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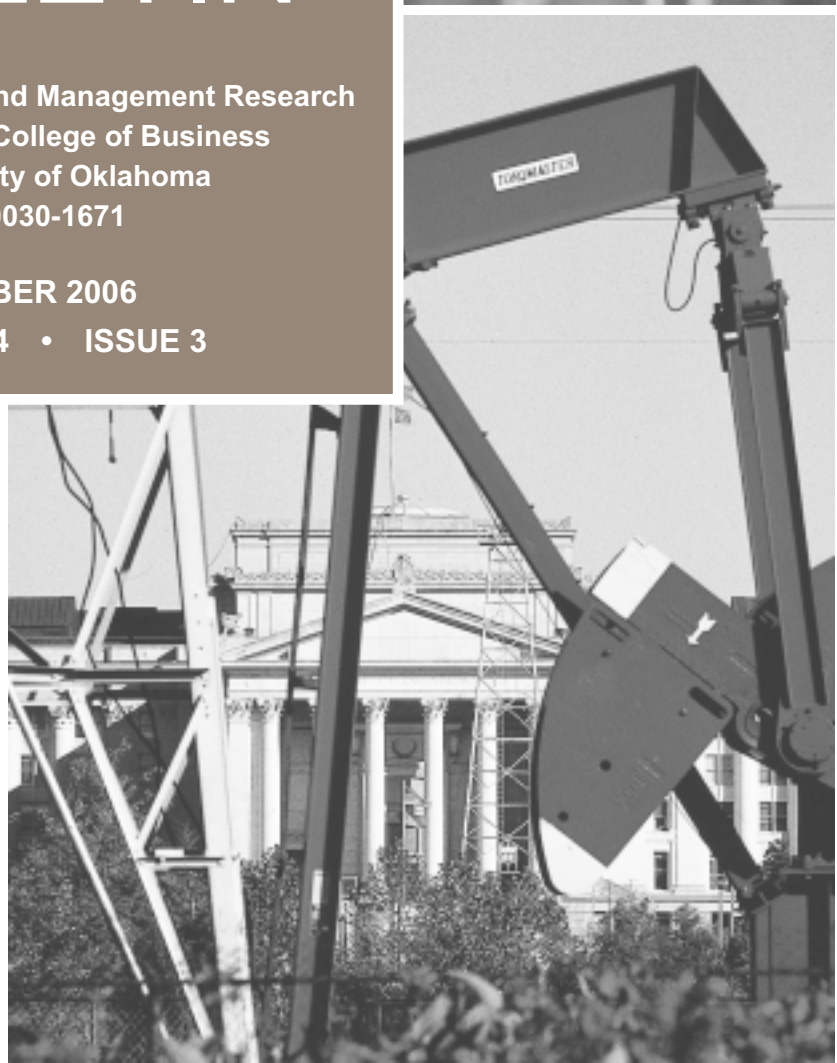

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OVERVIEW

Created by the Oklahoma Territorial Legislature in 1890, the University of Oklahoma is a doctoral degree-granting research university serving the educational, cultural, economic and health care needs of the state, region and nation. The Norman campus serves as home to all of the university's academic programs except health-related fields. Both the Norman and Health Sciences Center colleges offer programs at the Schusterman Center, the site of OU-Tulsa. The OU Health Sciences Center, which is located in Oklahoma City, is one of only four comprehensive academic health centers in the nation with seven professional colleges. OU enrolls almost 30,000 students, has more than 2,000 full-time faculty members, and has 20 colleges offering 152 majors at the baccalaureate level, 160 majors at the master's level, 80 majors at the doctoral level, 38 majors at the first professional level, and 18 graduate certificates. The university's annual operating budget is $1.2 billion. The University of Oklahoma is an equal opportunity institution. (11/15/06)

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Quarterly

Business Highlights

by Robert C. Dauffenbach

Prospects for a Recession

This somewhat lengthy issue of the *Oklahoma Business Bulletin* is written in honor of the memory of Nobel Prize winning economist Milton Friedman, who died on November 16th at age 94. The prospects for a recession in 2007 will be a central theme. In that review, however, one focus will be on monetary economics in support of Friedman's view that inflation is a monetary phenomenon and that Federal Reserve policy should be aimed at steady increases in the money supply in alignment with growth in real output. Dr. Friedman contributed to the economics profession in many ways, too many ways to be covered here. Examples include the permanent income hypothesis, the Friedman-Phelps theory that there is no long run trade-off between inflation and unemployment, and notions of economic freedom and social justice, to name a few. It is Friedman's message on monetary policy that we seek to emphasize today as it relates to current issues of economic growth and inflation.

Mounting evidence is in support of the view that the US economy is slowing, especially as seen in recent reports from the US Bureau of Economic Analysis that real GDP expanded at only a 1.6 percent annual rate in the third quarter of the year. Housing markets are definitely slowing after a spectacular rise since the 2001 recession, particularly in regions of the country that have seen appreciable gains in recent years. Job growth has been steady, but lackluster. A recession, however, is marked by a period of six or more months of declining real output. While a 1.6 percent real growth rate in the third quarter is well below the historical 3.3 percent average annual gain, it is still far from being negative. Further, now that the Federal Reserve Board of Governors has, evidently, entered a period of stable interest rates after 17 successive one-quarter point increases in the Federal Funds rate, the outlook has been bolstered for a continuing "not too hot, not too cold" Goldilocks' economy.

We begin the discussion of recession prospects by examining the views of Nouriel Roubini, New York University professor of economics, who operates a well regarded website on economic and financial information. Professor Roubini raised the probability for a 2007 recession to 70 percent in recent months. We will examine his rationale for a "hard landing." In honor of Professor Friedman, the discussion will continue through an examination of historic growth in the money supply. We will then look for potential evidence of a coming recession by examining the yield curve for government bonds, the behavior of housing markets, and an updated Price College Indicators.

Professor Roubini

The website RGE Monitor is an important source of summary economic information and commentary. Professor Roubini has been vocal in his beliefs that the national economy is headed for recession. He believes that four "fairy tales" currently grip financial markets: (1) the US economy will land softly to a less inflationary environment at a slower growth pace; (2) if growth slows too much, the Fed will come to the rescue; (3) the world economy will "decouple" from its US-centric growth characteristics; and (4) the large trade and financial imbalances of the world economy will be rectified in an orderly manner.

What Professor Roubini considers to be "fairy tales" is interpreted by Wall Street to be business as usual. Wall Street expects the Fed to continue to restrain from further interest rate increases and to "come to the rescue" if any financial problems develop. And, as a famous Warren Buffet quote states: "A pack of lemmings looks like a group of rugged individualists compared with Wall Street when it gets a concept in its teeth." Given the street's putative judgment on Fed behavior, there is little surprise that the Dow is making new highs.

Professor Roubini counters these fairy tales with what he calls the "five ugly realities:" (1) the housing and energy market trends and evidence of accelerating inflation point to a 70 percent probability of recession; (2) a pause by the Fed in raising interest rates, or even reducing them, will not prevent a sharp US recession; (3) a pause will not prevent a bear market in equities by year end; (4) the world will not decouple from US-centric growth; and (5) global trade and current account imbalances are so extensive that the risks of disorderly developments are highly accentuated. In essence, he believes that the Fed's rescue attempt will fail. A recent review of Professor Roubini's blog and RGE Monitor website reveals that he is still adhering to his dire views on the future course of the US economy. We will review below the extent to which we should be concerned about his concerns.

Money Supply

With the recent death of Nobel prize winning economist Milton Friedman, we are reminded of the importance this brilliant and insightful mind placed on the money supply. "Only money matters," was his frequent lament. That the Fed has the power to control the money supply is taken as a given. More pointedly, the Fed controls the level of member bank reserves, the amount of "high powered" money. Bank reserves enable a multiple expansion of the money supply through the fractional reserve system. Banks only have to keep a fraction of their assets in reserve to balance liabilities. When consumer and businesses borrow and spend, deposits are not all lost to the banking system. Borrowed funds are spent and those parties in receipt of the expenditures deposit their checks for bank clearance. A multiple expansion, or contraction, of the money supply is, thus, possible in the Fed's control over bank reserves through open market operations.

Just how multiple expansion of the money supply is possible when the Fed buys or sells government bonds through open market operations is easily understood. When the Fed buys government bonds, it writes a check on itself and that check is deposited in the banking system, thus increasing the money supply and expanding the ability of banks to make loans. When the Fed sells government bonds, the buyer of the bonds writes a check on the buyer's bank account and bank reserves fall, thereby contracting bank lending ability. Thus, the Fed has substantial power to expand or contract bank reserves, and subsequently, the money supply.

