized human and capital resources in the state and the challenge of technology-based economic development. Three goals are indicated.

- Establishing Oklahoma as a premier information technology and biotechnology center for the twenty-first century;
- Enhancing the lives of, and expanding opportunities for, all Oklahomans through growth of information technology and biotechnology industries and infrastructure throughout the urban and rural areas of the state; and
- Expanding and diversifying Oklahoma's economy and providing new and higher quality jobs for Oklahomans.

Achieving these goals will require cooperation of public and private sectors through institutions such as those covered by the legislation. These institutions should:

- Support the development of new or expanded technologies;
- Provide basic and applied research capital to move innovation to commercial application;
- Encourage the transfer of technology to firms and farms throughout the geographic regions of the state;
- Stimulate seed-capital investment in firms which will use innovation from applied research in profitable commercial applications; and
- Foster competitiveness, productivity and modernization in Oklahoma firms and farms.

The Oklahoma Science and Technology Research and Development Board—This board oversees OCAST and the Oklahoma Institute of Technology. The Board includes as ex officio voting members the director of ODOC and the presidents of the University of Oklahoma, Oklahoma

State University, and the University of Tulsa. (Membership from the University of Tulsa is actually specified by the requirement that the institutional source should be "a national doctorate-granting institution offering graduate engineering degrees.") Fifteen gubernatorial appointments include two engineers or scientists, four CEOs or senior executives of technology-based companies or technology-oriented foundations, two representatives of small business, one representative of rural Oklahoma, and six carryover members from the former OCAST board. There are one each ex officio non-voting Board members from the House and the Senate. The appointed members generally serve for four years.

Prior to S.B.1391, the CEO of OCAST carried the title of president. Under the new framework, the same person is CEO of both OCAST and the Oklahoma Institute of Technology, and carries the title of executive director. The CEO is appointed by, and serves at the pleasure of, the Board.

The Oklahoma Institute of Technology (OIT)—An entity with the same name was created in the waning days of the 2001 session of the Oklahoma Legislature. This entity was linked to OCAST through the fact that OCAST's president was one of 13 members of its board of trustees and through a \$1 million appropriation to OCAST to implement OIT. This 2001 version of OIT did not get off the ground before plans were being made for the form that it was to take in S.B. 1391. The OIT is now clearly a unit within OCAST, and is administered by the same person who manages OCAST.

The statutory mission of the 2002 version of OIT includes the following:

- Attracting, retaining, and stimulating the development of information technology, biotechnology, genetics, and emerging technologies;
- Providing leadership development programs to prepare rural residents for leadership in a technologically enhanced economy;
- Upgrading and enhancing rural technology to grow or attract high technology companies;
- Facilitating joint public-private technology research and development projects using

resources and facilities of public higher educations or private entities; and

- Providing engineering or management assistance to new or existing businesses in bringing improved or innovative products or services to market.

Except for the new emphasis on rural areas and the explicit mention of specific high-tech sectors, this mission is really not distinguishable from functions already authorized for OCAST.

While OCAST utilizes legislatively appropriated funds and contracts and grants flowing through the state treasury, the Oklahoma Institute of Technology will be funded through the Oklahoma Institute of Technology Trust Fund. This fund can receive money from a variety of sources including state appropriations, grants, and contracts. Moreover, the fund can be managed as a financial investment earning returns. The trust fund is administered by seven trustees derived from the Oklahoma Science and Technology Research and Development Board. The trustees include the three university presidents and the four top executives of technology related businesses or foundations. The earnings from the trust fund may be spent by the Board upon approval of a majority of the trustees; any expenditure from the principal requires approval of three-fourths of the trustees.

Impact of S.B. 1391

The formal structure created for OIT adds another dimension to the framework of state policy promoting economic development through advanced technology. While the basic functions of OCAST do not appear to have changed, the use of a trust authority may provide flexibility in implementing public/private partnerships not accessible under the former statutory regime. Trust authorities generally face a wider range of organizational and financial options than is the case with ordinary state government agencies in Oklahoma.

