



Oklahoma
State
Senate

Legislative Brief

June 2011

FY'12 State Budget Overview

In preparing the FY'12 budget, the Legislature once again faced a significant decrease in revenues available from the prior fiscal year. This shortfall was different than the initial \$1.201 billion deficit for FY'11 in that it was not caused by a decrease in tax revenues certified by the Board of Equalization. It was caused by a structural deficit created by using one-time ARRA Stimulus Funds, Rainy Day Funds and prior year cash to help fill the FY'11 budget gap. These one-time funds were used to pay for ongoing operating costs at agencies in FY'11, particularly in the areas of education and health care. This contributed to a structural deficit of approximately \$510 million for FY'12.

Certified revenues increased by \$159.6 million from FY'11 to FY'12. This increase was attributable mainly to estimated increases in oil gross production taxes (46.4%), sales taxes (9.5%) as well as individual (7.4%) and corporate (18.6%) income taxes. Decreases in natural gas gross production (-15.1%) and interest on investments (-23.2%) brought down the average slightly. Unfortunately, the good news of lower unemployment and higher tax revenue was tempered by the lack of ARRA Stimulus Funds, Rainy Day Funds and available cash.

The budget agreement for FY'11 allocated the final \$200 million of "ARRA Education Stabilization Funds" to help keep the cuts to Common Education and Higher Education at approximately 3% instead of the 7% experienced at other agencies. The Legislature and Governor also had discretionary funds for the State Medicaid Program totaling approximately \$900 million for expenditure in FY'09, FY'10, FY'11 and FY'12. Approximately \$353 million was authorized for use in FY'11 between OHCA, DHS, ODMHSAS, UHA, OJA and others to help mitigate their cuts. Approximately \$99 million was held in reserve for FY'12.

The Legislature used approximately \$272.7 million of Rainy Day Funds for ongoing operations in FY'11 as well. About \$103 million of Rainy Day Funds were moved to the Special Cash Fund and set aside for FY'12 by the 2010 Legislature. Still, the structural deficit caused by just these three funding sources for FY'12 was \$624 million. Another \$46 million in one-time cash was transferred from Unclaimed Property and various other agencies for FY'11 which brought the total structural deficit for FY'12 to \$670 million. With the \$159.6 million growth in FY'12 certified revenues, the Legislature was facing a budget gap of approximately \$510 million.

Balancing a deficit of that size required a combination of revenue raising measures, transfers of cash from agency accounts and agency budget reductions. The total appropriated budget for state agencies

decreased by \$211 million or -3.1% from FY'11 to FY'12. The rest of the \$510 million structural gap was made up primarily with transfers of cash from various accounts. The Legislature transferred \$120 million from the Cash Flow Reserve Fund to the Special Cash Fund where it was appropriated to agencies. Approximately \$102 million was transferred from ODOT to the Special Cash Fund. ODOT received authorization to sell a \$70 million bond and a \$35 million increase in the ROADS Fund to make up for the transfer. A total of \$15 million was transferred from Unclaimed Property to the Special Cash Fund and numerous smaller transfers were made from other agencies. Approximately \$15 million was raised by increasing various tax collection enforcement efforts.

The General Appropriation (GA) Bill for the 2011 legislative session was HB 2170. That bill, in conjunction with HB 2180, appropriated a total amount of \$6,509,437,284. This was a -3.1% reduction from the FY'11 appropriation of \$6,720,837,226. The standard budget cut for FY'12 was approximately 7%. Agencies were adjusted higher or lower than this amount based on their past reductions as well as their ability to offset the state appropriation reduction with revolving funds, federal funds, local funds or fees.

Total budgets for agencies were considered in detail. For instance, the Regents for Higher Education received a 5.8% reduction in state appropriations, but only 50% of their funding comes from appropriations made by the Legislature. Their total budget cut will be closer to 2.9%. The same is true for Common Education and Career Tech. Common Education's state dollar cut was 4.1%, but their total budget cut, based off of their federal, local and other revenues for FY'11, should be closer to 2.2%. The 5.8% state dollar cut to Career Technology will result in approximately a 1.7% cut overall.

Total budgets were also considered for agencies that receive a large amount of federal funding but are required to match those funds with state dollars. They were partially spared from budget cuts to preserve their federal matching funds. Those agencies included OHCA, the Department of Mental Health and Substance Abuse Services, Department of Human Services, and Department of Rehabilitation Services.

