



Oklahoma and the Region: a Cost of Living Analysis

**Senate Economic Research and
Policy Analysis**

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OKLAHOMA AND THE REGION: A COST OF LIVING ANALYSIS APRIL 2000

OVERVIEW:

Tulsa and Oklahoma City tied for the 10th best Cost of Living Index among 162 U.S. metropolitan areas in a new Regional Financial Associates (RFA) report. The April 10, 2000 issue of *Business Week* highlighted the RFA report and cited Oklahoma as one of the least expensive places to settle down.

Both Tulsa and Oklahoma City have cost of living indices of 91.3%. This means that \$91.30 buys the same amount of goods and services in Oklahoma as \$100 would buy nationally. By comparison it takes \$131.50 in San Jose California (Silicon Valley) to purchase the equivalent of \$100 of goods at the national average.

RFA, a leading national provider of economic data to Fortune 500 and Moody's Investor Services, also cites Tulsa and Oklahoma City as experiencing the largest relative cost of living decline among major metropolitan areas. Oklahoma's two largest cities have both posted over a 5% drop since 1985.

The RFA report points out that:

“Differences in the cost living across regions are important to consider because they are an important determinant of difference in living standards across regions ... Differences in living costs are also important determinant of regional growth patterns. All else being equal, migrants are attracted to regions where living costs are low... Indeed there has been a strong apparent relationship between living costs and job growth across metropolitan areas during the last decade.

Reinforcing the relationship between regional living costs and growth is the strong relationship between living and business costs. Businesses are keenly attuned to regional differences in the cost of doing business and are more likely to locate and expand in relatively low cost areas ... Labor costs for business are generally attractive in regions where living costs for housing, electricity, and other essentials are low.”

This relationship may partially account for Oklahoma’s lower than average unemployment rate and growth in manufacturing and telecommunications jobs.

The RFA report confirms earlier data from the American Chamber of Commerce Researchers Association and from other Cost of Living studies that show that favorable cost of living characteristics contribute greatly to Oklahoma’s excellent business climate. However the new RFA study is an improvement over previous studies in that it introduces a new, more accurate methodology to calculate cost of living. It essentially calculates a market basket of “needs” rather than goods. This methodology corrects for errors that occur in other calculations where, for example, heating oil is included as a good, but is only purchased in a certain area of the country. RFA uses Bureau of Labor Statistics Consumer Expenditure data to calculate expenditures for energy, shelter, food, and services as classes rather than a specific market basket of goods.

The following report highlights some of the key points of the RFA report relative to Oklahoma and compares the RFA findings to ACCRA data and other commercial cost of living data. Comparison are made among Oklahoma cities and major cities in the region. Housing costs and salary data receive special attention in these analyses.

Rick Parnell, Ryan Cardwell, “*Cost of Living*”; Dismal Sciences/RFA, Inc. December 1999.



Regional Financial Associates 1998 Cost of Living Report

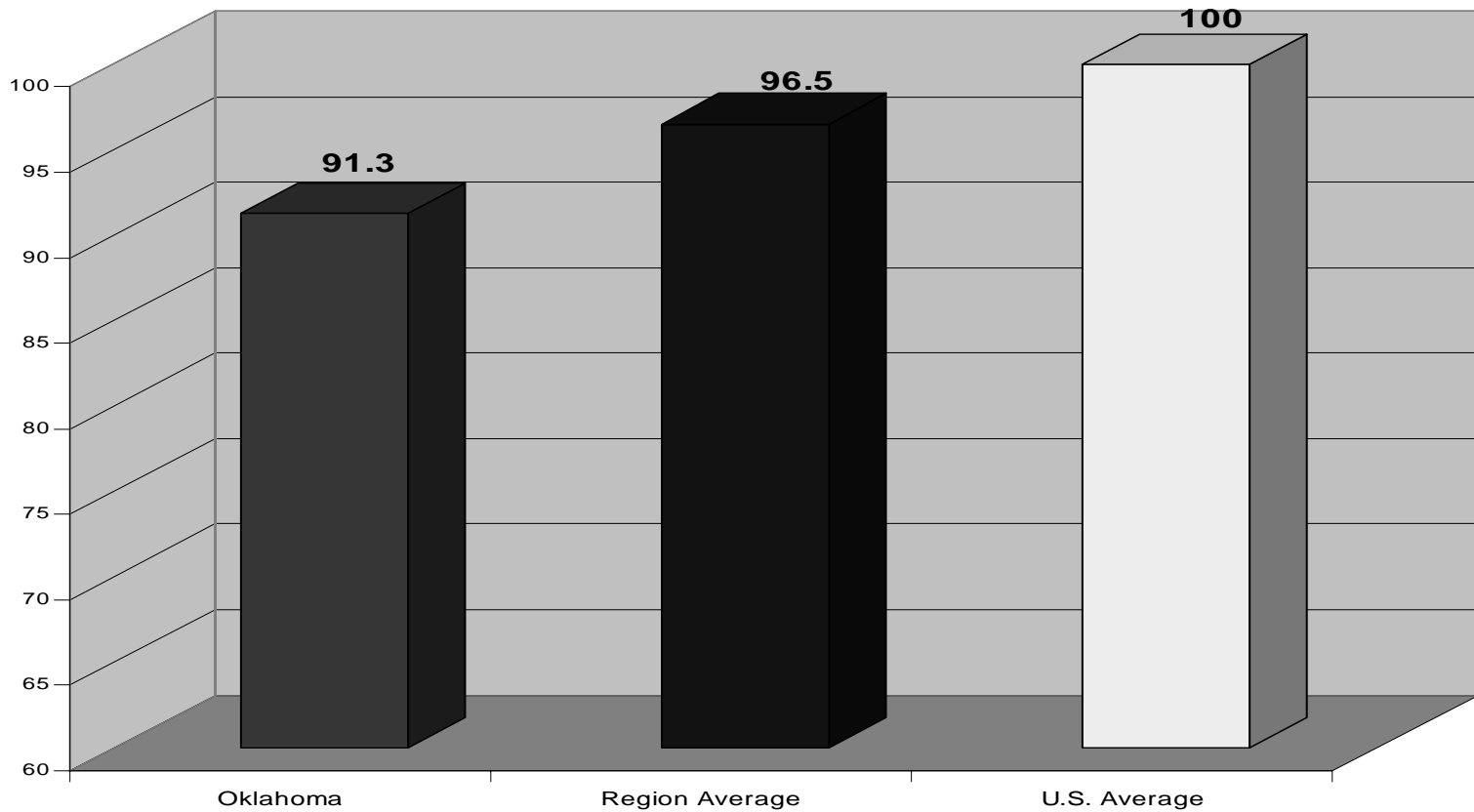
- * At 91.3, Oklahoma City and Tulsa tied for the 10th best Cost of Living indices among 162 U.S. metro areas.**
- * This index means that \$91.30 buys the same amount of goods and services in Oklahoma as \$100 buys nationally.**
- * There has been a 5% drop in Oklahoma City and Tulsa's Cost of Living since 1985.**