Getting rid of Oklahoma Futures helped clear up some muddy waters in state economic development administration. No longer do the various operating agencies have to receive approval of their annual

business plans from Futures. It now appears that the reconstituted OCAST board (Oklahoma Science and Technology Research and Development Board) is the most significant state board overseeing the direct administration of economic development initiatives of an operating agency. There is, for example, no board for ODOC.

Moreover, unlike with Oklahoma Futures, the governor has essential control of the Research and Development Board through the appointment process. With the power to directly appoint the director of ODOC and the appointment power for the board overseeing OCAST, the Oklahoma governor has substantial authority and responsibility for the two most important state economic development agencies. Since the governor has greatly constrained powers in other parts of the state's executive branch, he/she has a strong incentive to focus attention on the administration of economic development. Indeed, the demise of Futures clearly means that it is governor's job to coordinate and develop strategy in this field.

Other Economic Development Legislation in 2002

While not relating to the structure of administration, several measures aimed at promoting economic development deserve mention. These include amendments to the state's program of payments to firms as a reward for adding jobs, assistance to certain special manufacturing facilities, and support for the development of rural areas.

Quality Jobs Programs—This program was first adopted in 1993 and is administered by ODOC. The basic concept is to provide cash payments up to 5 percent of payroll to firms selling their goods and services outside the state and adding new employees. The payments per new employee are justified on the basis of the fact that the additional direct tax revenues received by the state because of new employees exceeds the additional costs to the state because of the increased educational and other service costs created by new employees and their families moving into the state. It is generally agreed that this program has been an important stimulus to Oklahoma's economic development. Each year since 1993 there

have been changes in this program—usually expanding its application. In 2002 the program was made more accessible to small employers in small towns (Senate Bill 828).

Modernization and Retooling of Old Plants—

One of the problems associated with the Quality Jobs program is that an employer must add new employees in order to receive the payments. Especially in this day of high-technology development and global competition, viable employers may need to actually reduce their employment base as they modernize and retool their plants. The 2002 session of the Oklahoma Legislature adopted an innovative approach to providing incentives for old manufacturing facilities to upgrade their facilities which might apply even if machinery is substituted for labor. While, as discussed below, the legislation does include consideration of Quality Jobs Act incentives, a well-established tire firm may participate in this incentive if it pays an average salary of \$40,000 per year and “intends to add substantial gross compensation” of its full-time employees. If similar measures are adopted in the future for other plants in need of modernization, this measure may have a significant impact on Oklahoma’s capital base, labor productivity, and wage levels.

In the Oklahoma Quality Jobs Incentive Leverage Act (House Bill 2245), special financing assistance was made available to the state’s three large tire manufacturing facilities (Goodyear in Ardmore, Bridgestone in Oklahoma City, Michelin in Ardmore). The program is very complex, and the statute’s wording is unusually tortuous. Only a bare outline is presented here.

Without this new program, firms remodeling and retooling could take advantage of four state incentive programs: an ad valorem tax exemption for new and expanded facilities, Quality Jobs payments (if employees are added), a sales tax exemption for materials used in construction, and a program of tax credits for job creation and investment. To participate in the new financing arrangement, the firm undertaking the upgrade must forego all or part of the benefits of these four incentives which would otherwise be associated with the modernization and retooling program. Instead of receiving these benefits, most of which would be spread out over several

years, the state provides an immediate incentive for capital investment.

The Oklahoma Development Finance Authority may then issue bonds equal to a maximum of 14.4 percent of the total project cost where a local jurisdiction in a county with no more than 500,000 population has also voted for a tax-financed incentive, or up to 7.2 percent if no such local contribution is available. Also embodied in the legislation is an intent to have the bond issue be equivalent to the sum of the income tax, sales tax, and property tax incentives foregone plus the value of the local tax-financed, voter-approved incentive. ODFA then provides the funds to the firm for the necessary capital investment. The Oklahoma Tax Commission places the state withholding tax receipts from the firm into a Quality Jobs Program Incentive Leverage Fund, and that fund is then used to service the ODFA’s bonds. The participating firm must guarantee that if the withholdings are not sufficient to service the debt, the firm will make up the difference.

