Striving higher
The economic benefits of educational attainment

The benefits of higher education for both individuals and society are clearly demonstrated through unemployment rates, earnings potential and general quality of life. Enrollment in Oklahoma’s public colleges and universities is at historic highs, indicating parents and students believe a college education is more important than ever.

To quantify the economic impact of public higher education in Oklahoma, the State Chamber of Commerce Research Foundation, Oklahoma Business Roundtable and Oklahoma Department of Commerce commissioned a study. The report, prepared by the Battelle Technology Partnership Practice and released earlier this year, reveals that Oklahoma’s public higher education system generates more than $9.2 billion in economic impacts in the state and supports more than 85,000 jobs. The study also shows that for every dollar of state appropriations invested in public higher education, $4.72 is returned to Oklahoma’s economy.

More than 90 percent of the new and fastest growing jobs will require higher education, but for many there is a perception that higher education is beyond their financial reach. Students and parents are bombarded with national media stories about the skyrocketing price of a college education.

While most states, including Oklahoma, already use concurrent enrollment to accelerate degree completion and lower costs, states like Florida and Texas have begun marketing limited degree plans that can be completed for a total cost of $10,000. Typically, these programs involve earning significant credit hours either while enrolled in high school or...

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Earnings & Unemployment by Educational Attainment

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Unemployment Rate</th>
<th>Annual Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Diploma</td>
<td>12.4%</td>
<td>$24.5K</td>
</tr>
<tr>
<td>HS only</td>
<td>8.3%</td>
<td>$33.9K</td>
</tr>
<tr>
<td>Some college</td>
<td>7.7%</td>
<td>$37.8K</td>
</tr>
<tr>
<td>Associate’s</td>
<td>6.2%</td>
<td>$40.8K</td>
</tr>
<tr>
<td>Bachelor’s</td>
<td>4.5%</td>
<td>$55.4K</td>
</tr>
<tr>
<td>Master’s</td>
<td>3.6%</td>
<td>$67.6K</td>
</tr>
<tr>
<td>Doctoral</td>
<td>2.5%</td>
<td>$84.4K</td>
</tr>
<tr>
<td>Professional</td>
<td>2.1%</td>
<td>$90.2K</td>
</tr>
</tbody>
</table>

According to the Organization for Economic Cooperation and Development, over the last two decades, the United States has declined in degree completion from first in the world to 16th. Increasing the number of Oklahomans with a college degree is vitally important; studies show the overwhelming majority of states with a high percentage of citizens with a college degree have higher per capita income. That’s not surprising, since the U.S. Bureau of the Census reports that an individual with a bachelor’s degree earns approximately $1.1 million more over a career lifetime than someone with a high school diploma.

Nationally, nearly 30 percent of adults age 25 and older have at least a bachelor’s degree. In Oklahoma, less than 24 percent hold a baccalaureate or higher. To remain competitive in an increasingly global economy, Oklahoma must have the best educated and most productive workforce we can assemble – a goal central to Governor Mary Fallin’s National Governor’s Association initiative America Works, which focuses on education and training for tomorrow’s jobs. Our state system of higher education leads the way by linking academic programs to business needs in vital industries, including health information management, engineering, aerospace and management information systems. Oklahoma’s public institutions are the key provider of postsecondary education, enrolling more than 186,000 students and awarding more than 30,000 degrees annually.

Governor Fallin has identified our Complete College America (CCA) initiative as a top priority. Progress continues to reach Oklahoma’s goal of increasing the number of degrees and certificates earned by 67 percent by 2023. In year one, the number of degrees and certificates earned in Oklahoma increased by 2,945, exceeding the annual goal of 1,700. In FY 2015, the State Regents are requesting an appropriation of $76.3 million to implement CCA initiatives that support critical elements of student success, such as online education technology, advisement and career counseling, financial aid, specialized services for veterans, and financial education.

Oklahoma higher education is on the move. Our state system is recognized by the U.S. Chamber of Commerce as one of the top 10 in the nation in the areas of efficiency and affordability, and students who learn here, earn here. The Oklahoma Employment Security Commission tells us that 87 percent of our graduates live and work in the state one year after graduation. Our public institutions generate more than $620 million in competitive development and research grants. Oklahoma has the eighth-lowest student debt in the nation, and our average student debt is 21 percent below the national average.

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community college before transferring to a four-year institution.

