



Oklahoma Economic Report™

State Treasurer Randy McDaniel

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

Moody's: Oklahoma outlook positive

The state of Oklahoma is positioned for a possible upgrade in its bond rating, similar to receiving a higher credit score.

The better a state's bond rating, the less it has to pay in interest costs when using bonds to finance infrastructure projects.

While an upgrade is far from certain, recent signals from Moody's Investors Service are a step in the right direction.

In late October, Moody's, one of the three primary rating agencies of state credit-worthiness, published a credit opinion upgrading Oklahoma's credit outlook to positive. Moody's concurrently affirmed Oklahoma's current credit rating of Aa2, two steps below the best possible rating.

Moody's action followed a meeting in September with state leaders to provide rating analysts with an update on the economy, credit trends, and policy priorities.

“Our financial house is in order and we are poised to strengthen our position . . . ”

Treasurer Randy McDaniel, who attended the meetings, said the outlook change is

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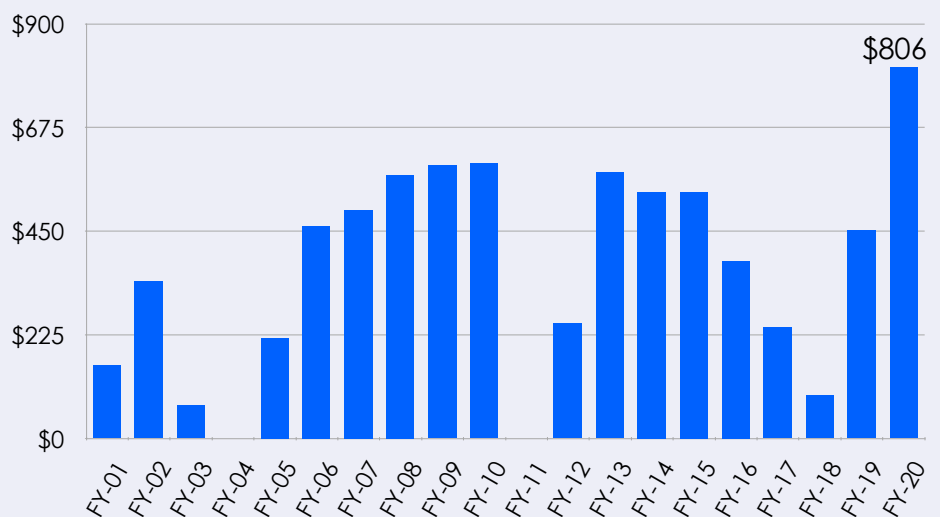
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Editor

Tim Allen, Deputy Treasurer for Communications and Program Administration

Constitutional Reserve Fund at Record High

(in \$ millions)



Source: Deputy Treasurer for Debt Management. Amount available at start of fiscal year.



Guest Commentary

By Joy Hofmeister,
Superintendent of Public Instruction

Personal Financial Literacy: Essential for our students

Research shows that we each make roughly 35,000 decisions every day. Minus sleep, this amounts to 2,000 decisions per hour.

Much of our decision-making involves money – and it’s no wonder we are so preoccupied. Current estimates of U.S. consumer debt total \$13.51 trillion. This staggering figure is proof that we are not as fiscally savvy as we could or should be.

As Oklahoma’s State Superintendent of Public Instruction, my focus is the nearly 700,000 students in our public schools. It is imperative that our children graduate with the financial awareness needed to navigate the countless money-related decisions in their lives.

In Oklahoma, we have been educating our students on financial literacy since the state Legislature passed House Bill 1478, the Passport to Financial Literacy Act, in 2007.

“It is imperative that our children graduate with the financial awareness needed to navigate the countless money-related decisions in their lives.”

at the Oklahoma State Department of Education (OSDE) in conjunction with Oklahoma teachers.

