From the outside, many thought the Step Up Oklahoma plan of revenue increases and structural reforms crafted by the state’s top civic leaders and endorsed by those across the political spectrum posed the best option in a generation for setting state government on the right track.

Yet, on February 12, on a vote of 63 to 35, the House of Representatives failed to muster the three-quarters support required to enact the revenue raising provisions of House Bill 1033. The 72 members of the Republican caucus provided 53 yes votes – 74 percent of its members. Of the 28 Democrats in the House, 10 of its members, or 36 percent, supported passage.

For next fiscal year, FY-19, the measure would have generated an estimated $581.4 million through a combination of new taxes and tax increases. For the remainder of the current fiscal year, the tax increases would have yielded $20.4 million. Taxes on cigarettes would have been raised by $1.50 per pack and an additional 10 percent tax would have been added to cigars and smokeless tobacco.

Gasoline and diesel taxes were slated

“Stepping back, not standing down

A broad coalition of our most dedicated and altruistic has risen and it’s doubtful one set back will deter their resolve.”

February 13, 2018 Statement from Step Up Oklahoma

“While Step Up Oklahoma’s effort has run its course, there should be no mistaking that the future of Oklahoma is a cause worth the fight. While we are disappointed by yesterday’s news, the coalition members are committed to demanding results from our elected officials.

“From the beginning, we knew passing a package that contained revenue measures would be difficult because of our state’s three-quarter majority threshold. However, we believe we brought forth a balanced, measured plan, one that would benefit our teachers, schools, hospitals, and businesses.

“Yesterday’s solid turnout of supportive advocates at the Capitol shows us that Oklahomans are ready for a change. They want our problems fixed. We are thankful for the widespread support we’ve received since proposing Step Up Oklahoma.”
Guest Commentary
By Mike Schulz,
Oklahoma Senate President Pro Tempore

Working to diversify the Oklahoma economy

Oklahoma is an energy state. When the energy sector is going strong, our state’s economy booms. After years of economic contraction, the economy is growing again and the energy sector is leading the charge.

The sector has done a lot to create wealth and jobs in Oklahoma. Energy companies support our state through hundreds of millions in taxes paid by companies and its employees. Energy companies are among the most generous corporate citizens in Oklahoma. I’m proud to say I support the energy industry in Oklahoma.

This past year, I authored the bill to allow “long-lateral” wells that have already led to new jobs and economic investment in our state and new plays like the “Stack” and “Scoop” come online. All that economic activity is good for Oklahoma.

But being an energy state comes with its own challenges. We’re more susceptible to the volatile and cyclical nature of commodities. Knowing this, we need to take deliberate steps to diversify our economy. Oklahoma has more to offer than just oil, natural gas, and wind.

While some sectors are going through a rough patch, overall our agriculture industry is going strong. Oklahoma farmers and ranchers help feed the world. Aerospace is becoming a larger part of our economy each year.

In the Oklahoma Senate this session, we will work on laying the groundwork for the development of a statewide blue print to diversify our economy. That blue print will require us to take a critical look at our state.

We will work with private-sector business recruitment and economic development experts, as well as academic and policy experts to identify areas for growth.

We will review workforce and educational issues to ensure we are building a pipeline of skilled and talented workers that help recruit new business and sustain existing employers.

We need to assess and examine other areas like those two so that we can develop policies that spur economic growth and job creation in other sectors. This will help insulate us against the ups and downs of the global energy market.

In the Oklahoma Senate this session, we will work on laying the groundwork for the development of a statewide blue print to diversify our economy. That blue print will require us to take a critical look at our state.
and establish clear benchmarks by which we can measure the effectiveness of those programs that remain.

Finally, we will look at incentives that could help bolster growth, and regulations that may be hampering growth. In looking at incentives, it gives us a chance to eliminate unsuccessful programs so that we can divert resources to successful programs.

Regulatory review will allow us to strike the right balance between the economy and the environment so that business can grow and expand and our resources are protected and preserved.

By evaluating our strengths and weaknesses, we can get a true sense of where we are and where we need to go. Our state has much to offer, and with the right attitude and plan, we can make this an even better state to live, to work and to raise a family.

Step back

Step back to increase by six-cents per gallon, and the gross production tax on crude oil and natural gas would have been doubled to four percent for the first 36 months of production before rising to seven percent.

Finally, the bill would have instituted a new $1 per megawatt hour tax on electricity generated by a commercial wind turbine or zero-emission facility.