Oklahoma, however, has long been a leader in implementing practical policies to create access and affordability for students. Initiatives range from the highly successful Oklahoma 529 College Savings Plan to higher education’s Complete College America initiative, the Reach Higher degree completion program for working adults, and the Oklahoma’s Promise scholarship program. Oklahoma is recognized nationally as the seventh most affordable higher education system in the country. Even so, the state still faces challenges in producing college graduates. The College Completion report, produced by the Chronicle of Higher Education with support from the Bill & Melinda Gates Foundation, ranked Oklahoma as the ninth-lowest state for college completion, based on degrees completed between 2008 and 2010. Oklahoma’s system of higher education is working to improve this statistic with several initiatives.

Complete College America

Oklahoma is participating in the Complete College America (CCA) initiative, which emphasizes the value of reducing the time to completion of degrees, saving students and parents money and bringing students into the workforce more quickly, where they generate earnings and tax revenue.

CCA programs and services implemented by the state system of higher education encourage better student preparation to avoid remediation, and reform remediation for adult students and first-generation college students to streamline enrollment and degree completion. CCA programs also help ensure students receive proper advisement on fields of study that suit their skills and meet market demand, limiting unnecessary college credit.

Adult degree completion is another important element of Oklahoma’s CCA plan. Oklahoma has an above-average number of citizens with some college but no degree. Without improved educational attainment rates, Oklahoma faces an impending skills gap. A 2011 CCA report estimated that by 2020, 59 percent of jobs would require a career certificate or college degree while just 30 percent of Oklahoma adults hold an associate degree or higher.

Through the Reach Higher program, which is designed for working adults who have already earned some college credit and want to complete an associate or bachelor’s degree, public colleges and universities incentivize those students to finish that degree and improve both their individual financial future and our state’s economic future. The Oklahoma State Regents for Higher Education reward campuses that succeed in helping students successfully complete degrees through a performance-based funding allocation model. For more information about CCA, visit OKhighered.org.

Tuition Cost

Oklahoma’s public research universities, public liberal arts university, regional universities and community colleges have been responsive to affordability concerns. At the beginning of the recession in 2008, Oklahoma was one of only two states that froze tuition for all public institutions. The University of Oklahoma and Oklahoma State University, which have the lowest tuition among Big 12 schools, requested no increase in tuition for the last academic year.

According to the College Board’s 2013-14 review of in-state tuition and fees at four-year public institutions, the average inflation-adjusted increase over the past five years was 27 percent. In Oklahoma, tuition and fees increased just 10 percent over that same time period.

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Concurrent Enrollment

Concurrent enrollment, which allows high school students to enroll in college courses, generates more than 100,000 student credit hours each year. Many students enter college with one or two semesters of college work completed.

State-based Financial Aid

Oklahoma provides essential grants and scholarships for students from families that need financial assistance. Oklahoma’s Promise (OKPromise.org), the nationally renowned college access scholarship program, pays tuition for students from families with a household income at or below $50,000. Other aid includes the Oklahoma Tuition Aid Grant, merit-based scholarships, and institutional grants, scholarships and campus work-study programs. Federal and state aid can be coupled with institutional and private aid programs, enabling students to graduate with little or no debt.

Several state system institutions also offer specialized tuition assistance for Oklahoma students. Oklahoma City Community College, Rose State College and Tulsa Community College offer financial assistance programs – OKC Go, Ticket to Rose, and Tulsa Achieves, respectively – that essentially cover the cost of the first two years of college for students from school districts in their service areas.

In the Oklahoma higher education system model, many students are able to complete a meaningful degree in a marketable field such as science, business, health care, history or political science in four years for less than $10,000 in tuition and fees.

Oklahoma’s 529 College Savings Plan is an important asset that complements the state higher education system’s affordability initiatives, allowing parents, grandparents, relatives and friends to make contributions that grow tax-free, are state tax deductible up to a certain level and may be payroll deducted by employers. Oklahoma’s 529 Plan is flexible and inclusive; there is no income requirement to participate, the plan includes several investment options, and saved funds can be transferred among beneficiaries. To learn more, visit Ok4Saving.org.

Higher education Chancellor Glen D. Johnson affirms that a college degree is worth the investment. Research from the U.S. Bureau of Labor Statistics shows that degree holders earn higher annual income and have more job security.

An individual with a bachelor’s degree is significantly less likely to be unemployed during an economic downturn than an individual with a high school diploma. According to a study by the Lumina Foundation and Georgetown University’s Center on Education and the Workforce, the recession affected less-educated workers much more severely than those with at least some college education.

The report indicates that since the economic recovery began in early 2010, all of the post-recession recovery in the job market has benefitted workers with education beyond high school, and workers with a bachelor’s degree or higher experienced greater employment gains.

Higher education solidifies our state’s pivotal role in this very competitive, knowledge-based global economy. Oklahomans benefit collectively and individually from the educational, research and community outreach programs and services administered by public colleges and universities.

