DEVELOPING THE OKLAHOMA ECONOMY

An Oklahoma Academy Town Hall on Economic Development
October 23-26, 2011, Quartz Mountain

The Oklahoma Academy is a statewide nonprofit, nonpartisan, membership organization founded by Governor Henry Bellmon in 1967, and revitalized by him in 1985, to bring public attention to policy issues, provide objective, thorough research and act as a catalyst for positive change.

The Mission of the Oklahoma Academy is to identify issues facing Oklahoma, provide well-researched, objective information, foster nonpartisan collaboration, develop responsible recommendations, and encourage community and legislative action.

The Vision of the Oklahoma Academy is to empower Oklahomans to improve their quality of life through effective public policy development and implementation.

The Academy Process identifies areas of need and problems facing Oklahoma, conducts research on identified critical issues, and develops long range goals, consensus recommendations, and agendas for action. Through the Town Hall conference process, forums and summits, the Academy increases citizen awareness, encourages civic engagement and sets the stage for thoughtfully improving Oklahoma.

Moving Ideas Into Action

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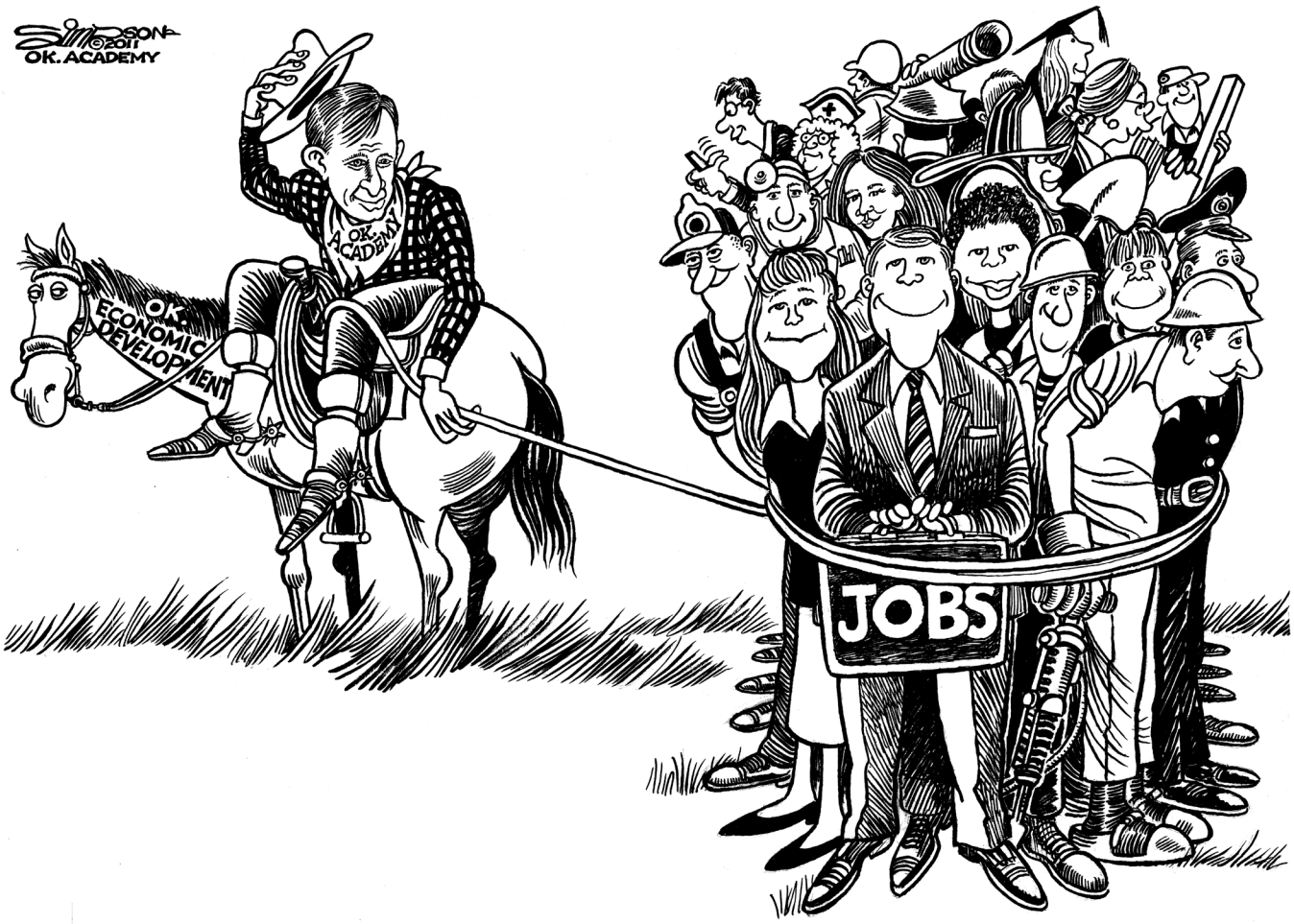
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JOBS

The Oklahoma Academy

Tom McKeon, Chairman; Julie J. Knutson, President and CEO, The Oklahoma Academy

Town Hall Participant:

The Oklahoma Academy Town Hall 2011 has the right issue topic at the most opportune time, and with your focused involvement, the best group of participants representing Oklahoma's diverse population.

Tom McKeon
Chairman

Julie Knutson
President and CEO

The Town Hall will address economic development, not as it has always been approached, but as it must be considered to effectively move Oklahoma into a place of national and global marketplace importance.

"This book may seem big… okay, it is! But read it in segments. Parcel it out within your schedule. That's why we get it to you a month prior to the Town Hall!"

The Academy Board of Directors selected this topic June 2010 from a list of important issues provided from a survey of Academy members and nonmembers – business and community leaders, educators, chamber executives and members, leadership groups, legislators, agency leaders and more. Governor Fallin was elected in November 2010 and one of the first steps she took upon taking the oath of office was to name a Task Force on Economic Development and Job Creation.

Several Academy Board members and regular members are serving on this task force. It has been working under the leadership of Bob Sullivan, an Academy Board member. The Academy and the Task Force are sharing information, working in tandem if you will. The resulting work of the Governor's Task Force on Economic Development is being provided to you along with the background resource articles and research in this document. Both are to prepare you for your work October 23 through 26 at Quartz Mountain Resort.

Please note…
While you may know a great deal, a small amount or nothing on economic development, you will be severely disadvantaged if you do not prepare yourself properly for the Town Hall discussions.

You are charged with "participating" in the Town Hall, not just sitting. You are given an excellent opportunity to listen actively, share your thoughts and concerns, and collaboratively build with your fellow participants a set of findings and recommendations that dramatically change the course of action for the better in the economic development landscape for Oklahoma. Others will be relying upon you and your fellow participants to have done your part, played your role to the maximum.

You cannot do that if you haven't read this background resource document and the Governor's Task Force Report prior to the opening of the 2011 Town Hall!

The success of any Town Hall is dependent upon the preparedness of its participants. You will hear some excellent plenary session speakers; you will have excellent Panel Discussion Sessions. You have the opportunity to "knock the socks off" how we strategize, how we set the entrepreneurial environment, how we change our approach and thinking to bring advantageous economic growth to all parts of Oklahoma. The Town Hall is work, but it is by no means ominous! Lively discussions and meeting new people make this a true "one of a kind" experience. You will have fun!

Pointers for your reading…
This book may seem big… okay, it is! But read it in segments. Parcel it out within your schedule. That's why we get it to you a month prior to the Town Hall! The document required thousands of hours contributed by scores of Oklahomans to complete. The Research and Design Team volunteered to secure the authors and design the book.

By the way, some of the authors they approached for one reason or another chose not to contribute. You will note we have no designated article on common education for example. This is not for lack of asking. As you can tell by the size of the book, most authors were compliant! The book is provided to give you the scope of the topic, the breadth and depth. It is not intended as the "be all and end all" on economic development. Please keep this in mind!

Okay, get to work! Get prepared! Take some notes --- questions you may want to ask; issues and ideas the reading may prompt you to think of! Be ready for Town Hall 'cause we will be ready to welcome you to a great experience!

FOREWORD

TOWN HALL THEME: This Town Hall is to develop policies and methods that will accelerate economic prosperity in Oklahoma's economy – with emphasis on the private economic sector. Areas of focus will be on generating practical ideas that may be implemented to increase the attraction and availability of capital; optimize investment; increase productivity; expand quality employment; and grow the personal earnings of Oklahomans.

THIS BOOK: Some call this our "research document". That is somewhat one-dimensional. This book is really many things. It contains original research, essays, reprint of helpful popular media articles, tables of data and charts, interviews - and even a cartoon or two.

WHAT'S MISSING?: There are two subjects that we know are missing and wish they were not. One is public infrastructure. We did not try to tackle it because - frankly - it was just too big for us. Yet, public infrastructure is so important. The site selection survey we present will show that. The second missing topic is Education. We have materials from the Oklahoma CareerTech System. But we were unable to secure the collaboration of Oklahoma's K-12 and Higher Education establishments. It is what it is.

OKLAHOMA ACADEMY RESEARCH DESIGN & PRODUCTION TEAM

Paul Bickford is the sales and engineering manager for Cherokee Data Solutions of Claremore, OK, and a member of the Oklahoma Academy Board.

James Collard, PHD, is the current Director of Strategic Planning and Economic Development for the Citizen Potawatomi Nation in Shawnee. Prior to joining CPN he served for many years as a city manager and as an executive in the environmental services industry. Jim is an Oklahoma Academy Board member and has attended four previous Town Halls.

Martha Gregory is a professional researcher, instructor and business consultant. She has been with Tulsa City-County Library over 30 years, during which time she served as director of its Economic Development Information Center and is currently coordinator of Research Wizard, a fee-based service of the library. She has been a member of the Academy for four years.

Mickey Hepner, PhD is the Dean of the College of Business Administration at the University of Central Oklahoma in Edmond. Dr. Hepner is an experienced member of the Oklahoma Academy Board.

Craig Knutson has been an Academy member since 1985 and on the Board of Directors since 1995. He has served on numerous committees over the past 25 years and is co-chair of the Town Hall Research Committee and Town Hall Planning Committee. He is currently Chief of Staff at Oklahoma City University, father of three grown adults and resides with his wife, Julie, in Norman.

Michael Lapolla is a former faculty member at the OU Health Sciences Center, a long time Academy Board member, and eleven year veteran of the Town Hall Research Design and Production workgroup. He currently assists the George Kaiser Family Foundation. He is a resident of Tulsa.

Deidre D. Myers is the director of Policy, Research and Economic Analysis at the OK Department of Commerce. She is a returned Peace Corps volunteer, a four time Town Hall participant and rookie on the Oklahoma Academy board, and an avid consumer of data - from economics to fantasy football.

DEVELOPING THE OKLAHOMA ECONOMY

Section 3
Fundamental Metrics *59*

Section 1

Warming Up

Who Are We?

Alexander Holmes, PhD, Regents Professor of Economics, University of Oklahoma

Meet Lex Holmes

Dr. Alexander Holmes is a Founding Board Member of the Oklahoma Academy for State Goals and has been a Board member since 1985. He was the Conference Coordinator of the Academy's first two conferences in 1985 and 1986 - and an important planner for our 2000 conference on the Oklahoma Constitution.

Lex was the winner of the Charles and David Koch Prize for Better Government Contest of the Oklahoma Academy for State Goals, "Restructuring County Government" with Frederick Drummond, 1996.

Dr. Holmes served as Governor Bellmon's Director of State Finance and has been an influential advisor to countless officials, agencies and organizations.

The Academy thanks Dr. Holmes for his decades of years of service to the Academy and to the state.

Editor Note:

This study was originally published by Oklahoma 21st Century (the research arm of The State Chamber) in 1998. The purpose of the study was to "identify factors, especially ones that are subject to state policies, that we link more directly to sustained PCPI (per capita personal income) high growth rates ...".

The study is reproduced here. It has been shortened by eliminating the statistical analyses sections and focusing upon the narrative and interpretive sections. Those edits will be noted in the text flow. The complete unedited study is available at http://www.ok21stcentury.com/pdf/199821stCenturyReport.pdf

History

Every state, city and town has its history. The founding is often surrounded in myth as that of Romulus and Remus and is celebrated annually as an event of civic pride. School children are taught the particulars in social studies and history classes that pass on to the next generation the values and struggles, often embellished, of the founders. It has long been argued that the people

of first settlement and the process of the settlement has a lasting impact on the development of the community; "as the sapling is bent, so grows the tree". Geographers articulate the Doctrine of First Effective Settlement in which they contend that the future is cast to a great degree depending upon the values the first settlers brought to the area.[1]

Much is made of the Wild West and the effect the open frontier had on the future development of the western United States.[2] Most clearly in the United States, with its relatively short history, the continuing effects of the early white settlers in search of its regions sets the tone and perspective that is recognized today in more than just regional accents, place names, and cuisine.

The Napoleonic Code is still the prevailing doctrine of law in Louisiana and Spanish land grants dominate the county record offices in Texas. From religion to politics one can find the lasting effects on the local culture of any state or community. Indeed, the very term community implies a common set of continuing values and a shared history that reaches into the future To the degree that different cultures, broadly defined, have an impact on such critical social institutions, such as schools, governmental structure, and the legal system, it is expected that there would be important effects on the economic development and future welfare of the citizens. Different social cultures affect more than the social institutions, however.

The message provided to future generations concerning the views of saving and deferred gratification, the importance of public and private honesty, the role of children in the family and workplace, the relative importance of private and community property, the value of personal independence, pride in self and community, and the degree that one is obligated to help others in the community all will manifest themselves in the economic future of the society.

There are clearly some social cultures that promote economic growth and others that retard it. Any society that forbids women working in the market place loses this valuable asset. Any society that promotes child labor at the expense of their education and thus future productivity will grow more slowly. A culture that accepts child abuse conveys to the next generation a value system that must necessarily affect economic outcomes.

To the extent that social cultures create social structures in the form of social institutions the linkage with economic growth is clear. If children are viewed as appropriate labor, then there will be fewer school days per year and less grades of education offered, as in agricultural societies past and present.

If personal independence and responsibility are considered unimportant, programs to provide financial and other assistance to a level detrimental to work initiative will prevail. If saving and deferred gratification are not valued, bankruptcy laws will reflect this with generous terms for debtors.

While the linkages between economic growth and the social culture of a state or region may seem apparent, the magnitude of these effects is not known and, indeed, is debatable. Just what constitutes the "social culture" of a state or region is also open to interpretation and debate.

Further, the simple observation of the prevalence of certain phenomena may not necessarily imply that they are accepted cultural norms. For example, high unemployment rates may not mean that the cultural norm is a low work ethic, although persistent high unemployment rates may indicate so. There may also be very different views of what is accepted as a cultural or societal norm and what is accepted in an individual person's life.

High divorce rates may be viewed as a characteristic of a poorly functioning society, but accepted in one's own life. While the linkage with economic growth is clear, what is not so clear is the direction of cause and effect. Certainly other variables are important in explaining the complete relationship.

It is not the purpose of this chapter to provide an explanation of either the source of a particular social culture or to measure the magnitude of the impact specific aspects of a given social culture may have on economic growth. Too little is known about either to provide such an analysis. What can be provided is a brief history of Oklahoma's cultural development and comparative analysis of certain variables of the social culture with states which have experienced rapid economic growth.

What may remain unsolved is the role that can be played by public policy in affecting the social culture to the end of promoting economic growth. It simply may be that public policy is the servant of the social culture and thus is powerless in changing it from within. Freud darkly warns that culture, or civilization, is a continuing struggle with powerful destructive forces within each of us and clearly would support the argument that culture and the institutions of the social culture profoundly affect economic development.[3]

The Settlement of Oklahoma ...
and Indian Territory – East versus West

Oklahoma's history is like no other, but of course the history of all places is unique. It is difficult to decide just when to start any discussion of the history of a place, but to understand the past effects on the current culture of Oklahoma perhaps the beginning is best placed with the Indian removal from the Southeastern United States from 1825 to 1842. While uprooted and forced to a place they did not choose, the original Indian tribes subject to the removal developed a solid economic base and fully formed political and social institutions including governments and schools. By the time of the Civil War the Indians of Oklahoma had well established schools and a growing economy. The Civil War devastated all parts of the country that sided with the Confederacy including the Indian tribes now living in what was to become Oklahoma. Unlike the southern states of the Confederacy, the Indians of Indian Territory were further punished by a set of Reconstruction Treaties which in trade for peace with the United States, granted freedom to all slaves owned by Indian, mandated that Indian Territory would be governed

TABLE 2.1
Population of Union Agency Indian Territory, 1888[a]

CITIZENS	
Creeks, natives and adopted freedmen	*14,200*
Cherokees, natives, adopted Whites, other Indians, and freedmen	*24,400*
Choctaws, natives, adopted Whites, and freedman	*18,000*
Chickasaws, natives, adopted Whites and freedman	*6,000*
Seminoles, natives, adopted Whites, and freedman	*2,600*
Total Citizen Population	***65,200***
OTHERS	
Farm laborers and mechanics under permit and their families	*45,600*
Licensed traders, government employees, employees of railroads and mines and their families	*25,000*
Interlopers and criminals, principally refugees from border states and their families, fully	*35,000*
Claimants to Indian citizenship	*4,000*
Sojourners, prospectors, and visitors	*3,000*
Total Others	***112,600***
Total Population fully	***177,800***

as a unified territory, and forced the concession of land in what was to become the western part of the state of Oklahoma. Land in the western part of the current state Oklahoma, except the Panhandle which was never part of the treaties with the Indians, was used for settlement of other Indian Tribes or, was left open, as it was later determined by an attorney for the railroads, Elias Boudinot, a Cherokee. These were to become what was called the Unassigned Lands.

While the much celebrated Land Run of 1889 for these 14 million acres in what is now Logan, and parts of Cleveland, Oklahoma, Canadian, and Payne Counties marked an important point in the white settlement in the western part of the state, it by no means was the beginning of the settlement of the territory that was to become Oklahoma.

Tribal governments and a system of schools for Indian children and other social institutions were in place from the early 1840's and white settlement in the eastern part of the state had begun at the time. After the Civil War many whites had immigrated to Indian Territory and had settled there, often marrying Indian inhabitants and beginning their lives again. These white settlers were often refugees from southern states. They chose to settle in a place that had no schools for their children and little in the way of governmental or social institutions for whites.

Whites were not allowed to own land in Indian Territory until allotments of tribal land were made beginning in the late 1890's. They in effect chose the life of squatters or sharecroppers with no real possibility of advancement for themselves or their children. One must wonder what values these immigrants had to choose to locate in such an economic environment. They stand in stark contrast to those who first emigrated to the American Colonies. Table 2.1 casts some light on Oklahoma's first large group of white settlers.

By 1890 these white intruders outnumbered the Indian population two to one. By 1900 whites outnumbered Indians in Indian Territory 6 to 1.

The opening of the western part of the territory in 1899 and again in 1891 through land run and later with lotteries and allotments brought to this area a new and very large group of settlers, mostly white. It also brought the culture of these new settlers.

The sheer size of the influx made the culture of these settlers the dominant culture and it is here that one can see the seeds of what was to become the culture o the State of Oklahoma built on the foundation laid by the Indian and early white settlers in the eastern one-half of the state.

"By the time of statehood in 1907, the settlement in what was now Oklahoma Territory in the west was dominated by whites with mid-western values and attitudes while Indian Territory in the east was dominated by whites with values from the upland South.[4]"

By the time of statehood in 1907, the settlement in what was now Oklahoma Territory in the west was dominated by whites with mid-western values and attitudes while Indian Territory in the east was dominated by whites with values from the upland South.[4] But long before statehood, only some 90 years ago, the different social cultures had created very different social institutions. Landless white squatters and day workers in the east created no educational system comparable to that developed in the west. Indeed, the creation of territories by the federal government mandated that a certain portion of the land be set aside for educational purposes. No such mandate held in the east and none was developed by the white inhabitants. A full generation was born and died before such rudimentary features of development were created.[5] Immigrants came to the east also to the mines, coal and later lead and zinc. They were, like much of Oklahoma's earlier settlers, an itinerant population drawn to the area for a time undetermined to exploit the land.

In the west the early white settlers were drawn by free land. They came to farm and become landholders. They brought values of parsimony, thrift and stewardship for the land with them.

These differences showed not only in the social institution of education, but also in their politics. Landless squatters place little value in governmental institutions. With a low level of demand for the type of government services provided at this time in history, government was seen as simply that force which abridged freedom and extracted taxes from services not desired. The west held a more positive attitude toward government, especially school districts, perhaps the dominant governmental structure at this time. Government provided order and guaranteed that land records reflected true ownership.

"Perhaps the true linkage between the social culture and economic development through educational institutions is really the process of transmitting the social culture from one generation to the next. "

The Culture of the New State

It is to be expected that in such a culture as developed in the east, populism would quickly dominate the political thinking. Alfalfa Bill Murray, perhaps the quintessential populist, had his beginnings as an attorney in the eastern part of the state dealing with land claims. He was an active participant in the Sequoyah Convention that was an effort to admit Indian Territory as a separate state and which later became the foundation of the Oklahoma State Constitution. He chaired and controlled the state constitutional convention[6], became the first Speaker of the House of Representatives, two term U.S. Congressman, and in 1931, governor. At the time of statehood it can be stated with little argument that Oklahoma embraced wholly the tenets of populist political philosophy. This not only affected the development of the time, but also provided a legacy placing in Oklahoma's fundamental governmental structure institutions sympathetic to this philosophy.

Briefly, populism holds that all concentrations of power, public and private, are bad, and government's fundamental job is to guard against potential abuses of concentrated power. Further, government itself has to be weak and decentralized in order to minimize this potential concentration of power. Understandable, populism had a powerful attraction in Oklahoma and many other states in the Midwest and south. This was an era of powerful corporate trusts and combines. Agrarian societies, in particular, were adversely effected by monopoly railroad, banking and other interests.

Oklahoma's social culture of itinerant, landless squatters displaced from the upland South to a land where there could be little or no future advancement with little in the way of investment in the next generation's education blossomed with the water of the populist philosophy. The fruit it bore was a state constitution that provided for a weak central government and a weak governor in particular, strict regulation of business interests[7], and no coordinating authority for primary governmental services; common schools and road building particularly.

School districts and county governments were the primary providers of public services and each was set in its own well guarded fiefdom. The first state motor fuel tax did not arrive until 1923 and sales taxes for local governments waited until 1965 for cities and 1982 for counties. Local property taxes funded these local government services, but true to the populist philosophical tenet that the citizens cannot be trusted to control their own tax burdens, each of the local governmental units was required to operate within millage limits set by the state constitution. Populism also, to its credit, provided for many democratic reforms such as the popular initiative and referendum.

<u>The Next Generation</u>

Of all the social institutions that one could choose to measure the effects to different social cultures on economic development, perhaps the willingness to provide for the next generation through schools can give the greatest insight. Embodied in educational institutions are fundamental cultural elements necessary for economic growth. A willingness to defer gratification, recognition that economic growth is different from current economic well being, and the notion of investment are all

characteristics that bode well for future economic welfare. It says much about a culture just how it chooses to treat it children, the next generation. Education of one's children is after all only marginally beneficial for the current generation. Further, the burden for financing education can be shifted only slightly to the current recipients. In an agricultural society, not only are there direct costs, but also the lost opportunities of the child's labor.

"Oklahoma passed a two cent sales tax earmarked for redistribution (welfare) programs in 1936, while North Carolina, one of the states whose per capita personal income growth is converging toward the national average, passed a three cent sales tax applied to elementary and secondary education three years earlier, 1933 ..."

Children

As argued above, the social culture not only creates the current environment, it re-creates it by transmitting values to the next generation. Ill-treated children whether through incest, child abuse, or neglect, including neglected opportunities for their future well being, will become the foundation upon which future economic activity is based. Children shown that immediate gratification of desires is appropriate, that something can be gained for nothing, or that the adult generation is the most important generation – that it will soon be their turn – will perpetuate these values. These values will manifest themselves in high rates of children born out of wedlock and teen pregnancy rates and alcohol and drug abuse when young, and later in life, high divorce rates, casual attachment to the labor force, low investment in education and training, high bankruptcy rates, high crime rates and a propensity for other semi-legal activities that promise immediate gain for little expenditure of money or effort and a tolerance for private and public misbehavior.

Perhaps the true linkage between the social culture and economic development through educational institutions is really the process of transmitting the social culture from one generation to the next. Indeed, one of the important functions of education in a democratic society is to provide a sense of common history which becomes a unifying force for the community. While many of the complaints against public schools deal with academic quality, much concern today and in the past has been with what is taught in terms of social values, either directly or indirectly by teachers and/or other students.

It is not an original observation that much of what is taught in school, beyond the academic subjects, is important in forming good work place behavior; punctuality, responsibility, sharing, social skills, etc.[8] For these reasons, and the fact that educational institutions can be altered in response to public policy goals, the history of Oklahoma's educational structure is briefly traced in the hopes of revealing the social culture of the state as manifested in the important social institution and thus demonstrating this linkage between the social culture and economic development.

Oklahoma's Social Culture & Public Education

At statehood Oklahoma Territory had 3,441 school districts and Indian Territory 2,200. In Oklahoma Territory, however, only 185 high schools were in place, all in cities. By 1910 still only three percent of school enrollment was at the high school level. It was not until 1926 that the Superintendent of Public Instruction even recommended the state mandate that the school year be extended from three months to nine months. This recommendation had to wait until 1938 before becoming a reality.

The difference between urban and rural educational opportunities were striking from territorial days and remained so for decades, some would argue until the present time. In 1947 the Mandatory School District Consolidation bill was passed through the legislature after much acrimonious debate. It required all districts with less than 13 students to consolidate with a neighboring district. In two years this reduced the number of districts by 2,106. Fully, 1,128 school districts in 1947 had fewer than 10 students.[9] It says much

about the culture of a state that so many school districts with what must have been very little in the way of educational opportunity were allowed to survive for so long. Indeed, the political fallout of the mandatory school consolidation bill was tremendous with vocal and persistent opposition.[10]

Mandatory consolidation was a natural outgrowth of a new interest by the central government in activities that in accordance with populist philosophy had been here-to-fore left to localities. The first state aid to common schools was provided in 1937. With these state dollars came greater control of the educational activities of the local school districts. It is noteworthy that it took three decades from statehood for the state government to show sufficient interest in the educational activities of the local districts to provide any funding for common education.

Perhaps this cultural difference in Oklahoma can be best placed in high relief with the observation made elsewhere in the report that Oklahoma passed a two cent sales tax earmarked for redistribution programs in 1936, while North Carolina, one of the states whose per capita personal income growth is converging toward the national average, passed a three cent sales tax applied to elementary and secondary education three years earlier, 1933. The Great Depression, combined with the effects of the dust bowl on an agrarian society had created a generation of Oklahomans ill prepared by their educational institutions for the economic world of the time.

Return of Populism in 1931

Alfalfa Bill Murray returned to the state and was elected governor in a second wave of populist fever in 1931. Property taxes were abolished as a source of state revenues and further millage limits were placed on local school districts and county governments. The Department of Public Welfare was created as a constitutional agency, the predecessor to the Department of Human Services, to oversee income redistribution programs. The populist philosophy of "social leveling" now was fully part of the governmental structure as an outgrowth of the social culture of the state. One can infer from the public policy emphasis on income creation through enhanced educational opportunities that the social culture was present-oriented rather than future-oriented, desired immediate gratification rather than deferred gratification, was jealous of the economic success of others, placed a low value on the welfare of the future generation and was unwilling to sacrifice for its economic well being.

Remembering that in the eastern part of the state this was the generation which sprang from those who came to a land with no educational opportunities for themselves this is hardly surprising. The devastation of the agricultural base in the western part of the state helps explain how the social culture of the east had overcome that of the original settlers in the west during the 1930s.

Redistributing the Wealth?

Populism also implicitly holds that if one is less well off than they think they should be they can place the blame on failed institutions, public and/or private. This would help explain the focus on income redistribution programs and economic regulation of business enterprises. Alfalfa Bill Murray argued for the abolition of the state-wide property tax on the grounds that if fell more heavily on low income people and should be replaced with a more progressive income tax.[11] How one views their lot in life and what ability they have to control their future affects the social culture in important ways.[12]

To the extent that populist philosophy dominated Oklahoma's thinking during a significant period of her early history and persisted long after being modified or discarded by other states in the region, one can conclude that the social culture and hence the social institutions were born of the embedded sense of frustration, inferiority and jealousy. "Leveling", rather than overcoming, would govern policy. Rather than invest for an uncertain future gain, one would redistribute a known smaller amount with certainty. The Department of Public Welfare receives priority, the State Department of Education receives short shrift.

Impacts of Natural Resources

Throughout this time other forces were at play, forces driven not by the existing social culture, but by the accident of nature which placed under Oklahoma's soil resources that were highly prized: lead, zinc, coal and oil and gas. In that order they were sought, found, and exploited by individuals who came for this purpose only. During World War I the majority of the world's production of lead and zinc came from Ottawa County, Oklahoma.

Little remains but the pollution of Tar Creek and other environmental reminders. Coals discoveries brought another wave of immigrant miners to McAlester and Pittsburgh and Coal Counties (county seat, Coalgate) and other areas of the eastern part of the state. The soft, high-sulfur coal found in narrow seams never made it economically feasible for major mining companies, and they by and large remained small family operations with little regard for safety and strongly resistant to unionization. The firms, thus, tended to be low-skill, under-capitalized operations.

The full development of oil in the Osage, begun in earnest in 1903 by the Indian Territory Illuminating Oil Company, managed by Rhode Islander Henry Foster, was the start of a series of wildcatting experiences that brought wave after wave of itinerant workers and gamblers to the state seeking their fortune. A second and third round of discoveries in 1926, in what was to be called the Seminole Field and then the opening of the Oklahoma City Field in 1928, along with other important oil finds in other parts of the state marked Oklahoma forever and affected its social culture. Vast wealth was created overnight and wages for day workers were high. Tent cities sprang up overnight, but there was little in the way of long-term social investment.

Many areas were flooded with people, but only until the next strike. Seminole County is a case in point. In 1920 the population was set by the U.S. Census at 23,808, in 1930 at 79,621, most arriving in the last few years of decade. By 1960 the population was 28,066. Ottawa County experienced the same boom-bust cycle at an earlier time because of the mining operations there. The 1910 population was set at 15,713 and the 1920 population at 41,108. Today, nearly eight decades later, the population is approximately 31,000. Indeed, all but eight of Oklahoma's 77 counties have had a decennial population level higher at some time in the past than the current population. Frequently the past high population level is more than twice the current level.

These waves of economic activity initially strained the public services to the breaking point, but once the fever had passed little was left. Several major oil companies were created with Oklahoma crude and a few stayed in the state. Much of the wealth, however, left the state through payments to royalty holders and shareholders not located in Oklahoma.

Little remains of the many small refineries that once were supported with Oklahoma stripper wells. Almost no high value-added petroleum based activities such as plastics and ethylene plants were located in state, and thus even home-office jobs of some of these major companies have been cut back and some Oklahoma born oil businesses have left the state for greater access to world markets. The oil industry for all its wealth creation has continuously supported only a small percentage of the labor force in Oklahoma in the long-term. Nevertheless, the oil and gas industry provides some of the most highly technical and highest paid jobs in the state.

The extractive industries by their very nature are subject to boom and bust cycles. Oklahoma's experience with them, be it lead, zinc, coal, or oil and gas, had been no exception. Great wealth is created and mostly taken out of state, wages are driven up temporarily[13], and a rootless population seeking quick fortune arrives and then leaves seeing the next opportunity.

These boom cycles which marked so much of Oklahoma's past were periods of intense economic activity, but they were also periods of severe social turmoil. Boom towns were lawless places filled not only with those who worked in the fields, but also hundreds of ne'er do wells, criminals and other camp followers.

Evolving Social Culture

The social culture was one of immediate gain and no long term attachment to place. Certainly there were those indigenous residents who lived there before and after the boom and some who came and stayed, but their concerns would have been buried by the culture of the itinerant population. When an immigrant group plans to stay in one place for only a short time they do not invest in either physical or human capital. Environmental concerns become problems only for those who stay. School buildings and education would be a low priority. Indeed, most of the oil workers would arrive without families and thus have no demand for educational services. They were temporary, transitory, and rootless and this was the social culture that was imparted to all the social institutions. There can be no sense of a common weal if those who dominate the society are simply passing through.

The lawless nature of the boom towns is today sanitized with the term "colorful". In reality they were dangerous places for even the strongest and most cautious. Romanticizing this historical experience ignores the effects it has had on the social culture; indeed, it even excuses through implicit sympathy with this behavior. Culturally it creates a tolerance for misbehavior both public and private. It is to be expected that public scandal would flourish is a culture that is present oriented and has experienced such sustained periods of lawless behavior playfully excused later as a colorful period of the past.[14] Indeed, lawless behavior is a clear sign of a present oriented social culture.

But a social culture that accepts misdeeds and expects dishonesty is not one conducive to economic growth and development. The ability to trust the legal system to enforce contracts in an unbiased way is fundamental to economic development.[15] A civil society is one that can expect honesty from other members of the society and a civil society is one in which economic development will flourish. Evidence exists that the current social culture is tolerant of acts of petty private dishonesty[16] and scandal in public office.

Impacts of Populism

Populism teaches a cynicism for the actions of others. One cannot be seen through the eyes of a populist as taking action for the common weal without some potential private gain. This places severe obstacles in the path for those who attempt to change the social culture. Educational policy is often cast as simple acts for private gain on the part of school teachers and administrators. A social culture that is rootless, present oriented, tolerates dishonesty, and is cynical of the motives of those with power will resist investment in educational institutions.

If populism also implicitly harbors jealousy of the status of others embedded in a feeling of inferiority, there will be strong resistance to sacrifice for the betterment of some future generation. Oklahoma's educational institutions reflect the social culture sprung from the earliest white settlers and the historical events they and their succeeding generations experienced. Low funding levels, resistance to extended school days and years, leveling of quality such as resistance to the creation of a state-wide elite school for students gifted in sciences and mathematics, is to be expected from a social culture that is present oriented, has a low regard for future generations, and begrudges sacrifice for a better tomorrow for their offspring. Understanding that such a social culture is the product of characteristics learned from the preceding one, and tracing the priority placed on education historically in Oklahoma helps explains the current inability of the economy to grow at even the national level.

Linking Social Culture & Economic Growth

Editor Note: A 338 word section that followed described the methodology of identifying study factors. It has been omitted here for length.

Any number of social indicators may be analyzed using this methodology. Chosen here are six measures which are meant to capture possible differences in the social cultures:

1. *Educational attainment*
2. *Labor force activity*
3. *Crime rate*
4. *Divorce and annulments*
5. *Teen birth rates, and*
6. *Bankruptcies*

Each of these indicators has an obvious linkage to economic performance. Greater educational attainment, all other things being equal, should increase the productivity of individuals and thus is most cases increase their income. While this is true and important in an accounting approach to understanding difference in growth of personal per capita income, in the context of the above discussion, educational attainment is a proxy for the social culture of these states.

Education

High levels of educational attainment would indicate a willingness on the part of the society to defer gratification, invest in the future, and to sacrifice for the elevation of the next generation – all characteristics which bode well for economic growth and development. Low levels of educational attainment would be found in social cultures that had little patience for future gain, a sense of failure for not completing an assigned task, low levels of persistence, low attachment to the labor force, and low savings rates – all characteristics that would be expected to retard economic growth.

"A social culture that has little patience for future gain, that views the world through jealous eyes, values little the conditions under which their children will live, will save little, invest less, and promote policies that result in low labor productivity. "

Labor Force

The labor force activity rate chosen is the percentage of the employed labor force that worked part-time verses full-time. This is meant to proxy the attachment to labor force. Employees who work full-time will develop their skills and thus be more valuable employees commanding a higher wage. It may be, however, that the economic structures of Oklahoma and the two groups of states are sufficiently different in the types of jobs and industry to explain a different percentage of the labor force working full verses part-time. There is every reason to believe that what differences exist in occupation and industry structure would not result in significant differences in part-time work experience.[17] Thus any differences that are found to exist would be attributed to differences in social culture. High rates of part-time work would indicate a social culture that was transient, had low attachment place and little sense of community and thus to a common weal, had low levels of loyalty to employers, and participated little in community affairs. A society with such a social culture would be expected to have low rates of economic growth.

High crime, divorce, and teen birth rates lead to obvious economic inefficiency. Besides the loss of productivity of the individuals involved, a significant cost is imposed on the public sector through various programs designed to deal with these problems. From the perspective of the arguments above, however, it is not these direct costs that are considered the most critical.

Teen Mothers

If the social culture generates high teen birth rates, for example, not only is the teen-mother's economic opportunity devastated, but that of her child.

Further, when grown, the child will be more likely to repeat the experience. It is the repeated actions from one generation to the next that creates the social culture. Again, pursuing this example, the teen mother and her offspring will have a higher demand for public income redistribution programs and lower demand for education and other investment programs. A social culture with high teen birth rates would be expected to place a low value on children, particularly women, seeing them as objects for exploitation, and consequently invest

little in their future welfare. Also correlated would be high rates of sexually transmitted diseases, abused and neglected children, high school drop-out rates and thus lower levels of educational attainment. All these characteristics singly and cumulatively would retard economic growth through higher public sector spending and reduced productivity of the individuals evolved.

Crime Rates

High crime rates also are an indicator of the social culture. High crime rates per se and the cost to victims and the public to prosecute and incarcerate the criminals is not the focus of the economic issue here. High crime rates are a proxy for an underlying social culture that says rewards are best gained illegally rather through work and saving. A social culture with high crime rates would be expected to have a low value for education and any other activity that took time and persistence to generate rewards including public job training programs and on-the-job training and apprenticeships.

Bankruptcy

Bankruptcies, of course, measure economic failure. One could argue that this is a proxy for risk-taking, with greater risk taking comes greater bankruptcies. It could also measure an industrial mix in the state that is more highly concentrated in small rather than large businesses with the associated greater volatility of small business operations. It could, however, measure a society that is more present oriented and thus there is less prudent management of money; greater credit card debt and lower levels of savings for unexpected losses or reductions in incomes. Further, people in a social culture that view the world in an adversarial role with imbedded feelings of jealousy for the success of others will have less stigma attached to bankruptcy than those from a culture that values success gained from saving and prudence.[18] Bankruptcy in such a social culture becomes a way that one can get something for nothing rationalized as their due. High bankruptcy rates will, of course, lead to higher interest charges and less lending because of the increased risk. This in turn will reduce the opportunity for growth because of the higher cost and/or relative unavailability of capital.

Oklahoma's Social Culture: A Comparative Analysis

Editor Note: A 554 word section that followed described the statistical analysis of identified variables. It has been omitted here for length.

The Social Culture and Implications for Productivity

Editor Note: A 415 word section that followed described the statistical analysis of implications for productivity. It has been omitted here for length.

If history is destiny, then current public policy is left with no prescriptions. A social culture will change only ever so slowly. Forces outside the control of policy makers such as the Dust Bowl experience in Oklahoma will play an important role. But social institutions can and do affect the social culture for good or for ill as indicated by this analysis. These are within the control of policy makers. Perhaps the lesson of this analysis is that rather than concentrating on short-term gains in economic growth the emphasis should be focused on changing the characteristics of the society that promote development.

How public policy can promote the values of thrift, public and private honesty, the proposition of sacrifice for the next generation, deferred gratification, and a sense of a common weal is problematic. Freud writes that "Civilized society is constantly menaced with disintegration through this primary hostility of men towards one another".[19] A lingering populist philosophy that propounds jealousies and promotes leveling as a public policy will most certainly lead to low investment in future generations and low rates of economic growth.

Education as both a tool to increase labor productivity and transmit values conducive to economic growth is the obvious public policy variable. Promoting immigration of skilled labor and those who have demonstrated the characteristics conducive to promoting economic development through their own investment in

human capital may also have the effect of changing the underlying social culture. Much is made of the "brain drain" and policies to stem this tide or reverse it have been proposed and some in place. This analysis indicates that the issue is not the brain drain per se, but the loss of people who value those characteristics of a social culture in which economic development thrives.

A social culture that can defer gratification will value investment, and will place the education of the next generation as a high priority. Such a social culture will find that the productivity of the labor force is increased, regardless of just which industrial sector is the next growth engine. It is this link with labor productivity through investment in the next generation's education where truly the social culture sows the seeds of future economic growth. A social culture that has little patience for future gain, that views the world through jealous eyes, values little the conditions under which their children will live, will save little, invest less, and promote policies that result in low labor productivity.

Income redistribution policies will be applauded while programs that will result in future income growth will be rejected. Increased labor productivity is the natural outgrowth of a social culture that promotes thrift, has a strong sense of the common weal, can defer gratification, values public and private honesty, and is willing to sacrifice to improve the conditions of the next generation. This analysis also demonstrated the proposition that regardless of the effort and effectiveness of public policy to make the changes indicated to promote a social culture conducive for economic development, it will require sacrifice by one generation for the next. One cannot hope to live to see the fruits of this labor.

End Notes

[1] See J.E. Spencer and W.L. Thomas, *Introducing Cultural Geography*, (John Wiley and Sons: New York): 1973

[2] For a discussion of this point specifically for Oklahoma see John Thompson, *Closing the Frontier*, (University of Oklahoma Press: Norman), 1986

[3] Sigmund Freud, *Civilization and its Discontents*, (Hograth Press, London): 1930, in translation, Joan Reviere.

[4] This dichotomy in cultural values has been noted before by Doug Hale in "The People of Oklahoma: Economics and Social Change" in *Oklahoma: New Views on the Forty-sixth State*, Edited by Anne Hodge Morgan and H. Wayne Morgan, (University of Oklahoma Press, Norman): 1982

[5] See Larkin Warner, "An Overview of Oklahoma's Economic History: Part I", *Oklahoma Business Bulletin*, Center for Economic and Management Research, University of Oklahoma, September, 1995, p.5-14 for an insightful discussion of these difference viewed through economic activity.

[6] See Danney Goble, *Progressive Oklahoma – The Making of a New Kind of State*, (University of Oklahoma Press: Norman), 1980 for a full discussion of these points.

[7] See Alexander Holmes, "Oklahoma's Constitution and Economic Development Policies: Are they Compatible?" in *State Policy and Economic Development in Oklahoma*: 1984, A Report to Oklahoma 2000, Oklahoma City: 1984.

[8] See Neil Postman, with Charles Weingarnter, *Teaching as a Subversive Activity*, (Delacorte Press, N.Y.): 1969

[9] See "School District Reorganization in Oklahoma" Marion Patrick, Oklahoma State Department of Education, mimeo, 1964

[10] See LeRoy H. Fischer, ed., *Oklahoma's Governors 1929-1955* (Oklahoma Historical Society, Oklahoma City): 1983

[11] Oklahoma State Equalization Board, *Minutes*, October 24, 1932, p. 105.

[12] See *Ethnicity and Family Therapy*, Monica McGoldrick, John K. Pearce, and Joseph Giordano, eds. For a discussion of how different ethnic groups view "suffering" and the impact on the family structure and dynamics. (The Guildford Press: New York) 1982

[13] Wages for day labor in the Seminole Field were $1.25 per hour in 1927. Compare this to the legal minimum wage of $1.25 per hour set in 1967. William D. Ellis, *Out of the Osage – The Foster Story*, (Western Heritage Books: Oklahoma City), 1994.

[14] See Harry Holloway, with Frank S. Meyers, *Bad Times for Good Old Boys – The Oklahoma County Commissioner Scandal*, for an extended discussion of the sympathy citizens had for the bribery and kickbacks their commissioner had taken in this recent public scandal. (University of Oklahoma Press, Norman): 1993

[15] For a discussion of an earlier public scandal evolving the bribery of State Supreme Court justices by corporations found guilty of price fixing state contracts see James R. Scales and Danney Goble, *Oklahoma Politics: A History*, (University of Oklahoma Press, Norman): 1982

[16] Oklahomans fail Internal Revenue Service post-audits because of fraud at a statistically significant higher rate than other filers in the region. Private communication with IRS field examiner,1993.

[17] *State Policy and Economic Development in Oklahoma: 1997*, A Report to Oklahoma 2000, Inc. 1997.

[18] For a powerful contrast of failure in two different social cultures, displaced sharecroppers in the Dust Bowl and a bankrupt shopkeeper from four generations of New England sea captains, see John Steinbeck's *The Grapes of Wrath*, (Viking Press: N.Y.): 1939 and *The Winter of Our Discontent*, (Viking Press: N.Y.): 1961.

[19] Sigmund Freud, *Civilization and Its Discontents*, op. cit., Homo homini lupus.

Importance of Energy for Oklahoma's Economy

Chad Wilkerson, Branch Executive and Economist, Federal Reserve Bank of Kansas City, OKC Branch

Meet Chad Wilkerson

Chad R. Wilkerson is vice president, economist and Oklahoma City Branch executive of the Federal Reserve Bank of Kansas City. He was appointed Branch executive of the Oklahoma City Branch in 2006, and was promoted to vice president in 2008. In this role he serves as the Bank's lead officer and regional economist in Oklahoma.

Prior to his appointment as assistant vice president, economist, and Oklahoma City Branch executive in 2006, Chad spent seven and a half years as a policy economist and research associate in the Bank's economic research department in Kansas City. His research both before and after his official appointment has focused on examining changes in national and regional industrial structure and labor markets, and on determining the impact of these changes on the overall economic potential of the Tenth Federal Reserve District.

Chad is a native of St. Louis and graduated from high school in Montgomery City, Mo., a small town in central Missouri. He holds a bachelor's degree from William Jewell College in Liberty, Mo., where he spent his junior year abroad studying economics at Oxford University, and a master's degree from the University of Chicago, where he focused on urban and regional economics.

Our Oil and Gas

Oklahoma's most defining industry is oil and gas. That fact is not likely to surprise anyone. But what does that mean, to be a defining industry? And what difference do defining industries make to a state's economy over time and over the course of the business cycle? Is it good to be so highly concentrated in this industry? What are the risks? Two recent research projects at the Oklahoma City Fed branch look at these questions. The first project, from 2007, looks at which industries most define the Tenth Federal Reserve District and its seven individual states.[1] The second project, from 2009, investigates how and why recession and recovery patterns vary across states and regions.[2] Updated information from both of these projects form the basis of this article as well as the accompanying slide deck used at a recent presentation.

A Defining Industry

What are defining industries? One definition of which industries "define" a state or region is those that make an area most different from the country as a whole. Many industries have similar shares of employment in most places. For example, retail stores are fairly evenly distributed across states, as are hospitals. However, other industries are more concentrated in specific places. A basic measure of "defining industries" is location quotient, or an industry's share of employment or income in a state or region compared to its share in the nation as a whole. In 2005, the base year of data for the study of defining industries, the highest location quotient among detailed industries in Oklahoma was 8.2, for oil and gas. The next highest location quotient was 4.5 (for trade schools). In other words, oil and gas was 8.2 times as concentrated in Oklahoma as in the nation, and almost twice as highly concentrated as the number two industry. Not only is oil and gas the most defining industry in Oklahoma, it also is the most defining industry within the seven-state Tenth Federal Reserve District.

Defining industries are important because, often, as a state's defining industries go, so its overall economy tends to go. This was certainly true from 1990-2005, when the top 15 defining industries in individual Tenth District states helped explain

the overall variation in job growth across states. Looking at more up to date data for just Oklahoma, from 2005-2010, six of Oklahoma's top 10 defining industries added jobs during that period, including all of the top four. During the same time period, overall employment in Oklahoma rose slightly, even as overall jobs fell in the nation as a whole. Oil and gas employment in the state rose nearly 25 percent during that period, despite the significant layoffs during the recession.

A Retrospective Look

So oil and gas remains Oklahoma's most defining industry. But just how big is it compared with past decades and, especially, with its previous peak importance in the early 1980s? Based on some measures, including the industry's share of GDP and personal income, it is about as big as it was in the early 1980s, accounting for 14-15 percent of GDP and 6-7 percent of personal income. It is not quite as large as then in terms of employment (now about 5 percent) and state tax revenue (now about 13-14 percent) but still sizable. Looking at broader indexes of industrial diversification, Oklahoma is now about as unlike the nation as it has ever been.

Is it good to be so highly concentrated in the oil and gas sector? Over the long haul, the answer is, perhaps somewhat surprisingly, yes. However, the concentration also comes with several short-term risks. A number of researchers have found that, over the past half century, states with high concentrations oil and gas activity have, as a whole, outperformed other states.[3] A primary reason for this is energy states' better typical performance during recessions and recoveries. Looking at just Oklahoma, during the eight U.S. recessions between 1956 and 2006, the state's average recession path was to enter about two quarters later than the nation, but to exit at about the same time and on the same path. The net effect, on average, is for Oklahoma to typically have recessions that are shorter than the nation and with fewer job losses, thus providing a relative boost compared with the nation. The state had basically this path during the recent recession and recovery period.Why does Oklahoma tend to enter recessions late but leave at about the same time as the nation? Every postwar U.S. recession has been preceded by some degree of oil price increase. This tends to hurt most states and the country as a whole. However, energy states like Oklahoma benefit so long as prices stay high. They enter recessions once energy prices fall, as prices typically do during recessions. Why does the state tend to exit about the same time as the nation? One reason is related to energy prices—prices tend to begin rising once national recovery takes hold, benefiting Oklahoma. Another is likely the policy response to U.S. recessions. For the most part, both monetary stimulus and fiscal stimulus go to all parts of the country relatively evenly, regardless of when a state entered recession. So there tends to be less variation across states in coming out of recessions than going in.

Of course not every Oklahoma recession has followed this general pattern, especially during the 1980s. Then, instead of rising once U.S. economic activity picked up after the 1981-82 recession, energy prices stayed low and actually fell further in a few years, devastating Oklahoma. This possibility of energy prices not rising coming out of recession—such as with oil prices in from 1983-89 and with natural gas prices in the recent recession, is a major risk for the state. Other risks of high reliance on oil and gas include the fact that national economic and regulatory policy is set based on national economic conditions and concerns, which can often be at odds with those in Oklahoma, given the different impact of high energy prices here.

Endnotes

1. *Wilkerson, Chad, and Megan Williams. 2007. "The Tenth District's Defining Industries: How Are They Changing?" Federal Reserve Bank of Kansas City Economic Review, Third Quarter.*

2. *Wilkerson, Chad. 2009. "Recession and Recovery Across the Nation: Lessons from History," Federal Reserve Bank of Kansas City Economic Review, Second Quarter.*

3. *For example: Snead, Mark. 2009. "Are the Energy States Still Energy States?" Federal Reserve Bank of Kansas City Economic Review, Fourth Quarter.*

Thoughts on Creating the Future

Carl J. Schramm, PhD, President and CEO, Ewing Marion Kauffman Foundation

Wall Street Journal, Review and Outlook, July 29, 2010 "Nurturing Startups: A new study offers ideas to assist job-creating companies".

With the neo-Keynesian policy arsenal tapped out, an enduring mystery in President Obama's Washington is how to increase economic growth. The political class could do a lot worse—and has it ever—than to turn to the new proposal from Carl Schramm and Robert Litan of the Kauffman Foundation.

Few outfits have devoted as much thought to growth economics, and among the insights of Messrs. Schramm and Litan is the centrality of startups and young businesses that create the most new jobs—those less than five years old. Their research suggests that over the last decade such companies have generated fewer job opportunities than usual, and that this is contributing to the persistently high jobless rate. Meanwhile, entrepreneurial firms are starting smaller and scaling up at a slower pace than they once did.

The Kauffman Foundation proposes a "startup act" to make it easier for new companies to survive and contribute to long-term growth. One key is making it easier to access the capital markets, at a lower cost, at early stages of business formation. Messrs. Schramm and Litan want to permanently waive any capital gains taxation for long-held investments in startups over their early years. (We prefer a zero capital gains tax on all investments, but this is a start.)

Another good idea is an unlimited annual supply of an "entrepreneurs visa" available to any immigrant who wanted to come to the U.S. to start a business, with a particular focus on newcomers with expertise in engineering, science and technology. Still another proposal is regulatory reform. To "cleanse the books of inefficient and costly rules," any regulation that took more than $100 million from the private economy would lapse automatically after a decade.

This is a book about creating the future, which, of course, is the business of any good organization. Whether you work at a nonprofit entity or a for-profit company, your ultimate job description is to bring something new into the world, something that will make life better in some sense.

At Kauffman, we've come to realize that our business is creating the future in a meta-sense. Mr. Kauffman gave the Foundation two fields of interest, education and entrepreneurship. Both have to do with essential human processes by which new things, and new capabilities, are brought into being. In both, the goal is to study and improve those processes, so that more people are more able to create the futures they envision for themselves.

You could say that this work involves the key enabling technologies of human advancement. We simply call it the greatest adventure one could imagine. The work is so fundamental that it just keeps growing and branching out. It is carrying us into new kinds of initiatives, with ever-growing networks of partners, and, in the course of expansion, another fact has become clear.

This business of future-creation is so common to all of us that it also draws us together. Our fields, and the many people we work with, all are growing more closely intertwined.

More than once in recent years, the directions our work is taking have led us to marvel at the truth of the saying that "everything is connected." And, more than once, we have seen what "synergy" really means: The more that people and initiatives truly work together, the more they grow.

On the Deep Level, It's All Connected

In the Foundation's early days, our operations in entrepreneurship and education were mostly separate, with only one significant point of intersection. We saw (as did many others) that entrepreneurship was not a black art, but rather

comprised of a set of skills that could be learned and taught. So we supported the teaching of it, primarily at colleges and universities. This long-running effort has helped change higher education to the extent that nearly all four-year institutions in the United States, and many two-year community colleges as well, now have courses and programs in entrepreneurship.

... a country can only have peace and prosperity when its people truly own the economy.

But, for years, there was little cross-fertilizing with our core work in education. In that field, we focus on learning in the K–12 grades. Although we had a couple of highly successful programs to introduce children and young people to the principles of entrepreneurship, the two fields were still just touching at an obvious intersection. They weren't really advancing each other broadly, to the extent they could.

Today they are. For example, in Kansas City, our home region, we have long worked with local school districts to help augment what they do in areas from math and science teaching to college preparation for less-advantaged youth. In one outgrowth of that work, we now are founding a charter school. As the nation's first public school operated by a private foundation, it will be an independent, cross-sector prototype for new approaches to learning across the board. And—since the school itself is a complex startup—we are striving to get it right by applying what we have learned about entrepreneurship.

Meanwhile, a major recent initiative in entrepreneurship is Kauffman Labs for Enterprise Creation. This is a unique hub for studying and practicing the creation of scale enterprises: the kind that can grow to large scale, thus propagating new ideas widely while spurring economic growth. Each year at Labs we take on select groups of emerging entrepreneurs from across the United States and help them turn their ideas into high-growth companies. The pilot group, our "class" of 2009–'10, was made up of young researchers in the life sciences and physical sciences. They've started firms in areas from biomedicine to nanotechnology.

The new class at Labs truly represents a blend of our two fields of interest: a cross-section of entrepreneurs with dynamic ideas for improving American education. Their innovations include new learning tools, new curricula, new delivery methods, and more—all derived from original thinking about how and why people learn.

The current work in both Kauffman Labs and the charter school reflect a deep synergy. We are helping to test, refine, and disseminate fundamentally new ideas in human learning, while at the same time learning more about what it takes to launch and sustain high-impact enterprises in the world's most crucial "service industry"—education.

That deep synergy, in turn, has required a willingness by us and our partners to think deeply. In each of our fields, a great deal of superficial, quick-fix thinking has been extant. We have seen regions try to jump-start their economies by plowing money into startup incubators or venture capital financing. We've also seen no end of efforts to raise the test scores of American students. Fundamental change and growth have to be brought about more deliberately, out of careful deliberation upon exactly what it is that we wish to accomplish.

Even the words we use matter, as Kauffman's Dane Stangler points out in his essay on page 18. Thus we have come to understand and speak of "entrepreneurship" as more than a business practice that creates jobs (although it does). It is the act of going beyond invention or discovery to form an ongoing enterprise that engages others (literally, a "company" of people), and is capable of embodying new ideas so that they have a sustained and expanding life.

