



# Oklahoma Economic Report™

State Treasurer Randy McDaniel

News and analysis of Oklahoma's economy • A publication of the State Treasurer's Office

## Building a better budget

There is much to like about the budget passed into law this legislative session, including increased savings and better pay for teachers and state employees.

To start, the final estimate certified by the state Board of Equalization showed anticipated growth of \$575 million. The total available for appropriation was set at \$8.3 billion, a record high.

After multiple years of budget cuts and transfers from revolving funds, the

Legislature and new governor had one of the best fiscal pictures in more than a decade.

Another encouraging sign was a general spirit of cooperation among the leadership, setting the stage for positive outcomes.

In the end, more than a week prior to

the mandated end of the legislative session, a budget agreement was

reached, approved, and sent to the governor.

For a second consecutive year, the

budget was structurally balanced,

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**“ From the start of session, the stage was set for positive outcomes.”**

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Editor

Tim Allen, Deputy Treasurer for Communications and Program Administration

### Highlights of the FY-20 Budget

- **Saving for the downturn.** \$200 million placed into Revenue Stabilization Fund for the next economic contraction.
- **Boosting education.** An additional \$203 million provided to common education, career technology, and higher education.
- **Increasing salaries.** Teachers receive an average pay raise of \$1,220, while correctional officer get a \$2 per hour pay hike, and state employees receive annual increases ranging from \$1,500 and \$600.
- **Improving transportation.** Full funding of ODOT's 8-year plan and additional funding for road and bridge improvements.
- **Public Safety.** Funding for two new trooper academies to put some 80 OHP troopers on the road in FY-20.



## Guest Commentary

By Kevin Stitt,  
Governor of Oklahoma



### On the path to becoming a Top Ten state

We are past the first session of the 57th Legislature, and I can confidently say that this administration has hit the ground running on delivering accountability, transparency and results.

As your governor, I am committed to delivering a customer-centered government that is efficient and focused on delivering measurable outcomes with your hard-earned tax dollars.

Audits are underway; waste is already being identified; and more importantly, talented Oklahomans are stepping forward and raising their hand to come join us in this historic turnaround for our great state.

We are shaking up business as usual in state government by reforming five of the 12 largest agencies so state agency leaders are forced to answer to the executive branch and to the will of the people,

and we have passed a fiscally responsible budget that invests in core services now while also thinking proactively about the future.

For the first time in state history, we will increase Oklahoma's savings account, in order to protect core services in the

future, without the law forcing it. We are setting aside \$200 million in order to have more than \$1.1 billion in savings by the end of next year.

For the first time in state history, we will give Oklahoma teachers a

pay raise for a second year in a row, providing an average \$1,220 raise per certified employee.

For the first time in state history, we will fully fund the Reading Sufficiency Act while also putting an additional \$74 million into the funding formula for local classroom needs.

For the first time in state history, we will fully fund ODOT's 8-year plan and repay the county roads program \$30 million.

For the first time in state history we will make the largest deposit into the Quick Action Closing Fund, helping Oklahoma compete for new jobs to diversify our state's economy.

For the first time in state history we will set aside one-time funds to bring state government services into the 21st century through

**“We are on the path to becoming a Top Ten state, but this turnaround is only possible when we are all working together toward our shared vision to see Oklahoma celebrated as one of the best states in the nation.”**

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## Governor

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digital modernization.

We will move the needle in criminal justice reform by investing in drug courts and diversion programs.

We are also reforming District Attorneys' funding model so they are not reliant on high fines, fees

and court costs that have created a debtor's prison.

We are on the path to becoming a Top Ten state, but this turnaround is only possible when we are all working together toward our shared vision to see Oklahoma celebrated as one of the best states in the nation.

I appreciate elected officials of the House and Senate who helped make this a legislative session full of historic accomplishments. We can and we will continue to move the needle, but we need you to stay engaged. It takes all of us working together to deliver meaningful change.

## Session perspective

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meaning only recurring revenue was appropriated for recurring expenses. The budget passed in 2018 was the first structurally balanced budget in several years.

### Saving for the downturn

Taking a lesson from recent economic downturns, leadership prioritized savings to minimize the impact on core services during difficult times.

