

10 Things You Should Know about Oklahoma Budget and Taxes

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David Blatt
Executive Director, Oklahoma Policy Institute
dblatt@okpolicy.org
(918) 794-3944



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What Prosperity Looks Like

Oklahoma's prosperity depends on our ability to invest adequately and effectively in our public structures

- Well-educated, well-trained workforce
- Well-functioning infrastructure
- Enforcement of economic rules
- Healthy communities
- Safe streets and neighborhoods
- Support for those in need

Proper funding of state and local government is critical for us to achieve our common goals as a state



1. Oklahoma has a strict system of constitutional tax & spending limits



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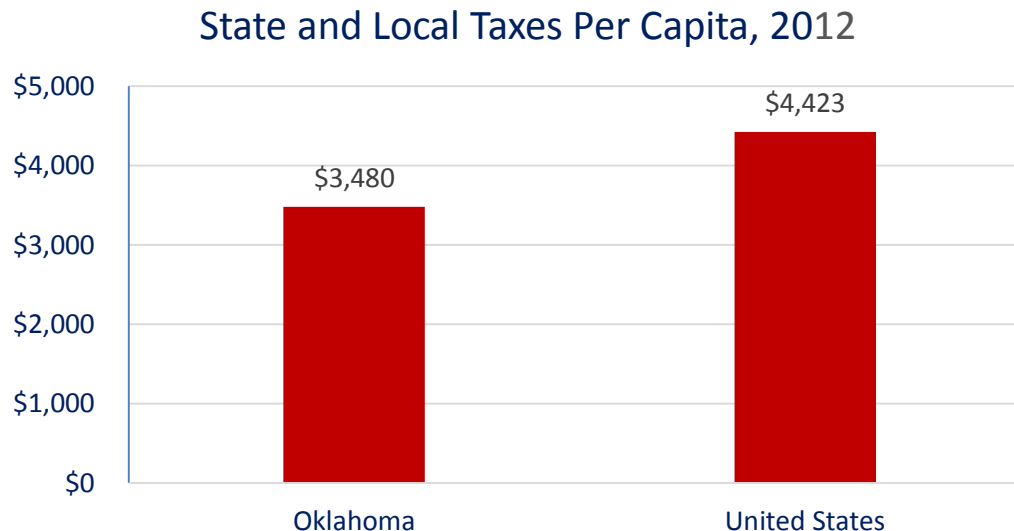
- Balanced budget requirement;
- The legislature can appropriate only 95 percent of certified funds for the upcoming year;
- Surplus revenue collections are deposited to the Constitutional Reserve Fund (Rainy Day Fund);
- It requires a $\frac{3}{4}$ vote of both legislative chambers or a vote of the people to raise revenue (SQ 640);
- No state property tax or local income tax;
- Changes in property taxes require statewide vote

2. Oklahoma is a low-tax state



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- Oklahomans pay 27 percent – or \$943 - per person less in state and local taxes than the national average
- Of every \$100 in income, Oklahomans pay \$8.68 in state and local taxes (U.S. average: \$10.28)
- Oklahomans' taxes are 38th in the nation per person and 44th as a share of personal income



* All data for 2012,
Center on Budget and
Policy Priorities from
Census of Governments

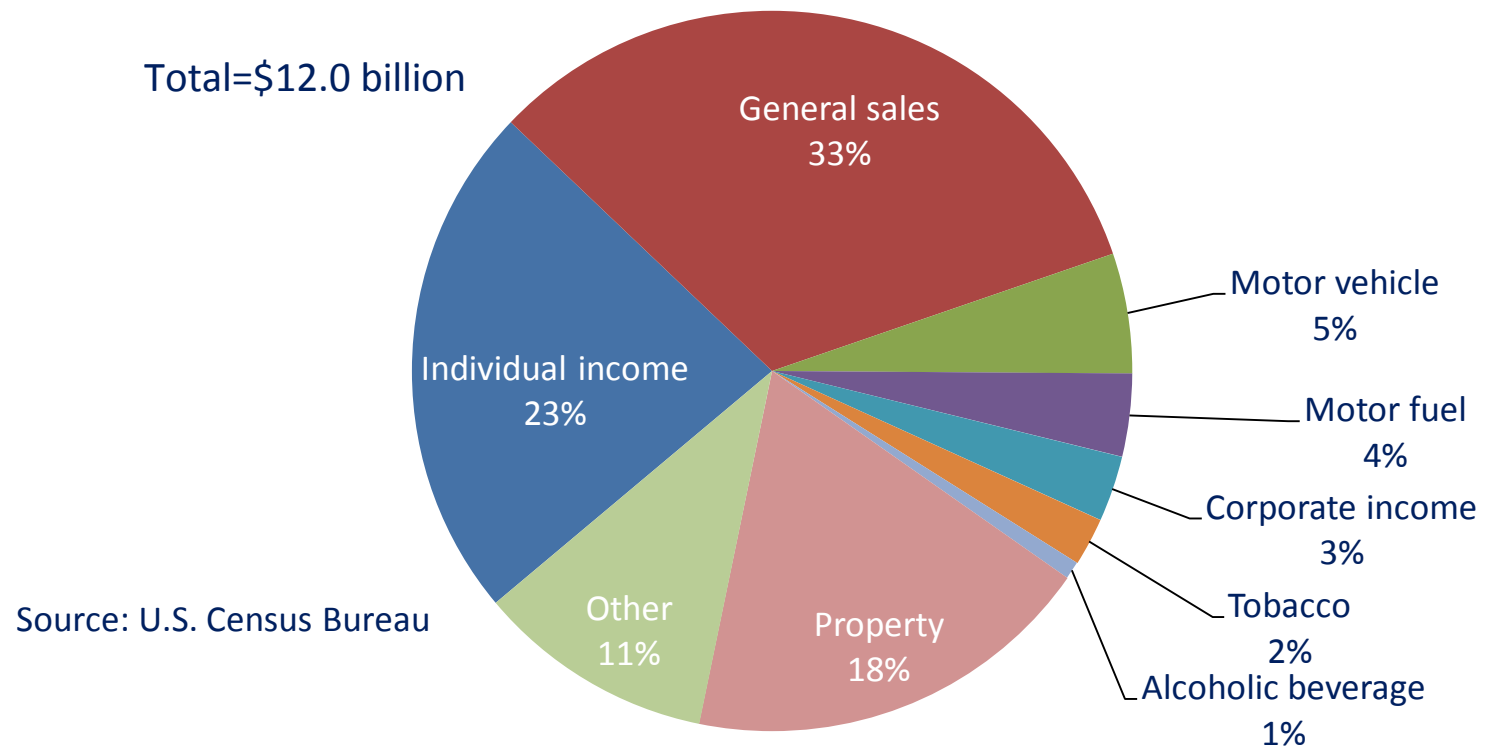
3. Oklahoma has a balanced tax mix



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- Sales tax is the largest tax source when state and local taxes are combined

State and Local Taxes by Source, Oklahoma, 2011

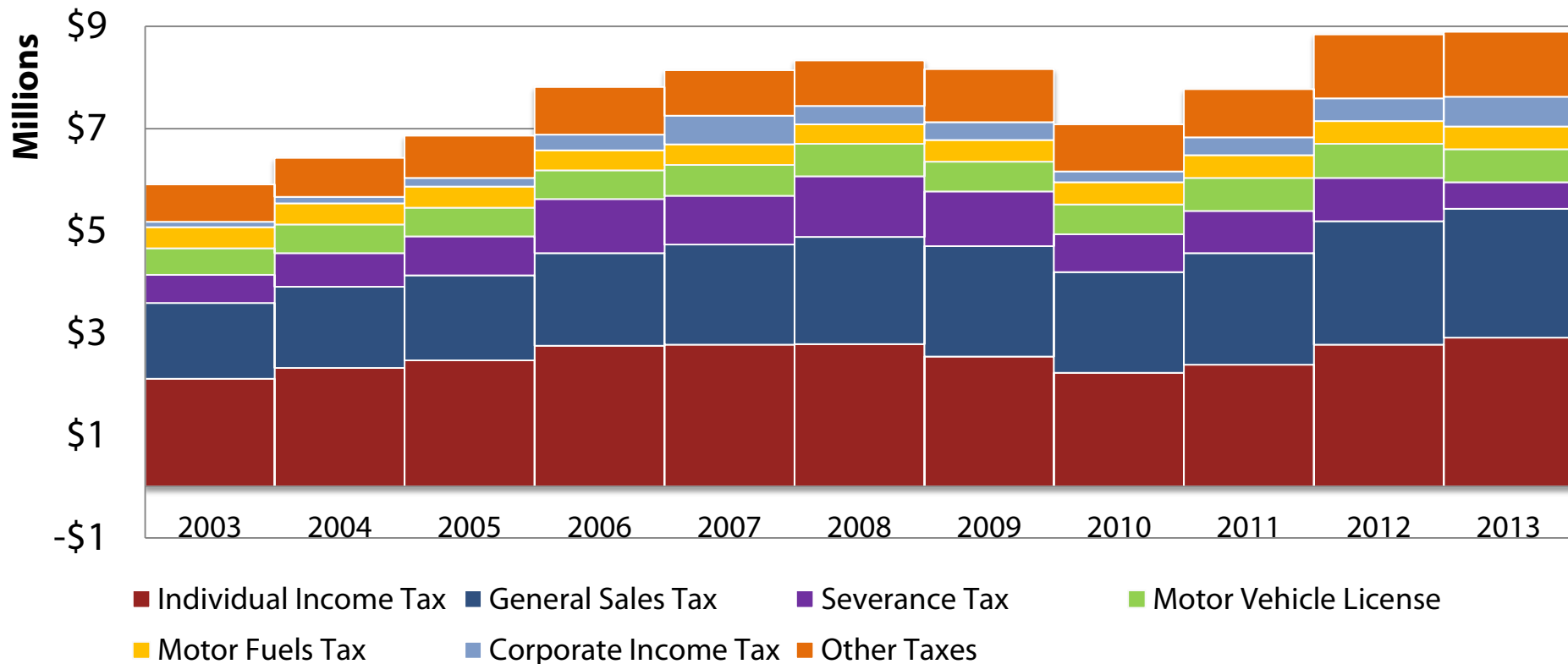


3. Oklahoma has a balanced tax mix

The six largest taxes accounted for 85.7 percent of all Oklahoma's tax revenues in 2013:

