POINT OF VIEW | CUTS, TAX INCREASES WON'T FIX BUDGET

State needs changes in financial management

BY MIKE MAZZEI

We learned in February that Oklahoma's revenue deficit will be $878 million. In addition, revenue for the current fiscal year has not met estimates, thereby creating $34 million worth of across-the-board cuts for all state agencies. To avoid raising taxes, the governor and Legislature must pursue major financial management transformation.

First, a basic premise of financial and business planning must be adopted — expenses must match expected recurring revenues. Although you have heard all of state government has been cut, several government agencies and projects have actually received increased funding in recent years. Other agencies such as OETA certainly do not represent top government priorities. Millions of dollars can be saved by some targeted cost reductions.


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Also, hundreds of millions of dollars are diverted to "off-the-top" spending projects before the budget process gets started. For example, the very successful ROADS program, which has grown by more than 200 percent since 2009, is set to receive a $59 million increase this year. Any sensible business CFO would look at that program and conclude that its wonderful progress can handle a delay of the automatic increase.

The not-so-healthy relationship between legislators and county commissioners has created another massive flow of money from the taxpayers to the state and then on to the counties. These dollars total over $400 million per year and certainly need to be adjusted since Oklahoma counties already benefit from a very stable revenue source. By reducing expenses and curtailing these off-the-top spending practices, the Legislature could target rebalancing revenue and expenses by $300 million.

Second, special-interest tax deals and wasteful capital cronyism must be eliminated. The over-the-top generous wind power tax credit program costs more than $110 million per year, yet it only generates $80 million per year in employment income. Out-of-state corporations are benefiting from taxpayer dollars while funding for core services like education has actually decreased since 2009. By eliminating the wind power program and numerous other special tax deals, which do not create jobs, the recurring revenue side of the budget could improve by another $300 million.

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Finally, tax reform must also address unnecessary exemptions from sales taxes. Politicians have to end the cycle of picking winners and losers. The conservative Republican approach to tax reform should be lowering rates and broadening the base of taxpayers. Therefore, the state should reduce the sales tax rate from 4.5 percent to 4.25 percent and eliminate a huge number of sales tax exemptions. Many Oklahomans will incur less in sales tax, but a broader base of taxpayers could increase recurring revenue by yet another $300 million.

Financial mistakes and depressed energy prices have created a financial mess for Oklahoma. Just cutting expenses won't solve the problem at this point, but neither will multiple, large tax increases. To make Oklahoma the best, we must pursue aggressive financial management changes so we can get back to the business of producing more college- and career-ready graduates and creating more high-paying jobs.

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