Components of RFA Cost of Living Index

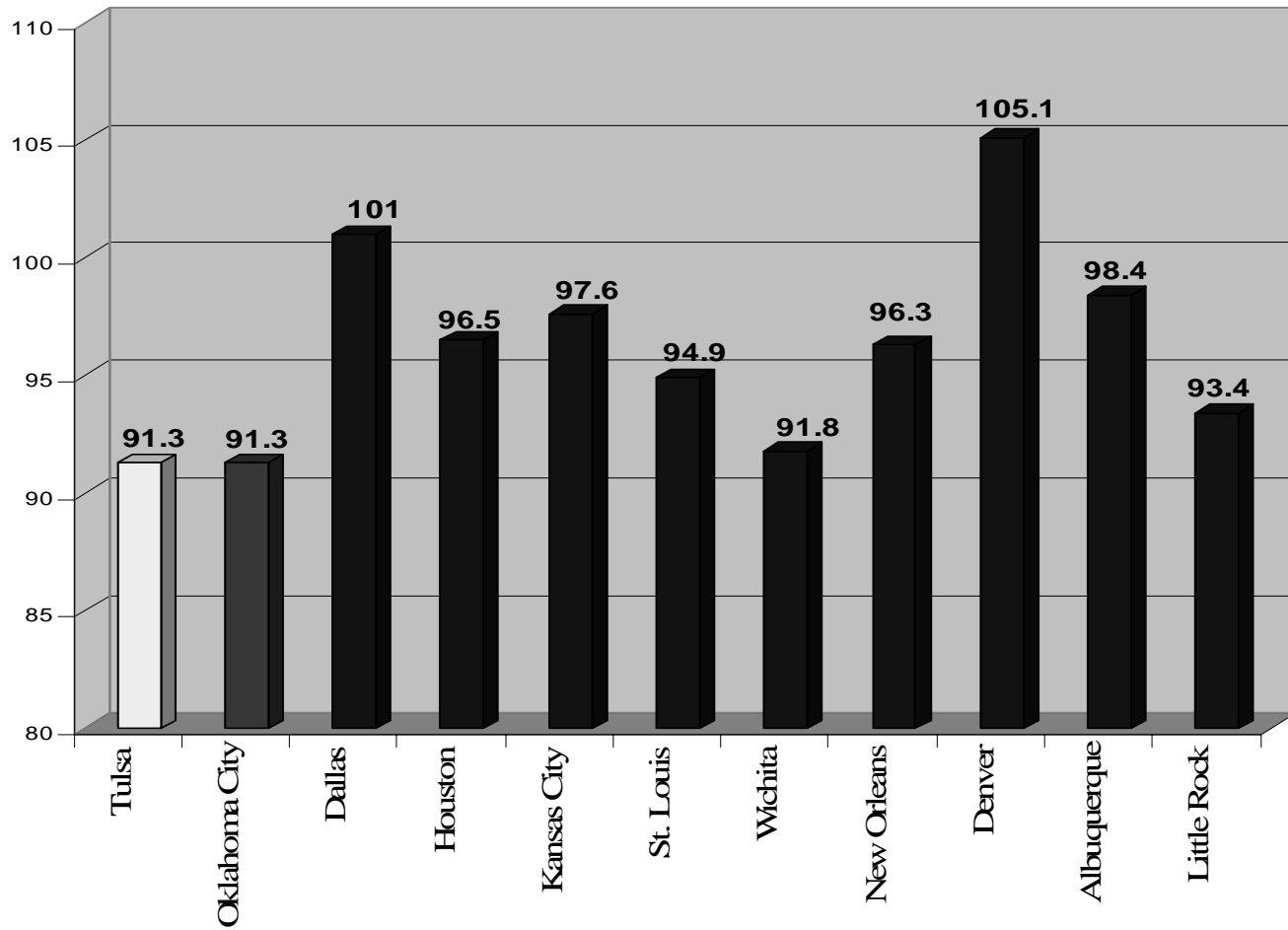
- * Calculates a basket of “needs” rather than a basket of “goods”**
- * This methodology corrects for errors that occur in other calculations where goods are considered that are only purchased in certain areas of the country, such as heating oil**

