



Economic Impact Group, LLC

Rural Enterprises of Oklahoma, Inc: A 25-Year Impact Assessment

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Introduction

Rural Enterprises of Oklahoma, Incorporated (REI) has a long and successful history of facilitating economic development projects in Oklahoma. REI provides financial, technical, and support services to new and maturing businesses alike. Its efforts explicitly target rural as well as urban areas and minority-owned businesses to ensure that development opportunities are broadly spread across the state. As firms with past and present relationships with REI continue to operate, generating Oklahoma produced goods and services while creating job opportunities within the state, REI's footprint on the Oklahoma economy becomes increasingly visible. The important role that REI plays in the Oklahoma economy is underscored by the recognition recently received from the Oklahoma Centennial Business Hall of Fame.¹

Economic Impact Group, LLC (EIG) has been retained to estimate the broader economic impacts from all REI activities over its first 25 years of operation. Organized in 2005, EIG provides economic consulting and technical services to both the public and private sector, specializing in impact analysis, regional economic modeling, and econometric forecasting. Impacts from REI activities on Oklahoma state production, employment, and labor income are generated using the Implan (Impact Analysis for PLANning) modeling software. Implan was developed by the USDA Forest Service in conjunction with the University of Minnesota as a relatively low cost method of analyzing the broader economic impacts of regional projects, specifically related to land and resource management planning. Implan is a nationally recognized software for impact analysis and is commonly used in consulting, academics, and by state and federal government agencies.

All data used in this report originated from REI internal records for which sufficient information existed. EIG analyzed, prepared, input the data into the model, and interpreted the outcomes. A fraction of the total data provided by REI was determined to be lacking sufficient detail for inclusion in the analysis; all impacts related in subsequent sections reflect only the data included in the analysis.

The economic models that serve as the foundation for the Implan methodology are characterized by restrictive assumptions about the regional economy of interest.² Impact estimates are not forecasts of future economic outcomes, nor are they an accounting of past, realized outcomes, and should not be used as such. They are, however, an extremely useful tool for project comparison and planning. All impact results presented in this report should be viewed in this context.

¹ For more information, go to <http://bestofoklahoma.biz>.

² The same is also true for similar methodological approaches, such as the U.S. BEA provided RIMS II multipliers.

Executive Summary

Rural Enterprises of Oklahoma, Inc. provides a variety of financial and other support services to new and existing businesses in Oklahoma. A substantial portion of REI activities target rural, low income, and minority-owned businesses, encouraging broad and diverse economic development across the state. As a Community Development Financial Institution (CDFI) of the U.S. Department of the Treasury and Certified Development Company (CDC) of the U.S. Small Business Administration, REI administers various federal and state loan and tax credit programs in addition to its other development activities. The present report serves to quantify the broader economic impacts realized through REI programs over the previous 25 years. Specifically addressed in this report are: all loan programs, state and federal tax credit programs, business incubator assistance, equipment lease/purchase programs, housing programs, foreign trade zone assistance, and women's business center activities.

Economic Impact Group, LLC, has been retained to analyze these activities, and estimate their cumulative impact on the Oklahoma economy. A review of the data provided and model output offers the following highlights.

- REI is a nationally respected development agency operating as a Certified Development Company of the U.S. Small Business Administration and a Community Development Financial Institution of the U.S. Department of the Treasury.
- REI was recognized as the top CDC in Oklahoma for FY 2006 for SBA 504 loan approvals and has been awarded two allocations of the highly competitive Federal New Markets Tax Credits of \$80 million and \$56 million. Additionally, REI recently submitted application for an additional \$100 million allocation.
- REI provided or packaged over 1,000 distinct loans, providing financial assistance to new and expanding businesses, increasing in gross value from \$10.3 million for the five-year period 1982 – 1986 to \$130.5 million for the five-year period 2002 – 2006. The cumulative impact expressed in 2006 dollars is estimated to be nearly \$365 million in increased Oklahoma production, over \$125 million in additional labor income, and over 3,700 additional jobs. These numbers are necessarily understated as they do not include the significant and ongoing impact of the operation of new businesses within the state.³

³ Unless otherwise noted, all impact values are expressed in 2006 dollars to facilitate comparisons, while all summary data are given in original year's data.

- REI is authorized to offer state and federal tax credits for qualified investments as outlined in the Oklahoma Small Business Capital Formation Incentive Act and the federal New Markets Tax Credit programs. The aggregate impact resulting from the use of funds originating from these programs is estimated to be just over \$315 million in additional Oklahoma production, over \$115 million in labor income, and 3,360 additional jobs. Again, these figures neglect the impacts of ongoing operations.
- REI operates business incubators around the state, allowing young businesses the opportunity to grow while enjoying a reduced and gradually increasing rent schedule. While many of the businesses are engaged in manufacturing, incubators exist to accommodate a range of business activities. The aggregate impact from the operation of these firms during the periods in which they occupied an REI incubator is estimated to have prompted over \$400 million in additional Oklahoma production, generating over \$110 million in additional income and generating an additional 2,600 jobs.
- Through its equipment lease/purchase program, REI offers manufacturers financing for equipment used in production, increasing the efficiency of their employees. From 1997 – 2006 REI secured over \$1.8 million in funds for the purchase of equipment, whose use generated over \$3 million in Oklahoma output, \$800,000 in labor income, and 21 new jobs.
- REI works with firms to provide an Employer-Assisted Housing Incentive program as well as offers traditional down-payment assistance programs to help Oklahoma working families meet their home ownership goals. The operation of all housing programs is estimated to have generated over \$9 million of additional Oklahoma production of goods and services, accompanied by an additional \$2 million in labor income and 112 jobs.⁴
- REI also oversees a Women's Business Center and International Trade assistance program, providing a variety of training and technical services to women-owned and internationally operating businesses.
- In total, a conservative estimate of the impact on the Oklahoma economy from the use of REI provided funds and services suggests these activities have contributed \$1.1 billion of additional Oklahoma production, over \$350 million in additional labor income, and prompted the creation of 9,800 new jobs.