It is easy to see that the heart of this incentive is based on the familiar fact that a dollar in the future is worth less than a dollar today. For example, at a 5 percent discount rate, \$1,000 worth of property tax abatement five years from now is worth only \$784 today. This legislation provides the incentive today.

Rural Development—The Oklahoma Legislature continued to be sensitive to the relatively low incomes and/or lagging development in rural or non-metropolitan areas. Amendments to the Quality Jobs program have already been mentioned. Funding was continued for a program of assistance to small towns and rural areas first created in 1996 (the Rural Economic Action Plan). A new higher education entity, the Oklahoma Center for Rural Development, was created. Located at Northeastern State University at Talequah, this unit will have broad responsibilities in improving the economies and general well-being of rural Oklahoma (House Bill 1503).

The absence of adequate housing in small towns and rural areas is often a barrier to expansion when the opportunity does occur. A new type of state assistance for financing housing was created in 2002 with the Oklahoma Rural and Affordable Linked Deposit Act (House Bill 2280). This measure

represents a new application of programs which have already been adopted to assist small business and agricultural enterprise. The foundation of this program is the fact that in order to handle its regular operations, the state treasurer maintains deposits at a number of state banks and other financial institutions.

In the Linked Deposit program, the treasurer will purchase a certificate of deposit in a bank making a loan in order to finance housing in a rural area. The state stands willing to obtain the CD—with the financial institution paying the state as much as 3 percentage points less than the typical market rate for such instruments. In turn, the financial institution makes a loan to a housing developer at a rate below what it would otherwise charge. Thus financial capital for rural housing is available where it otherwise might not be, and the terms of its availability are also more favorable.

Sources of Information on Oklahoma Economic Development Legislation

For more information on state government actions on economic development administration, programs, and incentives, see the annual legislative summaries prepared by the Oklahoma House of Representatives, the Oklahoma Senate, and the business-oriented report prepared by the State Chamber in its *Capitol Comment* publication.¹ The legislative material, including drafts of the final legislation, is available by accessing the legislature via the Internet.² The state home page also provides access to important state economic development agencies such as the Oklahoma Department of Commerce and the Oklahoma Center for the Advancement of Science and Technology. The *Oklahoma Legislative Reporter*³ and the *Capitol Network News*⁴ contain a wealth of material on actions within the legislature and on the status of specific pieces of legislation. The *Oklahoma Statutes* and the annual

Session Laws provide the official statutory framework and are available in many libraries. Two chapters on the history of Oklahoma's state economic development policies are found in *State Policy and Economic Development in Oklahoma: 2002*, a publication of Oklahoma 21st Century, Inc.⁵ The entire system of state economic development incentives is contained in a regular publication of the Oklahoma Department of Commerce entitled *Oklahoma Business Incentives and Tax Information Guide*.⁶

Endnotes

¹The State Chamber, 330 N.E. 10th Street, Oklahoma City, OK 73104-3200.

²The Oklahoma state government home page is <www.state.ok.us>, and a direct link to the legislature is found at <www.lsb.state.ok.us>.

³Published by Oklahoma Business News, a division of the Journal Record Publishing Co, P.O. Box 26370, Oklahoma City, OK 73126-0370.

⁴Published by Legislative Information Network/Capitol Network News, P.O. Box 888, Oklahoma City, OK 73101-0888.

⁵Larkin Warner, "The Administration of State Promotion of Economic Development: An Historical Perspective through 1986, and "The Administration of State Promotion of Economic Development: 1987-2001," in *State Policy and Economic Development in Oklahoma: 2000*, Oklahoma City: Oklahoma 21st Century, Inc., 2002, pp. 25-50.

⁶Available from Oklahoma Department of Commerce, P.O. Box 26980, Oklahoma City, OK 73126-0980 or web site <www.odoc.state.ok.us>.