1998 RFA Cost of Living Indices

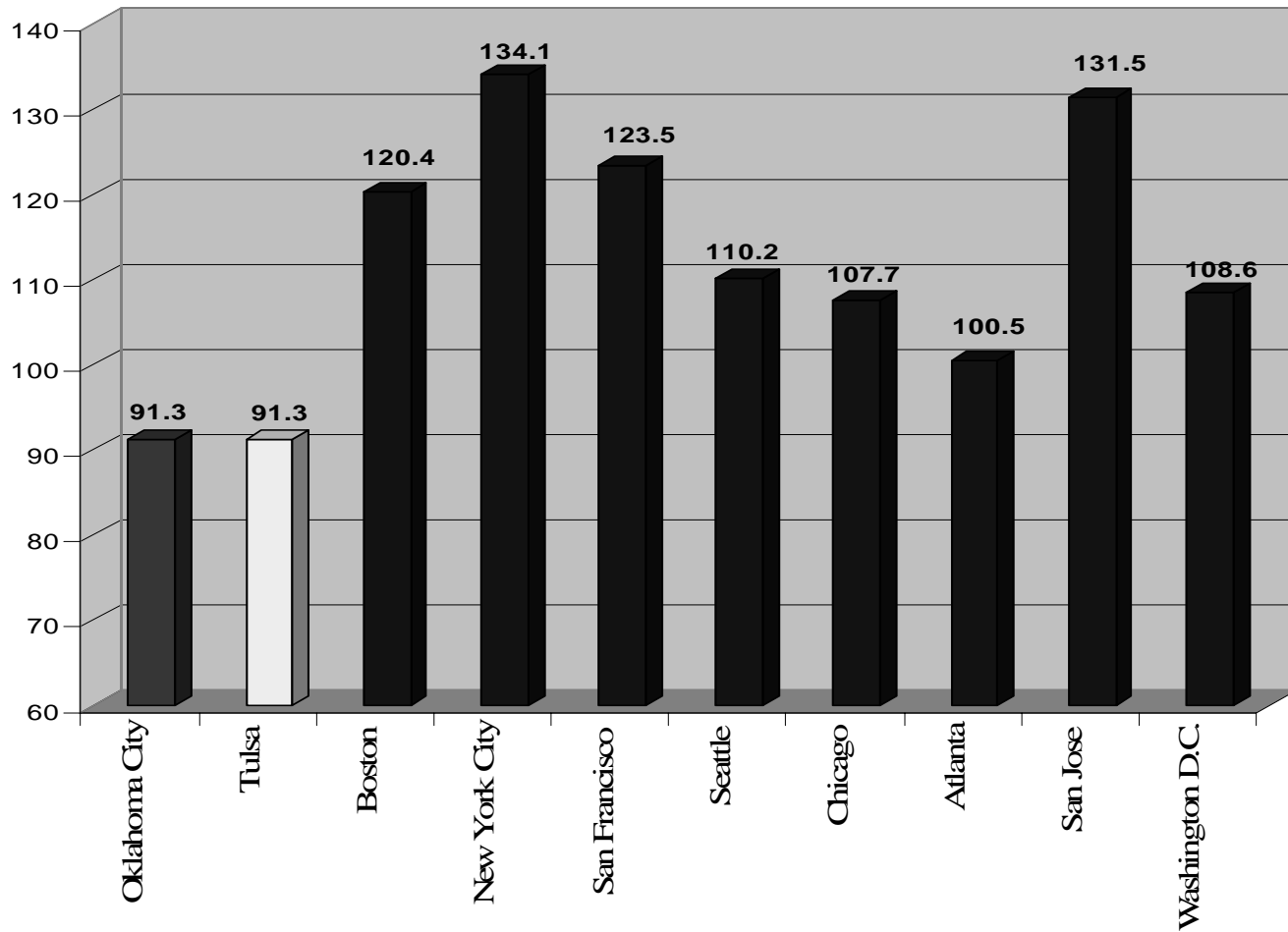


*As no statewide averages were reported in this study, the regional average was calculated based on the largest cities in the surrounding states.

