Each of the 50 states has a state treasury, but no two operations are identical. Each state has established its own way of handling the billions of state taxpayer dollars it collects and spends each year. It’s essential that each treasury operation have systems in place to keep the money safe, and such is the case. But some states have gone a step further, modernizing their organizational structures to ensure the highest levels of accountability and efficiency for state taxpayer dollars.

The volume of money that flows in and out of state treasuries is quite large. The 50 state treasuries handle some $2.4 trillion in expenditures through billions of transactions each year. Even in Oklahoma, where the state economy accounts for only about one percent of the nation’s gross domestic product, approximately $22 billion passes through state treasury accounts each year through hundreds of millions of individual transactions.

In addition, treasurer’s offices forecast cash needed to cover expected expenditures; manage daily cash flow to ensure liquid funds are available to cover each day’s bills; invest states’ collections to generate additional income until the money is needed to pay the bills; and, manage several thousand bank accounts where state funds are deposited.

Oklahoma’s financial structure, like many other states, has evolved over the decades to accommodate specific needs or meet various political goals. What was often missing was the big picture perspective with too little attention paid to efficiency and accountability.

Looking to other states

When examining ways in which our state’s financial systems and structures might be optimized, a look at operations in other states could provide examples of optimal design and best practices.

Two states that provide examples of centralized, efficient, and accountable treasury operations are Texas and Florida. Over the past 25 years, both states have modernized their financial operations to create better functioning systems.

The Florida system is headed by an elected chief financial officer (CFO), and the Texas system is headed by an elected state comptroller of public accounts. Both have broad responsibility over the financial management of their states, from revenue collection, to forecasting, to debt management, to accounts payable.

In 1995, Texas voters approved a constitutional amendment that combined the duties of two elected officials, the state treasurer and the comptroller.
Organization matters, part 2

Last week, I had the pleasure of hosting the chief financial officer from the great state of Florida. I meet CFO Jeff Atwater through the National Association of State Treasurers (NAST). During our time together we were able to learn more about each other’s duties, operations and plans.

His visit is just one example of the many NAST provided opportunities to strengthen relationships with counterparts from across the nation, share experiences, and learn best practices so that those of us tasked with public finance responsibilities can better serve our citizens.

During my time as treasurer, I have learned through the association a lot about how other states structure their financial operations. An easily recognizable conclusion is that once you have seen one treasurer’s office, you’ve seen one treasurer’s office, because the duties vary widely. But there are many commonalities in core functions.

Like Oklahoma, virtually all treasuries handle their state’s banking and cash management operations, unclaimed property programs and 529 college savings plans.

Unlike Oklahoma, most play a primary role in debt management and pension fund investment. Others have the added tasked of finance-related responsibilities like revenue collection, accounts payable, risk management and financial reporting.

There are outliers whose offices handle seemingly unrelated duties like regulating insurance and funeral services, managing workers’ compensation and health plans, and even serving as state fire marshal.

I will stand with our membership to argue that the treasurer’s office is the most appropriate reservoir of financial functions.”

Like most secondary offices, citizens often can’t name their treasurer but they do know that the office of state treasurer holds the fiduciary duty of safeguarding their hard-earned tax dollars. This trust between citizens and their treasurer is essential for accountability and transparency purposes.

While representing the members of NAST as their president in 2017, I will have the opportunity to advocate for other state treasurers and their offices starting with the premise that treasurers, or their equivalent, should be the clearly identifiable leaders of state financial affairs.

Where public treasuries have been weakened because of bad actors or politics, I will join with the NAST membership to lend support to help rebuild. One state legislature stripped its treasurer of duties because of an incompetent incumbent. Rather than watch the dismantling of the office, perhaps a more proactive approach could have lead to a recall of the official, leaving the responsibilities to be distributed by function, instead of individuals, personalities or politics.

Where a state’s treasury is excluded from core financial matters, like pension investment, debt

SEE COMMENTARY PAGE 3
Opinions and positions cited in the Oklahoma Economic Report, TM, are not necessarily those of Oklahoma State Treasurer Ken Miller or his staff, with the exception of the Treasurer’s Commentary, which of course, is the viewpoint of the treasurer.
Function
FROM PAGE 3

Ideally, organizations should be structured by function. Unlike in most states, in Oklahoma the officer elected to manage state investments is excluded from participating in the state’s largest investments – pensions. This undermines direct accountability to the people.

The status quo is always strong inside any state capitol building, but when it is overcome, state leaders work together, putting aside political agendas, personalities, and turf battles to examine whether changes can be made to maximize taxpayer dollars.

The potential improvements most certainly warrant a closer examination.

