

eCap) Gov. Mary Fallin said Wednesday she will call on lawmakers in her State of the State address to look at ways to reform the state's budget process.

"My number one message to the Legislature on Monday will be: This must be the year we address our structural deficiencies within our state budget system and have more transparency and accountability," Fallin said Wednesday during the Associated Press' annual legislative forum.

"We need to make some drastic, fundamental changes in how we budget our state finances, especially since we continue to have budget shortfalls," Fallin added

Fallin noted she and the Legislature were faced in three of her first four years in office with less money to spend for the next fiscal year than had been appropriated for the then current fiscal year. The situation is similar this year. The Board of Equalization, which Fallin chairs, approved an estimate in December that would make nearly \$300 million less available for appropriation for fiscal year 2016 than was appropriated for FY2015, the current fiscal year. Fallin and others have suggested the February's recertification could see that difference increase.

At the same time, however, total revenue receipts and General Revenue Fund collections are forecast to increase.

"The fact is that our current budgeting process is malfunctioning. It is insufficient," Fallin said. "If we are going to continue to grow, as we have, our tax receipts but continue to have budget shortfalls ...just makes no sense,"

Fallin called the decline in revenue available for appropriation "artificial" and said state agencies are being negatively impacted.

The governor said lawmakers and the governor could appropriate 57 percent of total state revenues in 2007. That share is now 47 percent, she said. If something is not done this year or next, she added, that percentage will decline to 44 percent. "That's a trend that unsustainable," Fallin said.

Fallin offered several alternatives for addressing the problem.

"I want the Legislature to do as I have done and take a look at the state's revolving funds. This has been an ongoing discussion here at the Capitol," Fallin said.

House Interim Study H14-007, requested by Rep. Bobbie Cleveland, R-Slaughterville, examined the issue of revolving funds in October. House Fiscal Director Mark Tygret told the House Appropriations and Budget Committee there are approximately 550 revolving funds on state ledgers.

Fallin said Wednesday an analysis by the Office of Management and Enterprise Services shows the state has \$1.7 billion "sitting in revolving funds throughout the various state agencies."

"Not all that money is available to be spent," Fallin said. "Some of it has been encumbered, has been dedicated to certain spending priorities of those agencies. So, we can't touch that money. But the fact is there is about \$900 million that is not encumbered in those revolving funds and I ask the Legislature to take a close look at the amount of revenue we have in those revolving funds."

In separate opinions released in November, Attorney General Scott Pruitt took issue with the Legislature's transfer and appropriation of money from two revolving funds -- \$11.0 million from the Workers' Compensation Fund and \$5 million from the Trauma Care Assistance Revolving Fund. Both opinions said the move violated Article 10, Section 19 of the Oklahoma Constitution.

Fallin said the state also needs "...to take a hard look at our tax credits and tax incentives. It has

always been my policy that tax credits and incentives should create jobs, good jobs, or investments that will help grow the state of Oklahoma."

Fallin said her office engaged the Pew Foundation to conduct a one year study to evaluate the state's tax credits and incentives, as well as state revenue streams and the general budgeting process. That report is not yet available, she said, but the governor said she expects it will contain some good recommendations for officials to consider.

Fallin again proposed the Legislature limit its work on substantive legislation to every other year and focus annually on the state budget. The governor called the budget process "very complicated" and said a session focused solely on budget work would allow lawmakers to focus on "knowing the budget."

Fallin will deliver her fifth State of the State address Monday after the Legislature reconvenes at noon. Fallin is expected to speak shortly after 12:30 p.m.