In that time period, the national average credit score has risen five points, while the average credit score in Oklahoma has risen almost 30 points. While many factors have contributed to this change, our increased educational focus on financial literacy must be counted among them. We are already at the

This act requires all graduating students to pass a course, Personal Financial Literacy (PFL), and demonstrate full understanding of the academic standards for PFL developed



forefront of the nation in one area – Oklahoma is the first state to have a director of financial education at the state level. Oklahoma schools are up to the task of preparing every student to have a financially successful future.

Work, however, remains to be done. Every spring, some of Oklahoma’s most outstanding high school students from across the state join my Student Advisory Council.

One topic they invariably discuss is the need to enhance PFL so that it is more than a required course taught perfunctorily to check off a graduation requirement. These young people realize the clock is ticking, and they will soon be responsible for financial decisions that will grow in importance as they navigate their way through adulthood.

Individual Career Academic Planning (ICAP), required of all

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Hofmeister

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ninth-graders this school year, is another platform for districts to explore innovative ways to bring members of the business community and students together.

Through internships, class visits and teacher externships, for example, it is possible to scale the impact of PFL and financial awareness beyond the classroom.

As we sharpen our focus to ensure students are college and career ready, we must also strengthen financial education.

To do so, we are enhancing the work we have done in Oklahoma, using research from the Federal Financial Literacy Education Commission to expand our focus from financial knowledge to financial capabilities.

Oklahoma strives to build exceptional educators by offering robust, high-quality professional learning opportunities for all teachers, including those in elective subjects like business education and finance. Study after study points to educator capacity as a key factor in the success of financial education. Investing in our teachers will always yield positive results for kids.

Outlook

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the acknowledgement of concerted efforts to improve the state’s financial standing.

“The state’s improved fiscal condition is being recognized nationally. Our efforts to increase reserves, eliminate structural deficits, improve pension finances, and diversify the state’s economy are working,” he said.

“Our financial house is in order and we are poised to strengthen our position in the months and year ahead.”

Moody’s pointed to a number of positive trends for the state, including a return to structurally balanced budgets and record amounts of reserve funding.

“The positive outlook reflects our expectation that strong fiscal

management and a commitment to increasing reserves will continue, in line with the state’s goal of strengthening its preparedness for the next cyclical economic downturn,” Moody’s said in a written statement.

“We also expect the state’s debt burden and pension burden will continue to run well below the 50-state median.”

Rating agencies take a holistic approach to debt, evaluating all obligations including bond indebtedness and unfunded pension liabilities.

Working toward an upgrade

An increase in Oklahoma’s bond rating, while possible, would require a number of improvements along with continued vigilance to ensure the state’s financial gains do not deteriorate.

Increasing reserves set aside for the next downturn was a key factor listed by Moody’s.

The Constitutional Reserve Fund, a.k.a. the Rainy Day Fund, contains some \$806 million, while the Revenue Stabilization Fund contains \$200 million.

The practice of enacting structurally balanced budgets is another major factor in the upgrade picture.

The Oklahoma constitution requires a balanced budget, but that only means expenditures can not exceed revenue. Structural balance is a higher bar.

In the past, budgets were enacted that appropriated nonrecurring funds toward ongoing expenses – thus resulting in structural imbalance. In recent years, this deficiency has been corrected.

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Outlook

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As a general rule, authorizing expenditures not backed by adequate funding to offset the costs are viewed adversely by the rating agencies.

The bright spot: Pensions

One of the most positive improvements leading to the outlook upgrade for Oklahoma is the financial condition of the state's public pension systems.

Over the past 10 years, the combined funded status of the systems has risen from 56 percent to 81 percent – the largest percentage increase of all

state pension systems in the country. Erasing more than \$8 billion, the unfunded liability of the state's seven systems has dropped to \$7.8 billion.

The state's largest system, Teachers, rose from 47.9 percent funded in FY-10 to 72.4 percent in FY-19.

The second largest system, Public Employees, improved from 66 percent in FY-10 to 98.6 percent in FY-19.

The noteworthy turnaround is due to a combination of reforms, increased funding, and superior investment performance since the Great Recession.

Spotlight on Financial Literacy

Soaring student debt is keeping people of all ages from a stable retirement.

