

## MEDIA RELEASE

***For Immediate Release***

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*Contact: David Blatt, Director of Policy, 918-859-8747*

### **OK Policy Forecasts Give Extended Picture of State's Budget Crisis**

(Oklahoma City, Nov. 10, 2009): The impact of the current recession will be long and deep in Oklahoma, and state services will continue to deteriorate, according to a report released today by the Oklahoma Policy Institute. The issue brief explores the past, present and future of Oklahoma's revenue shortfalls and recommends improving revenue forecasting and budget planning. As the first publicly-released forecast for Oklahoma, the brief predicts the long-term effects of the current economic downturn and recommends actions to address the shortfall.

"This shortfall is creating real hardship for the many Oklahomans who rely on state services," said David Blatt, director of Policy for Oklahoma Policy Institute, a state policy organization that analyzes state fiscal issues. "Our work shows a quick rebound is not likely, so we need to turn our attention to how we can preserve essential public services."

Revenues likely will not return to 2008 levels until 2012 or later, and the impact on public services will be both profound and long-lived, the report shows. OK Policy's forecasts are based on six different forecasts using four methods of forecasting, including trend and regression analysis. They reveal that, according to mid-line estimates, even using the maximum available Rainy Day Fund allotment would result in 6 percent budget shortfalls in FY '10. Extending the forecasts out for three more years indicates that revenue may begin to rebound in FY '11, but will not return to FY '08 levels until FY '13, at which point inflation will have reduced the value by 15-20 percent.

To address the current recession and prepare for future downturns, Oklahoma Policy Institute recommends immediate and long-term action. In the short term, state officials should implement quarterly forecasting that is made public. The report also recommends that the Legislature hold public hearings for agency officials and citizens to discuss the effects of cuts in services. Finally, state leaders should define and announce their plan to use the Rainy Day Fund to limit further budget cuts.

According to Oklahoma Policy Institute executive director Matt Guillory, "We have to deal with falling revenues using the tools we have in place today. These give us some options, but are not enough to prevent hardship on Oklahoma families. What we can and should do, though, is be upfront with the public about what to expect through the recovery and make every effort we can now to design tools that will make the next downturn less disruptive to Oklahoma and its families and businesses."

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Oklahoma Policy Institute | 228 Robert S. Kerr, Suite 750 | Oklahoma City, OK | 73102

For the long term, Oklahoma Policy Institute recommends that the state develop multi-year revenue estimates that extend two years beyond the current year. The report also suggests that the forecasting process should be guided by a group of stakeholders rather than one agency, and results should be widely circulated and used in budget planning. The cap on Rainy Day Funds also should be raised, and restrictions on the use of the funds should be lifted so that it can be accessed until revenues return to pre-downturn levels. Oklahoma also should reevaluate tax exemptions and incentives that erode essential public services in times of economic downturn.

For more information on the report please visit [www.okpolicy.org](http://www.okpolicy.org) or contact David Blatt at 918-859-8747.

*Oklahoma Policy Institute is a state policy organization committed to advancing policies aimed at promoting fiscal responsibility, expanding economic opportunity and reducing poverty. For additional information and analysis go to our website at: [www.okpolicy.org](http://www.okpolicy.org)*