



Economic Monitor

Economic Policy and Research Staff
Oklahoma State Senate

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Economic Outlook Good for Oklahoma

Oklahoma's unemployment rate, currently 3.1%, declined 32.6% from this time last year, and is well under the national average of 4.1%, according to the most recent data collected from the Bureau of Labor Statistics.

On the surface, these figures appear to place Oklahoma in a positive light. However, businesses seeking to locate facilities here or are considering expansion of existing facilities may perceive our relatively small labor pool as a deterrent. It is important to stress that many Oklaho-

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New Method to Fund Highways: Grant Anticipation Revenue Vehicles

A Grant Anticipation Revenue Vehicle, or GARVEE, is any bond or note repayable, either exclusively or primarily, with future Federal-aid highway funds. While GARVEE bonds are not guaranteed by the Federal government, the state assures investors that payments will be made from future federal disbursements.

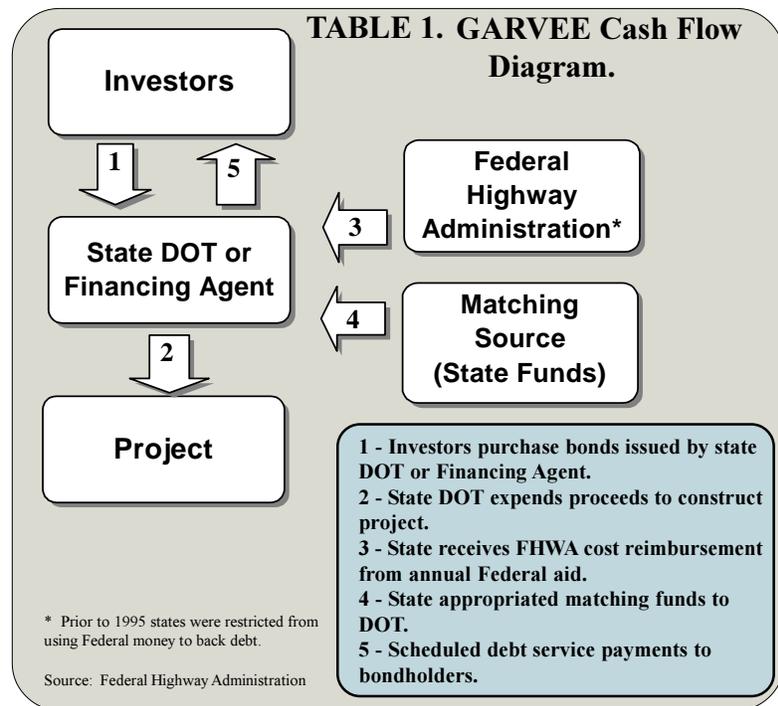
A number of states have issued GARVEEs since May 1998, numerous states are studying the idea and several have drafted or passed state-level enabling legislation. New Mexico, Ohio, and Massachusetts currently have GARVEE-funded projects underway. Mississippi and Arkansas are both set to issue GARVEEs in the near future.

Prior to 1995, states were re-

stricted from using Federal-aid highway funds to pay debt service and associated costs. Sec-

tion 311 of the National Highway System (NHS) Act removed these restrictions. Also prior to

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Oklahoma Fares Poorly in "New Economy" Rankings

Oklahoma ranks 40th in "The State New Economy Index", a benchmark study of economic transformation in the states. The index was released in July of this year. According to the index "states differ in the degree to which their economies are structured and operate in accordance with the tenets of the new economy".

"In the New Economy states"

economic success will increasingly be determined by how effectively they can spur technological innovation, entrepreneurship, education, specialized skills..." according to the report authors. Less important will be "old economy factors like cheap, unskilled labor, tax giveaways and other business incentives."

Several of Oklahoma's neighboring states achieved much higher

rankings in the index. Colorado ranked 3rd best nationally and Texas ranked 17th. Only Arkansas at 49th and Louisiana at 47th fared more poorly than Oklahoma among neighboring states. The U.S. average for the index was 48.1. Oklahoma's index score was 38.6.

The index was developed as part of the Technology and New

Continued on page 2

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Economy Project of the Progressive Policy Institute and incorporates 17 different indicators into 5 different categories that

Job churning is the combination of new start-ups and business failures in a state economy. Oklahoma also ranked 26 in the

“...economic success will increasingly be determined by how effectively [the state] can spur technological innovation, entrepreneurship, education, specialized skills...”

The New State Economy Index

describe the new economy.

Index categories include: a measure of “knowledge jobs” such as number of technicians and educational attainment of the workforce, globalization of the economy measured by exports, economic dynamism, measured by indicators such as value of Initial Public Offerings, digital economy measured by indicators such as number of “.com” companies and technology in schools, and technological dynamism measured by indicators such as number of scientists in the workforce and patents issued.

Some Bright Spots for Oklahoma

Oklahoma scored exceptionally well in terms of Initial Public Offerings (IPOs), ranking 3rd nationally. IPOs are important because they serve as an indicators of an economy that is producing firms that have substantial long-term viability. The value of IPOs in Oklahoma at the time data was collected for the index was 1.05% of the state’s Gross State Product. The U.S. Average was .42%.

Oklahoma also ranked 15th nationally for job churning, a measure of economic dynamism.

number of managerial and professional jobs in the economy and the creation of gazelle jobs—or jobs within high growth

globalization.

