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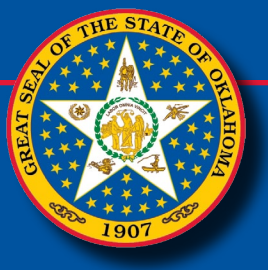


Oklahoma Economic Report™

State Treasurer Randy McDaniel

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

Living in interesting times

"May you live in interesting times."

This statement, often cited as an ancient curse, more likely originated in the early 20th Century. In either case, it has application today.

The world, and particularly the United States, is in the throes of a highly contagious viral outbreak. In only four months, it has claimed the lives of more than 123,000 Americans – more than double the loss of U.S. lives during the Vietnam War.

The pandemic, along with containment efforts, is having a profound impact on the worldwide, national, and Oklahoma economies.

> ***"Everyone is watching and waiting as attempts are made to keep the wheels of commerce rolling."***

The National Bureau of Economic Research, the official arbiter of economic cycles, has declared the U.S. entered a

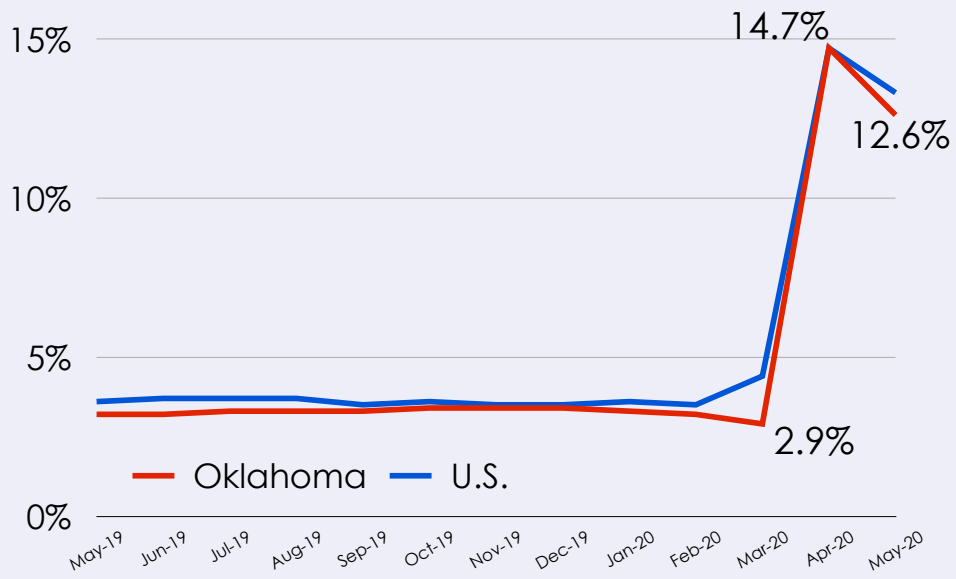
SEE INTERESTING TIMES PAGE 3

Contents

- Treasurer's Commentary by Treasurer Randy McDaniel: Meeting the challenges
- Spotlight on Financial Literacy: How to protect your college savings as the stock market gyrates
- Gross Receipts: Pandemic continues to strike Oklahoma's economy
- Jobless rate still high, but down slightly in May
- Economic Indicators

Editor
Tim Allen, Deputy Treasurer for Communications and Program Administration

Skyrocketing Unemployment - U.S. & Oklahoma



Source: U.S. Bureau of Labor Statistics

Treasurer's Commentary

By Randy McDaniel,
Oklahoma State Treasurer

Meeting the challenges

Families and small business owners across Oklahoma have had a difficult time these past months and the challenges continue.

More than a hundred thousand Oklahomans are struggling financially due to the loss of jobs. Many people have had to care for family members struck by COVID-19, while some have experienced the tragic loss of loved ones from the virus.

My prayers are with everyone impacted by this insidious disease.

Virtually every business owner in Oklahoma has had to make difficult and sometimes anguishing choices.

First, there were the harsh financial consequences of being required to close in order to reduce the spread of the virus.

Then, modifications to basic business practices were necessary to ensure the safety of both customers and employees.

Oklahoma businesses continue to implement innovative solutions to meet the challenges of these unprecedented times. From home delivery and curbside service, to masks, hand sanitizer and Plexiglas guards, entrepreneurs are finding ways to meet customers' needs and are demonstrating daily the virtues we know as the Oklahoma Standard.

