

Independent, principled state policy fostering limited and responsible government, free enterprise, and a robust civil society.

March 2020

Oklahoma Government Revenues and Spending In Perspective - Update

Byron Schlomach and Vance H. Fried, with research assistance from Spencer Cadavero

In 2017, Oklahoma's state and local governments: (See Reverse)

- *Extracted 13.2 percent of Oklahomans' personal income in taxes and fees, more than eight other states, but LESS than Texas and Missouri.*
- *Spent a higher percentage of our income on higher education than 34 states **and increased that percentage from 2015.***
- *Spent a higher percentage on public education than seven states, including Arizona, a leader in educational choice and progress.*
- *Spent a higher percentage of state personal income on public welfare than 24 states.*
- *On the six featured spending areas (which include federal dollars), Oklahoma spent 12.38 percent of personal income (an increase since 2015 of almost a half percent), only a little below the national average of 12.7 percent.*

Fortunately, Oklahoma is a top-ten state when it comes to minimizing the size of government's bite that state and local governments take from their citizens' pockets, as least for 2017. Ranking 9th out of 50, Oklahoma is firmly within the top 20 percent of states in minimizing the financial burden of state and local governments. Of the states that border Oklahoma, only Missouri, ranked 10th, is also among the top 10.

Hypothetically, if a single state's spending on the six featured areas in the table (see reverse) were at the levels of the states ranked at the bottom in each category, that state would have spent over 25 percent of residents' total personal income. If a hypothetical state spent at the levels of the top of the rankings in each of the six categories, it would spend only 6.4 percent of residents' total personal income (a decrease from 2015).

Suppose that instead of its current levels of spending in the six featured categories, Oklahoma were more efficient and effective with its money and spent at levels of states ranked above it. Georgia spends 1.3 percent of personal income on higher

education but has a system that promises many a free college education. Florida's public education system is good compared to many states but spends only 2.9 percent of income in that area. Texas, similar in many ways to Oklahoma, spends only 2.9 percent of income on welfare and 1.2 percent on highways. Kansas spends .39 percent on corrections. Massachusetts spends only .35 percent of its income on hospitals.

Combining the above percentages, if Oklahoma were to improve to those levels, its spending in the six categories would amount to 9.03 percent of personal income, more than three percent less than currently. That would represent a 27 percent cost reduction in those areas. If Oklahoma's state and local governments improved their operations efficiency so that purely state-financed spending dropped by just 10 percent, \$2.2 billion could be redirected to enhance existing government services, provide new services, or be returned to taxpayers.

States spend different levels of taxpayers' income in different areas for a variety of reasons. One reason might have to do with affordability in the state and levels of income. However, in the far left column, states' personal income adjusted for cost of living is provided. Oklahoma's ranking in that category fell from 12th in 2015 to 21st in 2017 (Oklahoma DID see a drop in per-capita personal income between those two years). Still, our levels of spending in the six categories are all over the place. For the most part, states' personal income rankings by this measure are not well correlated to either spending or overall tax levels.

Byron Schlomach is 1889 Institute Director.

Vance H. Fried is 1889 Institute Senior Fellow and Riata Professor of Entrepreneurship Emeritus at Oklahoma State University.

Spencer Cadavero is 1889 Institut Research Associate.

State and Local Revenues and Select Expenditures As A Percentage of Personal Income*