⁴ For housing programs, the measurable impact of the transfer of an existing home from one party to another is limited to the associated transaction activities, thus, only a fraction of the total funds secured and distributed through REI are included in the report. The measurable impact as captured by this report fails to capture the less tangible impacts that are nonetheless present. The same is true for the transfer of any existing asset.

Study Overview

In 1982 Rural Enterprises Development Corporation was established and recognized as a Certified Development Company of the U.S. Small Business Administration. This recognition served as the foundation for the organization that REI would become. A U.S. Small Business Administration designated CDC is a nonprofit corporation established to advance the economic development of its community, by working with the SBA to provide financing to small businesses. In 1984, Rural Enterprises Development Corporation merged with the Industrial Technology Research and Development Center, forming Rural Enterprises Incorporated, a name that would later be changed to Rural Enterprises of Oklahoma, Incorporated. From its roots as a traditional nonprofit intermediary in 1982, REI evolved into a multi-faceted economic development organization offering, in addition to traditional financial assistance, business incubators, a Women's Business Center, and International Trade assistance. REI offers a variety of programs to facilitate the home-ownership goals of working Oklahomans and works with investors making qualified investments in Oklahoma state tax credit programs as established by the Oklahoma Small Business Capital Formation Incentive Acts. Additionally, REI is designated as a Certified Financial Development Institution of the U.S. Department of the Treasury, receiving federal monetary awards from the Treasury's CDFI fund for use in providing local financial and technical assistance and participating in the Federal New Markets Tax Credit programs.

Its growth from a small CDC to a nationally recognized development institution speaks to the success REI has enjoyed over its first 25 years. The economists at Economic Impact Group, LLC have been asked to look back and quantify the impact of the organization on the Oklahoma economy. REI provided an abridged accounting of all activities since 1982, which generally included some combination of the amount of funds allocated and a brief description of use as well as the name, industry, location, and number of employees of each recipient firm. EIG then analyzed each submission, making reasonable economic inferences where necessary, in preparation for analysis. In total, there were several thousand individual projects submitted, of which only a fraction lacked sufficient detail for inclusion in the report.

Impact models such as those employed by Implan and the U.S. Bureau of Economic Analysis provide a relatively low cost approach to estimating the larger impacts of individual expenditures. Impact analysis is an extremely effective tool for comparison and planning purposes, and is often used to evaluate proposed development projects and policy changes. Models of this sort are routinely employed at the federal level by the departments of defense, transportation, and agriculture, among others. At the local level, impact analysis is becoming increasingly valued, with several states maintaining more complicated, state-specific models to analyze local development activities and policy proposals. Impact assessment models are correctly viewed as providing valuable information and serving as a first step in the analysis process. Impact assessment models are not, however, economic forecasts that can be measured

in any meaningful way against observed outcomes, nor are they an economic accounting of past impacts.

Impact models are essentially developed from a snapshot of the economy taken at a given point in time. National sales and commodity flow data are analyzed, and a national production method is derived for each industry. For example, a unit of output from the new residential construction industry may be thought of as requiring a specified amount of output from the veneer and plywood manufacturing sector, concrete block and brick manufacturing sector, plastics plumbing fixtures manufacturing sector and so forth. In this fashion, a production “recipe” is developed for each sector. Regional commodity flow data are then used to regionalize these production recipes, indicating the portion of each required input purchased within the region. In the case of this report, the analysis begins by establishing Oklahoma-specific production recipes for each sector. The model then assumes that technology and prices are held constant, so that an increase in any sector’s output requires a proportional change in that sector’s demand for inputs. Thus, funds secured through REI and used on a construction project can be thought of as directly increasing construction output, indirectly increasing the output further as supporting industries strive to meet the increase in demand caused by the initial expenditure, and finally as inducing additional consumption by households within the region as they allocate their additional labor income.⁵ Ultimately, the aggregate impact to the region is multiplied beyond the initial expenditure; this is known as the multiplier effect.

Implan is an economic impact analysis software developed by the USDA Forest Service in conjunction with the University of Minnesota, and is presently maintained and distributed by the Minnesota Implan Group, Inc. Implan is a nationally recognized and accepted vendor of regional economic multipliers, whose models are commonly used by state and federal government agencies, private sector consulting, and academic studies. All results presented below are derived using the Implan software with data and multipliers that are specific to the state of Oklahoma, and in a manner consistent with the nature of the data provided by REI.

⁵ Regional consumption patterns are developed in an analogous manner to the derivation of regional production patterns, and are also assumed to be linear.

Methodology and Presentation of Results

Impact analysis generally proceeds along one of two lines. First, the impact of a specific use of funds can be estimated. For example, if a firm received funds through one of REI's programs to purchase manufacturing equipment, one could estimate the aggregate impact on the economy resulting from the purchase of equipment, including any portion of its production or wholesale distribution occurring within the state. Note however, that this approach necessarily ignores any ongoing impact resulting from increased output or labor productivity as a result of the equipment purchase and use. Alternatively, the impact of a recipient firm's total productive activity on the state economy could be estimated. For example, if a firm received funding or support from any of REI's programs, one could estimate the impact that the existence of that business with its associated production had on the state economy. As a general rule, the former tends to result in a more conservative impact estimate. In the case of a new firm receiving funds new development and start-up expenses, impact analysis would generally proceed by estimating the impact resulting from the use of the initial funds as well as the continuing operation of the business. The data provided lacked sufficient detail to identify new business, with their accompanying size and length of operation, so all impacts associated with the operation of new businesses, while likely substantial, are omitted from the report, implying impact estimates that are necessarily conservative in nature. For each program discussed below, the specific methodological approach is identified.