Following the lead of Governor Kevin Stitt, the Legislature agreed to set aside \$200 million of the estimated growth revenue to save for the next inevitable recession.

The funds were placed into the state's statutory savings account, the Revenue Stabilization Fund.

Created in 2016, money in the stabilization fund can be used during times of revenue contraction either during a fiscal year or when estimates reflect declining revenue in an

upcoming fiscal year.

When coupled with the balance and an anticipated deposit at the end of FY-19 in the Constitutional Reserve Fund, the state will have more than \$1 billion stored away to protect core services during economic contractions.

### Boosting education

Education was the biggest winner in the budget negotiations.

A total \$203 million increase in education funding will provide an additional \$157.7 million for common education, \$18 million for career technology, and \$28 million for higher education.

The agreement includes funding for an average pay raise of \$1,220 for public school teachers. Funding was also given for local school districts to hire additional teachers, counselors, and others to address specific needs in their districts.

### Public workers

A \$2 per hour raise was given to correctional officers, which amounts to 14 percent. This brings the officer pay to the regional market average.

Other state employees will see pay increases ranging from \$1,500 to \$600, depending on their salaries. It marks the second consecutive year for teachers and state workers pay hikes.

### Public safety

In addition to the correctional officer pay increase, funding is provided for two new trooper academies to put an estimated 80 more troopers on the roads in 2020.

### Roads and bridges

The FY-20 budget fully funds the Oklahoma Department of Transportation's 8-year plan and restores \$30 million in funding to the

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## Session perspective

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County Improvements in Roads and Bridges Program.

### Agriculture and rural Oklahoma

More than \$3 million in new money is included in the budget for improved rural flood control dams, to hire an additional state veterinarian, and fire protection among other projects.

### Modernizing government

For digital transformation of government services, \$15 million is provided to increase transparency and improve customer service.

The Legislative Office of Fiscal Transparency is funded with \$1.7 million, and \$700,000 is provided to hire more auditors to examine state agencies.

### Leadership reaction

As one might expect, the state's triumvirate – the governor, speaker, and senate president pro tem – all had positive comments about the budget.

In a commentary for the *Oklahoma Economic Report*, Governor Kevin Stitt had this to say about the budget:

“(W)e have passed a fiscally responsible budget that invests in core services now while also thinking proactively about the future.” Stitt wrote.

“For the first time in state history, we will increase Oklahoma’s savings account, in order to protect core services in the future, without the law forcing it. We are setting aside \$200 million in order to have more than

\$1.1 billion in savings by the end of next year.”

House Speaker Charles McCall, R-Atoka, praised the work of the majority party in crafting the FY-20 budget.

“House Republicans had several priorities at the start of the 2019 legislative session that we based on conversations we had with voters on the doorsteps during the summer.

“Those priorities included another teacher pay raise on top of the historic pay raise we provided last session, more money for the classroom on top of the large investment we made to public education last session, reestablishing our county infrastructure investment plan, more resources devoted toward rooting out waste and inefficiencies in government spending and increasing our savings to be better prepared for future economic downturns.

“We have accomplished all of those goals with this budget agreement,” said McCall.

Senate President Pro Tempore Greg Treat, R-Oklahoma City, also pointed to the positive aspects of the budget agreement.

“This year was capped by a terrific budget deal that makes significant investments in classroom funding, teacher pay raises, and criminal justice reforms.

“The totality of our work this session will bring positive, transformational changes and help make Oklahoma an even better state.”

## Spotlight on Financial Literacy

### Financial literacy, financial wellness linked

Ignorance is not bliss—not when it comes to financial wellness, anyway. According to the third annual Personal Finance Index released by the TIAA Institute and the Global Financial Literacy Excellence Center at the George Washington University School of Business, Americans don't have the knowledge of personal finance that can enable them to make sound financial decisions.

The P-Fin Index drew the line between financial ignorance on key points and how that plays out into a lack of financial wellness, with respondents able to correctly answer only an average of 51 percent of questions about eight basic functional areas of personal finance.