Similarly, "education" is more than instruction, and it certainly does not mean the processing of

young people from raw materials into finished products ready for the marketplace. The word comes from the same Latin root as "educe," which means to bring forth or draw out. Education is bringing forth the energies and interests of people, literally drawing them out of their previous state into a transformative state where they develop new abilities.

> **"Fundamental change and growth have to be brought about more deliberately, out of careful deliberation upon exactly what it is that we wish to accomplish."**

On these deep levels, education and entrepreneurship are intimately connected. They lead us to create our own futures, and they lead us to grow, often into areas of activity that we once hadn't imagined we would enter.

Expansion to New Frontiers

Never in past years did anyone imagine the Kauffman Foundation becoming involved in foreign policy. Yet, our work with entrepreneurs from many countries has led us to create and champion a new school of thought in foreign policy, called "Expeditionary Economics." It contends that, when America sends troops and aid to troubled countries, a key strategic aim must be the building of a growth economy driven by indigenous entrepreneurs. The guiding premise, in a nutshell, is that a country can only have peace and prosperity when its people truly own the economy. Many policymakers in places from Washington to Kabul do not yet grasp this premise. So we are networking within the halls of power to seed a core idea: In today's world, maybe the best way of projecting power is to call forth the power of enterprise in others.

Our work on the domestic front is drawing us into new areas, too. In both our fields, for instance, we work increasingly with less-advantaged populations in urban neighborhoods. The immediate goal is to help people acquire the education and/or start the companies that will, as the cliché says, lift them out of poverty. But, in the course of this work, we have found ourselves confronted with a basic question. What, exactly, is "poverty" today?

In the United States, the nature of poverty has been changing. The term needs to be re-thought and re-defined. Most Americans whom we call poor do not lack the basics of subsistence, such as food and shelter; the society as a whole has grown affluent enough that these are available. Nor is "poverty" merely a relative term meaning that, in an affluent society, one is closer to the low end of the scale than the high end. Formally, our demographers and statisticians define poverty as being below a certain income level. But many of us who fall below that line at a given time either are not actually poor, or won't be for long.

Yet, we know that poverty is not a phantom concept without meaning, either, as it seems very clear that many Americans are chronically missing what would benefit them. Poverty in the United States may mean something on the order of "not having much money, and something else." Does it mean being poor in skills or credentials? Poor in opportunities or in resources to draw upon? Poor, perhaps, in the ability to find and activate resources?

If we could answer such questions more precisely, it would go a long way toward improving our efforts to draw people out from this sub-optimal state into a transformative state. I do not yet know precisely what the Kauffman Foundation's role might be in the fundamental quest to define and transcend poverty. All I can do for now is declare the game open, and declare that we intend to be in it.

The same is true of urban redevelopment. Because much of the Foundation's work is done in cities, we naturally are led into the whole business of re-inventing cities, and we can contribute more directly than we do at present. We already are being led more deeply into health care issues. Our Advancing Innovation work has dealt, to a

large degree, with innovation in the health sciences. We know that innovation in this area could be greatly enhanced, in terms of developing new treatments for health conditions that have long defied effective care. You will read, in this Thoughtbook, some of what we and our partners have been thinking about in order to create a better medical future.

"Creative Destruction" and "Subversive Reconstruction"

As the scope of our activity grows, a limiting factor that has always confronted the Foundation looms larger than ever. We simply can't do all of this work ourselves. Even with the most astute partnering and leveraging of grant dollars, we cannot transform American education, transcend poverty, find better ways of treating diseases and supporting high-growth companies, and re-invent cities and foreign policy... all on our own. Yet, that agenda, and more, is the agenda we have chosen. How then to proceed?

To an extent, we can create new institutions to pilot new ideas, such as the charter school and Kauffman Labs. But our resources are finite; launching some new institutions is vital but far from sufficient. Clearly, we must try to influence the powerful institutions that already exist in our society for dealing with the various issues: not just particular educational institutions, for example, but the entire educational "Institution" with a capital—the establishment, if you will—and, likewise, the institutions of foreign policy, medicine, and urban and economic development.

Re-shaping those institutions may seem a tall order but, in fact, it is part of the plan, and it is possible. Years ago, the great economist Joseph Schumpeter described the entrepreneurial act as one of "creative destruction." He noted that it was not only possible but necessary for new entrants to a market to destroy the larger and more powerful entities that had held control, clearing the way for the next round of growth.

Our task, as an entrepreneurial foundation, should be easier. We are not out to destroy any institutions. We only wish to induce them to re-construct themselves along more fruitful lines. Instead of creative destruction, call it "subversive reconstruction."

And how is subversive reconstruction accomplished? By hard work. In part, by setting examples through pilot or prototype programs that turn out so well that others are compelled to follow. In part, by networking and educating. In part, by being persuasive in a friendly way, but also by not fearing to step on some toes and point out the obvious when that is called for. And, ultimately, by having the right kinds of ideas to begin with.

We believe that a focus on creating the future is that kind of idea. It's always more powerful to be a catalyst than a doctor. This is not meant to slight physicians, who perform essential and often heroic work, but many institutions in our society operate too much from the "doctor" mindset: trying to diagnose what has gone wrong in the world, then setting out to remedy or redress it. That is a mindset focused on the past. It is of limited efficacy, and the measures tend to be divisive, leading to institutional gridlock.

When we keep our eyes on creating a different future, the playing field is more open, more conducive to eliciting people's excitement and fresh thinking, rather than their vested interests and concerns. That is a unifying approach that leads to growth. What are you creating? In these pages, we hope you will find food for thought.

"Henry, Harry and Rod ..."

Craig Knutson, Oklahoma City University

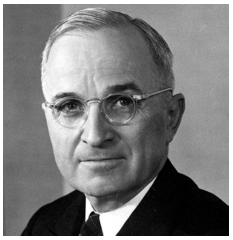
What do Henry Bellmon, Harry Truman and Rodney Bivins have in common? They have each contributed to a theme that I think we ought not forget. And that is as we rush headlong into future progress - let's not forget the unintended casualties of progress - our less fortunate.

HENRY BELLMON

Gail Wynne, a daughter of Gov. Henry Bellmon, was really hoping this Town Hall would address the topic of hunger. It will not. Hunger and economic development rarely share the same stage . . . but perhaps they should.

As you may know, Henry Bellmon founded the Academy in 1967, and the Bellmon Family has allowed the Academy to use his name in our recently announced Henry L Bellmon Legacy Fund Campaign. I told Julie I'd tackle this issue, since it fell under my "one-handed economist" theme. Gail, I hope this essay has done your request some justice.

HARRY TRUMAN



"Give me a one-handed economist. All my economists say, 'on the one hand, and on the other.'" You have to love Harry Truman for his insight and directness, if not for anything else. I was reminded of this fact as I continue to read the glowing reports on Oklahoma's relative standing in the country in our overall business climate, unemployment rates, personal income and energy production and investment.

The Brookings Institution, one of my favorite think tanks (next to the Academy of course!), ranked both OKC and Tulsa in their top 20 of strongest performing metros. Here in OKC, where Devon is rising high (50 story office building), Continental Resources is moving to town (and occupying vacant downtown office space), and Chesapeake is expanding out (its "campus" continues to grow), you'd think that Forbes got it right three years ago when it penned Oklahoma City as one of its 10 most "recession-proof" cities.

And while there is lots more that could be said about the positive attributes and accomplishments of OKC and the state ("on the one hand"), it is critically important for us to remember that we have some structural and long-term problems that can't be ignored and, in fact, have grown so large that we can't escape their presence ("on the other").

The situation reminds me of the Aldous Huxley statement - "Facts do not cease to exist because they are ignored."

With all that is on their plates, the 2012 Legislature, as well as corporations and foundations across the state, have a significant "supply-demand imbalance" to address when it comes to socio-economic needs and the resources to address them.

I'd like to remind you of a couple and I hope that as you participate in the sessions Monday-Tuesday, cussing and discussing the heady issues related to improving our wealth and job creation processes, that you not overlook the need to simultaneously address the very human needs of those who lack both (wealth and a job).

Henry Bellmon's Academy

While the Academy can be very proud of its efforts in this area (1996 and 2008), our criminal justice system is broken and we are making matters even worse by having over half of an already high number of incarcerated citizens in the system for nonviolent offenses.

Representative Steele's recent comments suggest that we still have a LONG way to go: "Thirty six-states have seen violent crime rate reductions, but Oklahoma's violent crime rate remains unacceptably high (11th highest in the country)." So we are incarcerating non-violent offenders at a high rate while our rate of violence persists at uncomfortably high levels . . . and as I recall Maslow's Hierarchy of Needs, Safety was second in importance to our Physiological needs.

There's more to Smart on Crime than just a catchy name . . . and I hope the Legislature and key private foundations across the state continue to invest in those programs that demonstrate high economic and sociological returns on investment. While there are 26,000+ in the system, there's a much larger number than that who suffer outside the prison walls.

RODNEY BIVENS

Rodney Bivens is a close colleague of mine and he runs the Regional Food Bank of Oklahoma. I asked him to provide me with three things we ALL should remember as we go to work and attend our civic and cultural events on a weekly basis . . . and I share them with you now.

Fact One

One in five children (20%) in Oklahoma struggle with hunger on a daily basis. While we continue to rank high in zero-five early childhood education efforts in the state, there are so many children who remain malnourished at the very time in their lives when developmental needs are at their highest.

The harm done to our "future workforce" in terms of weakened cognitive and learning skills is often irreversible, leading to poorer academic performance and higher drop-out rates. Now there's a true economic and workforce development issue we face daily.

Fact Two

Oklahoma ranks among the top five states in the nation in food insecurity. While 11% of those they feed are homeless, 36% of their clients maintain steady employment, which hits at the heart of the quality of jobs we are/aren't creating in this state.

Fact Three

Oklahoma has the 10th highest rate of hunger among seniors in the U.S. The health-related implications are obvious; their impact on the Medicare system virtually guarantees an acceleration of health care costs for that burgeoning segment of Oklahoma's population.

Rodney Says ...

If Maslow was/is correct, this is the foundation that we must first address to achieve the "self-actualization" piece of the pyramid. As Rodney pointed out, "food is not a resource, it's a life-source," and our collective efforts in this area must be accelerated.

There are many other areas of concern – "challenges" is the politically correct term being used so often – I could cover, from abysmally poor health outcomes (which by and large are behaviorally-driven) and bridge quality and condition (2nd worst), to having record numbers (over 700,000 adults and children) on SNAP/Food Stamps.

As you debate the various topics of how we can encourage private investment and subsequent job growth, and read/hear about the outstanding accomplishments from across the state, factor this into your conversations as well. Jessamyn West once opined: "We want the facts to fit the preconceptions. When they don't, it is easier to ignore the facts than to change the preconceptions."

On the other hand, I offer for your consideration ... "the other hand."

One Earner Families Need Fairness

J. Scott Moody and Wendy P. Warcholik, George Mason University, Fairfax, VA

Leveling the Playing Field for Oklahoma's One-Earner Families

In today's economy, human capital is far more important than human brawn when it comes to generating new income and wealth. A child's formative years, of course, are the most critical for human capital development.

In Oklahoma, it is not uncommon for a wife (or husband) to choose to stay home with the children to shape and guide their children through these important years. Unfortunately, there are many impediments to parents who want to stay home—most especially Oklahoma's individual income tax. Economists sometimes speak of "horizontal equity," meaning that households with the same economic situation should have the same tax burden. But previous OCPA research has shown clearly that, all else being equal, a two-earner household who uses institutional daycare has a lower tax bill than a one-earner household with a spouse at home.[1] In other words, Oklahoma's tax system lacks horizontal equity for stay-at-home households.

When it comes to equalizing the tax burden for traditional, one-earner families where one spouse chooses to stay home, Oklahoma is a national trendsetter. In 2007 Oklahoma legislators passed, and Gov. Brad Henry signed into law, a new tax credit that helps to level the playing field. The new tax credit allows taxpayers to use the child care tax credit for institutional daycare (worth 20 percent of the federal child care tax credit) or take a tax credit worth five percent of the federal child tax credit for a stay-at-home household. This does not fully restore horizontal equity, but it was an important first step.

To fully restore horizontal equity, Oklahoma's policymakers will have to take a more holistic view of the individual income tax's ill effects on the family. Five simple steps would more solidly put Oklahoma's income tax in the family-friendly camp.

Step 1
Eliminate the Marriage Penalty

A couple that gets married should not have to face the specter of a higher tax bill. Yet under the current tax code, that is exactly what happens. The top two marginal tax brackets are not doubled for married filers over that of single filers. For instance, the top tax bracket for a single filer starts at $8,700 of taxable income but for married filers starts at $15,000 of taxable income. To end the marriage penalty, the top tax bracket for married filers should start at $17,400.

Step 2
Eliminate the Oklahoma Child Care Tax Credit

According to 2008 data from the Internal Revenue Service (IRS), 50,938 Oklahomans earning less than $100,000 claimed the federal Child and Dependent Care Tax Credit, worth $24.8 million. Oklahomans are allowed another 20 percent tax credit against the state income tax, worth up to another $5 million.[2] Eliminating the Child Care Tax Credit would level the playing field between institutional daycare and at-home care and provide up to $5 million to expand the child tax credit (see Step 4).

Step 3
Decouple the Oklahoma Child Tax Credit from the Federal Child Tax Credit

The federal child tax credit is worth $1,000 per child through 2012, thanks to the recent extension of the tax reductions enacted under President Bush in 2001. Without another extension in 2012, the federal child tax credit will be reduced to $500. Since the Oklahoma child tax credit is based on five percent of the federal credit, the maximum value of the Oklahoma credit will be reduced from $50 to $25. This uncertainty is created by "piggybacking" the Oklahoma child tax credit on the federal child tax credit. The surest way to fix the problem is to decouple Oklahoma's credit from the federal credit.

Step 4
Increase the Oklahoma Child Tax Credit
Using the 2008 IRS data, there were 282,509 qualified children for the child tax credit in Oklahoma in households earning less than $100,000.[3] These households claimed federal child tax credits worth $342 million. If all of these children were covered under the current Oklahoma child tax credit it would cost $17.1 million.[4] The estimated $5 million in savings from eliminating the child care tax credit (see Step 2) would provide the money both to expand the child tax credit to children formerly under the child care tax credit and to increase the value of the child tax credit.[5] Survey data indicate that this is consistent with the wishes of Oklahoma voters.[6]

Step 5
Encourage Oklahoma's Congressional Delegation to Fix the Federal Child Tax Credit

It's not just Oklahoma's child tax credit that needs fixing, but the federal one as well. First, as mentioned in Step 3, the federal child tax credit needs to be made permanent at its current level of $1,000 per child.

Secondly, the federal child tax credit phases out for married taxpayers earning more than $110,000. The phase-out reduces the credit $50 for every $1,000 in income above $110,000. As a result, a single $1,000 credit would be worthless once the taxpayer has income over $130,000. In effect, the phase-out creates a "tax surcharge" of five percent above and beyond the regular income tax rates. The benefits of the tax credit, perversely, turn into a tax penalty. The phase-out should be eliminated.

Conclusion
Oklahoma's trailblazing child tax credit for households with a stay-at-home spouse is an important first step in ensuring horizontal equity in the tax code. However, much more needs to be done. The marriage penalty needs to be fully purged, the existing child care tax credit (for institutional daycare) needs to be eliminated, and the Oklahoma child tax credit needs to be expanded and increased. These changes would create one of the most, if not the most, family-friendly tax climates in the country.[7]

The end result of these actions will be the end of bias in the individual income tax code between parental and institutional childcare. There is no one-size-fits-all way to raise children and families should not be penalized for choosing a stay-at-home approach to child-rearing. This flexibility will ensure that all children get the chance to develop their human capital to the fullest. Not only will the child benefit, but of all society will as well with greater productivity and higher incomes.

Economists J. Scott Moody (M.A., George Mason University) and Wendy P. Warcholik (Ph.D., George Mason University) are research fellows for the Oklahoma Council of Public Affairs, an independent think tank.

Endnotes

1. *Anderson, Steve and Dutcher, Brandon, "Credit Where Credit's Due," Oklahoma Council of Public Affairs, Perspective, Vol. 14, No. 10, October, 2007.*
2. *Analysis assumes that all eligible taxpayers had a tax liability greater than the value of the child care tax credit.*
3. *This includes the refundable and nonrefundable portions of the child tax credit.*
4. *Taxpayers can either take the child care tax credit or the child tax credit. As such, from federal data it is impossible to determine the number of Oklahoma children utilizing the child tax credit.*
5. *Additionally, policymakers may want to remove the $100,000 earnings cap on the child tax credit.*
6. *Dutcher, Brandon, "Family tax relief is good policy, good politics," Oklahoma Council of Public Affairs blog post, 11 June 2010, http://www.ocpathink.org/articles/589*
7. *Excluding, of course, the states that do not levy an individual income tax.*

Section 2

Beyond Our Borders

Why State Economic Policies Matter

J. P. Donlon, Area Development Online

Editor Note
Source: http://www.areadevelopment.com/siteSelection/sept2010/top-states-doing-business39016.shtml

States do compete with one another for business and for people. When we queried CEOs last January on their views of the best and worst states for business several patterns emerge.

In the sixth annual ranking (see Best and Worst States for Business 2010 story) the most highly rated 10 states, with perhaps one exception, are all red states - those with lower tax and regulatory burdens, lower costs of living and a friendlier attitude to business. By contrast, the states deemed worst for business: California, New York, Michigan, New Jersey and Massachusetts - regions that persistently adhere to their high-tax, high cost, anti business status - are the bluest of the blue states.

The real ticking time bomb for states is the swelling pension liability owed to government employees. According the Pew Research Center, $3.35 trillion has been promised to employees for retirement, but only $2.35 trillion is there. Even as roads and bridges fall into disrepair, politicians divert tax money to pay for salary and pension increases for government workers. In California, unfunded pension and health care liabilities for state workers topped $100 billion. In Michigan it's $50 billion. New Jersey owes a staggering $90 billion. Not surprisingly these are states that have also experienced significant out migration. People are voting with their feet.

The political elites in Sacramento and Albany have traditionally dismissed out-migration trends as marginal, but this misses the larger demographic adjustment - it's the more dynamic and resourceful higher-income earners that leave and those with lower skills requiring public assistance who take their place. Economists and tax-policy analysts have long recognized the link between people's behavior and higher relative marginal rates, especially in higher income brackets. And with the 2010 census in progress, that sucking sound you hear is the number of lost congressional seats due to reapportionment.

Tax progressivity, which tends to be more progressive in blue states, explains why tax receipts are more volatile in those states, something which makes them less attractive to business. When times are good it pushes more citizens into higher tax brackets thus inflating revenues.

But when times are bad state revenues fall harder. Texas, which has been ranked consistently as the best state for business, is notable for its lack of a highly progressive income tax - perhaps because it doesn't have one at all! Yet remarkably, its children get educated, its road and bridges are repaired and its hospitals function.

Something to think about.

Best Practices Nationwide

Dave Lopez, Oklahoma Department of Commerce

Various states have taken different approaches on how to best structure statewide economic development organizations, particularly in recent decades. Most states continue to have organizations (similar to the Oklahoma Department of Commerce) comprised as a state government agency with the most common structure providing for a gubernatorial appointment of the agency head. Fewer in number are states that utilize public-private partnerships (PPPs), primarily to provide more "business-like" operations and more flexibility in compensation for key employees. This information is presented to help determine what structure would best suit Oklahoma's increased focus on economic development.

The primary sources of information used for this overview include:

National Governor's Association

Site Consultant Interviews

Interviews with Economic Development Organizations in Other States

2011 Oklahoma State Chamber of Commerce & Industry Overview

2011 Good Jobs First Report (entitled "Public-Private Power Grab: The Risks of Privatizing State Economic Development Agencies")

Oklahoma Department of Commerce Profile
The Oklahoma Department of Commerce is organized in the manner most common among states: a government agency with the Secretary of Commerce and the executive director appointed by the Governor. ODOC is comprised of divisions focused on recruitment/retention/expansion, community development, workforce development, marketing and administrative support (such as research, budgeting, IT, human resources and general operations). The Department employs 142 people, 85 of which support traditional economic development with the balance devoted to other programs. ODOC has an annual operating budget of $9.8 million (FY 2012) for job retention/expansion/recruitment but that amount is only 3.5% of all funds (state and federal) dispersed by the agency.

STATE PUBLIC and PRIVATE PARTNERSHIPS

Arizona

1. Established the Arizona Commerce Authority in 2010 with $10 million of federal stimulus funds.
2. The Authority houses state economic research, a recruitment/retention/workforce group and an energy office (which focuses on conservation and renewables). It also is home to the $4.8 million Military Installation Fund and the Arizona Military Regional Compatibility Project.

Florida

1. Recently changed by Governor Rick Scott, "Enterprise Florida" had formerly been headquartered in Orlando with offices in Tallahassee and Miami.
2. In addition to traditional state commerce functions, EF also provided tax-exempt and taxable bonds for businesses and for non-profit organizations.
3. A board of directors chaired by Florida's Governor governs Enterprise Florida. The board itself consists of top business, economic development and government leaders from throughout Florida. The organization is funded, in part, by the State of Florida as well as by cash and in-kind donations from private business

Iowa

1. Earlier this year, the Iowa legislature shifted its business recruitment effort to a PPP called The Iowa Partnership of Economic Progress to "provide more flexibility in management staffing issues and allow the state to better use tools like incentives and industrial revenue bonds to build a package tailored to the needs of business prospects."

2. The legislature allows businesses to earn tax deductions for donations made to the Iowa Partnership.

3. The board of the Partnership is comprised of the governor as chairperson and includes seven members appointed by the governor.

4. The 2011 legislation also allows the director/CEO of the Partnership to "designate certain employees as key personnel" for the purposes of setting compensation outside of the traditional state employee requirements.

Michigan

1. Gov. Rick Snyder is revamping Michigan Economic Growth Authority, which traditionally provided state tax credits and film industry incentives in addition to leading the state's job recruitment/retention.

2. A June, 2011 press release states: "The new $3 billion public-private initiative…strengthens the administration's economic gardening philosophy through an alliance of the Michigan Economic Development Corporation (MEDC), State of Michigan agencies and major Michigan companies and organizations."

3. MEDC offers $100 million in economic development incentives and $25 million for entrepreneurship and innovation programs. Through its Michigan Collateral Support and Loan Participation Programs it offers $80 million to generate an additional $800 million in Michigan bank loans for Michigan businesses.

Ohio

1. Gov. John Kasich this year signed a bill into law that allows him to replace the Department of Development with JobsOhio, headed by a board of business leaders appointed by the governor.

2. Jobs Ohio will be exempt from open-meetings and public-records laws, but it is required to release information in an annual report.

3. The staff is expected to be "unhindered by state civil service policies."

Texas

1. Texas has an economic development arm within the Office of the Governor, primarily to supplement and coordinate work done by local cities (who fund their own economic development through designated local taxes) and other state agencies. In addition to traditional programs, a primary tool of the organization—which was reorganized in 2003--is the governor's closing fund (Texas Enterprise Fund). Additional information about the highly successful Texas programs is available at: www.statutes.legis.state.tx.us/Docs/TX/htm/TX.313.htm and www.texasahead.org/reports/incentives/tef.php

2. The state also has established Texas One to "create a public/private partnership through contributions by businesses, organizations and individuals interested in the promotion of the business climate, economic development and job creation."

3. Texas One is non-partisan and non-profit so donations are deductible as a charitable contribution.

4. Texas One is managed by a seven-member board of directors comprised of business leaders and with two ex-officio members from state government (Governor Rick Perry's chief of staff and the executive director of the Office

of the Governor Economic Development and Tourism office).

5. The Texas One organization does not conduct economic development directly, but instead provides funds for use in pro-business initiatives and for support of the Governor's office of economic development.

Virginia

1. In 1995, the Virginia General Assembly created the Virginia Economic Development Partnership to better serve those seeking a prime business location and increased trade opportunities and, therefore, to foster increased expansion of the Commonwealth's economy.

2. As a state authority, the Partnership is governed by a 21 member Board of Directors comprised of businesspersons from around Virginia, each of whom is appointed by the Governor and the General Assembly.

Wisconsin

1. Governor Scott Walker has received legislative approval of a plan to partially privatize the state department of commerce. The department would discontinue its regulatory duties and focus on job recruitment and retention.

2. The Economic Development Corp. will not have its employees as part of the state's worker system. Instead, the agency's board will set EDC compensation.

3. The EDC will be run by a board of directors that consists of 13 voting members, including the Governor who serves as chairman

Wyoming

1. The state of Wyoming created the Wyoming Business Council to focus public and private efforts on the key sectors of alternative energy, agriculture, manufacturing, high tech, transportation and logistics.

2. The Business Council has a CEO and a 15-member board of directors.

PRELIMINARY FINDINGS

There does not appear to be any independent, objective data demonstrating a direct correlation between structure of an economic development agency and the state's job growth.

Rather, one of the few recent studies to examine the success of PPS was done by Good Jobs First; a New York-based policy and research center is largely critical using of public private partnerships for economic development.

Its report—which includes many anecdotes possible conflicts of interest and statistics on questionable spending and provision of incentives to businesses. Good Jobs First concludes with the recommendation that states should "Fix state economic development agencies, don't privatize them."

Jobs First further recommends that if a PPP exists, extra care should be taken to ensure that adequate safeguards are put in place for transparency to review the efficacy of subsidy awards and possible conflicts of interest.

Opinions of site consultants and others involved in economic development vary widely when it comes to the concept of PPPs. One prominent national site consultant said: "Whatever you do, don't go private. That gives governors the sense that they don't need to be engaged as much." Several of those interviewed noted that a transition in structure also should have lowered expectations for performance in the short run, in effect saying there is an "opportunity cost" that should be factored.

Except perhaps for Texas (which the Wall Street Journal reports accounted for more than a third of all new jobs in the nation since the end of the recession in 2009—more than 250,000 in 2010 alone), factors identified in interviews point to non-structural reasons other than structure for long-term success.

Among the factors most frequently cited as fundamental to success (other than structure) are:

1. The intensity of interest and support of the governor;
2. Length of gubernatorial leadership;
3. Clarity of mission for the economic development agency;
4. General economic climate and cycles of the state;
5. Strength and diversity of primary employment sectors of the state economy;
6. Performance-based and competitive pay for economic development experts (usually sought from private resources);
7. Strength of local economic development funding (as in Texas cities), and,
8. Incentive "tools" available for economic development.

The question that remains to be answered is this: "Should Oklahoma develop a PPP for economic development or should it target other options to accelerate the state's job creation?"

Rethinking Oklahoma and Michigan

Greg Main, President, St. Gregory's University, Shawnee

Meet Greg Main

Mr. Main was recently named President of St. Gregory's University in Shawnee. Prior to that appointment, Greg has completed a long and successful career in a variety of roles within economic development organizations in both Michigan and Oklahoma.

He served as Executive Director of the Central Upper Peninsula (MI) Planning and Development Regional Commission with the Michigan Department of Commerce from 1983-1991.

Greg was recruited to be the Oklahoma Secretary of Commerce and served from 1991-1994. He designed and implemented initiatives including the award-winning Oklahoma Quality Jobs program and Quality Jobs Investment Act.

In addition, he was instrumental in establishing the Alliance for Manufacturing and the launch of the Oklahoma Capital Investment Board Venture Investing program.

He has since been a partner with Intersouth Partners of Research Triangle, NC, beginning in 1994 - 1998; general partner with Chisholm Private Capital Partners in Oklahoma City from 1998-2002; CEO and president of Oklahoma 12E 2003 - 2008; and most recently President and CEO of the Michigan Economic Development Corporation.

Greg is a long time and active member of the Oklahoma Academy. As such we have asked him to offer his comparative insights on both Oklahoma and Michigan economic development efforts.

Think about your personal and professional experiences living in both Michigan and Oklahoma. What do you now tell your Oklahoma friends about Michigan? What do you now tell your Michigan friends about Oklahoma?

I tell my Oklahoma friends that Michigan is recovering economically; in 2010 Michigan was 15th among the states in GDP growth. But importantly it will emerge from this downturn with the most diverse economy that it has seen since WW II.

I tell my Michigan friends that the Oklahoma economy withstood the severe declines experienced in Michigan and most other states, has an enviable unemployment rate, but robust growth has not yet resumed. The state's urban centers seem to be recovering, but rural centers, not so much.

What was Michigan like before you moved to Oklahoma to join the Walters administration? What did you do there? What were the challenges and opportunities?

I left Michigan the first time in 1991. Michigan's economy was growing, having emerged from a deep trough in the early '80's when the unemployment rate reached 17%. Foreign automakers were rapidly taking market share, building new assembly plants left and right while we were watching plants close and high wage jobs disappear - more than 50,000 in the mid 1980's.

When I departed Michigan I was Deputy Director, Economic Development, for the Michigan Department of Commerce. Our focus in those years was diversification - trying to break the boom & bust cycle stemming from the heavy concentration of the domestic auto industry in Michigan. We made a good start, launching new

R & D centers for biotech, industrial technology and materials; seeding the development of a new breed of financing companies to bolster capital for smaller business and industrial firms; creating the Michigan Modernization Service to assist small manufacturers in gaining new manufacturing technologies.

This program would be the model for a new national program now known as the Hollings Manufacturing Extension Partnership.

Why did you move to Oklahoma? What was the professional attraction? Opportunity? How did it play out?

I was recruited to Oklahoma. First contacted by a headhunter, who had been engaged by a search committee made up of state business leaders, I was intrigued by the search process put in place by Governor David Walters. Seeking an experienced economic development executive to be Oklahoma's Secretary of Commerce, he asked business leaders to participate in the search process. It was very unusual approach.

"Age, if not maturity has taught me to place little stock in national ranking schemes that purport to rank states and localities".

Oklahoma was then slowly emerging from the oil bust during which per capita fell to a level that was 80% of the national average, after growing to the national average during the previous boom. It seemed to me that there were some direct parallels in the boom and bust economies of the two states and the opportunity to apply some of the techniques we had developed in Michigan, in Oklahoma.

Despite a slow economy and weak tax revenues we were able to launch the venture investing program with the Oklahoma Capital Investment Board along with the Capital Access Program (borrowed from Michigan); the Alliance for Manufacturing Excellence, (adapted from a Michigan model) and the Oklahoma Quality Jobs Program. Overall, we found success as the Oklahoma economy added 35,000 jobs and in so doing became a more diverse economy.

What was different about Michigan when you returned? How was Michigan responding to the changes that you noticed?

I returned to Michigan in March 2009. The state had been hard hit by the national downturn, which began in late 2008, but in reality Michigan's economy had been declining for an entire decade. Each successive state budget from 2002 on was smaller than the previous year. When I arrived the unemployment rate was north of 13%, and would reach nearly 15% by mid- 2009.

The heavy concentration of the auto industry and its worldwide decline was being felt in a state that had failed to diversify its economy. The diversification initiatives that were launched in the 80's , were not sustained in the 90's, after the auto industry recovered Then, too the State's largest city, Detroit, and its school district were racked by political corruption and scandal.

But this time and perhaps for the first time in the state's history, the most determined and well thought out strategy to diversify the economy had been developed and was being executed in the face of fierce economic forces and the worst possible image.

What was different about Oklahoma when you recently returned here? How was Oklahoma responding to the changes that you noticed?

Oklahoma, of course, is in much better shape economically, having weathered the recession without the massive job loss or decline in property values experienced in most other states. Since we didn't participate in the housing bubble, when it shattered, it had a much milder impact here.

Oklahoma City and Tulsa seem to be doing very well, in no small part due to the willingness of the

citizens to invest in their infrastructure through MAPS and similar programs. Rural Oklahoma is not faring so well, being continually challenged by population declines and inadequately trained or otherwise qualified workers. Anecdotal reports I have heard indicate that many job applicants cannot pass drug-screening tests.

Most surveys rank Oklahoma very well in terms of business friendly climate. Do you agree? If not why not? If so – how can Oklahoma become even better?

Age, if not maturity, has taught me to place little stock in national ranking schemes that purport to rank states and localities. Most if not all make bald assumptions about what is important in the subject matter being surveyed. What, for example, is the definition of a friendly business climate? Most would suggest low taxes, and the absence of stiff regulations. But if you talk with corporate executives they have a list that may include taxes and regulations but often these are less important than availability of trained workers, and links to suppliers and providers of business services, air transportation services and digital bandwidth. If you talk with entrepreneurs they have a different set of concerns that focus on the availability cheap space, smart young engineers and scientists and access to patient risk capital to keep them going. They could care less about tax rates.

Scoring or rating systems are inherently loaded with value judgments that can have big impacts on the outcomes. The best of them reveal their underlying value judgments and can be helpful. However the writer Malcolm Gladwell, writing in a recent story in the New Yorker about ranking systems for colleges, opined that, who comes out on top, in any ranking system, is really about who is doing the ranking.

That said, I think that these rankings do matter, if only to inform policy discussion about important matters. The kind of business climate we should strive for is the one that will appeal to the economic sectors we want more of. Deciding what we want and can get more of is a much more complex and

What are the current strengths and weaknesses of Michigan and Oklahoma?

Michigan Strengths
High quality higher ed research institutions
Technology transfer processes
Community college network
Leading state in industrial R&D
Manufacturing prowess
Extensive supplier networks
Plentiful engineering talent
Newly minted venture capital industry
Strong growth in new sectors, e.g. life science, defense, alternative energy, food production
Broadbased economic development infrastructure
Growing entrepreneurship

Michigan Weaknesses
K – 12 education system is stressed
Lingering negative image – rust belt
Inconsistent message re: incentives
Workforce insufficiently trained for new economy jobs and persistently high unemployment
Over concentration in the auto industry

Oklahoma Strengths
Improving higher education research institutions
Quality Career Tech network with effective custom industry training competency
Manufacturing strengths in aerospace and oilfield equipment
Strong energy production and oilfield services infrastructure
Growing entrepreneurship
Growing positive image

Oklahoma Weaknesses
K-12 education system is stressed
Technology transfer processes
Access to capital
Growing shortage of qualified workers
Over concentration on energy production and commodity agriculture

profound question that cannot be gleaned from anyone's ranking survey.

If you were "site selecting" today, which state offers the better opportunity? Why?

That would very much depend on what I would be site selecting for. I think each state has advantages for specific industries. I am not aware of a lot of head to head competition in the recent past. I know of a couple of cases during the recent downturn when companies who were reducing manufacturing capacity, choose to consolidate in Michigan rather than Oklahoma. I don't think that such cases indicate much that is useful since such decisions turn on special factors like plant capacities and customer needs, etc. In general I would think that advanced manufacturing companies would lean toward Michigan but many business service operations or manufacturing firms related to energy development would favor Oklahoma.

An interesting question would be which state would be more favorable for a Fortune 500 corporate HQ. I think on business climate issues Oklahoma might have a slight edge, but would be disadvantaged in its international air service connectivity. In reality neither state is likely to fare well competing for HQ projects outside of their traditional industrial concentrations.

If the Legislatures of both states were to exchange ideas and perspectives, what kind of conversation would it be?

Since both legislative houses in both states are newly controlled by the Republicans and due to term limits, have many new members, I think the conversations would be very cordial. This year the Michigan Governor and Legislature has attempted to address a long-term structural problem with a combination of tax cuts and increases which sharply reduced business taxes and increased taxes on senior citizens. Spending cuts to education and local governments were also enacted. It is too soon to see how it will play out, but it has made for interesting times there.

An Academy Soul Mate

Phil Powers, Founder, Center for Michigan

Meet Phil Powers

For forty years, Philip H. Power was founder, owner and chairman of the board of HomeTown Communications Network, Inc., a group of 62 community newspapers and 24 telephone directories throughout Michigan and around Cincinnati, Ohio.

Mr. Power founded in January 2006 The Center for Michigan, a nonprofit 501(c)(3) think-and-do tank aimed at curing Michigan's hyper-partisan political culture and revitalizing its broken policy apparatus. The Center sponsored a public engagement campaign, Michigan's Defining Moment, a citizen movement that by early 2010 had engaged more than 10,000 Michigan citizens in community conversations throughout the state. It was the largest campaign of its sort in Michigan history. The Center is continuing its work, focusing on engaging citizens, filling the information vacuum left by the decline of newspapers and leading efforts to reform the state.

Mr. Power was appointed a Regent of the University of Michigan in 1987; he was elected to office in 1990, winning more than one million votes statewide. He led the effort to rewrite U of M rules governing the technology transfer from University laboratories into the commercial world. As a result, applications for patents, new company start-ups and IPO's by U of M faculty and staff increased markedly.

Mr. Power graduated summa cum laude and Phi Beta Kappa from the University of Michigan in 1960. In 1962 he received a Marshall Scholarship to study at Oxford University in England, where he received an MA in philosophy, politics and economics.

He is married to Kathleen K. Power. They have two sons, Scott T. Sutton M.D., who practices internal medicine in Denver, and Nathan E. Power, who is teaching English as a second language in Shanghai, China.

My Newspapers ...

I was a newspaper publisher for more than 40 years. I started the company and built it to own more than 65 newspapers, 27 telephone directories and printing plants in three states. In 2005, I sold the company to the Gannett Company, just ahead of the crash of the newspaper industry.

Two days after we signed the papers, I had dinner with my wife, Kathy.

"We'll, we've sold the company. But I'm damned if we move to Florida and let the sand trickle through our toes while our state goes to hell," I remarked.

"That's a good idea. So what are you going to do about it," my wife responded.

The answer was to start The Center for Michigan, a 501(c)3 tax exempt nonprofit with the objective of curing Michigan's dysfunctional and hyper-partisan political culture and rebuilding our broken policy apparatus. CFM was designed to be a nonpartisan centrist organization. I recruited a star-studded board and steering committee composed of Democrats, Republicans and Independents – stakeholders in Michigan who I had known for years. And I convened two big meetings of 150 Michigan community leaders to discuss the need for a citizen-driven "radical centrist" reform. They agreed and are now our Founding Champions.

We decided to proceed by a well known device in community organizing: small, citizen meetings we call "community conversations", held in homes, libraries, wherever. We start by discussing participants' ideas of what is their best vision for Michigan's future. Once we come to a shared vision, we pivot the conversation and focus on developing an action plan for achieving that vision. Working with groups of 10-20 people, we wound up holding over three years a total of 560 community conversations involving more than 10,500 people – the largest public

engagement campaign in Michigan history. The bottom-up citizen's agenda for Michigan's transformation that emerged was published in a report, "10,000 Voices to Transform our State", which was widely distributed in Michigan and became a principal focus of the gubernatorial campaign in 2010. Rick Snyder, the Republican venture capitalist who had previously organized several community conversations, made that agenda the core of his campaign. As governor, he has led execution of nearly half of that agenda in the first five months of his term.

"We'll, we've sold the company. But I'm damned if we move to Florida and let the sand trickle through our toes while our state goes to hell ..."

Early on, I raised something like $3.5 million to support The Center. This money came from the great Michigan philanthropic foundations – Kellogg, Mott, Kresge, Dow and more – and great Michigan corporations – Detroit Energy, Consumers Power, Meijer Stores, Stryker. And some wealthy individuals. I pledged $750,000 from our family resources on the grounds that if you're gonna talk the talk, you'd better be prepared to walk the walk by putting your money where your mouth is.

Together with Executive Director John Bebow, my wife and I prepared earlier this year a "Center for Michigan 2.0" five-year business plan. The idea was to set out a long enough time horizon so both our investors and I wouldn't be wasting our time holding our hands out every year, but also realizing it often takes some time to make serious change in a political culture. Denominating our work into five-year program segments also requires accountability for our results to our investors. We prepare quarterly and annual reports, just like any corporation, which are distributed to our investors and supporters.

Our budget for this 5-year period is $10 million, of which half comes from Power family resources we have committed and half from third party investors. To date, we are on track to meet this budget, thereby setting in place the financial resources necessary for a sustainable, long-range effort.

We also started a newsletter to fill the news and information vacuum created by the deterioration of newspapers. Distributed by email and free of charge, this newsletter now has more than 11,000 subscribers and is widely regarded as the best of its sort in Michigan. We've named the publication "Bridge" – to bridge partisan differences, to connect citizens with their politics, and to connect the varying regions of our state. We've also hired an editor and the best explanatory journalist in Michigan. Our goal is to double our circulation within 18 months.

Our work is focused on reaching out to citizens who are largely marginalized by both political parties, soliciting their views, amplifying their preferences and bringing them into the halls of power. We believe the strategy of a citizen-driven reform movement is appropriate to get us out of the bind produced by both political parties, which now appear deeply engaged in self-strangulation by consistently focusing their attention on agitating their respective bases to excesses of greater partisanship. We expect to continue our public out reach work in the coming years, in part through community conversations and in part through a variety of other outreach devices, including reparation of a DVD suitable for use for meetings of service clubs across the state.

MICHIGAN TRUTH SQUAD
A PROJECT OF THE CENTER FOR MICHIGAN

Our goal is to engage more than 5,000 people in each of the next five years.

Our work revolves around three mutually reinforcing and aggregating verbs: Engage (the public); inform (the citizens); achieve (change). Since we find ourselves in the somewhat novel position of having achieved financial resource sustainability as well as having seen nearly half of our agenda already executed, we are looking to re-frame the objective of our work. Quite simply, it is to set out and to achieve a long-term vision for the Next Michigan, a state transformed. We cannot do so without the active involvement of third party investors, people with an emotional and financial stake in Michigan. And, most importantly, we cannot do so without the continued, intimate engagement of Michigan citizens from all walks of life and all regions of our state.

Some examples of change we have encouraged:

The "Pure Michigan" television advertising campaign promoting tourism in our state is widely regarded as one of the best of its sort. Two years ago, the legislature was willing to appropriate only $10 million to sustain the campaign, far below the $30 million required for a satisfactory regional TV buy. We ran an article on the program in our newsletter and I also wrote a column on the subject. Both ran the day before the appropriations committee was scheduled to meet and vote on support for the campaign. We urged newsletter readers to contact the committee, and ran members' names and email addresses in the newsletter. The next day, more than 250 emails crashed into the legislature, which promptly added $20 million to the appropriation.

Through the Corrections Coalition (a group of Lansing-based organizations such as the Grand Rapids Chamber of Commerce, the Small Business Association, Business Leaders for Michigan and the Michigan Municipal League), we raised concerns that spending on state prisons was growing faster than any other budgetary category, eclipsing state support for all our public universities. Cutting spending on state prisons is now a top priority in budget-cutting work in our state government.

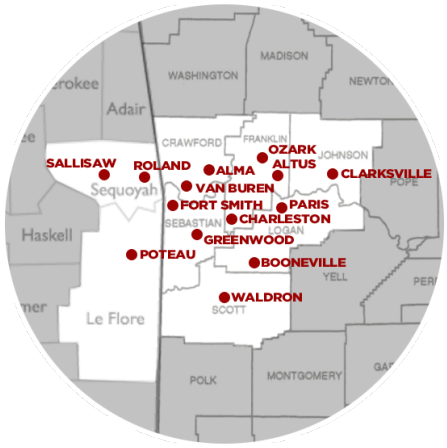
Responding to a woman in a community conversation complaining that her son wasn't in school for 180 days (the previous national standard school year), we dug into state Department of Education records. We found more than 80% of school districts educated their children for less than the previously legislated standard. Our publication, "School Daze", provoked change. The state legislature now has prohibited school districts from cutting the school year below 165 days. (This is still far below the de facto national standard of 180 days, and a long, long way from the standards set in other countries.)

Economic Development Without Borders

Lea Taylor, Executive Director, Fort Smith (AR) Regional Alliance

Meet Lea Taylor

Lea is from Fort Smith, Arkansas where in 2007, she had an opportunity to open her own business, What If Creative, an advertising and marketing firm. She attended SMU in Dallas, TX where she studied Advertising and Psychology. During her career, she has had the opportunity to work in Dallas, TX, Fayetteville, AR, Chicago, IL and Raleigh, NC where she managed multi-million dollar advertising accounts such Subaru, Quaker State, JC Penney and GTE. In August 2010, she met the opportunity to serve at the Executive Director for the Fort Smith Regional Alliance with enthusiasm and commitment.



Our Vision

To work together as a unified community of businesses and residents to develop and enhance the bi-state region's economic climate and quality of life.

Our Alliance

Fort Smith Regional Alliance is a collaborative bi-state organization of communities within a 50 mile radius of Fort Smith focused on strengthening our position to compete in economic development national and globally.

Why?

Economic development entities at the state and national level are encouraging cities and counties and even states to create partnerships to develop comprehensive regional strategies leveraging all assets of the region. Prospects find regional partnerships attractive because companies are looking for cohesive communities where the localities work well across jurisdictional lines.

By working together, the Fort Smith Region can capitalize on all assets throughout the eight-county area including a regional population of more than 350,000.

The Fort Smith Region can also capitalize on the presence of eight higher educational institutions including:

University of Arkansas Fort Smith; Arkansas Tech University – Ozark Campus; The University of the Ozarks; Carl Albert State College; John Brown University Fort Smith Center; Webster University; Kiamichi Technical Center and Indian Capital Technology Center, as well as the University of Arkansas Fayetteville within approximately 60 miles of the region.

From a transportation perspective, all of the Fort Smith Region benefits from the presence of I-40, the navigable Arkansas River and the potential of I-49. The Chaffee Crossing development also creates opportunities that should benefit the entire region.

With all of these strengths of the region, there are many more opportunities to be explored and challenges that need to be addressed in order to enable the region to be most competitive in the global economy of today.

Alliance Benefits

Increased Public Funding Opportunities
Site Consultants want a Streamlined Process
Shared Resources Between Community Partners
Power in Numbers –
A Region of 350,000+ has a Strong Voice
Casting a Wider Net Equals More Opportunities

fort smith regional alliance 2011 Plan

The Implementation Plan is divided into 6 areas of focus. Each area has a committee charged to complete the action items associated with the key area.

Operational Structure

Actions:
- Funding Formula
- Form Committees
- Bylaws and Code of Ethics
- Operation Structure
- Confidentiality
- Staffing

Committees:
Executive and Finance

Business Development & Recruitment

Actions:
- Determine Economic Development Funding and Incentives.
- Assist in Re-Launch of the IEC.

Committees:
Governmental Affairs & Entrepreneurship

2011 FOCUS

Establish the foundation for processes, procedures, operations and expectations for partners of the Fort Smith Regional Alliance.

Tourism

Actions:
- Meet and Develop Relationships with Tourism Organizations in Arkansas and Oklahoma.

Committee:
Tourism

Partnerships

Actions:
- Partnerships Continue to Build Relationships with Economic Development Partners at the State, Regional and Local Level.

Committees:
Executive & Product Development

Marketing & Communications

Actions:
- Approve Key Messages.
- Adopt Vision Statement.
- Assist Community Partners with Preparation for Prospect Inquiries and Visits.
- Develop a Regional Website.
- Utilize Social Media.
- Assist in the Enhancement of Regional Pride among the Residents.
- Energize Residents about Economic Development.

Committee:
Marketing

Product Development

Actions:
- Continue to Market Buildings and Sites in the Region.
- Work Closely with RITA and the Fort Smith Regional Chamber's Transportation Committee.

Committee:
Product Development

The Lone Star Job Surge

Wall Street Journal, June 10, 2011 and Richard Fisher, Federal Reserve Bank of Dallas

Richard Fisher, the president of the Federal Reserve Bank of Dallas, dropped by our offices this week and relayed a remarkable fact: Some 37% of all net new American jobs since the recovery began were created in Texas. Mr. Fisher's study is a lesson in what works in economic policy—and it is worth pondering in the current 1.8% growth moment.

Using Bureau of Labor Statistics (BLS) data, Dallas Fed economists looked at state-by-state employment changes since June 2009, when the recession ended.

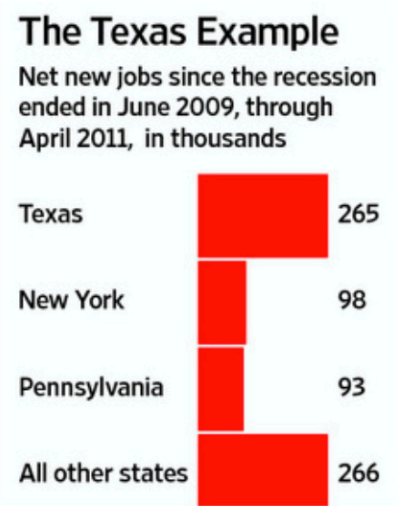
Texas added 265,300 net jobs, out of the 722,200 nationwide, and by far outpaced every other state.

New York was second with 98,200, Pennsylvania added 93,000, and it falls off from there. Nine states created fewer than 10,000 jobs, while Maine, Hawaii, Delaware and Wyoming created fewer than 1,000. Eighteen states have lost jobs since the recovery began.

The data are even more notable because they're calculated on a "sum of states" basis, which the BLS does not use because they can have sampling errors. Using straight nonfarm payroll employment, Texas accounts for 45% of net U.S. job creation. Modesty is not typically considered a Texas virtue, but the results speak for themselves.

Texas is also among the few states that are home to more jobs than when the recession began in December 2007. The others are North Dakota, Alaska and the District of Columbia. If that last one sounds like an outlier at first, remember the government boom of the Obama era, which has helped loft D.C. payrolls 18,000 jobs above the pre-crisis status quo. Even so, Texas is up 30,800.

What explains this Lone Star success? Texas is a big state, but its population of 24.7 million isn't that much bigger than the Empire State, about 19.5 million. California is a large state too—36.9 million—and yet it's down 11,400 jobs. Mr. Fisher argues that Texas is doing so well relative to other states precisely because it has rejected the economic model that now prevails in Washington, and we'll second that notion.



"The Texas model added 37% of all net U.S. jobs since the recovery began."

Mr. Fisher notes that all states labor under the same Fed monetary policy and interest rates and federal regulation, but all states have not performed equally well. Texas stands out for its free market and business-friendly climate.

Capital—both human and investment—is highly mobile, and it migrates all the time to the places where the opportunities are larger and the burdens are lower. Texas has no state income tax. Its regulatory conditions are contained and flexible. It is fiscally responsible and government is small. Its right-to-work law doesn't impose unions on businesses or employees. It is open to global trade and competition: Houston, San Antonio and El Paso are entrepôts for commerce, especially in the wake of the North American Free Trade Agreement.

Based on his conversations with CEOs and other business leaders, Mr. Fisher says one of Texas's

"Texas is doing so well relative to other states precisely because it has rejected the economic model that now prevails in Washington ..."

huge competitive advantages is its ongoing reform of the tort system, which has driven litigation costs to record lows. He also cited a rule in place since 1998 in the backwash of the S&L debacle that limits mortgage borrowing to 80% of the appraised value of a home. Like a minimum down payment, this reduces overleveraging and means Texas wasn't hurt as badly by the housing crash as other states.

Texan construction employment has contracted by 2.3% since the end of the recession, along with manufacturing (a 1.8% decline) and information (-8.4%). But growth in other areas has surpassed these losses. Professional and business services accounted for 22.9% of the total jobs added, health care for 30.5% and trade and energy for 10.6%.

The Texas economy has grown on average by 3.3% a year over the last two decades, compared with 2.6% for the U.S. overall. Yet the core impulse of Obamanomics is to make America less like Texas and more like California, with more government, more unions, more central planning, higher taxes. That the former added 37% of new U.S. jobs suggests what an historic mistake this has been.

California Dreamin' - of Jobs in Texas

John Fund, Wall Street Journal, April 22, 2011

"Hounded by taxes and regulations, employers in the once-Golden State are moving East ... "

Austin, Texas

It wasn't your usual legislative hearing. A group of largely Republican California lawmakers and Democratic Lt. Gov. Gavin Newsom traveled here last week to hear from businesses that have left their state to set up shop in Texas.

"We came to learn why they would pick up their roots and move in order to grow their businesses," says GOP Assemblyman Dan Logue, who organized the trip. "Why does Chief Executive magazine rate California the worst state for job and business growth and Texas the best state?" The contrast is undeniable. Texas has added 165,000 jobs during the last three years while California has lost 1.2 million. California's jobless rate is 12% compared to 8% in Texas.

... Fujitsu Frontech, announced that it is abandoning California. "It's the 70th business to leave this year," says California business relocation expert Joe Vranich. "That's an average of 4.7 per week, up from 3.9 a week last year." The Lone Star State was the top destination, with 14 of the 70 moving there.

"I don't see this as a partisan issue," Mr. Newsom told reporters before the group met with Texas Republican Gov. Rick Perry. The former San Francisco mayor has many philosophical disagreements with Mr. Perry, but he admitted he was "sick and tired" of hearing about the governor's success luring businesses to Texas. Hours after the legislators met with Mr. Perry, another business, Fujitsu Frontech, announced that it is abandoning California. "It's the 70th business to leave this year," says California business relocation expert Joe Vranich. "That's an average of 4.7 per week, up from 3.9 a week last year." The Lone Star State was the top destination, with 14 of the 70 moving there.

Andy Puzder, the CEO of Hardee's Restaurants, was one of many witnesses to bemoan California's hostile regulatory climate. He said it takes six months to two years to secure permits to build a new Carl's Jr. restaurant in the Golden State, versus the six weeks it takes in Texas. California is also one of only three states that demands overtime pay after an eight-hour day, rather than after a 40-hour week. Such rules wreak havoc on flexible work schedules based on actual need. If there's a line out the door at a Carl's Jr. while employees are seen resting, it's because they aren't allowed to help: Break time is mandatory.

"You can't build in California, you can't manage in California and you have to pay a big tax," Mr. Puzder told the legislators. "In Texas, it's the opposite—which is why we're building 300 new stores there this year."

Other states are even snatching away parts of California's entertainment industry. The Milken Institute, based in Santa Monica, Calif., reports that 36,000 entertainment jobs have left the state since 1997. The new film "Battle: Los Angeles," which is set in California, was filmed in Louisiana.

"The red tape is ridiculous," says Mark Tolley, the managing partner of B. Knightly Homes, which relocated to Austin from Long Beach in 2005. "Regulators see developers as wearing a black hat and the environmental laws have run amok." "I'm a pro-jobs Democrat," Mr. Newsom told me. "My party needs to get back into the business of jobs." Mr. Newsom says he's developing an

economic development plan to present to Gov. Jerry Brown, who he says "gets it" on the need for business-friendly policies. Mr. Newsom told me that what impressed him most about Mr. Perry and the Texas legislators was their singular focus on job creation.

California, by contrast, seems to constantly lose focus. Several Democrats who agreed to go on the Texas trip were pressured by public-employee unions to drop out—and many did. And just as Texas business leaders were testifying about how the state's tort reforms had improved job creation, word came of California's latest priority: On April 14, the state senate passed a bill mandating that all public school children learn the history of disabled and gay Americans.

One speaker from California shook his head in wonder: "You can have the most liberated lifestyle on the planet, but if you can't afford to put gas in your car or a roof over your head it's somewhat limited."

The most dramatic reform California could make would be to change its boom-and-bust tax system so it doesn't depend on a small number of wealthy residents who can flee the state. The idea would be to broaden the income tax base and lower the state's high rates. It works today in seven states ranging from Colorado to Massachusetts. Of course, the Lone Star State has no state income or capital gains tax at all.

"Texas' economy is far less volatile due to its having neither a progressive income tax system nor a large tax burden," concludes "Rich States, Poor States," a study by the American Legislative Exchange Council. Less volatility also allows Texas to keep expenditures in check. While it shares with California the challenge of a huge budget deficit this year, it's expected to close it without raising taxes. Texas's overall spending burden remains below what it was in 1987—a remarkable feat.

When Jerry Brown ran for president in 1992, he understood the distorting nature of the tax code and proposed a flat tax with deductions only for rent, mortgage interest and charitable contributions. He called it "a silver bullet" for the economy. Mr. Brown has since abandoned that idea, grousing recently to a state legislator that "the flat tax cost me the New York Democratic primary."

