



# Oklahoma Economic Report™

State Treasurer Randy McDaniel

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

## Helping Oklahomans with disabilities

For almost two years, the Oklahoma STABLE Program ([OKSTABLE.org](http://OKSTABLE.org)) has offered qualified state residents with disabilities a way to save and invest without losing federal needs-based benefits. Money saved in the program can only be used for disability-related expenses.

Oklahoma STABLE accounts provide financial independence and empowerment for people with

disabilities by sensibly increasing their ability to save and invest.

Before, individuals with disabilities could only save \$2,000 before losing needs-based benefits – not

nearly enough to plan for any future needs such as long-term care.

Now, through Oklahoma STABLE, they can save and invest up to \$15,000 annually without affecting eligibility for benefits programs.

It is similar to a 529 college savings

**“The STABLE tax deduction would be identical to the college savings tax break.”**

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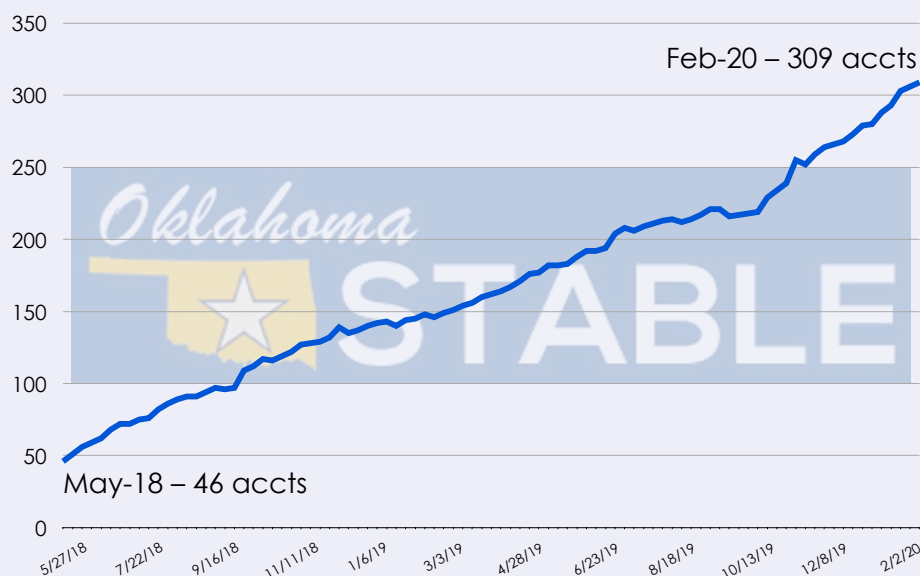
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Editor

Tim Allen, Deputy Treasurer for Communications and Program Administration

### Oklahoma STABLE Program account growth



Source: STABLE Account weekly reports



## Guest Commentary

By Charles McCall,  
Speaker of the House

### 2020 session about building momentum

Times have changed at the Capitol.

Since 2017, the Oklahoma Legislature has made historic investments in education and transformational improvements to government. In doing so, we have shifted the tenor at Capitol from pessimism to optimism. A very positive and collaborative spirit exists that did not exist in the recent past.

When House Republicans began planning for the 2020

legislative session, maintaining this momentum and building on it topped our priority list. Policy goals are part of that, but first and foremost our Caucus has a more values-based goal of simply continuing to work well together. When we have decorum and cooperation as a body, it produces a much better outcome for our constituents and the state at large.

The current membership of the House is very mission focused. Our freshman and sophomore classes are large, driven and highly capable. They have brought great enthusiasm and new ideas to the Capitol. Our more senior

**“Saving more money to prepare for future economic downturns needs to remain a budget priority. The state needs a more robust savings strategy than it currently has.”**

members have very valuable experience they bring to the table, as well. Coupling all that together, we have the strongest House in recent memory.

Our Caucus believes continuing to work well

together within the House, across the rotunda with the Senate, and with the Stitt administration are the keys to success in 2020. If that can happen, everything else will follow.

In our Caucus, we use a bottom up approach when identifying goals. The members of the House decide the goals, and as leadership we help them achieve those goals.



On policy, we’re always discussing as a Caucus what needs to be a priority. Preliminarily, we’re very interested continuing to address teacher pay and the teacher shortage, and being responsible with the budget while saving money.

