

May 2016

Oklahoma is a Medium, Not Low, Tax & Spending State

By Byron Schlomach

Out of the 50 states and DC, as a percentage of GDP, Oklahoma's state and local governments are:

- 36th in how much they extract from the state's GDP in taxes and fees. Oklahoma governments take more from its economy than Massachusetts (often called "Taxachusetts") by this measure. Oklahoma is not a "low-revenue" state at all.
- 34th in spending on public education. Only a slightly lower percentage of GDP than in the U.S. as a whole and higher than Indiana, Delaware, California, and Washington.
- 16th in highway spending. Clearly, we have work to do.
- 20th in health spending. Oklahoma is not parsimonious in health spending, which includes Medicaid and other programs for the indigent.
- 16th in welfare spending. By this measure, Oklahoma is a high spending state.

How often do we hear, "Oklahoma is (some number between 40th and 50th) in spending among the states in (pick some area, usually health care or education)?" Or, another mantra is that Oklahoma is a "low-tax state." In most instances, when one considers the affordability of government given the income of Oklahomans, these "facts" are not facts at all. They are conveniently constructed myths.

Consider the table printed on the back of this page. It shows state and local government revenues by states and the District of Columbia, as well as spending in

several areas. The measures for tax and spending levels are expressed in percentages of the respective states' gross domestic product (GDP). Note that Texas, our neighbor to the south, is consistently near the bottom in nearly every column.

Why look at taxes and spending on the basis of state GDP? The structure of state and local taxes varies dramatically from state to state. For example, some states don't have income taxes and others are heavily reliant on income tax. Taxes and fees as a percentage of income is the best measure of the overall state and local tax rate.

As to spending, state GDP varies from state to state for a variety of reasons. One is that costs of living (prices) vary across states. Oklahoma's per capita GDP can be as low as it is partly has to do with low prices in Oklahoma relative to most states. When total dollar spending on any given area in Oklahoma is compared to California, Oklahoma is likely to always look worse purely in dollar terms because prices here are lower. We can spend fewer dollars here and still get more for our money than in California.

Another reason for comparing state and local taxes and spending to state GDP is that the measures in the table reflect affordability for citizens and the sacrifices they make for government better than raw dollar measures. In total dollar terms, Oklahomans simply cannot afford as much government as people can in other states. Washington, D.C. is at the bottom of spending in public education despite remarkably high spending per student because GDP in D.C. is over \$150,000 per person! We cannot afford the waste that they afford.

Data on tax and spending levels used to compute the percentages come from the Census Bureau. The Bureau of Economic Analysis produces state GDP data. The latest tax and spending data available are from 2013. GDP from the same year was used to compute the percentages. Revenue data are state and local revenues only, not including federal money. Spending levels do include federal funds.

This paper, in its entirety, can be found at www.1889institute.org/fiscal-policy.html

