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December 6, 2018

Oklahoma's Defining Industry Drives State Tax Revenue Increase

Oklahoma City, Okla. – State revenue collections are the highest on record and driven by Oklahoma's oil and gas industry. According to a report by Oklahoma Treasurer Ken Miller [this week](#), gross production taxes on oil and natural gas generated just shy of \$120 million in November, a 125 percent increase compared to last November. Over the past 12-months, gross production taxes totaled \$926 million, a 78 percent increase from the previous 12-month period.

While gross production tax revenues have surged compared to last year, it's only one part of the overall tax impact from Oklahoma's largest industry. In addition to the gross production tax, significant state and income tax revenue is generated annually from investments, assets, purchasing of goods and services and income taxes from local employees.

Key Takeaways of Treasurer Miller's [report](#):

- November gross receipts, at \$1 billion, and 12-month gross receipts, at \$12.8 billion, are the **highest on record**.
- All major revenue streams show growth in November, led by the gross production tax on crude oil and natural gas, which **surged by more than 125 percent** compared to November 2017.
- Gross production taxes on oil and natural gas **generated \$118.8 million in November**, an increase of \$66.1 million, or 125.3 percent, from last November.
- Oil and gas gross production tax collections brought in **\$926.2 million during the 12 months**, up by \$405.8 million, or **78 percent, from the previous period**.

The latest revenue numbers give Oklahoma a positive outlook as we close the year. But the numbers also show the budget's direct link to the well-being of the oil and natural gas industry. As we all remember from previous downturns, our industry is volatile and tax revenues can be unpredictable given fluctuations in commodity prices. While businesses may be able to anticipate and plan for market changes, history shows this same notion cannot be said for Oklahoma's budget.

For critical state services to be dependent on the strength of one industry is something we know the incoming Administration recognizes and speaks to the need to diversify Oklahoma's economy. As OIPA-OKOGA president Chad Warmington wrote in the [Journal Record](#) over the weekend, Oklahoma crude oil prices have plunged 33 percent since early October, serving as a stark reminder of the volatility of the industry:

*"It's not just oil and natural gas producers who feel the pinch when prices fall. The working Oklahomans who work in our state's historic oil fields – one out of every six Oklahoma employees – are the first to see the impact as drilling slows. The **economic impact ripples throughout Oklahoma's economy** with fewer trips to the convenience store, fewer hotel rooms occupied and fewer seats filled at the local diner.*

*That **decrease in economic activity serves as a double whammy for state coffers**. Already impacted by gross production tax collections that follow the ups and downs of commodity prices, the reduction in sales tax, income tax and corporate tax collections compounds the issue for a state budget built on the oil and natural gas industry.*

*The Oklahoma economy continues to benefit from the strength in its defining industry. It is unwise, however, to assume that current levels of production, employment and drilling will sustain themselves indefinitely into the future thanks to an ever-volatile commodity market. **Policymakers should begin to focus now on practices that will help the state manage the economic cycles that surely lie ahead.**"*

As we move forward into the new year and continue to deal with the ebbs and flows of the global commodity market, our industry remains committed to moving Oklahoma forward and responsibly developing our job creating natural resources.

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About OIPA-OKOGA: *OIPA-OKOGA is the only trade association in Oklahoma that represents every segment of the oil and natural gas industry, allowing the industry to speak with one voice when advocating for the interests of our members, landowner partners, host communities and employees. Together, our goal is to enhance Oklahoma's economy for future generations and be a destination for capital investment from the upstream, midstream and downstream segments of the energy industry.*