

State of Oklahoma FY-2022 Revenue Certification

February 16, 2021



OKLAHOMA

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BOARD ACTION: SCHEDULE 1

Constitution requires certification of maximum appropriations from special funds for FY-2022

The initial appropriation growth limitation is calculated by multiplying the preceding years' total appropriation by the sum of 100% plus 12% adjusted for inflation [(100% plus 12%) times 101.362% (adjustment for inflation)]=113.53%

Total Appropriation FY-2021	\$5,965,130,472
Factor	113.53%
Initial Limit on Appropriation FY-2022	<u>\$6,771,940,615</u>
* Adjustment - Certified Funds not Previously Appropriated	<u>\$ 1,136,992,815 *</u>
Final Limit on Appropriation FY-2022	\$7,908,933,430

*Additional language in Section 23, paragraph 1 of Article X, Constitution of Oklahoma reads that, "Said limit shall be adjusted for funds not previously appropriated". Adjustment is FY-2021 Certified General Revenue funds that were not previously appropriated.

BOARD ACTION: SCHEDULE 1

Limit on Appropriation

- **Page 1:**
 - **I move that the limit on appropriations for the fiscal year ending June 30, 2022 be set at \$7,908,933,430.**

BOARD ACTION: SCHEDULE 3

ROADS Fund

- **Page 3: Bottom of the page**
 - **I move that the Board finds that the ROADS Fund was used to enhance transportation funding for FY-2021.**

BOARD ACTION: SCHEDULE 4

OK Education Lottery Trust Fund

OKLAHOMA EDUCATION LOTTERY TRUST FUND
 FEBRUARY APPROPRIATIONS ANALYSIS
 Schedule 4

Article X, Section 41 of the Oklahoma Constitution and Title 3A, Section 713 of the Oklahoma Statutes requires the State Board of Equalization to determine if appropriations from the Oklahoma Education Lottery Trust Fund were used to enhance or supplant education funding.

Column 1	Column 2	Column 3	Column 4	Column 5
	FY-2020 FINAL	FY-2021 AUTHORIZED	INCREASE OR (DECREASE)	PERCENT CHANGE
	APPROPRIATIONS	APPROPRIATIONS		
Education Funding	\$4,031,904,913	\$3,930,839,333	(\$101,065,580)	-2.5%
Education Lottery Trust Fund	63,229,532	72,754,285	9,524,753	15.1%
Total Education Funding	\$4,095,134,445	\$4,003,593,618	(\$91,540,827)	-2.2%

Change in Education Funding **-2.5%**
Change in Statewide Funding **-4.2%**



BOARD ACTION: SCHEDULE 4

OK Education Lottery Trust Fund

- **Page 4:**
 - **I move that the Board finds that appropriations from the Oklahoma Education Lottery Trust Fund enhanced education funding in FY-2021.**

Certification - Revenue Stabilization Act

GROSS PRODUCTION
OIL TAX

GROSS PRODUCTION
NATURAL GAS TAX

CORPORATE
INCOME TAX

TITLE 62, SECTION 34.103, Paragraph A:

Certification of General Revenue Fund Five-Year Averages:

FY-2016	4,367,817	90,643,543	259,882,969
FY-2017	23,008,646	134,428,633	130,621,000
FY-2018	109,510,285	243,876,223	192,840,895
FY-2019	356,722,895	369,151,546	241,896,645
<u>FY-2020</u>	<u>295,426,683</u>	<u>174,398,494</u>	<u>238,259,976</u>
Five-Year Average:	\$157,807,265	\$202,499,688	\$212,700,297
FY-2022 Apportionment:	<u>\$211,370,000</u>	<u>\$318,144,000</u>	<u>\$250,698,550</u>
DIFFERENCE:	\$53,562,735	\$115,644,312	\$37,998,253

\$28,498,690 Amount to RSF

\$9,499,563 Amount to CRF***

TITLE 62, SECTION 34.102, Paragraph B:

Statutory GRF Requirement:	\$6,600,000,000	<u>\$197,705,737</u> Total RSF if requirements met
Certified FY-2019 Actual Collections:	\$6,859,924,396*	

TITLE 62, SECTION 34.102, Paragraph C, as amended by SB1072, Effective 11/1/2019:

"no deposits shall be made during a fiscal year where the...General Revenue Fund certification for said fiscal year is less than the...General Revenue certification for the previous fiscal year plus an increment equal to the amount otherwise calculated for deposit pursuant to subsection E..."

