



Oklahoma State Auditor & Inspector

News Release

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Budget the State Based On Need, Not Last Year's Appropriation

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Fiscal year 2014 is barely underway and state agencies are already preparing budget requests for FY2015. Agencies use current funding levels as a base amount and typically request an increase for the next year. It's how the Oklahoma budget process works, historically. Legislative appropriations are based on past history and not current agency needs. Little in-depth analysis is done with regard to true budgetary needs.

Last October, we began talking about Oklahoma's budget process and the status quo approach of starting with a static budget slightly tweaked only by increasing or decreasing funding levels. It's time for the State of Oklahoma to discard our "History Based" method of budgeting for a more responsible and accountable "Needs Based" approach.

The legislature recently required agencies to apply performance measurements as part of the Oklahoma budget process. While it's a good start, it falls short without the added benefit of performance audits to measure how a program is implemented and whether operations are being run cost-effectively.

From a legislator's perspective, a fifteen minute dog-and-pony presentation by a state agency is insufficient to provide critical information as to the agency's purpose, programs, and real budgetary needs. It also fails to identify reserve funds and other sources of revenue tucked away from legislative scrutiny and excluded from the budget review process.

A basic precept to ensuring accountability in Oklahoma's budgeting process is to recognize all revenue sources. Legislative appropriations are only a portion of the total state budget. Some agencies receive no appropriated funds, but are fully supported by fees or other revenues including millions in federal taxpayer funds and fees. Such taxpayer dollars should receive the same thorough review.

Every agency budget should be based on assessed needs. Following a comprehensive budget **needs** assessment, **all** revenue streams would be identified in the pre-approved agency budget. Any discrepancy between needs and total revenue could be addressed during the appropriations process. Lawmakers would be able to base funding decisions on total available revenue and approved budget needs rather than arbitrary benchmarks.

Unlike the old "History Based" approach, no state agency would be allowed to stockpile cash and all revenue sources, including appropriations would be open to public scrutiny.

Applying this concept to just one select agency yielded a \$3.6 million reduction in its annually appropriated funds. Applied across all state government, millions in reserve funds could be identified to support priorities like burdensome pension debt and crumbling infrastructures.

The Needs Based budget approach should also include systematic performance audits focused on identifying opportunities for efficiencies and development of cost-effective alternatives in delivering state services. These audits will validate established performance measures and increase the quality of legislative decisions affecting fiscal policy and expenditure of taxpayer dollars.