> ***"Oklahoma business owners are finding ways to meet customers' needs and are demonstrating daily the virtues we know as the Oklahoma Standard."***

Still ongoing are the efforts to limit the spread of the virus as the public emerges from isolation and adjusts to the "new normal" of social distancing until an effective vaccine is widely available.

As with the private sector, the state treasurer's office has had to make significant adjustments.

Our office is a vital government agency. It plays an essential role in facilitating the state's financial operations.

The treasury is responsible for deposits and payments, investments, accounting, and debt management. This includes the recent addition of the Oklahoma Capitol Improvement Authority.

We also oversee the Oklahoma 529 College Savings Plan and the Oklahoma STABLE Program, which helps people with disabilities save for their needs.

Launched in May 2018, Oklahoma STABLE experienced only modest growth until recently. Due to the dynamic outreach by our volunteer ambassadors, STABLE has grown by 33 percent since the beginning of March as more people have started to recognize its tremendous value.

SEE COMMENTARY PAGE 3

Commentary

FROM PAGE 2

In addition, we operate the state's unclaimed property program that reunites Oklahomans with their lost money.

For health and safety reasons, a temporary suspension of claims processing was required. However, the unclaimed property program is back in full operation. In fact, we have reassigned personnel from other divisions to boost output and service.

Thanks to strategic planning and remote capabilities, the operations of the rest of the office have continued without interruption throughout the pandemic.

Like many organizations, we are implementing health precautions recommended by federal, state and local authorities.

Employees reporting for work have their temperatures checked and are provided with necessary personal protective equipment. Moreover, work spaces have been rearranged to ensure adequate social distancing.

We have long had a detailed plan in place to ensure continuity of core duties during times of crisis, and have now updated our personnel policy to specifically address steps to be taken during a pandemic.

Through all this turmoil, the dedicated and diverse team in the treasurer's office has gone above and beyond to ensure essential functions continue to run smoothly.

As all of us look to the future, it is clear that innovative solutions will be needed to meet modern challenges.

I believe Oklahomans will once again rise to the occasion and chart a new course for a more prosperous future.

Interesting times

FROM PAGE 1

recession in February. However, much uncertainty remains, primary how long and how deep it will be.

Job losses

As of May, the U.S. unemployment rate was listed at 13.3 percent, down from 14.7 percent in April. In Oklahoma, May's jobless rate was set at 12.6 percent, down by 2.1 percentage points from April's rate.

The number of unemployed Oklahomans in May was 175,000 more than in early March, when the unemployment rate was reported as 2.9 percent.

Oklahoma energy industry

Hit particularly hard is the state's oil and gas industry.

Initially triggered by a price war between OPEC and Russia, oil prices fell precipitously starting in early March.

West Texas Intermediate Crude averaged $50.54 in February, but plummeted to negative territory on April 20 before settling at $19.23 at that month's end.

Crude oil has since risen above $37 per barrel, but is still well below the $50 price often cited as the break-even point for energy companies.

Natural gas prices have consistently been listed as below $2 per million BTU since the start of the year.

The U.S. Bureau of Labor Statistics estimates the loss of 4,000 oil field jobs in just the past two months.

Mining and Logging Supersector employment, which includes oil and gas jobs, has fallen by 14,300 in the past year.

Some energy companies with large

SEE INTERESTING TIMES 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.

Interesting times

FROM PAGE 3

operations in Oklahoma are struggling to survive.

Government revenue

Oklahoma tax revenue has been greatly impacted by current events. This is due to many businesses being shuttered for several weeks, unemployment at levels not seen since the Great Depression, and the energy industry in crisis.

Today's tax revenue picture is somewhat distorted due to the delay of the income tax filing deadline from April to July. Nevertheless, 12-month Gross Receipts to the Treasury have dropped by $650 million in the course of two months.

The Legislature has enacted modest reductions and appropriated the majority of the balances in its two reserve funds to cover the ongoing downturn with the expectation that the financial picture will improve next year.

