

This budget is a step in the right direction. Maintaining state revenue and expanding investments will be vital in future years.

- The FY 2023 budget makes some good and long-awaited investments in Oklahomans. It also misses several critical opportunities to make generational change, such as investing in common education and funding State Question 781.
- In late April 2022, state leaders needed only days to fast track \$698 million to fund tax breaks to lure an out-of-state company to build a manufacturing facility here. Moving forward, lawmakers should apply the same momentum to restoring **decades of cuts, better prioritizing public schools, and providing meaningful support to low- and middle-class Oklahomans.**

The FY 2023 budget makes some long-awaited targeted investments, but misses other opportunities to support Oklahomans.

- For the fiscal year beginning July 1, 2022 (FY 2023), the Oklahoma state budget is **\$10.68 billion**. This includes appropriations outlined in the general budget bill, plus several other smaller bills that direct funding.
- The budget is **\$1.5 billion (12 percent) less** than the FY 2000 budget and \$811 million (8 percent) more than the FY 2022 budget, when adjusted for inflation and population growth. (Figures 1, 2)
- In addition, the budget adds \$214 million in supplemental spending to the current fiscal year (FY 2022), for a total of \$9 billion allocated in FY 2022.
- Though not included in OK Policy's budget calculations, legislators also directed \$930 million of federal funds (provided through the American Rescue Plan Act of 2021) to the Statewide Recovery Fund.
- Amid temporarily higher-than-usual state revenues, the FY 2023 budget spends more than in FY 2022, but **leaves critical investment opportunities on the table.**

The budget includes two specific revenue allocations for the first time.

- Lawmakers directed **\$698 million (6.5 percent of the budget)** to the Large-Scale Economic Activity and Development Fund, to be distributed to large corporations that meet certain requirements for building factories in Oklahoma.
- Another **\$250 million (two percent)** will be deposited in the "Progressing Rural Economic Prosperity" Fund, though no guidelines for this program currently exist.
- Lawmakers created or expanded several incentive programs for industrial development, oil and gas companies, clean-burning vehicles, and capital investment in rural areas. Each of these incentives includes an annual cap, but together these four incentives could cost the state up to **\$92 million annually**. These incentives are not included in the \$10.68 billion budget. However, they will reduce the amount available for funding public services for years to come.
- Though lawmakers initially passed a \$188 million repeal of the motor vehicle sales tax and \$181 million in tax rebate checks as part of the budget, both were vetoed by the governor.



No increased funding for common education is a missed opportunity.

- Spending for all education agencies makes up 44 percent of the state budget, or \$4.6 billion.
- Lawmakers increased the budget for common education by **\$17 million, or 0.5 percent**, for a total of \$3.2 billion. Notably, none of this increase will go into the school funding formula; most of the budget increase is directed towards non-classroom needs, such as the State Department of Education and employee benefits. Accounting for inflation and enrollment changes, public education will have **eight percent less funding** in FY 2023 than in FY 2022, continuing the longtime trend of underfunding public education (Figure 5).
- Higher education will see a **7.5 percent increase, or \$61 million**, some of which will be used for a teacher incentive program. **Funding levels remain lower than they were a decade ago**, despite the immense impact of higher education on the state economy. This continues the trend of shifting the college cost burden to students and their families.

Health and social services agency funding is largely in line with previous years.

- Spending for health and social services agencies will be \$1.9 billion, or 18 percent of the total budget.
- By far the largest budget increase among these agencies is a **43 percent (\$37 million) increase** to the University Hospitals Authority, though the budget doesn't detail the purpose for this increase.
- The largest agency in this area continues to be the Oklahoma Health Care Authority, with a budget of \$1.3 billion. This is six percent, or \$68 million, more than the FY 2022 budget.
- The budget for the Department of Mental Health will **increase by six percent (\$18.6 million)**, with specific investments in children's mental health, veterans, and individuals residing in county jails. Notably, the budget **leaves State Question 781 unfunded**.

This budget makes long-awaited investments in Oklahomans with disabilities.

