

Why Oklahoma returned to a stable outlook

By Richard Williamson

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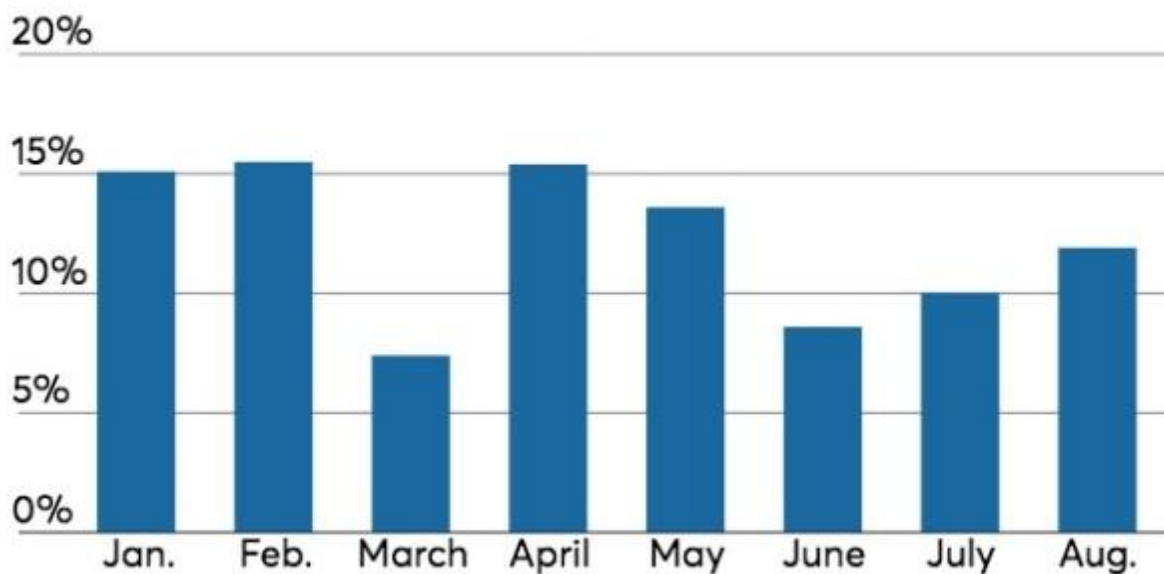
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DALLAS – Oklahoma's Aa2 issuer rating has regained its stable outlook from Moody's Investors Service after lawmakers stabilized the budget in a recovering economy.

"The state's Aa2 issuer rating reflects an economy that weathered energy sector weakness and has since experienced a gradual expansion," lead analyst Joshua Grundleger said in a report issued Tuesday.

Sooner or later

Oklahoma gross receipts growth in 2018



Source: Oklahoma Treasurer

"The stable outlook reflects an expectation of modest economic growth, despite continued reliance on the oil and gas sector, and the stabilization of the state's finances driven by recent revenue growth," Grundleger added. "The replenishment of reserves will help cushion the state from fiscal pressure during the next economic downturn."

Gov. Mary Fallin cheered the action.

"This reflects our growing state economy, improved budgeting practices, and below-average debt burden," she said. "Most importantly, lawmakers approved and I signed a revenue package this year that provides a long-term solution to multi-year budget."

On March 29, Fallin signed a [series](#) of revenue increases into law, marking the first time in nearly 30 years that the state was able to surpass the 75% legislative supermajority required for a tax increase. Fallin called two special sessions to address a budget shortfall and provide a raise for teachers.

The revenue measures include new taxes of \$1-per-pack on cigarettes, three cents per gallon on gasoline, six cents per gallon on diesel, and an increase in the gross production tax on oil from 2% to 5%. A separate measure capped itemized deductions on state income tax returns at \$17,000. Some of those measures had failed to garner support only a few months before.

Most of the new revenues were earmarked for \$470 million in new expenditures, raises for state employees, with teachers gaining an average pay hike of \$6,100.

Moody's had a negative outlook on Oklahoma since Dec. 23, 2015, a year and a half after oil prices began a 60% drop from the mid-2014 high of more than \$100 per barrel. The led to a series of budget shortfalls and a political impasse over raising revenues.

S&P Global Ratings rates Oklahoma AA with a stable outlook, as does Fitch Ratings.

The Sooner State's gross receipts to the Treasury grew by 13.1% to \$995.1 million in August, the second month that tax hikes approved by the Legislature were recorded, according to state Treasurer Ken Miller.

Gross receipts over the past 12 months, at \$12.4 billion, are 11.9% over the prior 12 months. Both totals are record highs.

"Clearly, Oklahoma is doing much more than 'fine' with gross receipts expanding at a double-digit pace, even when recent state tax increases are taken out," Miller said.

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