Here's how to help.

Student loan debt and retirement savings aren't typically discussed together — but a new study suggests they should be. TIAA-MIT Age Lab research shows that 84% of Americans with student debt say that paying it back affects their ability to save for retirement.

Of those who are not saving at all for retirement, more than a quarter point to their student loan debt as the reason.

Such findings are especially concerning at a time when an estimated half of all Americans will be financially vulnerable when they retire.

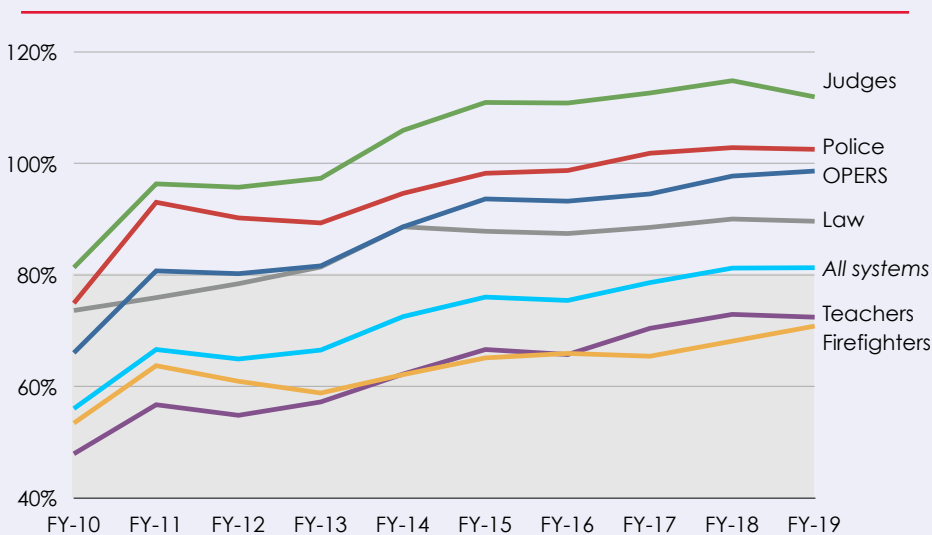
Student loan borrowers face a delicate balancing act in their financial lives as they weigh their responsibility to pay off student debt against other obligations and desires.

The TIAA-MIT Age Lab study found that in addition to the impact on retirement savings, young people saddled with the highest levels of debt are also delaying major milestones such as getting married, buying a home, and having children.

Learn more at [MarketWatch](https://www.marketwatch.com).

Oklahoma Public Pension Funded Status

Fiscal Year 2010 – Fiscal Year 2019



	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15	FY-16	FY-17	FY-18	FY-19
OPERS	66.0%	80.7%	80.2%	81.6%	88.6%	93.6%	93.2%	94.5%	97.7%	98.6%
Judges	81.3%	96.3%	95.7%	97.3%	105.9%	110.9%	110.8%	112.6%	114.8%	111.9%
Firefighters	53.4%	63.7%	60.9%	58.8%	62.1%	65.1%	65.9%	65.4%	68.1%	70.8%
Police	74.9%	93.0%	90.2%	89.3%	94.6%	98.2%	98.7%	101.8%	102.8%	102.5%
Teachers	47.9%	56.7%	54.8%	57.2%	62.2%	66.6%	65.7%	70.4%	72.9%	72.4%
Law	73.6%	75.9%	78.4%	81.4%	88.6%	87.8%	87.4%	88.5%	90.0%	89.6%
All systems	56.0%	66.6%	64.9%	66.5%	72.5%	76.0%	75.4%	78.6%	81.2%	81.3%

Source: Annual actuarial reports of each system.



October Gross Receipts to the Treasury & General Revenue compared

October Gross Receipts to the Treasury totaled \$1.14 billion, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received \$553.1 million, or 48.3%, of the total.

The GRF received between 39.7% and 59% of monthly gross receipts during the past 12 months.

