

FY-2006

Executive Budget

Governor  
Brad Henry

February 7, 2005

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To the citizens of the Great State of Oklahoma and to the Oklahoma State Legislature:

I am pleased to submit for your consideration the FY-2006 Executive Budget. As required by state law, I have presented a balanced budget.

Throughout the history of our proud state, Oklahomans have demonstrated the strength to overcome adversity and determination to achieve excellence. As we look to the future, we must remain focused on providing the opportunities that will allow all Oklahomans to succeed.

The recommendations in this budget share a common goal: To secure a future in which Oklahoma will ascend to new heights. I am confident key investments in our economy, education and health care system will lead to a stronger and more prosperous Oklahoma.

I ask the Legislature and the citizens of Oklahoma to give serious consideration to these recommendations. Working together, we can achieve unparalleled excellence.

Sincerely,

Brad Henry  
Governor

February 7, 2005

Governor Henry:

It is an honor to present you with your executive budget for the FY-2006 budget year. The budgets of all state agencies, boards and commissions were reviewed extensively in the preparation of this budget. For the past 6 months, the Office of State Finance Budget Division staff members and I met with directors of major state agencies to evaluate and justify agency programs and expenditures. The Office of State Finance employed performance based budgeting techniques to appraise financial and program performance. State agency leaders and staff were accommodating and provided information necessary for a thorough examination. They also offered suggestions to improve efficiency and effectiveness. Tax policies, expenditures and revenue enhancement ideas were also examined with the assistance of the Office's Fiscal and Research Division.

To those involved in this process, I extend my thanks and appreciation for their hard work and input. I would like to thank you for all of your time and attention in the development of the budget. I also want to thank analysts with the Budget and Fiscal and Revenue Division. Additionally, I would like to thank my Budget Division Director, Claudia San Pedro, and my Fiscal and Research Division Director, James Wilbanks, for their hard work and dedication.

Respectfully,

Scott Meacham  
Director, Office of State Finance

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# **Executive Summary**



## **Executive Summary**

Governor Henry's first two Executive Budgets proposed bold initiatives to strengthen Oklahoma's economy, education system and health care system. Oklahoma's economy has made great gains since the economic recession of 2001-2002. Oklahoma was rated one of the "Top 10 Pro-Business States for 2005" by Pollina Corporate Real Estate. The national study recognized Oklahoma for its business incentives and economic development efforts.

Here are just a few highlights of Oklahoma's economy:

- Since January of 2003, 178 companies in Oklahoma have added over 22,000 jobs.
- In 2004 state job growth outpaced the nation's with non-farm wage and salary payroll growth of 1.7% compared to 1.3% for the nation.
- Oklahoma's unemployment rate also outpaced the nation with a 21% decline in unemployment from 5.7% in November of 2003 to 4.5% in November of 2004. For the same periods in time, the U.S. unemployment rate decreased by 8 % from 5.9% to 5.4%.

Some of the most notable job expansions taking place in Oklahoma include: Dell with an anticipated 1,400 jobs in Oklahoma City, IBM with 1,000 more jobs in Tulsa by 2009 and Dot Foods with 150 jobs in Ardmore.

This past fall, Oklahomans affirmed their commitment to investing in a quality educational system and health care system with passage of SQ's 705 and 706 for the lottery and SQ 713 for the tax reform-health care program.

Governor Henry's FY-2006 Budget builds upon these successful initiatives with proposals to encourage more job growth and economic development, improve student achievement and enhance the health of all Oklahomans.

The revenue shortfalls of FY-2002 and FY-2003 provided the state an opportunity to evaluate all government programs and services. As a result, a number of inefficient practices and programs were eliminated. With the FY-2004 recovery and additional revenue growth in FY-2005 and FY-2006, agencies must not become complacent. Agencies must continue to evaluate programs and services and identify improvements and efficiencies. State tax dollars must be invested wisely and strategically in areas yielding positive outcomes.

The recommendations contained in the FY-2006 Executive Budget emphasize the delivery of cost-effective government services and programs to improve the quality of life for all Oklahomans.

Governor Henry's FY- 2006 Executive Budget proposes three major initiatives:

- **Common Education:** improving student achievement and the quality of instruction for all children;
- **Health Care:** ensuring access to quality health care and affordable prescription drugs for working families and seniors; expansion of drug court programs which divert drug offenders into more effective treatment; and

- Economic Growth: exempting Oklahoma sourced capital gains from corporate income taxes, reducing taxes on retirement income and establishing the Economic Development Research Endowment Fund to encourage economic development in Oklahoma.

This executive summary provides an overview of these major initiatives and a summary of the FY- 2006 Executive Budget.

## **Education**

A quality educational system from early childhood through college is essential for positive economic development in Oklahoma. Governor Henry recommends implementing the “Achieving Classroom Excellence” Act which addresses all stages of learning and works to ensure every child in Oklahoma is provided a quality education.

This budget funds 100% of teacher’s health insurance and the first year cost of the four year teacher salary increase proposed by the Governor to move Oklahoma teachers to the regional average in pay. The amount of salary increases will vary by the educational level of each teacher and the number of years a teacher has been in the classroom. The average increase will be \$1,000 per teacher per year. Securing this investment for Oklahoma’s teachers is a significant step towards attracting and retaining quality teachers.

### **Early Childhood Education**

The FY-2006 Executive Budget proposes utilizing FY-2006 Common Education Lottery revenue to fund voluntary full-day kindergarten. Research studies such as the *Full-Day Kindergarten: Exploring an Option for Extended Learning* by the Northwest Regional Education Laboratory confirm that full-day kindergarten programs provide positive academic and social benefits for students, particularly at-risk students. While it is the Governor’s priority to ensure full-day kindergarten is available to all children and families interested, full-day kindergarten attendance must remain voluntary. Parents must have the flexibility to determine what is best for their child.

### **Middle School**

The goal of middle school is to prepare all students for the rigors of high school work. While student achievement has improved in many areas, one area where Oklahoma students consistently under perform in is math. Regardless of the benchmark used, the end of course Algebra I assessment, the math portion of the ACT or college remediation rates for math, many students are not demonstrating the necessary math skills to successfully compete at a national or global level.

The FY-2006 Executive Budget proposes two initiatives specifically designed to improve math student achievement for all children in middle school. The first recommendation is to appropriate \$2 million to initiate pilot math improvement programs in low performing math schools. The programs must be based on scientific research to meet standards set forth in the federal No Child Left Behind Act.

The second proposal is geared towards teachers. The Governor recommends appropriating \$2 million to provide middle school math teachers the opportunity to enhance subject area knowledge and pedagogy skills in one of three settings, a math institute, a customized higher education course or small learning communities. Teachers who participate in the middle school math initiative and successfully pass the intermediate math certification assessment will receive a \$1,000 bonus. Teachers who have already passed the certification exam may

receive the \$1,000 bonus for successfully completing one of the professional development opportunities.

To ultimately ensure that 8<sup>th</sup> graders have the skills necessary to engage in rigorous high school work, the Governor recommends forming the Achieving Classroom Excellence Task Force to develop a plan for implementing a meaningful mastery exam in the 8<sup>th</sup> grade for 6<sup>th</sup> grade students entering the 2008-2009 school year. The Governor proposes utilizing the current 8<sup>th</sup> grade criterion reference tests as the assessment tool. The task force will be charged with developing recommendations for benchmarks, consequences and remediation opportunities for students not demonstrating competency.

### **High School Reform**

Just as middle school prepares students for high school, high school must adequately prepare students to successfully participate in the workforce or postsecondary education. Students must be in a position to compete on a national and international level. To that end, the FY-2006 Executive Budget proposes a number of measures that will improve student achievement and accountability in high school.

To encourage a strong academic foundation for the workforce or postsecondary education, the Governor recommends the Oklahoma Higher Learning Access Program (OHLAP) college preparatory curriculum be adopted as the default curriculum for all entering high school students. Recognizing the OHLAP curriculum is not suited for every student, parents will have the opportunity to opt out of the curriculum. The Governor also proposes paying college tuition for those high school seniors ready to pursue college courses. The FY-2006 Executive Budget provides \$1.5 million to pay college tuition for up to 6 hours a semester for participating high school seniors.

Oklahoma has developed four end-of-course instruction exams for high school. While students are currently mandated to take the exams, scores are not utilized to determine grades or receipt of a high school diploma. To further improve student achievement, the Governor proposes developing two additional end-of-course instruction tests and requiring high school students entering the 2008-2009 school year to complete four of six exams to receive a diploma. The Achieving Classroom Excellence Task Force will be responsible for developing recommendations for remediation, substitutions and guidelines for successful completion. Recommendations will be presented to the Governor and Legislature for review and approval.

### **Higher Ed Bond Issue**

Oklahoma's institutions of higher education have experienced significant enrollment growth over the past ten years increasing by over 4 % from 224,829 in the 1993-1994 academic year to over 235,000 the 2004-2005 year. Unfortunately, there has been insufficient revenue to maintain campus facilities in satisfactory conditions. The last significant capital bond issue for higher education was passed in 1992. Governor Henry is proposing a \$500 million capital bond issue for Oklahoma Higher Education institutions.

The bond will address the top priority needs for every college and university in the State system, including 140 individual projects in 36 communities statewide. This investment in higher education is absolutely necessary for Oklahoma to build on its reputation for high quality affordable higher education.

## **Health Care**

### **Prescription for Savings**

“Too many Oklahomans, particularly senior citizens, are getting priced out of a healthy lifestyle by the sky-rocketing price of prescription drugs. Unless we take bold, innovative action, our citizens will continue to see a bigger and bigger chunk of their pay-checks and savings accounts eaten up by prescription drug bills.”

Governor Brad Henry

The “Prescription for Savings” initiative consists of three major components:

- Establishment of a program that allows Oklahoma pharmacies to purchase US-made prescription drugs from Canada and other industrialized countries for resale to Oklahoma citizens.
- Creation of a state Website that allows Oklahoma citizens to order cheaper prescription drugs from Canada and other industrialized countries that rely on US pharmaceutical companies for their supplies.
- Creation of an Oklahoma SmartCard that allows citizens to easily take advantage of existing drug discount programs, eliminating the paperwork and bureaucratic hurdles that exist now.

### **Drug Courts**

The drug court program offers nonviolent, felony offenders with substance abuse problems an opportunity to enter into a district court supervised substance abuse treatment program in lieu of incarceration. Among drug court graduates there is a 75% decrease in unemployment and significant increases in earned income. In addition, drug court graduates are two times less likely to recidivate than successful probationers and four times less likely to recidivate than drug offenders released from prison.

Governor’s Henry’s FY-2006 budget includes \$8 million for a dramatic expansion in the state’s drug court programs which will add, over a two year phase-in period, 3,229 drug court slots for diversion of drug offenders into this successful treatment model. Current programs in 22 counties will be expanded to handle more offenders while new programs will be added in 9 additional counties. When fully operational in FY-2007, the program will cost approximately \$16 million per year but will save \$25 million per year in incarceration costs.

## **Taxes**

Encouraging economic development is one of the Governor’s top priorities. The state must continue to develop, attract and grow quality jobs to ensure a brighter future for all Oklahomans. The FY-2006 Executive Budget proposes a number of tax reform provisions focused on spurring investment and removing antiquated and onerous taxes that impede economic growth in Oklahoma.

## **Economic Development Research Endowment Fund**

Governor Henry's Economic Development Generating Excellence (EDGE) Committee recommended the creation of a \$1 billion endowment fund to promote research and economic development in Oklahoma. The goal was to make Oklahoma the "Research Capitol of the Plains." The plan is for the State to provide one-half of the endowment, and private donations to comprise the other half. The interest earned by the endowment will be used to create research teams. These teams will focus efforts in two areas: cutting-edge research agendas and research that will improve the competitiveness of Oklahoma business.

The Governor's FY-2006 Budget proposes to direct one-half of the surplus general revenue collections at the end of a fiscal year toward this endowment fund. These surplus monies would only accrue to the endowment fund after the limit on the Rainy Day Fund has been met. Currently, the projection is that the FY-05 general revenue fund will exceed the estimate by \$385 million. The limit on the Rainy Day Fund is \$243 million, meaning that over \$140 million would be left in excess surplus funds. It is believed this number could increase to \$200 million by year end due to continued economic growth. This proposal would direct up to \$100 million of this amount to the endowment fund.

## **Taxpayer Relief Fund**

The Governor also proposes directing the remaining one-half of the excess surplus funds. This budget proposes to send these funds back to the taxpayers of Oklahoma in the form of a refund. Given, the current projections of FY-2005 general revenue collections, up to \$100 million could be returned to taxpayers under this proposal.

## **Corporate Income Tax**

The Governor's successful initiative to exempt Oklahoma source capital gains from individual income taxes effective January 1, 2005, was an important step in promoting capital investment in Oklahoma. For FY-2006, the Governor proposes exempting Oklahoma source capital gains from corporate income taxes effective January 1, 2006. Gains on property held for five years or more will be exempt and stocks held for three years or more will be exempt from corporate income taxes.

Under this proposal, the increase in a stock's value will no longer be subject to state income taxation if held three years, providing an incentive for companies to locate in Oklahoma to give their employees the best tax environment in which to work. New business formation and investment will also be encouraged since future capital gains on the sale or recapitalization of successful business ventures will be free from taxation.

## **Estate Tax**

The state's estate tax provides an exemption on the transfer of assets to lineal heirs that is scheduled to increase to \$1,000,000 for deaths occurring on or after January 1, 2006. Lineal heirs include parents, children, or other direct descendants. Any part of an estate that is transferred to a non-lineal, or collateral, heir receives no exemption at all.

The Governor's budget proposes to address this inequity in the estate tax code. Specifically, the proposal is to create an estate tax exemption for collateral heirs for deaths that occur on or after January 1, 2006. The exemption will shelter the first \$200,000 of assets transferred to a collateral heir from the estate tax. This exemption will increase by \$200,000 in each of the following four years until it is equal to the exemption offered to lineal heirs.

### **Retirement Income Exemption**

The Governor remains committed to exempting retirement income from individual income tax. Oklahomans affirmed their commitment to this endeavor with passage of State Question 713. This measure provided tax relief to seniors by increasing the retirement income exemption, increasing the qualifying income limit. The FY-2006 Executive Budget proposes to build upon this success and increase the retirement income exemption from \$7,500 to \$10,000 for FY-2006. This will continue to provide tax relief to all seniors, but particularly low-income seniors.

### **Military Personnel**

Oklahomans have a long, proud tradition of military service. There are currently over 9,700 Oklahomans in the National Guard. The Governor's budget proposes a serious commitment to these troops. Specifically, this budget provides funds to pay the monthly premium on life insurance for all members in good standing with the Oklahoma National Guard. The Service Member Group Life Insurance policy, offered through the U.S. Department of Veterans Affairs provides \$250,000 to families who have suffered the loss of a soldier or airman on active duty. Under the Governor's proposal, premiums will be paid in perpetuity.

In addition to protecting the families of our National Guard members in case of a soldier's death, the Governor's budget proposes creating an assistance fund for these families suffering financial hardship. This fund will receive money from taxpayers that choose to donate a portion of their income tax return. Monies from this fund would be available to families facing financial difficulties due to either the active duty status of the soldier or due to an injury suffered on active duty. The FY-2006 Executive Budget also recommends exempting 50% of all military retirement income from individual income taxes. Passage of these initiatives is a significant way to support these troops and their families as they serve our country.

### **Additional Certified Revenues**

In the event the February Board of Equalization increases the amount of revenues available for appropriation, the Governor's budget proposes serious consideration of additional appropriations to cover the state agency cost of the increase in the Oklahoma Public Employees Retirement System and state agency cost of the increase in the flexible benefit allowance. The Governor strongly recommends additional funds also be directed to the Teacher's Retirement System.

<b>Summary of FY-2006 Balanced Budget</b>		<b>Final</b>
<b>Revenue</b>		
1.	Appropriations Authorized in December Equalization Board Meeting	\$ 5,760,822,481
2.	Excess CLO Funds	\$ 2,217,435
<b>Total Amount Available from Certification Packet</b>		<b>\$ 5,758,605,046</b>
<b>Revenue Changes</b>		
<b>Other Revenue</b>		
3.	Excess Gross Production Oil Funds	\$ 43,037,334
4.	Convert OSHA certified fund into a revolving fund	\$ 86,250
5.	Cash Flow Reserve Fund	\$ 159,403,537
<b>Total General Revenue Changes:</b>		<b>\$ 202,527,121</b>
<b>Changes to Revolving Funds/Special Cash Fund</b>		
<b>Special Cash</b>		
6.	Agency Transfers to Special Cash	\$ 3,500,000
<b>Total Special Cash:</b>		<b>\$ 3,500,000</b>
<b>Total Changes to Certification:</b>		<b>\$ 206,027,121</b>
<b>Total Revenue Available for FY-2005 Budget:</b>		<b>\$ 5,964,632,167</b>
<b>Tax Cuts</b>		
1.	Increase Retirement Income Exemption	\$ (4,610,000)
2.	50% Military Retirement Exemption	\$ (371,000)
3.	Back to School Tax Holiday	\$ (4,127,000)
4.	Workers Comp Reform	\$ (2,101,000)
5.	Extend Ok Capital Gains Exemptions to Corporate Income Tax	\$ (1,822,000)
6.	Eliminate Estate Tax exemption over 5 years	\$ -
<b>Total for Tax Cuts:</b>		<b>\$ (13,031,000)</b>
<b>Expenditures:</b>		
1.	FY'2005 Appropriations	\$ 5,363,036,161
2.	Less: One-Times	\$ (1,587,000)
3.	Less: REAP (Incorporate into line 1 for final version)	\$ (5,076,485)
4.	Governor	\$ -
5.	Lieutenant Governor	\$ -
6.	Agriculture Cabinet	\$ 1,384,853
7.	Commerce/Tourism Cabinets	\$ (3,705,000)
8.	Education Cabinet	\$ 187,439,741
9.	Energy/Environment Cabinet	\$ 2,000,000
10.	Finance and Revenue Cabinet	\$ 4,732,000
11.	Health Cabinet	\$ 93,041,000
12.	Human Resources and Administration Cabinet	\$ 291,000
13.	Human Services Cabinet	\$ 77,204,649
14.	Military Cabinet	\$ 2,374,925
15.	Safety and Security Cabinet	\$ 22,352,107
16.	Science and Technology	\$ 10,000,000
17.	Secretary of State Cabinet	\$ -
18.	Transportation Cabinet	\$ 53,275,774
19.	Veterans' Cabinet	\$ 1,800,000
20.	Legislature	\$ -
21.	Judiciary	\$ 2,325,883
22.	FY-2005 Supplementals	\$ 93,005,725
23.	State Pay Increase	\$ 47,705,834
<b>Total Recommended Expenditures</b>		<b>\$ 5,951,601,167</b>
Balance / (shortage) of funds available		\$ -

## Overview

Under the Oklahoma Constitution, the Governor must utilize the expenditure authority approved by the Equalization Board in the December meeting. Appropriated and authorized funds in this packet that exceed the amount of revenue appropriated and authorized for the prior year is considered additional growth revenue for the prospective fiscal year. Based on the most current equalization board meeting, the amount of funds available for appropriation and authorization for FY-2006 is \$5.760 billion. This represents an increase in growth revenue of \$370.6 million over funds appropriated and authorized for FY-2005.

### Revenue adjustments

#### Excess Gross Production – Oil Funds

Current estimates indicate that gross production tax on oil deposits to the three education revolving funds will exceed the FY- 2005 original projection of \$34 million by \$14.3 million per fund. The Governor's budget utilizes \$4 million of the excess revenue in the Oklahoma Student Aid Revolving Fund to pay for OHLAP scholarships in FY-2005. The remainder of this additional revenue is directed for FY- 2006 budget expenditures.

#### Cash Flow Reserve Fund

This budget proposes a transfer of \$159 million from the FY-2005 Cash Flow Reserve Fund (CFRF) to the Special Cash fund for the FY-2006 budget. Currently, the balance in the CFRF is just over \$159 million. Through December, actual collections for FY-05 exceed estimated collections by \$267 million with a balance in the FY-05 General Revenue fund of \$213 million after allocations to agencies in January. Current projections by the Office of State Finance indicate that the balance in the General Revenue Fund far exceeds the amount necessary for cash flow purposes for the remainder of FY-05. A transfer of funds from the CFRF, as this budget proposes, is a prudent measure to help fund vital state services.

#### Special Cash Fund Transfers

One component of the FY-2006 budget involved identifying agency revolving funds that exceed the amount needed to balance FY-2005 expenditures. These funds can be re-directed to cover agency operating costs for FY-2006. This proposal transfers a total of \$3.5 million to the special cash fund:

- \$2.5 million from the Secretary of State Revolving Fund;
- \$400,000 from the Department of Environmental Quality Revolving Fund;
- \$75,000 from the Well Plugging Revolving Fund in the Corporation Commission;
- \$350,000 from the Bail Bondsmen Revolving Fund in the Insurance Commission; and
- \$175,000 from the Mortgage Brokerage Fund in the Department of Consumer Credit

This proposed transfer of funds is based on a careful analysis of budgeted versus actual receipts and disbursements and minimum fund value over the past three fiscal years.

#### Other Revenue adjustments

For more complete details of items 1 through 6 please review the Tax Initiative section later in this section or the Revenue Proposals section of the budget book.

## Expenditure Proposals

The first step in developing this budget involved reviewing individual agency budgets. Office of State Finance Director Scott Meacham and the State Finance Budget division utilized performance based budgeting techniques to evaluate programs and services. The Governor places a strong emphasis on performance and efficiency measures for agencies. Agencies have been and will continue to be challenged to improve services and outcomes. Citizens must have confidence that tax dollars are being spent efficiently and effectively.

This FY-2006 Executive Budget identifies and incorporates both funding investments and efficiencies. Funding investments that yield both short-term and long-term economic and social benefits for Oklahoma are included. Funding efficiency recommendations target programs and services where the same productivity level is possible with less funding.

A more detailed explanation of each of these items is in the appropriate pages for the agency listed. Note that a summary of these funding adjustments by Cabinet Department is located later in this section. The starting point for expenditure proposals is FY-2005 appropriations. Subtracting one time expenditures for FY-2004 supplementals and FY-2005 activities from this amount produces a base level of expenditures. Adding proposed changes in expenditures yields the total Executive Budget.

## FY-2004 Supplementals

The following table lists FY-2004 supplemental appropriations subtracted from the FY-2005 state expenditure base:

### FY'04 Supplementals

1. Commerce: Native American Cultural Center debt service	\$ (121,000)
2. Historical Society	\$ (142,000)
3. Common Education: National Board Certified Teacher Bonuses	\$ (464,550)
4. Common Education: Ad Valorem Reimbursement Fund	\$ (17,300,000)
5. Tax Commission	\$ (7,050,000)
6. Department of Health	\$ (114,000)
7. J. D. McCarty	\$ (300,000)
8. University Hospitals Authority	\$ (2,137,467)
9. Department of Corrections	\$ (5,000,000)
10. Medicolegal	\$ (100,000)
<b>Total FY'04 Supplementals:</b>	<b>\$ (32,729,017)</b>

## One-Time Expenditures

Over \$1.5 million was appropriated for one-time FY- 2005 expenditure items:

- \$795,000 to the Election Board for election year costs;
- \$500,000 to the Treasurer for the State Savings initiative; and
- \$292,000 to the Office of State Finance to pay the federal settlement on behalf of the Wildlife retirement system.

Subtracting these one-time expenditure items from the FY-2005 expenditure base yields the baseline budget for FY-2006.

## REAP

The Department of Agriculture and the Corporation Commission's operating budget was funded with one-time gross production REAP funds. This budget reduces this one-time revenue source and proposes replacing it with general revenue funds.

## **FY-2005 Supplementals**

The following list includes supplemental appropriations proposed in the FY- 2006 Executive Budget:

### **FY'05 Supplementals**

a. Capitol Complex and Cent. Commission - Dome Debt Service	\$	940,000
b. Corrections	\$	17,924,000
c. District Attorneys Council	\$	700,000
d. Office of Juvenile Affairs	\$	1,400,000
e. Department of Human Services	\$	22,000,000
f. Common Education: Teachers' Health Insurance	\$	12,800,000
g. Common Education: NBC	\$	387,725
h. CareerTech: TIP and Dell Training	\$	1,500,000
i. Historical Society	\$	904,000
j. Disaster Relief Fund	\$	4,000,000
k. Education: Ad Valorem Reimbursement Fund	\$	25,000,000
l. Veterans: Korean Medals	\$	250,000
m. Indigent Defense System	\$	600,000
n. Horse Racing Commission	\$	100,000
o. Lottery Commission	\$	500,000
p. Higher Ed: OHLAP	\$	4,000,000
<b>Total FY'05 Supplementals</b>	<b>\$</b>	<b>93,005,725</b>

The Governor's budget proposes a supplemental appropriation to the Capitol Complex and Centennial Commission to pay interest costs on the \$5 million loan to complete the State Capitol Dome. The commission received authorization to issue a bond to pay the principal amount of the loan, but the state also has an obligation to pay for interest on the loan.

The Governor's budget includes a supplemental appropriation for the Department of Corrections to secure necessary private prison beds to protect public safety. The supplemental also provides funding to cover the Department's payroll deficit and the medical services deficit.

An additional \$700,000 is recommended to replace a reduction in one-time bogus check revolving fund revenue utilized by district attorneys across the state to pay for FY-2005 salary costs.

Another \$1.4 million is recommended for the Rader medium secure juvenile facility in Sand Springs, Oklahoma. These funds will be used to repair the perimeter fence, replace bathrooms and a roof. These repairs are needed to ensure public safety and the basic health and safety of staff and adjudicated juveniles in the facility.

The Governor's budget includes an additional \$22 million to the Department of Human Services to replace a reduction in carryover funds. This funding is needed to maintain current service levels for clients in aging services, the state foster care program, child welfare program, family support and adoption subsidies.

Common education also needs a supplemental appropriation for FY-2005 to cover 100% of each teacher's health insurance cost and another \$387,500 to ensure every teacher attaining

National Board Certification during FY- 2004 receives a \$5,000 annual stipend. The state must fulfill its commitment and reward teachers for participating in this initiative.

The economic recovery has caused an increase in the number of businesses participating in the Training in Industry program which provides customized business training to new and or expanding businesses in Oklahoma. An additional \$1.5 million is needed to guarantee the Department of Career and Technology can provide the necessary training to Oklahoma businesses.

The new 195,000 square foot Oklahoma Historical Museum will open in 2005. The agency needs funding to cover initial operating costs and \$654,000 for debt service. The Governor includes this supplemental appropriation in the FY-2006 budget.

The Governor provides \$4 million to cover state costs associated with state and federal natural disasters in Oklahoma. This money will be used to match federal funds and help communities across the state.

An additional \$25 million is recommended to ensure every school district receives reimbursement for the reduction in ad valorem associated with the 5 year manufacturer's ad valorem exemption business incentive program.

The Governor also proposes \$250,000 to provide every veteran of the Korean conflict a medallion in special recognition and appreciation for their service to their country.

The FY-2006 budget includes a \$600,000 supplemental for the Oklahoma Indigent Defense System. This funding is needed to address a serious backlog of cases at the appellate level. Caseloads for attorneys in the General Appeals division are higher than the American Bar Association recommends. Due to higher caseloads, the agency frequently asks for delays in the criminal justice process. Further delays could lead to a state or federal court ruling that orders the release of previously convicted persons.

Another \$100,000 is recommended for the Oklahoma Horse Racing Commission. This funding will be used for start-up and continuing costs associated with the new regulatory role the agency will have in the tribal gaming initiative.

The FY-2006 Executive Budget proposes \$500,000 in a supplemental appropriation to cover start-up costs of the Lottery Commission under the Finance and Revenue Cabinet. This amount is annualized for FY-2006 but will not be needed for FY-2007.

As stated earlier, the Governor recommends increasing the expenditure authority of the Higher Ed Scholarship Fund to pay for all FY-2005 OHLAP scholarships.

### **FY-2006 Key Funding Issues**

The Legislature and Governor enacted a number of measures in the 2004 Legislative session which require state appropriations in FY-2006. These include over \$47 million for the \$2,100 state employee salary increase, \$54.8 million for the first year cost of the four year teacher salary increase and \$48.6 million to cover debt service for the Roads improvement bond. Funding for all of these items is included for the appropriate agencies in the FY-2006 Executive Budget Book. The cost of the salary increase was calculated by comparing each agency's December FTE and FY-2005 average and multiplied the maximum number by the \$1,400 FY-2006 cost.

## **Health Care**

For FY-2006, the Governor's Budget proposes two major initiatives designed to help all Oklahomans – Drug Court and Prescription Drug Program.

The remaining funds are directed as follows:

- \$80 million for maintenance and annualizations in the Oklahoma Health Care Authority to maintain current program service levels for children, people with developmental disabilities and seniors;
- \$1.4 million for the state prescription drug program;
- \$11.8 million for programs in the Department of Mental Health and Substance Abuse Services;
- \$3.8 million to improve nursing home inspections, increase nurse salaries and expand the breast cancer screening program; and
- \$1.8 million to reduce the vacancy rate of all Veterans centers and improve the nurse-patient ratio.

## **Education**

The Governor's budget proposes an increase of over \$120.1 million to common education of which \$22.4 million is to provide 100% of teachers' health insurance, \$54.8 million for the first year cost of the teacher salary increase, \$24.6 million for full-day kindergarten and another \$18.3 million for academic programs. Higher education receives over \$62.7 million for debt service on the higher ed bond issue, institutional allocations, scholarship expenses and endowed chairs. Another \$4.2 million is directed for the Department of Career and Technology for urban and rural programs, inmate skills centers and Business Industry training program.

## **Safety and Security**

The FY-2006 recommendation of a \$14.2 million increase for the Department of Corrections annualizes the supplemental appropriation, provides operational funding for the Union City community correctional center and funds for the proposed per diem increase in county back up beds. The Governor's budget proposes expanding statewide Drug Courts, which will divert offenders from prison and lead to immediate savings for the Department of Corrections. Recommendations also include \$3.4 million in additional funding for a 72 cadet academy in the Department of Public Safety.

## **Transportation**

The Governor's budget includes \$48.6 million in general revenue funding to the Department of Transportation for increased FY- 2006 debt service payments. Additional general revenue funds are recommended to cover the cost of the employee salary increase.

## **Human Services**

The Governor's budget proposes a \$72.1 million increase to replace one-time revenue sources used for critical services such as child care subsidies, the home and community based waiver for the developmentally disabled and seniors in the Advantage program. This amount also includes much needed funds to increase habilitation training specialist rates, personal care assistants and targeted child care rates. The Child Care program encourages personal responsibility for families by providing working parents with quality day care for children. The budget also includes \$2.8 million to increase juvenile tracking and expand mental health and substance abuse services for adjudicated juveniles in the Office of Juvenile Affairs.

## Commerce, Tourism, Energy, Environment

The Governor's budget proposes a \$2 million appropriation to the Tar Creek "Trust Authority" to implement the Governor's voluntary relocation plan. Another \$2.4 million is directed to the Historical Society for increased FY-2006 debt service payments and \$1 million to the Department of Commerce to improve business recruitment efforts in Oklahoma. Temporary and permanent budget reductions are also recommended in a number of agencies to improve cost efficiencies.

### Capital Budget Proposal

When state funding is limited, one of the first items to be reduced is the capital or maintenance budget. Accordingly, from FY-2002 through FY-2004, little to no funding was dedicated to maintaining or improving the state's capital infrastructure. While deferring maintenance expenditures can yield savings in the short run, it will actually cost the state more money in the long run.

The Governor's budget proposes issuing a \$145.3 million bond for new construction, expansion or renovation of state facilities. Also included in this proposal is a recommendation to provide \$5 million in state funds to the Oklahoma City Bombing Memorial Fund.

#### General Government Capital Issues

1. State Capitol Heating and Air Conditioning Unit	\$ 27,000,000
2. New Tax Commission Building	\$ 26,353,104
3. State Data Center	\$ 25,000,000
4. Attorney General's Building	\$ 3,000,000
5. Supreme Court Building	\$ 20,900,000
6. OJA New Medium Secure Facility	\$ 7,000,000
7. Water Resources Board: Recapitalization financial systems program	\$ 25,000,000
8. Historical Society: Endowment funds for Oklahoma Bombing Memorial	\$ 5,000,000
9. Corrections: Clara Waters	\$ 1,000,000
10. Corrections: Union City	\$ 5,000,000
<b>Total Capital:</b>	<b>\$ 145,253,104</b>

The State Capitol heating and air conditioning system was installed over 15 years ago and is long overdue for replacement. The Department of Central Services has selected a company to review replacement cost options and energy efficiency. Replacement of the entire heat pump system is recommended and will garner future utility cost savings.

The Governor recommends the construction of a new building for the Oklahoma Tax Commission. The new building will be part of the first phase of the Lincoln Boulevard Renaissance Project and would allow the Commission to consolidate its operations. Operations are currently housed in three separate leased buildings. The new facility would allow the Tax Commission to consolidate services and employees to provide better service to the taxpayers as well as address the security issues raised by the IRS and the State Auditor and Inspector. Additional state funds are not required.

To ensure the state's information network is secure and protected, the FY-2006 budget recommends building a state data center for the benefit of all agencies. The Office of State Finance will work with agencies to design a state of the art data center equipped with the latest technology and infrastructure for daily operational needs and disaster recovery purposes.

The FY-2006 Executive Budget proposes increasing the amount of money issued for the new Attorney General's building by \$3 million. Another \$20.9 million is recommended to complete the new Supreme Court facility. The Supreme Court and the Court of Criminal Appeals will be re-located from the State Capitol to the former Historical Building facility. Of the amount proposed, \$17.1 million will be used to complete construction of the expansion and \$3.8 million will cover the cost of furniture, equipment and fixtures.

The Governor proposes funds to build a new medium secure juvenile facility to replace the Lloyd E. Rader center in Sand Springs, Oklahoma. Built in 1972, the facility has exceeded its useful life. In addition to the poor condition of the facility, the campus is not structurally appropriate for high level adjudicated delinquents.

The FY-2006 Executive Budget recommends \$25 million for the Water Resources Board Financial Assistance Programs. An investment of \$25 million into the OWRB Financial Assistance Programs could be used to provide matching funds that would qualify Oklahoma for up to \$125 million in capitalization grants from the EPA. Those capitalization grants plus the \$25 million investment from the state could phenomenally be leveraged to generate up to \$650 million in funds for Oklahoma's water and wastewater projects.

The Governor recommends \$5 million be provided to the Oklahoma City Bombing Memorial Endowment Fund. The Oklahoma City National Memorial Foundation has been authorized by the United States Congress to receive five million dollars to grow its endowment if matched by an equal amount from the State of Oklahoma. This \$10 million plus another \$5 million raised by private donations will help the Memorial grow its current endowment to more than \$18 million. This will ensure that future generations will be able to come to honor, learn, reflect and experience hope at the Oklahoma City National Memorial and Museum.

The FY-2006 budget proposes a \$1 million bond to renovate the Clara Waters facility in Oklahoma City. Once renovated, this facility may be used for a number of different programs including an intensive residential drug center for offenders who have failed in the traditional drug court environment.

Another \$5 million is proposed for the purchase of the Union City correctional facility. Originally built as a medium secure juvenile facility, the Department of Corrections is currently leasing the campus as a community correctional center.

# **FY-2006 Major Initiatives**

**Education  
Health Care  
Tax Reform**



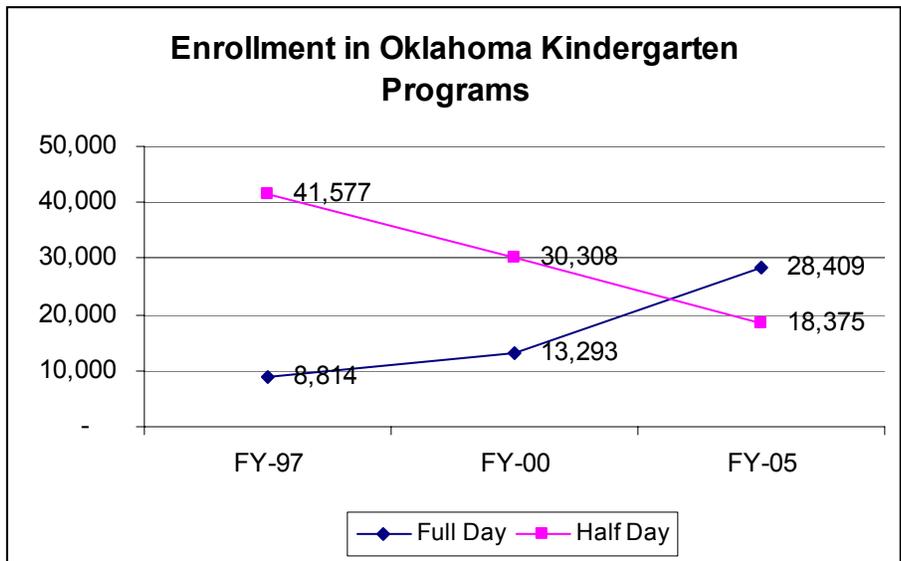
# Education Initiative

Oklahoma students cannot be competitive in higher education or in the workforce unless appropriate steps are taken to ensure their educational experience is consistent and inclusive of knowledge and skills necessary for success. For this reason, the Governor's budget proposes implementing the Achieving Classroom Excellence (ACE) initiative which includes funding for voluntary full-day kindergarten, middle school initiatives, high school programs and higher education capital improvements

## Full-Day Kindergarten

Research studies, such as *Full-Day Kindergarten: Exploring an Option for Extended Learning* by the Northwest Regional Education Laboratory, confirm that attendance in full-day kindergarten results in academic and social benefits for students, at least in the primary grades. Full-day kindergarten allows children and teachers time to explore topics in depth, reduces the ratio of transition time to class time, provides for greater continuity of day-to-day activities and provides an environment that favors a child-centered, developmentally appropriate approach to learning.

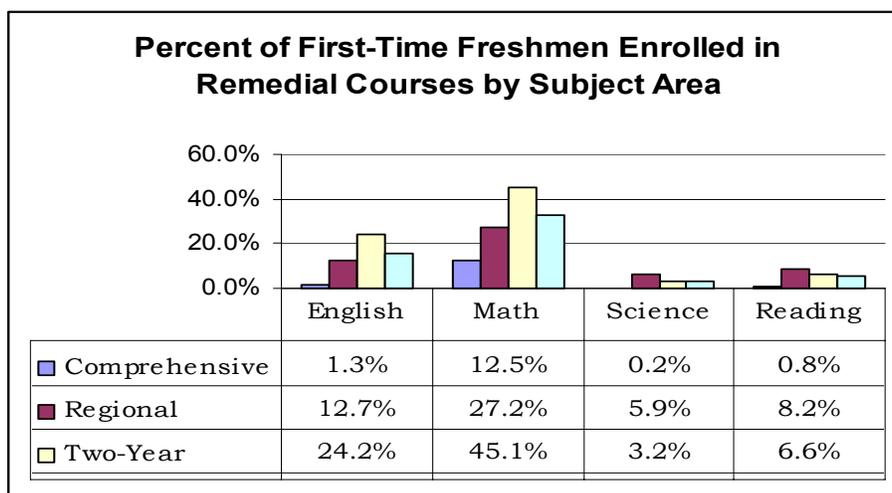
Attendance in full-day kindergarten in Oklahoma has increased by 322% from 8,814 in the 1996-1997 school year to 28,409 for the 2004-2005 school year. A state law passed during the 1999 session requires districts to offer full-day kindergarten when funds are available. The Governor's proposal includes \$24.6 million to fully fund optional full-day kindergarten programs. The Governor's intent is that every child in Oklahoma have the opportunity to attend full-day kindergarten, but that parents have the option to choose what is best for their child. Attending full-day kindergarten will be a voluntary option. The table below expresses the increasing trend in full-day kindergarten attendance.



## Middle School Initiatives

### Middle School Math Labs

Mathematics is an area of concern for public schools across the nation. Oklahoma students taking the ACT in 2004 scored well below the national average in math of 20.7, with a state math average of 19.8 – ranking Oklahoma 39<sup>th</sup> nationally. Furthermore, 32.8 % of first-time freshmen in Oklahoma colleges enrolled in at least one remedial mathematics course, as depicted in the chart below.



Source: Regents for Higher Ed.

For these reasons, the Governor’s proposed budget includes \$2 million for middle school math improvement programs. This money is intended for pilot programs in schools identified as low-performing in math. The programs must be based on scientific research to meet standards set forth in the federal No Child Left Behind Act.

### Middle School Math Initiative

The Governor’s budget proposes to allocate \$2 million for continuing education for middle school math teachers. Teachers will have three options to improve subject knowledge and teaching skills, a summer math institute, a customized higher education course or small learning communities. Teachers who participate in the programs and successfully pass the intermediate math certification exam will receive a \$1,000 bonus. Teachers who have already passed the assessment exam will receive a \$1,000 bonus for completing one of the professional development institutes.

### Mastery Exam

A number of states have started implementing mastery exams in the 8<sup>th</sup> grade. Consequences for not passing a particular subject or multiple subjects vary by state. In Louisiana and North Carolina, students who do not meet satisfactory standards in English and math are not considered for promotion to the next grade. In Nevada, consequences for low scores include possible revocation of a school’s accreditation, while high scoring students are eligible for monetary awards or scholarships for college.

The Governor intends to ensure that every 8<sup>th</sup> grader in Oklahoma has the skills and knowledge vital for success in high school work. In order to guarantee that all voices are heard and every component is addressed, the Governor recommends forming the Achieving Classroom Excellence Task Force to develop a plan for implementing a meaningful Achieving

Classroom Excellence, mastery exam in the 8<sup>th</sup> grade for 6<sup>th</sup> grade students entering the 2008-2009 school year. The Governor proposes utilizing the current 8<sup>th</sup> grade criterion reference tests as the assessment tool. The task force will be charged with developing recommendations for benchmarks, consequences and remediation opportunities for students not demonstrating competency.

## **High School Reform**

### **Curriculum Reform**

The Governor recommends taking a proactive approach to preparing high school graduates for success in the workforce or postsecondary education. The most successful models have dynamically altered high school curriculum to more adequately give students the foundation needed to succeed after graduation. Oklahoma's curriculum underwent vigorous reform in 1999. The only area still in need of strengthening is mathematics.

The Governor's proposal includes requiring three years of high school math, to be taken between 9<sup>th</sup> grade and 12<sup>th</sup> grade. If students complete the statutory math curriculum by taking Algebra I in the 8<sup>th</sup> grade, the student can take any three accredited math courses at the high school or career-technology center to comply with the requirement. Currently, students taking Algebra I in the 8<sup>th</sup> grade only have to take two years of math in high school.

### **Default Curriculum**

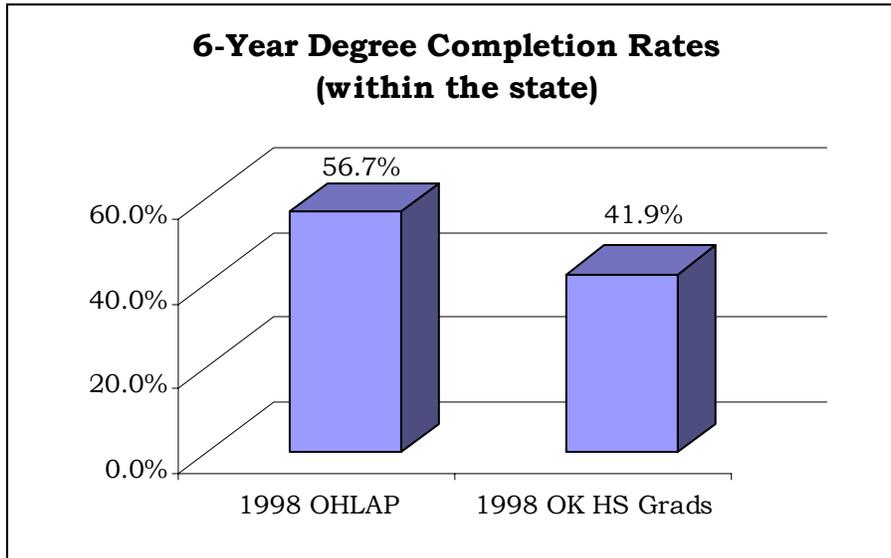
Recognizing the need for students to be adequately prepared for life after high school, the Governor recommends setting the OHLAP college preparatory curriculum as the default curriculum for Oklahoma's high school students. Based on Virginia's successful model, the Governor recognizes the crucial need for the high school curriculum to prepare students for the rigors encountered after high school. The Governor realizes that the OHLAP curriculum is not suited for all students, so parents will have the option to enroll their children in a different curriculum.

OHLAP Curriculum:

- 4 units of English to include grammar, composition and literature;
- 2 units of lab science limited to biology, chemistry, physics or any certified lab science; general science with or without a lab may not be used to meet this requirement;
- 3 units of mathematics including Algebra I, Algebra II, geometry, trigonometry, math analysis, calculus, Advanced Placement Statistics;
- 3 units of history and citizenship skills including one unit of American history and two units from the subjects of history, government, geography, economics, civics, and/or non-Western Culture;
- 2 units of Foreign or non-English language (two years of the same language) OR Computer technology  
Courses in programming, hardware and business computer applications such as word processing, databases, spreadsheets and graphics. (Keyboarding or typing classes do NOT qualify.) (1 foreign language and 1 computer course will not meet this requirement.);
- 2 additional units of subjects listed above; and

- 1 Unit of Fine arts (Music, art, drama) OR Speech.

The OHLAP curriculum is designed for college preparation, and the statistics indicate that it works. The college going rates for OHLAP graduates is 81%, compared to 56% of Oklahoma high school graduates. Regarding the high school graduates of 1998, 56.7 % of OHLAP graduates completed a bachelor’s degree within 6 years, compared to 41.9 % of Oklahoma high school graduates, as expressed below.



Source: Regents for Higher Ed.

### **Achieving Classroom Excellence (ACE) Mastery Exams**

Another component of this initiative is broadening the scope of Oklahoma’s end-of-instruction examination. Eighteen states have high school exams which a student must pass to graduate. Oklahoma has already developed four end-of-course instruction exams for high school that students are currently mandated to take. Since the scores are not utilized to determine grades or receipt of a high school diploma, Achieving Classroom Excellence is weak. The Governor proposes developing two additional end-of-course instruction tests and requiring high school freshmen entering the 2008-2009 school year to complete four of six exams to receive a diploma.

### **Concurrent Enrollment**

Currently, there are 2,761 high school students concurrently enrolled in courses at Oklahoma’s higher education institutions. The Governor proposes to have the tuition costs of high school seniors concurrently enrolled in college paid for by the State rather than the student. The State cost will be approximately \$1.3 million, but the benefits would be innumerable as more Oklahoma high school students begin investing in their college futures at an early age.

### **Higher Education Bond Issue**

Oklahoma’s institutions of higher education have experienced significant enrollment growth over the past ten years increasing by over 4 % from 224,829 in the 1993-1994 academic year to over 235,000 currently. Unfortunately, there has been insufficient revenue to maintain campus facilities in acceptable conditions. Small donations and grants have enabled several campuses to do a small number of projects, but most have not been able to significantly invest

in capital infrastructure for at least twelve years. Therefore, the Governor is proposing a \$500 million capital bond issue for Oklahoma Higher Education Institutions.

The bond issue will address the top priority needs for every college and university in the State system, including 140 individual projects in 36 communities statewide. Some of the projects include new and renovated classrooms and research buildings, infrastructure expansions and upgrades, fine arts centers and libraries. The bond issue will also allow institutions to meet Americans with Disabilities Act requirements and other safety codes.

Research conducted by the Center for Economic and Business Development at Southwestern Oklahoma State University shows that in FY-2005, the employment impact totals over 4,000 construction, service trade and retail sector jobs. In addition, the construction projects could result in an economic impact of more than \$737 million statewide.

The Governor proposes including renovation of the Animal Disease Diagnostic Laboratory (OADDL) in Stillwater and the Oklahoma Department of Agriculture, Food and Forestry (ODAFF) Laboratory in Oklahoma City in the higher ed bond issue. These two labs are responsible for all food safety and agriculture production testing in the state of Oklahoma. The National Bureau of Standards certifies any product that's weighed or measured, which includes all meat, eggs, feed, seed, fertilizer and pesticide testing, all of which are of tremendous importance to homeland security and the health and safety of all Oklahomans. With \$7.5 billion in raw agricultural products in Oklahoma each year, a \$24 million investment is minimal regarding food safety and agricultural for all Oklahomans.

OADDL is faced with controlling over thirty new animal diseases since the lab was built. If there were an agricultural emergency in the state, and a category III lab space were needed, Oklahoma's resources would not be sufficient to handle the crisis. OADDL is confronted with issues such as insufficient clean air circulation, inadequate laboratory space to perform requested testing, inadequate Biological Safety facilities and insufficient means of disposing of animal carcasses and parts.

ODAFF is facing the potential loss of national accreditation because of their inability to effectively participate in national agriculture surveillance programs protecting food safety. The current lab is unable to control laboratory environmental conditions which result in test and equipment failures. Inadequate electrical, plumbing and mechanical infrastructure prevent the lab from supporting emerging technologies. If accreditation were lost, Oklahoma would have to rely on the nearest facility, which is in Minnesota.

The Governor proposes funding the majority of the debt service with dedicated revenue from the lottery. A small amount of general revenue will be required in the initial start up phases to pay for debt service.

# Health Care Initiative

## Prescription for Savings

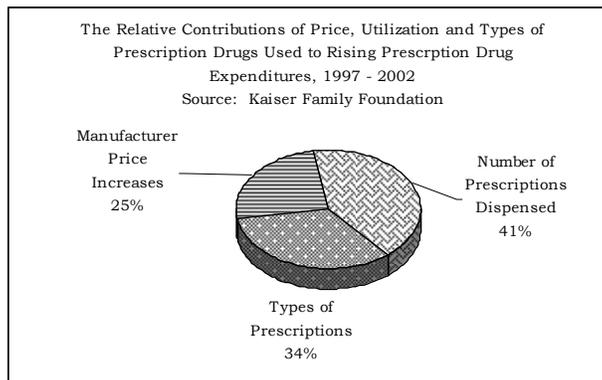
### The Rising Cost of Prescription Drugs

Across the nation, both public and private sector organizations are focused on prescription drugs because of rapidly rising prescription costs. Growing concerns about the affordability of needed drugs, coupled with the significant increases in the price of prescription drugs from year to year, led Governor Henry to consider new approaches to addressing drug costs.

### Factors Driving Increases in Prescription Costs

Three main factors are driving the increases in prescription drug costs. According to the Kaiser Family Foundation drug trend fact sheet from October 2004:

- The increasing number of prescriptions (utilization) was responsible for 41% of the overall increase in prescription spending from 1997 through 2002;
- Changes in the types of drugs used (with newer, higher priced drugs replacing older, less-expensive drugs) accounted for 34% of the increase; and
- Manufacturer price increases for existing drugs accounted for 25% of the increase.



### Key Trends Over the Last Decade

The Kaiser Family Foundation October 2004 report also identified the following:

- **Utilization** From 1993 to 2003, the number of prescriptions purchased increased 70% (from 2.0 billion to 3.4 billion), compared to a U.S. population growth of 13%; the average number of prescriptions per capita increased from 7.8 to 11.8;
- **Price** Retail prescription prices (which reflect both manufacturer price changes for existing drugs and changes in use to newer, higher-priced drugs) have increased an average of 7.4% a year from 1993 to 2003, more than double the average inflation rate of 2.5%;
- **Changes in Types of Drugs Used** Most of the top-selling prescriptions are newer, higher priced brand name drugs whose availability is affected by the research and development (R&D) activities of pharmaceutical manufacturers and government-supported research. Manufacturer R&D spending increased from \$12.7 billion in 1993 to an estimated \$33.2 billion for 2003, with R&D estimated to be 17.7% of sales in 2003.

- **Profitable Industry** From 1995 to 2002, pharmaceutical manufacturers were the nation's most profitable industry. In 2003, they ranked third in profitability, with profits of 14% compared to 5% for all fortune 500 firms.
- **Advertising** Both prescription use and shifts to higher-priced drugs are affected by advertising. Manufacturers spent \$25.3 billion for advertising in 2003, with \$22.1 billion (87%) directed toward physicians. This \$22.1 billion includes \$16.4 billion for the retail value of drug samples. A total of \$3.2 billion (13%) of the drug manufacturers advertising expenditures were directed to consumers. Spending for direct-to-consumer advertising - typically to advertise newer, higher-priced drugs - was over 8 times greater in 2003 than in 1995. (Source: Kaiser Family Foundation Prescription Drug Trends Fact Sheet, October 2004)

**Internet Access to Prescription Drugs from Canada and Elsewhere** The first of three major components of Governor Henry's prescription drug savings proposal will be a specially designed website for access by Oklahomans who wish to learn about ordering their prescriptions directly from Canada or other approved countries.

### **Prescription Discount Program**

Many drug manufacturers currently provide discount prescription programs to low-income uninsured families and seniors. Each manufacturer, however, has different income eligibility guidelines, applies different discounts to different prescriptions and people must apply for each program separately. Understanding all the various available programs and completing the necessary paperwork can be cumbersome and confusing for the average person. As his second major component of his prescription drug plan, the Governor proposes to streamline this process and implement a "one-stop" State Prescription Drug Discount program for uninsured families and seniors. The program will negotiate prescription discounts with manufacturers and pharmacy networks as well as maintain and integrate the information in one clearinghouse which will enable families and seniors to fill out one form at one location. Using this method, manufacturers and pharmacy networks can maintain autonomy over the types and level of discounts each will offer without imposing cumbersome paperwork requirements for applicants.

The enrollment fee for the program will be \$12 per person unless that person has an income of less than 150% of the Federal Poverty Level (FPL). That percentage of FPL translates into approximately \$14,000 yearly income for one person or \$18,000 for two persons with levels varying by family size.

The passage of the Medicare Modernization Act of 2003 (MMA) brought with it Medicare approved drug discount card programs used in 2004 and 2005. These drug discount cards are available to people with Medicare who do not have outpatient prescription drug benefits under private insurance or the state's Medicaid program.

The federal Medicare/Medicaid agency, Centers for Medicare and Medicaid Services (CMS), contracted with several approved programs, which are available to qualified Oklahomans. One of the most successful Medicare drug discount card programs used by Oklahomans had developed a central clearing house which created additional discounts by "wrapping around" the Medicare discounts with the manufacturer discount programs for those Medicare recipients who qualify based on varying income requirements. This central clearing house infrastructure can be utilized to access manufacturer discount programs of which the consumer may otherwise be unaware.

### **Role of the current Oklahoma Pharmacy Connection Program**

In 2002, then Senator Henry was one of the authors of HB 2605 which established the Oklahoma Pharmacy Connection Program. The purpose of the program is to improve access to prescription drugs for citizens who have no or inadequate health insurance or other resources for the purchase of medically necessary prescription drugs. The program works with various drug manufacturer free or discount drug programs, doctors and patients to assist them in obtaining free or reduced priced drugs. As a result of this legislation and the program which has been developed thereby, thousands of low income Oklahomans are receiving free or deeply discounted prescription drugs. Various manufacturer discount cards are also available through this program to qualifying Medicare beneficiaries only.

Governor Henry applauds the success of the Oklahoma Pharmacy Connection and is now proposing to build on this success. The new proposed program will expand access and create a one card system which will allow the card user to automatically access the total array of drug manufacturer free and discount programs with the assistance of their local pharmacist. The establishment of a computerized clearing house will be a complete and seamless go between for consumers.

### **Drug Reimportation**

The third major component of Governor Henry's plan for providing Oklahomans with more affordable prescription drugs involves authorizing Oklahoma pharmacies to import drugs from Canada and other industrialized countries so the savings can be passed on to their customers. The Oklahoma Drug Reimportation Act (SB 977), which has been introduced as part of the Governor's proposals, is similar to legislation which has been introduced in South Dakota. Other states in which Governor's have championed drug reimportation proposals include Minnesota, Wisconsin, Illinois, Missouri, California, Vermont, Maine and Rhode Island. These proposals range from internet web sites directing citizens to Canadian pharmacies to facilitating mail order applications to attempts to bulk purchase drugs from other countries for use by county or state employees in group insurance plans.

Under this program, the Oklahoma Board of Pharmacy will certify suppliers of prescription drugs from Canada and other industrialized countries for distribution within the State of Oklahoma. These suppliers must meet certain predetermined criteria.

Among those criteria are:

- the prescription drug supplier is located in Canada or another industrialized nation;
- the suppliers allow Oklahoma inspection of their facilities and review of their safety protocols by the Board;
- maintenance of licensure to operate as a pharmacy and comply with applicable laws and regulations of such country;
- membership with the Canadian International Pharmacy Association if a Canadian supplier;
- employees who have necessary licenses;
- provision of only prescription medications that are approved by the Government of Canada's therapeutic Products Directorate for sale in Canada for Canadian suppliers;
- exclusion of medications for which there is no equivalent approved by the Food and Drug Administration for sale in the United States and medicines that cannot be safely shipped via mail order;

- use of the unopened manufacturer's packaging whenever possible; and
  - provision of periodic reports to the board regarding any complaints from Oklahoma customers.
- 

### **FY-2006 Appropriation**

This budget contains funding of \$1.4 million for the start up year of this project. The funding is reflected in the budget recommendations for the Oklahoma Health Care Authority as they will be the agency to administer the competitive contract process for the Prescription Drug Discount Card Program.

## Tax Reform Initiative: Investing for the Future

The State of Oklahoma weathered the economic recession of 2001-2002 and is now poised to enter a new period of economic growth. With this reality in mind, the Governor's Budget proposes a number of reforms focused on investment, specifically investment in Oklahoma. Proposals that promote investment in Oklahoma will ultimately create more jobs, income and wealth.

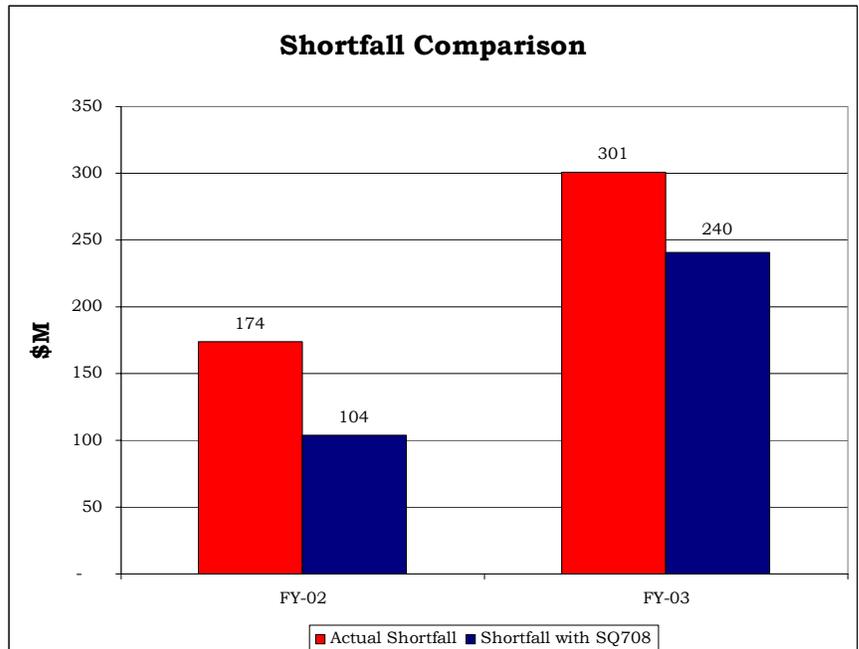
### Public Investment: Constitutional Reserve Fund Reform

The recession of 2001-2002 and corresponding downturn in revenue to operate State government highlighted a significant problem in Oklahoma's revenue system. During the recession years of FY-2002 and FY-2003, general revenue fell 11.25%, resulting in widespread cuts in government services to the citizens of Oklahoma. Recognizing the need for more flexibility in addressing revenue shortfalls, Oklahoma voters approved State Question 708 in the November 2004 general election.

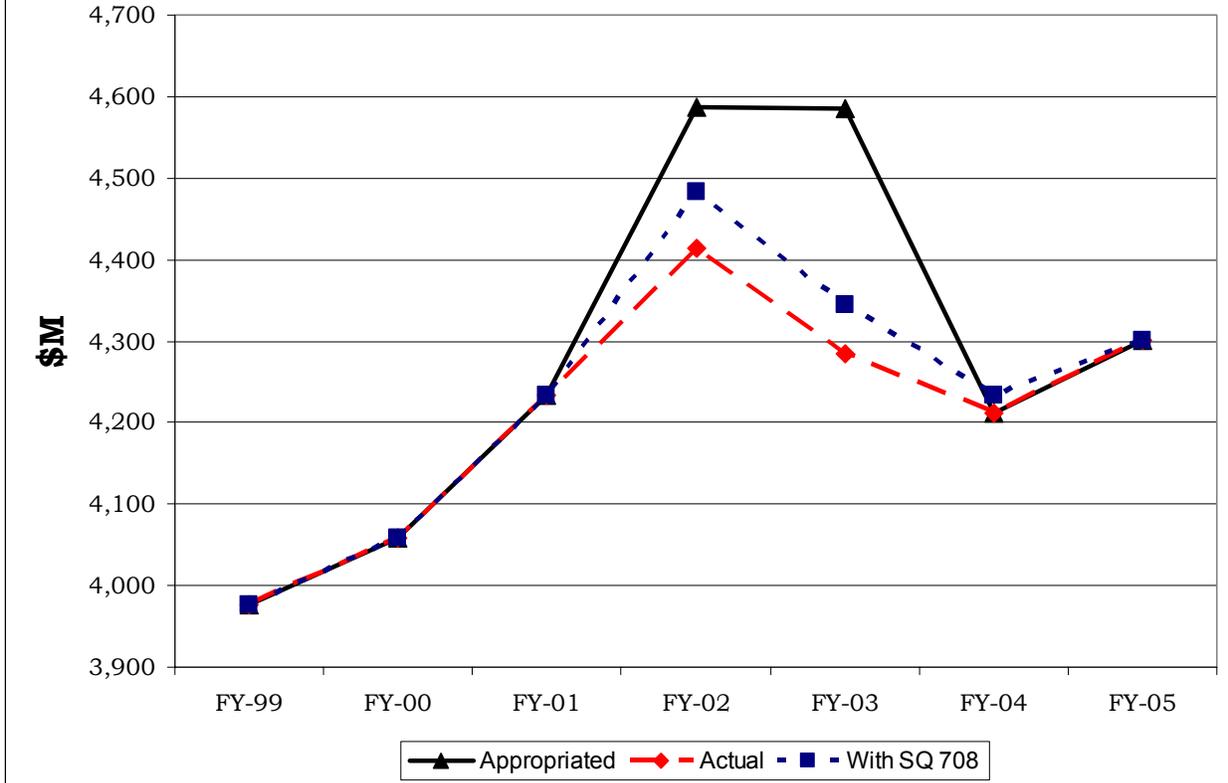
This state question made three changes to constitutional language regarding the State's Constitutional Reserve Fund (CRF), also known as the "Rainy Day" Fund. SQ 708 reduced the amount of the CRF which can be appropriated upon declaration of emergency from 50% to 25%. It also reduced the amount of the CRF that can be appropriated when estimated revenue for the coming fiscal year is less than the amount appropriated for the current fiscal year from 50% to 37.5%. The remaining 37.5% of the CRF can now be used for budget stabilization during the **current** fiscal year if revenue collections are less than what the legislature appropriated to agencies. Accessing the CRF for budget stabilization during a fiscal year, requires authorization of the State Board of Equalization and appropriation by the Legislature.

These changes do two things to improve state budget stabilization. First, the State now has a tool that can be used to address current year revenue shortfalls. Prior to adoption of SQ 708, once a budget was enacted, the only tool available to address a shortfall was across the board cuts to all agencies. Now, the State has three-eighths of the CRF at its disposal to address this issue. As the accompanying chart shows, this would have significantly reduced the size of the budget shortfall, reducing it by \$70 million in FY-2002 and \$60 million in FY-2003.

The second major change included in SQ 708 was the reduction in the share of the CRF that can be accessed upon declaration of an emergency. Since the creation and initial funding of the CRF at the end of FY-88, an emergency has been declared in all but two years. A tighter limit on the proportion of the CRF that can be appropriated for emergencies should serve to improve the State's ability to prepare for rough times. By taking out less of the State's savings to pay for emergencies, we will have a larger reserve when revenues decline.



## Comparison of GR and CRF Budget Stabilization Allocations to Agencies



The net result of these changes is that State government expenditures will be less volatile in times of recession. The chart below compares the appropriations from the General Revenue Fund and budget stabilization portion of the CRF against the corresponding actual allocations and what those allocations would have been had SQ 708 been in place since the creation of the CRF in 1985. The chart clearly indicates the revenue shortfall in FY-2002 and FY-2003 would have been less drastic than what was actually experienced. It is also apparent from the chart that even though the state ends up at the same level of spending once the recession is over, the path the state budget follows to get there involves significantly less across-the-board allocation cuts.

This highlights another improvement resulting from enactment of SQ 708. Prior to enactment of SQ 708, once the Legislature enacted a budget, if a revenue shortfall occurred, the Office of State Finance was forced to make across the board cuts to all agencies equally. With the new law, the Legislature can appropriate from the CRF, thereby making important decisions about what state government services should receive the budget stabilization funds and reducing the impact of across-the-board budget reductions on those services.

While the changes in SQ 708 are certainly a step in the right direction, there is more that can be done to ensure Oklahoma's budget does not suffer a reduction of such magnitudes in the future. Currently, deposits to the CRF are limited to 10% of the prior year certified general revenue fund collections. The FY-2004 certified general fund collections were \$4,613 million

and the resulting CRF cap is \$461.3 million. If the CRF were at this cap, there would be \$173 million available for both current and prospective year budget stabilization.

The events of the recent recession and accompanying decline in state revenue clearly indicate that while the enactment of State Question 708 is a step in the right direction, more reform is needed. Specifically, the State should increase the size of the State's savings account to better prepare for those 'rainy days' envisioned when the CRF was created. The Governor's recommendation is that a question be referred to the people of Oklahoma that would amend the State's Constitution so that the limit on the amount of money that can be deposited into the CRF is increased to 15% of the prior year's certified collections to the General Revenue Fund.

This small investment, increasing the amount of money that the State can set aside to prepare for economic hardship, will pay enormous dividends in the future. With this change, Oklahoma state government will not be forced to reduce expenditures on education, assistance to needy families or access to health care for the citizens most in need or consider tax increases when the next recession hits. The State will be better prepared to continue operations and meet the needs of its citizenry.

### **Public Investment: "Economic Development Research Endowment Fund"**

Article 10, section 23 of the State Constitution reads, in part:

"4. Surplus funds or monies shall be any amount accruing to the General Revenue Fund of the State of Oklahoma over and above the itemized estimate made by the State Board of Equalization.

5. Beginning July 1, 1985, all such surplus funds or monies accruing after said date shall be placed in a Constitutional Reserve Fund by the State Treasurer until such time that the amount of said Fund equals ten percent (10%) of the General Revenue Fund certification for the preceding fiscal year. Appropriations made from said Fund shall be considered special appropriations."

What the Constitution does not address is what happens to any funds accruing to the General Revenue Fund in excess of the amount that may be deposited into the CRF. The clear implication and historical practice has been that any money not deposited into the CRF would simply be carried forward as cash available for expenditure by the Legislature in the following fiscal year. The Governor's Executive Budget proposes surplus revenue in excess of the CRF cap be used to invest in Oklahoma.

Specifically, this budget proposes to dedicate one-half of any surplus revenue in excess of the CRF cap toward the Economic Development Research Endowment Fund. The concept of this fund was first developed by the Governor's Economic Development Generating Excellence (EDGE) Study. The Action Plan produced by the EDGE Committee recommended the creation of a \$1 billion endowment fund, the earnings from which would be used to support research and the transfer of innovation and technology to the private sector. Further, the action plan specified that these monies would be directed toward innovation that would strengthen current Oklahoma businesses and create businesses that are likely to remain in the state. When fully funded, an endowment of \$1 billion could generate up to \$40 million annually to enhance and propel research and development in Oklahoma. One-half of the \$1 billion will be state money while the remaining half will come from private donors.

The endowment will move Oklahoma forward by focusing on two specific goals. First, endowment earnings will be used to enhance Oklahoma's ability to support and conduct research. Currently, Oklahoma receives only \$55 per capita in federal research funds, a mere 20% of the national average of \$269. To address this gap, the majority of the money expended

from the endowment will focus on creating powerful research teams working on cutting-edge ideas. One significant criterion in the awarding of these funds will be based on the ability of teams to leverage other research grants.

Second, a portion of the fund's earnings will be directed toward research that is likely to enhance the productivity and competitiveness of key Oklahoma industries. Working through the Oklahoma Center for the Advancement of Science and Technology, money will be directed toward applied research that will directly benefit industry clusters identified as critical to Oklahoma's future growth.

Dedicating one-half of the surplus revenue collections in excess of the limit on CRF shows the level of commitment on the part of Governor Henry's administration to the endowment fund.

At its December meeting, the Board of Equalization projected current year collections that are \$385 million in excess of the certified estimate. The size of this projected surplus is so large that the CRF cap will be exceeded by over \$140 million. As revenues continue to improve, the Office of State Finance believes the excess revenues may approach \$200 million. With this proposal, up to \$100 million could be deposited into the Economic Development Research Endowment Fund. This represents a serious and substantive first step in the creation of the endowment fund that is critical for Oklahoma's future. With this fund, Oklahoma can truly become the "Research Capital of the Plains".

### **Tax Payer Relief Fund**

The Governor's FY-2006 budget proposes the remaining one-half of any surplus revenue available after the CRF cap has been met be directed to a "Taxpayer Relief Fund". Monies in this fund will be returned directly to taxpayers. Specifically, every Oklahoma resident that files an individual income tax return with the Oklahoma Tax Commission for the preceding tax year and pays tax will receive a payment from the fund.

### **Private Investment**

The Governor is also offering a variety of proposals that address investment in Oklahoma from private sources. These proposals all focus on improving incentives for private investors to put their capital to work in Oklahoma fostering economic development.

### **Corporate Income Tax Exemption for Oklahoma Sourced Capital Gains**

The 2004 Legislature exempted from the individual income tax all capital gains income on Oklahoma based property held for a minimum period of time. An Oklahoma sourced capital gain is defined as a gain on real property located in Oklahoma or a gain on a business interest that is headquartered in Oklahoma. To qualify for the exemption, property must be held for five consecutive years and a business interest must be held three consecutive years by the taxpayer.

The effect of this proposal is to encourage people to invest their money inside the state since any realized gain will not be taxed at the state level. This investment will, in turn, lead to more jobs, higher incomes and more wealth in Oklahoma. Such results should be encouraged in any way possible by Oklahoma government.

To this end, Governor Henry's Executive Budget proposes to extend the Oklahoma sourced capital gains exemption to corporate income tax payers as well as individuals. There is no sound economic reasoning to discriminate between investors that are organized differently. The goal is to increase capital investment in Oklahoma so that our citizenry benefits from the increased job opportunities and income growth.

## **Estate Tax Exemption for Collateral Heirs**

The Oklahoma estate tax is levied on the transfer of assets from the estate of a deceased person to other persons. Like most of our taxes, there are a series of exemptions and various other special treatments in the estate tax code. For example, any assets donated from an estate to a qualified non-profit entity are totally exempted from the estate tax. This exemption is a benefit not to the estate, but to the non-profit entity since they receive the full benefit of the donation.

Another special treatment in the estate tax code is for assets that are left to lineal heirs. Lineal heirs are defined as the father, mother, or direct descendants of the deceased, including grandchildren. Any assets that are transferred from an estate to a surviving spouse are totally exempt from Oklahoma's estate tax.

For deaths occurring after January 1, 2006, Oklahoma exempts the first one million dollars of assets transferred to lineal heirs. This exemption allows a significant portion of many estates to be passed to children, or other lineal heirs, in tact. This exemption can be especially important when the assets consist of a business or farm as it allows the heir to keep the business whole and operational, rather than having to sell it to pay taxes.

The lineal heir exemption on the estate tax is a well targeted tax preference that prevents the destruction of many family owned businesses. The lineal heir exemption does not, however, include transfers of estates to other heirs including siblings, cousins and other relatives. There is no economic argument for exempting estate transfers to parents or children, but not exempting estate transfers to a sibling.

To demonstrate the inequity of this differential treatment, consider an example. Suppose a cattle rancher in Oklahoma passes away. In their will they leave half of the ranch land and cattle to their only child and the other half to their only sibling. If the value of each half of the estate were one million dollars, the child would pay no Oklahoma estate tax, while the sibling would pay estate taxes in excess of \$115,000. This example points out the disparity created by the different exemption amounts.

The Governor's Budget proposes to equalize estate tax exemptions for lineal heirs and collateral, or non-lineal, heirs over a period of five years, thereby eliminating this disparity. In addition to addressing a serious tax inequity, this proposal will result in more small businesses continuing operation after transfer to an heir. Another concern with the estate tax is the possibility that the tax drives wealthy Oklahomans to relocate out of state when they retire. There is no proof of this happening, but there is certainly a great deal of anecdotal evidence to support this claim. This proposal addresses this concern since it brings the estate tax exemption up to an amount that is significant for most estate tax payers.

The tax and revenue reform package discussed herein is focused on encouraging more investment in Oklahoma, from both the public and private sectors. By encouraging this investment, we can secure a future that is bright and full of hope for all of Oklahoma's citizens. The resulting economic growth and development will benefit all Oklahoman's as the investment generates additional jobs and higher incomes.

# **Summary of FY-2006 Recommendations**



# Summary by Cabinet

## Summary by Cabinet

Agency/Cabinet Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Governor	\$2,522,709	\$0	\$2,522,709	\$0	\$2,522,709	\$56,549	\$2,579,258	2.2%
2 Lieutenant Governor	523,259	0	523,259	0	523,259	13,011	536,270	2.5%
3 Agriculture	31,848,688	0	31,848,688	(1,884,853)	29,963,835	2,445,835	32,409,670	1.8%
4 Commerce and Tourism	72,645,668	1,844,000	74,489,668	(1,844,000)	72,645,668	(2,080,292)	70,565,376	-2.9%
5 Education	2,956,750,789	43,687,725	3,000,438,514	(43,687,725)	2,956,750,789	189,208,174	3,145,958,963	6.4%
6 Energy	12,582,566	0	12,582,566	(3,000,000)	9,582,566	3,706,782	13,289,348	5.6%
7 Environment	16,127,241	0	16,127,241	(191,632)	15,935,609	51,790	15,987,399	-0.9%
8 Finance and Revenue	97,967,889	500,000	98,467,889	(1,292,000)	97,175,889	7,004,282	104,180,171	6.3%
9 Health	695,267,159	0	695,267,159	0	695,267,159	98,258,632	793,525,791	14.1%
10 Human Resources & Admin.	19,764,541	100,000	19,864,541	(100,000)	19,764,541	838,884	20,603,425	4.2%
11 Human Services	576,066,212	23,400,000	599,466,212	(23,400,000)	576,066,212	88,339,255	664,405,467	15.3%
12 Military	8,062,531	0	8,062,531	0	8,062,531	2,571,492	10,634,023	31.9%
13 Safety and Security	525,415,718	23,224,000	548,639,718	(23,224,000)	525,415,718	36,070,504	561,486,222	6.9%
14 Science and Technology	11,669,647	0	11,669,647	0	11,669,647	10,031,694	21,701,341	86.0%
15 Secretary of State	8,280,955	0	8,280,955	(795,000)	7,485,955	196,400	7,682,355	-7.2%
16 Transportation	201,394,127	0	201,394,127	0	201,394,127	56,663,888	258,058,015	28.1%
17 Veterans Affairs	30,091,172	250,000	30,341,172	(250,000)	30,091,172	4,780,061	34,871,233	15.9%
<b>Total Executive Branch</b>	<b>\$5,266,980,871</b>	<b>\$93,005,725</b>	<b>\$5,359,986,596</b>	<b>(\$99,669,210)</b>	<b>\$5,260,317,386</b>	<b>\$498,156,941</b>	<b>\$5,758,474,327</b>	<b>9.3%</b>
21 Legislature	\$33,153,570	\$0	\$33,153,570	\$0	\$33,153,570	\$735,562	\$33,889,132	2.2%
22 Judiciary	62,901,720	0	62,901,720	0	62,901,720	3,330,263	66,231,983	5.3%
<b>Total Legis. &amp; Judic.</b>	<b>\$96,055,290</b>	<b>\$0</b>	<b>\$96,055,290</b>	<b>\$0</b>	<b>\$96,055,290</b>	<b>\$4,065,825</b>	<b>\$100,121,115</b>	<b>4.2%</b>
<b>State Total</b>	<b>\$5,363,036,161</b>	<b>\$93,005,725</b>	<b>\$5,456,041,886</b>	<b>(\$99,669,210)</b>	<b>\$5,356,372,676</b>	<b>\$502,222,766</b>	<b>\$5,858,595,442</b>	<b>9.2%</b>

## Governor

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Governor	\$2,522,709	\$0	\$2,522,709	\$0	\$2,522,709	\$56,549	\$2,579,258	2.2%
<b>Total Governor</b>	<b>\$2,522,709</b>	<b>\$0</b>	<b>\$2,522,709</b>	<b>\$0</b>	<b>\$2,522,709</b>	<b>\$56,549</b>	<b>\$2,579,258</b>	<b>2.2%</b>

## Lieutenant Governor

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Lieutenant Governor	\$523,259	\$0	\$523,259	\$0	\$523,259	\$13,011	\$536,270	2.5%
<b>Total Lieutenant Gov.</b>	<b>\$523,259</b>	<b>\$0</b>	<b>\$523,259</b>	<b>\$0</b>	<b>\$523,259</b>	<b>\$13,011</b>	<b>\$536,270</b>	<b>2.5%</b>

## Agriculture

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Agriculture	\$24,231,030	\$0	\$24,231,030	(\$1,384,853)	\$22,846,177	\$2,072,369	\$24,918,546	2.8%
2 Conservation Comm	7,617,658	0	7,617,658	(500,000)	7,117,658	373,466	7,491,124	-1.7%
<b>Total Agriculture</b>	<b>\$31,848,688</b>	<b>\$0</b>	<b>\$31,848,688</b>	<b>(\$1,884,853)</b>	<b>\$29,963,835</b>	<b>\$2,445,835</b>	<b>\$32,409,670</b>	<b>1.8%</b>

## Commerce and Tourism

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Centennial Commission	\$536,453	\$940,000	\$1,476,453	(\$940,000)	\$536,453	\$483,011	\$1,019,464	90.0%
2 Commerce, Department of	33,337,845	0	33,337,845	0	33,337,845	(8,711,346)	24,626,499	-26.1%
3 Historical Society, Oklahoma	10,000,253	904,000	10,904,253	(904,000)	10,000,253	2,604,183	12,604,436	26.0%
4 J.M. Davis Memorial Comm	330,983	0	330,983	0	330,983	11,176	342,159	3.4%
5 Labor Department	3,061,658	0	3,061,658	0	3,061,658	677,653	3,739,311	22.1%
6 Scenic Rivers Commission	333,158	0	333,158	0	333,158	18,099	351,257	5.4%
7 Tourism & Recreation	24,162,640	0	24,162,640	0	24,162,640	2,817,082	26,979,722	11.7%
8 Will Rogers Memorial Comm	882,678	0	882,678	0	882,678	19,850	902,528	2.2%
<b>Total Commerce &amp; Tourism</b>	<b>\$72,645,668</b>	<b>\$1,844,000</b>	<b>\$74,489,668</b>	<b>(\$1,844,000)</b>	<b>\$72,645,668</b>	<b>(\$2,080,292)</b>	<b>\$70,565,376</b>	<b>-2.9%</b>

## Education

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Arts Council	\$3,923,871	\$0	\$3,923,871	\$0	\$3,923,871	\$170,006	\$4,093,877	4.3%
2 CareerTech	123,887,358	1,500,000	125,387,358	(1,500,000)	123,887,358	4,608,241	128,495,599	3.7%
3 Educational TV Auth., Oklahoma	4,201,753	0	4,201,753	0	4,201,753	101,656	4,303,409	2.4%
4 Education, Dept. of	2,007,663,450	38,187,725	2,045,851,175	(38,187,725)	2,007,663,450	120,872,588	2,128,536,038	6.0%
5 Higher Educ., Regents for	802,136,296	4,000,000	806,136,296	(4,000,000)	802,136,296	63,084,788	865,221,084	7.9%
6 Libraries, Dept. of	6,212,118	0	6,212,118	0	6,212,118	108,226	6,320,344	1.7%
7 Private Vo-Tech Schools, Bd of	155,456	0	155,456	0	155,456	(155,456)	0	-100.0%
8 School of Science & Math	6,572,319	0	6,572,319	0	6,572,319	401,110	6,973,429	6.1%
9 Teacher Prep, Commission for	1,998,168	0	1,998,168	0	1,998,168	17,015	2,015,183	0.9%
<b>Total Education</b>	<b>\$2,956,750,789</b>	<b>\$43,687,725</b>	<b>\$3,000,438,514</b>	<b>(\$43,687,725)</b>	<b>\$2,956,750,789</b>	<b>\$189,208,174</b>	<b>\$3,145,958,963</b>	<b>6.4%</b>

## Energy

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Corporation Commission	\$11,767,056	\$0	\$11,767,056	(\$3,000,000)	\$8,767,056	\$3,664,738	\$12,431,794	5.6%
2 Mines, Department of	815,510	0	815,510	0	815,510	42,044	857,554	5.2%
<b>Total Energy</b>	<b>\$12,582,566</b>	<b>\$0</b>	<b>\$12,582,566</b>	<b>(\$3,000,000)</b>	<b>\$9,582,566</b>	<b>\$3,706,782</b>	<b>\$13,289,348</b>	<b>5.6%</b>

## Environment

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Environmental Quality, Dept. of	\$9,495,264	\$0	\$9,495,264	\$0	\$9,495,264	(\$82,545)	\$9,412,719	-0.9%
2 Water Resources Board	4,431,977	0	4,431,977	(191,632)	4,240,345	134,335	4,374,680	-1.3%
3 Water Resources - REAP	2,200,000	0	2,200,000	0	2,200,000	0	2,200,000	0.0%
<b>Total Environment</b>	<b>\$16,127,241</b>	<b>\$0</b>	<b>\$16,127,241</b>	<b>(\$191,632)</b>	<b>\$15,935,609</b>	<b>\$51,790</b>	<b>\$15,987,399</b>	<b>-0.9%</b>

## Finance and Revenue

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Auditor & Inspector	\$5,523,603	\$0	\$5,523,603	\$0	\$5,523,603	\$279,074	\$5,802,677	5.1%
2 Auditor & Inspector - REAP	\$15,500,000	0	15,500,000	0	15,500,000	0	15,500,000	0.0%
3 Bond Advisor, State	188,096	0	188,096	0	188,096	5,171	193,267	2.7%
4 Consumer Credit Commission	616,513	0	616,513	0	616,513	22,169	638,682	3.6%
5 Finance, Office of State	22,866,800	0	22,866,800	(292,000)	22,574,800	2,177,811	24,752,611	8.2%
6 Insurance Department	2,136,301	0	2,136,301	0	2,136,301	98,782	2,235,083	4.6%
7 Land Office, Commissioners	4,747,965	0	4,747,965	0	4,747,965	96,750	4,844,715	2.0%
8 Lottery Commission	0	500,000	500,000	(500,000)	0	500,000	500,000	
9 Tax Commission	41,462,019	0	41,462,019	0	41,462,019	3,726,618	45,188,637	9.0%
10 Treasurer	4,926,592	0	4,926,592	(500,000)	4,426,592	97,907	4,524,499	-8.2%
<b>Total Finance and Revenue</b>	<b>\$97,967,889</b>	<b>\$500,000</b>	<b>\$98,467,889</b>	<b>(\$1,292,000)</b>	<b>\$97,175,889</b>	<b>\$7,004,282</b>	<b>\$104,180,171</b>	<b>6.3%</b>

## Health

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Health Care Authority	\$482,256,505	\$0	\$482,256,505	\$0	\$482,256,505	\$81,688,093	\$563,944,598	16.9%
2 Health Department	57,563,226	0	57,563,226	0	57,563,226	1,600,820	59,164,046	2.8%
3 Mental Health Department	155,447,428	0	155,447,428	0	155,447,428	14,969,719	170,417,147	9.6%
<b>Total Health</b>	<b>\$695,267,159</b>	<b>\$0</b>	<b>\$695,267,159</b>	<b>\$0</b>	<b>\$695,267,159</b>	<b>\$98,258,632</b>	<b>\$793,525,791</b>	<b>14.1%</b>

## Human Resources and Administration

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Central Services, Dept. of	\$12,234,432	\$0	\$12,234,432	\$0	\$12,234,432	\$519,449	\$12,753,881	4.2%
2 Horse Racing Commission	1,858,182	100,000	1,958,182	-100,000	1,858,182	151,211	2,009,393	8.1%
3 Human Rights Commission	662,762	0	662,762	0	662,762	24,104	686,866	3.6%
4 Merit Protection Commission	512,154	0	512,154	0	512,154	12,177	524,331	2.4%
5 Personnel Management, Office of	4,497,011	0	4,497,011	0	4,497,011	131,943	4,628,954	2.9%
<b>Total Human Resources and Administration</b>	<b>\$19,764,541</b>	<b>\$100,000</b>	<b>\$19,864,541</b>	<b>(\$100,000)</b>	<b>\$19,764,541</b>	<b>\$838,884</b>	<b>\$20,603,425</b>	<b>4.2%</b>

## Human Services

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Children & Youth, Commission	\$1,569,789	\$0	\$1,569,789	\$0	\$1,569,789	\$28,719	\$1,598,508	1.8%
2 Handicapped Concerns, Office of	362,128	0	362,128	0	362,128	10,809	372,937	3.0%
3 Human Services, Department of	408,330,849	22,000,000	430,330,849	(22,000,000)	408,330,849	80,684,101	489,014,950	19.8%
4 Indian Affairs Commission	248,942	0	248,942	0	248,942	6,489	255,431	2.6%
5 J.D. McCarty Center	3,162,767	0	3,162,767	0	3,162,767	306,597	3,469,364	9.7%
6 Juvenile Affairs, Office of	92,858,160	1,400,000	94,258,160	(1,400,000)	92,858,160	5,126,823	97,984,983	5.5%
7 Physician Manpower Training	5,024,607	0	5,024,607	0	5,024,607	10,509	5,035,116	0.2%
8 Rehabilitation Services, Dept. of	25,479,628	0	25,479,628	0	25,479,628	915,208	26,394,836	3.6%
9 University Hospitals Authority	39,029,342	0	39,029,342	0	39,029,342	1,250,000	40,279,342	3.2%
<b>Total Human Services</b>	<b>\$576,066,212</b>	<b>\$23,400,000</b>	<b>\$599,466,212</b>	<b>(\$23,400,000)</b>	<b>\$576,066,212</b>	<b>\$88,339,255</b>	<b>\$664,405,467</b>	<b>15.3%</b>

## Military Affairs

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Military Department	\$8,062,531	\$0	\$8,062,531	\$0	\$8,062,531	\$2,571,492	\$10,634,023	31.9%
<b>Total Military</b>	<b>\$8,062,531</b>	<b>\$0</b>	<b>\$8,062,531</b>	<b>\$0</b>	<b>\$8,062,531</b>	<b>\$2,571,492</b>	<b>\$10,634,023</b>	<b>31.9%</b>

## Safety and Security

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 A.B.L.E. Commission	\$3,626,853	\$0	\$3,626,853	\$0	\$3,626,853	\$74,586	\$3,701,439	2.1%
2 Attorney General	5,953,778	0	5,953,778	0	5,953,778	1,357,092	7,310,870	22.8%
3 Corrections, Department of	384,286,568	17,924,000	402,210,568	(17,924,000)	384,286,568	21,874,644	406,161,212	5.7%
4 District Attorneys Council	26,926,731	700,000	27,626,731	(700,000)	26,926,731	2,844,844	29,771,575	10.6%
5 State Emergency Fund	0	4,000,000	4,000,000	(4,000,000)	0	0	0	n/a
6 Emergency Mgmt	680,972	0	680,972	0	680,972	21,852	702,824	3.2%
7 Fire Marshal	1,537,061	0	1,537,061	0	1,537,061	47,674	1,584,735	3.1%
8 Indigent Defense System	14,428,761	600,000	15,028,761	(600,000)	14,428,761	806,678	15,235,439	5.6%
9 Investigation, Bureau of	9,681,910	0	9,681,910	0	9,681,910	487,385	10,169,295	5.0%
10 Law Enf. Educ. & Training	2,686,318	0	2,686,318	0	2,686,318	759,467	3,445,785	28.3%
11 Medicolegal Investigations Board	3,427,372	0	3,427,372	0	3,427,372	201,543	3,628,915	5.9%
12 Narc. & Dang. Drugs Control	4,967,062	0	4,967,062	0	4,967,062	171,647	5,138,709	3.5%
13 Pardon & Parole Board	2,150,328	0	2,150,328	0	2,150,328	60,552	2,210,880	2.8%
14 Public Safety Department	65,062,004	0	65,062,004	0	65,062,004	7,362,540	72,424,544	11.3%
<b>Total Safety and Security</b>	<b>\$525,415,718</b>	<b>\$23,224,000</b>	<b>\$548,639,718</b>	<b>(\$23,224,000)</b>	<b>\$525,415,718</b>	<b>\$36,070,504</b>	<b>\$561,486,222</b>	<b>6.9%</b>

## Science and Technology

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Center for Adv. /Sc. & Tech.	\$11,669,647	\$0	\$11,669,647	\$0	\$11,669,647	\$10,031,694	\$21,701,341	86.0%
<b>Total Science and Tech.</b>	<b>\$11,669,647</b>	<b>\$0</b>	<b>\$11,669,647</b>	<b>\$0</b>	<b>\$11,669,647</b>	<b>\$10,031,694</b>	<b>\$21,701,341</b>	<b>86.0%</b>

## Secretary of State

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Election Board	\$7,072,129	\$0	\$7,072,129	(\$795,000)	\$6,277,129	\$167,644	\$6,444,773	-8.9%
2 Ethics Commission, Okla.	480,747	0	480,747	0	480,747	12,177	492,924	2.5%
3 Judicial Complaints, Council on	271,152	0	271,152	0	271,152	3,503	274,655	1.3%
4 Secretary of State	456,927	0	456,927	0	456,927	13,076	470,003	2.9%
<b>Total Secretary of State</b>	<b>\$8,280,955</b>	<b>\$0</b>	<b>\$8,280,955</b>	<b>(\$795,000)</b>	<b>\$7,485,955</b>	<b>\$196,400</b>	<b>\$7,682,355</b>	<b>-7.2%</b>

## Transportation

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Space Industry Development	\$518,323	\$0	\$518,323	\$0	\$518,323	\$4,187	\$522,510	0.8%
2 Transportation, Department of	200,875,804	0	200,875,804	0	200,875,804	56,659,701	257,535,505	28.2%
<b>Total Transportation</b>	<b>\$201,394,127</b>	<b>\$0</b>	<b>\$201,394,127</b>	<b>\$0</b>	<b>\$201,394,127</b>	<b>\$56,663,888</b>	<b>\$258,058,015</b>	<b>28.1%</b>

## Veterans Affairs

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Veterans Affairs, Department of	\$30,091,172	\$250,000	\$30,341,172	(\$250,000)	\$30,091,172	\$4,780,061	\$34,871,233	15.9%
<b>Total Veterans</b>	<b>\$30,091,172</b>	<b>\$250,000</b>	<b>\$30,341,172</b>	<b>(\$250,000)</b>	<b>\$30,091,172</b>	<b>\$4,780,061</b>	<b>\$34,871,233</b>	<b>15.9%</b>

## Legislature

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2006
1 House of Representatives	\$18,080,670	\$0	\$18,080,670	\$0	\$18,080,670	\$301,509	\$18,382,179	1.7%
2 Legislative Service Bureau	2,303,193	0	2,303,193	0	2,303,193	57,049	2,360,242	2.5%
3 Senate	12,769,707	0	12,769,707	0	12,769,707	377,004	13,146,711	3.0%
<b>Total Legislature</b>	<b>\$33,153,570</b>	<b>\$0</b>	<b>\$33,153,570</b>	<b>\$0</b>	<b>\$33,153,570</b>	<b>\$735,562</b>	<b>\$33,889,132</b>	<b>2.2%</b>

## Judiciary

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.	% Diff. from FY- 2005
1 Court of Criminal Appeals	\$2,750,541	\$0	\$2,750,541	\$0	\$2,750,541	\$79,683	\$2,830,224	2.9%
2 District Courts	43,043,226	0	43,043,226	0	43,043,226	2,648,439	45,691,665	6.2%
3 Supreme Court	13,337,544	0	13,337,544	0	13,337,544	389,663	13,727,207	2.9%
4 Workers' Compensation Court	3,770,409	0	3,770,409	0	3,770,409	212,478	3,982,887	5.6%
<b>Total Judiciary</b>	<b>\$62,901,720</b>	<b>\$0</b>	<b>\$62,901,720</b>	<b>\$0</b>	<b>\$62,901,720</b>	<b>\$3,330,263</b>	<b>\$66,231,983</b>	<b>5.3%</b>

Notes:

2 The District Courts' appropriation includes income to the State Judicial Revolving Fund.

# **FY-2006 Budget Recommendations**

**Revenue Proposals**

**Expenditure Proposals**

**Governor**

**Lieutenant Governor**

**Agriculture**

**Commerce and Tourism**

**Education**

**Energy**

**Environment**

**Finance and Revenue**

**Health**

**Human Resources and Administration**

**Human Services**

**Military Affairs**

**Safety and Security**

**Science and Technology Development**

**Secretary of State**

**Transportation**

**Veterans Affairs**

**Legislature**

**Judiciary**



## Revenue Proposals

Oklahoma has emerged from a period of declining state revenues. With the revenue picture substantially improving, the Governor's Budget can now focus on one major theme: investing in Oklahoma. The proposals in this section seek to promote job creation and wealth by encouraging investment in Oklahoma business.

### **Constitutional Reserve Fund Cap**

The Constitutional Reserve Fund (CRF) was established to provide money to the state in times of economic hardship. During his first legislative session, Governor Henry proposed new restrictions on the (CRF). In November of 2004, voters passed State Question 708 which modified the spending limits on the CRF as specified by the Constitution. The state question changed the amount of the CRF balance that can be used for upcoming fiscal year budget stabilization from 50% to 37.5%.

Previously, the Constitution did not specify an amount for the purpose of **current** fiscal year budget stabilization. As amended by the state question, the Constitution now allows 37.5% of the CRF balance to be used for budget stabilization in the current fiscal year. In addition, the state question lowered the percentage of the CRF balance that could be spent upon declaration of an emergency from 50% to 25%.

While this is a step in the right direction, more can be done to protect Oklahoma's budget in times of economic hardship. The Governor's Budget recommends that a new state question be referred to the people of Oklahoma that amends the Constitution by increasing the cap on the CRF from 10% to 15%. An increase in the cap better stabilizes the state in times of fiscal crisis so it can continue its operations and meet the needs of its citizens. There is no impact to state funds from this proposal.

### **Investing in the Economic Development Research Endowment Fund**

The Constitution defines surplus monies as any amount that accrues to the General Revenue Fund (GRF) over the itemized estimate made by the Board of

Equalization. It directs these monies to be deposited into the Constitutional Reserve Fund (CRF) and caps the CRF balance at 10% of the preceding fiscal year's GRF collections. However, the Constitution does not designate any particular use of monies in excess of the cap. Therefore, these surplus funds are carried forward as cash that would be available for appropriation in the legislative session for the following fiscal year.

This budget proposes that one-half of any excess funds over the 10% CRF cap be directed to the Economic Development Research Endowment Fund. The fund arises as a result of a recommendation in the Governor's Economic Development Generating Excellence (EDGE) Study. The EDGE Study recommended the creation of a \$1 billion endowment fund to support research and the transfer of innovation and technology that will strengthen Oklahoma business and create businesses that will remain in the state. The stated goal is to make Oklahoma the "Research Capitol of the Plains".

For FY-2005, the CRF is currently projected to exceed the 10% cap by \$140 million meaning that the endowment fund could receive \$70 million. It is anticipated that by fiscal year end this excess may actually increase to \$200 million which would allow \$100 million to be deposited in the endowment. When fully funded, an endowment of \$1 billion could generate up to \$40 million annually for research and technology transfer in Oklahoma. This proposal has a zero fiscal impact to state funds for FY-2006.

### **Taxpayer Relief Fund**

One-half of any excess revenue above the 10% CRF cap is proposed to be deposited into the Economic Development Research Endowment Fund. For the other half, the Governor's Budget proposes that it be deposited into the Taxpayer Relief Fund. The purpose of the fund is to provide tax rebates to Oklahoma taxpayers using 50% of any excess over the CRF cap. With CRF projected to exceed its cap by up to \$200 million, this fund could receive \$100 million that will be given back to Oklahoma

taxpayers. There is no revenue impact for FY-2006.

**Oklahoma Source Capital Gains Exemption**

Legislation passed in 2004 exempts from the state individual income tax all capital gains from Oklahoma sources. An Oklahoma source capital gain is the gain from the sale of property located in Oklahoma or the ownership or interest in a business headquartered in Oklahoma. To qualify for the exemption, the taxpayer must hold property for five consecutive years or business interest for three consecutive years before selling it.

The motivation behind the law change is to promote investment in Oklahoma. To further encourage investment, this budget proposes to broaden the current exemption to apply to the corporate income tax. Specifically, corporations can exempt from income tax all Oklahoma sourced capital gains. This lowers the cost for corporations investing in Oklahoma, resulting in more Oklahoma investment. The total impact to State revenues of this proposal is \$2.0 million in FY-2006 and the budgetary impact is a loss of \$1.9 million.

**Estate Tax Exemption for Collateral Heirs**

Oklahoma’s estate tax system as it exists today is extremely inequitable in nature. The current system gives an exemption on the estate tax to lineal heirs but does not allow an exemption for collateral heirs such as siblings, nieces and nephews. This means that if you live in Oklahoma and receive an estate from your brother, the very first dollar of that estate will be taxed. The estate tax is also devastating to lower income taxpayers. Too frequently, family farms and small businesses must be sold upon death of the principal owner in order to have cash to pay estate taxes.

To create taxpayer fairness and tax equity among heirs, the Governor’s Budget proposes to give an exemption from the estate tax to collateral heirs. For the first year, 2006, the exemption equals \$200,000 with the amount increasing by \$200,000 every year for the next five years until it

equals \$1 million which is the exemption for lineal heirs. The chart below shows the phase-in of the exemption.

<b>For deaths on or after:</b>	<b>Proposed Collateral Exemption:</b>
January 1, 2006	\$200,000
January 1, 2007	\$400,000
January 1, 2008	\$600,000
January 1, 2009	\$800,000
January 1, 2010	\$1,000,000

Because estate tax returns are generally filed 9 months after the date of death, there is no revenue decrease for FY-2006. The following chart shows the cost to state revenues for the subsequent fiscal years.

<b>Fiscal Year:</b>	<b>Impact (in millions):</b>
FY-2007	(\$11.5)
FY-2008	(\$23.1)
FY-2009	(\$29.6)
FY-2010	(\$33.0)
FY-2011	(\$35.1)

**Return to Work Credit**

Worker’s compensation insurance provides payments to employees for medical expenses and lost wages when they are injured at work. An injury or illness that occurs on the job can result in absence from work. An employer can be reluctant to allow an employee to return to work who has been cleared by the employee’s physician to return to work with restrictions. The reasons for this may be a lack of “light duty” work or the cost associated with accommodating the employee’s restriction. The longer the employee is off work, the higher the cost.

Currently, employers have little incentive to put an injured employee back to work by transferring the worker to another job or bringing them back in a restricted job function. In response, the Governor’s Budget has two proposals which will lower the cost of worker’s compensation insurance by encouraging employers to offer injured workers employment that meets their medical restrictions.

The first proposal gives an income tax credit to the employer that is equal to 10% of the injured worker's wages for 3 months if the employer retains the worker in a restricted job function or transfers the worker to another job function that meets the conditions of the employee's restriction. The second proposal also allows employers to claim an income tax credit of up to \$1,000 each for the retraining costs of a worker for a new job after injury, modifying the workplace to accommodate the injured worker and retooling costs that allow an injured worker to return to work. Each of these credits is a distinct, different credit and an employer could qualify to use all three.

These credits encourage employers to give injured employees a chance to return to work which will reduce the number and severity of worker's compensation lawsuits. Fewer lawsuits will, in turn, lower the cost of worker's compensation insurance policies to business. The FY-2006 impact to state funds for the credit is \$2.3 million with a budgetary impact of \$2.1 million.

### **Quality Jobs Programs**

The Quality Jobs Program (QJP) is a program that offers incentive payments to businesses that locate or expand in Oklahoma. QJP considers three main criteria to determine whether an applicant qualifies for payments:

- Minimum new payroll;
- Health insurance coverage provided to employees, and
- Industry of applicant.

In general, the minimum new payroll requirement of an applicant is \$2.5 million and the business must be in a basic industry, in addition to offering health insurance coverage to employees.

If an applicant meets these requirements, the Department of Commerce estimates the net benefit rate (NBR) for the applicant. The NBR measures the benefit of the new jobs to the state. It includes the income and sales tax paid by the new employees and the costs to the state of in-migration. A business is eligible to receive payments based on the NBR which is capped at 5%

multiplied by the projected payroll over a ten year period.

The 5% limit on the NBR is a fitting limit in the majority of the cases, but there are some cases where this limit should be increased. One case involves a potential firm that is moving to Oklahoma and brings other businesses with them. For example, large manufacturing firms typically require the firms that supply parts and materials used in the manufacturing process to locate a facility in the same area of the new plant. The relocation of the supplier creates new jobs in addition to the jobs created by the manufacturing firm. Another case would involve a firm already in-state that is expanding their operations or building a new facility. Suppliers to this firm may have to increase their employment within the state to meet the needs of the firm that is expanding. In any event, incentives should be provided to Oklahoma firms to utilize Oklahoma based suppliers.

For these cases, the Governor's Budget proposes to increase the cap on the NBR to 6% for applicants that co-locate suppliers to the state, or cause an in-state supplier to expand their business. A higher NBR means higher incentive payments for these applicants. There is no fiscal impact to state funds for FY-2006.

### **Expansion of Retirement Exemption**

State Question 713 passed by a vote of the people expands the provisions of the retirement income exemption from the state individual income tax. The bill increased the income qualifications for the exemption from \$25,000 to \$37,500 for single filers and from \$50,000 to \$75,000 for married filers and removed the age qualification for the exemption on private retirement income. Additionally, the bill increased the amount of the exemption from \$5,500 to \$7,500.

With the approval of the state question, Oklahomans sent the message that they no longer want senior citizens to be burdened with high taxes. In response, the Governor's Budget proposes to further increase the amount of the retirement income exemption from \$7,500 to \$10,000.

The budgetary impact of this proposal is a loss of \$4.4 million in state revenue for FY-2006.

#### **Military Retirement Income Exemption**

Oklahomans have a proud tradition of military service. Thousands have answered the call and risked their lives defending our nation. This state is grateful for their tremendous sacrifices and must make a commitment to take care of our veterans. Providing tax relief is one way to do this.

Currently, there is not a specific exemption from the state individual income tax on military retirement income. This proposal gives military retirees the option of subtracting from their military income the higher of either 50% of their military retirement income or the retirement exemption of \$10,000. The cost of these proposals for FY-2006 is \$409,008 with a budgetary impact of \$370,835.

#### **Military Family Relief Fund**

Families of National Guard members can experience financial hardships when a soldier is on active duty or injured while on active duty. To provide financial security to these families, the Governor's Budget proposes to create an income tax check off allowing taxpayers to donate a portion or all of their refund to the Military Family Relief Fund. Donations to the fund are designated for families of National Guard members to help pay for clothing, housing, medical services and other necessities related to daily living. To qualify for financial assistance, a family member in the National Guard would have to be on active duty or have been injured while on active duty. There is no fiscal impact from this proposal to state funds for FY-2006.

#### **Sales Tax Holiday**

Oklahoma businesses have always competed with those in Texas. Each year, the competition gets a little tougher for one weekend. Texas authorizes a sales tax holiday which exempts certain clothing items and accessories from state and local sales tax during the busy back-to-school shopping weekend. Many Oklahomans travel across the border to do their shopping during this weekend.

The Governor is committed to Oklahoma's established businesses and providing tax relief to all Oklahomans. This budget includes a sales tax holiday similar to the Texas holiday. It is scheduled for the first weekend in August, a traditional back-to-school weekend. The holiday begins at midnight on Friday and ends at midnight on Sunday. Clothing items and footwear under \$100 are exempt from state and local sales tax. Items such as athletic wear, jewelry, luggage and handbags are not exempted. This proposal results in a loss of \$4.5 million in state revenue for FY-2006, and the budgetary impact is \$4.1 million.

**Fiscal Impact Summary for Proposed Tax Changes FY-2006 (\$ in 000's)**

<b>Proposal:</b>	<b>Budgetary Impact</b>	<b>General Revenue Fund</b>	<b>Education Reform Revolving Fund</b>	<b>Other Funds</b>	<b>Total Impact to Collections</b>
Capital Gains Exemption	(\$1,822)	(\$1,570)	(\$330)	(\$100)	(\$2,000)
Estate Tax Exemption	-	-	-	-	-
Return to Work Credit	(2,101)	(1,850)	(343)	(115)	(2,309)
Quality Jobs Program	-	-	-	-	-
Retirement Income Exemption	(4,610)	(4,406)	(424)	(254)	(5,084)
Military Retiree Exemption	(371)	(354)	(34)	(20)	(409)
Military Family Relief Fund	-	-	-	-	-
Sales Tax Holiday	<u>(4,127)</u>	<u>(3,851)</u>	<u>(469)</u>	<u>(180)</u>	<u>(4,500)</u>
<b>Total Impact for FY-2006</b>	<b>(\$13,030)</b>	<b>(\$12,032)</b>	<b>(\$1,600)</b>	<b>(\$670)</b>	<b>(\$14,302)</b>

Source: Oklahoma Tax Commission



# Governor



## Governor

As Chief Magistrate of the State, the Governor is vested by the Oklahoma Constitution with “the Supreme Executive power.”

At the beginning of each session of the Legislature, the Governor presents the budget recommendations for the various state agencies and reports on the condition of the State. Every bill passed by the Legislature during regular session and prior to adjournment, before it becomes a law, is presented to the Governor. If the Governor approves the bill, he signs it, if not; he vetoes it and returns it with his objections to the Legislature, which can override his objections by a two-thirds vote.

When any State office becomes vacant, the Governor, unless otherwise provided by law, appoints a person to fill such vacancy, in certain instances by and with advice and consent of the Senate. The Governor is Commander in Chief of the state militia.

Additional duties of the Governor include:

- Conduct the business of Oklahoma with other states;
- Grant commutations, pardons and paroles;
- Approve agency rules;
- Negotiate tribal compacts;
- Sign or veto legislation; and
- Conserve the peace throughout the state.

The Governor presides over or is a member of the following state boards and commissions:

- State Board of Equalization (Article 10, Section 21)
- Interstate Oil Compact (52 O.S. 201)
- Oklahoma Historical Society (53 O.S. 1.6)
- School Land Commission (64 O.S. 156)
- Capital Improvement Authority (73 O.S. 98.2)

- Oklahoma Capitol Complex Centennial Commission (73 O.S. 98.2)
- Transportation Commission (69 O.S. 302)
- Educational Commission (70 O.S. 506.1)
- Commissioners of the Land Office (70 O.S. 611)
- Southern Regional Educational Compact (70 O.S. 2127)
- Oklahoma Transportation Authority (69 O.S. 1703)
- Indian Affairs Commission (74 O.S. 1201)
- Southern Growth Policy Board (74 O.S. 3501)
- Contingency Review Board (74 O.S. 1201)

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### FY-2006 Recommendation

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,523</b>
<b>FY-2005 Bud. FTE Level</b>	<b>34.6</b>
<b>Actual Ave. YTD FTE</b>	<b>32.4</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>57</u>
<b>FY-2006 Recommendation</b>	<b>\$2,580</b>
% Change from FY-2005	2.26%
<small>Source: Office of State Finance</small>	

The FY-2006 appropriation for the Office of the Governor is the same as provided for FY-2005, with the following adjustment.

#### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor’s budget includes \$56,549 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Governor’s 33.9 December FTE.

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# **Lieutenant Governor**



## Lieutenant Governor

Oklahoma's Lieutenant Governor serves in place of the Governor when the Governor leaves the state. Also, the Lieutenant Governor serves as the President of the Oklahoma State Senate, casting a vote in the event of a tie and presiding over joint sessions of the State Legislature. In addition, the Lieutenant Governor presides over or is a member of the following 8 state boards and commissions:

- State Insurance Fund (CompSource)  
85 O.S. 131(A)(2)
- Tourism and Recreation Commission  
74 O.S. 1804)
- State Board of Equalization  
68 O.S. 2864 (A)
- School Land Commission  
64 O.S. 1
- Oklahoma Linked Deposit Board  
62 O.S. 88.3 (A)(2)
- Capital Improvement Authority
- Native American Cultural and Education Authority (ex-officio member)  
74 O.S. 1226.2 (B)(2)
- Oklahoma Capitol Complex Centennial Commission 73 O.S. 98.2 (A)

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$523</b>
<b>FY-2005 Bud. FTE Level</b>	<b>10.5</b>
<b>Actual Ave. YTD FTE</b>	<b>6.8</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>13</u>
<b>FY-2006 Recommendation</b>	<b>\$536</b>
% Change from FY-2005	2.49%
Source: Office of State Finance	

The FY-2006 appropriation for the Office of the Lieutenant Governor is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$13,011 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Lieutenant Governor's 7.8 December FTE.