While the report found that financial literacy varies across demographic groups based on sex, age, household income, employment status and education, and personal finance knowledge is highest when it comes to borrowing and managing debt, and lowest in comprehending risk, the percentage of P-Fin Index questions answered correctly rose from 49 percent in 2017 to 51 percent in 2019.

Learn more from [BenefitsPro](#).





## April Gross Receipts to the Treasury & General Revenue compared

April Gross Receipts to the Treasury totalled \$1.6 billion, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received \$906.1 million, or 57.3%, of the total.

The GRF received between 39.7% and 57.6% of monthly gross receipts during the past 12 months.

From April gross receipts, the GRF received:

- Individual income tax: 63.1%
- Corporate income tax: 74.9%
- Sales tax: 45.9%
- Gross production-Gas: 76.4%
- Gross production-Oil: 76.3%
- Motor vehicle tax: 26.2%
- Other sources: 53.1%

April GRF allocations were above the estimate by 7.1%, while year-to-date allocations exceeded the estimate by 6.9%.

April insurance premium taxes totalled \$62.4 million, an increase of \$10.1 million, or 19.2%, from the prior year.

Tribal gaming fees generated \$14.5 million during the month, up by \$1.1 million, or 8.2%, from April 2018.

# New record high for Gross Receipts to the Treasury

Gross Receipts to the Treasury reached a record high in April and demonstrate the Oklahoma economy has continued to expand, said State Treasurer Randy McDaniel.

Reports on total state revenue collections in April and over the past 12 months show growth of more than 12 percent, McDaniel said. Monthly receipts have exceeded collections from the same month of the prior year for 25 consecutive months and cumulative 12-month receipts have

now topped more than \$13.4 billion.

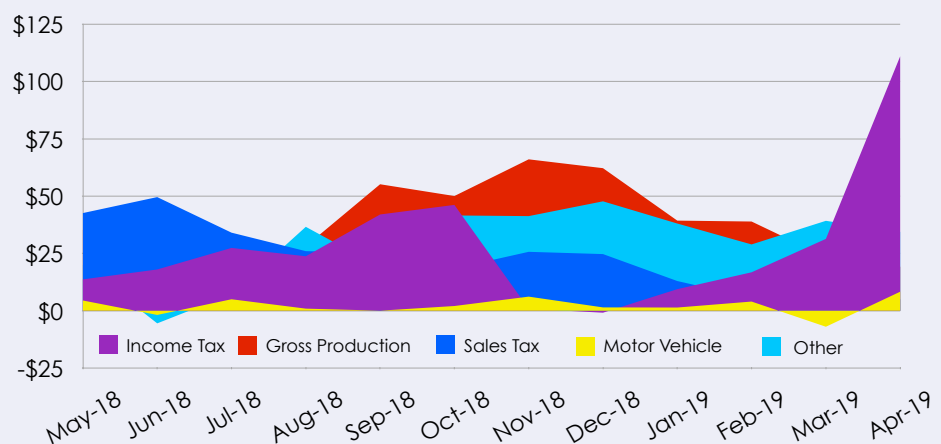
However, McDaniel said that while lagging economic indicators such as gross receipts and unemployment reports show expansion has occurred, a few leading indicators point to a potential slowdown in economic activity.

**“Lagging economic indicators, such as gross receipts, are strong, but some leading indicators bear a close watch.”**

“Oklahoma gross receipts are at record highs and state unemployment remains at historically low levels, all very positive news,” McDaniel said.

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## Monthly Gross Receipts vs. Prior Year



(In \$ millions)	April-18	April-19	Variance From Prior Year	
Income Tax	709.1	820.2	111.0	15.7%
Gross Production	60.7	79.8	19.2	31.6%
Sales Tax (1)	410.6	415.6	5.0	1.2%
Motor Vehicle	62.8	71.1	8.3	13.2%
Other Sources (2)	160.4	194.8	34.4	21.4%
<b>TOTAL REVENUE</b>	<b>1,403.5</b>	<b>1,581.4</b>	<b>177.9</b>	<b>12.7%</b>

Dollar change (in millions) from prior year

Source: Office of the State Treasurer



## Revenue

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“Nevertheless, some leading economic indicators bear a close watch.”

