

FY-2008

Executive Budget

Governor
Brad Henry

February 5, 2007

February 5 2007

To the citizens of the great state of Oklahoma and the Oklahoma Legislature:

I am pleased to submit for your consideration the FY-2008 executive budget. Just as I have every year, I present a balanced budget for the state of Oklahoma, one that emphasizes the priorities important to our state's future growth.

In its centennial year, Oklahoma is a state on the move. We have accomplished great things in our first one hundred years, but even greater opportunities lie ahead if we make the right decisions at the beginning of our second century.

To reach our full potential and foster a prosperous future for generations to come, we must build on our strengths and address new challenges. We must work to build the best public education system in the nation, from our early childhood programs to our state colleges and universities. We must make high-quality health care more affordable and accessible and keep our citizens safe from harm. We must advance economic initiatives that provide opportunities for all Oklahomans in a global economy that values research, highly skilled workers and knowledge-based industries. We must ensure that state government operates in an effective and efficient manner and is accountable to the people it serves.

Above all, we must work together in a bipartisan fashion, putting politics aside and placing the needs of Oklahoma above of all else.

On the eve of Oklahoma's second century, we have an opportunity to do great things. When historians of the future look back on this centennial year and the years that follow, I hope they will write of a state that set its sights high and soared to even greater heights, and of state leaders who pulled together and worked with a common purpose as they had never before. We owe it to the people of Oklahoma and the generations that follow to make that hope a reality.

I look forward to working with you to build a stronger, more prosperous Oklahoma. God bless you and God bless Oklahoma.

Sincerely,

Brad Henry
Governor

February 5, 2007

Governor Henry:

It is an honor to present you with your executive budget for the FY-2008 budget year. The budget is balanced as required by law.

The budgets of all state agencies, boards and commissions were reviewed extensively in the preparation of this budget. Office of State Finance Budget Division Staff members and I met with directors of major state agencies to review agency programs and analyze and justify expenditures. The Office of State Finance performed a thorough appraisal of agency financial and program performance. State agency leaders and staff provided information necessary for a thorough examination in a timely and professional manner. Many agencies also offered suggestions to improve efficiency and effectiveness. Tax policies, expenditures and revenue enhancement ideas were also examined.

I would like to thank you for all of your time and attention in the development of the budget. To others involved in this process, I extend my appreciation for their hard work and input. I also want to thank analysts with the Budget Division for their diligence, effort and dedication.

Respectfully,

Tony Hutchison
Director, Office of State Finance

OKLAHOMA OFFICE OF STATE FINANCE

February 5, 2007

Citizens of the State of Oklahoma Members of the First Regular Session of the Fifty-first Legislature

Governor Brad Henry's FY-2008 budget consists of the following two documents. Both are available on the Internet. You can view them by accessing the Oklahoma Home Page, the Home Page of the Office of the Governor, or the Home Page of the Office of State Finance. The Oklahoma Home Page address is: <http://www.ok.gov>.

These documents are distributed to the State Legislature, the media and the State Publications Clearinghouse.

“FY-2008 EXECUTIVE BUDGET, Volume I”

This document contains Governor Henry's budget recommendations to the 2007 Legislature. It includes a discussion of state revenues, a summary of his proposed budget and explanations of budget recommendations for state agencies.

“FY-2008 EXECUTIVE BUDGET, Volume II- HISTORICAL DATA”

This document is the larger of the two and includes detailed historical financial information about each agency of state government. The information is arranged by Cabinet Department and Branch of Government.

The individual display for each agency/entity of government includes the following:

- Mission of the Agency
- Description of the Board/Commission that governs the agency
- Description of agency Duties/Responsibilities
- Constitutional and Statutory References related to the entity
- Information regarding agency workload or performance criteria
- Expenditure and personnel data for FY-2005, FY-2006 and FY-2007

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Executive Summary

In laying the foundation for Oklahoma's second century, the Governor has proposed innovative programs to position Oklahoma to compete in the global economy. The Governor remains committed to ensuring that State programs are appropriate, effective and efficient.

Positive growth in the private sector depends on a government infrastructure that provides a foundation that is supportive of their development. This includes:

- Education – Increased access to early childhood education and higher education and skills training to prepare the workers of the future;
- Health Care – Increase the number of children and working adults with insurance to promote better health and reduce the burden on health insurance premiums from the cost of uncompensated care;
- Workforce Development – Creating innovative and collaborative efforts to bring together appropriate government agencies to establish a flexible system to enable workers to obtain the foundational skills they need to be trainable for the job requirements of the global economy;
- Economic Development – Continued development of new economic opportunities through the EDGE endowment, the Opportunity Fund, OCAST and the establishment of an Oklahoma Bioenergy Center to be the premier national institution to research and develop the biofuels of the future;
- Safety and Security – Protecting Oklahomans by being smart on crime as well as tough;

Oklahoma continues to be ranked as one of the most pro-business and family-friendly states. Expansion Magazine ranks both Oklahoma City and Tulsa in their top 20% cities for quality of life for manufacturing companies to grow and prosper. Both Oklahoma City and Tulsa were also ranked among the top 50 Hot Spots for expansions and locations by the same publication. Oklahoma was also rated 5th in the nation for High-Tech job growth according to a FDIC study with aerospace industry clusters leading the way. Entrepreneur Magazine ranked Oklahoma's major cities among its top 20 "Hottest Cities for Entrepreneurs"

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

- Oklahoma's per capita income increased 5.4% between 2004 and 2005, which ranked the State 7th in the nation according to the Bureau of Labor Statistics.
- Since the 2003 economic recession, Oklahoma has created 95,800 jobs.
- Between 2004 and 2005, Oklahoma's economic growth equaled 8.6%, eighth in the nation.

Some of the most notable employment announcements taking place in Oklahoma include: MG Motors locating its North American Headquarters in Oklahoma City, a major manufacturing facility in Ardmore and engineering facilities in Norman. A host of other companies chose to locate all

across the Sooner State including 150 new manufacturing jobs in Durant, Smithfield Beef in Texas County, Sigma Corporation in Seminole and Boral Bricks in Union City.

Building on these successes, the Governor proposes the following major initiatives:

- **Education:** improve student achievement, enhance teacher pay, expand Oklahoma's early childhood education opportunities to include three year olds, establish a permanent funding source for OHLAP, aid disadvantaged pre-school age children through public-private partnerships such as Educare, shore up our Teachers' Retirement System and provide funds to Oklahoma's colleges and universities to eliminate the backlog of endowed chairs;
- **Health Care:** ensure affordable prescription drugs by allowing the re-importation of American-manufactured pharmaceuticals, provide health insurance for children of low-income families up to the maximum income level allowed by federal law and increase the income eligibility limit to the maximum allowed by the federal government for Insure Oklahoma which helps employers provide health insurance for working Oklahomans;
- **Workforce Development:** Expand the delivery of an industry accepted workforce readiness certificate to insure all Oklahomans possess the basic skills required for the jobs of the global economy. Allocate \$5 million in training grant incentives to help currently employed workers upgrade their skills and establish 3 new "Advantage" Centers where economic development agencies, chambers of commerce, OESC offices as well as colleges and career technology centers can collaborate to help entrepreneurs, job seekers and businesses seeking to expand.
- **Economic Development:** Appropriate \$50 million additional money to the EDGE endowment and \$15 million additional money to the Governor's Economic Opportunity Fund to encourage further research and investment in Oklahoma and establish an Oklahoma Bioenergy Center to bring together top scientists to research and develop the biofuels of tomorrow.
- **Safety and Security:** expand the use of drug courts, mental health courts and other treatment programs designed to divert people with mental illness to treatment rather than jail; provide inmates with substance abuse treatment to halt the prison revolving door; and develop specialized treatment programs for methamphetamine addicts.

This executive summary provides an overview of these major initiatives and a summary of the FY- 2008 Executive Budget.

Education

Oklahoma's economic vitality and future growth is dependent on a competitive, well-educated, highly skilled workforce. Research done by the Federal Reserve Bank of Dallas indicates a person with a bachelor's degree will earn on average \$1.1 million more over a lifetime than students with only a high school diploma. Students who do not obtain a college degree must be prepared for an increasingly competitive, technologically advanced workplace. As one of education's most vigorous advocates, the Governor has created new revenue sources and implemented reforms to improve teacher salaries, student performance, accountability and education quality throughout the state's education systems. Every year, fostering student excellence from pre-kindergarten to high school to postsecondary education is a key component of Governor Henry's growth agenda.

FY-2008 Major Initiatives

Teacher Compensation

During the 2004 Legislative Session, Governor Henry announced a 5 year plan to increase teacher pay to the regional average and pay 100% of teacher health insurance premiums. In FY-2005, the state paid teachers' health insurance premiums. FY-2006 was the first step of the four step pay plan to move Oklahoma teachers to the regional average in compensation; the state spent over \$57 million in FY-2006, giving teachers an average pay increase of \$1,300. In FY-2007, the second year of the step increase in teacher pay, the average increase was set to be \$1,288. The state was able to accelerate the plan and give all teachers a \$3,000 pay raise, spending over \$136 million on this effort. Last year's agreement resulted in a \$600 increase for all teachers for FY-2008. The Governor proposes to again amend statute to compensate our teachers with a more significant pay increase. His plan results in an average pay increase of \$1,069.

Early Childhood

Over the past three years, Oklahoma's 4 year old program has been nationally recognized as the top program in the country. A Georgetown University study cited in the journal *Developmental Psychology* and referenced on National Public Radio, concluded that Oklahoma's universal pre-Kindergarten program improved the school readiness of all children. The most significant increases occurred for African American, Native American and Hispanic children and those qualifying for free or reduced lunches. Approximately 70% of the four year old population participates in this voluntary program.

The Governor's FY-2008 budget includes \$30 million for a broad based effort to provide additional early childhood educational opportunities for Oklahoma families. A portion will be used to expand the pre kindergarten program incrementally to begin serving three year old children. While a handful of districts already make services available to three year olds, the Governor proposes creating a more formal pilot program to be utilized on a voluntary basis. The remainder will be used to expand a pilot program that requires a private match and serves children birth to three of economically disadvantaged areas with more intensive services.

FY-2007 Major Initiative Updates

Achieving Classroom Excellence (ACE)

Under Governor Henry's leadership, SB 982, passed during the 2005 Legislative Session and created the Achieving Classroom Excellence Act of 2005. The main goals of this initiative were:

- To increase access to full day kindergarten;

- To improve student achievement in elementary and secondary classrooms; and
- To increase participation and completion in quality postsecondary education programs.

To accomplish these goals, ACE:

- Provided sufficient funding for all districts to offer full day kindergarten;
- Provided funding for a middle school math lab pilot program for the ten middle schools with the most demonstrated need for math improvement;
- Required all eighth grade students to demonstrate mastery in Criterion Referenced Tests (CRT);
- Required all high school students enroll in a college/careers preparatory default curriculum that parents may opt out of;
- Required students to demonstrate mastery on at least four of seven End of Instruction (EOI) exams in order to receive a high school diploma; and
- Waived up to six hours of tuition per semester for high school seniors concurrently enrolled in college courses.

SB 1792, passed during the 2006 Legislative Session, implemented a number of the recommendations of the ACE task force and created the ACE Steering Committee. The Steering Committee is charged with making recommendations to the State Board of Education on curriculum alignment, review of existing and development of new tests, determination of cut scores, alternate assessments, intervention and remediation strategies, and consequences for students not meeting the standards. The Steering Committee will continue to advise the Board until December 31, 2009.

The ACE Steering Committee recommended that the Legislature provide intervention and remediation funds to be focused on current 7th graders, the first class to be required to pass the ACE exit exams in order to graduate. The Governor's FY-2008 budget includes \$10 million for intervention and remediation.

Postsecondary Education

National figures consistently show that states with the greatest economic success have the highest percentages of postsecondary educated citizens. A better educated populous helps recruit businesses looking for a well educated, technologically savvy work force. The lifetime earnings of a Bachelor's degree holder and a high school graduate reveal the personal benefits of the continued pursuit of education. There is a correlation between the economic attainment of a state's population and a high percentage of college graduates. For this reason, the Governor and state education leaders have been working to encourage Oklahomans to continue education beyond high school.

FY-2008 Major Initiative

OHLAP

The Oklahoma Higher Learning Access Plan, OHLAP, also known as Oklahoma's Promise, is another indicator of successfully attracting students to postsecondary education. OHLAP is geared towards low-income students. It requires them to make good grades in a college

preparatory curriculum and stay out of trouble with the law in exchange for an annual scholarship to attend an Oklahoma postsecondary education institution. The Governor proposes earmarking a dedicated revenue source for this program to ensure Oklahoma will keep its Promise to thousands of Oklahoma children. This will amount to \$35.6 million in FY-2008 which, along with other revenue dedicated to OHLAP, will total \$48 million, the amount needed for the more than 17,800 projected to participate.

Health Care

FY-2008 Major Initiative

Smart on Crime Initiative

Twenty-one percent of the inmates in Oklahoma's correction system suffer from untreated mental illness. In many cases, this untreated mental illness is the root cause of the individual's incarceration and will eventually result in subsequent incarcerations if left untreated. Increased treatment for at-risk individuals, increased diversion into treatment for persons with mental illness and substance abuse, as well as specialized treatment for methamphetamine addiction, are the next steps in our state's efforts to gain better outcomes and provide cost effective alternatives to incarceration. Diversion into treatment can occur at any point in the criminal justice system: prevention/pre-booking; initial detention/booking; post-booking-initial hearing; disposition/sentencing; and reintegration from incarceration/prevention of recidivism.

Investing \$20 million in increased funding to an array of services and programs which affect all aspects of the criminal justice, mental health and substance abuse treatment systems will divert non-violent offenders in need to treatment away from incarceration currently costing tax payers approximately \$16,000 per person per year. As part of this initiative, the Governor is proposing that the state provide debt service for a \$20 million bond issue to provide housing for the homeless mentally ill in Tulsa. This is a collaborative project between the state, the city of Tulsa, the Tulsa Housing Authority and the Mental Health Association of Tulsa

Prevention and Pre-booking:

- Training for police responders in the identification of methamphetamine and other substance abuse and mental health symptoms, de-escalation techniques and knowledge of treatment and medication services in which to divert individuals.
- Back-up response teams with special training to provide assistance and emergency evaluation services when called to the scene by law enforcement.
- Statewide hotline for use by law enforcement and family members to locate emergency intervention and treatment services.
- Increased substance abuse treatment services, especially programs specializing in methamphetamine treatment.

Initial Detention and Booking:

- Mental health and substance abuse jail screening services and medication/treatment programs into which offenders can be diverted.

Disposition and Sentencing:

- Continued support for growth in Drug Courts
- Expand Mental Health Courts to divert eligible, non-violent offenders from incarceration.
- Expand Juvenile Drug Courts to divert eligible youth from the criminal justice system.
- Expand substance abuse and mental health treatment for juveniles to prevent further involvement with the criminal justice system.

Reintegration and Prevention of Recidivism:

- Establish Intensive Care Coordination Teams to assist with re-entry from Department of Corrections' incarceration for those with mental health, substance abuse or co-occurring needs.
- Assist with housing, employment, treatment and medications to keep this population from re-entry into the criminal justice system.
- Specialized forensic teams located in urban areas designed specifically to provide services to those released from jails and prisons to prevent reincarceration.

Despite legislation and law enforcement efforts which have significantly decreased the number of methamphetamine laboratories or “meth labs” in Oklahoma, communities across the state are still struggling to cope with the problems of methamphetamine use and dependence. Although progress continues in methamphetamine lab seizures, there has not been a corresponding decrease in the demand for treatment. In addition, research shows that recovering meth addicts require a longer and more intense outpatient treatment program than is the case for most drugs.

The best practice treatment model for methamphetamine addiction is currently known as the Matrix Model. This model involves intensive outpatient supervision and has been proven to be effective. It is the only methamphetamine specific treatment model endorsed by the National Institute of Drug Abuse (NIDA) as a scientifically based approach. A recent clinical trial found that with this model, persons addicted to methamphetamine stay in treatment longer, stay off methamphetamine longer and have restored cognitive abilities. Longer lengths of treatment and cognitive re-training are key elements in successfully treating methamphetamine addiction.

Expansion of Medicaid Coverage for Children

The Governor proposes extending Medicaid coverage for children under the State Childrens Health Insurance Program (SCHIP) from the current 185% of the federal poverty level to the maximum federally allowed limit of 300% of the federal poverty level. Due to the higher federal match rate provided through SCHIP, the cost of this expansion is \$8.6 million state dollars which would bring in an additional \$30 million federal dollars and provide coverage for as many as 42,000 additional children. About 65% of the 740,000 Oklahomans on Medicaid are 18 years old or younger.

Expand Insure Oklahoma Program

Last year, the Governor proposed an expansion from 25 to 50 employees in the size of small businesses who could qualify for health insurance premium assistance under this program. With the passage of SB 1294 in the 2006 Legislative Session and the action of the Oklahoma Health Care Authority, the Governor’s proposal has been put into action. It is now time to expand the income eligibility standard from 185% of the federal poverty level to 200% of the federal poverty level. This will allow families of four with an income of up to \$41,300 to qualify for premium assistance.

Phase I of the Governor’s Insure Oklahoma Premium Assistance Program began taking employer applications on November 1 and employee applications on December 1, 2005. Insure Oklahoma is funded with a portion of the revenue from the tobacco tax increase proposed by Governor Henry and passed by the people of Oklahoma as State Question 713 in November 2004. This phase is specifically known as premium assistance for Employer Sponsored Insurance (ESI). The Premium Assistance Program will pay part of the health plan premiums for eligible employees working for qualified Oklahoma small businesses.

Small businesses purchase a private market health plan that is qualified for participation. Participating employers, as well as employees, are required to pay a portion of the premiums. Employees are also responsible for any applicable deductibles and co-payments. Employers are required to contribute 25 percent of the premium amounts. Individuals pay up to 15 percent of the monthly premium, with the state and federal government paying the remaining share.

Insure Oklahoma is currently designed to target working people who have incomes at or below 185% of the federal poverty level and work for Oklahoma businesses of 50 employees or less.

Because it works with Employer Sponsored Insurance, it supports the expansion of the private insurance market. Also known as “Insure Oklahoma with O-EPIC”, information on the program as well as applications are available from either the O-EPIC website www.oepic.ok.gov or by calling the O-EPIC helpline at 1-888-3-OK-EPIC.

FY-2007 Major Initiative Update

Drug Court Expansion

In his FY-2006 and FY-2007 budget proposals, Governor Henry recommended an unprecedented \$16 million expansion of the drug courts. Now completely implemented statewide, Oklahoma’s is the most comprehensive version of this innovative program in the nation. The funding for this program started in FY-2006 with \$8 million and was completed in FY-2007 with the second major funding installment of \$8 million. The drug court program offers nonviolent, felony offenders with substance abuse problems the 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 drug offenders on regular probation and four times less likely to recidivate than drug offenders released directly from prison. Drug Court supervision and treatment programs are significantly less expensive costing an average of \$5,000 per person per year as opposed to \$16,000 per person per year in prison.

Health Care Workforce Initiative Continues

In the fall of 2005, Governor Henry signed Executive Order 2005-20 which established the Governor’s Health Care Workforce Resources Task Force. This Task Force was based on bipartisan legislation co-authored by Senator Susan Paddock and Representative Doug Cox in SB 1010 from the 2005 Legislative Session. Although this legislation was not passed during the 2005 session, Senator Paddock, Representative Cox and Governor Henry worked in collaboration with health care professionals to ensure this important public health issue remained a priority.

The Task Force report provided a comprehensive assessment of government and private sector efforts to meet supply and demand needs for Oklahoma’s health care workforce. The focus of the Task Force was an assessment on health care professionals in short supply.

The passage of SB 1394 in the 2006 Legislative Session established the Health Care Workforce Center. The Health Care Workforce Resources Task Force used this opportunity to issue its report and help with the establishment of the Health Care Workforce Center. The Center Board of Directors has been appointed, met, appointed an interim director and accepted generous donations of office space, expertise and supplies. This joint effort among several state agencies, the Oklahoma Hospital Association, Regents for Higher Education, OU Medical Center and others is proceeding down the path of solving the health care workforce problems currently facing our state.

Economic Development

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 Capital of the Plains." The interest earned by the endowment will be used to fund basic and applied research and commercialization of technology with the primary focus being on commercialization of technology. These funds will focus efforts in seven areas: aerospace, biotechnology, weather, sensor technology, agriculture, energy and advanced materials.

In FY-2006 the Governor proposed and the Legislature passed legislation to capture 50% of excess revenues for this initiative. Over \$92 million was deposited in the fund. In FY-2007, the Legislature directed \$150 million of surplus General Revenue funds to be deposited into the EDGE fund. The Governor proposes that, in FY-2008, \$50 million of excess General Revenue be deposited into the fund.

Economic Opportunity Fund

In FY-2007, the Governor proposed and the Legislature passed HB1169 creating the Oklahoma Opportunity Fund. The purpose of the fund is to give the state more flexibility in attracting and/or retaining jobs, investing in or retooling plant or plant equipment or providing additional ad valorem revenues so long as the end result is a substantial economic benefit to Oklahoma. In FY-2007, the Legislature directed \$45 million of General Revenue surplus to be deposited into the fund. This fund played a major role in the location of the MG Motors plant in Ardmore and their headquarters in Oklahoma City as well as an engineering facility in Norman. The Governor's budget includes \$15 million of excess General Revenue for the Opportunity Fund and provides a \$200 million bond authorization for the fund.

Workforce Development

Well compensated jobs are being created rapidly by the United State economy, and Oklahomans have a reputation as hard workers. The state can bring more high paying, benefit rich jobs to Oklahoma if it invests intelligently in the workforce. There is currently a skills mismatch in Oklahoma's economy and the state must bring its workforce skills into line with industry needs if the state is to capture Oklahoma's share of business expansions and locations in its second 100 years.

This budget proposes using \$9.5 million of reallocated federal funds at the Departments of Commerce and the Oklahoma Employment Security Commission to establish an innovative Workforce upgrade initiative to help both workers and businesses prosper in the global economy.

The main points of the initiative are:

- Expand the industry accepted workforce readiness certificate based on the nationally recognized "Work Keys" assessment. This assures employers that all Oklahoma employees have the requisite quantitative, communication and information systems skills to function well in today's workplace. This proposal is based on industry recommendations from the Governor's Council on Workforce and Economic Development. It is a critical step in the state differentiating itself from competitor states for new jobs and for job seekers to develop the proper skills for employment. \$750,000
- Create three new "Advantage Centers" at the local level to eliminate the duplication and enhance the performance of employment offices, workforce training centers and economic development programs. These Advantage Centers will dramatically improve the execution and coordination of business services at the local level. They will serve as central delivery point for customized packaging of employment, training and economic development services where local partners such as Chambers of Commerce, Workforce Boards, Career Techs, local colleges, the Manufacturing Alliance, Department of Commerce and the Employment Security Commission could coordinate efforts with improved budgetary efficiency. \$750,000
- Provide training incentive grants to existing employers. These grants will improve workforce skill levels to enhance economic productivity and encourage business expansion. Training could occur through multiple venues including colleges and private vendors, but Career Tech would be the lead agency. \$5,000,000 through federal authorized use of the Unemployment Trust Fund with mandatory contingency factors to insure solvency of the trust fund.
- Match \$1,500,000 in federal dollars for skill shortage training for a total of \$3,000,000.

This proposal achieves the necessary funding levels through realignment of functions and positions at the Departments of Commerce and the OESC to better leverage federal funds from the Workforce Investment Act, Wagner-Peyser Act, Trust funds for Incumbent Worker Training and Reed Act.

The State of Oklahoma, like many employers, is experiencing difficulty recruiting personnel in highly technical and other hard to fill positions. This is in part due to an aging state workforce. Many state employees will be reaching the combination of number of years of service and age to retire within the next five years. Shortages are already occurring in Information Technology areas, financial workers, prison guards, social workers and many other fields. It is proposed that the Office of Personnel Management engage in an in-depth analysis of current and forecast

state workforce needs, competitiveness of compensation and needed recruitment reforms to address this issue before services relied on by citizens of the state are affected.

The Governor's commitment to Oklahoma's workforce extends to Oklahoma's future retirees. Oklahoma's teachers' retirement system has become a gaping budgetary hole that threatens the fiscal stability of our future. Oklahoma's public employees' retirement system, while not in as dire need as the teachers' system, also needs to be monitored. The Governor proposes to develop policies now that will bring fiscal solvency to these systems and create a stable future for retirees.

Public Safety

FY-2007 Major Initiative Updates

Safe Net and Child Abuse Investigations

In FY-2007, Governor Henry endeavored to strengthen existing child protection laws. Three bills were passed in the 2006 Legislature that agreed with the Governor's initiatives. Senate Bill 1800, 2006 Regular Session, established the Child Abuse Response Team (CART) Unit within the Oklahoma State Bureau of Investigation (OSBI) for the purpose of investigating cases of suspected physical and sexual abuse of a child. Also passed in the 2006 Regular Session, Senate Bill 1479 established the Internet Crimes Against Children (ICAC) Unit within the Oklahoma State Bureau of Investigation for the purpose of investigating Internet crimes committed against children including, but not limited to, offenses related to child pornography and solicitation of minors for pornography, prostitution or sex-related offenses. The ICAC Unit shall also promote safe Internet use among children and their parents by various media or printed-material campaigns or by offering educational programs to schools or communities. Senate Bill 1479 also toughened the penalties for offenders of the Safe Net Act.

The Oklahoma State Bureau of Investigation was appropriated half-year funding of \$548,000 in FY-2007 for a total of seven agents to be hired for the two units, ICAC and CART, to begin January 1, 2007. The agency is currently in the process of filling these positions and is seeking appropriations in FY-2008 to annualize this funding for a full year.

Anti-Methamphetamine Initiative

Major legislation has been signed into law by Governor Henry in both FY-2005 and FY-2006 restricting the sale of pseudo-ephedrine. Pseudo-ephedrine is the main ingredient in home-labs producing methamphetamine. Governor Henry continued his march against methamphetamine in FY-2007 with the Oklahoma Bureau of Narcotics and Dangerous Drugs (OBNDD). In FY-2007, OBNDD was appropriated half-year funding of \$225,000 for a total of six new agents to be hired for the anti-methamphetamine initiative, to begin January 1, 2007. The agency is currently in the process of filling these agent positions and is seeking appropriations in FY-2008 to annualize this funding for a full year.

Department of Corrections

The Department of Corrections (DOC) has historically struggled with the turnover rates of correctional officers and probation officers. Prior to FY-2007, the turnover rate of correctional officers ranged from 12% to 14% and the turnover rate of probation officers ranged from 9.8% to 10.6%. In FY-2007, Governor Henry recommended a pay raise for these positions and other employees within the state-operated correctional facilities. Governor Henry signed into law House Bill 2288 which authorized the Department of Corrections to increase specific positions within the correctional facilities by \$2,800 per year. The agency was appropriated \$3.0 million to fund the pay raise from April 2006 through June 2006, and appropriated the annualized amount of \$15.0 million for full-year funding for the pay raise. The staffing level of probation officers is nearly 100% and the level of correctional officers has seen a net growth in the past nine months. This pay raise continues to help the agency in their recruiting processes for correctional officers.

Transportation

FY-2007 Major Initiative Updates

Of over 6,700 bridges on the state highway system, 1,600 are either too narrow to support today's traffic, have structural deficiencies or both. State highways are also in need of rehabilitation and repair. Studies that focus on the safety features of highways rate Oklahoma's state highway system as critical or inadequate. Historical funding levels have done little to make a dent in the backlog of road and bridge maintenance projects. During the 2006 session, with Governor Henry's recommendations, the Legislature passed a series of funding measures to address immediate repairs and long term needs.

State and Local Bridge Repair

Governor Henry proposed funds to quickly address critical bridge repair. Based on these recommendations, ODOT received a \$100 million supplemental appropriation for state bridges and \$25 million of the FY-2006 General Revenue Fund surplus for county bridges. To date, ODOT has completed construction on two state bridges and plan to award more construction contracts in the spring. By the end of December, the counties used \$3.1 million on bridge repair and budgeted 17 more repair projects.

State Transportation Fund

The State Transportation Fund (STF) is the primary state funding source for ODOT. Prior to the 2006 Session, this fund was certified. The Legislature can only appropriate 95% of the certified estimated total collections to a certified fund. In the Executive Budget, Governor Henry proposed to change the STF from a certified to a revolving fund, allowing the Legislature to authorize ODOT to spend 100% of the certified revenue to the fund. The Legislature passed this recommendation in House Bill 1176, and due to this law change, ODOT received an additional \$10.5 million of funding in FY-2007.

Lockbox of Transportation Funding

As a stable and consistent funding source, Governor Henry recommended the motor vehicle and motor fuels taxes to secure long term funding for state and local roads and bridges. With these recommendations, the Legislature passed House Bill 1176. This bill reduced the percentage of motor vehicle tax revenue going to the General Revenue Fund and directed that revenue to a fund designated for high priority county bridges. As a result of this law change, county bridges are expected to receive an additional \$27 million from motor vehicle tax. House Bill 1176 also directed motor fuel tax revenue from the General Revenue Fund to a high priority state bridge fund. For FY-2008, state bridges will receive an additional \$7.4 million.

Interest to the County Bridge and Road Improvement Fund

Each year, revenue in the County Bridge and Road Improvement Fund earns interest that is deposited into the General Revenue Fund. Governor Henry recommended that any interest earned annually from this fund be deposited into the fund. The Legislature passed this initiative during the 2006 session.

FY-2008 Executive Budget

Summary of FY-2008 Balanced Budget	
Revenue	
1. Appropriations Authorized in December Equalization Board Meeting	\$ 7,011,524,675
2. Gaming Revenue for Higher Education Tuition Aid Grant	\$ 7,232,343
3. Excess CLO Funds	\$ (7,144,381)
Total Amount Available from Certification Packet	\$ 7,011,612,637
Revenue Changes	
Other Revenue	
5. CompSource Market Adjustment	\$ 7,000,000
6. Digital License Plates	\$ 5,500,000
7. Cash Flow Reserve Fund	\$ 118,969,000
8. Lapsed Funds and Other Revenue	\$ 2,993,035
Total General Revenue Changes:	\$ 134,462,035
Changes to Revolving Funds/Special Cash Fund	
Special Cash	
8. Agency Transfers to Special Cash	\$ 26,700,000
Total Special Cash:	\$ 26,700,000
Total Changes to Certification:	\$ 161,162,035
Total Revenue Available for FY-2007 Budget:	\$ 7,172,774,672
Expenditures:	
1. FY-2007 Appropriations	\$ 6,742,919,564
2. Less: FY-2006 Supplementals	\$ (187,578,680)
3. Less: Higher Ed OHLAP - Gaming	\$ (4,927,800)
4. Less: One-Times	\$ (11,076,000)
5. Less: REAP	\$ (3,401,620)
6. Governor	\$ 20,818
7. Lieutenant Governor	\$ 202,290
8. Agriculture Cabinet	\$ 2,303,568
9. Commerce/Tourism Cabinets	\$ 4,033,312
10. Education Cabinet	\$ 361,325,448
11. Energy/Environment Cabinet	\$ 501,948
12. Finance and Revenue Cabinet	\$ 1,169,193
13. Health Cabinet	\$ 88,026,373
14. Human Resources and Administration Cabinet	\$ 1,160,917
15. Human Services Cabinet	\$ 10,916,873
16. Military Cabinet	\$ 1,933,967
17. Safety and Security Cabinet	\$ 50,719,551
18. Science and Technology	\$ 2,013,891
19. Secretary of State Cabinet	\$ 168,267
20. Transportation Cabinet	\$ 1,769
21. Veterans' Cabinet	\$ 861,276
22. Legislature	\$ 337,813
23. Judiciary	\$ 1,504,632
24. FY-2007 Supplementals	\$ 109,637,302
Total Recommended Expenditures	\$ 7,172,774,672
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 are 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-2008 are \$7.011 billion. This represents an increase in growth revenue of \$276.9 million, 4.1%, over funds appropriated and authorized for FY-2007.

Revenue adjustments

CompSource Market Equalization – Currently, insurance carriers in the State of Oklahoma are required to remit an annual 2.25% premium tax to the Insurance Commissioner based on direct written premiums. CompSource Oklahoma is not assessed under present state law.

CompSource, a state agency, currently has the largest share of the workers compensation market in Oklahoma. The Governor's budget proposes a market equalization assessment on this agency of 2.25% to improve market place competition. This assessment would be charged to CompSource on its direct written premiums and would result in \$7 million being collected within the General Fund of the State Of Oklahoma.

As long as regulatory processes CompSource currently follows as a state agency are modified simultaneously, actuarial cost increases will not be passed on to policyholders due to this assessment. This proposal assumes that CompSource will receive legislative authorization to develop new financial, administrative and human resource policies in line with their mission as a state authorized enterprise which will provide cost savings in excess of the cost of the market equalization assessment.

Digital License Plates

This budget also includes revenue derived from the conversion of our current license plate format to a digital format. The Legislature appropriated \$950,000 in FY-2007 for the purchase of the equipment necessary for this conversion. The total remaining cost of the project is \$5.8 million. The budget includes \$2.2 million of surplus revenue for part of the cost in FY-2008. The rest of the cost will be realized in FY-2009. The revenue generated will come from a complete re-issue of license plates in FY-2008, increased compliance and cost savings to DOC. DOC will no longer have costs associated with maintaining and using the equipment that makes the metal license plates.

Cash Flow Reserve Fund

This budget proposes a transfer of \$118.9 million from the FY-2007 Cash Flow Reserve Fund (CFRF) to the Special Cash fund for the FY-2008 budget. Currently, the balance in the CFRF is over \$118.9 million. Through December, actual collections for FY-2007 exceed estimated collections by \$108 million with a balance in the FY-2007 General Revenue fund of over \$182 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-2007. A transfer of funds from the CFRF, as this budget proposes, is a prudent measure to help fund vital state services.

Lapsed Funds and Other Revenue

Every year, funds not encumbered or expended by November 15 lapse to the original fund they were appropriated from. For FY-2008, these lapsed funds will total an additional \$1.1 million more in special cash for appropriation and expenditure authority. Also included are funds that were advanced to agencies due to cash flow problems and are required to be paid back to the General Revenue fund.

Special Cash Fund Transfers

One component of the FY-2008 budget involved identifying a variety of agency revolving funds that exceed the amount needed to balance FY-2007 expenditures. These funds can be re-directed to cover agency operating costs for FY-2008. This proposal transfers a total of \$26.7 million to the special cash fund. This proposed transfer of funds is based on a careful analysis of budgeted versus actual receipts and disbursements.

Excess GR Funds

Revenues collected in the General Revenue fund are again expected to exceed the estimate, this year by \$331 million. The current balance in the Rainy Day Fund is \$496 million and the new cap for FY-2007 will be \$572 million. After \$76 million is deposited to attain the new maximum in the Rainy Day Fund, another \$255 million will be available as excess revenue. These funds are one-time funds and should only be used for one-time purposes. To maximize the impact of these funds, the Governor recommends the following investments with the \$255 million in excess funds:

- ✓ \$50 million to the Economic Development Generating Excellence (EDGE) Endowment Fund to be matched with private funds for research investments in target areas, commercialization of technology and creation of economic growth and jobs.
- ✓ \$25 million to the Teachers Retirement System. This system is ranked as the worst funded retirement system with a 49.5% funded ratio.
- ✓ \$15 million to the State Emergency Fund. These funds will help reimburse local governments and businesses for costs related to federal and state declared disasters.
- ✓ \$15 million to the Opportunity Fund to provide the state more flexibility to attract and retain businesses in Oklahoma.
- ✓ \$8 million for bio-fuels research.
- ✓ \$5 million to the Historical Society to match with \$5 million of private funds to create an endowment for operating costs of the new History Center.
- ✓ \$2 million to expand Middle School Math Labs. This funding will provide 10 additional math labs.
- ✓ \$2 million to purchase equipment for conversion to digital license plates.
- ✓ \$1 million to DCS for Centennial maintenance needs.
- ✓ \$980,000 for the costs associated with the Presidential Preferential Primary Election to be held in February 2008.
- ✓ \$850,000 to the Oklahoma Medical Research Foundation for the purchase of state of the art medical equipment.
- ✓ \$750,000 to support educational programs in science.
- ✓ \$300,000 to Legal Aid of Western Oklahoma to increase services to citizens.

Expenditure Proposals

The first step in developing this budget involved reviewing individual agency budgets. Office of State Finance staff 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-2008 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-2007 appropriations. Subtracting one time expenditures and FY-2006 supplementals from this amount produces a base level of expenditures. Adding proposed changes in expenditures yields the total Executive Budget.

FY-2006 Supplementals

The following table lists FY-2006 supplemental appropriations subtracted from the FY-2007 state expenditure base:

FY-2006 Supplementals

a. Agriculture	\$	12,500,000
b. Attorney General, Office of the	\$	500,000
c. Bureau of Investigation	\$	456,000
d. Capitol Complex & Centennial Comm	\$	16,000,000
e. Commerce, Department of	\$	1,000,000
f. Corrections, Department of	\$	24,000,000
g. District Courts (to Supreme Court)	\$	3,871,585
h. Education, Board of	\$	11,719,234
i. Election Board	\$	1,500,000
j. Higher Education, Regents for	\$	4,600,000
k. Human Services, Department of	\$	5,391,000
l. Public Safety, Department of	\$	3,651,573
m. Tourism and Rec (to Revolving Fund 215)	\$	2,389,288
n. Transportation, Department of	\$	100,000,000
Total FY-2006 Supplementals:	\$	187,578,680

FY-2008 Executive Budget

One-Time Expenditures

Over \$6 million was appropriated for one-time FY-2007 expenditure items:

One-Time Expenditures

a. ABLE Commission: Replace 8 vehicles	\$	69,000
b. DRS: Vehicles	\$	281,000
c. Emergency Management, Dept. of: Civil Air Patrol for fire assistance reimbursement/equi	\$	35,000
d. Election Board: Reimbursement of costs for special election	\$	950,000
e. Health Department: Institute for Disaster and Emergency Medicine	\$	3,000,000
f. Public Safety, Dept. of: Funding to set up driver license office - Tulsa	\$	300,000
g. Public Safety, Dept. of: Sewer repair for training center	\$	200,000
l. Will Rogers Commission: Renovation of Museum	\$	42,000
m. DOE: Private Matching Funds	\$	5,000,000
n. Historical Society: Facility Maintenance	\$	699,000
o. Historical Society: Regional Center match funding	\$	500,000
Total One-Time Expenditures:	\$	11,076,000

Subtracting these one-time expenditure items from the FY-2006 expenditure base yields the baseline budget for FY-2007.

FY-2007 Supplementals

The following list includes supplemental appropriations proposed in the FY- 2008 Executive Budget:

FY-2007 Supplementals

a. DOE	\$	50,303,596
b. OHLAP Additional Funding	\$	10,700,000
c. Auditor and Inspector - Abstract Investigation Unit	\$	100,000
d. Corrections	\$	40,000,000
e. DCS - Critical Maintenance Needs	\$	1,000,000
f. OSU - Ag Extension	\$	2,900,000
g. CareerTech: Legislative Mandates	\$	2,000,000
h. Corporation Commission	\$	2,633,706
Total FY-2007 Supplementals	\$	109,637,302

Please see individual agency sections for more detail.

FY-2007 Key Funding Issues

Annualizations

The Legislature and Governor enacted a number of measures in prior legislative sessions which require state appropriations in FY-2008. These include over \$34 million for the third year of the teacher salary increase, \$21 million for 3 months funding of the 5% state employee pay increase effective October 1, 2006, full year funding of mental health rate increases to service providers as well as others. Funding for all of these items is included for the appropriate agencies in the FY-2008 Executive Budget Book.

Another significant annualization obligation in FY-2008 is the income tax reduction. In 2006, the Legislature passed and the Governor approved the largest tax cut package in history. House Bill 1172 lowers the individual income tax rate and increases the standard deduction

over several years. Currently, the individual income tax rate is 5.65% but decreases to 5.55% beginning January 1, 2008. For tax years beginning in 2010, the rate decreases to 5.25% based on the amount of growth revenue for the coming fiscal year as determined by the Board of Equalization.

The increase in the standard deduction is a gradual increase. By the year 2010, the standard deduction will equal the federal standard deduction if the Board of Equalization determines there is sufficient growth revenue. The table below shows the individual income tax rates and corresponding standard deduction increase.

Standard Deduction

	Tax Rate	Married Filing Jointly	Head of Household	Single
2006	6.25%	3,000	3,000	2,000
2007	5.65%	5,000	4,125	2,750
2008	5.55%	6,500	4,875	3,250
2009	5.50%	8,500	6,375	4,250
2010*	5.25%	Match Federal Deduction		
*Based on the amount of growth revenue as determined by the Board of Equalization.				

HB1172 also extended the same tax treatment to collateral heirs and lineal heirs. The following table shows the cumulative effects of these changes from FY-2007 to FY-2010 as reported by the Oklahoma Tax Commission. The revenue reductions are reflected in the amount certified by the Board of Equalization.

TOTAL IMPACT OF INCOME AND ESTATE TAX AMENDMENTS - HB1172XX					
	OTC Estimate	General Revenue	HB 1017 Fund	Teacher's Retirement	Ad Valorem
FY-2007					
Income Tax	(\$94,869,600)	(\$81,739,647)	(\$7,912,125)	(\$4,269,132)	(\$948,696)
Estate Tax	\$0				
FY-2007 Total	(\$94,869,600)	(\$81,739,647)	(\$7,912,125)	(\$4,269,132)	(\$948,696)
FY-2008					
Income Tax	(\$264,999,600)	(\$226,998,657)	(\$22,100,967)	(\$13,249,980)	(\$2,649,996)
Estate Tax	(\$29,088,000)	(\$29,088,000)			
FY-2008 Total	(\$294,087,600)	(\$256,086,657)	(\$22,100,967)	(\$13,249,980)	(\$2,649,996)
FY-2009					
Income Tax	(\$339,141,600)	(\$290,508,695)	(\$28,284,409)	(\$16,957,080)	(\$3,391,416)
Estate Tax	(\$42,568,000)	(\$42,568,000)			
FY-2009 Total	(\$381,709,600)	(\$333,076,695)	(\$28,284,409)	(\$16,957,080)	(\$3,391,416)
FY-2010					
Income Tax	(\$457,427,400)	(\$391,832,311)	(\$38,149,445)	(\$22,871,370)	(\$4,574,274)
Estate Tax	(\$47,600,000)	(\$47,600,000)			
FY-2010 Total	(\$505,027,400)	(\$439,432,311)	(\$38,149,445)	(\$22,871,370)	(\$4,574,274)

Agriculture, Energy, Environment and Tourism

The Governor's Budget proposes the use of REAP funding for the enforcement of the federal Clean Water Act for Concentrated Animal Feeding Operation (CAFO's) wastewater discharges, to cover expenses associated with the sale of the Lake Texoma Lodge, to lower harmful fuel emissions through the implementation of the Oklahoma Blue Skyways program, to identify future water sources in the state, for conservation and projects aimed at lowering pollution, flood prevention, and to fund various water projects.

Commerce

The Governor's Budget proposes a \$150,000 appropriation to the Department of Commerce for the Rural Action Partnership Program (RAPP) for economic development in rural areas, \$250,000 for a branding initiative to ensure that the state capitalizes on tourism and economic development opportunities, and \$2.5 million to fund the bond payments for the Native American Cultural and Educational Authority.

Education

The Governor's Budget proposes a \$221 million increase to common education of which \$50 million covers a teacher salary increase of at least \$600 across the board to broaden the gap between a first year teacher and one with more experience – the average increase is over \$1,000 per teacher, \$52 million is for the state aid funding formula, \$1 million for early intervention to SoonerStart, \$2 million for national board certification, \$300,000 for alternative education, \$27 million to fund a flexible benefit allowance for certified and support personnel, and \$30 million to enhance the state's early childhood efforts. Higher education receives over \$131 million of which \$20 million is for institutional budgets, \$1 million for scholarships, \$35.6 million from dedicating 1.25% of the personal income tax collections to the OHLAP Fund, and \$75 million to replace one-time funding used for operational expenses. Another \$7 million is directed toward CareerTech and of that amount \$500,000 is for the Skill Centers program for incarcerated individuals, \$1 million for a business incubator at Autry Technology, \$2 million to cover operational costs, \$370,000 to annualize support staff salary increases, \$1.1 million for the increased employer share of teacher retirement, and \$1.8 million to provide an average increase of \$600 in the minimum teacher salary schedule.

Health Care

For FY-2008, the Governor's Budget proposes the annualization of the Federal Medical Assistance percentage change, costs associated with premiums for Medicare Part A and B, hospital rate increases, and the Medicare Prescription Drug Phased-down State Contribution (clawback).

The remaining funds are directed as follows:

- \$17.5 million for expenses associated with increased Medicaid enrollees and the services they are expected to access during FY-2008;
- \$375,000 for fiscal agent contract increases;
- \$1 million for Medicare A and B premiums; and
- \$8 million for expanding Medicaid coverage to include children at or below 300% of the federal poverty level.

Safety and Security

The Governor's Budget recommends a \$44 million increase to the Department of Corrections for annualizing the state employee pay increase, \$30 million for contract beds, \$2 million to implement and expand evidence-based treatment services for inmates and community corrections, and \$1 million to meet operational needs at the J. Harp Correctional Facility.

The Governor's Budget also includes \$1 million for a terrorism institute to expand and share knowledge to help prevent terrorism and lessen its effects and \$300,000 for the operating costs of the Homeland Security department.

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 \$663.4 million bond for the new construction, expansion or renovation of state facilities; payments to schools and counties for ad valorem dollars and investment in economic development and research activities. The proposed capital projects are as follows:

Recommended Capital Bond Projects	Cost of Project
Opportunity Fund	\$ 200,000,000
DOC - Expand OSP	\$ 170,000,000
DPS - Maint and Expansion of 800mhz system	\$ 80,000,000
Regents - Endowed Chair Backlog and Anticipated Growth	\$ 75,000,000
OU - Cancer and Diabetes Centers and North Tulsa Clinic	\$ 20,000,000
OSU - Advanced Technology Center, Multispectral Lab and OSU Health Sciences Center	\$ 20,000,000
Ad Valorem - Schools	\$ 18,800,000
Ad Valorem - Counties	\$ 16,900,000
OHCA - Central Office Building	\$ 15,000,000
Medicolegal - New Building and Equipment	\$ 15,000,000
Veteran's - Central Office Building	\$ 11,550,000
DPS - New Headquarters and Statewide Building Preservation	\$ 10,600,000
OETA - Digital Conversion	\$ 5,720,000
OJA - Craig Count Detention Center	\$ 2,000,000
Oklahma School for the Blind - HVAC Replacement	\$ 1,592,000
OSIDA - Mission Control Building	\$ 1,200,000
Total Bond Recommendation	\$ 663,362,000

More detail on these capital proposals is included in the individual agency recommendation sections.

Financial Information Website

The Governor places great emphasis on the transparency of all state financial activities including those proposed in this budget. Therefore, the Governor’s budget proposes the development of a unified financial information website. It will be a one-stop website to allow the Legislature and citizens of Oklahoma to access the State's financial information such as state budgets, appropriations, expenditure data, salaries, debt, debt issuance costs and much more. The fully-developed website will allow searches of key data including contract information. The Office of State Finance will host the site which will be linked with other core government agencies such as the Treasurer, Department of Central Services, Office of Personnel Management and the Tax Commission.

FY-2008 Executive Budget

Summary by Cabinet

Agency/Cabinet Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Governor	\$2,641,163	\$0	\$2,641,163	\$0	\$2,641,163	\$20,818	\$2,661,981	0.8%
2 Lieutenant Governor	592,436	0	592,436	0	592,436	202,290	794,726	34.1%
3 Agriculture	37,268,701	0	37,268,701	0	37,268,701	2,303,568	39,572,269	6.2%
4 Commerce and Tourism	72,959,871	0	72,959,871	(1,241,000)	71,718,871	4033,312	75,752,183	3.8%
5 Education	3,454,998,597	65,903,596	3,520,902,193	(65,903,596)	3,454,998,597	361,325,448	3,816,324,045	8.4%
6 Energy	15,081,841	2,633,706	17,715,547	(2,633,706)	15,081,841	242,162	15,324,003	-13.5%
7 Environment	17,282,166	0	17,282,166	0	17,282,166	259,786	17,541,952	1.5%
8 Finance and Revenue	105,183,898	100,000	105,283,898	(100,000)	105,183,898	1,169,193	106,353,091	1.0%
9 Health	967,902,094	0	967,902,094	(3,000,000)	964,902,094	88,026,373	1,052,928,467	8.8%
10 Human Resources & Admin.	22,422,169	1,000,000	23,422,169	(1,000,000)	22,422,169	1,160,917	23,583,086	0.7%
11 Human Services	723,386,098	0	723,386,098	(281,000)	723,105,098	10,916,873	734,021,971	1.5%
12 Military	12,898,334	0	12,898,334	0	12,898,334	1,933,967	14,832,301	15.0%
13 Safety and Security	651,008,576	40,000,000	691,008,576	(40,604,000)	650,404,576	50,719,551	701,124,127	1.5%
14 Science and Technology	22,442,616	0	22,442,616	0	22,442,616	2,013,891	24,456,507	9.0%
15 Secretary of State	9,021,927	0	9,021,927	(950,000)	8,071,927	168,267	8,240,194	-8.7%
16 Transportation	285,940,419	0	285,940,419	0	285,940,419	1,769	285,942,188	0.0%
17 Veterans Affairs	39,324,159	0	39,324,159	0	39,324,159	861,276	40,185,435	2.2%
Total Executive Branch	\$6,440,355,065	\$109,637,302	\$6,549,992,367	(\$115,713,302)	\$6,434,279,065	\$525,359,461	\$6,959,638,526	6.3%
21 Legislature	\$35,732,522	\$0	\$35,732,522	\$0	\$35,732,522	\$337,813	\$36,070,335	0.9%
22 Judiciary	79,253,297	0	79,253,297	0	79,253,297	1,504,632	80,757,929	1.9%
Total Legis. & Judic.	\$114,985,819	\$0	\$114,985,819	(\$0)	\$114,985,819	\$1,842,445	\$116,828,264	1.6%
State Total	\$6,555,340,884	\$109,637,302	\$6,664,978,186	(\$115,713,302)	\$6,549,264,884	\$527,201,906	\$7,076,466,790	6.2%

Governor

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Governor	\$2,641,163	\$0	\$2,641,163	\$0	\$2,641,163	\$20,818	\$2,661,981	0.8%
Total Governor	\$2,641,163	\$0	\$2,641,163	(\$0)	\$2,641,163	\$20,818	\$2,661,981	0.8%

Lieutenant Governor

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Lieutenant Governor	\$592,436	\$0	\$592,436	\$0	\$592,436	\$202,290	\$794,726	34.1%
Total Lieutenant Gov.	\$592,436	\$0	\$592,436	(\$0)	\$592,436	\$202,290	\$794,726	34.1%

Agriculture

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Agriculture	28,314,906	0	\$28,314,906	0	\$28,314,906	\$2,220,279	\$30,535,185	7.8%
2 Conservation Comm	8,953,795	0	8,953,795	0	8,953,795	83,289	9,037,084	0.9%
Total Agriculture	\$37,268,701	\$0	\$37,268,701	(\$0)	\$37,268,701	\$2,303,568	\$39,572,269	6.2%

Commerce and Tourism

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Centennial Commission	\$1,062,291	\$0	\$1,062,291	\$0	\$1,062,291	104,220	\$1,166,511	9.8%
2 Commerce, Department of	25,082,836	0	25,082,836	0	25,082,836	3,033,058	28,115,894	12.1%
3 Historical Society, Oklahoma	14,480,363	0	14,480,363	(1,199,000)	13,281,363	276,525	13,557,888	-6.4%
4 J.M. Davis Memorial Comm	382,166	0	382,166	0	382,166	3,237	385,403	0.8%
5 Labor Department	3,613,893	0	3,613,893	0	3,613,893	46,391	3,660,284	1.3%
6 Scenic Rivers Commission	339,752	0	339,752	0	339,752	5,570	345,322	1.6%
7 Tourism & Recreation	27,073,374	0	27,073,374	0	27,073,374	555,805	27,629,179	2.1%
8. Will Rogers Memorial Comm	925,196	0	925,196	(42,000)	883,196	8,506	891,702	-3.6%
Total Commerce & Tourism	\$72,959,871	0	72,959,871	(\$1,241,000)	71,718,871	\$4,033,312	\$75,752,183	3.8%

Education

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Arts Council	\$4,442,810	\$0	\$4,442,810	\$0	\$4,442,810	\$308,157	\$4,750,967	6.9%
2 Career Tech	147,287,358	2,000,000	149,287,358	(2,000,000)	147,287,358	6,932,362	154,219,720	4.7%
3 Educational TV Auth., Oklahoma	5,164,350	0	5,164,350	0	5,164,350	30,033	5,194,383	0.6%
4 Education, Dept. of	2,348,041,255	50,303,596	2,398,344,851	(50,303,596)	2,348,041,255	221,917,437	2,569,958,692	9.5%
5 Higher Educ., Regents for	933,933,880	13,600,000	947,533,880	(13,600,000)	933,933,880	131,810,000	1,065,743,880	12.5%
6 Libraries, Dept. of	6,847,731	0	6,847,731	0	6,847,731	22,125	6,869,856	0.0%
7 Private Vo-Tech Schools, Bd of	0	0	0	0	0	1,059	1,059	0.0%
8 School of Science & Math	7,230,508	0	7,230,508	0	7,230,508	294,998	7,525,506	4.1%
9 Teacher Prep, Commission for	2,050,705	0	2,050,705	0	2,050,705	9,277	2,059,982	0.5%
Total Education	\$3,454,998,597	\$65,903,596	\$3,520,902,193	(\$65,903,596)	\$3,454,998,597	\$361,325,448	\$3,816,324,045	8.4%

Energy

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Corporation Commission	\$14,083,860	\$2,633,706	\$16,717,566	(\$2,633,706)	\$14,083,860	\$226,557	\$14,310,417	-14.4%
2 Mines, Department of	997,981	0	997,981	0	997,981	15,605	1,013,586	1.6%
Total Energy	\$15,081,841	\$2,633,706	\$17,715,547	(\$2,633,706)	\$15,081,841	\$242,162	\$15,324,003	-13.5%

Environment

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Environmental Quality, Dept. of	\$9,525,217	\$0	\$9,525,217	\$0	\$9,525,217	\$202,879	\$9,728,096	2.1%
2 Water Resources Board	6,744,617	0	6,744,617	0	6,744,617	56,907	6,801,524	0.8%
3 Water Resources - REAP	1,012,332	0	1,012,332	0	1,012,332	0	1,012,332	0.0%
Total Environment	\$17,282,166	\$0	\$17,282,166	(\$0)	\$17,282,166	\$259,786	\$17,541,952	1.5%

FY-2008 Executive Budget

Finance and Revenue

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Auditor & Inspector	\$6,219,622	\$100,000	\$6,319,622	(\$100,000)	\$6,219,622	\$445,647	\$6,665,269	5.5%
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	185,117	0	185,117	0	185,117	1,302	186,419	0.7%
4 Consumer Credit Commission	661,263	0	661,263	0	661,263	7,779	669,042	1.2%
5 Finance, Office of State	23,000,204	0	23,000,204	0	23,000,204	81,230	23,081,434	0.4%
6 Insurance Department	2,444,856	0	2,444,856	0	2,444,856	71,087	2,515,943	2.9%
7 Land Office, Commissioners	4,828,535	0	4,828,535	0	4,828,535	36,346	4,864,881	0.8%
8 Lottery Commission	0	0	0	0	0	0	0	0.0%
9 Tax Commission	47,711,604	0	47,711,604	0	47,711,604	489,736	48,201,340	1.0%
10 Treasurer	4,632,697	0	4,632,697	0	4,632,697	36,066	4,668,763	0.8%
Total Finance and Revenue	\$105,183,898	\$100,000	\$105,283,898	(\$100,000)	\$105,183,898	\$1,169,193	\$106,353,091	1.0%

Health

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Health Care Authority	\$701,964,163	\$0	\$701,964,163	\$0	\$701,964,163	\$61,011,776	\$762,975,939	8.7%
2 Health Department	71,234,131	0	71,234,131	(3,000,000)	68,234,131	1,092,622	69,326,753	-2.7%
3 Mental Health Department	194,703,800	0	194,703,800	0	194,703,800	25,921,975	220,625,775	13.3%
4 Nursing Home Admin.'s Board	0	0	0	0	0	0	0	0.0%
Total Health	\$967,902,094	\$0	\$967,902,094	(\$3,000,000)	\$964,902,094	\$88,026,373	\$1,052,928,467	8.8%

Human Resources and Administration

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Central Services, Dept. of	\$13,639,156	\$1,000,000	\$14,639,156	(\$1,000,000)	\$13,639,156	\$1,058,707	\$14,697,863	0.4%
2 Horse Racing Commission	2,618,898	0	2,618,898	0	2,618,898	50,670	2,669,568	1.9%
3 Human Rights Commission	704,310	0	704,310	0	704,310	5,916	710,226	0.8%
4 Merit Protection Commission	611,434	0	611,434	0	611,434	2,250	613,684	0.4%
5 Personnel Management, Office of	4,848,371	0	4,848,371	0	4,848,371	43,374	4,891,745	0.9%
Total Human Resources and Administration	\$22,422,169	\$1,000,000	\$23,422,169	(\$1,000,000)	\$22,422,169	\$1,160,917	\$23,583,086	0.7%

Human Services

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Children & Youth, Commission	\$2,101,609	\$0	\$2,101,609	\$0	\$2,101,609	\$11,864	\$2,113,473	0.6%
2 Handicapped Concerns, Office of	381,813	0	381,813	0	381,813	2,956	384,769	0.8%
3 Human Services, Department of	535,797,324	0	535,797,324	0	535,797,324	8,047,013	543,844,337	1.5%
4 Indian Affairs Commission	257,732	0	257,732	0	257,732	734	258,466	0.3%
5 J.D. McCarty Center	4,278,944	0	4,278,944	0	4,278,944	93,011	4,371,955	2.2%
6 Juvenile Affairs, Office of	104,219,585	0	104,219,585	0	104,219,585	2,379,047	106,598,632	2.3%
7 Physician Manpower Training	5,470,499	0	5,470,499	0	5,470,499	3,003	5,473,502	0.1%
8 Rehabilitation Services, Dept. of	29,213,250	0	29,213,250	(281,000)	28,932,250	379,245	29,311,495	0.3%
9 University Hospitals Authority	41,665,342	0	41,665,342	0	41,665,342	0	41,665,342	0.0%
Total Human Services	\$723,386,098	\$0	\$723,386,098	(\$281,000)	\$723,105,098	\$10,916,873	\$734,021,971	1.5%

Military Affairs

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Military Department	\$12,898,334	\$0	\$12,898,334	\$0	\$12,898,334	\$1,933,967	\$14,832,301	15.0%
Total Military	\$12,898,334	\$0	\$12,898,334	(\$0)	\$12,898,334	\$1,933,967	\$14,832,301	15.0%

Safety and Security

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 A.B.L.E. Commission	\$3,965,159	\$0	\$3,965,159	(\$69,000)	\$3,896,159	\$29,107	\$3,925,266	-1.0%
2 Attorney General	12,798,702	0	12,798,702	0	12,798,702	225,747	13,024,449	1.8%
3 Corrections, Department of	456,004,876	40,000,000	496,004,876	(40,000,000)	456,004,876	44,390,299	500,395,175	0.9%
4 District Attorneys Council	39,092,742	0	39,092,742	0	39,092,742	512,021	39,604,763	1.3%
5 State Emergency Fund	0	0	0	0	0	0	0	0.0%
6 Emergency Mgmt	756,843	0	756,843	(35,000)	721,843	49,761	771,604	2.0%
7 Fire Marshal	2,052,561	0	2,052,561	0	2,052,561	18,294	2,070,855	0.9%
8 Indigent Defense System	16,206,256	0	16,206,256	0	16,206,256	97,752	16,304,008	0.6%
9 Investigation, Bureau of	13,351,567	0	13,351,567	0	13,351,567	2,105,131	15,456,698	15.8%
10 Law Enf. Educ. & Training	3,265,473	0	3,265,473	0	3,265,473	168,897	3,434,370	5.2%
11 Medicolegal Investigations Board	4,587,380	0	4,587,380	0	4,587,380	237,240	4,824,620	5.2%
12 Narc. & Dang. Drugs Control	6,320,763	0	6,320,763	0	6,320,763	716,585	7,037,348	11.3%
13 Pardon & Parole Board	2,555,018	0	2,555,018	0	2,555,018	89,563	2,644,581	3.5%
14 Public Safety Department	90,051,236	0	90,051,236	(500,000)	89,551,236	1,779,154	91,330,390	1.4%
15 Board of Test for Alc/Drug	0	0	0	0	0	300,000	300,000	0.0%
Total Safety and Security	\$651,008,576	\$40,000,000	\$691,008,576	(\$40,604,000)	\$650,404,576	\$50,719,551	\$701,124,127	1.5%

Science and Technology

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Center for Adv. /Sc. & Tech.	\$22,442,616	\$0	\$22,442,616	\$0	\$22,442,616	\$ 2,013,891	\$24,456,507	9.0%
Total Science and Tech.	\$22,442,616	\$0	\$22,442,616	(\$0)	\$22,442,616	\$2,013,891	\$24,456,507	9.0%

Secretary of State

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Election Board	\$7,709,951	\$0	\$7,709,951	(\$950,000)	\$6,759,951	\$158,037	\$6,917,988	-10.3%
2 Ethics Commission, Okla.	504,039	0	504,039	0	504,039	3,921	507,960	0.8%
3 Judicial Complaints, Council on	282,503	0	282,503	0	282,503	1,226	283,729	0.4%
4 Secretary of State	525,434	0	525,434	0	525,434	5,083	530,517	1.0%
Total Secretary of State	\$9,021,927	\$0	\$9,021,927	(\$950,000)	\$8,071,927	\$168,267	\$8,240,194	-8.7%

Transportation

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Space Industry Development	\$528,571	\$0	\$528,571	\$0	\$528,571	\$1,769	\$530,340	0.3%
2 Transportation, Department of	285,411,848	0	285,411,848	0	285,411,848	0	285,411,848	0.0%
Total Transportation	\$285,940,419	\$0	\$285,940,419	(\$0)	\$285,940,419	\$1,769	\$285,942,188	0.0%

FY-2008 Executive Budget

Veterans Affairs

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Veterans Affairs, Department of	\$39,324,159	\$0	\$39,324,159	\$0	\$39,324,159	\$861,276	\$40,185,435	2.2%
Total Veterans	\$39,324,159	\$0	\$39,324,159	(\$0)	\$39,324,159	\$861,276	\$40,185,435	2.2%

Legislature

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 House of Representatives	\$19,176,434	\$0	\$19,176,434	\$0	\$19,176,434	\$182,427	\$19,358,861	1.0%
2 Legislative Service Bureau	2,995,021	0	2,995,021	0	2,995,021	17,328	3,012,349	0.6%
3 Senate	13,561,067	0	13,561,067	0	13,561,067	138,058	13,699,125	1.0%
Total Legislature	\$35,732,522	\$0	\$35,732,522	(\$0)	\$35,732,522	\$337,813	\$36,070,335	0.9%

Judiciary

Agency Name	FY-2007 Appropriation	FY-2007 Supps.	FY-2007 Adj. Approp.	Less One-Time and Supps.	FY-2008 Base	FY-2008 Adj.	Recom. FY-2008 Approp.	% Diff. from FY- 2007
1 Court of Criminal Appeals	\$3,083,013	\$0	\$3,083,013	\$0	\$3,083,013	\$173,618	\$3,256,631	5.6%
2 District Courts	54,403,272	0	54,403,272	0	54,403,272	346,614	54,749,886	0.6%
3 Supreme Court	16,878,678	0	16,878,678	0	16,878,678	945,380	17,824,058	5.6%
4 Workers' Compensation Court	4,888,334	0	4,888,334	0	4,888,334	39,020	4,927,354	0.8%
Total Judiciary	\$79,253,297	\$0	\$79,253,297	(\$0)	\$79,253,297	\$1,504,632	\$80,757,929	1.9%

Notes:

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

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)

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,641
FY-2007 Bud. FTE Level	34.2
Actual Ave. YTD FTE	32.8
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>21</u>
FY-2008 Recommendation	\$2,662
% Change from FY-2007	0.79%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$20,818 to annualize the 5% state employee pay raise for the Governor's Office. The pay raise went into effect October 1, 2006.

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-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$592
FY-2007 Bud. FTE Level	10.5
Actual Ave. YTD FTE	5.7
Funding Adjustments:	
Annualize State Employee Pay Increase	4
General Operations Funding	<u>198</u>
Total Adjustments	202
FY-2008 Recommendation	\$795
% Change from FY-2007	34.15%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$4,290 to annualize the 5% state employee pay raise for the Lieutenant Governor's Office. The pay raise went into effect October 1, 2006.

General Operations Funding

The Governor's budget recommends \$198,000 to fund staff salaries and general operations.

Department of Agriculture, Food and Forestry (ODAFF)

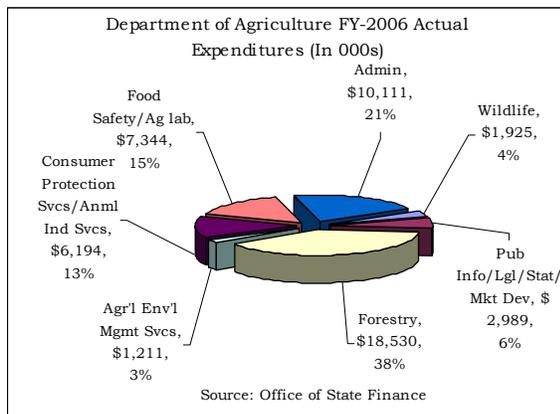
Notable Achievements

- Oklahoma has remained free of Brucellosis since April 2001.
- Oklahoma has remained free of Bovine Tuberculosis since December of 1998.
- No major food borne outbreak has occurred in the state of Oklahoma during the past 3 years.

Mission

The Department of Agriculture, Food, and Forestry 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-2006, state appropriated dollars were 52% of the Department's total funding.



Animal Industry Services (AIS)

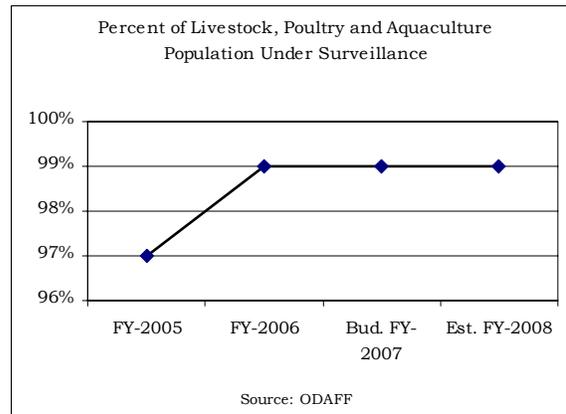
One of the agency's most important functions is to ensure the quality and safety of the state's agricultural products. This division is responsible for the detection, eradication and control of livestock, poultry

and aquaculture diseases. The introduction of disease, foreign or domestic, can have a negative economic impact on Oklahoma producers. In addition, some animal diseases have the potential to infect humans. AIS works with State and Federal laboratories, the Oklahoma Office of the Federal Area Veterinarian in Charge and Oklahoma Veterinary Practitioners in conducting surveillance to avert potential outbreaks. Specific responsibilities of the Animal Industry Services Division include:

- detecting, controlling and eradicating livestock diseases in farms, ranches, auction markets, 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;
- preventing the spread of diseases transmissible to man; and
- surveillance of wildlife that have contact with domestic animals.

The following chart shows the Department's commitment to the control and prevention of diseases.

Key Performance Measure



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. The forests of Oklahoma provide multiple public benefits including clean air, clean water, recreation, habitat for wildlife and wood products.

Oklahoma has numerous sawmills and paper mills as well as an oriented standboard plant, a fiber board plant, and many other manufacturing plants across the state that require forest products. These industries contribute more than \$2 billion annually to the state's economy.

The Department provides:

- firefighters and specialized equipment for wildfire suppression stationed throughout eastern Oklahoma and
- federal excess equipment, financial assistance and technical support for local fire departments to help them improve fire services.

The Department also provides assistance in forest protection, forest management and regeneration, community forestry, water quality, law enforcement and education to protect and develop state forests. The Department provides environmental education to the State through the Forestry Youth Camp, Project Learning Tree and various programs at the Forest Heritage Center in Beaver's Bend State park.

Wildfires

Wildfires have ravaged land in Oklahoma throughout 2005 and 2006. More than 800,000 acres have burned with the loss of more than 378 homes and businesses. The Department led efforts to bring additional resources during the year including helicopters, air tankers, additional firefighters and specialized heavy equipment from 35 states to fight the blazes.

Drought conditions continued throughout 2006 and current weather data projects

this trend to continue throughout 2007. The Governor has made funding to address wildfire problems a top priority which has greatly helped in combating wildfires.

State/Local/Federal Partnership for Fire Protection

The Rural Fire Defense program works with local fire departments to improve fire services by administering the following programs:

- 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 (sub-state planning districts);
- Federal Excess Equipment program;
- Federal Firefighting Property program;
- Fire Hydrant Program; and the
- Rural Fire Equipment Grant fund.

50/50 Volunteer Fire Assistance (VFA) Grants

There were 875 certified rural fire departments in Oklahoma in FY-2007. 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	63	123,394
FY-2006	98	249,793
Total	579	\$1,093,004

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, at least \$2 million has been provided each year to fund these grants, with 850-875 grants being awarded each year.

History of Operational Grants			
<u>Year</u>	<u>No.</u>	<u>Per Entity</u>	<u>Funding</u>
FY-2001	852	2,347	2,000,000
FY-2002	860	2,326	2,000,000
FY-2003	860	2,326	2,000,000
FY-2004	869	2,301	2,000,000
FY-2005	874	2,288	2,000,000
FY-2006	<u>874</u>	<u>2,780</u>	<u>2,430,000</u>
Total	5,189	\$ 14,368	\$12,430,000

Source: ODAFF

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. 129 fire departments received grants in FY-2007.

History of 80/20 Grants	
<u>Year</u>	<u>Funding</u>
FY-2002	3,766,219
FY-2003	5,321,097
FY-2004	-816,500
FY-2005	\$ 800,000
FY-2006	\$ 870,000
Bud. FY-2007	<u>\$ 800,000</u>
Total	\$10,740,816

Source: ODAFF

Personal Service Contracts with Rural-Fire Coordinators

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

- provide technical assistance;
- evaluate grant applications; and

- monitor progress of grant projects.

The following chart shows the total contract costs for these coordinators since FY-2002.

Rural Fire Coord. Contracts	
<u>Year</u>	<u>Total Cost</u>
FY-2002	860,000
FY-2003	860,000
FY-2004	860,000
FY-2005	860,000
FY-2006	860,000
Bud. FY-2007	<u>860,000</u>
Total	\$5,160,000

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 an 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.

The Forestry Division has been acquiring excess federal property from the USDA-Forest Service and placing it on loan to Oklahoma fire departments. Oklahoma's current inventory of Federal Excess Personal Property ranks third among all states.

History of Federal Excess Prop.		
<u>Year</u>	<u>No.</u>	<u>Est. Value</u>
FY-2002	547	7,735,437
FY-2003	145	2,899,028
FY-2004	214	5,823,083
FY-2005	186	4,977,314
FY-2006	150	2,500,000
Bud. FY-2007	<u>100</u>	<u>1,000,000</u>
Total	1,342	\$24,934,862

Source: ODAFF

Equipment Funding for Local Fire Departments

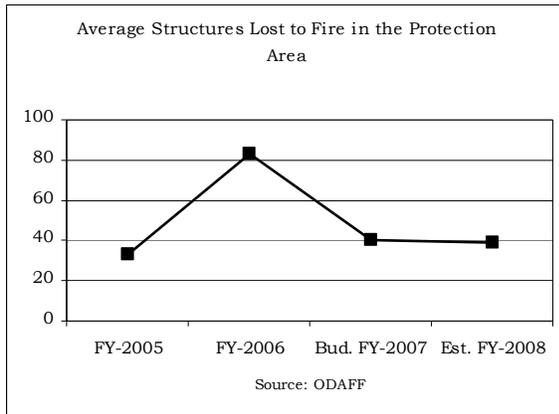
Forestry Services also purchases items in bulk for resale at cost to local fire

departments. This revolving fund was created with \$100,000 in FY-1990.

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.

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



Natural Resources Management

Although forest and community fire protection needs are critical, the Governor also recognizes the value that forests provide the state. The Forest Stewardship Program assists landowners with educational programs that help identify forest regeneration and water quality concerns. Programs are then put in place to help the landowner address these issues.

Year	Plans	Acres
FY-2001	71	12798
FY-2002	121	20109
FY-2003	148	22108
FY-2004	89	18756
FY-2005	112	17858
FY-2006	86	11291
Total	627	102920

Source ODAFF

Consumer Protection Services (CPS)

This program was formerly known as the Plant Industry & Consumer Services (PICS).

This division is involved in keeping our citizens and food safe, protecting crops, homes, the environment and safeguarding against dishonest business practices.

- CPS samples and tests animal feed, fertilizer, and crop seed to ensure they meet label guarantee. Inspectors verify product prices are the same as advertised. And food package weights are checked for accuracy, as well as scales that are used to weigh large trucks at various locations.
- Environmental protection programs are enforced through yearly inspections that require fertilizer producers to use good management practices. This helps safeguard the waters of Oklahoma from pollution by pesticides and fertilizers.
- Commercial and private pesticide applicators are trained and certified through written and practical tests and commercial companies are required to be licensed to operate within the state. Complaints concerning improper pesticide application are investigated and compliance actions are taken when appropriate.
- Inspections are conducted of all anhydrous ammonia fertilizer tanks and anhydrous safety training is provided by this division.
- Crops are protected by routine inspections for diseases, insect trapping and detection, and detection programs that identify newly arrived weed species or pests.
- Grain producers who store grain in public grain warehouses are protected by this division through financial and grain inventory audits that insure compliance.

In addition to the programs listed above, this division has cooperative agreements with several Federal agencies.

ODAFF Agricultural Environmental Management Services (AEMS)

The number of Concentrated Animal Feeding Operations (CAFOs) and poultry operations has increased, until 2006. In 1994 the number of licensed CAFOs was 184. By 2006 the number of licensed CAFOs had reached 302 with an animal and bird capacity of 5,765,870. In 2001, there were 51 million chickens in Oklahoma, and in 2006 there were 58.9 million.

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.

In response to the Legislature, the AEMS implemented a complaint response system. The Oklahoma State Legislature has placed 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.

The following table shows a recent history of the activities of the AEMS.

CAFO and LMFO Activities				
	FY-2003	FY-2004	FY-2005	FY-2006
Complaints Received	165	255	224	195
Complaints Closed	197	270	247	196
Routine Inspections	1036	2482	1974	2277
Complaint Follow-ups	693	697	498	771
Water Samples Collected	561	410	986	647
Soil Samples Collected	438	190	40	29

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 division provides service to Oklahoma citizens and communities by protecting agriculture, public and private property, natural resources and human health and safety from damage or threats from wildlife.

Feral swine is a growing problem in the state of Oklahoma. Wild and free ranging hogs root pastures, consume and destroy crops, degrade habitat and compete for resources with native wildlife species. Wildlife Services monitors feral hog diseases that can be transmitted to livestock, wildlife and humans by routinely taking and submitting hog blood samples for analysis.

Diseases transmitted by wildlife, such as Avian Influenza, Swine Brucellosis, pseudorabies, plague and tularemia, are monitored by Wildlife Services.

Market Development Services

This division assists the Oklahoma food and agriculture industry to produce, process, and merchandise agricultural products. This is accomplished through technical assistance, trade leads, promotional activities, market research, commodity price information and other activities that enhance the production of domestic and international sales of agricultural products. Market Development also coordinates rural economic development activities, the states' agritourism program, plus distribution and implementation of K-8 educational materials designed to improve agricultural literacy.

