



Office of Governor Brad Henry
State of Oklahoma
State Capitol - Oklahoma City OK 73105
(405) 521-2342

State leaders reach agreement on FY '10 budget fix

January 26, 2010

(Oklahoma City) Gov. Brad Henry, House Speaker Chris Benge and Senate President Pro Tempore Glenn Coffee today announced that they have reached agreement on a plan to address the \$1 billion shortfall in the current fiscal year budget.

The governor and legislative leaders will use a combination of targeted cuts and reserve funds to balance the Fiscal Year 2010 budget.

Under the proposal, the monthly allocation for state agencies will continue to be reduced by 10 percent for the rest of FY 2010 to reflect slumping revenue collections.

In an effort to protect some priority areas, a handful of agencies in education, health and public safety will subsequently receive additional appropriations to supplement their budgets this year and reduce their share of the overall reduction. Even with that action, every state agency will receive some level of targeted cut for the current fiscal year.

Because the level of cuts is not sufficient to fill the \$1 billion shortfall, state leaders also agreed to use reserve dollars from the Rainy Day Fund and the state stimulus account to help balance the budget.

"By accessing reserve funds set aside for times of emergency, we are doing our best to protect priority areas such as education that are so critical to the state's economic recovery," said Gov. Henry. "Even with the use of those resources, however, we will still have to implement significant reductions to state programs, and unfortunately, Oklahomans will feel the pain of those cuts."

“Given the magnitude of the crisis we face, there really were no good options available to us.”

Legislative leaders also commented on the agreement.

“Just as every family in the state of Oklahoma is making hard financial decisions around their kitchen tables, so too is the State of Oklahoma facing the tough choices in this difficult national economy,” said Senate President Pro Tem Coffee, R-Oklahoma City.

“As I’ve said in several settings in the past days, the Governor, the Speaker and I have been in close contact for months, working toward a budget agreement that funds the core functions of government, as we work with very volatile revenues into state coffers. While this budget agreement isn’t entirely satisfactory to any of the parties involved, honorable people with right motives have negotiated in good faith, and we will move forward with caution to engage this budget and on to the 2011 budget.”

“This agreement maintains more than half of our state’s total reserve dollars for fiscal year 2011 and beyond and also puts in place significant and strategic cuts that will reduce the size of government to better match state collections,” said House Speaker Bengtson, R-Tulsa. “This deal is a compromise that was not reached lightly. We worked with the Senate and governor’s office in good faith to do what we believe is the fiscally responsible approach to budgeting over this two-year period, while being mindful of FY12 and beyond.

“It remains unclear when state revenues will rebound, which will continue to influence our decisions as we try to pinpoint an ever-moving target, and budget accordingly,” Bengtson concluded.

When revenues failed to meet estimates last summer, state leaders first agreed to reduce monthly allocations by 5 percent, but ultimately decided to raise the monthly cut to 10 percent in December when collections showed no improvement. The latest agreement calls for the 10 percent cuts to continue for the remainder of the fiscal year, resulting in an overall reduction of 7.5 percent for the 12-month period.

Under the terms of the federal stimulus agreement, the state was required to maintain certain funding levels for public education and health care.

As part of their budget pact, state leaders have agreed to assign priority status to K-12 schools, higher education, the Oklahoma Health Care

Authority and the Department of Corrections, and provide each agency with a supplemental appropriation.

Under the terms of an earlier agreement, K-12 education will receive \$50 million to address a shortfall in the HB 1017 Fund. Another \$80 million will then be divided between K-12 schools and higher education based on their overall percentage of general revenue. The OHCA will be allocated \$33 million in a supplemental appropriation and the DOC will receive \$7.2 million.

The overall agreement applies only to the FY 2010 budget. No decisions have been made for FY 2011 yet.

State leaders will present the FY 2010 proposal to the Legislature when it convenes next week and hope to pass the contents as quickly as possible so lawmakers can then turn their attention to the FY 2011 budget.