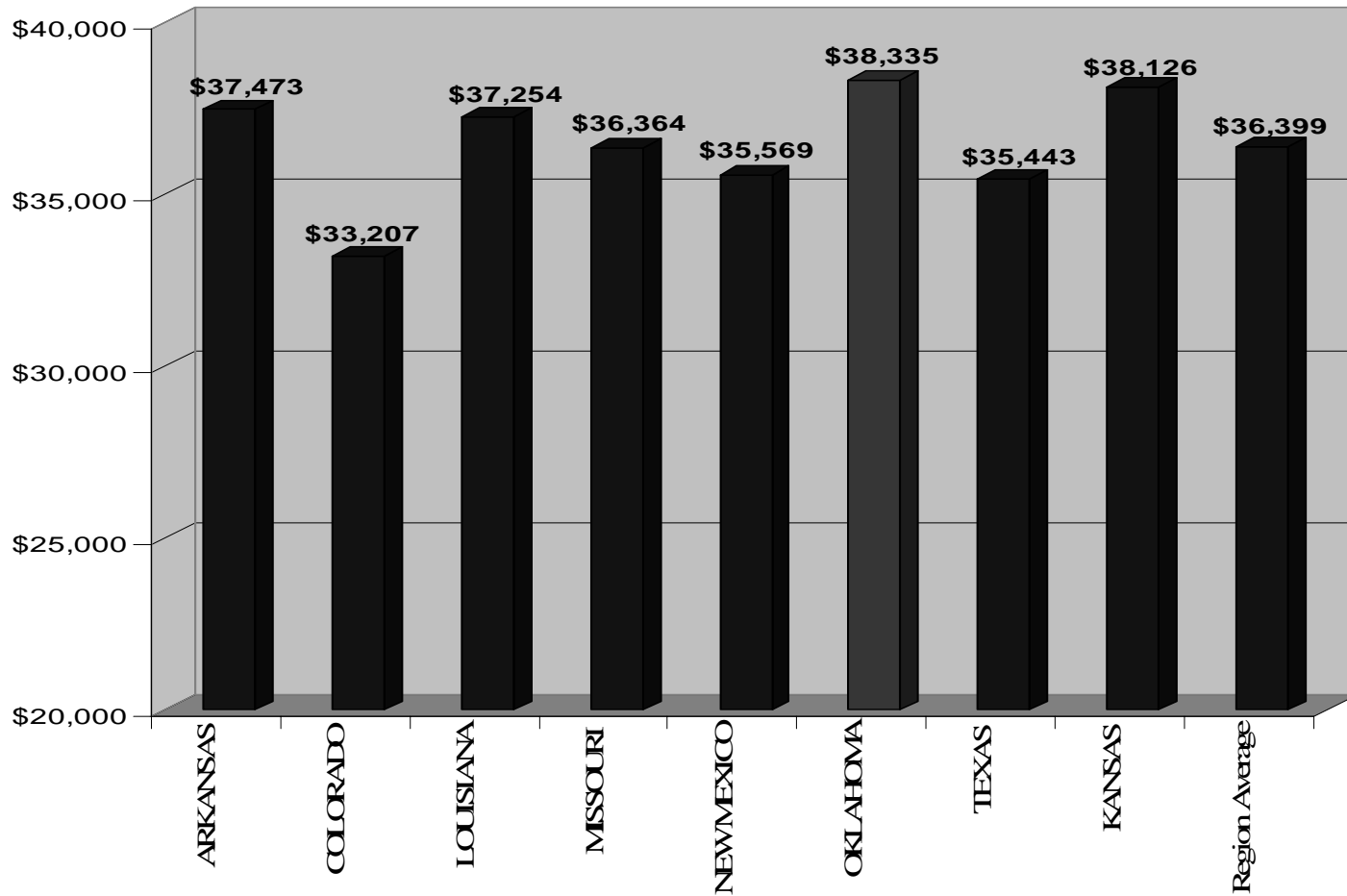
Oklahoma City, Tulsa, and Regional Cities' Cost of Living Indices



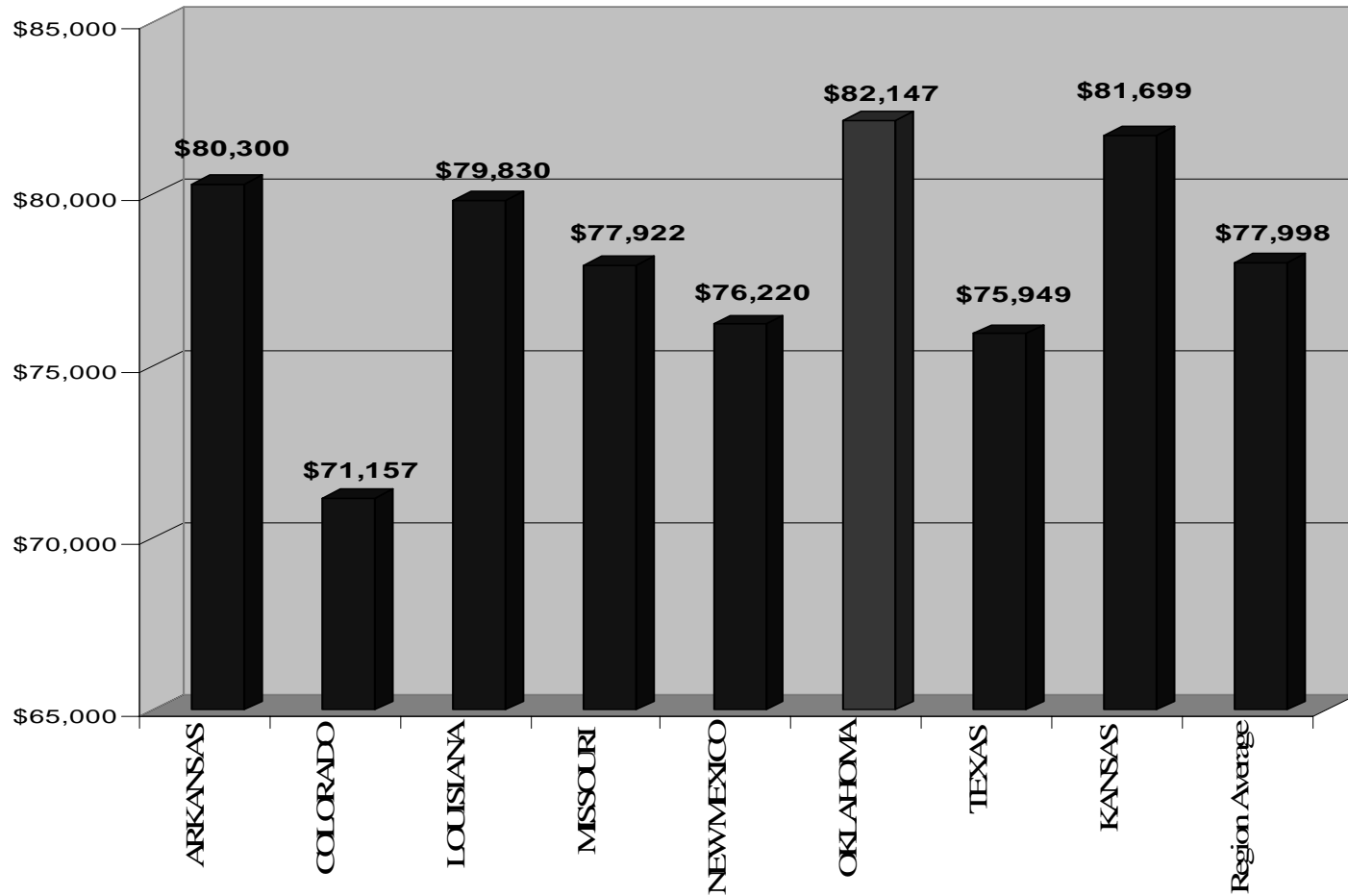
Cost of Living Indices: Oklahoma Cities and Major Business Centers Across the Country