From October gross receipts, the GRF received:

- Individual income tax: 72.8%
- Corporate income tax: 49%
- Sales tax: 39.5%
- Use tax: 44.4%
- Gross production-Gas: 73.4%
- Gross production-Oil: 34.5%
- Motor vehicle tax: 4.6%
- Other sources: 33.8%

October GRF allocations were above the estimate by 5%.

October insurance premium taxes totaled \$1.76 million, an increase of \$1.69 million, or 2,182.4%, from the prior year.

Tribal gaming fees generated \$12.3 million during the month, down by \$88,928, or 0.7%, from October 2018.

October Gross Receipts to the Treasury show growth

For a second consecutive month, October Gross Receipts to the Treasury are up by less than one percent compared

to the prior year, suppressed by falling oil and gas production tax and sales tax collections, State Treasurer Randy McDaniel announced today.

“Gross receipts indicate Oklahoma’s economy is continuing to grow, albeit quite modestly.”

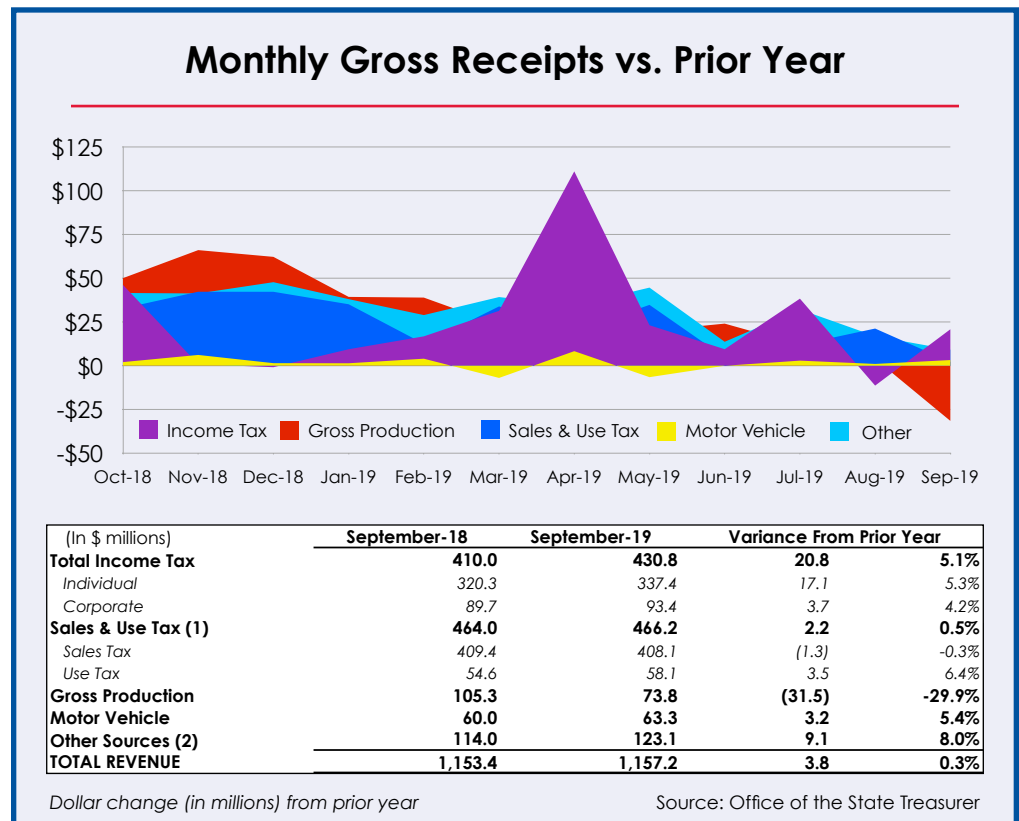
year. October revenue reports saw collections from the gross production tax on crude oil and natural gas fall by

almost 30 percent from the prior year, while sales tax receipts were down by about one percent.

“Gross receipts indicate Oklahoma’s economy is continuing to

grow, albeit quite modestly, in spite of a pullback in two of the state’s major revenue streams,”

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Revenue

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McDaniel said. “Lower energy prices have pushed down gross production receipts. Additionally, for the fourth time in the past five months, sales tax collections are below those of the prior year.”