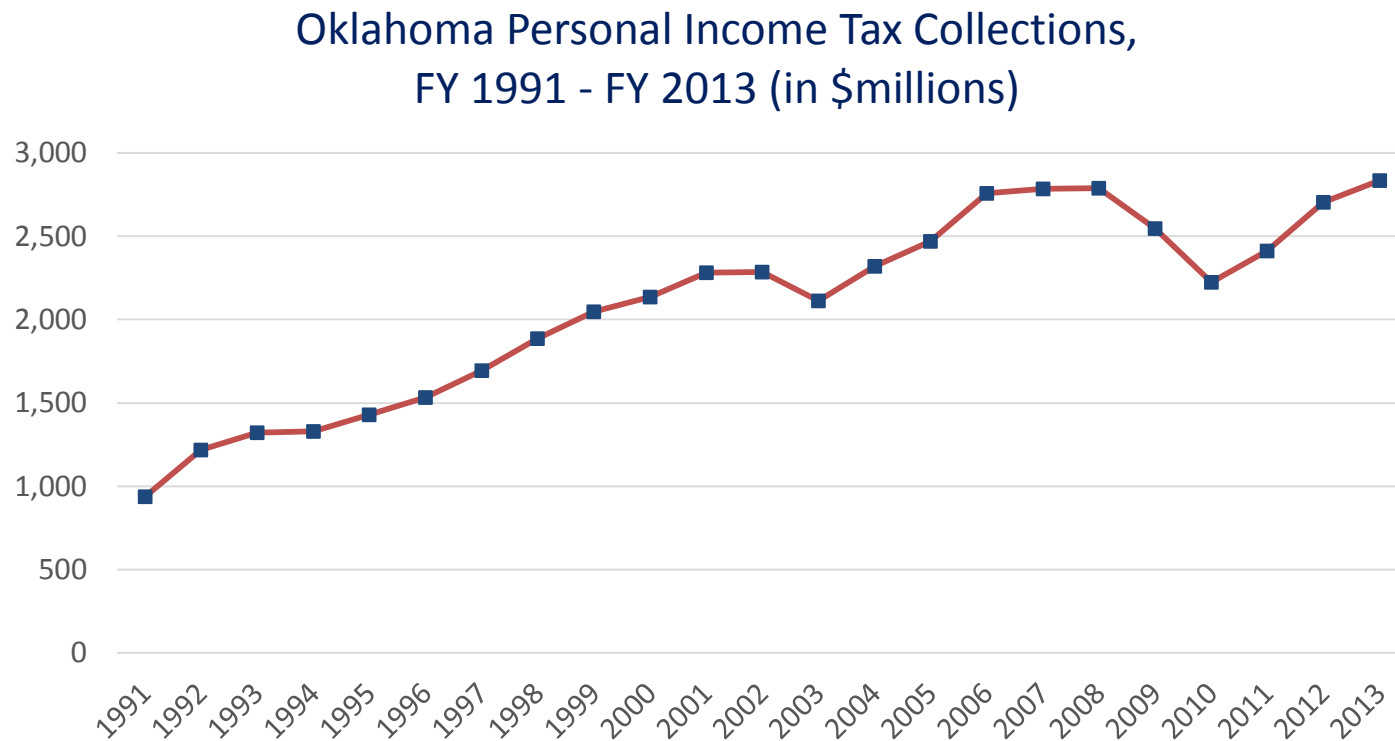
- Personal Income Tax – **32.8%**
- General Sales Tax – **28.3%**
- Gross Production Tax (Severance) – **5.8%**
- Motor Vehicle Tax – **7.3%**
- Motor Fuels Tax – **4.9%**
- Corporate Income Tax – **6.6%**

Oklahoma State Tax Collections, 2003-2013 (Source: US Census Bureau)



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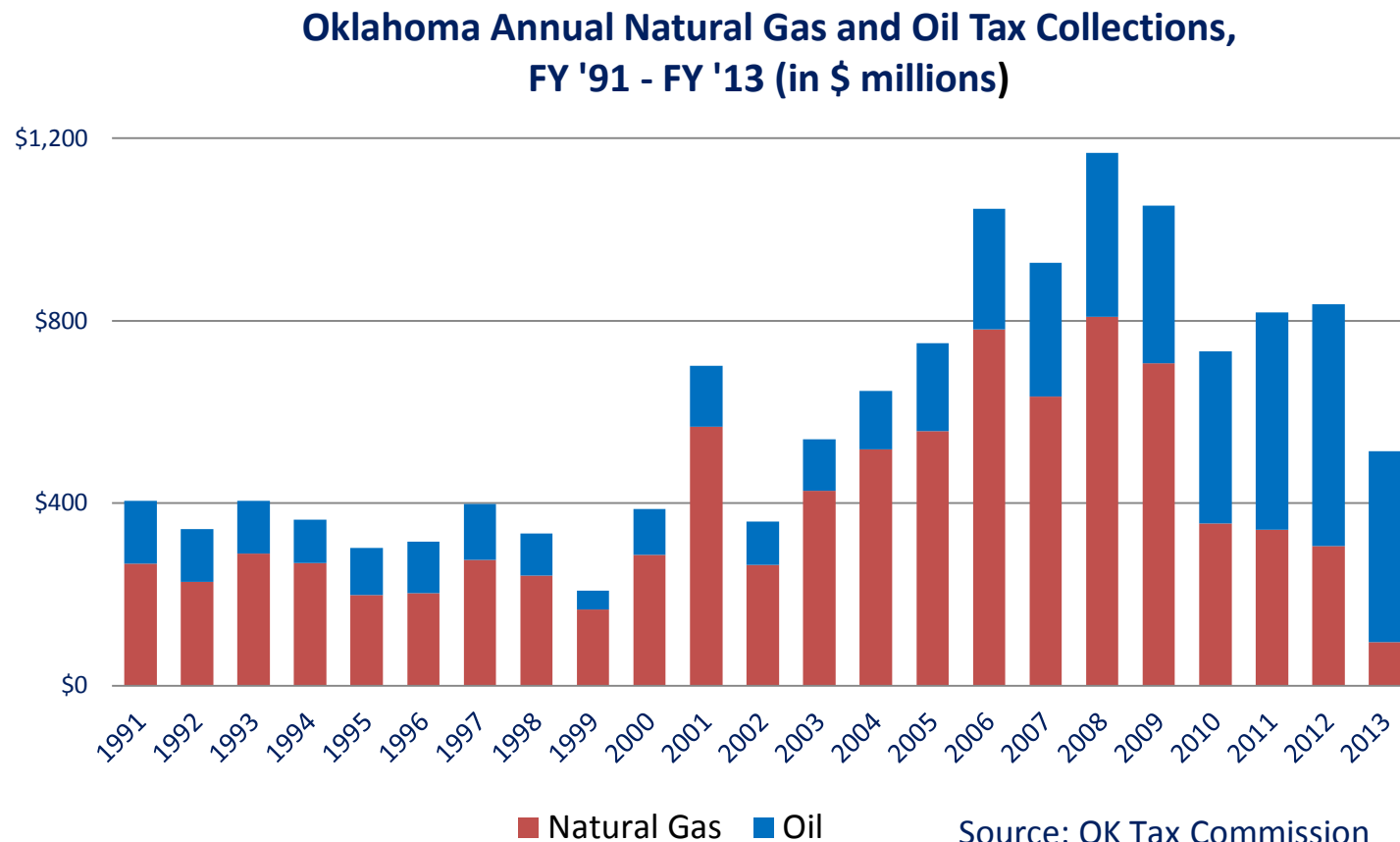
- Personal income tax is the largest state tax, but tax cuts and the recession have dampened collections since 2005



Source: Oklahoma Tax Commission

3. Oklahoma has a balanced tax mix

- Oil and gas (gross production) taxes are typically the third largest state tax – and the most volatile



3. Oklahoma has a balanced tax mix

- Oklahoma's property taxes are the 2nd lowest in the nation (2011)
- Oklahomans pay less than half the national average in per capital property tax

	Property taxes per person, 2011	Total state and local taxes per person, 2011
Oklahoma	\$ 642	\$3,029
Average of six neighboring states	\$ 1,130	\$3,491
National Average	\$ 1,423	\$4,109