Review of historical evidence of money supply growth indicates that the Fed has allowed money supply growth to vary widely over a broad span of time. This evidence is seen in the Figure A, which shows both the year-over-year growth rate in M2 and the annualized quarterly growth rate. M2 is the definition of money most widely followed by economists. While this chart is quite "busy," it shows that the annualized growth rate in M2 from quarter-to-quarter (which is the annual growth rate that would obtain if the quarterly rates were constant) generally provides the direction of the annual growth rate. Note that the annualized-quarterly rates have been as high as 25 percent in 1984 and as low as -2.5 percent as recently as the first quarter of 2004.

In honor of Dr. Friedman, let's take a brief excursion into the Equation of Exchange, the basis of his theories. This is a very simple formula, but one of vast importance. It states that the money supply (M) times velocity (V), the rate at which money "turns over" in a given year, equals the price level (P) times the level of real output (Q), or $MV = PQ$. Friedman held that velocity is essentially constant. If true, with the use of a little differential calculus we can write:

$$\% \text{ change in } M = \% \text{ change in } P + \% \text{ change in } Q$$

What this means is that when velocity of money is essentially constant, the percentage change in the supply of money matches the percentage change in the price level plus the percentage change in real GDP.

Looking historically, the truth of the equation of exchange is revealed. Since 1959, M2 has expanded at an average annual rate of 6.84 percent. The price level has grown at an average annual rate of 3.70 percent while real GDP has grown by 3.34 percent. Combining the rate of growth in prices with the rate of growth in real GDP we obtain 7.04 percent. Thus, there is little difference between the annual rate of growth in the money supply and the sum of the rates of growth in prices (i.e., inflation) and real output. The difference of 0.2 percent is the annual percentage change in velocity. Thus, velocity has been relatively steady and growth in the money supply divides fairly evenly between inflation and real output gains.

The bottom-line question that Dr. Friedman asks is this: What should be the annual rate of growth in the money supply if you want to have a zero rate of inflation? The answer is quite simple: Grow the money supply at a rate that matches the long-term potential growth of the economy. Most knowledgeable observers contend that the long term growth potential of the US economy is in

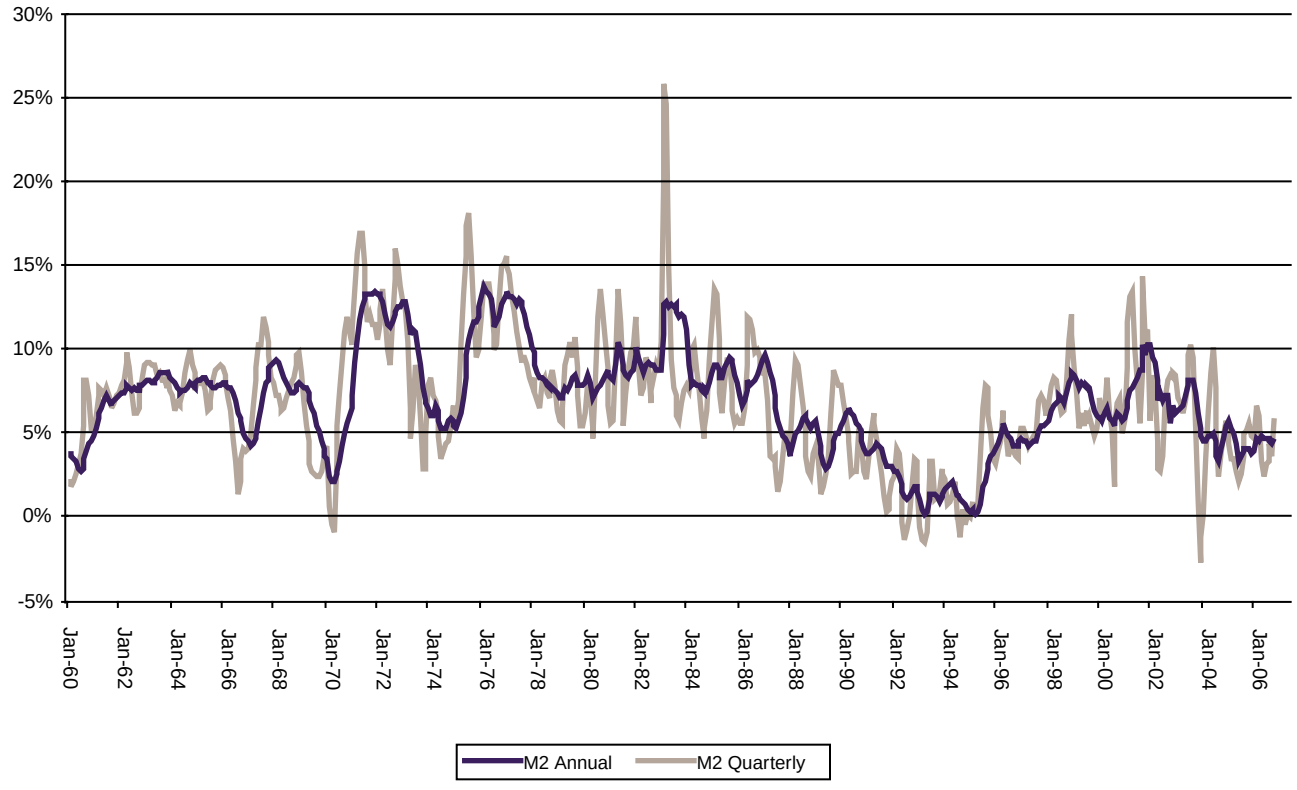
the range of 3.0 – 3.5 percent. If the long term growth in the money supply is contained in this range, some goods and services will advance in price by more than the economy-wide rate of inflation; some will decline in price. On average, however, the inflation rate would be zero. But, the Fed has been, over the long-pull, growing the money supply at over twice the rate of growth in real output. Consequently, price level increases have made up the difference.

Relative to the axiomatic truth of the Equation of Exchange, the Fed has hardly been steady in its management of the money supply, as is well indicated by the Figure A. The Fed has allowed the rate of growth in the money supply to vary considerably because they have another target in mind, namely, interest rates. It has chosen instead to regulate the level of interest rates through the overnight interest rate that banks charge one another in order to meet their required reserves. This rate is called the Federal Funds rate. When one hears on the news that the Fed is raising interest rates, this is the rate that they are seeking to regulate. The Fed can keep interest rates stable, but only at a cost of increased volatility of the money supply.

Many economists are becoming very suspicious of the Fed's management of the money supply. Chairman Greenspan, with his frequent "rides to the rescue" by strongly injecting liquidity into the banking system in the face of any financial problem, may have created a *moral hazard* in financial markets. Examples of Fed intervention abound: the Asian/Russian Financial Crisis, Long Term Capital Management crisis, Y2K, the tech-bubble stock market meltdown, 9/11, and the recession of 2001. Financial markets now expect to be "bailed out," thereby enhancing the willingness to take on even more risk. In the Milton Friedman tradition, these critics of the Fed would rather see the Fed link the rate of growth in money to a pace consistent with long-term growth of the US economy. Inflation is ultimately a monetary phenomenon. Given that the Fed's proclivity to grow the money supply at better than twice the rate of real output growth, it is not surprising that prices today are 5.6 times higher than they were in 1960.

Figure A

Percentage Change in M2 Money Supply
Year-over-Year and Annualized Quarterly Growth Rates



Armed with Dr. Friedman's views, how do we interpret current Fed policy? In October 2006, the year-over-year growth in M2 is 4.8 percent. The annualized quarterly growth rate is 6.0 percent and the annualized monthly growth rate is 11.1 percent. By this accounting, the Fed is backing away from its more stringent course initiated in November 2003 and is beginning to increase the money supply at very healthy rates. Wall Street appears to be right in its view that the Fed is once again coming to the rescue.