Oklahoma’s Challenge: Increase Graduation Rates

<table>
<thead>
<tr>
<th>Of students who enroll in a public college or university</th>
<th>2-Year Public College</th>
<th>4-Year Public College</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-Time</td>
<td>Part-Time</td>
</tr>
<tr>
<td>Enroll</td>
<td>36</td>
<td>16</td>
</tr>
<tr>
<td>Return as sophomores</td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td>Graduate on time (100% time)</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Additional graduates 150% time</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>200% time</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total graduates</td>
<td>8</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Complete College America, Oklahoma 2011
What’s happening to General Revenue?

Since the start of Fiscal Year 2014, a curious disconnect has occurred between gross receipts to the treasury and allocations to the General Revenue Fund (GRF).

Gross receipts to the treasury, as reported by the State Treasurer’s Office, are up by $169 million or 4.7 percent compared to the first four months of the prior fiscal year. But during that same time period, allocations to the GRF, as reported by the Office of Management and Enterprise Services, are down by $44.7 million or 2.5 percent.

Gross revenue is used as a gauge of economic activity, while the GRF primarily measures funding for state government.

The percentage of monthly gross receipts allocated to the GRF varies throughout the year; however, the percentages from the same month of each fiscal year generally follow a narrow trend.

This fiscal year is different. During the first four months of FY-12, 49.6 percent of gross receipts were allocated to the GRF. For FY-13, it was 48.9 percent. This fiscal year, it’s 45.5 percent. Stated another way, the share is 8.2 percent less than FY-12 and 6.9 percent smaller than FY-13.

Typically when the amount of money going to the GRF drops, the reason is a contracting economy, but that can’t be the case when gross receipts are going the opposite direction.

Searching for an answer requires delving into the Byzantine allocation charts used to divvy up state revenue collections each month. The FY-14 chart contains 66 revenue sources split into several dozen funds and includes 34 detailed footnotes.

An examination of the major tax categories shows the biggest percentage change is in personal income taxes, where the percentage of gross collections making it to the GRF is down by more than 10 percent so far this fiscal year.

Two significant changes in the allocation of income tax are happening this fiscal year – an additional $60 million is being set aside to pay for repairs to the State Capitol and an additional $59.7 million is going to the ROADS transportation improvement fund. Those additional subtractions on the GRF account for $39.9 million so far this fiscal year.

Another impact is due to an increase in the amount of personal and corporate income tax refunds being paid. Gross collections are totalled before any refunds are made.

The tax commission also reports it has paid a higher amount of corporate income tax refunds recently due to the filing of amended returns from revenue received during the prior fiscal year.
Gross receipts to the Treasury continue climb

October was another good month for Oklahoma’s economy, as measured by the monthly gross receipts to the treasury report issued November 4 by State Treasurer Ken Miller.

Miller said the positive October report was again led by collections from the gross production tax on oil and natural gas, up by almost 16 percent and in positive territory for a sixth, consecutive month.

“Oklahoma’s economy appears resilient and is not yet showing negative effects of the 16-day shutdown of the federal government and the last-minute avoidance of a debt ceiling crisis,” Miller said. “All major tax categories showed growth, indicating the state economy is continuing to expand.”

The only major revenue stream falling below collections from last October is the usually volatile corporate income tax, which is down by almost 11 percent. The tax commission reports it has recently paid some large refunds due to amended returns filed for

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Monthly Gross Receipts vs. Prior Year
November 2012 - October 2013

Percentage change

Source: Office of the State Treasurer
State unemployment inches up in September and October

Oklahoma’s seasonally-adjusted unemployment rate was listed at 5.4 percent in September and 5.5 percent in October by the Oklahoma Employment Security Commission.

Release of figures for both months were delayed by the 16-day shutdown of the federal government in October.

During September, the U.S. jobless rate was set at 7.2 percent. In October, the national rate was set at 7.3 percent.

The number of jobless in Oklahoma in October rose above 100,000 for the first time since 2011.

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prior years. This month, the commission reports, it paid out about $11 million in refunds.

Year-over-year growth of 7 percent for total collections in October is the third highest increase in the past year.

Concerns

Miller said potential concerns are on the horizon, most related to Washington, D.C.

“As families and small businesses receive notices about changes to their health insurance coverage, potential economic effects of uncertainty over health insurance costs starting in January could cause problems,” he said.

The Business Conditions Index for Oklahoma slipped further below growth neutral in October. The leading economic indicator dropped to 48.6 from 49.2 in September. Numbers above 50 mean growth is expected.

Miller said the less than positive outlook among supply managers could be the result of the federal government shutdown and related political fighting in Washington.