



Oklahoma Economic Report™

State Treasurer Randy McDaniel

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

Unclaimed property returns top \$51 million

Tucked away in the basement of a nondescript office building in northwest Oklahoma City, staff of the state treasurer's unclaimed property division is returning lost money to its rightful owners at the breakneck pace of more than \$200,000 per day.

Those 23 public employees are doing their work at no cost to Oklahoma taxpayers. In fact, citizens of the state are actually profiting from their work.

Funded entirely by the unclaimed assets that are remitted to the state but never claimed, the program and its staff are setting annual records for the amount returned to the people of Oklahoma.

In the most-recent fiscal year, FY-19, they reunited Oklahomans with \$51.7 million. Thanks to a one-of-a-kind pay-for-performance program, coupled with a strategic

“This year's returns are almost triple the amount returned the year before the incentives began.”

SEE RECORD RETURNS PAGE 3

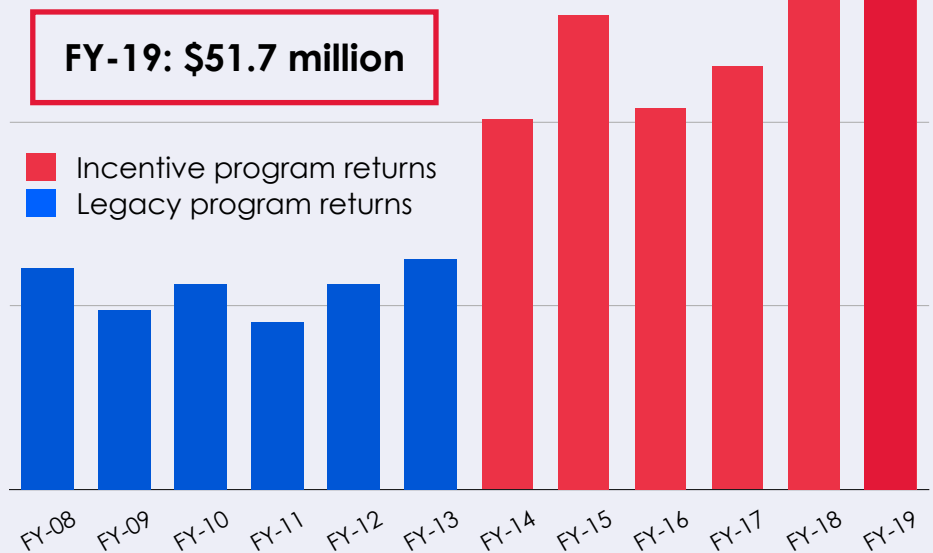
Contents

- Treasurer's commentary: The reasons for record unclaimed property returns
- Spotlight on Financial Literacy: Here's why many Americans have nothing saved for retirement
- Gross Receipts reflect modest economic growth in August
- State jobless rate unchanged at 3.2 percent in July
- Economic Indicators

Editor

Tim Allen, Deputy Treasurer for Communications and Program Administration

Shattering Annual Return Records

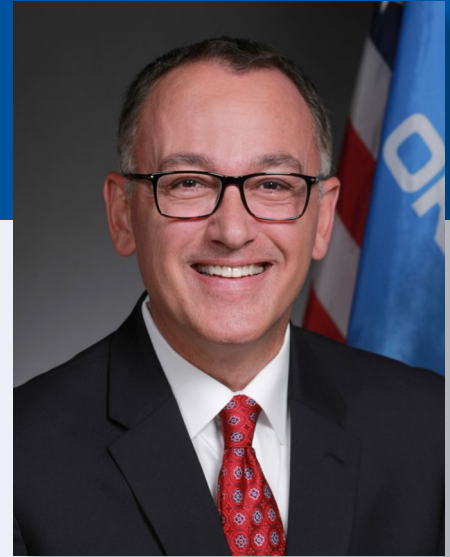


Source: Office of the State Treasurer, Internal Auditor



Treasurer's Commentary

By Randy McDaniel,
Oklahoma State Treasurer



The reasons for record unclaimed property returns

We had a record-breaking year. In the past fiscal year, almost \$52 million in unclaimed property was returned to its owners. This total was the most in state history.