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SELECTED INDICATORS FOR OKLAHOMA

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01	1st Qtr '02
				1st Qtr	4th Qtr '01
Crude Oil Production (000 bbl) ^a	16,964	16,911	17,272	-1.8	0.3
Natural Gas Production (000 mcf) ^a	338,305	395,756	396,768	-14.7	-14.5
Rig Count	73	93	133	-45.1	-21.5
Initial Unemployment Claims	27,565	29,844	25,870	6.6	-7.6
Permit-Authorized Construction					
Residential Single Family					
Dollar Value (\$000)	310,492	254,947	252,073	23.2	21.8
Number of Units	2,462	1,949	2,001	23.0	26.3
Residential-Multi Family					
Dollar Value (\$000)	43,296	113,133	35,787	21.0	-61.7
Number of Units	561	881	700	-19.9	-36.3
Total Construction (\$000)	353,788	368,080	287,860	22.9	-3.9
Employment					
Total Labor Force (000) ^b	1,682.9	1,688.8	1,636.1	2.9	-0.3
Total Employment (000)	1,606.9	1,621.4	1,584.8	1.4	-0.9
Unemployment Rate (%)	4.5	4.0	3.2	--	--
Wage and Salary Employment (000)	1,502.4	1,524.9	1,490.2	0.8	-1.5
Manufacturing	174,600	176,900	180,200	-3.1	-1.3
Mining	31,567	31,167	30,933	2.0	1.3
Government	302,933	304,533	296,133	2.3	-0.5
Contract Construction	63,033	64,667	60,667	3.9	-2.5
Services	432,400	439,367	426,267	1.4	-1.6
Retail Trade	272,800	282,033	270,200	1.0	-3.3
Average Weekly Hours (Per Worker)					
Manufacturing	38.2	36.8	39.2	-2.6	3.8
Average Weekly Earnings (\$ Per Worker)					
Manufacturing	533.83	485.79	502.88	6.2	9.9
Contract Construction	635.57	635.37	583.31	9.0	0.0

Note: Includes revisions in some previous months.

^aFigures are for 1st and 4th Qtr 2001. Crude oil includes condensate. Natural gas includes casinghead gas.

^bLabor Force refer to place of residence, non-agricultural wage and salary employment refers to place of work.

OKLAHOMA GENERAL BUSINESS INDEX

	March '02	Preliminary Forecast		Percentage Change	
		March '01	March '00	'02/'01	'02/'00
				Sep	Sep
State	134.7	133.5	132.6	0.9	1.6
Oklahoma City MSA	132.6	132.8	132.7	-0.2	-0.1
Tulsa MSA	138.5	137.8	136.6	0.5	1.4

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE (\$000 Seasonally Adjusted)

