Everything is Not OK: Towards a Better Fiscal Policy for All Oklahomans

Emma Morris | emorris@okpolicy.org
Policy Analyst, Health Care and Revenue
1/27/22
Today’s plan

• Why fiscal policy matters
• A look at the state budget
• Impacts on Oklahomans
• How do we move forward?
A look at Oklahoma’s state budget
Oklahoma’s investment in state services is shrinking

Source: OK Policy calculations from state appropriations bills, U.S. Department of Labor, U.S. Census Bureau, and state Board of Equalization packets.
We are now feeling the consequences of past choices
We are now feeling the consequences of past choices

State Question 640

Reduced tax revenue
We are now feeling the consequences of past choices

State Question 640
Reduced tax revenue
Increasing tax expenditures
We are now feeling the consequences of past choices

- State Question 640
- Reduced tax revenue
- Increasing tax expenditures
- Less budget transparency
Budget implications for Oklahomans
For Oklahomans, this means...

- 5,000+ people waiting ~13 years for home- and community-based care
For Oklahomans, this means...

• 5,000+ people waiting ~13 years for home- and community-based care
• 1,000+ uninsured births annually
For Oklahomans, this means...

- 5,000+ people waiting ~13 years for home- and community-based care
- 1,000+ uninsured births annually
- > 80% of state district court funding comes from fines and fees
For Oklahomans, this means...

• 5,000+ people waiting ~13 years for home- and community-based care
• 1,000+ uninsured births annually
• > 80% of state district court funding comes from fines and fees
• We spend $1380 per pupil less than the regional average
For Oklahomans, this means...

- 5,000+ people waiting ~13 years for home- and community-based care
- 1,000+ uninsured births annually
- > 80% of state district court funding comes from fines and fees
- We spend $1380 per pupil less than the regional average
- 12th highest suicide rate in the nation
For Oklahomans, this means...

• 5,000+ people waiting ~13 years for home- and community-based care
• 1,000+ uninsured births annually
• > 80% of state district court funding comes from fines and fees
• We spend $1380 per pupil less than the regional average
• 12th highest suicide rate in the nation
• Minimum wage workers must work 71 hours weekly to afford a one-bedroom apartment
Alternatively, investing in Oklahomans has already meant...

- 240,000+ Oklahomans enrolled in Medicaid expansion
  - Increased access to health care
  - Healthier kids
  - More financially secure families
  - Stronger workforce
Alternatively, *investing* in Oklahomans has already meant...

- 240,000+ Oklahomans enrolled in Medicaid expansion
  - Increased access to health care
  - Healthier kids
  - More financially secure families
  - Stronger workforce
- 42,683 kids enrolled in pre-school annually
Alternatively, *investing* in Oklahomans has already meant...

- 240,000+ Oklahomans enrolled in Medicaid expansion
  - Increased access to health care
  - Healthier kids
  - More financially secure families
  - Stronger workforce
- 42,683 kids enrolled in pre-school annually
- A historic teacher pay raise in 2018
Alternatively, investing in Oklahomans has already meant...

- 240,000+ Oklahomans enrolled in Medicaid expansion
  - Increased access to health care
  - Healthier kids
  - More financially secure families
  - Stronger workforce
- 42,683 kids enrolled in pre-school annually
- A historic teacher pay raise in 2018
- Up to a $279 tax cut for working Oklahomans due to restoring refundability of the Earned Income Tax Credit
Public spending does more for the economy than tax cuts.

<table>
<thead>
<tr>
<th>Economic Output</th>
<th>Cutting public spending by $1</th>
<th>Increasing taxes by $1</th>
<th>Increasing taxes on the wealthy by $1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($2.00)</td>
<td>($1.50)</td>
<td>($1.00)</td>
</tr>
<tr>
<td></td>
<td>($1.50)</td>
<td>($1.00)</td>
<td>($0.50)</td>
</tr>
<tr>
<td></td>
<td>($1.00)</td>
<td>($0.50)</td>
<td>($0.00)</td>
</tr>
<tr>
<td></td>
<td>($0.50)</td>
<td>($0.00)</td>
<td>($0.50)</td>
</tr>
</tbody>
</table>

Lower taxes and spending aren’t boosting our economy.

Tax and spending cuts have hurt some more than others.

Source: Kent Olson, Professor Emeritus, Oklahoma State University.
Oklahoma’s tax system is regressive.

Source: Institute on Taxation and Economic Policy
A proportional tax system would expect more from those at the top.

<table>
<thead>
<tr>
<th>Income group</th>
<th>Lowest 20%</th>
<th>Top 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average income</td>
<td>$12,000/yr.</td>
<td>$278,600/yr.</td>
</tr>
<tr>
<td>Current tax</td>
<td>$1,584</td>
<td>$20,616</td>
</tr>
<tr>
<td></td>
<td>(13.2% of income)</td>
<td>(7.4% of income)</td>
</tr>
<tr>
<td>Proportional tax</td>
<td>$1,275</td>
<td>$29,610</td>
</tr>
<tr>
<td></td>
<td>(10.6% of income)</td>
<td>(10.6% of income)</td>
</tr>
<tr>
<td>Impact of fair taxes</td>
<td>$309 savings</td>
<td>$8,993 increase</td>
</tr>
</tbody>
</table>

This is just an example of a less regressive system. OK Policy is not necessarily advocating for the adoption of a proportional tax system.
Why is our tax system so regressive?

• Increased cigarette taxes
• Increased local sales taxes
• Lowered the top income tax rate from 7% to 4.75%
• Increased income and property tax exemptions for retirees, veterans, and military members
• Eliminated some taxes entirely, like the estate tax
Why is our tax system so regressive?

- Increased cigarette taxes
- Increased local sales taxes
- Lowered the top income tax rate from 7% to 4.75%
- Increased income and property tax exemptions for retirees, veterans, and military members
- Eliminated some taxes entirely, like the estate tax
Why is our tax system so regressive?

- Increased cigarette taxes
- Increased local sales taxes
- Lowered the top income tax rate from 7% to 4.75%
- Increased income and property tax exemptions for retirees, veterans, and military members
- Eliminated some taxes entirely, like the estate tax
Oklahomans of color pay a higher share of income in taxes.

Source: Institute on Taxation and Economic Policy. Note that races exclude persons of Hispanic origin and the Latinx category includes multiple races. Includes only householders under age 65. Totals may not add due to
So do women...

Source: OK Policy calculations from U.S. Census Bureau and the Institute for Taxation and Economic Policy. Totals may not add due to rounding.
...and Oklahomans living in rural areas.

Source: OK Policy calculations from U.S. Census Bureau and the Institute for Taxation and Economic Policy.
Where do we go from here?
We must prepare for the inevitable economic downturn.

- Maintain or increase current tax rates
- Consider ways to raise revenue within the confines of SQ 640
  - Identify tax incentives and special tax breaks that are not working as expected
  - Consider limiting or eliminating itemized deductions
- Revisit State Question 640
Put money in the hands of those who need it most.

• Strengthen tax relief for working Oklahomans
  • Sales Tax Relief Credit
  • Earned Income Tax Credit
  • Create a tax credit for renters

• Fund courts fully with state revenue and reduce reliance on fines and fees
It’s time to invest in our state’s future.
Thank you!

Emma Morris
emorris@okpolicy.org