



SCOTT MEACHAM
OKLAHOMA STATE TREASURER

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Revenue Shortfall Declared, State Agencies to Take Across-the-Board Cuts

OKLAHOMA CITY – State revenue collections failed to meet estimates for a fifth consecutive month in May, forcing state officials to declare a revenue shortfall as annual collections fell below the amount needed to meet appropriated funding levels, State Treasurer Scott Meacham announced today.

The state constitution requires the legislature to appropriate no more than 95 percent of the state's estimated revenues. If actual revenue collections are less than the amount appropriated, there is a "shortfall" and the constitution requires that all appropriation allocations be reduced across-the-board by the amount of the shortfall. The last such shortfall occurred six years ago during Fiscal Year 2003.

Current revenue collections have fallen below 95 percent of the estimate by \$6.8 million or 1.42 percent of June spending allocations.

Preliminary reports show general revenue fund collections for May were \$357.1 million. That amount is:

- \$136.5 million or 27.7 percent below the prior year; and
- \$99.8 million or 21.8 percent below the estimate.

For the first 11 months of the fiscal year, collections total \$5.08 billion. That is \$244.4 million or 4.6 percent below the prior year and \$271.2 million or 5.1 percent below the estimate.

Last year, the legislature appropriated 95 percent of the annual estimate, as allowed by the state constitution, and year-to-date collections now stand at 94.9 percent of the estimate.

"Unfortunately, revenue collections have dropped well below the official estimate and even lower than Tax Commission projections made in February," Meacham said. "Fortunately, the shortfall is relatively small – only 0.1 percent on an annual basis. I am hopeful most agencies will be able to minimize the impact by using unspent funds from earlier in the fiscal year."

Agencies will receive their monthly allocations from the Office of State Finance next Tuesday, June 9, but Meacham said he is making the announcement today to give advance warning.

(more)

“Since January, we have been cautioning that this scenario could occur as Oklahoma experiences the effects of the recession,” he said. “Unfortunately, a revenue shortfall has now occurred and we are forced to make small, across-the-board cuts.”

May collections were below the prior year and the estimate in every major category – income tax, sales tax, and gross production and motor vehicle taxes.

“It appears low oil and gas prices are driving the economic downturn throughout Oklahoma’s economy,” Meacham said. “Income tax withholding is down \$30 million or 15 percent for the month, gross production tax collections are only 26 percent of where they were last year and sales taxes are down more than 10 percent. The largest area of decline to sales tax collections has been in the oil and gas sector.”

Looking toward the next fiscal year that begins July 1, Meacham said new estimates for the coming fiscal year have already been reduced by \$612 million, but officials will continue watching the situation closely.

In May, net income taxes, a combination of personal and corporate income taxes, produced \$136 million, which is \$29 million or 17.6 percent below the prior year and \$21.7 million or 13.7 percent below the estimate.

Personal income tax produced \$134.6 million, which is \$26.8 million or 16.6 percent below the prior year and \$18.8 million or 12.2 percent below the estimate. Corporate income tax collections were \$1.4 million, which is \$2.3 million or 62.6 percent below the prior year and \$2.9 million or 68.2 percent below the estimate.

The state sales tax produced \$122.7 million for the month, which is \$15.1 million or 11 percent below the prior year and \$20.1 million or 14.1 percent below the estimate.

The gross production tax on oil and natural gas yielded \$27.2 million for the month, which is \$76.2 million or 73.7 percent below the prior year and \$51.1 million or 65.3 percent below the estimate.

Motor vehicle taxes produced \$15.4 million in May, which is \$6.4 million or 29.2 percent below the prior year and \$5.1 million or 25 percent below the estimate.

For May, investments by the State Treasurer’s Office yielded \$12.2 million. That is \$4.3 million or 26.4 percent below the same month of the prior year.

Other revenue, including investment earnings along with taxes on insurance, inheritance, alcoholic beverages and others produced \$55.8 million for the month. This is \$9.9 million or 15 percent below the prior year and \$1.7 million or 2.9 percent below the estimate.

