

Governor Fallin's FY-2014 Executive Budget

Income Tax

Governor Fallin believes that lower taxes lead to job creation, increased productivity and greater prosperity. Keeping with her commitment to further reducing the tax burden on working Oklahomans while stimulating economic growth, Governor Fallin's budget includes a 0.25 percent reduction to Oklahoma's top individual income tax rate. This income tax reduction will impact the state budget by an estimated \$40.7 million in FY-2014, and \$105.8 million in FY-2015. Since reducing the top income tax rate from 5.50 percent to 5.25 percent in 2012, and implementing a pro-economic growth agenda, Oklahoma has created over 62,400 new jobs, giving it the fourth-highest growth rate in the United States. That job growth and other strong economic trends have kept Oklahoma's unemployment rate at only 5.1 percent as of December 2012 – one of the lowest unemployment rates in the nation. Oklahoma's median income increase in 2012 leads the nation, at an average of \$4,000 per household.

While Governor Fallin's budget is required to be built on revenue certified at the December 2012 Board of Equalization meeting, this budget acknowledges recent federal tax law adjustments that occurred after the December meeting that will impact state revenues available for FY-2014. Specifically, the extension of the "Bush Tax Cuts" previously slated to expire after December 31, 2012, will have an estimated impact on state revenue of \$36 million. The governor's executive budget is adjusted to reflect this reality.

Funding Changes

Supplemental Funding for FY-2013

State Capitol Building Needs

The state Capitol building is currently in a state of disrepair. With each passing legislative session, nearly all fundamental components of the building continue to deteriorate, including major mechanical, plumbing and electrical systems, in addition to the building's historic and architectural features. Many parts of the building are out of compliance with modern codes. The governor's budget includes a \$10 million appropriation to restore the exterior façade of the building and commission an engineering study for total renovation of the building.

Flexible Benefit Allowance for Teachers

The governor's budget includes \$8.5 million necessary for the State Department of Education to pay for education employee Flexible Benefit Allowance costs that will exceed the projections available during the 2012 legislation session. Actual costs have risen due to subsequent increases in the number of teachers and support staff, as well as increasing costs to provide their benefits.

Targeted Funding Increases for FY-2014

Health and Human Services

Mental Health

The FY-2013 budget provided funding for two additional crisis centers for those suffering from psychiatric emergencies. These centers offer critical assistance to people on the brink of succumbing to mental health issues.

This year, Governor Fallin's budget includes \$1 million for the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) to annualize the two crisis centers from last year and an additional \$2.5 million to add a third crisis center, providing Oklahomans throughout the state with more access to emergency mental health care.

The governor's budget also provides ODMHSAS with \$2.3 million for counseling and assistance to children and families of children with serious emotional disturbances. The Oklahoma program Systems of Care is a national leader in evidence-based treatment and services. By increasing its funding, Oklahoma can make sure more of its children receive the treatment they need to grow into healthy, happy adults.

Prescription Drug Abuse Prevention

Prescription drug abuse continues to be a major detriment to Oklahoma's health rankings and economy. It also contributes to personal tragedies, child abuse and a variety of unacceptable social outcomes that reduce quality of life. Currently, 81 percent of drug-related deaths in Oklahoma are caused by prescription drug abuse. One survey shows that nearly 8 percent – twice the national average – of Oklahomans are abusing prescription painkillers. To combat these problems, Governor Fallin has provided ODMHSAS with \$1.2 million for new prescription drug abuse prevention and treatment initiatives.

Suicide Prevention

Suicide is too prevalent in Oklahoma, particularly among groups who should be receiving support and care, such as active duty military and veterans. For the first time in modern history, Governor Fallin has provided \$500,000 in state funding for ODMHSAS to develop its own suicide prevention initiatives.

