



Oklahoma Economic Report™

News and analysis of Oklahoma's economy

A publication of the Office of the State Treasurer • Treasurer Ken Miller, Ph.D.

TSET: Saving lives, saving money

In 2000, voters approved a constitutional amendment to set aside a portion of Oklahoma's payments from the Master Settlement Agreement to combat the state's poor health outcomes. The Master Settlement was the resolution of a multistate lawsuit against Big Tobacco for marketing tobacco to children and high costs to states who were shouldering the burden of tobacco-related illnesses.

While many states took up-front payments to meet immediate needs, Oklahomans made a wise choice to create an endowment trust, established so earnings and interest could be

used to reduce unhealthy behaviors in our state and lessen tobacco's toll on Oklahoman's lives. Outcomes and impacts continue to show that voters made a wise choice that will impact generations to come.

Oklahoma's health problems are complex and it takes a comprehensive approach to make progress in reducing and preventing tobacco use and obesity. These two preventable behaviors are the greatest contributors to Oklahoma's leading causes of death – cancer and cardiovascular disease. Tobacco Settlement Endowment Trust (TSET) funding leverages the state's efforts

to reduce these deaths that impact Oklahomans at higher rates than residents in other states.

November marks the 15th anniversary of the voter creation of TSET, a grant-making state agency dedicated to improving Oklahoma's health status. Each year, 75 percent of the Master Settlement Agreement payment is invested through the endowment, generating earnings. The remaining 25 percent is split between the attorney general's evidence fund and the Legislature, where it is used for health-related appropriations.

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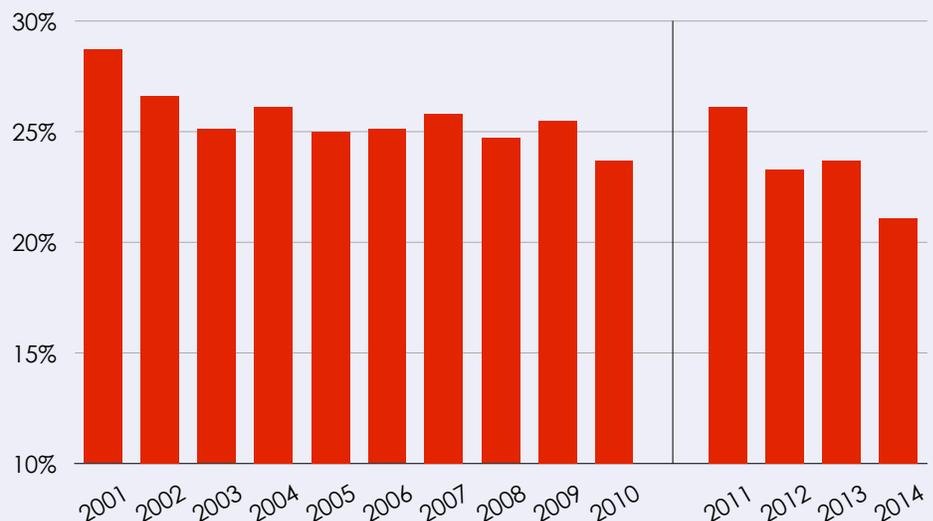
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Editor

Tim Allen, Deputy Treasurer for Communications

Oklahoma Adult Smoking Rate



NOTE: Survey methodology changed for the 2011 survey and forward. Data sets are similar, but not directly comparable.

Source: Centers for Disease Control and Prevention



Guest Commentary

By Jim Gebhart, Chair
Oklahoma Tobacco Settlement Board of Directors



Making a real difference

It's not often that a board member gets to see the direct impact of grant programs first hand. Members of a board are often given the privilege of overseeing the inner workings and providing oversight and strategic direction for an organization. But as a member of the TSET Board of Directors, and the president of a major health organization in Oklahoma City, I see daily the impact of TSET grant programs in promoting a culture of health in our state.

Without TSET, many efforts to change the state's health status would not have the lasting impact and encouraging results we've seen the last few years. TSET celebrates its 15th anniversary of the voter creation of the trust this November. The wisdom and long-term vision of state leaders and voters in dedicating the Master Settlement Agreement funds to the Tobacco Settlement Endowment Trust, using only the earnings for programs to improve health, has stood the test of time. This strategy has created an ongoing revenue stream which I believe will improve the lives of Oklahomans for generations to come.

