



State of Oklahoma

A REPORT TO OUR CITIZENS

Fiscal Year 2010/2011

(Published April 2011)

Our Great State



Oklahoma is ranked fourth in the nation in the production of all wheat.

Oklahoma is known for its abundant resources, most notably its oil and gas production. Oklahoma ranks fourth in the nation in the production of wheat, cattle and calf production, and eighth in hogs and hay. The state enjoys a very low tax burden, a low cost of doing business, has a highly skilled and productive work force, is geographically well positioned, and has some of the lowest utility costs in the nation. Oklahoma's 200 lakes and rivers provide Oklahomans with many opportunities for outdoor recreation. In 2009, Oklahoma had a population of 3,687,000 with 239,000 of those American Indians, which is the largest per capita American Indian population of any state.

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Goals of the State

Employment Dedicate future interest earnings from the Rainy Day Fund and a portion of future annual state investment earnings to the Economic Development Generating Excellence (EDGE) Fund, which will provide the resources to nurture research and develop enterprises to create higher-paying jobs and growth opportunities.

Energy Encourage and nurture the development and use of alternative energies such as wind, geothermal, solar, biofuels and compressed natural gas.

Education Create a "graduation coaches" program to help give all Oklahoma students a chance to graduate from high school and an opportunity to realize their full potential.

Health Continue to build upon our nationally-acclaimed Insure Oklahoma program so every eligible Oklahoman can eventually receive affordable health insurance.

The State Government:

The State of Oklahoma is governed by three branches of government that work together to uphold the Constitution of the State of Oklahoma, which is the basic law under which the state operates.

Legislative Branch

Consists of the Senate and House of Representatives.

Judicial Branch

Holds the State Supreme Court and the Court of Criminal Appeals which are the maximum appellate courts in the state.

Executive Branch

Includes the Governor, Lieutenant Governor, Secretary of State, State Auditor and Inspector, Attorney General, State Treasurer, Superintendent of Public Instruction, Commissioner of Insurance, and the Commissioners of the Corporation Commission.

Selected Demographic Information

	Calendar Year 2008	Calendar Year 2009
Population	3,642,000	3,687,000
Per Capita Income	\$35,985	\$35,840
Unemployment Rate	4.1%	6.4%
% of Total Workforce In State Government	2.3%	2.4%
Public School Enrollment	666,303	670,359
	Fiscal Year 2008	Fiscal Year 2009
Tax Collections per Capita	\$ 2,077	\$ 2,044
Primary Government Debt per Capita	\$ 573	\$ 584

How We Have Progressed

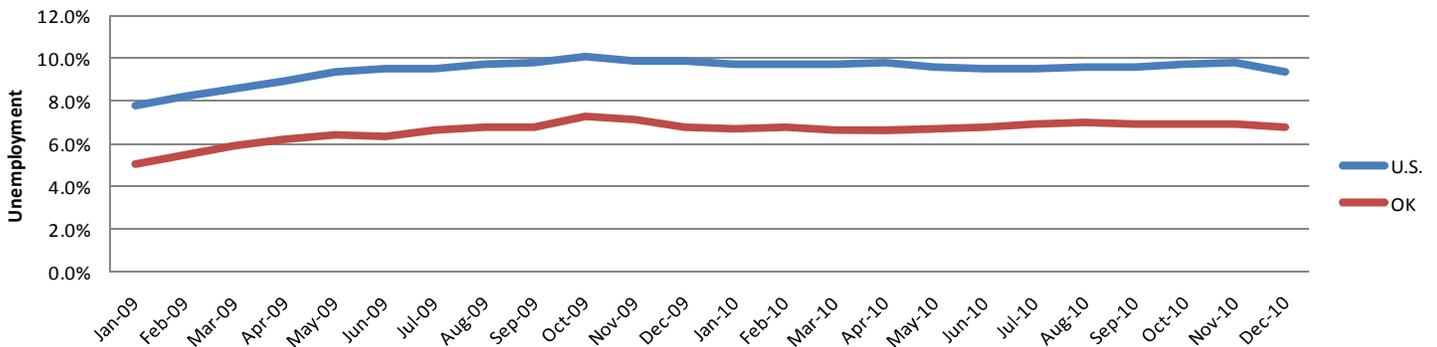
OKLAHOMA CITY IS "BEST POSITIONED AMONG THE NATION'S LARGEST METROPOLITAN AREAS TO RIDE OUT THE CURRENT CRISIS."

