

**Oklahoma Fiscal Policy Study
LWV Norman Consensus Report
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Below refers to the Oklahoma Fiscal Policy questions, Dated April 2016

1. Question: State Question 640, approved by a vote of the people in 1992, amended the Oklahoma Constitution to limit the ability of the Legislature to raise taxes. (See <http://okpolicy.org/state-question-640>). It amended the Constitution to limit the legislature's ability to increase income tax rates without a 75% approval from the legislature and approval by the Governor, or a majority vote when referred to the people for a vote. Should the Constitution limit the current legislature's ability to increase or decrease tax rates?

This provides an important protection for taxpayers

This hampers state legislators in carrying out the constitutional requirement that the legislature submit a balanced budget each year.

No consensus

Comments (Up to 500 words)

*LWVN response:

option 1 no

option 2 Consensus with modification

Modification (in **bold**):

We want to add to wording of option 2 as follows:

This hampers state legislators in carrying out the constitutional requirement that the legislature submit a balanced budget each year **and in funding core state services.**

2. Question: Municipal Finance, The League of Women Voters of Oklahoma's current position on fiscal policy supports ". . . additional means of providing adequate revenues for municipalities. The League favors granting cities additional, optional taxing powers and reallocation of existing revenues." The Oklahoma Constitution does not allow municipalities to receive ad valorem levies for operations. The 2010 **Task Force on Municipal Finance**

(<http://www.okhouse.gov/Documents/MunicipalFinanceTaskForceReport.pdf>) recommended amending the Constitution to give municipalities more diversified revenue sources. Should the League of Women Voters of Oklahoma maintain its current position on municipal finance, and thus support a Constitutional amendment?

Property taxes are properly limited by the Constitution to provide funding for common education and county budgets

A Constitutional amendment to provide more diversified revenue sources for municipalities is needed to ensure the future economic stability of our cities

No consensus

Comments (Up to 500 words)

*LWVN response:

option 1 no

option 2 Consensus with modification

Modification (in **bold**):

We want to add to the wording of option 2 as follows:

A Constitutional amendment to provide more **progressive** diversified revenue sources for municipalities is needed to ensure the future economic stability of our cities.

3. Question: Taxes and Fees, provide revenue for state spending. The fiscal policy position of the League of Women Voters of the United States supports “. . . tax measures that broaden the base and improve the equity of the income tax while working to incorporate progressivity.” Income tax in Oklahoma is generally progressive and sales taxes are generally regressive. The chart titled “General Revenue by Tax, FY 2008 to FY 2016” on page 7 shows the changing mix of state taxes and revenue sources.

What policy should the League of Women Voters support regarding Oklahoma taxes and fees?

Support seeking broadest possible sources of sales tax revenue, including such sources as sales tax on internet sales and sales tax on services

Support a primary reliance on personal and corporate income tax, with lesser reliance on sales tax and fees

Support state revenue based on both the broadest possible sources of sales tax and a continued reliance on personal and corporate income taxes

Support reduction certain taxes and fees: (list those to be reduced)

No consensus

Comments (Up to 500 words)

*LWVN response

option 1 no

option 2 Consensus with modification

option 3 no

option 4 no

Modification (in **bold**):

We want to add to the wording of option 2 as follows:

Support a primary reliance on personal and corporate income tax, with lesser reliance on the **broadest possible sources** of sales tax and fees.

4. Question: Sales Tax on Food and Drugs. The current LWVOK position on fiscal policy supports repealing the sales tax on food purchases and prescription drugs. This position should be

Retained as written, noting that while the sales tax on prescription drugs has been repealed, the League continues to support the repeal of sales tax on food purchases

Modified as follows (50 word limit)

Removed

No consensus

Comments (500 words)

*LWVN response

We agree to either remove language pertaining to or note that there is no longer a sales tax on drugs.

option 1 no

option 2 Consensus with modification as shown below

option 3 no

Consensus wording:

We continue to support the repeal of sales tax on food purchases and we propose an increase in property tax (ad valorem) specifically for cities and /or creation of a local income tax to offset loss to municipalities due to reduction in sales tax revenue.