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State & Local Revenue as a Percentage of State GDP			Selected State & Local Expenditures as a Percentage of State GDP (2013)							
Rank	Taxes & Fees		Public Ed		Highways		Health	Welfare		
	United States Total		United States Total		United States Total		United States Total		United States Total	
1	Alaska	21.4%	Vermont	5.3%	North Dakota	2.6%	Michigan	1.01%	Vermont	5.7%
2	North Dakota	16.2%	New Jersey	4.6%	Vermont	2.5%	Maine	0.97%	Maine	5.5%
3	Mississippi	16.1%	West Virginia	4.5%	Alaska	2.4%	Vermont	0.86%	Mississippi	5.3%
4	Vermont	16.0%	Alaska	4.4%	South Dakota	2.1%	North Carolina	0.84%	West Virginia	5.0%
5	West Virginia	15.8%	Rhode Island	4.3%	Montana	2.1%	Wyoming	0.79%	New Mexico	4.5%
6	Maine	15.7%	South Carolina	4.2%	Maine	1.7%	Delaware	0.77%	New York	4.5%
7	New York	15.5%	Arkansas	4.2%	West Virginia	1.7%	Ohio	0.77%	Arkansas	4.4%
8	South Carolina	15.5%	New York	4.2%	Wyoming	1.7%	Arizona	0.76%	Rhode Island	4.4%
9	Hawaii	15.1%	Mississippi	4.2%	Mississippi	1.6%	Pennsylvania	0.75%	Minnesota	4.0%
10	Wyoming	15.0%	Maine	4.2%	Idaho	1.4%	Missouri	0.75%	Pennsylvania	3.9%
11	Kansas	14.4%	Pennsylvania	4.1%	Kentucky	1.4%	Washington	0.70%	Kentucky	3.9%
12	Rhode Island	14.4%	Wyoming	4.0%	Wisconsin	1.4%	Wisconsin	0.69%	Idaho	3.7%
13	New Mexico	14.3%	New Hampshire	4.0%	Pennsylvania	1.4%	Hawaii	0.69%	Ohio	3.7%
14	Wisconsin	13.7%	Alabama	3.9%	Iowa	1.3%	Montana	0.67%	Tennessee	3.6%
15	New Jersey	13.7%	New Mexico	3.9%	Arkansas	1.3%	Oregon	0.64%	Wisconsin	3.6%
16	Florida	13.6%	Montana	3.8%	Oklahoma	1.2%	South Carolina	0.63%	Oklahoma	3.5%
17	Minnesota	13.5%	Michigan	3.8%	Kansas	1.2%	New Mexico	0.62%	Alaska	3.5%
18	Michigan	13.4%	Ohio	3.8%	Minnesota	1.2%	California	0.61%	Massachusetts	3.5%
19	Alabama	13.3%	Kentucky	3.8%	New Mexico	1.2%	Florida	0.61%	Indiana	3.5%
20	Iowa	13.3%	Georgia	3.8%	Delaware	1.2%	Oklahoma	0.55%	Montana	3.4%
21	Montana	13.2%	Kansas	3.7%	Alabama	1.2%	Kentucky	0.54%	South Carolina	3.3%
22	Pennsylvania	13.2%	Wisconsin	3.6%	Nebraska	1.2%	Maryland	0.53%	Alabama	3.3%
23	Arkansas	13.2%	Connecticut	3.6%	New Hampshire	1.2%	New York	0.51%	Delaware	3.3%
24	California	13.1%	Iowa	3.6%	Nevada	1.0%	Alaska	0.50%	Iowa	3.2%
25	Ohio	13.0%	Maryland	3.6%	Washington	1.0%	West Virginia	0.50%	California	3.1%
26	Maryland	12.8%	Nebraska	3.6%	Florida	1.0%	Alabama	0.47%	Michigan	3.1%
27	Connecticut	12.7%	Missouri	3.5%	Louisiana	1.0%	South Dakota	0.46%	Arizona	3.1%
28	Idaho	12.7%	Virginia	3.5%	Illinois	1.0%	Virginia	0.46%	Maryland	3.1%
29	Illinois	12.5%	Illinois	3.5%	Utah	1.0%	Colorado	0.46%	Oregon	3.0%
30	Colorado	12.5%	Minnesota	3.4%	Missouri	1.0%	Nebraska	0.45%	Missouri	3.0%
31	Utah	12.3%	Massachusetts	3.4%	Ohio	0.9%	Mississippi	0.44%	Florida	3.0%
32	North Carolina	12.2%	Utah	3.3%	Hawaii	0.9%	Georgia	0.44%	Connecticut	2.9%
33	Kentucky	12.2%	Louisiana	3.2%	Virginia	0.9%	Kansas	0.43%	Louisiana	2.9%
34	Oregon	12.2%	Oklahoma	3.2%	Colorado	0.9%	Idaho	0.42%	Hawaii	2.9%
35	Indiana	12.2%	Idaho	3.2%	Oregon	0.9%	Illinois	0.41%	District of Columbia	2.9%
36	Oklahoma	12.1%	Tennessee	3.2%	North Carolina	0.9%	Utah	0.40%	North Carolina	2.8%
37	Arizona	12.1%	Indiana	3.1%	California	0.9%	District of Columbia	0.40%	New Jersey	2.8%
38	Nevada	12.0%	North Carolina	3.1%	Tennessee	0.9%	North Dakota	0.38%	Illinois	2.7%
39	Delaware	12.0%	Florida	3.1%	Maryland	0.9%	Minnesota	0.34%	New Hampshire	2.6%
40	Nebraska	11.9%	Delaware	3.1%	Indiana	0.8%	Tennessee	0.34%	Georgia	2.5%
41	New Hampshire	11.9%	Nevada	3.0%	Arizona	0.8%	Connecticut	0.33%	Kansas	2.4%
42	Virginia	11.8%	California	3.0%	Texas	0.8%	Rhode Island	0.33%	Nebraska	2.4%
43	Missouri	11.8%	Washington	2.9%	New Jersey	0.8%	Louisiana	0.31%	Virginia	2.4%
44	Washington	11.7%	Texas	2.9%	Rhode Island	0.8%	Indiana	0.30%	Utah	2.3%
45	Massachusetts	11.6%	South Dakota	2.9%	Michigan	0.8%	New Jersey	0.30%	South Dakota	2.2%
46	Louisiana	11.4%	Oregon	2.9%	New York	0.7%	Nevada	0.30%	Washington	2.1%
47	Georgia	10.9%	Colorado	2.9%	Georgia	0.7%	Texas	0.30%	Colorado	2.1%
48	Tennessee	10.8%	North Dakota	2.8%	South Carolina	0.7%	Arkansas	0.30%	Nevada	2.0%
49	South Dakota	10.0%	Arizona	2.7%	Connecticut	0.7%	Massachusetts	0.29%	Texas	2.0%
50	Texas	9.7%	Hawaii	2.5%	Massachusetts	0.6%	Iowa	0.27%	Wyoming	1.9%
51	District of Columbia	7.1%	District of Columbia	2.1%	District of Columbia	0.6%	New Hampshire	0.25%	North Dakota	1.9%

Sources: Author calculations using Census Bureau and Bureau of Economic Analysis data.