

Steven Harpe
Director



OKLAHOMA
Office of Management
& Enterprise Services

April 20, 2020

State Board of Equalization
State Capitol Building
Oklahoma City, OK 73105

Members of the Board:

The Constitution of the State of Oklahoma, Article X, Section 23, as last amended November 2, 2010, provides in pertinent part:

7. Up to three-eighths (3/8) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated for the current fiscal year if the State Board of Equalization determines that a revenue failure has occurred with respect to the General Revenue Fund of the State Treasury. In no event shall the amount of monies appropriated from the Constitutional Reserve Fund pursuant to this paragraph be in excess of the amount of the projected revenue failure in the General Revenue Fund, which total amount shall be computed by the State Board of Equalization, for the entire fiscal year.

...the Legislature shall provide that all appropriations shall be reduced to bring them within revenues actually collected, but all such reductions shall apply to each department, institution, board, commission or special appropriation made by the State Legislature in the ratio that its total appropriation for that fiscal year bears to the total of all appropriations from that fund for that fiscal year...

Statutory provisions of O.S. 62, § 34.49 further provides, in pertinent part:

F. In the event of a failure of revenue, the Director of the Office of Management and Enterprise Services shall control the allotment to prevent obligations being incurred in excess of the revenue to be collected. However, within each state fund where a revenue failure occurs, the Director of the Office of Management and Enterprise Services shall make all reductions apply to each state agency or special appropriation made by the State Legislature, in the ratio that its total appropriation for that fiscal year bears to the total of all appropriations for that fiscal year, as provided in Section 23 of Article X of the Oklahoma Constitution.

The Director of the Office of Management and Enterprise Services has complied with these provisions, and the following report has been prepared in accordance with the procedures set forth above and any additional statutory responsibilities required of the Board. It is respectfully submitted for your consideration.

Respectfully,

Steven Harpe

Steven Harpe
Director
Office of Management and Enterprise Services

FISCAL YEAR 2020

- **REVENUE SHORTFALL OF \$459,226,122**
\$416,883,273 OF GENERAL REVENUE
\$ 42,342,849 TO 1017 COMMON EDUCATION FUND
- **\$201,559,654 from CONSTITUTIONAL RESERVE FUND (SB1053)**
- **50% of REVENUE STABILIZATION FUND**
Available for allocations except for Digital Transformation Revolving Fund (SB617)



ESTIMATES OF FY-2020 MAJOR SOURCE CHANGES

GENERAL REVENUE FUND

Schedule 1

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>	<i>Column 4</i>	<i>Column 5</i>
	APPORTIONMENT FY-2020 RE-ESTIMATE 18-Feb-20	APPORTIONMENT FY-2020 RE-ESTIMATE 20-Apr-20	100% APPORTIONMENT DIFFERENCE 20-Apr-20	100% GRF CHANGE FROM FEB 20-Apr-20
OTC:				
Income Tax-Individual	\$3,470,883,000	\$3,470,883,000	\$0	\$0
Income Tax-Corporate	402,942,000	356,559,000	(46,383,000)	(35,946,825)
Sales Tax	2,570,103,000	2,553,807,000	(16,296,000)	(13,625,086)
Use Tax	407,753,000	400,972,000	(6,781,000)	(5,669,594)
Motor Vehicle Taxes	794,409,000	794,409,000	0	0
SUB-TOTAL - ECONOMIC CHANGE:	<u>\$7,646,090,000</u>	<u>\$7,576,630,000</u>	<u>(\$69,460,000)</u>	<u>(\$55,241,505)</u>
Gross Production Natural Gas Tax	213,448,000	207,966,000	(5,482,000)	(\$4,701,525)
Gross Production Oil Tax	632,014,000	586,587,000	(45,427,000)	(\$35,926,680)
TOTAL ECONOMIC CHANGE:	<u>\$8,491,552,000</u>	<u>\$8,371,183,000</u>	<u>(\$120,369,000)</u>	<u>(\$95,869,710)</u>
IRS Deadline Change - Individual Income Tax			(387,000,000)	(\$331,504,200)
IRS Deadline Change - Corporate Income Tax			<u>(25,000,000)</u>	<u>(\$19,375,000)</u>
TOTAL GRF CHANGE FROM FEBRUARY BOE:			<u>(532,369,000)</u>	<u>(446,748,910)</u>

ITEMIZED ESTIMATES OF REVENUE TO THE GENERAL REVENUE FUND

Schedule 2

The itemized estimates of revenues displayed in this schedule represent 100% estimates for the General Revenue Fund. For informational purposes, the FY-2020 updated projected revenues are compared to all previous itemized estimates and projections of revenues for the current fiscal year (FY-2020).

