

Oklahoma's State Budget: Choices and Opportunities

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Today's agenda:

- Why do taxes matter?
- Oklahoma's budget picture and what could happen in the future
- Current legislative proposals
- Making fiscally responsible choices this legislative session
- How can you weigh in?



Taxes ensure society can function.



But we haven't always spent our tax dollars wisely.

15.5% of Oklahomans live in poverty

Of every 1000 births, 7 infants pass away within their first year of life

19.2% of Oklahoma children are food insecure

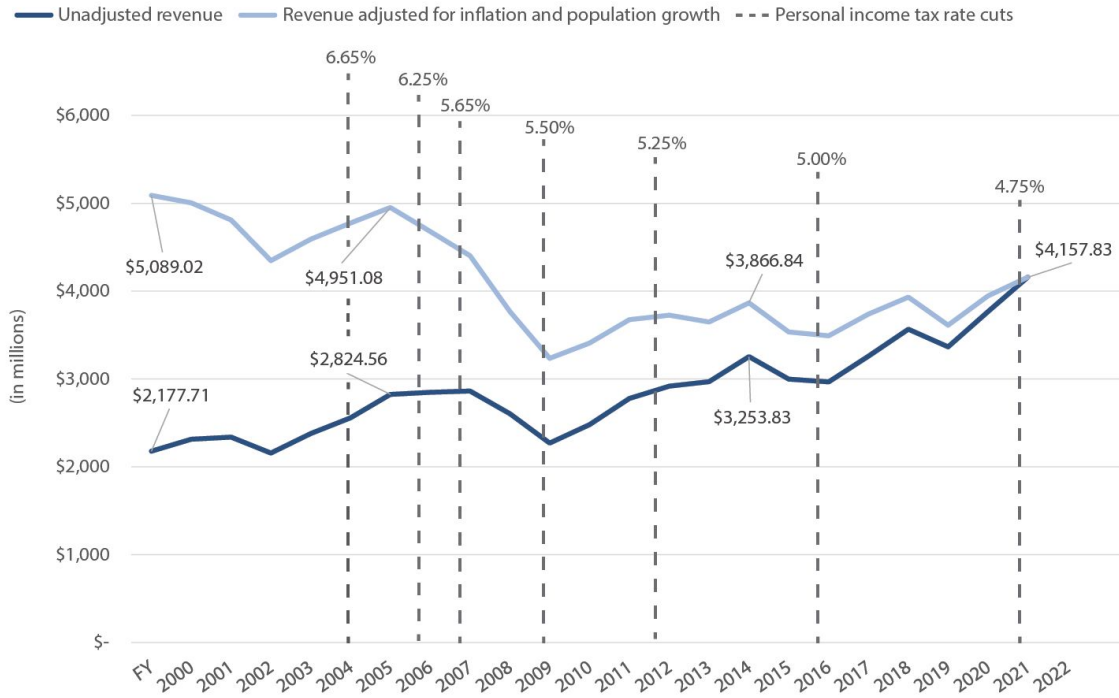
13.8% of Oklahomans are uninsured

63% of young adults are not enrolled in or graduated from college

66% of 3rd graders don't meet reading proficiency standards



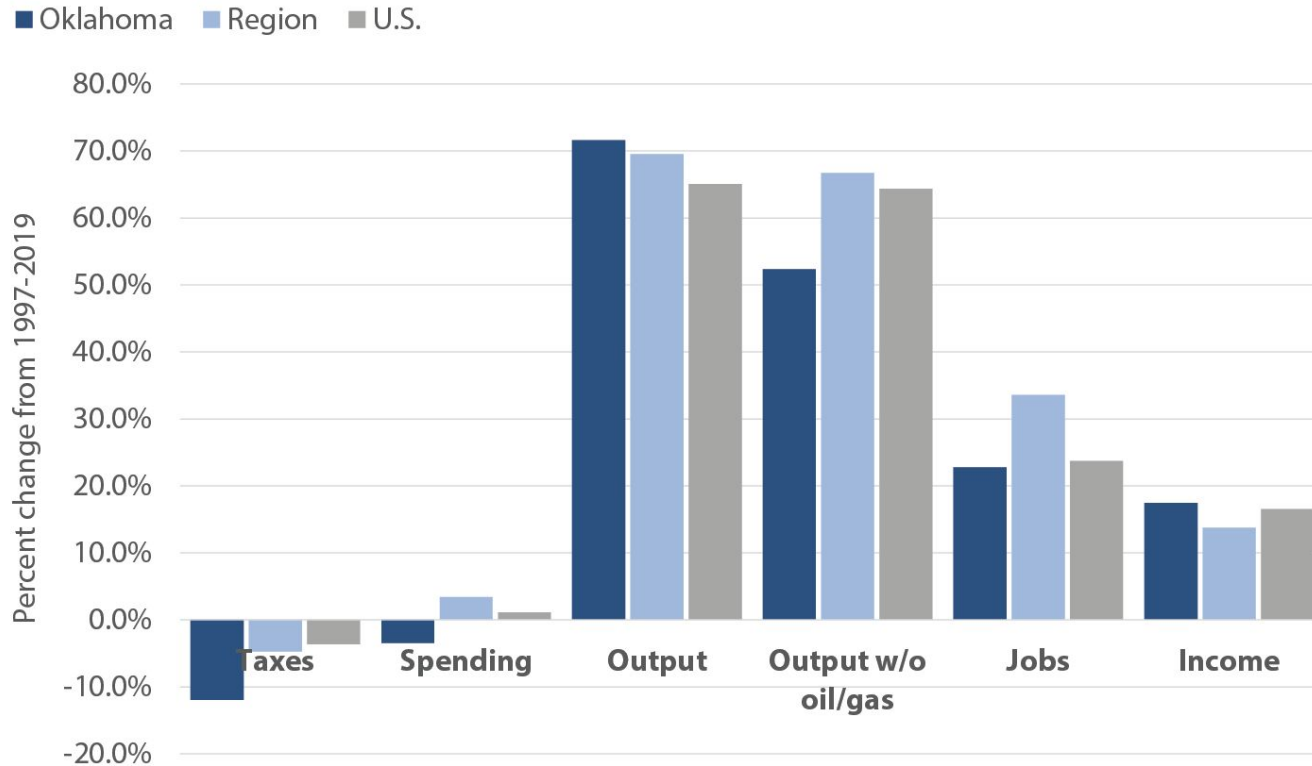