Source: Tax Policy Center

4. Low-income Oklahomans pay more

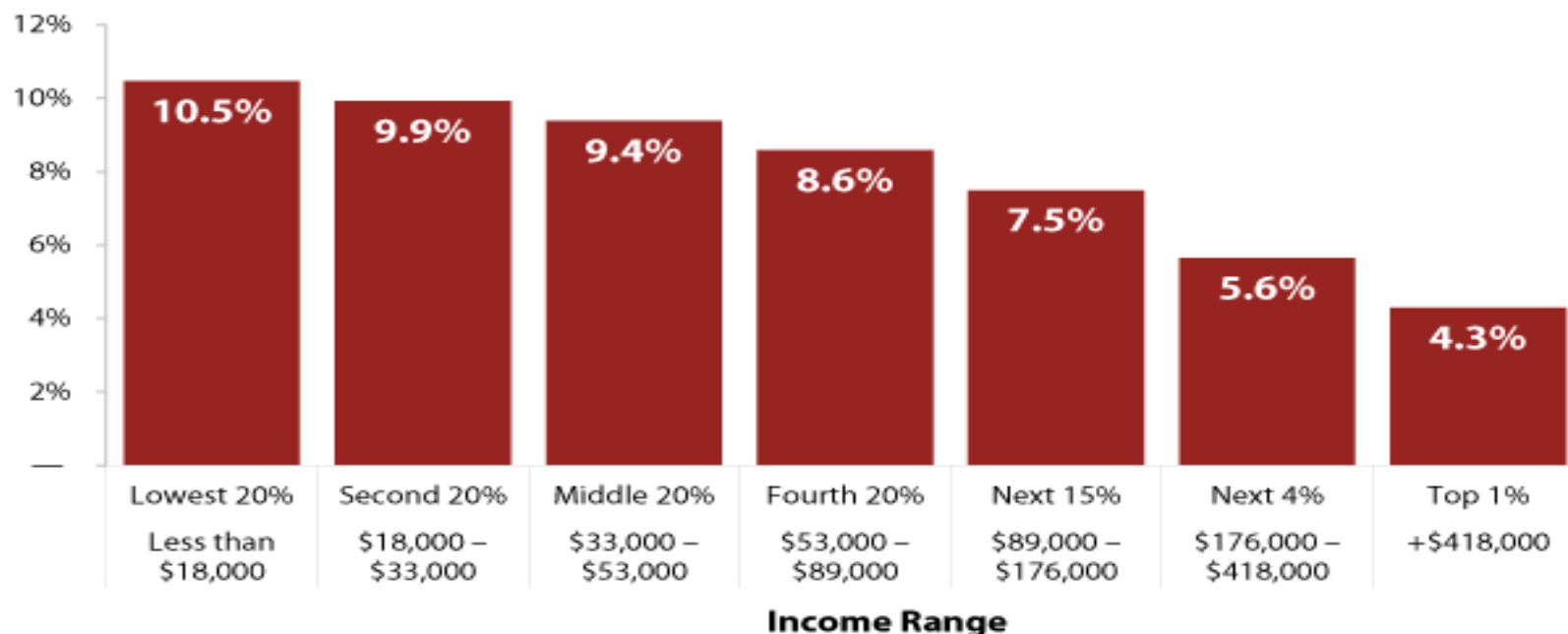


4. Low-income Oklahomans pay more

- Bottom 80 percent of households are paying 2 – 2 ½ times as much of their income in state and local taxes as the wealthiest 1 percent

Oklahoma State & Local Taxes in 2015

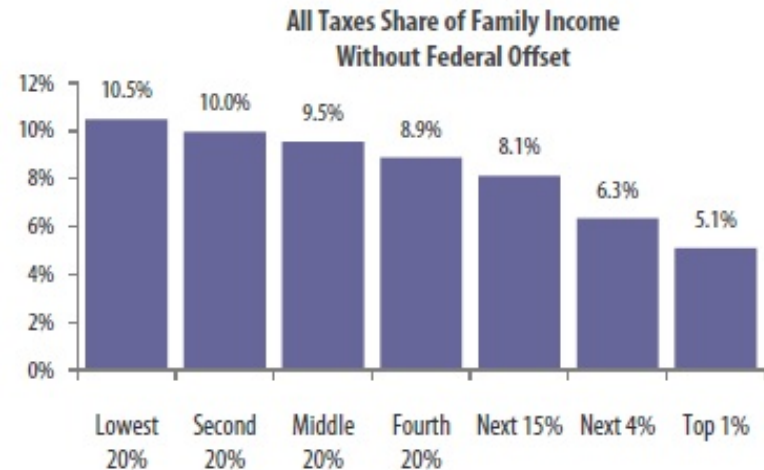
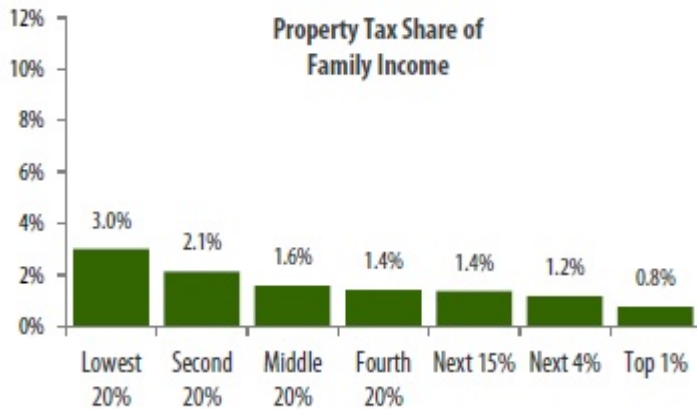
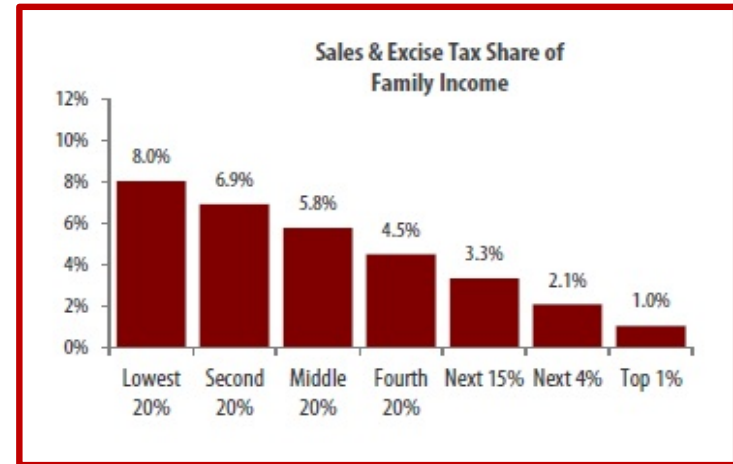
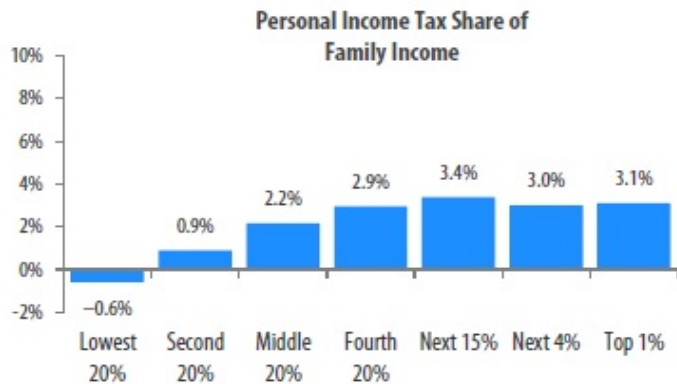
Share of family income for non-elderly taxpayers going to state and local taxes



Source: Institute on Taxation and Economic Policy, Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 5th Edition

4. Low-income Oklahomans pay more

- Progressive effects of income tax more than offset by regressive effect of sales and property taxes