# **Agriculture**

**Agriculture, Food and Forestry Department  
Boll Weevil Eradication Organization  
Conservation Commission**



# Agriculture

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY-2006 Appr.</b>	<b>% Diff. from FY-2005</b>
Agriculture	\$24,231,030	\$22,846,177	\$2,072,369	\$24,918,546	2.8%
Conservation Commission	7,617,658	7,117,658	373,466	7,491,124	-1.7%
<b>Total Agriculture</b>	<b>\$31,848,688</b>	<b>\$29,963,835</b>	<b>\$2,445,835</b>	<b>\$32,409,670</b>	<b>1.8%</b>



# Department of Agriculture, Food and Forestry (ODAFF)

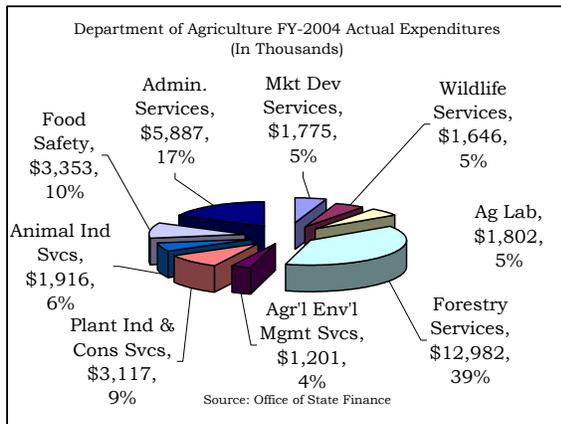
## Notable Achievements

- Oklahoma has remained in a Brucellosis free status since April 2001.
- Oklahoma has remained in a Bovine Tuberculosis free status since December of 1998.
- No major food borne outbreak has occurred in the state of Oklahoma during the past 2 years.

## Mission

The Department of Agriculture is the lead agency in the state for improvement and regulation of the agricultural industry in Oklahoma.

The Department of Agriculture's budget consists of state, federal and revolving funds. For FY-2004, state appropriated dollars were 67% of the Department's total budget funding. Forestry Services uses the biggest part of the funds with \$12.98 million for FY-2004.



## Animal Industry Services

One of the agency's most important functions is to ensure the quality and safety of the state's agricultural products. This division is responsible for the detection, eradication and control of livestock, poultry

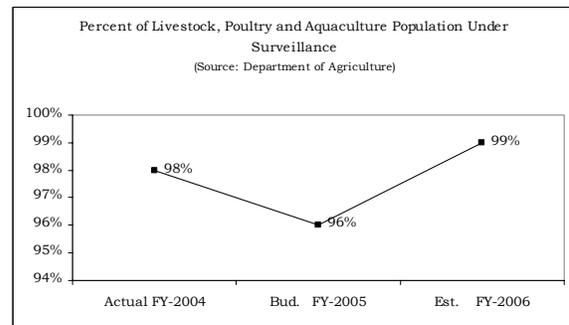
and aquaculture diseases and parasites. The Oklahoma Animal Disease Diagnostic Lab in Stillwater plays a big part in this responsibility by conducting various testing for the Department to determine if specimens are infected diseases. Specific responsibilities of the Animal Industry Services Division include:

- detecting, controlling and eradicating livestock diseases in farms and ranches, in auction markets and slaughter plants, feedlots and other concentration points throughout the state;
- monitoring the movement of animals and poultry into, through and out of Oklahoma to verify compliance with state and federal laws and regulations;
- controlling the use of vaccines and biologics; and
- preventing the spread of diseases transmissible to man.

### Key Performance Measure

Goal is to survey 100% to prevent the spread of livestock diseases

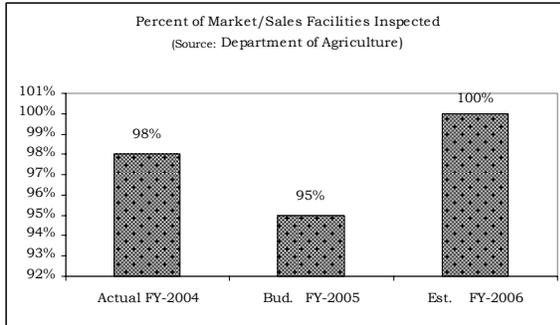
The following chart shows the Department's commitment to the control and prevention of diseases by monitoring livestock, poultry and aquaculture population.



### Key Performance Measure

Goal is to inspect 100%

The following chart shows the % of market/sales facilities inspected for disease.



## Forestry Services

There are more than 10 million acres of forests in Oklahoma. This natural system includes cedar, oak, hickory, pine, juniper and bottomland hardwoods and other species that provide wood products, protect watersheds, control erosion, support wildlife, protect crops and livestock and encourage outdoor recreation.

More than 6.2 million acres of commercial forests (largely owned by private landowners) support sawmills, a plywood plant, a fiberboard plant, paper mills and numerous manufacturing plants across the state.

The Department of Agriculture's Forestry Services provides:

- firefighters and specialized equipment for wildfire suppression (primarily in the state's eastern district); and
- financial and technical support for local fire departments.

Forestry Services provides assistance in forest protection, forest management and regeneration, community forestry, water quality, law enforcement and education to protect and develop state forests.

### State/Local/Federal Partnership for Fire Protection

The Rural Fire Defense program works with the Forestry Division to administer the following programs for fire protection:

- 50/50 (federal/local matching grant) Volunteer Fire Assistance (VFA),

- operational grants for local fire departments,
- 80/20 (state/local matching grant) Capital Grants,
- operational funding for rural-fire coordinators (substate planning districts),
- federal excess equipment program,
- dry/wet hydrant program,
- equipment funding for local fire departments, and the
- surplus State equipment program.

### 50/50 Volunteer Fire Assistance (VFA) Grants

There are 870 certified volunteer fire departments in Oklahoma. The 50/50 (federal/local) VFA grants provide funding to local associations for purchasing fire-related equipment or training. The grant is limited to \$2,500 per applicant. This table shows the history of the program since FY-2001.

History of VFA Grants		
Year	No.	Funding
FY-2001	68	58,517
FY-2002	132	250,530
FY-2003	128	235,682
FY-2004	90	175,088
FY-2005	<u>63</u>	<u>123,394</u>
Total	481	\$843,211

Source: ODAFF

### Operational Grants

The operational grants, first funded in FY-1990, provide funds for expenses of local fire-fighting associations. The grants help cities, towns, fire districts and rural fire departments pay for insurance, protective clothing and equipment. The grants are 100% state funded. Since FY-2001, \$2 million has been provided to fund these grants each year, with 850-875 grants being awarded per year.

**80/20 Grant Funding**

First funded in FY-1992, the 80/20 grants (state/local funding) provide equipment and building needs for rural fire departments. Approximately 80 fire departments received grants this fiscal year.

History of 80/20 Grants	
<u>Year</u>	<u>Funding</u>
FY-2001	3,209,000
FY-2002	3,766,219
FY-2003	5,321,097
FY-2004	2,000,000
FY-2005	<u>\$ 800,000</u>
Total	\$13,096,316

Source: ODAFF

**Operational Funding for Rural-Fire Coordinators**

Rural-fire coordinators in 11 substate-planning districts assist rural fire departments. Coordinators:

- provide technical assistance;
- place the federal excess property;
- ensure audit compliance;
- evaluate grant applications;
- monitor progress of grant projects;
- assist with training and testing equipment; and
- administer the hydrant program.

The following chart shows the total contract costs for these coordinators since FY-2001.

Rural Fire Coord. Contracts	
<u>Year</u>	<u>Total Cost</u>
FY-2001	960,000
FY-2002	860,000
FY-2003	785,000
FY-2004	785,000
FY-2005	<u>785,000</u>
Total	\$4,175,000

Source: ODAFF

**Equipment and Vehicles for Firefighters and Other Agency Divisions**

Wildfire containment depends on firefighters and equipment arriving in a timely manner. Reliable equipment is imperative for protecting lives, natural resources and property.

About 60% of current vehicles (including transport trucks and pumper-trucks) and 35% of the heavy equipment are rated in poor to fair condition.

Forestry Services secures federal-excess property from military bases in a 20-state area for the state’s wildfire firefighters and the rural fire departments. The United States Department of Agriculture (USDA) Forest Service loans the used equipment to rural fire departments. The Forestry Services funds 100% of the administration and operational costs of the program. During FY-2004 \$4.1 million worth of equipment was placed with departments.

**Equipment Funding for Local Fire Departments**

Forestry Services also purchases items in bulk for resale at cost to local fire departments. This revolving fund was created with \$100,000 in FY-1990.

Equipment Funding for Local Fire Departments	
FY-2000	175,000
FY-2001	200,000
FY-2002	200,000
FY-2003	200,000
FY-2004	<u>200,000</u>
Total	\$975,000

Source: ODAFF

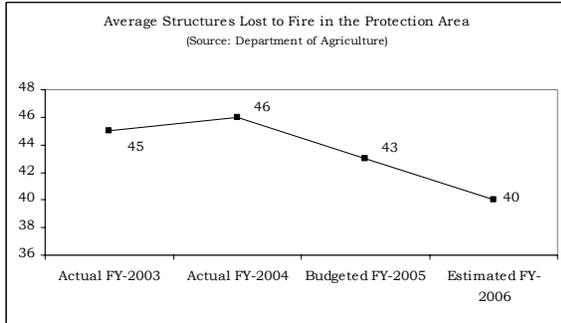
**Surplus State Equipment**

State wildfire fire-fighting units can loan surplus property to local fire departments. This equipment typically includes radios, tanks, pumps, backpack blowers, hose reels, etc.

**Key Performance Measure**

Goal is to reduce structures lost to fire

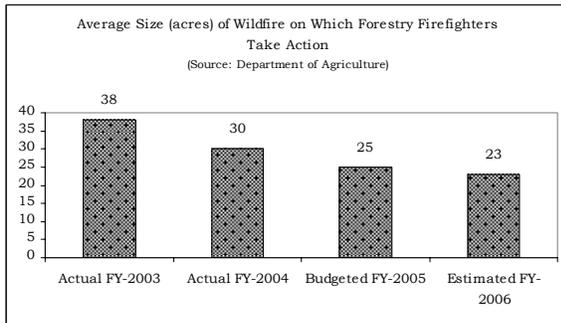
The following graph shows the reduction in the ten-year average for structures lost to fire in the protection area.



**Key Performance Measure**

Goal is to reduce average size of fires

The following chart shows the average size (acres) of wildfire on which Forestry firefighters take action.



**Plant Industry & Consumer Services (PICS)**

This division provides services to citizens, consumers and industry in the following major areas:

- A. Consumer protection laws concerned with apiary inspection, ag-lime, animal feed and fertilizers;
- B. Environmental quality programs protecting surface and ground water, pollution prevention programs through Best Management Practices, endangered species and worker protection. Complaints of improper pesticide use are investigated and compliance action is taken where

appropriate. Commercial pesticide applicators are trained, certified and companies licensed;

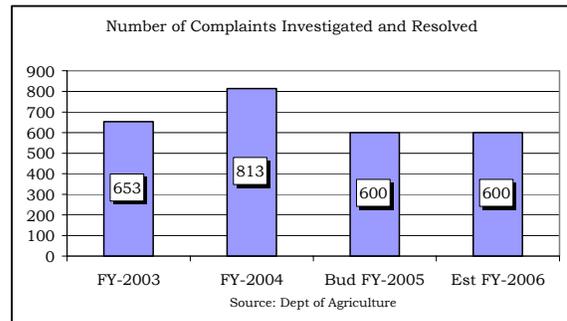
C. Inspecting and testing the accuracy of scales and measuring devices used commercially and anhydrous ammonia equipment safety;

D. In addition, the Division has Cooperative agreements with:

- the U.S. Food and Drug Administration to enforce the Fair Labeling and Packaging Act and medicated feed manufacturing;
- the U.S. Environmental Protection Agency for pesticide enforcement, pollution prevention programs and surface and ground water protection programs;
- Oklahoma State University for education and research on pollution prevention programs, pesticide applicators and pest survey.

**Key Performance Measure**

Investigate consumer complaints



**ODAFF Agricultural Environmental Management Services (AEMS)**

Over the past several years the number of Concentrated Animal Feeding Operations (CAFOs) and poultry operations has increased. In 1994 the number of licensed CAFOs was 184. By 1998 the number of licensed CAFOs had reached 326 with an animal and bird capacity of 5,275,633. The ODAFF AEMS was created in 1997 to help

develop, coordinate and oversee environmental policies and programs. Their mission is to work with producers and concerned citizens to protect the environment of Oklahoma from animals, poultry and their wastes. The ODAFF Lab in Oklahoma City helps to accomplish this mission through its water quality and food safety testing.

The AEMS is responsible for implementing the Oklahoma Concentrated Animal Feeding Operations Act and the Oklahoma Registered Poultry Feeding Operations Act. Duties include the licensing, regulation and inspection of beef, swine and poultry breeding, growing and feeding facilities and licensed managed feeding operations, registrations of poultry feeding operations and licensing of poultry waste applicators.

Another task the AEMS performs is complaint resolution. The Oklahoma State Legislature places strong statutory requirements on investigations of environmental complaints and each agency must develop rules for the resolution of complaints. In response to the legislature, the AEMS implemented a complaint response system.

The ODAFF places complaint response and resolution among its highest priorities. Complaints help identify problems allowing the AEMS to direct resources to correct the pollution through its enforcement program.

CAFO and LMFO Activities					
	FY-2000	FY-2001	FY-2002	FY-2003	FY-2004
Complaint/Compliance Follow-ups	362	348	549	693	697
Complaints Received	171	218	175	165	255
Complaints Closed	197	234	224	197	270
Pre-Licensing Inspections	12	3	9	2	2
Inspections During Construction	37	86	32	19	1
Routine Inspections	1713	1105	1234	1036	2482
Carcass Disposal Inspections	353	344	369	465	336
Water Samples Collected	1019	2302	1595	561	410
Soil Samples Collected				438	190
Technical Assistance Contacts	519	1444	671	757	541
Licenses or Building Permits Issued	14	7	6	2	1

Source: ODAFF

## Wildlife Services

Wildlife Services is a cooperative program between the ODAFF and the Animal and Plant Health Inspection Service of the USDA. This service is responsible for helping

citizens and communities control wildlife damage to agriculture, safeguard human health and safety and protect natural resources.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$24,231</b>
Remove REAP Funding	(1,385)
<b>FY-2005 Base</b>	<b>\$22,846</b>
<b>FY-2005 Bud. FTE Level</b>	<b>462.2</b>
<b>Actual Ave. YTD FTE</b>	<b>432.7</b>
<b>Funding Adjustments:</b>	
Replace REAP with GR	1,385
State Employee Pay Raise	688
Total Adjustments	2,073
<b>FY-2006 Recommendation</b>	<b>\$24,919</b>
% Change for FY-2005	2.84%

Source: Office of State Finance

The FY-2006 appropriation for the Agriculture Department is the same as provided for FY-2005 with the following adjustments.

### Replace REAP Funding

The Governor's budget recommends replacing the funds from the Gross Production Tax REAP Fund that have been used to fund the agency with general revenue funding. The volatility of the Gross Production Tax REAP Fund makes it inadvisable to use for general operations as it has been for the past fiscal years. These funds should be replaced with general revenue funds to ensure that the money is there when needed.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$687,516 to annualize the \$1,400 January pay raise and provide for the \$700 July pay

raise for the Department's 437.3 December 2004 FTE.

**Laboratory Renovations**

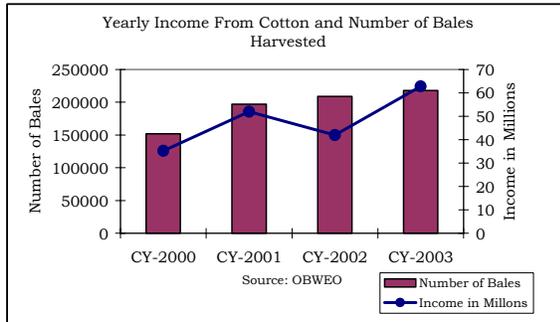
The Governor's budget also recommends construction of a new laboratory building for Oklahoma Department of Agriculture, Food, and Forestry (ODAFF) and renovation of the laboratory building for Oklahoma Animal Disease Diagnostic Laboratory (OADDL). Present laboratory facilities (ODAFF 1984 and OADDL 1978) are in dire need of upgrading and replacement. These laboratories provide essential regulation and services to the agricultural industry. This funding will help to maintain the current level of expertise in agriculture and new diseases for the coming years.

Total funds needed for the construction and renovation are as follows: \$12.7 million for the OADDL lab and \$11.3 million for the ODAFF lab.

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## Boll Weevil Eradication Organization

Yearly income from cotton for 2000, 2001, 2002 and 2003 was \$35.2 million (152,000 bales), \$52 million (197,000 bales), \$42 million (209,000 bales) and \$62.8 million (218,000 bales), respectively. The USDA estimates that 310,000 bales will be harvested for 2004.



The decrease in yearly income from the 1984-1999 average of \$58.9 million dollars was attributable primarily to lower market prices during a period when cotton production increased dramatically nationwide.

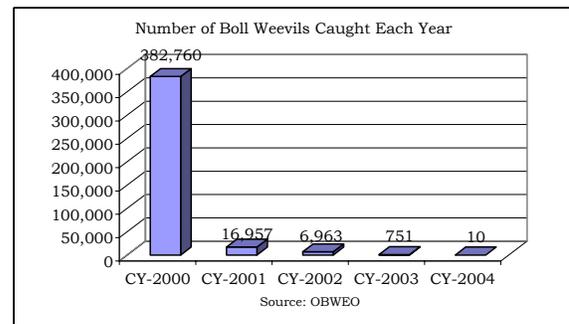
Increased production from 2000-2003 reflects an increase in yield rather than in acres. This increase is a direct result of the ongoing, aggressive boll weevil eradication effort throughout the state. Oklahoma experienced an increase of 20% in acres planted for 2004. This accounts for much of the increase in bales produced from the prior year.

Eliminating the boll weevil has improved land values while providing economic benefits through better yields as well as through larger beneficial insect populations, which reduce insecticide use and expense.

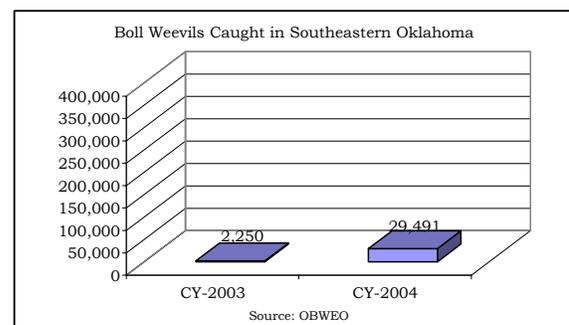
Total estimated cost to eradicate the boll weevil through 2008 is \$32 million dollars including debt service. The industry will pay \$21 million, the State provided approximately \$3.75 million and federal funding will provide the balance of \$7.25 million. Cotton producers passed a

referendum by a positive 88% vote to provide the industry funding in 1998. Producers pay an assessment of \$7.50 per acre and 1 cent per pound of cotton harvested and ginned each season. A post eradication program is expected to begin during 2008.

By the end of calendar year 2004 the Oklahoma Boll Weevil Eradication Organization (OBWEO) reduced the boll weevil populations by more than 99.99%. With the exception of two southeastern counties impacted by weevil migration from northeastern Texas, only ten boll weevils were caught in all of Oklahoma during the 2004 growing season. Farmers continue to make a top crop, further improving yields because of reduced weevil pressure. The following chart shows boll weevil trapping data for the Oklahoma growing season, not including the two southeastern counties that sustained weevil migration from Texas.



The chart below shows the number of weevils captured during the growing season in the southeastern counties that were affected by migration from Texas.



## Conservation Commission

### Notable Achievements

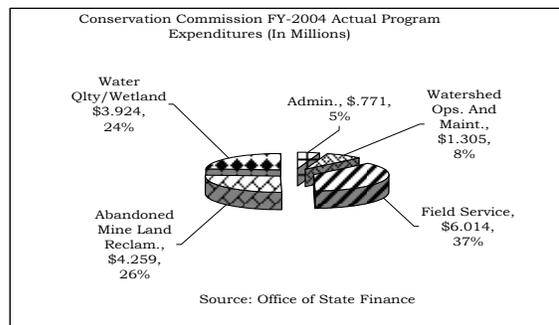
- Completed six projects that reclaimed 170 acres of abandoned coal mine land. Also responded and closed five emergencies related to openings from collapsed underground mines.
- Managed a seven million dollar Emergency Watershed Program agreement from the USDA's Natural Resources Conservation Service. The program allowed for the removal of debris from under county bridges and from creeks in 13 counties of west central and north central Oklahoma impacted by the 2002 ice storm.
- Produced a book in cooperation with the USDA's Natural Resources Conservation Service and the Oklahoma Association of Conservation Districts called Out of the Dust-The History of Conservation in Oklahoma in the 20<sup>th</sup> Century.
- In cooperation with the USDA's Natural Resources Conservation Service and local conservation district sponsors, completed the rehabilitation of three upstream flood control dams and initiated construction contracts to rehabilitate one other dam.
- Entered into a \$2.09 million dollar agreement with the USDA's Natural Resources Conservation Service to reclaim and re-establish native grass vegetation on mine sites in the Tar Creek area of Ottawa County. Reclamation on one 17 acre site near Commerce has been contracted and will be completed in FY-2005. Engineering design for an additional 230 acres on the west side of Commerce has begun.

### Mission

The Conservation Commission provides technical assistance, financial incentives and educational information through Oklahoma's 88 conservation districts to promote and sustain private land conservation. The state conservation cost share program, flood control dam

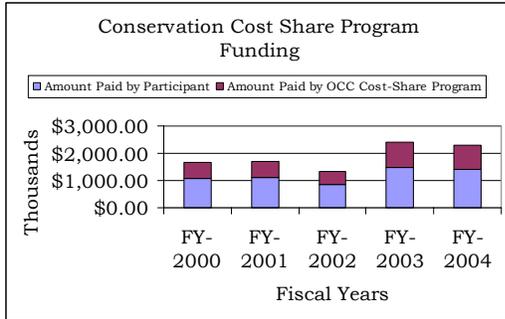
operation, maintenance and rehabilitation and scarred land reclamation are integral and valuable components of this unique delivery system.

The Conservation Commission's largest funding source is federal funds. Federal funds total 62% of the Commission's total budgeted FY-2005 funding. The chart below shows the expenditures for FY-2004.



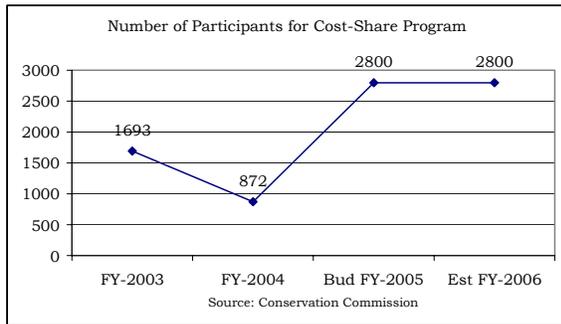
### Cost-Share Program

The Conservation Cost-Share Program is a public-private partnership between the State and private land users. The program encourages implementation of best management conservation practices on Oklahoma lands. This aids in the reduction of soil erosion and the improvement of water quality. Since the program's inception in FY-1999, the program has received \$6.235 million in state appropriations. Of this amount, the Conservation Commission has allocated \$6 million to Oklahoma's 88 conservation districts for locally determined conservation priorities. Land users must match a portion of the cost share received from the State. The program has generated a \$6.18 million dollar investment in private landowner dollars as well.



**Key Performance Measure**

Goal is to improve and sustain soil quality through participation in Cost-Share Program



**Conservation Reserve Enhancement Program**

The Conservation Reserve Enhancement Program (CREP) is a joint land retirement conservation program between the state and federal government. This program targets addressing state and nationally significant agriculture-related environmental effects. This program stemmed from the USDA Conservation Reserve Program (CRP). CREP is a voluntary program that provides financial incentives to farmers and ranchers that have land adjacent to or containing a stream to enroll in contracts (10 to 15 years in length) to not use their land for agricultural production. Participants in the program receive incentive payments and cost-share assistance for installing specific conservation practices and retiring agricultural lands.

**Watershed Rehabilitation**

Since 1948 the federal government, through USDA's Natural Resources Conservation

Service (NRCS) has constructed 2,098 upstream flood control dams in the State of Oklahoma (20% of the nation's total). The dams were designed and built with federal funds. Local sponsors (68 of Oklahoma's 88 conservation districts) were responsible for obtaining the necessary land rights and have continuing responsibility for the operation and maintenance of these dams. The federal government estimates public investments in these dams of \$1.8 billion in present value.

The primary purpose of the dams is to capture floodwater and release it in a controlled fashion to minimize damage to agricultural land, homes, towns and transportation infrastructure. The dams also capture sediment and provide other benefits such as water sources for drinking water, recreation, agriculture, fire protection and significant wildlife habitat.

There are a number of issues that arise as the structures age. For example, concrete and metal draw-down structures deteriorate and must be replaced, earthen dams may need to be raised to restore flood storage capacity and development downstream of the dam can occur which changes the safety classification of a structure.

Federal legislation in 2000 authorized the USDA Natural Resources Conservation Service (NRCS) to rehabilitate the nation's upstream flood control dams. Congress appropriated \$10 million and \$30 million in FY-2003. In FY-2004, the national appropriation for watershed rehabilitation was \$29.6 million.

To be eligible for rehabilitation the state and/or local sponsors must provide a 35% match to federal dollars. Since FY-2002, the Oklahoma Legislature has appropriated \$500,000 each fiscal year to the Conservation Commission for use in matching federal rehabilitation dollars. Because of the state's commitment to rehabilitation, the Oklahoma NRCS received an allocation of \$2.7 million for rehabilitation in the 2002 federal fiscal year and \$3.4 million in the 2003 federal fiscal

year. This was the maximum amount that was available to Oklahoma.

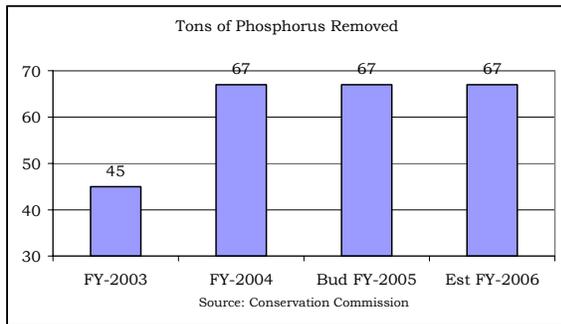
The NRCS, Conservation Commission and local district sponsors have completed six rehabilitation projects. As of October 1, 2004, one other project was under construction and one was in contracting. It is anticipated that one to three additional projects will be contracted during the remainder of FY-2005.

### Federal 319 Grant for Nonpoint Source Pollution

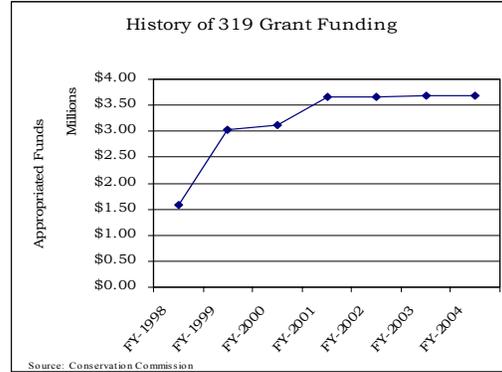
FY-2005 funding from the Clean Water Act Section 319 for Oklahoma’s Nonpoint Source management program has remained level with FY-2004 funding. The funds are used to implement targeted programs to abate water quality impacts from nonpoint source pollution.

#### Key Performance Measure

Goal is to reduce nonpoint source pollution



Federal funds must be matched with 40% state and local funds, much of which comes from the Commission’s Conservation Cost-Share Program. The Conservation Commission received an additional \$1.79 million in appropriations, as state match for federal “EPA 319 funds” in the Beaty Creek, Illinois River, Lake Wister, Ft. Cobb, Stillwater Creek and Spavinaw Creek (except Beaty Creek) priority watersheds. In FY-2005, the funds will also match EPA 319 funded work in the Grand Lake watershed. The table below shows the federal funding history of the program over the past seven years.



The programs target sources of nonpoint source pollution include agriculture, silviculture, rural unpaved roads, rural waste systems, non-regulated construction activities and stream bank destabilization. Ongoing completed Priority Watershed Nonpoint Source Projects and the totals for best management practice implementation include:

- Beaty Creek Watershed (\$1.6 million) within the Lake Eucha Watershed completed in FY-2005,
- Illinois River Watershed (\$1.7 million) completed in FY-2005,
- Lake Wister Watershed (\$1.9 million),
- Fort Cobb Watershed (\$2.2 million),
- Stillwater Creek Watershed (\$1 million),
- Spavinaw Creek Watershed (\$2.7 million) except for Beaty Creek, and
- Grand Lake Watershed – Phase I (\$2.1 million)

These Priority Watershed Projects include implementation and demonstration of best management practices. The projects also include education programs to encourage watershed residents to help reduce nonpoint source pollution. Other grant tasks include:

- Technical support of the Nonpoint Source Management Program;
- Funding for a Rotating Basin Monitoring Program;

- Nonpoint Source TMDL (Total Maximum Daily Load) Development;
- Development of a watershed restoration action strategy for the Grand Lake Watershed;
- Continuation of Statewide Blue Thumb Educational Programs; and
- Task coordination and management by the Office of the Secretary of Environment.

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### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$7,618</b>
Remove One Time GP REAP	(500)
<b>FY-2005 Base</b>	<b>\$7,118</b>
<b>FY-2005 Bud. FTE Level</b>	<b>61.4</b>
<b>Actual Ave. YTD FTE</b>	<b>58.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	373
<b>FY-2006 Recommendation</b>	<b>\$7,491</b>
\$ Change from FY-2005	(\$127)
% Change for FY-2005	-1.67%

Source: Office of State Finance

The FY-2006 appropriation for the Conservation Commission is the same as provided for FY-2005 with the following adjustments.

#### **Remove One Time GP REAP Funds**

The Governor's budget recommends reducing the agency's appropriation by \$500,000 which was supplied from the Gross Production Tax REAP Fund.

#### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$373,466 to annualize the \$1,400 January

pay raise and provide for the \$700 July pay raise for the Conservation Commission's 238.0 average 2004 FTE of which \$300,258 is for the 180 Conservation Commission district employees.

#### **FY-2005 Recommendation for Gross Production REAP Funds**

##### **Cost-Share Funding**

The Governor's budget proposes \$500,000 be expended from the Gross Production REAP Fund for the Cost-Share Program.

##### **Conservation Reserve Enhancement**

The Governor's budget proposes \$500,000 be expended from the Gross Production REAP Fund for the Conservation Reserve Enhancement Program.

##### **Federal 319 Grant Match**

The Governor's budget proposes \$420,000 be expended from the Gross Production REAP Fund for the Federal 319 Grant program.

##### **Watershed Rehabilitation Program**

The Governor's budget proposes \$1 million be appropriated for the Watershed Rehabilitation Program from the REAP Fund.

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# **Commerce and Tourism**

**Capitol Complex and Centennial Commemoration Commission**  
**Commerce Department**  
**Oklahoma Historical Society**  
**J. M. Davis Memorial Commission**  
**Labor Department**  
**Native American Cultural and Educational Authority**  
**REAP Program**  
**Oklahoma Scenic Rivers Commission**  
**Oklahoma Department of Tourism and Recreation**  
**Will Rogers Memorial Commission**



# Commerce and Tourism

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY- 2006 Appr.	% Diff. from FY- 2005
Centennial Commission	\$1,476,453	\$536,453	\$483,011	\$1,019,464	-31.0%
Commerce, Department of	33,337,845	33,337,845	(8,711,346)	24,626,499	-26.1%
Historical Society, Oklahoma	10,904,253	10,000,253	2,604,183	12,604,436	15.6%
J.M. Davis Memorial Comm	330,983	330,983	11,176	342,159	3.4%
Labor Department	3,061,658	3,061,658	677,653	3,739,311	22.1%
Scenic Rivers Commission	333,158	333,158	18,099	351,257	5.4%
Tourism & Recreation	24,162,640	24,162,640	2,817,082	26,979,722	11.7%
Will Rogers Memorial Comm	882,678	882,678	19,850	902,528	2.2%
<b>Total Comm./Tourism</b>	<b>\$74,489,668</b>	<b>\$72,645,668</b>	<b>(\$2,080,292)</b>	<b>\$70,565,376</b>	<b>-5.3%</b>

## Oklahoma Capitol Complex and Centennial Commemoration Commission

### Notable Achievements

- The dome for the State Capitol building was completed and dedicated on November 16, 2002.
- Work on the Oklahoma Land Run Monument, which will have 45 pieces that are 1 ½ times life size, has begun. The first five completed pieces were dedicated April 21, 2003.
- Over 30 projects have been completed statewide since the Centennial Commission was established.

### Mission

On November 16, 1907, Oklahoma became the 46th state in the United States of America. Oklahoma will celebrate the state's centennial birthday on November 16, 2007. The Commission was formed to coordinate centennial celebrations throughout the state. The Commission encourages and supports participation in the centennial celebration in all geographical areas of the state.

### FY-2005 Supplemental

<b><i>FY-2005 Supplemental</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$536</b>
<b>Supplemental:</b>	
Dome Debt Service	<u>940</u>
<b>Total FY-2005 App.</b>	<b>\$1,476</b>
% Change for FY-2005	175.37%
Source: Office of State Finance	

### Dome Debt Service Supplemental

The Governor's budget includes providing a supplemental appropriation of \$940,000 for FY-2005 for interest payments associated with the loan for the dome.

### FY-2006 Recommendation

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Total Approp.</b>	<b>\$1,476</b>
Supplemental	<u>(940)</u>
<b>FY-2005 Base</b>	<b>\$536</b>
<b>FY-2005 Bud. FTE Level</b>	<b>7.5</b>
<b>Actual Ave. YTD FTE</b>	<b>7.6</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	13
Dome Debt Service	<u>470</u>
Total Adjustments	\$483
<b>FY-2006 Recommendation</b>	<b>\$1,019</b>
% Change for FY-2005	90.11%
Source: Office of State Finance	

The FY-2006 appropriation for the Centennial Commission is the same as provided for FY-2005 with the following adjustments.

### Dome Debt Service

The Governor's budget includes increasing the agency's appropriation by \$470,000 for debt service obligations for the dome.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$13,011 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Centennial Commission's 7.8 December 2004 FTE.

## Department of Commerce Notable Achievements

- As reported in the "Top 10 Pro-Business States for 2004" study published by Pollina Corporate Real Estate, Oklahoma ranked third in the nation as one of America's most pro-business states. The report stated that "Oklahoma offers one of the most competitive and aggressive business incentive packages in the country, which allows it to take full advantage of its central United States Location".
- Economy.com ranked Tulsa # 1 and Oklahoma City #3 in lowest cost of doing business among 150 metro areas nationwide.
- In FY-2004, the Oklahoma Department of Commerce assisted in the creation, expansion and retention of almost 16,334 jobs.
- 69% of these new jobs have an average wage of at least 110% of the average wage of the county in which the job was created.
- Oklahoma made the top three in the Boeing 7E7 site selection process. Oklahoma's participation in this effort led to an additional 500 Boeing jobs in Tulsa.
- During FY-2004, ODOC worked on projects that generated \$577 million in new investment in Oklahoma.

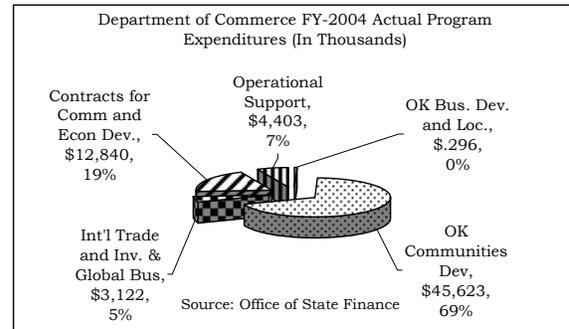
## Mission

The Oklahoma Department of Commerce (ODOC) is the lead agency for economic development in the state of Oklahoma. ODOC provides a one-stop shop for private sector location and expansion in Oklahoma. The Department of Commerce is organized in the following program structure:

- Business Development
- Community Development
- Business Location
- International Trade and Investment
- Contracts for Commercial and Economic Development

- Operational Support

The Commerce Department's primary sources of funding are federal funds and state appropriations.



## Programs

### Business Development

The Business Solutions division focuses on supporting Oklahoma businesses.

### Community Development

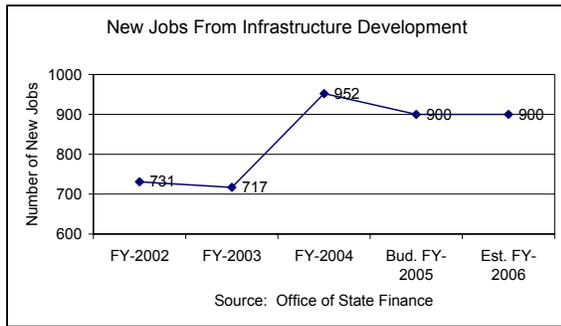
The Office of Community Development invests federal and state resources in communities and community-based, non-profit organizations in an effort to build local capacity and encourage sustainability.

Through a variety of programs, Community Development offers technical assistance and planning to communities. Currently, over 400 cities, towns and counties are completing capital improvement plans through which an inventory of civic assets can be maintained and prioritized for repair or replacement.

Community Development helps communities address such vital areas as water and sewer infrastructure improvements, economic development infrastructure enhancement, multipurpose senior citizen center development, upgrading fire protection equipment and street and drainage repairs. The following graph shows new jobs created from the Department's infrastructure development projects. The Community Development Block Grant is the main source of funds utilized to address these needs; however, funding is also available through the state energy plan and state appropriations.

**Key Performance Measure**

Creation of jobs through infrastructure development



**Global Business**

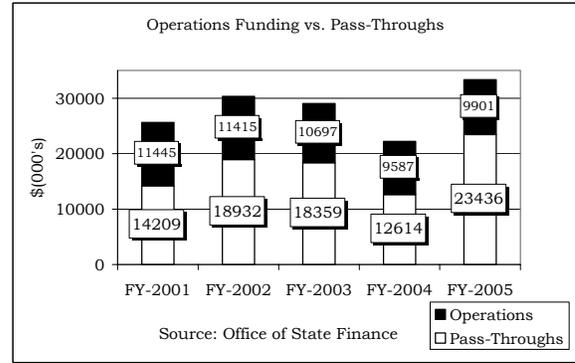
This division focuses on assisting Oklahoma businesses to develop a source of revenue that is resilient to state economic downturns. The division accomplishes this by finding Oklahoma companies with export capabilities and preparing those companies through education, training, business plan reviews and research. This preparation allows the company to maximize the company’s potential in a global market. The division also oversees all Commerce International Trade Offices.

**Business Location**

The Office of Business Location markets the state of Oklahoma as a profitable location for investment in manufacturing, processing and service businesses. Business Location staff aggressively recruits new domestic investments, encourages and assists Oklahoma companies seeking expansion to invest in Oklahoma and assists local communities and economic development organizations in their efforts to attract new businesses.

**Pass-Throughs**

Commerce’s budget consists of two parts – operations and “pass-throughs.” The following chart depicts the breakdown of these two parts over the past seven years.

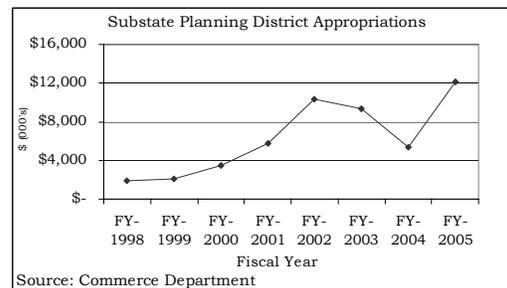


In FY-2005 “pass-through” appropriations amounted to \$23.4 million. Over 51% of these funds, or \$12.14 million went to substate planning districts. Substate planning districts, community action agencies and many other entities receive “pass-throughs”.

**Substate Planning Districts**

Oklahoma has 11 substate planning districts, also known as council of governments or COGS. The Legislature established these organizations to provide economic development leadership in their assigned areas. The COGS operate independently. State appropriations, membership dues from member towns and grants from state and federal sources fund the COGS.

Money appropriated to the substate planning districts has increased by 541.1% over the past eight years. These funds are exempted from the Oklahoma Central Purchasing Act, so no oversight of funds by the Department of Commerce is possible. Some funds have been used for quality economic development purposes and many times the funds are used to renovate local parks, golf courses, baseball parks, and other recreational and community facilities.



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$33,338</b>
<b>FY-2005 Bud. FTE Level</b>	<b>138</b>
<b>Actual Ave. YTD FTE</b>	<b>126.6</b>
<b>Funding Adjustments:</b>	
Reduce COG Funding	(10,150)
Transfer NACEA	(725)
State Employee Pay Raise	164
Military Base Closure Fund	1,000
Rural Development Initiative	300
Increase Website Functionality and GIS Program	300
Trade Show Matching Grant	75
Expansion of Marketing	<u>325</u>
Total Adjustments	(8,711)
<b>FY-2006 Recommendation</b>	<b>\$24,627</b>
% Change for FY-2005	-26.13%

Source: Office of State Finance

The FY-2006 appropriation for the Commerce Department is the same as provided for FY-2005 with the following adjustments.

### **Reduce Pass-Through Funding**

The Governor's budget includes reducing the agency's FY-2005 pass-through appropriations by \$10.15 million. The Governor's budget also recommends that statutes be amended to more clearly define "economic development". Projects and entities that receive economic development funding should be audited and monitored closely by the Department of Commerce and performance measures must be used to monitor the effectiveness of projects distributing funds.

### **Native American Cultural Education Authority Transfer**

The Governor's budget proposes the Native American Cultural and Education Authority (NACEA) be moved to the Tourism Department. The NACEA's appropriation will pass through the Tourism Department in the same manner as NACEA passes through the Commerce's appropriation currently. The NACEA will have the same structure and relationship with the Tourism Department as the NACEA has with Commerce. The Tourism Department will assume the duties regarding the NACEA as currently fulfilled by Commerce. This transfer reduces Commerce's FY-2006 appropriation \$724,954 and increases the Tourism Department's FY-2006 appropriation the same amount.

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$163,608 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Commerce's 130.6 December 2004 FTE.

### **Strategic Military Planning Fund**

The Governor's budget includes increasing the agency's appropriation by \$1 million for the Oklahoma Strategic Military Planning Commission Incentive Fund. These funds are used to ensure that the five military bases in the state remain intact and that their positive economic impact for the state is not jeopardized. Money from the fund is matched by local funds of communities that could be potentially affected by military base closures or downsizings.

### **Rural Development Initiative**

The Governor's budget includes increasing the agency's operation funding by \$300,000 to develop a comprehensive rural development database, conduct a comprehensive survey of natural resources located in rural areas and to establish a toll-free number to serve as a point of first contact to address the mandates put in place by HB-2288.

**Website Functionality & GIS Program**

The Governor's budget includes increasing the agency's operations funding by \$300,000 for website functionality applications upgrades. This funding will be used to create a searchable database of Oklahoma companies and the goods and services provided, to develop online tutorials to help smaller Oklahoma businesses succeed and to further develop the GIS system. The GIS system is designed to assist the economic and community development needs of Oklahoma by providing communities and businesses with location-based market and demographic information. This will in turn help to improve Oklahoma's visibility and hopefully lure in out-of-state companies that might be looking to expand or relocate operations.

**Trade Show Matching Grant**

The Governor's budget includes increasing the agency's operations funding by \$75,000 for the trade show matching grant program. This program provides matching grants up to \$5,000 for companies to attend international trade shows with the goal of increasing the exporting sales of these Oklahoma companies. This increase in export sales is beneficial to Oklahoma companies by offering an alternative source of revenue when the state's economy falters.

**Expansion of Marketing**

The Governor's budget includes increasing the agency's operations funding by \$325,000 for marketing expansion. These additional funds will be used to expand marketing efforts to generate more leads for the recruitment of prospective businesses to Oklahoma, to expand marketing to Oklahoma businesses to educate them on the available resources that can help their success and to provide assistance and marketing templates that will assist rural communities with business location efforts.

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# Oklahoma Historical Society

## Notable Achievements

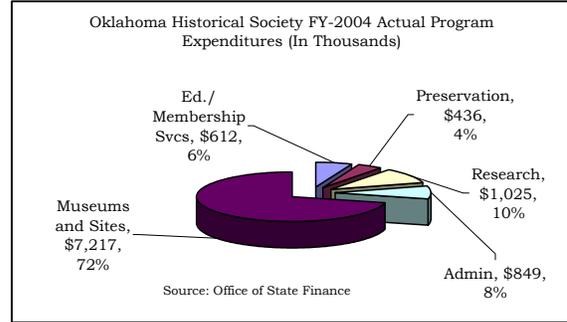
- *Construction on the Oklahoma History Center is on schedule and within the original budget despite a number of change orders for unexpected surprises such as capping old oil wells discovered during excavation. The grand opening ceremonies are scheduled for November 16 and 17, 2005.*
- *Collections are coming into the Society at an unprecedented pace as the centennial of statehood approaches. Recent additions include a political campaign collection of more than 10,000 groups of items, the state's largest collection of railroad memorabilia, the collections of Governors Nigh, Walters and Hall and numerous vehicles such as a 1948 Mercury, a 1950s oilfield boom truck and a reconditioned seismic truck.*
- *With declining resources and a far-flung system of rural museums and sites to maintain, the OHS has strengthened partnerships with local groups to manage day-to-day operations. Thus far, there are seven "Affiliates" partnerships in place stretching resources from both state and local sources.*
- *Display criteria required by the Smithsonian Institution in Washington D.C. will be met, allowing OHS to display Oklahoma treasures currently exhibited or stored by the Smithsonian Institution.*

## Mission

The Oklahoma Historical Society (OHS) preserves and perpetuates the history of Oklahoma and its people by collecting, interpreting and disseminating knowledge of Oklahoma and the Southwest.

The agency's primary source of funding is state appropriations. State appropriations totaled 83.5% of total funding for expenditures of OHS in FY-2004. Below is

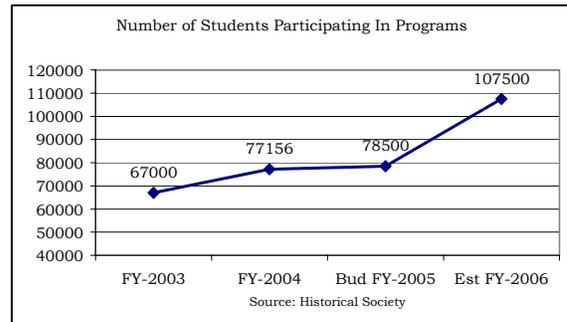
a chart which shows program expenditures for OHS for FY-2004.



Each of the State's 32 museums and sites operated by the OHS has an individual mission statement pertinent to the history it interprets. There are various educational programs within the Historical Society targeting students.

## Key Performance Measure

Goal is to increase student contact



## The Oklahoma History Center

The Oklahoma Historical Society will open a \$58.2 million history center in November of 2005. All exhibits will be in place for the Oklahoma centennial in 2007. The 195,000 square-foot facility will preserve the rich and colorful heritage of the state.

Currently, funding of \$50 million has been provided for the center. The OHS will raise an additional \$9 million for the museum exhibits and grounds. The facility includes:

- a state-of-the-art museum
- research center
- education programs

- historic preservation programs and publications
- outdoor learning park

The new museum will present galleries, classrooms and a gift shop. The collections displayed will range from a bison-hide teepee to a 3,000-item collection of historical Oklahoma fashions.

Following is a chart displaying the construction costs of the Oklahoma Historical Center.

<b>State History Center Estimated Costs:</b>	
Phase I & II Expenses:	\$(000s)
Building Construction Contract	\$32,600
Exhibit fabrication/installation	10,450
Site acquisition and clearance	4,100
Architectural fees	3,125
Furnishings	2,836
Landscape/parking	1,390
Exhibit design consultant fee	950
Red River Journey/Grounds	1,236
Graphics	600
Warehousing expense	551
Moving expenses	200
Construction management	<u>240</u>
Total Expenses	<u>\$58,278</u>

Source: Oklahoma Historical Society

### **FY-2005 Supplemental**

Construction on the new OHS Center will be completed at the end of March, 2005. With the completion, operations funding will be needed for costs such as security, insurance, maintenance and lawn care. All of these expenditures will need to be addressed and the current OHS appropriation does not provide enough funding to meet these costs.

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$10,000</b>
<b>Supplemental:</b>	
Debt Service Payment	654
Operating Expenditures	<u>250</u>
Total Supplemental	904
<b>Total FY-2005 App.</b>	<b>\$10,904</b>
% Change for FY-2005	9.04%

Source: Office of State Finance

### **FY-2005 Supplemental Funding**

The Governor's budget proposes a FY-2005 supplemental appropriation of \$250,000 for the operating expenditures that will be incurred with the completion of the new History Center.

The Governor's budget also includes \$650,000 of supplemental funding for debt service payments.

### **FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Total Approp.</b>	<b>\$10,904</b>
Supplemental	<u>(904)</u>
<b>FY-2005 Base</b>	<b>\$10,000</b>
<b>FY-2005 Bud. FTE Level</b>	<b>135.2</b>
<b>Actual Ave. YTD FTE</b>	<b>138.4</b>
<b>Funding Adjustments:</b>	
Transfer Black Towns Tour	(15)
State Employee Pay Raise	219
Debt Service	1,500
Operating Funds	<u>900</u>
Total Adjustments	\$2,604
<b>FY-2006 Recommendation</b>	<b>\$12,604</b>
% Change for FY-2005	26.04%

Source: Office of State Finance

The FY-2006 appropriation for the Historical Society is the same as provided for FY-2005 with the following adjustments.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$219,183 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Historical Society's 137.8 average 2004 FTE.

**Debt Service**

The Governor's budget includes increasing the agency's funding \$1.5 million for debt service payments that are due for the construction of the new Oklahoma History Center.

**History Center Operational Costs**

The Governor's budget includes an increase in the FY-2006 appropriation in the amount of \$900,000 for increased operating expenditures due to the new Oklahoma History Center. The new center is 195,000 square-feet and will require more funds to operate than the former museum of 50,000 square-feet. These funds will be applied to the increased utilities, maintenance, security and staff expenditures that will be incurred.

**Oklahoma Historical Black Towns Tour Transfer**

The Governor's budget proposes the Oklahoma Historical Black Towns Tour be moved to the Tourism Department. The Tour's appropriation will pass through the Tourism Department in the same manner as it passes through the Historical Society's appropriation currently. The Tour will have the same structure and relationship with the Tourism Department as it has with the Historical Society. The Tourism Department will assume the duties regarding the Tour as currently fulfilled by the Historical Society. This transfer reduces the Historical Society's FY-2006 appropriation by \$15,000 and increases the Tourism Department's FY-2006 appropriation the same amount.

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# J. M. Davis Memorial Commission

## Notable Achievement

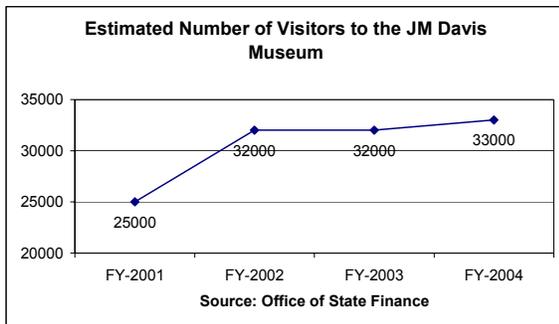
The J.M. Davis Museum is one of the largest fire arms museums in the United States.

## Mission

The J.M. Davis Memorial Commission is the governing body that oversees the operations of the J.M. Davis Arms & Historical Museum located in Claremore. In FY-2004 approximately 33,000 people visited the museum including individuals and tour groups from all over the world.

### Key Performance Measure

Increase number of visitors

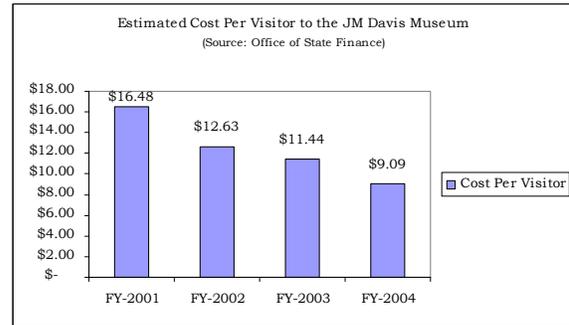


The museum houses an extensive collection of firearms, knives, swords, steins, saddles, Indian artifacts, music boxes, World War I posters and more. John Monroe Davis, former owner and operator of the Mason Hotel in Claremore, originally amassed the collection. J.M. Davis' collection became so large that he no longer could keep it at the Mason Hotel.

In 1965, Davis transferred his collection to the J.M. Davis Foundation, Inc. The Foundation in turn entered into an agreement with the State for preservation and display of the collection. The collection is housed today in a 40,000 sq. ft. facility. In 1995, the name of the museum was changed from J. M. Davis Gun Museum to J. M. Davis Arms & Historical Museum.

### Key Performance Measure

Improve cost efficiency



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$331</b>
<b>FY-2005 Bud. FTE Level</b>	<b>8.3</b>
<b>Actual Ave. YTD FTE</b>	<b>6.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	<u>11</u>
<b>FY-2006 Recommendation</b>	<b>\$342</b>
% Change for FY-2005	3.32%

Source: Office of State Finance

The FY-2006 appropriation for the J.M. Davis Memorial Commission is the same as provided for FY-2005 with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$11,177 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Commission's 6.7 December 2004 FTE.

Funding of \$25,000 was provided for a van in FY-2005, and it is recommended this funding be redirected internally for operating expenditures.

## Department of Labor

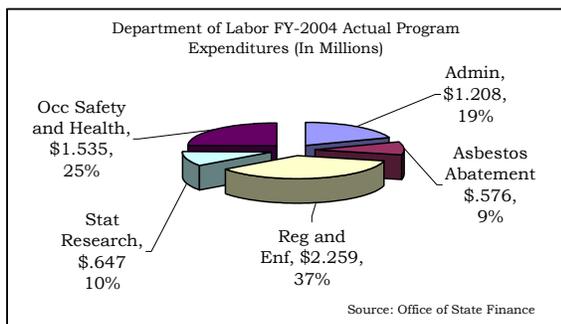
### Notable Achievements

- The OSHA Consultation program identified 4,473 serious workplace hazards in FY-2004 which saved Oklahoma businesses \$7.57 million in potential federal OSHA fines.
- The Department's Safety Pays<sup>®</sup> program has contributed to the lowest-recordable injury rate in the manufacturing industry — plummeting 45% since 1994. The overall state injury rate of 6.1 per 100 workers represents a 20-year low.

### Mission

The Oklahoma Department of Labor (ODOL) administers state and federal labor laws, such as child labor and wage and hour laws. ODOL also provides free, confidential, voluntary and non-punitive safety and health consultation services to private sector employers in Oklahoma. This service helps companies lower their worker's compensation costs.

The Department of Labor's budget consists of state, federal and revolving funds. For FY-2004, state appropriated dollars were 47.4% of the Department's total budget funding.



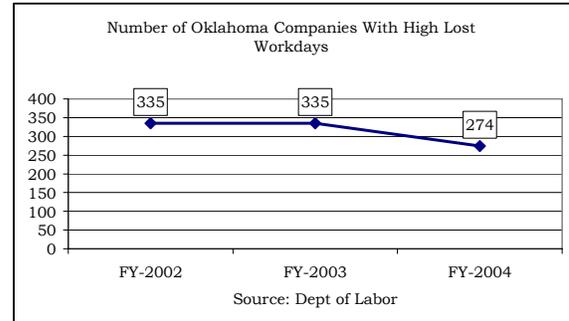
### Occupational Safety and Health Administration Consultation Program (OSHA)

The U.S. Department of Labor generates a site specific targeting list identifying those employers who have high lost workday injury and illness rates. Through the

Department's Safety Pays<sup>®</sup> program, each employer is contacted to ensure they are aware they are on OSHA's targeted inspection list and offers ODOL consultation services. The most recent list included 274 Oklahoma employers as shown by the following table.

### Key Performance Measure

Goal is to reduce the number of companies with high lost workdays



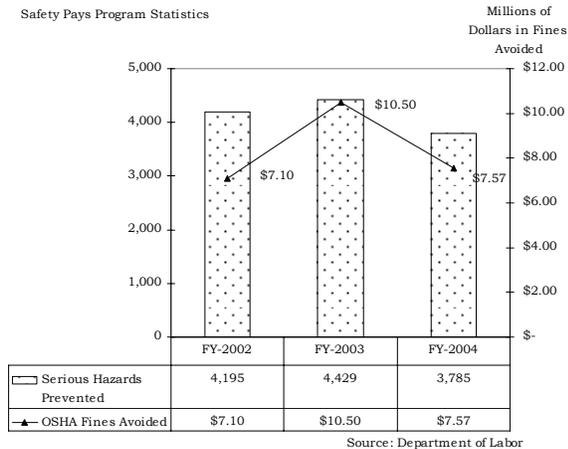
This free, voluntary, non-punitive and confidential program helps small (250 or less) high-hazard employers prevent injuries and illnesses. Federal funds cover 90% of the department's funding sources for this program. The OSHA consultant first identifies hazardous conditions and practices without the costly, adversarial impact often associated with federal OSHA rulings. In addition to providing compliance assistance, the consultation visit also includes safety and health program assessments and recommendations and industrial hygiene sampling. Employers who utilize the consultation services experience lower worker's compensation costs.

The following chart shows how ODOL's Safety Pays<sup>®</sup> program has identified hazards and prevented fines for Oklahoma businesses.

**Key Performance Measure**

Prevent hazards and help Oklahoma businesses avoid fines

Safety Pays Program Statistics



**Boiler Inspections**

State statutes require ODOL to inspect boilers and pressure vessels on an annual basis. Boilers and pressure vessels must be inspected because of the extremely volatile potential for explosions and fires. Many boilers and pressure vessels are in highly trafficked places such as schools, churches and hospitals.

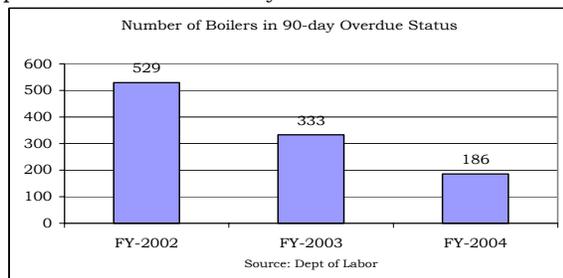
**Overdue inspections**

Insurance companies are certified as Authorized Inspection Agencies (AIA) and assume responsibility for conducting inspections on those boilers and pressure vessels the company insures. If the AIA fails to perform a required inspection, the ODOL assumes the responsibility for conducting these inspections if over 90 days past due.

As of December 10, 2004, ODOL had 186 insured boilers and pressure vessels in 90-day overdue status.

**Key Performance Measure**

Goal is to reduce the number of insured boilers and pressure vessels in 90-day overdue status



**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$3,062</b>
<b>FY-2005 Bud. FTE Level</b>	<b>110.5</b>
<b>Actual Ave. YTD FTE</b>	<b>96.7</b>
<b>Funding Adjustments:</b>	
Safety Training	500
State Employee Pay Raise	178
Total Adjustments	678
<b>FY-2006 Recommendation</b>	<b>\$3,740</b>
% Change for FY-2005	22.14%

Source: Office of State Finance

The FY-2006 appropriation for the Department of Labor is the same as provided for FY-2005 with the following adjustment.

**Safety Training**

The Governor's budget includes increasing the agency's funding by \$500,000 for the *Safety Pays*<sup>®</sup> program. This funding will be used to promote the program to targeted, high hazard industries to help get them in compliance with OSHA laws and to provide training and technical support.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$177,653 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Labor Department's 106.5 December 2004 FTE. This number excludes the Commissioner of Labor.

## Native American Cultural and Educational Authority

Senate Bill 746 created the Native American Cultural and Educational Authority (NACEA) on September 1, 1994. The Bill authorized the establishment of the American Indian Cultural Center which will include an interpretive center, resource center, a native languages institute, and museum.

The Cultural Center site is located at the junction of Interstate 35 and Interstate 40, considered by many to be the crossroads of America. Architectural design development for the project is nearing completion. Phase 1 of the Cultural Center will include an 86,000 square foot building that will have permanent and traveling exhibits that tell the story of Oklahoma's 39 Indian tribes, an outdoor symbolic exhibit and park improvements. An application has been submitted for the Cultural Center to become a Smithsonian affiliate, and through this affiliation, the Center will have access to over one million exhibits from the National Museum of the American Indian in Washington, D.C.

In 2003, the US Congress passed legislation that authorized \$33 million in funding for the Cultural Center. In addition, the State of Oklahoma authorized a \$33 million state bond issue for construction of the project. In partnership with the State of Oklahoma, a number of Oklahoma Indian tribes have agreed to contribute the first three years of debt service for the state bond issue.

The City of Oklahoma City has committed to donating approximately 300 acres of land to the NACEA, and has also agreed to give the Authority \$5 million in CDBG (Community Development Block Grant).

American Indian Cultural Center					
Projected Capital Funding & Costs					
(In Millions)					
Project Capital Funding	FY-2005	FY-2006	FY-2007	FY-2008	Totals
Federal	\$6.8	\$12.0	\$9.6	\$4.6	\$33.0
OKC Land		\$10.0			\$10.0
OKC CDBG Grant		\$5.0			\$5.0
Corps of Engineers Wetland Grant				\$5.0	\$5.0
Private, Tribal & Other Funding	\$3.2	\$8.8	\$9.0	\$9.0	\$30.0
State	\$35.6				\$35.6
<b>Total</b>	<b>\$45.6</b>	<b>\$35.8</b>	<b>\$18.6</b>	<b>\$18.6</b>	<b>\$118.6</b>
Project Costs					
Construction, Design, Exhibitory & Related Dev.	\$14.0	\$25.0	\$35.0	\$44.6	\$118.6

The Cultural Center will trace and document the history of American Indian tribes from the forced relocation of their original homes to Oklahoma to their successful stories today. The Center will also highlight the numerous cultural contributions of Oklahoma's American Indians.

Construction for the project is expected to begin in the third quarter of 2005.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$725</b>
<b>FY-2005 Bud. FTE Level</b>	<b>5.0</b>
<b>Actual Ave. YTD FTE</b>	<b>5.0</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	8
<b>FY-2006 Recommendation</b>	<b>\$733</b>
% Change for FY-2005	1.10%

Source: Office of State Finance

The FY-2006 appropriation for the NACEA is the same as provided for FY-2005 with the following adjustments.

#### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in

July 2005. The Governor's budget includes \$8,341 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Native American Cultural and Educational Authority's 5.0 average 2004 FTE.

NACEA's salary increase will pass through the Tourism and Recreation Department and is included in the Department's overall appropriation recommendation.

**Transfer to Tourism Department**

The Governor's budget proposes the NACEA be moved to the Tourism Department. The NACEA's appropriation will be passed through the Tourism Department in the same manner as NACEA passes through Commerce currently. The NACEA will have the same structure and relationship with the Tourism Department as the NACEA had with Commerce. Tourism will assume Commerce's duties regarding the NACEA.

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## Rural Economic Action Plan

### Mission

The Rural Economic Action Plan (REAP) is a grant program. REAP provides grants to build and repair infrastructure in communities with a population of less than 7,500.

REAP dollars pass through two separate agencies – the Auditor and Inspector’s Office and the Oklahoma Water Resources Board. The table below shows the funding history of the amounts appropriated through each agency.

5-yr REAP Appropriations (000's)		
Fiscal Year	A&I	OWRB
FY-2001	\$ 15,500	\$ 4,500
FY-2002	\$ 14,913	\$ 4,330
FY-2003	\$ 14,268	\$ 3,955
FY-2004	\$ 6,000	\$ 2,200
FY-2005	\$ 15,500	\$ 2,200

Source: Office of State Finance

Since FY-1997, over \$157 million has been appropriated for REAP grants. In FY-2005, the appropriation passing through the Auditor & Inspector increased 258% over the FY-2004 appropriation. COGS administer the REAP grants. Communities build and repair infrastructure with these loans.

### Dedicated Funding

In January, 1999 the Legislature met in special session to address concerns over falling oil prices. At that time they passed legislation which lowered gross production tax rates on oil production. The legislation also established several funds to receive revenues from oil production in future years when the rates are in excess of the amounts appropriated to schools and counties. One of the new funds created was the Oklahoma Water Resources Board (OWRB) REAP Water Projects Fund.

The following chart shows the amount of money deposited in the fund since 1999

and estimated revenues for FY-2005 and FY-2006:

REAP Water Projects Fund Deposits	
FY-1999	\$282,824
FY-2000	4,231,552
FY-2001	5,677,728
FY-2002	4,175,661
FY-2003	4,809,926
FY-2004	5,350,513
FY-2005 Est.	7,463,990
FY-2006 Est.	6,425,014
<b>Total</b>	<b>\$38,417,208</b>

Source: Office of State Finance Records

The Legislature directed the following use of the REAP water project funds in FY-2005:

	<u>Amount</u>
<b>Conservation Commission</b>	
Conservation Cost Share	\$500,000
State Match for Small Watershed Rehabilitation Program	\$500,000
Conservation Cost Share	<u>\$500,000</u>
<b>Total</b>	<b>\$1,500,000</b>
<b>Oklahoma Water Resources Board</b>	
Grand Lake Studies	91,632
North Fork Studies	100,000
Arbuckle Simpson Studies	<u>500,000</u>
<b>Total</b>	<b>\$691,632</b>
<b>Agriculture Department</b>	
Duties	\$1,384,853
<b>Corporation Commission</b>	
Duties	\$3,000,000
<b>Department of Environmental Quality</b>	
PWS Requirements	\$400,000
<b>Total Spending from REAP Water Projects Fund:</b>	<b>\$6,976,485</b>

Source: Office of State Finance Records

The Governor’s budget recommends all projects from both funds be audited and monitored using appropriate performance measures. Oversight and accountability will ensure that all projects meet the purposes for which the funds were designed.

## FY-2006 Recommendation

<b>FY-2006 Rural Economic Action Plan</b>	
<i>(amounts in thousands)</i>	
<i>General Revenue REAP</i>	
<b>FY-2005 Appropriation for REAP</b>	<b>\$17,700</b>
<b>FY-2006 Recommendation</b>	
Water Resources Board	<b>\$2,200</b>
Auditor & Inspector	<b>\$15,500</b>
<b>FY-2006 Recommendation</b>	<b>\$17,700</b>
% Change for FY-2005	0.00%
<i>Gross Production Tax REAP</i>	
<b>FY-2005 Gross Prod. Tax REAP</b>	<b>\$6,976</b>
<b>FY-2005 Gross Prod. Tax REAP Surplus Available for FY-2006</b>	<b>\$487</b>
<b>FY-2006 Recommendation</b>	
Water Resources Board	<b>\$4,000</b>
Conservation Comm.	<b>\$2,420</b>
Total	<b>\$6,420</b>
% Change for FY-2005	-7.97%

Source: Office of State Finance

### Gross Production Tax REAP:

The Governor's budget proposes the following expenditures from the estimated portion of the FY-2006 gross production tax that is dedicated for REAP.

	<u>Amount</u>
<b>Conservation Commission</b>	
Conservation Reserve Enhancement Program	500,000
Federal 319 Grant Program	420,000
Watershed Rehabilitation	1,000,000
Cost Share Program	<u>500,000</u>
Total	2,420,000
<b>Oklahoma Water Resources Board</b>	
Arbuckle-Simpson Aquifer Study	500,000
Comprehensive Water Plan	2,500,000
Rural Community Drinking Water Issue	<u>1,000,000</u>
Total	4,000,000
Total Spending From REAP GP Fund	6,420,000

Source: Office of State Finance

### Conservation Reserve Enhancement Program

The Governor's budget recommends \$500,000 be expended from the Gross Production Tax REAP fund for the Conservation Reserve Enhancement Program. This funding will be used to provide financial incentives to farmers and ranchers to not use their land for agricultural production.

### Watershed Rehabilitation

The Governor's budget recommends \$1 million be expended from the Gross Production Tax REAP fund for the Watershed Rehabilitation Program. The Governor's budget recommends spending for Small Watershed Rehabilitation be highest priority. Many flood prevention structures in rural Oklahoma are more than 40 years old and past the expected life span of the structures. These structures ensure the safety, health and economic stability of many Oklahoma citizens. It is imperative that many of these structures be rehabilitated before they deteriorate and place citizens and their property in danger.

### Federal 319 Grant Program

The Governor's budget recommends \$420,000 be expended from the Gross Production Tax Reap Fund for the Federal 319 Grant for Nonpoint Pollution. These funds are used to implement targeted programs to abate water quality impacts from nonpoint source pollution. Federal funds must be matched with 40% state and local funds. The program's target sources of nonpoint source pollution include agriculture, silviculture, rural unpaved roads, rural wastes systems, construction activities and stream bank destabilization.

### Cost-Share Program

The Governor's budget recommends \$500,000 be expended from the Gross Production Tax REAP Fund for the Cost-Share program. The Conservation Cost-Share Program is a public-private partnership between the State and private land users. Land users must match a portion of the cost share received from the State. The program encourages implementation of conservation practices on Oklahoma lands. This aids in the prevention

of soil erosion and the improvement of water quality.

**Arbuckle-Simpson Aquifer Study**

The Governor's budget recommends \$500,000 be expended from the Gross Production Tax REAP Fund for the ongoing Arbuckle-Simpson aquifer study. This study is seeking to ascertain the volume of water contained in the aquifer so that it can be determined how much water can be taken from the aquifer for drinking water supplies without endangering the ecosystem of streams and rivers that relies upon it.

**Oklahoma Comprehensive Water Plan**

The Governor's budget recommends \$2.5 million be expended from the Gross Production Tax REAP Fund for the state portion of the estimated cost of the Oklahoma Comprehensive Water Plan. The Governor's budget recommends the remaining \$4 million in state funds necessary for the study be expended from the fund with \$2 million in FY-2007 and \$2 million in FY-2008.

**Rural Community Drinking Water Compliance**

The Governor's budget proposes \$1 million be expended from the GP Tax REAP fund for testing, analysis and equipment to help rural communities meet Safe Drinking Water Act Amendments of 1996, (PL 104-182), of EPA rules contained in 40 CFR Parts 141-143. The rules require cities to meet stricter drinking water standards. The OWRB will partner with the Department of Environmental Quality to help qualified communities complete this project. Many small communities do not have the financial resources or tax base for which to begin meeting these standards. This recommendation will greatly aid small communities move towards compliance.

The Governor's budget also recommends that only one-time projects be funded out of the Gross Production Tax REAP Fund. The volatility of these funds makes it inadvisable to use this fund to support agency general operations as it has been used the last few fiscal years. The Governor's budget recommends general

revenue funds be used for the Department of Agriculture and the Corporation Commission's full FY-2006 appropriations.

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## The Oklahoma Scenic Rivers Commission (OSRC)

### Mission

The Oklahoma Scenic Rivers Commission is vested with the power to establish minimum standards for planning and other ordinances necessary to carry out the provisions of the Scenic Rivers Act. The primary emphasis of the Commission is to preserve and protect the aesthetic, scenic, historic, archaeological and scientific features of the Illinois River and its tributaries (Lee Creek, Little Lee Creek, Barren (Baron) Fork Creek, Flint Creek and (Upper) Mountain Fork).

The Oklahoma Scenic Rivers Commission (OSRC) is a state commission established in 1977 in accordance with the Scenic Rivers Act (1970). The OSRC became an agency in the 2002 legislative session.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$333</b>
<b>FY-2005 Bud. FTE Level</b>	<b>10.6</b>
<b>Actual Ave. YTD FTE</b>	<b>12.7</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	<u>18</u>
<b>FY-2006 Recommendation</b>	<b>\$351</b>
% Change for FY-2005	5.41%
<small>Source: Office of State Finance</small>	

The FY-2006 appropriation for the Scenic Rivers Commission is the same as provided for FY-2005 with the following adjustments.

### Equipment Replacement

Funding was supplied for FY-2005 in the amount of \$35,000 for a vehicle. It is recommended to continue this funding and to direct it internally for outdated equipment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$18,099 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Oklahoma Scenic River Commission's 10.9 average 2004 FTE.

# Oklahoma Department of Tourism & Recreation

## Notable Achievements

- *Tourism is the third largest industry in Oklahoma. The "Travel Industry Association of America" reported tourism provides an estimated economic impact of about \$4.0 billion per year in travel and tourism-related spending.*
- *Travel spending supports about 70,000 jobs throughout the state. Domestic travel spending brought almost \$690 million in tax revenue.*
- *The park system provides quality outdoor recreation opportunities and services to over 10 million visitors each year.*
- *The 12 tourism information centers provide contact to 1.6 million travelers annually. Research shows that for every three visitors entering a state center, one will be compelled to extend their stay or return.*
- *The award winning Oklahoma Today magazine is the official State magazine since 1956.*

## Mission

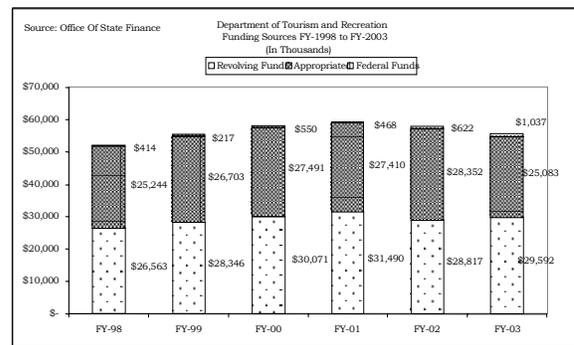
The Tourism and Recreation Department seeks to enhance the quality of life in Oklahoma. The Department is the steward of our state park system. It is the caretaker of diverse, magnificent natural resources to which Oklahoma is entrusted. It advances economic development through the promotion of travel and tourism opportunities to and within the state of Oklahoma. The Department enhances the image of the state through its public education of the amazing people, places and activities of the State.

## Programs and Operations

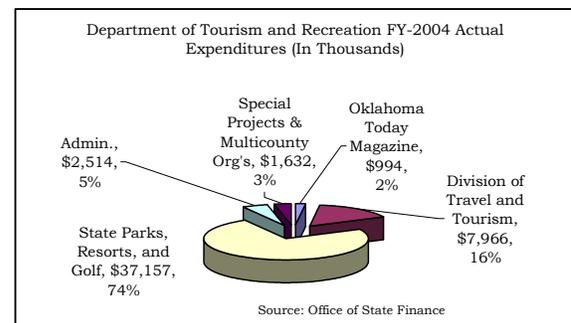
As a result of management changes and acute budget reductions, the Department took steps to increase its operational

efficiency and effectiveness. The Department consolidated seven divisions into three functional areas of operation, resulting in enhanced internal communication and improved visitor experiences.

The Department is primarily funded by state general revenue appropriations and revolving funds. In FY-2005 appropriations and budgeted revolving funds were 41% and 59% respectively of the Department's funding sources. The following is a chart displaying the six year funding history of the Department.



The majority of the Department's expenditures are devoted to parks, resorts and golf courses which are 73% of the FY-2005 budgeted expenditures.



## State Parks, Resorts and Golf

This division maintains public recreation facilities throughout the state. A network of 50 state parks provides visitors incomparable examples of Oklahoma's natural resources. The land features contained in the state parks range from the lush, tree covered hills of the southeast to the mesas and sand dunes of the northwest; and from the tall grass prairies

of the north to the rugged mountainsides of the southwest.

The division is responsible for the operation of 50 state parks, 4 resorts, 2 lodges, 10 golf courses, 455 cabins and cottages, as well as numerous campsites, scenic trails, boating, and other recreation facilities statewide. The division also administers the federal Land and Water Conservation Fund (LWCF) and Recreation Trails Program (RTP) grants. These programs are an essential component in the development of socially and economically healthy communities.

### State Parks

Overall attendance at the parks has declined as has park revenue. This aggregate information masks the individual uniqueness of each park. While Lake Murray is 81% self sufficient, revenue is considerably less at smaller parks with lower attendance. However, many of these smaller parks are resources of great natural and cultural significance.

#### Key Performance Measure

Oklahoma State Park System (in millions)					
	Park Attendance	Park Revenue	State Appropriation	Total Park Expenditures	% of Self-Sufficiency
FY-2001	15.1	\$11.0	\$9.7	\$25.0	44.1%
FY-2002	14.1	\$11.1	\$9.1	\$25.3	43.8%
FY-2003	14.1	\$11.5	\$10.2	\$25.3	45.5%
FY-2004	14.4	\$10.8	\$11.9	\$22.8	47.6%

Source: Dept. of Tourism and Recreation

### State Resorts

The four state resorts gradually increased the self-sufficiency rate through more efficient management. However, as the facilities continue to age and deteriorate from a lack of capital maintenance, the occupancy rate has declined.

#### Key Performance Measure

Oklahoma State Resorts Division (in millions)					
	Occupancy Rate	Resort Revenue	State Appropriation	Total Resort Expenditures	% of Self-Sufficiency
FY-2001	42.7%	\$8.1	\$3.2	\$11.2	71.7%
FY-2002	42.7%	\$8.0	\$3.0	\$11.0	72.9%
FY-2003	35.7%	\$7.0	\$1.1	\$8.1	86.6%
FY-2004	41.0%	\$7.7	\$2.2	\$9.8	78.0%

Source: Department of Tourism and Recreation

### Golf Courses

Use of the golf courses has declined as have revenues and expenditures. Declining revenues results in lower maintenance and declining course quality.

#### Key Performance Measure

Improve Self-Sufficiency of Golf Courses

Oklahoma State Golf Division (in millions)					
	Golf Rounds (thousands)	Golf Revenue	State Appropriation	Total Golf Expenditures	% of Self-Sufficiency
FY-2001	174.6	\$4.8	\$1.0	\$5.8	47.6%
FY-2002	182.7	\$4.9	\$0.1	\$6.0	82.0%
FY-2003	161.6	\$4.5	\$1.3	\$5.7	77.5%
FY-2004	165.6	\$4.7	\$0.8	\$5.5	85.2%

Source: Department of Tourism and Recreation

When most of the state golf courses were constructed there was minimal competition. Formerly, state courses were well attended and generally had the ability to be self-supporting. This was a result of the state courses ability to charge a much lower rate than private or city and county golf courses. As competitors drastically reduced rates, the state golf courses were hindered in remaining proportionately competitive. This problem is compounded by the fact that competitors are able to constantly improve assets, while state golf courses have deteriorated. Many state golf courses sell 30% to 38% fewer rounds than competitors.

Total rounds of golf at state courses in FY-2004 were the lowest in the last four years with a decrease of over 15,000. Due to improved weather conditions and marketing efforts in FY-2005, the courses are likely to see an increase in rounds played. Below is a chart showing golf rounds at selected state golf courses

#### Key Performance Measure

Rounds of Golf at Selected State Golf Courses (Thousands)			
Golf Course	FY - 1999	FY - 2001	FY - 2003
Arrowhead	21.4	17.0	20.2
Ft. Cobb	17.8	14.9	14.2
Fountainhead	21.3	21.2	20.6
Cedar Creek	12.8	9.7	9.9
Grand Cherokee	2.0	11.2	12.6

Source: Department of Tourism and Recreation

**Travel and Tourism**

This division develops information, marketing plans, and programs designed to attract tourists to the state.

The division disseminates information related to the state's public and private attractions, facilities, and events to support increased economic development and awareness of Oklahoma as a travel destination. As a part of this effort, the division produces the successful television weekly program *Discover Oklahoma*. This award winning television program reaches over 150,000 viewers weekly.

The division operates 12 tourism information centers located at various points of entry into the state. These centers are designed to provide travel information to visitors traveling through and to our state.

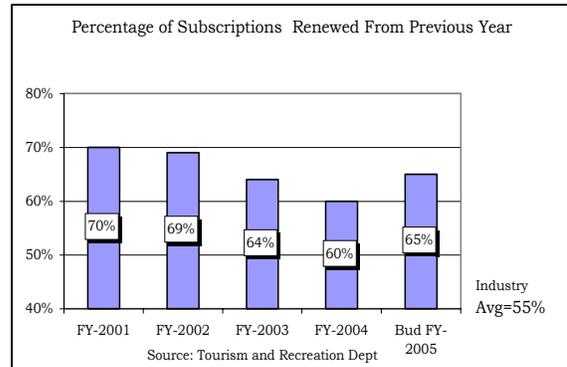
The Traveler Response Information Program (TRIP) operates a toll-free call center and information fulfillment and website. TRIP also maintains the destination database for more than 9,000 attractions, events, restaurants, accommodations and other tourism-related businesses around the state. The web site, [www.travelok.com](http://www.travelok.com), is the official state site for Oklahoma travel and tourism information.

**Oklahoma Today Magazine**

This division has produced the state's official magazine since 1956. This award-winning, bi-monthly regional magazine educates Oklahomans and non-Oklahomans alike about the culture, heritage, history, people, environment and attractions in Oklahoma. *Oklahoma Today* is one of the best tools showcasing the outstanding quality of life in the state. The magazine has a paid circulation of about 40,000 and an estimated readership of 150,000.

With each issue, the magazine readers learn more about this amazing state. Subscription renewals for the publication exceed the industry average of 55% as shown in the following chart.

**Key Performance Measure**



**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$24,163</b>
<b>FY-2005 Bud. FTE Level</b>	<b>892.0</b>
<b>Actual Ave. YTD FTE</b>	<b>867.6</b>
<b>Funding Adjustments:</b>	
Capital Improvements	1,000
Transfer NACEA	725
Transfer Black Towns Tours	15
Black Towns Tours Funding	75
NACEA Empl Pay Increase	8
Tourism Dept Pay Increase	994
<b>Total Adjustments</b>	<b>2,817</b>
<b>FY-2006 Recommendation</b>	<b>\$26,980</b>
<b>% Change for FY-2005</b>	<b>11.66%</b>

Source: Office of State Finance

The FY-2006 appropriation for the Tourism and Recreation Department is the same as provided for FY-2005 with the following adjustments.

**Golf Course Reduction**

The Governor's budget proposes a reduction in the number of golf course properties operated or owned by the state of Oklahoma. This proposal affects all non-resort/lodge courses operated by the Tourism Department. The following course

operations should be leased for private management and development:

- Fountainhead Golf Course
- Arrowhead Golf Course
- Fort Cobb Golf Course
- Cedar Creek Golf Course
- Grand Cherokee Golf Course

The state will reinvest the revenue in much needed maintenance and capital improvements at state parks.

#### **Park Classification Tier Plan**

The Governor's budget proposes a system-wide, tiered Oklahoma State Park Classification Plan. This serves to prioritize the Department's assets to better focus resources.

The level of usage, relative size, facilities and scope of services available to the public determines the classification of each park. The proposal classifies the parks into premier parks, regional parks and natural parks.

Premier parks, located in every geographic region of the state, consist of those parks that maintain the greatest number of facilities and services. These parks serve the greatest number of citizens and guests.

Regional parks serve the needs of local communities on a limited basis to stimulate economic development in the different regions of the state. For some facilities, the Department will convert the parks to operate seasonally.

Natural parks represent the facilities where services are eliminated, reduced or operated by local governments or private partners. Various parks will be converted from overnight use, such as camping and cabin facility operations, to day-use recreational areas.

Savings from these proposals will either be slight or not realized in the first year after leasing. First year expenses include costs associated with leasing or property transfers.

The reduction in state assets will be offset by the investment in much needed maintenance and capital improvements at state parks.

#### **Capital Improvements**

The Governor's budget recommends increasing the agency's appropriation by \$1 million for park capital improvements to address environmental, health and safety issues at the state parks. The Department maintains about \$80 million in capital needs associated with an outdated infrastructure, collapsing historic structures of state-wide significance, degrading natural resources and non-compliant playground equipment. The appropriation will be used to attend to the most serious health and environmental needs.

#### **NACEA Transfer**

The Governor's budget recommends the transfer of administrative responsibility for the Native American Cultural Education Authority (NACEA) to the Department. The NACEA's appropriation will be passed through the Department in the same manner as it is currently passed through Commerce's appropriation. The NACEA will have the same structure and relationship with the Department as the NACEA had with Commerce. This transfer reduces Commerce's FY-2006 appropriation by \$724,954 and increases the Department's FY-2006 appropriation by the same amount.

#### **Oklahoma Historical Black Towns Tour Transfer**

The Governor's budget proposes the Oklahoma Historical Black Towns Tour be moved to the Tourism Department. The Tour's appropriation will pass through the Tourism Department in the same manner as it passes through the Historical Society's appropriation currently. The Tour will have the same structure and relationship with the Tourism Department as it has with the Historical Society. The Tourism Department will assume the duties regarding the Tour as currently fulfilled by the Historical Society. This transfer reduces the Historical Society's FY-2006 appropriation by \$15,000 and increases the

Tourism Department's FY-2006 appropriation the same amount.

**Oklahoma Historical Black Towns Tours Funding**

The Governor's budget recommends increasing the agency's appropriation by \$75,000 for the Historical Black Towns Tours. The Black Towns Tours was created in 1997 to promote tourism to Oklahoma from those interested in the state's history of all-black towns. This funding will provide for expanded promotion and advertising for the Tours and will allow for the Tours to have a presence at more African American events.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$993,787 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department's 595.8 average 2004 FTE and \$8,341 for the pay increase for NACEA's 5 average 2004 FTE. This number excludes 200 seasonal employees that are not eligible for the pay raise.

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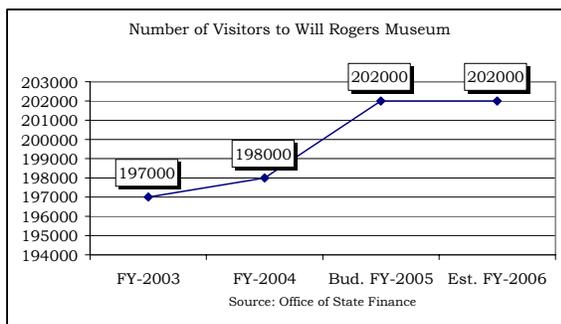
# Will Rogers Memorial Commission

## Notable Achievements

- The Commission serves as the leading repository for Will Rogers' professional items.
- On September 10, 2001, C-SPAN televised a 1 ½ hour broadcast of the "American Writers" series at the Will Rogers Memorial Museum in Claremore.
- The Commission hosted an art show at Fox Theatre in Atlanta, Georgia. The art show contained 40 rare antique movie posters of Will Rogers. The art show partnered with "The Will Rogers Follies" that was being held at Fox Theatre August 12-17, 2003.
- On September 7, 2003, the Will Rogers Childhood Home in Oolagah was featured in HGTV's "Homes On The Range".

## Mission

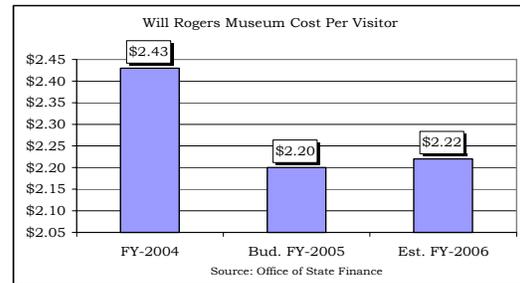
The Will Rogers Memorial Commission was established in 1938 to honor the life and works of Will Rogers through the maintenance of the Will Rogers Memorial Museum in Claremore and the Will Rogers Childhood Home in Oolagah. The Rogers family is responsible for donating the Rogers Ranch Home as well as many of the items on exhibit in the Museum. The museum and ranch host over 200,000 visitors annually. Admission is free and both facilities are open 365 days a year.



Over 96% of the Commission's budget is comprised of state appropriated funds. The remaining funding is derived from donations and federal funding. The Commission expends one-third of its budget for educational outreach.

## Key Performance Measure

Goal is to maintain cost efficiency



The museum collection boasts an extensive array of Will Rogers memorabilia including 4,000 newspaper columns, radio broadcast tapes, 18,000 photographs, extant copies of the 71 movies Will Rogers starred in and personal text writings of Will Rogers' six books.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$883</b>
<b>FY-2005 Bud. FTE Level</b>	<b>13.5</b>
<b>Actual Ave. YTD FTE</b>	<b>11.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	<u>20</u>
<b>FY-2006 Recommendation</b>	<b>\$903</b>
% Change for FY-2005	2.27%

Source: Office of State Finance

The FY-2006 appropriation for the Will Rogers Memorial Commission is the same as provided for FY-2005 with the following adjustments.

## Equipment Replacement

Funding of \$80,000 was supplied for FY-2005 for maintenance and equipment and

it is recommended to continue this funding so that it can be directed internally for other equipment needs and operating expenditures.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$19,850 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Will Rogers Memorial Commission's 11.9 December 2004 FTE.

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# **Education**

**Arts Council**  
**Career and Technology Education**  
**Oklahoma Educational Television Authority**  
**Elementary and Secondary Education**  
**Higher Education**  
**Oklahoma Department of Libraries**  
**Board of Private Vocational Schools**  
**Oklahoma School of Science and Mathematics**  
**Oklahoma Commission for Teacher Preparation**



# Education

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY-2006 Appr.	% Diff. from FY-2005
Arts Council	\$3,923,871	\$3,923,871	\$170,006	\$4,093,877	4.3%
CareerTech	125,387,358	123,887,358	4,608,241	128,495,599	3.7%
Educational TV Auth., Oklahoma	4,201,753	4,201,753	101,656	4,303,409	2.4%
Education, Dept. of	2,045,851,175	2,007,663,450	120,872,588	2,128,536,038	6.0%
Higher Educ., Regents for	806,136,296	802,136,296	63,084,788	865,221,084	7.9%
Libraries, Dept. of	6,212,118	6,212,118	108,226	6,320,344	1.7%
Private Vo-Tech Schools, Bd of	155,456	155,456	(155,456)	0	-100.0%
School of Science & Math	6,572,319	6,572,319	401,110	6,973,429	6.1%
Teacher Prep, Commission for	1,998,168	1,998,168	17,015	2,015,183	0.9%
<b>Total Education</b>	<b>\$3,000,438,514</b>	<b>\$2,956,750,789</b>	<b>\$189,208,174</b>	<b>\$3,145,958,963</b>	<b>6.4%</b>

# Arts Council

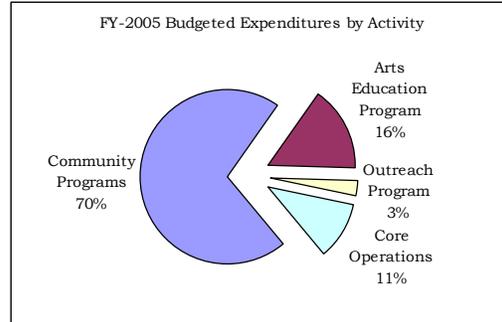
## Notable Achievements

- *The OAC provides grants to more than 150 annual community festivals including the Hard Times Festival (Hartshorne), the Bluegrass Festival (Guthrie), the Gene Autry Film Festival and the Woody Guthrie Folk Festival (Okemah).*
- *Oklahoma became the first state in the nation to legislatively require arts as part of the core curriculum in public schools.*
- *The OAC became one of five state agencies invited to participate in a pilot project to establish some of the first Web sites in state government. They were the first state agency in Oklahoma to offer online services through its E-grants system.*
- *The State Capitol Building is recognized nationwide among art experts and art historians as not only a seat of government, but a virtual museum in terms of its world-class art thanks to OAC's showcase of exhibits.*
- *The OAC works on behalf of underserved and minority populations to provide them with rare access to the arts. OAC manages one of the nation's only Circuit Rider programs, placing experts in remote locations across the state.*

The Oklahoma Arts Council was established in 1965 by the Oklahoma Legislature following the creation of the National Endowment for the Arts at the federal level. Each of the 50 states has created a state arts agency funded with state appropriations to support excellence in and access to the arts.

Supporting the arts is essential to quality of life, education and economic vitality for all Oklahomans. The OAC's mission is to nurture and support a thriving arts environment through grants and technical assistance. The agency provides assistance for arts activities statewide. The National

Endowment for the Arts and the State of Oklahoma are the primary sources of funding. The following graph illustrates how those funds are expended.



The OAC is primarily a grant making entity, as evidenced by the following table.

	FY-2004		FY-2005	
Direct grants costs	\$ 3,479,173	74.9%	\$ 3,567,538	75.3%
Indirect grants costs	661,704	14.2%	654,375	13.8%
Administration	<u>505,104</u>	10.9%	<u>518,447</u>	10.9%
Total	\$ 4,645,981		\$ 4,740,360	

Source: Arts Council 11/16/2004

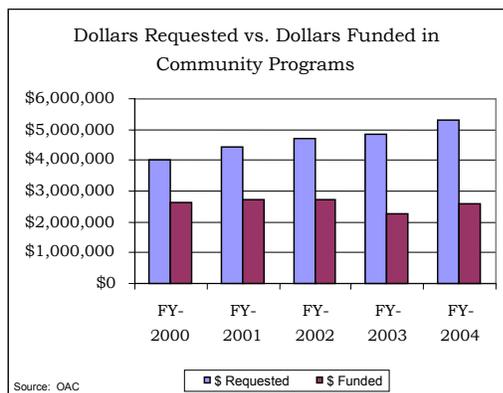
The OAC awards matching grants to nonreligious, nonprofit, tax exempt 501(c)(3) organizations, agencies of government, sovereign Indian nations, public libraries, colleges and universities. All grants awarded must be matched by the grantee. Last year, the average match was \$8.86 to every dollar granted, as represented in the chart below. During FY-2004, the Arts Council administered 1,235 grants to 481 organizations in 138 communities across Oklahoma. Regarding project expenditures, 89.9 % went to the grantee and the remaining 10.1 % went to the Arts Council in FY-2004.

Financial assistance for art programs is granted through 15 categories concentrated in three program areas: Community Programs, Arts Education and Outreach. Following is a summary of each program and examples from grant categories.

## Community Programs

Community Programs provide support for community arts activities to advance the cultural and economic development of Oklahoma, supporting community arts projects, cultural celebrations and festivals and partnerships with local governments.

The Local Government Challenge Grant program, initiated in FY-2000, has granted a total of \$643,500 to 45 communities. Local governments receiving these grants are committed to using the arts to improve their communities by allocating up to \$5,000 in local tax revenues to meet this challenge. Since the inception of this program, over \$1.2 million in state and local public arts funding has helped spur economic growth in Oklahoma communities. However, as illustrated in the following chart, the demand is ever-increasing.



- In FY-2004, the Arts Council met 48% of the requests for community programs.

## Arts Education Program

The Arts Education Program provides support for quality instructional services, resources and experiences in the arts to schools, communities, institutions and non-profit organizations that enable learning about and through the arts. Projects involve arts instruction, are participant centered and provide active engagement in the creative arts process.

Direct classroom arts instruction is provided through the Arts in Alternative Education program, serving students considered “at risk” of not completing their education. These programs provide hands-on arts learning experiences that increase knowledge in the arts and develop skills important to students’ future workforce potential. In FY-2004, OAC served 62 alternative education sites, an 88% increase over sites served in FY-2003. 98% of sites reported increased performance from students who had the arts as part of their curriculum.

The Artist-in-Residence program places teaching artists in classroom settings to provide direct instruction in creative writing, dance, music, theatre, traditional or visual arts. The ArtsPower program supports collaborative partnerships between a community arts organization and a school to bring interactive learning to students that involve arts resources not otherwise available.

In FY-2004, education programs served 641 school sites, trained 1,159 teachers and 102,977 students. Over 10,000 hours of arts instruction was provided.

## Outreach Program

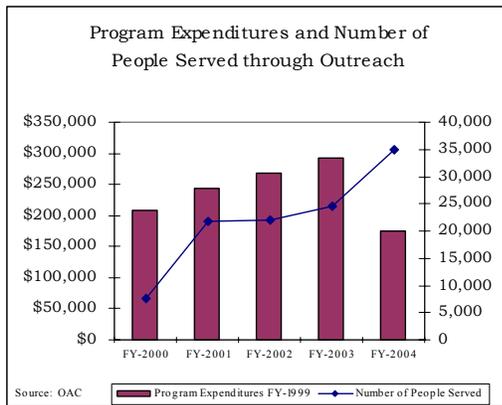
The Outreach Program provides technical assistance and funding to rural and urban underserved communities with limited or no access to arts resources and funding. This program is designed to increase the community’s ability to develop cultural leadership and improve administrative and programming expertise.

In partnership with Eastern Oklahoma State College and the City of Guymon, the Oklahoma Arts Council initiated the Circuit Rider Program in FY-2003. This program helps communities identify and develop their artistic and cultural resources within their regions of the state, enabling communities and local and county governments to successfully integrate the arts and culture into their plans for community development and economic growth. In addition to on-site technical assistance, Circuit Riders help underserved

communities better access the Oklahoma Arts Council's services and grants. In the first two years of the program, there have been:

- 240 rural community site visits;
- Seven workshops;
- Four regional conferences; and
- Increased grant funding to 20; underserved communities.

In FY-2004, 35,000 Oklahomans were served by the Outreach Program, as the graph below indicates.



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$3,923</b>
<b>FY-2005 Bud. FTE Level</b>	<b>15.9</b>
<b>Actual Ave. YTD FTE</b>	<b>15.4</b>
<b>Funding Adjustments:</b>	
Community Arts Program	150
State Employee Pay Increase	<u>20</u>
<b>Total</b>	<b>170</b>
<b>FY-2006 Recommendation</b>	<b>\$4,093</b>
<b>% Change from FY-2005</b>	<b>4.33%</b>

Source: Office of State Finance

### Community Arts Program

The Governor's budget proposes additional funding for the Community Arts Program in the amount of \$150,000. Of this amount, \$100,000 will be used to increase funding to annual programs. Currently, the Arts Council only meets 48% of requests. The additional \$100,000 would increase that to 52%. The remaining \$50,000 will be used to fund approximately 25 grants in rural communities throughout the state.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$20,007 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Arts Council's 15.6 average 2004 FTE.

## **Career and Technology Education**

### **Notable Achievements**

- *The CareerTech system is pioneering pre-engineering academies at technology centers that integrate engineering into math and science curriculum to prepare students to succeed in college engineering programs, where the dropout rate in the first two years exceeds 50%.*
- *The National Science Foundation awarded \$3 million to a consortium of schools that includes six technology centers and designated the consortium as an Advanced Technology Education Center. This is only the second center for cyber security in the country and the nation's first in the area of digital forensics, making Oklahoma a national model for cyber security and forensics education.*
- *The Alliance Project with the Oklahoma State Regents will provide flexible college degree and certificate opportunities for students completing technical coursework at technology centers.*
- *The FY-2005 allocation for the Training for Industry Program (TIP) is already committed for the rest of the year. TIP was instrumental in bringing several employers to Oklahoma, including Dell Computer in the OKC area, and companies locating to smaller communities such as: Wal-Mart Distribution Center-Bartlesville, American Woodmark Corp-Muskogee, Simonton Windows Inc-McAlester, American Casting LLC-Afton, Eagle Picher-Horizon-Afton, Flex-N-Gate Oklahoma-Ada.*
- *Comprehensive school enrollments increased by 4% in FY-2004.*
- *In FY-2004, fulltime program enrollment increased 5.5% and industry-specific enrollment increased 13.0%.*

Providing customized business training for industries and preparing secondary students for postsecondary educational opportunities are just two ways the career-technology system contributes to Oklahoma's economy.

Oklahoma's career and technology education system offers a wide variety of educational opportunities to a diverse client base including youth in high school to senior citizens and incarcerated youth. The system received 2.3% of appropriations made by the legislature for FY-2005 making it the 8<sup>th</sup> largest agency in state government.

*CareerTech* focuses on career-technology and economic development through several programs.

### **Comprehensive School**

These programs help students develop the technical, academic and employability skills needed to become financially independent citizens.

### **Technology Center**

These centers provide Oklahoma businesses with skilled, competent employees.

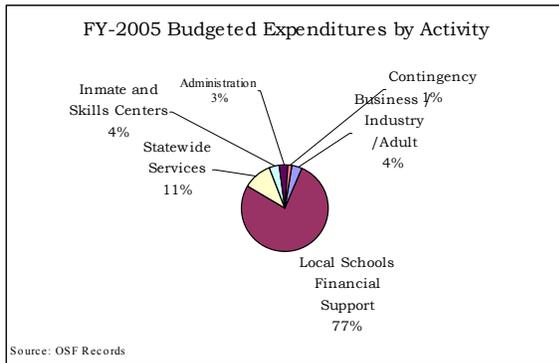
### **Business and Industry Training**

This training includes customization for specific employers, open enrollment classes for adults that want to enhance their job skills on a part-time basis and bid assistance services.

### **Skills Centers**

Programs at these centers help incarcerated individuals realize their potential by creating opportunities for them to experience and apply a quality education. Skills center training helps prepare inmates and juveniles for life outside the confines of prison and detention.

Funding for these programs is as follows:



The State Board of *Career* Technology Education supervises career and technology schools. They also administer the Carl Perkins program of the United State Department of Education in matters relating to career and technology education, and Tech Prep.

The Department is responsible for formulating and adopting curricula, courses of study and other instructional aids necessary for the adequate instruction of students in all career and technology education programs.

### Student Demographics

The *CareerTech* system offers programs and services in 29 technology center districts operating through 54 campuses, 398 comprehensive school districts and 23 skill centers including 3 juvenile facilities. This allows citizens in 72 counties easy access to career-technology programs.

Total enrollment for FY-2004 including all programs is 509,452. From FY-1999 to FY-2004 student population has done the following:

- Full-time, state-wide programs- increased 13.8% from 145,198 to 165,163;
- Secondary students in comprehensive schools - increased 14.2% from 119,448 to 136,453;
- Business and Industry- increased 3.7% from 329,875 to 342,148 and

- Skills Centers have seen the largest increase- increased 77.6% from 1,206 to 2,142.

### Technology Center Funding Formula

HB 1239 approved in 1991 mandated the development of a new funding formula for technology centers. It equalized variances in local funding sources, encouraged maximum local support, provided for allowable general fund balances and rewarded having ad valorem ratios above the required minimum.

The basic concept is starting with a target quality program cost and subtracting available local general fund income to come up with the state's contribution to the Technology Center.

Quality Program costs include:

- Direct Cost
  - Instruction and Classroom Activity
- Indirect Cost
  - Instructional Support
  - General Administration
  - General Support
  - Guidance and Counseling
  - Operation of Plant
- Transportation Services

Local General Fund Income:

- Maximum General Fund Valuation Millage
- Unencumbered General Fund Balance
- Tuition
  - Adults in Full-time programs
  - Business and Industry Training Programs
  - Client-based programs

## Comprehensive Schools

Comprehensive school programs offered in high schools include agricultural education, technology education and family and consumer science. Classes provide students hands on learning environments.

While school districts utilize state and local funding provided to common education school districts to fund a large portion of these programs, state funds appropriated through *CareerTech* supplement them.

The detail in the following chart shows program and student costs. Note that these FY-2005 estimated enrollment figures are forecast using previous years' enrollment data.

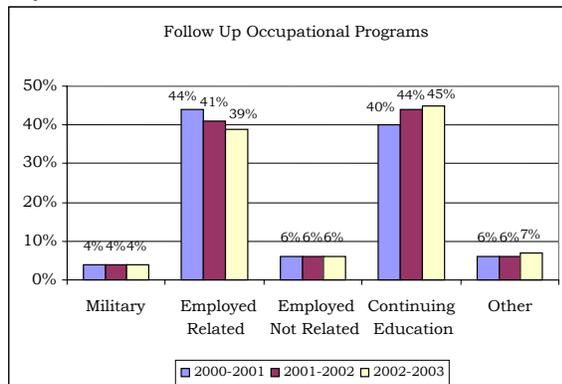
Comprehensive High Schools  
Program Information  
FY-2005 Estimated

	Total Students	Student FTE*	Total Cost	Avg. Cost per Student	Avg. Cost per FTE
Agricultural Education	26,239	26,593	\$ 6,474,432	\$ 247	\$ 243
Business and Information Technology	19,003	18,507	1,856,650	87	90
Family and Consumer Sciences	52,684	39,526	3,065,524	7	10
Health Occupations Education	1,091	983	87,700	80	89
Marketing Education	5,025	5,389	379,836	610	569
Technology Education	30,067	12,478	2,342,400	6	14
Trade & Industry Education	5,764	11,027	171,750	406	212
Total	139,874	114,502	\$ 14,178,292	\$ 101	\$ 124

\*One student FTE is equivalent to one student for a single class for a full academic year.  
Source: CareerTech 11/24/2004

This chart shows the placement rates for occupational programs in the comprehensive schools.

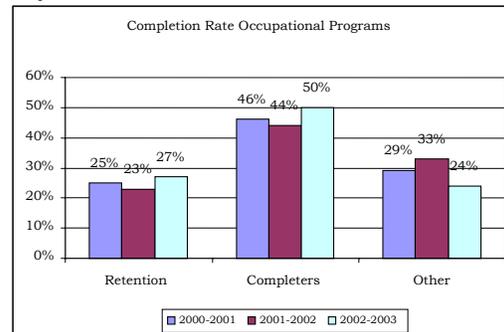
### Key Performance Measure



Source: CareerTech

This chart shows the retention and completion rates for occupational programs in comprehensive schools.

### Key Performance Measure



Source: CareerTech

## Technology Centers

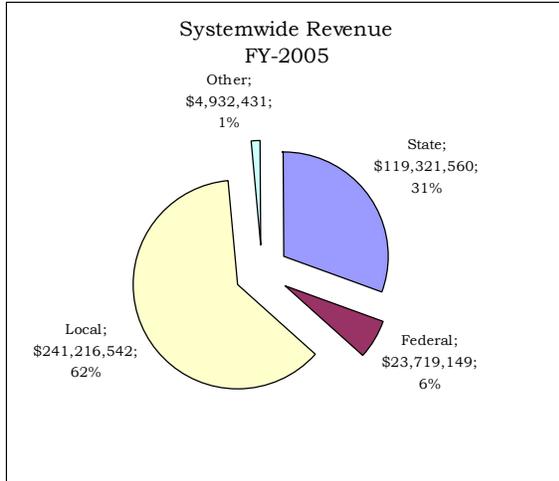
The technology centers provide training for both high school students and adults. Technology centers serve 72 counties throughout the state reaching virtually all citizens.

Technology centers receive state appropriations and local ad valorem funds, as do other public schools. Unlike schools, however, technology centers charge fees for training adult students. The ability to charge fees accounts for the large percentage of local funding.

### Funding Sources for Technology Centers

FY-2004 funding for the technology centers comes from three sources:

- State Appropriated Revenue 24.4%, down from FY-2003 (26%).
- Local Taxes, Tuition and Other 70.1%, up from FY-2003 (68%).
- Federal Funds 5.5% down from FY-2003 (6%).



Source: CareerTech

## Business and Industry Training

Business and industry specific training attracts new industry and helps existing businesses expand and prosper. Training programs designed for specific employers are delivered at the area technology centers or at worksites.

For TIP and Existing Industry Training the following programs are some of the most popular: any quality-related training, including Lean Manufacturing, ISO, Six Sigma, process improvement and kanban; management and supervisory training; team skills, including effective communications, problem-solving, time management and teamwork; customer service skills; and industrial maintenance skills.

For Industry Specific Training the following program areas are some of the most popular: software and computer skills; quality-related training, management and supervisory skills; and team skills.

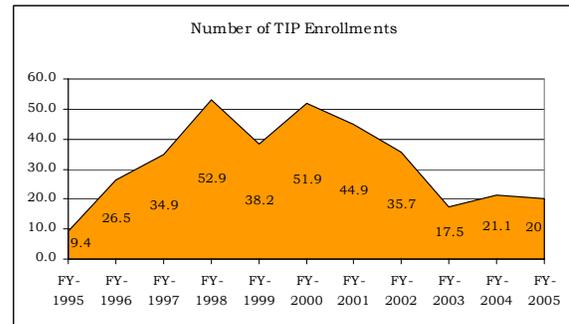
Safety training runs the gamut from Forklift Driver Certifications and Blood Borne Pathogens to Lock Out/Tag Out, Confined Space Entry and HAZMAT.

For Adult and Career Development some of the most popular programs are any software or computer class and continuing education for industries such as real estate and accounting.

## Training for Industry Program (TIP)

In existence since 1968, TIP is an economic development incentive available to qualifying companies that create new jobs in Oklahoma. TIP provides customized start-up training for "wealth generating" companies, i.e. companies that are generally exporters of goods and services out of the state and, therefore, importers of new dollars into the state. Eligible businesses are ones that are exporters of goods and services and are creating new full-time jobs in:

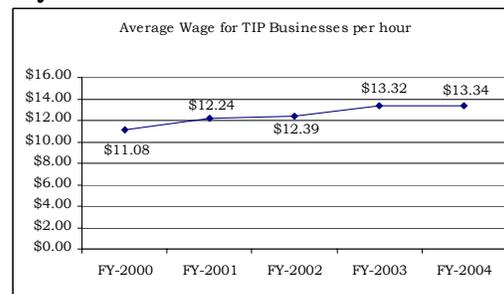
- Manufacturing;
- Processing;
- Business services; and
- Warehouse and distribution.



Source: CareerTech

This program has been a successful business recruiting tool; however, the current economic slowdown has affected the demand for training by businesses.

