



THE INSIDER

FAST FACTS:

2012 Legislative Milestones

- January 19: ~~Bill Introduction Deadline~~
- February 6: Session begins
- February 20/23: Bills from House/Senate committees
- March 15: Bills from house of origin
- April 2/5: House/Senate bills from opposite house committees
- April 26: Bills from opposite house
- May 25: Sine Die (Adjournment)

IMPORTANT WEBSITES:

Click on link to visit website:

- Governor Fallin: <http://www.ok.gov/governor>
- OK Senate: <http://www.oksenate.gov>
- OK House: <http://www.okhouse.gov>
- US Senate: <http://www.senate.gov>
- US House: <http://www.house.gov>
- FKG Consulting: <http://www.fkgconsulting.com>

WEEKLY HIGHLIGHTS

- ★ New Legislation: 962 House bills, 26 Resolutions; 972 Senate Bills, 45 Resolutions
- ★ Key Revenue Issues: Income Tax Reduction and Tax Credit Reform
- ★ New Water Distribution Measures To Be Considered
- ★ Projected State Budget = \$6.5 Billion – a 1.8% increase
- ★ New Health Insurance Exchange To Be Debated
- ★ Medicaid Funding Issues To Be Addressed

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2012 Session Begins

News worth knowing...

The Legislature returns to the Capitol on February 6 to begin the second session of the 53rd Legislature. The House and Senate will have approximately \$6.5 billion dollars to spend, an increase of \$114.6 million (1.8%) over last year's budget.

However, the budget includes about \$150 million in one-time funds used to plug holes last year. So the Legislature and Governor will, once again, try to balance the budget without going into the State Rainy Day Fund.

The Governor has indicated a desire to reduce the State Income Tax and state lawmakers want to

reform the state's tax credit and incentives program.

Water development and distribution, a proposed Health Insurance Exchange program, and changes in the state Medicaid program will also receive top priority during the session, as well as the development of a state energy policy, education reforms, further state agency consolidation efforts and bills relating to guns and texting.

Each week our Capitol Report below will highlight some of the more significant bills to watch in 2012.

COMINGS AND GOINGS:

The date for candidate filing has been moved to April, which could impact the willingness of legislators to act on key bills early in the session.



Capitol Report

Taxes and the Budget:

Bill number: **SB 1234**
Topic: Placing a cap on oil and gas tax incentives
Status: Introduced

Bill number: **HB 2586**
Topic: Taxes on Internet Sales
Status: Introduced

Bill number: **SB 1447**
Topic: Elimination of Certain Sales Tax Exemptions
Status: Introduced

Energy:

Bill number: **HB 2654**
Topic: Energy Litigation Reform Act
Status: Introduced

Bill number: **SB 1665**
Topic: Energy Litigation Act
Status: Introduced

Health Care:

Bill number: **HB 2270**
Topic: Removing cap on Quality of Care Fee
Status: Introduced

Bill number: **SB 1592**
Topic: Physical Therapists and health/wellness exams
Status: Introduced

Bill number: **HB 2267**
Topic: Allow cities to form smoke-free zones
Status: Introduced

Insurance:

Bill number: **HB 3109**
Topic: Changing composition of OSEEGIB Board
Status: Introduced

Bill number: **HB 2575**
Topic: Alternative Car Title
Status: Introduced

Corrections:

Bill number: **HB 3010**
Topic: Payment of inmates committing crimes
Status: Introduced

General Business:

Bill number: **HB 2853**
Topic: Prohibits sharing of personal information

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Status: Introduced
Bill number: **HB 1378**
Topic: Workers Comp "Opt-Out"
Status: Introduced

Telecommunications:

Bill number: **HB 2737**
Topic: Allocation of Universal Services Fund revenues
Status: Introduced

Bill number: **HB 2738**
Topic: Telemedicine
Status: Introduced

Environmental:

Bill number: **SB 1162**
Topic: Glass Recycling Initiative
Status: Introduced

Bill number: **SB 1042**
Topic: Shingle Recycling
Status: Introduced

Odds and Ends

Governor's State of the State Message to Emphasize Tax Relief

Governor Mary Fallin is expected to unveil a new tax reduction plan during her State-of-the-State message to House and Senate members on Monday. Calling her proposal “one of the boldest tax reform plans in our state’s history,” the Governor said her proposal, if approved by the legislature, will provide a tax cut for most Oklahomans. She indicated that her proposal will be paid for by eliminating several tax credits. The governor’s tax reduction would take effect on January 1, 2013.