FORBES MAGAZINE

Significant Accomplishments in 2010

- Oklahoma City continued its commitment to improving its infrastructure by approving MAPS 3, a far-reaching \$777 million initiative aimed at continuing citywide progress that began with the first MAPS in 1993. MAPS is a major building initiative which will complete a new convention center, downtown recreational facilities, and other major improvements to existing facilities.
- The U.S. Bureau of Labor Statistics ranked Oklahoma City ninth in the nation in growth of private sector jobs for the year ending September 30, 2010.
- *Forbes* magazine ranked Tulsa No. 12 and Oklahoma City No. 13 among its list of "America's Fastest-Recovering Cities."
- *Forbes* named the Tulsa area No. 2 in the midsize category for being among the "Best Cities for Job Growth" and No. 47 out of 200 large metro areas for "Best Places for Business and Careers." Tulsa also ranked No. 5 on a list of "America's Most Livable Cities."
- Portfolio.com ranked Oklahoma City and Tulsa 6th and 8th respectively as best markets nationally for young workers
- In November 2010, the voters of Oklahoma passed State Question 757 that increased the amount of surplus revenue which can go into the "Rainy Day Fund" from 10% of certified funds to 15%. The change will assist the state in future financial crises.

Unemployment Rates Oklahoma versus Nationwide



Did You Know?

Top 10 Sources of Tax Revenue (other than sales and income tax)	Fiscal Year 2009 (in \$)	Fiscal Year 2010 (in \$)
1. Gross Production Tax—Oil and Gas	976,062,637	579,700,531
2. Tag Agent Remittance Tax	261,581,867	247,546,872
3. Gasoline Excise Tax	206,287,240	208,545,441
4. Cigarette Tax	204,236,542	196,519,460
5. Use Tax	191,222,671	152,323,434
6. Insurance Premium Tax	165,916,913	141,255,690
7. Gaming Exclusivity Fees	104,803,681	118,624,111
8. Diesel Fuel Excise Tax	72,681,342	71,963,557
9. Tribal Compact in Lieu of Tax Payments	43,708,777	47,165,891
10. Franchise Tax	46,908,656	46,714,746



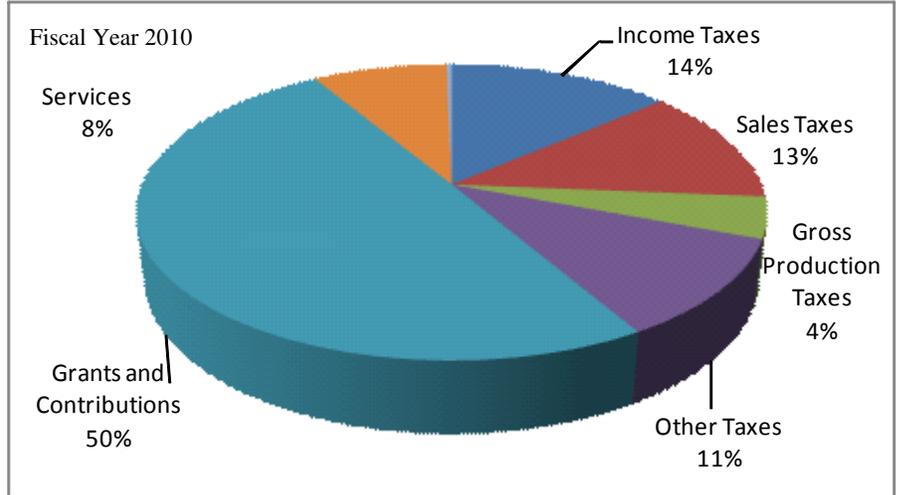
"IF YOU DON'T LIKE OKLAHOMA'S WEATHER, WAIT THIRTY MINUTES. IT WILL CHANGE."