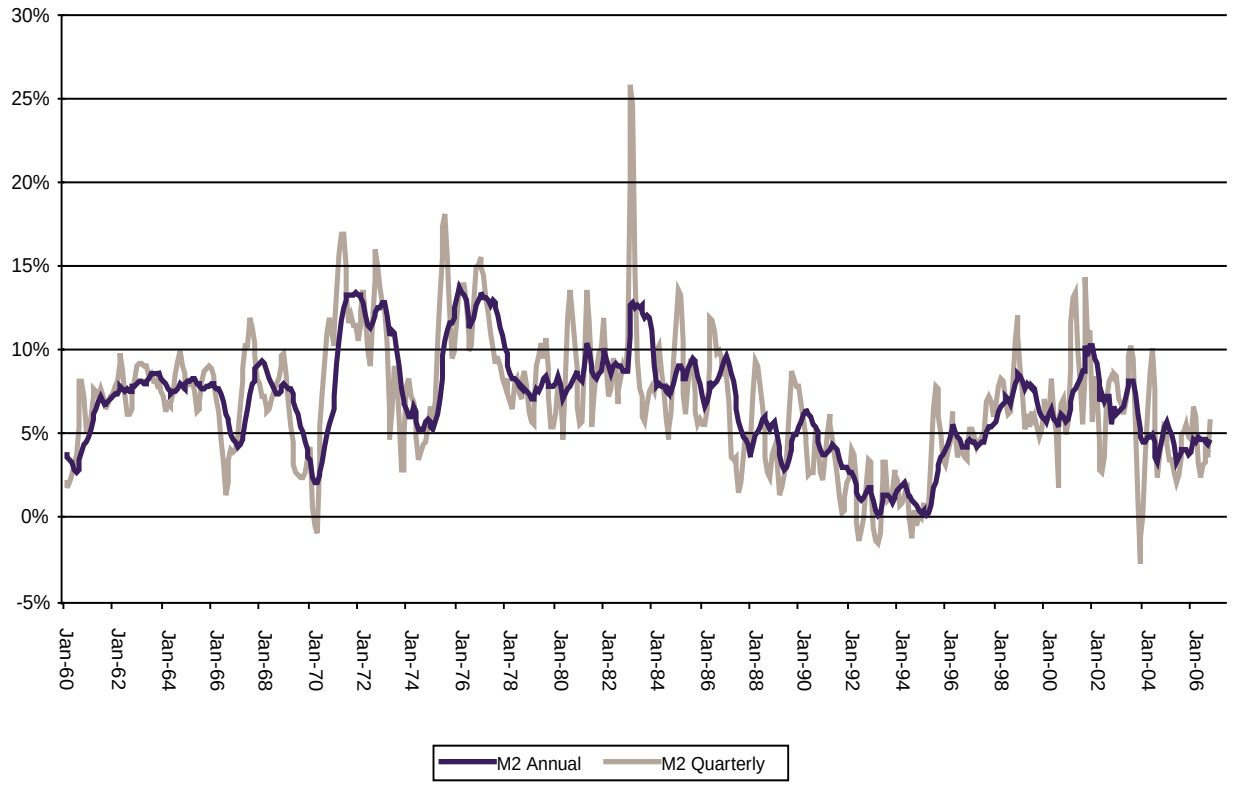
Yield Curve

Given the swings in money supply growth by the Fed as it pursues expansionary or contractionary monetary policies, financial observers look for clues as to what course of action the Fed is pursuing. The *yield curve* is one piece of information that is readily available and reflects whether the Fed is pursuing policies to expand or contract the money supply. The yield curve is a graph of interest-rate yields on short-term in comparison to longer term government bonds at a given time. It is published in the *Wall Street Journal* daily. To begin to understand the yield curve, consider Figure B. It graphs interest rate "yields" for two-year and 20-year government bonds over time. Note that there are many periods when the two-year bond is yielding an interest rate much lower than the 20-year bond. At such times, the yield curve is said to be "steep." However, there are times when the short-term bond has an equal or even a higher yield than the 20-year bond. During such times, the yield curve is said to be "flat" or "inverted."

Generally one would expect the yield curve, that is, the relationship in interest earnings on short-term instruments with longer-term bonds at a given time, to be positively sloped. There is substantial capital risk to holding longer-term bonds. If interest rates were to surge, owing, say, to increased inflationary expectations, long-term bond holders would be subject to sizable capital losses. The value of their bond portfolios would shrink dramatically. Short-duration bonds carry much less risk because one doesn't have to wait very long for the bonds to mature, which can then be reinvested at higher interest rate.

Figure A

Percentage Change in M2 Money Supply
Year-over-Year and Annualized Quarterly Growth Rates



So, why would the yield curve ever become inverted? The answer follows from recognition of a couple of financial facts. First, short-term bonds are "near monies." That is, these bonds can be converted to cash with little passage of time. Three-month treasury bills are an example. There is little capital risk in such a short-term instrument, because they mature so quickly. Second, we recognize that the Fed has dominion over the money supply. Third, we note that when the Fed enters a tightening-of-credit phase, it restricts money supply growth in order to raise interest rates. What bonds are more susceptible to such credit restrictions? The near-monies, or short-term bonds. Furthermore, if the investing public sees the Fed as being vigilant on inflation, long-bond rates may even fall.

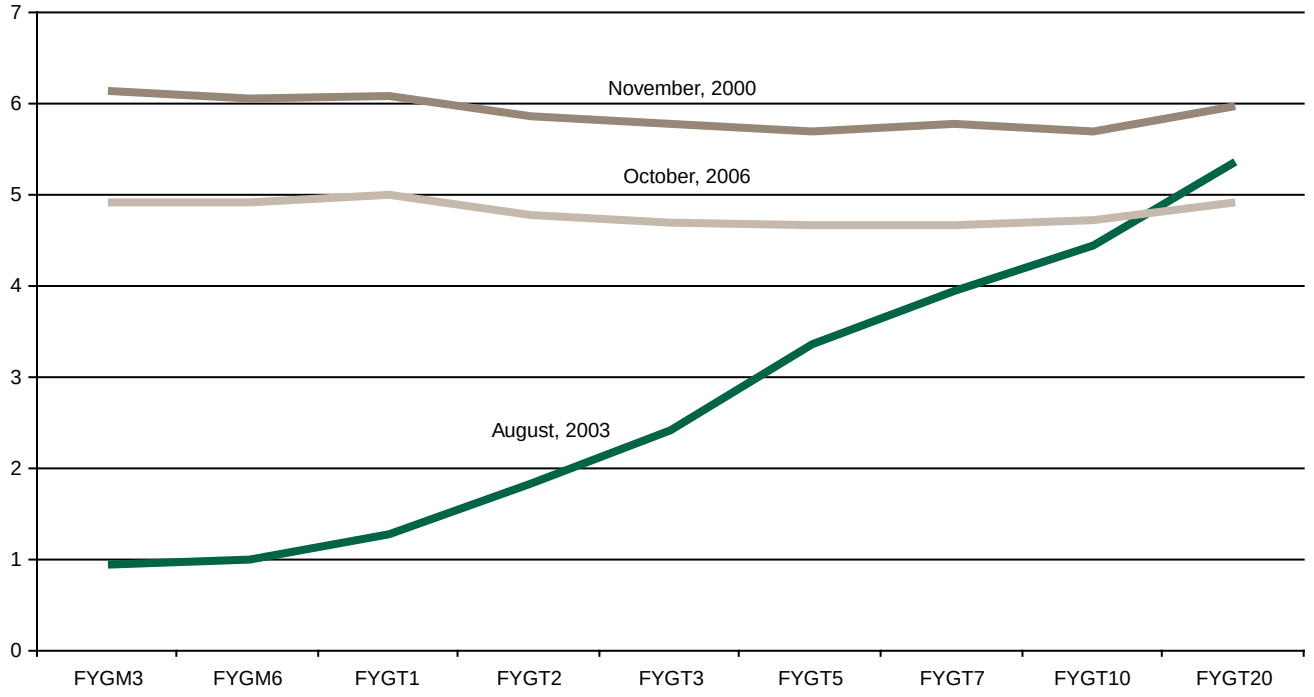
Money is, in effect, a zero-maturity bond. When the money supply is made scarce, the price of money, the interest rate, goes up and near monies (short-term bonds) are impacted more than far-monies (long-term bonds). During times of credit contraction, times when the Fed is pressuring financial markets, the price of money in the short term can exceed yields on long-term instruments. Thus, the structure of the yield curve provides evidence of the pressure that the Fed is exerting on financial markets.

Looking back in time at the behavior of two-year versus 20-year bond yields, it is not surprising to find a flat or inverted yield curve prior to every US recession since 1960. On the flip side, high differentials between short- and long-term yields are indicative of periods when the Fed was pursuing expansionary monetary policy. Generally these periods occur after recessions.

Figure C shows the yields on federal government bonds of varying maturities for three time periods: November 2000, August 2003, and October 2006. Note that the yield curve, just prior to onset of the 2006 recession, was inverted. Once it became obvious that the economy was in recession, the Fed took steps to expand credit availability, greatly reducing interest rates and producing the widest differential between short- and long-term rates that we have seen in modern times. In August 2003, this differential was at its most pronounced level. The Fed came to the rescue once again, but its pursuit of low interest rates may have ignited a housing bubble. With energy price advances and a very vibrant housing market that was in some US locations beginning to exhibit bubble behavior, the Fed sought to tighten credit substantially, producing the yield curve we have today, which is somewhat inverted.

