STATE of OKLAHOMA
A REPORT TO OUR CITIZENS
FY 2020

OKLAHOMA
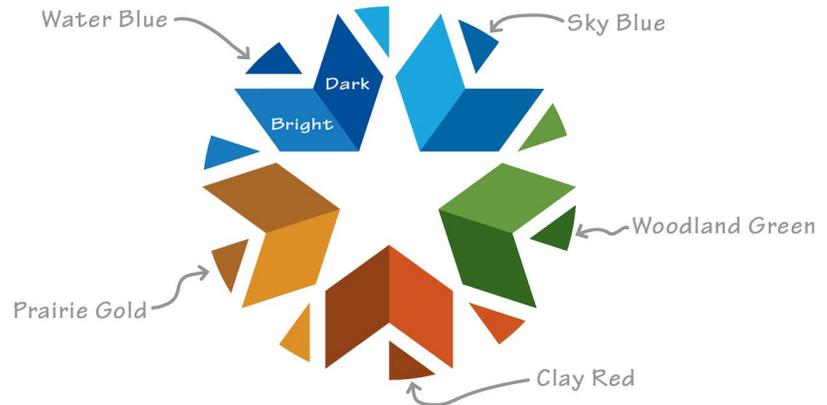Office of Management
& Enterprise Services

Oklahoma rolls out a new logo

The reveal of the new Oklahoma logo in February 2020 concluded a branding campaign led by Lt. Gov. Matt Pinnell.

The logo symbolizes the state with understated elegance rich in aesthetics and layered with significance, serving as a salute to the past while heralding our unique potential. Utilizing elements from Oklahoma's history and heritage, the logo's shape and colors are fittingly influenced by the land and seasons. They reflect Oklahoma's indigenous heritage: the earth, sky, water, agriculture and forest.

The central star represents the United States, and the chevrons form a barrier in recognition of our military; all culminating in an acknowledgment of Oklahoma's place at the heart of the nation.

Water Blue — Sky Blue — Dark — Bright — Woodland Green — Prairie Gold — Clay Red

OKLAHOMA

88% black custom font

Goals of the State

State government:

➢ To be a Top Ten state, change the system to reward state employees and give state government the flexibility to serve citizens more effectively.

➢ The U.S. Supreme Court's ruling in McGirt v. Oklahoma questions the sovereignty of the state. Leaders of Oklahoma's sovereign tribes have been invited to work together with the State of Oklahoma.

Education:

➢ Oklahoma strives to build a Top Ten education system.

➢ Teacher vaccination is a priority for returning to the physical classroom. Many teachers over the age of 65 have been vaccinated, and many more will be eligible in February 2021.

➢ Review education funding methods to ensure current needs are met.

Growth:

➢ Make Oklahoma a Top Ten state for business.

➢ Invest in innovation by using accelerators for entrepreneurs and support startups statewide.

➢ Invest in an infrastructure that develops and attracts businesses.

➢ Maintain focus on reducing regulations that hinder economic advancement.

Health care:

➢ Reimagine health care delivery in Oklahoma.

➢ Focus on outcomes using managed care.

SELECTED DEMOGRAPHIC INFO	2018	2019	2020
Population	3,943,000	3,961,000	3,981,000
Per Capita Income	$43,449	$46,233	$47,341
Unemployment Rate	3.3%	3.4%	5.3%
% of Total Workforce in State Gov't	1.8%	1.7%	1.9%
Public School Enrollment	694,816	698,586	703,650
	FY 2018	**FY 2019**	**FY 2020**
Tax Collections per Capita	$2,150	$2,445	$2,342
Primary Gov't Debt per Capita	$568	$621	$585

Significant Accomplishments in 2020

Oklahoma's economy grew steadily over the first half of FY 2020, even as lower oil and gas prices impacted state revenue. The labor force expanded and unemployment remained below the national rate. In December 2019, projections were positive for both U.S. and Oklahoma economic conditions and the state's revenue was meeting expectations.