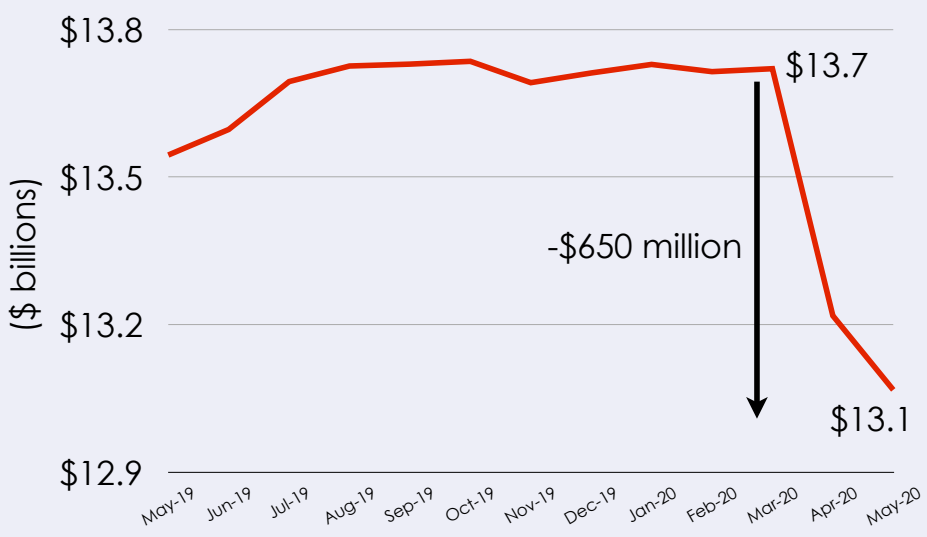
When will it end?

There is no consensus among experts on when recovery will take hold. Until it happens, everyone is watching and waiting as attempts are made to keep the wheels of commerce rolling, even if at a subdued pace.

The bond rating agencies are also watching. They know the large influence of the energy industry on Oklahoma's economy will likely mean the state emerges later than others.

As with previous downturns, Oklahoma will undoubtedly weather through these interesting times and emerge stronger and better prepared for tomorrow.

Oklahoma 12-Month Gross Receipts Plummet



Source: Oklahoma Tax Commission/Oklahoma State Treasurer

Spotlight on Financial Literacy

How to protect your college savings as the stock market gyrates

With the stock market tumbling amid the coronavirus outbreak, you might be worried about meeting your financial goals.

And if you had hoped to tap a 529 college savings plan for an upcoming tuition bill for your child or grandchild, well, you might be really worried.

Those state-sponsored investment plans allow parents to save money and then withdraw it tax-free, so long as the money is used for certain education expenses.

Many of the accounts are likely in the red as of late. Stocks have suffered their worst drop since 2008, with most companies in the S&P 500 losing value.

However, experts say if you have the appropriate asset allocation in your college savings plan, the recent declines shouldn't be too painful.

Learn more at CNBC.

May Gross Receipts to the Treasury & General Revenue compared

May Gross Receipts to the Treasury totaled $923.1 million, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received $490.1 million, or 53.1%, of the total.

The GRF received between 34.2% and 59% of monthly gross receipts during the past 12 months.

From May gross receipts, the GRF received:

- Individual income tax: 67.8%
- Corporate income tax: 22.7%
- Sales tax: 45.3%
- Use tax: 45.8%
- Gross production-Gas: 68.2%
- Gross production-Oil: 75.6%
- Motor vehicle tax: 12%
- Other sources: 64.1%

March GRF totals were below the estimate by 11.8%.

May insurance premium taxes totaled $1.5 million, a decrease of $1.56 million, or 51%, from the prior year.

Tribal gaming fees generated no revenue during the month due to casinos being closed during the pandemic.

Pandemic continues to strike Oklahoma's economy

The coronavirus pandemic continued to make its presence known in Oklahoma Gross Receipts to the Treasury in May, State Treasurer Randy McDaniel announced as he released data showing a 14 percent drop in May revenue collections.

Gross receipts for May total $923.1 million, down by $150.5 million from May of last year.