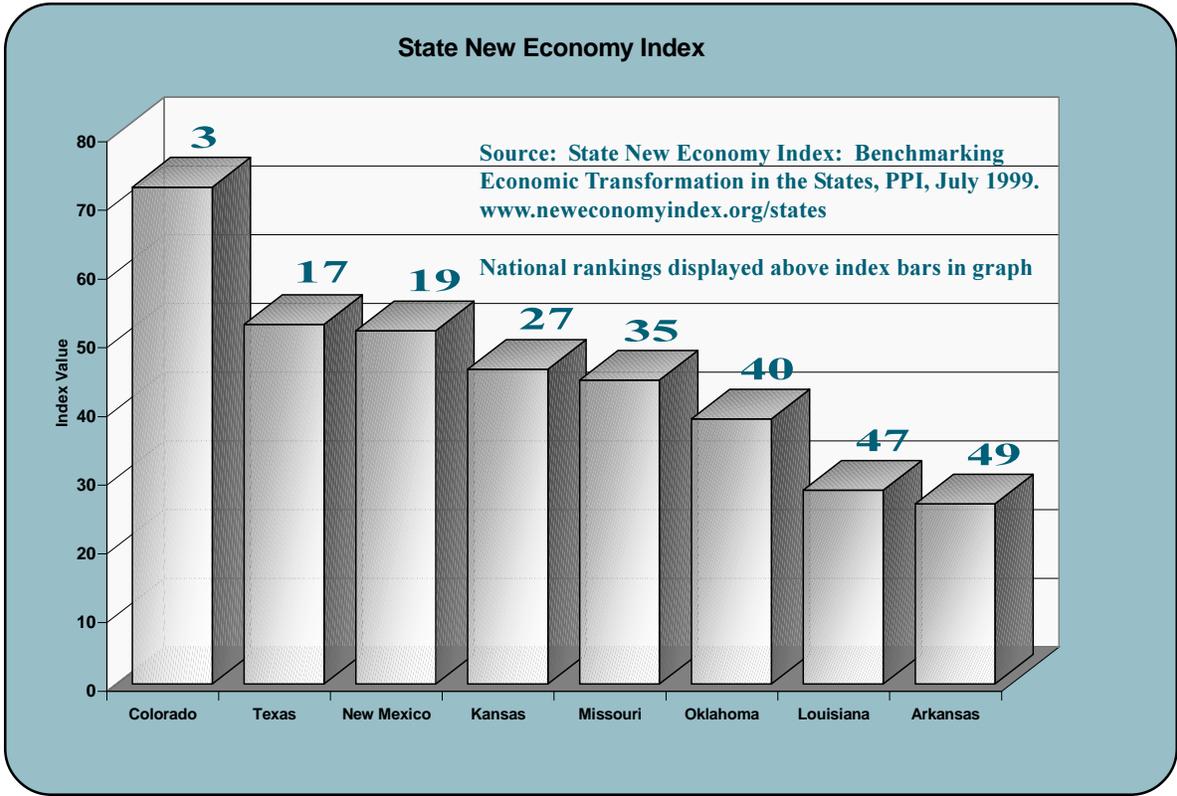
Oklahoma ranked a woeful 50th in terms of educational technology. This factor includes measures of internet connectivity of classrooms. Other low points included the percentage of the population in Oklahoma that is “on-line”, which ranked 39th and Industry R&D investment at 40th.

Recommendations

The key factors leading to economic growth in emerging economy are world-class education and skills, global linkages,

projects will also be important.

Of equal importance will be the encouragement of broadband telecommunication technologies by state governments, support of internet access at public facilities such as libraries , schools, community centers and employment centers. EM



companies.

The Low Points

Oklahoma ranked 41st in foreign direct investment and 43rd in the export focus of manufacturing placing Oklahoma among the lowest scoring states in terms of

and investment in science and technology. The authors of the index recommend investing in higher education – particularly science and technology to spur state economic growth. Linking industry, universities and government in collaborative R&D

Revenue Roundup

A healthy Oklahoma economy continues to pump up revenue collections for the state. Oil and gas gross production taxes are especially healthy due in large part to significantly higher world oil prices caused by production limits in the middle east.

While oil severance taxes no longer flow into the general fund after the passage of HB 1001X,

revenues to special funds for education technology, education capitol, tuition scholarships, roads and bridges and REAP programs are all vastly exceeding estimates. More than \$60 million may be available for these programs spring of 2000. \$24 million is currently available.

Gross production revenues from

gas are also exceeding estimates for the year – coming in at 111% of the estimate and 338% of the FY-99 actual.

Individual income taxes and corporate income taxes, the largest component of state revenues, are coming right on target.

Beverage taxes, motor vehicle

taxes and inheritance/estate taxes all exceed estimates.

Franchise taxes and cigarette taxes are coming in below estimates.