The U.S. Bureau of Labor Statistics and the Oklahoma Employment Security Commission reported in September 2020 that the state's unemployment rate was 5.4%, showing marked recovery from the COVID-19 pandemic peak of 14.7% in April. OKC's unemployment rate was 5.1% while Tulsa's stood at 5.7%. In October, job growth in Oklahoma was down 4.9% year-over-year with a preliminary estimated unemployment level of 6.1%, below the national average of 6.9%.

The aerospace industry is one of Oklahoma's most important economic contributors. According to the Greater Oklahoma City Chamber Aviation and Aerospace industries' report, there are more than 230 aerospace firms with over 36,600 aerospace workers located in the Greater OKC area. The OKC Air Logistics Complex at Tinker Air Force Base is the largest military aircraft repair facility for the U.S. Department of Defense and the American Airlines Base Maintenance facility in Tulsa is the world's largest commercial aviation maintenance facility.

Tinker AFB is the largest single-site employer in the state and was chosen to maintain the U.S. Air Force's newest plane, the KC-46A Pegasus refueling and military transport aircraft. The $500 million facility is expected to add an estimated 1,300 new jobs.

American Airlines announced in February 2020 it would invest $550 million in a new 193,000-square-foot hangar in Tulsa. The investment allows team members to continue maintenance work on the 900-plus aircraft that visit the site annually while adding additional capacity. Reflecting on the announcement, Gov. Kevin Stitt commented, "With this historic investment, American Airlines continues to display their commitment to Oklahoma. As one of the largest employers in our state, American Airlines plays an integral role in our economy and provides quality jobs for our citizens."

In July 2020, Boeing started construction on a new high-bay addition to its OKC facility. The $20 million, 60,770-square-foot addition will also house a wing and fuselage from a retired U.S. Air Force B-52 bomber. This project and others at Boeing OKC are expected to create openings for more than 300 engineers.
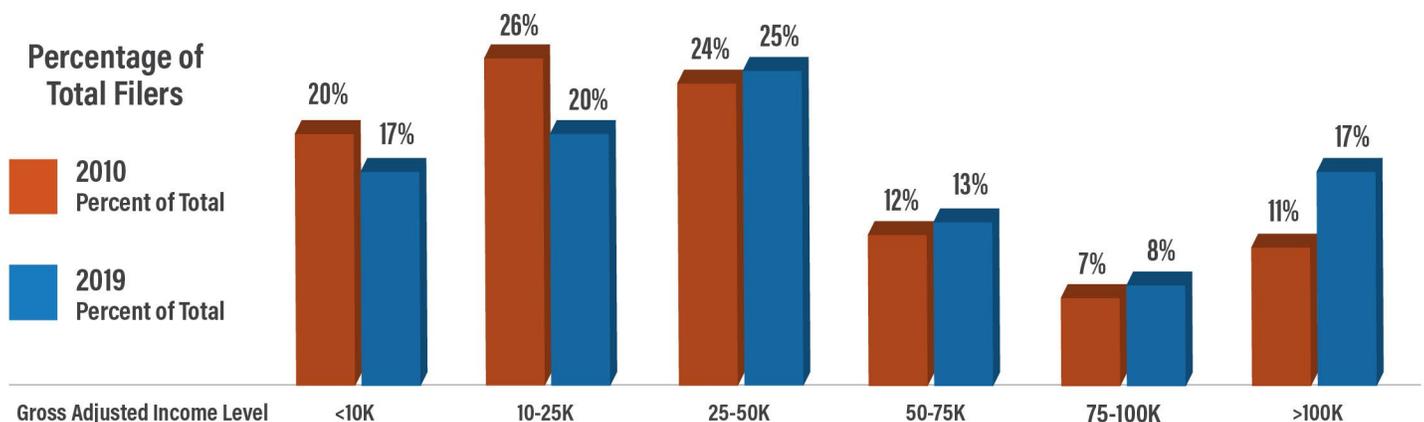
Since opening its facility in 2018, Kratos has increased its operations in OKC by 50%, with more than 150,000 square feet of space. In April 2019, the defense contractor unveiled its first Firejet tactical aerial drone at the new OKC facility. Another drone, the Valkyrie, is also produced at the facility and has entered the Air Force testing phase.