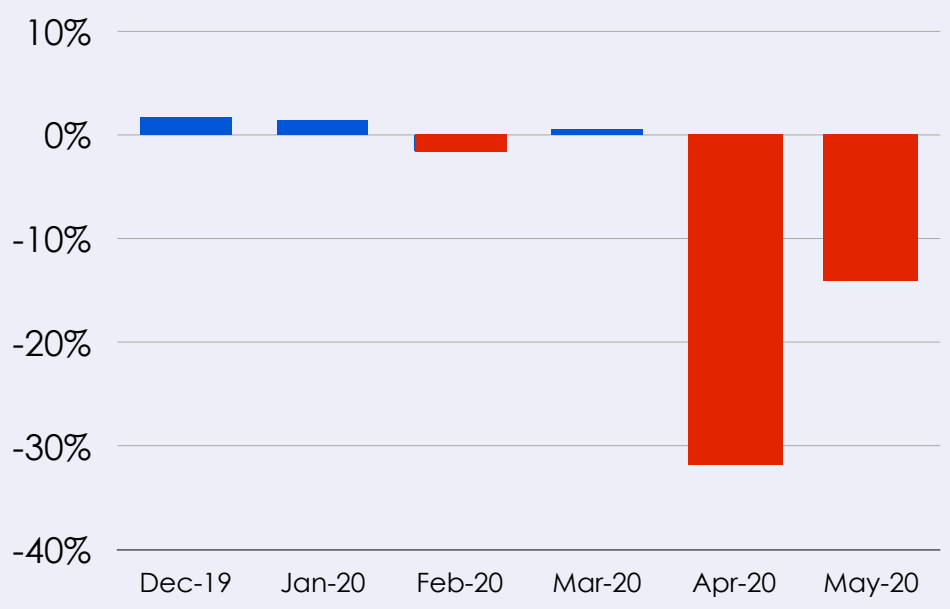
"The Oklahoma economy, as reflected in state revenue collections, was significantly impacted by the pandemic during the month," Treasurer McDaniel said. "However, the picture in May is not as conspicuous as the April report, which included the postponement until July of income tax reporting."

> ***"The picture in May is not as conspicuous as the April report."***

McDaniel pointed to a few positive numbers in the May report. Of the six major revenue sources tracked in gross receipts, two showed positive movement. Use tax, paid on out-of-state purchases including online, and individual income tax were both slightly higher than receipts from the prior year by a

SEE REVENUE PAGE 6

Monthly Gross Receipts Change from Prior Year



Source: Office of the State Treasurer

Revenue

FROM PAGE 5

combined total of $13 million.

On the other hand, sales tax and gross production receipts were substantially lower by a combined total of $106.1 million.

Sales tax receipts, including remittances on behalf of cities and counties, fell by more than 12 percent over the year. Gross production collections were down by almost 60 percent compared to last May.

May gross production tax receipts are paid on crude oil and natural gas production during March, when the price per barrel of West Texas Intermediate Crude Oil at Cushing averaged $29.21. One year ago, the average price was $58.15 per barrel. Meanwhile, natural gas prices fell by almost 40 percent over the year.

Total gross receipts from the past 12 months are $13.07 billion, off by $477.1 million, or 3.5 percent, compared to the previous 12 months. Shrinking income, sales and gross production tax collections exhibited the most downward pressure during the period.

May collections

May gross collections total $923.1 million, down by $150.5 million, or 14 percent, from May 2019.

Gross income tax collections, a combination of individual and corporate income taxes, generated $289.2 million, a decrease of $15.7 million, or 5.1 percent, from the previous May.

Individual income tax collections for the month are $279.2 million, up by $7.2 million, or 2.6 percent, from the prior year. Corporate collections are $10 million, a decrease of $22.9 million, or 69.5 percent.

Combined sales and use tax collections, including remittances on behalf of cities and counties, total $424.1 million in May. That is $44.7 million, or 9.5 percent, less than May 2019.

Sales tax collections in May total $362.3 million, a drop of $50.5 million, or 12.2 percent from the same month of the prior year. Use tax receipts, collected on out-of-state purchases including online sales, generated $61.8 million, an increase of $5.8 million, or 10.3 percent, over the year.

Gross production taxes on oil and natural gas total $38.3 million in May, a decrease of $55.6 million, or 59.2 percent, from last May. Compared to April 2020 reports, gross production collections are down by $22.4 million, or 36.9 percent.