But if California continues its economic decline, something Texas-sized in its ambitions may be called for— whether it's a moratorium on new business regulations or a restructuring of the state's dysfunctional unemployment compensation or litigation. Nothing less is likely to stem the outflow of businesses and jobs from the Golden State.

Letters to Editor responding to:
"California Dreamin' of Jobs in Texas
Wall Street Journal, April 28

California is not only overtaxed and overregulated ("California Dreamin'—of Jobs in Texas" by John Fund, op-ed, April 22); it has the wrong kind of taxes. California's Proposition 13 cut property taxes, especially land taxes, while Texas relies on property taxes to a much greater extent.

Substantial taxes on land make land speculation unprofitable and prevent real estate bubbles from expanding too far. Also, no one rolls up his acreage and carries it to a state with lower tax rates or more inaccurate and outdated assessments.

California's high income and business taxes, by contrast, give people incentive to take their skills and mobile capital elsewhere. Low property taxes contributed to the real estate bubble being so severe in California. Proposition 13 not only limits tax rates, it prevents assessments from increasing as long as the property remains in the hands of the same owner. *Nicholas D. Rosen, Arlington, Va.*

I don't know which is more discouraging: that Mr. Newsom fancies himself as "a pro-jobs Democrat" (now there's an oxymoron), or that some Democratic lawmakers would actually cancel their

trips on orders from their major backers, the public employee unions.

In a prescient letter to the Journal headlined, "Golden State Drives Businesses Out" (Aug. 2, 2008), T.J. Rodgers, president and CEO of Cypress Semiconductor Corp., of San Jose, Calif., states Cypress had "closed both of our manufacturing plants in California." Further, he added, "And we are moving jobs out of California as rapidly as we can." Well, the sales tax "for the privilege of investing in the Golden State" was only 6% then; now it's around 10%. When he was mayor of San Francisco, Gavin Newsom always considered it a privilege for any business to be based there, hence the 1.5% payroll tax the city levied should be palatable. I doubt that he has changed his stripes now that he's lieutenant governor of the state.

The delegation to Texas could have saved themselves the trip. California's taxes alone are enough to drive businesses out of the state, without all the added regulatory hurdles, and the taxes aren't going down here anytime soon. Meanwhile, Intel Corp. is building a new $5 billion plant—in Arizona. It will not be generating any tax revenue for the Golden State. *Don Crockett, Oakland, Calif.*

Mr. Fund tells us much, but not all, of the story of California businesses moving to Texas. Mr. Fund notes that "Texas's overall spending burden remains below what it was in 1987—a remarkable feat." It's not so remarkable. We have a lot of children in Texas, so a great deal of money can be saved by cutting spending on education for these children, or limiting their access to medical care. You can also save money on education by having kids drop out of school before graduation. We do a good job of that in Texas. Mr. Fund stretches some to find a favorable comparison of Texas public schools to California's, a very difficult task, but he is able to note that Texas schoolchildren do not have to "learn the history of disabled and gay Americans." It is certainly tough to be rich in California but not as tough as it is to be poor in Texas. *Paul Horvitz, Houston*

Texas's success in leading California—and every state in the union—in job growth stems from what I call "cowboy capitalism." This brand of capitalism does not refer to an unfettered, lawless economy run amok and out of control, but rather is a free market-oriented system based on individual liberty and limited government as envisioned by our nation's founders. Rugged Texas individualism has always stressed personal freedom and responsibility, and a general opposition to government control to attain social and economic objectives.

Even so, each state can only do so much. As I meet with financial institution leaders in the Eleventh Federal Reserve District (Texas, northern Louisiana and southern New Mexico) to discuss local economic conditions and ideas to promote growth, one concern remains paramount: uncertainty. Bankers tell us that there continues to be a negative impact on consumer spending and business investment decisions as a result of uncertainties emanating primarily from Washington.

Excessive uncertainty is the greatest enemy of economic growth. Yet great clouds of political, regulatory and economic uncertainty persist. Policy makers in Washington need to provide clarity to consumers and businesses on a credible plan to control the national debt, rein in the path of unsustainable federal government spending and reduce regulatory burdens (particularly for smaller community depository financial institutions). These actions will remove shackles, promote long-term planning and free economic actors to make wise and prudent decisions. An economic model with less government intervention and interference (aka Texas's cowboy capitalism) will outperform a heavy-handed model and create more jobs and opportunities, and stronger economic growth. *Thomas F. Siems, Senior Economist, Federal Reserve, Bank of Dallas, Dallas, Tx.*

The Fall of the Midwest Model

Michael Barone, Wall Street Journal, August 16, 2011

In 1970, the future seemed to belong to Michigan's example of big companies and big unions. Not anymore.

President Obama has kicked off a three-day bus tour of Minnesota, Iowa and Illinois, where the corn is high and at least some factories are spewing smoke. He's holding town-hall meetings on the economy, putting the unemployed back to work and "growing wages for everyone." He won these Midwestern states handily in 2008, but he's not taking anything for granted these days. The Midwest is the region with the largest number of target states. The president's latest Gallup job approval there is 39%, the same as the nation as a whole.

To understand the political economy of the Midwest, it helps to put it in historic perspective. Originally the Midwest's economy was built on its farms, then later on its factories. The long farm-to-factory migration lasted from roughly 1890 to 1970. At the end of that period, when I was working on the first edition of "The Almanac of American Politics," it seemed there were two models for the U.S. future. One was the Michigan model, which prevailed in the industrial Midwest and the factory towns of the Great Plains. The other was the Texas model, which prevailed in most of the South and Southwest.

The Michigan model was based on the Progressive/New Deal assumption that, after the transition from farm to factory, the best way to secure growth was through big companies and big labor unions.

The Big Three auto companies, economist John Kenneth Galbraith wrote, could create endless demand for their products through manipulative advertising and planned obsolescence. The United Auto Workers would ensure that productivity gains would be shared by workers and the assembly line would never be speeded up. In those days, 40% of Michigan voters lived in union (mostly UAW) households, the base vote of a liberal Democratic Party that pushed for ever larger governments at the local, state and federal levels. You found similar alignments in most Midwestern states.

Liberals assumed the Michigan model was the wave of the future, and that in time—once someone built big factories and unions organized them—backward states like Texas would catch up. Texas liberal writers Ronnie Dugger and Molly Ivins kept looking for the liberal coalition of blacks, poor whites and Latinos that political scientist V.O. Key predicted in his 1940s classic "Southern Politics."

"In 1970, Michigan had nine million people. In 2010, it had 10 million. In 1970, Texas had 11 million people. In 2010, it had 25 million."

History hasn't worked out that way. In 1970, Michigan had nine million people. In 2010, it had 10 million. In 1970, Texas had 11 million people. In 2010, it had 25 million. In 1970, Detroit was the nation's fifth-largest metro area. Today, metro Houston and the Dallas-Fort Worth metroplex are both pressing the San Francisco Bay area for the No. 4 spot, and Detroit is far behind.

Adversarial unionism is one reason the Midwest slumped. It turns out that the 1970 assembly line, with union shop stewards always poised to shut it down, was not the highest stage of human economic development. When you make labor more expensive, you create incentives to invent new machines and create new jobs elsewhere. Foreign auto manufacturers built plants

in a South recently freed from state-imposed racial segregation. With no adversarial unions, management and labor could collaborate and achieve quality levels the Big Three took decades to match.

One thing that those romantic about Midwestern farms and factories tend to forget is that people hated working in those unionized factories, just as the young Harry Truman hated working on his father's farm. That's why the UAW negotiated "30 and out"—retirement after 30 years—with GM in 1970. With workers retiring well before Medicare age, the next union demand was the billions in retiree health-care benefits that more than anything else bankrupted the Big Three.

Michigan is an extreme example of what has afflicted the industrial Midwest. Big corporations were replaced by big government as the leading employer, and public-employee unions replaced industrial unions as the chief financiers of the Democratic Party. In effect, public-employee unions have been a mechanism by which taxpayer money, in the form of union dues, permanently finances a lobby with a vested interest in higher spending and less accountability. It's a lobby that's benefited from the Democratic Party loyalties of black voters, of Latinos in Chicago (the only large Hispanic presence in the Midwest) and of culturally liberal suburbanites.

"The idea that the wave of the future is an ever-larger public sector financed by a more or less stagnant private sector looks increasingly absurd."

This Midwestern model is unraveling before our eyes. The Midwest has not been hit as hard by foreclosures or unemployment as some other places, with Michigan an exception on both counts, but you have to look hard for green shoots of growth. They may be most evident in North Dakota, where low costs and light regulation have produced booms in energy and high tech.

But amid the recession, Midwestern Obama Democrats and their public-union allies lost their hold on voters in almost every Midwestern state, losing five governorships last year, including Iowa, and winning the Illinois and Minnesota governorships by less than 1% of the vote. A region that voted 54%-45% for Barack Obama in 2008 voted 53%-43% Republican for House candidates in 2010.

The repudiation of the Midwestern model has played out most dramatically in Wisconsin, where government unions were recognized in 1959. On the streets of Madison—a small city dominated by state government and a giant state university—liberals demonstrated against Gov. Scott Walker's reforms. Ludicrously, they depicted public employees as an oppressed proletariat and they proved ready to break the law with violence in the streets and casuistry in the courts.

Despite the unions' huge financial advantages, Gov. Walker's Republicans held on to their majorities in the state Supreme Court and state Senate in hard-fought judicial and recall elections. The political balance in Wisconsin and the Midwest generally looks more like 2010 than 2008.

So what does the president have to offer the Midwest? The idea that the wave of the future is an ever-larger public sector financed by a more or less stagnant private sector looks increasingly absurd. The Midwest's public sector has, as Margaret Thatcher put it, run on "other people's money." Meanwhile, Mr. Obama's trip to the Midwest has been preceded by Texas Gov. Rick Perry's foray into Waterloo, Iowa. Mr. Perry points out that his state, with low taxes and light regulation, has been producing nearly half of America's new jobs. The Texas model may be sweeping the Midwest, not vice versa.

Mr. Barone is senior political analyst for the Washington Examiner, resident fellow at the American Enterprise Institute and co-author of "The Almanac of American Politics," published by National Journal.

Section 3

Fundamental Metrics

Fundamental Economic Development Metrics

Mickey Hepner, PhD, Dean, College of Business Administration, University of Central Oklahoma

Per-Capita Real Gross State Product:
This metric is one of the most important economic indicators as it directly measures the overall level of economic activity within a state. In 2010 Oklahoma's per-capita real gross state product of $35,578 is well below the national average and ranks 39th out of the 50 states (40th including the District of Columbia). Among Oklahoma's neighbors, only Arkansas and New Mexico rank lower while Colorado is the highest.

In recent years though, Oklahoma's economy has been growing at a pace that exceeds the national average. From 2000-2010 Oklahoma's per-capita real gross state product increased by 11.4%--the 15th fastest pace in the nation (16th including the District of Columbia) and the fastest among neighboring states. This growth is mainly due to strength in the energy industry and Oklahoma's lack of exposure to the sectors (housing, financial, manufacturing) that were most severely damaged in the recent recession.

Per Capita Personal Income
Oklahoma's per-capita personal income (PCPI)—a measure that includes earnings, dividends, profits, and government transfers (e.g. Social Security payments)—in 2010 was $36,421. This ranks 33rd out of the 50 states (34th including the District of Columbia). Among Oklahoma's neighbors, only Arkansas and New Mexico rank lower with Colorado sporting the highest value.

In the last ten years though, Oklahoma's ranking has improved significantly. In 2000 Oklahoma's PCPI ranked only 43rd nationally. Among neighboring states, Oklahoma's PCPI growth rate was second only to New Mexico's. Texas ranked 23rd. Interestingly, all states without a state income tax witnessed slower PCPI growth over the last decade than Oklahoma.

Median Household Income
While per-capita personal income measures "average" income within a state, the average can be skewed by changes in income distribution. For example, a significant growth in incomes by a state's wealthiest residents would raise the state average, even if most citizens saw no increase. Another measure that economists use to correct for this is "median (middle) household income".

Oklahoma's median household income ranks 33rd nationally (34th including the District of Columbia) which is significantly better than its 48th ranking in 2000. Among neighboring states, Oklahoma ranks above Arkansas, Kansas and New Mexico, and only slightly behind Texas. The highest value among neighboring states is in Colorado.

Over the last ten years, Oklahoma's growth in median household income ranks 3rd nationally behind only Washington and Louisiana. Texas ranked 23rd.

Private-Sector Non-Farm Employment Growth
One measure of the strength of a state's labor market is the growth in private-sector employment within the state. Over the last 20 years Oklahoma's private-sector employment growth of 29.12% ranks as the 19th fastest pace in the nation. Among neighboring states, Oklahoma's growth exceeds the growth in Arkansas, Kansas, and Missouri. Texas has had the fastest employment growth among neighboring states over this time period.

However, in just the last five years, Oklahoma's growth rate ranks as the 8th fastest among the 50 states, and second only to Texas among neighboring states.

An Interpretation of Data

Deidre Myers and Craig Knutson, Oklahoma Academy Research and Design Workgroup

Craig Knutson and Deidre Myers are two of Oklahoma's most experienced and qualified individuals to interpret economic and employment data. Their overall analysis of the following twelve pages is below. In summary, we have done better than most - recently.

Craig Knutson

Having spent over 25 years interpreting and analyzing data, one of the most important discoveries I made was that one should not place too much emphasis on any point-in-time ranking.

That said, Oklahoma – relative to the nation - has fared well in recent years. We are positioned at the upper end of most growth rate comparisons, but our rankings against the other 49 states or the U.S. in nominal terms has not improved appreciably. When I was much younger, I used to run and race-walk competitively and finally realized that the greatest satisfaction came from beating my "personal best," not where I finished in the pack. I could control the former, never the latter.

Being a relatively small state, I believe we'd be better served focusing on showing consistent, sustainable improvement, year after year, and let the rankings fall where they may. I also believe that all analysts have their favorite indicators to track. I like Per Capita Personal Income (PCPI).

In the employment category, growth in private sector employment, the ratio of private sector to public sector employment, and the employment-to-population ratio are far more meaningful and instructive indicators to me.

Back in the 80s and 90s, I was one of many who focused on "diversifying our economy, weaning ourselves off the energy dependent teat." With all due respect to aerospace and health services, it's probably just as well I (and others) weren't that successful. Let's be thankful for the natural resources we have and the world's insatiable desire to consume them … and to fully understand that our progress, whether nominal or via rankings, is likely to be as cyclical as the resources we extract.

Deidre Myers

Oklahoma's businesses have felt the effects of the national recession, but have held steady in a tumultuous environment. According to the Quarterly Census of Employment and Wages, Oklahoma ranked 7th among states in business creation from 2006-2010, growing the state's businesses by 5.9%.

We were one of only ten states that had positive business growth over each of the period's years, including all of the recognized recession. Only two states (OK and IL) were ranked in the top third in each year's growth, demonstrating that Oklahoma had a more stable business climate than most states.

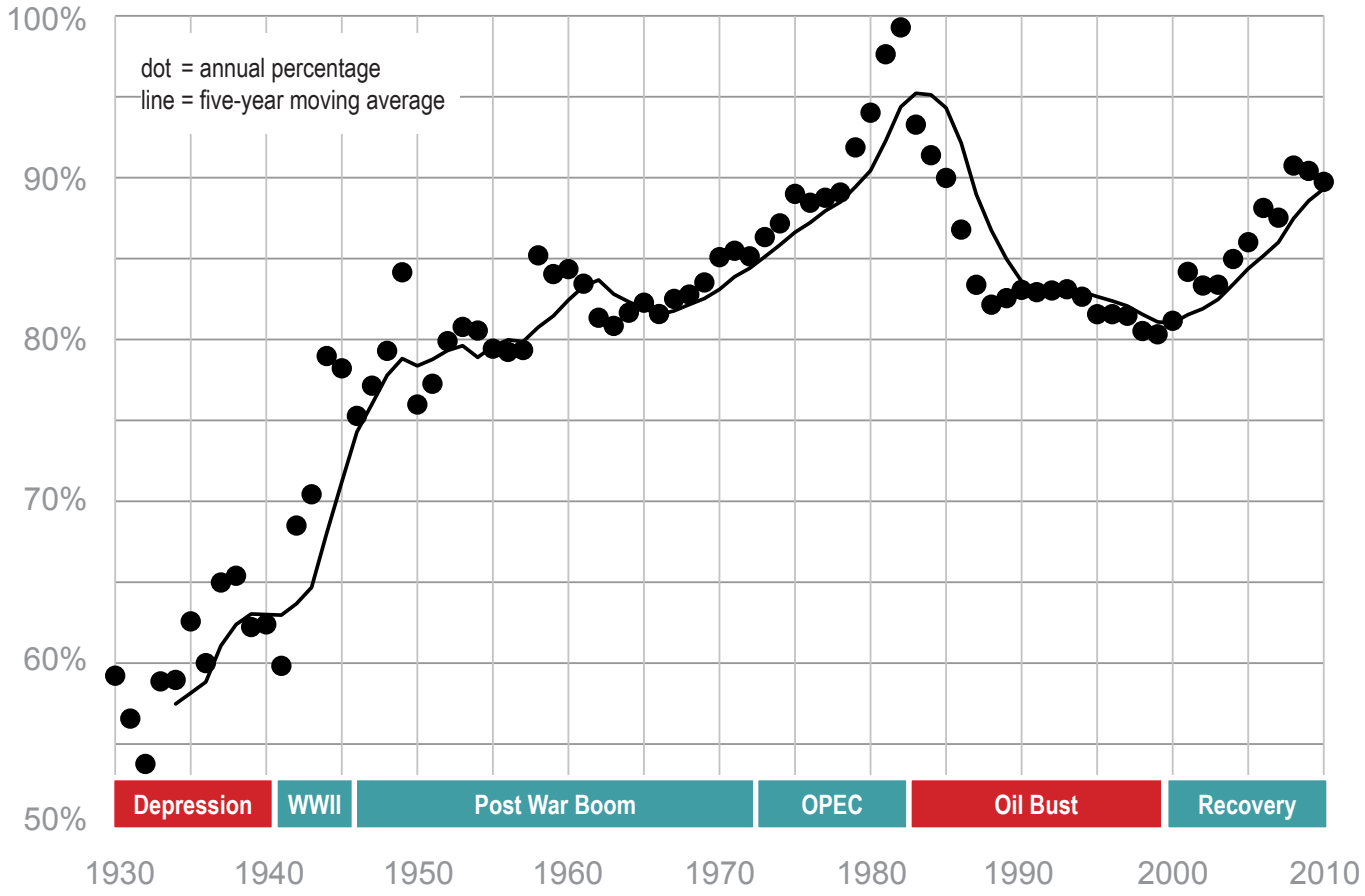
Firms did have to cut workforce, which reduced productivity and output; however 2011 job gains are promising. In a policy environment that is dedicated to keeping production costs low, regulatory requirements minimal, and fiscal policy firm oriented, Oklahoma businesses should have an opportunity for growth.

So, how are we doing? Given the external drags of the international financial situation and the nation's anemic recovery, our economy is holding firm. Households are increasing income with which they are able to invest or purchase goods, employment is growing, and net business growth is steady.

Within the field of development economics, the term economic growth often describes the increase in economic indicators such as GDP or employment. Economic development, on the other hand, is the increase in the standard of living for an economy's population. For Oklahoma to be successful in our economic development efforts, we cannot rest on any statistical laurels until all our households share in the state's progress.

WHICH WAY WILL WE TREND?

The Oklahoma PCPI Compared to United States for 1930 - 2010



Note: For the purposes of this chart, OKPCPI indicates the Oklahoma per capita personal income as a percentage of the national average. It measures Oklahoma relative to all other states.

The Depression: During the Depression, the OKPCPI actually rose from a low of 54% (1932) to 60% at the start of WWII in 1941.

World War II: The war signaled increased prosperity - and a post War boom that continued generally upward for 40 years ... from 1941 (60%) to 1982 (99%).

OPEC Oil Crisis: The OPEC cartel instigated worldwide "oil crisis" in 1974 led to a rapid increase (13 percentage points over 8 years) in OKPCPI from 1974-1982.

Oil Bust: The collapse of the Oklahoma City Penn Square Bank in 1982 signaled the beginning of the Oil Bust that bottomed out in 1988 (82%) - and then finally again in 1999 (80%).

Our Recovery: Since 1999, the Oklahoma PCPI has enjoyed a steady increase of 10 percentage points similar to the period of 1966 - 1978.

Perspective: The chart above represents 80 years of OKPCPI data. In only 8 of those years has the OKPCPI broken the 90% barrier. They were 1979-1984 and 2008 - 2009.

The OKPCPI in 2010 was 89.7%. There have been only nine years since 1929 when the OKPCPI is greater than it is today. Which way will it trend in the future ... up, down or sideways?

Real Gross State Product Growth

Source: U.S. Bureau of Economic Analysis

	RATE	STATE	2000	2010
1	40%	North Dakota	$33,130	$46,468
2	30%	Wyoming	$46,844	$61,049
3	25%	South Dakota	$35,533	$44,550
4	23%	District of Columbia	$122,161	$150,760
5	23%	Oregon	$35,338	$43,519
6	18%	New York	$45,438	$53,377
7	17%	Alaska	$54,402	$63,424
8	17%	Iowa	$35,957	$41,908
9	16%	Maryland	$39,486	$45,878
10	15%	Nebraska	$38,028	$43,625
11	15%	Rhode Island	$36,504	$41,816
12	15%	Louisiana	$37,597	$43,052
13	13%	Virginia	$41,977	$47,570
14	13%	Vermont	$32,738	$36,981
15	13%	Montana	$28,546	$32,149
16	**11%**	**OKLAHOMA**	**$31,937**	**$35,578**
17	10%	Massachusetts	$47,355	$52,251
18	10%	West Virginia	$27,422	$30,217
19	10%	Mississippi	$26,679	$29,345
20	10%	New Mexico	$32,144	$35,355
21	10%	Kansas	$36,359	$39,964
22	9%	Arkansas	$28,849	$31,492
23	9%	Connecticut	$54,302	$59,132
24	9%	Hawaii	$40,208	$43,615
25	8%	Alabama	$29,794	$32,245
26	8%	Pennsylvania	$36,828	$39,830
27	8%	California	$43,254	$46,488
28	7%	Minnesota	$42,801	$45,891
29	7%	New Jersey	$46,647	$49,901
	7%	**UNITED STATES**	**$39,774**	**$42,429**
30	7%	Idaho	$30,329	$32,344
31	6%	Maine	$32,603	$34,592
32	6%	Texas	$41,659	$43,993
33	6%	New Hampshire	$39,292	$41,464
34	5%	Kentucky	$31,691	$33,326
35	5%	Delaware	$59,595	$62,587
36	5%	Wisconsin	$37,061	$38,912
37	5%	Illinois	$43,186	$45,302
38	5%	Utah	$35,488	$37,194
39	5%	Florida	$34,198	$35,815
40	4%	Washington	$43,839	$45,599
41	4%	Indiana	$36,429	$37,855
42	4%	Tennessee	$34,735	$36,040
43	4%	Colorado	$45,089	$46,757
44	3%	Arizona	$34,695	$35,745
45	2%	North Carolina	$39,155	$39,917
46	-1%	Missouri	$36,530	$36,287
47	-2%	Ohio	$37,761	$36,936
48	-4%	South Carolina	$32,512	$31,378
49	-5%	Nevada	$43,630	$41,321
50	-6%	Michigan	$37,282	$34,893
51	-7%	Georgia	$40,062	$37,366

Real Per Capita GSP Growth & Rates

Source: U.S. Bureau of Economic Analysis

	RATE	STATE	2000	2009	RANK	GROWTH
1	19%	Louisiana	$38,261	$45,433	38	$7,172
2	14%	Washington	$52,967	$60,392	35	$7,425
3	**14%**	**OKLAHOMA**	**$40,396**	**$45,878**	**35**	**$5,482**
4	12%	North Dakota	$44,835	$50,075	24	$5,240
5	11%	West Virginia	$36,633	$40,490	47	$3,857
6	6%	Wyoming	$49,360	$52,470	17	$3,110
7	6%	Vermont	$49,316	$52,318	1	$3,002
8	4%	Connecticut	$62,492	$64,851	14	$2,359
9	4%	District of Columbia	$51,344	$53,141	2	$1,797
10	3%	New Jersey	$62,782	$64,777	6	$1,995
11	3%	Virginia	$58,744	$60,501	30	$1,757
12	2%	Maine	$46,417	$47,502	30	$1,085
13	2%	Massachusetts	$58,233	$59,373	4	$1,140
14	1%	New Hampshire	$63,431	$64,131	36	$700
15	1%	South Dakota	$45,431	$45,826	36	$395
16	0%	Idaho	$46,846	$46,778	32	-$68
17	0%	New Mexico	$43,710	$43,542	41	-$168
18	-1%	Iowa	$51,056	$50,721	48	-$335
19	-1%	Montana	$40,825	$40,437	48	-$388
20	-1%	New York	$50,749	$50,216	50	-$533
21	-1%	Arkansas	$36,989	$36,538	50	-$451
22	-1%	Utah	$59,226	$58,491	31	-$735
23	-1%	Texas	$48,090	$47,475	31	-$615
24	-2%	Rhode Island	$52,559	$51,634	10	-$925
25	-4%	California	$58,312	$56,134	46	-$2,178
26	-5%	Tennessee	$42,468	$40,517	46	-$1,951
27	-5%	Nebraska	$52,002	$49,595	26	-$2,407
	-5%	**UNITED STATES**	**$52,301**	**$49,777**		**-$2,524**
28	-6%	Maryland	$67,926	$64,186	43	-$3,740
29	-6%	Kentucky	$45,170	$42,664	43	-$2,506
30	-6%	Florida	$48,397	$45,631	38	-$2,766
31	-6%	Alaska	$65,824	$61,604	12	-$4,220
32	-7%	Colorado	$60,085	$55,930	27	-$4,155
33	-7%	Oregon	$52,935	$49,098	27	-$3,837
34	-8%	Arizona	$49,552	$45,739	37	-$3,813
35	-8%	Illinois	$57,375	$52,870	29	-$4,505
36	-8%	Pennsylvania	$52,532	$48,172	29	-$4,360
37	-9%	Wisconsin	$56,159	$51,237	49	-$4,922
38	-9%	Alabama	$44,122	$39,980	49	-$4,142
39	-10%	Nevada	$56,994	$51,434	45	-$5,560
40	-12%	South Carolina	$46,795	$41,101	45	-$5,694
41	-12%	North Carolina	$47,726	$41,906	44	-$5,820
42	-13%	Kansas	$51,141	$44,717	39	-$6,424
43	-13%	Indiana	$50,899	$44,305	40	-$6,594
44	-13%	Missouri	$56,171	$48,769	28	-$7,402
45	-13%	Hawaii	$64,203	$55,649	34	-$8,554
46	-14%	Ohio	$53,511	$45,879	34	-$7,632
47	-17%	Delaware	$62,732	$52,114	42	-$10,618
48	-17%	Georgia	$52,190	$43,340	42	-$8,850
49	-17%	Minnesota	$67,572	$56,090	51	-$11,482
50	-18%	Mississippi	$42,721	$35,078	51	-$7,643
51	-19%	Michigan	$56,688	$45,994	33	-$10,694

Median Household Income Growth & Rates

Source: U.S. Bureau of Economic Analysis

	RATE	STATE	2000	2009	RANK	GROWTH
1	19%	Louisiana	$38,261	$45,433	38	$7,172
2	14%	Washington	$52,967	$60,392	35	$7,425
3	**14%**	**OKLAHOMA**	**$40,396**	**$45,878**	**35**	**$5,482**
4	12%	North Dakota	$44,835	$50,075	24	$5,240
5	11%	West Virginia	$36,633	$40,490	47	$3,857
6	6%	Wyoming	$49,360	$52,470	17	$3,110
7	6%	Vermont	$49,316	$52,318	1	$3,002
8	4%	Connecticut	$62,492	$64,851	14	$2,359
9	4%	District of Columbia	$51,344	$53,141	2	$1,797
10	3%	New Jersey	$62,782	$64,777	6	$1,995
11	3%	Virginia	$58,744	$60,501	30	$1,757
12	2%	Maine	$46,417	$47,502	30	$1,085
13	2%	Massachusetts	$58,233	$59,373	4	$1,140
14	1%	New Hampshire	$63,431	$64,131	36	$700
15	1%	South Dakota	$45,431	$45,826	36	$395
16	0%	Idaho	$46,846	$46,778	32	-$68
17	0%	New Mexico	$43,710	$43,542	41	-$168
18	-1%	Iowa	$51,056	$50,721	48	-$335
19	-1%	Montana	$40,825	$40,437	48	-$388
20	-1%	New York	$50,749	$50,216	50	-$533
21	-1%	Arkansas	$36,989	$36,538	50	-$451
22	-1%	Utah	$59,226	$58,491	31	-$735
23	-1%	Texas	$48,090	$47,475	31	-$615
24	-2%	Rhode Island	$52,559	$51,634	10	-$925
25	-4%	California	$58,312	$56,134	46	-$2,178
26	-5%	Tennessee	$42,468	$40,517	46	-$1,951
27	-5%	Nebraska	$52,002	$49,595	26	-$2,407
	-5%	**UNITED STATES**	**$52,301**	**$49,777**		**-$2,524**
28	-6%	Maryland	$67,926	$64,186	43	-$3,740
29	-6%	Kentucky	$45,170	$42,664	43	-$2,506
30	-6%	Florida	$48,397	$45,631	38	-$2,766
31	-6%	Alaska	$65,824	$61,604	12	-$4,220
32	-7%	Colorado	$60,085	$55,930	27	-$4,155
33	-7%	Oregon	$52,935	$49,098	27	-$3,837
34	-8%	Arizona	$49,552	$45,739	37	-$3,813
35	-8%	Illinois	$57,375	$52,870	29	-$4,505
36	-8%	Pennsylvania	$52,532	$48,172	29	-$4,360
37	-9%	Wisconsin	$56,159	$51,237	49	-$4,922
38	-9%	Alabama	$44,122	$39,980	49	-$4,142
39	-10%	Nevada	$56,994	$51,434	45	-$5,560
40	-12%	South Carolina	$46,795	$41,101	45	-$5,694
41	-12%	North Carolina	$47,726	$41,906	44	-$5,820
42	-13%	Kansas	$51,141	$44,717	39	-$6,424
43	-13%	Indiana	$50,899	$44,305	40	-$6,594
44	-13%	Missouri	$56,171	$48,769	28	-$7,402
45	-13%	Hawaii	$64,203	$55,649	34	-$8,554
46	-14%	Ohio	$53,511	$45,879	34	-$7,632
47	-17%	Delaware	$62,732	$52,114	42	-$10,618
48	-17%	Georgia	$52,190	$43,340	42	-$8,850
49	-17%	Minnesota	$67,572	$56,090	51	-$11,482
50	-18%	Mississippi	$42,721	$35,078	51	-$7,643
51	-19%	Michigan	$56,688	$45,994	33	-$10,694
51	-19%	Michigan	$56,688	$45,994	33	-$10,694

PCPI Growth 1990-2010

Source: U.S. Bureau of Economic Analysis

	RATE	STATE	1990	2000	2010
1	173%	District of Columbia	$26,015	$40,484	$71,044
2	167%	Wyoming	$17,910	$29,281	$47,851
3	156%	North Dakota	$15,866	$25,624	$40,596
4	153%	Louisiana	$15,171	$23,570	$38,446
5	142%	South Dakota	$16,075	$26,427	$38,865
6	138%	Mississippi	$13,117	$21,555	$31,186
7	130%	Arkansas	$14,402	$22,577	$33,150
8	130%	Montana	$15,346	$23,470	$35,317
9	129%	Texas	$17,260	$28,504	$39,493
10	128%	Vermont	$17,643	$28,183	$40,283
11	128%	New Mexico	$14,823	$22,751	$33,837
12	**127%**	**OKLAHOMA**	**$16,077**	**$24,605**	**$36,421**
13	126%	Massachusetts	$22,797	$38,210	$51,552
14	126%	West Virginia	$14,436	$22,174	$32,641
15	122%	Washington	$19,637	$32,407	$43,564
16	121%	Colorado	$19,377	$33,977	$42,802
17	121%	Iowa	$17,350	$27,293	$38,281
18	120%	Nebraska	$17,948	$28,598	$39,557
19	120%	Virginia	$20,312	$31,640	$44,762
20	120%	Kansas	$18,034	$28,477	$39,737
21	120%	Utah	$14,847	$24,517	$32,595
22	118%	New Hampshire	$20,236	$34,087	$44,084
23	117%	Minnesota	$19,710	$32,597	$42,843
24	117%	Alabama	$15,618	$24,069	$33,945
25	117%	Kentucky	$15,360	$24,786	$33,348
26	117%	Maine	$17,211	$26,696	$37,300
27	116%	Maryland	$22,681	$34,681	$49,025
28	115%	Rhode Island	$19,821	$29,484	$42,579
29	114%	Connecticut	$26,198	$41,920	$56,001
30	114%	Wisconsin	$17,986	$29,139	$38,432
31	113%	Tennessee	$16,574	$26,691	$35,307
32	112%	Pennsylvania	$19,433	$30,110	$41,152
	110%	**UNITED STATES**	**$19,354**	**$30,318**	**$40,584**
33	110%	Missouri	$17,582	$27,891	$36,979
34	109%	South Carolina	$15,844	$25,081	$33,163
35	109%	New Jersey	$24,354	$38,666	$50,781
36	108%	Arizona	$16,806	$26,262	$34,999
37	107%	Oregon	$17,895	$28,718	$37,095
38	107%	North Carolina	$17,194	$27,914	$35,638
39	107%	Illinois	$20,835	$32,636	$43,159
40	107%	Idaho	$15,603	$24,683	$32,257
41	106%	New York	$23,710	$34,630	$48,821
42	102%	Georgia	$17,563	$28,531	$35,490
43	102%	Florida	$19,437	$29,080	$39,272
44	102%	California	$21,380	$33,398	$43,104
45	100%	Indiana	$17,454	$27,460	$34,943
46	96%	Alaska	$22,594	$30,531	$44,174
47	95%	Ohio	$18,638	$28,694	$36,395
48	90%	Michigan	$18,719	$29,392	$35,597
49	88%	Delaware	$21,209	$31,007	$39,962
50	88%	Hawaii	$21,818	$29,071	$41,021
51	85%	Nevada	$20,042	$30,986	$36,997

Private Sector Employment Growth Rates

Source: U.S. Bureau of Economic Analysis

	STATE	2005-2010
1	North Dakota	13%
2	Texas	4%
3	Alaska	4%
4	District of Columbia	2%
5	Louisiana	2%
6	South Dakota	1%
7	Nebraska	1%
8	Wyoming	1%
9	**OKLAHOMA**	**0%**
10	New York	0%
11	Massachusetts	0%
12	Utah	-1%
13	Pennsylvania	-2%
14	Montana	-2%
15	West Virginia	-2%
16	Iowa	-2%
17	Washington	-3%
18	Vermont	-3%
19	New Hampshire	-3%
20	Maine	-3%
21	Kansas	-4%
22	Arkansas	-4%
23	Colorado	-4%
24	Virginia	-4%
25	Connecticut	-4%
26	Wisconsin	-4%
27	Minnesota	-4%
28	Kentucky	-4%
29	South Carolina	-5%
30	North Carolina	-5%
31	Maryland	-5%
32	Illinois	-5%
33	New Jersey	-5%
34	New Mexico	-6%
35	Mississippi	-6%
36	Hawaii	-6%
37	Oregon	-6%
38	Rhode Island	-6%
39	Missouri	-6%
40	Ohio	-7%
41	Idaho	-7%
42	Tennessee	-7%
43	Indiana	-7%
44	Delaware	-8%
45	Alabama	-8%
46	California	-8%
47	Georgia	-8%
48	Michigan	-10%
49	Arizona	-11%
50	Florida	-12%
51	Nevada	-15%

	STATE	1990-2010
1	Nevada	75%
2	Utah	67%
3	Arizona	65%
4	Idaho	57%
5	North Dakota	55%
6	Montana	48%
7	Texas	47%
8	Colorado	47%
9	Alaska	44%
10	Wyoming	43%
11	South Dakota	41%
12	New Mexico	40%
13	Florida	39%
14	Nebraska	33%
15	New Hampshire	32%
16	Georgia	31%
17	Oregon	31%
18	Virginia	31%
19	**OKLAHOMA**	**29%**
20	Washington	29%
21	Minnesota	26%
22	North Carolina	24%
23	Arkansas	24%
24	Vermont	22%
25	South Carolina	21%
26	Iowa	21%
27	Kentucky	21%
28	Kansas	21%
29	Wisconsin	21%
30	Louisiana	21%
31	Tennessee	20%
32	West Virginia	20%
33	Maryland	20%
34	Maine	18%
35	Delaware	18%
36	District of Columbia	17%
37	Massachusetts	16%
38	Mississippi	15%
39	Alabama	14%
40	California	14%
41	Missouri	14%
42	Pennsylvania	13%
43	Indiana	11%
44	Rhode Island	11%
45	New Jersey	11%
46	New York	10%
47	Hawaii	9%
48	Illinois	8%
49	Ohio	6%
50	Michigan	2%
51	Connecticut	2%
51	Connecticut	2%

2010 Long Term (52+ wks) Unemployment by State

Real Time Economics Blog, Wall Street Journal , July 21, 2011, 10:20 am ET

State	52+ wks	1-5 wks	5-14 wks	15-26 wks	27-51 wks	2010 Rate	2011 Rate
North Dakota	7.1%	35.7%	35.7%	14.3%	7.1%	3.9%	3.2%
South Dakota	13.0%	26.1%	34.8%	13.0%	8.7%	4.8%	4.8%
Alaska	13.8%	27.6%	27.6%	17.2%	13.8%	8.0%	7.5%
OKLAHOMA	**14.4%**	**27.2%**	**27.2%**	**19.2%**	**11.2%**	**7.1%**	**5.3%**
Louisiana	14.6%	25.6%	28.7%	20.1%	11.0%	7.5%	7.8%
Wyoming	15.0%	25.0%	25.0%	15.0%	10.0%	7.0%	5.9%
Nebraska	17.0%	25.5%	27.7%	14.9%	12.8%	4.6%	4.1%
Vermont	18.2%	27.3%	27.3%	18.2%	9.1%	6.2%	5.5%
Iowa	18.6%	23.5%	27.5%	15.7%	14.7%	6.1%	6.0%
Minnesota	20.6%	22.9%	28.5%	15.0%	12.6%	7.3%	6.7%
Idaho	20.6%	26.5%	27.9%	16.2%	8.8%	9.3%	9.4%
Kansas	20.7%	24.3%	27.0%	15.3%	13.5%	7.0%	6.6%
Texas	20.9%	23.6%	25.2%	17.5%	12.8%	8.2%	8.2%
Montana	21.1%	28.9%	26.3%	13.2%	10.5%	7.2%	7.5%
Missouri	22.3%	19.5%	24.0%	18.5%	15.3%	9.6%	8.8%
West Virginia	22.5%	19.7%	26.8%	18.3%	11.3%	9.1%	8.5%
Kentucky	22.6%	19.8%	25.9%	17.0%	14.6%	10.4%	9.6%
Utah	22.8%	26.3%	22.8%	14.9%	12.3%	7.7%	7.4%
Washington	23.3%	23.5%	24.1%	15.5%	13.6%	9.6%	9.2%
Maryland	23.7%	20.8%	24.6%	16.5%	14.4%	7.5%	7.0%
New Mexico	24.1%	20.3%	21.5%	17.7%	16.5%	8.4%	6.8%
Maine	24.6%	21.1%	24.6%	15.8%	12.3%	7.9%	7.8%
Arkansas	25.0%	25.9%	25.9%	12.9%	10.3%	7.9%	8.1%
Mississippi	25.5%	16.3%	21.3%	18.4%	18.4%	10.4%	10.3%
Hawaii	25.6%	20.9%	23.3%	16.3%	14.0%	6.6%	6.0%
Virginia	25.6%	18.2%	23.7%	18.2%	14.0%	6.9%	6.0%
Pennsylvania	26.0%	18.6%	24.3%	18.2%	12.9%	8.7%	7.6%
Colorado	26.5%	19.3%	22.7%	16.8%	14.7%	8.9%	8.5%
Wisconsin	26.9%	19.4%	24.3%	16.8%	12.7%	8.3%	7.6%
New Hampshire	27.3%	20.5%	22.7%	15.9%	13.6%	6.1%	4.9%
New York	27.7%	17.5%	22.7%	15.8%	16.1%	8.5%	8.0%
Alabama	28.1%	15.8%	21.9%	15.8%	18.4%	9.5%	9.9%
Ohio	29.0%	20.5%	23.2%	13.9%	13.4%	10.1%	8.8%
Nevada	29.3%	16.2%	19.9%	17.8%	16.8%	14.9%	12.4%
Delaware	29.7%	16.2%	21.6%	13.5%	16.2%	8.5%	8.0%
Massachusetts	29.9%	19.8%	23.5%	15.8%	11.4%	8.5%	7.6%
Rhode Island	30.8%	15.4%	21.5%	15.4%	16.9%	11.6%	10.8%
Oregon	31.2%	17.6%	21.7%	14.9%	14.9%	10.8%	9.4%
Indiana	31.4%	18.3%	21.3%	14.4%	15.0%	10.2%	8.3%
Arizona	31.4%	17.2%	22.4%	16.3%	12.1%	9.9%	9.3%
California	31.7%	17.6%	20.2%	16.2%	14.4%	12.4%	11.8%
Tennessee	32.2%	18.3%	23.5%	13.1%	12.8%	9.7%	9.8%
DC	32.3%	12.9%	19.4%	16.1%	16.1%	9.9%	10.4%
Connecticut	32.4%	16.2%	19.7%	14.5%	17.3%	9.1%	9.1%
Florida	33.6%	14.9%	19.2%	16.4%	15.9%	11.5%	10.6%
Illinois	33.8%	16.7%	19.3%	15.1%	15.1%	10.3%	9.2%
North Carolina	33.8%	18.6%	19.4%	13.2%	15.0%	10.5%	9.9%
South Carolina	35.7%	16.6%	17.4%	14.0%	16.2%	11.2%	10.5%
Michigan	36.0%	15.6%	20.4%	14.3%	13.8%	12.5%	10.5%
Georgia	36.8%	15.4%	17.4%	15.8%	14.4%	10.2%	9.9%
New Jersey	37.1%	14.0%	18.1%	16.4%	14.3%	9.4%	9.5%

Unemployment Rates - June 2011

Bureau of Labor Statistics

North Dakota	3.2%
Nebraska	4.1%
South Dakota	4.8%
New Hampshire	4.9%
OKLAHOMA	**5.3%**
Vermont	5.5%
Wyoming	5.9%
Hawaii	6.0%
Iowa	6.0%
Virginia	6.0%
Kansas	6.6%
Minnesota	6.7%
New Mexico	6.8%
Maryland	7.0%
Utah	7.4%
Alaska	7.5%
Montana	7.5%
Massachusetts	7.6%
Pennsylvania	7.6%
Wisconsin	7.6%
Louisiana	7.8%
Maine	7.8%
Delaware	8.0%
New York	8.0%
Arkansas	8.1%
Texas	8.2%
Indiana	8.3%
Colorado	8.5%
West Virginia	8.5%
Missouri	8.8%
Ohio	8.8%
Connecticut	9.1%
Illinois	9.2%
UNITED STATES	**9.2%**
Washington	9.2%
Arizona	9.3%
Idaho	9.4%
Oregon	9.4%
New Jersey	9.5%
Kentucky	9.6%
Tennessee	9.8%
Alabama	9.9%
Georgia	9.9%
North Carolina	9.9%
Mississippi	10.3%
DC	10.4%
Michigan	10.5%
South Carolina	10.5%
Florida	10.6%
Rhode Island	10.8%
California	11.8%
Nevada	12.4%

Labor Force Participation Rates

Bureau of Labor Statistics

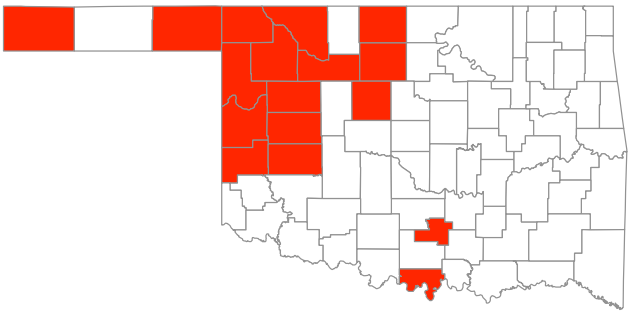
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
United States	66.8%	66.6%	66.2%	66.0%	66.0%	66.2%	66.0%	66.0%	65.4%	64.7%
Oklahoma	62.3%	62.2%	62.2%	61.9%	62.0%	61.8%	61.7%	61.2%	61.1%	60.0%
Differential	4.5%	4.4%	4.0%	4.1%	4.0%	4.4%	4.3%	4.8%	4.3%	4.7%
Ratio	93%	93%	94%	94%	94%	93%	93%	93%	93%	93%

County Unemployment Rates

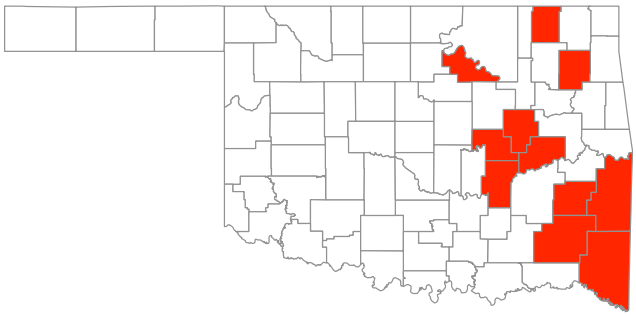
State of Oklahoma, May 2011, not seasonally adjusted

Roger Mills	2.6	Cleveland	4.4	Jefferson	5.7
Beaver	2.7	Logan	4.4	Tulsa	5.8
Dewey	2.9	Carter	4.5	Caddo	6.0
Grant	2.9	Harmon	4.5	Choctaw	6.1
Harper	2.9	Cherokee	4.6	Adair	6.2
Ellis	3.0	McClain	4.6	Kay	6.2
Beckham	3.2	Tillman	4.6	Muskogee	6.3
Murray	3.2	Kiowa	4.7	Seminole	6.3
Woods	3.3	Stephens	4.7	Atoka	6.4
Cimarron	3.4	Texas	4.7	Blaine	6.4
Garfield	3.4	Craig	4.9	Creek	6.4
Kingfisher	3.4	Payne	4.9	Osage	6.4
Custer	3.5	Pottawatomie	4.9	Coal	6.5
Major	3.5	Grady	5.0	Greer	6.5
Washita	3.5	Ottawa	5.0	Sequoyah	6.5
Love	3.7	Pittsburg	5.1	Mayes	6.6
Woodward	3.7	Lincoln	5.2	Pawnee	6.8
Cotton	4.0	Marshall	5.2	Pushmataha	6.8
Noble	4.0	Oklahoma	5.2	Nowata	6.9
Bryan	4.2	**STATEWIDE**	**5.3**	Okfuskee	7.0
Garvin	4.2	Comanche	5.4	McIntosh	7.4
Pontotoc	4.2	Wagoner	5.4	Hughes	8.0
Jackson	4.3	Delaware	5.5	Le Flore	8.3
Washington	4.3	Johnston	5.5	Okmulgee	8.4
Alfalfa	4.4	Haskell	5.6	Latimer	8.5
Canadian	4.4	Rogers	5.6	McCurtain	8.5

UNDER 4%



OVER 6.5%



Oklahoma Private Sector Employment

Deidre Myers, Oklahoma Department of Commerce

GAINS: The largest job gains during 2001 - 2010 were the Health Care (31,664), Mining (14,806) and Accommodation & Food Services (11,407). The sectors with the largest percentage gain were Mining (51.6%), Agriculture (41.7%), Health Care (21.2%) and Educational Services (18.0%).

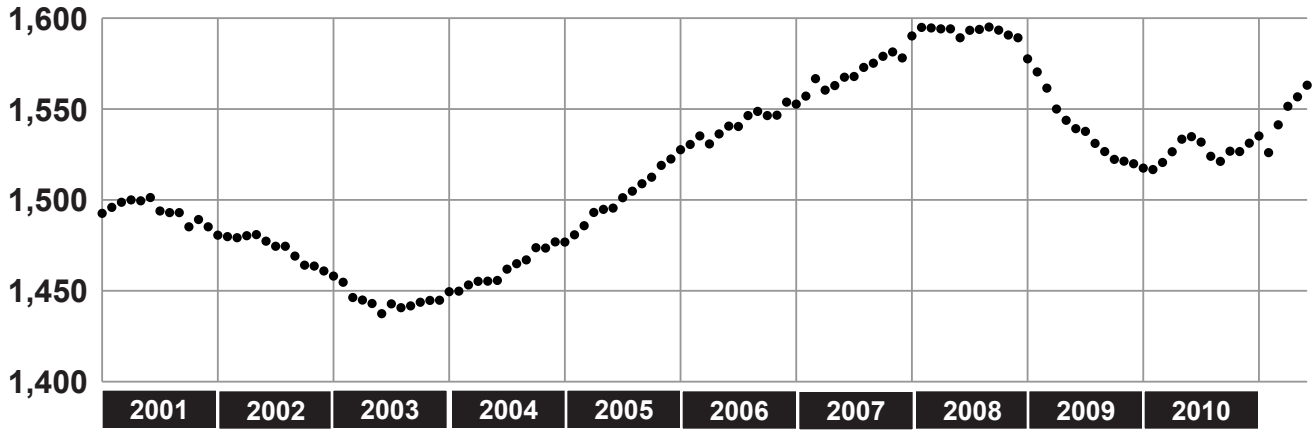
LOSSES: The largest job LOSSES and percentage losses during 2001 - 2010 were the Manufacturing (27.8% or 47,295) and Information Services (-2.6% or 12,091).

SECTOR	2001	2002	2003	2004	2005	2006
Health Care & Social Assistance	149,067	153,642	156,641	158,704	162,728	166,658
Mining	28,682	27,505	28,757	31,000	36,129	41,898
Accommodation & Food Services	113,100	113,601	113,349	115,365	118,434	121,443
Professional, Scientific, and Technical Svcs	55,085	55,457	57,051	57,708	59,574	61,406
Agriculture	7,171	7,376	7,259	7,191	7,379	7,428
Educational Services	12,285	12,797	12,879	13,827	13,770	13,651
Management of Companies & Enterprises	13,009	12,728	12,217	12,475	12,407	12,568
Construction	65,805	64,319	63,361	62,686	66,118	70,437
Finance & Insurance	53,961	54,822	55,400	56,120	55,375	56,245
Arts, Entertainment, & Recreation	13,755	14,154	13,251	13,703	14,442	15,661
Utilities	10,985	10,854	10,757	10,717	9,543	9,910
Wholesale Trade	56,307	56,564	54,891	54,518	56,749	58,891
Real Estate & Rental & Leasing	23,349	23,458	22,606	23,278	23,960	24,412
Other Services	40,738	39,721	37,015	36,242	36,059	36,164
Administrative & Support & Waste	98,547	93,096	88,028	92,211	98,584	101,880
Transportation & Warehousing	45,940	43,517	41,341	41,049	41,865	43,343
Retail Trade	175,307	172,541	169,542	169,087	169,982	170,404
Information	37,066	35,496	32,481	31,747	30,214	29,884
Manufacturing	170,085	152,179	142,906	142,417	144,752	149,313

SECTOR	2007	2008	2009	2010	Change	Pct
Health Care & Social Assistance	170,893	175,814	177,952	180,731	31,664	21.2%
Mining	46,588	52,101	43,814	43,488	14,806	51.6%
Accommodation & Food Services	122,965	125,094	125,565	124,507	11,407	10.1%
Professional, Scientific, and Technical Svcs	63,279	65,012	62,227	62,539	7,454	13.5%
Agriculture	7,492	7,375	10,362	10,164	2,993	41.7%
Educational Services	13,670	14,151	14,433	14,496	2,211	18.0%
Management of Companies & Enterprises	13,344	13,761	13,390	15,162	2,153	16.6%
Construction	71,583	75,567	69,003	67,347	1,542	2.3%
Finance & Insurance	56,805	57,449	56,779	55,356	1,395	2.6%
Arts, Entertainment, & Recreation	17,293	18,680	14,430	14,226	471	3.4%
Utilities	10,412	10,874	11,442	11,246	261	2.4%
Wholesale Trade	59,768	59,787	56,581	55,741	-566	-1.0%
Real Estate & Rental & Leasing	24,098	23,646	22,261	21,638	-1,711	-7.3%
Other Services	37,648	38,333	36,431	35,503	-5,235	-12.9%
Administrative & Support & Waste	104,844	105,463	89,994	92,569	-5,978	-6.1%
Transportation & Warehousing	45,149	44,021	41,937	39,925	-6,015	-13.1%
Retail Trade	171,676	173,302	169,929	168,591	-6,716	-3.8%
Information	28,746	28,964	27,509	24,975	-12,091	-32.6%
Manufacturing	150,528	150,568	129,335	122,790	-47,295	-27.8%

Oklahoma Employment - All Non-Farm (thousands)

Deidre Myers, Oklahoma Department of Commerce



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2001	1,493	1,496	1,499	1,500	1,500	1,501	1,494	1,493	1,493	1,485	1,489	1,485	-0.5%
2002	1,481	1,480	1,479	1,480	1,481	1,477	1,475	1,475	1,469	1,464	1,464	1,461	-1.3%
2003	1,458	1,455	1,446	1,445	1,443	1,437	1,443	1,441	1,442	1,444	1,445	1,445	-0.9%
2004	1,450	1,450	1,453	1,455	1,455	1,456	1,462	1,465	1,467	1,474	1,474	1,477	1.9%
2005	1,477	1,481	1,486	1,493	1,495	1,496	1,501	1,505	1,509	1,513	1,519	1,523	3.1%
2006	1,528	1,531	1,535	1,531	1,536	1,541	1,540	1,546	1,549	1,546	1,547	1,554	1.7%
2007	1,553	1,557	1,567	1,560	1,563	1,568	1,568	1,573	1,575	1,579	1,581	1,578	1.6%
2008	1,590	1,595	1,595	1,594	1,594	1,589	1,593	1,594	1,595	1,593	1,591	1,589	-0.1%
2009	1,578	1,570	1,562	1,550	1,544	1,539	1,538	1,531	1,527	1,522	1,521	1,520	-3.7%
2010	1,518	1,517	1,521	1,527	1,533	1,535	1,532	1,524	1,521	1,527	1,527	1,531	0.9%
2011	1,535	1,526	1,541	1,552	1,557	1,563							

Oklahoma Employment Growth by County

Deidre Myers, Oklahoma Department of Commerce

County	2001	2010	Change	Pct	County	2001	2010	Change	Pct
Cleveland	61,359	71,453	10,094	16.5%	Marshall	3,908	3,965	57	1.5%
Comanche	36,660	42,661	6,001	16.4%	Pawnee	3,416	3,440	24	0.7%
Rogers	19,680	24,018	4,338	22.0%	Harper	1,200	1,223	23	1.9%
Canadian	22,255	26,034	3,779	17.0%	Pushmataha	2,790	2,801	11	0.4%
Pittsburg	13,946	17,142	3,196	22.9%	Craig	5,800	5,797	-3	-0.1%
Cherokee	13,074	15,875	2,801	21.4%	Kingfisher	5,275	5,254	-21	-0.4%
Washington	17,797	20,289	2,492	14.0%	Harmon	722	692	-30	-4.2%
Bryan	13,242	15,558	2,316	17.5%	Noble	4,060	4,001	-59	-1.5%
Garfield	22,827	24,955	2,128	9.3%	Hughes	2,987	2,927	-60	-2.0%
Pontotoc	15,011	17,139	2,128	14.2%	Coal	1,187	1,125	-62	-5.2%
Love	1,894	3,938	2,044	107.9%	Lincoln	6,659	6,587	-72	-1.1%
Beckham	7,066	9,100	2,034	28.8%	Washita	2,296	2,221	-75	-3.3%
Le Flore	10,845	12,841	1,996	18.4%	Cimarron	769	687	-82	-10.7%
Murray	3,636	5,493	1,857	51.1%	Alfalfa	1,322	1,207	-115	-8.7%
Carter	20,065	21,901	1,836	9.2%	Nowata	1,843	1,719	-124	-6.7%
Ottawa	10,232	11,903	1,671	16.3%	Caddo	7,422	7,285	-137	-1.8%
Pottawatomie	19,468	20,963	1,495	7.7%	Tillman	2,126	1,971	-155	-7.3%
McClain	6,131	7,552	1,421	23.2%	Sequoyah	8,909	8,734	-175	-2.0%
Delaware	7,514	8,553	1,039	13.8%	Johnston	2,877	2,657	-220	-7.6%
Custer	10,476	11,383	907	8.7%	Blaine	3,128	2,904	-224	-7.2%
Woodward	7,854	8,702	848	10.8%	Woods	3,298	3,059	-239	-7.2%
Osage	5,304	6,066	762	14.4%	Jefferson	1,431	1,152	-279	-19.5%
Stephens	14,467	15,099	632	4.4%	Okfuskee	2,478	2,167	-311	-12.6%
Garvin	8,474	9,079	605	7.1%	Grady	12,402	12,061	-341	-2.7%
Okmulgee	9,274	9,845	571	6.2%	Greer	1,628	1,262	-366	-22.5%
Choctaw	3,983	4,496	513	12.9%	Jackson	10,429	10,017	-412	-4.0%
Cotton	1,018	1,522	504	49.5%	Seminole	8,048	7,432	-616	-7.7%
Adair	4,692	5,080	388	8.3%	Kiowa	2,963	2,320	-643	-21.7%
Major	2,005	2,365	360	18.0%	Texas	9,851	9,191	-660	-6.7%
Wagoner	6,523	6,845	322	4.9%	Muskogee	29,937	28,999	-938	-3.1%
Dewey	1,147	1,375	228	19.9%	Latimer	4,725	3,709	-1,016	-21.5%
Beaver	1,302	1,511	209	16.1%	Mayes	11,693	10,574	-1,119	-9.6%
Logan	6,520	6,711	191	2.9%	McCurtain	11,975	10,527	-1,448	-12.1%
McIntosh	4,066	4,252	186	4.6%	Creek	18,314	16,426	-1,888	-10.3%
Atoka	3,097	3,275	178	5.7%	Kay	21,273	19,086	-2,187	-10.3%
Ellis	899	1,072	173	19.2%	Payne	34,247	31,382	-2,865	-8.4%
Grant	1,052	1,169	117	11.1%	Oklahoma	415,507	409,564	-5,943	-1.4%
Haskell	3,651	3,767	116	3.2%	Tulsa	342,502	327,694	-14,808	-4.3%
Roger Mills	778	840	62	8.0%	**STATEWIDE**	**1,430,681**	**1,455,641**	**24,960**	**1.7%**

Section 4

Fundamentals

Focus on the Fundamentals

Dan S. Rickman, Regents Professor of Economics, Oklahoma State University, Stillwater

The term "economic development" means different things to different people. For local business owners it likely means increased numbers of customers and profits. Local elected officials often tout job growth or increased tax revenues as economic development. Landowners may perceive rising land prices as evidence of economic development. Others argue that these measures omit important quality-of-life considerations such as physical and mental health, environmental quality, the availability of leisure activities and other valued goods and services. What tends to be overlooked, however, is the extent to which these are interrelated.