Monthly receipts for individual and corporate income, use, and motor vehicle taxes are all above those of October 2018 at rates ranging from 25 percent to 1.4 percent. Gross receipts for the past 12 months, at \$13.74 billion, are up by \$1.04 billion, or 8.2 percent.

Medical marijuana revenue

In effect for the past year, Oklahoma’s medical marijuana tax of 7 percent, along with sales tax generated at licensed dispensaries, have added \$41.3 million to gross receipts in the past 12 months. Of that, \$18.1 million has come from the marijuana tax and \$23.1 million from sales tax remitted by dispensaries.

In October, marijuana sales generated \$6.8 million, including \$3 million from the medical marijuana tax and \$3.8 million in sales tax from dispensaries.

The figures indicate medical marijuana purchases have totaled \$259.1 million during the past year.

Business conditions

The Oklahoma Business Conditions Index for October fell below growth neutral for the second time in the past three months. October’s rate of 48.7 is down from 50.1 in September, indicating slow to no economic growth in the next three to six months.

October collections

October gross collections total \$1.14 billion, up by \$6.1 million, or 0.5 percent, from October 2018.

Gross income tax collections, a combination of individual and corporate income taxes, generated \$395.7 million, an increase of \$26.3 million, or 7.1 percent, from the previous October.

Individual income tax collections for the month are \$373.9 million, up by \$21.9 million, or 6.2 percent, from the prior year. Corporate collections are \$21.8 million, an increase of \$4.4 million, or 25 percent. Large monthly variances are not unusual for corporate income tax collections.

Combined sales and use tax collections, including remittances on behalf of cities and counties, total \$459.3 million in October. That is \$3.2 million, or 0.7 percent, more than October 2018.

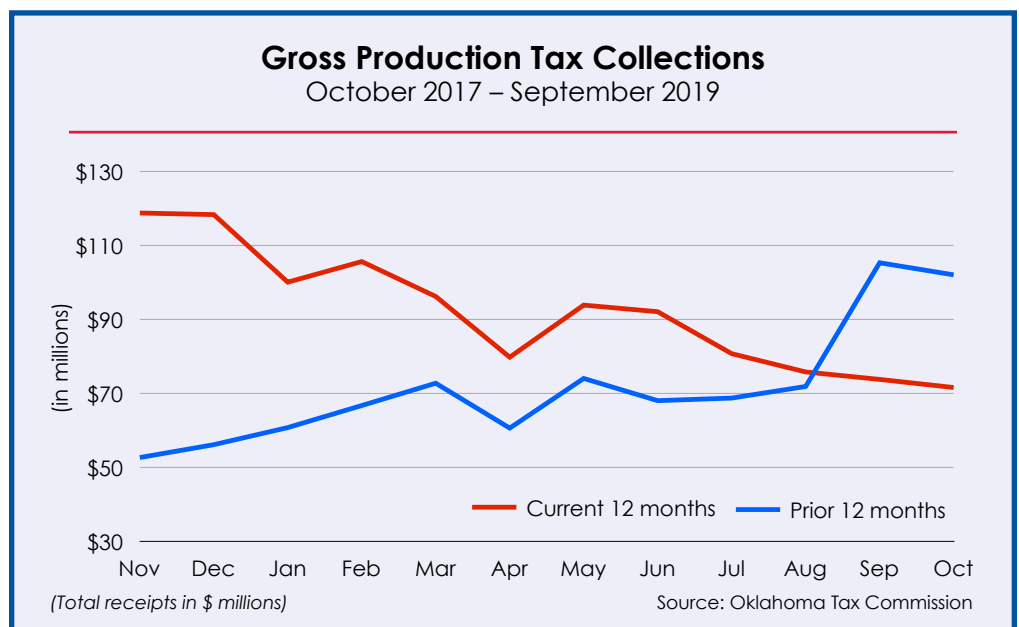
Sales tax collections in October total \$399 million, a drop of \$3.6 million, or 0.9 percent from the same month of the prior year. Use tax receipts, collected on out-of-state purchases including online sales, generated \$60.4 million, an increase of \$6.8 million, or 12.8 percent, over the year.

