

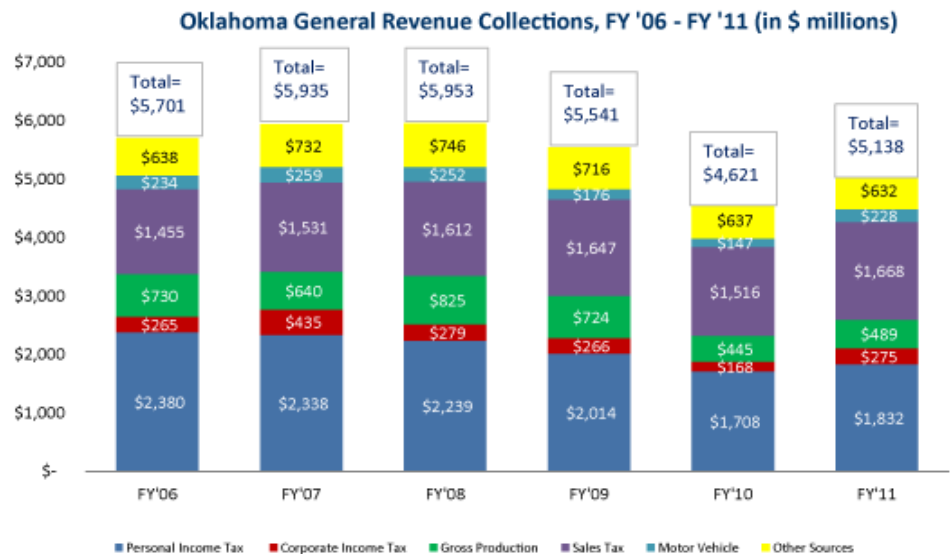
Budget Trends and Highlights – April 2012

The recession, ongoing phase-in of tax cuts, and proliferation of tax exemptions led to precipitous revenue declines in FY '09 and FY '10.

- FY '10 General Revenue (GR) collections were 22.4 percent below pre-downturn levels (FY '08).
- Every major tax source fell during the recession, with income tax and gross production tax collections declining most steeply

Revenue collections recovered only partially in FY '11.

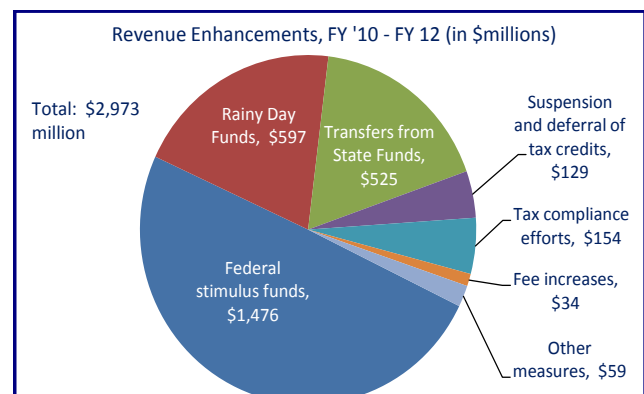
- FY '11 revenues increased 10.5 percent from FY '10 but remained 16.5 percent below FY '08.
- All major taxes grew in FY '11, but only the sales tax surpassed pre-downturn levels.
- Cut in the top income tax rate effective January 2012 affected FY '11 revenue.



From FY '10-FY '12, the Governor and Legislature used various revenue enhancements to help balance the budget and reduce the severity of cuts.

Revenue enhancements totaled close to \$3 billion over the past 3 years. Most of these revenues were non-recurring. They included:

