

FY-2004

Executive Budget

Governor Brad Henry

February 3, 2003

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This budget document was prepared for

Governor Brad Henry

by the Office of State Finance, Budget Division, the
Deputy Director with the aid of her research staff
and the State Comptroller

Under the direction of the
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You may access the FY-2004 Executive Budget via the Internet on the Oklahoma Home Page at <http://www.youoklahoma.com>.

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How to Use the Executive Budget Book

In this book, you will find valuable information about the State of Oklahoma, Governor Henry's budget proposals, and the various state agencies. This book is divided into eight main sections. At the end is an index you can use to find all the references to specific agencies or issues.

Oklahoma -- Here is where you should go if you want to see the statewide organization chart and a list of the state agencies by cabinet.



Governor's Budget Message -- This section contains Governor Henry's fiscal year 2004 budget message.

Revenues -- This section contains information on the State's revenue performance from FY-2002 to FY-2004, a discussion of proposed tax law changes and descriptions of current taxes.



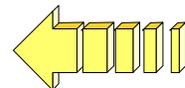
Budget Summary -- Here is where you can locate information on the current budget situation, a summary of funds available, a summary of the budget proposals and major issues, and capital outlay recommendations.

Budget Recommendations -- This section includes descriptions of the proposed budget changes in each Cabinet Department, including a summary of adjustments affecting all agencies, and information on the changes to each agency and cabinet.



Summary Information -- Here is where you can find appropriation recommendations for each state agency, as well as a summary of FTE and information on the Constitutional Reserve Fund.

Appendix -- In this section, you can see how Oklahoma compares to other states on fiscal and economic measures, as well as learn about the budget process and find definitions of terms used throughout the book.



How to Use the Executive Budget Book

If you want to find this:	Look here.
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OKLAHOMA OFFICE OF STATE FINANCE

February 3, 2003

Citizens of the State of Oklahoma Members of the First Regular Session of the Forty-ninth Legislature

Governor Brad Henry's FY-2004 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.youroklahoma.com>.

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

"FY-2004 EXECUTIVE BUDGET"

This document contains Governor Henry's budget recommendations to the 2003 Legislature. It includes a discussion of state revenues, a summary of his proposed budget, and explanations of budget recommendations for state agencies

"FY-2004 EXECUTIVE BUDGET - 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-2001, FY-2002 and FY-2003

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FY-2004 EXECUTIVE BUDGET

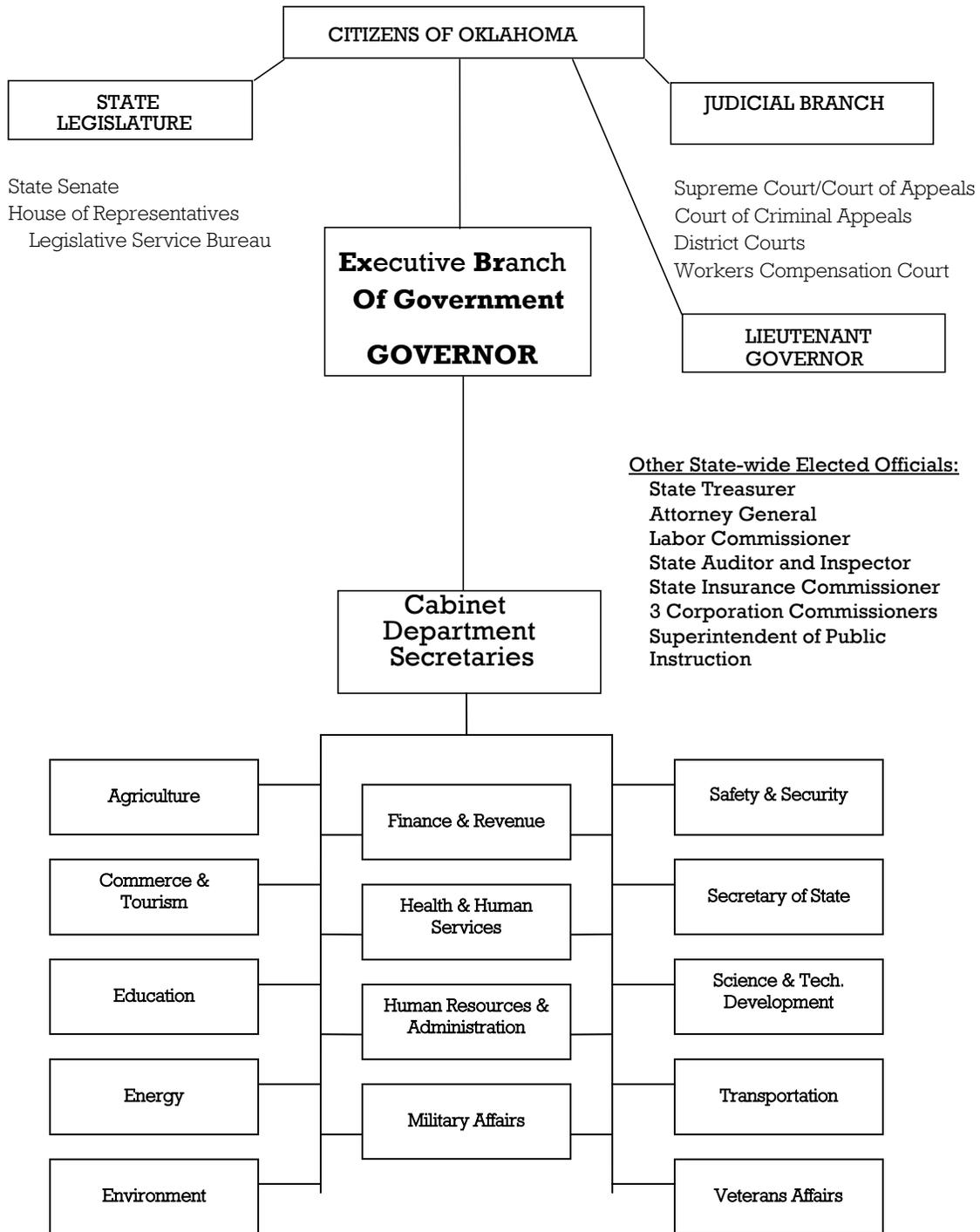
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Oklahoma

State Organizational Chart

State agencies listed by Cabinet



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-2004 Executive Budget

305	Office of the Governor	660	Southeastern Oklahoma State Univ.	510	Nursing Board
440	Office of the Lieutenant Governor	665	Southwestern Oklahoma State Univ.	520	Optometry Board
	<u>Agriculture</u>	618	Student Loan Authority	525	Osteopathic Examiners Board
40	Agriculture, Department of	750	Tulsa Community College	343	Perfusionists, State Bd. of Examiners
39	Boll Weevil Eradication Org.	120	University of Central Oklahoma	548	Personnel Management
645	Conservation Commission	760	University of Oklahoma	560	Pharmacy Board
615	Foresters, Board of Registered	150	Univ. of Science and Arts of Okla.	140	Podiatric Medical Examiners, Bd. of
535	Peanut Commission	41	Western Oklahoma State College	570	Prof. Engin. & Land Surveyors Bd.
875	Wheat Commission			575	Psychologists, Bd. of Examiners
	<u>Commerce and Tourism</u>	446	<u>Energy</u>	588	Real Estate Commission
981	Capital Investment Board	185	Comm. on Marg. Prod. O&G Wells	630	Securities Commission
007	Centennial Commission	359	Corporation Commission *	622	Social Workers Board, Bd. of Lic.
160	Commerce, Department of	980	Energy Resources Board	632	Speech-Lang. Pathology & Aud. Bd.
900	Development Finance Authority	307	Grand River Dam Authority	516	State and Ed. Empl. Group Ins. Bd.
350	Historical Society	444	Interstate Oil Comp. Com.	755	Used Motor Vehicle & Parts
922	Housing Finance Authority	445	LPG Research, Marketing and Safety	790	Veterinary Medical Examiners Board
355	Human Rights Commission	125	LPG Board		<u>Military Affairs</u>
370	Industrial Finance Authority		Mines, Department of	25	Military Department
204	J.M. Davis Memorial Commission	292			<u>Safety and Security</u>
405	Labor, Department of *	920	<u>Environment</u>	30	ABLE Commission
981	Municipal Power Authority	835	Dept. of Environmental Quality	49	Attorney General *
361	Native American Cultural/Ed. Auth		Environmental Finance Authority	772	Chem. Tests for Alc/Drug Infl., Bd. of
568	Scenic Rivers Comm.		Water Resources Board	309	Civil Emergency Mgmt, Dept. of
566	Tourism & Recreation, Dept. of	300		131	Corrections Department
320	Wildlife Conservation, Dept. of	91	<u>Finance and Revenue</u>	220	District Attorney's Council
880	Will Rogers Memorial Commission	90	Auditor & Inspector *	310	Fire Marshal, State
	<u>Education</u>	315	Building Bonds Commission	47	Indigent Defense System
44	Anatomical Board	410	Finance, Office of State	308	Investigation, Bureau of
55	Arts Council	416	Firefighters Pension & Retirement	415	Law Enf. Educ. & Trng., Council on
800	Career & Technology Education	557	Land Office, Commissioners of the	342	Medicolegal Investigations, Bd. of
266	Educational TV Authority	515	Law Enforcement Retirement	477	Narcotics & Dang. Drugs, Bureau of
265	Education, Department of *	390	Police Pension & Retirement System	306	Pardon and Parole Board
430	Library Department	695	Public Employees' Retirement System	585	Public Safety, Department of
563	Private Vocational School, Board of	715	CompSource Oklahoma		<u>Science and Technology Dev.</u>
629	School of Science & Mathematics	740	Tax Commission	628	Center f/t Adv. of Sci. & Technology
269	Teacher Preparation, Comm. for		Teachers' Retirement System		<u>Secretary of State</u>
	<u>Colleges and Universities:</u>	127	Treasurer *		Election Board
100	Cameron University	783		270	Ethics Commission
108	Carl Albert State College	326	<u>Health & Human Services</u>	296	Judicial Complaints, Council on
165	Connors State College	807	Children & Youth, Commission	625	Secretary of State
230	East Central University	340	Community Hospitals Authority		<u>Transportation</u>
240	Eastern Oklahoma State College	830	Handicapped Concerns, Office of	978	Okla. Transportation Authority
420	Langston University	360	Health Care Authority	346	Space Industry Development Auth.
470	Murray State College	670	Health, Department of	345	Transportation, Department of
480	Northeastern Okla. A & M College	400	Human Services, Department of	060	Aeronautics Commission
485	Northeastern State University	452	Indian Affairs Commission		<u>Veterans Affairs</u>
490	Northern Oklahoma College	509	J.D. McCarty Center	650	Veterans Affairs, Department of
505	Northwestern Oklahoma State Univ.	619	Juvenile Affairs, Office of		
530	Oklahoma Panhandle State Univ.	805	Mental Health and Sub. Abuse Svc.		
10	Oklahoma State University	092	Nursing Homes, Board of Exam. for		
761	Oklahoma University Law Center	825	Physicians Manpower Trng. Comm.		
633	Oklahoma City Community College		Rehabilitative Services		
770	Okla. University Health Science Ctr.	20	Tobacco Settle. End. Trust Bd. of Dir.		
773	OSU -College of Osteopathic Medicine	45	University Hospitals Authority		
14	OSU -College of Veterinary Medicine	65			
11	OSU -Experiment Station	105	<u>Human Resources and Admin.</u>		
12	OSU -Extension Division	580	Accountancy Board		
13	OSU -School of Tech. Training	145	Architects, Board of Gov. of Licensed		
15	OSU -Technical Institute of OKC	635	Banking Department		
16	OSU -Tulsa	190	Capitol Improvement Authority		
771	OU Health Sci. Ctr. Prof. Prac. Plan	215	Central Services, Dept. of		
620	Qtz Mtn. Arts/Conf. Cntr/Nat. Pk.	285	Chiropractic Examiners Board		
241	Redlands Community College	815	Consumer Credit, Comm. for		
600	Regents for A&M Colleges	290	Cosmetology Board		
605	Regents for Higher Education	353	Dentistry, Board of		
610	Regents for Oklahoma Colleges	385	Embalmers & Funeral Directors Bd.		
461	Rogers State University	450	Employees Benefits Council		
531	Rose State College	298	Employment Security Commission		
623	Seminole State College	475	Horse Racing Commission		
			Insurance Department *		
			Medical Licensure & Supv., Bd. of		
			Merit Protection Commission		
			Motor Vehicle Commission		

* 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.

ORGANIZATIONAL CHART

**Governor's
Budget
Message**

Rising To The Challenges Before Us

“Oklahomans have accomplished much in very little time,” U.S Tenth Circuit Court of Appeals Judge Robert Henry wrote in the forward to *Oklahoma Politics and Policies* (University of Nebraska Press, 1993). “Tempered by hardship and accustomed to hard work, we Oklahomans have gone about as far as hard work alone can take us. It is time to transcend the politics of negativism, of preservation of a dismal status quo, of a populism that preaches, ‘If I can’t have it, I don’t want anybody else to,....’”

The truth of those words resounds today, perhaps even more than when they were first penned ten years ago. Oklahoma faces one of its greatest challenges in recent memory. Some would contend that the very core of state government is at risk. It would be easy to hide, to shirk from the responsibility before us and to agree with the doomsayers. This budget does not do that.

Instead, this budget views the current situation as a challenge but not an unconquerable one. Oklahomans are well aware that the amount of money available for appropriation during this legislative session is substantially less than that available during the last session. This difficult situation presents us with some unique opportunities. To some, however, the opportunities do not exist. They are wrong. There are many opportunities available to us that must be seized. This budget reflects the work of many and long hours of hard work.

My budget protects funding for the most vital areas of state government. We cannot balance the budget on the backs of Oklahoma school children and their teachers, the sick, elderly and the disabled. Oklahoma values its children and their future, its seniors and those less fortunate. To that end, this budget avoids major reductions in education spending and healthcare spending.

We must invest in education. Our future depends on it. However, we must ensure our investment gets to the classroom. This budget increases our investment in education by nearly \$110 million while reducing administrative overhead. Our budget makes education a priority, and the investment in education should be funded early in the legislative session.

Budget cuts in education could be devastating to our efforts to move our state forward. Reductions in healthcare spending could result in aged, blind and disabled patients losing essential services they require; elderly clients losing nursing home care; and the reduction of healthcare services for thousands of Oklahomans.

Nevertheless, there are cuts that must be implemented. My office is reducing its spending. I am asking other state agencies to reduce their spending as well. The cuts outlined in this budget target specific areas. Cuts in government spending, by definition, mean someone is affected: someone who receives a service, someone whose employment is tied to that money or a community which benefits from a state-funded project. These spending reductions, however, are designed to improve the

efficiency and effectiveness of government, minimizing the impact on vital government services.

The public has entrusted us to be prudent managers of their money. It is imperative that we uphold that trust. The spending proposals outlined in this budget reflect priorities important to Oklahoma now and in the future. The same is true of the proposed spending reductions and improvements in the effectiveness and efficiency of state government.

Challenging times like these require unique responses. This budget contains several. This budget examines several revenue changes that will improve compliance, equity and efficiency while avoiding tax increases. We propose capitalizing on historically low interest rates as well as finding ways of leveraging federal funds. Additionally, each agency's resources were scrutinized and proposals put forth to consolidate programs to eliminate duplication. There has never been a more important time to consider proposals such as these.

Oklahoma must examine itself. It must set priorities, recognizing that the status quo cannot and should not be preserved. I call on all Oklahomans to put aside their partisanship and special interests. Together, we will emerge from these trying times stronger than ever before.

By adopting the agenda I have set forth in this budget, we can overcome the obstacles before us. It will not be easy, but time-and-time again Oklahomans have proven that one of our greatest strengths lies in our ability to do just that. We will provide vital state services effectively and efficiently. We must protect funding for our most important state services and implement new, bold ideas. In other words, we will preserve and expand Oklahoma's greatness.

Revenues

Revenue Performance FY-2002 to FY-2004

Proposed Tax Law Changes

Taxes: Major Sources

Revenue Performance from FY-2002 to FY-2004

As a result of the national recession Oklahoma is experiencing many of the same problems observed in other states. Revenue collections began lethargically in FY-2002 and significant problems were evident midway through the year. In December 2001, the Office of State Finance (OSF) implemented budget cuts in the General Revenue fund and several other funds due to extremely poor performance of the gas and oil gross production taxes.

Early in FY-2002 most other General Revenue fund collections were performing well and mitigated some of the problems in gross production taxes. However, as the year evolved, performance of these revenues deteriorated and further budget cuts were required to prevent deficit spending. Final General Revenue collections for FY-2002 were \$415 million or 8.6% under the estimate.

Since appropriations are capped at 95% of the official estimate, budget cuts from this fund were only \$174 million or 3.8%. Although the two major sources of revenue, Individual Income tax and Sales tax, were under the estimate, the budget cuts were due solely to the steep decline in receipts from the Gross Production tax on natural gas.

The individual income tax rate reduction passed in 1998 contained a

“trigger” provision which results in a temporary tax increase if revenue estimates certified by the State Board of Equalization decline from one year to the next. In December 2001, this trigger was implemented and the top marginal rate on individual income tax increased from 6.75% to 7% for calendar year 2002, increasing the certified estimate for FY-2003.

The 2002 legislature enacted further budget reductions for FY-2003 since appropriations authority was \$350 million or 6.2% lower than the amount originally appropriated in FY- 2002. The legislature began with across-the-board cuts of 5% for most agencies. Certain critical programs, such as education, Medicaid, social services, and mental health, were exempted or received no budget cuts. Also, the legislature appropriated \$268 million from the Constitutional Reserve Fund and enacted revenue enhancements of \$55 million.

Revenue collections for the first half of FY-2003 have been very weak. After analyzing final receipts for the month of August, it was apparent that collections would not improve enough by the end of the fiscal year to maintain current spending levels. Accordingly, in early September the Office of State Finance implemented budget cuts of \$213 million or 4.75% on an annual basis, in anticipation of a total revenue shortfall of 9.6%. An additional shortfall was expected in the 1017 Education Reform fund of \$47 million or 10.1%.

General Revenue Fund Performance, FY-2003 July to December

<u>Source</u>	<u>Collections July to December (\$ Millions)</u>	<u>Variance from Estimate (%)</u>	<u>Variance from Prior Year (%)</u>
Net Income Tax	\$923.40	-15.20%	-7.90%
Gross Production Tax	128.30	-1.60%	7.10%
Sales Tax	602.00	-9.60%	-4.70%
Motor Vehicle Tax	104.70	-14.20%	-7.30%
Subtotal	\$1,758.40	-12.40%	-5.80%
Other Sources	248.80	-8.50%	-15.30%
Total	\$2,007.20	-11.90%	-7.10%

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Two more months of collections data revealed further weakening in most revenue sources. In November the Office of State Finance deepened the budget cuts to 6.5% on an annual basis. OSF delayed implementation of these additional cuts until December in order to give agencies time to plan and prepare for the additional cutbacks. The shortfall in the 1017 Education Reform fund increased to \$59 million or 12.9%.

Unlike FY-2002, performance in Individual Income, Corporate Income, Sales, and Motor Vehicle taxes are all very weak while the Gross Production tax is beginning to have a positive influence. There continues to be much uncertainty about the economy, the stock market and the possibility of war, all of which add to the uncertainty of revenue recovery for this fiscal year.

This sets the stage for estimating the amount of revenue available in FY-2004. The prevailing thinking at this time is that the

national and Oklahoma economies will begin a relatively slow recovery from the current recession sometime in 2003.

The perceived slowly recovering economy enabled the Board of Equalization to certify a revenue estimate for the General Revenue fund above the projected amount of collections for FY-2003 by \$195 million. The table below details this modest growth in general revenues.

FY-2003 Projection vs. FY-2004 Estimate

<u>Four Major Taxes</u>	<u>Difference \$ Millions</u>	<u>Difference %</u>
Sales Tax	\$31.1	2.6%
Motor Vehicle Taxes	19.7	9.3%
Income Taxes	130.3	6.5%
Gross Production Tax	<u>(3.3)</u>	<u>-1.3%</u>
Subtotal	\$177.8	4.8%
Other	<u>17.3</u>	<u>3.3%</u>
Total	\$195.1	4.6%

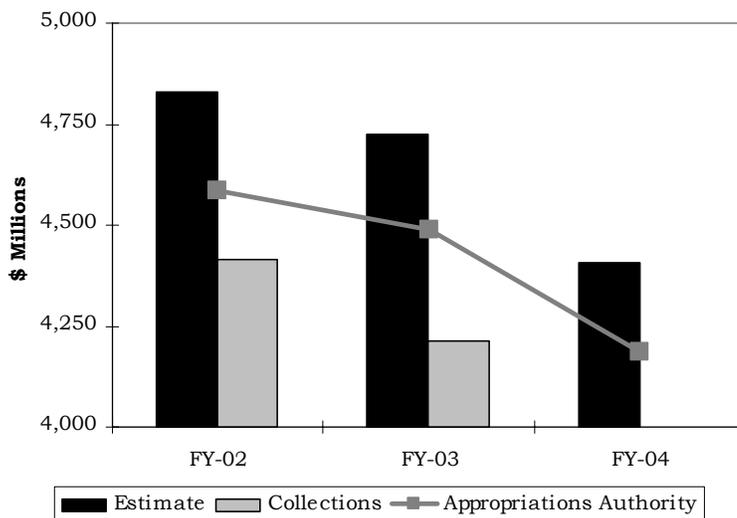
However, this represents total revenue. As the chart below indicates, after accounting for the 5% of estimated revenue that cannot be appropriated, the FY-2004 General Revenue available for appropriation is \$25 million less than projected FY-2003 General Revenue fund collections.

Examination of the total budgetary context reveals an even worse situation. The budget is based on appropriations authority, which includes:

- certified funds,
- 1017 fund,
- certain other funds,
- cash; and
- the rainy day fund.

Total appropriations authority for FY-2004 is \$593 million dollars less than FY-2003. State government is currently operating on a greatly reduced budget due to the revenue

Comparison of General Revenue Estimate, Collections, and Appropriations Authority, FY-2002 through FY-2004



Source: DRI-WEFA and Oklahoma State University

shortfall of FY-2003 and the resulting 6.5% across the board budget cuts.

The table below compares FY-2004 total appropriations authority to the current budget for FY-2003. This comparison shows there is \$242 million less in appropriations authority. As the table highlights, the majority of this decrease is due to the heavy reliance upon the Rainy Day fund last year.

they must affix to each pack distributed. Wholesalers receive a 4% discount off of the price of the stamps bought. Once a stamp is placed on each pack, wholesalers sell the cigarettes to the retailer. At the retail level, the consumer pays state and local sales taxes placed on cigarette purchases.

The State has cigarette compacts with all but 2 Indian tribes in Oklahoma.

Under the compacts, the cigarette tax is 25% of the state rate, only 5.75 cents per pack. The tax is still paid in the form of a stamp which must be placed on each pack. Wholesalers also receive a 4% discount on total tribal stamps bought. However, the compacts exempt tribal retailers from collecting a sales tax on cigarette sales.

Comparison of FY-2003 Current Budget and FY-2004 Total Appropriations Authority (\$ Millions)

<u>Source</u>	<u>FY-2003 Current Budget</u>	<u>FY-2004 Total Appropriations Authority</u>	<u>Difference \$</u>
Certified Funds	\$4,421.3	\$4,418.9	(\$2.4)
1017 Fund	401.9	380.5	(21.3)
Gross Production			
Education Funds	67.0	79.6	12.6
Tobacco Fund	33.1	30.9	(2.2)
Cash	<u>57.6</u>	<u>25.6</u>	<u>(32.0)</u>
Subtotal	\$4,980.8	\$4,935.4	(\$45.4)
Rainy Day Fund	<u>268.5</u>	<u>72.4</u>	<u>(196.1)</u>
Total	\$5,249.4	\$5,007.8	(\$241.6)

The Board of Equalization determined in December that revenues for the coming legislative session again would not exceed those certified for the prior year. As a result, the “trigger” provision will remain in effect and the top marginal individual income tax rate will remain at 7% for tax year 2003.

Tax Changes

Oklahoma faces numerous challenges to get through the difficult fiscal situation we are experiencing this year and next. This budget has addressed these challenges without general tax increases. Instead, it contains proposals for revenue changes that will result in improvements in compliance, efficiency and equity.

Cigarette Tax

Oklahoma’s cigarette tax is 23 cents per pack. Cigarette wholesalers pay the tax by purchasing a stamp that

Collecting taxes at the wholesale level is more efficient than at the retail level. There are only 126 wholesale distributors and tax compliance is virtually guaranteed since distributors must be bonded. This is in contrast to the numerous retailers that sell cigarettes, where there is not that same high probability of compliance.

This proposal removes the state share of sales tax from the retail purchase and replaces it with an increase of 12.4 cents in the cigarette tax. This will bring the total cigarette tax to 35.4 cents per pack. The levy of local sales tax will remain in place. Since the tribal compacts specify that cigarette tax is levied at 25% of the state rate, the cigarette tax for tribal sales will increase to 8.9 cents per pack.

Fiscal Impact Summary of Proposed Cigarette Tax Changes				
	FY-2004 (\$ in 000's)			
	General	Ed.	Teacher	Total
Proposal:	Revenue	Reform	Retire.	Impact to
	Fund	Rev. Fund	Fund	Collections
Eliminate Sales Tax on Cigarettes	(\$23,289)	(\$2,821)	(\$958)	(\$27,068)
Additional Revenue from Tribal	4,900	-	-	4,900
Gain from Compliance	422	51	17	491
Increase in Cigarette Tax	<u>27,068</u>	<u>-</u>	<u>-</u>	<u>27,068</u>
Subtotal of Cigarette Tax Switch Plan	\$9,101	(\$2,769)	(\$941)	\$5,391
Reduction in Discount Rate	<u>1,897</u>	<u>-</u>	<u>-</u>	<u>1,897</u>
Net Impact to Funds for FY-2004	\$10,998	(\$2,769)	(\$941)	\$7,288

This proposal also includes a decrease in the discount rate from 4% to 2% which is more in line with discounts granted in surrounding states. Both components of this proposal will increase the General Revenue Fund by \$11.0 million.

The above table details the fiscal impact of this proposal.

Federal Refund Offset

Legislation passed in 2001 authorized a pilot program for Oklahoma to participate in the federal refund offset program. Under this program, the State can use federal refunds or overpayments to satisfy delinquent state individual income tax liability. Under this proposal, the IRS provides the Tax Commission with a list of delinquent state taxpayers receiving federal refunds. The Tax Commission notifies the taxpayer who has 60 days to pay the delinquent tax liability. If it is not paid, the IRS will send the refund to the State to reduce the taxpayer's liability. In FY-2002, the State collected an additional \$3.4 million in individual income tax under this program.

For FY-2003, additional collections are projected at \$2.3 million given the Tax Commission's resources for participating in the pilot program. Additional authorization is required to

expand this program beyond the initial pilot phase. This budget proposes such authorization. The associated increase in revenues is an estimate of \$4.5 million for FY-2004. Ultimately, additional revenue is expected to decrease as delinquent accounts are paid and taxpayers are brought into compliance.

Sales Tax

Under current law, if a business' sales tax liability is more than \$25,000 a month, the vendor is required to remit sales tax collections electronically. For taxes collected on sales from the 1st through the 15th of the month, the sales tax payment must be remitted on the 20th of that same month. For taxes collected during the remainder of the month, sales tax must be paid by the 20th of the next month.

This proposal lowers the sales tax liability threshold for mid-month electronic filing from \$25,000 per month to \$10,000 per month. Currently, businesses with less than \$25,000 in sales tax liability file paper returns once a month for the previous month's sales. These businesses will be required to remit electronically on a monthly basis, resulting in an additional sales tax payment in FY-2004. The additional revenue will increase collections by \$7.4 million.

Sales Tax Permit Fee

Any entity selling tangible personal property in the state at a physical location or through a sales representative must have a sales tax permit. The fee is \$20 and has not changed since 1986. Under this proposal, the sales tax permit fee will increase to \$50. This results in an increase of \$1.1 million in additional collections for FY-2004.

Discount for Paper Remittances

Currently, vendors who remit less than \$25,000 in monthly sales tax may remit collections manually on paper forms. The State gives these vendors a discount on their monthly state and local sales tax liability if the return is filed on time. The discount rate is 2.25 percent and the discount amount is capped at \$3,300.

Remitting sales tax collections by paper results in slower processing and uses more resources than electronic filing. This proposal lowers the discount rate to 1.25 percent for paper filers as a means to incent businesses to remit electronically. The fiscal impact is an increase in sales tax revenue of \$257,000 for the state and \$171,200 for cities and counties.

Abandoned Securities

Abandoned securities are the result of several different circumstances. One, a business loses contact with the owner of a security for over 5 years. Two, the owner places the security in a safety deposit box and forgets about it, or the owner dies and does not specify an heir for the security. Either way, the security must be turned over to the Treasurer's Office. Sometimes, the Treasurer will try to notify the owner if they can find an address. Otherwise, they post abandoned securities in the newspaper. If unclaimed, the Treasurer's Office holds the security for 2 years after which they sell it.

All 50 states have a program similar to Oklahoma for abandoned securities, and 19 states have a retention period

of 1 year or less. This recommendation lowers Oklahoma's retention period to 1 year. If effective in FY-2004, the Treasurer's Office will be able to sell an additional \$2 million worth of abandoned securities that they are currently holding. All of the additional revenue will be deposited in the General Revenue Fund.

Vending Machine Decal Fees

Businesses involved in vending machine sales are not required to pay a sales tax. Instead, they must purchase a vending decal for \$50 a year. This fee is assessed in lieu of a sales tax. However, it has not grown as sales tax revenues would have. The current \$50 fee equates to only \$1,100 per year in sales. The State has not changed this fee since 1988. This budget proposes to increase it.

Effective July 1, 2003, the rate will increase to \$100 resulting in an increase of \$5 million. Decals must be purchased at the new rate and placed on the machines to reflect the fee increase prior to the effective date. On a one-time basis, 50% of the vending machine decal revenues will be apportioned to the Education Reform Revolving Fund and 50% to the General Revenue Fund. On July 1, 2004, the decal fee will increase to \$150, increasing collections by \$10 million, and 100% of collections will be apportioned to the General Revenue Fund.

Income Tax Compliance for Professional Business License

To operate a business in Oklahoma, the proprietor must purchase a business license. Businesses and their owners are expected to comply with all the Oklahoma laws, including the tax laws, in exchange for the opportunity to operate their business. This budget proposes implementing a tax compliance program for business licensing similar to the professional licensing program implemented in FY-2001. This will require a business to be income tax compliant in order to obtain or renew its license. This

program will match delinquent taxpayers with business license applications.

The Tax Commission and licensing agencies will begin to capture tax identification information in FY-2004 and will fully implement the program by FY-2005. The tax information will be used to determine compliance but will be kept confidential. Because of the effective date, there is not a fiscal impact for FY-2004. This program ensures that businesses and their owners are income tax compliant while they continue to do business in Oklahoma.

Income Tax Compliance for State Employees

The Tax Commission requires its employees to be in compliance with the state income tax. This proposal expands that requirement to all state employees. To be compliant, a taxpayer must have filed an income tax return and paid any state liability or negotiated a payment plan with the Tax Commission. Elected officials and local government employees are excluded. For FY-2004, the fiscal impact is an increase in income tax collections of \$2 million.

Voluntary Use Tax Compliance

Use tax is levied on tangible personal property purchased outside the state to be consumed within the state. While primarily collected through businesses, individuals also make purchases subject to the use tax. These are primarily from catalog sales. However, many people are unaware that they should pay it.

This proposal recommends adding a line for the voluntary remittance of use tax on state income tax returns to increase individual awareness and compliance. This voluntary use tax compliance is expected to increase collections by \$416,000 for FY-2004.

Sales and Use Tax Compliance from State Contractors

To bid on a contract to provide a good or service for the State, businesses must submit a proposal to the Department of Central Services. If awarded the contract, the business sells the good to the State without charging sales and use tax. However, businesses are still required to collect sales and use tax on other sales.

Most states, including Oklahoma, have compliance problems collecting sales and use tax from businesses, including state contractors. Recently, North Carolina implemented a program in which businesses must prove that they are collecting sales and use tax when submitting their proposal for a contract. After the law was enacted, they saw an increase in sales and use taxes from companies that had not previously been paying sales and use tax.

This budget recommends a similar program be implemented in Oklahoma. Businesses bidding on a contract must submit proof of a sales tax permit in the form of a copy of the actual permit or a permit number with their proposal to the Department of Central Services. If a business does not present proof, then they cannot be awarded the contract.

By ensuring that businesses have a sales tax permit, the State can expect better compliance with sales and use tax laws. The Tax Commission estimates an additional \$1 million in FY-2004 collections mostly coming from sales tax revenue under this proposal.

Gross Production Tax-Natural Gas Incentive Rebates

In an effort to sustain the existing production of oil and natural gas in Oklahoma and encourage the drilling of new wells, the Legislature passed a rebate program that exempts most of the gross production tax through a refund process. The refund of tax was

made available to operators who reactivated non-producing wells, drilled new wells, or increased the production of existing wells. These refunds are contingent upon the yearly average price of oil and gas. In the event oil averages above \$30 per barrel or gas averages \$3.50 per thousand cubic feet, the refunds would not be available.

Producers have recently become more aware of the full potential for qualifying their wells. As a result, operators have been certifying projects that date back to the inception of the program in 1994. Since there is no limitation period for certifying wells, there have been an unexpected number of refunds paid for prior periods.

The Tax Commission has paid refunds for these claims which have doubled in number. During FY-2002, refunds totaled \$38.4 million. For FY-2003, refunds are projected to be \$70 million. As of December, the State has already paid \$32.8 million in refunds. In FY-2004, these refunds are estimated to be \$85 million.

This proposal calls for a time limit of 24 months for claiming a refund for a particular year. If a natural gas or oil well qualifies, then that producer only has 24 months to file for a refund. This will align the refund more closely with the cost of this type of production and be truer to the original intent of the program.

Certified Copies of Driving Records

The State charges \$10 to persons attaining a certified copy of a driver record. This charge generated \$11.7 million in FY-2002. In FY-2004, the Department of Public Safety forecasts that it will issue 1,220,000 certified copies of driver records. This budget proposes doubling the fee for such copies to \$20. This generates an additional \$12.2 million in revenue for FY-2004.