Instead of thoughtful spending, we've historically cut income taxes.



Source: OK Policy calculations of data from Oklahoma Tax Commission, US Department of Labor, US Census Bureau, and state statute.



These choices haven't paid off...



Source: OK Policy calculations from US Bureau of the Census, Bureau of Labor Statistics, and Bureau of Economic Analysis.



...and likely won't pay off in the future.

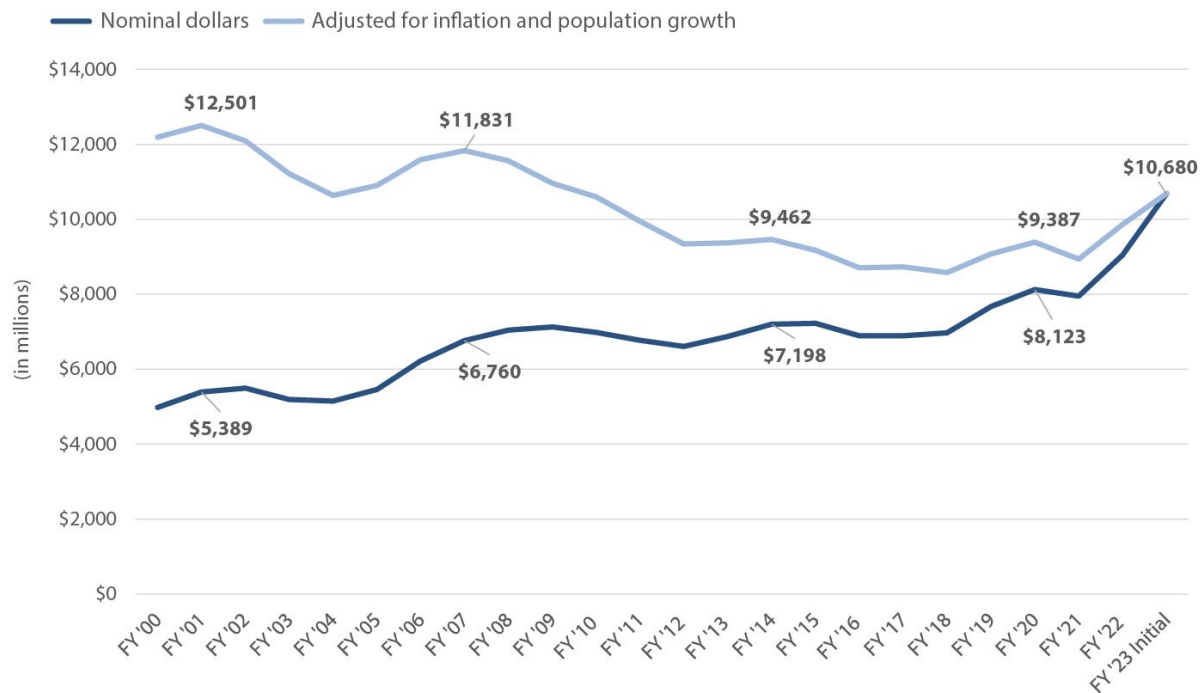
- Business leaders continue to maintain that workforce and infrastructure are the biggest obstacles to economic growth
- Oklahoma has already missed several massive economic development proposals in recent years
- Future economic growth depends on:
 - an adequately-prepared workforce
 - healthy residents
 - high-quality infrastructure