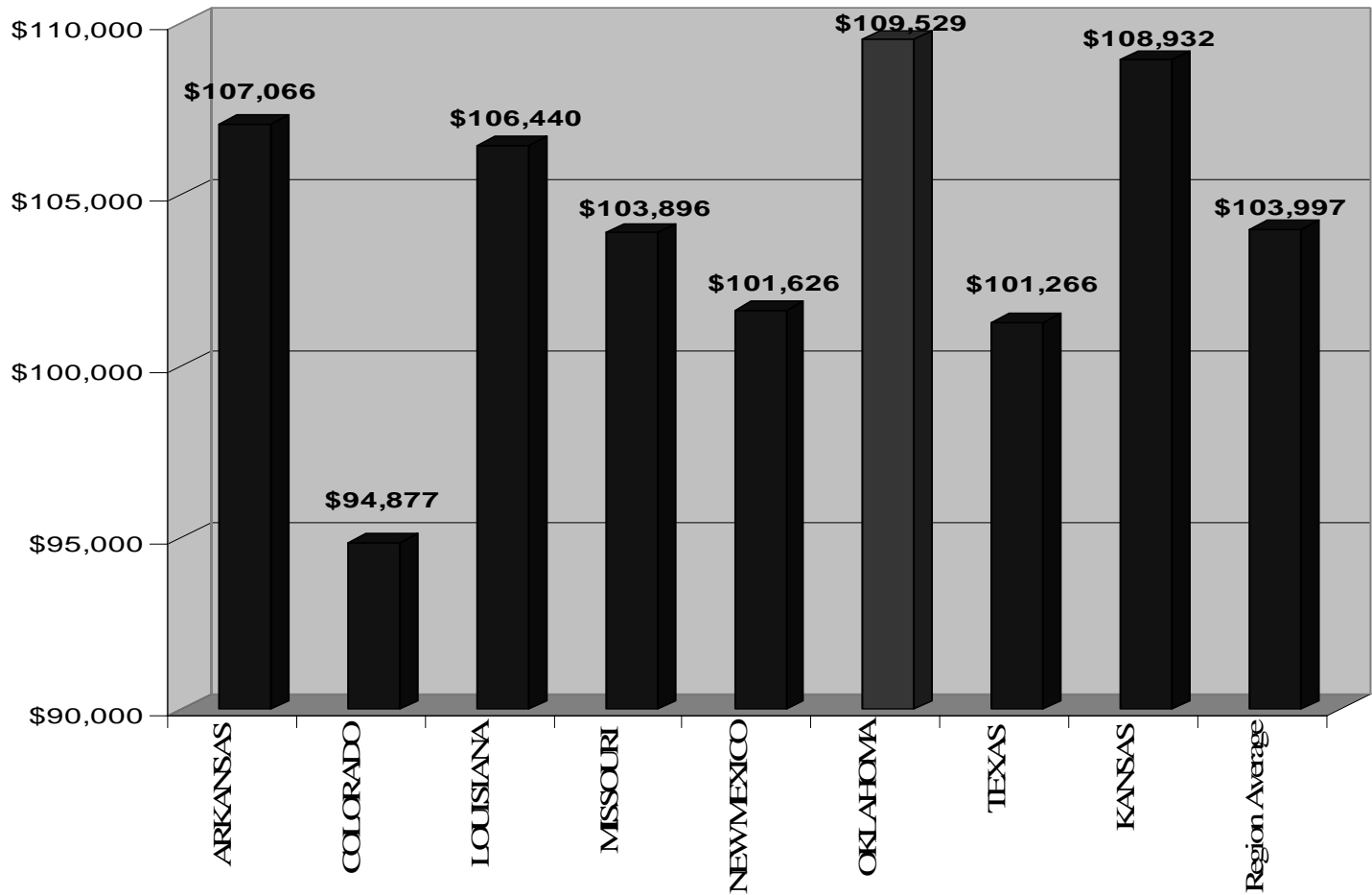
Purchasing Power of \$35,000 Salary - According to RFA COLI



