



**ECONOMIC IMPACTS OF THE
OKLAHOMA CAPITAL INVESTMENT BOARD'S
VENTURE INVESTMENT PROGRAM AND
OKLAHOMA CAPITAL ACCESS PROGRAM**

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1.0 INTRODUCTION

Applied Economics has been retained on behalf of the Oklahoma Capital Investment Board (OCIB or Board) to prepare an updated economic impact statement of their venture investment and capital access programs on the State of Oklahoma from 1992 through June 2009. Applied Economics is an economic consulting firm, based in Phoenix, Arizona, specializing in economic development, economic and fiscal impact assessment, socioeconomic modeling, urban planning and custom software applications. Our clients include local governments--cities, counties, and councils of government; as well as school districts, utilities, regional economic development organizations, and private businesses. Applied Economics conducts studies and develops models to measure the impacts of a wide variety of activities. These activities can include development land use and policy changes, business-driven economic impacts, and program-driven economic and fiscal impacts.

This analysis is intended to quantify the contributions of the companies assisted by OCIB to the Oklahoma economy. The impacts stem from two programs – the Venture Investment Program and the Capital Access Program. In addition the analysis includes a summary of the impacts of the NBA Hornets who played in Oklahoma City following Hurricane Katrina and received a \$10 million revenue guarantee through an investment syndicate which included OCIB, the City of Oklahoma City and a group of private investors.

Through its Venture Investment Program, OCIB supports investments in private, professionally managed venture capital firms that have committed to building a significant presence within Oklahoma and have a history of producing solid returns for their investors.

The OCIB Capital Access Program provides banks a form of portfolio guarantee, allowing them to stretch their loan capabilities and offer more loans to small businesses in Oklahoma. Both businesses and financial institutions in Oklahoma benefit from the higher volume of small business loans created through the capital access program. Loans generally range in size from \$1,000 to \$700,000 and are used by a wide variety of businesses.

Since 1992, OCIB has assisted 29 Oklahoma companies through its venture investment program and 876 companies through its capital access program. These companies range in size from 1 or 2 employees to over 400 employees, although the vast majority are smaller firms. They also represent a broad spectrum of different industries.

The impact represented here shows a year-by-year snapshot of the companies assisted in each year. In the case of the venture investment program, most companies reported Oklahoma payroll and employment numbers for multiple years and are therefore included in totals for each of the reported years. However, once a company was no longer active in Oklahoma, they were no longer included in the impacts.

The venture investment program includes 29 companies that participated between 1993 and 2009. In total, they account for \$205.4 million in payroll and over 1,500 employees over this time period.¹ These 29 companies as a group received approximately \$131.2 million in venture capital funding through OCIB over the fourteen year period.

The capital access program includes data on 407 of the 876 companies that participated between 1992 and 2009. This includes companies that were willing to provide information on their industry type and the number of new jobs they created. For this program, the impact analysis is based on new jobs created

¹ Employee count based on peak employment of each firm during the time period they reported employment and payroll.

during their initial year of participation in the program, rather than total jobs. The 876 companies as a group received approximately \$45.0 million in loans between 1992 and 2009. In this respect, the analysis provides a very conservative estimate of the cumulative impacts given that only 407 of the 876 Oklahoma companies were considered in the analysis. In addition, their impact was only considered for a one-year period even though most of the companies are likely still operating in Oklahoma.

In addition to their regular programs, this analysis also includes information about a revenue guarantee provided by OCIB to the NBA Hornets. Due to the devastation caused by Hurricane Katrina in New Orleans in September 2005, Oklahoma City was approached by the New Orleans Hornets and the National Basketball Association (NBA) to play their 2005-06 season at the Ford Center in Oklahoma City. To assist in this effort, OCIB participated in a \$10 million revenue guarantee put in place to recruit the team to Oklahoma.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. All company-specific data was provided by OCIB. Estimates made in this analysis are based on hypothetical assumptions and the current economic structure of the region. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid the Oklahoma Capital Investment Board in demonstrating its impact to the state. In no way will Applied Economics be held responsible or have any liability or be subject to damages as a result of this analysis. This report may be used only for the purposes that it was intended.