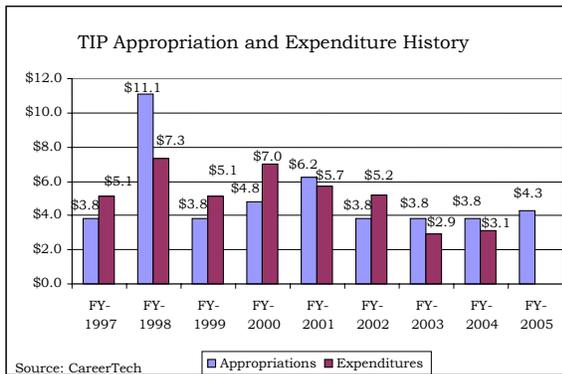
## Key Performance Measure



Source: CareerTech

People who use TIP for training are earning more per hour.

Below is the funding history for TIP.



### Existing Industry Training

Oklahoma companies can make sure existing employees are up-to-date with the latest skills and knowledge by taking advantage of programs like Customized Business and Industry Training, Existing Industry Training, Management and Organization Development, Career Development for Adults and the award-winning Safety Training.

*CareerTech* and existing industries frequently partner when specific training is required. An existing business not only pays tuition and fees but also frequently provides classroom space or unique materials. Approximately 28% of total training costs are covered by tuition and fees.

### Oklahoma Bid Assistance Network

The Oklahoma Bid Assistance Network (OBAN) is part of a nationwide effort of Procurement Technical Assistant Centers (PTACs). OBAN was established in 1986 through the Oklahoma Department of Career and Technology Education. The PTAC program was initiated by members of Congress to help companies across the nation participate in the defense market.

Oklahoma Bid Assistance Centers are located in 15 local Technology Centers across the state. Bid Assistance personnel assist businesses in locating and bidding on federal, state and local government contacts as well as subcontracting opportunities. Local bid assistance personnel also help companies develop

company profiles so that the contracting opportunities can be matched to specific goods and service capabilities.

The primary purpose of OBAN is to create jobs and increase the economy in Oklahoma by assisting Oklahoma businesses in obtaining and performing in federal, state, and local government contracts.

Some examples of types of Oklahoma businesses OBAN have helped in the last year are mower repair companies, utilities contractors, automotive dealers and automotive parts, maintenance companies including janitorial services, fence builders, gate keepers, aircraft maintenance, equipment maintenance, road maintenance, audio and video services, office supplies, flight simulators, welding, all types of construction, advertising, embroidery work and engravers.

OBAN works closely with the MAPS for Kids project in Oklahoma City to help promote and broadcast bidding opportunities to Oklahoma companies. OBAN also offers the construction community a unique biweekly construction summary to all construction clients within the bid assistance network.

### Skills Centers

The Skills Centers School System provides comprehensive educational services to incarcerated individuals. Skills Center training is designed to help students become successful in the workplace and in their community. The skills centers operate industry focused academies and registered apprenticeship programs for offenders.

Some of the programs offered include:

- Electricity Technology
- Plumbing Technology
- US Department of Labor Apprenticeship Training
- Commercial Building Maintenance

- Equine Management
- Construction Trades
- Basic Computer Technology
- Horticulture/Landscape Management
- Family and Consumer Sciences
- Hospitality/Food Services
- Metal Manufacturing

The school system operates 23 sites. Over the past five years, the skills centers have produced 4,357 graduates with a training related job placement rate of 60.7%. The following table provides information on the number of students and where they are served.

CareerTech Skills Centers  
Students Served

	FY-2003	FY-2004
State prisons	1,294	1,370
Private prisons	241	250
Juvenile centers	106	119
Community corrections	<u>384</u>	<u>403</u>
Total	2,025	2,142

Source: CareerTech 11/24/2004

#### Key Performance Measure



### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$123,887</b>
<b>FY-2005 Bud. FTE Level</b>	<b>354.5</b>
<b>Actual Ave. YTD FTE</b>	<b>342.2</b>
<b>Funding Adjustments:</b>	
Rural Economic Development	1,000
Urban Economic Development	1,000
Inmate Skills Centers	200
Safety Training	500
TIP Program	1,500
State Employee Pay Increase	<u>408</u>
Total Adjustments	4,608
<b>FY-2006 Recommendation</b>	<b>\$128,495</b>
% Change for FY-2005	3.71%

Source: Office of State Finance

#### Rural Economic Development

The Governor's budget includes \$1 million for Rural Economic Development and \$1 million for Urban Economic Development. This money will be used to fund new and improve current programs at comprehensive high schools, skills centers and tech centers. The new monies will allow CareerTech to address programs shortage issues in high demand areas within the current occupational areas and in emerging areas throughout the system. Initiatives will include biotechnology, hospitality, aviation, computer forensics, internet security, homeland security, female inmate programs and other high demand specialty programs. CareerTech projects serving 1,866 additional rural students and 946 urban students with the increased allocation.

#### Inmate Skills Centers

The Governor's budget includes \$200,000 for Inmate Skills Centers. That money will be used for the training of both adult and juvenile inmates in State facilities in areas including occupational, employability and

life skills. In FY-2004, 2,143 Oklahomans went through this program, 1773 of those were males and 370 females. The job placement rate for graduates was 84%.

### **Safety Training**

The Governor's budget includes \$500,000 for Safety Training, which is offered to industries and entities within the state. CareerTech provides curriculum and safety training to those entities who request it. In FY-2004, this program served 89,359 Oklahomans. \$420,000 of this money will be used at technology centers to develop Centers of Excellence. These Centers of Excellence will be strategically located to provide customized specialty training for Business and Industry in the following areas: Trenching and Shoring, Vehicle Safety, Confined Space, Advanced Electrical, Off-Road Truck and Vehicle Operations, Electrical-High Voltage, Safety Culture, Respiratory Protection and Strategic Planning. The remaining \$80,000 will be used as RFPs to technology centers across the state to enhance current efforts in establishing strategic safety and health business development training which addresses Federal OSHA's top ten willful and serious violations.

### **TIP Program**

The Governor's budget includes \$1,500,000 for the TIP Program. This money will be used as an economic development incentive to create more jobs for Oklahomans. In FY-2004, the TIP program provided training for 9,231 new jobs.

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$408,241 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for CareerTech's 346.6 December 2004 FTE.

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# Oklahoma Educational Television Authority (OETA)

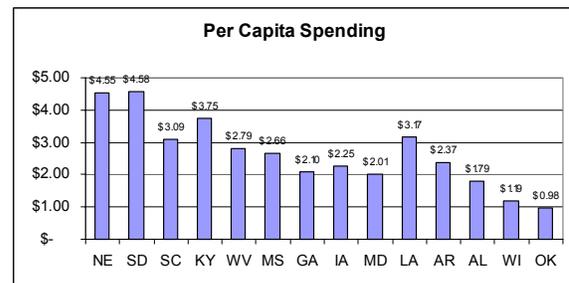
## Notable Achievements

- *OETA is the only television operation (either commercial or non-commercial) serving the entire state of Oklahoma.*
- *For many rural Oklahomans, OETA continues to be the only broadcast television signal received at their home.*
- *During the past year, OETA has completed the construction of its four main digital television stations in Oklahoma City, Tulsa, Eufaula and Cheyenne.*
- *OETA provides the only in-depth weeknight television coverage of legislative events to all Oklahomans from Beaver to Broken Bow.*
- *OETA's website, via ONENET, provides gavel-to-gavel "open mic" audio coverage of both the Oklahoma Senate and the House of Representatives during the legislative session.*
- *"The Oklahoma News Report" has continued to gain audience numbers while other television news outlets have seen a decrease in their viewership.*
- *Nationally OETA consistently ranks among the top 10 public television operations in terms of cumulative audience rankings. More than 1.8 million Oklahomans tune in weekly to OETA.*
- *Prime time television viewership this past year has consistently placed OETA in the top three-most viewed public television markets in the U.S.*
- *OETA productions and individual staff members have gained statewide, regional and national recognition. This*

*year, OETA was awarded the Heartland Emmy for documentary production.*

OETA is a federally licensed and regulated agency that operates non-commercial educational television channels assigned by the Federal Communications Commission (FCC). Branded as "The Oklahoma Network", OETA operates full-powered analog and digital television stations in Oklahoma City, Tulsa, Eufaula and Cheyenne. An additional 15 translators extend service to the remainder of the state. Only 13 other states have a state operated public television network.

Compared to the other 13 states that operate similar statewide public television stations, Oklahoma spends less than any other state. In FY-2004, Oklahoma invested less than \$1.00 per capita compared to the highest levels of \$4.58 in South Dakota and \$4.55 in Nebraska, as expressed in the chart below.



Source: OETA

OETA has two main activities within the agency, broadcasting/technical and programming/production.

## Broadcasting/Technical Division

The Oklahoma Network is a complex technical installation in more than 30 locations around the state, reaching from Boise City and Altus to Ponca City and Idabel and all points in between. All sites are serviced and managed from the network headquarters in the state's capitol.

The system broadcasts over 6,600 hours of programming annually. This division also has implemented digital broadcasting and now transmits an additional 4,000 plus hours of digital and high definition programming.

### **Programming/Production**

This division is charged with the design, development, production and delivery of the large local production output of OETA. A needs assessment of the audience is supported by the annual member survey and this instrument joins other research data in supporting the design of the program service. This leads to opportunities for cooperative initiatives with other state agencies, offices, and organizations.

The ten most popular shows on OETA are:

- Antiques Roadshow
- NOVA
- Oklahoma News Report
- Nature
- Frontline
- This Old House
- Stateline
- Gallery
- American Experience
- Sesame Street

### **Conversion to Digital Transmission**

The four major broadcast service areas now have digital coverage serving a population of 2.6 million. Initial digital operations now include four hours of primetime programming (7-11pm). The FCC has yet to release how digital service will be transmitted to the areas currently served by analog translators.

Analog service will continue for the entire state for the foreseeable future. The FCC requires continued analog service until

85% of the households in a coverage area are able to receive a digital signal. OETA estimates that this transition may take up to 10 years. During this time, signals must be transmitted by both analog and digital means and equipment must be maintained for both.

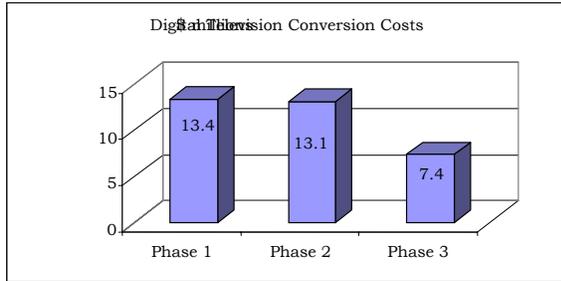
The conversion of analog to digital involves three phases. To date, OETA has expended over \$9.2 million for Phase One of the conversion. This includes \$5.4 million in State appropriations made in the 2001 Legislative Session. The remainder of the funding has come from private and federal sources.

This first phase has been substantially accomplished with the construction of four new digital television broadcast facilities. New transmitters, antennae and transmission lines are now in Oklahoma City, Tulsa, Eufaula and Cheyenne. Three new transmitter buildings and infrastructures of H/VAC, electricity and other utilities have been constructed in Tulsa, Eufaula and Cheyenne. Approximately \$1.5 million will be needed to finish Phase One.

The second phase will require the completion of the master control operations to remotely program and monitor the four sites. This will streamline the system and will save considerable expenses in operation. Costing approximately \$11.9 million, this phase includes OETA will add the necessary studio and editing equipment to efficiently produce programs in the digital and high-definition formats. The conversion can be finished as early as May 2006 or within approximately 18 months of funding.

The third and final phase of the conversion will allow for replacement of the state's 15 translator (low power television) stations. Because the Federal Communications Commission has not yet ruled on the availability of low power digital transmitter channels, this final step may be six to ten years in the future. The approximate cost to replace the coverage of the analog signals is \$7.4 million.

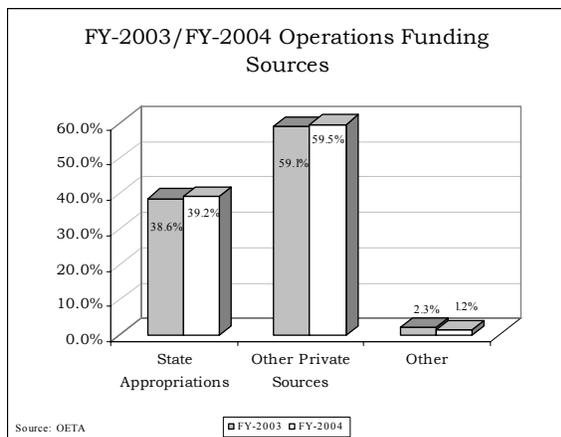
The following chart shows costs of converting to digital.



Source: OETA 12/13/2004

### Operations Funding

Operations funding comes from several sources. State appropriations provide the largest percentage while funds from the OETA Foundation provide funding for programming nearly equal to that provided by state funds.



Source: OETA

### OETA Foundation

The Oklahoma Educational Television Authority Foundation, Inc. is a non-profit organization operating for the purpose of receiving, investing and expending privately donated funds which support public broadcasting. The Foundation provides a portion of the operating budget for the network. The Foundation matched the earlier state appropriation of \$5.6 million for the first phase of the conversion to DTV.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$4,202</b>
<b>FY-2005 Bud. FTE Level</b>	<b>85.0</b>
<b>Actual Ave. YTD FTE</b>	<b>64.2</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>101</u>
<b>FY-2006 Recommendation</b>	<b>\$4,303</b>
% Change for FY-2005	2.40%

Source: Office of State Finance

The Governor recommends that OETA continue to identify and utilize revolving fund revenue to offset DTV costs.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$101,657 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the OETA's 65.5 average 2004 FTE.

## **Elementary and Secondary Education**

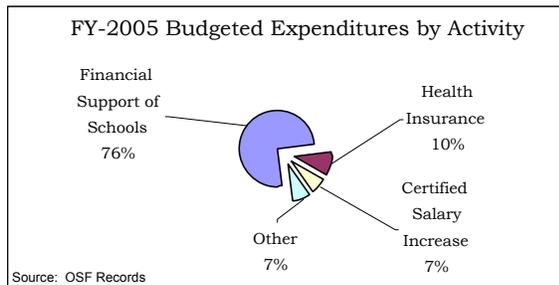
### **Notable Achievements**

- According to the Education Commission of the States (ECS), Oklahoma is among the top five states in implementation of President Bush's "No Child Left Behind Act". Only 5 states have met or were partially on track to meeting all 40 requirements (Connecticut, Kentucky, New York, Oklahoma and Pennsylvania).
  - The number of high schools with AP programs has quadrupled from 81 in 1997 to 358 in 2004. Today, more than 76.5% of Oklahoma's public high schools offer AP courses.
  - This year, Oklahoma's alternative education programs have received two of the seven National Dropout Prevention Network's Crystal Star Awards of Excellence in Dropout Recovery, Intervention and Prevention: The Street School in Tulsa and the Union Alternative School. Oklahoma has won more Crystal Star program awards than any other state since the award's inception in 1997.
  - Sixty-four percent of four-year olds in Oklahoma are in quality educational programs; this is the highest in the nation. When the number of children in Head Start is included, nearly 79% of four-year-old Oklahomans are enrolled in educational programs.
  - A 2003 research study from Georgetown University cites the Tulsa Public Schools pre-kindergarten program as a premier national model for early childhood education. They found that minority students especially showed gains in social/emotion and language skills. The African-American children showed a 17.1% improvement over their non-participant counterparts. The Hispanic children improved their scores by 53.6%.
  - The state has 1,083 National Board Certified Teachers (NBCTs), the ninth highest nationally. Missouri has 248, Arkansas has 239, Colorado has 204, Texas has 195 and New Mexico has 145.
  - According to Education Week, Oklahoma has always been in the top half of states in "Standards and Accountability" (tied for eighth in 2004) and in the top 10 states in "Improving Teacher Quality" (10<sup>th</sup> in 2004).
  - According to the Southern Regional Education Board (SREB), of the states that use the ACT as their primary entrance exam, Oklahoma has the highest score of the SREB states with an average of 20.6.
  - The Manhattan Institute in September 2003 documented Oklahoma's graduation and college-readiness rates as higher than the national average in every category. The graduation rate for Native American students ranked the state number 1 and the graduation rate for African-American students places Oklahoma 6<sup>th</sup> in the United States.
  - Based on "Technology Counts 2004" data from Education Week, Oklahoma ranks 2<sup>nd</sup> nationally on Internet connectivity of public school classrooms
- The Governor has been working to strengthen Oklahoma's school system since elected into office. Last year, the Governor's initiatives included working for fair compensation for teachers and support personnel. This included a pay increase plan for teachers, reaching the regional average over four years, and funding 100% of teacher and support personnel health insurance.
- The Governor also focused on creating a new funding source for education – the Education Lottery and Gaming Regulation Act. Last year's concentration included improving educational quality to ensure that every child has strong academic skills necessary for success, as well. In FY-2006, the Governor is still determined to give Oklahoma children the best education possible, as this year's initiatives indicate.
- A quality educational system is vital to economic growth and positive social outcomes for children and families. Studies consistently show that academically

prepared children are more likely to attend and complete college, earn more income and lead healthier lifestyles. Oklahoma's common education system promotes rigorous academic standards and a comprehensive array of programs to ensure every child from birth to age 18 has the opportunity to succeed.

Early childhood programs such as SoonerStart Early Intervention, Parents as Teachers and the Four-Year-Old program provide parents and children the necessary developmental building blocks to improve school readiness and success. The statewide Alternative Education program and Advanced Placement grants give educators the flexibility to meet individual student needs at the middle and secondary levels. Both of these programs serve distinct populations but strive to help students succeed in school.

The state's commitment to common education is reflected in the state's appropriated budget. Common education received more than \$1.95 billion, 37% of all state appropriations in FY-2005; it is the single largest expenditure in Oklahoma's state budget.



Source: OSF Records

As expressed in the chart above, of the total amount appropriated to education, 76% flows through the general state aid formula to individual school districts. The formula incorporates districts' student demographics and local education revenue to equalize funding differences between property rich and property poor districts. The remaining 24% is divided between the 2000-2001 salary increase (7%), health insurance costs (10%) and other areas like textbooks, teachers' retirement and alternative education.

The State Department of Education is responsible for administering and managing state and federal education programs. State duties include the establishment of teacher and administrator certification requirements, formulation and adoption of curriculum standards and accreditation of both private and public schools across the state. The agency also manages the federal school nutrition program and the adult education program. Appropriations to the State Department of Education represent 1.5% of all state appropriations to common education.

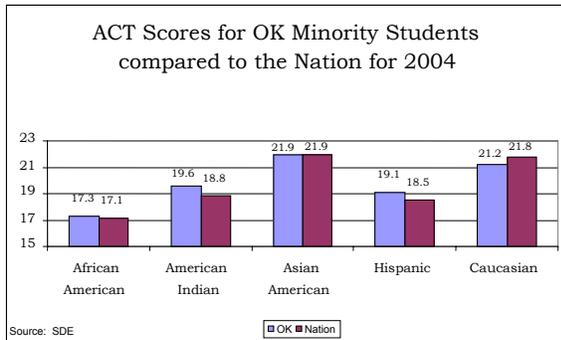
### Student Demographics

Student population from FY-1995 to FY-2004 has increased from 609,740 to 625,826. While the total number of students enrolling in school has only increased by 3%, the number of children enrolled in four-year-old programs has increased significantly. Four-year-old enrollment has grown from 5,367 in FY-1995 to 30,180 in FY-2004, an increase of 414%.

There have also been some changes in student enrollment by race and ethnicity. The number of Hispanic children enrolled in Oklahoma schools has increased by 118% from 22,263 in FY-1995 to 47,797 in FY-2004, representing 7.6 % of Oklahoma's total student population.

Closing the achievement gap among minorities is a priority for Oklahoma. When compared nationally, Oklahoma's graduation rates and ACT scores are above the national average for most racial and ethnic groups, depicted in the graph below.

### Key Performance Measure



### Funding Sources for Local School Districts

Oklahoma has 540 school districts with 1,010 elementary schools, 205 middle schools, 89 junior high schools and 468 high schools.

Public funding for Oklahoma's public schools comes from four sources:

- Local and county revenue (23%),
- State dedicated revenue (10%),
- Federal funds (12%) and
- State appropriated revenue (55%).

Local governments assess ad valorem taxes on property owners to support schools. The Oklahoma Constitution provides parameters for local millage assessments.

Schools also receive the following state dedicated revenue:

- Gross Production Tax
- Motor Vehicle Collections
- Rural Electrification Association Cooperative Tax
- State School Land Earnings
- Vehicle Tax Stamp
- Farm Implement Tax Stamp

- Other Dedicated Revenue

All federal funds for school districts are dedicated to specific programs for target populations. Examples are school lunch programs, special education programs, low income programs and technology grants.

The Department of Common Education is responsible for disbursing funds to school districts through the State Aid Funding Formula. It rests upon two concepts, fiscal neutrality and vertical equity. The State Aid Funding Formula is set in statute and distributes funds through three categories: Foundation Aid, Incentive Aid and Transportation Aid.

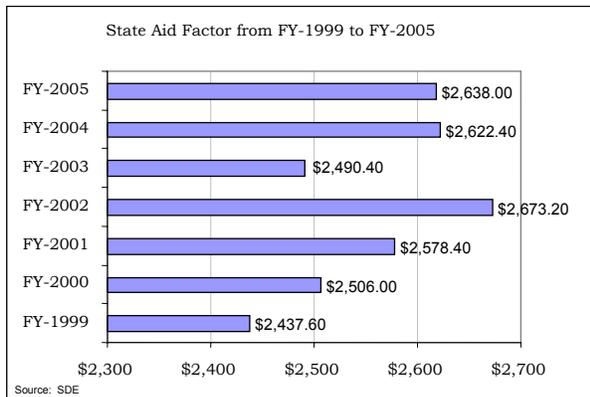
Foundation Aid is calculated on the basis of the highest weighted average daily membership (WADM) of students in each district for the preceding two years or the first nine weeks of the current school year. Weights are added based on certain characteristics (ex: Special Education, Bilingual, Gifted and Economically Disadvantaged) to determine the weighted ADM. The weighted ADM for a district is then multiplied by the Statutory Foundation Support Level. A portion of a district's local revenues and all of its state-dedicated revenues are subtracted to arrive at the Foundation Aid amount (\$1,362 per weighted ADM for the 2004-2005 school year.)

Incentive Aid guarantees each district a minimum amount of funding per weighted student for each mill up to 20 mills. For the 2004-2005 school year the amount is \$62.80. To calculate, the weighted ADM is multiplied by the Incentive Aid guarantee. A factored amount of local support is then subtracted. The remaining number 20 mills is then multiplied by the resulting number.

Transportation Aid is provided for all districts transporting students who live more than 1.5 miles from school. The students, or the average daily haul, are multiplied by the per capita transportation allowance and the transportation factor (\$1.39 for school year 2004-2005.) Greater

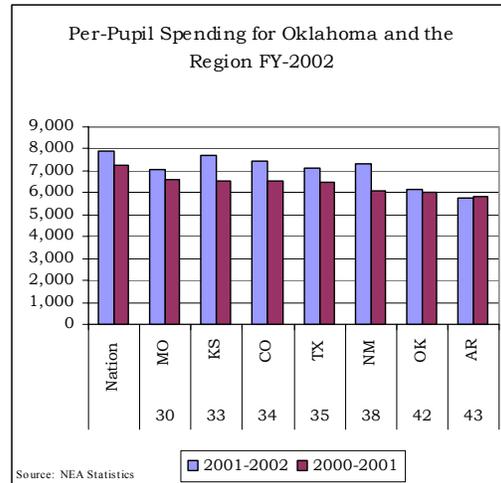
weight is applied for sparsely populated areas.

The State Aid Factor (SAF) is calculated by adding Foundation Aid, Incentive Aid and Transportation Aid per weighted ADM. The average weight per pupil is 1.5. Due to an increase in funding in FY-2004, the SAF was increased by \$183. For FY-2005 the SAF at the beginning of the year was \$2,618.00, as seen in the chart below.



## Per-Pupil Expenditures

To accurately compare student funding between states, one must look at per-pupil expenditures. Per-pupil expenditures are calculated by dividing the total amount of federal, state and local funds expended for education by the average daily attendance of public school students in the state. Oklahoma's per-pupil expenditure is \$6,429 for FY-2003-04 or 44<sup>th</sup> in the nation. Oklahoma is 6<sup>th</sup> in the region out of 7 states; Arkansas is the only state with lower per-pupil expenditures than Oklahoma. The regional average is \$7,104, as depicted in the chart below.



## Common Education Programs

Improving student achievement requires flexible programs for specific populations. Of the appropriations the State Department of Education receives, 2% is directed for the following programs:

- Early Intervention
- Oklahoma Parents as Teachers
- Alternative Education
- Staff Development
- School Lunch Matching
- Education Leadership Oklahoma
- Adult Education and Literacy
- Advanced Placement
- Mentor Teacher
- Oklahoma Arts Institute
- Arts in Education

### Early Intervention (EI)

SoonerStart is Oklahoma's voluntary early intervention program serving infants and toddlers with developmental delays from birth to 36 months. SoonerStart is a collaborative interagency project. The State Department of Education, as the lead

agency, coordinates with the Departments of Health, Human Services, Mental Health and Substance Abuse Services, Oklahoma Health Care Authority and the Oklahoma Commission on Children and Youth to plan and implement the statewide system of early intervention. These services are designed to complement the medical care a child may receive from a physician.

The program staff provides caregivers the skills and support they need to help them work with their child to attain essential developmental skills and accomplish the goals developed on the Individualized Family Service Plan (IFSP). An IFSP is designed for each child.

Depending on a child's and family's individual needs, SoonerStart offers one or a combination of services, some of which include, counseling, nutrition and physical therapy to name a few. The SoonerStart program will work with approximately 9,849 children in FY-2005.

**Oklahoma Parents as Teachers**

Parents are children's most important and effective teachers. Children's academic success is in most instances dependent on parents' active involvement in their child's early years. Recognizing the importance of this relationship, Parents as Teachers (OPAT) is a free and voluntary program which provides parents of children ages zero to three the skills to maximize their child's potential. Services are based on early childhood development research.

School districts apply for grants to fund OPAT programs. Qualifications to receive an OPAT program grant are based on enrollment history (if applicable), district Average Daily Membership (ADM) and new or expanded programs. As with other service programs, multiple districts can join to create an OPAT program. For FY-2004, the number of children served is 3,957 which equates to 2,838 families served, as seen below.

Year	Appropriation	# of Districts	# of families served
1991-92	650,000	13	377
1998-99	2,959,144	219	6,800
2001-02	2,960,182	191	7,743
2002-03	2,591,418	168	6,676
2003-04	1,295,709	55	2,835

Source: SDE

**Four-Year Old Program**

Oklahoma is one of only three states that require four-year-old teachers to have a degree in early childhood education. Georgia and New York are the only other states requiring quality indicators. Requiring this certification improves the quality of teaching and learning in the classroom and increases the probability children will be prepared for school in later years. Over 60% of the four-year-old population in Oklahoma participates in this voluntary program.

The basis for Oklahoma's high participation rate lies in the unique partnerships schools are promoting with private child care providers. The State Department of Education encourages schools to provide certified teachers to private child care facilities to expand access. Lawton, Norman and Putnam City School districts are just a few of the districts involved in this initiative. Over the past two years, the State Department of Education has been working with Kim Henry, the First Lady of Oklahoma, and the Partnership for School Readiness to promote the advantages and successes of these partnerships.

**Alternative Education**

The purpose of this program is to provide alternative education choices to prevent dropouts and increase the number of high school graduates.

The Juvenile Justice Reform Act of 1994 established the Statewide Academy System that began with eight pilot programs in three counties. State law now requires all districts reporting dropouts and juvenile justice referrals to offer alternative education in Grades 6-12. More than

13,100 students from 467 school districts were served in 252 Statewide Alternative Education Academies in 2003-04.

At-risk youth are individuals who might fail to successfully complete their secondary education because of economic, socio-cultural or academic reasons.

The following chart demonstrates performance outcomes for children enrolled in alternative education programs versus those for children who were eligible but on waiting lists.

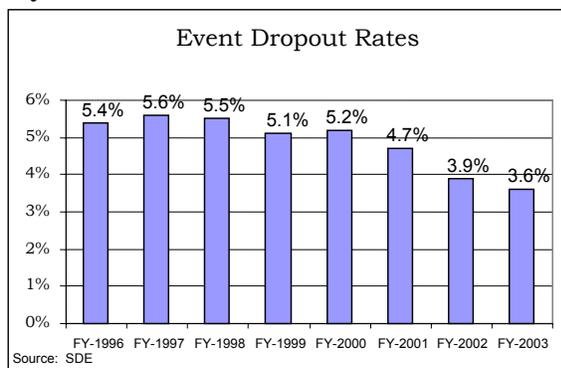
**Key Performance Measure**

Variable		Group			
		Alternative	% Change	Comparison	%Change
Days Absent	Pre	14.06	-34%	14.19	-3%
	Post	9.21		13.79	
GPA	Pre	1.4	79%	1.9	-31%
	Post	2.51		1.32	
Days Suspended	Pre	3.07	-84%	2.47	-1%
	Post	0.5		2.44	
Courses Failed	Pre	2.56	-92%	2.05	36%
	Post	0.21		2.78	

On each variable measured, students in alternative education programs showed more improvement than students in the comparison group.

Since FY-1997, Oklahoma’s event drop-out rate has decreased by 2% from 5.6% in FY-1995 to 3.6% in FY-2003, as shown below.

**Key Performance Measure**



**Staff Development**

Professional development programs strive to improve teachers’ subject matter knowledge, teaching methodology and classroom management skills. There are several types of statewide Staff Development programs included in this line-item such as the Great Expectations

program, the Neuro-developmental Learning Differences program and the Literacy First reading program. This line-item also provides funds for reading remediation in grades one through three. Approximately \$2.3 million is disbursed to districts for general professional development activities at the school level.

**Great Expectations**

The program’s fundamental philosophy is, “All children can learn” when teachers have the attitude, knowledge and skill to set high expectations, build self-esteem and create a climate of mutual respect.

Funds appropriated provide scholarships to teachers and principals for summer institutes. To qualify for scholarships, each qualifying school must be willing to send up to five teachers and a principal to the summer institute.

**Neuro-developmental Learning Differences**

This program recognizes that children process information differently from one another. Some children form images, others form words and others form sentences. Educating teachers on children’s different learning styles and how to effectively teach to these styles is the primary goal of this professional development institute. Funds provide \$1,200 scholarships for teachers to attend a 39 hour course and participate in a year-long practicum. Since the program’s inception in FY-2001, 1,503 teachers have participated from 62 school districts.

**Literacy First**

The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading and literacy training for all elementary teachers using "Literacy First" as its training base. The Literacy Professional Development Institute (PDI) provides a balanced approach to teaching reading by incorporating the latest phonics and literature based strategies. Since its implementation in 1997, approximately 16,000 teachers have been trained.

### **School Lunch Matching Programs**

Students must have proper nutrition in order to maximize learning potential. The National School Lunch Act was passed by Congress in 1946 to safeguard the health and well being of the nation's children and to encourage the domestic consumption of nutritious foods. The goal of the State Department of Education is to provide nutritious meals to children enrolled in Oklahoma's public schools. For the almost \$14 million the State appropriated for School Lunch Matching in FY-2004, the Federal government provided \$91 million. In FY-2004, 53.51% of Oklahoma school children qualified for the free or reduced-price lunch program.

### **Education Leadership Oklahoma**

National Board Certification is rooted in the belief that the single most important action this country can take to improve schools and student learning is to improve teaching. The process requires teachers to undergo an extensive series of performance-based assessments that includes teaching portfolios, student work samples, videotapes and thorough analyses of the candidates' classroom teaching and student learning. Teachers also complete a series of written exercises that probe the depth of their subject-matter knowledge, as well as their teaching methodology.

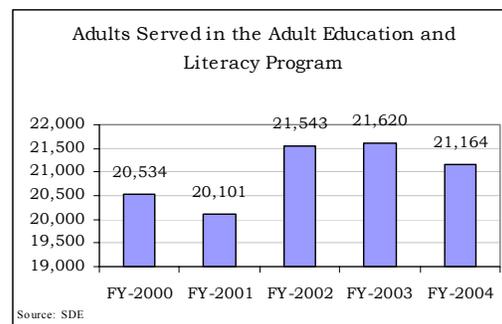
The purpose of Education Leadership Oklahoma (ELO) is to improve the quality of teaching and reward teachers who have attained national certification. The program provides technical assistance and a \$2,500 scholarship to 200 teachers applying for National Board Certification. A \$5,000 annual bonus is given to teachers who attain National Board Certification.

There are 1,083 National Board certified teachers in Oklahoma, which places it ninth in the nation. The State Department of Education estimates there will be an additional 275 teachers attaining national certification in FY-2006.

### **Adult Education and Literacy**

There are several types of adult education programs provided through state and federal funds. Adult Literacy Instruction

classes are provided for adults who need basic skills instruction in reading, writing, mathematics, life skills and job readiness. GED Preparation Instruction is provided for adults who want to prepare to take the GED Tests in order to earn a high school equivalency diploma. English as a Second Language (ESL) classes are provided for limited English speaking adults to learn both spoken and written communication skills, survival skills, and citizenship skills. Federal and state funds also provide Workplace Education and Family Literacy programs. The graph below shows the number of adults utilizing such services.



### **Advanced Placement**

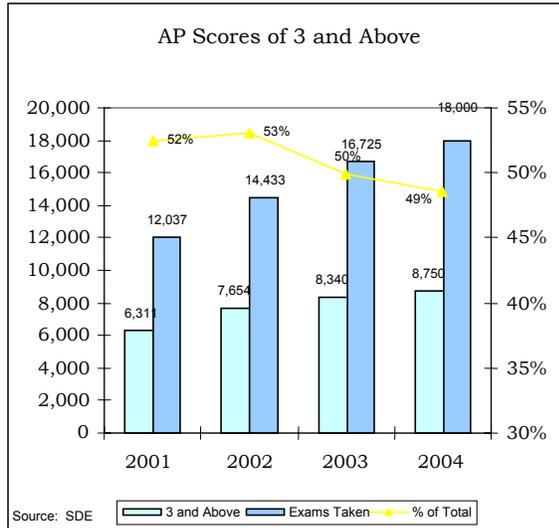
The College Board's Advanced Placement Program trains middle and secondary educators to provide college level academic courses to high school students. Upon completion, high school students may take a College Board Advanced Placement exam. Exams receive a score of 1 to 5; a score of 5 reflects superior knowledge of the subject. Students who complete AP courses are better prepared academically for college, more likely to choose challenging majors and twice as likely to go into advanced study.

The Oklahoma Advanced Placement Incentives program provides funding support for AP and Pre-AP teacher training. Funding goes for training, student exam fee assistance, score incentives to schools for AP program development and AP course grants.

Data from the College Board's AP program shows nearly 9,800 Oklahoma public school students took 15,754 exams last school year. The number of exams taken is

more than four times the number of exams taken in 1996-97, the year Oklahoma's AP Incentives program began. The number of exams scoring a grade of 3, 4 or 5 has more than tripled in the same time period to 7,463, as seen below.

**Key Performance Measure**



**Mentor Teacher**

Teachers who have quality mentors during their first years of teaching are more likely to be better teachers and remain in the profession. Since 1981, Oklahoma has required all first year teachers to participate in a residency program. Every first-year teacher is assigned to a committee comprised of a mentor teacher, a higher education professor and the principal. At the end of the school year, the committee recommends whether the first year teacher should receive state certification. The mentor teacher plays the most active role in a teacher's residency year, providing 72 hours of consultation time.

State law provides that teacher consultants may receive an annual stipend of not more than \$500. Funding for the program in the amount of \$500,000 was restored in the FY-2005 budget.

**Statewide Assessments and Outcomes**

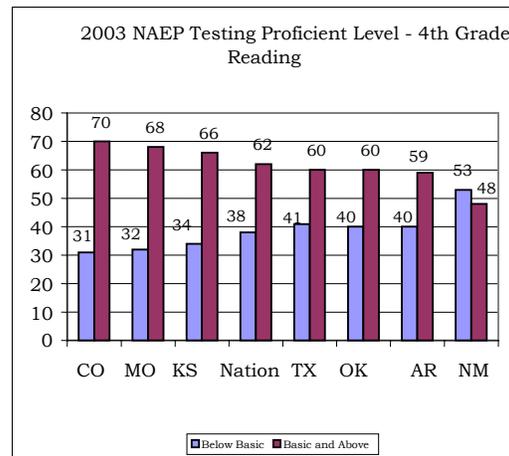
The National Assessment of Educational Progress (NAEP) is the only measure of

student achievement in the United States that compares the performance of students in one state with the performance of students across other states. NAEP, sponsored by the U.S. Department of Education, has been conducted for over 30 years. The test is not administered to every student in the country. Instead, a sample size of students representing different socioeconomic, racial and ethnic backgrounds is tested in each state. Results are then extrapolated for aggregate state scores.

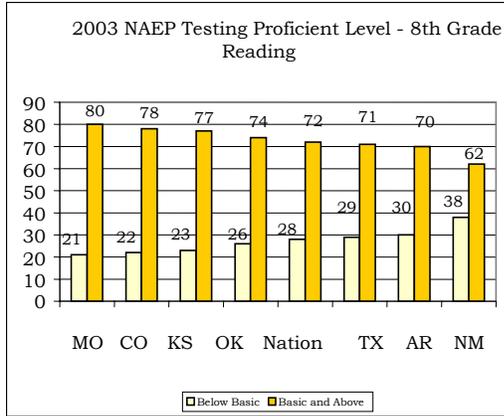
Prior to passage of the Federal "No Child Left Behind Act", subjects were tested every other year. As of 2004, every subject is tested annually in grades four and eight.

The following charts are from the National Assessment of Education Progress Report for 2003.

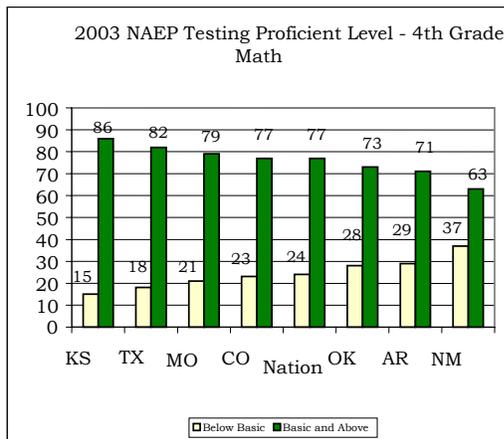
**Key Performance Measure**



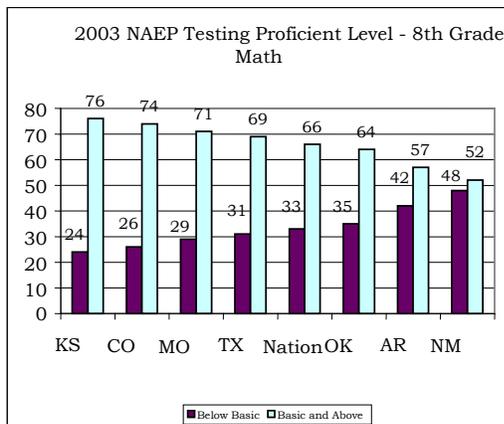
In the 4<sup>th</sup> grade reading category, Oklahoma finished 4<sup>th</sup> in the region and 2% below the national average.



In the 8<sup>th</sup> grade reading category, Oklahoma finished 4<sup>th</sup> in the region and 2% above the national average.

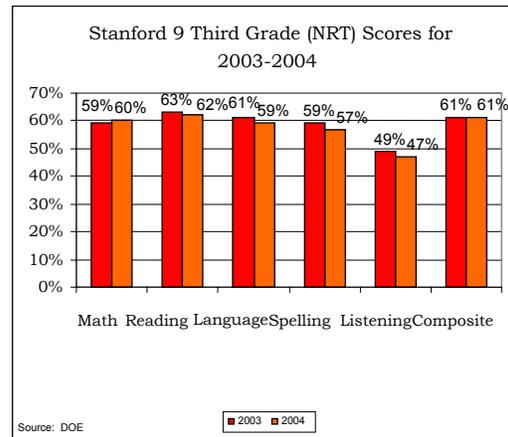


In the 4<sup>th</sup> grade Math category, Oklahoma finished 5<sup>th</sup> in the region and 4% below the national average.



In the 8<sup>th</sup> grade Math category, Oklahoma finished 5<sup>th</sup> in the region and 7% below the national average.

Norm-referenced tests (NRTs) compare students' performance to that of a national norming sample and the results are provided in percentile ranks. For example, scoring at the 60<sup>th</sup> percentile would mean that a student scored equal to or better than 60% of the students tested in the norming sample.



Oklahoma requires a state norm-reference test in grade three. In 2003-04, Oklahoma 3<sup>rd</sup> grade students scored at the 60% rank on the math section of the Stanford 9 and, therefore, scored equal to or higher than 60% of third graders in the national norm group taking the test.

Criterion-referenced tests measure student performance as compared to the state's own curriculum standards. In Oklahoma, the two state CRT tests required are the Oklahoma Core Curriculum test administered to children in grades five and eight and the High School End of Instruction test. All subject areas are tested in grades five and eight, including art. The High School End of Instruction Test is administered to students as they complete English II, Writing, US History, Biology I and Algebra I.

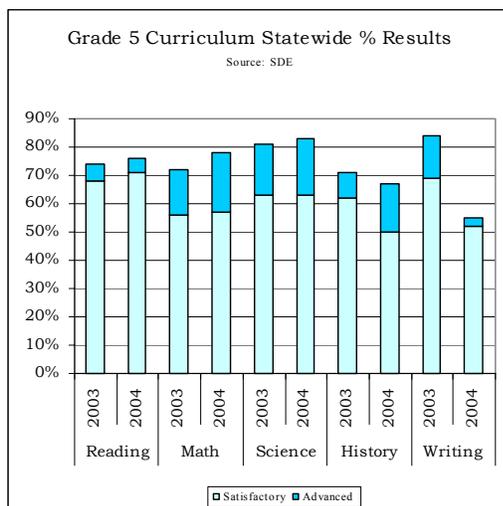
Individual student scores allow educators and parents to track educational achievement over time. These tests are not nationally normed and do not provide a

basis for comparing students to their national counterparts.

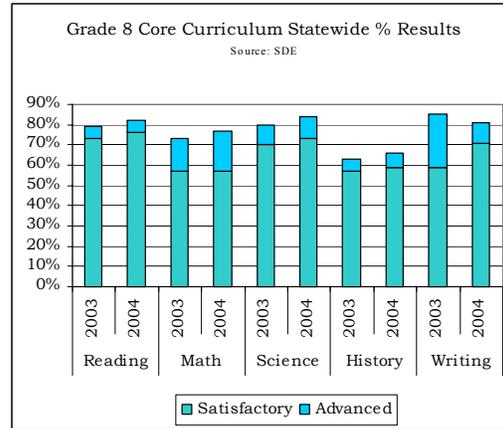
Oklahoma's curriculum standards are defined in the Priority Academic Student Skills (PASS). PASS represents the basic skills and knowledge all Oklahoma students are expected to learn in the elementary and secondary grades. State law requires PASS to be re-evaluated every three years.

In FY-2002, at the request of the Oklahoma State Department of Education, the Oklahoma State Regents for Higher Education, the Oklahoma Business and Education Coalition (OBEC) and the Governor's office, a national organization called Achieve reviewed Oklahoma's policies and practices related to school improvement efforts. In conjunction with nationally respected experts, Achieve produced a two-part study.

Achieve focused on overall progress made in the areas of standards, assessment, and accountability and found that Oklahoma has consistently maintained efforts to raise achievement for over ten years, establishing a firm foundation for standards-based reform. The Priority Academic Student Skills (PASS) standards are comprehensive, measurable and rigorous. Achieve found that Oklahoma's English and math standards are comprehensive, clear and measurable; the math standards in grades K-5 are particularly well-developed.

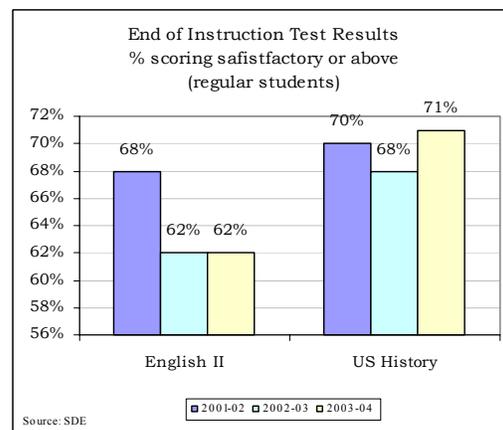


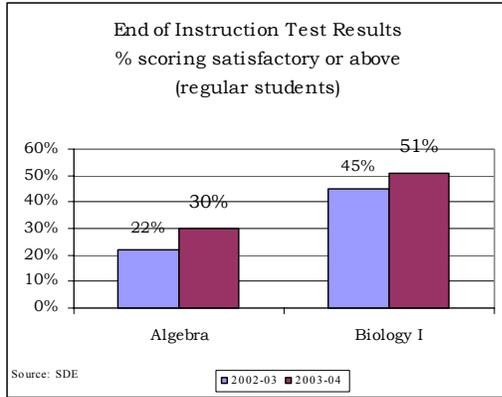
Between the 2003 and 2004 school year, Oklahoma students in fifth grade increased their scores in Reading, Math and Science and decreased in the History and Writing categories, as seen above.



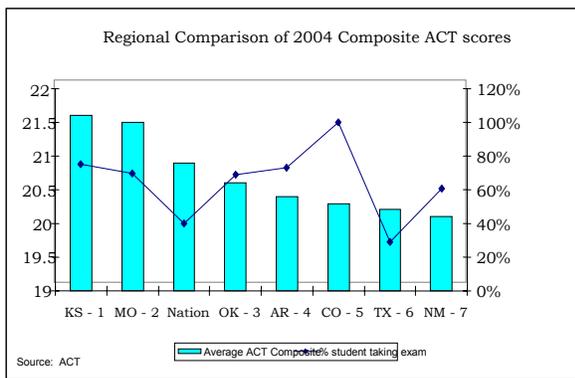
Between the 2003 and 2004 school year, Oklahoma students in eighth grade increased their scores in all categories except Writing, as expressed above.

High School End of Instruction Tests were administered for the first time during the 2000-01 school year. Subject areas are being phased in, so only English II and US History were tested in 2000-01 and 2001-02. Results are shown in the charts below.

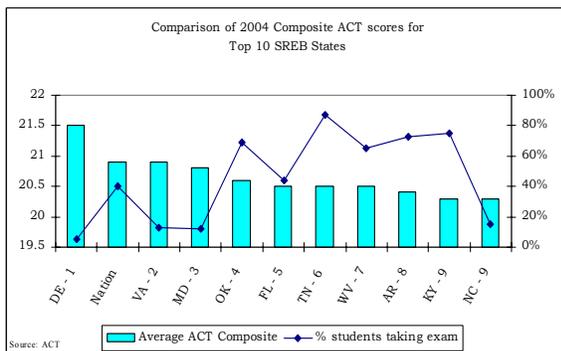




The ACT Assessment is a national college admission and placement examination. The exam tests students' subject knowledge of Reading, English, Mathematics and Science. ACT results are accepted by virtually all U.S. colleges and universities and is the test most often used for admission to Oklahoma public colleges and universities.



Oklahoma ranks third in the region with an average ACT score of 20.6; Kansas ranks first with a score of 21.6. The national average is 20.9, as seen above.



Oklahoma is fourth among Southern Regional Education Board (SREB) states with an average ACT score of 20.6; Delaware ranks first with a score of 21.5, as illustrated above.

### No Child Left Behind Act (NCLB)

NCLB was signed into law January 8, 2002. It is the latest revision of the 1965 Elementary and Secondary Education Act (ESEA) and is regarded as the most significant federal education policy initiative in a generation.

The overall purpose of the law is to ensure that each child in America is able to meet the high learning standards of the state where he or she lives. The specific goals of the law, as spelled out in the *Federal Register* issued on March 6, 2002, are:

- All students will reach high standards, at a minimum attaining proficiency or better in reading and mathematics by 2013-2014;
- By 2013-2014, all students will be proficient in reading by the end of the third grade;
- All limited English proficient students will become proficient in English;
- By 2005-2006, all students will be taught by highly qualified teachers;
- All students will be educated in learning environments that are safe, drug free and conducive to learning; and
- All students will graduate from high school.

To help schools and districts meet these goals, the law provides a number of different mandates, incentives and resources. Mandates include:

- Annual testing of all students against state standards in reading, mathematics and science in grades three through eight or at least three times in a student's school career (including once in high school);

- Required participation in “Verification” of each state’s assessment system (every other year) by selected districts in the NAEP test;
- Aggregate and disaggregate analysis and reporting of student achievement results by race, ethnicity, special education status and limited English proficiency;
- A state definition and timeline for determining whether a school, district and the state are making “adequate yearly progress” (AYP) toward the goal of 100% of students meeting state standards by the 2013-2014 school year;
- Technical assistance and then sanctions for schools, districts and the state for failure to make AYP;
- Highly qualified teachers in core academic subjects by 2005-2006;
- Highly qualified aides or paraprofessionals;
- Support for students not meeting standards and/or for those who have special needs (e.g., homeless, limited-English-proficiency); and
- The use of “scientifically-based” programs and strategies.

NCLB will provide nearly \$1 billion annually in additional funding over the next five years to help states and districts strengthen K-3 reading programs, before and after-school programs, charter schools, reading readiness for preschool children, teacher professional development and education technology.

In March 2004, ECS released the ECS Report to the Nation: State Implementation of the No Child Left Behind Act. In the report, it was noted that only 5 states had met or were partially on track to meeting all 40 NCLB requirements. At that time, Oklahoma had met 34 requirements.

### **State Student Information System (“The Wave”)**

With the passage of the federal No Child Left Behind Act, additional accountability

and reporting requirements were added to already growing state-level demands for more and better education data. During the 2003 legislative session, HB 1646 defined standards for the state student record system already being developed by the State Department of Education. The bill also required that all schools in Oklahoma comply with extensible markup language (XML) standards and the latest version of the Schools Interoperability Framework (SIF) specifications by 2005-06. The use of the new system will reduce the reporting burden placed on school sites and districts. This will revolutionize the manner in which student data is collected, managed and analyzed by the State Department of Education and local school districts.

The SSIS will create a centralized database of secure individual student records, as well as district and site level records that will be collected from each school district using standard data elements, definitions and reporting formats.

As this system is developed, the Governor and the Legislature will work with the State Department of Education to maximize and leverage all state and federal resources. The first year (federally funded) of a five-year contract for design and implementation of The Wave was approved by Central Purchasing in June 2004.

## FY-2005 Supplemental

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,007,663</b>
<b>Funding Adjustments:</b>	
Teachers' Health Insurance	12,800
Ad Valorem Reimbursement Fund	25,000
National Board Certification	388
Total Supplemental	38,188
<b>FY-2005 Adjusted Appropriation</b>	<b>\$2,045,851</b>
% Change from FY-2004	4.63%
% Change from Original FY-2005	1.90%

Source: Office of State Finance

### Teachers' Health Insurance

The Governor's budget provides \$12.8 million for the additional cost of teachers' health insurance for FY-2005. The number of teachers taking insurance has increased by 2,017 in FY-2005.

### Ad Valorem Reimbursement Fund

The Governor's includes \$25 million to reimburse school districts for a reduction in ad valorem local revenue as a result of companies receiving the 5 year manufacturer's exemption. This funding is directed for common education but will be appropriated to the Oklahoma Tax Commission.

### National Board Certification

The Governor's budget for FY-2005 provided \$4,522,275 for the National Board Certification teacher bonus of \$5,000. For FY-2005, 982 teachers are eligible for the bonus. The Governor is providing the additional \$387,725 needed to compensate all eligible teachers.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,007,663</b>
<b>FY-2005 Bud. FTE Level</b>	<b>375.0</b>
<b>Actual Ave. YTD FTE</b>	<b>336.1</b>
<b>Funding Adjustments:</b>	
Middle School Math Labs	2,000
Teacher Salary Increase	54,800
National Board Cert.	1,943
Annualize Teacher's Health Insurance	12,800
Additional Teachers' Health Insurance	9,600
Full Day Kindergarten	24,600
Advanced Placement	700
Alternative Education	500
Parents as Teachers	500
Mentor Teacher Stipends	837
Testing Costs	363
School Lunch Fed. Match	39
Great Expectations	225
SoonerStart	568
Student Information System (The WAVE)	2,543
Neuro-developmental Learning Differences	300
Middle School Math Initiative	2,000
Lottery Revenue for Consolidation	3,113
Teacher's Retirement	3,113
Vision Funding - Redirect to Testing Costs	(222)
Redirect state aid formula	(150)
State Employee Pay Increase	699
Total Adjustments	120,872
<b>FY-2006 Recommendation</b>	<b>\$2,128,536</b>
% Change for FY-2005	6.02%

Source: Office of State Finance

**Middle School Math Labs**

The Governor's budget proposes \$2,000,000 for Middle School Math Labs. This money is intended for pilot programs in low performing math schools, and must be used for programs based on scientific research.

**Teacher Salary Increase**

The Governor's budget includes \$54.8 million for this year's portion of the five year salary increase plan.

**National Board Certification**

The Governor's budget provides \$1,942,500 for National Board Certification program. This amount represents the ability to award 351 teachers a \$5,000 bonus and 75 more scholarships of \$2,500 each.

**Annualize Teacher's Health Insurance**

Aiming to fairly compensate Oklahoma's teachers, the Governor's budget includes \$12.8 million to pay for 100% of teachers' health insurance. The Governor's budget also proposes to allocate \$9.6 million to cover the cost of health insurance for any new teachers hired in FY-2006, expressed as **Additional Teachers and Health Insurance Increase**.

**Full Day Kindergarten**

State law requires school districts to offer full day kindergarten within three years of available funding. While more than 70% of school districts already offer this, the Governor's budget proposes to fully fund all school districts statewide for full day kindergarten at the increased state aid weight of 1.5.

**Advanced Placement**

The Governor's budget includes an additional \$700,000 for Advanced Placement programs throughout the state. \$300,000 of this amount will be used to cover the cost of universities to train teachers in how to teach Advanced Placement courses; \$200,000 will be used for grant money for schools to fund Advanced Placement programs locally; and \$200,000 will be used for incentives for schools with Advanced Placement programs. There are currently 34

Advanced Placement courses approved by the Department of Education.

**Alternative Education**

The Governor's budget proposes to allocate an additional \$500,000 to alternative education programs throughout the state. At a cost of \$700 per student, this money will be used to serve more children who have not succeeded in a traditional classroom setting. The graduation rate in alternative education schools is 70%.

**Parents as Teachers**

The Governor's budget includes an additional \$500,000 for the Parents as Teachers program. This money will be used as grants in an effort to try to serve the whole state. In 2003 – 2004, 55 programs serving 68 districts allowed for 3,957 children to benefit from this program. This money will benefit an additional 1,524 children.

**Mentor Teacher Stipends**

The Governor recommends an additional \$837,500 for this program. State law allows the stipends to be up to \$500, therefore this money will fund an additional 2,675 mentor teacher stipends.

**Testing Costs**

The Governor's budget provides \$363,264 for the costs associated with testing. The money will be used to pay for testing contracts for Criterion Reference Tests and End of Instruction tests. A portion will also be used to enable schools to work with test data and print test labels on site rather than through the testing company, saving both time and money.

**School Lunch Federal Match**

The Governor's budget includes \$39,768 for the School Lunch Matching Program. Based on the most recent data, 52.23% of Oklahoma children are eligible for free lunches and of those 71.74% participate in the program.

**Great Expectations**

The Governor's budget proposes \$225,000 be allocated for this program. The state awards \$1,000 for each team member participating in the program. Funding will

provide \$1,000 scholarships to an additional 225 participants.

#### **SoonerStart**

The Governor's budget includes \$567,517 for SoonerStart Early Intervention Program. SoonerStart assists infants and toddlers with disabilities and/or developmental delays and their families through an individualized and comprehensive system of services. At a cost of \$1,939 per child, this money enables SoonerStart to serve an additional 292 children in FY-2006.

#### **Student Information System (The WAVE)**

The Governor's budget provides \$2,543,654 for the implementation of The WAVE. Of that total, \$1.5 million will cover contract costs, \$394,000 will pay for equipment and software costs, and the remaining \$649,654 will cover FTE costs.

#### **Neuro-developmental Learning Differences**

The Governor's budget includes \$300,000 for this program, which enables 250 more teachers to participate in the program.

#### **Middle School Math Initiative**

As in the FY-2005 budget, the Governor proposes to fund this quality teaching initiative in the amount of \$2 million, providing funds for training 500 teachers.

#### **Lottery Revenue for Consolidation**

When Oklahomans voted the lottery into effect in November, 5% of that money was earmarked for Elementary and Secondary Education Consolidation. Therefore, the Governor's budget includes an estimation of that percentage of lottery revenue in the amount of \$3,113,571.

#### **Teacher's Retirement**

The state vote on the lottery also mandated earmarking 5% of lottery revenues for teacher retirement. The Governor's budget includes \$3,113,571 for that purpose.

#### **Vision Redirection in Funding**

The Governor's budget recommends that \$222,000 be redirected from the Vision program to help fund student information costs.

#### **Redirect state aid formula**

The Governor proposes to redirect \$150,000 of the state aid formula that was not utilized.

#### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$281,776 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Education's 266.9 December 2004 FTE. The budget also includes \$417,884 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for SoonerStart's 293.0 December 2004 FTE.

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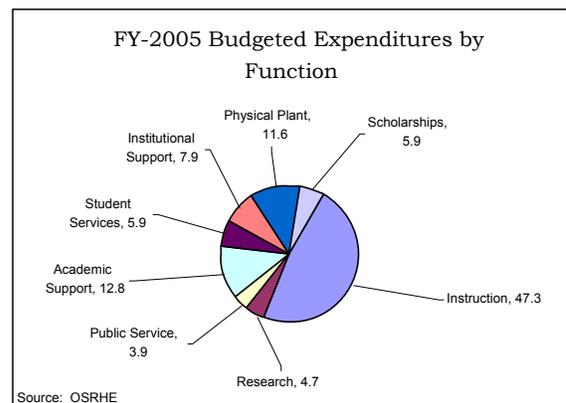
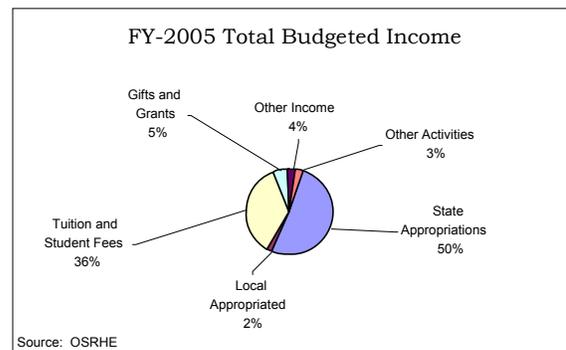
## Higher Education

### Notable Achievements

- Oklahoma's higher education system experienced another year of record enrollment with total student count up 1.3%, bringing the fall preliminary total to 181,590 students.
- Oklahoma has seen a steady increase in Oklahomans with at least a bachelor's degree. Now 20.7% of Oklahoman's hold at least a bachelor's degree, up from 20.1% in 1996. Oklahoma now ranks 43rd in the country in percentage of population with at least a bachelor's degree (based on most current Census data - 2002).
- Oklahoma's public colleges and universities continue to be among the most affordable in the region and nation. Resident tuition and fees at Oklahoma's two research universities remain at the bottom of the Big 12.
- Oklahoma's regional universities are ranked eleventh and the two year colleges thirteenth among the nation's most affordable institutions. (*Measuring Up, 2004, the National Center for Public Policy and Higher Education*).
- OneNet & the National Lambda Rail partnership, announced in June, will provide private and public researchers with the world's fastest data network.
- Endowed Chair funding will help to attract millions in research funding to the state.
- The Spanish language "student center" is now on-line at [okhighered.org](http://okhighered.org).
- OSRHE sponsored a voter registration campaign and assisted 23 Oklahoma college campuses to register nearly 4,000 students statewide prior to the November 2004 elections.
- The state regents adopted the Student Credit Card Action Plan.
- OU ranks number one among comprehensive public universities in the per capita number of freshman National

Merit Scholars and in the top 10 of all public and private institutions in the number of freshman National Merit Scholars enrolled.

- Higher Education continues to play a pivotal role in Oklahoma's economic development by graduating college-educated students that help the state attract and retain businesses. Higher education institutions collaborate with companies to provide their employees with instructional programs and degrees that meet their needs. Higher Education institutions research and development efforts also work to diversify and improve Oklahoma's economy.
- For FY-2005, the Oklahoma State Regents for Higher Education (OSRHE) received 15% of all appropriations made by the legislature, making it the second largest agency in state government.



## Higher Education Initiatives

### Brain Gain 2010

The OSRHE are moving aggressively to increase educational attainment in Oklahoma by doubling the expected growth rate of degree holders by 2010. Brain Gain 2010 calls for 28% of Oklahoma's population age 25 and older to hold a bachelor's degree or higher by 2010 and 10% of Oklahoma's population to hold an associate degree. In 1996, 20.1% held a bachelor's degree or higher and 5% held an associate degree.

#### Key Performance Measures

Percent of Population with College Degrees Age 25 or Older				
	OK	U.S. Avg	US 2010 Est	OK Goal
Associate	5.0%	7.0%	6.5%	7.0%
Bachelors or higher	21.9%	26.5%	27.5%	28.0%

Source: Regents

The Regents' have undertaken a number of initiatives to help students better prepare for college and complete college such as increasing the high school core curricular requirements for college admission from 11 courses to 15 and implementing the Educational Planning and Assessment System (EPAS), which provides 8<sup>th</sup> and 10<sup>th</sup> grade students with information about how they are progressing academically in core content areas. Other Programs such as the Oklahoma Higher Learning Access Program (OHLAP) target students who might not otherwise attend or complete college.

College attendance and completion depend on several factors: the high school to college-going rate, college remediation rates and college retention rates. Studies show the more students need remediation, the less likely they are to complete college. Once people go to college, they need to be retained in order for the number of college graduates to increase in Oklahoma.

### College-going Rate

The percentage of high school students going to college varies considerably across the state. Note that the two largest counties are slightly above the state average while the lesser populated counties vary considerably.

#### Key Performance Measures

Oklahoma High School to College-Going Rate Directly from High School to College					
	FY-1999	FY-2000	FY-2001	FY-2002	FY-2003
Oklahoma County	56.9%	57.8%	57.8%	60.6%	56.9%
Tulsa County	58.1%	55.7%	56.0%	60.9%	58.5%
Highest county	70.2%	79.7%	63.3%	73.7%	78.2%
Lowest county	25.0%	18.7%	26.7%	33.2%	28.6%
State avg.	56.8%	55.1%	54.8%	57.7%	56.4%

Source: State Regents' High School Indicators Project: High School to College-Going Rates

The 2003 college going rate for OHLAP students was 81% compared to 56.4% for the state. As enrollment in this program grows, OHLAP students will have a positive statewide impact on Oklahoma's state college-going rate.

Eighty-nine percent of the first-time freshmen at state institutions were from Oklahoma.

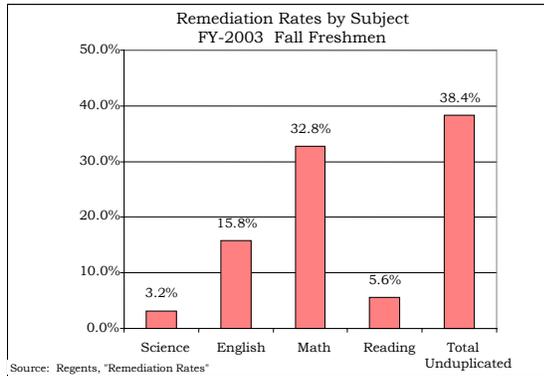
According to the 2000 Census, Oklahoma outpaces the nation in adult learners, ages 25 to 49, enrolled in part time higher education at 3.9% compared to the national average of 2.7%. The economic downturn may contribute to non-traditional students returning to college to increase job skills.

#### Remediation rate

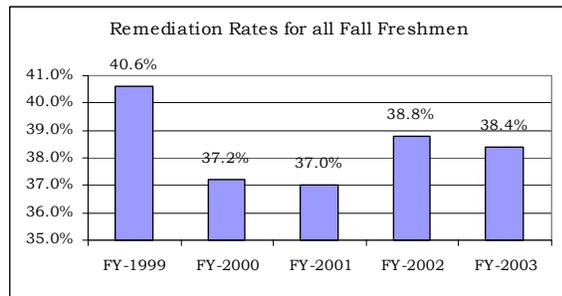
College graduation rates are also a function of college remediation. A study conducted by the Education Commission of the States concluded students who require more than one remediation class are two times less likely to complete college than those students requiring less than one remediation course.

In the fall of 2003, 32.8% of first-time freshmen were enrolled in at least one remedial mathematics course, 15.8% in a remedial English course and 3.2% in a remedial Science course.

**Key Performance Measure**



In 2003, first-time freshmen direct from Oklahoma high schools had a remediation rate of 38.4.

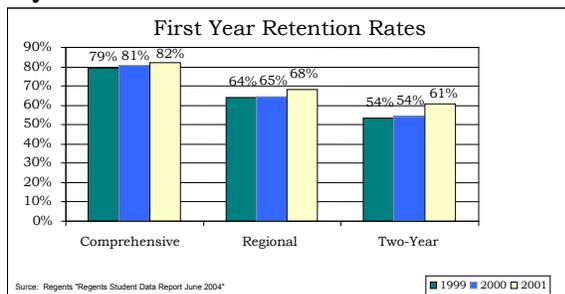


**Retention and Graduation rate**

College retention rates also play a critical role in college completion. Students need to return for their sophomore year after successful completion of their freshman year.

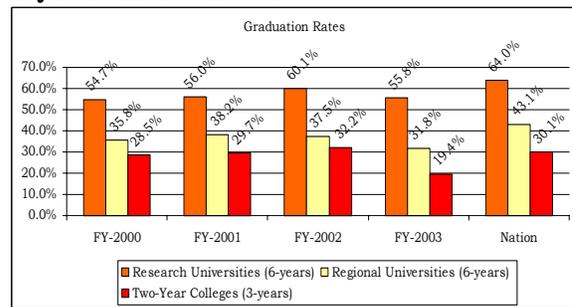
Six-year graduation rates of entering freshmen at the colleges and universities continue to improve; however, Oklahoma lags behind the nation.

**Key Performance Measure**



Oklahoma graduation rates at the regional and two-year institutions are especially low.

**Key Performance Measure**



Keeping Oklahoma graduates in Oklahoma and attracting others goes beyond the realm of higher education. It involves complex interactions between quality of life issues as well as income levels and job opportunities.

A higher percentage of graduates who were Oklahoma residents remain in the state one year after graduation: approximately 86% of bachelor degree holders, 90% of associates and 71% of doctorates. Of the graduates who were non residents, about 20% are still in Oklahoma five years after graduation.

**Scholarships and Grants**

**Oklahoma Higher Learning Access Program (OHLAP)**

A 2001 study (Postsecondary Education Opportunity, September 2003) indicated that nationally only 4.5% of dependents in households with family incomes between \$35,000-\$65,000 per year attain a bachelor's degree by age 24. Recognizing the need to establish a program focused on this population, the Legislature created the Oklahoma Higher Learning Access Program (OHLAP).

Created in 1992, OHLAP provides academically prepared students in low to moderate income households five years of tuition at any public education institution in Oklahoma or a portion of tuition at any private college in Oklahoma.

The above average college-going rates of OHLAP students indicate that OHLAP is

expanding college access to more Oklahoma students

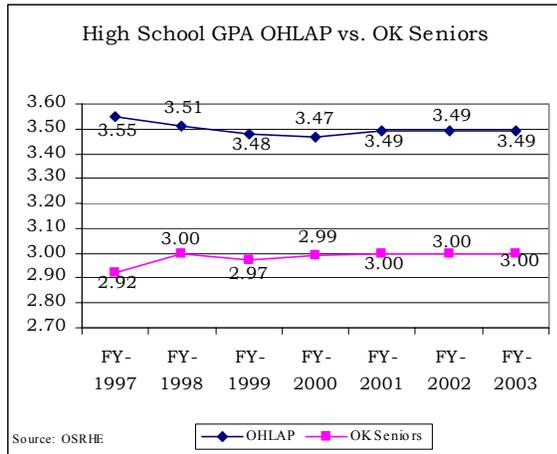
To qualify students must:

- enroll in the 8<sup>th</sup>, 9<sup>th</sup> or 10<sup>th</sup> grade and have a family income below \$50,000/year;
- earn a minimum 2.5 grade point average and take a college preparatory curriculum which includes two years of a foreign language or two years of computer science;
- remain drug and alcohol free; and
- not be adjudicated for any criminal offense.

Seven years of data show that OHLAP has the potential to increase the number of Oklahoma students attending and completing higher education. Compared to Oklahoma's current student population, data has shown that OHLAP students:

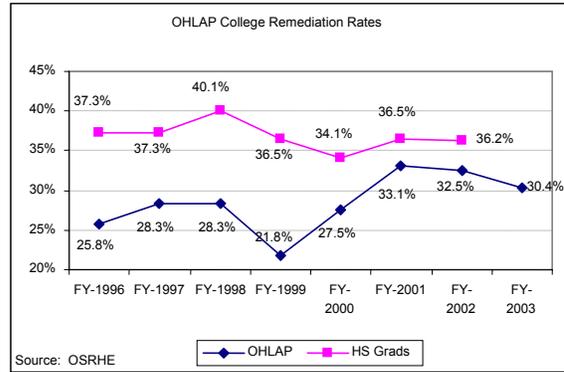
- Earn higher-than-average high school GPA's;

**Key Performance Measure**



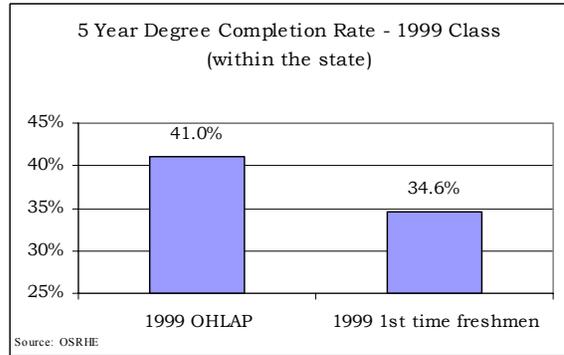
- Earn higher than average ACT scores;
- Have higher college-going rates;
- Require less remediation in college;

**Key Performance Measure**

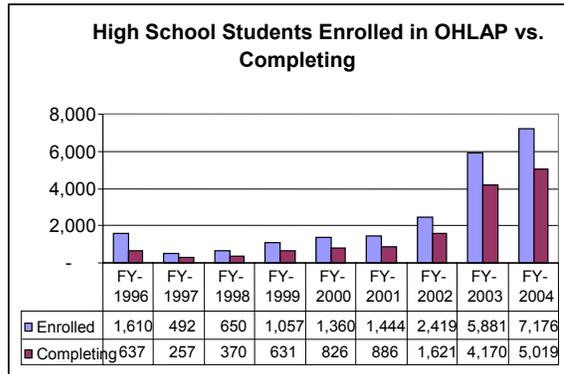


- Enroll full-time in college at higher-than-average rates;
- Persist in college at high rates; and
- Are initially completing college degrees at a higher-than-average rate.

**Key Performance Measure**



**Key Performance Measure**



**Academic Scholars**

Created in 1988 to encourage the state's and the nation's best students to attend higher education institutions in Oklahoma, this program provides scholarships to

students meeting criteria established by the Oklahoma Legislature and the OSRHE.

Students qualify by receiving an official national designation, achieving outstanding ACT or SAT scores or receiving a nomination by a college or university. The amount of the award ranges from \$3,500 per year to \$5,500, according to the type of institution, and includes a tuition waiver. For FY-2005, scholarships in the amount of approximately \$10.1 million will be awarded to 2,070 students.

#### **Oklahoma Tuition Aid Grant (OTAG)**

This need-based program provides a maximum annual award of 75% of enrollment costs or \$1,000, whichever is less, to low-income students residing in Oklahoma enrolled full- or part-time in a public higher education institution or career tech school. For students enrolled in private institutions, the maximum award is \$1,300. For FY-2005, funding is sufficient for an estimated 20,763 awards.

#### **GEAR UP**

*Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is a federal program designed to better prepare middle and high school students for college through mentoring programs and scholarships as well as new academic preparations and awareness programs for students and parents.*

This national initiative began in 1998 to encourage more American youth to have high expectations, stay in school, study hard and take the right courses to prepare for college. More than 670 partnerships applied nationwide and Oklahoma GEAR UP was one of 164 successful applicants.

Since its inception, Oklahoma GEAR UP has helped 144 districts deliver services to more than 75,000 students. In the 2004-2005 school year, GEAR UP has focused its efforts in 21 school districts to provide comprehensive training opportunities designed to improve student learning and retention across three strands: curriculum/instruction, guidance and educational leadership.

Resources and services are provided through partnerships between the Oklahoma State Regents for Higher Education, Oklahoma colleges and universities, middle schools, community-based organizations and businesses.

#### **College Savings Plan**

The Oklahoma College Savings Plan offers families the opportunity to plan and save early for higher education expenses. There are several advantages:

- Oklahoma residents are eligible for up to a \$2,500 state income tax deduction annually;
- Earnings are tax free if used for educational purposes; and
- Students may go to the post-secondary institution of their choice in Oklahoma or in other states.

Since its inception in April 2000, nearly 19,000 Oklahoman's have opened College Savings Plan accounts totaling \$72 million in assets. Twenty six other states offer a state income tax deduction annually.

#### **Tuition**

Higher education tuition fees in Oklahoma are among the lowest in the nation. Fees at all levels have increased for the current academic year.

House Bill 1748, passed during the 2003 Legislative session, authorized the State Regents to establish tuition and mandatory fees at the following levels:

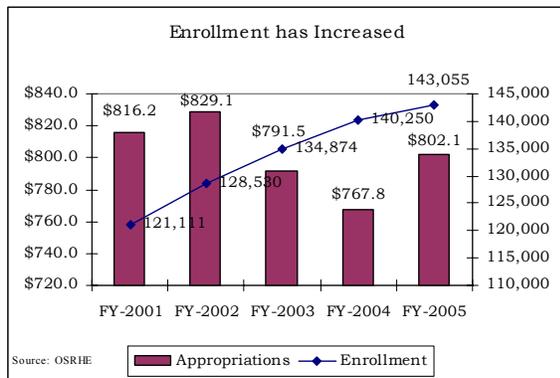
- Undergraduate tuition and mandatory fees for resident students at comprehensive universities will be at a rate less than the average rate charged at public institutions in the Big Twelve Conference.
- Undergraduate tuition and mandatory fees for resident students at regional and two-year institutions will be at a rate less than the average rate charged at

peer institutions that include, but are not limited to, those adjacent to Oklahoma.

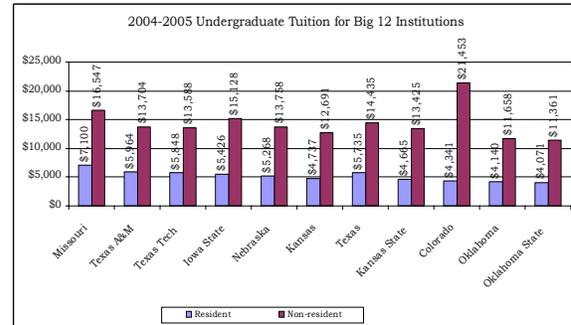
- Undergraduate tuition and mandatory fees for nonresident students may not exceed 105% of the nonresident tuition and fees at peer institutions.
- Graduate and professional programs' tuition and mandatory fees for resident and nonresident students will be at a rate less than the average rate charged for like-type programs of comparable quality and standing at public institutions of higher education as determined by the State Regents.

In addition to submitting annual tuition reports, Regents are also required to make a reasonable effort to increase the need-based financial aid available to students proportionate to any increase in tuition.

The following is a chart showing system funding and FTE enrollment history and projections.



The following is a table that compares resident and nonresident tuition in the Big Twelve Conference. While higher education institutions across the United States increased tuition last year, Oklahoma's tuition still remains the lowest in the region.



### Concurrent Enrollment

There are 2,761 high school students concurrently enrolled in courses at Oklahoma's higher education institutions in the current academic year. State law provides that a twelfth-grade student enrolled in an accredited high school may be admitted provisionally to a college or university in the Oklahoma State System of Higher Education as a special student. Younger students may be eligible for concurrent enrollment, but there are more stringent provisions. To be eligible, high school seniors must meet the certain requirements for admission, which follow:

- University of Oklahoma - ACT 24 or SAT 1090 or GPA 3.0 and Class Rank in the Top 30%;
- Oklahoma State University - ACT 22 or SAT 1020 or GPA 3.0 and Class Rank in the Top 33.3%;
- Regional Universities - ACT 20 or SAT 940 or GPA 3.0 and Class Rank in the Top 50%; or
- Two-Year Colleges - ACT 19 or SAT 900 or GPA 3.0.

### Endowed Chairs

University chairs were introduced to the United States more than 200 years ago by Thomas Hollis, a London merchant, who endowed the renowned Hollis professorships in Divinity and in Mathematics and Philosophy at Harvard University. Thomas Hollis' gift continued the European tradition from the

Elizabethan Era of establishing faculty chairs.

The practice of endowing professorships spread through the colonies and then the new nation. It grew during the Industrial Revolution when new wealth and greater civic responsibility encouraged it. In Oklahoma, some endowed positions pre-date the creation of the Regents' Endowment Program in 1988 and 1989, but the practice of creating chairs and professorships at the state's universities has grown since that time.

The Regents' Endowment Program was established by the State Regents in 1988 and codified by the Oklahoma Legislature in 1989 to "improve the overall quality of education and research". The Legislature further directed that endowed chairs and distinguished professorships should be established in academic areas which contribute to the enhancement of the overall cultural, business, scientific, and/or economic development of Oklahoma. Endowed chairs and professorships must be established in areas for which the institution has ongoing, approved academic programs. Since 1989, appropriations for endowments have totaled over \$140 million. To date, 195 chairs, 150 professorships and 106 lectureships have been established at 22 universities and colleges.

Annual budgeted allocations remained the same in FY-2005.

Currently, private donations are matched with state appropriations on a one to one basis. This program is doing so well that it is generating private donations faster than available state funds can match them. The 2004 legislature passed a bill allowing the Regents to advance fund \$50 million of the backlog of over \$60 million. The Regents are waiting for validation from the Oklahoma Supreme Court judges. Upon approval, the bonds will be issued through OCIA, and will equate to \$7.5 million annual debt service.

The Governor supports the creation of Endowed Chairs in areas that benefit Oklahoma's economy most. SB 989, as

introduced for the 2005 Legislative Session, proposes to limit the establishment of endowed chairs to foci including aerospace, agriculture, biotechnology, biomedicine, energy, telecommunications and nanotechnology.

## OneNet

OneNet is the official information and telecommunications network for education and government and is Oklahoma's primary means of distance learning. It became operational in 1996 and was built on the statewide talkback television system established and operated by the State Regents since 1971.

The system currently provides a border-to-border system, which includes all public colleges and universities, Career Technology Centers and about 70% of the public schools.

State appropriations cover 20.8% of OneNet's costs. User fees and other revenue make up 79.2% of their costs.

OneNet Funding FY-2004	
State Appropriations	\$ 3,886,154
Higher Ed. Institutions User Fees	2,145,116
Federal (E-rate) Reimbursements	3,264,425
OK Universal Service Funds	1,460,559
Customer Revenue (non-E-rate)	6,277,668
Investment Income	20,000
Grants (OUSF, ODL, VISION)	487,732
Tower Lease Revenue	82,000
Administrative Overhead/other	440,515
Research Match Internet II Grant	600,000
	<hr/>
	\$ 18,664,169

Source: OneNet

## Office of Accountability

The Office of Accountability provides narrative and statistical reports regarding the performance of the state's public schools to the people of Oklahoma, as required by the Oklahoma Educational Reform Act and the Oklahoma School Testing Program Act. Reports present yearly and historical comparisons of public school and school district graduation rates, dropout rates, pupil-teacher ratios, enrollment gain and loss rates, school

district finances and test results by grade and subject/section in a socioeconomic context. These results are also available as school report cards.

#### **Educational Indicators Program**

The Office of Accountability provides narrative and statistical reports regarding the performance of the state's public schools to the people of Oklahoma, as required by the Oklahoma Educational Reform Act and the Oklahoma School Testing Program Act. Reports present nearly 100 data items that facilitate yearly and historical comparisons of public school and school districts. Included in the reports are graduation rates, dropout rates, pupil-teacher ratios, enrollment gain and loss rates, school district finances and test results by grade and subject, all presented in socioeconomic context. This information is also distributed to parents statewide in the form of school report cards.

#### **School Performance Review Program**

Legislation passed in 2001 authorized the Office of Accountability to administer a school performance review program. A school performance review evaluates every aspect of school district operation. Districts may request a review or a review may be triggered by a district overspending in the area of Administration, as determined by the State Department of Education. The program's goal is to identify specific ways to reduce costs, enhance efficiency and reallocate savings into the classroom. The law requires that all realized savings to school districts as a result of a review be directed into additional funding of classroom services.

At the end of FY-2003, the Office completed its first review of Billings Public Schools. During FY-2004, the Office reviewed Ponca City Public Schools, Hennessy Public Schools and Frontier Public Schools. A review of Stillwater Public Schools will be completed in FY-2005. Since its inception, the School Performance Review Program has identified over \$7.7 million of savings for the participating districts.

## **Quartz Mountain**

The Quartz Mountain Arts and Conference Center is the chosen destination for various State and private business conferences in addition to being the home of the summer and fall fine arts institutes conducted by the Oklahoma Arts Institute.

Quartz Mountain Arts and Conference Center and Nature Park offers a variety of recreational options for the resort and park visitor. Water-skiing, fishing and jet skiing are popular summer sports. The park includes a system of hiking and biking trails, an 18-hole golf course and paddleboats. It is a favorite spot for rock-climbers, photographers and bird-watchers. The north fork of the Red River runs through the park.

The Oklahoma Summer Arts Institute is a two-week residential school providing pre-professional training to Oklahoma's artistically talented students, ages 14-18. This year 274 students participated. Students are chosen through a competitive audition process.

The Oklahoma Fall Arts Institutes are an annual series of four-day workshop retreats for amateur and professional artists, public school teachers and college and university instructors. Anyone age 21 or over is welcome to attend these intensive, hands-on workshops. Class sizes are limited to ensure close working relationships between participants and artists. This year 366 participants who included teachers, professors and artists attended the Fall Arts Institutes.

## FY-2005 Supplemental

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$802,136</b>
OHLAP Scholarship Fund	4,000
<b>FY-2005 Adjusted Appropriation</b>	<b>\$806,136</b>
% Change from FY-2004	0.52%
% Change from Original FY-2005	0.49%
<small>Source: Office of State Finance</small>	

The Governor proposes to increase the expenditure authority of Oklahoma Higher Learning Access Program Trust Fund to cover FY-2005 OHLAP scholarship costs.

## FY-2006 Recommendations

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$802,136</b>
<b>FY-2005 Bud. FTE Level</b>	<b>305.9</b>
<b>Actual Ave. YTD FTE</b>	<b>306.3</b>
<b>Funding Adjustments:</b>	
Institutional Budgets	22,000
Scholarships	1,700
Endowed Chairs	2,000
Math and Science Teaching Shortage	725
Tuition Equalization Grant	3,000
Debt Service for Bond Issue	28,022
GR Debt Service	3,240
Concurrent Enrollment	1,500
Office of Accountability	600
State Employee Pay Increase	297
Total Adjustments	62,787
<b>FY-2006 Recommendation</b>	<b>\$865,221</b>
% Change for FY-2005	7.90%
<small>Source: Office of State Finance</small>	

## Institutional Budgets

The Governor's budget includes \$22 million for institutional budgets. This money will be distributed among institutions for mandatory costs (health and risk management insurance), annualization of salary increases, operating costs for new facilities, replacement of faculty positions, new faculty positions and other support staff positions.

## Scholarships

The Governor's budget includes \$1.7 million for OHLAP scholarships. The Regents requested \$8 million for OHLAP scholarships to cover tuition increases for the current 9,000 recipients and for an additional 3,000 student scholarships. The remaining \$6.3 million will come from tribal gaming revenues deposited in the OHLAP Trust Fund.

## Endowed Chairs

The Governor's budget recommends \$2 million for the Endowed Chairs Program. The current backlog of private donations available for state matching is over \$10 million. As price levels vary based on the type of endowment made, this money may provide anywhere from 2 to 80 additional endowments.

**Math and Science Teaching Shortage** The Governor's budget provides funding for the 67 eligible students enrolling in the Mathematics or Science Teacher Shortage Employment Incentive Program. The proposed budget includes \$725,000 for this program. Taking effect in FY-2006, the incentive will be applied to student loans, if applicable, or as a salary bonus math and science teachers receive after five years consecutive of teaching.

## Tuition Equalization Grant

The Governor proposes \$3 million for the tuition equalization grant, which provides \$2,000 to Oklahoma residents attending regionally accredited private colleges in Oklahoma. Schools focus on the students with the most financial need. This money will enable 1,500 students to receive the equalization grant.

**Debt Service for Bond Issue**

In order to maintain facilities of the utmost quality at Oklahoma's institutions of higher learning and provide additional classroom space to meet growing enrollments across the higher education system, the Governor's budget includes a \$500 million bond issue for capital projects. This money will fund 140 individual projects in 36 communities statewide and it will affect the 238,000 students at these institutions. Of the \$32.499 million expected to cover the annual debt service for the bond, \$28.022 of that will come from lottery revenues. The remaining \$3.24 million required for the FY-2006 debt service will come from General Revenue, expressed as GR Debt Service.

**Concurrent Enrollment**

The Governor's budget proposes to pay for up to 6 credit hours of college credit per semester for any Oklahoma high school students opting to take college courses during their senior year. Based on the number of students currently taking college courses while in high school, the total amount the Governor's budget includes for this initiative is \$1.5 million.

**Office of Accountability**

The Governor's budget provides \$600,000 for the Performance Review Program, a minimum of \$500,000 is to be spent on performance reviews and the remaining \$100,000 on increased costs associated with publishing the Oklahoma Education Indicators program. Depending on the size of the districts reviewed, this money may allow as many as 25 districts to undergo this process.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$297,518 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Regent's 305.9 average 2004 FTE.

**Mineral Asset Management**

The Governor recommends that all of Oklahoma's higher education institutions utilize the Commissioners of the Land Office's Mineral Management Division for managing their mineral leases.

**CLO Gas Marketing Program**

The Governor recommends that all higher education institutions participate in the CLO Gas Marketing program, whereby state agencies and institutions may purchase natural gas at a discounted price. This program is voluntary. In FY-2004, the CLO Gas Marketing program saved over \$1 million for the state, and FY-2005 savings are \$432,556.31 as of December 2004.

**Oklahoma College Savings Plan**

The Governor supports SB 448, which increases the annual Oklahoma State tax deduction for contributions to the Oklahoma College Savings Plan from the current \$2,500 per taxpayer per account to \$10,000 per year per taxpayer (regardless of the number of accounts funded). The Oklahoma Tax Commission provided the fiscal impact statement for the proposed legislation which indicates no revenue impact for FY-2005, and a \$750,000 revenue impact in both FY-2006 and FY-2007.

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# Oklahoma Department of Libraries

## Notable Achievements

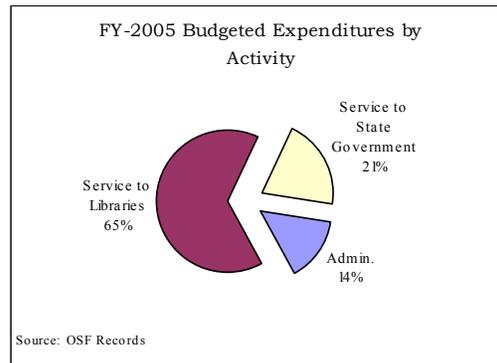
- *The licensing of electronic versions of magazines and journals is an achievement that benefits all citizens of Oklahoma. Statewide access to full-text magazine and journal articles saves local public libraries millions of dollars. Clients served include 205 public libraries, 1,100 school libraries, 68 academic libraries and 110 special libraries.*
- *The centennial statewide reading and discussion program, Oklahoma Reads Oklahoma, celebrated a very successful first year. Discussion programs were held in libraries throughout the state, and more than 2,400 persons attended programs to meet Billie Letts, author of *The Honk and Holler Opening Soon*, the Oklahoma Reads Oklahoma discussion book for 2004. Almost 5,200 Oklahoma readers voted online and via paper ballot to select the book for 2005: *Walking the Choctaw Road* by Tim Tingle. This was three times the vote count from the previous year, and indicates that participation and awareness will increase as we move toward 2006.*
- *Fifteen archival repositories from across the state were selected to participate in a pilot project, Models of Archival Management. In addition to federally funded monetary grants, the institutions received training and materials to develop and enhance their archival programs.*
- *In an effort to support the role of Oklahoma public libraries in emergent literacy services for their communities, ODL provided state grants to public libraries for the purchase of board books for children up to the age of three years. Awards ranged from \$750 to \$2,000 per library and were based on the number of children under the age of five residing in their communities. The ODL awarded \$172,960 in grants.*
- *Another ODL contribution to emergent literacy was the restructuring and*

*strengthening of the Ready to Learn project to provide Tier I and II level certification through the Center for Early Childhood Professional Development to day care providers. Although fewer providers were included in the program, they received more in-depth training to assist their at-risk children. Ready to Learn trained 1,425 daycare providers who served 15,429 at-risk children.*

The Oklahoma Department of Libraries (ODL) serves the citizens of Oklahoma by providing information services and preserving unique government information resources.

All states have a state library agency. Sometimes the state library agency is part of a larger agency such as a department of education or secretary of state. Oklahoma has had a state library since 1893. The ODL provides public library development services to the library community, as well as archives and records management services to the public and state government. The agency also maintains law and legislative reference resources, as well as state and federal government resources.

Through a combination of traditional print and online web services, the ODL provides convenient public access to state publications and information. The department also publishes Oklahoma's official bluebook of state government information, the *Oklahoma Almanac*. The graph below shows a breakdown of the agency's expenditures for FY-2005.



## Legal and reference services

The ODL fulfills two of Oklahoma's earliest government functions. In 1890, the First Legislature of the Territory of Oklahoma created a library to provide legal and legislative reference services. This mission continues today through the Jan Eric Cartwright Memorial Library in the State Capitol.

In 1893, the territorial library became an official depository for federal government publications. Today the Libraries' U.S. Government Information division provides citizens access to federal information in both print and electronic formats.

## Services to local libraries

Local libraries are served through formulation of standards, consultant services and continuing education for public library staff and trustees. A formal librarian certification program keeps Oklahoma's public librarians up to date with important trends and tools of their profession. Trained staff in public libraries means better service for library users and better management of taxpayers' dollars. Quality library service is a basic community infrastructure need.

## Literacy program

The agency's literacy program supports local community efforts to increase the basic literacy of Oklahomans through the work of public library and community-based literacy programs. The literacy program:

- Provides grants to local communities;
- Coordinates publicity, training and development efforts; and
- Cooperates with other agencies and the private sector in the development of literacy projects.

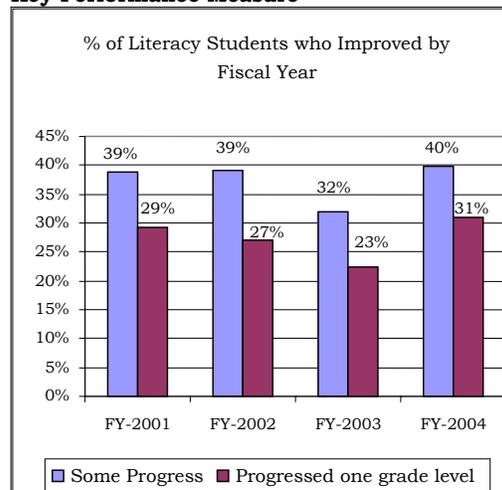
The literacy resource office works through local libraries using staff and volunteers to

work with both children and adults. The following table (top) describes services offered by the Literary Resource Office, and the graph (below) shows student improvement by fiscal year.

Client	FY-2002	FY-2003	FY-2004	FY-2005 budgeted
Children in Libraries First Book Program	1,350	1,492	1,562	1,600
Children served by local programs	6,714	11,670	5,133	5,000
Active tutors	1,412	1,140	1,472	1,500
Adult literacy (not TANF)	3,200	2,694	3,510	3,600
TANF - hours of instruction	74,957	90,281	120,842	100,000

Source: Dept. of Libraries 11/24/2004

## Key Performance Measure



Source: Dept. of Libraries

## Children's summer reading program

The summer reading program is another major impetus which impacts the literacy rate, keeping multitudes of Oklahoma children reading during their vacation months. The centralized coordination of the program also saves local libraries tax dollars while providing quality materials and programs that would not otherwise be available to many children.

The number of children participating in the summer reading program has dramatically increased in the last few years, as shown in the table below.

**Key Performance Measure**

Summer Reading Program		
	# of children enrolled	% of eligible children enrolled
FY-2000	36,360	12%
FY-2001	65,550	20%
FY-2002	75,638	21%
FY-2003	86,868	25%
FY-2004	97,820	28%
FY-2005 Bud.	100,000	28%

Source: Department of Libraries 11/24/2004

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$6,212</b>
<b>FY-2005 Bud. FTE Level</b>	<b>71.1</b>
<b>Actual Ave. YTD FTE</b>	<b>64.5</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>108</u>
<b>FY-2006 Recommendation</b>	<b>\$6,320</b>
% Change for FY-2005	1.73%

Source: Office of State Finance

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$108,227 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Library Department's 64.9 average 2004 FTE.

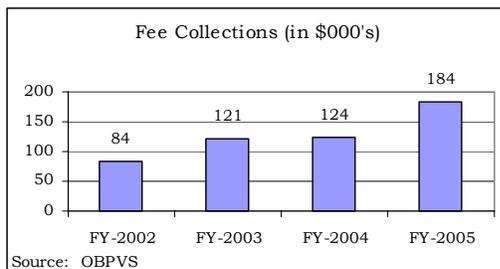
## Board of Private Vocational Schools

The Board of Private Vocational Schools licenses, regulates, and sets standards for the operation of private schools that conduct occupational training. The Board licenses approximately 190 schools with a student enrollment exceeding 50,000 per year. Additionally, there are approximately 100 solicitors licensed to recruit students for the licensed schools.

Every state has a private vocational school licensing function. Some states include this function in the State Department of Education, some fall in the Regents of Higher Education and some are free-standing Boards.

HB 2400 and SB 917 passed in the 2004 Legislative Session created an appropriated revolving fund where monies collected by the Board of Private Vocational Schools will be deposited. The law also increased the amount of the fines that can be levied by the Board and by District Court for non-compliance of the law and rules. These increases are estimated to result in additional fee collections of approximately \$60,000 over FY-2004 collections.

FY-2005 fee collections are estimated to be \$184,000, as illustrated in the graph below, while appropriations are \$155,456.



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$155</b>
<b>FY-2005 Bud. FTE Level</b>	<b>3.0</b>
<b>Actual Ave. YTD FTE</b>	<b>2.7</b>
<b>Funding Adjustments:</b>	
None	<u>(155)</u>
<b>FY-2006 Recommendation</b>	<b>\$0</b>
% Change for FY-2005	-100.00%
<small>Source: Office of State Finance</small>	

The Governor's budget proposes that the Board of Private Vocational Schools be non-appropriated and utilize all monies collected by the Board from licensing, fees and any fines levied for general operation.

## Oklahoma School of Science and Mathematics (OSSM)

### Notable Achievements

The class of 2004 had many accomplishments, some of which are:

- Increase in their ACT composite score from 27.7 to 31.1;
- 16 National Merit Finalists;
- Four semifinalists for the 2004 United States Physics Olympiad Team;
- First place in the National Physics Bowl;
- Two semifinalists for the United States Chemistry Olympiad Team; and
- First place in the Oklahoma Mathematics League Competition.

The mission of the Oklahoma School of Science and Mathematics is twofold:

- To foster the educational development of Oklahoma high school students who are academically talented in science and math; and
- To assist in the improvement of science and mathematics education for the state.

The OSSM has two main activities, a residential school, to which 79% of FY-2005 budget expenditures will go, and regional outreach, comprising the remaining 21%.

### Residential High School

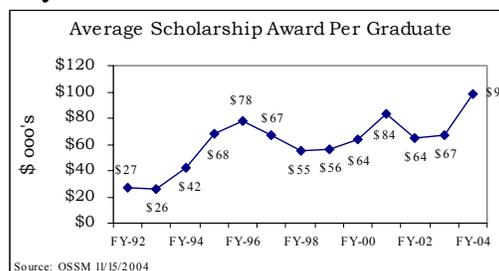
OSSM maintains a tuition-free residential high school for 144 students. Residential students represent the entire state with over half of the enrollment from smaller communities. Students focus on biology, chemistry, physics, computer science, mathematics and the humanities. They excel as measured by college admissions, scholarships and awards each year. All graduating seniors are college bound. The amount of total annual scholarships

received by OSSM students is significant, as seen in the graph below.



The scholarship awards per graduate are also impressive, as the graph below indicates.

### Key Performance Measure



Twenty six states have various forms of Math and Science residential programs. However, there are differences such as charging tuition, breadth of subject areas included or concurrent enrollment status with higher education universities. For example, students at the Texas school are on the North Texas State campus and may enroll in college courses.

Maintaining a tuition-free residential high school requires significant investment. The cost per OSSM student is higher than traditional public education for two reasons. First, class sizes are considerably smaller than those of other public schools, thereby increasing the need for teachers and classrooms. Second, the students are not required to pay their educational or residential costs. The following table shows the cost breakdown for the past four fiscal years.

	FY-2001	FY-2002	FY-2003	FY-2004
Educational Cost	\$ 18,022.40	\$ 21,784.01	\$ 21,541.00	\$ 21,884.00
Residential Cost	6,232.30	6,640.57	5,450.00	5,766.00
	<u>\$ 24,254.70</u>	<u>\$ 28,424.58</u>	<u>\$ 26,991.00</u>	<u>\$ 27,650.00</u>

Source: OSSM, 11/15/2004

At OSSM, 16 of 25 instructors and two administrators at the residential site have PhD's. Two of 18 instructors at the regional center sites have their PhD's, in addition to the regional center program administrator.

Of the 775 OSSM graduates since 1992, approximately 60% have or are attending in-state higher education institutions.

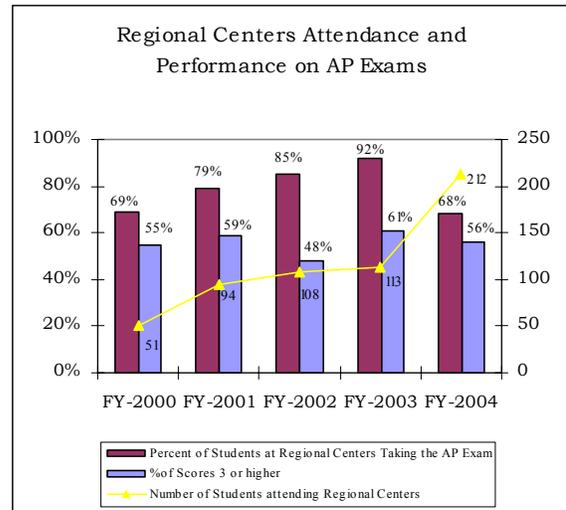
### Regional Centers

OSSM also operates regional centers for other students talented in science and mathematics. The regional centers serve students in their local areas. Currently, there are nine operational regional center sites located in Ardmore, Afton, Drumwright, Enid, Muskogee, Pryor, Okmulgee, Shawnee and Tahlequah, with one more set to be operational in FY-2006 in Ponca City.

These centers use existing facilities and existing transportation systems to serve student populations. The students attend the regional centers one-half of the school day while continuing to attend their local high school for the remainder of the day. Each of the centers serves students from multiple feeder high schools.

As evidenced in the below graph, in FY-2004, there were 212 students in the regional centers. 68% took the AP exams and 56% of them scored a three or higher.

### Key Performance Measure



Source: OSSM 11/15/04

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$6,572</b>
<b>FY-2005 Bud. FTE Level</b>	<b>75.0</b>
<b>Actual Ave. YTD FTE</b>	<b>69.0</b>
<b>Funding Adjustments:</b>	
Annualize Ponca City Salaries	64
Decrease Lab Supplies (Ponca City)	(22)
Food Service Increase	8
Increase in audit	9
Restore Math Instructor position	65
Restore Lab and Education Supplies	57
Restore Textbook Budget	19
Debt Service Increase	85
State Employee Pay Increase	<u>116</u>
Total Adjustments	401
<b>FY-2006 Recommendation</b>	<b>\$6,973</b>
% Change from FY-2005	6.10%

Source: Office of State Finance

### **Annualize Ponca City Salaries**

The Governor's budget includes \$64,476 to annualize the salaries for two teachers at the new Ponca City Regional facility.

### **Decreased Lab Supplies (Ponca City)**

The Governor proposes redirecting one-time lab and equipment supplies of \$22,000 from the Ponca City facility to partially cover the Lab and Educational Supplies budget increase recommended for the residential school.

### **Food Service Increase**

The Governor's budget proposes to allocate \$8,400 for the increased costs of OSSM's food service contract. This affects the 140 students living at the residential facility.

### **Increase in Audit**

The Governor's budget provides \$8,500 for Performance Measure Audits required by the OSSM board.

### **Restore Math Instructor Position**

The Governor's budget provides \$65,000 to restore a mathematics instructor position eliminated due to budget cuts in recent years. Although the position was eliminated, the need was still there and the agency's president has been teaching the course for two years. This money will enable OSSM to hire an instructor of mathematics and allow the president to focus on administration.

### **Restore Lab and Educational Supplies Budget**

The Governor proposes allocating \$36,000 to replace lab and education supplies for the 300 students at all OSSM campuses.

### **Debt Service**

The Governor's budget includes an additional \$85,000 for debt service for a bond that was used for building construction at the residential campus.

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$116,100 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for OSSM's 69.6 December 2004 FTE.

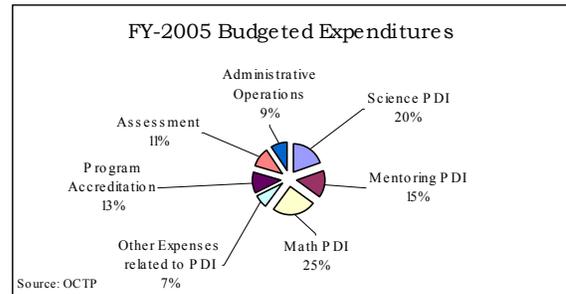
## Oklahoma Commission for Teacher Preparation (OCTP)

### Notable Achievements

- Over 300 programs at Oklahoma's 22 teacher education institutions have received national recognition from the Nation Council for the Accreditation of Teacher Education compared to five in 1998.
- Oklahoma remains in the top eight states in the nation in teacher preparation according to the "Quality Counts" report issued by Education Week in January of 2004.
- The 40 schools involved in Phase IV of the Literacy First professional development institute have increased the 3rd grade SAT9 (norm reference test) scores by 9% since 1999 compared to the state average of 1%.
- Of the 2,100 K-8 science students whose teachers were trained in the Science Professional Development Institute, they had an average gain of 9.25% on their pre- and post-tests.
- Oklahoma ranks 9<sup>th</sup> in the nation in the number of teachers attaining National Board Certification, with 1,083 having reached that milestone.
- Oklahoma's re-developed elementary education certification test is said to be one of the finest in the nation according to the Buros Center for Testing at Nebraska and the National Evaluation Systems testing company.

The OCTP serves as an independent standards board for teacher education. This competency based system of teacher preparation includes an evaluation of teacher education programs, a teacher assessment system and professional development institutes. Fifteen other states have an independent standards board with four more considering it. All other standards boards are under the individual state's Department of Education. The chart

below illustrates OCTP's FY-2005 budgeted expenditures.



### Accreditation of Teacher Education Programs

The Commission is responsible for accrediting the state's 22 teacher education programs. The three phases of the accreditation process are:

- Evaluation of each program at an institution to ensure that state and national standards are met;
- Assessment of teacher candidate portfolios; and
- Site visits by trained examiners to institutions to ensure compliance with standards.

### Teacher Assessment

To teach in Oklahoma, there are certain tests required before getting licensed. Competency-based teacher assessment programs ensure that students have access to competent, qualified teachers. During 2003, candidates from teacher education programs at 22 public and private schools completed 13,077 exams with an 83.4% pass rate. Those seeking alternative certification, administrator or additional certification, along with out-of-state candidates, completed 2,267 additional exams with an 81.4% pass rate.

### Professional Development Institutes

The Commission sponsors professional development institutes in literacy, science,

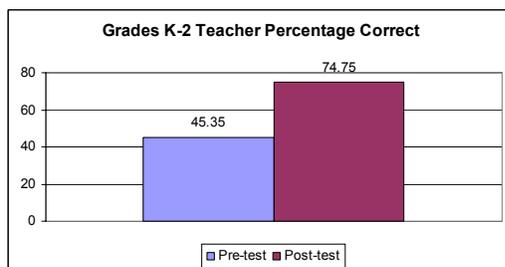
middle school math and mentoring of teachers.

### Literacy PDI

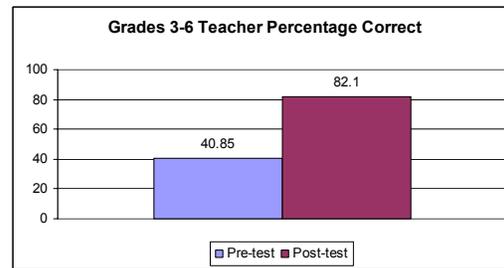
The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading and literacy training for all elementary teachers using "Literacy First" as its training base. The literacy PDI provides a balanced approach to teaching reading, which incorporates the latest phonics and literature based strategies. Since its implementation in 1998, approximately 13,000 teachers have been trained.

The literacy training occurs in four phases. Phase I and II provide training for teachers. Phase III focuses on literacy training and leadership for administrators. Phase IV implements a systemic, school-wide reading model whereby the school makes a total commitment by including coaching and mentoring for support and follow up.

During the fall 2003 PDIs, 270 grades K-2 teachers completed the pre-test and 253 completed the post-test. Of those, 230 teachers completed both pre- and post-tests. As shown below, the teachers' knowledge on the topics was lowest at the time of pretest.



For grades 3-6 PDI participants, 156 teachers completed the pre-test, 151 completed post-tests, and 136 completed both pre- and post-tests. As shown below, the teachers' knowledge on the topics was lowest at the time of pretest.



### Science PDI

Since 1997, the Legislature has appropriated funds for PDIs in science instruction. Each year 230 teachers participate in 45 hours of hands-on professional development that facilitates an integrated approach to teaching science. The program, which is a key performance measure, uses a train-the-trainer model, identifying teachers who will serve as peer trainers across the state.

### Middle School Math PDI

The math PDI is founded on a three-year system's approach to teaching mathematical concepts, focusing on grades 5 to 8. Connected Math, one of five programs recently recognized by the United States Department of Education as being effective, is the vehicle used in this research-based teacher training. The National Council for the Teaching of Mathematics' (NCTM) mathematical strands is the core of the content used.

As teaching mathematics requires a special set of skills, teachers are trained in the understanding of mathematics, as well as the application, based on the TIMSS research for successful academic achievement in mathematics.

### Mentoring PDI

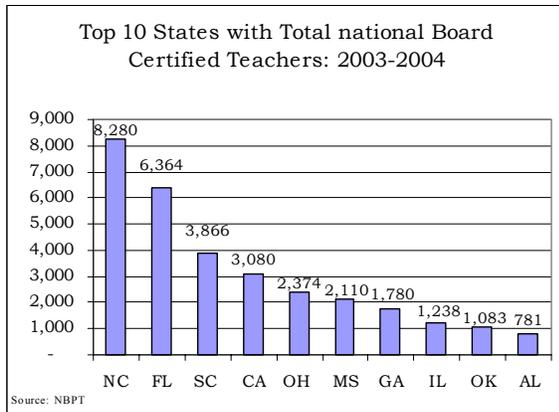
Oklahoma has had a nationally recognized induction program in place for over 20 years. Realizing that Oklahoma loses 50% of the State's teachers during the first five years of the profession, the Oklahoma Commission for Teacher Preparation has provided two mentoring PDIs to enhance the induction process by providing consistent mentor training in the essential skills necessary to support beginning teachers. This program is a key performance measure.

OCTP has contracted with Southwestern Education Development Laboratory for independent and on-going evaluation of each of the Professional Development Institutes. Results of the evaluation indicate that quality professional development is making a difference in Oklahoma classrooms.

### Education Leadership Oklahoma

Education Leadership Oklahoma provides information to teachers about National Board of Professional Teachers certification. The state program provides technical assistance and a scholarship of \$2,500 to candidates to pay for the application process, assessment and preparation costs.

Upon successful completion, classroom teachers receive \$5,000 for the life of the certificate, which is currently ten years. Teachers that earn certification but do not receive the scholarship qualify for reimbursement equivalent to the scholarship.



As indicated above, for FY-2004, there are 1,083 National Board certified teachers in Oklahoma, making Oklahoma ninth in the nation.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$1,998</b>
<b>FY-2005 Bud. FTE Level</b>	<b>9.0</b>
<b>Actual Ave. YTD FTE</b>	<b>9.1</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>17</u>
<b>FY-2006 Recommendation</b>	<b>\$2,015</b>
% Change for FY-2005	0.85%

Source: Office of State Finance

The Governor's budget provides \$1,942,500 to the Department of Education for Education Leadership Oklahoma. This money is for teachers who attain National Board Certification and represents the ability to award 351 teachers a \$5,000 bonus and 75 more scholarships of \$2,500 each.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$17,014 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for OCTP's 10.2 December 2004 FTE.