Figure C

Term-Structure or Yield-Curve for Government Bonds
Selected Time Periods



It is fair to say that the yield curve today is consistent with past periods that eventually led to a recession. Dr. Campbell Harvey[1] and now the New York Fed[2] have done studies to predict the probability of a recession based on the yield curve. The difference between the three-month bill rate and the 10 year bond rate was used in the Fed study as an indictor of a recession's likelihood four quarters ahead. With the differential today of about -0.20 in the spread, the probability of a recession beginning in the next four quarters is only about 30 percent. Still the authors of the Fed study point to changes that may make a recession more likely even with such a small differential. Thus, Professor Roubini receives some support for his belief that a recession will occur in 2007.

Housing Market

One of Professor Roubini's major concerns is that the housing market will go bust. There are many reasons to agree with a statement that the housing market is, indeed, in trouble. The market is certainly displaying evidence of bubble-like behavior, principally in the northeast, middle Atlantic, and Pacific regions of the country. Prices nationally are up six-times since 1975, while the overall GDP implicit price deflator measure of inflation is up only three times. Price advances took on a look of a "speculative blowoff" in 2005. Building activity has been pronounced, housing prices have doubled in many regions since 1997 to astronomical levels. The average selling price for a house in San Francisco is over $800,000 and while housing is six-times more expensive on average nationally, houses in California are 15 times higher.

If this is a bubble in housing prices, it can be laid largely at the foot of the Fed. There are other reasons for the advance in housing prices, certainly, including financial innovation that has allowed the pooling of mortgages to reduce financial risk, government support of the industry, and the American dream of home ownership. Principally, however, this "blow-off" stage is the product of Federal Reserve expansionary policies in the wake of the stock market meltdown that occurred in 2000 and the subsequent recession. The Fed kept interest rates too low for too long, stimulating home purchases, and, in some regions, rolling over the stock market difficulties to the housing market.

If this is a bubble, we have certainly entered a new stage as witnessed by a dramatic turnaround in building activity, as seen in Figure D. This graphic displays national building permits for single-family residences. Note first that building permits hit historically high levels in the build-up since the recession of 1990-91 to 1.8 million units per year. Since February 2006, however, there has been a dramatic one-third reduction in permits to 1.2 million units per year. The median price of houses sold has over the same period fallen from $251,000 to $217,000, about 14 percent. Yet at 1.2 million units, the level of building permits is still comparatively high. Activity levels could well have further to fall. But, if building activity can stabilize at recent levels, the market can still be considered somewhat vibrant.

It is important to note that if the housing markets are ultimately indicated to have been in "bubble land," this bubble is certainly regional in character. For example, prices in the west south central Census division (consisting of Arkansas, Louisiana, Oklahoma, and Texas) are up only at the national rate of inflation since 1980, about doubling in price. Prices in the northeast and Pacific regions of the US are up six-fold. Nationally, prices are up four-fold since 1980. Thus, if it is a bubble, it is certainly regional in character, as detailed in the previous edition of the *Oklahoma Business Bulletin*.

Price College Indicators

Figure E reports the current status of the Price College Indicators, a composite series of leading indicators compiled at the Center for Economic and Management Research. The present status of the indicators is neutral. A neutral reading is a favorable reading in that the indicator reflects cyclical behavior of the US economy. Cyclical readings of neutrality mean that the secular trend is still in effect. The secular trend rate of growth in employment in the US economy is about 1.8 percent since 1967. Thus, in terms of employment growth, the economy remains on-track at historic growth rates, but there has certainly been a lack of robust growth in employment that typically occurs after a recession. The economy is still expanding at a reasonable rate. Solace can be taken in the fact that the Price College Indicators averages a lead time of about eight months in its predictions of cyclical surges or contractions. In addition, several variables included in the indicator series relate to the housing market. Thus, the evidence from the indicators is not seen as in support of a recession beginning in the first one-half of the year 2007.

Oklahoma Implications

Professor Roubini may well prove to be correct in his view that a recession is likely in the year 2007. The yield curve is certainly providing evidence for concern. The housing market, which has certainly been a large contributor to national economic growth since the recession

Figure D

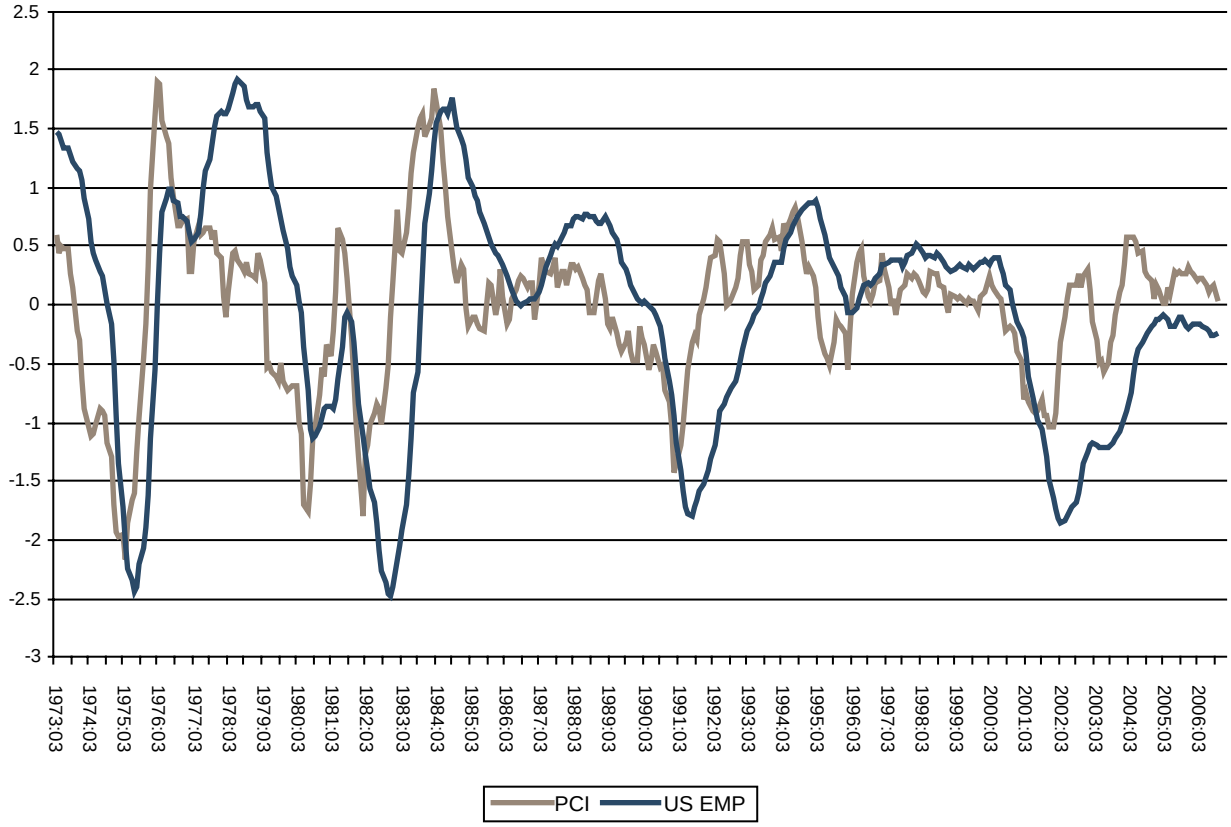
US Housing Starts of Single Unit Private Structures
1967 - Present in Thousands, SAAR

of 2001, appears to be receding at a rapid pace. This market will be closely monitored for signs of an even more significant slowdown than has already been observed. At 1.2 million units, the pace of new single-family construction remains fairly high in comparison to historic norms. In the longer run, new problems may surface if those relatively new to homeownership face financial difficulties when adjustable rate mortgages reset. Financial innovation has enabled many who previously did not qualify for home loans to be eligible in recent years in what are referred to as "subprime loans." Many new buyers in potentially bubble regions of the country could ultimately be in trouble. Delinquency rates are now up and home foreclosures are reaching high rates of increase relative to previous year levels. But, for the most part, these levels appear to be manageable, if they don't worsen appreciably.

The "Goldilocks'" scenario remains in effect for the time being. The Fed has held interest rates constant since August and appears to be wedded to this course for the time being. The stock market has reached new highs and there is hope that the current rally will continue. Recent money supply growth rates indicate that the Fed is moving off of its restrictive stance. The price of oil is well below its high of $78 per barrel at about $63 and gasoline prices are the pump are a full one dollar lower than the peak. Thus, despite the current flatness of the yield curve, there are indications that the Fed is taking a more relaxed stance toward the possibility of accelerating inflation, which is what it fears most. The Fed is taking a "data driven" approach to policy, equivalent in my view to "driving while looking through the rearview mirror." Nevertheless, the Fed is playing a waiting game with respect to future policy. Any evidence of a continuing weakening of inflationary pressures will lead the Fed to continue its relaxed stance. Such a weakening is likely to continue to unfold.