WILL ROGERS

The State's Finances

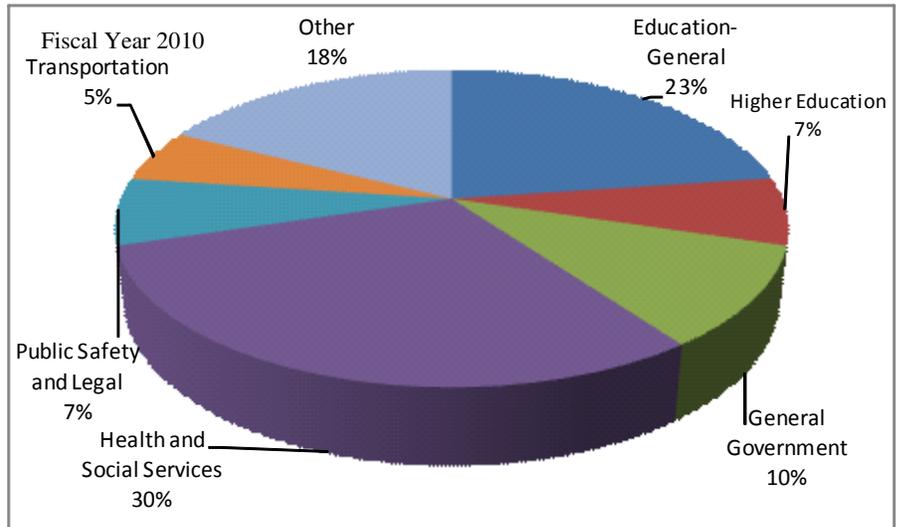
Primary Government Sources of Revenue

Revenues by Source (Fiscal Year)	2009 Revenue (in \$)	2010 Revenue (in \$)
Income Taxes	3.0 billion	2.1 billion
Sales Taxes	2.2 billion	2.0 billion
Gross Production Taxes	1.1 billion	0.7 billion
Other Taxes	1.6 billion	1.7 billion
Grants and Contributions	6.1 billion	7.8 billion
Services	1.1 billion	1.2 billion
Investment Earnings and Other	0.1 billion	< 0.1 billion



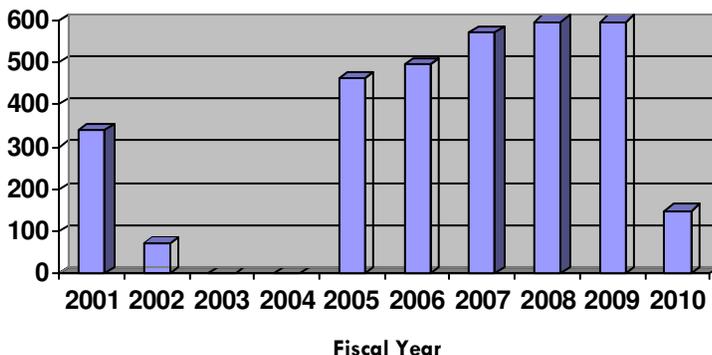
Primary Government Functional Expenses

Expenses by Source (Fiscal Year)	2009 Expense (in \$)	2010 Expense (in \$)
Education-General	3.5 billion	3.5 billion
Higher Education	1.1 billion	1.1 billion
General Government	1.7 billion	1.7 billion
Health and Social Services	6.5 billion	6.9 billion
Public Safety and Legal	1.0 billion	1.0 billion
Transportation	0.9 billion	0.8 billion
Other	0.7 billion	0.7 billion



Rainy Day Fund

Millions



The State's Rainy Day Fund is a reserve used to offset revenue shortfalls. Money is deposited into the Rainy Day Fund when state revenue collections for a fiscal year exceed 100% of the official estimate. The fund balance cannot exceed 15% of the General Revenue Fund estimate for the prior fiscal year. When can money in the Rainy Day Fund be used?