Think of it this way: The checks are going out at the rate of \$1 million each week.

The outcome is even more impressive considering the program's efficiency. Only a small group of talented people make it all happen. The diverse staff of women and men in the unclaimed property division are a key reason for the program's continued growth.

When former Treasurer Ken Miller launched a model incentive-pay program in the division, there were uncertainties about whether the initiative would be successful. Those questions have since been

put to rest in a decisive fashion.

Now, six years into the pay-for-performance operation, the numbers speak for themselves. Average annual returns were

\$16.4 million during the six years before the change. Since then, the annual average has climbed to \$38.2 million.

My goal has been to build on the past successes through innovation. We

strive to reduce waiting periods so that Oklahomans are reunited with their lost money in a more timely manner.

We continue to seek improvement by evaluating and implementing best practices observed in other states, and this drive for excellence is working.

Perhaps our biggest challenge is helping claimants through the

“The diverse staff of women and men in the unclaimed property division are a key reason for the program's continued growth.”

process of providing the needed proof of ownership. This can sometimes be difficult, but we are required by law to ensure the right people are receiving the funds.

In today's world, too often bad players will purposely alter documentation in an attempt to receive money to which they are not entitled. We work with legal counsel to detect any potential misrepresentation. Notwithstanding, our overarching goal is to return lost property to its rightful owners.

After working more than two decades in the private sector as a financial advisor, I value the core principles that have led to these favorable results.

First, we know that people respond to incentives. The unclaimed property staff knows that the more money they return to its rightful

SEE COMMENTARY PAGE 3



Commentary

FROM PAGE 2

owners, the more money they will earn. Objectives are clearly defined, as are goals and benchmarks.

Next, the successful operation of the program is also due to strategic marketing. Through a combination of targeted newspaper, television, and internet public service

announcements, we reach out to unclaimed property owners to make them aware of the program and fulfill our mission.

To get people to act, credibility must be developed and maintained. Our marketing emphasizes the fact that we are an official government program that offers a free service to our fellow Oklahomans.

Finally, the program’s success is aided by an easy to find website with a way to search for unclaimed property and even initiate a claim.

In the years to come, we will continue to implement innovative solutions to improve customer service, efficiency, and results.

Record returns

FROM PAGE 1

marketing effort, this year’s returns are almost triple the amount returned the year before the incentive pay effort began at the start of FY-14.

Compared to the prior fiscal year, FY-18, the amount of unclaimed property returned this year increased by almost \$9 million, or more than 20 percent.

Consumer protection

At its heart, the unclaimed property program is about consumer protection. Every state has a similar program.

The idea is that businesses that lose track of people to whom they owe money should not be inappropriately enriched by keeping money that legitimately belongs to someone else.

The law requires the money owed, along with the names and last known addresses of the owners, be brought to the treasurer’s office, where efforts

are made to get the money returned to its owners.

Oklahoma’s unclaimed property program was started in 1967 and was originally administered by the Oklahoma Tax Commission. It was transferred to the treasurer’s office in 2000. Most other states also have the program operated by their state treasurers.

Pay for performance

The first year the program was managed by the treasurer’s office, returned assets totaled \$3.7 million. Over the next decade, the amount returned each year increased to an average of some \$16 million, but the rate of growth slowed over time to an annual rate of less than 10 percent.

Taking a lead from the private sector, in July 2013 a merit pay system was started to incentivize unclaimed property staff to increase the amount of money returned to Oklahomans.

The pay-for-performance program has worked very well. During its first year, payouts jumped by 30 percent over the prior year. Since then, performance has only improved.

In the six years prior to inception of the incentive program, unclaimed property returns totaled less than \$100 million. During the past six year under the incentive system, returns have been almost \$230 million. Incentive payments during the same time period total less than \$500,000. The return on investment equates to \$100 returned for every 22 cents paid in incentives.

However, for the employees, the incentive program allows them to increase their annual pay by up to 25 percent if all goals are reached.