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General Revenue Comparisons With Prior Year

CHART I

PRELIMINARY

(In \$ millions)	MONTHLY COMPARISON		SUMMARY May 2009	
	FY-08 Actual May 2008	FY-09 Actual May 2009	Variance From Prior Year \$	Variance From Prior Year %
Net Income Tax	165.0	136.0	-29.0	-17.6%
Gross Production	103.4	27.2	-76.2	-73.7%
Sales Tax	137.8	122.7	-15.1	-11.0%
Motor Vehicle	21.8	15.4	-6.4	-29.2%
Subtotal: Major Taxes	427.9	301.3	-126.6	-29.6%
Other Sources (1)	65.7	55.8	-9.9	-15.0%
TOTAL GEN REVENUE	493.6	357.1	-136.5	-27.7%
Less 1-time receipts	0.0	0.0	0.0	0.0%
Recurring Rev. (2)	493.6	357.1	-136.5	-27.7%

PRELIMINARY

(In \$ millions)	11 MONTH YEAR TO DATE		SUMMARY May 2009	
	FY-08 Actual Thru May 2008	FY-09 Actual Thru May 2009	Variance From Prior Year \$	Variance From Prior Year %
Net Income Tax	2,223.3	2,058.6	-164.7	-7.4%
Gross Production	720.5	705.5	-15.0	-2.1%
Sales Tax	1,465.6	1,517.2	51.6	3.5%
Motor Vehicle	232.4	161.4	-71.0	-30.6%
Subtotal: Major Taxes	4,641.8	4,442.6	-199.2	-4.3%
Other Sources (1)	679.9	634.6	-45.3	-6.7%
TOTAL GEN REVENUE	5,321.7	5,077.2	-244.4	-4.6%
Less 1-time receipts	0.0	0.0	0.0	0.0%
Recurring Rev. (2)	5,321.7	5,077.2	-244.4	-4.6%

(1) Other sources revenue estimated pending final accounting.

(2) Recurring revenue after subtracting one-time funds.

Details may not sum due to rounding.

Office of the State Treasurer

General Revenue Comparisons With Estimate

CHART II

PRELIMINARY (In \$ millions)	MONTHLY COMPARISON		SUMMARY May 2009	
	FY-09 Estimate May 2009	FY-09 Actual May 2009	Variance From Estimate	
			\$	%
Net Income Tax	157.6	136.0	-21.7	-13.7%
Gross Production	78.3	27.2	-51.1	-65.3%
Sales Tax	142.8	122.7	-20.1	-14.1%
Motor Vehicle	20.6	15.4	-5.1	-25.0%
Subtotal: Major Taxes	399.4	301.3	-98.1	-24.6%
Other Sources (1)	57.5	55.8	-1.7	-2.9%
TOTAL GEN REVENUE	456.8	357.1	-99.8	-21.8%
Less 1-time receipts	0.0	0.0	0.0	0.0%
Recurring Rev. (2)	456.8	357.1	-99.8	-21.8%

PRELIMINARY (In \$ millions)	11 MONTH YEAR TO DATE		SUMMARY May 2009	
	FY-09 Estimate Thru May 2009	FY-09 Actual Thru May 2009	Variance From Estimate	
			\$	%
Net Income Tax	2,182.6	2,058.6	-124.0	-5.7%
Gross Production	689.6	705.5	15.9	2.3%
Sales Tax	1,549.7	1,517.2	-32.6	-2.1%
Motor Vehicle	224.4	161.4	-63.0	-28.1%
Subtotal: Major Taxes	4,646.3	4,442.6	-203.7	-4.4%
Other Sources (1)	702.1	634.6	-67.5	-9.6%
TOTAL GEN REVENUE	5,348.4	5,077.2	-271.2	-5.1%
Less 1-time receipts	0.0	0.0	0.0	0.0%
Recurring Rev. (2)	5,348.4	5,077.2	-271.2	-5.1%

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Details may not sum due to rounding.

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