

# **OCPA BUDGET**

**A STATE BUDGET THAT RESPECTS YOUR FAMILY BUDGET**

**Submitted by the  
Oklahoma Council of Public Affairs, Inc.**

**To the  
Taxpayers of the  
State of Oklahoma  
and Their Elected Officials**

**PROPOSED STATE BUDGET  
FOR THE FISCAL YEAR ENDING JUNE 30, 2012**



# Budget Message

On November 2, 2010, in Oklahoma and across the nation, voters sent a message to elected officials: We want less government and more freedom.

This budget provides both. It returns government spending to reasonable, pre-spending-spree levels while providing much-needed tax relief for Oklahoma's overtaxed families.

In 2010, the average Oklahoman was forced to work more than three months before he was able to enjoy the fruits of his own labor. "Tax Freedom Day" arrived on April 6, 2010—that's the day the average Oklahoman had finally earned enough money to be able to pay the federal, state, and local tax collectors.<sup>1</sup> (This tax burden ranks 30<sup>th</sup> among the 50 states.) As OCPA distinguished fellow J. Rufus Fears has observed, "The American public pays an amount of taxes that no despotic pharaoh in antiquity would have ever dreamt of imposing upon his people." This tax burden is inappropriate for a free people.

Oklahoma families have real needs: school clothes and dental work for the kids, new brakes for the car, ever-increasing health insurance premiums—the list goes on and on. Indeed, just as state agency heads have a "multimillion-dollar backlog of unmet needs," Oklahoma families have a multimillion-dollar backlog of health care, transportation, education, and retirement needs. Policymakers must craft a state budget that respects their constituents' family budgets.

Accordingly, this budget provides for a reduction in Oklahoma's individual income tax, lowering the top rate from 5.25 percent to 4.25 percent. This will put money back into the hands of Oklahoma's private sector, thus spurring economic activity and even providing some offsetting revenues for the state.<sup>2</sup>

This budget also returns government spending to a level (a tad higher than FY-2004, adjusted for inflation) more appropriate for a state with Oklahoma's level of capital, job creation, and population. This is reasonable; what was unreasonable was the state spending spree of FY-2005 to FY-2009 wherein state appropriations rose 32 percent—increasing more than \$1.7 billion over four years.

Former state treasurer Scott Meacham once observed that "in good times, I do think that it's true that government is subject to 'mission creep.' ... When the revenue is flowing maybe there's a

trend to drift into areas that are outside of the core mission or missions of government. What happens when things are going well is that things that are 'nice to do' become new programs, but in hard times or tight times, it's time to look at maybe pruning the tree of government."<sup>3</sup>

Fortunately for policymakers, pruning the tree of government won't exactly require Churchillian courage. Because according to a recent Sooner-Poll of likely voters,<sup>4</sup> Oklahomans want smaller government. Consider:

- Which would you rather see in Oklahoma?
  - A smaller government with fewer services ..... 71%
  - A larger government with many services ..... 17%
  - Don't know / Refused ..... 12%
  
- Generally speaking, when Oklahoma has budget problems, is it better to raise taxes or cut spending?
  - Raise taxes ..... 7%
  - Cut spending ..... 86%
  - Neutral / No opinion ..... 7%
  
- Sometimes a state will raise fines and fees instead of raising taxes. Generally speaking, when a state has budget problems, is it better to raise fines and fees or cut spending?
  - Raise fines and fees ..... 19%
  - Cut spending ..... 72%
  - Neutral / No opinion ..... 9%

To recap, then: State government has expanded beyond its core functions. Voters want government to be smaller. Reality requires that it be smaller.

So what, exactly, is the hang-up?

What's needed now is *leadership*. It's time for policymakers to step forward and echo former Florida Gov. Jeb Bush, who said in his 2003 inaugural address: "There would be no greater tribute to our maturity as a society than if we can make these buildings around us empty of workers; silent monuments to the time when government played a larger role than it deserved or could adequately fill."<sup>5</sup> It's time to right-size Oklahoma's state government.<sup>6</sup>

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<sup>1</sup> "America Celebrates Tax Freedom Day," Tax Foundation, <http://taxfoundation.org/taxfreedomday>

<sup>2</sup> Steve Anderson, "A Tale of Two States: The Real Effect of Individual Income Tax Cuts," OCPA Memorandum, October 2010, <http://bit.ly/aw0JOO>

<sup>3</sup> Patrick B. McGuigan, "Budget crisis continues, Oklahoma may prune 'tree of government,'" CapitolBeatOK, January 12, 2010. <http://bit.ly/5R0aSG>

<sup>4</sup> SoonerPoll, telephone interview of 518 likely voters in the state of Oklahoma, November 5-11, 2010. The margin of error is plus or minus 4.3 percent.