Quality Jobs Program

Oklahoma's Quality Jobs Program (QJP) has brought thousands of jobs to the state. When the program started in 1993, Oklahoma faced a much different economic climate than today. QJP began as a program designed to attract manufacturing jobs. In the years since QJP first began, Oklahoma grew from an economy in need of new jobs to one where the unemployment rate is consistently below the nation.

The focus in this environment must turn from simply attracting jobs regardless of the wage, to attracting jobs of true quality that pay our citizens a healthy, living wage. QJP currently considers only three main criteria to determine whether any applicant qualifies for the incentive payments:

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

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

If an applicant company meets these requirements, the Department of Commerce conducts a cost-benefit analysis. This analysis determines the benefit to the State of the new jobs, expressed by a net benefit rate (NBR). Components included in the NBR calculation include the income and sales tax paid by the new employees and additional costs to the state from in-migration. The incentive payments the company is eligible to receive equal the net benefit rate multiplied by the projected payroll over a ten year period. Total payments cannot exceed an amount equal to 5% of projected payroll over the ten year period.

There are no wage qualification criteria for the new jobs. A company can qualify and get quality jobs incentive payments if it creates 250 minimum

wage jobs as long as the other requirements are satisfied. This is the first major weakness with QJP as it now operates.

The second major concern with QJP is that we pay for activity that would have taken place without the incentives. There is no perfect mechanism for screening QJP applicants to know which firms will create the new jobs without the incentive payments. It is clear, however, that some subtle changes to QJP will result in fewer companies receiving payments for jobs that would be created anyway.

Changes are necessary to address these problems with QJP and turn its focus from attracting any jobs to attracting jobs that are well paying. This proposal contains 6 changes to the Quality Jobs Program that will begin this transformation. The savings resulting from this proposal in FY-2004 will be \$200,000.

First, only jobs with wages of at least \$25,000 annually, exclusive of health benefits, will be eligible for inclusion in the minimum payroll for qualification. The minimum salary for inclusion in the qualifying payroll will increase annually by the rate of inflation as measured by the Consumer Price Index (CPI) from the Bureau of Labor Statistics. With this part of the proposal, the State will no longer give firms incentives to create jobs that are low paying. Additionally, this figure grows over time to avoid giving incentives in the future for a high wage today that may be low wage tomorrow.

Second, the minimum qualifying payroll figure will increase annually by the rate of inflation as measured by CPI. This part of the proposal will keep the focus of QJP on medium to large sized projects. Twenty years from now, \$2.5 million in new payroll will be much different than it is today. Last year, the Legislature enacted a major expansion of the Small Employer Quality Jobs Program that addresses small business.

Third, firms receiving QJP payments must reach 60% of the minimum payroll as stated in their contract with the State by the 7th quarter in the program or payments will be suspended. The company will receive suspended payments if, and when, it reaches the 60% minimum payroll level prior to contract termination. This introduces a measure of accountability for firms not actively moving toward fulfilling their contract. Currently, such firms can continue receiving incentive payments for 3 years before being terminated from the program.

Fourth, firms in sectors considered as qualifying for QJP that are outside the manufacturing sector will qualify for QJP by one of two criteria:

1. 75% of sales must be to out of state consumers and all other QJP requirement apply.
2. Only salaries that are at least 150% of the minimum salary for inclusion can be included in the minimum payroll and all other QJP requirements apply. In FY-2004 this salary level will be \$37,500, exclusive of health benefits.

The second of these criteria is new. This part of the proposal opens the door for non-manufacturing firms, such as research and development companies to qualify for QJP incentives if they have a sufficient number of very high paying jobs. These are exactly the type of jobs Oklahoma needs to attract.

Fifth, manufacturing firms applying for QJP on the basis of an expansion of current operations must make capital investment equal to or greater than the minimum qualifying payroll amount in addition to the other requirements of the program. Giving money to a manufacturing firm that is adding a second or third shift to expand its existing production levels would seem to be giving money away for activity that would have occurred anyway. This part of the proposal addresses this concern by requiring expanding firms to show that the new jobs could indeed be located elsewhere before the State

will give them incentives to create the jobs here.

Finally, the QJP provision where the net benefit rate is automatically set at 5% in certain areas will be eliminated. QJP gives incentives to firms based on the value provided to the state. The measure of the benefit to the state is the NBR. By artificially setting the NBR to 5%, the State is giving more in incentives than the company provides

in terms of additional tax revenue from the new jobs. This is a practice that the State cannot afford to continue.

The total effect of this proposal will be to narrow the focus of QJP. The target of the program will become high skill and high pay jobs instead of jobs for the sake of jobs. Further, this proposal tightens the program to minimize paying firms for activity that would have occurred without the incentives.

Fiscal Impact Summary for Proposed Tax Changes

(\$ in 000's)

Proposal:	FY-2003 Education Reform Rev. Fund	FY-2004 (\$ in 000's)				Total Impact to Collections
		General Revenue Fund	Education Reform Rev. Fund	Teacher's Retirement Fund	Ad Valorem Reimb. Fund	
Net Impact from Cigarette Change	-	\$10,998	(\$2,769)	(\$941)	-	\$7,288
Federal Refund Offset Program	-	3,920	375	159	45	4,500
Sales Tax Acceleration	-	6,388	774	263	-	7,425
Sales Tax Permit Fee Increase	-	1,100	-	-	-	1,100
Discount Rate Reduction for Paper Returns	-	221	27	9	-	257
Abandoned Securities	-	2,000	-	-	-	2,000
Vending Machine Decal Fee Increase	5,000	10,000	-	-	-	15,000
Income Tax Compliance for State Employees	-	1,742	167	71	20	2,000
Voluntary Use Tax Compliance	-	355	46	15	-	416
Sales Tax Compliance for State Contractors	-	860	104	35	-	1,000
Certified copies of Driving Records (dbl to \$20)	-	12,200	-	-	-	12,200
Quality Jobs Program	-	174	17	7	2	200
Total Fiscal Impact FY-2004	\$5,000	\$49,960	(\$1,260)	(\$382)	\$67	\$53,386

Source: Oklahoma Tax Commission

**Taxes:
Major Sources**

The Oklahoma tax system is the primary source of funds used to finance state government. Tax revenue provides the means for state government support and provision of services to the citizens of Oklahoma.

Taxes comprised 52 percent of total treasury funds in FY-2001 and are the primary source of appropriations for the functions of government. The other 48 percent of total treasury funds is composed of dedicated

revenues such as federal funds and fees for services provided.

There is a difference between taxes and fees. Generally, taxes are compulsory payments whereas fees are discretionary or voluntary. Avoiding the payment of fees often simply requires not using a service financed by the fees.

Not all tax revenues collected are available for general appropriation. Some taxes are dedicated to specific purposes, such as motor fuels taxes that are dedicated to highway and bridge construction and maintenance.

Many tax sources are partially dedicated for specific uses and partially available for annual appropriation. For example, portions of income tax revenue are dedicated to education, the Teachers Retirement Fund, and the Ad Valorem Reimbursement Fund. The remainder is available for general appropriations.

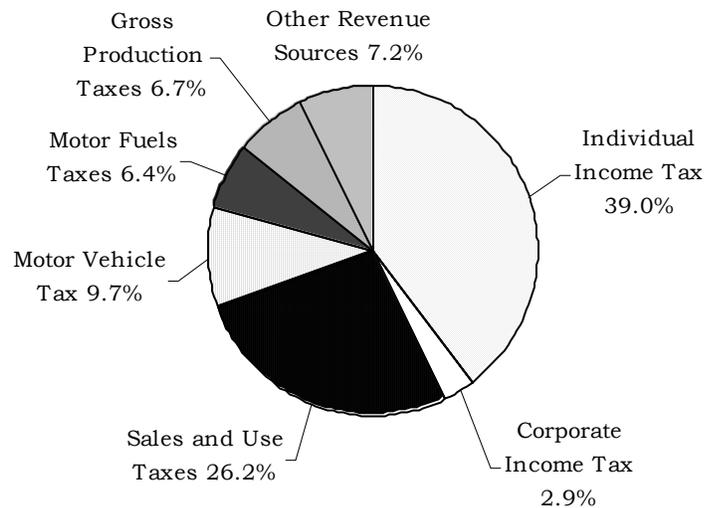
State taxes also provide a portion of the funding for local governments. The best example of this is the public school system. Public schools receive more of their funding from state revenue than through local revenue sources. Schools not only receive state funding through direct appropriations, but they receive dedicated funding from income taxes, sales and use taxes, gross production taxes, rural electric cooperative tax and motor vehicle taxes.

Oklahoma's tax system has changed over time to meet changing economic conditions and changing demands for revenue. When Oklahoma first became a state, state and local tax systems were based on gross production taxes on oil and natural gas and property taxes.

The first major change occurred in 1933 when the Oklahoma economy was under stress from both the Great Depression and the dust bowl. The hardships brought about as a direct result of the dust bowl days prevented many taxpayers from having the resources to pay property taxes. In response voters passed a constitutional amendment prohibiting a state levy on property taxes. Property taxes remained a major source of local revenue.

The six major tax categories for FY-2004, which provide 93% of total state tax revenue, are:

**The Six Major Tax Categories
FY-2004**



Revenue Certification

As a part of the balanced budget process, the Board of Equalization certifies revenue estimates for the General Revenue Fund and other appropriated funds. This Board, created in the Constitution, is comprised of the Governor, Lieutenant Governor, Treasurer, Attorney General, State Auditor and Inspector, Secretary of Agriculture, and the State Superintendent of Education. The Board meets 3 times each fiscal year to review revenue.

In December and shortly after the start of legislative session, the Board certifies estimates to the General Revenue Fund and any special fund directly appropriated by the Legislature. The Board also meets in June to certify any changes to revenue estimates based

on laws passed during the legislative session.

Estimated revenues for the upcoming fiscal year are presented for certification at each meeting. Appropriations are limited to 95 percent of total General Revenue and other certified fund estimates, plus any cash on hand. If collections are insufficient to cover the appropriations from that fund, the Constitution requires that appropriations be reduced proportionately to all agencies receiving an appropriation from the fund. The Legislature may make selective reductions in spending or consider revenue increases in regular or special session.

Revenues

The table below provides a recent history of total collections and certified revenues.

Income Taxes

Oklahoma's income tax laws date back almost to the beginning of statehood. In 1915 an income tax was imposed upon the net income of individuals residing in Oklahoma and upon the Oklahoma portion of nonresidents' income. It was not until 1931 that the income tax was extended to corporations and banks.

Income tax increased in importance with the 1933 constitutional amendment that prohibited state taxation of property. While there have been numerous changes to income tax law since its beginning, today it is the single most important source of state revenue.

A unique feature of the Oklahoma individual income tax calculation is that two different methods are utilized. Method I employs rates ranging from 0.5% to 7% and does not permit deduction of federal income tax paid from net income.

Method II employs rates ranging from 0.5% to 10% and permits the deduction of federal income tax paid from net income. In order to calculate individual income tax owed, a taxpayer calculates tax liability by both methods and pays the lesser amount.

**Summary of Certified Revenues
FY-2001 to FY-2004**

	FY-2001 Actual	FY-2002 Actual	FY-2003 Estimate	FY-2003 Projection	FY-2004 Estimate
	\$ millions				
General Revenue Fund					
Income Tax-Individual	1,982.1	1,987.7	2,169.8	1,930.4	1,998.9
Income Tax-Corporate	132.0	137.2	134.5	73.1	135.0
Sales Tax	1,240.6	1,241.9	1,327.3	1,213.9	1,245.0
Gross Production Tax-Gas	486.3	226.3	277.2	251.5	248.2
Motor Vehicle Tax	244.9	232.3	252.9	212.3	232.0
Interests & Investments	128.3	81.0	55.4	37.1	36.7
Other Sources	<u>503.6</u>	<u>507.1</u>	<u>311.1</u>	<u>494.5</u>	<u>512.2</u>
Total General Revenue	4,717.9	4,413.5	4,725.3	4,212.7	4,407.9
State Transportation Fund	195.3	201.6	202.7	210.7	210.0
All Other Certified Funds	<u>36.4</u>	<u>37.3</u>	<u>35.9</u>	<u>35.1</u>	<u>33.5</u>
Total	<u>4,949.7</u>	<u>4,652.4</u>	<u>4,963.8</u>	<u>4,458.6</u>	<u>4,651.4</u>

Source: Office of State Finance

Corporate income tax rates were also progressive when initiated in 1931. They remained progressive until 1935 when a flat rate of 6% was established. Although the rate was decreased to 4% in 1947, it was raised in two stages back up to its present level of 6% by 1990.

Individual Income Tax: The individual income tax is progressive. It reaches the top marginal rate at \$21,000 and \$24,000 taxable income for those married filing jointly under Method I and Method II respectively. For single taxpayers, the top rate is reached at \$10,000 for Method I and at \$24,000 for Method II.

Oklahoma's individual income tax uses federal adjusted gross income as its beginning point, adjusts for out-of-state income or losses, and then makes adjustments to arrive at the point that Oklahoma taxable income can be calculated. Oklahoma income tax is not levied on any social security income, the first \$1,500 of military compensation, the first \$5,500 of federal or state retirement and certain categories of private sector retirement of up to \$5,500.

Taxpayers have the option of itemizing deductions or taking a standard deduction just as they have on their federal income tax. However, if they take the standard deduction on their federal return, they must do so on their state return. The standard deduction is either \$1,000 for joint or individual returns or 15% of Oklahoma adjusted gross income but may not exceed \$2,000 for either individual or joint filers.

If the taxpayers have itemized deductions on their federal return, they use the same value on the state return. The individual and dependent exemptions are \$1,000 per person. Those who are blind and some low income elderly receive an additional exemption.

Credits or rebates to low and moderate income individuals began in 1990. The "Sales Tax Relief Act" provided an annual payment of \$40 per person as a form of tax relief to low income families for the state sales tax paid on food. Originally, only families with income of less than \$12,000, recipients of TANF or Medicaid recipients in nursing homes were entitled to the refund.

When the Sales Tax Relief Act was expanded in 1999, the maximum qualifying income was increased in two stages to \$20,000 income for an individual with no dependents to \$50,000 for an individual claiming one or more personal exemption other than the individual or spouse, or an individual 65 years of age or older.

Also in 1999, the individual income tax rate was cut from 7% to 6.75%. This tax relief, along with the expansion of the Sales Tax Relief Act, contained a provision that growth revenue must exist to maintain all tax relief levels. The Board of Equalization was delegated the responsibility for making the growth finding each year in Title 68 O.S. Supp 2000 Section 4001.B.

The Board must compare the revenue estimates for the coming fiscal year to the estimates for the current fiscal year. If there is growth, then the tax reductions remain in place. If not, then tax relief is temporarily suspended.

In 2001, the Legislature passed another individual income tax rate cut. Effective on January 1, 2002, the tax rate was scheduled to decrease to 6.65% from 6.75%.

However, when the Board of Equalization met in December 2001, they saw a total decrease in revenue estimates from FY-2002 to FY-2003. As a result, the tax cuts were

suspended and the tax rate increased to 7% effective January 1, 2002. Additionally, the qualifications for the Sales Tax Relief Act were tightened.

At its December 2002 meeting, the Board of Equalization found again that growth revenue did not exist between FY-2003 and FY-2004. Accordingly, the individual income tax rate remained at 7%. The Sales Tax Relief qualifications were further lowered from \$30,000 to \$12,000 income per household. The tax relief will remain suspended until the Board makes a future finding that growth exists, at which point the tax rate will decrease to 6.65%.

The Quality Jobs program, an economic development incentive, is placing an increasing demand on state tax revenues. New and expanding firms qualifying for the Quality Jobs programs are refunded up to 5% of their total payroll amount from individual income tax withholding payments. The Quality Jobs program is estimated to decrease net state income tax collections by \$60 million in FY-2004.

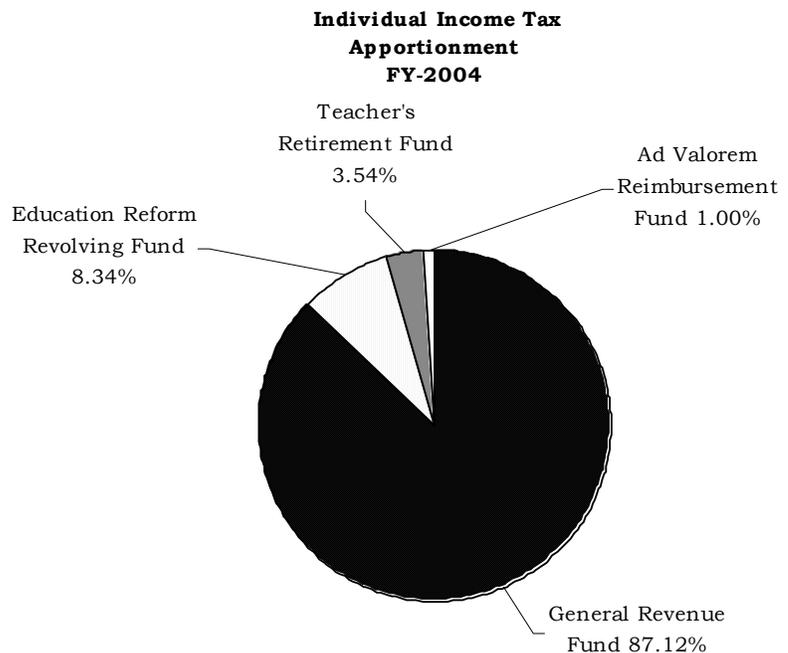
During the 2002 session, the Legislature passed the Tax Amnesty Bill. Under the new law, the Tax Commission could waive penalties and half of the interest due on delinquent individual income tax liability. To receive amnesty, the taxpayer had to pay the remaining interest and tax liability between August 15, 2002 and November 15, 2002. However, the program is only offered under the following circumstances:

- Under-reporting of tax liability
- Nonpayment of taxes
- Nonreporting of tax liability

Penalties and interest accrued from delinquent motor vehicle tax and ad valorem tax do not qualify under this program.

The Tax Amnesty bill also specified a one-time change in individual income tax apportionment. For FY-2003, the first \$5.8 million in revenue will be deposited directly into the Education Reform Revolving Fund. Once this total is reached, the remaining revenue is apportioned following established apportionment percentages.

The chart below shows how Individual income tax revenue is apportioned.



Source: Oklahoma Tax Commission

Corporate Income Tax: While corporate income tax is important to the overall revenue picture, it provides only about 2.9% of total tax revenue. Over time, corporations subject to corporate income tax have become 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 these two classifications, all income immediately goes to the partners or shareholders, and as a result, the corporations pay no income tax. The partners or shareholders, rather than the business, are taxed on that income as well as income from other sources under the individual income tax. In addition, some corporate businesses may be subject to some other forms of taxation such as the bank privilege tax or the insurance premium tax.

The corporate income tax rate is a flat 6% that is applied to all taxable income. Manufacturers' exemptions and some targeted credits and incentive payments are frequently used as economic development tools and reduce a company's income tax liability.

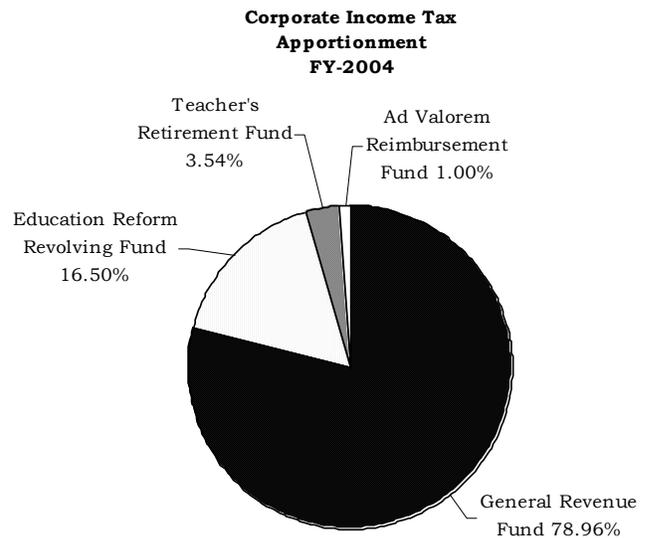
The largest of these targeted incentive programs are the Quality Jobs programs. Estimated refunds are \$60 million in FY-2004. While the refund is made to businesses, it is made from individual income tax withholding receipts.

In 2002, Congress enacted the "Job Creation and Worker Assistance Act of 2002" as part of an economic stimulus package. One major provision allowed companies to deduct from corporate income tax liability an additional 30% of depreciation for certain business investment. To minimize the negative influences on revenues, the State enacted legislation decoupling depreciation from the federal return. For the first year, companies can only deduct 20% of

the bonus depreciation allowed under the federal act. The remaining 80% of depreciation must be added back into taxable income. For the following four tax years, companies can only deduct 25% of the 80% depreciation added back from the first year.

Legislation also included amnesty for corporate income tax. The program was identical in design to the individual income tax amnesty. This included a one-time change in apportionment for FY-2003. The first \$41.2 million in corporate income tax revenue will be apportioned into the Education Reform Revolving Fund. Once this total is reached, revenue collections for the rest of the fiscal year are apportioned following the apportionment percentages.

The chart below shows how Corporate Income Tax is apportioned.

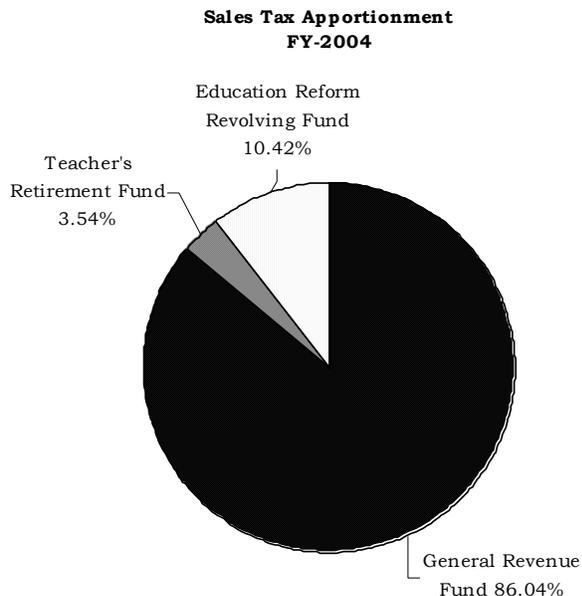


Source: Oklahoma Tax Commission

State Sales and Use Taxes

The State's sales tax has varied considerably in both rate and purpose since its initial imposition in 1933, when a temporary 1% tax was dedicated to public schools. Two years later, the tax was renewed, but the revenue was apportioned to the General Revenue Fund. In 1939, the rate was increased to 2% with 97% of the revenue being apportioned to the State Assistance Fund (i.e. welfare) administered by what is now the Department of Human Services.

This sales tax dedication continued 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. The chart below shows how Sales tax is apportioned.



Source: Oklahoma Tax Commission

During the state funding crisis brought on by the decline of the petroleum industry in the 1980s, the tax rate was incrementally increased to 4%. In 1990, the

Education Reform Act (HB 1017) was passed which increased the sales and use taxes to their current level of 4.5%.

The state 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 on some telecommunications services.

However, most services are not subject to the sales and use taxes. Beyond those exemptions allowed when the product or service is subject to another tax such as the motor fuels tax, there are specific exemptions made to governmental and nonprofit entities, agriculture, and to certain areas targeted to encourage economic development.

The values of some of the large remaining exemptions to sales and use tax for FY-2002 are:

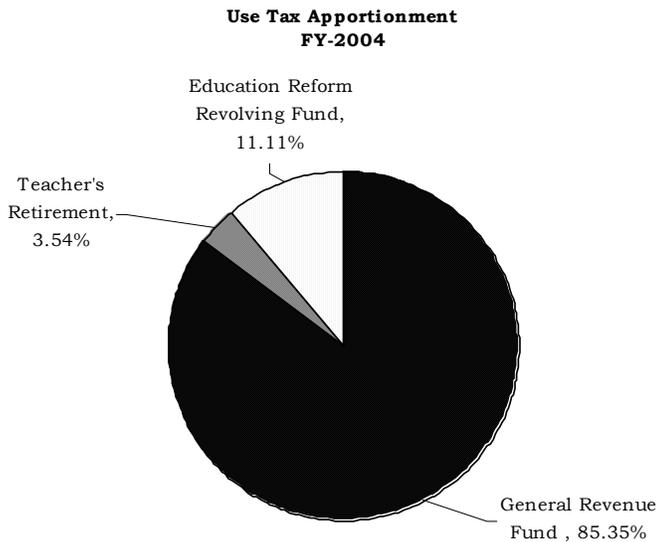
- sale of natural or artificial gas and electricity for residential use, \$82.2 million
- sale of prescription drugs, \$50.3 million;
- sales of advertising space, \$38.6 million.

During the 2002 session, lawmakers approved the use tax acceleration provision which is similar to sales tax acceleration already in place. If use tax liability is more than \$25,000 per month, then the taxpayer is required to remit use tax electronically. For tax levied on the 1st through the 15th of the month, the payment is due on the 20th of

that same month. For taxes levied for the remainder of the month, use tax is due by the 20th of the next month.

Lawmakers also included sales tax in the Tax Amnesty bill. The specifications on sales tax amnesty are identical to those under income tax amnesty. The same legislation also specified a one-time change in apportionment. The first \$5.4 million of sales tax revenue and the first \$1.1 million of use tax revenue will be deposited into the Education Reform Revolving Fund. Once the full amount is deposited, the revenue collected for the remaining fiscal year is apportioned in the same percentages as last year.

The chart below shows how Use Tax is apportioned.



Source: Oklahoma Tax Commission

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, in fact, Oklahoma City tagged

“horseless carriages” before the state did.

Motor vehicle taxes are comprised of a broad category of taxes and fees imposed on the purchase and use of motor vehicles. The motor vehicle taxes include an excise tax levied on the purchase of cars, trucks, buses, boats, and motors as well as annual registration fees.

The apportionment of motor vehicle registration or tag fees changed when State Question 691 (SQ-691), in 2000, made registration fees based on the age of the vehicle:

Years 1 - 4	\$85 annually
Years 5 - 8	\$75 annually
Years 9 - 12	\$55 annually
Years 13 - 16	\$35 annually
Years 17 +	\$15 annually

The registration fees are in lieu of ad valorem or personal property taxes.

The motor vehicle excise tax was also changed. Previously the tax was charged at 3.5% of value which was determined by the factory delivered price depreciated at 35% annually. The new law leaves the rate at 3.5% but changes the base to the actual cost of the vehicle. This tax is in lieu of state and local sales taxes.

While other taxes and fees are collected directly by state and local governments, 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.

Prior to FY-1986, there was a different apportionment for virtually every motor vehicle tax and fee collected. This was remedied by combining all motor vehicle tax collections into one category and then apportioning revenue from that category.

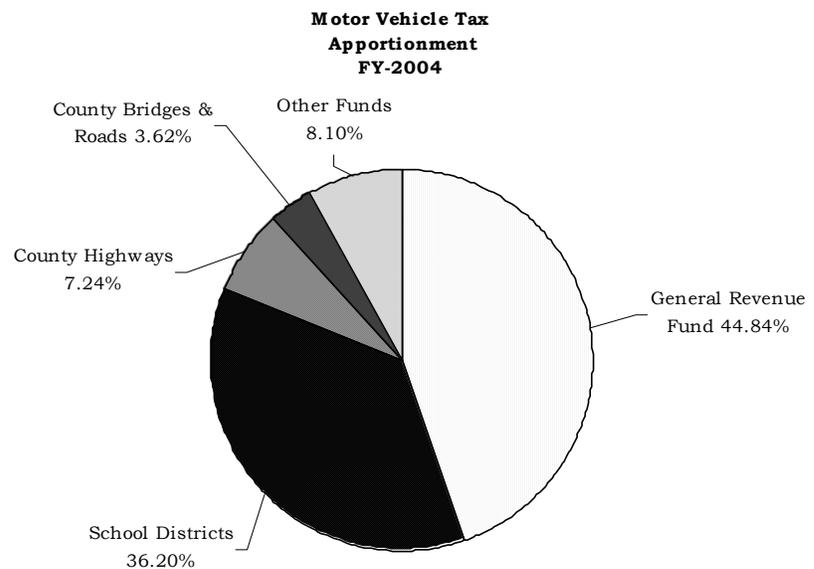
SQ-691 changed the apportionment of motor vehicle taxes as well. Monies apportioned to school districts from this source are “held harmless” under this law. Effectively, no district will receive less from this source than it did in the corresponding month of the preceding year.

Many people are surprised to learn that so small a percentage of motor vehicle taxes are used for roads. However, the tax has traditionally been considered in lieu of a property tax rather than a road user tax. In Oklahoma, automobiles are exempt from property taxes.

There are reductions in annual fees for vehicles used primarily for commercial or business purposes. Farm vehicles and pickups used primarily for agricultural use have a reduced fee of \$30. License fees for large commercial trucks and trailers are based on the combined weight of the loaded vehicle. Commercial truck tractors and commercial trailers operating in interstate commerce pay fees in proportion to their use of Oklahoma highways. Prorated licenses are issued only by the Oklahoma Tax Commission rather than through local tag agents.

In the 2002 session, lawmakers passed a bill that gives insurance companies flexibility when dealing with the ownership of a stolen vehicle. Under prior law, the insurance company had to visually inspect a stolen vehicle before ownership could be transferred to the company. However, many times, the vehicle is never found making a visual inspection impossible. Therefore, the new law does not require an insurance company to do a visual inspection. The title of the stolen vehicle can be transferred to the company by a salvage title if the vehicle is declared a total loss.

The chart below shows how Motor Vehicle Tax is apportioned.



Source: Oklahoma Tax Commission

Motor Fuels Taxes

The first gasoline tax became effective in 1923 and was used for the construction and maintenance of roads and bridges. Prior to 1923, local governments were responsible for roads and bridges which were supported through ad valorem tax revenue. 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. Those so inclined could pay three dollars per day in lieu of work. By 1916, a two mill tax was levied in townships to supplement the work requirement but both were completely abolished in 1933.

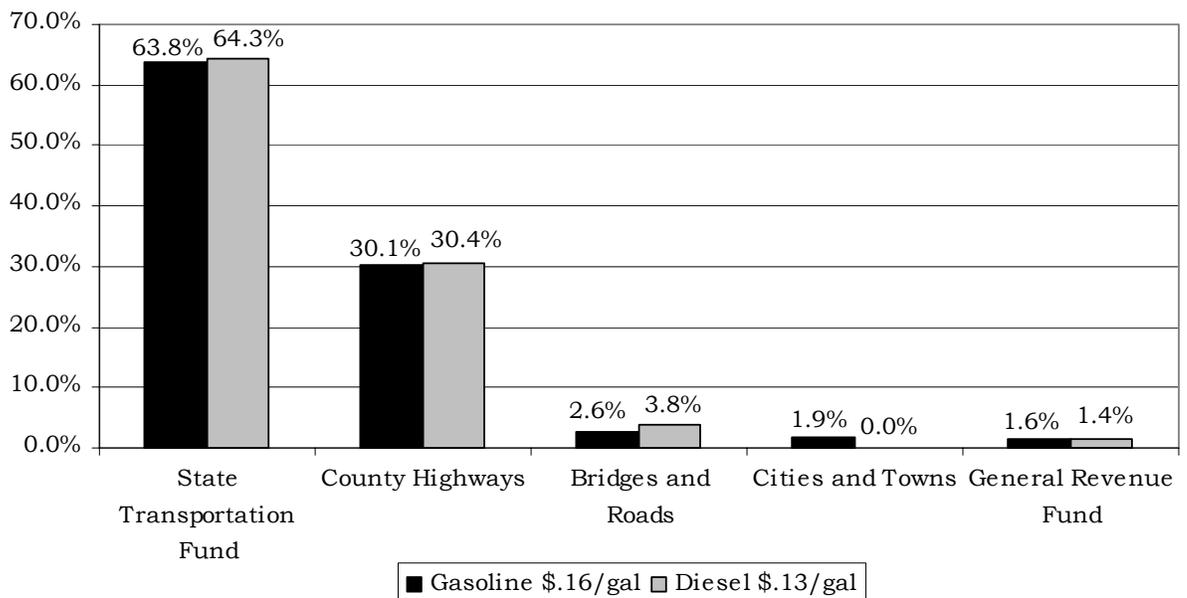
The motor fuels taxes in Oklahoma are a form of selective sales tax and include the gasoline and diesel excise tax, the motor fuel importer use tax, and the special fuel use tax. The taxes are levied on the quantity or volume of fuel sold, not the price. The state tax on gasoline and special fuels is 16 cents per gallon, plus a 1 cent per gallon assessment. The state tax on diesel fuel is 13 cents per gallon, plus a 1 cent per gallon assessment.

The chart below shows the FY-2004 apportionment of the diesel and gasoline tax and motor fuel revenue. The motor fuels tax revenue supports roads 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. The incidence of the motor fuel taxes falls on the consumer just as sales taxes do. This incidence was defined by statute during the 1996 legislative session as the result of a court ruling that whoever actually paid the tax should be specified in the statutes. Although the statutes identify the consumer paying the tax, it is collected and remitted at the terminal rack or refinery level.

There are some major exemptions to the payment of motor fuels taxes. All government entities are exempt and fuel used by all recognized Indian tribes for tribal government purposes may be exempt. The tax paid on diesel fuel used off road and for agricultural purposes may be refunded upon application to the Oklahoma Tax Commission. Oklahoma is in a unique position with its large number of Indian tribes. The tribes may request a refund for tax paid on motor fuel used for tribal purposes.

Gasoline Tax and Diesel Tax Apportionment FY-2004



Alternatively, the tribes may enter into a contract with the State to receive a portion of the motor fuel tax collections and must agree not to challenge the constitutionality of the motor fuel tax code. This law permitting the sharing of motor fuel tax revenue went into effect in 1996.

The Tax Amnesty bill, passed in 2002, included gasoline tax. Qualifications to apply for gas tax amnesty are identical to individual income tax amnesty. The bill also contained a one-time apportionment change for gasoline tax. The first \$200,000 of revenue is deposited into the Education Reform Revolving Fund. Revenue collected for the remaining fiscal year will be distributed similar to the apportionment from last year.

Gross Production Taxes

Gross production, or severance, taxes are imposed on the removal of natural products, such as oil and gas, 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 revenue. While the ad valorem property tax became strictly a local tax in the 1930s, the oil and gas gross production taxes have continued to be an important source of revenue for state government, schools, and roads.