Earning the incentives

For the unclaimed property staff, getting a claim paid requires more

SEE RECORD RETURNS PAGE 4

Opinions and positions cited in the *Oklahoma Economic Report™* are not necessarily those of Oklahoma State Treasurer Randy McDaniel or his staff, with the exception of the *Treasurer’s Commentary*, which is, of course, the viewpoint of the treasurer.



Record returns

FROM PAGE 3

than authorizing a check be printed. Claims auditors must ensure adequate proof of ownership exists, sometimes including certified death certificates, land deeds and the like, in addition to proof of identity of the claimants.

Staff must make sure money paid out doesn't go to the wrong person. Numerous attempts to fraudulently receive unclaimed property have been uncovered.

Strategic marketing

The program uses newspaper, television and internet public service announcement to drive claims. By carefully targeting the messages to reach people who are likely to have unclaimed property, and by directing

them to a website where they can search for their names and initiate claims online, claims filed have increased greatly.

A unique government service

The treasurer's unclaimed property program is a refreshing change from the usual.

The program returns lost money to its owners free of charge and does it without spending a dime of taxpayer money.

Learn more

Search for unclaimed property at OKTreasure.com.

Spotlight on Financial Literacy

Here's why many Americans have nothing saved for retirement

Americans as a whole aren't saving nearly enough for retirement.

In fact, an alarming number of people have absolutely nothing put away for their golden years.

That's according to new data from Northwestern Mutual's 2019 Planning & Progress Study, which found that 15% of Americans have no retirement savings at all.

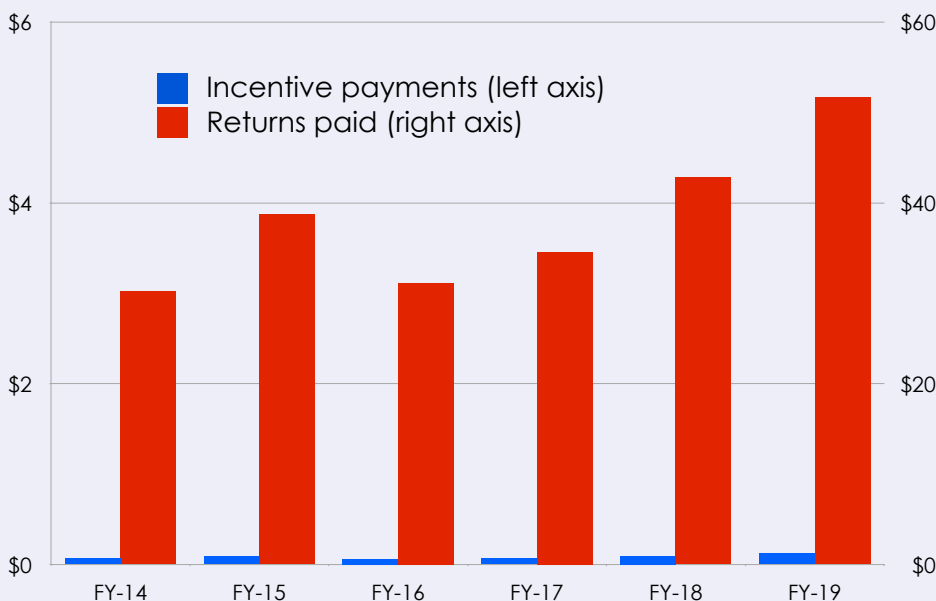
Younger generations who have had limited time to save aren't skewing the numbers either. For both Gen X-ers (defined here as ages 39 to 54) and baby boomers (defined as ages 55 to 73), 14% of survey respondents in each group say they have nothing saved for retirement.

Just 17% of respondents say they have between \$1 and \$74,999 earmarked for retirement, which falls short of the \$1 million experts typically recommend.

For many Americans, it comes down to a disconnect between realizing that they need to save more and actually taking steps to do so.

Learn more at CNBC.

