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## Oklahoma Policy Institute

### BUDGET TRENDS AND OUTLOOK — MARCH 2015

#### The state faces a huge budget shortfall.

- The Board of Equalization has certified \$6,601.5 million in available funds for FY 2016, which is \$611 million less than in FY 2015.
- Many agencies require additional funds simply to maintain programs and services at current levels, including the Oklahoma Health Care Authority, Department of Mental Health and Substance Abuse Services, Department of Education, Department of Corrections, and Department of Human Services.
- To balance this year's budget, the Legislature appropriated over \$400 million in one-time money from cash reserves and agency revolving funds.
- The Rainy Day Fund currently has a \$535 million balance. Up to \$328 million of that amount could be appropriated for FY 2016.

#### Budget shortfalls are a result of both the economic slowdown and policy choices.

- Between December and February, the projected FY 2016 shortfall more than doubled due falling energy prices and a slowing economy.
- A tax cut approved last year to lower the top income tax rate from 5.25 to 5 percent is scheduled to take effect in 2016. This will reduce revenues by \$57 million in FY 2016 and \$147 million in FY 2016.
- The cost of tax incentives has more than doubled since 2010, according to Oklahoma Watch. This year, the 1 percent tax rate for horizontal drilling is projected to lower revenues by \$416 million.
- The budget is also affected by the growing share of tax revenues that are allocated off-the-top for earmarked purposes. In particular, the ROADS Fund has grown to \$416 million this year and will receive another \$59.7 million increase in FY 2016.

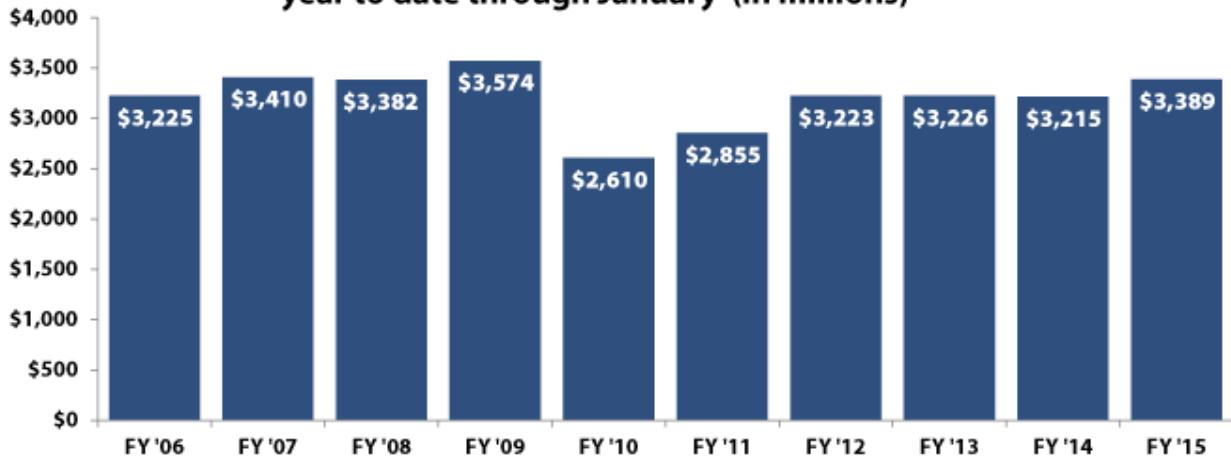
#### The state budget has never fully recovered from the last downturn.

- The FY 2015 budget is \$680 million below FY 2009, adjusted for inflation.
- This year, 52 of 73 appropriated state agencies received budget cuts or flat funding. Most state agencies were cut 5.5 percent. Many are at least 20 percent below their funding levels of 2009.
- State formula funding for public schools remains \$172 million below FY 2008 levels, while enrollment has increased by over 45,000 students.
- The Department of Corrections is operating with 400 fewer correctional officers than in 2008, even as the inmate population continues to grow.
- State government employs 7 percent fewer employees than four years ago and 3 percent fewer than in 2001—despite population growth, heavier caseloads, and new mandates and responsibilities.