Overall tax revenues accruing to the general fund are coming in just about on target and 103% of last year at this time. *EM*

General Revenue Fund, Fiscal Year 2000

Comparison with OSF Estimate and Prior Year Collections

Revenue Source	Column 1	Column 2	Column 3	Col 2 / Col 3	Col 2 / Col 1
	Actual Collections		Estimated FY-2000 Year to Date	FY-2000 as % of Estimate	FY-2000 as % of FY-99
	FY-99 Year to Date	FY-2000 Year to Date			
TAXES:					
Income					
Individual	\$429.9	\$433.6	\$457.2	95%	101%
Corporate	\$35.2	\$34.4	\$31.3	110%	98%
Gross Production					
Oil	\$10.7	\$0.0	\$0.0	-	-
Gas	\$16.0	\$54.0	\$48.6	111%	338%
Sales	\$293.9	\$291.7	\$297.1	98%	99%
Use	\$17.3	\$17.7	\$17.5	101%	102%
Motor Vehicle	\$72.2	\$77.0	\$75.2	102%	107%
Insurance Premium	\$0.3	\$2.3	\$0.8	288%	767%
Franchise	\$31.4	\$27.2	\$30.4	89%	87%
Inheritance/Estate	\$20.5	\$24.1	\$21.8	111%	118%
Cigarette	\$9.4	\$8.6	\$10.8	80%	91%
Beverage	\$6.6	\$6.7	\$6.9	97%	102%
Alcoholic Beverage	\$3.6	\$3.7	\$3.5	106%	103%
Mixed Beverage	\$3.4	\$3.6	\$3.6	100%	106%
Pari-Mutuel	\$1.2	\$1.0	\$1.2	83%	83%
Other	\$18.2	\$14.8	\$18.1	82%	81%
Subtotal: Taxes	\$969.8	\$1,000.4	\$1,024.0	98%	103%
Licences, Permits, & Fees	\$7.6	\$7.7	\$6.6	117%	101%
Income From Money/Property	\$22.3	\$20.6	\$18.6	111%	92%
Other Income	\$4.9	\$4.3	\$5.4	80%	88%
Continuing Collections	\$1,004.6	\$1,033.0	\$1,054.6	98%	103%
Transfers & Lapses	\$0.0	\$0.0	\$0.0	-	-
Revenue Comparisons	\$1,004.6	\$1,033.0	\$1,054.6	98%	103%
One-time Receipts	\$0.0	\$0.0	\$0.0	-	-
Total Revenues	\$1,004.6	\$1,033.0	\$1,054.6	98%	103%

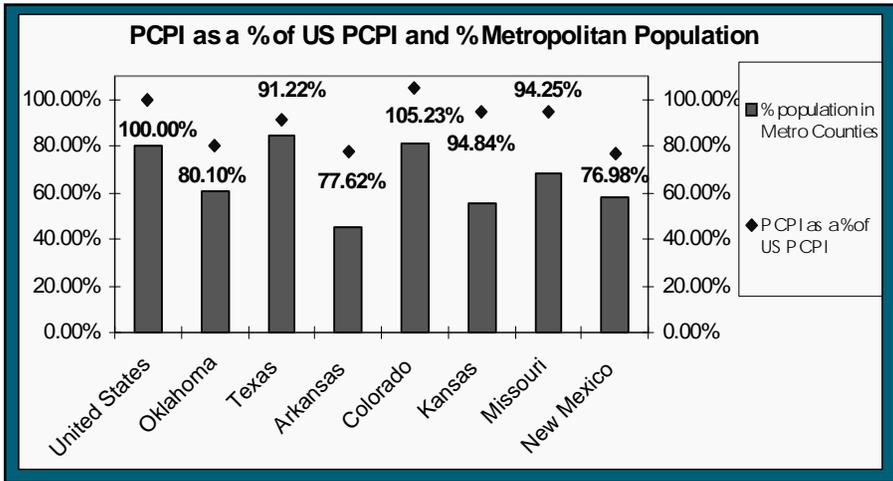
Per Capita Income at the County Level

According to two new studies by a professor at the University of Oklahoma and an economist with the Oklahoma Employment Security Commission, Oklahoma's PCPI shortfall may primarily be a result of the higher

80% of the U.S. average of \$26,412. Oklahoma, at 60.2%, also ranks well below the U.S. average, 79.8%, of percent of the population living in metropolitan areas. Census Bureau figures indicate that PCPI is higher in

Lynn Gray, an economist with the Oklahoma Employment Security Commission's Division of Economic Research and Analysis, both used similar approaches, with Ms. Gray utilizing a more simplified form in her analysis. Both Dr. Rogers and Ms. Gray broke the 77 Oklahoma counties into groups based on their rural/metropolitan components. Dr. Rogers used the USDA Rural-Urban Continuum codes, while Ms. Gray used a simplified form of these codes. Once the counties were

ture shows the per capita income levels for the three county structures from 1990-1997. Metro income levels have remained higher than both rural income levels over the entire period under consideration. Under the simplified USDA county breakdown, only 14 of Oklahoma's 77 counties are metro, while 32 are rural adjacent and 31 are rural nonadjacent. With the lower number of metro counties in Oklahoma, it is not surprising that Oklahoma has a lower per capita income. Ms. Gray also analyzed Oklahoma's employment growth on the county level and found the same relationship of higher growth in metro counties than in the rural counties.