The impact of TSET's grants and programs in our state is pervasive, but subtle unless you know what you're looking for.

About a year ago, my wife and I were eating dinner, and I asked the waitress how her day was going. She mentioned that she was trying to quit smoking and this was her third attempt to quit. I was able to share the toll-free number to the Oklahoma Tobacco Helpline with her and encouraged her to continue in her effort to quit smoking. A few months later she called me, and she had quit smoking. She was so appreciative of this resource in our state.

“Poor health is not our destiny in Oklahoma. We can do better.”

It felt good to know that I was part of a comprehensive approach that has helped to change someone's life and maybe give them a few more years with loved ones. Even more, it felt good to see the health of this one Oklahoman improve. In my opinion, the subtle changes in our state's culture encouraged her to think about quitting smoking. She was working in a smokefree restaurant, and supportive media campaigns, like Tobacco Stops With Me, reminded her of the dangers of tobacco use, and let her know that quitting was

an option. The Oklahoma Tobacco Helpline, the first program funded by TSET, gave her the coaching and resources to move past her addiction.

That's just one impact of the many grants TSET has with a variety of government, community and non-profit partners to promote healthy opportunities in our state.

A grant to the Oklahoma Hospital Association strategically supports employees and patients at hospitals across the state, including Mercy, to be eat better, move more and be tobacco free.

For me, as an administrator at Mercy, these types of programs make a difference. Not only in health outcomes for employees, but employee satisfaction and reducing employer health care costs. Time and time again our employees report that Mercy's wellness programs make them feel appreciated and valued by their employer.

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Commentary

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In Oklahoma, our health challenges are great, complex, and something that together we can conquer. As a native of Western Oklahoma, I know how generations of Oklahomans must

have fought to tame the land and elements to scratch out a hardscrabble existence.

Poor health is not our destiny

in Oklahoma. We can do better. Comprehensive thoughtful partnerships are making a difference, fulfilling the wishes of Oklahoma voters and deserve to be preserved.

TSET

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TSET grants are approved by an independent, bipartisan, seven-member Board of Directors. The Governor, President Pro Tempore of the Senate, Speaker of the House, Superintendent of Public Instruction, Attorney General, Auditor and Inspector, and State Treasurer each appoint a member to the TSET Board of Directors, and each board member represents one of Oklahoma's five Congressional districts.

The endowment trust fund ensures that funds are available for prevention efforts to stop the pipeline of addiction and poor health that has consistently kept Oklahoma at the bottom of the list in health outcomes. TSET grants and partnerships are making a difference through a comprehensive approach to addressing some of our state's most intractable problems.

TSET's prevention grants work to make the easy choice the healthy choice where we live, work, learn and play. Grants to community organizations, city governments, and schools work to increase tobacco-free environments, and opportunities for healthy eating

and active living. Health systems grants provide screening, access to tobacco dependence treatment, and increase opportunities for healthy eating and active living, for hospitalized patients, outpatients, and staff, those with mental health and substance abuse disorders, and Oklahomans with limited resources and opportunities for health care. Research grants create new discoveries in regenerative medicine, bring insights into the best ways to prevent and reduce cancer and cardiovascular disease, and provide access to the best cancer treatments available through Phase I Clinical Trials right here at home.

Unique, strategic partnerships create impact

To get the best return on investment in grants, the TSET Board of Directors has consistently made grants to organizations that are experts in the population the grant is designed to serve. Most recently, the TSET Board of Directors funded a six-year, \$3.8 million grant to the Oklahoma State University Medical Authority to address the critical shortage of physicians in

rural Oklahoma. OSU will work with hospitals across the state to create an infrastructure that will support physician training and increase the number of primary care doctors in rural and underserved areas of the state.

TSET also supports a recruitment program to help pay off medical loans when physicians establish practices in rural areas. The program, which leverages federal dollars and is administered by the Physician Manpower Training Commission, has already placed 17 physicians and is on track to place up to 42.

