



State Question 757

Bipartisan surge: S.Q. 757 could boost annual 'Rainy Day' deposit

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With State Question 757, voters can amend the Oklahoma Constitution to allow an amount equal to 15 percent of the previous year's general revenue certification to be deposited into the Constitutional Reserve Fund, also known as the "Rainy Day Fund."

Supporters believe the change is needed to increase the size of the state "cushion" for future economic downturns.

Currently, the state Constitution requires any funds in excess of estimates be deposited into the Constitutional Reserve Fund until it reaches 10 percent of the previous year's general revenue fund collections.

Once the fund reaches the maximum amount allowed, additional excess revenue can be used for other purposes.

State Question 757 would raise the cap to 15 percent of the previous year's general revenue certification – a 50 percent increase.

The "Rainy Day Fund" was originally created in the aftermath of the 1980s oil boom. During that period of state history, lawmakers went on a spending spree when times were flush and treated the oil boom as though it would be a permanent part of the economic landscape.

Over just four years (fiscal years 1979 to 1983) Oklahoma's budget exploded and state spending nearly tripled – growing from \$857.7 million to \$2.49 billion.

At that time, there was no Constitutional Reserve Fund and lawmakers did not set aside money as a "savings account" to deal with any possible economic slowdown.

As a result, when the oil boom went bust and state revenue declined dramatically, the Oklahoma Legislature scrambled to fill gaps with tax increases.

Following what was widely considered a fiscal debacle, several budget reforms were enacted. Among other things, the "Rainy Day Fund" was created to guarantee the state did save some money during economic booms.

For years, however, the governor and lawmakers would routinely declare an "emergency" existed to raid the Constitutional Reserve Fund for non-emergency expenditures. As a result, when the state faced a severe shortfall in 2003, there was virtually no money in the fund.

Since then, and perhaps because of that experience, the governor and Legislature have resisted calls to tap the “Rainy Day Fund” when the economy was doing well, allowing it to increase to around \$600 million. It wasn’t until the 2010 session, when lawmakers faced a \$1.2 billion shortfall, that they drained most of the fund again.

However, the severity of the 2010 shortfall was even greater than the 1980s oil bust by some accounts, leading to calls for an expanded “Rainy Day Fund.”

While the measure now known as State Question 757 originated in this year’s legislative session with Republicans, it followed a bipartisan path to passage in the House and Senate and onto the November ballot.

Governor Brad Henry has backed the idea since 2006, and began to press for enactment of the idea last winter. Republicans quickly stressed their appreciation of Henry’s support for the concept. Senator Andrew Rice of Oklahoma City, leader-designate for Democrats, had his own version of the proposal.

With that bipartisan base, Senate Joint Resolution 51 emerged with strong support in the sponsorship of state Sen. Mike Johnson (a Kingfisher Republican) and state Rep. Ken Miller (an Edmond Republican). The measure was explicitly fashioned to boost state government savings in the future.

State Sen. John Ford of Bartlesville, another author of Senate Joint Resolution 51, noted that lawmakers could have had an extra \$300 million in the Rainy Day fund in 2010 if the cap had previously been set at 15 percent instead of 10 percent. Ford and Rice became steady champions of the concept as the session advanced.

Senate Joint Resolution 51 passed the state Senate 46-0 and passed the Oklahoma House of Representatives 91-8. Analysts of state budgeting note that the only downside of the proposal (which is seldom mentioned and which some might not consider a downside) is that it would also prevent lawmakers from using future excess funds that would otherwise be available.

For example, it is not certain that recent teacher pay raises could have been funded had a 15-percent cap been in place for the Constitutional Reserve Fund.

Regardless of any nuances, it appears Oklahomans are supportive of maintaining a larger state savings fund in the future. A poll conducted July 16 to 21 for The Tulsa World found that 57 percent of likely voters supported State Question 757, while just 33 percent opposed it.