<sup>5</sup> Gov. Jeb Bush, 2003 Inaugural Address, January 7, 2003. [http://aif.com/special\\_notice/2003/sn\\_030722a.shtm](http://aif.com/special_notice/2003/sn_030722a.shtm)

<sup>6</sup> For further recommendations, see "State Budget Reform Toolkit," American Legislative Exchange Council, January 2011, <http://bit.ly/eplYZ7>

### OCPA FY-2012 Budget Recommendation

	FY-11 Appropriation	Adjustment	FY-12 Appropriation	\$ Change	% Change
<b>EDUCATION COMMITTEE</b>					
Arts Council	\$ 4,406,689	\$ (4,406,689)	\$ -	\$ (4,406,689)	-100.00%
Career and Technology Education	\$ 141,977,302	\$ (16,904,428)	\$ 125,072,874	\$ (16,904,428)	-11.91%
Education, Board of	\$ 2,375,556,186	\$ (120,134,933)	\$ 2,255,421,253	\$ (120,134,933)	-5.06%
Educational Television Authority	\$ 4,200,360	\$ (4,200,360)	\$ -	\$ (4,200,360)	-100.00%
Higher Education, Regents for	\$ 1,003,461,016	\$ (250,000,000)	\$ 753,461,016	\$ (250,000,000)	-24.91%
Land Commission	\$ 7,109,000	\$ (414,541)	\$ 6,694,459	\$ (414,541)	-5.83%
Libraries, Department of	\$ 6,342,616	\$ (4,309,425)	\$ 2,033,191	\$ (4,309,425)	-67.94%
Physicians Manpower Training Commission	\$ 4,812,367	\$ (4,812,367)	\$ -	\$ (4,812,367)	-100.00%
Private Vocational Schools, Board of	\$ 167,194	\$ (9,923)	\$ 157,271	\$ (9,923)	-5.93%
School of Science and Mathematics	\$ 6,540,080	\$ (389,638)	\$ 6,150,442	\$ (389,638)	-5.96%
Science and Technology, Center for	\$ 19,152,096	\$ (4,111,572)	\$ 15,040,524	\$ (4,111,572)	-21.47%
Teacher Preparation Commission	\$ 1,641,053	\$ (1,641,053)	\$ -	\$ (1,641,053)	-100.00%
<b>GENERAL GOVERNMENT AND TRANSPORTATION COMMITTEE</b>					
Auditor and Inspector	\$ 5,152,673	\$ (378,837)	\$ 4,773,836	\$ (378,837)	-7.35%
Bond Advisor	\$ 155,556	\$ (2,194)	\$ 153,362	\$ (2,194)	-1.41%
Central Services, Department of	\$ 15,973,031	\$ (2,590,742)	\$ 13,382,289	\$ (2,590,742)	-16.22%
Election Board	\$ 8,047,225	\$ (425,080)	\$ 7,622,145	\$ (425,080)	-5.28%
Emergency Management	\$ 692,744	\$ (60,587)	\$ 632,157	\$ (60,587)	-8.75%
Ethics Commission	\$ 545,882	\$ (32,818)	\$ 513,064	\$ (32,818)	-6.01%
Finance, Office of State	\$ 20,623,054	\$ (2,693,952)	\$ 17,929,102	\$ (2,693,952)	-13.06%
Governor	\$ 2,129,671	\$ (133,267)	\$ 1,996,404	\$ (133,267)	-6.26%
House of Representatives	\$ 15,341,770	\$ (1,019,605)	\$ 14,322,165	\$ (1,019,605)	-6.65%
Legislative Service Bureau	\$ 4,902,835	\$ (254,104)	\$ 4,648,731	\$ (254,104)	-5.18%
Lieutenant Governor	\$ 527,699	\$ (34,826)	\$ 492,873	\$ (34,826)	-6.60%
Merit Protection Commission	\$ 527,921	\$ (32,857)	\$ 495,064	\$ (32,857)	-6.22%
Military Department	\$ 10,787,365	\$ (897,664)	\$ 9,889,701	\$ (897,664)	-8.32%
Personnel Management, Office of	\$ 3,913,555	\$ (1,044,103)	\$ 2,869,452	\$ (1,044,103)	-26.68%
Secretary of State	\$ 304,426	\$ (304,426)	\$ -	\$ (304,426)	-100.00%
Senate	\$ 11,759,778	\$ (741,187)	\$ 11,018,591	\$ (741,187)	-6.30%
Space Industry Development Authority	\$ 424,289	\$ (424,289)	\$ -	\$ (424,289)	-100.00%
Tax Commission	\$ 46,830,944	\$ (5,826,382)	\$ 41,004,562	\$ (5,826,382)	-12.44%
Transportation, Department of	\$ 114,771,010	\$ 93,661,638	\$ 208,432,648	\$ 93,661,638	81.61%
Treasurer	\$ 3,903,089	\$ (349,558)	\$ 3,553,531	\$ (349,558)	-8.96%
<b>PUBLIC HEALTH COMMITTEE</b>					
Health Care Authority <sup>1</sup>	\$ 963,015,720	\$ (131,260,485)	\$ 831,755,235	\$ (131,260,485)	-13.63%
Health Department	\$ 63,709,238	\$ (5,358,896)	\$ 58,350,342	\$ (5,358,896)	-8.41%
J.D. McCarty Center	\$ 4,021,869	\$ (447,878)	\$ 3,573,991	\$ (447,878)	-11.14%
Mental Health and Substance Abuse	\$ 187,742,113	\$ (11,253,101)	\$ 176,489,012	\$ (11,253,101)	-5.99%
University Hospitals	\$ 38,595,044	\$ (1,938,090)	\$ 36,656,954	\$ (1,938,090)	-5.02%
Veterans Affairs, Department of	\$ 35,957,256	\$ (4,098,858)	\$ 31,858,398	\$ (4,098,858)	-11.40%
<b>HUMAN SERVICES COMMITTEE</b>					
Children and Youth, Commission on	\$ 2,156,561	\$ (1,509,150)	\$ 647,411	\$ (1,509,150)	-69.98%
Disability Concerns, Office of	\$ 341,513	\$ (23,537)	\$ 317,976	\$ (23,537)	-6.89%
Human Rights Commission	\$ 571,258	\$ (571,258)	\$ -	\$ (571,258)	-100.00%
Human Services, Department of	\$ 543,110,884	\$ (47,312,190)	\$ 495,798,694	\$ (47,312,190)	-8.71%
Indian Affairs Commission	\$ 206,781	\$ (12,423)	\$ 194,358	\$ (12,423)	-6.01%
Juvenile Affairs, Office of	\$ 99,162,067	\$ (5,763,592)	\$ 93,398,475	\$ (5,763,592)	-5.81%
Rehabilitation Services, Department of	\$ 30,453,770	\$ (2,566,312)	\$ 27,887,458	\$ (2,566,312)	-8.43%