Integrated approach focuses on health behaviors that cost Oklahoma billions

Tobacco and obesity related health care costs top more than \$3 billion in our state. That does not include costs associated with lost productivity – which businesses feel keenly.

TSET community grants seek to create healthy environments at the local level,

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TSET

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through partnerships and strategic actions that have proven to ‘move the needle’ on health outcomes.

In FY-15, TSET ended its long-running Communities of Excellence grant program, which served 51 counties for nearly a decade. When the grants began, tobacco use was commonplace in restaurants, and government buildings, city parks and school campuses. By working at the local level, TSET grantees contributed to the passage of 831 policies from October of 2004 to June of 2013 which promoted smokefree environments and increased calls to the Oklahoma Tobacco Helpline for smoking cessation services.

According to a recent article in the American Journal of Preventive Medicine, a higher proportion of smokers made serious quit attempts in Oklahoma counties that had a Communities of Excellence grant, than smokers in counties that did not have a grant. After years of work in communities throughout the state, more than 86 percent of the student population attended schools with tobacco-free property policies in effect 24 hours a day, seven days a week.

This past legislative session a new law was approved that makes all school property tobacco free at all times. The community buy-in created over a number of years, resulted in a groundswell of support for smokefree schools. The new state law leveled the playing field to protect all Oklahoma school children from secondhand smoke, and promote a tobacco-free lifestyle.

Building on these successes, in May

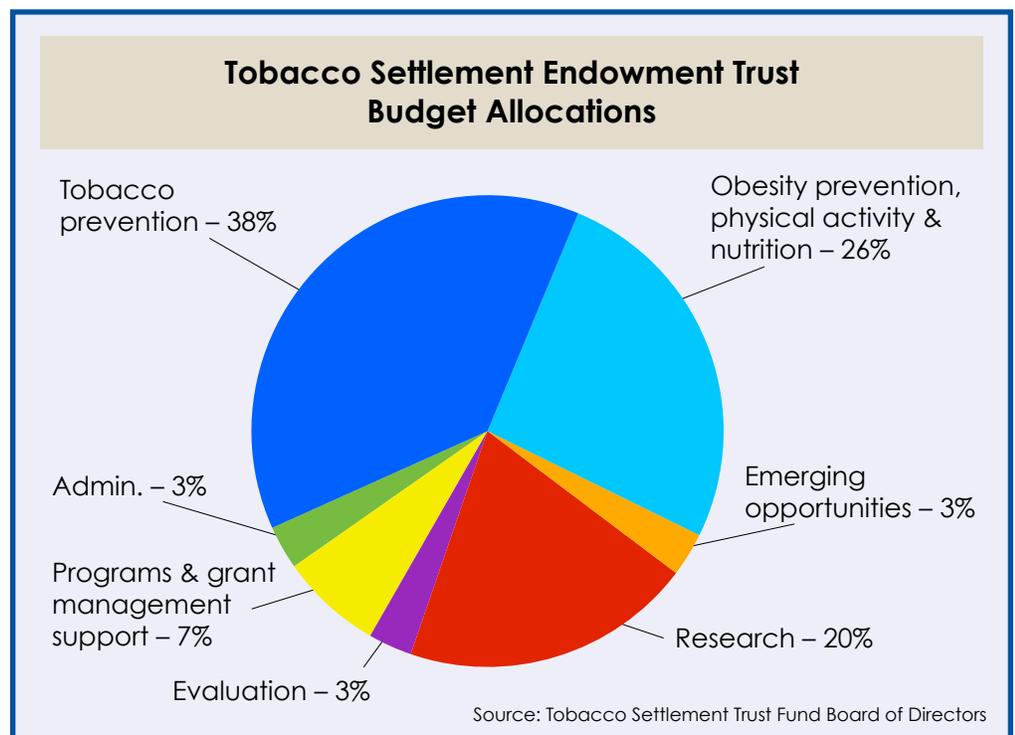
2015 the TSET Board of Directors awarded new “TSET Healthy Living” community grants in an integrated approach to prevent and reduce tobacco use and obesity. These grants to 63 counties began in July, and support businesses, cities and governments, community organizations, and schools create opportunities for Oklahomans to lead healthy, active, tobacco-free lives.