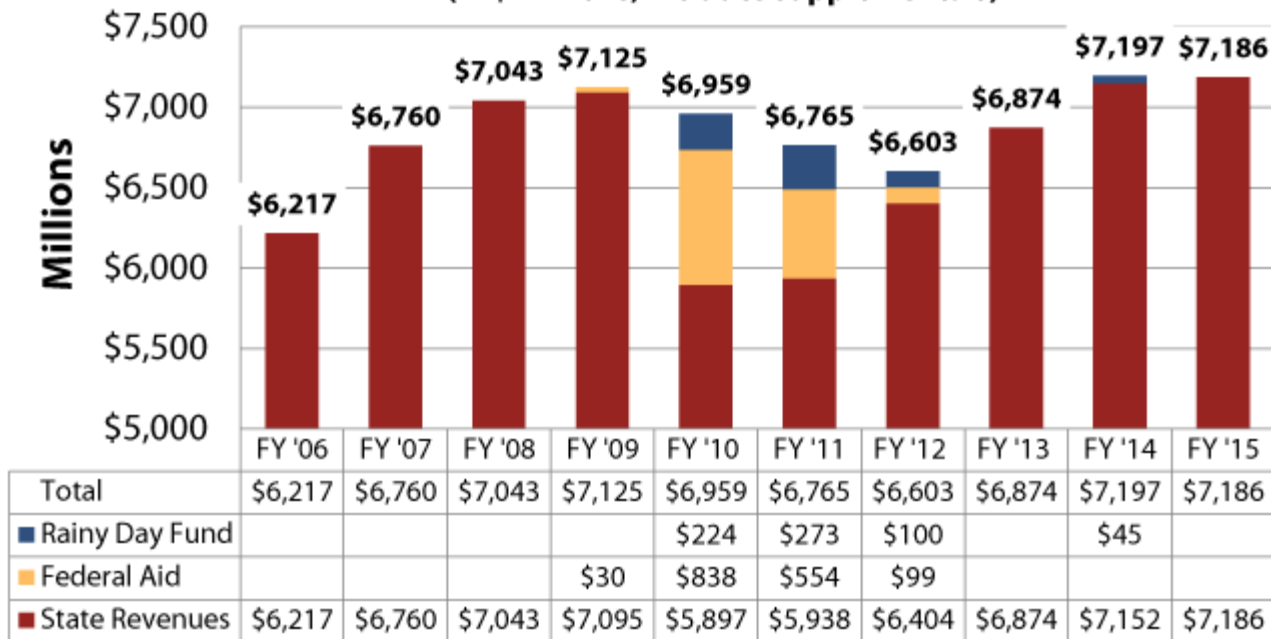
#### The state faces significant longer-term fiscal challenges.

- Over the longer-term, Oklahoma faces a structural budget deficit associated with an aging population and decaying infrastructure, along with an outdated tax system.

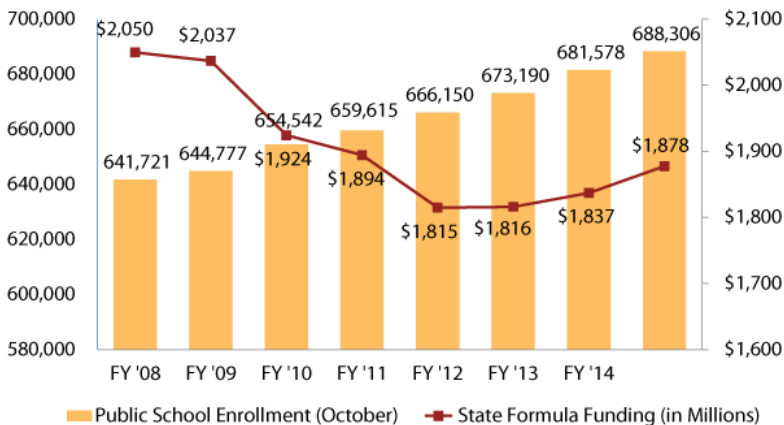
### General Revenue Collections, year to date through January (in millions)



### Oklahoma State Appropriations, FY 2006 - FY 2015 (in \$ millions, includes supplementals)



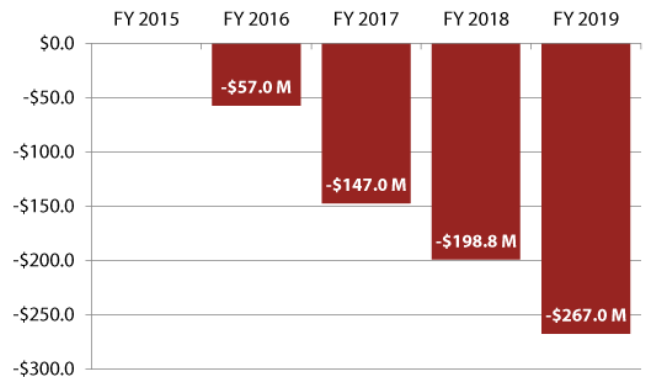
### State Formula Funding Has Not Kept Up With Enrollment



Note: State Funding excludes money allocated for textbooks

### Annual Revenue Loss from 2014 Tax Cuts

(in \$ millions; assumes rate reductions phase in on 1/1/2016 and 1/1/2018)



For in-depth, updated information on the state budget, visit:  
<http://okpolicy.org/responsible-budget-taxes> & [www.okpolicy.org/blog](http://www.okpolicy.org/blog)