Figure E

Price College Indicator for National Employment



The implications for the Oklahoma economy of these national economic trends are favorable. My own research shows that the Oklahoma economy, save for the energy boom period, grows in tandem with the national economy.[3] Currently, of course, the state is benefiting from higher energy prices and expansion of its energy extraction industry. Natural gas prices are beginning to recover from recent lows. This provides an added boost to an economy that in many respects resembles the national economy in its industrial and occupational composition. A recent statistic of welcome report is that Oklahoma has advanced to an 85 percent ratio of state per capita personal income in relation to the nation from the 80-81 percent level.

While the national economy will continue in what has been called its "muddle-through" state, Oklahoma can be expected to do as well to slightly better. Given the blows that Oklahoma has suffered along with the nation in manufacturing, especially automobiles, the economy is Oklahoma is doing quite well, indeed. Forecasts for the coming year will be provided in press releases in December.

Footnotes

[1]C. R. Harvey, "Forecasts of Economic Growth from the Bond and Stock Markets," *Financial Analysts Journal*, 45 (5), 38-45, 1989.

[2]Marcelle Chauvet and Simon Potter, Forecasting Recessions Using the Yield Curve, New York Federal Reserve Bank report available at http://www.newyorkfed.org/research/staff_reports/sr134.pdf, 2001

[3]Robert C. Dauffenbach, "As the Nation Grows, So Does Oklahoma: Evidence from the 1939-2004 Employment Data," *State Policy and Economic Development in Oklahoma: 2005*, pp. 1- 27, Oklahoma 21st Century, The State Chamber of Commerce, 2005.

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A Primer on Funding Public Education in Oklahoma

Larkin Warner

In the fiscal year ending June 30, 2004, the total direct expenditures on all functions of state and local government in Oklahoma was $20.8 billion; one-third of that amount ($6.9 billion) was for education. The following remarks are aimed at providing a brief overview of how the three main systems of government education services are funded in Oklahoma. The three systems are elementary and secondary schools, career and technical education, and higher education.[1]

Education is not only the dominant single activity of state and local government; it is also the key determinant of the economic well-being of Oklahoma's population. Before taking a brief look at funding the three systems, we will remind ourselves of the critical relationship between educational attainment and incomes.

Education and Income Once More

Readers with teenagers should attach Table 1 to their refrigerator doors so that children will be reminded constantly of the importance of their academic work and their academic aspirations. The higher the level of educational attainment, the higher the income. At its most fundamental level, education involves *investment in human capital.* Note, for example, that in 2005 at the national level, for every dollar a male high school graduate earned, a man with less than a 9th grade education earned 62 cents, and a man with a bachelor's degree earned $1.65. The same striking returns to education apply to women as well—but at a somewhat lower schedule.

By now, all are familiar with what might be called "The Oklahoma Problem"—that is the problem of the state's relatively low levels of income compared with the nation as a whole. The Census Bureau's American Community Survey reports that Oklahoma's 1995 median family income was $45,990 or 82.4 percent of the national median of $55,832. But our low income problem is also a low educational attainment problem. In 2005 it would have taken 108 thousand more Oklahomans 25 years old and over with bachelor's degrees or above in order for the state to have the same share with that high-end achievement as is observed nationally.

Funding Public Education

When we turn to how we fund public education in Oklahoma, we are struck immediately with the tremendous difference in how the state finances the three major components of the system—though all three are fundamentally investing in human capital.[2]

Elementary and Secondary Education—Here are the basics of how Oklahoma finances elementary and secondary education for the fiscal year ending June 30, 2005 (FY05):

Total General Revenue (GR): $3.6 billion; 627,000 students, 56,536 certified staff; 540 school districts (429 with high schools)

Sources of GR funds:	Local	23%
	State	64%
	Federal	13%
		100%

Other revenues (not GR) worthy of note: child nutrition (school lunch): $179 million; athletics: $31 million; activities, $101 million. Perhaps another $84 million at the Oklahoma State Department of Education, with 341 FTE (full-time equivalent) employees.

Current expenditures per enrolled student, estimated for FY05 ($6,269) was 73% of U.S. average. Eighty-one percent of total expenditures are for salaries and employee benefits.

Table 1

Median Money Earnings by Educational Attainment
U.S., 2005[a]

Educational Attainment	Median Earnings Female (dollars)	Median Earnings Male (dollars)	Index with High School = $1.00, Female	Index with High School = $1.00, Male
Total	33,075	43,317	1.26	1.19
Less than 9th grade	16,142	22,330	0.61	0.62
9th to 12th grade, nongraduate	20,125	27,189	0.77	0.75
High school graduate including GED	26,289	36,302	1.00	1.00
Some college, no degree	31,399	42,418	1.19	1.17
Associate degree	33,939	47,180	1.29	1.30
Bachelor's degree	42,172	60,020	1.60	1.65
Master's degree	51,412	75,025	1.96	2.07
Doctorate	66,852	85,864	2.54	2.37
Professional degree	80,458	100,000	3.06	2.75

[a]Applies to full-time, year-round workers; half are above and half below the median

Source: U.S. Census Bureau, CPS Annual Demographic Survey, March Supplement

The elementary and secondary—or common school—system is funded largely by state government through appropriations and earmarked revenues flowing to local school districts. The state accounts for two-thirds of the schools' general revenue—with local sources accounting for 23 percent and federal programs 13 percent. One of the benefits of this heavy role for state funding is that the state uses a foundation aid formula to equalize educational opportunity across all districts—both rich and poor in terms of property tax valuation per student.

Knowing how much Oklahomans hate the property tax, our common education leaders have turned time after time again to state government to increase their funding. Thus the state's share of funding has increased over time. This trend may reverse. Given the chronically tight budgets evolving at the federal and state levels, in the future, our schools are likely to find it necessary to increase the share of local support if they need more resources in order to improve quality. Oklahoma is already seeing local jurisdictions turning to the municipal sales tax to help finance schools—as with Oklahoma City's MAPS for Kids initiative and a recently proposed general purpose tax in Lawton.

There are many new pressures being placed on our schools by the federal No Child Left Behind Act and by the state's partial administration of that act. The state is faced with the anomaly of greater federal control with pressures for greater local financing. Local school administrators complain—with some justification—of unfunded mandates placed on their operations by federal and state governments.

Career and Technology Education—Here is a brief summary of funding for Oklahoma's system of Career and Technical Education—again for the fiscal year ending June 30, 2005:

> Total income $413 million; enrollments 152,000 secondary students; 373,000 postsecondary ; 29 technology center districts with 54 campuses; 398 high school districts; 22 skill centers for inmates, juvenile offenders; 2,553 teachers.
>
> | | | |
> |---|---|---|
> | Sources of funds: | Local | 63% |
> | | State | 30% |
> | | Federal | 6% |
> | | Other | 1% |
> | | | 100% |
>
> Outlays of perhaps $29 million at the State Career-Tech Department, with 346 FTE employees

The state government's role in financing the Career-Tech system is very different from that of common education—accounting for only about one-third of revenues. This branch of Oklahoma's education system is funded primarily from local sources—including local property taxes. It is interesting to note that the Oklahoma Constitution places firm limits on property tax rates as they apply to elementary and secondary education, but effectively makes the rates charged by Career-Tech a legislative matter.

The Career-Tech system is highly decentralized with a great deal of autonomy at the local district level. That is what might be expected, given the importance of local funding of the technology center districts.

Higher Education—In recent years, the structure of funding elementary and secondary and career-tech education in Oklahoma has remained relatively stable.[3] Higher education presents quite a different picture. Here are basics on higher education finance applicable to the fiscal year ending June 30, 2004:

Annual enrollment: 238,000; 32 thousand FTE faculty and staff (2003); 25 institutions and nine constituent agencies, e.g. OU Health Sciences Center, Law School, OSU Ag. Experiment Station.

Expenditures for whole state higher ed. system in FY04: $2.6 billion allocated as follows:

Educational and General (teaching students, etc.)	50.1%
Sponsored research	14.3%
Student aid	7.7%
Auxiliary enterprises (bookstores, teams, etc.)	14.9%
Hospitals & teaching clinics	13.0%
	100.0%

Revenues to fund Educational and General operations:

	FY93	FY04
Student fees	20.3%	34.0%
State appropriations	69.8%	52.1%
Gifts and grants	3.9%	5.7%
Other	6.0%	8.2%
	100.0%	100.0%

Perhaps another $55 million at the Oklahoma State Regents for Higher Education and the Regents for Oklahoma Colleges with 298 FTE employees. OU Foundation Assets, June 30, 2006: $735 million; OSU Foundation assets, June 30 2005: $320 million.