	FY-11 Appropriation	Adjustment	FY-12 Appropriation	\$ Change	% Change
<b>NATURAL RESOURCES COMMITTEE</b>					
Agriculture, Food and Forestry, Department of	\$ 26,306,894	\$ (22,831,510)	\$ 3,475,384	\$ (22,831,510)	-86.79%
Commerce, Department of	\$ 26,905,919	\$ (9,964,027)	\$ 16,941,892	\$ (9,964,027)	-37.03%
Conservation Commission	\$ 9,845,434	\$ (9,845,434)	\$ -	\$ (9,845,434)	-100.00%
Consumer Credit Commission	\$ 535,255	\$ (535,255)	\$ -	\$ (535,255)	-100.00%
Corporation Commission	\$ 10,133,793	\$ (5,225,385)	\$ 4,908,408	\$ (5,225,385)	-51.56%
Environmental Quality, Department of	\$ 8,126,853	\$ (1,070,514)	\$ 7,056,339	\$ (1,070,514)	-13.17%
Historical Society	\$ 12,913,636	\$ (803,674)	\$ 12,109,962	\$ (803,674)	-6.22%
Horse Racing Commission	\$ 2,135,741	\$ (2,135,741)	\$ -	\$ (2,135,741)	-100.00%
Insurance Department	\$ 2,012,836	\$ (2,012,836)	\$ -	\$ (2,012,836)	-100.00%
J.M. Davis Memorial Commission	\$ 306,677	\$ (306,677)	\$ -	\$ (306,677)	-100.00%
Labor, Department of	\$ 3,166,110	\$ (1,095,769)	\$ 2,070,341	\$ (1,095,769)	-34.61%
Mines, Department of	\$ 810,902	\$ (643,501)	\$ 167,401	\$ (643,501)	-79.36%
Scenic Rivers Commission	\$ 279,239	\$ (28,969)	\$ 250,270	\$ (28,969)	-10.37%
Tourism and Recreation, Department of	\$ 22,503,229	\$ (7,319,251)	\$ 15,183,978	\$ (7,319,251)	-32.53%
Water Resources Board	\$ 5,698,571	\$ (5,508,820)	\$ 189,751	\$ (5,508,820)	-96.67%
Will Rogers Memorial Commission	\$ 744,984	\$ (744,984)	\$ -	\$ (744,984)	-100.00%
<b>JUDICIARY AND PUBLIC SAFETY COMMITTEE</b>					
ABLE Commission	\$ 3,376,703	\$ (211,772)	\$ 3,164,931	\$ (211,772)	-6.27%
Attorney General	\$ 12,704,552	\$ (981,135)	\$ 11,723,417	\$ (981,135)	-7.72%
Corrections, Department of	\$ 462,141,777	\$ (27,459,689)	\$ 434,682,088	\$ (27,459,689)	-5.94%
Court of Criminal Appeals	\$ 3,455,575	\$ (201,855)	\$ 3,253,720	\$ (201,855)	-5.84%
District Attorneys, DAC	\$ 34,257,560	\$ (2,882,603)	\$ 31,374,957	\$ (2,882,603)	-8.41%
District Courts	\$ 57,641,865	\$ (3,533,967)	\$ 54,107,898	\$ (3,533,967)	-6.13%
Fire Marshal	\$ 1,932,004	\$ (123,280)	\$ 1,808,724	\$ (123,280)	-6.38%
Indigent Defense System	\$ 15,153,971	\$ (875,463)	\$ 14,278,508	\$ (875,463)	-5.78%
Investigation, State Bureau of	\$ 14,716,322	\$ (1,077,854)	\$ 13,638,468	\$ (1,077,854)	-7.32%
Judicial Complaints, Council on	\$ 230,581	\$ (13,613)	\$ 216,968	\$ (13,613)	-5.90%
Law Enforcement Education and Training	\$ 3,917,618	\$ (240,381)	\$ 3,677,237	\$ (240,381)	-6.14%