# **Energy**

**Oklahoma Corporation Commission  
Department of Mines**



# Energy

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY- 2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
Corporation Commission	\$11,767,056	\$8,767,056	\$3,664,738	\$12,431,794	5.6%
Mines, Department of	815,510	815,510	42,044	857,554	5.2%
<b>Total Energy</b>	<b>\$12,582,566</b>	<b>\$9,582,566</b>	<b>\$3,706,782</b>	<b>\$13,289,348</b>	<b>5.6%</b>

## Oklahoma Corporation Commission

### Notable Achievements

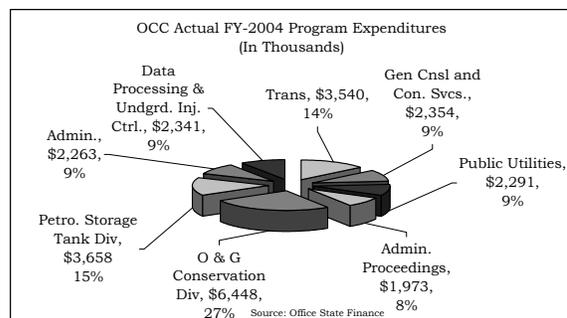
- The entire website was redesigned for easier links for the public and industry to access information. Also, oil and gas information which typically was paid for by the public on an as-needed basis was made available online for no charge. This saves the public the expense and time of coming to the Commission to request and pay for data sets.
- In FY-2004 OCC field inspectors located and turned in to the Oklahoma Energy Resources Board 468 abandoned oil and gas sites for remediation.
- The division's 6 public utility complaints investigators assisted more than 16,000 utility customers with billing problems, complaints and concerns, resulting in more than \$310,000 in consumer savings.

### Mission

The Oklahoma Corporation Commission regulates and enforces laws and activities associated with the exploration and production of oil and gas, public utilities, the safety aspects of motor carrier, rail and pipeline transportation and the storage and dispensing of petroleum-based fuels.

The Commission oversees the conservation of natural resources to avoid waste and protect the environment. The Commission has 3 elected Commissioners.

The Corporation Commission is primarily funded with revolving funds. Of the Commission's FY-2005 budgeted revenue sources, revolving funds are 60% of budgeted revenue. The following is a chart displaying the actual program expenditures of the Commission for FY-2004.



### Consumer Services Division

The Consumer Services Division of the Corporation Commission investigates and resolves consumer complaints. The Division also maintains accounts for mineral owners who cannot be located.

### Oil and Gas Conservation Division

The Oil and Gas Conservation Division provides regulatory oversight for all activities associated with the exploration, production and pipeline transportation of oil and gas in Oklahoma. The Division is organized into three departments: Technical Services, Pollution Abatement and Field Operations. The recent activities of the Division can be found in the following table.

Oil and Gas Conservation Division	FY-2003	FY-2004
Intent to Drill Applications Filed	4,730	5,171
Well Plugging Reports	1,565	1,738
Well Completions	4,326	6,313
Gas Well Tests Filed	3,128	2,814
Tax Incentives Filed	661	1,759
OG Total Applications Filed	14,410	17,795
Well Site Inspections	79,529	64,459
NonPollution/Pollution Complaints	2,218	2,374
Reported Incidents/Inspection Discoveries	1,278	1,059
Plugging/Well Test/MIT Field Witnesses	8,954	6,341
OG Total Field Activity	91,979	74,233

Source: Corporation Commission

In addition to issuing regulatory permits, the technical services department is also the official repository and point of access for all information on oil and gas wells and related activity in Oklahoma.

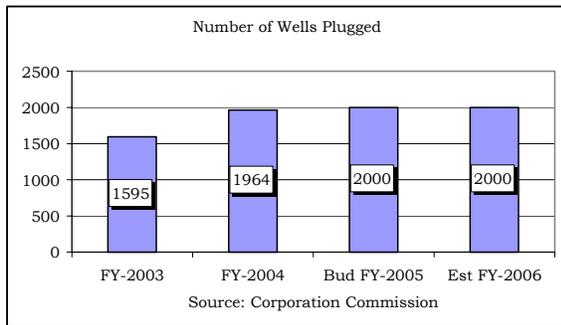
The pollution abatement department protects the surface, surface waters and ground waters of the state from pollution attributed to oil and gas activities. If

pollution occurs, this department oversees the remediation efforts.

The department also administers the Federal Underground Injection Control Class II program mandated under the Federal Safe Drinking Water Act and the Commission's portion of the federally mandated Clean Water Act.

The field operations department investigates complaints from the public, witnesses all field tests and operations and provides instructions for well plugging operations. Field operations personnel investigate and initiate enforcement procedures when appropriate. The following chart shows the progress with plugging wells.

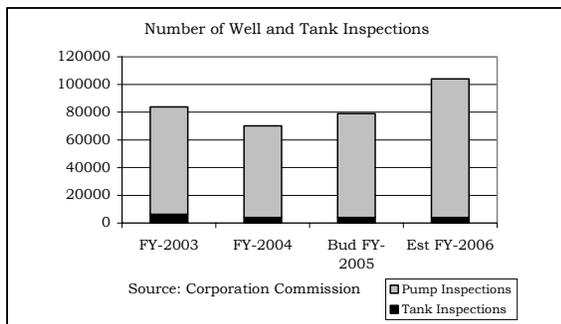
**Key Performance Measure**



**Petroleum Storage Tank Division**

The Petroleum Storage Tank Division is responsible for state and federal regulations regarding the storage, quality and delivery of refined petroleum products. The following chart shows the number of pumps and tanks the Division has inspected.

**Key Performance Measure**



The Division administers the Oklahoma Storage Tank Release Indemnity Fund. The funds are used to remediate contaminated sites and seal leaking tanks. For every gallon of gasoline sold in the state, a 1 cent fee is assessed to support this fund. The fund received deposits of \$14 million in FY-2004.

The Division works in conjunction with the national Brownfields program to clean up abandoned polluted industrial sites and return the sites to productive use. The Division also works with municipal governments to assess, and if necessary, clean up abandoned tank sites. The city of Sayre served as a pilot project and was a complete success. Twelve other community projects are underway and potential projects have been discussed with several other communities in the state.

**Public Utility Division**

The public utility division provides technical support and policy analysis to:

- Assure reliable public utility services at the lowest reasonable cost;
- Administer and enforce Commission Orders concerning public utilities (electric, gas, water, cotton gin and telecommunications service providers); and
- Fulfill constitutional and statutory obligations.

Staff is responsible for developing and presenting objective, independently researched, fact-based findings and recommendations to the Commission.

In FY-2004 the Division was responsible for regulating 793 public utilities.

**Transportation Division**

The Transportation Division administers licensing and certification of private and for-hire trucks that operate within and through Oklahoma. The Division also enforces motor carrier licensing

requirements, federal motor carrier safety standards, some federal and state railroad regulations and pipeline safety regulations.

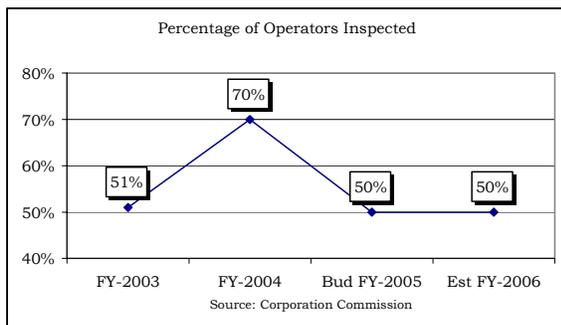
Oklahoma has more than 5,400 for-hire and private motor carriers licensed to operate in intrastate commerce, 21 railroads that operate in Oklahoma and almost 40,000 miles of natural gas and hazardous liquid pipeline within the state. The table that follows documents the recent fiscal year activities and progress made by the Division and the second table shows the percentage of operators inspected.

Transportation Division	FY-2003	FY-2004
Motor Carrier Licenses/Permits Issued	5,500	4,985
Certificates Issued	201	151
Single State Registrations Issued	2,926	2,988
Insurance Filings Received	17,960	14,382
Identification Devices Issued	48,611	46,351
Letters of notification to Motor Carriers	10,076	9,641
Citations Filed	10,055	9,678
Warnings Filed	738	814
DOT Numbers Issued	396	366
Hazardous Waste Credentials Issued	278	51
<b>TR Total Applications Filed</b>	<b>96,741</b>	<b>89,407</b>
Vehicle Checks	54,019	59,463
Vehicle Inspections	1,150	792
Educational Contacts	627	795
Railroad Complaints Investigated	129	71
Pipeline Gas/Liquid Units Inspected	234	240
Pipeline Gas/Liquid Operators Inspected	143	187
<b>TR Total Field Activity</b>	<b>56,302</b>	<b>61,548</b>

Source: Corporation Commission

### Key Performance Measure

The goal is to inspect at least 50% of operators a year ensuring proper licensing to promote safety



### Office of Administrative Proceedings

The Office of Administrative Proceedings is the court division of the Corporation

Commission. It includes administrative law judges, legal secretaries, court reporters and the Court Clerk's Office. Filings are made and hearings are conducted in the Western Regional Office, Oklahoma City and in the Eastern Regional Office, Tulsa. Testimony and evidence may be presented by phone instead of appearing in person before an administrative law judge.

In FY-2004, 10 administrative law judges and 1 referee conducted 21,084 hearings.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$11,767</b>
Remove REAP Funding	<u>(3,000)</u>
<b>FY-2005 Base</b>	<b>\$8,767</b>
<b>FY-2005 Bud. FTE Level</b>	<b>438.2</b>
<b>Actual Ave. YTD FTE</b>	<b>402.0</b>
<b>Funding Adjustments:</b>	
Replace REAP with GR	3,000
State Employee Pay Raise	<u>665</u>
Total Adjustment	<u>3,665</u>
<b>FY-2006 Recommendation</b>	<b>\$12,432</b>
\$ Change from FY-2005	\$665
% Change for FY-2005	5.65%

Source: Office of State Finance

The FY-2006 appropriation for the Corporation Commission is the same as provided for FY-2005 with the following adjustments.

### Replace REAP Funding

The Governor's budget recommends that only one-time projects be funded out of the Gross Production Tax REAP Fund. The volatility of these funds makes it inadvisable to use this fund to support agency general operations as it has been used the last few fiscal years. The Governor's budget recommends replacing \$3 million in REAP funds with general revenue funds.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$664,738 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Corporation Commission's 398.5 December 2004 FTE. This number excludes 3 elected Corporation Commissioners.

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# Department of Mines

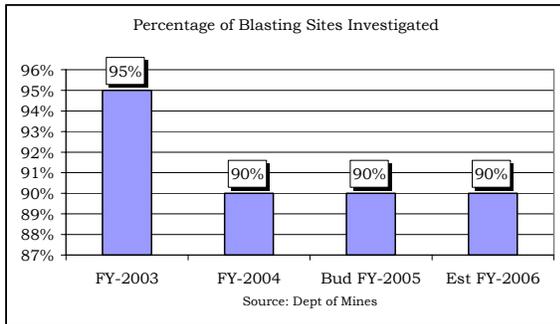
## Mission

The Oklahoma Department of Mines is the regulatory authority for surface and sub-surface mining in Oklahoma. The Department is empowered to implement and enforce state and federally mandated programs in health, safety, mining and land reclamation practices. The agency issues mining permits and performs inspections of all mining and mining-related land reclamation activities in the state.

The Department of Mines relies on state appropriations, federal funds and revolving funds to fund the Department's budgetary expenditures. The table below shows the Department's focus on inspection of blasting sites with the % investigated in FY-2003 and 2004.

### Key Performance Measure

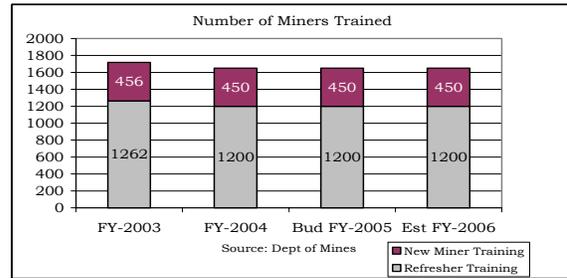
The goal is to protect the public by ensuring safe blasting



### Oklahoma Miner Training Institute

The Oklahoma Miner Training Institute (OMTI) located in Wilburton, provides classroom and on-site training for mine operators. Miners are required to have training in using explosives and in health and safety. Existing miners receive refresher training here as well.

### Key Performance Measure



### Coal Division

The Coal Division is essential for the implementation of state and federal laws regarding coal mining. Coal mining inspections are conducted to protect the environment, adjacent landowners and the public from adverse effects caused by mining operations. The Coal Division contains three basic subdivisions comprised of Technical Services, Permitting and Inspection and Enforcement.

### Minerals (Non-Coal) Division

The Minerals Division is responsible for protecting the environment of the state, the health and safety of miners, and the life, health and property of the citizens who are affected by mining activities.

Type of Mineral	# of Non-Coal Mine Sites
Bentonite	2
Building Stone & Rock	69
Caliche	3
Clay & Shale	74
Granite	8
Gypsum	18
Limestone	114
Sand & Gravel	276
Salt	2
Select Material	30
Tripoli	1
Volcanic Ash	2
<b>Total</b>	<b>599</b>

Source: Department of Mines

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## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$816</b>
<b>FY-2005 Bud. FTE Level</b>	<b>36.5</b>
<b>Actual Ave. YTD FTE</b>	<b>35.5</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	<u>42</u>
<b>FY-2006 Recommendation</b>	<b>\$858</b>
% Change for FY-2005	5.15%

Source: Office of State Finance

The FY-2006 appropriation for the Mines Department is the same as provided for FY-2005 with the following adjustments.

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$42,044 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Mine's 35.5 December 2004 FTE.

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# **Environment**

**Department of Environmental Quality  
Oklahoma Water Resources Board  
Department of Wildlife Conservation**



# Environment

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY- 2006 Appr.	% Diff. from FY- 2005
Environmental Quality, Dept. of	\$9,495,264	\$9,495,264	(\$82,545)	\$9,412,719	-0.9%
Water Resources Board	4,431,977	4,240,345	134,335	4,374,680	-1.3%
Water Resources - REAP	2,200,000	2,200,000	0	2,200,000	0.0%
<b>Total Energy</b>	<b>\$16,127,241</b>	<b>\$15,935,609</b>	<b>\$51,790</b>	<b>\$15,987,399</b>	<b>-0.9%</b>

# Department of Environmental Quality

## Notable Achievements

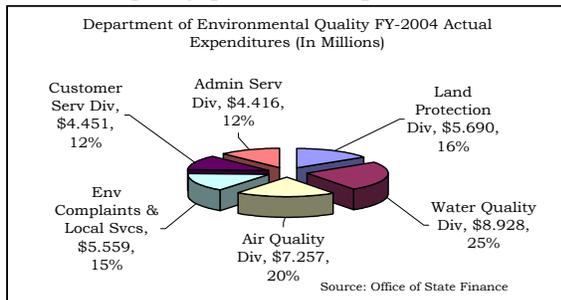
- All of Oklahoma is currently in attainment with the National Air Quality Standards.
- Compliance rates with drinking water standards for Public Water Supply (PWS) systems in Oklahoma have remained consistently at or above 96% for many years.
- The relocation program has begun in the Tar Creek area. This is an important initiative of Gov. Henry and provides for the relocation of families that live in the affected area.

## Mission

The Department of Environmental Quality (DEQ) is responsible for ensuring state and federal compliance with environmental program requirements. The mission of the DEQ focuses its program efforts on three major areas of responsibility:

- Air Quality
- Water Quality
- Land Protection

The Department of Environmental Quality has three sources of funding, state appropriations, federal funds, and revolving funds. Revolving funds are a significant source of funding for the DEQ, representing 51.7% of the agency's total funding sources for FY-2005. The following chart shows how the agency plans to disperse the funds.



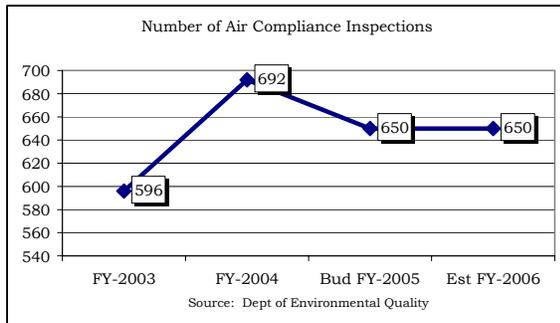
The Air Quality, Water Quality, Land Protection Divisions, Environmental Complaints & Local Services (ECLS) Division and the Customer Services Division support DEQ's efforts to improve the quality of Oklahoma's environment. ECLS, which provides the staffing for 30 local offices across the state, is primarily responsible for complaint response, media specific inspections and/or enforcement and response to citizen requests for local services.

Within the Customer Services Division (CSD), the Customer Assistance Program offers non-regulatory approaches to compliance through technical assistance to industries seeking permits to locate or operate in Oklahoma. This program also works with existing Oklahoma companies to prevent pollution, encourage recycling and achieve compliance. In addition, the CSD houses the State Environmental Laboratory, which provides analytical support for the agency's regulatory programs, as well as most public water supply systems and those of other environmental agencies.

## Air Quality

Air quality attainment is determined by whether the National Ambient Air Quality Standards (NAAQS) as set by the Environmental Protection Agency (EPA) are met. In response to the revised ozone standard (the 1-hour standard became a more stringent 8-hour standard), the Oklahoma City and Tulsa area voluntarily entered into an agreement with DEQ and EPA known as an Early Action Compact. This agreement, while allowing for flexible local control options, requires a continued commitment by the DEQ for continued refinement of emissions inventories and analysis. State implementation plans reflecting these commitments were due by December 31, 2004 with continued monitoring of the agreement to continue until 2007.

### Key Performance Measure



Although ozone levels recorded in 2004 kept Oklahoma City and Tulsa in attainment, the Tulsa area is especially vulnerable should we experience a return to more typical Oklahoma summer time patterns in 2005. Continued compliance with the milestones contained within the Early Action Compacts is absolutely critical in the event that Tulsa or Oklahoma City should record values next summer that cause either to fall out of attainment.

### Water Quality

The regulation of Oklahoma's water quality is divided into three major areas:

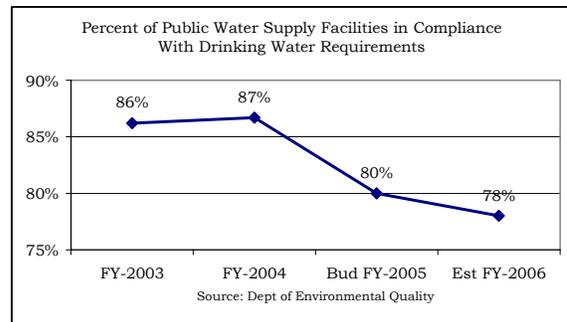
- The regulatory control of municipal and industrial wastewater;
- The evaluation of attainment of beneficial uses of Oklahoma's water bodies; and
- The monitoring and regulatory management of public water supplies.

Wastewater permits are issued to limit the impact of pollutants to both ground water and surface water, which protects the beneficial uses identified in Oklahoma's Water Quality Standards. Total Maximum Daily Load studies are conducted to determine the level amount of pollutants that can enter a water body and still meet beneficial uses.

The Public Water Supply (PWS) program monitors more than 2,300 public water supplies serving in excess of 3 million residents plus visitors to the area.

Historically, PWS facilities have maintained a compliance level near 95%. However due to significant increases in federal requirements, including the new Arsenic Rule and Disinfection By-Product Rule, as well as others, it is anticipated that the compliance rate will decrease by as much as 20% to 25%.

### Key Performance Measure



The DEQ laboratory monitors drinking water for over 90 contaminants. The new federal regulations are increasing the number of parameters and the number of systems that must be monitored. In addition to PWS samples, the DEQ laboratory also analyzes samples for multiple state agencies, private citizens, and the ground water program.

Finally, with the January 2001 EPA issuance of a water quality criterion for mercury in fish tissue of 0.3 mg/kg, EPA will begin requiring states to incorporate this criterion into their water quality standards in 2006. This action has also prompted DEQ to reexamine the level at which consumption advisories are issued. In order to make decisions regarding the issuance of consumption advisories to protect human health and the status of unassessed waters, more fish tissue monitoring is required.

### Land Protection

The activities of the Land Protection Division are focused principally on four broad areas:

- Hazardous waste management,

- Site cleanup,
- Solid waste management, and
- Radiation protection

**Hazardous waste management**

Hazardous waste management is operated under delegation of the federal Resource Conservation Recovery Act (RCRA) and is directed toward the permitting and monitoring of regulated hazardous waste facilities. Activity in the agency’s hazardous waste program has leveled as recycling, chemical substitution and material reuse have reduced the volume of hazardous materials. The following graph shows the number of hazardous waste inspections completed.

**Key Performance Measure**



**Site clean-up**

Environmental cleanup programs (also termed site remediation) are managed under the Superfund program and under the agency’s Voluntary Clean-Up/Brownfields effort. Several high visibility sites, among which is the Tar Creek project, continue to dominate the Superfund program.

The problems at Tar Creek are the result of past mining activity, which caused pollution to land and water resources in the northeast corner of Oklahoma. A graver consequence is the elevated blood lead levels in children living in the area. While resources have been dedicated to this site for many years, the most recent and most

successful effort has been directed toward reducing these blood lead levels.

**Tar Creek Voluntary Relocation Project**

The Oklahoma Legislature passed SB 1490, an important initiative of Governor Henry, to assist families with children 6 years of age and younger that live in the Tar Creek area. This bill provided partial funds for the relocation of the affected families. The deadline for applications by families was the end of December. Sixty-seven applications were received, representing 200 total people. At this stage in the project, a relocation company has been contracted to perform appraisals, title research and property valuation. Once this work is completed offers can be made to the families. For FY-2006 the Governor’s budget is recommending the \$2 million needed to complete the project.

**Voluntary Clean-Up/Brownfields**

The agency’s Voluntary Clean-Up/Brownfields program was established to enhance the economic value of sites that formerly went unused due to the stigma and expense of long-term remediation. Under the voluntary program, owners or developers can enter into agreements that streamline the cleanup process without undergoing the lengthy federal process.

For example, a commercial property in the OKC metro area targeted for redevelopment was found to be contaminated with hydraulic oil. By entering the voluntary program, the developer was able to remediate the site and is now in the process of completing a new commercial venture. Currently there are 116 sites involved in voluntary cleanup. Since the inception of the program in 1985, nearly 200 sites have participated in either the Voluntary Program or Brownfield and received a “no further action” letter or a Brownfield “certificate”, which officially signifies completion of the project.

**Solid Waste Management**

DEQ’s solid waste program establishes and regulates generation and disposal of solid waste and works in partnership with county and local governments to improve the local solid waste infrastructure. Local

needs vary from cleaning up illegal dumps and developing convenience centers for bulky waste to obtaining equipment for managing disaster debris and increasing recycling. These enhancements, where implemented, have allowed local jurisdictions to take a more holistic approach to managing of wastes. Local governmental assistance includes clean up of trash dumps, recycling (including storm debris management) and land restoration projects.

**Key Performance Measure**



The Land Protection Division also oversees the implementation of the Waste Tire Recycling Act, handling collection and recycling of the roughly 3,000,000 discarded tires annually. The program also includes requirements for commercial tire processors and provisions for cleaning up abandoned tire dumps throughout the state.

**Radiation Protection**

The Radiation Management Section of the Land Protection Division is responsible for regulating the safe use of most sources of radioactivity in the state. It handles about 300 radioactive materials licenses and about 150 industrial, therapeutic and analytical X-ray systems facilities. Since receiving authorization in 2001, DEQ has assumed most of the duties of the Nuclear Regulatory Commission.

Although Oklahoma is not generally thought of as a "nuclear state", Tulsa is one of the world's major centers of industrial radiography, the use of very powerful radioactive sources to look for hidden flaws in materials such as pipelines, boilers, and

aircraft parts. There are also numerous types of radioactive materials used in the state for research, medical diagnosis and treatment, and to measure the properties of materials.

Radiation licenses stipulate the safety practices required by users of radioactive materials. Inspectors regularly visit radiation users to verify compliance with their licenses and with state and federal regulations. DEQ inspectors also investigate citizen complaints involving radiation issues. In emergencies and incidents involving radioactivity, DEQ is the state's technical expert and investigates such events as lost radiation sources or overexposures.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$9,495</b>
<b>FY-2005 Bud. FTE Level</b>	<b>571.0</b>
<b>Actual Ave. YTD FTE</b>	<b>545.5</b>
<b>Funding Adjustments:</b>	
Reduce One Time Tar Creek Funding	(3,000)
Tar Creek Voluntary Relocation	2,000
State Employee Pay Raise	917
Total Adjustments	-83
<b>FY-2006 Recommendation</b>	<b>\$9,412</b>
% Change for FY-2005	-0.87%

Source: Office of State Finance

The FY-2006 appropriation for the Department of Environmental Quality is the same as provided for FY-2005 with the following adjustments.

**Tar Creek Voluntary Relocation Project**  
 SB 1490 was passed by the 2004 Oklahoma legislature to assist families with children 6 years of age and younger with relocation efforts to healthy environments for their children. SB 1490 provided \$3

million of the \$5 million requested by the Governor to help with the relocation efforts. The Governor's budget recommends the additional \$2 million be appropriated to the DEQ to complete the project.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$917,455 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department's 550.0 December 2004 FTE.

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# Oklahoma Water Resources Board (OWRB)

## Notable Achievements

- In October, Standard & Poor's ratings services issued 'AAA' ratings to the OWRB's \$204 million series 2004 Drinking Water State Revolving Fund (DWSRF) revenue bonds. As a result of these exceptional bond issue ratings, the Water Resources Board remains the highest rated, uninsured state bond issuer in Oklahoma. The high ratings allow the Board to make loans at extremely low interest rates to small communities.
- The Water Resources Board's Financial Assistance Plan is responsible for over \$1.5 billion in financing for community water and sewer infrastructure projects in Oklahoma. None of the OWRB's three loan programs for water and sewer system improvements has ever experienced a default.
- In April, the OWRB closed on a \$45,510,000 Drinking Water State Revolving Fund (DWSRF) loan to the Bartlesville Municipal Authority. It is estimated that over the life of the loan, Bartlesville will save in excess of \$13 million by borrowing from the OWRB.
- The OWRB Received EPA accolades and recognition as a national leader for our state water quality/quantity monitoring strategy document and monitoring programs. The only state selected by the United States Geological Survey (USGS) to serve on a national workgroup to enhance the USGS Cooperative Monitoring Program.

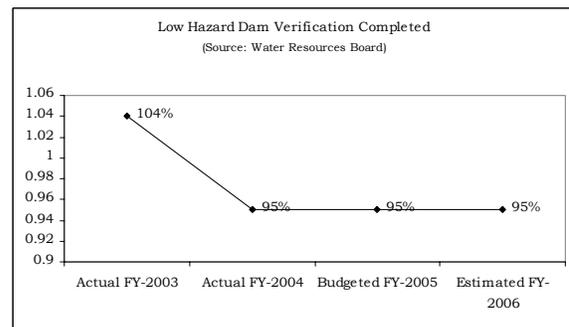
## Mission

The Oklahoma Water Resources Board is the lead agency in Oklahoma for water rights and water quality issues. Anyone who uses fresh water for anything other than domestic use is required to obtain a permit from the OWRB.

The Board sets water quality standards and classifies Oklahoma waters with respect to their best use. OWRB employees conduct scientific studies and surveys which analyze the physical, chemical and biological parameters of our water. An example of their duties is to complete low hazard dam verification on 425 dams to ensure that the hazard classification has not changed. This progress is exhibited in the graph below.

### Key Performance Measure

Goal is to inspect 95% of the dams



The Board's employees also work closely with the Oklahoma Attorney General, the United States Environmental Protection Agency and other environmental agencies regarding water management issues and litigation.

The OWRB has three funding sources: state appropriations, federal funds and revolving funds. State appropriations were 42% of the agency's total funding for FY-2004.

The OWRB also:

- Coordinates the Beneficial Use Monitoring Program (BUMP) to collect ambient water quality information on Oklahoma's surface water;
- Guides water use through the issuance of stream water and groundwater permits;
- Licenses water well drillers and pump installers to reduce potential contamination of the state's groundwater resources; and

- Provides loans for infrastructure

**Infrastructure Funding for Municipalities and Local Districts**

The OWRB administers programs to provide funding for infrastructure repairs, maintenance and capital improvements. The OWRB provides low interest loans to public entities including rural water districts, municipalities and public works authorities. The OWRB provides low-interest loans through these programs:

- SRF Clean Water (Wastewater) Loan Program,
- SRF Drinking Water Loan Program, and
- OWRB’s Bond Issue Loan Program.

During 2004, the Board approved more than \$155 million in loans.

The bond loan portfolio sustained 89.6 % in ratable loans. Total loan amounts outstanding increased to over \$514 million and total assets increased to more than \$843.2 million during FY-2004.

The following chart shows the number of applicants and amounts loaned or granted since FY-2000.

FY	Clean Water SRF		Drinking Water SRF		Bond Series	
	No.	Loans	No.	Loans	No.	Loans
Total through FY-1999	82	295,432,184	1	9,753,675	106	297,425,000
FY-2000	11	36,211,099	6	19,668,280	8	12,375,000
FY-2001	18	53,990,665	8	18,390,550	21	55,350,000
FY-2002	16	56,976,155	6	28,878,178	22	37,805,000
FY-2003	17	46,280,834	7	7,407,591	23	79,960,000
FY-2004	12	31,182,156	10	78,006,431	22	45,870,000
Total	156	\$520,073,092	38	\$162,104,706	202	\$528,785,000

FY	Emergency Grants		REAP Program		Totals	
	No.	Grants	No.	Grants	No.	Total Amount
Total through FY-1999	434	24,877,892	159	12,573,467	1,560	1,207,148,685
FY-2000	16	1,127,471	74	6,366,648	115	75,748,498
FY-2001	21	1,553,487	54	4,835,947	122	134,120,649
FY-2002	17	1,100,820	45	4,233,643	106	128,993,796
FY-2003	10	549,886	38	3,949,025	95	138,147,335
FY-2004	10	610,776	23	2,137,948	77	157,807,311
Total	508	\$29,820,332	393	\$34,096,678	2,075	\$1,841,966,274

Applicants approved

Source: OWRB

OWRB also administers two grant programs:

- REAP Grant Program

- Emergency Grant Program.

During 2004, the Board approved 10 emergency grants for \$610,776 and 23 REAP grants for approximately \$2.1 million.

**Oklahoma Comprehensive Water Plan (OCWP)**

In 1992, the State Legislature directed the OWRB to update the OCWP every 10 years. The OWRB proposes that the 2005 Update be “regionally focused”, identifying specific projects and management strategies necessary to meet future water needs. All strategies to meet future water needs must be identified in their regional and state water plans to be eligible for funding.

**Beneficial Use Monitoring Program (BUMP)**

This program is designed to monitor ambient water quality of surface and groundwater.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$4,432</b>
Remove One Time GP REAP	(192)
<b>FY-2005 Base</b>	<b>\$4,240</b>
<b>FY-2005 GR REAP Appr.</b>	<b>\$2,200</b>
<b>FY-2005 Bud. FTE Level</b>	<b>106.7</b>
<b>Actual Ave. YTD FTE</b>	<b>99.6</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	134
<b>FY-2006 Recommendation</b>	<b>\$4,374</b>
<b>FY-2006 GR REAP Rec.</b>	<b>\$2,200</b>
\$ Change from FY-2005	(\$58)
% Change for FY-2005	-1.31%
<b>REAP GP Tax</b>	<b>\$4,000</b>

Source: Office of State Finance

The FY-2006 appropriation for the Water Resources Board is the same as provided for FY-2005 with the following adjustments.

**Remove One Time REAP GP Tax Funds**

The Governor's budget recommends removing \$191,632 of appropriations that was used for water studies for North Fork and Grand Lake.

endangering the ecosystem of streams and rivers that rely upon it.

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**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$134,336 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Oklahoma Water Resources Board's 98.8 average 2004 FTE.

**FY-2006 Recommendation For REAP GP Tax Funds****Rural Community Drinking Water Compliance**

The Governor's budget proposes \$1 million for testing, analysis and equipment to help rural communities meet Safe Drinking Water Act Amendments of 1996, (PL 104-182), of EPA rules contained in 40 CFR Parts 141-143. The rules require cities to meet stricter drinking water standards. The OWRB will partner with the Department of Environmental Quality to help qualified communities complete this project.

**Oklahoma Comprehensive Water Plan**

The Governor's budget recommends \$2.5 million be expended from the Gross Production Tax REAP Fund for FY-2006, for the state portion of the estimated cost of the Oklahoma Comprehensive Water Plan. The Governor's budget recommends the remaining \$4.0 million in state funds necessary for the study be expended from the fund in the coming years with \$2.0 million in FY-2007 and \$2.0 million in FY-2008.

**Arbuckle-Simpson Aquifer Study**

The Governor's budget recommends \$500,000 be expended from the Gross Production Tax REAP Fund for the ongoing Arbuckle-Simpson aquifer study. This study is seeking to ascertain the volume of water contained in the aquifer to determine how much water can be taken from the aquifer for drinking water supplies without

# Department of Wildlife Conservation

## Mission

The Oklahoma Department of Wildlife Conservation is responsible for managing the wildlife and habitat of Oklahoma to provide scientific, educational, aesthetic, economic and recreational benefits for hunters, anglers and others who appreciate wildlife throughout the state.

In FY-2004, ODWC reported \$35 million in total receipts, primarily from sales of licenses and federal payments. Annual lifetime license fees increased on July 1, 2003.

Federal payments are derived from federal excise taxes on guns and ammunition. States that provide all hunting license revenue for wildlife management receive allocations through a formula based on the state's land area, population and the number of hunting licenses.

More than 60 types of hunting and fishing licenses are sold by ODWC through 1,100 license dealers. All license revenue, except lifetime license revenue, is used for operations of ODWC.

The Department of Wildlife Conservation is a non-appropriated agency. The Department's two sources of funding are revolving funds and federal funds.

## Lifetime Hunting & Fishing Licenses

Revenues from the sale of lifetime licenses are placed in a trust fund and the earnings from that fund are used for operations. Over the last three years, earnings on the lifetime fishing and hunting licenses have been about \$5.2 million, which has resulted in an approximate average return of 3.7 %.

Number of Lifetime Licenses Sold

	FY-2001	FY-2002	FY-2003	FY-2004
Lifetime Hunting	1,058	1,473	1,774	974
Lifetime Fishing	1,014	1,278	3,078	2,419
Lifetime Combination	2,988	3,958	6,468	3,710
Total	5,060	6,709	11,320	7,103

Source: Department of Wildlife Conservation

## Wildlife Management

ODWC manages the wildlife and 1.6 million acres (3.6 % of total state acreage) of public wildlife preserves. Private landowners (including farmers and ranchers) own most of the wildlife habitat and often suffer decreased income from their crops and grasslands being foraged or used for habitat by wildlife. The opportunities for hunting wildlife on these habitats decline as landowners use the land for agricultural purposes or other revenue producing purposes.

Fee hunting on private lands has shown there is a demand for higher quality hunts. It is important to encourage private landowners to provide quality habitat for wildlife.

# **Finance and Revenue**

**State Auditor and Inspector  
Banking Department  
Office of the State Bond Advisor  
Capital Improvement Authority  
CompSource Oklahoma  
Consumer Credit Commission  
Office of State Finance  
Insurance Department  
Commissioners of the Land Office  
Retirement Systems  
Securities Commission  
Oklahoma Tax Commission  
State Treasurer**



# Finance and Revenue

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY-2006 Appr.	% Diff. from FY- 2005
Auditor & Inspector	\$5,523,603	\$5,523,603	\$279,074	\$5,802,677	5.1%
Auditor & Inspector - REAP	15,500,000	15,500,000	0	15,500,000	0.0%
Bond Advisor, State	188,096	188,096	5,171	193,267	2.7%
Consumer Credit Commission	616,513	616,513	22,169	638,682	3.6%
Finance, Office of State	22,866,800	22,574,800	2,177,811	24,752,611	8.2%
Insurance Department	2,136,301	2,136,301	98,782	2,235,083	4.6%
Land Office, Commissioners	4,747,965	4,747,965	96,750	4,844,715	2.0%
Lottery Commission	500,000	0	500,000	500,000	
Tax Commission	41,462,019	41,462,019	3,726,618	45,188,637	9.0%
Treasurer	4,926,592	4,426,592	97,907	4,524,499	-8.2%
<b>Total Finance and Revenue</b>	<b>\$98,467,889</b>	<b>\$97,175,889</b>	<b>\$7,004,282</b>	<b>\$104,180,171</b>	<b>6.3%</b>

## State Auditor and Inspector

### Notable Achievements

- *Provided Continuing Professional Education (CPE) seminars for over 400 participants from approximately 60 state agencies and educational institutions.*
- *The State Agency Audit Division successfully met all Federal audit requirements to ensure the continued flow of Federal funds to the State.*
- *Successfully reviewed the Comprehensive Annual Financial Report (CAFR), which is a financial report covering all State agencies.*

### Required Audits

The Constitution (Article VI, Section 19) and/or statutes require the Auditor and Inspector (A&I) to audit the following entities:

- State and County Treasurers twice each year;
- Each Emergency Medical Services District;
- County Solid Waste Management Operations;
- State Officers who Collect Money;
- District Attorney's and District Attorney's Council (continuous);
- Department of Corrections (continuous); and
- OSEEGIB (contracted out).

Unless an agency has specific legislative authority to contract its audit outside (e.g. Higher Ed., trust authorities and Commerce), the Auditor and Inspector's office is generally responsible for auditing all state agencies.

### Funding Sources

The Auditor and Inspector's budget is funded in large part from revolving fund monies. These revolving funds include monies collected from Abstractor licensing,

Auditor registration, and other payments for services rendered.

### Financial Audits

The Comprehensive Annual Financial Report (CAFR) is prepared annually by the Office of State Finance. The financial operations of all State agencies are included within the scope of the CAFR. The State of Oklahoma has received the Certificate of Achievement for excellence in financial reporting given by the Governmental Finance Officers' Association every year since 1996.

The Single Audit is prepared by the Auditor & Inspector's Office to meet the requirements of the Single Audit Act. The federal funds expended by all State agencies (excluding higher education and civil emergency management) are included within the scope of the Single Audit.

### Performance Audits

Since FY-2002, the Office of the State Auditor and Inspector has been conducting performance audits as authorized by 74 O.S. Supp 2001, 213.2. A performance audit includes economy, efficiency, and program audits. Economy and efficiency audits determine whether the entity is utilizing its resources economically and efficiently. Auditors also determine the causes of inefficiencies or uneconomical practices. A program audit determines if a program is achieving the desired results or benefits established by the Legislature, or other authorizing body. Program audits also ascertain the effectiveness of organizations, programs, activities or functions. The performance audit division has averaged one audit per year for the past four years.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$5,524</b>
<b>FY-2005 Bud. FTE Level</b>	<b>149.0</b>
<b>Actual Ave. YTD FTE</b>	<b>149.1</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>279</u>
<b>FY-2006 Recommendation</b>	<b>\$5,803</b>
% Change from FY-2005	5.05%
REAP - General Revenue	<b>\$15,500</b>
<small>Source: Office of State Finance</small>	

The FY-2006 appropriation for the Auditor & Inspector is the same as provided for FY-2005, with the following adjustments.

The FY-2005 appropriation included \$150,000 for IT infrastructure upgrades, this is also included in the FY-2006 Recommendation.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$279,073 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the State Auditor and Inspector's 167.3 December FTE. This number includes 16.0 County Government Education and Training FTE, who are paid through the Auditor and Inspector's Office.

**REAP**

The Governor's budget proposes that FY-2006 REAP funding under the Auditor and Inspector is \$15.5 million.

## Banking Department

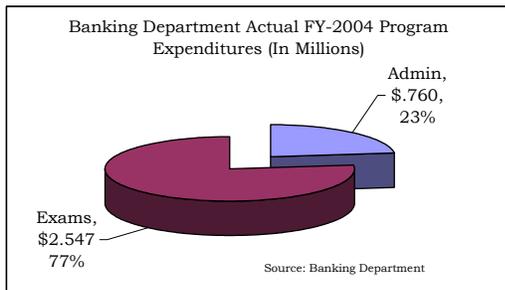
### Mission

The State Banking Department preserves and promotes sound, constructive competition among financial institutions and ensures the security of deposits. They regulate State-chartered/Licensed:

- Banks
- Savings and loan associations
- Credit unions
- Trust companies
- Perpetual care cemeteries
- Money Order Companies

The Conference of State Bank Supervisors (CSBS) accredits the Department. The CSBS evaluates the Department in the areas of administration and finance, personnel, training, examination, supervision and legislation.

The Banking Department has two activities, administration and examinations. The primary budget expenditures are devoted to bank examinations. During FY-2004, examinations were 77% of the Department's total expenditures.



### State chartered banks

There are 185 state chartered banks in Oklahoma. The Banking Department views the growth of the state chartered banking system as a plus for Oklahoma because state charters better fit the economic needs of smaller banking institutions. For

example, a state chartered bank can lend 30% of its capital assets, whereas a national chartered bank can only lend 15%. State chartered banks are also able to deal with in-state banking officials who are familiar with their local circumstances.

Oklahoma State Chartered Banks	
Calendar Year	
<u>Ending</u>	<u>Number of Banks</u>
2001	187
2002	183
2003	184
2004	185

Source: Banking Department

### Revenue from Banks and other Regulated Entities

Banks must pay certain fees and assessments. The Department deposits some of these funds into the General Revenue Fund and some directly into agency revolving funds. The Department deposited \$1.050 million into the General Revenue Fund for FY-2004 and estimates to deposit \$800,000 for FY-2005. Banks pay assessments based on a percentage rate of the bank's total assets.

In the 2003 Legislative Session, HB 1202 made the Banking Department non-appropriated and permitted the Department to collect a special assessment. Starting January 1, 2005, 20% of all banking assessments will be deposited into the General Revenue Fund.

## Office of the State Bond Advisor

### Notable Achievements

*Refinancing of five Oklahoma Capitol Improvement Authority Bond Series provided Net Present Value savings of \$4.8 Million*

The Office of the State Bond Advisor serves as staff to the Council of Bond Oversight and provides advice and assistance to the Governor and Legislature on matters relating to capital planning, debt issuance and debt management. The Office also serves as staff to the Long-Range Capital Planning Commission (LRCPC) and administers the Private Activity Bond Allocation Act.

Among the State Bond Advisor's other responsibilities are:

- Review of all request for proposals prior to their circulation;
- Maintenance of relations with the bond rating agencies and credit enhancers; and
- Approval of fees and expenses paid to professional service providers in connection with each State debt issuance.

Although the use of tax supported debt (appropriation-backed obligations) has increased in recent years, the State has a very modest debt burden.

Gross and Net Tax- Supported Debt as of December 31, 2004 (\$ in thousands)	
General Obligation Debt	\$ 319,555
Contractual Obligation Debt	\$ 563,241
Lease Purchase Obligation - Public Sales	\$ 205,722
Lease Purchase Obligation - Private Sales	\$ 20,091
Total Gross Tax-Supported Debt	\$ 1,108,609
Less: Self-Supporting Bonds	\$ 138,403
Total Net Tax-Supported Debt	<u>\$ 970,206</u>

Source: State Bond Advisor, "2004 Annual Report"

The State continues to provide for the rapid repayment of its outstanding obligations. Virtually all of the lease purchase financings done by agencies and authorities are repaid in five to ten years. Of all tax backed debt, more than 90% is retired within 20 years and 100% is paid off in less than 25 years.

The following is a summary of key debt ratios as of October 1, 2004.

Key Debt Ratios	
Net tax-supported debt per capita	\$280.40
Tax-supported debt service as percent of GRF appropriations	1.78%
Per capita debt as percent of 2002 per capita personal income	1.06%

Source: State Bond Advisor 12/7/2004

As staff for the LRCPC, the Office of the State Bond Advisor reviewed 2,500 capital project requests. The most recent plan (for fiscal years 2006-2010) recommended total capital spending of \$3.686 billion, of which \$3.348 billion is self funded. A total of \$300 million is recommended for funding from general appropriations.

Revenue bond activity for 2004 totaled \$716 million. The following table includes the outstanding debt of Oklahoma's largest revenue bond issuers.

Outstanding Bonded Indebtness of Oklahoma's Largest Revenue Bond Issuers (as of December 31, 2004)	
Issuer	Outstanding Debt
Oklahoma Transportation Authority	\$ 1,228,465,791
Grand River Dam Authority	680,856,340
Oklahoma Housing Finance Agency	520,528,486
Oklahoma Water Resources Board	714,490,000
Oklahoma Student Loan Authority	741,535,000
Oklahoma Municipal Power Authority	410,415,000
Oklahoma Development Finance Authority Credit Enhancement Reserve Fund	193,757,660

Source: State Bond Advisor, "2004 Annual Report"

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**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$188</b>
<b>FY-2005 Bud. FTE Level</b>	<b>3.0</b>
<b>Actual Ave. YTD FTE</b>	<b>3.0</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	5
<b>FY-2006 Recommendation</b>	<b>\$193</b>
% Change for FY-2005	2.66%

Source: Office of State Finance

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$5,171 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Bond Advisor's 3.1 December FTE.

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## Capitol Improvement Authority

The Oklahoma Capitol Improvement Authority (OCIA) is primarily responsible for acquiring and maintaining buildings for other state agencies. OCIA also issues bonds to secure facilities when authorized by the Legislature.

Participating agencies make lease payment from their appropriations to the OCIA. The OCIA then makes debt service payments through a Trustee/Paying Agent to the bondholders.

### Outstanding Issues

As of December 31, 2004, the OCIA had 16 series of obligations outstanding. The total outstanding principal amount of these obligations was \$525,340,902 at December 31, 2004.

The following table lists OCIA obligations authorized but unissued:

Obligations Authorized	Amount
Capitol Dome Project	\$5,000,000
Native American Center	33,000,000
Attorney General Building	4,000,000
Regents' Endowed Chairs	50,000,000
Mental Health Project	18,900,000
Conservation Comm. Project	30,000,000
State Bureau of Investigation	20,000,000
<b>Total</b>	<b>\$160,900,000</b>

### General Obligation Bonds

There are two types of general obligation bonds issued by the State. The first are government-purpose issues to fund legislatively identified capital projects. All of these bonds are secured by cigarette tax revenue initially and, ultimately, by the full faith and credit of the State.

#### General Obligation Bonds Government Purpose Issues (in 000's)

	Amount	Outstanding
Series 2003A Refund	\$254,135	\$ 254,135
Series 2003B Refund	\$ 7,075	\$ 7,075

The second are issued by the Oklahoma Industrial Finance Authority (OIFA) to fund industrial loans, and are secured initially by loan repayments from the private-sector industrial borrowers and then by OIFA reserves. As of December 31, 2004, there were nine series of these bonds, with a total principal amount outstanding at that date of \$58,345,000.

Money for the Capital Dome was part of the original \$157.5 million in Phase II projects. Private donors pledged \$17.5 million for the dome. Since phase II of the bond projects were declared invalid, a bond was not issued to cover the cost of the dome. The Legislature and Governor authorized the Centennial Commission to issue a \$5 million bond to pay the loan for the completion of the Capital Dome. The OCIA prepared the necessary documents and presented the proposal to the Supreme Court for validation. The court may review the proposal within the next six months, and the bond will not be issued if it is not validated by the Oklahoma Supreme Court.

## CompSource Oklahoma

### Notable Achievements

- *CompSource Oklahoma currently writes 40% of the total workers compensation premiums in Oklahoma.*
- *CompSource Oklahoma currently maintains a strong financial position with surplus at December 31, 2003, of approximately \$174 million.*
- *Investment returns consistently exceed benchmarks*

The Oklahoma Legislature created CompSource Oklahoma in 1933 with an original investment of \$250,000 by the State. The purpose of the Fund is to furnish Oklahoma employers a financially stable workers' compensation insurance program at the lowest possible price while providing maximum service and assistance. In that function, CompSource Oklahoma has operated as the "carrier of last resort" for businesses unable to obtain coverage elsewhere in the insurance market.

The Legislature's intent in creating CompSource (then known as the State Insurance Fund) is for CompSource to be self sufficient without state financial assistance. CompSource has operated as an enterprise function of the State since inception.

### Agency Services

CompSource Oklahoma offers expertise and services to small business operations as well as large companies. CompSource provides needed coverage to smaller businesses that may not be offered by other carriers.

Currently, CompSource Oklahoma is the largest workers' compensation insurance carrier in the state, serving more than 27,000 businesses and government agencies. It insures thousands of Oklahoma companies and provides coverage benefits for tens of thousands of Oklahoma employees.

CompSource Oklahoma carries almost all of the State agencies' workers compensation insurance and a large portion of private policies.

Total workers compensation premiums continue to increase and CompSource continues to write an increasing portion of those premiums. CompSource Oklahoma wrote 40% of the total workers compensation premiums written by all carriers in 2003 compared to 28% in 2001.

	2001	2002	2003
Private Sector	78%	79%	78%
Public Sector:			
State Agencies	14%	12%	11%
Other Public	7%	9%	11%
Total Written Premium	100%	100%	100%

Source: CompSource 12/04

Benefits of workers compensation insurance to injured employees and employers include:

- Injured employees receive compensation when unable to work.
- Medical bills from job related injuries are paid.
- Employers avoid general tort liability for workplace injuries.
- Programs in place to encourage injured workers to return to work as soon as possible.

	2001	2002	2003
Total Oklahoma Workers' Compensation Written Premium - all firms (millions)	\$ 480	\$ 534	\$ 557
CompSource Oklahoma Written Premium			
Private Sector	\$ 104	\$ 150	\$ 176
Public Sector:			
State Agencies	\$ 19	\$ 23	\$ 24
Other Public	\$ 10	\$ 18	\$ 24
CompSource Total Written Premium	\$ 132	\$ 191	\$ 224

Source: CompSource Oklahoma 12/04

## Commission on Consumer Credit

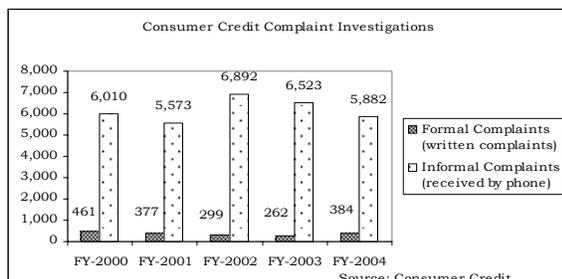
### Mission

The Commission on Consumer Credit administers the Uniform Consumer Credit code and regulates the following entities:

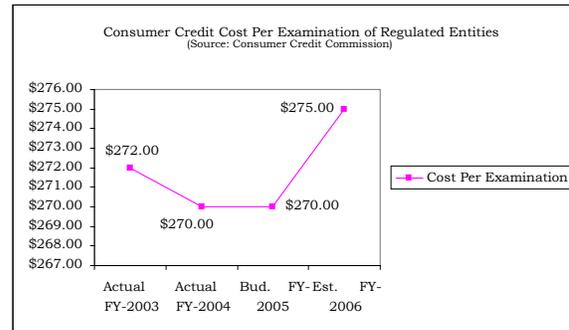
- Lending institutions other than banks or credit unions (AKA: Supervised Lenders),
- Deferred Deposit Lenders,
- Pawnbrokers,
- Credit service organizations charging a fee to provide assistance in repairing credit problems,
- Rent-to-own stores,
- Health Spas,
- Precious Metal And Gem Dealers,
- Mortgage Brokers, and
- Mortgage Loan Originators

The Commission actively protects consumers against unfair credit practices of lenders and provides information to assist the regulated industries in understanding and complying with their respective laws and regulations. The Commission determines if lending institutions are assessing excessive interest, late fees, penalties or service fees. The Commission also monitors advertising and works with lenders to resolve consumer complaints.

### Key Performance Measure



### Key Performance Measure



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$617</b>
<b>FY-2005 Bud. FTE Level</b>	<b>16.0</b>
<b>Actual Ave. YTD FTE</b>	<b>12.8</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	<u>22</u>
<b>FY-2006 Recommendation</b>	<b>\$639</b>
% Change for FY-2005	3.57%

Source: Office of State Finance

The FY-2006 appropriation for the Consumer Credit Commission is the same as provided for FY-2005 with the following adjustments.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$22,169 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Consumer Credit Commission's 13.3 average 2004 FTE.

## Office of State Finance

### Notable Achievements

- OSF has established a website that serves as the entry point for government services. The current contract is with NIC. NIC maintains "www.ok.gov" and develops websites and applications for state agencies. Go to [www.ok.gov](http://www.ok.gov) to check out this site.
- OSF has implemented the first ever central services Help Desk designed to handle problem calls dealing with all operations of OSF as well as many issues in procurement and personnel systems. The Help Desk handles the problems or coordinates the assistance of subject matter experts to resolve up to 100 cases a day.
- OSF's Information Services Division (ISD) worked with DCS to successfully implement a statewide PC contract that will save the State a minimum of \$7-8 million over the next 4 years, provide better service at a lower cost and allow all agencies to benefit from the buying power of the entire state government by paying the same price as the large agencies. The next-day, on-site maintenance agreement will also allow most agencies to move to a 4-year replacement cycle rather than the 3-year cycle used by many; another savings in overall costs to the State.
- ISD recently contracted to audit past communications invoices, resulting in one-time refunds to state agencies of \$240,000. Recently renegotiated contracts for communications services should result in on-going savings of \$14 million over the next 4 years.
- OSF's Information Services Division contracted to review the current security level of the State's information infrastructure. The review indicated that several security issues need to be addressed and has allowed several potential problems to be corrected already. ISD has successfully installed

*a back-up generator that will power our systems and those of the Treasurer in emergencies.*

The Office of State Finance (OSF) is part of the Executive Branch. It is under the administrative control of the Director of State Finance who is appointed by the Governor, with the advice and consent of the Senate. The Oklahoma Budget Law of 1947 (Title 62, Section 41.3) created the Division of the Budget and the Division of Central Accounting and Reporting (Office of the State Comptroller). The other agency divisions are the Information Services Division and the Fiscal and Research Division.

### The Division of Central Accounting and Reporting (DCAR)

DCAR reviews and processes claims for payrolls and payment to vendors from most state agencies. DCAR is also responsible for preparing statewide financial reports, reconciliation functions, preparation of W-2's and 1099's reporting to the federal government, and managing the State accounting system.

DCAR recently implemented a new general ledger within the CORE project. They are also actively involved in implementing the Payroll component and will take lead roles in phase 2 of the project.

### State-Tribal Gaming Compliance

OSF is by law the State Compliance Agency (SCA) for the State-Tribal Gaming Compacts. As such, OSF will be responsible for developing relationships with the tribes to ensure compliance with Compact provisions and ensure that the State is receiving revenues as required by the Compact. On January 27, 2005, the first four Tribal Compact approvals by the Secretary of the Interior were published in the Federal Register.

### Budget Division

The Budget Division prepares the Governor's budget and assists in drafting supporting legislation for the Governor's proposals. Budget Division staff manage the state's budget system and make

appropriate allotments and transfers as authorized by law. The division conducts fiscal policy research and analysis to improve the cost-efficiency and cost-effectiveness of current financial practices. Developing and monitoring performance measures are another integral function of this division. Budget Division personnel also prepare analyses of appropriation and substantive legislation and make recommendations based on their research.

**Fiscal and Research Division**

The Fiscal and Research Division of the Office of State Finance analyze issues such as taxation, government expenditures, and economic growth. The division also monitors and reports various statistics and analyzes state economic indicators. This division identifies ways of improving the state's economic well being.

The division also prepares revenue certification information for the Board of Equalization, which sets the appropriations limit for the Legislature, and monitors General Revenue Fund collections.

**Information Services Division (ISD)**

The mission of ISD is to provide Oklahoma State agencies with quality, cost effective and secure information technology and telecommunications products and services. ISD manages the state's data processing and telecommunications infrastructures. ISD sets standards for these areas to ensure compatibility of voice and data communications. They manage the local area networks for OSF, the Governor and several other state agencies. They manage a communications infrastructure including a state backbone of fiber connecting the most populous areas of the state to high-speed internet capabilities. ISD also manages the State telephone system; negotiating for long-distance and local services for the majority of state agencies.

ISD is actively involved in the CORE project (described below). ISD is also evaluating the security of the State's communications infrastructures as well as disaster recovery capabilities, and will propose changes to improve them. ISD staff are also reviewing

statewide imagery solutions to make our processes more efficient.

**CORE**

The Office of State Finance, the Office of Personnel Management and the Department of Central Services serve as the lead agencies in the CORE project. The CORE project is an enterprise-wide information system.

The purchasing and financial components of CORE/PeopleSoft went "live" November 3, 2003. These components of CORE/PeopleSoft, replaced antiquated systems with an integrated computer system that will permit user agencies to more easily access vital data. The project is multi-phased with various modules being made available during the different phases.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$22,867</b>
One-time Adjustments	(292)
<b>FY-2005 Base</b>	<b>\$22,575</b>
<b>FY-2005 Bud. FTE Level</b>	<b>142.9</b>
<b>Actual Ave. YTD FTE</b>	<b>124.1</b>
<b>Funding Adjustments:</b>	
CORE project, operations, and security issues	2,000
Employee Pay Increase	178
Total Adjustments	2,178
<b>FY-2006 Recommendation</b>	<b>\$24,753</b>
\$ Change from FY-2005	\$1,886
% Change from FY-2005	8.25%

Source: Office of State Finance

The FY-2006 appropriation for the Office of State Finance is the same as provided for FY-2005, with the following adjustments.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in

July 2005. The Governor's budget includes \$177,811 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Office of State Finance's 135.6 December FTE.

**CORE Project, Operation, and Security Issues**

The \$2 million included in the Governor's Budget for OSF will help to maintain the progress achieved in the CORE project and allow several severe security issues to be addressed.

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## Insurance Department

### Mission

The Insurance Department regulates the insurance industry. Regulation protects the public by assuring a solvent insurance market and well-educated insurance agents.

The Department also regulates Real Estate Appraisers and Bail Bondsmen.

Entities Regulated by the Insurance Department			
	2003	2004	2005 est.
Insurance Agents	63,970	72,116	80,431
Real Estate Appraisers	1,650	1,739	1,700
Bail Bondsmen	494	544	524

Source: Oklahoma Insurance Department

The Department's major source of funding is revolving funds. Of the Department's FY-2004 actual funding, 67% was by way of revolving funds.

The National Association of Insurance Commissioners (NAIC) accredits the Department. To receive this accreditation, the Department must comply with NAIC standards as they relate to financial statement examinations, financial analysis and legislation.

### Financial Statement Examinations

Insurance companies operating in Oklahoma must file financial statements and other documents with the Department as required by Legislation. Insurance Departments in each state examine documents of companies chartered in their states. NAIC accreditation assures that documents of all companies in every state are examined by applying uniform standards.

### Medicare Fraud Prevention

The Department received a federal grant from the U.S. Department of Health and Human Services Administration on Aging to help seniors and advocates prevent Medicare fraud. Training provided through the grant teaches senior citizens and others working in the aging services field how to properly review Medicare summary notices

to make sure the consumer is paying the correct amount. This program helps prevent fraud and waste and protects citizens from paying for services that are otherwise covered or are not provided.

### HMO Regulation

The Insurance Department is responsible for regulating all HMOs that operate in the state of Oklahoma.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,136</b>
<b>FY-2005 Bud. FTE Level</b>	<b>143.0</b>
<b>Actual Ave. YTD FTE</b>	<b>120.8</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	99
<b>FY-2006 Recommendation</b>	<b>\$2,235</b>
% Change for FY-2005	4.63%

Source: Office of State Finance

The FY-2006 appropriation for the Insurance Department is the same as provided for FY-2005 with the following adjustments.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$98,782 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Insurance Commission's 120.8 average 2004 FTE. This number excludes the Insurance Commissioner.

## Commissioners of the Land Office

### Notable Achievements

- *The Rose Creek land development project is an innovative approach the CLO has employed to utilize urban lands held by the Trust. Rose Creek is a 580-acre master planned residential development in Northwest Oklahoma City. The CLO leases 320 acres of this land to the Melrose Company of Hilton Head, South Carolina. A large portion of the land is now being operated as an 18-hole championship golf course designed by the world-renowned Arthur Hill. The remainder of the lease land is held for commercial and residential development. The Trust will be paid in excess of \$35 million dollars over the life of the lease for these lands. In addition, as the residential land is sold, the Trust will receive a portion of those proceeds, which will become a part of the Permanent Trust Fund. At the end of the lease term, the land and improvements revert to the CLO so that this project can become a perpetual source of income to the Trust.*
- *The increased prices and activity in the energy sector resulted in a significant increase in the contribution to the permanent trust fund. Income from the mineral estate increased from approximately \$28 million dollars in 2002 to approximately \$43 million dollars in 2003.*
- *The CLO purchases natural gas on behalf of 44 participating State institutions, facilities and universities. Over the past three years this program has saved participating institutions over \$2 million on their cost of natural gas.*
- *The CLO continues its red cedar eradication program and plans to increase this effort in the future as funding permits. The CLO estimates the return on additional soil conservation funds used for red cedar eradication to be 12.5%. This is based on the average spending per acre per year to control cedars and the estimated decrease in*

*rental income if the cedars are not controlled.*

- *Over the last fifteen years, the audits completed by the Audit Division have resulted in additional royalties to the trusts of \$12.3 million and direct interest disbursements to the Trust beneficiaries of \$8.9 million.*

In 1890, the United States Congress passed the Organic Act allowing for the creation of Oklahoma Territory. Along with many other important functions, this was the start of the School Land Trust.

The Organic Act reserved Sections 16 and 36 of each township in what is now the western half of the state for the use and benefit of the Public Schools. The Federal Government had no title to land in Indian Territory, now the eastern half of the state, so it compensated the Trust Fund with a grant of \$5 million.

The Federal Government deemed that over 3 million acres would be set aside in the initial land grant to ensure that public education would always have a financial base. The State Constitution includes in Article 2, Section 11, that the "principal shall be deemed a trust fund held by the State, and shall ever remain inviolate. It may be increased, but shall never be diminished."

### Mission

The Commissioners of the Land Office's mission is two-fold:

- To generate maximum earnings for the various Trust beneficiaries through management of Trust lands, minerals and permanent funds; and
- To protect the assets of the Trusts.

The Trust beneficiaries are all common education institutions and the following colleges and universities:

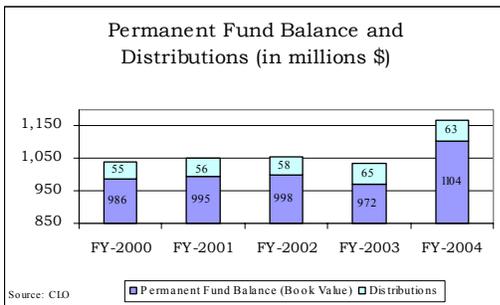
- University of Oklahoma
- Oklahoma State University
- Langston University

- Northern Oklahoma College
- Southeastern OSU
- University of Central Oklahoma
- East Central OSU
- Northeastern OSU
- Northwestern OSU
- Southwestern OSU
- Oklahoma Panhandle State University
- Cameron University
- University of Science and Arts of Oklahoma.

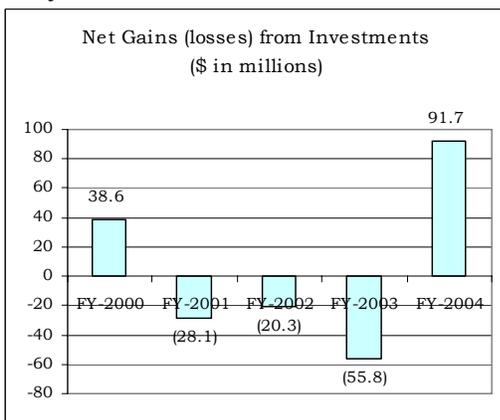
Five ex officio members constitute the CLO board: the Governor, Lieutenant Governor, State Auditor and Inspector, Superintendent of Public Instruction, and the President of the Board of Agriculture.

The following chart depicts the balance and distribution amounts in the Permanent Trust Fund over the last five years.

**Key Performance Measure**



**Key Performance Measure**



The Trusts managed by the CLO are: the Common School Fund, the Education Institutions Fund, the University of Oklahoma Fund, the University Preparatory

School Fund, the Oklahoma State University Fund, the Normal Schools Fund, the Langston University Fund, the Public Building Fund and the Greer 33 Fund.

The CLO is also charged with the sale, rental, disposal and management of School Trust lands and assets, and of the funds and proceeds derived from these assets. The principle functions of the agency consist of the following:

- Leasing lands for agricultural, commercial and grazing purposes;
- Leasing lands for oil, gas and other minerals including water rights;
- Investing permanent funds as authorized by law;
- Sale of lands as prescribed by law;
- Improving, protecting and preserving lands owned by the Trusts; and
- Distributing the revenues of the various Trusts to the institutions to which the funds belong.

**Real Estate Management**

The real estate management division is responsible for the lease, sale and management of approximately 750,000 acres of Trust Lands along with the maintenance and care of all of the agency's current and historical records.

Annual income is in excess of \$9.5 million. The majority of this income is derived from the agricultural leasing program. This does not include a \$700,000 increase in the permanent fund from other real estate activities. The table below provides a detailed inventory of Trust Lands.

School Land Trust  
Acreage Inventory  
State Owned School Lands  
Year Ended June 30, 2004  
(Unaudited)

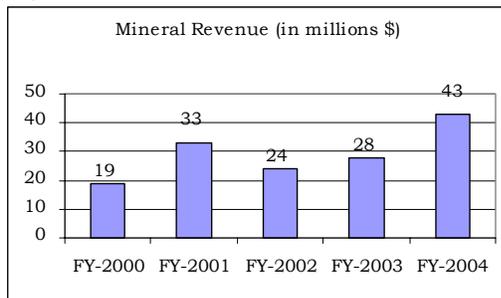
TRUST FUND	ORIGINAL	LAND ACQUIRED	TOTAL ACRES
	GRANT LAND	BY FORECLOSURE	OWNED
Common School	326,268.10	41,052.52	367,320.62
State Education Institutions	75,690.72	6,797.76	82,488.48
University of Oklahoma	62,456.96	1,147.16	63,604.12
University Preparatory	21,080.75	400.00	21,480.75
Oklahoma State University	75,572.92	1,112.96	76,685.88
Normal Schools	74,152.38	478.50	74,630.88
Langston University	18,678.10	316.99	18,995.09
Public Buildings	36,261.34	-	36,261.34
Greer	3,239.30	-	3,239.30
<b>Total Acres Owned</b>	<b>693,400.57</b>	<b>51,305.89</b>	<b>744,706.46</b>

Source: CLO

### Minerals Management

The various trusts under the direction of the CLO own about 1.35 million gross and 1.1 million net mineral acres throughout 74 of Oklahoma's 77 counties. The division is responsible for oversight of approximately 5,500 oil and gas wells and administration of approximately 5,000 leases. Income from the mineral estate in FY-2004 was approximately \$43 million. Income from the fund is deposited in the Permanent Trust. In FY-2004, 266 wells were drilled on CLO acreage with an 86% success rate. The chart below depicts mineral revenue for the past five fiscal years.

#### Key Performance Measure



### FY-2006 Recommendations

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$4,747</b>
<b>FY-2005 Bud. FTE Level</b>	<b>66.0</b>
<b>Actual Ave. YTD FTE</b>	<b>58.8</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	96
<b>FY-2006 Recommendation</b>	<b>\$4,843</b>
% Change from FY-2005	2.02%

Source: Office of State Finance

The CLO currently manages the mineral rights for a portion of state agencies. The program is voluntary, and state agencies opting to participate are charged a 6% fee.

The Governor recommends the CLO manage the mineral rights of all state agencies. The CLO is well practiced in maximizing the return on mineral assets.

On July 1, 1993, the CLO took over management of mineral acreage statutorily delegated to be managed by the DCS. The income to the state from the minerals at that time was slightly over \$75,000 per year. In FY-2004, the minerals generated \$410,464.38 for the state after management by the CLO. Revenue for FY-2005 has already exceeded the FY-2004 amount.

At the September 15, 2004, Oil and Gas Lease Sale, acreage at the Western State hospital was placed up for bid. The bids ranged from \$12.50 to \$52.00 per acre for a total of \$37,141.46. After in depth analysis, the CLO rejected most of the bids. The same acreage was placed for sale on January 19, 2005, and the bids were \$401 to \$600 per acre for a total of \$482,203.10.

The CLO operates a Gas Marketing program, whereby qualifying state agencies and institutions may purchase natural gas at a discounted price. This program is also voluntary. The CLO charges \$0.05 for trust institutions and \$0.10 for all other agencies and institutions. In FY-2004, the CLO Gas Marketing program saved over \$1 million for the state, and FY-2005 savings are \$432,556.31 as of December 2004. The Governor's budget proposes all higher education institutions consult with the CLO regarding the purchase of natural gas.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$96,750 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Land Office Commission's 58.0 December 2004 FTE.

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## The Retirement Systems

### The Systems

The State retirement systems consist of the following seven defined benefit pension plans:

- Oklahoma Public Employees Retirement System (OPERS);
- Uniform Retirement System for Justices and Judges (URSJJ);
- Oklahoma Teachers Retirement System (OTRS);
- Oklahoma Police Pension and Retirement System (OPPRS);
- Oklahoma Firefighters Pension and Retirement System (OFPRS);
- Oklahoma Law Enforcement Retirement System (OLERS); and
- Retirement Plan for Full-time Employees of the Department of Wildlife (DWR).

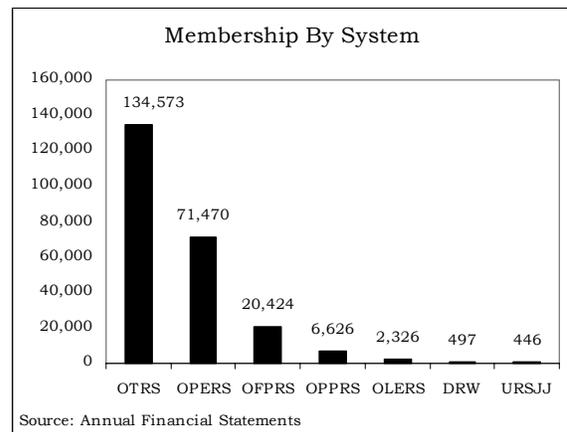
Systems are funded with employee contributions, employer contributions, return on investments and, in some cases, dedicated revenue streams. Recently, the return on investments has been below actuarial assumptions due to the sluggish economy. These lower returns have affected the long run financial condition of the retirement systems.

There are two main types of plans in the system. OPPRS, OFPRS and OLERS are referred to as “twenty and out” plans. Additionally, within the structure of OPERS a “twenty and out” plan is maintained for correctional officers, probation and parole officers and fugitive apprehension officers in the Department of Corrections as well as for firefighters in the Military Department.

OPERS, URSJJ, OTRS and DWR are defined benefit plans. These plans have a guaranteed benefit that is a function of years of service and salary. In order to be entitled to these benefits, there is a requirement for a certain number of years of service before a member becomes vested.

The “twenty and out” plans are aimed at public services where it is in the interest of the public to have the active members made up of younger, healthier individuals. These individuals often serve in areas that are defined as hazardous duty. Members of the various law enforcement and firefighting entities as well as guards employed by the Department of Corrections make up the majority of the members of these systems. These plans are extremely generous in their benefits and are designed to allow retired members to go on to other careers.

The relative size of the systems can best be understood by looking at their membership numbers.



The overwhelming size of OTRS compared to the other systems becomes readily apparent when viewed in this context.

OTRS’s large relative size is a concern because the system carries an UAAL of approximately \$7.4 billion. An Unfunded Actuarial Accrued Liability (UAAL) reflects the excess amount of liability to provide benefits that has been accrued over the amount of assets available to pay those benefits. This accrual reflects an actuary’s best estimate of costs that will be incurred for future benefits promised as of a certain date.

Financial health of retirement systems is measured by a ratio of projected benefit payments to funds available for benefit payments. Calculations of projected benefit payments are based on a number of factors

including age of employees, estimated retirement age, number of years credited in system, marital status, mortality rate tables and COLA increases.

The simplest way to understand the health of any retirement system is to view its funded ratio. This is a ratio of debt to assets and in any healthy system should not fall far below an 80% funded ratio.

System	Funded Ratios				
	7/1/2000	7/1/2001	7/1/2002	7/1/2003	7/1/2004
OTRS	53.7%	51.4%	51.4%	54.0%	47.3%
OPERS	84.0%	82.6%	79.8%	76.8%	76.1%
OFPRS	81.4%	82.9%	78.4%	76.9%	66.0%
OPPRS	90.2%	91.4%	88.1%	84.5%	81.1%
OLERS	108.2%	105.7%	90.2%	87.7%	87.6%
DRW	101.5%	100.5%	94.0%	90.7%	86.0%
URSJJ	132.6%	132.9%	148.2%	139.9%	121.0%

Source: Annual Financial Reports, Actuarial Reports

OTRS's funding ratio is one of the lowest in the nation. This gap in funding of OTRS liabilities is an absolute obligation of the State according to Attorney General's Opinion No. 96-21. Ultimately, therefore, the responsibility for this debt falls on the shoulders of all Oklahomans.

A sensible combination of asset classes is another determinant of soundness of retirement funds. The allocation by asset class of the Oklahoma retirement funds are within prudent guidelines. The only unusual allocation is in the alternative assets of OPPRS with investment in venture capital; however, the investment in alternative assets is within prudent guidelines. OPPRS is the only state retirement fund that invests in venture capital.

**Dedicated Revenues**

The State systems differ from many other defined benefit retirement plans since several of the systems receive contributions other than employer and employee contributions. OTRS, OFPRS, OLERS, and OPPRS are all recipients of dedicated revenue streams.

The insurance premium tax provides all the dedicated revenue for OFPRS and OPPRS and approximately half of the dedicated revenue to OLERS. These state revenues

flow to OPPRS and OFPRS although the members are employed primarily by cities and counties rather than the state.

The insurance premium tax payments to these funds were redirected to the Education Reform Revolving Fund (HB 1017 Fund) for FY-2004 only. The change in UAAL for OFPRS, OPPRS, and OLERS is primarily attributed to the loss of insurance premium tax in FY-2004. Beginning in FY-2005 this insurance premium tax revenue is again dedicated to the retirement funds and to the General Revenue Fund (GRF).

The amount dedicated to the retirement plans through FY-2009 will increase above previous levels to reimburse the retirement systems the amount of the redirected FY-2004 revenue plus interest. The GRF revenue will decrease to provide for the increase to the retirement funds.

	Insurance Premium Tax Apportionment							
	FY-2003		FY-2004		FY-2005 thru FY-2009		FY-2010 and later	
	%	\$ millions	%	\$ millions	%	FY-05 est. \$ millions	%	
OFPRS	34%	50.5	0%	0.0	41.7%	65.9	34%	
OPPRS	14%	20.8	0%	0.0	17.0%	26.9	14%	
OLERS	5%	7.4	0%	0.0	6.1%	9.6	5%	
GRF	47%	70	0%	0	35.2%	55.6	47%	
1017	0%	0	100%	137.9	0.0%	0	0%	
Total		148.7		137.9		158.0		

Apportionment change per SB 206 (2003).  
Values per revenue certification documents 6/04.

The retirement systems exist for the benefit of employees and their beneficiaries. All of the systems provide a benefit for their members with varying provisions for their beneficiaries in the event of the death of the member.

Spouse beneficiaries generally receive a lifetime benefit which varies from being the same amount as the employee to half. Minor children beneficiaries receive a benefit as long as they are minors or, in some cases, while enrolled in higher education. The table below shows the average regular benefit of retirees only. This table does not include any amounts that may be received from Deferred Retirement Option Plans (DROP) programs, disability programs or payments to beneficiaries.

Retiree Annual Benefits	
System	Avg Benefit*
OTRS	16,102
OPERS	13,420
OFPRS	
Paid	24,149
Volunteer	1,681
OPPRS	26,577
OLERS	28,637
DRW	24,176
URSJJ	48,519

\*Avg benefit includes sevice retirees only  
Source: FY-2004 annual financial statements and actuarial reports

**Oklahoma State Pension Commission**

The Oklahoma State Pension Commission provides guidance to public officials, legislators and administrators in developing public retirement objectives and principles, identifying problems and areas of abuse, projecting costs of existing systems and modifications to those systems and recommending pension reform programs.

The Commission publishes a quarterly performance report analyzing the performance of each of the state retirement systems on an individual and consolidated basis. The reports contain:

- Combined and individual rates of return of the investment managers by category of investment, over periods of time;
- Comparisons of data with similar data for a larger population of investment managers by asset class as well as by style of management;
- Analyses of the performance of the custodian bank or trust company of the System including a specific review of the adequacy of the collateralization of the short-term interest-bearing investment vehicles placed by the custodian; and

- Any other information the Commission may have requested.

The Commission also publishes an annual comparative performance report containing:

- An analysis of the written investment plans developed by each retirement system as required by law on an individual and consolidated basis;
- A qualitative and quantitative analysis of the performance of the custodian employed by each governing body of the retirement systems; and
- Comparison of the above analyses with similar data for a larger population.

As directed by Statute, the Commission publishes a report of the most recent actuarial valuation including total assets, total liabilities, unfunded liability or over funded status, contributions and any other information deemed relevant by the Commission.

**Oklahoma Public Employees Retirement System (OPERS)**

**Notable Achievements**

- *Government Finance Officers Association (GFOA) has recognized OPERS for outstanding achievement in financial reporting for seven years in a row.*
- *Investment returns consistently exceed benchmarks.*
- *Improved customer service by distributing annual statements to vested members for first time and enhanced information on annual statements to active members.*

**Mission**

The mission of OPERS is to provide and promote accountable and financially sound retirement plans for its members. OPERS administers a defined benefit retirement plan for public employees as well as for judges and justices (URSJJ). OPERS' clients are composed of:

- State and county employees, except for Oklahoma and Tulsa counties, and
- Local governments that choose to participate.

OPERS Participating Employers		
	2003	2004
State Agencies	119	119
County Governments	75	75
Local Towns and Cities	28	28
Other Local Gov. Units	37	38
<b>Total</b>	<b>259</b>	<b>260</b>

Source: OPERS Financial Statements June 30, 2004 and 2003

**Contribution Rates**

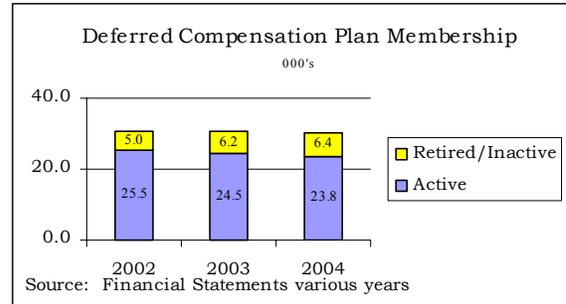
Effective July 1, 2005, the state, county and local agency employer contribution rates increase as follows:

- State agency employer contribution rates will increase by 1.5% from 10.0% to 11.5% for FY-2006 and by 1.0% each year thereafter until it reaches 16.5% in FY-2011. The total cost of the increase for FY-2006 is \$14,987,732; and
- The combined employee and employer contribution rate for county and local agencies will increase by 1.5% in FY-2006 and by 1.0% each year thereafter until it reaches 20% in FY-2012.

**Deferred Compensation**

OPERS also administers SoonerSave which is a deferred compensation plan and a deferred savings incentive plan available to state employees, as well as any elected officials receiving a salary from the state.

Membership changes seem to fluctuate with changes in stock market values. Of interest is the fact that the number of retirees remaining in SoonerSave continues to grow even when the number of active members decreases.



Participants may direct the investment of their contributions in available investment options offered by the plan. Members making current contributions to the deferred compensation plan are also participants in the deferred savings incentive plan.

The deferred compensation plan is funded through payroll deductions of a minimum of \$25 per month. The net assets available for plan benefits totaled \$325.2 million, an increase of \$42.9 million over the previous year. While total assets increased, member contributions decreased, primarily due to a decrease in the number of participants.

The participants' accounts are invested in accordance with the investment elections of the participants. Note that when participants are making their own investment decisions, the investments are very conservative.

Deferred Compensation Investments June 30, 2004		
	\$ million	%
Large Cap equity	85.0	26.1
Stable Value	75.9	23.3
Bank Option	39.1	12.0
Small-Cap equity	29.4	9.0
Mid-Cap equity	24.3	7.5
Bond	22.2	6.8
Specialty	19.3	5.9
International equity	17.8	5.5
Balanced	9.9	3.1
Other	2.2	0.7
<b>Total</b>	<b>325.2</b>	

Source: Deferred Compensation Plan Financial Statements June 30, 2004 and 2003

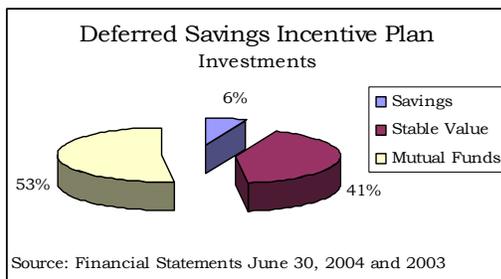
Deferred compensation benefits are paid to participants or beneficiaries upon

termination, retirement, death or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries.

**Deferred Savings**

The deferred savings incentive plan of \$25 per month is contributed by the employee's agency for those employees contributing at least \$25 per month to the deferred compensation plan. The net assets available for plan benefits totaled \$78.8 million with 30,152 members as of June 30, 2004.

Individual members choose the types of investments. Investment choices for the deferred savings incentive plan are not necessarily the same as the deferred compensation plan although the available selections are the same.



**Uniform Retirement System for Justices and Judges (URSJJ)**

URSJJ covers all justices and judges of the Oklahoma Supreme Court, Court of Criminal Appeals, Workers' Compensation Court, Court of Appeals and District Courts. The plan is administered by OPERS.

The net assets totaled approximately \$191.7 million at June 30, 2004, an increase of \$16.1 million. This increase resulted primarily from the appreciation in the value of investments due to equity market increases.

Condensed Schedules of Changes in Plan Net Assets			
\$ millions			
	2002	2003	2004
Member contributions	1.8	1.8	1.8
Court employer contributions	0.5	0.5	0.5
Net investment income (loss)	(6.2)	10.8	20.5
Total Additions	(3.9)	13.1	22.8
Benefits	5.1	6.0	6.5
Refunds and withdrawals	0.2	0.1	0.1
Administrative expenses	0.1	0.1	0.1
Total Deductions	5.4	6.2	6.7
Total Changes in Plan Net Assets	(9.3)	6.9	16.1

Source: URSJJ, "Financial Statements, June 30, 2004 and 2003"

Even with a decrease in funded ratio from 139.9% (July 1, 2003) to 121.0% (July 1, 2004), the required employer contribution (from an actuarial perspective) remains at 0% of covered payroll. However, the statutory contribution rate for employers is 2% of salary. URSJJ is the best funded of the state's retirement systems.

As of July 1, 2004, the average annual retirement benefit for retired members was \$48,519. The combined average benefit for retirees and their beneficiaries (surviving spouses and children) is less since the beneficiaries receive a fractional part of the retirees benefit.

**Oklahoma Teachers Retirement System (OTRS)**

**Notable Achievements**

- Investment returns were 20.6% for year ending June 30, 2004. This ranks in top 2% in the universe of 90 public pension plans according to the Oklahoma State Pension Commission.
- Received Government Finance Officers Association's (GFOA) certificate for eleventh straight year.

- *Aggressive investment and cash management earned exceptional returns in internal cash management (\$500,000), recapture program (\$1.1 million), securities lending (\$2.5 million) and use of transition managers saved \$3.2 million in commission costs.*
- *Transmission via Internet of monthly contribution data for member accounts increased from 8% to 50% of school districts.*

OTRS was established in 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The category of education employees includes local school district employees and higher education employees, as well as a few others engaged in education.

OTRS is the largest state retirement system with 134,573 members and net assets of \$6.7 billion as of June 30, 2004.

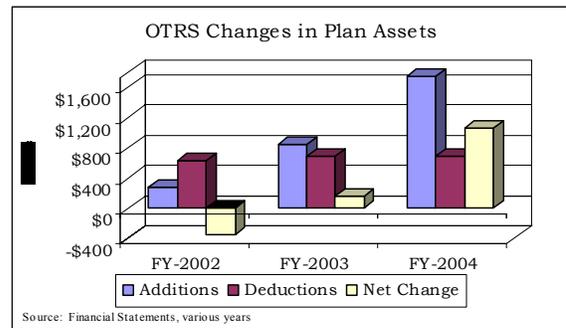
As of June 30, 2004, only 47.3% of OTRS actuarial liabilities were covered by the actuarial value of its assets. According to Gabriel, Roeder, Smith and Company, Consultants and Actuaries, OTRS will never be fully funded with the current revenue and benefit provisions.

The increase in the dedicated revenue and an improved economy are expected to improve the funded position of the system in the future. OTRS receives dedicated revenue from a portion of the state's sales, use, individual income tax and corporate tax receipts. The system will also receive 5% of the net proceeds of the education lottery. The actuarial assumption is that these receipts will increase at 3.5% annually. Additionally, the percentage of these sources is scheduled to increase.

OTRS Dedicated Revenue Sales, Use, Income Tax	
FY-03	3.54%
FY-04	3.75%
FY-05	4.00%
FY-06	4.50%
FY-07	5.00%

Source: SB 1376 (2002)

The following graph shows the effect of the economic slow down which caused lower investment earnings. Combining lower earnings with increasing numbers of retirees led to a decline in net plan assets. However, there has been some economic recovery during the last two years.



The "Alternative Retirement Plan for Eligible Employees of Participating State Institutions of Higher Education Act of 2004" provides new employees of the comprehensive universities (OU, OU Health Sciences, and OSU) the choice of joining OTRS or joining an alternative defined contribution plan.

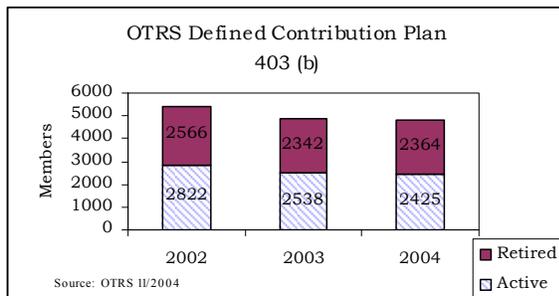
The national trend in higher education institutions throughout the country is to make a defined contribution retirement option available. A defined contribution option provides portability and enables university faculty members to build their retirement funds over their entire working life.

**Tax-Sheltered Annuity Plan**

OTRS also administers an optional tax-sheltered annuity program under section 403(b) of the Internal Revenue Code. OTRS members may deposit funds into this plan if the local school board adopts a resolution making the plan available to its employees. This defined contribution plan is funded totally by employees and does not receive any employer match.

This plan is invested by OTRS just as is the regular retirement with no discretion on the type of investments by individual members. The Teachers' Deposit Fund had \$285 million at the end of FY-2004 compared to \$249 million at the end of FY-2003.

Even though this 403(b) defined contribution plan is offered to local education employees, relatively few take advantage of the opportunity.



**FY-2006 Recommendation**

The Governor's budget recommends that the Legislature create a task force comprised of interested stake holders to examine the competitiveness of Oklahoma's retirement offering to educators from a workforce attraction and retention standpoint, the most desirable retirement plan design, the cost of such design and a long term funding solution for any new design by OTRS system. Various alternative plan designs should be considered including a hybrid plan that combines elements of both a defined benefit (DB) and defined contribution (DC) plans.

There are varying models for hybrid retirement plans. There can be mandatory contributions to both components, or mandatory contributions to one component with discretionary contributions to other. Washington, Oregon, and Colorado illustrate three different approaches.

Washington

- True hybrid with both a DB and DC component.
- DB plan funded by employer while DC plan is funded by employee contributions

Oregon

- Combines a DB component multiplier of 1.5% (1.8% for public safety personnel), funded by the employer, with mandatory participation in a DC plan, funded by the employee

Colorado

- Defined benefit plan with supplemental retirement plans available.
- The supplemental tax deferred plans for 2005 are 457, 401k and 403b.
- Effective May, 2004, there is no employer match for the supplemental plans.

**Oklahoma Police Pension and Retirement System (OPPRS)**

OPPRS became effective January 1, 1981. All persons employed as officers or any person training to become a permanent police officer with a police department of a participating municipality with ages not less than 21 nor more than 45 when accepted for membership are eligible.

OPPRS Membership	
Active	3,895
Deferred	74
Retired	1,788
Beneficiaries	432
Disabled	153
DROP	284
<b>Total</b>	<b>6,626</b>

Source: OPPRS 11/2004

OPPRS's members with 20 or more years of continuous service may elect to participate in the Deferred Retirement Option Plan (DROP). This plan allows employees eligible for a normal retirement benefit to defer the receipt of retirement benefits while continuing employment. Participation shall not exceed five years. During this period employee contributions cease while employer contributions are divided equally between the retirement system and DROP. The monthly retirement benefits that the employee is eligible to receive are also paid into the DROP account.

A back-drop-date plan is also available. A member may retroactively elect to join this DROP as of a back-drop-date which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DROP are credited to the member's account with interest.

When the member actually terminates employment, the DROP account balance may be paid in a lump sum or to an annuity provider. Monthly retirement benefits are then paid directly to the retired member.

### **Oklahoma Firefighters Pension and Retirement System (OFPRS)**

OFPRS was created as a state agency in 1981; however, all members are local government paid or volunteer employees. The system receives funding from employer and member contributions, insurance premium taxes and returns on investments. Over 63% of the members are volunteers.

While these volunteers are not paid for their service, they receive \$139.20 per month of retirement after 20 years of service.

OFPRS Membership	
<b>Paid</b>	
Active	3,518
DROP	342
Vested	25
Retired	1,719
Disabled	1,175
Beneficiaries	718
<b>Paid total</b>	<b>7,497</b>
<b>Volunteer</b>	
Active	7,262
DROP	48
Vested	1,045
Retired	3,128
Disabled	328
Beneficiaries	1,116
<b>Vol. total</b>	<b>12,927</b>
<b>Total Membership</b>	<b>20,424</b>

Source: OFPRS Actuarial Report 7/1/2004

Both volunteer and paid firefighters OFPRS members may participate in a deferred retirement option plan (DROP) as with other systems whose members perform hazardous duty plans.

### **Local Firefighter Retirement Boards**

Counties, cities and towns and fire districts with local firefighters have locally controlled boards. The local boards review applications for retirement benefits. The local board recommends the approval, disapproval or modification of each application to the state board. The local board forwards the recommendations to the state board for its action.

### **Oklahoma Law Enforcement Retirement System (OLERS)**

The plan was established July 1, 1947. Qualified law enforcement officers of various state agencies and departments are members. The normal retirement date for

retirement benefits eligibility is 20 years of service or age 62 with 10 years of service.

**Department of Wildlife Retirement Plan (DWR)**

OLERS Membership Data		
Agency	Active	Retired
ABLE	31	23
OSBI	144	56
OSBN	57	22
Board of Pharmacy	1	1
Tourism	52	39
DPS	944	903
Quartz Mt.	3	0
OU	29	0
OSU	17	0
Grand River Dam	3	0
<b>Total Members</b>	<b>1,281</b>	<b>1,045</b>

Source: OLERS 11/04

The DWR is a single-employer defined benefit plan. All permanent, full-time employees of the Department of Wildlife are eligible to participate on the date of their employment. This retirement system is unique since a single agency manages the retirement system for its own employees.

The retirement system has 323 active participants and 174 retired and inactive participants. It has a funded ratio of 86.0% which makes it the second best funded state retirement system.

The revenue source for the retirement fund is the Department's contribution and the employee's contributions. The funds are held and invested through a trust account. The employer contribution is based on the annual valuation report and is currently set on a 15 year amortization schedule to fund the liability. Currently there are six years remaining. For last two to three years the contribution has been \$1.2 million. This year the recommended department contribution is \$1.5 million. Employees contribute 3% of salary. The vesting period is 10 years.

Retirement Systems Plan Year Ending 6/30/2004							
	OPERS	URSJJ	OTRS	OPPRS	OFPRS	OLERS	DWR
Active members	42,998	270	81,683	3,895	10,780	1,281	323
Retired members*	22,990	168	39,593	2,373	8,184	1,024	159
Vested members	5,482	8	5,731	74	1,070	21	15
Deferred Option Plan (DROP)	-	-	-	284	390	152	-
Employee contribution %:							
State-not elected	3.0% to 6.41%	5% to 8%	7%	-	-	8%	3%
State - elected	4.5% to 10.0%	-	-	-	-	-	-
Hazardous Duty	8.0%	-	-	-	-	-	-
County and Local	3.5% to 11.41%	5% to 8%	7%	8%	paid - 8% volunteer - 0%	-	-
Employee contribution \$	\$48,469,861	\$1,772,673	\$233,121,332	\$13,412,000	\$12,964,333	\$3,752,395	\$372,174
Actuarial Value of Assets	\$5,412,166,797	\$201,141,649	\$6,660,918,318	\$1,399,975,000	\$1,473,396,552	\$604,131,000	\$58,071,577
Actuarial Accrued Liability	\$7,114,778,205	\$166,275,941	\$14,080,148,332	\$1,727,162,602	\$2,233,519,875	\$689,800,577	\$67,563,270
* Includes regular retirees and disabled retirees as well as beneficiaries and spouses							
Source: Actuarial Reports and Annual Financial Reports as of July 1, 2004							

## Securities Commission

### Mission

The Securities Commission deters and remedies securities fraud on behalf of Oklahoma's citizens. To accomplish this mission, the agency:

- Enforces the Securities, Business Opportunity Sales, Subdivided Land Sales and Take-Over Disclosure Acts;
- Registers offerings and sales of securities, business opportunities and subdivided land;
- Registers securities sales and adviser professionals;
- Performs on-site examinations of securities professionals and issuers; and
- Provides investor education.

Licensed Securities Professionals			
Firms	FY-2001	FY-2002	FY-2003
Broker-Dealers	1,734	1,707	1,649
Adviser	659	718	788
Individuals			
Broker-Dealer Agents	74,022	69,366	65,243
Adviser Representatives	5,427	5,856	7,409
Securities Issuer Agents	118	107	107

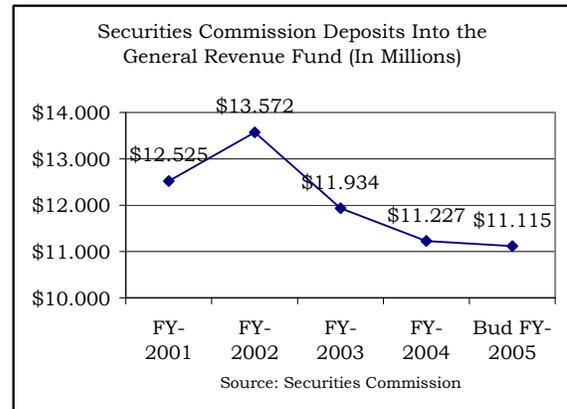
Source: Securities Commission

HB 2068 placed the Securities Commission into non-appropriated status. Beginning in FY-2005 all agency expenditures were funded by revolving fund revenue. The Securities Commission will still be required to transfer funds from fees that it collects to the General Revenue Fund as it has in the past.

Historically the Securities Commission contributes 70% to 80% of fee assessments to the General Revenue Fund depending on the correlation between the filings and statute requirements. The Securities Commission transferred \$11.227 million to the General Revenue Fund in FY-2004. This amount was

76% of a total of \$14.844 million in fees collected by the Securities Commission for FY-2004. The Commission plans to deposit \$11.145 million into the General Revenue Fund for FY-2005.

Below is a chart which shows total deposits made by the Securities Commission to the General Revenue Fund since FY-2001.



## Oklahoma Tax Commission

### Notable Achievements

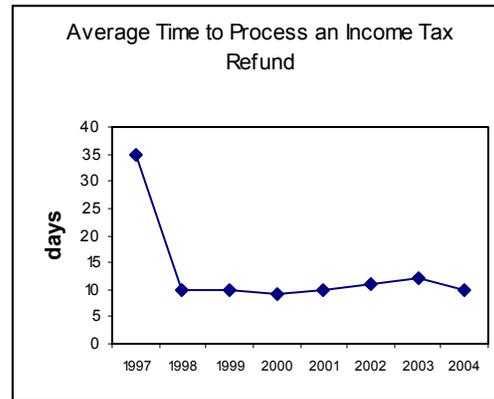
- Continued use of an outsourcing firm to process income tax returns, which provided \$200,000 savings in document processing costs.
- Implemented use of an outsourcing firm to collect income and business tax, which provided for a 66% increase (\$19 million to \$31.6 million) in collections from FY-1999 to FY-2004.
- Introduced an on-line business tax filing system that has grown from 81,824 annual filers in FY- 2003 to 276,993 annual filers in FY-2004 resulting in decreased costs and increased efficiency for the Commission.
- The Commission has seen a 129% increase (226,000 to 611,079) in on-line income tax return filers from FY-2000 to FY-2004. The results are decreased costs and increased efficiency for the Commission.
- Implemented a 2-D bar-coding system on computer-generated individual income tax forms, resulting in reducing costs by \$390,000.

The primary responsibilities of the Tax Commission include the collection and distribution of approximately 75 different taxes, fees and licenses. The Commission allocates revenues to state funds and local government units, and collects and distributes local sales taxes levied by cities and towns in Oklahoma.

The Oklahoma Tax Commission consists of three distinct departments: Taxpayer Services, Revenue Administration and Support Services.

#### Income Tax Return Processing

Since 1997, the Tax Commission has greatly reduced the amount of time required to process income tax refunds. The Commission utilizes temporary seasonal employees from February through June to process returns.



Source: OTC

#### Tax Integration System

With full implementation of this system, the Tax Commission will link an individual or company and all of its tax types within one system. This system will provide time-savings and efficiencies for the Tax Commission.

#### Professional License Compliance

Effective July 1, 2000, legislation required OTC to review professional license applicants for income tax compliance. This tax review is conducted before a state license is issued. The Commission established a section, the Professional Licensing Compliance Unit, to assist taxpayers with this new law.

OTC reviews the following professions through this program:

- Doctors
- Nurses
- Attorneys
- Insurance agents
- Teachers
- Architects
- Accountants
- All medical related licenses
- Engineers
- Abstractors
- Cosmetologists
- Process servers
- All Health Department licenses such as plumbers, electricians, etc.
- Abstractors
- Funeral directors
- Securities brokers

This program has significantly increased compliance. OTC has collected \$58 million since inception in FY-2000 from delinquent license holders through December 2004. Legislation passed in the 2003 session added Oklahoma state employees to this compliance effort.

OTC should be given the flexibility to add other professions to this process as time and resources permit.

64 FTE are expected to generate \$19.2 million annually in collections.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$1,494,618 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Oklahoma Tax Commission's 896.0 average YTD FTE.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$41,462</b>
<b>FY-2005 Bud. FTE Level</b>	<b>943.0</b>
<b>Actual Ave. YTD FTE</b>	<b>896.0</b>
<b>Funding Adjustments:</b>	
Annualization of Integrated Collections FTE	2,232
Employee Pay Increase	<u>1,495</u>
Total Adjustments	3,727
<b>FY-2006 Recommendation</b>	<b>\$45,189</b>
% Change from FY-2005	8.99%
Source: Office of State Finance	

The FY-2006 appropriation for the Oklahoma Tax Commission is the same as provided for FY-2005, with the following adjustments.

**Integrated Collections Project**

This project was implemented in FY-2005 as a multi-faceted approach to address computer systems replacement, security of taxpayer information and provide additional revenues for the state through more effective audit and collections efforts.

As part of the project's continued implementation, 64 audit and collections staff are being hired and trained during FY-2005. The \$2.2 million will be used to continue funding for these positions. In keeping with the goals of the project, these

## State Treasurer

### Notable Achievements

- *Implemented Cash Management System which will improve interest earnings \$2 million annually for state agencies.*
- *Continued use of the Unclaimed Property Web Search/Claim System which allows owners to search on-line and initiate a claim.*
- *Use of an on-line system for agencies to report deposits in outlying banks achieve nearly \$2 million in improved interest earnings.*

The mission of the State Treasurer's Office is to provide sound financial services (banking, investing and cash management) and reunite citizens with their unclaimed property.

The Treasurer continues to look for ways to streamline financial operations and improve financial returns through improved technology, cooperation with state agencies, and legislative initiatives.

### Warrant Imaging Project

The Treasurer's Office replaced a labor intensive microfilming process for cancelled state warrants with a digital-imaging system. This system allows for online retrieval of warrants and saves the state more than \$600,000 each year.

### Cash Management Enhancement

This initiative provides a comprehensive sub-accounting system for all agencies and city/county sales tax receipts held until apportionment. Participant agencies will no longer provide investment direction, but instead will have their accounts automatically invested with interest paid on an average daily balance basis. Paperwork will be reduced while earnings increase.

### Unclaimed Property Website

The Treasurer's Office assumed responsibility of the Unclaimed Property Program in 2000. The Treasurer's Office has made great strides to improve the way that unclaimed property is reunited with its owner. YourOklahoma.com developed an

unclaimed property website for OST in November 2002. The website allows members of the public to search OST's database for unclaimed property and initiate a claim online. Since the website's inception, people have initiated over 25,305 claims and 1,350,000 searches online. There have been over 7,281 paid claims initiated via the Internet.

Unclaimed Property Statistics

	FY-2003 (1)	FY-2004	FY-2005 est.
Net Collections	\$18,385,504	\$25,717,400	\$36,000,000
# Claims Paid	13,502	10,282	11,500
\$ Claims Paid	\$11,875,159	\$9,192,496	\$11,000,000
Total Claims Initiated	25,760	18,019	21,000
Internet Claims Initiated	7,290	10,684	12,600
# New Names Published	52,841	45,016	50,000

Note (1): FY 2003 included three years of reciprocal payments to other states as well as a major "catch up effort" to reduce outstanding claims. These factors skew the numbers for FY- 2003.

### Rural and Affordable Housing Linked Deposit Program

This program provides incentives to housing developers and contractors to build in rural and underserved communities by providing them with low interest rates on borrowed money when developing in rural areas. Essentially, the Treasurer's office places Certificates of Deposit with lending institutions at up to a 3% reduced interest rate. The lending institution passes these interest savings on to the contractor/developer.

### Other Linked Deposit Programs

The Treasurer's Office also administers two other Linked Deposit Programs – the Agriculture Linked Deposit Program and the Small Business Linked Deposit Program.

The Small Business Linked Deposit Program provides lower interest rate loans to qualifying small businesses. The loan is made to the borrower's lending institution.

The lending institution loans the funds to the borrower at up to a 3% reduced rate.

**Small Business Linked Deposit**

	FY-2003	FY-2004	FY-2005 est.
Funded Participants	47	9	20
Amount Funded	\$14,540,375	\$5,443,525	\$10,000,000
Jobs Saved	659	0	150
Jobs Created	1,223	0	150

The Agricultural Linked Deposit Loan Program provides low interest rate loans to qualifying at-risk agricultural enterprises or to qualifying enterprises that are involved in the production of alternative agricultural products. The loan is made to the borrower's lending institution. The lending institution loans the funds to the borrower at up to a 3% reduced interest rate.

**Agriculture Linked Deposit Program**

	FY-2003	FY-2004	FY-2005 est.
Funded Participants	357	108	200
At-Risk Participants	333	101	175
Amount Funded	\$67,584,719	\$19,138,231	\$25,000,000

**Securities Lending Revolving Fund**

Legislation passed in 2002 (SB 1450) allowed the Treasurer's Office to get separate bids on custodial banking services and securities lending services. As a result, OST has realized an improvement in earnings split from 70:30 to 75:25; therefore, the state is keeping more earnings.

There was a change in statutes allowing OST to use 4% of the unclaimed property funds for operational purposes related to the unclaimed property division. Prior to this legislation, the Treasurer was only authorized to use 1%. This does not cause any loss of funds for unclaimed property claimants.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$4,927</b>
Procurement Study	(500)
<b>FY-2005 Base</b>	<b>\$4,427</b>
<b>FY-2005 Bud. FTE Level</b>	<b>77.0</b>
<b>Actual Ave. YTD FTE</b>	<b>72.8</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	98
<b>FY-2006 Recommendation</b>	<b>\$4,525</b>
\$ Change from FY-2005	(\$402)
% Change from FY-2005	-8.16%

Source: Office of State Finance

The FY-2006 appropriation for the State Treasurer is the same as provided for FY-2005, with the following adjustment.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$97,907 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Office of the Treasurer's 72.8 average YTD FTE.

# **Health**

**Community Hospitals Authority  
Oklahoma Health Care Authority  
Health Care Initiative Update  
Department of Health  
Department of Mental Health & Substance Abuse Services**



# Health

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY-2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
Health Care Authority	\$482,256,505	\$482,256,505	\$81,688,093	\$563,944,598	16.9%
Health Department	57,563,226	57,563,226	1,600,820	59,164,046	2.8%
Mental Health Department	155,447,428	155,447,428	14,969,719	170,417,147	9.6%
<b>Total Health</b>	<b>\$695,267,159</b>	<b>\$695,267,159</b>	<b>\$98,258,632</b>	<b>\$793,525,791</b>	<b>14.1%</b>

## **Community Hospitals Authority**

### **Brief History**

Created in May of 2002, the Community Hospitals Authority is responsible for supporting the missions of the OSU College of Osteopathic Medicine and the OU College of Medicine in Tulsa. Sections 3240.1 and following of the Oklahoma statutes state the purpose of the Authority to further the teaching and training of medical students, support medical and biomedical research and help provide medical care for indigent and nonindigent populations. In addition, they will act as a vehicle for securing additional funds outside existing state appropriations for graduate medical education and indigent care.

The statute also charges the Authority with coordinating the efficient delivery of medical care across Northeast Oklahoma. This includes contracting for the delivery of indigent care with participating health care systems.

Since its original creation, the legislation creating the Authority has been amended to:

- Expand the definition of "Medically indigent" to include persons with insufficient insurance, in addition to no insurance;
- Specify that additional funding secured by the Authority will not be used to offset current Medicaid appropriated funding for indigent care and graduate medical education;
- Remove the prohibition on the appropriation of state funds to the Community Hospital Authority;
- Remove language prohibiting the Authority from employing any personnel.

### **Membership of the Authority**

The Authority is currently composed of nine members as follows: The presidents of OU

and OSU or their designees; one member appointed by the Governor; one member appointed by the Speaker of the House of Representatives; and one member appointed by the President Pro-tempore of the Senate. The Director of the Oklahoma Health Care Authority and one representative from each of the three major Tulsa hospital systems are the remaining members.

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### **FY-2006 Recommendation**

No appropriated funding is recommended for the Community Hospitals Authority at this time.

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# The Oklahoma Health Care Authority

## Notable Achievements

- **Premium Assistance Program proposed by Governor Henry** At the direction of Governor Brad Henry, the Oklahoma Health Care Authority applied for a State Planning grant and was awarded \$874,360 in federal dollars to study ways to effectively provide private and public health care to more Oklahomans. It has been reported that over 20% of Oklahoma's total population is uninsured, one of the highest rates in the nation. Under Governor Henry's leadership, an increase in the tobacco tax was passed by the voters on November 2, 2004, which will provide \$50 million to be matched with federal, employer and employee dollars to provide expanded health insurance coverage for up to 80,000 working but uninsured Oklahomans through a premium assistance program.
- **Pharmacy Benefits Increased for Adults - Three Prescription Limit Eliminated** The prescription limit for all adult Medicaid beneficiaries was increased to six per month, with a maximum of three brand name prescriptions, effective January 1, 2004. Prescriptions can now be filled for the greater of 100 units or a 34-day supply. Home and Community based Waiver beneficiaries, including those on the Advantage Waiver, are able to receive an additional seven generic prescriptions per month without prior authorization.
- **Medicaid Providers Receive a Rate Increase** In January 2004, increases in the rate paid to nursing homes, hospitals, doctors and ambulance services that provide care to more than 500,000 Medicaid beneficiaries each month went into effect. \$34 million in federal relief funds were used to increase nursing home rates by 7% and inpatient hospital rates by 5%. Evaluation and management services

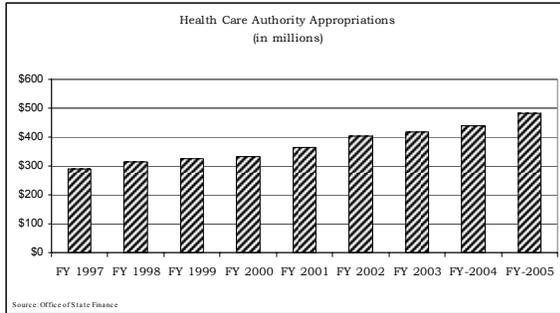
*provided by physicians and other providers were increased to 90% of the Medicare fee schedule, up from the previous 72%.*

- **Breast and Cervical Cancer Treatment Expansion** During FY-2005, Oklahoma began covering women up to 185% of the federal poverty level for the treatment costs of breast and cervical cancer.

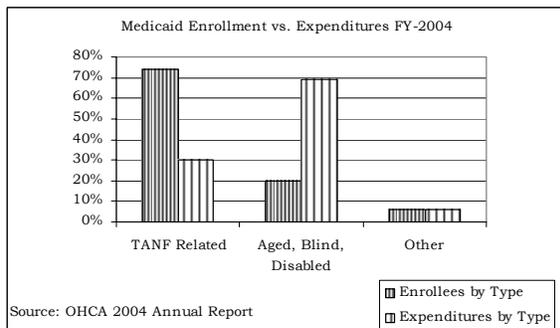
## Mission

Medicaid is a federal and state entitlement program providing medical benefits to certain classes of lower income individuals who have no health insurance. Coverage for basic health and long term care services is guaranteed based on income levels and/or resources to individuals falling within such classes as aged, blind, disabled, pregnant women and children. Created in Title XIX of the Social Security Act of 1965, Medicaid is administered at the federal level by the Centers of Medicare and Medicaid Services (CMS) within the United States Department of Health and Human Services.