Funding higher education presents a much different picture than for the other two major education sectors. First of all, what goes on in higher education is quite diverse. The data above report how the total expenditures of the system are allocated across teaching, research, student aid, auxiliary enterprises, and hospitals and teaching clinics. Public school districts tend to be fairly homogeneous as they perform state mandated curriculum activities. And while there is greater variation in program mix across districts, the same basic activities are going on at the state's technology centers. However, for example, the activities going on at the University of Oklahoma's Health Sciences Center in Oklahoma City are vastly different from what goes on at Murray State College in Tishomingo," a rural state two-year college.

The big changes that have occurred in higher education finance in recent years apply to what is technically referred to as the "Educational and General" (or E&G) budget—a concept not unlike the General Fund of the common schools.

User charges in the form of tuition and other student fees are more important to higher education than is the case with the common schools and Career-Tech. And they are becoming dramatically more important. The data above indicate that in the fiscal year ending June 30, 1993, student fees accounted for 20.3 percent of E&G revenues. Eleven years later, the students' share of costs had risen to 34.0 percent—and it will be even higher in FY05.

This greater reliance on student charges is going on all over the nation. Some state universities are becoming increasingly similar in funding sources to private institutions of higher education. The *Wall Street Journal* reported recently (Nov. 10, 2006) that the University of Oklahoma's private endowment is over $960 million.

Speaking of endowments, here's a thought. As will be discussed below, the FY07 higher education appropriation by the Oklahoma state legislature was a little over $1 billion. Assuming a 5 percent return, it would have taken an endowment for the state's entire system of higher education of $20 billion to throw off that much money. At $22 billion in '04, Harvard's endowment was a tad bigger than that.

Legislative Appropriations—It is now obvious that Oklahoma's public education systems rely on a variety of funding sources. However, the level of annual legislative appropriations remains critically important to each of the three systems (Table 2). Oklahomans are used to their state educational leadership arguing for increased appropriations each year. That is as it should be—they have to be effective cheer leaders. However, when pressured for more education appropriations, a member of the legislature might point out that 53 percent of appropriations is already going to common schools, career-tech, and higher education. And the member might point out that, over the past decade or so, appropriations have grown at a substantially greater rate than the overall rate of inflation.

Table 2

Education Appropriations
Oklahoma
Fiscal Year Ending June 30, 2007

	FY 2007 ($ millions)	Percent of Total FY2007	Percent Change FY06-07	Percent Change FY97-FY07
Oklahoma Department of Education	2,348	35.4	6.0	53.1
Oklahoma State Regents for Higher Education	1,019	15.3	14.0	60.2
Oklahoma Department of Career and Technical Education	147	2.2	11.8	53.1
All other agencies	3,124	47.1	7.2	65.8
Total appropriations	6,638	100.0	7.8	60.0

Source: Oklahoma Office of State Finance

A Management Challenge for Public Education

A final note of concern. Oklahoma really does have three *separate* public education systems. There are important instances of cooperation—as with technology centers and high schools, technology centers and two-year colleges, and with higher education programs reaching into the common schools. But the state really does not have a seamless system. The massive amount of resources absorbed by public education begs for a better way to manage the entire enterprise. Perhaps there should be a super coordinating unit which could emphasize statewide interests and trump the specialized interests of the three educational systems. Such a unit could also require *combined* accountability from the three systems.

Endnotes:

[1]Other state agencies classified in the education function but not included in this briefing are the following:

State Arts Council
Oklahoma Educational Television Authority
Commission for Teacher Preparation
Commissioners of the Land Office
Department of Libraries
Board of Private Vocational Schools
Physician Manpower Training Commission
Oklahoma Center for the Advancement of Science and Technology
Oklahoma School of Science and Mathematics

[2]Expenditure data for Elementary and Secondary and Higher Education apply mainly to current operations; for Career-Tech capital costs are included.

[3]The state lottery approved in 2004 represents a change in the structure of Oklahoma education finance. However, it is not of major significance. It appears to be generating around $65-70 million per year—an amount equal to a little more than 1 percent of the combined outlays of the three big education systems. Revenues from new Indian gaming policies have not yet proved to be a significant source for education funding.

Sources

National Education Association, *Rankings & Estimates*, June 2005 www.nea.org.

Oklahoma Department of Career and Technology Education, *Your Future, 2005 Annual Report.* "Oklahoma State Agency Appropriations" (FY'02 through FY'07), <www.OKBUDGETALLIANCE.org>

Oklahoma Office of State Finance, "Comparison of Appropriations by Cabinet and Agency;" *FY 2005 Executive Budget, Historical Data,* Schedule III.

Oklahoma State Department of Education, *2004-2005 Annual Report,* March 2006; "OCAS School District Revenue Report, 2005."

Oklahoma State Regents for Higher Education, *Current Operating Income and Expenditures, Oklahoma State Colleges and Universities*; *Student Data Report,* http://www.okhighered.org.

OU and OSU Foundation web sites.

U.S. Census Bureau, *State and Local Government Finances*, http://www.census.gov/govs.

U.S. Department of Education, Office of Educational Research and Improvement, *Digest of Educational Statistics,* http://nces.ed.gov/edstats.

Larkin Warner, Regents Professor Emeritus, Oklahoma State University, Stillwater, Oklahoma.

SELECTED INDICATORS FOR OKLAHOMA

	4th Qtr '05	3rd Qtr '05	4th Qtr '04	Percentage Change '05/'04 4th Qtr	Percentage Change 4th Qtr '05 3rd Qtr '05
Crude Oil Production (000 bbl)[a]	17,201	16,198	17,452	-1.4	6.2
Natural Gas Production (000 mcf)[a]	415,757	398,393	425,719	-2.3	4.4
Rig Count	153	154	154	-0.6	-0.6
Intial Unemployment Claims	NA	NA	NA	—	—
Permit-Authorized Construction					
Residential Single Family					
Dollar Value ($000)	523,897	600,928	441,199	18.7	-12.8
Number of Units	3,324	3,897	3,026	9.8	-14.7
Residential-Multi Family					
Dollar Value ($000)	47,299	29,613	44,491	6.3	59.7
Number of Units	681	525	853	-20.2	29.7
Total Construction ($000)	571,196	630,541	485,690	17.6	-9.4
Employment					
Total Labor Force (000)[c]	1,758.7	1,748.8	1,728.0	1.8	0.6
Total Employment (000)	1,688.8	1,676.1	1,648.3	2.5	0.8
Unemployment Rate (%)	4.0	4.1	4.6	—	—
Wage and Salary Employment (000)	1,536.6	1,511.7	1,498.5	2.5	1.6
Manufacturing	146,500	145,933	143,800	1.9	0.4
Mining	37,467	36,567	33,933	10.4	2.5
Government	319,800	301,500	311,967	2.5	6.1
Construction	66,600	67,600	63,600	4.7	-1.5
Retail Trade	175,400	169,367	170,700	2.8	3.6
Average Weekly Hours (Per Worker)					
Manufacturing	39.9	40.0	41.1	-2.9	-0.3
Average Weekly Earnings ($ Per Worker)					
Manufacturing	585.46	587.09	593.77	-1.4	-0.3

Note: Includes revisions in some previous months.
[a]Figures are for 4th Qtr 2005 and 3rd Qtr 2004.
[b]Sales of larger private owned utility companies.
[c]Labor Force refer to place of residence, non-agricultural wage and salary employment refers to place of work.

