



STATE OF OKLAHOMA

A REPORT TO OUR CITIZENS

Fiscal Year 2013
(printed March 2014)

Our Great State

Created in part by land runs and then designated a state in 1907, Oklahoma is just over a hundred years young. A land of diversity from its Native American history and breathtaking scenery to its Americana charm and hospitable people, the outlook for future prosperity is better than ever. The state's political leadership has taken steps to make sure Oklahoma strengthens its reputation as one of the nation's most business-friendly states. Long known as primarily an energy and agricultural state, Oklahoma has established itself in recent years as a state on the move, with an ever-diversifying economy featuring growth in such areas as aerospace-aviation and manufacturing. Oklahoma is a top 10 state for net migration gains, meaning people, businesses and jobs from across the country are moving to the state. In 2013, Oklahoma had an estimated population of 3,851,000 with 347,000 of those being Native Americans, which is the largest per capita Native American population of any state.

Goals of the State

School Safety *To make Oklahoma schools safer and stronger* Gov. Mary Fallin supports a constitutional amendment allowing every school district to pursue a one-time increase in bonding capacity to fund upgrades such as storm shelters, safe rooms and protections against dangerous intruders.

Education *To improve the overall quality and outcomes of public education; update our K-12 public school facilities, curriculum, and test results; attract and retain qualified teachers; and increase the number of Oklahomans who continue their education beyond high school* An increase of \$50 million in educational funding has been proposed to help meet these goals.

Employment *To attract and retain hardworking, dedicated Oklahomans for state government service* To accomplish this, changes have been proposed to modernize the compensation system.

Infrastructure *To repair the "Peoples House"* The State Capitol is in major need of repairs to the building, the electrical system and plumbing. These repairs can be accomplished through a bond issue.

Selected Demographic Information

Population	3,792,000	3,815,000	3,851,000
Per Capita Income	\$37,277	\$39,006	\$40,620
Unemployment Rate	6.2%	5.2%	5.4%
% of Total Workforce in State Government	2.2%	2.2%	2.0%
Public School Enrollment	685,422	673,190	681,578
Tax Collections per Capita	\$1,827	\$2,041	\$2,042
Primary Government Debt per Capita	\$704	\$714	\$699

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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, 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, commissioner of labor and the commissioners of the corporation commission.

How We Have Progressed

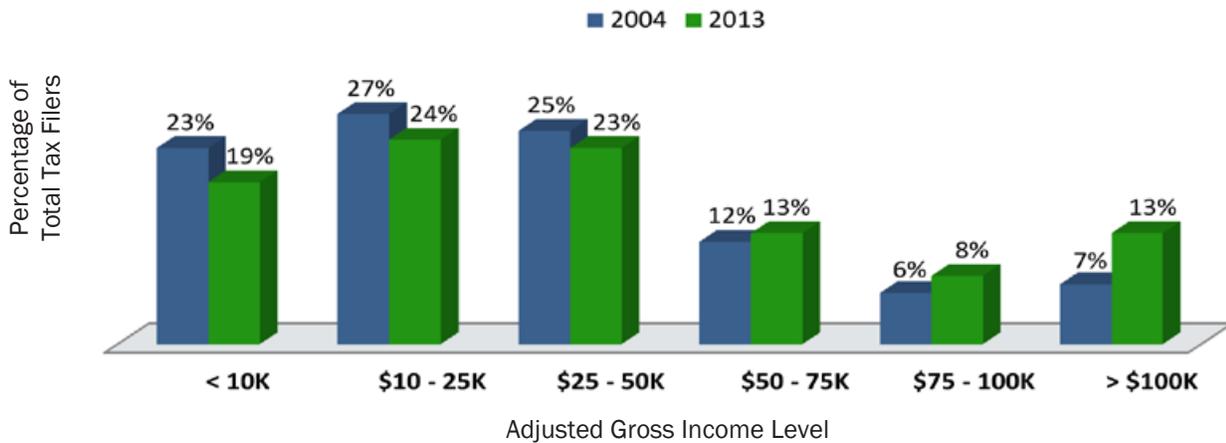
"I call Oklahoma City my home, I love this state. I go through Moore all of the time. This is unfortunate and we are going to come together as a city like we always do. We are going to bounce back and get back on our feet."