The Legislature made a special effort to eliminate furlough days at the Department of Corrections, and the DOC Director has agreed to do so. Other public safety agencies were also protected from the worst of the cuts. The Natural Resources Subcommittee was partially spared from cuts because of the especially deep cuts made in that area the previous two years. The spreadsheets on the following two pages detail the state appropriation changes from FY'11 to FY'12 by agency.

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FY'12 State Appropriations

	FY'11 Appropriation	Final FY'12 Appropriation	FY'12 \$ Change From FY'11	FY'12 % From FY'11
Education Subcommittee				
Arts Council	\$4,406,689	\$4,010,087	-\$396,602	-9.0%
Career Technology Education, Education, State Department of	\$141,977,302	\$133,742,618	-\$8,234,684	-5.8%
Educational Television Authority	\$2,375,556,186	\$2,278,158,382	-\$97,397,804	-4.1%
Higher Education, Regents for	\$4,200,360	\$3,822,328	-\$378,032	-9.0%
Land Office, Commissioners of	\$1,003,461,016	\$945,260,277	-\$58,200,739	-5.8%
Libraries, Department of	\$7,109,000	\$7,109,000	\$0	0.0%
Physician Manpower Training	\$6,342,616	\$5,898,633	-\$443,983	-7.0%
Private Vocational Schools	\$4,812,367	\$4,379,254	-\$433,113	-9.0%
Science and Math, School of	\$167,194	\$167,194	\$0	0.0%
Science & Technology, Center for	\$6,540,080	\$6,332,274	-\$207,806	-3.2%
Teacher Preparation, Comm.	\$19,152,096	\$17,811,449	-\$1,340,647	-7.0%
Teacher Preparation, Comm.	\$1,641,053	\$1,526,179	-\$114,874	-7.0%
TOTAL EDUCATION	\$3,575,365,959	\$3,408,217,676	-\$167,148,283	-4.7%
General Government & Transportation Subcommittee				
Auditor and Inspector	\$5,152,673	\$4,706,986	-\$445,687	-8.6%
Bond Advisor	\$155,556	\$143,112	-\$12,444	-8.0%
Central Services, Department of	\$15,973,031	\$17,313,301	\$1,340,270	8.4%
Election Board	\$8,047,225	\$7,805,808	-\$241,417	-3.0%
Civil Emergency Management	\$692,744	\$651,179	-\$41,565	-6.0%
Ethics Commission	\$545,882	\$523,129	-\$22,753	-4.2%
Finance, Office of State	\$20,623,054	\$19,179,440	-\$1,443,614	-7.0%
Governor	\$2,129,671	\$1,980,594	-\$149,077	-7.0%
House of Representatives	\$15,341,770	\$14,574,682	-\$767,089	-5.0%
Legislative Service Bureau	\$4,902,835	\$4,892,835	-\$10,000	-0.2%
Lt. Governor	\$527,699	\$506,591	-\$21,108	-4.0%
Merit Protection Commission	\$527,921	\$490,967	-\$36,954	-7.0%
Military, Department of	\$10,787,365	\$10,247,997	-\$539,368	-5.0%
Personnel Management	\$3,913,555	\$3,639,606	-\$273,949	-7.0%
Secretary of State	\$304,426	\$0	-\$304,426	-100.0%
Senate	\$11,759,778	\$11,171,789	-\$587,989	-5.0%
Space Industry Development Auth.	\$424,289	\$394,589	-\$29,700	-7.0%
Tax Commission	\$46,830,944	\$46,915,944	\$85,000	0.2%
Transportation, Department of	\$114,771,010	\$106,737,039	-\$8,033,971	-7.0%
Treasurer	\$3,903,089	\$3,629,873	-\$273,216	-7.0%
TOTAL GG&T	\$267,314,517	\$255,505,460	-\$11,809,057	-4.4%
Health & Human Service Subcommittee				
Children and Youth, Commission	\$2,156,561	\$2,027,167	-\$129,394	-6.0%
Disability Concerns, Office of	\$341,513	\$317,607	-\$23,906	-7.0%
Health, Department of	\$62,709,238	\$60,083,682	-\$2,625,556	-4.2%
Health Care Authority	\$993,015,720	\$983,085,563	-\$9,930,157	-1.0%
Human Rights Commission	\$571,258	\$531,270	-\$39,988	-7.0%
Human Services, Department of	\$543,110,884	\$537,136,664	-\$5,974,220	-1.1%
Indian Affairs, Commission of	\$206,781	\$192,306	-\$14,475	-7.0%
J.D. McCarty Center	\$4,021,869	\$3,740,338	-\$281,531	-7.0%
Juvenile Affairs	\$99,162,067	\$96,187,205	-\$2,974,862	-3.0%
Mental Health & Substance Abuse	\$187,742,113	\$187,151,517	-\$590,596	-0.3%
Rehabilitation Services, Depart.	\$30,453,770	\$30,149,232	-\$304,538	-1.0%
University Hospitals Authority	\$38,595,044	\$38,446,391	-\$148,653	-0.4%
Veterans Affairs, Department of	\$35,957,256	\$34,698,752	-\$1,258,504	-3.5%
TOTAL HHS	\$1,998,044,074	\$1,973,747,695	-\$24,296,379	-1.2%