Gross production taxes on oil and natural gas generated \$71.6 million in October, a decrease of \$30.5 million, or 29.8 percent, from last October. Compared to September 2019 reports, gross production collections are down by \$2.2 million, or 3 percent.

Motor vehicle taxes produced \$66.9 million, up by \$912,072, or 1.4 percent, from the same month of 2018.

Other collections composed of some 60 different sources including taxes on fuel, tobacco, medical marijuana, and alcoholic beverages, produced

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Revenue

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\$151 million during the month. That is \$6.1 million, or 4.2 percent, more than last October.

Twelve-month collections

Gross revenue totals \$13.74 billion from the past 12 months, November 2018 through October 2019. That is \$1.04 billion, or 8.2 percent, above collections from the previous 12-month period.

Gross income taxes generated \$4.67 billion for the 12 months, reflecting an increase of \$275.2 million, or 6.3 percent, from the prior 12 months.

Individual income tax collections total \$4.15 billion, up by \$248.5 million, or 6.4 percent, from the prior period. Corporate collections are \$524.3 million for the period, an increase of \$26.7 million, or 5.4 percent, over the previous 12 months.

Combined sales and use taxes for the 12 months generated \$5.61 billion, an increase of \$264 million, or 4.9 percent, from the prior period.

Gross sales tax receipts total \$4.89 billion, up by \$103.8 million, or 2.2 percent, during the period. Use tax collections generated \$718.8 million, an increase of \$160.1 million, or 28.7 percent over the previous 12 months.

Oil and gas gross production tax collections brought in \$1.1 billion during the 12 months, up by \$246.9 million, or 28.7 percent, from the previous 12 months.

Motor vehicle collections total \$792.5 million for the 12 months. This is an increase of \$15.8 million, or 2 percent, from the trailing period.

Other sources generated \$1.55 billion, up by \$241.4 million, or 18.4 percent, from the previous period.

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 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 here.](#)

State jobless rate rises slightly in October

Oklahoma Unemployment Report

October 2019

October 2019	Unemp. rate*	Labor force*	Employment*	Unemployment*
Oklahoma	3.3%	1,853,560	1,792,847	60,713
United States	3.6%	164,364,000	158,510,000	5,855,000
OKLAHOMA Sept '19	3.2%	1,850,818	1,791,227	59,591
Aug '19	3.2%	1,845,520	1,786,542	58,978
July '19	3.2%	1,838,330	1,779,808	58,522
June '19	3.2%	1,831,640	1,773,363	58,277
May '19	3.2%	1,828,733	1,769,681	59,052
Oct '18	3.1%	1,836,660	1,779,759	56,901

* Data adjusted for seasonal factors

Source: OESC

The seasonally adjusted jobless rate for Oklahoma increased to 3.3 percent in October, one-tenth of a percentage point above September's rate. The U.S. unemployment rate rose to 3.6 percent in October, up from 3.5 percent in September, according to figures released by the Oklahoma Employment Security Commission.

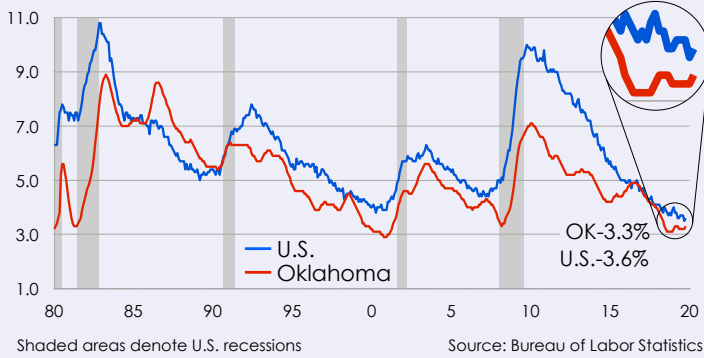
Since October 2018, the number of working Oklahomans has increased by 13,088, and the number of those listed as unemployed has risen by 3,812.