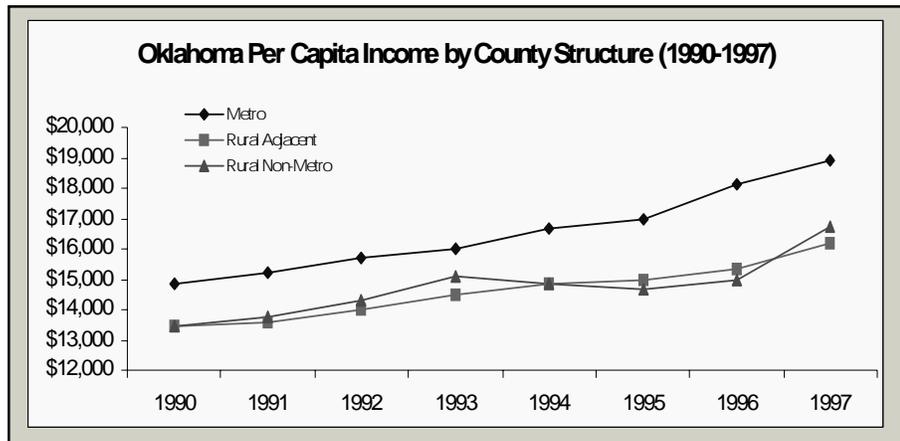


Dr. Rogers took this a step fur-

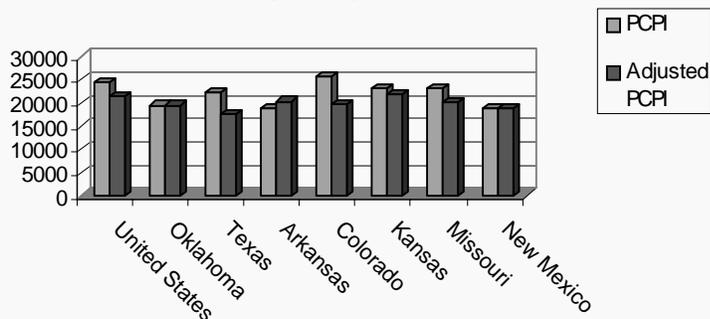
than average non-metropolitan population within the state. A county level approach in examining PCPI attempts to explain how much of the gap in PCPI can be attributed to rural versus metropolitan populations. As most people know Oklahoma ranks near the bottom of the states in unadjusted per capita personal income. 1998 BEA data ranks Oklahoma at 44th in the nation with a per capita personal income of \$21,072, approximately

larger, metropolitan counties within the United States.

Two publications have been released in recent months analyzing Oklahoma's per capita personal income on a county level. Dr. Cynthia Rogers, assistant professor of economics at the University of Oklahoma and



1996 PCPI and PCPI Adjusted for Oklahoma's Rural County Composition



categorized then a comparison was made on the PCPI for each of the county structures.

ther by comparing Oklahoma's county structure to surrounding states and then computing an adjusted PCPI for Oklahoma and the surrounding states. The adjusted PCPI assumes that all of the surrounding states have the same distribution of counties as Oklahoma. Once this adjustment is made, Dr. Rogers found that Oklahoma's PCPI moved from 80% of the US average to 91%. Thus, according to this argument approximately 11% of

Ms. Gray's chart entitled Per Capita Income by County Struc-

Oklahoma's PCPI gap can be attributed to structural differences between the Oklahoma and the US economies. When Oklahoma is compared with our surrounding states using the adjusted PCPI, we fare much better. As the graph showing PCPI and adjusted PCPI illustrates, Oklahoma has a higher PCPI than does Texas when the PCPI's are adjusted.

These studies did not attempt to provide any public policy solutions to Oklahoma's PCPI gap, but instead may lead to more questions being asked. Such as, is Oklahoma poorer because it is rural? Do Oklahomans value a rural quality of life above attempts to urbanize in order to make gains in income? With current technological advancements, will urbanization matter as much in the future? What strategic policy investments could be made to affect income in the rural counties?

Sources:

"Per Capita income in Oklahoma: A County-level Analysis" Dr. Cynthia Rogers, Assistant Professor of Economics, University of Oklahoma.

"Income & Employment in Oklahoma by County Structure" Lynn Gray, Oklahoma Employment Security Commission.

EM

GARVEEs, Continued from page 1

1995, states were restricted from Advance Constructing beyond the current authorization period. Transportation Equity Act for the 21st Century (TEA-21) strengthened predictability of states' federal-aid, with Revenue Aligned Budget Authority and Minimum Guarantee.

Once a project is selected for GARVEE financing and its costs are estimated, the project must be approved as an advance construction (AC) project by the responsible Federal Highway Administration Division Office. The AC designation preserves the project's future eligibility for Federal assistance. The amount of the AC designation should coincide with the Federal share (typically, 80 percent) of the

debt-related costs anticipated to be reimbursed during the life of the bonds.

When the GARVEE is issued, the main form of security backing this debt-financing instrument is the state's obligation of future Federal-aid apportionments. FHWA anticipates that the state would designate an AC amount up-front and then obligate funds in each succeeding year in order to partially convert the designated AC amount. Each year, the issuer (state, state infrastructure bank, or other agency) would pay periodic debt service by receiving payments from FHWA for the Federal share of the expenditure.