- Human services agencies will receive \$894 million, or eight percent of the budget.
- Included in the Department of Human Services' budget is **\$32.5 million** to address the waiting list for individuals with developmental disabilities by providing new services and directing a **25 percent raise to providers**. Hundreds of Oklahomans have been waiting for **more than a decade** to access these services, and this investment will improve quality of life for individuals needing services, while also freeing up familial caregivers to seek employment.
- Following a reduction in juvenile fees that will be absorbed by the agency, lawmakers budgeted an additional **\$7 million (7.5 percent)** to the Office of Juvenile Affairs. Some of this appropriation will go towards program development, which should help more justice-involved youth reach stability.



Lawmakers prioritized pay increases for law enforcement over other public employees.

- Funding for public safety agencies will be about \$953 million, or nine percent of the budget.
- The budget includes **pay increases** for several law enforcement entities, including CLEET-certified park rangers, highway patrol, communications dispatchers, capitol security, and law enforcement working in the Office of the Attorney General.
- The Office of the Attorney General will receive a **46 percent increase (\$12 million)**, most of which is for “extraordinary litigation costs.”
- Both the District Attorneys Council and the Indigent Defense System will receive **20 percent increases (\$12 million and \$4 million, respectively)**.

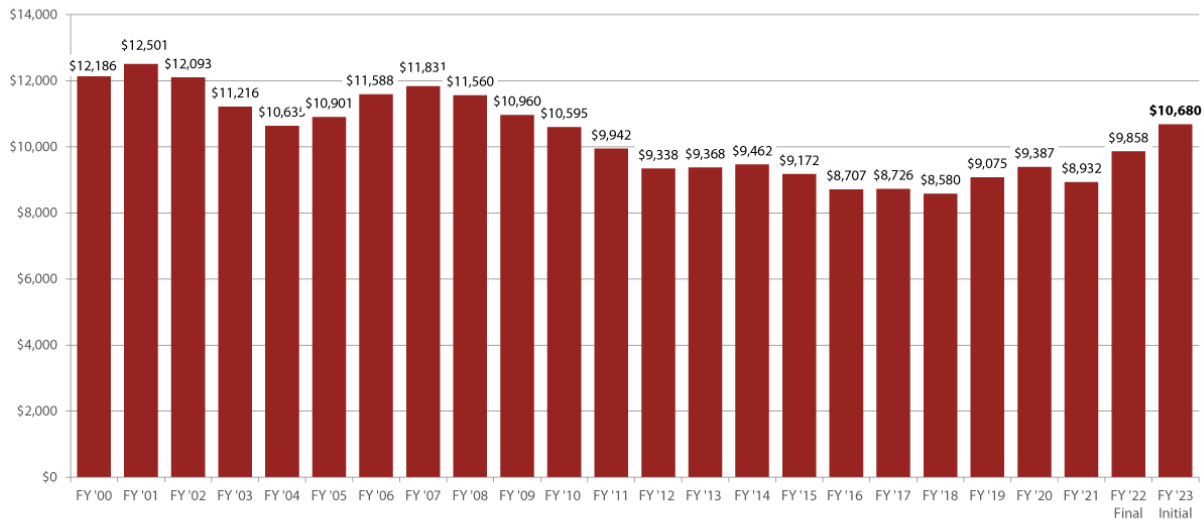
Targeted investments will improve Oklahomans’ quality of life, but flat budgets will erode services.

- Many agencies will receive sizable investments, including:
 - The Office and Management and Enterprise Services will receive a **43 percent increase** over the FY 2022 initial budget (\$44 million). Lawmakers stipulated that \$36 million of that go towards Service Oklahoma, which has a stated mission of making government services more accessible, starting with the Legislature.
 - The budget directs an additional **\$14 million (45 percent increase)** to the Department of Agriculture, approximately \$11 million of which will fund rural fire assistance.
 - The Department of Environmental Quality will receive a **125 percent increase, or \$11 million**.
- Other agencies – including the Ethics Commission, the Tax Commission, the Commission on Children and Youth, and the Department of Labor – will have **flat budgets or receive increases that are smaller than the current rate of inflation**. (Figure 8) As buying power erodes, many agencies will be stretched thinner as they seek to provide essential services to Oklahomans.