Economic Indicators

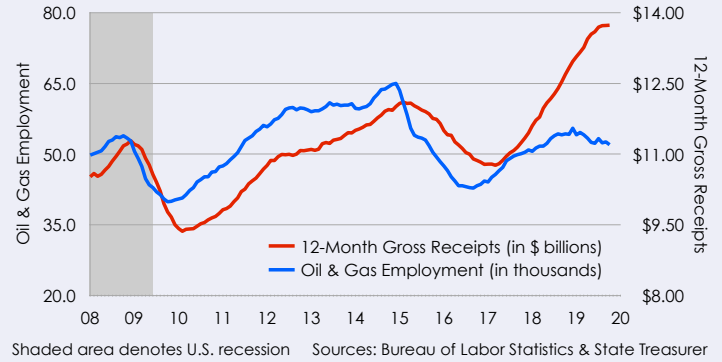
Unemployment Rate

January 1980 – October 2019



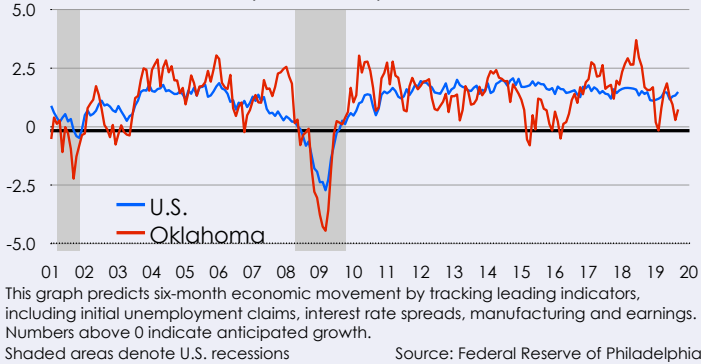
Gross Receipts vs. Oil & Gas Employment

January 2008 – October 2019



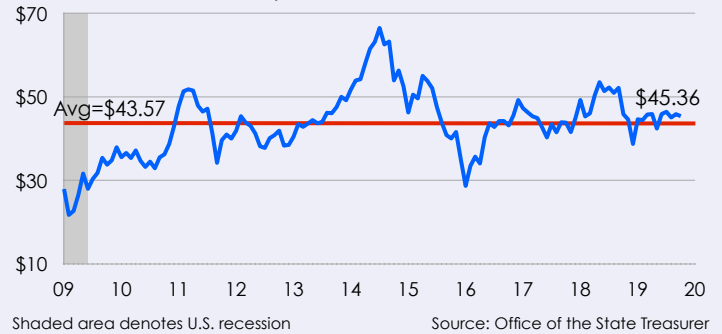
Leading Economic Index

January 2001 – September 2019



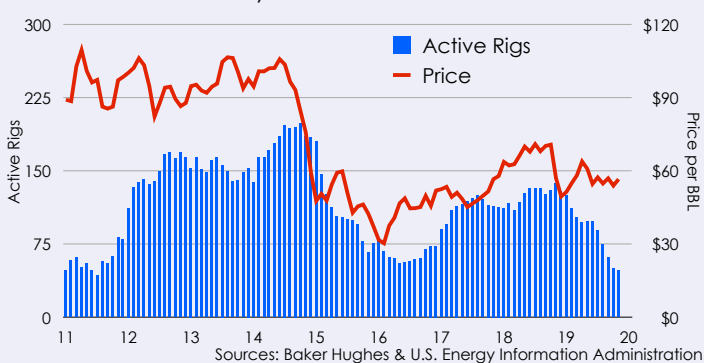
Oklahoma Stock Index

Top capitalized state companies
January 2009 – October 2019



Oklahoma Oil Prices & Active Rigs

January 2011 – November 2019



Oklahoma Natural Gas Prices & Active Rigs

January 2011 – November 2019