2.0 SUMMARY OF RESULTS

The Oklahoma Capital Investment Board provides access to a unique set of financial resources for companies looking to develop or expand in Oklahoma. These companies in turn provide on-going economic benefits to the state. These positive impacts include the following:

- OCIB has had a total economic impact of \$1.3 billion on the Oklahoma economy over the past 17 years as a result of the venture capital and capital access programs and the NBA Hornets revenue guarantee. These programs assisted over 900 companies during this time period.
- The largest component of the impact is from the venture investment program. The 29 Oklahoma companies that received capital from Board-supported funds provided close to 9,400 job-years over the multi-year period, (or an average of 553 jobs per year) and a total of \$204.8 million in payroll. In addition to these results the venture investment program supported 8 venture firms that were headquartered in Oklahoma. These firms employed 21 investment professionals plus support staff.
- As a result of the multiplier effect, the total impact of the companies in the venture investment program on the State of Oklahoma was \$1.0 billion in increased economic activity, 14,700 jobs, (or an average of 865 jobs per year) and \$338.5 million in payroll. This includes jobs and payroll at participating companies, as well as jobs and payroll at other local businesses.
- The capital access program has assisted 876 small and medium sized companies since its inception in 1992. Of these 876 companies, 407 provided enough information to calculate impacts. These 407 companies created about 1,380 new jobs and \$40.8 million in payroll.
- The total economic impact of the capital access program, including additional supported jobs and payroll at other local businesses, was \$219.4 million in increased economic activity, 2,400 jobs and \$73.1 million in payroll.
- In addition to these impacts from developing and expanding Oklahoma companies, OCIB also provided 1/3 of a \$10 million revenue guarantee put in place to recruit the NBA Hornets to Oklahoma for their 2005/06 season. The Hornets organization employed about 100 people (players and front office) with a total payroll of \$60 million, of which an estimated 10 percent was spent in Oklahoma. In addition, they supported \$45.6 million in direct game spending by patrons. The payroll and game spending combined resulted in an annual economic impact of \$71.0 million.²

² City of Oklahoma City.

SUMMARY OF RESULTS

Venture Investment Program	
Total Investment	\$131,150,274
Number of Participating Companies	29
Payroll (1993 - 2009)	\$204,787,667
Total Employment*	9,388
Average Annual Employment	0
Average Wage per Job	\$21,814
Economic Impacts (1993 - 2009)	
Total Output	\$1,027,722,566
Total Payroll	\$338,525,279
Total Jobs (in Job-Years)*	14,709
Capital Access Program	
Total Loans	\$44,970,164
Number of Participating Companies**	876
Estimated Payroll (1992 - 2009)	\$40,841,030
New Employment**	1,285
Average Wage per Job	\$31,783
Economic Impacts (1992 - 2009)	
Total Output	\$219,401,011
Total Payroll	\$73,122,481
Total Jobs	2,417
NBA Hornets	
Total Loan Guarantee	\$10,000,000
Estimated Payroll Spent in Oklahoma (2005-2006)***	\$6,000,000
Average Wage per Job	\$600,000
Direct Game Spending (38 games)	\$45,568,384
Economic Impacts (2005-2006)	
Total Output	\$71,011,462
Total Payroll	\$25,443,000
Total Jobs	229

*Represents total employment in job-years over a 17 year period. Jobs at individual firms may be included multiple times if the company maintained operations in Oklahoma for multiple years.

**Only 407 of the 876 companies submitted sufficient information to be included in the impact. Employment number shown here is estimated total for those 407 companies.

***Assumes 10 percent of total payroll spent in Oklahoma.

3.0 ECONOMIC IMPACTS

The economic benefits resulting from OCIB include combined impacts of all companies assisted by this program since 1992. Economic impacts measure the effects of economic stimuli or expenditures in the local economy. These impacts include direct and indirect jobs, personal income, and economic activity or output that are generated by these companies. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in Oklahoma that benefit from local purchases made by these companies and their employees.

Venture Investment Program

The venture investment program was initiated in 1993. Since that time, 29 companies have received funding. All total, OCIB has provided these companies with access to over \$131.2 million in venture capital funding over the past 16 years. The companies range in size from 1 employee to over 400 employees. A list of the types of industries and associated employment and payroll for participating companies is listed below.

It should also be noted that the program has supported 8 venture firms that were headquartered in Oklahoma. These firms were structured with 10 to 12 year lives, employed 21 investment professionals plus support staff. Headcount and payroll numbers for these firms **have not** been included in the venture investment program impact totals.