OKLAHOMA GENERAL BUSINESS INDEX

	Preliminary Forecast Dec '05	Dec '04	Dec '03	Percentage Change '05/'04 Dec	'05/'03 Dec
State	138.6	135.5	131.5	2.3	5.4
Oklahoma City MSA	143.2	138.9	134.4	3.1	6.5
Tulsa MSA	140.8	137.3	133.4	2.5	5.5

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE ($ Seasonally Adjusted)

				Percentage Change	
	4th Qtr '05	3rd Qtr '05	4th Qtr '04	'05/'04 4th Qtr	4th Qtr '05 3rd Qtr '05
OKLAHOMA CITY MSA					
Durable Goods	716,831,843	687,305,606	658,054,633	8.9	4.3
Lumber, Building Materials and Hardware	275,497,865	258,961,987	233,705,473	17.9	6.4
Auto Accessories and Repair	96,648,303	94,133,767	94,936,058	1.8	2.7
Furniture	87,221,826	87,151,363	81,713,449	6.7	0.1
Computer, Electronics and Music Stores	93,554,666	84,096,583	89,391,611	4.7	11.2
Miscellaneous Durables	146,364,067	146,042,177	140,997,797	3.8	0.2
Used Merchandise	17,545,117	16,919,729	17,310,245	1.4	3.7
Nondurable Goods	1,928,300,994	1,859,749,312	1,761,321,705	9.5	3.7
General Merchandise	670,836,739	633,297,573	616,530,456	8.8	5.9
Food Stores	237,620,549	233,478,128	266,790,877	-10.9	1.8
Apparel	112,240,544	112,092,601	108,153,350	3.8	0.1
Eating and Drinking Places	420,027,417	407,067,624	377,867,004	11.2	3.2
Drug Stores	41,581,754	39,642,788	39,701,289	4.7	4.9
Liquor Stores	25,190,878	24,848,860	23,140,795	8.9	1.4
Miscellaneous Nondurables	106,533,672	90,753,640	92,367,426	15.3	17.4
Gasoline	314,269,442	318,568,097	236,770,507	32.7	-1.3
Total Retail Trade	2,645,132,838	2,547,054,918	2,419,376,338	9.3	3.9
TULSA MSA					
Durable Goods	498,889,800	478,287,816	441,329,510	13.0	4.3
Lumber, Building Materials and Hardware	174,024,625	164,742,614	143,131,841	21.6	5.6
Auto Accessories and Repair	60,521,891	61,216,105	60,418,648	0.2	-1.1
Furniture	57,516,336	56,590,979	53,538,583	7.4	1.6
Computer, Electronics and Music Stores	87,623,918	77,362,142	77,390,793	13.2	13.3
Miscellaneous Durables	104,984,385	102,815,645	91,424,732	14.8	2.1
Used Merchandise	14,218,645	15,560,331	15,424,913	-7.8	-8.6
Nondurable Goods	1,443,994,154	1,406,502,645	1,324,562,271	9.0	2.7
General Merchandise	454,121,681	434,519,362	429,294,085	5.8	4.5
Food Stores	200,925,240	198,110,632	218,229,550	-7.9	1.4
Apparel	84,065,042	81,823,411	79,211,531	6.1	2.7
Eating and Drinking Places	271,320,070	260,580,554	249,284,504	8.8	4.1
Drug Stores	32,814,440	32,067,351	33,146,370	-1.0	2.3
Liquor Stores	21,213,493	20,535,072	19,129,283	10.9	3.3
Miscellaneous Nondurables	80,736,500	77,276,207	78,351,362	3.0	4.5
Gasoline	298,797,689	301,590,057	217,915,585	37.1	-0.9
Total Retail Trade	1,942,883,954	1,884,790,461	1,765,891,781	10.0	3.1
LAWTON MSA					
Durable Goods	47,201,120	42,762,445	41,702,389	13.2	10.4
Lumber, Building Materials and Hardware	21,615,682	19,207,075	16,950,394	27.5	12.5
Auto Accessories and Repair	6,489,122	6,610,665	6,752,131	-3.9	-1.8
Furniture	4,832,182	3,974,947	3,516,453	37.4	21.6
Computer, Electronics and Music Stores	4,557,222	3,590,593	4,829,482	-5.6	26.9
Miscellaneous Durables	8,083,836	7,972,065	8,062,370	0.3	1.4
Used Merchandise	1,623,077	1,407,101	1,591,558	2.0	15.3

ADJUSTED RETAIL TRADE FOR METRO AREAS AND STATE ($ Seasonally Adjusted)

	4th Qtr '05	3rd Qtr '05	4th Qtr '04	Percentage Change '05/'04 4th Qtr	Percentage Change 4th Qtr '05 3rd Qtr '05
LAWTON MSA					
Nondurable Goods	160,789,219	155,637,299	151,041,310	6.5	3.3
General Merchandise	73,054,830	69,755,946	69,255,856	5.5	4.7
Food Stores	14,665,215	14,500,399	17,413,208	-15.8	1.1
Apparel	9,588,387	9,190,659	8,695,564	10.3	4.3
Eating and Drinking Places	29,603,245	29,584,664	28,518,527	3.8	0.1
Drug Stores	2,161,636	2,232,732	2,231,143	-3.1	-3.2
Liquor Stores	1,593,792	1,518,680	1,055,251	51.0	4.9
Miscellaneous Nondurables	7,375,399	5,720,876	6,265,521	17.7	28.9
Gasoline	22,746,715	23,133,343	17,606,239	29.2	-1.7
Total Retail Trade	209,935,429	199,372,289	192,743,699	8.9	5.3
ENID MICROSA					
Durable Goods	31,645,456	29,311,851	29,299,062	8.0	8.0
Lumber, Building Materials and Hardware	12,581,135	11,958,802	11,346,677	10.9	5.2
Auto Accessories and Repair	5,453,360	5,291,604	5,537,117	-1.5	3.1
Furniture	2,696,594	2,584,626	2,335,265	15.5	4.3
Computer, Electronics and Music Stores	4,457,068	3,256,729	3,799,372	17.3	36.9
Miscellaneous Durables	5,525,383	5,524,364	5,352,093	3.2	0.0
Used Merchandise	931,915	695,725	928,538	0.4	33.9
Nondurable Goods	100,314,882	97,540,626	93,729,719	7.0	2.8
General Merchandise	36,352,901	34,404,690	34,417,854	5.6	5.7
Food Stores	15,550,510	15,410,469	17,842,596	-12.8	0.9
Apparel	4,297,900	3,974,568	3,785,051	13.5	8.1
Eating and Drinking Places	17,328,607	16,764,384	15,292,965	13.3	3.4
Drug Stores	2,763,668	2,857,072	3,012,828	-8.3	-3.3
Liquor Stores	813,708	841,869	879,013	-7.4	-3.3
Miscellaneous Nondurables	4,874,485	4,610,772	4,294,764	13.5	5.7
Gasoline	18,333,103	18,676,803	14,204,649	29.1	-1.8
Total Retail Trade	131,960,338	126,852,477	123,028,782	7.3	4.0
OKLAHOMA					
Durable Goods	1,877,894,059	1,723,261,319	1,706,763,775	10.0	9.0
Lumber, Building Materials and Hardware	728,404,298	682,450,868	617,326,283	18.0	6.7
Auto Accessories and Repair	267,133,068	267,075,893	267,205,854	0.0	0.0
Furniture	204,989,132	199,375,623	188,210,239	8.9	2.8
Computer, Electronics and Music Stores	296,957,023	212,690,243	259,068,087	14.6	39.6
Miscellaneous Durables	329,279,968	317,648,967	323,737,536	1.7	3.7
Used Merchandise	51,130,570	44,019,726	51,215,775	-0.2	16.2
Nondurable Goods	5,481,022,350	5,400,859,236	5,074,196,489	8.0	1.5
General Merchandise	1,805,864,210	1,817,006,488	1,746,542,145	3.4	-0.6
Food Stores	787,437,261	787,246,019	885,876,250	-11.1	0.0
Apparel	264,543,439	262,806,407	251,189,334	5.3	0.7
Eating and Drinking Places	1,026,632,680	1,000,550,879	924,653,849	11.0	2.6
Drug Stores	106,705,653	99,482,359	91,561,961	16.5	7.3
Liquor Stores	56,576,253	56,535,245	55,160,492	2.6	0.1
Miscellaneous Nondurables	312,934,032	237,852,980	252,062,154	24.1	31.6
Gasoline	1,120,328,822	1,139,378,859	867,150,304	29.2	-1.7
Total Retail Trade	7,358,916,409	7,124,120,555	6,780,960,263	8.5	3.3

ADJUSTED RETAIL TRADE FOR SELECTED CITIES ($ Seasonally Adjusted)