Loan Programs

REI administers the following loan programs: USDA IRP, Microloans, SBA 504, SBA 7A, and USDA B&I. The Intermediary Relending Loan Program (IRP) of the U.S. Department of Agriculture provides direct loans at one percent interest to intermediaries such as REI for establishing revolving loan funds for small business and community development projects. In accordance with program guidelines, ultimate recipients must be located in a rural area with population less than 25,000. Microloans of the Small Business Administration were introduced through REI in 1993 to increase the availability of very small loans to small business borrowers. While eligible borrowers may receive loan amounts up to a maximum \$35,000, the average loan size is only \$13,000. The SBA 504 loan is available statewide and is designed to provide a long-term financing tool and fixed rate financing for the acquisition of major fixed assets such as land, construction, real estate, machinery or equipment. In 2006, REI was recognized as the top CDC for 504 loan approvals for the fiscal year. The SBA 7A loan is the most utilized and most basic loan under the Small Business Administration's loan programs. Loans may be used for a variety of purposes including the purchase of machinery, fixtures, working capital, inventory and construction, with the loan term dependent upon its designated use. The USDA's Business and Industries Guaranteed Loan Program (B&I) is designed to foster business, industry, and employment and advance the economic and environmental climate in rural communities. Funds may be used for a variety of purposes with the length of the loan again dependent on its use.

The organization provided information on roughly 1,000 distinct loans provided or packaged by REI since 1982. Of these, only a fraction lacked sufficient detail for inclusion in the analysis. While many of these loans are secured for projects such as construction, equipment purchase, or working capital, a significant number of were used for the purchase of existing assets, such as land, buildings, and other physical capital. While these expenditures likely provide real benefits to the businesses and communities in which they operate, they provide little in the way of measurable impact in the context of traditional impact models, as they entail little in the way of new production, other than providing the services associated with the transaction of the asset. In other words, the transfer of an existing asset requires additional production of real estate and legal services, representing only a small fraction of the total purchase price. In the broader view of community development, these transfers could create, or maintain within the economy, significant economic impacts, in spite of the relatively small impacts quantifiable in the present analysis.

Figure 1 below shows the percentage of the total loans provided by REI according to the loan's primary-use, and offers insight into the typical projects pursued by REI clients. Note that figure 1 does not imply that 17% of the total funds secured through loan programs were used to finance construction related projects, rather, that 17% of all loans secured designated construction as their primary use.