FIGURE 1
COMPANIES PARTICIPATING IN VENTURE INVESTMENT PROGRAM
BY INDUSTRY TYPE

<u>Industry Type</u>	<u>Employment</u>	<u>Payroll</u>
Advertising	130	\$3,486,000
Construction & management services	212	\$12,794,000
Communication services	73	\$12,018,000
Transformers	56	\$9,461,000
Custom programming/software/CAD/design	266	\$45,485,500
Service company	403	\$74,700,000
Health care	159	\$26,289,667
Costume jewelry	93	\$3,269,000
Photo laboratories	60	\$6,800,000
Instruments	17	\$2,472,000
Electronic equipment	24	\$2,360,500
Biological products/research	26	\$6,239,000

Note: Payroll include totals for all years for all companies in that industry type.

Employment includes peak levels during the participation period.

On average, companies receiving OCIB support through its venture investment program have been active in Oklahoma for about six years. The data represented here shows a snapshot of the combined economic impact of all companies participating in any given year. For reasons described above, most companies are represented in the impact totals for an average of six years.

Capital Access Program

The capital access program was initiated in 1992. Since that time, 876 companies have received loans, some more than one loan. The impact from these companies is only included for a one-year period even though the participants were likely active in Oklahoma for multiple years. Multi-year data was not included because this information is not available to the Board. An additional factor that adds to the conservative nature of our analysis of the capital access program is that only 407 of the total 876 companies reported employment numbers. Therefore only 407 of these companies are considered in the study. The total amount of loans funded since 1992 is about \$45.0 million. In this analysis, each borrower is counted only one time, even if they received more than one loan. The participants in this program span almost every industry sector (Figure 2). They range in size from 1 to 200 total employees with annual sales ranging from \$2,000 to \$4.9 million. Over the 17 year period, these companies created approximately 1,600 new jobs in Oklahoma.³

³ Estimate of new jobs includes companies that did not provide sufficient information to be included in the analysis. The companies included in the analysis account for 1,376 of the approximately 1,600 new jobs.

FIGURE 2
COMPANIES PARTICIPATING IN CAPITAL ACCESS PROGRAM
BY INDUSTRY TYPE

Industry	Borrower Sales	New Jobs Created
Agriculture- Livestock Production	\$1,086,738	16
Agricultural Services	\$199,959	8
Mining	\$3,258,825	7
Construction	\$11,017,162	146
Utilities	\$175,000	1
Food Processing	\$2,468,480	13
Apparel	\$475,154	9
Lumber and Wood Products	\$231,531	10
Furniture & Fixtures	\$2,337,515	29
Printing	\$517,340	4
Chemicals	\$175,000	4
Leather Products	\$70,000	1
Stone, Clay & Glass	\$559,905	10
Primary Metals	\$527,800	1
Fabricated Metals	\$5,723,348	79
Industrial Machinery	\$1,961,069	12
Electronics	na	1
Transportation Equipment	\$1,617,087	9
Instruments	\$100,000	5
Misc Manufacturing	\$612,158	4
Interurban Transportation	\$114,000	1
Motor Freight Transportation	\$6,502,680	37
Water Transportation	\$52,000	1
Air Transportation	na	2
Transportation Services	\$1,171,021	29
Communication Services	\$607,000	2
Refuse Services	\$93,600	51
Wholesale Trade	\$6,719,611	44
Building Materials and Garden Stores	\$419,843	8
General Merchandise Stores	\$86,032	6
Food Stores	\$3,469,074	47
Auto Dealers	\$4,232,000	19
Apparel Stores	\$4,213,252	25
Home Furnishing Stores	\$802,713	13
Eating & Drinking Places	\$6,380,934	252
Misc Retail	\$5,830,012	61
Non-Store Retail	\$47,000	1
Banking and Credit	\$95,000	1
Real Estate	\$111,039	13
Personal Services	\$798,193	67
Business Services	\$3,817,251	92
Auto Repair and Services	\$1,438,287	36
Misc Repair Services	\$1,476,114	4
Motion Pictures and Video Production	\$194,410	6
Amusement and Recreation	\$140,405	10
Health Care	\$1,989,843	45
Legal Services	\$68,875	10
Educational Services	na	3
Social Services	\$220,227	18
Membership Organizations	\$5,593,403	14
Professional Services	\$1,824,723	19
Other Services	\$2,155,198	31

Note: Figure includes only the 407 companies out of 876 total with sufficient information to be included in the analysis.