The energy industry has been an important component of the Oklahoma economy for many years. Other sectors such as manufacturing and services have become a larger portion of the Oklahoma economy, but the health of the oil and gas industry remains a major influence

on the state's economy. The continued downward trend in Oklahoma's oil production reflects basic geologic and economic fundamentals.

Oil is a world commodity whose price is beyond the control of Oklahoma and the nation. Other nations have oil in abundance at low production prices, therefore the oil industry is expected to continue to slowly decline in Oklahoma.

Gross Production Tax - Natural Gas:

In 2002, the Legislature passed a three-tiered tax rate structure based on price per thousand cubic feet (M^cCF), replacing the flat tax of 7%. When the price of gas is greater than \$2.10, the tax rate stays at its current level of 7%. If the price falls between \$2.10 and \$1.75 per mcf, then the tax rate decreases to 4%. Any price below \$1.75 results in a tax rate of 1%. This is similar to the tax on oil.

FY-2003, the above chart shows the apportionment for Gross Production Tax on Natural Gas into the following funds: General Revenue Fund, County Highways, and School Districts.

The following table shows the change in apportionment to the various funds when the tax rate changes.

Gross Production Tax-Natural Gas Change in Apportionment			
	General Revenue Fund	County Highway Fund	School Districts
Tax Rate	Fund	Fund	Districts
7%	85.72%	7.14%	7.14%
4%	75%	12.50%	12.50%
1%	0%	50%	50%

Prior to FY-2000 schools, roads, the General Revenue Fund and the Teachers Retirement Fund received revenue from gas gross production.

In FY-2000 the revenue formerly apportioned to the Teachers Retirement Fund was redirected to the General Revenue Fund. In exchange, the Teachers Retirement Fund is apportioned 3.54 percent of individual income tax, corporate income tax, state sales tax and state use tax.

Gross Production Tax - Oil:

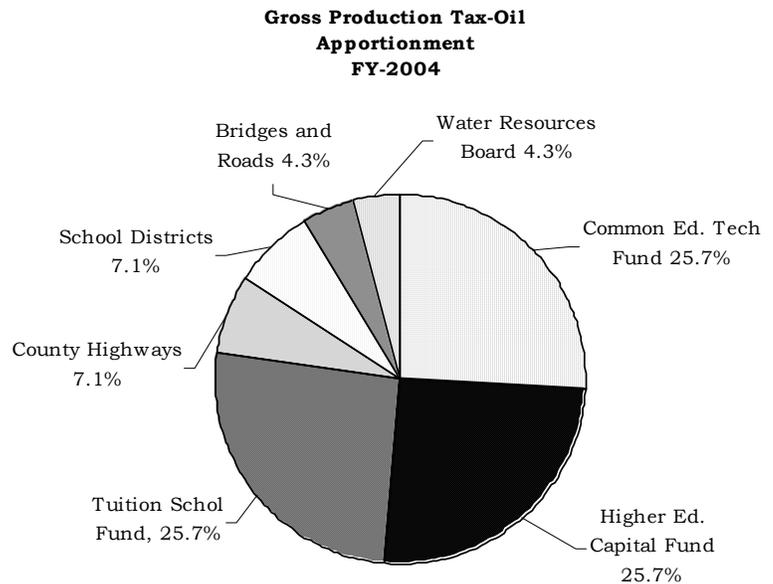
Legislators met in special session in 1999 to provide relief to the oil industry which was adversely impacted by low oil prices. Prices were below \$14 per barrel and were estimated to remain there for the near future.

Lawmakers instituted a three tiered rate structure for the gross production tax on oil. The price of oil determines the applicable tax rate which is 7% when the price is greater than \$17 per barrel, 4% when the price ranges from \$14 to \$17 per barrel and only 1% when the price is less than \$14 per barrel.

Revenue apportionment also underwent major changes. Revenue formerly apportioned to the General Revenue Fund was redirected to 5 different funds. However, no changes impacted that portion of revenue dedicated to county highways and school districts. Two existing revolving funds, the County Bridge and Road Improvement Fund and the Water Resources Board REAP Fund, received a portion of the revenues for their stated functions. Three new funds, which dedicated the revenue to specific education uses, also were created. Later legislation changed the three education funds to revolving funds.

The maximum total apportionment of revenue to these five funds from this source is capped at \$150 million. Revenue exceeding \$150 million is apportioned to the General Revenue Fund.

The chart below shows the apportionment to each of the 7 funds.



Source: Oklahoma Tax Commission

Estate Tax

The estate tax is a tax on the transfer of assets from one generation to the next. Oklahoma's estate tax is separate from any federal estate tax. The Oklahoma estate tax has some similarities to an inheritance tax since the tax rate depends on the relationship of the heir to the deceased individual.

The Oklahoma estate tax starts at the first dollar for non-lineal heirs but allows an exemption for inheritance by lineal heirs. This exemption is \$700,000 in calendar year 2003 and will gradually increase for lineal heirs until it \$1 million in 2006.

A modern version of an inheritance tax was first enacted in 1915 and remained basically unchanged through 1935. In 1935, the law was changed from an inheritance tax to what was defined as an estate tax with a graduated tax rate applied to the estate of the deceased.

The Tax Amnesty passed in 2002 legislative session included a program for estate tax identical in design to the income tax amnesty program. The bill also specified a change in apportionment for FY-2003. The first \$1.4 million in estate tax collections will be deposited into the Education Reform Revolving Fund. The revenue collected for the rest of the fiscal year goes entirely to the General Revenue Fund.

Beverage Taxes

Oklahoma first permitted the sale of non-intoxicating alcoholic beverages (beer with no more than 3.2% alcoholic content by weight) in 1933. It was not until 1959 that the prohibition era ordinance on intoxicating alcoholic beverages was repealed; however, intoxicating beverages could not be sold by the drink to the general public. In 1984, a constitutional amendment first permitted mixed beverages to be sold to the general public on a county option basis.

The alcoholic beverage tax is primarily levied on package store sales of wine and alcoholic beverages. Alcoholic beverages include spirits, wine and beer that measures more than 3.2% alcohol by weight. Beer with an alcohol content of 3.2% or less is considered to be a non alcoholic beverage and is frequently called low point beer. For the alcoholic beverage tax (package store sales), 32% is apportioned to cities and towns, 65% is apportioned to the General

Revenue Fund and 3% is apportioned to the Oklahoma Tax Commission Fund. All of the mixed beverage tax and alcoholic beverage stamp tax are apportioned to the General Revenue Fund.

The tax rates vary depending on the type of beverage and the alcohol content as shown in the table below.

Alcoholic Beverage Tax Rates	
Light Wine	0.19/liter
Wine (greater than 14% alcohol)	0.37/liter
Sparkling Wine	0.55/liter
Spirits	1.47/liter
Beer (greater than 3.2% alcohol)	12.50/31 gal. barrel
Beer (3.2% or less alcohol)	11.25/31 gal. barrel
Mixed Beverages	13.5% of price
Source: Alcoholic Beverage Law Enforcement and Oklahoma Tax Commission	

Cigarette Tax

The legislature first enacted a cigarette stamp tax in 1933. The initial tax was three cents per package of 20 cigarettes and has gradually increased to \$0.23 per package.

For many years the major apportionment of this revenue has been for support of debt service on state bonds. The debt service payment for FY-2003 is \$24.6 million, 52.4% of the estimated revenue from the cigarette tax. The General Revenue Fund is apportioned any cigarette tax revenue not used for debt service.

The Master Settlement Agreement between tobacco companies and the states is not a tax; rather it is payment to the states for costs resulting from tobacco use incurred by the states in previous years. The Agreement apportions 1.036137% of the adjusted settlement payments to Oklahoma.

Continuous adjustments to settlement payments will affect the amount received by Oklahoma. Major adjustments are calculated for inflation, volume and a subtraction from the annual total for the four states that settled prior to the Agreement (Florida, Texas, Mississippi and Minnesota).

MASTER SETTLEMENT AGREEMENT	
Oklahoma's Estimated Share	
Share of total	1.036137%
2000	61.0
2001	65.2
2002	78.2
2003	79.0
2004	69.1
\$ millions	
Source: FFIS "Issues Brief 99-16, Estimating Tobacco Payments", 8/20/99	

Workers' Compensation Insurance Premium Tax

Workers' compensation insurance tax has two major components. First, self insured employers pay 2% of total compensation for permanent total disability awards, permanent partial disability awards and death benefits. Second, all other insurance carriers pay 1% of all gross direct premiums. The revenue is directed to the General Revenue Fund.

Corporate Franchise Tax

The corporate franchise tax is imposed on all domestic and foreign corporations doing business in Oklahoma. It is based on the corporation's capital or equity plus long-term indebtedness at the rate of \$1.25 per thousand dollars invested or employed within Oklahoma but has a minimum of ten dollars and a maximum of \$20,000.

Forty-two thousand Oklahoma corporations paid only the minimum \$10 franchise tax in FY-2001, 31,000 paid between \$10 and \$499, while only 582 corporations paid the maximum \$20,000. Therefore, 88% of the corporations paid less than \$500.

All corporate franchise tax revenue is apportioned to the General Revenue Fund.

NOTES:

NOTES:

Summary of Budget Recommendations

Budget Summary

Governor
Lieutenant Governor
Agriculture
Commerce and Tourism
Education
Energy
Environment
Finance and Revenue
Health and Human Services
Human Resources and Administration
Military Affairs
Safety and Security
Science and Technology Development
Secretary of State
Transportation
Veterans Affairs
Legislature
Judiciary

Summary of Budget Recommendations

This section contains information about the following subjects.

- **Current Budget Situation**
- **FY-2004 Estimates**
- **Budget Proposal Summary**
- **Summary Chart**
- **Agency Budgets**
- **Funding Needs**
 - '03 Supplementals
 - '04 Operations
 - Capital Outlay
- **Reductions**
- **Available Cash**
 - Agency funds
- **Funding Opportunities**
 - Revenue Enhancements
- **Issues**
- **Education Funding**
- **Employee Insurance Costs**
- **Management Tools**
- **Tighten up the Rainy Day Fund**
- **Stabilization Fund**

Current Budget Situation

FY-2004 Estimates

In December of 2002, the State Equalization Board certified the revenues that can be used in preparing the Executive Budget. The funds were certified at \$592.8 million less than the appropriations made by the 2002 Legislature.

The December certification for FY-2004 appropriations is 10.6% less than the total appropriations made last year.

The first chart on the next page lists the funds appropriated by the 2002 Legislature and compares them to the certified funds and cash identified in the December Equalization Board meeting.

The net difference between the two columns is the \$592.8 million mentioned earlier (see line 18).

As discussed in the Revenue Performance Section, Oklahoma is in the middle of a severe funding crisis. Agency appropriations have been reduced on average 6.5% for FY-2003. Since agencies are operating at that reduced level of appropriation, it makes sense to compare the revenues available for next year to the reduced FY-2003 appropriations.

The second chart on the next page compares the December certification to the FY-2003 appropriations as already reduced by the estimated shortfall. This difference between these two numbers is \$241.6 million (see line 36).

When comparing the current appropriation level to the funds available for FY-2004, the State will have \$241.6 million less to spend.

FY-2004 Executive Budget

Funds available for the FY-2004 Executive Budget				
Funds	Appropriated by 2002 Legislature	Available from 12/20/02 Eq.Bd.Cert.	Difference	
Pre-shortfall:				
1	General Revenue: Certified	\$ 4,487,299,610	\$ 4,187,479,503	\$ (299,820,107)
2	HB 1017 Fd (Educ.Ref.Rev.Fd.)	461,388,673	380,537,028	(80,851,645)
3	Transportation Fund	192,459,929	199,541,764	7,081,835
4	Gross Production Tax Funds	66,951,783	79,575,804	12,624,021
5	Land Office Funds (incl. cash)	4,095,100	5,143,161	1,048,061
6	Other certified funds	29,110,113	26,689,829	(2,420,284)
7	Tobacco Settlement Funds	33,148,542	30,875,544	(2,272,998)
8	Subtotal Certified	5,274,453,750	4,909,842,633	(364,611,117)
9	General Revenue: Cash	47,325,425	9,823,740	(37,501,685)
10	Rainy Day Fund: Part 1 (stabilization)	98,242,957	36,199,498	(62,043,459)
11	Rainy Day Fund: Part 2 (emergency)	170,342,865	36,199,498	(134,143,367)
12	Special Cash Fd / C-f Res. Fd	4,108,362	2	(4,108,360)
13	Gross Production Tax Funds			-
14	Transportation Fund cash	4,168,726	12,753,373	8,584,647
15	Other Certified Funds - cash balances	1,420,884	2,970,464	1,549,580
16	Other Cash Funds	546,713	41,666	(505,047)
17	Subtotal Cash Funds	326,155,932	97,988,241	(228,167,691)
18	Totals	\$ 5,600,609,682	\$ 5,007,830,874	\$ (592,778,808)

Funds available for the FY-2004 Executive Budget				
Funds	Appropriated by 2002 Legislature	Available from 12/20/02 Eq.Bd.Cert.	Difference	
Including November '02 Shortfall:				
19	General Revenue: Certified	\$ 4,195,625,137	\$ 4,187,479,503	\$ (8,145,634)
20	HB 1017 Fd (Educ.Ref.Rev.Fd.)	401,869,534	380,537,028	(21,332,506)
21	Transportation Fund	192,459,929	199,541,764	7,081,835
22	Gross Production Tax Funds	66,951,783	79,575,804	12,624,021
23	Land Office Funds (incl. cash)	4,095,100	5,143,161	1,048,061
24	Other certified funds	29,110,113	26,689,829	(2,420,284)
25	Tobacco Settlement Funds	33,148,542	30,875,544	(2,272,998)
26	Subtotal Certified	4,923,260,138	4,909,842,633	(13,417,505)
27	General Revenue: Cash	47,325,425	9,823,740	(37,501,685)
28	Rainy Day Fund: Part 1 (stabilization)	98,242,957	36,199,498	(62,043,459)
29	Rainy Day Fund: Part 2 (emergency)	170,342,865	36,199,498	(134,143,367)
30	Special Cash Fd / C-f Res. Fd	4,108,362	2	(4,108,360)
31	Gross Production Tax Funds			-
32	Transportation Fund cash	4,168,726	12,753,373	8,584,647
33	Other Certified Funds - cash balances	1,420,884	2,970,464	1,549,580
34	Other Cash Funds	546,713	41,666	(505,047)
35	Subtotal Cash Funds	326,155,932	97,988,241	(228,167,691)
36	Totals	\$ 5,249,416,070	\$ 5,007,830,874	\$ (241,585,196)

Budget Proposal Summary

Summary Chart

The following chart summarizes the adjustments used in balancing the FY-2004 proposed budget.

This budget summary is prepared using the December Equalization Board numbers as the starting point. The certification provides what is commonly referred to as “new money” when the new certification is more than the previous one. In this case, the

certification is less than the previous one so there is no “new money.” Instead there is a deficit to fill.

In order to balance the budget when starting off with a \$592.8 million deficit, the agencies continue to absorb the FY-2003 funding reduction in FY-2004. This \$351.2 million adjustment reduces the deficit to \$241.6 million (see lines 2 and 3 of the chart).

The Equalization Board compares the estimated revenues to the total

Summary of Balanced Budget - Starting with Equalization Bd. Numbers

Agency / adjustment	Recommended
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- on this worksheet, negative numbers represent the shortage or increases to the shortage, such as additional spending; positive numbers represent savings, additional revenues or less spending.

1	Net funding shortage as identified in Dec.Equalization Bd. Packet	(\$592,778,808)
2	Continue FY-2003 6.5% shortfall into FY-2004	<u>351,193,612</u>
3	Subtotal - net funding shortage	(241,585,196)
4	Less: supplementals in appropriations used by Eq. Bd. in comparing new revenues to appropriations from last session.	<u>92,326,496</u>
5	Funding shortage	(149,258,700)
6	<u>Funding Needs:</u>	
7	Supplementals for FY-2003	(74,925,757)
8	Appropriation increases	(179,290,251)
9	Capital Outlay Appropriations	(1,800,000)
10	Debt Service payments - new bond issue	<u>(6,379,600)</u>
11	Funding shortage after identifying funding needs	(411,654,308)
12	Additional cuts for FY-2003	653,488
13	FY-2004 Appropriation reductions	220,749,760
14	Additional '03 revenues to Education Technology Fund; Tuition Scholarship Fund; Education Capital Fd.; Water Resources Bd. REAP/GP Fund	21,258,031
15	FY-2004 revenues to Water Resources Bd. REAP/GP Fund	4,414,002
16	Use of agency funds / transfer to special cash fund	<u>14,641,553</u>
17	Funding shortage after identifying cuts and cash funds available	(149,937,474)
18	<u>Possible revenue changes:</u>	
19	for FY-2003	5,000,000
20	for FY-2004	145,049,990
21	Balance: Funds available	<u><u>\$112,516</u></u>

appropriations made by the 2002 legislature. That number includes appropriations made for FY-2002 supplementals. Since those appropriations will not be needed again, they are backed out of the calculation (see line 4).

This resulting number (\$149.3 million) represents the deficit after removing prior year supplemental funding from the calculation and requiring agencies to continue to absorb the FY-2003 cuts in FY-2004.

Agency Budgets

The first step in developing this budget was to review the many individual agency budgets. Shortly after the election, Governor Henry appointed a Transition Team headed by State Treasurer, Robert Butkin. Governor Henry and Treasurer Butkin assembled the members of the team and organized them into various issue oriented groups. These groups met with many of the state agencies and studied the major issues faced by each of them.

Governor Henry then appointed Elk City banker Scott Meacham as his Finance Director designee. Mr.

Meacham assembled a finance team made up of businessmen, legislative fiscal staff, State Treasurer's staff and Office of State Finance Budget Division and Research staff. This group then met with the major

agencies to discuss budget issues. They also reviewed the budgets of the other agencies while developing budget proposals for review by Governor Henry.

Funding Needs

Reviewing the agency budgets identified many funding needs to be addressed. Some of these funding needs are for the current fiscal year, some are for next fiscal year and some are capital outlay in nature.

Each of these items is explained in more detail in the appropriate pages for the agency listed. Note that these funding adjustments are summarized by Cabinet Department and agency in the section of this document titled "Summary Information".

FY-2003 Supplementals The following table shows the supplemental funding needs that are funded in this budget. A supplemental provides additional funding for the current fiscal year. Each of these appropriations is explained in the agency write-up.

Supplementals for FY-2003		
Ag.#	Agency / Purpose	Recommended Supplemental
1	Indigent Defense: conflict cases; \$1.1 million reduced by: forensic testing 47 appropriation cash (\$450k) and estimated revenues from aggressive assessment of court costs (\$100k)	550,000
2	90 OSF/OPM/DCS: CORE appropriation	1,900,000
3	131 Corrections Dept.: additional operations supplemental	9,000,000
4	131 Corrections: supplemental already appropriated in November	9,800,000
5	800 Career Tech.: Ad Valorem Reimbursement Fund shortage	2,735,868
6	265 Elem.& Sec.Ed.: Ad Valorem Reimbursement Fund shortage.	14,353,724
7	265 Elem.& Sec.Ed.: even out shortfall in 1017 fund to 6.5% level	25,486,165
8	424 State Emergency Fund: replenish	1,000,000
9	695 Tax Comm.: seasonal tax return processing	300,000
10	800 Career Tech: TIP program	1,000,000
11	807 Health Care Authority: supplemental to maintain programs of service	8,800,000
12	Total Recommended Supplementals	\$74,925,757

FY-2004 Operations The following table summarizes the operations increases provided in this budget.

Lines 6 through 14 list the adjustments by type of adjustment. The individual amount for each agency is shown in the schedule of Recommended Appropriations in the Summary Information section.

Line 6 – One-times: this line represents the non-recurring appropriation increases provided to agencies for FY-2003. Since the purpose of the funding was “one-time” in nature, the funding is backed out in this computation.

Line 7 – Cuts to pass-throughs: this is the amount of funding reduced from

programs that pass money through to local governments, non-profits or other entities. Many of these reductions are intended to be a one-year adjustment to help the State get through the current fiscal crisis. Much of the funding represented by these cuts is spent for equipment, infrastructure needs and other non-recurring expenditures.

Line 9 – Operations Cuts: these cuts are generally additional cuts to agency appropriations.

These cuts should be taken from areas where the least impact will be felt by the agency. In most cases this will not be done without affecting personnel costs. While some of the pass-through

Operations Funding Adjustments		Amount
1	Appropriations by 2002 Legislature	\$5,600,609,682
2	less: FY-2003 Shortfalls	(351,193,612)
3	Sub-total for '03	5,249,416,070
4	less: FY-2003 Supplementals	(92,326,496)
5	Revised total for FY-2003	5,157,089,574
6	Adjustments:	
7	Less one-times in '03	(1,261,965)
8	Cuts to pass-throughs	(17,209,336)
9	Operations Cuts	(62,153,871)
10	Cuts with Operations Offsets	(140,124,588)
11	Annualize '03 supplementals in '04	46,860,165
12	Replace use of one-time funds in '03	2,200,000
13	Other Adjustments	130,230,086
14	Total Recommended FY-2004 Operations Appropriations	<u>\$5,115,630,065</u>
15	Recommended FY-2004 Debt Svc.-new bond issue	6,379,600
16	Recommended FY-2004 Capital Outlay Appropriations	1,800,000
17	Total Recommended FY-2004 Appropriations	<u><u>\$5,123,809,665</u></u>

appropriation reductions are intended to be one-time in nature, the operations reductions will most likely be continuing. Agencies need to take the most appropriate action in absorbing these cuts and identify efficiencies that can be used to help achieve the cuts.

This category includes a \$6.7 million reduction in agency travel expenses. Many agencies have already reduced travel expenses, left vacant positions open, postponed equipment purchases and made other operational changes. This cut was calculated on the travel expenditures to date. The impact is that each agency will reduce travel expenses an additional 10% more than what they may have already reduced it.

Line 10 – Cuts with Operations Offsets: these appropriation cuts are reductions in the appropriation to the agency. However, the impact on the agency budget will be neutral because of offsetting fee increases or because the responsibility to perform some function is being removed from the agency.

Line 11 – Annualize Supplementals in '04: these are appropriation increases that fund the FY-2004 cost of the supplemental appropriations provided for FY-2003, the current fiscal year.

This consists of 4 adjustments:

1. Tax Commission seasonal tax return processing (\$300,000);
2. Operations of the Indigent Defense System (\$1,600,000);
3. Corrections Department funding (\$19,474,000);
4. Elementary and Secondary Education funding which replaces the cuts above 6.5% to Education received in FY-2004 (\$25,486,165), reducing their total cuts from 7.75% to 6.5%.

Line 12 – Replace use of one-time funds in '03: adjustments in this category represent proposed funding to replace the use of one-time cash funds for the following two items.

1. Conservation Commission funding for the Cost Share program - \$1 million;
2. Water Resources Board funding for the Beneficial Use Monitoring Program (BUMP) - \$1.2 million.

Line 13 – Other Adjustments: this line is the sum of the other critical appropriation needs that are addressed in this budget.

The largest category is Education with funding of \$52.5 million. This includes funding for Elementary and Secondary Education, Career Tech Education and Higher Education. The next largest item is Health Care Authority funding of \$45 million.

Line 15 – Debt Service – new bond issue: this budget proposes the passing of a bond issue to fund capital outlay projects vital to the State.

The following table lists the capital outlay proposals included in this budget.

Item 1: this provides funding to complete the CORE project currently underway. This project will replace existing antiquated “core” data processing systems and provide new functionality for the state in the following areas:

- Accounting
- General Ledger
- Purchasing
- Payroll
- Personnel
- Budget Control
- Budget Preparation

Capital Outlay Recommendations					
Agency / Purpose	yrs	Recommendations		FY-2004 Debt Svc.	Annual Debt Svc.
		Recommended Appropriation	Recommended Bond Issue		
1 OSF/DCS/OPM: CORE project	7		\$ 20,000,000	\$2,664,243	a \$3,197,000
2 History Center	20		\$ 18,000,000	\$1,173,387	\$1,408,065
3 Supreme Court	20		<u>13,000,000</u>	<u>847,446</u>	<u>1,016,935</u>
			\$ 31,000,000	\$2,020,833	a \$2,425,000
4 DCS: capital outlay needs	20		\$ 10,000,000	\$631,391	a \$757,600
5 Capitol Building Security	-	\$1,800,000			
6 Totals		\$1,800,000	\$61,000,000	\$5,316,467	\$6,379,600

a. first sinking fund payment Sep. '03; first interest payment Dec. '03.

This project will also provide a stable foundation for expanding Oklahoma's ability to properly account for its many services and related expenditures. An additional benefit is the out-year savings to be achieved from having a uniform IT system in place. The State will save by not having multiple systems to support.

The funding will purchase the necessary software and pay implementation expenses.

Line 2 – History Center: this funding will complete the History Center currently being built at 23rd and Lincoln Boulevard in Oklahoma City. The project is more fully explained in the write-up for the Historical Society in the Commerce and Tourism cabinet section.

Line 3 – Supreme Court: this funding will complete the conversion of the current Historical Society Museum to a new Supreme Court Building. The Supreme Court is currently housed in the State Capitol Building and once the new History Center is completed, the construction and renovation for the

Supreme Court Building can be completed.

Line 4 – DCS / Capital Outlay Needs: The Department of Central Services (DCS) manages several state properties, including the State Capitol Building, the Transportation Building, the Jim Thorpe Building, the Agriculture Building, and others on the Capitol Complex. DCS has identified more than \$23 million of capital repairs that need to be made on properties they manage. The state cost associated with these projects is more than \$19 million.

This budget includes \$10 million in bond funds that will fund the most pressing of these projects. By category, these funds will address the following capital needs.

- Life and safety issues - \$6.9 million;
- ADA Compliance issues - \$96,000;
- Heating, Ventilation and Air Conditioning (HVAC) issues - \$440,000;

- Roof / ceiling repairs: \$305,000;
- Other projects: \$2.3 million

Line 5 – Capitol Building Security: these funds will provide equipment to upgrade the security at the Capitol Building. The proposal funds these needs from current appropriations so they can be addressed immediately as opposed to waiting on a bond issue. This budget also provides \$2.5 million in increased operations costs associated with the need to upgrade Capitol security.

Debt Service The annual debt service for the bond issues is included in the previous table and the funds are included in the budget proposal for each agency.

One additional item that isn't included in this table is the potential refinancing for General Obligation debt service. The savings from this action impact the General Revenue Fund and are included in the "Fee / Revenue Proposals to Balance the Budget" table later in this section.

Debt Service Savings Calculations				
Existing Issues: Agency Name & OCIA ID#		Current annual Debt Svc.	Projected '04 savings	Projected savings in '03 (1/4)
<u>OCIA State Facilities Rev.Bds.-Series 1995</u>				
1	Tourism (BON-566)	\$1,187,570	\$999,170	\$257,775
2	DCS (BON-580)	1,305,944	1,106,059	285,351
3	School of Science and Math (BON-629)	<u>259,965</u>	<u>218,424</u>	<u>56,351</u>
4	Total	\$2,753,479	\$2,323,653	\$599,477
<u>OCIA State Facilities Rev.Bds.-Series 1996A</u>				
5	Commerce Dept. (series 1996A) (BON-160)	\$247,401	\$210,334	\$54,011
<u>OCIA Roads - Series 1998/2000</u>				
6	Dept. of Transportation (BON-345B)	\$16,761,499		
7	Dept. of Transportation (BON-345)	<u>35,841,256</u>		
8	Total	\$52,602,755	\$43,178,527	\$5,201,938
<u>OCIA State Facilities Rev.Bds.-Series 1999A</u>				
9	Veterans Affairs (BON-650)	\$983,069	\$528,946	
10	State Finance (BON-090)	252,022	44,079	
11	Tourism/Qtz. Mtn. Conference Ctr. (BON-620)	286,729	154,276	
12	Regents for Higher Education (BON-605)	4,185,929	1,939,470	
13	Historical Society (BON-350)	2,621,518	1,410,524	
14	Supreme Court (BON-677)	819,224	440,789	
15	DCS: CORE project (BON-580B)	504,045		
16	DCS: Lincoln Blvd.Reno. (BON-580A)	1,130,530	696,446	
17	J.D. McCarty Ctr for Handicap'd Children (BON-670)	843,801	454,012	
18	Career Tech Education (BON-800)	1,260,112	220,395	
19	Rehabilitative Services (BON-805 & 805A)	1,105,954	595,065	
20	School of Science and Mathematics (BON-629A)	<u>217,095</u>	<u>116,809</u>	
21	Total	\$14,210,028	\$6,600,811	
22	Totals	<u>\$69,813,663</u>	<u>\$52,313,325</u>	<u>\$5,855,426</u>

Reductions

The finance team began the budget process by identifying ways to reduce. These reductions include savings from:

- debt refinancing
- targeted program reductions
- cuts to funding passed through to local governments
- consolidation of agency services
- reductions in travel funds
- additional operational funding reductions.

Debt Refinancing The debt refinancing provides savings in the current year, FY-2003, as well as in FY-2004. A more specific list of the

agencies affected and one scenario of possible savings is included in the chart on the previous page.

Available Cash Another process used in developing this budget involved identifying agency funds that might be available. Using these funds for a purpose other than that originally intended does not mean that the original program is unimportant.

However, Oklahoma is facing a severe fiscal crisis. Cash funds will be used to avoid more drastic reductions in services. This proposal transfers the amounts in the following table to the Special Cash Fund to be used to deal with other funding issues facing the State.

Agency Funds for Transfer to Special Cash Fund				
	Agency	Fund	Fund	Amount
1	Comm. On Children & Youth	Revolving Fund	200	\$ 300,000
2	Dept. of Education	Auditing program approps.	19x	200,000
3	Comm. For Teacher's Prep.	Teachers' Comp Exam Rev Fund	220	340,000
4	Dept. of Environmental Quality	Revolving Fund	200	1,500,000
5	Auditor & Inspector	Revolving Fund	200	200,000
6	OSBI	Automated Fingerprint I.D. System	210	350,000
7	OSBI	Revolving Fund	200	500,000
8	State Fire Marshal	Revolving Fund	200	150,000
9	Health Department	Breast Cancer	225	150,000
10	Health Department	Child Abuse Prevention	265	575,000
11	Health Department	Children First	266	1,000,000
12	Health Department	Public Health Fund	210	500,000
13	Health Department	Tobacco Prevention	204	500,000
14	Health Department	Trauma Care	236	1,250,000
15	Insurance Department	Bail Bondsmen Revolving Fund	220	250,000
16	Insurance Department	Revolving Fund	200	400,000
17	Department of Mental Health	Revolving Fund	200	1,500,000
18	Tourism & Recreation	Tourism and Recreation Fd	215	250,000
19	Dept. of Central Services	BLDG and Facility Rev.Fd	245	400,000
20	Dept. of Central Services	Revolving Fund	201	500,000
21	Dept. of Central Services	Statewide Surplus Property Fd	244	100,000
22	Physician Manpower Trng. Comm.	Revolving Fund	210	200,000
23	Secretary of the State	Revolving Fund	200	800,000
24	OCAST	192 GR approp. to Inst.of Techn.	192	951,553
25	Securities Commission	Revolving Fund	200	1,000,000
26	Consumer Credit Comm.	OK Mtge Brokers Recov.Fd	220	175,000
27	Employees Benefits Council	Admin Revolving Fund	220	600,000
28	Total agency funds available			<u>\$14,641,553</u>

FY-2004 Executive Budget

Funding Opportunities

The finance team next identified ways to improve compliance, efficiency and equity.

The table on this page lists the various proposals to increase revenues. Most of these are explained in the Revenue Section; District Court fees are explained in the Judiciary section; insurance premium tax items are explained in the Retirement Section.

Fee / Revenue Proposals to Balance the Budget				
Fee / Revenue Proposal	FY-2003 Cert.Impact	FY-2004 Impact		FY-2005 Certification
		100%	Certification	
1 Cigarette Stamp Tax: reduce discount rate to 2%		1,897,025	1,802,174	1,802,174
2 Cigarette Tax: exempt from Sales Tax and increase the Stamp Tax by 14 cents to offset lost revenues: \$4,839,000 for '04 due to compliance increases.		9,100,927	8,645,881	8,645,881
3 .. income to 1017 fund			(2,769,372)	(2,769,372)
4 Quality Jobs: redefining		174,240	165,528	165,528
5 .. income to 1017 fund			16,680	16,680
6 Debt Refinancing: Cig.Tax - G.O. Bond Restructuring		14,600,000	13,870,000	13,870,000
7 Federal Refund Offset program		3,920,400	3,724,380	3,724,380
8 .. income to 1017 fund			375,300	375,300
9 Prof.Business Licenses tax compliance for renewal, employment, payment (eff. 7-1-04).			0	0
10 Sales Tax: Lower discount for paper returns; from 2.25% to 1.25%		220,951	209,903	209,903
11 ... impact on 1017 fund			26,758	26,758
12 Sales Tax: drop to \$10k / mo. payers required to remit electronically twice per month		6,388,470	6,069,047	6,069,047
13 ... impact on 1017 fund			773,685	773,685
14 Sales Tax: increase permit fee from \$20 to \$50		1,050,000	997,500	997,500
15 Income Tax Compliance as requirement of State Gov't Employment		1,742,400	1,655,280	1,655,280
16 ... impact on 1017 fund			166,800	166,800
17 Unclaimed Property: Reduce Abandoned Securities holding period to 1 year		2,000,000	1,900,000	1,900,000
18 Use Tax: line on return for voluntary compliance		355,056	337,303	337,303
19 ... impact on 1017 fund			46,218	46,218
20 Vending Machine Decal Fees (double to \$100) - \$2,222 equivalent sales	5,000,000	5,000,000	4,750,000	4,750,000
21 Vending Machine Decal Fees (for '04, increase to \$150) - \$3,333 equivalent sales		5,000,000	4,750,000	4,750,000
22 Use tax collections from state contractors		853,500	810,825	810,825
23 ... impact on 1017 fund			111,100	111,100
24 District Courts to be self-supporting (40% average increase in fees, July 1, 03; 1/2 yr. impact in '04)		10,000,000	9,500,000	19,000,000
25 Firefighters Ret.: reallocate ins.prem.tax 1 yr.		51,000,000	48,450,000	48,450,000
26 Law Enf.Ret...: reallocate ins.prem.tax 1 yr.		7,500,000	7,125,000	7,125,000
27 Police Ret...: reallocate ins.prem.tax 1 yr.		21,000,000	19,950,000	19,950,000
28 Certified copies of Driving Records (double to \$20 each)		12,200,000	11,590,000	11,590,000
29 Total Recommended	\$5,000,000	\$154,002,969	\$145,049,990	\$154,549,990

Issues

The following narrative summarizes budget proposals for several key issues.

