Déjà vu all over again

The late Yogi Berra’s redundant statement about déjà vu perhaps best describes the current scenario at the State Capitol as Governor Mary Fallin continues to prod legislators to take something more than stop gap measures to properly fund state government.

Almost two years after the governor used her state of the state address to urge the Legislature to enact long-term solutions to Oklahoma government’s revenue problem, she is calling them back for a second special session to try again beginning December 18.

Still unanswered is whether legislators will be able to find the political will to climb a very steep constitutional hill. Convincing 75 percent of lawmakers in each house to vote yes on the same recipe of revenue hikes has thus far proven insurmountable.

Unresolved conflict

Judging from public statements issued in recent days, at least two of the primary players are not seeing eye-to-eye on the best way to handle the situation.

Shortly after Governor Fallin issued a statement notifying

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Inside

- Guest commentary by Andrew Messer, Deputy Treasurer for Policy and Debt Management/State Bond Advisor
- Gross Receipts to the Treasury jump by more than 12 percent in November
- State and national jobless rates tick down in October
- Economic Indicators

Editor
Tim Allen, Deputy Treasurer for Communications and Program Administration

Nonrecurring Revenue in Budget (in $ millions)

Source: Office of Management and Enterprise Services

7-year total: $2.6 billion
Improving state debt oversight

Last month Oklahoma took a significant step forward in modernizing the organizational structure of state finance by moving the responsibility for debt management and oversight under the state treasurer. Effective November 1, House Bill 1583, by Rep. Chad Caldwell, R-Enid, eliminated the stand-alone agency of the Office of the State Bond Advisor, while maintaining the position of State Bond Advisor as a division within the state treasury and keeping intact a modified Council of Bond Oversight.

This common sense reform brings increased accountability, efficiency, and transparency to debt management and oversight in Oklahoma.

As the state official independently elected, directly accountable to the people and constitutionally charged with safeguarding public funds, the state treasurer is looked to by citizens and policymakers alike as the proper reservoir of financial functions in state government.

Before this change, one of the most vital functions of state finance – the issuance and management of billions of dollars of debt – was outside the purview of the state treasurer. By aligning debt management under the treasurer, Oklahomans can be confident they have a voice in how the state manages its obligations.

Leveraging existing resources and expertise within the treasurer’s office to improve the quality of services and eliminate redundancies is not only cost-effective but provides synergistic effects that will benefit the state in ways that dollar figures cannot express.

This type of reform to modernize operations is what Oklahomans should expect from their government. It is particularly important in times of tight fiscal constraints that every efficiency possible is pursued and not a single taxpayer dollar is wasted.

By properly aligning functions and eliminating an unnecessary state agency, the appropriation it received was eliminated and operational costs were cut by a third allowing those dollars to be

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utilized for other core government services. An additional benefit of bringing the bond advisor into the state treasury is that the position is now located inside the State Capitol building.

It is likely that many did not know the state had an Office of the State Bond Advisor and even fewer knew where it was located. Moving the position to the Capitol will increase interaction with policymakers and allow the bond advisor to be a more accessible resource.

Our goal is to modernize the operations and improve the information provided to lawmakers. In addition to the annual state debt report, a debt affordability study will be produced in 2018 to provide a clear picture of the state's outstanding obligations and liabilities.

This study will differ from prior reports by incorporating analysis of how bond debt fits into the broader state fiscal picture. It will include other obligations of the state such as unfunded pension liabilities and other post-employment benefits to provide policymakers with a complete picture of the state’s outstanding obligations.

While state government news of late has focused on inability to find solutions to significant problems, with this action, state lawmakers have enacted reforms that have already resulted in cost savings and provide a structure to yield more positive results in the future.

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legislators of the December 18 session, House Speaker Charles McCall publically rebuked her for vetoing the budget patch legislation passed during the first special session. Fallin struck the majority of the bill, which used a combination of budget cuts and more one-time fund transfers to temporarily fill the void left by elimination of the unconstitutional cigarette fee passed in the waning days of the last regular session.

The governor stood firm on her position that sustainable, recurring revenue solutions are needed.

In justifying her veto action, she stated the legislation would have only pushed further down the road finding real solutions to the revenue problem.

Been there, not done that

The problem is the same as it has been for years. There isn't enough recurring revenue to pay for the services the people demand and lawmakers have approved.

In the past seven fiscal years, nonrecurring sources have been tapped for some $2.6 billion to fill the gaps, including more than $400 million in the current budget.

At the same time, the rating agencies are threatening credit downgrades, which would lead to increased costs, unless revenue is brought into line with spending.

Core state government services are insufficiently funded, when compared to other states’ spending, even on a cost-of-living adjusted basis (see the Oklahoma Economic Report, Vol. 7, Issue 1).

Teachers and state employees have not received a general pay increase in many years, and then there are the myriad of issues within the public health agencies.

The question of what will happen come December 18 is an intriguing one. Will state leaders take the hard actions to devise a solid plan to put Oklahoma on a sustainable path, or will they opt for the easy political option and put a band-aid on the growing wound?