Citizen Satisfaction as Economic Development

Economists view regional economic development in "welfare" terms. By welfare, economists are referring to the utility, or satisfaction, citizens derive from their place of residence. Both pecuniary considerations, those measured in terms of money, and non-pecuniary considerations, factor into overall satisfaction with place of residence.

In recent years, Oklahoma increasingly has moved in the wrong direction along key dimensions. The extensive use of fiscal incentives, attempts to pick industry winners, accompanying significant cuts in education, and infrastructure needs, threaten to undermine Oklahoma's future prosperity.

For example, the availability of good-paying jobs increases the attractiveness of the area. Yet, the attractiveness of an area also is enhanced by a high quality surrounding natural environment, and access to valued goods and services.

Regarding government's role, low taxes increase households' disposable income, making an area more attractive. On the other side of the ledger, high quality educational services make an area more attractive to households with children.

Higher satisfaction levels provide incentives for people to migrate into an area. In-migration increases the demand for output from local businesses, raises land prices, and provides the labor supply necessary for job growth. Expenditures on education and roads also can increase productivity, directly attracting firms, and indirectly increasing population. Thus, factors which directly and indirectly increase the overall satisfaction of an area for its citizens lead to desired outcomes from most perspectives. However, to focus on one factor at the exclusion of others can be self-defeating or have unintended negative consequences. Communities and local economies are complex systems, and need to be understood as such to maximize economic development.

An analysis of self-reported satisfaction levels across America, obtained from a survey conducted by the Center for Disease Control and Prevention, revealed that satisfaction of Oklahoma residents with their lives for the period 2005-2008 was one standard deviation below the national average (Oswald and Wu, forthcoming). This placed Oklahoma 42nd among the fifty states and Washington D.C. The lower satisfaction of Oklahomans with their lives remained after controlling for demographic characteristics such as age, gender and education level.

It could be expected then that states with higher reported satisfaction levels would grow faster. In fact, the correlation of the state ranking in residents' average satisfaction level with the state population growth ranking for the period 2000 to 2010 is 0.48. Oklahoma outperformed expectations based on the correlation, however, with the 24th fastest rate of population growth over the decade.

In an analysis of state employment growth for 2000 to 2007, roughly the period of the previous economic expansion, the natural amenity attractiveness of the state was the most significant determinant (Goetz et al., 2011). When included in the analysis, the top marginal personal income tax rate, the top corporate income tax rate, and the effective property tax rate were not statistically associated with state employment growth.

Having a right-to-work law, and having a greater variety of financial assistance programs were negatively related to employment growth, while having a greater variety of tax incentive programs and a more lax regulatory environment were statistically unrelated.

"State and local officials should focus more on the fundamentals: improving education, investing in public infrastructure, and replacing the extensive use of tax credits with broad-based reductions in tax rates ..."

The authors conjecture that lower tax burdens and greater use of tax incentives reduce expenditures on productive and valued public services such as education and highways, which offset any beneficial effects of lower taxes. Based on the statistical evidence, the authors conclude that a simple "race-to-the-bottom" in taxes and regulations by themselves will not bring economic prosperity, and may prove to be harmful.

In my research on U.S. nonmetropolitan counties during the 1990s, I found increased county property taxes as reducing local economic activity, while increased county expenditures on primary and secondary education, highways, and public safety, increased economic activity.

Local sale tax rates did not differentially affect economic activity relative to other county tax and expenditure categories. Because tax cuts must be accompanied by spending cuts for government budgets to be balanced, i.e., tax cuts do not generate sufficient economic activity to pay for themselves, tax cuts may on balance reduce economic activity if the wrong taxes and expenditures are reduced.

Academic studies also do not support the notion that federal, state or local governments can create beneficial industry clusters. Having government choose which industry to subsidize only invites intense lobbying and economic inefficiencies. In on-going co-authored research, we have found county employment growth in high-tech industries to be unrelated to the pre-existence of a cluster or proximity to a major research or land grant university. However, a striking finding is the positive role of an existing large pool of college educated workers. The role of universities in stimulating high-tech employment growth appears primarily to derive from producing college graduates, not from producing beneficial knowledge spillovers for private firms.

In recent years, Oklahoma increasingly has moved in the wrong direction along key dimensions. The extensive use of fiscal incentives, attempts to pick industry winners, accompanying significant cuts in education, and infrastructure needs, threaten to undermine Oklahoma's future prosperity. Whether a relative decline occurs depends on actions of other states, but economic prosperity will be lower than it otherwise would have been.

State and local officials should focus more on the fundamentals: improving education, investing in public infrastructure, and replacing the extensive use of tax credits with broad-based reductions in tax rates. Improve the fundamentals and evidence of economic development in Oklahoma will abound.

References

Goetz, Stephan J., Mark D. Partridge, Dan S. Rickman and Shibalee Majumdar, 2011. "Sharing the Gains of Local Economic Growth: Race-to-the-Top versus Race-to-the-Bottom Economic Development," Environment and Planning C 29(3), 428-456. AND Oswald, Andrew J. and Stephen Wu, forthcoming. "Well-being across America," Review of Economics and Statistics, doi: 10.1162/REST_a_00133.

Site Selection Considerations (%)

25th Annual Corporate Survey, Area Development Online, July 29, 2011

The published survey contained four response categories. They were Very Important, Important, Minor Consideration, Of No Importance. The table below collapses Very Important and Important into a MAJOR Factor; and Minor Consideration and Of No Importance is collapsed into a MINOR FACTOR category. The entire survey is at www.areadevelopment.com.

CATEGORY	FACTOR	MAJOR	MINOR
Transportation	Highway accessibility	97.3	2.7
Labor	Labor costs	91.0	9.0
Finance	Tax exemptions	90.9	9.1
Other	Occupancy or construction costs	89.8	10.2
Finance	State and local incentives	89.3	10.7
Finance	Corporate tax rate	86.3	13.8
Labor	Avialability of skilled labor	85.9	14.1
Quality of Life	Low crime rate	84.6	15.3
Other	Inbound/outbound shipping costs	84.0	16.0
Other	Energy availability and costs	82.1	17.9
Other	Availability of buildings	81.0	18.9
Labor	Low union profile	75.4	24.5
Other	Environmental regulations	74.8	25.2
Other	Availability of land	73.4	26.6
Transportation	Availability of advanced ICT services	72.9	27.0
Quality of Life	Healthcare facilities	72.2	27.8
Quality of Life	Housing costs	68.4	31.5
Other	Expedited or “fast track” permitting	68.2	31.7
Labor	Right to work state	67.9	32.1
Other	Proximity to major markets	66.4	33.6
Quality of Life	Housing availability	66.4	33.7
Other	Proximity to suppliers	63.6	36.3
Other	Raw materials availability	61.5	38.5
Quality of Life	Ratings of Public Schools	61.2	38.7
Finance	Availability of long term financing	58.5	41.5
Labor	Training progams	56.7	43.2
Quality of Life	Climate	56.3	43.8
Quality of Life	Colleges and universities in area	53.2	46.8
Transportation	Accessibility to major airport	50.0	50.0
Quality of Life	Cultural opportunities	48.7	51.4
Quality of Life	Recreational opportunities	48.2	51.8
Labor	Availability of unskilled labor	45.4	54.6
Other	Proximity to technical university	36.1	63.8
Transportation	Railroad service	36.0	63.9
Transportation	Waterway or oceanport facility	21.9	78.2

The OU Economic Development Institute

Ken Moore, CCE, President and CEO, Edmond Area Chamber of Commerce

Meet Ken Moore

Ken Moore, President & CEO, Edmond Area Chamber of Commerce, is a certified chamber executive with more than 30 years of experience and has served chambers of commerce in Missouri, Kansas, Oklahoma, California and Virginia. He has served as president of the Norman (OK) Chamber of Commerce, executive vice president of the Oklahoma State Chamber of Commerce, president of the Orange County (Calif.) Chamber of Commerce and executive vice president of the Orange County Business Council.

Moore has served as president of the Oklahoma Chamber of Commerce Executives and president of the Oklahoma Economic Development Council. He served two terms on the U.S. Chamber of Commerce Institute for Organization Management's Board of Trustees and served as chairman of management programs at the University of Oklahoma and Southern Methodist University.

In 1999, Moore was recognized as the "Professional of the Year" by the Oklahoma Society of Associations Executives. He was named as "Executive of the Year" by the Oklahoma Chamber of Commerce and was the second person selected for the Oklahoma Chamber of Commerce Executives Hall of Fame. The Western Association of Chamber Executives presented him with its Pettit Award for "Excellence in Leadership" in 1996. Moore was recently appointed by the U. S. Chamber of Commerce to serve on the prestigious Chamber of Commerce Committee of 100.

Acknowledgement
Thank you to Dr. Richard Little, Associate Vice President for Outreach at the University of Oklahoma for his contributions to this article and for his tireless leadership to the Economic Development Institute.

Introduction

Every community wants to expand their local economy either through the expansion of existing business or by attracting new business that will provide additional job opportunities. As the competition grows so does the need for well trained professionals to guide and direct local economic development efforts. Unfortunately the opportunities for studying economic development at the undergraduate or graduate level are limited or non-existent.

While the practice of economic development has been going on for many years, it is still an emerging profession. Unlike yesterdays practice of wining and dining a client or a prospect, today's economic development professional must have all the facts and technical information ready to answer the complex questions of the customer.

The University of Oklahoma's Economic Development Institute (EDI) is an executive development certificate program that has been the primary professional training program for those in the business of economic development since its creation in 1962. The Economic Development Institute was designed to address the need for both introductory and advanced level training for those in the practice of expanding their local economies.

The primary purpose of the Economic Development Institute is to provide participants with skills in business retention, expansion, attraction, and creation of jobs in the community or area for which they are responsible.

Additionally, graduates gain the basic knowledge needed to acquire the professional distinction of certified Economic Developer (CEcD) from the International Economic Development Council. "EDI establishes the base for learning the business of managing Business Attraction, Business Retention & Expansion, as well as Entrepreneurship/Small Business Development.

While a professional economic developer will seek many opportunities for professional development, EDI provides the base for that learning," said Jim Fram, CEcD, CCE, Senior Vice President-Economic Development, Tulsa Metro Chamber.

"Unfortunately the opportunities for studying economic development at the undergraduate or graduate level are limited ..."

Admission to OU/EDI is dependent on meeting one of three criteria:

- *Completion of an accredited economic "basic" course*
- *Completion of CUED/IEDC introduction to economic development course*
- *Five years employment in a full time economic development position*

With these one year sessions, usually held annually, participants are introduced to critical concepts and practices in key topic areas. Teaching methods include case studies, hands-on laboratories, discussion groups and lectures. While sessions are designed to be interactive, learning goes well beyond class room activities by providing ample opportunities to discuss best practices, successes and failures in an informal setting before and after class. This also helps to create long lasting bonds between students and faculty that has proven to be beneficial to participants.

Classroom sessions are extensive and comprehensive. There is a focus on keeping and retaining business in addition to the attraction of new job opportunities. Classes include but are not limited to strategic planning, financing the economic development initiative, international trade, effective prospect management, communications (internal and external) and workforce development.

Noting a trend toward partnerships, classes are provided on establishing and sustaining regional economic development organizations in addition to business collaborations and networks. Since approximately 90% of all new jobs are created as a result of the expansion of existing local business, a significant amount of classroom time is spent on retention and expansion.

A formal mentoring program pairs participants with seasoned practitioners who can advise the student on which classes prepare the student for work responsibilities. This mentor might also be able to assist those economic development professionals to prepare for professional certification (CEcD).

Faculty consists of highly qualified economic development professionals as well as full time faculty from the University of Oklahoma. This unique combination creates an environment that enhances the learning experience for the economic development professional.

According to Wes Stucky, President and CEO, Ardmore Development Authority, "The Economic Development Institute affords attendees an opportunity to learn about the practice of, and myriad activities associated with the field of economic development. Participants receive practical guidance from seasoned and successful practitioners offering real life experiences.

Attendance at EDI should be required for all people in the profession as it can jump start a successful career and help developers avoid pitfalls."

EDI offers weeklong sessions at The University of Oklahoma, Dallas and Indianapolis. There are three courses on-line which help EDI reach smaller communities with limited financial resources. Programs are usually comprised of 250-300 students. Currently there are over 25 accredited "basic" economic development courses. The main purpose of these courses is to give the practitioner exposure to the different components of economic development.

The OU program has a national and international reputation that has brought students to the OU campus. Since its establishment in 1962 more than 3100 students have graduated from EDI, representing all fifty states, Mexico, Canada, England, Australia, and Russia. The University of Oklahoma, through the Economic Development Institute, remains the place of choice for those who want to lead in this dynamic profession.

Oklahoma's Incentive Review Committee

Larkin Warner, PhD and Robert C. Dauffenbach, PhD

Meet the Authors

Larkin Warner and Bob Dauffenbach are academic economists who have served on the Incentive Review Committee since it was established by the Oklahoma Legislature in 2004. Warner is Regents Professor Emeritus, Oklahoma State University's Spears School of Business, and Dauffenbach is Associate Dean for Research and Graduate Studies at the University of Oklahoma's Price College of Business.

Financial incentives are a principal tool that Oklahoma state government uses to promote private economic development and expand jobs and investment. These incentives often include modifications in the tax system. In one way or another, the incentives reduce state revenues or increase state outlays. At the time of their adoption, the legislature and governor are convinced that a particular action will have a positive impact on the bottom line of business enterprise in Oklahoma. They assume that the incentive actually will have a significant impact on business behavior. They also assume that the change in behavior will have a sufficiently large impact on the state's economy to justify the application of state government financial resources.

After the incentives have become operational, assessment of their effectiveness is often initially made by enterprises and organizations with an interest in promoting and expanding the incentive. To one degree or another, legislative committees and staff have also assessed effectiveness.

The 2004 session of the Oklahoma Legislature created an Incentive Review Committee (IRC) to assist in this evaluation process. The following discussion introduces the scope and structure of the IRC, sets forth the guiding principles by which it operates, lists a selection of the incentives examined, and reflects on the challenges encountered in this area of policy evaluation.

Scope and Structure

The Incentive Review Committee:

Senate Bill 1516 of the 2004 session of the Oklahoma Legislature set forth a broad classification of state government incentives to be potentially reviewed by the IRC. These incentives include "special exclusions, credits, exemptions, or deductions" applying to a particular tax. Also included is any measure "that provides direct payment incentives and other measures designed to entice businesses to locate or expand in Oklahoma."

A nine member committee is appointed to undertake these reviews. The Governor, President Pro Tempore of the Senate, and the Speaker of the House each appoint three members. The members serve terms of four years and may be reappointed up to three times. Staff support for the IRC is provided by the Oklahoma Tax Commission and the Oklahoma Department of Commerce.

The overarching challenge is set forth. "The Committee shall annually conduct a review of existing tax incentives in an individual tax code and may conduct *an in-depth review of the cost and benefits* of selected tax incentives." (Emphasis added.) S.B. 1516 also specifies a set of twelve elements to be included in the IRC's treatment of each incentive reviewed, culminating in a public hearing. Particularly important is the seventh of the twelve elements which requires the review to include "A determination of the effectiveness in achieving the desired objective." Annual reports are prepared each year and submitted to the Governor and two principal legislative leaders

Principles of Sound Tax Incentives

Shortly after its formation in late 2004, the committee developed a set of "Principles of Sound Tax Incentives" to serve as guidelines in reviewing incentives. These were largely based on a review of the literature on economic development incentives and the identification of principles upon

which there was wide agreement. They have been modified and supplemented only slightly since their original adoption. The following principles and commentaries are from the IRC's *2010 Annual Report*.

Principle 1
The costs of the incentive system should be less than the benefits.

Too often, we consider only the benefits, not the costs. Too often, we view the effect of incentives in a partial equilibrium sense, not general. For example, a highly successful incentive program might raise the cost of doing business for firms not receiving the incentive, necessitating a reduction in employment. States with balanced budget requirements must recognize that less revenue from one source creates greater burdens on existing firms and citizens. Similarly, when estimating the benefits and costs of an incentive program, the time value of money should be considered. That is, if the benefits of an incentive all occur many years in the future, the current benefit is significantly lessened and this impact must be accounted for in estimates of both costs and benefits.

Principle 2. An individual incentive program should fit well within the broad strategic framework of state economic objectives.

Individual incentive programs should play a key role within the portfolio of state policy initiatives promoting a favorable business environment. This environment emphasizes business attraction, business retention, new business start-up, high technology, efficient land use, geographic balance, and training to improve labor productivity and incomes. In addition, the state's objectives include a tax system characterized by equity and incentives for efficiency and growth. <u>An overarching consideration in the choice and design of economic development incentives is the need to compete effectively with other jurisdictions which also offer incentives.</u> Tax incentives for economic development are inherently selective and not available to all competitors within an industry (see Principle 4 below). To the extent possible, tax incentives should have minimum negative impacts on existing competitors unable to take advantage of the incentives' benefits.

Principle 3
The objectives of the program should be clearly identified.

Incentive programs have as their purposes (a) expansion of business activity that exports outside the regional economy, (b) substitution for imports to the regional economy, (c) increased productivity, (d) improved resource utilization, i.e., reduction of unemployment and underemployment. Just how a program is going to yield specific results should be clearly specified.

Principle 4
Incentive programs should be targeted to firms where the program will clearly make a difference.

Firms are not equal in their ability to contribute to the economic well-being of a region, as is evident by substantial variation in industry output, income, employment multipliers and emerging sectors wherein special competencies and competitive advantages rooted in regional research experience exist.

This is a basic fact of economic expansion that needs to be heeded. Targeting may also be necessary in order to compete with incentives offered by other jurisdictions.

The epitome of targeting is a "deal-closing" fund which is used by many jurisdictions to provide the marginal difference to a business making the location decision. "Deal-closing" funds are commonly used to create incentives to create or retain jobs by defraying costs for infrastructure, employee training or tax incentives.

Carefully administered targeting programs can reduce the overall cost to a state of its incentive programs. Targeting can avoid turning economic development incentives into generalized business "entitlements" which cost the state money but

which do not change the behavior of business firms and thus do not promote economic development.

Principle 5
Incentive programs should be neutral with respect to the types of industries that qualify for the program.

Service industries are dominating growth in US businesses. If a firm's application meets the tests of export expansion, import substitution, or other enhancements to resource utilization, it should not matter what industry the firm is identified with.

Principle 6
Incentive programs should have built-in evaluation mechanisms.

Without the capability to evaluate the benefits and costs of a program, there is little or no rationale for undertaking the program in the first place. Evaluation programs and generation of the appropriate data sources for evaluation need to be specified before the program is undertaken. The evaluation process needs to be followed closely according to plan.

Principle 7
Incentive programs should have sunset provisions and other features that enhance accountability.

Sunset provisions focus attention on the evaluation process and outcomes, and, thus, should be components of these programs. Industry is probably more mobile now than it has ever been, historically. Economic development initiatives should not fall into the trap of attempting to attract footloose industries and other copy-cat initiatives.

Principle 8
Incentive systems should be based on rules versus discretion.
Basing decisions on who gets incentives on a set of well-defined guidelines of eligibility is imperative to the ultimate potential for favorable evaluation.

Principle 9
Incentive systems using tax credits should seek to maximize the dollars flowing to the intended purpose.

Those incentive systems that utilize tax credits should consider the costs of those tax credits to the State and seek to structure credits in a manner that will maximize the dollars flowing to the intended purpose per dollar of state expenditures on the tax credit. A targeted firm with no tax liability will not benefit directly and immediately from a tax credit. Hence transferrable (i.e., saleable) tax credits are preferable to those that are nontransferable.

Selected Incentives Reviewed

Over the years, Oklahoma state government has created many measures involving revenues or expenditures and affecting economic development. While most of these measures may be classified as "tax expenditures," it is emphasized that the term "tax expenditure" has a much broader application. In its 101 page *Tax Expenditure Report 2009-2010*, the Oklahoma Tax Commission provides an extensive set of estimates of revenues forgone for various purposes including economic development. However, many of the measures treated as tax expenditures have other purposes, e.g. assistance to the poor or benefits to retired veterans.

The IRC staff at the Oklahoma Department of Commerce has developed a detailed listing of 104 of the economic development incentives and related measures including their statutory basis and the amount of expenditures or credits involved. The latest of these lists is available in the IRC's *2010 Annual Report.* Substantial details of the programs are described in the Oklahoma Department of Commerce's *2011 Oklahoma Incentives and Tax Guide* and earlier issues. This publication is easily accessible on the Department's web site.

During 2004-2010 the IRC has reviewed in detail several of the most significant of the incentives. Brief reviews and discussions have been held with respect to some of the lesser of the measures. Here is a selection of incentives examined by the IRC.

1. Investment/New Jobs Income Tax Credit—This is a five-year tax credit for manufacturers investing in depreciable property and hiring new workers. Detailed analysis of impacts indicates effectiveness.

2. Three programs of tax credits for firms supplying business capital—Rural Small Business Capital Formation, Small Business Capital Formation, and Venture Capital Tax Credit. In the 2008 fiscal year, the combined amount of credits for these three programs was $105 million. More analysis is needed.

3. Oklahoma Quality Jobs Program—This consists of direct payments by the state to firms creating new jobs. Payments may be up to 5 percent of payroll. This is largely for manufacturers and is arguably the most popular of Oklahoma's economic development incentives. New revenues to state government probably are at least equal to the state's outlays for the program.

4. The Oklahoma Opportunity Fund and the need for some type of "closing fund" for the state.

5. Several little-used or not used incentives were recommended for abolition.

6. Insurance Premium Tax Credits—These are from various sources, but general view is that they are helpful in retaining insurance company headquarters.

7. Others reviewed include: Tax Increment Finance (TIF) districts; the five-year ad valorem tax exemption for new and expanded manufacturing facilities; the Oklahoma Development Finance Authority and the Oklahoma Industrial Finance Authority; Incubator Site Tenant Tax Exemption; Tax Credit for Producer-Owned Agricultural Processing facilities; and Oklahoma Coal Production Credits.

Challenges in Policy Evaluation

The annual reports of the IRC 2005-2010 treat a wide range of state government economic development incentives. A good deal of information has been accumulated and reviewed during the committee's monthly meetings. Agencies have consistently cooperated in the provision of information. Much information on revenue impacts has been supplied by the Oklahoma Tax Commission. Staff of the Oklahoma Department of Commerce has regularly appeared before the IRC to provide details concerning the operation of incentives. Especially helpful has been ODOC staff in managing the regular operations of the IRC including recording minutes, distributing materials, fulfilling the requirements of agenda preparation and posting, and developing and maintaining a detailed listing of state incentives. Membership of the committee has been remarkably stable, with six of the nine original 2004 members continuing to serve in 2011.

From the outset, the IRC has had no budget to commission detailed reviews of the benefits and costs of individual incentives. Such research on the frequently used incentives could be helpful.[1] Nevertheless, the committee has gained insights into the environment in which incentives function and the challenges involved in evaluating their effectiveness.[2] Here are several general questions which arise in evaluating economic development incentives.

(1) Isn't the use of incentives by state and local governments throughout the nation (and the world) really a zero sum game in which the competing entities would be better off if there was no use of incentives at all? This question is always thought-provoking. However, there is no realistic possibility for the adoption of such a regime.

(2) Critics of incentives sometimes argue that they do not really change business behavior. Much more fundamental features such as labor market conditions and transportation costs are the determining factors in decisions to locate or expand a business.

Wouldn't Oklahoma be better off not using incentives? This question is almost impossible to answer definitively. However, one response is that Oklahoma is a relatively small state that does not make the rules of the game, and, in the opinion of development specialists, would be at disastrous disadvantage in comparison with other jurisdictions without an effective mix of incentives. The IRC has been utilizing a remarkable state-by-state database on development incentives maintained by the national Council for Community and Economic Research (C2ER), an organization of chamber of commerce research specialists. Information is thus readily available concerning competing economic development incentives—and there are plenty.

The decision to locate a new facility in Oklahoma is a very important potential response to economic development incentives. Yet a large share of the incentive benefits are received by existing Oklahoma establishments that are expanding capital investment and employment after already making the decision to locate a facility in Oklahoma. It should be remembered that Oklahoma firms can relocate in a different state—as in the case of oil firms relocating to Houston.

(3) Isn't the implementation of incentives so opaque that it is virtually impossible to evaluate policy effectiveness? Isn't much more transparency needed? For the most part, the experience of the IRC is that information for evaluation is available and confidential firm-by-firm data is not necessary. For example, the Oklahoma Tax Commission provides extensive public information concerning the application of two of the state's major programs, i.e. the Quality Jobs Act, and the ad valorem tax exemption for new and expanded manufacturing facilities. More information about the use of tax credits in the formation of capital companies would be helpful.

(4) What about equity? Is it fair for the state to provide tax and other benefits to new firms when the same advantages are not provided to existing firms that are sharing markets with the firm receiving the benefit of the incentive? While this reflects a reasonable criticism, the IRC has not encountered this problem.

(5) Do we really know enough about future patterns of economic growth to be able to choose certain sectors for special incentives, e.g. bioscience, aviation, and nanotechnology?

Although this "industrial policy" carries risk, some developments are a relatively sure bet on which to focus limited state government resources.

(6) Has the Oklahoma Legislature been sufficiently careful in designing incentive programs? An examination of the evolution of statutes in this field immediately indicates that a basic incentive measure is modified and expanded session after session. Laws get longer and longer. There may be good reasons for such changes, but there may also be cases in which there is political pressures to share the benefits of a program.

CONCLUSION

In a time of flagging state revenues, it is certainly understandable that the Oklahoma legislature is reconsidering economic development incentives. Other states are likely doing the same. Such programs should always be subjected to review and validation without reference to the current funding situation. Still, it is necessary to recognize that all states are caught in somewhat of a *prisoner's dilemma* trap. While all states would likely be better off not providing any incentives, thereby allowing economic development to follow its natural course, the fact that some states provide incentives forces others to respond.

Oklahoma is caught in that trap, but given that, it is appropriate that a principle-based response be offered and that existing programs are evaluated in the context of those principles and the benefit/cost information the program generates. As reported here, the Incentive Review Committee, to the best of its ability, hobbled by lack of a research budget, has engaged in formulation of principles and examination of several economic development incentive programs offered by the State of Oklahoma. There is a general lack of documentation of benefits in many programs. In the Quality Jobs program, where such documentation exists, the State appears to at least break even. In other sizable programs, such assessments are difficult to make. Our hope in this brief paper is to highlight some of the accomplishments and findings of the Incentive Review Committee and point the way towards a more rational and principle-based system capable of providing the information needed for objective appraisal of program benefits and costs

End Notes

1. *The two authors have produced substantial analyses of two of the state's major programs, the Quality Jobs Act and the ad valorem tax exemption for new and expanded manufacturing facilities. See Robert C. Dauffenbach and Larkin Warner, Chapters 1 and 2 in Oklahoma 21st Century, State Policy & Economic Development in Oklahoma: 2004, pp. 1-27.*

2. *For an extensive examination of these issues by a former specialist with the Oklahoma Department of Commerce, see Dan Gorin, "Economic Development Incentives: Research Approaches and Current Views," Federal Reserve Bulletin, October 2008, pp. A61-A73.*

State Incentives Summary

Robin Roberts Krieger and Michael Ogan, Greater Oklahoma City Chamber

Oklahoma has developed a set of financial incentive programs that have positioned the state to compete well for capital investment and job creation of primary job or traded sector firms – both by existing firms that are expanding their operations, as well as new firms bringing operations to Oklahoma.

The economic growth that Oklahoma has experienced over the last decade, as well as the state's economic resilience during the most recent recession, is due in no small part to the effectiveness of Oklahoma's business climate and incentives. It should be noted that most of Oklahoma's economic development incentives are revenue positive, meaning that they provide net new revenue to the state. This performance based structure is superior to entitlement programs, which many states still utilize.

As the Oklahoma legislature begins reviewing the state incentives, we have our recommendations on the state's incentive programs. These recommendations only cover those economic development incentive programs with which the Greater Oklahoma City Chamber has experience and familiarity.

Premier Incentives

The following programs should be viewed as Oklahoma's premier incentives, which help to differentiate the state from competing locations. We feel they cannot be eliminated/diminished, or our reputation as a pro-business, economic development state would be called into question.

- Retain the Quality Jobs Program (and the Small Employer Quality Jobs Program)
- Retain the 21st Century Quality Jobs Program
- Retain the Aerospace (engineer) Employer & Employee Tax Credit programs
- Retain the Prime Contractor Quality Jobs Program

Foundational Incentives

The following programs should be viewed as foundational programs, or basic incentives offered by virtually every other state and competing location. Without these programs Oklahoma will not be considered a viable location by most firms, particularly manufacturing and warehouse & distribution firms. Some of these programs could be modified in such a way that local, regional and state governments could recover their "cost of services", while still offering significant value to a new or expanding firm.

(1) The 5-year ad valorem tax abatement and sales tax exemptions on facilities, equipment, inputs and energy used in manufacturing and warehouse & distribution operations

(2) The Freeport (inventory) Exemption

(3) The Investment/New Jobs Income Tax Credit Program

Industry Specific Incentives

The continuation of the following industry specific incentives is recommended to support the growth & development of industries important to Oklahoma's economic future.

- The Oklahoma Quality Events Program
- The Film and Music Profit Reinvestment Tax Credit and Oklahoma Film Enhancement Rebate programs
- Income Tax Credit for Gas used in Manufacturing
- Income Tax Credit for Electricity Generated by Zero-Emission Facilities
- Income Tax Credit for Qualified Rehabilitation Expenditures for Historic Buildings **
- Income Tax Credit for Energy Efficient Residential Construction **
- Sales Tax Exemption & Refund for Aircraft Repairs and Modifications
- Sales Tax Exemption & Refund for Aircraft Maintenance or Manufacturing Facility
- Excise Tax on Aircraft Sales

*** It should be noted that these industry-specific incentives are community development incentives. They should be measured against different public policy criteria, as they are not job creation incentives*

Slashing Subsidies, Bolstering Budgets

Philip Mattera, Leigh McIlvaine, Thomas Cafcas and Greg LeRoy; Good Jobs First, Washington, DC

Slashing Subsidies, Bolstering Budgets: How States Can Save Money by Targeting Ineffective Economic Development Programs by Philip Mattera, Leigh McIlvaine, Thomas Cafcas and Greg LeRoy. Good Jobs First, 1616 P Street NW Suite 210, Washington, DC 20036. www.goodjobsfirst.org. March 2011

Executive Summary

States that are responding to large budget deficits by targeting public employees and slashing vital public services such as education and healthcare are overlooking billions of dollars wasted each year on ineffective programs that provide subsidies to corporations.

Although they were enacted in the name of job creation and economic development, these programs often fail as public policies.

As examples of such wasteful subsidies, Good Jobs First profiles ten state programs that have a clear track record of under-performance and suffer fundamental problems such as the following:

They can be very expensive. Some of the programs cost state and local governments enormous amounts of money - in some cases more than half a billion dollars a year. Here are the estimated annual costs of the profileprograms:

Louisiana: Industrial Tax Exemptions ..... $745 million
New York: Industrial Development Agencies.....$645 million
New Jersey: Urban Enterprise Zones.....$600 million
Massachusetts: Single Sales Factor.....$302 million
Oregon: Business Energy Tax Credit.....$150 million
Michigan: Film Tax Credits ..... $115 million
Texas: Texas Enterprise Fund..... $112 million
Texas: Emerging Technology Fund.....$58 million
Iowa: Research Activities Credit.....$44 million
Pennsylvania: Keystone Opportunity Zones.....$19 million
TOTAL.....$2.79 billion

The $2.8 billion price tag of these programs is far from a complete tally of ineffective subsidies. The 21 states in addition to Massachusetts that have the Single Sales Factor corporate income tax giveaway are losing at least another $1.5 billion a year.

Many other states, too, have expensive enterprise zone, film tax credit, and other kinds of subsidy programs. Costly property tax abatement and tax increment financing programs are rarely tallied on a statewide basis because their costs are incurred by hundreds of local governments and school districts. Some of the cost estimates above, such as the figure for Pennsylvania's Keystone Opportunity Zones, are understated because they are not fully disclosed.

They have poor or undocumented job-creation/retention results. Most of the programs have been criticized for failing to create or retain many jobs, especially in relation to their costs. Programs such as New Jersey's Urban Enterprise Zones have actually been found to produce zero or even negative job growth. Manufacturing employment has been disappointing in Massachusetts and the other states that have adopted the Single Sales Factor system (sold as a factory job creation panacea).

They disproportionately go to large corporations that need help the least, shortchanging small businesses. In Iowa's Research Activities Credit program, more than 80 percent of the tax breaks have been going to fewer than a dozen firms, some of them large multinational corporations.

They are going to poverty-wage employers such as retailers. Among the recipients in programs such as New Jersey's Urban Enterprise Zones and New York's Industrial Development Agencies have been retailers such as Wal-Mart, which are known for not paying family-supporting wages or benefits. Because of low job quality and the fact that new stores simply relocate consumer spending rather than creating new economic activity, retailing is considered a poor economic development investment.

They have poor accountability practices. Many of the state agencies running the programs do a poor job of tracking how money is spent and whether the desired outcomes are achieved. Sometimes the way performance is defined seems to be deliberately misleading. The Michigan Film Tax Credit program, for instance, counts short-term movie production jobs as if they were permanent positions. The lack of clear standards in Pennsylvania's Keystone Opportunity Zone program caused one development official to refer to it as "legalized tax evasion."

Other accountability problems include poor disclosure of recipient data and conflicts of interest. One of the programs - Pennsylvania's Keystone Opportunity Zones - does not even disclose which companies are receiving the subsidies, much less whether they delivered on jobs. Others have substandard disclosure.

The Texas Emerging Technology Fund has been accused of recurring cronyism involving major campaign contributors. Given these drawbacks, reconsideration of such programs would make sense at any time. In light of the states' current fiscal emergency, subsidy reform should be a top priority. The reason is not just the immediate cost. The failure of many of the programs to bring about significant job creation means that they are in effect exacerbating the unemployment situation, further harming state finances by depressing payroll-tax collections and heightening the need for safety-net services. There are precedents for abolishing or curtailing subsidy programs to deal with budgetary problems. In fact, as this report is published, the California legislature is considering abolition of the state's expensive ($343 million a year) and poorly performing Enterprise Zone program.

Yet there are still scores of costly and often ineffective programs that remain unexamined and untouched. In fact, in some states, despite persistent deficits and past subsidy failures, diehard advocates of corporate tax breaks are proposing new giveaways.

Eliminating or scaling back these subsidies would by itself probably not solve the budget gap in any state, but it would make a significant contribution to the effort. And it makes more sense than cutting spending on proven public investments such as education and infrastructure that really do generate job creation and economic development.

Section 5

Scenarios for Oklahoma

Our Four Futures

The 1998 Oklahoma Academy Conference

***Scenario Construction**: The conference developed variables that would describe various Oklahoma futures. These pairs were reduced to an axis, as shown at right. The axis labels are [1] Investment Perspective: This term refers to the scope, attitude, confidence and focus of where and how we choose to invest our human, physical and fiscal assets. The poles are "Global " and "Local" and [2] Competitiveness of "Oklahomans": This term encompasses all those issues related to culture, attitude, education systems, workforce development and public policies. The poles of this axis are "Competitive" and Non-Competitive". The Stage 2 Work Groups then prepared scenario stories for each quadrant as illustrated. From those scenarios, public policy recommendations were developed.*

Prosperity Unleashed (Nationally Competitive)
What if Oklahoma "bet the farm" and aggressively pursued a vision of being a globally-oriented and highly competitive state in the national and international economy? This scenario describes a future where Oklahomans join together to remake our economy and institutions to accelerate us toward greater prosperity. The ideas are big and bold, but not unachievable. Success will require a strong collective will, timely leadership, and aggressive action.

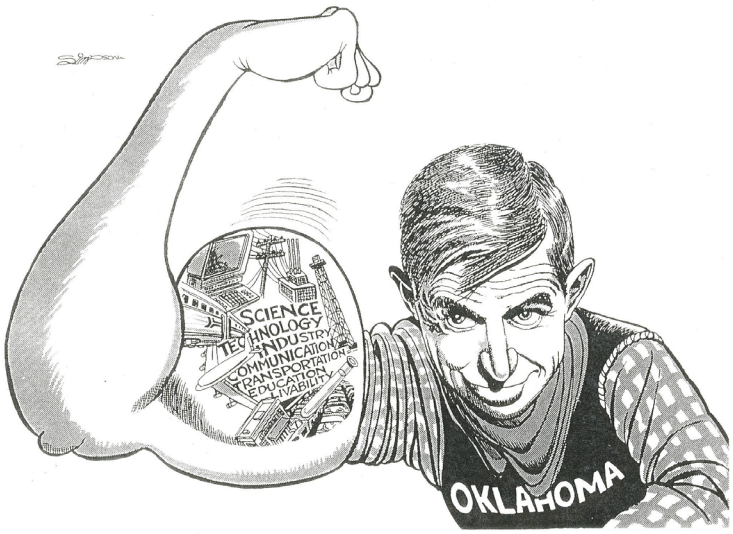
Turkey Tales (Regionally Competitive)
In this scenario, we describe an Oklahoma where the investment perspective is more local than global, but where Oklahomans are demonstrating competitiveness in using advanced technology. We see an Oklahoma family that experiences the trials and tribulations of an ever-changing technological society as it applies to their personal and private lives. The story unfolds over the course of a decade in a series of political and cultural conversations held around the dinning room table. Each Thanksgiving, the family experiences new insights about technology and how it relates to their small town. As the environment grows more competitive, so does the tension among family members. Eventually, we watch as technology comes full-circle in the community and around the dining room table.

Global Wannabes (Marginally Competitive)
In this scenario, we see an Oklahoma where leaders thought "global" ... but the lack of competitiveness of the state's institutions and people precluded success. The story shows that even the super-human efforts of the "best and brightest" are rarely enough to make significant improvements in something as complex as a state. It illustrates that less than comprehensive ideas, even when implemented, seldom have a broad impact. It demonstrates that significant state success requires a strong foundation. It requires sound institutions, collective efforts by large groups, and sound public policy investments, and the "tincture of time." In the global competitiveness game, the steady tortoise more likely wins the longer races.

Oklahoma is OK! (Not Competitive)
In this scenario, we see an Oklahoma that has become non-competitive in a technologically savvy world; and an Oklahoma that has withdrawn into a local and parochial investment perspective. Oklahoma public policy worshipped the short term and ignored the long view. Low taxes, low costs of living, and populist sentiments have created an Oklahoma where outsiders regularly create and remove wealth. Oklahoma has joined a dozen other smaller states in becoming a "colony" for others to exploit. It is an irony that the "outsiders" in this scenario were once forced out of Oklahoma, and have now returned with capital, technology and a grand vision. It describes the return of the once infamous Joad family of the "Grapes of Wrath". The Joads personified the "Okie" migrants seeking a better life in California.

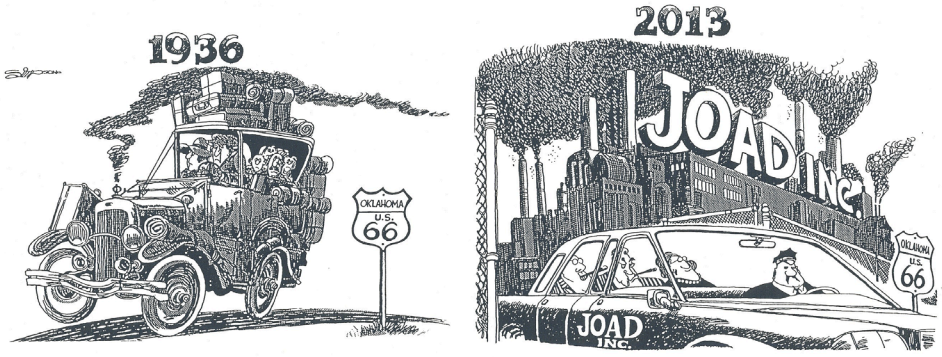
Four Futures For Oklahoma

Prosperity Unleashed



An Oklahoma Academy Scenario

Oklahoma is OK!



The Wine of the Grapes of Wrath

An Oklahoma Academy Scenario

THE POWER OF THREE

Three Super Bills

Connecting Oklahoma

Oklahoma should maximize statewide physical connectivity by a major infrastructure project.
Oklahoma should maximize statewide digital connectivity by enhancing the ONENET Network.
Oklahoma should consider supplementing the OneNet capability with wireless functions.
Oklahoma should develop a plan for prototypical "Smart Parks".
Oklahoma must monitor and publicly report our involvement in the NAFTA Corridor development.

The Oklahoma Education Bill of Rights

Oklahoma should provide the national model for a redefined 21st century public education.
The Oklahoma teacher preparation process must be re-examined and reformed.
Technology related skills must be introduced into a teacher and student competency skill testing set.
Oklahoma should allow a meaningful state tax credit for family computer purchases.
Oklahoma should "virtually" expand the concept of the Oklahoma School for Science & Mathematics.

A Natural Resources Enhancement Act

Oklahoma must aggressively manage, protect and preserve natural resource assets of the state.
Oklahoma should develop an advanced air quality R&D and monitoring capability.

Three Constitutional Changes

Allow multiple Constitutional amendments with a single vote.
Earmark the state sales tax to public (K-14) education; and minimize reliance upon property tax.
The Academy vigorously supports State Questions 680 and 681 on the November 1998 ballot.

Three Public and Private Partnershops

A Technology Entrepreneurial Institute should be established for high school students.
Invest a small portion of state public pension funds in an Oklahoma Technology Venture Capital Fund.
Oklahoma should establish a Commission to promote and finance math & science education.

Section 6

The Governor's Task Force

on Economic Development and Job Creation for 2011

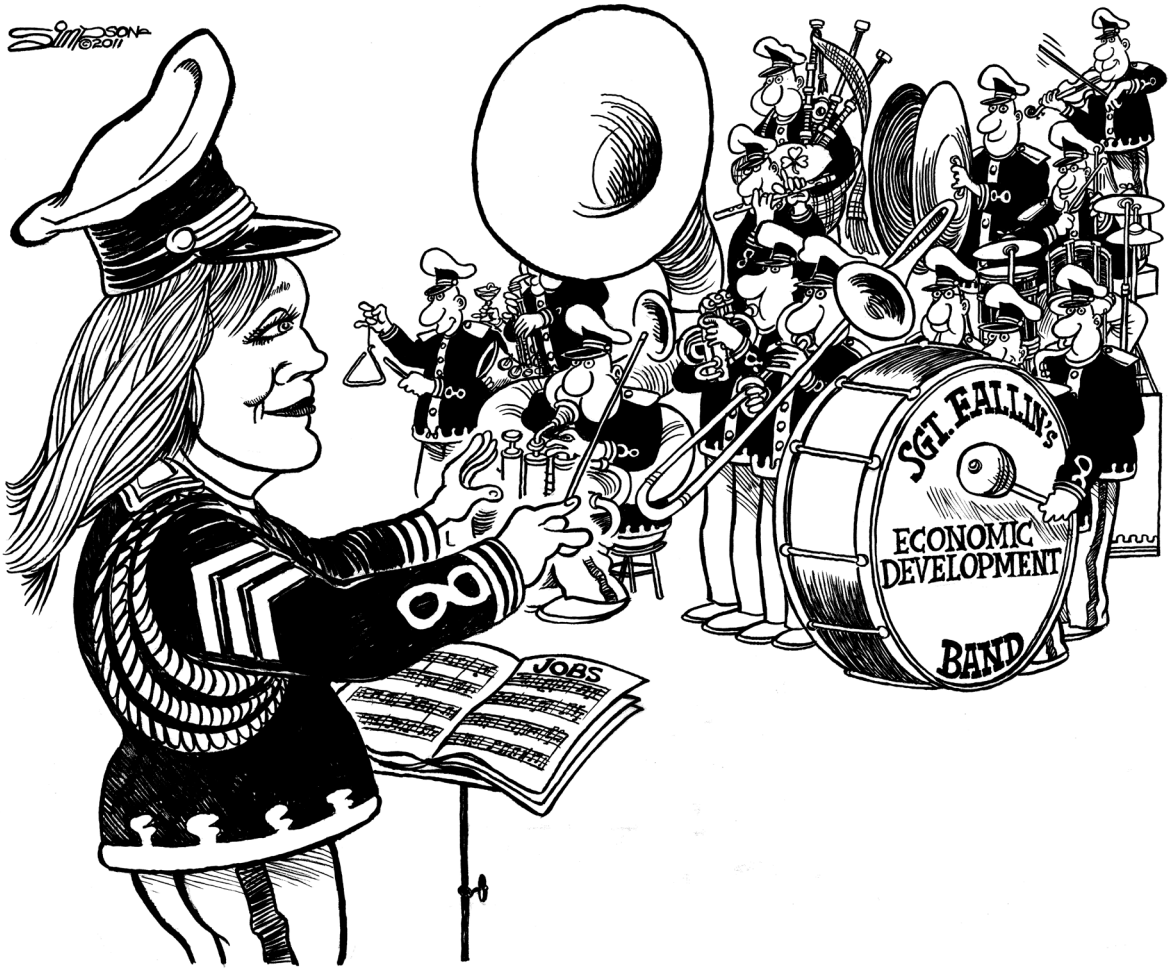
Michael Adcock, Shawnee; Mike Anderson, Presbyterian Health Foundation, Oklahoma City; Howard Barnett, OSU-Tulsa, Tulsa; Clay Bennett, Dorchester Capital, Oklahoma City; Chet Cadieux, QuikTrip, Tulsa; Michael Carnuccio, Oklahoma Council for Public Affairs, Oklahoma City; Michael Carolina, OCAST, Oklahoma City; Joe Craft, Alliance Partners, Tulsa;

Keaton Cudd, Cudd Holdings Corp., Oklahoma City; Rick Dowell, Dowell Properties, Norman; Fred Hall, Hall Capital, Oklahoma City; Hans Helmerich, Helmerich & Payne, Tulsa; David Hill, Kimray Inc., Oklahoma City; Phil Kennedy, Comanche Home Center, Lawton; Web Keogh, University Multispectral Laboratories, Ponca City; Ken Lackey, Nordam, Tulsa; Todd Lamb, State of Oklahoma, Edmond;

Michael Lapolla, Oklahoma Academy, Tulsa; David Little, Kingery Drilling Co., Inc., Ardmore; David Littlefield, Littlefield Brand Development, Tulsa; Dave Lopez, State of Oklahoma, Oklahoma City; Neal McCaleb, Chickasaw Nation Industries, Oklahoma City; Chris Meyers, Oklahoma Association for Electric Coops, Oklahoma City; Chuck Mills, Mills Machine Company, Shawnee;

Larry Mocha, APSCO, Inc., Tulsa; Mike Moradi, Century Venture Partners, Oklahoma City; Fred Morgan, State Chamber of Oklahoma, Oklahoma City; Mike Neal, Tulsa Chamber, Tulsa; John Nichols, Frederick/Oklahoma City; Larry Nichols, Devon, Oklahoma City; Jody Parker, Anchor Stone, Tulsa; Roy Peters, Oklahoma Manufacturing Alliance, Tulsa;

David Rainbolt, BancFirst, Oklahoma City; Paul Risser, OU Research Cabinet, Norman; Gerry Shepherd, Oklahoma Roofing & Sheet Metal, Oklahoma City; Gary Sherrer, State of Oklahoma, Stillwater; Jerrod Shouse, NFIB, Oklahoma City; Mike Spradling, Oklahoma Farm Bureau, Tulsa; Renzi Stone, Saxum, Oklahoma City; Bob Sullivan, Jr. (Chair), Sullivan and Company, LLC, Tulsa; Blake Wade, Oklahoma Business Roundtable, Oklahoma City; Tom Walker, i2E, Oklahoma City; Lew Ward, Ward Petroleum, Enid; Roy Williams, OKC Chamber, Oklahoma City; and Daryl Woodard, SageNet, Tulsa.



"... my administration will focus on policies that create jobs, that build a better and more productive business climate and that get Oklahomans back to work ..."

Governor Mary Fallin, Inaugural Address, January 10, 2011

Bold Ideas for Oklahoma

Robert J. Sullivan, Jr. and Governor Mary Fallin

The Governor's Task Force on Economic Development and Job Creation presented thirteen "bold ideas" to Governor Fallin on September 19, 20121. They are fully described in a separate document provided to all Town Hall attendees. The text below is the letter of transmittal from the Task Force Chairman to Governor Fallin.

September 19, 2011

Dear Governor Fallin,

Last January you asked us to assemble a Task Force on Economic Development and Job Creation for Oklahoma. We have done that. In the intervening months, 45 dedicated Oklahomans have spent dozens of man-weeks generating suggested initiatives for Oklahoma to pursue that will boost our state's economy and provide much needed jobs.

The strength and depth of the initiatives recommended in this report lie in the collective profile of those who did the work and the manner in which the work was undertaken. More than half of the 45 Task Force members are CEO's of successful businesses. The balance of the team is comprised primarily of private sector professionals who are very experienced in economic development. Taken as a whole, it is difficult to envision a group more qualified to address your request.

It is important to appreciate what this Task Force was asked to do and alternatively, what it was not asked to do. It was never the intent to produce a scholarly research document. We were tasked to provide an atmosphere and structure that encouraged these job creators to think and speak freely. The Task Force was to boldly consider economic development opportunities to be pursued, and obstacles to be overcome, based on their collective knowledge and experience. One might think of their work as stuffing a giant "Suggestion Box" on economic development and job creation.

Task Force members divided themselves into groups of 3 to 7 members around thirteen topics, with each group meeting separately. Three meetings of the Task Force as a whole were held in February, May and September to assure the collective input of all members. The resulting report of recommendations to you, with supporting information on the discussion and reasoning behind these recommendations, is now presented to you.

Task Force members were encouraged to think big and be bold. Little if any consideration was given to the politics associated with the implementation of these initiatives (this was not a Task Force comprised of politicians). Rather, the entire focus was on bold ideas for the Governor to consider that would jolt Oklahoma's economy to a significantly higher and more prosperous level.

We have been blessed in this process to have had access to vast amounts of Task Force member experience and a great deal of institutional information. For that, we are grateful and indebted to those who provided it.

In addition, it is encouraging that The Oklahoma Academy, with whom we interacted regularly over the past several months, will be continuing its excellent work in October with a three day Town Hall on Economic Development. The work of this Task Force will be a centerpiece of that effort and will accordingly be further vetted and enhanced.

Finally, we thank you for the opportunity to assist in the ongoing mission of helping to make Oklahoma a better, more prosperous place to live and work. The enthusiasm and zeal of Task Force members as they did their good work were emblematic of the work ethic and determination that are and always have been hallmarks of Oklahomans.

Respectfully Submitted
On Behalf of Task Force Members,

Oklahoma Economics

Lieutenant Governor Todd Lamb

Meet Todd Lamb

Oklahoma elected Todd Lamb as Lt. Governor on November 2, 2010. With a campaign focused on job growth and economic development, Lt. Governor Lamb achieved an overwhelming victory and quickly began putting his forward-thinking ideas and agenda in place. Soon after the election, he was appointed to the Governor's cabinet as the advocate for Oklahoma's small business.

An Enid native, Lamb has spent many years in public service to his state and nation. He served in the Keating Administration, and worked on the staff of United States Senator Don Nickles.

Lamb also became a Special Agent with the United States Secret Service where he was elected president of his Secret Service Academy class and graduated with special recognition. His duties included domestic and international protection assignments during the Clinton and George W. Bush administrations.

Lt. Governor Todd Lamb was elected to his first term in the Oklahoma Senate in 2004 and re-elected without opposition in 2008. While in the Senate, Lamb fought for government reform and measures that improved Oklahoma's economy.

In 2009, Lamb became the first Republican Majority Floor Leader in state history. He currently serves as Treasurer of the National Lieutenant Governor's Association (NLGA) Executive Committee and Vice Chair of the Aerospace States Association (ASA).

Todd has worked in the private sector as a landman in Oklahoma's energy industry. He and his wife Monica have been married 16 years and have two children, Griffin and Lauren.

OKLAHOMA

Oklahoma is a great state. And I'm not just saying that because I'm required to as Lt. Governor. I believe this is the greatest, most unique state in our nation.

As Lt. Governor, I am tasked with the honor of being an Oklahoma ambassador. I get the opportunity to not only be on the road visiting with Oklahomans, but also traveling the nation selling Oklahoma to other states and businesses encouraging them to invest in our people and our economy. Today, we are a part of a new Oklahoma – an Oklahoma that is rapidly becoming a state of excellence and a place to head for, not just a place to be from.