—Kevin Durant on the May 2013 Tornadoes

Significant Accomplishments

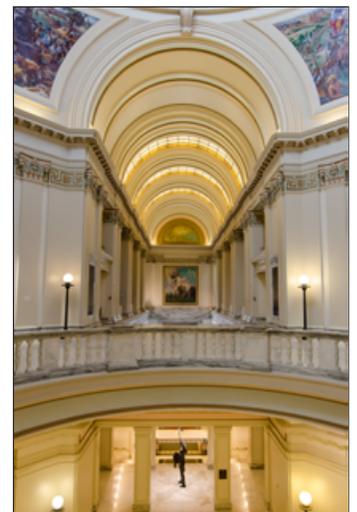
- Oklahoma's economic progress has produced surplus state revenues, replenishing the depleted Rainy Day Fund which allowed a transfer from the fund of \$45 million for emergency tornado relief in fiscal year 2013.
- In energy production, Oklahoma is ranked nationally as the 4th largest producer of natural gas, 5th largest producer of crude oil, 7th in net electricity generation from wind, and 8th in terms of total energy production in the United States.
- In agriculture, Oklahoma is ranked nationally as 2nd in the production of canola, 5th in the production of wheat, 5th in the production of cattle, and in the top 10 for production of pecans, peanuts, and peaches.
- Oklahoma is a top 10 state for net migration gains, meaning people, businesses and jobs from across the country are moving to Oklahoma. New investment in the state totaled \$3.5 billion dollars.

Ten Year Tax Filing Comparison



Did You Know?

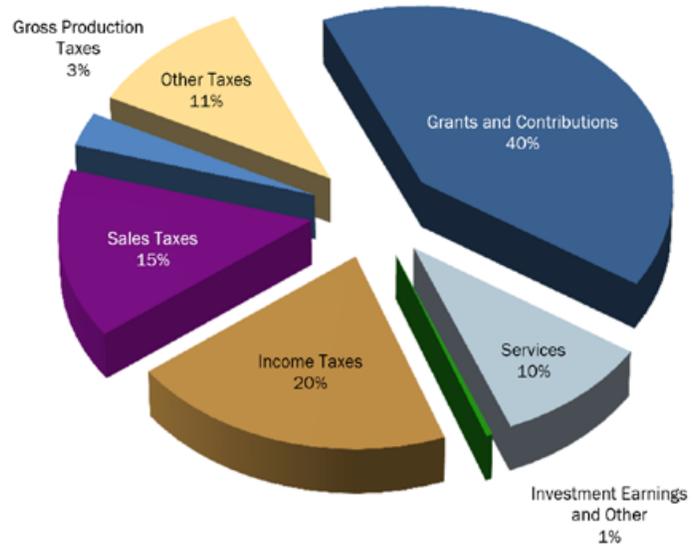
Top 10 Sources of Tax Revenue (other than sales and income tax)	Fiscal Year 2011 (in \$)	Fiscal Year 2012 (in \$)	Fiscal Year 2013 (in \$)
1. Gross Production Tax - Oil and Gas	631,755,429	724,903,048	373,494,633
2. Tag Agent Remittance Tax	307,579,624	348,562,103	330,838,092
3. Use Tax	176,061,390	206,228,223	221,092,285
4. Insurance Premium Tax	170,627,316	199,620,667	213,675,180
5. Cigarette Tax	215,941,799	227,840,813	210,231,001
6. Gasoline Excise Tax	197,712,177	206,179,731	203,403,445
7. Gaming Exclusivity Fees	123,560,707	124,300,610	129,286,255
8. Diesel Fuel Excise Tax	69,230,643	77,027,777	73,785,574
9. Franchise/Business Activity Tax	37,517,382	51,491,409	45,591,898
10. Tribal Compact in Lieu of Tax Payments	40,180,597	41,910,495	43,741,973