While the scientific evidence to support TSET’s work in tobacco control is very strong, the evidence in obesity prevention is still developing. And yet, there is a cost to doing nothing. Oklahoma was at one point predicted to be the most obese state in the nation within a few short years. However, concerned citizens, state leaders, and organizations have come together to tackle the problem based on the best evidence available today.

Private foundations and government agencies across the country are strategically investing in innovative programs that have resulted in “promising practices” that can be employed to promote healthy eating and active living in our state. As a result, Oklahoma’s rates of obesity, physical inactivity, and poor nutrition – while still above the national average – have held relatively steady, showing the first signs of progress in stopping the advancing rates of obesity and moving the needle in a positive direction.

TSET’s incentive grant program to communities and schools is also part of the picture to improving the state’s health at the local level by providing additional funding to help make the easy choice, the healthy choice. The

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voluntary program provides incentive funding to schools and communities that have been recognized by the Certified Healthy Oklahoma program, a collaborative initiative with the Oklahoma Turning Point Council, the Oklahoma Academy for State Goals, the State Chamber and the Oklahoma State Department of Health.

Through these incentive grants, communities have attracted other funders to the table and

added sidewalks to insure children have safe places to walk or bike to and from school. In some schools, Action Based Learning Labs and “active classrooms” are transforming the learning landscape by helping to improve academic performance and decrease discipline problems. Evaluation results show that the grants have served to incentivize many dedicated schools and communities across Oklahoma to create healthier environments and opportunities.

Research grants leverage dollars and raise the bar for Oklahomans

TSET grants and strategic partnerships with the Stephenson Cancer Center, Oklahoma Center for Adult Stem Cell Research and the Oklahoma Tobacco Research Center are attracting world-class scientists, bringing additional research dollars to Oklahoma, and benefiting cancer patients with access to

a higher standard of care. For every \$1 TSET invests in research, institutions have attracted an additional \$3 to support their work.

The Stephenson Cancer Center’s Phase

I Clinical Trials program is one of 30 national sites participating in the National Cancer Institute’s new National Clinical Trials Network. This designation increases the opportunity for Oklahomans to access new, promising treatments for the next generation of

cancer therapies. Through the statewide academic cancer center, Phase I trials allow cancer patients from across Oklahoma to receive state-of-the-art treatments without having to leave the state.

The Oklahoma Center for Adult Stem Research (OCASCR) is collaboratively governed by the Oklahoma Medical Research Foundation, Oklahoma State University and the University of Oklahoma, each leveraging the core services, equipment and knowledge of the other, to advance new discoveries in regenerative medicine. OCASCR’s scientists work to decode adult stem cells and better understand how the body works in hopes of one day discovering a sequence that could repair damaged tissue or unlock the cellular blueprint to diabetes.

The Oklahoma Tobacco Research Center (OTRC) has attracted nationally

recognized scientific talent and prestigious national grants to the state. The Center oversees the Oklahoma Tobacco Helpline services, investigates new tobacco products, and studies the best ways to prevent and reduce tobacco use among the most vulnerable populations including American Indians, and people of low income or education.

Just last month, a team of scientists at Tulsa’s Laureate Institute for Brain Research (LIBR) received a five-year, \$6.1 million grant from the National Institutes of Drug Abuse. The coprincipal investigator is a TSET Research Scholar funded through the OTRC.

This grant will allow LIBR to study how the use of alcohol, tobacco, marijuana, and other drugs impact mental health, physical health, academic performance, and the ability to process information. This type of research will provide insights that could have a lasting impact on how addiction and behavioral health are approached in the future.

TSET’s program investments are varied, complex, and strategic. From community grants and media campaigns that prevent health problems before they start, to health systems grants and physician recruitment efforts that provide screening, early detection, smoking cessation, and other preventive services to combat chronic disease; to research and treatment in cancer and tobacco-related diseases which brings hope and help to Oklahomans faced with life-threatening illnesses, TSET’s grants and programs are keeping the sacred promise to voters who believed in brighter, healthier lives for Oklahomans today, and for future generations.