Will it be déjà vu all over again, or will progress be made?
Gross Receipts to the Treasury jump by more than 12 percent in November

November Gross Receipts to the Treasury are more than 12 percent higher than the same month of last year, extending to eight the number of consecutive months with year-over-year growth, State Treasurer Ken Miller announced.

At $893.4 million, November collections are up by 12.4 percent, or $98.6 million, compared to receipts from November 2016. The last time monthly gross receipts grew by more than 12 percent was in February 2012.

“Gross Receipts to the Treasury, insomuch as they indicate general economic activity, paint an encouraging picture as we enter the holiday period,” Miller said. “Sales tax collections, a measure of consumer confidence, are up by double-digits and the bulk of holiday shopping including Black Friday is not yet measured with this report.”

Sales tax receipts grew by 11.4 percent.

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### Gross Receipts to the Treasury paint an encouraging picture as we enter the holiday period.
percent in the November report. The other three major revenue streams – gross income, gross production, and motor vehicle taxes – also increased during the month compared to November of last year.

Gross Receipts to the Treasury for the past 12 months are up by 4.7 percent compared to the prior 12 months with all major revenue sources showing growth.

New revenue

The tax commission attributes $24.4 million in November to new revenue resulting from legislation enacted during the last regular session.

The largest amount, $10.4 million, is from a 1.25 percent state sales tax on motor vehicle purchases. A $5 fee on motor vehicle registration increased collections by $1.8 million for the month.

The amount of new revenue generated in November by boosting the 1 percent horizontal drilling gross production tax rate to 4 percent is reported as $7.8 million by the tax commission. Elimination and suspension of gross production rebate payments added approximately $3 million to gross collections during the month.

Ending a discount for businesses that remit sales tax added $1.3 million during November, and a new fee assessed on professional sports tickets contributed $28,613.

Since August, law changes from last session have yielded $90.6 million in new gross revenue.

November collections

November gross collections total $893.4 million, up $98.6 million, or 12.4 percent, from November 2016.

Gross income tax collections, a combination of personal and corporate income taxes, generated $262.8 million, an increase of $22.8 million, or 9.5 percent, from the previous November.

Individual income tax collections for the month are $252.3 million, up by $19.6 million, or 8.4 percent, from the prior year. Corporate collections are $10.5 million, an increase of $3.3 million, or 45.5 percent. Large swings in monthly corporate tax collections are not uncommon.

Sales tax collections, including remittances on behalf of cities and counties, total $382 million in November. That is $39.1 million, or 11.4 percent, more than November 2016.

Gross production taxes on oil and natural gas generated $52.7 million in November, an increase of $18.7 million, or 54.8 percent, from last November. Compared to October reports, gross production collections are up by $686,000, or 1.3 percent.

Motor vehicle taxes produced $54.5 million, up by $35,114, or 0.1 percent, from the same month of last year.

Other collections, consisting of about 60 different sources including use taxes, along with taxes on fuel, tobacco, and alcoholic beverages, produced $141.4 million during the
Revenue

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Sales taxes for the period generated $4.4 billion, an increase of $193.1 million, or 4.6 percent, from the prior year.

Oil and gas gross production tax collections brought in $520.4 million during the past 12 months, up by $171.8 million, or 49.3 percent, from the previous 12-month period.

Motor vehicle collections total $762 million for the period. This is an increase of $14.7 million, or 2 percent, from the trailing period.

Other sources generated $1.7 billion, up by $99.1 million, or 6.3 percent, from the previous 12 months.

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

Read the full Gross Receipts monthly report and view additional charts and graphs here.

State and national jobless rates tick down in October

At 4.5 percent, Oklahoma’s seasonally-adjusted unemployment rate in September was unchanged from the prior month, according to figures released by the Oklahoma Employment Security Commission.

State jobless numbers improved by one-half of a percentage point over the year.

The U.S. jobless rate was set at 4.2 percent in September, down by two-tenths of a percentage point from the prior month.

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* Data adjusted for seasonal factors

Source: OESC
Economic Indicators

**Unemployment Rate**
January 1980 – October 2017

- **U.S.**
- **Oklahoma**

Source: Bureau of Labor Statistics

**Gross Receipts vs. Oil & Gas Employment**
January 2008 – November 2017

- 12-Month Gross Receipts (in $ billions)
- Oil & Gas Employment (in thousands)

Source: Bureau of Labor Statistics & State Treasurer

**Leading Economic Index**
January 2001 – October 2017

- **U.S.**
- **Oklahoma**

Source: Federal Reserve

**Oklahoma Stock Index**
Top capitalized state companies
January 2009 – November 2017

- Avg. = $42.58
- $39.88

Source: Office of the State Treasurer

**Oklahoma Natural Gas Prices & Active Rigs**
January 2011 – November 2017

- Sources: Baker Hughes & U.S. Energy Information Administration

**Oklahoma Oil Prices & Active Rigs**
January 2011 – November 2017

- Sources: Baker Hughes & U.S. Energy Information Administration