Bond financing has a number of

advantages over pay-as-you-go financing. Bond-funded projects may be completed sooner due to up-front funding as opposed to pay-as-you-go projects constructed in multi-year sections. Projects funded by bonds are paid for over the useful life of the project instead of burdening current users with the entire cost of the project. Utilizing bonds to finance large projects eliminates inflation costs of construction. Disadvantages of bond use may include interest and issuance costs and the tying up of future funds for debt retirement. GARVEE bonds may be more enticing to states than other types of bonds due to higher ratings than GO bonds or lack of revenue stream necessary for revenue bonds. *EM*

Economic Web Sites of Interest

Federal Reserve Bank of St. Louis
"Federal Reserve Economic Data
<http://www.stls.frb.org/fred/>

Economagic Time Series
Data Page
<http://www.economagic.com>

Bureau of Labor Statistics
Data
<http://www.bls.gov/datahome.htm>

Ahead in the Next Issue

Key Industrial Site Location Factors Examined

Oklahoma Tourism and Parks Impact on the Economy

Crime and the Economy

Continued from page 1

mans are “underemployed” and report that they would respond favorably to new job prospects with higher pay. Labor shortages are a growing concern at the national level and Oklahoma’s situation mirrors that of the U.S. In fact, recent reports suggest that a signifi-

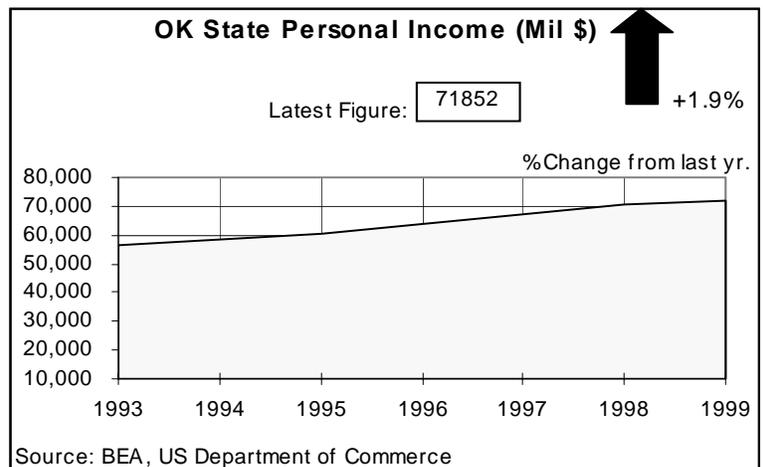
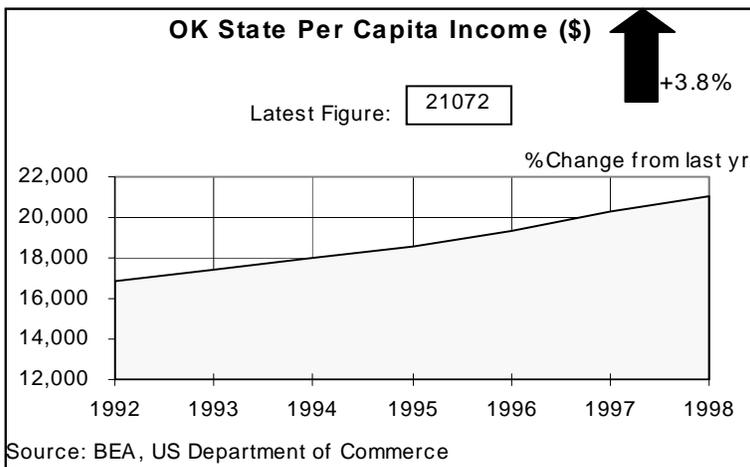
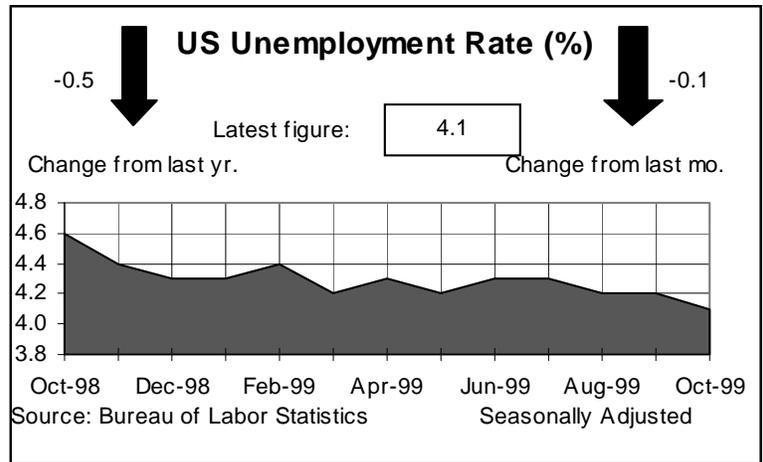
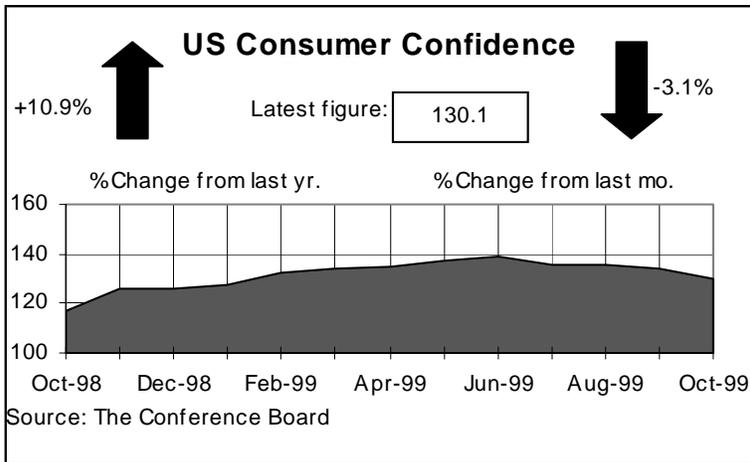
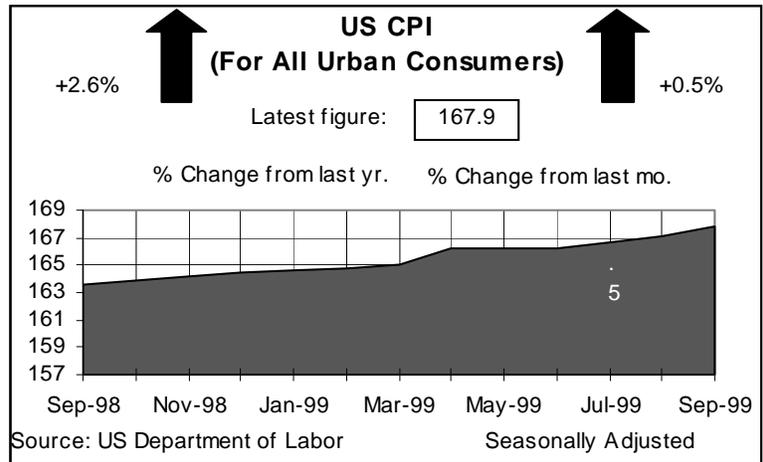
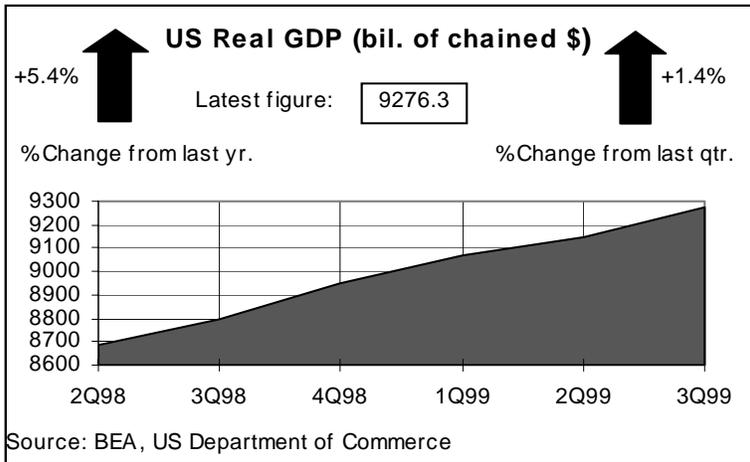
cant and unexpected reduction in the number of unemployment insurance claims occurred, down to well under the 300,000 level which analysts consider a key indicator of an extremely tight national labor market.