State Appropriations FY 2000 - FY 2023, Adjusted for Inflation and Population Growth

In millions of 2022 dollars, adjusted by State & Local Government Implicit Price Deflator. Except where noted, all years are final, including mid-year cuts and supplementals.

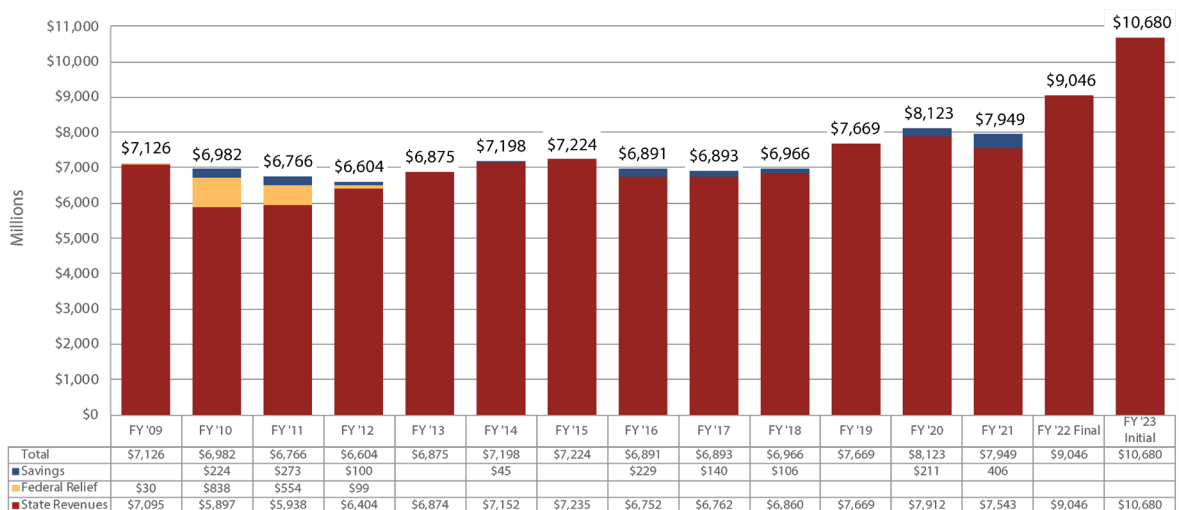


Source: OK Policy; General Appropriations bill SB 1040; other appropriations and supplemental bills SB 1084, HB 4461, HB 4462, SB 1087, SB 1088, HB 4454, HB 4456, SB 1056, HB 2958.



Oklahoma State Appropriations, FY 2009 - FY 2023

In millions of 2022\$, final including mid-year cuts & supplementals except where noted.

