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Oklahoma Policy Institute

10 Things You Should Know ABOUT OKLAHOMA'S BUDGET & TAX SYSTEM

- 1) Oklahomans pay 9 cents of every dollar we earn in state and local taxes** – *Oklahomans' taxes are 37th in the nation per capita as a share of personal income (2009).* Personal income tax is the largest revenue source for state government, bringing in just over one in every three dollars of state revenue. Property taxes are the largest revenue source for local government, and the sales tax is the second largest revenue source for both state and local government.
- 2) Oklahoma's property taxes are among the lowest in the nation** – *Oklahoma's per capita property tax collections are 47th in the nation.* The average Texan pays about 3 times more than the average Oklahoman in property taxes (2009).
- 3) Low- and moderate-income Oklahomans pay a greater share of their income in state and local taxes than do upper-income Oklahomans** - In fact, the bottom three-fifths of taxpayers pay 9-10 cents of every dollar, on average, in state and local taxes, compared to less than 5 cents of every dollar for the wealthiest 1 percent. This is because sales taxes hit low- and moderate-income families hardest. The personal income tax provides some balance by taxing upper-income households at a slightly higher rate.
- 4) State revenue collections remain below pre-downturn levels** – The legislature responded to the state's energy-fueled economic surge of the mid-2000's by enacting permanent tax cuts with a fiscal impact of some \$770 million. As a result, state appropriations were unable to keep pace with rising costs even prior to the economic downturn. The state is collecting almost 15 percent less General Revenue in FY '11 than in FY '08, reflecting both a fragile economic recovery and the ongoing impact of income tax cuts and tax breaks.
- 5) Government spending in Oklahoma, per capita, is 19.3%, below the national average** - *State and local direct spending per person in Oklahoma is 43rd in the nation (2007).* Limited investments in a wide range of services have hampered Oklahoma's ability to boost the state's prosperity, security and well-being.
- 6) About 9/10ths of annual state appropriations is spent by the ten largest agencies** - The \$6.5 billion state appropriations budget is spent overwhelmingly on education, health care, social services, transportation and public safety.
- 7) Most appropriated agencies have been cut by more than 20 percent since FY '09** – After three consecutive years of budget cuts, the FY '12 budget is \$613 million, or 8.6 percent less than in FY '09. Some 40 state agencies will have absorbed funding cuts of greater than 20 percent. To cope with budget cuts, agencies have reduced staffing, eliminated or cut back programs, and raised user charges, among other measures.
- 8) State appropriations as a share of the economy is at a 30-year low** - In 2011, state appropriated spending on public services represents 4.8 percent of Oklahoma residents' projected total income. This is a steep drop from 6.4 percent in 1999 and far less than the 30-year average of 5.8 percent.
- 9) Oklahoma has a strict system of constitutional tax and spending limits** - Our Constitution requires a three-quarter vote of the Legislature or a vote of the people to raise state taxes. Oklahoma must balance its budget each year and put surplus funds aside into a rainy day fund.
- 10) The state faces serious fiscal challenges in the years ahead** - With an aging population, unfunded pension obligations, and an outdated tax system, Oklahoma will struggle to provide adequate levels of funding for basic public services - even without state policies that make the situation more difficult.