

## Economist: OKC, Tulsa gap grows

by Brian Brus

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Russell Evans, executive director of Oklahoma City University's Steven C. Agee Economic Research and Policy Institute, gives a presentation during the Oklahoma City Council's annual budget workshop at the Cox Center on Tuesday. (Maik Sabolich)

OKLAHOMA CITY – Economists are concerned that the recession recovery gap between Oklahoma City and Tulsa doesn't look to be closing as predicted, Oklahoma City Council members were told Tuesday at the city's annual budget workshop.

"Oklahoma City increasingly appears economically independent from Tulsa – a pattern worth watching in the upcoming decade," said Russell Evans, executive director of Oklahoma City University's Steven C. Agee Economic Research and Policy Institute. "This is really a significant concern for us as we watch state activity go forward.

"2011 was a strong year for the state; more so for Oklahoma City than for Tulsa," he said. "We said last year at this time that Tulsa would close the recovery gap

with Oklahoma City. ... The data was pointing in this direction, but there has been an absence of positive anecdotes coming out of Tulsa."

Manufacturing activity is increasingly concentrated in Tulsa, while oil and gas business grows in Oklahoma City. That wasn't the case a decade ago, but it seems to be part of a long-term trend now, he said.

And employment continues to favor Oklahoma City as well. At the end of 2008, just before the national economy fell so steeply, Oklahoma City had just reached its highest, nonfarm employment figure of 577,500. That number has only recently regained its strength at 567,800 jobs as of September, Evans said. But Tulsa is still far below its high number of 434,400 jobs, now at just 416,300.

"Oklahoma City and Tulsa have historically trended together going back to 2001," he said. "Where we're at right now is an area of concern for the state. It's unclear whether this is just a tiny issue in the recovery or whether this represents a significant long-term trend in which Oklahoma City's going to grow in terms of employment at a faster rate than Tulsa ... and that gap continues to expand."

Evans' observations were part of the council's annual study session just before it begins the process of balancing the next fiscal year's budget. The first full budget proposal will be presented to City Council members for consideration May 1, with adoption required by state law by June 12.

Most of the city's concerns for the new year are similar to those of last year and recent previous years, based on a relatively small shortfall expected between revenues and expenses. That difference is projected to be \$18.7 million by 2017 as the council and city staff struggle with an aging vehicle fleet and communications systems, limited public safety staffing, growing city population, Americans with Disabilities Act infrastructure requirements, water rights, and promises to improve a mass transit system.

The state's economy appears to be in good condition for 2012, Evans said, with average monthly payrolls expected to reach their pre-recession peaks. And the state unemployment rate is expected to fall modestly from 6.09 percent in 2012 to 5.91 percent in 2013.

The city's sales tax receipts will continue to be healthy as well, but predicated on consumer caution, he said. Sales taxes are expected to grow by 3.15 percent in 2012 and 1.84 percent in 2013. Sales tax revenues are Oklahoma City's largest component of operational revenues.

Evans said the question about Oklahoma's economic health has shifted slightly as experts try to determine whether recent improvements are still considered part of a rebound or now show sustainable growth. He said some of predictions made last year were too optimistic, but Evans said he still expects stronger numbers next year than might be suggested by recent data.

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