Column 1	Column 2	Column 3	Column 4	Column 5
FUND NAME	FY-2020 ESTIMATE 27-Jun-19	FY-2020 PROJECTED 20-Dec-19	FY-2020 PROJECTED 18-Feb-20	FY-2020 PROJECTED 20-Apr-20
GENERAL REVENUE				
Alcohol Beverage Tax	\$33,238,000	\$39,611,000	\$39,225,000	\$39,225,000
Mixed Beverage Receipts Tax	\$78,213,000	\$87,830,000	\$86,030,000	\$86,030,000
Beverage Tax	\$0	\$0	\$0	\$0
Cigarette Tax	\$44,064,213	\$49,128,185	\$48,982,139	\$48,982,139
Tobacco Products Tax	\$34,439,552	\$33,923,513	\$33,695,973	\$33,695,973
Franchise Tax/Bus Activity Tax	\$51,175,000	\$56,414,000	\$57,329,000	\$57,329,000
Gross Production Tax-Gas	\$412,191,000	\$222,626,000	\$177,238,000	\$172,536,475
Gross Production Tax-Oil	\$367,226,000	\$345,948,000	\$345,306,000	\$309,379,320
Income Tax-Individual	\$2,729,089,895 * ¹	\$2,657,619,576 * ¹	\$2,623,305,378 * ¹	\$2,291,801,178 * ¹
Income Tax-Corporate	\$195,972,700	\$233,486,575	\$312,280,050	\$256,958,225
Estate Tax	\$0	\$0	\$0	\$0
Insurance Premium Tax	\$111,660,152	\$113,498,495	\$113,498,495	\$113,498,495
Motor Vehicle Taxes	\$25,747,000 ¹	\$25,774,000 ¹	\$25,818,000 ¹	\$25,818,000 ¹
Sales Tax	\$2,215,559,022	\$2,208,641,760	\$2,148,863,118	\$2,135,238,033
Use Tax	\$350,807,912 ²	\$333,088,862 ²	\$323,782,233 ²	\$318,112,639 ²
Interest & Investments	\$115,000,000	\$105,000,000	\$105,000,000	\$105,000,000
Other (Schedule 8)	223,863,049 ¹	230,699,663 ¹	228,296,420 ¹	\$228,296,420 ¹
General Revenue Totals	\$6,988,246,495	\$6,743,289,629	\$6,668,649,807	\$6,221,900,897
Transfers & Lapses	1,000,000	1,000,000	1,000,000	1,000,000
Revenue Comparison	\$6,989,246,495	\$6,744,289,629	\$6,669,649,807	\$6,222,900,897
One-Time Receipts	0	0	0	0
Total General Revenue	\$6,989,246,495	\$6,744,289,629	\$6,669,649,807	\$6,222,900,897

*The amount of money allocated from income tax revenue for FY2020 was \$77.3M, which has been removed from the respective individual income tax numbers.

¹Pursuant to House Bill 1014XX passed during the Second Special Session in 2017, amending Title 69, Section 1521 of the Oklahoma Highway Code, effective July 1, 2019, Motor Fuels Taxes enacted by HB1010XX and most Motor Vehicle Taxes previously distributed to the GRF are to be directed to the ROADS Fund and an equal amount of personal income tax currently diverted to the ROADS Fund will be redirected to the GRF. The ROADS Fund contributions from Motor Vehicle revenue, diesel fuel taxes, and gasoline fuel taxes for FY 2020 are projected to be \$194.1M, \$54.2M, and \$59.2M, respectively. This schedule reflects the decreased FY 2020 Motor Vehicle revenue contribution to GRF and the offsetting increase in the personal income tax contribution to the GRF.

²Pursuant to HB1019XX passed during the Second Special Session in 2017, amending Title 68, Section 1403, the first \$20.5M in Use Taxes will be apportioned to the Education Reform Revolving Fund (1017). This amount has been removed from GRF Use Tax numbers.