Return on Incentive Payments (in \$ million)



Source: Office of the State Treasurer, Internal Auditor



August Gross Receipts to the Treasury & General Revenue compared

August Gross Receipts to the Treasury totaled \$1.03 billion, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received \$451.4 million, or 44%, of the total.

The GRF received between 39.7% and 59% of monthly gross receipts during the past 12 months.

From August gross receipts, the GRF received:

- Individual income tax: 69.1%
- Corporate income tax: 24.6%
- Sales tax: 39.8%
- Use tax: 43.9%
- Gross production-Gas: 74.4%
- Gross production-Oil: 0.1%
- Motor vehicle tax: 3.5%
- Other sources: 43.8%

August GRF allocations were above the estimate by 0.6%.

August insurance premium taxes totaled \$3.7 million, a decrease of \$151,874, or 3.9%, from the prior year.

Tribal gaming fees generated \$13.2 million during the month, up by \$635,723, or 5%, from August 2018.

Gross Receipts reflect modest economic growth in August

August Gross Receipts to the Treasury grew by a modest 3.2 percent over collections from the same month of last year, curtailed by a slowing of oil and gas tax receipts and a slight drop in income tax collections, State Treasurer Randy McDaniel announced.

Monthly gross receipts were \$1.03 billion, up by \$31.7 million.

Gross collections from the past 12 month topped \$13.7 billion, and are \$1.3 billion, or 10.8 percent, higher than during the prior 12 months.

“Oklahoma’s economy is still

expanding,” McDaniel said. “While we continue to see economic growth, it’s not as robust as in previous months.”

The growth rate in total August gross receipts is the lowest in more than two years, and is driven by reduced collections from oil and gas production. In the past year, crude oil prices have fallen by almost 20 percent

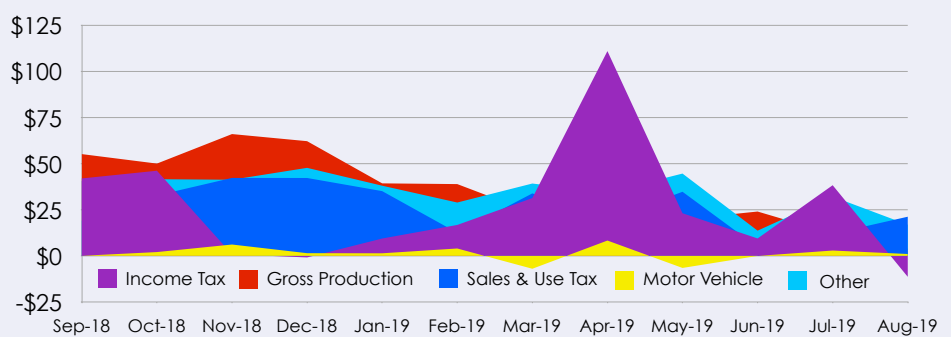
and rig counts are off by more than 40 percent.

Receipts from the gross production tax on oil and gas have dropped by

SEE REVENUE PAGE 6

“While we continue to see economic growth, it’s not as robust as in previous months.”

Monthly Gross Receipts vs. Prior Year



| (In \$ millions) | | | Variance From Prior Year | |
|--------------------------------|--------------|----------------|--------------------------|--------------|
| | August-18 | August-19 | \$ | % |
| Total Income Tax | 277.3 | 266.0 | (11.4) | -4.1% |
| Individual | 268.3 | 259.2 | (9.1) | -3.4% |
| Corporate | 9.1 | 6.8 | (2.3) | -25.2% |
| Sales & Use Tax (1) | 462.3 | 483.6 | 21.2 | 4.6% |
| Sales Tax | 406.9 | 419.5 | 12.6 | 3.1% |
| Use Tax | 55.5 | 64.1 | 8.6 | 15.6% |
| Gross Production | 71.9 | 75.8 | 3.9 | 5.5% |
| Motor Vehicle | 68.9 | 69.9 | 1.0 | 1.5% |
| Other Sources (2) | 114.6 | 131.5 | 16.9 | 14.7% |
| TOTAL REVENUE | 995.1 | 1,026.8 | 31.7 | 3.2% |

Dollar change (in millions) from prior year

Source: Office of the State Treasurer



Revenue

FROM PAGE 5

more than a third since collections peaked in November 2018.