FY '24 Budget Outlook



The state budget has increased in recent years, after decades of decline.

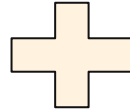


Source: OK Policy calculations from state appropriations bills, US Department of Labor, US Census Bureau, and state Board of Equalization packets. Note: in millions of 2021 dollars, adjusted for inflation and population growth. Except where noted, all years are final, including mid-year cuts and supplements.



Despite tax cuts, pandemic-related spending has led to a rosy budget picture.

FY 2024: lawmakers will have \$10.8 billion to spend



\$1.6 billion+ in one-time funding (federal \$, cash, etc)



Economic uncertainty calls for fiscal conservatism.

Artificially high revenues due to:

a healing economy

major federal relief efforts

a spike in oil prices that has already receded

Sources of future uncertainty:

lower levels of federal funding

uncertainty around federal tax changes

slowing economic growth

potential economic downturn or recession



Current Legislative Proposals



Legislature's priorities: "fiscal conservatism" and "inflation relief"

Fiscal conservatism:

prudent spending and allocation

adequate preparation for future Oklahomans

smart spending now to avoid higher costs and hardship in the future

Inflation relief:

targeted assistance to those who have been hardest hit

thoughtful relief to avoid exacerbating the issue



Current proposals do not meet these standards.

A 0.25% across-the-board cut to the personal income tax would provide little benefit to most Oklahomans.



Half a tank of gas for the **poorest 20%** of Oklahomans

AVERAGE TAX CUT:
\$15



A new office chair from Target for the **middle 20%**

AVERAGE TAX CUT:
\$93



A round-trip flight to Greece for the **wealthiest 1%**

AVERAGE TAX CUT:
\$2,381

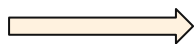
Cost: \$235M – \$293M



Current proposals do not meet these standards.

Proposal:

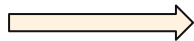
Reliance on future economic triggers to cut taxes



Impacts:

Creates enormous revenue uncertainty
History of harmful cuts as a result
Largest benefit to wealthiest residents

Creating a flat tax structure



Largest benefit to wealthiest residents
Low- and middle-income pay a higher share of income in taxes
\$426M revenue loss



Current proposals do not meet these standards.

Proposal:

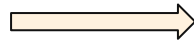
Hoarding more savings in the "Legacy Fund"



Impacts:

No future payoff
\$3B in savings already
Missed investment opportunities

Changing the way corporations pay taxes



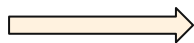
Unclear revenue impact
No impact to most Oklahomans



Current proposals do not meet these standards.

Proposal:

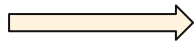
Eliminating sales tax on groceries



Impacts:

\$350M ongoing revenue loss
Broad tax cut, not just those who need it
Excludes lowest-income from the benefit

School vouchers and voucher tax credits



Greatest benefit for those with above average incomes
Unclear, but likely very large, revenue loss

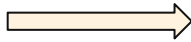


Opportunities for fiscally conservative relief



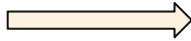
Other collaborative ideas would meaningfully impact many Oklahomans.