COMPARISON OF REVENUE ESTIMATES
FY-2020 OFFICIAL JUNE ESTIMATE vs. FY-2020 FEBRUARY PROJECTION
Schedule 3

Column 1	Column 2	Column 3	Column 4	Column 5
	FY-2020 ESTIMATE 27-Jun-19	FY-2020 PROJECTED 18-Feb-20	INCREASE OR (DECREASE)	PERCENT CHANGE
GENERAL REVENUE FUND				
Alcohol Beverage Tax	\$33,238,000	\$39,225,000	\$5,987,000	18.0%
Mixed Beverage Receipts Tax	78,213,000	86,030,000	7,817,000	10.0%
Beverage Tax	0	0	0	0.0%
Cigarette Tax	44,064,213	48,982,139	4,917,927	11.2%
Tobacco Products Tax	34,439,552	33,695,973	(743,579)	-2.2%
Franchise Tax/Bus Activity Tax	51,175,000	57,329,000	6,154,000	12.0%
Gross Production Tax-Gas	412,191,000	177,238,000	(234,953,000)	-57.0%
Gross Production Tax-Oil	367,226,000	345,306,000	(21,920,000)	-6.0%
Income Tax-Individual	2,729,089,895	2,623,305,378	(105,784,517)	-3.9%
Income Tax-Corporate	195,972,700	312,280,050	116,307,350	59.3%
Estate Tax	0	0	0	0.0%
Insurance Premium Tax	111,660,152	113,498,495	1,838,343	1.6%
Motor Vehicle Taxes	25,747,000	25,818,000	71,000	0.3%
Sales Tax	2,215,559,022	2,148,863,118	(66,695,904)	-3.0%
Use Tax	350,807,912	323,782,233	(27,025,678)	-7.7%
Interest & Investments	115,000,000	105,000,000	(10,000,000)	-8.7%
Other (Schedule 7)	223,863,049	228,296,420	4,433,370	2.0%
General Revenue Totals	\$6,988,246,495	\$6,668,649,807	(\$319,596,688)	-4.6%
Transfers & Lapses	1,000,000	1,000,000	0	0.0%
Revenue Comparison	\$6,989,246,495	\$6,669,649,807	(\$319,596,688)	-4.6%
One-Time Receipts	0	0	0	0.0%
Total General Revenue	\$6,989,246,495	\$6,669,649,807	(\$319,596,688)	-4.6%

All notes from Schedule 2 apply.

COMPARISON OF REVENUE ESTIMATES
FY-2020 FEBRUARY PROJECTION vs. FY-2020 APRIL PROJECTION
Schedule 4

Column 1	Column 2	Column 3	Column 4	Column 5
	FY-2020 PROJECTED 18-Feb-20	FY-2020 PROJECTED 20-Apr-20	INCREASE OR (DECREASE)	PERCENT CHANGE
GENERAL REVENUE FUND				
Alcohol Beverage Tax	\$39,225,000	\$39,225,000	\$0	0.0%
Mixed Beverage Receipts Tax	86,030,000	86,030,000	0	0.0%
Beverage Tax	0	0	0	0.0%
Cigarette Tax	48,982,139	48,982,139	0	0.0%
Tobacco Products Tax	33,695,973	33,695,973	0	0.0%
Franchise Tax/Bus Activity Tax	57,329,000	57,329,000	0	0.0%
Gross Production Tax-Gas	177,238,000	172,536,475	(4,701,525)	-2.7%
Gross Production Tax-Oil	345,306,000	309,379,320	(35,926,680)	-10.4%
Income Tax-Individual	2,623,305,378	2,291,801,178	(331,504,200)	-12.6%
Income Tax-Corporate	312,280,050	256,958,225	(55,321,825)	-17.7%
Estate Tax	0	0	0	0.0%
Insurance Premium Tax	113,498,495	113,498,495	0	0.0%
Motor Vehicle Taxes	25,818,000	25,818,000	0	0.0%
Sales Tax	2,148,863,118	2,135,238,033	(13,625,086)	-0.6%
Use Tax	323,782,233	318,112,639	(5,669,594)	-1.8%
Interest & Investments	105,000,000	105,000,000	0	0.0%
Other (Schedule 7)	228,296,420	228,296,420	0	0.0%
General Revenue Totals	\$6,668,649,807	\$6,221,900,897	(\$446,748,910)	-6.7%
Transfers & Lapses	1,000,000	1,000,000	0	0.0%
Revenue Comparison	\$6,669,649,807	\$6,222,900,897	(\$446,748,910)	-6.7%
One-Time Receipts	0	0	0	0.0%
Total General Revenue	\$6,669,649,807	\$6,222,900,897	(\$446,748,910)	-6.7%

All notes from Schedule 2 apply.

