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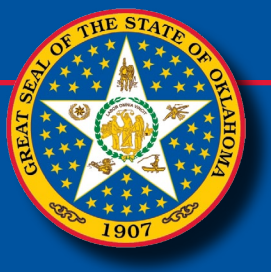


Oklahoma Economic Report™

State Treasurer Randy McDaniel

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

Encouraging saving for college

As the Oklahoma 529 College Savings Plan approaches the 20th anniversary of its launch, most people have at least heard of it, but not as many know its true value to the state.

Consider this: Since inception in April 2000, the plan has been used by more than 25,000 Oklahoma students to pay for more than half a billion dollars in qualified higher education expenses.

Today, more than 55,000 Oklahoma children have college savings plan accounts to use when they graduate from high school. The total under management is more than $922 million, and that's just the direct-sold plan.

> ***"Every dollar invested is one less dollar that will need to be borrowed to pay for college."***

OklahomaDream 529, sold through financial advisors, contains another $162 million for the benefit of more than 10,000 children.

The direct-sold and advisor-sold plans are Oklahoma's official college savings plans. The direct-sold

SEE COLLEGE SAVINGS PAGE 3

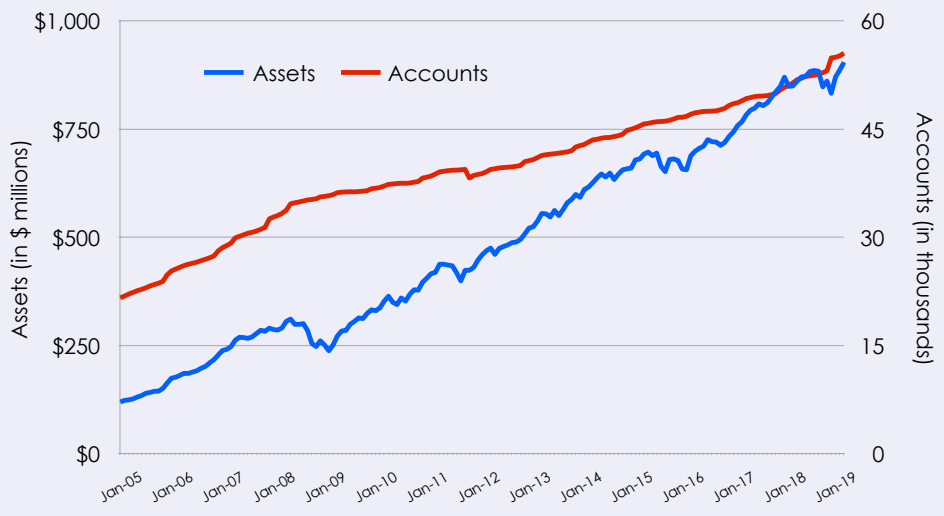
Contents

- Commentary by Deputy Treasurer Tim Allen: How far we've come, yet much remains
- Spotlight on Financial Literacy: Five easy savings habits
- Two years in, Gross Receipts continue to grow
- State unemployment holds steady at 3.3 percent in March

Editor

Tim Allen, Deputy Treasurer for Communications and Program Administration

Growth in Oklahoma 529 College Savings Plan



Source: Oklahoma 529 College Savings Plan

Guest Commentary

By Tim Allen, Deputy Treasurer for Communications & Program Administration

How far we've come, yet much remains

Attracting new industries, business and jobs to the state is inextricably tied to the challenge of meeting a growing demand for a highly skilled and educated workforce.

The trend is for new jobs to focus on those with STEM degrees – those involving science, technology, engineering and math.

Oklahoma has made significant strides, but still falls well below the national average of adults who have obtained a bachelor's degree or higher.

The most recent census data shows more than 88 percent of Oklahomans over the age of 25 have earned a high school diploma. However, only 25.2 percent of the same population have completed at least a bachelor's degree.

In this regard, Oklahoma is a bottom 10 state, ranking 43rd in the nation. Our border states, with the exception of Arkansas, all have a higher percentage of adults with degrees.

> ***"For almost 20 years, the Oklahoma 529 College Savings Plan has provided a vital tool in helping families meet the challenge of saving for their child's college education."***

Raising the number of Oklahomans earning college degrees is not a simple effort. It involves work on many fronts, but one clear way to improve the situation is to help Oklahoma families save for the costs.