The general business index for

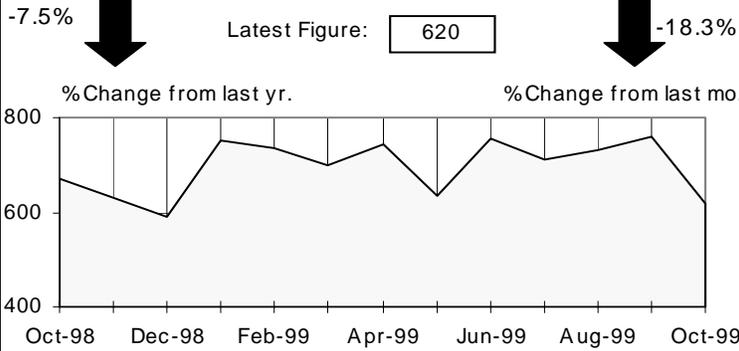
Oklahoma remains positive, as well as wage & salary employment growth, and the number of residential construction permits continues to increase, up 22.6% from last year. However, Oklahoma’s new business incorporation has declined along with the con-

sumer confidence level throughout the nation.

While Oklahoma’s oil production declined 28.1%, the Oklahoma price per barrel of sweet crude exceeded \$25, bringing significant increases in gross production tax revenues to state coffers. *EM*