General Revenue Fund tops estimate during FY-17 first quarter

First quarter allocations to the Oklahoma General Revenue Fund (GRF) are 1.4 percent, or $16.8 million, more than the estimate. Collections for the quarter, however, are below the prior year by 9.5 percent, or $130.3 million.

Net income tax allocations, a combination of individual income and corporate tax collections, total $519.6 million and finished the quarter ahead of the estimate by $32.4 million, or 6.7 percent.

Individual income tax generated $479.4 million for the GRF, topping the estimate by $72 million, or 17.7 percent. Corporate collections total $40.2 million and are below the estimate by $39.6 million, or 49.6 percent.

Sales tax allocations produced $455.4 million, below the estimate by $31.7 million, or 6.5 percent. Sales tax receipts have been below the estimate for 19 of the past 20 months.

Allocations from the gross production tax on oil and natural gas generated $26.9 million during the quarter. This is $6.4 million, or 31.4 percent, higher than the estimate.

Motor vehicle tax allocations total $50.3 million for the quarter, which is $2.7 million, or 5.1 percent, less than the estimate.

Other sources accounted for $186.7 million to the GRF. That is $12.4 million, or 7.1 percent, more than the estimate.

The GRF, as reported by the Office of Management and Enterprise Services, is the state’s main operating account and the primary source of funding for annual appropriations for state government. It is composed of just less than 50 percent of Gross Receipts to the Treasury.
State Gross Receipts to the Treasury fall in September

(Original release date: October 6, 2016.)

Gross Receipts to the Treasury in September fell by almost 10 percent compared to the same month of the prior year, continuing a 19-month contraction in the broad measure of state economic activity, State Treasurer Ken Miller announced.

September collections were $939.6 million. The last time September collections were lower was in 2010, when Oklahoma was only a few months past the revenue trough brought on by the Great Recession.

Collections during the past 12 months, at $10.9 billion, are the lowest since March 2012.

“As has been the story for almost two years, Oklahoma is feeling the effects of a supply-driven downturn in energy prices that has spilled over into the rest of the economy,” Miller said.

“We are monitoring discussions within OPEC on reducing oil production volumes. Should an

SEE REVENUE PAGE 6

Monthly Gross Receipts vs. Prior Year

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<th>Month</th>
<th>Income Tax</th>
<th>Gross Production</th>
<th>Sales Tax</th>
<th>Motor Vehicle</th>
<th>Other</th>
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</tbody>
</table>

Dollar change (in millions) from prior year

Source: Office of the State Treasurer
Revenue
FROM PAGE 5

agreement to dial back production come to fruition, it could spur oil prices and turn the current negative cycle.”

Gross production taxes on crude oil and natural gas activity generated $31.5 million during the month, down by 14 percent from last September, and continued a string of 21 consecutive months of year-over-year contraction.

After ticking up slightly in August, individual income tax collections dropped by more than 12 percent in September.

Tax officials attribute much of the reduction to last year’s tax amnesty program that generated more than $30 million in addition revenue last September. However, monthly individual income tax collections were down by more than $40 million.

Sales tax collections were down by 2.6 percent compared to September of last year. It marks the 16th time in the past 19 months that sales tax collections have been below that of the prior year.

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 budgetary information to state agencies.

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September state unemployment rate climbs to 5.2 percent

Oklahoma’s seasonally-adjusted unemployment rate rose for an eighth consecutive month in September and was set at 5.2 percent, up by one-tenth of a percentage point from August, according to the Oklahoma Employment Security Commission.

September is the third month in a row that the Oklahoma jobless rate has been higher than the national rate, which was set at 5.0 percent for the month. The number of Oklahomans employed shrank by 47,157 over the year.
Economic Indicators

**Unemployment Rate**

- U.S.
- Oklahoma

Shaded areas denote U.S. recessions
Source: Bureau of Labor Statistics

**Gross Receipts vs. Oil & Gas Employment**
January 2008 – September 2016

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

Shaded area denotes U.S. recession
Sources: Bureau of Labor Statistics & State Treasurer

**Leading Economic Index**
January 2001 – September 2016

This graph predicts six-month economic movement by tracking leading indicators, including initial unemployment claims, interest rate spreads, manufacturing and earnings. Numbers above 0 indicate anticipated growth. Shaded areas denote U.S. recessions
Source: Federal Reserve

**Oklahoma Stock Index**
Top capitalized companies
January 2009 – October 2016

Avg. = $43.17
$41.74
Shaded area denotes U.S. recession
Source: Office of the State Treasurer

**Oklahoma Natural Gas Prices & Active Rigs**
January 2011 – October 2016

Price
Active Rigs
Sources: Baker Hughes & U.S. Energy Information Administration

**Oklahoma Oil Prices & Active Rigs**
January 2011 – October 2016

Price
Active Rigs
Sources: Baker Hughes & U.S. Energy Information Administration