Education Funding The major thrust of this budget is to invest in education. This budget invests approximately \$100 million new money into common education.

Several funding adjustments are included to address education issues. They are fully described in the Education Section.

Employee Insurance Costs

This budget proposes that the Oklahoma State and Education Employees Insurance Board (OSEEGIB) utilize excess reserves to reduce their premium for the next period in order to help keep costs lower during this fiscal crisis.

OSEEGIB is currently in the process of developing alternate approaches to the products they offer. Their intent is to be able to provide insurance choices that will help employees afford insurance that works for them. Under normal circumstances, premiums for the next enrollment period, January 1, 2004, would increase somewhere between 15% and 25%. Under this budget proposal, OSEEGIB would use excess reserves to offset some of these cost increases next January 1, 2004.

Another proposal is that agencies should not have to purchase insurance for an employee who can demonstrate coverage through a spouse's employer. Any employee who has insurance coverage from their spouse's employer can opt out of the State insurance program.

The State employer would pay that employee an in-lieu of payment of \$50 per month. Coverage would have to be certified on an annual basis and a change in the spouse's employment or insurance situation would be cause for

the State employee to reselect State coverage.

Savings from this proposal is \$247 per employee based on the current benefit allowance paid by the employer.

The savings from this proposal are too difficult to quantify, however they will provide some relief to tight agency budgets.

Management Tools

This budget includes proposals to help managers control and reduce operations costs.

Early Retirement Oklahoma needs to develop a package of tools that agency management can utilize to reduce costs. Oklahoma now has laws allowing agencies to pay severance packages to employees who lose their job because of a Reduction-in-Force (RIF). Oklahoma also has laws which authorize Voluntary Out Benefit Offers (VOBOs) in order to mitigate the impact of RIFs.

The next step is to develop an Early Retirement Package that managers can use on a selective basis where reductions for staffing levels are indicated.

Retirement and Re-employment

Another proposal in this budget is to allow employees who retire to return to work for the State. This allows the State to continue to benefit from the experience that many of its senior employees have. The employee will benefit because they can draw their retirement pay and another paycheck from their employer.

Under this proposal, the employee would retire as they normally might. If they are able to find a job with the State, they could be re-employed. The employee would continue to draw their retirement pay. The State would not pay for the normal benefit package. Neither the employee nor the agency will be responsible for state retirement

contributions. The employee will be responsible for the cost of any insurance plan they decide to choose.

This is a win-win situation for both the employee and for the State.

Rainy Day Fund

This budget proposes to tighten up the laws regarding use of the Constitutional Reserve Fund (Rainy Day Fund). Currently, the fund is separated into two halves. The first half can only be used when the certification of revenues for a year is less than the previous year.

The second half can be used when the Governor declares an emergency and 2/3rds of both the Senate and House approve it; or when 3/4ths of both houses approve it without the Governor's declaration of emergency.

In practice the maximum amount available in this fund is appropriated every year. This proposal would change the purposes for which the Fund could be used and would establish tighter controls on the fund.

- The Fund would still be separated into 2 pools of money.
- The first segment would be the Revenue Shortfall portion.
- All GR revenues greater than the 100% estimate would go into this fund until it reached 5% of the amount certified for appropriation.
- Funds could only be spent from this portion to help with revenue shortfalls.
- The second segment would be the Stabilization portion.
- Once the Revenue Shortfall pool reached its maximum balance, funds would flow into the Stabilization portion until the balance reached 5% of the amount certified for appropriation.

- Funds from this segment could only be spent when the certification is less than the prior year.
- Funds expended from the Revenue Shortfall pool will be replaced first from any excess Stabilization funds available and all excess revenues until the Revenue Shortfall pool reaches the 5% level again.

Stabilization Fund

This budget proposes the creation of a new stabilization fund.

The Stabilization Fund would consist of all revenues that accrue to the state from the severance taxes on oil and gas in excess of the amounts estimated for collection in FY-2004. The fund would also consist of all General Revenue collections in excess of the 95% certified amount up to the full 100% estimate (referred to as "5% money"). Only the amount not used to augment the Cash-flow Reserve Fund would be transferred to this fund.

The money in this fund could only be appropriated for the following purposes:

1. 40% could be appropriated in the event of a revenue shortfall in General Revenue or the 1017 fund;
2. an additional 40% could be appropriated if the total certified amount for next year is less than the current year;
3. 20% could be appropriated for one-time projects as designated by the legislature;

The effect of this is to reduce the ability to spend from these volatile funding sources for recurring expenses when collections are high. It will also provide a source of new funding in the future as the fund grows, and will provide a source of funding when revenues decline.

Governor

Governor

As Chief Magistrate of the State, the Governor is vested by the Oklahoma Constitution with “the Supreme Executive power.” The Governor is Commander in Chief of the state militia, has the power to convene the Legislature or the Senate only and is to cause the laws of the state to be faithfully executed.

Additional duties of the Governor include:

- Conduct the business of Oklahoma with other states;
- Prepare a budget and make recommendations to the Legislature;
- Grant commutations, pardons and paroles;

- Sign or veto legislation;
- Be a conservator of peace throughout the state.

FY-2004 General Appropriation Reductions

The budget for the Office of the Governor comes entirely from funds appropriated by the Legislature and from any savings that can be achieved in prior years. The FY-2003 appropriation has been reduced by 6.5% or \$188,937 for the revenue shortfall. The FY-2004 recommended appropriation contains a travel reduction of \$13,885 and an additional 5% reduction of \$135,890.

Lieutenant Governor

Lieutenant Governor

Oklahoma's Lieutenant Governor serves in place of the Governor when he leaves the state. She also 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 10 state boards and commissions:

- CompSource Oklahoma
- Tourism and Recreation Commission
- State Board of Equalization
- School Land Commission
- Film Office Advisory Commission

- Archives and Records
- Oklahoma Linked Deposit Board
- Capital Improvement Authority
- Native American Cultural and Education Authority
- Oklahoma Capitol Complex Centennial Commission

FY-2004 General Appropriation Reductions

The FY-2004 recommended appropriation for the Lieutenant Governor's office is the same as the reduced FY-2003 General Revenue appropriation. The FY-2004 recommended appropriation contains a small reduction of \$303 in travel expenses.

Agriculture

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

Department of Agriculture, Food and Forestry (ODAFF)

Animal Industry

Animal Industry Services is responsible for the detection, eradication and control of livestock, poultry and aquaculture diseases and parasites. Specific responsibilities include:

- detecting, controlling and eradicating livestock diseases in farms and ranches, in auction markets and slaughter plants, feedlots and other concentration points throughout the state;
- monitoring the movement of animals and poultry into, through and out of Oklahoma to verify compliance with state and federal laws and regulations;
- controlling the use of vaccines and biologics;
- preventing the spread of diseases transmissible to man;
- facilitating, inspecting and licensing aquaculture operations; and
- preparing to respond quickly and appropriately in the event of a foreign animal disease emergency.

Forestry Services

Over 10 million acres (almost one quarter of the state) are covered with forests. This natural system includes cedar, oak, hickory, pine, juniper and bottomland hardwoods and other species that provide wood products, protect watersheds, control erosion, support wildlife, protect crops and livestock and encourage outdoor recreation.

More than 6.2 million acres of commercial forests (largely owned by private landowners) support sawmills, a plywood plant, a fiberboard plant, paper

mills and numerous manufacturing plants across the state. Forestry Services provides assistance in forest protection, forest management and regeneration, community forestry, water quality, law enforcement and education to protect and develop the state's forests.

Forestry Services provides wildfire protection in two important ways:

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

Budget Recommendation

This budget recommends privatizing the Tree Regeneration Center in ODAFF and appropriations of \$250,000 are removed from their budget.

State/Local/Federal Partnership for Fire Protection

A close partnership consisting of federal, state and local associations provides an extremely beneficial program, the Rural Fire Defense program. In connection with this partnership, the Forestry Division administers or funds the following programs for fire protection:

- 50/50 (federal/local matching grant) Volunteer Fire Assistance (VFA)
- operational grants for local fire departments
- 80/20 (state/local matching grant) Capital Grants
- operational funding for rural-fire coordinators (substate planning districts)
- federal excess equipment program
- dry/wet hydrant program

- equipment funding for local fire departments
- surplus State equipment program

50/50 Volunteer Fire Assistance (VFA) Grants

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-1993:

<u>Year</u>	<u>No.</u>	<u>Funding</u>
FY-1993	86	63,996
FY-1994	76	65,966
FY-1995	78	64,476
FY-1996	78	64,633
FY-1997	42	34,615
FY-1998	43	22,800
FY-1999	49	35,375
FY-2000	45	35,000
FY-2001	68	58,517
FY-2002	132	250,530
FY-2003	<u>128</u>	<u>235,682</u>
Total	825	\$931,590

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, etc. The grants are 100% state funded.

This chart shows the funding history (including the number of participating entities) of operational grants since FY-1993:

<u>Year</u>	<u>No.</u>	<u>Per Entity</u>	<u>Funding</u>
FY-1993	760	361	350,000
FY-1994	773	259	200,000
FY-1995	787	254	200,000
FY-1996	800	2,875	2,300,000
FY-1997	816	1,225	1,000,000
FY-1998	835	2,275	1,900,000
FY-1999	840	2,262	1,900,000
FY-2000	847	2,243	1,900,000
FY-2001	852	2,347	2,000,000
FY-2002	860	2,326	2,000,000
FY-2003	<u>860</u>	<u>2,326</u>	<u>2,000,000</u>
Total	9,030	\$18,753	\$15,750,000

Source: ODAFF

80/20 Grant Funding

The 80/20 grants (state/local funding) provide equipment and building needs for rural fire departments. The grants, first funded in FY-1992, continue with funding provided annually by the State:

<u>Year</u>	<u>Funding</u>
FY-1993	350,000
FY-1994	200,000
FY-1995	350,000
FY-1996	450,000
FY-1997	926,500
FY-1998	1,142,223
FY-1999	2,045,500
FY-2000	2,687,445
FY-2001	3,209,000
FY-2002	3,766,219
FY-2003	<u>5,321,097</u>
Total	\$20,447,984

Source: ODAFF

Operational Funding for Rural-Fire Coordinators

Rural-fire coordinators (of the 11 substate-planning districts) assist rural fire departments. The Coordinators:

- provide technical assistance
- place the federal excess property
- audit compliance

- evaluate grant applications
- monitor progress of grant projects
- assist with training and testing equipment
- administer the hydrant program

The following chart shows the total contract costs for these coordinators since FY-1993:

<u>Year</u>	<u>Total Cost</u>
FY-1993	494,000
FY-1994	494,000
FY-1995	494,000
FY-1996	594,000
FY-1997	594,000
FY-1998	655,000
FY-1999	750,000
FY-2000	750,000
FY-2001	960,000
FY-2002	860,000
FY-2003	<u>785,000</u>
Total	\$7,430,000

Source: ODAFF

Excess Equipment Program

The forestry division secures federal-excess property from military bases in a 20-state area for the state's wildfire firefighters and the rural fire departments. The United States Department of Agriculture (USDA) Forest Service provides the used equipment for free loan to rural fire departments. The forestry division funds 100% of the administration and operational costs of the program.

This table shows a history including the number of fire departments and the estimated value of the property placed with the departments:

<u>Year</u>	<u>No.</u>	<u>Est. Value</u>
FY-1993	255	6,574,200
FY-1994	250	6,492,700
FY-1995	310	4,284,404
FY-1996	300	10,141,226
FY-1997	316	9,676,916
FY-1998	320	4,093,129
FY-1999	320	8,011,678
FY-2000	300	5,718,254
FY-2001	207	5,452,395
FY-2002	230	5,500,000
FY-2003	<u>230</u>	<u>5,500,000</u>
Total	3,038	\$71,444,902

Source: ODAFF

Equipment Funding for Local Fire Departments

Since FY-1990, Forestry Services has purchased items in bulk (e.g., hose, nozzles, shut-off valves, protective clothing, etc.) for resale, at cost, to local fire departments. This revolving fund was created with \$100,000 in FY-1990.

<u>Year</u>	<u>Funding</u>
FY-1993	100,000
FY-1994	100,000
FY-1995	100,000
FY-1996	100,000
FY-1997	100,000
FY-1998	100,000
FY-1999	100,000
FY-2000	175,000
FY-2001	200,000
FY-2002	200,000
FY-2003	<u>200,000</u>
Total	\$1,475,000

Source: ODAFF

Surplus State Equipment

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

Two other equipment programs are of benefit to rural fire departments. First, Forestry can sell surplus vehicles and equipment to fire departments at their appraised value. Second, beginning in FY-1998, \$50,000 was made available to purchase surplus vehicles and equipment for loan to fire departments from the Oklahoma Department of Transportation. This fund increased to \$150,000 in FY-2001. After two years, title to these vehicles transfers to the fire departments.

Equipment and Vehicles for Firefighters and Other Agency Divisions

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

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

Aerial Fire Fighting

In FY-2000, Action Helicopter Services of Oklahoma provided aerial wildfire fighting. For FY-2003, \$100,000 is available for this service. However, the current contract only covers the area within a 100-mile radius of Tulsa.

Aerial drops of fire-retardants effectively contain forest fires to a smaller area. Aerial fire fighting is also effective in large scale containment and suppression activities.

Fire-Ant Research

The Imported Fire Ant (IFA) was accidentally introduced into the United States in the 1930's and has spread to more than 260 million acres in the southern states and has now been found in California. The IFA began to spread into Oklahoma in 1995 from Texas.

IFA are a threat to humans and small animals because their stings can cause

allergic reactions that could result in death. Fire-ant stings are not usually life threatening, but they are easily infected and may leave permanent scars.

In March of 2001, the research contract with Oklahoma State University, funded by the State, ran out of money. The PhD researcher left to work on IFA research in Louisiana. Despite the lack of funds, OSU Extension continues to work with ODAFF on the IFA problem by helping to positively identify suspect ant samples, advising the public on IFA control methods, and working with USDA Agriculture Research Service on biological control methods for Oklahoma.

ODAFF surveys the state for IFA and inspects nurseries, sod farms and other areas for IFA and also stops and inspects commercial trucks entering the state from IFA infested states. The Department works to prevent the artificial spread of IFA into Oklahoma by the movement of balled and burlapped trees or nursery plants, hay, straw, farm and earthmoving equipment and soil from infested areas.

Funding for Fire-ant Research	
FY-1999	\$125,000
FY-2000	75,000
FY-2001	50,000
FY-2002	62,500
FY-2003	<u>85,000</u>
Total	\$397,500

Source: ODAFF

Plant Industry & Consumer Services (PICS)

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

A. Consumer protection laws concerned with apiary inspection, ag-lime, animal feed, fertilizers, ornamental plants inspected for insect and plant diseases, seed, soil amendements, weed infested materials, and official samples for

laboratory analysis of the listed products, which are processed, manufactured, sold, offered for sale or distributed within Oklahoma.

B. Environmental quality programs protecting surface and ground water, pollution prevention programs through Best Management Practices, endangered species and worker protection. Complaints of improper pesticide use are investigated and compliance action taken where appropriate. Commercial pesticide applicators are trained, certified and companies licensed.

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

D. In addition, the Division has:

- cooperative agreements with the U.S. Food and Drug Administration to enforce the Fair Labeling and Packaging Act and medicated feed manufacturing;
- the U.S. Environmental Protection agency for pesticide enforcement, pollution prevention programs and surface and ground water protection programs;
- the U.S. Department of Agriculture for insect control programs, pest surveys, private applicator record checks, and
- Oklahoma State University for education and research on pollution prevention programs, pesticide applicators and pest survey

Budget Recommendation

In order to help fund the cost of these activities, this budget includes a recommendation to raise the pesticide registration fee from \$100 to \$200. This would increase revenues to the ODAFF by \$900,000 and would offset a

corresponding reduction in the appropriation.

ODAFF Water Quality Services Division (WQS)

In 1997, the ODAFF and the Oklahoma State Legislature recognized the need for a division dedicated to protecting the state's soils, air and water from animal waste. Concentrated Animal Feeding Operations (CAFOs) and poultry operations were becoming larger and more numerous across the state and the public was concerned about possible water contamination.

The ODAFF Water Quality Services Division (WQS) was created 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 WQS is responsible for implementing the Oklahoma Concentrated Animal Feeding Operations Act and Oklahoma Registered Poultry Feeding Operations Act. These programs 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.

The following chart shows the break down of registered poultry feeding operations in the state by county. WQS staff works with the operators, gives notice of the operational deficiencies and provides technical assistance to correct the deficiencies which works well. When voluntary measures fail, the statutes provide enforcement measures.

County	Total		Total
	by County	Total Birds	Houses
Adair	69	5,983,200	348
Blaine	1	5,000	3
Cherokee	23	983,100	73
Chocktaw	5	198,000	10
Craig	9	989,000	44
Creek	1	30,000	2
Deleware	172	9,384,010	565
Haskell	64	4,262,898	198
Latimer	5	202,000	13
LeFlore	247	18,336,544	798
Mayes	21	1,755,000	83
McCurtain	238	11,403,492	604
McIntosh	2	45,800	5
Muskogee	6	220,400	13
Okfuskee	1	4,400	1
Ottawa	30	2,798,650	145
Pittsburg	1	70,000	3
Pushmataha	2	30,000	3
Rogers	2	420,000	14
Sequoyah	19	588,343	40
Totals	918	57,709,837	2,965

Source: ODAFF

County Name	Number of Facilities	Total # of animals
Adair	2	11,200
Beaver	14	282,581
Blaine	1	6,000
Caddo	5	37,610
Canadian	1	4,000
Cimarron	1	8,640
Coal	1	2,400
Custer	1	6,000
Delaware	5	24,225
Ellis	4	84,168
Grady	3	16,260
Harper	1	33,096
Hughes	35	152,060
Johnston	2	3,650
Kingfisher	12	111,713
Major	8	113,062
McClain	1	3,000
McCurtain	15	36,085
McIntosh	1	9,600
Okfuskee	16	15,623
Payne	2	3,155
Pontotoc	1	16,320
Pottawatomie	6	9,025
Seminole	7	19,075
Texas	78	1,034,964
Washita	1	5,088
Woodward	3	223,020
Total	227	2,271,620

Source: ODAFF

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

The ODAFF places complaint response and resolution among its highest priorities. Complaints help identify problems that the WQS can direct resources where necessary to correct the pollution through its enforcement program.

	<u>FY-1998</u>	<u>FY-1999</u>	<u>FY-2000</u>	<u>FY-2001</u>	<u>FY-2002</u>
Complaint/Compliance Followups	481	199	362	348	549
Complains Received	191	129	171	218	175
Complaints Closed	168	171	197	234	224
Pre-Licensing Inspections	156	65	12	3	9
Inspections During Construction	54	351	37	86	32
Routine Inspections	550	2029	1713	1105	1234
Carcass Disposal Inspections	210	872	353	344	369
Water Samples Collected	86	373	1019	2302	1595
Technical Assistance Contacts	201	878	519	1444	671
Licenses or Building Permits Issued	23	14	14	7	6

Source: ODAFF

The following chart shows the FY-2002 actual and FY-2003 budgeted expenses and the funding sources for WQS:

In order to help the state during this fiscal crisis, pass-through appropriations for FY-2004 are being reduced by \$2 million from the reduced

FY-2003 level. In addition, a total of \$1,889,167 is being reduced from the remaining FY-2003 appropriation.

Boll Weevil Eradication Organization

From 1984 to 1999 the average yearly income from cotton was \$59.3 million while the 1999 crop income was \$52.1 million. The decrease is related to poor growing conditions, an intense boll weevil infestation and the drought conditions contributed to a poor growing season for cotton. Eliminating the boll weevil will improve land values and economic benefits by increasing cotton yields and the number of beneficial insect populations, lowering insecticide use.

The total estimated cost to eradicate the boll weevil is \$19.2 million. The industry will pay \$11 million, the State will provide approximately \$4.2 million and federal funding will pay the balance of \$4 million. To provide industry funding, cotton producers passed a referendum by a positive 88% vote to start the program in 1998. The producer will pay this funding with an assessment of \$7.50 per acre and 1 cent per pound of cotton harvested and ginned each cotton-producing season.

By the end of calendar year 2002, the Oklahoma Boll Weevil Eradication Organization (OBWEO) reduced boll weevil populations by greater than 99.9%, utilizing used and industry-donated equipment. Farmers continue to make a top crop, further improving yield, because of reduced weevil pressure. The following chart shows the baseline data (1998) for the boll weevil compared to 2002 data.

Water Quality Division		Funding		
<u>FY-2003 Budget</u>	<u>Expen.</u>	<u>Gen. Rev.</u>	<u>Fees</u>	<u>Total</u>
Swine	\$822,000	\$284,529	\$537,471	\$822,000
Poultry	385,000	374,037	10,963	385,000
Cattle	75,000	75,000	0	75,000
Administration	153,587	132,932	20,655	153,587
Total	\$1,435,587	\$866,498	\$569,089	\$1,435,587
<u>FY-2002 Actual</u>				
Swine	\$823,582	\$232,766	\$590,815	\$823,581
Poultry	416,286	407,089	9,197	416,286
Cattle	69,178	69,178	0	69,178
Administration	159,508	134,462	25,047	159,509
Total	\$1,468,554	\$843,495	\$625,059	\$1,468,554
<u>\$ Change FY-02 to FY-03</u>				
Swine	-\$1,582	\$51,763	-\$53,344	-\$1,581
Poultry	-31,286	-33,052	1,766	-31,286
Cattle	5,822	5,822	0	5,822
Administration	-5,921	-1,530	-4,392	-5,922
Total	-\$32,967	\$23,003	-\$55,970	-\$32,967

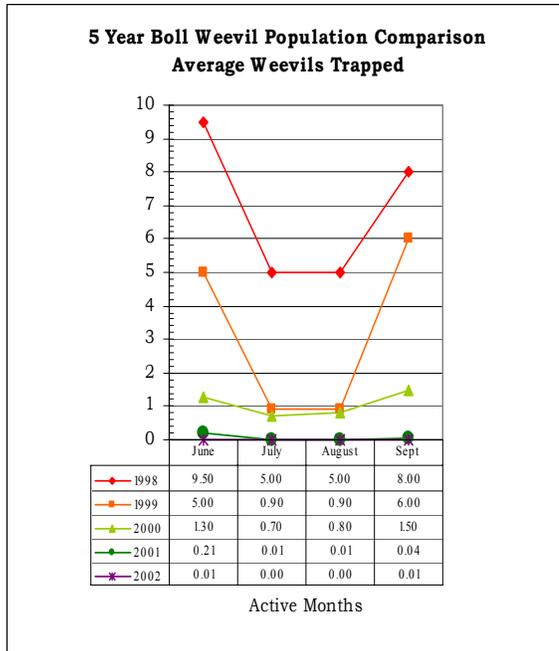
Source: ODAFF

Wildlife Services

Wildlife Services is a cooperative program between the ODAFF and the Animal and Plant Health Inspection Service of the USDA and is responsible for responding to requests from the public for assistance in controlling wildlife damage to agriculture, safeguarding human health and safety, and protecting natural resources.

Budget Recommendation

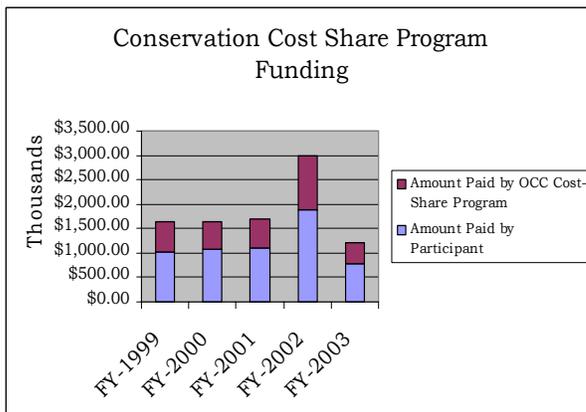
Currently, ODAFF provides trapping services to the counties for \$2,400 a year. Not all counties pay for these services but ODAFF continues to provide the services. This budget includes a recommendation to make the fee mandatory if the county wants trapping services from ODAFF. The recommended fee is \$4,800. This will increase revenue to the department by \$180,000 and offset a corresponding appropriation reduction.



Conservation Commission

Cost-Share Program

The Conservation Cost-Share Program is a partnership between the State and private land users to implement conservation practices on Oklahoma lands to prevent soil erosion and improve water quality. Since the program's inception in FY-1999, the State has appropriated to this program \$6.87 million. Of this amount, the Conservation Commission has allocated \$4.88 million to Oklahoma's 88 conservation districts to target locally determined conservation priorities.



Land users match dollar for dollar the cost share received from the State. The Conservation Commission used the balance of the cost share, \$1.99 million in appropriations, as state match to obtain federal Environmental Protection Agency (EPA) 319 funds in the Lake Eucha, Illinois River, Lake Wister and Ft. Cobb Lake priority watersheds. In these watersheds cost share funds implement targeted practices on the land that will reduce nonpoint source pollution to surface waters.

Private land conservation in Oklahoma is based on the delivery of technical assistance, financial incentives and educational information delivered through Oklahoma's 88 conservation districts to land users. The state conservation cost share program is an integral and valuable component of this unique delivery system.

Budget Recommendation

This budget proposes \$1 million be appropriated for the cost-share program from the REAP Fund.

History of Funding for the Locally Led Cost Share Program

	Appropriation	Amount to 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*	1,000,000	12,987
Total	\$6,485,000	\$66,327

*Recommended amount based on 77 districts

Watershed Rehabilitation

Since 1948 the federal government, through USDA's Natural Resources Conservation Service (NRCS) and local sponsors, has constructed 2,094 upstream flood control dams in the State of Oklahoma (20% of the nation's total). The dams were designed and built with federal funds. Local sponsors (68 of Oklahoma's 88

conservation districts) were responsible for obtaining the necessary land rights and have continuing responsibility for the operation and maintenance of these dams. The federal government estimates public investment in these dams of \$1.8 billion in present value.

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

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

Oklahoma Congressman Frank Lucas sponsored federal legislation in 2000 that authorized the Natural Resources Conservation Service (NRCS) to rehabilitate the nation's upstream flood control dams. Congress appropriated \$10 million to NRCS in FY-2002 for rehabilitation. It is anticipated that a minimum of \$30 million will be available for rehabilitation in FY-2003.

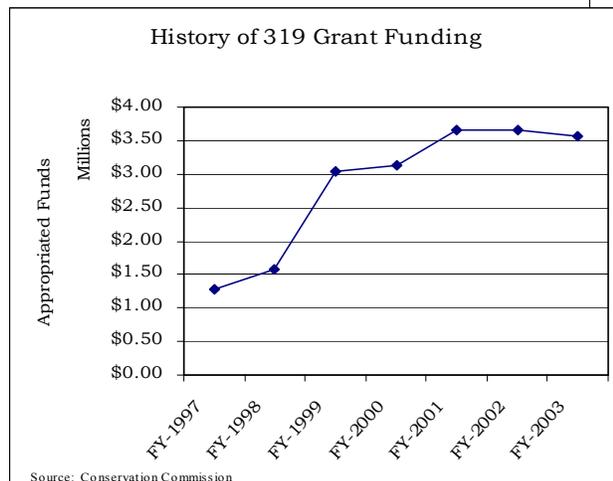
To be eligible for rehabilitation the state and/or local sponsors must provide a 35% match to federal dollars. In FY-2002, the Oklahoma Legislature appropriated \$500,000 to the Conservation Commission for use in matching federal rehabilitation dollars. This was followed by an additional appropriation of \$250,000 in FY-2003. Because of the state's \$750,000 commitment to rehabilitation, the Oklahoma NRCS received an allocation of \$2.7 million for rehabilitation in the 2002 federal

fiscal year. The new Farm Bill authorizes a 450% increase in funding for rehabilitation. Congress is currently considering the federal FY-2003 budget.

The NRCS, Conservation Commission and local district sponsors are nearing completion of engineering design and land rights work on four sites in the state. The first sites to be rehabilitated will be in Roger Mills and Washington Counties. NRCS selected Oklahoma to do a pilot rehabilitation project in the Sergeant Major watershed in Rogers Mills County. Work on this project was completed in the spring of 2000 at a cost of \$750,000.

Federal 319 Grant Increased for Nonpoint Source Pollution

FY-2003 funding from the Clean Water Act Section 319 is slightly less than funding for FY-2002. These funds are intended for implementation of Oklahoma's Nonpoint Source Management Program. Federal funds must be matched 40% with state and local funds. The table below shows the financial progression of the program over the past 7 years.



The funds are used to implement targeted programs to abate water quality impacts from nonpoint source pollution. The programs target sources of nonpoint source pollution including

agriculture, silviculture, rural unpaved roads, rural waste systems, construction activities, and stream bank destabilization. Ongoing Priority Watershed Nonpoint Source Projects include:

- Beaty Creek Watershed (\$1.6 million) within the Lake Eucha Watershed,
- Illinois River Watershed (\$1.7 million),
- Lake Wister Watershed (\$1.9 million),
- Fort Cobb Watershed (\$2.2 million), and,
- Stillwater Creek Watershed (\$1 million)

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

- Technical support of the Nonpoint Source Management Program;
- Funding for a Rotating Basin Monitoring Program;
- Nonpoint Source TMDL (Total Maximum Daily Load);
- Monitoring Fort Cobb and Turkey Creek Watersheds;
- Continuation of Statewide and Oklahoma City Blue Thumb Educational Programs, and
- Task coordination and management by the Office of the Secretary of Environment

Number of Conservation Districts

Currently, Oklahoma has 88 Conservation Districts. The federal government has reduced the number of NRCS offices from 88 to 77 – one per

county. This budget recommends reducing the number of Conservation Cost Share Districts from 88 to 77. Their appropriation is reduced by \$650,000 to correspond with the reduction in districts.

Budget Recommendation

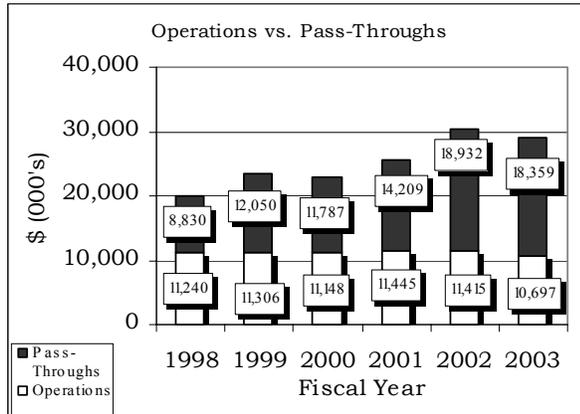
The FY-2004 appropriation is being reduced by an additional \$22,582 (3.5% more on administration services than the 6.5% shortfall experienced in FY-2003). In addition, all agency travel expenses are being reduced 10% or \$6,545.

Commerce and Tourism

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

Department of Commerce

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



Source: Oklahoma Department of Commerce

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

During fiscal year 2002, ODOC worked on projects that generated the following announced projected results through new company locations and expansions.

	Direct	Indirect	Total
New Jobs	8,919	6,689	15,608
Payroll	\$244 million	\$176.9 million	\$420.9 million
Investment	\$2.66 billion	\$1.99 billion	\$4.65 billion

Source: Oklahoma Department of Commerce

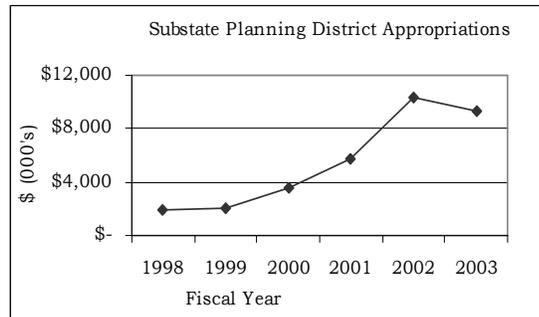
These projects generate \$2.03 of tax revenues for each \$1 of operations funding to the Department of Commerce. These figures include the value of state tax incentives and still the result is a 200% return on the state appropriated dollars spent on the Oklahoma Department of Commerce.

Pass-Throughs: In FY-2003 “pass-through” appropriations amounted to \$18,359,929 (after the shortfall). Over 50% of these funds, or \$9,368,607 went to the Substate Planning Districts. Substate planning districts, Community Action Agencies, and many other entities receive “pass-throughs”. (See table on next page for detail.)

Substate Planning Districts

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

Money appropriated to the substate planning districts has increased by 107% over the past 6 years.



History of Substate Planning District Appropriations by COG (000's)			
	FY-1998	FY-2001	FY-2003
ACOG	\$ 187	\$ 372	\$ 1,272
ASCOG	\$ 133	\$ 883	\$ 340
COEDD	\$ 164	\$ 658	\$ 565
EODD	\$ 324	\$ 1,061	\$ 1,428
GGEDA	\$ 72	\$ 262	\$ 659
INCOG	\$ 157	\$ 275	\$ 792
KEDDO	\$ 516	\$ 613	\$ 1,057
NODA	\$ 83	\$ 42	\$ 177
OEDA	\$ 41	\$ 166	\$ 140
SODA	\$ 177	\$ 1,238	\$ 2,079
SWODA	\$ 41	\$ 166	\$ 859
Total	\$ 1,895	\$ 5,736	\$ 9,368

Source: Oklahoma Department of Commerce

Operations Recommendation This proposal includes an additional cut of 2.6% (\$300,000), a 10% reduction in travel funds (\$44,929), and closing the foreign trade offices in Europe, Korea, Taiwan, and Africa (\$496,403). Foreign trade offices will remain open in Mexico, China and Vietnam. In addition, the bond advisor is negotiating to achieve lower financing on debt service to lower annual payments for agencies. This action should reduce Commerce's debt service payment on their building by \$54,011 in FY-2003 and \$210,334 in FY-2004.

Pass-Through Recommendation This proposal leaves funding to the Head Start Program and the Native American Cultural and Education Authority at the already reduced level, takes out one-time funding of \$300,000, and reduces the remaining "pass-throughs" to \$9 million. The following two tables show a funding history of Commerce's "pass-throughs".

