

AN OKLAHOMA AGENDA FOR BROAD-BASED PROSPERITY

OKLAHOMA NEEDS A BETTER BUDGET

The decisions that Oklahoma makes today about our state taxes and budget have a deep and enduring impact on our economic future. An enormous amount of research shows that public investments in education, public health and safety, and other core services are major drivers of productivity growth and improved living standards.

However, policy choices by Oklahoma lawmakers have failed to protect our most important public investments. We must change course or risk severe damage to our economic legacy for future generations. The following key facts and policy proposals outline a better agenda for Oklahoma — one that would put our finances on a sustainable course in a way that is fair and responsible to the needs of regular families.

Key Budget & Tax Facts

- ➔ ***Years of large tax cuts and growing tax breaks have left Oklahoma unable to maintain key services.*** Oklahoma has cut taxes by nearly \$1.5 billion annually since the mid-2000s. The overall share of Oklahomans' incomes going to state taxes is near a 30-year low. At the same time, Oklahoma has cut spending across all areas of public services. The total state appropriated budget for Fiscal Year 2017 is 15.2 percent less than it was in 2009, adjusted for inflation. Most state agencies have now been cut by 20 percent or more since before the Great Recession.
- ➔ ***Tax cuts have done little for average Oklahoma families.*** Two-thirds of the total tax cuts went to reducing the top income tax rate from 6.65 to 5.0 percent. These cuts provided minimal or no benefit to middle- and lower-income Oklahomans. These families who didn't get much benefit from income tax cuts are paying the biggest share of their incomes in state and local taxes, primarily due to high sales tax rates.
- ➔ ***Education funding has been hit hard.*** Public schools are receiving \$175 million less in state aid funding than in 2008, even as enrollment has grown by over 50,000 students. Oklahoma's per pupil cuts in state aid funding are the largest in the nation. Our teacher pay is now third-lowest in the nation, and school districts struggle to recruit and retain qualified teachers (when they aren't laying off teachers due to budget cuts).
- ➔ ***Oklahoma continues to underfund care for our most vulnerable citizens.*** We have the second highest rate of untreated mental illness in the nation, yet this year the Department of Mental Health was forced to cut services for over 70,000 adults and children with mental illness and reduce payments to treatment providers by up to 30 percent. Oklahomans with developmental disabilities, low-income seniors, and parents in need of child care assistance have all lost services due to budget cuts.

Oklahoma can do so much better! Turn the page for policy solutions.

POLICY SOLUTIONS: A BETTER BUDGET

- ➔ **Cancel the next income tax cut.** When you're in a hole, stop digging! Under a law passed in 2014, yet another tax cut could be automatically triggered in 2018 if officials project even slight revenue growth next year. After the steep funding cuts of previous years, Oklahoma needs more time for the budget to recover before considering any further tax cuts.
- ➔ **Restore the top tax rate for very high incomes.** Oklahoma has cut the income tax by over \$1 billion since 2004, with a large majority of the benefit going to the highest-income households. Oklahoma could restore a top rate of 6 percent on income over \$200,000 (\$100,000 for single individuals) and 7 percent on income over \$400,000 (\$200,000 for individuals). This would still leave everyone with a lower effective tax rate than 15 years ago, while making the overall tax system fairer and generating crucial new revenue.
- ➔ **Strengthen broad-based tax credits.** Last session, lawmakers cut the state Earned Income Tax Credit by close to \$30 million, taking an important tax benefit away from many low-income working families who have received little or nothing from recent tax cuts. To help support working families, the state should either restore the Earned Income Tax Credit or boost the Sales Tax Relief Credit, which helps offset the sales tax paid on groceries and other household items.
- ➔ **End unnecessary corporate welfare.** The state loses hundreds of millions of dollars each year in tax breaks to various industries that may not be contributing to more jobs and investment. Lawmakers should restore gross production taxes to the long-established rate of 7 percent, accelerate the end of subsidies for wind production, and end the tax exemption for the sale of Oklahoma-held capital gains.
- ➔ **Prevent corporate tax shelters with combined reporting.** Some multi-state corporations shift their Oklahoma income to out-of-state subsidiaries to avoid state taxes. Most states have adopted combined corporate reporting, which effectively halts this tax avoidance strategy and ensures that multi-state corporations pay their fair share of taxes, just like local businesses.
- ➔ **Repeal State Question 640.** Under the changes to Oklahoma's Constitution made by SQ 640, lawmakers can cut taxes with a simple majority but need a 3/4ths supermajority for any tax increase. The supermajority requirement prevents lawmakers from responding flexibly and appropriately to the needs of Oklahomans, even in the time of a crisis. Oklahoma should develop a ballot initiative to repeal SQ 640 or craft a less restrictive alternative.
- ➔ **Bring transparency to the budget process.** In recent years, the state budget bill has been negotiated in secret until the final days of session and then brought up for a final vote within days or hours of being introduced. This leaves far too little time for legislators and the public to scrutinize and debate the budget. Oklahoma should require a minimum of one week between when the budget bill is introduced and when it can come up for a vote.