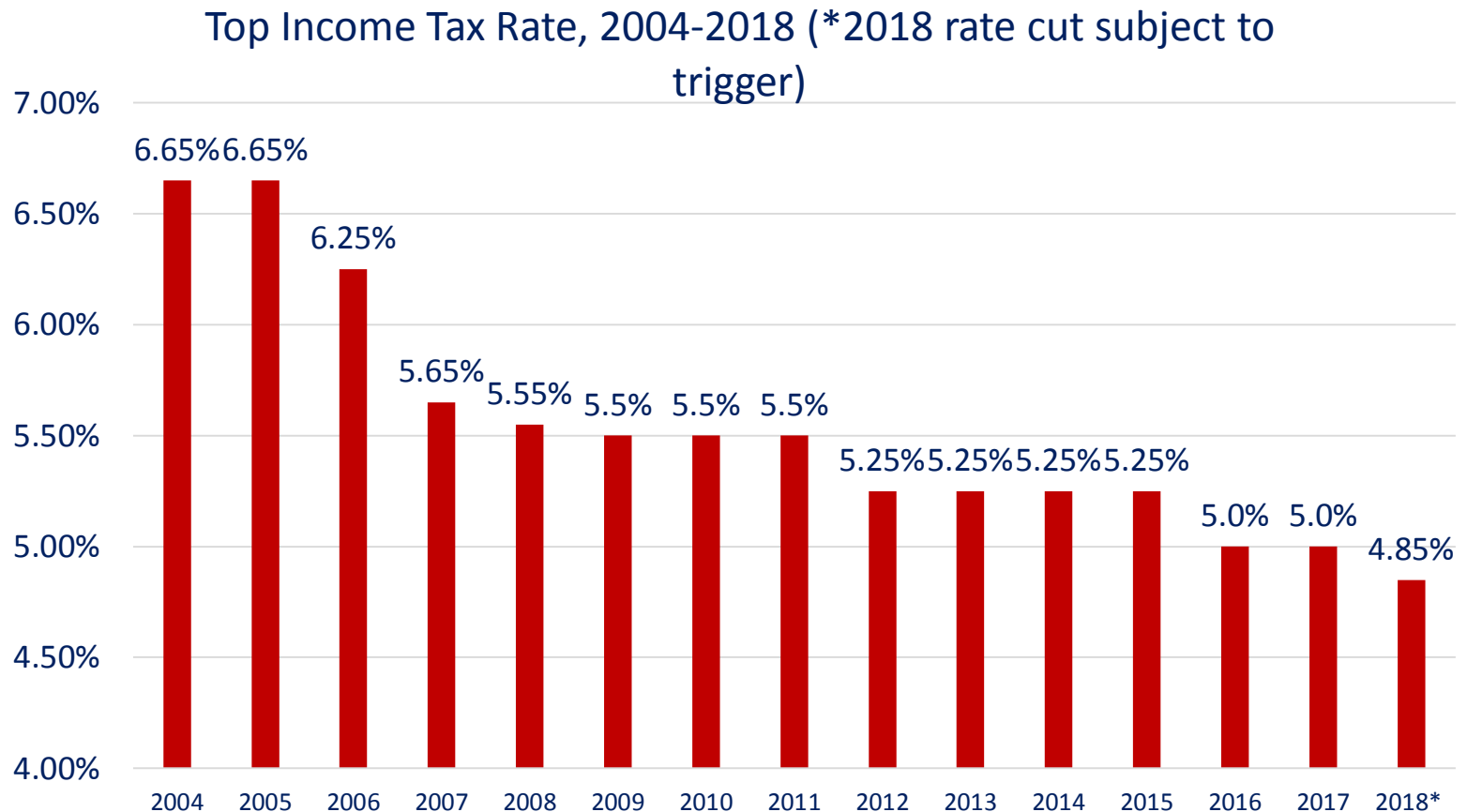


5. Taxes have been cut substantially in recent years



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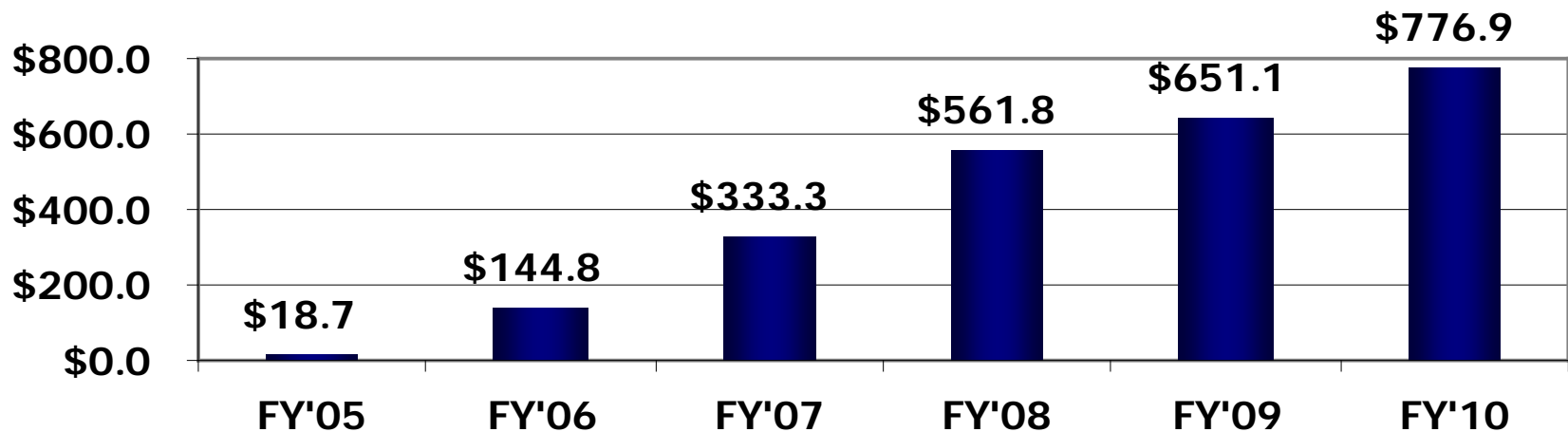
- Top income tax rate lowered from 6.65 to 5.25 percent;



5. Taxes have been cut substantially in recent years

- Income tax cuts enacted between 2004-07 were large, permanent and back-loaded
- Top income tax rate lowered from 6.65 to 5.5 percent; dropped to 5.25 percent in 2012

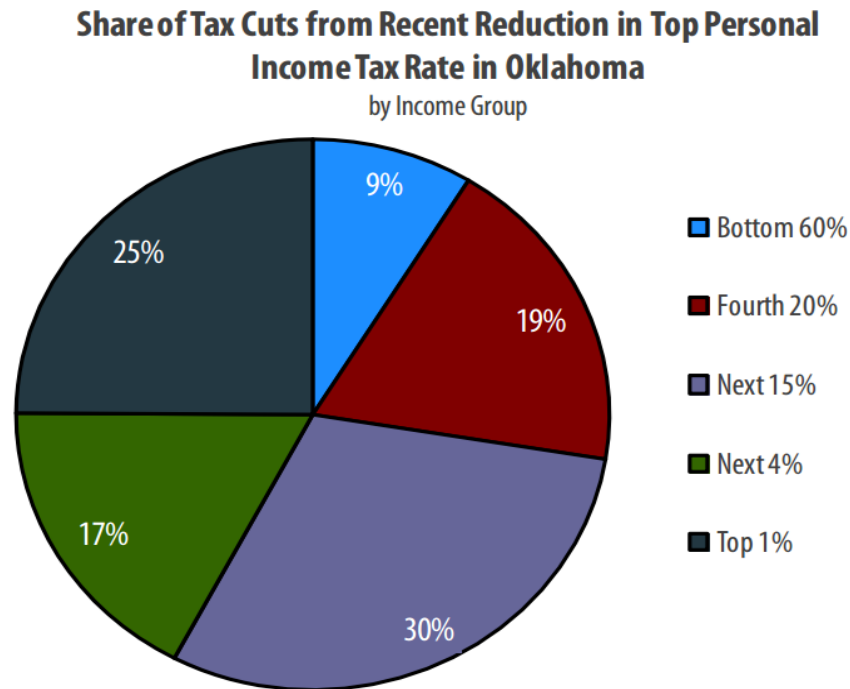
**Lost Revenues from Select Tax Cuts Enacted 2004 - 2006
FY'05 through FY'10 (in \$ millions)**



source: Oklahoma Tax Commission

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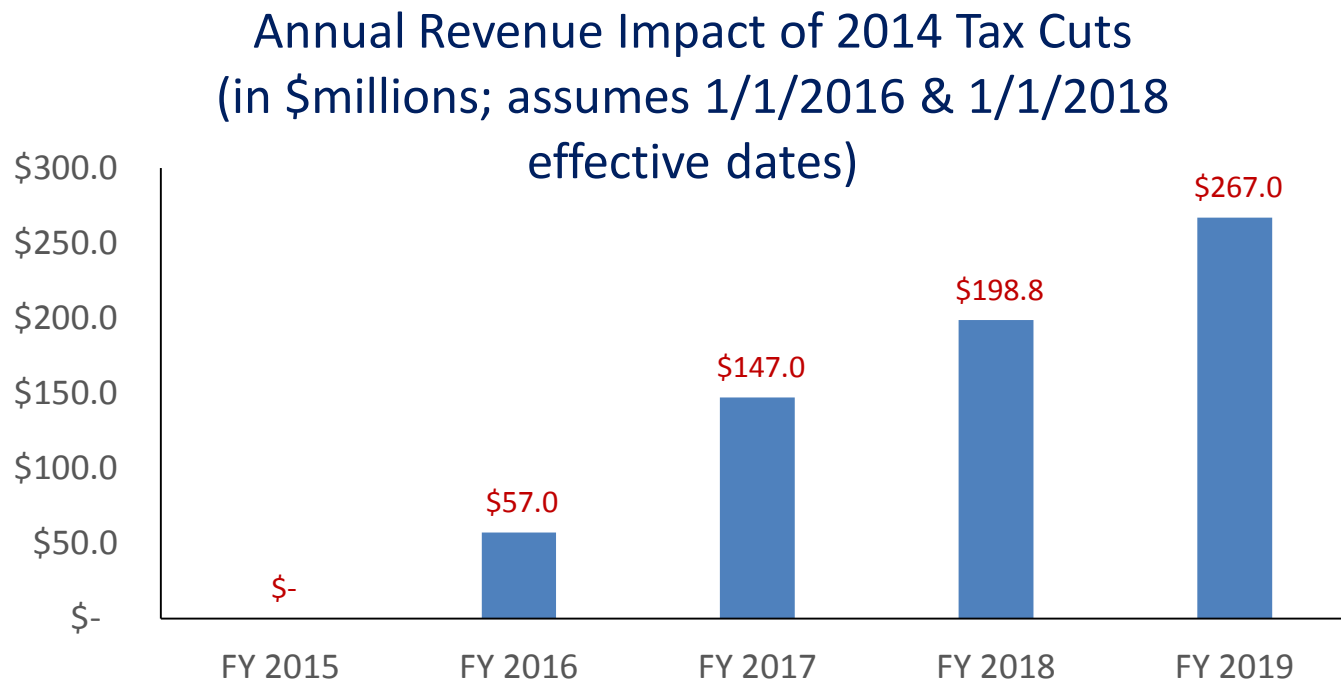
- Over 70 percent of the benefit from income tax cuts of mid-2000s went to the top 20 percent of households



Source: Institute for Taxation and Economic Policy, **Who Pays?**, 3rd ed., 2012 <http://www.itep.org/pdf/ok.pdf>

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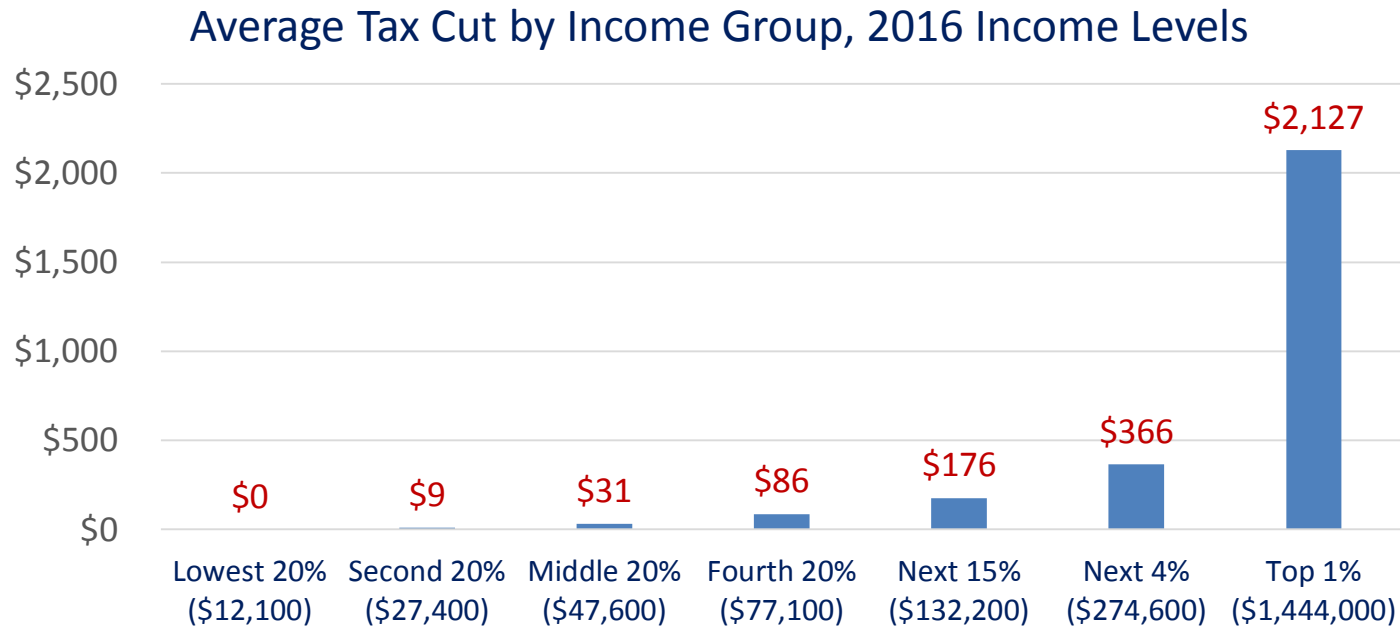
- 2014 Tax cut (SB 1246)
 - Reduces top rate to 5 percent in 2016 and 4.85 percent in 2018 (subject to trigger)



