

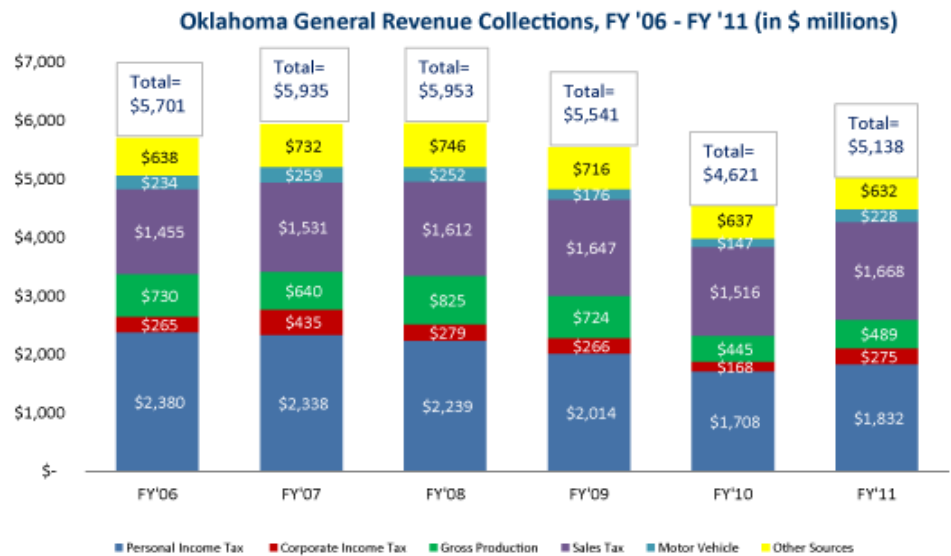
### Budget Trends and Highlights – January 2012

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.

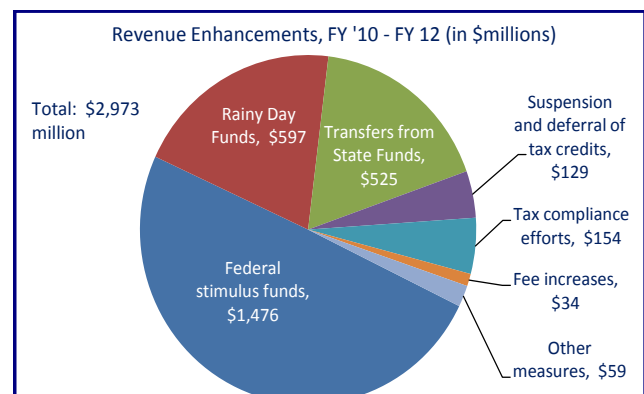
- Revenues increased 10.5 percent from FY '10 but remained 16.5 percent below FY '08.
- All major taxes grew in FY '11, but only the sales tax surpassed pre-downturn levels.
- Cut in the top income tax rate effective January 2012 affected FY '11 revenue.



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:

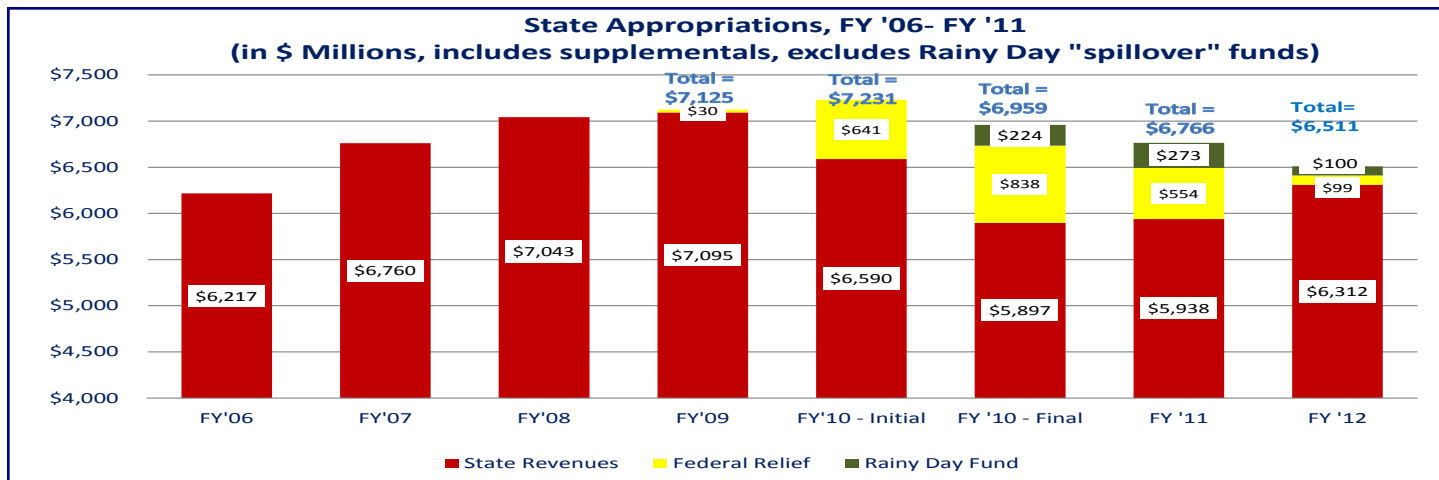
- Federal funds from the 2009 stimulus bill, American Recovery and Reinvestment Act, targeted primarily for Medicaid and education (\$1.5B);
- The state's Rainy Day Fund (\$597M);
- Cash transfers from various state funds, including the State Transportation Fund (substituted for bonds) (\$525M);
- Suspension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



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## Total state appropriations for Fiscal Year '12 are well below pre-downturn levels.

- FY '12 appropriations of \$6.511B is \$254.8M, or 3.8 percent, below final FY '11 budget;
- Decrease of \$613.5M, or 8.6 percent, from FY '09 budget;
- FY '12 budget will be 3.7 percent less than the budget in FY '07.

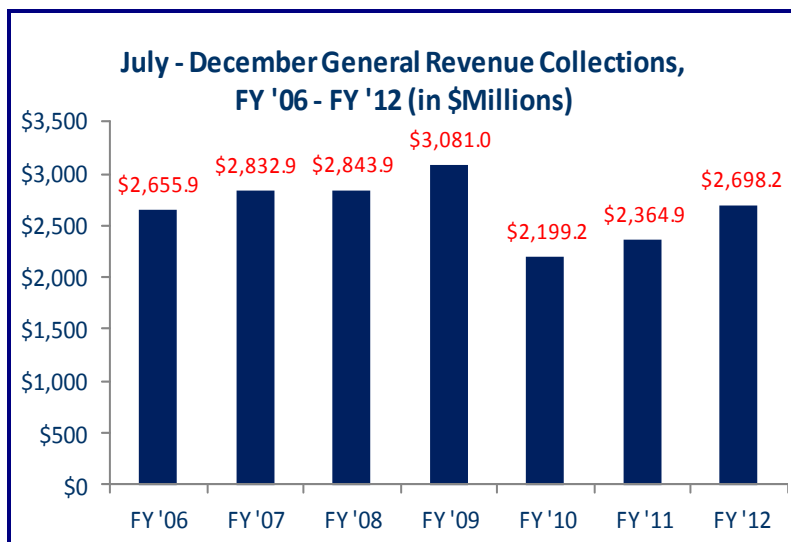


## Budget cuts are leading to an ongoing corrosion of public services.

- 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, failure to pay stipends for National Board Certified Teachers, elimination of 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 December up 22.6 percent from FY '10 but still 12.4 percent below FY '09;
- Preliminary FY '13 revenue certification is for next year's available revenue to be only \$20 million above this year's budget;
  - Loss of one-time revenue, tax cuts, and other policy choices are all stunting revenue growth;
- Under current policies, revenues and budget are not expected to return to nominal pre-downturn levels until 2014 or 2015.



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