Infant Mortality

The FY-2013 budget included \$1 million in funding to address the high rate of infant death in Oklahoma. One focus of this funding was the development of a statewide collaboration to eliminate non-medically necessary elective births prior to 39 weeks, a practice which studies show increases health complications and endangers the lives of infants. This voluntary program has been adopted by 55 of 59 birthing hospitals, leading to a remarkable 66 percent reduction in the rate of non-medically necessary inductions prior to 39 weeks in one year. Governor Fallin's FY-2014 budget includes \$701,000 to aid the Department of Health's efforts to expand implementation of an evidence-based prevention program to improve infant health outcomes.

Medicaid

Because of mandates within the Affordable Care Act, over 60,000 Oklahomans who are already eligible to be on Medicaid but are not currently enrolled will likely enroll in the coming years. These individuals are commonly known as “woodwork eligibles.” The state has a legal obligation under federal law to extend Medicaid benefits to “woodwork eligibles” who choose to enroll in the program. That, combined with the rising cost of medical treatment, administrative costs and other fixed costs, means the Oklahoma Health Care Authority will need a significant budget increase to meet its current level of services and legal obligations. Therefore, Governor Fallin’s budget includes \$40 million to cover those costs as well as annualizations and maintenance costs associated with Medicaid.

Child Welfare - Pinnacle Plan

The governor’s budget includes \$40 million in additional funding to support the efforts of the Department of Human Services (DHS) in implementing Year 2 of The Pinnacle Plan. Along with the \$25 million appropriation from FY-2013, this funding request for Year 2 will provide for over 65 percent of the resources needed for the five-year Pinnacle Plan.

ADvantage and Developmental Disability Community Services

The governor’s budget includes \$1.5 million for DHS to annualize rate increases for ADvantage and Developmental Disabilities Community Services appropriated and mandated by Senate Bills 1975 and 1979 (2012).

Developmental Disability Community Service Providers

The budget proposal includes \$5.9 million for community service providers. Service providers have received minimal rate increases since 2006 and have faced many inflationary pressures, including wage pressures, due to minimum wage increases. It is essential that DHS maintain a strong community service provider network to support people with developmental disabilities.

In-Home Care for the Elderly

The budget includes \$3.2 million to DHS for ADvantage Waiver providers. The ADvantage Program of the Home- and Community-Based Services provides Medicaid services to help people stay at home instead of going to a nursing home. The program assists frail seniors and adults who have physical disabilities. Service providers have received minimal rate increases since 2006 and have faced many inflationary pressures, including wage pressures due to minimum wage increases. Increases are sought because of the risk of losing providers. If clients seek nursing home services because of the lack of community services, the cost is about three times higher to the state.

Juvenile Affairs

Governor Fallin’s budget includes \$1.5 million to further support the Office of Juvenile Affairs in addressing crucial maintenance needs at its facilities and expanding intensive treatment beds.

Indigent Care

Governor Fallin recommends funding the OSU Medical Authority's operations of the indigent care program at the Tulsa hospital with a new appropriation of \$2.5 million.

Education

Education Reform Funding

In the two previous legislative sessions, Governor Fallin has worked with State Superintendent of Public Instruction Janet Barresi and the Legislature to pass critical education reforms that will increase accountability and strengthen our education system. In order to help fund and implement these reforms, the governor's executive budget includes a \$13.5 million funding increase for the Department of Education.

Transportation and Infrastructure

Improving Oklahoma's Roads and Bridges

The governor's budget supports the statutory increase in the State Transportation Fund of \$2,124,891. This increase is in addition to the statutory increases in the ROADS Fund and the CIRB Fund, both of which will aid in timely implementation of Governor Fallin's Bridge Improvement and Turnpike Modernization Plan. Based on preliminary estimates, the number of structurally deficient bridges on the state system for the 2012 reporting cycle is expected to decline from 634 to near 550. Structurally deficient bridges have been reduced by more than 20 percent since Governor Fallin took office.

Criminal Justice and Public Safety

Corrections

In order to address offender population growth and other challenges, the governor proposes appropriating an additional \$1 million to the Department of Corrections.