See Schedule 9:

	FY-2021 ESTIMATE 15-Jun-20	PROPOSED FY-2022 ESTIMATE 16-Feb-21	INCREASE OR (DECREASE)	PERCENT CHANGE
Total General Revenue	\$6,725,729,371	\$6,790,273,462	\$64,544,090	1.0%
Potential Revenue Stabilization Fund Deposit	\$197,705,737			
Total General Revenue Plus Adjustments	\$6,923,435,108	\$6,790,273,462	(\$133,161,646)**	-1.9%

***For more detail, see schedule 5, page 5.**

BOARD ACTION: SCHEDULE 5

Revenue Stabilization Fund

- Page 5:
 - A.1. I move to certify that the 5-year average of actual annual revenue apportioned to the General Revenue Fund from the tax on oil pursuant to Section 1001 of Title 68 is \$157,807,265.
 - A.2. I move to certify that the 5-year average of actual annual revenue apportioned to the General Revenue Fund from the tax on natural gas pursuant to Section 1001 of Title 68 is \$202,499,688.

BOARD ACTION: SCHEDULE 5

Revenue Stabilization Fund (continued)

- Page 5:
 - A.3. I move to certify that the 5-year average of actual annual revenue apportioned to the General Revenue Fund from the tax on corporate income tax pursuant to Section 2355 of Title 68 is \$212,700,297.

OK Teachers' Retirement Revolving Fund Baseline Determinations

Title 68, Section 2355.1B – Determination of the new 5-year average TRS Revolving Fund apportionment; new Baseline, if greater; and, when a new baseline is determined, individual amounts attributable to each revenue source:
(FOR MORE DETAIL SEE SCHEDULE 6, PAGE 6.)

Initial OTRS Rev Fund Baseline 19-Feb -13	\$ 288,923,294		
<u>SOURCE</u>	<u>5-YR AVERAGE APPORTIONMENTS</u>		
Income Tax – Individual Income Tax – Corporate Sales Tax Use Tax	\$ 157,076,687 13,722,600 122,014,273 <u>14,632,211</u>		
TOTAL AVE APPORTIONMENT	\$ 307,445,770	NEW 5-YR AVERAGE	

BOARD ACTION: SCHEDULE 6

- **Determination of new baseline**

A.1 – I move that, since the new five-year average apportionments to the Oklahoma Teachers' Retirement Revolving Fund from income taxes, sales taxes and use taxes is greater than the previously determined original baseline, the new baseline for such apportionments in fiscal year 2022 shall be \$307,445,770.

BOARD ACTION: SCHEDULE 6

- **Determination of individual 5-year average apportionments.**

A.2 – I move that the individual, five-year average apportionment amounts for each revenue source be set at \$157,076,687 for personal income tax collections; \$13,722,600 for corporate income tax collections; \$122,014,273 for sales tax collections and \$14,632,211 for use tax collections for fiscal year 2022.

Economic Summary



Economic Update

- **\$900 billion December stimulus package**
 - **Passed extension of emergency unemployment insurance programs**
 - **Replenishing the Payroll Protection Program**
 - **\$600 direct payments**
- **Vaccination Program Gains momentum**
- **Employment up but sector recoveries mixed**
- **Modest gains in oil price outlook**