- 37.5% can be used in the current year when revenue falls short of estimates.
- 37.5% can be used when the estimate for the next fiscal year is less than the current year.
- 25.0% can be used when the Governor and 75% of the legislature declare an emergency.

What's Next?

For more information, please visit the following websites:

State of Oklahoma
www.ok.gov

Comprehensive Annual Financial Report (CAFR)
www.ok.gov/osf

Oklahoma State Bond Advisor's Annual Reports
www.ok-bonds.state.ok.us

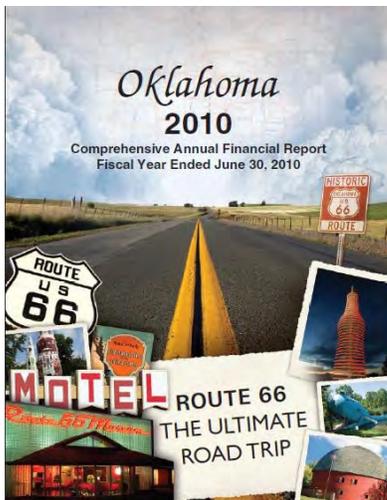
FY 2011 Executive Budget
www.ok.gov/osf

OpenBooks
www.ok.gov/okaa/

State Agencies
www.ok.gov/genthree/agency.php

Future Economic Challenges

- ◆ Prior to 2009 the State enjoyed a period of solid economic expansion allowing the Rainy Day Fund to grow to a record balance of \$596.5 million. The State drew down \$447 million in fiscal 2010 to stabilize the budget, and drew the remaining balance of \$149 million in fiscal 2011, exhausting the balance of the Fund.
- ◆ The State has unfunded liabilities of \$13.7 billion in its two largest pensions, the Teachers' Retirement System (TRS) and the Oklahoma Public Employees Retirement System (OPERS). The TRS pension is funded at a ratio of only 47.9%, well below a healthy funded ratio of 80-90%. The OPERS system funded ratio is 66%, also below healthy standards.
- ◆ During fiscal year 2010 unemployment benefit payments from the Unemployment Insurance Trust Fund increased approximately 115% to \$1.146 billion. Benefit payments in fiscal 2009 were \$534 million. Benefits paid in both of these years significantly exceeded the 10-year average benefits payment expense of \$353 million.
- ◆ Total General Revenue Fund collections through the first 6 months of the 2011 budget year were \$2.365 billion, 3% above the estimate for 2011 and 7.5% above fiscal 2010. Revenues were showing moderate growth in sales and income tax collections, a sign that consumers and businesses are gaining confidence in the economy.
- ◆ Over the last 10 years, the State has received an increased portion of total revenues from the Federal Government. In fiscal year 2001 Federal Grants were 34.1% of the total Governmental Funds revenue. That percentage increased to 47.3% in fiscal 2010. Fiscal year 2010 would have been 38.6% without the funds provided by the American Recovery & Reinvestment Act of 2009 (or Stimulus Bill). Services provided by the State could encounter significant disruptions and changes should the Federal Government reduce grant driven spending at the state level.
- ◆ For Fiscal Year 2012 the State faces a \$600 million budgetary shortfall which was addressed primarily by "Government Modernization" (35%), Agency Reductions (25%), and Increased Compliance and Enforcement (14%). If the plan reaches projections, the end result would be a \$100 million surplus.
- ◆ Governor Mary Fallin has issued a "Roadmap to Prosperity" that involves plans to create jobs, modernize government, and improve health and education in the State. The press release is located at: <http://go.usa.gov/geX>



For more detailed financial information, the Comprehensive Annual Financial Report is available to anyone on the Office of State Finance website.

<http://www.ok.gov/osf>

We would like to hear from you!

Do you like this report? Do you believe it should include different or additional information? Please contact the Office of State Finance Help Desk at 405-521-2444 and let us know your thoughts.

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