2017 Rank	COL Personal Income/ Capita †		Taxes & Fees		Higher Ed		Public Ed		Public Welfare		Hospitals		Highways		Corrections	
			USA	14.65%	USA	1.81%	USA	4.02%	USA	4.10%	USA	1.18%	USA	1.10%	USA	0.48%
1	WY	\$59,335	TN	11.64%	NV	1.12%	HI	2.79%	CT	1.52%	ND	0.07%	CA	0.67%	MA	0.21%
2	CT	\$55,784	NH	11.81%	FL	1.13%	AZ	2.82%	WY	2.56%	VT	0.07%	TN	0.78%	CT	0.25%
3	ND	\$54,807	AZ	12.10%	NY	1.17%	FL	2.88%	VA	2.62%	NH	0.08%	HI	0.81%	NH	0.29%
4	IL	\$54,329	GA	12.53%	NH	1.22%	ID	3.17%	GA	2.69%	DE	0.10%	NJ	0.81%	IA	0.30%
5	NE	\$54,247	FL	12.63%	MA	1.23%	NC	3.29%	CO	2.77%	RI	0.12%	RI	0.82%	HI	0.31%
6	MN	\$53,203	MT	12.82%	TN	1.26%	TN	3.29%	SD	2.78%	MD	0.17%	IN	0.83%	IL	0.31%
7	VA	\$53,076	SD	12.86%	RI	1.27%	CO	3.32%	FL	2.87%	AZ	0.27%	MA	0.85%	IN	0.36%
8	KS	\$52,775	CT	13.03%	ME	1.30%	OK	3.38%	TX	2.89%	ME	0.29%	AZ	0.86%	NJ	0.36%
9	WA	\$52,552	OK	13.22%	NJ	1.32%	NV	3.46%	NE	2.92%	SD	0.31%	CT	0.90%	AL	0.37%
10	CO	\$52,301	MO	13.34%	GA	1.33%	IN	3.47%	KS	2.98%	MT	0.34%	MO	0.90%	MO	0.37%
11	TX	\$51,471	TX	13.34%	CT	1.35%	MA	3.59%	WA	3.00%	MA	0.35%	MD	0.93%	MN	0.38%
12	NJ	\$51,316	MA	13.35%	IL	1.37%	SD	3.60%	UT	3.00%	NJ	0.44%	MI	0.95%	SC	0.39%
13	PA	\$51,075	ID	13.51%	MO	1.52%	CA	3.62%	NC	3.01%	CT	0.57%	GA	0.96%	TN	0.39%
14	MI	\$50,452	VA	13.52%	ID	1.62%	CT	3.72%	NV	3.06%	IL	0.58%	NH	0.98%	KS	0.39%
15	IA	\$50,379	MD	13.53%	HI	1.63%	WA	3.78%	NH	3.15%	PA	0.67%	NY	0.99%	OH	0.40%
16	NH	\$50,064	NV	13.61%	LA	1.71%	MD	3.80%	NJ	3.16%	MN	0.68%	WA	1.02%	RI	0.41%
17	WI	\$49,740	IN	13.66%	MD	1.74%	VA	3.83%	IL	3.18%	WV	0.69%	CO	1.07%	WA	0.42%
18	MA	\$49,579	PA	13.91%	PA	1.75%	NH	3.84%	ND	3.24%	OK	0.72%	VA	1.07%	OK	0.43%
19	OH	\$49,420	CO	14.01%	SD	1.78%	MI	3.87%	MO	3.44%	NV	0.79%	FL	1.09%	NC	0.43%
20	TN	\$49,294	IL	14.17%	VA	1.78%	MO	3.91%	ID	3.63%	HI	0.83%	NC	1.10%	UT	0.43%
21	OK	\$48,710	AR	14.26%	WA	1.79%	UT	3.93%	MD	3.63%	WI	0.90%	OR	1.10%	ME	0.43%
22	MO	\$48,566	NJ	14.34%	CA	1.80%	IL	3.93%	MI	3.79%	CO	0.93%	NM	1.11%	SD	0.43%
23	SD	\$48,524	KY	14.36%	OH	1.86%	OR	3.95%	SC	3.81%	ID	0.96%	OH	1.14%	FL	0.44%
24	IN	\$48,480	LA	14.38%	MN	1.92%	LA	3.97%	TN	3.93%	FL	0.99%	LA	1.18%	CO	0.45%
25	DE	\$47,741	NC	14.59%	AK	2.04%	AL	4.03%	OK	3.94%	NE	1.05%	TX	1.18%	GA	0.47%