A slight decline from the prior year in income tax collections is credited to non-economic reasons. Tax officials said there were fewer reporting deadlines for remittance of withholding taxes this August compared to last.

Sales tax receipts rebounded slightly, growing by 3.1 percent compared to August 2018 after falling below prior year collections for two consecutive months.

New tax revenue

In August, the gross production incentive tax rate increase approved in House Bill 1010 during special session last year added \$26.5 million to monthly collections, 2.6 percent of all August gross receipts.

This is the last month in which comparison to the same month of the prior year is impacted by any of the tax hikes in HB 1010.

Business conditions

The Oklahoma Business Conditions index for August dipped into negative territory after two months above growth neutral. August's rate of 49.6 is down from July's rate of 52.8. The index was also below growth neutral in April and May. Numbers below 50 indicate anticipated economic contraction during the next three to six months.

August collections

August gross collections total \$1.03

billion, up by \$31.7 million, or 3.2 percent, from August 2018.

Gross income tax collections, a combination of individual and corporate income taxes, generated \$266 million, a decrease of \$11.4 million, or 4.1 percent, from the previous August.

Individual income tax collections for the month are \$259.2 million, down by \$9.1 million, or 3.4 percent, from the prior year. Corporate collections are \$6.8 million, a decrease of \$2.3 million, or 25.2 percent. Wide variances in corporate receipts are not uncommon.

Combined sales and use tax collections, including remittances on behalf of cities and counties, total \$483.6 million in August. That is \$21.2 million, or 4.6 percent, more than August 2018.

Sales tax collections in August total \$419.5 million, an increase of \$12.6 million, or 3.1 percent from the

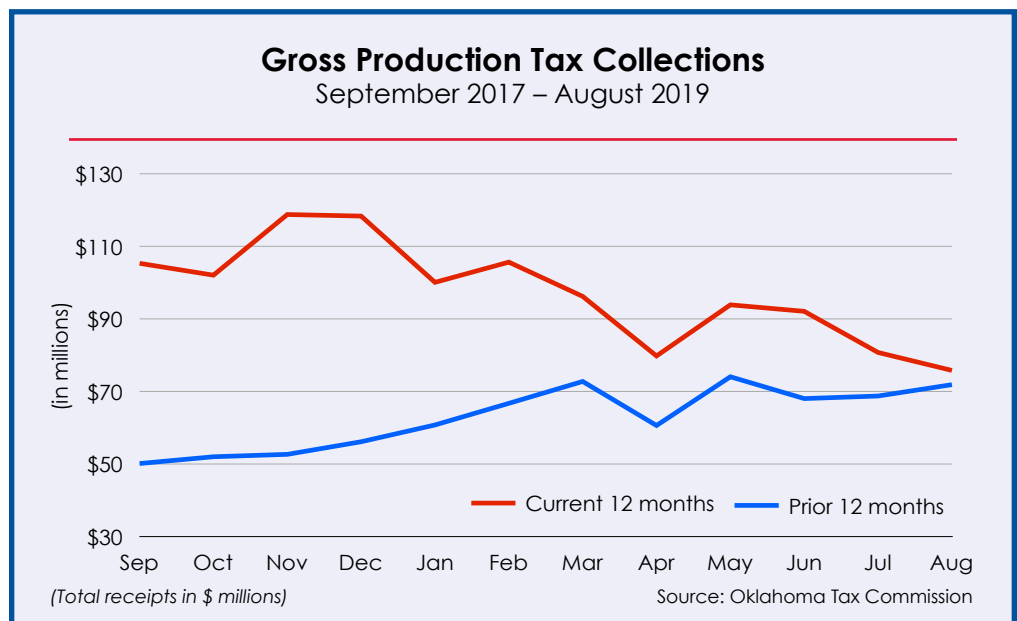
same month of the prior year. Use tax receipts, paid on out-of-state purchases including online sales, generated \$64.1 million, an increase of \$8.6 million, or 15.6 percent, over the year.