The impacts of these companies stem from two sources. First, companies purchase a variety of goods and services from vendors within the state creating additional demand, jobs and payroll. The amount and type of local purchases depends on the industry type of the participating company. Second, company employees, as well as supported vendor employees, make local purchases of consumer goods. This creates additional demand and supports additional employment and payroll, primarily at retail and personal services establishments.

NBA Hornets Revenue Guarantee

Due to the devastation caused by Hurricane Katrina in New Orleans in September 2005, Oklahoma City was approached by the New Orleans Hornets and the National Basketball Association (NBA) to play their 2005-06 season at the Ford Center in Oklahoma City. This temporary relocation created significant economic benefits for the city and the state. To assist in this effort, OCIB participated in a \$10 million revenue guarantee put in place to recruit the team to Oklahoma.

The team played 38 home games in Oklahoma City that year with average attendance of 18,737 per game. This resulted in \$45.6 million of direct game spending by both residents and out of town attendees. In addition, the 100 players and staff of the NBA Hornets spent an estimated 10 percent of their \$60 million payroll in Oklahoma during the season. Both of these types of spending support local businesses and create economic impacts. *Although the Hornets stayed in Oklahoma for a second season, the impact results were only included for the initial year. It is likely that the Hornets would not have been in Oklahoma for the second season without OCIB's support during the initial season, but we have again elected to be conservative with analysis*

Economic Impact Results

The economic impact results presented here are grouped into direct impacts and total impacts (Figures 3 and 4). Direct output represents the value of production at participating companies. Direct jobs and payroll were provided by OCIB and represent the number of jobs and amount of payroll at the companies participating in the program in any given year. These companies and their employees in turn make additional local purchases that are captured in the total impact estimates. The total impact includes both the direct impacts and the secondary, or indirect and induced impacts created at other local businesses and their employees.

The magnitude of the impact is proportional to the number of companies participating in any given year, the size of those companies, and the types of industries. Some industries generate a much greater multiplier effect than others, depending on the amount of local purchases they are able to make.

FIGURE 3
ECONOMIC IMPACTS OF OCIB VENTURE INVESTMENT PROGRAM
ON THE STATE OF OKLAHOMA
Current Dollars

Year	New Investment	Number of Participating Companies	Direct Impacts			Total Impacts		
			Output	Jobs*	Payroll	Output	Jobs	Payroll
1993	\$250,000	1	\$202,519	3	\$108,000	\$379,100	4	\$165,972
1994	\$0	1	\$247,523	4	\$132,000	\$463,345	5	\$202,855
1995	\$9,380,000	2	\$11,464,572	311	\$3,932,000	\$18,596,561	442	\$6,213,700
1996	\$13,232,000	5	\$14,678,245	391	\$5,570,000	\$24,513,137	582	\$8,707,574
1997	\$12,445,000	9	\$23,922,810	604	\$9,193,000	\$40,735,787	921	\$14,667,222
1998	\$22,369,248	12	\$67,446,900	1,093	\$26,161,000	\$116,481,101	1,735	\$42,093,773
1999	\$21,383,026	13	\$83,250,105	1,056	\$28,822,000	\$141,849,851	1,695	\$47,613,227
2000	\$9,134,000	10	\$74,994,985	788	\$22,208,000	\$125,393,629	1,295	\$38,092,263
2001	\$1,066,000	8	\$46,741,689	694	\$17,388,000	\$78,988,681	1,066	\$27,768,626
2002	\$4,000,000	8	\$33,468,742	594	\$12,453,000	\$56,173,296	903	\$19,987,501
2003	\$464,000	8	\$27,497,436	507	\$9,370,000	\$45,356,603	754	\$15,158,433
2004	\$5,080,000	8	\$33,434,836	532	\$10,899,000	\$54,341,257	773	\$17,658,880
2005	\$390,000	8	\$34,691,742	532	\$11,408,000	\$56,443,819	777	\$18,438,121
2006	\$8,922,000	10	\$38,791,947	629	\$12,918,000	\$64,408,684	958	\$21,149,223
2007	\$4,866,000	11	\$35,848,268	543	\$12,077,667	\$59,626,903	808	\$19,756,473
2008	\$10,031,000	14	\$59,314,050	556	\$14,622,667	\$95,331,797	1,019	\$27,071,157
2009	\$8,138,000	15	\$29,546,906	551	\$7,525,333	\$48,639,017	972	\$13,780,280
Total	\$131,150,274	na	\$615,543,277	9,388	\$204,787,667	\$1,027,722,566	14,709	\$338,525,279

*Represents the sum of jobs at participating companies over 17 years. Jobs at individual firms may be included multiple times if they participated in multiple years and maintained the same level of employment.