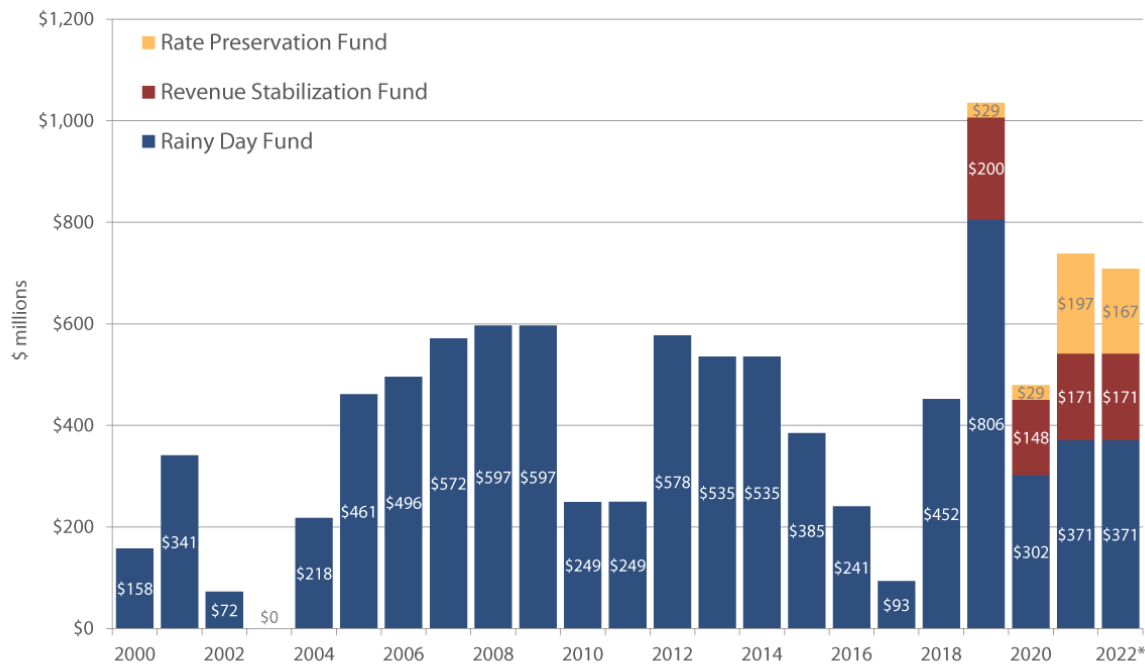


Note: In fiscal years 2009-2012, OK Policy included federal recovery funds in the total budget calculation. In FY 2023 and beyond, federal funds will not be included, in order to give a more accurate picture of the recurring revenue that is available to be freely spent by state legislators. Source: OK Policy; General Appropriations bill SB 1040; other appropriations and supplemental bills SB 1084, HB 4461, HB 4462, SB 1087, SB 1088, HB 4454, HB 4456, SB 1056, HB 2958





State Savings Balances, FY '01 - FY '23



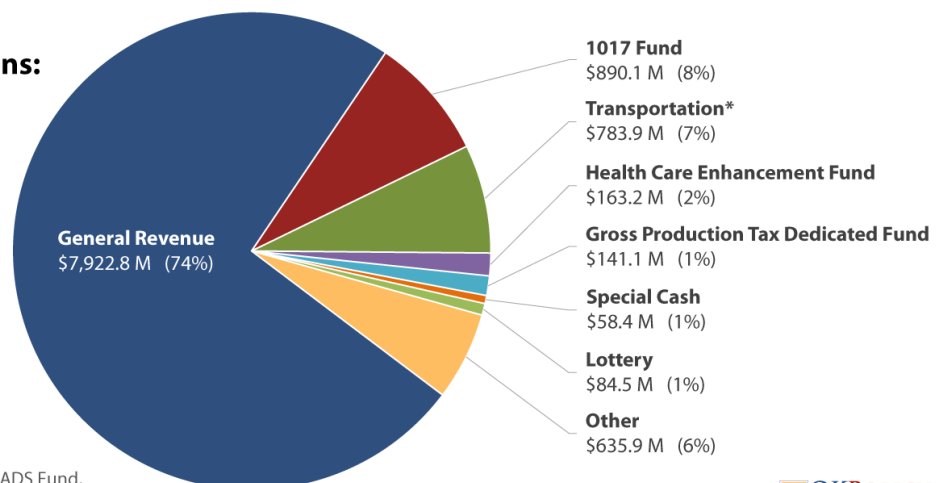
Note: All balances are as of beginning of the fiscal year. Source: FY 2001-19 State of Oklahoma Executive Budget, Fiscal Year 2021. FY 2022 and 2023 calculated by OK Policy from appropriations bills. *FY 2022 *excludes* \$880 million in General Revenue Fund that is available for budgeting *and* \$164 million that is budgeted for deposit in the Rate Preservation Fund during FY 2022. *FY 2023 *excludes* between \$504 million and \$873 million in General Revenue Fund that is available for budgeting.