Many parents realize that saving for their child's college education is one of the biggest challenges they face. For almost 20 years, the Oklahoma 529 College Savings Plan has provided a vital tool in helping families meet that challenge.

This plan helps families establish a long-term investment account where they can make contributions over many years and then make qualified withdrawals to pay for college when their child or grandchild is ready.

The fact is every state has a college savings plan, but the Oklahoma plan is far and away the best choice for families in this state.

If for no other reason, the state income tax deduction makes it the best deal. By allowing contributions to be, in essence, free from Oklahoma income tax, state families receive an immediate 5 percent boost to their savings in the plan.

The college savings plan pays benefits to the families and students who are using it and to the state as a whole.

For the families, they save on taxes and reduce the need for student loans, which are becoming a growing problem for our state and nation.

SEE ALLEN PAGE 3

Allen

FROM PAGE 2

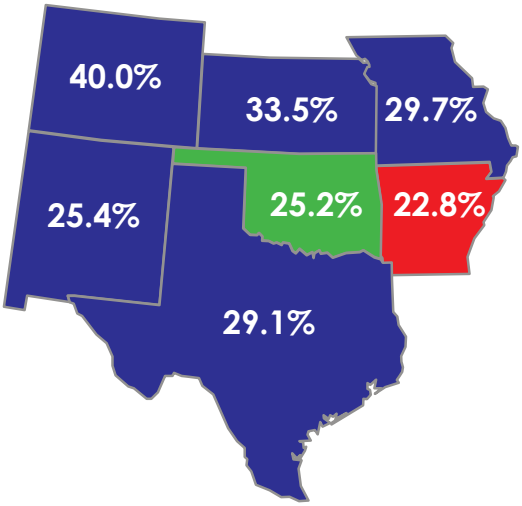
For the students, college graduates, on average, will earn in their lifetimes over $1 million more than someone with only a high school diploma.

For the state, higher educational attainment is a primary factor in Oklahoma's ability to compete for the relocation and expansion of businesses and the new jobs they bring.

The Oklahoma 529 College Savings Plan is fulfilling its mission admirably by putting higher education within the reach of many current and future Oklahoma students.

Learn more at OK4Saving.org.

Comparing Educational Attainment in Oklahoma



	National Ranking	Adults with Bachelor Degree or Higher
Colorado	5	40.0%
Kansas	14	33.5%
U.S. Average	-	32.0%
Missouri	28	29.7%
Texas	31	29.1%
New Mexico	42	25.4%
Oklahoma	**43**	**25.2%**
Arkansas	48	22.8%

Above Oklahoma
Below Oklahoma

Source: U.S. Census Bureau, 2015

College savings

FROM PAGE 1

Oklahoma 529 College Savings Plan is managed by TIAA and the advisor-sold OklahomaDream 529 Plan is managed by Allianz Global Investors under a subcontract with TIAA.

Both plans are overseen by the Board of Trustees for the Oklahoma College Savings Plan, a seven-member board chaired by the state treasurer under legislation signed into law in 1999 by Governor Frank Keating.

The current contract with TIAA will expire in 2020. A Request for Proposals will be issued and Treasurer Randy McDaniel has stated as a major goal further reduction in the fees assessed for program management, while maintaining outstanding investment choices.

The management fee was originally 65 basis points (0.65 percent), but over the years has been reduced to lower rates as plan assets have grown.

The current fee is 30 basis points and is being negotiated to drop further in the near future.

Designed for success

Several important factors have combined to make the plans viable options for Oklahoma families to save for college.

One key factor can be attributed to the forward-thinking state lawmakers who worked together to create one of the most competitive tax deductions in the nation for college savings.

Oklahoma families can deduct up to $20,000 per year from their state

SEE COLLEGE SAVINGS 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 of course, is the viewpoint of the treasurer.

College savings

FROM PAGE 3

taxable income and single filers may deduct up to $10,000 per year when contributing to the plans.

Like other plans, earnings on the money saved is free from both federal and state taxes when used for qualified higher education expenses.

The recent federal tax reform added as a qualified expense the use of up to $10,000 per year for K-12 tuition.