All total, the venture investment program created an economic impact of \$1.0 billion in Oklahoma from 1993 to 2009. The companies assisted through this program created an increase in demand of \$412.2 million that supported \$133.7 million in payroll and close to 5,300 jobs-years *at other local businesses* through their supplier purchases and purchases made by employees. These economic impacts are in addition to the cumulative impacts of 9,400 jobs-years and \$204.8 million in payroll that were supported by the companies directly.⁴

⁴ Note that jobs are counted in job-years and include total employment in each year a company participated in the program.

FIGURE 4
ECONOMIC IMPACTS OF OCIB CAPITAL ACCESS PROGRAM
ON THE STATE OF OKLAHOMA
Current Dollars

Year	Number of Participating Companies	Direct Impacts			Total Impacts		
		Output	Jobs	Payroll	Output	Jobs	Payroll
1992	7	\$5,773,427	33	\$1,456,153	\$9,645,003	74	\$2,847,216
1993	49	\$28,149,166	252	\$8,918,609	\$49,418,972	488	\$16,263,636
1994	33	\$11,991,272	172	\$3,479,294	\$22,108,418	280	\$6,812,613
1995	32	\$16,670,689	163	\$4,536,727	\$31,958,524	325	\$9,585,705
1996	32	\$6,785,043	99	\$2,614,332	\$12,298,954	162	\$4,530,894
1997	33	\$6,697,841	104	\$2,596,747	\$11,949,080	166	\$4,501,759
1998	39	\$6,053,596	90	\$1,979,654	\$10,505,961	140	\$3,515,468
1999	17	\$3,061,350	48	\$1,191,809	\$5,380,843	75	\$2,045,005
2000	36	\$8,899,885	124	\$3,361,710	\$15,657,184	202	\$5,808,408
2001	15	\$2,015,252	23	\$659,246	\$3,525,733	40	\$1,196,876
2002	7	\$975,902	8	\$279,661	\$1,686,029	15	\$527,325
2003	10	\$3,818,957	26	\$887,851	\$6,488,022	53	\$1,785,932
2004	12	\$1,911,947	21	\$763,385	\$3,351,334	38	\$1,295,092
2005	14	\$1,406,307	20	\$533,292	\$2,477,893	32	\$899,655
2006	15	\$10,091,970	71	\$4,023,115	\$15,474,960	141	\$5,762,101
2007	13	\$1,805,218	22	\$564,124	\$3,018,995	34	\$940,950
2008	20	\$3,782,472	49	\$1,497,252	\$6,120,617	69	\$2,204,179
2009	23	\$4,869,070	51	\$1,498,068	\$8,334,492	80	\$2,599,668
Total	407	\$124,759,364	1,376	\$40,841,030	\$219,401,011	2,417	\$73,122,481

All total, the capital access program created an economic impact of \$219.4 million in Oklahoma from 1992 to 2009. The companies assisted through this program created an increase in demand of \$94.6 million that supported \$32.3 million in payroll and about 1,040 jobs *at other local businesses* through their supplier purchases and purchases made by employees. These economic impacts are in addition to the 1,400 employees and \$40.8 million in payroll that were created by these companies directly.

Along with the on-going impacts of the venture capital and capital access programs, OCIB was also able to support the significant impacts created by the NBA Hornets during the 2005-06 season in Oklahoma City. Note that these impacts are not included in the figures above. Although this represents a non-recurring impact, it was significant in the 2005-06 fiscal year. The total economic impact of the NBA Hornets is estimated at \$71.0 million. This includes direct game spending generating increased demand of \$45.6 million. There was also an estimated \$6 million in direct payroll spending that created an economic impact of \$25.4 million and supported 229 jobs (100 direct, 129 indirect and induced).⁵

The secondary impacts described above are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multipliers effects translate an increase in output (loosely defined for service industries as sales, less profits) into a corresponding

⁵ Note that impacts results for NBA Hornets are based on analysis by City of Oklahoma City, not Applied Economics.

increase in jobs and personal income or payroll. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