Food Safety

This division ensures that food and food products produced and consumed in the state, are safe and truthfully labeled. The major emphasis is on food and food products derived from animals.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$28,315
FY-2007 Bud. FTE Level	484.5
Actual Ave. YTD FTE	452.8
Funding Adjustments:	
State Employee Pay Increase	220
Center for Bio-Energy	<u>2,000</u>
Total Adjustments	2,220
FY-2008 Recommendation	\$30,535
% Change from FY-2007	7.84%

Source: Office of State Finance

The FY-2008 appropriation for the Department of Agriculture is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor’s budget includes \$220,279 to annualize the 5% state employee pay raise for the Department of Agriculture, Food and Forestry. The pay raise went into effect October 1, 2006.

Center for Bio-Energy

To put Oklahoma at the forefront of this transformative movement and to advance the development of a commercial bio-fuels industry in Oklahoma, the Governor proposes the establishment of the Oklahoma Bio-energy Center, a world class research, development and educational effort between the University of Oklahoma, Oklahoma State University and the Noble Foundation. The Governor’s budget proposes a total of \$10 million be used to develop the Center, of this amount \$7

million will come from the FY-2007 surplus and \$1 million from the EDGE fund.

EPA NPDES Delegation

The Governor proposes using \$1.51 million in REAP money to fund the EPA NPDES Delegation for the ODAFF. This delegation will allow the ODAFF to enforce the federal Clean Water Act for Concentrated Animal Feeding Operation (CAFO’s) wastewater discharges. ODAFF would then be able to enforce both federal and state regulations concerning CAFO waste discharge.

Fire Equipment & Vehicle Replacement

The Governor proposes using \$1.23 million in REAP money to replace aging and outdated fire equipment.

Boll Weevil Eradication Organization

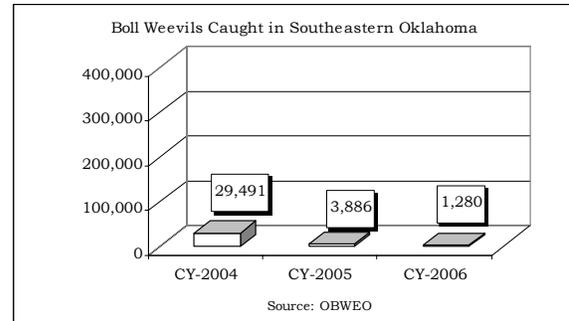
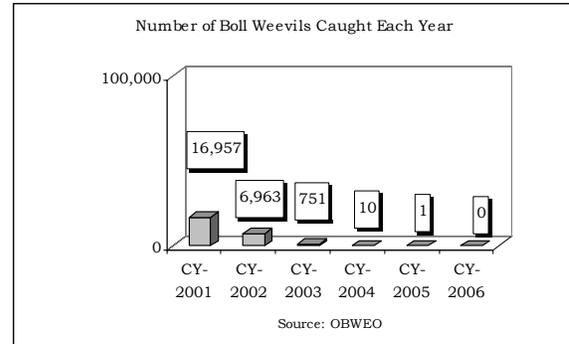
Notable Achievement

- *The Oklahoma Boll Weevil Eradication Organization (OBWEO) has reduced the boll weevil population by more than 99.99%.*

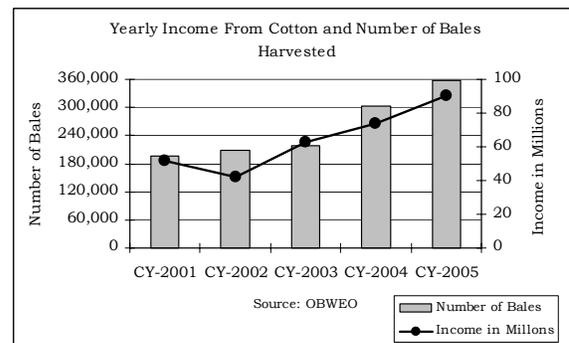
The total estimated cost to eradicate the boll weevil through 2008 is \$30 million including program interest and debt. The industry will pay approximately \$17.95 million; the State provided \$3.75 million; and Federal funding will provide the balance of approximately \$8.3 million. This equates to a cost of approximately \$14.90 per acre through the life of the active eradication program.

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 sold each season. With all program debt having been paid off in February 2006, the Board of Directors voted to reduce the assessment for crop year 2006 to \$2.00 per acre and .0065 cent per pound of cotton harvested and sold. In the future, the board will set the assessment annually based on acres, cotton production, and program operating requirements. A post eradication maintenance and control program is expected to be phased in during the 2007 growing season. This will further reduce the cost to producers.

Except for three southeastern counties impacted by weevil migration from northeast Texas, no boll weevils were caught in the rest of Oklahoma during the 2006 growing season. Farmers continue to make a top crop, further improving yields because of reduced weevil pressure. The following charts show boll weevil trapping data for previous growing seasons - the first reflecting all of Oklahoma excluding the southeastern counties and the second reflecting only the southeastern counties.



Income from cotton has risen from \$35.2 million in 2001 to \$90.4 million in CY-2005. The number of bales harvested has also increased by 42.4% over the same period.



The increase in bales produced in 2004 and 2005 compared to prior years can be attributed to an increase in acres planted, generally favorable rainfall and an aggressive boll weevil eradication effort throughout the State.

Conservation Commission

Notable Achievements

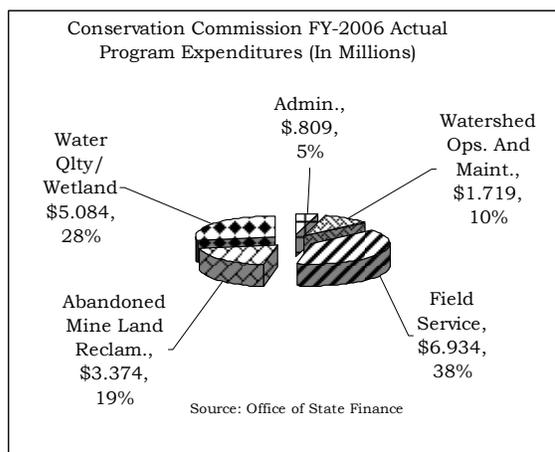
- \$31.8 million in federal farm bill conservation program financial assistance funding was obligated to Oklahoma's land users. A total of 9,736 land users participated in cooperation with the USDA's Natural Resources Conservation Service (NRCS) and local conservation districts.
- The Conservation Commission spent \$600,000 of state funds (Through the locally led Cost Share Program) for conservation practices to control soil erosion and improve water quality.
- The rehabilitation of four upstream flood control dams was completed at a cost of \$2.26 million in cooperation with NRCS and local conservation district sponsors. Five other dams will be rehabilitated under contracts made by the Conservation Commission.
- A project was initiated on Spavinaw Creek in the Lake Eucha watershed to reduce the amount of phosphorus entering the water. Monitoring has determined that there has been a 31% reduction in phosphorus in Beatty Creek. Post implementation monitoring on Peacheater Creek in the Illinois River Watershed has determined that there was a 66% decrease in phosphorus loading and a 57% decrease in total nitrogen loading.
- The Environmental Protection Agency selected the Conservation Commission's Ft. Cobb Watershed Plan as one of the six best in the Nation.
- Work was completed on three projects that reclaimed 109 acres of abandoned coal mine land. In addition, the agency responded to three emergencies related to openings from collapsed underground mines.
- The Commission continued managing \$4.4 million of federal funds to reclaim hazardous and unsafe lands in the Tar Creek project area. One lead and zinc abandoned land reclamation project was

completed and two others were contracted during the fiscal year.

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, prevent flooding and protect the state's water resources. The State Conservation Cost Share program, Flood Control Dam Operation, Maintenance and Rehabilitation program and Scarred Land Reclamation program are integral and valuable components of this unique service delivery system.

The Conservation Commission's largest funding source is federal funds, which totaled 56% of the Commission's FY-2006 funding. The chart below shows the total expenditures for FY-2006.

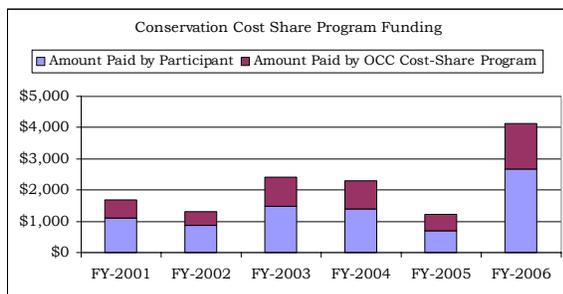


Cost-Share Program

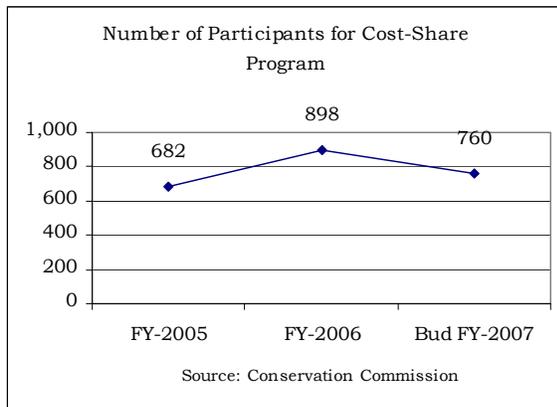
The Conservation Cost-Share Program is a public-private partnership between the State and private land users. The program encourages implementation of best management conservation practices on Oklahoma lands. This aids in the reduction of soil erosion and the improvement of water quality. Since the program's inception in FY-1999, it has received \$7.1 million in state appropriations. Of this amount, the Conservation Commission allocated \$6.9 million to Oklahoma's 88

conservation districts for locally determined conservation priorities. The program has generated an additional \$9.1 million in private landowner investments, as well.

	Amount to	
	Appropriation	Each District (88)
FY-1999	\$1,320,000	\$15,000
FY-2000	500,000	7,500
FY-2001	1,165,000	15,500
FY-2002	1,500,000	18,100
FY-2003	1,000,000	10,227
FY-2004	500,000	5,682
FY-2005	750,000	8,523
FY-2006	400,000	4,545
Total	\$7,135,000	\$85,077



Key Performance Measure



Conservation Reserve Enhancement Program

The Conservation Reserve Enhancement Program (CREP) is a joint buffer establishment conservation program between the state and federal government (20/80). This program targets addressing state and nationally significant agriculture-related environmental effects. CREP is a voluntary program that provides financial incentives to farmers and ranchers in order

to protect streams. Producers enter into contracts (10 to 15 years in length) to set aside portions of their land to provide protective stream buffers. Participants in the program receive incentive payments and cost-share assistance for installing specific conservation practices and establishing nutrient reducing stream buffers. The Conservation Commission is in the final approval stages (with commitments from the city of Tulsa/Tulsa Metropolitan Utilities Authority and the Oklahoma Scenic Rivers Commission) for a CREP program for the Eucha/Spavinaw and Illinois River Watersheds. This program will protect 6,932 acres of riparian area and bring \$13 million in federal funds into the state for a total program expense of \$16.4 million.

Watershed Rehabilitation

Since 1948, the federal government, through the USDA's Natural Resources Conservation Service (NRCS) has constructed 2,105 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's estimated public investment in these dams is \$2.1 billion in present value and \$71 million in annual flood protection benefits.

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 provide water resources for drinking water, recreation, agriculture, fire protection and significant wildlife habitat.

The fitness of these structures has degraded as they have aged. 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 NRCS to rehabilitate the nation's upstream flood control dams. Congress appropriated \$10 million in 2002, \$30 million in 2003 \$29.6 million in FY-2004, and \$27.3 million respectively for federal fiscal years 2005 and 2006.

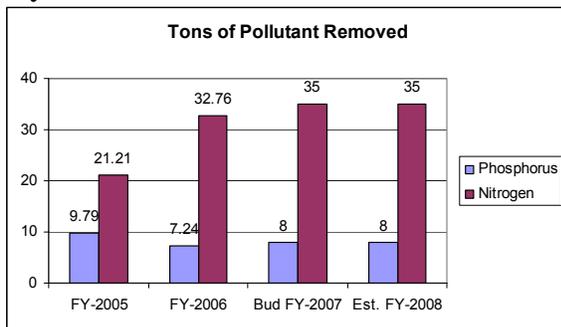
To be eligible for rehabilitation, the state and/or local sponsors must provide a 35% match to federal dollars. Since FY-2002, the Oklahoma Legislature has appropriated \$3 million to the Conservation Commission for use in matching federal rehabilitation dollars. Because of the state's commitment to rehabilitation, the Oklahoma NRCS received an allocation of \$3.5 million for rehabilitation in the 2006 federal fiscal year, and that number doubled to \$7 million for the federal fiscal year 2007.

The NRCS, Conservation Commission and local district sponsors have completed nine rehabilitation projects. By the conclusion of the current fiscal year, an additional five projects will be under construction.

Federal 319 Grant for Non-Point Source Pollution

FY-2006 federal funding from the Clean Water Act Section 319 for Oklahoma's Non-point Source management program has declined compared to FY-2005 funding. The funds are used to implement targeted programs to abate water quality impacts from non-point source pollution.

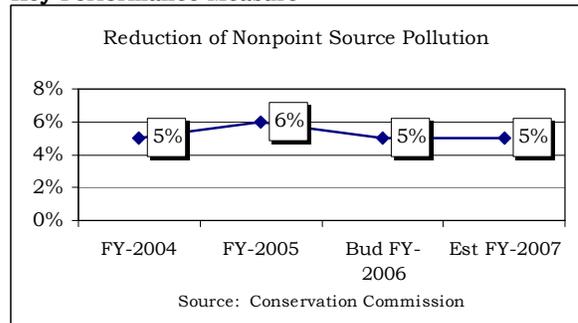
Key Performance Measure



Source: ODOC

Federal funds must be matched with 40% state and local funds, much of which comes from the Commission's Conservation Cost-Share Program. Since 1999 the Conservation Commission received approximately \$3 million in appropriations, as a state match for federal "EPA 319 Funds" to reduce nutrient impacts in the Beaty Creek, Illinois River, Lake Wister, Ft. Cobb, Honey Creek (Grand Lake), and Stillwater Creek and Spavinaw Creek priority watersheds.

Key Performance Measure



Source: Conservation Commission

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

- Beaty Creek Watershed (\$2.1 million) within the Lake Eucha Watershed completed in FY-2005;
- Illinois River Watershed (\$2.0 million) completed in FY-2005;
- Lake Wister Watershed (\$1.9 million) scheduled to be completed FY-2006;
- Fort Cobb Watershed (\$4.3 million);
- Stillwater Creek Watershed (\$1.1 million);
- Spavinaw Creek Watershed (\$2.8 million) except for Beaty Creek;

- Grand Lake Watershed – Phase I (\$2.1 million); and
- Honey Creek (Grand Lake) Watershed (1.7 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 non-point source pollution. Other grant tasks include:

- Technical support of the Non-point Source Management Program;
- Funding for a Rotating Basin Monitoring Program;
- Non-point Source Total Maximum Daily Load Development;
- Development of watershed-based plans for priority watersheds;
- Continuation of Statewide Blue Thumb Educational Programs; and
- Task coordination and management by the Office of the Secretary of Environment.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$8,954
FY-2007 Bud. FTE Level	62.0
Actual Ave. YTD FTE	56.3
Funding Adjustments:	
State Employee Pay Raise	<u>83</u>
FY-2008 Recommendation	\$9,037
% Change from FY-2007	0.93%

Source: Office of State Finance

The FY-2008 appropriation for the Conservation Commission is the same as

provided for FY-2007 with the following adjustments.

State Employee Pay Raise

The Governor’s budget includes \$31,364 to annualize the 5% state employee pay raise for the Conservation Commission and \$51,925 for the 181 district employees. The pay raise went into effect October 1, 2006.

FY-2007 Recommendation for Gross Production REAP Water Projects Funds

CREP, Flood Control and Invasive Species

The Governor’s budget recommends that \$2.5 million be expended from the REAP Water Projects Fund for debt payments to finance \$28 million over fifteen years for conservation programs. The Conservation Commission will receive the funding for the following projects: \$10 million to establish the Conservation Reserve Enhancement Program in the Eucha Spavinaw, Illinois River, Cobb Creek and Sugar Creek watersheds; \$10 million for rehabilitation of flood control structures; and \$8 million to eradicate invasive species such as red cedar.

Cost-Share Program

The Governor’s budget recommends that \$500,000 be expended from the REAP Water Projects Fund for the Cost-Share program. The program is a partnership between the state and private land owners aimed at encouraging implementation of conservation practices to aid in the prevention of soil erosion and improve water quality.

Federal 319 Grant Program

The Governor’s budget recommends that \$750,000 be expended from the REAP Water Projects Fund for the Federal 319 Grant for non-point source pollution. The program is a state/federal partnership and funding will help abate water quality problems in Oklahoma’s watersheds stemming from non-point sources such as agriculture and rural waste systems.

Flood Prevention

The Governor proposes using \$880,000 in REAP money to begin the funding of a five year plan to rehabilitate the state's 2100 plus upstream flood control structures. The repairs will provide protection from flood waters as well as reduce soil erosion and improve water quality.

Information Technology Upgrades

The Governor proposes using \$100,000 in REAP money for technological upgrades. This system provides information and support to 88 conservation district offices across the state.

Oklahoma Capitol Complex and Centennial Commemoration Commission

Notable Achievements

- *In 2005, Oklahoma became the first state to be represented in the Macy's Thanksgiving Day Parade. The float will appear again in the 2006 and 2007 parades. The state had two floats at the Tournament of Roses Parade on Jan. 1, 2007.*
- *The nation's post offices will offer a commemorative stamp for 2007 in celebration of Oklahoma's centennial.*
- *Over 50 centennial projects have been completed statewide.*

Mission

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 from all geographical areas of the state.

The FY-2008 appropriation for the Capitol Complex and Centennial Commemoration Commission is the same as provided for FY-2007 with the following adjustments.

State Employee Pay Raise

The Governor's budget includes \$4,220 to annualize the 5% state employee pay raise for the Oklahoma Capitol Complex and Centennial Commemoration Commission. The pay raise went into effect October 1, 2006.

Centennial Projects & Activities

The Governor's budget includes \$50,000 to support the planning, implementation, and oversight of projects, activities and events throughout the State.

Communication & Merchandising

The Governor's budget includes \$50,000 to promote the Centennial Commemoration and properly archive Centennial documents and materials for future generations.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$1,062
FY-2007 Bud. FTE Level	7.0
Actual Ave. YTD FTE	7.0
Funding Adjustments:	
State Employee Pay Raise	4
Centennial Projects	50
Communications	50
Total Adjustments	104
FY-2008 Recommendation	\$1,166
% Change from FY-2007	9.79%
<small>Source: Office of State Finance</small>	

Department of Commerce

Notable Achievements

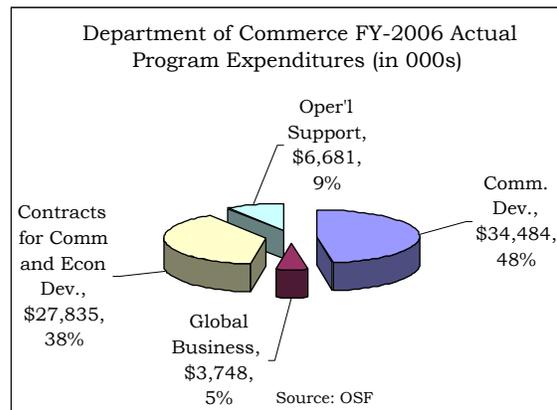
- *The Oklahoma Department of Commerce assisted 79 companies with business start-up and expansion projects. This created approximately 9,000 new jobs with a 62% growth in rural areas. The Department also worked directly with 38 companies relocating operations to Oklahoma, with a total planned investment of \$490 million. More than 8,500 new jobs were created with a 63% growth in rural areas.*
- *Fifty business and government leaders serve on the Governor's Council for Workforce and Economic Development. The Council initiated a Health Care Industry Report which prompted legislative spending for health care occupational training.*
- *One-hundred and Fifty-four Community Development Block Grants were awarded to communities across the state. \$12 million in federal funds was used to support infrastructural improvements. The projects created 372 new jobs. The Main Street Program generated \$43.7 million in private sector reinvestment from 41 participating communities.*

Mission

The mission of the Oklahoma Department of Commerce is to increase the quality and quantity of jobs in Oklahoma by supporting communities in the development of globally-viable rural, urban and regional economies; encouraging the growth and expansion of existing Oklahoma companies; supporting the role of entrepreneurs in Oklahoma's future; attracting new business and industry, and advancing the development and availability of a skilled workforce.

The Department's primary funding sources are federal and state appropriations. Federal funding provides 63% of the

funding and 30% comes from state appropriations.



Programs

Community Development

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

Community Development offers technical assistance and planning to communities through a variety of programs. One such program has assisted over 400 cities, towns and counties in the completion of capital improvement plans designed to inventory and prioritize community assets needing repair and replacement.

Federal Community Development Block Grant funds are the main source of funds utilized to support projects; however, funding is also available through the state energy plan and through state appropriations. Private sector funds have also been secured to support Oklahoma's weatherization initiatives.

Rural Action Partnership

The Rural Action Partnership Program connects economic development resources with the needs of rural Oklahoma. Rural development specialists service communities and regions to encourage alliances and increase economic development opportunities. The program assists rural communities in the effort to obtain funds to support community

development, help grow and recruit businesses and finds ways for communities to effectively market their products and services.

Business Solutions Team

The Business Solutions Team supports the start up, growth and expansion of Oklahoma’s businesses. The Team focuses on the delivery of support programs and the development of partnerships to service the needs of small business across the state.

Business Location Team

The Business Location Team markets the State of Oklahoma as a profitable location for investment. The Team works to encourage and assist Oklahoma companies looking to expand in-state and works closely with local communities and economic development organizations to attract new businesses.

Global Business Team

Commerce serves as the first responder for small and medium size companies seeking to explore international business opportunities. Team members positioned in Oklahoma and in four international trade offices (strategically located in China, Israel, Mexico and Vietnam) deliver programs assisting businesses in trade counseling, market research, trade show assistance, protocol and etiquette counseling and other related services.

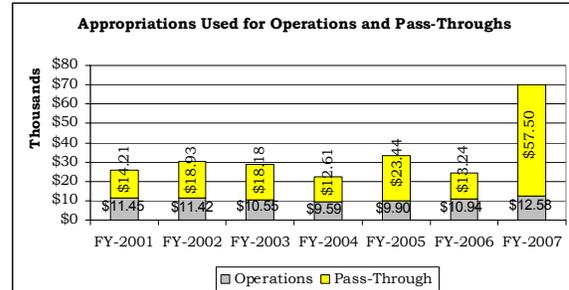
Workforce Development

The agency’s programs facilitate the development of a prepared workforce to support the state’s economic development goals. Programs are aligned with the Governor’s Council for Workforce and Economic Development and the State Workforce Solutions Staff Team. Key stakeholders include state workforce and education agencies, local workforce investment boards, workforce program service providers, public/private and faith-based workforce program operators, business leaders and economic development entities.

Pass-Through Funding

The Department’s budget consists of funds dedicated to operations and those passed

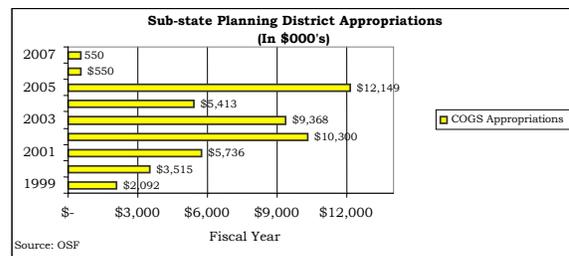
through the agency to support other entities, as directed by the State Legislature. The chart below provides a summary of the fluctuating funding levels over a six-year period.



In FY-2007 the increase in pass-through funds totaled \$45 million and included the legislated Oklahoma Opportunity Fund.

Sub-state Planning Districts

Oklahoma has 11 sub-state planning districts, also known as Council of Governments, or COGs. These organizations were established to provide economic development leadership in their assigned areas. COGs operate independently and are funded by state appropriations, membership dues from member towns and grants from state and federal sources.



Native American Cultural & 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. Phase I 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 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 for the Cultural Center. In addition, the Oklahoma Capital Improvement Authority has issued \$33 Million of state bonds for construction of the project. In partnership with the State of Oklahoma, a number of Oklahoma Indian tribes have contributed funds amounting to the first two years of debt service for the state bond issue.

The City of Oklahoma City has transferred approximately 250 acres of land to the NACEA, and has also agreed to provide the Authority \$5 Million in CDBG (Community Development Block Grant) funds.

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

Construction for the project began in 2006.

American Indian Cultural Center Projected Capital Funding & Costs (In Millions)							
Project Capital Funding	FY-06	FY-07	FY-08	FY-09	FY-10	Future	Totals
Federal	\$6.80	\$0.20	\$1	\$10	\$15		\$33.0
OKC CDBG			\$ 5.0				\$ 5.00
Corps of Engineers Wetland Grant					\$ 5.0		\$ 5.00
Private, Tribal, Other Funding	\$ 3.0	\$ 2.3	\$ 0.7	\$ 10	\$ 10	\$ 12.40	\$38.4
State	\$ 33		\$ 10	\$ 10	\$ 10		\$63.0
Future Funding						\$ 5.60	\$5.60
Total:	\$ 43	\$ 3	\$ 17	\$ 30	\$ 40	\$ 18	\$ 150
Project Costs							
Construction Design, Exhibits & Exhibit Exp.	\$ 10	\$ 15	\$ 21	\$ 30	\$ 40	\$ 33.60	\$ 150

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$25,083
FY-2007 Bud. FTE Level	154.0
Actual Ave. YTD FTE	154.0
Funding Adjustments:	
State Employee Pay Increase	101
RAPP	150
Oklahoma Branding Initiative	250
NACEA 2005C Bond Payment	2,532
Total Adjustments	3,033
FY-2008 Recommendation	\$28,116
% Change from FY-2007	12.09%
Source: Office of State Finance	

The FY-2008 appropriation for the Department of Commerce is the same as provided in FY-2007 with the following adjustments.

State Employee Pay Raise

The Governor's budget includes \$101,058 to annualize the 5% state employee pay raise for the Department of Commerce. The pay raise went into effect October 1, 2006.

Rural Action Partnership Program (RAPP)

The Governor's budget includes \$150,000 for RAPP. The RAPP program was enacted by HB 2288 to help rural areas of Oklahoma with economic development opportunities. RAPP positively affects all 77 counties in the State by helping recruit new businesses and expanding existing industries.

Oklahoma Branding Initiative

The Governor's budget proposes \$250,000 for the Oklahoma branding Initiative. The goal of the Oklahoma Branding Initiative is to create a common brand that will positively influence public attitudes toward Oklahoma. The result will be increased tourism, workforce, and economic

development opportunities for all of Oklahoma.

Native American Cultural & Educational Authority 2005C Bond Payment

The 2005C bond issue was implemented to provide funding for the Native American Cultural Center. The first two years of bond payments were provided by Native American tribes in the State. The State is responsible for the remainder of the bond issue payments, which begin in FY-2008. The Governor's budget includes \$2.5 million to fund this obligation.

Oklahoma Historical Society

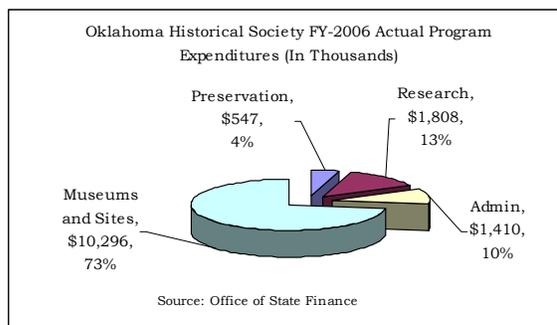
Notable Achievements

- After six years of underwater archeology on the Red River, work to recover artifacts and document the 1838 river boat wreck of the “Heroine” is nearing completion. Scholars from the Institute of Nautical Archeology believe the ship is one of the ten most significant discoveries ever found in American waters. With a recently announced grant from the National Park Service, the collections will be on display at the Oklahoma History Center and at a new museum currently being planned for nearby Fort Towson.
- The OHS has produced a 30-minute television show about Oklahoma history. Cox Communications, through a donation amounting to almost \$500,000, is airing the show six times a week and running more than 500 public service announcements for the History Center each month in both Oklahoma City and Tulsa.
- OHS plans to expand the Museum of the Cherokee Strip in Enid in FY-2007. Almost \$7 million has been raised or pledged in the private sector for this Smithsonian-quality museum.
- OHS acquired the Kerr-McGee archives, which include 190,000 photographs, more than 500 reels of film, business records dating to the 1920’s and the personal files of Dean McGee.

Mission

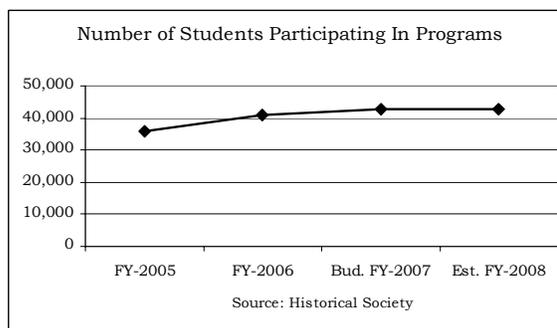
The Oklahoma Historical Society (OHS) preserves and perpetuates the history of Oklahoma and its people by collecting, interpreting and disseminating knowledge of Oklahoma and the Southwest.

State appropriations totaled 87% of total expenditures of OHS in FY-2006 and are the agency’s primary funding source. The chart below shows program expenditures for OHS for FY-2006.



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



The Oklahoma History Center

The Oklahoma History Center is a 215,000 square foot museum and research facility located across the street from the State Capitol. Sitting on an 18-acre site, the facility serves more than 200,000 visitors a year and offers a unique learning experience to more than 100,000 school students from across the state. The institution is affiliated with both the Smithsonian Institution and the National Archives. Admission to the Center is \$5 for adults, \$4 for seniors, \$3 for students and children five and under are free.

Built at a cost of \$59 million, the Oklahoma History Center offers a range of features as follows:

- Four permanent museum galleries with more than 40 topics, 52 films, 200 interactive exhibits and 2,500 artifacts;
- A research library with more than 30 million pages of newspapers published in the state and twin territories since 1844, more than four million document pages of Indian history, more than five million photographs and one of the best genealogical collections in the region for both beginners and serious family historians;
- Special event opportunities for receptions up to 1,000 guests, formal banquets for up to 250 people and meeting space for families, class reunions and business groups;
- The Winnie Mae Café, offering full food service seven days a week;
- An outdoor interpretive park that includes four-acres dedicated to oil and gas in Oklahoma, a bronze statue by Allen Houser and the “Red River Journey”, a scaled reproduction of the landscape along Oklahoma’s southern border with mountain ranges, plant life and historic markers; and
- A special museum gallery for temporary exhibits that can travel statewide at venues such as libraries, community centers and local museums.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$14,480
Facility Maintenance	(699)
Regional Center Match	(500)
FY-2007 Base	\$13,281
FY-2007 Bud. FTE Level	147.0
Actual Ave. YTD FTE	147.0
Funding Adjustments:	
State Employee Pay Raise	77
Museum Staffing	200
Total Adjustments	277
FY-2008 Recommendation	\$13,558
\$ Change from FY-2007	(\$922)
% Change from FY-2007	-6.37%
<small>Source: Office of State Finance</small>	

The FY-2008 appropriation for the Historical Society is the same as provided for FY-2007 with the following adjustments.

State Employee Pay Increase

The Governor’s budget includes \$76,525 to annualize the 5% state employee pay raise for the Historical Society. The pay raise went into effect October 1, 2006.

Museum Staffing

The Governor’s budget includes \$200,000 that would be used to add additional six staff members to the Oklahoma History Center (OHS). This increase would allow the OHS to operate at the optimum level.

History Center Endowment

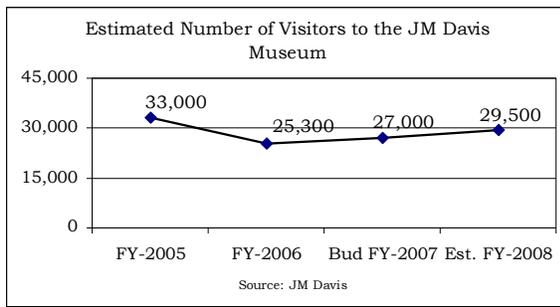
The Governor’s budget includes a one time expenditure of \$5 million from FY-2007 General Revenue surplus to fund the History Center Endowment. The Historical Society will provide \$5 million in private funds to bring the fund total to \$10 million. The endowment fund is projected to provide the History Center with \$500,000 per year for programs, education, and overhead costs.

J. M. Davis Memorial Commission

Mission

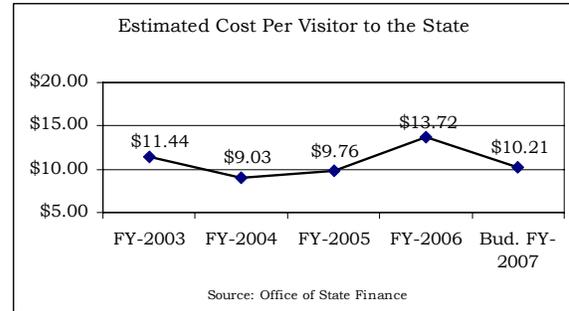
The mission of the J.M. Davis Memorial Commission is to house, protect, preserve, display and update the unique collection of firearms and historical artifacts collected by Mr. J.M. Davis, and to provide educational and historical information about the unique, historically significant artifacts to each visitor to the museum.

Key Performance Measure



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's 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. The following graph shows the correlation between the funding that the State provides and the estimated number of visitors.



FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$382
FY-2007 Bud. FTE Level	8.0
Actual Ave. YTD FTE	5.4
Funding Adjustments:	
State Employee Pay Raise	3
FY-2008 Recommendation	\$385
% Change from FY-2007	0.79%
<small>Source: Office of State Finance</small>	

The 2008 appropriation for the J.M. Davis Memorial Commission is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$3,237 to annualize the 5% state employee pay raise for the J.M. Davis Memorial Commission. The pay raise went into effect October 1, 2006.

Department of Labor

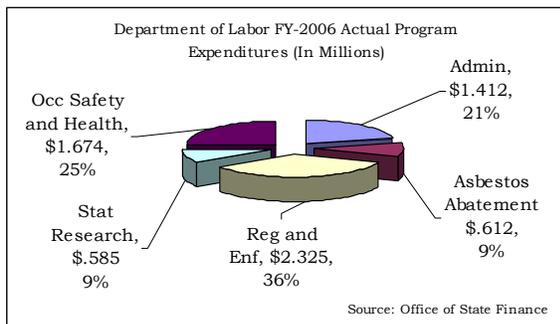
Notable Achievements

- *The Department's Safety Pays[®] OSHA Consultation program was recognized by the U.S. Department of Labor in 2006 as the best on-site workplace consultation program in America.*
- *The Safety Pays[®] program has contributed substantially to lowering the workplace injury rate in all industry sectors – plummeting 48% since 1994 and helping employers avoid more than 4.2 million in potential federal OSHA fines in FY-2006.*

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-2006, state appropriated dollars were 43.4% of the Department's total budget funding, down from 48.3% in FY-2005.

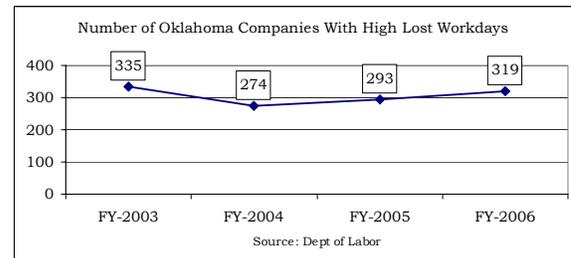


Occupational Safety and Health Administration Consultation Program (OSHA)

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[®]* program, each employer is contacted to ensure they are aware of OSHA's targeted inspection list and to offer ODOL consultation services. The most recent list includes 319 Oklahoma employers as shown by the following table.

Key Performance Measure

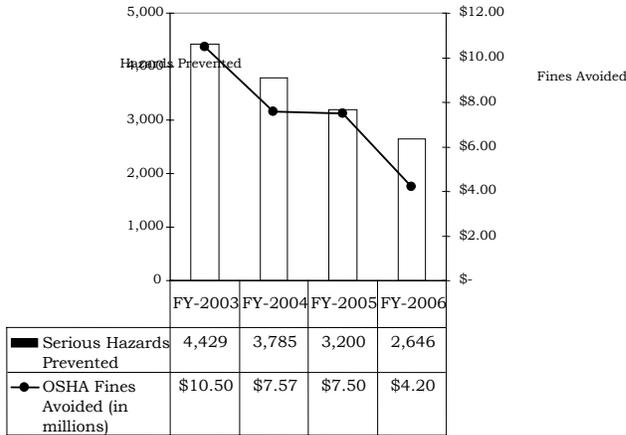


This free, voluntary, non-punitive and confidential program helps small (250 or less) high-hazard employers prevent injuries and illnesses. Federal funds cover 90% of the department's funding sources for this program. The OSHA consultant first identifies hazardous conditions and practices without the 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 sampling. Employers who have used the consultation services have experienced lower worker's compensations costs.

The following chart shows how ODOL's *Safety Pays[®]* program has identified hazards and prevented fines for Oklahoma businesses.

Key Performance Measure

Safety Pays® Program Statistics



Source: Department of Labor

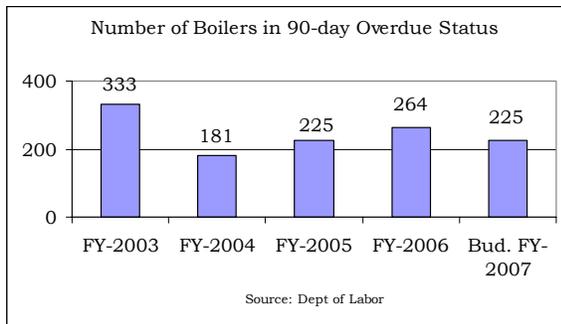
Boiler Inspections

State statutes require ODOL to inspect boilers and pressure vessels on an annual basis. Boilers and pressure vessels must be inspected because of the 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 these inspections are over 90 days past due, the ODOL assumes the responsibility and conducts these inspections.

Key Performance Measure



Source: Dept of Labor

Elevator Safety Program

The “Elevator Safety Program” was added to the Department of Labor in FY-2007. The Legislature appropriated \$250,000 for FY-2007 to begin the program. Under the program all elevator contractors, mechanics, and inspectors are licensed by the State. Fees are assessed for licensing and inspections. Fines are administered for non-compliance. Sufficient income is generated to maintain the program from the fees and fines.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$3,614
FY-2007 Bud. FTE Level	111.0
Actual Ave. YTD FTE	98.3
Funding Adjustments:	
State Employee Pay Raise	<u>46</u>
FY-2008 Recommendation	\$3,660
% Change from FY-2007	1.27%

Source: Office of State Finance

The 2008 appropriation for the Department of Labor is the same as provided in FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor’s budget includes \$46,391 to annualize the 5% state employee pay raise for the Department of Labor. The pay raise went into effect October 1, 2006.

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 7,000. According to statute these grants can be used for things such as sewer and water line construction or repair, water treatment, water acquisition, distribution and related projects.

FY-2008 Recommendation

FY-2008 Rural Economic Action Plan	
<i>(amounts in thousands)</i>	
<i>General Revenue For REAP Grants</i>	
FY-2007 Appropriation	\$17,700
FY-2008 Recommendation	
Water Resources Board	\$ 2,200
Auditor & Inspector	\$ 15,500
FY-2008 Recommendation	17,700
% Change from FY-2007	0.00%

Source: Office of State Finance

Gross Production REAP Fund

The Governor proposes \$7.8 million in Gross Production REAP Fund projects. The agencies included in the Governor's proposed REAP expenditures are: The Department of Agriculture, Food, & Forestry, the Conservation Commission, the Department of Tourism and Recreation, the Department of Environmental Quality and the Oklahoma Water Resources Board. For more detail about the proposed projects, please refer the agencies individual commentaries.

Oklahoma Employment Security Commission

Notable Achievements

- *An extensive business process redesign throughout the entire Unemployment Insurance Benefits division reduced duplication and streamlined processes to enable OESC to better serve the unemployment benefit recipients throughout Oklahoma. The information gathered was also used as a guideline in the design of a new integrated system that will hopefully be fully designed and implemented by the end of 2008.*
- *Huge strides have been made in the adjudication of unemployment claims in the OESC Call Centers. With the focus on training, tools and personal accountability, the Unemployment Insurance division met and exceeded federal performance standards related to the quality of decisions made for six consecutive quarters, an accomplishment that is unmatched in recent history of the agency.*

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.

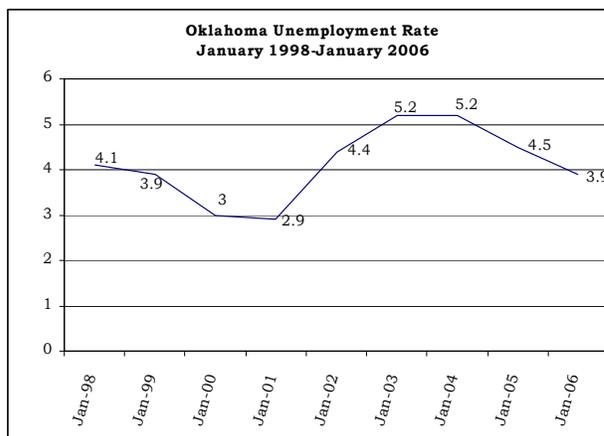
Agency Services

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.

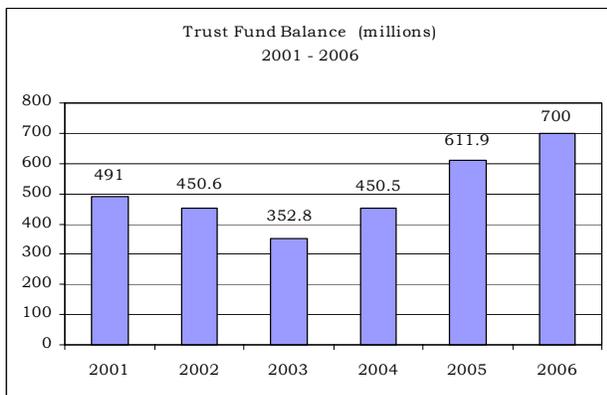
Description	Net Benefit Payments	Ratio of Trust Balance to five year average
(\$ in 000's)		
Trust fund Balance at 6/30/2006		703,882
Less Net Reed Act Funds set aside for Admin.		3,644
Balance applied		700,237
NET BENEFIT PAYMENTS FY-2006	134,325	
NET BENEFIT PAYMENTS FY-2005	160,661	
NET BENEFIT PAYMENTS FY-2004	242,102	
NET BENEFIT PAYMENTS FY-2003	265,586	
NET BENEFIT PAYMENTS FY-2002	220,765	
TOTAL NET BENEFIT PAYMENTS	1,023,439	
AVERAGE BENEFIT PAYMENT	204,688	204,688
TRUST FUND BALANCE RATIO		3.42

Even though Oklahoma's unemployment rate has been above its long run average, it remains the lowest in the region.

State	Oct-04	Oct-05	Oct-06
Oklahoma	4.7	4.4	3.8
Arkansas	5.4	4.9	5.1
Kansas	5.5	5	4.3
New Mexico	5.6	5.1	4.3
Texas	5.7	5.4	4.8
Colorado	5.5	4.9	4.4
Missouri	5.9	5.2	5.4

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.

Oklahoma's October Unemployment rate of 3.8% is the lowest it's been since 2001. This partially attributed to \$700 million Trust Fund balance available in 2006.



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.

Condition	Ratio of Fund Balance to average benefit payments				
	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	\$12,000	\$12,800	\$13,500	\$14,300	\$15,000
Minimum UI Contribution Per Employee	\$12	\$26	\$27	\$29	\$45
Average UI Contribution Per Employee	\$124	\$166	\$203	\$243	\$330
Maximum UI Contribution Per Employee	\$660	\$742	\$986	\$1,187	\$1,380
Maximum Weekly Benefit Per Claimant	\$346	\$331	\$317	\$303	\$288
Maximum Total Benefit Per Claimant	\$7,500	\$7,100	\$6,800	\$6,400	\$6,000

Source: OESC Overview 08/29/2006

Other Programs

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. These programs are all inclusive for veterans of any of the U.S. military services and not just for those who are disabled

Economic Research and Analysis regarding employment and employees is core to OESC. Labor market information is gathered and reported on the state and national level. The goal of this program is to provide quality information that will improve the functioning of labor markets by serving the needs of workers, employers, economic developers, planners, and policy makers.

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.

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 [Barren (Baron) Fork Creek and Flint Creek].

The Oklahoma Scenic Rivers Commission (OSRC) is a state commission established in 1977 in accordance with the Scenic Rivers Act (1970). The OSRC separated from the Tourism and Recreation Department in 2002 and became an independent agency.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$340
FY-2007 Bud. FTE Level	9.0
Actual Ave. YTD FTE	13.5
Funding Adjustments:	
State Employee Pay Raise	<u>6</u>
FY-2008 Recommendation	\$346
% Change from FY-2007	1.76%

Source: Office of State Finance

The FY-2008 appropriation for the OSRC is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$5,770 to annualize the 5% state employee pay raise for the Oklahoma Scenic Rivers Commission. The pay raise went into effect October 1, 2006.

Oklahoma Tourism and Recreation Department

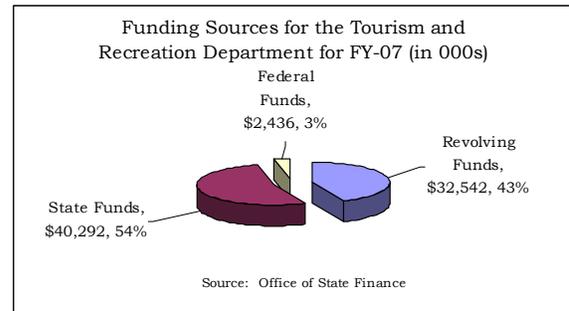
Notable Achievements

- *Tourism is the third largest industry in Oklahoma. The “Travel Industry Association of America” reported tourism provides an estimated economic impact of about \$4.5 billion per year in travel and tourism-related spending. Travel spending supports about 72,000 jobs throughout the state. Domestic travel spending brought in over \$788 million in local, state and federal tax revenue.*
- *The OklaRaves campaign was awarded a Mercury Award, the highest honor in the Best Film/Audio Visual category, by the Travel Industry Association of America (TIA). This award brings Oklahoma’s total to 22 – more than any other state.*
- *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.*
- *State Parks, Career Tech and the Department of Corrections began a partnership to restore historic structures at Lake Murray State Park while training inmates in useful trades. This program resulted in endangered structures being saved and the learning of valuable skills.*
- *Oklahoma Today magazine was named the official State magazine of the Oklahoma Centennial and celebrated its 50th anniversary in January 2006.*

Mission

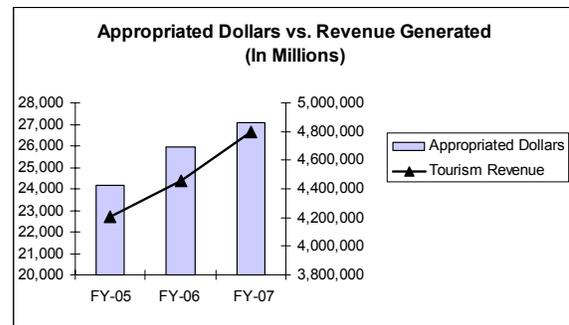
The Tourism and Recreation Department is the steward of the state’s park system. The Department also advances economic development through the promotion of travel and tourism in Oklahoma.

The Department is primarily funded by state general revenue appropriations and revolving funds, 54% and 43% respectively in FY-2007.



The majority of the Department’s expenditures are devoted to State Parks, which are 78% of the FY-2007 budgeted expenditures and 76% of the FY-2006 actual expenditures.

The chart below shows the appropriated dollars and the revenue generated by the Department over a three year period.



Programs

State Parks

This division maintains public recreation facilities throughout the state. Oklahoma’s State Park system is made up of 50 state parks that provide 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, 5 lodges, 10 golf courses, 455 cabins, 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.

Overall attendance at the parks has increased slightly over the previous year. Some parks are self-sufficient due to higher attendance and greater recreational opportunities. Revenue has been considerably less at smaller parks with lower attendance; however, these parks hold resources of great natural and cultural significance.

	Park Attendance	Park Revenue	State Approp.	Total Park Exp.	% of Self-Sufficiency
FY-2002	14.1	\$11.3	\$9.1	\$20.4	55.4%
FY-2003	14.1	\$11.5	\$10.2	\$21.7	53.0%
FY-2004	13.8	\$10.8	\$11.9	\$22.7	47.6%
FY-2005	12.7	\$11.1	\$10.4	\$21.5	51.6%
FY-2006	13.8	\$12.2	\$14.4	\$26.6	45.9%

Source: Tourism and Recreation Dept.

State Lodges

The six state lodges have gradually increased their self-sufficiency rate through more efficient management. However, as the facilities continue to age and deteriorate from a lack of capital investment, the occupancy rate has declined.

	Occupancy Rate	Resort Revenue	State Approp.	Total Resort Exp.	% of Self-Sufficiency
FY-2002	43%	\$8.0	\$3.0	\$11.0	72.7%
FY-2003	43%	\$7.0	\$1.1	\$8.1	86.4%
FY-2004	36%	\$7.7	\$2.2	\$9.9	77.8%
FY-2005	36%	\$7.6	\$2.0	\$9.6	79.2%
FY-2006	36%	\$7.3	\$1.3	\$8.6	84.9%

Source: Tourism and Recreation Dept.

Lake Texoma Lodge

The Department has operated the Lake Texoma Park since 1951 and the lodge since its opening in 1958. The numerous and serious maintenance needs of the lodge have been the subject of much discussion over the years. In this situation, the Department needed to make bold, long-term decisions for the benefit of the employees, the local communities, and the state.

The Department entered into a partnership with the Commissioners of Land Office (CLO) to address these issues. The CLO determined that private development was a viable option for the resort properties. Such development will translate into a greater volume of business generating more jobs in the area and expanding the tax base.

In August of 2005, the Department and the CLO reached an agreement to proceed with the development of the property. This process resulted in the submission of private development proposals and the transfer of property to the private developer's control. The Department will keep the state park and our lease concessions on the property. The lodge closed to the public on December 1, 2006 and the operation of golf facilities will continue until development begins.

Golf Courses

Use of the golf courses has increased as have revenues and expenditures.

	Golf Rounds (thousands)	Golf Revenue	State Approp.	Total Golf Exp.	% of Self-Sufficiency
FY-2002	182.7	\$4.9	\$0.1	\$5.0	98.0%
FY-2003	161.6	\$4.5	\$1.3	\$5.8	77.6%
FY-2004	158.0	\$4.7	\$0.8	\$5.5	85.5%
FY-2005	158.1	\$4.6	\$0.9	\$5.5	83.6%
FY-2006	158.0	\$4.3	\$0.9	\$5.2	82.7%

Source: Tourism and Recreation Dept.

When most of the state golf courses were constructed there was little competition. Originally, state courses were well attended and generally were self-supporting. This was a result of the state courses' ability to charge a much lower rate than private, city and county golf courses. As competitors drastically reduced rates, the state golf courses began to lose their competitive edge. This problem was compounded by the fact that competitors were able to constantly improve, while state golf courses deteriorated. Many state golf courses sell 30% to 38% fewer rounds than competitors.

Total rounds of golf at state courses in FY-2006 saw a slight decline. Due to improved weather conditions and marketing efforts in

FY-2007, the courses are expected to see an increase in rounds played.

Capital Maintenance Funding

For FY-2007, the Legislature provided the Department with \$8 million in capital maintenance funding. The following categories and allocations are noted below:

Cabin Furnishings	\$1,000,000
Comfort Stations	\$3,000,000
Campgrounds	\$ 600,000
Golf Improvements	\$ 400,000
Roofs	\$1,500,000
Playgrounds	\$ 500,000
Docks and Piers	\$ 500,000
A&E/Aerials, surveys, etc.	<u>\$ 500,000</u>
Total	\$8,000,000

This year’s program emphasizes preserving assets from deterioration, elimination of safety concerns, and improvements to the most frequently used facilities.

For FY-2007 through FY-2011, the Legislature has provided the Department with a portion of the REAP Water Projects Funds to fund infrastructure and environmental improvements. Types of projects funded include potable water, wastewater and erosion control work.

The certainty of dedicated funds will allow the Department to realistically plan for park preservation and the systematic elimination of long standing facility needs. Building renovation represents 15-20% of our capital request.

In FY-2009, repair of electrical, irrigation and other support systems is anticipated, along with an on-going program to achieve code compliance.

Travel and Tourism

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

It 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, weekly television program *Discover Oklahoma*. This award winning television program reaches over 150,000 viewers weekly.

The division operates 11 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.

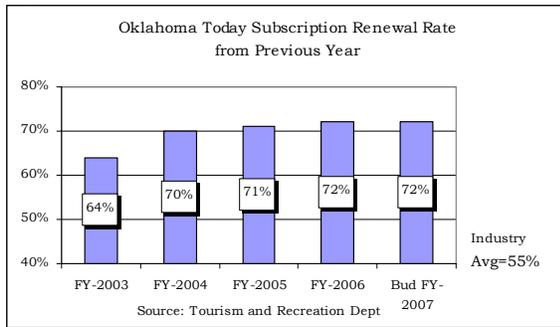
The Traveler Response Information Program (TRIP) operates a website and a toll-free call center for information. TRIP also maintains the destination database for more than 9,000 attractions, events, restaurants, accommodations and other tourism-related businesses around the state. The web site, www.travelok.com, 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 35,000 and an estimated readership of 240,000.

With each issue, 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



tourism, workforce, and economic development opportunities.

Lake Texoma Lodge Sale

The Governor proposes using \$1 million in excess REAP funds to cover expenses associated with the sale of the Lake Texoma Lodge; such as severance packages and purchase of lands to retain federal funds.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$27,073
FY-2007 Bud. FTE Level	914.8
Actual Ave. YTD FTE	853.9
Funding Adjustments:	
State Employee Pay Raise	306
Oklahoma Branding Initiative	250
Total Adjustments	556
FY-2008 Recommendation	\$27,629
% Change from FY-2007	2.05%

Source: Office of State Finance

The FY-2008 appropriation for the Tourism and Recreation Department is the same as provided for FY-2007 with the following adjustments.

State Employee Pay Raise

The Governor’s budget includes \$305,805 to annualize the 5% state employee pay raise for the Tourism and Recreation Department.

Oklahoma Branding Initiative

The Governor’s budget proposes \$250,000 for the Oklahoma Branding Initiative. The goal of the Oklahoma Branding Initiative is to create a common brand that will positively influence public attitudes toward Oklahoma. The result will be increased

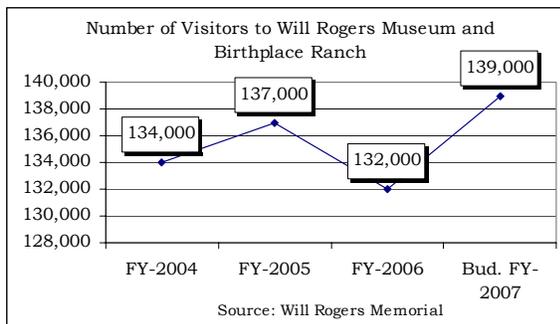
Will Rogers Memorial Commission

Notable Achievements

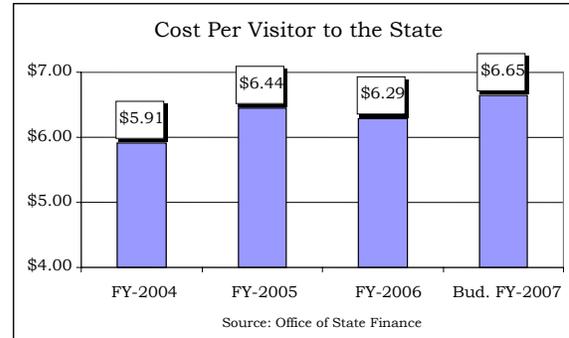
- The fifth and final volume of the definitive project *The Papers of Will Rogers*, a collaboration of the Commission and Rogers State University, was published by the University of Oklahoma in the Fall of 2006.
- Two new exhibits featuring Will Rogers-related artifacts on long-term loan from Disney Imagineering opened at the main museum in October 2006.

Mission

The Will Rogers Memorial Commission was established in 1938 to honor the life and works of Will Rogers through the creation of the Will Rogers Memorial Museum in Claremore. The Rogers family donated the 20-acre museum site in Claremore, the Will Rogers Birthplace Ranch house near Oologah, and many of the Rogers artifacts at the Memorial. The museum and ranch host 135,000 visitors annually. Admission is free, and both facilities are open year round.



Over 96% of the Commission's budget is comprised of state appropriated funds. The remaining funding is derived from donations and federal funds. The Commission spends one-third of its budget for educational outreach. The following graph shows the correlation between the funding that the State provides and the estimated number of visitors.



The museum boasts the world's largest archive of Will Rogers material, including his letters and telegrams, business records, books, last will and testaments, newspaper writings, magazine articles and manuscripts, stage scripts, radio and other sound recordings, photographs, notes for personal appearances, and movies and other film footage.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$925
FY-2007 Bud. FTE Level	12.9
Actual Ave. YTD FTE	11.5
Funding Adjustments:	
State Employee Pay Raise	9
FY-2008 Recommendation	\$934
% Change from FY-2007	0.97%

Source: Office of State Finance

The FY-2008 appropriation for the Will Rogers Memorial Commission is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$8,506 to annualize the 5% state employee pay raise for the Will Rogers Memorial Commission. The pay raise went into effect October 1, 2006.

Oklahoma Arts Council

Notable Achievements

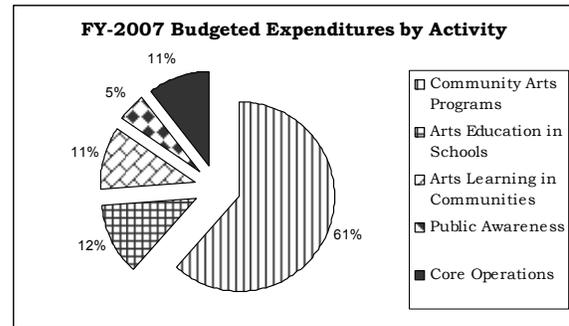
- *In FY-2006, the Oklahoma Arts Council served 147 communities and provided 1,089 grants to 506 cultural organizations, schools and local governments to increase resources available to non-profit organizations producing community arts and arts education programs throughout Oklahoma. For every \$1 the Oklahoma Arts Council grants, non-profit organizations raise an average of \$8 from the private sector.*
- *The Oklahoma Arts Council held a series of artists' town meetings to identify performing, visual, and literary artists who live and create art in rural Oklahoma. At the meetings held in Ardmore, Cheyenne, Claremore, Cordell, Idabel, Mangum, Miami, Ponca City and Wilburton, artists completed a survey. Results from the survey are being used to develop an artists' resource list to connect Oklahoma artists to communities who have arts and cultural festivals, arts education in schools and communities and cultural tourism.*
- *The Oklahoma Arts Council curates three galleries at the State Capitol that provide a showcase for Oklahoma's visual artists through rotating exhibitions.*

Mission

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

The Council's mission is to lead, cultivate and support a thriving arts environment, which is essential to quality of life, education and economic vitality for all Oklahomans. The Oklahoma Arts Council

meets this mission by providing grants and technical assistance for arts activities statewide. The National Endowment for the Arts and the State of Oklahoma are the sources of funding. The following graph illustrates how those funds are spent.



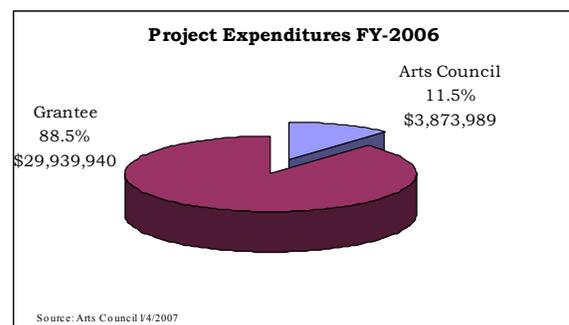
The Oklahoma Arts Council is primarily a grant making entity, as evidenced by the following table.

Key Performance Measure

	in 000's	
	FY-2006 Actual	FY-2007 Bud
Direct grants costs	\$ 3,877 75.8%	\$ 4,134 75.9%
Indirect grants costs	\$ 709 13.9%	\$ 730 13.4%
Administration	\$ 528 10.3%	\$ 580 10.7%
Total	\$ 5,114	\$ 5,444

Source: Arts Council 1/4/2007

The Council awards matching grants to nonreligious, nonprofit, tax exempt 501(c)(3) organizations; agencies of government; sovereign Indian tribes; public libraries; public schools; colleges and universities. All grants must be matched by the grantee. Last year the average match was \$7.73 to every dollar granted, as represented in the chart below. During FY-2006, the Arts Council administrated 1,089 grants to 506 organizations in 147 communities across Oklahoma.



Financial assistance for art programs is granted through three program areas: Community Arts Programs, Arts Education in Schools and Arts Learning in Communities. Following is a summary of each program.

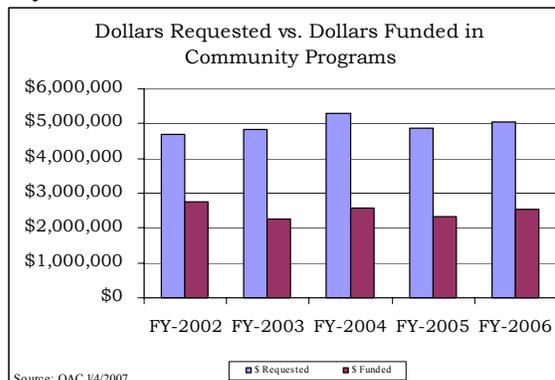
Community Arts Programs

Community Arts Programs provide support for community arts activities to advance the cultural and economic development of Oklahoma. More than 400 organizations receive support annually through Community Arts Programs. They support Oklahoma's major symphonies, ballets and museums. In addition, the OAC funds festivals, community theatres, performing arts and local museums throughout rural Oklahoma that contribute to the enrichment and vitality of each community. Community Arts Programs also supports cultural development outreach through funding and technical assistance to rural and urban underserved communities. This assistance is designed to assist communities in development of cultural leadership and improvement of their administrative and programming skills. Two Circuit Riders facilitate cultural and economic development in two underserved regions of the state: 15 counties in the southeast region and 16 counties in the northwest/panhandle region.

In addition to direct support to non-profit organizations, Community Arts Programs support local city and county governments through Local Government Challenge Grants. This unique program provides matching funds of up to \$5,000 to local governments to support local community cultural programs.

In FY-2002 the Arts Council met 58% of the requests in Community Arts Programs; 51% of requests were met in FY-2006.

Key Performance Measure



Arts Education in Schools

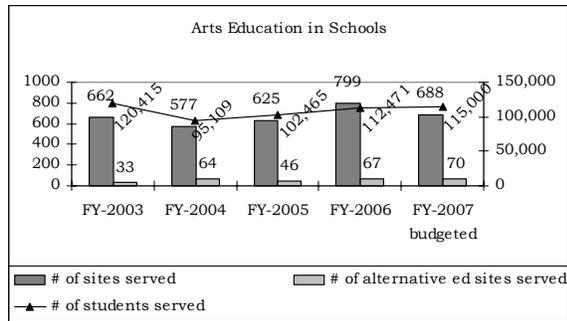
Arts Education in Schools program supports the efforts of schools and school districts, including alternative education programs, in providing quality and meaningful arts education to their students. Projects introduce and develop skills, knowledge and understanding in dance, drama, music, visual art, traditional arts and creative writing. Instruction is delivered by qualified arts instructors, including community artists who are trained and experienced in their art form and adept in sharing this art form with students.

Arts Education in Schools is designed to:

- Help school districts develop an arts education plan;
- Support student learning in the arts and invigorate learning in other subject areas;
- Provide resources for classroom instruction, demonstrations and performances that insure student understanding of the arts in real-world application;
- Introduce the arts in a broader context including practical application in design, advertising, media, entertainment and related industries; and

- Enable teachers to develop skills to introduce and incorporate the arts in the curriculum.

Key Performance Measure



As shown above, Arts Education in Schools also serves alternative education school sites. 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. Ninety-eight percent of the alternative education sites reported increased performance from students who had the arts as part of their curriculum.

Arts Learning in Communities

Arts Learning in Communities program provides the opportunity for every Oklahoman to have access to quality arts learning that is most appropriate to their current life circumstance and need. This program supports arts instruction workshops and classes in diverse community settings for populations with a variety of social, cognitive, emotional and physical needs in order to enhance their quality of life. The extent and manner of each project’s design varies with community need and demand, as well as the expertise of the local service provider.

Arts Learning in Communities is designed to:

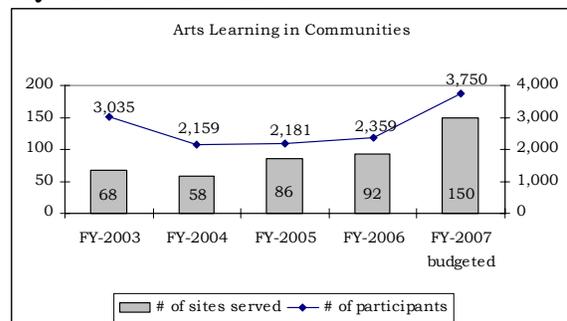
- Design arts experiences for the specific life circumstance of the learners and are

age, ability and developmentally appropriate;

- Involve the participants in direct and meaningful engagement in the creative arts process;
- Provide arts instructors that are knowledgeable and experienced in both the arts discipline and instructional methods that are appropriate for the participants; and
- Incorporate an evaluation that measures program impact on participants.

Learning about and through the arts to meet the unique needs of the participants in their community is the central aim for the program and includes projects such as: early childhood programs; after-school and summer programs for youth; prevention and intervention programs for youth at risk; adult workshops for community enhancement and social development; adult programs for life-long learning; programs for seniors in healthcare facilities, as well as arts learning projects in hospitals, social services agencies and other public settings. The chart below depicts historical participation in this program.

Key Performance Measure



FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,443
FY-2007 Bud. FTE Level	16.0
Actual Ave. YTD FTE	16.2
Funding Adjustments:	
Annualize State Employee Pay Increase	8
Community Arts Programs	250
Humanities Council	<u>50</u>
Total Adjustments	308
FY-2008 Recommendation	\$4,751
% Change from FY-2007	6.93%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor’s budget includes \$8,157 to annualize the 5% pay raise for the Arts Council. The pay raise went into effect October 1, 2006.

Community Arts Programs

The Governor’s budget provides an additional \$250,000 for Community Arts Programs. In FY-2006, the Arts Council was only able to meet 55% of constituent needs. This increase will increase that percentage to approximately 60%.

Humanities Council

The Governor’s budget proposes \$50,000 for the Oklahoma Humanities Council (OHC). The OHC is the state partner for the National Endowment for the Humanities and an independent, nonprofit organization whose mission is to enrich the lives of individuals and communities by fostering access to and education in the humanities. This funding will help the OHC provide programs such as *History Alive*; *TRACKS*; *Let’s Talk About It, Oklahoma*; and the *Oklahoma Centennial* to organizations and schools throughout the state.

Career and Technology Education

Notable Achievements

- *The Center for Applied Economic Research at Oklahoma State University reports that:*
 - *Oklahoma CareerTech graduates add \$2 billion annually to the state's economy;*
 - *CareerTech graduates have higher starting salaries, higher lifetime earnings and save more money than high school only graduates; and*
 - *CareerTech graduates advance more quickly in their careers than high school only graduates.*
- *The Oklahoma CareerTech system provided training to employees of over 6,300 Oklahoma companies during FY-2006.*
- *The Southern Region Education Board (SREB) reported that:*
 - *A quality CareerTech program can reduce a school's dropout rate by as much as 6%;*
 - *CareerTech students are less likely to fail a course or to be absent from school; and*
 - *High-risk students are eight to ten times less likely to drop out in the 11th and 12th grade if they enroll in CareerTech courses.*
- *Oklahoma CareerTech students enrolled in over 30,000 college credit hours, taught in CareerTech classes at technology centers and local high schools, during the fall semester of 2006.*
- *For every \$1 CareerTech spends on minimum-security inmate training, there is a return to Oklahoma taxpayers of \$2.99 within five years. The Agency served 1,010 minimum-security offenders and 2,366 total offender-students through its Skills Centers School System during FY-2006. The Skills Centers job placement rate for graduates was 89%.*

- *During 2006, 162 youthful probationers and young prisoners were trained for high-growth, high-demand occupations projects operated in conjunction with Technology Centers, higher education institutions, and private companies.*

Mission

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 from youth in high school to senior citizens and incarcerated individuals. The system received 2.25% of appropriations made by the legislature for FY-2007, making it the 8th largest agency in state government.

CareerTech provides career-guidance and economic development through the following programs:

Comprehensive Schools

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

Technology Centers

These 29 centers provide Oklahoma businesses with skilled, competent employees.

Business and Industry Training

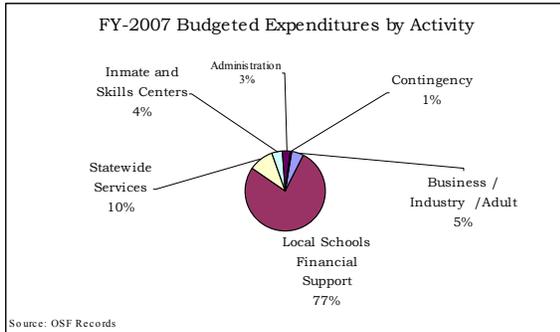
This area includes customized training for specific employers, open enrollment classes for adults that want to enhance their job skills on a part-time basis, consulting services for entrepreneurs and small businesses, management development training and bid assistance services.

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 over 2,300 inmates and juveniles per year for life outside the confines of prison and detention.

Funding for these programs is as follows:



The State Board of Career and Technology Education supervises career and technology education programs in comprehensive schools, technology centers and skills centers. It also administers the Carl Perkins program of the United States 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 across 56 campuses, 398 comprehensive school districts and 22 skill centers including 3 juvenile facilities. This allows citizens in 72 counties easy access to career-technology programs.

Total enrollment for FY-2006 including all programs is 559,117. From FY-2000 to FY-2006 student population has done the following:

- Adult enrollment in technology center full-time and statewide programs increased 14% from 10,802 to 12,320.

- Business and Industry enrollments increased 12.6% from 345,965 to 389,602.
- Students in comprehensive schools increased 15.8% from 119,570 to 138,444.
- Skills Centers have seen the largest increase - 80.5% from 1,295 to 2,338.

Comprehensive Schools

Comprehensive school programs offered in high schools include agricultural education, business and information technology, family and consumer science, health careers education, marketing education, technology education, and trade and industrial education. These programs provide students with hands-on experiences and opportunities to apply academic concepts in context.

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.

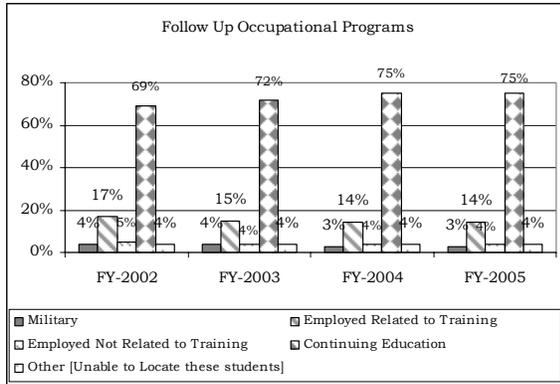
The detail in the following chart shows program and student costs.

Key Performance Measure

	Total Students	Student FTE*	Total Cost	Avg. Cost per Student	Avg. Cost per FTE
Agricultural Education	26,584	27,138	\$ 7,998,100	\$ 300.86	\$ 294.72
Business and Information Technology	18,178	17,606	2,184,600	\$ 120.18	\$ 124.08
Family and Consumer Sciences	52,861	37,752	3,153,600	\$ 59.66	\$ 83.53
Health Occupations Education	1,178	1,071	108,000	\$ 91.68	\$ 100.84
Marketing Education	4,620	4,831	380,000	\$ 82.25	\$ 78.66
Technology Education	33,988	21,275	2,662,450	\$ 78.34	\$ 125.14
Trade & Industry Education	1,035	1,423	185,500	\$ 179.23	\$ 130.36
Total**	138,444	111,096	\$ 16,672,250	\$ 120.43	\$ 150.07

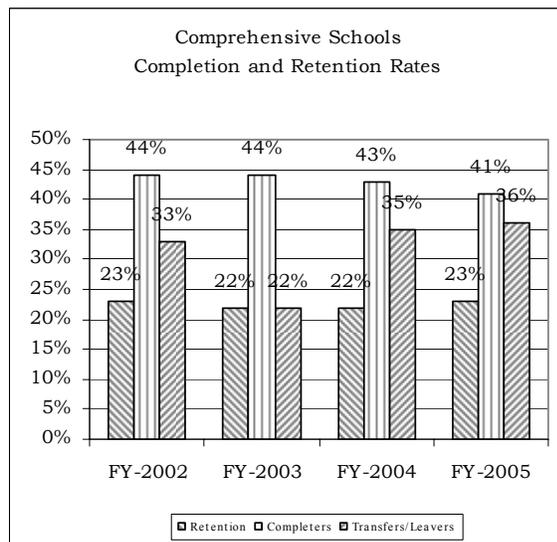
*One student FTE is equivalent to one student for a single class for a full academic year.
 **Source: CareerTech 12/15/2006

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



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

Key Performance Measure



Technology Centers

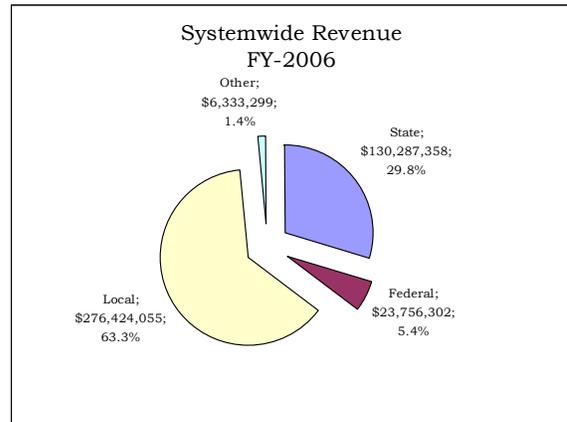
The technology centers provide training for both high school students and adults. Technology centers serve 72 counties throughout the state, reaching virtually all citizens.

Technology centers receive state and federal appropriations, and local ad valorem funds, as do other public schools. Technology centers may charge fees for training adult students. Ad valorem revenues make up the majority of local funds; tuition and fee revenue accounts for about 10% of local funding.

Funding Sources

Funding for the technology centers comes from three sources:

- State Appropriated Revenue (29.8%);
- Local Taxes, Tuition and Other (64.7); and
- Federal Funds (5.4%).



Funding Formula (State Funds)

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 formula initially considers a target quality program cost, then subtracts available local general fund income to come up with the state's contribution to each 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

- Student Transportation Services

Local General Fund Income:

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

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.

The most popular training offerings for clients of the Training for Industry Program (TIP) and Existing Industry Training programs are: quality-related training such as Lean Manufacturing, ISO, Six Sigma, process improvement and kanban; team skills including effective communications, problem-solving, and time management; management and supervisory training; customer service skills; and industrial maintenance skills.

Training offerings such as: software and computer skills, quality-related training, management and supervisory skills, and team skills are very popular for Industry Specific Training clients.

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

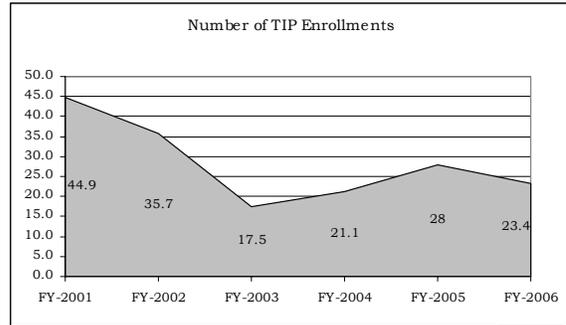
Popular Adult and Career Development programs include: software or computer classes, and continuing education for industries such as real estate and accounting.