Oklahoma stands out from other states in the union, defining entrepreneurship. We were the only state to be settled by a land run. The gun fired, and the early settlers raced to build a life from the ground up. Prior to that, our sovereign nation citizens personified entrepreneurship as commercial traders and real estate brokers. Both are two extraordinarily unique examples of individualism, self-reliance and a pioneering spirit. Since the beginning, our state has continued to be on the forefront of industry and idea development. As Lt. Governor, it is a privilege to be a strong ambassador on behalf of Oklahoma on a national stage.

To accelerate economic development requires more than just rhetoric. Oklahoma must implement public policy that keeps our loved ones here and provides our future generations opportunity to thrive as Oklahomans. With Governor Fallin's leadership, the legislature moved in that direction this past session. In Oklahoma, we expect to beat Texas in football. Now it's time we expect to compete with Texas in economic development.

SMALLER BUSINESS
Governor Fallin's first appointment to her cabinet was selecting me as Oklahoma's Small Business Advocate. Over 95% of Oklahomans work in small business. Small business is the backbone of Oklahoma's economy. Through this role, I have made it a priority to visit with local businesses across the state and learn exactly what they have done to become successful. These visits also give me the chance to not only hear what is working, but also hear what impediments may be hindering Oklahoma's growth. We must continue to generate a business-friendly climate that will bring more jobs and more families to our great state.

AEROSPACE
Business retention is a key part of economic development. In addition to serving as Lt. Governor, this past spring I was elected Vice Chair of the Aerospace States Association (ASA). Oklahoma has a long-time vested interest in aerospace with a history full of leaders in aviation. Our commitment to aerospace continues. The aerospace industry is our state's number one exporter. It is one of our top employers, providing jobs for one out of every eleven Oklahomans. The industry has a $12.5 billion economic impact, nearly 10% of the state's total impact. Oklahoma is also home to the largest military and commercial aircraft repair facilities in the world. We continue to prove that the aerospace industry can flourish in our state. Because aerospace does so much to boost Oklahoma's economy, we must work together to continue bringing this industry up to its full potential. We can't stop where we are. We must push forward to expand the reaches of aerospace and its benefits to our great state.

AGRICULTURE
This summer, I had the privilege of welcoming Dr. John Dardis, First Secretary for Agriculture and Food of Ireland, to Oklahoma. I invited Dr. Dardis to Oklahoma to tour various agriculture venues in our state including the Oklahoma City Stockyards, Braum Family Farm and Express Ranch. Dr. Dardis also visited Oklahoma State University to meet with research faculty and learn more about our valued added commodities.

The goals of this visit were two-fold: to work on potential international economic development opportunities with Ireland and to develop agricultural research relationships with Oklahoma and Ireland. Both Dr. Dardis and I voiced the commitment to our future partnership. Too many jobs leave our homeland and go overseas. International trade has the ability to bring out of state money to Oklahoma to purchase our value added goods and products. Therefore, creating jobs right here in Oklahoma.

TOURISM
Another aspect in economic development comes from visitors outside of Oklahoma. Tourism factors greatly into Oklahoma's overall economic picture as the third highest revenue source in our state's economy. Visitors from across the nation and world who visit our state see first-hand the hospitality and quality of life we as Oklahomans enjoy. Oklahoma is experiencing a true renaissance and there has not been a better time than now to visit our great state. Whether it is a lodge on a lake, hiking trails, a bed and breakfast, a spa, unique shopping and historic venues, Oklahoma has endless possibilities to be a destination location for our people.

With that desire to bring more visitors to Oklahoma, this past spring I was able to secure the 2013 annual National Lt. Governors Association (NLGA) conference in Oklahoma. That paired with my newly elected role as treasurer of the NLGA, I hope to generate interest and recognition to Oklahoma. Drawing more individuals and entities to Oklahoma is important. We must be proactive in seeking venues and ideas that will foster development in our state.

A prosperous state is the product of a thriving economy. Let us work together to see what we can do in our different occupations, our various cities, and all throughout our state that will contribute to greater growth and development. Let us all find our unique role in making Oklahoma an even better place for future generations. Let us actively search for opportunities to bring economic growth to all corners of this great state. We have nothing to lose and everything to gain.

Section 7

Taxation & Regulation

The Practice of Regulation

Dana Murphy, Chair, Oklahoma Corporation Commission

Meet Commissioner Dana Murphy

Commissioner Murphy serves as the Corporation Commission Chair. She was born in Woodward and is a fifth-generation Oklahoman. She graduated from Oklahoma State University in the top 10% of her class with a bachelor's degree in geology. After practicing as a geologist for 10 years, she earned her law degree from Oklahoma City University cum laude while working and attending night school.

On November 4, 2008, she was first elected to the statewide office of Oklahoma Corporation Commissioner for a partial two-year term. On July 27, 2010, she was re-elected to a full six-year term. On January 3, 2011, Commissioner Murphy became Chair of the Corporation Commission following election by her fellow Commissioners.

She has more than 22 years experience in the petroleum industry including owning and operating a private law firm focused on oil and gas title, regulatory practice and transactional work and working as a geologist.

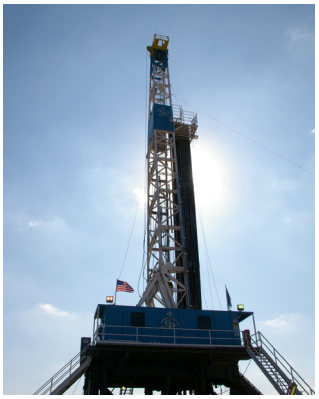
Commissioner Murphy is a member of the National Association of Regulatory Utility Commissioners (NARUC), where she serves on the Energy Resources and the Environment Committee. She is a member of the OSU Water Research Advisory Board, the Oklahoma Bar Association, American Association of Petroleum Geologists and Oklahoma City Geological Society.

Commissioner Murphy lives in Edmond but continues to be actively involved with her family's farm and ranch in Ellis County, Oklahoma.

Examples of Corporation Commission Regulatory Functions

Distribution pipelines

Public utilities & electrical generation, transmission



Oil and gas production

Vehicle weigh stations

Petroleum storage tanks & fuel dispensers

Your Commission
Approximately 20% of Oklahoma's gross state product (GSP) comes directly from enterprises regulated by the Oklahoma Corporation Commission, but this hefty contribution doesn't tell the full story. These same businesses deliver vital inputs used to produce all 100% of GSP.

The OCC regulates:

1. *Oil and gas drilling and development, the single largest contributor to GSP;*
2. *Public utilities, most notably electricity, natural gas and telecommunications;*
3. *Limited aspects of transportation, including pipelines, trucking and railroads; and*
4. *The storage, calibration and dispensing of petroleum based products.*

In a modern economy, no business can survive without energy to make its products, provide its services and simply "keep the lights on"; communication to take buyers' orders, purchase supplies and receive customer feedback; and transportation to deliver merchandise, receive component materials and move employees from home to work.

By virtue of the Oklahoma Constitution, OCC has exercised a regulatory role since statehood for public utilities and transportation companies. As a result of legislative action, the Commission has regulated various aspects of the petroleum industry since the state's first decade. Historically and by court edict, Oklahoma has been a low-regulation state, preferring to allow management a fairly free hand in making business decisions. This approach relies on the free market to drive economic growth; however, as the world changes, it is necessary for state regulators to make subtle changes in this approach.

While the Commission has worked hard to not hinder business activity, traditionally it has done little to proactively foster economic growth. This circumstance has recently changed. In my opinion, because OCC plays an integral role in economic development, we must keep pace with advancements and be active, innovative, collaborative, and communicative. Perhaps the best example of this proactive approach comes with recent Commission-led developments in the oil and gas industry. While federal agencies and various states have threatened to halt hydraulic fracturing, which releases large amounts of oil and natural gas from tight geologic formations, OCC in the past year developed improved regulations to ensure "fracking" is performed responsibly to protect water sources while providing millions of barrels of oil and cubic feet of gas to drive America's economic engine.

At the same time, the Commission brought together mineral owners and oil and gas producers to develop the 2011 Shale Reservoir Development Act and rules, which accommodate horizontal drilling techniques to economically produce supplies not feasible with traditional vertical drilling. Horizontal drilling will bring new activity to various oil and gas fields believed to have "played out" years ago and make other areas economically viable for development for the first time.

These activities showcased the difficult regulatory balancing act required as OCC attempts to:

1. *Remove impediments to business success;*
2. *Protect legal/economic rights of mineral owners;*
3. *Protect legal, economic and environmental rights of surface owners; and*
4. *Protect the state's economic future by avoiding waste of natural resources.*

Likewise, the public utility sector requires the Commission balance competing interests to:

1. *Ensure business has a fair opportunity (but not a guarantee) to make a profit;*
2. *Protect ratepayers against unfair pricing;*
3. *Ensure sufficient, reliable utility service to maintain current populations; and*
4. *Ensure sufficient utility resources to allow for future economic growth.*

Energy cost is among the major factors manufacturers consider when locating facilities. Activities as diverse as paper production, glassmaking and tire construction require huge amounts of natural gas. The Commission monitors the investments and expenses of natural gas utilities to ensure they are prudent and adopted rules to require competitive bidding on gas purchases to obtain the best deals and lowest rates for consumers. A penny difference in unit price can put a high-gas user in the red or black at the end of a quarter.

Natural gas distribution utilities find themselves in a declining market, as more consumers rely upon electricity as their power source. Oklahoma is in danger of losing its gas utilities as an efficient marketplace choice—first in small towns and then in urban areas—in the not too-distant future. Natural gas remains a very economical option for uses such as space and water heating. But unless new construction continues to offer natural gas as a choice, this alternative will disappear.

"If you're not careful when moving the 'invisible hand', it will smack you in the head."

Meanwhile, electric utilities are experiencing demand growth, which results in additional generation needs. A major portion of Oklahoma's electricity is generated using natural gas and more could be as federal environmental regulation appears set to restrict production of electricity by burning coal. These proposed federal regulations could reduce the diversity of fuel sources utilities use for electricity generation and thereby could impact electricity prices. Wind is currently a viable energy source to hedge natural gas price volatility. Also, since wind generation is intermittent, natural gas generation's flexibility serves as a good partner.

Building transmission lines, wind farms and gas-fired generation plants is expensive, and capital markets are tight. In recent years a state statute was enacted specifically allowing OCC to preapprove utility construction projects, giving creditors some comfort and reducing risk-associated interest rate. The Commission has since considered various projects for preapproval. Some have been approved and some not, depending on the evidence presented.

The Commission is also active in telecommunications, an area vital to attracting business. Until now, most economic development has taken place in the state's major population centers. Rural Oklahoma has sometimes been left behind, and the population exodus from rural to urban areas continues. OCC—operating through the high-cost fund and universal service funds—seeks to level the playing field by incentivizing telecommunications development throughout the state.

Finally, the Commission has an unheralded but important part to play in highway transportation. The greatest destroyers of pavement are freeze-and-thaw cycles and overweight vehicles. OCC has fought hard to build weigh stations at strategic points around Oklahoma to catch overweight trucks and is exploring options to allow compliant truckers to bypass weigh stations to make better use of precious time. Unfortunately, the Legislature has been unable to provide sufficient funding for the full weigh station system, but the Commission will continue to be proactive in seeking these monies.

The Oklahoma Corporation Commission regulates enterprises that serve as the heartbeat of the state's economy, a task made all the more difficult by the fact that new federal and state laws and mandates outside the purview of the Commission can throw that heartbeat into arrhythmia. The Commission is increasingly faced with the task of dealing with the consequence of what sociologist Robert K. Merton called "imperious immediacy of interest," i.e., those mandates and laws that are so strongly supported by the governmental entity behind them that it purposefully ignores any unintended effects.

While the Commission always seeks to balance its sometimes conflicting responsibilities for all stakeholders, both the intended and unintended consequences of such actions by other entities can severely limit the flexibility needed for effective, balanced, regulation. As has been remarked, "If you're not careful when moving the invisible hand, it will smack you in the head."

The Economics of Regulation

Jeremy Oller, PhD, Director, University of Central Oklahoma Policy Institute

Economic regulation involves implementing policies and/or procedures that affect the price or quality of a particular good or service. Regulatory agencies often set rates, restrict quantities, or promote quality standards to accomplish their objectives. This type of regulation should only be considered a second best alternative as it attempts to impose a competitive outcome when market failures inhibit a competitive equilibrium. However, these policies cannot fully attain the efficiencies associated with a competitive market. Mandating specific prices or quantities will result in some level of social welfare loss. In addition, two other common obstacles limit the efficiency of regulated markets.

Regulatory costs must be borne by society and these costs are not insignificant. Second, regulators may make inefficient decisions if they lack full information pertaining to the industry. This paper will provide an overview of economic regulation and address the potential benefits and pitfalls with such market intervention; it will also provide an example of the detriments associated with improper regulation in the State of Oklahoma.

Regulation is most beneficial when market failures inhibit workable competition within a market. Some of the most common examples of these failures are natural monopolies or externalities. A natural monopoly is an industry whereby a single firm minimizes the cost of providing a particular good or service. In this industry, entry would not be desirable as the cost of production would increase with entry; however, an unregulated natural monopoly would be able to exert significant market power in the absence of regulation. This would result in a net loss of social welfare.

Externalities occur when parties that are not a part of a transaction incur costs or benefits from the market transaction. Examples may include pollution or education. In either case, the fact that external parties incur a cost or receive a benefit creates a situation where society either produces too much or too little of a good or service. Specifically, a polluter imposes a cost on members of society. If it is not forced to internalize this cost, it will tend to over-produce as it is not fully accounting for its costs. With an external benefit, parties will not produce enough as the parties not involved in the transaction will free ride off of the market participants and will not compensate the participants for the external benefits.

The cases above are examples of when regulation may be appropriate. It is not an appropriate policy absent such market failures.

First, price regulation requires extensive rate hearings, which entail significant costs in an attempt to ascertain a fair rate of return.

Second, even well designed regulation that establishes a price at average total cost will tend to result in a loss to society as that price will often exceed the marginal cost of production. Therefore, consumers willing to pay the cost of providing the next unit of a good or service will not receive it. Finally, regulators may frequently be captured by the industry and set rates or quantity restrictions that favor the industry rather than maximize social welfare.

Capture theory is a well-known phenomenon with regulation. Regulators often work more closely with the regulated industry and are more likely to seek employment within that industry. The industry is better informed than the average consumer and is better able to exert political pressure on regulators. As a result, regulatory policies are more likely to favor the regulated firms. This is why regulating industries that do not exhibit significant market failures can come at a significant cost to society.

An example of this phenomenon currently exists in Oklahoma with respect to “relevant market area” laws in automobiles and motor boats. These laws

require a potential entrant of a motor vehicle to provide notice to incumbent firms if the entrant plans on carrying the same line of vehicle within fifteen (15) miles of an existing dealer. This law allows the existing dealer to object to the new firm's entry on the basis that it provides adequate competition and convenient customer care. New firms can assert that the new dealership will increase competition and thus be in the public interest.

Unfortunately, the incumbent's protest will be heard by the Motor Vehicle Commission. This commission is comprised of nine members and seven of those members "shall have been engaged in the manufacture, distribution or sale of new motor vehicles and two members shall be lay members." In this case, the regulators are not only prone to being captured by the industry; they are members of the industry. Basic economic theory suggests that new entry will increase supply and lower the price in the market, which will enhance social welfare. However, this lower price will also have the effect of eroding industry profit. It is clear that the incumbent dealers have incentive to protest the entry and the commission has the incentive to acquiesce to this protest, which will subsequently result in higher prices, restricted output, and less social welfare.

The relevant market areas merely provide one example of the effects of over-regulation. Regulation does entail benefits in the right circumstances, but policy makers should always be aware that regulation is accepting a second best alternative and should only implement such policies when competition is not capable of establishing efficient prices and quantities.

Industry Perspectives - AT&T

Brian Gonterman, AT&T

In recent years, the United States has witnessed a mobile broadband revolution. During the past four years alone, mobile data traffic on AT&T's network increased 8,000 percent. And we expect that by 2015, mobile data traffic on our network will be eight to 10 times what it was in 2010, as customers continue to mobilize everything with tablets, mobile video, mobile computing, the cloud and more.

This revolution is being led by consumers who want to mobilize their lives and be able to connect with friends, family, information, their jobs, and the economic and entertainment marketplace whenever and wherever they live, work and play. This mobile broadband revolution has led to innovation and exciting changes in nearly every industry and in how Oklahomans live their lives.

"Much of the outdated regulatory framework stems from the national policy goal of the 1934 Communications Act of ensuring that every household has access to landline telephone service. "

Regulation typically cannot keep up with technology, and with the explosion of technical advancements in how we communicate over the last 5-10 years, it is nearly impossible for regulation to keep up. The downside of this phenomena is that outdated regulations stifle innovation, misguide investment and resources, and slow access. As a result our economy suffers. The economy suffers because communications networks are at the heart of commerce. Regardless of the industry, line of business, or location, all businesses rely on communications networks to engage in commerce.

As rapidly as consumer demands and technology have changed, AT&T has worked to change with them to provide consumers the products and services they want. From building out wireless networks to offering high-speed Internet and U-verse TV services, we have brought cutting edge technology to people across Oklahoma. As consumers demand more and newer services and products and as technology continues to change, we will continue to update and innovate in order to deliver to consumers what they want and need. In doing so, we are connecting communities and providing jobs across the state.

A crucial component of our ability to provide consumers with new products and services is a regulatory framework that recognizes that times and technologies have changed rapidly in recent years and will continue to do so in the years to come. The days of one rotary phone on the kitchen wall as the main form of communication are gone, and it is crucial to the future growth of our country and state to modernize our regulations so that they work for today and tomorrow by providing the flexibility to use the best and latest technology to provide consumers the products and services they demand.

The need to modernize regulations crosses every industry. For the telecommunications industry, consumers are demanding mobility and wireless connectivity, so regulations should provide a

framework that enables us to adapt and focus on providing the products and services consumers of today and tomorrow demand as opposed to requiring us to prioritize our efforts and energy into products and services that consumers are no longer using, or find to be of minimal value. A recent survey by the Center for Disease Control found that in 2009, 1 in 4 Oklahoma households no longer had a landline telephone. By 2011, that number had jumped to 1 in 3.

Much of the outdated regulatory framework stems from the national policy goal of the 1934 Communications Act of ensuring that every household has access to landline telephone service. This was a significant undertaking that was important to the development of our country, and by and large has been accomplished. However, it is also a goal that is outdated as consumers now place a priority on high-speed broadband connectivity. Instead of concentrating on the past, we should ensure our regulatory environment drives investments in the future, investments that not only help give consumers what they want, but that also spur additional economic activity and innovation.

For example, when regulations are streamlined to reduce red-tape and bureaucracy, it reduces costs and frees dollars that allow companies to invest in faster mobile broadband networks. And it spurs the creation of new mobile devices and software and apps to go with them. Therefore, the economic benefits of streamlining and modernizing telecommunications regulations crosses many industries and positively impacts our overall economy.

In order to better attract jobs and investment, many states are attempting to address this reality by updating regulations for the 21st century. They are also recognizing that it doesn't make sense to apply regulations, fees, and surcharges designed for that old rotary phone to mobile devices on which people are texting, downloading music, or checking their Twitter feed. These outdated regulations and fees hinder investment, pass unwanted costs on to consumers, and are in dire need of being modernized or eliminated.

Here in Oklahoma, we are working with the Corporation Commission to streamline regulations and create the type of pro-investment, pro-innovation business environment that will help us succeed today and tomorrow, because consumers – and our economy -- are demanding it. As Governor Mary Fallin once said "We shouldn't operate an 8-track bureaucracy in an iPod world."

Workers' Compensation

Mike Seney, The State Chamber, Oklahoma City

INTRODUCTION: Workers' compensation is the number one economic issue to most businesses located in Oklahoma and remains one of the key economic indicators looked at by out-of-state businesses interested in relocating to Oklahoma. It is a "payroll tax" calculated by applying an appropriate industry-specific rate per every $100 of payroll paid by the employer. It is mandatory, with severe penalties imposed for those who don't carry coverage through the private insurance market, CompSource Oklahoma or through self-insurance. Oklahoma currently ranks 4th highest among all states in our workers' compensation premium costs. This is a severe drag on our economic development efforts.

REFORM EFFORTS: Over the past thirty years there have been numerous attempts to reform the workers' compensation system in Oklahoma. Some have been successful...some have not. We have seen positive results from the passage of reform bills over the past nineteen years, and expected to see much more with the passage of reform legislation passed in 2005. However, court decisions have pretty well gutted the major reforms anticipated.

"Workers' Compensation costs are Oklahoma's most fundamental economic development issue"
Mike Seney, State Chamber

According to the Oklahoma Workers' Compensation Court's Annual Report the 2009 average Permanent Partial Disability Order of $29,486 per order issued is now the highest in the last 20 years and represents a doubling from 2000. The six-year comparative average PPD Order from 1990 through 2008: 1990-$12,069; 1996-$11,976; 2002-$14,112; 2008-$28,004…and, as of the latest report covering 2009, a new average of almost $30,000.

With the passage of major workers' compensation reform bills in 1992, 1994, 1997, 2001, 2005, and now in 2011, we have seen the implementation of some very important reform points...specifically reforms in the areas of safety, benefit increases, managed care, tightening up the definition of a compensable injury, sprains & strains, medical cost containment, mandatory use of nationally-recognized treatment guidelines, attorney involvement and "dueling doctors".

RESULTS: What has been the result of all of these changes? According to the Workers' Compensation Court, the rate of claims filed per 100 workers has come down dramatically: According to their annual report, the rate of workers' compensation claims filed per 100 workers has dropped over the last twenty years, even though it has climbed slightly in the last two. In 1994, Oklahoma reported 2.26 claims filed per 100 workers. That number dropped over the next fifteen years until, in 2007 it was .97 claims filed per 100 workers. Our costs should be coming down, right? Unfortunately that's not necessarily the case.

While rates for workers' compensation originally came down following the reforms of 2005, they have gone back up since court decisions have either reversed reforms passed…or bypassed those reforms. During these times, employers have focused on six strategies in their attempt to rein in their workers' compensation costs:

Safety – If you don't have an accident, you probably won't have a workers' compensation claim. As can be seen by the claims filed report, Oklahoma employers have been pretty successful in this arena;

Medical Cost Containment – Choosing a good doctor, encouraging early return to work and taking care of the injured employee will help keep medical costs down. New reforms mandating the use of national treatment guidelines should also help.

Indemnity Control – Temporary Total Disability costs an employer 70% of the employee's average weekly wages (not to exceed the state's average weekly wage) for up to almost six years. New reforms limit that to 300 weeks which should help. But the earlier an employee can be returned to work, the lower the costs of indemnity. Of course, this doesn't take into account court awards for permanent partial disability, which is Oklahoma's cost driver.

Fraud Investigation – There is not as much fraud as most employers believe in workers' compensation, but there is more than most citizens would believe. Fraud includes not just a worker claiming a false claim (or exaggerating such an injury for more money), but may also include medical fraud for unnecessary treatment or even employer fraud for misclassifying an employee to avoid paying full premiums.

Insurance – Employers need to purchase insurance for workers' compensation and they need to do their homework when they do. Shopping for such coverage should take place at least 90 days before their policy comes up for renewal. Too many employers wait until they get their renewal and then go shopping because they don't like their renewal rates.

Dispute Resolution – This is a nice way of saying "we need to get the lawyers out of the system". Workers' compensation is supposed to be "no-fault" insurance. It doesn't make any difference if the employee was negligent or the employer didn't provide a piece of safety equipment. The benefits are spelled out and it should be clear what the injured worker is entitled to. Unfortunately, in Oklahoma, our level of attorney involvement is one of the highest in the nation…and, so are our costs.

CONCLUSION: Workers' compensation is an across-the-board issue that impacts every employer in the state. It truly is the #1 economic development issue for Oklahoma.

Workers' Compensation

Becky Robinson, ARM, Assistant Vice President, Risk Manager, Hobby Lobby Stores, Inc.

Meet Becky Robinson

Becky has over nineteen (19) years experience in Risk Management. She earned the designation of Associate in Risk Management (ARM) in June of 1999. She has been a member of the national and local chapters of Risk and Insurance Management Society (RIMS) for more than twelve (12) years and has held the position of President, Vice President and Treasurer of the Central Oklahoma RIMS Chapter.

In 1997, Becky was appointed by the Honorable Frank Keating to serve a three-year term on the Workers' Compensation Advisory Council for the State of Oklahoma. Becky currently serves as Chairman on the Oklahoma Injury Benefit Coalition, and is on the advisory board for the University of Central Oklahoma College of Business. She also participates in a Regional Retail Benchmark Group which consists of large Retailers located in the Midwest Region of the US.

Becky has a Bachelor of Business Administration in Finance from the University of Central Oklahoma, Edmond, Oklahoma.

Understanding "Workers' Compensation"

The Oklahoma Workers' Compensation Act (the Act), originally drafted and passed in 1915 as Title 85 of the Oklahoma Statute, was intended to protect the workers of the state of Oklahoma by mandating, by statute, medical treatment and wage replacement for work-related injuries.

Title 85, as defined by statute, is the "exclusive remedy" for a workers' compensation claim in the state of Oklahoma. In other words, if an employee is injured in the course and scope of employment, his/her only recourse (excluding intentional tort) is through the Act.

The Act defines who is covered, when benefits begin and end, what the employee's wage replacement will be, how medical treatment can be obtained, the compensation rate for medical services and how disputes can be resolved, including establishing impairment benefits as a method of compensation.

The Act explains how employers can obtain workers' compensation coverage or self-insure and establishes the agency known as CompSource as the state's provider and administrator of claim benefits. Finally, the Act creates the Workers' Compensation Court as the governing body to adjudicate disputes and interpret the Act.

Administrative or Adjudication

Oklahoma is one of a few jurisdictions that uses judges and establishes a separate court to interpret and award statutory workers' compensation benefits. Many states have gone to an administrative system and abolished their separate court. In Oklahoma, judges are appointed to the Workers' Compensation Court by the sitting governor and serve an eight-year term, at which time they may reapply for the appointment. The Workers' Compensation Court establishes rules and guidelines on how it will interpret sections of the Act, such as defenses an employer can use, what medical evidence can be used and how the court works.

Rewriting the Act

The Act has evolved and significant reform has occurred from time to time; however, in 2011, the Oklahoma Legislature decided to review the Act line by line and completely rewrite Title 85 through Senate Bill 878. Economic benefits as a result of SB 878 begin with the changes to the court makeup to ten (10) judges from eight (8), which allows for

the current sitting Republican governor to appoint two (2) new judges, which will bring some balance to the bench as most of the current judges were appointed by Oklahoma's previous Democratic governor. Additionally, the new law allows for the court administrator to serve at the pleasure of the governor, limiting the term of the administrator who plays a pivotal role at the court.

Many definitions were adjusted in SB 878, mostly for clarification and cleanup; however, some of the changes may be seen as true reform. The definition of "compensable injury" has been further defined, but the biggest change is that there is now a standard creating the burden of proof on the employee.

New language requires a "preponderance of evidence that such unexpected or unforeseen injury was in fact caused by the employment. There is no presumption from the mere occurrence of such unexpected or unforeseen injury that the injury was in fact caused by the employment."

"Consequential injury" has also been further defined. It is not uncommon when an employee hires an attorney to represent him/her in a claim that new injuries are presented as a "consequential injury." The new definition requires the court to use objective medical evidence before making a finding for consequential injury. This should establish a higher standard of proof, limiting the exposure for employers of compounding medical treatment and injuries without objective medical evidence.

The new legislation provides additional clarification for post-accident drug testing. Under old law, while you could test an employee for illegal drugs, it did not prevent that employee from obtaining workers' compensation benefits. The new language places the burden on the employee to establish that illegal drugs in his/her system were not the cause of the injury. Further, the new law allows employers to introduce the drug results in the courtroom. Previously, this was disallowed.

Section 23 of the new law requires the employee to give oral or written notice within thirty (30) days of the date of injury or treatment; if the employee fails to do so, the presumption is that the injury is not work-related. Similarly, the employee is required to give ninety (90) days' notice after separation for any cumulative trauma or occupational disease; if the employee fails to do so, the presumption is the trauma or occupational disease is not work-related. In both situations, the employee has the burden of proof to establish his/her claim.

In Section 26 of the new law, the legislature established compliance with Official Disability Guidelines (ODG) for medical providers. These guidelines are a series of recommendations for specific injury types. The recommendations include duration of treatment and type of care to produce the best outcome, which provides a basis for "reasonable and necessary" medical care. This new guideline should establish boundaries for excessive treatment, which is a benefit to the employer.

Payment for Medical Services

One of the most discussed pieces of this new legislation relates to payment for medical services. Many people participating in the drafting of the language presumed that the problem with our workers' compensation system had more to do with the medical costs than the overall process. As such, those drafting the new language focused heavily on reducing the reimbursement rates for medical services. Section 27 of the legislation establishes a new medical fee schedule, which dictated by statute, must be five percent (5%) lower than the current fee schedule.

The new schedule will be created by the administrator and must be in place by January 1, 2012. Much of the challenge in negotiating the reimbursement rate was focused on the fact that the Medicare reimbursement rate was reduced by over seven percent (7%) in 2011. Because the Oklahoma Workers' Compensation Fee Schedule is based on the Medicare reimbursement rates, they were already starting from a negative impact. While the fee schedule will be reduced by five percent (5%) overall, the new language also provides the reimbursement rate of one hundred fifty percent (150%) of the Medicare Fee Schedule to a provider who evaluates and treats an injured worker. Old language stated that the reimbursement rate for any single procedure must be less than one hundred fifteen percent (115%) of the Medicare Fee Schedule.

Non-Medical Benefit Changes

Finally, the last major economic benefit reforms were changes related to temporary total disability (TTD), which is the calculation for wage replacement while an injured worker is out due to a work injury. The TTD rate is set as seventy percent (70%) of the employee's average weekly wage, not to exceed the state's average weekly wage.

The reform reduced the number of weeks an employee can be on TTD from three hundred (300) weeks to one hundred fifty-six (156) weeks. The court can add additional weeks of TTD, but only up to fifty-two (52) as compared to the previous one hundred forty-four (144). This is a significant improvement and should help the claims move faster in the system. The new language also allows the employer to terminate TTD after confirmation that the employee is incarcerated for a crime.

Key Benefit Still Intact - CWMP

Many of these changes could produce economic savings for employers, but because the Workers' Compensation Court interprets this law, it's not yet clear what results the changes will produce. The current system can create opportunities for employers to manage the costs, if the employer takes advantage of those opportunities. The key benefit in our current system is the Certified Workplace Medical Plan (CWMP).

By establishing a CWMP, an employer has the ability to manage medical, which can be the biggest component of a workers' compensation claim. A CWMP is a medical network similar to a PPO. All medical care must be approved through the CWMP, and there is generally a nurse case manager who coordinates all treatment. Employees who attempt to access doctors outside of a CWMP will be sent back to the CWMP by the Workers' Compensation Court. The CWMP has its own dispute resolution process, which may allow for the employee to choose another doctor within the plan. Medical costs can be managed much more effectively when an employer keeps an employee within the CWMP, reducing the overall claim cost.

An Alternative for Oklahoma

Oklahoma made headway with the reforms adopted during the 2011 session, and we applaud the legislators and working group members for the progress that was made. In 2012, many of us in the business community hope the legislature will consider an alternative to workers' compensation called the "Oklahoma Injury Benefit Option" (the Option). The Option would give employers a choice: be part of the workers' compensation system, or design an ERISA benefit plan providing similar benefits to injured employees.

Disputes would be guided by ERISA or through mediation and arbitration, but would be handled completely outside of the Workers' Compensation Court. This Option would provide an additional economic benefit to the state of Oklahoma and allow us to compete with Texas. Senator Patrick Anderson has requested an interim study for this Option, and we hope language will come out of that study to introduce the Option in 2012.

Section 8

Workforce & Productivity

The Governor's Council Strategy

Steven Hendrickson, Governor's Council for Workforce and Economic Development

The Governor's Council for Workforce and Economic Development's Strategic Direction: Growing a Knowledge-Based Economy Requires a Knowledge-Based Workforce

Oklahoma is poised to enjoy the fruits of a growing, more diverse economy. But realizing that opportunity over the next 10 to 20 years requires expanded focus on ensuring Oklahomans have the skills, knowledge and tools to navigate complex labor markets, to obtain and keep knowledge-based jobs, and to make Oklahoma attractive to the knowledge-based employers essential to the state's prosperity.

Key to ensuring economic vitality is Oklahoma's workforce/talent development strategy. The Governor's Council for Workforce and Economic Development has been leading a broad, diverse coalition to identify and tackle important challenges to success. The Council—comprised of 50 leaders from business, education, economic development, labor, non-profit organizations and government—recommends policies to expand and improve Oklahoma's workforce, promote a knowledge-worker economy, and make the state more competitive globally.

National research produces a consensus on some "givens" for growing a knowledge-based economy and for developing the workforce required:

- Earning a living wage requires some type of post-secondary degree or credential. According to a recent study by Georgetown University, more than 60% of the jobs nationally opening up between now and 2018 require at least a two-year degree or certificate.

- Two-thirds of the workforce of 2020 is already past high school. Oklahomans already in the workforce need new and different skills to succeed.

- Career and labor market navigation is difficult in today's economy. Workers need vastly improved tools (such as Oklahoma's www.okcareerplanner.com) to make transitions effectively.

These givens raise pressing issues for Oklahoma considering:

- Only 30% of adults in Oklahoma have a post-secondary degree. Oklahoma is participating in a national effort led by The Lumina Foundation to increase the percentage of Americans with post-secondary degrees or certifications to 60% by 2025. Oklahoma needs to double the number of degree/certificate holders in 15 years.

- Oklahoma faces a severe basic skills crisis. One out of four adults in Oklahoma lack the skills needed to succeed in an occupational training course or a knowledge-based job. They face severe reading, writing, math, and analytic skill shortages. Of those who enter a community college, 70% must take remedial courses. National research suggests that most students who enter remedial programs never earn a degree.

- Thirty percent of Oklahoma high school students drop out before completion. A high school diploma is essential but not sufficient by itself, so those that lack this basic credential stand little chance of economic success.

- Forty-four percent of Oklahomans work in jobs that pay less than 70% of the state's average annual wage.

We've understood this picture for several years, and it frames the Council's work. Our focus: (1) understanding the workforce needs of Oklahoma employers and ensuring education providers can meet those needs; and (2) increasing the skills of Oklahoma workers.

Thus, the Council's work to date and strategic direction aim to decrease government bureaucracy; commit to education and training to ensure that the training supply chain meets employer talent demands; and to increase Oklahoma's educational attainment levels to ensure a quality workforce with appropriate skills and credentials.

DECREASE GOVERNMENT BUREAUCRACY

Design and Implement Aligned Workforce System
Currently, nine state agencies and multiple other entities are responsible for developing Oklahoma's workforce. Focus groups and other research show that clients and employers often stumble onto services and may or may not get the full services they need. The state can't achieve major improvements without aligning our efforts both in terms of strategy and operations.

"By pursuing the research-based strategic direction outlined, Oklahoma ensures that its employers and workers alike are positioned to succeed in a global economy well beyond the 21st Century. "

Build an Integrated Workforce Information System and System Metrics
Oklahoma needs an information system that cuts across agencies and programs. This should be done for two major reasons: (1) Oklahoma will be able to set metrics and performance expectations on a system-wide basis that give a snapshot of program outcomes, costs, and efficiencies; and, (2) shared and integrated data allow agencies to improve service.

Aggressively Improve On-Line Services
Using e-tools to the maximum effectiveness possible is essential if we want to achieve the scale of impact sought while also significantly reducing cost of service. The launch of www.okcareerplanner.com is a momentum point. We now need to rethink our job-link data base and invent other tools that can make high quality self-service a norm for those who prefer to work on-line.

COMMIT TO EDUCATION AND TRAINING

Make Industry Sector Strategies a Central Focus
Engaging employers by sector enables us to obtain employer feedback, validate skill needs, connect the talent supply chain (education) and demand, and support Oklahoma's economic development efforts.

Expand Use of Industry-Validated Credentials
Using the Career Readiness Certificate system as a foundational tool and as the key element in end of instruction (EOI) assessments, incorporating soft skills modules, engaging K-12 as a key partner in workforce development, and building a system of seamless stackable credentials, need to be incorporated into Oklahoma's system design.

INCREASE EDUCATIONAL ATTAINMENT

Increase the Percentage of Oklahoma workers with a Post-Secondary Credential
A well-educated workforce is a crucial metric in state-to-state comparisons for site location decisions. We need strategies that increase the proportion of 18-22 year olds who attain degrees/certifications and that ensure adults already in the workplace can obtain new credentials.

Create and Use Career Pathways to Increase the Proportion of Low-Skill Learners who Ultimately Earn a Degree
Oklahoma must construct a system of bridges that help learners who start with skill challenges to gain the occupational and academic educational success they need to move out of poverty and into the middle class.

By pursuing the research-based strategic direction outlined, Oklahoma ensures that its employers and workers alike are positioned to succeed in a global economy well beyond the 21st Century.

The History of OK CareerTech

Roy Peters, State Director, 1986-1999

Oklahoma's storied vocational technical – CareerTech – education system is known as the "best in the country." Even without a national means of measurement, there are a number of reasons why that statement rings true. Oklahoma has built its reputation on a strong commitment to quality vocational technical education, a consistent mission of preparing Oklahomans for the workplace, and committed professionals who have made the system a national leader.

In 1987, the 50 state directors of vocational technical education systems were asked their opinion on the best state systems in the country. Oklahoma came out a clear winner with Florida and Ohio rounding out the top three. My doctoral dissertation was based on this survey. I looked carefully at why these three states were identified. While opinions varied, there was consistent mention of these three states having a clear mission for their vocational technical education system; a strong state leadership with a commitment to quality programs; and a system with committed professionals running their schools and teaching in their programs.

The reputation through the years of Oklahoma's CareerTech system remains consistent. Over the years, representatives from many states, often legislatively charged with developing the design, construction, and equipping of career technical-vocational education centers, wanted to see a system that had been proven effective over the years. Most representatives have said that Oklahoma kept coming up in conversations across the country, so they decided to come here and see what everyone was talking about.

Business, political, and educational leaders from around the world have also visited Oklahoma to see our system. Some recent visitors include China, Mexico, Bulgaria, Germany, Pennsylvania and Virginia. Through the years Oklahomans have also traveled to such countries as China, Russia (Siberia), India, Brazil, Holland, Turkey and Germany and to most every state making presentations about our system.

From its beginning, Oklahoma took the lead in vocational and technical education. In 1917 when President Woodrow Wilson signed legislation authorizing federal funding for vocational education, Oklahoma was one of the first states to immediately expand its vocational offerings with programs in agriculture and home economics (now family and consumer sciences education), which were taught in public schools.

This early and quick reaction to federal vocational legislation established a base for our reputation in the field of vocational education. Fifty years later in 1967, Congress passed new legislation. According to historian Danney Goble, "In a stunningly short time, Oklahomans reinvented almost everything about their state's vocational education – its mission, its organization, its governance, its funding, everything – even its name."

As these mid-1960 changes were planned, Oklahoma made a decision that sets this system apart from the rest of the country – pooling our resources. Our state leaders realized a strong vocational technical system would be nearly impossible if resources were spread among its 600-plus school districts and running them from the state level, similar to most of the other 50 states.

While Henry Bellmon was governor, the state constitution was changed allowing regional districts— area schools—to be formed. A local tax could be collected and a locally elected board would control schools.

While the schools (now called technology centers) are governed locally, they must recognize they are part of the state system. That state system sets standards of quality that must be met.

A lot of credit for our reputation and success goes to Gov. Dewey Bartlett who became known as the "job gettingest governor ever." Early on, he recognized the vital role a successful vocational education system would play in the state's economic future. Governor Bartlett found that North and South Carolina had excellent vocational technical education systems. Teams of educators, business, and political leaders went to the Carolinas to see their operations. Those leaders took the best ideas from both states and created a system that now includes 29 school districts operating 57 sites. Locally governed, largely locally funded, but a part of a state system.

Over the decades, the system added programs in marketing education, business and information technology education, technology education, health careers education and trade and industrial education, along with the associated student organizations. Also, business and industry training, adult career development and web-based education along with training for soon-to-be released inmates through CareerTech Skills Centers located within prison walls continue to prepare Oklahomans for their success in the workplace.

While CareerTech programs in junior and senior high schools such as Agricultural Education, Technology Education and Family and Consumer Sciences are still vitally important to the system's reputation, these technology centers have allowed us to pool our precious resources (tax dollars) to build a system that contributes directly to our economic development efforts and our ability to keep our young people in Oklahoma because they can find a job.

There is an expectation of consistent quality and help to make that happen in each classroom. In addition to the professional state staff who supervises programs to insure quality, there also is a strong system in place to prepare teachers of the highest quality. A system will only be as good as each individual teacher. They maintain a continuous improvement attitude. In addition, the state system operates the largest and most comprehensive vocational technical curriculum development department in the world. Sales are made to most every state and many foreign countries. Those sales help support future curriculum development in new and emerging fields and keep revisions current. The curriculum helps insure consistent quality within each career tech program.

Oklahomans who support this superb system should be justifiably proud of what we have.

(Quote is from Learning to Earn: A History of Career and Technology Education in Oklahoma, Danney Goble, 2004.)

Roy Peters, Jr., Past President, Oklahoma Manufacturing Alliance.

Dr. Peters served as State Director of the Oklahoma Department of Vocational Technical Education from 1986 to 1999.

Career and Technology Education

Phil Berkenbile, EdD, State Director, Oklahoma CareerTech System

Preparing our workforce for Oklahoma's future economy

It is what we do. It is who we are. Every day.

Developing Oklahoma's workforce is our business. Preparing workers for tomorrow's economy is a challenge. It is not about today's financial meltdown; it is about an accelerating talent showdown. Changing demographics and unprecedented technological advances are transforming the world of work. And Oklahoma needs to ante up.

Globalization of business and industry requires workers to acquire core knowledge and skills that can be applied—and quickly upgraded and adapted—in a wide and rapidly changing variety of work settings. The U.S. Department of Labor reports that 62 percent of all U.S. jobs now require two-year or four-year degrees or special postsecondary occupation certificates or apprenticeships. About 50 percent of the current jobs require special skills certification and this will increase to include 75 percent of all U.S. jobs in 2020.

We know that in the last few years there has been a 1.7 million decline in the nation's workforce between the ages of 25-34. While some workers are retiring and leaving the workforce permanently, many are re-entering the workforce and they must return for re-training. Current workers must replenish their skills at least every two years to stay on top of changing demands. The real choke-point for our lifelong future economic growth is that while we do much to ensure that "No Child Is Left Behind," we are equally committed to ensuring that "No Adult Is Left Behind."

The Oklahoma Governor's Council for Workforce and Economic Development commissioned a study to address the "skills gap" of our workforce. "Closing this gap will require serious and sustained effort, even as our state navigates perilous economic and fiscal challenges." We are committed to being a strong partner in this effort, and our systematic approach is well-suited to meet ever-changing workforce demands.

We are located throughout the state and we can touch almost every county, business and individual. Our systematic approach begins and ends with our Oklahoma companies. We begin by listening to our employers and working directly with them in a variety of ways. We end by providing them with the product they need − a highly skilled workers. And then we begin again . . . .

Our leaders listen to their leaders constantly to determine the needs for the workforce of today and the future workforce of tomorrow. Our staffs listen to their staffs. We participate in industry panels, CEO networks, management development groups and focus groups across Oklahoma and the region. Monthly, a cross-section of CEOs and bottom-line decision makers meet with some of our local superintendents to discuss common issues and trends.

Our teachers work with advisory groups and participate in 11-month programs designed for them to work side by side with subject matter experts during the summer to see what their students experience when they enter the job market. Our business and industry coordinators are in companies every day, assessing workforce needs to provide customized training/services to incumbent workers. Working closely with employers helps create an environment in which employers serve as mentors in the classroom and create supervised work experiences, internships and apprenticeships. All of these collaborative experiences transfer requirements of the workplace into the classroom.

Employers tell us they want their employees to know how to apply their knowledge to solve real-world problems. They want their workers

to be personally and socially responsible with effective communication and time-management skills. To strengthen soft skills, students are given opportunities to participate in different student organizations where they receive opportunities for personal growth and scholastic achievement as well as develop skills in public speaking, planning and organizing.

While we cannot know for certain all the technical skills the future demands, we can identify the skills that underpin our technological world. Skills in science, technology, engineering and math (STEM) must be a priority. We have included integrated and applied academic, technological and interdisciplinary knowledge and skills into our career majors. Students are taught to access, evaluate and synthesize information.

An early look at the 2009-2010 Oklahoma STEM (see next article by Norma Noble) data indicates that the average ACT score by our Oklahoma CareerTech STEM students is 24.94, while the average Oklahoma ACT score is 20.9.

"Preparing our workforce for Oklahoma's future economy. It is what we do. It is who we are. Every day."

Being work-ready is not enough. Matching the right employee to the right job at the right time creates a healthy workplace and positive economic impact. It is a step we take very seriously. Job seeker and incumbent worker testing and employer job profiling are accessible through a "WorkKeys" partnership. Since 2006, more than 41,000 Oklahoma high school students and adults have taken the WorkKeys assessments and received Career Readiness Certificates.

These companies themselves are changing. They are shifting from large organizations to smaller, more diffuse companies. Small businesses in the U.S. generate 75 percent of the new jobs. Some believe that almost all future growth in employment will take place in businesses with fewer than 100 employees. Oklahoma's economy is built on a history of these small "Mom and Pop" companies and has been for many years.

This has led to a growing need for more entrepreneurial thinking and leadership. Our response has been the development of entrepreneurial training and thinking embedded across disciplines that help students understand business operations and economics. We offer self-employment training and small business management training. We are helping the future workforce grow its own businesses in small business development centers and business incubators housed at Oklahoma technology centers.

The real challenge to our future success is not how well we teach the skills but how little these skills and economic development are understood. To really prepare our workforce for the jobs of the future, we need to change attitudes towards applied learning. Many parents, counselors and students do not understand the options for an assured income or how lucrative a skilled career path can be. They do not know that 94.7 percent of CareerTech students in technology centers graduate from high school, and 79 percent of our students also complete a career major and 60 percent receive certifications, licenses or degrees. This same group does not realize that some of our programs combine rigorous academic standards with career-focused, real-world curricula and offer the opportunity for students to earn certificates in high-wage careers while they are still teenagers. They do not realize that college credit is available in many of our programs through growing articulation agreements with area colleges. Some CareerTech students actually graduate high school with associate degrees.

In a 2008 study conducted by Oklahoma State University's Center for Applied Economic Research, the results showed that each graduating class from a technology center will return $2.4 billion back into the state's economy during their years of work.

In reality, we know that our companies will always face some type of skills gap – they always have.

That is why the CareerTech System was created in the first place. If we do not have some technical skill gaps, we are not growing and innovating to stay ahead of evolving technology and shifting market conditions. CareerTech focuses on overcoming gaps in academic and soft skills as well so that employees of the future can function.

As the global economy strengthens and Oklahoma employers increasingly seek employees with higher levels of expertise, the movement to ensure a steady supply of skilled workers will continue to grow. And the Oklahoma Career and Technology Education System will continue to respond with up-to-date technical skills training for both emerging and incumbent workers along with "employability skills" − creativity, problem- solving skills, teamwork, leadership, self-esteem and integrity − that are indispensable to productivity in tomorrow's workplace.

Preparing our workforce for Oklahoma's future economy.

It is what we do. It is who we are. Every day.

The STEM Pathway

Norma Noble, Deputy Director of Workforce Development, OK Department of Commerce

STEM: Science, Technology, Engineering and Math: A Pathway Out of Poverty

Reporting issues and other statistical nuances aside, Oklahoma's unemployment rate - even throughout periods of economic crisis and recession - typically has been and remains below the national average. Based on this one barometer alone, Oklahoma's economic health and workforce vitality can appear stronger than that of many other states. However, our gravest workforce challenge and looming impediment to sustainable economic success and global competitiveness can be found in this: one in four working Oklahomans live in poverty.

" ... one in four adults in this state lack the basic reading, writing, math, and analytical skills needed to successfully complete occupational training or to obtain a high-tech and knowledge-based job ..."

Underemployment remains Oklahoma's most pervasive workforce issue, and it relates directly to a similar statistic that one in four adults in this state lack the basic reading, writing, math, and analytical skills needed to successfully complete occupational training or to obtain a high-tech and knowledge-based job.

To move into the middle class and secure their financial futures, these Oklahomans must find their place in our emerging knowledge-based economy. That pathway out of poverty requires a statewide commitment to STEM (Science, Technology, Engineering, and Math) education and skills development.

According to the Georgetown University Center on Education and Workforce, 80% of future jobs—both high-tech and middle-skill labor, which includes manufacturing and construction—will require awareness and/or proficiency in STEM. Between 2008 and 2018, Oklahoma will create 541,000 job vacancies both from new jobs and from job openings due to retirement. More than half (57%) of all those jobs created in Oklahoma will require some post-secondary training with a heavy emphasis on STEM.

While a high school diploma is no longer enough to sustain a living wage through the life of a person's working career, a high school education built around a solid STEM focus, interaction with STEM-related employers during the school day and/or during afterschool programs, and some form of STEM-related on-the-job training, job shadowing, and/or internship is a necessary first step with significant pay off.

According to the Oklahoma Department of Commerce Research & Analysis Division, increasing the percentage of Oklahomans with at least a high school degree by just a few percentage points can:

- *Increase annual earned income by $830M million;*
- *Increase annual revenues by almost $76M million;*
- *Save more than $12 billion in lifetime health-related costs;*
- *Save more than $63M annually in crime-related costs.*

Further, the present value of graduating from high school instead of dropping out is estimated at $163,000 in income and $98,000 in taxes paid.

High school graduates, on average, earn $9,245 more per year than high school dropouts, creating more positive revenue for local communities and our state as a whole. In Oklahoma, the 2008 class of dropouts (30%) will cost the state $3.8 billion in lost earnings.

As we move up the value chain and Oklahomans obtain STEM-focused post-secondary degrees and/or certificates, the gains to our economy and society improve exponentially and significantly. By increasing the number of Oklahomans with bachelor's degrees by just a small percentage, we can expect to see billions of dollars flowing into our economy each year from increased wages.

"According to the Oklahoma City branch of the Federal Reserve Bank of Kansas City, the best wages in Oklahoma are found among its high-growth, STEM-related industries, which include aerospace, oil and gas extraction, and national security and international affairs."

For example, if Tulsa - which recently completed a study looking at this very issue—increased the number of its residents with bachelor's degrees by 1% or just 5,900 residents, it would see $646 million in revenue each year from increased salaries. And, if Oklahoma can create and attract the same proportion of knowledge-based jobs as the nation (we ranked 40th in 2007), the state's economy would expand by $1.8 billion and add 34,300 more jobs.

According to the Oklahoma City branch of the Federal Reserve Bank of Kansas City, the best wages in Oklahoma are found among its high-growth, STEM-related industries, which include aerospace, oil and gas extraction, and national security and international affairs. For example, the oil and gas industry pays an average annual salary of $65,000; aerospace pays around $69,313 annually, and security pays $55,928 - all well above the overall Tenth District's annual average of $35,600. The Federal Reserve's Tenth District includes Oklahoma, Wyoming, New Mexico, Colorado, Kansas, and Nebraska.

While pockets of excellence exist, which include the Oklahoma School of Science and Mathematics and the STEM High School Academies developed and piloted by CareerTech, Oklahoma needs a statewide STEM strategic plan to capture current best practices, to coordinate the launch of new efforts, and to ensure maximum reach and effectiveness by eliminating and/or preventing silos and duplicity. A champion for this strategic embrace of STEM education and skills development must also emerge or the efforts will flounder, and Oklahoma will continue to miss out on significant gains in personal incomes and state revenues.

Even as STEM-related, high-tech and middle-skill jobs increase, student interest in STEM wanes. For example, ACT-tested students who say they are interested in engineering majors dropped from 7.6% to 4.9%. The state leaders who champion STEM must not only seek out ways to rekindle our youth's passion for innovation, but must instill a dedication to education and work in general. We cannot master what we don't value; and we will fail to reap the full value of what we cannot master.

Foreign Trades Zones? In Oklahoma?

Matthew Weaver, Director, Marketing and Business Development at PA of Greater OKC, FTZ #106

WHAT IS A FOREIGN TRADE ZONE

It's a *U.S Customs Duty Management Program* created by the Federal Government in 1934 to facilitate trade and increase the global competitiveness of U.S.-based companies. Foreign-Trade Zone status is a sophisticated business tool that enables internationally oriented companies to source, manufacture, and distribute their products cost-effectively. Today it's a multi-billion-dollar industry providing privileged environments to over three thousand individual companies in the U.S. engaged in the global marketplace.

Legally, a Foreign-Trade Zone (FTZ) is an area within the United States that the federal government considers outside U.S. Customs territory. Certain types of merchandise can be imported into a Zone without going through formal Customs entry procedures or paying import duties. Visit http://ia.ita.doc.gov/ftzpage/index.html, for more in-depth information.

FTZ IN OKLAHOMA

Oklahoma has 4 FTZs: FTZ #106, centrally located at Will Rogers International Airport, in Oklahoma City; FTZ #53, located in the northeast at the Port of Catoosa in the Tulsa area; FTZ #164, located in the east at the Port of Muskogee, in Muskogee; and, FTZ #227, located in the south at the International Business Park, in Durant.

FTZ ACTIVITIES

Merchandise entering a Zone may be:

Assembled	*Tested*	*Sampled*
Relabeled	*Manufactured*	*Repackaged*
Destroyed	*Mixed*	*Manipulated*
Cleaned	*Stored*	*Salvaged*
Processed		

FTZ ADVANTAGES

- *Lower inventory costs.*
- *Defer, reduce and/or eliminate U.S. Customs duties.*
- *Distribution savings.*
- *Elect preferential duty rates.*
- *Single weekly entry for all containers received, drastically reducing merchandise processing fees (MPFs).*

ACCESSING THE FTZ

1. *Utilizing an existing General Purpose Foreign-Trade Zone: There are some 270 General Purpose Zones (GPZ) located at ports, airports of arrival, and at public/private industrial/business parks throughout the U.S.A. - GPZs can have multiple users/operators. FTZ #106 provides consulting services to enable prospects to evaluate and operate effectively in any of Oklahoma City's 6 GPZs.*

   Oklahoma City: Mid-America Business Park; Western Heights Industrial Park; Guthrie-Edmond Regional Airport; Will Rogers World Airport; Kelley Ave. International Trade Center, in Edmond; and the ICON Center, in Ada (Chickasaw Nation owned).

2. *Applying for Sub-zone status for their own facilities: Sub-zone status is available to any company whose operations cannot be readily or economically accommodated in a proximate General-Purpose Zone. Applicants must be able to demonstrate to the U.S. Department of Commerce that it is in the public interest to allow Zone status for their proposed activities. There are about 340 Foreign Trade Sub-zones operating in the United States. Oklahoma City: Has, or has had, 5 active sub-zones: Ted Davis Mfg; GM plant; Xerox; ConocoPhillips refinery, in Ponca City; and Imation, in Weatherford.*

The benefits of operating in Zone status are the same whether you access the program through a general-purpose zone or a sub-zone operation. Those benefits need to be understood in two ways - reactively and proactively.

Reactively a company asks the following question - If we were to conduct part or all of our operation(s) in Foreign-Trade Zone status without any changes in the way we do business, what are the costs and benefits?

Proactively a company asks the following question - If we were operating in Foreign-Trade Zone status, how could we change the way we do business to maximize the benefits and reduce our costs.

It is easier to answer the former, and more important to answer the latter.

FIVE FTZ BENEFITS

Deferral of Duty & Taxes
Deferral of duty and taxes on foreign sourced raw materials, components, and finished goods is easy to understand and measure. Because Foreign-Trade Zones are, administratively, outside of the United States, product in the Zone is not subject to duty payments, excise tax, or local advalorem taxes (inventory tax, use tax, etc.) until and unless it is brought into the domestic commerce of the United States. The value of this deferral (time value of money) is a function of the volume of imports, the duty rate, the length of time product remains in the Zone status (inventory turns) and the prevailing cost of money.