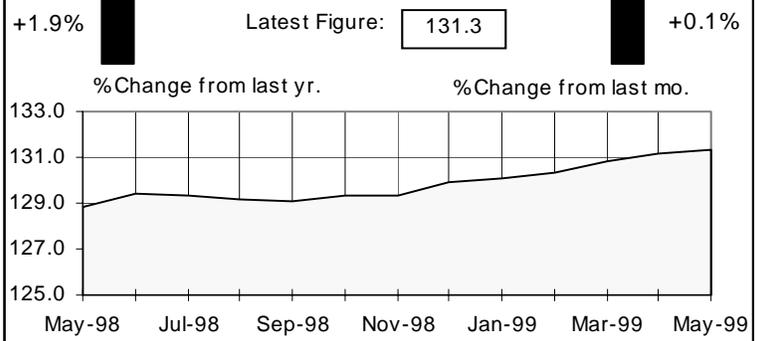


OK New Business Incorporation



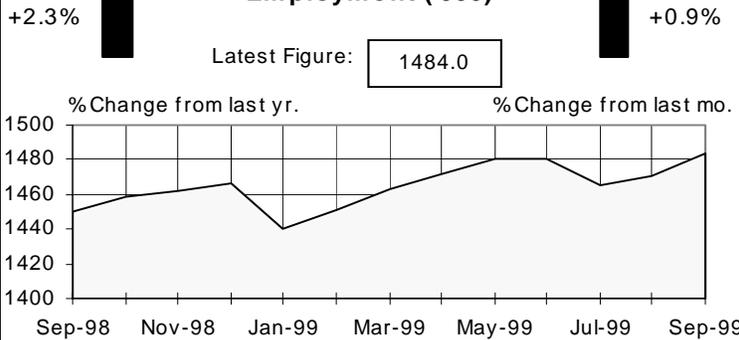
Source: Oklahoma Secretary of State

OK General Business Index



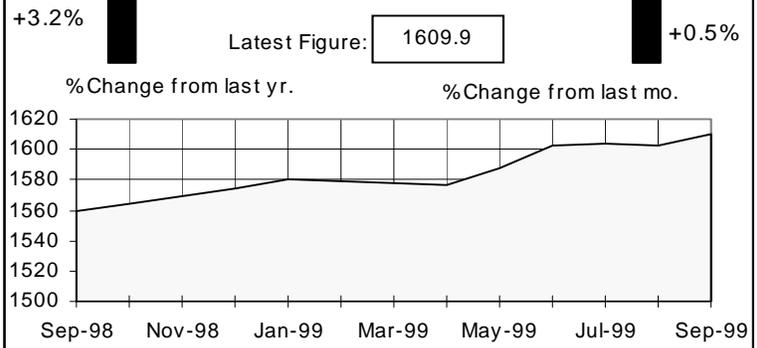
Source: Center for Econ & Mgmt Research, Univ. of Oklahoma

OK State Wage & Salary Employment ('000)



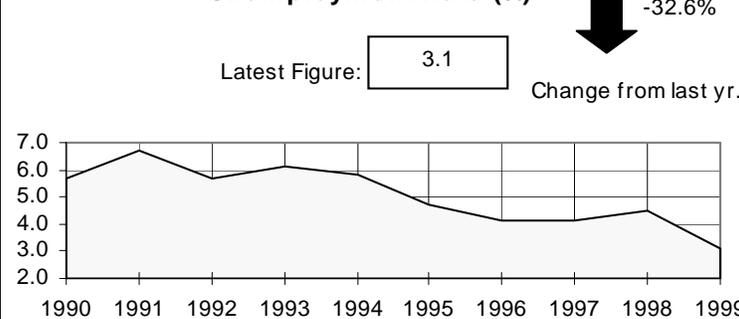
Source: Bureau of Labor Statistics

OK Civilian Employment ('000)



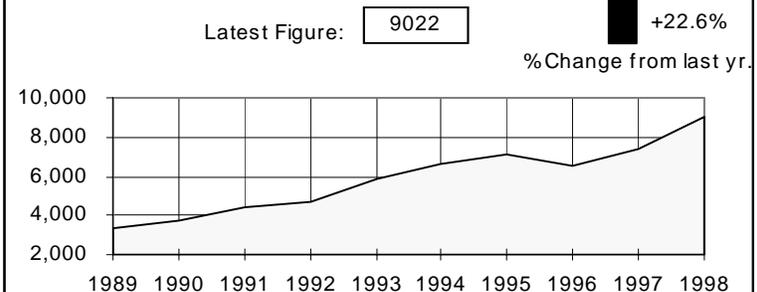
Source: Bureau of Labor Statistics Seasonally Adjusted

OK State Unemployment Rate (%)



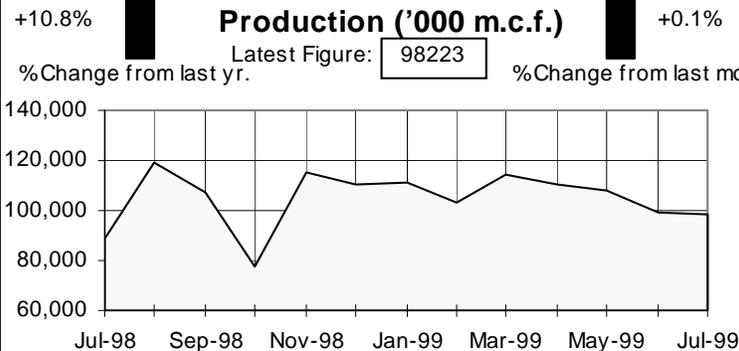
Source: Bureau of Labor Statistics Seasonally Adjusted

OK State Construction Permits (Residential)



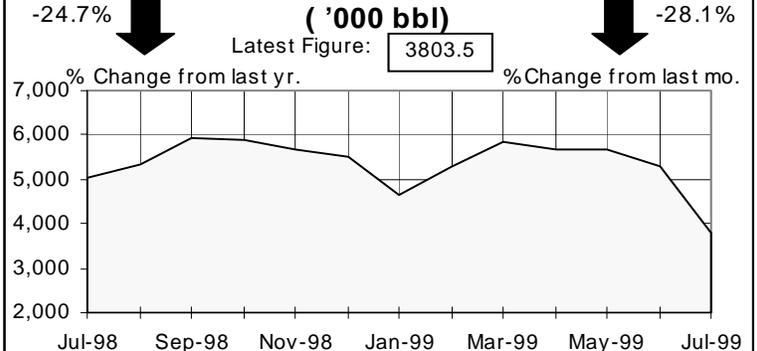
Source: Center for Econ & Mgmt Research- Univ of Oklahoma

OK State Natural Gas Production ('000 m.c.f.)