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01 1st Qtr	1st Qtr '02 4th Qtr '01
OKLAHOMA CITY MSA					
Durable Goods	612,457,578	595,805,405	568,669,368	7.7	2.8
Lumber, Building Materials and Hardware	196,035,922	185,147,805	174,781,747	12.2	5.9
Auto Accessories and Repair	92,187,458	93,064,769	95,626,106	-3.6	-0.9
Furniture	79,493,807	76,108,017	76,426,574	4.0	4.4
Computer, Electronics and Music Stores	103,127,062	105,272,171	89,271,247	15.5	-2.0
Miscellaneous Durables	126,253,161	120,471,989	117,447,299	7.5	4.8
Used Merchandise	15,360,167	15,740,653	15,116,396	1.6	-2.4
Nondurable Goods	1,585,459,594	1,593,842,647	1,608,701,329	-1.4	-0.5
General Merchandise	556,820,954	551,971,932	557,057,386	0.0	0.9
Food Stores	294,560,395	298,181,085	314,905,497	-6.5	-1.2
Apparel	103,780,462	103,057,588	105,767,982	-1.9	0.7
Eating and Drinking Places	332,107,805	326,473,878	302,014,479	10.0	1.7
Drug Stores	35,940,546	36,930,805	40,014,932	-10.2	-2.7
Liquor Stores	20,137,990	19,267,388	18,649,287	8.0	4.5
Miscellaneous Nondurables	89,162,941	99,159,933	84,828,258	5.1	-10.1
Gasoline	152,948,502	158,800,039	185,463,509	-17.5	-3.7
Total Retail Trade	2,197,917,172	2,189,648,053	2,177,370,697	0.9	0.4
TULSA MSA					
Durable Goods	466,810,206	462,982,450	450,315,560	3.7	0.8
Lumber, Building Materials and Hardware	127,640,330	125,032,446	128,547,516	-0.7	2.1
Auto Accessories and Repair	60,336,694	60,724,039	62,433,936	-3.4	-0.6
Furniture	55,580,508	52,223,807	54,018,485	2.9	6.4
Computer, Electronics and Music Stores	112,646,769	119,964,195	99,758,011	12.9	-6.1
Miscellaneous Durables	96,390,890	91,613,627	92,223,450	4.5	5.2
Used Merchandise	14,215,015	13,424,336	13,334,162	6.6	5.9
Nondurable Goods	1,182,730,289	1,185,642,869	1,198,931,578	-1.4	-0.2
General Merchandise	399,427,981	410,037,728	395,539,689	1.0	-2.6
Food Stores	247,527,351	252,953,243	268,890,641	-7.9	-2.1
Apparel	72,329,581	71,367,434	76,814,114	-5.8	1.3
Eating and Drinking Places	226,052,055	217,074,058	212,196,753	6.5	4.1
Drug Stores	28,654,652	28,495,824	31,953,427	-10.3	0.6
Liquor Stores	16,946,491	16,393,568	15,962,038	6.2	3.4
Miscellaneous Nondurables	78,719,160	71,920,932	60,463,881	30.2	9.5
Gasoline	113,073,019	117,400,084	137,111,035	-17.5	-3.7
Total Retail Trade	1,649,540,495	1,648,625,319	1,649,247,139	0.0	0.1
ENID MSA					
Durable Goods	26,502,907	25,038,234	24,504,862	8.2	5.8
Lumber, Building Materials and Hardware	10,762,623	9,297,040	8,406,079	28.0	15.8
Auto Accessories and Repair	5,328,160	5,436,171	5,691,015	-6.4	-2.0
Furniture	1,747,659	1,742,823	1,836,705	-4.8	0.3
Computer, Electronics and Music Stores	2,657,708	2,748,251	2,779,402	-4.4	-3.3
Miscellaneous Durables	5,291,359	5,184,710	5,032,374	5.1	2.1
Used Merchandise	715,400	629,239	759,286	-5.8	13.7

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE (\$000 Seasonally Adjusted)