COMPARISON OF REVENUE ESTIMATES
FY-2020 OFFICIAL JUNE ESTIMATE vs. FY-2020 APRIL PROJECTION
Schedule 5

Column 1	Column 2	Column 3	Column 4	Column 5
	FY-2020 ESTIMATE 27-Jun-19	FY-2020 PROJECTED 20-Apr-20	INCREASE OR (DECREASE)	PERCENT CHANGE
GENERAL REVENUE FUND				
Alcohol Beverage Tax	\$33,238,000	\$39,225,000	\$5,987,000	18.0%
Mixed Beverage Receipts Tax	78,213,000	86,030,000	7,817,000	10.0%
Beverage Tax	0	0	0	0.0%
Cigarette Tax	44,064,213	48,982,139	4,917,927	11.2%
Tobacco Products Tax	34,439,552	33,695,973	(743,579)	-2.2%
Franchise Tax/Bus Activity Tax	51,175,000	57,329,000	6,154,000	12.0%
Gross Production Tax-Gas	412,191,000	172,536,475	(239,654,525)	-58.1%
Gross Production Tax-Oil	367,226,000	309,379,320	(57,846,680)	-15.8%
Income Tax-Individual	2,729,089,895	2,291,801,178	(437,288,717)	-16.0%
Income Tax-Corporate	195,972,700	256,958,225	60,985,525	31.1%
Estate Tax	0	0	0	0.0%
Insurance Premium Tax	111,660,152	113,498,495	1,838,343	1.6%
Motor Vehicle Taxes	25,747,000	25,818,000	71,000	0.3%
Sales Tax	2,215,559,022	2,135,238,033	(80,320,990)	-3.6%
Use Tax	350,807,912	318,112,639	(32,695,272)	-9.3%
Interest & Investments	115,000,000	105,000,000	(10,000,000)	-8.7%
Other (Schedule 7)	223,863,049	228,296,420	4,433,370	2.0%
General Revenue Totals	\$6,988,246,495	\$6,221,900,897	(\$766,345,598)	-11.0%
Transfers & Lapses	1,000,000	1,000,000	0	0.0%
Revenue Comparison	\$6,989,246,495	\$6,222,900,897	(\$766,345,598)	-11.0%
One-Time Receipts	0	0	0	0.0%
Total General Revenue	\$6,989,246,495	\$6,222,900,897	(\$766,345,598)	-11.0%
5% Reserve			\$349,462,325	
Projected Revenue Failure			(\$416,883,273)	-6.0%

All notes from Schedule 2 apply.