Another teacher pay raise is being explored, this one targeted at our most tenured teachers. Oklahoma is expecting an exodus of teachers to leave for retirement soon. House Republicans want to give them a financial incentive to stay in the classroom a while longer through pay raises for teachers with 25 years or more of experience. There should be sufficient funds to accomplish this in next year’s budget, even with the tighter budget picture the state faces.

Shifting to the budget, saving more money to prepare for future economic downturns needs to

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## McCall

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remain a budget priority. The state needs a more robust savings strategy than it currently has. Existing savings safeguards like the mandatory 5% cushion in general revenue appropriations and constitutionally-required Rainy Day Fund deposits are good, but more are needed.

As a perfect case in point, look no further than this year and next year's budget. In this year's budget that was approved last session, more than \$200 million was voluntarily set aside in savings. Had we not set that money aside, there would have been a revenue failure this year in the General Revenue Fund due to declining tax collections as economic

contraction begins. This is made clear in the Board of Equalization report released Tuesday that shows revenue available for next year's budget is shrinking, heightening the need to be prudent with expenditures.

So, the \$200 million savings fund deposit approved last session is already proving its worth. Deposits like that should be the new normal. The state has about \$1 billion in savings, but realistically it needs between \$3 billion and \$4 billion in savings to be fully prepared for the next inevitable economic slump.

When I joined other state leaders to visit the financial ratings agencies on Wall Street last year, the savings fund deposit received big accolades

and the state credit outlook was upgraded shortly thereafter. We are committed to this more responsible savings approach because we know the cyclical nature of the Oklahoma energy economy requires it. Those cyclical economics are becoming increasingly evident, based on the Board of Equalization's latest report and ongoing analysis provided by State Treasurer Randy McDaniel in this very newsletter.

Our Caucus has several other priorities we will be pursuing this session. If we can continue the tradition of decorum and collaboration we have established, Oklahoma will close out the second half of the 57<sup>th</sup> Legislature as strongly as it was started. This is our chief goal in the House.

## Helping

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plan. Investment earnings are exempt from state and federal taxes when used for qualified expenditures.

At present, there is a key difference between the state's college savings plan and the STABLE program – an Oklahoma income tax deduction for contributions. College savings has one, STABLE does not. Hopefully that will change during the current legislative session.

The Achieving a Better Life Experience (ABLE) Act was passed by

Congress and signed by the President in December 2014. Oklahoma passed enabling legislation in 2017, and the Oklahoma STABLE Program was launched in May 2018. It is administered by the State Treasurer's Office.

### Unrealized potential

Since the launch, more than 300 Oklahomans with disabilities have opened accounts containing some \$1.2 million.

While growth in the program should

be applauded, the unrealized potential is huge.

The National Disabilities Institute estimates some eight million people nationwide meet the qualifications to establish ABLE accounts, such as Oklahoma STABLE.

A rough calculation based on overall population indicates Oklahoma has more than 80,000 residents who would qualify for such an account.

At the end of 2019, there were more

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## Helping

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than 56,600 open ABLE accounts throughout the nation. That means of those eligible, only 0.7 percent had taken advantage of the programs.

In Oklahoma, less than 0.4 percent of those eligible had opened STABLE accounts.

### A meaningful incentive

A number of bills have been filed for consideration during the current legislative session that would provide a state income tax deduction for contributions to the Oklahoma STABLE Program.

Passage would provide a strong incentive for more Oklahomans to establish a STABLE account.

Among those filed are [House Bill 3225](#) by Majority Floor Leader Jon Echols, R-Oklahoma City, and [House Bill 4006](#), co-authored by House Appropriations Chair Kevin Wallace, R-Wellston, and General Government Subcommittee Chair Charles Ortega, R-Altus.

Across the rotunda, Senator Adam Pugh, R-Edmond, has authored

[Senate Bill 1190](#). He is chair of the Appropriations Subcommittee on Public Safety and Judiciary.

The language in the bills mirror the tax treatment currently offered for contributions to the Oklahoma 529 College Savings Plan.

The deduction from Oklahoma taxable income would be equal to contributions made, up to \$10,000 per year for single taxpayers and up to \$20,000 for those filing jointly.

In addition, the deduction could be used for contributions made up to the tax filing deadline, such as is allowed with IRAs.

Language in the introduced versions of the bills allows contributions to accounts that exceed the annual limits to be carried forward and deducted over the following five years.

If approved, the new tax deduction would be available starting with the 2020 tax year. The Oklahoma Tax Commission estimates the annual fiscal impact to be \$121,000.

Overall, this program is helping

Oklahomans with disabilities, their families and loved ones save in an open and effective manner.