McDaniel specifically referenced the Oklahoma Business Conditions Index, compiled by the Creighton Economic Forecasting Group, and the Leading Index for Oklahoma, from the Federal Reserve Bank of Philadelphia. Both indexes are respected predictors of future economic activity.

The Creighton report for April dipped below growth neutral for the first time in 21 months, falling to 48.6 from 53.9 in March. Numbers below 50 show anticipated economic contraction and include measures of new orders, production and sales, delivery lead time, inventories and employment.

The Federal Reserve’s Oklahoma index for February dropped into negative territory for the first time in more than three years, but did

rebound slightly in the latest report from March 2019. The index considers state-level housing permits, initial unemployment insurance claims, and delivery times from the Institute for Supply Management manufacturing survey, among other factors.

In addition, McDaniel reported that April gross receipts collections on oil and gas production, at \$79.8 million, are the lowest monthly total since taxes on production were raised last year. The previous low was \$96.2 million in March. Employment in the oil field has been relatively unchanged for about a year.

### New Tax Revenue

Revenue generated by increased tax rates approved in House Bill 1010 during special session last year added \$47.2 million to monthly collections, 3 percent of all April gross receipts.

The largest amount, \$26.3 million,

came from the increase in the incentive tax rate on oil and natural gas gross production. Higher tax rates on gasoline and diesel fuel generated \$7.5 million, and the \$1 per pack hike in cigarette taxes added \$13.3 million to the April total.

### April collections

April gross collections total \$1.6 billion, up \$177.9 million, or 12.7 percent, from April 2018.

Gross income tax collections, a combination of individual and corporate income taxes, generated \$820.2 million, an increase of \$111 million, or 15.7 percent, from the previous April.

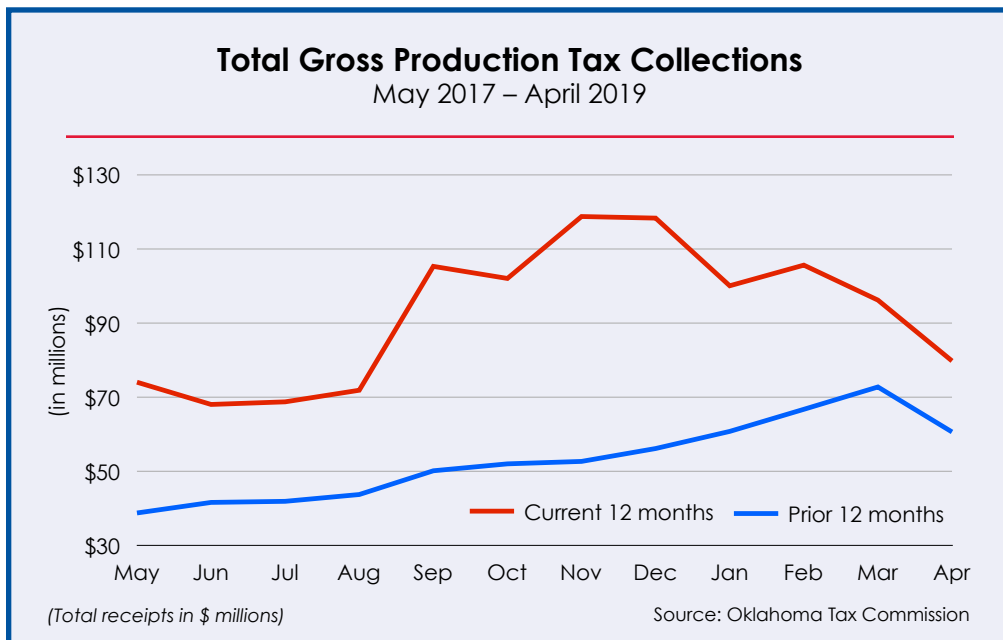
Individual income tax collections for the month are \$693.5 million, up by \$106.9 million, or 18.2 percent, from the prior year. Corporate collections are \$126.7 million, an increase of \$4.1 million, or 3.4 percent.