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:

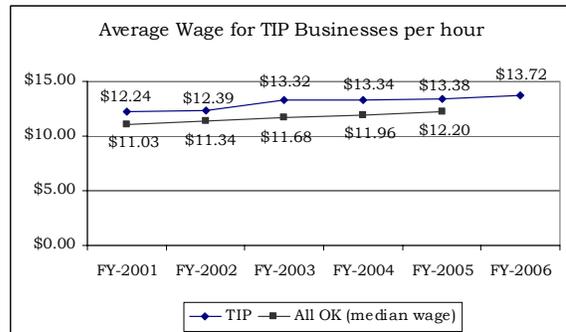
- Manufacturing;
- Processing;
- Business services; and
- Warehouse and distribution.

Key Performance Measure

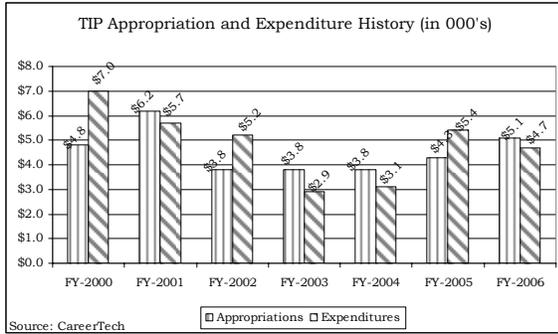


This program has been a successful tool for recruiting business. Demand for training by businesses is cyclical. CareerTech has experienced strong growth in the past three years and expects to have another busy year in FY-2006.

Key Performance Measure



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 the Existing Industry Training Program. This program is intended to serve businesses that need to retrain incumbent workers in order to retool existing processes or expand a product line.

CareerTech and existing industries frequently partner when specific training is required. The participating business pays no tuition but frequently provides classroom space or unique materials.

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. Congress initiated the PTAC program to help companies across the nation participate in the defense market.

OBAN centers are located in 15 Technology Centers across the state. Bid assistance personnel help businesses locate and bid on federal, state and local government contacts as well as subcontracting opportunities. OBAN coordinators also help clients identify business improvements needed for more successful marketing to government agencies, and provide a daily list of targeted bidding opportunities.

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.

OBAN helps a broad range of businesses. Some recent examples include aircraft maintenance and parts machining, equipment maintenance, mower repair companies, utilities contractors, automotive dealers and automotive parts, facilities maintenance companies including janitorial services, fence builders, gate keepers, road maintenance, audio and video services, office supplies, flight simulators, welding, all types of construction, advertising, embroidery work and engravers.

OBAN works closely with Tinker Air Force Base, other military and commercial organizations and industry associations in support of Oklahoma's aeronautics and aerospace industries. OBAN also offers the construction community a unique biweekly construction summary of business opportunities that helps keep small and rural construction firms competitive.

During FY-2006, OBAN served 1,809 clients who secured more than \$442 million in contracts for Oklahoma companies.

Safety Training

Safety and Health training programs are intended to help organizations plan and implement safety processes and procedures to assure a safe work environment. Through the technology centers, these programs are available statewide.

The additional Safety allocation provided to the CareerTech system in FY-2006 was utilized to add 10 new Centers of Excellence for safety. These centers provide customized safety training, serving business and industry across the state. This training has helped reduce and prevent work related injuries, and has helped reduce worker's compensation costs for the participating industries.

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.

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, Hospitality/Food Services and Metal Manufacturing.

The school system operates 22 sites. In FY-2006, skills centers served 1,010 minimum-security offenders and 2,366 total offender-students with a job placement rate for graduates of 89%. The following table provides information on the number of students and where they are served.

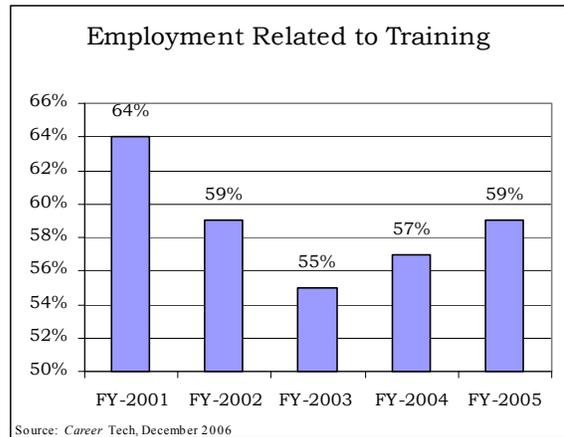
CareerTech Skills Centers
Students Served

	FY-2004	FY-2005
State prisons	1,370	1,402
Private prisons	250	482
Juvenile centers	119	110
Community corrections	<u>403</u>	<u>329</u>
Total	2,142	2,323

Source: CareerTech December 2006

- Inmates who are trained in CareerTech Skills Centers are 11% less likely to reoffend.

Key Performance Measure



FY-2007 Supplemental

FY-2007 Supplemental <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$147,287
Supplemental	<u>2,000</u>
FY-2007 Adj. Appropriation	\$149,287
% Change from FY-2006	14.58%
% Change from Original FY-2007	1.36%

Source: Office of State Finance

Supplemental

The Governor's budget includes a \$2 million supplemental for CareerTech to address mandated costs.

FY-2008 Recommendations

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$147,287
FY-2007 Bud. FTE Level	375.5
Actual Ave. YTD FTE	363.7
Funding Adjustments:	
Annualize State Employee Pay Increase	162
Annualize Support Staff Increase	370
EESIP	1,100
Teacher Salary increase	1,800
Skills Centers	500
Business Incubator	1,000
Operational Costs	<u>2,000</u>
Total Adjustments	6,932
FY-2008 Recommendation	\$154,219
% Change from FY-2007	4.71%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$162,362 to annualize the 5% pay raise for CareerTech. The pay raise went into effect October 1, 2006.

Annualize Support Staff Increase

The Governor's budget includes \$370,000 to annualize the \$0.50 per hour support staff increase for CareerTech. The pay raise went into effect October 1, 2006.

EESIP

The Governor's budget recommends an addition \$1.1 million for the increased employer share of teacher retirement. Pursuant to HB 1179XX (2006), the employer share increases from 7.60% to 7.75% effective January 1, 2007.

Teacher Salary Increase

The Governor's budget proposes funding to provide an average increase of \$600 in the minimum teacher salary schedule for FY-2008. The amount included for CareerTech is \$1,800,000.

Skills Centers

The Governor's budget includes \$500,000 to create new Skills Centers programs for male and female offenders. These new programs will allow CareerTech to serve approximately 200 additional offender-students. In FY-2006, Skills Centers throughout the state served 2,366 incarcerated individuals.

Business Incubator

The Governor's budget proposes funding a business incubator at Autry Technology Center. Business incubators throughout the CareerTech system have created a high tech/high touch entrepreneurial support system for start-up companies based on technology platforms, providing an environment conducive to applied research and development activities while offering business development assistance during the early stages of the entrepreneurial process.

Operational Costs

The Governor's budget provides an additional \$2 million for inflationary costs absorbed by technology centers.

Oklahoma Educational Television Authority (OETA)

Notable Achievements

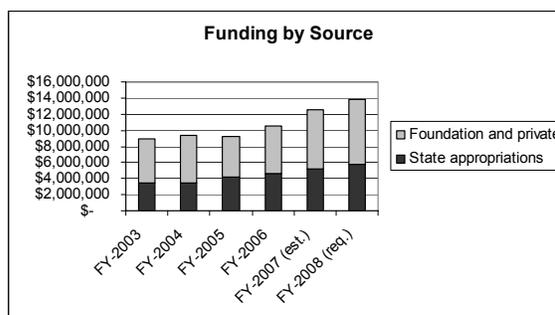
- OETA now provides digital and high-definition programming to 75% of the state's population.
- Four new channels of programming have been added, quadrupling the service of top-quality television for viewers in the digital broadcast areas -- from 8,760 to more than 30,000 hours per year.
- Exclusive programming, tailored to Oklahomans, is available through OETA-HD, OETA-Okla, OETA-YOU and OETA-Kids to those in the digital broadcast areas of the state.
- "The Oklahoma News Report" continues to gain audience numbers while other television news outlets have seen a decrease in their viewership.
- "Live Election Coverage 2006" placed OETA as the number-one watched public television station in the nation on November 7, 2006.
- More than 1.8 million Oklahomans tune in weekly to OETA, ranking it among the top seven public television operations in the nation.
- OETA was one of the top three most-viewed public television markets in the U.S. during "prime time".
- OETA's documentary productions include one-of-a-kind programming on the state's centennial celebration. More than 40 "Centennial Stories" were aired on OETA in 2006, and an additional 35 are set to premier in 2007.
- OETA has taken a lead role in promoting Oklahoma as "The State of Creativity" with more than 60 "creative

moments" produced and aired. These one-minute productions spotlight the state's residents who have made their mark on the arts, business, education, research, agriculture, etc., through creative problem-solving.

Mission

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.

Oklahoma state government consistently spends less per capita than any of the 13 other states that operate such networks. OETA has been able to offset the declining state portion of its operating budget through on-air membership drives, corporate, grant and foundation solicitations. However, as OETA's infrastructure is being replaced with more costly digital equipment, operating costs are rising more dramatically.



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.

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 programs viewed on OETA are:

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

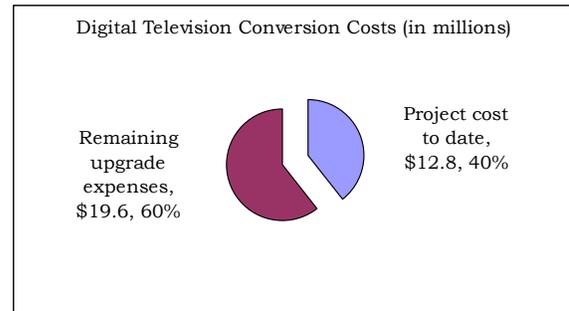
Conversion to Digital Transmission

The four major broadcast service areas now have digital coverage serving a population of 2.6 million. As mandated by the FCC, this programming is on the air 24 hours per day, alternating between one high definition channel and four different digital signals when high definition is not available.

Analog television service will continue for the entire state until February 17, 2009, the cutoff date set by Congress and the FCC. The federal mandate also requires that during the next two years, signals must be transmitted in both analog and digital which entails upkeep and maintenance for both systems.

For OETA, the conversion of analog to digital will be completed in several phases.

To date, OETA has expended over \$12.8 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 initial phase has been accomplished with the construction of four new digital full-power 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.

OETA is now completing its second phase which allows the Oklahoma City master control operations to remotely program and monitor the four sites. This streamlines the system and saves considerable expenses in operation. OETA will add the necessary studio and editing equipment to efficiently produce programs in the digital and high-definition formats. Approximately \$13.1 million will be needed to complete this phase.

The final phase of the conversion will allow for replacement of the state's 15 translator (low power television) stations. These stations serve residents outside of the broadcast signal areas within a radius of approximately 50 miles from Tulsa, Eufaula, Oklahoma City and Cheyenne. Citizens in 36 rural counties depend on the translator signals either for reception with either a home antenna or retransmission through a local cable system. This conversion will cost an estimated \$6.5 million.

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, and will raise private funds to match state appropriated money for Phase Two and Phase Three of the digital conversion.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$5,164
FY-2007 Bud. FTE Level	69.3
Actual Ave. YTD FTE	65.7
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>30</u>
FY-2008 Recommendation	\$5,194
% Change from FY-2007	0.58%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$30,033 to annualize the 5% state employee pay raise for OETA. The pay raise went into effect October 1, 2006.

Capital Bond Project – Digital Conversion

The Governor's budget proposes including \$5.72 million in a capital bond issue to fund the Digital Conversion project.

Elementary and Secondary Education

Notable Achievements

- *Oklahoma's early childhood education program for four-year-old children has been named number one in access by the National Institute for Early Education Research for the past three years. In FY-2007, nearly 70% of Oklahoma four-year-olds are attending Pre-Kindergarten programs in public schools, a historic high of 34,375 students.*
- *Georgetown University's ongoing research of Oklahoma's early childhood education program has focused on the Tulsa Public Schools Pre-K program, considered a premier national model. Georgetown University's 2004 report showed Hispanic and black students experience statistically significant gains on all three assessments (Letter-Word Identification, Spelling and Applied Problems). Hispanic students had a 79% gain in Letter-Word Identification and 54% gain in Applied Problems.*
- *In July 2006, the U.S. Department of Education notified the State Department of Education that Oklahoma was one of only four states in the nation to receive full approval of the standards and assessment system used for school and state accountability under the federal No Child Left Behind Act. The other states were: Maryland, Tennessee and West Virginia.*
- *In August 2006, the Thomas B. Fordham Foundation issued their first comprehensive report on the quality of state academic standards since the year 2000. Oklahoma ranked 10th nationally on that analysis, which included the curriculum standards adopted by all 50 states and the District of Columbia.*
- *The National Board for Professional Teaching Standards reported in January 2007 that Oklahoma again had the 9th highest number of National Board*

Certified teachers in the U.S. in 2006. Nationally certified teachers comprise 4% of all Oklahoma teachers, double the national average rate. The state has 1,569 National Board Certified Teachers while Missouri has 343, Arkansas has 583, Colorado has 266, Kansas has 238, Texas has 315 and New Mexico has 230.

- *Per ACE, Oklahoma Mathematics Laboratories were provided to 10 middle schools with low student achievement in math. The average of the scores of 862 eighth grade students tested and participating in the Oklahoma Mathematics Laboratories program went up 15.96% in just one year for the 2006 Oklahoma test administration.*
- *According to the first ten years of Education Week's "Quality Counts" report cards, Oklahoma has always been in the top half of states in "Standards and Accountability" (12th in 2006) and in the top 10 states in "Improving Teacher Quality" (7th in 2006).*
- *The number of high schools with Advanced Placement programs has quadrupled from 81 in 1997 to 345 in 2006. The number of AP exams taken in 2006 (18,826 taken by 11,351 public school students) was four times greater than the number of exams taken in 1996-97 when the AP Incentives Program began.*

The Governor has been working to strengthen Oklahoma's schools since elected to office. For the past few years, the Governor's initiatives have included working for more competitive compensation for teachers and support personnel. This included a pay increase plan for teachers to reach the regional average over four years. Last year, the state appropriated funds to pay 100% of teacher and support personnel health insurance, and a \$3,000 pay raise for all teachers. The Governor also created two new funding sources for education – the Education Lottery and the Gaming Regulation Act.

The past two years, the Governor has also worked to improve educational quality to ensure that every child has the strong academic skills necessary for success. This was accomplished through the Achieving Classroom Excellence (ACE) Act of 2005, and was more finely honed in the 2006 legislative session.

ACE is a multi-faceted approach to improving the state's education system, with a focus on every student succeeding. The provisions span the entire public school system and include:

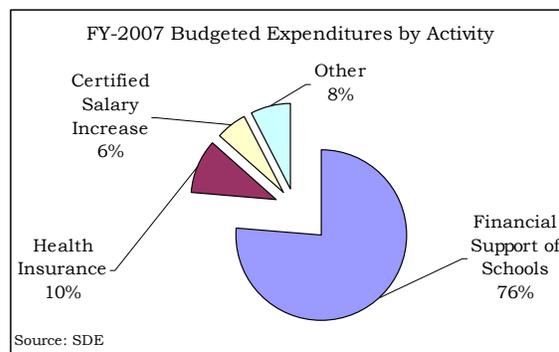
- Requiring districts to offer full day kindergarten;
- Strengthening professional development for middle school math teachers;
- Providing the ten lowest-performing middle schools in math with math labs;
- Establishing a default college preparatory curriculum that parents may opt out of;
- Requiring the demonstration of mastery on end of instruction exams in order to earn a diploma; and
- Waiving tuition at any state higher education institution for up to six credit hours per semester for eligible high school seniors.

In FY-2008, the Governor continues his commitment to making Oklahoma's education system the best in the country. 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 that every child from birth to age 18 has the opportunity to succeed.

Early childhood programs such as SoonerStart Early Intervention, Parents as Teachers, the Four-Year-Old program and Full Day Kindergarten 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 school and secondary school 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 \$2.34 billion, over 35% of all state appropriations in FY-2007; it is the single largest expenditure in Oklahoma's state budget.



As shown in the chart above, 76% of the total amount appropriated to education 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 health insurance costs (10%), certified personnel salary increases (6%) 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.

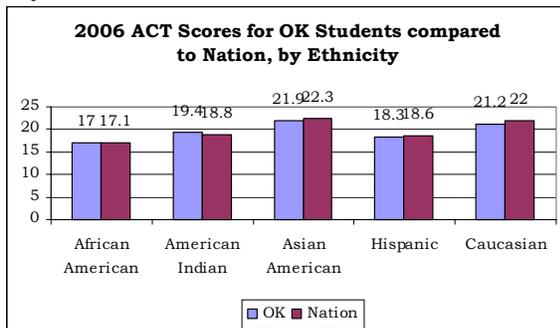
Student Demographics

Student enrollment from October 1996 to October 2006 has increased from 620,695 to 639,014. 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 program enrollment has grown from 4,600 in October 1996 to 34,375 in October 2006, an increase of 647%.

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 129% from 26,495 in October 1996 to 60,601 in October 2006, representing 9.48% of Oklahoma's total student population.

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

Key Performance Measure



Funding Sources for Local School Districts

Oklahoma has 540 school districts with 1,020 elementary schools, 293 middle and junior high schools and 482 high schools.

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

- Local and county revenue (23%);

- State dedicated revenue (10%);
- Federal funds (13%); and
- State appropriated revenue (54%).

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;
- Oklahoma Education Lottery Trust Fund; and
- 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 State Department of 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.

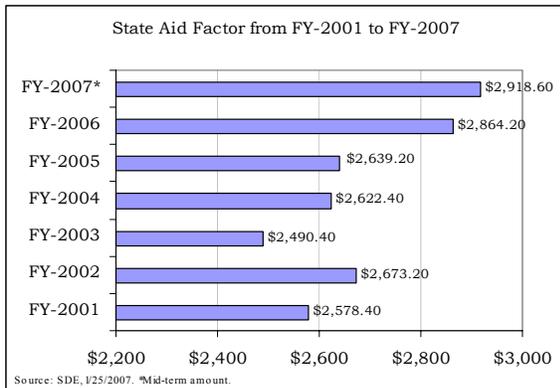
Foundation Aid is calculated on the basis of the highest weighted average daily membership (WADM) of students in each district for the preceding two years or the first nine weeks of the current school year. Weights are added based on certain

characteristics (eg: 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 (mid-term amount is \$1,501 per weighted ADM for the 2006-2007 school year.)

Incentive Aid guarantees each district a minimum amount of funding per weighted student for each mill up to 20 mills. For the 2006-2007 school year the mid-term amount is \$70.88. To calculate a school's Incentive Aid, the weighted ADM is multiplied by the Incentive Aid guarantee. A factored amount of local support is then subtracted. Twenty 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 2006-2007.) 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. For FY-2007, the mid-term SAF was \$2,918.60, as seen in the chart below.

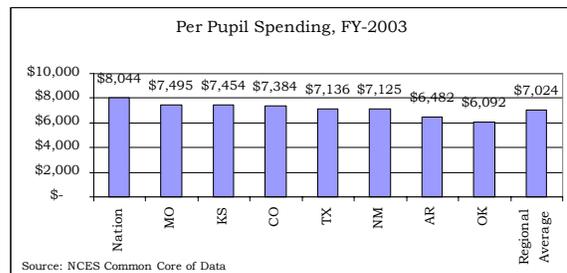


- The increase in state aid from FY-2006 to FY-2007 is \$54.40 per child.

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 \$6,092 for FY-2003 or tied for 46th in the nation with Nevada. Oklahoma was 7th in the region out of 7 states in FY-2003. The regional average was \$7,024 that year, 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, 2.5% is directed for the following programs:

- Early Intervention;
- Oklahoma Parents as Teachers;
- Alternative Education;
- Education Leadership Oklahoma;
- Adult Education and Literacy;
- Advanced Placement;
- Mentor Teacher;
- Oklahoma Arts Institute; and

- 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 children to attain essential developmental skills and accomplish the goals developed on an 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 four most common diagnoses of infants and toddlers served by SoonerStart are Down Syndrome, Failure to Thrive, Hydrocephalus and Cerebral Palsy. The SoonerStart program will work with approximately 11,782 children in FY-2008.

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-2006, 5,627 children, or 4,762 families, in 162 districts were 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
2002-03	2,591,418	168	6,676
2003-04	1,295,709	55	2,835
2004-05	1,295,000	68	4,235
2005-06	2,045,709	162	4,762

Source: SDE

Four-Year Old Program

Oklahoma is one of only three states that require teachers of four-year-olds to have a degree in early childhood education. Georgia and New York are the only other states requiring this quality indicator. 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. Approximately 70% 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 creating with private child care providers. The State Department of Education encourages schools to provide certified teachers to private child care facilities to expand access. Currently, the state and its school districts partner with faith-based and privately run early education facilities to offer high quality instructional programs to pre-kindergarten children. Lawton, Norman and Putnam City School districts are just a few of the districts involved in this initiative.

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 12,200 students from 467 school districts were served in 248 Statewide Alternative Education Academies in 2005-06.

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

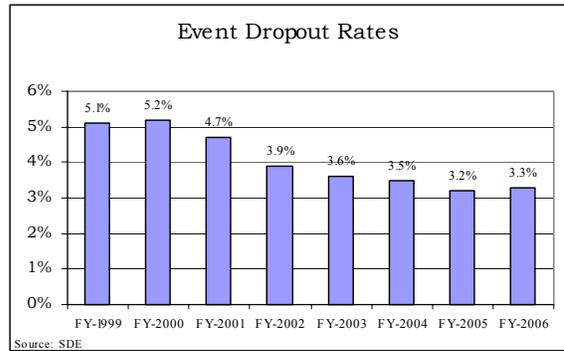
Key Performance Measure

2006 Statewide Alternative Education Program Outcomes				
Pre-post means by group:				Oklahoma
Variable		Group		Change
		Alternative	Students on Alternative Ed. Waiting List	
Days absent per week	Pre	0.73	0.59	28.8%
	Post	0.62	0.76	
Semester GPA	Pre	1.48	1.55	31.6%
	Post	2.53	2.04	
Days suspended per week	Pre	0.12	0.07	128.6%
	Post	0.06	0.16	
Courses failed	Pre	2.65	1.96	26.0%
	Post	0.31	2.47	

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 2.3% from 5.6% in FY-1997 to 3.3% in FY-2006, as shown below. Event drop out rate is the proportion of students from grades 7 to 12 who leave school each year without completing the school year.

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, including 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 \$2.33 million is disbursed to districts for general professional development activities at the school level.

Great Expectations

This 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 \$1,000 scholarships to teachers and principals for summer institutes and follow-up training. To qualify for scholarships, each qualifying school must be willing to send up to five teachers and a principal to the summer institute. To date, approximately 14,000 teachers have had this training. Great Expectations has begun an initiative to broaden the focus of training to middle and high school faculty.

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 \$1,500 scholarships for teachers to attend a 39 hour course and participate in a year-long practicum. Since the program's inception in FY-2001, 2,780 teachers have participated from 131 school districts and 12 agencies.

Literacy First

The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading and literacy training for all elementary teachers using the "Literacy First" program 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. Student improvement indicates that this program has been successful.

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 \$4.1 million the State appropriated for School Lunch Matching in FY-2006, the Federal government provided \$104 million. In FY-2006, 54.84% of Oklahoma school children qualified for the free or reduced-price lunch program.

Education Leadership Oklahoma

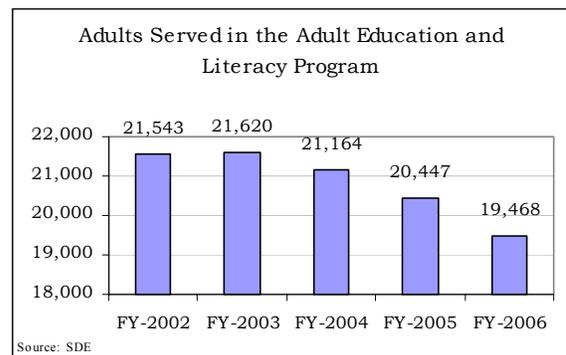
National Board Certification is rooted in the belief that the single most important action this country can take to improve student learning is to improve the quality of teaching. The process requires teachers to undergo an extensive series of performance-based assessments that includes teaching portfolios, 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 1,569 National Board Certified teachers in Oklahoma, which places it ninth in the nation for the number of teachers certified and fifth in the nation for percent of teachers certified. The State Department of Education estimates there will be an additional 282 teachers attaining national certification in FY-2007.

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.



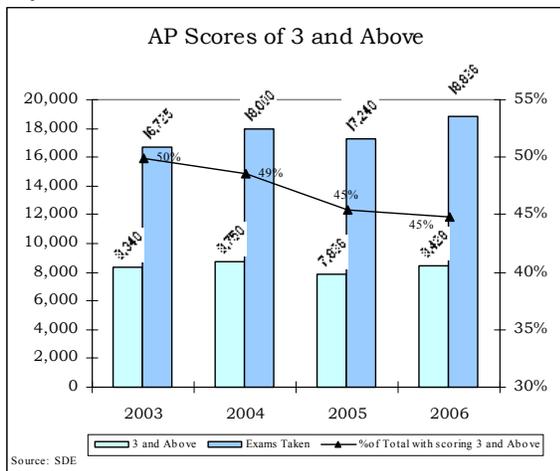
Advanced Placement

The College Board's Advanced Placement Program trains middle and secondary school educators to conduct college level academic courses for high school students. Upon completion, high school students may take a College Board Advanced Placement exam. Exams are scored from 1 to 5 with a score of 5 reflecting 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 11,351 Oklahoma public school students took 18,826 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. Students score a grade of 3, 4 or 5 on almost half of the exams taken, or 8,428, 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

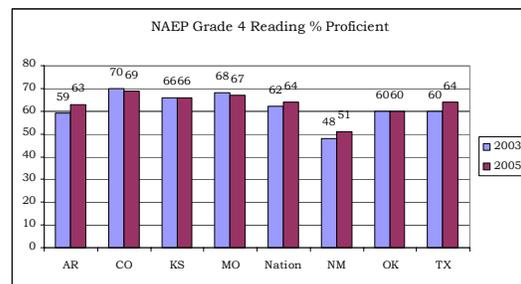
required all first year teachers to participate in a residency program. Every first-year teacher is assigned to a committee comprised of a mentor teacher, a higher education professor and the principal. At the end of the school year, the committee recommends whether the first year teacher should receive state certification. The mentor teacher plays the most active role in a teacher's residency year, providing 72 hours of consultation.

State law provides that teacher consultants may receive an annual stipend of not more than \$500. The FY-2007 budget included funding for the program in the amount of \$700,000.

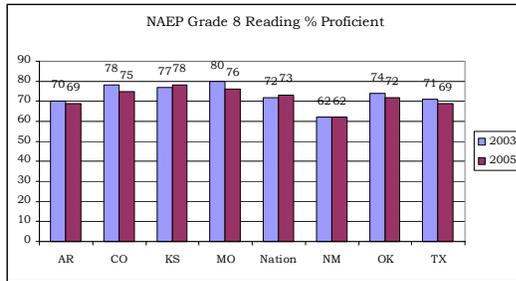
Statewide Assessments and Outcomes

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.

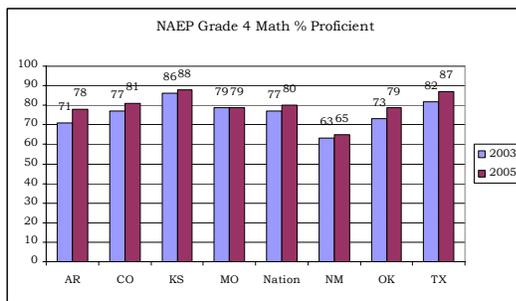
Reading and writing tests in grades 4 and 8 are administered every other year, with the next administration scheduled for 2007. The following charts are from the National Assessment of Education Progress Report for 2005.



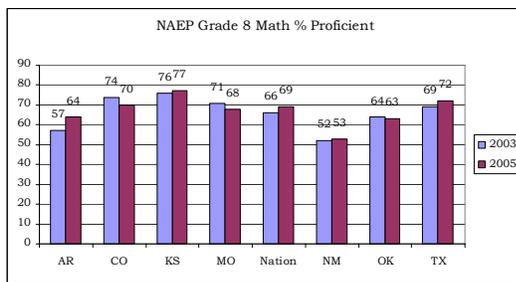
In the 4th grade reading category, Oklahoma finished 6th in the region and 4% below the national average.



In the 8th grade reading category, Oklahoma finished 4th in the region and 1% above the national average.



In the 4th grade Math category, Oklahoma finished 4th in the region and 1% below the national average.



In the 8th grade Math category, Oklahoma finished 6th in the region and 6% below the national average.

Criterion-Referenced Tests

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 tests. 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.

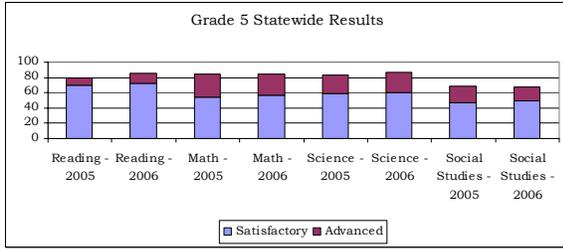
Individual student scores allow educators and parents to track educational achievement over time. These tests are not nationally normed and do not provide a basis for comparing students to their national counterparts.

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.

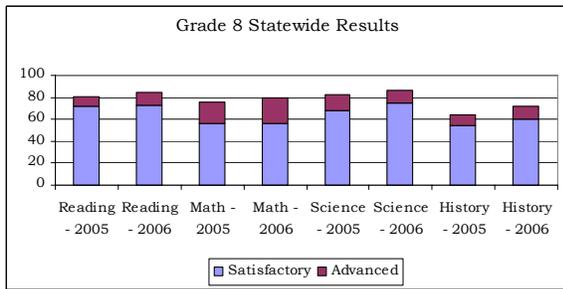
In FY-2002, the State Department of Education, the Oklahoma State Regents for Higher Education, the Oklahoma Business and Education Coalition (OBEC) and the Governor's office requested a national organization, Achieve, to review Oklahoma's policies and practices related to school improvement efforts.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

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

FY-2008 Executive Budget

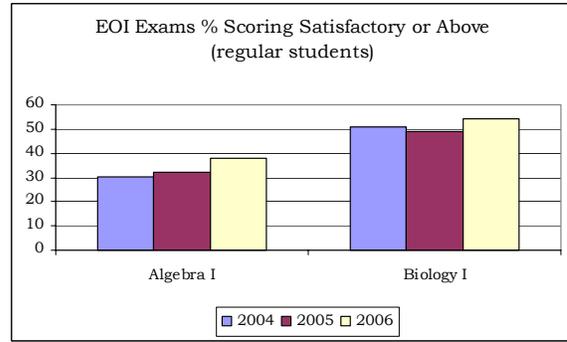
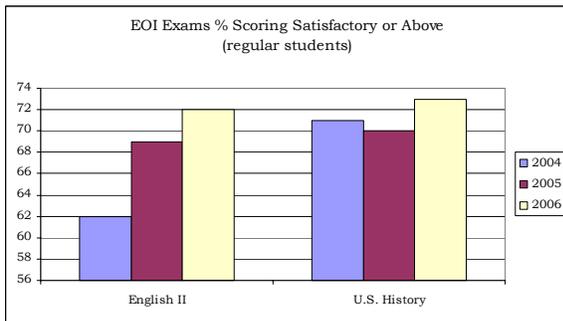


Between the 2005 and 2006 school year, Oklahoma students in fifth grade scores increased in Reading and Science, maintained performance levels in Math, and decreased slightly in Social Studies, as seen above.

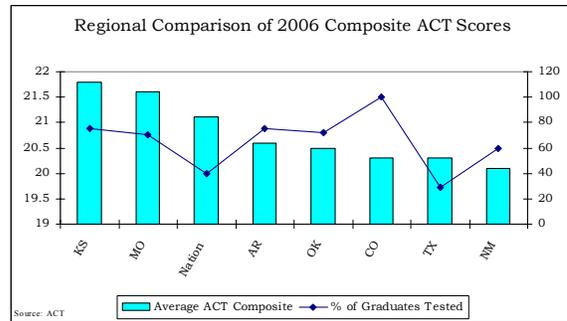


Between the 2005 and 2006 school year, Oklahoma students in eighth grade increased their scores in all categories.

High School End of Instruction Tests (EOIs) were administered for the first time during the 2000-01 school year. Per ACE, students in the class of 2011-2012 will have to score satisfactory or above on English II, Algebra I, and two additional EOIs, or approved alternative tests, in order to receive a high school diploma. Results from the existing and previously administered tests 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 the ACT is the test most often used for admission to Oklahoma public colleges and universities.



Oklahoma ranks fourth in the region with an average ACT score of 20.5; Kansas ranks first with a score of 21.8. The national average is 21.1, as seen above.

Oklahoma is eighth among Southern Regional Board (SREB) states, tied with North Carolina. Delaware and Maryland ranked first, each with average scores of 21.4.

No Child Left Behind Act (NCLB)

The NCLB Act 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, Education Commission of the States (ECS) released the ECS Report to the Nation: State Implementation of the No Child Left Behind Act. Only 3 states had met more requirements than Oklahoma – Kentucky, Colorado and Maryland. Currently, Oklahoma is one of only three states that has all 38 NCLB requirements.

State Student Information System ("The Wave")

With the passage of the federal "No Child Left Behind Act of 2001", 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 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 most current version of the Schools Interoperability Framework (SIF) specifications by 2005-06.

Implementation of the new secure electronic data system will reduce the reporting burden of school and districts while making more accurate information available for decision making purposes. This will revolutionize the manner in which student data is collected, managed and analyzed by local school districts and the State Department of Education.

For example, districts are required to report information to meet state and federal requirements in areas such as special education child count, accreditation and Title I. The WAVE will integrate these reporting requirements into a seamless exchange of information.

The WAVE will develop a centralized system of secure individual student information that will be maintained by 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-2007 Supplemental

<i>FY-2007 Supplemental</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,348,041
Supplemental	<u>50,304</u>
FY-2007 Adj. Appropriation	\$2,398,345
% Change from FY-2006	9.07%
% Change from Original FY-2007	2.14%

Source: Office of State Finance

Supplemental

The Governor's budget provides \$50.3 million in FY-2007 for benefits associated with the \$3,000 teacher pay increase, benefits associated with the support staff salary increase, the increase in benefit premiums and to fully fund the FY-2007

increase in the teacher minimum salary schedule.

FY-2008 Recommendations

<i>FY-2008 Appropriation</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,348,041
One-time Public-Private Match	<u>(5,000)</u>
FY-2007 Base	\$2,343,041
FY-2007 Bud. FTE Level	400.0
Actual Ave. YTD FTE	371.2
Funding Adjustments:	
State Employee Pay Increase	273
Teacher Salary Increase	50,000
ACE Remediation	10,000
State Aid Funding Formula	30,000
Annualize Support Salaries	10,100
EESIP	11,900
Early Intervention Services	1,025
Flexible Benefit Allowance - Certified Personnel	20,000
Flexible Benefit Allowance - Support Personnel	7,000
National Board Certified Bonus	2,000
Advanced Placement	500
Great Expectations	500
Alternative Education	300
Oklahoma Arts Institute	150
Early Childhood Initiative	30,000
Annualize Supplemental	50,000
Reduction in Funding	<u>(1,831)</u>
Total Adjustments	221,917
FY-2008 Recommendation	\$2,564,958
\$ Change from FY-2007	\$216,917
% Change from FY-2007	9.24%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$273,028 to annualize the 5% pay raise for the State Department of Education and all SoonerStart employees. The pay raise went into effect October 1, 2006.

Teacher Salary Increase

The Governor's proposes \$50 million for teacher salaries to accelerate the State's efforts to reach the regional average. As the schedule currently in statute provides a \$600 across the board pay increase for teachers in FY-2008, the Governor's new proposal ensures all teachers receive at least a \$600 pay raise while increasing the gap between a first year teacher and one with more experience, with the average increase being \$1,069.

ACE Remediation

Pursuant to SB 1792 (2006), the Governor's budget includes \$10 million to begin remediation for students scoring below satisfactory on the 7th grade CRTs taken this spring. This will be the first class required to score satisfactory or above on the EOIs in order to earn a high school diploma. The ACE Steering Committee is charged with making recommendations to the State Board of Education on intervention and remediation strategies and delivery methods. The State Department of Education is required to provide information about best practices for intervention and remediation, and districts are required to monitor results and report the findings to the State Department of Education.

State Aid Funding Formula

The Governor's budget provides an additional \$30 million to go through the state aid funding formula. This money will pass through the State Department via the state aid formula and go to the classroom.

Annualize Support Salary Increases

The Governor's budget includes \$10.1 million to annualize the \$0.50 per hour support staff increase for the State Department of Education. The pay raise went into effect October 1, 2006.

EESIP

The Governor's budget recommends an addition \$11.9 million for the increased employer share of teacher retirement. Pursuant to HB 1179XX (2006), the employer share increases from 7.60% to 7.75% effective January 1, 2007.

Early Intervention Services

The Governor's budget proposes an increase of \$1.025 million for Early Intervention Services. This funding will provide for program maintenance and enhancement, enabling SoonerStart to continue providing direct early intervention services to infants and toddlers with disabilities and their families. SoonerStart expects to serve 11,782 eligible infants and toddlers and their families in FY-2008.

Flexible Benefit Allowance - Certified Personnel, Support Personnel

The Governor's budget provides a total of \$27 million to fund the Flexible Benefit Allowance for both certified and support personnel. These funds will increase the allowance provided to employees to help offset the high cost of health insurance premiums.

National Board Certified Bonus

The Governor's budget recommends an additional \$2 million for the National Board Certification Program. This amount represents the ability to award the bonus to the estimated 2,170 teachers expected to qualify in FY-2008.

Advanced Placement

The Governor's budget includes an additional \$500,000 for the Advanced Placement program. These funds will provide more first-time and second-time materials and equipment grants, vertical team grants, professional development for teachers, student score incentives and test fee assistance to students.

Great Expectations

The Governor's budget proposes \$500,000 be allocated for this program. The state awards \$1,000 for each team member participating in the program. Funding will provide the scholarships to an additional 500 teachers and administrators.

Alternative Education

The Governor's budget includes an additional \$300,000 to begin serving the 10,717 children currently on the waiting list to enter Alternative Education Programs.

Oklahoma Arts Institute

The Governor's budget includes \$150,000 for the Oklahoma Arts Institute. This will allow approximately 265 students and 355 teachers to participate in a two-week disciplinary institute in June where they study with professional artists of national reputation.

Early Childhood Initiative

The Governor's budget includes \$30 million to enhance the state's early childhood education efforts. Research indicates that the early years of life are when intellectual and emotional foundations are created that profoundly affect every child's psychological and neurological development, which in turn affects the child's readiness to succeed in school.

\$15 million of this amount is to expand the pilot program established last year. This program provides grants, which require a private match and focus on early childhood programs that focus on at-risk children, such as EduCare, in both urban and rural areas.

The remaining \$15 is intended to expand the state's pre-kindergarten program to serve 3 year olds. While some school districts already offer instructional opportunities to three year olds, the Governor wants to give all parents the option for their young children, starting with pilot efforts in targeted areas around the state. It would be expanded incrementally, depending on demand and available funds.

Annualize Supplemental

The Governor's budget includes \$50 million to annualize a portion of the FY-2007 supplemental recommendation for the State Department of Education.

Reduction in Funding

The Governor's budget recommends reducing funding to the State Department of Education in the amount of \$1,830,590. This amount represents \$130,590 for Small School Cooperatives, \$100,000 for the Charter School Incentive Fund, and \$800,000 for the STAR pilot program in both FY-2007 and FY-2008. These

programs were not continued in the fiscal years referenced but received funding.

Middle School Math Labs

The Governor's budget recommends using \$2 million of FY-2007 surplus revenue to expand the Middle School Math Labs. Initiated in the ACE Act of 2005, funding has been provided for 10 labs in middle schools with low math performance. This amount will allow for an additional 10 labs in FY-2008, bringing to total to 20 labs funded per year.

Science Education

The Governor's budget recommends using \$750,000 of FY-2007 surplus revenue to support educational programs in science. This money will provide additional professional development for teachers, outreach to schools, summer discovery labs and interactive labs and exhibits, enriching the current services provided to over 86,000 Oklahoma children.

Ad Valorem Reimbursement

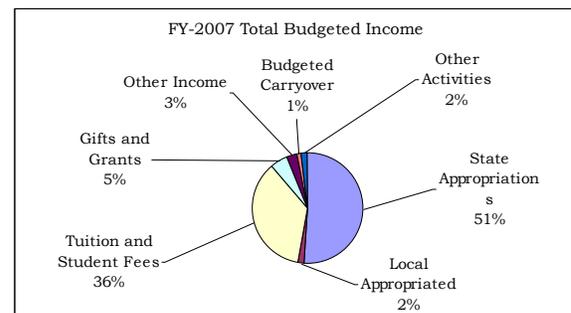
The Governor's budget proposes including \$18.8 million in a capital bond issue to fund the unpaid Ad Valorem Reimbursement amount to schools. The estimated amount for FY-2007 is \$18.8 million.

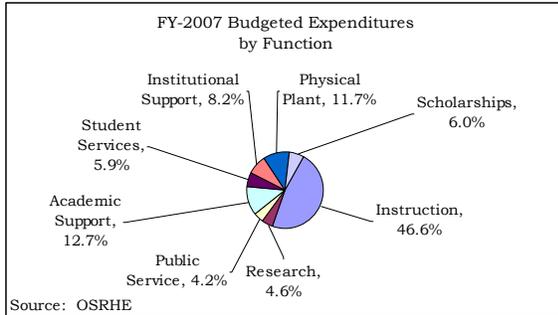
Oklahoma State Regents for Higher Education

Notable Achievements

- The regional universities have developed an adult degree completion program with assistance from the State Regents, to offer students all over Oklahoma the opportunity to complete their baccalaureate degree beginning this spring. The program is a collaboration among institutions that will utilize distance learning technologies as well as classroom instruction.
- The student information portal (www.OKcollegestart.org) will be launched in the spring of 2007. It will provide a single comprehensive web-based system for prospective and current students that will include online admission applications, college information, career opportunities, financial aid information, and ACT student services. A companion website directed to adults is under development with the Governor's Council on Workforce and Economic Development.
- Higher ed institutions have Cooperative Alliance agreements with 26 Technology Centers. These are voluntary partnerships that increase access to technical college-credit programs for high school and adult students in Oklahoma. In Fall 2006, a total of 4,217 students (1,919 high school and 2,298 adult students) have been reported as enrolled in a total of 35,806 credit hours (12,854 by high school and 22,952 by adult students).
- The number of high school students earning college credit through traditional concurrent enrollment programs has seen a significant increase because of the tuition waiver program. As of the summer 2006 semester, a total of 7,639 high school seniors received concurrent enrollment waivers for a total of 32,496 credit hours.

- The State Regents are making a concerted effort to address the growing shortages in Oklahoma's health care workforce by dedicating \$4.5 million to institutions offering nursing and allied health care programs. The initiative is expected to annually produce an additional 300 registered nurses, 130 allied health professionals, and 15 additional masters level nursing faculty members.
- Oklahoma's Promise/OHLAP will reach a significant milestone this fiscal year. The total in scholarships awarded since the program's inception will reach \$100 million. The total number of students having received the scholarship will pass 20,000.
- The \$475 higher education capital bond program was signed into law in March 2005. 83 of the 140 capital infrastructure projects are already in some phase of the construction process.
- The State Regents GEAR UP project has implemented its Phase II activities that focus on providing college access information, teacher and counselor professional development, and developing partnerships with local community and faith-based organizations to raise college aspirations. GEAR UP funding has provided nearly \$750,000 in subgrants to 24 Oklahoma public school sites and 8 community organizations to help increase the number of low-income students who are prepared to enter and succeed in postsecondary education.





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 age 25 and older to hold an associates degree. In 2005, 22.4% held a bachelor’s degree or higher and 6.9% 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	6.9%	7.0%	6.5%	10.0%
Bachelors or higher	22.4%	26.5%	27.5%	28.0%

Source: Regents
Numbers based on 2003 US Census Data

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 8th and 10th 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. The students that go to college need to be retained in order for the number of college graduates to increase in Oklahoma.

College-going Rate

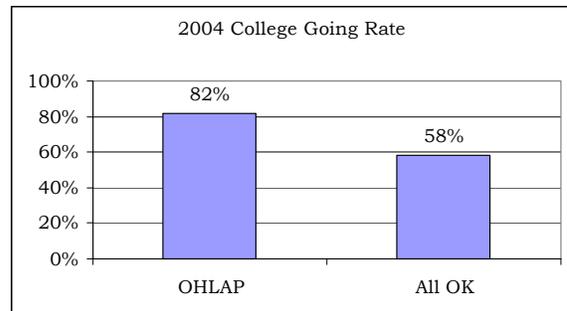
The percentage of high school students going to college varies considerably across the state. Note that the two largest counties are slightly above the state average while the lesser populated counties vary considerably.

Key Performance Measures

	Oklahoma High School to College-Going Rate Directly from High School to College				
	FY-2001	FY-2002	FY-2003	FY-2004	FY-2005
Oklahoma County	57.8%	60.6%	56.9%	60.2%	59.4%
Tulsa County	56.0%	60.9%	58.5%	57.7%	58.1%
Highest county	63.3%	73.7%	78.2%	75.0%	77.8%
Lowest county	26.7%	33.2%	28.6%	26.7%	30.4%
Nation*	61.7%	65.2%	63.9%	66.7%	N/A
State avg.	54.8%	57.7%	56.4%	57.9%	58.6%

Source: State Regents’ High School Indicators Project: High School to College-Going Rates
*Source: Postsecondary Education Opportunity April 2005. Information is obtained from NCES, which collects this data every other year.

The 2005 college going rate for OHLAP students was 82% compared to 58.6% for the state, as expressed in the graph below. As enrollment in this program grows, OHLAP students will have a positive statewide impact on Oklahoma’s state college-going rate.



Eighty-eight percent of 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

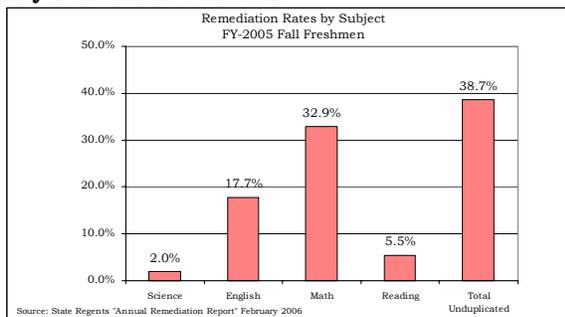
may contribute to non-traditional students returning to college to increase job skills.

Remediation rate

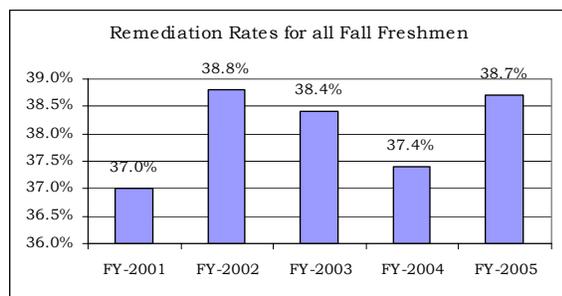
College graduation rates are also a function of college remediation. A study conducted by the Education Commission of the States concluded students who require more than one remediation class are two times less likely to complete college than those students requiring no remedial courses.

In the fall of 2004, 32.9% of first-time freshmen were enrolled in at least one remedial mathematics course, 17.7% in a remedial English course and 5.5% in a remedial Reading course.

Key Performance Measure



In FY-2005, first-time freshmen direct from Oklahoma high schools had a remediation rate of 36.2%, compared to 38.7% for all first-time freshmen.



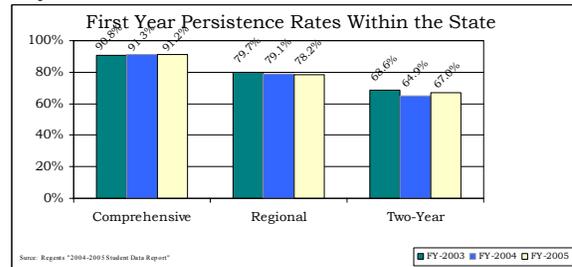
Retention and Graduation rate

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

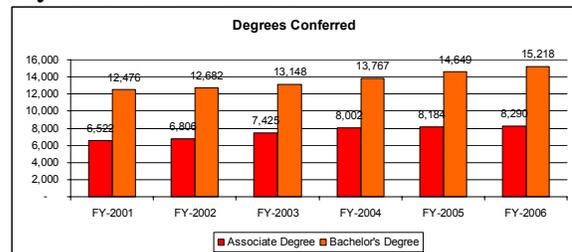
continue to improve; however, Oklahoma lags behind the nation.

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 88% of bachelor degree holders, 91% of associates and 82% of doctorates. Of the graduates who were non residents, about 22% are still in Oklahoma five years after graduation.

Scholarships and Grants

Oklahoma Higher Learning Access Program

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

FY-2008 Executive Budget

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

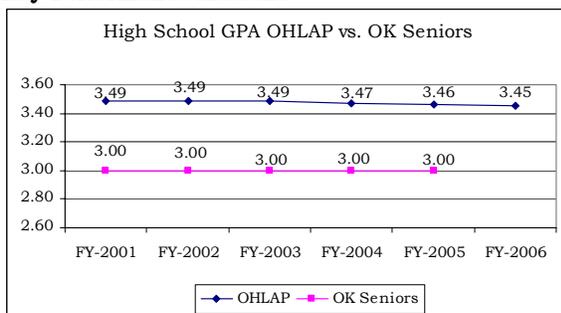
To qualify students must:

- enroll in the 8th, 9th or 10th 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.

Eight 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;

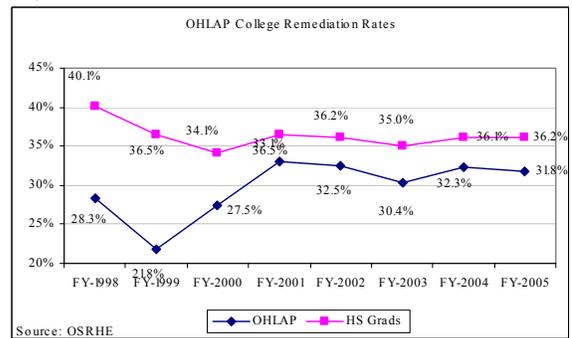
Key Performance Measure



- Earn higher than average ACT scores;

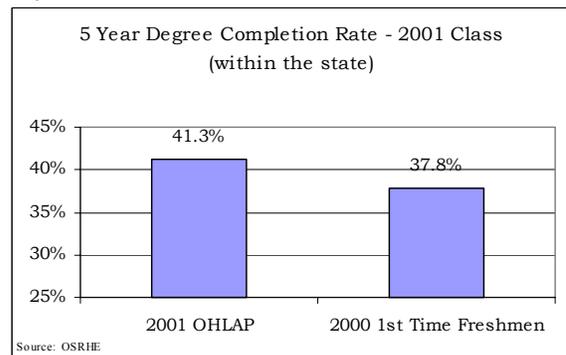
- Have higher college-going rates;
- Require less remediation in college;

Key Performance Measure

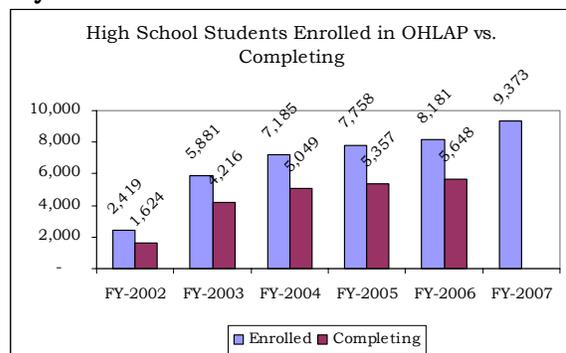


- Enroll full-time in college at higher-than-average rates;
- Persist in college at high rates; and
- Are initially completing college degrees at a higher-than-average rate.

Key Performance Measure



Key Performance Measure



- In FY-2006, 69% of students enrolled in OHLAP completed the program.

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-2007, scholarships in the amount of approximately \$9.6 million will be awarded to 2,150 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. The criteria to be eligible for OTAG is Expected Family Contribution of no more than \$1,500, as calculated by the Free Application for Federal Student Aid.

For students enrolled in private institutions, the maximum award is \$1,300. For FY-2007, funding was sufficient for an estimated 23,500 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. Nationwide, more than 670 partnerships applied for GEAR UP funds. Oklahoma GEAR UP was one of the 164 successful applicants and was awarded a total of \$25.1 million for six years.

Since 1999, approximately 170 school districts have revised their academic, counseling and student service supports for their students in middle and high school. The data-driven revisions have been implemented so that all students have real options for their postsecondary education and all students take challenging, college and work preparatory high school courses.

Since its inception, Oklahoma GEAR UP has helped 144 districts deliver services to more than 75,000 students. In the 2006-2007 school year, GEAR UP has focused its efforts in 25 school districts to provide comprehensive training opportunities designed to improve student learning and retention across three areas: curriculum/instruction, guidance and educational leadership. In addition, GEAR UP funds also help provide statewide professional development, college access information and grants to community based organizations statewide.

Since the release of the February, 2000 remediation report, total state remediation rates have dropped from 40.6% to 36.2% in the February 2006 remediation report. Lower remediation rates are an indication that students are better prepared for college.

Resources and services for these programs are provided through partnerships between the Oklahoma State Regents for Higher Education, Oklahoma colleges and universities, middle schools, community-based organizations and businesses.

Oklahoma received another six year GEAR UP award on September 1, 2005. The Phase II amount was \$20.6 million over the next five years and will enable the state to expand the number of districts and students served.

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 an annual state income tax deduction of up

to \$10,000 per taxpayer, \$20,000 per joint filing taxpayers;

- 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, more than 33,000 Oklahoman's have opened College Savings Plan accounts totaling \$235.9 million in assets. Every other state offers a similar state income tax deduction.

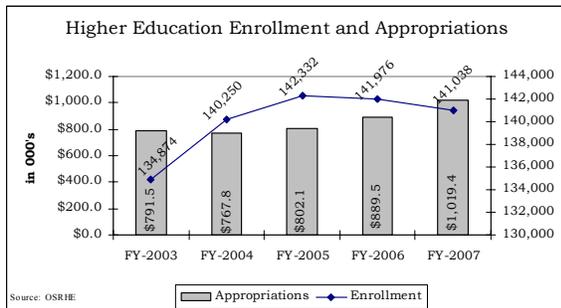
Tuition

Higher education tuition fees in Oklahoma are among the lowest in the nation even though fees at all levels have increased for the current academic year.

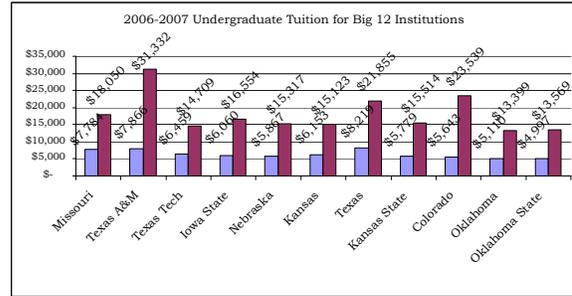
House Bill 1748, passed during the 2003 Legislative session, authorized the State Regents to establish tuition and mandatory fees at the following levels:

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. Tuition and mandatory fees for residents and nonresidents for all degrees and at all other tiers are calculated in a similar manner.

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 table 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

In the 2005-2006 academic year, 7,639 high school seniors concurrently enrolled in courses at Oklahoma's higher education institutions for a total of 32,496 credit hours. 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. Younger students may be eligible for concurrent enrollment, but there are more stringent provisions. To be eligible, high school seniors must meet the requirements for admission, which are:

- 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.

A provision of the Achieving Classroom Excellence (ACE) Act of 2005 addressed concurrent enrollment for high school seniors. ACE provided that a high school senior that meets the criteria for concurrent

enrollment may receive a tuition waiver for up to six credit hours per semester. During the first two years of this program, there was a 183% increase, 7,639 students up from 2,701 the semester before the program was implemented.

Endowed Chairs

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 \$170 million. To date, 598 chairs, professorships and lectureships have been established at 22 universities and colleges.

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. There are currently \$55.3 million in unmatched private donations.

The 2004 legislature passed a bill allowing the Regents to advance fund \$50 million of the backlog of over \$60 million. The bonds that fund this program recently received validation from the Oklahoma Supreme Court. The bonds will be issued through OCIA, and will correspond to \$7.5 million in annual debt service.

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 8% of OneNet's costs. User fees and other revenue make up 92% of their costs.

OneNet Funding FY-2007	
State Appropriations	\$ 1,219,271
Higher Ed. Institutions User Fees	3,145,116
Federal (E-rate) Reimbursements	3,263,803
OK Universal Service Funds	2,243,865
Customer Revenue (non-E-rate)	4,692,287
Investment Income	96,123
Grants (OUSF, ODL, VISION)	27,875
Tower Lease Revenue	88,444
Administrative Overhead/other	967,019
	\$ 15,743,803

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 and can be found at the following website:

<http://www.schoolreportcard.org/>.

The Office of Accountability oversees the Educational Indicators Program. This program provides reports that 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.

The Office of Accountability also oversees the 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.

From FY-2003 through FY-2007, the Office completed reviews of Billings Public Schools, Ponca City Public Schools, Hennessy Public Schools, Frontier Public Schools, Stillwater Public Schools, Clinton Public Schools, Little Axe Public Schools, and Wewoka Public Schools. The Office is currently reviewing Broken Bow Public Schools, Idabel Public Schools, Frederick Public Schools, Wynnewood Public Schools, Springer Public Schools, and Felt Public Schools and is preparing to review Weleetka Public Schools, Sasakwa Public Schools, Justice Public Schools, and Wetumka Public Schools. Since its inception, the School Performance Review Program has identified over \$9.1 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 270 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 400 participants including teachers, professors and artists attended the Fall Arts Institutes.

FY-2007 Supplemental

FY-2007 Supplemental	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$933,934
Supplemental	<u>13,600</u>
FY-2007 Adj. Appropriation	\$947,534
% Change from FY-2006	6.53%
% Change from Original FY-2007	1.46%

Source: Office of State Finance

OHLAP Scholarship Fund

The Governor proposes to increase the appropriation to Oklahoma Higher Learning Access Program Trust Fund to cover FY-2007 OHLAP scholarship costs. The approximate 15,000 OHLAP recipients each received an average scholarship of \$2,475 in FY-2007. The amount included for OHLAP is \$10.7 million.

OSU Agriculture Extension

The Governor’s budget provides \$2.9 million for OSU’s Agriculture Extension. This funding for the Second Century Initiative will be used for high priority research and extension programs, including a program that will address the emerging bio-fuels industry in the state.

Cancer Center Operating Costs

The Governor’s budget includes \$1.2 million to create a core staff for the Cancer Center prior to completion of construction so operations may begin when the facility is complete.

Annualize Supplemental – OSU Agriculture Extension

The Governor’s budget includes \$2.9 million to annualize the supplemental for OSU’s Agriculture Extension. The continuation of this funding will secure faculty and staff in the bio-fuels programs, some of which will be located at the Samuel Roberts Noble Foundation in Ardmore. This facility will work to further establish the bio-fuels industry in the state, addressing issues such as the development of feedstocks, harvest, pre-processing, storage and transport assessment of forages that are deemed suitable for bio-fuel development and the development of new conversion technologies that will require additional research.

FY-2008 Recommendations

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$933,934
FY-2007 Bud. FTE Level	315.0
Actual Ave. YTD FTE	299.1
Funding Adjustments:	
College and University Mandatory Costs	16,000
Cancer Center Operating Costs	1,200
Annualize Supplemental - OSU Ag. Extension	2,900
OTEG Annualization and Equalization	1,000
Dedicated Funding Source for OHLAP	35,610
Technology and Economic Development for Historically Black Towns	100
Replace One-Time Funding	75,000
Total Adjustments	131,810
FY-2008 Recommendation	\$1,065,744
% Change from FY-2007	14.11%

Source: Office of State Finance

College and University Mandatory Costs

The Governor’s budget includes \$16 million for institutional budgets. This money will be distributed among institutions for mandatory costs (health and risk management insurance), operating costs for new facilities, replacement of faculty positions, new faculty positions and other support staff positions.

Dedicated Funding Source for OHLAP

The Governor’s budget proposes to dedicate 1.25% of personal income tax revenue to OHLAP to ensure Oklahoma keeps its promise to Oklahoma students. OHLAP also receives gaming revenue and dollars from the Higher Education Revolving Fund and the Student Aid Revolving Fund.

Technology and Economic Development for Historically Black Towns

The Governor’s budget recommends \$100,000 for this initiative. The purpose of this program is restoring Oklahoma’s Black towns by providing economic opportunities through various state and federal agencies currently existing for rural development. This complements the Governor’s State of the Workforce Investment Plan, which has the ultimate goal of providing access to services that will create a quality workforce.

Replace One-Time Funding

In FY-2007, the Regents received a portion of the surplus revenue which was used for operational expenses. The Governor’s budget provides \$75 million to replace that one-time appropriation.

Enhance Medical Research

The Governor's budget recommends using \$850,000 of FY-2007 surplus revenue to help provide state-of-the-art medical equipment for the Oklahoma Medical Research Foundation. This equipment includes a 3-D microscopic X-ray CT scanner and a single-photon emission computed tomography scanner.

Capital Bond Projects

The Governor's budget proposes including \$20 million in a capital bond issue. The funds will be allocated \$6 million to the OU Cancer Center Institute, \$8.5 million for the OU North Tulsa Clinic, \$2 million for the Oklahoma Diabetes Center and \$3.5 million to retire the debt on the OU-Tulsa Shusterman Center.

The Governor's budget proposes including \$20 million in a capital bond issue. These funds will be allocated \$3 million to the OSU-Tulsa Helmenich Advanced Technology Center, \$3 million to the OSU Center for Health Sciences, \$4 million to the OSU Multispectral Laboratory and \$10 million for the Center of Excellence in Research and Economic Development in Stillwater.

The Governor's budget proposes including \$75 million in a capital bond issue to fund the Endowed Chairs Program backlog and for anticipated activity for the OU Cancer Center, the Diabetes Center or growth for other Institutions' efforts. The current backlog is \$55.3 million.

Oklahoma Department of Libraries (ODL)

Notable Achievements

- *In 2006, the Oklahoma Department of Libraries (ODL) coordinated a third statewide author tour as part of the state's centennial One Book project, "Oklahoma Reads Oklahoma". Author Dayna Dunbar made more than 70 presentations at libraries, conferences, book clubs, institutions, and schools to discuss the 2006 book, The Saints and Sinners of Okay County. During the three years of the project, more than 10,000 Oklahomans have attended these programs, and thousands have read the annual title, making "Oklahoma Reads Oklahoma" one of the largest and most successful One Book projects in the nation.*
- *The licensing of electronic versions of magazines and journals continues to be an achievement that benefits all citizens of Oklahoma. Statewide access to full-text magazine and journal articles saves local public libraries millions of dollars. Almost 1,900 school, public, academic and special libraries in the state are registered to use these online services. A dramatic jump in usage occurred in FY-2006, with an increase of almost 65% over last year's figures.*
- *With the help of recent grants from the Bill and Melinda Gates Foundation, ODL has helped upgrade Internet connections at libraries across the state, and has provided almost 400 new public access computers to 160 public library sites. ODL's innovative use of the grant funds also helped all eight Oklahoma public library systems and 25 municipal libraries establish wireless Internet service for their patrons. Oklahoma was one of eight original partner states to launch the "Rural Library Sustainability" grant project, which is designed to give small libraries the information, resources and connections they need to sustain*

public access computing in their communities.

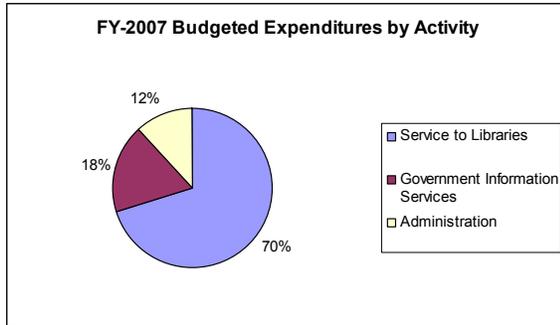
- *2006 marked the year the Oklahoma Department of Libraries began digitizing material from its archival collections and making it accessible via the World Wide Web. The service, called "Oklahoma Crossroads," currently includes images of over 2,500 historic documents, with many more to come. In addition to seeing graphic images of the archival materials, all documents are text searchable, bringing an added value for researchers and information seekers. The project will also aid the preservation of materials, since documents, often in fragile condition, will be handled less in the future.*

Mission

The Oklahoma Department of Libraries (ODL) serves the citizens of Oklahoma by providing information services and preserving unique government information resources.

As a comprehensive state library agency, the Oklahoma Department of Libraries 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 information resources.

Through a combination of traditional print and online web services, the ODL provides convenient public access to state publications and information. The agency also provides access to and retention of state records of temporary and permanent value. Information resources are preserved for future generations. 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-2007.



Source: Oklahoma Department of Libraries

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 to legislators. 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 agency’s 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 for literacy programs;
- Coordinates publicity, training and development efforts; and
- Cooperates with other agencies and the private sector in the development of literacy projects.

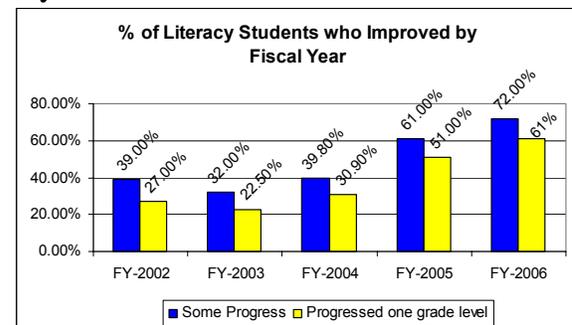
The Literacy Resource Office works through local libraries using staff and volunteers to work with both children and adults. The following table (top) describes services offered by the Literacy Resource Office, and the graph (below) shows student improvement by fiscal year.

Key Performance Measure

Client	FY-2003	FY-2004	FY-2005	FY-2006	FY-2007 Budgeted
Children in Libraries First Book Program	1,492	1,562	1,592	1,721	1,740
Children served by local programs	11,670	5,133	4,865	6,312	5,000
Active Tutors	1,140	1,472	1,123	1,200	1,200
Adult literacy (not TANF)	2,694	3,510	3,542	3,346	3,400
TANF - hours of instruction *	90,281	120,842	106,425	76,652	30,000

Source: Department of Libraries 12/22/2006
 * FY-2007 Budgeted Information is considerably reduced because of anticipated reductions to the federal TANF program.

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-2002	75,638	21%
FY-2003	86,868	25%
FY-2004	97,820	28%
FY-2005	84,250	26%
FY-2006	86,331	27%
FY-2007 Bud.	87,331	28%

Source: Department of Libraries 12/22/2006

FY-2008 Recommendations

<i>FY-2008 Appropriation</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$6,848
FY-2007 Bud. FTE Level	66.1
Actual Ave. YTD FTE	62.8
Funding Adjustments:	
State Employee Pay Increase	<u>22</u>
FY-2008 Recommendation	\$6,870
% Change from FY-2007	0.32%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$22,125 to annualize the 5% pay raise for the Department of Libraries. The pay raise went into effect October 1, 2006.

Oklahoma School of Science and Mathematics (OSSM)

Notable Achievements

The class of 2006 had many accomplishments, some of which are:

- Had an average ACT composite score of 31.6;
- Nine National Merit Finalists;
- 26 College Board Advanced Placement Scholars;
- Three Oklahoma Medical Research Foundation Sir Alexander Fleming Scholars;
- Eleven Robert C. Byrd Honors Scholars;
- Three candidates in the 2005 Presidential Scholars Program; and
- First place in the Oklahoma Mathematics League Competition.

Mission

The mission of the Oklahoma School of Science and Mathematics is twofold:

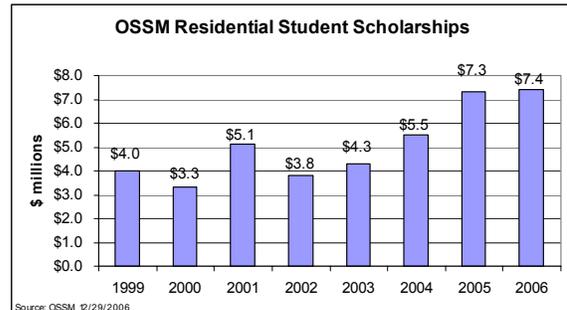
- To foster the educational development of Oklahoma high school students who are academically talented in science and math; and
- To assist in the improvement of science and mathematics education for the state.

The OSSM has two main activities: a residential school, to which 76% of FY-2007 budget expenditures will go, and regional outreach, comprising the remaining 24%.

Residential High School

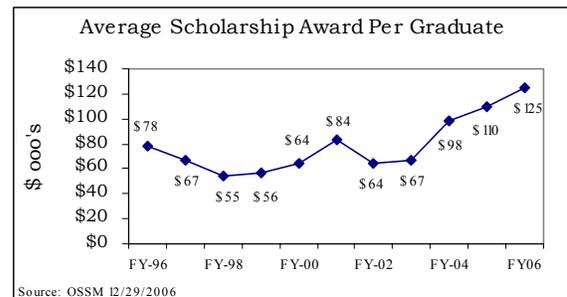
OSSM maintains a tuition-free residential high school for 144 students. Residential students represent the entire state with over half of the enrollment from smaller communities. Students focus on biology, chemistry, physics, computer science,

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-2003	FY-2004	FY-2005	FY-2006
Educational Cost	\$ 21,541.00	\$ 21,884.00	\$ 22,174.00	\$ 22,645.00
Residential Cost	5,450.00	5,766.00	6,430.00	6,751.00
	<u>\$ 26,991.00</u>	<u>\$ 27,650.00</u>	<u>\$ 28,604.00</u>	<u>\$ 29,396.00</u>

Source: OSSM, 12/29/2006

At OSSM, 17 of 26 instructors and two administrators at the residential site have PhD's. Three of 21 instructors at the regional center sites have their PhD's, in addition to the regional center program administrator.

Of the 900 OSSM graduates since 1992, approximately 50% have or are attending in-state higher education institutions.

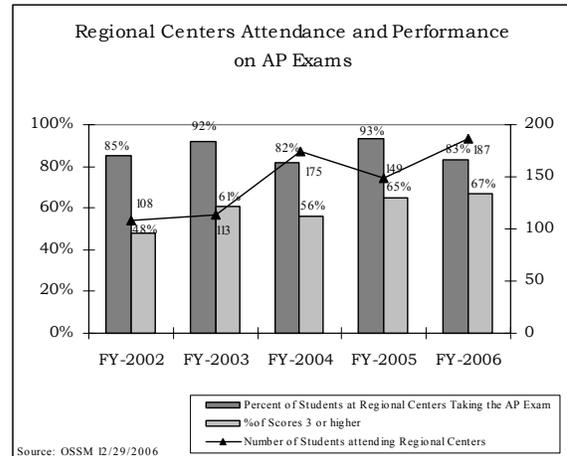
Regional Centers

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 eleven operational regional center sites located in Ardmore, Afton, Drumright, Enid, Muskogee, Ponca City, Poteau, Pryor, Okmulgee, Shawnee and Tahlequah, with one more set to be operational in FY-2008 in Wayne.

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 graph below, in FY-2006, there were 187 students in the regional centers. 83% took the AP exams and 67% of the scores were a three or higher (exams receive a score of 1 to 5; a score of 5 reflects superior knowledge of the subject, a score of 3 qualifies for college credit).

Key Performance Measure



FY-2008 Recommendations

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$7,231
FY-2007 Bud. FTE Level	76.0
Actual Ave. YTD FTE	73.2
Funding Adjustments:	
Annualize State Employee Pay Increase	45
Operating Costs	<u>250</u>
Total Adjustments	295
FY-2008 Recommendation	\$7,526
% Change from FY-2007	4.08%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$44,998 to annualize the 5% employee pay raise for OSSM. The pay raise went into effect October 1, 2006.

Operating Costs

The Governor's budget provides an additional \$250,000 for operating costs for OSSM.

Oklahoma Commission for Teacher Preparation (OCTP)

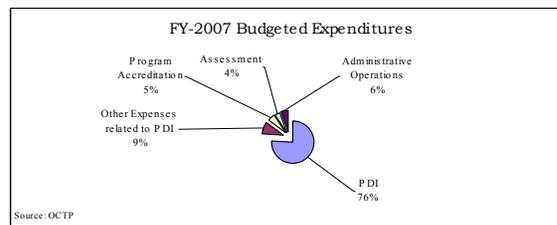
Notable Achievements

- *The National Commission for Teaching and America's Future (NCTAF) recognized the OCTP for its work in teacher preparation and professional development by naming Oklahoma the "December 2006 State of the Month."*
- *Oklahoma is recognized by the National Council for the Accreditation of Teacher Education (NCATE) for having an NCATE/state partnership that serves as a national model for other states.*
- *Over 260 programs at Oklahoma's 22 teacher education institutions have received national recognition from the National Council for Accreditation of Teacher Education or have met strengthened state standards.*
- *Oklahoma is ranked 7th in the nation in teacher preparation according to the "Quality Counts" report issued by Education Week in January of 2006.*
- *The middle schools participating in the middle level Math Professional Development Institute had an average gain of 8.85% on the 8th grade Oklahoma Core Curriculum Test as compared to the state average gain of 4.54%.*
- *Oklahoma ranks 7th in the nation in the percentage of teachers attaining National Board Certification, with 4% of teachers (1,569 teachers) having achieved that milestone.*
- *Oklahoma serves as a national model for other states in the developing of licensure and certification tests. Our re-developed elementary education test is recognized as one of the finest in the nation according to the Buros Center for Testing and National Evaluation Systems testing company.*

Mission

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. Eighteen other states have an independent standards board of some form. All other standards boards are under the individual state's Department of Education. The charts below illustrate OCTP's FY-2007 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 the standards established by the National Council for Accreditation of Teacher Education.

Teacher Assessment

The OCTP developed and administers a competency-based assessment system for teacher candidates that tests knowledge in three areas: general education, professional teaching knowledge and subject area knowledge. Candidates for teacher licensure and certification must successfully complete all three components.

The Certification Examinations for Oklahoma Educators are reviewed annually

and undergo redevelopment as changes occur in national and/or state standards. OCTP is committed to ensuring that the tests are rigorous and fulfill their purpose — to ensure that individuals seeking an initial Oklahoma teaching license possess the subject matter knowledge and skills needed to teach effectively in Oklahoma public schools.

In 2005-2006, exams that underwent redevelopment were Advanced Mathematics, Middle level/Intermediate Mathematics, School Psychologist, Family and Consumer Science and Spanish. Over 20,000 certification exams were administered in 2005-2006.

Professional Development Institutes (PDI's)

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 professional development for all elementary teachers and administrators using Literacy First as the model. Student reading achievement is dependent on the knowledge and skills of both the teacher and principal. The scientifically researched based reading elements of phonemic awareness, phonics, vocabulary, fluency and comprehension are the frameworks for the skills and strategies taught. A key to the Literacy First process is assessment driven, systematic explicit instruction in each student's "zone of proximal development."

The Literacy First PDI occurs in four Phases. Phase I and II provide 7 days of professional development for teachers. Phase III focuses on literacy and leadership professional development for administrators. Phase IV three year reading reform is a process whereby the school makes a total commitment by including coaching and mentoring for support and follow up. Literacy First has made a difference for many students,

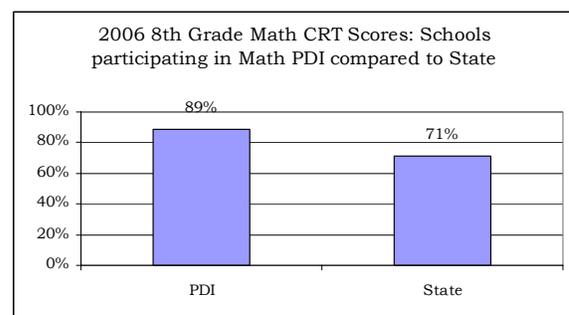
teachers, schools and districts across Oklahoma, as evidenced in the table below.