	FY'11 Appropriation	Final FY'12 Appropriation	FY'12 \$ Change From FY'11	FY'12 % From FY'11
Natural Resources & Regulatory Services Subcommittee				
Agriculture, Department of	\$26,306,894	\$25,610,247	-\$696,647	-2.6%
Commerce, Department of	\$26,905,919	\$29,073,212	\$2,167,293	8.1%
Conservation Commission	\$9,845,434	\$9,561,684	-\$283,750	-2.9%
Consumer Credit, Department	\$535,255	\$331,730	-\$203,525	-38.0%
Corporation Commission	\$10,133,793	\$11,324,427	\$1,190,634	11.7%
Environmental Quality, Department	\$8,126,853	\$7,557,973	-\$568,880	-7.0%
Historical Society	\$12,913,636	\$12,502,546	-\$411,090	-3.2%
Horse Racing Commission	\$2,135,741	\$2,072,167	-\$63,574	-3.0%
Insurance Commissioner	\$2,012,836	\$1,871,937	-\$140,899	-7.0%
J.M. Davis Memorial Commission	\$306,677	\$306,009	-\$668	-0.2%
Labor, Department of	\$3,166,110	\$3,081,160	-\$84,950	-2.7%
Mines, Department of	\$810,902	\$779,139	-\$31,763	-3.9%
Oklahoma Scenic Rivers Comm.	\$279,239	\$271,315	-\$7,924	-2.8%
Tourism and Recreation, Depart.	\$22,503,229	\$21,803,003	-\$700,226	-3.1%
Water Resources Board	\$5,698,571	\$5,499,671	-\$198,900	-3.5%
Will Rogers Memorial Comm.	\$744,984	\$740,486	-\$4,498	-0.6%
TOTAL NRR	\$132,426,073	\$132,386,707	-\$39,366	0.0%
Public Safety & Judiciary Subcommittee				
ABLE	\$3,376,703	\$3,140,334	-\$236,369	-7.0%
Attorney General	\$12,704,552	\$13,228,141	\$523,589	4.1%
Corrections, Department of	\$462,141,777	\$459,831,068	-\$2,310,709	-0.5%
Court of Criminal Appeals	\$3,455,576	\$3,334,631	-\$120,945	-3.5%
District Attorneys and DAC	\$34,257,560	\$32,887,258	-\$1,370,302	-4.0%
District Courts	\$57,641,865	\$59,600,000	\$1,958,135	3.4%
Fire Marshal	\$1,932,004	\$1,796,764	-\$135,240	-7.0%
Indigent Defense System	\$15,153,972	\$14,699,353	-\$454,619	-3.0%
Investigation, State Bureau of	\$14,716,322	\$13,848,059	-\$868,263	-5.9%
Judicial Complaints, Council on	\$230,581	\$75,000	-\$155,581	-67.5%
CLEET	\$3,917,617	\$3,682,560	-\$235,057	-6.0%
Medicolegal Investigations	\$4,794,164	\$4,698,281	-\$95,883	-2.0%
OBNDD	\$5,466,418	\$3,616,418	-\$1,850,000	-33.8%
Pardon and Parole Board	\$2,334,162	\$2,217,454	-\$116,708	-5.0%
Public Safety, Department of	\$88,432,073	\$84,894,790	-\$3,537,283	-4.0%
Supreme Court	\$15,381,358	\$17,300,000	\$1,918,642	12.5%
Workers' Compensation Court	\$4,349,395	\$4,197,166	-\$152,229	-3.5%
TOTAL PS&J	\$730,286,099	\$723,047,276	-\$7,238,823	-1.0%
OSU Hospital Payment	\$5,000,000	\$5,000,000	\$0	0.0%
REAP	\$12,400,504	\$11,532,469	-\$868,035	-7.0%
Total Appropriation	\$6,720,837,226	\$6,509,437,284	-\$211,399,942	-3.1%