By taking the dollar value of imports, multiplying that by the average duty rate on imported product, dividing that number by the average inventory turns per year and multiplying that sum by their cost of money (prevailing interest rate) they will determine the continuous annual savings from duty deferral derived from operating in Zone status.

In the first year of operation in Zone status, there is also a substantial one-time benefit. During that first year, the entire standing balance of inventory is converted from duty paid to duty deferred, resulting in a one-time savings to the company equivalent to the average value of foreign inventory on hand multiplied by the average duty rate.

Reducing Taxes
Reduction or elimination of duties and taxes through manufacturing, assembly or manipulation is the largest savings opportunity for most manufacturers operating in Zone status. Importers, at their option, pay duty at whichever rate is lower - the raw material rate, the part or sub-assembly rate, or the finished goods rate.

Further, that lower duty rate is only applied to the landed value of the imported raw materials or parts - not the value of the sub-assembly or finished good. None of the value added to the product in the Zone is dutiable. Further, such manipulation in Zone status may add sufficient value or create a tariff shift to qualify the product as "manufactured in the U.S.A." in terms of shelf position, labeling requirements and in terms of treatment under NAFTA rules of origin. Lastly, there are opportunities to eliminate duties altogether on materials that are incidental to the imported finished goods, such as packaging materials and containers (blister packing, etc.).

Not only does this "inverted tariff" opportunity lower the cost of the product to market (or conversely increase their margin), it also creates new sourcing options.

If you know that the finished product coming out of the Zone manipulation/ manufacturing process has a low duty rate, you become indifferent to the high duty import rates imposed on parts and components from certain non-privileged countries of origin where the best or least expensive product may be found (and remember, for as long as the product remains in Zone status, even the lower duties achieved through manufacturing and/or manipulation remain deferred).

Eliminating Duty Payments
The value of elimination of duty payments through re-exportation is again easy to measure and, like duty deferral, can be calculated based on the dollar value of those exports and the U.S. duty rate that would have applied to that product if it had entered U.S. commerce. Since product stored and manipulated in Zone status does not enter the domestic commerce of the United States, no duty is ever paid on the exports.

Product Control
Operating in Zone status provides enhanced control over product movement and a better capacity to manage the existing and changing international regulatory and trade policy environment - the risks inherent in sourcing and shipping internationally. These risk management benefits are diverse and difficult to measure, but nonetheless important:

Lower insurance premiums for inventory stored in a Zone status (as much as a 30% savings) because of the heightened awareness and security in those environments.

Lower per diem and demurrage bills because product moves more quickly and in-bond from ports and airports of arrival to the zone.

Effective management of quota restrictions, deferral of anti-dumping duties and the avoidance of marking notices.

Operating in Zone status does not eliminate these regulatory issues, but it does enable a business to more cost effectively manage them.

New Business Opportunity
The Zone benefit most difficult to measure is the ability to exploit new business opportunities. These can range from enhanced access to specific markets (duty free stores, military contracts, other companies operating in zone status, export markets), to enhanced relationships with foreign suppliers who may be willing to own their own inventory in a business' FTZ distribution facility.

This lowers the cost of that inventory to them and creates a profit center in its own right. Not only does operating in Zone status invite new business, it invites new ways of doing old business that can substantially lower all costs along the way - from Customs House Brokerage to repackaging.

Section 9

Oklahoma Progress

Our Oklahoma Recovery

John Stancavage, World Business Editor, Tulsa World, August 21, 2011

John Stancavage:
State on faster track than U.S. for recovery

Last week in this column, I looked at the prospects of the United States going into a double-dip recession. A silly but scary federal debt crisis and huge daily stock market plunges have a way of making you fear the worst is here. But how bad are things, really? And, to go a step further, how bad are they in Tulsa?

I called economist Russell Evans to pose those questions and more. Evans this summer moved from Oklahoma State University to Oklahoma City University. I remembered that Evans had been fairly conservative when issuing his forecast last January. While some big-name economists were predicting a quick rebound to 3.5 percent to 4 percent growth nationally, Evans was less giddy.

"I felt like where we were at with the economy was like having the flu," the analyst said. "The worst had passed and we were getting better, but we still felt pretty crummy. I thought we probably had six to 12 months of getting better left."

Indeed, Evans said in a telephone interview Friday afternoon that portions of the U.S. economy have continued to improve this year. The recent gyrations, he said, are partially self-inflicted (the debt wrangling) and partially due to weakness in other parts of the globe.

A jittery stock market hurts the confidence of corporate CEOs who might otherwise be hiring more people, the analyst explained.

The job market is the part of the U.S. economy being watched most closely now. It seems the frequent expectation is that there will be improvement "next month," although that usually results in disappointment when the actual numbers come out.

Evans noted that, in addition to confidence issues, many U.S. companies invested heavily in machinery and software just before the bust.

"The productivity gains from those purchases need to work through the system before these companies will hire again," he said. Despite these challenges, Evans said he would put the chances of the U.S. entering a second recession at no better than 1 in 4.

Instead, he predicted the second half of the year could end up stronger than the first half. If that happened, the U.S. could post 2 percent to 2.5 percent growth for 2011 and "eke out" 3 percent growth in 2012. The good news in all of this, apart from recovery at least getting closer on the horizon, is that Tulsa and the state seem to be weathering the economic storm as well as ever. The recession definitely had an impact in the state but never to the depths seen in some other parts of the country.

"Evans said Tulsa and the state easily could top 3 percent growth this year and next. "We are poised for recovery," he said."

There are two reasons for that, Evans said.

- One is that the oil and gas industry has remained fairly strong. Tulsa and the state still have a lot of companies that search for oil and gas, transport it or process it. Beyond that, there are many smaller businesses that make equipment for the oil field or provide services.

- The second force sustaining the local economy is manufacturing. Tulsa is responsible for 60 percent of the state's exports.

Evans said Tulsa and the state easily could top 3 percent growth this year and next. "We are poised for recovery," he said.

The Age of Collaboration

David Myers, Ponca City Development Authority

David Myers is the Chair of the Governor's Economic Development Marketing Team and Executive Director, Ponca City Development Authority

We are well into the economic age of collaboration. Businesses everywhere are entering into partnerships in order to focus on their core competencies and leverage the expertise of others. Companies that compete on one level will collaborate on another if it builds the balance sheet.

Economic development must also reflect this new global reality. Rather than collaboration, which is indeed a critical part of success in the field, successful economic development in the future will also be about integration.

The distinction is a fine one to be sure and reflects the fact that most economic development programs are either run by government, non-profit business organizations, or both. The return on investment is measured differently than it is in the for-profit world and integration is vital among government agencies and non-profit partners who also have a bottom line driven by public or member needs.

"Collaboration between the public and private sectors ... it is an economic culture whose time has come for Oklahoma ..."

It is also important to keep in mind that economic development is practiced differently from community to community. For some, economic development is about building a retail base in order to produce sales tax revenue. In others, the objective is the retention, expansion and attraction of new economic base jobs, the latter being the subject of this article. The individual objectives of each community, not to mention the manner in which economic development is either funded or not funded, depends entirely upon the goals of each area.

Economic base jobs are those positions which essentially attract money into a community in exchange for a good or service which is exported beyond that community. In addition, an economic base job typically pays a wage or salary above the county median.

These jobs, sometimes referred to as primary jobs, are critical because they essentially comprise the economic engine of an area and drive the financial vitality of the state. Secondary jobs, (i.e. hospitals, utilities, suppliers) and derivative jobs, (retail, some service) cannot exist without primary jobs. Small wonder that economic base jobs get the attention they do from the public and from state leadership.

The relationship between economic base jobs and secondary and derivative jobs, however, is not a one way street. In order for a company to be successful in an area those secondary and derivative jobs must either be in place or be expected in order to service the needs of the primary company. This chicken and egg scenario creates significant challenges not only in smaller communities but also in Oklahoma's metropolitan areas which are relatively small by global standards.

Any conversation about global standards or the global economy inevitably turns to education. In Oklahoma, we are justifiably proud of our workforce training. Along with most other states, we are also ramping up our ability to turn out more college graduates.

While it is demonstrably true that a higher college graduation rate has a very positive impact on the state's economy, it is equally true that the type of degrees conferred, and the need for college graduates to bring certain skills to the workplace will become dramatically more important in

the years ahead. Integrating workforce development, college matriculation and the vital research work being performed at Oklahoma's research universities will become imperative for our success.

"Companies will stay, grow or move to areas that solve their problems, so success in this field lies in identifying Oklahoma's value proposition to them."

As important as education is, however, it is not the only component needed for economic development success. A great deal of attention is given to incentives as well it should. Incentives are designed to play the "but for" role in economic development. Properly tailored incentives play a crucial role not only in attracting industry, (and growing the state's tax base) but also in attracting the right industries, (assuming that we have decided what those are).

Unfortunately, we often allow the economic development conversation to stop once we have addressed workforce (education), and incentives. This, however, is often where the conversation begins for many companies for whom education and incentives are prerequisites.

"Unfortunately, we often allow the economic development conversation to stop once we have addressed workforce (education), and incentives."

Economic development, it must be said, is about fit. Business clusters, first discussed by Harvard's Michael Porter in the 1980's, involve more than just a collection of like companies doing much the same thing and sharing the same workforce. A true cluster includes business services that understand the industry. The hospitals, for example, must understand the occupational medicine requirements of the cluster. The civic infrastructure must reflect their needs as well. Whether or not a community has bankers, financial people, attorneys and more who are in touch with the needs of a given industry makes a huge difference in whether or not businesses can or, more to the point, will grow there.

Companies will stay, grow or move to areas that solve their problems, so success in this field lies in identifying Oklahoma's value proposition to them. This extends well beyond workforce and incentives into the daily operations of entrepreneurs and business managers. Low cost has been replaced with efficiency as the key operational imperative since the latter leads to the former.

Public services alone cannot insure a good fit. The private sector can not only play a vital role through the provision of goods and services, it can also profit from this role. Both public and private sectors, however, must become more agile in order to exploit the clear trend in Oklahoma towards small business.

The economic future of Oklahoma will not look like the economic past. We will likely grow far more jobs than we attract. The state will move from labor surplus to labor shortage. Industries will become far more precise in their needs not only with respect to workforce, but also when it comes to supply chains, services and infrastructure.

How we approach this collectively begins with the understanding that we must, public and private sector alike, indeed approach this collectively.

Successful economic development cannot be delegated nor is it a fire and forget weapon we bring out when a large project looms on the horizon.

Collaboration between the public and private sectors, as well as the integration of interests, is how economic development is practiced in other nations. It is an economic culture whose time has come for Oklahoma as well.

Norman Planning for Norman

Joy Hampton, The Norman Transcript, August 13, 2011

NORMAN — Don Wood believes Norman is the premier city in the metro and he wants to keep it that way. Wood may be biased. He's the executive director for the Norman Economic Development Coalition, a combined enterprise funded by the city, the University of Oklahoma, the Chamber of Commerce through the Sooner Centurions, and the Moore-Norman Technology Center.

"One of the things I'm proudest of at NEDC is we really have a broad economic strategy," Wood said. NEDC owns and operates two technology based business incubators.
The emerging Technology entrepreneurial Center or eTeC serves as a business accelerator to help new tech companies grow more quickly.

"This is probably the most successful incubator program in the state of Oklahoma," Wood said. "We have generated over 450 jobs from the companies that have started here in this incubator and are here today." Those successes are affecting lives for the better.

"We have generated probably the most successful technical commercialization of a product developed in our incubator," Wood said. That product is Natural Lock, a replacement for Heparin. "This is a 100 percent natural product," Wood said.

Much of the focus of the Coalition is to grow entrepreneurs within the community and prevent "brain drain" — the loss of the brightest and best OU graduates. "Most jobs are created by small business," Wood said.

"Eighty percent of new jobs come from expansion of existing companies. Another part of our strategy is to be sure everything that's possible is done to support our existing employers."

Hitachi is a case in point. "We were able to work with Hitachi to expand the plant here, rather than the plant being moved to another city." That saved 300 existing jobs and will bring 200 new jobs to Norman. "We've kept a great corporate citizen in our community," he said.

"Another area we work in is product improvement, and that means building a better community - which is our product - but also having the appropriate economic development infrastructure so that we can be successful."
The coalition has developed two business parks with a third and fourth on the way. "That's given us a place to locate companies," Wood said. "It's a very healthy community, and I'd like to think NEDC has played a role in that."

There has been ongoing talk within the city about creating an economic development authority. "What the city, I think, is considering, is a Norman Trust Authority that could help provide the infrastructure for economic development, like a new business park," he said. "To date, the larger park sites have been done through NEDC. We've been able to borrow that money from banks, so we're the ones that were at risk, but we're limited and we've pretty much reached that limit. If anything else is going to be done, we're going to have to have help."

And more will need to be done, Wood believes. A trust authority could offer incentives, build buildings and provide infrastructure.

"Most of the trust authorities around the state have some dedicated revenue source to support their activities," Wood said.

Funding for current projects comes from a variety of sources. While federal Economic Development Administration dollars helped build the infrastructure for the university's new research campus, usually EDA funds are reserved for disadvantaged areas, and Norman doesn't qualify.

The tornado that hit Cleveland County in the Moore area eight years ago resulted in the $1.25 million in funding for the research center. "We are

constantly monitoring the EDA guidelines to see if there are windows of opportunity," Wood said.

Norman has also used TIF or Tax Increment Funding districts as a means of allowing economic development to pay for itself. The city has two TIFs. The campus corner TIF paid for sidewalks, streets, lighting, park benches and beautification. That investment spurred millions of private dollars invested in the area.
"It's what I consider the picture perfect TIF," Wood said. "The other TIF will probably have the same results if people will be patient and let the area run its course."

Wood said "unrealistic expectations" for the second TIF, which is at University Northpark where the new Target sits, included hopes for upscale shops. But with recession economics hitting the nation, that hasn't happened.

"Our demographics don't drive those kind of stores," Wood said. "They keep adding stores there. Legacy Park will be a wonderful addition."

Wood thinks it's time for the community to reward itself for its successes by creating a quality-of-life vision for the future.

"We need to continue to be the premier city in the metro," he said. "We should be starting to have that kind of dialogue."

Micropolitan Communities; Grow Or Die

Tim Burg, CEcD, and Rachel Geiger, Shawnee Development Foundation, Shawnee

Oklahoma has always been a land of opportunity. From it's earliest beginning, our land has been rich in resources such as native grasses, abundant wildlife, the ability to sustain a vast agricultural economy, and possesses an immense wealth that lay just beneath the surface. In my humble opinion Oklahoma's future offers opportunities for continued prosperity, if we focus on what is achievable though utilization of existing resources.

There are many who would suggest that Oklahoma's glory days have long since passed; however I believe the best is yet to come. Over the centuries one of Oklahoma's most sought after assets is our people. Our work ethic, our desire to succeed, and the resiliency in the face of adversity have proven to the world time and time again that we are unique. It is a strength we should not take for granted.

Those factors may be considered intangible or hyperboles into today's fast paced global economy, but in my opinion they may just be the differentiators that support our economy when others fail. Being conservative, using common sense and possessing a "stick-to-itiveness" nature is as valuable today as it was 100 years ago.

In examining the challenges that face our state we must focus on what we have, what our strengths are and how we can leverage those items to benefit the people of this great state. To grow the Oklahoman economy to new standards, it will take the collaborative and collective efforts of all of us to improve the benchmark of living in this place we call home.

Does location really matter ... ?

There are many terms for a community located within 30 minutes of a larger metropolitan city. Some would classify the community I live in as an Edge City, an **AgUrban*** location, a rural area or to use the correct US Census term, a Micropolitan Community. Regardless of the terminology, the reality is that communities of all sizes play a vital role in the well being of Oklahoma's prosperity.

While we should never say never, it is unrealistic to assume that major business relocations will take place in areas without adequate and sufficient resources. Those resources may include an abundance of skilled workers, a suitable, ready to build on site, infrastructure of all types capable of supporting the needs of business, and sufficient capital that is accessible for growth purposes.

The lack of resources doesn't mean we are destined to dry up and blow away. For many of us outside the metro areas, it means we have to work harder and smarter, using what is available to us. It isn't possible to simply use willpower in our rural areas for a brighter future, but prosperity is achievable in these areas, by using some basic fundamentals and possibly a renewed, fresh approach.

It certainly does create an advantage if you are closer to a major metro, an interstate, or a port or within close proximity to a raw materials resource. No doubt about it, those can be game changers and provide undeniable assets. However, if you only believe you have to have some or all of those items to succeed you are limiting the capabilities of what can be done in your area.

Every area in Oklahoma has some economic activity. The challenge we all face is to determine what could be utilized, enhanced, explored, supported, researched and assisted, that might add jobs, generate income and add wealth to an area. Some might suggest that is a "blue sky" view of a harsh and highly competitive world, but if it is a goal to generate more prosperity in the state, a defeatist attitude won't fill the bill.

Neither will wishing for something to happen. It takes a lot of hard work; a mentality of "no one is going to do this for us" and a set of strategic actions to change the economic conditions in a community or region. You have to be willing to do the hard work before you can expect to see results.

Every location offers its own assets. It takes some exploring to find out what you have, what gaps you may be able to fill, and while being realistic, where you can find the resources to assist you. It is a conscious decision one must make to take on this task. No state agency is going to swoop in and save you, hand you a company on a platter or offer you something for free.

Economic prosperity is achievable almost anywhere, but first you have to earn it. Yes, location can be a deciding factor to some projects, but not all. There are a number of projects that can be accomplished where the location isn't the only driving factor or main influence. Each community or region has assets and resources that will play a key role in how one can undertake its own economic development activities. I believe it boils down to where you are and what you are trying to achieve.

The short answer is yes, location matters, but if you broaden your view on what is achievable, you can diminish the impact of that one single factor. Don't try to be everything, be good at what your good at and build upon that base.

If only we could land the BIG ONE…

How do you know what you can or can't do, until you know what you have to work with? It is human nature to read about the success of a community that has landed a new business or where economic prosperity is touted as the best thing since sliced bread. Call it a greed mentality or simply jealousy, but it is real and sad that many communities only try to measure themselves against such announcements.

A single job in a rural location might be a great benefit to that area, not to mention to the individual who obtains a paycheck. That small start may lead to another opportunity or another way to enhance the economy. If you only base success on the announcements and accomplishments of other communities, you have already created a no-win scenario.

By no means am I suggesting that you shouldn't have lofty goals and high expectations. But while you're waiting to hit the jobs lottery, you are most likely letting opportunities pass you by.

Potentially your best chances at growing your local economy occur with the existing businesses that are already providing services, products or raw materials in your area or within close proximity. If you simply assume they have no plans to expand their services or operations, or aren't willing to explore those prospects, you certainly won't have any chance of succeeding.

This aspect of economic development isn't new. It is a tried and true fact that 80% of all new jobs created in the nation come from existing companies. So why aren't more people actively engaged in helping those who are already here? That is an age-old question that can't be easily or readily answered.

Those communities that actively and aggressively pursue a well thought out economic development business retention and expansion program, (BR&E) are by far doing better than those who focus only on trying to attracting new business entities to their communities. We will get into greater detail as to what we consider a well-run BR&E effort later in this document.

The short answer again on attracting big companies is that it isn't impossible. It is however highly expensive and you must have what the company needs. Your desire to recruit the company has little to no affect on the overall outcome. You have wants, but the business' needs are what matters most. Businesses relocate to new areas based upon their set of criteria related to their specific needs, not the needs of the community, area or region.

Ask yourself if you can accurately determine if your community has the criteria that companies are seeking and use that as one of your attraction components or tools. Be honest with yourself and remember to take the emotion and passion out of your thought process in developing your list of assets. Additionally, a great quality of life is expected. It is not a resource or a core asset. Be real in your self-evaluation.

Trust us 'cause we say so…

If you don't know who the businesses are in your community, area or region, then you need to get busy. The power of data, which is accurate, relevant and fresh, is where you need to start.

Figure out who is doing what, and how they are accomplishing those services or manufacturing of products. What are their barriers and obstacle to growth? What are their top five complaints about their location? Who are their customers? What do their customers need? How are they reaching them? Why are they in your area in the first place? All fairly basic data you **NEED** to know. And if you're interested or tasked with doing the economic development efforts you **MUST** know.

Then if possible, add in the rest of the story, as your time and more importantly their trust of you allows. Find out about their facilities. Look at the condition of their buildings and equipment. Ask about their most recent capital investments in property, facilities, equipment and even the use of newer technology.

See if the companies in your area have launched any new products or if they are spending time and effort in an R&D capacity. Ask about their workforce, in fact ask LOTS of questions about their workforce. Determine if their pay scale is competitive with other companies in your area, if they have been retraining their employees, and if they value their employees. Are they struggling to fill job openings or retain their workforce? Do they have a high turnover of workers, and/or are they doing anything different to recruit?

Ask if their infrastructure systems are adequate for their current needs or any future plans and how might it be better. Are there technology challenges they face with which they are seeking help and who is their go-to agency, institution or organization?

If you can find out from where their raw materials come and how far their supply chain stretches that's even better. If you determined that there are gaps in their supply chain or disruptions in their distribution system, could that provide you with an area in which you could offer assistance? What if you identified that the business with whom you were visiting had a need for advanced technical production support, could you offer to help them or find someone who could?

This kind of detail in learning about what exists can be applied to any business, whether you are in a major metro or in way out yonder Oklahoma. The answers to the questions listed here are just a few that will help you discover what you have, how you might be able to help and where you could be able to align resources that you or others in the state might have.

Keep in mind that it is more than just a task of asking questions. You must be willing and able to listen to what they are telling you. Listening is just as much of a skill as hitting a baseball or running a CNC machine. Those who listen best are way ahead of those who think they already know all the answers.

One of our views on economic development is that the language of business is complaining. For me personally those complaints provide me with the best "To Do" list I could ever assemble. I find that it gives me a direct insight to what is causing the business, regardless of what type, what I call their **"points of pain".**

Learning the "who and what" about your region's businesses is only part of the process. You should also spend time learning what might be available in the form of resources on a local, state and federal level. In most cases you will have no authority

over the programs of others, but if you are truly interested in bettering your region or community, you should view knowing about such resources as a responsibility to your business community.

All of this takes time to complete, it isn't front-page news, and most often it is simply hard research work. But by paying attention to detail, consistent effort and patience, mixed in with a desire to help others, it may very well be the best investment for your community you could ever undertake.

If you only receive one take away from this document let it be this. Asset mapping in your community or region may very well be the best investment of your time and money. Someone has to do this important and vital work.

Understand the importance of learning what the primary information is from the secondary information. Don't be misled by what seems to be valid, when in reality it may be stale, dated and irrelevant to the businesses in your area.

Strength in Numbers

Most of us have heard that phrase ever since we were small children. How we are stronger, safer and offer more as a larger group. The same thought process holds an even larger role in our economic development efforts.

Whether you are part of a ten county metro partnership or a rural area in Oklahoma that has banded together, those collaborative alliances have immense value. Metro areas didn't simply create themselves and grow into the economic engines they are today. Certainly they began their existence due to a transportation hub, raw materials or resources or by providing what others in the surrounding areas couldn't.

Those cities now need the surrounding regions to maintain their tax collections, access to more skilled workers and the resources that surround them. As the cost of doing business increases they must continue to draw upon the edge cities to help them grow or even maintain their status.

But this isn't a phenomenon that is exclusive to major metro areas. Rural areas can also band together to determine how they might act as allies, to strengthen the entire region they represent. If you're still upset about the outcome of last year's football game with your neighboring community, you won't view the creation of regional collaborations with much interest.

In a global economy we are now destined to compete on a much larger basis than ever before. Companies that are looking to expand or relocate could really care less about who won what game in what sport. They are interested in their bottom line, production of products, cost savings, skilled manpower, low cost of operations, proximity to customers, access to transportation corridors and market share.

Having a great quality of life which can include a wonderful sports rivalry as part of our heritage, but in very few cases does it provide enough income to truly grow our economies or meet the needs of the business that can help us prosper.

My apologies for being so low context, but in the world of capitalism, a thing at which we should never apologize for being good, getting to the bottom line as fast as we can is where it's at. What the outside world is telling us and showing us every day is that if we fail to develop a team approach we will be left behind in the race to dominate the global economy.

Here's an example of how we might help each other. In our community, we have a focus on growing our aviation and aerospace sectors. While it would be great to believe that we can attract Boeing, it is also unrealistic to believe we have the skilled manpower and resources they need. Remember earlier the part about our wants versus a company's needs? That is where we need to determine if what we have to offer in the area, not just one community or location, can meet the needs of business.

Boeing wants to and will grow jobs at Tinker AFB. That's a big story with big national and even

international headlines. So does our little, old community have a chance in reaping any of that economic gain? By all means.

We have aerospace companies that can support their needs, we have a skilled workforce that can be trained here, live here and bring their Tinker paycheck back here. Does the company have to be located here for us to be successful? It would be nice, but it absolutely isn't the only way we can gain wealth.

Did Boeing solely look at the Oklahoma City community, or was the regional area a factor? I'll submit they took everything into consideration as it related to the broader area. The total of all our collective resources is being brought to bear to help them succeed in this region.

We know that not everyone is next to a major metro, but there are still options for improving the success of an area. If you have the desire to talk and work with your neighbors, the drive to figure out your resources, strengths, and even weaknesses, you will dramatically improve your area's chance for economic growth.

If you disagree with that thought process you can simply be mad about the score of last years game. You figure out which one works best for your community.

Shoot at everything and hope something falls…

The time worn adage of "Dance with the one that brung ya" still holds value in this state. According to the Oklahoma Department of Commerce, Oklahoma manufacturers represent 12% of the state's GDP, provide wages 20% higher than other forms of employment and comprise 95% of all exports in the state. What is made here is literally shipped worldwide.

National statistics and trends tell us that over 80% of all new jobs are created by existing companies, with another 10% coming from spin-offs from those companies. If these decades old trends hold true, and we believe they do, why would we not pour the majority of our resources into helping our existing companies grow?

Business Retention and Expansion, (BR&E) is much more than just asking a company to add jobs. It is taking an active role in helping them with their workforce development needs or assisting them with infrastructure improvements. For some smaller companies it is about helping with marketing programs, showing them how to find their targeted customers, or accessing the incentives provided either on a state wide or local basis.

Business Retention and Expansion is being an advocate for those businesses in your community that have been employing your citizens, paying their taxes, using the utilities and for the most part, being the major economic drivers. If we funnel our resources and efforts in an attempt to help them prosper, aren't we in reality helping them help ourselves?

BR&E isn't just about working with large companies, gathering data and analysis of that information. It is a program and application of efforts that can be applied in every community, region or area, regardless of what is situated in those locations. In the purest sense of the terminology, BR&E is business intelligence. Either you know what you have both big and small or you are merely guessing.

While many of us have no authority over anyone else's programs, we should as professionals have a responsibility to at least share what we know about the collective resources in our state. Economic growth and prosperity isn't best done in a vacuum, but more so in a collaborative effort.

If we truly believe and determine that it doesn't matter who gets the credit, strip away the emotions of turf or boundaries, and strictly deal with facts of any given opportunity, our successes can be boundless.

Year after year we debate, expound and explore the state incentives we offer to new businesses to locate here, while in reality we do very little to encourage those we have to remain. If our strength is in what we already have, why do we do so little to encourage it to grow or even remain in the state?

Is it because we believe that we will never lose them or that it isn't as high profile as touting new company relocations? Bottom line, what makes sense for your area based upon what you can control, assist and develop? It is with utter amazement that we consistently hear those who tells us that BR&E is a key component of our states economic strategy, but in reality is most often the most overlooked tool in a progressive economic strategy.

It has been our experience that the best way to recruit new business is to have an active and successful business retention and expansion program. If you doubt that, ask yourself one simple question. While you are focusing your efforts on attracting new businesses to your area, who is visiting the companies you already have?

Also consider that few communities have actually done the work to learn who their companies are, what they need or offer any concrete solutions that will help them expand. If you've done the work to learn what you have, you are well on your way to separate yourself from other regions or communities.

Over the past year the most successful economic development stories around our state aren't new companies who are relocating here, they are companies that already have a presence in our state and have elected to **EXPAND**.

In a world hungry for economic prosperity and success, it is with great frustration that we see so little of the state's efforts spent on what would provide us with over 80% of all new jobs created.

If your existing companies are happy with your ability to assist them, pleased with your response and attention to their needs, aren't they then your best sales partners in the recruitment process?

Companies seeking a new location aren't moving for the sake of moving. They are looking for what they don't have and if you've created a stellar support system, they will want some of what your existing companies already have. By focusing on helping those who already exist in your area, you in turn are building a greed mentality for those companies you are seeking to attract.

Our #1 Incentive…

Some great cities have wonderful industrial parks, readily accessible buildings, modern infrastructure, with ample amounts of cash to lure companies or prospects, and even every type of retail or quality of life amenity that one could imagine.

However the key-deciding factor for any company considering an expansion or relocation is to determine if they have the skilled workforce in the region to support their short or long term needs.

Can the targeted community or region supply and sustain a workforce that meets the needs of the existing companies, plus any other firms they are trying to recruit? *Without a sustainable skilled workforce, nothing else matters.*

Oklahoma has the educational resources in place to supply those skilled employees, but the question is, are we doing everything we can to encourage use of these assets? I don't believe we are.

Education is the key to most successes in life, and Oklahoma certainly has many stellar universities that are the lynch pin in providing a highly educated workforce. We also have a Career Tech system that is poised to do more in the delivery of a skilled and trained workforce, to supply those companies that need such employees.

But neither the Universities nor Career Techs can be expected to undertake this development process on their own. Business must be engaged in the process, for both their own short term and long term needs.

In the past 40 years manufacturers simply placed an ad in the local paper or a sign out front, and potential employees applied. That isn't going to solve today's current and pending skilled workforce shortages. Businesses must take a more proactive approach in recruiting potential employees and be part of the training process, which fills their workforce pipeline.

Education and business need each other. Education is mostly funded from property taxes derived from the citizen or businesses in any given region. If the citizens can't find employment or the business suitable employees, they most likely won't stay in in such areas. Without income they won't be able or inclined to pay the taxes education needs.

While many educators cringe at the thought that they are in the business of turning out employees, in reality that is exactly the thought process they should embrace. But without input, support and a collaborative effort on the part of business, education reverts to what they do best and the needs of business are unmet. Educational institutions alone can't develop a skilled workforce.

For the most part educators know very little about business, how it operates, what it produces or its needs. Educators obtained their teaching certificates, entered into a school and began instructing in their respective courses based upon textbooks or curriculum that was not developed by business, but by educators. That isn't a negative mark against education, only the reality of how and what the system offers.

While the rigors of the specific curriculums are in place to provide a well-rounded education, one must ask if that course of studies ties into the needs of business. In fact, how relevant is the course work to any business? Is there a real world correlation, or is it simply a pattern of "what we are teaching is what we've always taught, so it must be okay". I would submit that business expects and needs much more.

Oklahoma has the opportunity to help themselves by encouraging and embracing a new method of training our future workforce, by openly and willingly asking business to help in the education process.

Focusing on workforce development doesn't mean not encouraging students to seek their highest educational levels possible. It means helping them explore all the options. Assisting them in making the right choices, showing them the pathway to a better future, highlighting the need to be a life long learner, while mixing in a heavy dose of soft skills, will not only help the entire state, but will continue to create the type of workforce for which most American businesses clamor.

This can and should be undertaken by a joint effort of the Career Tech and K-12 systems, along with the various Workforce Investment Boards, Workforce Centers, Society of Human Resource Managers and economic developers around the state. With a collective effort we can increase the numbers of skilled workers in any area where the alignment of resources and efforts are undertaken.

Oklahoma can do more in this area and literally be the leader in the US, by aligning the needs of business, with the output of our educational institutions. The unanswered question lies in the determination of whether all the groups referenced wish to help each other achieve a new standard and a brighter future.

Oklahoma, just like every state in the nation, cannot afford to lose one worker through lack of education, apathy or complacency in our educational processes, nor the inability to connect the resources available to all in need. We can no longer assume that because we have built educational facilities and hired highly educated instructors, that those actions alone will create the necessary results for business.

For well over a decade I have consistently stated that, *"Those communities that consistently develop a skilled workforce will be prosperous for decades to come"*. This statement is becoming more relevant everyday in every community in the US.

Why shouldn't Oklahoma be the national standard for undertaking those goals? How long must we continue to wait for others to solve the problems that businesses in our state, or those we hope to recruit, expect and need to be prosperous?

A few birds, fewer pennies and one electronic stone…

So how do you manage an economic development organization, conduct BR&E, and market your community to companies potentially looking to relocate or expand when you're a one or two man shop? What if your local paper isn't interested in economic development, or if you don't have a local media outlet at all? How do you gather and share information in a timely manner without expending the valuable funds you have worked so hard to obtain?

Our answer is electronic and social medias. The hub of all our organizations marketing is our website. Every single marketing piece we produce, our hard copy, business cards, Facebook, Twitter and anything else that leaves the office is emblazoned with our web address. It is the most cost effective method of marketing as we have several "individual specific" pages within the site and therefore, can drive anyone to a specific page in order to suit their needs. Additionally, we track every visit to our site, through an important service we'll discuss in just a moment.

We offer an extensive amount of data on our website, and while all the data available is not owned by the organization, through our various partners we can provide access to those with whom we are affiliated, as well as anyone who visits the site. Although the initial setup of a website can be pricey, it is well worth the investment, **IF** you are willing to maintain it, ensure that all the data available is fresh and relevant and that the site is easy to navigate for the end user. Although having a website is better than not, if your organization does not make a commitment to those three things your website, subsequently your organization and potentially your community can be seen as lagging behind and uncompetitive in the global marketplace.

When investigating a website, ensure that you have some sort of analytic software. Google offers an excellent option that is our favorite price, free! Once you have linked the analytic software to your website (or Facebook page, or Twitter page, etc.) you can then begin to gather information about several things, from where exactly your viewers are coming, how long they are perusing the site, how they entered the site (Did they search Google? Or did they type in your URL?) and how they left the site.

Having this data allows you to prove whether or not your marketing is working, especially if your main marketing is your website. Imagine having just returned from a call trip to see site selectors and from your analytic software, seeing that 9 of the 10 you chatted with have visited your site, stayed for a lengthy period and left through your links area. That would be excellent feedback to have. You can tell from that information that you at least peaked their interest and provided them information they wanted as they left your site through an acceptable method – a link to another site.

Now say for instance, that you've just returned from the same call trip and your analytic data shows the same 9 out of 10 visited your site, but left from your homepage within 10-15 seconds of arriving. Now you know that you have some work to do. Something in your pitch got them to your website, but once there, they either couldn't find what they wanted, the site didn't work on their browser, or was so graphic heavy it crashed their computer. While those are extreme examples, this is exactly the type of information you can gather if you use analytic software to analyze your sites visits.

In addition to our website, we utilize both Facebook and Twitter for a variety of reasons. We have adopted the "Work Smarter in Social Media not Harder" method with our posting. Facebook and Twitter offer an option to link together your

accounts, by doing so, when you post to Facebook, it automatically updates the same post to Twitter. A good web developer can also set up the same capability between either Facebook and Twitter or both, so that those feeds will also appear on a page of your choosing on your website.

While this may seem redundant, there is a purpose. Facebook and Twitter reach two entirely different types of people. While we could go on about the demographic differences between the two, suffice it to say, our goal is to broadcast our message to as wide of a variety of persons as possible, most of whom admit to not using any other traditional source of media.

In addition to the demographic differences of the two social medias, Google recently announced that due to the massive popularity of Facebook and Twitter, Google now prioritizes Facebook, Twitter or any other social media links over regular link backs. (A regular link back would be a typical link you would see from your economic development organization's website to your municipality, and from the municipality back to your website.) In other words, the more you post on Facebook, and subsequently Twitter through the linked social media accounts, the more relevant Google determines your website to be and therefore your website gains prioritization in online searches.

Prioritization can be gained in other ways, such as Search Engine Optimization, a method of including keywords in the coding of your website, however, this professional service is very costly and can often be delayed until later website upgrades are being made. In the meantime, take advantage of the free resource that is social media prioritization.

Not only does the usage of social media assist in our ability to "be found" online, it also puts us in contact with more of our small businesses. 2010 Facebook statistics state that over 700,000 small businesses have created pages for their business on Facebook. They have an outlet to communicate and we think they are an important group to listen to. At the same time, Twitter gives us unique insight into those individuals working in the company, and provides an outlet to share information with the click of a button. Twitter is the economic developer's network come to life. Most state agencies have a Twitter account and use them to quickly disseminate information or links to information, by simply re-tweeting their posts, we are able to provide information to our followers without having to take time out to seek the information ourselves.

Perhaps one of the most important reasons we make an effort to use social media, is because it's a real time method of communicating news. We no longer have to wait for the paper or worry about their viewpoint being for or against ours. We are able to garner and react to news before it "hits newsstands". In a recent occurrence, over a weekend, our staff learned of a business that suffered a structural fire via Facebook. We were able to correspond with affected personnel, offer assistance to out of work employees and even follow up by supplying a few job openings before the next working day. In some instances where communities don't have local media sources, social media can even become the media source for the community.

Even if you do have a media source in your area, chances are you'll have no control over what is included in their publication. Social media gives you the opportunity to disseminate the "right" information to your community. Spreading positivity is always welcomed, if you can use social media to share the good things going on in your region, chances are your constituents won't be the only ones who take notice. Just like visitors to your community can sniff out dissension almost immediately upon arrival, imagine how persuasive it could be to have nearly everyone in town, in every location you choose to show your prospect, talking about what a great community you have and how wonderful it is to be there. While traditional media sources have their value in reaching certain demographics, social media reaches further both demographically and geographically.

Within Facebook there are several communication tools we are able to use.

- Wall – we can communicate with all our members via our wall through a status update.

- Discussion Area – If your organization produces a blog, this is an excellent place to post it in order to start a dialogue with your business community using the blog as your prompt. Additionally, this is a nice way to broadcast our message to new people, including those who stumble upon it. It is also an easy format for people to share throughout the Facebook interface.

- Events Area – If your organization is one that promotes various events, the events area is an excellent place to do so. It allows you to invite your fan base to the event, allows them to RSVP for the event and again, creates a dialogue between the organization hosting the function and the attendees. Often times this can be used to create peer pressure or greed mentality when one attendee discusses how beneficial the event was the year previous, or when an invitee sees that many of their competitors are attending.

On top of our social media presence, we needed a way to share our story, to spread the positivity, to get the whole community marching to the same beat in an attempt to change the culture of dissention that had developed over time. Our answer for that dilemma is a weekly blog we call the Monday Memo. Every Monday morning at 6:00AM we send that weeks blog post to 2,500+ interested parties. It is a short read that focuses on what's going on in the area, as well as a positive spin on things that some people may complain about. For example, while many find that road construction is a frustrating interruption of their lives, we see that as continued re-investment in our community, and tell our readers so, in an attempt to quell negativity and highlight the positive.

As you can probably tell, we do very little print marketing. With a limited budget, print is often times out of our price range. Any hard copy pieces we may use are created in house with very specific targets and very limited runs. This allows us to tailor our printed pieces to the individuals with whom we are planning on meeting, keeps our printed materials from becoming stagnant, outdated and irrelevant, and allows us to react quickly to site selection trend changes – all while maintaining a consistent branded look intended to drive the individual to our website.

While our organization has made heavy use of social media, we realize it is not fully adopted by everyone; however, we would highly encourage you to investigate how your organization can put social media into use. It is not going away. According to a survey completed in May 2011 by webs.com, over 69% of small businesses are using social media and of those not using social media, 41% plan on starting in the next three months. A good economic development organization is proactive rather than reactive. Proactively engage your business community in social media and see the results for yourself. Avoid it, and you run the risk of watching your organization get left behind.

Sharing knowledge…

There are those among us who would argue that we should not share our collective approaches for economic development, nor consider revising our respective strategies. Those who think that way believe we are giving up our secrets. Maybe and maybe not.

From my perspective as we share our knowledge of this profession we are able to learn and apply new ideas. As we explore what others are doing and determine if it fits our own application, we are continuing our own education of the field of economic development, and at the same time refreshing our skills, and hopefully expanding our horizons.

We strongly believe that, as the world changes so should we. We must adapt our methods to meet the needs of those we serve and those who supply us with the wealth in our regions or communities.

Sharing our knowledge also means bringing others into the process that can help us chart our collective future. That means we have to be ready to listen to those who may have been excluded in the process, including the youth of our areas, who truly have a huge stake in our successes. Without fresh thought and entrepreneurs we are destined to be hesitant to try new ideas or to take any risk.

Lastly, we must not forget to measure ourselves. We should measure everything we do and for those who are opposed to doing so, one could assume they are adverse to change or evaluation. That which gets measured, gets done; it's as simple as that.

Six steps to grow your economy…

1. Do your homework: Find out who you are, by learning what is in your area. Don't wait on others to do this for you.

2. Analyze that information to learn your strengths and weaknesses

3. Help those who are already there.

4. Figure out what gaps those businesses have and how you might be able to fill them.

5. Market yourself with modern technology.

6. Do all of this now….

Suggested reading materials

Good to Great (Jim Collins)
Life 2.0 (Rich Karlgard)
Boomtown USA (Jack Shultz)
Rivers of Revenue (Kristen Zhivago)
It's Not What Happens To You Its What You Do About It (W. Mitchell)
The Servant Leader (James Autry)
Leadership Lessons of Ulysses S. Grant (Bil Holton)

Suggested e-zines and blogs

The Daily Yonder ... www.dailyyonder.com
Revenue Journal ... www.revenuejournal.com
Executive Pulse ... www.e-pulse.net
The AgUrban ... www.agracel.com
Rants from the Brand Coach ... www.brandaccel.com
CEOExpress ... www.ceoexpress.com
Ed's Garage ... www.edmorrison.com
EDPRO ... www.edproblog.net

Suggested Oklahoma Twitter Accounts

@Spirocks – Emerging Media, Small Business & Practical Marketing Advice
@MFGcom - The largest global online marketplace for the manufacturing community, connecting buyers and suppliers of manufactured products from around the world
@OKPolicy - Independent, credible information, analysis and ideas on state policy issues - www.okpolicy.org
@USDA - Stay up to date with the latest news, events and info from the U.S. Department of Agriculture - and live tweeting, too!
@OKCommerce - Oklahoma Department of Commerce ... Lead economic development entity for OK ...
@AreaDevelopment - The premier site and facility planning resource, used by business for 45 years.
@PetroPeteOERB – OERB
@SBAgov - The official Twitter account of the U.S. Small Business Administration. News, tips, and resources for the small biz community.
@OKDOT - Official Oklahoma Department of Transportation. ODOT reminds Twitter users not to text or tweet while driving.
@usdaRD - Rural Development aims to increase economic opportunity and improve the quality of life for all rural Americans through the delivery of various programs.
@okfacts - One fact about Oklahoma everyday.

Also consider following

Local Companies
Employees of those Companies
Community feeds (ie: @CityofShawneeOK, ShawneePD, ShawneeFD etc.)
Local newspaper or media sources
Local Leadership or Community Leaders
Chamber of Commerce
Convention and Visitor's Bureau
Universities and Public School Systems
Union Leadership and Membership

AgUrban is a designation or description of a community developed and copyrighted by Jack Schultz author of Boomtown USA.*

Manufacturing: Making Stuff to Sell!

Chuck Prucha President and CEO of the Oklahoma Manufacturing Alliance

Editor Note
A famous person (the name we do not recall) once said "nothing happens in our economy until something is made and sold". Our Oklahoma manufacturers make stuff. They are a key to economic growth and stability.

Meet the Author
Chuck Prucha was appointed President and CEO of the Oklahoma Manufacturing Alliance in February 2011. He had been a manufacturing extension agent in southeastern Oklahoma since 2004. Before that, Prucha was president and CEO of North American operations for DISA.

Oklahoma Manufacturing Alliance
With its far-reaching extension system and multitude of partners, the Oklahoma Manufacturing Alliance is a unique economic development tool—a powerful device to "connect the dots" between CareerTech, higher education, government support and business growth.

The Oklahoma Manufacturing Alliance was formed in the early 1990s by a group of public and private partners looking for an effective way to assist small and medium-sized manufacturing companies. Manufacturing constitutes a significant percent of Oklahoma's economy, and the group understood the economic development benefits of making sure those companies had access to the technology and resources they needed to grow. Today, through its network of more than 20 community-based manufacturing extension agents and applications engineers, the organization focuses on increasing efficiency through concepts like Lean Manufacturing. But it also evaluates companies holistically—helping them create forward-looking products, find new markets and strategically plan for future activity.

With extension agents living in geographically-dispersed territories, the Oklahoma Manufacturing Alliance is able to work in traditionally under-served parts of the state where resources are sparse. It's made possible through a broad-based network, which includes local CareerTech centers, higher education institutions and economic development agencies. The group is supported statewide by the federal Manufacturing Extension Partnership, the Oklahoma Center for the Advancement of Science and Technology, the Oklahoma Department of Commerce and numerous large corporate entities. By leveraging and coordinating these numerous resources, the Oklahoma Manufacturing Alliance is able to produce results that are more than the sum of its parts. Over the past year alone, the Manufacturing Alliance has worked with 500 Oklahoma firms, increasing sales at those factories by more than $122 million.

More than a decade ago, the Oklahoma Manufacturing Alliance launched its Lean Manufacturing initiative, a program that has taught more than 20,000 employees how to make their workplace more efficient and their companies more productive. It's an unprecedented partnership between state and federal agencies, educational institutions like CareerTech centers, economic development organizations, and private enterprise. This unique mechanism for transferring knowledge into the marketplace has transformed the landscape of manufacturing in Oklahoma. While improving the competitiveness of existing industry, the Lean Manufacturing initiative is creating a technically-skilled workforce that is better prepared to compete in the 21st Century. The Manufacturing Alliance and its partners have developed the nation's most comprehensive program for this kind of process improvement.

For the past six years, the Manufacturing Alliance has partnered with the Oklahoma Department of Commerce to extend ODOC's reach into rural areas of the state. Manufacturing extension agents are trained by ODOC to evaluate and determine eligibility for state incentives like tax credits and sales tax exemptions. The Manufacturing Alliance

offers all the free assistance businesses need to apply for the Quality Jobs incentive program, which gives qualifying Oklahoma companies tax rebates for expanding and creating new jobs. Oklahoma Manufacturing Alliance provides interested businesses free one-on-one consultations and works with manufacturers through every step of the application process.

The Manufacturing Alliance plays a distinct role for the Oklahoma Center for the Advancement of Science and Technology as well. It helps facilitate the transfer of technology into real-world commercialization. Rural firms benefit from five Oklahoma State University Applications Engineers working full time for the Manufacturing Alliance. These engineers offer free short-term assistance in a variety of technical areas. They work closely with the OSU New Product Development Center, which is now primarily supported through the Oklahoma Manufacturing Alliance. It's a vibrant relationship that helps turn abstract information into profitable growth.

Moving forward, the Manufacturing Alliance is keenly aware that businesses must foster a culture of quality manifested through their commitment to efficiency and business growth. Manufacturers that embrace change can survive tough economic times and distinguish themselves from their competition. And those transformation efforts in turn play a crucial role in overall community development. Recent studies have determined six strategies that are consistently employed by successful, world-class manufacturers. These broad areas lay the foundation for future emphasis in business growth. The areas are: Customer-focused innovation; continuous improvement; engaged workforce; supply-chain management; sustainability; and global engagement. Ensuring Oklahoma manufacturers are competitive in these areas will provide a solid industrial base moving into the future.

Another important program gaining attention and endorsed by the Oklahoma Manufacturing Alliance is the Manufacturing Skills Certification System. Recently, President Obama, with bi-partisan support, announced a major expansion of Skills for America's Future, an industry-led initiative to dramatically improve industry partnerships with community colleges and build a nationwide network to maximize workforce development strategies, job training programs, and job placements. Included in the expansion was an emphasis on "skills certification." The Manufacturing Skills Certification System, developed with industrial firms at the table, offers students the opportunity to earn manufacturing credentials that will be valued and recognized by employers industry-wide.

After an initial launch in four areas the program is expanding into 30 states in 2011. It allows students and workers to access this manufacturing credentials and pathways in community colleges as a for-credit program of study. While not yet operational in Oklahoma, the Manufacturing Alliance strongly suggests the program be considered by state education and economic development leaders. In addition to community colleges, Oklahoma should take advantage of its superlative CareerTech system in developing this initiative.

As part of this effort, the Manufacturing Alliance would serve as "boots on the ground" with local companies to educate them about the value a skills certification system brings to their business so they utilize the program in their recruitment/hiring efforts. In addition, the Manufacturing Alliance will provide input about aggregate skill needs of manufacturers by industry and geography so the certification systems can remain dynamic and evolving.

By "connecting the dots" for state industry, the Oklahoma Manufacturing Alliance helps companies recognize the value of a well-trained workforce and ethically-sound business practices. It's important for leaders to explain that these practices come at a premium…helping eliminate the mindset of, "how much can I get for as little as possible."

Oklahoma Aerospace

Mary E. Smith, Executive Director, Oklahoma Aerospace Alliance

Aerospace and Aviation are BIG in Oklahoma!

Oklahoma's aviation/aerospace industry history began with a group of visionary business people ... in particular, people who made their fortunes in the oil business! Their efforts to grow their industry were to be the foundation for a booming aerospace industry that is one of three industry sectors in the state that supports much of the state's economy. Energy, agriculture, and aerospace are those three economic engines.

In the early years, these visionary businessmen built an aviation/aerospace industry to sell more oil. There efforts produced not only a boost to the energy industry and a catalyst to a fledgling aerospace/aviation industry, they made it necessary to grow a talented, skilled and credentialed workforce. That workforce has been an integral part of the US Space Shuttle program and a major force in every aviation and space endeavor in our nation's history.

In the past, celebrities such as Charles Lindbergh, Amelia Earhart, Jimmy Doolittle, Wiley Post and other famous aviators graced the Oklahoma land/sky-scapes. Today, CEOs from many companies, high-ranking government officials, and many notable celebrities frequent Oklahoma's airport system, that consists of both commercial and non-commercial airports.

The aviation/aerospace industry covers the state. Tulsa, Oklahoma City, and the Lawton area have significant clusters of industry-related companies and organizations.

Today, American Airlines Maintenance, Repair and Overhaul Base (AA MRO) is the largest commercial MRO in the world. Just down the road, in Oklahoma City, is Tinker Air Force Base, the world's largest military MRO facility.

It isn't hard to understand how the hundreds of aerospace/aviation companies and organizations grew around these two giants to make Oklahoma a true aviation/aerospace hub. In addition to AA MRO and Tinker AFB, companies like Oklahoma's own The NORDAM Group, Spartan School of Aeronautics, ARINC, Spirit AeroSystems, FlightSafety, SW United Industries, The Boeing Co., Precise Machining and Manufacturing, Bizjet, L-3/Aeromet, Pro-Fab, AAR, Mingo Aerospace, Helicomb, and a host of industry suppliers make their home in the state of Oklahoma. Thousands of Oklahomans derive their income directly from the aerospace/aviation industry in the region. Companies that exist to support the aerospace industry in the area are the source of income for tens of thousands more.

TULSA

In 1941, Tulsa was chosen as the site for one of the nation's aircraft manufacturing plants. Air Force Plant Number 3 and the nationally recognized workforce in the area have produced B-24 Liberators, A-20 Havocs, A-24 Banshees, and A-26 Invaders. Douglas Aircraft, operating at Air Force Plant 3, also modified B-17 Flying Fortresses, B-25 Mitchells, and C-47 Skytrains. The B-47 Stratojet was built in Tulsa in 1951.

Today, every large jet airliner is a descendant of the B-47 design. As Tulsa's workforce and Tulsa's aerospace companies grew in size and prominence, other jet bombers and fighters were built or modified in Tulsa.

Enter the Space Age! Tulsa's Douglas plant created the Delta Rocket Program that launched America's first satellites into space. The Saturn Rockets that carried Neil Armstrong and Buzz Aldrin to the moon were built in Tulsa in 1962. Tulsa's aerospace industry is credited with work throughout the 1970s, notably, Tulsa's Rockwell International built the graphite composite bay doors for the Space Shuttle.

In the 1990s, Boeing Tulsa began building major truss structures for the International Space Station.

The first Boeing 747 that carried the Space Shuttle piggyback was modified in Tulsa.

Today, Spirit AeroSystems sustains Tulsa's capabilities to build space components. They also build wings, fuselages and other aero-structures for the largest Boeing and Airbus aircraft. Tulsa's NORDAM Group is the world's largest privately held FAA-approved composite repair facility. The NORDAM Group is known as a global leader in fan and thrust reversers, nacelle engine components, aircraft-bonded honeycomb, aircraft interiors, and aircraft transparencies.

AA MRO continues to be a world leader in commercial aircraft maintenance, repair and overhaul. AA MRO, in addition to maintaining the world-class American Airlines fleet, now offers its services to other airlines as well.

FlightSafety International began building a large expansion in Broken Arrow in 2010. They manufacture high-fidelity flight simulators for the Department of Defense. Other companies, like L-3 AMI, contribute to Tulsa's aviation simulation center of excellence.

BI Bombers maintained at Tinker AFB in Oklahoma City

At one time, 1931 to be exact, Tulsa Municipal Airport was the busiest in the nation. Famed aviators like Wiley Post made flight plans that brought them to town on a regular basis.

Today, Tulsa International Airport is a busy commercial airport with multiple runways and airlines that serve millions of passengers each year. Richard L. Jones Jr. Airport is one of the busiest general aviation airports in the nation.

Tulsa is truly an aerospace center of excellence. A visit to the region's premier aviation museum and learning center, Tulsa Air and Space Museum, is well-worth the time. The areas rich aviation/aerospace history is on display for all at TASM.

OKLAHOMA CITY

A snapshot of the Greater Oklahoma City Region's aerospace and aviation industry includes both private and public sector employers.

Providing significant employment opportunities in the public sector and driving the regions aerospace sector are Tinker Air Force Base and the FAA Mike Monroney Aeronautical Center. Both of these giants have fostered the growth and development of private companies that provide contract services such as aircraft and aircraft parts manufacturing, engineering and design services, and aircraft maintenance and repair.

Tinker Air Force Base is the largest single-site employer in the state, and the largest group of civilian Air Force personnel in the country. It leads the way in terms of facilities and jobs in the Central Oklahoma region. Tinker Air Force Base boasts an annual statewide economic impact of close to $4 billion with 27,000 employees. An impressive cluster of suppliers has grown around Tinker. Recently, Tinker opened the Tinker Aerospace Complex, a 430-acre facility that was a former GM assembly plant and which houses part of the 76th Maintenance Wing and other military MRO in this 3.8 million sq.ft. facility. With companies like Boeing, ARINC (which doubled its capacity in 2011), AAR and over 300 other aerospace companies flourishing in the region, education institutions are working closely with the industry to insure a skilled and credentialed workforce. Governor Fallin, as well as county and city leadership all understand and value the aerospace business, making sure that growth of the industry is a sure thing.

Recently, Boeing announced the relocation of more than 550 engineering positions from California to the Oklahoma City Boeing facility. Many other aerospace companies in the OKC area are experiencing similar expansions, as the trend of reducing national overhead costs amongst defense

contractors continues, and Oklahoma City and all of Oklahoma continue to compete as a low business cost alternative.

At the hub of Greater Oklahoma City's aerospace industry is Will Rogers World Airport - with approximately 67 tenants and employing over 10,000 people. A recent $10 million renovation nearly doubled the size of the terminal, as well as expanded and updated amenities to make traveling more enjoyable for the 3.7 million passengers it serves every year.