Sales tax collections, including remittances on behalf of cities and counties, total \$415.6 million in April. That is \$5 million, or 1.2 percent, more than April 2018.

Gross production taxes on oil and natural gas generated \$79.8 million in April, an increase of \$19.2 million, or 31.6 percent, from last April. Compared to March 2019 reports, gross production collections are down by \$16.4 million, or 17.1 percent.

Motor vehicle taxes produced \$71.1 million, up by \$8.3 million, or 13.2 percent, from the same month of 2018.

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## Revenue

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Other collections, consisting of about 60 different sources including use taxes, along with taxes on fuel, tobacco, and alcoholic beverages, produced \$194.8 million during the month. That is \$34.4 million, or 21.4 percent, more than last April.

### Twelve-month collections

Gross revenue totals \$13.4 billion from the past 12 months. That is \$1.5 billion, or 12.3 percent, more than collections from the previous 12 months.

Gross income taxes generated \$4.6 billion for the period, reflecting an increase of \$339.6 million, or 8 percent, from the prior 12 months.

Individual income tax collections total \$4 billion, up by \$285.7 million, or 7.6 percent, from the prior 12 months. Corporate collections are \$518.3 million for the period, an increase of

\$53.9 million, or 11.6 percent, over the previous period.

Sales taxes for the 12 months generated \$4.9 billion, an increase of \$284 million, or 6.2 percent, from the prior period.

Oil and gas gross production tax collections brought in \$1.1 billion during the 12 months, up by \$471.1 million, or 73.8 percent, from the previous period.

Motor vehicle collections total \$791 million for the period. This is an increase of \$25 million, or 3.3 percent, from the trailing period.

Other sources generated \$2.1 billion, up by \$348.4 million, or 19.9 percent, from the previous year.

### About Gross Receipts to the Treasury

The Office of the State Treasurer developed the monthly Gross Receipts

to the Treasury report in order to provide a timely and broad view of the state's macro economy.

It is released in conjunction with the General Revenue Fund allocation report from the Office of Management and Enterprise Services, which provides important information to state agencies for budgetary planning purposes.

The General Revenue Fund receives less than half of the state's gross receipts with the remainder paid in rebates and refunds, remitted to cities and counties, and apportioned to other state funds.

### Learn more

Read the complete gross receipts report with additional charts and graphs at [go.usa.gov/xmEUu](http://go.usa.gov/xmEUu)

## State unemployment holds steady at 3.3 percent in April

Oklahoma's seasonally adjusted unemployment rate of 3.3 percent was unchanged from the previous month, while the U.S. jobless rate of 3.6 percent was down by two-tenths of one percentage point from March, according to figures released by the Oklahoma Employment Security Commission.

Since April 2018, the number of working Oklahomans has fallen by 11,479, and the number of those listed as unemployed has decreased by 6,880.

April 2019		Unemp. rate*	Labor force*	Employment*	Unemployment*
Oklahoma		3.3%	1,828,485	1,768,798	59,687
United States		3.6%	162,470,000	156,645,000	5,824,000
<b>OKLAHOMA</b>	Mar '19	3.3%	1,830,795	1,770,663	60,132
	Feb '19	3.3%	1,833,045	1,773,387	59,658
	Jan '19	3.2%	1,834,891	1,775,975	58,916
	Dec '18	3.1%	1,837,373	1,779,871	57,502
	Nov '18	3.1%	1,836,984	1,779,700	57,284
	April '18	3.6%	1,846,844	1,780,277	66,567