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01 1st Qtr	1st Qtr '02 4th Qtr '01
ENID MSA					
Nondurable Goods	85,429,028	85,630,688	86,841,300	-1.6	-0.2
General Merchandise	29,858,919	29,050,709	30,061,782	-0.7	2.8
Food Stores	22,372,289	22,004,488	22,632,851	-1.2	1.7
Apparel	3,568,690	3,537,002	4,038,646	-11.6	0.9
Eating and Drinking Places	13,797,198	13,630,732	13,274,558	3.9	1.2
Drug Stores	2,779,298	2,795,121	2,732,739	1.7	-0.6
Liquor Stores	751,771	736,363	715,434	5.1	2.1
Miscellaneous Nondurables	4,154,990	4,881,663	3,219,257	29.1	-14.9
Gasoline	8,145,872	8,994,610	10,166,033	-19.9	-9.4
Total Retail Trade	111,931,935	110,668,922	111,346,162	0.5	1.1
LAWTON MSA					
Durable Goods	32,405,153	31,886,679	29,497,328	9.9	1.6
Lumber, Building Materials and Hardware	8,777,467	8,504,831	7,448,470	17.8	3.2
Auto Accessories and Repair	6,655,745	6,524,538	6,236,615	6.7	2.0
Furniture	3,049,682	2,964,202	3,517,036	-13.3	2.9
Computer, Electronics and Music Stores	5,011,146	4,922,780	4,013,651	24.9	1.8
Miscellaneous Durables	7,837,398	7,782,472	7,508,757	4.4	0.7
Used Merchandise	1,073,716	1,187,857	772,800	38.9	-9.6
Nondurable Goods	129,953,625	127,574,497	132,237,828	-1.7	1.9
General Merchandise	59,680,808	58,163,361	62,926,901	-5.2	2.6
Food Stores	20,520,916	19,672,860	19,778,634	3.8	4.3
Apparel	6,654,780	6,486,391	5,684,685	17.1	2.6
Eating and Drinking Places	23,935,264	23,556,959	22,773,162	5.1	1.6
Drug Stores	2,084,809	2,142,811	2,059,970	1.2	-2.7
Liquor Stores	839,866	907,077	743,296	13.0	-7.4
Miscellaneous Nondurables	5,581,716	5,581,834	5,350,499	4.3	0.0
Gasoline	10,655,465	11,063,204	12,920,681	-17.5	-3.7
Total Retail Trade	162,358,778	159,461,176	161,735,156	0.4	1.8
OKLAHOMA					
Durable Goods	1,588,951,954	1,624,266,161	1,558,915,696	1.9	-2.2
Lumber, Building Materials and Hardware	488,669,042	473,104,247	510,080,739	-4.2	3.3
Auto Accessories and Repair	266,114,879	261,128,100	266,018,201	0.0	1.9
Furniture	173,211,765	171,193,275	168,573,164	2.8	1.2
Computer, Electronics and Music Stores	319,667,642	340,253,226	301,567,002	6.0	-6.1
Miscellaneous Durables	291,239,087	326,896,254	269,607,379	8.0	-10.9
Used Merchandise	50,049,539	51,691,059	43,069,211	16.2	-3.2
Nondurable Goods	4,559,429,450	4,717,281,149	4,646,687,547	-1.9	-3.3
General Merchandise	1,585,316,053	1,722,883,131	1,558,214,085	1.7	-8.0
Food Stores	984,497,825	1,009,990,404	1,074,194,201	-8.4	-2.5
Apparel	256,274,242	262,015,744	237,582,599	7.9	-2.2
Eating and Drinking Places	843,429,861	808,864,538	811,670,744	3.9	4.3
Drug Stores	96,876,082	99,759,741	97,673,124	-0.8	-2.9
Liquor Stores	52,045,179	56,296,464	45,103,144	15.4	-7.6
Miscellaneous Nondurables	247,153,247	259,961,202	238,968,275	3.4	-4.9
Gasoline	493,836,961	497,509,925	583,281,375	-15.3	-0.7
Total Retail Trade	6,148,381,404	6,341,547,310	6,205,603,244	-0.9	-3.0

ADJUSTED RETAIL TRADE FOR SELECTED CITIES (\$000 Seasonally Adjusted)