Not going away

In a commentary published in The Oklahoman, Scott Meacham, former state treasurer and current president and CEO of i2E Inc, pointed to the long-term significance of the Step Up coalition’s formation.

“There is something positive I will predict: that when so many people of such diverse economic and political backgrounds from such different walks of Oklahoma life speak out with a common voice to accept ownership and support with bipartisan agreement and compromise, something unique and powerful has been unleashed,” Meacham said.

State Treasurer Ken Miller said he anticipates the Step Up coalition is only the start of more improvements to come.

“While it’s disappointing this vote failed and dashed any hope of properly funding core services this year, there is reason for optimism. A broad coalition of our most dedicated and altruistic has risen and it’s doubtful one set back will deter their resolve,” he said.

“While ideology has driven some to oppose these revenue increases at all costs, others seem intent on scoring political points by letting chaos prevail.”

Two significant changes aimed at both of those problems are being proposed.

Step Up has proposed modifying the three-quarters approval required by the Legislature to raise revenue because it allows a small contingent in one house to hamstring any changes.

The Oklahoma Academy, a nonpartisan, nonprofit organization, is considering a proposal to reform state elections by ending party primaries and placing all candidates on one ballot with the top two finishers facing another vote. The goal would be to reduce partisanship and increase voter participation.

For now, budget cuts

With no revenue solution found to fill the looming fiscal cliff, legislators are turning to making across-the-board cuts in the current fiscal year.

To many, the current outlook appears dark, but it could be that with the forces that have been unleashed, the opposing sides will eventually come together and find a solution.
Core Four funding update

For a third consecutive year, the Oklahoma Economic Report has calculated Oklahoma’s relative funding of the Core Four public services – education, health care, transportation, and public safety – compared to the U.S. average and other states.

The relative comparison shows Oklahoma continues to lag behind most states, including its border states, in funding for core services.

For K-12 schools, per pupil funding is seventh from the bottom. Medicaid spending per enrollee lists Oklahoma 15th from the bottom. Spending per lane mile on highways lists the state 13th from last.

Spending on police and corrections shows Oklahoma in its best relative position, due to the state’s high incarceration rate. The ranking is based on per capita spending, not per inmate costs.

The data used is the latest available from federal government sources, including the Census Bureau, Bureau of Economic Analysis (BEA), Centers for Medicare and Medicaid Services, and Federal Highway Administration.

To account for variances in relative costs from state to state, the data has been adjusted using the BEA’s price parity index. This adjustment inflates actual dollars spent in Oklahoma, while it deflates spending in higher cost of living states.

Each dollar spent in Oklahoma is counted as $1.11. For Hawaii, the state with the highest cost of living, each dollar spent is counted as 84 cents.
Monthly Gross Receipts to the Treasury enter second year of growth

Monthly Gross Receipts to the Treasury entered a second year of growth in January with collections topping the same month of the prior year by more than 15 percent, State Treasurer Ken Miller announced today.

January gross receipts of $1.1 billion show an increase in the monthly reports for the 12th time in 13 months. Prior to January of last year, monthly receipts had shown contraction for 20 consecutive months. Combined gross receipts for the past 12 months have grown by 7.5 percent.

“Gross collections would indicate Oklahoma, as with the nation, is experiencing increased economic activity,” Miller said. “This data is certainly good news, but as investment disclosures always say, ‘past performance is no guarantee of future results.’ Gross receipts reports

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are indicators of what has already occurred, not predictors of future activity.”

Changes in monthly gross receipts during the past 12 month have ranged from a decrease of 2.7 percent in March to an increase of 15.1 percent this month. The rate of growth has generally accelerated with each passing month.

In January, changes in collections from the major revenue streams ranged from 83.9 percent growth in gross production taxes to a decrease of 7.3 percent in motor vehicle tax collections. For the past 12 months, growth ranged from 57.8 percent in gross production taxes to 1.7 percent in motor vehicle tax receipts.

New revenue collections
The tax commission attributes $26.1 million in January to new revenue resulting from legislation enacted during the 2017 regular session. The additional revenue comes primarily from changes in sales tax exemptions and gross production incentive tax rates.

The new revenue accounts for 17.4 percent of the growth in January collections compared to the prior year. Out of more than $5.9 billion in collections since August, $140.9 million, or 2.4 percent, has resulted from law changes from last session.