The Oklahoma Health Care Authority (OHCA) is the state agency responsible for all Medicaid services to five groups of categorically related recipients: those related to Temporary Assistance to Needy Families, the Aged, the Blind, the Disabled and the institutionalized. The number of individuals who received services during FY-2004 approached 671,000. On average, there were about 513,000 individuals enrolled per month during the year. In FY-2005, the appropriation to the Health Care Authority represents 9% of all appropriations by the Legislature.



The following chart from OHCA's 2004 Annual Report shows Medicaid enrollment by categorical type compared to Medicaid expenditures by categorical type. Note that the Aged, Blind and Disabled category comprises only 20% of Medicaid recipients by type but accounts for 69% of total Medicaid expenditures. *TANF Related* refers to pregnant women and children up to 185% of the federal poverty income guidelines. This group represents the major eligibility expansion which was enacted in Oklahoma in 1997. This expansion and its related outreach programs resulted in 195,000 more children enrolled in Medicaid as of June 30, 2004, than in November 1997.



As the chart above illustrates, a minority of Medicaid recipients account for the majority of expenditures. The aged blind and disabled category comprising 24% of total recipients accounted for 61% of total expenditures in FY-2004. The TANF Related category consisting of pregnant women and children were 74% of the recipients in FY-2004 but accounted for 30% of total expenditures.

**Key Performance Measures**

The percentage of Oklahomans enrolled in Medicaid at some point during the year is a key measure because it indicates the percentage of an uninsured population receiving healthcare services. Otherwise, they would join the ranks of the uninsured or those whose uncompensated care costs must be absorbed by our state hospitals. In FY-2004, 19.1% of Oklahomans were enrolled at some point in the year and in FY-2005 it is estimated that 20.2% will be enrolled.

An important measure of access to preventive care is well child visits with primary care physicians for both young children and adolescents. The percentage of young children enrolled in Medicaid who saw their physician for a well child visit during the year increased from 47.3% in FY-2003 to 58.1% during FY-2004.

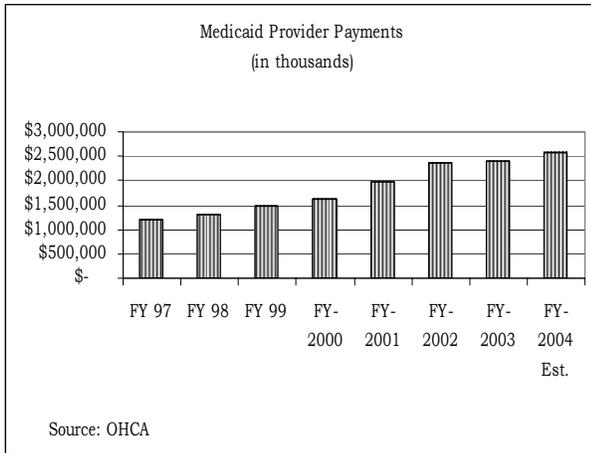
Among adolescents the percentage of Medicaid enrollees who attended a well child visit increased from 23.7% in FY-2003 to 36.7% in FY-2004. The percentage of Medicaid children ages 7 to 11 who had a visit with their primary care physician has risen to 80% in recent years.

The percentage of Medicaid enrolled children who have received up-to-date immunizations increased from 65% in FY-2003 to 71% in FY-2004 and is estimated to be as high as 90% in FY-2005.

**Service Delivery Systems**

Medicaid services were delivered through two delivery systems in FY-2004. One delivery system is the traditional fee-for-service system. The other is the SoonerCare Choice program which is the partially capitated managed care program required under 56 Oklahoma Statute Section 1010.1(B).

With each of these programs, the agency is responsible for setting compensation levels, specifying what services are covered and contracting with providers to deliver the services.



### Eligibility Determination

The Oklahoma Department of Human Services conducts eligibility determinations for Medicaid.

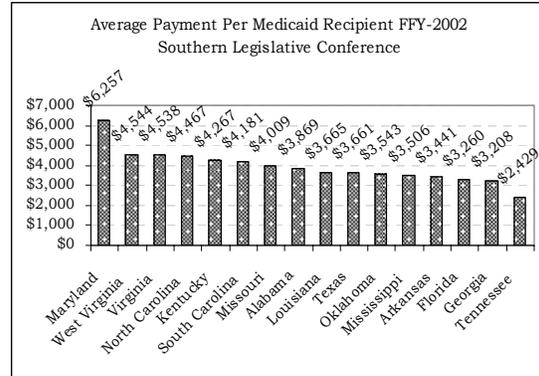
### Economic Impact and Cost Drivers

#### Direct and Indirect Impact of Medicaid Spending

Health care services are a substantial economic presence in Oklahoma. The health care sector affects the economy in much the same way a manufacturing plant does by bringing in money, providing jobs and wages to residents. Health care businesses, in turn, have an additional impact through the purchases of technology, and services. The \$2.7 billion in Medicaid expenditures for FY-2004 is estimated to have supported 103,276 direct and indirect jobs within the health care industry and \$2.3 billion in income. Increased business activity and increased tax collections are also a significant part of the economic impact of Medicaid spending.

#### Expenditures per Recipient

While health care costs across the board continue to increase, Oklahoma is one of the most effective states in the region in controlling per recipient costs according to the Southern Legislative Conference's (SLC) most recent data.



### Enrollment, Utilization and Covered Services

Other cost drivers are the enrollment volume, utilization and covered services. As the total volume of enrollment increases and more people have access to medical care, expenditures go up. In addition, an increase in the average number of services or prescriptions per recipient also drives costs. The total array of covered services is the third cost driver of Medicaid costs. When making funding decisions for the state Medicaid budget, all these factors must be taken into account.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$482,257</b>
<b>FY-2005 Bud. FTE Level</b>	<b>382.9</b>
<b>Actual Ave. YTD FTE</b>	<b>355.3</b>
<b>Funding Adjustments:</b>	
<b>Annualizations</b>	
Change in FMAP	33,227
Fiscal Agent Contract Increases	193
Medicare Part A& B Premiums	2,270
<b>Maintenance</b>	
Enrollment/Utilization Growth	29,955
Cost Increases in Long Term Care	3,583

Medicare Part A & B Premiums FY-2006	2,906
<b>Mandates &amp; Compliance</b>	
MMA Presc. Drug Cost	7,723
PERM	75
Ticket to Work	68
State Employee Pay Increase	288
<b>Prescription for Savings Initiative</b>	
Contract for Outreach & Enrollment	1,400
Total Adjustments	81,688
<b>FY-2006 Recommendation</b>	<b>\$563,945</b>
% Change from FY-2005	16.94%
Source: Office of State Finance	

The Governor's Budget proposes to fund the FY-2006 Medicaid program costs in the categories of annualization, maintenance and mandate-compliance. Annualization is for the cost of full year funding, maintenance is primarily growth in enrollment and utilization in services and pharmacy and mandate-compliance is the cost of complying with federal or state law.

## Annualizations

### Federal Medical Assistance Percentage (FMAP) Change

The FMAP for each state is determined by a federally prescribed formula which compares the change in Per Capita Personal Income (PCPI) by state to the average PCPI for all states. For federal FY-2006, Oklahoma will experience the fourth largest drop in federal matching percentage of all states. This change in federal dollars will cost the state \$33,226,771 in increased appropriations in order to keep program levels the same as they are currently. An additional \$193,750 is included to cover the increased cost of fiscal agent contracts.

### Medicare Part A & B Premiums

State Medicaid programs are required by federal law to pay Medicare Part A & B premiums for Medicaid clients who are also eligible for Medicare. The estimated state

dollar cost to annualize these premiums for FY-2006 is \$2,270,885.

## Maintenance

### FY-2006 Enrollment Growth and Utilization Increase

The Governor's budget includes \$29,954,718 to meet expenses associated with increased Medicaid enrollees and the services which they are expected to access during FY-2006. The growth rate for increased enrollment and utilization is funded at approximately 5.5%.

### FY-2006 Coverage for Medicaid Recipients in Long Term Care

The Governor's budget includes \$3,582,692 to cover cost increases in long term care which are not covered by the Quality of Care nursing home provider fee. In addition, growth in Medicare Part A&B premiums for FY-2006 is funded at \$2,905,672.

## Mandate and Compliance Issues

The implementation of the Medicare Modernization Act (MMA) is expected to cost an additional \$7,723,016 state dollars in FY-2006. This figure is based on a federal estimate of what the state is expected to pay back to Medicare for the cost of prescriptions drugs for persons in long term care who are dually eligible for Medicare and Medicaid (dual eligibles). Until passage of the MMA, all drugs for dually eligible long term care Medicaid recipients were paid for by Medicaid.

### Payment Error Rate Measurement and Ticket to Work disability services

This budget includes \$74,823 for the cost of additional claims monitoring of claims payment for maintaining provider payment accuracy. It also includes \$67,704 for Ticket to Work disability services.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$288,093 to annualize the \$1,400 January

pay raise and provide for the \$700 July pay raise for the Oklahoma Health Care Authority's 364.9 FTE.

**Funding for Governor Henry's  
"Prescription For Savings"  
Initiative**

**State Discount Prescription Drug Card  
Program**

The Governor's budget includes \$1,400,000 for the purpose of developing outreach and enrollment materials for the prescription drug discount cards under Governor Henry's "Prescription for Savings" initiative. The enrollment and outreach function of this program will be contracted out with the Oklahoma Health Care Authority as the contracting agency.

## Health Care Initiative - Update

### Tobacco Tax Passed by Voters

The Governor's proposed tax increase on cigarettes and tobacco products was passed by the voters as State Question 713 in November 2004. The proceeds are dedicated to improving the overall health of Oklahomans. This tax positively impacts the state of Oklahoma's health:

- Reducing the prevalence of smoking, especially among young people;
- Funding for support of smoking cessation programs; and
- Funding to expand health insurance coverage for uninsured working Oklahomans.
- As the prevalence of smoking decreases, long run positive outcomes include a decline in smoking related diseases such as heart disease and lung disease.
- Improvement in these factors will lead to an improved total mortality rate. This means we will have more people living longer and healthier lives.

#### Distribution of Tobacco Tax Proceeds

Revenue from the increased tax on cigarettes and tobacco products is expected to generate over \$202 million on an annualized basis. Of this amount \$53.5 million will be used to replace lost sales tax revenue to the state, cities and counties. Over \$149 million is directed to the following programs:

<u>Purpose</u>	<u>Amount</u>
Health Care Initiatives	
1. Maintain provider rate increases	\$49.6 million
2. Premium Assistance Health Care Program	\$49.9 million
3. Trauma Care Reimbursement Fund	\$17 million
4. OU Comprehensive Cancer Center	\$7 million
5. OSU telemedicine/indigent care	\$7 million
6. Substance Abuse Treatment	\$6 million
6. Tobacco Cessation Programs	\$1.5 million
8. Breast and Cervical Cancer	\$1 million
9. Increase Medicaid rates for ER physicians	\$2 million
10. Increase Ambulance Service Provider Rates	\$1 million
11. Increase Medicaid rates for city/county hospitals	\$5 million
<u>12. Katie Beckett Medicaid waiver</u>	<u>\$2.2 million</u>
Total Expenditures:	\$149.3 million

### Premium Assistance for Families

In 2003, a record 20.4% of Oklahomans were without health coverage – significantly above the national average and over three percent higher than the previous year's statewide rate. While there are uninsured Oklahomans in every income stratum, the problem is particularly acute among lower income workers and their families.

In 2003, there were approximately 185,000 Oklahomans with household incomes below 185% of the federal poverty level (FPL) either employed by small businesses or seeking work. The uninsurance rate for this group was 57 percent (106,000 persons).

Recognizing the severity of the uninsurance crisis in Oklahoma, Governor Brad Henry and the state legislature collaborated in 2004 to enact the Oklahoma Health Care Recovery Act (OHKRA) to expand access to affordable health coverage for low income working families.

Under the legislation, the state will establish a Premium Assistance Program for small employers that will benefit their qualifying employees and the employees' spouses, including spouses who are not in the workforce. Premium assistance will initially be available for workers and spouses with household incomes at or below 185 percent of poverty.

The program will be open to all employers with 25 or fewer workers, including those

that currently offer coverage. Subject to available funds, the program may ultimately be expanded to include larger employers, starting with those having 26 - 50 employees.

Participating employers will be required to pay 25 percent of the cost of employee premiums. Employees will be responsible for up to 15 percent of the premium cost but no more. The state and federal governments will pay whatever is not covered by the employer/employee contributions.

Workers will be required to contribute no more than three percent of their annual gross household income toward covering the cost of health insurance premiums. No more than five percent of household income will be required toward all health care expenses (premium + point of service costs). The program will be open to both full- and part-time workers, including the self-employed. It also will be available to the unemployed.

The state intends to devote an average of \$50 million per year to the initiative, money that will be generated through a new tobacco tax which took effect on January 1, 2005. Subject to CMS' approval, this state subsidy will be matched each year with approximately \$100 million in federal funds.

## **A Comprehensive Cancer Center for Oklahoma**

### **The Need for a Comprehensive Cancer Center**

Since 1990, the health of Oklahomans has declined relative to most other states and the cancer death rate is one of the reasons for this decline. Oklahoma's cancer death rate has increased from 197.8 cancer deaths per 100,000 in 1990 to 215.4 in 2004.

The tobacco tax has earmarked \$7 million per year to provide for debt service for building the Comprehensive Cancer Center in cooperation with the University of Oklahoma School of Medicine.

### **What is a "Comprehensive" Cancer Center?**

A Comprehensive Cancer Center is located only in an Academic Health Center made up of a medical school, other health related programs and a major teaching hospital. The National Cancer Institute of the National Institutes of Health designates an institution as a Comprehensive Cancer Center.

### **Trauma Care Reimbursement Fund**

Faced with the possible closing of Oklahoma's only Level One Trauma Center in late 2003, Governor Henry and the legislature responded by creating additional funding sources for the Trauma Reimbursement fund within the State Department of Health. The funding increase came from dedicating \$17 million per year from the Tobacco Tax and increased fees.

In addition to these funds, the legislature raised a number of fees. HB 2250 implements a \$100 special trauma care assessment to people convicted of carrying an open container of alcohol, driving under the influence or other misdemeanor traffic violations. HB 2299 imposes various special trauma care fines to people who are convicted of driving with a suspended license. HB 2600 institutes a \$200 trauma care fee for re-instatement of a driver's license and a \$100 fine for drug crimes. These bills are estimated to generate approximately \$12.4 million for the Trauma Reimbursement Fund in addition to the earmarked portion of the Tobacco Tax.

These new funding sources will help close the gap between the uncompensated trauma care claims by hospitals and the amount which has until recent law changes been available to disburse from the fund. Prior to 2004, the funding for the fund came from a \$5.50 increase in the driver license renewal fee. However, this fee increase raised approximately \$3.6 million toward over \$16 million in claims.

## **Other Dedicated Uses for the Tobacco Tax**

During the economic downturn and revenue shortfalls of the early years of the century, Congress provided one-time assistance to states by way of an enhanced Medicaid matching rate. This rate was in effect for five state funding quarters and was then discontinued. Governor Henry, the Oklahoma Health Care Authority and the Legislature worked together to find the best solution to restoring cuts that were necessary to meet the previous revenue shortfall with judicious use of this one-time funding in critical areas of the Medicaid budget. Maintaining these Medicaid provider rate increases is one of the primary dedicated uses for the tobacco tax and will cost approximately \$49.6 million per year.

Other dedicated uses for the tax which go into the Medicaid budget are funding to increase payment rates for city/county owned hospitals, funding for breast and cervical cancer treatment and funding for what is known as the Katie Becket Waiver.

Oklahoma will now provide breast and cervical cancer treatment for women of all ages who fall below 185% of the federal poverty level. There is \$1 million per year dedicated from the tobacco tax for this purpose and it will be used in conjunction with appropriated dollars to meet this need.

In addition, the provision of Katie Beckett Waiver services means that parents who do not meet the income qualifications for Medicaid but whose disabled children would otherwise qualify to be in a Medicaid funded institutional setting can now receive home and community based services for those children. The tobacco tax has \$2.2 million per year dedicated to this purpose.

Other earmarked uses for the tax include \$7 million per year to provide a telemedicine/indigent care facility through the OSU School of Osteopathic Medicine in Tulsa, increased ambulance and ER physician payment rates through Medicaid for \$3 million and tobacco cessation

programs for \$1.5 million. Adolescent substance abuse programs will be funded with \$6 million per year.

# The Department of Health

## Notable Achievements

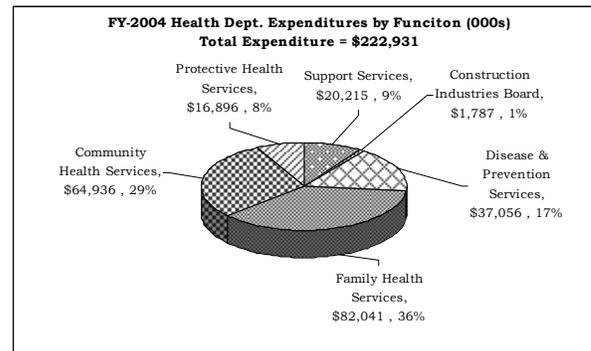
- **Smoke Free Restaurant Compliance due by 2006** *The issue of the harmfulness of second hand tobacco smoke brought about the Smoking in Public Places and Indoor Workplaces Act which became effective on September 1, 2003. This act prohibits smoking in public places and indoor workplaces and phases in smoke free restaurant compliance by 2006.*
- **Board of Health Supports Passage of Tobacco Tax** *The State Board of Health officially endorsed an increase in the state tobacco tax. Higher prices for tobacco reduce the incidence of use and keep young people from taking up smoking. Reduction in the incidence in tobacco use correlates directly with improved health outcomes and reduced deaths from smoking related illnesses.*
- **Trauma Care System Development** *Passage of SB 1554 authorized the State Health Department to implement and regulate a statewide trauma care system and establish an advisory council to make recommendations for the development of the system. The bill allows monies in the Trauma Reimbursement fund to be used to reimburse physicians and ambulances in addition to hospitals. The system will help expand the types of trauma care services available across the state ensuring people receive high quality trauma care in the shortest possible time.*
- **Caring Hearts of Oklahoma Implemented** *Caring Hearts of Oklahoma is a new volunteer-oriented program to help residents of nursing facilities, particularly those in facilities with compliance problems. During FY-2004, the State Health Department identified federal funds to support Caring Hearts of Oklahoma and assigned a full-time coordinator. Caring Hearts of Oklahoma presented at public*

*speaking engagements statewide and trained 58 volunteers. In addition, 449 nursing facility activity and social service directors were trained.*

## Mission

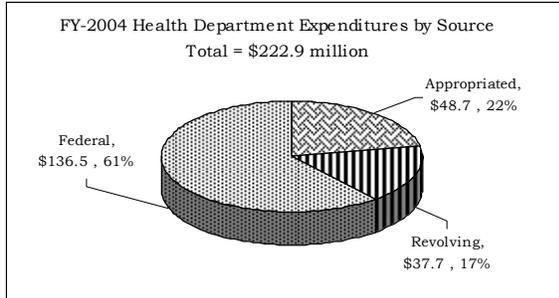
The mission of the Department of Health is to promote, protect and improve the health of all Oklahomans through strategies that focus on preventing disease and injuries. Local health service delivery is accomplished by approximately 2,223 employees located at 69 county health departments throughout the state.

The Department faces significant challenges to improving the public's health because as a state, we have poor health outcomes.



## Funding

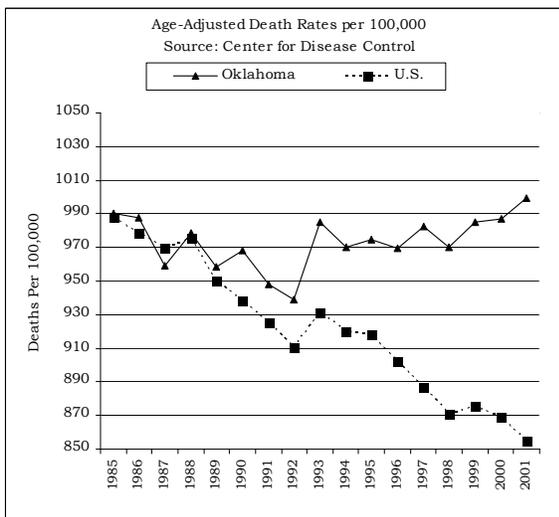
The three sources of funding for public health programs are appropriations, revolving funds and federal funds. One of the ten largest appropriated agencies the Health Department has experienced reductions via revenue shortfalls and appropriations cuts of nearly 25% since the beginning of FY-2002. The following pie chart shows FY-2004 expenditures by funding source. Note that approximately 40% of the federal funding portion is for the Women, Infants and Children (WIC) nutritional program funded entirely with federal dollars.



## Health Status in Oklahoma

The Board of Health State of the State's Health Report has reached the conclusion for several years that the 'State of the State's Health' is unacceptable and that remains the case. Oklahomans continue to die of heart disease, cancer, stroke, and chronic obstructive pulmonary disease at a greater rate than the rest of the United States.

The following chart, compiled from Center for Disease Control (CDC) data, shows that the age adjusted death rate (total mortality rate) in Oklahoma became greater than the national average in the early nineties and has continued to climb while the national average has dropped. In 2001, the most recent year for which data is available, there were 1,000 deaths per 100,000 people in Oklahoma, but the average for the U.S. was 855 people for every 100,000 people. Oklahoma ranks 47 on this outcome measure meaning that there are only three states with worse outcomes.



According to the United Health Foundation's State Health Rankings, Oklahoma improved its rating by five places moving from 45<sup>th</sup> in the 2003 report to 40<sup>th</sup> in overall health of its citizens in the 2004 report. Oklahoma was one of only 4 states to show improvement. In 1990, Oklahoma ranked 31<sup>st</sup> in overall health compared to other states so in the intervening years Oklahoma has lost ground in terms of relative health status compared to other states. Four major indicators of this status are:

United Health Foundation		Measurement Data		Rankings	
Health Risk Factors - Oklahoma Rankings		2004	2003	2004	2003
Percent Smokers in Population		25.1%	26.6%	36	42
Motor Vehicle Deaths per 100,000 Miles Driven		1.4	1.6	17	27
Percent of Population which is Obese		24.4%	22.9%	37	29
Percent Ninth Graders Graduating High School		73.2%	73.4%	22	19

## Tobacco Tax Passed by Voters

The Governor's proposed tax increase on cigarettes and tobacco products was passed by the voters as State Question 713 in November 2004. It is earmarked to improve the overall health of Oklahomans. This tax directly impacts the major health status factors which contribute to our poor health in these ways:

- It reduces the prevalence of smoking, especially among young people;
- It will provide funding for support of public health programs including smoking cessation;
- It will provide funding to expand health insurance coverage for those who are currently uninsured;
- As fewer people start smoking and the prevalence of smoking decreases, smoking related diseases such as heart disease and lung disease will also decrease; and
- Improvement in these factors will lead to an improved total mortality rate. This means we will have more people living longer and healthier lives.

### Distribution of Tobacco Tax Proceeds

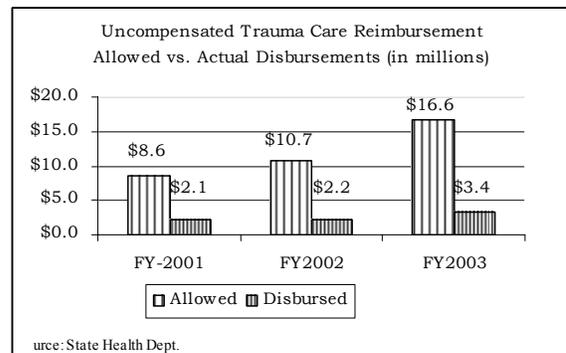
Revenue from the increased tax on cigarettes and tobacco products is expected to generate over \$202 million on an annualized basis. Of this amount \$53.5 million will be used to replace lost sales tax revenue to the state, cities and counties. Over \$149 million is directed to the following programs:

<u>Purpose</u>	<u>Amount</u>
Health Care Initiatives	
1. Maintain provider rate increases	\$49.6 million
2. Premium Assistance Health Care Program	\$49.9 million
3. Trauma Care Reimbursement Fund	\$17 million
4. OU Comprehensive Cancer Center	\$7 million
5. OSU telemedicine/indigent care	\$7 million
6. Substance Abuse Treatment	\$6 million
6. Tobacco Cessation Programs	\$1.5 million
8. Breast and Cervical Cancer	\$1 million
9. Increase Medicaid rates for ER physicians	\$2 million
10. Increase Ambulance Service Provider Rates	\$1 million
11. Increase Medicaid rates for city/county hospitals	\$5 million
12. Katie Beckett Medicaid waiver	\$2.2 million
Total Expenditures:	\$149.3 million

### Trauma Care

Faced with the possible closing of Oklahoma's only Level One Trauma Center in late 2003, Governor Henry and the legislature responded by creating additional funding sources for the Trauma Reimbursement fund within the State Department of Health. The legislation also directed the Board of Health to adopt new trauma system rules and provide oversight to improve the functioning of the trauma system. The funding increase came from dedicating \$17 million per year from the Tobacco Tax and increased fees. HB 2250 implements a \$100 special trauma care assessment to people convicted of carrying an open container of alcohol, driving under the influence or other misdemeanor traffic violations. HB 2299 imposes various special trauma care fines to people who are convicted of driving with a suspended license. HB 2600 institutes a \$200 trauma care fee for re-instatement of a driver's license and a \$100 fine for drug crimes. These bills are estimated to generate approximately \$12.4 million for the Trauma Reimbursement Fund in addition to the earmarked portion of the Tobacco Tax.

These new funding sources will help close the gap between the uncompensated trauma care claims by hospitals and the amount which has until recent law changes been available to disburse from the fund. Prior to 2004, the funding for the fund came from a \$5.50 increase in the driver license renewal fee. However, this fee increase raised approximately \$3.6 million toward over \$16 million in claims.



SB 1554 authorizes the State Health Department to implement and regulate a statewide trauma care system and establish an advisory council to make recommendations for the development of the system. The bill allows monies in the Trauma Reimbursement fund to be used to reimburse physicians and ambulances in addition to hospitals. The system will help expand the types of trauma care services available across the state ensuring people receive high quality trauma care in the shortest possible time.

The comprehensive trauma care system design contains the following components:

- Pre-hospital transfer protocols which clarify that patients are transported to the nearest hospital specified to handle their level of injury;
- Regional plans for community or regional on-call systems which ensure physician coverage is maintained and 24-hour emergency care is available;
- Hospitals have reciprocal patient transfer agreements with hospitals capable of providing major trauma care;

- Agreements will include provisions for transferring patients back to the originating hospital when it is medically appropriate to do so;
- Trauma referral centers which coordinate trauma care for all ambulance services and first response agencies within regions and facilitate trauma patient transfers into the region; and
- Adequate funding for uncompensated trauma care.

## Divisions of the State Department of Health

### Family Health Services

#### Family Planning Services

County health departments and non-profit clinics provide family planning services to low-income women at risk for unwanted and mistimed pregnancies. Services include physical exams, contraceptive supplies, education and counseling and voluntary sterilization.

#### Child Abuse Prevention

Home visitation programs for low-resource mothers improve health indicators and parenting skills in an effort to avert child abuse, unwanted repeat pregnancies and other adverse outcomes.

#### Child Guidance Services

Diagnostic and short term treatment services for developmental, psychological, speech, language and hearing problems for children are provided through county health departments.

#### Women, Infants and Children (WIC)

A federally funded program that provides nutritional education and coupons for selected items to pregnant women and children less than 5 years old.

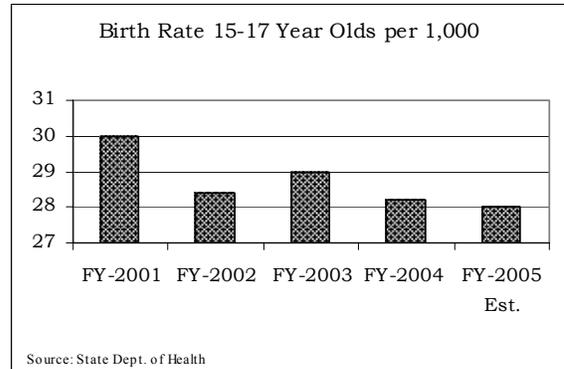
#### Dental Health

Oral health screening and small scale treatment for children and nursing home

residents is provided through contracts with dentists and dental hygienists.

### Teen Pregnancy Prevention

Programs are aimed at lowering the state's teen birth rate.



### Disease Prevention Services

#### Newborn Metabolic Screening

All Oklahoma newborns are screened for various metabolic disorders.

#### Chronic Diseases

Screening, tracking, education and referrals for persons at risk for chronic diseases like cancer, diabetes, heart disease and high blood pressure is provided.

#### Communicable Diseases

Three primary areas of services are as follows:

- Immunizations
- Tuberculosis
- HIV/STD - surveillance and prevention

### Community Health Services

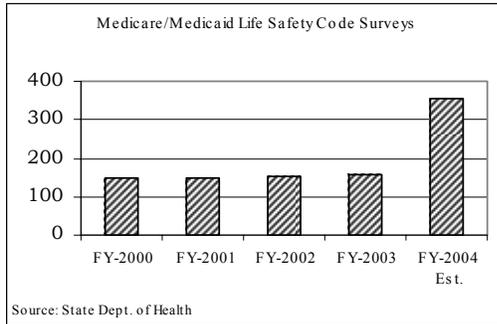
#### County Health Departments

Provides an array of services at the local level through 69 county health departments. Services include oversight for public health nurses, and community health workers, as well as, local finance, budgeting and record keeping administration.

**Protective Health Services**

**Long Term Care Services**

Provides licensing and inspection of nursing facilities, assisted living centers, group homes and intermediate care facilities for the mentally handicapped and residential care centers.



**Medical Facilities**

Licensing and regulation of hospitals, ambulatory surgical centers, community health centers, home health agencies, hospices, etc. is provided by this division.

**Consumer Health**

Barbers, cosmetologists, licensed counselors, hearing aid fitters and the alarm industry are regulated.

**Restaurant and Motel Inspections**

Sanitarians working for the state/county health departments inspect these facilities.

**County Jail Inspections**

These inspections ensure compliance with minimum safety and inmate welfare standards.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$57,563</b>
<b>FY-2005 Bud. FTE Level</b>	<b>2,278.0</b>
<b>Actual Ave. YTD FTE</b>	<b>2,133.1</b>
<b>Funding Adjustments:</b>	
Long Term Care Inspectors	750
5% Increase in Nursing Salaries	850
Cancer Prevention & Registry	868
Governor's Council on Physical Fitness	55
Transfer Child Abuse Prevention Programs to DHS	(2,687)
State Employee Pay Increase	<u>1,765</u>
Total Adjustments	1,601
<b>FY-2006 Recommendation</b>	<b>\$59,164</b>
% Change from FY-2005	2.78%

Source: Office of State Finance

**Long Term Care Inspectors**

The Governor's budget includes increased funding of \$750,000 to pay for the increased workload in the long term care licensing and complaint investigation function of the Department. This amount will pay for 13 additional inspectors.

**Increase in Nursing Salaries**

This budget provides \$850,000 which will increase nurse salaries within the Health Department by 5 % and help to address the nurse shortage.

**Cancer Prevention and Cancer Registry**

Funding provided in this budget will increase the capacity of the of the Breast and Cervical Cancer Early Detection program to screen up to 75% of the total women over the age of 50 who are also at or below 185% of the federal poverty level. In addition it will increase the capacity of the

cancer registry staff to track, and follow up with cancer patients as well as manning 1-800 phone lines and assisting with outreach for cancer treatment.

**Governor's Council on Physical Fitness and Sports**

This budget provides \$55,000 for the Governor's Council on Physical Fitness and Sports in order to fund and promote projects and events that will make an impact for a healthier Oklahoma. This funding will be used to expand the already successful "Walk the Weigh" program supported through Turning Point and a number of corporate organizations.

This funding will be combined with other resources to promote a special "*Walk This Weigh on Route 66*" program for first through fifth graders. The program is accompanied by study activities in math, reading, geography and history. This funding will support the expansion of the program to 20 additional schools during FY-2006.

**Transfer Child Abuse Prevention to DHS**

Child Abuse Prevention efforts would be better served by combining the programs which currently exist to serve a variety of low, moderate and high risk families under one agency. In order to provide more consistency of service to the entire range of at risk families, the current line item for child abuse prevention amounting to \$2,678,000 should be transferred from the Department of Health budget to the budget for the Department of Human services.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive an additional \$700 pay increase in July 2005. The Governor's budget includes \$1,764,820 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Health Department's 1,914.9 FTE.

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## Department of Mental Health and Substance Abuse Services

### Notable Achievements

- **Systems of Care** This is a comprehensive array of mental health and support services designed to meet the multiple and changing needs of children and adolescents with serious emotional disturbance and their families. It is targeted to impact children ages 6-18 years, with serious emotional and behavioral problems at home, school and in the community. This collaborative effort, based on a family's strengths, has been proven as a model system. A three month pre/post study of 190 youth who participated in systems of care resulted in a 58% reduction of days missed from school, a 49% reduction in encounters with law enforcement and a 38% reduction in days of out of home placement.
- **Program for Assertive Community Treatment (PACT)** PACT is a service delivery system for adults with severe and persistent mental illness that uses a 24-hour a day, seven days a week team approach. PACT teams deliver comprehensive community treatment, rehabilitation and support services to consumers in their homes, at work and in community settings. Oklahoma is considered a national leader in the implementation of PACT programs. Data based on pre/post comparison of adults in the program showed a 78% reduction in days of in-patient hospitalization and a 53% reduction of days in jail.
- **Drug Courts** Since 1990, arrests for drug crimes have increased 115% and prison receptions for drug crimes have increased 111%. In CY-2003 alone, over 700 first time felony offenders were sent to prison due to a drug crime – mainly for drug possession. In response to this crisis, ODMHSAS has developed and operates a statewide drug court program. The drug court program offers nonviolent, felony offenders with

substance abuse problems an opportunity to enter into a district court supervised substance abuse treatment program in lieu of incarceration. Today, Oklahoma has 44 operational drug court programs located in 32 counties. Among drug court graduates there is a 75% decrease in unemployment and significant increases in earned income. In addition, drug court graduates are over **two times less likely** to recidivate than successful probationers and **four times less likely** to recidivate than drug offenders released from prison.

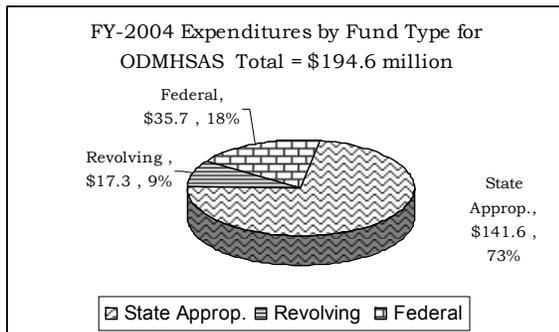
- **Newer Generation Medications** Newer generation medications are considered a front line and essential treatment for mental illnesses such as schizophrenia, bi-polar and major depressive disorders. The state now contributes \$6.5 million to the cost of these medications while a public-private partnership with pharmaceutical firms contributes approximately \$20 million to this effort in FY-2005.
- **Mental Health Courts and other Criminal Justice Activities** Forces in several Oklahoma communities have emerged to pool resources and bring about change on behalf of persons with mental illness who interact with the criminal justice system. Mental Health courts divert criminal defendants who are mentally ill from jail into treatment programs.
- **Multidimensional Family Therapy (MDFT)** MDFT is a home-based therapy model utilizing structural family therapy targeted to help the family system work together in an adolescent's recovery from substance abuse. MDFT, developed by Howard Liddle, PhD of the University of Miami, allows the therapist to work with the family in the home to reach them at the level in which they will be most successful in recovery.

## Mission

The Mental Health Law of 1953 established the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS), although publicly supported services to Oklahomans with mental illness date back to early statehood.

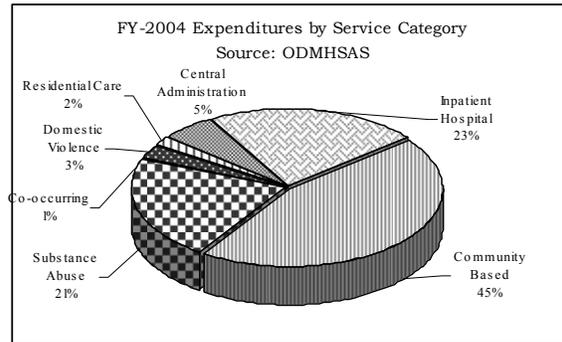
The agency's mission is to promote healthy communities and provide the highest quality care to enhance the well being of all Oklahomans. Today, the three principal realms of ODMHSAS activity are mental health, substance abuse and domestic violence/sexual assault support services.

State appropriations are the largest single source of revenue for ODMHSAS services. In fiscal year 2005, this appropriation of \$155 million equals 2.9% of total appropriated dollars and accounted for 69% of the department's \$227 million total budget.

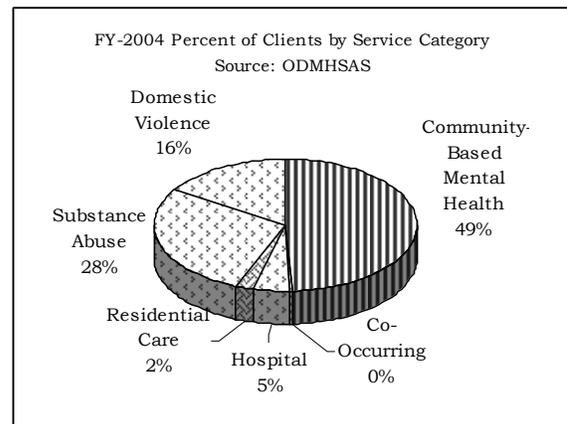


## Comparison of Clients and Expenditures

In FY-1999, 33.5% of the agency's total expenditures were for state-operated inpatient psychiatric hospitals which served 3.9% of the clients. Since that time, the agency has focused on shifting to community based services. Illustrative of the shift in service delivery to community based services, the hospital portion of total expenditures for FY-2004 dropped to 22.6% of the total. About 50% of all clients served and 50% of all expenditures were for community based mental health services during FY-2004.



The next chart provides a similar breakdown of the FY-2004 clients served by similar categories.



## Services Provided

In FY-2004, the Department provided services to:

- 32,005 persons through community mental health services;
- 2,924 persons through psychiatric hospitalization;
- 18,064 persons through substance abuse treatment;
- 10,561 persons through domestic violence and sexual assault services;
- 1,466 persons through residential care services; and
- 160 persons with co-occurring disorders.

Community mental health services include:

- Community-based treatment,
- Case management and
- Acute inpatient care.

Programs for individuals dependent on alcohol or other drugs include:

- Outpatient counseling and
- Extended residential treatment.

Community-based programs for victims of domestic violence or sexual assault provide:

- Safe shelter,
- Advocacy and
- Counseling services.

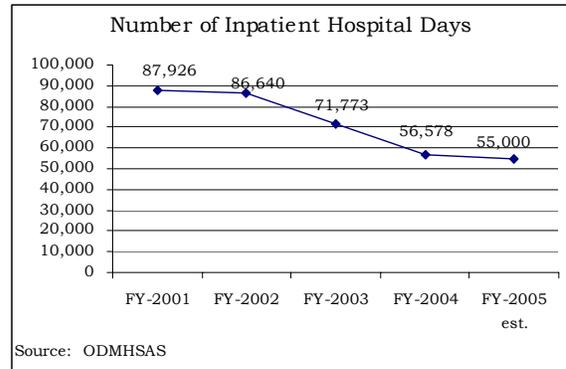
ODMHSAS also actively supports prevention programs to reduce the occurrence of substance abuse, violence and other harmful behaviors among young people.

### **Continued Implementation of Best Practices**

Service approaches designed on best practices ensure that Oklahomans who need these services will receive them in a timely, culturally competent manner that promotes prevention, recovery and an increased quality of life.

Clients who receive best practice services have:

- Fewer inpatient hospital days;
- Fewer days in jail;
- More days in school or at work engaged in productive activities;
- Fewer crisis episodes; and
- Less contact with law enforcement.



### **Community-Based Mental Health Services**

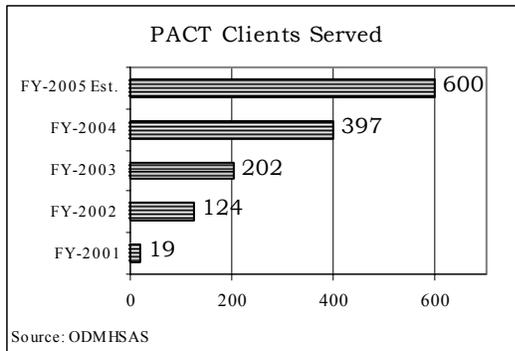
Public policy now focuses on placing persons with mental illness in the most appropriate environment possible for ongoing care and treatment. Service providers, advocates and family members agree that placement in the "community" where persons with mental illness are closer to family and friends provides the best atmosphere for success.

Today, due to the advent of psychotropic medications, improved therapeutic methods and an increase in non-hospital resources, this public policy is a reality.

#### **Program for Assertive Community Treatment (PACT)**

Oklahoma is a leader in the development and implementation of this service delivery model. It is outreach-oriented and designed for adults with severe and persistent mental illnesses. Using a 24-hour a day, 7 days a week approach, PACT teams deliver comprehensive community treatment, rehabilitation and support services to consumers in their homes, at work and in community settings. The result of this service delivery system is a dramatic drop in inpatient hospital days and jail days for these clients.

The following chart shows the growth in the number of adults with severe and persistent mental illness which are served in this program.



### Drug Courts

Drug court graduates are less likely to be rearrested than those on traditional probation or those who have gone to prison and are on parole.

According to ODMHSAS:

- The rearrest rate for drug court graduates is 18.9%;
- The rearrest rate for traditional probationers is 35.1%; and
- The rearrest rate for prison parolees is 67.5%.

The cost of drug courts is also dramatically less expensive than incarceration at \$5,000 per year per person vs. \$16,000 per year per person in the prison system.

### New Generation Medications

Remarkably effective medications are now available for the treatment of mental illness. These newer generation medications are considered an essential treatment for mental illnesses such as schizophrenia, bipolar and major depressive disorders. When a person with severe mental illness is successfully stabilized with appropriate medication and community supports, it leads to a decrease in inpatient hospital days. The savings created by this decrease constitutes part of the funding the agency has shifted to the purchase of these medications.

The Governor and the Legislature support ODMHSAS in its commitment to new generation medications by providing funding specifically earmarked for purchase of these drugs. For FY-2005, a total of \$6.4 million was appropriated for this purpose.

In addition to appropriated funding, pharmaceutical firms donate almost \$20 million worth of new generation medications for use in treatment of mentally ill patients.

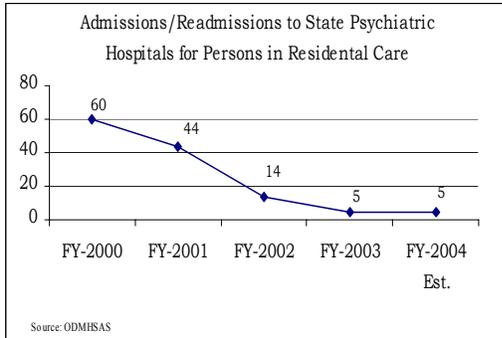
### Community Mental Health Centers

Oklahoma has 20 mental health service areas covering the state. In each area, a publicly supported community mental health center (CMHC) serves as the primary access point for the non-Medicaid, publicly funded mental health services. Most CMHCs have satellite offices or other specialized programs within their service areas. These centers provide the following services to assist adult mental health clients in the community:

- Emergency intervention;
- Assessment;
- Counseling;
- Psychosocial rehabilitation;
- Case management; and
- Community support services.

CMHCs also provide therapeutic services for children who are demonstrating symptoms of emotional disturbance. Five CMHCs are state operated, while the others are private non-profit organizations contracting with ODMHSAS.

The Department funds social and recreational services for individuals with mental illness who live in residential care facilities. Support for certain other community-based services, such as assistance for mentally ill individuals who are homeless is also provided. An important outcome for persons with mental illness who live in residential care facilities is their ability to sustain themselves within a community based setting and avoids costly inpatient treatment. Over time the number of admissions/readmissions into state psychiatric hospitals has dropped indicating better stabilization and fewer crisis episodes.



court system. This expansion will add 3,229 treatment slots over two years, expand the existing programs in 22 counties and add 9 additional counties to the 44 counties currently covered by drug courts. When fully operational in FY-2007, the program will cost approximately \$16 million per year on an annualized basis.

Because the target population is currently non-violent but felony drug offenders who would otherwise be going to prison, this diversion into treatment will eventually translate into a direct savings of \$25 million per year in the Department of Corrections.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$155,447</b>
<b>FY-2005 Bud. FTE Level</b>	<b>1,960.8</b>
<b>Actual Ave. YTD FTE</b>	<b>1,874.9</b>
<b>Funding Adjustments:</b>	
Drug Court Expansion	8,000
Add One new PACT Team	450
Newer Generation Medications	250
Core Community Mental Health Services	300
Replace Federal funds - System of Care	500
Mental Health Court/Jail Diversion	575
Annualize Debt Service - Forensic Center	500
Domestic Violence/Substance Abuse Programs for Children	500
Decrease in federal Medicaid Match	730
State Employee Pay Increase	<u>3,165</u>
Total Adjustments	14,970
<b>FY-2006 Recommendation</b>	<b>\$170,417</b>
% Change from FY-2005	9.63%

Source: Office of State Finance

### Add one additional PACT team

This budget includes \$450,000 to fund one additional PACT team. There are currently ten operating PACT teams in Oklahoma but they have varying capacities as far as the number of severely mentally ill clients who can be served. The additional full team will serve 100 to 120 clients and bring the total PACT teams in the state to 11.

### Newer Generation Medications

The Governor's budget includes funding for an additional \$250,000 for the purchase of newer generation medications. This amount will be added to the \$6.4 million the state has already dedicated to this purpose.

### Core operations and services for Community Mental Health

This budget provides an additional \$300,000 to be added to the Community Mental Health services core budget.

### Replace lost Federal funding for Systems of Care

The Governor's budget includes additional funding of \$500,000 to replace federal grant funding which will expire for the systems of care program. The program is designed to provide integrated supportive services to children with serious emotional disturbances and their families. There are currently nine Systems of Care demonstration sites in Oklahoma.

### Drug Court Expansion

The Governor's budget includes \$8 million for a dramatic expansion of the state's drug

**Mental Health Court and Jail Diversion Initiatives**

The Governor's budget includes \$575,000 for the expansion of mental health court programs which includes \$75,000 to replace lost federal funding for the Oklahoma County Mental Health Court.

**Children's Programming in Domestic Violence and Substance Abuse Programs**

This budget includes \$500,000 for provision of services for children in domestic violence or substance abuse programs. The funding will be used for case management, outreach/education and counseling and is targeted for children who come from violent homes or homes where the parents are substance abusers.

**Replace lost revenue due to shift in Federal Medical Assistance Percentage (FMAP)**

This budget includes \$730,000 for replacing lost Medicaid revenue due to the downward shift in the federal match available to Oklahoma through Medicaid in FY-2006. Additional state dollars are necessary in order to keep the program at the same funding level as FY-2005.

**Annualization of debt service for the new Forensic Center at Vinita**

This budget includes \$500,000 to annualize the debt service for the Forensic Center at Vinita. SB 975 from the 2004 legislative session authorized the Oklahoma Capitol Improvement Authority to issue bonds allowing for the construction of this facility and stating legislative intent that debt service payments would come from appropriations.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's includes \$3,164,719 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Mental Health and Substance Abuse Services 1,897.2 FTE.



# **Human Resources and Administration**

**Department of Central Services  
Employees Benefits Council  
Oklahoma Employment Security Commission  
Horse Racing Commission  
Human Rights Commission  
Merit Protection Commission  
Office of Personnel Management  
State & Education Employees Group Insurance Board**



# Human Resources and Administration

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY- 2006 Appr.	% Diff. from FY- 2005
Central Services, Dept. of	\$12,234,432	\$12,234,432	\$519,449	\$12,753,881	4.2%
Horse Racing Commission	1,958,182	1,858,182	151,211	2,009,393	2.6%
Human Rights Commission	662,762	662,762	24,104	686,866	3.6%
Merit Protection Commission	512,154	512,154	12,177	524,331	2.4%
Personnel Management, Office of	4,497,011	4,497,011	131,943	4,628,954	2.9%
<b>Total Human Res./Admin.</b>	<b>\$19,864,541</b>	<b>\$19,764,541</b>	<b>\$838,884</b>	<b>\$20,603,425</b>	<b>3.7%</b>

## Department of Central Services

### Notable Achievements

- *Purchasing reform has allowed for lower prices and overall savings.*
- *The purchase card has increased efficiency of government transactions.*

### Main Duties/Responsibilities

The Department of Central Services provides a wide variety of support services to state agencies and other governmental entities.

Fleet Management regulates the acquisition, lease, operation, maintenance, repair, and disposal of the vehicles required for state agencies.

State Leasing administers the leasing and space management of property for all state agencies and institutions. Facilities Services operates and maintains seventeen buildings; the total space managed is approximately two million square feet.

### Multi-State Cooperative Purchasing Agreements

Oklahoma joined the cooperative agreement in February 2000, by signing participating addendums with four of the five vendors: Dell, Gateway, Compaq and IBM. In January 2002, Compaq, Dell, and Gateway have all announced permanent price reductions to their customers in the cooperative.

Pharmaceutical purchases for the Department of Corrections, Health Department, Department of Mental Health and Substance Abuse, as well as other state and county agencies are through the Minnesota Multi-state Contracting Alliance for Pharmacy (MMCAP). The combined purchasing volume for contract year 2002/2003 was \$533 million. MMCAP distributed \$3 million in drug credits to participating state facilities.

### Statewide contracts

The continued expansion of statewide contracts has simplified the acquisition of basic supplies in more than 100 areas. The contracts have provided greater convenience, simplified procedures, and significantly reduced costs to the State. This results in greater convenience, smoother operations, and less need to maintain large inventories.

Some examples of widely used statewide contracts are:

- Prime Vendor-Food Distribution Contract

Actual Savings	
FY-2000	\$973,000
FY-2001	\$1,167,600
FY-2002	\$1,401,120
FY-2003	\$1,751,400
FY-2004	\$2,189,250
FY-2005	\$2,736,562

SOURCE: Dept. of Central Services

- Vehicle Contract

Contract Year	St Agcy Usage	All Entity Usage
1998	\$14,947,038	Not Available
1999	\$14,888,773	Not Available
2000	\$21,022,469	Not Available
2001	\$17,419,685	\$37,677,177*
2002	\$12,343,544	\$22,650,563*
2003	Not Available	\$23,804,395*
2004	Not Available	\$27,793,593**

SOURCE: Dept. of Central Services

\*Total usage as reported by the vendors to DCS Central Purchasing.

\*\*Total usage as reported by the vendors to DCS Central Purchasing for the first, second and third quarters of contract year 2004.

### Fleet Management

In the future, there will be a full assessment of the state's vehicular requirements and use of assets. From these findings, policies and programs will be developed. DCS will utilize economies of scale and will implement rational policies to benefit the missions of the State of Oklahoma.

**CORE Oklahoma Project**

The Department of Central Services and the Office of State Finance signed a contract with PeopleSoft as the Enterprise Vendor for designing, developing and installing a new integrated system to replace the current systems for Financials, Purchasing, Personnel and Human Resources. The Office of State Finance, Office of Personnel Management, DCS, and employees from several other agencies staff the project, named "Core Application System" (CORE).

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$328,449 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Central Service's 196.9 average YTD FTE.

**State Capitol HVAC System**

In FY-2005 a company was selected to analyze operating costs and equipment installation options for the Capitol's HVAC system. The company's analysis included a 30-year cost breakdown, and concluded that the most economical and efficient option would be to install a boiler/chiller system. The other options were to replace the existing heat pump system with a new heat pump system, or to continue to repair the current system. The location of the HVAC system within the Capitol complex will be determined, and will have an influence on overall project costs. The Governor's Budget recommends funding for this HVAC system, and will work with Legislators to choose the most efficient and effective option. This is a component of the State Capital bond issue for FY-2006 proposed by the Governor.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$12,234</b>
<b>FY-2005 Bud. FTE Level</b>	<b>230.7</b>
<b>Actual Ave. YTD FTE</b>	<b>196.8</b>
<b>Funding Adjustments:</b>	
Asbestos Abatement	(309)
Increased Debt Service	500
Employee Pay Increase	<u>328</u>
Total Adjustments	519
<b>FY-2006 Recommendation</b>	<b>\$12,753</b>
% Change from FY-2005	4.24%
Source: Office of State Finance	

The FY-2006 appropriation for the Department of Central Services is the same as provided for FY-2005, with the following adjustments.

**Asbestos Abatement Privatization**

The reduction of \$309,000 from the FY-2005 appropriation is due to the completion of privatizing the Asbestos Abatement program. The remaining funding in FY-2005 was for the purpose of completing remaining projects and systematically ending the program.

**Increased Debt Service**

The \$500,000 included in the Governor's Budget for DCS will be used to service an increased bond debt for FY-2006.

## Employees Benefits Council

### Notable Achievements

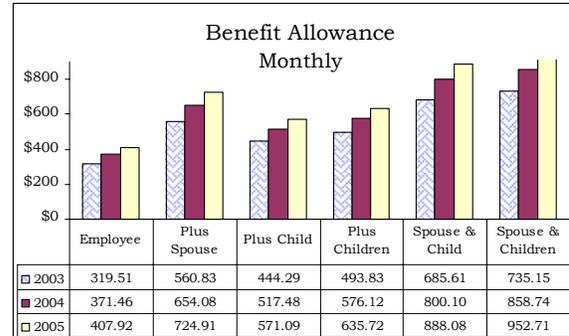
- The on-line benefits system is fully customized with built-in eligibility rules and IRS regulations pertinent to the numerous plans offered in the State's flexible benefits program known as SoonerChoice.
- Employee use of the on-line system increased from 13.5% for the 2004 plan year to 40% for the 2005 plan year.

The Employees Benefits Council (EBC) purpose is to furnish state employees with choices among various employee benefits including health, life, dental and vision plans. It also provides disability insurance and flexible spending accounts. EBC also provides for the coordination, design, preparation, communication and administration of all plans offered to state employees. Thirty five thousand active state employees and their eligible dependents are served by EBC.

One of the primary functions of EBC is to contract with Health Maintenance Organizations (HMOs) for purposes of providing health coverage to state employees. Oklahoma currently offers employees a choice of health insurance between two HMOs providers and OSEEGIB's state indemnity plan – Health Choice.

### Employee Benefit Allowance

The employee benefit allowance provides funding for health, dental, life and disability insurance for state agency employees. EBC is responsible for the design, development and administration of flexible benefits. For those state agency employees with dependents, an additional benefit allowance of three-fourths of the average cost of health insurance is provided. This partial payment of dependent coverage is a major fringe benefit for employees with dependents.



Source: Employees Benefits Council

While the employee benefit allowance is a major fringe benefit allowance for employees, it continues to be an increasing cost for the State. The Consumer Price Index (CPI) has increased by less than 3% annually, but the average benefit allowance cost per employee has increased an average of 14.9% since 2000 and as much as 25.05% (2002).

6 Year Average Benefit Allowance		
Year	Monthly Avg. per Employee	Increase
2000	\$288.88	
2001	\$295.87	2.42%
2002	\$370.00	25.05%
2003	\$440.86	19.15%
2004	\$517.01	17.27%
2005	\$570.87	10.42%

Source: EBC 1/19/05

There are several forces affecting the employee benefit allowances:

- Number of employees
- Insurance costs
- Number of dependents covered

While the number of employees covered by the benefit allowance has actually decreased by over 1500 since 2000, the percentage of employees receiving health insurance coverage for their dependents has increased. Since the benefit allowance includes provision for payment of three-

fourths of dependents medical insurance costs, the total amount continues to increase. For an employee with no dependents, the 2005 increase is 9.8%

compared to an increase of 10.42% on average for all employees, including the benefit allowance for partial payment of dependents' health insurance.

Benefit Allowance % of Total Cost by Category						
	2000	2001	2002	2003	2004	2005
Employees only	51.68%	50.76%	41.09%	38.85%	37.79%	41.06%
Employee & spouse	13.22%	13.97%	16.86%	17.72%	18.25%	21.26%
Employee & child	8.42%	8.39%	9.11%	9.22%	10.59%	10.77%
Employee & children	7.70%	7.55%	8.44%	8.02%	7.90%	9.49%
Employee, spouse & child	7.42%	7.64%	9.53%	10.28%	9.33%	11.89%
Employee, spouse & children	11.57%	11.69%	14.98%	15.90%	16.13%	17.39%
# of elections	37,018	36,514	36,868	35,213	35,074	35,530
Source: EBC 1/19/05						

## Oklahoma Employment Security Commission

### Notable Achievements

- *Redesign of call center processes and leveraging technology enabled OESC to reduce the wait time in the call center from two hours to less than two minutes.*
- *Redesign of garnishment system improved collections substantially and reduced cost by eliminating redundancies and manual manipulation of data, which was tedious and time consuming.*
- *OESC maintains a statewide labor exchange between employers and job-seeking individuals through the selection and referral of qualified workers.*

The Oklahoma Employment Security Commission (OESC) strives to provide employment security and promote the economic well-being of the state of Oklahoma. The OESC operates under the guidelines of federal-state grant agreements.

OESC serves Oklahoma by providing labor market information, employment services, unemployment insurance and veterans' service.

### Agency Services

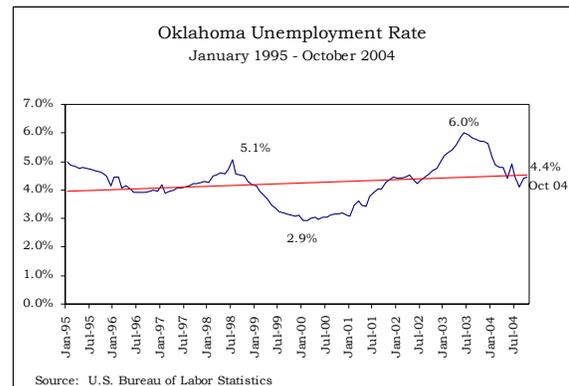
Finding jobs for people and people for jobs is the purpose of each office of OESC. Since 1933, the public employment service has matched job seekers with job openings.

The unemployment insurance system is designed to provide workers with insurance against involuntary unemployment by partial replacement of lost wages. Also, the system is designed to facilitate the reemployment of such workers. Qualified unemployed wage earners receive weekly unemployment benefits.

The unemployment tax rate is based on an experience factor per employer. For example, a business that has a 100%

turnover rate in a year would pay a higher tax rate than a business that only has a 2% turnover rate even if the two businesses were in the same industry.

The ratio of the balance in the unemployment trust fund to the five year average of net benefit payments is another condition affecting the unemployment tax rate. The Oklahoma unemployment rate has fluctuated dramatically over the past few years.



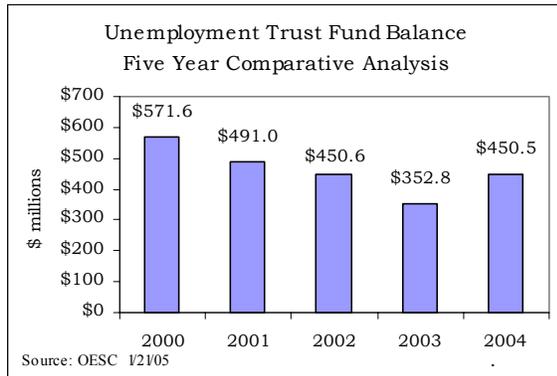
Even though Oklahoma's unemployment rate has been above its long run average, it remains the lowest in the region.

State	Unemployment Rate Oct. 2003	Unemployment Rate Oct. 2004 <sup>p</sup>
Arkansas	6.7%	5.7%
Louisiana	6.2%	5.6%
New Mexico	6.5%	5.2%
Oklahoma	5.7%	4.4%
Texas	6.7%	5.6%

p = preliminary  
Source: Bureau of Labor Statistics 12/1/2004

While the Oklahoma unemployment rate was low, the balance in the trust fund rapidly built up to \$609 million in 1997. In order to decrease the fund balance, rates were lowered below the annual maintenance level; however, the longer than expected economic slump has reduced the unemployment trust fund balance below desirable levels. Even though Oklahoma's unemployment rate is lower than the regional average, it continues to be high

enough to lower the trust fund balance below a desirable level.



A ratio of trust fund balance to five year average of net benefit payments of less than two will invoke "condition D" which is the highest tax rate. Since the conditions are based on a five year average, it may require multiple years before rates decrease to "condition None" which is the lowest tax rate. For 2005, rates will decrease from "condition D" to "condition C".

Description	Average Benefit Payment	Ratio of Trust Balance to Five Year Average BP
Trust Fund Balance at 12/31/2004		\$450,516,893
2004 Benefit Payment	\$195,861,646	
2003 Benefit Payment	\$271,486,116	
2002 Benefit Payment	\$242,014,512	
2001 Benefit Payment	\$175,496,003	
2000 Benefit Payment	\$103,614,845	
Total Benefit Payment of Last Five Years	\$988,473,122	
Average Benefit Payment	\$197,694,624	\$197,694,624
Ratio of Trust Fund Balance to Five Year Average of Net Benefit Payment		2.27885

Source: OESC 1/21/2004

The following table illustrates the inverse relationship of tax rates and benefits. The trust fund balance must be adequate to pay benefits even when unemployment is high. When the ratio of trust fund balance to average benefit payment decreases, tax rates increase and the maximum benefits decrease. As the trust fund balance increases the reverse is true. This relationship is categorized as tax schedule conditions.

Ratio of Fund Balance to average benefit payments	Over 3.5%	3.0 - 3.5%	2.5 - 3.0%	2.0 - 2.5%	Less than 2.0%
CONDITION	NONE	A	B	C	D
Minimum Rate	0.1%	0.2%	0.2%	0.2%	0.3%
Maximum Rate	5.5%	5.8%	7.3%	8.3%	9.2%
Taxable Wage Base	\$11,600	\$12,300	\$13,000	\$13,800	\$14,500
Minimum UI Contribution Per Employee	\$12	\$25	\$26	\$28	\$44
Average UI Contribution Per Employee	\$119	\$160	\$195	\$235	\$319
Maximum UI Contribution Per Employee	\$638	\$713	\$949	\$1,145	\$1,334
Maximum Weekly Benefit Per Claimant	\$334	\$320	\$306	\$292	\$278
Maximum Total Benefit Per Claimant	\$7,200	\$6,900	\$6,500	\$6,200	\$5,800
Average Annual Wage	2003	\$28,979			

Source: OESC 11/29/2004

The veterans' services division addresses the specific employment and training needs of veterans through special programs. Through its various programs, veterans are assisted in their efforts to find employment opportunities. This program is all inclusive for veterans of any of the U.S. military services and not only for those who are disabled.

Economic research which affects employment and employees is core to OESC. Labor market information is gathered and reported on the state and national level.

OESC in conjunction with the Department of Commerce provides administrative support to the Governor's Council. The Governor's Council is a council of statewide decision-makers who work collaboratively toward a common workforce development system to ensure that workforce development is supporting economic development and growth of the Oklahoma economy.

# Horse Racing Commission

## Notable Achievement

In CY-2003, the Oklahoma-Bred program paid bonuses of \$1.3 million to owners of accredited Oklahoma-bred horses.

## Mission

The Oklahoma Horse Racing Commission (OHRC) encourages state horse production and regulates horse racing activities at three racetracks:

- Remington Park in Oklahoma City
- Fair Meadows at Tulsa; and
- Backstretch, LLC d/b/a Blue Ribbon Downs in Sallisaw.

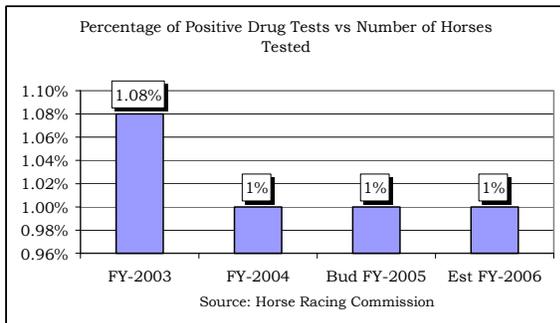
## Racetrack Regulations

The Commission employs three stewards at each racetrack to oversee racing activities. The stewards determine the winners of each race and conduct hearings concerning rule violations.

Official veterinarians, also employed by the Commission, collect urine and blood samples for drug tests in winning horses. Furosemide and phenyle- butazone medications are allowed in limited amounts for horses, but trainers are responsible for overages and positive tests for other drugs in the horse. Alleged violators are notified to appear at a hearing before the stewards and can be fined and/or receive license suspensions.

## Key Performance Measure

Goal is to make sure horses are not being drugged



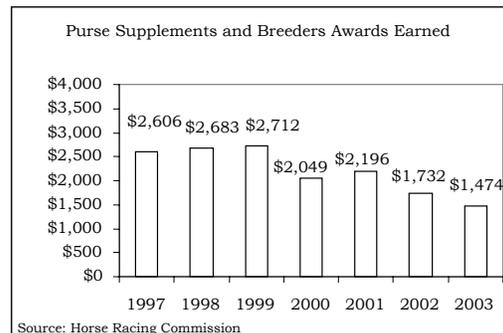
The Commission also provides the following services at racetracks:

- Law enforcement agents who conduct investigations and present evidence at hearings;
- Licensing personnel who issue occupation licenses to participants; and
- Horse identifiers who verify before the race that horses are actually the horses entered to race.

## Oklahoma-Bred Horse Program

Since 1983, the Commission has registered 71,830 horses as accredited Oklahoma-bred horses. The Program promotes agriculture and provides incentives for horse owners to invest in farms, horse facilities, veterinary services, horse trailers, etc.

The program provides incentives for breeders and owners to produce accredited Oklahoma-bred horses. Other jurisdictions have increased the quality of racing by emphasizing locally bred horses. High quality bred horses increase the quality and competition of racing which attracts more race fans and breeders to the state.



Funding for the Oklahoma-Bred Program comes from:

- Racetrack Breakage (odd cents after calculations on wagers are made),
- Unclaimed tickets from wagering,
- A percentage of pari-mutuel tax, and
- Program registration fees.

The following chart shows overall days allotted for racing and shows the number of Oklahoma-Bred Horses registered during CY-2001 through CY-2003.

Horse Racing Data			
	CY-2001	CY-2002	CY-2003
Race Days Allotted	298	274	202
Oklahoma-Bred Horses Registered	2,907	2,306	2,636
Oklahoma-Bred Claims Checks Issued	7,291	5,883	5,443

Source: Oklahoma Horse Racing Commission

### FY-2005 Supplemental

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$1,858</b>
<b>Supplemental:</b>	
Gaming Regulation	50
Racing Regulation	50
Total	100
<b>Total FY-2005 App.</b>	<b>\$1,958</b>
% Change for FY-2005	5.38%

Source: Office of State Finance

### FY-2005 Supplemental Funding

The Governor's budget proposes a FY-2005 supplemental appropriation of \$100,000 for the expenditures necessitated by SQ 712, which created the State-Tribal Gaming Act, and for racing regulation activities. This funding will help provide for the necessary personnel and equipment to regulate, implement and enforce the provisions of the State-Tribal Gaming Act and the racing activities.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Total Approp.</b>	<b>\$1,958</b>
Supplemental	(100)
<b>FY-2005 Base</b>	<b>\$1,858</b>
<b>FY-2005 Bud. FTE Level</b>	<b>35.0</b>
<b>Actual Ave. YTD FTE</b>	<b>30.5</b>
<b>Funding Adjustments:</b>	
Operating Funds	100
State Employee Pay Raise	51
Total Adjustments	\$151
<b>FY-2006 Recommendation</b>	<b>\$2,009</b>
% Change for FY-2005	8.13%

Source: Office of State Finance

The FY-2006 appropriation for the Horse Racing Commission is the same as provided for FY-2005 with the following adjustment.

### Operating Funds

The Governor's budget includes an increase of \$100,000 for the agency's operating expenditures needs for gaming and racing regulation.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$51,211 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Horse Racing Commission's 30.7 December 2004 FTE.

## Human Rights Commission

The Oklahoma Human Rights Commission works to eliminate discrimination and promote unity and understanding among Oklahomans. The Commission consists of a nine-person board. The Commission establishes policy, sets goals, approves programs and projects, and conducts public hearings on human rights complaints.

The Commission consists of two distinct functional divisions - Enforcement and Compliance, and Community Relations. The Enforcement and Compliance Division receives, processes, and investigates complaints of discrimination in the areas of employment, housing, and public accommodation.

The Community Relations Division provides outreach and educational services. The Commission is responsible for these services at both a state and a federal level.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$663</b>
<b>FY-2005 Bud. FTE Level</b>	<b>19.9</b>
<b>Actual Ave. YTD FTE</b>	<b>16.4</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	24
<b>FY-2006 Recommendation</b>	<b>\$687</b>
% Change from FY-2005	3.62%
<small>Source: Office of State Finance</small>	

The FY-2006 appropriation for the Human Rights Commission is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$24,104 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Human Rights Commission's 17.0 December FTE.

## Merit Protection Commission

### Notable Achievement

*Expansion of the Merit Protection Commission website has allowed for the addition of appeal summaries and on-line training courses.*

### Mission

The agency's mission is to design, implement, and enforce a dispute resolution system for state employees. Over the past two years the agency has implemented strategic technology tools to reduce costs and improve effectiveness.

During FY-2002, the agency developed a website which has allowed participants to resolve disputes in days rather than months. The Merit Protection Commission has been able to resolve 60 percent of their disputes through online resolution.

As previously mentioned, the Commission's website expansion includes the addition of appeal summaries and training courses. These summaries offer readers a concise summary of the decisions rendered. The four on-line training courses include the following: The Appeals Process, Documenting for Discipline, Internal Agency Grievance Process, and Mediation.

	FY-2002	FY-2003	FY-2004	FY-2005 Q1-Q2
Appeals of Discharge	55	54	46	41
Appeals of Suspension without Pay	46	48	41	25
Appeals of Involuntary Demotion	5	10	2	4

SOURCE: Merit Protection Commission

### Negotiation Conference

The Negotiation Conference is the first step before an Administrative Law Judge or Alternative Dispute Resolution Program Facilitator hears an appeal. It is at this point that parties have an opportunity to

discuss the issue and reach a mutual resolution.

	Average Days FY-2002	Average Days FY-2003	Average Days FY-2004	Average Days FY-2005 Q1-Q2
Appeals of Discharge	72	77	81	51
Appeals of Suspension without Pay	55	63	23	30
Appeals of Involuntary Demotion	131	84	26	84

SOURCE: Merit Protection Commission

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$512</b>
<b>FY-2005 Bud. FTE Level</b>	<b>7.0</b>
<b>Actual Ave. YTD FTE</b>	<b>7.2</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>12</u>
<b>FY-2006 Recommendation</b>	<b>\$524</b>
% Change from FY-2005	2.34%

Source: Office of State Finance

The FY-2006 appropriation for the Merit Protection Commission is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$12,177 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Merit Protection Commission's 7.3 December FTE.

## Office of Personnel Management

### **Notable Achievements**

- *Continued usage of an Electronic testing system that has improved convenience and efficiency of the testing process. The system allows applicants to receive scores immediately, and reduces time required to place the individual into the Merit System.*
- *Developed an on-line "Exit Interview Survey" for state agencies, which ensures complete anonymity, thus improving the usefulness of the employee responses.*

The Office of Personnel Management (OPM) has evolved from a primarily regulatory role into a service and consultative role within state government.

OPM recommends a flexible state employee pay system based on relevant market data, provides recruitment and referral services for state agencies, maintains a classified system of employment, approves and reviews agency RIF proposals, and assists with affirmative action program needs. OPM provides many different management training and development opportunities, including the Carl Albert Public Internship Program, a Certified Public Manager Program, the Quality Oklahoma Program, the State Mentor Program and the State Personnel Interchange Program.

### **Current Studies**

Title 74, Section 840-1.6A of the Oklahoma Statutes requires the Office of Personnel Management to conduct a study on certain job families experiencing high turnover rates. The overall turnover rate for FY-2004 for classified state employees was 12.5%, which includes all retirements, resignations and discharges during the fiscal year. The voluntary turnover rate of 10.9% for FY-2004 includes only retirements and resignations during the fiscal year.

State Classified Employees			
	FY-02	FY-03	FY-04
Employees	27,812	27,103	26,711
Resignations	2,139	2,000	2,281
Retirements	715	641	646
Discharges	415	458	444
Overall Turnover Rate	11.80%	11.10%	12.50%
Voluntary Turnover Rate	10.30%	9.50%	10.90%

SOURCE: Office of Personnel Management

### **Classification and Compensation Reform Update**

Pay movement mechanisms, included in *The Classification and Compensation Reform Act of 1999* (Senate Bill 464), have continued to be viable options for state agencies. The *Classification and Compensation Reform Act of 1999* provided state agency directors the flexibility to hire, retain, and appropriately reward quality state employees to more effectively and efficiently fulfill their individual agency missions.

Prior to the passage of Senate Bill 464, state law prohibited the granting of "pay raises" unless specifically permitted by state law. Senate Bill 464 authorized such pay movement mechanisms as market adjustments, skill-based adjustments, equity-based adjustments and career progression increases.

During FY-2003, state agencies utilized statutorily authorized pay movement mechanisms increasing salaries slightly over \$4 million and affecting 3,472 state employees. Of these amounts, 43% of the dollars were spent on career progressions, 28.5% on performance-based adjustments, and 13% on equity adjustments.

Although state salaries continue to trail market pay by 11.43%, OPM's FY-2004 Annual Compensation Report indicates that pay movement mechanisms played a role in enabling the state average classified salary

to keep pace with market pay growth over the previous five year period, as shown in the table below:

State of Oklahoma vs. Market			
Year	State	Market	Difference
2005	\$29,968	\$33,393	-11.43%
2004	29,969	33,361	-11.30%
2003	29,318	32,621	-11.30%
2002	30,001	31,344	-4.50%
2001	28,738	32,513	-13.10%

SOURCE: Office of Personnel Management

### Pay For Performance Implementation

In October 2001, OPM implemented a pay for performance mechanism, which authorizes Appointing Authorities to award a salary increase or lump sum payment to employees who have achieved an overall rating of "meets standards" or better on their most recent performance evaluation.

Performance-based adjustments may not exceed 5% of an employee's annual salary for "meets standards" or 10% of an employee's annual salary for "exceeds standards."

In FY-2004, the Office of Personnel Management audited 16 state agencies for compliance with the provisions of 74 O.S. Section 840-4.17. OPM staff conducted audits and provided post-audit consultations and, in some instances, corrective action plans. One hundred and five agencies are required to submit an annual report certifying compliance with the statute.

### State Information System Project

OPM is a member of the CORE PeopleSoft Project Team along with the Office of State Finance, The Department of Central Services, and the Department of Commerce.

### Electronic Testing

OPM made Merit System tests available online in January 2003. Overall, there were 69,957 applications processed and 19,808 tests (both electronic and paper) administered in FY-2004. By using the

Integrated Computerized Examination (ICE) System, applicants for state employment who test in the OPM office may elect to take examinations electronically. OPM is making this examination system available to 22 Career Technology Centers located throughout the state as well as at the Oklahoma Employment Security Commission.

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## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$4,497</b>
<b>FY-2005 Bud. FTE Level</b>	<b>78.5</b>
<b>Actual Ave. YTD FTE</b>	<b>78.9</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>132</u>
<b>FY-2006 Recommendation</b>	<b>\$4,629</b>
% Change from FY-2005	2.94%

Source: Office of State Finance

The FY-2006 appropriation for the Office of Personnel Management is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$131,943 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Office of Personnel Management's 79.8 December FTE.

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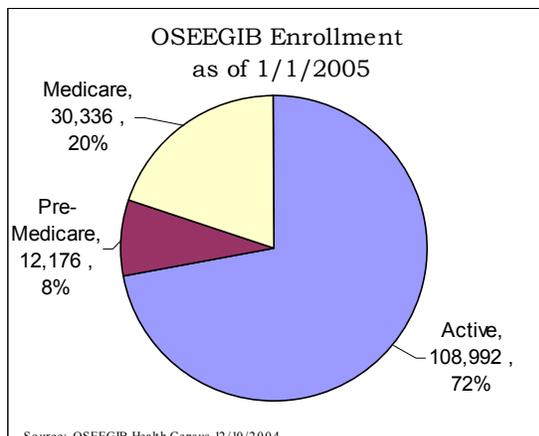
## State & Education Employees Group Insurance Board

### Notable Achievements

- *Implemented new electronic eligibility and premium accounting system which improved member services.*
- *Implemented an in-house, agency-wide document administration system providing the agency with control of document management.*
- *Implemented a national network option for employees assigned outside of state and for pre-Medicare retirees residing outside of state.*

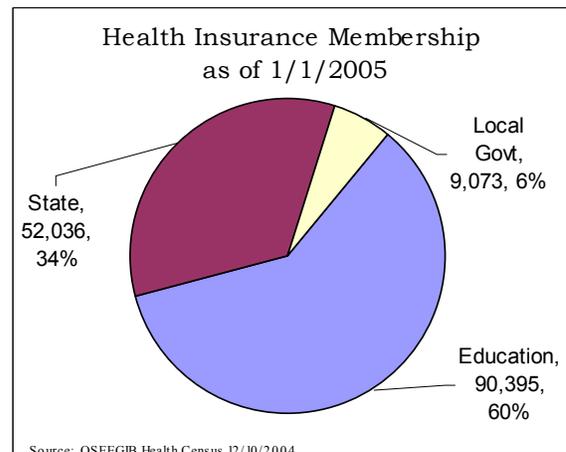
The Oklahoma State & Education Employees Group Insurance Board (OSEEGIB) provides self-funded insurance plans to state, education, and local government employees as well as their dependents and survivors. The plan is a self-insured health, dental, life and disability program, which is actuarially rated to provide premiums adequate to meet the payment of all claims, administrative expenses and any change in reserve estimates.

OSEEGIB health insurance plans are open to state, education, and local governments. These plans are also available to retirees provided the retiree elects to participate prior to retirement.



Each of these enrollment categories faces a different cost structure. For example, pre-Medicare retirees are generally in their mid-50s through 64 years of age and experience greater medical costs. Medicare retirees have greater total medical costs; however, Medicare covers a part of the cost.

The general opinion is that the members are state agency employees; however, the following graph shows that the primary beneficiaries are education employees and their dependents.



Members have a choice of health insurance plans. All members may enroll in HealthChoice, which is the state offered preferred provider option (PPO). Currently, 127,440 are enrolled in HealthChoice and 24,064 are enrolled in health maintenance organizations (HMO) across the state.

# **Human Services**

**Oklahoma Commission on Children and Youth  
Office of Handicapped Concerns  
Oklahoma Indian Affairs Commission  
Department of Human Services  
J. D. McCarty Ctr. for Children w/Developmental Disabilities  
Office of Juvenile Affairs  
Physician Manpower Training Commission  
Department of Rehabilitation Services  
University Hospitals Authority and Trust**



# Human Services

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY-2006 Appr.	% Diff. from FY- 2005
Children & Youth, Commission	\$1,569,789	\$1,569,789	\$28,719	\$1,598,508	1.8%
Handicapped Concerns, Office of	362,128	362,128	10,809	372,937	3.0%
Human Services, Department of	430,330,849	408,330,849	80,684,101	489,014,950	13.6%
Indian Affairs Commission	248,942	248,942	6,489	255,431	2.6%
J.D. McCarty Center	3,162,767	3,162,767	306,597	3,469,364	9.7%
Juvenile Affairs, Office of	94,258,160	92,858,160	5,126,823	97,984,983	4.0%
Physician Manpower Training	5,024,607	5,024,607	10,509	5,035,116	0.2%
Rehabilitation Services, Dept. of	25,479,628	25,479,628	915,208	26,394,836	3.6%
University Hospitals Authority	39,029,342	39,029,342	1,250,000	40,279,342	3.2%
<b>Total Human Services</b>	<b>\$599,466,212</b>	<b>\$576,066,212</b>	<b>\$88,339,255</b>	<b>\$664,405,467</b>	<b>10.8%</b>

## Oklahoma Commission on Children & Youth

### Notable Achievements

- In FY04 the OCCY, through its Office of Juvenile System Oversight achieved a 90% compliance rate concerning recommendations made to facilities to correct violations that they agreed to correct and submitted a plan of correction. This was up from 75% in FY03.
- OCCY Community Partnerships sponsored eight Youth Speak-outs that addressed such issues as increasing the number of school counselors, better after school activities and developing more wheel-chair accessible parking.

### Mission

The mission of the Oklahoma Commission on Children and Youth is to improve services to children. In pursuit of their mission OCCY administers the following programs:

- Board of Child Abuse Examination
- Child Death Review Board
- Interagency Coordinating Council
- Juvenile Personnel Training
- Oklahoma Areawide Services Information System (OASIS)
- Post Adjudication Review Boards

OCCY also provides oversight for children in public and private, residential and non-residential facilities across the state. OCCY's Office of Juvenile System Oversight Division monitors compliance of these facilities with their established responsibilities, which include state and federal laws, applicable accrediting and licensing standards, policies and procedures, and applicable court orders.

## Joint Oklahoma Information Network (JOIN)

In 1997, the Legislature passed HB 1391 - The Coordinated Database System for Children Act. HB 1391 directed OCCY to develop a system to allow sharing of case information and data collection used in planning, research, outcome evaluation and service coordination. The project is called JOIN - Joint Oklahoma Information Network.

The JOIN resource directory and eligibility determination are now up and running. The database does three main things:

- Gives citizens and service providers easy access to services through a resource directory;
- Provides a better service delivery system to clients through agency collaboration; and
- Provides aggregate information from participating agencies

Oklahoma agencies who serve children and families, 11 total, have signed an interagency agreement to participate in the project.

The database can be accessed at <http://www.join.ok.gov>

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$1,570</b>
<b>FY-2005 Bud. FTE Level</b>	<b>23.0</b>
<b>Actual Ave. YTD FTE</b>	<b>21.9</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	29
<b>FY-2006 Recommendation</b>	<b>\$1,599</b>
% Change for FY-2005	1.85%
Source: Office of State Finance	

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$28,179 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Commission on Children and Youth's 22.6 December FTE.

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## Office of Handicapped Concerns

### **Notable Achievement**

*Developed disability awareness classes for CLEET training of law enforcement personnel and state employees*

### **Mission**

The Office of Handicapped Concerns (OHC) helps develop policies and services to meet the needs of Oklahomans with disabilities. The Governor's Advisory Committee on Employment of the Handicapped and the Governor's Advisory Committee to the Office of Handicapped Concerns assist the OHC in meeting this role.

### **FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$362</b>
<b>FY-2005 Bud. FTE Level</b>	<b>8.0</b>
<b>Actual Ave. YTD FTE</b>	<b>8.0</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>11</u>
<b>FY-2006 Recommendation</b>	<b>\$373</b>
% Change for FY-2005	3.04%

Source: Office of State Finance

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$10,809 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Office of Handicapped Concerns' 8.0 December FTE.

## Oklahoma Indian Affairs Commission

### **Notable Achievement**

*One of three state Indian affairs offices in the nation spotlighted as a model agency for two consecutive years in the Models of Cooperation Between States and Tribes.*

### **Mission**

The Oklahoma Indian Affairs Commission (OIAC) is charged with the mission of serving as the liaison between Oklahoma's tribal population and governments and the Oklahoma State government. The Oklahoma Indian Affairs Commission accomplishes this mission by maintaining consistent involvement in the areas of legislation development and tracking, policy concerns, legal issues, economic development and education.

### **FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$249</b>
<b>FY-2005 Bud. FTE Level</b>	<b>4.5</b>
<b>Actual Ave. YTD FTE</b>	<b>3.8</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>6</u>
<b>FY-2006 Recommendation</b>	<b>\$255</b>
% Change for FY-2005	2.41%

Source: Office of State Finance

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$6,489 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Indian Affairs Commission's 3.9 average 2004 FTE.

## Department of Human Services

### Notable Achievements

- **Increased Adoptions** DHS authorized 1,333 adoptions in FY-2004 – the largest number in DHS history. This is a 209% increase from FY-1997.
- **Quality Child Care** More than 88% of children receiving the child care subsidy in FY-2004 were served in facilities with a quality rating of one star plus or higher. This is a substantial increase from FY-1999, when only 9% were served in facilities with a quality rating above one star.
- **Collaborating with Schools** 75 School Based Service Workers in 35 counties serve schools across the state.
- **Child Support Enforcement** The Child Support Enforcement Division (CSED) collected over \$166 million in child support in FY-2004.
- **Paternities Established** CSED established 15,153 paternities in FY-2004, a 19% increase of the 12,704 paternities established in FY-2003.
- **Food Stamp Accuracy** DHS attained a record 94.2% accuracy rate while processing an all-time high 398,597 food stamp applications in FFY-2004.

### Mission

The mission of the Department of Human Services (DHS) is to help individuals and families in need help themselves lead safer, healthier, more independent and productive lives.

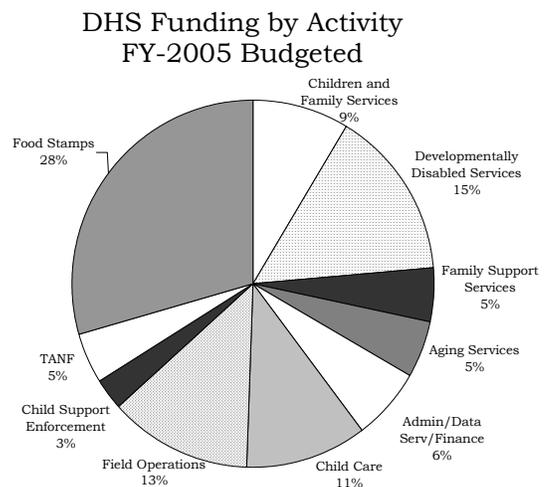
In pursuit of their mission, DHS administers the following programs:

- Family Support Services
  - TANF
  - Food Stamps
  - Adult Protective Services

- Developmental Disabilities
  - Institutional Facilities
  - Home and Community Based Waiver Programs
- Children and Family Services
  - Adoptive Services
  - Foster Care
  - Child Welfare
- Child Care
  - Child Care Subsidy
  - Child Care Facility Licensing
- Aging Services
  - ADvantage Program
  - Personal Care Program
- Child Support Enforcement

In FY-2005, DHS ranks as the fourth largest state agency, representing 7.6% of the state appropriated budget. DHS's FY-2005 operational budget revenues include:

Federal Grants:	\$970,215,856
State Funding:	\$430,823,536
Other Sources:	\$62,830,091



Source: FY-2005 Budget Work Program

## Family Support Services

### Temporary Assistance for Needy Families (TANF)

As a result of state and federal reform initiatives, Oklahoma has reduced the number of children and families receiving public cash assistance by over 69% from 47,712 average monthly cases in FY-1993 to 14,201 average monthly cases in FY-2004.

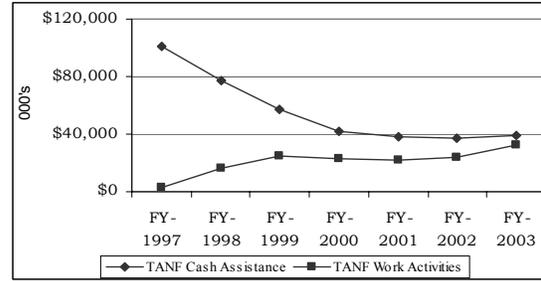
While the state initiated a number of different welfare reforms prior to 1995, the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), passed in the fall of 1996, fundamentally changed the way public cash assistance programs were delivered to children and families across the nation. The Temporary Assistance to Needy Families (TANF) block grant created in PRWORA replaced the traditional cash assistance entitlement program, known as Aid to Families with Dependent Children (AFDC).

The four major goals of TANF are:

- Provide cash assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Promote job preparation, work and marriage to end the dependence of needy parents on government benefits;
- Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encourage the formation and maintenance of two-parent families.

TANF services fall into these categories:

- Cash Assistance
- Work Activities
- Marriage Initiative
- Family Formation/ Stabilization Services

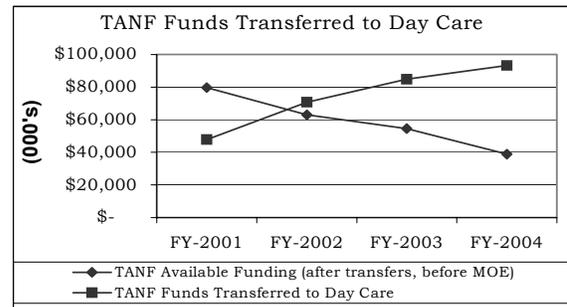


Source: OKDHS Annual Reports

### TANF Funding

While the TANF block grant amount has remained relatively stable over the past fiscal years, the amount spent on TANF services has decreased.

Due to the importance of child care, more of the block grant is being transferred to child care. The amount transferred to child care has increased from \$48 million in FY-2001 to \$93 million in FY-2004. Without child care services, many parents would not be able to leave TANF assistance for gainful employment.



Source: OKDHS

### How TANF Cash Payments Work

A family of three is eligible for \$292 maximum cash benefits per month. The following example illustrates how the eligibility calculation works:

A family of three has earned monthly income of \$500. DHS adjusts earned income by subtracting \$120 from that amount; leaving \$380 adjusted earned income. Half of their adjusted earned income reduces the family's cash payment amount. Therefore, the family is eligible to receive \$102 per month (\$292-\$190).

Examples of Monthly Cash Payments for a Family of Three	
Adjusted Monthly Earned Income	Max. Cash Assistance
\$0	\$292
\$250	\$167
\$500	\$42
\$550	\$17
Formula: $\$292 - [(\text{Earned Income} - \$120)/2]$	

### Cash Benefits and Current Cases

Expenditures for cash assistance benefits have decreased by over 70% from \$129 million in FY-1996 to \$38 million in FY-2004. Of the 34,215 average monthly persons receiving TANF benefits in FY-2004, 7,766 cases had an adult on work requirements. The remaining 26,449 monthly average cases are “child only” cases. In these cases, the cash benefit is for the child or children only. An example of this type of case is that in which the child’s parents are deceased and the child lives with a grandparent.

### Time-limited Benefits

One of the provisions of the TANF program limits cash assistance payments to five consecutive years in a lifetime. From FY-2002 through FY-2004, 579 families became ineligible for cash assistance benefits as a result of this provision. DHS policy allows caseworkers to arrange limited assistance to families facing specific hardships after exceeding TANF time limits.

### Developmental Disabilities

The Division of Developmental Disabilities (DDSD) in DHS provides institutional and community based services to people with a primary diagnosis of mental retardation (IQ of 70 or below). Clients may also have other developmental disabilities in addition to mental retardation such as autism, cerebral palsy and Down Syndrome. DDSD’s primary goal is to enable children and adults to lead more independent and productive lives in the least restrictive environment.

DDSD currently serves approximately 4,018 people, ages 3 and up, in community based

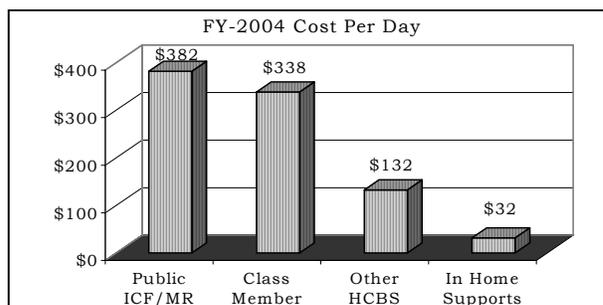
programs. At the end of FY-2004, three public institutions were serving 422 persons.

There are at least four types of recipients receiving services for developmental disabilities:

- Public ICF/MR: People who are in one of three public institutions;
- Class Member: People who are members of the Homeward Bound Class and receive unlimited community based services;
- Home & Community Based Services or In-Home Supports Waiver: Non-class members who receive community based services through a Medicaid waiver; and
- People not on a Medicaid waiver receiving sheltered workshop or group home services.

### Cost of Service by Type of Recipient

As the following graph illustrates, institutional care is the most expensive service delivery model. It cost approximately \$382 per day in FY-2004 to serve these residents. The next most expensive clients are the members of the Hissom class. In FY-2004, class members cost an average of approximately \$338 per day.



While \$338 dollars per day is less than the cost of serving people in public institutions, it is more than twice what is spent on community services for non-class members. The main reason for the disparity is the court-ordered 100% state dollar services

provided only to members of the Hissom class.

### **Institutional Care**

The state operates three public institutions for people with developmental disabilities: Southern Oklahoma Resource Center (SORC) near Pauls Valley, Northern Oklahoma Resource Center in Enid (NORCE) and the Greer Center, located on the NORCE campus. The Greer Center is operated through a contract with Liberty Health Care Services of Oklahoma. For Medicaid purposes, these public institutions are technically classified as Intermediate Care Facilities for the Mentally Retarded (ICF/MR).

While community based services are considered the most preferred and cost-effective treatment alternative for children and adults, a small number qualify for institutional level services. Clients in these facilities range in age from 12 to over 60, suffer from multiple developmental and physical disabilities and require 24 hour medical attention.

### **Homeward Bound Class**

Members of the Homeward Bound Class are former residents of the Hissom Center who filed a class action lawsuit in 1985 to compel the state to create community-based alternatives to institutional placements. The resulting court order required the closure of the Hissom Memorial Center in Sand Springs. There are approximately 858 surviving members of the original 1,059 in the Homeward Bound Class.

The Court Order closing Hissom was issued in 1987 and the last resident was moved into the community in April of 1994.

In FY-2004, a separate waiver was created for Hissom class members only. At the end of the year, 808 clients were being served through this waiver. Services for class members are mandated by the court while services are offered to other people as funds become available.

### **End of the Hissom Lawsuit**

The judge presiding over the Hissom lawsuit issued an order to end the mandated court supervision of the Department of Human Services Developmental Disabilities Services Division. This effectively ends the lawsuit that began almost 20 years ago.

### **Additional State Services Provided to Class Members**

Services mandated by the Federal Court for the 808 class members are:

- room and board supplement payments and single placement supplements;
- special needs and other supported living payments go mostly for medical services that Medicaid does not cover, such as dental services for adults; and
- cost settlement payments allow providers to recover all of their costs for services to class members.

### **Home and Community Based Medicaid Services**

The Department of Human Services administers three different home and community based waiver programs for children and adults. These are services provided to persons with developmental disabilities who are not in institutions. Over the past three decades, states have decreased institutional care services and increased home and community based services.

This move has occurred for two main reasons. First, the quality of life for children and adults with developmental disabilities is better in community placements versus institutional placements. Second, in FY-2004 institutional care costs an average of \$382 a day while community based care costs \$132 a day.

These services are paid for with state and federal dollars. Some Sheltered Workshops slots and some group home placements are entirely state funded while others are funded through Medicaid with almost 70% federal dollars.

Description of waiver programs:

- The Community Waiver Program – These services are for developmentally disabled people who are independent of a family and usually live in a residential facility. Recipients must be Medicaid eligible.
- The In Home Supports Waiver – DHS established this waiver in 2000 in an effort to serve individuals on the waiver waiting list. These services are for children or adults living at home with families. The amount received is capitated at \$16,950 for adults and \$11,300 for children. Recipients must be eligible for Medicaid.
- All three waivers provide recipients with habilitation training specialists, respite care, adaptive equipment, architectural modifications, medical supplies and services, various therapies, family training and counseling, transportation and employment services.

	FY-2002		FY-2003		FY-2004	
	# Served	Total Exp	# Served	Total Exp	# Served	Total Exp
HCBSW	2,207	\$118,371	2,154	\$112,823	2,334	\$111,443
Class Member *	858	\$94,182	858	\$91,234	850	\$90,118
IHSW - Adult	691	\$7,616	719	\$8,948	751	\$9,729
IHSW - Children	269	\$2,329	287	\$2,710	348	\$2,936

Expenditures are in thousands.  
 \* Class Member waiver started in FY04. These individuals were previously included in HCBSW, and this table has been adjusted to report their portion of HCBSW in prior years.

As of FY-2004, approximately 3,433 people who were non-class members were served through some type of community-based waiver.

**Waiting List for Community Based Services**

As of December 2004, there were 4,258 people with developmental disabilities on the waiting list to receive services from one of the waivers administered through DDSD. Persons waiting for services are of all ages and many of them and their families face incredibly hard circumstances every day.

To ensure they were leveraging all available state and federal Medicaid resources in FY-

2003, DHS reviewed over 3,000 plans of care.

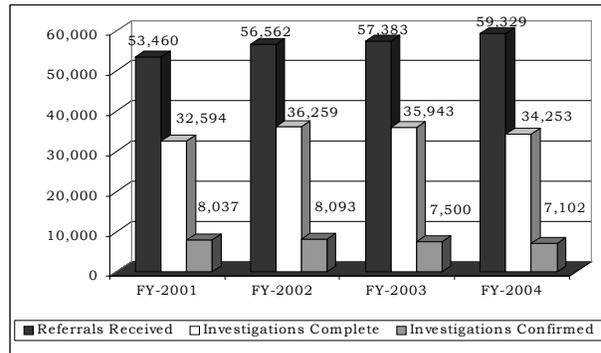
**Children and Family Services**

The Children and Family Services division in the Department of Human Services is responsible for three main programs:

- Investigating all allegations of child abuse and neglect;
- Providing foster care and kinship placements and family preservation programs to children from abusive homes; and
- Providing permanent adoptive placements for children in need of adoption.

**Child Protective Services**

Child abuse and neglect referrals increased by over 1,946 referrals in FY-2004.



Source: OKDHS

Although more allegations of abuse and neglect were made and investigated, the number of confirmed investigations decreased by almost 400 from FY-2003 to FY-2004.

Both in absolute numbers and as a percentage of allegations, confirmations are decreasing.

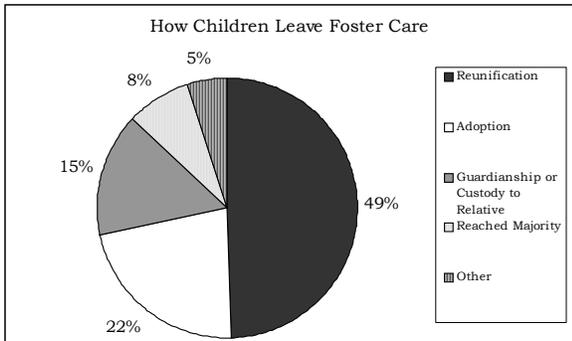
**Confirmations of Neglect or Abuse as a Percentage of Allegations FY-1999 through FY-2004**

FY-1999	18.60%
FY-2000	15.75%
FY-2001	15.03%
FY-2002	14.31%
FY-2003	13.07%
FY-2004	11.97%

DHS and the Health Department have implemented a number of different programs to prevent child abuse and provide parent education and support.

**Foster Care**

Children who must be removed from their homes for health and safety reasons are placed in foster care or kinship placements. Once children are in foster care, the primary goal is to re-unite them with their parents. During FY-2004, there was an average of 6,547 children in foster care or kinship placements. The average length of stay for a child placed in out-of-home care has decreased from 23 months in FY-2000 to 19 months in FY-2004.



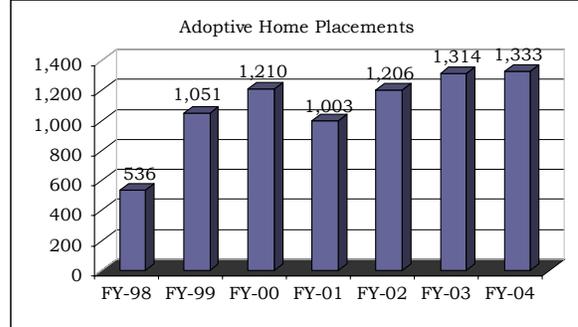
Source: OKDHS

The average length of stay in foster care for children who are re-united with their families is six months.

**Growth in Adoptions**

In recent years, adoptive home placements, the preliminary step to permanent adoptions, have sharply increased. From FY-1998 to FY-2004, DHS has increased the number of placements by almost 150% from 536 placements in FY-1998 to 1,333 placements in FY-2004.

**Key Performance Measure**



Source: OKDHS

DHS put together the program Swift Adoption to increase permanent adoptive home placements. This program was in response to a federal adoption initiative to increase the number of permanent home placements. Administratively, DHS placed all staff under the state office and contracted out certain services. As a result, adoption placements have tripled since 1996.

For DHS's improved performance in adoptions from FFY-1998 through FFY-2001, the federal government awarded DHS Adoption Incentive Bonuses totaling over \$3 million.

Currently, more than 7,341 children are supported by adoption assistance payments and services. DHS provides subsidies to people who adopt "special needs" children. Oklahoma includes the following in the definition of special needs:

- physically or mentally disabled
- children over 8 years old
- siblings
- emotionally disturbed
- ethnic/race
- high risk of mental disease

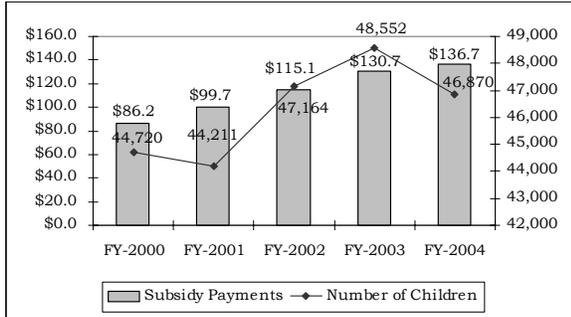
While the number will fluctuate during the year, approximately 1,300 children are awaiting adoption.

## Child Care

### Child Care Subsidies

Child care activities in the Department can be divided into two main areas: the Child Care Subsidy Program and Child Care Licensing.

Subsidized child care pays part or all of the child care costs for qualifying families while parents or caretakers work, attend school, or receive training. Subsidized child care was provided for 86,600 children during FY-2004. The monthly average of subsidy payments was 46,870 in FY-2004. Total payment increases are due to increased rates for the improved quality of child care facilities.



Source: OKDHS

Over 40% of families in the child care subsidy program do not pay a co-pay at all because of their income level (less than \$900 per month).

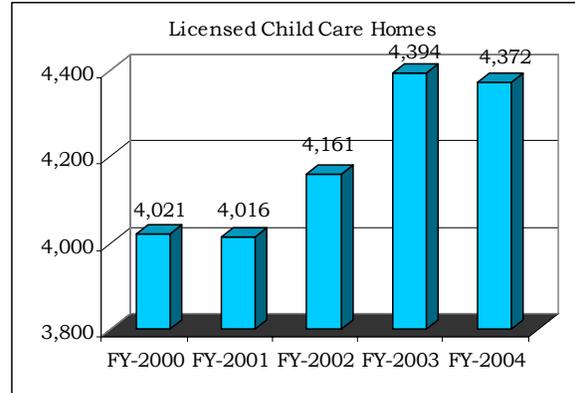
### Quality Child Care Initiative

The Stars System pays different rates depending on the level of accreditation earned by the facility. These levels, referred to as Stars, are as follows:

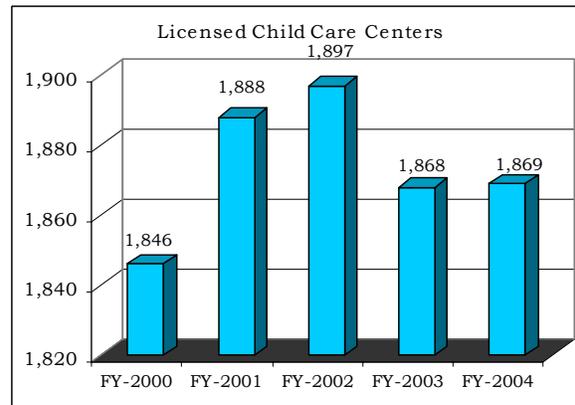
- One Star – Basic Licensing Requirements
- One Star Plus – Transitioning to Higher Level
- Two Star – Seven Quality Criteria including Master Teachers
- Three Star – Two Star Criteria and Nationally Accredited

## Child Care Licensing

The Division of Child Care licenses and inspects more than 6,200 child care centers and family care homes in Oklahoma for children ages six weeks to 12 years. The division also licenses 114 residential and shelter facilities that provide care for children who are unable to live at home and 62 child placing agencies that place children in foster homes and adoptive homes.



Source: OKDHS



Source: OKDHS

## Aging Services

Aging Services is responsible for the following programs:

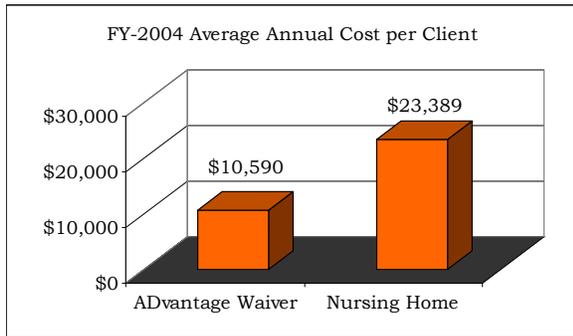
- Congregate Meals
- Ombudsman Program
- Advocacy
- Volunteer Programs

The Aging Services Division also administers two Medicaid programs.

**ADvantage Waiver**

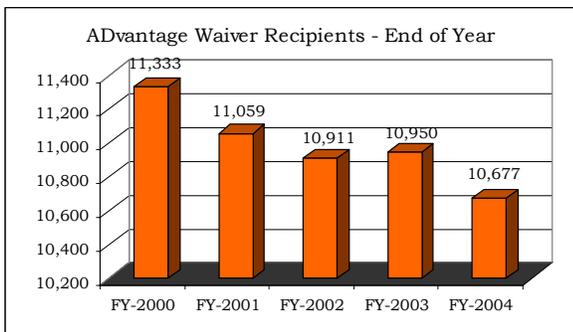
Operated through contracts with the Long Term Care Authorities of Tulsa and Enid, this home health care program provides an alternative to nursing home care for some people. In order to qualify for ADvantage services, a person must meet Medicaid income guidelines and require nursing home-level care.

These services divert people away from nursing homes by providing home health care services and/or some services in adult day centers. The ADvantage program provides a significant savings when compared to the cost of nursing home care.



Source: OKDHS

The number of persons served through this program has leveled off steadily over the last few years, and at the end of FY-2004, there were 10,677 persons being served through this waiver.



Source: OKDHS

**Personal Care**

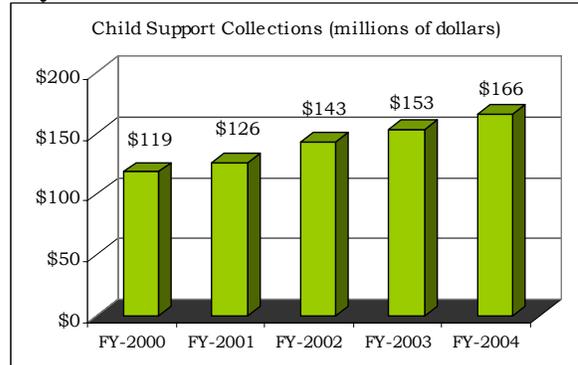
The second Medicaid program administered by the Aging Services Division is Personal

Care. This service is available to those who meet the medical eligibility criteria as determined by an Aging Services long-term care nurse. Personal care aides, who generally work for home care agencies, provide non-medical assistance to people in their homes. At the end of FY-2004, this program was serving over 8,472 persons.

**Child Support Enforcement**

This division is primarily responsible for locating non-custodial parents, establishing paternity and collecting and distributing support payments. In addition to restructuring the public welfare program, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 implemented a number of changes to Child Support Enforcement. Finding ways to encourage and require parents to be financially responsible for their children is central to the spirit and letter of the law.

**Key Performance Measure**



Source: OKDHS

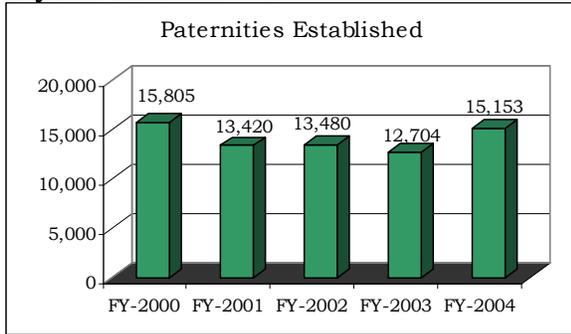
**Emphasis on Fatherhood**

Child support is not just about finding non-custodial parents and making sure they send a check each month to their children. Financial support is important, but finding more and better ways to foster positive and nurturing relationships between fathers and children is also important.

Tulsa now has a program called Parent Connections which is available as a resource to the Child Support program. Parent Connections provides on site mediation between parents if necessary. The program is voluntary and participation

is free if either parent has an active case with CSED.