Oklahoma Department of Commerce - "Pass-Throughs" Recommendations (000's)			
			2003
	2002	2003	(w/shortfall)
<u>NACEA & Head Start Recommendation</u>			
NACEA	\$ 858	\$ 868	\$ 842
Head Start	3,461	3,560	3,560
Total	\$ 4,319	\$ 4,428	\$ 4,402
<u>Other "Pass-Throughs" Recommendation</u>			
Substate Planning Districts (COGS)	\$10,301	\$10,020	\$ 9,369
Community Action Agencies	888	757	757
Other	3,424	3,936	3,831
Total	\$14,613	\$14,713	\$ 13,957
FY-2004 Recommended Amount			\$ 9,000
Savings			\$ 4,957

Other "pass-through" funds include:

History of other "Pass-Throughs" (000's)			
	FY-2001	FY-2002	FY-2003
Bid-Assistance Centers	\$ 150	\$ 146	\$ 133
Capital Improvement Program	145	196	405
Community Development Centers	131	126	123
Dual Use Training Center	173	0	0
Minority Business Dev't. Program	219	213	195
Oklahoma Community Institute	95	118	90
Oklahoma Housing Trust Fund	1,000	972	935
Oklahoma Quality Award Foundation	80	49	47
OSU Small Rural Manufacturers			300
Rural Enterprises (International Trade)	416	424	262
Rural Enterprises (Micro Loan)	150	146	133
Rural Enterprises (VAN SAT)	40	39	37
SEEDS	212	209	198
Small Business Dev't. Centers	802	756	641
Tinker Aerospace Technology			300
Youth Restitution (Little Dixie)	31	30	31
Total	\$ 3,644	\$ 3,424	\$ 3,830

Source: Oklahoma Department of Commerce

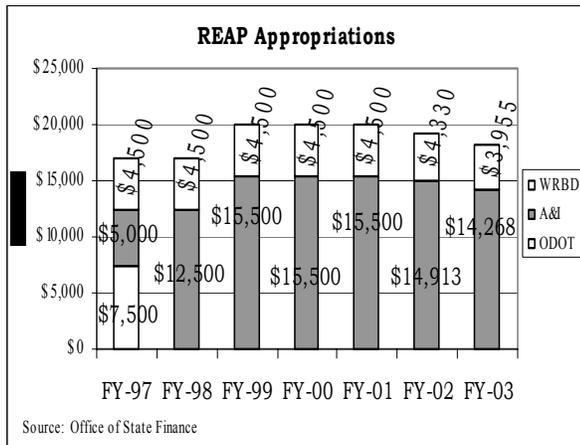
Rural Economic Action Plan

The Rural Economic Action Plan (REAP) is a grant program. REAP dollars pass through two separate

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

Fiscal Year	ODOT	A&I	OWRB
FY-1997	\$ 7,500	\$ 5,000	\$ 4,500
FY-1998	-	12,500	4,500
FY-1999	-	15,500	4,500
FY-2000	-	15,500	4,500
FY-2001	-	15,500	4,500
FY-2002	-	14,913	4,330
FY-2003	-	14,268	3,955

Source: Office of State Finance



COGS administer the REAP grants. The table below shows the total funding to each COG since FY-1997. Communities build and repair infrastructure with these loans. The premise behind this program is that small communities lose a portion of their tax base to larger cities. So, to qualify for a REAP grant, a community must have a population of less than 7,500. And, priority is given to communities with a population of less than 1,500.

	Programs			Planning Funds Total
	A&I	WRBd	ODOT	
Approp. (000's)	\$93,448	\$30,859	\$7,500	
COGS	Grand Total	\$131,807	\$4,672	
ASCOG	\$9,345	\$3,086	\$750	\$467
COEDD	9,345	3,086	750	\$467
EOEDD	9,345	3,086	750	\$467
GGEDA	9,345	3,086	750	\$467
KEDDO	9,345	3,086	750	\$467
NODA	9,345	3,086	750	\$467
OEDA	9,345	3,086	750	\$467
SODA	9,345	3,086	750	\$467
SWODA	9,345	3,086	750	\$467
ACOG	4,672	1,543	375	\$234
INCOG	<u>4,672</u>	<u>1,543</u>	<u>375</u>	<u>\$234</u>
Total	<u>93,448</u>	<u>30,859</u>	<u>7,500</u>	<u>\$4,672</u>

Source: Office of State Finance

Recommendation This proposal reduces REAP funding to a total of \$10 million, with \$3.955 million passing through the Oklahoma Water Resources Board and \$6.045 million passing through the Auditor and Inspector’s Office.

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

The following chart shows the amount of money deposited in the fund since 1999 and estimated revenues for FY-2003 and FY-2004:

REAP Water Projects Fund Deposits	
FY-1999	\$282,824
FY-2000	4,231,552
FY-2001	5,677,728
FY-2002	4,175,661
FY-2003 Est.	4,822,020
FY-2004 Est.	4,414,003
Total	\$23,603,788

Source: Office of State Finance Records

The Legislature directed these funds be used for the following purposes in FY-2003:

Conservation Commission	<u>Amount</u>
Conservation Cost Share	\$1,000,000
Conservation District Secretary Salaries	175,000
State Match for Federal 319 Nonpoint Source Pollution	397,000
Increased Liability Insurance for District Offices	100,000
State Match for Neosha River Clean Up	75,000
Conservation Equipment and District Programs	125,000
State Match for Small Watershed Rehabilitation Program	<u>250,000</u>
Total	\$2,122,000
Oklahoma Water Resources Board	
Beneficial Use Monitoring Program	\$1,200,000
Oklahoma State University Rural Development Initiative	100,000
Rural Water Association	50,000
Water Studies and Matching Funds	<u>135,879</u>
Total	\$1,485,879
Total Spending from REAP Water Projects Fund:	\$3,607,879

Source: Office of State Finance Records

This proposal uses the funds for the following purposes in FY-2004:

- Department of Environmental Quality - \$904,000
- Conservation Commission – Conservation Cost Share program - \$1 million

- Water Resources Board – Beneficial Use Monitoring Program - \$1.2 million

Native American Cultural and Educational Authority

Senate Bill 746 created the Native American Cultural and Educational Authority (NACEA) on September 1, 1994. The bill sought to establish a world-class facility to include a museum, interpretive center, native languages institute and resource center, dance and drama center, trading post and lodge and tribal meeting center.

This project is underway. The selected site is located on the south bank of the North Canadian River at the junction of Interstate 35 and Interstate 40. Architects have completed the master plan and content development. The center will include a 125,000 square foot museum and a 75,000 square foot marketplace where visitors can learn about the Native American culture and history.

Oklahoma City committed to donating land, dirt and a portion of their Community Development Block Grant once the NACEA has \$25 million dollars in other funds.

Congress passed Federal legislation last year that provides \$33 million over four years for the Center. The State of Oklahoma must provide \$2 for every \$1 of federal funds. The table below shows projected funding and projected cost tables for completion of the Center.

Native American Cultural Center - Projected Capital Funding (000's)					
Projected Capital Funding	July 2003	FY-2004	FY-2005	FY-2006 - FY-2008	Totals
Federal	8.25	8.25	8.25	8.25	33.0
NACEA Bond Issue	3.0	0.0	0.0	0.0	3.0
OKC - CDBG	5.0	0.0	0.0	0.0	5.0
State-Centennial Bond	19.5	0.0	0.0	0.0	19.5
OKC - Land (est.)	10.0	0.0	0.0	0.0	10.0
Corps of Engineers Wetlands Grant	0.0	0.0	5.0	0.0	5.0
Private, Tribal and Other Funding	0.0	5.0	8.5	16.5	30.0
Total	45.75	13.25	21.75	24.75	105.5

Source: Native American Cultural and Educational Authority

Native American Cultural Center - Projected Costs (000's)					
Project Costs	July 2003	FY-2004	FY-2005	FY-2006 - FY-2008	Totals
Equipment	0.0	9.0	6.0	14.0	29.0
Construction	31.0	0.0	0.5	0.0	31.5
Other	14.75	4.25	15.25	10.75	45.0
Total Costs	45.75	13.25	21.75	24.75	105.5

Source: Native American Cultural and Educational Authority

The cultural center and museum will document the history of American Indians, including the forced relocation of tribes to Oklahoma. It will also illustrate their triumphs and their evolution to what they are today.

Recommendation This proposal holds the NACEA's FY-2004 operating appropriation at the already reduced level after the FY-2003 shortfalls. It is anticipated that the State's share of the funding for the Center will come from private sources.

Human Rights Commission

The Oklahoma Human Rights Commission works to eliminate discrimination and promote unity and understanding among Oklahomans. The Commission consists of a nine-person board. The Commission establishes policy, sets goals, approves programs and projects and conducts public hearings on human rights complaints.

The Commission consists of two distinct functional divisions - Enforcement and Compliance, and Community Relations. The Enforcement and Compliance Division receives, processes, and investigates complaints of discrimination in the areas of employment, housing and public accommodation. The Community Relations Division provides outreach and educational services.

Recommendation This proposal reduces the Human Rights Commission's FY-2004 appropriation an additional 10% (\$73,900). Agency travel funds are also reduced an additional 10% (\$4,855).

Department of Labor

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.

OSHA Consultation The OSHA Consultation Division provides free consultation service to Oklahoma's private sector businesses. This voluntary, non-punitive and confidential program assists small (250 or less), high-hazard employers in preventing injuries and illnesses. Department of Labor OSHA consultants identify hazardous conditions and practices without the costly, adversarial impact often associated with federal OSHA. In addition to providing compliance assistance, the consultation visit also includes safety and health program assessments and recommendations, and industrial hygiene sampling. Employers who utilize the consultation services to assist them in establishing and developing effective ongoing safety

and health programs often experience lower worker's compensations costs.

OSHA Consultation Activities					
Description	FY1998	FY1999	FY 2000	FY 2001	FY 2002
Initial Visits	665	663	625	632	544
Training & Assistance	16	15	46	65	62
Follow-up Visits	46	70	78	108	117
Totals	727	748	749	805	723
Identified Hazards					
Serious	3033	3526	3935	3859	3722
Other Than Serious	827	757	449	241	58
Totals	3860	4283	4384	4100	3780

The U.S. Department of Labor generates a site specific targeting list identifying those employers who have high lost workday injury and illness rates. The most recent list included 335 Oklahoma employers. The Department of Labor contacted each employer to ensure they were aware they were on OSHA's targeted inspection list and make ODOL consultation services available to them. The response to this outreach effort was tremendous. ODOL is finding that the time required to provide comprehensive consultation services is increasing due to the level of difficulty of the requests.

Boiler Inspections ODOL's Safety Standards Division provides initial and annual inspections of boilers and pressure vessels as required by statute. Last year, legislation moved inspection responsibility of pressure vessels on oil and gas lease sites from the Department of Labor to the Corporation Commission. Currently, 11,517 boilers and pressure vessels are registered in the state.

Overdue inspections Insurance companies, at their request, are certified as Authorized Inspection Agencies (AIA) and assume responsibility for conducting inspections on those boilers and pressure vessels the company insures. If the AIA fails to perform a required

inspection, the ODOL assumes the responsibility for conducting these inspections after they are over 90 days past due.

As of January 30, 2003, ODOL had 434 insured boilers and pressure vessels in 90-day overdue status. This is a significant decrease from last year's figure of 529 insured boilers and pressure vessels that were over 90 days overdue. Overdue status is a serious concern since a large number of boilers and pressure vessels are located in facilities where the public could be exposed to injury or death should an accident occur.

Industry practices exacerbate the problem of overdue AIA boilers and pressure vessels because one insurance company with an AIA certification is contracting with other insurance companies to conduct inspections. Historically, AIAs have not employed a sufficient number of inspectors to perform required inspections. AIA inspectors are also required to conduct fire investigations that reportedly take priority over boiler and pressure vessel inspections.

FY-2002 Boiler and Pressure Vessel Information	
	FY-2002
Number of Boilers/Pressure Vessels Inspected by ODOL	10,633
Number of Insured Boilers/Pressure Vessels 90 days overdue	529

Fees ODOL charges a fee for inspecting privately owned boilers and pressure vessels. The revenue is deposited into the state's General Revenue Fund instead of one of ODOL's revolving funds. ODOL must therefore rely upon appropriations to fund the operations of this division. For FY-2003, the estimated fee collection from boiler and pressure vessel inspections is \$333,000.

Recommendation This proposal reduces the Labor Department's FY-2004 appropriation an additional 3.5% (\$128,750). Agency travel funds are also reduced an additional 10% (\$10,680).

Oklahoma Department of Tourism & Recreation

The Department of Tourism has six major divisions.

Division of State Parks

The Division of State Parks maintains and operates public recreational facilities in state parks. These responsibilities include cabins, campsites, scenic trails, boating, bathing and other recreation facilities. The State currently has 50 parks located throughout Oklahoma. This division also operates the 2 State Lodges, Belle Starr and Lake View.

Division of Resorts

The Division of Resorts promotes, improves, equips and operates state-owned lodges and co-located cabins under the jurisdiction and control of the Commission. Statutorily, the State currently operates four resorts within its state parks: Western Hills, Lake Texoma, Lake Murray and Roman Nose.

Division of Golf

The Division of Golf promotes, improves, equips, and maintains state-owned golf courses. The State currently operates ten golf courses within its state parks: Arrowhead, Ft. Cobb, Fountainhead, Cedar Creek, Lake Murray, Roman Nose, Sequoyah, Lake Texoma, Grand Cherokee and Chickasaw Pointe.

Division of Travel and Tourism

The Division of Travel and Tourism develops information and marketing plans and programs designed to attract tourists to the state. The division also disseminates information concerning

the State's public and private attractions, lodges, parks and recreational facilities. As a part of this effort, the division produces the weekly program *Discover Oklahoma*.

The Travel and Tourism Division operates 12 Tourism Information Centers located at various points of entry into the State of Oklahoma.

This division also assists municipalities, public and private associations and organizations in the promotion of special events of local or historical interest and in the solicitation of conferences, meetings and conventions.

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

Oklahoma Today Magazine

The Division of Oklahoma Today Magazine produces the award-winning, bi-monthly regional magazine that educates Oklahomans and non-Oklahomans alike about the culture, heritage, history, people, environment, and attractions in Oklahoma. This official magazine of the State of Oklahoma has a paid circulation of about 43,000.

Division of Research and Development

The Division of Research and Development administers the federal Land and Water Conservation Fund (LWCF) and Recreation Trails Program (RTP) grants. Further, the division provides research and economic development assistance to communities.

Park Classification Tier Plan

A system-wide tiered Oklahoma State Park Classification Plan should be examined. This would serve to prioritize the Department's assets to better focus resources.

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

Premier parks are those located in geographic regions of the state that target major metropolitan areas. These parks maintain the greatest number of facilities and services. They serve the greatest number of citizens and guests.

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

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

Budget Recommendation

The FY-2004 appropriation is being reduced by an additional \$2,645,655 (10% more than the 6.5% shortfall experienced in FY-2003). All agency travel expenses are being reduced an additional 10% or \$29,199. The Tourism and Recreation Department currently has a debt service obligation to the OCIA for various parks and facilities. The annual payment for this is currently being renegotiated to achieve lower financing and the debt service payments for FY-2003 and FY-2004 will be reduced by \$257,775 and \$1,153,446 respectively.

To have greater flexibility within their agency, this budget recommends

considering the following items for statutory changes in the upcoming session.

In order to keep the parks operating and enhance their value to the public, the department should have the authority to:

- operate or not operate any of its facilities on an ongoing or seasonal basis;
- institute charges for services.

Oklahoma Capitol Complex and Centennial Commemoration Commission

The Commission coordinates the Centennial Celebrations throughout the State. They encourage and support participation in the Centennial Celebration in all geographical areas of the state and by all ethnic groups within the state. They also encourage projects that prepare Oklahomans for the state's promising future and for healthy, productive and fulfilling lives in a complex and competitive international environment.

State Capitol Dome

The State Capitol Dome was completed undertaken as a Centennial project, with the dedication of the new dome on Statehood Day, November 16, 2002. Although original plans of the State Capitol Building called for a dome, a number of circumstances deferred construction for more than 80 years. Private contributions paid for more than three-fourths of building costs and also helped fund the June 2002 dedication of The Guardian, the statue for the top of the dome, and the dome ribbon cutting ceremony on November 16, 2002.

Projects Master Plan

A master plan of statewide centennial projects, completed in December of 2000, details over 100 other proposals, including the following

- reconstruction of trail sites and museum expansions creating a historical corridor along the Chisholm Trail that spans the state from the northern to the southern borders
- bronze sculpture, more than 200 feet in length, depicting the State Land Rush on the canal in Oklahoma City's Bricktown
- Oklahoma Centennial International Expositions at Tulsa and Oklahoma City in 2007
- National Army Museum of the Southwest at Fort Sill providing access to existing historical military artifacts and aircraft and American Indian artifacts
- Native American Cultural Center reflecting Oklahoma's diverse heritage, background, and values and showcasing Native American arts
- A state-of-the-art drug and alcohol abuse treatment center, a part of the nationally recognized Betty Ford Center, that will provide in-patient and out-patient services to Oklahomans and their families and will offer Oklahoma professionals the latest in addiction and recovery training and education.

Budget Recommendation

Because of the current fiscal crisis, the agency's appropriation will be reduced by \$193,984. This will be achieved by reducing operating costs and the number of agency employees. All agency travel expenses are reduced by 10% or \$692.

Oklahoma Historical Society

The mission of the Oklahoma Historical Society is to preserve and perpetuate the history of Oklahoma and its people by collecting, interpreting and disseminating knowledge of Oklahoma and the Southwest.

Each of the State's 32 museums and sites operated by the OHS has an individual mission statement pertinent to the history it interprets.

The Oklahoma History Center

The Oklahoma Historical Society (OHS) will open a \$54 million history center in 2004. All exhibits will be in place for the Oklahoma centennial in 2007. The 195,000 square-foot facility will preserve the rich and colorful heritage of the state.

Currently, funding of \$32 million has been provided for the center. The facility includes:

- a state-of-the-art museum
- research center
- education programs
- historic preservation programs
- publications
- managing division for museums and historic sites.

Plans provide for a research library and archives featuring a large reading room and 60 microfilm or digital readers. It also includes storage for more than 5 million archival records, 2 million photographs, 6 thousand manuscript collections, 8 million feet of film footage and other documents of our State's heritage.

Display criteria required by the Smithsonian Institution in Washington D.C. will be met, allowing OHS to display Oklahoma treasures currently

exhibited or stored by the Smithsonian Institution.

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

The Historical Society is asking the State of Oklahoma for \$18 million towards the expenses of the History Center. The balance of \$7 million will come from other sources.

Budget Recommendation

This budget recommends \$18 million in FY-2004 in a bond issue for the completion of the History Center.

The Historical Society is also asking for funding for History Center operations. This will be the fifth phase in ramping up to \$1 million in operating expenses anticipated to run the History Center. Since the History Center is not yet complete, funding is not provided in this budget.

State History Center Estimated Costs:

Phase I & II Expenses:	\$(000s)
Building Construction Contract	\$32,600
Exhibit fabrication/installation	10,450
Site acquisition and clearance	4,100
Architectural fees	3,074
Furnishings	2,836
Landscape/parking	1,390
Exhibit design consultant fee	950
Red River Journey	736
Graphics	600
Warehousing expense	504
Moving expenses	200
Construction management	<u>170</u>
Total Expenses	<u>\$57,610</u>

Source: Oklahoma Historical Society

Budget Recommendations

All agency travel expenses are reduced by 10% or \$8,969. The Historical Society currently has a debt service obligation to the OCIA for the new State Museum. The annual payment for this is currently being renegotiated to achieve lower financing and the debt service payments for FY-2004 will be reduced by \$1,410,524. OHS will have a one-time reduction in FY-2004 of \$502,643. This includes a reduction in pass-throughs of 5%.

This proposal reduces the OHS appropriation for the following items:

- Reduce one times:
Chickasaw Trail Museum - \$70,000
Rogers State College - \$63,000
Higher Ed Museum - \$17,500
State Capitol Publishing Museum Roof - \$20,570
Governor's Bust - \$15,895
Total - \$186,965
- Reduce the balance of appropriation to pass-throughs by 5% - \$9,553
- Reduce the appropriations to the Tulsa Race Riot Memorial by \$306,125.

J. M. Davis Memorial Commission

The J.M. Davis Memorial Commission is the governing body that oversees the operations of the J.M. Davis Arms & Historical Museum located in Claremore. In FY-2002, approximately 33,000 people visited the museum including individuals and tour groups from all over the world.

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. His 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 thousand sq. ft. facility. In 1995, the name of the museum was changed from J. M. Davis Gun Museum to J. M. Davis Arms and Historical Museum.

A receptionist greets visitors as they enter the museum and provides a fact sheet with information about the life of Mr. Davis, history of the museum and the location of firearms and artifacts. A self-guided audio tour is available for a small fee. A computer is provided whereby visitors can check information pertaining to any firearm in the collection. Visitors have access to one of the largest firearms research libraries in the country. This year a firearms library was donated to the museum by Mr. Charles Suydam, which more than doubled the size of the present library.

Budget Recommendation

The agency will receive appropriations equal to the FY-2003 amount that includes a 6.5 % reduction. All agency travel expenses are reduced by 10% or \$139.

The Oklahoma Scenic Rivers Commission (OSRC)

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

The Commission is vested with the power to establish minimum standards

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

Will Rogers Memorial Commission

The Will Rogers Memorial at Claremore and the Will Rogers Birthplace Ranch on Oologah Lake a few miles north of Tulsa provide opportunities for disseminating vital information about Will Rogers, his philosophy, times and role in history.

The 17,941 sq. ft., ten-gallery museum was built of fossilized limestone quarried nearby. The museum was originally opened in 1938. In FY-2001, about 202 thousand people visited the museum. The museum site was originally purchased by Will Rogers in 1911, and was the planned site of his retirement home. Following his death, the land was donated by his widow and children along with large parts of the collection.

Exhibits at the museum follow the life of Oklahoma's famous son from his days as a rodeo trick roper, vaudeville and Ziegfeld Follies performer, movie star, radio commentator, newspaper columnist and more. There is a library that serves as offices for museum staff as well as an area for visiting scholars and writers doing research.

The archives include over 18 thousand photographs, thousands of original manuscripts, private letters, contracts and personal papers. The archives are housed in a subterranean vault with special humidity-temperature controls.

Budget Recommendations

The agency will receive appropriations equal to the FY-2003 amount that includes a 6.5 % reduction.

Department of Wildlife Conservation

In FY-2002, ODWC reported \$23.1 million total receipts, primarily from sales of licenses and federal payments.

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.

Lifetime Hunting & Fishing Licenses

Revenues from the sale of lifetime licenses are placed in a trust fund and the earnings from that fund are used for operations. Over the last three years, earnings on the lifetime fishing and hunting licenses have been about \$5.5 million, which has resulted in an approximate average return of 4.3 %.

	FY-2000	FY-2001	FY-2002
Lifetime Hunting	1,082	1,058	1,473
Lifetime Fishing	1,181	1,014	1,278
Lifetime Combination	2,891	2,988	3,958
Total	5,154	5,060	6,709

Source: Department of Wildlife Conservation

Recommendation

The revenue collected from the sale of lifetime licenses cannot be spent; only the interest or investment income may be expended by the Department of Wildlife Conservation. A Lifetime

license includes several hunting and/or fishing privileges. This replaces the need for the individual to purchase an annual license. Annual license sales make up approximately 60% of the Department's budget.

	Hunting	Fishing	Combo
Oklahoma	\$12.50	\$12.50	\$21.00
Texas	\$19.00	\$19.00	\$32.00
Kansas	\$19.75	\$19.75	\$38.50
Arkansas	\$10.50	\$10.50	\$35.50
New Mexico	\$28.00	\$17.50	\$40.50

Source: Department of Wildlife Conservation

Wildlife Management

ODWC manages the wildlife and 1.6 million acres (3.6 % of total state acreage) of public wildlife preserves. Private landowners (including farmers and ranchers) own most of the wildlife habitat and often suffer decreased income from their crops and grasslands being foraged or used for habitat by wildlife. The opportunities for hunting wildlife on these habitats decline as landowners use the land for agricultural purposes or other revenue producing purposes.

Fee hunting on private lands has shown there is a demand for higher quality hunts. It is important to encourage private landowners to provide quality habitat for wildlife.

**Funding Details for the Department of Tourism and Recreation:
Oklahoma State Park System, Golf Division and State Resorts Division**

Oklahoma State Park System

	Park Attendance	Park Revenue	State Subsidy	Total Park Expenditures	% of Self-Sufficiency
FY-2000	16,147,807	\$9,136,584	\$8,594,661	\$17,731,245	52.0%
FY-2001	15,124,642	\$9,881,191	\$9,716,070	\$19,597,261	50.0%
FY-2002	14,057,136	\$10,317,299	\$9,055,218	\$19,372,518	53.3%
FY-2003	14,127,657	\$10,306,534	\$10,195,977	\$20,502,511	50.3%

Oklahoma State Golf Division

	Golf Rounds	Golf Revenue	State Subsidy	Total Golf Expenditures	% of Self-Sufficiency
FY-2000	182,366	\$5,240,262	\$977,168	\$6,217,430	84.0%
FY-2001	174,589	\$4,810,849	\$1,427,588	\$6,238,437	77.0%
FY-2002	182,737	\$4,831,764	\$1,023,245	\$6,353,486	76.0%
FY-2003	165,533	\$4,676,828	\$951,725	\$586,079	80.0%

Oklahoma State Resorts Division

	Occupancy Rate	Resort Revenue	State Subsidy	Total Resort Expenditures	% of Self-Sufficiency
FY-2000	42.5%	\$8,589,943	\$1,464,327	\$10,054,260	85.4%
FY-2001	42.7%	\$8,562,741	\$996,757	\$9,559,498	89.6%
FY-2002	42.7%	\$8,144,361	\$674,002	\$8,818,363	92.4%
FY-2003	42.0%	\$8,520,605	\$85,183	\$8,605,788	94.5%

Source: Department of Tourism and Recreation

FY-2004 Executive Budget

Oklahoma State Park System
FY-2003 (Budgeted)

	A	B	C=B-D	D	E=B/D
Facility	Projected Attendance 2003	Projected Revenue FY-2003	Projected State Appropriation FY-2003	Projected Expenditures FY-2003	Level of Self-Sufficiency
Lake Murray	1,743,079	\$ 838,745	\$ 427,621	\$ 1,266,366	66%
Texoma	1,373,165	397,131	362,476	759,607	52%
Beavers Bend/Hochatown	1,082,915	2,038,900	340,372	2,379,272	86%
Lake Thunderbird	1,029,115	489,667	692,825	1,182,492	41%
Robbers Cave	948,012	1,048,504	182,149	1,230,653	85%
Fort Cobb	902,756	284,800	340,062	624,862	46%
Wister/Talimena	564,393	240,880	512,192	753,072	32%
Twin Bridges/Spring River	427,528	83,882	313,084	396,966	21%
Osage Hills/Wah-Sha-She	414,104	197,273	496,246	693,519	28%
Cherokee/Snowdale/Spavinaw	404,869	88,276	392,749	481,025	18%
Cherokee Landing/Adair	404,199	91,170	277,544	368,714	25%
Sequoyah/ Sequoyah Bay	477,017	352,033	683,218	1,035,251	34%
Okmulgee/Dripping Springs	329,027	154,062	316,052	470,114	33%
Tenkiller	320,980	578,291	460,488	1,038,779	56%
Honey Creek/Bernice	310,876	89,770	201,040	290,810	31%
Boiling Springs	302,889	117,000	257,581	374,581	31%
Keystone	301,048	646,782	194,899	841,681	77%
Foss	293,249	113,174	208,184	321,358	35%
Greenleaf	292,598	405,724	394,466	800,190	51%
Red Rock	243,646	89,000	190,709	279,709	32%
Fountainhead (Lake Eufaula)	239,297	166,005	411,317	577,322	29%
Arrowhead	226,676	90,540	324,459	414,999	22%
Great Salt Plains	209,849	115,350	221,530	336,880	34%
Roman Nose	201,741	148,000	335,506	483,506	31%
Walnut Creek	193,308	62,000	230,458	292,458	21%
Great Plains	159,546	52,109	140,148	192,257	27%
Sallisaw/Brushy Creek	138,835	34,650	172,746	207,396	17%
McGee Creek	135,212	206,558	307,606	514,164	40%
Little Sahara	105,170	709,868	(98,190)	611,678	116%
Heavner-Runestone	97,711	26,760	101,572	128,332	21%
Boggy Depot	79,160	16,400	106,216	122,616	13%
Natural Falls/Lake Eucha	59,713	106,875	286,018	392,893	27%
Black Mesa	50,110	46,355	87,239	133,594	35%
Beaver	38,555	10,000	76,364	86,364	12%
Alabaster	27,309	170,000	148,810	318,810	53%
Crowder Lake*	NA	0	14,709	14,709	0%
Hugo/Raymond/Clayton*	NA	0	85,512	85,512	0%
Parks Total	14,127,657	\$ 10,306,534	\$ 10,195,977	\$ 20,502,511	50%

Source: Department of Tourism and Recreation

Note: Park facilities have been combined for reporting purposes due to the "podding" of management.

*These park facilities are managed privately by Little Dixie Community Action Agency.

**Oklahoma State Golf Course System
FY-2003 (Budgeted)**

Facility	Projected Rounds	Projected Revenue FY-2003	Projected State Appropriation FY-2003	Projected Expenditures FY-2003	Level of Self-Sufficiency
Golf Administration	0	\$ -	\$ 93,023	\$ 252,867	0%
Arrowhead	20,818	456,052	32,143	460,978	99%
Ft. Cobb	13,622	414,471	32,143	404,835	102%
Fountainhead	21,341	437,523	32,143	507,736	86%
Cedar Creek	11,036	293,482	32,143	424,764	69%
Lake Murray	18,621	459,098	32,143	488,314	94%
Roman Nose	10,710	340,724	32,143	437,928	78%
Sequoyah	13,533	331,650	32,143	400,744	83%
Lake Texoma	26,734	656,397	32,143	564,104	116%
Grand Cherokee	13,073	347,077	31,243	396,546	88%
Chickasaw Pointe	16,045	940,354	31,337	944,816	100%
OClA Bond Payments			538,978	576,447	
FY-2003 Total	165,533	\$ 4,676,828	\$ 951,725	\$ 5,860,079	80%

**Oklahoma State Resorts
FY-2003 (Budgeted)**

Facility	Projected Occupancy	Projected Revenue FY-2003	Projected State Appropriation FY-2003	Projected Expenditures FY-2003	Level of Self-Sufficiency
Western Hills	34.1%	\$ 1,065,625	\$ 175,430	\$ 1,241,055	86%
Lake Texoma	40.9%	2,552,934	142,132	2,695,066	95%
Lake Murray	47.3%	2,578,091	(296,529)	2,281,562	100%
Roman Nose	45.7%	2,323,955	64,150	2,388,105	97%
FY-2003 Total	42.0%	\$ 8,520,605	\$ 85,183	\$ 8,605,788	95%

Education

Elementary and Secondary Education

Higher Education

Career and Technology Education

Arts Council

Oklahoma Educational Television Authority

Libraries Department

Board of Private Vocational Schools

School of Science and Mathematics

Teacher Preparation Commission

Elementary and Secondary Education

The vision of the Oklahoma State Department of Education is to help Oklahoma children reach their highest potential by promoting rigorous academic standards and superior instruction. The agency's educational leadership to school districts and educators is a key component in Oklahoma's improved quality of life and economic success.

Even though the State is in the midst of a severe funding crisis, Governor Henry's budget provides additional funds to education.

The No Child Left Behind Act

The No Child Left Behind Act (NCLB) seeks to improve the performance of America's elementary and secondary schools.

The NCLB legislation incorporates the principles and strategies of:

- Increased accountability for states, school districts and schools
- Greater choice for parents and students, particularly those attending low-performing schools
- Flexibility for states and local educational agencies (LEAs) in using federal education dollars
- Stronger emphasis on reading, especially for our youngest children.

Testing

The law expands the federal government's role in education to require state-administered reading and math tests in grades three through

eight. Some of the testing must begin within two years.

The assessments must include the participation of all students, including those with disabilities and limited proficiency in English. The testing process must produce individual student reports and itemized score analyses.

The state testing system must do the following:

- Align with state standards
- Fairly and rationally evaluate schools across the state
- Give parents and teachers useful information on the annual progress of their children.

Literacy training for teachers

NCLB provides Oklahoma with a unique opportunity to accelerate literacy training of faculty and principals. Oklahoma's literacy program needs only minor changes to meet the federal standards.

Education Reform

1999 legislation called for implementation of additional reforms when Oklahoma reached 90% of the regional average in per-pupil expenditures for the 1998-1999 school year. Oklahoma was at 94.8%; so FY-2004 is the year for implementation.

The legislation explicitly states that these reforms will be implemented only if funds are available. Reforms are:

- Academic performance awards
- Continuing math education for teachers
- Education Leadership Oklahoma bonus increase

- Full-day kindergarten
- Mathematics remediation
- Summer academies
- Before and after school programs
- Alternative education
- Increase school counselors

Revenue shortfalls will prevent funding of these reforms except for Education Leadership Oklahoma.

Quality Teachers

The goal is to improve student learning by strengthening teaching.

Education Leadership Oklahoma (ELO)

ELO is Oklahoma's program to reward outstanding teachers who receive national certification. The goal of the National Board for Professional Teaching Standards (NBPTS) is to improve student learning by strengthening teaching.

Oklahoma encourages and supports teachers pursuing Board certification in two ways. The Commission on Teacher Preparation pays \$2,500 per applicant for the application fee of \$2,300 and a stipend of \$200 for materials. This is paid whether or not the teacher completes the requirements and passes the certification test.

Currently, the State pays a \$5,000 bonus to National Board certified teachers. For FY-2004, that amount increases to \$7,000.

There are 632 National Board certified teachers in Oklahoma which places it eighth in the nation. An additional 73 teachers are estimated to achieve certification in FY-2004.

Successful Students

Total student population has not changed much in the last few years. The change in unweighted average daily membership was flat from FY-2001 to FY-2002; however, the increase from FY-2002 to FY-2003 is 4,622 students or 0.7%. At the elementary lever, it is the grade composition that has changed. The addition of four-year olds to the school system has prevented a decline in elementary student population.