Oklahoma STABLE is making a positive difference today, but could make a more significant impact with the passage of this important legislation that is strongly supported by the disability community.

### Learn more

Get more information about the Oklahoma STABLE Program: [OKSTABLE.org](http://OKSTABLE.org)

### Spotlight on Financial Literacy

#### For every dollar saved for retirement, at least 20 cents is withdrawn too early

Americans find it hard to save.

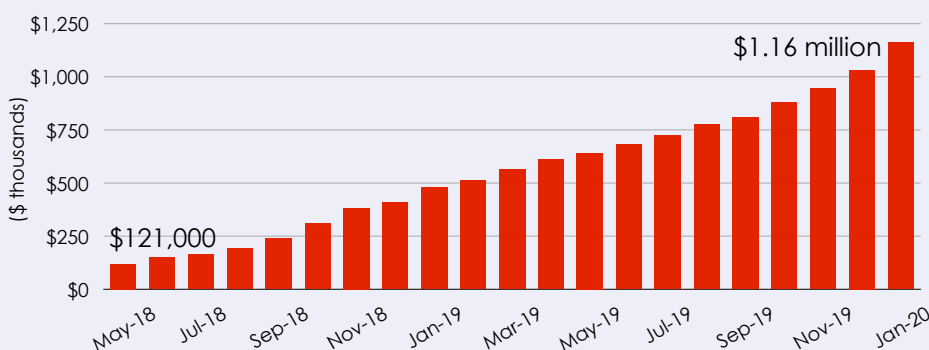
According to data from the Federal Reserve Survey of Consumer Finances, only 53% of adults have a retirement account.

In 2019, the personal savings rate was under 9%, although most experts agree that workers need to save between 10% and 15% of their income for retirement to avoid making difficult pullbacks in their quality of life as seniors.

But the problem isn't just that we don't set aside enough money for retirement.

Learn more at [Forbes](http://Forbes.com).

### Oklahoma STABLE Program savings growth



Source: STABLE Account monthly reports



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

January Gross Receipts to the Treasury totaled \$1.26 billion, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received \$709.7 million, or 56.4%, of the total.

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

From January gross receipts, the GRF received:

- Individual income tax: 72.3%
- Corporate income tax: 73.2%
- Sales tax: 44%
- Use tax: 44.5%
- Gross production-Gas: 75.9%
- Gross production-Oil: 76.4%
- Motor vehicle tax: 4.4%
- Other sources: 58%

January GRF allocations were below the estimate by 7.5%.

January insurance premium taxes totaled \$787,381, an increase of \$579,909, or 279.5%, from the prior year.

Tribal gaming fees generated \$13.3 million during the month, up by \$79,812, or 0.6%, from January 2019.

## Use taxes bring bright spot to otherwise flat gross receipts

Collections of the use tax on out-of-state sales, including online purchases, set a record high in January, while total revenue remained relatively flat, State Treasurer Randy McDaniel announced.

January total monthly collections were \$1.26 billion, up by \$17.4 million, or 1.4 percent, from January 2019. Use tax receipts generated \$83 million, up by almost 19 percent from the prior

year. However, collections from four of the six major revenue streams were less than the same month of the prior year.

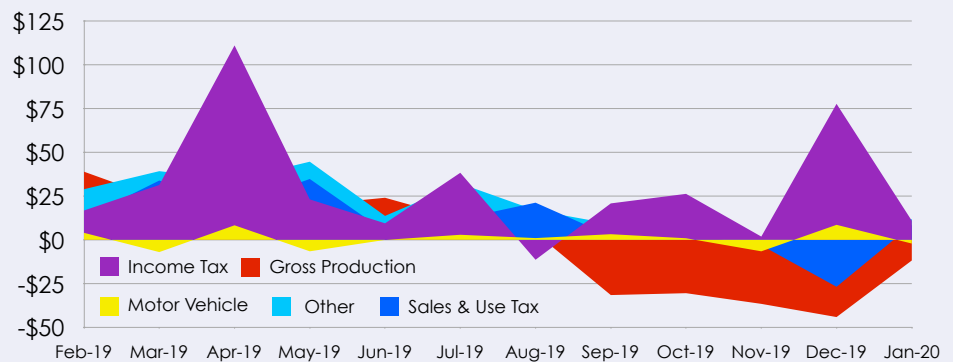
**“Retail sales, both at brick-and-mortar stores and online, reflect healthy consumer confidence.”**

Only use tax and corporate income tax receipts rose above prior year levels during the month. Individual income, sales, gross production, and motor vehicle taxes saw decreases

ranging from 11.8 percent to 0.1 percent.