The incentives are working. Except during times of economic contractions, contributions made by Oklahoma families to the plans have risen every year.

During the past year, 2018, total contributions to the direct-sold plan topped $100 million for the first time in the plan's history. The average account size is more than $16,500.

Offsetting student loans

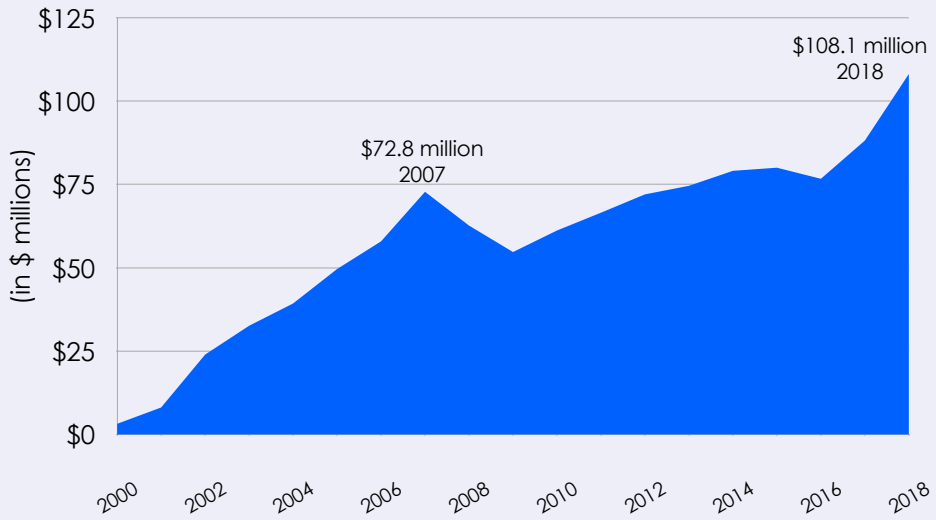
Every dollar invested in Oklahoma's college savings plans is one less dollar that would need to be borrowed to pay for college.

A recent Federal Reserve study showed student loan debt tops $1.5 trillion dollars in the U.S. – a higher amount than is owed on all credit cards and second only to total mortgage debt.

Those graduating today with student loans owe an average of more than $37,000 each.

The good news is that for at least 65,000 Oklahoma students, the road to college is clear and the need for huge students loans is eased thanks to the Oklahoma 529 College Savings Plan.

Annual Contributions to the Oklahoma 529 Plan



Source: Oklahoma 529 College Savings Plan

Spotlight on Financial Literacy

Five easy savings habits

Whether you want to put money aside for emergencies, college or retirement - saving is one of the most basic pieces of financial advice.

Despite the importance of saving, some of us are falling short.

Bankrate.com surveyed more than a thousand working Americans and found that 21 percent are not saving any money for retirement, emergencies or other financial goals.

"In general, there's a lot of anxiety around money," says Nicholas Holeman, a certified financial planner at Betterment for Business.

"Most of that anxiety stems from people not having a clear understanding of where they are currently and where they are trying to get to.

"Don't get analysis paralysis and try to debate between this or that fund, Roth IRA versus 401(k), paying down debt versus investing.

"The most important thing is to start saving as early and as often as you can."

Learn more Fox Business.

March Gross Receipts to the Treasury & General Revenue compared

March Gross Receipts to the Treasury totalled $1.1 billion, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received $508.9 million, or 47%, of the total.

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

From March gross receipts, the GRF received:

- Individual income tax: 38.9%
- Corporate income tax: 50.3%
- Sales tax: 45.4%
- Gross production-Gas: 77.7%
- Gross production-Oil: 76.4%
- Motor vehicle tax: 26.6%
- Other sources: 55.8%

March GRF allocations were above the estimate by 6.7%, while year-to-date allocations exceeded the estimate by 6.8%.

March insurance premium taxes totaled $15.9 million, a decrease of $9 million, or 36.2%, from the prior year.

Tribal gaming fees generated $11.7 million during the month, up by $992,592, or 9.3%, from March 2018.

Two years in, Gross Receipts continue to grow

Since emerging from a downturn in March 2017, Gross Receipts to the Treasury have increased consistently each month, reflecting the strength of the Oklahoma economy, State Treasurer Randy McDaniel announced.