Science PDI

The Science PDI, "Improving Science Across Oklahoma," assists teachers in improving science instruction by providing intensive training in science content and inquiry processes with follow-up coaching and lesson study. Additionally, it helps teachers improve learning, as shown by increased student science scores. It includes 10 days of professional development for teachers and administrators. Interaction of technology into the teaching of science and inquiry will create new opportunities for student engagement.

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. The outcomes indicate that this professional development program does impact student learning, as indicated below.



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

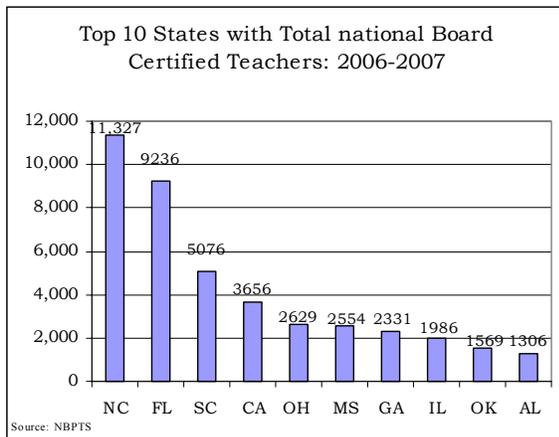
Oklahoma has had a nationally recognized induction program in place for over 20 years. Realizing that Oklahoma loses 50% of the State’s teachers during the first five years of the profession, OCTP has provided two mentoring PDIs to enhance the induction process by providing consistent mentor training in the essential skills necessary to support beginning teachers.

OCTP has contracted with the Oklahoma Technical Assistance Center for an 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 scholarships and training for teachers going through the National Board for Professional Teachers certification process. OCTP provides technical assistance, training and a scholarship of \$2,500 for candidates to pay for the application process, assessment and preparation costs.

Upon successful completion, classroom teachers receive \$5,000 annually for the life of the certificate. Teachers that earn certification, but do not receive the scholarship, qualify for reimbursement equivalent to the amount of the scholarship.



As indicated above, for FY-2006, there are 1,569 National Board Certified Teachers in Oklahoma, making Oklahoma seventh in the nation in the percentage of teachers achieving this high honor. Even more important is the research that indicates that students taught by National Board Teachers are making significant gains in achievement test scores.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,051
FY-2007 Bud. FTE Level	9.0
Actual Ave. YTD FTE	9.3
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>9</u>
FY-2008 Recommendation	\$2,060
% Change from FY-2007	0.44%

Source: Office of State Finance

Annualize State Employee Pay Raise

The Governor's budget includes \$9,277 to annualize the 5% state employee pay raise for OCTP. The pay raise went into effect October 1, 2006.

Oklahoma Corporation Commission

Notable Achievements

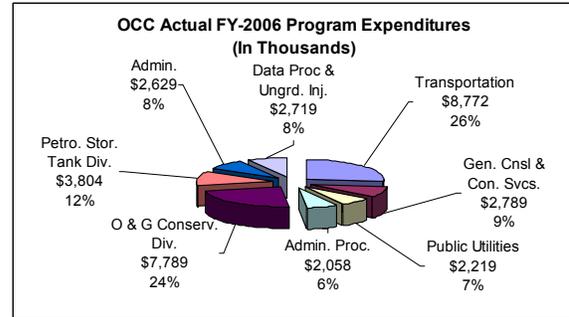
- *The Information Technology Division and its applications branch implemented the E-Permitting application which allows oil and gas companies to submit well permits online.*
- *In FY-2006, OCC field inspectors located and reported to the Oklahoma Energy Resources Board 736 abandoned oil and gas sites for remediation.*
- *The Consumer Services Division's two Mineral Owners Escrow Account (MOEA) staff collected and deposited a record \$3,764,583 in FY-2006 with a total of \$9,785,057 being held in escrow. The MOEA keeps records on money owed to unknown mineral owners as a result of OCC Oil and Gas pooling orders.*
- *The International Fuel Tax Agreement/International Registration Plan (IFTA/IRP) transferred to the Corporation Commission this year and represents Phase II of the Trucking One Stop Shop Act created in 2004.*

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-2007 budgeted revenue sources, revolving funds are 58% of budgeted revenue. The following is a chart displaying the actual program expenditures of the Commission for FY-2006.



Consumer Services Division

The Consumer Services Division of the OCC serves both regulated industry and Oklahoma consumers. From offices in Oklahoma City and Tulsa, Consumer Services operates five departments that protect both industry and consumer interests.

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-04	FY-05	FY-06
Intent to Drill Applications Filed	5,171	5,474	6,242
Well Plugging Reports	1,738	2,090	1,943
Well Completions	6,313	5,629	6,876
Gas Well Tests Filed	2,814	3,087	3,417
Tax Incentives Filed	1,759	2,674	3,294
OG Total Applications Filed	17,795	18,954	21,772
Well Site Inspections	64,459	58,226	66,122
NonPollution/Pollution Complaints	2,374	2,403	3,068
Incidents/Inspection Discoveries	1,059	1,286	1,282
Plugging/Well Test/MIT Fld Witness	6,341	5,506	5,318
OG Total Field Activity	74,233	67,421	75,790

Source: Corporation Commission

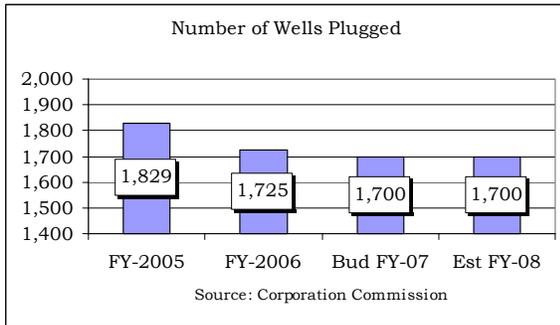
In addition to issuing regulatory permits, the Technical Services department is also the official repository and point of access for all information on oil and gas wells and related activity in Oklahoma.

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.

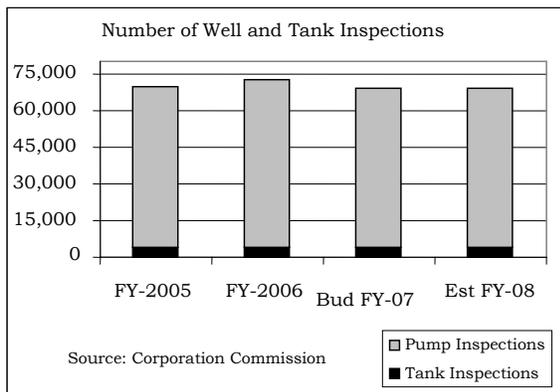
Key Performance Measure



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



This 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 Division works in conjunction with the national Brownfields program to clean up abandoned, polluted industrial sites and return the sites to productive use.

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-2006 the Division was responsible for regulating 631 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.

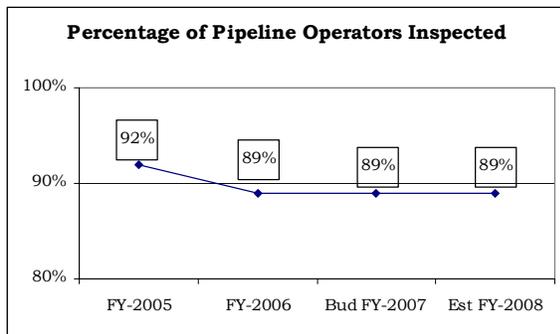
Oklahoma has more than 6,330 for-hire and private motor carriers licensed to

operate in intrastate commerce, 24 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 graph shows the percentage of pipeline operators inspected.

	FY-2004	FY-2005	FY-2006
Transportation Division			
Motor Carrier Lic/Permits Issued	4,985	5,917	4794
Certificates Issued	151	134	153
Single State Registrations Issued	2,988	3,621	3234
Insurance Filings Received	14,382	14,801	13629
Identification Devices Issued	46,351	80,044	96339
Letters of notification to Motor Carr	9,641	9,517	12185
DOT Numbers Issued	366	353	431
Haz Waste Credentials Issued	51	45	51
IRP applications processed	0	0	13749
IFTA applications processed	0	0	2685
Vehicles Registered	0	0	171591
IRP and IFTA audits conducted	0	0	266
Total Applications Activity	78,915	114,432	319,107
Vehicle Checks	59,463	123,014	101198
Citations Issued	9,678	22,863	26743
Warnings Issued	814	1,929	2666
Vehicle Inspections	792	509	506
Educational Contacts	795	842	986
Railroad Complaints/Queries Inv	71	87	124
Pipeline Gas/Liquid Units Inspectn	240	281	280
Pipeline Gas/Liquid Opers Inspectn	187	228	222
Total Field Activity	72,040	149,753	132,725

Source: Corporation Commission

Key Performance Measure



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 in Oklahoma City and in the Eastern Regional Office in Tulsa. Testimony and evidence may be presented

by phone instead of appearing in person before an administrative law judge.

In FY-2006, 11 administrative law judges and 1 referee conducted 39,021 hearings.

FY-2007 Supplemental

FY-2007 Supplemental <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$14,084
Supplemental	2633
FY-2007 Adj. Appropriation	\$16,717
% Change from FY-2006	5.51%
% Change from Original FY-2006	18.69%

Source: Office of State Finance

FY-2007 Supplemental Funding

The Governor's budget proposes a FY-2007 supplemental appropriation of \$2,633,706 to replace funds Oklahoma would have generated under the new Unified Carrier Registration program. The program funds will be available beginning in FY-2008.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$14,084
FY-2007 Bud. FTE Level	513.7
Actual Ave. YTD FTE	168.5
Funding Adjustments:	
State Employee Pay Raise	227
FY-2008 Recommendation	\$14,311
% Change from FY-2007	1.61%

Source: Office of State Finance

The FY-2008 appropriation for the Corporation Commission is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$226,557 for a 5% state employee pay increase for the

Corporation Commission. The pay went into effect October 1, 2006.

Office of Administrative Proceedings

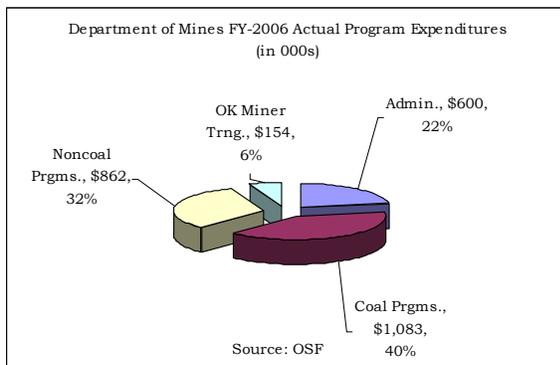
The Governor proposes that the Corporation Commission explore alternative revenue sources to help fund the request for the Office of Administrative Proceedings. There are alternatives for the Commission that would not require additional appropriations and would be available to the Commission on a yearly basis.

Department of Mines

Mission

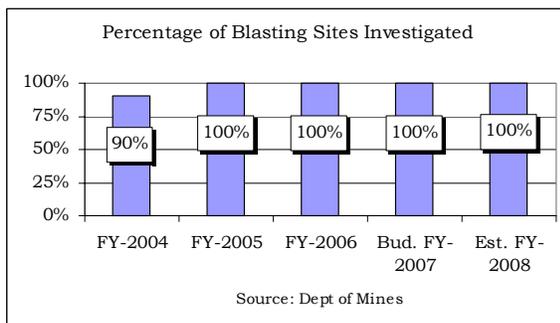
The Oklahoma Department of Mines is the regulatory authority for surface and sub-surface mining in Oklahoma. The Department is empowered to implement and enforce state and federally mandated programs in health, safety, mining and land reclamation practices. The agency issues mining permits and performs 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 expenditures. For FY-2006, Federal dollars were 38.5% of the Department's total funding.



The table below shows the Department's focus on inspection of blasting sites to determine if they are in compliance with the approved blasting plan.

Key Performance Measure

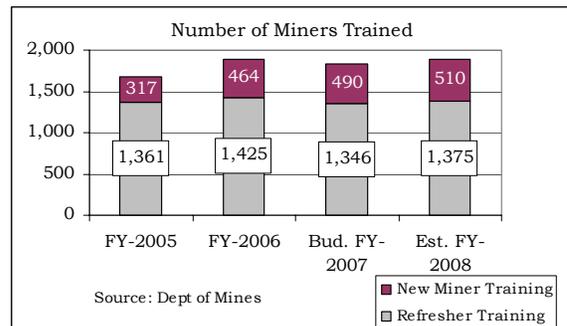


Programs

Oklahoma Miner Training

The Oklahoma Miner Training Institute (OMTI), located in Wilburton, provides free classroom and on-site training for mine operators. Courses delve into such topics as first-aid, mine safety and accident prevention. 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 the adverse effects of mining operations. The Coal Division contains three subdivisions: 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.

FY-2008 Executive Budget

Type of Mineral	# of Non-Coal Mine Sites
Bentonite	2
Building Stone & Rock	43
Caliche	1
Clay and Shale	70
Granite	8
Gypsum	19
Limestone	121
Sand & Gravel	281
Salt	2
Select Material	44
Tripoli	1
Volcanic Ash	3
Total	595

Source: Dept. of Mines

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$998
FY-2007 Bud. FTE Level	36.1
Actual Ave. YTD FTE	35.8
Funding Adjustments:	
State Employee Pay Raise	<u>16</u>
FY-2008 Recommendation	\$1,014
% Change from FY-2007	1.60%

Source: Office of State Finance

The FY-2008 appropriation for the Department of Mines is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$15,605 for a 5% state employee pay increase for the Department of Mines. The pay raise went into effect October 1, 2006.

Department of Environmental Quality

Notable Achievements

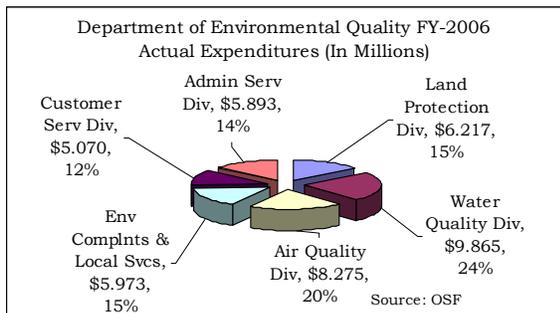
- *All of Oklahoma meets the National Ambient Air Quality Standards.*
- *Funding was provided this year to begin environmental cleanups of former National Guard Armories as they are scheduled to be deeded to small towns.*

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 56% of the agency's total budgeted funding sources for FY-2007. The following chart shows how the agency disbursed the funds for FY-2006.



The Environmental Complaints & Local Services (ECLS) Division and the Customer Services Division (CSD) support DEQ's efforts to improve the quality of Oklahoma's environment. ECLS, which provides the staffing for 30 local offices across the state,

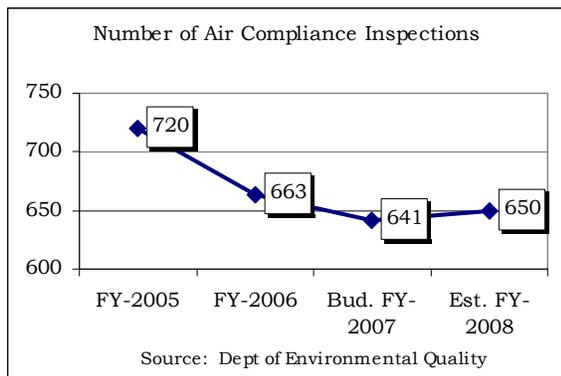
is primarily responsible for complaint response, media specific inspections and/or enforcement and response to citizen requests for local services.

Within the Customer Services Division the Customer Assistance Program offers non-regulatory approaches to compliance through technical assistance to industries seeking permits to locate or operate in Oklahoma. CSD provides compliance assistance to small communities, including over \$500,000 to offset community costs for laboratory analysis in the public water supply program. 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 the National Ambient Air Quality Standards (NAAQS) as set by the Environmental Protection Agency (EPA). When a more stringent 8-hour standard replaced the 1-hour standard, the Oklahoma City and Tulsa metropolitan areas entered into voluntary agreements with DEQ and EPA known as Early Action Compacts. These agreements expire in 2007. As an extension EPA has announced an 8-hour Ozone Flex. This voluntary program is somewhat more stringent than the Compact in that it will require implementing at least one measurable, enforceable emission reduction project, and if certain milestone events are triggered during the term of the agreement, other similar measures must be implemented as well. The Oklahoma City and Tulsa metropolitan areas have indicated an interest in participating in this program, targeting late spring 2007 to complete negotiations with the EPA. Monitored ozone values in 2006 placed both metropolitan areas in peril of violating the 8-hour ozone standard this year and the possibility of a non-attainment designation. This makes participation in this program very important.

Key Performance Measure



The DEQ has implemented a new Air Toxics Program that relies on delegated portions of the EPA program for permitting, compliance and enforcement, while emphasizing monitoring to evaluate the air toxic concerns unique to Oklahoma. Monitoring for toxic Volatile Organic Compounds (VOCs) and carbonyls continued in the Tulsa area. Monitoring for toxic metals was added in November of 2006. The division also conducted monitoring to evaluate background ammonia levels in rural Oklahoma. It also added two sites near Copan and the McGee Creek Reservoir to collect wet deposition samples to test for mercury. Modeling and risk assessments will be performed to determine where additional monitoring should be conducted and the impact of proposed control strategies to reduce toxic emissions and the associated risk to the public.

Water Quality

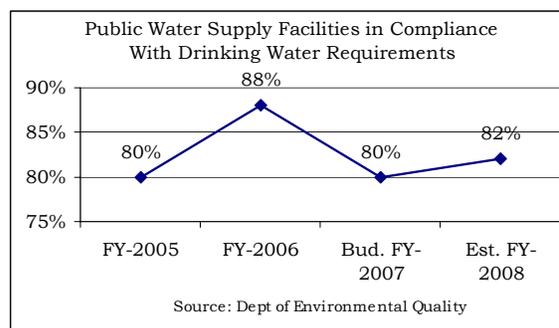
The regulation of Oklahoma’s water quality is divided into three major areas:

- The regulatory control of municipal and industrial wastewater;
- The evaluation of 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 amount of pollutants that can enter a water body and still meet beneficial uses.

The Public Water Supply (PWS) program monitors more than 2,000 public water supplies, serving in excess of 3 million residents plus visitors to the state. Historically, PWS facilities have maintained a compliance level at or above 95 %. However, in 2004, the DEQ noted a decline to 87 % compliance and a continuing trend toward further reductions. This decline does not constitute degradation in Oklahoma’s water quality. Instead, it reflects a new Arsenic rule and a Disinfection By-Product (DBP) rule. These new standards have made it increasingly difficult for small communities to comply with new federal requirements. As a result, DEQ has taken steps to provide additional technical assistance to those systems. Because of these efforts, DEQ anticipates increased compliance rates for 2007.

Key Performance Measure



During the first quarter of 2006, PWS staff coordinated five training/outreach events and performed 150 technical assistance visits to small communities. As a result of this assistance, small systems with DBP monitoring violations dropped from 8.28% to 4.14%.

The DEQ laboratory monitors drinking water for about 90 contaminants. The new federal regulations are increasing the

number of regulating components and the number of systems that must be monitored. This prompted the 2006 Legislature to provide funding to assist small communities with the costs of laboratory analysis. As a result, public water systems serving up to 10,000 people will be held harmless for laboratory fee increases above the 2003 level. In addition to PWS samples, the DEQ laboratory also analyzes samples for 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. More fish tissue monitoring is required in order to make decisions regarding the issuance of consumption advisories to protect human health and the status of un-assessed waters.

Land Protection

The activities of the Land Protection Division are focused principally on four broad areas:

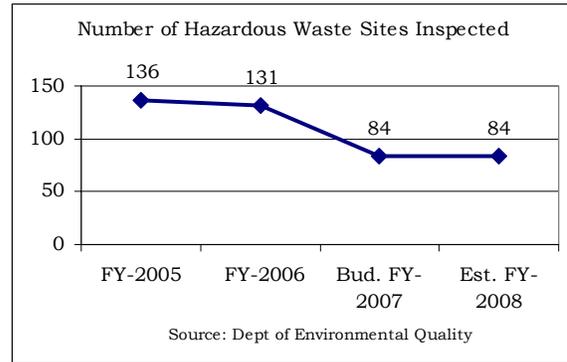
- Hazardous waste management;
- Site cleanup;
- Solid waste management; and
- Radiation protection.

Hazardous Waste Management

Hazardous waste management is operated under delegation of the federal Resource Conservation Recovery Act (RCRA) and issues permits and monitors regulated hazardous waste facilities. The primary funding comes from fees for commercial disposal of hazardous waste at permitted facilities within the state. State law now sets the rate at \$9 per ton.

The following graph shows the number of hazardous waste site inspections completed.

Key Performance Measure



The reduction in the number of yearly inspections is due to the Department's effort to concentrate on larger waste generators. These generators represent the greatest potential hazard to the environment and require more time to inspect which will reduce the number of overall inspections.

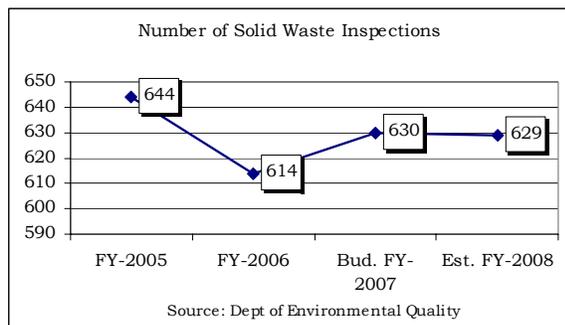
Site Clean-up

New funding under SB1366 allowed the creation of the Site Cleanup Assistance Program. This program will assess and remediate former National Guard Armories that are scheduled to be turned over to local communities under the federal Base Realignment and Closure Program. In addition, abandoned hazardous waste sites across Oklahoma that do not qualify for other programs will be evaluated and remediated under this program. These funds will also provide a long-term revenue source for the required 10% match of Superfund cleanup costs. Superfund Match costs are expected to escalate substantially over the next five years as National Priorities List (NPL) sites move into the construction phases of remediation. In the Superfund program, Oklahoma is able to leverage 90% federal funding by providing a 10% match for NPL site actions.

Solid Waste Management

DEQ's solid waste program establishes and regulates the generation and disposal of solid waste. It also works in partnership with county and local governments to improve local solid waste infrastructure. Local needs include cleaning of illegal dumps, the development of convenience centers for bulky waste, obtaining equipment for managing disaster debris and increasing recycling. Where enhancements have been implemented, it has allowed local jurisdictions to take a more holistic approach to the management of wastes. Local governmental assistance includes cleaning 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 the 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 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 in Oklahoma.

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.

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 120 sites involved in voluntary cleanup. Since the inception of the program in 1985, nearly 200 sites have participated in either the Voluntary Clean-up or Brownfield Programs. Those reaching completion receive a "no further action" letter or a Brownfield "certificate", which officially signifies completion of the project.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$9,525
FY-2007 Bud. FTE Level	619.0
Actual Ave. YTD FTE	562.3
Funding Adjustments:	
State Employee Pay Raise	<u>203</u>
FY-2008 Recommendation	\$9,728
% Change from FY-2007	2.13%

Source: Office of State Finance

The FY-2008 appropriation for the Department of Environmental Quality is the same as provided for FY-2007 with the following adjustments.

State Employee Pay Raise

The Governor's budget includes \$202,879 to annualize the 5% state employee pay increase for the Department of Environmental Quality. The pay raise went into effect October 1, 2006.

Oklahoma Blue Skyways

The Governor proposes using \$865,000 in REAP funds to initiate the Oklahoma Blue Skyways program. The program will provide match funding and education to both public and private entities to help them implement strategies that will help lower harmful fuel emissions.

Oklahoma Water Resources Board (OWRB)

Notable Achievements

- *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.*
- *The OWRB's Financial Assistance Division received the EPA's 2005 Pisces Award for Performance and Innovation in the State Revolving Fund Program for Innovative and Effective use of SRF Financing Mechanisms (this was the first year the award was presented).*
- *The OWRB received EPA accolades and recognition as a national leader for our state water quality/quantity monitoring strategy document and monitoring programs. Oklahoma was the only state selected by the United States Geological Survey (USGS) to serve on a national workgroup to enhance the USGS Cooperative Monitoring Program.*
- *The OWRB's "Oklahoma Water Watch" Volunteer Monitoring program was selected for the Governmental Excellence Award by Keep Oklahoma Beautiful.*

Mission

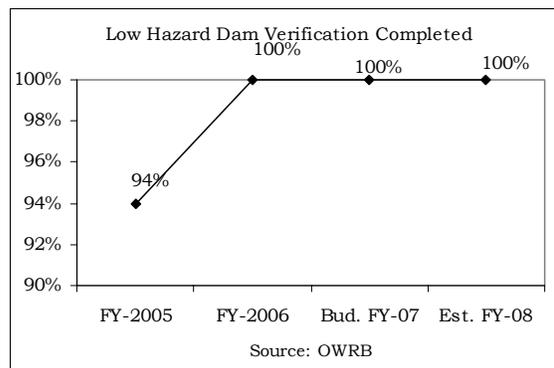
The Oklahoma Water Resources Board is the lead agency in Oklahoma for water rights and water quality issues. Anyone who uses fresh water for anything other than domestic use is required to obtain a permit from the OWRB.

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. Since 1994, OWRB staff has completed 100% of the use assignments requested of them by the public or sister state agencies.

The Board also oversees the safety of dams in Oklahoma. An example of the duties under this program includes completing low hazard dam verification on 425 dams to ensure that the hazard classification has not changed.

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 20% of the agency's total funding for FY-2007.

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 2006, the Board approved more than \$195 million in loans. The following chart shows the number of applicants and amounts loaned or granted since FY-2000.

FY	Clean Water		Drinking Water		Bond Series	
	No.	Loans	No.	Loans	No.	Loans
To FY-99	82	295,432,184	3	9,753,675	207	297,425,000
FY-2000	11	36,211,099	6	19,668,280	8	12,375,000
FY-2001	21	55,350,000	8	18,390,550	21	55,350,000
FY-2002	16	56,976,155	6	28,878,178	22	37,805,000
FY-2003	16	43,580,834	7	7,407,591	23	79,960,000
FY-2004	12	31,182,156	9	74,466,431	22	45,870,000
Fy-2005	8	52,659,000	9	29,158,232	5	22,810,000
FY-2006	10	28,570,500	12	100,094,634	9	66,790,000
Total	176	\$599,961,927	60	\$287,817,572	317	\$618,385,000

FY	Emergency Grants		REAP Program		Totals	
	No.	Grants	No.	Grants	No.	Total
To FY-99	434	24,877,892	159	12,573,467	885	640,062,218
FY-2000	16	1,127,471	73	6,366,648	114	75,748,498
FY-2001	21	1,553,487	54	4,835,947	125	135,479,984
FY-2002	17	1,100,820	45	4,233,643	106	128,993,796
FY-2003	10	549,886	38	3,849,025	94	135,347,335
FY-2004	9	510,776	24	2,237,948	76	154,267,311
FY-2005	6	382,849	30	2,698,562	58	107,708,643
FY-2006	10	589,701	29	2,594,973	70	198,639,808
Total	523	\$30,692,882	452	\$39,390,213	1,528	\$1,576,247,594

Source: OWRB

OWRB also administers two grant programs:

- REAP Grant Program
- Emergency Grant Program

During 2006, the Board approved 10 emergency grants for \$589,701 and 29 REAP grants for approximately \$2.6 million.

Oklahoma Comprehensive Water Plan (OCWP)

All strategies to meet future water needs must be identified in regional and state water plans to be eligible for funding. Invaluable in producing a scientifically based OCWP is in-depth hydrologic analysis

of the state’s groundwater and stream water sources. By expanding the scope of these studies, pertinent water management issues can be addressed. Issues include groundwater-surface water interaction, impacts of water withdrawal on water quality, drought management, in-stream flow evaluation, reservoir operations, basin and watershed characterization, impacts of water management decisions on water availability; and identification of dependable, potable sources to meet short and long-term needs.

Beneficial Use Monitoring Program (BUMP)

This program is designed to monitor ambient water quality of surface and groundwater. BUMP collects monthly samples at 100 stream and river sites and samples each of our 127 significant publicly owned reservoirs every two to three years. This baseline data is critical to making informed and prudent water quality management decisions.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$7,757
FY-2007 Bud. FTE Level	104.9
Actual Ave. YTD FTE	95.1
Funding Adjustments:	
State Employee Pay Raise	<u>57</u>
FY-2008 Recommendation	\$7,814
% Change from FY-2007	0.73%

Source: Office of State Finance

The FY-2008 appropriation for the Water Resources Board is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor’s budget includes \$56,907 to annualize the 5% state employee pay raise for the Water Resources Board. The pay raise went into effect October 1, 2006.

Comprehensive Water Plan

The Governor proposes using \$2,298,104 in REAP funds for the Comprehensive Water Plan. The goal of the plan is to identify future water sources in the state and implement recommendations that will ensure adequate and quality water resources for all of Oklahoma.

Department of Wildlife Conservation

Mission

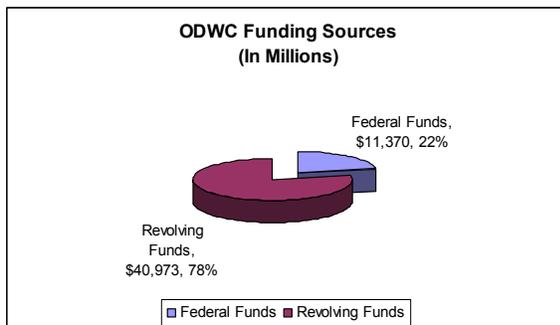
The Oklahoma Department of Wildlife Conservation (ODWC) is responsible for managing the wildlife and habitat of Oklahoma to provide scientific, educational, aesthetic, economic and recreational benefits for hunters, anglers and others who appreciate wildlife throughout the state.

In FY-2006, ODWC reported \$35 million in total receipts, primarily from sales of licenses and federal payments. The last hunting and fishing license fee increase was 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.



Source: ODWC

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. The current balance in the trust is approximately \$67 million, including principal and earnings. Over the last three years, revenues from the lifetime fishing and hunting licenses have averaged \$2.6 million annually.

	FY-2002	FY-2003	FY-2004	FY-2005	FY-2006
Hunting	1473	1774	974	594	534
Fishing	1278	3078	2,419	1,093	1,197
Combination	3958	6468	3,710	2,021	2,271
Total	6,709	11,320	7,103	3,708	4,002

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 as a result of foraging or use as habitat by wildlife. The opportunities for hunting wildlife on these habitats decline as landowners use the land for agricultural and 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.

State Auditor and Inspector

Notable Achievements

- Received the 2005 “Excellence in Accountability” award presented by the National State Auditor’s Association.
- Received the 2005 “Outstanding Achievement in Government” award presented by the Association of Certified Fraud Examiners.
- Issued a total of 433 audit reports as public documents.

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).

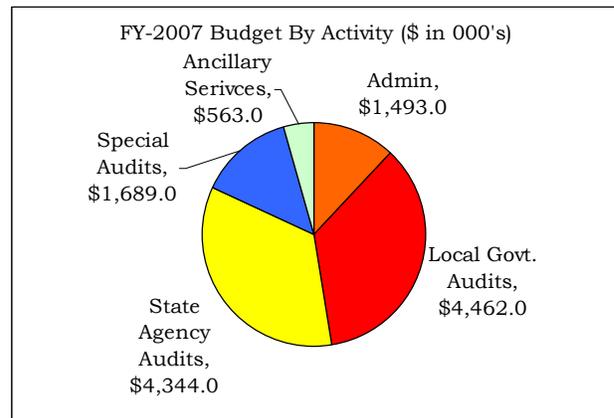
The Auditor and Inspector’s office is generally responsible for auditing all state agencies unless an agency has specific legislative authority to contract its audit outside (e.g. Higher Ed., trust authorities and Commerce),.

The table below shows the number of audits issued and the number of inquiries received and resolved. Inquiries are calls from Oklahoma citizens regarding questions or complaints about state and or local financing issues.

FY-2006	
Total Audits Issued	433
Inquiries Received and Resolved	3,402

Source: State Auditor and Inspector

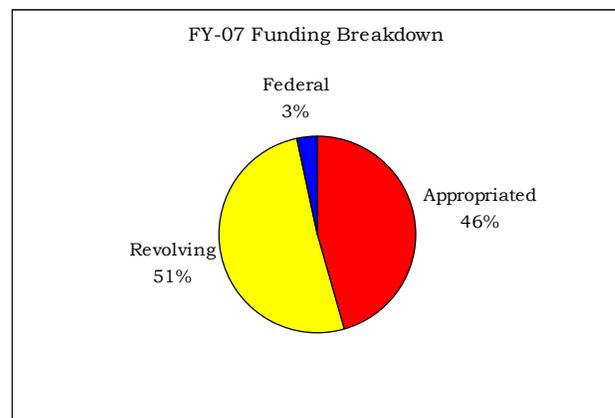
The graph below shows the FY-2007 Budget for the State Auditor and Inspector. The total budget is \$12.5 million. This excludes a \$16.1 million REAP appropriation which passes through the Auditor and Inspector’s office.



Source: State Auditor and Inspector

Funding Sources

The Auditor and Inspector’s budget is funded in large part from revolving fund monies. These revolving funds include monies collected from counties, towns, and school districts for audit services, Abstractor licensing, Auditor registration, and other payments for services rendered. The graph below shows the Auditor and Inspector’s budget by fund for FY-07.



Source: State Auditor and Inspector

Financial Audits

The Single Audit of the Comprehensive Annual Financial Report (CAFR) 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 conducted performance audits as authorized by 74 O.S. Supp 2001, 213.2. A performance audit examines an agency's function, operation and management systems, and procedures to determine whether it is making the most productive use of available resources to achieve its mission. It uses various objective and systematic methodologies to perform its analysis. The result is a series of recommendations to improve efficiency and productivity of the agency.

A performance audit determines if a program is achieving the desired results or benefits established by the Legislature, or other authorizing body. The performance audit division has averaged one audit per year for the past four years. The Auditor and Inspector have completed performances audits of the following agencies:

- Alcoholic Beverage Laws Enforcement Commission;
- Department of Agriculture, Food, and Forestry;
- Oklahoma Capital Investment Board
- Oklahoma County Motor Vehicle Fleet
- Department of Public Safety

FY-2007 Supplemental

FY-2007 Supplemental	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	6,220
Abstract Investigation Unit	100
FY-2007 Adj. Appropriation	6,320
% Change from FY-2006	5.52%
% Change from Original FY-2007	1.61%
Source: Office of State Finance	

Abstract Investigation Unit

House Bill 3009, passed during the 2006 session, increases the responsibilities of the Auditor's office regarding the Oklahoma Abstractor's Law. Due to this law change, the Governor's Budget includes a \$100,000 supplemental appropriation to cover start-up costs associated with developing an Abstract Investigation Unit.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$6,220
FY-2007 Bud. FTE Level	154.5
Actual Ave. YTD FTE	149.0
Funding Adjustments:	
Annualize State Employee Pay Increase	96
Abstract Investigation Unit	350
Total Adjustments	446
FY-2008 Recommendation	\$6,665
% Change from FY-2007	7.17%
Source: Office of State Finance	

Annualize State Employee Pay Increase

The Governor's budget includes \$95,647 to annualize the 5% state employee pay raise for the State Auditor and Inspector's Office. The pay raise went into effect October 1, 2006.

Abstract Investigation Unit

The Governor's budget recommends \$350,000 in funding to comply with the new requirements imposed in House Bill 3009. This funding will allow the State Auditor and Inspector to hire 4 additional FTE to comply with the new law changes.

Banking Department

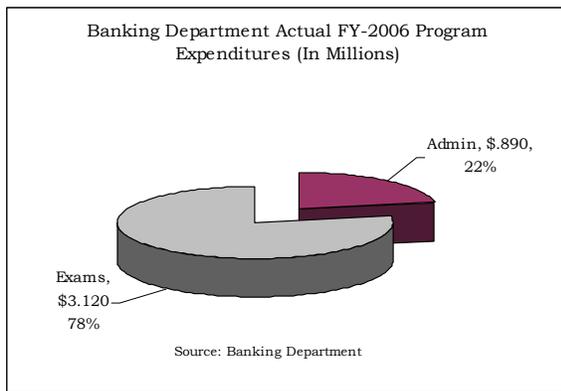
Mission

The State Banking Department preserves and promotes sound, constructive competition among financial institutions and ensures the security of deposits. It regulates 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 expenditures are devoted to bank examinations. During FY-2006, examinations were 78% of the Department's total expenditures.



State chartered banks

There are approximately 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.

End of Calendar Year	Number of Banks
2002	183
2003	184
2004	185
2005	185
2006	185

Source: Banking Department

Revenue from Banks and other Regulated Entities

Banks pay assessments based on a percentage rate of the bank's total assets. The Department deposits some of these funds into the General Revenue Fund and some directly into agency revolving funds. The Department deposited \$902,000 into the General Revenue Fund for FY-2006 and plans to deposit \$450,000 in FY-2007.

The 2006 Legislature revised 6 O.S., § 211 which changed the Banking Department's special assessment deposit structure. Starting January 1, 2007, 10% of all banking assessments will be deposited into the General Revenue Fund. The previous deposit amount was 20%.

Office of the State Bond Advisor

Notable Achievements

- Assisted with refunding Oklahoma Turnpike Authority (OTA) bonds in the amount of \$635.59 million refunding bonds, a portion of which were sold as variable-rate obligations and swapped to a synthetic fixed rate under the OTA's new authority to utilize derivative products. The OTA estimates that the transaction will result in a net present value savings of approximately \$40 million over the life of the issue;
- Helped the Oklahoma Development Finance Authority and the Regents for Higher Education complete the first master lease transaction for real property; and
- Assisted the University of Oklahoma in using its newly granted general revenue pledge to refinance a number of outstanding bond issues, resulting in a net present value savings of over \$5 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.

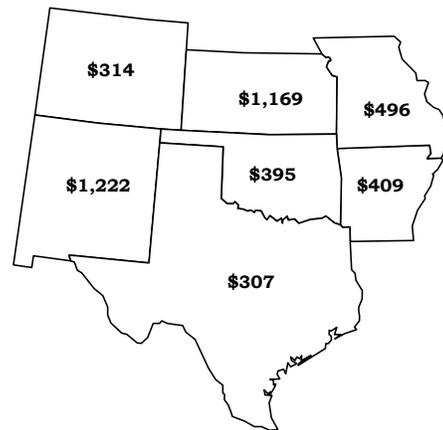
Among the State Bond Advisor's other responsibilities are:

- Review of all requests for proposals prior to their circulation;
- Maintains relations with the bond rating agencies and credit enhancers; and
- Approves 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 when compared to other states. The map below shows the tax supported debt for Oklahoma the bordering states.

Net Tax-Supported Debt per Capita as of May 2006



Source: State Bond Advisor

Oklahoma ranks 41st in the nation with a tax-supported debt per capita of \$395. The national average is \$1,060. When comparing the net tax-supported debt as a percentage of personal income, Oklahoma is at 1.4% with the national average at 3.2.

The chart below shows the calculation of the State's tax-supported debt.

Gross and Net Tax-Supported Debt as of December 31, 2006 (\$ in thousands)	
General Obligation Debt	\$293,910
OCIA Lease Revenue Bonds	\$1,068,714
ODFA Master Lease Program - Personal Property	\$117,425
ODFA Master Lease Program - Real Property	\$9,855
ODFA Master Lease Program - Public Sales	\$162,240
Public Lease Purchase Debt	\$14,065
Lease Purchase Debt Privately Sold	\$3,301
Contractual Obligation Debt	37,900
Total Gross Tax-Supported Debt	\$1,707,410
Less: Self-Supporting Bonds	174,768
Total Net Tax-Supported Debt	<u>\$1,532,642</u>

Source: State Bond Advisor, "2006 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 May 1, 2006.

Key Debt Ratios	
Net tax-supported debt per capita	\$395
Tax-supported debt service as percent of GRF appropriations	3.5%
Per capita debt as percent of 2004 per capita personal income	1.40%

Source: State Bond Advisor

As staff for the LRCPC, the Office of the State Bond Advisor reviewed 3,527 capital project requests. The most recent plan (for fiscal years 2008-2012) recommended total capital spending of \$4.801 billion, of which \$4.460 billion is self funded. A total of \$60 million is recommended for funding from general appropriations.

Revenue bond activity for 2006 totaled \$1.2 billion. 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, 2006 (\$ in 000's)	
Issuer	Outstanding Debt
Oklahoma Turnpike Authority	\$1,196,900
Oklahoma Student Loan Authority	972,143
Oklahoma Housing Finance Agency	652,040
Oklahoma Water Resources Board	575,930
Grand River Dam Authority	561,131
Oklahoma Municipal Power Authority	387,070
Oklahoma Development Finance Authority	<u>134,487</u>
Credit Enhancement Reserve Fund	\$4,479,701

Source: State Bond Advisor, "2006 Annual Report"

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$185
FY-2007 Bud. FTE Level	3.0
Actual Ave. YTD FTE	3.0
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>1</u>
FY-2008 Recommendation	\$186
% Change from FY-2007	0.70%

Source: Office of State Finance

Annualize State Employee Pay Increase
 The Governor's budget includes \$1,302 to annualize the 5% state employee pay raise for the State Bond Advisor' Office. The pay raise went into effect October 1, 2006.

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 obtain buildings when authorized by the Legislature.

Participating agencies make lease payments 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, 2006, the OCIA had 29 series of obligations outstanding. The total outstanding principal amount of these obligations was \$1.1 billion.

The following table lists OCIA obligations authorized and issued in FY-2006.

Obligations Issued	FY-2008	
	Amount	Annual Debt Service
	(\$ in 000's)	
Attorney General	3,000	226
Higher Education	333,610	18,096
Higher Education	6,040	6,329
Higher Education	50,000	7,500
Dept. of Agriculture	24,410	1,811
Dept. of Mental Health	18,900	1,398
Supreme Court	22,040	1,677
Higher Education	125,700	6,285
OSBI	<u>6,430</u>	<u>487</u>
Total	\$590,130	\$43,809

Source: OCIA

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. The general obligation bonds are set to retire in 2018.

In 2005, the state paid the remaining debt on the General Obligation Bond Series 2003B of \$7.1 million. The table below shows the principal amount and balance of

the General Obligation Bond Series 2003A in FY-2006 and FY-2007.

General Obligation Bond Payments Series 2003A (\$ in 000's)		
	<u>7/15/2005</u>	<u>7/15/2006</u>
Principal	6,635	13,990
Balance	247,500	233,510

Source: State Bond Advisor

The second type of general obligation bonds 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, 2006, there were 11 series of these bonds, with a total principal amount outstanding at that date of \$60,400,000.

CompSource Oklahoma

Notable Achievements

- *During 2006, CompSource reduced workers compensation rates by 5%, due to workers compensation reforms passed in 2005. CompSource hopes to maintain rates at the current level during 2007.*
- *CompSource has taken steps to contain the growth in medical costs through the implementation of a preferred provider network and pharmacy benefits management program. These programs help reduce medical and prescription drug costs through the utilization of in-network medical providers and pharmacies and through reduced administrative costs.*
- *Over 70% of CompSource's policies are issued to small businesses with \$5,000 or less in annual premiums.*

Mission and Purpose

CompSource's mission is to partner with all Oklahoma employers as the source for their workers' compensation needs. The purpose of CompSource is to furnish Oklahoma employers with a stable market for workers' compensation insurance while delivering the highest quality service to policyholders and providing the necessary benefits and assistance to injured workers. CompSource provides coverage to employers of any size who are unable to obtain coverage from the private market.

The Oklahoma Legislature created CompSource in 1933. The Legislature's intent in creating CompSource (then known as the State Insurance Fund) is for CompSource to be self sufficient. CompSource has created its own financial growth and stability by utilizing sound insurance business practices and investment earnings. CompSource is a non-appropriated agency that relies on a revenue stream from policyholders premiums and investment income.

Agency Services

CompSource provides competitively priced workers' compensation insurance to state agencies and businesses operating in Oklahoma by maintaining moderate growth in operating costs, and by returning investment earnings to policyholders through stabilized rates and dividends. CompSource assists policyholders in achieving the highest possible safety records in their place of business by providing trained safety personnel to perform safety inspections and training, thus helping to control the number of new claims.

Currently, CompSource is the largest workers' compensation insurance carrier in the state, serving more than 30,000 businesses and government agencies by providing coverage benefits for thousands of Oklahoma employees. The table below reflects premium written in the public and non-public sectors.

CompSource Oklahoma Written Premium - Percentage					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Private Sector	79%	78%	75%	76%	75%
Public Sector					
-State Agencies	12%	11%	11%	11%	12%
-Other Public	<u>9%</u>	<u>11%</u>	<u>14%</u>	<u>13%</u>	<u>13%</u>
Total	100%	100%	100%	100%	100%

Source: CompSource

Historically, the insurance market has been cyclical. CompSource has experienced an increase in written premiums in recent years due to increasing acquisition costs of workers' compensation insurance. Many signs point to these costs stabilizing in 2006 and into 2007.

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 potentially avoid general tort liability for workplace injuries.
- Programs encouraging injured workers to return to work as soon as possible.

CompSource provides stability to the state's economy because it provides a source of workers' compensation insurance coverage to businesses that may not otherwise be able to obtain coverage through the private market.

Commission on Consumer Credit

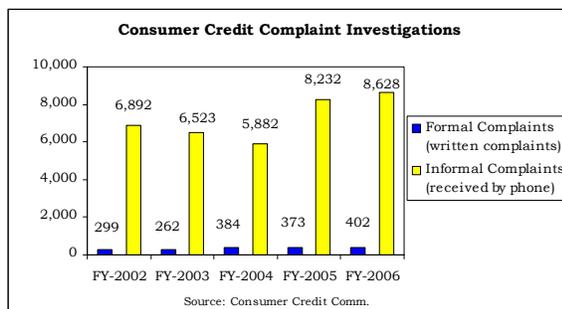
Mission

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



FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$661
FY-2007 Bud. FTE Level	16.0
Actual Ave. YTD FTE	15.3
Funding Adjustments:	
State Employee Pay Raise	<u>8</u>
FY-2008 Recommendation	\$669
% Change from FY-2007	1.21%

Source: Office of State Finance

The FY-2008 appropriation for the Commission on Consumer Credit is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$7,779 to annualize the 5% state employee pay raise for the Commission on Consumer Credit. The pay raise went into effect October 1, 2006.

Office of State Finance

Notable Achievements

- *Successfully installed a back-up generator at the Tulsa office building that will power the telephone system in emergencies.*
- *Expanded information technology services to other agencies. We now provide firewall services to 40 agencies, local area network services to 76 agencies and PC and server services to 12 agencies and procurement services to 9 agencies.*
- *Conducted a statewide standard security risk assessment as required by HB 2935.*
- *Collaborated with Oklahoma Office of Homeland Security (OKOHS) to organize a statewide cyber security awareness program.*
- *Collaborated with the Oklahoma Computer Crime Alliance and OKOHS to develop and implement a Cyber Security Incident Reporting and Management system.*
- *Extended contract to audit past communications invoices, resulting in additional one-time refunds to state agencies of \$230,000. This is total one-time refunds of \$470,000 over two (2) years.*
- *Completed the conversion of all 40,000 state employees to the new central payroll system. The state now has an integrated human resources and payroll that will improve operating efficiency at the agency level and at OSF.*

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 Telecommunications Division.

The Division of Central Accounting and Reporting (DCAR)

DCAR reviews and processes claims for payroll and payments 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. The new general ledger is prepared on an accrual method of accounting which is generally the accepted accounting procedure. 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 the State Compliance Agency (SCA) for the State-Tribal Gaming Compacts. As such, OSF is responsible for working with the tribes to ensure compliance with the Compacts provisions and to ensure that the State is receiving the revenues required by the Compacts. Since January 27, 2005, 32 Tribal Compacts have been approved by the Secretary of the Interior and 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 to the Governor.

In addition, the Budget Division prepares revenue certification information for the Board of Equalization, which sets the appropriations limit for the Legislature. To ensure the State is able to make 100% allocations based on legislative appropriations, division personnel monitor collections to the General Revenue Fund and other funds authorized for expenditure.

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. The communications infrastructure includes 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 long-distance and local services for the majority of state agencies. Currently, ISD provides email support to 21 agencies and firewall support to 40 agencies.

Improving security for the network as well as implementing a disaster recovery plan is a priority for this division. ISD sets security guidelines and procedures for all agencies. OSF works with Homeland Security, the Federal Bureau of Investigation, and OSBI to continually evaluate the system and propose changes to improve IT security.

Communications Operations Reporting Enterprise (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, an enterprise resource

planning system, is a 7 year project that began in 2002.

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.

Phase I included the implementation of the financial and procurement module, the human resources and payrolls system, and the budget module. Phase II will be ready for all agencies by December of 2007 and includes asset management, contract management, an account receivable and bill module, the help desk module, and a module that will manage grants and projects. The total anticipated cost of CORE to the State is \$45.85 million.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$23,000
FY-2007 Bud. FTE Level	162.2
Actual Ave. YTD FTE	146.4
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>81</u>
FY-2008 Recommendation	\$23,081
% Change from FY-2007	0.35%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase

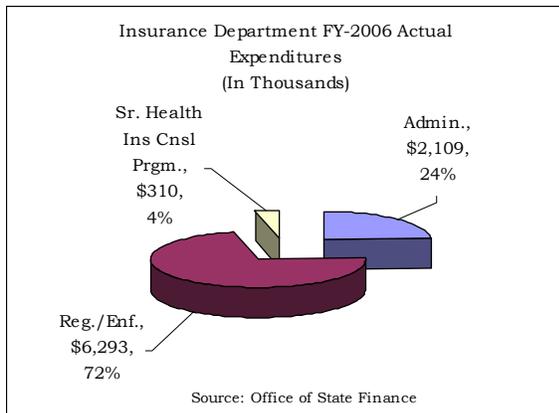
The Governor's budget includes \$81,230 to annualize the 5% state employee pay raise for the Office of State Finance. The pay raise went into effect October 1, 2006.

Insurance Department

Mission

The Insurance Department provides service, protection, education and oversight in insurance and related industries in Oklahoma.

The Department's major source of funding is revolving funds which consist mostly of fees collected for various licenses. Of the Department's FY-2006 actual funding, 72% was by way of revolving funds. The following graph shows how the Department used its funds for FY-2006.



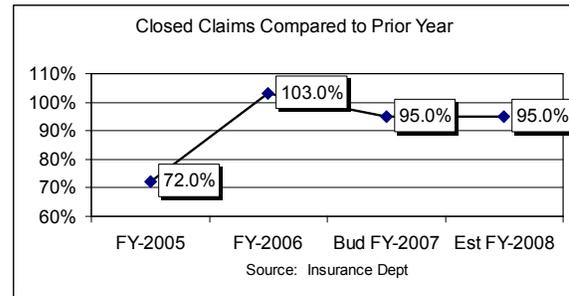
The Department regulates insurance agents, real estate appraisers and bail bondsmen.

Entities Regulated by the Insurance Department					
	FY-04	FY-05	FY-06	Bud. FY 07	Est. FY-08
Insurance Agents	73,000	64,000	86,855	70,000	76,000
Real Est Appraisers	1,739	1,685	1,522	1,596	1,416
Bail Bondsmen	542	542	557	572	587

Source: Oklahoma Insurance Department

The following graph shows the progress in closing consumer claims against entities that the Department regulates by comparing the number of cases closed with that of the prior year.

Key Performance Measure



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.

HMO Regulation

The Insurance Department is responsible for regulating all HMOs that operate in the state of Oklahoma.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,445
FY-2007 Bud. FTE Level	153.0
Actual Ave. YTD FTE	132.4
Funding Adjustments:	
State Employee Pay Raise	<u>71</u>
FY-2008 Recommendation	\$2,516
% Change from FY-2007	2.90%
<small>Source: Office of State Finance</small>	

The FY-2008 appropriation for the Insurance Department is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$71,087 to annualize the 5% state employee pay raise for the Insurance Department. The pay raise went into effect October 1, 2006.

Commissioners of the Land Office (CLO)

Notable Achievements

- *During FY- 2006 the CLO purchased approximately 758 acres in Marshall County including the Texoma Lodge, the Chickasaw Pointe Golf Course, and the Old Texoma Golf course. The CLO was authorized to make the purchase as an investment by the legislature during the 2004 legislative session. The Commission prepared a request for proposal that was distributed to developers across the nation. The developers were asked to present their vision for the property.*

The property will be sold to the winning developer and the proceeds will become a part of the Permanent Trust Fund. The project will reap a handsome return on investment for the school children of the state and the winning bidder will create a first class resort area that all Oklahomans can be proud of. In addition, the construction and the increase in tourism that the project will provide will have a significant economic impact for Southeastern Oklahoma.

- *Income from the mineral estate increased from approximately \$49 million dollars in 2005 to approximately \$66 million dollars in 2006 due to increased energy prices. The CLO purchases natural gas on behalf of 62 participating state institutions, facilities and universities. Over the past three years, this program has saved participating institutions over \$1 million per year on their cost of natural gas.*
- *Over the last 16 years, the audits completed by the Audit Division have resulted in additional royalties to the trusts of \$14.1 million, with last year's total royalties being \$1.2 million. Direct interest disbursements to the Trust beneficiaries of \$10.7 million.*

Mission

In 1890, the United States Congress passed the Organic Act creating the Oklahoma Territory and establishing the School Land Trust.

The Federal Government set aside over 3 million acres and granted \$5 million to ensure that public education would always have a financial base. The State Constitution requires 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."

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.

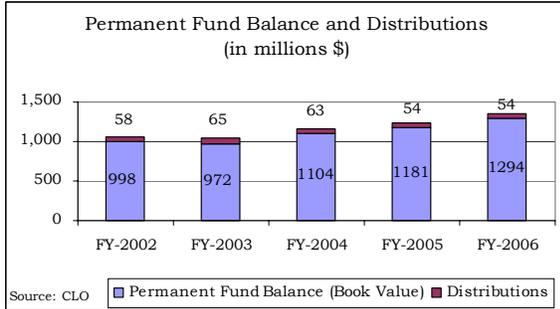
The Trust beneficiaries are all common education institutions and the following colleges and universities:

- 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.

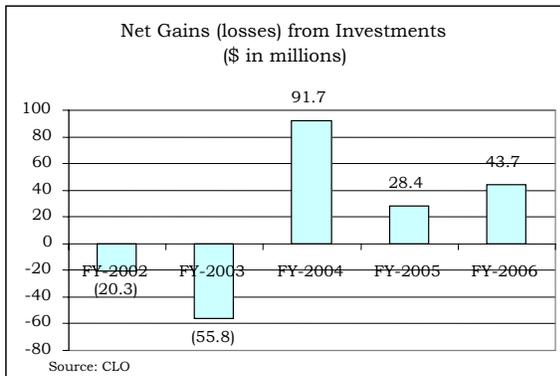
Five ex officio members constitute the CLO board: the Governor, Lieutenant Governor, State Auditor and Inspector, Superintendent of Public Instruction, and the President of the Board of Agriculture.

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 \$10 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, 2006
(Unaudited)

TRUST FUND	ORIGINAL	LAND ACQUIRED	TOTAL ACRES
	GRANT LAND	BY FORECLOSURE	OWNED
Common School	326,081.57	40,895.52	366,977.09
State Education Institutions	75,690.72	6,726.43	82,417.15
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
Total Acres Owned	693,214.04	51,077.56	744,291.60

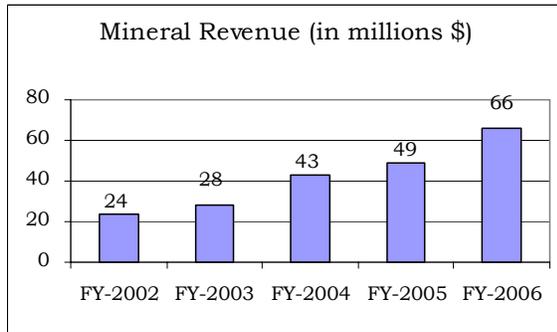
Source: CLO

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 5,000 oil and gas wells and administration of approximately 6,100 leases. Income from the mineral estate in FY-2006 was approximately \$66 million. Income from

the fund is deposited in the Permanent Trust. In FY-2006, 260 wells were drilled on CLO property. The chart below depicts mineral revenue for the past five fiscal years.

Key Performance Measure



Gas Marketing Program

The CLO purchases natural gas on behalf of 62 state entities. Various strategies are employed to purchase natural gas at a cheaper rate than the local utility. This goal has been achieved with savings in excess of one million dollars in each of the past two fiscal years. The program tries to provide protection from pricing volatility.

The CLO evaluates agency needs and usage on a daily basis, then buys 75% -80% of that need and provides it to agencies daily. Oklahoma Natural Gas provides the infrastructure for the delivery to the individual facilities, and the CLO uses major transmission lines from numerous other companies. The CLO contracts with a provider to purchase the gas, then transports it to each one of the facilities based on the daily estimated need. The Office of State Finance allows the CLO to operate with a credit account, making the CLO a billing agent for the agencies receiving the gas.

Investments

The Investment Division is responsible for overseeing the investment portfolio portion of the trust. This portfolio started with the \$5 million compensation from the Federal Government for Indian lands. Each year the realized and unrealized capital gains

from the various bond and equity investments increase the portfolio. As of June 30, 2006, the portfolio had a fair market value of \$1.36 billion. During FY-2006, the portfolio had capital gains of \$26 million.

The trust is also increased by other income producing efforts of the Investment Division. Security lending produced approximately \$400,000.

The interest and dividends from the investment portfolio are distributed to the Trust beneficiaries each year. Distributions of dividends and interest of almost \$51 million were made during FY-2006.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,829
FY-2007 Bud. FTE Level	58.0
Actual Ave. YTD FTE	55.3
Funding Adjustments:	
State Employee Pay Increase	<u>36</u>
FY-2008 Recommendation	\$4,865
% Change from FY-2007	0.75%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase

The Governor's budget includes \$36,346 to annualize the 5% pay raise for the CLO. The pay raise went into effect October 1, 2006.

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.

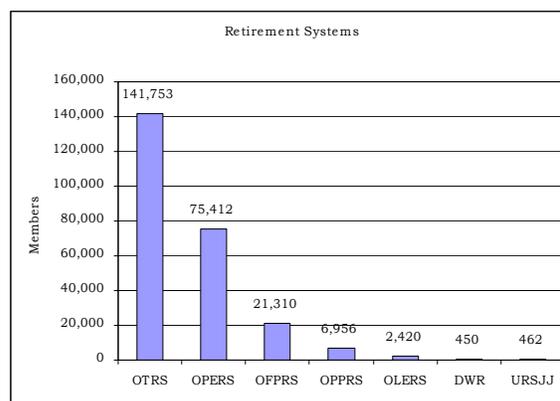
There are two main types of plans in the system. OPPRS, OFPRS and OLERS are referred to as “twenty and out” plans. Additionally, within the structure of OPERS a “twenty and out” plan is maintained for correctional officers, probation and parole officers and fugitive apprehension officers in the Department 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 safety 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.



One measure of the 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.

OTRS’s large relative size is a concern because the system carries an Unfunded Actuarial Accrued Liability (UAAL) of approximately \$7.6 billion. UAAL reflects the excess amount of liability to provide benefits 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.

The simplest way to understand the health of any retirement system is to view its funded ratio, which is a ratio of debt to assets. The term fully-funded applies to a retirement system in which contributions are sufficient to pay for the benefits of existing and new employees.

	2002	2003	2004	2005	2006
OTRS	51.4%	54.0%	47.3%	49.5%	49.3%
OPERS	79.8%	76.8%	76.1%	72.0%	71.4%
OFPRS	78.4%	76.9%	66.0%	63.7%	58.5%
OPPRS	88.1%	84.5%	81.1%	78.6%	78.0%
OLERS	90.2%	87.7%	87.6%	84.0%	84.4%
URSJJ	148.2%	139.9%	121.0%	108.7%	102.5%
DWR	94.0%	90.7%	86.0%	81.4%	80.4%

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 through FY-2009 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.

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.

	FY-2006		FY-2007		FY-2008 - FY-2009		FY-2010 and later	
	%	\$ millions	%	\$ millions	%	\$ millions	%	\$ millions
OFPRS	41.70%	\$60.47	41.70%	\$62.55	41.70%	\$58.38	34.00%	\$47.60
OPPRS	17.00%	\$24.65	17.00%	\$25.50	17.00%	\$23.80	14.00%	\$19.60
OLERS	6.10%	\$8.85	6.10%	\$9.15	6.10%	\$8.54	5.00%	\$7.00
GRF	35.20%	\$51.04	35.20%	\$52.80	35.20%	\$49.28	47.00%	\$65.80
HB1017	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00		
Total		\$145.00		\$150.00		\$140.00		\$140.00

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	16,795
OPERS	14,379
OFPRS	
Paid	26,467
Volunteer	1,681
OPPRS	28,010
OLERS	30,391
DRW	26,511
URSJJ	56,560

*Avg. benefit includes service retirees only.
Source: FY-2006 Actuarial and Financial Reports

Oklahoma Public Employees Retirement System (OPERS)

Notable Achievements

- *Government Finance Officers Association (GFOA) has recognized OPERS for outstanding achievement in financial reporting for eight years in a row.*
- *Investment returns consistently exceed benchmarks.*
- *Improved customer service by distributing annual statements to vested members and enhanced information on annual statements to active members.*
- *Introduced a "Benefit Estimator" to the agency website.*

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			
	2004	2005	2006
State Agencies	119	121	123
County Governments	75	75	75
Local Towns and Cities	28	28	28
Other Local Gov. Units	38	42	45
Total	260	266	271

Source: OPERS Financial Statements, June 30, 2004, 2005, and 2006

Contribution Rates

Effective July 1, 2006, the state, county and local agency employer contribution rates increase as follows:

State agency employer contribution rates increased by 1.0% from 11.5% to 12.5% for FY 2007 and will increase 1.0% each year thereafter until it reaches 16.5% in FY 2011.

- Employee contributions for most state employees are now a level 3.5% of salary; and
- The combined employee and employer contribution rate for county and local agencies increased by 1.0% to 16% in FY 2007 and will increase 1.0% each year thereafter until it reaches 20% in FY 2011.

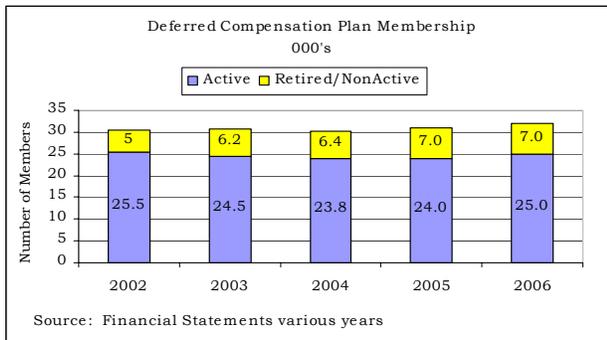
OPERS' Funded Status

The funded ratio of OPERS has been in a steady decline since 1998. It has gone from a funded ratio of 91% that year down to 71.4% at the end of FY 2006. The total "required contribution rate" is now 26% of salaries while the System is only projected to take in 16% of salaries in employer and employee contributions in the coming fiscal year. The employer contribution rate is 12.5% of salary for FY 2007 and increases to only 13.5% in FY 2008. Without increasing contribution rates or finding a dedicated revenue source, OPERS will remain an under funded retirement system.

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. The 403(b) is a tax deferred retirement plan available to employees of educational institutions and certain non-profit organizations. Contributions and investment earnings grow tax deferred until withdrawal (assumed to be retirement), at which time they are taxed as ordinary income.

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 employee contributions that are payroll deducted. Members must contribute a minimum of \$25 per month. The net assets available for plan benefits as of June 30, 2006, totaled \$395.6 million, which is an increase of \$40.8 million over the previous year. Deferred compensation plan contributions increased by \$2.4 million, primarily due to an increase in the number of active 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.

	\$ million	%
Large Cap equity	91.2	23.1
Stable Value	130.3	33
Small-Cap equity	40.2	10.2
Mid-Cap equity	54.7	13.9
Bond	23.9	6
International equity	37.8	9.6
Balanced	13.9	3.5
Other	2.5	0.7
Total	\$394.50	100.00%

Source: Deferred Compensation Plan Financial Statements June 30, 2005 and 2004

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.

Savings Incentive Plan

In the deferred savings incentive plan, agencies contribute \$25 per month for their employees who are contributing to the deferred compensation plan. The net assets available for plan benefits as of June 30, 2006 totaled \$97.1 million with 31,800 participants.

Individual members choose the types of investments. Investment choices employees make for the deferred savings incentive plan are not necessarily the same as the deferred compensation plan. The investment options are the same for each plan, with the exception of the self-directed brokerage option that is available in the deferred compensation plan only.

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 market value of assets was \$213.7 million as of June 30, 2006, an increase of \$8 million. Benefit payments and administrative expenses were \$8.1 million. The system collected \$2.8 million in employee and employer contributions. Increasing deductions and decreasing investment returns point toward future funding issues for the system.

	\$ millions			
	2003	2004	2005	2006
Member contributions	1.8	1.8	1.7	2.0
Court employer contributions	0.5	0.5	0.5	0.8
Net investment income (loss)	10.8	20.5	19.4	13.3
Total Additions	13.1	22.8	21.6	16.1
Benefits	6.0	6.5	7.4	8.0
Refunds and withdrawals	0.1	0.1	0.1	0.1
Administrative expenses	0.1	0.1	0.1	0.1
Total Deductions	6.2	6.7	7.6	8.1
Total Changes in Plan Net Assets	6.9	16.1	14.0	8.0

Source: URSJJ, "Financial Statements, 2003 - 2006"

The funded ratio of the URSJJ has fallen dramatically from 148.2% at the end of FY 2002 to 102.5% at the end of FY 2006. The total "required contribution" is now \$7.9 million while the System is only projected to take in \$2.7 million in the coming fiscal year. The employer contribution rate is only 4% of salary for FY 2007 and increases to only 5% in FY 2008. Without increasing contribution rates, the URSJJ is headed toward a funded ratio of below 100% in the very near future.

As of July 1, 2006, the average annual benefit paid to retirees and their surviving spouses was \$46,473. The average annual benefit for retired members was \$56,560. The combined average benefit for retirees and their beneficiaries (surviving spouses) is less because beneficiaries receive a fractional part of the retiree's benefit.

Teachers Retirement System (OTRS)

Notable Achievements

- Investment returns were 9.4% for year ending June 30, 2006. This ranks in top 21% of 90 public pension plans according to the Oklahoma State Pension Commission.
- Received Government Finance Officers Association's (GFOA) certificate for twelfth straight year.
- Internal cash management earned the System over \$3.5 million (over \$550 thousand over exclusively using the custodian). The system's securities lending and commission recapture programs netted \$3.3 million and \$988

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 141,753 members and net assets of \$7.8 billion as of June 30, 2006. As of June 30, 2006, only 49.3% of OTRS actuarial liabilities were covered by the actuarial value of its assets. The funding period decreased to 37.4 years.

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-04	3.75%
FY-05	4.00%
FY-06	4.50%
FY-07	5.00%
FY-08	5.00%

Source: Title 68, §1353,1403,2352

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.

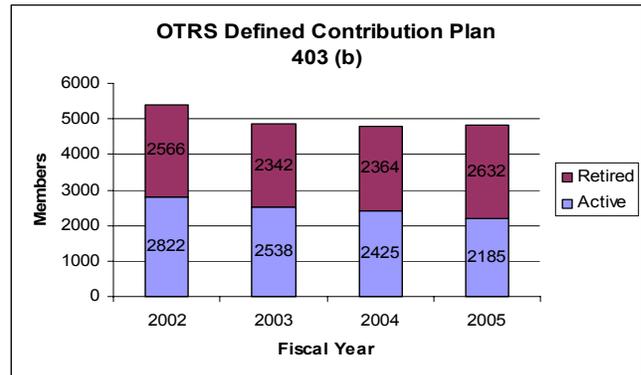
Tax-Sheltered Annuity Plan

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 \$303

million at the end of FY-2005 compared to \$285 million at the end of FY-2004.

Even though this 403(b) defined contribution plan is offered to local education employees, relatively few take advantage of the opportunity.



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	4,141
Retired	1,951
Beneficiaries	453
Disabled	144
DROP	187
Vested	80
Total	6,956

Source: OPPRS 7/2006

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 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.

OLERS Membership Data		
Agency	Active	Retired
ABLE	22	27
OSBI	143	70
OSBN	53	32
Board of Pharmacy	1	4
Tourism	50	51
DPS	934	960
Quartz Mt.	2	1
OU	39	0
OSU	25	0
Grand River Dam	6	0
Total Members	1,275	1,145

Source: OLERS 01/07

Department of Wildlife Retirement Plan (DWR)

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 315 active participants and 163 retired and inactive participants. It has a funded ratio of 80.4%. 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. The Department has increased the annual contribution to 2.8 million based on the actuarial valuation report. Employees contribute 3% of salary. The vesting period is 10 years.

Retirement Systems - Number of Members and Employee Contribution Amounts							
Plan Year Ending 6/30/2006 (\$ in 000's)							
	OPERS	URSJJ	OTRS	OPPRS	OFPRS	OLERS	DWR
Active members	45,472	272	87,194	4,141	11,409	1,170	315
Retired Members*	24,372	180	41,782	1,951	5,223	775	117
Vested Members	52,254	10	6,171	80	1,070	26	18
Deferred Option Plan (DROP)	-	-	-	187	1,667	105	-
Employee Contribution %:							
State-not elected	3.0% to 6.4%	8.00%	7.00%	8%	8%	8&	3%
State-elected	4.5% to 10%	-	4.50%	-	-	-	-
Hazardous Duty	8	-	-	-	-	-	-
County & Local	3.5% to 11.41%	5.00%	7.1%	12.60%	12.9%**	10.50%	-
Employee Contribution \$:	\$55,989	\$1,717	\$248,961	\$16,335	\$16,337	\$4,569	\$397
Actuarial Value of Assets	\$5,654,276	\$210,376	\$7,470,434	\$1,490,280	\$1,546,486	\$651,671	\$61,800
Actuarial Accrued Liability	\$7,914,658	\$205,305	\$15,143,358	\$1,914,697	\$2,666,306	\$772,269	\$76,800
* Includes regular retirees and disabled retirees as well as beneficiaries and spouses							
** Volunteers receive 0%							
Source: Annual Financial Reports, Actuarial Reports as of July 1, 2006							

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	FY-2004	FY-2005
Broker-Dealers	1,734	1,707	1,649	1,633	1,655
Adviser	659	718	788	836	922
Individuals					
Broker-Dealer Agents	74,022	69,366	65,243	67,844	70,980
Adviser Reps.	5,427	5,856	7,409	7,600	6,784
Securities Issuer Agents	118	107	107	104	124

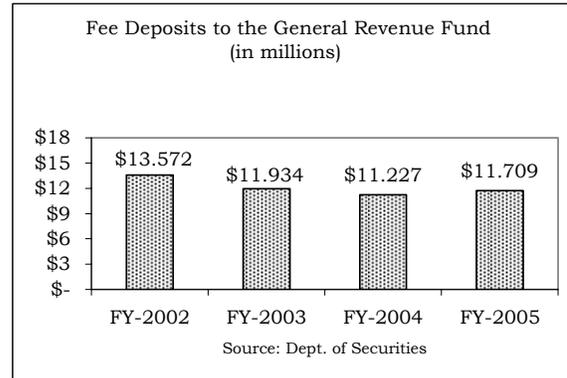
Source: Securities Commission

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 \$11.709 million to the General Revenue Fund in FY-2005. This amount was 76% of a total of \$15.530 million in fees collected by the Securities Commission for FY-2005. The Commission plans to deposit

\$11.708 million into the General Revenue Fund for FY-2006.

Below is a chart which shows total deposits made by the Securities Commission to the General Revenue Fund since FY-2001.



Oklahoma Tax Commission (OTC)

Notable Achievements

- Implemented use of an outsourcing firm to collect income and business tax, which provided for a 59% increased (\$19 million to \$30.2 million) in collections from FY-1999 to FY-2006.
- Introduced an on-line business tax filing system that has grown from 81,324 annual filings in FY-2003 to 481,924 annual filings in FY-2006. Each of these on-line filings decreases the agency's costs and increases the efficiency of our existing staff.
- The Commission has seen a 236% increase (226,000 to 759,396) in on-line income tax return filers from FY-2000 to FY-2006. This system increases the agency's efficiency by eliminating in-house data entry and the time and errors inherent in the manual data entry process.
- Since inception in FY-2000 through FY-2006, the Professional Licensing and State Employee Compliance efforts have collected 78 million from delinquent license holders. In FY-2006 collections totaled over 10 million.
- Renovation of the OTC's One-Stop Center in the Connors Building was completed in May 2006.
- The agency's compliance and enforcement efforts of Oklahoma's cigarette and tobacco tax laws was significantly augmented by the addition of staff in both office and field audit. Over \$17 million (in cigarette, tobacco products, sales, withholding, use and other tax types) has been assessed.
- The agency will be implementing its own imaging technology in Spring and Summer 2007. Over time, the agency will become almost paperless, with its work being routed through computer images instead of multitudes of paper. We will gain tremendous efficiencies and increased responsiveness to taxpayers

with the long-term implementation of this technology.

- A new mainframe was brought on-line in November 2006. This replaced an exceptionally old mainframe that was growing unsustainable. With this upgrade, taxpayer information will be much more secure.

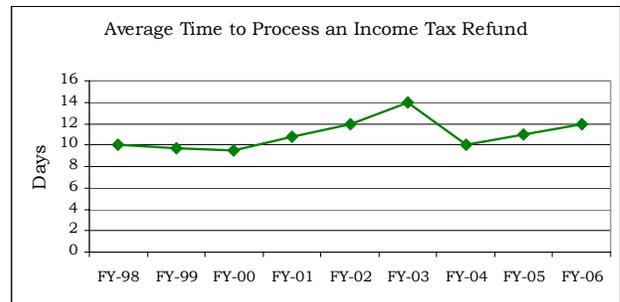
The primary responsibilities of the Tax Commission include the collection and distribution of approximately 75 different taxes, fees and licenses. The Commission allocates revenues to state funds and local government units, and collects and distributes local sales taxes levied by cities and towns in 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.

Key Performance Measure



Source: Oklahoma Tax Commission

Integrated Collections System

In 2004, the State provided \$7.1 million for the development of an integrated collections system. With full implementation of the system, the Tax Commission will link an individual or company and all of its tax types within one system. This system will enhance the collection of state revenues and provide time savings and efficiencies

for the Tax Commission. The project is ongoing through fiscal year 2007.

Professional License Compliance

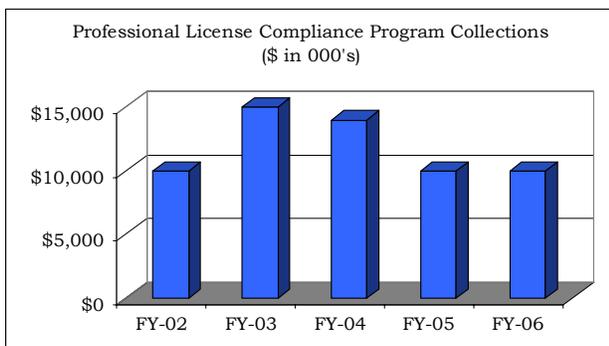
Effective July 1, 2000, legislation required OTC to review professional license applicants for income tax compliance. This tax review is conducted before a state license is issued. The Commission established a section, the Professional Licensing Compliance Unit, to assist taxpayers with this new law.

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

The graph below shows the collections from the Professional License Compliance Program through FY-2006.