Pratt and Whitney announced a multi-million-dollar investment in July 2019 to expand its military aftermarket services in support of the OKC Air Logistics Complex based at Tinker. On Dec. 1, 2020, the company announced a $642 million contract from the Naval Air Systems Command.

Skydweller Aero announced in June 2020 that OKC will be the home of its U.S. corporate headquarters. The startup plans to recruit aerospace and software engineering talent and expects to have 120 aerospace engineering and field technician jobs in Oklahoma.

The Office of Management and Enterprise Services reports receipts to the General Revenue Fund of $3.9 billion, or 0.2%, above the year-to-date estimate through January 2021, and $77 million, or 2.0%, above prior year collections for the same period. In most fiscal years, the GRF provides more than 80% of all appropriated revenues for state agencies. However, for fiscal year 2021, the Legislature appropriated $1.1 billion less from the GRF than the amount certified as available by the State Board of Equalization in June 2020. GRF appropriations for FY 2021 constitute approximately 67% of total appropriations and are 17% below the available estimated amount. Because of the anomaly, the state does not anticipate a GRF revenue failure for FY 2021, but will likely see GRF revenues fall well past the 5% cushion during the second half of the fiscal year – yet still remain sufficient to fulfill agency allocations from the fund.

10-YEAR TAX FILING COMPARISON

Percentage of Total Filers

- 2010 Percent of Total
- 2019 Percent of Total

Gross Adjusted Income Level	<10K	10-25K	25-50K	50-75K	75-100K	>100K
2010	20%	26%	24%	12%	7%	11%
2019	17%	20%	25%	13%	8%	17%

TOP 10 SOURCES OF TAX REVENUE (EXCLUDING SALES AND INCOME TAX)

		FY 2018 ($)	FY 2019 ($)	FY 2020 ($)
1	Gross Production Tax–Oil and Gas	480,533,689	858,159,342	678,981,057
2	Tag Agent Remittance Tax	404,913,340	415,230,477	412,766,236
3	Use Tax	276,137,946	375,238,267	409,580,822
4	Cigarette Tax	197,801,584	246,346,627	291,607,978
5	Insurance Premium Tax	280,967,940	271,859,087	290,845,768
6	Gasoline Excise Tax	213,150,162	263,009,336	263,346,685
7	Diesel Fuel Excise Tax	83,928,077	128,861,400	134,645,265
8	Gaming Exclusivity Fees	139,811,191	148,309,097	133,807,934
9	Mixed Beverage Gross Receipts Tax	57,325,035	71,952,273	74,148,353
10	Tribal Compact	38,587,904	56,755,231	59,239,982

REVENUE – GOVERNMENTAL ACTIVITIES

	FY 2018	FY 2019	FY 2020
Income Taxes	3.5	3.9	3.6
Sales Taxes	2.8	3.1	3.0
Gross Production Taxes	0.6	1.0	0.7
Other Taxes	2.3	2.6	2.6
Grants and Contributions	6.7	7.2	7.8
Services	1.8	2.1	1.8
Investment Earnings and Other	<0.1	<1.0	0.1
TOTALS	**17.7**	**19.9**	**19.6**

All figures are in billions USD.

FY 2020

- Grants and Contributions — 40%
- Other Taxes — 9%
- Gross Production Taxes — 3%
- Sales Taxes — 15%
- Income Taxes — 19.7%
- Investment Earnings and Other — 0.3%
- Services — 13%
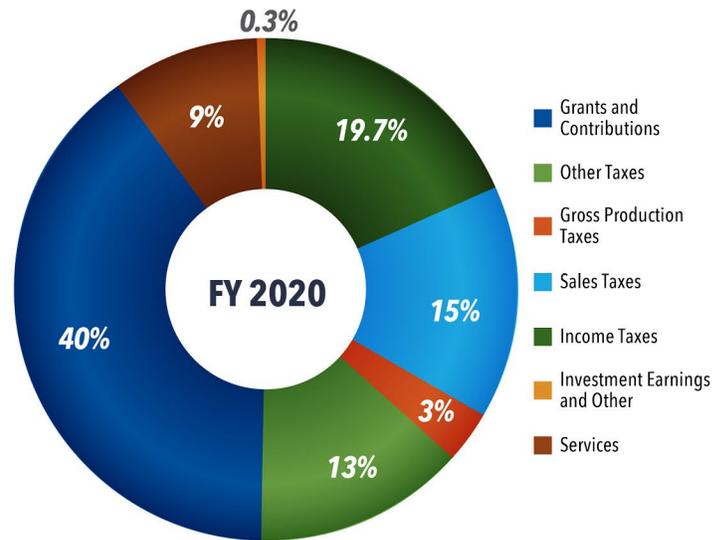
EXPENSES – GOVERNMENTAL ACTIVITIES BY FUNCTION