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### Monthly Gross Receipts vs. Prior Year



(In \$ millions)	January-19	January-20	Variance From Prior Year	
<b>Total Income Tax</b>	<b>459.4</b>	<b>470.3</b>	<b>10.9</b>	<b>2.4%</b>
Individual	412.9	412.4	(0.5)	-0.1%
Corporate	46.5	57.9	11.4	24.6%
<b>Sales &amp; Use Tax (1)</b>	<b>489.7</b>	<b>498.3</b>	<b>8.5</b>	<b>1.7%</b>
Sales Tax	419.9	415.3	(4.6)	-1.1%
Use Tax	69.8	83.0	13.2	18.9%
<b>Gross Production</b>	<b>100.1</b>	<b>88.3</b>	<b>(11.8)</b>	<b>-11.8%</b>
<b>Motor Vehicle</b>	<b>68.1</b>	<b>66.0</b>	<b>(2.1)</b>	<b>-3.1%</b>
<b>Other Sources (2)</b>	<b>124.3</b>	<b>136.1</b>	<b>11.8</b>	<b>9.5%</b>
<b>TOTAL REVENUE</b>	<b>1,241.6</b>	<b>1,259.0</b>	<b>17.4</b>	<b>1.4%</b>

Dollar change (in millions) from prior year

Source: Office of the State Treasurer



## Revenue

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January sales and use tax collections reflect purchases made during most of December, a majority of the holiday shopping season. When combined, they are up by 1.7 percent from January of last year.

“As Oklahoma weathers an ongoing slowdown in oilfield drilling activity, it is encouraging to see total consumption taxes remain positive,” said Treasurer McDaniel. “Retail sales, both at brick-and-mortar stores and online, reflect healthy consumer confidence.”

Sales tax collections for the month were down from the prior year – as has been the case in seven of the past eight months – but analysis shows most of the slowdown is spillover from reduced spending in the oil and gas industry.

Gross production taxes on oil and gas production, at \$88.3 million in January, were down by \$11.8 million, or nearly 12 percent. January marked the fifth consecutive month of contraction in those revenues.

Total receipts from the past 12 months were reported as \$13.73 billion, an increase of \$660.2 million, or 5.1 percent, over the trailing 12 months.

### Business conditions

The Oklahoma Business Conditions Index for January rose above growth neutral for the first time since October of last year. January’s rate of 52.2 is up from 48.4 in December. Numbers above 50 indicate economic growth is anticipated during the following three to six months.

### January collections

January gross collections total \$1.26 billion, up by \$17.4 million, or 1.4 percent, from January 2019.

Gross income tax collections, a combination of individual and corporate income taxes, generated \$470.3 million, an increase of \$10.9 million, or 2.4 percent, from the previous January.

Individual income tax collections for the month are \$412.4 million, down by \$527,320, or 0.1 percent, from the prior year. Corporate collections are \$57.9 million, an increase of \$11.4 million, or 24.6 percent. Wide monthly variances are common for corporate income tax collections.

Combined sales and use tax collections, including remittances on behalf of cities and counties, total \$498.3 million in January. That is \$8.5 million, or 1.7 percent, more than January 2019.

Sales tax collections in November total \$415.3 million, a drop of \$4.6 million, or 1.1 percent from the same month of the prior year.