Source: Oklahoma Tax Commission, SB 1246 Fiscal Impact report, Feb 26, 2014

5. Taxes have been cut substantially in recent years

- 2014 Tax cut (SB 1246)
 - Benefits go disproportionately to the wealthiest:
 - 41 percent of households get \$0; Median household gets \$31; Top 1 percent gets \$2,127 [2016]

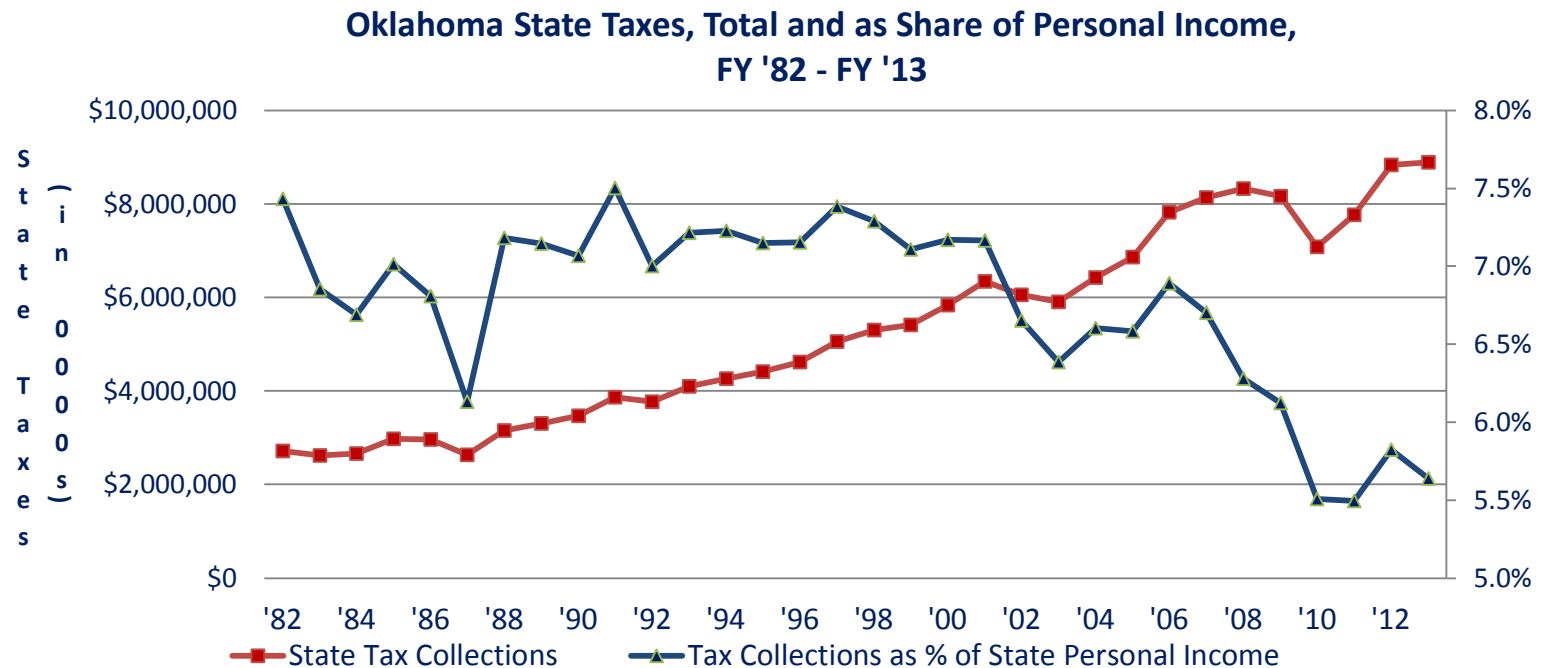


Source: Analysis of SB 1246 by Institute on Taxation and Economic Policy, May 2014.
Incomes are average income in each group

6. Revenues have not fully recovered

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- In FY '13 tax collections equaled just 5.6 percent of state personal income, compared to 7.2 percent in FY '01
- Impact of tax cuts of mid-2000s and recession of 2008-10 can both be seen

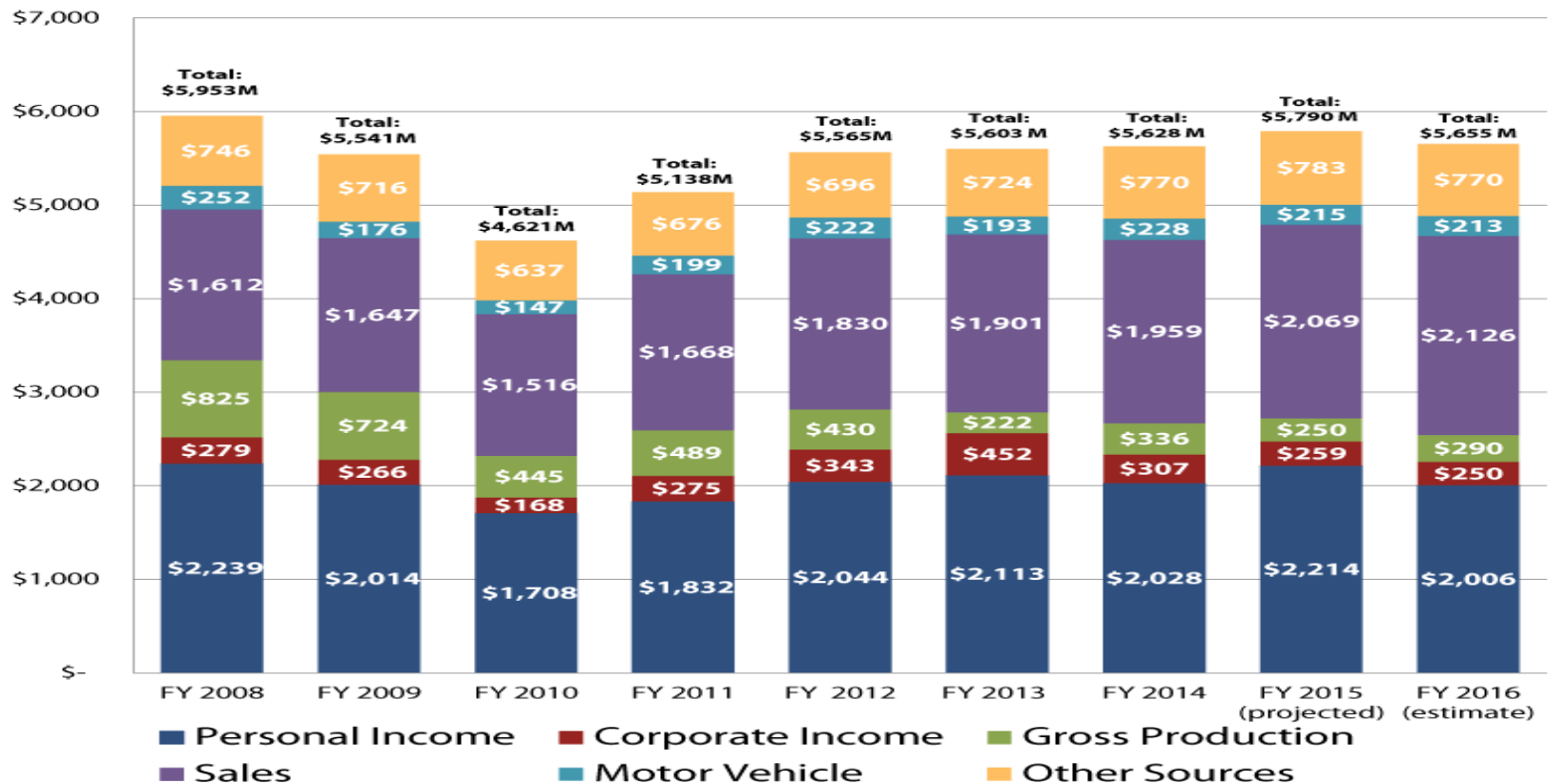


6. Revenues have not fully recovered

- Gen. Rev. collections in FY 2014 were 5.8 percent below FY 2008
- Collections have grown less than 1 percent in past 2 years

General Revenue by Tax, FY 2008 to FY 2016

(in \$ millions; FY 2015 and FY 2016 based on Feb. 2015 Board of Equalization estimates)