**Key Performance Measure**



Source: OKDHS

**FY-2005 Supplemental**

<b>FY-2005 Supplemental</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$408,331</b>
<b>Funding Adjustments:</b>	
Aging Services	5,580
Child Care	17
Child Support Enforcement	198
Children and Family Serv.	6,276
Developmental Disabilities	4,656
Field Operations	1,598
Family Support Services	223
Administrative Divisions	1,391
Increased Personnel Costs	<u>2,061</u>
Total Supplemental	22,000
<b>FY-2005 Adjusted Appropriation</b>	<b>\$430,331</b>
% Change from FY-2004	11.56%
% Change from Original FY-2005	5.39%

Source: Office of State Finance

The Governor's budget proposes a \$22 million supplemental appropriation for DHS. Without a supplemental appropriation, DHS will have to reduce services in the following programs:

- Non-Title IV-E Adoption Subsidies
- Non-Title IV-E Foster Care

- Children with Special Health Care Needs
- HCBS Waiver Services
- Personal Care Waiver Services
- Child Support Enforcement Services
- Child Welfare Services
- Family Support Services

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$408,331</b>
<b>FY-2005 Bud. FTE Level</b>	<b>7,506.8</b>
<b>Actual Ave. YTD FTE</b>	<b>7,592.3</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	8,570
Child Care Subsidy	15,000
Child Care Provider Rates	4,000
Reduce DDS Wait List	2,500
Replace FMAP	9,500
DDS Provider Rates	2,627
Additional Provider Rates	1,000
Move OCAP to DHS	2,687
Annualization, Maint., etc.	<u>34,800</u>
Total Adjustments	80,684
<b>FY-2006 Recommendation</b>	<b>\$489,015</b>
% Change for FY-2005	19.76%

Source: Office of State Finance

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$8,570,101 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Human Services' 7,683.5 December FTE. This number includes 206.0 District Attorney's Council FTE who are on contract with the Child Support Enforcement Division.

### **Child Care Subsidy**

Child Care's FY-2005 budget consists of:

- \$115 million of federal funds
- \$44 million of one-time TANF reserve funds
- \$21 million of state appropriations

The Governor's budget recommends \$15 million to help replace one-time TANF reserve funds in the Child Care Subsidy program. Without an additional state appropriation, DHS will use \$31.909 million of TANF reserve dollars to fund the Child Care Subsidy program in FY-2006, depleting the fund and requiring reduced eligibility, increased co-payments or a combination of both. A \$15 million appropriation in FY-2006 prevents over 8,000 children from losing day care services.

### **Child Care Provider Rate Increase**

The Governor's budget proposes \$4 million to increase reimbursement rates paid to child care providers. Provider rates have not been increased since 2001. This proposal will target the most severely under-market rates of infants and toddlers in urban areas. According to the 2003 Oklahoma Child Care Market Rate Survey, the current DHS rate can only purchase 24% of the slots available for toddlers in a metro two-star facility. This proposed funding would increase the rate so that DHS could purchase almost 60% of day care slots for this age group and star level.

### **Reduce Waiting List for DDSD Clients**

As of December, 2004, DDSD had 4,258 developmentally disabled clients waiting for community-based waiver services. The Governor's budget provides \$2.5 million for DDSD to provide waiver services to 300 clients currently on the waiting list.

### **Reduced FY-2006 FMAP**

Effective October 1, 2005, Oklahoma's Federal Medical Assistance Percentages (FMAP) will decrease 2.27% from 70.18% to 67.91%. The FMAP is the amount of federal matching for:

- State Medicaid payments,
- State Children's Health Insurance Program (SCHIP),
- Temporary Assistance for Needy Families (TANF) Contingency Funds,
- Federal share of Child Support Enforcement collections,
- Child Care Mandatory and Matching Funds of the Child Care and Development Fund,
- Foster Care Title IV-E Maintenance payments, and
- Adoption Assistance payments.

The FMAP reduction decreases federal payments to DHS by approximately \$9.5 million in SFY-2006. In order to maintain programs at their current service level, the Governor's budget includes \$9.5 million to replace these funds.

### **Increase DDSD Provider Rates**

A sample of organizations that are participating in DHS's Provider Workgroup on Rates reveals that these providers are operating below their break-even point. Without an increase in reimbursement rates for DDSD services, these companies will continue to see declining profits, putting DDSD clients in danger of losing availability to services. DDSD clients, which are some of Oklahoma's most vulnerable citizens, depend on the services provided by these companies. One of the services utilized by clients is a Habilitative Training Specialist (HTS) or direct care staff. The Governor's budget includes \$2.627 million to increase the hourly HTS rate from \$12.80 to \$14.00.

### **Additional Provider Rate Increases**

The Governor's budget recommends \$1 million for the following provider rate increases:

- Registered and Skilled Nursing – In order to ensure that nursing services are available to DDSD clients, this proposal increases the rate paid to skilled nurses from \$22/hour to \$25/hour and the rate paid to

registered nurses from \$47.80/visit to \$55/visit. \$184,000

- Transportation Services – Transportation services are provided to waiver recipients to ensure access to medical appointments, employment, recreation and family unification. The current rate for non-adapted transportation is \$0.31/mile. This proposal is to increase the reimbursement rate to the federal allowable rate of \$0.40/mile. \$553,000
- Personal Care Services – This funding would change the amount reimbursed for Title XIX personal care services through the Aging Services Division from \$12.80 per hour to \$14.00 per hour. This amount is paid to certified home care agencies who deliver the service to persons who have been determined by DHS to be eligible for personal care. \$249,000
- Dental Services – The current waiver rate for dental services is \$52.50 per visit. An increase to \$83.50 would allow DDSD to pay competitive rates and assure the availability of a choice of dentists. \$14,000

#### **Transfer Child Abuse Prevention to DHS**

Child Abuse Prevention efforts would be better served by combining the programs which currently exist to serve a variety of low, moderate and high risk families under one agency. In order to provide more consistency of service to the entire range of at risk families, the current line item for child abuse prevention amounting to \$2,678,000 should be transferred from the Department of Health budget to the budget for the Department of Human Services.

#### **Annualizations, Maintenance, and Mandates**

The Governor's budget includes \$34.8 million for the following items.

- Mandates
  - Social Service Specialists to process the additional applications resulting from the "Oklahoma Medicaid Reform Act of 2003" – HB1546

- Annualized cost to run alternative group homes as per SB1583
- Partial replacement of federal one-time funds used for recurring operations.
  - DHS currently has \$21 million of carryover budgeted in FY-2005. This amount is comprised of \$17 million in one-time federal FMAP enhancement and \$4 million in program budget under-runs. DHS's December financial report shows budget under-runs in all programs except Aging Services. Therefore, the Governor's budget recommends only partially funding carry-over replacement for DHS. This situation can be re-evaluated in FY-2006 when FY-2005 numbers are finalized and carry-over is determined.
- Partial annualization of FY-2005 supplemental appropriation
  - The Governor's budget recommends annualization of all program-related supplemental needs. The supplemental funding provided for increased personnel costs is not annualized.
- Program annualizations and maintenance for:
  - Adoption Assistance – includes annualization of FY-2005 growth, new adoptions in FY-2006 and room and board rate increases tied to foster care rates increased in FY-2005
  - Child Support Enforcement call center contract increase and loss of federal retained earnings
  - Greer Center Contract Increase
  - ADvantage Program
  - Adult Day Services – includes restoring reduced days of service and a \$10/day increase for adult day services

# J.D. McCarty Center for Children with Developmental Disabilities

## Notable Achievements

- Approximately \$91,000.00 funded through a grant from the U.S. Department of Agriculture has been invested in equipment to enable JDMC to expand teletherapy services from schools to homes located in rural Oklahoma. Through these expanded services JDMC will be able to serve more children who reside in difficult to reach areas.
- As a result of improved services in JDMC's new facility, two patients that have been at the facility for 2 years are scheduled to be placed in a foster family and group home due to the notable decrease in their behavior since October.

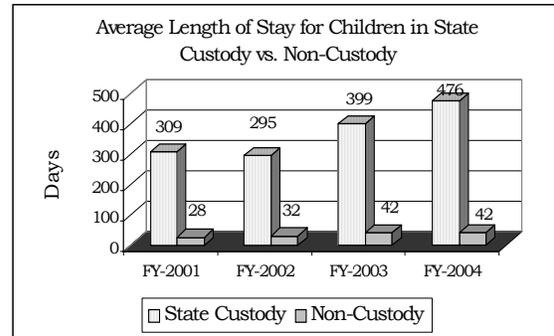
## Mission

The mission of the J.D. McCarty Center (JDMC) for Children with Developmental Disabilities is to provide a comprehensive program of habilitative care to Oklahoma's citizens with disabilities.

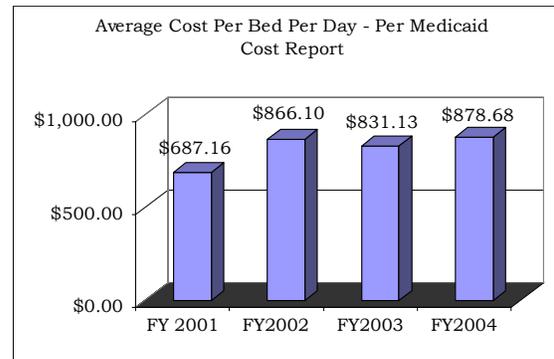
The J.D. McCarty Center habilitates, rehabilitates, evaluates, and treats Oklahoma's developmentally disabled children, enabling them to reach their maximum potential.

JDMC's emphasis on telecommunications will enable the agency to reach a more general population, such as doctors' offices, clinics, kiosks in frequently traveled locations and the rapidly expanding population of web surfers.

In recent years, the JDMC has seen an increase in the number of children that come to the facility in the custody of the state. JDMC is also seeing an increase in children with behavioral problems and more severe diagnoses. This has led to an increase in the average length of stay for children in the hospital.



Source: JD McCarty Center



Source: JD McCarty Center

## New Facility

The J.D. McCarty Center, located in Norman, opened its new facility in the fall of 2004.

1998	\$10.3 million
2000	\$485,000
2003	\$3.5 million
Total	\$14.285 million

	Beds Budgeted	Beds Filled
FY-2001	20	22.44
FY-2002	20	19.13
FY-2003	20	20.26
FY-2004	21	20.17
FY-2005	33	27.16

SOURCE: J.D. McCarty Center

The larger facility, which includes group homes and independent living beds, will increase services for respite care, autistic and dually diagnosed clients. This new layout will also provide the JDMC the

opportunity to reduce its waiting list and become self-sufficient and more cost effective, potentially saving the state appropriated funds and reducing the state match required for Medicaid funding.

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### **FY-2006 Recommendation**

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$3,163</b>
<b>FY-2005 Bud. FTE Level</b>	<b>188.5</b>
<b>Actual Ave. YTD FTE</b>	<b>176.7</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>307</u>
<b>FY-2006 Recommendation</b>	<b>\$3,470</b>
% Change for FY-2005	9.71%

Source: Office of State Finance

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$306,597 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the J.D. McCarty Center's 183.8 December FTE.

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## Office of Juvenile Affairs

### Notable Achievements

*Below is a list of some of the major accomplishments OJA has achieved since its inception:*

- *OJA initiated a graduated sanctions program that seeks to deter juveniles who have committed minor offenses by using local voluntary councils to hear the juveniles' cases and decide the most appropriate consequences.*
- *A Mental Health Stabilization Unit, which is a 14-bed crisis intervention unit for males located at the L.E. Rader Center, was developed. The unit can provide mental health stabilization for juveniles throughout OJA and fills a significant gap in the system of mental health facilities willing to admit delinquent youth. Forty-two juveniles have been evaluated and spent time on the unit, saving the state \$1.9 million of hospital and therapy costs.*
- *OJA's computerized, case-based management information system is one of the most comprehensive in the nation.*
- *OJA continued implementation of the Casework Excellence Initiative, an effort to bring research-based and "state of the art" juvenile justice processes and programs to Oklahoma. This multi-year initiative has already contributed to the development of a strategic plan and the training of staff on the Youthful Level of Service Inventory, a research-based risk assessment tool that will better identify high-risk youth.*
- *OJA began work in 2004 on a Behavior Management Unit that is expected to help reduce the level of assaults of staff by juveniles at the L.E. Rader Center.*
- *Also in 2004, the agency initiated a Gang Task Force to work collaboratively with the judiciary, law enforcement, provider groups and others to address gang violence in Oklahoma.*

### Mission

In 1994, the Oklahoma Juvenile Reform Act (HB 2640) created the Office of Juvenile Affairs (OJA) as the state juvenile justice agency effective July 1, 1995. Previously, the Department of Human Services (DHS) provided services for Oklahoma's youth adjudicated delinquent or youth in-need-of-supervision.

The mission of OJA is to promote public safety and reduce juvenile delinquency by providing professional prevention, education and treatment services, as well as secure facilities for juveniles.

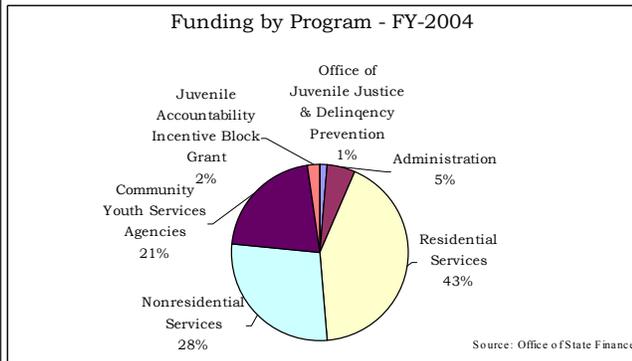
OJA manages these functions through five main programs: juvenile justice and delinquency prevention, residential, nonresidential, juvenile accountability incentive block grant and community based youth services.

The Office of Juvenile Affairs:

- serves as the state planning and coordinating agency for statewide juvenile justice and delinquency prevention services;
- preserves and strengthens family ties whenever possible, including improvement of the home environment;
- provides court intake, probation and parole for delinquent youth;
- removes a juvenile from the custody of parents if the safety of the juvenile or the protection of the public would otherwise be endangered;
- provides treatment, care, guidance and discipline to any adjudicated juvenile removed from the custody of parents to assist the juvenile in becoming a responsible and productive member of society; and
- provides a system for the rehabilitation and reintegration of juvenile delinquents into society.

OJA is one of the 10 largest state agencies. The agency's FY-2005 appropriation is 1.73% of the total state appropriated

budget. The following chart shows OJA's FY-2004 expenditures by program.



While OJA receives funding from federal grants and revolving funds, 87% of operational funding in FY-2004 came from state appropriations. Approximately 12% of OJA's funding came from federal funds, and 1% from revolving funds. Grants received include the Juvenile Accountability Incentive Block Grant, the Juvenile Justice and Delinquency Prevention Formula Grant, Title V and Challenge Grants. For FY-2005, the agency budgeted \$13.2 million in federal revenue to fund a portion of its operating expenses.

### Terry D. v. Rader

In January 1978, the class-action lawsuit Terry D. v. Rader was filed in Federal Court, alleging abusive practices, unconstitutional use of isolation and restraints, the absence of adequately trained staff, and the mixing of offenders with non-offenders. The suit was a successful challenge to the number of youth in State custody and resulted in DHS closing a number of public institutions and implementing a variety of community-based programs for children and youth.

Subsequent to the creation of OJA, an Amended Court Plan of Implementation was filed with the court that detailed OJA's responsibilities in the operation of the juvenile justice system. In 1996, OJA was able to meet Federal Court requirements for the dismissal of the lawsuit. OJA has remained in substantial compliance during

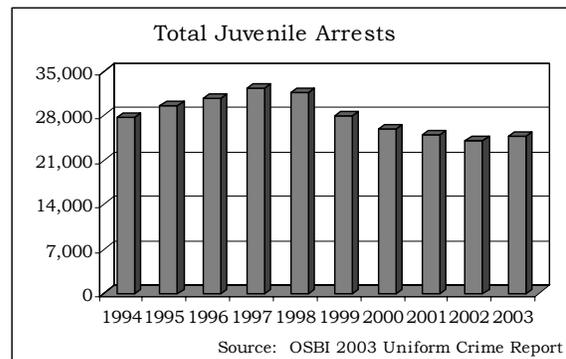
the six years since the lawsuit was dismissed.

## System Placement

### Placement Demand

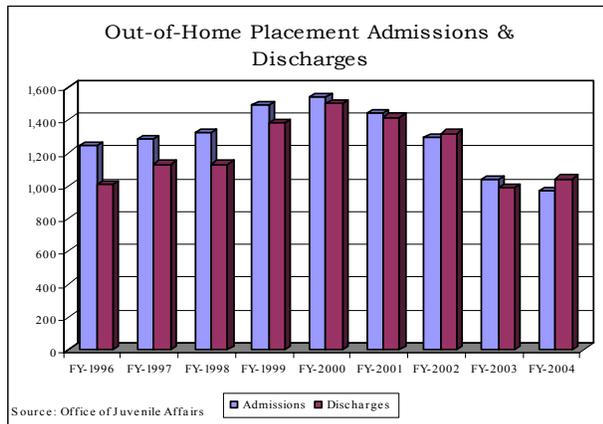
Two key factors contribute to the overall juvenile justice system placement demand: the total juvenile arrest rate and the number of out-of-home placement admissions.

According to data from the Oklahoma State Bureau of Investigation (OSBI) 2003 Uniform Crime Report, total juvenile arrests increased in 2003 by 3%. The following chart shows a ten-year history of juvenile arrests.



In this chart, the word "arrest" refers to the police handling of all juveniles who have been accused of committing a crime and are taken into custody when, under the same circumstances, the crime would warrant the arrest of an adult. Police "contacts" with juveniles do not count as arrests when no offense has been committed. Instances where juveniles are taken into custody for their own protection and not because the juvenile has committed a crime, such as neglect cases, are not listed as arrests.

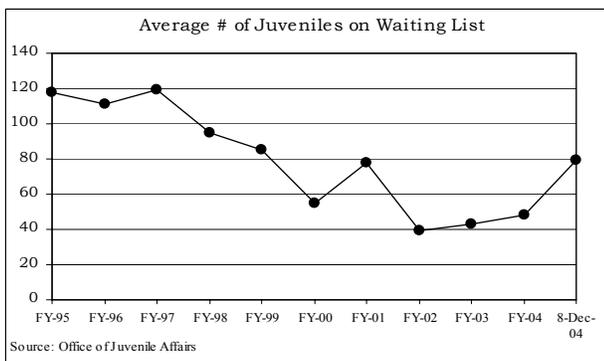
The following chart provides a comparison of the out-of-home placement admissions and discharges since FY-1996.



To address the placement demand each year, OJA determines the security level each adjudicated juvenile requires and matches the juvenile with the next available bed placement option at that level.

### Placement Waiting List

The following graph illustrates the change in the average number of juveniles awaiting placement over the past eight years. As of December 8, 2004, the waiting list consisted of 79 youths.



Over the last few years, OJA has successfully reduced the number of juveniles awaiting placement. This year, the number awaiting placement has dramatically increased.

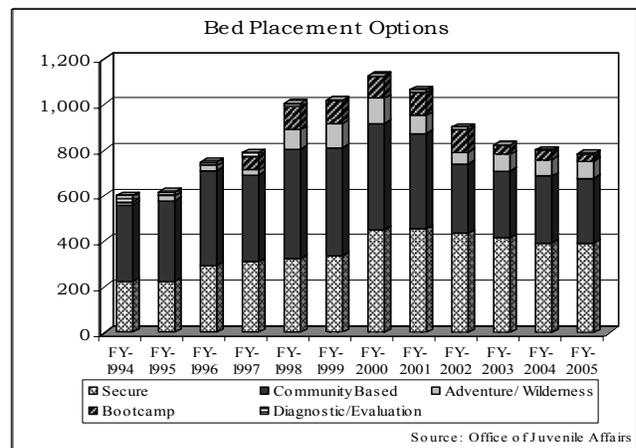
### Residential Services

OJA provides rehabilitative facilities for treatment to OJA custody youth in out-of-home community based and institutional placements. Since FY-1994, OJA has increased the number of beds in the

juvenile system. These additional beds have allowed OJA to remove violent offenders from the street and reduce the number of juveniles awaiting placement. The number of beds peaked in FY-2000 and has since declined due to budget cuts. The following chart provides a breakdown of the available beds by type.

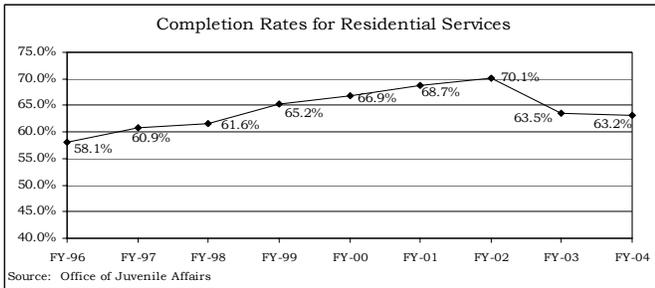
	Secure	Community Based	Adventure/Wilderness	Bootcamp	Diagnostic/Evaluation	Total
FY-1994	224	337	12	0	27	600
FY-1995	224	352	24	0	16	616
FY-1996	294	415	24	0	16	749
FY-1997	309	381	24	60	16	790
FY-1998	325	482	84	100	16	1,007
FY-1999	338	473	108	100	0	1,019
FY-2000	451	469	108	100	0	1,128
FY-2001	455	421	78	100	12	1,066
FY-2002	436	307	48	100	12	903
FY-2003	418	292	73	40	0	823
FY-2004	397	291	73	40	0	801
FY-2005	397	283	73	32	0	785

Source: Office of Juvenile Affairs



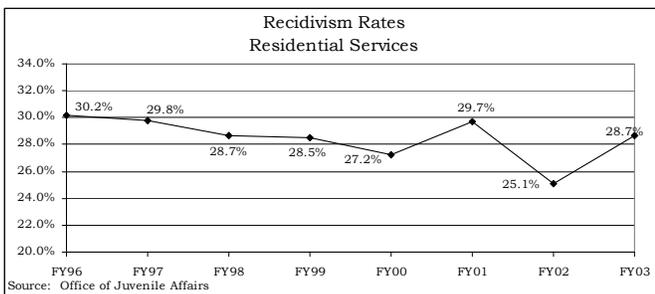
OJA strives to intervene in the delinquent life style of adjudicated youth in custody. Facilities provide applicable treatment for specific problems to enable normal adolescent maturation and to prepare the youth for reintegration into the home and the community. Two key performance measures for this area are completion rates and recidivism rates.

**Key Performance Measure**



Completion of services is defined as a regularly scheduled discharge from out-of-home placement. Non-completion represents a disruption of services and may occur for a variety of reasons, including AWOL, hospitalization, re-arrest and placement in detention or early court dismissal of a case.

**Key Performance Measure**



Recidivism is defined as those juveniles who fail to remain crime-free within one year of discharge from a residential program.

**Secure Bed Costs**

The FY-2004 average per diem bed cost at the state-operated facilities was \$204. During FY-2003, OJA made several reductions to reduce per diem costs at the state facilities. OJA canceled a contract for a medium secure facility in Union City and relocated 80 juveniles into OJA operated institutions. The table below provides the per diem bed cost at each facility.

**Key Performance Measure**

Per Diem Bed Costs						
Facility	FY-00	FY-01	FY-02	FY-03	FY-04	FY-05 BWP
SOJC	\$177.90	\$188.65	\$216.28	\$218.52	\$206.32	\$218.44
COJC	208.91	225.08	240.97	199.72	181.79	187.36
LERC	191.81	196.81	216.60	184.36	186.46	207.88
UCJC (private)	117.03	128.04	129.78			

\*The contract for operation of the medium secure facility expired on December 2, 2002.  
 \*\* Daily cost per bed is based on the number of beds utilized and does not reflect any indirect costs.

**Nonresidential Services**

The Juvenile Services Unit (JSU) provides intake, probation and parole services to juveniles in all 77 counties, except those with Juvenile Bureaus. Juvenile Bureaus, located in Comanche, Oklahoma, and Tulsa counties, perform intake and probation functions. In those counties, JSU staff provide parole services. Contracted service programs assist the local staff, or Juvenile Justice Specialists, in developing an individualized service plan for each juvenile and family. OJA provides a full continuum of services to encourage positive, law-abiding behavior and balances those services with public safety.

JSU staff also take an active role in their communities to develop a system of graduated sanctions to address juvenile problems at an early stage. The Graduated Sanctions Program is a community-based initiative that provides accountability and facilitates services for non-compliant youth. The goal is to prevent further penetration of lesser offending youth into the juvenile justice system. OJA permits flexibility in the decisions that local community residents make regarding youth within their community. Currently, 28 communities have a Graduated Sanctions Program.

**Community Based Youth Services**

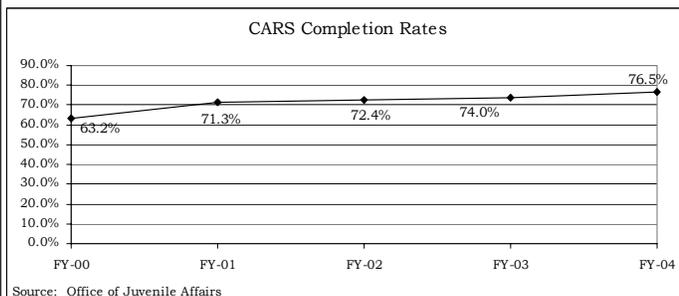
Forty-one designated Youth Service Agencies provide a statewide system of prevention, diversion, intervention and treatment programs to keep juveniles from entering or further penetrating into the juvenile justice system. Youth Service Agencies are not-for-profit and governed by local boards of directors made up of community volunteers. OJA contracts with Youth Service Agencies to provide First Offender programming, Community At-Risk Services (CARS), Emergency Shelter care and other services.

The First Offender Program is a statewide program for juveniles who have committed a first-time misdemeanor or non-violent felony. The program provides juveniles and

their parents 12 hours or more of skill development classes emphasizing communication, anger management, problem solving and decision-making. Over 4,400 juveniles and 5,800 parents received First Offender services in FY-2004.

Youth Service Agencies also provide community-based treatment services such as CARS. The purpose of CARS is to provide services to juveniles in custody or under OJA supervision to prevent out of home placement and to reintegrate juveniles returning from out of home placements. Services include mentoring, tutoring, counseling, diagnostic and evaluation services and supervision of youth in independent living.

**Key Performance Measure**



Emergency shelters provide short-term residential care to youth in need of temporary housing. Shelters are open 24 hours a day, seven days a week and served both Department of Human Services and OJA youth.

Some Youth Service Agencies also operate Community Intervention Centers (CICs), foster homes, therapeutic foster homes, group homes and detention centers.

**Youthful Offender**

HB 2640 created the Youthful Offender Act to ensure public safety and hold adolescents ages 13 through 17 accountable for the commission of serious crimes. Implementation of this essential reform tool began on January 1, 1998.

The Act allows courts the discretion to place youthful offenders in the custody or under the supervision of OJA if the court

determines that rehabilitation is appropriate. Upon good conduct and successful completion of OJA’s program, the court can discharge the sentence and the youthful offender can avoid conviction for a crime

This Act also establishes a bridge between OJA and the Department of Corrections (DOC) for youthful offenders. Previously, when a youth in OJA’s custody reached 18 years of age, the court would have to discharge the youth. Now, if a youth is sentenced as a youthful offender and placed in the custody or under the supervision of OJA, the court can discharge the youth or transfer custody to DOC when the youthful offender reaches 18 years of age. The court can also hold periodic review hearings, at its discretion, to determine the status of a youthful offender prior to the youth reaching 18 years of age.

In FY-2004, 69 youthful offenders were remanded to OJA custody and eight were remanded to OJA supervision. Of those remanded to OJA custody, 64 (92.8%) were placed in secure institutions.

**FY-2005 Supplemental**

The Governor’s budget includes a \$1.4 million supplemental appropriation to address the agency’s most critical health and safety issues at the L.E. Rader Center. The following chart provides a summary of the supplemental appropriation:

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$92,858</b>
Supplemental	<u>1,400</u>
<b>FY-2005 Adjusted Appropriation</b>	<b>\$94,258</b>
% Change from FY-2004	4.73%
% Change from Original FY-2005	1.51%

Source: Office of State Finance

This supplemental will allow OJA to replace roofs at the L.E. Rader Center, erect a more secure perimeter fence and repair Residential Treatment Program bathrooms.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$92,858</b>
<b>FY-2005 Bud. FTE Level</b>	<b>1,046.2</b>
<b>Actual Ave. YTD FTE</b>	<b>1,024.2</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	1,734
Reintegration and Tracking	2,343
Level F Group Home	935
Mental Health Screenings	115
Total Adjustments	5,127
<b>FY-2006 Recommendation</b>	<b>\$97,985</b>
% Change from FY-2005	5.52%

Source: Office of State Finance

The FY-2006 recommended appropriation for OJA is the same as the reduced FY-2005 level, with the following adjustments.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$1,733,823 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Office of Juvenile Affairs' 1,039.4 December FTE.

### Reintegration and Tracking

The Governor's budget provides \$2,343,000 for reintegration and tracking services for juveniles. Funding for STARS, the tracking program provided by the Oklahoma Military Department, was eliminated during the 2003 Legislative Session. Funding has been partially replaced but is unable to provide services for the youth released from the highest risk settings. Juveniles returning home from institutions and other out-of-home placements need continuing follow-up services to prevent them from falling back into the same patterns of behavior that got them into trouble in the first place. These services are crucial to public safety and increase a

juvenile's chances for success. Currently, OJA has the capacity to track 90 youth at any one time. The Governor's budget recommends expanding the capacity to allow OJA to monitor 200 juveniles at a time.

Funding is also provided for a sanctions program that gives immediate consequences, short of sending a youth back to the institution, to juveniles who are being tracked and who are beginning to exhibit problematic behavior in the community. The Governor's budget encourages OJA to examine alternatives for this program, including using existing CICs for sanctions.

### Mental Health and Substance Abuse Group Home

The Governor's budget provides \$935,000 for two 12-bed Level F Group Homes. These beds will serve youth adjudicated delinquent who have serious mental health and/or substance abuse problems. The program will provide a higher level of therapeutic services than typical group homes and will serve as an alternative to institutional care for youth who can be safely managed outside an institution.

### Mental Health Screenings

The Governor's budget includes \$115,000 to provide mental health screenings for juveniles in detention. Local detention staff will administer an initial screening instrument. OJA will review the results for custody youth and determine if additional follow-up is needed.

### Audit pass-throughs

A significant portion of OJA's budget is passed through to Oklahoma Youth Service Agencies each year. The Governor's budget recommends periodic audits of all major pass-throughs of state funds, including the Youth Service Agencies.

## Physician Manpower Training Commission

### Notable Achievements

- *Twenty physicians were placed in 17 rural communities this past year. The average obligation incurred by these physicians is three years. The economic impact to each of these communities is approximately \$1.1 million per year.*
- *The establishment, through cooperation with the federal government, of the State Loan Repayment Program. This past year six medical/health providers were placed in Health Professional Shortage Areas of Oklahoma through this program.*
- *287 nursing students received scholarships through the Oklahoma Nursing Student Assistance Program.*

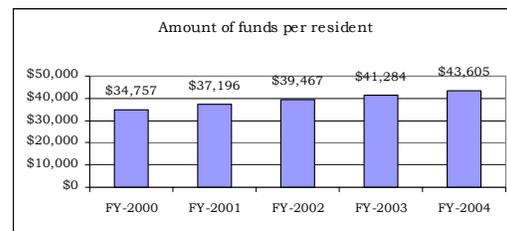
The Legislature created the Physician Manpower Training Commission (PMTC) in 1975 to enhance medical care in rural and underserved areas of the state through the following programs:

- Oklahoma Intern/Resident Cost-Sharing;
- Community Match Rural Scholarship Incentive Program;
  - Rural Medical Education Scholarship Loan
  - Family Practice Resident Rural Scholarship
  - Physician/Community Match Loan
  - Physician Placement
- State Loan Repayment Program; and
- Nursing Student Assistance Program.

There are no other programs like this in any other state.

## Oklahoma Intern/Resident Cost Sharing

The PMTC administers a cost-sharing program to fund Family Practice residents' salaries at the University of Oklahoma Health Sciences Center and the Oklahoma State University College of Osteopathic Medicine. The benchmark for the amount of funds per resident is based on the regional average for similar programs and is attained annually. The graph below depicts the amount of funds per resident for the past five fiscal years.

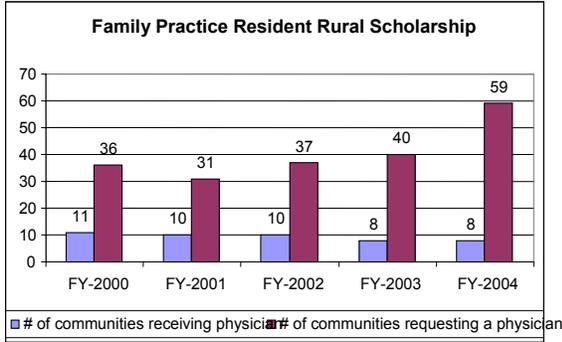


Training for Family Practice residents takes place in Oklahoma City, Tulsa, Enid, Ramona, Lawton and Durant. Statistics show that primary care residents trained in Oklahoma will more likely establish a medical practice in Oklahoma.

## Community Match Rural Scholarship Incentive Programs

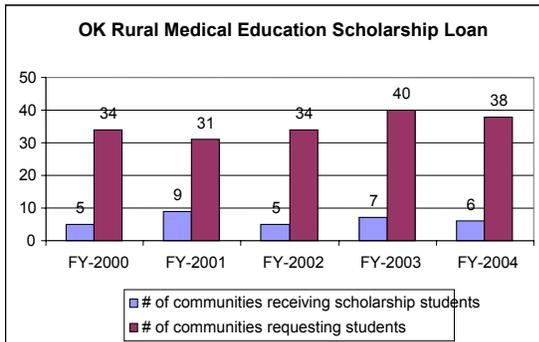
### Rural Medical Education Scholarship Loan

PMTC also administers a loan program where medical or osteopathic students contract to practice in a rural community of 7,500 or less population when their training is completed. A student can receive up to \$60,000 over a four-year period with a payback of practicing in a rural community one year for each year of financial assistance. Since 1975, 363 students have participated in the program. As the following graph indicates, in FY-2004, 17.6% of communities requesting physicians received them.



### Family Practice Resident Rural Scholarship

This scholarship program is for residents in Accredited Oklahoma Family Practice Programs. Each participating resident receives \$1,000 per month (up to 36 months) with a month for month practice obligation in an underserved community upon completion of residency training. Since 1992, 73 recipients have completed training and are fulfilling obligations. The graph below shows how this program meets statewide demand.



### Physician/Community Match Loan

A rural Oklahoma community may provide loans matched by PMTC to any qualified primary care physician to assist in establishing a full-time medical practice. The physician repays the loan by practicing medicine in that community. Since 1989, 134 physicians have been placed.

### State Loan Repayment Program

The State Loan Repayment Program (SLRP) is a federal grant sponsored by the Department of Health and Human Services (DHHS). Funds from the grant are offered to qualified health and medical providers in

order to pay off legitimate education debt. Funds from DHHS are matched with state (PMTTC) and local funds. Individuals receiving the grant must work in a federally designated Health Professional Shortage Area (HPSA). Recipients must participate a minimum of two years, and can receive the funds for up to four years. Contracts are between the individual provider and the PMTC.

### Nursing Student Assistance Program

A program established in 1982 to provide financial assistance to Oklahoma nursing students pursuing LPN, ADN, BSN or MSN degrees. The scholarship loan is repaid by working as a nurse in Oklahoma, with an emphasis on rural communities. There are two programs:

- Matching scholarship assistance provided by PMTC and matched by a community or institution which in return receives the services of the nurse upon graduation; and
- Non-matching scholarship assistance is provided solely by PMTC.

Since its inception in 1982, there have been 3,696 participants.

### Summary

These programs provide approximately 30 physicians each year to Oklahoma communities with an estimated economic impact between \$8.75 million and \$10.5 million annually. A physician establishing practice in a rural Oklahoma community generates 25 jobs and approx \$700,000 of income annually. Physicians are vital to the economic health of small Oklahoma communities.

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## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$5,024</b>
<b>FY-2005 Bud. FTE Level</b>	<b>6.0</b>
<b>Actual Ave. YTD FTE</b>	<b>6.2</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>10</u>
<b>FY-2006 Recommendation</b>	<b>\$5,034</b>
% Change for FY-2005	0.19%
Source: Office of State Finance	

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$10,509 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the PMTC's 6.3 December 2004 FTE.

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## Department of Rehabilitation Services

### Notable Achievements

- *DRS helped 1,806 Oklahomans with severe disabilities obtain jobs. With an average annual income of \$17,360 and collective earnings of \$31.3 million, these individuals were able to contribute \$7.7 million in taxes last year.. After 14-15 months of working, they will have paid enough in taxes to make up for the cost of services they received from the agency.*
- *Oklahoma Library for the Blind and Physically Handicapped (OLBPH) began using digital recording technology to enhance the sound quality and durability of talking books for people who are blind or unable to use standard print because of another disability.*
- *“Communication Options for Deaf Children: A Family Decision,” a 17-minute program designed to help parents choose the most effective communication style for their families, recently earned recognition as a finalist in the International Health and Medical Media Awards competition, known as the “FREDDIE” awards.*
- *The state Department of Rehabilitation Services (DRS) took the lead in funding JobFit and establishing the employer-driven Oklahoma Business Leadership Network (OKBLN). In response to employers who liked the JobFit system, DRS launched the OKJobs website at [www.okjobs.jobfit.com](http://www.okjobs.jobfit.com). The second website includes job seekers with and without disabilities.*
- *Oklahoma’s medical eligibility determination division for Social Security benefits, the Disability Determination Division (DDD), had the second highest productivity rate in the Region and was 12th in the nation with an average of 302.2 claims processed per employee in the past year.*

### Mission

The mission of the Department of Rehabilitation Services (DRS) is to provide opportunities for individuals with disabilities to achieve productivity, independence, and an enriched quality of life.

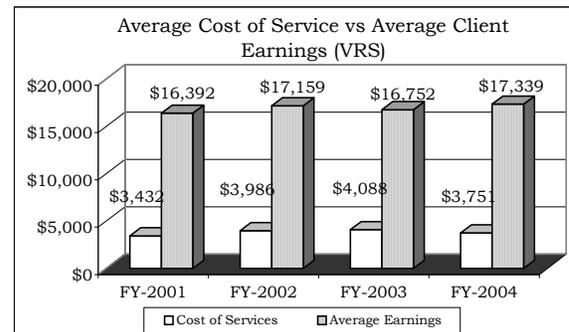
The agency administers four main programs:

- Vocational Rehabilitation and Visual Services Division
- Oklahoma School for the Blind
- Oklahoma School for the Deaf
- Disability Determination Division

### Vocational Rehabilitation and Visual Services Division

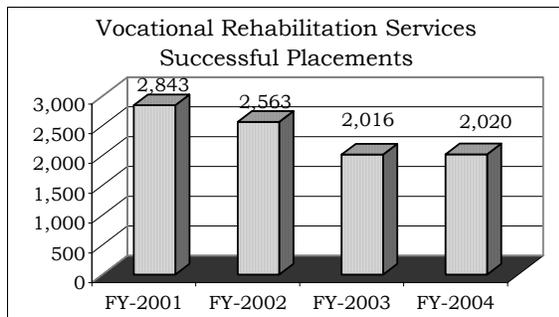
The Vocational Rehabilitation and Visual Services (RVS) division of DRS administers the federal vocation rehabilitation program for Oklahomans with disabilities. DRS provides vocational rehabilitation, education, employment services and independent living programs. Once a client is determined eligible for RVS services, he or she is placed into one of four priority groups according to the severity of his or her disability and in accordance with guidelines in the federal Rehabilitation Act.

#### Key Performance Measure



Source: OKDRS

**Key Performance Measure**



Source: OKDRS

DRS counts a case as successful once the client has been involved in integrated employment for more than 90 days. At an average cost per client of \$3,751, successfully placed clients received the benefit of earning an average paycheck of \$17,339 per year in FY-2004.

The total active caseload for RVS offices in FY-2004 was 21,219, which is down 37% from the FY-2002 active case total of 33,925. This is due to closing priority groups in response to budget reductions.

**School for the Deaf and School for the Blind**

The Oklahoma School for the Deaf and Oklahoma School for the Blind provide residential and day education programs for children who have a primary disability of either blindness or deafness. A comprehensive curriculum of reading, language arts, mathematics, social studies, science, physical education and computer-science serves children through the 12<sup>th</sup> grade.

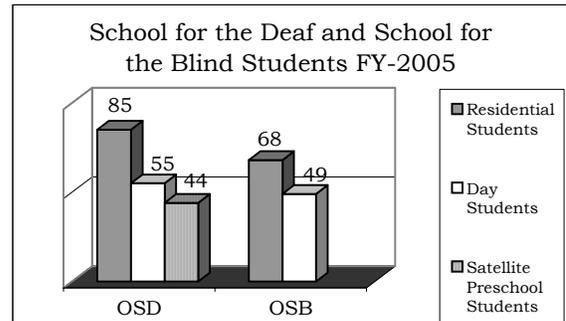
The School for the Blind (OSB) in Muskogee provides special instruction in Braille, orientation and mobility, low vision aids and adaptive technology.

The School for the Deaf (OSD) in Sulphur provides sign language classes and adaptive technology.

OSD serves a total of 184 students from all across the state. The Sulphur campus houses 85 students during the school week, while 55 students attend school during the

day, and 44 preschoolers are served in the satellite preschools in Edmond and Broken Arrow.

A total of 117 students attend OSB, 68 are residential students and 49 are day students.

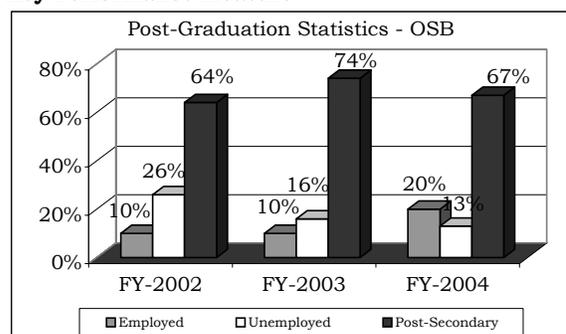


Source: OKDRS

Both schools are resource centers in the state for services to children who are blind, deaf, or hard of hearing. OSD and OSB offer outreach services to these students in public schools throughout the state. Both schools also provide specialized training and summer programs for parents and special education teachers.

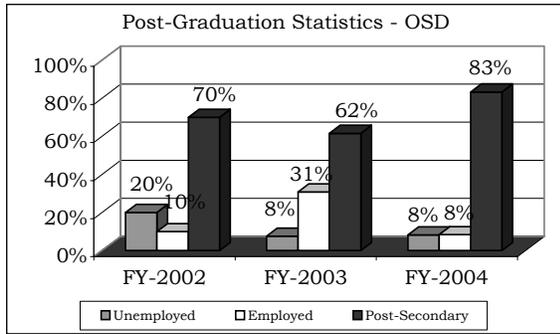
Nationwide, 47 states and the District of Columbia have schools for the deaf; 42 states and the District of Columbia have schools for the blind.

**Key Performance Measure**



Source: OKDRS

**Key Performance Measure**



Source: OKDRS

	OSB	OSD
FY-2005 Budget (000's)	\$6,291	\$8,209
FTE	110.0	142.5
No. of Teachers	34	40
No. of Students	117	184
Cost per Student (000's)	\$54	\$45
Students per Teacher	3.4	4.6

**Disability Determination Division**

The Disability Determination Division (DDD) makes medical eligibility determinations for Oklahomans applying for Supplemental Security Income disability or Social Security Disability benefits. Federal dollars fully fund this program.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$25,480</b>
<b>FY-2005 Bud. FTE Level</b>	<b>964.5</b>
<b>Actual Ave. YTD FTE</b>	<b>849.7</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	468
Teacher Pay Increase	132
Braille Textbooks	316
Total Adjustments	916
<b>FY-2006 Recommendation</b>	<b>\$26,396</b>
% Change for FY-2005	3.59%

Source: Office of State Finance

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$467,559 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Rehabilitation Services 580.8 December FTE. This number excludes 210 employees in the Disability Determination Division, which is 100% federally funded, and 74 teachers at OSB and OSD.

**Teacher Pay Increase**

The Governor's budget provides \$131,649 for pay increases, as legislated in SB 1272, to 40 teachers at the Oklahoma School for the Deaf and 34 teachers at the Oklahoma School for the Blind

**Braille Educational Textbooks and Materials**

DRS operates the Oklahoma Library for the Blind and Physically Handicapped (OLBPH). Within this facility DRS houses the OLBPH Educational Services program. Educational Services provides alternatively formatted materials such as Braille and large print books to blind or severely visually impaired public school students. The Governor's budget includes \$316,000 to help fill orders for more than 1,000 students across the state.

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# University Hospitals Authority and Trust

## Notable Achievements

- **Pretax Earnings Distributions as per the Joint Operating Agreement** *The terms of the Joint Operating Agreement specify that, each calendar year, the University Hospital Trust receives the first \$9 million of pretax earnings of the hospitals encompassed in the agreement. Over the course of the agreement, approximately \$66 million in pretax preference payments have been made to the University Hospital Trust. The Trust uses these funds to fulfill its mission to support medical education and clinical research.*
- **Investment in Medical Technology, Equipment and Medical Facilities** *To date, the University Hospitals Authority and Trust and HCA Health Services of Oklahoma, Inc. have combined investments of \$123 million on hospital equipment and facilities improvements. In addition the Trust has committed \$18.6 million for the construction of the Stanton L. Young Basic Research building Phase II where state of the art genomics and oncology research will be conducted beginning in 2005. The Trust has also completed the Arrhythmia research Institute located in the O.U. Medical Center where pioneering arrhythmia ablation procedures were innovated.*
- **New Ambulatory Care Facility** *During FY-2004, the Trust began planning for the new Children's Physicians Ambulatory Care Facility and parking garage where Oklahoma's largest pediatric specialists group will provide care to Oklahoma's children in a state of the art center. Additionally, fiscal year 2004 saw the beginning of construction for the adult and children's inpatient care facilities improvement project that will relocate adult services and the Level 1 Trauma unit to the Presbyterian tower and women and children's services to the Everett tower building adjacent to the new children's ambulatory care facility.*

## Brief History

In early 1998, the University Hospitals Authority entered into a Joint Operating Agreement (JOA) with HCA Health Services of Oklahoma, Inc., a subsidiary of Columbia Corporation. The agreement completed the largest and most comprehensive privatization in Oklahoma, consisting of a long-term lease between the University Hospitals Trust and HCA Health Services of Oklahoma, Inc. to lease, manage and operate the University Hospitals.

This historic partnership combined University Hospital, Children's Hospital of Oklahoma, O'Donoghue Rehabilitation Institute and Presbyterian Hospital to form what is now called OU Medical Center. This name represents the association of the hospitals with the University of Oklahoma Health Sciences Center medical schools. The OU Medical Center hospitals serve as teaching hospitals for the medical schools.

## Current Role of the Authority

The Authority, in conjunction with the University Hospital Trust, is responsible for monitoring the JOA and making yearly financial reports to the Governor and the Legislature. The mission of the Authority is to be a catalyst for medical excellence, to support medical education, clinical research and to assure the best care available to all Oklahoma citizens regardless of means, while growing essential alliances and maximizing utilization of State and Federal resources.

## Indigent Care Expenditures

The OU Medical Center Hospitals provide care to indigent persons equaling at least 120% of the state's appropriation for indigent care. In the event that audited costs of indigent care go above 150% of the appropriation, the Governing Board of the JOA can seek an increase in the appropriation from the Legislature or reduce services to indigents. Indigent care means medical care provided to individuals who do not have insurance and cannot pay for the cost of the care they receive.

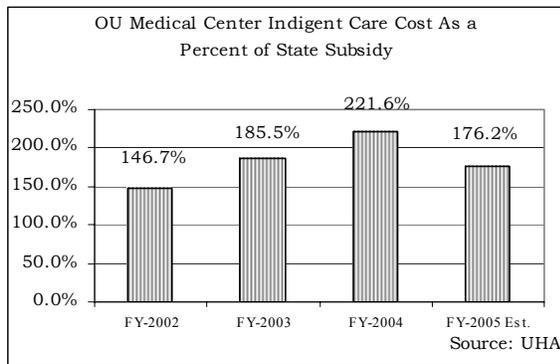
During FY-2004, there were a total of 175,266 persons who received indigent care services at OU Medical Center. The categories of service are as follows:

- 13,524 Inpatients;
- 119,813 Outpatients; and
- 41,929 ER and Trauma Patients.

Of the number of persons who received services, 345 of the inpatients, 4,543 of the outpatients and 243 of the emergency room patients were Department of Corrections inmates. Oklahoma law requires that OU Medical Center treat inmates at no charge to the Department of Corrections. Therefore, these services are reflected in the total cost of indigent care.

**FY-2003 and FY-2004 Indigent Care Percentage Rise Above 150%**

Revenue shortfalls combined with increased uncompensated care resulted in indigent care costs again rising above 150% of the indigent care subsidy. In FY-2004, indigent care costs rose to 221.6% of the subsidy.



**Trauma Care Crisis Averted**

Faced with the possible closing of Oklahoma’s only Level One Trauma Center during FY-2004, Governor Henry and the legislature responded by creating additional funding sources for the Trauma Reimbursement fund within the State Department of Health. The funding increase came from dedicating \$17 million per year from the Tobacco Tax and increased fees. HB 2250 implements a \$100 special trauma care assessment to people convicted of carrying an open

container of alcohol, driving under the influence or other misdemeanor traffic violations. HB 2299 imposes various special trauma care fines to people who are convicted of driving with a suspended license. HB 2600 institutes a \$200 trauma care fee for re-instatement of a driver’s license and a \$100 fine for drug crimes. These bills are estimated to generate approximately \$12.4 million for the Trauma Reimbursement Fund in addition to the earmarked portion of the Tobacco Tax. These new funding sources will help close the gap between the uncompensated trauma care claims by hospitals, including OU Medical Center, and the amount which has until recent law changes been available to disburse from the fund.

**Trauma Care Related to Indigent Care**

There are many issues related to having a properly working Trauma Care System in our state. Comprehensive trauma system development includes hospital and ambulance licensing regulations promulgated by the Board of Health. The first set of these regulations were approved by Governor Henry on January 12, 2004. Other system components including statutory changes, additional rules and provision of funding for uncompensated trauma care continue to be developed.

The comprehensive trauma care system design will contain at least the following components:

- Pre-hospital transfer protocols which clarify that patients are transported to the nearest hospital specified to handle their level of injury;
- Regional plans for community or regional on-call systems which ensure that physician coverage is maintained and 24-hour emergency care is available;
- Reciprocal patient transfer agreements with hospitals capable of providing major trauma care;
- Agreements will include provisions for transferring patients back to the

originating hospital when it is medically appropriate to do so;

- Trauma referral centers which coordinate trauma care for all ambulance services and first response agencies within regions and facilitate trauma patient transfers into the region; and
- Adequate funding for uncompensated trauma care.

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### **FY-2006 Appropriation**

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$39,029</b>
<b>FY-2005 Bud. FTE Level</b>	<b>4.0</b>
<b>Actual Ave. YTD FTE</b>	<b>4.0</b>
<b>Funding Adjustments:</b>	
OU-Tulsa Debt Service	<u>1,250</u>
<b>FY-2006 Recommendation</b>	<b>\$40,279</b>
% Change from FY-2005	3.20%
Source: Office of State Finance	

#### **Debt Service for OU-Tulsa**

The Governor's budget includes funding of \$1,250,000 for debt service for the purchase and improvement of the OU-Tulsa Schusterman Campus. The provision of this funding will be used to offset clinical revenue currently pledged to debt service and will free up that revenue to be directed in to research and education.

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# **Military Affairs**

**Oklahoma Military Department**



# Military Affairs

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY- 2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
Military Department	\$8,062,531	\$8,062,531	\$2,571,492	\$10,634,023	31.9%
<b>Total Military</b>	<b>\$8,062,531</b>	<b>\$8,062,531</b>	<b>\$2,571,492</b>	<b>\$10,634,023</b>	<b>31.9%</b>

## Oklahoma Military Department

### Notable Achievements

- *Approximately 675 members of the Oklahoma National Guard (OKNG) are currently serving their country proudly on active duty.*
- *The Army National Guard celebrated it's 368<sup>th</sup> birthday on December 13<sup>th</sup>, 2004.*
- *The Thunderbird Youth Academy was named the Best All Around National Guard Youth Program in the nation by the National Guard Bureau.*
- *Due to support from the Governor and the 2004 Legislature, OMD will double class sizes at the Thunderbird Youth Academy in calendar year 2005. Thus, the nationally recognized program will become available to more of Oklahoma's troubled youth.*

### Mission

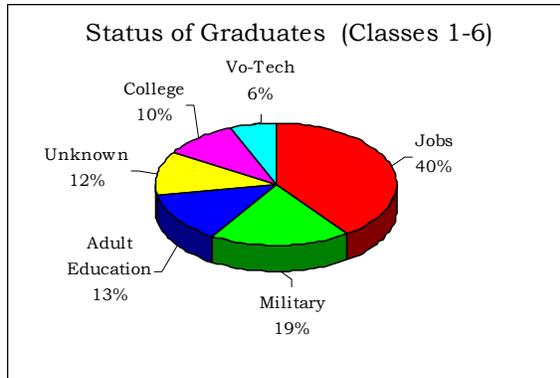
The Oklahoma Military Department's (OMD) mission is to preserve the state and the nation through the organization and training of the Oklahoma National Guard. To that end, OMD is committed to providing adequate training facilities for the OKNG.

OMD also continues to serve Oklahoma's at-risk youth with programs, which instill self-esteem and discipline in our young people.

### Thunderbird Youth Academy

The agency seeks to meet the challenge of reforming at-risk youth in Oklahoma. Beginning in FY-1992, the Thunderbird Youth Academy (TYA) started holding two 22-week sessions per calendar year. The voluntary program utilizes a "quasi-military" approach to teach self-discipline, improve self-esteem and physical fitness of Oklahoma at-risk youths.

Education is a key component of the TYA. The curriculum focuses on specific criteria, GED completion and basic life skills. GED preparation is intensive and directed toward improving each cadet academically.



Once cadets obtain their GED, they have the opportunity to complete college level studies before graduation. This voluntary program is the result of a cooperative effort between TYA and local colleges and universities. The credits are fully transferable and certified college instructors teach the class

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$8,063</b>
<b>FY-2005 Bud. FTE Level</b>	<b>371.6</b>
<b>Actual Ave. YTD FTE</b>	<b>333.3</b>
<b>Funding Adjustments:</b>	
State Employee Salary Increase	197
Firing Range	500
Life Insurance	1,870
Total Adjustments	2,572
<b>FY-2006 Recommendation</b>	<b>\$10,635</b>
% Change for FY-2005	31.90%
<small>Source: Office State Finance</small>	

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$196,567 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for OMD's 44.7 average 2004 FTE.

**Close Firing Ranges**

The federal government is requiring the closure of all firing ranges that have lead contamination. The Governor's budget recommends \$500,000 to destroy OKNG's contaminated firing ranges and to sterilize the affected areas.

**Life Insurance**

The Governor's Budget recommends \$1.87 million to purchase a \$250,000 life insurance policy for each member of the OKNG. The Governor's recommendation recognizes the sacrifice the men and woman of the OKNG make every day for this Country.

The appropriation will insure all 9,615 members of the OKNG through the Service Members Group Life Insurance. Currently, the premiums are \$16.25 per month.

**Military Retirement Income Exemption**

In recognition of the sacrifices veterans have made for this country, the Governor's Budget provides tax relief for military retirement income. For more information, see the revenue proposals section.

**Military Family Relief Fund**

To help families of OKNG members, the Governor's Budget proposes allowing taxpayers donate a portion of their tax refund to a Military Family Relief Fund. For more information, see the revenue proposals section.

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# **Safety and Security**

**Alcoholic Beverage Laws Enforcement Commission  
Attorney General  
Department of Corrections  
District Attorneys Council  
State Emergency Fund  
Oklahoma Department of Emergency Management  
State Fire Marshal  
Oklahoma Indigent Defense System  
Oklahoma State Bureau of Investigation  
Council for Law Enforcement Education and Training  
Board of Medicolegal Investigations  
Oklahoma Bureau of Narcotics and Dangerous Drugs Control  
Pardon and Parole Board  
Department of Public Safety**



# Safety and Security

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY-2006 Appr.	% Diff. from FY- 2005
A.B.L.E. Commission	\$3,626,853	\$3,626,853	\$74,586	\$3,701,439	2.1%
Attorney General	5,953,778	5,953,778	1,357,092	7,310,870	22.8%
Corrections, Department of	402,210,568	384,286,568	21,874,644	406,161,212	1.0%
District Attorneys Council	27,626,731	26,926,731	2,844,844	29,771,575	7.8%
State Emergency Fund	4,000,000	0	0	0	-100.0%
Emergency Mgmt	680,972	680,972	21,852	702,824	3.2%
Fire Marshal	1,537,061	1,537,061	47,674	1,584,735	3.1%
Indigent Defense System	15,028,761	14,428,761	806,678	15,235,439	1.4%
Investigation, Bureau of	9,681,910	9,681,910	487,385	10,169,295	5.0%
Law Enf. Educ. & Training	2,686,318	2,686,318	759,467	3,445,785	28.3%
Medicolegal Investigations Board	3,427,372	3,427,372	201,543	3,628,915	5.9%
Narc. & Dang. Drugs Control	4,967,062	4,967,062	171,647	5,138,709	3.5%
Pardon & Parole Board	2,150,328	2,150,328	60,552	2,210,880	2.8%
University Hospitals Authority	65,062,004	65,062,004	7,362,540	72,424,544	11.3%
<b>Total Safety and Security</b>	<b>\$548,639,718</b>	<b>\$525,415,718</b>	<b>\$36,070,504</b>	<b>\$561,486,222</b>	<b>2.3%</b>

## Alcohol Beverage Laws Enforcement Commission

### Notable Achievements

- The agency's workforce has declined by more than 20 employees over the last two years, however the agency has still performed all required alcohol inspections.
- Agency employees were named to Two National Boards, the Regional Organized Crime Information Center and the National Conference of State Liquor Administrators.
- Oklahoma's compliance rate for rejecting the sale of tobacco to minors was at an all time high of 86.4% in calendar year 2003.

### Mission

The Alcohol Beverage Laws Enforcement Commission (ABLE) protects and enforces state laws pertaining to alcoholic beverages, youth access to tobacco, and charity games. Their priority enforcement is the minimization of alcohol and tobacco use by Oklahoma's youth.

### Alcohol Education

Education and creating awareness are a large part of ABLE's strategy for reducing teenage alcohol use. Before attaining alcohol licenses, businesses must attend an orientation provided by ABLE.

ABLE recently began contracting with a private organization to train new employees of alcohol serving entities. In addition to educating all businesses and employees of pertinent state alcohol laws, ABLE wants them to have the ability to spot things such as fraudulent driver licenses.

## Cops-In-Shops (CIS)

The C-I-S program is a proactive program focused on deterring the purchase and consumption of alcoholic beverages by persons under 21 years of age.

Undercover agents pose as employees or customers in retail package stores and mixed beverage establishments. Efforts are aimed at apprehending employees or customers who engage in illegal alcohol transactions. ABLE also periodically contracts with the Department of Mental Health to supply agents for tobacco sales operation.

Source: ABLE	FY 2002	FY 2003	FY 2004
Alcohol Inspections (Businesses)	4,090	4,152	2,489
Costs per Alcohol Inspection	\$116.84	\$98.17	\$102.38
Tobacco Investigations	1,265	1,214	1,130
Tobacco Buy Operations	533	630	538

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$3,627</b>
<b>FY-2005 Bud. FTE Level</b>	<b>50.0</b>
<b>Actual Ave. YTD FTE</b>	<b>43.6</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	75
<b>FY-2006 Recommendation</b>	<b>\$3,702</b>
% Change for FY-2005	2.07%
Source: Office of State Finance	

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$74,586 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the ABLE Commission's 44.7 average 2004 FTE.

# Attorney General

## Notable Achievements

- In FY-2004, the Attorney General announced the start of a new program to reduce domestic violence. The new program, CUT IT OUT, trains salon professionals to recognize the signs of domestic abuse and direct victims to local resources for help. CUT IT OUT is a nationally recognized program with the goal of bringing awareness about domestic violence to cosmetologists nationwide.
- The Attorney General received the 2004 Public Policy Award from the National Hospice and Palliative Care Organization (NHPCO). The Attorney General's contributions to improve the care Americans receive at the end of life led to the honor.
- Attorney General also received the 2004 Paul H. Chapman Award from the Foundation for Improvement of Justice. The Attorney General was recognized for expediting the appeals process in criminal cases.

## Mission

The mission of the Office of Attorney General is to represent Oklahoma by serving and protecting citizens, government and the law. A few of the services they provide to accomplish their mission are:

- Representing the state in criminal appeals;
- Investigating criminal matters anywhere in the state through the Multi County Grand Jury;
- Providing advice and counsel to all State Officers, Boards and Commissions;
- Writing opinions, upon all questions of law submitted to the Attorney General by persons or bodies with proper statutory authority; and

- Appearing, as required by statute, and prosecuting or defending, before any court, board or commission, any cause or proceeding in which the state is an interested party.

## Contract Attorneys

Under state law various agencies contract with the AG's office for legal services. Contracting with the AG guarantees that an assistant AG will spend a certain amount of his or her time working for the agency. Contracts with the AG vary from 12.5% of an attorney's time to 100%.

### Key Performance Measure

	Cost of Counsel (\$ Per Hour)			
	FY 2001	FY 2002	FY 2003	FY 2004
Assistant Attorney General	70	70	67	60
Open Market Rate of Private Counsel	125	125	110	110

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$5,954</b>
<b>FY-2005 Bud. FTE Level</b>	<b>150.4</b>
<b>Actual Ave. YTD FTE</b>	<b>165.0</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	157
Consumer Protection Funds	900
Workers Comp Unit	<u>300</u>
Total Adjustments	1,200
<b>FY-2006 Recommendation</b>	<b>\$7,311</b>
% Change for FY-2005	22.79%
<small>Source: Office of State Finance</small>	

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$157,092 to annualize the \$1,400 January pay raise and provide for

the \$700 July pay raise for the Attorney General's 161.7 FTE December 2004 FTE. The December 2004 FTE excludes the Attorney General because the AG is a state elected official.

**Consumer Protection Fund**

In recent Fiscal years, the Attorney General has been funding the Consumer Protection Unit from built up cash in a agency 700 ASA Fund. The cash balance in this fund is depleting quickly. Thus, the Governor's Budget recommends \$900,000 to help fund the Consumer Protection Unit in FY-2006.

**Workers Compensation and Insurance Fraud Unit**

The Workers Compensation and Insurance Fraud Unit is funded entirely out of a dedicated revolving fund. Due to declining revenue in this revolving fund, the unit reduced their staff by two investigators, one attorney, and one support position. The reduction in staff has decreased the agency's capability to investigate suspected workers compensation fraud. Thus, the Governor's Budget recommends \$300,000 to replace the lost personnel.

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## Department of Corrections

### Notable Achievements

- DOC completed a comprehensive assessment of division staffing and operations needs. This assessment included a review of services provided and functions performed as well as staffing patterns and management-to-staff ratios. The assessment resulted in 53 specific recommendations to streamline processes, realign responsibilities, eliminate duplication and more effectively utilize human and fiscal resources.
- The Administration Division coordinated a comprehensive review of all department vehicles. 313 unsafe and/or salvage vehicles and 24 pieces of worn out equipment were sold at auction through DCS, and a number of vehicles were reassigned internally to maximize efficiency.
- The Medical Services Division expanded the telemedicine system, which avoided 549 offender medical transports at an average cost of \$231 per transport.
- Through a new contract with the Oklahoma State Education and Employee Insurance Board (OSEEGIB) for adjudication of hospital billing, the Medical Services Division saved the state \$4.4 million on offender specialty care and hospitalizations charges.
- DOC implemented the re-entry grant for offenders returning to Oklahoma County. The PROTECT project assigns transition workers to help offenders with re-entry issues prior to and upon release. The Operations Support Division also established a collaborative effort with approximately ten other state, federal and local agencies in an effort to implement a statewide reentry process.
- The Community Corrections Division expanded offender work release to include state run and private contracted facilities, such as Addiction Solutions. Work release was also expanded at state owned work centers.
- In an effort to save tax dollars, the Security and Investigations Division completed over 67% of all extradition transportations rather than using a contract vendor.
- The Taft Unit (Eddie Warrior and Jess Dunn Correctional Centers) underwent ACA Re-Accreditation Audits receiving scores of 100% on Mandatory standards and 100% on Non-Mandatory standards. They are the first DOC facilities audited under the tougher fourth edition ACA standards and the first to receive a combined 100% score as two facilities combined into one.
- The Operations Support Division worked to support legislation that directed counties to provide electronic copies of judgment and sentences for the scheduling of offenders into the assessment and reception center. This action allows for more efficient and accurate accounting of payments to counties for the cost of holding offenders sentenced to DOC.
- The Employee Training and Development Center staff partnered with Offender Services staff and subject matter experts from the field to improve the curriculum and delivery of Case Manager Specific Training. This project resulted in cutting the time required to complete case manager specific training from seven to five days thereby reducing student travel, lodging and meal expenses as well as time in class, in transit and away from the facility.

### Mission

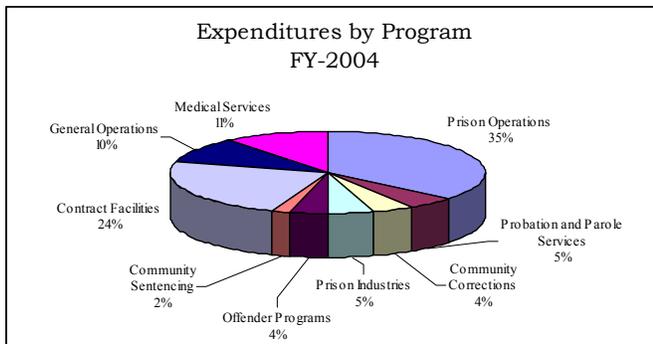
Public safety is a critical function of state government. The Department of Corrections' (DOC) mission reflects the importance of public safety by seeking to protect the public, its employees and the offenders under its supervision. The agency's responsibilities include:

- housing inmates safely and securely;
- providing opportunities for inmates to become rehabilitated;

- facilitating a successful transition for inmates back into society; and
- monitoring inmate behavior upon release.

In the spring of 2000, DOC reached a major milestone when it prevailed in a 27-year federal court case that addressed conditions of incarceration in this state. Because of that case, DOC implemented system changes to reduce overcrowding and improve inmate healthcare. The cost of those changes is still affecting the agency today.

As one of the state's largest agencies, DOC's FY-2005 appropriation makes up 7.17% of the state appropriated budget. DOC's appropriation, including supplementals, has grown by 104% from FY-1995 to FY-2005. The following chart shows DOC's FY-2004 expenditures by program.

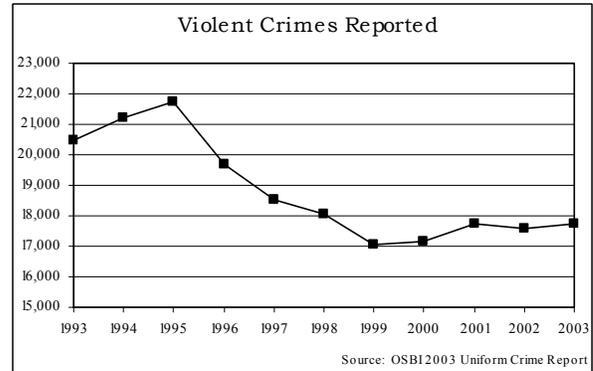


Source: Department of Corrections

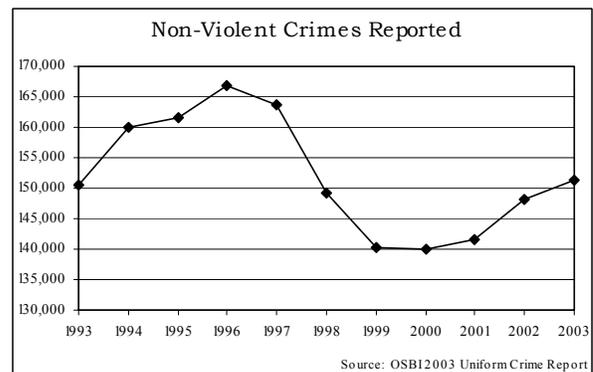
While the Department uses revolving and federal funds, 91% of operational funding in FY-2004 came from state appropriations. Approximately 8% of DOC's funding came from revolving funds and 1% from federal funds. DOC generates revolving funds from the sale of products and services to inmates (canteen sales) and from the sale of inmate-produced products and services to internal and external purchasers. DOC typically receives federal grant funds for specific programs or services such as sex offender management or substance abuse treatment.

## The Demand for Prison Beds

As illustrated in the graphs, between 1993 and 1995, the number of violent crimes reported increased by 6% and nonviolent crimes increased 7%. From 1995 to 2003, violent crime rates decreased more than 18%. Reports of nonviolent crimes decreased more than 13% from 1995 to 2000, while increasing 8% in recent years.

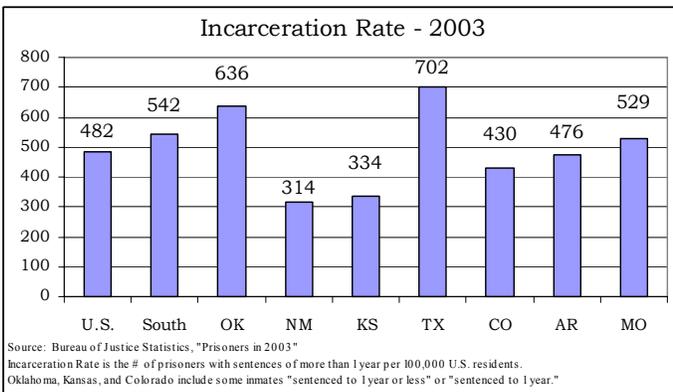


Source: OSBI2003 Uniform Crime Report

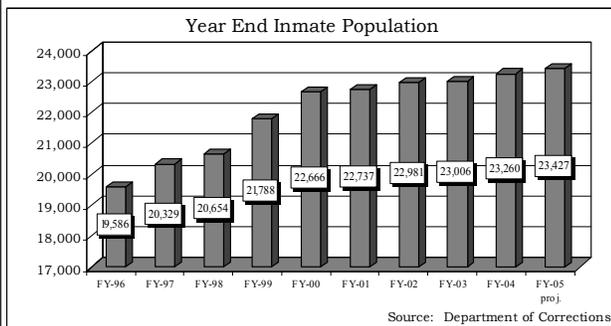


Source: OSBI2003 Uniform Crime Report

Despite the decrease in violent and nonviolent crimes since 1995, the number of offenders incarcerated in Oklahoma has increased. Oklahoma's incarceration rate is consistently higher than the national average. Oklahoma imprisons 636 inmates for each 100,000 residents. This is 132% of the national average of 482 prisoners per 100,000 residents. Only Louisiana, Mississippi and Texas have higher incarceration rates.

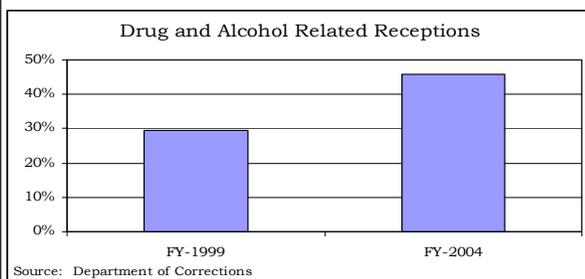


Part of this increase can be traced back to the early 1990s when crime rates were growing. Offenders began to serve more time for their offenses and special laws designed to release prisoners early were rarely invoked. Since then, the demand for prison beds has been increasing.



For FY-2005, the Criminal Justice Resource Center projects 1% growth in the incarcerated inmate population. DOC has already surpassed this estimate so far this year.

Receptions and releases and the average time served are three critical factors in the demand for more bed space. The following chart shows the increase in drug and alcohol related receptions from FY-1999 and FY-2003.



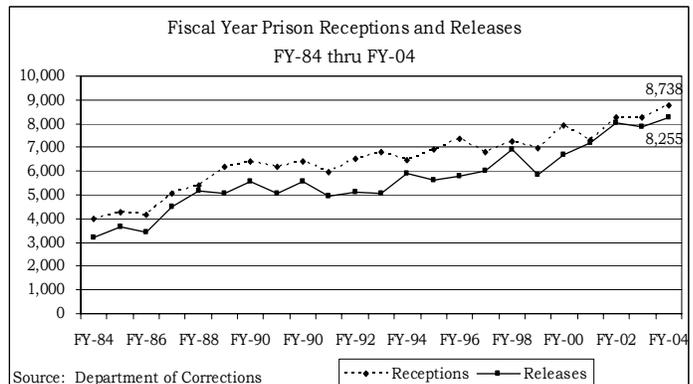
As shown, in 1999, drug and alcohol related receptions accounted for 29% of total receptions. In 2004, drug and alcohol related receptions increased to 46% of total receptions. The state has implemented a number of initiatives to deal with this issue, such as drug courts and community sentencing.

For 2004, DOC processed 8,738 new inmates at the Lexington Assessment & Reception Center (LARC). The following table provides a demographical breakdown of these inmates:

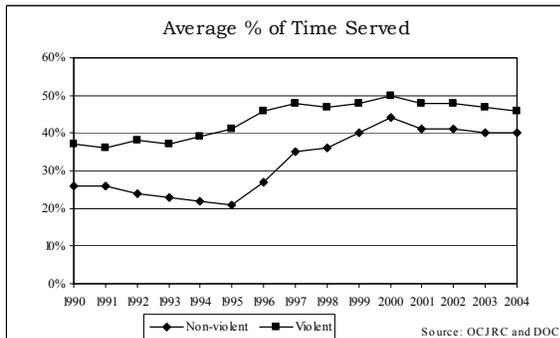
FY-2004 Reception Demographics	
Total Receptions	8,738
Average Age	33.3
% Males	84.8%
% Females	15.2%
% Non-Violent	80.5%
% White	58.9%
% Black	25.7%
% Native American	9.3%
% Hispanic	5.5%

Source: Department of Corrections

Another component to consider in assessing the demand on the state's correctional system is the number of inmates released each year. In 2001 and 2002, DOC experienced significant growth in releases as the Pardon and Parole Board addressed its backlog and increased recommendations. Receptions, however, continue to outpace releases.

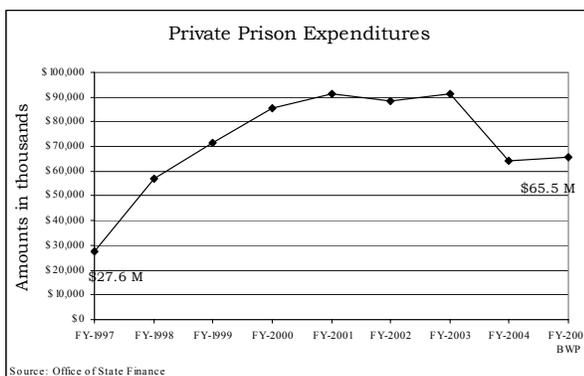


The average time served is another important component that influences the overall correctional system volume. Because the mandatory amount of time-served to be eligible for parole increased in the late 1990s, DOC inmates are serving more time in DOC custody. According to DOC data, inmates released in 2004 served, on average, 40% of their sentence for nonviolent offenses and 46% of their sentence for violent offenses. The following chart provides a history of the average percent time served for prison sentences:



## The Prison System

DOC operates eight secure public facilities for maximum and medium-security inmates. State-operated minimum-security facilities and community centers provide additional capacity for a total state-operated capacity of 17,440 beds. In 1996, policy makers decided to use private prisons, rather than build new facilities to accommodate the increased bed demand. Today, DOC is using 4,613 private prison beds.



The state also contracts with county jails and halfway houses for additional beds. The following tables provide a breakdown of the total system capacity and the varying per diem rates.

Total System Capacity	
State Medium & Maximum	7,746
St Minimum & Community Centers	<u>9,694</u>
State-Operated Capacity	17,440
Private Prisons	4,632
County Jails	479
Halfway Houses	<u>1,309</u>
Contract Bed Capacity	6,420
<b>Total Bed Capacity</b>	<b>23,860</b>

Source: Department of Corrections

	FY-2005 Budgeted Operating Cost per Inmate	
	Per Diem Rate	Adj. Per Diem *
<b>State Facilities:</b>		
Minimum Security	\$42.11	
Medium Security	45.44	
Maximum Security	53.18	
Community Corrections	40.43	
Work Centers	31.11	
<b>Contracted Services:</b>		
Private Prisons:		
Davis	\$43.55	\$47.11
Great Plains	42.10	45.66
Lawton	40.42	43.98
Cimarron	44.17	47.73
Contract Jails	31.00	34.88
Halfway Houses	32.00	36.35
Jail Back-up	24.00	

\* Note: The Adjusted Per Diem Rate includes an allowance for indirect costs. This is comparable to the State Facilities Operating Cost per Inmate.

Source: Department of Corrections

## Officer Staffing Levels

Correctional officers (COs) are the backbone of any state prison system. Without adequate staffing, the ability to retain quality employees is diminished. Officer staffing levels today have reached a near critical level with a budgeted vacancy rate of 17.9% and an actual vacancy rate of 22.6%.

This staffing level results in existing COs working longer and harder and DOC paying sizeable overtime costs. The following table

provides the Correctional Officer to Inmate ratio in the state facilities on September 30, 2004.

**Key Performance Measure**

Security	Day Shift			Evening Shift			Night Shift		
	Staff	Inmates	Ratio	Staff	Inmates	Ratio	Staff	Inmates	Ratio
Maximum	128	4,710	1/37	114	4,712	1/41	104	4,717	2/91
Medium	79	3,981	1/50	74	3,992	1/54	60	3,993	1/67
Minimum	129	5,689	1/44	99	5,695	1/58	83	6,203	1/75
Comm. Corr. Ctrs.	15	689	1/46	16	698	1/44	13	760	1/58
Comm. Work Ctrs.	26	449	1/17	24	1,062	1/44	15	1,083	1/72
TOTALS/RATIOS	377	15,518	1/41	327	16,159	1/50	275	16,756	1/61

Source: Department of Corrections

**Reintegration Services**

In recent years, DOC has increased their focus on transitional services for inmates returning to the community. A lack of services can often result in a revolving door effect where inmates released one-day recidivate and quickly return to the correctional system.

Last session the Legislature passed SB 816 authorizing the use of electronic monitoring Global Positioning (GPS) devices for nonviolent inmates in DOC custody. DOC currently has over 100 inmates monitored by GPS devices.

DOC is also currently training Reintegration Specialists to place at institutions around the state to facilitate an inmate's transition to the community. The Department has formed an Executive Reentry Committee to bring together State agencies, nonprofit organizations, city and federal officials and others to focus on inmate reintegration. This Committee has already been successful working together to make transitional services for inmates more effective.

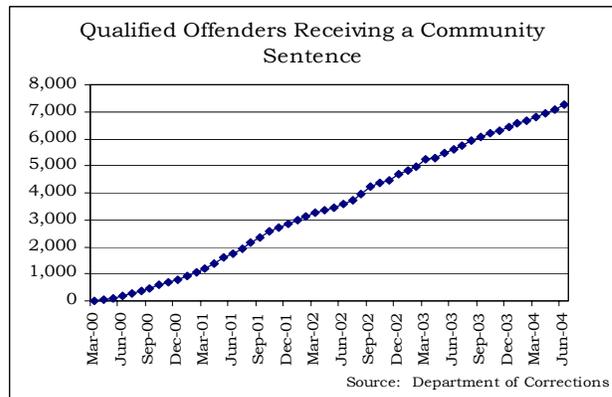
**Community Sentencing**

The Community Sentencing Act provides incarceration alternatives for certain nonviolent criminal acts. The Act established a community sentencing system that improves public safety and punishes felony offenders under a court-ordered community sentence. This marks an important shift in public policy by providing cost-effective alternatives to prison incarceration while still protecting

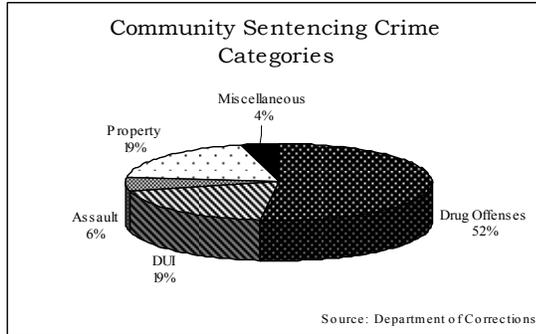
the public. Currently, there are 37 community sentencing systems representing 65 counties receiving funding. DOC's FY-2005 budget for the program is \$11.43 million.

The local community sentencing system provides a continuum of sanctions that gives the court a variety of measures to change offender behavior. The array of options allows the court to match offenders with the most appropriate sanctions and establishes degrees of increased control for individuals who fail to conform to the rules and conditions of their sentence. While in the community, the offender is employed, receives treatment and pays restitution and court fees. Among others, sanctions may include community service, special needs programs, supervision or education programs. Each local sentencing system supervises its offenders with state probation and parole officers or with another qualified source of the council's choosing.

In FY-2004, there were 3,781 active participants in the program. The sentencing of 1,620 additional offenders brought the total number of offenders ordered to the program over 7,200. The following chart reflects the steady growth in the number of qualified offenders receiving a community sentence.



Offenders receive a community sentence for a wide range of offenses. The next chart shows by percent the crime categories for the offenders sentenced during FY-2004:



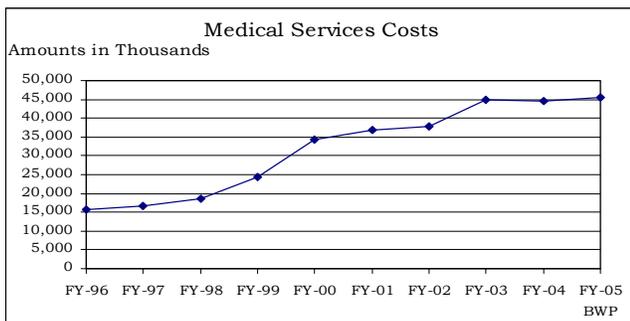
As shown, offenses related to drugs and alcohol comprised 71% of community sentences.

### Inmate Health Care

The state has both a moral and legal obligation to provide adequate health care for those confined under state custody. However, providing health care in a prison setting is more costly and complicated than in other settings. The nature of the prison population makes injuries and wounds more common, and inmates generally do not lead healthy lifestyles. Consequently, instances of hepatitis and other communicable diseases are much more prevalent.

The cost of health care nationwide is continuing to escalate faster than the inflation rate. This cost growth is compounded by the special, and usually costly, precautions that must be taken to protect other citizens when an inmate needs treatment outside the prison facility.

DOC's health care is provided by two main entities, OU Medical Center and Lindsay Hospital.



Source: Office of State Finance  
 \*Note: Medical Services Costs do not include University Hospital or Griffin.

### Cost Savings Initiatives

DOC has been actively seeking to control the spiraling cost of health care for inmates. The agency has taken several important steps and is considering additional steps that will mitigate some of the growing pressure on budgetary resources. Some of these actions include:

- increasing the use of telemedicine and online consultations for specialty visits conducted with the University Physicians Medical Group;
- using a vendor to directly distribute pharmaceuticals to the correctional facilities;
- establishing a physician referral review process prior to inmates being sent out for specialized and/or inpatient medical care;
- developing a consistent pharmaceutical formulary to reduce the cost of drugs;
- developing consistent standards of care to ensure adequate care is rendered in a fiscally responsible manner;
- physically aggregating prisoners with similar medical conditions - DOC now considers the medical needs of inmates when assigning them to facilities;
- compiling a list of aged and medically needy inmates who no longer pose a threat to public safety for possible parole; and
- contracting for medical and hospital services with Lindsay Municipal Hospital.

### FY-2005 Supplemental

As previously described, the costs of Oklahoma's correctional system have significantly increased over the last several years.

The Governor's budget includes a \$17.9 million supplemental appropriation to address the agency's most critical and immediate needs. This amount is also built into the base for FY-2006. The following

chart provides a summary of the supplemental appropriation:

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$384,287</b>
<b>Funding Adjustments:</b>	
Contract beds	10,280
Payroll	3,934
Medical Services	<u>3,710</u>
Total Supplemental	17,924
<b>FY-2005 Adjusted Appropriation</b>	<b>\$402,211</b>
% Change from FY-2004	6.14%
% Change from Original FY-2005	4.66%
<small>Source: Office of State Finance</small>	

The supplemental recommendation provides funding to secure the necessary prison beds to protect public safety. With DOC's facilities near capacity, DOC must lease additional private beds to meet the remaining need. The supplemental also provides funding to cover the Department's payroll deficit and the medical services deficit.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$384,287</b>
<b>FY-2005 Bud. FTE Level</b>	<b>4,627.7</b>
<b>Actual Ave. YTD FTE</b>	<b>4,693.8</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	7,576
Annualize FY-2005 Supplemental	17,924
Union City	3,000
County Jail Per deim Increase	823
Drug Court Expansion	<u>(7,449)</u>
Total Adjustments	21,874
<b>FY-2006 Recommendation</b>	<b>\$406,161</b>
% Change from FY-2005	5.69%
<small>Source: Office of State Finance</small>	

The FY-2006 recommended appropriation for the Department of Corrections is the same as provided for FY-2005, with the following adjustments.

#### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$7,575,572 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Corrections' 4,689.6 average 2004 FTE.

#### Annualization Needs

The Governor's budget provides \$17.9 million for annualization of the FY-2005 supplemental. This includes funding for contract beds, payroll and medical services.

#### Union City

The Governor's budget provides \$3 million in operating costs for the Union City Correctional Center. DOC is currently negotiating a lease for the prison that would allow the Department the option to purchase the facility at a later date. The prison will be used as a Community Corrections Center and will house 216 inmates. The majority of these inmates will provide labor services to surrounding city, county or state agencies under the Prisoner Public Works Program. Thirty-six staff will be employed providing an economic boon to the immediate area.

#### County Jail Per Diem Increase

The Governor's budget provides \$823,072 for a \$2 per diem increase for county jail back-up beds. Associated with the increase, this budget recommends increasing the amount of time DOC has to receive an inmate after the sheriff has notified DOC that the county jail is at capacity.

#### Drug Court Expansion

The Governor's budget recommends expanding drug courts by 3,229 treatment slots over a two-year period. Because drug court specifically targets prison-bound offenders, expanding the program will save DOC contract bed costs immediately. The

Governor's budget estimates that the expansion will save DOC more than \$7.4 million in contract bed costs in FY-2006, with the projected annualized savings of \$16.3 million when fully implemented.

### **Reduced Bed Needs**

This budget assumes no inmate population growth for FY-2006. The following initiatives should be reviewed to enable inmate population growth to remain flat and reduce the funding required for private prisons in the future. In some cases, policy changes or legislative action will be required.

- Enhance community sentence options for certain offenders.
- Reduce recidivism through reintegration services.
- Transition outgoing inmates to the community with proper supervision and appropriate use of the lowest level beds.
- Expand the use of drug and mental health courts.

The initiatives included in this budget will keep violent and habitual offenders in prison and provide flexibility to the criminal justice system in the treatment of the nonviolent offenders. These changes will also maintain fiscal responsibility. By accomplishing this, the State will be able to redirect its resources towards activities that enhance education, growth and prosperity. This will eventually lead to further reductions in criminal activity.

### **Opportunities for Cost Efficiencies**

DOC has several opportunities to reduce the cost of its operations without increasing the risk to the public. This budget requires all agencies, including DOC, to improve operations and identify efficiencies.

### **OCI Subsidy**

The Oklahoma Correctional Industries (OCI) provides training and work experience for inmates. The manufacturing division of OCI produces a variety of products including furniture, modular panel

systems, furniture renovation, metal fabrication, license plates, signs, clothing and footwear, bedding, chemicals and janitorial cleaning supplies, corrugated boxes, binders, printing services and a variety of record conversion services. There are currently 25 manufacturing and service operations located within nine correctional facilities statewide. OCI also operates an agri-services division that provides DOC's meat, milk and eggs. FY-2005 OCI sales are budgeted at \$22.6 million. OCI was originally intended to be self-supporting, with all sales revenues returned to the program to finance its operations. The Governor's budget recommends that DOC continue efforts to make the program self-supporting and direct the current operating subsidy into other areas of the Department.

## District Attorneys' Council (DAC)

One of the District Attorneys' Council (DAC) main duties is to develop a formula to distribute state appropriated funds to local District Attorney Offices. Other services provided include:

- Administrative support for local District Attorneys;
- Educate state leaders on the District Attorneys' positions on criminal justice issues; and
- Provide assistance to the state's multi-jurisdictional drug task forces.

### District Attorneys

The 27 District Attorneys in the state are locally elected officials. They are responsible for prosecuting state criminal cases on behalf of the public. Their prosecution practices and the level of crime in the state have significant impacts on the Department of Correction's inmate population.

### Multi-jurisdictional Task forces

DAC oversees and provides assistance to the state's multi-jurisdictional task forces. The 24 various task forces are a primary weapon in the state's "war on drugs". Seizure and forfeiture proceeds supplement federal grants to fund these task forces.

Federal grants that fund these task forces are from the Department of Justice's (DOJ) Byrne Grant program. The program's general purpose is to improve the criminal justice process. DOJ allocates a certain amount of dollars to all states, and each state's chief executive officer designates a certain agency to oversee and distribute the grants.

### FY-2005 Supplemental

Several District Attorneys around the state have had to furlough, reduce salaries, and terminate employees due to recent state budget cuts. Furthermore,

many of the Districts' bogus check cash balances, which Districts have been spending to replace state budget cuts, are depleting quickly. Thus, the Governors Budget recommends a \$700,000 supplemental to help alleviate the funding problems for District Attorneys around the state.

<b>FY-2005 Supplemental</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Original Appropriation</b>	<b>\$26,926</b>
Supplemental	700
<b>FY-2005 Adjusted Appropriation</b>	<b>\$27,627</b>
% Change for FY-2004	6.37%
% Change for FY-2005	2.60%
Source: Office of State Finance	

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$26,926</b>
<b>FY-2005 Bud. FTE Level</b>	<b>1,149.5</b>
<b>Actual Ave. YTD FTE</b>	<b>1,113.7</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	845
Annualize Supplemental	1,000
Byrne Grant	1,000
Total Adjustments	2,845
<b>FY-2006 Recommendation</b>	<b>\$29,772</b>
% Change for FY-2005	10.55%
Source: Office of State Finance	

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$844,844 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the District Attorney Council's 875.5 average 2004 FTE. This number excludes 206 Child Support Enforcement FTE, which are funded through the

Department of Human Services. Also, the number excludes 27 District Attorneys because they are elected officials.

**Annualize Supplemental**

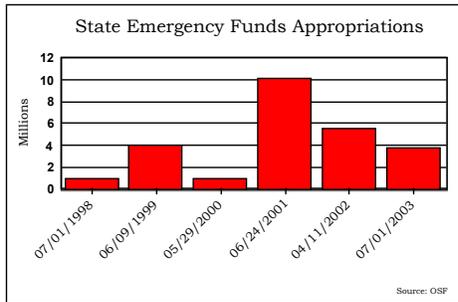
The Governor’s Budget recommends an appropriation to annualize DAC’s supplemental.

**Byrne Grant Funding**

The Federal Government is consolidating the Byrne Formula Grant and the Local Law Enforcement Block Grant into one single block grant program. DAC estimates that after the consolidation of these programs the state will lose significant federal funding for criminal justice purposes. The Governor’s Budget includes \$1 million to help replace lost federal funding.

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## State Emergency Fund



The State Emergency Fund provides relief after a disaster. The Governor can allocate and authorize expenditures from this fund in certain cases, and the Contingency Review Board can allocate funds for other specified needs.

In recent years, the state has experienced several disasters, which include:

- May 1999 tornados
- October 2000 floods
- December 2000 ice storms
- May 2001 storms
- October 2001 Cordell tornados
- January 2002 Ice Storms
- December 2002 Ice Storms
- May 2003 Tornados
- January 2004 Ice Storms

Of these disasters, ice storms have resulted in the most expensive damages in state history. To address these damages the Legislature appropriated \$10.1 million to the State Emergency Fund in FY-2002, \$5.5 million for FY-2003 and \$3.7 million for FY-2004. However, these appropriations will not fund all reconstruction and relief needs from these disasters.

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## FY-2006 Recommendation

The Governor's Budget recommends appropriating \$4 million dollar supplemental to the State Emergency Fund. These dollars will help reimburse local governments and businesses for costs related to prior federal and state declared disasters.

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# Oklahoma Department of Emergency Management (ODEM)

## Notable Achievements

- *The Federal Homeland Security Secretary appointed ODEM's Director to the United States Homeland Security Oversight Team. The Director's experience and good leadership in disaster management led to the appointment.*
- *During 2004 ODEM helped launch a program to train private citizens disaster management techniques. The citizens, who are volunteers, will improve the state's ability to preserve life in future disaster efforts.*

## Mission

The mission of the Oklahoma Department of Emergency Management (ODEM) is to minimize the effects of natural and man-made disasters. The agency accomplishes this by preparing and implementing preparedness plans, assisting local government subdivisions with training for and mitigation of disasters and coordinating actual disaster response/recovery operations.

The Department is divided into four main areas:

### Hazard Mitigation

The Mitigation Program is available to communities across Oklahoma to assist with identifying and implementing long-term hazard mitigation measures before, during and after major disaster declaration.

### Community Preparedness

This program provides a forum for local and state agencies to provide coordination with other state and federal agencies in developing their capability to respond to a catastrophic disaster.

## Emergency Response

In time of emergency, the departmental staff is responsible for coordinating state emergency operations including but not limited to active disaster reservists, voluntary organization staff and other state agency personnel. The staff also monitors events and evaluates the potential for a State-declared emergency and the need for federal emergency and disaster assistance.

## Disaster Recovery

Following a state or federal emergency or disaster declaration, departmental staff is responsible for implementing procedures to provide for the quick and efficient delivery of state and federal aid to persons affected by the emergency or disaster.

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## FY-2006 Recommendation

<b>FY-2005 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$681</b>
<b>FY-2005 Bud FTE Level</b>	<b>26.9</b>
<b>FY-2005 YTD FTE</b>	<b>25.9</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>22</u>
<b>FY-2006 Recommendation</b>	<b>\$703</b>
% Change for FY-2005	3.23%

Source: Office of State Finance

## State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$21,852 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department Emergency Management's 26.2 average 2004 FTE.

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## State Fire Marshal (SFM)

### Mission

The State Fire Marshal (SFM) is responsible for actively pursuing programs to minimize outbreaks of fires for the preservation of life and property. Programs include:

- Investigating and documenting the cause or origins of fires;
- Enforcing Life Safety Codes and fire/crime prevention; and
- Developing fire safety campaigns.

The State Fire Marshal positions investigators around the state for fast response to all investigative needs. This increases the probability of detecting any possible attempt of arson. The SFM has the legal authority to arrest suspects if probable cause exists in an arson investigation.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$1,537</b>
<b>FY-2005 Bud. FTE Level</b>	<b>30.0</b>
<b>Actual Ave. YTD FTE</b>	<b>28.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>48</u>
<b>FY-2006 Recommendation</b>	<b>\$1,585</b>
% Change for FY-2005	3.12%
Source: Office of State Finance	

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$47,674 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the State Fire Marshal's 28.6 average 2004 FTE.

## Oklahoma Indigent Defense System (OIDS)

The Oklahoma Indigent Defense System (OIDS) provides representation for indigent Oklahomans charged with committing criminal acts. This agency preserves the rights of accused persons to have competent legal representation.

OIDS provides services in three ways:

- OIDS enters into legal services contracts with local firms for non-capital trials. OIDS contracts on a county-by-county basis and firms receive payment in a lump sum each year to cover all cases in that particular year;
- OIDS staff attorneys handle capital trial cases and all cases that have reached the appellate level. They also represent indigents in non-capital trial cases in 16 counties where they are unable to contract with local firms at a reasonable rate; and
- OIDS appoints conflict counsel in cases when there is not a contract in the appropriate county and OIDS has a conflict of interest. According to state statute, OIDS must compensate attorneys in these cases at \$60 per hour while in court, and \$40 per hour for any out of court work.

Case and Cost Statistics

Source: OIDS	FY 2003	FY 2004	FY- 2005 Bud
# of Non-Capital cases (staff)	6,370	6,979	7,000
Average Cost per Non-Capital case (Staff)	\$300	\$278	\$314
Capital Trial clients (Staff)	90	85	85
Average Cost per Capital case (staff)	\$29,723	\$29,977	\$30,036
# of contract Non-Capital cases	32,441	30,624	31,000
# of conflict Non-Capital cases	682	704	700

## FY-2005 Supplemental

<b>FY-2005 Supplemental</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$14,429</b>
Supplemental	600
<b>FY-2005 Adjusted Appropriation</b>	<b>\$15,029</b>
% Change from FY-2004	5.51%
% Change from Original FY-2005	4.16%
Source: Office of State Finance	

### Supplemental

The caseload for the OIDS' General Appeals Division is significantly higher per attorney than what the American Bar Association recommends. The case overload is causing OIDS to routinely ask for extensions when appellate briefs are due. These extensions are causing regular delays in the criminal justice process. Further delays could lead to a state or federal court ruling that orders the release of previously convicted persons. Thus, the Governor's Budget recommends a supplemental of \$600,000 to allow OIDS to contract with private counsel to handle some of OIDS' future appeals.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$14,429</b>
<b>FY-2005 Bud. FTE Level</b>	<b>126.7</b>
<b>Actual Ave. YTD FTE</b>	<b>122.7</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	207
Appellate Backlog	<u>600</u>
Total Adjustments	807
<b>FY-2006 Recommendation</b>	<b>\$15,236</b>
% Change for FY-2005	5.59%
Source: Office of State Finance	

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005.

They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$206,678 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for OIDS' 123.9 December FTE.

**Annualize Supplemental**

The Governor's Budget recommends an appropriation to annualize OIDS' supplemental.

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# Oklahoma State Bureau of Investigation (OSBI)

## Notable Achievements

- The Crime Laboratory has decreased average case turnaround time from 41 days in FY-2003 to 29 in FY-2004.
- The Bureau's Crime Laboratory worked 15,191 master cases and conducted 323,470 examinations in FY-2004 in comparison to 13,792 master cases and 298,343 examinations in FY-2003.
- The OSBI's Computer Crime Unit opened 76 forensic computer cases in FY-2004, nearly 70% of them child pornography cases.

## Mission

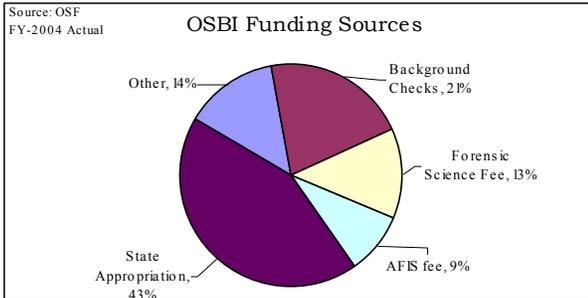
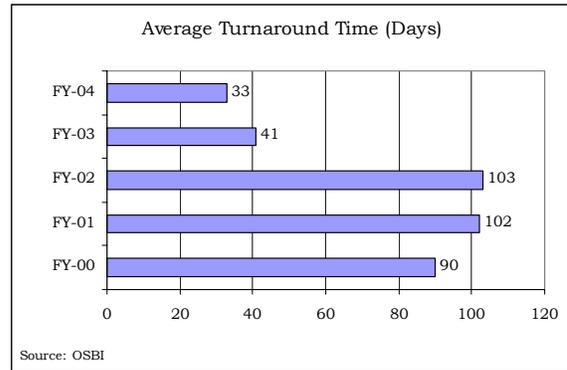
The mission of the Oklahoma State Bureau of Investigation (OSBI) is to provide exceptional investigative, laboratory and information services to the criminal justice community, while providing outstanding customer service to the public.

OSBI clients include other state law enforcement agencies, local law enforcement agencies and federal agencies.

able to provide timely and exceptional service to its clients. Since July 1, 2001, legislation added an additional five-dollar penalty on most criminal fines. OSBI will use the proceeds exclusively for forensic services. This additional revenue generates \$3 million annually.

The Forensic Science Improvement plan has already had a positive impact. From FY-2002 to FY-2004 average turnaround time, which represents the average amount of days it takes OSBI to return the forensic results to requesting law enforcement agencies, dropped significantly from 103 days to 31. Turnaround time reached an alarming rate in FY-2001, which resulted in the dismissal of criminal cases. The OSBI believes that the days of courts dismissing cases because of slow turnaround time are over.

## Key Performance Measure



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$9,682</b>
<b>FY-2005 Bud. FTE Level</b>	<b>294.8</b>
<b>Actual Ave. YTD FTE</b>	<b>292.2</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>487</u>
<b>FY-2006 Recommendation</b>	<b>\$10,169</b>
% Change for FY-2005	5.03%

Source: Office of State Finance

## Forensic Science Improvement Plan

The 2001 legislative session created a funding plan to ensure that OSBI will be

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$487,385 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the OSBI's 292.2 2004 average FTE.

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# Council on Law Enforcement Education and Training (CLEET)

## Notable Achievement

406 recruits from 220 different agencies graduated from the Oklahoma Basic Law Enforcement Academy in FY-2004.

## Mission

The mission of CLEET is to:

- Establish standards for peace officer certification;
- Provide quality education and training programs to peace officers statewide; and
- Establish licensing and training standards for private security officers.

The majority of CLEET'S budget is provided through the CLEET certified fund. This fund is comprised of \$4 criminal penalties that are added on to any criminal fine.

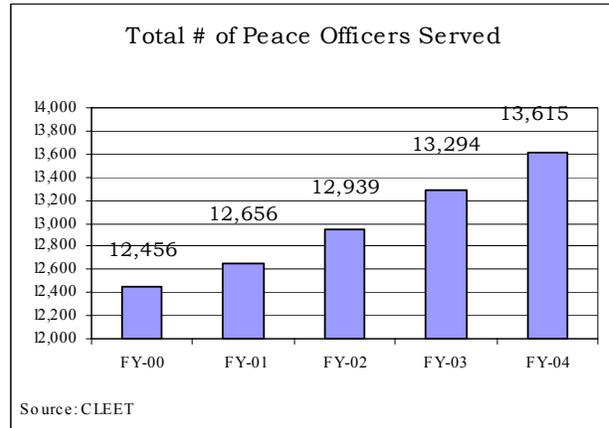
## Training

In the 2000 Session, Senate Bill 1121 authorized CLEET to enter into a lease purchase agreement with the Oklahoma Development Finance Authority or local public trust for a new state-of-the-art law enforcement training facility. To pay for the construction of the facility, CLEET issued \$26 million in bonds in May of 2002. Construction began in January 2004. The building will be complete by April 2006. CLEET pays \$1.8 million in debt service per year

To fund the debt service for the facility, the Legislature increased the CLEET fee from four to seven dollars. This will allow CLEET to retire the bonds over a 25-year period.

In FY-2001, the city of Ada was the selected site for the facility. Ada's contributions for the Academy will make for a good partnership with the state.

Their commitments total \$2,581,790 and include providing land, waiving permit fees, extending water and sewer lines at no cost, and providing an additional supplemental site located on the campus of East Central University.



## Continuing Education

CLEET is offering or accrediting approximately 95 continuing education courses for peace officers in calendar year 2005. To ensure courses address the most current and pressing public safety issues, CLEET evaluates the quality and relevance of current programs and develops new ones on an annual basis. Recently developed classes deal with new issues and realities confronting Oklahoma's law enforcement community.

Currently offered classes include:

- **Emergency Response to Terrorism** This course is designed to prepare officers for a weapon of mass destruction attack. The officers will be trained to identify likely terrorist targets in their communities, and to identify potentially explosive devices.
- **Amber Alert** The program addresses networking at the local, state, and regional level and will improve the ability of law enforcement and media to work together to ensure a swift and effective response to child abductions.
- **Computer Crime Investigation – Fundamentals** Computer crimes are

becoming more prevalent everyday. This class will teach officers about the kinds of computer crimes committed. Then the course will train officers on how to investigate and prepare search warrants for these types of crimes.

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### **FY-2006 Recommendation**

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,686</b>
<b>FY-2005 Bud. FTE Level</b>	<b>35.5</b>
<b>Actual Ave. YTD FTE</b>	<b>34.2</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	57
Increase in Certification	<u>703</u>
Total Adjustments	760
<b>FY-2006 Recommendation</b>	<b>\$3,446</b>
% Change for FY-2005	28.29%

Source: Office of State Finance

#### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$56,342 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the CLEET's 33.8 average 2004 FTE.

#### **FY-2006 Excess Certified Funds**

The State Equalization Board certified a \$703.305 increase in appropriation authority for the CLEET Fund.

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## Board of Medicolegal Investigations

### **Notable Achievements**

*Passed the National Association of Medical Examiners accreditation standards.*

### **Mission**

Another important public safety agency, the Board of Medicolegal Investigations, investigates deaths in Oklahoma that are sudden, violent or suspicious. The primary goal is to determine with medical and legal certainty the cause of death. In order to achieve this goal, the agency conducts scene investigations, autopsies and external examinations, histological examinations and toxicological analysis.

Medicolegal has two laboratories within the state: the Central Laboratory, located in Oklahoma City, and the Eastern Laboratory, located in Tulsa.

Source: Medicolegal	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Autopsies	1,580	1,530	1,615	1,498	1,520
Crime Scene Investigatio	1,396	1,431	1,291	1,821	1,798
Drug Screens	19,278	20,879	20,878	22,708	19,725

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$3,427</b>
<b>FY-2005 Bud. FTE Level</b>	<b>64.0</b>
<b>Actual Ave. YTD FTE</b>	<b>61.6</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	102
Operational Funds	<u>100</u>
Total Adjustments	202
<b>FY-2006 Recommendation</b>	<b>\$3,629</b>
% Change for FY-2005	5.89%

Source: Office of State Finance

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$101,544 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Medicolegal's 61.9 average 2004 FTE.

### **Operational Funds**

The Governor's Budget recommends \$100,000 in additional operating funds. The agency's pathologists have a higher caseload than the National Association of Medical Examiners recommended level.

## Oklahoma Bureau of Narcotics and Dangerous Drugs Control (OBNDD)

### **Notable Achievement**

*Due to the vision of OBNDD and the leadership of Governor Henry, Oklahoma was able to strike a major blow against the state's methamphetamine epidemic. Following the signing of HB 2176, the state has seen a 81% decrease in the number of Methamphetamine labs seized. HB 2176 allows OBNDD to better control products containing pseudoephedrine across the state. Pseudoephedrine is a key methamphetamine ingredient, and as OBNDD predicted, controlling this ingredient is substantially reducing meth production.*

### **Mission**

The Oklahoma Bureau of Narcotics and Dangerous Drugs Control's (OBNDD) primary objective is to minimize the availability of illegal drugs throughout Oklahoma. Current efforts to reduce availability include:

- Enforcing drug laws;
- Providing educational programs for demand reduction purposes; and
- Monitoring individuals licensed to prescribe drugs, and eradicating domestically grown marijuana.

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### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$4,967</b>
<b>FY-2005 Bud. FTE Level</b>	<b>99.9</b>
<b>Actual Ave. YTD FTE</b>	<b>96.8</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>171</u>
<b>FY-2006 Recommendation</b>	<b>\$5,138</b>
% Change for FY-2005	3.44%
<small>Source: Office of State Finance</small>	

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$171,648 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for OBNDD's 102.9 December 2004 FTE.

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## Pardon and Parole Board

The Pardon and Parole Board determines the best possible recommendations for the supervised release of adult felons, through a case-by-case investigative process. The Board strives to protect the public during this process and to maintain a low revocation and recidivism rate for the State of Oklahoma. With timely recommendations and appropriate community-level programs, the Board can contribute to the appropriate management and control of the State's inmate population.

### Explanations of the Key Terms

- **Parole** is the release of a prisoner whose sentence has not expired, on condition of future good behavior.
- **Pardon** is the exemption of a convicted person from the penalties of an offense or a crime.
- **Clemency** is the act of leniency or mercy on an individual for a crime committed.

The Board's staff determines parole eligibility for persons in the Department of Corrections' custody, prepares an extensive investigative report which includes a recommendation to the Board and notifies the victims and other related entities. The Board reviews this information and makes recommendations for clemency on the various parole programs, commutations and pardons, as prescribed by law. Upon recommendation by the Board, the Governor makes the final decision on the clemency, with the restrictions and stipulations recommended by the Board.

### The Board

The Pardon and Parole Board is a constitutional, five member, part-time body charged with making clemency recommendations to the Governor concerning convicted adult felons. Members of the Board are appointed: Three by the Governor, one by the Chief Justice of the State Supreme Court, and one by the presiding Judge of the Court of Criminal Appeals. The members hold office coterminous with the Governor and meet

several days each month at one of the State penal institutions.

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### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,150</b>
<b>FY-2005 Bud. FTE Level</b>	<b>39.3</b>
<b>Actual Ave. YTD FTE</b>	<b>36.7</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	<u>61</u>
<b>FY-2006 Recommendation</b>	<b>\$2,211</b>
% Change from FY-2005	2.82%

Source: Office of State Finance

The FY-2006 recommended appropriation for the Pardon and Parole Board is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$60,552 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Pardon and Parole Board's 36.3 average 2004 FTE.

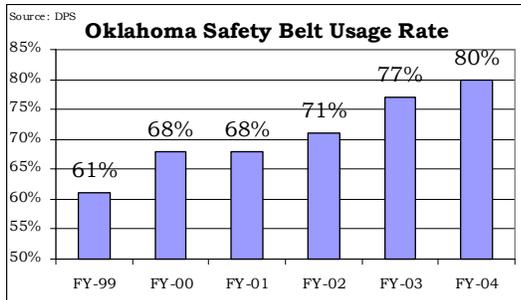
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# Department of Public Safety

## Notable Achievements

- The Department of Public Safety (DPS) implemented a Digital Driver License system for the State of Oklahoma. The License document and issuance process have been recognized as possibly the most secure system in place in the U. S.
- The Highway Patrol increased security at the Capitol and other state offices.
- DPS also Implemented Spanish Driver License testing statewide.
- Collision reports became available via the DPS website.
- Oklahoma's Child Passenger restraint usage reached an all-time high of 80.6 percent.
- The Safety Belt usage rate also reached an all time high of 80.6 percent.