Expand the Sales Tax Relief Credit



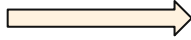
Tax cut for 576,000 low- and middle-income Oklahomans

Fully fund mental health treatment through SQ 781



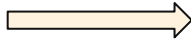
Crime prevention, more capable workforce, better public safety

Expand access to housing for low income families



Reduce evictions and homelessness, support growing workforce

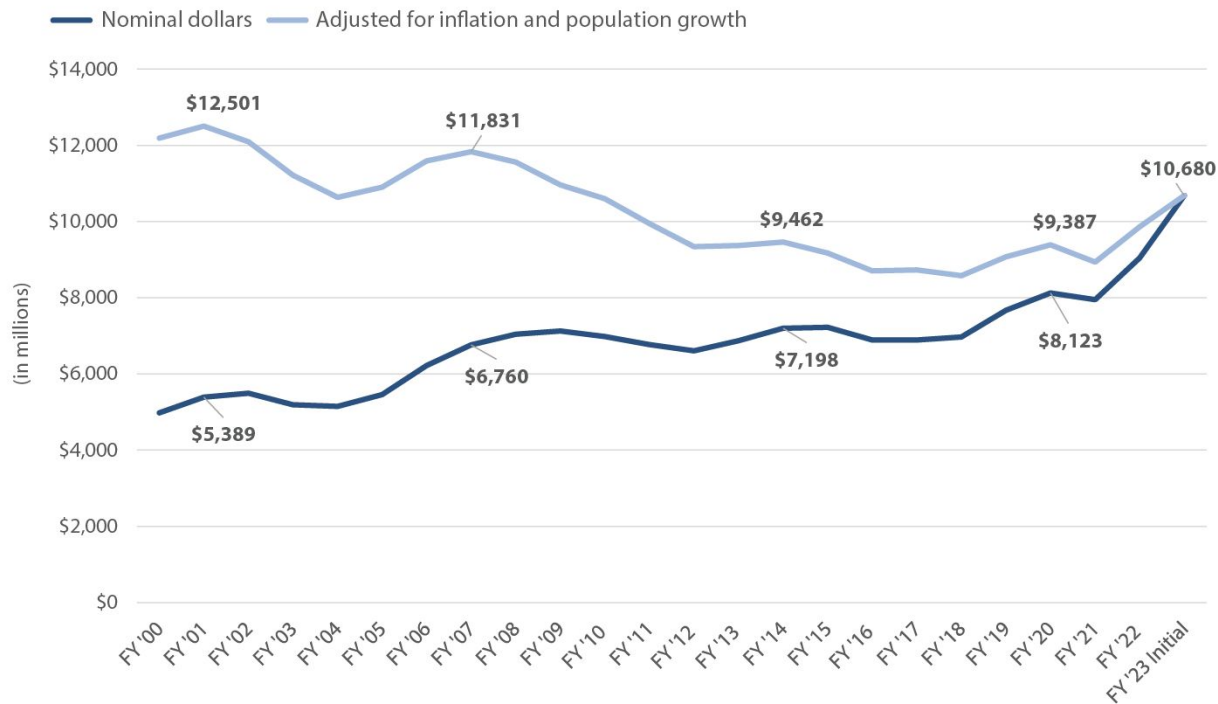
Invest in students and teachers



Prioritize tomorrow's workforce



Increasing agency budgets would strengthen public services.



Source: OK Policy calculations from state appropriations bills, US Department of Labor, US Census Bureau, and state Board of Equalization packets. Note: in millions of 2021 dollars, adjusted for inflation and population growth. Except where noted, all years are final, including mid-year cuts and supplements.



Budget decisions require careful consideration.

Cost:	Option to cut taxes:	Option to invest in Oklahomans:
\$370.3M	Eliminate the state sales tax on groceries	Increase the Sales Tax Relief Credit to \$200 per person, and invest \$250M in other projects
\$426M	4.25% flat personal income tax rate (starting at \$9,750 for single filers)	Hire 17,000 new teachers
\$464.8M	0.50% reduction to personal income tax	Give every teacher a \$11,000 raise

