

S&P restores Oklahoma's stable outlook

By [Richard Williamson](#) April 15, 2021, 1:41 p.m. EDT 2 Min Read

Oklahoma's management of its finances during the pandemic has restored the outlook on its AA rating from S&P Global Ratings to stable.

S&P placed a negative outlook on the credit with the onset of the COVID-19 crisis.



"State leaders have exercised fiscal discipline during the pandemic," Treasurer Randy McDaniel said. "This announcement from a widely respected independent source is welcome news."

"The revision to stable reflects our view of Oklahoma's responsive budget management and the presence of constitutional and statutory procedures embedded within its government framework that support the state's capacity to effectively respond to unprecedented economic and financial pressures stemming from the public health and safety risks of the COVID-19 pandemic and the supply and demand imbalance in global energy markets in 2020 and 2021," said S&P Global Ratings credit analyst Thomas Zemetis.

"These factors, in conjunction with the states comparatively low debt burden and steady funding of long-term post-employment liabilities over the past decade, support our view of credit stability," he added.

Oklahoma Treasurer Randy McDaniel said the outlook change is encouraging and helps the state reduce interest costs on future bond issues. "State leaders have exercised fiscal discipline during the pandemic," McDaniel said. "This announcement from a widely respected independent source is welcome news."

The S&P outlook change also anticipates responsible decision-making will continue.

The report states the revision is based, in part, on "the expectation that Oklahoma's legislative and executive branches will reach consensus on actions to restore and maintain structural balance in future budgets and sustain a commitment to rebuilding reserves."

The state's primary reserve funds are the Constitutional Reserve Fund and the Revenue Stabilization Fund. They currently contain about \$230 million, which is about 3% of general revenue appropriations, McDaniel said. The combined balance exceeded \$1 billion before the pandemic.

Other factors cited by S&P for its more favorable outlook include the state's relatively low debt burden and its decade-long history of sufficient pension funding.

In February, the Oklahoma Board of Equalization's certified its revenue projections for fiscal year-end June 30, 2021, which total \$6.52 billion.

“The BOE's revised February revenue certification incorporated the uplift to state budgetary conditions from sooner-than-expected mainstream availability of COVID-19 vaccines and the addition of federal stimulus passed in December 2020,” S&P noted.

The revised February 2021 revenue certification exceeded the BOE's December 2020 revenue certification by \$414.4 million, and it surpasses the legislature's enacted fiscal 2021 general revenue appropriations by about \$1.27 billion.