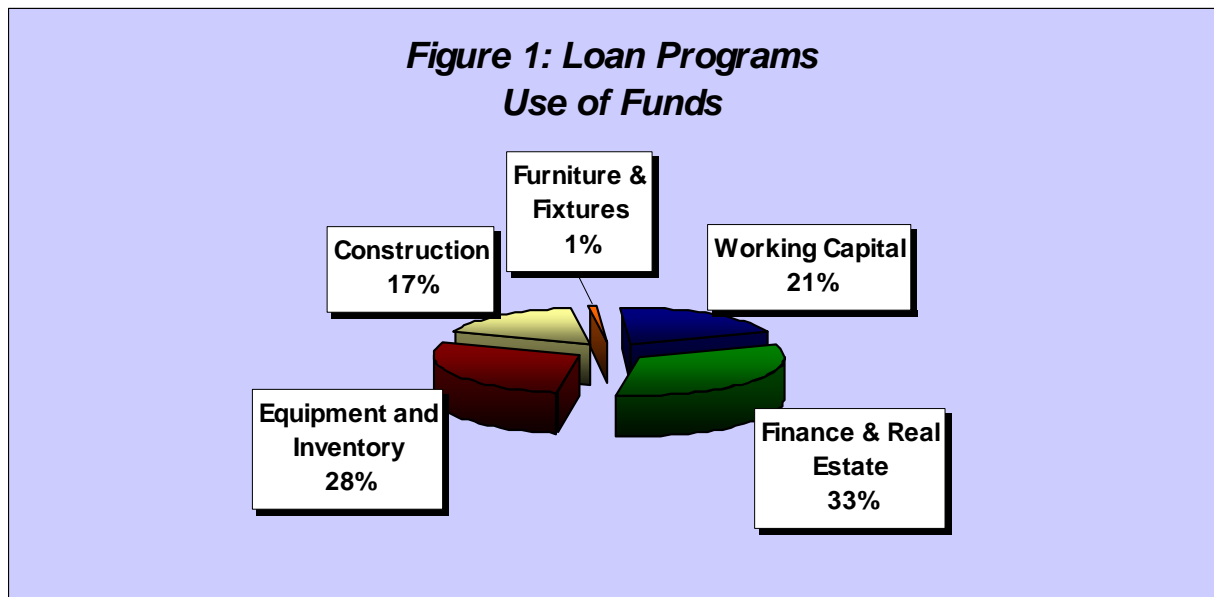
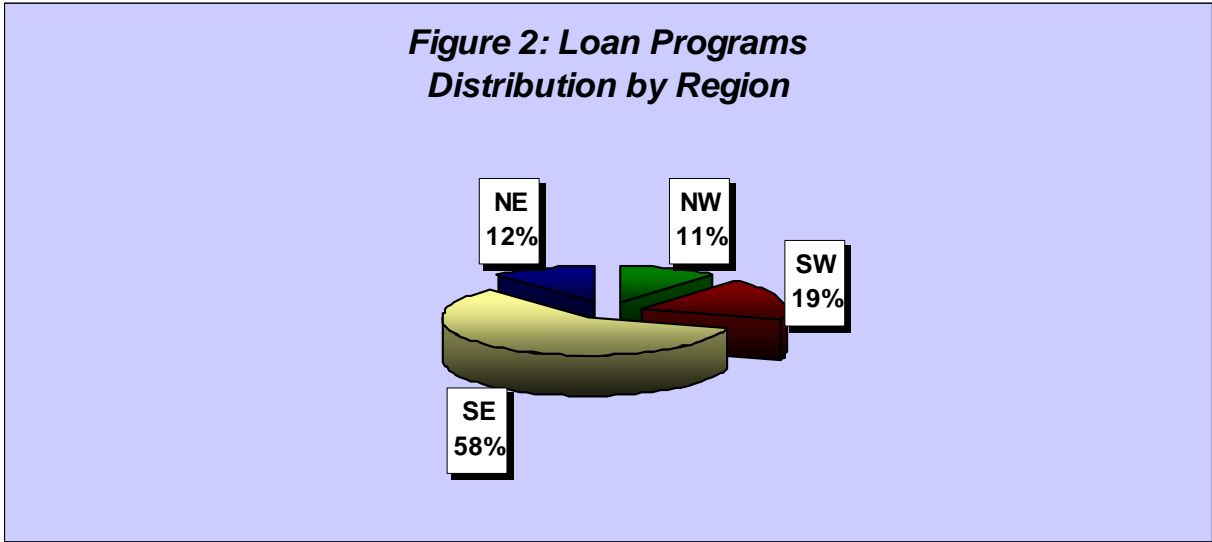
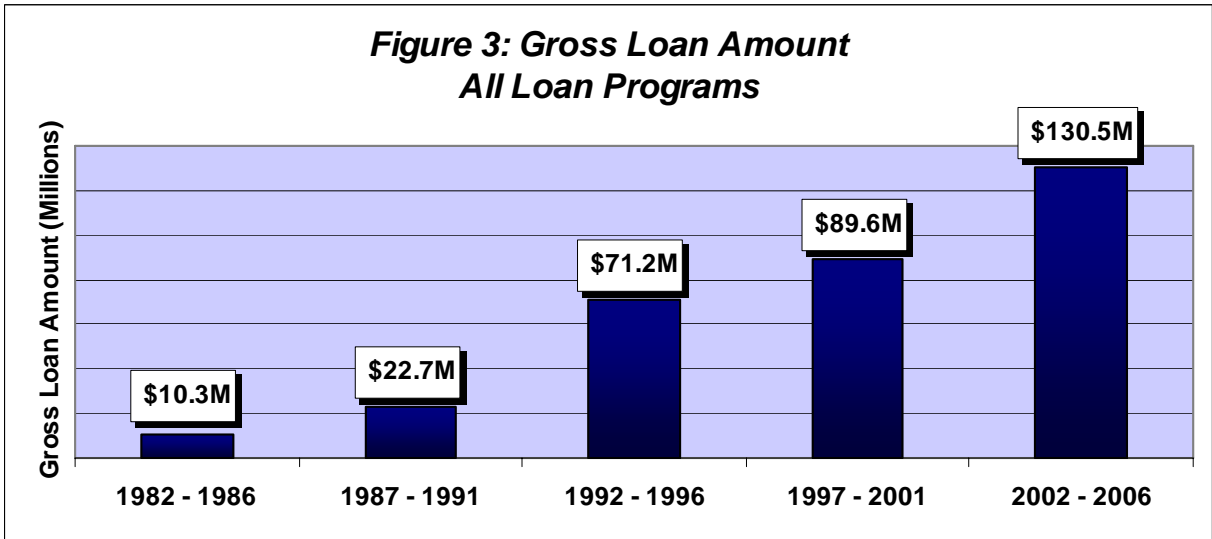


Figure 2 reflects the success of REI in providing loan financing to all parts of the state. While its initial efforts appear concentrated in southeastern Oklahoma, expanded partnerships and working relationships with banks around the state spread development opportunities more broadly across the state. This point is emphasized by the recent opening of REI offices in Oklahoma City, Tulsa, and Alva.



REI's roots are in small business financing, and while it has grown into a diverse development organization, it continues to maintain a strong and expansive loan program. Figure 3 shows the growth in loan programs, from \$10.3 million loaned in the five-year period 1982-1986 to over \$130 million loaned in the five-year period 2002-2006.



Additionally, it should be noted that a significant number of recipients were new firms who used the funds to start a business that continued to operate in future periods. Ideally, the continuing impact from the operation of the firm would be included in the impact assessment. In the present case, however, sufficient detail about the size of the firm and its known years of operation within the state were not known, and hence all further impacts are neglected in this report. The aggregate impact assessment for the loan programs, therefore, likely presents a relatively conservative estimate of the actual impacts stemming from loan activities.

Using information provided by REI, each of the loan projects was classified according to the primary use of funds.⁶ Impact estimates resulting from the use of funds by recipient firms was carried out using the appropriately specified Implan model. Table 1 below summarizes the impact estimates by five-year periods.