FY 2023 Appropriations by Revenue Source

in \$ millions

**Total Appropriations:
\$10,680 Million**

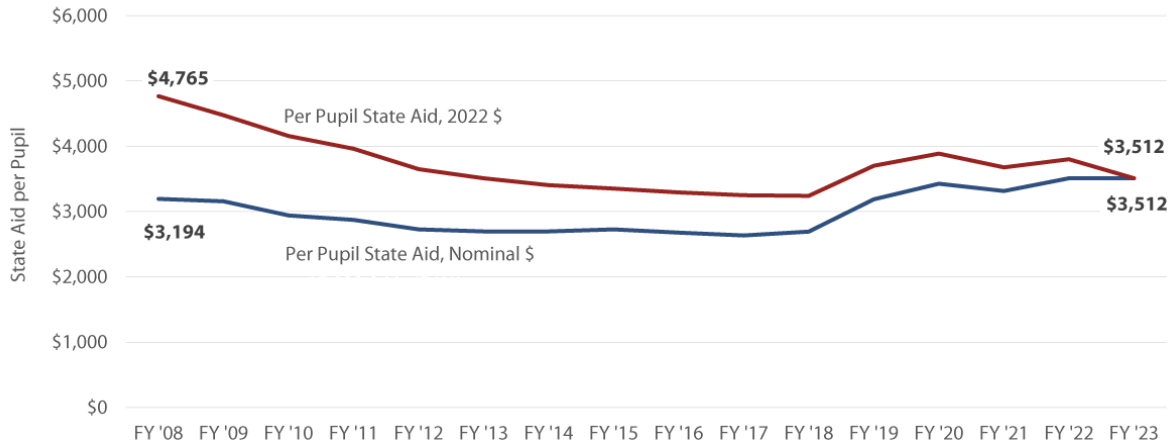


* Transportation includes the ROADS Fund, which was excluded from budgets until FY'22.





Oklahoma Public School State Aid Formula Funding, FY '08 - FY '23

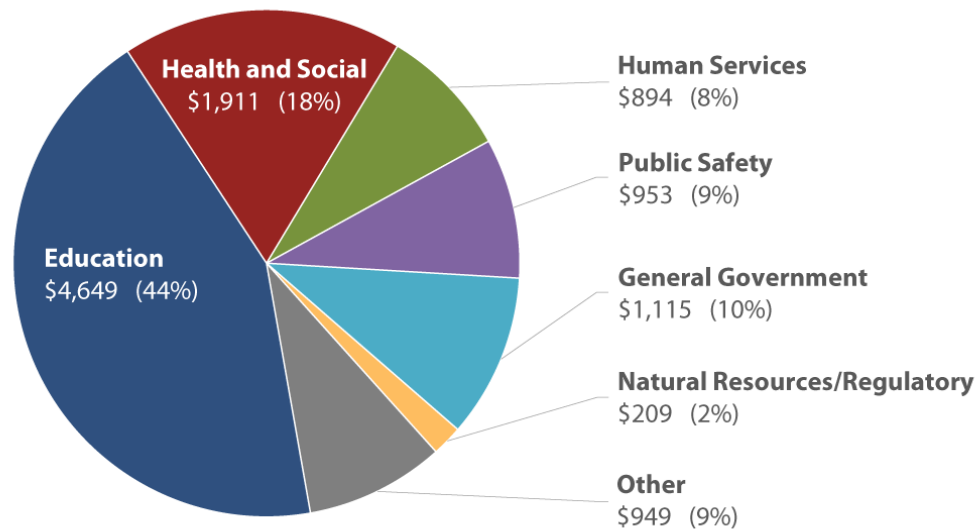


Source: State Department of Education. FY '22 and '23 are calculated by OK Policy from appropriation bills and 5-year average of enrollment growth.