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01 1st Qtr	1st Qtr '02 4th Qtr '01
Ada	53,125,916	52,765,911	55,293,816	-3.9	0.7
Altus	44,305,175	42,945,612	43,439,089	2.0	3.2
Alva	12,887,692	13,253,146	13,897,279	-7.3	-2.8
Anadarko	14,412,029	14,205,319	14,894,146	-3.2	1.5
Ardmore	76,473,780	77,060,255	78,829,576	-3.0	-0.8
Bartlesville	91,713,973	92,780,602	95,353,200	-3.8	-1.1
Blackwell	11,393,525	10,606,857	10,658,309	6.9	7.4
Broken Arrow	118,811,770	121,166,654	120,402,343	-1.3	-1.9
Chickasha	36,192,010	35,535,003	36,101,063	0.3	1.8
Clinton	18,826,917	19,471,422	19,936,948	-5.6	-3.3
Cushing	15,945,278	15,280,084	14,693,675	8.5	4.4
Del City	26,790,936	27,486,818	28,520,224	-6.1	-2.5
Duncan	49,579,890	48,832,855	49,924,207	-0.7	1.5
Durant	36,125,714	34,410,835	35,664,273	1.3	5.0
Edmond	161,260,095	154,626,553	154,628,559	4.3	4.3
El Reno	27,582,730	27,303,244	28,859,110	-4.4	1.0
Elk City	32,315,276	32,473,292	33,861,347	-4.6	-0.5
Enid	104,037,343	104,092,017	106,893,386	-2.7	-0.1
Guthrie	19,007,580	19,106,741	19,778,842	-3.9	-0.5
Guymon	23,548,911	23,594,319	23,782,700	-1.0	-0.2
Henryetta	11,599,020	11,813,956	12,199,618	-4.9	-1.8
Hobart	6,271,761	5,975,944	6,092,314	2.9	5.0
Holdenville	8,118,424	8,237,015	8,107,121	0.1	-1.4
Hugo	16,829,095	16,461,620	15,995,341	5.2	2.2
Idabel	16,177,101	16,226,211	16,459,007	-1.7	-0.3
Lawton	172,028,742	170,869,521	173,589,137	-0.9	0.7
McAlester	62,436,581	62,797,943	62,819,288	-0.6	-0.6
Miami	30,086,112	30,222,343	29,454,807	2.1	-0.5
Midwest City	130,126,055	129,685,623	139,927,132	-7.0	0.3
Moore	74,814,123	73,500,770	66,798,372	12.0	1.8
Muskogee	107,282,779	106,935,095	111,647,913	-3.9	0.3
Norman	224,714,835	223,622,787	223,999,042	0.3	0.5
Oklahoma City	1,203,617,895	1,212,949,088	1,210,442,599	-0.6	-0.8
Okmulgee	36,663,899	35,971,792	33,153,227	10.6	1.9
Pauls Valley	18,924,616	19,608,069	20,417,448	-7.3	-3.5
Pawhuska	4,968,674	5,228,622	4,979,112	-0.2	-5.0
Ponca City	69,090,905	68,455,222	68,426,834	1.0	0.9
Poteau	30,878,003	30,746,701	31,520,471	-2.0	0.4
Sand Springs	45,503,856	45,966,226	47,902,507	-5.0	-1.0
Sapulpa	48,950,752	49,491,732	51,047,800	-4.1	-1.1
Seminole	19,390,272	19,737,856	19,510,315	-0.6	-1.8
Shawnee	85,644,946	84,804,743	87,631,457	-2.3	1.0
Stillwater	100,581,837	100,432,516	103,372,167	-2.7	0.1
Tahlequah	57,981,409	49,728,122	48,532,839	19.5	16.6
Tulsa	1,143,938,372	1,158,442,593	1,182,520,069	-3.3	-1.3
Watonga	4,971,492	4,934,115	5,045,471	-1.5	0.8
Weatherford	23,918,711	24,632,795	25,514,204	-6.3	-2.9
Wewoka	2,742,216	2,907,447	2,963,403	-7.5	-5.7
Woodward	39,503,956	40,998,927	44,214,667	-10.7	-3.6
Total Selected Cities	4,772,092,977	4,778,382,934	4,839,695,772	-1.4	-0.1

SELECTED INDICATORS FOR THE ENID AND LAWTON MSA'S AND MUSKOGEE MA

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01 1st Qtr	1st Qtr '02 4th Qtr '01
ENID MSA					
Employment (Number)					
Labor Force ^a	25,933	25,970	25,320	2.4	-0.1
Total Employment	25,187	25,243	24,677	2.1	-0.2
Unemployment Rate (%)	2.9	2.8	2.5	-	-
Wage and Salary Employment	23,400	23,567	23,367	0.1	-0.7
Wholesale and Retail Trade	6,033	6,200	6,067	-0.6	-2.7
Manufacturing	2,500	2,500	2,500	0.0	0.0
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value (\$000)	2,809	1,896	1,615	73.9	48.2
Number of Units	15	11	8	87.5	36.4
Residential-Multi Family					
Dollar Value (\$000)	2,177	350	0	-	522.0
Number of Units	50	4	0	-	E
Total Construction (\$000)	4,986	2,246	1,615	208.7	122.0
LAWTON MSA					
Employment (Number)					
Labor Force ^a	41,250	39,970	39,647	4.0	3.2
Total Employment	39,747	38,607	38,473	3.3	3.0
Unemployment Rate (%)	3.7	3.4	2.9	-	-
Wage and Salary Employment	39,300	39,233	38,333	2.5	0.2
Wholesale and Retail Trade	8,533	8,733	8,567	-0.4	-2.3
Manufacturing	3,867	3,767	3,800	1.8	2.7
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value (\$000)	4,225	3,424	3,775	11.9	23.4
Number of Units	36	29	32	12.5	24.1
Residential-Multi Family					
Dollar Value (\$000)	0	0	0	-	-
Number of Units	0	0	0	-	-
Total Construction (\$000)	4,225	3,424	3,775	11.9	23.4
MUSKOGEE MA					
Employment (Number)					
Labor Force ^a	31,010	31,530	30,577	1.4	-1.6
Total Employment	29,490	30,123	29,460	0.1	-2.1
Unemployment Rate (%)	4.9	4.5	3.7	-	-
Water Transportation					
Port of Muskogee					
Tons In	112,201	92,461	64,951	72.7	21.3
Tons Out	21,668	22,540	14,930	45.1	-3.9

Note: Includes revisions.