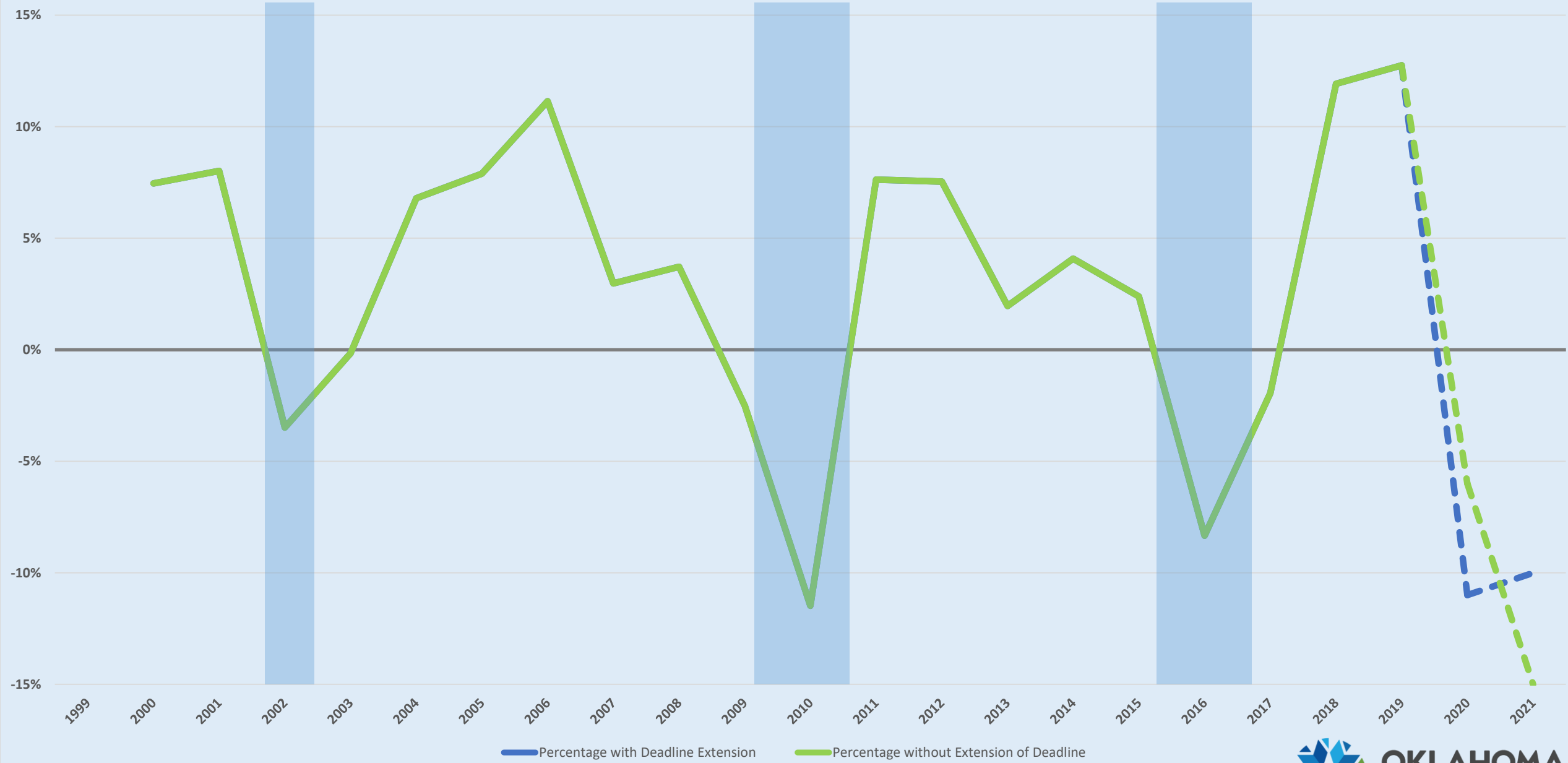
PROJECTIONS OF FY-2021 MAJOR SOURCE CHANGES

GENERAL REVENUE FUND

	APPORTIONMENT FY-2021 RE-ESTIMATE 18-Feb-20	APPORTIONMENT FY-2021 RE-ESTIMATE 20-Apr-20	100% APPORTIONMENT DIFFERENCE 20-Apr-20	100% GRF CHANGE FROM FEB 20-Apr-20
OTC:				
Income Tax-Individual	\$3,545,712,000	\$2,632,135,000	(\$913,577,000)	(\$782,570,058)
Income Tax-Corporate	\$321,523,000	\$66,413,000	(\$255,110,000)	(\$197,710,250)
Sales Tax	\$2,588,251,000	\$2,286,153,000	(\$302,098,000)	(\$252,584,138)
Use Tax	\$426,022,000	\$306,643,000	(\$119,379,000)	(\$99,812,782)
Motor Vehicle Taxes	\$800,604,000	\$726,763,000	(\$73,841,000)	(\$2,399,833)
SUB-TOTAL - ECONOMIC CHANGE:	<u>\$7,682,112,000</u>	<u>\$6,018,107,000</u>	<u>(\$1,664,005,000)</u>	<u>(\$1,335,077,060)</u>
Gross Production Natural Gas Tax	251,465,000	193,674,000	(57,791,000)	(\$48,161,000)
Gross Production Oil Tax	657,092,000	233,159,000	(423,933,000)	(\$333,870,000)
TOTAL ECONOMIC CHANGE:	<u>\$8,590,669,000</u>	<u>\$6,444,940,000</u>	<u>(\$2,145,729,000)</u>	<u>(\$1,717,108,060)</u>
IRS Deadline Change - Individual Income Tax			387,000,000	\$331,504,200
IRS Deadline Change - Corporate Income Tax			<u>25,000,000</u>	<u>\$19,375,000</u>
TOTAL GRF CHANGE FROM FEBRUARY BOE:			(1,733,729,000)	(1,366,228,860)



Percent Change in Annual Tax Collections



Percentage with Deadline Extension Percentage without Extension of Deadline



*Source: FY1999-FY2019 Total Collections OTC Annual Reports

*Source: FY2020-FY2021 Forecasted Revenue for Apportionment as of 4/17/2020. FY20 compared to Actual Revenue for Apportionment FY2019. FY21 forecast compared to FY20 forecast.