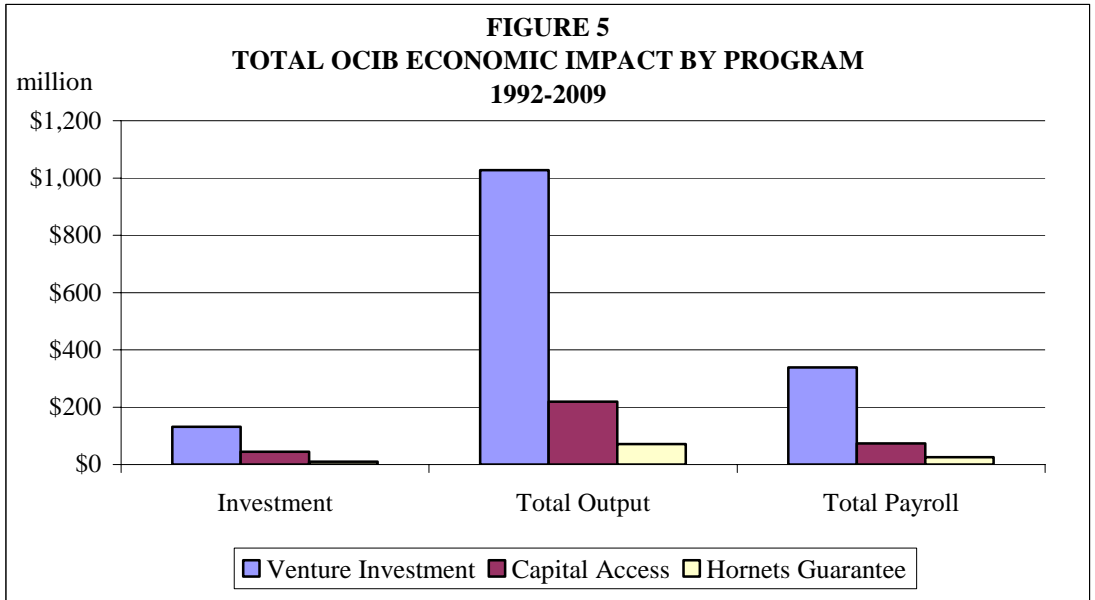
The multipliers used in this analysis are from IMPLAN, a national vendor of economic impact software, and are specific to Oklahoma. Industry specific multipliers were used for each type of participating company. The variation in multipliers between the specific industry types is due to the different mix of secondary industries that are affected since multipliers are industry-specific.

On average, the output multiplier for the venture investment program is 1.67. This means that for every \$1 million of production by the participating companies, an additional \$670,000 in additional economic activity is generated in the local economy, along with 9 jobs at related businesses. On average, the income from these jobs is about \$25,100 per employee.

On average, the output multiplier for the capital access program is 1.76. This means that for every \$1 million of production by the participating companies, an additional \$760,000 in additional economic activity is generated in the local economy, along with 8 jobs at related businesses. On average, the income from these jobs is about \$31,000 per employee.

A summary of the impacts of the two on-going OCIB programs and the NBA Hornets guarantee are shown in Figure 5. The venture investment program has the larger impact of the two programs due to several factors:

- The venture investment program includes all employment, not just new employment. However, many of these are start up companies, and thus the bulk of the jobs created are new. As a result, the average number of direct jobs attributed to companies in the venture investment program is larger. In general, the capital access program includes many very small companies.
- Companies in the venture investment program may be counted multiple times, once for each year they were an active Oklahoma company, whereas companies in the capital access program are only counted in the single year in which they receive a loan. It is very likely that many of the companies that participated in the capital access program over the past 17 years are still in operation in Oklahoma, but their information is simply not tracked by the OCIB on an on-going basis. As a result, the cumulative impacts of the companies in the capital access program are understated.
- Despite the overall difference in magnitude of impacts between the two programs, the capital access program actually has a higher average multiplier due to the larger share of manufacturing companies versus services. Manufacturers typically make more supply purchases than service providers due to their material-intensive nature.
- Figure 5 also includes the economic impact of the NBA Hornets loan guarantee, which produced a significant economic impact during the 2005/2006 season. The impacts of the Hornets include both the impacts of the Hornets organization and their employees, as well as the impacts of tourism spending by game attendees.



Both the venture capital and capital access program create significant annual impacts on the Oklahoma economy. The Oklahoma Capital Investment Board not only helps to start and expand local companies, but also supports job growth at other local supplier companies. In addition, these new jobs generate increased payroll and spending that support the state's economy.