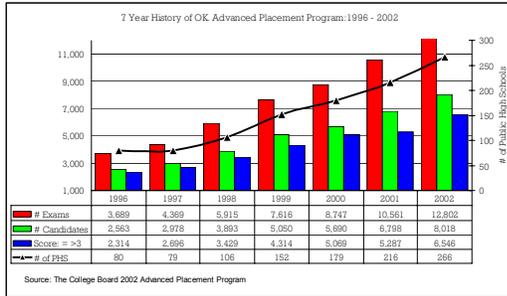
Generally, elementary schools are adding classes for four-year old students as space and teachers are made available by decreases in other classes.

	FY-1999	FY-2000	FY-2001	FY-2002	FY-2003**
Early Childhood (Half Day)	10,524.01	13,445.37	14,401.79	14,571.35	15,036.94
Early Childhood (Full Day)	<u>5,935.00</u>	<u>7,787.28</u>	<u>8,715.33</u>	<u>10,198.94</u>	<u>11,595.17</u>
Sub-total Early Childhood	16,459.01	21,232.65	23,117.12	24,770.29	26,632.11
Kindergarten (Half Day)	<u>44,016.24</u>	<u>42,354.12</u>	<u>41,777.74</u>	25,597.88	24,744.44
Kindergarten (Full Day)				<u>16,263.57</u>	<u>18,467.68</u>
Subtotal Kindergarten	44,016.24	42,354.12	41,777.74	41,861.45	43,212.12
Grade 1	54,052.19	52,780.14	51,458.31	50,535.85	50,073.74
Grade 2	47,479.70	47,186.04	45,633.72	44,963.13	44,227.60
Grade 3	47,274.49	47,113.71	46,952.42	45,409.94	44,670.33
Grade 4	46,710.25	47,028.33	46,986.92	47,094.40	45,474.80
Grade 5	46,182.72	46,644.34	47,065.32	46,977.45	47,195.69
Grade 6	46,546.13	46,051.64	46,510.72	47,202.87	47,256.37
Grade 7	47,561.40	46,347.26	46,055.06	46,768.86	47,564.43
Grade 8	47,718.61	47,291.62	46,012.64	45,724.57	46,598.47
Grade 9	49,329.61	48,976.54	48,597.72	47,806.50	48,763.54
Grade 10	46,205.46	45,258.25	44,832.28	44,589.74	45,215.82
Grade 11	41,801.51	41,267.31	40,185.97	40,340.14	41,867.06
Grade 12	38,180.79	39,219.19	38,708.18	37,941.93	38,544.64
Not Graded	2,839.40	2,754.71	3,175.48	3,127.04	2,467.98
OHP 1 (Out of Home Placem	1,415.38	1,453.23	1,597.93	1,742.55	1,711.36
OHP 2 (Out of Home Placem	34.07	41.59	30.73	32.94	32.59
OHP 3 (Out of Home Placem	7.80	7.64	7.83	7.51	7.95
OHP 4 (Out of Home Placem	<u>28.18</u>	<u>36.77</u>	<u>25.30</u>	<u>23.39</u>	<u>26.01</u>
Subtotal Grade 1 thru OHP	<u>563,367.69</u>	<u>559,458.31</u>	<u>553,836.53</u>	<u>550,288.81</u>	<u>551,698.38</u>
Total Ungrade ADM	<u>623,842.94</u>	<u>623,045.08</u>	<u>618,731.39</u>	<u>616,920.55</u>	<u>621,542.61</u>

Note: Weights are addressed in OS Supp 1999, 70, 180-201.1
Source: State Department of Education

The Advanced Placement (AP) Program

The AP program is an opportunity for students to pursue college-level studies while still in high school and to receive advanced placement, credit or both, in college. 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.



High School Graduation Rates

Oklahoma's graduation rates are above the national average for all racial and ethnic groups.

	Native American	Asian	Hispanic	African-American	White	Total
National & DC	57%	79%	53%	55%	76%	69%
Oklahoma	68%	90%	INS	64%	78%	74%
Count	17	23	22	31	37	50
Oklahoma's Ranking	3	4	N/A	5	15	22

Source: Manhattan Institute, 2000 Graduation Study

Office of Accountability

Oklahoma Indicators Program

The Office of Accountability provides narrative and statistical reports regarding the performance of the state's public schools to the people of Oklahoma, as required by the Oklahoma Educational Reform Act and the Oklahoma School Testing Program Act.

It implements the Oklahoma Indicators Program by assessing and reporting on the performance of public schools and school districts. These 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.

School performance review

A school performance review evaluates the management and fiscal

performance of local school districts statewide. The bottom line 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 this program be directed into additional funding of classroom services. Texas has had this program in place for ten years with two other states working in the development phases. Texas reports that 90% of all recommendations are implemented by school districts and that an average of \$70 of savings is returned to schools for every dollar spent on the program. Other benefits include increases in standardized test scores as a result of more efficient and effective school operation.

Legislation passed in 2001 calls for the Office of Accountability to administer a school performance review program. Implementation of this program has been delayed. This budget transfers \$200,000 to the Special Cash Fund. Adequate funds remain to perform one or two audits.

FY-2004 Appropriation Recommendation

FY-2003 appropriation after shortfall		1,881,940,896
Supplemental to state aid	25,486,165	
Ad Valorem Reimbursement	<u>14,353,724</u>	
Total supplemental		<u>39,839,889</u>
Net FY-2003 appropriation		1,921,780,785
FY-2003 appropriation base		1,881,940,896
Annualize state aid supplemental	25,486,165	
Increase state aid	5,000,000	
Adult education match	100,000	
National Board teachers \$2,000 increase	1,474,000	
National Board teachers eligibility increase	1,365,000	
Flexible benefit - certified staff	15,210,000	
Flexible benefit - support staff	20,276,000	
School lunch match	128,032	
Student testing	113,554	
Travel	(116,140)	
Administration	<u>(102,122)</u>	
Adjustments		<u>68,934,489</u>
FY-2004 appropriation		1,950,875,385

FY-2003 supplementals

This budget proposes an additional FY-2003 appropriation for education of \$25.5 million. The shortfall in the

Education Reform Revolving Fund (1017 Fund) is greater than in the General Revenue Fund and other appropriated revenue sources. Because of this, total appropriations to education are \$25.5 million less than the 6.5% cut experienced by other agencies. This budget proposes putting education on the same footing with the other agencies by appropriating additional funds. The following two tables show the calculation of this amount.

FY-2003 Dept. of Education Appropriations				
	FY-03 Original Appropriation	FY-03 Revised Appropriation	Original Minus Revised	6.5% cut on all funds
FY-2003 GR	\$ 1,516,444,726	\$ 1,417,875,819	\$ 98,568,907	\$ 98,568,907
Mineral Leasing	3,002,195	3,002,195	-	195,143
Technology Fund	22,317,261	22,317,261	-	1,450,622
Rainy Day	36,876,086	36,876,086	-	2,396,946
1017	461,388,673	401,869,534	59,519,139	29,990,264
	\$ 2,040,028,941	\$ 1,881,940,895	\$ 158,088,046	\$ 132,601,881

FY-2003 Appropriations Normalized	
Total shortfall for FY-2003	\$ 158,088,046
6.5% shortfall	132,601,881
Amount to Normalize at 6.5%	\$ 25,486,165

The Ad Valorem Reimbursement Fund

Under current law expanding companies receive a 5-year manufacturing exemption from ad valorem taxes. The State pays local governments and schools an amount equal to the lost ad valorem taxes on the improved value of the property. These anticipated revenues are included in the school formula calculations that determine the amount of state aid that goes to each school district. For FY-2003, the Ad Valorem Reimbursement Fund is expected to be short of satisfying these obligations to the school districts by \$14.4 million and by \$2.7 million to *CareerTech*. This budget proposes adding these amounts back to the budgets of education and *CareerTech*.

The total new funds budgeted for education for FY-2003 are \$39.8 million.

FY-2004 appropriations

This budget includes the following appropriation adjustments:

- Annualize the FY-2003 state aid supplement (\$25.5 million)
- Increase state aid (\$5 million)
- Match federal funds for adult education (\$100,000) and school lunch (\$128,032)
- National Board Certified teachers' bonus increase (\$1.5 million)
- Increased number of eligible National Board Certified (\$1.4 million)
- The percentage of flexible benefits paid by state appropriations for certified and support staff will remain at the FY-2003 level. The increase annualizes the partial year funding in FY-2003 and allows for a rate increase (\$37.5 million)
- Student testing cost increases (\$113,554)
- Travel and administrative expenses reduction (\$218,262)
- \$200,000 from the school performance review fund is transferred to the Special Cash Fund

The total additional funds budgeted for education in FY-2004 are \$68.9 million.

Higher Education

The mission of the Oklahoma State Regents for Higher Education is to build a nationally competitive system of higher education that will provide educational programs and services universally recognized for excellence, expand frontiers of knowledge, and enhance quality of life.

The State Regents, chancellor, and state higher education leaders will promote excellence in instruction, public service, and research.

Brain Gain 2010

Brain Gain 2010 is the State Regents plan to increase the number of Oklahomans who hold a college degree by strengthening academic and financial preparation for college. The initiative outlines strategies to develop one of Oklahoma's most treasured resources – intellectual capital.

The strategies are

- Increase the number of Oklahomans earning a college degree
- Keep more Oklahoma college graduates in Oklahoma
- Attract college degree holders from outside the state

Increase in number of degree holders

The State Regents are moving aggressively to increase educational attainment in Oklahoma by doubling the expected growth rate of degree holders by 2010.

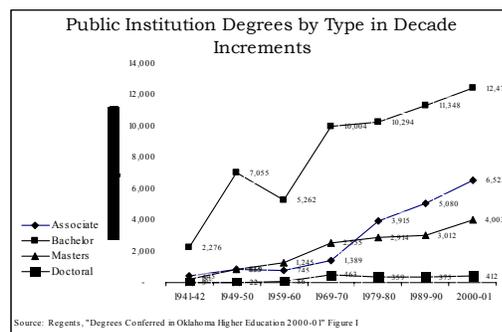
	Oklahoma	U.S. Avg.	US 2010 Est	Oklahoma Goal
Associate (2001)	5.8%	6.5%	6.5%	7.0%
Bachelors or higher (2001)	20.4%	25.1%	27.5%	28.0%

Source: Regents, "Report Card on Oklahoma Higher Education 2002"

The *Report Card on Oklahoma Higher Education* chronicles the state's progress while providing comparative national figures in areas such as preparation, participation, student affordability, completion, benefits, resources and funding. This critical evaluation is an important step towards building a nationally competitive system of higher education.

In order to increase the number of degree holders, individuals must be prepared to enter higher education, must actually enter, stick with their educational program, and ultimately receive their degree.

College graduation rates of full-time students continue to improve. Six-year graduation rates of entering freshmen at the colleges and universities continue to improve; however, Oklahoma lags significantly behind the nation. It is the mission of Brain Gain 2010 to improve Oklahoma's higher education degree rate.



College going rate

Oklahoma students are attending college and they are doing so immediately after graduating from high school. 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.

	FY-1999	FY-2000	FY-2001	3-Yr Avg.
Oklahoma County	56.9%	57.8%	57.8%	56.5%
Tulsa County	58.1%	55.7%	56.0%	56.0%
Highest county	70.2%	79.7%	70.2%	
Lowest county	25.0%	18.7%	25.0%	
State avg.	56.8%	55.1%	56.8%	56.2%

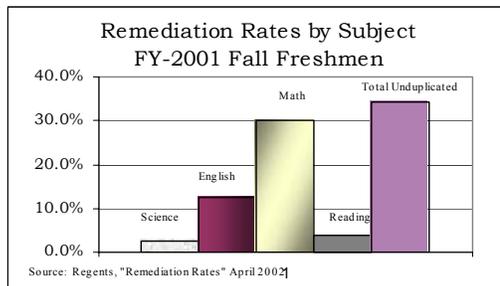
Source: Regents "High School Indicators Project: High School to College-Going Rates, February 2002"

Students are staying in Oklahoma to attend college. Ninety percent of the first-time freshmen at state institutions were from Oklahoma.

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% attending college. The economic downturn may contribute to non-traditional students returning to college to increase job skills.

Remediation rate

Adequately or well-prepared students do not require remediation. Remediation required by students right out of high school highlights deficiencies in high school preparation. Math continues to be the dominate deficiency area.



Progress is being made. The diminishing remediation rates are encouraging since the rates are declining for first time freshman.

Fiscal Year	FY-1998	FY-1999	FY-2000	FY-2001
Percentage	39.9%	40.6%	37.2%	34.1%

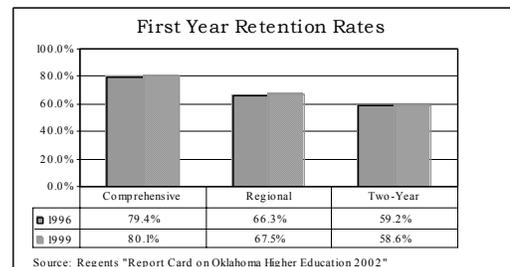
Source: Regents "Annual Remediation Report" April 2002

Cost is another consideration. Both the system and the student bear a higher cost. The system is repeating the teaching of material that was already paid for at the high school level. The student has to pay higher fees for remedial courses. The additional remedial cost is lower at the community colleges where most remedial courses are taken. The following table shows the cost per credit hour in addition to the regular tuition costs.

Institution Type	Additional Cost
Comprehensive	\$24/hour
Regional	\$20/hour
Community	\$13/hour
Technical	\$18.50/hour

Retention rates

Persistence towards the college degree is crucial. Students are returning for their sophomore year after successful completion of their freshman year.



Oklahoma graduation rates lag considerably behind the national rates especially at the regional and two-year institutions.

	Oklahoma	Nation
Comprehensive Universities (6-years)	51.6%	55.1%
Regional Universities (6-years)	31.3%	45.5%
Two-Year Colleges (3-years)	19.6%	31.6%

Note: 3 & 6 years are length of time within which students graduate

Source: "Report Card on Oklahoma Higher Education 2002"

Keep graduates in Oklahoma and attract out-of-state graduates

With retention and graduation rates increasing, the next goal is to keep Oklahoma graduates in Oklahoma. 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.

Tuition

Two years ago, the legislature gave the Regents the authority to set resident tuition, nonresident tuition, and other fees within limits.

Higher education tuition fees in Oklahoma are among the lowest in the nation. Fees at all levels have increased for the current academic year; however, tuition fees in Oklahoma's comprehensive and regional universities would have to be increased more than 30% to reach the regional average. An overall 1% increase in tuition rates would increase funds available to the colleges and universities by \$2.3 million.

	Resident Tuition		% Increase to Reach Ave.	Nonresident Tuition		% Increase to Reach Ave.
	OK	Comparisons*		OK	Comparisons*	
OU & OSU	3,206	4,209	31.3%	8,355	12,665	51.6%
4-Year Institutions	2,377	3,197	34.5%	5,530	8,101	46.5%
2-Year Institutions	1,613	1,843	14.3%	4,019	3,529	-12.2%

* OU & OSU compared to Big 12 states; 2 and 4 year compared to Big 12 & regional states

Source: Washington Higher Education Coordinating Board 2002-2003 Tuition and Fee Rates: A National Comparison, December 2002

This budget proposes that the legislature give the Regents of the comprehensive universities (OU and OSU) the authority to set their own tuition and fees up to the average of

the Big 12 universities. The regional or four year universities will be able to set their own tuition and fees up to the regional average. The community or two year colleges will be allowed to set their tuition and fees up to 125% of the regional average.

Scholarships and Grants

The Task Force on State Scholarship and Student Aid Grant Programs has released an evaluation of the student aid programs with recommendations.

OHLAP

The Oklahoma Higher Learning Access Program (OHLAP) was singled out as both a means tested and an ability oriented program that should be expanded. It effectively encourages high school students to prepare for college and eventually earn college degrees. The above average college-going rates of OHLAP students indicate that OHLAP is expanding college access to more Oklahoma students

Six years of data has shown that OHLAP has the potential to increase the number of Oklahoma students pursuing higher education and ultimately earning college degrees. Compared to Oklahoma's current student population, data has shown consistently that OHLAP students:

- Earn higher-than-average high school GPA's
- Earn higher-than-average ACT scores
- Have higher college-going rates
- Generally require less remediation in college
- Enroll full-time in college at higher-than-average rates
- Persist in college at high rates

- Are initially completing college degrees at a higher-than-average rate

This budget recommends \$5.6 million in increased appropriations to support the growth in OHLAP scholarships and recommended increases in tuition rates for FY-2004.

College Savings Plan

The Oklahoma College Savings Plan offers families with early planning to fund a college education. There are several advantages:

- Earnings are tax free if used for educational purposes
- Students may go to the post-secondary institution of their choice in Oklahoma or in other states.
- Oklahoma residents are eligible for up to a \$2,500 state income tax deduction annually

Endowed Chairs

Endowments provide opportunity for excellence over and above the annual funding allowed by state appropriation. Appropriations for endowments since 1989 have totaled over \$140 million.

Annual budgeted allocations decreased in FY-2003 from the previous years' \$11 million budget to \$9.5 million due to the state's revenue shortfall. The FY-2001 supplemental was in addition to the \$11 million that year.

Fiscal Year Allocated	Amount \$ millions
FY-2000	11.0
FY-2001 (including supplemental)	20.0
FY-2002	11.0
FY-2003	<u>9.5</u>
	51.5

Source: Regents & OSF appropriations summaries

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. Regents' data indicates that more than \$44 million of private donations are unmatched. In the current budget situation, alternative sources of funding will have to be identified to fund the State's share of the match in this important program.

	\$millions
Private contribution	184.3
State matched	<u>140.3</u>
Total funded	324.6
Balance of unmatched private contributions	44.0

Source: Regents

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 and about 80% of the public schools.

OneNet's success as a public/private partnership results in state appropriation directly paying only about 24% of the annual cost.

OneNet Funding FY-2003	
State Appropriations*	\$ 3,949,895
Higher Ed. Institutions User Fees	2,067,440
Federal (E-Rate) Reimbursements	1,790,114
OK Universal Service Funds	868,154
Customer Revenue (non-E-rate)	5,553,166
Investment Income	50,000
Grants (OUSF, ODL, Vision)	1,271,190
Tower Lease Revenue	53,000
Gig-E Circuit Revenue	250,000
Administrative Overhead/other	333,850
Research Match Internet II Grant	<u>329,250</u>
	\$ 16,516,059

*This is after budget shortfall reduction. Original was \$4,221,280.
Source: Regents 10/23/2002

FY-2004 Appropriation Recommendation

FY-2003 appropriation base	801,772,775
Travel	(4,253,591)
Administration	(50,000)
Annualize 6.5% cut	(5,848,780)
Debt service reduction	(1,939,470)
OHLAP	<u>5,633,500</u>
Adjustments	<u>(6,458,341)</u>
FY-2004 appropriation	795,314,434

FY-2003 appropriations after revenue shortfall are the base for FY-2004 appropriations calculations.

- Travel expenses reduced 10% for the portion of travel paid by state appropriations (\$4.3 million)
- The Oklahoma Tuition Scholarship Fund and the Higher Education Capital Fund are funded by gross production tax revenue. Reducing appropriations by \$5.8 million equalizes funding reduction from General Revenue and puts Higher Education at the same 6.5% reduction in appropriation level that other state agencies experienced in FY-2003
- It is estimated that a 10% across the board tuition increase would generate \$23 million in additional revenues for higher education

- The \$5.6 million OHLAP increase funds both the increase in numbers of qualified students and the increase in tuition rates

FY-2004 recommended appropriation is \$795,314,434.

Career and Technology Education

The mission of Oklahoma's *CareerTech* system is to prepare Oklahomans to succeed in the workplace.

The department provides leadership, resources and assures standards of excellence for a comprehensive statewide system of career and technology education. The *CareerTech* system offers programs and services in 29 technology center districts operating through 54 campuses, 400 comprehensive school districts, 25 skill centers and 3 juvenile facilities.

Oklahoma's highly acclaimed career and technology education system offers a variety of services and educational opportunities for a wide variety of Oklahomans. The clients served range from junior high school students to senior citizens.

Comprehensive Schools

These programs permit high school students to learn skills in a hands-on environment. Students enrolled in their local high schools have the opportunity to take career and technology courses concurrently with their regular academic coursework.

CareerTech supplements the funding of these classes. This supplemental funding is in addition to the usual funding support provided by the high school.

The detail in the following chart shows program and student costs. Note that these enrollment figures are based on enrollment through January 24, 2003.

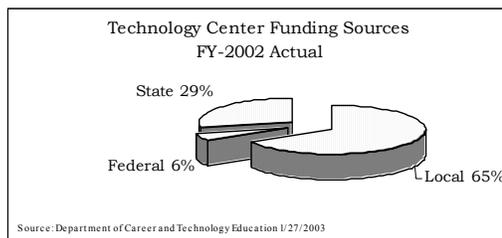
	Total Students	Student FTE*	Total Cost	Avg. Cost per Student	Avg. Cost per FTE
Agricultural Education	24,426	25,129	\$ 6,099,210	\$ 250	\$ 243
Business and Information Technology	14,162	13,960	1,200,137	85	86
Family and Consumer Sciences	36,201	29,653	2,703,540	75	91
Health Occupations Education	761	673	56,435	74	84
Marketing Education	4,147	4,700	356,530	86	76
Technology Education	23,211	15,686	1,777,475	77	113
Trade & Industry Education	5,685	6,809	639,015	112	94
Total	108,593	96,610	\$ 12,832,342	\$ 118	\$ 133

*One student FTE is equivalent to one student for a single class for a full academic year.
Source: CareerTech 1/27/2003

Technology Centers

The technology centers provide training for both high school students and adults. Technology centers located throughout the state reach virtually all of the citizens.

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

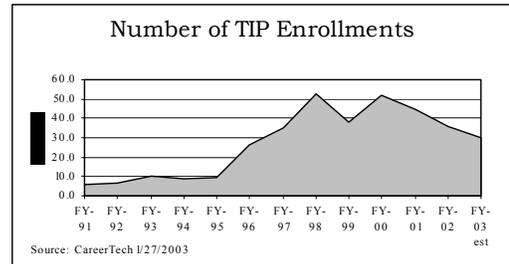


Business and Industry Training

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.

Training for Industry Program (TIP)

Qualifying companies can count on having a productive workforce - at no cost to the company - by taking advantage of TIP. This program has been a successful business recruiting tool; however, the current economic slowdown has affected the demand for training by businesses.



The demand for this program will accelerate over the coming fiscal year. This budget recommends a FY-2003 supplemental appropriation of \$1 million to meet the expected increased demand for training under new training contracts. FY-2004 TIP funding is recommended to increase by \$1.2 million above the original FY-2003 appropriation which brings the total appropriated funds to \$5 million.

Existing Industry Training

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

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

Skills Centers

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

The school system operates 25 sites. Over the past 5 years the skills centers have produced 3,454 graduates with a training related job placement rate of 67.3%. The following table provides information on the number of students and where they are served.

CareerTech Skills Centers Students Served FY-2002	
State prisons	1,294
Private prisons	241
Juvenile centers	106
Community corrections	<u>384</u>
Total	2,025

Source: CareerTech 1/27/2003

Private Vocational Schools will merge with *CareerTech*. *CareerTech* will assume all the functions of the Board of Private Vocational Schools.

FY-2004 Appropriation Recommendation

FY-2003 appropriation after shortfall		122,668,883
TIP supplemental	1,000,000	
Ad Valorem Reimbursement	<u>2,735,868</u>	
Total supplementals		<u>3,735,868</u>
Net FY-2003 appropriation		126,404,751
FY-2003 appropriation base		122,668,883
Travel	(59,280)	
TIP added to base	1,200,000	
Existing industry training	2,000,000	
Administrative costs	(50,000)	
Debt service reduction	<u>(220,395)</u>	
Adjustments		<u>2,870,325</u>
FY-2004 appropriation		125,539,208

FY-2003 supplementals

- FY-2003 TIP supplemental is \$1 million. It is not part of the FY-2003 base.
- The Ad Valorem Reimbursement Fund will have a FY-2003 shortfall. The schools portion is \$2,735,868.

FY-2004 appropriations

FY-2003 appropriations after revenue shortfall are the base for FY-2004 appropriations calculations.

- Travel expenses are reduced 10% for the portion of travel expenses paid by state appropriations (\$59,280)
- TIP appropriation base increases by \$1.2 million for a total of \$5.0 million in the base
- Existing industries appropriation base increases \$2.0 million
- Administrative costs are reduced \$50,000
- Debt service costs are reduced \$220,395

FY-2004 recommended appropriation is \$125,539,208.

Arts Council

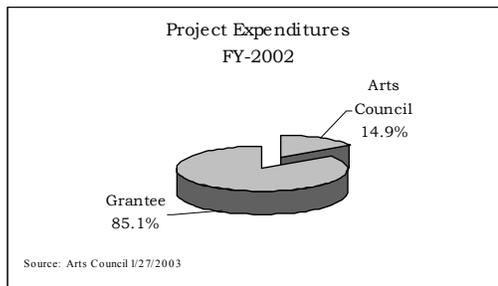
The Arts Council's mission is to nurture and support a thriving arts environment which is essential to the quality of life of all Oklahomans. It provides assistance for arts activities statewide. Funding is provided by the National Endowment for the Arts and the State of Oklahoma.

The Arts Council is primarily a grant making entity.

	FY-2002		FY-2003	
Direct grants costs	3,351,430	80.3%	3,097,777	76.7%
Indirect grants costs	342,270	8.2%	427,805	10.6%
Administration	<u>478,756</u>	11.5%	<u>512,200</u>	12.7%
	4,172,456		4,037,782	

Source: Arts Council 1/27/2003

The Arts Council awards matching grants to nonreligious, nonprofit, tax exempt 501(c)(3) organizations, agencies of government, sovereign Indian nations, public libraries, colleges and universities. All grants awarded must be matched by the grantee. Last year, the average match was \$5.73 to every dollar granted. During FY-2002, the Arts Council administered 1,342 grants to 581 organizations in communities across Oklahoma.



The Oklahoma Arts Council's financial assistance is granted through 15 categories concentrated in three program areas: Community Programs, Outreach and Arts Education. The following are examples from 3 of these programs.

The Local Government Challenge Grant program initiated in FY-2000 has granted nearly \$400,000 to 35 communities from Cherokee and Broken Bow to Eldorado and Gene Autry. Local governments receiving these grants are committed to using the arts to improve their communities by allocating up to \$5,000 in local tax revenues to meet this challenge grant.

The Arts in Alternative Education program is designed to help "at risk" students develop a positive work ethic, improve communication skills and increase understanding of ideas in other core curriculum areas. Through the arts, these students improve their problem solving skills and feelings of self worth. In FY-2002, grants up to \$4,000 were awarded to 52 alternative education sites serving more than 3,111 students.

The Artists-in-Residence education program brings professional artists to the classroom to provide instruction in creative writing, dance, music, theatre and traditional and visual arts. Residency activities compliment other curricular areas including math, science and reading. In FY-2002 this program involved more than 45,000 children in 155 school sites.

FY-2004 Appropriation Recommendation

FY-2003 appropriations after revenue shortfall are base for FY-2004 appropriations calculations.

- Travel expenses are reduced 10% for the portion of travel paid by state appropriations (\$1,955)

FY-2004 recommended appropriation is \$4,035,827.

Oklahoma Educational Television Authority (OETA)

OETA is a federally licensed and regulated agency which operates non-commercial educational television, associated microwave and channels assigned by the Federal Communications Commission (FCC). Full-powered analog television stations operate in Oklahoma City, Tulsa, Eufaula and Cheyenne with translators

extending service to the remainder of the state.

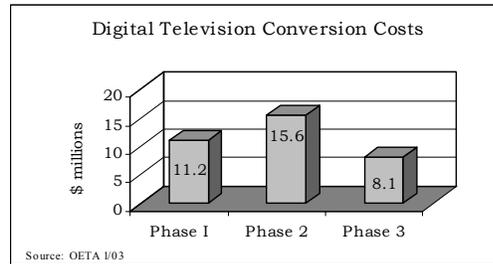
Conversion to Digital Transmission

Beginning May, 2003, the four major service areas will have digital coverage serving a population of 2.6 million. Initial digital operations must duplicate not less than 50% of the current analog broadcast hours. Effectively, this requires eight broadcast hours daily. The FCC has still not mandated how digital service will be transmitted to the areas currently served by analog translators.

Analog service will continue for the entire state for the foreseeable future. The FCC requires continued analog service until 85% of the households in a coverage area are able to receive a digital signal. OETA estimates that this transition may take up to 10 years; however, other alternatives will be reviewed by the Office of State Finance. During this time, signals must be transmitted by both means and equipment must be maintained for both.

The estimated cost of the second phase of the conversion is \$15.6 million. This cost includes replacement of the four analog transmitters in the primary service areas as well as true digital conversion costs.

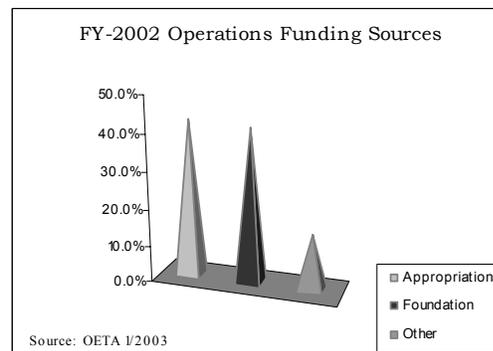
The final phase deals with the conversion of translators in the areas outside the range of the four full service transmitters. The FCC regulations governing this phase have not been determined; so the cost is estimated.



Operations Funding

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

The current budget shortfall places operational pressure on OETA since it must continue to maintain the current analog system, is constructing a new digital system, and will soon begin digital broadcasting.



OETA Foundation

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

FY-2004 Appropriation Recommendation

FY-2003 appropriations after revenue shortfall are the base for FY-2004 appropriations calculations.

- Travel expenses are reduced 10% for portion of travel paid by state appropriations (\$308).

FY-2004 recommended appropriations are \$3,498,270.

Oklahoma Department of Libraries

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

Through a combination of traditional print and online web services, the Department of Libraries provides convenient public access to state publications and information. It also retains 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*.

Legal and reference services

The Department of Libraries fulfills two of Oklahoma's earliest government functions. In 1890, the First Legislature of the Territory of Oklahoma created a library to provide legal and legislative reference services. This mission continues today through the Jan Eric Cartwright Memorial Library in the State Capitol. In 1893, the territorial library became an official depository for federal government publications. Today the Libraries' U.S. Government Information division provides citizens access to federal

information in both print and electronic formats.

Services to local libraries

Local libraries are served through formulation of standards, consultant services and continuing education for public library staff and trustees. A formal librarian certification program keeps Oklahoma's public librarians up to date with important trends and tools of their profession. Trained staff in public libraries means better service for library users and better management of taxpayers' dollars. Quality library service is a basic community infrastructure need.

Statewide information database services contract for statewide licenses to subscription databases. Clients served include 205 public libraries, 1,100 school libraries, 68 academic libraries and 110 special libraries.

Literacy program

The Libraries' 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 functions by:

- Providing services through grants
- Coordinating publicity, training, and development efforts
- Cooperating 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.

Literacy Resources Office Services			
Client	FY-2002	FY-2003 budgeted	FY-2004 estimated
Children in Libraries First Book Program	1,350	1,500	1,500
Children served by local programs	6,714	6,725	6,750
Active tutors	1,412	1,425	1,450
Adult literacy (not TANF)	3,200	3,200	3,500
TANF – hours of instruction	74,957	74,990	75,000

Source: Dept. of Libraries 1/27/2003

Children’s summer reading program

The summer reading program is another major impetus which impacts the literacy rate. The program keeps 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.

Summer Reading Program					
	FY-2000	FY-2001	FY-2002	FY-2003 budgeted	FY-2004 estimated
Number of children enrolled	36,360	65,550	75,638	80,000	83,000
Percentage of eligible children enrolled	12%	20%	21%	23%	24%

Source: Department of Libraries 1/27/2003

FY-2004 Appropriation Recommendation

FY-2003 appropriations after revenue shortfall are base for FY-2004 appropriations calculations.

- Travel expenses are reduced 10% for the portion of travel paid by state appropriations (\$4,444)

FY-2004 recommended appropriations are \$6,439,023.

Board of Private Vocational Schools

The Board of Private Vocational Schools licenses, regulates, and sets standards for operation of private schools that conduct occupational training. The Board licenses approximately 180 schools with a student enrollment exceeding 15,000 per year. Additionally, there are approximately 90 solicitors licensed to recruit students for the licensed schools.

The current fee structure is insufficient to support the required activities, even after a fee increase in the last year. School licensing fees and catalog change fees were increased and new fees were created for an annual school workshop and licensing inquiry packet. This were the first relicensing fee increases since 1984.

FY-2003 estimated collections are \$112,000 while appropriations are \$155,231.

This budget recommends the merger of the Board of Private Vocational Schools with *CareerTech*. This merger serves multiple purposes. *CareerTech* will increase service by maintaining databases and setting up web access for private vocational schools and the public. The merger will reduce administrative costs to the point that the existing fee structure will be adequate to support and expand needed services.

FY-2004 Appropriation Recommendation

There is no appropriation since it will be combined with *CareerTech*. This consolidation saves \$54,071 in administrative costs.

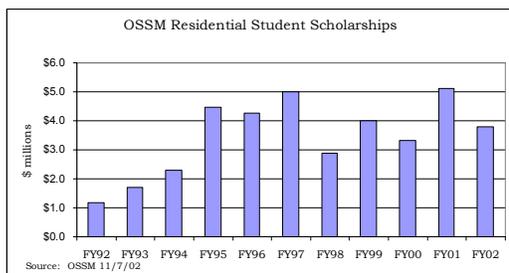
Oklahoma School of Science and Mathematics (OSSM)

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

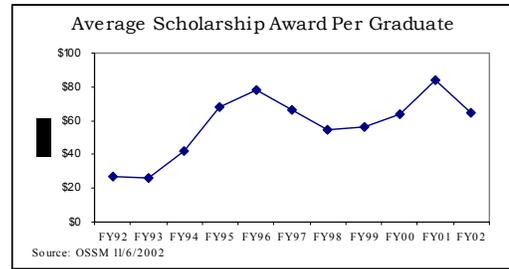
- To foster the educational development of Oklahoma high school students who are academically talented in science
- To assist in the improvement of science and mathematics education for the state

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.