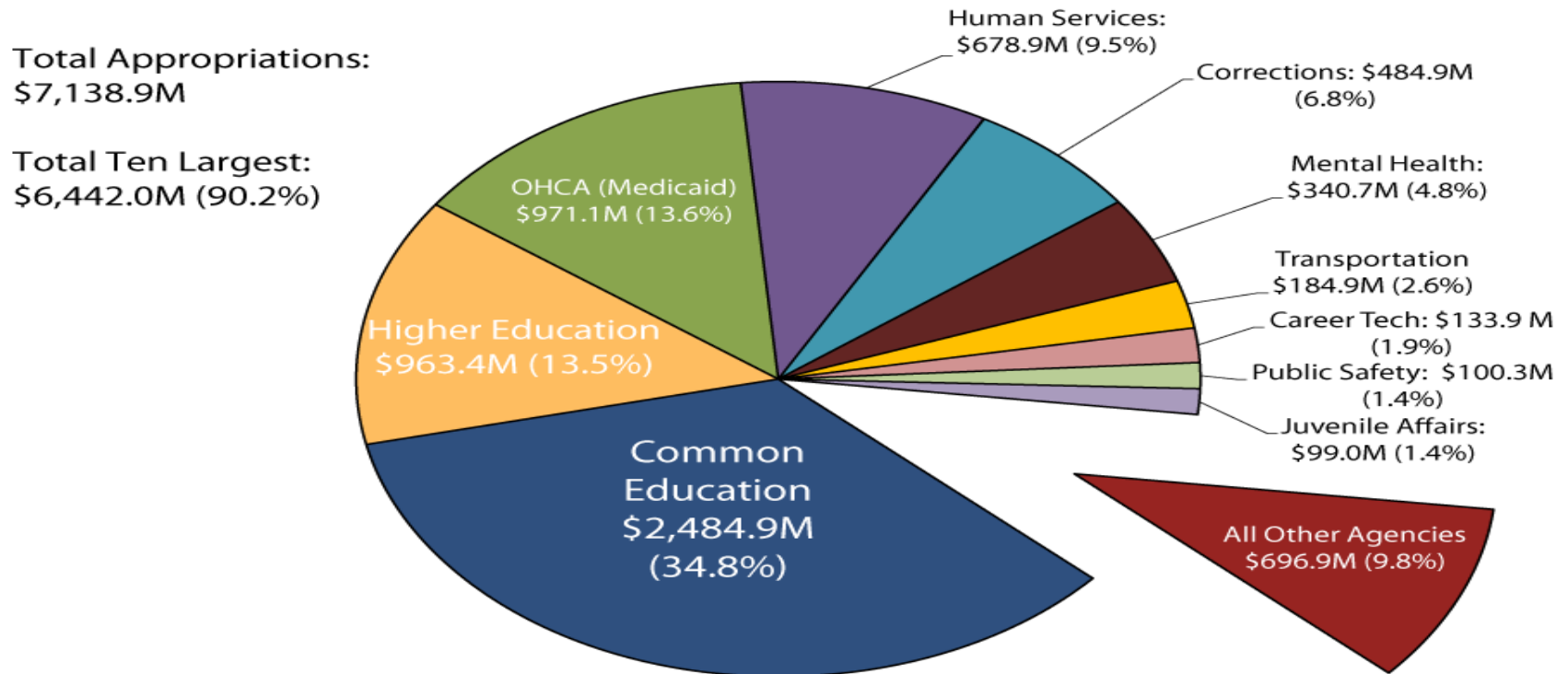
7. Most of the state budget funds 10 agencies



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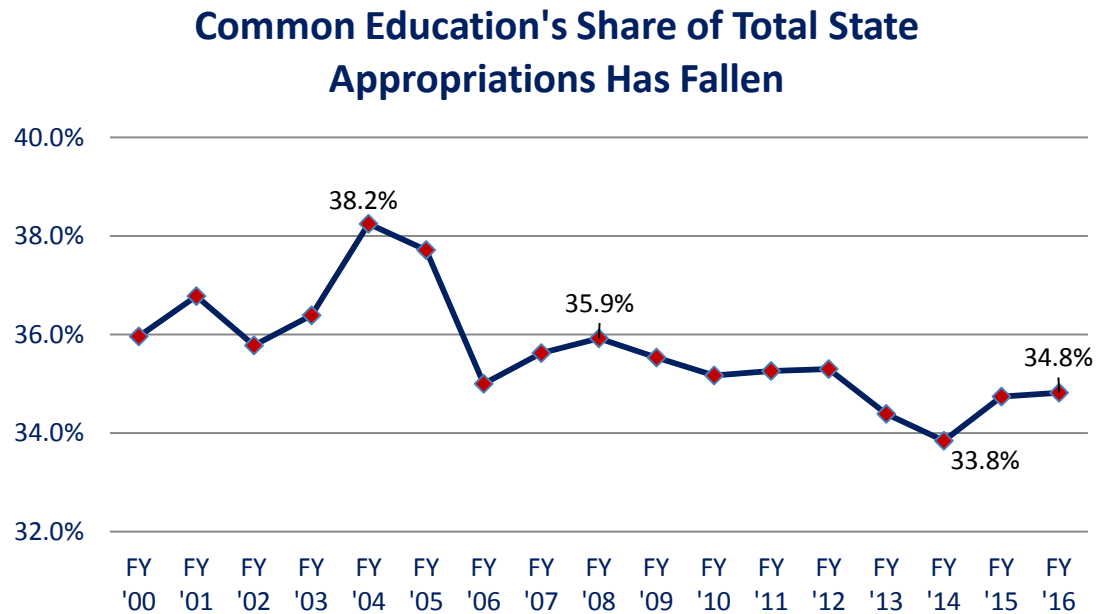
- 90 percent of appropriations go to core services in education, health, human services, public safety & transportation

FY 2016 Appropriations to Ten Largest Agencies



7. Most of the state budget funds 10 agencies

- Common education is the largest agency but its share of the budget has declined in recent years

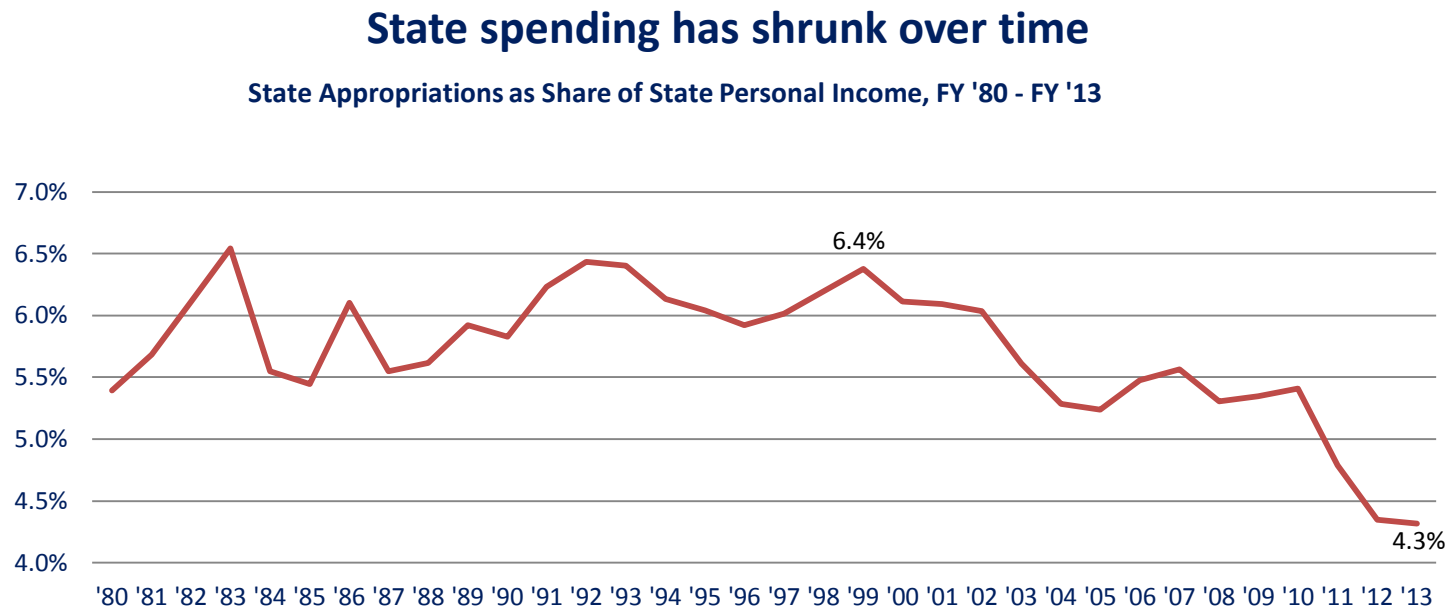


8. State budgets have been cut sharply
in recent years



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- State appropriated spending has fallen far below historical averages and is at its lowest level in at least 30 years