Comparison of Gross Production Tax (Natural Gas) Forecasts

	FY 21 Forecast December 2020	FY 21 Forecast February 2021	FY 22 Forecast December 2020	FY 22 Re-estimate February 2021
Average Henry Hub Price Forecast	\$2.64	\$2.57	\$3.17	\$3.21
Differential	<u>(\$1.12)</u>	<u>(\$1.14)</u>	<u>(\$1.12)</u>	<u>(\$1.14)</u>
Forecast Average OK Price (mcf)	\$1.52	\$1.43	\$2.05	\$2.07
Estimated Production (mcf)	2,890,282,000	2,995,729,000	3,063,350,000	3,075,236,000
Tax Rate:				
5%	\$108,962,000	\$107,604,000	\$157,204,000	\$159,194,000
7%	\$147,729,000	\$143,370,000	\$220,086,000	\$222,872,000
GP Tax on Natural Gas	\$256,691,000	\$250,974,000	\$377,290,000	\$382,066,000
Less Rebates and Refunds	<u>(\$16,190,000)</u>	<u>(\$16,630,000)</u>	<u>(\$300,000)</u>	<u>(\$300,000)</u>
GP Tax to Apportion	\$240,501,000	\$234,344,000	\$376,990,000	\$381,766,000
To General Revenue Fund	\$199,892,000	\$194,803,000	\$314,164,000	\$318,144,000
GRF Difference From December		<u>(\$5,089,000)</u>		\$3,980,000

Comparison of Gross Production Tax (Oil) Forecasts

	FY 21 Forecast December 2020	FY 21 Forecast February 2021	FY 22 Forecast December 2020	FY 22 Forecast February 2021
Average WTI Price Forecast	\$40.49	\$43.56	\$46.58	\$49.63
Differential	<u>(\$3.67)</u>	<u>(\$3.61)</u>	<u>(\$3.67)</u>	<u>(\$3.61)</u>
Forecast Average OK Price (bbl)	\$36.82	\$39.95	\$42.91	\$46.02
Estimated Production (bbl)	157,140,000	162,136,000	172,178,000	172,047,000
Tax Rate:				
5%	\$177,258,000	\$197,790,000	\$221,731,000	\$237,497,000
7%	\$159,784,000	\$180,604,000	\$206,949,000	\$221,664,000
GP Tax on Oil	\$337,042,000	\$378,394,000	\$428,680,000	\$459,161,000
Less Rebates and Refunds	<u>(\$10,369,000)</u>	<u>(\$9,880,000)</u>	<u>(\$300,000)</u>	<u>(\$300,000)</u>
GP Tax to Apportion	\$326,673,000	\$368,514,000	\$428,380,000	\$458,861,000
To General Revenue Fund	\$106,765,000	\$139,776,000	\$187,365,000	\$211,370,000
GRF Difference From December		\$33,011,000		\$24,005,000

- **FY-2021 Projection Changes**
- **FY-2022 Estimate Changes
& Budgetary Context**

FY-2021 General Revenue Projections (December) vs. FY-2021 General Revenue Projections (February)

	FY-2021 December (\$M's)	FY-2021 February (\$M's)	Difference (\$M's)	Difference (%)
Gross Production – Gas	\$199.9	\$194.8	(\$5.1)	(2.5%)
Gross Production – Oil	106.8	139.8	33.0	30.9%
Individual Income Tax	2,485.4	2,784.3	298.9	12.0%
Corporate Income Tax	225.6	253.2	27.6	12.2%
Motor Vehicle Tax	44.2	44.7	0.4	1.0%
Sales Tax	2,049.3	2,085.3	36.0	1.8%
Use Tax	<u>339.9</u>	<u>353.6</u>	<u>13.7</u>	<u>4.0%</u>
Subtotal	\$5,451.1	\$5,855.7	\$404.6	7.4%
Other	<u>657.9</u>	<u>667.7</u>	<u>9.8</u>	<u>1.5%</u>
Total	\$6,109.0	\$6,523.4	\$414.4	6.8%

***For more detail, see Schedule 12, page 12.**

(Totals may not sum to packet, due to rounding.)

Fiscal Year 2021 Official June Estimate GRF vs. Fiscal Year 2021 Final Projection GRF (February)

	FY-2021 June (\$M's)	FY-2021 February (\$M's)	Difference (\$M's)	Difference (%)
Gross Production – Gas	\$209.2	\$194.8	(\$14.4)	(6.9%)
Gross Production – Oil	367.3	139.8	(227.5)	(61.9%)
Individual Income Tax	2,693.2	2,784.3	91.1	3.4%
Corporate Income Tax	245.6	253.2	7.7	3.1%
Motor Vehicle Tax	26.0	44.7	18.7	71.7%
Sales Tax	2,164.0	2,085.3	(78.7)	(3.6%)
Use Tax	<u>339.1</u>	<u>353.6</u>	<u>14.6</u>	<u>4.3%</u>
Subtotal	\$6,044.4	\$5,855.7	(188.7)	(3.1%)
Other	<u>681.3</u>	<u>667.7</u>	<u>(13.6)</u>	<u>(2.0%)</u>
Total	\$6,725.7	\$6,523.4	(\$202.3)	(3.0%)

***For more detail, see Schedule 11, page 11.**

(Totals may not sum to packet, due to rounding.)