The scholarship awards per graduate are also impressive.



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.

	FY-1999	FY-2000	FY-2001	FY-2002
Educational Cost	15,202.95	15,641.67	18,022.40	21,784.01
Residential Cost	4,728.87	5,065.78	6,232.30	6,640.57
Total	19,931.82	20,707.45	24,254.70	28,424.58

Of the 655 OSSM graduates, 331 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.

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.

FY-2004 Appropriation Recommendation

Debt refinancing lowered the FY-2003 capital outlay by \$56,351.

FY-2003 appropriations after revenue shortfall and adjustment for debt refinancing are the base for FY-2004 appropriations calculations.

- Travel expenses are reduced 10% for the portion of travel paid by state appropriations (\$1,801)
- Capital outlay debt service is reduced \$335,233

FY-2004 recommended appropriations are \$5,761,437.

Oklahoma Commission for Teacher Preparation

The Commission 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.

Accreditation of Teacher Education Programs

The Commission is responsible for ensuring that the state's 22 teacher education programs meet state and national standards. The three phases of the accreditation process are:

- Evaluation of each program at an institution to ensure that standards are met
- Assessment of teacher candidate portfolios
- Site visits to institutions to ensure compliance with standards

Teacher Assessment

Competency-based teacher assessment programs should ensure that students have access to competent, qualified teachers. During 2002, candidates from teacher education programs at 22 public and private schools completed 12,041 exams with an 84.6% pass rate. Those seeking alternative certification, administrator or additional certification along with out-of-state candidates completed 4,887 additional exams.

Professional Development Institutes

The Commission conducts professional development institutes in literacy, science, middle school math and mentoring of teachers.

The No Child Left Behind Act of 2001

The federal "No Child Left Behind Act" (NCLB) requires states to have highly qualified teachers in every classroom. The Commission supports the federal legislation through professional development initiatives by providing professional development institutes.

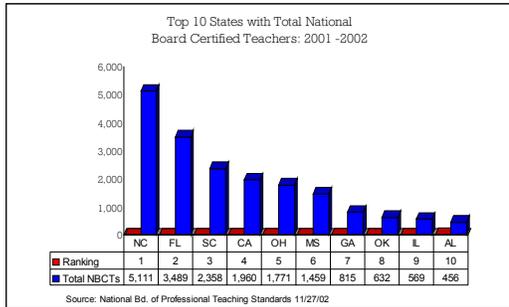
The NCLB act requires all literacy training to be scientifically based. The current Oklahoma program requires only minor changes to meet the federal requirements. Oklahoma is required to maintain its current expenditure level on professional development. The NCLB act provides federal funding for expansion.

Education Leadership Oklahoma

Education Leadership Oklahoma provides information to teachers on National Board of Professional Teachers certification. The state program provides technical assistance and a scholarship of \$2,500 to

candidates to pay for the testing program and preparation costs.

Upon successful completion, classroom teachers receive an annual bonus for the life of the certificate, which is currently ten years. The bonus in FY-2003 is \$5,000; however, in FY-2004 the bonus will increase to \$7,000 per year.



There are 632 National Board certified teachers in Oklahoma which places it eighth in the nation. An additional 73 teachers are estimated to achieve certification in FY-2004.

FY-2004 Appropriation Recommendation

FY-2003 appropriations after revenue shortfall are the base for FY-2004 appropriations calculations.

- Base is reduced an additional 3.5% (\$72,635)
- Travel expenses are reduced ten percent for portion of travel paid by state appropriations (\$7,883)

FY-2004 recommended appropriations are \$1,994,766.

Additionally, \$340,000 is transferred from the Teachers Competency Exam Revolving Fund to the Special Cash Fund.

Energy

**Corporation Commission
Liquefied Petroleum Gas Board
Department of Mines**

Oklahoma Corporation Commission

The mission of the Oklahoma Corporation Commission is to regulate and enforce laws and supervise 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 is the “agency in the middle”; responsible for balancing the rights and needs of the people with those of the regulated entities which provide essential and desirable services for the benefit of Oklahoma and its citizens.

Consumer Services Division The Consumer Services Division of the Corporation Commission investigates and resolves consumer complaints. It conducts field investigations for petroleum-related pollution and utility consumer service quality complaints. It also maintains accounts for mineral owners who cannot be located.

Oil and Gas Conservation Program The Oil and Gas Conservation Program provides regulatory oversight for all activities associated with the exploration, production and pipeline transportation of oil and gas in Oklahoma. The program is organized into three departments. Department activities include:

- work to prevent the waste of oil and gas,
- protect correlative rights of all owners, and
- prevent and abate any pollution that may be caused by oil and gas

operations and production pipeline operations.

The three departments are Technical Services, Pollution Abatement, and Field Operations. The Technical Services Department processes various types of regulatory permits and reports.

The Technical Services department is the official repository and point of access for all information on all 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.

Oil and Gas Conservation Division	FY-2001	FY-2002
Intent to Drill Applications Filed	5,115	3,889
Well Pluggings	1,592	1,862
Well Completions	4,133	4,899
Gas Well Tests Filed	3,226	3,615
Tax Incentives Filed	573	1,239
OG Total Applications Filed	14,639	15,504
Well Site Inspections	69,091	84,855
NonPollution/Pollution Complaints	2,410	2,441
Reported Incidents/Inspection Discoveries	1,628	1,300
Plugging/Well Test/MIT Field Witnesses	8,374	6,573
OG Total Field Activity	81,503	95,169

Source: Corporation Commission

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 Division administers the Oklahoma Storage Tank Release Indemnity Fund. This fund was created to help storage tank owners meet federal requirements and provide the funding to protect and cleanup the environment from leaking tanks.

Oklahoma's fuel storage tank program is recognized as an example for others to follow. At the request of the EPA, the division assists other states in improving their programs by giving presentations on the Oklahoma program.

The Division works in conjunction with the national Brownfields program to clean up abandoned polluted industrial sites and return the sites to productive use. The Petroleum Storage Tank Division works with municipal governments to assess, and if necessary, clean up abandoned tank sites. The city of Sayre served as a pilot project and was a complete success. Twelve other community projects are underway and potential projects have been discussed with several other communities in the state.

In FY-2002, PST's 21 fuel specialists performed 5,365 service station inspections involving 51,717 fuel pumps, and performed 3,569 annual inspections of motor fuel facilities. The Indemnity fund paid out \$24,219,232 in reimbursements on 1,851 claims at a processing cost of 7.5 cents per dollar paid out.

Public Utility Division

The Public Utility Division provides technical support and policy analysis to the Commission in:

1. Assuring reliable public utility services at the lowest reasonable cost; and
2. Administering and enforcing Commission Orders concerning public utilities (electric, gas, water, cotton gin, and telecommunications service providers), and
3. Fulfilling constitutional and statutory obligations.

Staff develops and presents objective, independently researched, fact-based findings and recommendations to the Commission.

In FY-2002 the Division was responsible for 871 public utilities, involving a caseload totalling 898 cases.

Transportation Division

The Transportation Division administers licensing and certification of private and for-hire motor carriers that operate within and through Oklahoma. It also enforces motor carrier licensing requirements, federal motor carrier safety standards, some federal and state railroad regulations and pipeline safety regulations.

Oklahoma has more than 5,200 for-hire and private motor carriers licensed to operate in intrastate commerce, 22 railroads that operate in Oklahoma and almost 40,000 miles of natural gas and hazardous liquid pipeline within the state.

Transportation Division	FY-2001	FY-2002
Motor Carrier Licenses/Permits Issued	4,762	4,867
Certificates Issued	227	170
Single State Registrations Issued	3,184	3,344
Insurance Filings Received	18,225	18,867
Identification Devices Issued	35,402	44,338
Letters of notification to Motor Carriers	17,310	18,757
Citations Filed	6,749	7,312
Warnings Filed	1,125	748
DOT Numbers Issued	510	483
Hazardous Waste Credentials Issued	35	41
TR Total Applications Filed	87,529	98,927
Vehicle Checks	41,494	48,015
Vehicle Inspections	1,315	1,300
Educational Contacts	630	1,081
Railroad Complaints Investigated	127	129
Pipeline Gas/Liquid Units Inspected	184	195
Pipeline Gas/Liquid Operators Inspected	143	148
TR Total Field Activity	43,893	50,868

Source: Corporation Commission

Data Processing Division-Web Application Project

The Corporation Commission received an appropriation for FY-2002 to begin making information and data available to the general public and industry groups via the Internet. This project allows the public and industry to conduct research and query various databases and imaged documents from the Commission's regulatory divisions.

The first phase of the new Web Application was implemented on November 15, 2002. This phase implemented the Case Processing System and the Oil and Gas Regulatory System, with new capabilities to research monthly reported production by well or lease.

Companies that perform routine business at the Commission look at this application as a tool to save costs, which can be rerouted to expand other areas of their business in an effort to improve the states economy.

Office of Administrative Proceedings

The Office of Administrative Proceedings is the court division of the Corporation Commission. It includes

administrative law judges, legal secretaries, court reporters, and the Court Clerk's Office. Filings are made and hearings are conducted in the Western Regional Office, Oklahoma City and in the Eastern Regional Office, Tulsa. Testimony and evidence may be presented by phone instead of appearing in person before an administrative law judge.

In FY-2002, 11 administrative law judges and 1 referee conducted 15,839 hearings.

Office of Administrative Proceedings	FY-2001	FY-2002
Oil and Gas Applications Filed	7,066	6,714
Transportation Applications Filed	12,924	13,393
Consumer Services Applications Filed	15	23
Public Utility Applications Filed	683	662
Enforcement Applications Filed	259	185
Other Applications Filed	199	138
Total Applications Filed	21,146	21,115
Orders Issued	11,220	11,447

Source: Corporation Commission

Budget Recommendation The FY-2004 appropriation for the Corporation Commission is being reduced by an additional \$1,310,280 (10% more than the 6.5% shortfall experienced in FY-2003). All agency travel expenses are being reduced an additional 10%. It is anticipated that the Corporation Commission increasing fees can offset much of the reduction in appropriation.

This budget recommends that the Liquefied Petroleum Gas Board and the Department of Mines be consolidated into the Oklahoma Corporation Commission. Savings achieved from such efforts will help address budget shortfalls and targeted across the board cuts in the agencies.

Liquefied Petroleum Gas Board

This agency has the responsibility of regulating the liquefied petroleum gas (LPG) industry in Oklahoma.

Regulation is necessary for the safety and protection of the citizens because of the volatile nature of liquefied petroleum gas. Safety standards are set regarding gas storage, distribution, transporting and utilization. The Board has adopted codes of the National Fire Protection Association as the basis for their regulations.

Inspectors for the LPG Board check and certify the compliance of LPG transportation and piping systems, storage containers, dispensing stations, apparatus or appliances. Agency inspectors also conduct safety seminars for permit holders.

The LPG Administrator issues all permits, administrative penalties and collects all fees. Other responsibilities include investigating fires, explosions and possible violations of safety rules and standards.

	FY-2003	FY-2004
LP Gas Trucks Inspected	1,200	1,200
LP Gas Permit Holders	4,450	4,500
Inspect LP Gas Dealers Storage	1,950	2,000
Cylinder Exchange Stores Inspected	850	900
Investigate Accidents - Vehicle, Home, and Fires	80	80

Source: LP Gas

Consolidation This budget recommends that the Liquefied Petroleum Gas Board be consolidated into the Oklahoma Corporation Commission. The Corporation Commission will assume administrative functions providing enhanced efficiency for the State. This achieves a first year savings of \$77,000

which is calculated by reducing FTE and administration costs. Full year savings will be approximately \$115,497. All agency travel expenses are being reduced an additional 10%.

Department of Mines

The Oklahoma Department of Mines is the regulatory authority for surface and sub-surface mining in Oklahoma. They are 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.

Oklahoma Miner Training Institute

The Oklahoma Miner Training Institute (OMTI) located in Wilburton, provides classroom and on-site training for mine operators. Miners are required to have training in using explosives and in health and safety.

The Department of Mines has several divisions: Coal, Legal, Non Coal (Ash and Dust Disposal, Reclamation and Reutilization), and the Non Coal Blasting Program.

The Coal Program is essential for the implementation of state and federal laws regarding coal mining. Coal mining operations are conducted to protect the environment, adjacent landowners, and the public from adverse effects caused by mining operations. The Coal Program contains four basic subdivisions comprised of Technical Services, Permitting, Inspection and Enforcement and Assessment.

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

Source: Department of Mines

and the life, health and property of the citizens who are affected by mining activities.

Consolidation This budget recommends that the Department of Mines be consolidated into the Oklahoma Corporation Commission. This achieves a first year savings of \$105,300 which is calculated by reducing FTE and administration costs. Full year savings are estimated at \$158,000. All agency travel expenses are being reduced an additional 10%.

Minerals Division	FY-2002	FY-2001	FY-2000
Inspections Conducted	5,663	5,210	4,799
Violations Issued	1,094	792	793
Number of Applications Submitted	75	50	87
Non-Coal Mining Permits Issued	71	60	61
Number of Revisions Submitted	63	43	28
Non-Coal Mining Revisions Issued	62	34	33
Annual Permit Reviews	394	453	334
Total Processing Amount	665	640	543
Number of Bond Releases Processed	92	65	57
Non-Mining Blasting Permits Processed	22	22	16
Non-Mining Blasting Exemptions Processed	126	141	110
Blasting Inspections	28	20	18
Complaints Investigated and Processed	55	80	56

Source: Department of Mines

Fly ash disposal is an environmental necessity. The program assists in the reclamation of abandoned mine sites left by previous operations. Oklahoma Statutes provide such ash or dust be constructively reutilized or disposed of in any active or inactive coal or non coal mining. Since this is required the Department requests all operators to file a permit request which includes a disposal plan for the ash or dust. Once the permit is issued, the Department monitors with the approved permit plan and statutory law.

The Non Coal program is responsible for protecting the environment of the state, the health and safety of miners,

Environment

**Department of Environmental Quality
Water Resources Board**

Department of Environmental Quality

The Department of Environmental Quality (DEQ) is the primary agency for the regulation of the industrial and municipal environmental programs. Within that context, the agency has a diversified revenue stream with funds being contributed from user fees, federal grants and general appropriations. The mission of the DEQ focuses its program efforts on three major areas of responsibility:

- Air Quality
- Water Quality
- Land Protection

Each of these major areas addresses the Air Quality, Water Quality and Land Protection Divisions, respectively. Environmental Complaints Local Services (ECLS) Division and the Customer Services Division (CSD) both support DEQ in this effort. ECLS provides the staffing for 30 local offices across the state and is primarily responsible for complaint response, media specific inspections and/or enforcement and response to citizen requests for local services.

Within CSD, the Customer Assistance Program offers non-regulatory approaches to compliance through technical assistance to industries seeking permits to locate or operate in Oklahoma and ongoing outreach effort in pollution prevention, recycling, materials reuse and compliance assistance. CSD also houses the State Environmental Laboratory, which provides analytical support for the agency's regulatory programs as well as those of other environmental agencies.

DEQs enforcement program is an incremental approach with actions ranging from Notices of Violation (NOV) to formal enforcement orders, which may include monetary penalties. While

the DEQ would prefer to use non-regulatory options to encourage facilities to come into compliance, the agency is, first and foremost, a regulatory agency and will use its statutory and regulatory authority to fairly and consistently enforce the state's environmental laws.

	FY-2000	FY-2001	FY-2002	FY-2003 est.
Fines Collected	\$484,525	\$1,029,900	\$2,521,252	\$650,000
Supplemental Environmental Projects	340,500	643,800	6,085,913	835,000
Totals	\$825,025	\$1,673,700	\$8,607,165	\$1,485,000

Source: Department of Environmental Quality

A Supplemental Environmental Project is an environmentally beneficial project that is agreed to and completed as a part of a settlement of an enforcement action, the performance of which is not otherwise legally enforceable.

The increase in fines collected in FY-2002 is the result of a single enforcement event against a regulated facility where a \$1.5 million fine was levied and collected.

Air Quality Air quality attainment is determined by whether the National Ambient Air Quality Standards (NAAQS) are met. The entire state of Oklahoma has been in attainment with the NAAQS since 1990. However, the Environmental Protection Agency (EPA) has implemented new standards for ozone and particulate matter. Several areas of Oklahoma have already exceeded or are in jeopardy of exceeding the federally mandated 8-hour standard for ozone.

Areas Exceeding or in Danger of Exceeding Federal Standards	
Already Exceeded	In Danger of Exceeding
Tulsa	Oklahoma City Lawton Talequah

Source: Department of Environmental Quality

In addition, the Tulsa area has experienced ozone concentrations that exceed the 1-hour standard. Designations of non-attainment by EPA, based on exceedance data for the 8-hour standard, could occur in the Tulsa area as early as mid-year 2004.

Until the 8-hour standard is fully implemented and the 1-hour standard is revoked, all areas of the State must comply with both standards. Should any area of the state be declared non-attainment for either standard, the Clean Air Act requires the DEQ to implement plans that include enforceable measures to bring such areas back into attainment.

Last year, the EPA released guidance which allows states that voluntarily submit early emission reduction plans for their areas to escape some of the onerous consequences of non-attainment of the 1-hour standard, possibly avoiding a non-attainment designation entirely. This program is known as Ozone Flex. To continue participation and benefit from deferrals of designations in the event of a 1-hour violation of the ozone standard, updated emission inventories, air dispersion modeling and design and implementation measures must be developed.

The DEQ has also entered into early action compacts with Oklahoma City and Tulsa and continues to actively work with its private and public sector partners in this work. Early Action

Compacts are, in reality, mini-non-attainment demonstrations that include enhanced emission inventory and modeling work. Early Action Compacts contain critical milestones that, if met, will allow Oklahoma to defer non-attainment designations for the 8-hour standard while allowing for economic growth. Failure to meet the milestones will result in an ozone non-attainment designation, the result of which is the requirement of a full non-attainment analysis.

Budget Recommendation This budget includes a recommendation of \$1.5 million for Clean Air Standards. An average increase of 8% in all fees would cover this cost.

Water Quality The regulation of Oklahoma's water quality is divided into two separate but related areas:

- the regulatory control of municipal and industrial discharges to receiving streams and
- the monitoring and regulatory management of public water supplies

Discharge regulation is managed through the issuance of discharge permits, the intent of which is to limit pollutant loading to receiving streams in order to protect the designated beneficial uses as identified by Oklahoma's Water Quality Standards (WQS).

A Total Maximum Daily Load (TMDL) is a calculation of the quantity of a particular contaminant that a specific water body can receive and the Oklahoma Water Quality Standards (WQS) for that water body still be met.

Historically, the states and EPA have used the 303(d) list of impaired water bodies to secure TMDL funding and to prioritize the use of those funds. The DEQ, working aggressively with other states and national organizations, has persuaded EPA to approved a revised 303(d) list such that Oklahoma's

original mandate for TMDL studies has been reduced by one third. Based on the most recent 303(d) list and the current federal regulations, DEQ has developed a schedule to complete all required TMDLs within 15 years.

Once maximum allowable pollutant loading has been determined through the TMDL process, appropriate permit limits are calculated and a modified discharge permit is reissued, reflecting the new permit limits. The DEQ continues to perform operational inspections and to review effluent monitoring data to identify discharging facilities with significant violations.

The Public Water Supply Program monitors more than 2,300 public water supplies serving over 3 million citizens. The DEQ continues to see a downward trend in violations of the Safe Drinking Water Act with over 99% of all public water supplies being in compliance with chemical standards. Compliance with bacteriological standards also remains at a high level.

In addition to the 90 plus contaminants currently monitored by and for public water supplies, the EPA will be implementing additional requirements, both as related to new parameters and the inclusion of increasingly smaller systems in the mandatory monitoring effort. New parameters were added through the federal Safe Drinking Water Act Disinfection By-Product rules and the Radionuclide rule. The implementation of these rules also expands monitoring to include all public water supply systems and points of entry into these systems.

	FY-2000	FY-2001	FY-2002	FY-2003 Est.
Private Citizens	536	663	600	600
Public Water Supply-Chemical	8,053	8,521	10,250	14,500
Public Water Supply-Bacteriological	30,857	30,494	27,500	27,500
Hazardous Waste	456	488	500	500
Oklahoma Water Resources Board	2,727	2,913	4,000	4,000
Other Contractual	508	471	450	450
Totals	43,122	43,510	43,300	47,550

Source: Department of Environmental Quality

Budget Recommendation A total of \$904,000 for FY-2004 is being recommended from the REAP fund for monitoring drinking water related to the new parameters of the federal Safe Drinking Water Act.

The certification of additional municipal and private laboratories has resulted in a decrease in bacteriological samples from public water supplies in FY-2002 and forward. As the Beneficial Use Monitoring Program (BUMP) has matured, the Oklahoma Water Resources Board has been and will continue to collect additional samples for analysis in the State Environmental laboratory.

The agency's Source Water Protection Program was designed and implemented to assist public water supply owners/operators in decisions regarding the location of new water supply sources and the establishment of safety zones around existing sources. As a refinement of that program, the DEQ is attempting to establish a ground water monitoring program to detect trends that might indicate future contamination potential. Armed with forward-looking data, public groundwater supply owners could make better decisions as related to location of new wells, protection of established wells and assistance with the regulation of potential contamination sources.

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

- hazardous waste management,
- clean-up programs, and
- solid waste management

Hazardous waste management is operated under delegation of the federal Resource Conservation Recovery Act (RCRA) and is directed toward the permitting, monitoring and inspections of regulated hazardous waste facilities, including disposal sites and treatment, storage and disposal sites. Activity in the agency's hazardous waste program has leveled as recycling, chemical substitution and materials reuse have slowed the number and volume of regulated hazardous materials.

Clean-up programs are managed under the Superfund program and under the agency's Voluntary Clean-Up/Brownfields effort. Several high visibility sites, chief among which is the Tar Creek project, continue to dominate the Superfund program.

Tar Creek is the historic consequence of past mining activity, which has resulted in pollution to land and water resources in the northeaster corner of the state. A graver consequence of the land pollution, in the form of tailings (chat) piles, is the elevated blood lead levels in children living in the area. While resources have been dedicated to this site for many years, the most recent and most successful effort has been directed toward reducing these blood lead levels.

To date, the DEQ has worked with EPA to clean up lead contaminated soil from 1647 properties in Ottawa County and in the towns of North Miami, Picher, Cardin, Quapaw and Commerce. Recent studies have shown that the soil removal/replacement project has resulted in the decrease of the number of children with elevated blood lead levels from 35 to 40% to 12%.

The agency's Voluntary Clean-Up/Brownfields program was established in an effort to enhance the economic value of sites that formerly went unused due to the enforcement stigma and expense, both in dollars and time, of remediation under the Superfund program. Under the voluntary program, owners or developers can voluntarily enter into agreements that realize efficiencies not possible under federal and/or state mandates.

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 constructing a new commercial venture.

Voluntary Clean-Up/Brownfields Program Sites Since 1999

Site	Location	Size (Acres)	Redevelopment Use
National Institute of Petroleum Research	Bartlesville	15.7	City and Tribal Facility
Federated Metal	Sand Springs	31	Wal-Mart and IHOP
Rapid Muffle	Oklahoma City	2	Eckerd Drug
Flintco Warehouse	Tulsa	5.4	Flintco Corporate Office
Muskogee City Tract	Muskogee	2	Bank
Bryan Property	Stillwater	2	Walgreens
Levrett Property	Altus	1	Kentucky Fried Chicken
City of Enid Property	Enid	5	Ball Park
Oklahoma Steel Castings	Tulsa	11.2	Brainerd Chemical
UNR/Duralast	Tulsa	1	Habitat for Humanity
COFTA Mass Transit Property	Oklahoma City	15	Ford Center Arena and Hotel
Apartment Complex	Fredrick	5	Soccer Field
Commercial Buildings	Clinton	20	City Equipment Parking Area
School Buildings	Wetunka	15	Pasture for FFA
Houses Demolition	Drumright	1	Steakhouse Parking Extension
Dormitory	OSU-Oklmulgee	7	Training Facility
School and Gym	Moss	15	Pasture for FFA
Emerson Electric	Tulsa	11.5	Home Depot
Murphy Manufacturing	Tulsa	6.2	Doctor's Office Park

Source: Department of Environmental Quality

DEQs solid waste program has evolved from a concentrated effort to establish and regulate traditional solid waste management systems to one where this effort continues and is supported by

ongoing efforts to improve and strengthen local solid waste infrastructure. Local needs vary from cleaning up illegal dumps and developing convenience centers for bulky waste to equipment for managing disaster debris and increasing recycling. These enhancements, where implemented, have allowed local jurisdictions to take a more holistic approach to the ongoing problem of managing solid wastes.

	FY-2001	FY-2002	FY-2003 (est.)	FY-2004 (est.)
Local Entities Assisted	32	16	35	70

Source: Department of Environmental Quality

Local governmental assistance includes clean up of trash dumps, recycling (including storm debris management) and land restoration projects. Funding for FY-2004 will enable doubling of local assistance outcomes.

Budget Recommendation In order to help provide funding during the State's fiscal crisis, a total of \$1.5 million for FY-2004 is being reduced from DEQ's revolving fund and transferred to Special Cash. DEQ will receive an appropriation equal to the FY-2003 appropriation which includes a 6.5% reduction. In addition, the agency will have to absorb an additional appropriation cut of 3.5% or \$244,157.

Oklahoma Water Resources Board (OWRB)

The OWRB manages the state's water resources through a permit program. Anyone who uses fresh water for anything other than domestic use is required to obtain a permit from the OWRB. Agency geologists and hydrologists conduct hydrologic investigations of each stream water basin and groundwater basin (aquifer) to determine the amount of water

available for appropriation according to state statute and Board rules. The staff is responsible for regular updates of the Oklahoma Comprehensive Water Plan – to assure that Oklahomans have adequate quantities of good quality water for future use.

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. They 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 also coordinates:

- state comprehensive water planning
- oversees the safety of non-federal dams
- promotes wise floodplain management
- supports Oklahoma's participation in four interstate stream compacts
- directs the Oklahoma Weather Modification Program in cooperation with the Oklahoma Weather Modification Advisory Board
- guides water use through the issuance of streamwater and groundwater permits
- responds to and mediates water disputes
- conducts technical studies of Oklahoma's groundwater and streamwater basins
- licenses water well drillers and pump installers to reduce potential contamination of the state's groundwater resources

Infrastructure Funding for Municipalities and Local Districts

The OWRB administers programs to provide funding for infrastructure repairs, maintenance and other needs. Public entities (including rural water districts, towns and public works authorities) borrow low-interest loans in these programs:

- Clean Water (Wastewater) Loan Program
- Drinking Water Loan Program
- OWRB's Bond Issue Loan Program

During 2002, the Board approved more than \$122 million in loans. The Board issued \$28.89 million Series 2001 Clean Water SRF (state revolving fund) Revenue Bonds to meet the loan demand.

The bond loan portfolio was substantially strengthened by an increase to 89% in ratable loans. Total loan amounts outstanding increased to \$386 million and total assets increased to more than \$635.2 million during FY 2002.

OWRB also administers two grant programs:

- REAP Grant Program
- Emergency Grant Program

During 2002, the Board approved 17 emergency grants for \$1.1 million and 45 REAP grants for approximately \$4.2 million.

The following chart shows the number of applicants and amounts loaned or granted since FY-1993.

FY	Clean Water SRF		Drinking Water SRF		Bond Series	
	No.	Loans	No.	Loans	No.	Loans
Total through FY-1992	7	\$41,318,205	0	0	94	\$89,860,000
FY-1993	6	24,328,029	0	0	24	40,030,000
FY-1994	8	48,461,967	0	0	20	25,305,000
FY-1995	5	7,666,795	0	0	11	23,580,000
FY-1996	14	47,351,108	0	0	14	26,150,000
FY-1997	16	45,247,014	0	0	16	29,865,000
FY-1998	16	43,652,545	1	4,177,000	21	39,840,000
FY-1999	10	37,406,521	2	5,576,675	7	22,795,000
FY-2000	11	36,211,099	6	19,668,280	8	12,375,000
FY-2001	19	54,260,185	8	18,631,300	21	55,350,000
FY-2002	16	56,976,155	6	25,803,178	23	39,425,000
Through 12/31/2002	<u>11</u>	<u>19,637,687</u>	<u>5</u>	<u>7,083,740</u>	<u>16</u>	<u>32,005,000</u>
Total	139	\$462,517,310	28	\$80,940,174	275	436,580,000
FY	Emergency Grants		REAP Program		Totals	
	No.	Grants	No.	Grants	No.	Total Amount
Total through FY-1992	268	\$16,139,935	0	0	369	\$147,318,140
FY-1993	32	1,168,039	0	0	62	65,526,068
FY-1994	23	950,375	0	0	51	74,717,342
FY-1995	27	1,143,282	0	0	43	32,390,077
FY-1996	28	1,735,723	0	0	56	75,236,831
FY-1997	16	766,882	47	3,018,311	95	78,897,207
FY-1998	13	966,731	52	4,364,526	103	93,000,802
FY-1999	28	2,006,925	60	5,190,630	107	72,975,751
FY-2000	16	1,127,471	73	6,366,648	114	75,748,498
FY-2001	21	1,553,487	54	4,835,947	123	134,630,919
FY-2002	17	1,100,820	45	4,233,643	107	127,538,796
Through 12/31/2002	<u>4</u>	<u>157,335</u>	<u>20</u>	<u>1,839,147</u>	<u>56</u>	<u>60,722,909</u>
Total	493	\$28,817,005	351	\$29,848,852	1,286	\$1,038,703,340

Source: OWRB

Municipal Tap Fee The Oklahoma Department of Environmental Quality estimates in its 1999 Needs Survey a twenty-year funding need of \$2.3 billion for drinking water infrastructure. The OWRB estimated in its FY-2002 Clean Water SRF Annual Report a twenty-year funding need of \$1.1 billion for improvements to wastewater infrastructure. Without additional financial capital for the OWRB Financial Assistance Programs, many Oklahoma communities will simply be unable to provide safe drinking water and adequate wastewater treatment for their citizens.

One option would be to appropriate additional state revenue to the Financial Assistance Programs. However, under the current budget situation, additional state revenue may be difficult to find. Additional sources for capital investment in water and wastewater infrastructure must be identified.

This budget proposes to assess a per connection tap fee on all public water supply connections in the State. A \$0.50 per month tap fee would generate approximately \$9 million dollars per year in revenue, which could be utilized to provide millions of dollars in low interest loans and \$450,000 in Emergency Grants in the first year alone. The total cost per connection would be \$6 per year, but the total savings per connection (lower infrastructure improvement costs) would be approximately \$50 per year.

Oklahoma Comprehensive Water Plan (OCWP) In 1992, the State Legislature directed the OWRB to update the OCWP every 10 years. The OWRB proposes that the 2005 Update be “regionally focused” identifying specific projects and management strategies necessary to meet future water needs. This approach will be driven by local users with funding and technical assistance from the state to develop their plans and projects for funding. All strategies to meet future water needs must be

identified in their regional and state water plans to be eligible for funding.

Budget Recommendation A total of \$4.5 million is being recommended for the State’s Comprehensive Water Plan. In addition, \$4.5 million for federal matching grants of \$35 million for water and wastewater infrastructure loan funds is being recommended and funded through the institution of a Municipal Tap Fee.

Beneficial Use Monitoring Program (BUMP) This program is designed to monitor ambient water quality of surface and groundwaters. Ambient monitoring of streams, lakes, rivers and groundwater was recommended by the Governor’s Task Force on Confined Animal Feeding Operations.

The following is the funding history of the Beneficial Use Monitoring Program.

**Beneficial Use Monitoring Program (BUMP)
Funding History**

	Rainy Day Fund	REAP Water Projects Fd.	Total Funding
FY-1999	\$1,000,000		
FY-2000	1,000,000		
FY-2001		1,269,912	
FY-2002		1,122,389	
FY-2003		1,100,000	
FY-2004		1,200,000	
Total	\$2,000,000	\$4,692,301	\$6,692,301

Budget Recommendation A total of \$1.2 million for FY-2004 is being recommended from the REAP fund for BUMP which will allow the OWRB to continue monitoring the ambient water quality of surface and groundwater and continue necessary biological and groundwater testing.

In addition, the agency will absorb an additional appropriation cut to administrative services of 3.5% or \$50,000.

Finance and Revenue

State Auditor and Inspector

Office of State Finance

Land Office Commission

Tax Commission

State Treasurer

Oklahoma Public Employees Retirement System

Uniform Retirement System for Justices and Judges

Oklahoma Teachers Retirement System

Oklahoma Police Pension and Retirement System

Oklahoma Firefighters Pension and Retirement System

Oklahoma Law Enforcement Retirement System

Department of Wildlife Conservation, Retirement Plan

CompSource Oklahoma

State Auditor and Inspector

Required Audits The Constitution 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)
- OSEEGIB (contracted out)

The Auditor and Inspector's office is generally supposed to audit all state agencies, unless an agency has specific legislative authority to contract its audit outside (e.g. Higher Ed., trust authorities and Commerce). However, the Auditor and Inspector's office does not have enough auditors to do detailed audits of every agency. In addition, most agencies do not have the funds to reimburse the A&I for the cost of the audit. Therefore, the A&I is not able to audit all agencies every year. However, the CAFR and the Single Audit include most agencies.

Performance Audits A performance audit includes economy, efficiency and program audits. Economy and efficiency audits determine whether the entity is using 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.

Recommendation This proposal reduces the Auditor and Inspector's FY-2004 appropriation an additional 3.5% (\$207,883). Agency travel funds are also reduced an additional 10% (\$42,949).

In order to help with the current fiscal crisis, revolving fund balances are being transferred to the Special Cash Fund. This proposal transfers \$200,000 from the Auditor and Inspector's Revolving Fund for this purpose.

Office of State Finance

The Division of Central Accounting and Reporting (DCAR) DCAR provides central support services for most agencies of the State of Oklahoma for payroll and vendor claim processing. DCAR utilizes the Integrated Central Services (ICS) accounting system to facilitate their support efforts.

OSF is in the final stages of installing a new statewide accounting system. The rules-based, centralized system will allow user agencies to discard stand-alone systems and build a common operating environment. The new common system will provide greater collaboration between agencies and a universal skill set for State accounting personnel.