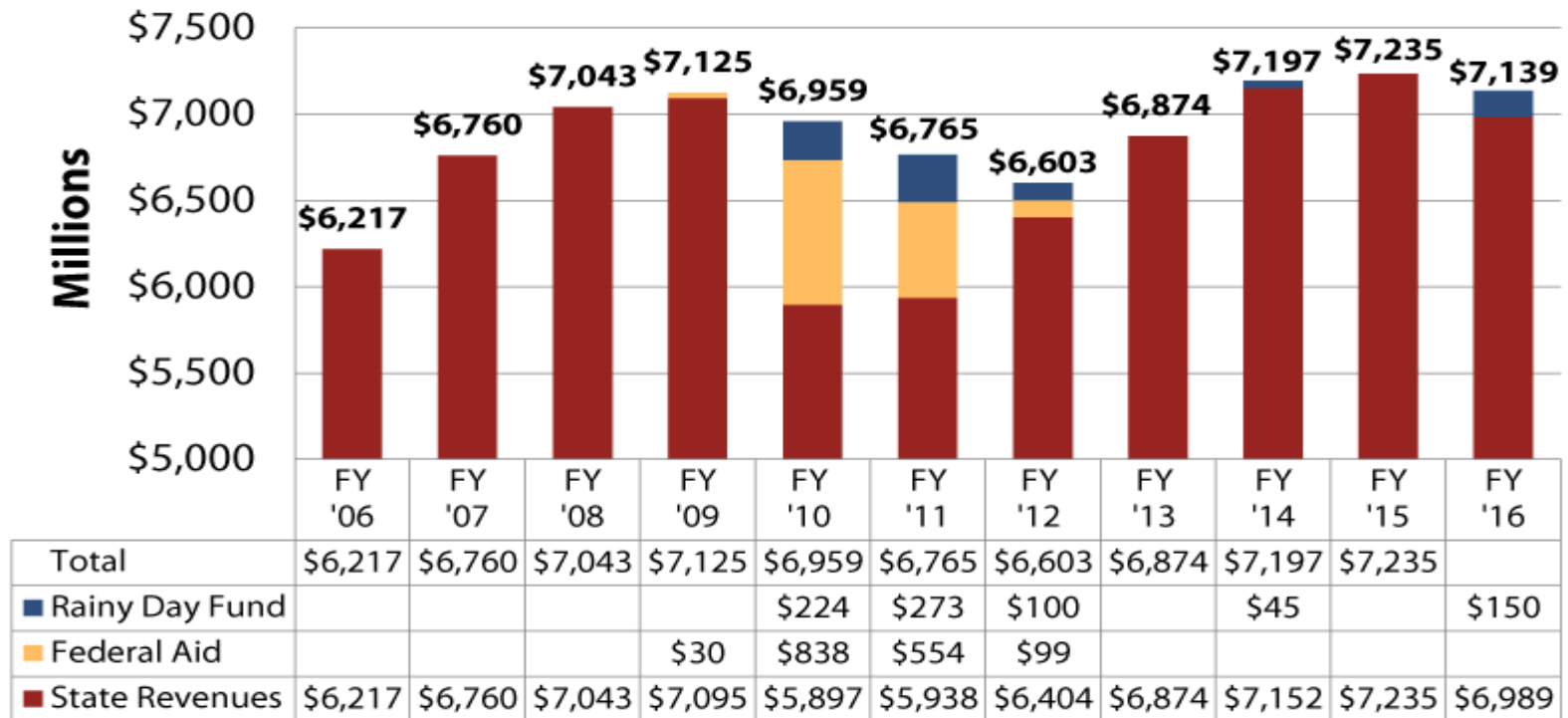
Source: OK Policy analysis of Bureau of Economic Analysis state personal income data and annual state appropriations, various sources

8. State budgets have been cut sharply in recent years

- This year's budget is just 0.2 percent more than seven years ago – without adjusting for inflation

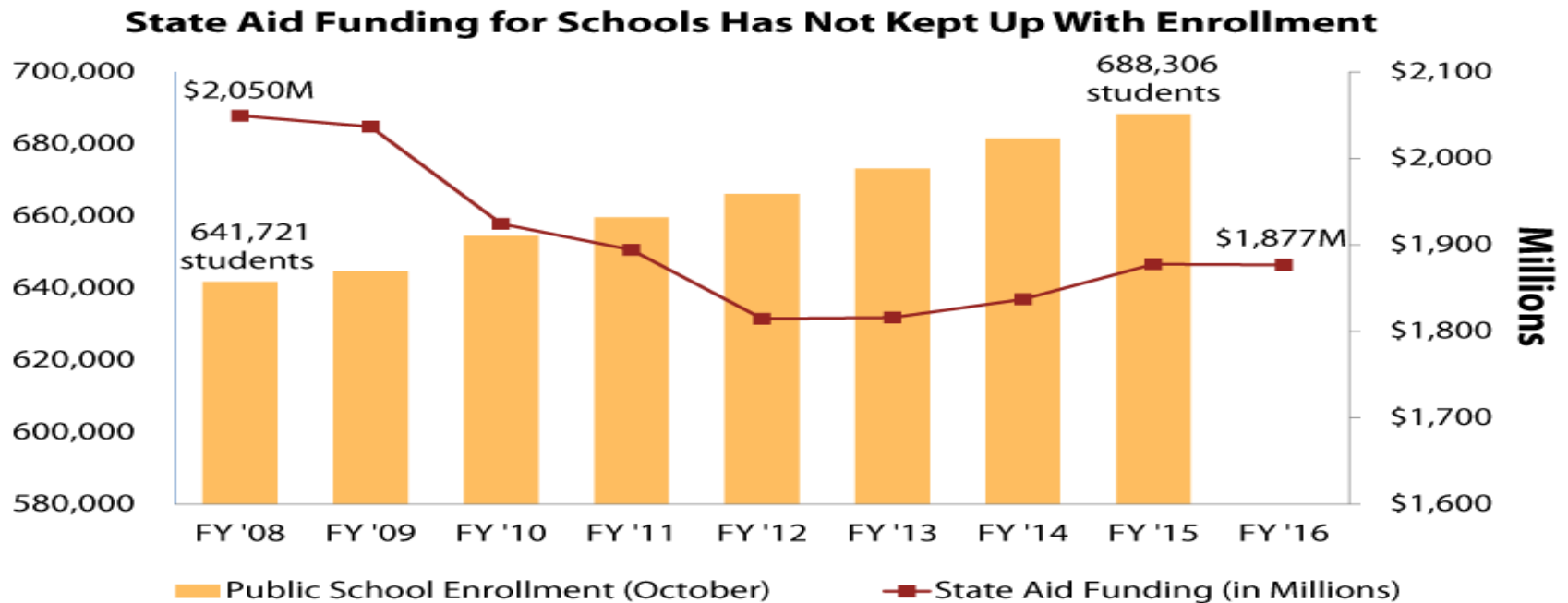
Oklahoma State Appropriations, FY 2006 to FY 2016

(in \$ millions; includes supplementals, Rainy Day spillover funds)



8. State budgets have been cut sharply in recent years

- Funding for common education remains **down by over \$170 million** while enrollment has increased by over 45,000 students

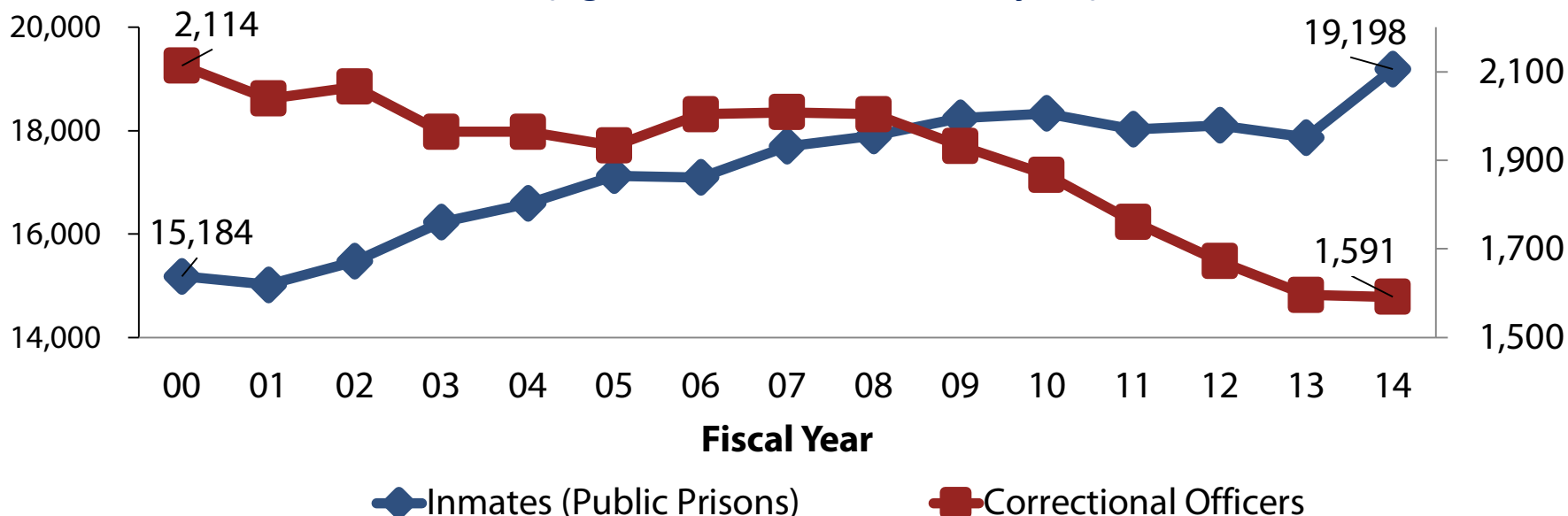


Note: State Funding excludes money allocated for textbooks

8. State budgets have been cut sharply in recent years

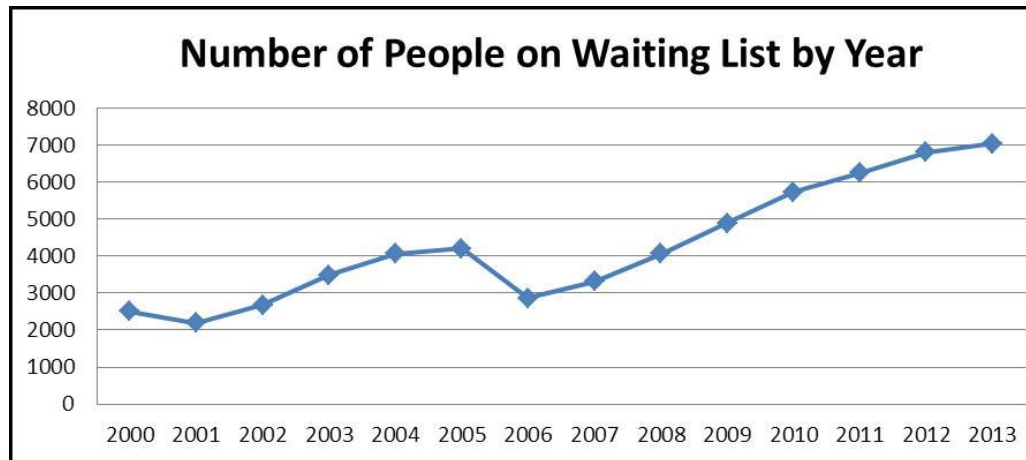
- Since 2008, the number of inmates per correctional officer has jumped from 7.2 to 12.1
- Oklahoma has the lowest staffing ratio in the nation