**Table 1: Economic Impact
All Loan Programs**

Period	Output	Labor Income	Employment
1982-1986	\$ 13,556,273.36	\$ 4,713,469.29	140.1
1987-1991	\$ 34,316,763.31	\$ 10,152,550.38	250.3
1992-1996	\$ 94,963,615.03	\$ 31,759,426.96	952.4
1997-2001	\$ 110,713,426.23	\$ 40,563,750.82	1,208.3
2002-2006	\$ 110,831,443.82	\$ 40,019,726.48	1,164.8
Total	\$ 364,381,521.74	\$ 127,208,923.93	3,715.9

⁶ For loan projects with multiple uses, such as “purchase equipment and working capital”, reasonable inferences were made to identify and attribute the whole of the loan amount to its primary use.

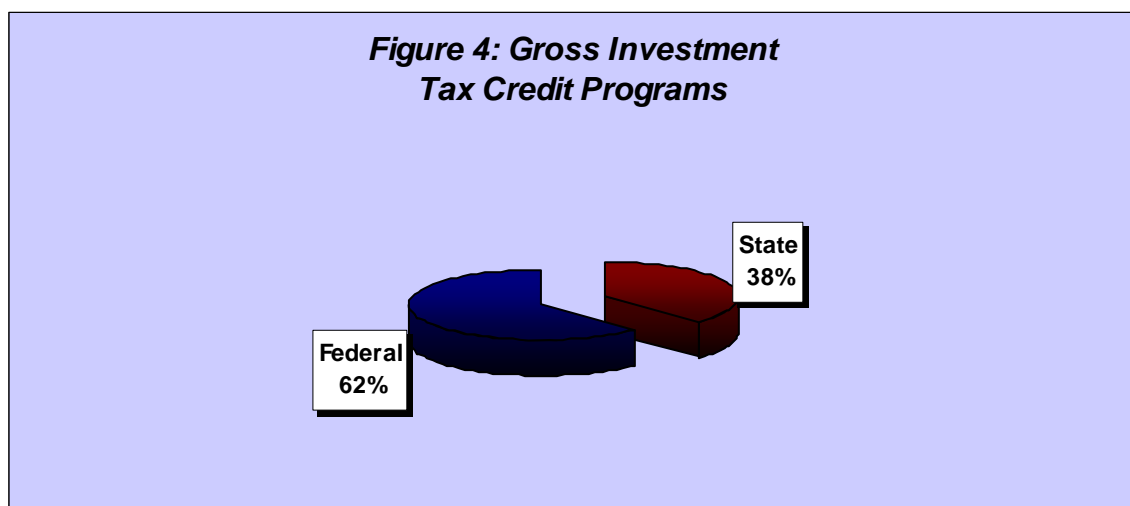
Tax Credit Programs

In April of 2002, REI New Markets Investment, LLC was formed as a wholly owned, for profit subsidiary of REI. REI's reputation, combined with the designation as a Community Development Entity, allowed the organization to secure substantial funding for development projects through various state and federal tax credit programs.

The federal New Markets Tax Credit program was established as part of the Community Renewal Tax Relief Act of 2000. Under the program, investors receive a credit against Federal income taxes for making qualified equity investments in a designated Community Development Entity (CDE). Substantially all of the investment must be used by the CDE to make investments in low-income communities. The investor, in turn, receives a credit of 39% of the total investment taken over a seven-year period. To date, the CDFI fund has made 233 awards nationally totaling \$12.1 billion in allocation authority. REI has been awarded two allocations of \$80 million and \$56 million, in 2002 and 2005 respectively, and has recently filed an application for an additional \$100 million allocation.⁷

The Oklahoma Small Business Capital Formation Incentive Acts are among several economic development tools employed by the state. Under the provisions of the act, a share of the investment in a qualifying small business or Small Business Capital Investment Fund can be applied as a tax credit toward any number of designated tax liabilities. The share of investment that can be claimed varies by location, with 30% of the investment qualifying for rural investment and 20% for urban investment.

REI's active participation in both state and federal tax credit programs allows it to broker large flows of capital into Oklahoma development projects. Figure 4 illustrates the share of gross investment from both state and federal sources.



⁷ See <http://www.cdfi.gov> for additional information

The majority of the projects resulting from the administration of the tax credit programs involve major construction and equipment acquisition. Occasionally, these projects involve multiple sources of funding, of which REI is only a part of the total investment. Often, however, REI is acting as the final investor, representing the as yet unaccounted for portion of the project that allows the entire project to proceed. It is therefore appropriate to think of these few projects as likely not occurring but for the investment of REI, and as such, the impact of the project total is included. Because these projects allow for large sums of money to be secured and invested in development projects, they immediately contribute noticeably to REI's overall impact, despite their relatively recent introduction. Table 2 summarizes the impact estimates.