Gross production taxes on oil and natural gas generated \$75.8 million in August, an increase of \$3.9 million, or 5.5 percent, from last August. Compared to July 2019 reports, gross production collections are down by \$4.9 million, or 6.1 percent.

Motor vehicle taxes produced \$69.9 million, up by \$1 million, or 1.5 percent, from the same month of 2018.

Other collections, consisting of about 60 different sources including taxes on fuel, tobacco, medical marijuana, and alcoholic beverages, produced \$131.5 million during the month. That is \$16.9 million, or 14.7 percent, more than last August.

SEE REVENUE PAGE 7





Revenue

FROM PAGE 6

Twelve-month collections

Gross revenue totals \$13.7 billion from the past 12 months, September 2018 through August 2019. That is \$1.3 billion, or 10.8 percent, more than collections from the previous 12-month period.

Gross income taxes generated \$4.6 billion for the 12 months, reflecting an increase of \$316.2 million, or 7.3 percent, from the prior 12 months.

Individual income tax collections total \$4.1 billion, up by \$275.3 million, or 7.2 percent, from the prior period. Corporate collections are \$516.2 million for the period, an increase of \$40.9 million, or 8.6 percent, over the previous 12 months.

Combined sales and use taxes for the 12 months generated \$5.6 billion, an increase of \$331.9 million, or 6.3 percent, from the prior period.

Gross sales tax receipts total \$4.9 billion, up by \$152.5 million, or 3.2 percent, during the period. Use tax collections generated \$708.5 million, an increase of \$179.4 million, or 33.9 percent over the previous 12 months.

Oil and gas gross production tax collections brought in \$1.17 billion during the 12 months, up by \$414.1 million, or 54.9 percent, from the previous period.

Motor vehicle collections total \$788.4 million for the 12 months. This is an increase of \$13.8 million, or 1.8 percent, from the trailing period.

Other sources generated \$1.5 billion, up by \$257.1 million, or 20.1 percent, from the previous period.

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 full report and see additional charts and graphs at go.usa.gov/xV9MX

State jobless rate unchanged at 3.2 percent in July

Oklahoma Unemployment Report

July 2019

| | | Unemp. rate* | Labor force* | Employment* | Unemployment* |
|------------------|---------------|--------------|--------------|-------------|---------------|
| June 2019 | | | | | |
| | Oklahoma | 3.2% | 1,831,502 | 1,773,288 | 58,214 |
| | United States | 3.7% | 162,981,000 | 157,005,000 | 5,975,000 |
| OKLAHOMA | May '19 | 3.2% | 1,828,733 | 1,769,681 | 59,052 |
| | April '19 | 3.3% | 1,828,475 | 1,768,729 | 59,746 |
| | 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 |
| | June '18 | 3.3% | 1,843,156 | 1,781,862 | 61,294 |

* Data adjusted for seasonal factors

Source: OESC

Oklahoma's seasonally adjusted unemployment rate of 3.2 percent in July was unchanged from the previous month.

In July, the U.S. jobless rate of 3.7 percent also remained unchanged from the prior month, according to figures released by the Oklahoma Employment Security Commission.

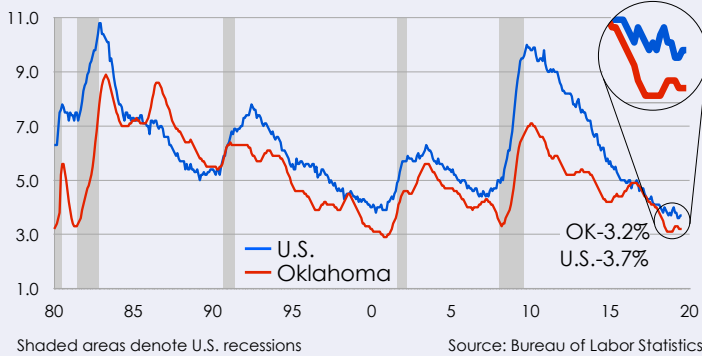
Since July 2018, the number of working Oklahomans has fallen by 1,975, and the number of those listed as unemployed has decreased by 628.