LAWTON REGION

Oklahoma also continues its work expanding the airspace in which unmanned aerial vehicles can fly. Right now, unmanned aerial vehicles cannot be flown above a certain level without specific approval from the FAA. Oklahoma is positioning itself to attract UAV testing. A UAV flight test and demonstration center has been established in Lawton that allows people to fly UAVs within the restricted airspace of Fort Sill, eliminating the need for approval from the FAA.

The Oklahoma State University - University Multispectral Laboratories (UML), a Government-Owned, Contractor-Operated (GOCO) 501(c)3 entity, operates an Unmanned Aircraft Systems (UAS) facility just west of Lawton, Oklahoma. The Oklahoma Training Center – Unmanned Systems (OTC-US) facility is adjacent to the western training ranges of Fort Sill, Oklahoma. This key piece of Oklahoma UAS infrastructure is a dedicated, 85 acre, UAS only facility that allows access to 200 square miles of restricted airspace, from the surface to 40,000 feet through a formal Memorandum of Agreement between Fort Sill and the UML. It offers year round flying without the need for an FAA Certificate of Authorization (COA), approximately 300 flying days per year.

The facility has two active paved runways, 2200 x 70 feet and 1800 x 60 feet and has been in operation for the past year and a half. There is also a 1200 x 60 feet unimproved runway as well as a flight operations building and hangar. Current operations allow for the use of category three UAS (up to 450 pounds). In addition to supporting customer UAS operations and flights, the UML has its own UAS, the Tigershark XTS, which is available for operations and demonstrations involving new technology, payloads and sensors.

Heartland Defense Industries, LLC, based in Lawton, operates and manages the OTC-US, which is designed, equipped, and staffed with knowledgeable former military and commercial professionals to meet the UAS needs of Defense, Government, Commercial and Academic Communities.

Lawton-Fort Sill Regional Airport lies approximately 60 miles southwest of the Oklahoma City metropolitan area. The airport serves the dynamic role of providing commercial passenger and cargo service as well as serving general aviation and an array of military aircraft operations. The airport has a 8,600-foot by 150-foot runway capable of accommodating all existing aircraft operations at the airport, including large transport aircraft in support of Fort Sill troop and equipment deployments. Currently, all facilities are located on the east-side of the airport, however, future planning is considering the development of aviation as well as non-aviation industrial facilities on the west and northeast quadrants of the airport.

Education and training institutions are working with and for the retention and growth of Oklahoma's diverse aerospace industry. These workforce development factories are learning what Oklahoma's aviation/aerospace organizations and companies need to be successful in the global marketplace. They continue to develop and offer a host of degree and certification programs that promise to produce the next generation of aviation/aerospace employees.

The jobs and services that exist in our state because of a strong aviation/aerospace industry are what fuel our quality of life. Oklahoma is a better place for all because of the diverse and vast aerospace/aviation industry.

Boeing: A Case Study

Robin Roberts Krieger, Greater Oklahoma City Chamber

Moving Mountains

What would it take to persuade a major aerospace industry leader like Boeing to relocate 550 employees from Long Beach, California to Oklahoma City? Most folks would compare it to moving mountains.

The Greater Oklahoma City Chamber (Chamber) and the Oklahoma Department of Commerce (ODOC) accomplished just that in 2010 when Boeing committed to move 550 embedded software engineers to a location adjacent to Tinker Air Force Base. Boeing created 150 new positions in Oklahoma City in 2011, and plans to add the final 400 jobs in 2012.

And although they didn't really have to move mountains, Chamber officials did have the daunting challenge of convincing beach-loving Californians to move to land-locked Oklahoma City.
It wasn't easy.

Background

Several factors were at play when Boeing made the decision to locate in the Greater Oklahoma City area. The period of 2007-2008 was the beginning of what we now refer to as the "Great Recession." In March 2009, Secretary of Defense Robert Gates announced multiple cuts to the defense budget. The pain was felt throughout the Department of Defense and dramatically affected the defense contracting industry.

The cuts caused defense contractors like Boeing to re-examine their cost structures. According to Steve Hendrickson, Boeing director of government operations, Boeing was looking for a low-cost, high-productivity location as a result of the cuts.

"Our contracts are firm fixed price contracts," he said. "That means that no matter what happens in the economy or what it costs us, we still work at a fixed rate. The cost of doing business had to go down in order for Boeing to make a profit."

And so, Boeing's search for a new location began. Boeing approached key economic developers in five different state/cities with the potential project. The cities knew that the project involved relocating 550 engineering jobs with salaries of more than $100,000. The jobs were Boeing's embedded software engineers who write lines of code in software that operates the plane and missile systems for the C-130 and B-1 airplanes, which are currently in theatre in Afghanistan and elsewhere.

Oklahoma City made the site selection list for several reasons. Hendrickson said Boeing tends to "put things where we already have a presence," and Boeing has had a presence in Oklahoma City since World War II. Additional reasons included the low cost of doing business, workforce productivity, incentives and quality of life.

The Greater Oklahoma City Chamber had already built a long-term strategy in partnership with the Oklahoma Department of Commerce to develop strong relationships within the aerospace industry and to communicate the advantages of locating a business in the area. The federal budget cuts made Oklahoma City's position as one of the least expensive places in the U.S. to do business even more appealing. Hendrickson said another major consideration was the productivity of the workforce, a category in which Oklahoma City rose to the top. "Oklahoma's Boeing employees have a track record as some of the highest performing employees in the country. They are so productive," he said.

State and city incentives were also competitive advantages that helped Oklahoma City compete. The 21st Century Quality Jobs program, created under the guidance of Oklahoma's Secretary of Commerce at the time, Natalie Shirley, offered incentives for highly skilled positions like engineers. The state's Right-to-Work laws and Aerospace Engineering Tax Credits, along with Oklahoma City's Strategic Investment Program, made the deal even better for Boeing.

Robin Roberts Krieger, Chamber executive vice-president for economic development, is a firm believer in the value of Oklahoma incentives. "Without the creation of the 21st Century Quality Jobs program this project would not have occurred" said Krieger.

"The City of Oklahoma City was completely behind this recruitment, with Mayor Cornett and City Manager Jim Couch, as well as Cathy O'Connor, former assistant city manager, supporting us every step of the way. They were also supportive when we proposed the creation of a local incentive fund in 2006, and developed the policies and procedures, for projects such as this. That fund was critical in closing the deal and was passed by the voters overwhelmingly."

"Oklahoma incentives at the state and local levels provide a distinct competitive advantage in work placement decisions," Hendrickson said. "With declining resources available to our Department of Defense customer, Oklahoma's ability to offset relocation costs and attract critical skills to our industry is unique in the country. The business case for our relocation was made possible by these incentives."

Setting the Stage

It was the 21st Century QJP program that initially got Boeing CEO James McNerney, Jr.'s attention. ODOC had planned a series of meetings with companies like Boeing to educate them about the new program and how various other state tools could be utilized. Call it fate, but the first meeting in that series was with Mike Emmelhainz, the new Oklahoma City Boeing site manager who had been on the job just two weeks at the time. When Emmelhainz heard about the program he immediately forwarded the information to corporate headquarters, the CFO in Chicago and the St. Louis President of Boeing Support Systems (which oversees the Oklahoma City site). At that same time, without the Chamber's or ODOC's knowledge, Boeing was doing an analysis of assets to determine the best locations for business as they worked to address the cost challenges associated with the federal budget issues.

What Boeing discovered in their analysis made it clear that Oklahoma City was a prime location. There was new, state-of-the-art, vacant space in the Oklahoma City Boeing facility, which was right across the street from their client, Tinker Air Force Base.

The cost of doing business in California was escalating by 6-8 percent a year (due to taxes, occupancy, housing, COLA, etc.), with forecasts that it would continue to increase at a rapid rate. After their analysis Boeing officials knew, without a doubt, that a move to Oklahoma City would cut costs considerably.

Project/Players

In addition to Hendrickson, there were two key players in the mix that pulled the deal together. Krieger and Shirley worked closely, tirelessly and confidentially with Hendrickson to make sure that Oklahoma City landed the Boeing relocation. "Robin and Natalie knew that this project existed in April 2010 and we announced in August 2010," Hendrickson explained. "For four months we had to keep everything totally confidential. I'm guessing probably a total of 12 people in the entire state knew anything about it. If any kind of leak had happened it would have been a deal-stopper.

Not once, ever, was the confidentiality breached." While a few others staff with Boeing, ODOC, the Chamber and the City of Oklahoma City assisted, most of the project was handled by Krieger, Shirley and Hendrickson. With so few people involved, the three had their work cut out for them.

Because ODOC and the Chamber economic development team had previously worked together on complex projects, the work ran smoothly. "It was one of my favorite deals," Shirley said. "Everyone involved knew what they were doing. Robin, Steve and I made a great team. This project held incredible satisfaction, in knowing that we could put a strategy in place and bring it to fruition if we had the right tools and partners." Shirley said working with Boeing was a dream. They were experienced, straightforward, and the right people were involved. "Steve Hendrickson was an amazing contact for ODOC and the Chamber."

ODOC and the Greater OKC Chamber economic development team had a solid, trusting relationship, and a combined agenda and strategy. Leaders of the two teams had worked together previously on the GM facility acquisition for the Air Force, and they knew what it would take to complete this new project. Their long-term relationships with existing industries in the state and city made for a quick turn-around on the Boeing proposal – even with its complexity.

Boeing's B1 Lancer Bomber maintained at Tinker Air Force Base in Oklahoma City

Boeing gave the five competing cities just 72 hours to compile and submit their proposals. The Oklahoma City team was actually ready to submit their comprehensive proposal ahead of the deadline. According to Krieger, there were many players who worked tirelessly to pull everything together, most of which did not know who the company was.

Hendrickson was impressed. "It really was a reflection of Oklahoma's commitment and determination to earn the relocation," he said. "One state committed to more meetings, one state regurgitated an old proposal, and another state did submit a proposal, but it wasn't nearly as competitive."

"The focus groups revealed that the California employees didn't recognize Oklahoma City's diversity, level of sophistication, quality of life and positive economic momentum."

The Reward

Oklahoma City and Oklahoma were notified several months after the submission that they had been chosen for the 550 jobs, but until the formal announcement in August of 2010, they did not know where the jobs were coming from. In spite of the team's excitement, there were no press leaks. Boeing was thrilled with the confidentiality, professionalism, and quick timing of the OK/OKC team. No other state could provide the level of detail or certainty that Oklahoma provided.

"Experience with these kinds of moves and with more than 300 local chambers of commerce throughout the country offers Boeing the opportunity to compare partnerships with these organizations. The Greater Oklahoma City Chamber stands alone in its timeliness and responsiveness to provide relevant, appropriate information to employees facing relocations decisions," Hendrickson said.

Making the Move

Even after the deal was done, the Greater Oklahoma City Chamber had another challenge to face. How could they help Boeing to persuade a group of California engineers to move to Oklahoma City?

To start, Boeing conducted employee focus groups to find out how the California employees perceived Oklahoma and what they knew about the state, and what the concerns were. Among the people who had never visited Oklahoma, some of their perceptions were consistent with images from *The Grapes of Wrath*. "Neither of the Johns has done us any favors," Hendrickson said. "John Steinbeck or John Grisham."

The focus groups revealed that the California employees didn't recognize Oklahoma City's diversity, level of sophistication, quality of life and positive economic momentum. They had a lot of questions they needed to have answered in order to make the decision to relocate, in a very short timeframe. The Chamber marketing team developed a website ("abetterlifeokc.com). on the advantages of living in Oklahoma City. It provided the engineers and their families' access to information about housing, education, arts and culture, health care, and more. They also provided and distributed an employee DVD/relocation kit

However, it was the Oklahoma City "road show" that had the greatest impact. Working with the City of Oklahoma City and ODOC, the Chamber put together a delegation of 40 senior-level subject matter experts who traveled to Long Beach to answer all of the Boeing employees' questions in person. The presentations covered eight content areas including real estate, education, health care, recreation, arts and culture, transportation, and general quality of life.

"Nobody we asked turned down the opportunity to make that trip," said Krieger. Oklahoma City Mayor Mick Cornett and Roy Williams, Chamber executive director, led a general session that was followed by breakouts and presentations on the eight topics. About 400 employees and their spouses and families attended the event.

"Mayor Cornett and I were standing off stage watching the amazing work Oklahoma City was doing as the Long Beach employees began to change their perceptions," Shirley said. "We did it. We got this. And now, we were playing a role in saving their jobs. It was just cool. You know, anything you do in Long Beach, except for the beach, you can do in Oklahoma City. I loved seeing my state being so warmly received."

Hendrickson said the Boeing employees were shocked when they learned about everything Oklahoma City has to offer. "I think Oklahoma City is becoming one of the premiere destinations for business. With the redevelopment of downtown, the Devon Tower, MAPs projects, and affordable housing, Oklahoma City is making all of the top ten lists." As a result of the employee outreach efforts, more than 80 percent of the California employees chose to make the move to Oklahoma City. Hendrickson said a typical acceptance rate is about 10-15 percent.

It was OKCs willingness to meet Boeing's specific needs that made the relocation project work. "When a company is making a move that big, they need to know that the community is totally behind them," Hendrickson said. "Boeing definitely got that sense. The entire effort was amazing."

Lessons Learned

1. **Companies need certainty**. In the end, the unique state and local incentives were a central factor in Boeing's decision. The incentive package offered certainty to Boeing with performance-based incentives that pay for new jobs created.

2. **Losing a statutory incentive program can be a deal-killer**. In the middle of the process, the state legislature put the Aerospace Engineering Tax Credits on hold, which made Boeing wonder: "What else is at risk? Will other incentives be put on hold? What can we count on?" The project stopped when the moratorium on tax credits occurred. ODOC worked the issue hard. In the end, the City of Oklahoma City's Strategic Investment Program helped make up for this gap.

3. **Local and state leaders must form a true partnership to succeed**. ODOC worked with Boeing and with local leadership to make the deal happen. The state can create the environment for a project to succeed but local leadership has to close the deal. It has to be a true partnership.

4. **Confidentiality is essential.** The numbers of people working on the Boeing relocation project were kept at a minimum to avoid any possibility of a leak. Leaks create major problems for the industry and the economic developer alike. Communication between the players is critical, but it has to stop there until the public announcement is made.

Today, Boeing has over 1,000 employees working at the Oklahoma location and is constructing a new 320,000 square foot expansion adjacent to Tinker Air Force Base. The company plans to add 400 new Oklahoma City area employees in 2012.

"I attended the Grand Opening and was justifiably proud of Oklahoma, Oklahoma City and Boeing", Shirley said. "In five years, no one but the three of us will remember the details of this story. But for generations to come, Boeing will be providing high quality employment for thousands of Oklahomans That's not an just a great ending to the story but it's also great beginning to the stories that Oklahoma and Boeing will write together."

Business Expansion in NW Oklahoma

Brent Kisling, Enid Regional Development Alliance

Enid Grows Companies!
In a workforce of over 31,000, 15 of the top 20 private employers in Enid are companies that started in our community and have grown up here.

Some examples are Advance/Pierre Foods (nation's largest school lunch producer), Continental Resources (nation's largest oil asset owner), Groendyke Transport (5th largest tank truck operator in the US), Triangle Insurance Company (Top 5 largest agribusiness insurance companies in the US) , and Central Machine and Tool (the world's largest producer of cam and groove hose couplings). These companies all started small and have grown into some of the largest in their industry in the nation.

But what does it take to grow a business in Northwest Oklahoma…or for that matter… anywhere in rural Oklahoma today? There are some obvious benefits to starting and growing a business in rural Oklahoma such as a lower cost of doing business and having available space, but there are also significant challenges that must be overcome. Enid is not unique with its issues to be solved, but we are trying to develop a model that other communities can follow to attack these challenges.

This is what Enid, Oklahoma is facing today:

1. 3.1% unemployment rate as of April 2011, which means less than 900 people in Enid who are looking for a job can't find one. In Oklahoma, as of April 2011 there were 23 counties with an unemployment rate under 4%...17 of those were in Northwest Oklahoma.

2. 2.7% annual job growth. In 2010 the employment base in Enid grew by 2.7%. Much of this is being driven by increased activity in the oil and gas industry. Garfield County was the 27th highest rural job growth county in the nation over the past 3 years.

3. Growing schools. In 2010, Enid Public Schools were tied with Owasso as having the fastest growing 6A school district.

For Northwest Oklahoma, most of this growth has occurred without much nurturing. As a free market society, we have been content to "let the market work." The problem with this approach is that there is no longer a "free market" in economic development. It has become a very competitive business. With the data connectivity and the available transportation systems, industry can have a physical presence in a much more broad area than before. Because of this, communities have to differentiate themselves in order to compete for jobs in their area.

The same can be said about existing businesses. With as transient as our workforce has become, it is much less of a shock on the corporate system to pick up and move than it was in the past. If a company is going to continue to grow in our community, we must constantly compete with the rest of the world to keep them here.

For Northwest Oklahoma, the enemies that we most consistently battle are:

Workforce Recruitment
Technology Integration

Here is how we are competing.

Workforce Recruitment
With a 3.1% unemployment rate, our challenge is not creating jobs, our challenge is bringing people in to take those jobs. One would think with a 9% unemployment rate nationwide that it would be an easy sell, but it has not been. One reason people aren't moving is the continued extension of unemployment benefits. This has allowed people to stay where they are instead of moving to where the jobs are. But another issue is the perception of Oklahoma and the culture shock that most people think they would face if they moved here.

Through our research in Enid, we have found that there are five things people look for in a community before moving there. I will list them and share how we are addressing each of them.

Educational Facilities

For families, when one spouse is interviewing for their new job, the other spouse is typically looking at where little Johnny will be attending class. What they see at that school will have a significant impact on whether they accept the job.

In 2010, Enid passed a $100 million school bond issue to build two new schools and renovate every school building in the district. Part of the reason for passing this bond, the largest in Enid's history, was due to overcrowding, but a big part of it was workforce recruitment as well. Our schools were crumbling, and without this improvement, future employees of our companies were not going to move here.

In a similar fashion, the new generation of workforce wants continuing education opportunities as well. Enid is home to Northwestern Oklahoma State University and Northern Oklahoma College as well as Autry Technology Center. We believe through these undergrad and graduate level courses as well as skills training, we are better positioned to provide continuing education to our next generation of workers.

Safety

Rural areas typically fare well with this workforce relocation requirement. I'm not sure if we can back it up statistically, but in the battle over perception, rural areas seem to be thought of as safe environments.

Healthcare

This has become a much bigger workforce recruitment issue in the past few years as healthcare costs have gone up and the competition to see a family physician or specialist has become more challenging.

Enid is blessed with two state-of-the-art healthcare institutions that provide great service to Northwest Oklahoma. Also, with two institutions, the competition has kept the service ever evolving and cutting edge. Enid still has challenges in physician recruitment, but it is not nearly as difficult as it is in other more rural parts of the state. Rural physicians tend to feel isolated with no back up and every call they get is an emergency. The more our healthcare institutions can work together to provide services, the better our rural health centers can compete, and the better shot we have at recruiting people into our local workforce.

Climate

There are some folks who love frigid weather and others who love to sweat all of the time, but most folks want the high to be in the 80's every day and the low to be in the 60's. They want plenty of rain but not too much, no wind, and zero insects. That is not how I would describe the weather in Northwest Oklahoma.

There are some things in economic development you have no control over, such as the climate, but you can put it into perspective.

Oklahoma experiences all 4 seasons…many areas of the country do not. We have sunbathing weather and snow…sometimes on the same day.

In 2010, the Oakwood Country Club Golf Course in Enid was closed 8 days because of weather. That means something to the avid outdoorsman who lives in Chicago or Minneapolis whose local course is closed 3 months out of the year.

We cannot control the weather, but it is a significant factor in where people will locate to work.

Places to hang out and buy things

This is the one area of workforce recruitment that most communities do not consider. Retail development is a significant factor in bringing this new generation workforce to our communities. And like other parts of the economic development puzzle, retail development is extremely competitive as well.

For most big box retail stores today (the ones that will make an impact on someone looking to locate to your community) you must promise free land and utilities to their curb before they will even consider putting you on their short list. Once you make the list, then they will be looking for tax incentives or cash for construction before they will decide where to put their footprint. They know that their presence increases the retail trade area for a community and contributes greatly to the sales tax collections that are used to fill pot holes and provide city services, and they can capitalize on this advantage.

Besides the big box stores, small niche shopping locations and neighborhood coffee houses contribute greatly to the relocation decision of a workforce.

Enid has not shied away from incentivizing retail outlets to locate here or remain here, especially if they address market leakage issues or if they are market validation stores.

Workforce Recruitment is by far the biggest economic development issue facing Enid and Northwest Oklahoma today. We can announce every job in town and take out "hiring" ads in every publication in America, but without having a location that people will want to move to, it will all be for naught.

Fortunately in Oklahoma, we also have a great program for training these people once they get here. Our economic development offices work very closely with our Career Tech campuses to provide assistance through the Training for Industry Program (TIP) or the Existing Industry program both of which allow for new or existing industries to take a quality employee and teach them the skills they need to do the job. In other words, in Oklahoma, if we can get the people, we can get them trained.

Technology Integration

Northwest Oklahoma is known for its rich natural resources both on the surface and below the surface, and we are known for being very efficient in the growing and mining of these resources. We are not always known for the technology integrated into our companies to help them become more efficient and develop new product lines. This is a much easier process when your community houses significant R&D laboratories owned by governments or universities or if there is a cluster of industries that can jointly fund research. But being more remote causes a greater level of creativity when it comes to accessing new technology.

Within four agencies of the federal government (US Department of Agriculture, Department of Defense, National Institutes of Health, Homeland Security) there are over 300 labs that spend over $100 billion annually on research. Most of this research never reaches the market place.

These four agencies have developed a formal relationship with the Arlington, Texas Center for Innovation to develop a process for taking their research to the marketplace. The Center for Innovation is now forming partnerships with intermediaries across an eight state region to connect the labs and industry.

The first company to sign on to this partnership was Lockheed Martin and the first local community to become a partner was Enid, Oklahoma. The partnership is called TechComm (Technology Commercialization and Manufacturing) and our goal is to "develop a sustainable model to transfer federal technology from the lab to the marketplace." 2011 is the first year of the partnership, but companies in Northwest Oklahoma are already tapping into the network so they can be more competitive.

Summary

The process of assisting local businesses in their growth takes on different appearances in different parts of the country. In Enid and Northwest Oklahoma today, the barriers holding us back are workforce recruitment and technology integration. We must do a better job of creating communities to which people will want to locate and we must assist our companies with finding technology that will increase their efficiency and the number of products they produce and sell.

Developing Smaller Businesses

Susan Urbach, Director, Oklahoma Small Business Center, Oklahoma City

Since 1984, the Oklahoma Small Business Development Center (OSBDC) has grown to become the state's most comprehensive business assistance network and has helped over 150,000 Oklahomans realize their dream. By combining state, federal, and university support, the OSBDC has significantly impacted Oklahoma's economy through business start-ups, expansions, and sustainability.

Oklahoma's new and established businesses are the foundation of Oklahoma's economy. It is our mission to ensure that all Oklahomans have access to professional and confidential business counseling, educational workshops, and continuing support throughout their business ventures.

It has been my privilege to be part of the OSBDC as Regional Director of the Center at the University of Central Oklahoma in Downtown Oklahoma City. We are a statewide grassroots economic development organization and the hallmark of the OSBDC program has always been to help the local entrepreneur and business grow.

In preparation for writing this article, I was asked to think about ideas leading directly to an increase in capital formation and access, investment of capital, increased productivity and/or greater personal earnings in Oklahoma.

The activity of every Oklahoma SBDC network center directly addresses these economic development goals! *In terms of capital investment, there is not a banker we know of who isn't interested in making business loans.* The challenge for business lenders is finding requests they can fund. We observe business owners sometimes have a lack of knowledge regarding commercial lending, and their lack of knowledge leads them to make decisions that can actually *cause* their business to not be able to access capital. This is true for both new and established businesses. A scenario that is played out time after time at our centers show that if the client had come to the OSBDC first, or earlier in their business life, it may have likely resulted in a better outcome.

For example, a person has an idea for a new business. They have never borrowed commercially and are unaware of the differences between personal and business loans. They have a plan formed only in their head, and some money in hand. They sign a lease on a building and get started. They plan on using their money first, and plan to go to the bank when they need more. They believe the banker will see that the business owner has invested their cash into the new venture, and now the bank will want to put in their money! Six months later they have run out of money and sales are not where they hoped. They approach the bank for a loan. The banker cannot fund their request. The business owner complains that banks are not interested in loaning money. It is not unusual for a business to go out of business at this time.

Even if the business comes to the OSBDC office at this point, the decisions made before arriving at the office make it unlikely that we can help the entrepreneur position themselves for a successful loan request. Our consulting shifts toward salvaging a bad start rather than helping them move forward in growth.

Had that new business owner come to the OSBDC before actually starting, they would have been introduced to commercial loan standards, and given the advice to not spend their money nor make any legal commitments until their planning and funding sources were complete.

Perhaps they would have discovered that plans might have needed to be scaled back. Or, waiting and planning for another six months to a year would be to their advantage. Or, the business model is not profitable. Or, with no experience, no money and bad credit, even the best ideas cannot overcome those obstacles.

An established business may have a different scenario. Some businesses experience capitalization problems because while the business may be already established and profitable, they may not be utilizing their financial information to make good management decisions! Or, they may look only at their profit and loss, never at the balance sheet, meaning they are looking at only part of the picture.

If they don't have strong financial information or use that information when they have it, more likely when they need money the company is not profitable, has not been profitable for some time, and the lender is not able to say yes to a request. Or, we may find that a new loan is really not what they need. Helping them understand their financials and make good decisions might mean speeding up accounts payables, trimming unnecessary expenses, and finding new revenue streams rather than borrowing money. The OSBDC is a valuable resource to established businesses, and many businesses have long-term relationships with their local SBDC consultant.

The OSBDC mentorship of a company frequently results in a well-managed and more profitable company. A well-managed and profitable company will be ready for increased capitalization, increased productivity and increased personal earnings.

What else could be done? Help companies get to their local OSBDC center before it is too late. Partner with us and consider funding that partnership. The consulting of the OSBDC is at no charge to the client business. What a value that is to a business. Our federal funding must be matched dollar for dollar with state funds.

For more information, contact Dr. Bill Carter, OSBDC State Director at wcarter@se.edu.

Entrepreneurship and Economic Gardening

Ray Brown, PhD, Vice President, Rogers State University, Claremore

Meet Ray Brown

Dr. Ray Brown is the Vice President for Economic and Community Development at Rogers State University. Dr. Brown is also the Director of the Innovation Center where he leads the university's outreach efforts to promote economic and community development in northeastern Oklahoma. He directs programs at the Innovation Center that foster economic development, entrepreneurship, and workforce development. The Center provides small business counseling, entrepreneurship training, incubator facilities and support services, and economic and demographic research related to marketing and economic development. Brown has a Ph.D. in Sociology from Brown University with a specialization in demography and economic development. He has over 25 years of executive experience in higher education and extensive experience in economic and social research.

Evidence that jobs are created by small firms is accumulating. As early as 1979, David Birch (1979) at MIT observed that 66% of all the jobs generated in the United States between 1969 and 1976 were created by firms with less than 20 employees. Birch also found that 80% of jobs created were less than 4 years old. Although the exact percentages have been debated by subsequent researchers, Richard Green (1982) found that observations were generally consistent with those found by Birch.

For example, studies using different databases at the University of California and at the Brookings Institute, found small firms less than one year old had much higher rates of job creation than other firms. However the university study also found branching or establishment of subsidiaries by large firms partially contributed to the growth of young companies. Subsequent studies have attempted to account for changes in organizational structure.

Recently Tim Kane (2010) at the Kauffman Foundation analyzed Census Bureau data and found that existing U.S. firms lost an average of 1 million jobs annually between 1977 and 2005 while startups (firms less than 1 year old) created an average of 3 million jobs per year. Net job growth in the United States comes from startup firms that are less than 1 year old.

Data for Oklahoma from the National Establishment Time Series provided by the Edward Lowe Foundation (2011) shows companies with fewer than 100 employees created over 76.9% of all net new jobs from 1992 to 2008. The companies with fewer than 10 employees created over 54% of the new jobs. Companies of 100 or more employees created only 14.7 % of all new jobs in the same time period. Since 2001 companies with headquarters located outside the State of Oklahoma have consistently lost jobs while Oklahoma-based companies have created jobs. Although the role of local small firms in creating jobs is known, very few communities actively promote and encourage the growth of small business. Oklahoma communities are missing major economic development opportunities when they focus on recruitment of business and neglect strategies that encourage entrepreneurship and small business development.

Other data suggest that business recruitment is very competitive and unlikely to be very successful for most communities. During FYs 2008, 2009, and 2010, the Oklahoma Department of Commerce with assistance from local communities responded to requests for site location proposals from 461 prospects according to departmental data.

These prospects were either businesses seeking to locate a new business in Oklahoma or were expanding Oklahoma businesses who were exploring out-of-state opportunities. Of the 461 prospects, 77 selected sites in Oklahoma (Myers, 2011). Although the exact site locations are not available, 45 of the recruited companies located in non-metro counties while 32 located in four metro counties (Oklahoma, Cleveland, Tulsa, and Comanche counties).

Assuming the 45 businesses recruited to non-metro areas chose to locate in the 25 communities that had professional recruitment programs, the average annual success rate would be 0.6 businesses per community per year. The annual success rate would be even lower if some businesses were somehow attracted to communities that did not have a professional recruitment program. Reliance on business recruitment is unlikely to be a successful economic development strategy.

According to Mark Lange (2009) at the Edward Lowe Foundation, recruitment has been overemphasized partly because of competitive and political pressures. Recruitment of a major business into a community creates headlines and political capital. The same number of jobs created locally by 10 different firms would not be recognized nor reported in the news. Lange calls for a "balanced approach" which includes economic gardening as well as the traditional strategies of recruitment and of business retention and expansion. Economic gardening is an alternative strategy for economic development that focuses on organic growth of local businesses. Just as plants need a suitable environment including fertile soils, appropriate temperatures, and moisture, growing businesses also require a nurturing environment.

Economic gardening is sometimes referred to as "growing your own" by encouraging development of a culture of entrepreneurship and building on local community assets. Economic gardening differs from other business retention and expansion strategies by focusing on growth-oriented companies within each community.

These companies are usually 1-5 years old and can be distinguished from many small "Mom and Pop" businesses by their entrepreneurial drive to expand and market their product to a larger area or customer base. These companies frequently need assistance with analyzing their core strategy, identifying their niche, understanding the need for constant innovation, focusing on a target market, understanding capital requirements, scaling up operations, and developing of a good management team.

While many small businesses need traditional business assistance such as business planning, basic accounting, employee supervision, and marketing, the growth-oriented companies need more sophisticated technical assistance in analyzing industry trends, evaluating competition, conducting market studies, and identifying a niche for the company.

Economic gardening was pioneered by Chris Gibbons in Littleton, Colorado beginning in 1989 after the closing of a major industry that caused the loss of thousands of jobs. Using an economic gardening strategy, Littleton's employment over the last two decades has increased from 15,000 to 30,000 jobs and the sales tax base has grown from $6 to $20 million without offering a single incentive or tax credit (Gibbons, 2010). State-wide economic gardening programs are found in Georgia, Kansas, Florida and most recently in Michigan where economic gardening replaced the state's expensive incentive and tax credit recruitment program.

Strategies for successful implementation of economic gardening include the creation of a community support system for entrepreneurs. Based on her experience as the business intelligence researcher for Littleton, Colorado, Christine Hamilton-Pennell (2010) developed tips for implementing an economic gardening project.

These tips include developing a strategy that builds on the community assets, forms a collaboration of resource providers, and creates an entrepreneurial support system. Part of this support system

includes mentors or qualified business coaches, sophisticated research services, and networking with other entrepreneurs or resources. This strategy targets entrepreneurs who are in the "sweet spot" meaning companies that are in late Stage 1(less than 10 employees) or early Stage II (10-99 employees) who are 1-5 years old and eager to grow their markets.

Likewise Johnson, Rightmyer, and Chatman (2004) described ten influential components of economic performance including physical infrastructure, financial resources, business services, human resources, community environment and design, government and institutions, market performance, networking, quality of life, and community beliefs and attitudes.

The handbook describes how communities can manipulate these components to grow local businesses. Johnson, Rightmyre, and Chatman also found rural communities face special challenges including greater distance to market, absence of industry clusters, absence of network to other startup businesses, and lack of appreciation for small business and their contribution to economic vitality and quality of life to the community. Communities that support entrepreneurship and economic gardening are more likely to overcome these challenges.

In an effort to help rural communities promote entrepreneurship and small business, Deborah Markley, Don Macke, and Vicki Luther (2005) published a handbook providing the tools and shortcuts that a community can use to grow its own entrepreneurs and small businesses. The handbook is based on research results and the experience of rural economic development professionals. These tools should apply equally well to most Oklahoma communities.

Small firms are the primary sources of job creation. Data clearly show that small firms of less than 100 employees created over 76% of the new jobs in Oklahoma between 1992 and 2008. The evidence also suggests that business recruitment to most non-metro communities is going to be very competitive and not particularly fruitful.

Communities are more likely to be successful if they focus most of their resources on assisting entrepreneurs and small growth-oriented businesses. Growing your own businesses through economic gardening is a development strategy with great potential that is frequently overlooked. Economic gardening is not a quick fix, but a long-term strategy. Fortunately "best practices" and tools to implement the strategy are available.

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What Can Colleges Do?

Tom McKeon, President, Tulsa Community College

Meet Tom McKeon

Dr. Thomas Thomas McKeon was named the third president and chief executive officer of Tulsa Community College (TCC) July 1, 2004.

With TCC since 1980 when he joined as an instructor, McKeon has served in a number of administrative roles at TCC - including dean of instruction, provost of two campuses, and executive vice-president and chief operating officer.

McKeon currently serves on several professional and civic boards of directors including: chairman of the Oklahoma Academy, vice chairman of the Tulsa Metro Chamber, and past chair of the Oklahoma Council of Presidents.

In June 2007, McKeon was inducted into the OSU College of Education Hall of Fame. He is a recipient of the Paragon Award from Leadership Tulsa. In addition, he was named Tulsan of the Year for 2007 by Tulsa People magazine.

Tom is a long-time member of the Oklahoma Academy and currently serves as the Academy Chairman for 2011

A College's Role in Developing and Supporting an Entrepreneurial Ecosystem

Entrepreneurs have historically served as a vital component in Oklahoma's economic development. From the earliest oil pioneers to today's business startups, entrepreneurs have paved the road to success for our state. For example, according to the 2011 Greater Oklahoma City Economic Forecast, 92 percent of the 7,000 stand-alone or headquartered businesses in the Oklahoma City MSA have fewer than 10 employees. In Tulsa, small businesses comprise 82 percent of Tulsa's business community and generate a $3.1 billion impact on Tulsa's economy each year. Higher education must stand at the forefront of efforts to develop and sustain a thriving entrepreneurial ecosystem within which these individuals and their businesses can function.

In its earlier years, Tulsa focused on specific industries for the backbone of its economic development: oil, telecommunications, aerospace, etc. Unfortunately, that kind of singular investment resulted in significant economic fallout when companies left, industries declined and layoffs occurred. More recently, it has become apparent that Tulsa must diversify in order to grow its economy consistently.

An entrepreneurial city requires four key ingredients: (1) an infrastructure that makes it easier for new firms to enter the market; (2) a higher percentage of the population with college degrees, which translates to a more educated workforce; (3) state and local policymakers who focus on developing a region that offers bright, entrepreneurial people the quality of life they desire; and (4) robust relationships between educational institutions and entrepreneurialism.

Tulsa has intentionally positioned itself to offer all four of those key ingredients to budding entrepreneurs.

Named one of the Top 10 Pro-Business Communities in the southern United States by Southern Business and Development in April 2011, Tulsa has been recognized for its low cost of living, business-friendly environment and positive forecast for job growth in 2011. That kind of favorable business climate strongly appeals to entrepreneurs. In fact, the state's strong pro-business climate, reflected in ongoing collaborative government-business programs such as the Quality Jobs Initiative and other tax incentive programs, along with Oklahoma's demonstrated strong work ethic among employees, have converged to rank the state

11th nationally in the 2011 Best States for Business rankings compiled by *Chief Executive Magazine*.

A college, particularly a community college, has as its mission supporting a region's pro-business climate. Community colleges are uniquely designed to nourish the development of an entrepreneurial ecosystem in light of their ability to quickly respond to business and community needs, design curriculum to meet industry demands and generate meaningful advances in the community's economic development.

In fact, the community college often acts as the convener for community-wide initiatives. As an educational institution, the college can take on the role of inviting all key constituents to the dialog. In the case of creating an entrepreneurial ecosystem, the college setting also serves as a means to recognize potential entrepreneurs: those individuals returning to school, trying something new or making significant change in their lives.

"Clearly, the role of the college/university is critical to developing and supporting a thriving ecosystem for entrepreneurs."

These budding entrepreneurs often look to the community college as the most flexible and accessible means to reach their goal of entering the market with a new business. From the college perspective, finding the best instructional methods and venues to equip these entrepreneurial students with the knowledge and tools they need to be successful presents a challenge of its own.

Creating new instructional programs can be complex for several reasons. As with virtually any bureaucratic institution, many well-intentioned people can take on the role of college gatekeeper. Their focus lies in preserving and protecting what they perceive as the academic integrity of the institution. However, a college involved in cultivating and nurturing an entrepreneurial ecosystem must in fact exhibit its own entrepreneurial spirit.

Tulsa Community College

It must be willing to bend rules and develop new processes, enlist faculty and staff who are like-minded and understand the ultimate goal, and then work diligently toward success. Often, a program champion can accelerate the process and bring the project to fruition.

In Tulsa, these efforts have already produced results. In 2007, former Tulsa Mayor Kathy Taylor, joined by a group of Tulsa's business leaders, developed the Tulsa Spirit Award competition to inspire an increase in entrepreneurial endeavors in Tulsa. In 2010, SpiritBank and Tulsa Community College became joint sponsors of the annual competition open to businesses in the Tulsa area in operation less than five years and with a net worth of less than $1 million. Since its inception in 2007, Tulsa's Entrepreneurial Spirit Award finalists have added $8,287,740 to Tulsa's annual payroll, with an average salary of $46,043.

Also in 2010, TCC announced the development of Launch: Your Entrepreneurial Journey, a new paradigm in non-traditional instruction designed to help local entrepreneurs take their ideas to market. The program functions as a coaching model that, over the course of 16 weeks, walks people interested in the entrepreneurial journey through the steps to begin their business. Nearly two years in development, the program was an "instant success." In its first year of existence, TCC's Launch program has added $1,353,664 to Tulsa's annual payroll, with 29 new jobs created by seven new startups in operation.

What leads to that kind of success? Those involved in Launch's development point to the involvement of more than 50 thought leaders from Tulsa's business community. These 50 proven, ongoing entrepreneurs have both succeeded and failed in business startups over the years. As thought leaders in

"TCC's Center for Creativity has become a hub for entrepreneurial activity on the southern end of Tulsa's downtown corridor ..."

Launch, they share their experiences and lessons learned (an invaluable commodity) with Launch participants.

A thriving entrepreneurial ecosystem requires the kind of synergy that has developed organically in Tulsa. Tulsa's Global Entrepreneurship Week (GEW), an annual weeklong assortment of events focused on recognizing and revitalizing Tulsa's entrepreneurial spirit, has led much of this effort. As a Tulsa GEW partner, Tulsa Community College is directly involved in creating a vibrant, evolving environment that supports the development of new ideas, business models and startup companies that build the local economy.

Moreover, TCC's Center for Creativity has become a hub for entrepreneurial activity on the southern end of Tulsa's downtown corridor and hosts many events that appeal to entrepreneurs, such as the finale of the SpiritBank/Tulsa Community College Entrepreneurial Spirit Award competition, various Launch sessions and other entrepreneur-related events throughout the year.

Clearly, the role of the college/university is critical to developing and supporting a thriving ecosystem for entrepreneurs. By serving as a collaborator and convener of those entities interested in fostering entrepreneurialism and thereby supporting its community's and its state's economic development, the college or university makes an indelible mark on the future. As the college undergirds and supports budding entrepreneurs, it supports all segments of its community by creating, nourishing and cultivating an entrepreneurial ecosystem. The collective energy generated by this kind of atmosphere in which discoveries are made, learning is emphasized, and lives are changed reflects the very essence of higher education.

Investing in Targeted Innovation

Tom Walker, CEO, i2E

In today's global economy, Oklahoma cannot rely on yesterday's jobs to stay competitive and grow

Between 1980 and 2005, nearly all net job creation in the United States took place in firms that were less than five years old. Our state's continued economic growth depends on an ever expanding pipeline of new entrepreneurial companies.

To achieve the best return on our resources, Oklahoma needs to foster entrepreneurial companies that innovate and produce products and services, to solve large problems for huge markets of thousands and thousands of people around the world, at prices that customers will pay.

How do companies like this come about? Sustainable economic growth begins with science, technology, and innovation.

Advanced manufacturing capabilities reduce costs and improve quality. Life sciences companies create solutions that combat debilitating diseases and enhance human health. The latest software and hardware inventions lead to iPhone applications that make consumers' everyday lives easier. But advances in science, technology, and innovation don't just happen.

For states and local economies to compete and thrive in knowledge-based job creation, targeted economic development investments to expand research, development and entrepreneurial capacity are essential. Public and private sectors have to work together.

It used to be that investments in innovation and the entrepreneurial ecosystem mostly happened on either coast. Not anymore. Across the country, more and more states and regions are investing in these types of economic development programs in an enormous way.

How is Oklahoma doing compared to other states?

One measure of state's performance is the State Technology and Science Index[1] published by the Milken Institute, an independent economic think tank. This index provides an in depth look at how each state performs in science and technology. This nationwide benchmark is a way for states to assess our science and technological capabilities along with the state's ecosystem for converting those capabilities into competitive and high paying job

In the January 2011 index, as you might expect, California and Massachusetts are in the Index's top five, but so are Colorado and Utah.

Not so for Oklahoma. The index provides alarming statistics for our state's research and innovation In overall science and technology capabilities Oklahoma is 39th in the U.S. dropping one spot from 38th in 2008.

- *Oklahoma's biggest strength in per capita expenditures was in environmental sciences. However, we lost ground and ranked in the bottom in most other indicators.*
- *One major contributor in this drop is Oklahoma's performance in Research and Development Inputs. This is the measure of a state's ability to attract various types of federal, industry, and academic funding. Oklahoma is now ranked 50th, dropping from 46th in 2008. All states now lead Oklahoma in accessing federal, industry and academic funding.*

Accessing federal funding is the cornerstone to building an innovation-based infrastructure. Yet in 2010, Oklahoma received only ten Small Business Innovation Research (SBIR) grants while our neighboring states enjoyed a much better rate of success.

We have the talent to perform better than we are, but we must have the willingness to make a stronger commitment, increase investment, and improve the leverage of our state's resources.

What has Oklahoma done so far?

Oklahoma's science and technology economic development efforts were originally created in 1987 with the formation of a state agency focused on science and technology (OCAST). This effort was among the first in the nation and became known early as an example of best practice and has achieved positive results.

"It's time for Oklahoma to efficiently retool, streamline and scale science, technology and innovation economic development initiatives ..."

However, due to funding design the state has never achieved the scale and focus necessary to propel Oklahoma forward with meaningful impacts and as a result have not kept up with national pace or best practices.

Oklahoma is not competitive in the two key areas of research and development capacity: accessing federal grants and raising the risk capital needed to create entrepreneurial jobs based on innovation and technology. In fact, Oklahoma is one of four states that have consecutively declined in various innovation and technology rankings for the past 20 years.

"Oklahomans should make a national statement by adopting research and innovation as our core economic expansion strategy"

In recent years Oklahoma has implemented a new strategy to propel its competitiveness in research and innovation through the creation of Economic Development Creating Excellence (EDGE). But, once again, lack of funding has made it impossible to achieve the scale and scope that were intended.

What have other states done?

The past ten years has seen a great many governors create and invest heavily in innovation and technology initiatives designed to dramatically increase their per capita output as knowledge based jobs creators. Even in the most recent economic crisis, states have increased their investments in the science and technology sector in dramatic fashion as they acknowledge that their local economies can't rely on yesterday's jobs to stay competitive.

As an example, Ohio has made dramatic advances in developing an economy based on research and innovation. In fact, Ohio was the biggest gainer since 2008 in the Milken State Technology and Science Index jumping from 36th place to 29th.

What did Ohio do? Through a vote of the people, nine years ago Ohio created a $2.3 billion bond initiative with the goal of improving R&D collaborations between Ohio's research universities and institutions and for-profit companies, contributing to the diversity and competitiveness of the manufacturing sector, and attracting out-of-state companies to Ohio increasing the availability of early-stage equity investment capital and improving the entrepreneurial environment for innovation-based companies.

Through December 2008, $681 million in Ohio state bond funding had generated $6.6 billion of economic activity, 41,300 total jobs and $2.4 billion in employee wages and benefits. This represents a nearly $10 return on every dollar of investment from 2003-2008[2]. Additionally, the initiative has created, attracted or capitalized 637 companies.

In 2010 Ohioans voted a $750 million extension to the program!

What should Oklahoma do?

It's time for Oklahoma to efficiently retool, streamline and scale science, technology and innovation economic development initiatives to be competitive and be a national leader in research and innovation expansion.

Relying on annual appropriations through general tax revenue has proven ineffective and can be considered a symptom of Oklahoma's dramatic decline in science and technology rankings.

Oklahomans should make a national statement by adopting research and innovation as our core economic expansion strategy. We need a statewide campaign that convinces the citizens of Oklahoma to vote on an economic expansion package that adequately funds research and innovation out of non-general revenue funds, providing predictability and a path to economic success for the next decade.

Oklahoma should target spending $150 million a year over the next ten years to grow the innovation base and contribute to our state's competitiveness and sustainable future growth.

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Financing Growth: The SBA 504 Program

Richard L Hess, CAE, Executive Director, Metro Area Development Corporation

Meet Richard Hess

Mr. Hess received a B.A. degree in political science and a M.A. degree in journalism from the University of Oklahoma. He has served as executive director of the Metro Area Development Corporation since 1987. Mr. Hess is also president of Richard Hess & Associates, an Oklahoma City based association management company. He is certified in association management (CAE) by the American Society of Association Executives.

When a group of business and community leaders formed the Metro Area Development Corporation (MADCO), they had some ambitious and yet narrowly defined goals. It was 1984, and the founders were concerned about the damaging impact of Urban Renewal and the Central Expressway on the Harrison-Walnut area of Oklahoma City.

They submitted an application to the U.S. Small Business Administration (SBA) asking that MADCO be designated as a Certified Development Corporation (CDC) which would enable it to make SBA 504 loans in its area. The plan was for MADCO to then help re-build the Harrison-Walnut area by providing SBA 504 funding to small businesses in the area.

Twenty-seven years later, MADCO is one of four statewide CDCs in Oklahoma and one of approximately 169 CDCs nationwide. Twenty-seven years later, four of the original founders still serve on the MADCO board, and Oklahoma City attorney and real estate developer, Donald B. Nevard, still serves as chair.

MADCO was recently recognized for the second time for registering the greatest increase in 504 loan approvals nationwide for a CDC of its size. MADCO no doubt owes its success to a group of visionary business leaders but it is equally indebted to the SBA and to SBA's decision that Harrison-Walnut was too small an area for a CDC to serve. Instead, SBA asked MADCO to serve all of Oklahoma, Cleveland, and Canadian Counties. Even though this would change MADCO's mission, the MADCO Board of Directors agreed. Today, MADCO and three other CDCs serve all 77 counties in the state.

MADCO's loan portfolio includes businesses throughout Oklahoma ranging from hotels to grocery stores and from manufacturing companies to professional office buildings for physicians, dentists, veterinarians, lawyers, court reporters, etc. In all, MADCO has packaged and gained SBA approval of 181 SBA 504 loans for businesses in Oklahoma. These loans have a total value of more than $88 million, and the total value of these projects is almost $250 million.

These projects could help create or retain more than 1,600 Oklahoma jobs. Nationwide, the National Association of Certified Development Companies (NADCO), reports through September 15, 2010, 99,722 504 loans were issued with a total project value of $45,006,072,000. NADCO estimates that every $1 spent through the 504 program generates $94 in federal, state and local revenue.

Perhaps the simplest way to describe the SBA 504 program is to compare it to a home mortgage. Simply put, 504 loans are designed to provide homes for small businesses while also creating or retaining jobs. In the typical 504 financing arrangement, the CDC works with a private lender such as a bank and with the borrower to combine blended financing which comes basically in three parts. The bank or other first lender provides 50 percent of the funding; the CDC can provide up to 40 percent; and the borrower provides at least a 10 percent equity injection. Funds can be used for the purchase of land, buildings, and long-term machinery and equipment.

Under new rules, 504 loans can now also be used to refinance existing debt. The business must be

operated for profit and may not have a tangible net worth of more than $15 million dollars. The small business also cannot have an average net income exceeding $5 million after taxes for the preceding two years, and funds cannot be used for working capital or for inventory.

The maximum SBA 504 loan amount has now been increased from $1.5 to $5 million. In certain projects such as manufacturing operations or those which meet sustainable energy goals, the 504 loan amount may increase to $5.5 million. A key component of the 504 loan program is job creation so most businesses are expected to create or retain one job for every $65,000 in SBA funding. Small manufacturers have a job creation guideline of one job per $100,000.

The SBA 504 program clearly has advantages which set it apart from other financing opportunities. First, the 504 interest rate is typically lower than other available rates. Second, the 504 interest rate is fixed for 10 or 20 years. Third, the private lender normally provides 50 percent of the funding but receives an exclusive first lien on the project. Fourth, by blending private lender financing and 504 financing, the borrower can fund up to 90 percent of the project costs.

The combination of an attractive interest rate, a fixed rate mortgage for up to 20 years, total funding of up to 90 percent, and an exclusive first lien for the private lender makes 504 financing the logical choice for many small businesses.

SBA 504 Advantages

- *Fixed, low interest financing*
- *Long-term maturity*
- *Low down payment*
- *Up to 90 percent financing*

Eligible Projects

- *Land acquisitions and improvements*
- *Refinance of existing debt*
- *New construction*
- *Purchase of existing real estate*
- *Purchase of machinery and equipment with a minimum of 10 years of useful life*

Eligibility Guidelines

- *Borrower net worth of less than $15 million*
- *Net income after taxes of less than $5 million the previous two years*
- *Property must be owner occupied*
- *Must be a for-profit business*
- *Owner occupied*

Loan Terms

- *Land and Building – 20 years*
- *Machinery and Equipment – 10 years*

Loan Maximums

- *$5 million traditional 504 loan*
- *$5.5 million for qualified manufactures and loans that meet certain public policy goals*

Eligible Oklahoma businesses can obtain SBA 504 funding through four Certified Development Corporations (CDCs) in the state.

1. *Metro Area Development Corporation, 4200 N. Lindsay Ave., Oklahoma City, Oklahoma 73105, (405) 424-5181-Phone, (405) 424-1781-Fax, MADCO@rhess.com.*

2. *Rural Enterprises of Oklahoma, 2912 Enterprise Boulevard, Durant, Oklahoma 74701, (580) 924-5094, dpartin@ruralenterprises.com.*

3. *Small Business Capital Corporation, Bank of America Center, Suite 1214, 15 West 6th Street, Tulsa, Oklahoma 74119, (918) 584-7888, peggyrice@sbcc-ok.com.*

4. *Tulsa Economic Development Corporation, 907 South Detroit Avenue, Suite 1001, Tulsa, Oklahoma 74120, (918) 585-8332, rose@tedcnet.com.*

Travel: The Ultimate Stimulus Program

Deby Snodgrass, Executive Director, Oklahoma Tourism & Recreation Department

Travel and tourism is one of our most important economic engines, creating jobs and simulating spending across all of Oklahoma's 77 counties.

Nationally, travel is responsible for $759 billion in direct spending, 7.4 million direct jobs, $188 billion in payroll and $118 billion in tax revenue. There are few industries that can compete with this kind of output.

The story is similar locally. Here in Oklahoma, travel generates $6.3 billion in direct economic activity, and $971.1 million in tax receipts, making it the state's third largest industry. Travel and tourism is also responsible for employing 77,800 Oklahomans earning more than $1.8 billion in payroll income.

Tourism is not just for our major metropolitan areas, but also brings economic benefits to rural Oklahoma. Travel expenditures occur throughout all of Oklahoma's 77 counties, with 15 rural counties each receiving more than $50 million in domestic travel expenditures in 2008. Six counties indicated 1,000 or more jobs directly supported by domestic travel.

When Oklahoma and Tulsa Counties are removed from the total economic impact of tourism, Oklahoma's 75 remaining counties recognize the benefit of $2.5 billion in traveler spending and $345 million in travel generated payroll. In addition, small businesses are the backbone of Oklahoma's tourism industry which improves local economies and increases the wealth of Oklahoma citizens.

Simply put, when people travel, the economy grows, jobs are created, and the tax coffers are filled. So how can we invest in this precious resource, and leverage it to bring our economy back?

Here are a few ideas.

Support our state park system. Oklahoma offers one of the finest, most naturally diverse state park systems in the nation, which means visitors from the state and region don't have to go as far to experience everything from sand dunes to award-winning fishing and boating.

Last summer while national travel fell by 3 percent, Oklahoma's state parks remained strong with more than 11 million visitors. Facility improvements in the cabins, campgrounds, lodges and nature centers are key to staying market competitive and providing quality experiences to travelers. That said, the economic downturn and state budget cuts are impacting growth and revenue potential.

Our state-operated parks and golf courses incite travel, preserve natural resources, improve quality of life for all Oklahomans and create employment and recreation opportunities in rural areas of our state.

State Parks are economic engines for rural Oklahoma. In a 2008 benchmark study conducted by Oklahoma State University, State Parks accounted for over $39.4 million in revenue; $19.7 million in payroll; $18.4 million in operating expenditures, and 840 jobs added in Oklahoma.

Every $1 generated in the State Parks returned $2.03 in revenue to Oklahoma; every $1 paid to employees in State Parks created a total of $1.35 in payroll for Oklahoma; every $1 spent operating State Parks returned $1.62 to all of the state's industry sectors; every job employed in the State Parks system led to an addition of 1.27 jobs created in Oklahoma.

It is important to preserve and protect our state park system, both for the natural and recreational assets they provide as well as for the quality of life for current and future generations.

Since 2009, the Oklahoma Tourism and Recreation Department has endured 19.8 percent in budget cuts; the FY12 cut amounted to $700,226 or 3.1 percent. In response to the FY12 cuts, OTRD is in the process of transferring seven parks out of the system through partnerships that will keep the parks open to the public.

Market Oklahoma as a regional destination. The Oklahoma Tourism and Recreation Department (OTRD) is the only agency promoting the state to a national consumer audience. It is critical we continue to get our message out to potential visitors. The media advertising we do on Oklahoma's behalf promotes our state's tourism offerings to our neighbors in Texas, Kansas, Arkansas and Missouri.

According to an independent effectiveness study conducted on OTRD's 2009 tourism advertising campaign, direct spending by travelers who came to Oklahoma after being influenced by the department's marketing efforts almost doubled, growing from $68.8 million in 2007 to $136.3 million in 2009. The campaign's ROI grew from $32.54 to $53.46 for every dollar spent to advertise Oklahoma's tourism opportunities.

Attract international visitors. When people travel from other countries, they tend to stay longer and spend more when they are here. This can be a windfall for our local retailers and other small businesses. A national communications and marketing program called the Travel Promotion Act was passed in 2010 and will invest in marketing to these visitors – which is great news for Oklahoma.

On the state level, research shows for every dollar Oklahoma spends on targeted international marketing, we receive a $21 return on investment.

Build on proven success and ROI. The Oklahoma Tourism and Recreation Department is a driving force behind the unprecedented growth in Oklahoma over the last decade. Whether through a state park, tourism information center or targeted marketing message, OTRD's reach is broad and impactful.