	FY 2018	FY 2019	FY 2020
Education-General	3.5	4.0	4.4
Higher Education	0.8	0.8	0.8
General Government	2.1	2.2	2.3
Health and Social	7.7	8.1	8.7
Public Safety	1.1	1.1	1.2
Transportation	1.1	1.1	1.2
Other	0.5	0.7	0.5
TOTALS	**16.9**	**18.1**	**19.1**

All figures are in billions USD.

FY 2020

- Education General — 23%
- Higher Education — 4%
- General Government — 12%
- Health and Social — 45%
- Public Safety — 7%
- Transportation — 6%
- Other — 3%
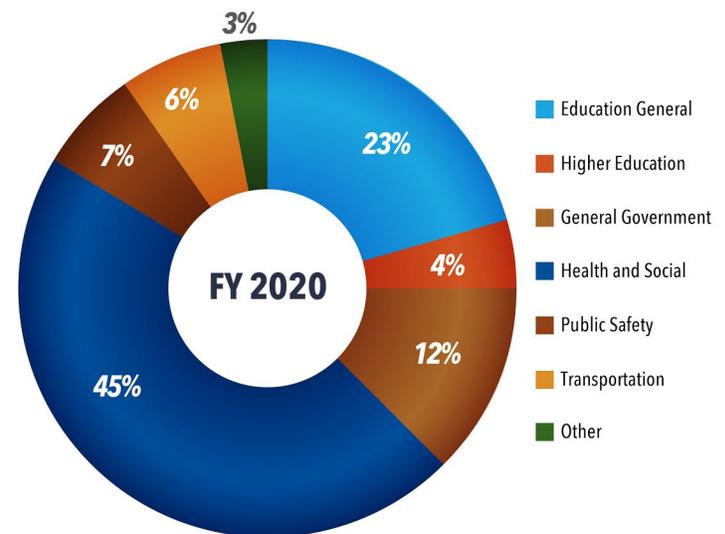
UNEMPLOYMENT RATES: NATIONAL AND STATE

Line chart showing monthly unemployment rates for the United States and Oklahoma from Jan-19 to Dec-20. Y-axis from 0% to 15%. X-axis months Jan-19 through Dec-20.
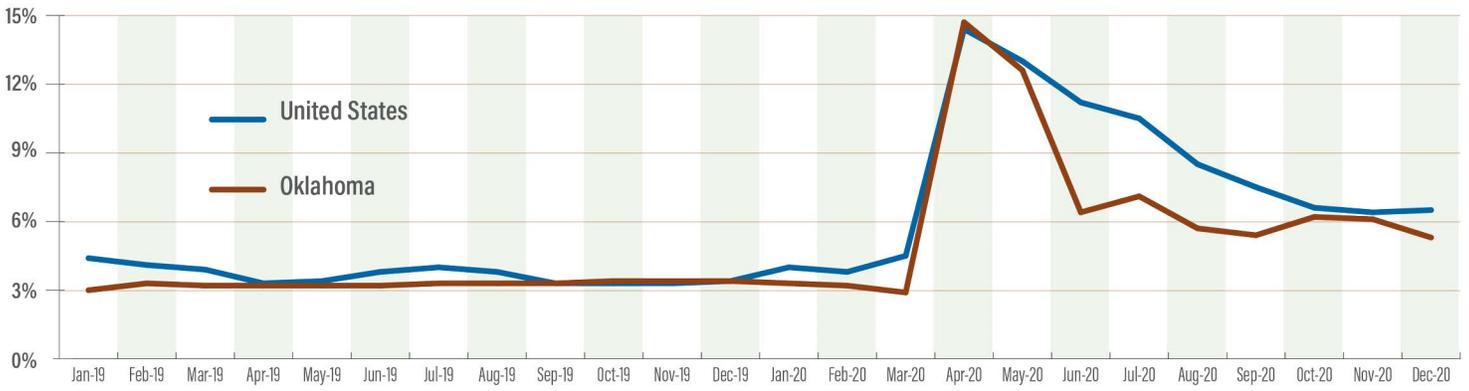
Rainy Day Fund