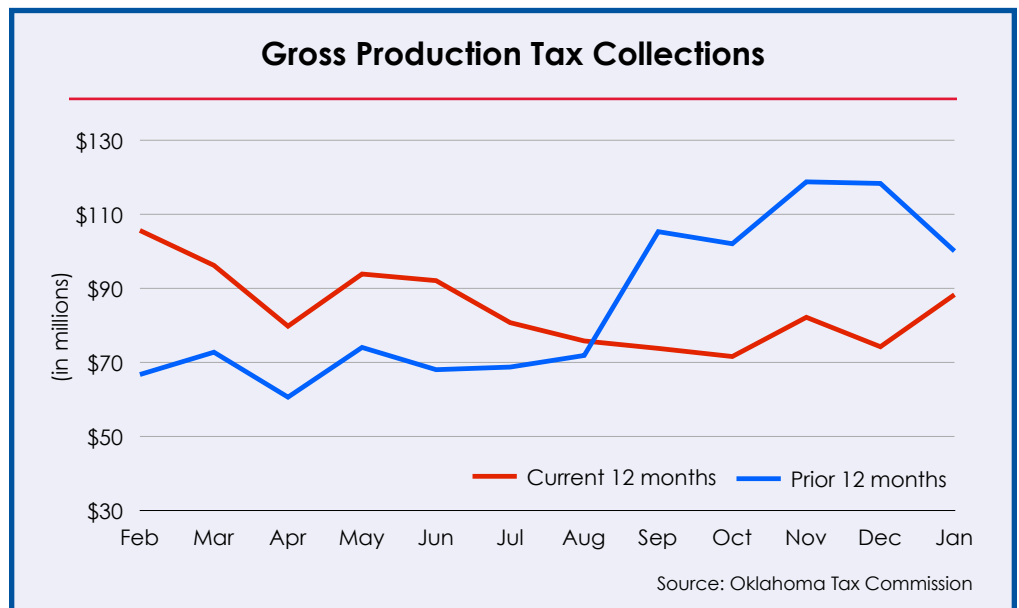
Use tax receipts, collected on out-of-state purchases including online sales, generated \$83 million, an increase of \$13.2 million, or 18.9 percent, over the year.

Gross production taxes on oil and natural gas generated \$88.3 million in January, a decrease of \$11.8 million, or 11.8 percent, from last January. Compared to December 2019 reports, gross production collections are up by \$14.1 million, or 18.9 percent.

Motor vehicle taxes produced \$66 million, down by \$2.1 million, or 3.1 percent, from the same month of 2019.

Other collections composed of some 60 different sources including taxes

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## Revenue

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on fuel, tobacco, medical marijuana, and alcoholic beverages, produced \$136.1 million during the month. That is \$11.8 million, or 9.5 percent, more than last January.

### Twelve-month collections

Gross revenue totals \$13.73 billion from the past 12 months, February 2019 through January 2020. That is \$660.2 million, or 5.1 percent, above collections from the previous 12-month period.

Gross income taxes generated \$4.76 billion for the 12 months, reflecting an increase of \$356.2 million, or 8.1 percent, from the prior 12 months.

Individual income tax collections total \$4.18 billion, up by \$275.8 million, or 7.1 percent, from the prior period. Corporate collections are \$584.9 million for the period, an increase of \$80.4 million, or 15.9 percent, over

the previous 12 months.

Combined sales and use taxes for the 12 months generated \$5.59 billion, an increase of \$123 million, or 2.2 percent, from the prior period.

Gross sales tax receipts total \$4.86 billion, up by \$9.7 million, or 0.2 percent, during the period. Use tax collections generated \$728.2 million, an increase of \$113.2 million, or 18.4 percent, over the previous 12 months.

Oil and gas gross production tax collections brought in \$1.01 billion during the 12 months, down by \$113.2 million, or 1.3 percent, from the previous 12 months.

Motor vehicle collections total \$792.4 million for the 12 months. This is an increase of \$6.7 million, or 0.9 percent, from the trailing period.

Other sources generated \$1.57 billion, up by \$187.4 million, or 13.6 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 economy.

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

The General Revenue Fund, the state's main operating account, 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**

Visit: <http://go.usa.gov/xdkuu>

## Oklahoma jobless rate holds steady in December

### Oklahoma Unemployment Report

December 2019

December 2019	Unemp. rate*	Labor force*	Employment*	Unemployment*
Oklahoma	3.4%	1,846,283	1,783,293	62,990
United States	3.5%	164,556,000	158,803,000	5,753,000
<b>OKLAHOMA</b> Nov '19	3.4%	1,851,391	1,788,749	62,642
Oct '19	3.3%	1,853,492	1,792,698	60,794
Sept '19	3.2%	1,850,818	1,791,227	59,591
Aug '19	3.2%	1,845,520	1,786,542	58,978
July '19	3.2%	1,838,330	1,779,808	58,522
Dec '18	3.1%	1,837,373	1,779,871	57,502

\* Data adjusted for seasonal factors

Source: OESC

The seasonally adjusted jobless rate for Oklahoma of 3.4 percent in December was unchanged from November rate. The U.S. unemployment rate of 3.5 percent in December was also unchanged from the prior month, according to figures released by the Oklahoma Employment Security Commission.

Since December 2018, the Oklahoma jobless rate has risen by three-tens of a percentage point and the number of those listed as unemployed has risen by 5,488.



## Economic Indicators