Comments:

We note that HB1017, a sales tax, gave a kickback to low income people as a way to soften the effect of regressive tax. However if we reduce sales tax by removing it from food, we need to make up the difference in lost funds. Therefore our concern is for the municipalities to have compensation for lost sales tax funds, we propose an increase in property tax (ad valorem) and/or creation of a local income tax that can be used for city operations.

5. Question: Corporate Income Tax. The current LWVOK position on fiscal policy supports raising the corporate income tax. This position should be

Retained as written

Modified as follows (50 word limit)

Removed

No consensus

Comments (500 words)

*LWVN response:

option 1 no

option 2 Consensus with modification

option 3 no

Modification (in **bold**)

We want to add additional wording to the current position statement:

...and requiring the use of combined corporate reporting to ensure payment of multi-state corporations' fair share of taxes.

Comments:

The Oklahoma Policy Institute explanation of combined corporate reporting that addresses those companies filing out of state but having a presence in Oklahoma suggested to us that this method of assessing taxes could boost corporate tax collection \$50-100 million.

6. Question: Gross Production tax "severance tax", The current LWVOK position on fiscal policy supports statewide distribution of the gross production tax revenue dedicated for common schools. This position should be

Retained as written

Modified as follows (50 word limit)

Removed

No consensus

Comments (500 words)

*LWVN response:

option 1 no

option 2 Consensus with modification, minority statement-both below

Modification (in **bold**)

...LWVOK position on fiscal policy supports statewide distribution of the gross production tax revenue dedicated for common school **and this should continue with GPT basic rate of at least 7%.**

Comments:

We note that the GPT is currently 2% for new wells.

Minority Statement-Refer to the April 2016 distribution table included in the study material. The formula used for distribution of funds should increase the percent going to school districts.

7. Question: Public Service Property, The current LWVOK position on fiscal policy supports having all property taxes of public service properties in the state collected on a statewide basis, then allocated to the various school districts on a formula basis. This position should be

Retained as written

Modified as follows (50 word limit)

Removed

No consensus

*LWVN response:

- option 1 no
- option 2 Consensus with modification
- option 3 no

Modification (in **bold**)

We modified as follows by removing "on a formula basis" and replacing with language as shown:

The current LWVOK position on fiscal policy supports having all property taxes of public service properties in the state collected on a statewide basis, then allocated to the various school districts on **an equitable basis such as Average Daily Membership (ADM)**.

Comments: We question the formula currently in use. Therefore we would like to remove it and suggest a commonly used method as in our consensus statement.

8. Question: Tax credits and exemptions, There is a long list of tax exemptions, exclusions and credits maintained by the Oklahoma Tax Commission. Some Oklahoma tax credits and exemptions have been temporary and some have been made permanent. What is the best policy regarding tax credits, exemptions and exclusions?

- Regular review of the benefits and impacts of credits, exemptions and exclusions should be done by an impartial commission
- The Legislature should have the authority to review and regulate tax credits, exemptions and exclusions
- The State Treasurer should have the responsibility of regular review of tax credits, exemptions and exclusions, and should report findings and recommendations to the legislature and to the public
- Certain tax credits, exemptions and exclusions should be evaluated by an impartial commission for the possibility of making them permanent so that economic planning is easier
- No consensus
- Comments (500 words)

*LWVN response:

- option 1 no
 - option 2 no
 - option 3 no
 - option 4 no
- Consensus with modification

Modification:

Regular review of the benefits and impacts of credits, exemptions and exclusions should be done by the Incentive Evaluation Commission who works with the State Treasurer to make a report and recommendations to the legislature and the public.

Comments: We noted the 2016 creation of the Incentive, Evaluation Commission, whose members are appointed by the Governor. We express doubt about whether

the new commission can be truly impartial and question the definition of their duty. Therefore we have a modified consensus statement adapted from options 1 and 3.

9. Question: Budget process, The current budget process in Oklahoma includes Constitutional requirements for a balanced budget and certified revenue estimates to be provided by the Board of Equalization. (see page 11 of study materials). Because revenue estimates used for the Executive budget (made in December) and the estimates used by the Legislature (made in February) can differ, suggestions have been offered for more efficient process. One proposal is to unify the certification dates used for both the legislative and Executive Budget. What would improve the budget process in Oklahoma?