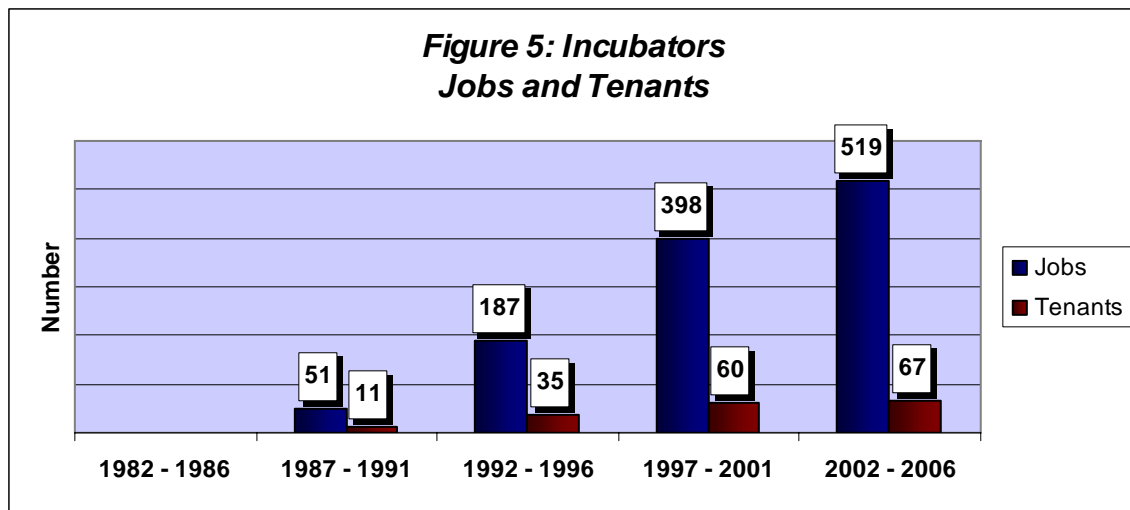
**Table 2: Economic Impact
All Tax Credit Programs**

Period	Output	Labor Income	Employment
1982-1986	-----	-----	-----
1987-1991	-----	-----	-----
1992-1996	-----	-----	-----
1997-2001	-----	-----	-----
2002-2006	\$313,508,567.90	\$114,388,624.24	3,342.6
Total	\$ 313,508,567.90	\$ 114,388,624.24	3,342.6

Business Incubator

The primary function of REI's business incubator program is to provide young and expanding firms with the assistance and space they need to grow into mature enterprises. Companies participating in the program enjoy productive workspace at below market rates. As the firm grows, rent gradually increases until it approaches the market rate and, eventually, the firm is able to move into a private workspace. In addition to providing office, retail, and manufacturing space, the incubator program also offers tenants access to business financing, as well as access to the other financial and technical assistance offered through REI. Finally, tenants of the incubator program enjoy a five-year state income tax exemption that allows a greater share of their early cash flows to be reinvested in the growth of the venture.

The incubator program has housed over 60 occupants. While tenants were primarily engaged in manufacturing, REI provides workspace to accommodate a variety of businesses and has housed technology and consulting companies, among others. Figure 5 provides a breakdown of the number of incubator tenants with their associated total employment by five-year period.



REI provided information on the incubator tenants, including a brief description of the company, the number of full time employees, and years of occupation. With this information, the impact stemming from the operation of these businesses for the years in which they occupied an incubator was estimated. Estimation begins by assuming that each firm produced annual output consistent with that industry's average output per worker ratio. This assumption would likely tend overestimate the production of REI incubator tenants, as new businesses could be reasonably assumed less productive than their industry average. However, note again that many of these businesses mature and transfer out of the incubator and continue to produce, with their operation and production continuing to impact the economy. On balance, then, the impacts presented in Table 3, below, seem a reasonable representation.

**Table 3: Economic Impact
Incubator Program**

Period	Output	Labor Income	Employment
1982-1986	-----	-----	-----
1987-1991	\$33,230,304.28	\$10,060,208.89	153.3
1992-1996	\$101,909,946.50	\$24,451,725.46	493.2
1997-2001	\$103,807,843.31	\$30,962,992.72	770.3
2002-2006	\$165,975,303.09	\$46,446,536.84	1,164.2
Total	\$404,923,397.19	\$111,921,463.91	2,581

Equipment Lease/Purchase Program

REI's equipment program targets small businesses in some of Oklahoma's lowest-income counties. The program provides these businesses with the funds necessary to acquire equipment that will increase their production and profitability. The program is currently available in 25 counties to businesses with fewer than 25 employees. The funds are packaged in low-interest loans often requiring little or no down payment with a maximum amount offered of \$75,000. Table 4 below summarizes the counties in which the equipment program is offered, with each county's associated number of loans and aggregate loan amount.⁸

**Table 4: Loans by County
Equipment Program**

County	Total Number of Loans	Gross Loan Amount
Atoka	2	\$22,934.16
Bryan	20	\$732,940.09
Choctaw	4	\$91,456.28
Garvin	1	\$17,900.00
Haskell	3	\$75,097.25
Hughes	3	\$227,000.00
Johnston	1	\$19,934.81
Lincoln	1	\$10,300.00
Love	1	\$93,679.00
Marshall	1	\$6,949.69
McCurtain	5	\$206,123.50
Murray	3	\$27,292.20
Okfuskee	1	\$41,031.00
Payne	1	\$32,600.00
Pittsburg	6	\$184,257.15
Pontotoc	2	\$47,553.00
Pushmataha	2	\$12,962.00
Sequoyah	1	\$7,900.00
	58	\$1,857,910.13

⁸ Although advertised as available, no data were reported for the following counties: Carter, Coal, Creek, Latimer, LeFlore, and Logan.

Using the data provided by REI, an estimate of the impact on the state economy from the acquisition of the specified equipment is derived. Note that the employment of the newly-acquired equipment is likely to increase production and potentially require additional labor. The implementation of the acquired capital is likely to generate its own small stream of economic impacts in future periods, but the data provided prohibit its estimation. Again, the impact estimates presented in Table 5 below provide a conservative estimate of the total economic impacts stemming from this program.