Economic Indicators

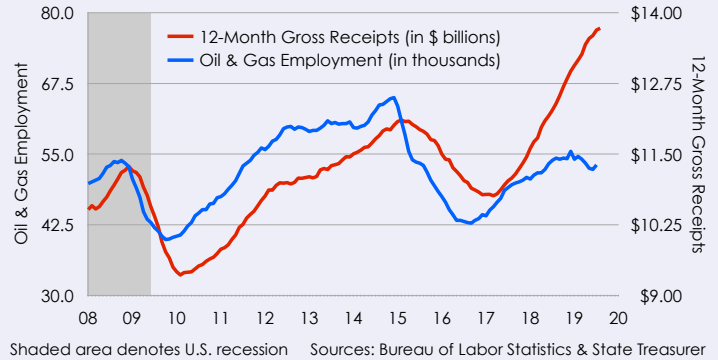
Unemployment Rate

January 1980 – July 2019



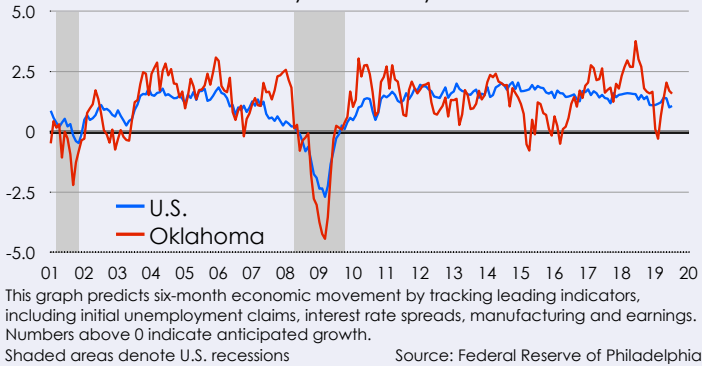
Gross Receipts vs. Oil & Gas Employment

January 2008 – August 2019



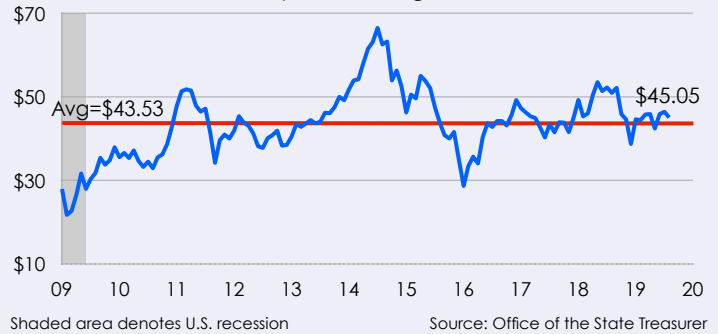
Leading Economic Index

January 2001 – July 2019



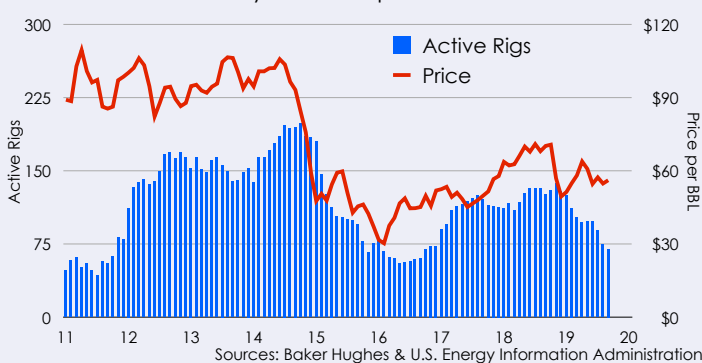
Oklahoma Stock Index

Top capitalized state companies
January 2009 – August 2019



Oklahoma Oil Prices & Active Rigs

January 2011 – September 2019



Oklahoma Natural Gas Prices & Active Rigs

January 2011 – September 2019