Number of Prisoners and Correctional Officers in Public Prisons, FY 2000-2014
(figures as of 6/30 of each year)



8. State budgets have been cut sharply in recent years

- Thousands of Oklahomans with developmental disabilities waiting to receive home- and community-based waiver services



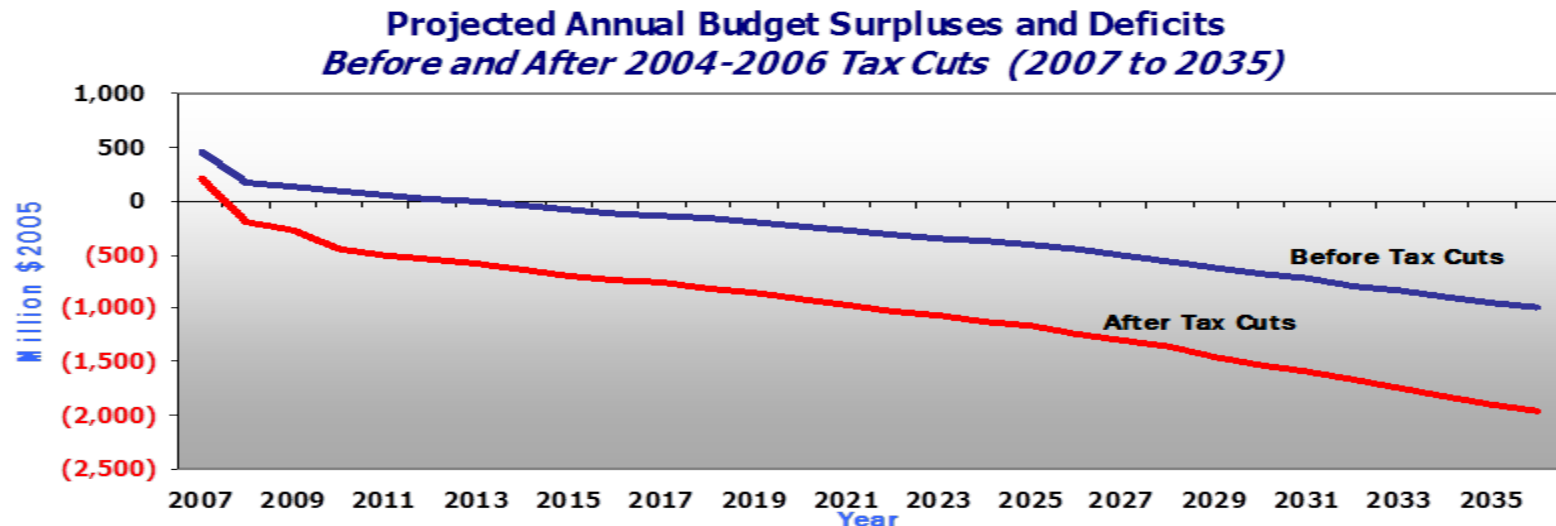
Graph via www.okwaitinglist.org

9. Oklahoma faces serious long-term budget challenges



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- Structural deficit: A situation that occurs when a state's “normal growth of revenues is insufficient to finance the normal growth of expenditures year after year”



Source: Projections conducted in 2007 by Dr. Kent Olson, Professor of Economics, Oklahoma State University

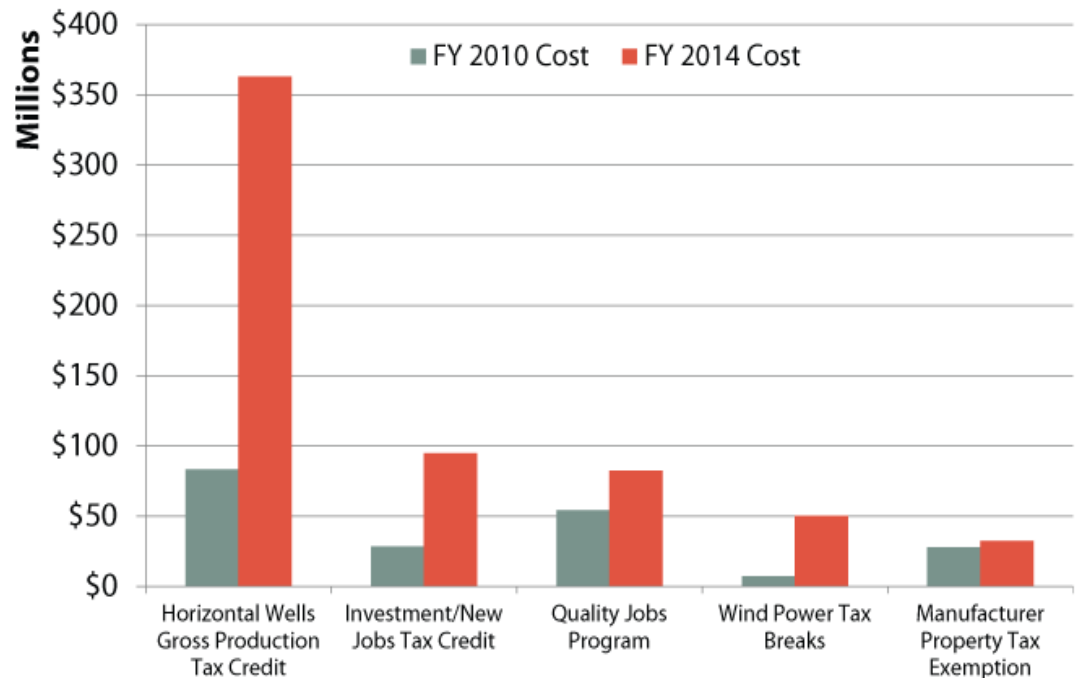
9. Oklahoma state faces serious long-term budget challenges

- Contributors to the structural deficit:
 - Outdated tax system
 - Expansion of tax breaks
 - Rising health care costs
 - Unfunded pension liabilities
 - Mass incarceration
 - Fiscally irresponsible tax policies

9. Oklahoma state faces serious long-term budget challenges

- Growing cost of tax incentives for horizontal drilling and other tax breaks are a major cause of stagnant revenues

The Cost of Oklahoma's Major Tax Breaks for Big Business Has Skyrocketed



Data Source: Oklahoma Watch

www.togetherok.org



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10. Oklahoma needs sensible tax and budget reform



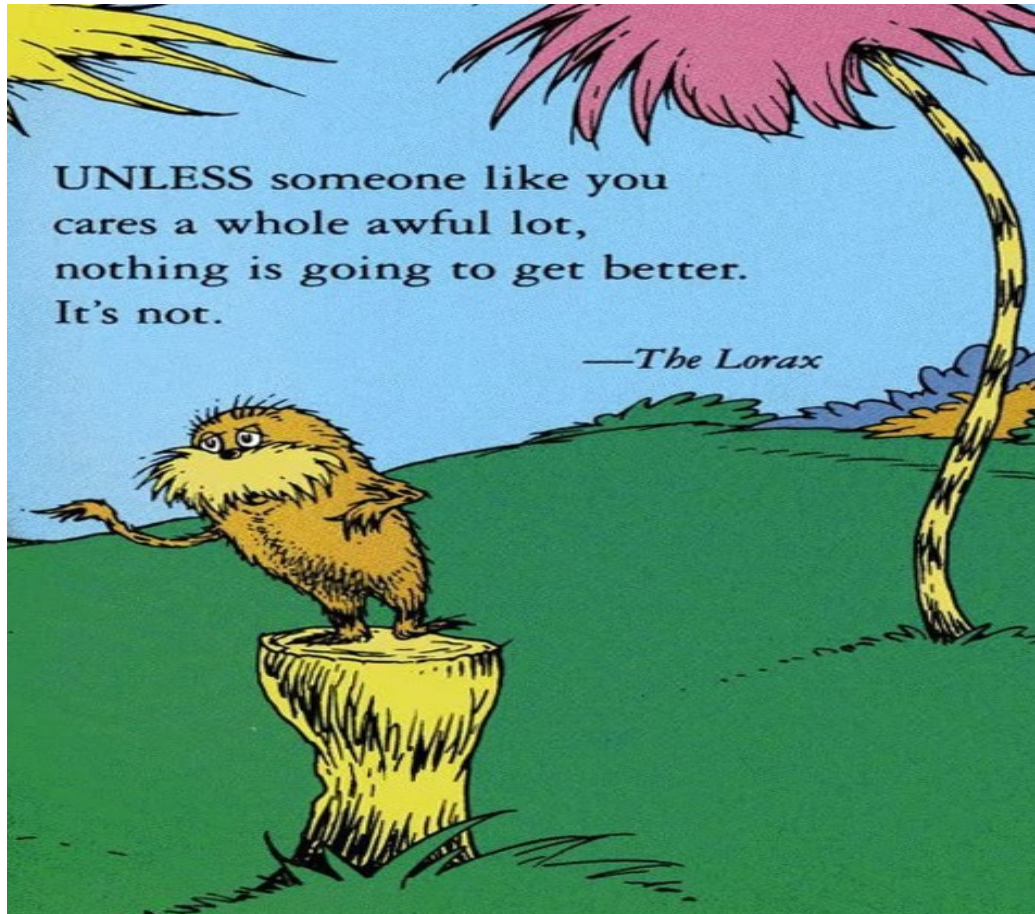
10. Oklahoma needs sensible tax and budget reform

We must create a budget that allows us to meet our obligations and ensure our prosperity

- Avoid further income tax cuts;
- Curb unnecessary tax breaks;
- Modernize the sales tax;
- Target any tax relief towards those in greatest need.
- Improve our revenue forecasting and develop a current services budget

For more proposals, see Action Items for Oklahoma: Tax Reform
<http://okpolicy.org/action-items-for-oklahoma-tax-reform>

11. You have the power to make change happen



Get engaged with the
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coalition
<http://togetherok.org>

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