Here are a few statistics that tell the story:

- Approximately 11 million people visited Oklahoma state parks.
- 1.3 million stayed in a state lodge, cabin, group camp or campground.
- More than 79,000 total rounds of golf were played at state courses.
- 1.6 million travelers served through our nine Tourism Information Centers around the state.
- 2 million people visited TravelOK.com for trip planning resources and to order travel brochures.
- 2.1 billion media impressions generated through 5,420 travel stories and public relations efforts.
- OTRD is the only entity marketing Oklahoma's tourism attributes to a national and international audience.
- Oklahoma Agritourism ranks in the top three programs nationwide which is a testament to the strength of OTRD's partnership with the Dept. of Agriculture, Food and Forestry.
- Approximately 6.8 million viewers (annually) watched the Discover Oklahoma television show promoting attractions and communities throughout the state, now in its 20th year on the air.

- Oklahoma Today magazine was named 2010 Magazine of the Year by the International Regional Magazine Association. It has a paid circulation of 39,698 and an estimated readership of approximately 120,000. Oklahoma Today has subscribers in all 77 Oklahoma counties, 50 states and 33 foreign countries. The magazine generates approximately $1.3 million in revenue annually through subscription sales, newsstand sales and advertising.

- In FY10, the Oklahoma Film and Music Office assisted and recruited more than 1,800 film and music productions to Oklahoma resulting in a direct economic impact of $17.7 million and an estimated $30 million in total impact for the Oklahoma economy. Projected totals for FY11 are $23.6 million in direct dollars and $40 million in total impact, a 400 percent increase from FY05.

As is evident from these statistics, OTRD and the tourism industry are revenue-generators and ROI producers for Oklahoma, directly impacting the state's economic vitality. Tourism not only benefits economic development, but also assists in boosting business recruitment and overall quality of life for Oklahomans

Sources:

The Economic Impact of Travelers on Oklahoma Counties, 2007-2008 (2009-2010 study will be issued in October) – U.S. Travel Association

2009 Conversion and Ad Effectiveness Research, Nov. 2009, Strategic Marketing & Research, Inc.

A Benchmark Study for Oklahoma State Parks, 2008, Oklahoma State University

Section 10

Tribal Opportunities

Why Tribal Economic Development Matters

James C. Collard, PhD, Citizen Potawatomi Nation, Shawnee

What is economic development? Definitions, as well as opinions, abound.

Most of us have ideas about what the economic development effort in our community is supposed to accomplish. It really depends on how the current economy is affecting our lives and what our responsibilities are. For instance, some professionals in the field think economic development is primarily about creating and retaining jobs. Government officials may think it is about increasing tax revenues. However, local business owners generally view economic development efforts as a means to increase sales.

Taking this one step further, at the big picture level one working definition is that economic development may be viewed as the process and policies that increase the standard of living in a community, state, or nation.[1] In other words it is about wealth creation. The challenge of course lies in determining whose standard of living and whose wealth increases. Economies do not always function in an egalitarian manner. Witness the recent banking crisis. And we are all aware of economic development efforts that worked out badly.

One common example is the situation is which someone with a great smile and compelling story comes to town with an economic development proposal that supposedly will bring a large number of jobs that pay well and all the pitch man is asking for is some tax relief, and/or costly infrastructure improvements that the taxpayer is on the hook for…only to find out that the jobs never materialize or quite often are extremely short lived.[2]

Oh, and where does the money go? Frustrating stuff isn't it? Therefore the question becomes, how do we measure the success or failure of economic development efforts? How do we make good economic development decisions?

Look to the definitions. One standard metric used to judge the value of economic development efforts is the number of jobs created and retained. Another metric is the increase in taxes and fees collected. And finally, the increase in sales and other revenues generated (e.g. wealth creation) by the new or expanding business is another common way to determine if the economic development effort is on the right track.

So what does this have to do with tribal economic development?

From my perspective economic development is fundamentally about bringing dollars into the local economy from outside and keeping the dollars that are generated locally close to home. In other words it is about growing the economy in a way that ensures our citizens benefit from their efforts to earn a living.

If you think about it a little, from the standpoint of job creation and retention, the numbers from Oklahoma Indian country are startling. Looking at just four tribes gives us some idea about how critical Native American Nations are to the State of Oklahoma and local economies. A Brief within a recent issue of The Journal Record states that in 1987 the Chickasaw Nation had 250 employees; now it has approximately 10,500.[3] In the same issue, the Journal Record stated that the Cherokee Nation has 8,200 employees.[4] The Choctaw Nation has over 5,000 employees. Added to these figures, the Citizen Potawatomi Nation currently has over 2,000 employees. It is also interesting to note that 2 of the top 10 employers in Oklahoma and 3 of the top 20 are tribal nations (Chickasaw, Cherokee, Choctaw). [5] And this doesn't begin to count the contribution of the Muscogee (Creek) Nation, the Osage Nation, the Seminole Nation, and all the other tribal nations that are employing both Native and non-Native people in their regions. Remember there are 39 tribes in Oklahoma.

So what is the total economic impact of all these tribes? The short answer is that no one can give an exact number; but is it reasonable to believe the benefits are enormous. Each year the Oklahoma Indian Affairs Commission asks the Native American leaders to provide an estimate of their tribe's economic impact. In 2010, for just three of the tribes noted above (Cherokee, Chickasaw, and Citizen Potawatomi Nations) the number was in excess of $14 billion dollars. Way back in 2005, the Daily Oklahoman stated that the tribes are Oklahoma's fourth-largest employer.[6] So let's break this down a little.

Without getting too technical, an economic multiplier is a number that gives us an idea about the total economic benefits resulting from a change in the local economy; most commonly referenced in terms of jobs generated or increased income.[7] In other words, the introduction of new jobs into the local economy generates the need for additional jobs.

For example, if the tribe opens a new business, this will generate the need for other businesses to add people to support the new tribal venture. In terms of wealth creation it comes down to how much money the tribal business is bringing into the local economy from the outside. And this brings us to a critical feature of tribal economic development.

Remember the example above about the proposal to bring new jobs into the community so long as the local government will put money into the deal. As we asked before, where does the money go? Think about it a minute. If a new business comes to town that buys very few of its production inputs locally and then ships the profits to its distant headquarters, how big is the total economic impact to the community? Yes, the new jobs are welcomed but there is more to the equation and this is where the tribes really matter. Oklahoma's tribal nations are headquartered here, in our communities. That means the profits (meaning the wealth generated) from their business enterprises stays here which then ripples throughout the local economy. On top of this, the tribes buy the overwhelming majority of their inputs locally. Finally, whereas most corporations are extremely mobile (how much off-shoring have we experienced in the last several decades?), the tribes are here to stay.

It is also very important to realize that tribal nations are governments just like the state and municipalities that generate revenues (i.e. taxes and fees) to provide social services to their tribal members, who are of course also citizens of Oklahoma. The tribes also build roads and construct parks, recreation complexes, and other quality of life facilities that are enjoyed by all Oklahomans.

So it is clear that Oklahoma's Native American tribes are critical to our state's economy. Those who live in the rural areas really understand this and can provide direct testimony to the importance of tribal enterprises in their communities.

In closing, I want to change gears for just a moment and ask us to consider perhaps the most important question. What is the *purpose* of economic development?

Some of the answers were given above: to increase tax revenues, to bolster sales, or to create jobs. Certainly all of these are worthy goals that should not be dismissed. However, isn't there perhaps another important reason to do economic development; something deeper?

What I am getting at is this. Yes, we work to generate income that in turn improves our standard of living; a bigger house or a nicer car. But we also work so that we can spend at least some of our time on non-economic endeavors. For many people these activities include recreation, or traveling, or television, or spending time with family and friends, or simply resting. However, some of us also run our businesses or perform our economic duties so that we can have a greater impact on our society. Directly put, some of us work so that we can contribute to the preservation of our culture. And again, here is where Oklahoma's tribal nations are so important in defining what Oklahoma is all about...what sets us apart.

The tribal nations in Oklahoma are sovereign governments and have responsibilities that go well beyond job creation, important as this is. Native American Nations in Oklahoma understand that they have an obligation to preserve their heritage, which is part of the Oklahoma legacy with all the good and not so good that implies. And this is the reason many tribes put so much money into the construction of cultural resource centers whose purpose is not that of income generation but rather the celebration of a way of life.

We are all in this together.

Endnotes

1. *As listed in Wikipedia, the free online encyclopedia.*

2. *Unfortunately, sometimes the proposal also entails cash payments which are never recovered.*

3. *The Journal Record, Vol. 116, No. 116. June 14, 2011.*

4. *"Connecting Cherokees with jobs". The Journal Record, Vol. 116, No.116. June 14, 2011.*

5. *"Major Employers in Oklahoma: Spring/Summer 2010". Oklahoma Department of Commerce, Research and Economic Analysis Division.*

6. *"State, Indian tribes bolster partnership." The Daily Oklahoman. October 31, 2005.*

7. *"Economic Multipliers: How Communities Can Use Them for Planning." The University of Arkansas, Division of Agriculture-Cooperative Extension Service.*

Building Tribal Alliances

2007 Town Hall Consensus Recommendations

LEGISLATIVE RECOMMENDATIONS

Integration of tribal governments and entities with state, county and local jurisdictions will facilitate collaboration and successful solutions to the economic, education, environmental, infrastructure and transportation issues facing Oklahoma today. This integration must start at the state government level with a greater emphasis on tribal relations through tribal liaisons at state agencies, tribal relations advisory boards and increased tribal representation on state boards and commissions. Therefore, the Town Hall recommends the following:

1. The Town Hall recommends a new Cabinet position be created. The recommendation calls for the Governor to name a cabinet Secretary for State and Tribal Relations. This cabinet position will be charged with overseeing agency consultation and collaboration with the various nations and to be in charge of relations for the executive branch with the tribal governments in Oklahoma.

The bill will name several agencies that will be directed to name a tribal liaison: Oklahoma Department of Commerce, State Department of Education, Oklahoma Department of Health, Oklahoma Department of Mental Health & Substance Abuse, Department of Human Services, Department of Agriculture, Department of Conservation, Department of Environmental Quality, Oklahoma Water Resources Board, Department of Transportation, Department of Public Safety, ABLE Commission, Oklahoma Tax commission, Oklahoma Corporation Commission, Department of Tourism, Oklahoma Historical Society, etc.

Direct all agencies to report to the new cabinet secretary on their interaction with the various Native American nations. The secretary shall then compile this information into a report for the legislature outlining the work being done and identifying which agencies not named in the legislation that need to have a tribal liaison.

Establish an official state consultation policy for agencies directing them to consult and collaborate with tribal governments before taking action that will affect them or their property.

2. The Town Hall Action Committee wholeheartedly supports the Town Hall recommendation to appropriate $42 million for the Native American Culture Center.

3. The Committee fully supports the Town Hall recommendation to encourage the Federal Government and Oklahoma's Congressional Delegation to make permanent the accelerated Depreciation Tax Credit for historically tribal areas.

ISSUE RECOMMENDATIONS

Education and Workforce Issues

1. The State of Oklahoma must identify a shared and common vision for education in Oklahoma and identify the specific roles that tribal and non-tribal entities can play in achieving this vision. There must be a coordinated and collaborative effort among tribal and non-tribal entities and scholars to ensure that an accurate historical view of the cultural diversity and history of the many tribes is contained in the educational delivery systems of the state.

- Oklahoma history taught in public schools must be accurate and more comprehensive with regard to distinct Indian cultures and history. The State must ensure that state-adopted textbooks and curriculum thoroughly covers Indian history, sovereignty and inter-governmental relations. Curriculum, textbooks

and teaching materials must include accurate historical information of the Native American experience in Oklahoma to include the history and presence prior to their arrival in Oklahoma.

- Curriculum established by the State Department of Education must recognize the diversity and culture of the many tribes that exist in the state and it must reach out and work with tribal entities on both a statewide and local basis in developing this comprehensive and integrated curriculum.

2. Recognizing the educational gap occurring with tribal students, the State Department of Education must work with tribal entities to identify the causes of this gap to better identify and pursue appropriate solutions. Expanding the Department of Indian Education within the State Department of Education could assist with this.

3. Better collaboration and partnering must occur between the pre-K through 12 systems, the Career Technology System and the Higher Education System in providing greater awareness of the various technology and higher education programs available to tribal students once they graduate from high school.

- Career Technology systems and tribal entities must collaborate and partner in developing educational programs that effectively meet the needs of the local community, tribal entities, and businesses. Through the Career Technology System centers could be established to provide collaborative assistance for tribes and municipalities. These centers (Technical Assistance Centers) would furnish training in designated areas of workforce development, economic development and business development, as well as serve as a venue to address the challenges faced by the tribes and municipalities in rural Oklahoma.

- Higher education must evaluate its existing programs and career paths to better prepare all Oklahoma students as lifelong learners. There must be greater effort made in providing information about higher education institutions and programs to tribal students and other minority students. Once tribal students arrive at higher education institutions, better efforts must be made to retain these students to include peer counseling and activities that bring Indian students together.

Health and Social Concerns Issues

1. A special focus on expanding adolescent substance abuse prevention and treatment programs must be a priority. Adolescent substance abuse left untreated results in higher dropout rates, occupational problems, juvenile justice involvement and a long-term burden on the Department of Corrections.

- Drug courts must be used as an alternative to incarceration in instances of substance abuse and mental health courts as an alternative to incarceration.

2. Between the 12 Indian Health System regions in the United States, inequities in funding exist. A panel of experts should generate data documenting inequities that negatively impact the Oklahoma region. This data can be used by tribes and state healthcare experts to demand remedy and ensure an adequate level of funding for the Oklahoma region. The data can also be used to create a more equitable system by making funding mandatory rather than discretionary.

3. Partnerships between tribes and the State should be created that focus on providing affordable, but sustainable group coverage to Oklahomans, tribal and non-tribal citizens and in particular the uninsured.

- Tribal sponsored individual health care plans for those without access to group plans should be created and administered by the State.

- A model should be created by which a tribe could create a franchise or entity to provide

health care services thereby allowing tribes to derive revenue from providing health care services outside their tribal lands.

ECONOMIC DEVELOPMENT & TOURISM

Town Hall participants recognized that there is, first and foremost, a significant need for greater development of tribal and non-tribal relationships and understanding of common focus and interests. Local governments and tribal governments can work collaboratively to create pro-business environments that are attractive. Pro-business collaborations include developing inventories of common resources, assets and workforce, creation or promotion of the foreign trade zone model in tribal areas, educating governmental decision makers on the positive benefits of quality jobs and tribal economic development, and encouraging start-up businesses with venture capital funding.

1. A regionalized approach to economic development must be better understood and utilized and must require joint collaboration between all entities, tribal and non-tribal. Develop informational seminars on doing business on tribal lands. Include information on commercial codes, laws, regulations, etc. Regional coalitions could facilitate workshops on how to do business with all Indian tribes in Oklahoma. Utilize existing forums like the Oklahoma Supreme Court Sovereignty Symposium to educate the business sector on "how to do business in Indian country."

2. Create collaborative planning boards consisting of both tribal and non-tribal entities to address ways to achieve the common goals of both.

3. To assist the Oklahoma Department of Tourism, a Native American Advisory Board must be created. The Town Hall discussed specific steps to encourage and motivate non-tribal and tribal governments and entities to leverage their individual resources to better market and promote Oklahoma's unique assets and diverse cultures.

Infrastructure and Transportation Issues

1. Every tribe is located within a regional planning area, circuit engineering district (CED), conservation district or council of government jurisdiction (COG). While tribes have been involved in these organizations, they should play a more active role in these groups either in an advisory capacity or though actual membership and participation. These regional planning organizations must be encouraged, either voluntarily or statutorily, to be more inclusive of tribes located within their jurisdictional boundaries.

2. The Councils of Government should change their charters or bylaws to reflect tribal government voting membership on their Board. To elaborate, the tribal government seat would be one voting seat per tribe per region for each COG. The seat would be filled by the Chairman or Chief or their designee.

3. It is critical that collaboration occur on complex infrastructure projects relating to critical issues such as water, water conservation and water distribution. The promotion of planned, as opposed to ad hoc, water alliances that have greater opportunity for financing is possible.

4. Create a formal telecommunications model which would use the ODOT statewide plan. This would involve a statewide planning process with tribal, state and local governments, and the business sector. The Olahoma State regents for Higher Education would be designated as the facilitators of the model. It would include distance learning, telemedicine and tribal colleges. As an example, the business sectors, tribes, local governments and the state could harness new technologies such as the new super internet highway, "the National Lambda Rail" OR build super data centers on trust land for the tax incentives and access to the power grid with minimal transportation costs.

5. Bridge the "digital divide" in rural areas by bringing broadband internet resources to help build an information infrastructure.

Trade and Tourism and Indians

Don Chapman, U.S. Department of Commerce

Executive Summary
The powerful culture of Indian Country is revered, appreciated, and studied the world over. Thousands of travelers and tourists visit reservations, sacred sites, and Indian lands annually to appreciate and enjoy their art, ceremonial activities, cultural practices, and purchase Native art and jewelry. There is a significant and important economic impact to be realized by Natives, Tribes, and other business people who participate in these economic endeavors. This white paper is intended to provide an introduction and toolkit to services provided by the U.S. Department of Commerce for individuals, companies, and organizations seeking to increase the export of Native American arts and crafts

This white paper has been created by the Minority Business Development Agency (MBDA) Office of Native American Business Development (ONABD) in support of the President's National Export Initiative (NEI), which calls for doubling exports in five years and identifying and reducing barriers to exports. An MBDA study found that minority businesses are twice as likely to export compared to non-minority business. [1]

This fact supported the finding that minority businesses have a competitive advantage in global commerce based on their cultural ties, language capabilities, and often smaller size, thereby allowing these firms more agility in engaging in global commerce. [2] The International Trade Administration reports that 30 percent of all the export revenue ($312 billion) in 2007 was generated by small and medium size companies (companies with fewer than 500 workers). U.S. minority businesses, and Native Americans tribal entities and businesses, therefore offer significant potential for expanding U.S. trade and engaging in the global economy.

The white paper provides an overview of the Native American crafts and tourism industries, resources for understanding and expanding exports, organizations that can provide support for increasing exports, advice on ways to market and protect arts and craft export, and links to resources for supporting and expanding tourism. It also provides an extensive guide to Department of Commerce (DOC) contacts and on-line information.

Industry Overview
Native American Arts and Crafts
Historically, Native American arts and crafts were predominantly functional and spiritual objects created from available natural resources. Through the years, these arts and crafts have become illustrations of the Native American culture. Today, arts and crafts are appreciated by many around the world for their unique history and authenticity.

While the highest percentage of sales takes place in the Southwest, Native American craftwork is created throughout the United States and sold nationally and worldwide. For example, Alaska natives rely on their crafts being sold locally as well as throughout the rest of the United States. In addition, Native American arts and crafts are also sold on the Internet, specialty stores, airport gifts shops, art and giftware trade shows, museums, and catalogs. Native American arts and crafts have increasingly been marketed at international trade shows in countries such as Germany, other areas of Europe, and Japan (Indian Arts and Craft Board, 2011).

Effective promotion of Native American arts and crafts lies not only in the selling but in promoting the Native American culture and the cultural significance behind each piece. Many consumers are looking for products that have stories in addition to other elements such as design, price, etc.

When promoting and selling the crafts abroad, there may be market issues and obstacles that exporters should be aware of. First, exporters should give consideration to custom duties or other trade barriers they may face in foreign markets. Jewelry products may be subject to certain tariffs and taxes in foreign markets that can affect competitiveness and profits. Second, exporters should give consideration to quantity and production process. These factors can affect an exporter's ability to fill large orders of handcrafted items because of the time it takes to make the authentic product. [3]

Exporters also need to be aware of the risk involved with foreign currency and exchange rate fluctuations. Changes in the price of one currency against another can significantly affect a product's selling price, a product's competitiveness in foreign markets, and ultimately a company's profit margin.

While exporters might reduce their currency risk by quoting all prices in U.S. dollars and requiring payment in U.S. dollars, their goods may ultimately be priced out of the foreign market as exchange rates change. It is therefore important to take such risks into account when negotiating and preparing contracts with international partners, and to understand the effects that exchange rate fluctuations could have on the competitiveness of products abroad.

Lastly, it is also important to make sure that arts and crafts products have the proper trademark, patent, or copyright to protect the craft's authenticity. Traditional Native American arts and crafts are highly vulnerable to intellectual property piracy. If artisans do not obtain the proper protection for their crafts, there is an increased risk of the crafts being illegally sold or marketed in the United States and abroad. Past studies have found that tribal arts and crafts sales in the United States were imported counterfeits, mainly from Asia and Mexico. [4]

For example, the Alaska Department of Commerce and Economic Development estimates that 75-80% of what is displayed as Native work for retail is not made by Alaska Natives and is instead imported and imitation Native-style art. [5] Thus, artisans should take the necessary steps to protect their arts and crafts whenever possible.

Later in the paper, there is a section that discusses the United States Patent and Trademark Office, which will provide guidance on protecting arts and crafts.

Native American Tourism

The Role in Increasing Export Capability

Tourism also plays an important role in both promoting Native American arts and crafts and in increasing exports. Foreign visitors to Native American sights may buy arts and crafts. They may also learn about arts and crafts and seek to purchase items once they have returned home. Travel and tourism services purchased by foreign visitors are also a key U.S. export. In 2010, travel services exports totaled $103.2 billion dollars. [6] It is therefore useful to consider a number of factors that may help promote tourism of Native American communities as a resource for increasing exports.

Although foreign tourism is only slowly regaining the levels of pre-2001, it is worth noting that in 2008, foreign travelers spent $142 billion traveling to and within the United States. [7] Unfortunately, while global traveling is growing, foreign travel to the United States declined, especially from key markets such as Germany and Japan. [8] Since 2000, the proportion of overseas travelers visiting a Native American community has been between 3-4%.[9]

Recent reports from the U.S. domestic travel market are more hopeful and thus point towards opportunities for increasing tourism and arts and crafts sales. TripAdvisor's 2011 travel trends forecast predicts that "Seventy-five percent of respondents plan to visit a U.S. city next year, with Las Vegas, New York City and San Francisco the most popular choices." These cities all could provide good gateways to Indian country destinations.

The top five vacation activities are visiting a historic site (85%), visiting a museum (73%), visiting a national park (46%), attending a festival (43%), or hiking (42%). Further popular pursuits among travelers for the year ahead include water activities (38%), visiting a spa (33%) and gambling (29%). When asked what travel activities they might try for the first time in 2011, eleven percent chose a cruise, while eleven percent are also considering

taking an educational course on vacation. Forty-seven percent will take eco-friendly factors in to consideration, such as their carbon footprint or "green" hotel policies, when making travel plans in 2011. Twenty percent expect to be more environmentally conscious in their travel decision and choices next year. [10]

Many of these activities could involve visits to Native American facilities and sites. Emphasizing the eco-friendly heritage of Native tribes and bands could attract the green niche market.

US DOC Resources Available

Given the market for Native American arts and crafts abroad, and a desire by foreign visitors to travel to Native American communities, it is important to know how the Department of Commerce can provide assistance for companies. One of the first steps for any U.S. company looking to export, or expand existing exports, is to take advantage of the many services provided by the U.S. Department of Commerce.

Conclusions

The beauty and symbolism of Native American culture and art have significant potential for economic development for Indian Country. There are many resources available through government agencies to unlock this potential and create some degree of economic prosperity for such businesses.

In recognition that this stuff can be complicated, confusing and possibly overwhelming, companies should remember that at the beginning, they may not know the answer immediately to most (if any) of the questions they encounter. But, there are resources there to help those interested in pursuing these opportunities. Sit back, take a deep breath and consider starting with the following steps:

Step One

Contact a Local Export Assistant Centers www.export.gov/eac/index.asp; the Native American Business Enterprise Center (NABEC) www.ncaied.org; and/or a local Travel and Tourism Specialist http://export.gov/industry/travel/eg_main_022464.asp. Use the many resources available and develop relationships with these experts. They are there (via tax dollars) to help U.S. companies. Keep open communications with experts, do appropriate research, and never be afraid to ask questions.

Step Two

Focus on one or two objectives. Do not try to tackle all aspects (tourism, eBay, exports, various regions, etc.) simultaneously.

Step Three

Start small, be prepared to fail, learn and keep going.

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The Return of Indian Entrepreneurship

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America's newest entrepreneurs are successfully launching products and going after international markets from the least likely of places – remote, hardscrabble Indian reservations.

Indians have been running businesses for a while, but not this kind. Indian casinos have been around for over 20 years, and resource-rich tribes such as Colorado's Southern Ute, and enterprising ones such as the Winnebago of Nebraska and the Citizen Potawatomi of Oklahoma, operate a range of familiar industries. But now, for the first time, reservation based Indian entrepreneurs are stalking global markets with distinctly indigenous products.

These reservation-based risk-takers are bringing back a spirit of enterprise that flourished on this continent long before the Pilgrims landed, and they are looking to their own cultures and traditions for inspiration.

Two years ago, Oglala Sioux tribal member Karlene Hunter and Mark Tilsen founded Native American Natural Foods on South Dakota's Pine Ridge Reservation to introduce the Tanka Bar, a dried bison meat and cranberry snack food based on "wasna," a durable chokecherry and dried bison meat amalgam Lakota warriors carried and ate on horseback during hunts and battles. Today, the Tanka Bar has won accolades in the New York Times and on "Live with Regis and Kelly."

Sprawling and rugged, Pine Ridge is bordered by the badlands' otherworldly pinnacles and spires. Its grassy hills etched against a big sky mask a sad history of repression and privation. Site of the 1890 Wounded Knee Massacre, its unemployment rates exceed Great Depression levels and per capita income, according to the last Census, is just $5,619. Yet Hunter chose this place to employ a dozen young tribal members who parlay an edgy, Internet-based,"social networking" strategy to sell nutritious, low-fat, bison-based products at more than 3,000 outlets in 49 states

The Tanka Bar is the first national brand product to originate from an Indian reservation. But that is not enough for Hunter. She expects to soon penetrate European markets.

Also at Pine Ridge, Henry Red Cloud, great-great-grandson of the eponymous and storied Lakota warrior chief, chartered Lakota Solar Enterprises to manufacture an affordable solar-powered, supplemental, indoor heating device for hard-pressed tribal households whose utility costs often exceed their rents. Red Cloud has so far sold the heaters to families on a dozen reservations, but the product is just as suited to cold-weather, rural households anywhere in the world that seek to wean themselves off propane.

Three years ago, CNN and Fortune Small Business Magazine applauded young Indian entrepreneurs (and sisters) Monica Simeon and Marina Turning Robe for developing a fully automated factory on northeastern Washington's Spokane Indian Reservation to manufacture Sister Sky bath and beauty products with "indigenous fragrances" such as sweet grass, cedar and sage. Sister Sky is now marketing its line to national hotel chains.

Simeon and Turning Robe bet everything on the notion that they could create demand for the kinds of traditional herbal oils and balms that had relieved the chronic skin problems of one of Simeon's children.

All these new reservation products are cultural matches, but so is entrepreneurship itself. Markets, trade and importation of raw materials for

manufacturing were not concepts brought here by Europeans. Sophisticated Indian trade networks veined the continent long before European contact. During the Hopewellian (200 B.C. – 400 A.D.) and Mississippian (800 A.D. – 1500 A.D.) periods of Native American history, Indians in Illinois, New York and Ohio traded for conch shells from the Gulf of Mexico, obsidian from what is now Yellowstone Park, copper from the Great Lakes, gold and silver from what is now Canada, fossil shark's teeth from Chesapeake Bay, and mica and crystal from the Appalachians. Southwestern tribes traded in shells, copper bells, and macaws and parrots from what is now Mexico, and turquoise from what is today California. Indians on the Missouri in the Dakotas traded for marine shells from the Pacific and Gulf coasts.

After the Europeans' arrival, Ojibwe (not English, Spanish, or French) became the lingua franca of trade up to the 18th century. Great Lakes tribes established portages and elaborate schedules for water-borne transportation of furs and other trade goods. Choctaw-based Mobilian was the language of commerce between tribes and the new settlers on the lower Mississippi and the Gulf Coast. In the Northeast, both the Dutch and English adopted as legal tender the Indians' wampum, intricately crafted strings of cylindrical beads.

It is likely that the Lakota ancestors of Hunter and Red Cloud traded buffalo meat, hides and horns for food crops at Arikara trading centers along the upper Missouri Valley. The forebears of Simeon and Turning Robe may have bargained at inter-tribal markets along the Columbia River, where Nez Perce, Wishram, Wasco, Wyampam, Chinookian-speaking coastal people, and members of other tribes traded wares.

The framers of the U.S. Constitution acknowledged the substance and scope of these indigenous exchange networks by adopting the Commerce Clause to regulate trade "with the Indian tribes." However, the U.S. government suffocated aboriginal commercial relations by consigning tribes to reservations, either by treaty or at bayonet point. The 369 treaties the federal government ratified with tribes between 1778 and 1871 resulted in the Indians losing and the U.S. government acquiring 1.85 billion acres.

Their land base gone, tribes found that reservations were often arid and unsuitable for farming. With the white man's annihilation of the buffalo, Indians became dependent on the federal government for virtually every material need. What economic freedom had existed was supplanted by an often callous or indifferent paternalism. As the government reduced a proud and vigorous people to economic vassalage, the canard arose among whites that reservation Indians were just not cut out for starting and running their own businesses.

Some federal policies made matters worse by fostering on reservations only wage employment programs – frequently of the "make-work" or seasonal variety – while ignoring personally-empowering self-employment offering indigenous goods and services. Even the federal government at times seemed to have been party to the myth that reservation Indians and entrepreneurship would not mix.

Fortunately for consumers worldwide, Indians such as Hunter, Red Cloud, Simeon and Turning Robe never bought into this damaging stereotype. Nor has the sputtering national economy slowed them down. Hunter is planning a European marketing foray; Red Cloud wants to manufacture cellulose insulation at Pine Ridge; and the Sister Sky team has started a second business training hospitality workers. Embracing ancient values and traditions, they are the vanguard of First Americans who have begun to reclaim their legacy as America's first entrepreneurs.

Attorney and writer Jack Stevens was named the Timothy Wapato Public Advocate of the Year by the National Center for American Indian Enterprise Development at RES 2010 in Las Vegas Feb. 23.

Llittibaatoksali - Partnership - Dawenikanek

Natalie Shirley, President, OSU-OKC and former Oklahoma Secretary of Commerce

Llittibaatoksali in the Chickasaw language means - partnership (lit. "We work together").

Dawenikanek in the Potawatomi language means - partnership.

Partnership

Partnership is a powerful word in any language. At its highest use, it provides a framework for the parties in the relationship to achieve common goals that could not be achieved separately by the individual participants.

The modern world of economic development is wholly dependent on partnerships. States and communities often come together to offer enticement packages to businesses that have expressed an interest in expanding or locating in their area. As competition has become more fierce for jobs and investment, states and communities are aggressively seeking additional partners to enhance these incentive offerings. Such other partners often include regulatory agencies (such as environmental agencies), utilities, educational and training institutions, and others. Oklahoma is in a very fortunate position in that it has an opportunity for additional economic development partners that other states may not have or may have overlooked. Those potential partners are the 39 federally recognized Indian tribes in the state.

This paper will take a brief look at economic development in OK, the current status of partnerships with the tribes and possible actions that may increase the likelihood of success of economic development through these partnerships.

Oklahoma stepped up its game in economic development in the 1990's with the passage of the Quality Jobs Act. This act provided an incentive for companies to bring new jobs to the state, either through location or expansion. Its structure and simplicity (*the Quality Jobs Act has been amended several times over the ensuing years, reducing its simplicity, but the basic contours of the incentive remain intact)* nicely balanced the needs of the parties: cash payments (without restrictions on use) to the locating or expanding companies and guaranteed performance for the state (the money is paid out over a period of time only if the jobs materialize and remain through the payout period of ten years). Other pro-business actions followed, including Oklahoma becoming a right-to-work state and a number of new state programs (at the Oklahoma Department of Commerce and other agencies) were developed to assist in bringing new jobs to the state.

In addition, many communities added their own incentives and other programs to help entice new jobs to their area. As a result, Oklahoma began appearing more frequently on the lists of site consultants as a location to be considered for new jobs, particularly in industries of strength for Oklahoma, such as energy, manufacturing, aerospace, and shared services.

While the adoption of the new incentives and programs was critical to getting Oklahoma noticed as a business friendly state, it would be a mistake to assume these changes were the only reason that new jobs began coming into the state. Indeed, many other states rushed forward to copy Oklahoma's new laws and incentive packages. Several states now offer as good, if not more lucrative, packages for new jobs. Accordingly, there must be other reasons that Oklahoma continues to be highly rated in economic development circles.

Based on discussions with many site consultants and companies that have locations around the world, one of the most important reasons that

Oklahoma is considered an excellent place to expand or locate a business is its willingness to partner. The state and its communities have built an outstanding reputation for pulling together the participants needed to bring jobs to the state.

The state of Oklahoma, through its lead economic development agency, the Oklahoma Department of Commerce ("ODOC"), regularly partners with cities and towns, Chambers of Commerce, county governments, the Regents for Higher Education, Career Techs, utilities, the Oklahoma Department of Environmental Quality, the Oklahoma Employment Securities Commission, local WIBs, Workforce Oklahoma and regional groups. It has even crossed state lines and partnered regionally to bring new jobs to the area, such as its work with Ft Smith, Arkansas.

In addition, in recent years, ODOC has worked with various tribes to bring new jobs to the state. Successful efforts have included various partnerships with the Chickasaw, Choctaw and Cherokee tribes to help bring businesses to the tribal area. In each case, the tribe contributed money for infrastructure projects, such as a rail spur or access road needed by the incoming or expanding company.

The deals resulting from these partnerships likely would not have been possible without the contributions of the Tribes. These partnerships represent a great step forward in economic development for the state. However, more work remains to be done to maximize these partnerships. Each deal was done on an ad hoc basis. There was not a long-standing relationship between ODOC and the tribe (although there may have been between the community and the tribe). Each deal was sui generis and required leadership involvement of both the state and the tribe from beginning to end.

The groundwork for trust had been laid in earlier individual meetings between leadership of the tribes and ODOC and understandably, given history, trust is hard won. Nevertheless, it would benefit all parties if such partnerships become more commonplace and robust.

There are several actions that the tribes and the state could take that may assist in getting to a place where they could more readily engage including:

- Increasing communication between the tribes and the state at all entry points, including leadership and staff – even in the absence of an ongoing project.

- The state and the tribes sharing funding for an employee dedicated to economic development who would serve as a liaison to the tribes and ODOC.

- The state routinely providing appropriate tribal entities with information concerning RFPs, provided such tribal entities agree to appropriate confidentiality, understanding that various communities within their area may be competing for the new jobs.

- The tribes commit to their participation quickly.

- Each tribe appoints a single person or group who would work with ODOC and the community, as appropriate.

The Tribes and the state mutually benefit when a robust economy exists. Economic development cannot thrive without partnerships. Thus it is in the best interests of all parties for the state and the tribes to continue to build upon their existing relationships.

Appendices

State Incentives: A Detailed Catalog

Robin Roberts Krieger and Michael Ogan, Greater Oklahoma City Chamber

Over the last two decades, Oklahoma has developed financial incentive programs that have positioned the state to compete well for capital investment and job creation of primary job or traded sector firms – both by existing firms within the state that are expanding their operations, as well as new firms deciding to locate their operations in Oklahoma, and helping to diversify our economy.

The economic growth that Oklahoma has experienced over the last decade, as well as the state's economic resilience during the most recent recession is due in no small part to the effectiveness of Oklahoma's business climate and incentives. It should be noted that most of Oklahoma's economic development incentives are revenue positive, meaning that they provide net new revenue to the state. This performance based structure is superior to entitlement programs, which many states still utilize.

We have provided bulleted recommendations on the state's incentive programs, followed by what we believe are some of the premises that underlie the need for and appropriate use of economic development incentives. (The latter portion of this document provides additional details, context and background on the recommendations for each of the bulleted programs).

These recommendations only cover those economic development incentive programs with which the Greater Oklahoma City Chamber has experience and familiarity. We expect that there are other programs beyond our experience or awareness.

We would suggest that the programs not specifically addressed below be reviewed based on their contribution towards the achievement of the goals/impacts for which they were designed.

RECOMMENDATIONS

Premier Incentives: The following programs should be viewed as Oklahoma's premier incentives, which help to differentiate the state from competing locations. We feel they cannot be eliminated/diminished, or our reputation as a pro-business, economic development state would be called into question.

- Retain the Quality Jobs Program (and the Small Employer Quality Jobs Program). These are among the states most effective incentive programs.
- Retain the 21st Century Quality Jobs Program. This program is designed to multiply the effectiveness of the 'regular' Quality Jobs Program, and bring very high wage jobs to Oklahoma.
- Retain the Aerospace (engineer) Employer & Employee Tax Credit programs. This program, which may be unique in the nation, has the potential to significantly increase the aerospace industry's presence in Oklahoma and its impact on the state's economy – and it has already delivered results.
- Retain the Prime Contractor Quality Jobs Program. A program that is both creative and unique to Oklahoma – but which will require a couple of years to reach its potential.

Foundational Incentives: The following programs should be viewed as foundational programs – basic incentives offered by virtually every other state and competing location. Without these programs Oklahoma will not be considered a viable location by most firms, particularly manufacturing and warehouse & distribution firms. Some of these programs could be modified in such a way that local, regional and state governments could recover their "cost of services", while still offering significant value to a new or expanding firm.

- The 5-year ad valorem tax abatement and sales tax exemptions on facilities, equipment, inputs and energy used in manufacturing and warehouse & distribution operations
- The Freeport (inventory) Exemption
- The Investment/New Jobs Income Tax Credit Program

Industry Specific Incentives: The continuation of the following industry specific incentives is recommended to support the growth & development of industries important to Oklahoma's economic future.

- The Oklahoma Quality Events Program. While not 'live' until July 2012, this program will allow Oklahoma City and other communities to remain competitive for revenue generating events.
- The Film and Music Profit Reinvestment Tax Credit and Oklahoma Film Enhancement Rebate programs. These programs help Oklahoma effectively compete for the high-end, discretionary jobs and investment made by these creative sectors.
- The Gas Used in Manufacturing Credit
- The Qualified Rehabilitation Expenditures for Historic Building Credit and the Energy Efficient Residential Construction Credit
- The Credit for Electricity Generated by Zero Emission Facilities Credit

We present the following as premises, or the economic truths, that underlie the need for incentives and which should be part of any consideration toward development of new incentive programs, as well as evaluation of existing programs, or discussion of elimination of programs.

- From the public sector's perspective, incentives should be viewed as an economic exchange. What public goals and outcomes does the state have and want – and what payment or incentive is the public sector willing to provide the private sector in order to obtain or achieve those desired goals and outcomes?
- From the private sector's perspective, incentives cannot turn a poor location into a good one, nor offset an operational disadvantage – so the public sector should not view or use them as band-aids or as a replacement for making necessary public investments (in education and human capital, infrastructure, community amenities & assets, etc.) or to avoid making changes in out-of-date and inefficient public processes or regulations. For the private sector, incentives only help companies to differentiate between communities that otherwise meet all of their economic and operational needs. It means when a company has two equal choices, they can tip the scale in the favor of Oklahoma. And, they can offset relocations/expansion costs, allowing companies to be profitable faster, and create jobs in a more rapid manner.
- Incentives are necessary in order for Oklahoma to remain competitive as a location for business. Virtually every alternative location, national and international, provides incentives. If you want to compete for investment, you need to be competitive, and you have to have incentives.
- The competition to retain and attract business operations and the jobs and capital investment they bring is increasing in intensity.
- Incentives have become an integral element of businesses investment decisions. As a result, incentives are now necessary for all location's business climate. The type, nature and availability of incentives helps to shape whether a location is perceived as "open for business" or has an anti-business climate.
- Incentives are only one element of the state's business climate along with available labor skills & costs, the educational system, transportation system, utility costs and availability, tax structure, housing costs, quality of life, etc. None of these elements, individually, are more important than how all of them, in combination contribute to the 'whole' – i.e. a healthy, vital and balanced community.
- Incentives should be viewed as a strategic & long-term element of the state's business climate and economic development 'plan' –

focused and structured such that they help achieve what Oklahoma desires in terms of economic outcomes (types of industries and occupations, levels of wages/incomes, types and levels of capital investment, etc.). Businesses view incentive programs that stop and start over time as unreliable and high risk – negating their effectiveness. They are a critical tool that the Governor will need to get the attention of companies, and help them to choose Oklahoma.

ADDITIONAL DETAIL AND CONTEXT

Premier Incentives:

Retain the Quality Jobs Program (and the Small Employer Quality Jobs Program). This program is the keystone of Oklahoma's incentives and is viewed by many as a model for a best practices incentive program. It is statutory in structure, straightforward in construct, performance-based and it strategically focuses on desired public outcomes – creating above average paying jobs in industries and companies that sell their products and services outside of the state – which brings "new" money into the state and over time will help increase income levels and the standard of living of the residents of Oklahoma. Most importantly from a revenue standpoint it is structured such that the state still receives net new revenue from the new jobs and payroll created by the companies that receive this incentive.

As an example, let's look at an aerospace product and parts manufacturer. If this new firm creates 250 jobs with $12 million of new payroll, and invests $5 million in building improvements and $20 million in production equipment – it would qualify for a QJP incentive of $6 million over 10 years, from the new income tax the company creates.

This manufacturer would create a total economic impact - i.e. new money flowing through the Oklahoma economy - of nearly $1.5 billion over the first 10 years of the company's operation. As a result, the State of Oklahoma would see $14.5 million in ADDITIONAL state tax revenues over this same 10-year period - a net gain in total state revenues of $8.5 million, after deducting the QJP incentive provided to the company.

These revenue impacts would be the result of the NEW Oklahoma personal income, sales and corporate franchise taxes paid by the manufacturer's 250 employees, plus those paid by the estimated 185 employees within Oklahoma-based firms that the manufacturer would purchase products and services from, plus those paid by the 68 employees in Oklahoma-based retail and personal services firms that the manufacturer's employees would purchase goods and services from.

The $14.5 million in additional state revenue does not include an estimate for the manufacturing company's corporate income tax payments. There are no available "industry averages" for profitability and there is too much variability between companies to allow us to provide a useful and realistic estimate. One would therefore expect that the total state revenue impacts would actually be greater than the $14.5 million estimated by the model we use. Additionally, the $1.5 billion in total economic impact does not include any voluntary and/or community service impacts that a new company may also create - such as donations of time, materials and funds to area schools, institutions, charities and other non-profits.

Many people incorrectly argue that incentives don't matter – that companies would invest and create jobs regardless, so we could eliminate incentives and still receive the investment, jobs and revenue growth. This perspective reflects a basic misunderstanding of the purpose and role of public incentives.

It is not the purpose of public incentives to create investment and jobs – market forces and demand within the global economy does that. The role of public incentives is to influence WHERE investment and job creation occurs – to influence whether it occurs in our community, or state, or a community/state elsewhere.

Public incentives are one of the critical factors companies consider when deciding where they will expand, invest and create jobs. Companies do not treat incentives as an afterthought – neither should we. In the global competition for investment and jobs, the community that meets a company's operational requirements AND also provides the most effective incentives – wins.

Suggested changes to Quality Jobs program(s): Add flexibility to help address rapidly changing business structures. While the program has been continually updated since its inception – in response to changes within the global economy and industry structure, the current QJP statute uses federally defined industry codes (NAICS – the North American Industry Classification System) to define which firms qualify for this program. One change that we would suggest is that in addition to using NAICS codes to define eligibility, that language be included such that firms "who sell >70-80% of their products/services outside of Oklahoma, or who derive >70-80% of their revenues from non-Oklahoma sales also qualify for this program". There is already an approval committee – made up of representatives of the Tax Commission and Department of Commerce – that review a company's applications to the program to insure that they meet the qualification requirements and provide official approval. This same committee could be charged with similar review & approval of those firms who are not in a qualifying NAICS but have qualifying out-of-state sales & revenues.

The pace of change within the economy, particularly for firms utilizing newer technologies and the Internet, is such that firms are creating new forms or types of businesses that do not fall into existing NAICS codes – and are then labeled as "not elsewhere classified" until the federal statistical agencies update the system, typically every 5-8 years. The inflexibility of the current NAICS driven qualification system means that Oklahoma is unable to incent and therefore compete for many 'new economy' or cutting edge firms – and will end up lagging behind other states' participation in the coming economic investments that will create the next major economic sectors, products and companies.

Retain the 21st Century Quality Jobs Program: This program was created/approved during the 2009 legislative session. It has all of the positive business development benefits and characteristics of the 'regular' QJP, but provides double the incentive of the regular program for the creation of very high paying jobs. It has already paid significant dividends. This program played a key role in Boeing's recent decision to choose Oklahoma City as the location for 550 highly paid engineering positions that will be relocated from Long Beach, CA.

Retain the Aerospace (engineer) Employer & Employee Tax Credit programs: These recently developed programs were placed on hold during the last legislative cycle – as one of the efforts to deal with the state's budget shortfalls. These programs provide financial support to Oklahoma aerospace employers choosing to create highly paid engineering positions – and to partially offset the cost of employer provided tuition support for existing employees to obtain engineering degrees. Additionally, a tax credit was provided to engineering graduates if they took aerospace positions in Oklahoma. Together, these programs provide highly targeted and enhanced support for the further growth and development of the state's aerospace and aviation sector. They were reinstated in 2011.

Retain the Prime Contractor Quality Jobs Program: This is a new program and there has not been sufficient time for prospective users to learn of, understand and take advantage of it. None-the-less, this program is an example of a creative mechanism that is narrowly targeted at a specific desired outcome – incenting the use of Oklahoma-based companies as subcontractors to federal contracts. Even if this program results in capturing only a small portion of the total funds available through federal contracts, it will still create a significant flow of new revenue into (mostly small) Oklahoma-based firms. With five military bases in the state, this is a great program for Oklahoma.

We are not aware of a similar program in any other state – so this program should provide Oklahoma small businesses seeking to partner/subcontract with firms that are federal prime contractors with a distinct market advantage. While it is too early to tell the level of success this program will create, incenting federal prime contractors to subcontract work to Oklahoma firms may be one of the most effective ways for the State of Oklahoma to support the growth and development of its small businesses.

Foundational Incentives

These programs should be viewed as "foundation" incentives. Virtually every other state offers these basic incentives to manufacturers. Providing these incentives keeps Oklahoma on an even playing field with competing locations. Not providing these incentives would eliminate Oklahoma from

consideration for most additional manufacturing investment by existing Oklahoma firms as well as manufacturing investment by new firms.

We also support the continued inclusion of firms engaged in aircraft repair and modifications within the provisions of these exemptions --- treating them as manufacturers. This is one element of Oklahoma's incentive strategy to retain and grow the aviation and aerospace industry and an important consideration, given the size and importance of this industry within Oklahoma's economy.

Suggested changes to these programs:

Retain the 5-year ad valorem tax abatements and sales tax exemptions on facilities, equipment, inputs and energy used in manufacturing and warehouse & distribution operations. For some activities, such as data centers, the state should consider revising the 100%, 5-year ad valorem exemption to a partial exemption, perhaps 70%-80% for uses in which the capital equipment rapidly depreciates or has a useful life of less than the 5-year exemption period. The current exemption ends up providing what amounts to a permanent property tax exemption on equipment for these uses. Data center operations typically replace their primary equipment – the file servers – within the 5-year exemptions period, and the new servers qualify for a 'new' 5-year exemption. In effect, the personal property value of these uses is never on the local property tax rolls. A partial exemption for these uses would provide some ad valorem revenues to support for local school district and county government operations (cost of services), such as a 75% abatement rather than a 100% abatement.

Retain the Freeport (inventory) Exemption: Similar to the ad valorem and sales tax exemptions noted above, the existing Freeport Exemption should be viewed as a foundation program – one which is fairly common and ubiquitous across the country – and one without which Oklahoma will not remain competitive.

Additionally, while Oklahoma's central US location and transportation infrastructure positions the state well for the distribution of products throughout the country, Oklahoma is still primarily a 'fly-over / drive-through' state for many consumer and industrial products. Retaining this exemption program will help Oklahoma to leverage its location and infrastructure advantages to build and maintain a distribution and logistics sector providing regional and national market service.

We anticipate that near-term rises in fuel costs will create pressures for a national distribution system with more centers & shorter distances between markets – which should create a higher demand for new and expanded facilities in the central US. These forces will also create pressures for manufacturers to develop decentralized production facilities – shortening their shipping distances to the eventual consumer. Retaining this program will allow Oklahoma to more successfully compete for these operations.

Retain the Investment/New Jobs Income Tax Credit Program: This is one of the programs that should also be viewed as a foundation program. Nearly all states, and many countries, offer some type of tax credit program to encourage and incent new capital investment – primarily targeted at manufacturers. Without some form of tax credit or investment cost offset program, Oklahoma would not be considered by most, perhaps all, manufacturers seeking a location for new investment in plant facilities and equipment.

Oklahoma's investment tax credit program also includes/included warehouse & distribution operations in which x% of their customers/revenues are from outside of the state. Since the warehouse & distribution sector is one of the state's targeted industries, we would suggest and support their inclusion as activities qualifying for this program.

Suggested changes to this program include:

Establishing a mechanism to allow companies to monetize the value of their Investment/New Jobs Income Tax Credits. A primary financial driver for many firms, particularly firms that utilize newer technologies and firms from overseas that are establishing their initial US production facilities is the need to reduce their initial costs of establishing a totally new operation. This translates into the need for 'up-front' financial incentives. At present, Oklahoma is not able to effectively compete for these investments.

We frequently receive feedback from companies relative to tax credits around three issues:

- That the planned project is not anticipated to be profitable within the short term, which is frequently the case with startups and the initial investments of foreign companies (such as major alternative energy manufacturing plants). In these cases the availability of tax credits doesn't provide the company much if any useful financial assistance or incentive.

- That the timing of the financial benefit of the tax credits doesn't match the timing of the financial needs of the project. Similar to the Quality Jobs Program, tax credits can help offset a company's ongoing costs over time, but do not provide 'up front' financial assistance -- which many projects in today's financial environment view as more valuable.

- That the planned project or operation is primarily a 'cost' vs. 'profit' center within the company. We are aware of some cases in which significant capital investments in Oklahoma by operating divisions of companies have created tax credit balances equivalent to more than 100 years' of the company's Oklahoma income tax liability. While this initially sounds positive, it actually creates a disincentive for further investment or job creation. With so much incentive value 'on the books', the state cannot provide a useful incentive for any additional incremental growth of the company's Oklahoma operations. Additional tax credits are of no financial value, and the user is precluded from utilizing any of the state's other incentive programs due to the 'value' of the company's existing tax credits.

Most of Oklahoma's tax credits, including investment tax credits, are not transferable or sellable. The state should consider amending the program such that companies have the ability to sell the tax credits accrued though the Investment/New Jobs Income Tax Credit program. In order to control and manage the potential short- and long-term impacts to revenues and the budget, we suggest that the state establish a program in which the state tax commission (or state treasurer) determines and controls the value at which the tax credits can be sold as well as sets annual and/or overall limits on the amount of credits that can be sold.

Unlike the value of the Quality Jobs Program benefits, which involve the anticipated creation of new payroll, the value of investment tax credits are more concrete, since they are earned/awarded based on actual investment. As such, other than controlling transfer value and the total volume of transfers, safeguards such as claw-backs and repayment guarantees would be unnecessary to protect the state's public financial responsibilities.

Industry Specific Incentives:

Retain the Oklahoma Quality Events Program: This program is new and won't actually be 'active' until July 2012. However, it was designed to allow communities in Oklahoma to more effectively compete with neighboring states for larger revenue producing events such as equine and livestock shows, major sporting events and large conventions. In many cases, this program is as much about retaining long-standing events as much as it is about attracting new events.

In recent years neighboring states, such as Texas, have developed programs that provide a significant financial incentive for these events, both new and recurring, and provide a mechanism for local organizations to be able to financially compete for events. Many of those events have been in Oklahoma for years and are now being recruited to leave Oklahoma, which would cost our entire state significant sales tax revenue generated by these events.

The Quality Events Act allows Oklahoma communities to receive partial reimbursement of increased state sales tax revenues generated by a quality event to help offset the costs of attracting and hosting the event. This is a "win/win" for both the state and communities, as they share the incremental sales tax revenue generated by such events.

The Quality Events Act requires the event to be one recruited by at least one other state, which will prevent Oklahoma communities from using the Act to recruit events from other Oklahoma communities. Many events that could potentially qualify for relief under the Act (effective FY 2013) are currently being solicited or developed. Accordingly, it is criti-

cally important that the implementing regulations for this legislation be drafted as quickly as possible.

Retain the Film and Music Profit Reinvestment Tax Credit and Oklahoma Film Enhancement Rebate programs: These programs help Oklahoma effectively compete for the high-end, discretionary jobs and investment made by these creative sectors. These programs also support and aid the growth of Oklahoma's home-grown film and music talent --- but more importantly, help to grow and enhance creative companies and firms --- both of which help to raise the state's visibility and change the external perceptions of Oklahoma

Retain the income Tax Credit for Gas used in Manufacturing: Oklahoma ranks third nationally for the production of natural gas. In addition to supporting and helping Oklahoma's natural gas industry, this program also helps Oklahoma manufacturers remain competitive. Oklahoma firms do not have as strong a market incentive as firms in other states to use one of Oklahoma's most abundant energy resources – since lower cost Oklahoma natural gas can be substituted for higher cost electricity in these other states. This program helps to offset the local natural gas 'premium' that exists for Oklahoma manufacturers – allowing them to remain competitive for manufacturing processes utilizing natural gas.

Income Tax Credit for Electricity Generated by Zero-Emission Facilities: Oklahoma has the wind resources to become the second largest generator of wind energy in the US – supplying up to 10% of the nation's renewable electricity needs by 2030. However, this won't happen in Oklahoma without proactive public policy and, at least initially, targeted public incentives such as this. While this incentive directly applies to facilities that generate energy from wind, the existence of public incentives such as this are viewed by the manufacturers of wind energy equipment as critical and necessary to where they will choose to locate the manufacturing facilities, and create the jobs, to produce this equipment. Without this type of incentive, Oklahoma's future will be to purchase technology manufactured elsewhere in order to capitalize on one of our most abundant natural resources.

Income Tax Credit for Qualified Rehabilitation Expenditures for Historic Buildings: This program directly benefits the real estate investment/construction sector and could be viewed as a community development or livability incentive, it does have economic development impacts – and economic development importance. Part of what makes a place attractive to both companies and the people that they employ is a sense of place, a sense of continuity and connection to those that have come before us. Our history is part of what helps us define who we are and how we are different than someplace else. Without programs such as this, to encourage and support the preservation of elements of our past, Oklahoma's towns and cities are at risk of becoming merely a collection of buildings and structures – without any defining elements to make "here" different or unique compared to anyplace else. This is a community development incentive.

Income Tax Credit for Energy Efficient Residential Construction: By offsetting a portion of the up-front costs of more energy efficient construction, this program helps lower the long-term operating costs of Oklahoma's citizens. Those long-term savings result in more disposable income and increased expenditures and demand for other, more highly taxed, products – all while supporting the homebuilding sector – the health of which is an important element of any vital community. Oklahoma's investment through this tax credit program pays dividends though increased expenditures in both additional discretionary purchases and in new or additional business ventures. This is a community development incentive.

Sales Tax Exemption & Refund for Aircraft Repairs and Modifications; Sales Tax Exemption & Refund for Aircraft Maintenance or Manufacturing Facility; Excise Tax on Aircraft Sales: These three programs, as a group, should be viewed as 'foundational incentives' with respect to the aviation and aircraft sector – allowing Oklahoma firms to continue to be competitive with their counterparts in other state and in other countries. The elimination or diminishment of these programs would send the message to the industry that Oklahoma no longer desires to remain a leader in the aviation sector, and most particularly a leader in the MRO segment of the sector (which is arguably Oklahoma's strength within the aviation sector).

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Moving Ideas Into Action

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