Purchasing Power of \$75,000 Salary - According to RFA COLI



Purchasing Power of \$100,000 Salary - According to RFA COLI

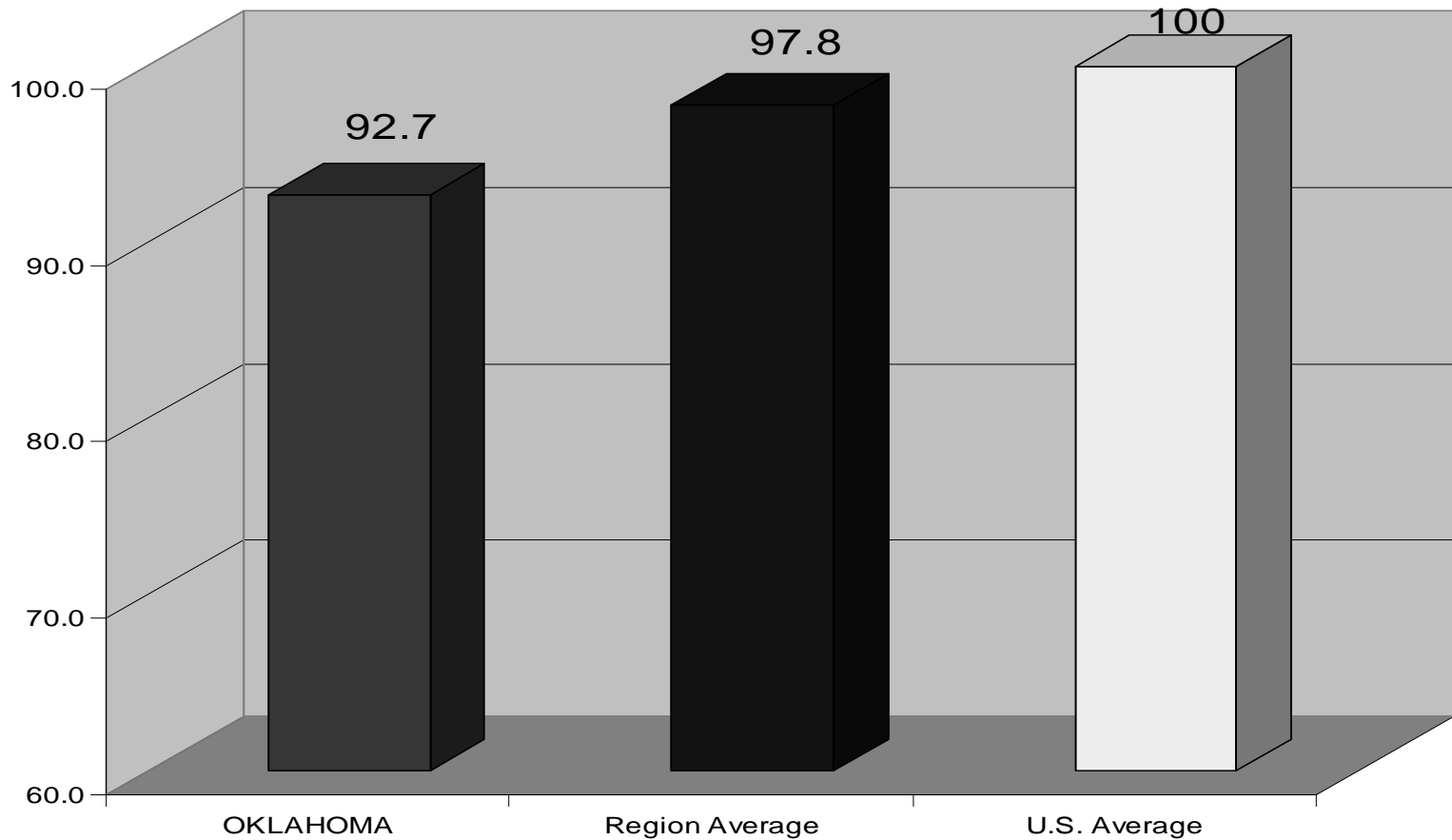




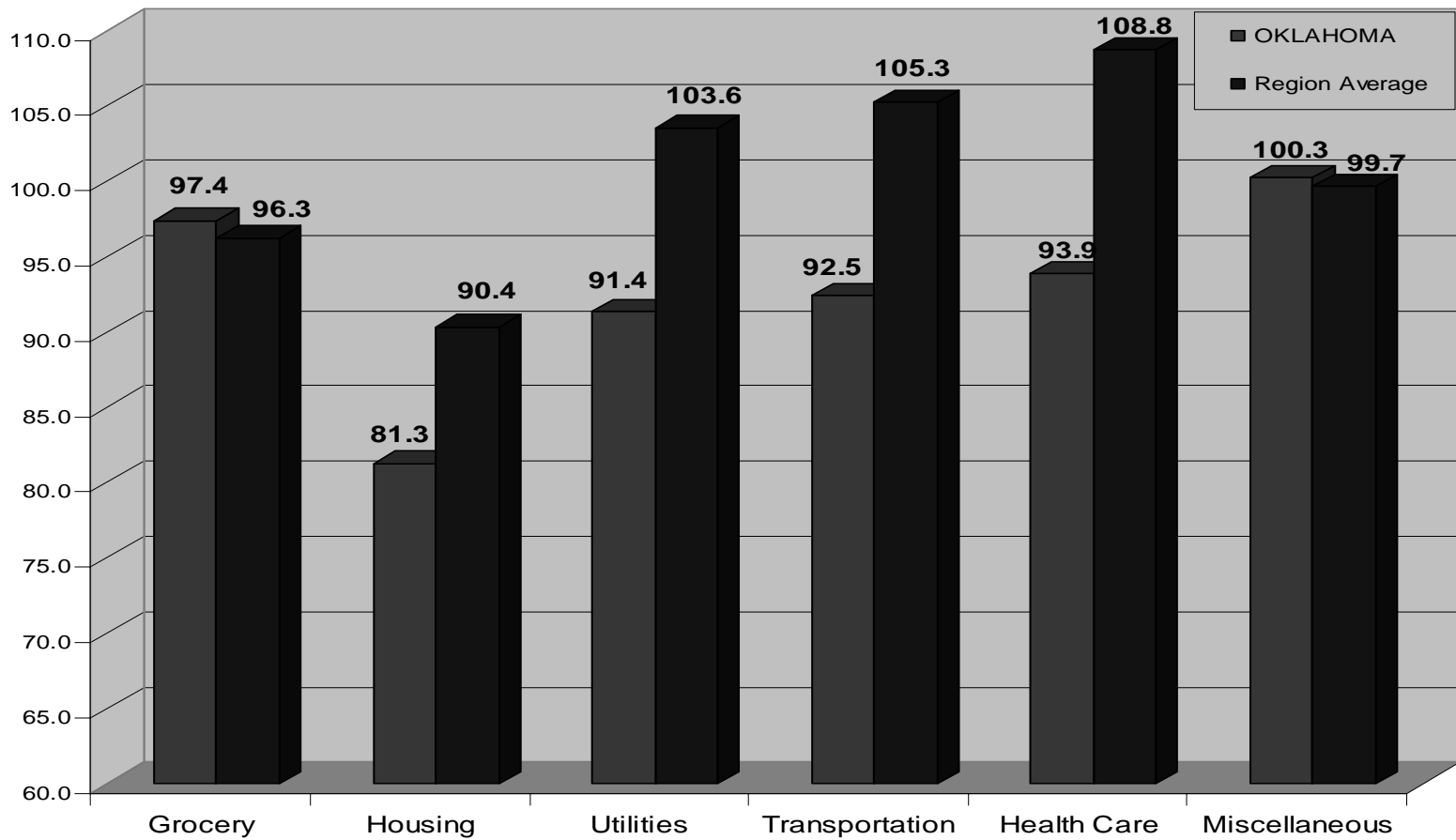
1999 ACCRA Cost of Living Indices

- * The American Chamber of Commerce Researchers Association produces cost of living indices which parallel the findings of the RFA Cost of Living Study.**
- * The following graphs represent Oklahoma and the region's ACCRA indices based on the two largest metropolitan areas of the states.**