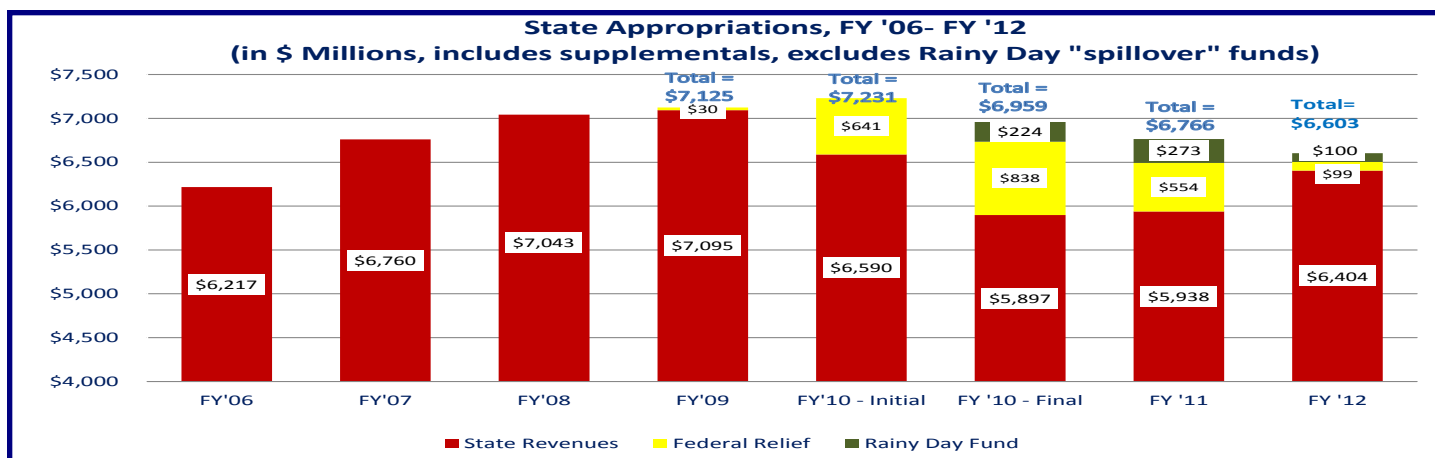
- Federal funds from the 2009 stimulus bill, American Recovery and Reinvestment Act, targeted primarily for Medicaid and education (\$1.5B);
- The state's Rainy Day Fund (\$597M);
- Cash transfers from various state funds, including the State Transportation Fund (substituted for bonds) (\$525M);
- Suspension and deferral of tax credits (\$129M)



...OVER

Total state appropriations are far below pre-downturn levels.

- FY '12 appropriations of \$6.603B is \$163 million, or 2.3 percent, below final FY '11 budget;
- Decrease of \$522M, or 7.3 percent, from FY '09 budget;
- FY '12 budget is 2.3 percent less than the budget in FY '07.

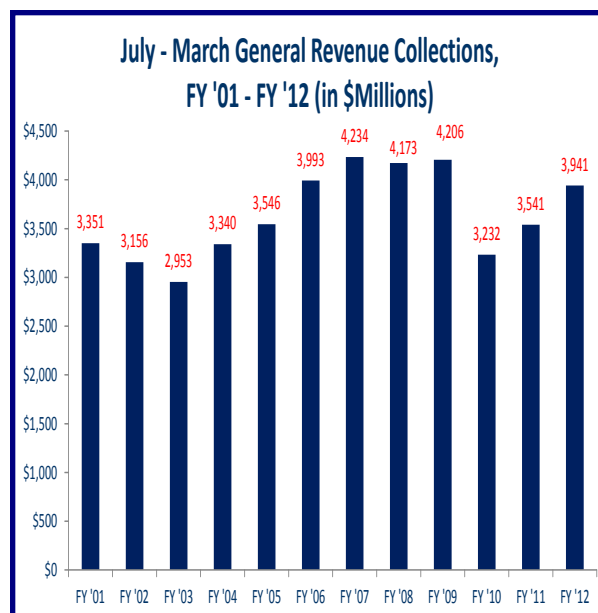


Budget cuts are leading to an ongoing corrosion of public services.

- No agencies have been funded to cover rising operating and employee benefit costs. Most appropriated agencies will have absorbed funding cuts in FY '12 of greater than 20 percent compared to FY '09;
- Loss of inpatient treatment beds for children with mental health problems and adult substance abusers;
- Loss of thousands of teaching and support staff jobs in schools; increased class sizes; elimination of funds for adult education, alternative education; research-based teacher training programs;
- Critical understaffing of correctional facilities; tuition increases; cuts to private providers; growing waiting lists for critical services; closure of state parks and facilities, etc.

The recovery is slow and incomplete.

- FY '12 revenue collections through March are up 22 percent from FY '10—but still 7 percent below FY '07;
- FY '13 revenue certification is \$23 million (1.0 percent) BELOW this year's budget;
 - Loss of one-time revenues, tax cuts, and other policy choices are all stunting revenue growth;
- Governor's FY '13 budget proposes flat funding for almost all agencies at FY '12 levels—despite continued increases in operating costs, caseloads and enrollment
 - No increase to provide for full-year teacher health benefits or bonuses for board-certified teachers.
- DHS child welfare settlement involves a \$30 million obligation for FY '13, \$100 million total



For in-depth, updated information on the state budget, visit: <http://okpolicy.org/current-budget-information> & www.okpolicy.org/blog