\* Data adjusted for seasonal factors

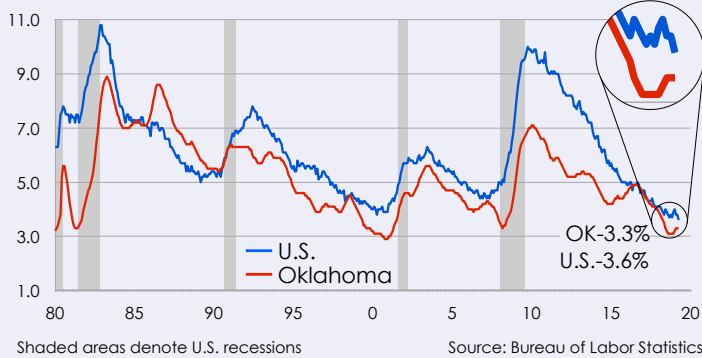
Source: OESC



## Economic Indicators

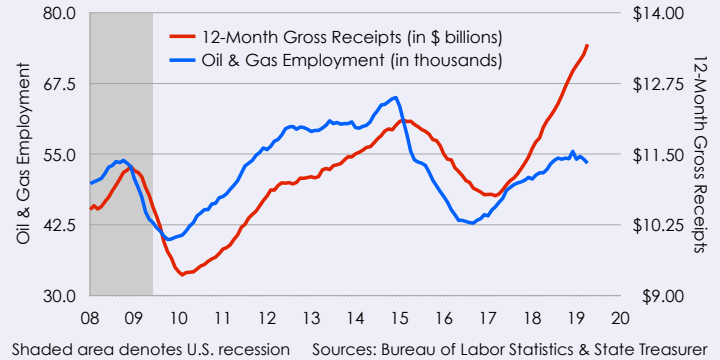
### Unemployment Rate

January 1980 – April 2019



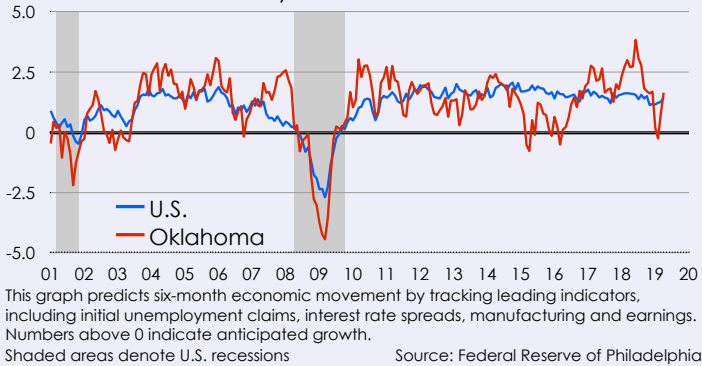
### Gross Receipts vs. Oil & Gas Employment

January 2008 – April 2019



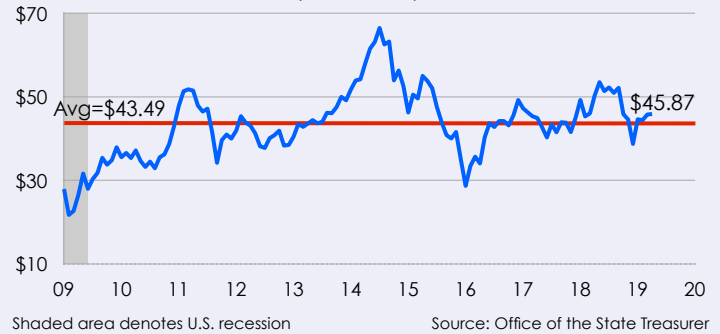
### Leading Economic Index

January 2001 – March 2019



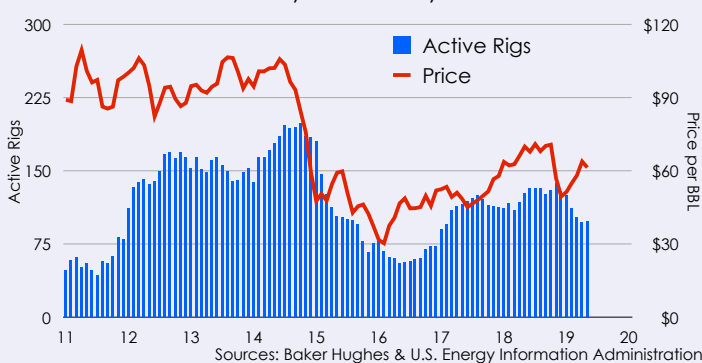
### Oklahoma Stock Index

Top capitalized state companies  
January 2009 – April 2019



### Oklahoma Oil Prices & Active Rigs

January 2011 – May 2019



### Oklahoma Natural Gas Prices & Active Rigs

January 2011 – May 2019