The State's Finances

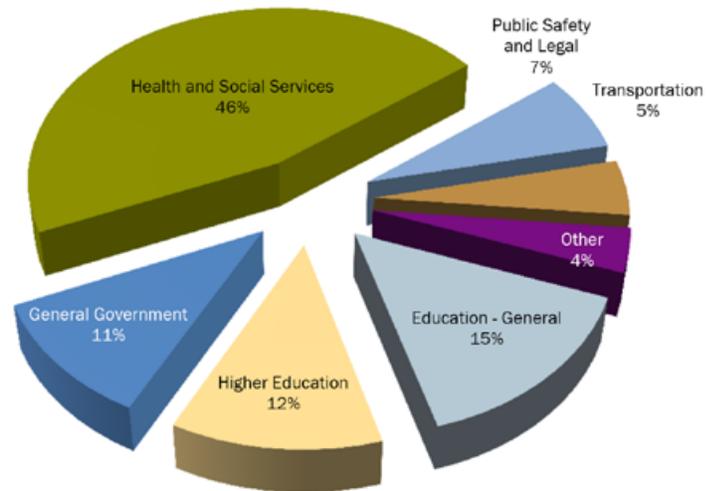
Primary Government Sources of Revenue

Revenues by Source	Fiscal Year 2011 (in \$)	Fiscal Year 2012 (in \$)	Fiscal Year 2013 (in \$)
Income Taxes	2.7 B	3.2 B	3.5 B
Sales Taxes	2.2 B	2.4 B	2.5 B
Gross Production Taxes	0.8 B	0.9 B	0.5 B
Other Taxes	1.8 B	2.0 B	1.9 B
Grants and Contributions	8.0 B	7.1 B	6.9 B
Services	1.1 B	1.4 B	1.7 B
Investment Earnings and Other	0.1 B	0.1 B	0.1 B



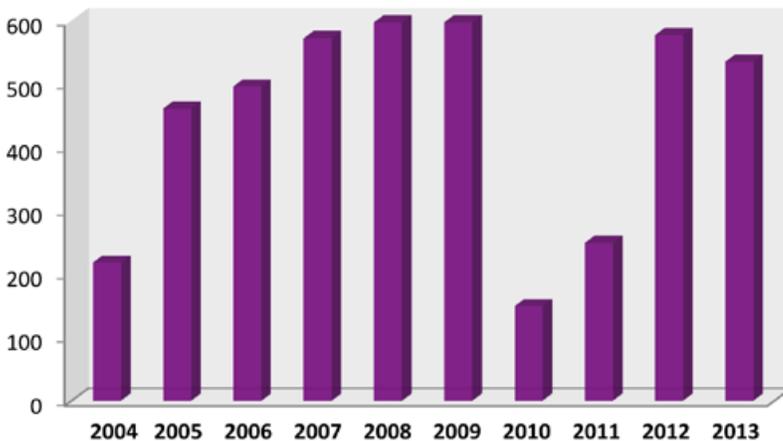
Primary Government Functional Expenses

Expenses by Source	Fiscal Year 2011 (in \$)	Fiscal Year 2012 (in \$)	Fiscal Year 2013 (in \$)
Education - General	3.5 B	2.4 B	2.4 B
Higher Education	1.1 B	2.0 B	2.0 B
General Government	1.7 B	1.8 B	1.9 B
Health and Social Services	6.9 B	7.6 B	7.7 B
Public Safety and Legal	1.0 B	1.1 B	1.1 B
Transportation	0.8 B	0.8 B	0.9 B
Other	0.7 B	0.4 B	0.6 B



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 revenue estimate for the next fiscal year is less than the current year
- 25% 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)

OMES.OK.gov

Oklahoma State Bond Advisor's Annual Reports

www.OK.gov/bondadvisor

FY 2013 Executive Budget

OMES.OK.gov

OpenBooks

OpenBooks.OK.gov

State Agencies

www.OK.gov/portal/agency.php



For more detailed financial information, the Comprehensive Annual Financial Report is available to anyone on the Office of Management and Enterprise Services website.

OMES.OK.gov

“Oklahoma’s always been good to me.”

—Alan Jackson

Future Economic Challenges

- Efforts to pursue Medicaid reform are recommended, as the cost and expansion of Medicaid has become costly for Oklahoma.
- Our state plans to eliminate state income taxes over time. The governor has included in the budget a quarter-point income tax reduction that is expected to return over \$100 million to the state economy once fully realized.
- A review will soon begin to find ways to improve education and the average skills of the labor force. One way to achieve this goal is to increase Oklahoma teacher pay which is currently among the lowest in the nation, even after adjusting for price and quality of life differences across states.
- The 2060 Advisory Council is in the process of studying and recommending appropriate water conservation practices, incentives and educational programs to moderate statewide water usage while preserving Oklahoma's population growth and economic development goals.

State Leadership

Executive



Mary Fallin
Governor



Todd Lamb
Lieutenant Governor

Legislative



Brian Bingman
President Pro Tempore
Senate



Jeffrey W. Hickman
Speaker
House of Representatives

Judicial



Tom Colbert
Chief Justice
Supreme Court



David Lewis
Presiding Judge
Court of Criminal Appeals

We would like to hear from you!

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