Appendix 1: Expenditure Authority FY2022 (Dec) vs. Proposed Expenditure Authority FY2022 (Feb)

	2021 Session FY22 Authority (Dec, in \$M's)	2021 Session FY22 Authority (Feb, in \$M's)	Difference (\$M's)	Difference (%)
Certified	\$6,211.8	\$6,710.5	\$498.7	8.0%
1017 Fund	1,108.8	1,171.0	62.2	5.6%
GP – Oil Education Funds	142.1	142.1	0.0	0.0%
Tobacco Fund	11.2	13.7	2.5	22.3%
Judicial Revolving Fund	24.0	20	(4.0)	(16.7%)
Transportation Fund	206.2	206.2	0	0%
Prior Year Certified	520.2	1,137.0	616.8	118.6%
Cash	<u>40.0</u>	<u>40</u>	<u>0.0</u>	<u>0.0%</u>
Total	\$8,264.3	\$9,440.5		
Cash Flow Reserve Fund	200	200		
TOTAL AUTHORIZED	\$8,464.3	\$9,640.5	\$1,176.2	13.9%

***For more detail, see Appendix A-1, pages 15 & 16. (Totals may not sum to packet, due to rounding.)**

Appendix 2: Authorized Expenditures FY2021 (June) vs. Expenditure Authority FY2022 (February)

	FY21 Expenditures June (\$M's)	FY22 Authority Feb. (\$M's)	Difference (\$M's)	Difference (%)
Certified	\$5,502.9	\$6,710.5	\$1,207.6	22.8%
1017 Fund	1,015.1	1,171.0	155.9	15.4%
GP – Oil Education Funds	140.8	142.1	1.3	0.9%
Tobacco Fund	11.7	13.7	2.0	16.8%
Judicial Revolving Fund	37	20	(17.0)	(45.9%)
Transportation Fund	170.0	206.2	36.2	21.3%
Prior Year Certified	3.1	1,137.0	1,133.9	365.8%
Cash	<u>459.1</u>	<u>40</u>	<u>(419.1)</u>	<u>(91.3%)</u>
TOTAL	\$7,339.7	\$9,440.5	2,100.8	28.6%
Cash Flow Reserve Fund	0.0	200		
Constitutional Reserve Fund	243.7	0		
Revenue Stabilization Fund	162.5	0.0		
Re-appropriations/Revolving Fund Auth and Appropriations	<u>87.3</u>	<u>0.0</u>		
TOTAL	\$7,833.2	\$9,640.5	\$1,807.3	23.1%

*For more detail, see Appendix A-2, pages 17 & 18. (Totals may not sum to packet, due to rounding.)

Recurring Funds vs. Cash FY2022

Summary of One-Time Cash vs. Recurring Revenue (in millions):

	\$millions	\$millions	
	December BOE	February BOE	Difference
Total Authorized Budget FY22	\$8,464.3	\$9,640.5	\$1,176.2
Cash Flow Reserve Fund	(\$200.0)	(\$200.0)	-
Projected Prior Year Cash	(\$520.2)	(\$1,137.0)	(\$616.8)
Other Cash (non-General Revenue funds)	(\$40.0)	(\$40.0)	-
1017 - ROADS funding reallocation	(\$180.0)	(\$180.0)	-
1017 - Pension Dedicated Revenue	(\$125.7)	(\$133.0)	(\$7.3)
Total One-Time Cash	(\$1,065.9)	(\$1,690.0)	(\$624.1)
FY22 Remaining Balance/Recurring Revenue	\$7,398.4	\$7,950.4	\$552.0

BOARD ACTION: SCHEDULE 2

Certification of FY-2022 Revenue

- **Schedule 2, Page 2:**
 - **Move to certify the FY-2022 Estimate Summation of Revenues from certified funds of \$7,063,707,187 and Revenues Available for Appropriation in the amount of \$6,710,521,829.**