Key Performance Measure



Source: Oklahoma Tax Commission

Tobacco Enforcement

The Tax Commission has undertaken a variety of compliance and enforcement efforts in order to insure that all cigarette and tobacco taxes are being accurately reported and paid. These efforts include, but are not limited to:

- Assessed over \$359,000 on taxes owed but not paid from purchases of cigarette products over the internet since the project began in October 2005;
- Increased compliance and enforcement efforts of Oklahoma’s cigarette and tobacco tax laws with additional staff. Over \$17 million (in cigarette, tobacco products, sales, withholding, use and other tax types) has been assessed in the last twelve months;
- Established a phone hotline in 2005 in which wholesalers may report violations of cigarette and tobacco laws. The OTC continues to use this resource as one of its primary ways to identify violators of the state’s tobacco laws;
- Conducted 10 statewide compliance sweeps-to-date on retail establishments with approximately 5,900 visits resulting in 473 confiscations of cigarette and tobacco products (8% of all visits);
- Conducted compliance sweeps on several Cigarette & Tobacco wholesale businesses located in Oklahoma that have resulted in confiscation of cigarette and tobacco products that are over \$257,000 in retail value; and
- Continued daily routine compliance inspection.

Customer Service Center

Construction to renovate the first floor of the Connors building for the Tax Commission’s one-stop customer service center is complete. The project added 12 customer service stations and additional personnel to the first floor. Seating and private consultation areas have also been

added to provide a more comfortable and discreet environment. Now that the renovation is complete, taxpayers will no longer have to shuttle between different locations to do business with the Tax Commission.

The Tax Commission is working with the Secretary of State to determine if business services provided by the Secretary of State's offices can be co-located to Tax Commission's new service center.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$47,712
FY-2007 Bud. FTE Level	935.0
Actual Ave. YTD FTE	916.6
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>490</u>
FY-2008 Recommendation	\$48,201
% Change from FY-2007	1.03%
Source: Office of State Finance	

Annualize State Employee Pay Increase

The Governor's budget includes \$489,736 to annualize the 5% state employee pay raise for the Tax Commission. The pay raise went into effect October 1, 2006.

Ad Valorem Reimbursement

The Governor's budget includes \$35.7 million in a capital bond issue to fund the backlog of unpaid reimbursements of the Ad Valorem revenue lost to schools and counties from the Five Year Manufacturing Exemption.

State Treasurer

Notable Achievements

- *Increased interest earnings of \$49.7 million or 102.5% more than the previous year through improved funds management procedures implemented during FY-2006. The growth in investment income is expected to continue as earnings are projected at \$111 million in FY 2007 and \$142 million in FY 2008;*
- *Increased the state's revenue split from 75% to 85% with a new master custody/securities lending contract which will result in additional securities lending revenues to the state of \$1.25 million over the life of the contract;*
- *Saved Oklahoma state agencies \$1.5 million in discount fees over the life of the new merchant credit card processing contract;*
- *Implemented on-line securities trading system that will allow all brokers registered with the Treasurer's Office to bid on every U.S. Treasury security the Treasurer buys or sells. This system replaces a telephone based system and insures the most competitive pricing available. Phase II of the new system will include a similar on-line process for U.S. Agency Securities;*
- *Implemented the Rural Housing Link program in 2005 to provide low-interest loans to builders and developers to build affordable housing in rural areas of Oklahoma;*
- *Implemented the new PayCard service for state employees who do not have bank accounts or prefer to not use their own bank account for direct deposit of their pay. National figures show savings in excess of \$1.00 per paper paycheck converted to direct deposit. Once fully implemented, annual savings to the state will be approximately \$250,000;*
- *Partnering with Washington University in St. Louis to study the effectiveness of matching grants in encouraging low to moderate income households to save for a child's education. Two million dollars*

in grant funds will be deposited in state-owned accounts as seed money for the program.

- *Negotiated new contracts for the Oklahoma Tobacco Settlement Endowment Trust Fund which will save approximately \$3.3 million over the next five years.*

Mission

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 57,892 claims and 1,650,000 searches online. There have been over 20,558 paid claims initiated via the Internet.

	FY-2005	FY-2006	FY-2007 Est.
Net Collections	\$35,867	\$39,984	\$35,000
# of Claims Paid	10,816	16,458	12,000
\$ Claims Paid (in 000's)	\$11,879	\$12,401	\$12,600
% claims initiated on-line	61%	61%	65%
# of New Names Published	70,511	60,000	65,000

Source: State Treasurer's Office

Rural and Affordable Housing Linked Deposit Program

This program provides low interest loans of up to \$2 million each to qualified housing developers and contractors encouraging them to build single and multi-family housing in rural and underserved communities. 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. The first Rural and Affordable Housing Linked Deposit loan was made in July 2005.

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.

	FY-2005	FY-2006	FY-2007 Est.
Funded Participants	2	7	12
Amount Funded	\$199	\$1,352	\$2,500
Jobs Saved	20.5	30	50

Source: State Treasurer's Office

The Agricultural Linked Deposit

This program provides low interest 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.

	FY-2005	FY-2006	FY-2007 Est.
Funded Participants	45	113	160
Amount Funded	\$10,188	\$26,409	\$40,000

Source: State Treasurer's Office

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. Recently, OST negotiated a new securities lending contract. As a result, the state's earnings split improved from 75:25 to 85:15 allowing the state to keep more earnings. Under the new contract, the State will receive additional securities lending revenues of \$1.25 million over the life of the contract.

College Savings Plan

The Oklahoma College Savings Plan offers families the opportunity to plan and save for higher education expenses. There are several advantages:

- Oklahoma residents are eligible for an annual state income tax deduction of up to \$10,000 per taxpayer, \$20,000 per joint filing taxpayers;
- 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 32,000 Oklahomans have opened College Savings Plan accounts totaling \$219 million in assets. Every other state offers a similar college savings plan.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,633
FY-2007 Bud. FTE Level	76.0
Actual Ave. YTD FTE	70.1
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>36</u>
FY-2008 Recommendation	\$4,669
% Change from FY-2007	0.78%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase

The Governor's budget includes \$36,066 to annualize the 5% state employee pay raise for the Treasurer's Office. The pay raise went into effect October 1, 2006.

Oklahoma Lottery Commission

Passed by the Legislature in 2003, the Oklahoma Education Lottery Act created the Oklahoma Lottery Commission contingent upon approval by voters in 2004. When State Questions 705 and 706 were approved, the Commission became an official body responsible for operating and managing the Oklahoma Education Lottery. The Commission is governed by a seven member Board of Trustees appointed by the Governor.

The Lottery Commission does not receive any state funding. Proceeds from the lottery are used to fund the Commission's operating costs. However, in FY-05, the State did appropriate one-time funding of \$500,000 to cover costs associated with starting the lottery.

The Oklahoma Health Care Authority

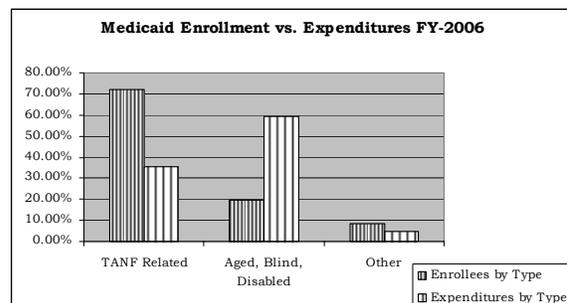
Notable Achievements

- Governor Henry's Premium Assistance Program begins** *The first phase of the Oklahoma Employer/employee Partnership for Insurance Coverage began making affordable health insurance available during FY-2006. The program is designed to help small employers and working adults to obtain health insurance with state and federal subsidies. This program has been organized under the Federal Health Insurance Flexibility and Accountability (HIFA) Act. During the 2006 Legislative Session, the Governor recommended the this program be expanded from employers of 25 or fewer employees to employers with up to 50 employees.*
- TEFRA implemented** *In October, 2005, the Oklahoma Health Care Authority (OHCA) began enrollment for the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). During FY-2006, 80 disabled children have been covered with Medicaid services under this program.*
- Family Planning Services Implemented** *During FY-2006, OHCA extended enrollment to nearly 30 thousand enrollees for family planning services.*
- Breast and Cervical Cancer Treatment** *Over 6,000 women without insurance, with incomes below 185% of the Federal Poverty Level and in need of further diagnostic work or treatment for breast or cervical cancer received services in FY-2006.*
- Reimbursement Rates for medical providers increased** *With support of Governor Henry and the Legislature, OHCA invested an additional \$63 million state dollars to increase provider rates for children's services, other physicians and hospitals.*

- Disease Management** *Chronic disease management programs include self monitoring and patient education as ways to increase member involvement in and responsibility for their health status. Diabetes, asthma, hypertension and smoking cessation are all areas where disease management is in place or being developed.*

The appropriation to the Health Care Authority has grown from 6.74% of total appropriations in FY-2000 to 10.71% of total appropriations in FY-2007.

The following chart from OHCA's 2006 Annual Report shows Medicaid enrollment by categorical type compared to Medicaid expenditures by categorical type. It is significant that the Aged, Blind and Disabled category comprises only 20% of Medicaid recipients by type but accounts for 60% 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 212,000 more children enrolled in Medicaid as of June 30, 2005, than in November 1997.



As the chart above illustrates, a minority of Medicaid recipients account for the majority of expenditures. The TANF Related category consisting of pregnant women and children were 72% of the recipients in FY-2006 but accounted for only 36% 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 the uninsured population receiving healthcare services. Otherwise, they would join the ranks of the uninsured whose uncompensated care costs must be absorbed by our state hospitals. In FY-2006, 20.6% of Oklahomans were enrolled at some point in the year. This was up from 19.8% in FY-2005.

An important measure of access to preventive care is the number of “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 48.6% in FY-2004 to 54.7% during FY-2005 (the most recent year for which data is available).

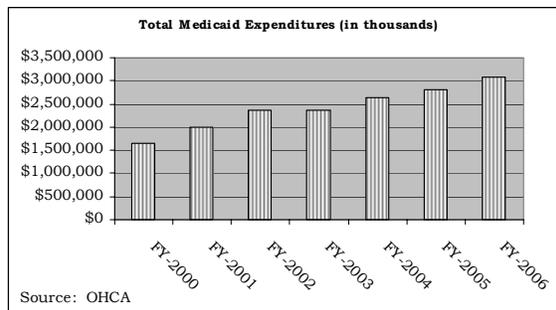
Among adolescents the percentage of Medicaid enrollees who attended a well child visit increased from 23.8% in FY-2004 to 29.5% in FY-2005. The percentage of Medicaid children ages 7 to 11 who had a visit with their primary care physician has risen to just above 80% in recent years.

The percentage of Medicaid enrolled children who have received up-to-date immunizations was 72% 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-2006. Both delivery systems pay private health care providers to deliver services to Medicaid recipients. One delivery system is the traditional fee-for-service system. The other is the SoonerCare Choice program which is a managed care program providing “capped” payments to physicians for basic services and patient management 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.

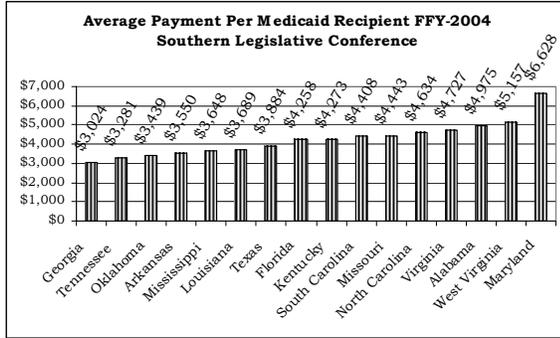
Economic Impact and Cost Drivers

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. Based on the Federal Fiscal Year 2006 matching rate, Medicaid imported federal dollars into Oklahoma at a rate of 2.12:1. Health care businesses, in turn, have an additional impact through the purchases of technology, and services. The \$3.1 billion in Medicaid expenditures for FY-2006 is estimated to have supported 112,516 direct and indirect jobs within the health care industry and \$2.6 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. Only Tennessee and Georgia had lower average per recipient payments in Federal Fiscal Year 2004 than Oklahoma.



Enrollment, Utilization and Covered Services

Other cost drivers for health care 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-2008 Recommendation

FY-2008 Appropriation

(amounts in thousands)

FY-2007 Appropriation	\$701,964
FY-2007 Bud. FTE Level	423.3
Actual Ave. YTD FTE	379.7
Funding Adjustments:	
Annualizations	
Change in FMAP	19,997
Medicare Part A& B Premiums	2,064
Medicare Rx Drug Phase-down state contribution	621
Hospital Rate Increase	13,362
Annualize State Employee Pay Increase	111
Maintenance	
Enrollment/Utilization Growth (2.1%)	17,500
Fiscal Agent Contract Increase	375
Medicare Part A& B Premiums FY-2008	1,033
ER Utilization Program Savings	(979)
Rebate on J-code Prescriptions	(1,648)
Other Increases	
Cover Children to 300% of Federal Poverty Level	8,576
Total Adjustments	61,012
FY-2008 Recommendation	\$762,976
% Change from FY-2007	8.69%

Source: Office of State Finance

The Governor's budget includes funding for the FY-2008 Medicaid program costs in the categories of annualization, maintenance and other increases. Annualization is for the cost of full year funding, maintenance is primarily growth in enrollment and utilization in services and pharmacy and other increases represent the cost of any other specific spending recommendations.

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. This budget provides \$19,997,178 to fund the annualization (3 months) of the FMAP change from 68.14 % to 67.10%.

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 state dollar cost to annualize these premiums for FY-2008 is \$2,063,727.

Hospital Rate Increase

The Governor's Budget includes \$13,362,086 to annualize the FY-2008 cost of the hospital rate increase which went into effect for the last half of FY-2007.

Medicare Prescription Drug Phased-down State Contribution

Also known as the "clawback" provision of the Medicare Part D Prescription Drug program, this state payment to CMS is intended to help pay for the cost of prescription drugs for "dual eligibles", those eligible for both Medicaid and Medicare. These payments help to offset the cost of prescription drugs for the dual eligible population because that cost has now moved from the Medicaid program to the Medicare program. The annualized cost of this state payment is \$621,485 for state FY-2008.

Annualize State Employee Pay Increase

The Governor's budget includes \$110,986 to annualize the 5% state employee pay raise for the Oklahoma Health Care Authority. The pay raise went into effect Oct. 1, 2006.

Maintenance

FY-2008 Enrollment Growth and Utilization Increase

The Governor's budget includes \$17,500,000 to meet expenses associated with increased Medicaid enrollees and the services they are expected to access during FY-2008. The growth rate for increased enrollment and utilization is funded at approximately 2.1%.

FY-2008 Coverage for Medicaid Recipients in Long Term Care

Medicare Part A & B premiums for FY-2008 are funded at \$1,032,844.

Other Proposed Increases

Expand Medicaid Eligibility for Children

The Governor's budget includes funding of \$8,576,048 to fund the expansion of Medicaid coverage to all children up to 300% of the Federal Poverty Level. This state dollar investment and the higher federal match rate through the SCHIP program (about 77%) will result in over \$30 million in federal dollars.

Capital Spending Proposal

The Governor's budget proposes including \$15 million in a capital bond issue to build a new administration building for OHCA.

The Department of Health

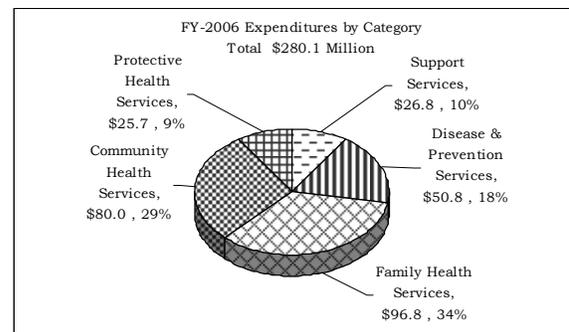
Notable Achievements

- Governor Henry makes Department of Health lead agency for Strong and Healthy Oklahoma Initiative** The Commissioner of Health appointed a State Nutrition and Physical Activity director and Women, Infant and Children program provided \$100,000 worth of mini-grants to 20 local community Turning Point coalitions to fund fitness and nutrition education projects.
- Consumption of cigarettes in Oklahoma down 13% since 2004** This statistic from the Oklahoma Tax Commission shows that increasing the tax on tobacco products does result in decreases use and an ultimately more healthy population. At the current rate, Oklahoma will soon have more former smokers than current smokers.
- Smokefree restaurants** On March 1, 2006, all Oklahoma restaurants became either smokefree or smokefree except for specially equipped smoking rooms. This was the final phase in the implementation of the 2003 Oklahoma Clean Air Act.
- Oklahoma top-ranked state in readiness for terrorism or catastrophic health event** The Trust for America's Health annual report, "Ready or Not: Protecting the Public's Health from Diseases, Disasters and Bioterrorism", listed Oklahoma as the best prepared state in the nation.
- Infant mortality rate down for infants born to mothers in the Children First program** The report, released in May, 2006, and based on data from 1997 - 2004 shows 3.4 infant deaths per 1,000 live births for mothers in the program compared to 8.2 infant deaths per 1,000 live first-time births for the state. The national infant mortality rate is 7.0 infant deaths per 1,000 live births.

Mission

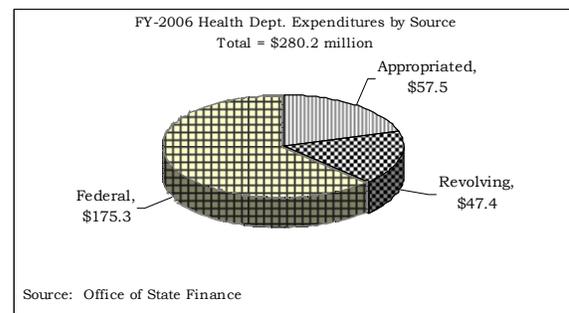
The mission of the Department of Health is to promote, protect and improve the health of all Oklahomans through strategies that focus on preventing disease and injuries. Local health service delivery is accomplished by approximately 2,223 employees located at 69 county health departments throughout the state.

Poor health behaviors and lifestyle choices by Oklahomans pose a significant challenge for the Department when seeking ways to improve the public's health outcomes.



Funding

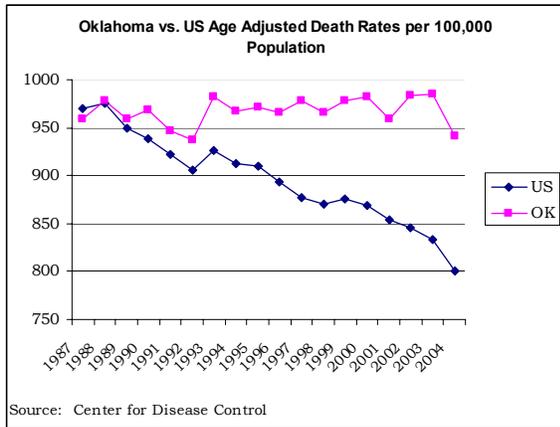
The three sources of funding for public health programs are appropriations, revolving funds and federal funds. The following pie chart shows FY-2006 expenditures by funding source. Note that approximately 40% of the federal funding portion, about \$70 million, is for the Women, Infants and Children (WIC) 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 late nineteen eighties and has continued to climb while the national average has dropped. In 2004 the most recent year for which data are available, there were 940.6 deaths per 100,000 people in Oklahoma, but the average for the U.S. was 800.8 deaths per 100,000 people. Oklahoma ranks 47 on this outcome measure meaning that there are only three states with worse outcomes.



In United Health Foundation’s State Health Rankings, 2006 edition, Oklahoma ranks 44th in overall health status among all states. This is the same ranking as in 2005. Our highest rank in recent years was 40th in the 2004 report. In 1990, Oklahoma ranked 31st 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

health risk factors contributing to this status are:

Health Risk Factors - Oklahoma Rankings	Measurement Data		Rankings	
	2006	2005	2006	2005
Percent Smokers in Population	25.1%	26.0%	46	47
Motor Vehicle Deaths per 100,000 Miles Driven	1.7	1.7	33	32
Percent of Population which is Obese	26.8%	24.8%	38	37
Percent Ninth Graders Graduating High School	76.0%	76.0%	24	22

Trauma Care Fund

New funding sources, including increased fines and fees and the earmarked funds from the increased tobacco tax have helped close the gap between the uncompensated trauma care claims by hospitals and the amount which was previously available to disburse from the fund. Increases in funds going into the Uncompensated Trauma Care Fund resulted in a December 2005 distribution of \$7.3 million in funds toward \$15.5 million in qualified claims. This payment included the first reimbursements from the fund for doctors who provide uncompensated treatment to trauma patients.

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.

The comprehensive trauma care system components which are currently in place or in process include:

- Regional transfer protocols which clarify that patients are transported to the nearest hospital specified to handle their level of injury;
- Eight trauma regions have been established across the state;

- Two trauma triage transfers centers have been established, one in Tulsa and one in Oklahoma City to manage transfers to tertiary care;
- 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)

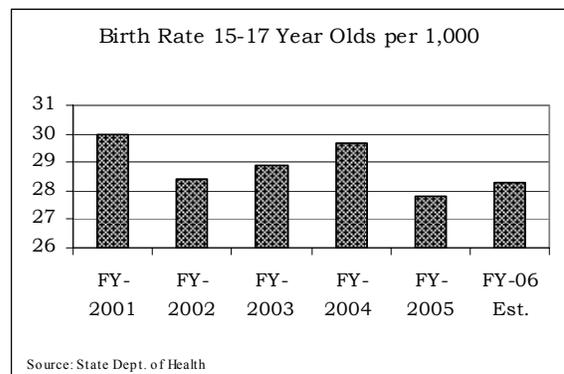
WIC is a federally funded program that provides nutritional education and coupons for selected items to pregnant women and children less than 5 years old.

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-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$71,234
Inst. For Disaster and Emer. Medicine	(\$3,000)
FY-2007 Base	\$68,234
FY-2007 Bud. FTE Level	2,397.0
Actual Ave. YTD FTE	2,326.8
Funding Adjustments:	
Annualize State Employee Pay Increase	593
HPV Vaccine	500
Total Adjustments	1,093
FY-2008 Recommendation	\$69,327
% Change from FY-2007	1.60%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$592,622 to annualize the 5% state employee pay raise for Department of Health. The pay raise went into effect October 1, 2006.

HPV Vaccine

The Governor's budget includes \$500,000 for the purchase of Human Papillomavirus Vaccine. This will purchase enough vaccine to immunize over 1,600 women in the target age group of 9 to 26 years.

Department of Mental Health and Substance Abuse Services

Notable Achievements

- Drug Court Expansion** During FY-2006 the Oklahoma Department of Mental Health and Substance Abuse Services began a historic \$16 million statewide expansion of the Drug Court Program. This program couples the power of the court system with the benefits of substance abuse treatment. The drug court's primary purpose is to redirect certain drug offenders into a highly structured, judicially monitored treatment program rather than sending them to prison. Drug court graduates are more likely to find employment and not become repeat offenders than their counterparts who go to prison. The average cost of drug court for one person is \$5,000 per year as opposed to \$16,000 per year cost of incarceration.
- Transformation Grant** Work continued during FY-2006 on the federally funded efforts to redesign and "transform" our state's mental health delivery system into a national model. One of only seven such state grants, the Transformation is centered around three major initiatives: the Adult Recovery Collaborative, the Partnership for children's Behavioral Health and the Integrated Services Initiative.
- Systems of Care** Originally awarded in fall of 2002 as a six-year, \$9.4 million grant, Systems of Care established children's behavioral health services "hubs" throughout Oklahoma. The program is designed to coordinate intensive services for children with serious emotional and behavioral problems and their families. Evaluation results which compare desirable and undesirable outcomes show that after involvement with Systems of Care, children experience fewer out of home placements, school suspensions, arrests and self-harm attempts.
- Mental Health Courts** Designed to divert persons with mental illness away from jails and prisons, mental health

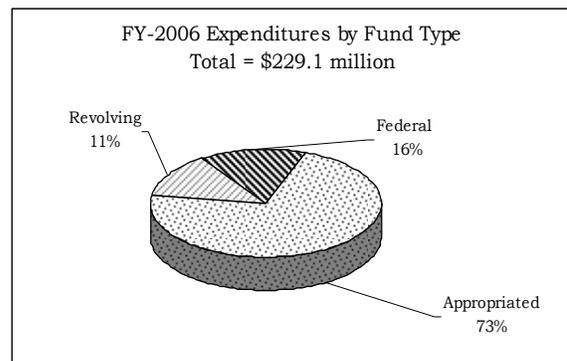
courts are highly structured treatment and accountability programs. Results for participants show decreased hospitalization, arrests and jail days as well as increased, sustained employment.

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 two principal realms of ODMHSAS activity are mental health and substance abuse.

State appropriations are the largest single source of revenue for ODMHSAS services. In fiscal year 2006, expenditures from appropriated funds amounted to 73% of total expenditures equaling about \$229 million.

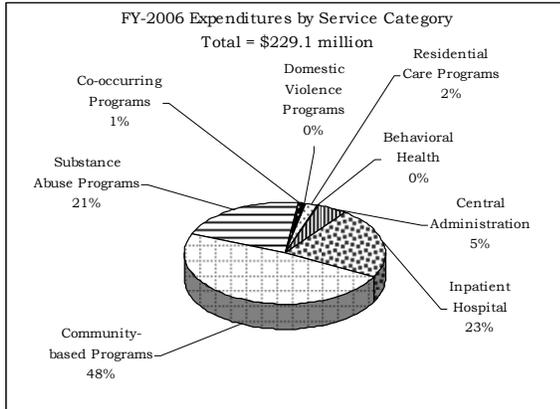


Source: Office of State Finance

Comparison of Clients and Expenditures

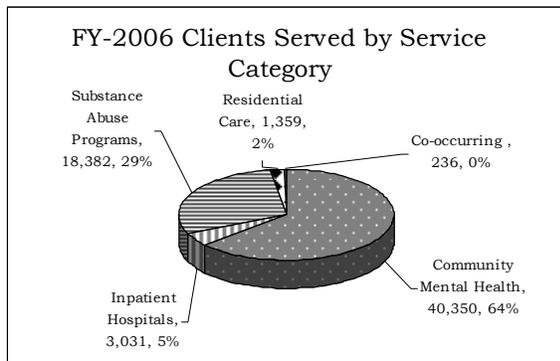
In FY-1999, 33.5% of the agency's total expenditures were for state-operated inpatient psychiatric hospitals which served 3.9% of the clients. Since that time, the agency has focused on shifting to community based services. Illustrative of the shift in service delivery to community based services, the hospital portion of total

expenditures for FY-2006 dropped to 23% of the total. About 64% of all clients served and 48% of all expenditures were for community based mental health services during FY-2006. The chart below represents expenditures for all major service categories in FY-2006.



Source: Office of State Finance

The next chart provides a similar breakdown of the FY-2006 clients served by similar categories.



Services Provided

In FY-2006, the Department provided services to:

- 40,350 persons through community mental health services;
- 3,031 persons through psychiatric hospitalization;
- 18,382 persons through substance abuse treatment;
- 1,359 persons through residential care services; and

- 236 persons with co-occurring disorders.

Community mental health services include:

- Community-based treatment
- Case management
- 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
- Counseling services.

ODMHSAS also actively supports prevention programs to reduce the occurrence of substance abuse, violence and other harmful behaviors among young people.

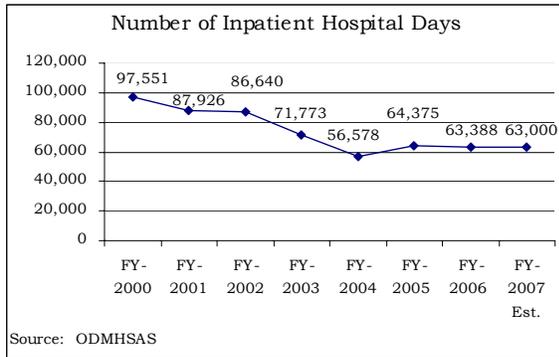
Continued Implementation of Best Practices

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.

Key Performance Measure



Community-Based Mental Health Services

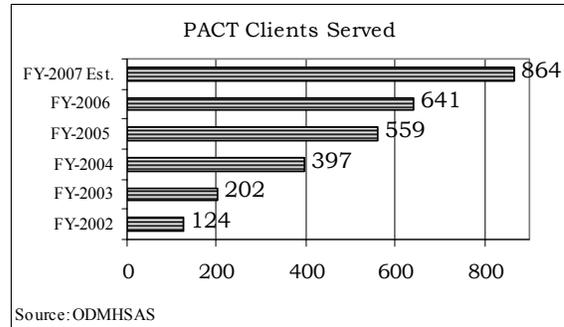
Public policy now focuses on placing persons with mental illness in the most appropriate environment possible for ongoing care and treatment. Service providers, advocates and family members agree that placement in the "community" where persons with mental illness are closer to family and friends provides 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.



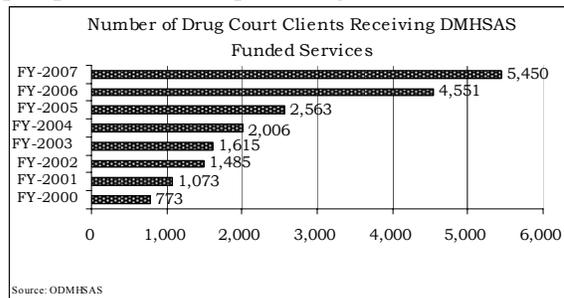
Drug Courts

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-2007, a total of \$6.5 million was budgeted for this purpose. In addition to appropriated funding, pharmaceutical firms donate almost \$25 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:

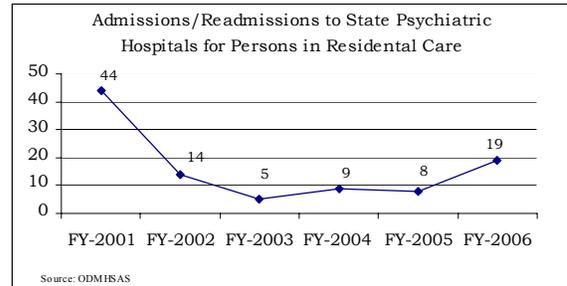
- Emergency intervention
- Assessment
- Counseling
- Psychosocial rehabilitation
- Case management
- Community support services

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.

Key Performance Measure



FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$194,704
FY-2007 Bud. FTE Level	2,181.2
Actual Ave. YTD FTE	2,060.2
Funding Adjustments:	
Annualize State Employee Pay Increase	1,102
Annualize Community Mental Health Rate Adj. (3 months)	750
Annualize Mental Health Court/Jail Diversion (6 months)	1,250
Annualize Adolescent Crisis Response (3 months)	531
Annualize Services to Transitional Youth (3 months)	208
Annualize Core Services for Children (3 months)	136
Annualize Residential Adolescent Substance Abuse Treatment (3 months)	500
Replace decreased federal funds - Systems of Care	772
FMAP Deterioration and Increased Medicaid State Match	673
Methamphetamine Treatment and Prevention and Mental Health and Drug Court Support	20,000
Use of Carryover	
Total Adjustments	25,922
FY-2007 Recommendation	\$220,626
% Change from FY-2007	13.31%

Source: Office of State Finance

Annualize Programs Partially Funded in FY-2007

This budget provides \$3,375,000 to fund rate increases and increased services which were partially funded in FY-2007. These annualizations include:

- Rate Adjustment for Substance Abuse and Mental Health Services (3 months) \$750,000
- Mental Health Court/Jail Diversion (6 months) \$1,250,000
- Adolescent Crisis Response (3 months) \$531,250
- Services to transitional youth (3months) \$207,500
- Core Services for Children (3 months) \$136,250
- Residential Adolescent Substance Abuse Treatment (3 months) \$500,000

Replace lost Federal funding for Systems of Care

This Executive Budget includes \$771,874 to replace the loss of Federal funding for Systems of Care. Note that the phase-down of Federal funds for this program is part of the original grant agreement with the state.

FMAP deterioration and increased utilization of Medicaid Services

FMAP stands for Federal Medical Assistance Percentage and represents the federal match which is provided to states in the Medicaid program. In recent years, as the federal matching percentage for Oklahoma has decreased, the amount of state dollars required to provide the same level of Medicaid services has increased. This budget proposes an adjustment of \$623,125 to provide increased state matching dollars for both the decrease in FMAP and an increase of Medicaid matchable services provided to ODMHSAS clients.

Annualize State Employee Pay Increase

The Governor's budget includes \$1,101,976 to annualize the 5% state employee pay raise for ODMHSAS. The pay raise went into effect October 1, 2006.

**Specialized Treatment for Addicts and
for Persons At Risk of Incarceration**

The Department of Corrections (DOC) estimates that at least 22% (5,100) inmates have both severe mental illness and are incarcerated for a non-violent crime.

Additionally, DOC estimates that at least 50% of all incarcerated inmates are incarcerated because of a crime related to substance abuse. The Governor's Executive Budget proposes investing \$20,000,000 for expansion of the continuum of services designed to divert mentally ill and substance addicted offenders away from incarceration.

Additionally, the Governor proposes that a portion of the funds specified above be dedicated to debt service on a bond issue in the amount of \$20,000,000 to fund housing for the mentally ill homeless in Tulsa. This project will be a collaboration between the state, the City of Tulsa, the Tulsa Housing Authority and the Mental Health Association of Tulsa.

Oklahoma State Board of Examiners for Long Term Care Administrators

Brief History

The Oklahoma State Board of Examiners for Nursing Home Administrators was originally established in 1968. The Board was recreated and restructured during the 2005 Legislative session by HB 1453 which instructed the Governor to appoint an entirely new Board effective July 1, 2005. Other significant provisions of HB 1453:

- Increases the amount of time a nursing home administrator must spend doing “on the job supervision of such facility”;
- Limits the members of the Board who can be nursing home owners to no more than five;
- Requires full investigation of all complaints filed against nursing home administrators;
- Directs the Board to develop a code of ethics for nursing home administrators; and
- Requires the Board to refer investigations to the proper law enforcement authorities.

In addition to the above requirements, new law was established which:

- Requires the Board to keep a registry of all complaints or other referrals complaining of acts or omissions of administrators;
- Requires any Board decision on a complaint to be voted on by a quorum of the Board in an open meeting;
- Provides that no Board subcommittees or staff shall make recommendations to the Board regarding complaints.

FY-2008 Recommendation

The Governor’s budget recommends the \$100,000 pass-through appropriation in the State Department of Health be continued in FY-2008 for this agency.

Department of Central Services

Notable Achievement

- *Successfully separated the Oklahoma Capitol Improvement Authority (OCIA) administrative functions from DCS to provide more accountability and visibility of OCIA operations.*
- *Revised internal financial procedures and revamped budgeting process within the agency. Division chiefs received training in the preparation of budgets and monitoring their financial position.*
- *Developed a Strategic plan to address current and future maintenance issues.*

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 this 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.

An example of widely used statewide contracts is the 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
FY-2006	\$1,659,040

SOURCE: Dept. of Central Services

Fleet Management

Fleet Management provides vehicles, repair services, and fuel to state agencies at a cost lower than the private sector. Fleet Management continues to assess the State's vehicular needs and requirements to identify savings to the State.

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 an integrated system to replace the Legacy system 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.

FY-2007 Supplemental

FY-2007 Supplemental	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$13,639
Critical Maintenance Needs	<u>1,000</u>
FY-2007 Adj. Appropriation	\$14,639
% Change from FY-2006	19.38%
% Change from Original FY-2007	7.33%

Source: Office of State Finance

amount \$1 million will come from the FY-2007 General Revenue surplus to pay for critical maintenance needs for the upcoming Centennial.

Critical Maintenance Needs

The Governor's budget recommends a \$1 million supplemental to address critical maintenance needs.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$13,639
FY-2007 Bud. FTE Level	242.7
Actual Ave. YTD FTE	234.4
Funding Adjustments:	
Annualize State Employee Pay Increase	59
Building Maintenance	<u>1,000</u>
Total Adjustments	1,059
FY-2008 Recommendation	\$14,698
% Change from FY-2007	7.76%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$58,707 to annualize the 5% state employee pay raise for the Department of Central Services. The pay raise went into effect October 1, 2006.

Critical Maintenance Needs

The Governor's budget includes \$2 million to be added to the Department of Central Services' appropriation base to address building maintenance needs. Of this

Employees Benefits Council

Notable Achievements

- *The OKHealth Wellness Mentoring program was implemented in 2006. More than 6,400 employees expressed an interest in the program and 70 percent of those employees completed a health risk assessment. The OK Health Mentoring program was awarded the prestigious Team Day Specialty Award for Motivating the Masses during the Quality Oklahoma Team Day awards ceremony held at the State Capitol in May 2006. The Specialty Award is presented to the project that involved a large number of people, agencies, and partners.*
- *In 2006, EBC added Flexible Spending Account claims histories and detail to the Benefit Administration System (BAS). The FSA debit card was introduced in 2006, offering a new level of convenience to employees when accessing their flexible spending account funds. The Flexible Spending Account Team received the Governor's Commendation Award in 2006 for the State employee debit card program. Enrollment in the debit card program for Plan Year 2006 was 3,487 or 42% of eligible employees, for Plan Year 2007 enrollment is at 7,568 or 73% of eligible enrollees.*
- *2006 was the fourth year EBC made the benefits enrollment online system available to nearly 37,000 active state employees. As the benefits office for state employees, EBC completed the option period for Plan Year 2007 with 60 percent (22,228) of statewide*

employees choosing their benefits online. In surveys, in which 11 percent of employees participated; the online enrollment was given high marks. When asked to rate the online enrollment experience, 77% of employees rated the system as excellent. Overall, 99% of respondents indicated they would recommend the use of online enrollment to another employee. In the Quality Oklahoma Awards for 2006, the BAS (Benefits Administration System) Online Enrollment Module was runner-up in the Motivating the Masses and the Red Tape Reduction Award.

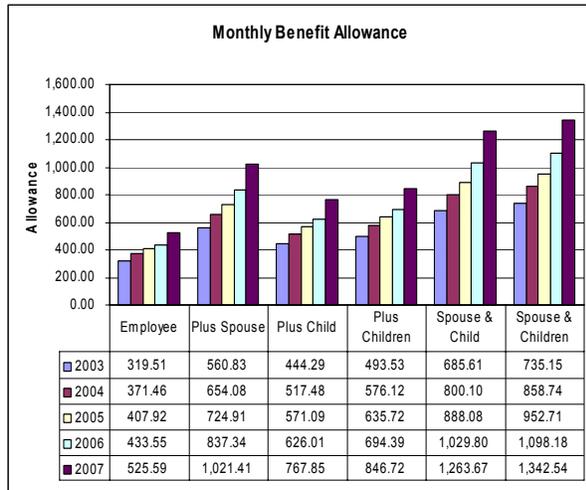
The Employees Benefits Council (EBC) is the State's benefits office for all active state employees. EBC designs, selects, and administers benefits for employees and their eligible dependents. Their mission is to provide expert benefits management that includes designing for choice, cost effectiveness, superior administration, and promoting healthy lifestyles.

Benefit Choices

One of the primary functions of EBC is to contract with Health maintenance Organizations (HMOs) to provide a choice in health coverage to state employees. In 2006, EBC doubled the number of HMO carriers available to employees, contracting with four HMOs including Aetna, CommunityCare, GlobalHealth and PacifiCare. The choice of an HMO carrier is offered alongside the State's indemnity plan – HealthChoice.

The employee benefit allowance provides funding for health, dental, life and disability insurance for state agency employees and their dependents. While the employee benefit allowance is a major fringe benefit for employees, it continues to be an increasing cost for the State.

In addition to the health coverage offerings,



EBC furnished employees with a choice of three dental plans offered alongside the State's HealthChoice dental plan. Five vision plans were also offered to employees to meet their vision care needs.

Flexible Spending Account Program

Employees can also take advantage of additional tax savings through participation in EBC's flexible spending health and dependent care accounts. The amount placed in these accounts lowers an employee's taxable income. These programs allow employees to contribute pre-tax income to fund certain qualifying medical and dependent care expenses. For Plan Year 2006, combined contributions to these accounts were approximately \$8.8 million. Participation in this program results in significant tax savings for state employees. More than 8,200 employees used a flexible spending health care account during Plan Year 2006 for health-related expenses, and more than 600 state employees used a dependent care account. EBC offers MyFlex Online, which allows state employees to review their flexible spending account activity via the Internet.

Health and Wellness

In January 2006, EBC implemented the OKHealth Wellness Mentoring program as a resource for employees to address health risk factors, which contribute to preventable illnesses. By promoting healthy lifestyle choices and encouraging behaviors and attitudes among employees that are essential to good health, the OKHealth program will lower health utilization, which in turn will lower health insurance premiums.

The OKHealth program offers employees a unique and effective solution for better health by incorporating wellness, disease management, and personal health mentoring into a single comprehensive wellness-mentoring program. To encourage participation in the program, employees are eligible to receive wellness incentives including an initial visit to a primary care physician and lab work at no out-of-pocket cost to the participants and discounts at a participating fitness center. An additional incentive being offered by some agencies is an OKHealth pay incentive in which participating agencies elect to offer a pay incentive to participants at three possible levels: \$100 (Bronze), \$300 (Silver), or \$500 (Gold) for successfully completing the program. The OKHealth Mentoring program is part of Oklahoma Governor Brad Henry's State health initiative for a *Strong and Healthy Oklahoma*.

Horse Racing Commission

Notable Achievements

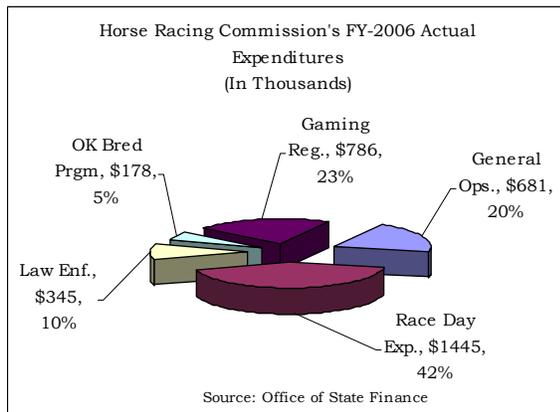
- In FY-2006, the Commission began regulation of gaming facilities at three racetracks.

Mission

The Oklahoma Horse Racing Commission (OHRC) encourages state horse production and regulates horse racing activities at the following four racetracks and gaming activities at the first three.

- Remington Park in Oklahoma City;
- Will Rogers Downs in Claremore;
- Backstretch, LLC doing business as Blue Ribbon Downs in Sallisaw; and
- Fair Meadows at Tulsa

The Commission's budget consists of state and revolving funds. For FY-2006, state appropriated dollars were 83% of the Commission's total budget funding. The following graph shows how the funding for FY-2006 was used.



Gaming Regulation

Beginning with FY-2006, the Commission began regulation of gaming at racetrack facilities. Adjusted gross revenue from gaming activities will go to fund education, grow race purses and to organization licensees.

Gaming agents have been hired to regulate gaming activities at the racetracks. Their responsibilities include checking the backgrounds of all gaming employees, gaming laboratories, vendors, manufacturers, distributors and racing facilities that have gaming activities.

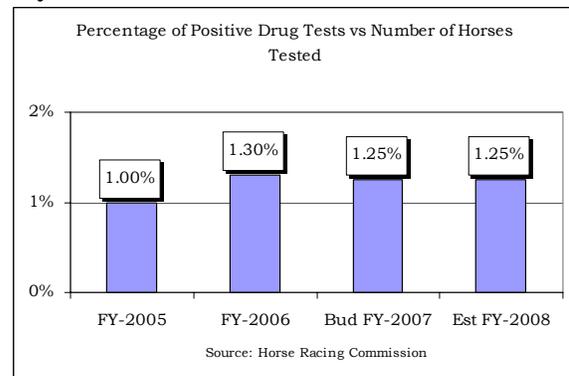
With the addition of gaming, racetracks are required to maintain a certain number of race days in order to continue operating a gaming facility. This requirement creates an increase in the number of race days.

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 phenylebutazone 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



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 74,263 horses as accredited Oklahoma-bred horses. The Program 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;
- Program registration fees; and
- Funding from gaming activities.

The following chart shows overall days allotted for racing, as well as the number of Oklahoma-Bred Horses registered during CY-2002 through CY-2006.

Horse Racing Data				
	CY-2003	CY-2004	CY-2005	CY-2006
Race Days Allotted	202	188	192	264
Oklahoma-Bred Horses Registered	2,636	2,779	2,517	2,846
Oklahoma-Bred Claim Checks Issd	5,443	5,975	4,626	3,639

Source: Oklahoma Horse Racing Commission

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,619
FY-2007 Bud. FTE Level	46.0
Actual Ave. YTD FTE	41.7
Funding Adjustments:	
State Employee Pay Raise	<u>51</u>
FY-2008 Recommendation	\$2,670
% Change from FY-2007	1.95%

Source: Office of State Finance

The FY-2008 appropriation for the Horse Racing Commission is the same as provided for FY-2007 with the following adjustment.

State Employee Pay Raise

The Governor's budget includes \$50,670 to annualize the 5% state employee pay raise for the Horse racing Commission. The pay raise went into effect October 1, 2006.

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 Community Relations Division provides outreach and educational services. The Commission is responsible for these services at both a state and a federal level.

The Enforcement and Compliance Division receives, processes, and investigates complaints of discrimination in the areas of employment, housing, and public accommodation. To resolve complaints, the Commission contracts with the Equal Employment Opportunity Commission (EEOC) and Housing and Urban Development (HUD). Under these contracts, complaints of discrimination are resolved in compliance with the policies and procedures of EEOC and HUD. Through these contracts, the Human Rights Commission receives training on EEOC and HUD policies and procedures.

During FY-2006, the Commission received 182 employment discrimination complaints and 80 housing discrimination complaints.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$704
FY-2007 Bud. FTE Level	19.0
Actual Ave. YTD FTE	16.1
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>6</u>
FY-2008 Recommendation	\$710
% Change from FY-2007	0.84%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase

The Governor's budget includes \$5,916 to annualize the 5% state employee pay raise for the Human Rights Commission. The pay raise went into effect October 1, 2006.

Merit Protection Commission

Notable Achievement

- *Upgraded information technology infrastructure with a new server and upgrades to computers.*
- *Transferred the web site host to the OK.gov content management system.*
- *Completed 76 online training courses.*

Mission

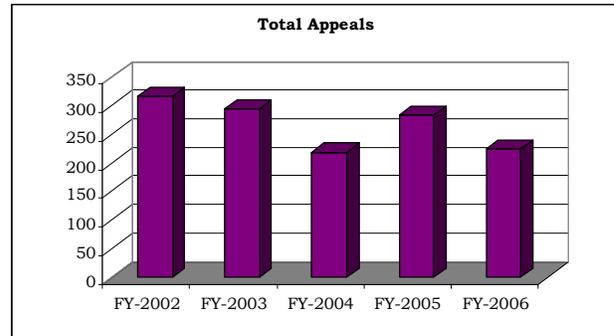
The agency's mission is to design, implement, and enforce a dispute resolution system for state employees. This system is comprised of training, consultation, investigation, negotiation, mediation, and adjudication to protect the integrity of the state personnel system.

In addition, the Commission provides Alternative Dispute Resolution programs and manages the state Grievance Program. These components focus on problem solving and dispute resolution to enhance the state workplace and indirectly improve productivity.

Participants can resolve disputes through the agency's website. This 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.

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.

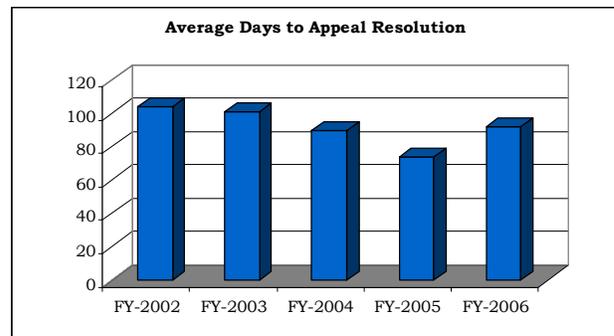
The table below shows total appeals filed with the Merit Protection Commission. Total appeals filed in FY-2006 have gone down by 21% when compared to this time last year.



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.



Source: Merit Protection Commission

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$611
FY-2007 Bud. FTE Level	8.0
Actual Ave. YTD FTE	6.0
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>2</u>
FY-2008 Recommendation	\$614
% Change from FY-2007	0.37%
Source: Office of State Finance	

Annualize State Employee Pay Increase

The Governor's budget includes \$2,250 to annualize the 5% state employee pay raise for the Merit Protection Commission. The pay raise went into effect October 1, 2006.

Office of Personnel Management (OPM)

Notable Achievements

- *Focused on significant state government workforce planning implications of an aging workforce in the FY-05 OPM Annual Report, “Working for Oklahoma”.*
- *Showed that ethnic minority representation and female representation in state government has increased over the previous year which is documented in The OPM Equal Opportunity/Affirmative Action Status Report;*
- *Indicated that state government continues to trail the competitive labor market by 11.99% as of July 1, 2006 with the average annual state salary of \$32,428 compared to the average market salary of \$36,315;*
- *Indicated that 69 state agencies spent \$5.17 million in calendar year 2005 on statutorily authorized pay movements to address recruitment and retention challenges.*

The Office of Personnel Management (OPM) continues its evolution from a primarily regulatory role into a human resources service provider.

OPM 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-2006 for classified state employees was 14.8%, which includes all retirements, resignations and discharges during the fiscal year. The voluntary turnover rate of 12.3% for FY-2006 includes only retirements and resignations during the fiscal year.

State Classified Employees			
	FY-04	FY-05	FY-06
Employees	26,711	26,102	26,803
Resignations	2,281	2,349	2,618
Retirements	646	616	766
Discharges	444	511	620
Overall Turnover Rate	12.5%	13.3%	14.8%
Voluntary Turnover Rate	10.9%	11.1%	12.3%

Source: Office of Personnel Management

Nearly 22% of the state workforce is eligible to retire in 3 years. To assist agencies in planning their current and future workforce needs, OPM also established the Office of Workforce Planning. The chart below shows the average age of state employee by group and the number of state employees that are eligible to retire.

Group	Average Age	Eligible to Retire in FY 2006
Professionals	46.0	1,977
Administrative Support	46.8	833
Officials and Administrators	50.8	501
Technicians	45.4	339
Paraprofessionals	42.0	194
Protective Services	40.8	187
Service Maintenance	44.3	205
Skilled Craft	47.7	98
Total	45.5	4,334

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 2005, state agencies used statutorily authorized pay movement mechanisms to increase salaries by \$5.2 million affecting 9,836 state employees. Of these amounts, 37.3% of the dollars were spent on career progressions, 11.6% on market-based adjustments, and 23.2% on performance-based adjustments.

FY-2006 Annual Compensation Report

Although state salaries continue to trail market pay by 6.82%, OPM’s FY-2006 Annual Compensation Report indicates that pay movement mechanisms and legislative pay increases 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
2006	\$32,428	\$36,315	-11.99%
2005	31,518	34,102	-8.20%
2004	29,969	33,393	-11.40%
2003	29,969	33,361	11.30%
2002	29,318	31,621	-11.30%

SOURCE: Office of Personnel Management

There are job areas within the State that continually stay below the market salary rate. Those jobs are listed below:

- Dept. of Corrections - Correctional Officers, Nurses; and Correctional Teachers;

- Dept. of Human Services – Child Welfare Specialists, Adult Protective Specialists and Nurses;
- Office of Juvenile Affairs – Juvenile Justice Specialists and Juvenile Specialists;
- J.D. McCarty Center; and
- Department of Health, Department of Rehabilitation Services, and Veterans Affairs – Nurses.

The State of Oklahoma offers extensive fringe benefit packages to state employees. When compared to market value, Oklahoma contributes more toward health care for its employees than the private sector. The table below shows the FY-2006 health benefit contribution for that State of Oklahoma and the market.

Average Employee Health Care Contribution		
	State of Oklahoma Contribution	Market Contribution
Health Care Benefit	23.90%	13.10%

Source: Office of Personnel Management

The contribution rate is based on an average base salary for Oklahoma of \$32,428 and \$36,315 as the market base salary.

Within the fringe benefits package, state employees also receive more vacation days when compared to the market value. The table below shows the vacation days based on years of employment for the State of Oklahoma and the private sector.

Comparison of Vacation Days Oklahoma vs. Market		
Annual Leave/Vacation	State of Oklahoma	Market
Number of days after 1 year	15	9
Number of days after 5 years	18	11
Number of days after 10 years	20	12
Number of days after 15 years	20	13
Number of days after 20 years	25	14

Source: FY-2006 Annual Compensation Survey

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-2005, the Office of Personnel Management audited 11 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.

CORE Oklahoma 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. For analysis and management purposes, CORE enables OPM to integrate its information into a streamlined electronic system.

Electronic Testing

OPM made Merit System tests available online in January 2003. Overall, there were 67,447 applications processed and 37,603 tests (both electronic and paper) administered in FY-2006. 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 21 Career Technology Centers located throughout the state as well as at the Oklahoma Employment Security Commission.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,848
FY-2007 Bud. FTE Level	79.0
Actual Ave. YTD FTE	71.5
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>43</u>
FY-2008 Recommendation	\$4,892
% Change from FY-2007	0.89%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase

The Governor's budget includes \$43,374 to annualize the 5% state employee pay raise for the Office of Personnel Management. The pay raise went into effect October 1, 2006.

Oklahoma Commission on Children & Youth

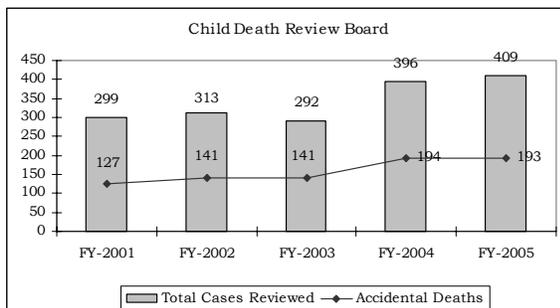
Notable Achievements

- In FY-2006, the Office of Juvenile System Oversight increased the number of visits to public facilities by 23% over FY-2005. Complaints and requests for assistance hit a new record at 490.
- OCCY Community Partnership Boards increased from 39 in FY-2005 to 44 in FY-2006. The Boards sponsored youth listening conferences and youth leadership development activities. In addition, the Boards helped prepare communities for Systems of Care for children's mental health programs, conducted health and safety fairs and worked to add counselors and service workers to schools.

Mission

The mission of the Oklahoma Commission on Children and Youth (OCCY) is to improve services to children and their families by: Planning, coordinating and communicating with communities and between public and private agencies; Independent monitoring of the children and youth service system; and Testing models and demonstration programs for effective services. In pursuit of their mission OCCY administers the following programs:

- Office of Juvenile System Oversight
- Joint Oklahoma Information Network (JOIN)
- Board of Child Abuse Examination
- Child Death Review Board

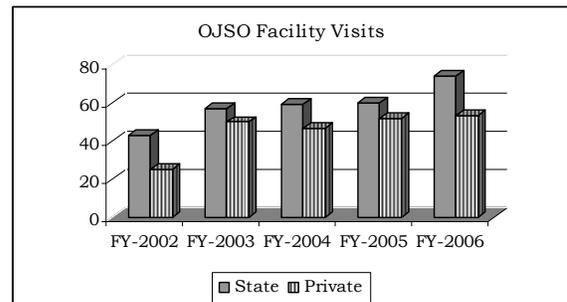


Source: Child Death Review Board Annual Reports

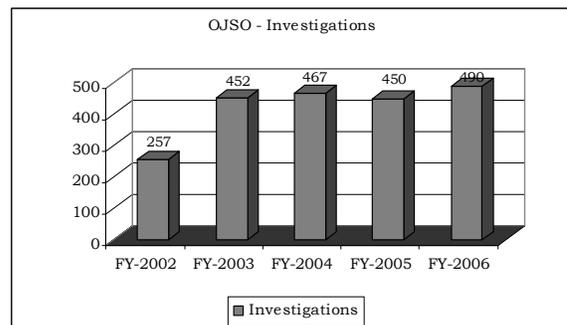
- Office of Planning and Coordination
- Interagency Coordinating Council
- Juvenile Personnel Training
- Oklahoma Areawide Services Information System (OASIS)
- Post Adjudication Review Boards

Office of Juvenile System Oversight

OCCY provides oversight for children in public and private, residential and non-residential facilities across the state. OCCY's Office of Juvenile System Oversight Division (OJSO) 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.



Source: OCCY



Source: OCCY

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, 13 in all, have signed an interagency agreement to participate in the project.

The database can be accessed at <http://www.join.ok.gov>

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,102
FY-2007 Bud. FTE Level	27.5
Actual Ave. YTD FTE	26.5
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>12</u>
Total Adjustments	12
FY-2008 Recommendation	\$2,114
% Change from FY-2007	0.57%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase
The Governor's budget includes \$11,864 to annualize the 5% state employee pay raise for the Oklahoma Commission on Children and Youth. The pay raise went into effect October 1, 2006.

Office of Handicapped Concerns

Notable Achievement

In an effort to provide accessible information on services and training available for persons with disabilities, the Office of Handicapped Concerns (OHC) maintains a website at www.ohc.state.ok.us. The website was accessed more than 120,000 times during FY-2006. This was an increase of 30,000 website visits over the prior year. The site is organized into: Technical Assistance, Employment Development, Information and Referral and the Client Assistance Program, with information pertinent to each area available for download by the visitor. Material available includes all the OHC publications.

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.

OHC assists citizens with disabilities in seeking and becoming employed. The staff at OHC provide information, attend job fairs, provide entrepreneurial education and support the Business Leadership Network (BLN). BLN is a coalition of employers that promote employment for people with disabilities.

During FY-2006, OHC began a training program for disabled high school students in how to most effectively present their skills and abilities as they enter post-secondary education or employment. The program is called High School Hi-Tech, Tech Now Training and so far two training classes have been conducted.

OHC also administers the federally funded Client Assistance Program (CAP). CAP provides information, intervention, case management and, in some cases,

assistance in the appeals and/or fair hearing process to individuals who are eligible for or receiving services funded by the Rehabilitation Act.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$382
FY-2007 Bud. FTE Level	8.0
Actual Ave. YTD FTE	7.5
Funding Adjustments:	
Annualize State Employee Pay Increase	3
Total Adjustments	3
FY-2008 Recommendation	\$385
\$ Change from FY-2007	\$3
% Change from FY-2007	0.79%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$2,956 to annualize the 5% state employee pay raise for the Office of Handicapped Concerns. The pay raise went into effect October 1, 2006.

Department of Human Services

Notable Achievements

- **Increased Adoptions** *The Department of Human Services (DHS) authorized 1,336 adoptions in FY-2006 – a record eight years in a row for over 1,000 authorized adoptions per year.*
- **Quality Child Care** *In 2006, 92% of children receiving a child care subsidy 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.*
- **Access to Medical Care** *DHS certified a record number of persons, mostly children, to receive healthcare during FY-2006. Over 742,000 members were enrolled in SoonerCare (Oklahoma's Medicaid Program) during the year.*
- **Access to food and nutrition** *DHS continues to certify record numbers of Food Stamp recipients, about half of whom are children. This benefit contributes to a level of healthy nutrition to which these families would otherwise not have access. Nearly 642,000 persons received assistance through this program in FY-2006.*
- **Child Support Enforcement** *The Child Support Enforcement Division (CSED) collected over \$219 million in child support in FY-2006, a 16% increase from FY-2005.*
- **Paternities Established** *CSED established 17,942 paternities in FY-2006, a 10% increase from Y-2005.*

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.

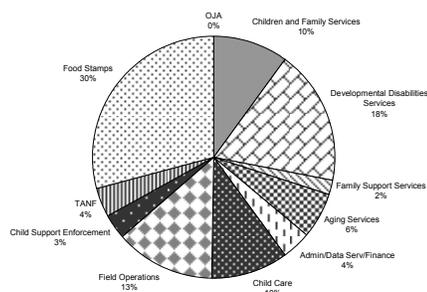
In pursuit of their mission, DHS administers the following programs:

- 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-2007, DHS ranks as the fourth largest state agency, representing 8.2% of the state appropriated budget. DHS's FY-2007 operational budget revenues include:

Federal Grants:	\$1,070,700,724
State Funding:	\$557,735,661
Other Sources:	\$66,495,670

DHS Funding by Activity
FY-2007 Budget



Source: FY-2007 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 72% from 47,712 average monthly cases in FY-1993 to 11,381 average monthly cases in FY-2006.

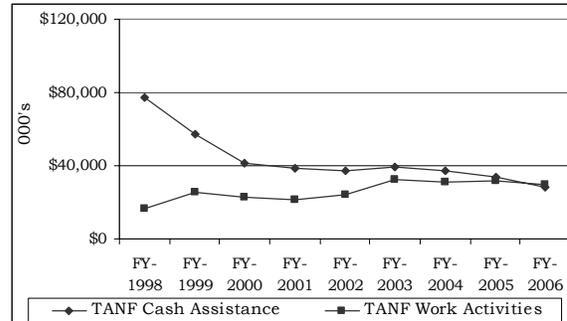
While the state initiated a number of different welfare reforms prior to 1995, the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), passed in the fall of 1996, fundamentally changed the way public cash assistance programs were delivered to children and families across 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.

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.

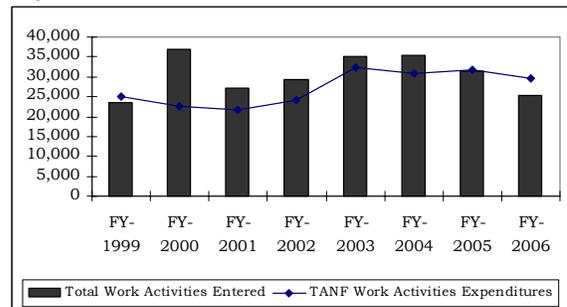
TANF services fall into three main categories:

- Cash Assistance
- Work Activities
- Family Formation/ Stabilization Services



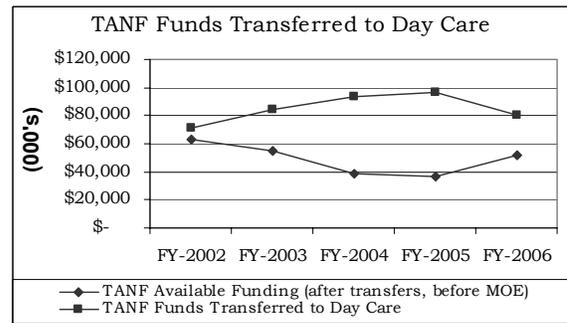
Source: OKDHS Annual Reports

Key Performance Measure



TANF Funding

While the TANF block grant amount has remained relatively stable over past fiscal years, the amount spent on TANF services has decreased.



Source: OKDHS

Due to the importance of child care, more of the block grant is being transferred to child care. The amount transferred to child care increased from \$48 million in FY-2001 to over \$96 million in FY-2005. Due to additional state subsidy appropriated for FY-2006, the necessary transfer from TANF to Child Care was \$80.5 million, or \$16 million less in FY-2006 than FY-2005. Without child care services, many parents would not be able to leave TANF assistance for gainful employment.

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: $\$292 - [(Earned\ Income - \$120)/2]$

Cash Benefits and Current Cases

Expenditures for cash assistance benefits have decreased by over 73% from \$129 million in FY-1996 to \$28.2 million in FY-2006. Of the 25,777 average monthly persons receiving TANF benefits in FY-2006, 4,941 cases had an adult on work requirements. The remaining 22,836 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 years in a lifetime. In FY-2005, 26 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.

Low Income Home Energy Assistance Program (LIHEAP)

Through a federal grant, DHS assists low income Oklahoma households with paying

their energy bills. The majority of the grant is used for winter heating. The remainder is used for summer cooling bills and for weatherization services (through the Oklahoma Department of Commerce).

DHS administers the program by taking applications and disbursing funds to the client's energy provider. Eligible clients have incomes less than 110% of the federal poverty level, or \$1,833 per month for a family of four, and must be responsible for paying their utility bill. During FFY-2006 (Federal Fiscal Year), DHS served 134,434 households or 41% of eligible households. Benefit payments are one-time; the average payment made on behalf of a beneficiary in FFY-2006 was \$147 for heating assistance, \$160 for cooling assistance and \$239 for crisis assistance.

Developmental Disabilities

The Developmental Disabilities Services Division (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.

At the end of FY-2006, the number of persons ages 3 and up served in DDSD community based programs was 5,118. This is an increase of 15% over the prior year. Three public institutions were serving 384 persons at the end of FY-2006.

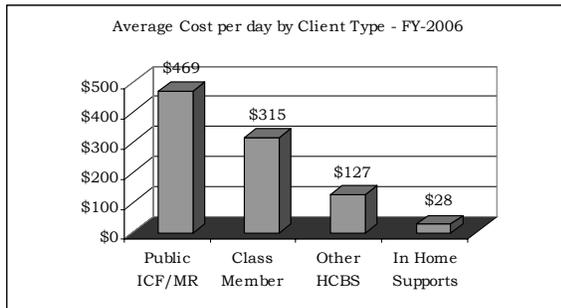
There are at least four types of recipients receiving services for developmental disabilities:

- 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 \$469 per day in FY-2006 to serve these residents. The next most expensive clients are the members of the Hissom class. In FY-2006, class members cost an average of approximately \$315 per day.



Source: OKDHS

While \$315 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 14 to over 70, 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. 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, 805 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.

Additional State Services Provided to Class Members

Services mandated by the Federal Court for the Homeward Bound 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-2006 institutional care cost an average of \$469 a day while community based care for non-class members costs an average of \$127 a day for other Home and Community Based Waiver clients and \$28 per day for In Home Supports Waiver clients.

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 Home and Community Based Services Waiver Program (HCBSW) – 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 capped at \$16,950 for adults and \$11,300 for children. Recipients must be eligible for Medicaid.
- All of the above-mentioned 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.

- Homeward Bound Class Waiver – This waiver was created in FY-2004 for Hissom Class members.

	FY-2004		FY-2005		FY-2006	
	# Served	Total Exp.	# Served	Total Exp.	# Served	Total Exp.
HCBSW	2,282	\$111,444	2,354	\$109,017	2,592	\$120,235
Homeward Bound Waiver	822	\$90,118	805	\$89,109	805	\$93,385
IHSW-Adult	775	\$9,729	864	\$9,908	1,216	\$13,894
IHSW-Children	388	\$2,936	405	\$2,750	527	\$3,359

Expenditures are in thousands

Source: OKDHS

In FY-2006, approximately 4,335 people who were non-class members were served through some type of community-based waiver.

Waiting List for Community Based Services

At the beginning of FY-2007 in July 2006, there were 2,860 people with developmental disabilities on the waiting list to receive services from one of the waivers administered through DDSD. This is a 32% decrease from July 2005. Corresponding to this decrease in the waiting list is an increase of persons served to over 5,000. Medicaid-eligible persons waiting for services are of all ages. Many of them and their families face financial hardships every day trying to provide costly services such as medical supplies, therapy and adaptive equipment on limited incomes with no access to health care.

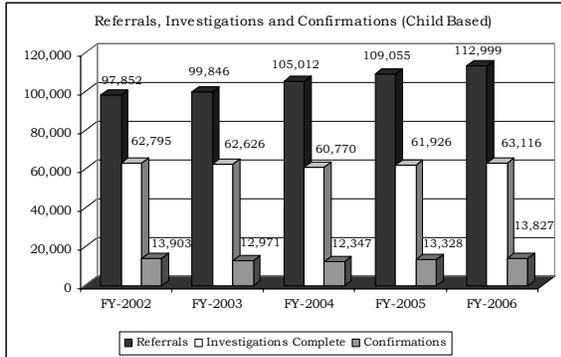
Children and Family Services

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 3,944 from FY-2005 to FY-2006. This count is based on the number of children included in the referral and/or investigation.

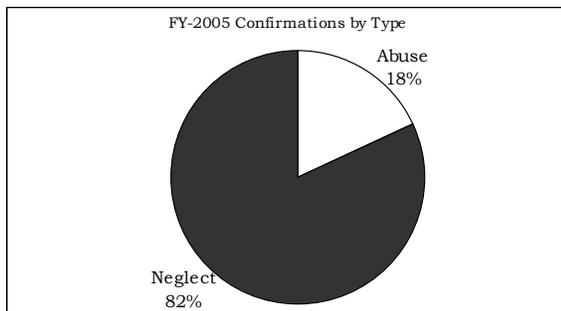


Source: OKDHS

In FY-2004, OKDHS hit a record low number of confirmations. In FY-2005 and FY-2006, the number of confirmations increased slightly both as a whole number and as a percentage of referrals.

Fiscal Year	Percentage
FY-1999	18.60%
FY-2000	15.75%
FY-2001	15.03%
FY-2002	14.31%
FY-2003	13.07%
FY-2004	11.97%
FY-2005	12.35%
FY-2006	12.26%

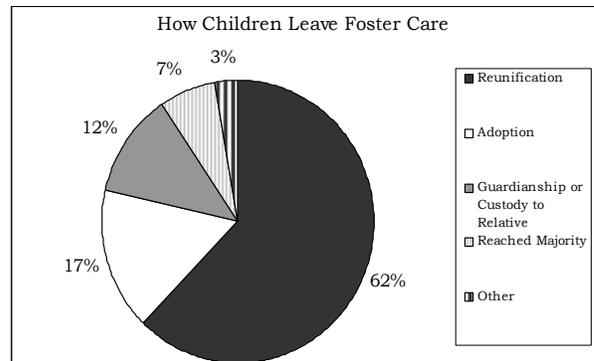
Neglect is historically the largest category of child mistreatment and in FY-2005 accounted for 82% of confirmations.



Source: OKDHS

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 place them in a safe, permanent environment, ideally with their parents. During FY-2006 there was a monthly average of 7,898 children in foster care or kinship placements, an increase of 13% from FY-2005. The average length of stay for a child placed in out-of-home care decreased from 23 months in FY-1999 to 19 months in FY-2005.

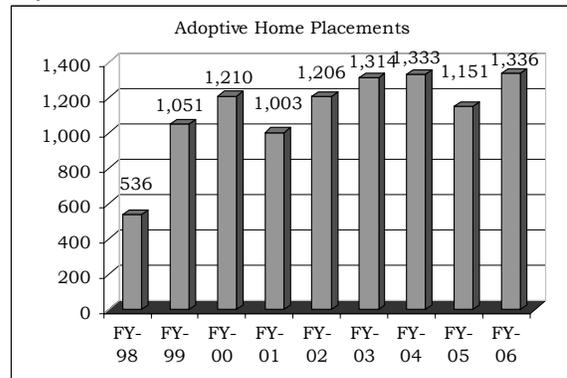


Source: OKDHS

Growth in Adoptions

In recent years, adoptive home authorizations, the preliminary step to permanent adoptions, have sharply increased. From FY-1998 to FY-2006, DHS has increased the number of placements by almost 149% from 536 placements in FY-1998 to 1,336 placements in FY-2006.

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 more than tripled since 1996.

Currently, more than 8,500 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; and
- high risk of mental disease.

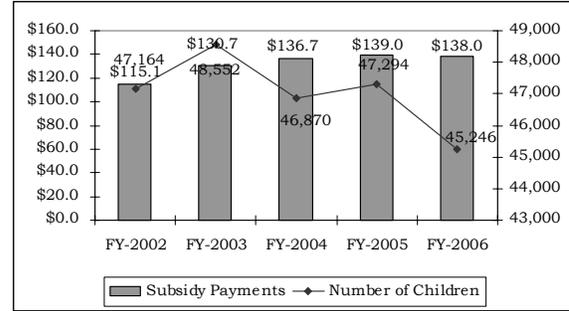
While the number will fluctuate during the year, approximately 1,200 children are awaiting adoption.

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 approximately 80,000 children during FY-2006. The monthly average number of children for whom subsidy payments were made was 45,246 in FY-2006. Total payment increases are due to increased rates for the improved quality of child care facilities.



Source: OKDHS

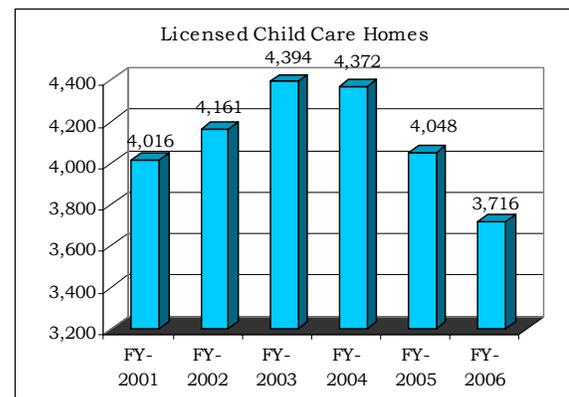
Quality Child Care Initiative

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:

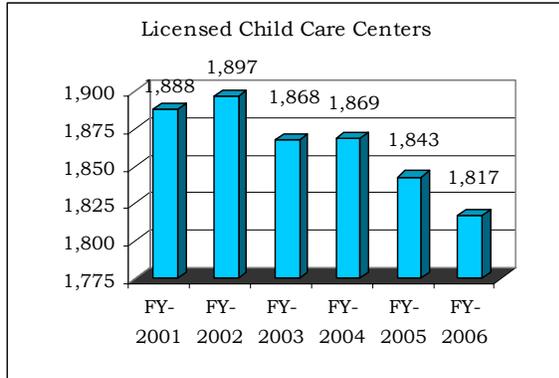
- One Star – Basic Licensing Requirements;
- One Star Plus – Transitioning to Higher Level;
- Two Star – Seven Quality Criteria including Master Teachers; and
- Three Star – Two Star Criteria and Nationally Accredited.

Child Care Licensing

The Division of Child Care licenses and inspects almost 5,900 child care centers and family care homes in Oklahoma for children ages six weeks to 12 years. The division also licenses 118 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.

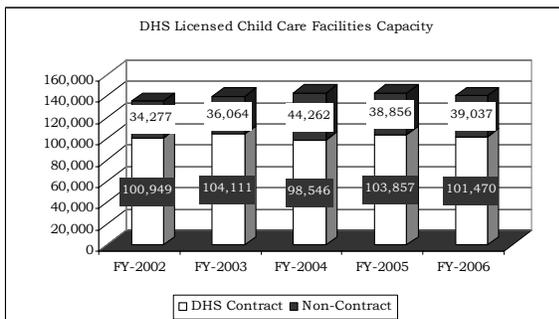


Source: OKDHS



Source: OKDHS

While the number of centers and homes is decreasing, the overall capacity is actually increasing due to homes and centers increasing their individual capacities. Total capacity in FY-2005 and FY-2006 is almost 140,000 slots. The following chart shows total capacity in number of slots available for the DHS Child Care Subsidy program versus those that are not.



Aging Services

Aging Services is responsible for the following programs:

- Congregate Meals
- Ombudsman Program
- Advocacy
- Volunteer Programs

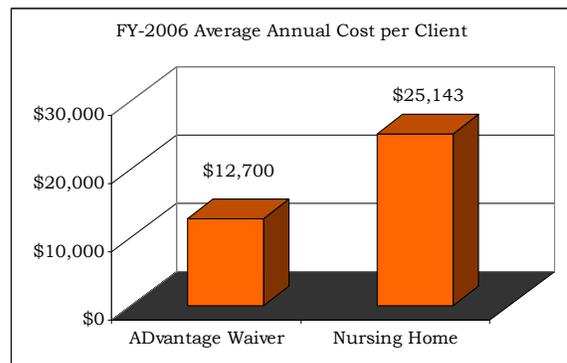
The Aging Services Division also administers the following two Medicaid programs.

ADvantage Waiver

Operated through contracts with the Long Term Care Authorities of Tulsa and Enid, this home health care program provides an

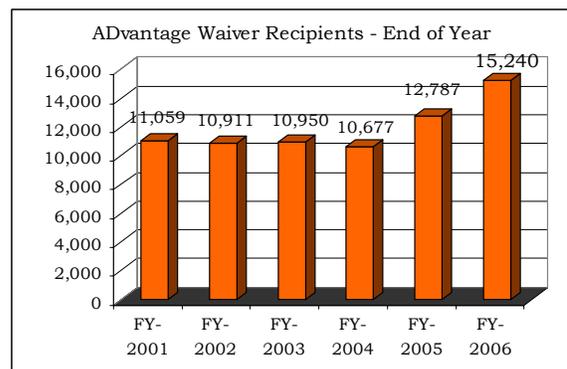
alternative to nursing home care for some people. In order to qualify for ADvantage services, a person must meet Medicaid income guidelines and require nursing home-level care.

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

After several years of remaining stable, FY-2005 saw a sharp increase in the number of clients at the end of the year, 12,787 clients as compared to 10,677 clients in FY-2004. This is an increase of almost 20%. FY-2006 saw another significant increase with a year end count of 15,240, another increase of almost 20%.