Source: Oklahoma Corporation Commission

OK State Oil Production ('000 bbl)

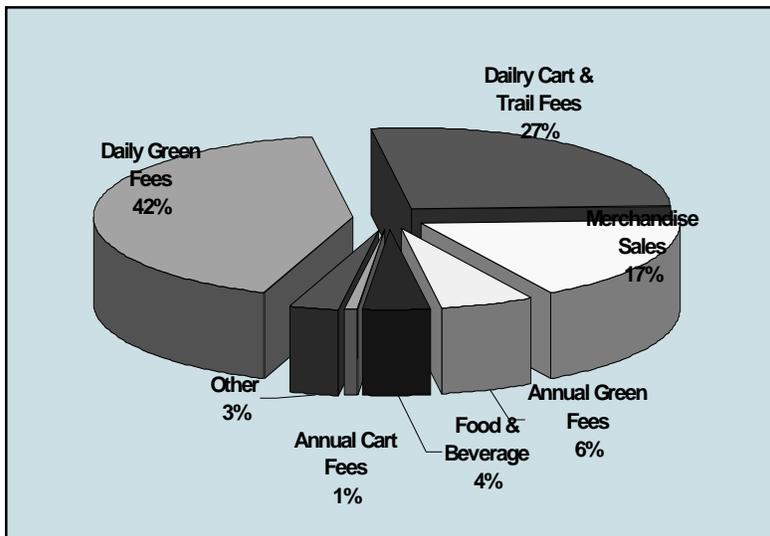
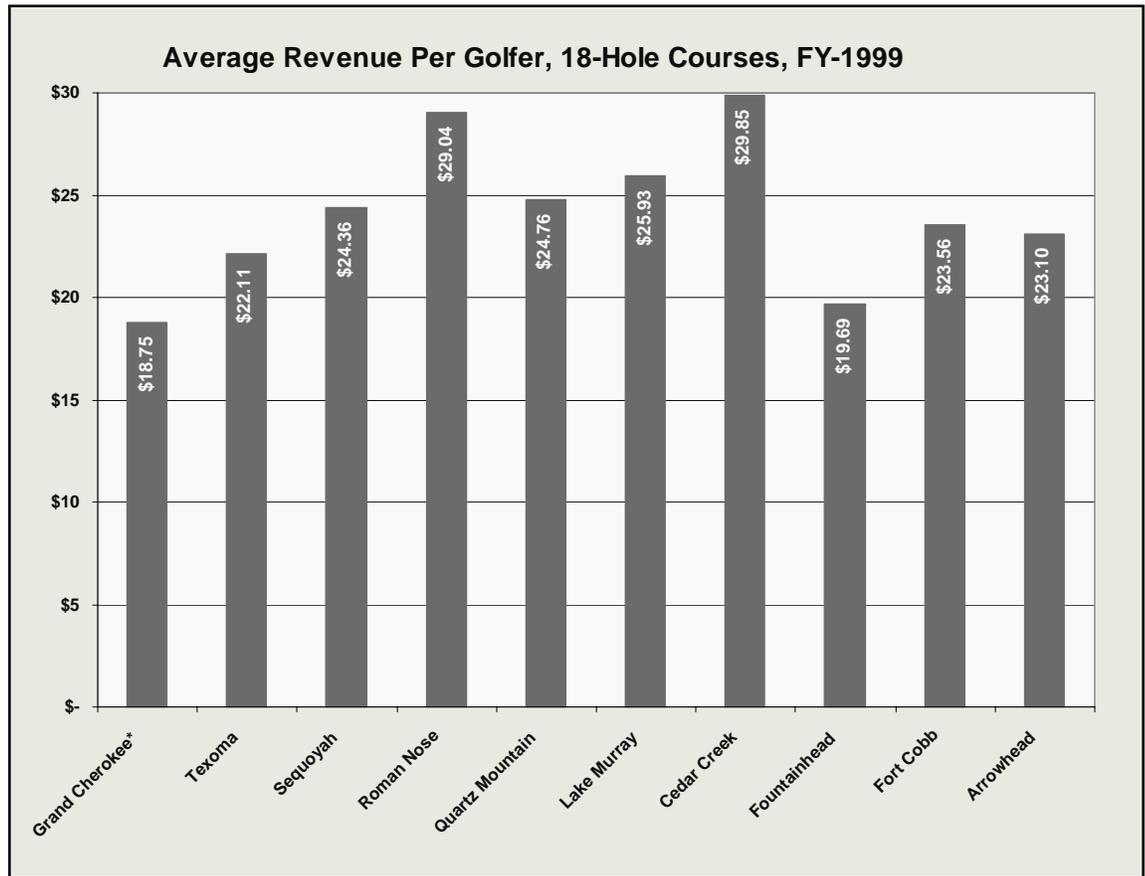


Source: Oklahoma Corporation Commission

Golf is Big Business for Oklahoma State Parks & Resorts

Golfers generated gross revenue of \$3,811,153 for the state in FY-1999.

In the next issue, see how our courses compare to our neighboring states' courses with respect to revenue and fees. *EM*



Economic data for the Economic Monitor's economic indicators provided by:
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 Economics Department, College of Business Administration
 University of Central Oklahoma
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 Edmond, OK 73034

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