***Table 5: Economic Impact
Equipment Program***

Period	Output	Labor Income	Employment
1982-1986	-----	-----	-----
1987-1991	-----	-----	-----
1992-1996	-----	-----	-----
1997-2001	\$1,289,092.59	\$372,016.09	8.9
2002-2006	\$1,747,512.60	\$504,310.79	11.9
Total	\$3,036,605.20	\$876,326.88	20.8

Homebuyer Assistance Programs

Designed to facilitate the home-ownership goals of working Oklahomans, REI administers an assortment of home buying and down payment assistance programs. Two such programs are presently highlighted. The down payment assistance program provides a direct loan to prospective homebuyers equal to no less than five percent and no more than seven percent of the value of the first loan to be used as a down payment. The program is available for use in conjunction with a variety of eligible Fannie Mae conventional loans, and limited to households with an annual income not exceeding 115% of the area median income.

The Employer-Assisted Housing Incentive works with employers to establish a financial benefit program to help eligible employees become homeowners. The financial benefit offered by the employer is matched by REI up to \$2,500 per family. Home ownership leads to an increased sense of community belonging, employee productivity and reduced rates of employee turnover, providing real benefits to both the community and the firm. In the context of simple impact models, however, the only measurable impact is that which results from the transfer of property from one part to another, namely real estate, lending and legal fees. The measurable impact, then, would almost certainly understate the true impact. Table 6 below summarizes the measurable impact estimates for all housing programs.

**Table 6: Economic Impact
Housing Programs**

Period	Output	Labor Income	Employment
1982-1986	-----	-----	-----
1987-1991	-----	-----	-----
1992-1996	-----	-----	-----
1997-2001	\$4,653,327.91	\$1,018,803.16	50.5
2002-2006	\$4,638,712.51	\$1,247,783.04	61.9
Total	\$9,292,040.42	\$2,266,586.20	112.4

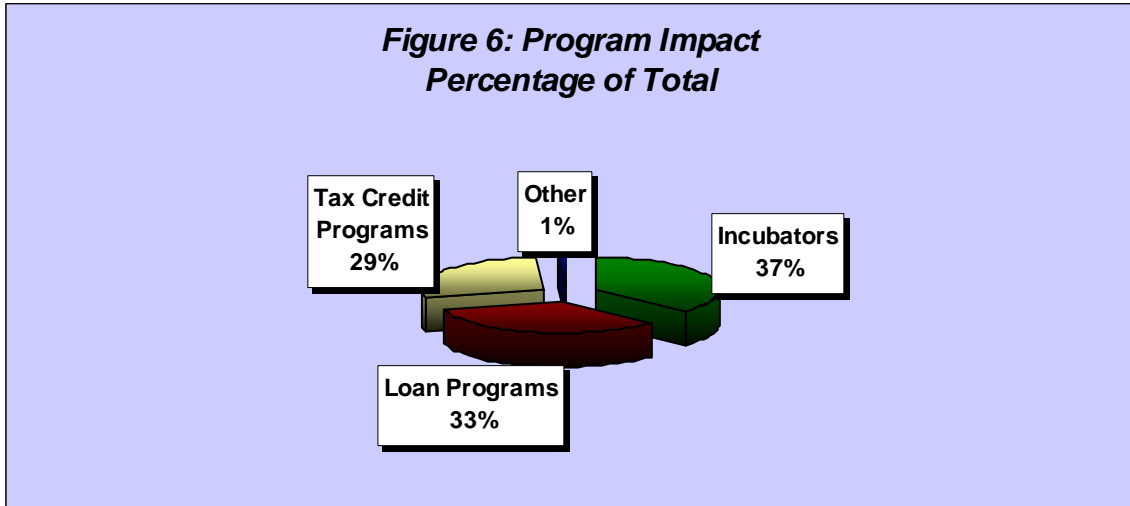
Aggregate Impacts

The programs described and analyzed above present a complex and complementary set of development tools designed to help firms and workers alike by enhancing development opportunities across the state. The growth of REI over the past 25 years is evidenced by the evolution of programs offered, from the initial and relatively simple business financing to the more elaborate development of employer-assisted housing benefit program for Oklahoma workers. As REI grows, it continues to find ways to provide more funds, space, equipment, and assistance to Oklahoma businesses, who, in turn, continue to positively impact the Oklahoma economy. Table 7 below summarizes the aggregate impact from all programs analyzed above, presented by five-year period.

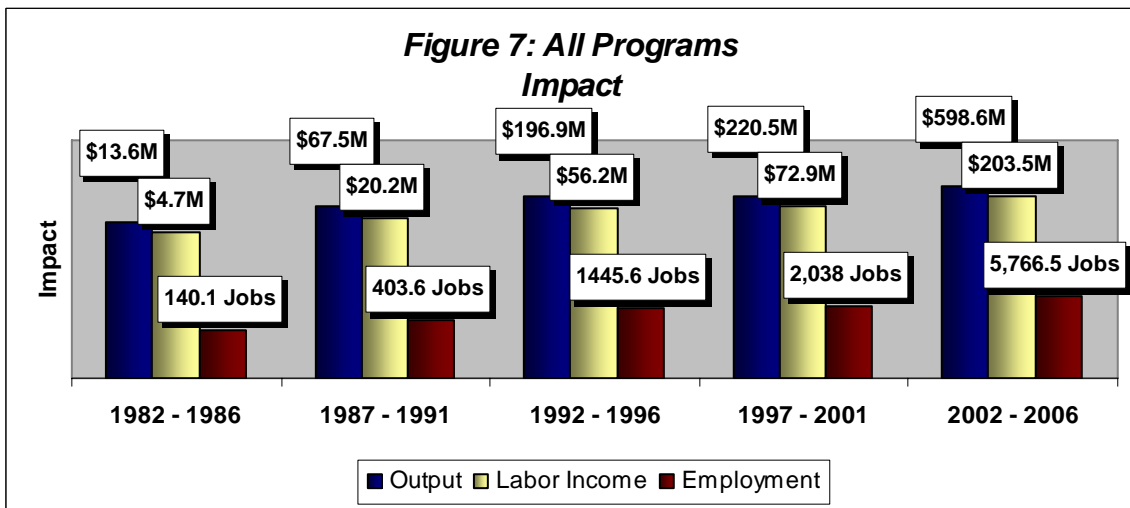
**Table 7: Economic Impact
All Programs**