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AN OKLAHOMA AGENDA FOR BROAD-BASED PROSPERITY

OKLAHOMANS NEED BETTER JOBS & OPPORTUNITIES

Even in times when the overall economy grows, many Oklahomans are left out of economic opportunity. Oklahoma's relatively low unemployment rate has not changed our state's high poverty rate. Oklahoma's growing economy is accompanied by record-high food insecurity. Families are living in an economy marked by growing inequality and lack of upward mobility, even before a weakening oil and gas industry made the situation worse.

At the same time, many of our policy choices have increased the struggle for regular families. But we can make better policy choices to turn Oklahoma around. The following key facts and policy proposals outline a better agenda for Oklahoma that would help to restore America's basic bargain — that if you work hard, you have a chance to get ahead.

Key Jobs & Opportunities Facts

- ➔ ***A large percentage of Oklahoma families are living in poverty.*** One in six Oklahomans (16.6 percent) — and nearly one in four Oklahoma children (22.4 percent) — live in poverty. Poverty rates are especially high for people of color in Oklahoma, with 29.9 percent of African-Americans, 27.2 percent of Hispanics and Latinos, and 21.4 percent of Native Americans living in poverty. More than one in four Oklahoma children do not have reliable access to nutritious food.
- ➔ ***A large share of the jobs in Oklahoma do not pay a living wage or accommodate the needs of families.*** The median wage in Oklahoma trails the national median wage by more than 10 percent. Three of every ten jobs in Oklahoma pay are in occupations where the median pay is below the poverty threshold for a family of four (\$23,624). Nearly four of every ten families in Oklahoma are low-income, making less than 200 percent of the poverty threshold. Safe, affordable child care is out of reach for many Oklahoma working families, and workers have few protections if they need a workplace that accommodates family obligations.
- ➔ ***Wealth gaps and predatory lending are perpetuating poverty.*** Half of all Oklahoma households do not have the savings to subsist at the poverty level for three months if an emergency takes away their income. One in five Oklahoma households use alternative and often costly financial services for basic transaction and credit needs.
- ➔ ***High incarceration rates and barriers to Oklahomans with felonies in their past trap many in poverty.*** Oklahoma locks up more of our citizens and charges more offenses as felonies than most other states. The estimated 1 in 12 Oklahomans who have a felony conviction in their past face daunting barriers to rebuild their lives after completing prison and probation. Job restrictions, excessive fines and fees, and restrictions on basic aid leave many trapped in a cycle of incarceration and poverty.

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POLICY SOLUTIONS: BETTER JOBS & OPPORTUNITIES

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- ➔ **Bring health care to the working poor by accepting federal funds.** Expanding the state's Medicaid program or Insure Oklahoma would extend insurance coverage to roughly 150,000 people – approximately 1 in 4 of the state's uninsured. The successful track record of expansions in states similar to Oklahoma shows that we are making the wrong choice in rejecting health coverage.
- ➔ **Give parents the freedom to work by expanding child care subsidies and passing family-friendly worker protections.** Lawmakers should expand access to child care subsidies, which are currently available only to families making very low incomes. Oklahoma should also increase workplace protections for pregnant workers who may be pushed out of their jobs, for working parents who may be required to work odd hours at short notice and not be allowed paid leave to care for a sick child or elder, and for women who are frequently paid less for doing the same job as men.
- ➔ **Provide reasonable protections against predatory high-interest loans.** Aggressive marketing by predatory lenders convince many families that high-interest loans are their best option, but in fact these loans strip wealth from families and throw them into a cycle of debt that can be impossible to break. Oklahoma can follow the lead of numerous states that have put much stricter rate caps and other regulations on payday loans. Oklahoma should support alternative strategies for families to cover expenses without getting caught in a debt trap.
- ➔ **Increase the state minimum wage so that all Oklahomans holding a job will not live in poverty.** The minimum wage has been stuck at \$7.25 per hour for seven years, and has eroded in value for even longer, falling by 30 percent in real (inflation-adjusted) terms since 1979. That's left a growing number of working families unable to afford their basic needs. Most Oklahomans working minimum wage jobs full-time are supporting or helping to support an entire household on their wages.
- ➔ **Stop debtors' prisons, economically ruinous fees and fines, and job restrictions that keep low-income Oklahomans trapped in the justice system.** Oklahomans involved in the justice system are charged dozens of fines and fees totaling thousands of dollars and often end up in jail for nonpayment. Oklahoma needs to reduce courts' reliance on fines and fees for their basic funding, as well as expand options and improve the enforcement of existing options to defer or waive court costs for those who can't afford to pay. Oklahoma should also eliminate unnecessary job licensing restrictions that prevent many Oklahomans with felonies in their past from building a career, no matter how long ago was their felony or what they've done to rehabilitate since then.

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