Legislators Warned About Ending Tax credits and Deductions

Legislators were warned this week that ending a tax credit or deduction without an offsetting tax cut will be considered a tax increase by Grover Norquist’s Americans for Tax Reform and Americans for Prosperity. Americans for Prosperity State Director, Stuart Jolly, joined Norquist in a joint letter to legislators that “when you end a tax credit or deduction, you take income away from the taxpayer and give it to the government. This is undeniably a tax increase.” Norquist and Jolly referred to a statement by Cato Institute’s Senior Fellow Dan Mitchell , who said last year, “The real threat is back-door hikes resulting from the elimination and/or reduction of so-called tax breaks.”

No Rate Increase at CompSource in 2012

CompSource Board members were told by their actuary this week that most likely no rate Increase would be necessary in 2012. If the Agency’s loss ratio remains steady and investments perform at their current level, there will no need of a rate increase. The last rate increase occurred in 2009 (a 5% increase). CompSource reserves now stand at \$991 million. The reserves are needed to ensure sufficient coverage of claims for the next 40 years. The Board’s portfolio value is estimated at \$1.271 billion.

Commissioners Concerned about Land Office Distributions

Commissioners of the Land Office distributions to state common schools and colleges has topped \$100 million, according to Secretary Harry Birdwell. Distributions over the first seven months of the fiscal year totaled \$109 million, which is \$28.4 million more than last year. But Birdwell is concerned that this year’s total could be followed by lower distributions starting next year due to changes in

collections from oil and gas lease bonuses. Several major gas companies have said that they plan on curtailing natural gas exploration and production in response to historically-low natural gas prices. That could lower distributions in the future to as little as \$70 million.

[Chickasaws and Choctaws list Seven Water Essentials](#)

The Chickasaw and Choctaw tribes, currently involved in litigation concerning the use of Oklahoma water has listed seven essentials they believe should be part of any state water plan. The “Essentials” are: 1) meeting the needs of Oklahoma City and Tulsa; 2) meeting the needs of rural Oklahoma towns; 3) maintaining water levels to support recreation; 4) meeting water needs for agricultural purposes; 5) developing a plan that puts Oklahoma interests first; 6) certifying the sustainability of state water resources; and 7) providing a plan that unites the state’s residents. Choctaw Governor, Greg Pyle, said the tribes are not challenging existing permits of water use.

[Governor Asks Tribes to Dismiss Case](#)

Governor Fallin sent a letter to the Chickasaw and Choctaw tribes late this week asking them to drop their lawsuit against the state and instead turn their efforts to mediation. The two tribes have filed a suit in federal court seeking an injunction against a water use permit granted to the Oklahoma City Water Utility Trust regarding water from the Sardis Reservoir. The Governor said that if the tribes truly want a resolution to the issue, they should work with the state through mediation, not a lawsuit.

[Health Care Authority Presents Its Budget to Senate](#)

Mike Fogarty, CEO of the Oklahoma Health Care Authority, told the Senate Appropriations Subcommittee on Health and Human Services that the agency’s projected budget is \$5.2 billion, which is a 41.4% increase since FY-2007. The high figure is due to the 1 million more members in FY-2012. The cost per member, however, has risen only 6.1% over that time frame, or 1.2 % annually. Fogarty credited better screening and diagnostic programs for the agency’s ability to control costs. The agency’s budget request for the coming fiscal year reflects about \$172.5 million in new money. The Authority is also requesting about \$33 million in state funds to increase provider rates by 3.25%, thus restoring temporary cuts that were made in 2010.

House Members Introduce Educator Insurance Bills

HB 2491 by Rep. Dennis Casey and HB 3120 by Rep. Jeff Hickman have been introduced to help school districts make budget decisions. Both bills would change the insurance plan year from a calendar year to a fiscal year. Under current law, any changes to insurance plans go into effect on January 1 of each year which is in the middle of the school year. School districts are left with the job of paying for the increased benefits. The bills would align the plan year with the budget cycle to ensure that money is available to cover any benefits to educators. In addition, HB 3056 by Speaker Kris Steele would modify the dates of the Oklahoma and Education Employees Group Insurance Board (OSEEGIB) plans to July through June 30 of each year.

State Treasurer Worries About Natural Gas Estimates in Budget Projections

State Treasurer Ken Miller said this week that he is concerned about the low price on natural gas and how it could impact the state's budget. Miller said that the actual price of gas (\$2.54 per mcf) is much lower than the \$4 per mcf figure that was used by the Board of Equalization when estimating state income levels for the current year. He feels the actual price could cause the Board to lower estimates when it meets later this month.