Period	Output	Labor Income	Employment
1982-1986	\$13,556,273.36	\$4,713,469.29	140.1
1987-1991	\$67,547,067.59	\$20,212,759.27	403.6
1992-1996	\$196,873,561.53	\$56,211,152.42	1445.6
1997-2001	\$220,463,690.04	\$72,917,562.79	2038.0
2002-2006	\$598,637,117.35	\$203,507,044.79	5766.5
Total	\$1,097,077,709.87	\$357,561,988.55	9793.8

In terms of measurable impact, the big three programs for REI are the incubator, lending, and tax credit programs. The other programs provide real, even if less easily quantified, benefits to the state, and certainly merit the effort and attention dedicated to them by REI. Figure 6 indicates the share of measurable impact as estimated in this report by program.



As REI product offerings increase and expand, so does its impact on the state. Figure 7 documents this growth, from a \$13.6 million impact on Oklahoma production resulting from all REI activities for the five-year period 1982-1986 to a nearly \$600 million impact in Oklahoma output for the five-year period 2002-2006. The increasing impact on employment and labor income is likewise evident.



Additional REI Programs

In addition to the programs analyzed above, REI is the grantee of Foreign Trade Zone 227, one of four designated foreign trade zones in Oklahoma. REI also provides counseling, training, and other assistance targeted towards women-owned businesses through the operations of its women's business center. The records provided for these programs precluded their inclusion in the impact estimation, but merit discussion before concluding.

Foreign Trade Zone

Foreign-trade zones were created through the Foreign-Trade Zones Act of 1934 and are analogous to the free-trade zones that exist internationally. A foreign-trade zone is a designated area under U.S. Customs and Border Protection security and supervision, yet considered outside U.S. Customs territory. Qualified public or private corporations, such as REI, sponsor foreign-trade zones, which generally consist of leasable storage and distribution, and are often accompanied by an industrial park site on which zone users can construct their own facilities.⁹

REI's FTZ 227 is a full-service trade zone located in the 320 acre International Business Park in Durant, Oklahoma. The designated FTZ allows Oklahoma businesses to move merchandise into the trade zone for storage, assembly, manufacturing, and processing without payment of U.S. customs duties as the zone is considered to be in international commerce. Associated with FTZ 227 is the subzone 227A, Valero Refining Company – Oklahoma, located in Ardmore, Oklahoma. Subzones are generally private plant sites that cannot be accommodated within an existing general purpose zone. The savings to firms participating in the FTZ are significant in that it allows for, among other things, the deferral of duties until merchandise leaves the zone and enters U.S. customs territory, at which time the firm can decide to pay duties on the finished merchandise leaving the zone or the component materials brought into the zone previously. The increase commodity flow, with its associated manufacturing, processing, distribution along with the private construction and facilities development within the trade zone likely have a significant impact on the economy of southeastern Oklahoma. The impressive impact estimates presented previously, in spite of the omission of all FTZ impacts, speak to the conservative nature of the estimate and the depth of the economic impact stemming from REI activities.

⁹ See <http://www.cpb.gov> for full discussion and additional information.

Women's Business Center

The Women's Business Center is the result of a cooperative agreement with the U.S. Small Business Administration's office of Women's Business Ownership and is designed to target and assist Oklahoma's enterprising women. The program provides access to financial assistance, business and technical assistance, networking opportunities, and management and marketing assistance. The Women's Business Center sponsors monthly meetings around the state to provide networking opportunities and an information business program to women entrepreneurs. The Women's Business Center provides the foundation that many entrepreneurs lack when trying to develop an idea into a successful business. The training offered undoubtedly contributes significantly to the productivity of the participating businesses. The operations and production of participating firms certainly contribute to the maintenance and growth of Oklahoma's rural economies, but sufficient information on participating companies was not available for impact estimation in this report.

Conclusion

Rural Enterprises of Oklahoma, Inc. has matured from a rural small business lender in 1982 to the multi-faceted development organization it is today. REI's reputation nationally combined with its partnerships and working relationships with local financial institutions allows for unique access to national programs and local projects. Some REI programs cater to general economic development projects, such as the business lending and tax credit programs. Others, however, target specific counties or groups, such as the equipment and housing assistance programs and Women's Business Center. REI's commitment to providing a variety of development programs, both financial and technical, ensures that economic development activities are available across the state to large and small entrepreneurs alike. The recent development of tax credit programs at both the state and federal level allows REI to leverage large sums of financial capital for development activities, and should play a central role in future development activities. Looking back on the first 25 years, REI's impressive growth is matched by the impressive role it has played in the Oklahoma economy. Using Implan modeling software, Oklahoma-specific multipliers, and data provided by REI summarizing its activities, it is estimated that the organization has contributed over \$1 billion in Oklahoma output, \$350 million in labor income, and created just under 9,800 additional jobs. These estimates are taken to be quite conservative in nature as they omit the ongoing impact from the continuing operation of REI assisted businesses, and neglect entirely the impacts stemming from the operation of Foreign Trade Zone 227 and the Women's Business Center. Through innovative development strategies and increasing national and local awareness, REI is poised to play an even larger role in the Oklahoma economy in the years to come.