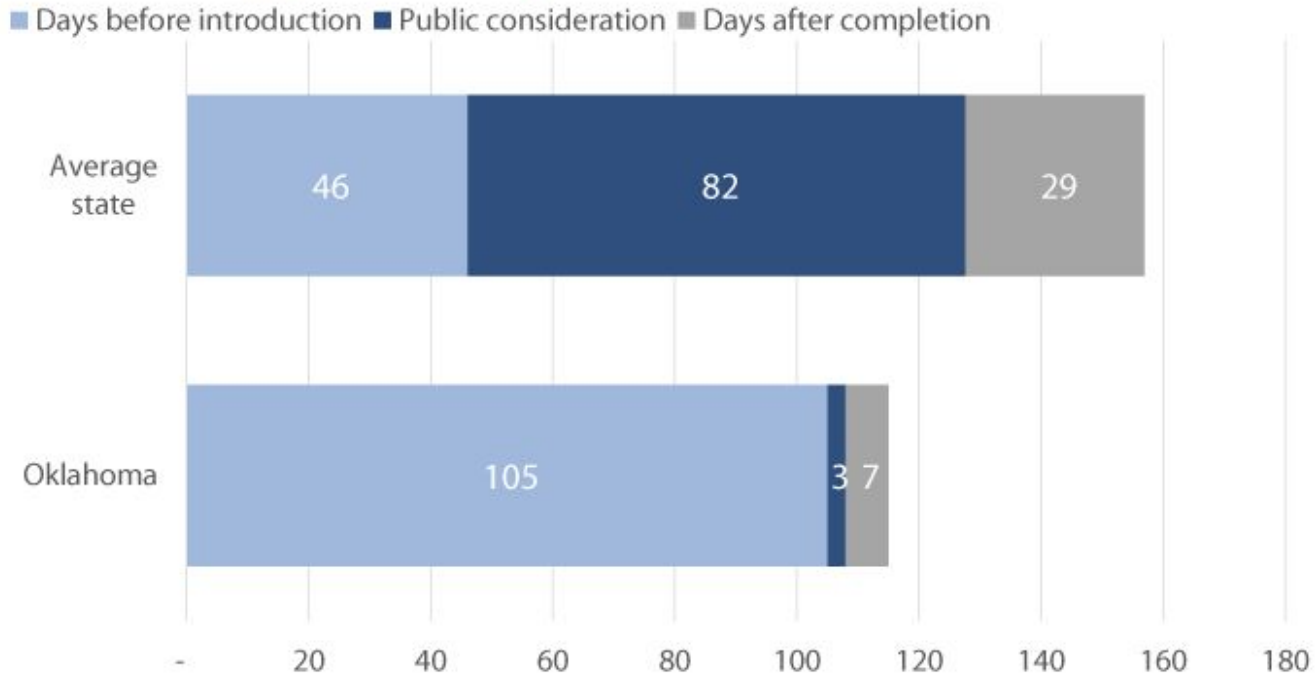


How can you get involved in budget decisions?



Compared to other states, Oklahoma's budget process is opaque...

2021 State Budget Actions

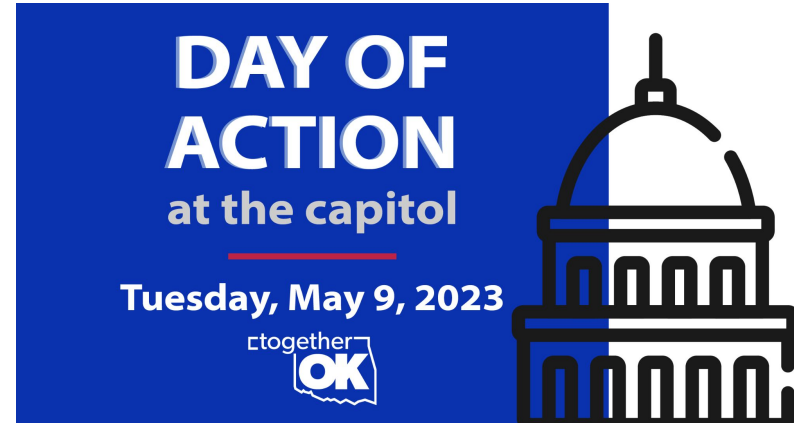


Source: OK Policy analysis of state budgets.



but you can still get involved.

- Contact your lawmakers to share your viewpoints
- Get involved with OK Policy's Together Oklahoma chapters
 - Track legislation
 - Join our Day at the Capitol
- Attend OK Policy's Summer Policy Institute
- Understand and talk about taxes and what they provide for society



Questions?

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