### Key Performance Measure



## Mission

The Department of Public Safety provides the following services to ensure a safe and secure environment for the citizens of this state:

- Law Enforcement Services;
- Driver License Services;
- Motor Vehicle Operations; and
- Telecommunication Services.

The Department of Public Safety receives 1.2 % of the state's appropriated budget. Approximately 40 percent of DPS's budget

is funded by appropriations. Federal funds, largely due to Homeland Security grants, funds 33% of the agency's budget.

## Law Enforcement Services

- **The Oklahoma Highway Patrol (OHP)** patrols over 96,000 miles of road, investigates collisions and enforces size and weight laws. OHP also assists local and federal agencies following a federal disaster.
- **Lake Patrol** enforces laws on state lakes.
- **Executive Security** provides security and transportation for the Governor and Lt. Governor.

## Trooper Strength

The chart below compares the level of trooper strength in Oklahoma relative to surrounding states. Per trooper, our state has less registered vehicles, crashes, square miles and population than the regional average. This verifies Oklahoma has made a commitment to making travel safe for our citizens.

Source: OSF	Register	Highway	Crashes	Square	Population	Total
	Vehicles Per	Miles Per	Per	Miles Per	Per	Number of
	Trooper	Trooper	Trooper	Trooper	Trooper	Troopers
Arkansas	5,244	45	47	144	7,507	361
Kansas	5,390	24	21	185	6,145	442
Missouri	6,675	161	65	108	8,863	640
New Mexico	2,464	135	16	205	3,139	591
Texas	7,745	114	41	139	11,579	1881
Regional Avg.	5,504	96	38	156	7,447	N/A
Oklahoma	4,662	138	30	101	5,161	677

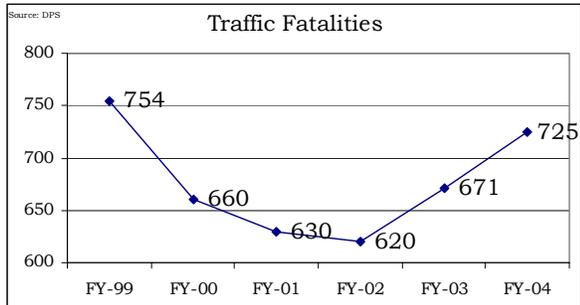
In calendar year 2006, the OHP is expecting a substantial amount of trooper retirements. From April of 2006 through the end of the year, DPS estimates there will be approximately 90 troopers that retire. Thus, the Governor's budget includes funds for a Trooper Academy in FY-2006 (See FY-2006 Recommendation Section).

## Traffic Fatalities

Enforcement of seat belt laws by OHP Troopers has significantly increased Oklahoma's safety belt usage rate. Over the last five years, the safety belt usage rate

has climbed from 61 percent to 80 Percent. As a result, the number of traffic fatalities was less in FY-2004 than in FY-1999.

**Key Performance Measure**



**Driver License Services**

DPS significantly enhanced the protection of our state by starting the Digital License Program. In August of 2003, DPS began issuing digital licenses in the Tulsa and Oklahoma City areas. Before the end of FY-2004, DPS was issuing digital licenses throughout the state.

The Digital License program presents these advantages:

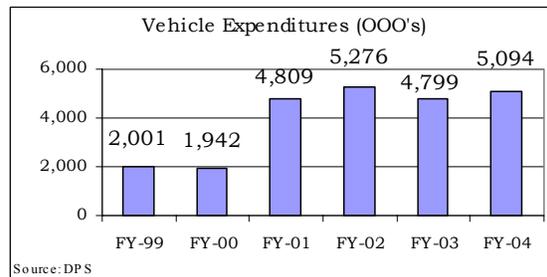
- A more effective tool in locating lost, missing or wanted persons; and
- A secure form of identification for Oklahoma Citizens; and an accurate and reliable way to capture and store a digitized signature and fingerprint.

**Vehicle Replacement**

DPS owns and maintains over 1,200 vehicles. In the 2000 legislature, state leaders created a new dedicated revenue source for vehicle replacement. HB1920 raised fines assessed on persons convicted of a variety of traffic offenses on a state highway, turnpike or county road. The law directed DPS to deposit all revenues in the new Vehicle Replacement Revolving Fund. DPS officials estimate that this new revenue source generates \$3 million a year of vehicle revenue. Prior to the new funding, the agency primarily used state appropriated dollars to replace vehicles with 100,000 to 125,000 miles. With the

new revenue, DPS is able to replace vehicles usually before the vehicles travel 100,000 miles.

However, due to budget cuts DPS has not been able to reach the agency’s original goal of replacing vehicles before they reach 75,000 miles. In 2002, the law changed to allow DPS to use the Patrol Vehicle Revolving Fund to “equip vehicles”. For FY-2004, DPS used \$83,000 to pay the salaries of positions who equip vehicles. Since FY-2003, DPS has redirected over \$2 million dollars annually of state appropriations that was previously allocated for vehicle purchases to address other operating needs.



**Office of Homeland Security**

HB 2289 created the Office of Homeland Security during the 2004 legislative session. Duties prescribed by law include coordinating with Federal agencies to implement a National Homeland Security Plan, as well as coordinating and preparing applications for federal funds.

In calendar year 2004, roughly a third of the approximately \$32 million of federal funds available for the year was allocated to a statewide communications system. For over two decades, the Department of Public Safety has been developing a statewide system. The commitment of these dollars by the Governor, local governments, and OHS is a major step toward making DPS’s vision of having a true statewide system become reality.

On December 3<sup>rd</sup>, 2004, the Governor and the Office of Homeland Security announced that Oklahoma will receive \$29.9 million in federal funding to fund homeland security programs. Since calendar year 2001, the

state has received over \$90 million in homeland security funds.

Each academy will have class sizes of 50 cadets, and the total cost for both academies will be \$4.75 million. The Governor's Budget recommends DPS use \$1.3 million in drug seizure forfeitures to supplement the \$3.45 million.

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### **FY-2006 Recommendation**

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$65,062</b>
<b>FY-2005 Bud. FTE Level</b>	<b>1,482</b>
<b>Actual Ave. YTD FTE</b>	<b>1,455.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Raise	1,727
Trooper Pay Raise	2,186
Trooper Academies	3,450
Total Adjustments	7,363
<b>FY-2006 Recommendation</b>	<b>\$72,425</b>
% Change for FY-2005	11.32%
Source: Office of State Finance	

#### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$1.7 million to annualize the \$1,400 January pay raise and provide for the \$700 July pay raises. These raises are for non-sworn personnel, OHP administration, and Troopers at step 7 of the OHP pay scale.

#### **Trooper Pay Raises**

SB 1137 provided raises for Troopers that became effective January 1, 2005. The Governor's Budget includes \$2.186 million to annualize these raises and fund the cost of trooper step increases in FY-2006.

#### **Trooper Academies**

In calendar year 2006, the OHP anticipates a substantial amount of trooper retirements. From April of 2006 through the end of the year, DPS estimates there will be approximately 90 troopers that retire. Thus, the Governor's budget recommends \$3.45 million for two trooper academies for FY-2006 to replace the retiring troopers.

# **Science and Technology Development**

**Oklahoma Center for the Advancement  
of Science and Technology**



# Science and Technology

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY-2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
Center for Adv. /Sc. & Tech.	\$11,669,647	\$11,669,647	\$10,031,694	\$21,701,341	86.0%
<b>Total Science/ Technology</b>	<b>\$11,669,647</b>	<b>\$11,669,647</b>	<b>\$10,031,694</b>	<b>\$21,701,341</b>	<b>86.0%</b>

## **Oklahoma Center for the Advancement of Science and Technology (OCAST)**

### **Notable Achievements**

- OCAST awarded \$300,000 to Weather Decision Technologies, Inc., in Norman to conduct research to commercialize a lightning prediction and detection system. Now commercialized, this system has positioned WDT as a world leader in lightning detection and prediction. According to Forbes Magazine, it is the kind of weather information developed by WDT that describes Oklahoma as the "Silicon Valley of the weather information industry." WDT was listed by Inc. Magazine as one of the 500 fastest growing companies in the U.S.
- OCAST made a research investment to Novazyme nearly 15 years ago and, in 2001, businessman John Crowley hit a home run when he sold the Oklahoma-based company, created on the enzyme replacement research of Dr. William Canfield, to Genzyme Corp. The result was an immediate infusion of capital and research jobs for Oklahoma. Crowley again is attracting investment in Oklahoma with this year's groundbreaking for Cytovance Biologics, a \$16.8 million biopharmaceutical plant at the Presbyterian Health Foundation.
- Nomadics Inc., located in Stillwater, has been awarded the Wall Street Journal's Global Technology Innovation Award for the development of the Fido™ portable explosive detector – for its dramatically improved portability and sensor technology. OCAST has provided \$300,000 for research and development for this technology.
- The OCAST-funded faculty-student intern partnership program has placed more than 240 college students in internships. Success stories include Ryan Kostuck of Oklahoma City Community College who found the job of his dreams at Analytical Research Laboratories; students from Eastern State at Wilburton have worked at the U.S. Army Ammunition Center in McAlester; Southeastern State students work at the U.S. Department of Agriculture Research facility at Lane; and Cameron students work at SouthWest Nanotechnologies in Norman.
- Since 1986, Oklahoma health researchers have received \$17 million in funding from OCAST and have taken their research data and used it to win \$196 million in federal health research funding for Oklahoma. The University of Oklahoma Health Sciences Center and the Oklahoma Medical Research Foundation recently set records in the amount of federal funds they have attracted from the National Institutes of Health.
- Last year, 54 Oklahomans died waiting for organ transplants. Nationwide, 84,000 people await lifesaving organ transplants and each day 17 of them die. Organ procurement can cost up to \$6,000 in travel, more than \$200,000 in medical fees and take up to 24 hours. Lifeguard America, a Tulsa firm assisted with funds from OCAST, can shave both cost and time off these numbers through their on-line data service, giving those in need of transplants a better chance at life at more affordable costs.
- OCAST helped researcher Ken Nixon successfully apply for a federal SBIR award of \$100,000, which enabled him to establish Caregiver Technologies, a company that provides care for a loved one from a distance through the computer-aided ability to have both visual and audio contact. His first test case was his mother, an Alzheimer's victim, who was able to live in her own home in Arkansas while being monitored daily by Nixon from his home in Oklahoma. Mr. Nixon is also developing his company's marketing plan with assistance from OCAST programs.

- *From buggy whips to seals for rocket ships, Kiowa County's Chicago Rawhide is an excellent example of how Oklahoma manufacturing firms are learning to compete in an ever-changing market. By committing to the process of Lean Manufacturing taught by the Oklahoma Alliance for Manufacturing Excellence, the Hobart firm is one of the most efficient manufacturing companies of its kind on the planet. Founded more than 100 years ago, Chicago Rawhide was a manufacturer of leather buggy whips. In the 1920s, the firm began manufacturing seals. Today, their products include fluid sealing devices for automotive, trucks, farm equipment, aircraft, heavy machinery, the machine tool industry and NASA missiles. Chicago Rawhide is the largest employer in Kiowa County.*
- *OCAST's radio program, Oklahoma Innovations, achieved virtual state-wide coverage in 2004. The show is heard on the OCAST Radio Network, consisting of KTOK in Oklahoma City; KRMG in Tulsa; KLCU in Ardmore; KCCU in Altus, Lawton/Ft. Sill and Duncan; KYCU in Clinton; and KMCU in Wichita Falls, Texas. This is Oklahoma's only weekly science news program, informing the public of new innovations and technologies, and is the state's most comprehensive technology information link for both rural and urban Oklahoma.*

The Oklahoma Center for the Advancement of Science and Technology seeks to establish Oklahoma as the Research Capital of the Plains. To accomplish this goal, our state must expand and diversify Oklahoma's economy and provide quality jobs for Oklahomans by encouraging the development of knowledge-based businesses. OCAST's programs are designed to move technology from concept to commercialization. To achieve its vision, OCAST:

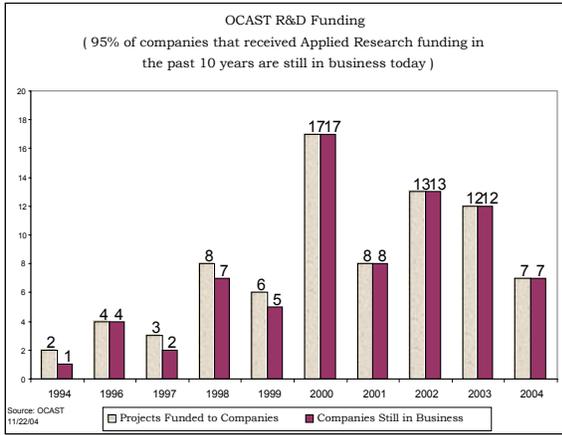
- Increases cooperation among the private sector, research foundations and universities through collaborations and networks that maximize productivity;
- Provides leadership, information, services and financial assistance to enhance the ability of Oklahoma advanced technology firms and Oklahoma scientific researchers to compete in the marketplace;
- Uses nationally recognized experts as peer reviewers to ensure performance that meets national standards of excellence and provides Oklahoma with national visibility; and
- Leverages federal and private resources to optimize the effectiveness of limited state resources.

OCAST is Oklahoma's only technology-based economic development agency – the only agency focusing solely on technology – its development, transfer, commercialization and impact on Oklahoma's economy.

### **Research and Development Programs**

OCAST strives to select businesses with solid futures for research and development funds. Many startup businesses fail in the first few years. The following graph shows the historical survivability of companies with awards from OCAST.

**Key Performance Measure**



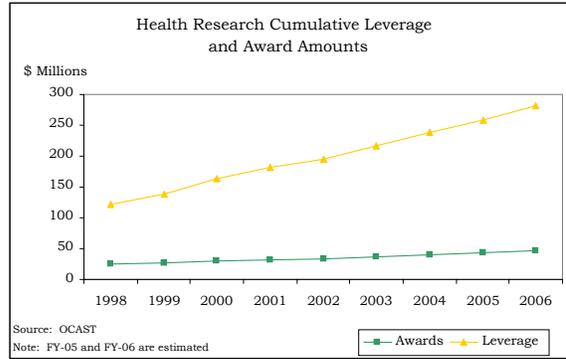
**Health Research**

The Oklahoma Health Research Program awards seed funds for research projects related to human health. The program funds projects for up to three years at a maximum level of \$45,000 per year. Eligible applicants are Oklahoma universities and colleges, nonprofit research organizations and commercial enterprises.

Health Research awards enable researchers to gain expertise and produce data needed to obtain larger grants from federal agencies and other funding organizations. Awards permit research centers to recruit and retain health scientists, researchers and technicians. They contribute to improved health care while permitting expansion in biotechnology, biomedical and commercial enterprises in Oklahoma.

As seen in the chart below, for every state dollar awarded in Health Research grants, almost five dollars is leveraged in private and federal funds. More than 85% of technology clients in the Presbyterian Health Foundation Research Park are OCAST clients. Nearly seven of ten researchers at the Oklahoma Medical Research Foundation have received OCAST awards.

**Key Performance Measure**



One test of successful research is the number of patents issued. The following chart shows an improving rate of success for Oklahoma patent applications.

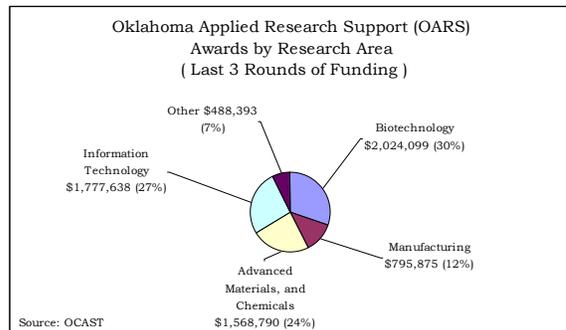
**Key Performance Measure**

Health Research Patents					
	FY-2002	FY-2003	FY-2004	FY-2005	FY-2006
Applications	10	26	11	15	15
Awards	2	10	10	12	12

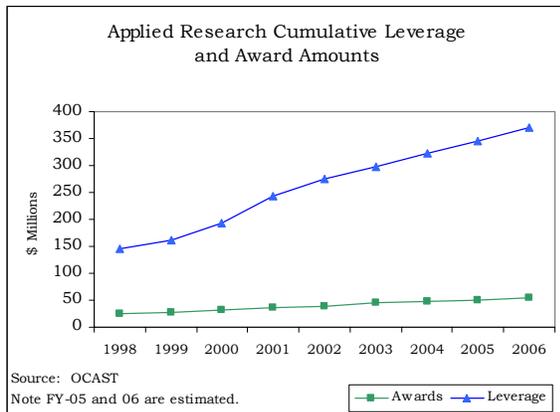
Source: OCAST  
Note: FY-2005 and FY-2006 are estimated

**Applied Research**

The Oklahoma Applied Research Support (OARS) program competitively awards funds for one- to three-year projects based upon technical merit, potential for market success and commitment of resources. The program requires a minimum of one dollar matching support for each state dollar awarded. Eligible applicants are Oklahoma businesses and universities, colleges or nonprofit research organizations with industrial partners. The chart below expresses the types of areas supported.



This program produces commercially viable Research and Development. Federal and private funding attributed to OARS projects and the ratio of OARS support to private and federal support demonstrate the program's effectiveness at securing capital. For every state dollar awarded to Applied Research another \$21 is leveraged in private and federal funds and business financial impacts, as noted below.



### OARS Research and Development Faculty and Student Intern Partnerships

The Intern Partnership program provides support for qualified research and development partnership projects that involve industry and institutions of higher education. The program increases the pool of scientists, engineers and business entrepreneurs available to Oklahoma industry, encourages students to be scientists and engineers and enhances faculty members' teaching experience.

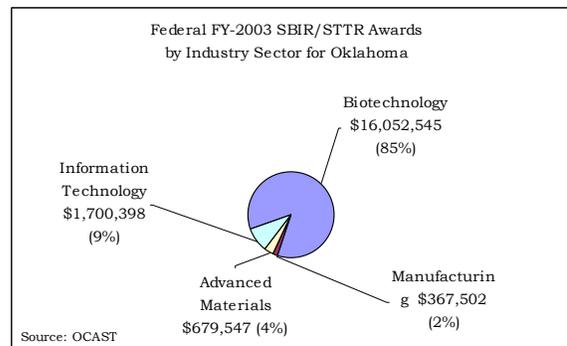
### Technology Development Programs

Through the following programs OCAST develops, implements, evaluates and modifies programs and services designed to encourage and enable small Oklahoma firms to develop, apply and commercialize technology.

### Small Business Research Assistance (SBRA)

The federal SBIR program provides seed support, for product feasibility studies and prototype development that is

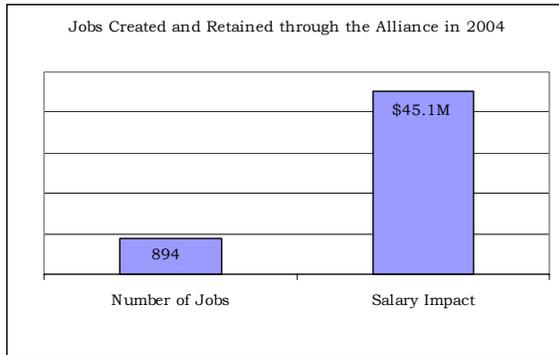
lacking in the private investment community. The federal STTR program accomplishes this purpose while forging research collaborations between small firms and universities or other nonprofit research institutions. OCAST's SBRA program provides assistance to improve the quality of proposals, defrays a portion of a qualifying firm's federal SBIR or STTR proposal preparation costs, and bridges funding between federal SBIR grants. Every state taxpayer dollar expended in FY-2004 attracted \$29 of private and federal funding. The chart below depicts federal awards by industry sector.



### Oklahoma Alliance for Manufacturing Excellence (The Alliance)

OCAST provides oversight and state matching funds to this affiliate of the national NIST Manufacturing Extension Partnership program. The Alliance helps small and medium-sized manufacturers modernize in order to compete successfully. Under a partnership with Oklahoma State University, The Alliance also provides engineering services to small and rural manufacturers through its Application Engineers program. The graph below illustrates The Alliance's impact on job creation and retention.

**Key Performance Measure**

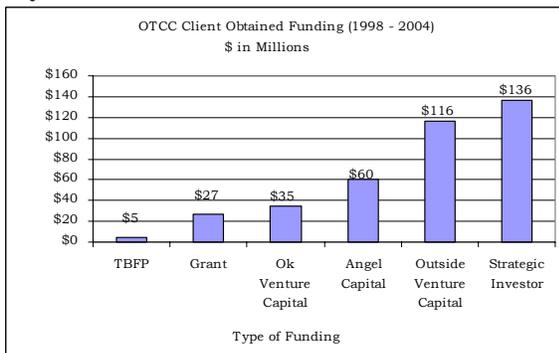


**Oklahoma Technology Commercialization Center (Tech Center)**

OCAST contracts with i2E, a private, nonprofit organization to operate the Tech Center, which assists entrepreneurs, early-stage technology companies, and companies seeking to commercialize new technologies. The Tech Center assesses needs, guides clients through the commercialization process, and links them to a comprehensive network of technology sources (including Oklahoma universities) and commercialization assistance services. The Tech Center also provides specialized business development services, access to early-state risk financing, access to specialized incubator space, and help in transferring technology.

The chart below depicts funding obtained by OTCC clients from various sources over the last 6 years.

**Key Performance Measure**



**OCAST Technology Business Finance Program (TBFP)**

Managed by i2E, Inc. this OCAST program provides limited pre-seed financing for start-up advanced technology firms. The program requires a match and includes payback provisions.

**Inventors Assistance Service (IAS)**

OCAST contracts with Oklahoma State University to operate the IAS. Through workshops, web site and on-site consultations, the IAS provides Oklahoma inventors with information and training on developing their invention and on issues related to patenting/licensing, marketing and manufacturing. The IAS assists the independent inventor in navigating the process from idea to marketplace.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$11,669</b>
<b>FY-2005 Bud. FTE Level</b>	<b>24.0</b>
<b>Actual Ave. YTD FTE</b>	<b>18.4</b>
<b>Funding Adjustments:</b>	
Health and Applied Research and Technology Commercialization	5,000
Centers for Excellence	5,000
State Employee Pay Increase	31
Total Adjustments	10,031
<b>FY-2006 Recommendation</b>	<b>\$21,700</b>
% Change from FY-2005	85.96%
<small>Source: Office of State Finance</small>	

They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$31,694 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the OCAST's 19.0 December 2004 FTE.

### Health and Applied Research and Technology Commercialization

The Governor's budget includes \$5 million for Research initiatives and technology commercialization. This money will be used as awards to project proposals with outstanding potential, which typically attracts a match of federal or private sector funds. The average return of state investment throughout OCAST's history is \$12 for every \$1 spent. The \$2 million will be allocated as follows: \$2,437,500 for Health Research, \$1,525,000 for Applied Research, and \$1,037,500 for technology commercialization.

### Centers for Excellence

The Governor's budget proposes allocating \$5 million to the Centers for Excellence. This money will be restricted for the recruitment and employment of faculty, research scientists, graduate students and post doctoral students at Oklahoma's two comprehensive higher education institutions.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005.

# **Secretary of State**

**Election Board  
Ethics Commission  
Council on Judicial Complaints  
Secretary of State**



# Secretary of State

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY-2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
Election Board	\$7,072,129	\$6,277,129	\$167,644	\$6,444,773	-8.9%
Ethics Commission, Okla.	480,747	480,747	12,177	492,924	2.5%
Judicial Complaints, Council on	271,152	271,152	3,503	274,655	1.3%
Secretary of State	456,927	456,927	13,076	470,003	2.9%
<b>Total Secretary of State</b>	<b>\$8,280,955</b>	<b>\$7,485,955</b>	<b>\$196,400</b>	<b>\$7,682,355</b>	<b>-7.2%</b>

## Election Board

### Notable Achievements

*Continued compliance with new HAVA standards.*

The State Election Board coordinates all statewide elections for over 2,000 precincts in the State's 77 counties. Unlike Florida and many other states whose election system problems became evident in the 2000 national elections, Oklahoma's unified system serves as a model. In place for more than a decade, the uniform system provides:

- One voting system;
- One kind of ballot;
- One way of voting;
- One way of counting ballots; and
- One way of recounting ballots.

The election system used in Oklahoma provides fair treatment as well as quick, reliable results for voters, candidates, media, taxpayers and the public.

### Help America Vote Act of 2002 (HAVA)

This federal act was passed in light of the events of the Presidential Election of 2000. The legislation calls for a wide variety of improvements and also establishes a set of national standards that states must meet. For FY-2004, the Election Board was appropriated an additional \$2 million, which is set aside as federal matching money for HAVA. The largest expenditures necessary in Oklahoma will be in the areas of polling place technology and disabled voter accessibility.

### Election Costs

Every four years the State of Oklahoma has seven statewide elections: two primaries, two run-off primaries, two general elections, and one presidential preferential primary. The cost for each statewide election fluctuates based upon the number of ballots printed and the transit cost of ballots to counties. An estimate for the cost

of a general election is \$800,000, and special elections are around \$750,000.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$7,072</b>
Presidential Primary	(795)
<b>FY-2005 Base</b>	<b>\$6,277</b>
<b>FY-2005 Bud. FTE Level</b>	<b>25.0</b>
<b>Actual Ave. YTD FTE</b>	<b>22.3</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	168
<b>FY-2006 Recommendation</b>	<b>\$6,445</b>
\$ Change from FY-2005	(\$627)
% Change from FY-2005	-8.87%

Source: Office of State Finance

The FY-2006 appropriation for the Election Board is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$167,645 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the State Election Board's 100.5 December FTE. This number includes 77.0 County Election Board Secretary FTE, who are paid through the State Election Board.

## Ethics Commission

### Notable Achievements

*There are currently 120 political committees filing electronically using the OkCIDS (Oklahoma Campaign Information Disclosure System), which is available via the Internet.*

The Ethics Commission was created by a vote of the people of the state per an initiative effort adding Article XXIX to the Oklahoma Constitution. The statewide vote on the amendment (State Question No. 627, Initiative Petition No.341) was held September 18, 1990. Commissioners were sworn in and began meeting in July, 1991. The Ethics Commission:

- administers ethics rules and state law regarding compliance and disclosure of campaign financing of state and county candidates;
- registers and regulates the compliance and disclosure of political and financial information of lobbyists;
- promulgates rules on official conduct, political activity, and disclosure of personal financial interest by state officers and employees; and
- investigates and prosecutes violations of state ethics rules and law.

There are five commissioners. One each is appointed by the Governor, President Pro Tempore of the Senate, Speaker of the House, Chief Justice of the Supreme Court, and Attorney General. A full term for a commissioner is five years.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$481</b>
<b>FY-2005 Bud. FTE Level</b>	<b>7.0</b>
<b>Actual Ave. YTD FTE</b>	<b>7.0</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	<u>12</u>
<b>FY-2006 Recommendation</b>	<b>\$493</b>
% Change from FY-2005	2.49%
<small>Source: Office of State Finance</small>	

The FY-2006 appropriation for the Ethics Commission is the same as provided for FY-2005, with the following adjustment.

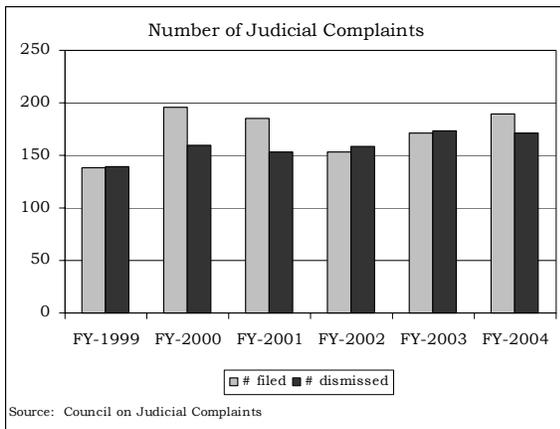
#### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$12,177 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Ethics Commission's 7.3 December FTE.

## Council on Judicial Complaints

Created in Title 20 of the Oklahoma Statutes, the Council on Judicial Complaints accepts and investigates allegations of judicial misconduct. The Council has jurisdiction over all persons subject to the Code of Judicial Conduct, including approximately 690 state, municipal and administrative judges. The Council determines whether complaints are dismissed, warrant a reprimand or admonition or go before the Court on the Judiciary.

The Council consists of three members, each serving a five-year term, two of whom must be members of the Oklahoma Bar Association. The appointing authorities are the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Bar Association. Duties and responsibilities of the Council include holding hearings, administering oaths and receiving testimony and other evidence. The Council may also issue and serve subpoenas. Proceedings before the Council are confidential.



## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$271</b>
<b>FY-2005 Bud. FTE Level</b>	<b>2.0</b>
<b>Actual Ave. YTD FTE</b>	<b>2.0</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	4
<b>FY-2006 Recommendation</b>	<b>\$275</b>
% Change from FY-2005	1.29%
Source: Office of State Finance	

The FY-2006 recommended appropriation for the Council on Judicial Complaints is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$3,503 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Council on Judicial Complaints 2.1 December FTE.

## Secretary of State

### Notable Achievements

- *SoonerAccess allows for 24-hour public access to the Secretary of State's services;*
- *Business Entity, Notary and Trademark filings can be done on-line.*

The Secretary of State (SOS), created in Article VI of the Oklahoma Constitution, has a number of constitutional and statutorily established duties. These include:

- Serving as the official repository of executive orders and official acts of the Governor;
- Filing and distributing copies of all laws enacted by the Legislature;
- Maintaining information about all meetings held under the Open Meeting Act;
- Maintaining a central registry for filing business documents on corporations and partnerships of all types;

### Funding Sources

The Secretary of State is funded in majority by revenue derived from several fees. Fees are collected for such things as Business Entity, Notary and Trademark filings.

### The Oklahoma Administrative Code and the Oklahoma Register

*The Oklahoma Administrative Code* is the official compilation of agency rules and executive orders for the State of Oklahoma.

*The Oklahoma Register* is a semi-monthly publication documenting administrative code changes between publications of the annual supplements.

### Address Confidentiality Program

The Address Confidentiality Program (ACP) provides services to residents who are victims of domestic violence, sexual assault and stalking. First, the program provides victims with a substitute address for use in

interacting with state and local agencies. Second, victims are provided with a cost-free mail forwarding service. The Secretary of State is the victim's agent for service of process and receipt of mail. There are currently 118 active participants in this program.

### Business Registration Services on the Internet

The Secretary of State is utilizing the Internet in an effort to cut costs and increase efficiency. In FY-2001, the agency contracted with NIC Conquest, Inc. to develop this business registration system, *SoonerAccess*. *SoonerAccess* allows customers to submit the majority of business entity documents, trademarks/renewals, and Notary Public applications/renewals on-line.

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### FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$457</b>
<b>FY-2005 Bud. FTE Level</b>	<b>48.5</b>
<b>Actual Ave. YTD FTE</b>	<b>34.7</b>
<b>Funding Adjustments:</b>	
Employee Pay Increase	13
<b>FY-2006 Recommendation</b>	<b>\$470</b>
% Change from FY-2005	2.84%

Source: Office of State Finance

The FY-2006 appropriation for the Secretary of State is the same as provided for FY-2005, with the following adjustment.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$13,076 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Secretary of State's 34.7 average YTD FTE.

# **Transportation**

**Oklahoma Aeronautics Commission  
Oklahoma Space Industry Development Authority  
Department of Transportation**



# Transportation

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY-2006 Appr.	% Diff. from FY- 2005
Space Industry Development	\$518,323	\$518,323	\$4,187	\$522,510	0.8%
Transportation, Department of	200,875,804	200,875,804	56,659,701	257,535,505	28.2%
<b>Total Transportation</b>	<b>\$201,394,127</b>	<b>\$201,394,127</b>	<b>\$56,663,888</b>	<b>\$258,058,015</b>	<b>28.1%</b>

## **Oklahoma Aeronautics Commission (OAC)**

The Oklahoma Aeronautics Commission OAC works closely with municipalities and the federal government to preserve and improve our state's 123 airports.

Oklahoma has the fourth largest number of airports per capita in the country. The airports are an asset for citizens, communities, and business interests. However, maintenance and airport improvement expenses accompany the benefits of having this airport infrastructure. To help pay these costs Aeronautics has the following dedicated revenues (\$ figures from FY-2004 actual).

- Aircraft excise taxes collected on sales of aircrafts - \$2.7 million;
- Fees for registering aircraft with the Tax Commission -\$379,000; and
- Aviation Fuel Tax - \$78,000

### **Regional Business Airports Innovative Financing**

In 2003, OAC adopted a new Oklahoma Airports System Plan. The plan's goal is to enhance economic development by increasing the number of regional airports that can accommodate business jets. Presently, the state has 49 regional airports, and 36 of them are business jet capable. Four of the thirteen that do not have such capable runways now have ongoing projects to make their runways jet capable.

### **FY-2005 Recommendation**

The Oklahoma Aeronautics Commission is a non-appropriated agency.

## Oklahoma Space Industry Development Authority (OSIDA)

### **Notable Achievements**

- *OSIDA has already created over 30 quality jobs across the state*
- *Developed four aerospace education programs for college and universities*

### **Mission**

OSIDA aspires to aid economic development in Oklahoma by stimulating the creation of space commerce, education and space related industries.

### **Clinton Sherman Airpark**

OSIDA will acquire the Clinton Sherman Airpark at no cost in the summer of 2005. This acquisition is ideal for development of space industry because of the airpark's advantages.

- Infrastructure in place
- Favorable weather conditions
- Community support
- Local business incentives
- Over 13,500 feet of runway and ramp space

During FY-2005, OSIDA will complete a flight safety study and an environmental impact survey for the Clinton Sherman Airpark. Completion of these studies will allow OSIDA to obtain a Spaceport license for the Airpark from the Federal Aviation Agency (FAA). Having a licensed Spaceport will make Oklahoma more competitive in attracting aerospace companies to the state, and will possibly allow the agency to become non-appropriated in the near future.

### **RocketPlane LTD.**

In January 2003, Rocketplane Limited Inc. announced they would begin development of a sub-orbital aircraft in Oklahoma. RocketPlane cited OSIDA, state leaders and the advantages of the Clinton-Sherman Airpark as the reasons for why they chose Oklahoma for this huge project.

Rocketplane LTD. has already hired 26 of the 64 employees they have planned to hire and they plan to invest over \$30 million in the state. As part of this planned investment, Rocketplane has contracted with five companies from around the state to help them develop needed technology.

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### **FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$518</b>
<b>FY-2004 Bud. FTE Level</b>	<b>5.0</b>
<b>Actual Ave. YTD FTE</b>	<b>2.0</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	4
<b>FY-2006 Recommendation</b>	<b>\$522</b>
% Change for FY-2005	0.77%
Source: Office of State Finance	

### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$4,187 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for OSIDA's 2.5 average 2004 FTE.

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## Department of Transportation (ODOT)

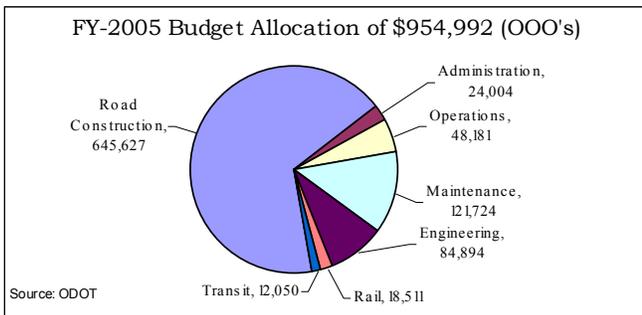
### Notable Achievements

- ODOT increased their Construction Work Plan to include 54 bridges.
- ODOT staff increased the public awareness program by making presentations to more than 120 civic organizations.

### Mission

The Oklahoma State Department of Transportation (ODOT) is charged with the planning, construction, operation and maintenance of Oklahoma's state and federal transportation infrastructure. This includes highways, interstates, public transit, railroads and waterways.

The Department of Transportation is appropriated 3.8% of the state budget.



The agency's primary revenue sources in FY-2004 were:

- Federal Funds: Largest source of revenue for ODOT – 58%;
- Certified Transportation Fund: The main source of revenue is state fuel taxes – 32%; and
- Oklahoma Transportation Authority (OTA) Transfers: OTA transfers state fuel taxes collected on turnpikes if toll revenue is sufficient to meet its debt service obligations – 4%.

### GARVEE Bonds

The Grant Anticipation Revenue Vehicles program, or "GARVEE," allows the state to address immediate highway needs by issuing bonds and using future federal highway funds to retire them. Governor Henry directed ODOT to pursue a first phase of GARVEE projects valued at \$500 million.

The Governor has identified 12 "economic development" corridors for the GARVEE program where roads will be improved to help enhance the state's business climate. More than \$500 million will be spent on the first phase of the following corridor projects over the next four years.

### GARVEE Projects

- Oklahoma City: US-77 (Broadway Extension) bridges and roadway with interchange at I-44, from one-fourth mile north of NW 63rd Street to NW 36th Street. COST: \$75 million.
- Oklahoma City: US-77 (Broadway Extension) I-44 to Memorial Road. COST: \$28 million
- Tulsa: I-44 from Arkansas River bridge to Yale Ave. COST: \$75 million
- Tulsa: US-169 from I-244 to 21st Street. COST: \$18 million
- Idabel: US-70 from Idabel to Hugo. COST: \$60.5 million
- Durant: US-70 from I-35 to Durant. COST: \$66 million
- Ada: Highway 99 from I-40 to Ada. COST: \$26 million
- Sequoyah County: US-59 from US-271 to I-40 near Sallisaw. COST: \$38 million
- SW Oklahoma: US-183 from US-70 to I-40. COST: \$33 million
- Woodward: SH-3 from SH-34 in Woodward to SH-33 in Watonga. COST: \$46 million
- Rogers County: SH-88 from US-412 in Inola to I-44 and SH-20/88 beginning

at Claremore and ending at south bypass. COST: \$46.5 million

## Road Program

In recent years, the state has invested a substantial amount in transportation. The Capital Improvement Program (CIP) was the largest investment in infrastructure in state history.

The Road Program enacted in 1997 planned on providing \$1 billion for infrastructure needs in two phases. The first phase provided \$710 million of highway system funding for five years beginning in FY-1998 from several sources. The second phase called for an additional \$300 million in investments as approved in 1999 by the Contingency Review Board (CRB.) However, the state budget situation that developed in FY-2002 has delayed \$150 million of the funding for phase II.

### Phase I Capital funding:

- \$165 million appropriations
- \$300 million bond funds
- \$245 million Rainy Day Fund appropriations over a 4 year period

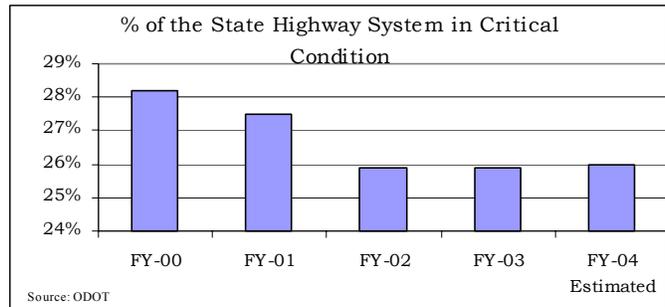
### Phase II Capital Funding:

- \$150 million bonds
- \$150 million appropriations (not yet funded)

## State Highway System

The pressure to build new roads in Oklahoma has diverted limited resources from maintenance. This has played a role in why our roads and bridges have received poor condition ratings from the Federal Highway Administration. According to ODOT, Oklahoma has 3,350 miles of highways rated in inadequate or critical condition. Also, 1,156 bridges are structurally deficient and functionally obsolete.

### Key Performance Measure



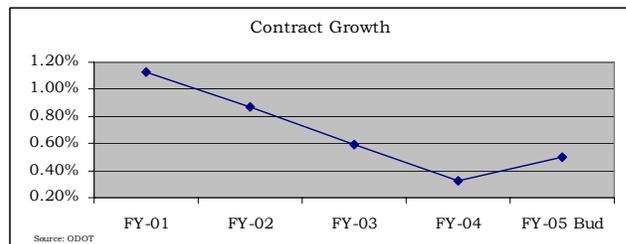
### Maintenance Funding Problems

Recent fiscal troubles across the state threatened to reduce expenditures on the maintenance of roads and bridges. However, the leadership of Governor Henry and good management of tax dollars by ODOT reduced the impact on the maintenance budget. In fact, the planned expenditures to maintain and replace bridges in future years are higher than in previous years.

Examples of good management practices by ODOT include reducing the number of FTE within the Administration Division by 30 and controlling contract growth. Contract growth is the difference between the contract award amount and the actual cost to complete the project. The chart shows the average contract growth as a percentage of the average contract award amount.

As the following chart discloses, ODOT is performing better than the industry benchmark of 3%.

### Key Performance Measure



## Federal Funds

ODOT has worked with congressional leaders to increase the state's share of federal transportation dollars. Currently,

the state is guaranteed to receive back 90.5% of the road dollars sent to Washington. Congress is writing a new Transportation Authorization bill, and ODOT expects that Oklahoma's guaranteed percentage received back will be raised to 94%. ODOT believes the increase in federal dollars may be as high as \$40-\$50 million dollars. These additional funds will go a long way in helping improve the condition of the state's highway infrastructure.

**FY-2006 Recommendation**

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2006 Appropriation</b>	<b>\$200,875</b>
<b>FY-2005 Bud. FTE Level</b>	<b>2499.0</b>
<b>Actual Ave. YTD FTE</b>	<b>2,395.8</b>
<b>Funding Adjustments:</b>	
State Employee Salary Increase	3,384
Debt Service	48,669
Excess Certified Funds	<u>4,607</u>
Total Adjustments	56,660
<b>FY-2006 Recommendation</b>	<b>\$257,536</b>
% Change for FY-2005	28.20%

Source: Office of State Finance

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$3.384 million to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Transportation Commission's 2400.4 average 2004 FTE.

**Debt Service**

The debt service for the Capital Improvement Program will increase substantially in FY-2006. The Governor's Budget recommends \$48.6 million to fund the increase. The following chart shows the debt service requirements for the Capital Improvement Program in future years.

<b>CIP Debt Service</b>	
<b>FY</b>	<b>Debt Service</b>
2003	\$58,985,828
2004	14,785,828
2005	14,665,560
2006	69,853,942
2007	69,844,212
2008	69,848,969
2009	30,435,547
2010	30,436,278
2011	30,434,277
2012	30,437,090
2013	11,528,986
2014	11,529,302
2015	11,530,203
	<b>\$454,316,022</b>

**FY-2006 Excess Certified Funds**

The State Equalization Board certified a \$4.6 million increase in appropriation authority for the Transportation Fund. The Governor's Budget recommends ODOT use the additional certified dollars for road and bridge maintenance.

# **Veterans Affairs**

**Oklahoma Department of Veterans Affairs**



# Veterans

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY-2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
Veterans Affairs, Department of	\$30,341,172	\$30,091,172	\$4,780,061	\$34,871,233	14.9%
<b>Total Veterans</b>	<b>\$30,341,172</b>	<b>\$30,091,172</b>	<b>\$4,780,061</b>	<b>\$34,871,233</b>	<b>14.9%</b>

# Oklahoma Department of Veterans Affairs

## Notable Achievements

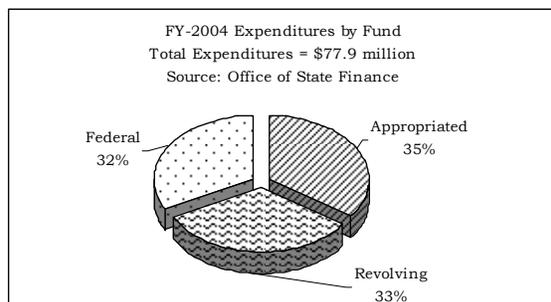
- An outpatient clinic located at the Ardmore Veterans Center is operated in conjunction with the United States Department of Veterans Affairs.
- Construction and renovation projects were completed at the Clinton, Talihina and Ardmore Centers. The new 200 bed facility at Lawton opened in November 2004.
- Implementation of a new computerized system to improve communication and documentation of patient care was begun in FY-2004. The new system is the Federal Vista CPRS and reduces the chance of medical errors in patient care.
- The Acting Deputy Undersecretary of Veterans Health Administration performed a site visit to Oklahoma and reviewed the implementation of the Vista CPRS system. As a result of his visit, he suggested that officials from the Florida Veterans system visit Oklahoma for implementation assistance.

## Mission

The Oklahoma Department of Veterans Affairs provides medical and rehabilitative services for veterans and their families. The Department operates seven long term care centers located in Norman, Clinton, Ardmore, Sulphur, Claremore, Talihina and Lawton. The Centers provide intermediate to skilled nursing care and domiciliary care for war time veterans. In FY-2004, the average daily population in the Oklahoma Centers was approximately 1,197. The Department estimates that at any given time during FY-2005, over 1,200 honorably discharged veterans are on a waiting list for admission to one of the veterans centers.

The Department's funding comes from three primary sources. These sources are patient revenue, state appropriations and a federal per diem payment per veteran in each

center. Each of the three funding sources makes up roughly one-third of the total. Nationally, federal funding for these centers makes up 31% of the total.



## Bed Costs and Occupancy

The following table shows the available beds for FY-2005. As of the end of FY-2004, 150 beds of the total 200 beds at the Lawton Center were occupied.

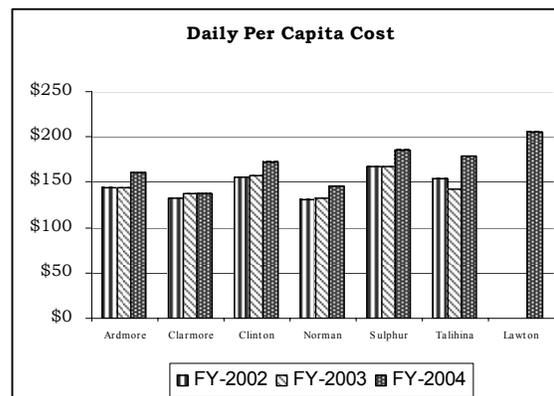
	FY-2004 Occupancy Rate Per Center						
	Ardmore	Claremore	Clinton	Norman	Sulphur	Talihina*	Lawton**
Avg # of Patients	172	287	139	285	128	137	65
Percent Filled	98%	95%	94%	95%	97%	94%	43%

\*The Talihina facility has had 29 beds down for renovation, so to give a more realistic percentage, we are using 146 as total bed count.

\*\* The Lawton facility gradually filled beds in 2004, they had three wings open by the end of 2004 for a bed count of 150.

SOURCE: ODVA

The following chart shows the average daily per capita cost by facility in FY-2002, 2003 and 2004.



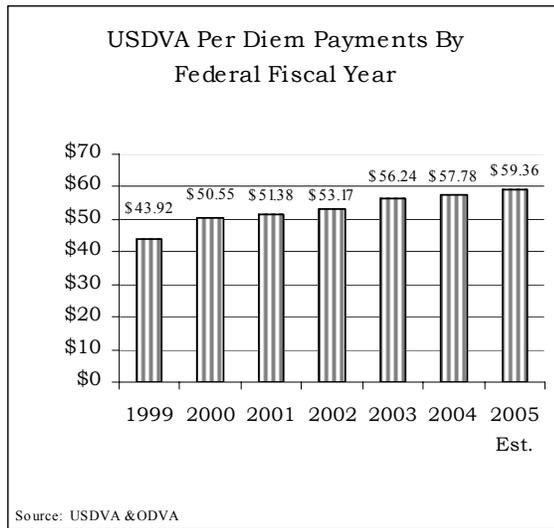
## Cost Comparison to Other States

The national average cost per day in state operated Veterans Centers was \$183 in the

fourth quarter of federal fiscal year 2004. The average cost per day during the same time period in Oklahoma centers was \$168.

### Federal Funds

The U.S. Department of Veterans Affairs (USDVA) pays for a portion of the care provided in our Veterans Centers. Payment is made for each day and each bed that is occupied. Federal per diem payments usually increase each year, but by varying amounts.



### FY-2005 Supplemental

<b>FY-2005 Supplemental</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$30,091</b>
Korean Conflict Medallions	250
<b>FY-2005 Adjusted Approp.</b>	<b>\$30,341</b>
% Change from FY-2004	12.61%
% Change/Original FY-2005	0.83%

Source: Office of State Finance

This budget includes supplemental funding of \$250,000 to pay for the Korean Conflict Medallion Program as outlined in SB 901 from the 2004 legislative session.

### FY-2006 Recommendation

<b>FY-2006 Appropriation</b> <i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$30,091</b>
<b>FY-2005 Bud. FTE Level</b>	<b>1,822.7</b>
<b>Actual Ave. YTD FTE</b>	<b>1,746.0</b>
<b>Funding Adjustments:</b>	
Reduce Vacancy Rate	1,800
State Employee Pay Increase	2,980
Total Adjustments	4,780
<b>FY-2006 Recommendation</b>	<b>\$34,871</b>
% Change from FY-2005	15.89%

Source: Office of State Finance

### Reduce the Vacancy Rate

The rising costs of medical care combined with revenue shortfalls of recent years has resulted in an ever increasing vacancy rate for the Department. The vacancy rate is the number of positions authorized but not funded in the agency's budget. Some agencies which use a high number of relatively low paid positions such as personal care attendants assume some amount of budget savings based on having some positions vacant at any given time. In recent years, the vacancy rate has grown from an average 44.2 positions in FY-2001 to an average of 172.1 positions in FY-2005. The "thin staffing" results in increased risk of injuries, increased overtime costs and less than excellent patient care.

Another factor which drives staffing needs is the upcoming change in federal staffing requirements. New staffing configurations will be based on the diagnostic codes of the patients. This means staffing will be determined by the level of care needed per diagnosis, not just total number of beds.

In order to address this problem, the Governor's Executive Budget proposes to decrease the vacancy rate by adding funding for an additional 59 Personal Care

Assistant positions. This will reduce the vacancy rate to approximately 113 positions from the current 172.1. This reduction will be funded with an increase in appropriations of \$1,800,000 to cover salary and benefits.

**State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$2,980,061 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Department of Veterans Affairs's 1,786.5 FTE.

# **Legislature**

**House of Representatives  
Legislative Service Bureau  
State Senate**



# Legislature

## Summary of FY-2006 Budget Recommendations

<b>Agency Name</b>	<b>FY-2005 Adj. Approp.</b>	<b>FY-2006 Base</b>	<b>FY-2006 Adj.</b>	<b>Final FY-2006 Appr.</b>	<b>% Diff. from FY- 2005</b>
House of Representatives	\$18,080,670	\$18,080,670	\$301,509	\$18,382,179	1.7%
Legislative Service Bureau	2,303,193	2,303,193	57,049	2,360,242	2.5%
Senate	12,769,707	12,769,707	377,004	13,146,711	3.0%
<b>Total Legislature</b>	<b>\$33,153,570</b>	<b>\$33,153,570</b>	<b>\$735,562</b>	<b>\$33,889,132</b>	<b>2.2%</b>

## **House of Representatives, Legislative Service Bureau and State Senate**

The House of Representatives, Legislative Service Bureau (LSB) and State Senate represent the legislative branch.

The Oklahoma Legislature consists of 101 members in the House of Representatives and 48 members in the State Senate. They convene annually beginning on the first Monday in February, and adjourn on the last Friday in May. Normally, the Legislature is in session Monday through Thursday, but extra sessions may be called by the Governor or by the Legislature.

State Senators serve staggered four-year terms, and members of the House of Representatives serve two-year terms.

Each house of the Legislature considers four different types of legislation:

- Bills will become law when passed by both houses and signed by the Governor;
- Joint Resolutions will have the effect of law if passed by both houses, but may not become part of the statutes;
- Concurrent resolutions express the will of both of the houses; and
- Lastly, they can pass simple resolutions, which express the will of the house of origin.

In 1990, voters in Oklahoma decided to adopt term limits for legislators. Therefore, legislators have a 12-year limit on service in the House of Representatives, the Senate, or both.



# **Judiciary**

**Court of Criminal Appeals  
District Courts  
Supreme Court  
Workers' Compensation Court**



# Judiciary

## Summary of FY-2006 Budget Recommendations

Agency Name	FY-2005 Adj. Approp.	FY-2006 Base	FY-2006 Adj.	Final FY-2006 Appr.	% Diff. from FY- 2005
Court of Criminal Appeals	\$2,750,541	\$2,750,541	\$79,683	\$2,830,224	2.9%
District Courts	\$43,043,226	\$43,043,226	\$2,648,439	\$45,691,665	6.2%
Supreme Court	\$13,337,544	\$13,337,544	\$389,663	\$13,727,207	2.9%
Workers' Compensation Court	\$3,770,409	\$3,770,409	\$212,478	\$3,982,887	5.6%
<b>Total Judiciary</b>	<b>\$62,901,720</b>	<b>\$62,901,720</b>	<b>\$3,330,263</b>	<b>\$66,231,983</b>	<b>5.3%</b>

Notes:

The District Courts' appropriation includes income to the State Judicial Revolving Fund.

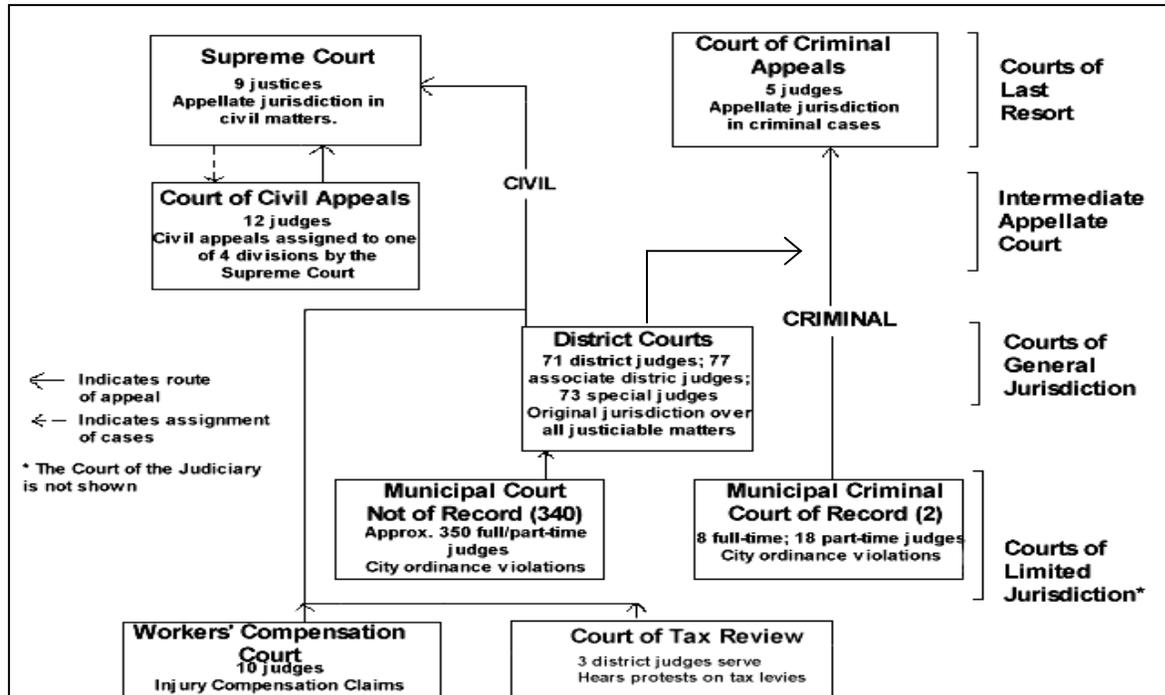


# The Judiciary

## Court Organization

The Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals and 77 District Courts make up the Oklahoma Court System. The Administrative Office of the Courts provides administrative services for the Court System.

Department of Human Services. The Supreme Court has total discretion in deciding which cases it will hear and directs many of these appeals to the Court of Civil Appeals.



Unlike most states, Oklahoma has two courts of last resort. The Supreme Court determines all issues of a civil nature, and the Oklahoma Court of Criminal Appeals decides all criminal matters. The Governor appoints members of these courts, and of the Court of Civil Appeals, from a list of three names submitted by the Oklahoma Judicial Nominating Commission.

In Oklahoma, all litigants are entitled to one appeal as a matter of right. Appeals to the Court of Criminal Appeals come directly from the District Court. All appeals in civil cases are made to the Oklahoma Supreme Court. Appeals may be made to the Supreme Court from the District Court, Workers' Compensation Court, Court of Tax Review and state agencies such as the Department of Public Safety, Oklahoma Corporation Commission and the

## State Judicial Revolving Fund

The State Judicial Revolving Fund (SJF) is an important source of funding for the judiciary. The Legislature changed the SJF from a certified fund to a revolving fund in 2004. This allows the Administrative Office of the Courts (AOC) to budget 100% of the projected revenues.

The ability to estimate SJF revenues depends on local court collections, local court expenditures and reserve requirements. Revenues for the court fund are based on local collections of fees, fines, costs and forfeitures; but the SJF receives revenues only after the local courts have met their expense and cash flow reserve needs.

Title 20, Section 1301, et seq. states: "All fees, fines, costs and forfeitures shall, when

collected by the court clerk, be deposited in a fund in the county treasury designated 'The Court Fund', and shall be used, from year to year, in defraying the expenses of holding court in said county."

County court clerks deposit in the SJF the amount by which local court receipts exceed expenses for the reporting period. The statute also allows court clerks to retain 20% of their expenses for the reporting period from the excess amount. Title 20, Section 1308 requires court fund transfers to be either quarterly or monthly, depending on county population.

Over the last ten years, court fund collections have experienced solid growth. Local court expenditures, however, have grown at a slightly higher rate.

Local court obligations fall into three basic categories:

1. Lump sum expenses: Jurors and witnesses, guardianship evaluations, publications, supplies, telephones, etc.;
2. Restricted expenses: Renovation, remodeling, maintenance, furniture and fixtures, part-time bailiffs, part-time court clerks (which are generally full-time employees), per diem court reporters, etc.; and
3. Mandated expenses: Law library assessments and contributions to the SJF.

expenses have shifted from the local court budget to the state budget. Expenses now paid at the state level include the cost of providing indigent criminal defense for 75 counties and the elimination of the requirement to place or apportion 10% of court fund collections to the State Judicial Retirement Fund. This cost-shift has offset even greater growth in local court expenditures and allowed court fund collections continued growth.

\$000's	Actual	Actual	Actual	Actual	Actual	Est.	Est.
	<u>FY-2000</u>	<u>FY-2001</u>	<u>FY-2002</u>	<u>FY-2003</u>	<u>FY-2004</u>	<u>FY-2005</u>	<u>FY-2006</u>
Total Collections	\$53,017	\$57,604	\$63,006	\$65,010	\$77,049	\$87,000	90,000
Local Court Expenditures	32,876	36,228	37,807	39,398	40,772	42,150	44,850
Law Library	344	567	562	531	1,766	1,638	1,638
St. Judicial Fd Deposits	20,614	20,665	24,470	25,827	31,236	38,229	38,229

SOURCE: The Administrative Office of the Courts

Lump sum expenditures are closely related to court caseloads and case complexities. These costs vary from year to year. Restricted expenditures relate to work force and facility needs and tend to be predictable. Statute establishes the mandated expenditures.

Over the last ten years, certain local court

## Court of Criminal Appeals

The Court of Criminal Appeals is the highest court in the State of Oklahoma with appellate jurisdiction in criminal cases. It is the court of last resort in criminal matters, with appeals coming directly from the District Courts and Municipal Courts of Record. The Court also promulgates rules, procedures and uniform jury instructions in criminal cases.

In recent years, the Court of Criminal Appeals has extinguished its backlog, guaranteeing that both the State and individual litigants have a speedy resolution of appellate issues relating to crimes committed in Oklahoma. Last year the Court disposed of approximately 1,362 cases. Judge Charles Chapel is presiding judge.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$2,751</b>
<b>FY-2005 Bud. FTE Level</b>	<b>30.0</b>
<b>Actual Ave. YTD FTE</b>	<b>27.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	38
Judicial Salary Increase	41
Total Adjustments	79
<b>FY-2006 Recommendation</b>	<b>2,830</b>
% Change from FY-2005	2.87%

Source: Office of State Finance

The FY-2006 appropriation for the Court of Criminal Appeals is the same as provided for FY-2005 with the following adjustments.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$38,300 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Court of Criminal Appeals 23.0 average 2004 FTE. This number excludes five Judges, who are covered under the Judicial Salary Increase.

### Judicial Salary Increase

Oklahoma Judges will receive a pay increase in July 2005. The Governor's budget includes \$41,383 to provide for the pay raise for the Court's five Judges.

## District Courts

In Oklahoma, the court of general jurisdiction is the District Court. Seventy-seven district courts hear both criminal and civil cases and form the backbone of the court system. Currently, there are nine judicial administrative districts managing 26 judicial districts in the State of Oklahoma. Presiding judges are elected by their peers to assist in the administration of Oklahoma's trial courts. District judges, associate district judges, and special judges often serve as the first contact a person may have with the judicial system.

Under the current system, the District Courts collect fines, fees and bond forfeitures. Local courts deposit a portion in the Law Library Fund, cover local operating expenditures and deposit the remaining amount in the State Judicial Fund.

District Court Funding Resources:						
\$000's	FY-2000	FY-2001	FY-2002	FY-2003	FY-2004	FY-2005
General Revenue	\$19,472	\$10,957	\$17,236	\$17,701	\$8,240	\$6,522
State Judicial Fund	17,406	27,510	22,868	22,069	31,557	0
Special Cash	600	30	0	0	1,000	0
443 Fund	0	0	0	110	240	38,229
<b>TOTAL</b>	<b>37,478</b>	<b>38,497</b>	<b>40,104</b>	<b>39,880</b>	<b>41,037</b>	<b>44,751</b>

Note: The State Judicial Fund was converted to a Revolving Fund in FY-2005. Deposits to the Revolving Fund are shown under the 443 Fund.

SOURCE: Office of State Finance

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$43,043</b>
<b>FY-2005 Bud. FTE Level</b>	<b>645.0</b>
<b>Actual Ave. YTD FTE</b>	<b>617.7</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	642
Judicial Salary Increase	<u>2,007</u>
Total Adjustments	2,649
<b>FY-2006 Recommendation</b>	<b>\$45,692</b>
% Change from FY-2005	6.15%

Source: Office of State Finance

The appropriation for the District Courts includes income to the State Judicial Revolving Fund. The FY-2006 appropriation is the same as provided for FY-2005, with the following adjustments.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$641,718 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the District Courts' 384.7 December FTE. This number excludes 233 Judges and 2 Trial Court Administrators, who are covered under the Judicial Salary Increase.

### Judicial Salary Increase

Oklahoma Judges will receive a pay increase in July 2005. The Governor's budget includes \$2,006,721 to provide for the pay raise for the District Court's 235 Judges and 2 Trial Court Administrators.

## Supreme Court

The Oklahoma Supreme Court is the highest court in Oklahoma for civil matters. The Court consists of nine Justices. Each Justice is selected from one of nine judicial districts. The Justices stand for retention on a six-year rotating schedule. The retention ballot appears on general election ballots and is a non-partisan, non-competitive election process. Chief Justice Joseph M. Watt is presiding judge.

Over the last five years, the Court has reduced its backlog of cases from 3,331 in 1998 to 1,476 in January 2003. Besides deciding cases, this court is also responsible for administering the State's entire judicial system.

### Wiley Post Building Renovation

The Supreme Court is currently in the process of renovating the Wiley Post Historical Building for adaptive use as a Judicial Center to house the Oklahoma State Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals, Administrative Offices of the Courts and the Court Clerk.

The total cost of the project is estimated at \$30.9 million. HB 3065 and HB 3066, passed into law during the 1998 Legislative session, allowed lease revenue obligations to be issued in 1999 to provide funds to begin the project. Currently, the capital outlay bond issue authorized by SB 973 in the 2000 Legislative session has provided \$10 million. The Court needs additional funding of \$20.9 million to complete the project.

## FY-2006 Recommendation

<b>FY-2006 Appropriation</b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$13,338</b>
<b>FY-2005 Bud. FTE Level</b>	<b>167.0</b>
<b>Actual Ave. YTD FTE</b>	<b>141.8</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	198
Judicial Salary Increase	<u>192</u>
Total Adjustments	390
<b>FY-2006 Recommendation</b>	<b>\$13,728</b>
% Change from FY-2005	2.92%

Source: Office of State Finance

The FY-2006 appropriation is the same as provided for FY-2005, with the following adjustments.

### State Employee Pay Increase

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$198,003 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Supreme Court's 118.7 December FTE. This number excludes 20 Judges and 3 other positions covered under the Judicial Salary Increase.

### Judicial Salary Increase

Oklahoma Judges will receive a pay increase in July 2005. The Governor's budget includes \$191,660 to provide for the pay raise for the Supreme Court's 9 Justices and the Court of Civil Appeals 12 Judges. Also included are three other positions tied to judicial pay.

## Workers' Compensation Court

Court's ten Judges and the Court Administrator.

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The Workers' Compensation Court is comprised of ten Judges. This limited tribunal considers cases involving on-the-job injuries occurring while an employee is in the scope of employment.

### FY-2006 Recommendation

<b><i>FY-2006 Appropriation</i></b>	
<i>(amounts in thousands)</i>	
<b>FY-2005 Appropriation</b>	<b>\$3,770</b>
<b>FY-2005 Bud. FTE Level</b>	<b>88.4</b>
<b>Actual Ave. YTD FTE</b>	<b>85.3</b>
<b>Funding Adjustments:</b>	
State Employee Pay Increase	126
Judicial Salary Increase	<u>86</u>
Total Adjustments	212
<b>FY-2006 Recommendation</b>	<b>\$3,982</b>
% Change from FY-2005	5.64%

Source: Office of State Finance

The FY-2006 appropriation is the same as provided for FY-2005, with the following adjustments.

#### **State Employee Pay Increase**

Oklahoma state employees received a \$1,400 pay increase in January 2005. They will receive a \$700 pay increase in July 2005. The Governor's budget includes \$126,359 to annualize the \$1,400 January pay raise and provide for the \$700 July pay raise for the Workers' Compensation Court's 75.8 average 2004 FTE. This number excludes ten Judges and the Court Administrator, who are covered under the Judicial Salary Increase.

#### **Judicial Salary Increase**

Oklahoma Judges will receive a pay increase in July 2005. The Governor's budget includes \$86,119 to provide for the pay raise for the Workers' Compensation

# **State Budget Information**



# Summary by Committee

## Summary by Committee

### Education

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.
1 Arts Council	\$3,923,871	\$0	\$3,923,871	\$0	\$3,923,871	\$170,006	\$4,093,877
2 CareerTech	123,887,358	1,500,000	125,387,358	(1,500,000)	123,887,358	4,608,241	128,495,599
3 Education, Dept. of	2,007,663,450	38,187,725	2,045,851,175	(38,187,725)	2,007,663,450	120,872,588	2,128,536,038
4 Educational TV Auth., Oklahoma	4,201,753	0	4,201,753	0	4,201,753	101,656	4,303,409
5 Higher Educ., Regents for	802,136,296	4,000,000	806,136,296	(4,000,000)	802,136,296	63,084,788	865,221,084
6 Land Office, Commissioners of the	4,747,965	0	4,747,965	0	4,747,965	96,750	4,844,715
7 Libraries, Department of	6,212,118	0	6,212,118	0	6,212,118	108,226	6,320,344
8 Physician Manpower Training	5,024,607	0	5,024,607	0	5,024,607	10,509	5,035,116
9 Private Vo-Tech Schools, Board of	155,456	0	155,456	0	155,456	(155,456)	0
10 School of Science & Math	6,572,319	0	6,572,319	0	6,572,319	401,110	6,973,429
11 Science & Technology, Ctr. for Adv.	11,669,647	0	11,669,647	0	11,669,647	10,031,694	21,701,341
12 Teacher Prep., Commission for	1,998,168	0	1,998,168	0	1,998,168	17,015	2,015,183
<b>Total Education:</b>	<b>\$2,978,193,008</b>	<b>\$43,687,725</b>	<b>\$3,021,880,733</b>	<b>(\$43,687,725)</b>	<b>\$2,978,193,008</b>	<b>\$199,347,127</b>	<b>\$3,177,540,135</b>

### General Government and Transportation

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.
1 Auditor & Inspector	\$5,523,603	\$0	\$5,523,603	\$0	\$5,523,603	\$279,074	\$5,802,677
2 Auditor & Inspector - REAP	15,500,000	0	15,500,000	0	15,500,000	0	15,500,000
3 Bond Advisor, State	188,096	0	188,096	0	188,096	5,171	193,267
4 Central Services, Department of	12,234,432	0	12,234,432	0	12,234,432	519,449	12,753,881
5 Commerce, Department of	33,337,845	0	33,337,845	0	33,337,845	(8,711,346)	24,626,499
6 Election Board	7,072,129	0	7,072,129	(795,000)	6,277,129	167,644	6,444,773
7 State Emergency Fund	0	4,000,000	4,000,000	(4,000,000)	0	0	0
8 Emergency Mgmt	680,972	0	680,972	0	680,972	21,852	702,824
9 Ethics Commission, Okla.	480,747	0	480,747	0	480,747	12,177	492,924
10 Finance, Office of State	22,866,800	0	22,866,800	(292,000)	22,574,800	2,177,811	24,752,611
11 Governor	2,522,709	0	2,522,709	0	2,522,709	56,549	2,579,258
12 House of Representatives	18,080,670	0	18,080,670	0	18,080,670	301,509	18,382,179
13 Legislative Service Bureau	2,303,193	0	2,303,193	0	2,303,193	57,049	2,360,242
14 Lieutenant Governor	523,259	0	523,259	0	523,259	13,011	536,270
15 Lottery Commission	0	500,000	500,000	(500,000)	0	500,000	500,000
16 Merit Protection	512,154	0	512,154	0	512,154	12,177	524,331
17 Military Department	8,062,531	0	8,062,531	0	8,062,531	2,571,492	10,634,023
18 Personnel Management	4,497,011	0	4,497,011	0	4,497,011	131,943	4,628,954
19 Secretary of State	456,927	0	456,927	0	456,927	13,076	470,003
20 Senate	12,769,707	0	12,769,707	0	12,769,707	377,004	13,146,711
21 Space Industry Development	518,323	0	518,323	0	518,323	4,187	522,510
22 Tax Commission	41,462,019	0	41,462,019	0	41,462,019	3,726,618	45,188,637
23 Transportation, Department of	200,875,804	0	200,875,804	0	200,875,804	56,659,701	257,535,505
24 Treasurer	4,926,592	0	4,926,592	(500,000)	4,426,592	97,907	4,524,499
<b>Total General Government and Transportation</b>	<b>\$395,395,523</b>	<b>\$4,500,000</b>	<b>\$399,895,523</b>	<b>(\$6,087,000)</b>	<b>\$393,808,523</b>	<b>\$58,994,055</b>	<b>\$452,802,578</b>

### Health and Social Services

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.
1 Health Care Authority	\$482,256,505	\$0	\$482,256,505	\$0	\$482,256,505	\$81,688,093	\$563,944,598
2 Health Department	57,563,226	0	57,563,226	0	57,563,226	1,600,820	\$59,164,046
3 J.D. McCarty Center	3,162,767	0	3,162,767	0	3,162,767	306,597	3,469,364
4 Mental Health Department	155,447,428	0	155,447,428	0	155,447,428	14,969,719	170,417,147
5 University Hospitals Authority	39,029,342	0	39,029,342	0	39,029,342	1,250,000	40,279,342
6 Veterans Affairs Department	30,091,172	250,000	30,341,172	(250,000)	30,091,172	4,780,061	34,871,233
<b>Total Health and Social Services:</b>	<b>\$767,550,440</b>	<b>\$250,000</b>	<b>\$767,800,440</b>	<b>(\$250,000)</b>	<b>\$767,550,440</b>	<b>\$104,595,290</b>	<b>\$872,145,730</b>

## Human Services

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.
1 Children & Youth, Commission on	\$1,569,789	\$0	\$1,569,789	\$0	\$1,569,789	\$28,719	\$1,598,508
2 Handicapped Concerns, Office of	362,128	0	362,128	0	362,128	10,809	372,937
3 Human Rights Commission	662,762	0	662,762	0	662,762	24,104	686,866
4 Human Services, Department of	408,330,849	22,000,000	430,330,849	(22,000,000)	408,330,849	80,684,101	489,014,950
5 Indian Affairs Commission	248,942	0	248,942	0	248,942	6,489	255,431
6 Juvenile Affairs, Office of	92,858,160	1,400,000	94,258,160	(1,400,000)	92,858,160	5,126,823	97,984,983
7 Rehabilitation Services, Dept. of	25,479,628	0	25,479,628	0	25,479,628	915,208	26,394,836
<b>Total Human Services:</b>	<b>\$529,512,258</b>	<b>\$23,400,000</b>	<b>\$552,912,258</b>	<b>(\$23,400,000)</b>	<b>\$529,512,258</b>	<b>\$86,796,253</b>	<b>\$616,308,511</b>

## Public Safety and Judiciary

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.
1 A.B.L.E. Commission	\$3,626,853	\$0	\$3,626,853	\$0	\$3,626,853	\$74,586	\$3,701,439
2 Attorney General	5,953,778	0	5,953,778	0	5,953,778	1,357,092	7,310,870
3 Corrections Department	384,286,568	17,924,000	402,210,568	(17,924,000)	384,286,568	21,874,644	406,161,212
4 Court of Criminal Appeals	2,750,541	0	2,750,541	0	2,750,541	79,683	2,830,224
5 District Attorneys Council	26,926,731	700,000	27,626,731	(700,000)	26,926,731	2,844,844	29,771,575
6 District Courts	43,043,226	0	43,043,226	0	43,043,226	2,648,439	45,691,665
7 Fire Marshal	1,537,061	0	1,537,061	0	1,537,061	47,674	1,584,735
8 Indigent Defense System	14,428,761	600,000	15,028,761	(600,000)	14,428,761	806,678	15,235,439
9 Investigation, Bureau of	9,681,910	0	9,681,910	0	9,681,910	487,385	10,169,295
10 Judicial Complaints, Council	271,152	0	271,152	0	271,152	3,503	274,655
11 Law Enf. Educ. & Training	2,686,318	0	2,686,318	0	2,686,318	759,467	3,445,785
12 Medicolegal Investigations Board	3,427,372	0	3,427,372	0	3,427,372	201,543	3,628,915
13 Narc. & Dang. Drugs Control	4,967,062	0	4,967,062	0	4,967,062	171,647	5,138,709
14 Pardon & Parole Board	2,150,328	0	2,150,328	0	2,150,328	60,552	2,210,880
15 Public Safety Department	65,062,004	0	65,062,004	0	65,062,004	7,362,540	72,424,544
16 Supreme Court	13,337,544	0	13,337,544	0	13,337,544	389,663	13,727,207
17 Workers' Compensation Court	3,770,409	0	3,770,409	0	3,770,409	212,478	3,982,887
<b>Total Public Safety and Judiciary</b>	<b>\$587,907,618</b>	<b>\$19,224,000</b>	<b>\$607,131,618</b>	<b>(\$19,224,000)</b>	<b>\$587,907,618</b>	<b>\$39,382,418</b>	<b>\$627,290,036</b>

Notes:

6 The District Courts' appropriation includes income to the State Judicial Revolving Fund.

## Natural Resources

Agency Name	FY-2005 Appropriation	FY-2005 Supps.	FY-2005 Adj. Approp.	Less One-Time and Supps.	FY-2006 Base	FY-2006 Adj.	Recom. FY-2006 Approp.
1 Agriculture	\$24,231,030	\$0	\$24,231,030	(\$1,384,853)	\$22,846,177	\$2,072,369	\$24,918,546
2 Centennial Commission	536,453	940,000	1,476,453	(940,000)	536,453	483,011	1,019,464
3 Conservation Commission	7,617,658	0	7,617,658	(500,000)	7,117,658	373,466	7,491,124
4 Consumer Credit Commission	616,513	0	616,513	0	616,513	22,169	638,682
5 Corporation Commission	11,767,056	0	11,767,056	(3,000,000)	8,767,056	3,664,738	12,431,794
6 Environmental Quality	9,495,264	0	9,495,264	0	9,495,264	(82,545)	9,412,719
7 Historical Society, Oklahoma	10,000,253	904,000	10,904,253	(904,000)	10,000,253	2,604,183	12,604,436
8 Horse Racing Commission	1,858,182	100,000	1,958,182	(100,000)	1,858,182	151,211	2,009,393
9 Insurance Department	2,136,301	0	2,136,301	0	2,136,301	98,782	2,235,083
10 J.M. Davis Memorial Comm	330,983	0	330,983	0	330,983	11,176	342,159
11 Labor Department	3,061,658	0	3,061,658	0	3,061,658	677,653	3,739,311
12 Mines, Department of	815,510	0	815,510	0	815,510	42,044	857,554
13 Scenic Rivers Commission	333,158	0	333,158	0	333,158	18,099	351,257
15 Tourism & Recreation	24,162,640	0	24,162,640	0	24,162,640	2,817,082	26,979,722
16 Water Resources Board	4,431,977	0	4,431,977	(191,632)	4,240,345	134,335	4,374,680

**THE BUDGET CYCLE**  
**STATE FISCAL YEAR IS JULY 1 - JUNE 30**

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
1. Agencies review program needs and prepare Budget Requests and Strategic Plans.	July 1 - Oct 1											
2. Agencies submit Budget Requests. Strategic Plans are submitted every even numbered year.				Oct 1								
3. Office of State Finance reviews Budget Requests and Strategic Plans for development of the Executive Budget Book.				Oct - Nov								
4. December Equalization Board Meeting - expenditure authority is the approved basis for the Executive Budget.						Dec						
5. Submission of Executive Budget to the Legislature. Legislative session begins.								Feb				
6. Feb Equalization Board - expenditure authority is approved basis for Legislative Appropriations and Governor's action								Feb				
7. Legislature reviews agency budgets and finalizes appropriation recommendations.								Feb - May				
8. Governor's action on Appropriation Bills								Feb - Mid-June				
9. June Equalization Board Meeting - revenue and expenditure authority adjusted to incorporate statutory changes.												June
10. Budget Work Programs submitted to the Office of State Finance for approval by July 1	July 1 FY 2006											

# Oklahoma State Budget Process

## Oklahoma State Budget Process – State Fiscal Year is July 1 through June 30.

1. **Agencies review** program performance and financial needs for preparation of the Budget Request and Strategic Plan
2. The **Budget Request** is the legal document which contains all financial and program information for each agency including a listing of all requests for additional state funds and changes in revolving or federal funds. Budget Requests must be submitted October 1 of every year under Section 41.29 of Title 62.  
**Agency Strategic Plans** include each agency's mission, goals and performance measures within a five year time line. Section 45.3 of Title 62 requires strategic plans to be submitted October 1 of every even-numbered year.
3. The **Office of State Finance Budget Division** reviews agency budget requests and holds agency budget request hearings for development of the Executive Budget.
4. **December Equalization Board Meeting** – The Equalization Board is the constitutional body responsible for setting revenue and expenditure authority for the Governor and Legislature (Sec. 23 Art. 10 of Oklahoma Constitution). The limit approved at this meeting is the amount used for development of the Executive Budget Book.
5. **Submission of Executive Budget** – The Governor is required to submit an Executive Budget to the Legislature on the first Monday of each regular legislative session. The budget must be balanced using the December Equalization Board amounts.
6. **February Equalization Board Meeting** – The Board is constitutionally required under Section 23 of Article 10 to meet again and incorporate economic adjustments to the revenue and expenditure authority. The limit approved at this meeting constitutes the limit for Legislative appropriations action.
7. **Legislative Appropriations Process** – The appropriations subcommittees and legislative staff of each house review agency budgets, budget requests and pass appropriation bills.
8. **Governor acts**, within constitutional time lines set forth in Sections 11 and 12 of Article 6 of the Oklahoma Constitution, to sign, veto or pocket veto appropriation bills.
9. **June Equalization Board Meeting** – The board is authorized in Section 23 of Article 10 of the Oklahoma Constitution to meet and incorporate statutory changes that increase or decrease revenue and expenditure authority for the coming fiscal year.
10. **Agency Budget Work Programs** are required under Section 41.7c of Title 62 and serve as the official plan of how the agency intends to utilize available funds to accomplish statutory duties and responsibilities. The document is due on or as close thereafter June 1 and is approved July 1.

## **State Equalization Board**

The Oklahoma Constitution provides for a number of checks and balances to ensure the Governor and Legislature maintain a balanced budget every year. One of the most important provisions is Section 23 of Article 10 which outlines the framework for how Oklahoma sustains a balanced budget. This section designates the State Board of Equalization as the body responsible for establishing executive and legislative expenditure. The Board of Equalization is comprised of the Governor, Lieutenant Governor, Treasurer, Auditor and Inspector, Attorney General, Superintendent of Public Instruction and Secretary of Agriculture

Pursuant to Section 23, the Equalization Board must meet at least two times every fiscal year:

- “no more than 45 days but no less than 35 days before the start of the legislative session” (sometime in late December or early January); and
- “within five days after the monthly apportionment in February of each year”.

The Board can only meet again and adjust revenue estimates if the Legislature and Governor enact laws during regular or special session that reduce or increase revenue certified by the board, transfer cash from one fund to another or establish a new certified appropriated fund. In practice, the Equalization Board meets in June to incorporate legislative changes enacted during the session and re-certify revenue available for the coming fiscal year.

The benefit of this approach is that both the executive and legislative body are required to use the same revenue estimate and expenditure limit. State expenditures passed by the Legislature and enacted by the Governor cannot exceed the amount of funds certified and authorized by the Board.

The Office of State Finance which staffs the Board, compiles revenue projections from various revenue collecting agencies throughout the state, analyzes the information and presents the information to the Board for its consideration and approval. Projections for the General Revenue Fund which makes up more than 80% of total state appropriated spending are estimated utilizing a state economic model developed by Oklahoma State University and modified to fit the state’s customized needs by Tax Commission staff. Revenue estimates presented to the Board are based on current and prior year collection trends, economic forecasts, federal tax law changes and other foreseeable factors.

Revenue certified and authorized at the December Board meeting serves as the basis for the Governor’s Executive Budget. The Board considers possible revisions to the December estimate at the February meeting. Revisions to the December estimate are based on economic changes which have been noted since that time, which may increase or decrease anticipated revenue collections. The estimate approved at this meeting sets the limit on which legislative appropriations are based.

## **State Revenues and Expenditures**

### **Spending Limits**

Oklahomans believe in responsible budgeting and limiting state expenditure growth to reasonable levels. This philosophy is cemented in paragraph 1 of Section 23 in Article 10 of the Constitution. Increases in Legislative appropriations in any year are limited to no more than 12% more than the preceding year's level, adjusted for inflation. Oklahoma's budget over the past ten years has increased at an average rate of 3.7% in nominal terms. This rate of growth is actually less than the 5.0% average increase in personal income over the past decade.

Paragraph 1 of Section 23 provides an additional limit for Oklahoma's state budget. This paragraph limits expenditures of certified funds to 95% of the Equalization Board estimate. This internal safeguard protects agency budgets from mild fluctuations in revenues in the event revenues do not meet the 100% estimate.

Certain statutory revolving funds are also included in the executive and legislative expenditure authority considered by the Equalization Board. Estimates for revolving funds are included for informational purposes. The Equalization Board does not have to approve them since they are not certified funds. Unlike certified funds, the Governor and Legislature can spend 100% of the revolving fund estimate. There are six revolving fund estimates that are included in the executive and legislative expenditure authority. Revenues from four of the six funds are specifically dedicated to education purposes. Funds from the Tobacco Settlement Fund are directed for health services and the Judicial Fund is directed for district court operations.

### **Cash Management**

Another internal budget control is provided in Section 10.1 of Title 62 of the Oklahoma Statutes which creates the Cash Flow Reserve Fund (CFRF). The CFRF is used for two purposes: (1) to make allocations to agencies in July since the General Revenue Fund (GRF) for that year has no collections until the end of July, and (2) to ensure that each monthly allocation of revenue to agencies is equal to one-twelfth of the money appropriated by the Legislature. This second purpose is intended to protect State agencies from variation in monthly revenue collection patterns and in practice the CFRF is used to make up the difference between actual collections in a month and the required allocations.

Money is deposited into the Cash Flow Reserve Fund for the next fiscal year from current year General Revenue Fund collections that are in excess of the amount appropriated from the fund. The limit on deposits into the Cash Flow Reserve Fund is 10% of the amount certified by the Board of Equalization as available for appropriation from the General Revenue Fund for the next year. General Revenue Fund collections that are in excess of the certified estimate cannot be used to make deposits to the Cash Flow Reserve Fund as those monies are directed elsewhere according to the State Constitution. Any excess General Revenue Fund collections for the current year after the Cash Flow Reserve Fund for the next year has been funded are carried forward as cash that is available for appropriation by the Legislature.

### **Budget Stabilization**

Revenue collected in excess of 100% of the certified GRF estimate is deposited in the Constitutional Reserve Fund (CRF), known as the Rainy Day Fund, at the end of the fiscal year. Deposits into the CRF are limited to 10% of the certified actual collections to the GRF for the preceding fiscal year. The CRF can be accessed for three different and distinct purposes: emergencies, future year budget stabilization, and current year budget stabilization. Up to

25% of the fund may be appropriated upon a declaration of an emergency by the Governor or three-fourths of both the House and Senate. Up to three-eighths of the CRF may be appropriated to make up any decline in revenue certified as available for appropriation by the Board of Equalization from one year to the next. The amount can not exceed the decline in certified revenue. The final three-eighths of the CRF may be appropriated to address a current year revenue shortfall. To access this money, the BOE must determine that a revenue failure has occurred in the GRF and appropriations from the CRF for this purpose are limited to the amount of the shortfall.

## **Revenue Shortfalls**

The Director of the Office of State Finance (OSF) is statutorily charged with making allotments to agencies to control expenditures. State law also requires the State's budget to remain in balance every fiscal year. Oklahoma is barred from expending more money than it collects in a given year.

To ensure that revenues are sufficient to meet the appropriations specified by the Legislature, OSF closely monitors collections throughout the year. The allocation of appropriated monies to agencies occurs on the Tuesday following the second Monday of every month during a fiscal year. Concurrent with these allocations, the Office of State Finance issues a press release to advise the public of the state of revenue collections.

As we saw in FY-2002 and FY-2003, during times of economic recession state revenue collections can fall below the level of appropriations. Thus, limiting appropriations to only 95% of estimated collections is an insufficient measure to ensure the state maintains a balanced budget during times of severe economic distress.

Title 62, Section 41.9 of the Oklahoma Statutes reads, in part:

“At the end of any fiscal year, the entire amount appropriated to any spending agency must be allotted by the Budget Director, except where the estimated budget resources during any fiscal year are insufficient to pay all of the appropriations for such year in full. The Budget Director shall not allot to any spending agency during any fiscal year, an amount which will be in excess of the amount of revenue collected and allocated to appropriations made to such spending agency. In the event of a failure of revenue, the Budget Director shall control the allotment authorizations to prevent obligations being incurred in excess of the revenue to be collected. However, the Budget Director shall make all reductions within each state fund where a revenue failure occurs apply to each department, institution, board, commission or special appropriation made by the State Legislature, in the ratio that its total appropriation for that fiscal year bears to the total of all appropriations for that fiscal year, as provided in Section 23, Article 10, of the Constitution of Oklahoma.”

This directs the Office of State Finance to allocate all of the money appropriated to state agencies, unless revenue collections are less than the amount appropriated. When this occurs, OSF is required by this statute to reduce the allocations to agencies to no more than the amount of revenue collected. Further, the reduction in allocations is to be effected upon all agencies receiving money from the fund in which the failure occurs. Each agency receives a proportional share of the reduction based on their share of appropriations compared to the total appropriations from the fund.

## **Executive and Legislative Appropriations Process**

### **Executive Budget**

The Governor sets the tone for state budget recommendations with the submission of the Executive Budget on the first Monday in February of each regular legislative session. Section 41.34 of Title 62 requires the Governor to submit a balanced budget with detailed revenue and expenditure proposals to the presiding officer of each house. The Director of State Finance is required to prepare the document after reviewing state agency budgets, requests and developing recommendations. The proposals outlined in the Governor's Executive Budget Book serve as the Governor's fiscal and policy priorities for the year.

### **Legislative Process**

The Legislature reviews the Executive Budget and works with the Governor throughout the session to enact a balanced budget. Establishing the state budget is the responsibility of the appropriations committees of the Senate and the House of Representatives. The committees of each house work through appropriation subcommittees which are categorized by specific budget areas such as general government, education, health and safety and security. Subcommittees review agency budgets, requests for additional funding and Governor's recommendations.

Under the Constitution, the Legislature is authorized but not required to approve a General Appropriations (GA) Bill to provide a base level of funding. This provision is a safeguard to ensure state government programs and services do not shut down in the event the Legislature and the Governor are unable to agree on a budget. Historically, general appropriation bills are passed in March or April of the regular legislative session.

A recent addition to state law, Section 9.11 of Title 62, passed during the 2003 session requires the Legislature to present an appropriation bill to fully fund common education to the Governor at least 25 days prior to April 10 (subsection E of Section 6-101 of Title 70) but not later than April 1. Adjustments to increase or decrease the amount may still be made by the Legislature.

Appropriation decisions for agencies are typically not finalized until April or May when the General Conference Committee on Appropriations, or GCCA is convened. The main difference between an appropriation subcommittee of the House or Senate and GCCA is that GCCA is comprised of both House and Senate members. Leadership of the House and Senate agree to allocate a certain amount of available funding to each GCCA subcommittee. Before an appropriations bill is presented to either legislative body, the two houses must work together in GCCA, negotiate spending priorities and produce a unified budget together.

Appropriations bills may be written for individual agencies or groups of agencies that are within the same subject area such as education. In addition to appropriating funds for the coming fiscal year, appropriation bills also include agency spending limits, total personnel hiring limits, and the maximum salaries of directors.

If the bills are approved by a majority of both houses, the appropriation bill is sent to the Governor. All legislation, including appropriation bills become effective 90 days after the end of the legislative session or later if a later effective date is specified. Legislation may become effective earlier if passed with an emergency clause. For an emergency clause to be enacted, two-thirds of each body must approve the emergency clause through a separate vote on the bill.

## **Governor's Action**

Section 11 of Article 6 provides the Governor five working days, excluding Sundays, to enact or veto all or part of an appropriations bill while the Legislature is in regular session. If the Governor does not sign or veto a bill within five days, a bill automatically becomes law. The Governor has 15 working days to sign or veto a bill after the regular session has adjourned. Any bill presented to the Governor within five days of the end of the regular legislative session must be acted upon within the 15 days also. In contrast to actions taken during session, if the Governor does not sign or veto a bill within the 15 working days after session, the bill fails to become law. This is also referred to as a pocket veto.

In addition to these powers, Section 12 of Article 6 of the Oklahoma Constitution gives the Governor the authority to disapprove an entire appropriations bill or any item or single appropriation within the bill. This line-item veto power is one manner the Governor exercises control of state budget appropriations.

Vetoes may be overridden by two-thirds majority of each house for bills with no emergency clause and by three-fourths majority of each house for bills with an emergency clause.

## **Funds Subject to Appropriation**

The State Board of Equalization, in accordance with Section 23, Article X of the Oklahoma Constitution, annually certifies the following funds as available for appropriation. Each of these funds is identified in the accounting structure with a three-digit code. The first two digits uniquely identify the fund. The last digit represents the year the funds were collected (e.g. "190" would be the

General Revenue Fund collected in FY-2000).

### **General Revenue Fund (Fund 19X):**

Income to this fund is from state taxes, fees, regulatory functions, and income on money and property. Approximately one-half of all state revenue is deposited to this fund. Funds are appropriated for the operation of state government and other purposes specified by the Legislature. (Article 10, Section 2)

**Council on Law Enforcement Education and Training (CLEET) Fund (Fund 58X):** Income is derived from a penalty assessment fee. Any person penalized for violating Oklahoma law pays a penalty assessment. Income is dedicated to peace officer training. (Title 20, Section 1313.2; effective November 1, 1988)

**Commissioners of the Land Office Fund (Fund 51X):** This fund was created to receive revenue collected from surface leasing of lands managed by the Commissioners of the Land Office and 6 percent of the revenue generated from the Common School Fund, the Education Institutions Fund, the University of Oklahoma Fund, the University Preparatory School Fund, the Oklahoma State University Fund, the Public Building Fund, and the Greer 33 Fund. Funds are used for administrative costs of the Commissioners of the Land Office. Funds not used for administrative costs of the Commissioners of the Land Office are allocated to public schools. (Title 64, Section 15; effective July 1, 1992)

**Mineral Leasing Fund (Fund 55X):** Income to this fund is from a share of lease sales and royalty payments on oil and gas production on federal lands within the state. Funds are used for the financial support of public schools. (Title 62, Section 41.8; effective 1920)

**Special Occupational Health and Safety Fund (Fund 54X):** Each insurance carrier writing Workers' Compensation Insurance in this state, the State Insurance Fund, and each self-insured employer authorized to make workers compensation payments directly to employees pays a sum equal to three-fourths of 1 percent of the total workers compensation losses, excluding medical payments and temporary total disability compensation. Funds are used exclusively for the operation and administration of the Occupational Health and Safety Standards Act of 1970 and other necessary expenses of the Department of Labor. (Title 40, Section 417.1; effective July 1, 1986)

**Public Building Fund (Fund 11X):** Income to the fund is from portions of leases, sales, rentals and royalties of lands set aside for public building purposes by the state's Enabling Act (Section 33) and lands granted in lieu thereof, under the management of the Commissioners of the Land Office. Funds are appropriated for major maintenance and capital improvements of public facilities. (Title 64, Section 371; effective 1910)

**State Transportation Fund (Fund 12X):** Revenue consists primarily of a portion of motor fuel taxes plus 0.3 percent of motor vehicle fees. Funds are appropriated for the construction, repair and maintenance of state highways, for other transportation systems, and for such other transportation purposes as the Legislature may authorize. (Title 69, Section 1501.1; effective July 1, 1990)

**Oklahoma Education Lottery Trust Fund:** In November of 2004, voters passed State Question 706 which established this fund as one available for appropriation by the Legislature for the purposes of common education, higher education, and career technology education. Revenue deposited in the fund comes from net proceeds generated by the Oklahoma Lottery.

## Agency Budgets

The state's budget cycle can be divided into three areas:

- Agency Budget Work Programs
- Agency Strategic Plans
- Agency Budget Request
- Financial Tools

The state's budget is prepared on a cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the State's Comprehensive Annual Financial Report (CAFR) encumbrances are recorded as: (1) expenditures for budgetary purposes if expected to be presented for payment by November 15, following the end of the fiscal year and, (2) reservations of fund balance for GAAP purposes.

## Budget Work Programs

Oklahoma statutes provide the legal framework under which state agencies budget and expend funds in a responsible manner. Section 41.7c of Title 62 requires every agency to submit a balanced budget on the first day in June or soon thereafter. Funds must be budgeted by program category and must conform to program categories and expenditure limits placed in law.

Appropriation bills set maximum limits on the amount of state appropriated funds, revolving funds and federal funds that each program may budget and spend for the fiscal year. Maximum limits for personnel or full-time-equivalent (FTE) personnel, lease-purchase expenditures and director salaries are also defined in statute. Budget work programs must

work within these parameters to provide a plan on how the agency will utilize all state, revolving and federal funds for the fiscal year.

Work programs are reviewed by the Budget Division of OSF and the approved work program serves as a basis for the subsequent allotment of funds. Certified funds such as the General Revenue Fund are allotted to agencies on a monthly basis and cash appropriations are appropriated in a lump sum. Budget Work Programs can be revised at any time during the fiscal year if justified. Revisions can be accomplished within various expenditure, full-time-equivalent employee and transfer limits.

Agencies are allowed under law (Section 41.46 of Title 62) to transfer up to a maximum of 25% of funds between line-items. The Contingency Review Board can approve transfers between line-items up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer meets legislative intent or subverts the intention and objectives of the Legislature.

Executive and legislative staff review agency budgets and expenditures throughout the year to ensure each agency is meeting program goals and stated legal expenditure limits.

## **Strategic Planning**

Across the nation, states are in the process of implementing measures to improve efficiency and accountability in state government. Oklahoma is no different. Over the past six years, the Executive and Legislative branch have implemented measures designed to focus on meaningful performance data which can then be used to make better budgeting decisions.

Passed in 1999, the Oklahoma Program Performance Budgeting and Accountability Act required agencies to submit strategic plans defining their mission, vision, goals and performance measures. At the same time, state agency budget request forms were modified to incorporate program information and performance measures for every program category within an agency. Section 45.3 of Title 62 requires every agency to submit five year strategic plans on October 1 of every even numbered year.

Strategic planning helps focus agency leadership and staff on short-term and long-term goals and how to achieve those goals. Outcome measures required in strategic plans and agency budget requests focus agency leadership and staff on monitoring and improving performance. This information is a valuable tool for policymakers. Evaluating government programs and services using meaningful data, allows elected officials to make better, more informed budgeting decisions.

## **Budget Request**

Section 41.29 of Title 62 requires agencies to submit a "Budget Request" on October 1, of every year. The budget request serves as the financial plan to the agency's strategic plan. This document outlines program funding and performance information and includes a detailed listing of additional state funding requested by each agency.

The Budget Division has been working with select agencies over the past two years to refine and improve funding and performance measure information submitted in the Budget Request and Strategic Plan. There is particular emphasis on unit costs and program performance. Copies of each agency's budget request and strategic plan is submitted to the Office of State Finance, House and Senate staff and members of the Legislative Oversight Committee on State Budget and Performance.

This committee, established in Section 41.47 of Title 62, is required to review each agency's programs, funding and performance once every four years. Members are directed to utilize zero-base budgeting and performance base budgeting techniques.

## **Financial Tools**

### **Comprehensive Annual Financial Report (CAFR)**

The CAFR is the primary means of reporting the financial activities for all state agencies. Prepared by the Division of Central Accounting and Reporting and in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, this model provides a better picture of the state's financial status as a single, unified entity. Financial statements contained in the CAFR include a statement of net assets and liabilities, statement of activities outlining major state expenditures, statement of Revenues, Expenditures and Changes in Fund Balances. The CAFR is a valuable tool to use when reviewing and analyzing overall state budget revenue and expenditure trends.

### **Single Audit**

The Single Audit is prepared by the Auditor & Inspector's Office to meet the requirements of the Single Audit Act. The federal funds expended by all State agencies (excluding higher education and civil emergency management) are included within the scope of the Single Audit. This report provides information on the type of federal funds available for state agencies such as block grants, entitlement programs, matching grants and reports federal fund expenditures for each agency. This report, required by the federal government ensures state agencies are properly expending and accounting for federal funds.

### **Performance Audits**

Since FY-2002, the Office of the State Auditor and Inspector has been conducting performance audits, authorized by 74 O.S. Supp 2001, 213.2. A performance audit includes economy, efficiency, and program audits. Economy and efficiency audits determine whether the entity is utilizing its resources economically and efficiently. Auditors also determine the causes of inefficiencies or uneconomical practices. A program audit determines if a program is achieving the desired results or benefits established by the Legislature, or other authorizing body. Program audits also ascertain the effectiveness of organizations, programs, activities or functions.

In practice, performance audits determine if an agency is focusing resources on activities that maximize productivity or outcomes. In addition to identifying efficiencies, performance audits can also identify areas worthy of additional state investment. This is another important tool for policymakers to utilize when reviewing the efficiency and effectiveness of agency programs and expenditures.

### **Financial System**

Daily, monthly and annual reports generated from the Office of State Finance financial systems provide quality agency budgeting and expenditure reports which allow policymakers to track funds by program and object code. Other essential financial reports include budget to actual reports, cash balance and receipts and disbursements for funds.

The Budget Request and Strategic Plan documents give policymakers the opportunity to review an agency's mission, goals and performance to ensure resources are allocated to specified statutory duties and responsibilities. Not only do these financial tools ensure agencies are

spending money appropriately but wisely. All of the financial tools mentioned can provide policymakers the opportunity to make informed fiscal policy recommendations based on quality financial and performance information.

## **Capital Budget**

### **The Capital Budget Process**

The State of Oklahoma's Capital Improvement Plan (CIP) and the Long-Range Capital Planning Commission were established in 1992. This provided the infrastructure for state and local governments to perform comprehensive capital plans. Capital projects are defined as one-time projects costing at least \$25 thousand with a useful life of at least five years.

The CIP development process begins early in the calendar year. July 1 is the official deadline for agencies, boards, commissions, trusts, colleges and universities to input their Capital Budget Requests into a web-based system hosted by the Office of State Finance. Once received, the Commission separates requests into two broad categories: self-funded and appropriation-funded. Generally, the Commission accepts an applicant's ranking of self-funded projects without further review.

Projects requiring an appropriation are evaluated according to a ranking process to permit the equitable allocation of limited state resources. The ranking system uses eight criteria:

- legal obligations;
- fiscal impact;
- urgency of maintenance needs;
- departmental priority;
- economic impact;
- impact on service to the public; and
- completion of prior phases.

For more information on the Capitol Budget process please contact Tim Martin with the State Bond Advisor, 602-3100.

# Oklahoma Revenues

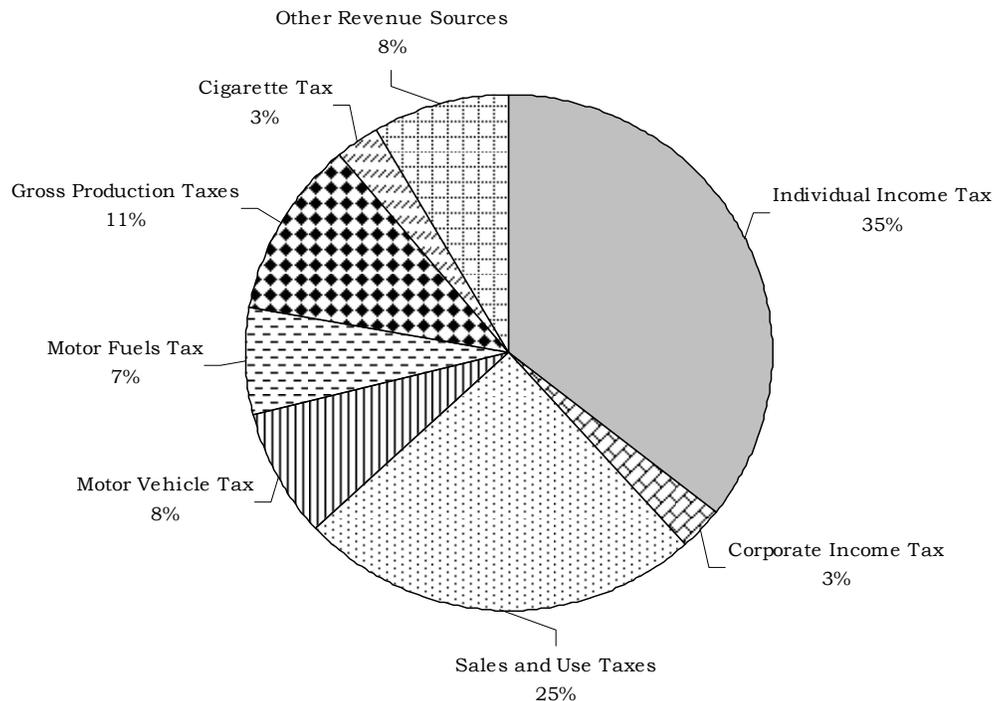
## Major Tax Sources

The single largest source of revenue collected by the state comes from taxes paid by Oklahoma citizens, businesses and others doing business in the state. Tax revenue accounted for 48% of total state revenue collections in FY-2004. Most of the state's appropriated revenue is from general taxes. For FY-2004, tax revenue comprised 35% of total appropriated revenue.

Taxes such as income tax are compulsory payments and cannot legally be avoided. This is in contrast to fees, like fishing licenses, which are discretionary and voluntary to the extent one decides to utilize a state service.

The seven major tax categories for FY-2006, which provide 92% of total state tax revenue, are:

**The Seven Major Tax Categories FY-2006**



## Income Taxes

Oklahoma's income tax laws date back to 1915 when an income tax was imposed on the net income of individuals residing in Oklahoma and upon the Oklahoma portion of nonresidents' income. The income tax was extended to corporations and banks in 1931.

The importance of the income tax to state revenues increased when voters approved the 1933 constitutional amendment prohibiting state taxation of property. While there have been numerous changes to the income tax law since its inception, today it is the single most

important source of state revenue and represents almost 46% of all state tax revenue in the General Revenue Fund.

**Individual Income Tax:** A unique feature of the Oklahoma individual income tax calculation is that two different methods are utilized. Method I employs rates from 0.5 percent to 6.65 percent and does not permit deduction of federal income paid tax from net income. Method II utilizes rates from 0.5 percent to 10 percent and permits the deduction of federal income tax paid from net income. Taxpayers calculate their tax liability by both methods and pay the lesser amount. The majority of taxpayers owe less and pay tax based on the Method I calculation.

The individual income tax rate reaches the top marginal rate at \$21,000 and \$24,000 of taxable income for those married, filing jointly under Method I and Method II, respectively. The top rate for single taxpayers is reached at \$10,000 for Method I and \$24,000 for Method II.

The “Sales Tax Relief Act,” which took effect in 1990, provides rebates for low to moderate income taxpayers for the state sales tax paid on food. The annual payment is \$40 per person. When first implemented, only families with income less than \$12,000, recipients of TANF or Medicaid recipients in nursing homes were entitled to the payment. The act’s qualification levels were increased in 1999 to \$20,000 for an individual with no dependents and \$50,000 for an individual claiming one or more personal exemptions other than the individual or their spouse, or an individual 65 years of age or older.

Also in 1999, the individual income tax rate was reduced from seven percent to 6.75 percent. The rate was lowered again in 2001 to 6.65 percent. The rate reduction, along with the expansion of the “Sales Tax Relief Act,” contained what was called a trigger provision that allowed for its reversal. Under the terms of that provision, the individual income tax rate reduction and the “Sales Tax Relief Act” expansion were rolled back if the Board of Equalization determined in its first revenue certification meeting that certified revenues would not increase from one fiscal year to the next.

With the passage of State Question 713, the trigger mechanism was repealed and the Method I top individual income tax rate will remain at 6.65%. Additionally, the Sales Tax Relief qualifications will stay at \$20,000 for an individual and \$50,000 for households and seniors. The state questions also exempted capital gains from individual income tax on Oklahoma source income and increased the retirement income exemption from \$5,500 to \$7,500.

The apportionment of individual income tax receipts was changed by the Legislature for the current fiscal year. The table below shows those changes.

<b>Individual Income Tax Apportionment Changes FY-2005 to FY-2008</b>				
	<b><u>FY-2005</u></b>	<b><u>FY-2006</u></b>	<b><u>FY-2007</u></b>	<b><u>FY-2008</u></b>
<b>General Revenue Fund</b>	86.91%	86.66%	86.16%	85.66%
<b>1017 Fund</b>	8.34%	8.34%	8.34%	8.34%
<b>Teacher’s Retirement Fund</b>	3.75%	4.00%	4.50%	5.00%
<b>Ad Valorem Reimburse. Fund</b>	1.00%	1.00%	1.00%	1.00%

**Corporate Income Tax:** Like current individual income tax rates, corporate income tax rates were progressive when implemented in 1931 and remained that way until 1935 when a flat, six percent rate was established. The rate was decreased to four percent in 1947. The rate has since been increased to its original and current level of six percent.

The corporate income tax rate is applied to all taxable income. Manufacturers' exemptions and some targeted credits and incentive payments frequently are used as economic development tools which reduce a company's income tax liability. The largest of these targeted incentive programs is the "Quality Jobs" program.

While revenue from the corporate income tax is important to the overall revenue picture, it provides only 3% of total tax revenue. That is because corporations subject to the corporate income tax have become, over time, a smaller part of the overall economy. This is due, in part, to the fact that many businesses now organize as subchapter S corporations or limited liability organizations.

Under those classifications, all income immediately goes to the partners or shareholders, and as a result, the companies pay no corporate income tax. The partners or shareholders, however, are taxed on that income, as well as income from other sources, under the individual income tax, rather than under the corporate income tax. Additionally, some businesses may be subject to some other form of taxation, such as the bank privilege tax or the insurance premium tax. Legislation in 2004 changed the apportionment of corporate income tax revenue. The table below shows the change in apportionment.

<b>Corporate Income Tax Apportionment Changes FY-2005 to FY-2008</b>				
	<u><b>FY-2005</b></u>	<u><b>FY-2006</b></u>	<u><b>FY-2007</b></u>	<u><b>FY-2008</b></u>
<b>General Revenue Fund</b>	78.75%	78.50%	78.00%	77.50%
<b>1017 Fund</b>	16.50%	16.50%	16.50%	16.50%
<b>Teacher's Retirement Fund</b>	3.75%	4.00%	4.50%	5.00%
<b>Ad Valorem Reimburse. Fund</b>	1.00%	1.00%	1.00%	1.00%

### **State Sales and Use Taxes**

The State sales and use tax has varied considerably in both rate and purpose since its initial imposition in 1933 when a temporary one percent tax was dedicated to public schools. Two years later, the tax was renewed, but the revenue from the tax was apportioned to the General Revenue Fund. In 1939, the rate was increased to two percent with 97 percent of the revenue apportioned to the State Assistance Fund or welfare programs administered by what is now the Department of Human Services.