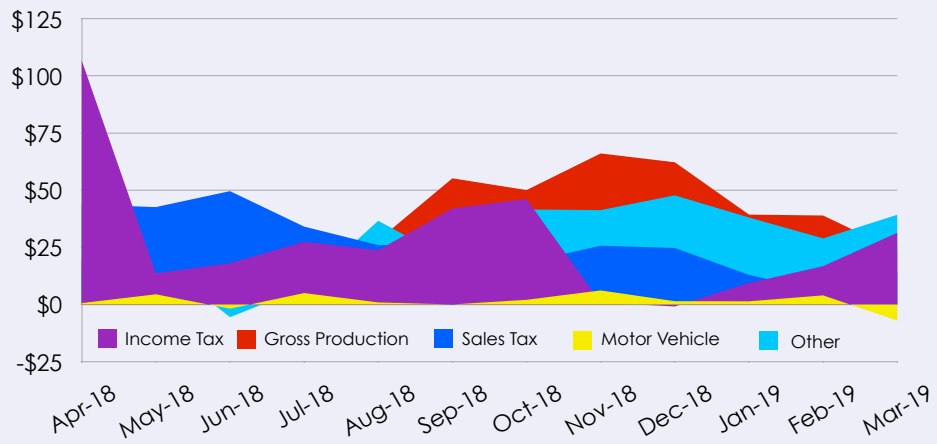
March receipts of $1.1 billion are 10.3 percent higher than collections from the same month of last year. Receipts from the past 12 months, at $13.3 billion, are up by 12.5 percent over the prior period.

> ***"The state has weathered ups and downs in energy prices, along with other challenges, yet continues to expand."***

"During two years of consecutive monthly growth in Gross Receipts to the Treasury, Oklahoma's economy has clearly shown its resiliency," McDaniel said. "The state has weathered ups and downs in energy prices, along with other challenges, yet continues to expand."

SEE REVENUE PAGE 6

Monthly Gross Receipts vs. Prior Year



(In $ millions)	March-18	March-19	Variance From Prior Year	
Income Tax	323.5	354.8	31.3	9.7%
Gross Production	72.8	96.2	23.5	32.2%
Sales Tax (1)	368.9	383.0	14.1	3.8%
Motor Vehicle	74.3	67.3	(7.0)	-9.4%
Other Sources (2)	143.4	182.6	39.2	27.4%
TOTAL REVENUE	982.9	1,084.0	101.2	10.3%

Dollar change (in millions) from prior year

Source: Office of the State Treasurer

Revenue

FROM PAGE 5

During March, three of the four major revenue streams showed increases over the same month of last year. Income, sales, and gross production taxes showed growth, while motor vehicle taxes were down.

Tax commission officials said the reduction in motor vehicle receipts were likely due to timing issues and not indicative of an economic cause.

March gross production taxes generated $96.2 million, up by 32.2 percent from the prior year. Those payments were assessed on the production of crude oil and natural gas in January, when West Texas Intermediate Crude Oil at Cushing sold for $51.38 per barrel. It marks the lowest gross production total since the incentive tax rate increase became effective with September 2018 receipts.

Total gross collections during the past 12 months reflect growth in every major revenue stream, ranging from 76.2 percent in gross production receipts to 2.3 percent in motor vehicle taxes.

New Tax Revenue

Revenue generated by increased tax rates approved in House Bill 1010 during special session last year added $54.2 million to monthly collections, 5 percent of all March gross receipts.

The largest amount, $30.1 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 $11 million, and the $1 per pack hike in cigarette taxes added $13 million to the March total.

Other indicators

The Oklahoma Business Conditions Index dropped in March, but continued to reflect anticipated growth for a 20th consecutive month. The March index was set at 53.9, down from 58.1 in February. Numbers above 50 indicate anticipated economic growth during the next three to six months.

March collections

March gross collections total $1.1 billion, up $101.2 million, or 10.3 percent, from March 2018.

Gross income tax collections, a combination of individual and corporate income taxes, generated $354.8 million, an increase of $31.3 million, or 9.7 percent, from the previous March.