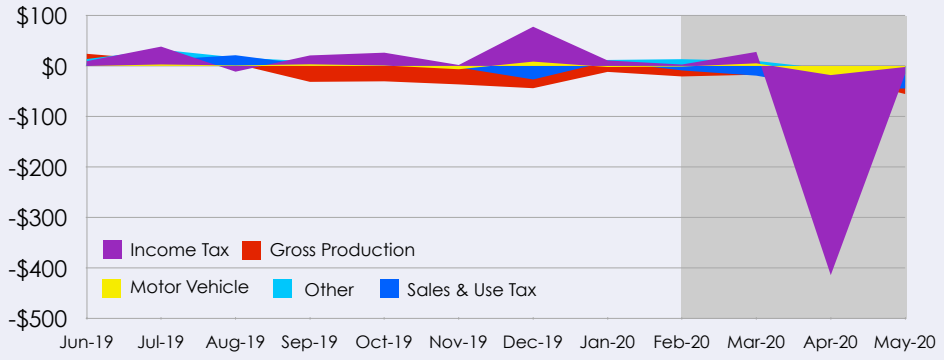
Motor vehicle taxes produced $61.1 million, down by $2.1 million, or 3.3 percent, from the same month of 2019.

Other collections composed of some 60 different sources including taxes on fuel, tobacco, medical marijuana, and alcoholic beverages, produced $110.4 million during the month. That is $32.4 million, or 22.7 percent, less than last May.

SEE REVENUE PAGE 7

Monthly Gross Receipts vs. Prior Year

Dollar change (in millions) from prior year.



(In $ millions)	May-19	May-20	Variance From Prior Year	
Total Income Tax	**304.9**	**289.2**	**(15.7)**	**-5.1%**
Individual	*272.0*	*279.2*	*7.2*	*2.6%*
Corporate	*32.9*	*10.0*	*(22.9)*	*-69.5%*
Sales & Use Tax (1)	**468.8**	**424.1**	**(44.7)**	**-9.5%**
Sales Tax	*412.8*	*362.3*	*(50.5)*	*-12.2%*
Use Tax	*56.0*	*61.8*	*5.8*	*10.3%*
Gross Production	**93.9**	**38.3**	**(55.6)**	**-59.2%**
Motor Vehicle	**63.2**	**61.1**	**(2.1)**	**-3.3%**
Other Sources (2)	**142.8**	**110.4**	**(32.4)**	**-22.7%**
TOTAL REVENUE	**1,073.6**	**923.1**	**(150.5)**	**-14.0%**

Shaded area denotes U.S. recession

Source: Office of the State Treasurer

Revenue

FROM PAGE 6

Twelve-month collections

Gross revenue totals $13.07 billion from the past 12 months, June 2019 through May 2020. That is $477.1 million, or 3.5 percent, below collections from the previous 12-month period.

Gross income taxes generated $4.37 billion for the 12 months, reflecting a decrease of $225.5 million, or 4.9 percent, from the prior 12 months.

Individual income tax collections total $3.86 billion, down by $202 million, or 5 percent, from the prior period. Corporate collections are $501.8 million for the period, a decrease of $23.5 million, or 4.5 percent, over the previous 12 months.

Combined sales and use taxes for the 12 months generated $5.47 billion, a decrease of $95.4 million, or 1.7 percent, from the prior period.

Gross sales tax receipts total $4.74 billion, down by $161.6 million, or 3.3 percent, during the period.

Use tax collections generated $735.6 million, an increase of $66.2 million, or 9.9 percent, over the previous 12 months.

Oil and gas gross production tax collections brought in $901.7 million during the 12 months, down by $227.4 million, or 20.1 percent, from the previous 12 months.

Motor vehicle collections total $776.1 million for the 12 months. This is a decrease of $8.3 million, or 1.1 percent, from the trailing period.

Other sources generated $1.55 billion, up by $79.5 million, or 5.4 percent, from the previous period.

About Gross Receipts to the Treasury

The monthly Gross Receipts to the Treasury report, developed by the state treasurer's office, provides 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

See additional information, including charts and graphs at http://go.usa.gov/xwWmE

Previous reports here.