Other indicators
At 4.1 percent, Oklahoma’s seasonally adjusted unemployment rate in December was down by one-tenth of a percentage point from the prior month, according to figures released by the Oklahoma Employment Security Commission. State jobless numbers improved by seven-tenth of a percentage point over the year.

The U.S. jobless rate was also set at 4.1 percent in December, equal to Oklahoma’s rate for the first time in six months.

The Oklahoma Business Conditions Index has topped growth neutral for six consecutive months. The January index was set at 57.8, down from 59.3 in December. Numbers above 50 indicate anticipated economic growth during the next three to six months.

January collections
January gross collections total $1.1 billion, up $150 million, or 15.1 percent, from January 2017.

Gross income tax collections, a combination of individual and corporate income taxes, generated $450 million, an increase of $70.2 million, or 18.5 percent, from the previous January.

Individual income tax collections for the month are $408.3 million, up by $55.2 million, or 15.6 percent, from the prior year. Corporate collections are $41.7 million, an increase of $15 million, or 56 percent.

Sales tax collections, including remittances on behalf of cities and counties, total $407 million in January. That is $41.3 million, or 11.3 percent, more than January 2017.

Gross production taxes on oil and natural gas generated $60.8 million in January, an increase of $27.7 million, or 8.3 percent, from last January. Compared to December reports, gross production collections are up by $4.6 million, or 8.2 percent.

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Motor vehicle taxes produced $66.7 million, down by $5.2 million, or 7.3 percent, from the same month of 2017.

Other collections, consisting of about 60 different sources including use taxes, along with taxes on fuel, tobacco, and alcoholic beverages, produced $156 million during the month. That is $16.1 million, or 11.5 percent, more than last January.

Twelve month collections

Gross revenue totals $11.6 billion from the past 12 months. That is $812.5 million, or 7.5 percent, more than collections from the previous 12 months.

Gross income taxes generated $4.1 billion for the period, reflecting an increase of $167.9 million, or 4.3 percent, from the prior 12 months.

Individual income tax collections total $3.7 billion, up by $185.2 million, or 5.3 percent, from the prior 12 months. Corporate collections are $420.3 million for the period, a decrease of $17.3 million, or 4 percent, over the previous period.

Sales taxes for the 12 months generated $4.5 billion, an increase of $287.1 million, or 6.9 percent, from the prior period.

Oil and gas production tax collections brought in $564.9 million during the 12 months, up by $206.9 million, or 57.8 percent, from the previous period.

Motor vehicle collections total $759.7 million for the period. This is an increase of $13 million, or 1.7 percent, from the trailing period.

Other sources generated $1.7 billion, up by $137.6 million, or 8.8 percent, from the previous year.

About Gross Receipts to the Treasury

Since March 2011, the Office of the State Treasurer has issued the monthly Gross Receipts to the Treasury report, which provides a timely and broad view of the state's macro economy.

It is provided 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 placed into off-the-top earmarks to other state funds.

Learn more here.

Oklahoma unemployment rate shrinks in December

At 4.1 percent, Oklahoma’s seasonally-adjusted unemployment rate in December was down by one-tenth of a percentage point from the prior month, according to figures released by the Oklahoma Employment Security Commission.

State jobless numbers improved by seven-tenths of a percentage point over the year.

The U.S. jobless rate was also set at 4.1 percent in December, equal to Oklahoma’s rate for the first time in six months.

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<thead>
<tr>
<th>Oklahoma Unemployment Report</th>
<th>December 2017</th>
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<tbody>
<tr>
<td></td>
<td>Unemp. rate*</td>
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<tr>
<td>Oklahoma</td>
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<tr>
<td>United States</td>
<td>4.1%</td>
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<tr>
<td>Dec ’16</td>
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* Data adjusted for seasonal factors  
Source: OESC
Economic Indicators

Unemployment Rate
January 1980 – December 2017

Gross Receipts vs. Oil & Gas Employment
January 2008 – January 2018

Leading Economic Index
January 2001 – December 2017

Oklahoma Stock Index
Top capitalized state companies
January 2009 – January 2018

Oklahoma Natural Gas Prices & Active Rigs
January 2011 – January 2018

Oklahoma Oil Prices & Active Rigs
January 2011 – January 2018

Sources:
- Bureau of Labor Statistics
- Office of the State Treasurer
- Federal Reserve of Philadelphia
- Baker Hughes & U.S. Energy Information Administration