Medicolegal Investigations, Board of	\$ 4,794,164	\$ (315,578)	\$ 4,478,586	\$ (315,578)	-6.58%
Narcotics and Dangerous Drugs	\$ 5,466,418	\$ (394,316)	\$ 5,072,102	\$ (394,316)	-7.21%
Pardon and Parole Board	\$ 2,334,162	\$ (155,060)	\$ 2,179,102	\$ (155,060)	-6.64%
Public Safety, Department of	\$ 88,432,073	\$ (27,319,653)	\$ 61,112,420	\$ (27,319,653)	-30.89%
Supreme Court	\$ 15,381,358	\$ (953,218)	\$ 14,428,140	\$ (953,218)	-6.20%
Workers' Compensation Court	\$ 4,349,395	\$ (4,349,395)	\$ -	\$ (4,349,395)	-100.00%
	\$ 6,674,436,721		\$ 5,986,239,999		
<b>MISCELLANEOUS AGENCIES/APPROPRIATIONS</b>					
Rural Economic Action Plan Fund (REAP)	\$ 12,400,504 <sup>2</sup>	\$ -	\$ -	\$ (12,400,504)	-100.00%
OSU Medical Center	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	
Total Appropriations Excluding Misc. Agencies	\$ 6,674,436,721		\$ 5,986,239,999	\$ -	
<b>Total Appropriations Including Misc. Agencies</b>	<b>\$ 6,691,837,225</b>	<b>\$ (688,196,722)</b>	<b>\$ 5,991,239,999</b>		<b>-10.28%</b>
<b>OCPA FY-2012 Budget Recommendation Features</b>					
Annual Appropriation Savings	\$ 688,196,722				
Annual Available Revenues <sup>3</sup>	\$ 5,991,262,800				
Total Appropriations	\$ 5,991,239,999				
Surplus	\$ 22,800				
Tax Reduction <sup>4</sup>	Reduces from 5.25% to 4.25% the state individual income tax rate, effective January 1, 2012				
<b>One-Time Revenues<sup>5</sup></b>					
Privatize/Mutualize CompSource <sup>6</sup>	\$ 50,000,000	Pension buyouts or principal payments to reduce unfunded liability			
Sell Grand River Dam Authority	\$ 700,000,000	Pension buyouts or principal payments to reduce unfunded liability			
Total	\$ 750,000,000				

<sup>1</sup> New revenue source from Medicaid user fee. The fee is \$10 a month per user, which is \$87,000,000.

<sup>2</sup> Funds are redirected to DPS, to reduce appropriation

<sup>3</sup> Available revenues based on 95% of estimate, as required by law

<sup>4</sup> Tax reduction net impact estimated to be \$119,507,494

<sup>5</sup> This is extra available revenue which could be used for one-time purposes. It is not included in the FY-2012 appropriations.

<sup>6</sup> Privatization of CompSource by making it a mutual company could result in a goodwill payment to the state of \$50 million. Privatization of CompSource by a full sale could result in a net payment to the state of \$250-\$300 million.

Columns may not add due to rounding.