The revenue continued to be dedicated in this manner until the 1980s, when all collections were apportioned to the General Revenue Fund. Since then, the General Revenue Fund has been the primary source of state funds for the Department of Human Services.

When Oklahoma faced a state funding crisis brought on by the decline of the petroleum industry in the 1980s, the state sales tax was increased incrementally to four percent. In 1990, the "Education Reform Act", also known as House Bill 1017, was passed, increasing the sales and use taxes to the current 4.5 percent level.

The sales and use taxes are imposed on sales of tangible personal property and on the furnishing of some services, such as transportation, meals and lodging, as well as telecommunication services. Most services, however, are not subject to the sales and use taxes. Exemptions are also allowed when the product or service is subject to another tax, such as the motor fuels tax. Other specific exemptions are made for governmental and nonprofit entities, agriculture and to certain areas targeted to encourage economic development. The value of some of the large exemptions from the sales and use tax include an exemption on sales to manufacturers equal to \$1.2 billion in sales tax revenue and sales for resale which total \$720 million in sales tax revenue.

During the 2004 legislative session, the apportionment for sales and use tax revenue was changed. The table below shows the change in apportionment.

<b>Sales Tax Apportionment Changes FY-2005 to FY-2008</b>				
	<b><u>FY-2005</u></b>	<b><u>FY-2006</u></b>	<b><u>FY-2007</u></b>	<b><u>FY-2008</u></b>
<b>General Revenue Fund</b>	85.83%	85.58%	85.08%	84.58%
<b>1017 Fund</b>	10.42%	10.42%	10.42%	10.42%
<b>Teacher's Retirement Fund</b>	3.75%	4.00%	4.50%	5.00%

<b>Use Tax Apportionment Changes FY-2005 to FY-2008</b>				
	<b><u>FY-2005</u></b>	<b><u>FY-2006</u></b>	<b><u>FY-2007</u></b>	<b><u>FY-2008</u></b>
<b>General Revenue Fund</b>	85.14%	84.89%	84.39%	83.89%
<b>1017 Fund</b>	11.11%	11.11%	11.11%	11.11%
<b>Teacher's Retirement Fund</b>	3.75%	4.00%	4.50%	5.00%

### **Cigarette Tax**

The legislature first enacted a cigarette stamp tax in 1933. The initial tax was three cents per package of 20 cigarettes and gradually increased to \$0.23 per package. In November 2004, voters passed State Question 713 which increased the cigarette tax rate by 80 cents to \$1.03 per package and exempted cigarettes from the state and local sales tax.

For many years the major apportionment of this revenue has been for support of debt service on state bonds. The apportionment of revenue first goes to pay the debt service, and then, the remaining revenue is deposited into the General Revenue Fund. With the increase in the tax rate, this apportionment remains unchanged on the first 23 cents of tax on a pack of cigarettes. Revenue collected from the 80 cent increase is apportioned to the following funds.

<b>Cigarette Tax Increase Apportionment</b>	
Health Employee Revolving Fund	22.06%
Cancer Center Revolving Fund	3.09%
Trauma Care Revolving Fund	7.50%
OSU Osteopathic Revolving Fund	3.09%
HCA Medicaid Program Fund	26.38%
DMHSA Revolving fund	2.65%
Hilliard Cancer Revolving Fund	0.04%
Teacher's Retirement Fund	1.00%
1017 Fund	2.07%
Tobacco Prevention Revolving Fund	0.66%
General Revenue Fund	16.83%
Municipalities and Counties	14.23%

### **Motor Vehicle Taxes**

Motor vehicle taxes and fees have a long history in Oklahoma. Oklahoma City was the birthplace of the parking meter in 1913 and it was here that "horseless carriages" were tagged before it was required by the State.

Oklahoma's modern day motor vehicle taxes are comprised of a broad category of taxes and fees imposed on the purchase and use of motor vehicles, including an excise tax levied on the purchase of cars, trucks, buses, boats and motors, as well as annual registration fees.

Motor vehicle registration fees, commonly called tag fees, are paid annually in lieu of ad valorem or personal property taxes. Voter's passage of State Question 691 in 2000 tied the cost of registration fees to the age of the vehicle:

Years 1 – 4:	\$85 annually
Years 5 – 8:	\$75 annually
Years 9 – 12:	\$55 annually
Years 13 – 16:	\$35 annually
Years 17 and beyond:	\$15 annually

The question also changed the calculation of the motor vehicle excise tax, which is paid in lieu of state and local sales taxes. Previously, the tax was assessed at 3.5 percent of the factory delivered price and depreciated at a rate of 35 percent annually. The state question's approval left the rate the same, but assessed it against the actual sales price of the vehicle, which is usually lower than the factory delivered price of a new vehicle.

Motor vehicle taxes are collected by independent businesses operating as motor license agents or tag agents. The only exception to this is the taxes and fees imposed on trucks and trailers used in interstate commerce, which are collected by the Oklahoma Tax Commission. The chart below shows how motor vehicle taxes and fees are apportioned.

<b>Motor Vehicle Tax Apportionment</b>	
General Revenue Fund	44.84%
State Transportation Fund	0.31%
Counties for Highways	7.24%
Cities and Towns	3.10%
School Districts	36.20%

### **Motor Fuel Taxes**

In 1910, local roadways were maintained by requiring able bodied males to provide four days of labor per year – less if they brought their own horse. By 1916, a two mill tax was levied in townships to supplement the work requirement but both were completely abolished by 1933.

The first gasoline tax become effective in 1923 and was used for the construction and maintenance of roads and bridges. Prior to that time, local governments were responsible for roads and bridges which were supported through ad valorem taxes at the local level.

Motor fuel taxes in Oklahoma are a form of selective sales tax and include the gasoline tax and diesel excise tax, the motor fuel importer use tax and the special fuel use tax. The taxes are levied on the quantity or volume of fuel sold, rather than the price. The state gasoline tax is 16 cents per gallon, plus a 1 cent per gallon special assessment. The state tax on diesel fuel is 13 cents per gallon, plus a 1 cent per gallon assessment.

There are some major exemptions to the payment of motor fuel taxes. All government entities are exempt and the tax paid on diesel fuel used off-road and for agricultural purposes may be refunded upon application to the Oklahoma Tax Commission.

Fuel used by all recognized Indian tribes for tribal governmental purposes may be exempt. Tribes may request a refund for taxes paid on motor fuel used for tribal purposes, or in the alternative, they may enter into a compact with the State to receive a portion of the motor fuels tax collections. If they compact with the State, the tribes must agree not to challenge the constitutionality of the motor fuel tax code. The law permitting the sharing of motor fuels revenue went into effect in 1996.

Motor fuels tax revenue supports road and bridge building, plus maintenance, for both state and local governments. A 1 cent per gallon special assessment provides for environmental cleanup of leaking petroleum storage tanks. Almost one-third of the total motor fuel revenue is apportioned for local uses with the remainder used for state purposes. According to state statute, motor fuel taxes, like sales taxes, are assessed on the consumer when they purchase fuel. This tax incidence was defined by statute during the 1996 legislative session as the result of a court ruling that required whoever actually paid the tax be specified in the statutes. Yet while the statutes identify the consumer as paying the tax, it is technically collected and remitted at the terminal rack or refinery level. The chart below shows the FY-2006 apportionment of gasoline and diesel taxes.

<b>Motor Fuels Tax Apportionment</b>		
	<u>Gasoline Tax</u>	<u>Diesel Tax</u>
General Revenue Fund	1.625%	1.390%
State Transportation Fund	63.75%	64.34%
Counties for Highways	30.125%	30.43%
Cities and Towns	1.875%	-
County Bridges and Roads	2.625%	3.84%

### **Gross Production Taxes**

Gross production or severance taxes are imposed on the removal of natural products, such as natural gas and oil, from land or water and are determined by the value and quantity of the products removed. Gross production taxes placed on the extraction of oil and gas were separated from the ad valorem property tax in 1910. For the first 20 years of statehood, oil and gas gross production and the ad valorem property tax were the major sources of state revenue.

While the ad valorem property tax became strictly a local tax in the 1930s, the oil and gas gross production tax have continued to be an important source of revenue for state government, schools and road building and maintenance. The graph below shows that state's reliance on gross production tax revenue has significantly decreased from FY-82 to FY-2004.

Oil and natural gas have a three-tiered tax rate structure that specifies a certain tax rate based on the current price of oil or natural gas. For natural gas, if the price per thousand cubic feet (MCF) is greater than \$2.10, the tax rate is 7%. If the price is between \$2.10 and \$1.75 per MCF, then the rate is 4% and any price lower than \$1.75 results in a tax rate of 1%. For oil, the price must be greater than \$17 per barrel for the tax rate to be 7%. If the price is between \$17 and \$14 per barrel, the tax rate is 4%, and a price below \$14 per barrel yields a 1% tax rate. The charts below show the apportionment for the revenue from gross production tax on oil and natural gas.

**Gross Production Tax – Oil Apportionment**

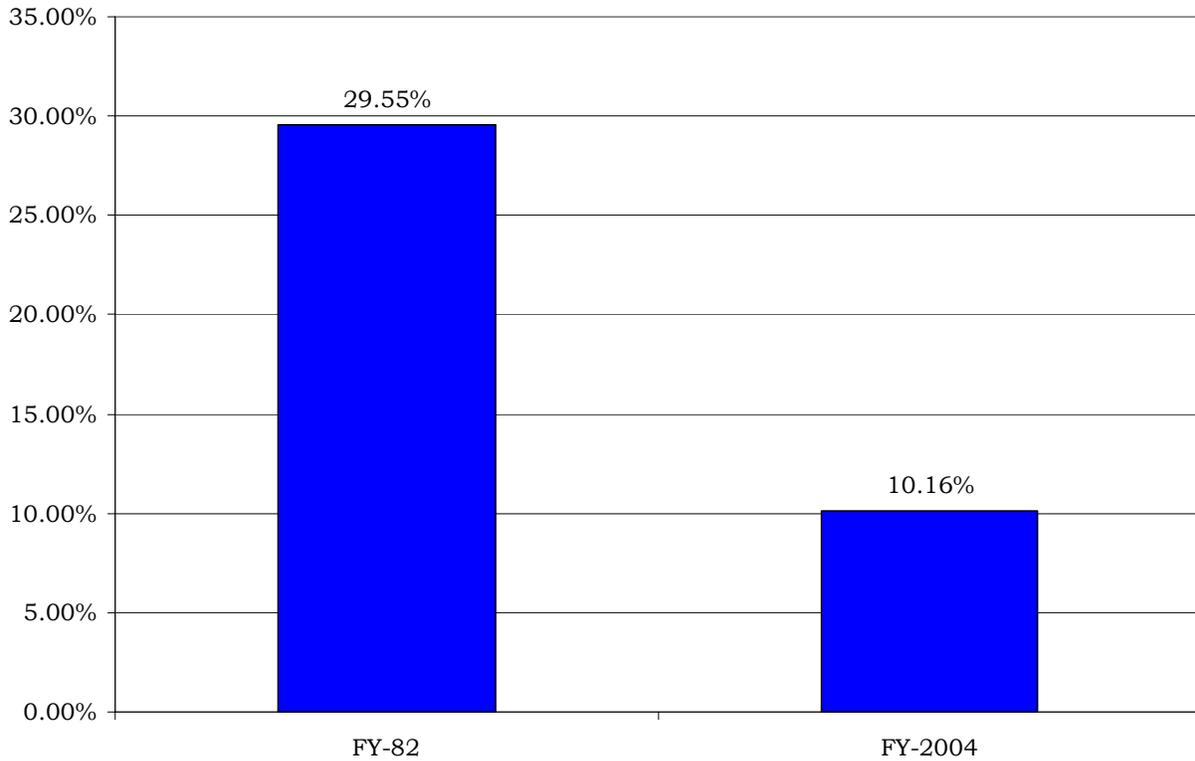
Common Education Technology Fund	25.72%
OK Student Aid Revolving Fund	25.72%
Higher Education Capital Fund	25.72%
County Highways	7.14%
School Districts	7.14%
Water Resources Board Fund	4.28%
County Roads and Bridges	4.28%

**Gross Production Tax – Natural Gas Apportionment**

General Revenue Fund	85.72%
County Highways	7.14%
School Districts	7.14%

The graph below shows that the state’s reliance of gross production tax revenue has decreased from FY-82 to FY-2004. In FY-1982, gross production taxes comprised over 29% of total state tax revenue but in FY-2004, gross production taxes only comprised 10% of total state tax revenue.

**Gross Production Taxes as a Share of Total Taxes  
FY-82 and FY-2004**



## Constitutional Reserve Fund

Constitutional Reserve "Rainy Day" Fund (CRF) History						
Description	FY-88	FY-89	FY-90	FY-91	FY-92	FY-93
Beginning RDF Balance	0	77,994,351	152,804,609	151,734,223	196,861,899	135,008,898
Adjustments to the Balance	0	0	0	10,464	25,176	0
Appropriations	0	(26,000,000)	(75,000,000)	(30,000,000)	(61,878,177)	(43,867,903)
-Budget Stabilization						
1)Current Fiscal Year	-	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-	-
-Emergency	-	38,997,176	76,402,305	75,867,112	98,430,950	67,504,449
End of FY Deposit	77,994,351	100,810,258	73,929,614	75,117,212	0	0
Ending Balance	77,994,351	152,804,609	151,734,223	196,861,899	135,008,898	91,140,995
Description	FY-94	FY-95	FY-96	FY-97	FY-98	FY-99
Beginning RDF Balance	91,140,995	45,574,052	45,574,052	114,300,821	308,906,533	297,360,609
Adjustments to the Balance	3,555	0	12,909	388,745	0	1,119,324
Appropriations	(45,570,498)	0	(22,688,345)	(52,825,496)	(154,444,000)	(148,621,410)
-Budget Stabilization						
1)Current Fiscal Year	-	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-	-
-Emergency	45,570,498	22,787,026	22,787,026	57,150,411	154,453,266	148,680,304
End of FY Deposit	0	0	91,402,205	247,042,463	142,898,076	0
Ending Balance	45,574,052	45,574,052	114,300,821	308,906,533	297,360,609	149,858,523
Description	FY-00	FY-01	FY-02	FY-03	FY-04	FY-05
Beginning RDF Balance	149,858,523	157,542,574	340,685,730	72,398,995	136,333	217,501,299
Adjustments to the Balance	28,700	9,826	299,087	0	0	0
Appropriations	(74,929,261)	(78,771,287)	(268,585,822)	(72,262,663)	0	
-Budget Stabilization						
1)Current Fiscal Year	-	-	98,242,957	36,199,498	68,167	54,375,325
2)Next Fiscal Year	-	-	-	-	-	-
-Emergency	74,929,262	78,771,287	170,342,865	36,199,498	68,167	-
End of FY Deposit	82,584,612	261,904,617	0	0	217,364,966	N/A
Ending Balance	157,542,574	340,685,730	72,398,995	136,333	217,501,299	N/A

## Appropriation History

Agency / Cabinet Name	1 FY-2003 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2003 Revised Approp.	5 Percent Change	6 Percent of Total	7 FY-2004 Appropriation	8 Percent Change	9 Percent of Total	10 FY-2005 Appropriation	11 Percent Change	12 Percent of Total
<b>1 SUMMARY BY CABINET</b>												
2 Governor	\$2,906,729	-1.26%	0.05%	\$2,711,760	-7.88%	0.05%	\$2,477,659	-8.63%	0.05%	\$2,522,709	1.82%	0.05%
3 Lieutenant Governor	548,452	-1.26%	0.01%	511,665	-7.88%	0.01%	467,494	-8.63%	0.01%	523,259	11.93%	0.01%
4 Agriculture	36,935,930	3.65%	0.66%	34,793,832	-2.36%	0.67%	28,831,333	-17.14%	0.56%	31,848,688	10.47%	0.59%
5 Commerce and Tourism	90,593,926	-1.55%	1.62%	85,144,841	-7.48%	1.63%	63,998,113	-24.84%	1.24%	88,287,668	37.95%	1.64%
6 Education	3,046,340,911	3.83%	54.39%	2,808,257,099	-4.29%	53.76%	2,858,400,494	1.79%	55.41%	2,956,750,789	3.44%	54.80%
7 Energy	11,119,503	-3.57%	0.20%	10,397,140	-9.84%	0.20%	8,719,937	-16.13%	0.17%	12,582,566	44.30%	0.23%
8 Environment	15,530,023	-5.16%	0.28%	14,488,349	-11.52%	0.28%	12,157,415	-16.09%	0.24%	16,127,241	32.65%	0.30%
9 Finance and Revenue	80,786,439	-7.39%	1.44%	75,680,382	-13.24%	1.45%	81,721,455	7.98%	1.58%	82,467,889	0.91%	1.53%
10 Health	699,322,442	5.77%	12.49%	657,247,560	-0.60%	12.58%	672,266,224	2.29%	13.03%	734,296,501	9.23%	13.61%
11 Human Resources & Administration	24,228,078	-4.75%	0.43%	22,691,784	-10.79%	0.43%	19,566,694	-13.77%	0.38%	19,764,541	1.01%	0.37%
12 Human Services	549,836,404	1.66%	9.82%	517,241,955	-4.37%	9.90%	511,831,053	-1.05%	9.92%	537,036,870	4.92%	9.95%
13 Military Affairs	7,895,866	-30.75%	0.14%	7,366,252	-35.39%	0.14%	7,021,379	-4.68%	0.14%	8,062,531	14.83%	0.15%
14 Safety and Security	547,739,517	3.14%	9.78%	511,232,809	-3.73%	9.79%	510,297,813	-0.18%	9.89%	525,415,718	2.96%	9.74%
15 Science and Technology	12,597,604	-8.35%	0.29%	11,752,622	-14.50%	0.27%	11,014,880	-6.28%	0.25%	11,669,647	5.94%	0.26%
16 Secretary of State	8,529,250	-0.64%	0.26%	8,020,754	-6.56%	0.24%	9,340,012	16.45%	0.28%	8,280,955	-11.34%	0.25%
17 Transportation	247,993,202	-16.85%	4.43%	245,698,351	-17.62%	4.70%	192,701,238	-21.57%	3.74%	201,394,127	4.51%	3.73%
18 Veterans	26,687,506	4.35%	0.48%	24,897,446	-2.65%	0.48%	26,943,202	8.22%	0.52%	30,091,172	11.68%	0.56%
19 OPERS - Deferred Comp.	0	n/a	0.00%	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
20 <b>Total Executive Branch</b>	<b>\$5,409,591,782</b>	<b>2.14%</b>	<b>96.59%</b>	<b>\$5,038,134,601</b>	<b>-4.88%</b>	<b>96.44%</b>	<b>\$5,017,756,395</b>	<b>-0.40%</b>	<b>97.27%</b>	<b>\$5,267,122,871</b>	<b>4.97%</b>	<b>97.62%</b>
21 The Legislature	\$37,127,285	-1.26%	0.66%	\$34,636,977	-7.88%	0.66%	\$31,646,832	-8.63%	0.61%	\$33,153,570	4.76%	0.61%
22 The Judiciary	61,564,119	1.62%	1.10%	58,993,730	-2.62%	1.13%	59,185,743	0.33%	1.15%	62,901,720	6.28%	1.17%
23 <b>Total Legis. &amp; Judic.</b>	<b>\$98,691,404</b>	<b>0.52%</b>	<b>1.76%</b>	<b>\$93,630,707</b>	<b>-4.64%</b>	<b>1.79%</b>	<b>\$90,832,575</b>	<b>-2.99%</b>	<b>1.76%</b>	<b>\$96,055,290</b>	<b>5.75%</b>	<b>1.78%</b>
24 <b>Total Excl. Supps. / Ret.</b>	<b>\$5,508,283,186</b>	<b>2.11%</b>	<b>98.35%</b>	<b>\$5,131,765,308</b>	<b>-4.87%</b>	<b>98.23%</b>	<b>\$5,108,588,970</b>	<b>-0.45%</b>	<b>99.03%</b>	<b>\$5,363,178,161</b>	<b>4.98%</b>	<b>99.40%</b>
25 Supplementals & Emerg. Fund	<b>92,326,496</b>	-14.57%	1.65%	<b>92,326,496</b>	-14.57%	1.77%	<b>50,233,911</b>	-45.59%	0.97%	<b>32,587,017</b>	-35.13%	0.60%
26 <b>TOTAL APPROPRIATIONS</b>	<b>\$5,600,609,682</b>	<b>1.78%</b>	<b>100.00%</b>	<b>\$5,224,091,804</b>	<b>-5.06%</b>	<b>100.00%</b>	<b>\$5,158,822,881</b>	<b>-1.25%</b>	<b>100.00%</b>	<b>\$5,395,765,178</b>	<b>4.59%</b>	<b>100.00%</b>

27	<b>GOVERNOR, LT. GOVERNOR</b>												
28	Governor	\$2,906,729	-1.26%	0.05%	\$2,711,760	-7.88%	0.05%	\$2,477,659	-8.63%	0.05%	\$2,522,709	1.82%	0.05%
29	Lieutenant Governor	<u>548,452</u>	-1.26%	0.01%	<u>511,665</u>	-7.88%	0.01%	<u>467,494</u>	-8.63%	0.01%	<u>523,259</u>	11.93%	0.01%
30	<b>TOTAL GOV., LT. GOV.</b>	<b>\$3,455,181</b>	-1.26%	0.06%	<b>\$3,223,425</b>	-7.88%	0.06%	<b>\$2,945,153</b>	-8.63%	0.06%	<b>\$3,045,968</b>	3.42%	0.06%
31	<b>AGRICULTURE</b>												
32	Agriculture	\$29,648,836	5.27%	0.53%	\$27,995,519	-0.60%	0.54%	\$22,610,776	-19.23%	0.44%	\$24,231,030	7.17%	0.45%
33	Conservation Commission	<u>7,287,094</u>	-2.45%	0.13%	<u>6,798,313</u>	-8.99%	0.13%	<u>6,220,557</u>	-8.50%	0.12%	<u>7,617,658</u>	22.46%	0.14%
34	<b>TOTAL AGRICULTURE</b>	<b>\$36,935,930</b>	3.65%	0.66%	<b>\$34,793,832</b>	-2.36%	0.67%	<b>\$28,831,333</b>	-17.14%	0.56%	<b>\$31,848,688</b>	10.47%	0.59%
35	<b>COMMERCE AND TOURISM</b>												
36	Commerce, Department of	\$30,241,666	0.78%	0.54%	\$28,639,757	-4.56%	0.55%	\$22,008,606	-23.15%	0.43%	\$33,337,845	51.48%	0.62%
37	Centennial Commission	640,904	12.73%	0.01%	597,914	5.17%	0.01%	526,503	-11.94%	0.01%	536,453	1.89%	0.01%
38	Historical Society	10,515,233	0.75%	0.19%	9,809,924	-6.00%	0.19%	8,537,394	-12.97%	0.17%	10,142,253	18.80%	0.19%
39	J.M. Davis Memorial Comm.	364,704	-15.52%	0.01%	340,242	-21.19%	0.01%	299,604	-11.94%	0.01%	330,983	10.47%	0.01%
40	Labor Department	3,678,570	-3.97%	0.07%	3,518,747	-8.14%	0.07%	2,958,570	-15.92%	0.06%	3,061,658	3.48%	0.06%
41	Native American Cultural Center	392,638	3.93%	0.01%	366,302	-3.04%	0.01%	0	-100.00%	0.00%	0	n/a	0.00%
42	REAP -local gov't thru Aud & Insp*	15,259,750	2.32%	0.27%	14,236,205	-4.54%	0.27%	6,000,000	-57.85%	0.12%	15,500,000	158.33%	0.29%
43	Scenic Rivers Commission	357,805	n/a	0.01%	333,805	n/a	0.01%	258,156	n/a	0.01%	333,158	n/a	0.01%
44	Tourism & Recreation Dept.	28,177,594	-7.45%	0.50%	26,401,614	-13.29%	0.51%	22,616,482	-14.34%	0.44%	24,162,640	6.84%	0.45%
45	Wildlife Conservation Comm.	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
46	Will Rogers Memorial Comm.	<u>965,062</u>	-4.58%	0.02%	<u>900,331</u>	-10.98%	0.02%	<u>792,798</u>	-11.94%	0.02%	<u>882,678</u>	11.34%	0.02%
47	<b>TOTAL COMMERCE &amp; TOURISM</b>	<b>\$90,593,926</b>	-1.55%	1.62%	<b>\$85,144,841</b>	-7.48%	1.63%	<b>\$63,998,113</b>	-24.84%	1.24%	<b>\$88,287,668</b>	37.95%	1.64%
48	<b>EDUCATION</b>												
49	Arts Council	\$4,318,483	-1.26%	0.08%	\$4,028,821	-7.88%	0.08%	\$3,864,077	-4.09%	0.07%	\$3,923,871	1.55%	0.07%
50	Education, Department of	2,040,028,941	4.37%	36.43%	1,863,407,865	-4.66%	35.67%	1,950,625,265	4.68%	37.81%	2,007,663,450	2.92%	37.21%
51	Educational TV Authority	3,741,795	-64.33%	0.07%	3,490,815	-66.72%	0.07%	3,448,064	-1.22%	0.07%	4,201,753	21.86%	0.08%
52	Higher Educ., Regents for	851,255,610	3.51%	15.20%	800,193,255	-2.70%	15.32%	768,130,523	-4.01%	14.89%	802,136,296	4.43%	14.87%
53	Department of Libraries	6,891,409	-1.26%	0.12%	6,429,168	-7.88%	0.12%	6,166,270	-4.09%	0.12%	6,212,118	0.74%	0.12%
54	Private Vo-Tech Schools Board	166,022	-1.26%	0.00%	154,886	-7.88%	0.00%	152,989	-1.22%	0.00%	155,456	1.61%	0.00%
55	School of Science & Mathematics	6,522,429	9.83%	0.12%	6,084,938	2.47%	0.12%	6,204,693	1.97%	0.12%	6,572,319	5.92%	0.12%
56	Teacher Preparation Commission	2,219,555	-1.26%	0.04%	2,070,679	-7.88%	0.04%	1,986,006	-4.09%	0.04%	1,998,168	0.61%	0.04%
57	Career & Technology Education	<u>131,196,667</u>	3.42%	2.34%	<u>122,396,672</u>	-3.51%	2.34%	<u>117,822,607</u>	-3.74%	2.28%	<u>123,887,358</u>	5.15%	2.30%
58	<b>TOTAL EDUCATION</b>	<b>\$3,046,340,911</b>	3.83%	54.39%	<b>\$2,808,257,099</b>	-4.29%	53.76%	<b>\$2,858,400,494</b>	1.79%	55.41%	<b>\$2,956,750,789</b>	3.44%	54.80%
59	<b>ENERGY</b>												
60	Corporation Commission	\$9,735,621	-3.65%	0.17%	\$9,082,606	-10.11%	0.17%	\$7,997,813	-11.94%	0.16%	\$11,767,056	47.13%	0.22%
61	LP Gas, Marketing & Research	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
62	Liquefied Petroleum Gas Board	434,148	-3.92%	0.01%	405,027	-10.37%	0.01%	0	-100.00%	0.00%	0	n/a	0.00%
63	Mines, Department of	<u>949,734</u>	-2.61%	0.02%	<u>909,507</u>	-6.74%	0.02%	<u>722,124</u>	-20.60%	0.01%	<u>815,510</u>	12.93%	0.02%
64	<b>TOTAL ENERGY</b>	<b>\$11,119,503</b>	-3.57%	0.20%	<b>\$10,397,140</b>	-9.84%	0.20%	<b>\$8,719,937</b>	-16.13%	0.17%	<b>\$12,582,566</b>	44.30%	0.23%
65	<b>ENVIRONMENT</b>												
66	Environmental Quality, Dept. of	\$7,460,880	-9.38%	0.13%	\$6,960,443	-15.46%	0.13%	\$5,928,921	-14.82%	0.11%	\$9,495,264	60.15%	0.18%
67	Pollution Control Board	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
68	Water Resources Board	3,839,143	0.72%	0.07%	3,581,633	-6.04%	0.07%	4,028,476	12.48%	0.08%	4,431,977	10.02%	0.08%
69	Water Resources - REAP	<u>4,230,000</u>	-2.30%	0.08%	<u>3,946,273</u>	-8.85%	0.08%	<u>2,200,018</u>	-44.25%	0.04%	<u>2,200,000</u>	0.00%	0.04%
70	<b>TOTAL ENVIRONMENT</b>	<b>\$15,530,023</b>	-5.16%	0.28%	<b>\$14,488,349</b>	-11.52%	0.28%	<b>\$12,157,415</b>	-16.09%	0.24%	<b>\$16,127,241</b>	32.65%	0.30%

71	<b>FINANCE &amp; REVENUE</b>												
72	Auditor & Inspector	\$5,939,515	-2.05%	0.11%	\$5,541,123	-8.62%	0.11%	\$5,226,966	-5.67%	0.10%	\$5,523,603	5.68%	0.10%
73	Ad Valorem Task Force	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
74	Banking Department	3,107,821	1.86%	0.06%	2,899,364	-4.98%	0.06%	0	-100.00%	0.00%	0	n/a	0.00%
75	Bond Advisor	0	n/a	0.00%	0	n/a	0.00%	163,527	n/a	0.00%	188,096	15.02%	0.00%
76	Capitol Improvement Authority	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
77	Consumer Credit Commission	733,716	-3.34%	0.01%	684,502	-9.82%	0.01%	602,747	-11.94%	0.01%	616,513	2.28%	0.01%
78	Insurance Department	2,872,013	-1.26%	0.05%	2,679,373	-7.88%	0.05%	2,072,157	-22.66%	0.04%	2,136,301	3.10%	0.04%
79	Finance, Office of State	8,912,398	-39.64%	0.16%	8,346,063	-43.47%	0.16%	20,080,825	140.60%	0.39%	22,866,800	13.87%	0.42%
80	Land Office Commission	4,095,100	6.35%	0.07%	4,095,100	6.35%	0.08%	4,095,100	0.00%	0.08%	4,747,965	15.94%	0.09%
81	Securities Commission	694,615	-1.26%	0.01%	648,024	-7.88%	0.01%	501,088	-22.67%	0.01%	0	-100.00%	0.00%
82	Tax Commission	49,161,169	-1.26%	0.88%	45,863,691	-7.88%	0.88%	44,601,406	-2.75%	0.86%	41,462,019	-7.04%	0.77%
83	Treasurer	5,270,092	-1.26%	0.09%	4,923,142	-7.76%	0.09%	4,377,639	-11.08%	0.08%	4,926,592	12.54%	0.09%
84	<b>TOTAL FINANCE &amp; REVENUE</b>	<b>\$80,786,439</b>	<b>-7.39%</b>	<b>1.44%</b>	<b>\$75,680,382</b>	<b>-13.24%</b>	<b>1.45%</b>	<b>\$81,721,455</b>	<b>7.98%</b>	<b>1.58%</b>	<b>\$82,467,889</b>	<b>0.91%</b>	<b>1.53%</b>
85	<b>HEALTH</b>												
86	Health Department	64,292,965	-6.55%	1.15%	60,076,831	-12.68%	1.15%	53,649,633	-10.70%	1.04%	57,563,226	7.29%	1.07%
87	Health Care Authority	442,605,130	9.25%	7.90%	417,597,907	3.08%	7.99%	439,000,000	5.13%	8.51%	482,256,505	9.85%	8.94%
88	Health Planning Commission	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
89	Mental Health Department	150,924,452	5.12%	2.69%	140,856,526	-1.89%	2.70%	145,018,006	2.95%	2.81%	155,447,428	7.19%	2.88%
90	University Hospitals Authority	41,499,895	-5.03%	0.74%	38,716,296	-11.40%	0.74%	34,598,585	-10.64%	0.67%	39,029,342	12.81%	0.72%
91	<b>TOTAL HEALTH</b>	<b>\$699,322,442</b>	<b>5.77%</b>	<b>12.49%</b>	<b>\$657,247,560</b>	<b>-0.60%</b>	<b>12.58%</b>	<b>\$672,266,224</b>	<b>2.29%</b>	<b>13.03%</b>	<b>\$734,296,501</b>	<b>9.23%</b>	<b>13.61%</b>
92	<b>HUMAN RESOURCES AND ADMINISTRATION</b>												
93	Employment Security Comm.	\$0	n/a	0.00%	\$0	n/a	0.00%	\$0	n/a	0.00%	\$0	n/a	0.00%
94	Merit Protection Commission	592,319	1.86%	0.01%	552,589	-4.98%	0.01%	504,885	-8.63%	0.01%	512,154	1.44%	0.01%
95	Personnel Management	5,399,774	-1.36%	0.10%	5,037,584	-7.98%	0.10%	4,602,700	-8.63%	0.09%	4,497,011	-2.30%	0.08%
96	Central Services, Dept. of (DCS)	15,301,061	-6.57%	0.27%	14,363,546	-12.29%	0.27%	12,047,361	-16.13%	0.23%	12,234,432	1.55%	0.23%
97	DCS Capital Improvement Fund	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
98	Horse Racing Commission	2,144,550	-2.67%	0.04%	2,000,705	-9.20%	0.04%	1,761,748	-11.94%	0.03%	1,858,182	5.47%	0.03%
99	Human Rights Commission	790,374	-1.26%	0.01%	737,360	-7.88%	0.01%	650,000	-11.85%	0.01%	662,762	1.96%	0.01%
100	<b>TOTAL HUMAN RESOURCES AND ADMINISTRATION</b>	<b>\$24,228,078</b>	<b>-4.75%</b>	<b>0.43%</b>	<b>\$22,691,784</b>	<b>-10.79%</b>	<b>0.43%</b>	<b>\$19,566,694</b>	<b>-13.77%</b>	<b>0.38%</b>	<b>\$19,764,541</b>	<b>1.01%</b>	<b>0.37%</b>
103	<b>HUMAN SERVICES</b>												
104	Children & Youth Commission	\$1,751,885	-17.59%	0.03%	\$1,634,378	-23.12%	0.03%	\$1,550,000	-5.16%	0.03%	\$1,569,789	1.28%	0.03%
105	Handicapped Concerns	386,278	-1.41%	0.01%	361,375	-7.76%	0.01%	356,000	-1.49%	0.01%	362,128	1.72%	0.01%
106	Human Services Department	410,923,039	2.47%	7.34%	387,618,344	-3.34%	7.42%	387,455,619	-0.04%	7.51%	408,330,849	5.39%	7.57%
107	Indian Affairs Commission	276,685	-1.26%	0.00%	258,126	-7.88%	0.00%	244,000	-5.47%	0.00%	248,942	2.03%	0.00%
108	J. D. McCarty Center	2,946,549	-1.26%	0.05%	2,748,910	-7.88%	0.05%	2,457,898	-10.59%	0.05%	3,162,767	28.68%	0.06%
109	Office of Juvenile Affairs	102,368,528	-1.00%	1.83%	95,502,176	-7.64%	1.83%	90,000,000	-5.76%	1.74%	92,858,160	3.18%	1.72%
110	Phys. Manpower Trng. Comm.	5,606,623	-1.52%	0.10%	5,257,390	-7.66%	0.10%	5,017,536	-4.56%	0.10%	5,024,607	0.14%	0.09%
111	Rehabilitation Svcs., Dept. of	25,576,817	2.43%	0.46%	23,861,256	-4.44%	0.46%	24,750,000	3.72%	0.48%	25,479,628	2.95%	0.47%
112	<b>TOTAL HUMAN SERVICES</b>	<b>\$549,836,404</b>	<b>1.66%</b>	<b>9.82%</b>	<b>\$517,241,955</b>	<b>-4.37%</b>	<b>9.90%</b>	<b>\$511,831,053</b>	<b>-1.05%</b>	<b>9.92%</b>	<b>\$537,036,870</b>	<b>4.92%</b>	<b>9.95%</b>
113	<b>MILITARY AFFAIRS</b>												
114	Military Department	\$7,895,866	-30.75%	0.14%	\$7,366,252	-35.39%	0.14%	\$7,021,379	-4.68%	0.14%	\$8,062,531	14.83%	0.15%

115	<b>SAFETY AND SECURITY</b>												
116	A.B.L.E. Commission	\$4,010,797	-1.26%	0.07%	\$3,741,773	-7.88%	0.07%	\$3,431,691	-8.29%	0.07%	\$3,626,853	5.69%	0.07%
117	Attorney General	7,107,784	3.72%	0.13%	6,641,092	-3.09%	0.13%	5,794,927	-12.74%	0.11%	5,953,778	2.74%	0.11%
118	Emergency Management, Dept. of	749,202	0.82%	0.01%	698,950	-5.95%	0.01%	666,226	-4.68%	0.01%	680,972	2.21%	0.01%
119	Corrections Department	392,828,555	5.18%	7.01%	366,479,643	-1.87%	7.02%	373,931,566	2.03%	7.25%	384,286,568	2.77%	7.12%
120	District Attorneys Council	30,307,624	-1.32%	0.54%	28,311,972	-7.82%	0.54%	25,972,055	-8.26%	0.50%	26,926,731	3.68%	0.50%
121	Fire Marshal	1,875,056	-1.26%	0.03%	1,749,287	-7.88%	0.03%	1,504,323	-14.00%	0.03%	1,537,061	2.18%	0.03%
122	Indigent Defense System	15,440,273	0.03%	0.28%	14,418,035	-6.59%	0.28%	14,243,912	-1.21%	0.28%	14,428,761	1.30%	0.27%
123	Investigation, Bureau of	10,742,452	-1.26%	0.19%	10,021,904	-7.88%	0.19%	9,441,383	-5.79%	0.18%	9,681,910	2.55%	0.18%
124	Law Enf. Educ. & Training	2,883,685	-4.83%	0.05%	2,857,861	-5.68%	0.05%	2,649,441	-7.29%	0.05%	2,686,318	1.39%	0.05%
125	Medicolegal Invest., Board of	3,918,936	1.40%	0.07%	3,656,074	-5.40%	0.07%	3,257,458	-10.90%	0.06%	3,427,372	5.22%	0.06%
126	Narc. & Dang. Drugs Control	5,925,357	-1.26%	0.11%	5,527,914	-7.88%	0.11%	4,859,814	-12.09%	0.09%	4,967,062	2.21%	0.09%
127	Pardon and Parole Board	2,355,603	2.97%	0.04%	2,197,601	-3.94%	0.04%	2,115,485	-3.74%	0.04%	2,150,328	1.65%	0.04%
128	Public Safety, Department of	69,594,193	-3.11%	1.24%	64,930,703	-9.60%	1.24%	62,429,532	-3.85%	1.21%	65,062,004	4.22%	1.21%
129	<b>TOTAL SAFETY &amp; SECURITY</b>	<b>\$547,739,517</b>	<b>3.14%</b>	<b>9.78%</b>	<b>\$511,232,809</b>	<b>-3.73%</b>	<b>9.79%</b>	<b>\$510,297,813</b>	<b>-0.18%</b>	<b>9.89%</b>	<b>\$525,415,718</b>	<b>2.96%</b>	<b>9.74%</b>
130	<b>SECRETARY OF STATE</b>												
131	Council on Judicial Complaints	\$301,681	3.94%	0.01%	\$281,446	-3.04%	0.01%	\$267,999	-4.78%	0.01%	\$271,152	1.18%	0.01%
132	Election Board	7,227,380	-1.26%	0.13%	6,806,206	-7.02%	0.13%	8,195,395	20.41%	0.16%	7,072,129	-13.71%	0.13%
133	Ethics Commission	482,321	7.27%	0.01%	449,970	-0.63%	0.01%	447,124	-0.63%	0.01%	480,747	7.52%	0.01%
134	Secretary of State	517,868	-1.26%	0.01%	483,132	-7.88%	0.01%	429,494	-11.10%	0.01%	456,927	6.39%	0.01%
135	<b>TOTAL SECRETARY OF STATE</b>	<b>\$8,529,250</b>	<b>-0.64%</b>	<b>0.15%</b>	<b>\$8,020,754</b>	<b>-6.56%</b>	<b>0.15%</b>	<b>\$9,340,012</b>	<b>16.45%</b>	<b>0.18%</b>	<b>\$8,280,955</b>	<b>-11.34%</b>	<b>0.15%</b>
136	<b>SCIENCE AND TECHNOLOGY</b>												
137	OCAST	\$12,597,604	-8.35%	0.22%	\$11,752,622	-14.50%	0.22%	\$11,014,880	-6.28%	0.21%	\$11,669,647	5.94%	0.22%
138	<b>TRANSPORTATION</b>												
139	Transportation Department	\$247,008,202	-17.10%	4.41%	\$244,779,420	-17.85%	4.69%	\$192,185,387	-21.49%	3.73%	\$200,875,804	4.52%	3.72%
140	Space Industry Develop. Authority	985,000	241.25%	0.02%	918,931	218.36%	0.02%	515,851	-43.86%	0.01%	518,323	0.48%	0.01%
141	<b>TOTAL TRANSPORTATION</b>	<b>\$247,993,202</b>	<b>-16.85%</b>	<b>4.43%</b>	<b>\$245,698,351</b>	<b>-17.62%</b>	<b>4.70%</b>	<b>\$192,701,238</b>	<b>-21.57%</b>	<b>3.74%</b>	<b>\$201,394,127</b>	<b>4.51%</b>	<b>3.73%</b>
142	<b>VETERANS</b>												
143	Veterans Affairs Department	\$26,687,506	4.35%	0.48%	\$24,897,446	-2.65%	0.48%	\$26,943,202	8.22%	0.52%	\$30,091,172	11.68%	0.56%
144	OPERS Deferred Comp.	\$0	0.00%	0.00%	\$0	0.00%	\$0	0.00%	0.00%	\$0	0.00%	0.00%	
145	<b>TOTAL EXECUTIVE BRANCH</b>	<b>\$5,409,591,782</b>	<b>2.14%</b>	<b>96.59%</b>	<b>\$5,038,134,601</b>	<b>-4.88%</b>	<b>96.44%</b>	<b>\$5,017,756,395</b>	<b>-0.40%</b>	<b>97.27%</b>	<b>\$5,267,122,871</b>	<b>4.97%</b>	<b>97.62%</b>
146	<b>LEGISLATURE</b>												
147	House of Representatives	\$20,457,766	-1.26%	0.37%	\$19,085,564	-7.88%	0.37%	\$17,437,944	-8.63%	0.34%	\$18,080,670	3.69%	0.34%
148	Legislative Service Bureau	2,417,878	-1.26%	0.04%	2,255,699	-7.88%	0.04%	2,060,968	-8.63%	0.04%	2,303,193	11.75%	0.04%
149	Senate	14,251,641	-1.26%	0.25%	13,295,714	-7.88%	0.25%	12,147,920	-8.63%	0.24%	12,769,707	5.12%	0.24%
150	<b>TOTAL LEGISLATURE</b>	<b>\$37,127,285</b>	<b>-1.26%</b>	<b>0.66%</b>	<b>\$34,636,977</b>	<b>-7.88%</b>	<b>0.66%</b>	<b>\$31,646,832</b>	<b>-8.63%</b>	<b>0.61%</b>	<b>\$33,153,570</b>	<b>4.76%</b>	<b>0.61%</b>
151	<b>JUDICIARY</b>												
152	Court of Criminal Appeals	\$2,817,556	2.32%	0.05%	\$2,628,569	-4.54%	0.05%	\$2,634,378	0.22%	0.05%	\$2,750,541	4.41%	0.05%
153	District Courts	40,897,067	1.53%	0.73%	39,686,086	-1.48%	0.76%	40,897,067	3.05%	0.79%	43,043,226	5.25%	0.80%
154	Supreme Court	13,543,032	1.57%	0.24%	12,654,758	-5.09%	0.24%	11,962,341	-5.47%	0.23%	13,337,544	11.50%	0.25%
155	Workers' Compensation Court	4,306,464	2.27%	0.08%	4,024,317	-4.43%	0.08%	3,691,957	-8.26%	0.07%	3,770,409	2.12%	0.07%
156	<b>TOTAL JUDICIARY</b>	<b>\$61,564,119</b>	<b>1.62%</b>	<b>1.10%</b>	<b>\$58,993,730</b>	<b>-2.62%</b>	<b>1.13%</b>	<b>\$59,185,743</b>	<b>0.33%</b>	<b>1.15%</b>	<b>\$62,901,720</b>	<b>6.28%</b>	<b>1.17%</b>
157	<b>TOTAL EXCL. SUPPS./</b>												
158	<b>&amp; RETIREMENT SYSTEMS</b>	<b>\$5,508,283,186</b>	<b>2.11%</b>	<b>98.35%</b>	<b>\$5,131,765,308</b>	<b>-4.87%</b>	<b>98.23%</b>	<b>\$5,108,588,970</b>	<b>-0.45%</b>	<b>99.03%</b>	<b>\$5,363,178,161</b>	<b>4.98%</b>	<b>99.40%</b>
159	Supplementals & Emerg. Fund	\$92,326,496	-14.57%	1.65%	\$92,326,496	-14.57%	1.77%	\$50,233,911	-45.59%	0.97%	\$32,587,017	-35.13%	0.60%
160	<b>TOTAL APPROPRIATIONS</b>	<b>\$5,600,609,682</b>	<b>1.78%</b>	<b>100.00%</b>	<b>\$5,224,091,804</b>	<b>-5.06%</b>	<b>100.00%</b>	<b>\$5,158,822,881</b>	<b>-1.25%</b>	<b>100.00%</b>	<b>\$5,395,765,178</b>	<b>4.59%</b>	<b>100.00%</b>

**SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION ALLOCATIONS (2004-2005)**

<u>Regents' Allocation</u>	<b>ORIGINAL ALLOCATION</b>	<b>% OF ORIGINAL ALLOCATION</b>
University of Oklahoma	\$112,635,257	14.04%
Oklahoma Natural Musuem of History	\$3,171,091	0.40%
OU Law Center	5,078,528	0.63%
OU Health Sciences Center	77,504,758	9.66%
Oklahoma State University	105,169,885	13.11%
OSU Fire Service Training Program	981,782	0.12%
OSU Agriculture Experiment Station	21,478,370	2.68%
OSU Agriculture Extension Division	24,482,566	3.05%
OSU Technical Branch, Okmulgee	12,741,529	1.59%
OSU College of Veterinary Medicine	9,765,506	1.22%
OSU, Oklahoma City	8,138,647	1.01%
OSU Center for Health Sciences	11,939,635	1.49%
OSU-Tulsa	11,447,045	1.43%
University of Central Oklahoma	42,329,822	5.28%
East Central University	15,155,480	1.89%
Northeastern State University	31,552,246	3.93%
Statewide Literacy Program - NSU	73,229	0.01%
Northwestern Oklahoma State University	8,483,581	1.06%
Southeastern Oklahoma State University	15,056,107	1.88%
Southwestern Oklahoma State University	19,553,965	2.44%
Cameron University	18,332,701	2.29%
Langston University - Campus	15,091,916	1.88%
Langston - Endowment	1,779,115	0.22%
Oklahoma Panhandle State University	6,158,598	0.77%
University of Science & Arts of Oklahoma	6,125,062	0.76%
University of Science & Arts - Jane Brooks	27,038	0.00%
Rogers State University	11,348,514	1.41%
Carl Albert State College	4,685,932	0.58%
Connors State College	5,407,930	0.67%
Eastern Oklahoma State College	5,425,929	0.68%
Murray State College	4,364,621	0.54%
Northeastern Oklahoma A&M College	7,928,144	0.99%
Northern Oklahoma College	6,583,905	0.82%
Oklahoma City Community College	17,208,462	2.15%
Redlands Community College	3,928,973	0.49%
Rose State College	18,065,346	2.25%
Seminole State College	4,449,428	0.55%
Tulsa Community College	28,720,288	3.58%
Western Oklahoma State College	4,271,141	0.53%
Ardmore Higher Education Program	539,461	0.07%

**SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION ALLOCATIONS (2004-2005)**

<u>Regents' Allocation cont.</u>	<b>ORIGINAL ALLOCATION</b>	<b>% OF ORIGINAL ALLOCATION</b>
McCurtain County Higher Education Program	582,304	0.07%
Ponca City Learning Site	406,305	0.05%
Section 13 Offsets	9,236,945	1.15%
Entry-Yr Tchr Prog Funds	1,257,206	0.16%
State Regents' Budget	6,376,105	0.79%
OneNet (includes Higher Ed User Fees)	4,850,253	0.60%
Scholar-Leadership Enrichment Program	270,882	0.03%
Economic Development Incentives	3,901,628	0.49%
Regional University Scholarships	800,229	0.10%
Prospective Teacher Scholarships	100,000	0.01%
Teacher Education Assistance Program - indep ir	120,104	0.01%
National Guard Waiver Program	1,728,100	0.22%
Tulsa Reconciliation Scholarships	50,000	0.01%
Brain Gain 2010	3,000,000	0.37%
Student Preparation Program	1,174,710	0.15%
Summer Academies Program	300,000	0.04%
Oklahoma Tuition Aid Grants	17,741,433	2.21%
Academic Scholars Program	7,204,500	0.90%
Endowed Chairs Program	7,500,000	0.94%
Academic Library Databases	350,000	0.04%
Master Lease Program	75,000	0.01%
OCIA Debt Service	5,432,869	0.68%
EPSCoR	2,699,647	0.34%
Quartz Mountain	1,568,134	0.20%
OHLAP	15,100,000	1.88%
George & Donna Nigh Scholarship	36,000	0.00%
Oklahoma Tuition Equalization Program	1,000,000	0.12%
Capital and One-Time Allocations	1,839,491	0.23%
Office of Accountability	<u>252,920</u>	<u>0.03%</u>
<b>TOTAL ALLOCATIONS OF APPROPRIATIONS *</b>	<b>\$802,136,298</b>	<b>100.00%</b>

\* Includes \$34,032,209 from the Higher Education Capital Revolving Fund, \$34,032,209 from the Student Aid Revolving Fund, and \$96,053,386 from the Constitutional Reserve Fund.

## FY-2005 Nonappropriated Agency Budgets and FTE

<u>Agency Number and Name</u>		<u>FY-2005 Budget</u>	<u>FY-2005 FTE</u>
1.	020 Accountancy Board	\$1,152,547	9.0
2.	039 Boll Weevil Eradication Organization	3,301,530	44.7
3.	044 Anatomical Board	33,000	-
4.	045 Architects Board	465,219	3.1
5.	060 Aeronautics Commission	1,768,527	10.0
6.	065 Banking Department	4,216,360	42.0
7.	140 Podiatry Board	11,400	-
8.	145 Chiropractic Examiners Board	169,599	2.0
9.	170 Construction Industries Board	2,748,627	35.5
10.	190 Costemology Board	884,713	14.5
11.	215 Dental Board	421,782	4.5
12.	285 Funeral Board	343,008	4.0
13.	290 Employment Security Commission	85,538,986	845.1
14.	307 Interstate Oil Compact Commission	387,823	-
15.	315 Firefighters Pension and Retirement Board	9,074,850	12.0
16.	320 Wildlife Conservation Commission	35,096,247	357.6
17.	343 State Board of Examiners of Perfusionists	8,460	-
18.	359 Energy Resources Board	8,635,075	-
19.	370 Industrial Finance Authority	5,696,674	7.0
20.	390 CompSource Oklahoma	31,977,270	403.0
21.	416 Law Enforcement Retirement System	3,955,136	5.0
22.	444 L P Gas Research, Mktng & Safety Comm	1,094,530	-
23.	445 LP Gas Board	560,000	9.8
24.	446 Comm on Marginally Producing Oil & Gas Wells	704,623	4.0
25.	450 Medical Licensure Board	2,874,811	25.5
26.	475 Motor Vehicle Commission	299,508	4.0
27.	509 Nursing Home Administrators Board	211,689	3.0
28.	510 Board of Nursing	2,462,653	25.0
29.	515 Public Employees Retirement System	7,153,845	61.0
30.	516 State & Ed. Employees Group Insur. Board	35,732,787	184.0
31.	520 Optometry Board	111,784	1.2
32.	525 Osteopathic Examiners Board	384,109	4.5
33.	535 Peanut Commission	247,500	0.9
34.	557 Police Pension & Retirement Board	5,202,620	11.0
35.	560 Pharmacy Board	953,230	8.5
36.	570 Engineers & Land Surveyors Board	835,428	6.3
37.	575 Psychologists Board	199,687	2.0
38.	588 Real Estate Commission	1,759,810	21.0
39.	615 Foresters Board	1,750	-
40.	622 Social Workers Board	137,948	-
41.	630 Securities Commission	2,854,683	26.8
42.	632 Speech Pathology & Audiology Board	96,709	1.6
43.	715 Teachers' Retirement System	184,570,033	52.0
44.	755 Used Motor Vehicle & Parts Comm	780,051	11.9
45.	772 Board of Tests for Alcohol / Drug Influence	344,423	5.0
46.	790 Veterinary Medical Examiners	310,000	4.0
47.	815 Employees Benefits Council	3,738,627	32.5
48.	875 Wheat Commission	2,460,094	5.0
49.	978 Transportation Authority	24,619,332	581.9
<b>Total:</b>		\$476,589,097	2,891.4

# **Appendix**



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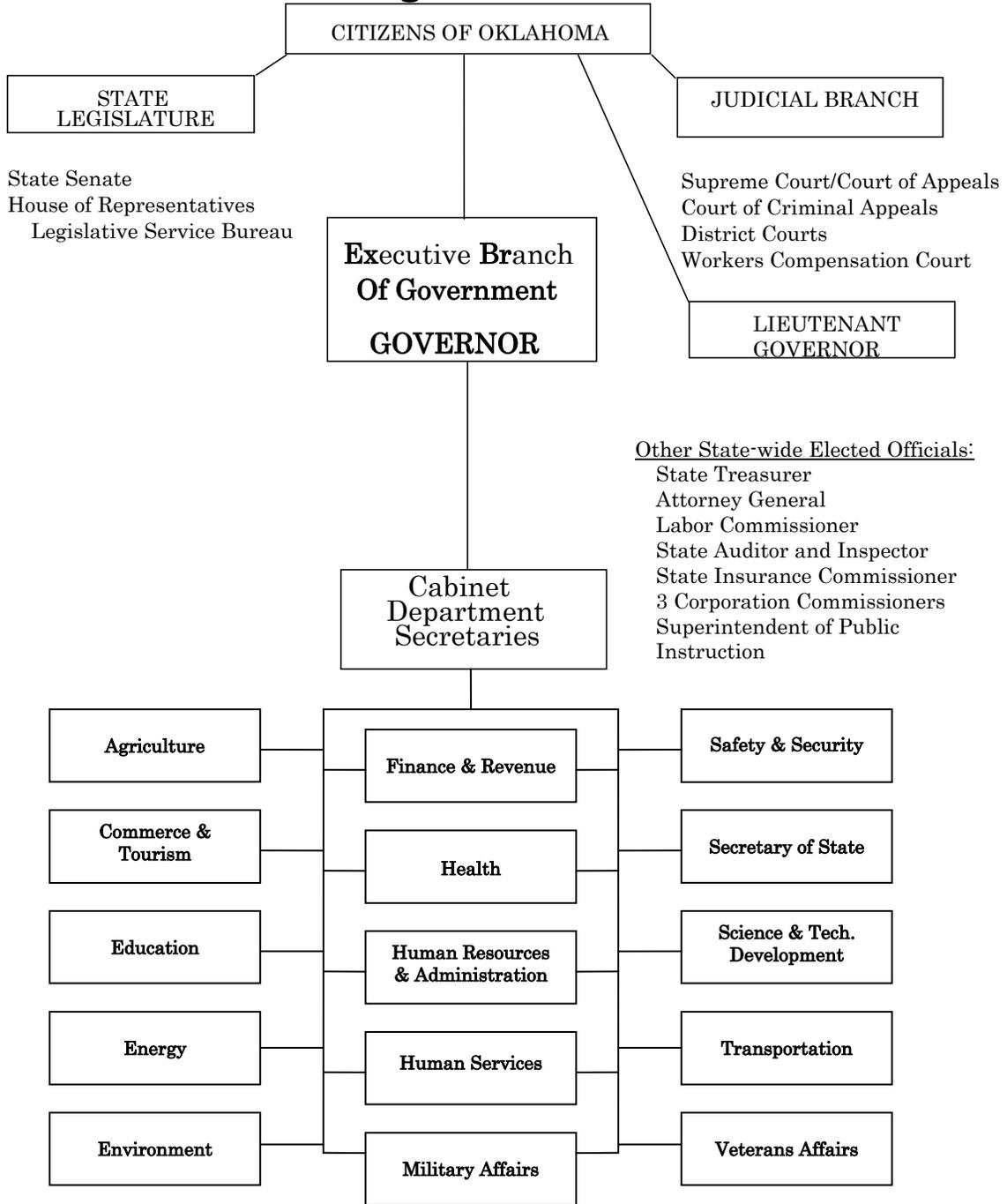
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# State Organizational Chart



The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of Executive Branch agencies. Most state agencies have a controlling board or commission which appoints a chief operating officer. Most board and commission members are appointed by the Governor, some requiring Senate approval. Some agencies do not have a controlling board, and most of those agency heads are appointed by the Governor with Senate approval. More information on the appointment process is included in the Executive-Historical document. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page.

## Agencies By Cabinet

305	Office of the Governor	531	Rose State College	570	Prof. Engin. & Land Surveyors Bd.
440	Office of the Lieutenant Governor	623	Seminole State College	575	Psychologists, Bd. of Examiners
		660	Southeastern Oklahoma State Univ.	588	Real Estate Commission
		665	Southwestern Oklahoma State Univ.	622	Social Workers Board, Bd. of Lic.
		618	Student Loan Authority	632	Speech-Lang. Pathology & Aud. Bd.
		750	Tulsa Community College	516	State and Ed. Empl. Group Ins. Bd.
		120	University of Central Oklahoma	755	Used Motor Vehicle & Parts
		760	University of Oklahoma	790	Veterinary Medical Examiners Board
		150	Univ. of Science and Arts of Okla.		<b>Human Services</b>
		41	Western Oklahoma State College	127	Children & Youth, Commission
				783	Community Hospitals Authority
				326	Handicapped Concerns, Office of
				830	Human Services, Department of
				360	Indian Affairs Commission
				670	J.D. McCarty Center
				400	Juvenile Affairs, Office of
				619	Physicians Manpower Trng. Comm.
				805	Rehabilitative Services
				825	University Hospitals Authority
					<b>Military Affairs</b>
				25	Military Department
					<b>Safety and Security</b>
				30	ABLE Commission
				49	Attorney General *
				772	Chem. Tests for Alc/Drug Infl., Bd. of
				309	Civil Emergency Mgmt, Dept. of
				131	Corrections Department
				220	District Attorney's Council
				310	Fire Marshal, State
				47	Indigent Defense System
				308	Investigation, Bureau of
				415	Law Enf. Educ. & Trng., Council on
				342	Medicolegal Investigations, Bd. of
				477	Narcotics & Dang. Drugs, Bureau of
				306	Pardon and Parole Board
				585	Public Safety, Department of
					<b>Science and Technology Dev.</b>
				628	Center f/t Adv. of Sci. & Technology
					<b>Secretary of State</b>
				270	Election Board
				296	Ethics Commission
				678	Judicial Complaints, Council on
				625	Secretary of State
					<b>Transportation</b>
				978	Okla. Transportation Authority
				346	Space Industry Development Auth.
				345	Transportation, Department of
				060	Aeronautics Commission
					<b>Veterans Affairs</b>
				650	Veterans Affairs, Department of
					* Agency is headed by a statewide elected official or their controlling board is made up of elected officials. They are assigned to a cabinet department for purposes of coordinating services and programs only.

## Summary of FTE Changes

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
Governor	39.7	38.4	36.6	31.2	33.8	33.2
Lieutenant Governor	8.3	8.1	8.1	7.0	6.8	8.6
Agriculture	528.6	567.4	571.3	537.2	534.3	531.3
Commerce and Tourism	2,170.6	2,193.8	2,164.5	2,189.9	2,071.5	2,156.0
Education (excluding Higher Education)	1,098.8	1,153.6	1,171.0	1,115.2	958.2	961.6
Energy	508.4	502.8	501.7	926.5	866.9	919.5
Environment	963.5	935.7	943.8	950.6	971.6	993.2
Finance and Revenue	2,145.9	2,146.8	2,173.0	2,079.3	2,032.6	1,985.7
Health	4,542.1	4,345.3	4,457.5	4,409.6	4,239.7	4,368.8
Human Resources and Administration	13,969.7	13,581.1	13,857.1	13,568.4	13,078.6	13,220.6
Human Services	9,665.9	9,650.9	9,932.4	9,793.5	9,515.2	9,686.8
Military	343.0	408.2	413.7	392.9	331.5	333.3
Safety and Security	8,571.2	8,551.3	8,639.9	8,246.2	8,118.1	8,169.8
Science & Technology	18.9	19.3	19.9	20.2	19.9	18.4
Secretary of State	69.6	69.1	67.6	67.8	66.8	68.6
Transportation	2,636.0	2,535.5	2,433.3	2,958.4	2,962.5	2,956.8
Veterans Affairs	1,549.8	1,528.9	1,452.1	1,484.2	1,603.8	1,746.0
<b>Sub-total</b>	<b>48,830.0</b>	<b>48,236.2</b>	<b>48,843.3</b>	<b>48,778.1</b>	<b>47,411.8</b>	<b>48,158.2</b>
Regents	294.8	306.7	304.2	324.1	326.5	322.8
Higher Education	26,983.9	27,637.3	28,409.0	28,462.1	28,312.8	29,074.6
<b>Sub-total</b>	<b>27,278.7</b>	<b>27,944.0</b>	<b>28,713.2</b>	<b>28,786.2</b>	<b>28,639.3</b>	<b>29,397.4</b>
<b>Total Executive Branch</b>	<b>76,108.7</b>	<b>76,180.2</b>	<b>77,556.5</b>	<b>77,564.3</b>	<b>76,051.1</b>	<b>77,555.6</b>
Legislature	521.6	539.4	540.1	532.7	513.5	470.6
Judiciary	865.9	881.0	898.8	878.2	868.2	872.1
<b>Sub-total</b>	<b>1,387.5</b>	<b>1,420.4</b>	<b>1,439.0</b>	<b>1,410.9</b>	<b>1,381.7</b>	<b>1,342.7</b>
<b>GRAND TOTAL</b>	<b>77,496.2</b>	<b>77,600.6</b>	<b>78,995.5</b>	<b>78,975.2</b>	<b>77,432.8</b>	<b>78,898.3</b>
<b>Total Excluding Higher Ed</b>	<b>50,512.3</b>	<b>49,963.3</b>	<b>50,586.5</b>	<b>50,513.1</b>	<b>49,120.0</b>	<b>49,823.7</b>
305 Governor	39.7	38.4	36.6	31.2	33.8	33.2
440 Lieutenant Governor	8.3	8.1	8.1	7.0	6.8	8.6

**Average FTE FY-2000 through FY-2005**

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
<b>Agriculture</b>						
40 Agriculture, Department of	483.7	487.9	492.2	471.7	429.5	432.7
39 Boll Weevil Eradication	22.0	57.2	57.3	44.5	41.9	35.0
645 Conservation Commission	16.9	16.5	15.8	15.9	57.4	58.3
535 Peanut Commission	1.0	1.0	1.0	0.0	0.0	0.0
631 Sheep & Wool Commission	0.1	0.0	0.0	1.0	1.0	1.0
875 Wheat Commission	4.9	4.8	5.0	4.1	4.5	4.3
<b>Total</b>	<b>528.6</b>	<b>567.4</b>	<b>571.3</b>	<b>537.2</b>	<b>534.3</b>	<b>531.3</b>
<b>Commerce and Tourism</b>						
7 Centennial Commission	N/A	6.6	8.6	8.0	7.0	7.6
160 Commerce, Department of	146.2	147.1	144.4	136.5	118.9	129.0
290 Employment Security Commission, OK	715.8	708.6	712.4	725.1	730.2	743.0
350 Historical Society, Oklahoma	153.4	150.6	154.2	144.6	139.3	138.4
922 Housing Finance Authority				109.8	112.3	113.2
370 Industrial Finance Authority	8.8	7.8	7.1	7.1	7.7	6.9
204 J.M. Davis Memorial Commission	8.1	8.9	9.3	9.0	7.2	6.4
405 Labor Department	103.0	103.2	104.2	109.8	94.6	99.0
981 Municipal Power Authority				46.3	45.7	46.9
568 Scenic Rivers Commission	N/A	N/A	N/A	10.3	10.0	12.7
566 Tourism & Recreation, Department of	1,023.0	1,046.6	1,010.4	871.5	787.7	841.6
880 Will Rogers Memorial Commission	12.3	14.4	13.9	11.9	10.9	11.3
<b>Total</b>	<b>2,170.6</b>	<b>2,193.8</b>	<b>2,164.5</b>	<b>2,189.9</b>	<b>2,071.5</b>	<b>2,156.0</b>
<b>Education (Excl. Higher Education)</b>						
44 Anatomical Board	0.0	0.0	0.0	0.0	0.0	0.0
55 Arts Council, State	16.3	16.9	16.8	16.6	15.9	15.4
800 Career & Technology Education	392.1	387.2	390.2	365.7	333.6	342.4
265 Education, State Department of	478.5	481.4	479.9	453.0	337.6	336.1
266 Educational Television Authority	66.9	72.0	72.1	67.1	66.2	64.2
430 Libraries, Department of	77.9	74.3	74.8	72.6	67.5	64.5
563 Private Vocational Schools Board	3.0	3.0	2.8	2.9	2.6	2.7
629 School of Science & Mathematics	55.9	61.3	69.1	70.5	67.8	69.0
618 Student Loan Authority	0.0	49.7	56.5	57.7	58.3	58.2
269 Teacher Preparation, OK Commission	8.2	7.8	8.9	9.1	8.7	9.1
<b>Total</b>	<b>1,098.8</b>	<b>1,153.6</b>	<b>1,171.0</b>	<b>1,115.2</b>	<b>958.2</b>	<b>961.6</b>
<b>Energy</b>						
185 Corporation Commission	450.3	445.3	445.1	425.5	366.5	402.0
980 Grand River Dam Authority (GRDA)				445.4	451.5	469.2
307 Interstate Oil Compact Commission	2.0	2.0	1.7	1.0	0.0	0.0
445 Liquefied Petroleum Gas Board	9.5	9.8	10.0	9.3	9.8	9.3
446 Marginally Producing Oil & Gas Wells	4.0	3.1	3.1	4.1	3.5	3.5
125 Mines, Department of	42.6	42.6	41.8	41.2	35.6	35.5
<b>Total</b>	<b>508.4</b>	<b>502.8</b>	<b>501.7</b>	<b>926.5</b>	<b>866.9</b>	<b>919.5</b>

**Average FTE FY-2000 through FY-2005**

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
<b>Environment</b>						
292 Dept. of Environmental Quality (DEQ)	532.3	516.0	517.6	526.9	538.5	545.5
835 Water Resources Board	93.8	90.0	98.3	96.4	96.9	99.6
320 Wildlife Conservation Commission	337.4	329.7	327.8	327.3	336.2	348.1
<b>Total</b>	<b>963.5</b>	<b>935.7</b>	<b>943.8</b>	<b>950.6</b>	<b>971.6</b>	<b>993.2</b>
<b>Finance and Revenue</b>						
300 Auditor & Inspector	150.5	159.6	160.2	148.5	147.1	152.5
582 Bond Advisor, State	0.0	0.0	0.0	0.0	3.0	3.0
65 Banking Department, State	42.4	42.8	42.5	41.4	39.1	39.1
105 Capitol Improvement Authority	0.0	0.0	0.0	0.0	0.0	0.0
390 CompSource	328.5	316.6	331.4	359.8	377.6	367.4
635 Consumer Credit Commission	14.8	14.7	13.7	12.9	13.6	12.7
90 Finance, Office of State	126.0	120.3	118.0	111.9	114.4	131.1
315 Firefighters Pension & Retirement	9.7	9.2	9.6	10.2	11.0	10.8
385 Insurance Commissioner	127.3	131.7	132.4	127.5	124.0	120.8
410 Land Office, Commissioners of the	56.0	53.9	53.5	53.7	53.2	58.8
416 Law Enforcement Retirement	5.3	4.5	4.0	4.0	3.9	3.9
557 Police Pension & Retirement Board	7.6	8.0	9.2	9.6	10.0	10.0
515 Public Employees Retirement System	39.7	45.4	48.9	48.8	47.5	48.5
630 Securities Commission	29.4	26.7	27.6	26.5	26.9	26.5
695 Tax Commission	1,108.3	1,099.9	1,098.3	999.2	936.3	880.1
715 Teachers Retirement System	40.6	45.1	49.2	49.1	48.4	48.4
740 Treasurer	59.8	68.4	74.6	76.2	76.6	72.1
<b>Total</b>	<b>2,145.9</b>	<b>2,146.8</b>	<b>2,173.0</b>	<b>2,079.3</b>	<b>2,032.6</b>	<b>1,985.7</b>
<b>Health</b>						
807 Health Care Authority	255.9	263.8	281.3	271.3	300.7	355.3
340 Health, Department of	2,356.4	2,285.2	2,320.1	2,338.3	2,119.8	2,133.1
452 Mental Health & Substance Abuse, Dept. of	1,926.8	1,793.3	1,853.1	1,795.7	1,814.2	1,874.9
509 Nursing Homes, State Board of	3.0	3.0	3.0	3.0	3.0	3.0
92 Tobacco Settlement Trust Board	0.0	0.0	0.0	1.3	2.0	2.5
<b>Total</b>	<b>4,542.1</b>	<b>4,345.3</b>	<b>4,457.5</b>	<b>4,409.6</b>	<b>4,239.7</b>	<b>4,368.8</b>
<b>Human Resources and Administration</b>						
580 Central Services, Dept. of	258.8	262.0	259.5	242.6	206.0	189.8
353 Horse Racing Commission	38.6	37.6	35.8	33.5	30.8	30.5
355 Human Rights Commission	18.8	18.2	19.2	18.4	15.4	17.4
298 Merit Protection Commission	8.5	9.7	9.7	8.2	6.0	8.6
548 Personnel Management, Office of	97.9	97.6	98.4	94.6	81.3	77.5
<b>Sub-total</b>	<b>13,648.1</b>	<b>13,249.7</b>	<b>13,523.3</b>	<b>13,226.6</b>	<b>12,737.0</b>	<b>12,880.3</b>

**Average FTE FY-2000 through FY-2005**

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
<b>Human Resources and Administration - Non-Appropriated</b>						
20 Accountancy, OK State Board of	6.9	6.7	6.0	6.5	7.6	7.9
95 Burial Board, State	0.0	0.0	0.0	0.0	0.0	0.0
145 Chiropractic Examiners Board	1.4	3.0	2.0	2.0	1.9	2.0
190 Cosmetology, State Board of	13.9	13.7	12.7	13.5	13.5	12.9
215 Dentists, Bd. of Governors of Registered	4.2	4.0	4.0	4.0	4.0	4.0
285 Funeral Board	3.2	3.2	3.4	3.5	3.3	3.4
815 Employees Benefit Council	27.5	30.5	30.7	30.2	30.0	30.2
45 Licensed & Landscape Architects, Bd. of Gov.	2.7	3.0	2.9	2.8	3.0	3.0
622 Licensed Social Workers, State Board	1.2	1.2	0.4	0.0	0.0	0.0
450 Medical Licensure & Supervision, Board of	21.0	20.0	19.9	20.5	22.2	21.7
475 Motor Vehicle Commission, Oklahoma	3.7	3.7	4.0	4.0	4.0	3.8
510 Nurse Registration & Education Board	19.2	20.8	21.0	20.3	20.5	20.8
516 OK State & Education Employees Grp.Ins.Bd.	160.9	165.1	170.7	177.6	176.1	175.9
520 Optometry, Board of Examiners in	1.2	1.2	1.2	1.3	1.4	1.2
525 Osteopathic Examiners Board	4.5	4.6	4.5	4.5	4.5	4.5
560 Pharmacy, Board of	8.2	8.2	7.8	8.2	8.2	8.2
570 Professional Engineers & Land Surveyors	6.1	7.5	6.4	6.2	5.8	6.3
575 Psychologist Examiners Board	1.7	1.7	1.9	2.0	2.0	2.0
588 Real Estate Commission, Oklahoma	20.1	18.9	18.4	18.9	17.5	18.4
632 Speech Pathology & Audiology Board	1.1	1.5	1.8	1.9	1.7	1.5
755 Used Motor Vehicle & Parts Commission	8.8	8.8	10.0	9.9	10.4	9.4
790 Veterinary Medical Examiners, Board of	4.1	4.1	4.0	4	4.0	3.2
<b>Sub-total</b>	<b>321.6</b>	<b>331.4</b>	<b>333.8</b>	<b>341.8</b>	<b>341.6</b>	<b>340.3</b>
<b>Total</b>	<b>13,969.7</b>	<b>13,581.1</b>	<b>13,857.1</b>	<b>13,568.4</b>	<b>13,078.6</b>	<b>13,220.6</b>
<b>Human Services</b>						
127 Children & Youth, Commission on	20.2	20.4	20.2	20.9	20.4	21.9
326 Handicapped Concerns, Office of	7.5	8.2	8.0	7.4	7.6	8.0
830 Human Services Department	7,556.8	7,531.2	7,762.1	7,681.9	7,505.3	7,592.3
360 Indian Affairs Commission	4.6	4.4	4.1	3.8	4.5	3.8
670 J.D. McCarty Ctr. for Handicapped Concerns	127.4	126.9	134.5	139.0	137.8	176.7
400 Juvenile Affairs, Office of	1,058.7	1,078.7	1,096.3	1,057.2	989.6	1,024.2
619 Physician Manpower Training Commission	6.0	6.0	6.0	6.0	6.0	6.2
805 Rehabilitative Services, OK Dept. of	871.1	871.1	897.3	873.3	840.0	849.7
825 University Hospitals Authority	13.6	4.0	4.0	4.0	4.0	4.0
<b>Total</b>	<b>9,665.9</b>	<b>9,650.9</b>	<b>9,932.4</b>	<b>9,793.5</b>	<b>9,515.2</b>	<b>9,686.8</b>
<b>Military</b>						
25 Military Department	<b>343.0</b>	<b>408.2</b>	<b>413.7</b>	<b>392.9</b>	<b>331.5</b>	<b>333.3</b>

**Average FTE FY-2000 through FY-2005**

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
<b>Safety and Security</b>						
30 A.B.L.E. Commission	62.0	62.2	61.2	56.2	47.4	43.6
49 Attorney General	158.6	158.6	158.8	158.9	158.1	165.0
772 Chem. Tests for Alcohol & Drug Infl.	0.0	0.0	0.0	0	0.0	0.0
131 Corrections Department	5,150.0	5,095.5	5,123.6	4,732.1	4,683.7	4,693.8
415 Council on Law Enforcement Educ.&Trng.	37.6	37.8	38.6	35.4	34.0	34.2
220 District Attorney's Council	1,152.1	1,150.1	1,157.1	1,135.9	1,101.0	1,113.7
309 Emergency Mgt., Dept. of	29.3	29.0	29.1	27.6	26.8	25.9
47 Indigent Defense System	124.5	134.7	141.1	127.0	120.8	122.7
308 Investigation, Okla. State Bureau of (OSBI)	253.5	256.2	264.6	285.2	291.1	292.2
342 Medicolegal Invest. Bd.	60.4	60.1	66.1	67.6	63.4	61.6
477 Narcotics & Dangerous Drugs Control	98.2	97.8	102.5	97.1	94.6	96.8
306 Pardon and Parole Board	39.4	39.7	41.9	39.7	36.2	36.7
585 Public Safety, Department of	1,376.6	1,399.4	1,424.7	1,453.2	1,432.1	1,455.3
310 State Fire Marshal, Office of	29.0	30.2	30.5	30.3	28.9	28.3
<b>Total</b>	<b>8,571.2</b>	<b>8,551.3</b>	<b>8,639.9</b>	<b>8,246.2</b>	<b>8,118.1</b>	<b>8,169.8</b>
<b>Science and Technology</b>						
628 Cent.f/t Adv.of Science & Technology	<b>18.9</b>	<b>19.3</b>	<b>19.9</b>	<b>20.2</b>	<b>19.9</b>	<b>18.4</b>
<b>Secretary of State</b>						
678 Council on Judicial Complaints	1.9	2.0	2.0	2.0	2.0	2.0
270 Election Board, State	24.6	23.7	22.8	22.7	22.1	22.3
296 Ethics Commission	7.0	6.8	7.0	6.9	7.0	7.1
625 Secretary of State	36.1	36.6	35.8	36.2	35.7	37.2
<b>Sub-total</b>	<b>69.6</b>	<b>69.1</b>	<b>67.6</b>	<b>67.8</b>	<b>66.8</b>	<b>68.6</b>
<b>Transportation</b>						
60 Aeronautics Commission, OK	0.0	0.0	0.0	9.0	10	9.7
346 Space Industry Development Authority	0.0	0.0	0.0	4.0	3.3	2.0
345 Transportation	2,636.0	2,535.5	2,433.3	2,421.4	2,400.5	2,395.8
978 Turnpike Authority	493.5	489.4	508.9	524.0	548.7	549.3
<b>Total</b>	<b>3,129.5</b>	<b>3,024.9</b>	<b>2,942.2</b>	<b>2,958.4</b>	<b>2,962.5</b>	<b>2,956.8</b>
<b>Veterans Affairs</b>						
650 Veterans Affairs	<b>1,549.8</b>	<b>1,528.9</b>	<b>1,452.1</b>	<b>1,484.2</b>	<b>1,603.8</b>	<b>1,746.0</b>
<b>Legislature</b>						
422 House of Representatives	294.0	300.5	297.5	291.2	280.7	249.4
423 Legislative Service Bureau	27.2	32.9	34.5	34.1	34.0	31.9
421 Senate	200.4	206.0	208.1	207.4	198.8	189.4
<b>Total</b>	<b>521.6</b>	<b>539.4</b>	<b>540.1</b>	<b>532.7</b>	<b>513.5</b>	<b>470.7</b>

**Average FTE FY-2000 through FY-2005**

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
<b>Judiciary</b>						
199 Criminal Appeals, Court of	35.1	34.7	33.9	29.7	28.1	27.3
219 District Courts	588.9	595.3	611.0	605.3	608.0	617.7
369 Workers' Compensation Court	94.3	94.7	96.5	91.2	89.4	85.3
677 Supreme Court/Court of Appeals	147.6	156.3	157.5	152.0	142.6	141.8
<b>Total</b>	<b>865.9</b>	<b>881.0</b>	<b>898.8</b>	<b>878.2</b>	<b>868.1</b>	<b>872.1</b>
<b>State Regents</b>						
600 A & M Regents	0.0	0.0	0.0	0.0	0.0	0.0
620 Quartz Mountain Conference Center	0.0	0.0	0.0	15.0	14.4	10.2
605 Regents For Higher Education	286.8	299.3	296.7	301.8	305.6	306.3
610 Regents For Oklahoma Colleges	8.0	7.4	7.5	7.3	6.4	6.3
<b>Total</b>	<b>294.8</b>	<b>306.7</b>	<b>304.2</b>	<b>324.1</b>	<b>326.4</b>	<b>322.8</b>
<b>Colleges and Universities</b>						
10 Oklahoma State University	<b>7,159.4</b>	<b>7,279.6</b>	<b>7,486.4</b>	<b>7,350.6</b>	<b>7,440.7</b>	<b>7,674.0</b>
100 Cameron University	568.2	573.8	588.1	566.3	562.0	561.3
108 Carl Albert J.C.	193.6	206.2	217.5	240.4	257.3	263.0
165 Conners State College	211.6	236.7	252.9	231.4	223.9	216.9
230 East Central Oklahoma State Univ.	546.7	533.3	541.0	549.2	542.1	516.1
240 Eastern Oklahoma State College	220.3	214.0	209.3	212.5	204.9	204.6
420 Langston University	457.7	457.2	478.2	466.9	466.2	475.2
470 Murray State College	161.3	162.2	164.7	162.5	164.0	162.2
480 Northeastern A & M College	310.7	303.1	319.5	297.1	299.8	283.2
485 Northeastern Oklahoma State Univ.	988.2	996.5	1,045.5	1,016.4	1,001.3	1,006.9
490 Northern Oklahoma College	221.5	241.2	247.6	248.3	255.5	246.5
505 Northwestern Oklahoma State Univ.	251.6	266.6	276.2	288.6	279.8	258.4
530 Oklahoma Panhandle State University	193.9	187.9	188.8	172.4	182.4	178.1
241 Redland Community College	135.9	142.7	150.2	143.3	141.6	149.7
461 Rogers State Univ.(Claremore J.C.)	265.0	285.1	325.2	331.3	330.8	343.2
531 Rose State College	540.3	540.6	545.4	538.8	534.8	580.3
623 Seminole J.C.	154.6	161.1	161.4	157.5	157.5	156.6
633 South Oklahoma City J.C.	528.3	547.6	507.8	472.8	458.9	454.0
660 Southeastern Oklahoma State Univ.	529.7	534.7	563.1	562.4	540.6	528.7
665 Southwestern Oklahoma State Univ.	633.7	633.0	632.0	681.8	676.7	644.3
750 Tulsa J.C.	1,179.7	1,189.4	1,189.1	1,172.0	1,191.4	1,172.2
120 University of Central Oklahoma	1,207.0	1,215.1	1,091.5	1,176.2	1,203.3	1,235.0
150 Univ. of Science and Arts of Okla	171.6	174.3	175.6	170.5	166.0	173.1
41 Western Oklahoma State College	137.8	144.2	143.6	143.5	137.4	138.4
<b>Sub-total</b>	<b>9,808.9</b>	<b>9,946.5</b>	<b>10,014.0</b>	<b>10,002.1</b>	<b>9,978.2</b>	<b>9,947.9</b>

**Average FTE FY-2000 through FY-2005**

Cabinet/Agency	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Avg YTD
<b>Colleges and Universities (cont.)</b>						
325 OU Geological Survey	0.0	0.0	0.0	0.0	0.0	0.0
760 University of Oklahoma	5,735.6	5,954.4	6,225.5	6,232.0	6,464.3	6,407.1
761 Oklahoma University Law Center	0.0	0.0	0.0	0.0	0.0	0.0
770 Okla. University Health Science Ctr.	3,993.1	4,149.1	4,407.1	4,578.5	4,674.3	4,717.7
771 OU Health Science Ctr.Prof.Prac.Plan	229.9	257.9	276.1	298.9	317.5	327.9
845 Medical Research & Technology Auth.	57.0	49.8	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>10,015.6</b>	<b>10,411.2</b>	<b>10,908.6</b>	<b>11,109.4</b>	<b>11,456.1</b>	<b>11,452.7</b>
<b>Total</b>	<b>26,983.9</b>	<b>27,637.3</b>	<b>28,409.0</b>	<b>28,462.1</b>	<b>28,875.0</b>	<b>29,074.6</b>

## Personnel Changes – Agency Reduction in Force (RIF)/Voluntary Out Notices

Ag. No.	Agency / program:	Date of Notice	Type of plan	Proposed Positions	Health ins. 18 mos.	Outplacement asstce.	Longevity	Sick Leave	Separation agreement	Annual Leave	1-week pay for each yr.svc.	\$5,000 Lump Sum	\$2,500 Lump Sum	Other Lump Sum	Education voucher plan	Cost estimate	Implemented	Number of employees accepting VOBO	Number of People RIF'd	Number of Vacant Positions RIF'd	Actual Annualized Savings	Actual Cost	
800	VoTech	09/17/2000	RIF	4	x	x	n/a	x							x	no							
830	DHS	04/23/1999	VOBO	184	x		x	x		x					x	yes	108				\$3,413,946	\$1,504,131	
566	Tourism	05/12/1999	RIF	10	x		x	x		x		x			x	yes		8			\$197,267	\$80,999	
450	Board of Medical Licensure	07/12/1999	RIF	5	x		x						x		x	yes		4	1		\$245,877	\$39,470	
825	University Hospital Authority	10/29/1999	RIF	18	x	x	x	x							x	yes		18			\$1,060,000	\$209,485	
770	Medical Technology and Research Authority	12/01/1999	RIF	14	x	x	x								x	yes		14	10		-\$93,150	\$47,178	
452	Mental Health	12/22/1999	RIF		x		x	x					x		x	yes		108	152		\$9,517,935	\$1,591,768	
830	DHS	11/30/1999	RIF	130	x		x	x							x	yes		98	32		\$668,459	\$668,459	
566	Tourism	03/15/2000	RIF	4	x		x						x		x	yes		4			\$64,787	\$15,378	
548	OPM	06/16/2000	VOBO	2	x		x	x	x	x	x				x	yes	1				\$38,000	\$27,000	
830	DHS	06/07/2000	VOBO	37	x		x	x		x					x	yes	31				\$1,538,226	\$1,104,884	
548	OPM	08/30/2000	VOBO	1	x		x	x	x	x	x				x	yes	1				\$41,000	\$31,000	
566	Tourism	02/07/2001	RIF	7	x		x								x	yes		7			\$139,733	\$23,436	
670	J.D.McCarty Center	07/27/2001	RIF	11	x	x	x		x						x	yes		4			\$126,386	\$29,323	
670	J.D.McCarty Center	12/20/2001	RIF	1	x	x	x		x						x	no							
670	J.D.McCarty Center	01/28/2002	RIF	4	x	x	x		x						x	yes		2			\$43,019	\$18,248	
452	Mental Health	02/26/2002	VOBO	4	x	x	x	x	x		x				x	yes	4				\$204,923	\$86,184	
548	OPM	04/08/2002	VOBO	1	x		x	x	x	x	x				x	yes	1		8		\$53,000	\$44,000	
566	Tourism	06/28/2002	RIF	3	x		x		x				x			yes		2			\$98,726	\$32,674	
830	DHS	07/22/2002	VOBO	23	x		x	x		x						no							
350	Historical Society	07/31/2002	RIF	3	x		x		x						x	yes		1			\$33,300	\$6,600	
47	Indigent Defense	10/29/2002	RIF	11	x	x	x		x						x	yes		11	16		\$1,399,956	\$64,930	

Ag. No.	Agency / program:	Date of Notice	Type of plan	Proposed Positions	Health ins. 18 mos.	Outplacement asstce.	Longevity	Sick Leave	Separation agreement	Annual Leave	1-week pay for each yr.svc.	\$5,000 Lump Sum	\$2,500 Lump Sum	Other Lump Sum	Education voucher plan	Cost estimate	Implemented	Number of employees accepting VOBO	Number of People RIF'd	Number of Vacant Positions RIF'd	Actual Annualized Savings	Actual Cost	
90	State Finance	10/21/2002	VOBO	2	x		x			x	x				x								
90	State Finance	11/01/2002	RIF	6	x	x	x		x				x		x	yes							
548	OPM	01/10/2003	VOBO	1	x		x			x	x				x	yes	1				\$70,000	\$23,000	
400	OJA	01/07/2003	RIF	56	x	x	x		x	x					x	yes		17	37		\$1,826,705	\$160,366	
566	Tourism	01/24/2003	RIF	2	x		x	x		x						yes		2			\$103,631	\$28,398	
880	Will Rogers Memorial Commission*	02/05/2003	RIF	1	x		x			x													
400	OJA	2/27/2003	VOBO	3	x		x	x	x	x					x	yes	2				\$74,317	\$27,642	
830	DHS	3/14/2003	VOBO	63	x		x						x			yes	63				\$2,920,745	\$1,148,459	
340	Health Dept.*	4/7/2003	VOBO	124	x		x	x	x	x		x	x8			yes	90	17	0		\$5,837,000	\$1,321,000	
340	Health Dept.*	4/24/2003	VOBO	2	x		x	x	x	x		x	x			yes	2	0	0		\$135,000	\$26,000	
125	Mines	4/30/2003	VOBO	5	x		x			x	x		x			yes		5			\$213,602	\$131,322	
566	Tourism	4/30/2003	VOBO	18	x		x			x			x			yes		7			\$317,325	\$83,029	
340	Health Dept.*	5/2/2003	VOBO	1	x		x	x	x	x		x	x			yes	1	0	0		\$36,000	\$15,000	
800	Career Tech	5/12/2003	VOBO	33	x		x			x		x	x				30.5				\$1,587,904	\$553,374	
306	Pardon & Parole*	5/19/2003	VOBO	4	x		x			x	x					yes							
160	Commerce*	5/19/2003	VOBO	26	x		x			x													
340	Health Department*	5/22/2003	RIF	17	x		x		x	x						yes		10	0	See row 33 above		\$103,000	
548	OPM	5/27/2003	VOBO	5	x		x	x	x	x	x				x	yes	5				\$200,000	\$149,000	
566	Tourism	5/28/2003	RIF	22	x		x			x								7			\$283,467	\$52,501	
548	OPM	5/28/2003	RIF	2	x		x		x	x					x	yes		2	3.5		\$90,000	\$14,000	
7	Centennial Commission*	5/28/2003	VOBO	2	x		x			x			x										
185	Corporation Comm.*	6/3/2003	VOBO	46	x		x			x			x										
40	Agriculture	6/13/2003	VOBO	67	x		x	x		x			x			yes	27				\$444,086	\$810,378	
185	Corporation Comm.	6/17/2003	RIF	1	x		x			x		x	x			no							

Ag. No.	Agency / program:	Date of Notice	Type of plan	Proposed Positions	Health ins. 18 mos.	Outplacement asstce.	Longevity	Sick Leave	Separation agreement	Annual Leave	1-week pay for each yr. svc.	\$5,000 Lump Sum	\$2,500 Lump Sum	Other Lump Sum	Education voucher plan	Cost estimate	Implemented	Number of employees accepting VOBO	Number of People RIF'd	Number of Vacant Positions RIF'd	Actual Annualized Savings	Actual Cost
30	ABLE	6/18/2003	RIF	7	x				x									7			\$277,404	\$55,907
265	Education	6/18/2003	VOBO	91	x	x			x				x					91			\$0	\$1,218,048
160	Commerce	6/19/2003	VOBO	23	x	x			x							yes	23				\$1,070,808	\$582,136
298	Merit Protection	6/21/2003	VOBO	1	x	x			x				x			yes	1				\$33,000	\$7,828
405	Labor	6/23/2003	VOBO	11	x	x	x		x				x			yes	1				\$37,700	\$12,000
580	DCS	6/27/2003	VOBO	18	x	x			x	x		x				yes	18				\$415,856	\$417,784
566	Tourism	7/1/2003	VOBO	37	x	x			x							yes	18				\$593,090	\$195,162
580	DCS*	7/9/2003	RIF	4	x	x										yes						
350	Historical Society*	7/15/2003	VOBO	4	x	x			x													
630	Securities	7/18/2003	VOBO	2	x	x			x	x	x					yes	2				\$72,014	\$86,036
566	Tourism	7/22/2003	RIF	24	x	x			x							yes		23			\$734,765	\$217,468
620	Quartz Mountain*	7/23/2003	VOBO	2	x	x			x							yes	1	0	0		\$27,785	\$13,062
548	OPM	9/29/2003	RIF	1	x	x		x	x						x	yes		1			\$61,000	\$9,000
548	OPM	3/7/2003	RIF	4	x	x		x	x							yes		4			\$143,000	\$12,000
807	Health Care Authority	10/21/2003	VOBO	1	x	x	x	x	x	x	x				x	yes	1				\$60,234	\$31,922

\* Actual information not available. Information displayed reflects the agency's RIF/VOBO plan as submitted to OSF.

## GLOSSARY

**Actuarial Accrued Liability (re: retirement):** That portion, as determined by a particular cost method, of the actuarial present value of pension plan benefits and expenses which in not provided for by Normal Cost contributions.

**Actuarial Assumptions (re: retirement):** Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants and other relevant items.

**Annualization:** The computation of costs or revenues for a full year. Usually applied when calculating the full year impact/cost of a program that was funded for a partial year in a previous budget.

**Appropriation:** Legal authorization granted by the Legislature to make expenditures or incur obligations that may be limited by fund, agency, department, program, object, character, time period or amount. Unexpended appropriations lapse back to the original fund after the lapse (expiration) date.

**Appropriations Base:** An agency's previous year appropriation reduced by one-time appropriations.

**Basic Industry:** An industry that sells most of its service or product to out-of-state buyers.

**Board of Equalization:** A Constitutional body, the State Board of Equalization is made up of the Governor, Lieutenant Governor, State Treasurer, State Auditor and Inspector, Attorney General, Superintendent of Public Instruction, and President of the State Board of Agriculture. The Board annually certifies the amount of state funds available for appropriation. The Board also has duties regarding the equalization of ad valorem taxes among the counties.

**Budgeted Vacancy:** A vacant employee position which is funded in an agency's current budget (in most instances, the vacancy has remained unfilled for an extended period of time).

**Budget Request:** A detailed outline of an agency's financial needs for the next fiscal year.

**Budget Work Program:** An outline of detailed planned expenditures for the ensuing or current fiscal year, which takes into consideration funds appropriated by the Legislature and other funds available to the agency, and any expenditure limitations or directives expressed in legislation.

**Capital Expenditure / Outlay:** Expenditures made for securing capital assets. Capital assets are significant, tangible assets with a value greater than \$25 thousand that have a life greater than one year and will be used in providing services.

**Carryover:** This term refers to unobligated monies an agency has available to fund its operations in succeeding fiscal years. Generally, carryover monies are considered non-recurring in nature.

## GLOSSARY

**Cash-flow Reserve Fund:** This fund was established as a fiscal management tool. General Revenue Fund cash is set aside in this fund at the end of each fiscal year. Monies in this fund are used to make cash available for the July allocation of General Revenue funds to state agencies and to provide for monthly cash allocations in those months in which receipts are below needed levels. The use of this fund eliminates the need for "seasonal borrowing."

**Constitutional Reserve Fund (CRF):** Designed to cushion against economic emergencies, this fund, popularly known as the "Rainy Day Fund," was established by constitutional amendment in 1985. All General Revenue Fund receipts collected in excess of the certified estimate are deposited in this fund. Half of the balance may be appropriated only in the event that one year's estimated General Revenue is lower than the preceding year's. The other half may only be appropriated upon the declaration of an emergency by the Governor and approval by 2/3 of both legislative houses; or, absent a gubernatorial declaration of emergency, approval by ¾ of both houses.

**Expenditure:** The disbursement of monies from a state fund for the purchase of goods and services.

**Federal Poverty Guidelines:** Federal Poverty Guidelines issued by the U.S. Department of Health and Human Services, are a series of income levels with different values for family units of different sizes. Some segments of the Medicaid Program use these guidelines in determining eligibility.

**Federal Medical Assistance Percentage (FMAP):** Represents the federal share of a state's Medicaid spending for medical services.

**Fiscal Year:** The 12-month period beginning July 1 and ending June 30 used by the state government for accounting purposes. Fiscal year designation depends on the year in which it ends [e.g., fiscal year 2005 (FY-2005) runs from July 1, 2004 to June 30, 2005].

**Fund:** A legal accounting entity with a self-balancing set of accounts. Expenditures from a fund may be restricted to specified purposes.

**General Revenue Fund:** Established by Article 10, Section 2 of the State Constitution, this fund is the principal funding source for state government operations. State taxes, fees and charges, and proceeds from investments make up the revenue to the General Revenue Fund. The fund's resources can be used for any purpose specified by Legislative appropriation. All monies collected that are not dedicated to another fund are deposited in the General Revenue Fund.

**Nonappropriated Funds:** A term sometimes used to refer to agency revolving funds. Since such funds have statutorily established revenue sources and uses, there is no need for them to be appropriated annually. Nonappropriated funds are also called "continuing appropriations." The terms have the same meaning.

**OneNet:** Oklahoma's Telecommunications Network (OneNet is not an acronym)

## GLOSSARY

**One-time:** Budget items that receive funding for one fiscal year (for example, funding for a feasibility study, funding for the replacement of major equipment items, funding for the purchase of furniture for a new facility, etc.).

**Program Budgeting:** A tool to organize budget data by program, rather than item of expenditure or organizational location (generally an agency or division). Program budgeting seeks to link the expenditure of resources with the original mission or purpose of the appropriation of tax dollars.

**Rainy Day Fund:** See Constitutional Reserve Fund.

**Revolving Fund:** A fund created statutorily or by inference to finance and account for a particular department or division. Fees received, transfers of appropriations, or other fund transfers support expenditures paid from revolving funds. Revolving funds are continuing funds and are not subject to fiscal year limitations. Agencies generally may exercise greater control over the expenditure of revolving funds than they may over appropriated dollars.

**Supplemental Appropriation:** This refers to a subsequent appropriation made to an agency in addition to the agency's initial annual appropriation. Supplemental appropriations are to deal with current year funding issues and may be made for a variety of reasons such as to offset a revenue shortfall or to offset insufficient funds to operate a program effectively. Some observers view supplemental appropriations as a sign of inept management or a means of subverting the State's balanced budget restrictions.

**Temporary Assistance to Needy Families (TANF):** The Federal program that replaced the Aid to Families with Dependent Children (AFDC) program pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, enacted August 22, 1996. This act makes significant changes to the United States Welfare System.

**Unfunded Liability (re: retirement):** The excess of the Actuarial Accrued Liability (that portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs) over the Actuarial Value of Assets (the value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation).

## ACRONYMS

- ABLE:** Alcoholic Beverage Laws Enforcement
- ACA:** American Correctional Association
- ACP:** Address Confidentiality Program
- ACT:** ACT Assessment
- ADA:** Average Daily Attendance
- ADM:** Average Daily Membership
- ADN:** Associate Degree in Nursing
- ADRP:** Alternate Dispute Resolution Program
- AEMS:** Agricultural Environmental Management Services
- AFDC:** Aid to Families with Dependent Children
- AG:** Attorney General
- AIA:** Authorized Inspection Agencies
- AOC:** Administrative Office of the Courts
- AP:** Advanced Placement
- AWOL:** Absent Without Leave
- AYP:** Adequate Yearly Progress
- BOE:** Board of Equalization
- BSN:** Bachelors of Science Degree in Nursing
- BUMP:** Beneficial Use Monitoring Program
- BR:** Budget Request
- BWP:** Budget Work Program
- CARS:** Community At-Risk Services
- CAFO:** Concentrated Animal Feeding Operation
- CAFR:** Comprehensive Annual Financial Report
- CDBG:** Community Development Block Grant

**ACRONYMS**

- CIC:** Community Intervention Center
- CIP:** Capital Improvement Plan
- C-I-S:** Cops in Shops Program
- CLEET:** Council on Law Enforcement Education and Training
- CLO:** Commissioners of the Land Office
- CMHC:** Community Mental Health Centers
- CMS:** Centers for Medicare & Medicaid Services
- CO:** Correctional Officer
- COGS:** Council of Governments/sub-state planning districts
- COJC:** Central Oklahoma Juvenile Center
- CPE:** Continuing Professional Education
- CRB:** Contingency Review Board
- CREP:** Conservation Reserve Enhancement Program
- CRP:** Conservation Reserve Program
- CSBS:** Conference of State Bank Supervisors
- CRF:** Constitutional Reserve Fund
- CRT:** Criterion Reference Test
- CSED:** Department of Human Services Child Support Enforcement Division
- CSD:** Customer Services Division
- CWSRF:** Clean Water State Revolving Fund
- CY:** Calendar Year
- DA:** District Attorney
- DAC:** District Attorneys Council
- DCAR:** Division of Central Accounting and Reporting
- DCS:** Department of Central Services
- DDD:** Disability Determination Division
- DDSD:** Developmental Disabilities Services Division

**ACRONYMS**

- DEQ:** Department of Environmental Quality
- DHS:** Department of Human Services
- DOC:** Department of Corrections
- DOJ:** Department of Justice
- DOT:** Department of Transportation
- DPS:** Department of Public Safety
- DRS:** Department of Rehabilitation Services
- DTV:** Digital Television
- DUI:** Driving Under the Influence
- DWR:** Department of Wildlife Retirement
- DWSRF:** Drinking Water State Revolving Fund
- EBC:** Employees Benefits Council
- ECLS:** Environmental Complaints and Local Services
- ECS:** Education Commission of the States
- EI:** Early Intervention
- ELO:** Education Leadership Oklahoma
- EPA:** Environmental Protection Agency
- EPAS:** Educational Planning and Assessment System
- ESH:** Eastern State Hospital
- ESL:** English as a Second Language
- FAA:** Federal Aviation Administration
- FCC:** Federal Communications Commission
- FFY:** Federal Fiscal Year
- FMAP:** Federal Medical Assistance Percentage
- FTE:** Full-time Equivalent (employee or student)
- FY:** Fiscal Year

**ACRONYMS**

- GAAP:** Generally Accepted Accounting Principals
- GAAS:** Generally Accepted Auditing Standards
- GARVEE:** Grant Anticipation Vehicles Program
- GASB:** Governmental Accounting Standards Board
- GCCA:** General Conference Committee on Appropriations
- GEAR UP:** Gaining Early Awareness and Readiness for Undergraduate Programs
- GED:** General Education Development
- GIS:** Geographic Information System
- GME:** Graduate Medical Education
- GMH:** Griffin Memorial Hospital
- GP:** Gross Production
- GPA:** Grade Point Average
- GPS:** Global Positioning System
- GR:** General Revenue
- HAVA:** Help America Vote Act
- HAZ-MAT:** Hazardous Materials
- HB:** House Bill
- HCA:** Health Care Authority
- HCBS:** Home and Community Based Services
- HIV:** Human Immunodeficiency Virus
- HMO:** Health Maintenance Organization
- HPSA:** Health Professional Shortage Area
- HR:** Human Resources
- HRC:** Horse Racing Commission
- HTS:** Habilitative Training Specialist
- IAS:** Inventors Assistance Service

**ACRONYMS**

- ICE:** Integrated Computerized Examination
- ICF-MR:** Intermediate Care Facility - Mentally Retarded
- ICS:** Integrated Central Services Accounting System
- IFSP:** Individualized Family Service Plan
- IHSW:** In Home Supports Waiver
- ISD:** Information Services Division
- JDMC:** J. D. McCarty Center
- JOA:** Joint Operating Agreement
- JOIN:** Joint Oklahoma Information Network
- JSU:** Juvenile Services Unit
- LARC:** Lexington Assessment Reception Center
- LERC:** L.E. Rader Center
- LMFO:** Licensed Managed Feeding Operations
- LPN:** Licensed Practical Nurse
- LSB:** Legislative Service Bureau
- LWCF:** Land and Water Conservation Fund
- MAPS:** Metropolitan Area Projects
- MMCAP:** Minnesota Multi-State Contracting Alliance for Pharmacy
- MRI:** Magnetic Resonance Imaging
- MSN:** Masters of Science in Nursing
- NAAQS:** National Ambient Air Quality Standards
- NACEA:** Native American Cultural and Educational Authority
- NAEP:** National Assessment of Education Progress
- NAIC:** National Association of Insurance Commissioners
- NBC:** National Board of Certification
- NBR:** Net Benefit Rate

**ACRONYMS**

**NCATE:** National Council for Accreditation of Teacher Education

**NCES:** National Center for Education Statistics

**NCLB:** No Child Left Behind Act

**NORCE:** Northern Oklahoma Resource Center in Enid

**NRCS:** Natural Resource Conservation Services (U. S. Department of Agriculture)

**NRT:** Norm-Referenced Tests

**OAC:** Oklahoma Arts Council

**OAC:** Oklahoma Aeronautics Commission

**OADDL:** Oklahoma Animal Disease Diagnostic Laboratory

**OARS:** Oklahoma Applied Research Support

**OASIS:** Oklahoma Areawide Services Information System

**OBAN:** Oklahoma Bid Assistance Network

**OBEC:** Oklahoma Business and Education Coalition

**OBNDD:** Oklahoma Bureau of Narcotics and Dangerous Drugs

**OBWEO:** Oklahoma Boll Weevil Eradication Organization

**OCAST:** Oklahoma Center for the Advancement of Science and Technology

**OCC:** Oklahoma Conservation Commission

**OCCY:** Oklahoma Commission on Children and Youth

**OCI:** Oklahoma Correctional Industries

**OCIA:** Oklahoma Capitol Improvement Authority

**OCJRC:** Oklahoma Criminal Justice Resource Center

**OCWP:** Oklahoma Comprehensive Water Plan

**OCTP:** Oklahoma Commission for Teacher Preparation

**ODAFF:** Oklahoma Department of Agriculture, Food and Forestry

**ODEM:** Oklahoma Department of Emergency Management

**ODIS:** Offender Data Information System

**ACRONYMS**

- ODL:** Oklahoma Department of Libraries
- ODMHSAS:** Oklahoma Department of Mental Health and Substance Abuse Services
- ODOC:** Oklahoma Department of Commerce
- ODOL:** Oklahoma Department of Labor
- ODOT:** Oklahoma Department of Transportation
- ODVA:** Oklahoma Department of Veterans Affairs
- ODWC:** Oklahoma Department of Wildlife Conservation
- OESC:** Oklahoma Employment Security Commission
- OETA:** Oklahoma Educational Television Authority
- OFPRS:** Oklahoma Firefighters Pension and Retirement System
- OG:** Oil and Gas
- OHLAP:** Oklahoma Higher Learning Access Program
- OHCA:** Oklahoma Health Care Authority
- OHC:** Office of Handicapped Concerns
- OHP:** Oklahoma Highway Patrol
- OHS:** Oklahoma Historical Society
- OHSA:** Oklahoma Occupational Health and Safety Standards Act of 1970
- OIAC:** Oklahoma Indian Affairs Commission
- OIDS:** Oklahoma Indigent Defense System
- OIFA:** Oklahoma Industrial Finance Authority
- OJA:** Office of Juvenile Affairs
- OKNG:** Oklahoma National Guard
- OLBPH:** Oklahoma Library for the Blind and Physically Handicapped
- OLERS:** Oklahoma Law Enforcement Retirement System
- OMD:** Oklahoma Military Department
- OMTI:** Oklahoma Miner Training Institute

**ACRONYMS**

- OPAT:** Oklahoma Parents As Teachers
- OPERS:** Oklahoma Public Employees Retirement System
- OPM:** Office of Personnel Management
- OPPRS:** Oklahoma Police Pension and Retirement System
- OSB:** Oklahoma School for the Blind
- OSBI:** Oklahoma State Bureau of Investigation
- OSD:** Oklahoma School for the Deaf
- OSDH/OSDOH:** Oklahoma State Department of Health
- OSEEGIB:** Oklahoma State and Education Employees Group Insurance Board
- OSF:** Office of State Finance
- OSHA:** Occupational Safety and Health Administration
- OSIDA:** Oklahoma Space Industry Development Authority
- OSRC:** Oklahoma Scenic Rivers Commission
- OSU:** Oklahoma State University
- OU:** University of Oklahoma
- OSRHE:** Oklahoma State Regents for Higher Education
- OSSM:** Oklahoma School of Science and Mathematics
- OST:** Office of State Treasurer
- OTA:** Oklahoma Transportation Authority
- OTAG:** Oklahoma Tuition Aid Grant
- OTC:** Oklahoma Tax Commission
- OTEG:** Oklahoma Tuition Education Grant
- OTRD:** Oklahoma Tourism and Recreation Department
- OTRS:** Oklahoma Teachers' Retirement System
- OWRB:** Oklahoma Water Resources Board
- PASS:** Priority Academic Student Skills

**ACRONYMS**

- PCPI:** Per Capita Personal Income
- PDI:** Professional Development Institutes
- PhD:** Doctor of Philosophy
- PICS:** Plant Industry & Consumer Services
- PMP:** Performance Management Process
- PMTC:** Physician Manpower Training Commission
- PPP:** Presidential Preferential Primary
- PRWORA:** Personal Responsibility and Work Opportunity Reconciliation Act
- PTAC:** Procurement Technical Assistance Centers
- PWS:** Public Water Supply
- PY:** Plan Year
- QJP:** Quality Jobs Program
- R & D:** Research and Development
- RCRA:** Resource Conservation Recovery Act
- REAP:** Rural Economic Action Plan
- RIF:** Reduction in Force
- RN:** Registered Nurse
- RTP:** Recreation Trails Program
- RVS:** Rehabilitation and Visual Services
- SAF:** State Aid Factor
- SAT:** Standardized Achievement Test
- SB:** Senate Bill
- SBIR:** Small Business Innovation Research
- SBRA:** Small Business Research Assistance
- SCHIP:** State Children's Health Insurance Program
- SDE:** State Department of Education
- SFM:** State Fire Marshal

**ACRONYMS**

- SH:** State Highway
- SIF:** Schools Interoperability Framework
- SJF:** State Judicial Revolving Fund
- SLRP:** Student Loan Repayment Program
- SMI:** Severely Mentally Ill
- SOJC:** Southwestern Oklahoma Juvenile Center
- SORC:** Southern Oklahoma Resource Center
- SOS:** Secretary of State
- SREB:** Southern Regional Education Board
- SRF:** State Revolving Fund
- SSIS:** State Student Information System
- STARS:** State Transition and Reintegration Services
- TANF:** Temporary Assistance to Needy Families
- TBFP:** Technology Business Finance Program
- TIP:** Training for Industry Program
- TMDL:** Total Maximum Daily Load
- TRIP:** Traveler Response Information Program
- TRS:** Teachers' Retirement System
- TYA:** Thunderbird Youth Academy
- UAAL:** Unfunded Accrued Actuarial Liability
- UCJC:** Union City Juvenile Center
- URSJJ:** Uniform Retirement System for Justices and Judges
- US:** United States
- USDA:** United States Department of Agriculture
- USDVA:** U.S Dept. of Veteran Affairs
- USGS:** United States Geologic Survey
- VFA:** Volunteer Fire Assistance

**ACRONYMS**

**VISION:** Virtual Internet School in Oklahoma Network

**WADM:** Weighted Average Daily Membership

**WC:** Worker's Compensation

**WIC:** Women, Infants and Children

**WQS:** Water Quality Services Division (ODAFF)

**WQS:** Water Quality Standards (EPA)

**WSCA:** Western States Contracting Alliance

**YTD:** Year to Date

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