Source: OKDHS

Personal Care

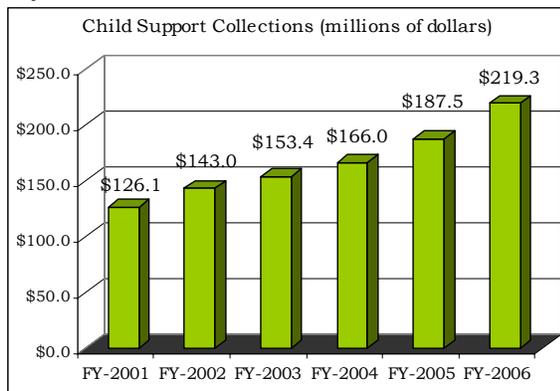
The second Medicaid program administered by the Aging Services Division is Personal Care. This service is available to those who meet the medical eligibility criteria as

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.

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. As the chart below illustrates, child support collections continue to increase each year. FY-2005 collections were up 13% over FY-2004 and FY-2006 collections rose almost 17% over FY-2005.

Key Performance Measure

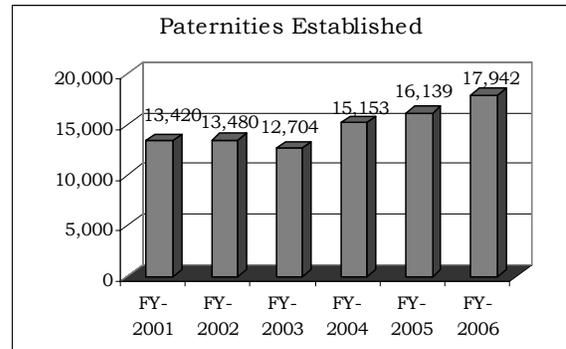


Source: OKDHS

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.

Key Performance Measure



Source: OKDHS

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$535,797
FY-2007 Bud. FTE Level	7,532.0
Actual Ave. YTD FTE	7,731.8
Funding Adjustments:	
FMAP Deterioration	4,443
Annualize Greer Center Contract	66
Growth in Foster Care Payments (50 per month)	750
Growth in Adoption Assistance (427 pymts)	500
Data Services Increases	275
Annualize State Employee Pay Increase	<u>2,012</u>
Total Adjustments	8,046
FY-2008 Recommendation	\$543,843
% Change from FY-2007	1.50%

Source: Office of State Finance

FMAP Deterioration

The Governor's budget includes \$4.443 million for the FFY-2008 decrease in FMAP.

Annualize State Employee Pay Raise

The Governor's budget includes \$2.0 million to annualize the 5% state employee pay raise for the Department of Human Services. Included is an adjustment for District Attorneys who provide contracted

services for Child Support. The pay raise went into effect October 1, 2006.

DDSD Contractor Increase

This budget proposes an increase of \$66,494 to annualize the 3% increase for the contractor at Greer Center on the campus of Northern Oklahoma Resource Center of Enid.

Growth in Foster Care Payments

The Governor's budget provides \$750,000 to fund growth in foster care payments of 50 per month in FY-2008.

Adoption Assistance Growth

The Governor's budget provides \$500,000 to fund growth in Adoption Assistance payments by approximately 427 payments.

Data Services Maintenance and Upgrades

This budget includes \$275,434 for the DHS Data Services Division increases in maintenance and upgrade costs.

Oklahoma Indian Affairs Commission

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-2008 Recommendation

<i>FY-2008 Appropriation</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$258
FY-2007 Bud. FTE Level	2.0
Actual Ave. YTD FTE	2.0
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>1</u>
FY-2008 Recommendation	\$259
% Change from FY-2007	0.39%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$734 to annualize the 5% state employee pay raise for the Oklahoma Indian Affairs Commission. The pay raise went into effect October 1, 2006.

J.D. McCarty Center for Children with Developmental Disabilities

Notable Achievements

- *More of Oklahoma's children with developmental disabilities have been served with about 37,000 patient encounters in FY-2006.*
- *Four week long summer day camp programs served 55 children with special needs. Children with developmental disabilities from the metropolitan area attended the camps Monday through Friday. The focus was to provide a fun and loving environment so that each camper can learn new skills, make friends and gain independence while having a blast!*
- *Continued a successful campaign to raise awareness of the center's services and garner private funds to build our first summer camp cabin which will enable JDMC to expand its summer camp program.*
- *The Conference Center on our campus hosted 71 events during FY-2006 and generated over \$56,000 in revenue.*

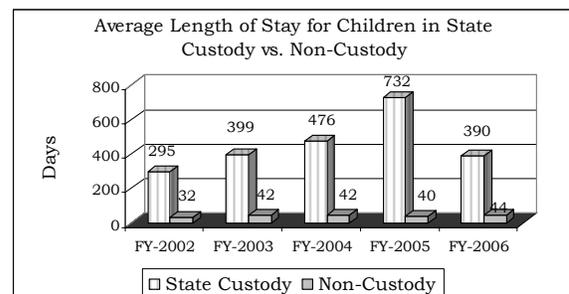
Mission

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.

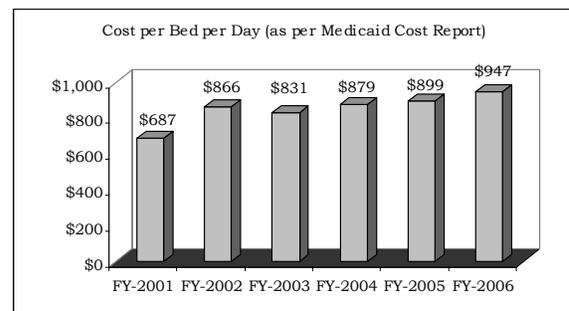
The J.D. McCarty Center habilitates, rehabilitates, evaluates, and treats Oklahoma's developmentally disabled children, enabling them to reach their maximum potential. The ultimate goal is to enable children to return to a family or community environment.

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 led to an increase in the average length of stay for children in the hospital, especially for state custody children through FY-2005. However, after moving into their new facility and no longer having to house children in wards, many of their challenging behaviors were successfully resolved and foster care placements increased. This has resulted in a dramatic drop in average length of stay for custody children from 732 days in FY-2005 to 390 days in FY-2006.



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. The new facility cost a total of \$14.285 million dollars and was financed through a bond issue.

FY-2008 Executive Budget

	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	28	29.80
FY-2006	30	31.50

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.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,279
FY-2007 Bud. FTE Level	206.6
Actual Ave. YTD FTE	201.3
Funding Adjustments:	
Annualize State Employee Pay Increase	93
Total Adjustments	\$4,372
FY-2008 Recommendation	2.17%
% Change from FY-2007	

Source: Office of State Finance

Annualize State Employee Pay Raise

The Governor's budget includes \$93,011 to annualize the 5% state employee pay raise for the J.D. McCarty Center. The pay raise went into effect October 1, 2006.

Office of Juvenile Affairs

Notable Achievements

- **Anti-Gang Program** During FY-2006, at-risk neighborhoods were identified and mapped. These neighborhoods had statistically high risk index scores and accounted for high juvenile offender populations. A Comprehensive Gang Model program was implemented in Oklahoma and Tulsa Counties.
- **Accountability/Community Residential Programs** A 12-bed program with the Sac & Fox Nation was opened to provide residential sanctions for OJA custody youth violating rules of parole or supervised community placement. Rates for Secure Detention services were increased statewide.
- **Institutional Security** The fence replacement at Rader virtually eliminated escapes from this high security facility.

Mission

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.

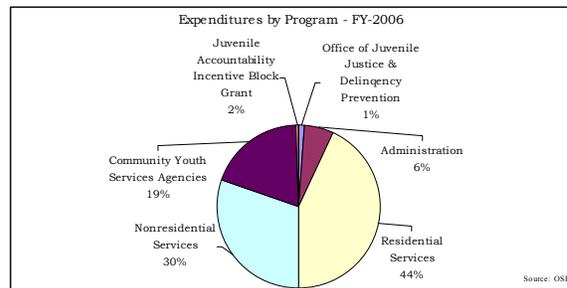
The Office of Juvenile Affairs:

- serves as the state planning and coordinating agency for statewide

juvenile justice and delinquency prevention services;

- preserves and strengthens family ties whenever possible;
- 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 adjudicated juveniles removed from the custody of parents to assist the juvenile in becoming a responsible, 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-2006 appropriation is 1.6% of the total state appropriated budget. The following chart shows OJA's FY-2006 expenditures by program.



Source: Office of Juvenile Affairs

While OJA receives funding from federal grants and revolving funds, nearly 88% of operational funding in FY-2006 came from state appropriations. Approximately 10% of OJA's funding came from federal funds, and 2% 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.

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.

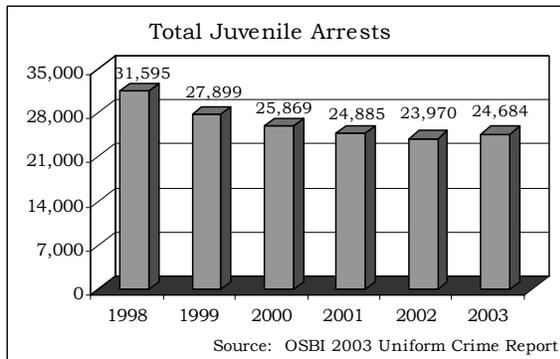
Subsequent to the creation of OJA, an Amended Court Plan of Implementation was filed with the court that detailed OJA's responsibilities in the operation of the juvenile justice system. In 1996, OJA was able to meet Federal Court requirements for the dismissal of the lawsuit. OJA has remained in substantial compliance during the 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.

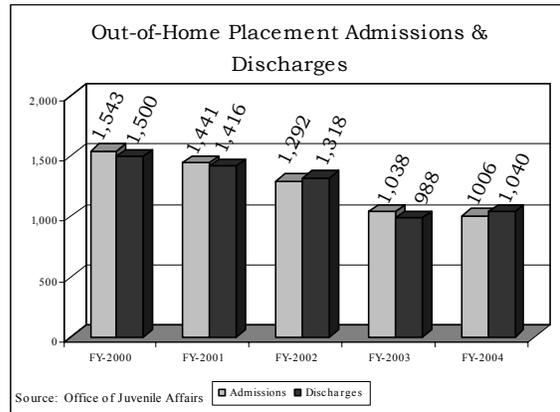
According to data from the Oklahoma State Bureau of Investigation (OSBI) 2003 Uniform Crime Report, total juvenile arrests increased in 2003 by 3%. The following chart shows a ten-year history of juvenile arrests.



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.

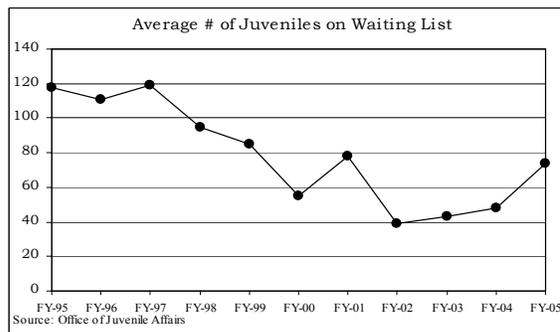
The following chart provides a comparison of the out-of-home placement admissions and discharges since FY-2000.



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 11 years (FY-2005 is the most recent year for which data is available). Juveniles on the waiting list are typically held in lock-down county detention centers. These juveniles do not begin any treatment services at this point, however the detention centers have on-site teachers.



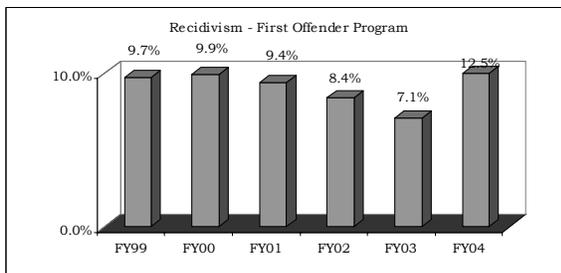
While the waiting list has dramatically decreased from FY-1995, the number of juveniles awaiting placement has been on the rise since FY-2002.

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 3,800 juveniles and almost 4,900 parents received First Offender services in FY-2005.

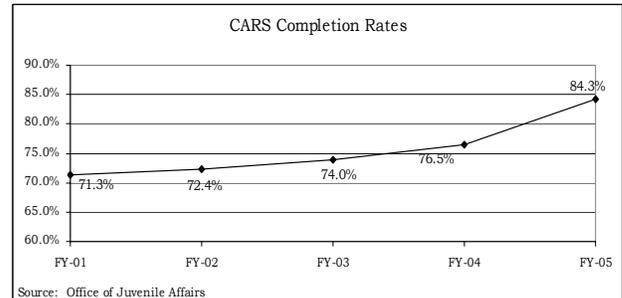
Youth Service Agencies also provide community-based treatment services such as CARS. The purpose of CARS is to provide services to juveniles in custody or under OJA supervision to prevent out of home placement and to reintegrate juveniles returning from out of home placements. Services include mentoring, tutoring, counseling, diagnostic and evaluation services and supervision of youth in independent living.



Source: Office of Juvenile Affairs 2004 Annual Report

Successful reintegration of juveniles back into the community is fundamental for both the juvenile and the community. Without effective reintegration programs, juveniles are more likely to re-offend and become incarcerated again. This is counter-productive for the youth and costly to the state.

Key Performance Measure

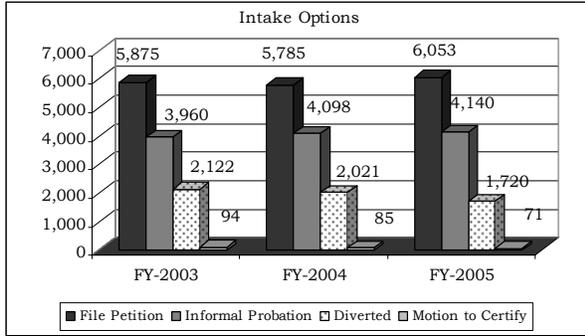


Emergency shelters provide short-term residential care to youth in need of temporary housing. Shelters are open 24 hours a day, seven days a week and served both Department of Human Services and OJA youth.

Some Youth Service Agencies also operate Community Intervention Centers (CICs), foster homes, therapeutic foster homes, group homes and detention centers.

Nonresidential Services

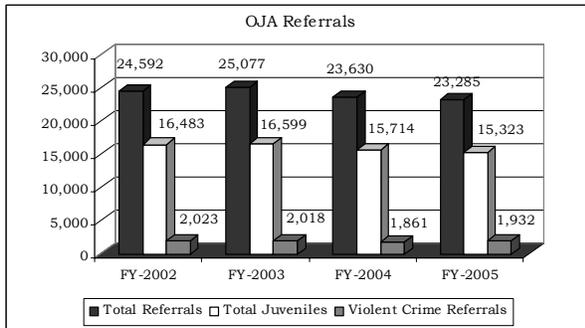
The Juvenile Services Unit (JSU) provides intake, probation and parole services to juveniles in all 77 counties, except those with Juvenile Bureaus. Juvenile Bureaus, located in Comanche, Oklahoma, and Tulsa counties, perform intake and probation functions. In those counties, JSU staff provides parole services. The most common intake of district attorneys is to file a petition for court involvement. The total number of intakes has declined by 483 since FY-2003, from 17,268 to 16,785.



Source: Office of Juvenile Affairs

- In FY-2005, 4,801 of the total intakes were dismissed.

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.



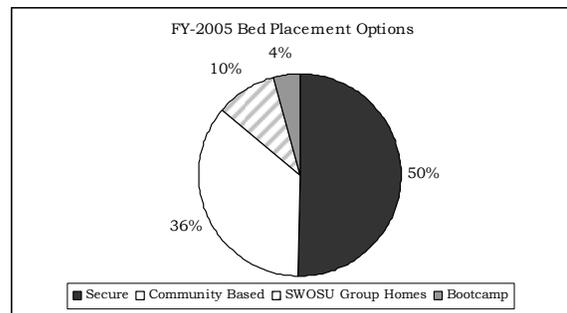
Source: Office of Juvenile Affairs

- In FY-2005, 9,443 referrals were first time referrals.

JSU staff also takes 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, 10 communities have a Graduated Sanctions Program.

Residential Services

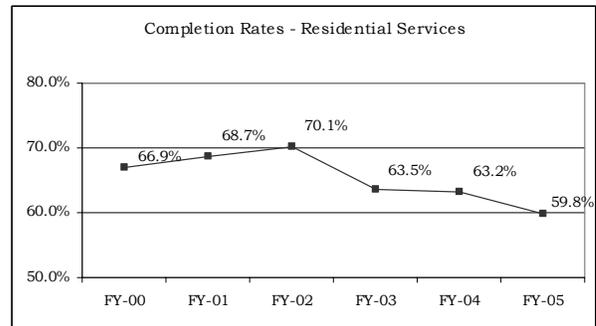
OJA provides rehabilitative facilities for treatment to OJA custody youth in out-of-home community based and institutional placements. Since FY-1994, OJA has increased the number of beds in the juvenile system. These additional beds have allowed OJA to remove violent offenders from the street and reduce 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.



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



Source: Office of Juvenile Affairs

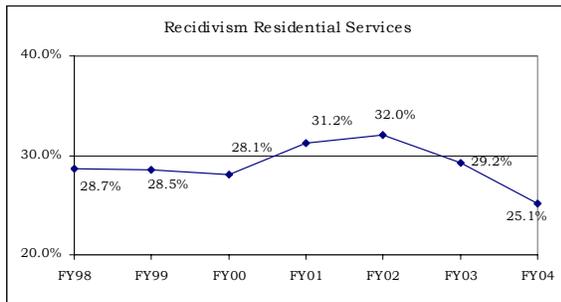
Completion of services is defined as a regularly scheduled discharge from out-of-home placement. Non-completion

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.

The completion rate for residential services has declined over the past three years, from 70.1% in FY-2002 to 59.8% in FY-2005.

While there have been no studies identifying why this is happening, one theory is a more difficult clientele.

Key Performance Measure



Source: Office of Juvenile Affairs

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 \$205. 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-01	FY-02	FY-03	FY-04	FY-05	FY-06 BWP
SOJC	\$188.65	\$216.28	\$218.52	\$206.32	\$218.44	\$239.59
COJC	225.08	240.97	199.72	181.79	187.36	206.05
LERC	196.81	216.60	184.36	186.46	207.88	226.36
UCJC (private)	128.04	129.78				

Source: Office of Juvenile Affairs

*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.

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-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$104,219
FY-2007 Bud. FTE Level	1,059.0
Actual Ave. YTD FTE	1,000.8
Funding Adjustments:	
Reduce Employee Turnover	1,000
Replace lost Federal Funds	192
Gang Prevention	500
Thunderbird Reg. Training Prog. (Pass-through to Military Dept.)	250
Annualize State Employee Pay Increase	<u>437</u>
Total Adjustments	2,379
FY-2008 Recommendation	\$106,598
\$ Change from FY-2007	\$2,379
% Change from FY-2007	2.28%

Source: Office of State Finance

**Youthful Offender Program –
Thunderbird Regimented Training
Program**

The Governor’s budget recommends \$250,000 in funding to be appropriated to the Office of Juvenile Affairs as pass-through funds for the Military Department. This funding will allow the Military Department to add three assistant squad leaders for services in the Thunderbird Regimented Training Program.

Capital Spending Proposal

The Governor's budget proposes including \$2.0 million in a capital bond issue to build the Craig County Juvenile Detention Center.

Annualize State Employee Pay Increase

The Governor's budget includes \$437,047 to annualize state employee pay raises for the Office of Juvenile Affairs. The pay raise went into effect October 1, 2006.

Reduce Turnover Among Employees

The Governor’s budget includes \$1,000,000 for the purpose of reducing turnover among Juvenile Justice Specialists and Juvenile Specialists.

Replace Lost Federal Funds

This budget includes \$192,000 to replace lost federal funds which are currently being used in Administration.

Gang Intervention

The Governor’s budget includes \$500,000 for gang intervention programs targeted at high risk families who live in neighborhoods with gang activity.

Physician Manpower Training Commission (PMTTC)

Notable Achievements

- *Twenty-eight physicians were placed in rural communities this past year. The average obligation incurred by these physicians is three years.*
- *A new scholarship program was developed for physician assistants. This program provides funding to physician assistant students who agree to establish their practice in rural Oklahoma communities with a population of 20,000 or less. In the first year of the program, 18 P.A. students were given scholarships.*
- *324 nursing students received scholarships through the Oklahoma Nursing Student Assistance Program.*

Mission

The Legislature created the Physician Manpower Training Commission (PMTTC) 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 Programs;
 - Rural Medical Education Scholarship Loan
 - Family Practice Resident Rural Scholarship
 - Physician/Community Match Loan
- Physician Placement Program;
- Nursing Student Assistance Program; and
- Physician Assistant Scholarship Program.

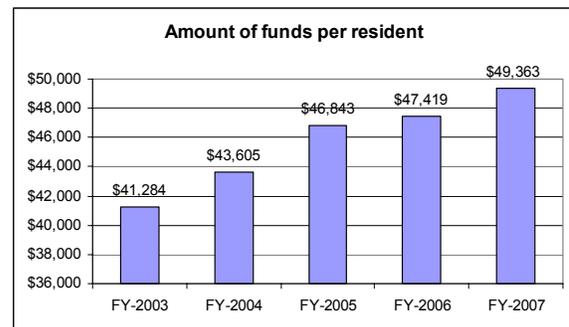
There are no other programs like this in any other state. The PMTTC programs provide approximately 30 physicians each year to Oklahoma communities with an estimated economic impact between \$8.75

million and \$10.5 million annually. A 1998 study done by Dr. Gerald Doekson of the Cooperative Extension Service at OSU indicated that a physician establishing practice in a rural Oklahoma community generates 25 jobs and approximately \$700,000 of income annually. Physicians are vital to the economic health of small Oklahoma communities.

Oklahoma Intern/Resident Cost Sharing

The PMTTC 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.

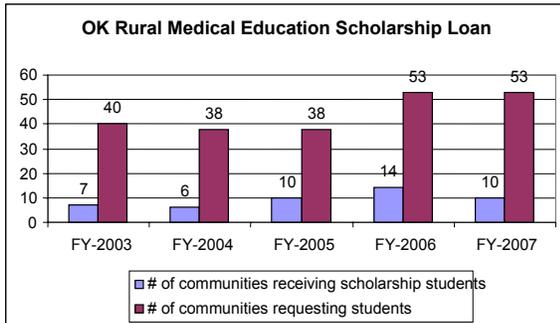
Training for Family Practice residents takes place in Oklahoma City, Tulsa, Enid, Ramona, Lawton and Durant. Statistics show that primary care residents trained in Oklahoma will more likely establish a medical practice in Oklahoma.



Community Match Rural Scholarship Incentive Programs Rural Medical Education Scholarship Loan

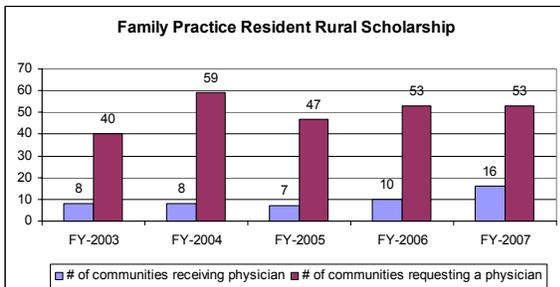
PMTTC also administers a loan program where medical or osteopathic students contract to practice in a rural community with a population of 7,500 or less when their training is completed. A student can receive up to \$60,000 over a four-year

period with a payback of practicing in a rural community one year for each year of financial assistance. Since 1975, 377 students have participated in the program. As the following graph indicates, in FY-2005, 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, 107 recipients have completed training and are fulfilling their 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, 144 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 (HHS). Funds from the grant are offered to qualified health and medical providers in order to pay off legitimate education debt. Funds from HHS are matched with state (PMTC) and local funds.

Individuals receiving the grant must work in a federally designated Health Professional Shortage Area (HPSA). Recipients must participate for a minimum of two years, and can receive the funds for up to four years. Contracts are between the individual provider and the PMTC.

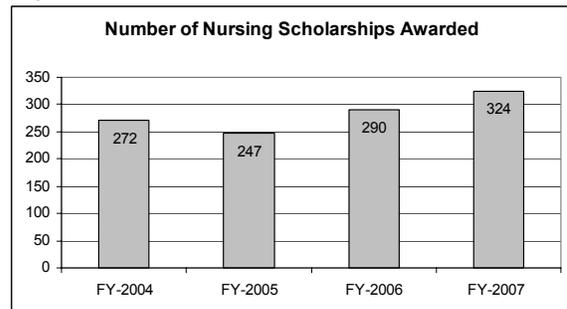
Nursing Student Assistance Program

Established in 1982, this program provides 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, there have been 4,510 participants. The graph below shows the number of recent recipients by fiscal year.

Key Performance Measure



FY-2008 Recommendations

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$5,470
FY-2007 Bud. FTE Level	6.5
Actual Ave. YTD FTE	5.7
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>3</u>
FY-2008 Recommendation	\$5,473
% Change from FY-2007	0.05%
<small>Source: Office of State Finance</small>	

Annualize State Employee Pay Increase

The Governor's budget includes \$3,003 to annualize the 5% employee pay raise for PMTC. The pay raise went into effect October 1, 2006.

Department of Rehabilitation Services

Notable Achievements

- *The Department of Rehabilitation Services (DRS) provided employment and educational services to more than 180,000 Oklahomans with disabilities and their families during FY-2006.*
- *DRS's Vocational Rehabilitation and Visual Services divisions assisted 2,307 persons with disabilities to start new jobs during FY-2006. A range of vocational rehabilitation and employment services were provided to 20,687 persons who were preparing to go to work. Those who become employed reduce the need for disability benefits and social services while paying taxes on their earnings.*
- *In order to coordinate and improve services to people with disabilities jointly served by DRS and other agencies, Vocational Rehabilitation and Visual Services developed interagency agreements with the Department of Mental Health and Substance Abuse Services, the Department of Corrections, the Department of Education, the Employment Security Commission, the Department of Human Services and the majority of local Workforce Development Boards.*
- *DRS was a key partner in implementing a Transition School to Work Institute which brought together nearly 400 staff from nine state agencies to focus on the needs of high school students with disabilities as they transition from high school to work or post-secondary education.*
- *Vocational Rehabilitation and Visual Services established the Business and Employment Services Team (BEST) to help employers recruit and hire qualified workers with disabilities and increase the quality employment opportunities for Oklahomans with disabilities.*

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.

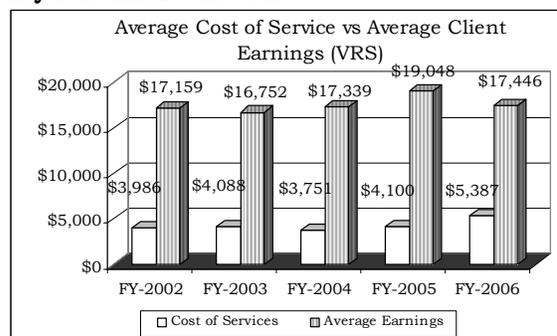
The agency administers four main programs:

- Vocational Rehabilitation and Visual Services Division;
- Oklahoma School for the Blind;
- Oklahoma School for the Deaf; and
- Disability Determination Division

Vocational Rehabilitation and Visual Services Division

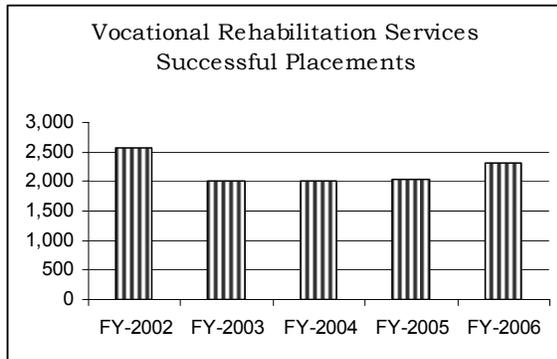
The Vocational Rehabilitation and Visual Services (RVS) division of DRS administers the federal vocation rehabilitation program for Oklahomans with disabilities. DRS provides vocational rehabilitation, education, employment services and independent living programs. Once a client is determined eligible 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. DRS receives \$4 from the federal government for every \$1 of state funding for this program.

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 \$5,387 successfully placed clients received the benefit of earning an average paycheck of \$17,446 per year in FY-2006.

School for the Deaf and School for the Blind

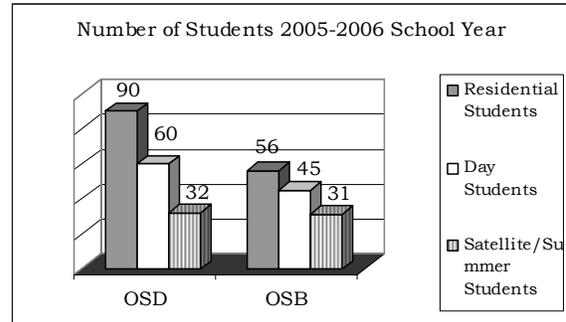
The Oklahoma School for the Deaf and Oklahoma School for the Blind provide residential and day education programs for children who have a primary disability of either blindness or deafness. A comprehensive curriculum of reading, language arts, mathematics, social studies, science, physical education and computer-science serves children through the 12th 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.

During the 2005-2006 school year, OSD served a total of 182 students from all across the state. The Sulphur campus housed 90 students during the school week, while 60 students attended school during the day, and 32 preschoolers were served in the satellite preschools in Edmond and Broken Arrow.

A total of 132 students attended OSB campus in Muskogee, 56 residential students and 45 day students and 31 summer or satellite students.

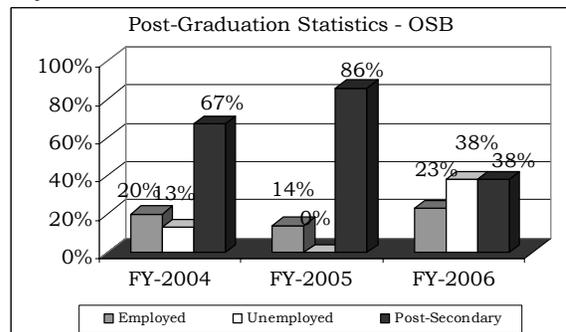


Source: OKDRS

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.

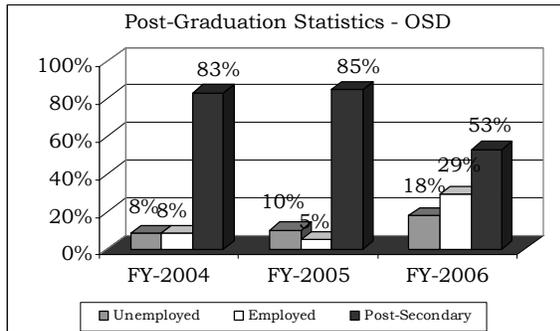
Nationwide, 47 states and the District of Columbia have schools for the deaf; 42 states and the District of Columbia have schools for the blind.

Key Performance Measure



Source: OKDRS

Key Performance Measure



Source: OKDRS

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. This program is funded 100% with federal dollars.

the Deaf and 37 teachers at the Oklahoma School for the Blind.

Annualize State Employee Pay Increase

The Governor's budget includes \$187,245 to annualize the 5% state employee pay raise for the Department of Rehabilitation Services. The pay raise went into effect October 1, 2006.

Increased Debt Service Payments

This budget includes \$90,000 for increased debt service payments.

Capital Spending Proposal

The Governor's budget proposes including \$1.6 million in a capital bond issue to replace the Heating and Air-conditioning System at the Oklahoma School for the Blind.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$29,213
One Time Adj - vehicles	(\$281)
FY-2007 Base	\$28,932
FY-2007 Bud. FTE Level	984.8
Actual Ave. YTD FTE	894.7
Funding Adjustments:	
Teacher Salary Increase	102
Increased Debt Service	90
Annualize State Employee Pay Increase	187
Total Adjustments	379
FY-2008 Recommendation	\$29,311
% Change from FY-2007	1.31%

Source: Office of State Finance

Teacher Salary Increase

The Governor's budget provides \$102,000 for pay increases, as legislated in SB 1272, to 50 teachers at the Oklahoma School for

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 \$95 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 \$213 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 began in 2006. 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. Construction on these pediatric outpatient facilities began in 2005. Additionally, fiscal year 2004 saw the beginning of construction for the adult and children's inpatient care facilities improvement project that relocates 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. The renovation and relocation of the Level I Trauma center and adult care facilities was recently completed with children's inpatient care now being provided in the new tower.

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

FY-2008 Executive Budget

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.

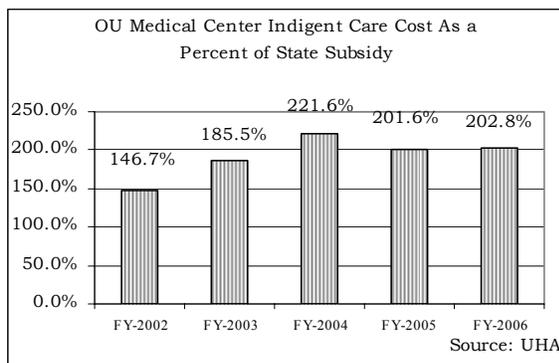
During FY-2006, there were a total of 192,184 persons who received indigent care services at OU Medical Center. The categories of service are as follows:

- 14,963 Inpatients; and
- 177,221 Adult and Pediatric outpatient and ER visits

Of the number of persons who received services, 633 of the inpatients, 3,172 of the outpatients and 201 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-2005 and FY-2006 Indigent Care Percentage Remain Above 150%

Revenue shortfalls combined with increased uncompensated care resulted in indigent care costs remaining above 150% of the indigent care subsidy. In FY-2006, indigent care costs rose to 202.8% of the subsidy.



Trauma Care Related to Indigent Care

OU Medical Center runs the state's only Level I Trauma Center but the state is still in need of comprehensive trauma system development. This includes hospital and ambulance licensing regulations promulgated by the Board of Health along

with other system components. Some of these other components such as statutory changes, additional rules and provision of funding for uncompensated trauma care continue to be developed.

The comprehensive trauma care system 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.

FY-2008 Appropriation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$41,665
FY-2007 Bud. FTE Level	5.0
Actual Ave. YTD FTE	5.0
Funding Adjustments:	
None	<u>0</u>
FY-2008 Recommendation	\$41,665
% Change from FY-2006	0.00%

Source: Office of State Finance

Oklahoma Military Department

Notable Achievements

- *463 soldiers were deployed for Operation Enduring Freedom.*
- *366 soldiers were deployed for Operation Iraqi Freedom.*
- *Several Battalions/ Companies returned from the Global War on Terrorism deployments in CY-2006 bringing 115 personnel home.*
- *Oklahoma Army National Guard helicopters dropped over 1.5 million gallons of water during 2006 while assisting the Forestry Service with grass fires in over 20 counties in Oklahoma. There were 147 missions conducted with approximately 748 personnel assisting, and a total of 225 flight hours. Units from both Army Aviation Support Facilities in Tulsa and Lexington responded with equipment and personnel to assist local first responders.*
- *Three Oklahoma National Guard units were called to assist drivers during a winter storm in early December 2006. Units from Stillwater, Enid, and Tulsa assisted civilian drivers along Turner, Will Rogers, and Cimarron Turnpikes. The Chandler armory was also opened as a refuge for stranded motorists on Turner Turnpike.*
- *Oklahoma National Guard troops were involved in hauling water to several communities who were without water for extended periods of time. Pittsburg, El Dorado, and Stuart were the most recent cities affected by water outages.*
- *In training achievements, the Military Department executed two warrior training center air assault and rappel master courses. There were also two overseas training deployments, Germany and Korea, and one officer exchange program with Great Britain.*

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 Oklahoma National Guard.

OMD also continues to serve Oklahoma's at-risk youth with programs, which instill self-esteem and discipline in our young people.

Youth Programs

The Oklahoma Military Department fields five programs involving Oklahoma's youth. On July 1, 2005, Oklahoma Military Department reconstituted the State Transition and Reintegration System (STARS), providing statewide tracking services for adjudicated youth through personal contacts and advanced Global Position Satellite (GPS) technologies. First Lady Kim Henry became the official spokesperson for Oklahoma's National Guard Youth Challenge Program, and this program set a national mark by being the first program of its kind to publish their entry web page in both English and Spanish.

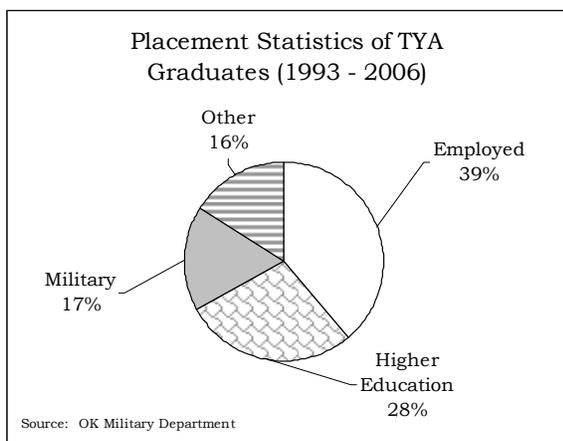
Throughout 2006, the Youth Programs Division (YPD) continued to develop and refine the coordination between its residential programs resulting in significant progress in the areas of job training and job placement.

Thunderbird Youth Academy

In Pryor since 1993, the Thunderbird Youth Academy (TYA) holds two 22-week sessions per calendar year. This voluntary program utilizes military discipline to improve self-esteem and physical fitness of approximately 200 Oklahoma at-risk youths every year.

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 classes. Since 1993 2,464 of Oklahoma's high school dropouts have dramatically improved their education level and employability potential, with 227 graduating in 2006.



Thunderbird Regimented Training Program (TRTP)

Having served 865 adjudicated cadets in Pryor, this residential program continues to be a unique asset to the Office of Juvenile Affairs. TRTP also maintains the highest standards of the American Correctional Association certification criteria.

Thunderbird Trades Academy (TTA)

Located in Pryor, this residential program launched its inaugural class January 12, 2004 in cooperation with OSU-Okmulgee. TTA has graduated 35 youth to date and has a 100% placement rate. TTA has developed new partnerships which are setting the stage for significant job training and placement enhancements and may result in establishing a new model for the nation.

State Transition and Reintegration System (STARS)

Prior to its closing in July 2001, STARS tracked and provided reintegration services for 6,468 youth throughout the state. In July 2005, state lawmakers reopened the program. Currently, STARS provides tracking services for an average of 200 serious violent or sexual offender juveniles each month, statewide.

STARBASE

STARBASE operates its programs at five locations: Tulsa, Oklahoma City, Camp Gruber, Anadarko, and Pryor. This program has inspired over 40,900 of Oklahoma's elementary school-aged youth with a greater appreciation of math and sciences through practical application of rocketry, astronomy, life sciences, and aerospace technology.

Troop Strength

Currently, the Oklahoma Military Department has over 9,700 troops stationed in the state. The number of troops currently on active duty numbers 829.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$12,898
Body Armor	(250)
FY-2007 Base	\$12,648
FY-2007 Bud. FTE Level	429.7
Actual Ave. YTD FTE	365.5
Funding Adjustments:	
Statewide Employee Pay Raise	84
Lawton Infrastructure	2,000
Incentive program	100
Total Adjustments	2,184
FY-2008 Recommendation	\$14,832
\$ Change from FY-2007	\$1,934
% Change from FY-2007	14.99%
Source: Office of State Finance	

The FY-2008 appropriation for the Oklahoma Military Department is the same as provided for FY-2007, with the following adjustments.

Remove One-time Body Armor

The Governor’s budget recommends removing \$250,000 of one-time funds used to buy body armor.

Annualize State Employee Pay Increase

The Governor’s budget includes \$83,967 to annualize the 5% statewide employee pay raise for the Oklahoma Military Department. The pay raise went into effect October 1, 2006.

Lawton Infrastructure

The Governor’s budget recommends \$2.0 million for the Lawton infrastructure to address needs due to the expansion of Ft. Sill.

Incentive Program

The Governor’s budget recommends \$100,000 to implement an incentive program. This program will give incentives for members of the National Guard to

complete officer candidate school and remain in the Guard.

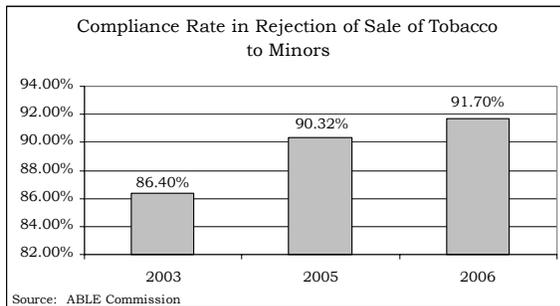
**Other Recommendation:
Youthful Offender Program – Office of Juvenile Affairs**

The Governor’s budget recommends \$250,000 in funding to be appropriated to the Office of Juvenile Affairs as pass-through funds for the Military Department. This funding will allow the Military Department to add three assistant squad leaders for services in the Thunderbird Regimented Training Program.

Alcohol Beverage Laws Enforcement Commission

Notable Achievements

- The agency has performed all required alcohol inspections, closing 93% of all cases, despite having no increase in personnel from 2005 to 2006.
- Agency employees continue to serve on 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 90.32% in 2005, and increased to 91.7% in FY-2006.



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. The Commission continues to contract 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 trains business employees to spot

fraudulent driver licenses, and intoxicated or underage persons.

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-2003	FY-2004	FY-2005	FY-2006
Alcohol Inspections (Businesses)	4,152	2,489	2,164	2,761
Costs per Alcohol Inspection	\$98.17	\$102.38	\$104.55	\$110.10

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$3,965
One-time Funding: Vehicles	(69)
FY-2007 Base	\$3,896
FY-2007 Bud. FTE Level	51.0
Actual Ave. YTD FTE	43.6
Funding Adjustments:	
State Employee Pay Increase	29
Total Adjustments	29
FY-2008 Recommendation	\$3,925
\$ Change from FY-2007	(\$40)
% Change from FY-2007	-1.01%

Source: Office of State Finance

The FY-2008 appropriation for the Alcohol Beverage Laws Enforcement Commission is the same as provided for FY-2007 with the following adjustments.

Remove One-time Funding for Vehicles

The Governor's budget recommends removing \$69,000 in one-time funds used to replace eight vehicles.

Annualize State Employee Pay Increase

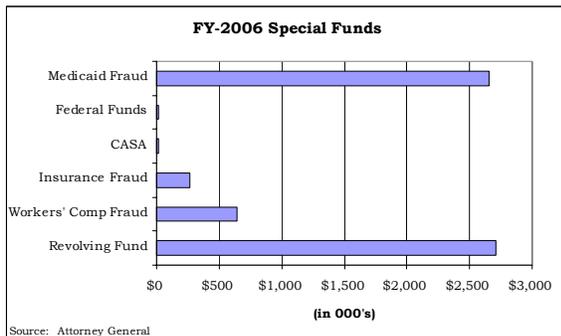
The Governor's budget includes \$29,107 to annualize the 5% state employee pay raise for the Alcohol Beverage Laws Enforcement Commission. The pay raise went into effect October 1, 2006.

Attorney General

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 it provides to accomplish its 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 Attorney General's office for legal services. With these contracts, the agency is guaranteed that an assistant attorney general will spend a certain amount of his or her time working for the agency. Contracts with the Attorney General vary from 25% of an attorney's time to 100%. As of January,

2006, the Attorney General's Office has contracts with more than 40 state agencies.

Key Performance Measure

	Cost of Counsel (\$ Per Hour)		
	FY-2004	FY-2005	FY-2006
Assistant Attorney General	\$60	\$61	\$72
Market Rate of Private Counsel	\$110	\$141	\$151

Domestic Violence Unit

In 2005, the Legislature authorized the transfer of the powers and duties associated with the Domestic Violence and Sexual Assault Program to the Attorney General's Office from the Department of Mental Health and Substance Abuse Services. Funds were reallocated to the budget of the Attorney General for the continuation of programs and services. Services include community-based programs for victims of domestic violence and sexual abuse that provide:

- Safe shelter;
- Advocacy; and
- Counseling services.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$12,799
FY-2007 Bud. FTE Level	179.5
Actual Ave. YTD FTE	173.6
Funding Adjustments:	
State Employee Pay Increase	71
Bond advisor, full-time	<u>155</u>
Total Adjustments	226
FY-2008 Recommendation	\$13,025
% Change from FY-2007	1.77%
Source: Office of State Finance	

The FY-2008 appropriation for the Attorney General is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$70,747 to annualize the 5% state employee pay raise for the Attorney General. The pay raise went into effect October 1, 2006.

Bond Advisor

The Governor's budget recommends \$155,000 to fund a full-time senior bond advisor and associated support staff to relieve the workload of the attorney who is currently reviewing the bonds on a part-time basis. By Title 62 of the Oklahoma Statutes, the Attorney General is to review all bonds to ensure the legality and appropriateness of each.

Board of Tests for Alcohol and Drug Influence

Notable Achievements

- *The Board made significant changes to the Board of Test Rules (Title 40) to make the testing procedure less contentious in the courtroom.*
- *In the past year, over 550 individuals were trained in the proper use of the CMI Intoxilyzer 5000D and the legal implications of the tests.*
- *The rules governing interlock installers and users were rewritten with the help of the interlock company's association to better comply with current statutes.*
- *The Board approved the use of the CMI Intoxilyzer 8000 and began the process of developing software requirements to comply with Oklahoma law and to complement the LEADERS program and ultimately make work simpler for law enforcement personnel.*

Mission

The Board of Tests for Alcohol and Drug Influence promotes a safe driving environment through:

- Proper training of officers in the use of breath testing equipment;
- Inspection and training of ignition interlock installers;
- Performing certification, calibration and maintenance on breath testing equipment to factory and Board standards;
- Maintaining records associated with breath testing and ignition interlock to include rules of the Board, policies and procedures of the Board, and minutes of each meeting of the Board; and,
- Maintaining continuity of service through retention of competent staff and training of new employees.

Background

Effective July 1, 2003, the Alcohol Drug Countermeasures Unit of the Department of Public Safety was abolished and employees of the Unit were transferred to the Board of Tests for Alcohol and Drug Influence. The Board is comprised of the Dean of the University of Oklahoma College of Medicine, the Commissioner of Public Safety, the Director of the Oklahoma State Bureau of Investigation, the State Commissioner of Health, the Director of the Council of Law Enforcement Education and Training, one certified peace officer selected by the Oklahoma Sheriffs and Peace Officers Association, and one person selected by the Oklahoma Association of Chiefs of Police.

By statute, the Legislature appropriates funds to the Department of Public Safety to be transferred for the support of the Board of Tests for Alcohol and Drug Influence.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$300
FY-2007 Bud. FTE Level	5.0
Actual Ave. YTD FTE	5.0
Funding Adjustments:	
None	<u>0</u>
FY-2008 Recommendation	\$300
% Change from FY-2007	0.00%

Source: Office of State Finance

In past years, the Department of Public Safety has been appropriated funds for the Board. The Governor's budget recommends appropriating these funds directly to the Board for efficiency.

Department of Corrections (DOC)

Notable Achievements

- *Since January 2006, eleven institutions and community corrections centers have completed successful accreditation audits by the American Correctional Association.*
- *The Department's Sex Offender Registry received a B rating from the Megan's Law Report Card as one of only five states receiving an A or B grade.*
- *DOC placed 773 offenders on Global Positioning Satellite (GPS) monitoring during FY-2006, double the number from FY-2005, with the success rate of offenders completing the program through parole or discharge remaining at 90%.*
- *During FY-2006, 7,433 individual inmates participated in educational programs with 1,129 inmates receiving their GED. All DOC Education Programs are accredited by the Oklahoma State Department of Education and the North Central Educational Association.*
- *In conjunction with the Pardon and Parole Board, DOC implemented parole hearings via video conferencing in March 2006. There is a host site and seven participating institutions. The video conferencing reduces travel costs and reduces potential security risks.*
- *Oklahoma Correctional Industries generated \$15,733,376 in sales of manufactured products and services with \$441,344 profit margin for FY-2006.*
- *A total of 4,917 offenders participated in substance abuse treatment and 1,490 offenders successfully completed an approved Substance Abuse Treatment Program during FY-2006.*

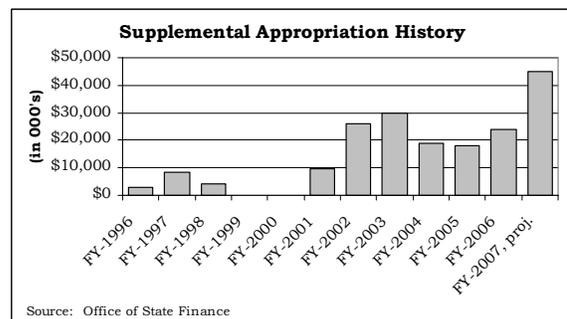
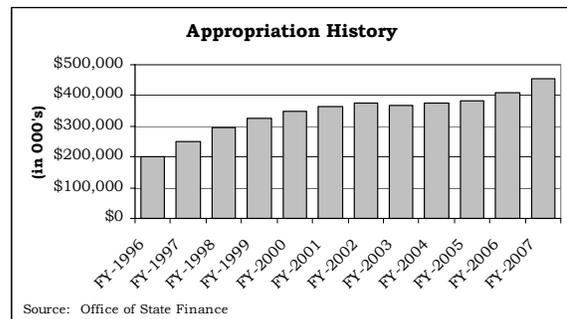
Mission

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.

As one of the state's largest agencies, DOC's FY-2007 appropriation makes up 7% of the state appropriations. DOC's appropriations have more than doubled from FY-1996 to FY-2007. The following charts show DOC's appropriation history, supplemental appropriation history, and their FY-2006 expenditures by program.



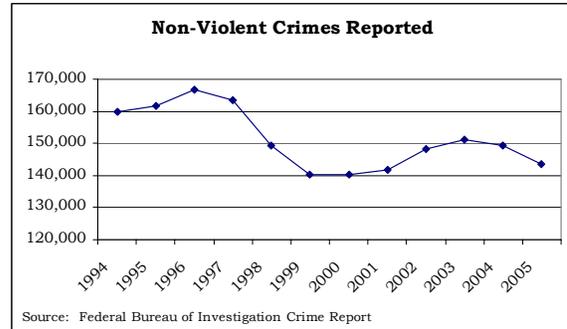
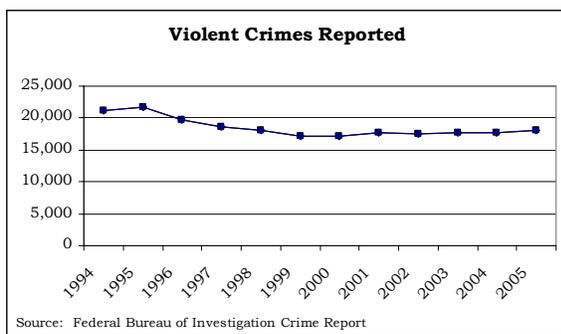
Expenditures by Program (in 000's)			
	FY-2005	FY-2006	FY-2007 Budget
Prison Operations	\$156,789	\$171,996	\$197,562
Medical Services	\$51,100	\$53,566	\$64,145
General Operations*	\$42,748	\$49,530	\$55,704
Contract Facilities	\$101,063	\$80,109	\$76,683
Community Sentencing	\$9,549	\$11,503	\$11,547
Offender Programs	\$14,796	\$23,093	\$23,660
Prison Industries	\$21,576	\$24,741	\$25,140
Community Corrections	\$18,747	\$21,592	\$24,888
Probation and Parole Services	\$20,916	\$23,702	\$26,239
	\$437,284	\$459,832	\$505,568

*General Operations includes Central Office Ops and Regional Office Ops
Source: Department of Corrections

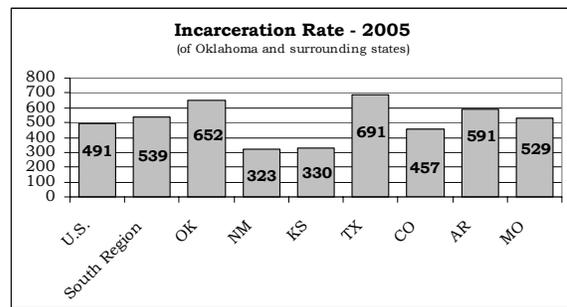
While the Department uses revolving and federal funds, 91% of operational funding in FY-2006 came from state appropriations, with revolving funds and federal funds making up the remaining 9% of expenditures in FY-2006. DOC generates revolving funds from the sale of products and services to inmates (canteen 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, the number of violent crimes reported decreased by 14.9% and nonviolent crimes decreased 10.4%, both from 1994 to 2005.



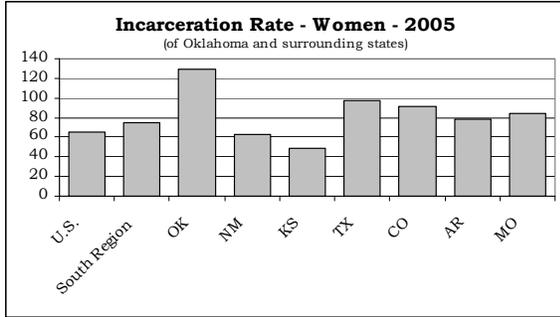
Despite the overall decrease in violent and nonviolent crimes since 1994, the number of offenders incarcerated in Oklahoma has increased. Oklahoma's incarceration rate is consistently higher than the national average. Oklahoma imprisons 652 inmates for each 100,000 residents. This is 133% of the national average of 491 prisoners per 100,000 residents.



Source: Bureau of Justice Statistics, "Prisoners in 2005". Incarceration rate is the number of inmates per 100,000 residents. Oklahoma and Kansas include some who are sentenced to "1 year or less".

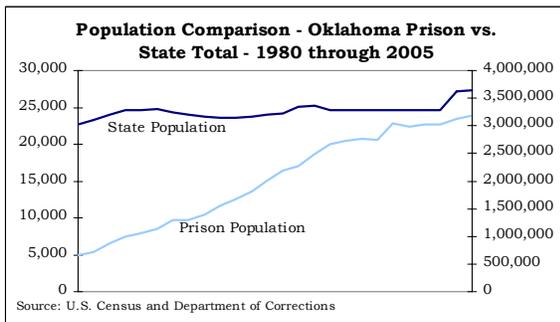
The incarceration rate of women in Oklahoma is also higher than that of the U.S. In 2005, Oklahoma was ranked as the state with the highest incarceration of women.

FY-2008 Executive Budget

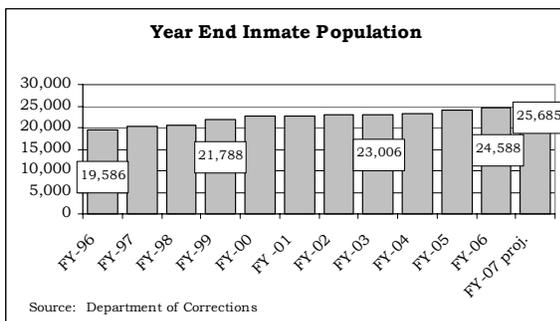


Source: Bureau of Justice Statistics, "Prisoners in 2005". Incarceration rate is the number of inmates per 100,000 residents. Oklahoma and Kansas include some who are sentenced to "1 year or less".

Oklahoma's incarceration rate has grown at a quicker rate than the population of the state.



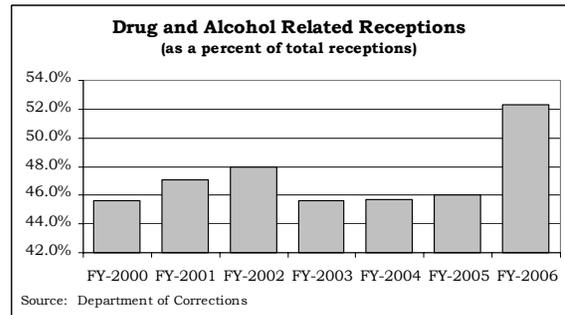
Part of this increase can be traced back to the early 1990s when crime rates were growing. Offenders began to serve more time for their offenses and special laws designed to release prisoners early were rarely invoked. Since then, the demand for prison beds has been increasing. However, as of December 11, 2006, the inmate population was 23,851, down from the FY-2006 year-end population of 24,588, yet projected to increase before ending FY-2007.



Source: Department of Corrections

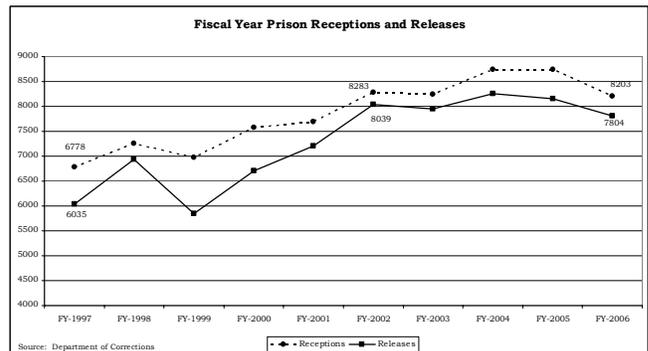
One contributing factor to this increase is the number of drug and alcohol related receptions. Since FY-2000, there has been an increasing trend in the number of receptions in this area. The next chart shows this trend between the years FY-2000 through FY-2006.

As shown, in 2000, drug and alcohol related receptions accounted for just over 45.5% of total receptions. In 2002, drug and alcohol related receptions increased to 48% of total receptions before decreasing in 2006 to almost 46%. The state has implemented a number of initiatives to deal with this issue, such as drug courts and community sentencing. The Department of Mental Health administers the Drug Courts.



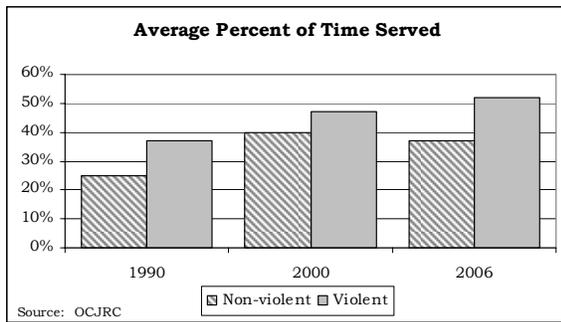
Source: Department of Corrections

The number of receptions, releases and the average time served are three critical factors in the demand for more bed space. For FY-2006, DOC processed 8,200 new inmates at the Lexington Assessment & Reception Center (LARC), nearly 400 more inmates than were released. The number of receptions has historically trended more than releases, contributing to the increase in population.



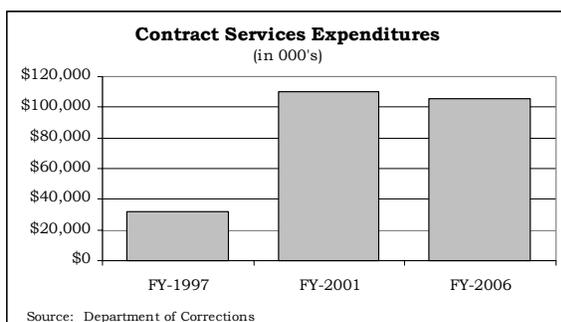
Source: Department of Corrections

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 1990's, DOC inmates are serving more time in DOC custody. The following chart provides a history of the average percent of 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 17,653 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 7,265 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. Effective October 1, 2006, rates for the halfway houses and private prisons were increased five percent.

Effective January 1, 2007, jail back-up rate increased to \$27.00. During FY-2007, the contract with Great Plains Correctional Facility was not renewed, creating an immediate need for 800 beds.

State Facilities:	FY-2006 Budgeted Operating Cost per Inmate
Minimum Security	\$45.83
Medium Security	50.02
Maximum Security	59.28
Community Corrections	42.90
Work Centers	33.18
Contracted Services: Per Diem	
Private Prisons:	
Davis	\$44.42
Great Plains	43.65
Lawton	41.23
Cimarron	44.90
Contract Jails	35.39
Halfway Houses	37.55
Jail Back-up	27.00

Source: Department of Corrections

Total System Capacity	
State Medium & Maximum	7,301
State Minimum & Community Centers	9,934
State-Operated Capacity	17,653
Private Prisons	5,278
County Jails	605
Halfway Houses	1,382
Contract Bed Capacity	7,265
Total Bed Capacity	24,918

Source: Department of Corrections - 12/11/06

Officer Staffing Levels

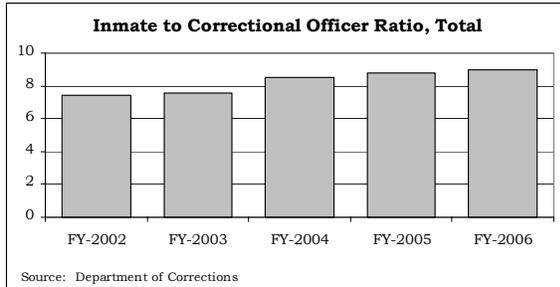
Correctional officers (COs) are the backbone of any state prison system. Without adequate staffing, the ability to retain quality employees is diminished. In FY-2006 and FY-2007, initiatives to improve the pay plan for officers were implemented and the Department has seen an overall improvement in retention rates and vacancy level. However, the level of correctional officers is not decreasing the ratio of inmates to officers with the continued increase in the prison population.

FY-2008 Executive Budget

Security	Day Shift			Evening Shift			Night Shift		
	Staff	Inmates	Ratio	Staff	Inmates	Ratio	Staff	Inmates	Ratio
Maximum	125	4,777	1/38	114	4,785	1/42	98	4,778	1/49
Medium	77	3,981	1/52	69	3,985	1/58	56	3,984	1/71
Minimum	133	6,070	1/46	97	6,245	1/64	82	6,255	1/76
Community Correction Center	23	959	1/42	20	1,064	1/53	18	1,090	1/61
Community Work Centers	26	467	1/18	23	3,156	1/137	18	1,098	1/61
TOTALS/RATIOS	384	16,254	1/42	323	19,235	1/60	272	17,205	1/63

Source: Department of Corrections, as of September 29, 2006

Key Performance Measure

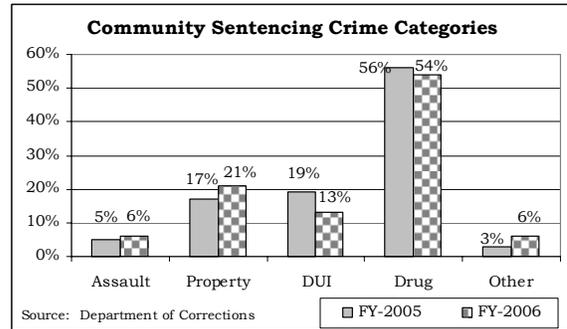


Community Sentencing

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 the state is divided into two regions, covering all 77 counties. DOC's FY-2007 budget for the program is \$11.5 million.

The local community sentencing system provides a continuum of sanctions that gives the court a variety of measures to provide the offender opportunities to change his/her behavior. The array of options allows the court to match offenders with the most appropriate sanctions and establishes a gradation of actions to increase 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. Sanctions may include community service, special needs programs, and 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. As of October 31, 2006, there were 3,252 offenders with an active community sentence.

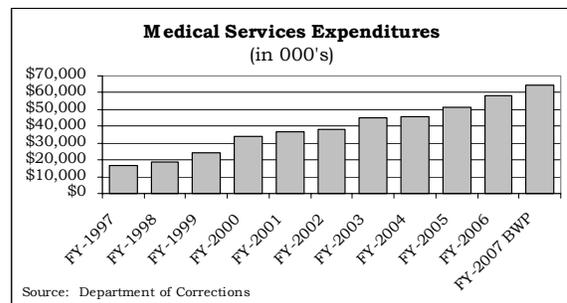


Inmate Health Care

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. The following chart demonstrates the increasing health care costs for the Department of Corrections.



Cost Savings Initiatives

DOC actively seeks to control the upward-spiraling cost of health care for inmates. The agency also continues to take additional steps that will mitigate some of the growing pressure on budgetary resources. Some of these actions include:

- reducing the number of approved “drive from home to work” state vehicles from 48, on December 1, 2005, to seven by March 1, 2006;
- upgrading the copier and negotiating a better lease rate;
- consolidating the duties of the training manager and director;
- eliminating two internal affairs positions;
- utilizing Parole Board video conferencing from host sites;
- combining three OCI garment operations into two, three OCI record conversion operations into two, and the OCI bindery operation into another existing operation;
- eliminating contracts for literacy labs at 16 facilities and providing these services in-house;
- using tele-psychiatry to reduce travel time/expenses for psychiatrists at five facilities and security transports at one facility;
- increasing the use of telemedicine and online consultations for specialty visits conducted with the University Physicians Medical Group;
- reducing hospital stays and costs by using medical case management services;
- physically aggregating prisoners with similar medical conditions and continuing to consider the medical needs of inmates when assigning them to facilities;
- establishing a physician referral review process prior to inmates being sent out for specialized and/or inpatient medical care;

- increasing the use of the Medicaid Reimbursement program;
- reducing temporary staff and payroll; and,
- increasing the use of certified nurses’ aides and certified medical aides to administer medicines.

FY-2007 Supplemental

FY-2007 Supplemental	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$456,005
Supplemental	40,000
FY-2007 Adj. Appropriation	\$496,005
% Change from FY-2006	21.14%
% Change from Original FY-2007	8.77%
<small>Source: Office of State Finance</small>	

The Governor’s supplemental recommendation provides \$33 million in funding to secure the necessary prison beds to protect public safety. With the agency’s facilities near capacity, DOC must lease additional private beds to meet the remaining need. This recommendation also includes \$7 million to fund the deficit for the authorized FY-2007 5% statewide employee pay raise that went into effect October 1, 2006.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$456,005
FY-2007 Bud. FTE Level	4,803.9
Actual Ave. YTD FTE	4,781.3
Funding Adjustments:	
State Employee Pay Increase	11,390
Annualize Supplemental	30,000
Treatment Services	<u>3,000</u>
Total Adjustments	44,390
FY-2008 Recommendation	\$500,395
% Change from FY-2007	9.73%

Source: Office of State Finance

The FY-2008 appropriation for the Department of Corrections is the same as provided for FY-2007 with the following adjustments.

Annualize FY-2007 Supplemental

The Governor's budget recommends an annualization of the supplemental funding for contract beds for a total of \$30 million.

Annualize State Employee Pay Increase

The Governor's budget includes \$250,300 million to annualize the 5% statewide employee pay raise for the Department of Corrections plus \$11.14 million to annualize the supplemental recommendation of \$7.0 million for funding the pay raise deficit. The pay raise went into effect October 1, 2006.

Treatment Services

The Governor's budget recommends \$3 million to implement and expand evidence-based treatment services for inmates and community corrections. The evidence-based services follow the CPAI (Correctional Program Assessment Instrument) outline of curriculum, staff and other elements of effective correctional programs.

Other Recommendations

The Governor's budget proposes including \$170.0 million in a capital bond issue for a maximum-security expansion at the Oklahoma State Penitentiary in McAlester, which was constructed in 1908. The estimated cost of the project is \$170.0 million.

District Attorneys' Council (DAC)

Notable Achievements

- In conjunction with other county, state, and federal agencies, the Drug Task Forces in District 22 dismantled a large drug trafficking organization responsible for the distribution of over 50 pounds of methamphetamine and over 1,000 pounds of marijuana and prosecuted the offenders in state and federal court. The Drug Task Force in District 16, with other agencies, dismantled a drug trafficking organization with direct ties to Mexico and seized over seven pounds of crystal methamphetamine and prosecuted the offenders in state and federal court.
- Three new drug courts were recently established. Oklahoma currently has 38 drug court programs operating in 52 counties.
- A staff member of the District Attorneys' Council attends every Pardon and Parole Board meeting as a representative for Victim's Services. This past year, the Council celebrated its 25th anniversary of Victim Services in Oklahoma and has continued promoting victim services through billboard promotions.

Mission

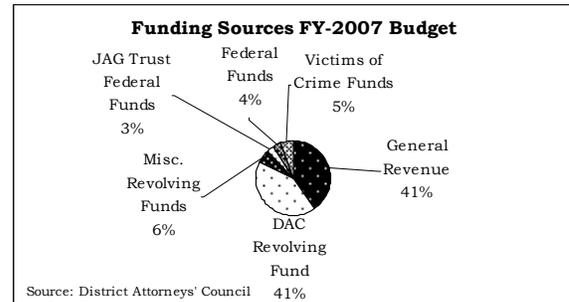
The mission of the District Attorney's Council is to protect the citizens of the State of Oklahoma through the effective and efficient administration of justice.

One of the District Attorneys' Council's (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;
- Victims of Crime services;
- Education of state leaders on the District Attorneys' positions on criminal justice issues; and
- 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.



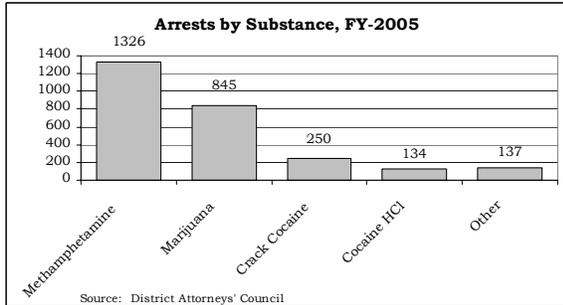
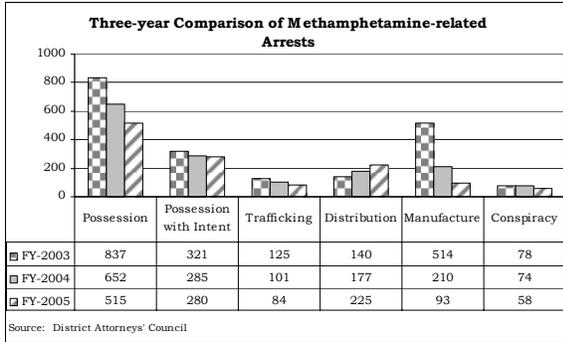
Multi-jurisdictional Task Forces

DAC oversees and provides assistance to the state's multi-jurisdictional task forces. The 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.

With the number of methamphetamine labs seized decreasing from previous years, the drug task forces have focused their attention on drug trafficking organizations. Methamphetamine arrests continue to make up the majority of the violators investigated by the Task Forces. There has been a 60% increase in the number of offenders arrested for distribution of methamphetamine since FY-2003.

FY-2008 Executive Budget



Annualize State Employee Pay Increase

The Governor's budget includes \$12,021 to annualize the 5% state employee pay raise for the District Attorneys' Council. The pay raise went into effect October 1, 2006.

Zero-based Funding Formula

The Governor's budget recommends \$500,000 in increased funding necessary for the continued usage of the zero-based funding formula which funds all the District Attorney offices.

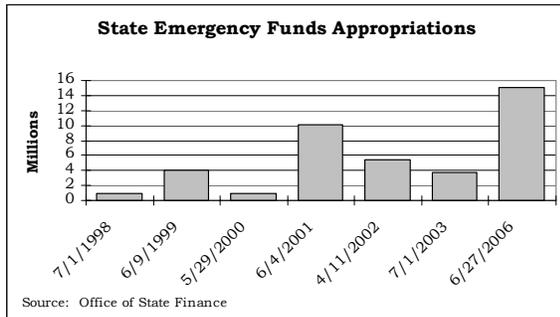
FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$39,093
FY-2007 Bud. FTE Level	1,210.8
Actual Ave. YTD FTE	1,175.5
Funding Adjustments:	
State Employee Pay Increase	12
Zero-based funding formula	<u>500</u>
Total Adjustments	512
FY-2008 Recommendation	\$39,605
% Change from FY-2007	1.31%

Source: Office of State Finance

The FY-2008 appropriation for the District Attorneys' Council is the same as provided for FY-2007 with the following adjustments.

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,
- Winter 2005-2006 wildfires,
- December 2006 ice and snow storms,
- January 2007 ice storm.

To address the damages from these disasters, the Legislature and the Governor appropriated \$10.1 million to the State Emergency Fund in FY-2002, \$5.5 million in FY-2003, \$3.7 million in FY-2004, and \$15.0 million in FY-2007. However, until FY-2007, these

appropriations did not fully fund all reconstruction and relief needs from these disasters listed above and the state owed nearly \$14 million as its share of federal matching funds. In FY-2007, authorization for \$13.97 million was given to the Department of Emergency Management to fulfill the State of Oklahoma's obligations for past disasters. The Military Department was authorized \$542,650 for their role in fighting the wildfires in 2005-2006.

Current Issues

The ice storm and heavy snowfall in Texas, Cimarron and Beaver Counties, December 2006, have caused the area to be declared a state disaster area by the Governor. Also, disaster declarations are in the process for those areas damaged during the ice storm of January 2007.

FY-2008 Recommendation

The Governor's budget recommends appropriating \$15.0 million of FY-2007 surplus funds to the State Emergency Fund for approved disaster expenses. These funds will help reimburse local governments and businesses for costs related to federal and state declared disasters.

Oklahoma Department of Emergency Management (ODEM)

Notable Achievements

- *The Oklahoma Department of Emergency Management (OEM) led the state's wildfire recovery efforts. OEM worked to deliver more than \$6.8 million to local fire departments and other first responders who battled nearly 3,000 fires across the state.*
- *OEM worked with evacuees of Hurricanes Katrina and Rita, delivering more than \$12.5 million in rental, utility and furniture assistance, and securing 52 mobile homes for temporary housing for those displaced by the hurricanes.*
- *OEM delivered more than \$2 million in assistance to individuals and communities impacted by the March 12 tornado in Delaware County.*
- *More than \$900,000 in grant funds was delivered by OEM to 49 city and county emergency management departments.*
- *As part of the department's mitigation efforts, OEM concluded the state's most recent residential safe room program, delivering \$6.5 million in rebates to Oklahomans who built nearly 3,800 safe rooms and underground storm shelters. Moreover, OEM delivered \$10.7 million in grant funds for 33 safe rooms constructed in Oklahoma schools.*

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 are 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.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$757
Civil Air Patrol - Fires	(35)
FY-2007 Base	\$722
FY-2007 Bud. FTE Level	27.0
Actual Ave. YTD FTE	24.4
Funding Adjustments:	
Statewide Employee Pay Raise	7
Increase in Rent	22
Temporary Rent	<u>21</u>
Total Adjustments	50
FY-2008 Recommendation	\$772
\$ Change from FY-2007	\$15
% Change from FY-2007	1.98%
Source: Office of State Finance	

The FY-2008 appropriation for the Oklahoma Department of Emergency Management is the same as provided for FY-2007 with the following adjustments.

Remove One-time Funding – Civil Air Patrol

The Governor’s budget recommends removing one-time funding of \$35,000 for the Civil Air Patrol for their efforts in fighting the wildfires in the winter of 2005-2006.

Annualize State Employee Pay Increase

The Governor’s budget includes \$6,761 to annualize the 5% state employee pay raise. The pay raise went into effect October 1, 2006.

Increase in Rent

The Governor's budget recommends \$22,000 for a yearly increase in rent for the agency’s main offices in the basement of the Will Rogers Building.

Temporary Rent

The Governor's budget recommends \$21,000 for the rent of temporary offices whose length of stay has been increased for delayed construction on the agency's main offices in the basement of the Will Rogers Building.

State Fire Marshal (SFM)

Notable Achievements

- *The SFM names fire service representatives to serve as grant evaluators at the U.S. Fire Administration in Washington D.C. These representatives then present their community leaders with critical information on successful grant-writing. Since 2001, Oklahoma fire departments have been awarded approximately \$41 Million for equipment and training purposes.*
- *The Smoke Alarm Readiness and Response Team (SMARRT), under coordination of the SFM, gave away free smoke alarms and guidelines on installation and maintenance of the smoke alarms this year.*
- *The SFM recently purchased a mobile communications trailer and two vehicles with Homeland Security grant funds. This one-of-a-kind unit is equipped to provide interoperable communications between emergency first responders, law enforcement, EMT, county and city officials during all-hazards incidents statewide.*

Mission

The mission of the agency is to promote safety and awareness and reduce the loss of lives and property through public education, investigations, inspections, reviewing building plans, enforcing code and collecting statistical data from the annual incident reports from more than 900 fire departments. 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-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,053
FY-2007 Bud. FTE Level	33.0
Actual Ave. YTD FTE	30.4
Funding Adjustments:	
State Employee Pay Raise	<u>18</u>
FY-2008 Recommendation	\$2,071
% Change from FY-2007	0.88%
<small>Source: Office of State Finance</small>	

The FY-2008 appropriation for the State Fire Marshal is the same as provided for FY-2007 with the following adjustment.