The 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. The fiscal year 2020 Rainy Day Fund balance was $58.7 million.

Future Economic Challenges

Impacts from COVID-19 increased rapidly during the last weeks of March. The Oklahoma Economic Indicators report published in November by the Oklahoma Employment Security Commission, stated net job loss to Oklahoma's private sector was 15,853 during the first quarter of 2020. Preliminary numbers from the U.S. Bureau of Labor Statistics show the state lost more than 26,000 jobs through October 2020 year-to-date.

The final revenue shortfall for FY 2020 was $716.1 million, or 10.2%, which is 5.2% more than the constitutional cushion built into Oklahoma's budget. The Legislature appropriated $302.3 million from the Rainy Day Fund directly into the FY 2020 GRF and transferred an additional $201.6 million into the Revenue Stabilization Fund to make all state agencies whole regarding their GRF FY 2020 appropriations and to fulfill Oklahoma Education Reform Revolving Fund (the Education 1017 Fund) obligations. More than $366 million of the additional monies was utilized to fund agency allocations.

As the pandemic accelerated across the nation, real gross domestic product for the nation decreased at an annual rate of 31.4%. Statewide GDP was at $173.1 billion in the second quarter, down $22.5 billion from the revised first-quarter level of $195.6 billion. The November BEA second estimate updates for the third quarter show the nation's real GDP increasing by 33.1% – a result of efforts to reopen businesses and return to some level of normal activities.

Due to a slump in energy prices, energy sector growth began to moderate and cause revenue to fall behind estimates for the beginning of the 2020 fiscal year. Prices continued to struggle throughout the last half of the fiscal year, and companies have shuttered wells and laid off employees. According to Databook information, published by the Federal Reserve Bank of Kansas City on Nov. 9, 2020, most sectors of the Oklahoma economy have experienced rebounds in employment, but "declines in mining and logging employment have persisted … down 28% year over year."

According to oil field services company Baker Hughes, compared to a year ago, the nation's rig count was 394 fewer than the 791 rigs reported on Feb. 21, 2020. Oklahoma's active rig count remained at a near-record low in the last week of October. For the week ending Feb. 19, the state's active rig count was down 34 from the number of active rigs reported operating on Feb. 21, 2020.

In January, the Henry Hub reported natural gas spot prices averaged $2.71 per million British thermal units (MMBtu), climbing from an average of $1.92/MMBtu in September.

January gross receipts from all sources were down by more than $72.1 million, or 5.7%, from January of 2020. Combined gross receipts for the past 12 months were $13.1 billion, off by more than $610 million, or 4.4%, from the previous 12 months.

In February 2021, both Fitch and Moody's released credit rating reports for Oklahoma affirming the state's GO bond rating of AA. Both rating services continue to hold a stable outlook for the state. Fitch wrote in their analytical conclusion: "Oklahoma's 'AA' IDR reflects the state's conservative budgeting practices, which include ongoing monitoring and timely actions to address budget shortfalls, its practice of budgeting only 95% of projected operating fund revenue, and a low liability position. These factors are critical to the rating given the sizable economic concentration in natural resource development and growth prospects for revenues that are heavily influenced by energy market cycles. The state made significant progress in restoring reserves following the oil market collapse in 2015 and 2016 but may be harder pressed to restore fiscal balance after the downturn if the revenue trough is more prolonged than projected."