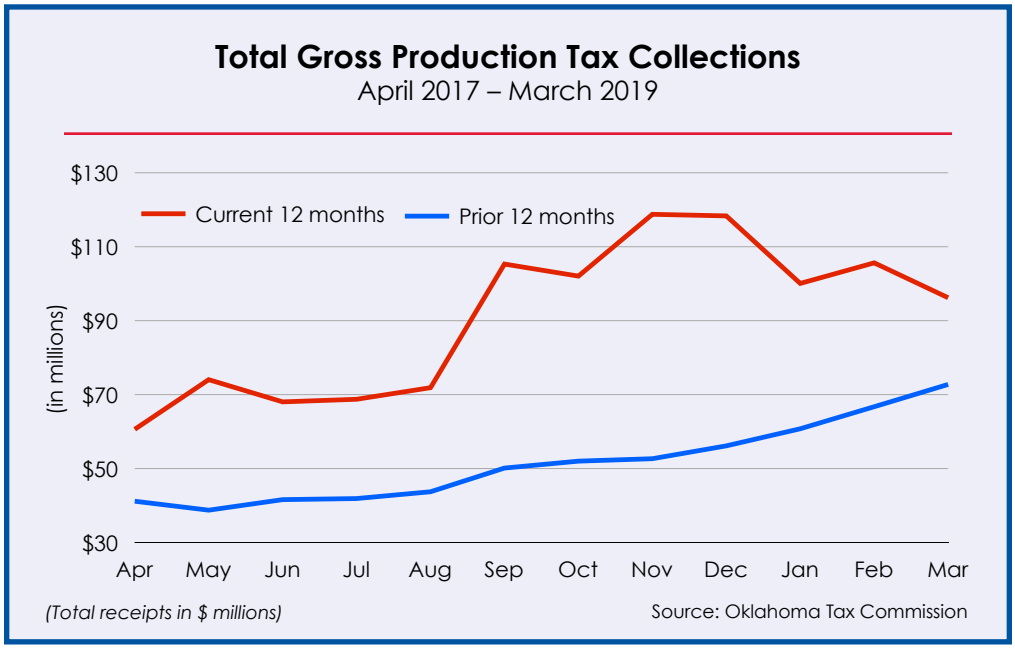
Individual income tax collections for the month are $327.5 million, up by $27.6 million, or 9.5 percent, from the prior year. Corporate collections are $27.3 million, an increase of $3.7 million, or 15.7 percent.

Sales tax collections, including remittances on behalf of cities and counties, total $383 million in March. That is $14.1 million, or 3.8 percent, more than March 2018.

Gross production taxes on oil and natural gas generated $96.2 million in March, an increase of $23.5 million, or 32.2 percent, from last March. Compared to February 2019 reports, gross production collections are down by $9.4 million, or 8.9 percent.

Motor vehicle taxes produced $67.3 million, down by $7 million, or 9.4 percent, from the same month of 2018.

SEE REVENUE PAGE 7



Revenue

FROM PAGE 6

Other collections, consisting of about 60 different sources including use taxes, along with taxes on fuel, tobacco, and alcoholic beverages, produced $182.6 million during the month. That is $39.2 million, or 27.4 percent, more than last March.

Twelve-month collections

Gross revenue totals $13.3 billion from the past 12 months. That is $1.5 billion, or 12.5 percent, more than collections from the previous 12 months.

Gross income taxes generated $4.5 billion for the period, reflecting an increase of $335.2 million, or 8.1 percent, from the prior 12 months.

Individual income tax collections total $3.9 billion, up by $236.4 million, or 6.4 percent, from the prior 12 months. Corporate collections are $514.1 million for the period, an increase of $98.8 million, or 23.8 percent, over the previous period.

Sales taxes for the 12 months generated $4.9 billion, an increase of $322.7 million, or 7.1 percent, from the prior period.

Oil and gas gross production tax collections brought in $1.1 billion during the 12 months, up by $471.4 million, or 76.2 percent, from the previous period.

Motor vehicle collections total $782.7 million for the period. This is an increase of $17.3 million, or 2.3 percent, from the trailing period.