1999 ACCRA Overall Cost of Living Index



ACCRA Cost of Living Index - OK and The Region



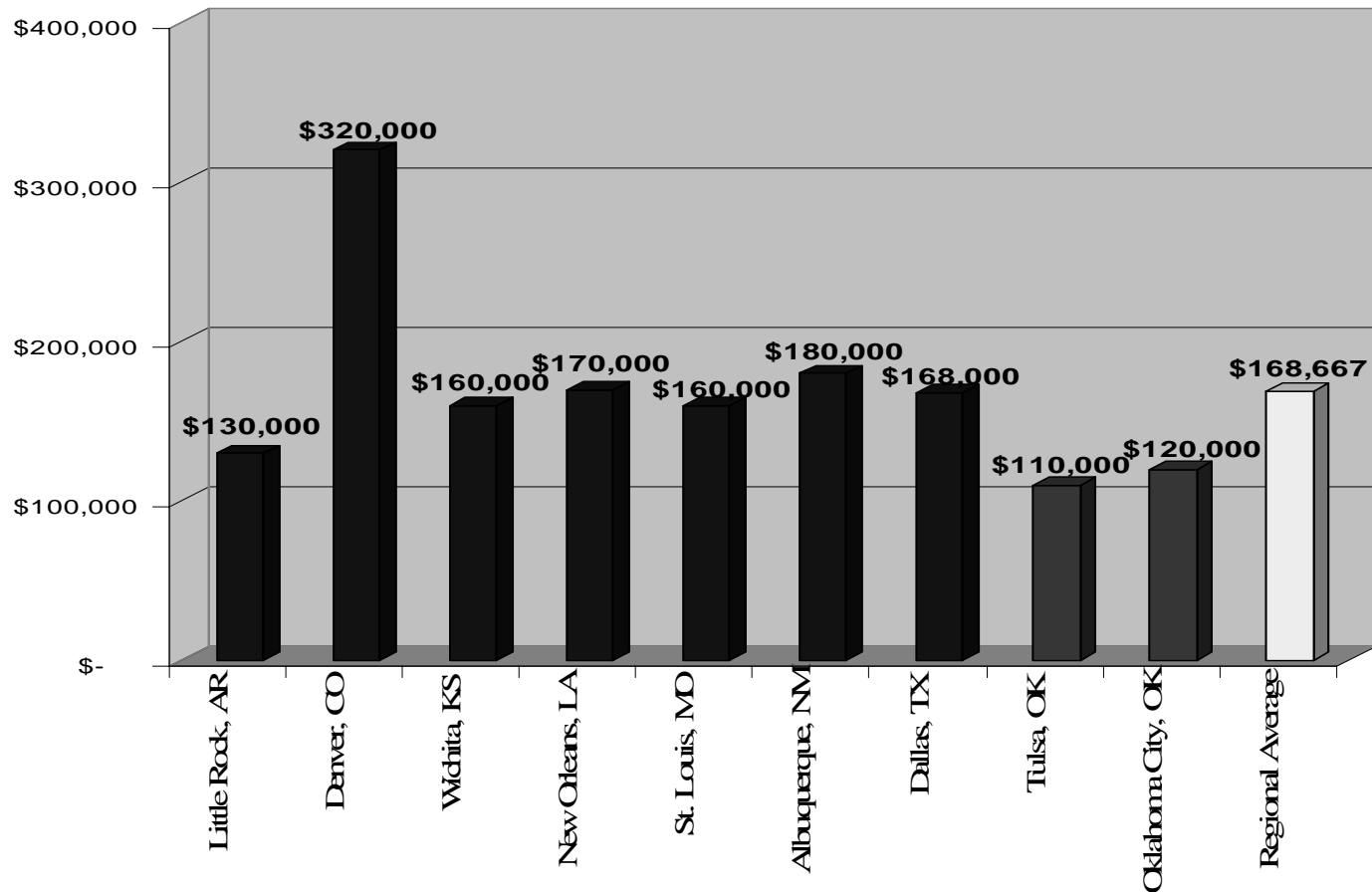


Housing Costs in Oklahoma City, Tulsa, and other regional cities

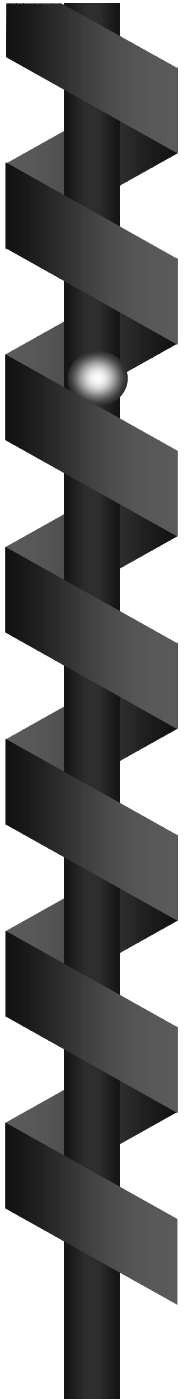
- * Yahoo has an online feature which calculates comparable costs of a 2,000 square foot home in selected cities across the country.**
- * The Yahoo housing cost figures also parallel RFA and ACCRA findings for Oklahoma City and Tulsa's low overall cost of living.**

The Yahoo housing calculator can be accessed at <http://verticals.yahoo.com/cities/categories/housecost.html>

Oklahoma City, Tulsa and Regional Cities - Yahoo *Average Home Cost Comparison:

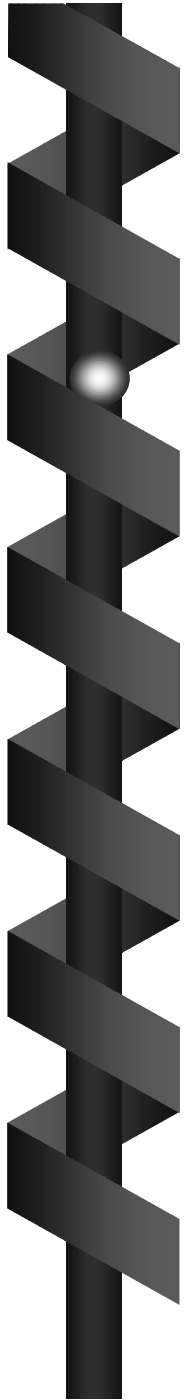


*Home cost is based on the average cost of a 2,000 sq. ft. home.



- ✦ **“Businesses are keenly attuned to regional differences in the cost of doing business and are more likely to locate and expand in relatively low cost areas ... Labor costs for business are generally attractive in regions where living costs for housing, electricity, and other essentials are low.”**

Source: RFA Cost of Living Study, December 1999



*** “All else being equal, migrants are attracted to regions where living costs are low... Indeed there has been a strong apparent relationship between living costs and job growth across metropolitan areas during the last decade.”**

Source: RFA Cost of Living Study, December 1999



Positive business climate rankings correlate with low cost of living

- * Selection Magazine lists OKC and Tulsa as 7th and 8th respectively as “metro hotspots” for new and expanded industry;**
- * Oklahoma City and Tulsa also ranked among the 50 hottest cities in Expansion Management’s Report. OKC ranked 24th and Tulsa 27th, besting Dallas and Kansas City;**
- * Financial World magazine ranks Oklahoma as having the 2nd best business cost structure in the country;**
- * According to another RFA study, Oklahoma has the 5th best overall cost of doing business in the nation.**