Jobless rate still high, but down slightly in May

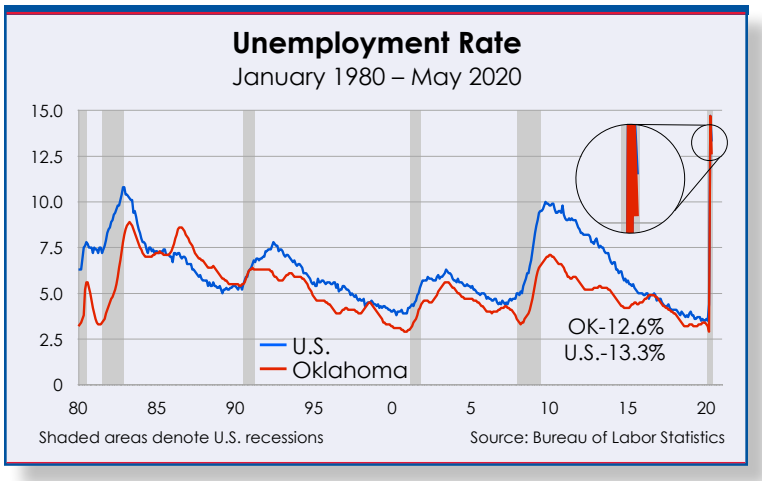
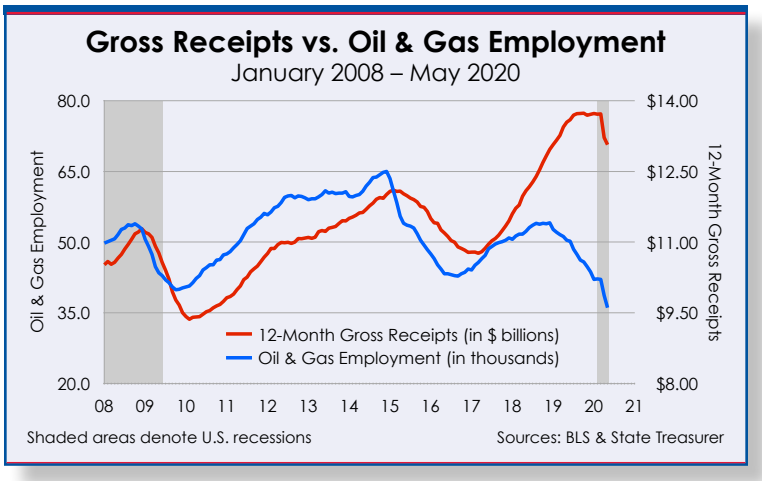
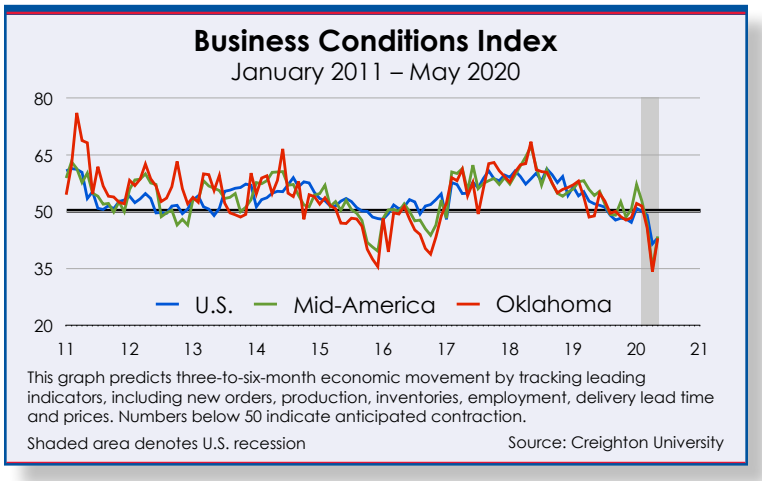
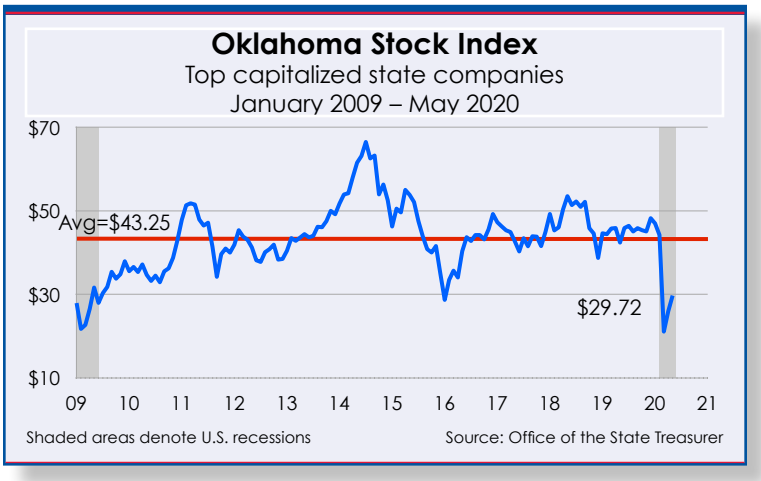
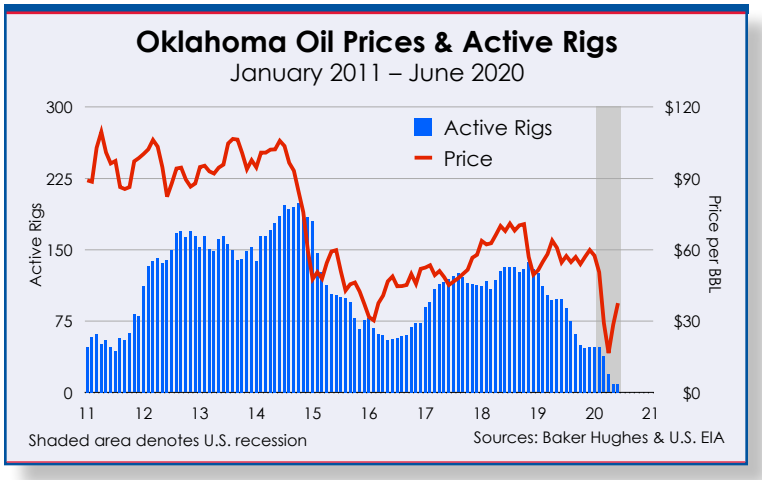
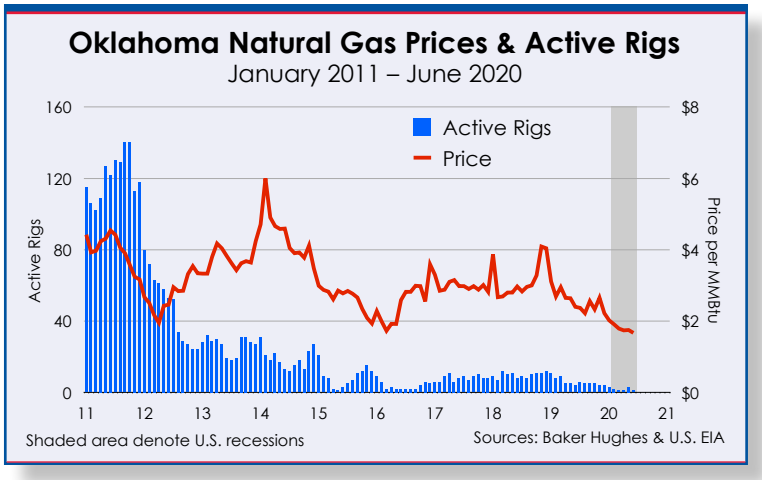
Oklahoma Unemployment Report
May 2020

	Unemploy. Rate*	Labor force*	Employment*	Unemployment*
May-20	12.6%	1,820,958	1,591,919	229,039
Apr-20	14.7%	1,776,346	1,515,047	261,299
Mar-20	2.9%	1,829,828	1,776,101	53,727
Feb-20	3.2%	1,844,257	1,785,827	58,430
Jan-20	3.3%	1,845,422	1,784,815	60,607
Dec-19	3.4%	1,845,530	1,783,548	61,982
May-19	3.2%	1,837,778	1,779,004	58,774

*Data adjusted for seasonal factors

Source: U.S. Bureau of Labor Statistics

The Oklahoma unemployment rate in May fell slightly from April's record-setting high. The state jobless rate of 12.6 percent in May is down from 14.7 percent in April. It trails the May U.S. jobless rate of 13.3 percent, according to figures released by the U.S. Bureau of Labor Statistics (BLS).

One years ago, the state jobless rate was listed at 3.2 percent. BLS data show an increase in unemployment of 170,265 individuals between May of this year and May of last year.

Economic Indicators