^aCivilian Labor Force.

E = Exceeds 600 percent.

SELECTED INDICATORS FOR THE TULSA MSA

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01 1st Qtr	1st Qtr '02 4th Qtr '01
Employment (Number)					
Labor Force ^a	426,900	427,180	414,093	3.1	-0.1
Total Employment	407,860	411,183	403,400	1.1	-0.8
Unemployment Rate (%)	4.5	3.7	2.5	-	-
Wage and Salary Employment	404,833	410,133	402,967	0.5	-1.3
Manufacturing	56,867	56,700	55,833	1.9	0.3
Mining	5,767	6,100	6,400	-9.9	-5.5
Government	45,300	45,567	44,500	1.8	-0.6
Wholesale and Retail Trade	89,000	92,333	91,433	-2.7	-3.6
Average Weekly Earnings					
Manufacturing (\$ Per Worker)	620.50	649.91	632.21	-1.9	-4.5
Air Transportation					
Passengers Enplaning (Number)	332,063	363,827	386,697	-14.1	-8.7
Passengers Deplaning (Number)	333,416	359,896	388,595	-14.2	-7.4
Freight (Tons)	11,267	11,674	13,384	-15.8	-3.5
Water Transportation					
Tulsa Port of Catoosa					
Tons In	240,695	263,360	245,480	-1.9	-8.6
Tons Out	371,251	268,812	178,408	108.1	38.1
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value (\$000)	112,543	94,617	99,469	13.1	18.9
Number of Units	945	753	787	20.1	25.5
Residential-Multi Family					
Dollar Value (\$000)	31,745	5,172	5,533	473.7	513.8
Number of Units	298	99	111	168.5	201.0
Total Construction	144,288	99,789	105,002	37.4	44.6

Note: Includes revisions.

^aCivilian Labor Force.

E = Exceeds 600 percent.

SELECTED INDICATORS FOR OKLAHOMA CITY MSA

	1st Qtr '02	4th Qtr '01	1st Qtr '01	Percentage Change	
				'02/'01 1st Qtr	1st Qtr '02 4th Qtr '01
Employment (Number)					
Labor Force ^a	558,380	567,207	552,277	1.1	-1.6
Total Employment	534,100	544,423	535,160	-0.2	-1.9
Unemployment Rate (%)	4.3	4.0	3.1	--	--
Wage and Salary Employment	538,933	547,100	538,567	0.1	-1.5
Manufacturing	47,700	49,767	52,467	-9.1	-4.2
Mining	7,500	7,533	7,133	5.1	-0.4
Government	106,233	106,967	107,567	-1.2	-0.7
Wholesale and Retail Trade	125,400	128,800	124,967	0.3	-2.6
Average Weekly Earnings					
Manufacturing (\$ Per Worker)	543.92	517.52	511.97	6.2	5.1
Air Transportation					
Passengers Enplaning (Number)	346,208	376,203	393,554	-12.0	-8.0
Passengers Deplaning (Number)	351,927	367,955	399,683	-11.9	-4.4
Freight Enplaned (Tons)	3,934	3,830	5,206	-24.4	2.7
Freight Deplaned (Tons)	4,842	4,613	6,209	-22.0	5.0
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value (\$000)	173,981	138,015	129,882	34.0	26.1
Number of Units	1,314	1,011	1,024	28.3	30.0
Residential-Multi Family					
Dollar Value (\$000)	5,277	101,995	26,464	-80.1	-94.8
Number of Units	92	640	504	-81.7	-85.6
Total Construction (\$000)	179,258	240,010	156,346	14.7	-25.3

Note: Includes revisions.

^aCivilian Labor Force.