Annualize State Employee Pay Increase

The Governor's budget includes \$18,294 to annualize the 5% state employee pay raise for State Fire Marshal. The pay raise went into effect October 1, 2006.

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 2005	FY 2006	FY 2007 Bud.
# of Non-Capital cases (staff)	7,229	6,702	5,800
Ave. Cost per Non-Capital case (staff)	\$293	\$344	\$360
Capital Trial clients (staff)	76	67	70
Ave. Cost per Capital case (staff)	\$32,158	\$35,941	\$40,500
# of contract Non-Capital cases	30,955	31,715	32,000
# of conflict Non-Capital cases	433	386	400

In FY-2006, OIDS represented a total of 41,066 court appointments. Of these total cases, over 31,000 were contract non-capital trial cases, 67 capital trial cases, and 651 general appeals cases.

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$16,206
FY-2007 Bud. FTE Level	124.9
Actual Ave. YTD FTE	119.9
Funding Adjustments:	
Statewide Employee Pay Raise	<u>98</u>
FY-2008 Recommendation	\$16,304
% Change from FY-2007	0.60%
<small>Source: Office of State Finance</small>	

The FY-2008 appropriation for the Oklahoma Indigent Defense System is the same as provided for FY-2007 with the following adjustment.

Annualize State Employee Pay Increase
The Governor's budget includes \$97,752 to annualize the 5% state employee pay raise for Oklahoma Indigent Defense System. The pay raise went into effect October 1, 2006.

Oklahoma State Bureau of Investigation (OSBI)

Notable Achievements

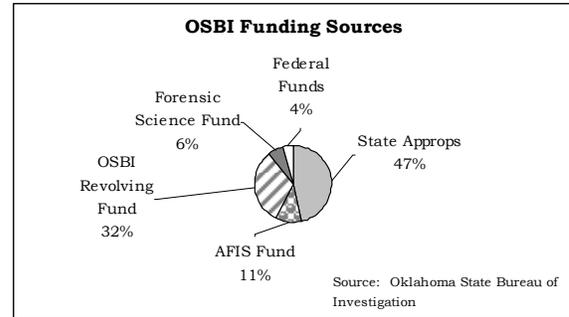
- The agency achieved re-accreditation from the Commission on Accreditation for Law Enforcement Agencies and the American Society of Crime Laboratory Directors.
- The agency's homicide clearance rate of 86.7% exceeded the national average of 62.1%.
- The Forensic Laboratory averaged a 31-day turnaround time over the past two fiscal years.
- The Forensic Laboratory performed 307,898 examinations to close 21,083 cases in FY-2006 compared to 335,957 examinations to close 18,509 cases in FY-2005.
- Agency personnel used information from approximately 50,000 Judgment and Sentence records to update the accuracy and completeness of criminal history record dispositions.

Mission

The mission of the Oklahoma State Bureau of Investigation (OSBI) is to insure the safety and security of the citizens of Oklahoma.

OSBI clients include federal, tribal, state, district, county, and municipal law enforcement and prosecutorial agencies, and the general public. The OSBI also receives requests from the Governor, Attorney General, Medical Examiner, and other statutory requestors.

OSBI provides a wide array of investigative and forensic laboratory services. Included are investigations of crimes scenes, violent crimes and white-collar crime. Other services are computer forensics, criminal intelligence, polygraphs, criminal apprehensions, training, expert testimony, laboratory analysis of evidence and investigation of Internet crimes against children.



ICAC/Kelsey Briggs/CART

In the 2006 Legislative session, the "SafeNet Act" was passed to create an ICAC (Internet Crimes Against Children) Unit within OSBI. This unit will investigate and apprehend those who prey upon children by means of the Internet.

The 2006 Legislature also passed HB2480, known as the "Kelsey Briggs Law". OSBI is to work with the Department of Human Services to investigate child abuse cases. SB1800 created the CART (Child Abuse Response Team) Unit within OSBI to help with these child abuse investigations.

The agency was appropriated nearly \$548,000 as half-year funding for seven new agent positions for these two new units. Currently, there are two agents manning the units and the other five positions are in the hiring process.

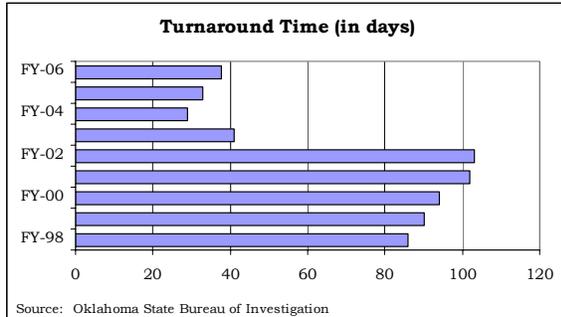
Forensic Science Improvement Plan

The 2001 legislative session created a funding plan to ensure that OSBI will be 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 uses the proceeds exclusively for forensic services. This additional revenue generates about \$2 million annually, though decreasing slightly.

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 29.

Key Performance Measure



FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$13,352
FY-2007 Bud. FTE Level	305.8
Actual Ave. YTD FTE	287.9
Funding Adjustments:	
State Employee Pay Increase	186
Lost Revenue	200
Increase in operations cost	500
Agent pay annualization	770
Pay criminalists/CART/ICAC	448
Total Adjustments	2,105
FY-2008 Recommendation	\$15,456
% Change from FY-2007	15.76%

Source: Office of State Finance

The FY-2008 appropriation for the Oklahoma State Bureau of Investigation is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$186,355 to annualize the 5% state employee pay raise for Oklahoma Bureau of Investigation. The pay raise went into effect October 1, 2006.

Lost Revenue

The abolishment of the anti-fraud fee in FY-2007 has equated to a \$200,000 loss of revenue to OSBI. The Governor's budget recommends this amount in funding.

Increase in Operations Cost

The Governor's budget includes \$500,000 to fund the increased operations costs for the new Forensic Science Center in Edmond.

Agent Pay Annualization

The Governor's budget recommends \$770,318 to annualize the pay increase for agents.

ICAC/CART/Criminalists Funding

The Governor's budget recommends \$448,458 to annualize criminalist positions and CART/ICAC agents.

Council on Law Enforcement Education and Training (CLEET)

Notable Achievement

- 470 recruits attended the Oklahoma Basic Law Enforcement Academy in FY-2006 – an increase of 59 over the FY-2005 total.
- On September 5, 2006, CLEET completed the move to their new campus located in Ada, and two weeks later, welcomed 98 cadets to the Basic Law Enforcement Academy.
- Law enforcement agencies are utilizing more Reserve Officers. CLEET certified 347 in FY-2006 through 26 academies.

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 \$9 criminal penalties that are added on to any criminal fine. Approximately 88% of funding comes from these fines, and 34% of fees collected are dedicated to the Training Center Revolving Fund to pay the annual bond debt service that financed the construction of the center.

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,

2002. Construction began in January 2004. The agency 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 nine dollars. This will allow CLEET to retire the bonds over a 25-year period.

In FY-2001, a site in the city of Ada was selected for the facility. Ada's contributions 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 conducted or accredited approximately 267 continuing education courses for peace officers in 2006. To ensure courses addressed the most current and pressing public safety issues, CLEET evaluated 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. There were 6,350 continuing and advanced education attendees.

E-Learning

CLEET continues to develop web-based continuing education courses for on-line learning available to police officers 24 hours a day, 7 days a week. In FY-2006, 3,038 officers reviewed seven posted courses.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$3,265
FY-2007 Bud. FTE Level	33.3
Actual Ave. YTD FTE	31.6
Funding Adjustments:	
State Employee Pay Increase	19
Increased operations costs	<u>150</u>
Total Adjustments	169
FY-2008 Recommendation	\$3,434
% Change from FY-2007	5.18%

Source: Office of State Finance

The FY-2008 appropriation for the Council on Law Enforcement Education and Training is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor’s budget includes \$18,897 to annualize the 5% state employee pay raise for the Council on Law Enforcement Education and Training. The pay raise went into effect October 1, 2006.

Ada Facility Increased Operating Costs

The Governor’s budget includes \$150,000 for the increased costs of operating the new training facility in Ada, which is much larger than the Council’s previous training facility.

Board of Medicolegal Investigations

Notable Achievements

- The Board completed the implementation of a statewide death investigator program. The Board now has almost 30 agency-trained investigators serving all areas of the state.
- The Board also realized progress in the number of forensic autopsies and forensic drug testing. The percent of autopsies performed increased from 35.4% in FY-2005 to 40.7% in FY-2006. The Board objective is to perform at a 50% autopsy rate.
- The Board's accreditation was reinstated by the ACGME (Accreditation Council of Graduate Medical Education) for the Accredited Fellowship Training Program in Forensic Pathology and is currently training a physician.

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 analyses.

Medicolegal has two laboratories within the state: the Central Laboratory, located in Oklahoma City, and the Eastern Laboratory, located in Tulsa.

Source: Medicolegal	FY 2004	FY 2005	FY 2006
Autopsies	1,520	1,525	1,851
Drug Screens	19,725	24,339	26,170
# of Autopsies per Pathologist	214	305	370

FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,587
FY-2007 Bud. FTE Level	77.8
Actual Ave. YTD FTE	66.1
Funding Adjustments:	
State Employee Pay Increase	37
Forensic Pathologist	<u>200</u>
Total Adjustments	237
FY-2008 Recommendation	\$4,824
% Change from FY-2007	5.17%

Source: Office of State Finance

The FY-2008 appropriation for the Board of Medicolegal Investigations is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$37,240 to annualize the 5% state employee pay raise for Board of Medicolegal Investigations. The pay raise went into effect October 1, 2006.

Forensic Pathologist

The Governor's budget recommends \$200,000 as funding for a new forensic pathologist to reduce caseload to nearer the National Association of Medical Examiners' recommendation of 250 autopsies per pathologist per year.

Other Recommendations

The Governor's budget proposes including \$15.0 million in a capital bond issue to build a new facility to replace the current structure. The estimated cost of the project is \$15.0 million.

Oklahoma Bureau of Narcotics and Dangerous Drugs (OBND) (OBND)

Notable Achievements

- On July 1, 2006, OBND began the Prescription Monitoring Program (PMP) and the Comprehensive Oklahoma Narcotics Tracking Online Program (CONTROL). They provide registrants and professional board investigators with direct computer access to the new database to better control diversion of pseudo-ephedrine for criminal use.

Mission

Committed to honor, integrity, and excellence, the Oklahoma Bureau of Narcotics will serve the citizens of Oklahoma in the quest for a drug-free state. The Oklahoma Bureau of Narcotics and Dangerous Drugs' (OBND) primary objective is to minimize the availability of illegal drugs throughout Oklahoma. Current efforts to reduce availability include:

- Enforcing drug laws;
- Providing educational programs to reduce demand;
- Monitoring individuals licensed to prescribe drugs; and,
- Eradicating domestically grown marijuana.

Overview

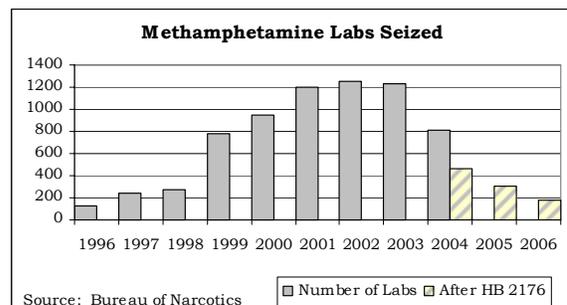
The drug problem in Oklahoma is not a single dilemma, but rather a series of complex multi-faceted issues that necessitate a variety of solutions. Illegal drugs are supplied to the public in different ways. They are smuggled into Oklahoma from other states and countries, produced in Oklahoma from either cultivation or illicit laboratories or they are diverted from legitimate medical purpose to illegal markets. Drug trafficking trends and patterns continually change. These changes require constant flexibility and

innovation on the part of those who allocate and deploy resources to interdict them.

Successful primary prevention of substance abuse consists of some combination of demand reduction and supply elimination. The general mission of OBND is to control and reduce the local availability of drugs and the demand for them in Oklahoma. To that end, the Bureau provides a wide variety of specialized programs that include enforcement, intelligence, coordination, regulation, demand reduction and educational activities from its headquarters in Oklahoma City and five district offices located in Tulsa, McAlester, Ardmore, Lawton, and Woodward. OBND also provides infrastructure and support to federal agencies, Justice-Assistance-Grant-funded drug task forces, and local law enforcement.

Meth-Net Program

From 1995 through April 2004, local methamphetamine production had steadily increased in all regions of the state. In 2003, over 1,200 methamphetamine laboratories were seized. This methamphetamine was generally produced by small groups of local addicts who purchased and converted cheap unlimited supplies of pseudo-ephedrine, the immediate precursor to methamphetamine. To curb this type of production, in April 2004, HB 2176 added pseudo-ephedrine to the Schedule V controlled dangerous substance list. This legislation further allowed judges to deny bond to addicts who were arrested for manufacturing.



As a result of this legislation, a 90%-plus reduction in methamphetamine laboratories occurred. Oklahoma is now in single digits for seizures of reported methamphetamine laboratories. A substantial reduction in methamphetamine convictions, addiction, endangered children, victims burned in laboratory fires and related violence has also been noted. Oklahoma's "model" methamphetamine legislation has been studied and adopted by other states and the federal government.

Increase in Purity and Imports (DEA)

The National Drug Enforcement Agency (DEA) states that between 2000 and 2001, the number of super-labs seized grew from 168 in 2000 to 298 in 2001, as reported to the El Paso Intelligence Center (EPIC). These super-labs are capable of producing in excess of 10 pounds of methamphetamine in one 24-hour period and have the capacity to produce more "pure" methamphetamine. The amount of methamphetamine that is seized in-transit between Mexico and the United States has increased dramatically since the mid-1990's. Likewise, ports-of-entry in South Texas have seen an increase in smuggling activity.

With the marked increase in methamphetamine imported to the United States, OBNDD wants to step up its investigations and drug-buy stings. In 2006, Governor Henry recommended the beginning of the Meth-Net Program. This program allows OBNDD to target "cell groups" who are a primary source of the importation of pure methamphetamine into Oklahoma. The program is currently being organized and staffed.

In FY-2006, OBNDD received Federal funds to establish a Computer-Guided Methamphetamine Educational Program. This online educational resource provides drug information and training for teachers, children, medical professionals, law enforcement and the general public.

Prescription Monitoring

In 2004, OBNDD received legislative authority to expand OSTAR and renamed the new system to Comprehensive Oklahoma Narcotics Tracking and Record Online (CONTROL). This enabled OBNDD to track the prescribing of all scheduled drugs. The Bureau has obtained the Harold Rogers Grant for improvement of this program. With this program and the Prescription Monitoring Program (PMP), those who professionally prescribe pharmaceuticals can access information about a patient before prescribing a controlled drug. This increases the intervention opportunities for individuals who illegally obtain prescriptions from multiple practitioners.

The system will become fully functional in the next five years and will provide an interface between public safety and the medical community of Oklahoma. It is anticipated that the Bureau will work a large caseload in the early stages, identifying serious violators. However, a decrease in offenders who misuse pain medicine is also anticipated.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i> <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$6,321
FY-2007 Bud. FTE Level	104.0
Actual Ave. YTD FTE	92.4
Funding Adjustments:	
State Employee Pay Increase	57
Annualize agents' salaries	<u>660</u>
Total Adjustments	717
FY-2008 Recommendation	\$7,038
% Change from FY-2007	11.34%
Source: Office of State Finance	

The FY-2008 appropriation for the Oklahoma Bureau of Narcotics and Dangerous Drugs is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$56,585 to annualize the 5% state employee pay raise for Oklahoma Bureau of Narcotics and Dangerous Drugs. The pay raise went into effect October 1, 2006.

Annualize Agents' Salaries

The Governor's budget includes \$232,000 to annualize the codification of salaries for agents and \$428,000 to annualize the salaries of the Meth-Net agents.

Pardon and Parole Board

Notable Achievements

- *The Board began using video conferencing in February, 2006 to interview inmates for parole consideration. This initiative has decreased travel costs for the Board and the Department of Corrections.*

The Pardon and Parole Board provides 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 intelligent 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.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$2,555
FY-2007 Bud. FTE Level	48.5
Actual Ave. YTD FTE	41.3
Funding Adjustments:	
State Employee Pay Increase	23
Investigators' Salary Increase	67
Total Adjustments	90
FY-2008 Recommendation	\$2,645
% Change from FY-2007	3.52%

Source: Office of State Finance

The FY-2008 appropriation for the Pardon and Parole Board is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$22,563 to annualize the 5% state employee pay raise for Pardon and Parole Board. The pay raise went into effect October 1, 2006.

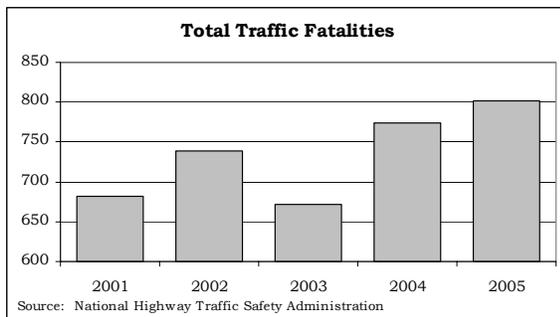
Investigators' Salary Increase

In order to allow the agency to compete with correctional case managers' salaries, the Governor recommends \$67,000 for an increase in investigators' salaries.

Department of Public Safety (DPS)

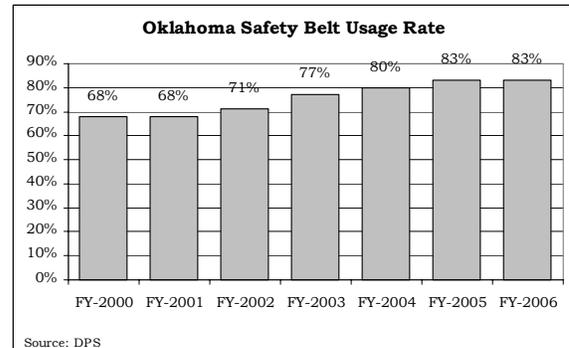
Notable Achievements

- In March, 2005, DPS converted from a 50-year-old microfilm system to a newer digital imaging scanning and retrieval system. This system allows different divisions within DPS to retrieve stored document images from their own office computers in a more efficient manner. Over 3.5 million documents have been digitally scanned and stored.
- DPS established two court liaison positions that travel around the state to hold court-clerk instruction classes regarding operations and the documents required from the municipal and district courts.
- DPS created a website to be used by all municipal courts to enter citation convictions electronically, eliminating the need for paper abstracts.
- Oklahoma's crash data records have been reduced from a two-month processing period to a one-week processing period.
- As of December 14, 2006, fatalities on Oklahoma roadways have decreased.



- Oklahoma's Child Restraint usage increased to 86.7%, up from 82.7% in 2005.
- Oklahoma's seat belt usage increased from 83.1% in 2005 to 83.7% in 2006.

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; and
- Driver License Services;

In FY-2007, the Department of Public Safety received 1.4 % of the state's appropriated budget. Approximately 42% of the Department's budget is funded by appropriations.

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

In calendar year 2006, 64 troopers retired. The agency held two trooper academies during FY-2006, graduating 49 new troopers in December 2005 and 37 new troopers in September 2006. The Department was authorized to hold another academy, which will start March 2007.

Driver License Services

DPS significantly enhanced the protection of our state by establishing 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;
- A secure form of identification for Oklahoma Citizens; and
- An accurate and reliable way to capture and store a digitized signature and fingerprint.

Remove Funding – Board of Tests for Alcohol and Drug Influence

The Governor's budget recommends removing \$300,000 in appropriations for the Board of Tests for Alcohol and Drug Influence. In past years, the Department of Public Safety has been appropriated funds for the Board. The Governor recommends appropriating these funds directly to the Board for efficiency.

Remove One-time Funding for a Driver License Office in Tulsa

The Governor's budget recommends removing \$300,000 in one-time funding for the addition of a Driver License Office in Tulsa.

Remove One-time Funding for Building Maintenance

The Governor's budget recommends removing \$200,000 in one-time funding for maintenance of a damaged sewer line at the training center.

Annualize State Employee Pay Increase

The Governor's budget includes \$779,154 to annualize the 5% state employee pay raise for Department of Public Safety. The pay raise went into effect October 1, 2006.

Homeland Security

The Governor's budget recommends \$300,000 for operating costs for the Homeland Security department.

Terrorism Institute

The Governor's budget recommends \$1.0 million as pass-through funds for the Memorial Institute for the Prevention of Terrorism (MIPT). The MIPT is a non-profit organization with terrorism and responder knowledge bases. The Institute's mission is to expand and share knowledge to help prevent terrorism and lessen its effects.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$90,051
Board of Tests for Alcohol	(300)
Driver License Office - Tulsa	(300)
Building Maintenance	(200)
FY-2007 Base	\$89,251
FY-2007 Bud. FTE Level	1,576.0
Actual Ave. YTD FTE	1,443.8
Funding Adjustments:	
Statewide Employee Pay Raise	779
Homeland Security	300
Terrorism Institute	<u>1,000</u>
Total Adjustments	2,079
FY-2008 Recommendation	\$91,330
\$ Change from FY-2007	\$1,279
% Change from FY-2007	1.42%

Source: Office of State Finance

The FY-2008 appropriation for the Department of Public Safety is the same as provided for FY-2007 with the following adjustments.

Other Recommendation

The Governor's budget proposes including \$158.0 million in a capital bond issue with funding of \$58.0 million to complete the statewide 800 MHz communications system and \$100.0 million for preservation projects on the Oklahoma City headquarters and other statewide buildings. The estimated cost of the project is \$158.0 million.

Oklahoma Center for the Advancement of Science and Technology (OCAST)

Notable Achievements

- *Since its inception in 1987, OCAST has leveraged over \$17 of private and federal funding for every dollar provided to Oklahoma peer-reviewed research and development projects. That translates into over \$2.4 billion invested in Oklahoma.*
- *This past year, OCAST was recognized for its "best practices" model and is mentioned in a book that began 2006 on the New York Times' best seller list. Honorable mentions include:*
 - *The World is Flat author, Thomas L. Friedman, notes OCAST as a model for nurturing innovation in the global economy;*
 - *The U.S. Department of Commerce recognizes OCAST as a "best practice" model for technology transfer and commercialization; and*
 - *The National Governors Association recognizes OCAST as a best practice model for its Technology Business Finance and R&D Intern programs.*
- *Jay Martin, Norman native and vice president of research and development at Martin Bionics, is the inventor of the prosthetic "ankle with a brain." The system uses sensors and artificial intelligence to analyze the patient's walking pattern. The goal is to offer an amputee full anatomical range of motion. Martin Bionics has received \$636,000 from OCAST to develop his bionic prosthetics.*
- *The Oklahoma Alliance for Manufacturing Excellence, an OCAST strategic partner, helped Oklahoma manufacturing companies create 3,435 jobs in 2006 with a payroll of \$173 million. The National Institute of Standards and Technology lists the Oklahoma Alliance among the five "best"*

manufacturing extension programs in the nation.

Mission

The Oklahoma Center for the Advancement of Science and Technology is tasked with improving the Oklahoma economy by moving technology from concept to commercialization. Using internationally-accepted methods of applying public funds to research projects, OCAST helps Oklahomans develop knowledge-based businesses. These businesses, in turn, attract private and federal investment, world-class scientists and collaborative relationships that translate into quality jobs for Oklahoma.

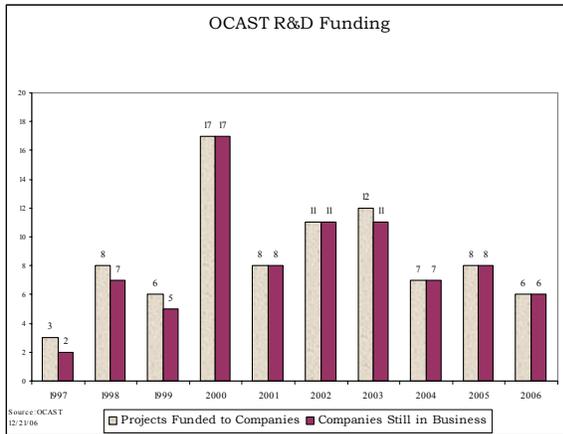
To achieve its vision, OCAST:

- *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.



95% of companies that received Applied Research funding in the past 10 years are still in business today.

Health Research

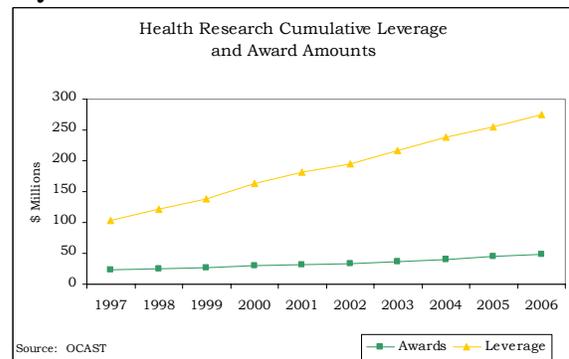
The Oklahoma Health Research Program awards seed funds for research projects related to human health. The program funds projects for up to three years at a maximum level of \$45,000 per year. Eligible applicants are Oklahoma universities and colleges, nonprofit research organizations and commercial enterprises.

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.

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 7 of 10 researchers at the Oklahoma Medical Research Foundation have received OCAST awards.

The following graph illustrates the successful leveraging of funds compared to dollars awarded.

Key Performance Measure



Oklahoma's world-class research captured the nation's attention recently when Dr. Jimmy Ballard of the University of Oklahoma Health Sciences Center discovered that a drug inhibitor he was testing stops the growth of anthrax.

An anthrax drug which could be available in two years, according to Dr. Ballard, could help in the fight against terrorism, and it is important to livestock producers. Anthrax, although rare, still occurs in livestock. In fact, anthrax often occurs on the heels of drought, when livestock drink from stagnant ponds and other sources of water - a situation not unlike current weather conditions in Oklahoma.

OCAST awarded Dr. Ballard \$105,000 in 1998 to study anthrax toxin and its relationship to tumors.

One test of successful research is the number of patents issued. The following chart shows an improving rate of

success for Oklahoma patent applications.

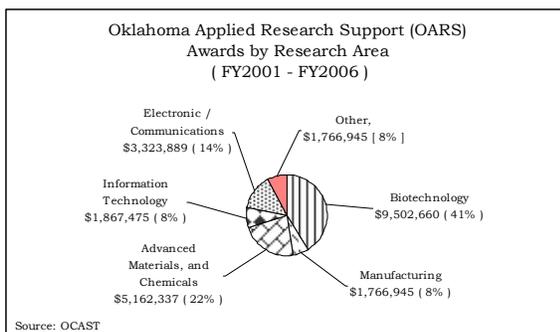
Health Research Patents					
	FY-2002	FY-2003	FY-2004	FY-2005	FY-2006
Applications	10	26	12	11	18
Awards	2	10	10	1	2

Source: OCAST

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.

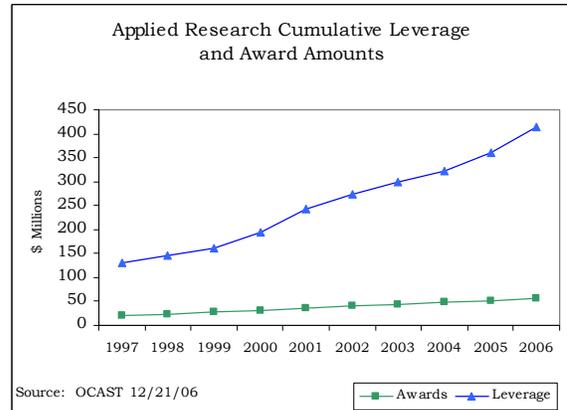
Dr. A.W. Confer of Oklahoma State University is working with the Noble Foundation, headquartered in Ardmore, to develop a vaccine to deal with pneumonia and shipping fever in cattle. Armed with a \$259,395 OCAST applied research award, Dr. Confer is using federal funds and a private firm, SolidTech Animal Health of Newcastle, to develop the vaccine. Estimated savings is \$20 million in the first two years.



OARS produces commercially viable Research and Development. Federal and private funding attracted to OARS projects and the ratio of OARS support to private and federal support both demonstrate the program's effectiveness at securing capital. For every state

dollar awarded to Applied Research another \$15 is leveraged in private and federal funds and business financial impacts.

Key Performance Measure



OARS R&D 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.

The faculty and student interns come from rural and urban colleges and they intern throughout Oklahoma. Through this program the interns learn first-hand about the many outstanding high-tech employment opportunities in Oklahoma. This program helps Oklahoma companies and helps reduce the "brain-drain" from Oklahoma.

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)

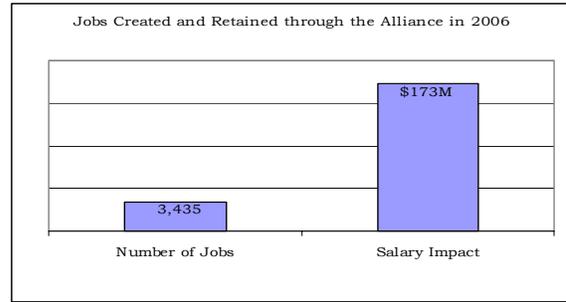
The federal Small Business Innovation Research (SBIR) program provides financial support for technology feasibility studies and prototype development that is lacking in the private investment community. The federal Small Business Technology Transfer (STTR) program accomplishes this purpose while forging research collaborations between small firms and universities or other nonprofit research institutions.

OCAST's SBRA program provides assistance to improve the quality of proposals submitted to the federal programs, defrays a portion of a qualifying firm's federal SBIR or STTR proposal preparation costs, bridges funding between federal SBIR grants and assists in locating research resources necessary to successfully compete in the SBIR and STTR programs. Every state taxpayer dollar expended in FY-2006 attracted \$34 of private and federal funding.

Oklahoma Alliance for Manufacturing Excellence (The Alliance)

OCAST provides oversight and state matching funds to this affiliate of the National Institute of Standards and Technology (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. Every state taxpayer dollar expended in FY-2006 attracted \$228 of private and federal funding.

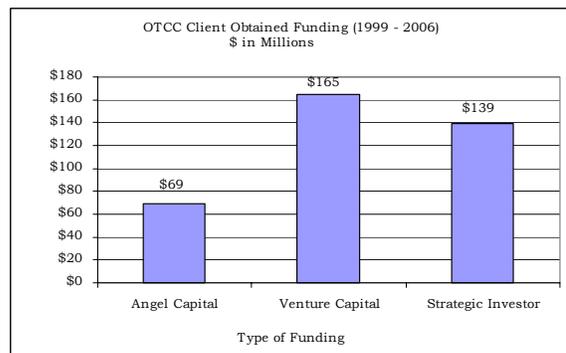
Key Performance Measure



Oklahoma Technology Commercialization Center (Tech Center)

OCAST contracts with 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.

Every state taxpayer dollar expended in FY-2006 attracted \$9 of private and federal funding. The chart below depicts funding obtained by OTCC clients from various sources over the last 7 years.



OCAST Technology Business Finance Program (TBFP)

This OCAST program provides limited pre-seed financing for start-up advanced technology firms. The program requires a match and includes payback provisions. Those paybacks have totaled more than \$2 million since the program began in 1999.

Research Projects and 117 Health Research Projects qualified and were approved for funding but were not funded due to lack of available funds.

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-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$22,443
FY-2007 Bud. FTE Level	24.0
Actual Ave. YTD FTE	21.9
Funding Adjustments:	
State Employee Pay Increase	14
Enhancement of Existing Programs	<u>2,000</u>
Total Adjustments	2,014
FY-2008 Recommendation	\$24,457
% Change from FY-2007	8.97%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$13,891 to annualize the 5% pay raise for OCAST. The pay raise went into effect October 1, 2006.

Enhancement of Existing Programs

The Governor's budget provides an additional \$2 million for the enhancement of existing programs. These funds will target Applied and Health Research Programs. In FY-2006, 33 Applied

Election Board

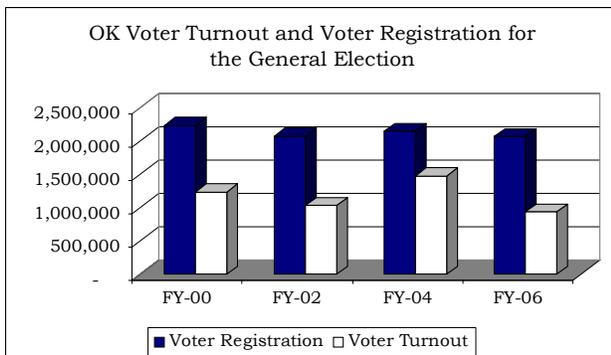
Notable Achievement

Successfully implemented voting for disabled voters, especially blind voters.

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:

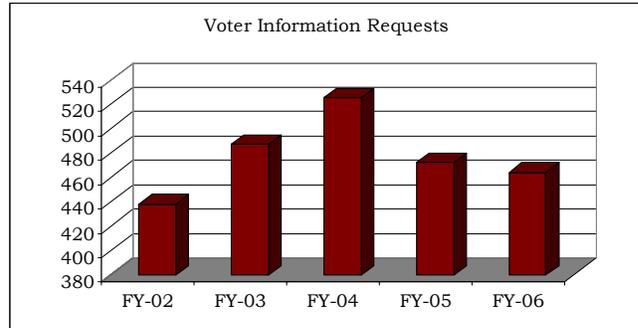
- One voting system;
- One kind of ballot;
- One way of voting;
- One way of counting ballots; and
- One way of recounting ballots.

The graph below shows the voter registration and voter turnout for each of the general elections. A general election is held on the first Tuesday in November in even number years. The next general election is scheduled for November 4, 2008.



Source: Election Board

The graph below shows the number of voter information requests received by the Election Board. Voter information requests were the highest in FY-04 due to the presidential election and state general election.



Source: Election Board

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-2006, the Election Board was appropriated an additional \$1.5 million, which is set aside as federal matching money for HAVA. The largest expenditures necessary in Oklahoma are 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 \$950,000, and special elections are around \$900,000. In FY-2006, there were 3 statewide elections. The table below shows the number of local elections in FY-06.

Total Elections in FY-2006	
County	44
School	355
Municipal	113
Other	5
Total	517
Source: Election Board	

County, school, and municipal elections are usually held on the same day making the total number of local elections high.

\$29,500. The Governor's budget recommends \$112,000 to fund these increases.

Presidential Preferential Primary Election

In February 2008, Oklahoma will hold the Presidential Preferential Primary Election. The Governor's budget recommends using \$980,000 of FY-2007 General Revenue Fund surplus to cover the costs of the election and additional precinct officials to carry out HAVA mandates.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$7,710
Special Election Reimb.	(950)
FY-2007 Base	\$6,760
FY-2007 Bud. FTE Level	25.5
Actual Ave. YTD FTE	24.3
Funding Adjustments:	
Annualize State Employee Pay Increase	46
Co. Election Board Secretaries Salary	<u>112</u>
Total Adjustments	158
FY-2008 Recommendation	\$6,918
\$ Change from FY-2007	(\$792)
% Change from FY-2007	-10.27%
Source: Office of State Finance	

Annualize State Employee Pay Increase

The Governor's budget includes \$46,037 to annualize the 5% state employee pay raise, \$14,140 for the office of the Election Board and \$31,897 for the Election Board secretaries' salaries. The pay raise went into effect October 1, 2006.

County Election Board Secretaries Salary

During the 2006 session, Senate Bill 82XX gave all county election board secretaries a salary increase effective May 1, 2007. As a result, secretaries' salaries will increase by \$82,500, and benefits will increase by

Ethics Commission

Notable Achievement

There are currently over 550 political committees filing electronically using the OCRS (Oklahoma Campaign Reporting System), which is available via the website.

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.

The table above shows the number of complaints filed with the Ethics Commission in FY-2005 and FY-2006. Complaints in FY-2006 increased by 20% from FY-2005.

Complaints Filed		
	FY-2005	FY-2006
No Action Taken	11	6
Dismissed	4	6
Settled	0	0
Public Reprimand	1	2
Private Reprimand	3	3
Referred for Investigation	1	2
Continued	0	5
Total Complaints	20	24

Source: Ethics Commission

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$504
FY-2007 Bud. FTE Level	7.0
Actual Ave. YTD FTE	7.0
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>4</u>
FY-2008 Recommendation	\$508
% Change from FY-2007	0.78%

Source: Office of State Finance

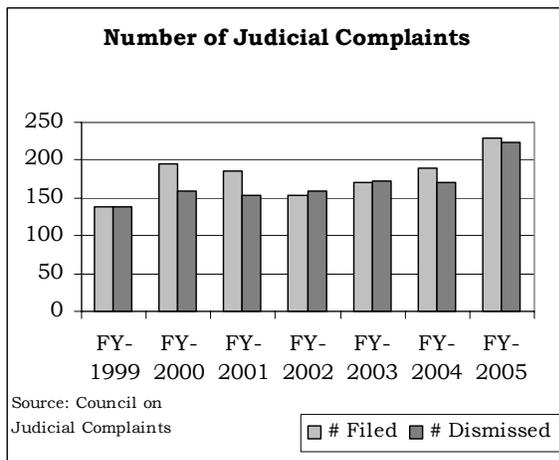
Annualize State Employee Pay Increase

The Governor's budget includes \$3,921 to annualize the 5% state employee pay raise for the Ethics Commission. The pay raise went into effect October 1, 2006.

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-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$283
FY-2007 Bud. FTE Level	2.0
Actual Ave. YTD FTE	2.0
Funding Adjustments:	
Statewide pay increase	<u>1</u>
FY-2008 Recommendation	\$284
% Change from FY-2007	0.35%
<small>Source: Office of State Finance</small>	

The FY-2008 appropriation for the Council on Judicial Complaints is the same as provided for FY-2007 with the following adjustment.

Annualize State Employee Pay Increase
The Governor's budget includes \$1,226 to annualize the 5% statewide employee pay raise for the Council of Judicial Complaints. The pay raise went into effect October 1, 2006.

Secretary of State

Notable Achievements

- *On-line users of the Business Division account for 11% of the entity filings and 57% of the copy orders.*
- *The Office of Administrative Rules has improved the timeliness of electronic publication of the Register from monthly to twice monthly via the SOS web page.*
- *Public Meeting notices are now accepted and published on-line.*
- *Our Executive/Legislative Division now provides immediate access to documents used by other agencies such as legislation, executive orders and state questions. Public safety agencies are provided with immediate access to pardons, paroles, revocations, commutations, and extraditions.*

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.

One-Stop Customer Service Center

The Secretary of State is working with the Tax Commission to determine if business services offered by the Secretary of State's office can be co-located to the Tax Commission's one-stop customer service center.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$525
FY-2007 Bud. FTE Level	38.5
Actual Ave. YTD FTE	33.8
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>5</u>
FY-2008 Recommendation	\$531
% Change from FY-2007	0.97%
Source: Office of State Finance	

Annualize State Employee Pay Increase

The Governor's budget includes \$5,083 to annualize the 5% state employee pay raise for the office of the Secretary of State. The pay raise went into effect October 1, 2006.

Oklahoma Aeronautics Commission (OAC)

The mission of the Oklahoma Aeronautics Commission (OAC) is to promote Oklahoma aviation. OAC works closely with municipalities and the federal government to preserve and improve our state's 114 public airports.

Oklahoma has the fourth largest number of airports per capita in the country making the state easily accessible to citizens, communities, and business interests. However, maintenance and airport improvement expenses accompany the benefits of having this airport infrastructure. To help pay these costs, OAC has the following dedicated revenues (\$ figures from FY-2005 actual):

- Aircraft excise taxes collected on sales of aircrafts - \$2.8 million;
- Fees for registering aircraft with the Tax Commission -\$388,530; and
- Aviation Fuel Tax - \$87,963

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 40 of them are business jet capable.

FY-2008 Recommendation

The Oklahoma Aeronautics Commission is a non-appropriated agency.

Oklahoma Space Industry Development Authority (OSIDA)

Notable Achievements

- *Assisted in creating over 150 jobs in the aerospace field. Rocketplane limited has hired 80 Oklahomans while TGV Rocket has hired 16. The average salary of these jobs is \$85,000;*
- *Received \$1,250,000.00 from NASA for Aerospace Education for K-12 as well as Oklahoma Colleges and Universities including;*
 - *University of Oklahoma;*
 - *Oklahoma State University;*
 - *Southwestern Oklahoma State University; and*
 - *Various school districts across the state.*
- *Named the World's Newest Gateway to Space on June 12, 2006, receiving a Launch Site Operators License from the Federal Aviation Administration's Office of Commercial Space Transportation;*
- *Signed a letter of agreement with the Federal Aviation Administration's Regional Air Traffic Control Center authorizing sub-orbital space flight from the Oklahoma Spaceport in a custom designed space flight corridor designed by OSIDA; and*
- *Took the title to the 2,700 acre Clinton-Sherman Industrial Airpark from the City of Clinton, Oklahoma on December 5, 2006.*

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 acquired 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 that includes runways, hangars, and ramps to fuel the vehicles;
- Favorable weather conditions
- 50 Employees, funded through the South Western Oklahoma Development Authority, to maintain and operate the airpark;
- Over 13,500 feet of runway and ramp space

During FY-2005, OSIDA completed a flight safety study and an environmental impact survey for the Clinton Sherman Airpark. Completion of these studies allowed OSIDA to obtain a Spaceport license for the Airpark from the Federal Aviation Agency (FAA). Having a licensed Spaceport makes Oklahoma more competitive in attracting aerospace companies to the state, and allows 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 their reasons for choosing Oklahoma for this huge project.

Rocketplane LTD. has hired 80 employees at an average salary of \$85,000 and plan to invest over \$30 million in the state. As part of this planned investment, Rocketplane has contracted with over 100 companies from around the state to help develop the needed technology.

FY-2008 Recommendation

<i>FY-2008 Appropriation</i>	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$529
FY-2007 Bud. FTE Level	5.0
Actual Ave. YTD FTE	3.0
Funding Adjustments:	
Annualize State Employee Pay Increase	<u>2</u>
FY-2008 Recommendation	\$530
% Change from FY-2007	0.33%
Source: Office of State Finance	

Annualize State Employee Pay Increase

The Governor's budget includes \$1,769 to annualize the 5% state employee pay raise for the Oklahoma Space Industry Development Authority. The pay raise went into effect October 1, 2006.

Department of Transportation (ODOT)

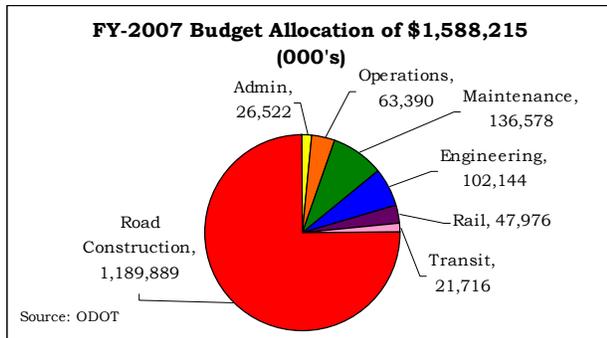
Notable Achievement

- Received \$25 million of FY-2006 General Revenue Fund surplus for county bridge repair. For the period ending December 2006, the counties had utilized \$3.1 million of the special appropriation. Of this amount, \$2.7 million of the reported amount is budgeted for the construction phase of 17 projects. The balance of the construction budget will be expended during calendar year 2007.
- Received \$100 million supplemental appropriation for state bridge repair. To date, two bridges have been completed with the help of the supplemental. The Transportation Commission will award more contracts during the Spring months.

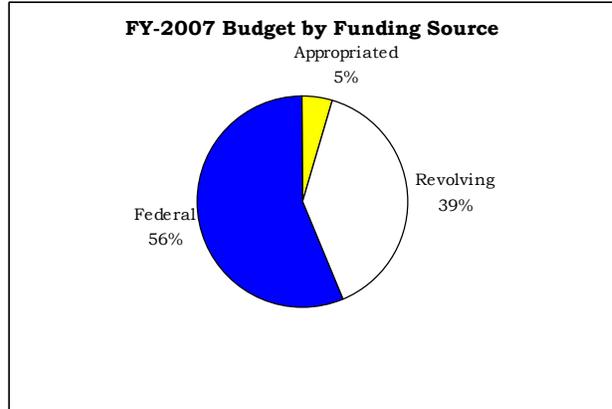
Mission

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 671 miles of interstate and 11,613 miles of non-interstate roads and bridges to maintain.

The Department of Transportation is appropriated 4.4% of the state budget.



Of the \$1.5 billion budget, ODOT's budget is comprised of federal, state and revolving funds. The chart below shows the funding breakdown by source.



Source: ODOT

Motor Fuel Taxes

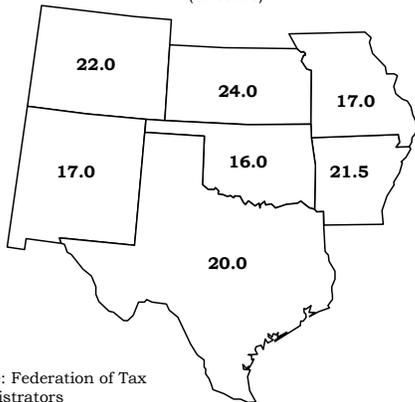
Motor fuel taxes are the main source of revenue to the State Transportation Fund (STF), ODOT's primary source of state funding. The motor fuel taxes that are deposited to the fund are gasoline excise tax, diesel fuel excise tax, special fuel use tax, and special fuel decals. In FY-2006, gasoline and diesel tax totaled \$210.6 million and accounted for over 99% of the collections to the fund. The remaining revenue sources totaled \$1.8 million. The chart below show the apportionment of the revenue sources to the STF.

Apportionment to the State Transportation Fund	
Gasoline Excise Tax	63.75%
Diesel Fuel Excise Tax	64.34%
Motor Vehicle Tax	0.31%
Special Fuel Use Tax	64.781%
Special Fuel Decals	

Source: Oklahoma Tax Commission

The gasoline tax is assessed on the consumer when they purchase gas and is the largest source of revenue to STF. Currently, the tax rate is 16 cents per gallon. The map below shows the gasoline excise tax rates for Oklahoma and its border states.

Gasoline Excise Tax in Oklahoma and Bordering States as of January 1, 2006 (in cents)



Source: Federation of Tax Administrators

The gasoline tax revenue is apportioned to municipalities for local road repair. The following table shows the apportionment of gasoline tax revenue.

Gasoline Tax Apportionment	
State Transportation Fund	63.75%
County Highways	30.125%
Cities and Towns	1.875%
County Bridge & Road Improvement Fund	2.625%
High Priority State Bridges Fund	1.625%

Source: Oklahoma Tax Commission

Diesel tax revenue is also apportioned to the County Highway and the County Bridge and Road Improvement Fund. These funds are the only source of revenue that counties have for highway and bridge maintenance and repair.

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 from several revenue sources for highway system funding for five

years beginning in FY-1998. The second phase called for an additional \$300 million in investments as approved in 1999 by the Contingency Review Board (CRB.) As a result of the FY-2002 revenue shortfall, the \$150 million appropriation for Phase II was never made.

Phase I Capital funding:

- \$165 million appropriations
- \$300 million bond funds
- \$245 million Rainy Day Fund appropriations over a 4 year period

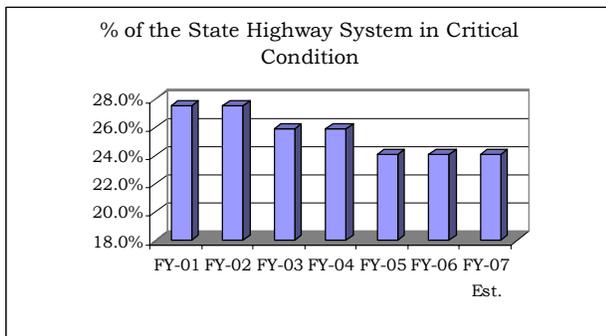
Phase II Capital Funding:

- \$150 million bonds

State Highway System

Historically, roads and bridges have received poor condition ratings from the Federal Highway Administration. According to ODOT, Oklahoma has 3,000 miles of highways rated in inadequate or critical condition. Also, 1,600 bridges are structurally deficient and functionally obsolete.

Key Performance Measure



Source: ODOT

Maintenance Funding Problems

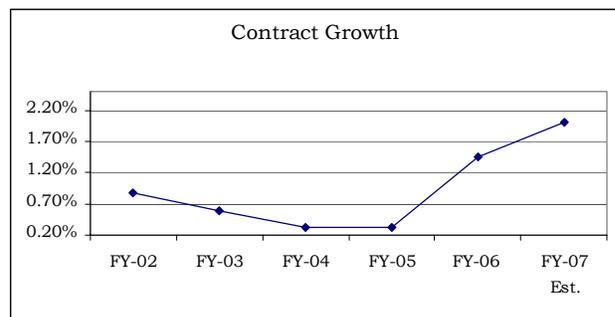
The revenue shortfalls of FY-2002 and FY-2003 threatened to reduce expenditures on the maintenance of roads and bridges. However, under Governor Henry's leadership and direction ODOT has increased efficiency and good management of tax dollars and reduced the impact on

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



Source: ODOT

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.

ROADS Fund

Legislation passed in 2005 gave additional funding to ODOT for state roads, highways and bridges. Each year, the Rebuilding Oklahoma Access and Driver Safety

(ROADS) Fund receives a specified amount from the Individual Income Tax that is apportioned to the General Revenue Fund. For FY-2007, the ROADS Fund received \$50 million.

Beginning in FY-2008, deposits to the ROADS Fund will increase. The fund receives the total amount deposited in the prior fiscal year plus \$70 million, and an amount based on a finding of growth revenue made by the Board of Equalization. The growth finding is made at the February Board of Equalization meeting by comparing the General Revenue Fund estimate for the coming fiscal year to the existing estimates for the current fiscal year. If there is more than 3% growth, then the ROADS Fund receives an additional \$50 million. If growth is less than 3%, then the ROADS Fund receives \$17.5 million. Once the ROADS Fund collects a total of \$270 million, then the fund is guaranteed that amount for each fiscal year thereafter.

The preliminary finding at the December 27, 2006 Board of Equalization Meeting showed growth in the General Revenue Fund of more than 3%. Based on the preliminary finding, the ROADS Fund will receive an additional \$50 million for FY-2008. The chart below shows the apportionment to the ROADS Funds and other funds once the preliminary growth finding in December was made.

Preliminary Apportionment (\$ in 000's)		
	FY-2007 Estimate	FY-2008 Estimate
ROADS Fund	\$15,000	\$120,000
Additional ROADS Fund	35,000	50,000
Tourism & Passenger Rail Fund	2,000	2,000
Public Transit Fund	<u>3,000</u>	<u>3,000</u>
Total Apportionment	\$55,000	\$175,000

Source: Office of State Finance

The OK Tourism and Passenger Rail Revolving Fund is apportioned \$2 million and the Public Transit Revolving Fund is apportioned \$3 million. Both of these funds receive individual income tax that is apportioned to the General Revenue Fund. The apportionments to these funds stay the same year after year regardless of the finding made by the Board of Equalization.

FY-2008 Recommendation

The State Transportation Fund (STF) is the primary state funding source for ODOT. Through a law change during the 2006 Session, this fund became a revolving fund. Due to the nature of the revolving fund, the Legislature will authorize ODOT to spend a certain amount out of the STF instead of appropriating money from it. For FY-2008, the STF is estimated to collect \$209 million, all of which is available to authorize.

Oklahoma Department of Veterans Affairs

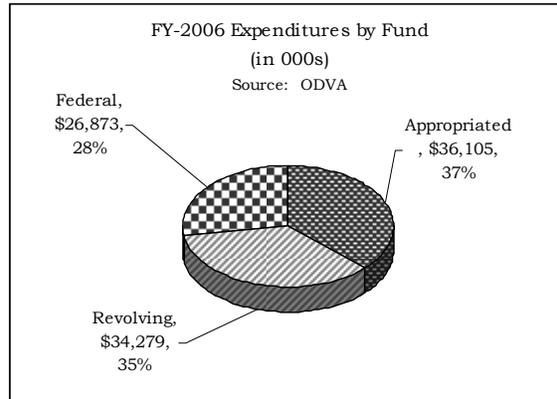
Notable Achievements

- Nursing Mentorship Program Implemented** The program was fully implemented in FY-2006 and is called Learn, Empower, Achieve and Produce (LEAP). It is designed for career development and mentorship for Certified Nurse Assistants providing development of highly qualified and effective long term care leaders and staff. This benefits the quality of life and well-being for the residents of Veterans Centers. After successful completion of the program, employees receive a lump sum payment of \$1,000.
- Two Oklahoma Department of Veterans Affairs (ODVA) employees chosen for national work group** This group, chosen by the United States Department of Veterans Affairs (USDVA), will develop future long term care policy for veterans in non-institutional settings.
- Approval by USDVA gained for 60 bed replacement at Sulphur Center** Parts of the current Sulphur Center are located in very old buildings which will now be replaced due to approval by USDVA for use of 65% federal matching dollars for the project.

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-2006, the average daily population in the Oklahoma Centers was approximately 1,098. The Department estimates that at any given time during FY-2006, 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.



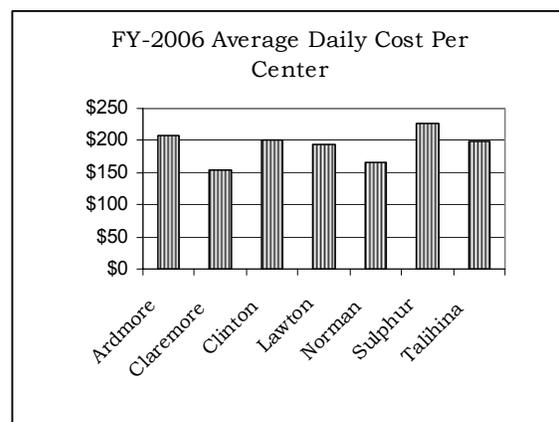
Bed Occupancy and Cost

FY 2006 Patients & Cost per Center

Source: Department of Veterans Affairs

	Ardmore	Claremore	Clinton	Norman	Sulphur	Talihina	Lawton
Avg # of Patients	161	293	144	291	125	168	190
Available Beds	175	302	148	301	132	175	200
Percent Filled	92%	97%	97%	97%	95%	96%	95%
Per Capita Cost	\$207.87	\$154.77	\$200.56	\$164.97	\$225.84	\$189.75	\$197.75

The following chart shows the average daily per capita cost by facility in FY-2006.



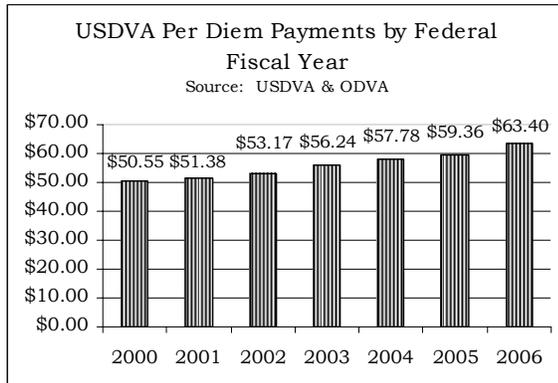
Source: ODVA

Cost Comparison to Other States

The national average cost per day in state operated Veterans Centers was \$204.12 in the fourth quarter of federal fiscal year 2005. The average cost per day during the same time period in Oklahoma centers was \$195.61.

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-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$39,324
FY-2007 Bud. FTE Level	1,963.0
Actual Ave. YTD FTE	1,820.9
Funding Adjustments:	
Annualize State Employee Pay Increase	761
Increased cost of medical supplies	100
Total Adjustments	861
FY-2007 Recommendation	\$40,185
% Change from FY-2007	2.19%

Source: Office of State Finance

Annualize State Employee Pay Increase

The Governor's budget includes \$761,276 to annualize the 5% state employee pay raise for the Department of Veterans Affairs. The pay raise went into effect October 1, 2006.

Increased Cost of Medical Supplies

This budget recommends \$100,000 to help the Department cover the increased cost of medical supplies.

Capital Spending Proposal

The Governor's budget proposes including \$11.6 million in a capital bond issue to build a new central office building for the Department of Veterans Affairs.

House of Representatives, Legislative Service Bureau and State Senate

The House of Representatives, Legislative Service Bureau (LSB) and the 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. Extra sessions may be called by the Governor or by the Legislature.

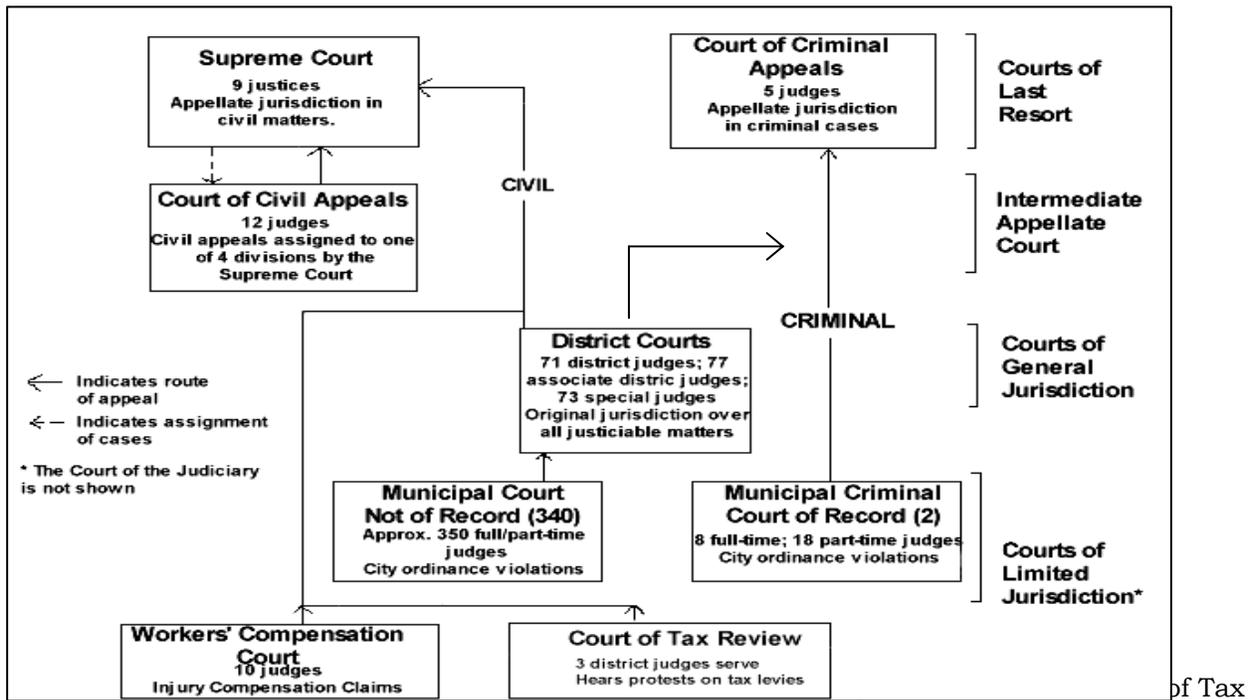
State Senators serve four-year terms with half of the members elected every 2 years. Members of the House of Representatives serve two-year terms.

Each house of the Legislature considers four different types of legislation:

- Bills that will become law when passed by both houses and signed by the Governor;
- Joint Resolutions that have the effect of law if passed by both houses, but may not become part of the statutes;
- Concurrent resolutions which express the will of both of the houses; and
- 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.

The Judiciary



Court Organization

The Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals and 77 District Courts, and Workers' Compensation Court make up the Oklahoma Court System. The Administrative Office of the Courts provides administrative services for the Court System.

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 the members of these courts and 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 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,

Review and state agencies such as the Department of Public Safety, Oklahoma Corporation Commission and the 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.

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.

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.

FY-2008 Executive Budget

Title 20 of the Oklahoma Statutes, 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 of the Oklahoma Statutes, Section 1308 requires court fund transfers to be either quarterly or monthly, depending on county population.

Over the past 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.

\$000's	Actual	Actual	Actual	Estimated
	FY-2004	FY-2005	FY-2006	FY-2007
Total Collections	\$77,049	\$78,969	\$79,083	\$78,969
Local Court Expenditures	\$40,772	\$42,301	\$45,046	\$42,301
Law Library	\$1,766	\$1,368	\$1,321	\$1,368
St. Judicial Fund Deposits	\$31,236	\$38,563	\$36,018	\$38,563

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

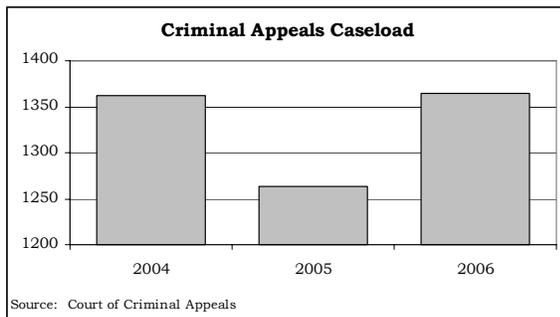
predictable. Mandated expenditures are established by law.

Over the last ten years, certain local court 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.

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 state 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. Judge Gary Lumpkin is presiding judge.

In recent years, the Court of Criminal Appeals has eliminated a backlog of cases, guaranteeing that both the State and individual litigants now have a speedy resolution of appellate issues relating to crimes committed in Oklahoma. As of June 30, 2006, the Court had approximately 880 appeal cases pending – an increase over the 730 cases pending on July 1, 2005. There were approximately 1,365 cases filed during fiscal year 2006.



FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$3,083
FY-2007 Bud. FTE Level	32.0
Actual Ave. YTD FTE	32.0
Funding Adjustments:	
State Employee Pay Increase	24
Step increases for court staff	150
Total Adjustments	174
FY-2008 Recommendation	\$3,257
% Change from FY-2007	5.64%

Source: Office of State Finance

The FY-2008 appropriation for the Court of Criminal Appeals is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$23,618 to annualize the 5% statewide employee pay raise for the Court of Criminal Appeals. The pay raise went into effect October 1, 2006 and excludes the five Judges, who are covered under the Judicial Salary Increase.

Step Increases for Court Staff

The Governor's budget recommends \$150,000 to fund step increases and associated costs for court staff.

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. The elected positions of District Judge, Associate District Judge and Special Judge 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-2003	FY-2004	FY-2005	FY-2006
General Revenue	\$17,701	\$8,240	\$6,072	\$459
State Judicial Fund	22,069	31,557	22	0
Special Cash	0	1,000	0	3,832
443 Fund	110	240	36,278	41,893
TOTAL	\$39,880	\$41,037	\$42,372	\$46,184

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-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$54,403
FY-2007 Bud. FTE Level	650.0
Actual Ave. YTD FTE	626.9
Funding Adjustments:	
State Employee Pay Increase	130
Employee Step Increases	<u>217</u>
Total Adjustments	347
FY-2008 Recommendation	\$54,750
% Change from FY-2007	0.64%

Source: Office of State Finance

The FY-2008 appropriation for the District Courts is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$129,614 to annualize the 5% statewide employee pay raise for District Courts. The pay raise went into effect October 1, 2006 and excludes the 240 Judges and Court Administrators who are covered under the Judicial Salary Increase.

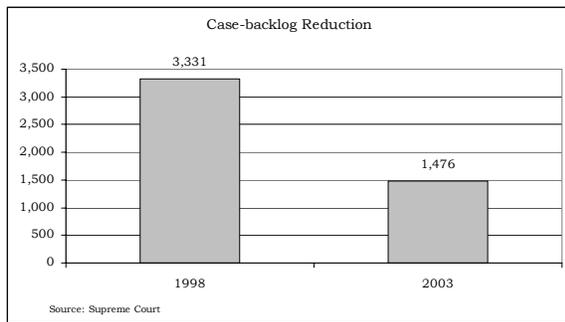
Employee Step Increases

The Governor's budget recommends \$217,000 to fund step increases and associated costs for staff.

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 James R. Winchester is presiding judge and James E. Edmondson is Vice-Chief Justice.

The Court has been successful in eliminating a backlog of cases from more than 3,300 in 1998. Besides deciding cases, this court is also responsible for administering the State's entire judicial system.



The Court recently published its annual report, the first one in six years. There were two more counties added to the Oklahoma State Courts Network website and preparations began to add two more, for a total of 74 counties' courts represented and searchable.

Wiley Post Building Renovation

The Supreme Court is currently in the process of renovating the Wiley Post Historical Building for 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 target date of completion is extended to mid-2009.

FY-2008 Recommendation

FY-2008 Appropriation	
<i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$16,879
FY-2007 Bud. FTE Level	178.0
Actual Ave. YTD FTE	150.5
Funding Adjustments:	
State Employee Pay Increase	67
Employee Step Increases	162
Legal Aid Services	300
Bond Repayment Increase	716
Total Adjustments	1,245
FY-2008 Recommendation	\$18,124
% Change from FY-2007	7.38%

Source: Office of State Finance

The FY-2008 appropriation for the Supreme Court is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase

The Governor's budget includes \$67,380 to annualize the 5% statewide employee pay raise for the Supreme Court. The pay raise went into effect October 1, 2006 and excludes the Supreme Court's 9 Justices, the Court of Civil Appeals' 12 Judges and three other positions who are covered under the Judicial Salary Increase.

Employee Step Increases

The Governor's budget recommends \$162,000 to fund step increases and associated costs for staff.

Legal Aid Services

The Governor's budget includes \$300,000, to be appropriated from surplus funds, for Legal Aid Services of Western Oklahoma to increase services to Oklahoma citizens.

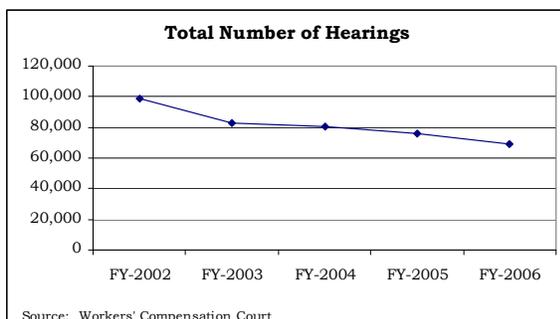
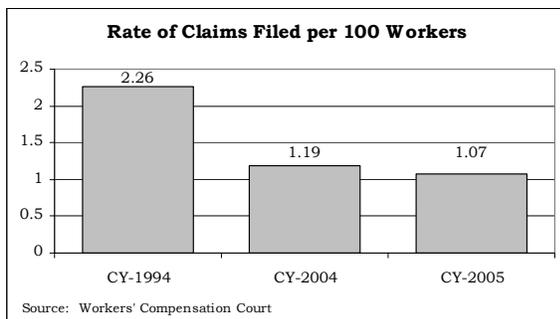
Bond Repayment Increase

The Governor's budget recommends funding of \$716,000 for an increase in the Supreme Court's bond repayment for the renovation of the Wiley Post Building.

Workers' Compensation Court

The Workers' Compensation Court is comprised of ten Judges who are appointed by the Governor. It is the mission of the Workers' Compensation Court to apply the law as set out in the Oklahoma Workers' Compensation Act. It is the responsibility of this limited tribunal to provide fair and timely resolution of disputes and identification of issues involving on-the-job injuries. Judges also participate in educational seminars and the Court sponsors a biennial conference. Judge Gene Prigmore is the current presiding judge.

Following major reforms enacted in July 2005, the Workers' Compensation Court adopted new rules which were approved by the Supreme Court and became effective on January 30, 2006. The Court amended its forms and processes and sponsored and participated in numerous educational seminars on these changes. The Court also implemented a Mediation System consistent with this reform legislation to provide employees and employers convenient access to informal procedures for resolution of a workers' compensation dispute.



FY-2008 Recommendation

FY-2008 Appropriation <i>(amounts in thousands)</i>	
FY-2007 Appropriation	\$4,888
FY-2007 Bud. FTE Level	86.3
Actual Ave. YTD FTE	83.4
Funding Adjustments:	
State Employee Pay Increase	<u>39</u>
FY-2008 Recommendation	\$4,927
% Change from FY-2007	0.80%

Source: Office of State Finance

The FY-2008 appropriation for the Workers' Compensation Court is the same as provided for FY-2007 with the following adjustments.

Annualize State Employee Pay Increase
The Governor's budget includes \$39,020 to annualize the 5% statewide employee pay raise for Workers' Compensation Court. The pay raise went into effect October 1, 2006 and excludes the Court's ten Judges and one Court Administrator who are covered under the Judicial Salary Increase.

FY-2008 Executive Budget

Summary by Committee

Education								
Agency Name	FY-2006 Appropriation	FY-2006 Supps.	FY-2006 Adj. Approp.	Less One-Time and Supps.	FY-2007 Base	FY-2007 Adj.	Recom. FY-2007 Approp.	% Diff. from FY- 2006
1 Arts Council	\$4,243,338	\$0	\$4,243,338	\$0	\$4,243,338	\$269,015	\$4,512,353	6.3%
2 CareerTech	130,287,358	0	130,287,358	0	130,287,358	14,411,232	144,698,590	11.1%
3 Education, Dept. of	2,164,263,450	0	2,164,263,450	0	2,164,263,450	157,398,010	2,321,661,460	7.3%
4 Educational TV Auth., Oklahoma	4,624,059	0	4,624,059	0	4,624,059	514,408	5,138,467	11.1%
5 Higher Educ., Regents for	889,433,880	4,600,000	894,033,880	(4,600,000)	889,433,880	85,496,218	974,930,098	9.6%
6 Land Office, Commissioners of the	4,719,497	0	4,719,497	0	4,719,497	88,762	4,808,259	1.9%
7 Libraries, Department of	6,681,355	0	6,681,355	0	6,681,355	303,743	6,985,098	4.5%
8 Physician Manpower Training	5,361,490	0	5,361,490	0	5,361,490	147,148	5,508,638	2.7%
9 Private Vo-Tech Schools, Board of	171,879	0	171,879	0	171,879	(171,879)	0	-100.0%
10 School of Science & Math	7,020,513	0	7,020,513	0	7,020,513	406,576	7,427,089	5.8%
11 Science & Technology, Ctr. for Adv.	12,400,942	0	12,400,942	0	12,400,942	10,035,824	22,436,766	80.9%
12 Teacher Prep., Commission for	2,022,875	0	2,022,875	0	2,022,875	14,899	2,037,774	0.7%
Total Education:	\$3,231,230,636	\$4,600,000	\$3,235,830,636	(\$4,600,000)	\$3,231,230,636	\$268,913,956	\$3,500,144,592	8.3%

General Government and Transportation								
Agency Name	FY-2006 Appropriation	FY-2006 Supps.	FY-2006 Adj. Approp.	Less One-Time and Supps.	FY-2007 Base	FY-2007 Adj.	Recom. FY-2007 Approp.	% Diff. from FY- 2006
1 Auditor & Inspector	\$5,988,786	\$0	\$5,988,786	\$0	\$5,988,786	\$244,738	\$6,233,524	4.1%
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	181,212	0	181,212	0	181,212	7,278	188,490	4.0%
4 Central Services, Department of	12,263,035	0	12,263,035	0	12,263,035	557,463	12,820,498	4.5%
5 Commerce, Department of	24,179,663	2,000,000	26,179,663	(4,000,000)	22,179,663	3,043,202	25,222,865	4.3%
6 Election Board	6,621,839	0	6,621,839	0	6,621,839	2,256,653	8,878,492	34.1%
7 State Emergency Fund	0	12,000,000	12,000,000	(12,000,000)	0	0	0	n/a
8 Emergency Mgmt	1,355,561	0	1,355,561	(654,000)	701,561	15,993	717,554	-47.1%
9 Ethics Commission, Okla.	492,277	0	492,277	0	492,277	9,332	501,609	1.9%
10 Finance, Office of State	22,756,515	0	22,756,515	0	22,756,515	490,146	23,246,661	2.2%
11 Governor	2,578,710	0	2,578,710	0	2,578,710	50,490	2,629,200	2.0%
12 House of Representatives	18,629,154	0	18,629,154	0	18,629,154	901,413	19,530,567	4.8%
13 Legislative Service Bureau	2,415,783	0	2,415,783	(50,000)	2,365,783	38,680	2,404,463	-0.5%
14 Lieutenant Governor	592,436	0	592,436	0	592,436	11,712	604,148	2.0%
15 Lottery Commission	0	0	0	0	0	0	0	0.0%
16 Merit Protection	565,684	0	565,684	0	565,684	6,678	572,362	1.2%
17 Military Department	12,546,432	0	12,546,432	(250,000)	12,296,432	550,134	12,846,566	2.4%
18 Personnel Management	4,633,249	0	4,633,249	0	4,633,249	129,307	4,762,556	2.8%
19 Secretary of State	510,184	0	510,184	0	510,184	12,905	523,089	2.5%
20 Senate	13,146,893	0	13,146,893	0	13,146,893	400,344	13,547,237	3.0%
21 Space Industry Development	523,264	0	523,264	0	523,264	3,138	526,402	0.6%
22 Tax Commission	45,626,291	38,000,000	83,626,291	(38,000,000)	45,626,291	3,156,551	48,782,842	6.9%
23 Transportation, Department of	275,148,137	0	275,148,137	0	275,148,137	16,201,494	291,349,631	5.9%
24 Treasurer	4,524,498	0	4,524,498	0	4,524,498	81,903	4,606,401	1.8%
Total General Government and Transportation	\$470,779,603	\$52,000,000	\$522,779,603	(\$54,954,000)	\$467,825,603	\$28,169,552	\$495,995,155	5.4%

FY-2008 Executive Budget

Health and Social Services

Agency Name	FY-2006		FY-2006 Adj.	Less One-Time and Supps.	FY-2007 Base	FY-2007 Adj.	Recom. FY-2007	% Diff. from FY- 2006
	Appropriation	FY-2006 Supps.	Approp.				Approp.	
1 Health Care Authority	\$634,786,355	\$0	\$634,786,355	\$0	\$634,786,355	\$59,445,454	694,231,809	9.4%
2 Health Department	62,790,819	0	62,790,819	0	62,790,819	6,638,545	\$69,429,364	10.6%
3 J.D. McCarty Center	3,792,283	0	3,792,283	0	3,792,283	292,549	4,084,832	7.7%
4 Mental Health Department	171,810,647	0	171,810,647	0	171,810,647	15,865,820	187,676,467	9.2%
5 University Hospitals Authority	40,549,342	0	40,549,342	0	40,549,342	125,000	40,674,342	0.3%
6 Veterans Affairs Department	36,040,332	0	36,040,332	0	36,040,332	3,130,817	39,171,149	8.7%
7 Nursing Home Admin's Board	0	75,000	75,000	(75,000)	0	100,000	100,000	33.3%
Total Health and Social Services:	\$949,769,778	\$75,000	\$949,844,778	(\$75,000)	\$949,769,778	\$85,598,186	\$1,035,367,964	9.0%

Human Services

Agency Name	FY-2006		FY-2006 Adj.	Less One-Time and Supps.	FY-2007 Base	FY-2007 Adj.	Recom. FY-2007	% Diff. from FY- 2006
	Appropriation	FY-2006 Supps.	Approp.				Approp.	
1 Children & Youth, Commission on	\$1,725,018	\$0	\$1,725,018	\$0	\$1,725,018	\$326,001	\$2,051,019	18.9%
2 Handicapped Concerns, Office of	376,944	0	376,944	-4,000	372,944	19,368	392,312	4.1%
3 Human Rights Commission	686,563	0	686,563	0	686,563	14,078	700,641	2.1%
4 Human Services, Department of	481,991,177	5,391,000	487,382,177	(5,391,000)	481,991,177	32,214,679	514,205,856	5.5%
5 Indian Affairs Commission	255,530	0	255,530	0	255,530	1,750	257,280	0.7%
6 Juvenile Affairs, Office of	98,323,348	0	98,323,348	(425,000)	97,898,348	7,542,193	105,440,541	7.2%
7 Rehabilitation Services, Dept. of	27,365,925	0	27,365,925	0	27,365,925	2,295,645	29,661,570	8.4%
Total Human Services:	\$610,724,505	\$5,391,000	\$616,115,505	(\$5,820,000)	\$610,295,505	\$42,413,712	\$652,709,217	5.9%

Public Safety and Judiciary

Agency Name	FY-2006		FY-2006 Adj.	Less One-Time and Supps.	FY-2007 Base	FY-2007 Adj.	Recom. FY-2007	% Diff. from FY- 2006
	Appropriation	FY-2006 Supps.	Approp.				Approp.	
1 A.B.L.E. Commission	\$3,738,839	\$0	\$3,738,839	\$0	\$3,738,839	\$69,712	\$3,808,551	1.9%
2 Attorney General	11,286,462	350,000	11,636,462	(350,000)	11,286,462	917,434	12,203,896	8.1%
3 Corrections Department	409,443,403	21,000,000	430,443,403	(21,000,000)	409,443,403	41,618,391	451,061,794	10.2%
4 Court of Criminal Appeals	2,828,160	0	2,828,160	0	2,828,160	154,616	2,982,776	5.5%
5 District Attorneys Council	30,592,742	0	30,592,742	0	30,592,742	1,032,565	31,625,307	3.4%
6 District Courts	47,300,000	3,871,585	51,171,585	(3,871,585)	47,300,000	4,912,316	52,212,316	10.4%
7 Fire Marshal	1,685,180	0	1,685,180	0	1,685,180	4,184,397	5,869,577	248.3%
8 Indigent Defense System	15,633,001	0	15,633,001	0	15,633,001	237,142	15,870,143	1.5%
9 Investigation, Bureau of	11,154,628	455,500	11,610,128	(455,500)	11,154,628	2,307,234	13,461,862	20.7%
10 Judicial Complaints, Council	278,826	0	278,826	0	278,826	1,185	280,011	0.4%
11 Law Enf. Educ. & Training	2,758,783	0	2,758,783	0	2,758,783	1,264,227	4,023,010	45.8%
12 Medicolegal Investigations Board	3,922,904	0	3,922,904	0	3,922,904	597,668	4,520,572	15.2%
13 Narc. & Dang. Drugs Control	5,389,595	0	5,389,595	(21,000)	5,368,595	1,280,207	6,648,802	23.4%
14 Pardon & Parole Board	2,316,329	0	2,316,329	0	2,316,329	53,692	2,370,021	2.3%
15 Public Safety Department	78,887,770	2,000,000	80,887,770	(2,000,000)	78,887,770	5,690,942	84,578,712	7.2%
16 Supreme Court	16,000,000	0	16,000,000	0	16,000,000	700,277	16,700,277	4.4%
17 Workers' Compensation Court	4,365,564	0	4,365,564	0	4,365,564	296,895	4,662,459	6.8%
Total Public Safety and Judiciary	\$647,582,186	\$27,677,085	\$675,259,271	(\$27,698,085)	\$647,561,186	\$65,318,899	\$712,880,085	10.1%

Notes:

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

FY-2008 Executive Budget

Natural Resources								
Agency Name	FY-2006 Appropriation	FY-2006 Supps.	FY-2006 Adj. Approp.	Less One-Time and Supps.	FY-2007 Base	FY-2007 Adj.	Recom. FY-2007 Approp.	% Diff. from FY- 2006
1 Agriculture	\$27,196,069	\$5,500,000	\$32,696,069	(\$6,400,000)	\$26,296,069	\$10,963,516	\$37,259,585	37.0%
2 Centennial Commission	3,899,630	16,000,000	19,899,630	(18,850,000)	1,049,630	10,044	1,059,674	-72.8%
3 Conservation Commission	9,803,928	0	9,803,928	(2,400,000)	7,403,928	602,880	8,006,808	-18.3%
4 Consumer Credit Commission	637,925	0	637,925	0	637,925	20,603	658,528	3.2%
5 Corporation Commission	12,354,190	0	12,354,190	0	12,354,190	283,664	12,637,854	2.3%
6 Environmental Quality	8,166,580	0	8,166,580	0	8,166,580	491,748	8,658,328	6.0%
7 Historical Society, Oklahoma	13,106,387	0	13,106,387	(200,000)	12,906,387	832,672	13,739,059	4.8%
8 Horse Racing Commission	2,360,889	0	2,360,889	0	2,360,889	170,592	2,531,481	7.2%
9 Insurance Department	2,231,595	0	2,231,595	0	2,231,595	169,204	2,400,799	7.6%
10 J.M. Davis Memorial Comm	347,454	0	347,454	0	347,454	10,104	357,558	2.9%
11 Labor Department	3,224,721	0	3,224,721	0	3,224,721	145,226	3,369,947	4.5%
12 Mines, Department of	849,165	0	849,165	0	849,165	37,974	887,139	4.5%
13 Scenic Rivers Commission	323,041	0	323,041	0	323,041	14,651	337,692	4.5%
15 Tourism & Recreation	25,955,959	0	25,955,959	(310,000)	25,645,959	1,259,902	26,905,861	3.7%
16 Water Resources Board	4,973,896	0	4,973,896	(600,000)	4,373,896	122,615	4,496,511	-9.6%
17 Water Resources - REAP	2,200,000	0	2,200,000	0	2,200,000	0	2,200,000	0.0%
18 Will Rogers Memorial Comm.	830,679	0	830,679	0	830,679	263,243	1,093,922	31.7%
Total Natural Resources:	\$118,462,108	\$21,500,000	\$139,962,108	(\$28,760,000)	\$111,202,108	\$15,398,637	\$126,600,745	6.9%

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 – 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.