“**TSET grants and partnerships are making a difference through a comprehensive approach to addressing some of our state’s most intractable problems.**”



Gross Receipts & General Revenue compared

September Gross Receipts to the Treasury totalled \$1.04 billion, while the General Revenue Fund (GRF), as reported by the Office of Management and Enterprise Services, received \$544.1 million, or 52.3% of the total.

The GRF received between 35.7% and 53.6% of monthly gross receipts during the past 12 months.

From September gross receipts, the GRF received:

- Personal income tax: 69.7%
- Corporate income tax: 70.7%
- Sales tax: 43.3%
- Gross production-Gas: 55.8%
- Gross production-Oil: 0.2%
- Motor vehicle tax: 26.4%
- Other sources: 39.7%

September GRF allocations are below the estimate by \$4.8 million or 0.9%. Fiscal year-to-date collections are less than the estimate by \$4.4 million or 0.3%.

September insurance premium taxes totalled \$54.27 million, an increase of \$4.77 million, or 9.6%, from the prior year.

Tribal gaming fees generated \$11.26 million during the month, up by \$49,700, or 0.4%, from last September.

Gross Receipts to the Treasury continue to shrink in September

For the first time in almost five years, 12-month Gross Receipts to the Treasury are less than the previous 12-month period. Collections during September, at 4.6 percent below the same month of last year, pushed 12-month collections to 0.5 percent below the previous period, State Treasurer Ken Miller announced today.

This is the fifth consecutive time the monthly comparison has been negative.

The last time 12-month receipts showed contraction was in October 2010 as the state was still shaking off the remnants of the Great Recession.

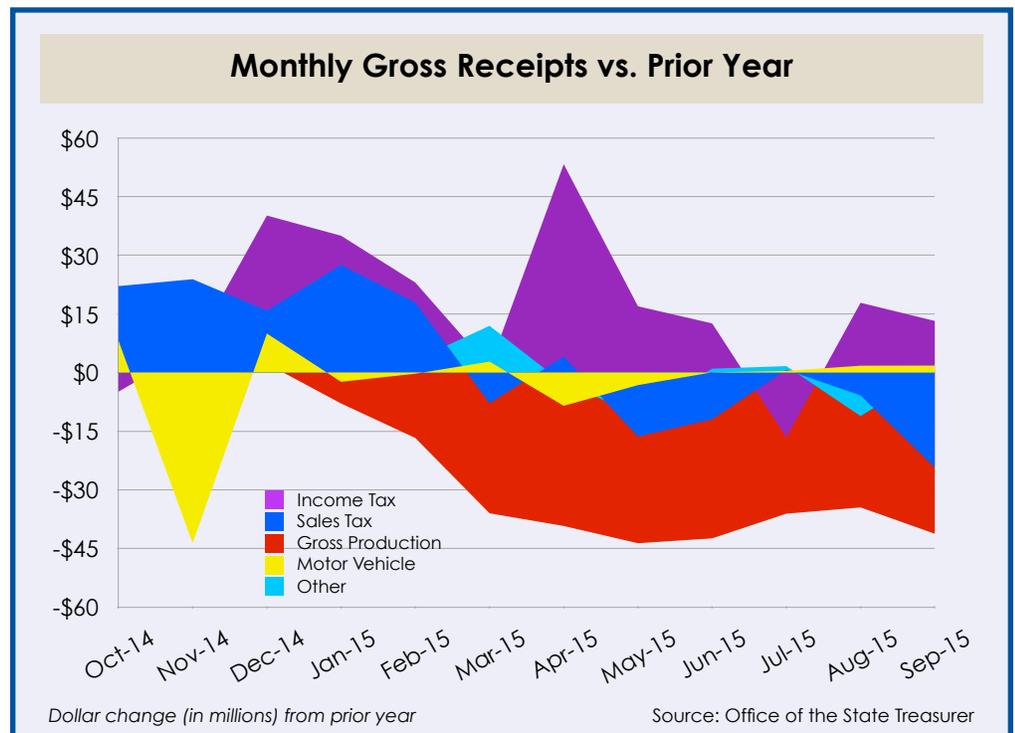
As has been the case in all but two months of the past year, collections from oil and natural gas production taxes shrank, which was the main reason

for the downturn in September. Sales tax collections for the month were also lower, while income tax and motor vehicle receipts were higher.