				Percentage Change	
	4th Qtr '05	3rd Qtr '05	4th Qtr '04	'05/'04 4th Qtr	4th Qtr '05 3rd Qtr '05
Ada	66,323,474	66,585,232	60,487,185	9.6	-0.4
Altus	46,555,713	45,903,086	45,285,884	2.8	1.4
Alva	14,829,026	14,690,705	13,989,595	6.0	0.9
Anadarko	16,448,565	16,574,921	15,765,754	4.3	-0.8
Ardmore	88,943,073	88,754,481	82,840,643	7.4	0.2
Bartlesville	101,429,866	101,830,756	98,422,490	3.1	-0.4
Blackwell	14,781,683	14,628,948	13,414,020	10.2	1.0
Broken Arrow	178,686,496	169,009,655	152,568,702	17.1	5.7
Chickasha	37,732,166	38,033,373	36,920,857	2.2	-0.8
Clinton	20,978,878	20,759,563	19,421,957	8.0	1.1
Cushing	19,002,113	19,184,146	17,784,160	6.8	-0.9
Del City	26,347,597	25,245,572	25,057,926	5.1	4.4
Duncan	58,290,497	58,308,110	56,372,511	3.4	0.0
Durant	50,098,798	49,409,712	47,837,069	4.7	1.4
Edmond	208,120,153	205,119,682	195,630,689	6.4	1.5
El Reno	31,575,980	30,874,943	28,680,625	10.1	2.3
Elk City	46,580,076	45,919,247	42,445,072	9.7	1.4
Enid	117,529,383	118,486,297	113,590,951	3.5	-0.8
Guthrie	21,812,232	21,869,876	20,842,571	4.7	-0.3
Guymon	30,794,180	29,228,593	26,246,101	17.3	5.4
Henryetta	14,824,714	14,675,177	12,799,877	15.8	1.0
Hobart	6,789,604	6,747,742	6,399,589	6.1	0.6
Holdenville	9,487,906	9,569,087	9,252,704	2.5	-0.8
Hugo	17,416,510	17,553,482	16,792,360	3.7	-0.8
Idabel	19,854,077	19,726,781	19,030,063	4.3	0.6
Lawton	181,828,904	177,823,006	174,585,814	4.1	2.3
McAlester	73,499,030	73,339,067	66,731,728	10.1	0.2
Miami	33,434,816	33,412,447	31,638,336	5.7	0.1
Midwest City	135,833,452	131,140,313	126,848,751	7.1	3.6
Moore	94,722,383	93,624,861	89,611,850	5.7	1.2
Muskogee	116,533,966	115,591,560	112,167,962	3.9	0.8
Norman	266,959,030	267,491,674	254,249,871	5.0	-0.2
Oklahoma City	1,372,887,629	1,354,916,698	1,300,992,519	5.5	1.3
Okmulgee	33,232,759	33,037,224	31,837,393	4.4	0.6
Pauls Valley	21,965,211	21,758,631	20,528,622	7.0	0.9
Pawhuska	7,003,445	6,912,928	6,348,737	10.3	1.3
Ponca City	67,305,791	68,106,008	58,860,900	14.3	-1.2
Poteau	36,356,550	35,504,070	34,373,047	5.8	2.4
Sand Springs	59,977,318	60,160,112	56,547,036	6.1	-0.3
Sapulpa	52,903,657	53,455,030	51,069,721	3.6	-1.0
Seminole	23,892,038	23,634,333	22,685,071	5.3	1.1
Shawnee	99,150,969	97,439,333	94,640,534	4.8	1.8
Stillwater	122,899,047	123,059,754	113,122,072	8.6	-0.1
Tahlequah	60,899,579	60,699,491	57,529,497	5.9	0.3
Tulsa	1,212,174,478	1,194,582,330	1,149,641,080	5.4	1.5
Watonga	5,907,161	5,944,898	5,349,226	10.4	-0.6
Weatherford	28,841,478	29,810,341	28,478,147	1.3	-3.3
Wewoka	3,544,400	3,424,951	3,245,493	9.2	3.5
Woodward	47,580,777	47,704,817	44,686,380	6.5	-0.3
Total Selected Cities	5,424,566,629	5,361,263,044	5,113,649,141	6.1	1.2

SELECTED INDICATORS FOR THE ENID AND LAWTON MSA'S AND MUSKOGEE MA

				Percentage Change	
	4th Qtr '05	3rd Qtr '05	4th Qtr '04	'05/'04 4th Qtr	4th Qtr '05 3rd Qtr '05
ENID MSA					
Employment (Number)					
Labor Force[a]	29,221	28,748	28,506	2.5	1.6
Total Employment	28,244	27,745	27,433	3.0	1.8
Unemployment Rate (%)	3.3	3.5	3.8	--	--
LAWTON MSA					
Employment (Number)					
Labor Force[a]	46,577	46,528	46,953	-0.8	0.1
Total Employment	44,471	44,396	44,746	-0.6	0.2
Unemployment Rate (%)	4.5	4.6	4.7	--	--
Wage and Salary Employment	40,967	40,233	40,933	0.1	1.8
Wholesale and Retail Trade	5,800	5,600	5,833	-0.6	3.6
Manufacturing	3,900	3,900	3,833	1.7	0.0
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value ($000)	4,233	5,140	3,995	6.0	-17.6
Number of Units	33	41	33	0.0	-19.5
Residential-Multi Family					
Dollar Value ($000)	0	0	0	--	--
Number of Units	0	0	0	--	--
Total Construction ($000)	4,233	5,140	3,995	6.0	-17.6
MUSKOGEE MA					
Employment (Number)					
Labor Force[a]	30,081	30,026	29,235	2.9	0.2
Total Employment	28,562	28,381	27,297	4.6	0.6
Unemployment Rate (%)	5.1	5.5	6.6	--	--
Water Transportation					
Port of Muskogee					
Tons In	137,092	180,017	124,841	9.8	-23.8
Tons Out	32,225	36,607	53,239	-39.5	-12.0

Note: Includes revisions.
[a]Civilian Labor Force.
E = Exceeds 600 percent.

SELECTED INDICATORS FOR THE TULSA MSA

	4th Qtr '05	3rd Qtr '05	4th Qtr '04	Percentage Change '05/'04 4th Qtr	Percentage Change 4th Qtr '05 3rd Qtr '05
Employment (Number)					
Labor Force[a]	457,258	457,307	445,402	2.7	0.0
Total Employment	439,571	439,015	424,213	3.6	0.1
Unemployment Rate (%)	3.9	4.0	4.8	--	--
Wage and Salary Employment	419,267	413,467	402,567	4.1	1.4
Manufacturing	47,033	47,100	46,133	2.0	-0.1
Mining	6,733	6,633	5,767	16.8	1.5
Government	53,300	49,867	50,700	5.1	6.9
Wholesale and Retail Trade	63,200	61,100	60,900	3.8	3.4
Average Weekly Earnings Manufacturing ($ Per Worker)	736.92	718.21	692.21	6.5	2.6
Air Transportation					
Passengers Enplaning (Number)	400,062	410,900	369,041	8.4	-2.6
Passengers Deplaning (Number)	398,379	418,230	366,701	8.6	-4.7
Freight (Tons)	13,625	13,495	14,184	-3.9	1.0
Water Transportation					
Tulsa Port of Catoosa					
Tons In	203,930	192,298	254,385	-19.8	6.0
Tons Out	186,352	230,432	284,961	-34.6	-19.1
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value ($000)	178,610	198,076	150,140	19.0	-9.8
Number of Units	1,164	1,330	1,039	12.0	-12.5
Residential-Multi Family					
Dollar Value ($000)	24,428	5,978	5,005	388.1	308.6
Number of Units	319	76	72	343.1	319.7
Total Construction	203,038	204,054	155,145	30.9	-0.5

Note: Includes revisions.
[a]Civilian Labor Force.
E = Exceeds 600 percent.

SELECTED INDICATORS FOR OKLAHOMA CITY MSA

	1st Qtr '05	4th Qtr '04	1st Qtr '04	Percentage Change '05/'04 1st Qtr	Percentage Change 1st Qtr '05 4th Qtr '04
Employment (Number)					
Labor Force[a]	592,146	588,673	584,367	1.3	0.6
Total Employment	569,333	565,224	559,239	1.8	0.7
Unemployment Rate (%)	3.8	4.0	4.3	--	--
Wage and Salary Employment	564,333	554,933	552,133	2.2	1.7
Manufacturing	38,367	39,033	39,533	-2.9	-1.7
Mining	10,000	9,800	8,700	14.9	2.0
Government	114,567	107,533	113,867	0.6	6.5
Wholesale and Retail Trade	86,533	83,233	83,233	4.0	4.0
Average Weekly Earnings Manufacturing ($ Per Worker)	634.39	607.96	565.28	12.2	4.3
Air Transportation					
Passengers Enplaning (Number)	455,334	465,436	430,327	5.8	-2.2
Passengers Deplaning (Number)	448,967	476,879	423,871	5.9	-5.9
Freight Enplaned (Tons)	4,297	4,076	5,114	-16.0	5.4
Freight Deplaned (Tons)	4,944	4,720	6,767	-26.9	4.7
Permit-Authorized Construction					
Residential-Single Family					
Dollar Value ($000)	293,634	354,184	253,907	15.6	-17.1
Number of Units	1,832	2,230	1,689	8.5	-17.8
Residential-Multi Family					
Dollar Value ($000)	10,248	8,981	31,798	-67.8	14.1
Number of Units	163	216	666	-75.5	-24.5
Total Construction ($000)	303,882	363,165	285,705	6.4	-16.3

Note: Includes revisions.
[a]Civilian Labor Force.