FY '23 Budget by Function

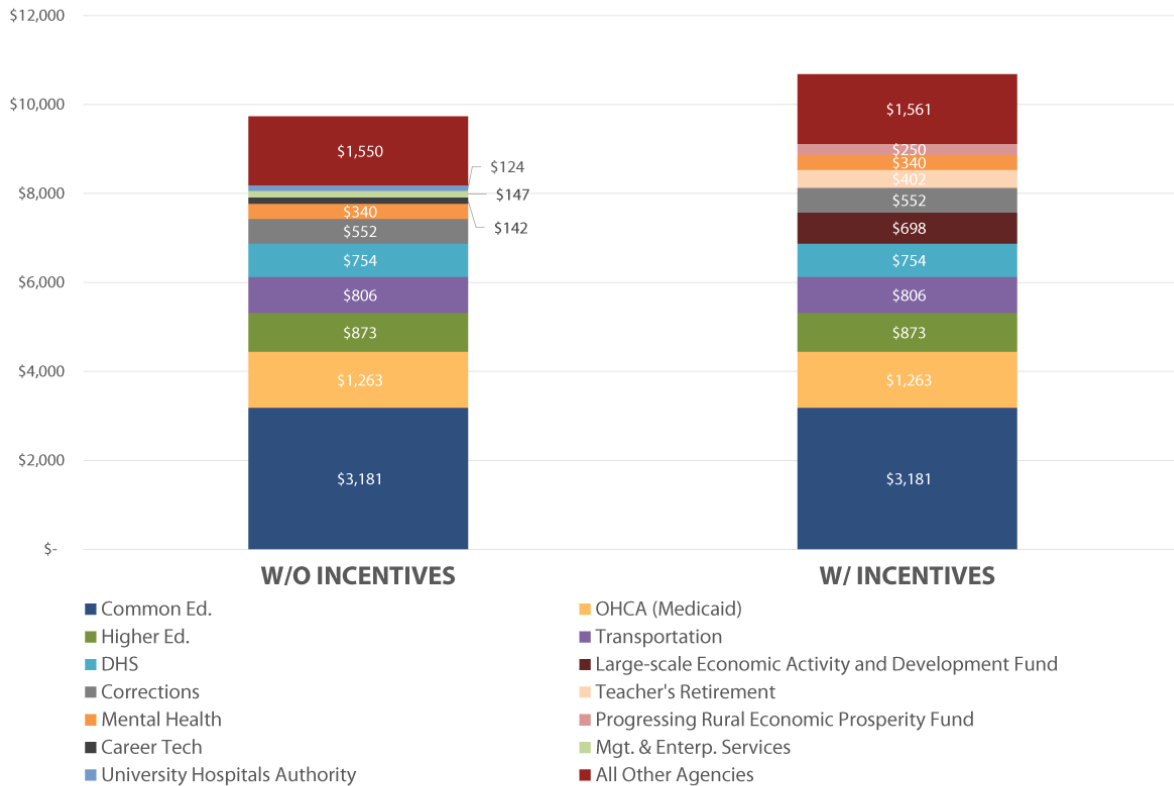
**Total =
\$10,680 Million**





Appropriations to Ten Largest and Remaining Agencies, FY 2023

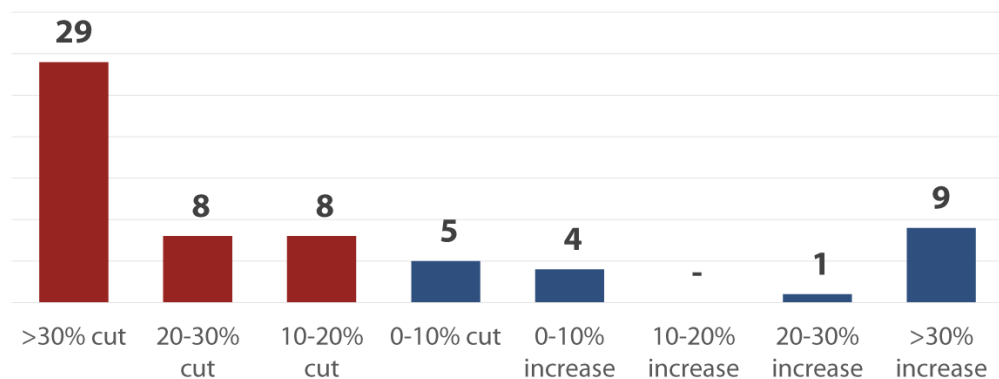
in \$millions; Total Appropriations: \$10,680 Million



Note: the Department of Public Safety was replaced by the University Hospitals Authority as the tenth largest agency (excluding incentives) in FY'23.



Change in Agency Funding, FY'09 - FY'23, by Number of Agencies



Note: Graph is adjusted for inflation and population growth for the first time. Previous years' graphs used nominal dollars.

