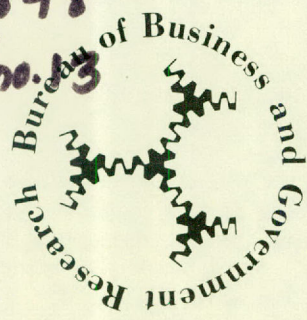


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Midwestern State University
Wichita Falls, Texas

Report 13

October 1986

The U.S. economy continues to move forward albeit at a slower pace. The average annual rate of growth in real GNP of 2.2 percent for the first half of 1986 kept the nation's civilian unemployment rate at near 7 percent. At the same time, a decline in the prices of world crude oil and other industrial raw materials helped to hold inflation rate low at approximately 2 percent on the basis of the Consumer Price Index.

The speed and magnitude of the decline in World and Texas oil prices this past winter was dramatic. Over the first four-month period, domestic average wellhead price, for example, declined by more than 50 percent from \$23.38 to \$10.83, the lowest level since 1978. The drop in oil prices has caused substantial adjustment problems in the short run particularly in Louisiana, Oklahoma, and Texas. Oil drilling has been reduced dramatically, resulting in the loss of more than 100,000 jobs in the oil industry nationwide since the beginning of the year.

North Texas economy has undergone further downward adjustments triggered by the down turn in the oil and oil-related industries. There was, for example, some 75 percent decrease in the number of permits issued for new private homes for the first 10 months of this year as compared with the same period last year. The multiplier effect of the decline in oil and construction industries are now working through the local economic system. The 1986 payment to date, ending October 31, for sales tax allocation for Wichita County lagged behind the comparable period last year by some 4 percent.

YF

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A CHANGING PICTURE OF THE OIL INDUSTRY: A NOTE

Yoshi Fukasawa and Norman Lewis*

The dramatic decline in oil prices in early 1986 has had a tremendous economic impact on the oil industry in the U.S. The actual average domestic wellhead price for crude declined from \$23.38 in January to \$10.83 in April 1986, the lowest level since 1978. Prices of refined petroleum products responded to the drop in crude oil prices. The average gasoline price, for example, fell from \$1.20 per gallon in 1985 to \$0.90 in July 1986.

Lower crude oil prices have caused immediate and substantial adjustment problems for the oil industry. Drilling activities, measured in terms of the number of rigs in operation, has been cut by more than 50 percent from 1,464 in the first quarter of 1986 to 708 in the third quarter of 1986, as shown in table 1. Crews engaged in seismic exploration declined by some 44 percent during the same period. More than 100,000 jobs have been lost in the oil industry nationwide since the beginning of the year.¹ Income for oil companies was also down significantly. The petroleum industry, including both majors and independents, reported as a whole some 41 percent decline in the second-quarter income in 1986 compared with that in 1985.² Independent producers were hit the hardest with income declining by some 95 percent during the same period. Oilfield service companies, which reported income of \$219 million in the second quarter of 1985, experienced losses of \$264 million in the second quarter of 1986.

The rapid deterioration in the oil sector has led to widespread weakness in Texas area economy. Sales tax allocations may be used as a simple, but incomplete gauge for regional economic activities. The latest year-to-date figures, ending October 31, 1986, show the decline of, for example, -9.2 percent for Ector County (Odessa being the principal city), -5.3 percent for Taylor County (Abilene), -5.6 percent for Harris County (Houston), and -4.1 percent for Wichita County (Wichita Falls) in the first three quarters of 1986 as compared to the same period 1985.³

Despite the decline in the prices, domestic oil production has so far remained relatively stable, as shown in table 1. Crude oil imports have however, begun to rise in the second quarter of the year. As a result, imported oil accounted for 35.2 percent of the total supply in the July-August 1986 period, the highest level since 1980, as shown in table 1. If oil prices remain low, oil imports can be expected to grow because of the gradual decline in the domestic supply caused by the recent drop in exploration and drilling for new wells in the U.S.

NOTES:

*Dr. Fukasawa and Mr. Lewis are Director and Student Intern, respectively, of the Bureau of Business and Government Research at Midwestern State University.

1 Board of Governors, **Federal Reserve Bulletin**, September 1986, p. 607.

2 Comptroller of Public Accounts, State of Texas, **News Release**, November 7, 1986.

3 Energy Information Administration, **Monthly Energy Review**, June 1986, pp. vii-viii.

TABLE 1
Domestic Production, Imports, and Prices of Crude Oil

Year	Domestic Crude Oil Production	Crude Oil Imports ²	Total Crude Oil Supplied	% of Supply Imported	Price of Crude Oil ³	Price of Gasoline ⁴	Rotary Rigs in Operation ⁵	Seismic Crews ⁶
1980	8,597	5,263	13,860	38.0	\$21.59	\$1.22	2,909	530
1981	8,572	4,396	12,968	33.9	31.77	1.35	3,970	681
1982	8,644	3,488	12,137	28.7	28.52	1.28	3,105	588
1983	8,688	3,329	12,017	27.7	26.19	1.23	2,232	473
1984	8,879	3,426	12,305	27.8	25.88	1.20	2,428	494
1985	8,971	3,201	12,172	26.3	24.08	1.20	1,980	378
1986:I	8,940	3,111	12,051	25.8	18.00	1.10	1,464	282
1986:II	8,804	4,138	12,942	32.0	10.86	0.93	797	192
1986:III*	8,723	4,744	13,467	35.2	N.A.	0.90	708	158

- NOTES:
1. Thousand barrels per day, average
 2. Thousand barrels per day, average, includes crude oil for storage in the Strategic Petroleum Reserve
 3. Actual domestic average wellhead price
 4. U.S. city average retail price for all types, per gallon including tax
 5. Total rigs in operation, offshore and onshore
 6. Monthly average of total crews engaged in seismic exploration
- * Domestic oil production and crude imports are monthly average for July-August 1986; rigs in operation is weekly average for July-August 1986; price of gasoline seismic crews are for July 1986.