Require the Board of Equalization to provide one unified certified revenue estimate for both the Executive and Legislative budgets

Establish a date for the presentation of the Executive budget that is after the submission of the February revenue estimate

Comments (500 words)

*LWVN response:

option 1 Consensus with modification

option 2 no

Modification (in **bold**)

Require the Board of Equalization to provide one unified certified revenue estimate **in February** for both the Executive and Legislative budgets.

10. Question: Dedicated or earmarked funds, The current LWVOK position on fiscal policy supports a reduction in the earmarking of state revenues. At present, the Legislature only has 45% of the total state revenue available for apportioning from the General Revenue Fund (see page 15 of study materials). What should the League consider when adopting a position on dedicated funding?

Support for regular review and a public report to be made by an impartial commission tasked with examining the current dedicated or earmarked revenues (this would include funds for transportation and HB 1017 education funds)

Support for all revenue funds to be made available to the General Revenue Fund for apportionment

No consensus

Comments (500 words)

*LWVN response:

option 1 no

option 2 no

Consensus with modification

Modification:

Support for regular review of the current dedicated or earmarked revenues by an impartial commission who works with the state treasurer and/or auditor to make a report and recommendations to the legislature and the public.

Comments: We have added a statement similar to that found under "Question on Tax Credits and Exemptions", that is, the goal and impartiality of the commission will be enhanced with a commission link to the treasurer for the public report and recommendations.

11. Question: Core Government Services, The current LWVOK position on fiscal policy includes this statement:

“The League of Women Voters of Oklahoma believes a tax system should provide adequate funds for essential government services without creating inequities in assessing taxes according to ability to pay.” In thinking about the LWVOK position regarding adequate funding for essential government services, please indicate all below that are core services.

- Public Education (see state Constitution?)
- Public Safety
- State Courts
- Public Health
- Human Needs
- Child Welfare
- Transportation and Highways
- Elections
- Environmental Protection
- Other (Up to 150 words to list other core government services)
- Comments (Up to 500 words)

*LWVN response:

Public Education	yes, with comment-includes preK through higher ed and votech
Public Safety	yes
State Courts	yes, with comment-which courts does this include? Must have drug courts
Public Health	yes, with comment- must include mental health
Human Needs	yes, with comment- need clarification of what this covers, must include DHS and housing services
Child Welfare	yes
Transportation and Highways	yes, comment-this must include public transportation
Elections	yes
Environmental Protection	yes, comment-should include monitoring impacts of climate change

12. Question: Budget Forecasting, Oklahoma’s budgeting process depends on a one-year revenue estimate, and does not include a requirement for an to the Center and Budget Policy Priorities, Oklahoma is one of 26 states that fail

to use high-quality, multi-year revenue forecasts and multi-year expenditure forecasts on a current-services basis. (See also **How Other States Budget**, p. 20 of study materials). What should be considered by the League in policy recommendations on budget forecasting?

- Support for multi-year revenue and expenditure forecasts on a current service basis
- Support for multi-year revenue forecasts only
- No consensus
- Comments (500 words)

*LWVN response:

- option 1 Consensus
- option 2 no

13. Question: Rainy Day Fund, Oklahoma’s Constitutional Reserve Fund (Rainy Day Fund) was established in 1985 to help offset the volatility of state revenues. A multi-state analysis of Rainy Day funds by the Pew Charitable Trust (p. 21 of the study materials) says that Oklahoma’s Constitutional Reserve Fund has only “implied purpose and broad definitions.” For states seeking to improve their savings targets for rainy day funds, Pew recommends three best practices to better align targets with goals:

- Explicitly define, in law, the purpose of a rainy day fund.
- Align savings targets with the fund’s purpose as well as with the state’s tax volatility.
- Determine and clearly express the level of budgetary risk the state seeks to offset

What policy should the League support in regard to the Rainy Day Fund? (check all that apply)

- Support for statutory definition of purposes of the Rainy Day Fund
- Support for setting savings targets in accord with the fund’s purpose and projected tax volatility
- Support for flexibility in setting a cap on the percentage of revenues to be deposited in the Rainy Day Fund
- No consensus
- Comments (500 words)

*LWVN response:

- option 1 yes
- option 2 yes
- option 3 yes

Comments: Do we need to consider how the new Revenue Stabilization Fund will compliment or overlap with the current Rainy Day Fund, especially with the policies we suggest in the consensus question?

Submitted by Doris Kupfer 12/11/16