Other sources generated $2.1 billion, up by $330.6 million, or 19.1 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/xmxd5

State unemployment holds steady at 3.3 percent in March

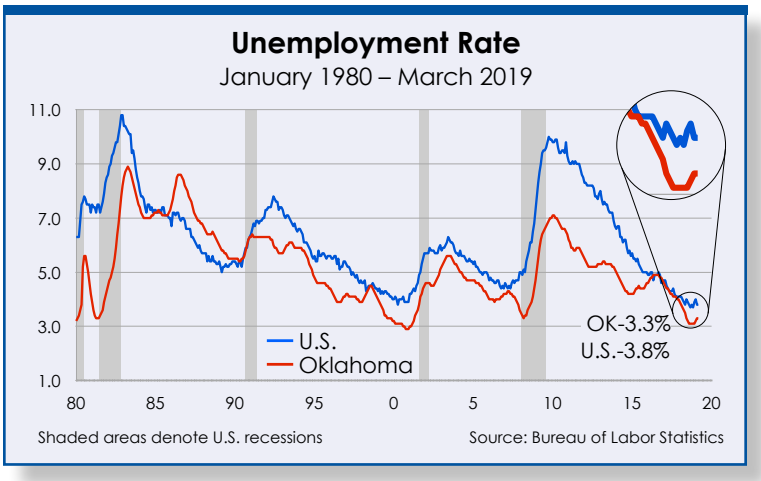
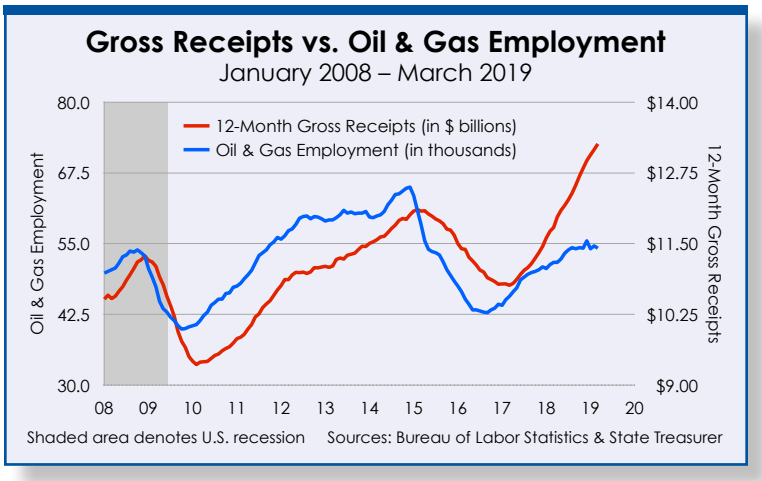
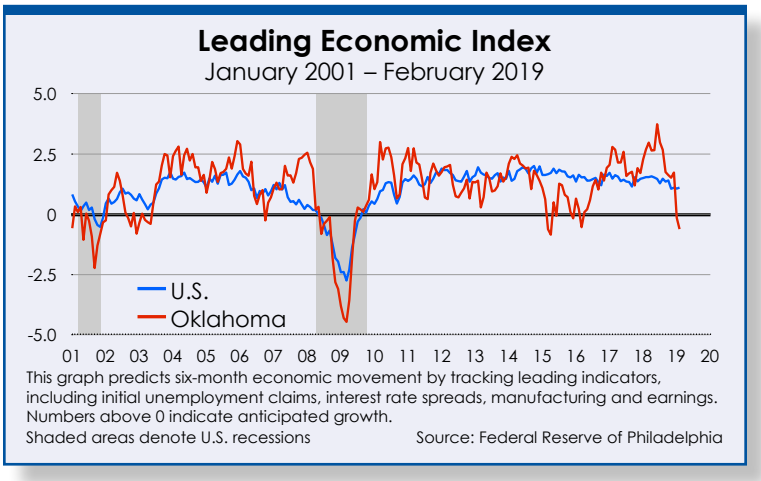
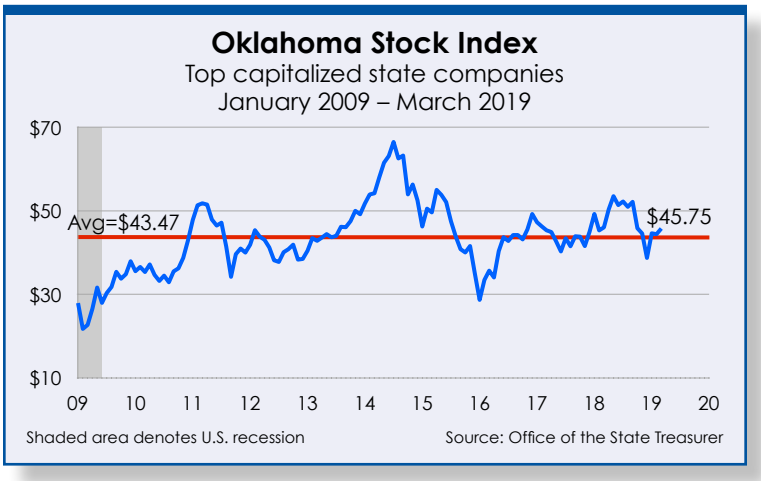
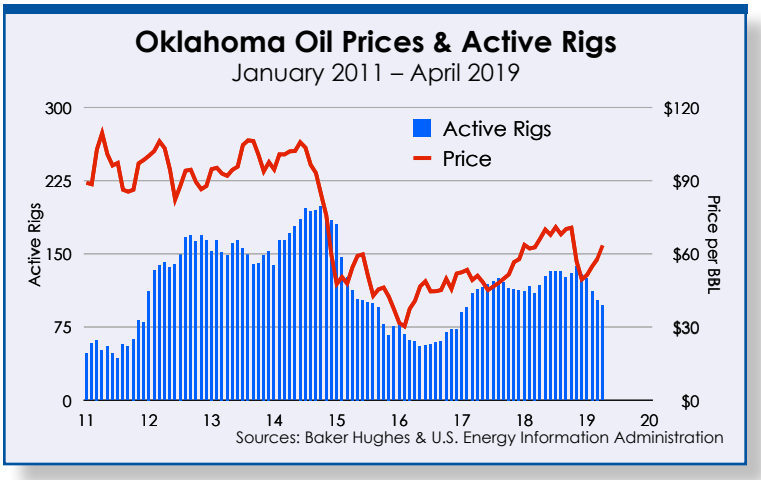
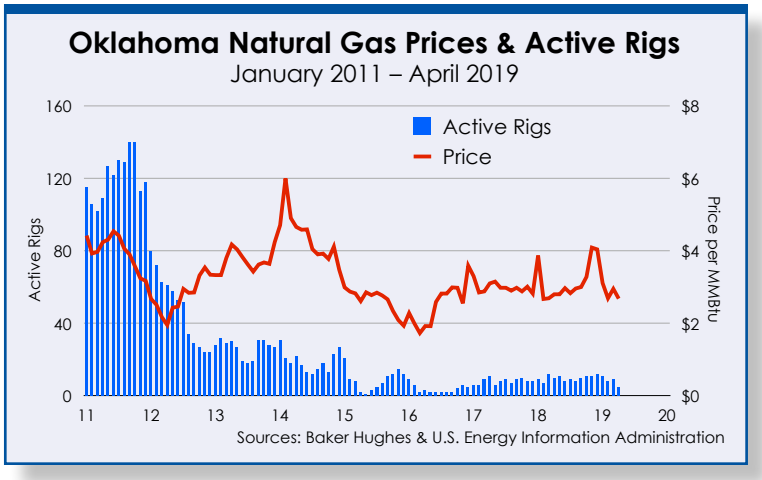
Oklahoma's seasonally adjusted unemployment rate of 3.3 percent in March was unchanged from February. The U.S. jobless rate of 3.8 percent was also unchanged from the prior month, according to figures released by the Oklahoma Employment Security Commission.

Since March 2018, the state labor force has shrunken by 0.89 percent. The number of working Oklahomans has fallen by 7,490, and the number of those listed as unemployed has decreased by 8,868.

Oklahoma Unemployment Report
March 2019

March 2019		Unemp. rate*	Labor force*	Employment*	Unemployment*
	Oklahoma	**3.3%**	**1,830,745**	**1,770,637**	**60,108**
	United States	3.8%	162,960,000	156,748,000	6,211,000
OKLAHOMA	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
	Oct '18	3.1%	1,836,660	1,779,759	56,901
	Mar'18	3.7%	1,847,103	1,778,127	68,976

* Data adjusted for seasonal factors

Source: OESC

Economic Indicators