Oklahoma State Budget Process

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 expenditure limits for the Governor and the Legislature. 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 4.89% 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.

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.

The General Appropriations (GA) Bill is a method 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 primary difference between an appropriation subcommittee of the House or Senate and GCCA is that GCCA is comprised of both House and Senate members. Before beginning the GCCA process, the House and Senate agree to allocate a certain amount of available funding to each GCCA subcommittee. Before a formal 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)

Motorcycle Safety and Drunk Driving Awareness Fund (Fund 56X): Senate Bill 1929, passed during the 2006 Session, created this fund. Revenue to the fund consists of a fee charged to any person convicted of a failure-to-yield the right of way in a traffic accident that caused a fatality or serious bodily harm to another person. Funds are appropriated to the Department of Public Safety and are used to educate drivers on the dangers of driving while intoxicated and also to promote motorcycle safety.

Oklahoma Education Lottery Trust Fund (Fund 38X): 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 seven 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. This performance information is also used in routine and special performance evaluations and policy analysis conducted by agencies, the Office of State Finance, legislative staff, Auditor and Inspector and outside consultants. 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.

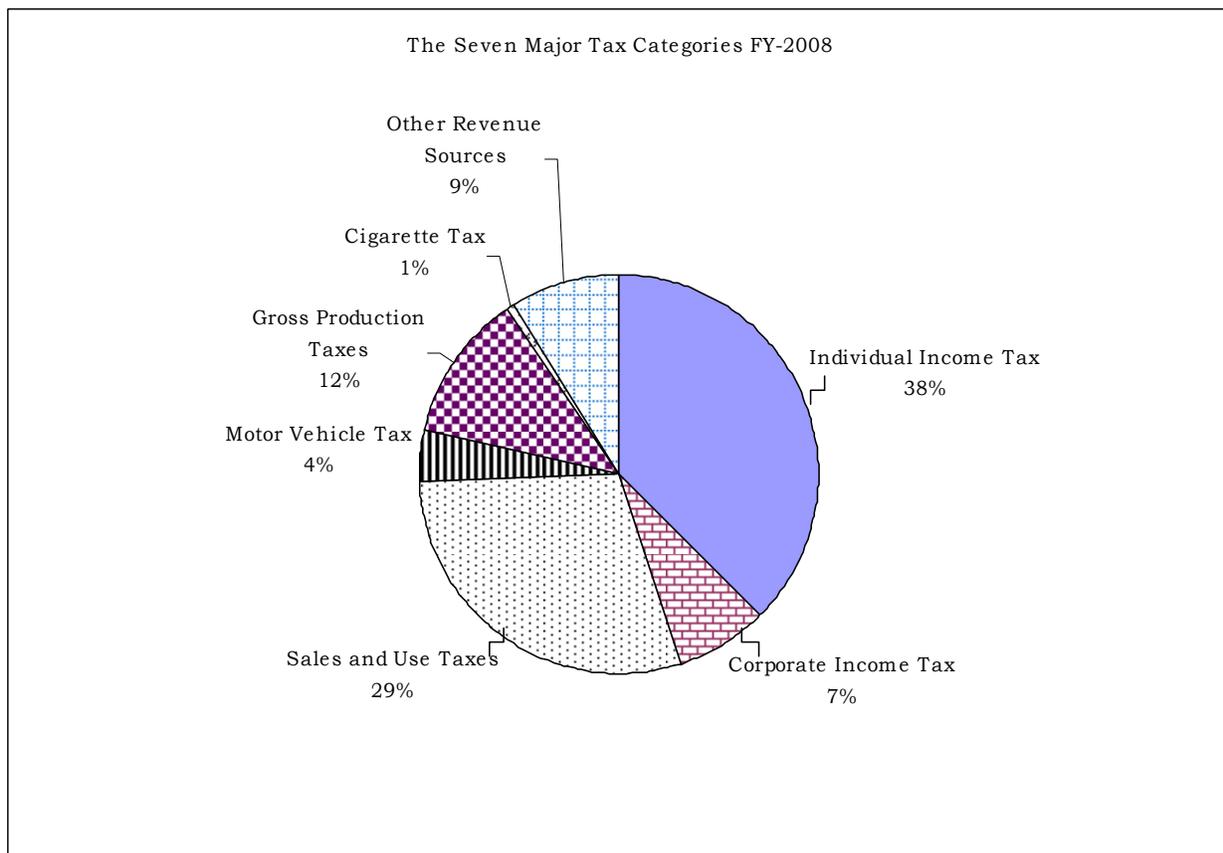
Oklahoma Revenues and Expenditures

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 50% of total state revenue collections in FY-2006. Most of the state's appropriated revenue is from general taxes. For FY-2006, tax revenue comprised 97% 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-2008, which provide 91% of total state tax revenue, are:



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: The Oklahoma individual income tax calculation uses two different methods. Method I employs rates from 0.5 percent to 6.65 percent and does not permit the 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. During the 2005 session, Senate Bill 435 eliminated the second method of calculating income tax and modified the tax bracket for single and joint filers.

In 2006, the Legislature passed and the Governor approved the largest tax cut package in history. House Bill 1172 lowers the individual income tax rate and increases the standard deduction over several years. Currently, the individual income tax rate is 5.65% but decreases to 5.55% beginning January 1, 2008. For tax years beginning in 2010, the rate decreases to 5.25% based on the amount of growth revenue for the coming fiscal year as determined by the Board of Equalization.

The increase in the standard deduction is a gradual increase. By the year 2010, the standard deduction will equal the federal standard deduction if the Board of Equalization determines there is sufficient growth revenue. The table below shows the individual income tax rates and corresponding standard deduction increase.

Standard Deduction

	Tax Rate	Married Filing Jointly	Head of Household	Single
2006	6.25%	3,000	3,000	2,000
2007	5.65%	5,000	4,125	2,750
2008	5.55%	6,500	4,875	3,250
2009	5.50%	8,500	6,375	4,250
2010*	5.25%	Match Federal Deduction		
*Based on the amount of growth revenue as determined by the Board of Equalization.				

In addition, the apportionment of individual income tax receipts was changed by the Legislature for the current fiscal year. The table below shows those changes.

Individual Income Tax Apportionments FY-2007 to FY-2009			
	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>
General Revenue	86.16%	85.66%	85.66%
1017 Fund	8.34%	8.34%	8.34%
Teacher's Retirement Fund	4.50%	5.00%	5.00%
Ad Valorem Reimburse. Fund	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 7% 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.

Corporate Income Tax Apportionments FY-2007 to FY-2009			
	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>
General Revenue	78.00%	77.50%	77.50%
1017 Fund	16.50%	16.50%	16.50%
Teacher's Retirement Fund	4.50%	5.00%	5.00%
Ad Valorem Reimburse. Fund	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 \$1.4 billion in sales tax revenue and sales for resale which total \$720 million in sales tax revenue. During the 2005 legislative session, the apportionment for sales and use tax revenue changed. Now, for each fiscal year the apportionment for use tax is the same as the apportionment for sales tax. The table below shows the change in apportionment.

Sales Tax and Use Tax Apportionment FY-2007 to FY-2009			
	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>
General Revenue	85.04%	83.61%	83.61%
1017 Fund	10.46%	10.46%	10.46%
Teacher's Retirement Fund	4.50%	5.00%	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.

Cigarette Tax Increase Apportionment	
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	0.44%
Teacher's Retirement Fund	1.00%
1017 Fund	2.07%
Tobacco Prevention Revolving Fd.	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:	\$91 annually
Years 5 – 8:	\$81 annually
Years 9 – 12:	\$61 annually
Years 13 – 16:	\$41 annually
Years 17 and beyond:	\$21 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 3.25 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.

Motor Vehicle Tax Apportionment	
General Revenue Fund	39.84%
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-2007 apportionment of gasoline and diesel taxes.

Motor Fuels Tax Apportionment		
	<u>Gasoline</u> <u>Tax</u>	<u>Diesel</u> <u>Tax</u>
General Revenue	1.63%	1.39%
State Transportation Fund	63.75%	64.34%
Counties for Highways	30.13%	30.43%
Cities and Towns	1.88%	-
County Bridges and Roads	2.63%	3.85%

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-2006.

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.

During the 2006 Legislative Session, The Rural Economic Access Plan (REAP Fund) apportionment from the Gross Production tax on oil was divided between three new funds. Each of the three funds receive 33.33% of the 4.28% apportioned to the REAP Fund. The table below shows the apportionments to all funds from the Gross Production tax on oil.

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%
County Roads and Bridges	4.28%
REAP Fund	4.28%
Tourism Capital Expenditure Fund	33.33%
Conservation Commission Fund	33.33%
Community Water Revolving Fund	33.33%

Gross Production Tax – Natural Gas Apportionment	
General Revenue Fund	85.72%
County Highways	7.14%
School Districts	7.14%

FY-2008 Executive Budget

Constitutional Reserve "Rainy Day" Fund (CRF) History					
Description	FY-88	FY-89	FY-90	FY-91	FY-92
Beginning RDF Balance	0	77,994,351	152,804,609	151,734,223	196,861,899
Adjustments to the Balance	0	0	0	10,464	25,176
Appropriations	0	(26,000,000)	(75,000,000)	(30,000,000)	(61,878,177)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	-	38,997,176	76,402,305	75,867,112	98,430,950
End of FY Deposit	77,994,351	100,810,258	73,929,614	75,117,212	0
Ending Balance	77,994,351	152,804,609	151,734,223	196,861,899	135,008,898
Description	FY-93	FY-94	FY-95	FY-96	FY-97
Beginning RDF Balance	135,008,898	91,140,995	45,574,052	45,574,052	114,300,821
Adjustments to the Balance	0	3,555	0	12,909	388,745
Appropriations	(43,867,903)	(45,570,498)	0	(22,688,345)	(52,825,496)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	67,504,449	45,570,498	22,787,026	22,787,026	57,150,411
End of FY Deposit	0	0	0	91,402,205	247,042,463
Ending Balance	91,140,995	45,574,052	45,574,052	114,300,821	308,906,533
Description	FY-98	FY-99	FY-00	FY-01	FY-02
Beginning RDF Balance	308,906,533	297,360,609	149,858,523	157,542,574	340,685,730
Adjustments to the Balance	0	1,119,324	28,700	9,826	299,087
Appropriations	(154,444,000)	(148,621,410)	(74,929,261)	(78,771,287)	(268,585,822)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	98,242,957
2)Next Fiscal Year	-	-	-	-	-
-Emergency	154,453,266	148,680,304	74,929,262	78,771,287	170,342,865
End of FY Deposit	142,898,076	0	82,584,612	261,904,617	0
Ending Balance	297,360,609	149,858,523	157,542,574	340,685,730	72,398,995
Description	FY-03	FY-04	FY-05	FY-06	FY-07
Beginning RDF Balance	72,398,995	136,333	217,501,299	461,316,574	495,690,168
Adjustments to the Balance	0	0	0	268,565	0
Appropriations	(72,262,663)	0	0	0	0
-Budget Stabilization					
1)Current Fiscal Year	36,199,498	68,167	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	36,199,498	68,167	54,375,325	115,329,143	123,922,542
End of FY Deposit	0	217,364,966	243,815,275	34,105,029	N/A
Ending Balance	136,333	217,501,299	461,316,574	495,690,168	N/A

FY-2008 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2005 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2006 Appropriation	5 Percent Change	6 Percent of Total	7 FY-2007 Appropriation	8 Percent Change	9 Percent of Total
SUMMARY BY CABINET									
Governor	\$2,522,709	1.82%	0.05%	\$2,578,710	2.22%	0.04%	\$2,641,163	2.42%	0.04%
Lieutenant Governor	523,259	11.93%	0.01%	592,436	13.22%	0.01%	592,436	0.00%	0.009%
Agriculture	31,848,688	10.47%	0.59%	36,999,997	16.17%	0.60%	37,268,701	0.73%	0.55%
Commerce and Tourism	88,287,668	37.95%	1.64%	90,522,534	2.53%	1.46%	88,459,871	-2.28%	1.31%
Education	2,956,750,789	3.44%	54.80%	3,208,748,707	8.52%	51.86%	3,454,998,597	7.67%	51.24%
Energy	12,582,566	44.30%	0.23%	13,203,355	4.93%	0.21%	15,081,841	14.23%	0.22%
Environment	16,127,241	32.65%	0.30%	15,340,476	-4.88%	0.25%	17,282,166	12.66%	0.26%
Finance and Revenue	82,467,889	0.91%	1.53%	86,666,319	5.09%	1.40%	89,683,898	3.48%	1.33%
Health	734,296,501	9.23%	13.61%	909,937,163	23.92%	14.71%	1,009,567,436	10.95%	14.97%
Human Resources & Administration	19,764,541	1.01%	0.37%	20,509,420	3.77%	0.33%	22,422,169	9.33%	0.33%
Human Services	537,036,870	4.92%	9.95%	619,191,715	15.30%	10.01%	681,720,756	10.10%	10.11%
Military Affairs	8,062,531	14.83%	0.15%	12,546,432	55.61%	0.20%	12,898,334	2.80%	0.19%
Safety and Security	525,415,718	2.96%	9.74%	578,165,197	10.04%	9.34%	651,008,576	12.60%	9.65%
Science and Technology	11,669,647	5.94%	0.26%	12,400,942	6.27%	0.28%	22,442,616	80.98%	0.51%
Secretary of State	8,280,955	-11.34%	0.25%	7,903,126	-4.56%	0.24%	9,021,927	14.16%	0.27%
Transportation	201,394,127	4.51%	3.73%	275,671,401	36.88%	4.46%	285,940,419	3.73%	4.24%
Veterans	30,091,172	11.68%	0.56%	36,040,332	19.77%	0.58%	39,324,159	9.11%	0.58%
OPERS - Deferred Comp.	0	<u>0.00%</u>	<u>0.00%</u>	0	<u>0.00%</u>	<u>0.00%</u>	0	<u>0.00%</u>	<u>0.00%</u>
Total Executive Branch	\$5,267,122,871	4.97%	97.62%	\$5,927,018,262	12.53%	95.79%	\$6,440,355,065	8.66%	95.51%
The Legislature	\$33,153,570	4.76%	0.61%	\$34,191,830	3.13%	0.55%	\$35,732,522	4.51%	0.53%
The Judiciary	<u>62,901,720</u>	6.28%	1.17%	<u>70,493,724</u>	12.07%	1.14%	<u>79,253,297</u>	12.43%	1.18%
Total Legis. & Judic.	\$96,055,290	5.75%	1.78%	\$104,685,554	8.98%	1.69%	\$114,985,819	9.84%	1.71%
Total Excl. Supps. / Ret.	\$5,363,178,161	4.98%	99.40%	\$6,031,703,816	12.47%	97.48%	\$6,555,340,884	8.68%	97.22%
Supplementals & Emerg. Fund	32,587,017	-35.13%	0.60%	155,841,940	378.23%	2.52%	187,578,680	20.36%	2.78%
TOTAL APPROPRIATIONS	\$5,395,765,178	4.59%	100.00%	\$6,187,545,756	14.67%	100.00%	\$6,742,919,564	8.98%	100.00%

FY-2008 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2005 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2006 Appropriation	5 Percent Change	6 Percent of Total	7 FY-2007 Appropriation	8 Percent Change	9 Percent of Total
GOVERNOR, LT. GOVERNOR									
Governor	\$2,522,709	1.82%	0.05%	\$2,578,710	2.22%	0.04%	\$2,641,163	2.42%	0.04%
Lieutenant Governor	<u>523,259</u>	11.93%	0.01%	<u>592,436</u>	13.22%	0.01%	<u>592,436</u>	0.00%	0.01%
TOTAL GOV., LT. GOV.	\$3,045,968	3.42%	0.06%	\$3,171,146	4.11%	0.05%	\$3,233,599	1.97%	0.05%
AGRICULTURE									
Agriculture	\$24,231,030	7.17%	0.45%	\$27,196,069	12.24%	0.44%	\$28,314,906	4.11%	0.42%
Conservation Commission	<u>7,617,658</u>	22.46%	0.14%	<u>9,803,928</u>	28.70%	0.16%	<u>8,953,795</u>	-8.67%	0.13%
TOTAL AGRICULTURE	\$31,848,688	10.47%	0.59%	\$36,999,997	16.17%	0.60%	\$37,268,701	0.73%	0.55%
COMMERCE AND TOURISM									
Commerce, Department of	\$33,337,845	51.48%	0.62%	\$27,334,663	-18.01%	0.44%	\$25,082,836	-8.24%	0.37%
Centennial Commission	536,453	1.89%	0.01%	3,899,630	626.93%	0.06%	1,062,291	-72.76%	0.02%
Historical Society	10,142,253	18.80%	0.19%	13,106,387	29.23%	0.21%	14,480,363	10.48%	0.21%
J.M. Davis Memorial Comm.	330,983	10.47%	0.01%	347,454	4.98%	0.01%	382,166	9.99%	0.01%
Labor Department	3,061,658	3.48%	0.06%	3,224,721	5.33%	0.05%	3,613,893	12.07%	0.05%
Native American Cultural Center	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
REAP -local gov't thru Aud & Insp*	15,500,000	158.33%	0.29%	15,500,000	0.00%	0.25%	15,500,000	0.00%	0.23%
Scenic Rivers Commission	333,158	n/a	0.01%	323,041	n/a	0.01%	339,752	5.17%	0.01%
Tourism & Recreation Dept.	24,162,640	6.84%	0.45%	25,955,959	7.42%	0.42%	27,073,374	4.31%	0.40%
Wildlife Conservation Comm.	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Will Rogers Memorial Comm.	<u>882,678</u>	11.34%	0.02%	<u>830,679</u>	-5.89%	0.01%	<u>925,196</u>	11.38%	0.01%
TOTAL COMMERCE & TOURISM	\$88,287,668	37.95%	1.64%	\$90,522,534	2.53%	1.46%	\$88,459,871	-2.28%	1.31%
EDUCATION									
Arts Council	\$3,923,871	1.55%	0.07%	\$4,243,338	8.14%	0.07%	\$4,442,810	4.70%	0.07%
Education, Department of	2,007,663,450	2.92%	37.21%	2,164,263,450	7.80%	34.98%	2,348,041,255	8.49%	34.82%
Educational TV Authority	4,201,753	21.86%	0.08%	4,624,059	10.05%	0.07%	5,164,350	11.68%	0.08%
Higher Educ., Regents for	802,136,296	4.43%	14.87%	889,433,880	10.88%	14.37%	933,933,880	5.00%	13.85%
Department of Libraries	6,212,118	0.74%	0.12%	6,681,355	7.55%	0.11%	6,847,731	2.49%	0.10%
Private Vo-Tech Schools Board	155,456	1.61%	0.00%	171,879	10.56%	0.00%	0	-100.00%	0.00%
School of Science & Mathematics	6,572,319	5.92%	0.12%	7,020,513	6.82%	0.11%	7,230,508	2.99%	0.11%
Teacher Preparation Commission	1,998,168	0.61%	0.04%	2,022,875	1.24%	0.03%	2,050,705	1.38%	0.03%
Career & Technology Education	<u>123,887,358</u>	5.15%	2.30%	<u>130,287,358</u>	5.17%	2.11%	<u>147,287,358</u>	13.05%	2.18%
TOTAL EDUCATION	\$2,956,750,789	3.44%	54.80%	\$3,208,748,707	8.52%	51.86%	\$3,454,998,597	7.67%	51.24%

FY-2008 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2005 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2006 Appropriation	5 Percent Change	6 Percent of Total	7 FY-2007 Appropriation	8 Percent Change	9 Percent of Total
ENERGY									
Corporation Commission	\$11,767,056	47.13%	0.22%	\$12,354,190	4.99%	0.20%	\$14,083,860	14.00%	0.21%
LP Gas, Marketing & Research	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Liquefied Petroleum Gas Board	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Mines, Department of	<u>815,510</u>	12.93%	0.02%	<u>849,165</u>	4.13%	0.01%	<u>997,981</u>	17.52%	0.01%
TOTAL ENERGY	\$12,582,566	44.30%	0.23%	\$13,203,355	4.93%	0.21%	\$15,081,841	14.23%	0.22%
ENVIRONMENT									
Environmental Quality, Dept. of	\$9,495,264	60.15%	0.18%	\$8,166,580	-13.99%	0.13%	\$9,525,217	16.64%	0.14%
Pollution Control Board	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Water Resources Board	4,431,977	10.02%	0.08%	4,373,896	-1.31%	0.07%	6,744,617	54.20%	0.10%
Water Resources - REAP	<u>2,200,000</u>	0.00%	0.04%	<u>2,800,000</u>	27.27%	0.05%	<u>1,012,332</u>	-63.85%	0.02%
TOTAL ENVIRONMENT	\$16,127,241	32.65%	0.30%	\$15,340,476	-4.88%	0.25%	\$17,282,166	12.66%	0.26%
FINANCE & REVENUE									
Auditor & Inspector	\$5,523,603	5.68%	0.10%	\$5,988,786	8.42%	0.10%	\$6,219,622	3.85%	0.09%
Ad Valorem Task Force	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Banking Department	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Bond Advisor	188,096	15.02%	0.00%	181,212	-3.66%	0.00%	185,117	2.15%	0.00%
Capitol Improvement Authority	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Consumer Credit Commission	616,513	2.28%	0.01%	637,925	3.47%	0.01%	661,263	3.66%	0.01%
Insurance Department	2,136,301	3.10%	0.04%	2,231,595	4.46%	0.04%	2,444,856	9.56%	0.04%
Finance, Office of State	22,866,800	13.87%	0.42%	22,756,515	-0.48%	0.37%	23,000,204	1.07%	0.34%
Land Office Commission	4,747,965	15.94%	0.09%	4,719,497	-0.60%	0.08%	4,828,535	2.31%	0.07%
Securities Commission	0	-100.00%	0.00%	0	n/a	0.00%	0	n/a	0.00%
Tax Commission	41,462,019	-7.04%	0.77%	45,626,291	10.04%	0.74%	47,711,604	4.57%	0.71%
Treasurer	<u>4,926,592</u>	12.54%	0.09%	<u>4,524,498</u>	-8.16%	0.07%	<u>4,632,697</u>	2.39%	0.07%
TOTAL FINANCE & REVENUE	\$82,467,889	0.91%	1.53%	\$86,666,319	5.09%	1.40%	\$89,683,898	3.48%	1.33%
HEALTH									
Health Department	57,563,226	7.29%	1.07%	62,790,819	9.08%	1.01%	71,234,131	13.45%	1.06%
Health Care Authority	482,256,505	9.85%	8.94%	634,786,355	31.63%	10.26%	701,964,163	10.58%	10.41%
Health Planning Commission	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Mental Health Department	155,447,428	7.19%	2.88%	171,810,647	10.53%	2.78%	194,703,800	13.32%	2.89%
University Hospitals Authority	<u>39,029,342</u>	12.81%	0.72%	<u>40,549,342</u>	3.89%	0.66%	<u>41,665,342</u>	2.75%	0.62%
TOTAL HEALTH	\$734,296,501	9.23%	13.61%	\$909,937,163	23.92%	14.71%	\$1,009,567,436	10.95%	14.97%

FY-2008 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2005 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2006 Appropriation	5 Percent Change	6 Percent of Total	7 FY-2007 Appropriation	8 Percent Change	9 Percent of Total
HUMAN RESOURCES AND ADMINISTRATION									
Employment Security Comm.	\$0	n/a	0.00%	\$0	n/a	0.00%	\$0	n/a	0.00%
Merit Protection Commission	512,154	1.44%	0.01%	565,684	10.45%	0.01%	611,434	8.09%	0.01%
Personnel Management	4,497,011	-2.30%	0.08%	4,633,249	3.03%	0.07%	4,848,371	4.64%	0.07%
Central Services, Dept. of (DCS)	12,234,432	1.55%	0.23%	12,263,035	0.23%	0.20%	13,639,156	11.22%	0.20%
DCS Capital Improvement Fund	0	n/a	0.00%	0	n/a	0.00%	0	n/a	0.00%
Horse Racing Commission	1,858,182	5.47%	0.03%	2,360,889	27.05%	0.04%	2,618,898	10.93%	0.04%
Human Rights Commission	<u>662,762</u>	1.96%	0.01%	<u>686,563</u>	3.59%	0.01%	<u>704,310</u>	2.58%	0.01%
TOTAL HUMAN RESOURCES AND ADMINISTRATION	\$19,764,541	1.01%	0.37%	\$20,509,420	3.77%	0.33%	\$22,422,169	9.33%	0.33%
HUMAN SERVICES									
Children & Youth Commission	\$1,569,789	1.28%	0.03%	\$1,725,018	9.89%	0.03%	\$2,101,609	21.83%	0.03%
Handicapped Concerns	362,128	1.72%	0.01%	376,944	4.09%	0.01%	381,813	1.29%	0.01%
Human Services Department	408,330,849	5.39%	7.57%	481,991,177	18.04%	7.79%	535,797,324	11.16%	7.95%
Indian Affairs Commission	248,942	2.03%	0.00%	255,530	2.65%	0.00%	257,732	0.86%	0.00%
J. D. McCarty Center	3,162,767	28.68%	0.06%	3,792,283	19.90%	0.06%	4,278,944	12.83%	0.06%
Office of Juvenile Affairs	92,858,160	3.18%	1.72%	98,323,348	5.89%	1.59%	104,219,585	6.00%	1.55%
Phys. Manpower Trng. Comm.	5,024,607	0.14%	0.09%	5,361,490	6.70%	0.09%	5,470,499	2.03%	0.08%
Rehabilitation Svcs., Dept. of	<u>25,479,628</u>	2.95%	0.47%	<u>27,365,925</u>	7.40%	0.44%	<u>29,213,250</u>	6.75%	0.43%
TOTAL HUMAN SERVICES	\$537,036,870	4.92%	9.95%	\$619,191,715	15.30%	10.01%	\$681,720,756	10.10%	10.11%
MILITARY AFFAIRS									
Military Department	\$8,062,531	14.83%	0.15%	\$12,546,432	55.61%	0.20%	\$12,898,334	2.80%	0.19%
SAFETY AND SECURITY									
A.B.L.E. Commission	\$3,626,853	5.69%	0.07%	\$3,738,839	3.09%	0.06%	\$3,965,159	6.05%	0.06%
Attorney General	5,953,778	2.74%	0.11%	11,286,462	89.57%	0.18%	12,798,702	13.40%	0.19%
Emergency Management, Dept. of	680,972	2.21%	0.01%	1,355,561	99.06%	0.02%	756,843	-44.17%	0.01%
Corrections Department	384,286,568	2.77%	7.12%	409,443,403	6.55%	6.62%	456,004,876	11.37%	6.76%
District Attorneys Council	26,926,731	3.68%	0.50%	30,592,742	13.61%	0.49%	39,092,742	27.78%	0.58%
Fire Marshal	1,537,061	2.18%	0.03%	1,685,180	9.64%	0.03%	2,052,561	21.80%	0.03%
Indigent Defense System	14,428,761	1.30%	0.27%	15,633,001	8.35%	0.25%	16,206,256	3.67%	0.24%
Investigation, Bureau of	9,681,910	2.55%	0.18%	11,154,628	15.21%	0.18%	13,351,567	19.70%	0.20%
Law Enf. Educ. & Training	2,686,318	1.39%	0.05%	2,758,783	2.70%	0.04%	3,265,473	18.37%	0.05%

FY-2008 EXECUTIVE BUDGET

	1	2	3	4	5	6	7	8	9
	FY-2005	Percent	Percent of	FY-2006	Percent	Percent of	FY-2007	Percent	Percent of
Agency / Cabinet Name	Appropriation	Change	Total	Appropriation	Change	Total	Appropriation	Change	Total
Medicolegal Invest., Board of	3,427,372	5.22%	0.06%	3,922,904	14.46%	0.06%	4,587,380	16.94%	0.07%
Narc. & Dang. Drugs Control	4,967,062	2.21%	0.09%	5,389,595	8.51%	0.09%	6,320,763	17.28%	0.09%
Pardon and Parole Board	2,150,328	1.65%	0.04%	2,316,329	7.72%	0.04%	2,555,018	10.30%	0.04%
Public Safety, Department of	<u>65,062,004</u>	4.22%	1.21%	<u>78,887,770</u>	21.25%	1.27%	<u>90,051,236</u>	14.15%	1.34%
TOTAL SAFETY & SECURITY	\$525,415,718	2.96%	9.74%	\$578,165,197	10.04%	9.34%	\$651,008,576	12.60%	9.65%
SECRETARY OF STATE									
Council on Judicial Complaints	\$271,152	1.18%	0.01%	\$278,826	2.83%	0.00%	\$282,503	1.32%	0.00%
Election Board	7,072,129	-13.71%	0.13%	6,621,839	-6.37%	0.11%	7,709,951	16.43%	0.11%
Ethics Commission	480,747	7.52%	0.01%	492,277	2.40%	0.01%	504,039	2.39%	0.01%
Secretary of State	<u>456,927</u>	6.39%	0.01%	<u>510,184</u>	11.66%	0.01%	<u>525,434</u>	2.99%	0.01%
TOTAL SECRETARY OF STATE	\$8,280,955	-11.34%	0.15%	\$7,903,126	-4.56%	0.13%	\$9,021,927	14.16%	0.13%
SCIENCE AND TECHNOLOGY									
OCAST	\$11,669,647	5.94%	0.22%	\$12,400,942	6.27%	0.20%	\$22,442,616	80.98%	0.33%
TRANSPORTATION									
Transportation Department	\$200,875,804	4.52%	3.72%	\$275,148,137	36.97%	4.45%	\$285,411,848	3.73%	4.23%
Space Industry Develop. Authority	<u>518,323</u>	0.48%	0.01%	<u>523,264</u>	0.95%	0.01%	<u>528,571</u>	1.01%	0.01%
TOTAL TRANSPORTATION	\$201,394,127	4.51%	3.73%	\$275,671,401	36.88%	4.46%	\$285,940,419	3.73%	4.24%
VETERANS									
Veterans Affairs Department	\$30,091,172	11.68%	0.56%	\$36,040,332	19.77%	0.58%	\$39,324,159	9.11%	0.58%
OPERS Deferred Comp.	<u>\$0</u>	0.00%	0.00%	<u>\$0</u>	0.00%	0.00%	<u>\$0</u>		0.00%
TOTAL EXECUTIVE BRANCH	\$5,267,122,871	4.97%	97.62%	\$5,927,018,262	12.53%	95.79%	\$6,440,355,065	8.66%	95.51%
LEGISLATURE									
House of Representatives	\$18,080,670	3.69%	0.34%	\$18,629,154	3.03%	0.30%	\$19,176,434	2.94%	0.28%
Legislative Service Bureau	2,303,193	11.75%	0.04%	2,415,783	4.89%	0.04%	2,995,021	23.98%	0.04%
Senate	<u>12,769,707</u>	5.12%	0.24%	<u>13,146,893</u>	2.95%	0.21%	<u>13,561,067</u>	3.15%	0.20%
TOTAL LEGISLATURE	\$33,153,570	4.76%	0.61%	\$34,191,830	3.13%	0.55%	\$35,732,522	4.51%	0.53%

FY-2008 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2005 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2006 Appropriation	5 Percent Change	6 Percent of Total	7 FY-2007 Appropriation	8 Percent Change	9 Percent of Total
JUDICIARY									
Court of Criminal Appeals	\$2,750,541	4.41%	0.05%	\$2,828,160	2.82%	0.05%	\$3,083,013	9.01%	0.05%
District Courts	43,043,226	5.25%	0.80%	47,300,000	9.89%	0.76%	54,403,272	15.02%	0.81%
Supreme Court	13,337,544	11.50%	0.25%	16,000,000	19.96%	0.26%	16,878,678	5.49%	0.25%
Workers' Compensation Court	<u>3,770,409</u>	2.12%	0.07%	<u>4,365,564</u>	15.78%	0.07%	<u>4,888,334</u>	11.97%	0.07%
TOTAL JUDICIARY	\$62,901,720	6.28%	1.17%	\$70,493,724	12.07%	1.14%	\$79,253,297	12.43%	1.18%
TOTAL EXCL. SUPPS./									
& RETIREMENT SYSTEMS	\$5,363,178,161	4.98%	99.40%	\$6,031,703,816	12.47%	97.48%	\$6,555,340,884	8.68%	97.22%
Supplementals & Emerg. Fund	<u>\$32,587,017</u>	-35.13%	0.60%	<u>\$155,841,940</u>	378.23%	2.52%	<u>\$187,578,680</u>	20.36%	2.78%
TOTAL APPROPRIATIONS	\$5,395,765,178	4.59%	100.00%	\$6,187,545,756	14.67%	100.00%	\$6,742,919,564	8.98%	100.00%

SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION ALLOCATIONS (2006-2007)

<u>Regents' Allocation</u>	ORIGINAL ALLOCATION	% OF ORIGINAL ALLOCATION
University of Oklahoma	\$136,334,105	13.37%
OU Law Center	6,039,423	0.59%
OU Health Sciences Center	91,837,048	9.01%
OU Tulsa	8,737,677	0.86%
Oklahoma State University	123,311,554	12.10%
OSU Agriculture Experiment Station	27,347,066	2.68%
OSU Agriculture Extension Division	27,554,892	2.70%
OSU Technical Branch, Okmulgee	14,801,514	1.45%
OSU College of Veterinary Medicine	11,219,160	1.10%
OSU, Oklahoma City	11,061,651	1.09%
OSU Center for Health Sciences	14,272,101	1.40%
OSU Tulsa	11,871,489	1.16%
University of Central Oklahoma	53,849,496	5.28%
East Central University	17,938,197	1.76%
Northeastern State University	37,598,486	3.69%
Statewide Literacy Program - NSU	73,229	0.01%
Northwestern Oklahoma State University	10,316,531	1.01%
Southeastern Oklahoma State University	19,476,194	1.91%
Southwestern Oklahoma State University	23,282,551	2.28%
Cameron University	22,123,506	2.17%
Langston University - Campus	17,690,182	1.74%
Langston - Endowment	1,779,115	0.17%
Oklahoma Panhandle State University	7,287,462	0.71%
University of Science & Arts of Oklahoma	7,147,018	0.70%
University of Science & Arts - Jane Brooks	27,038	0.00%
Rogers State University	14,135,323	1.39%
Carl Albert State College	6,340,619	0.62%
Connors State College	6,878,331	0.67%
Eastern Oklahoma State College	6,608,038	0.65%
Murray State College	5,718,493	0.56%
Northeastern Oklahoma A&M College	9,124,005	0.90%
Northern Oklahoma College	9,757,188	0.96%
Oklahoma City Community College	24,876,393	2.44%
Redlands Community College	5,456,853	0.54%
Rose State College	21,277,000	2.09%
Seminole State College	5,972,991	0.59%
Tulsa Community College	35,736,663	3.51%
Western Oklahoma State College	5,436,730	0.53%
Ardmore Higher Education Program	717,739	0.07%

SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION ALLOCATIONS (2006-2007)

<u>Regents' Allocation cont.</u>	ORIGINAL ALLOCATION	% OF ORIGINAL ALLOCATION
Ponca City Learning Site	500,000	0.05%
OSF CORE Assessment Fees	149,565	0.01%
Section 13 Offsets	10,036,945	0.98%
Entry-Yr Tchr Prog Funds	1,877,309	0.18%
State Regents' Budget	9,214,907	0.90%
OneNet (includes Higher Ed User Fees)	4,364,387	0.43%
Internet II / National Lambda Rail	1,529,250	0.15%
Scholar-Leadership Enrichment Program	305,882	0.03%
Economic Development Incentives	1,074,523	0.11%
Regional University Scholarships	800,229	0.08%
Prospective Teacher Scholarships	100,000	0.01%
Chiropractic Scholarships	40,000	0.00%
National Guard Waiver Program	2,045,612	0.20%
Tulsa Reconciliation Scholarships	50,000	0.00%
Concurrent Enrollment Waiver Program	2,500,000	0.25%
Teacher Shortage Incentive Program	402,692	0.04%
Brain Gain 2010	3,750,000	0.37%
Student Preparation Program	1,174,710	0.12%
Summer Academies Program	600,000	0.06%
Oklahoma Tuition Aid Grants	18,927,327	1.86%
Academic Scholars Program	8,604,500	0.84%
Endowed Chairs Program	7,500,000	0.74%
Academic Library Databases	410,000	0.04%
Master Lease Program	75,000	0.01%
OCIA Debt Service	36,101,613	3.54%
EPSCoR	3,449,647	0.34%
Quartz Mountain	1,186,388	0.12%
OHLAP	37,100,000	3.64%
George & Donna Nigh Scholarship	70,000	0.01%
Oklahoma Tuition Equalization Program	2,185,894	0.21%
Capital and One-Time Allocations	1,023,929	0.10%
Office of Accountability	770,520	0.08%
Adult Degree Completion Program	<u>500,000</u>	<u>0.05%</u>
TOTAL ALLOCATIONS OF APPROPRIATIONS *	\$1,019,433,880	100.00%

* Includes \$45,007,000 from the Higher Education Capital Revolving Fund, \$45,007,000 from the Student Aid Revolving Fund, \$46,730,075 from the Lottery Trust Fund, \$4,927,800 from the OHLAP Trust Fund, and \$85,500,000 from the Special Cash Fund.

FY-2007 Nonappropriated Agency Budgets and FTE

<u>Agency Number and Name</u>		<u>FY-2007 Budget</u>	<u>FY-2007 FTE</u>
1.	020 Accountancy Board	\$1,228,575	9.0
2.	039 Boll Weevil Eradication Organization	1,755,000	34.5
3.	044 Anatomical Board	12,000	-
4.	045 Architects Board	494,116	3.0
5.	060 Aeronautics Commission	2,151,569	9.5
6.	065 Banking Department	5,186,812	39.3
7.	092 Tobacco Board of Directors	10,468,328	3.6
8.	140 Podiatry Board	16,600	-
9.	145 Chiropractic Examiners Board	206,473	2.2
10.	170 Construction Industries Board	3,024,947	33.1
11.	190 Costemology Board	1,031,701	13.6
12.	215 Dental Board	465,671	4.0
13.	285 Funeral Board	317,527	3.3
14.	290 Employment Security Commission	99,005,657	756.7
15.	307 Interstate Oil Compact Commission	1,680,572	2.0
16.	315 Firefighters Pension and Retirement Board	10,106,198	9.3
17.	320 Department of Wildlife Conservation	41,148,486	342.2
18.	343 State Board of Examiners of Perfusionists	13,600	-
19.	359 Energy Resources Board	15,584,253	-
20.	370 Industrial Finance Authority	14,717,829	6.9
21.	390 CompSource Oklahoma	33,504,092	363.4
22.	416 Law Enforcement Retirement System	4,093,030	5.1
23.	435 Lottery Commission	157,147,864	41.2
24.	444 L P Gas Research, Mkning & Safety Comm	690,501	-
25.	445 Liquefied Petroleum Gas Board	584,221	9.0
26.	446 Comm on Marginally Producing Oil & Gas Wells	602,400	5.0
27.	448 Board of Alcohol and Drug Counselors	217,689	1.8
28.	450 Medical Licensure Board	3,149,664	24.8
29.	475 Motor Vehicle Commission	352,415	4.2
30.	509 Nursing Home Administrators Board	292,098	3.5
31.	510 Board of Nursing	2,638,503	25.0
32.	515 Public Employees Retirement System	7,756,289	51.8
33.	516 State & Ed. Employees Group Insur. Board	41,644,210	178.0
34.	520 Optometry Board	143,967	2.0
35.	525 Osteopathic Examiners Board	472,163	7.0
36.	535 Peanut Commission	209,049	1.0
37.	557 Police Pension & Retirement Board	4,356,349	10.7
38.	560 Pharmacy Board	1,279,575	11.0
39.	570 Engineers & Land Surveyors Board	999,084	9.0
40.	575 Psychologists Board	233,401	2.0
41.	588 Real Estate Commission	2,174,660	19.5
42.	615 Foresters Board	1,400	-
43.	622 Social Workers Board	156,390	-
44.	630 Securities Commission	4,343,457	26.8
45.	632 Speech-Language Pathology & Audiology Board	105,745	2.0
46.	715 Teachers' Retirement System	273,626,685	48.0
47.	755 Used Motor Vehicle & Parts Commission	814,606	11.0
48.	772 Board of Tests for Alcohol / Drug Influence	340,098	5.0
49.	790 Veterinary Medical Examiners	328,850	3.0
50.	815 Employees Benefits Council	5,648,574	31.0
51.	875 Wheat Commission	2,180,257	5.0
52.	978 Oklahoma Turnpike Authority	30,086,965	539.1
Total:		\$788,790,165	2,718.1

Office of State Finance

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Office of State Finance

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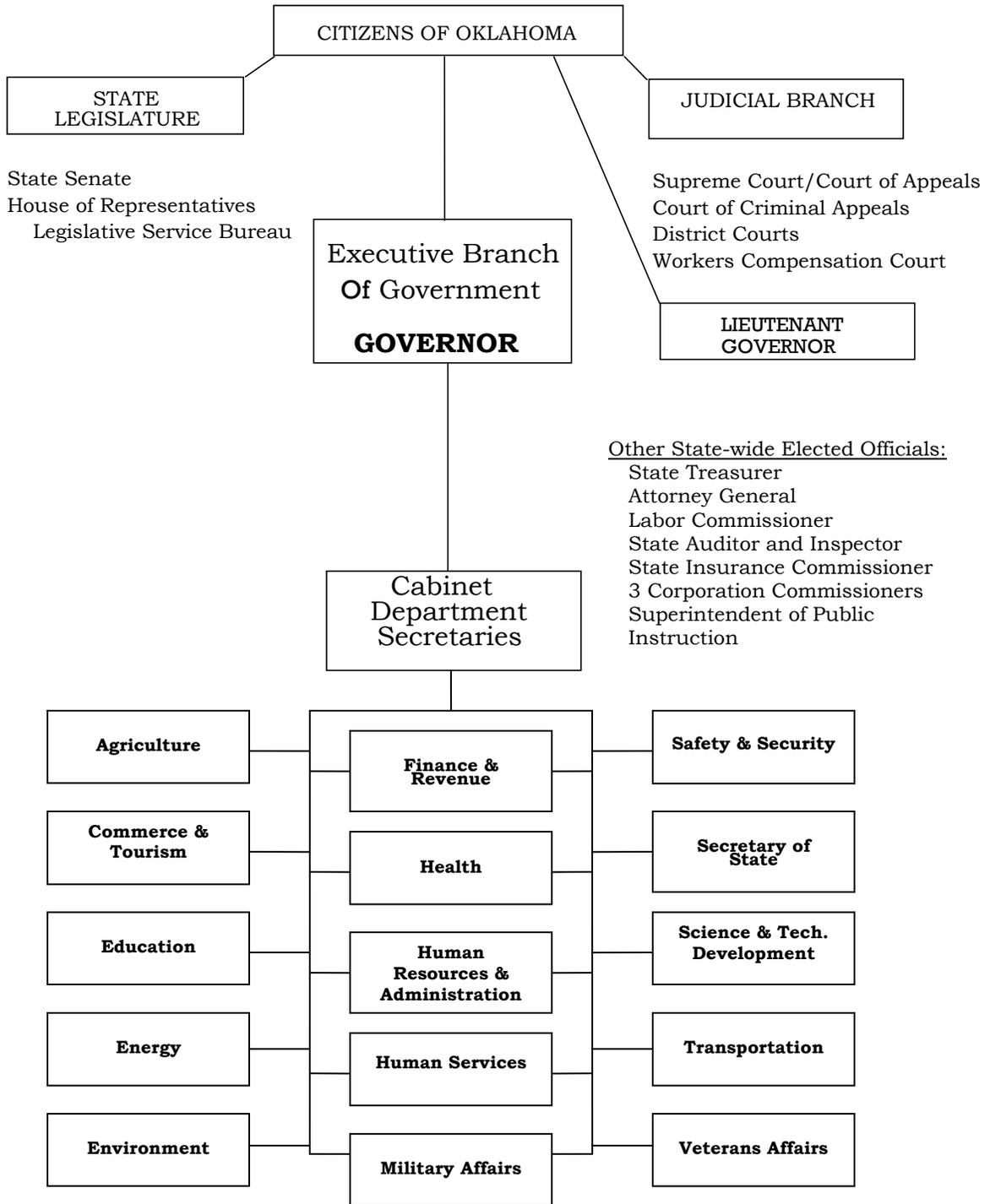
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The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of Executive Branch agencies. Most state agencies have a controlling board or commission which appoints a chief operating 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.

FY-2008 Executive Budget

305	Office of the Governor	665	Southwestern Oklahoma State Univ.	548	Personnel Management
440	Office of the Lieutenant Governor	618	Student Loan Authority	560	Pharmacy Board
	<u>Agriculture</u>	750	Tulsa Community College	140	Podiatric Medical Examiners, Bd. of
40	Agriculture, Department of	120	University of Central Oklahoma	570	Prof. Engin. & Land Surveyors Bd.
39	Boll Weevil Eradication Org.	760	University of Oklahoma	575	Psychologists, Bd. of Examiners
645	Conservation Commission	150	Univ. of Science and Arts of Okla.	588	Real Estate Commission
615	Foresters, Board of Registered	41	Western Oklahoma State College	622	Social Workers Board, Bd. of Lic.
535	Peanut Commission			632	Speech-Lang. Pathology & Aud. Bd.
875	Wheat Commission	185	<u>Energy</u>	516	State and Ed. Empl. Group Ins. Bd.
	<u>Commerce and Tourism</u>	359	Corporation Commission *	755	Used Motor Vehicle & Parts
981	Capital Investment Board	980	Energy Resources Board	790	Veterinary Medical Examiners Board
007	Centennial Commission	307	Grand River Dam Authority		
160	Commerce, Department of	445	Interstate Oil Comp. Com.		<u>Human Services</u>
900	Development Finance Authority	444	LPG Board	127	Children & Youth, Commission
290	Employment Security Commission	446	LPG Research, Marketing and Safety	326	Handicapped Concerns, Office of
350	Historical Society	446	Marg. Prod. O&G Wells, Comm. on	830	Human Services, Department of
922	Housing Finance Authority	125	Mines, Department of	360	Indian Affairs Commission
370	Industrial Finance Authority		<u>Environment</u>	670	J.D. McCarty Center
204	J.M. Davis Memorial Commission	292	Dept. of Environmental Quality	400	Juvenile Affairs, Office of
405	Labor, Department of *	920	Environmental Finance Authority	619	Physicians Manpower Trng. Comm.
981	Municipal Power Authority	835	Water Resources Board	805	Rehabilitative Services
361	Native American Cultural/Ed. Auth	320	Wildlife Conservation, Dept. of	825	University Hospitals Authority
568	Scenic Rivers Comm.		<u>Finance and Revenue</u>	25	<u>Military Affairs</u>
566	Tourism & Recreation, Dept. of	300	Auditor & Inspector *		Military Department
880	Will Rogers Memorial Commission	65	Banking Department		<u>Safety and Security</u>
	<u>Education</u>	582	Bond Advisor	30	ABLE Commission
44	Anatomical Board	91	Building Bonds Commission	49	Attorney General *
55	Arts Council	105	Capitol Improvement Authority	772	Chem. Tests for Alc/Drug Infl., Bd. of
800	Career & Technology Education	390	CompSource Oklahoma	309	Civil Emergency Mgmt, Dept. of
266	Educational TV Authority	635	Consumer Credit, Comm. for	131	Corrections Department
265	Education, Department of *	90	Finance, Office of State	220	District Attorney's Council
430	Library Department	315	Firefighters Pension & Retirement	310	Fire Marshal, State
563	Private Vocational School, Board of	385	Insurance Department *	47	Indigent Defense System
629	School of Science & Mathematics	410	Land Office, Commissioners of the	308	Investigation, Bureau of
269	Teacher Preparation, Comm. for	416	Law Enforcement Retirement	415	Law Enf. Educ. & Trng., Council on
	<u>Colleges and Universities</u>	435	Lottery Commission	342	Medicolegal Investigations, Bd. of
100	Cameron University	557	Police Pension & Retirement System	477	Narcotics & Dang. Drugs, Bureau of
108	Carl Albert State College	515	Public Employees' Retirement System	306	Pardon and Parole Board
165	Connors State College	630	Securities Commission	585	Public Safety, Department of
230	East Central University	695	Tax Commission		<u>Science and Technology Dev.</u>
240	Eastern Oklahoma State College	715	Teachers' Retirement System	628	Center f/t Adv. of Sci. & Technology
420	Langston University	092	Tobacco Settle. End. Trust Bd. of Dir.		
470	Murray State College	740	Treasurer		<u>Secretary of State</u>
480	Northeastern Okla. A & M College	448	<u>Health</u>	270	Election Board
485	Northeastern State University	783	Alcohol and Drug Coun., Bd. of Lic.	296	Ethics Commission
490	Northern Oklahoma College	170	Community Hospitals Authority	678	Judicial Complaints, Council on
505	Northwestern Oklahoma State Univ.	807	Construction Industries Bd.	625	Secretary of State
530	Oklahoma Panhandle State Univ.	340	Health Care Authority		<u>Transportation</u>
10	Oklahoma State University	452	Health, Department of	978	Okla. Transportation Authority
761	Oklahoma University Law Center	509	Mental Health and Sub. Abuse Svc.	346	Space Industry Development Auth.
633	Oklahoma City Community College		Nursing Homes, Board of Exam. for	345	Transportation, Department of
770	Okla. University Health Science Ctr.		<u>Human Resources and Admin.</u>	060	Aeronautics Commission
773	OSU -College of Osteopathic Medicine	20	Accountancy Board		<u>Veterans Affairs</u>
14	OSU -College of Veterinary Medicine	45	Architects, Board of Gov.of Licensed	650	Veterans Affairs, Department of
11	OSU -Experiment Station	580	Central Services, Dept. of		
12	OSU -Extension Division	145	Chiropractic Examiners Board		
13	OSU -School of Tech. Training	190	Cosmetology Board		
15	OSU -Technical Institute of OKC	215	Dentistry, Board of		
16	OSU -Tulsa	815	Employees Benefits Council		
771	OU Health Sci. Ctr. Prof. Prac. Plan	285	Funeral Board		
620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.	353	Horse Racing Commission		
241	Redlands Community College	355	Human Rights Commission		
600	Regents for A&M Colleges	450	Medical Licensure & Supv., Bd. of		
605	Regents for Higher Education	298	Merit Protection Commission		
610	Regents for Oklahoma Colleges	475	Motor Vehicle Commission		
461	Rogers State University	510	Nursing Board		
531	Rose State College	520	Optometry Board		
623	Seminole State College	525	Osteopathic Examiners Board		
660	Southeastern Oklahoma State Univ.	343	Perfusionists, State Bd. of Examiners		

* 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.

FY-2008 Executive Budget

Cabinet/Agency	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Actual	FY-2006 Actual	FY-2007 YTD
Governor	36.6	31.2	33.8	33.1	34.4	32.8
Lieutenant Governor	8.1	7.0	6.8	8.6	8.0	5.7
Agriculture	571.3	537.2	534.3	526.2	555.1	544.8
Commerce and Tourism	2,164.5	2,189.9	2,071.5	2,123.4	2,180.8	2,225.7
Education (excluding Higher Education)	1,171.0	1,115.2	958.2	967.8	1,004.8	1,026.2
Energy	501.7	926.5	866.9	906.1	911.5	922.6
Environment	943.8	950.6	971.6	986.2	984.9	999.6
Finance and Revenue	2,131.7	2,039.9	1,989.1	1,965.3	2,025.6	2,040.1
Health	4,457.5	4,409.6	4,239.7	4,446.6	4,698.7	4,805.4
Human Resources and Administration	797.7	778.5	724.6	702.7	748.5	753.9
Human Services	9,932.4	9,793.5	9,515.2	9,743.2	9,910.3	10,153.4
Military	413.7	392.9	331.5	341.8	368.5	365.5
Safety and Security	8,639.9	8,246.2	8,118.1	8,160.6	8,257.3	8,251.1
Science & Technology	19.9	20.2	19.9	18.7	19.3	21.9
Secretary of State	67.6	67.8	66.8	67.8	64.9	67.1
Transportation	2,433.3	2,958.4	2,962.5	2,958.3	2,947.1	2,961.6
Veterans Affairs	1,452.1	1,484.2	1,603.8	1,741.9	1,813.9	1,820.9
Sub-total	35,742.7	35,948.8	35,014.3	35,698.3	36,533.6	36,998.3
Regents	304.2	324.1	326.5	325.4	320.8	318.7
Higher Education	28,409.0	28,462.1	28,312.8	29,335.0	30,070.9	30,310.1
Sub-total	28,713.2	28,786.2	28,639.3	29,660.4	30,391.7	30,628.8
Total Executive Branch	64,455.9	64,735.0	63,653.6	65,358.7	66,925.3	67,627.1
Legislature	540.1	532.7	513.5	507.3	494.6	438.6
Judiciary	898.8	878.2	868.2	871.8	881.9	893.5
Sub-total	1,439.0	1,410.9	1,381.7	1,379.1	1,376.5	1,332.1
GRAND TOTAL	65,894.8	66,145.9	65,035.3	66,737.8	68,301.8	68,959.2
Total Excluding Higher Ed	37,485.9	37,683.8	36,722.5	37,402.8	38,230.9	38,649.1
305 Governor	36.6	31.2	33.8	33.1	34.4	32.8
440 Lieutenant Governor	8.1	7.0	6.8	8.6	8.0	5.7
Agriculture						
40 Agriculture, Department of	492.2	471.7	429.5	438.0	466.8	452.8
39 Boll Weevil Eradication	57.3	44.5	41.9	26.5	27.2	30.8
645 Conservation Commission	15.8	15.9	57.4	56.8	56.3	56.3
535 Peanut Commission	1.0	0.0	0.0	1.0	1.0	1.0
631 Sheep & Wool Commission	0.0	1.0	1.0	0.0	0.0	0.0
875 Wheat Commission	5.0	4.1	4.5	3.9	3.8	3.9
Total	571.3	537.2	534.3	526.2	555.1	544.8

FY-2008 Executive Budget

Cabinet/Agency	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Actual	FY-2006 Actual	FY-2007 YTD
Commerce and Tourism						
7 Centennial Commission	8.6	8.0	7.0	7.6	6.9	7.0
160 Commerce, Department of	144.4	136.5	118.9	133.4	148.2	151.1
290 Employment Security Commission, OK	712.4	725.1	730.2	749.3	793.5	756.7
350 Historical Society, Oklahoma	154.2	144.6	139.3	141.5	156.8	161.6
922 Housing Finance Authority		109.8	112.3	112.8	110.9	111.0
370 Industrial Finance Authority	7.1	7.1	7.7	6.8	6.6	6.9
204 J.M. Davis Memorial Commission	9.3	9.0	7.2	6.5	6.4	5.4
405 Labor Department	104.2	109.8	94.6	99.1	93.2	98.3
981 Municipal Power Authority		46.3	45.7	46.9	48.0	48.8
568 Scenic Rivers Commission	N/A	10.3	10.0	11.1	12.1	13.5
566 Tourism & Recreation, Department of	1,010.4	871.5	787.7	797.0	787.2	853.9
880 Will Rogers Memorial Commission	13.9	11.9	10.9	11.4	11.0	11.5
Total	2,164.5	2,189.9	2,071.5	2,123.4	2,180.8	2,225.7
Education (Excl. Higher Education)						
44 Anatomical Board	0.0	0.0	0.0	0.0	0.0	0.0
55 Arts Council, State	16.8	16.6	15.9	15.3	16.4	16.2
800 Career & Technology Education	390.2	365.7	333.6	345.2	359.3	363.7
265 Education, State Department of	479.9	453.0	337.6	338.3	356.1	371.2
266 Educational Television Authority	72.1	67.1	66.2	63.1	65.0	65.7
430 Libraries, Department of	74.8	72.6	67.5	65.5	65.8	62.8
563 Private Vocational Schools Board	2.8	2.9	2.6	2.8	2.8	2.6
629 School of Science & Mathematics	69.1	70.5	67.8	69.1	70.9	73.2
618 Student Loan Authority	56.5	57.7	58.3	59.3	59.3	61.5
269 Teacher Preparation, OK Commission	8.9	9.1	8.7	9.2	9.2	9.3
Total	1,171.0	1,115.2	958.2	967.8	1,004.8	1,026.2
Energy						
185 Corporation Commission	445.1	425.5	366.5	402.5	459.1	468.5
980 Grand River Dam Authority (GRDA)		445.4	451.5	455.0	401.9	403.2
307 Interstate Oil Compact Commission	1.7	1.0	0.0	0.4	1.5	2.0
445 Liquefied Petroleum Gas Board	10.0	9.3	9.8	9.0	9.1	9.0
446 Marginally Producing Oil & Gas Wells	3.1	4.1	3.5	3.5	4.2	4.1
125 Mines, Department of	41.8	41.2	35.6	35.7	35.7	35.8
Total	501.7	926.5	866.9	906.1	911.5	922.6
Environment						
292 Dept. of Environmental Quality (DEQ)	517.6	526.9	538.5	546.9	548.3	562.3
835 Water Resources Board	98.3	96.4	96.9	97.8	92.7	95.1
320 Wildlife Conservation Commission	327.8	327.3	336.2	341.5	343.9	342.2
Total	943.8	950.6	971.6	986.2	984.9	999.6
Finance and Revenue						
300 Auditor & Inspector	160.2	148.5	147.1	152.1	151.2	149.0
65 Banking Department, State	42.5	41.4	39.1	39.1	40.3	39.3
390 CompSource	331.4	359.8	377.6	371.8	370.2	363.4
90 Finance, Office of State	118.0	111.9	114.4	135.5	139.2	146.4
315 Firefighters Pension & Retirement	9.6	10.2	11.0	10.5	9.7	9.3
385 Insurance Commissioner	132.4	127.5	124.0	120.5	124.7	132.4
410 Land Office, Commissioners of the	53.5	53.7	53.2	57.8	56.2	55.3
416 Law Enforcement Retirement	4.0	4.0	3.9	3.9	4.0	5.1
435 Lottery Commission					27.3	41.2
557 Police Pension & Retirement Board	9.2	9.6	10.0	10.0	11.0	10.7
515 Public Employees Retirement System	48.9	48.8	47.5	49.1	52.8	51.8
695 Tax Commission	1,098.3	999.2	936.3	892.9	914.0	916.6
715 Teachers Retirement System	49.2	49.1	48.4	49.5	49.3	49.5
740 Treasurer	74.6	76.2	76.6	72.6	75.7	70.1
Total	2,131.7	2,039.9	1,989.1	1,965.3	2,025.6	2,040.1

FY-2008 Executive Budget

Cabinet/Agency	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Actual	FY-2006 Actual	FY-2007 YTD
Health						
807 Health Care Authority	281.3	271.3	300.7	357.6	364.5	379.7
340 Health, Department of	2,320.1	2,338.3	2,119.8	2,155.9	2275.7	2326.8
452 Mental Health & Substance Abuse, Dept. of	1,853.1	1,795.7	1,814.2	1,893.5	2017.8	2060.2
509 Nursing Homes, State Board of	3.0	3.0	3.0	3.0	3.1	2.0
92 Tobacco Settlement Trust Board	0.0	1.3	2.0	2.8	3.0	3.6
170 Construction Industries Board				33.8	34.6	33.1
Total	4,457.5	4,409.6	4,239.7	4,446.6	4,698.7	4,805.4
Human Resources and Administration						
582 Bond Advisor, State	0.0	0.0	3.0	3.0	3.0	3.0
105 Capitol Improvement Authority	0.0	0.0	0.0	0.0	0.0	0.0
580 Central Services, Dept. of	259.5	242.6	206.0	191.5	229.5	234.4
635 Consumer Credit Commission	13.7	12.9	13.6	13.2	15.1	15.3
353 Horse Racing Commission	35.8	33.5	30.8	30.8	39.8	41.7
355 Human Rights Commission	19.2	18.4	15.4	17.2	17.8	16.1
298 Merit Protection Commission	9.7	8.2	6.0	7.8	6.1	6.0
548 Personnel Management, Office of	98.4	94.6	81.3	75.9	73.5	71.5
630 Securities Commission	27.6	26.5	26.9	25.7	26.7	25.9
Sub-total	463.9	436.7	383.0	365.1	411.5	413.9
Human Resources and Administration - Non-Appropriated						
20 Accountancy, OK State Board of	6.0	6.5	7.6	7.7	9.5	8.7
95 Burial Board, State	0.0	0.0	0.0	0.0	0.0	0.0
145 Chiropractic Examiners Board	2.0	2.0	1.9	2.0	2.0	2.2
190 Cosmetology, State Board of	12.7	13.5	13.5	13.1	13.3	13.6
215 Dentists, Bd. of Governors of Registered	4.0	4.0	4.0	4.0	4.0	4.0
285 Funeral Board	3.4	3.5	3.3	3.4	3.1	3.3
815 Employees Benefit Council	30.7	30.2	30.0	30.3	30.0	29.7
45 Licensed & Landscape Architects, Bd. of Gov.	2.9	2.8	3.0	3.0	3.0	3.0
622 Licensed Social Workers, State Board	0.4	0.0	0.0	0.0	0.0	0.5
450 Medical Licensure & Supervision, Board of	19.9	20.5	22.2	21.9	22.6	22.7
475 Motor Vehicle Commission, Oklahoma	4.0	4.0	4.0	3.9	4.0	4.2
510 Nurse Registration & Education Board	21.0	20.3	20.5	21.8	22.6	22.6
516 OK State & Education Employees Grp.Ins.Bd.	170.7	177.6	176.1	173.4	167.9	170.4
520 Optometry, Board of Examiners in	1.2	1.3	1.4	1.1	1.4	2.0
525 Osteopathic Examiners Board	4.5	4.5	4.5	4.7	5.1	5.0
560 Pharmacy, Board of	7.8	8.2	8.2	8.1	8.0	8.0
570 Professional Engineers & Land Surveyors	6.4	6.2	5.8	6.4	7.2	8.5
575 Psychologist Examiners Board	1.9	2.0	2.0	1.6	2.1	2.0
588 Real Estate Commission, Oklahoma	18.4	18.9	17.5	17.4	16.7	15.4
632 Speech Pathology & Audiology Board	1.8	1.9	1.7	1.5	1.6	1.7
755 Used Motor Vehicle & Parts Commission	10.0	9.9	10.4	9.1	9.9	9.5
790 Veterinary Medical Examiners, Board of	4.0	4	4.0	3.2	3.0	3.0
Sub-total	333.8	341.8	341.6	337.6	337.0	340.0
Total	797.7	778.5	724.6	702.7	748.5	753.9
Human Services						
127 Children & Youth, Commission on	20.2	20.9	20.4	21.3	22.6	26.6
326 Handicapped Concerns, Office of	8.0	7.4	7.6	8.0	7.7	7.5
830 Human Services Department	7,762.1	7,681.9	7,505.3	7,621.9	7788.7	8009.8
360 Indian Affairs Commission	4.1	3.8	4.5	3.4	2.9	2.0
670 J.D. McCarty Ctr. for Handicapped Concerns	134.5	139.0	137.8	183.8	197.6	201.3
400 Juvenile Affairs, Office of	1,096.3	1,057.2	989.6	1,030.4	998.0	1000.8
619 Physician Manpower Training Commission	6.0	6.0	6.0	6.1	6.0	5.7
805 Rehabilitative Services, OK Dept. of	897.3	873.3	840.0	864.3	882.7	894.7
825 University Hospitals Authority	4.0	4.0	4.0	4.0	4.1	5.0
Total	9,932.4	9,793.5	9,515.2	9,743.2	9,910.3	10,153.4

FY-2008 Executive Budget

Cabinet/Agency	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Actual	FY-2006 Actual	FY-2007 YTD
Military						
25 Military Department	413.7	392.9	331.5	341.8	368.5	365.5
Safety and Security						
30 A.B.L.E. Commission	61.2	56.2	47.4	44.5	43.4	44.4
49 Attorney General	158.8	158.9	158.1	163.2	165.6	173.1
772 Chem. Tests for Alcohol & Drug Infl.	0.0	0	0.0	5.0	4.3	5.0
131 Corrections Department	5,123.6	4,732.1	4,683.7	4,687.1	4722.9	4724.1
415 Council on Law Enforcement Educ.&Trng.	38.6	35.4	34.0	34.2	34.0	32.3
220 District Attorney's Council	1,157.1	1,135.9	1,101.0	1,115.2	1162.4	1164.7
309 Emergency Mgt., Dept. of	29.1	27.6	26.8	25.3	25.1	24.6
47 Indigent Defense System	141.1	127.0	120.8	122.8	123.9	121.9
308 Investigation, Okla. State Bureau of (OSBI)	264.6	285.2	291.1	291.7	286.8	286.9
448 Licensed Alcohol & Drug Counselors, Board of					1.1	1.8
342 Medicolegal Invest. Bd.	66.1	67.6	63.4	60.1	63.3	67.3
477 Narcotics & Dangerous Drugs Control	102.5	97.1	94.6	94.3	94.0	92.5
306 Pardon and Parole Board	41.9	39.7	36.2	37.8	42.5	41.5
585 Public Safety, Department of	1,424.7	1,453.2	1,432.1	1,451.1	1457.1	1440.2
310 State Fire Marshal, Office of	30.5	30.3	28.9	28.3	30.9	30.8
Total	8,639.9	8,246.2	8,118.1	8,160.6	8,257.3	8,251.1
Science and Technology						
628 Cent.f/t Adv.of Science & Technology	19.9	20.2	19.9	18.7	19.3	21.9
Secretary of State						
678 Council on Judicial Complaints	2.0	2.0	2.0	2.0	2.0	2.0
270 Election Board, State	22.8	22.7	22.1	22.6	22.3	24.3
296 Ethics Commission	7.0	6.9	7.0	7.1	6.8	7.0
625 Secretary of State	35.8	36.2	35.7	36.1	33.8	33.8
Sub-total	67.6	67.8	66.8	67.8	64.9	67.1
Transportation						
60 Aeronautics Commission, OK	0.0	9.0	10	10.2	10.4	9.5
346 Space Industry Development Authority	0.0	4.0	3.3	2.4	3.4	3.0
345 Transportation	2,433.3	2,421.4	2,400.5	2,396.4	2383.9	2410.0
978 Turnpike Authority	508.9	524.0	548.7	549.3	549.4	539.1
Total	2,942.2	2,958.4	2,962.5	2,958.3	2947.1	2961.6
Veterans Affairs						
650 Veterans Affairs	1,452.1	1,484.2	1,603.8	1,741.9	1813.9	1820.9
Legislature						
422 House of Representatives	297.5	291.2	280.7	277.4	268.9	224.0
423 Legislative Service Bureau	34.5	34.1	34.0	32.4	27.2	28.1
421 Senate	208.1	207.4	198.8	197.5	198.5	186.6
Total	540.1	532.7	513.5	507.3	494.6	438.7

FY-2008 Executive Budget

Cabinet/Agency	FY-2002 Actual	FY-2003 Actual	FY-2004 Actual	FY-2005 Actual	FY-2006 Actual	FY-2007 YTD
Judiciary						
199 Criminal Appeals, Court of	33.9	29.7	28.1	26.5	30.0	31.5
219 District Courts	611.0	605.3	608.0	616.8	620.5	626.4
369 Workers' Compensation Court	96.5	91.2	89.4	84.9	82.4	83.4
677 Supreme Court/Court of Appeals	157.5	152.0	142.6	143.6	149.0	152.2
Total	898.8	878.2	868.1	871.8	881.9	893.5
State Regents						
600 A & M Regents	0.0	0.0	0.0	0.0	0.0	0.0
620 Quartz Mountain Conference Center	0.0	15.0	14.4	11.2	14.4	12.5
605 Regents For Higher Education	296.7	301.8	305.6	307.7	299.4	299.1
610 Regents For Oklahoma Colleges	7.5	7.3	6.4	6.6	7.0	7.2
Total	304.2	324.1	326.4	325.5	320.8	318.8
Colleges and Universities						
10 Oklahoma State University	7,486.4	7,350.6	7,440.7	7,555.7	7668.1	7606.2
Colleges and Universities (cont.)						
100 Cameron University	588.1	566.3	562.0	576.5	578.4	756.8
108 Carl Albert J.C.	217.5	240.4	257.3	275.3	271.6	262.8
165 Conners State College	252.9	231.4	223.9	224.2	220.6	169.3
230 East Central Oklahoma State Univ.	541.0	549.2	542.1	541.6	542.3	526.6
240 Eastern Oklahoma State College	209.3	212.5	204.9	208.8	205.7	212.2
420 Langston University	478.2	466.9	466.2	485.3	471.1	449.6
470 Murray State College	164.7	162.5	164.0	166.8	173.9	168.9
480 Northeastern A & M College	319.5	297.1	299.8	297.7	292.2	268.2
485 Northeastern Oklahoma State Univ.	1,045.5	1,016.4	1,001.3	1,034.8	1059.3	1035.7
490 Northern Oklahoma College	247.6	248.3	255.5	277.8	302.6	283.9
505 Northwestern Oklahoma State Univ.	276.2	288.6	279.8	280.6	291.7	287.8
530 Oklahoma Panhandle State University	188.8	172.4	182.4	178.2	177.3	164.6
241 Redland Community College	150.2	143.3	141.6	159.2	183.6	185.8
461 Rogers State Univ.(Claremore J.C.)	325.2	331.3	330.8	348.3	362.1	365.4
531 Rose State College	545.4	538.8	534.8	614.4	569.7	571.4
623 Seminole J.C.	161.4	157.5	157.5	158.5	159.4	167.8
633 South Oklahoma City J.C.	507.8	472.8	458.9	481.5	511.2	534.3
660 Southeastern Oklahoma State Univ.	563.1	562.4	540.6	538.5	559.3	553.8
665 Southwestern Oklahoma State Univ.	632.0	681.8	676.7	684.3	710.8	704.5
750 Tulsa J.C.	1,189.1	1,172.0	1,191.4	1,239.7	1256.7	1179.3
120 University of Central Oklahoma	1,091.5	1,176.2	1,203.3	1,218.2	1280.6	1296.0
150 Univ. of Science and Arts of Okla	175.6	170.5	166.0	169.6	166.7	173.6
41 Western Oklahoma State College	143.6	143.5	137.4	146.2	155.9	152.4
Sub-total	10,014.0	10,002.1	9,978.2	10,306.0	10502.7	10470.7
Colleges and Universities (cont.)						
325 OU Geological Survey	0.0	0.0	0.0	0.0	0.0	0.0
760 University of Oklahoma	6,225.5	6,232.0	6,464.3	6,410.2	6636.8	6790.8
761 Oklahoma University Law Center	0.0	0.0	0.0	0.0	0.0	0.0
770 Okla. University Health Science Ctr.	4,407.1	4,578.5	4,674.3	4,739.2	4936.9	5106.5
771 OU Health Science Ctr.Prof.Prac.Plan	276.1	298.9	317.5	324.1	326.4	336.2
845 Medical Research & Technology Auth.	0.0	0.0	0.0	0.0	0.0	0.0
Sub-total	10,908.6	11,109.4	11,456.1	11,473.5	11900.1	12233.5
Total	28,409.0	28,462.1	28,875.0	29,335.2	30070.9	30310.4

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 3/4 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)

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.).

GLOSSARY

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.

Reception – Department of Corrections: An inmate that is received at the Lexington Assessment & Reception Center from a county sheriff after sentencing by a District court to a term of incarceration for a felony conviction.

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).

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