26	GA	\$47,654	MI	14.64%	AZ	2.07%	MT	4.04%	IA	4.12%	GA	1.06%	SC	1.22%	VT	0.48%
27	FL	\$47,188	WA	14.69%	MT	2.11%	WI	4.09%	HI	4.16%	AK	1.10%	ID	1.27%	MS	0.48%
28	AR	\$46,459	NE	14.70%	CO	2.13%	KY	4.17%	AL	4.35%	AR	1.11%	AL	1.30%	TX	0.48%
29	MD	\$46,250	WI	14.77%	AR	2.15%	AR	4.19%	WI	4.55%	OH	1.13%	KY	1.34%	LA	0.48%
30	LA	\$46,071	AL	14.90%	IN	2.18%	TX	4.25%	IN	4.73%	VA	1.15%	IL	1.38%	AR	0.49%
31	NY	\$46,031	RI	14.95%	SC	2.19%	ME	4.25%	MT	4.84%	MI	1.17%	KS	1.38%	NE	0.51%
32	NC	\$45,775	ME	15.23%	WI	2.26%	MS	4.26%	CA	4.86%	LA	1.26%	UT	1.40%	WV	0.51%
33	AL	\$44,270	OH	15.31%	NC	2.30%	DE	4.34%	MA	4.92%	CA	1.29%	PA	1.45%	MD	0.53%
34	ID	\$43,934	CA	15.33%	TX	2.30%	KS	4.35%	RI	4.93%	TN	1.29%	OK	1.51%	KY	0.54%
35	UT	\$43,932	VT	15.74%	OK	2.41%	ND	4.38%	AZ	4.97%	OR	1.40%	NV	1.52%	ND	0.55%
36	MT	\$43,732	MN	15.81%	NE	2.44%	MN	4.40%	OH	4.98%	NY	1.40%	MS	1.59%	NY	0.55%
37	AZ	\$43,549	KS	16.11%	OR	2.49%	GA	4.40%	PA	5.08%	TX	1.41%	NE	1.63%	WI	0.55%
38	MS	\$42,710	DE	16.17%	KS	2.52%	PA	4.43%	MN	5.16%	KY	1.42%	MN	1.63%	MI	0.55%
39	AK	\$42,682	SC	16.27%	KY	2.55%	WV	4.50%	DE	5.38%	IN	1.52%	ME	1.64%	PA	0.56%
40	NV	\$42,623	MS	16.44%	WV	2.57%	SC	4.50%	ME	5.46%	MO	1.54%	AR	1.67%	MT	0.56%
41	VT	\$42,348	WV	16.72%	AL	2.62%	NM	4.55%	OR	5.46%	NM	1.69%	WV	1.78%	WY	0.56%
42	KY	\$42,042	UT	16.77%	MI	2.63%	OH	4.58%	LA	5.55%	UT	1.73%	MT	1.83%	AZ	0.57%
43	RI	\$41,669	OR	17.14%	IA	2.67%	RI	4.59%	VT	5.79%	WA	1.84%	IA	1.90%	VA	0.57%
44	CA	\$41,328	WY	17.16%	ND	2.70%	IA	4.62%	NY	5.86%	NC	2.26%	VT	1.95%	NV	0.58%
45	NM	\$41,120	NM	17.46%	WY	2.77%	NJ	4.84%	MS	5.87%	KS	2.59%	WI	1.98%	ID	0.58%
46	SC	\$40,624	ND	17.54%	MS	2.78%	NE	4.87%	AR	6.12%	IA	2.69%	DE	2.15%	CA	0.63%
47	ME	\$39,676	IA	17.68%	VT	2.80%	VT	5.18%	AK	6.21%	WY	3.21%	SD	2.39%	OR	0.68%
48	WV	\$39,545	HI	19.06%	DE	2.94%	AK	5.66%	KY	6.52%	AL	3.24%	WY	2.73%	DE	0.69%
49	OR	\$35,855	NY	19.18%	NM	3.30%	NY	5.69%	WV	6.85%	SC	3.34%	AK	3.41%	AK	0.78%
50	HI	\$27,583	AK	19.57%	UT	3.51%	WY	5.81%	NM	7.42%	MS	3.65%	ND	4.22%	NM	0.89%

*Expenditures include Federal Sources of Funding.

†COL - Cost of Living Adjusted

Sources: Census Bureau, Bureau of Economic Analysis, Author Calculations