“The state’s economy is clearly showing the direct and indirect impact of low oil prices, with monthly gross production and sales taxes collections down,” Miller said. “Revenue growth from the past

“ Revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better.”

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Revenue

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year has been erased and indications are the situation is going to get worse before it gets better.”

September gross production collections are from oil field activity in July, when

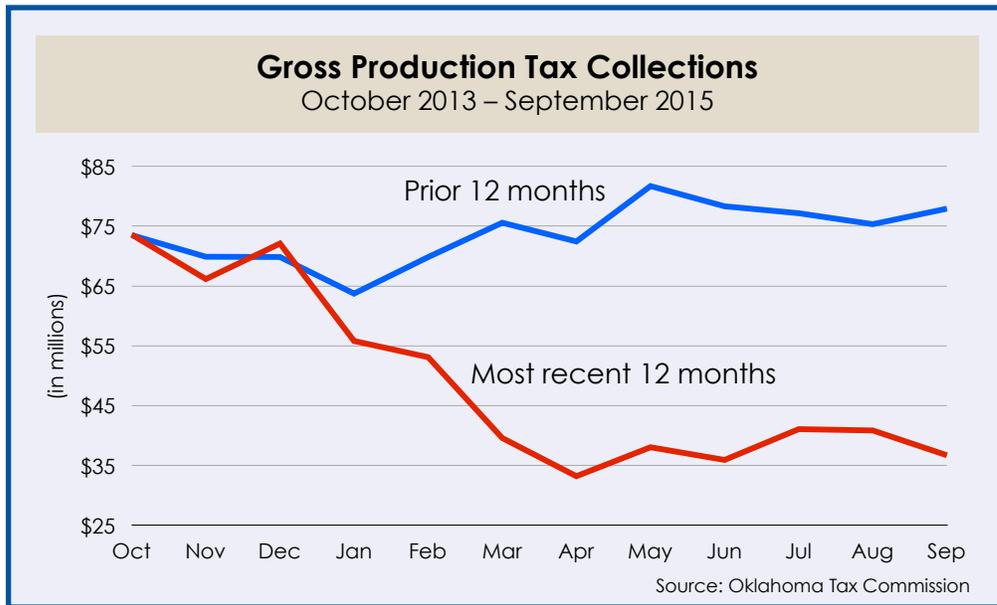
the average price of benchmark West Texas Intermediate crude oil was \$50.90 per barrel. Oil prices dropped to an average of \$42.87 in August and \$45.51 in September. The impact of those lower

prices will be reflected in October and November receipts.

Gross production collections were off by almost 53 percent for the month, and sales taxes fell by 6.4 percent. Combined personal and corporate income tax collections for the month were up by 3.1 percent, while motor vehicle collections grew by 2.7 percent.

About Gross Receipts to the Treasury

Since March 2011, the Treasurer’s Office 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.



Oklahoma jobless rate decreases to 4.4 percent in September

Oklahoma’s seasonally-adjusted unemployment rate was set at 4.4 percent in September, down by two-tenths of one percentage point from August, according to the Oklahoma Employment Security Commission.

State seasonally-adjusted nonfarm employment dropped by 400 jobs during the month. Industries with the biggest declines over the past year were Mining & Logging (including the energy industry), down by 11,000 jobs, and Manufacturing, down by 8,100 jobs.

The national unemployment rate was set at 5.1 percent in September.

OKLAHOMA	Unemp. rate*	Labor force*	Employment*	Unemployment*
Sept '15	4.4%	1,837,236	1,756,316	80,920
Aug '15	4.6%	1,842,978	1,759,061	83,917
July '15	4.5%	1,853,564	1,769,665	83,899
June '15	4.5%	1,862,461	1,779,424	83,037
May '15	4.3%	1,863,285	1,783,101	80,184
April '15	4.1%	1,851,003	1,775,355	75,648
Sept '14	4.2%	1,779,657	1,705,165	74,492

* Data adjusted for seasonal factors

Source: OESC



Economic Indicators