District Attorneys Council

Governor Fallin recommends providing the District Attorneys Council with an additional \$1 million to offset the loss of other funds for operational costs.

Pardon and Parole Board

To address additional responsibilities and update systems, the governor's budget includes \$300,000 for the Pardon and Parole Board.

Other Initiatives

Quick Action Closing Fund

The Quick Action Closing Fund is an important job creation tool that will help Oklahoma recruit new businesses and retain existing businesses. Governor Fallin recommends dedicating \$5 million to the Quick Action Closing Fund in order to continue the state's efforts to attract and retain businesses.

Ethics Commission

Responsible government means ethical government. That's why Governor Fallin proposes appropriating an additional \$125,000 to the Ethics Commission to help bolster its operational budget.

Public Water Supply Program

As part of her commitment to retaining primacy of Oklahoma's public water supply, Governor Fallin has included \$1.5 million in her executive budget to continue to ensure that Oklahoma retains responsibility for the Public Water Supply Program and municipal water inspections rather than ceding control to other parties. This is in response to new United States Environmental Protection Agency mandates effective beginning in FY-2014.

State Employee Compensation

Governor Fallin recognizes and values the dedication of state employees and their willingness to do more with fewer resources. To address issues concerning compensation, the governor proposes spending \$200,000 to perform a total remuneration study to objectively assess the compensation of state employees with the goal to move toward a performance-based compensation system.

Emergency Fund

Governor Fallin recommends appropriating \$1 million to the State Emergency Fund in order to stay ahead of the cost of inevitable natural disasters and to more expediently reimburse cities and counties for the financial burden these disasters cause.

Continued Funding of Successful Programs

Highway Patrol Academy

Over the last several years, the Oklahoma Highway Patrol has experienced a considerable decline in state troopers. As a result of Trooper Academy funding in FY-2013, the Oklahoma Highway Patrol graduated its first group of cadets (30) since 2009. As a sign of the governor's ongoing commitment to the safety of all Oklahomans, this Executive Budget annualizes the \$5 million appropriated in FY-2013 for a Trooper Academy through the Department of Public Safety.

Office of the Chief Medical Examiner

The Office of the Chief Medical Examiner is charged with protecting the public health and safety of Oklahomans through the scientific investigation of deaths as defined by state statutes. This process involves scene investigation and medicolegal autopsy complementing the activities of law enforcement agencies, district attorneys and public health officials. Governor Fallin proposes annualizing the \$2.5 million FY-2013 supplemental appropriation made to the Medical Examiner's office as it continues pursuing re-accreditation, which is critical to the effective implementation of its mission.

Strategic Funding Reductions

Governor Fallin's budget eliminates the following funding:

- \$2 million from the Agriculture Department for one-time funds for Youth Expo;
- \$5.58 million from the OSU Medical Authority for funding obligations that have been fulfilled;
- \$3 million from the University Hospitals Authority for one-time costs for a specialty clinic;
- \$190,000 from the Treasurer's office to reflect voluntary operational cost reductions;
- \$37,000 from the Supreme Court for funding obligations that have been fulfilled.

Revenue Adjustments

Voluntary Buyout Fund

Because the deadline has passed for agencies to seek reimbursement from the Voluntary Buyout Agency Reimbursement Revolving Fund, also known as the HB 2363 VOBO Fund, Governor Fallin's budget transfers the balance of that fund, approximately \$375,000, into the Special Cash Fund for use on one-time, supplemental issues.

Commissioners of the Land Office

The Commissioners of the Land Office (CLO) has reduced operational expenses by \$798,000. The Constitution requires that these funds be made available for distribution to public schools, colleges and universities throughout the state if they are not used for agency operations. Therefore, these funds are not reflected in the CLO base budget for FY-2014 and will be available for distribution by CLO to schools.

No additional funds are transferred to balance the governor's budget. Furthermore, no other new revenue, tax or fee proposals are contained in this budget.