SOURCE: Energy Information Administration, **Monthly Energy Review**, June 1986.

THE CHANGING TEXAS: STUDENTS IN THE PUBLIC SCHOOLS

Jerry Manahan*

Texas is a rapidly changing state and one of the most notable changes is in the public schools. While public school enrollment of the state of Texas increased 5 percent between 1978-79 and 1983-84, in some regions of the state enrollment actually declined. North Texas was one of the regions with declining enrollment. Wichita Falls I.S.D. and Wichita County enrollments dropped 5.7 percent and 6.7 percent respectively as shown in table 1. Texas Education Agency Service Region IX had a 1.9 percent decline.

	1978-79	1983-84	Change	Percentage Change
Wichita Falls I.S.D.	15,035	14,183	- 852	-5.7%
Wichita County	22,104	20,616	-1,488	-6.7%
TEA Region IX	40,399	39,652	- 747	-1.9%
State of Texas	2,667,254	3,009,455	+142,201	+5.0%

During this same time period the enrollments of minority students generally increased and white students became a smaller percentage of the total student population.

Table 2 shows the ethnic backgrounds, in percentage terms, for the Wichita Falls I.S.D., Wichita County, Texas Education Agency Service Region IX, and the state of Texas in the fall of 1983. Table 3 shows the same information for the fall of 1978.

	White	Hispanic	Black	Asian	Am.Indian
Wichita Falls ISD	65.9%	11.8%	16.3%	2.2%	.2%
Wichita County	75.8%	9.3%	12.6%	2.0%	.3%
TEA Region IX	80.8%	9.0%	8.8%	1.25%	.2%
State of Texas	54.7%	29.0%	14.7%	1.5%	.1%

	White	Hispanic	Black	Asian	Am.Indian
Wichita Falls ISD	73.5%	9.6%	15.1%	1.5%	.3%
Wichita County	79.4%	7.4%	11.3%	1.4%	.5%
TEA Region IX	82.9%	7.7%	8.4%	.9%	.3%
State of Texas	58.2%	25.9%	15.2%	.6%	.1%

The percentages of Hispanic and Asian students have increased in all four geographic areas. The percentage of Black students has increased slightly in the three North Texas regions, but has decline slightly in the state of Texas. The percentage of American Indian students has declined in North Texas but has remained constant in the state of Texas.

These changes in the ethnic backgrounds of today's students reflect that Texas will have a changing work force in the future. The declines in enrollments in the North Texas regions predict that the workforce in this region will decline in the future unless there is an increase in migration. Both the decline in the North Texas student population and the changing ethnicity of the students demonstrate that North Texas is a rapidly changing area of the state.

NOTES:

*Dr. Jerry Manahan is Associate Professor of Economics and Director of the Mamie Raborn Center for Economic Education at Midwestern State University.

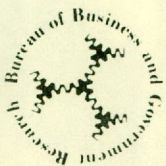
Statistical Brief: Fall Survey of Students in Texas Public Elementary and Secondary School Districts 1983-84. Texas Education Agency, April, 1984.

Statistical Brief: Fall Survey of Students in Texas Public Elementary and Secondary School Districts 1978-79. Texas Education Agency, April, 1981.

SELECTED BUSINESS STATISTICS
Wichita Falls, Texas

	1982	1983	1984	1985	I	II	July	August	September
Building Permits Issued									
Total									
Number	1,549	1,635	1,587	1,577	336	422	149	102	128
Valuation (thousands)	44,475	73,435	45,958	68,939	14,265	8,874	2,593	4,162	1,633
New Residence									
Number	363	539	428	341	39	42	7	12	10
Valuation (thousands)	10,450	15,421	14,913	18,588	3,126	2,645	446	1,121	595
Help Wanted Ads (inches)									
	37,850	31,331	45,088	35,858	6,964	8,303	2,939	2,722	2,230
City Sales Tax Allocated									
	6,078	5,866	6,392	6,740	1,875	1,915	929	419	366
Employment*									
Civilian Labor Force	67,517	67,487	70,142	61,466	55,633	56,200	57,600	56,300	56,900
Unemployment	4,204	4,329	3,284	3,466	4,100	5,100	4,900	4,800	4,800
Unemployment Rate	6.2	6.5	4.7	5.6	7.4	9.1	8.5	8.5	8.4
Natural Gas Consumed (Bil. of Cu. ft.)									
Residential	2,056	1,972	2,220	1,903	806	245	58	53	55
Commercial	1,185	1,174	1,198	1,075	433	157	42	39	43
Industrial	4,434	4,551	4,893	5,159	1,530	1,284	433	420	454
Water Consumed (mil. of gallons)									
	6,569	7,302	8,157	7,087	1,382	1,738	1,005	924	554

*Employment-related figures are for Wichita Falls MSA.



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