OSF's DCAR unit implemented Governmental Accounting Standards Board (GASB) #34. This achievement made Oklahoma the first state to implement this new accounting rule. GASB #34 provides more accountability and comparability for governmental financial statements. This format will allow taxpayers to more completely understand the current economic status of their State.

Budget Division The Budget Division prepares the Governor's budget and assists in drafting supporting legislation for the Governor's proposals. The division bases recommendations on research and analysis. The division focuses on effectiveness of state programs and reducing the cost of state government. Budget Division staff manages the state's budget system and makes appropriate allotments and transfers as authorized by law.

Research and Policy The Economic and Fiscal Policy Research Division of the Office of State Finance analyzes issues such as taxation, government expenditures, economic growth and education policy. The division also monitors and reports various statistics and analyzes state economic indicators. This division identifies ways of improving the state's economic well being.

The division also prepares revenue certification information for the Board of Equalization, which sets the appropriations limit for the Legislature and monitors General Revenue Fund collections.

OneNet OneNet is Oklahoma's official telecommunication and information network for education and government. OneNet is a division of the Oklahoma State Regents for Higher Education operated in cooperation with OSF. OneNet has created a network valued at \$20 million. OneNet is the only fully integrated, statewide IP-based network serving all facets of government and education in the United States.

OneNet is the largest distance learning network in the world. Through a grant from the Oklahoma Department of Libraries, OneNet offers on-line access to thousands of periodicals and journals free of charge to its customers.

The core of OneNet has a capacity of 2.5 billion bits per second, enough to

transmit the entire works of Shakespeare from Tulsa to Oklahoma City in 0.016 seconds or a digital MRI from Stillwater to Norman in 0.16 seconds.

OneNet serves as the gateway to Internet2 which is the "Next Generation Internet". OneNet is one of only 42 "GigaPoPs" (gigabit capacity access nodes) on the Internet2 network, which is the largest and fastest in the world (100 to 1,000 times faster than today's Internet). As a member of Internet2, OneNet helps manage, test and develop the Internet of the future.

OneNet collaborates with colleges and universities to facilitate research that would be impossible without a high-speed statewide network. This partnership provides extraordinary educational opportunities for Oklahoma students and support for economic development initiatives throughout the state.

Recommendation This proposal holds OSF at the already reduced FY-2003 level of funding and reduces 10% from travel funds (\$20,084). In addition, the bond advisor is negotiating to achieve lower financing on debt service to lower annual payments for agencies. This action should reduce OSF's debt service payment on the CORE system \$44,079 in FY-2004.

Commissioners of the Land Office

The mission of the Commissioners of the Land Office (CLO) is 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 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 charged with the sale, rental, disposal and management of School Trust lands and assets, and of the funds and proceeds derived. 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,
- Administering first mortgage farm loans,
- Collecting rents, fees, loan payments of principal and interest and other monies due the agency,
- Performing legal activities necessary to protect the interests of the Trusts,
- Auditing mineral leases and performing legal activities necessary to protect the interests of the Trusts,
- Improving, protecting and preserving lands owned by the Trusts,
- Distributing the revenues of the various Trusts to the institutions to which the funds belong.

Five ex officio members, the Governor, Lieutenant Governor, State Auditor and Inspector, Superintendent of Public Instruction, and the President of the

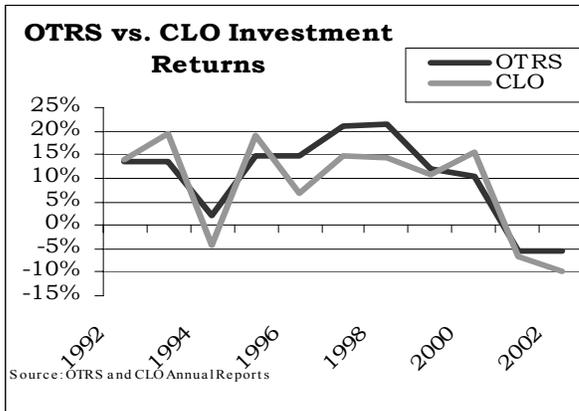
Board of Agriculture constitute the CLO board.

School Funding Increase

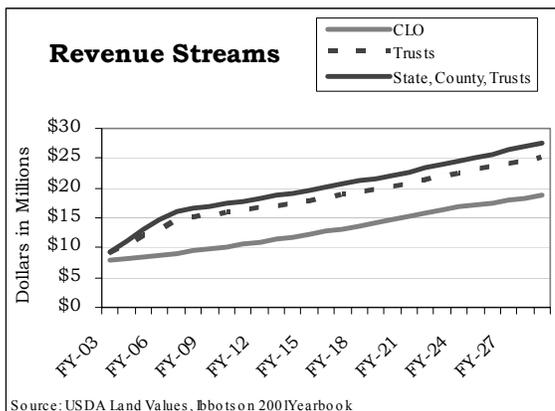
Opportunities OSF believes that the current method for funding the various Trusts is not a modern efficient delivery system and that there are significant areas where increased revenue opportunities are available to the Trusts with legislative changes.

The CLO is currently allowed to invest trust assets in a mix of stocks and bonds that is controlled by statute. OSF considers this mix far too conservative to produce maximum yields, it fails to minimize risk sufficiently, and it fails to maximize current income to the State. The CLO is required to invest no more than 50 % of Trust assets available for investment in equities and those equity investments are limited in type.

Not only does this limit CLO's ability to invest in high return investments but it also limits the ability of the CLO's money managers to implement the full spectrum of hedging strategies that provide downside protection in times of market fluctuations. OSF calculates that if CLO had been able to use the same investment criteria as the Oklahoma Teachers Retirement System (OTRS) the total amount of funds available to the Trusts from investment income since 1992 would have been nearly 10 % greater. The following chart shows the wider market swings, especially on the downside, which current CLO investment limitations can lead to compared to OTRS investment guidelines.

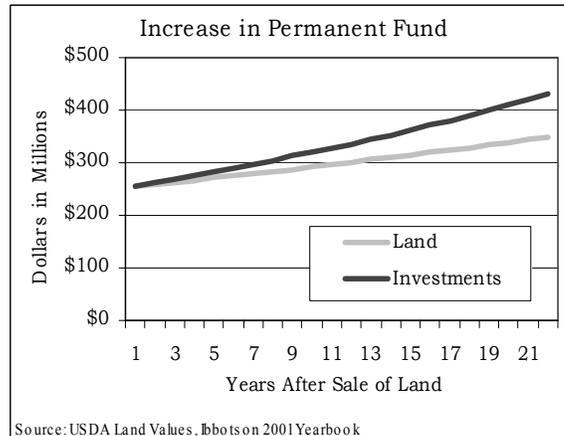


OSF has looked at the overall portfolio of the CLO and found that the continued reliance on land as an investment medium has resulted in shortchanging the Trusts. The United States Department of Agriculture's statistics on farm land values indicate that from 1980 to 2000 Oklahoma farm land only increased in value a total of 3.3% for the entire twenty year period. In addition the ownership of land by a government entity such as the CLO removes that land from the ad valorem tax roles and the rental income to CLO from the state income tax roles. The projected increase in returns to the Trusts as well as counties and state tax revenue increases as compared to current CLO returns are documented in the chart comparing total returns.



First year returns to schools alone would be nearly \$1 million greater than current projections with receipts increasing to almost \$4 million by the

fourth year. This increased return is calculated using current CLO investment limitations and would increase even more with the adoption of more reasonable investment guidelines. The total value of the asset base would grow by an additional \$82 million by the year 2029 in addition to the increased annual return.



While it is not a recommendation of this budget that the CLO sell all their land holdings at this time, OSF encourages CLO to continue the process of reviewing this issue and selling land as it is appropriate and beneficial to do so.

Oklahoma Tax Commission

Recommendation The FY-2004 recommended appropriation for the Oklahoma Tax Commission is \$46,547,221. This amount holds the reduction at the already reduced level for FY-2003, requires the agency to achieve another \$522,000 in savings through increased use of technology in sales tax remittance processing, reduces administration costs an additional 3.5% and reduce travel funds by 10%. It also includes funding for revenue enhancements and program improvements.

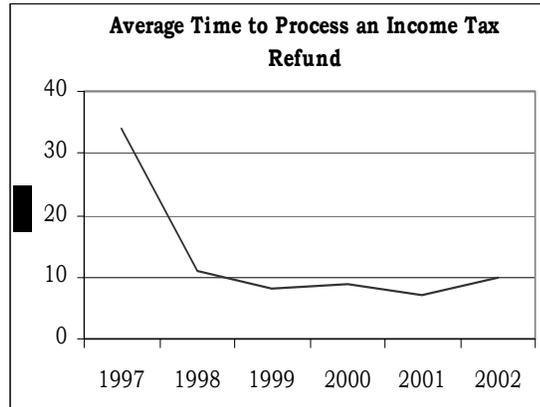
FY-2003 Tax Commission Budget Actions	
Purpose	Amount
Income Tax Return Processing	\$ 300,000

FY-2004 Tax Commission Budget Actions	
Purpose	Amount
Travel Funds Reduction	\$ (51,387)
E-filing Enhancement - Sales Tax	\$ (522,000)
Additional Admin. Reduction	\$ (148,085)
Annualize Supplemental Resources for Ad Valorem Centrally Assessed Property	\$ 300,000
Federal Refund Offset Program	\$ 230,000
Resources for Revenue Estimation	\$ 340,000
Trucking Audits Compliance	\$ 150,000
	\$ 283,000

Federal Refund Offset Program – Phase II This budget proposal includes \$340,000 to initiate the second phase of the Federal Refund Offset Program. This program allows the Oklahoma Tax Commission to “snag” delinquent taxes owed to them from a taxpayer’s federal refund. The program has been in operation on a limited basis since FY-2001, netting the state \$3.7 million in revenues. With this additional funding, OTC could fully implement the program. The Tax Commission estimates revenues of \$4.5 million in FY-2004 from this program.

Income Tax Return Processing Since 1997, the Tax Commission has greatly reduced the amount of time required to process income tax refunds. They utilize temporary seasonal employees from February through June to process returns. However, budget cuts at the

end of FY-2002 made it necessary for the Tax Commission to discontinue these temporary services. And without additional resources, budget cuts in FY-2003 will prevent the Tax Commission from paying for a sufficient amount of these services.



Other than slowed returns processing, two other issues arise from the inability to utilize an adequate number of temporary employees for income tax return processing. First, other employees from within the Tax Commission have to help process returns. This leads to backlogs in other areas of the agency, slowed revenue collection processing, and decreased auditing efforts. Second, the Tax Commission pays interest on returns not processed within 90 days. This budget includes \$300,000 in FY-2003 and FY-2004 for the processing of income tax returns. This funding should allow returns to be processed in a timely manner and minimize interest payments. The Tax Commission should explore outsourcing this function to a private vendor.

Free Electronic Income Tax Return Filing Electronic processing of tax returns saves time and the processing costs are less. In calendar year 1999, Oklahoma was the only state providing on-line tax return processing for both Oklahoma and federal tax returns at no charge. OTC will not be able to provide free income tax return filing for all taxpayers this year due to budget

cuts and an increase in vendor fees. Taxpayers with an adjusted gross income under a certain threshold will still be able to file free. OTC will provide links on their website that other taxpayers can use to file at a minimum charge.

Resources for the Revenue

Estimation Process This budget adds \$150,000 for the revenue estimation process. With these funds, OTC could add personnel and contract with outside experts.

Resources for the Ad Valorem Centrally Assessed Property Division

This proposal also provides \$230,000 for additional resources in the Ad Valorem Centrally Assessed Property Division. This funding will allow the Ad Valorem Division to increase personnel, purchase equipment and travel to property sites.

Resources for Trucking Audits

Oklahoma is currently a member of the International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA) compacts. These entities maintain uniform standards for trucking registration and fuel tax reporting for companies in the U.S. and around the world. Base jurisdictions are held accountable to complete audits at a rate of 3% per year for both IFTA and IRP accounts. If Oklahoma falls behind on these audit requirements, the IRP & IFTA Boards can initiate a sanction that removes Oklahoma from participation, which effectively precludes other states from paying us Oklahoma's share of revenues. This would result in a loss of approximately \$1.4 million per month of IRP funds or \$16.8 million annually. A loss of approximately \$7.5 million quarterly or \$30 million annually could also result from IFTA Board sanctions. Therefore, this budget proposal includes \$283,000 for seven auditors at the Oklahoma Tax Commission to complete the required number of audits.

Sales Tax Return E-filing

Enhancement Lessening the amount of paperwork that OTC has to process decreases costs at the Tax Commission substantially. The Tax Commission processes approximately 45,000 sales tax returns every month. Paper returns cost \$2.60 per return to process. Electronic sales tax returns cost only \$0.60 to process. Currently, all timely sales tax remitters receive a 2.25% discount. This proposal requires a change in the tax laws. The change reserves this 2.25% discount for those companies that file electronically. Companies that file timely by paper receive a 1.25% discount. This action saves the Tax Commission \$522,000 per year in operating costs.

Professional License Compliance

Effective July 1, 2000, legislation required OTC to review professional license applicants for income tax compliance. This tax review is conducted before a state license is issued. The Commission established a section, the Professional Licensing Compliance Unit, to assist taxpayers with this new law.

OTC reviews the following professions through this program:

- Doctors
- Nurses
- Attorneys
- Insurance agents
- Teachers
- Architects
- Accountants
- All medical related licenses
- Engineers
- Abstractors
- Cosmetologists
- Process servers
- All Health Department licenses such as plumbers, electricians, etc.
- Abstractors
- Funeral directors
- Securities brokers

This program has significantly increased compliance. OTC has collected \$21.2 million since inception in FY-2000 from delinquent license holders. Legislation could add Oklahoma state employees to this compliance effort. This budget includes increased revenues of \$1.655 million from this activity.

OTC should be given the flexibility to add other professions to this process as time and resources permit.

Revenue Enhancement Programs The Tax Commission has implemented additional revenue enhancement programs – the 1099 matching project and the IRS information-matching program.

When out-of-state workers perform work for which they are paid in the state of Oklahoma they may have an Oklahoma income tax liability. Too often, these workers leave the state and do not pay these taxes. The 1099 project requires contractors that do business in the state to be compliant on their taxes. Collections from the 1099 project from July 2000 through December 2002 totaled \$5.4 million. Collections from the federal tape matching project for the same period totaled an additional \$1 million.

Other tax changes are discussed in the tax policy section.

Tax Amnesty The Legislature authorized the Tax Commission to oversee a tax amnesty in 2002. This program waived penalties and one-half of the interest due on delinquent taxes, except ad valorem and motor vehicle taxes and fees. The amnesty program began August 15, 2002 and ended on November 15, 2002. The program brought in \$38.8 million dollars to the state.

State Treasurer

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 implemented its Warrant Imaging Project in January 2003. After a rigorous RFP process, OST selected the Federal Reserve Bank of Kansas City to clear the State's warrants and provide electronic images of all of these warrants. This selection will reduce OST's per item cost to clear warrants and will be a significant savings to the Treasurer's Office and other agencies. OST anticipates a savings in bank charges of \$165,781 for FY-2004.

Certificates of Deposit Project Another savings initiative that the Treasurer's Office is implementing is a C.D. Project. This is a new system to place C.D.'s with state banks. The project will automate this process, resulting in savings to the agency. There are two major components of this reform. First, new software will enable OST to do funds transfers to and from banks that are electronic and automated. Second, all banks will sign a comprehensive written agreement which spells out the details of interest calculation, funds transfers and other details. The project is scheduled to be complete in February 2003.

Cash Management Enhancement The Treasurer's Office will be completing a Cash Management Enhancement program in July 2003. This initiative provides a comprehensive sub-accounting system for all agencies that have funds and accounts invested. These agencies will not have to individually direct funds to be invested or withdrawn from investments. Instead, their accounts and funds will be automatically

invested with interest paid on an average daily balance basis. OST believes that a lot of paperwork will be eliminated and that the rate of return on these funds will be increased.

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 has been in operation, people have initiated nearly 2,000 claims and 45,000 searches online.

The next phase will allow companies with unclaimed property to do all of their reporting online. This will save on data entry personnel costs

Rural and Affordable Housing Linked Deposit Program This program would provide incentives to housing developers and contractors to build in rural and underserved communities by providing them with lower interest rates on borrowed money when developing in rural areas. Essentially, the Treasurer's office places Certificates of Deposit with lending institutions at a 3% lower interest rate. The lending institution passes these interest savings on to the contractor / developer. The Treasurer’s Office will be asking to extend the start date of this program for one year. Currently, interest rates are so low that there is no market advantage to this program.

Other Linked Deposit Programs The Treasurer’s Office also administers two other Linked Deposit Programs – the Agriculture Linked Deposit Program and the Small Business Linked Deposit Program.

The Small Business Linked Deposit Program provides lower interest rate loans to qualifying small businesses. The loan is made to the borrower's lending institution. The lending institution loans the funds to the borrower at a reduced rate.

Small Business Linked Deposit Program			
	Actual FY-2001	Actual FY-2002	Est. FY-2003
Funded Participants	136	104	170
Amount Funded	\$45,002,050	\$31,257,821	\$58,000,000
Jobs Saved	589	773	900
Jobs Created	868	1,147	2,000

The Agricultural Linked Deposit Loan Program provides lower interest rate loans to qualifying at-risk agricultural enterprises or to qualifying enterprises that are involved in the production of alternative agricultural products. The loan is made to the borrower's lending institution. The lending institution loans the funds to the borrower at a reduced interest rate.

Agriculture Linked Deposit Program			
	Actual FY-2001	Actual FY-2002	Est. FY-2003
Funded Participants	614	510	600
At-Risk Participants	592	486	570
Amount Funded	\$66,966,577	\$44,984,146	\$78,500,000
Average \$ Per Participant	\$221,065	\$246,329	\$231,667

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. Previously, OST had to use the same bank for custodial services and securities lending services. With the passage of this legislation, the Treasurer’s Office was able to bid these two services separately. As a result, OST pays less for securities lending services.

FY-2004 Recommendation This proposal reduces the Office of State Treasurer’s FY-2004 appropriation an additional 4.5% (\$232,767). Agency travel funds are also reduced an additional 10% (\$990).

The Retirement Systems

The Systems The State retirement systems consist of seven defined benefit pension plans which are as follows:

- 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)
- Retirement Plan for Full-time Employees of the Department of Wildlife (DWR)

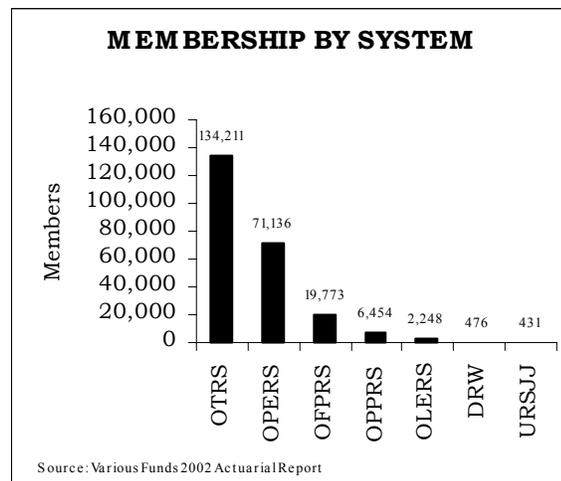
There are fundamental differences in the types of plans in the system. OPPRS, OFPRS, and OLERS are what are called ‘twenty and out’ plans. Additionally within the structure of OPERS a ‘twenty and out’ plan is maintained for Correctional Officers in the Department of Corrections. These plans are extremely generous in their benefits and are designed to allow retired members to go on to other careers.

The twenty and out plans are aimed at public services where it has been established that in the interest of the public good the State desires to have the active members made up of young and healthy individuals. This is the direct result of the functions the State asks these individuals to perform. These services provide what are also often in areas that are defined as hazardous duty. The various law enforcement, firefighting entities and

those members of the Department of Corrections who are employed as guards make up the majority of the members of these systems.

The remaining systems and their members are in what are called regular 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’. In OPERS, DWR, and URSJJ the requirement is eight years and in OTRS it is ten years before a member vests.

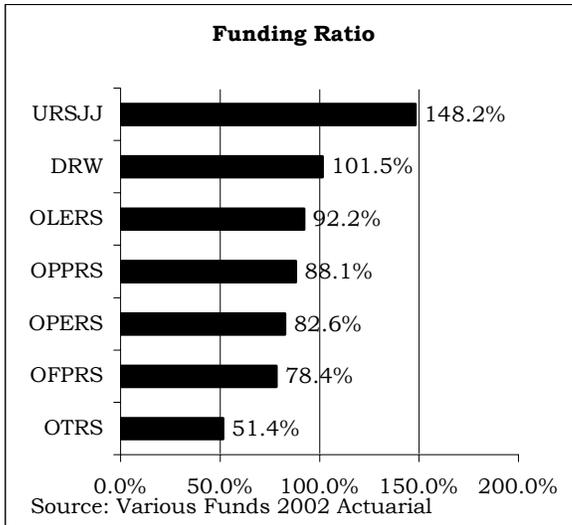
The size of the systems can best be understood by looking at their membership numbers.



The overwhelming size of OTRS compared to the other systems becomes readily apparent when viewed in this context. OTRS’s large relative size is a concern because the system carries an Unfunded Accrued Actuarial Liability (UAAL) approximately \$5.9 billion. A UAAL reflects the excess amount of liability to provide benefits that has been ‘accrued’ over the amount of assets available to pay those benefits. This accrual reflects an actuarial’s best estimate as to costs that will be incurred due to benefits

that have been promised as of a certain date.

The simplest way to understand the health of any retirement system is to view its funded ratio. This is a ratio of debt to assets which in any healthy system should not fall far below an 80% funded ratio.



OTRS's funding ratio is one of the lowest in the nation. This gap in funding of OTRS liabilities is considered an absolute obligation of the State according to Attorney General's Opinion No. 96-21. Ultimately, therefore, the responsibility for this debt will fall on the shoulders of the Oklahoma taxpayers.

Solving the OTRS issue OSF has reviewed the actuarial reports of OTRS and the potential effects on the State's financial stability and believes it is time for this issue to be addressed. OSF believes that a defined contribution plan for new employees should be studied. Defined benefit plans with their long vesting periods and lack of portability are falling into increasing disfavor with today's employers.

The trend in private retirement systems has been increasingly towards defined contribution plans in the last decade and the public sector is beginning to

follow suite with Nebraska, Michigan, Florida and West Virginia among the states that have implemented defined contribution plans.

The amount of the contribution to the plan by employer and employee is set by contract in a defined contribution plan. Control of these contributions rests with the employee unlike defined benefit plans where the employer only has an obligation to provide the benefit promised.

Some of the advantages to an employee of a defined contribution plan over the defined benefit plan are:

- Portability---an employee takes all contributions and earnings with them when they change jobs
- The proceeds pass to an employee's heirs at death
- Every employee will vest versus the over 51 % of OTRS members who never vest currently
- Retirement funds can be withdrawn for medical emergencies
- Employees can increase their contribution rate and defer the taxes on the amount contributed

OSF is investigating a plan that will give Oklahoma's teachers and public employees one of the most generous defined contribution plans in the public sector while over time removing the \$5.9 billion UAAL of OTRS. Under this plan all new members in OPERS and OTRS will enter the defined contribution plan and existing members will be given an option to convert to the new plan.

The results of implementing a new plan would be:

- Stopping the accrual of liabilities and providing a new revenue source to the existing defined

benefit plan which solves the UAAL problem

- Freeing up over \$100 million for OTRS employers in the first three years with over \$69 million in the first year alone
- Allowing the State to remove the dedicated revenue source from OTRS in the future
- Providing fiscally sound retirement systems which will allow regular benefit improvements including providing a guaranteed 2% biannual COLA to all defined benefit members
- Taxpayers will no longer be left holding a \$5.9 billion and growing obligation

Dedicated Revenues The State systems differ from many other defined benefit retirement plans in that several of the systems receive contributions other than employer and employee contributions. OTRS, OFPRS, OLSERS, 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 OLSERS. These State revenues flow to OPPRS and OFPRS even though the State is not the employer of record for most of these two systems members. The chart shows the estimated revenues for FY-2004 that are expected to flow to the systems from the insurance premium tax.

System	Insurance Premium Tax Revenues for FY-2004*	Contributions by Members**
OPPRS	\$19,950,000	\$12,367,000
OFPRS	\$48,450,000	\$11,686,094
OLERS	\$7,125,000	\$3,842,660

*OSF Economic Research and Policy Group
**Various Funds 2002 Actuarial Reports

The State contribution has grown to exceed contributions by members with the implication that the State has a fiduciary interest in these plans.

The current fiscal crisis calls for drastic measures to support necessary services. OSF recommends that the insurance premium tax payments to these funds be suspended for one year. This would allow \$75 million to be made available for the extension of critical services that would be discontinued without this funding.

Operating Efficiencies The State's retirement systems each perform a number of the same tasks for their members including benefit distribution, record keeping and investment fund management. OSF has examined the per-member per-year cost of each individual system and determined that there would be savings to each system using economies of scale if these functions were combined. This is made evident by the low cost of the administrative function in the State's largest system.

System	Administrative Expenses	Number of Members	Cost per Member
OTRS	\$ 3,905,754	134,211	\$29.10
OPERS	\$ 3,196,980	71,136	\$44.94
OFPRS	\$ 937,144	19,773	\$47.40
URSJJ	\$ 89,461	431	\$207.57
OPPRS	\$ 1,680,000	6,454	\$260.30
OLERS	\$ 923,223	2,248	\$410.69

OSF recognizes the need for autonomy in the management of the different systems but the consolidation of

operating functions need not impair the individual retirement systems' Boards of Directors ability to control the direction of that system. The savings of consolidation are obvious when it is taken into account that OPERS already performs these functions for the URSJJ system. Despite being by far the smallest system the cost of administration for URSJJ is approximately half the cost of the next smallest system.

CompSource Oklahoma

The Oklahoma Legislature created CompSource Oklahoma in 1933 with an original investment of \$250,000 by the State. The intent was for CompSource---then known as the State Insurance Fund---to be without liability on the part of the State beyond the amount of the Fund. CompSource has operated as an enterprise function of the State since that time.

The purpose of the Fund is to furnish Oklahoma employers a financially stable workers' compensation insurance program at the lowest possible prices while providing maximum service and assistance. In that function, they have operated as the 'carrier of last resort' for businesses unable to obtain coverage elsewhere in the insurance market.

The management function of CompSource is performed by the Board of Managers of CompSource Oklahoma, which is comprised of nine (9) members. Four of the members serve ex officio.

- Director of State Finance or a designee
- Lieutenant Governor or a designee
- State Auditor and Inspector or a designee

- Director of Central Purchasing of the Office of Public Affairs

The Governor makes one appointment, the Speaker of the House of Representatives appoints two members, and the President Pro Tempore of the Senate appoints two members. The Board of Managers of CompSource Oklahoma has full power and authority to fix and determine the rates to be charged by CompSource Oklahoma for Workers Compensation Insurance.

CompSource carries almost all of the State agencies' workers compensation insurance and an increasing book of business of private businesses around the state. Currently approximately 14% of their book of business is with State agencies.

The following chart highlights the effect on CompSource of the 'hardening' of the workers compensation market in the State over the last three years. This hardening has resulted in many carriers leaving the state insurance market. This results in CompSource carrying an increasing share of the risk of private businesses coverage.

CompSource Oklahoma Selected Financial Data			
	2000	2001	2002
Total Assets	\$682,010	\$748,538	\$794,799
Total Loss Reserves	\$474,484	\$497,246	\$553,691
Total Surplus	\$163,824	\$175,927	\$159,680
Unallocated General Contingency Reserves	n/a	\$170,927	\$154,680

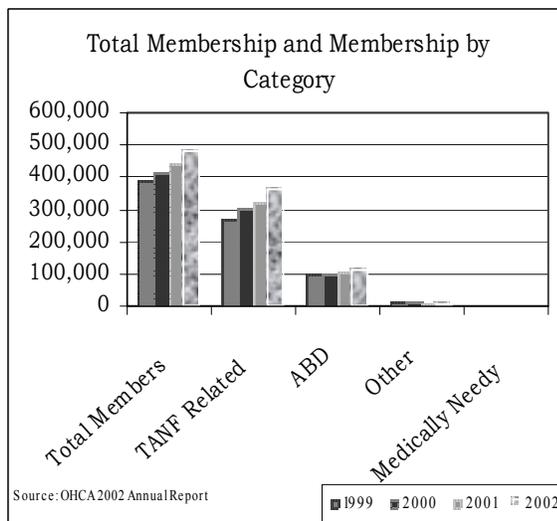
As the chart clearly shows CompSource continues to be a solvent, well managed company with a growing asset base. This is despite the poor investment returns that have affected businesses like CompSource who are partially dependent on investment portfolio returns for income.

Health and Human Services

**Health Care Authority
Health Department
Department of Human Services
University Hospitals Authority
Department of Mental Health & Substance Abuse Services
Office of Juvenile Affairs
Department of Rehabilitation Services
Commission on Children and Youth
Office of Handicapped Concerns
Indian Affairs Commission
J. D. McCarty Ctr. for Children w/Developmental Disabilities
Physician Manpower Training Commission
Board of Examiners for Nursing Home Administrators**

The Oklahoma Health Care Authority

The Oklahoma Health Care Authority is the state agency responsible for all Medicaid compensable services to five groups of categorically related recipients: those related to Temporary Assistance to Needy Families, the Aged, the Blind, the Disabled, and the institutionalized. The medical care delivered to these individuals is prescribed by the Medicaid Act. The number of individuals who receive services in the course of a year now approach 600,000 statewide with the current enrollment numbers as displayed in the following chart from OHCA's 2002 Annual Report.



The Medicaid Act requires that certain services be delivered to recipients: namely hospitals and physicians. Other services are optional, such as pharmacy, but this service is mandated by the state under 56 Oklahoma Statute Section 199.

These services are delivered through several delivery systems. One delivery system is the traditional fee-for-service system. Another is the SoonerCare Plus program which is part of the Medicaid Options Act (56 Oklahoma Statute Section 1010.1(B)). The

SoonerCare Plus program comprises the fully capitated managed care program required under 56 Oklahoma Statute Section 1010.1(B). One other delivery system is the SoonerCare Choice program. This program is the partially capitated managed care program required under 56 Oklahoma Statute Section 1010.1(B). With each one of these programs, the agency is responsible for setting compensation levels, services contained in each delivery system, contracts to deliver the services, and actuarial determinations regarding compensation.

Additionally, while the Oklahoma Department of Human Services conducts eligibility determinations for Medicaid, OHCA is required to monitor this activity and make changes to the eligibility systems because of the managed care delivery systems it has mandated.

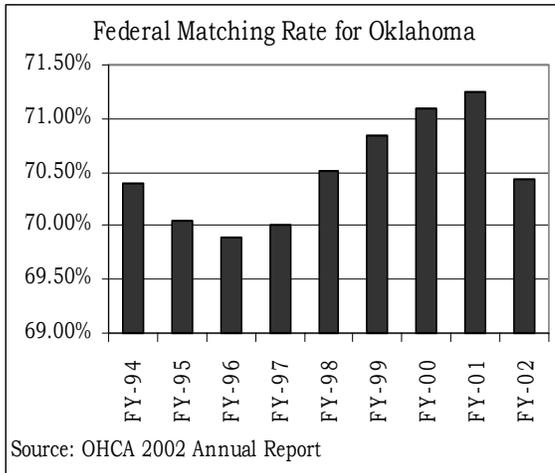
Finally, the OHCA does have a federal and state mandated role in Medicaid fraud. The agency actively works with the State Attorney General's Fraud Unit to prosecute fraudulent providers.

Budget Pressures and Issues of the Health Care Authority

Medicaid Spending and State Revenue Issues Medicaid spending is under pressure in this time of State revenue shortfalls. State tax revenues are falling more sharply than they have at any time since the "oil bust" of the early 1980's. Medicaid costs, on the other hand, increase when the economy weakens and causes more people to enroll in the program.

Since Medicaid qualification is based upon income levels, more people qualify for Medicaid when incomes fall. The General Accounting Office estimates for every 1% increase in unemployment, total Medicaid costs increase 6.7%.

The federal matching rate, which is the amount of Medicaid funding that the federal government provides, is designed to change in response to changes in the state's per capita income. Unfortunately, it does not in fact, keep pace with the state's falling incomes due to lags in reporting and resulting lags in adjustments to federal payment levels.



Individual Economic Status and Healthcare Coverage According to the Kaiser Foundation's 1999-2000 data (most recent data available), 41% of Oklahomans were below 200% of the federal poverty level (FPL). In comparison, nation-wide, 34% of individuals were below 200% FPL. It should be noted that the FPL is a nationwide measuring stick and cross comparisons by state may not be completely valid due to factors such as cost of living variances by area. According to the latest data available (State Department of Labor data) 45 of Oklahoma's counties have an average per capita income below \$20,000.

Not surprisingly, there is a positive correlation between poverty and lack of health coverage. The U.S. Census Bureau estimated in 2000 (latest year data was available) that approximately 17.5% of Oklahomans lacked basic health care coverage.

Medicaid and Its Effect on the Economy 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, and providing an opportunity to keep health care dollars circulating within the state economy. Health care businesses, in turn, have an additional impact through the purchases of utility services and cleaning supplies, as well as the payment of property taxes. The \$2.37 billion in Medicaid expenditures for FY-2002 is estimated to have supported 57,360 direct jobs within the health care industry and \$1.26 billion in personal income. This represents approximately one-third of all health care related employment statewide.

Medicaid and Its Effect on the Insurance Market One of the by-products of Medicaid is its effect on the uncompensated cost of health care services. This is most evident in the area of hospital costs since unlike physicians they cannot limit their exposure to the uninsured by denying services. Most of these uncompensated costs to hospitals are sustained in the emergency room cost centers, which are among the most costly delivery modules for health care. These costs are passed on to the other users of these cost centers. This results in the insured populations paying more for services which in turn is a cost driver for private insurance premium costs.

Supplemental Needs and Measures Taken to Avoid Supplementals OHCA has been able, through some innovation and cost containment, to postpone most cuts in services and all reductions in eligibility for pregnant women and children. However, OHCA was forced on December 12, 2002, to initiate some cuts in services. The Medically Needy Program was discontinued as of February 1, 2003. Benefits in the HMO program were reduced to mirror the Fee for Service

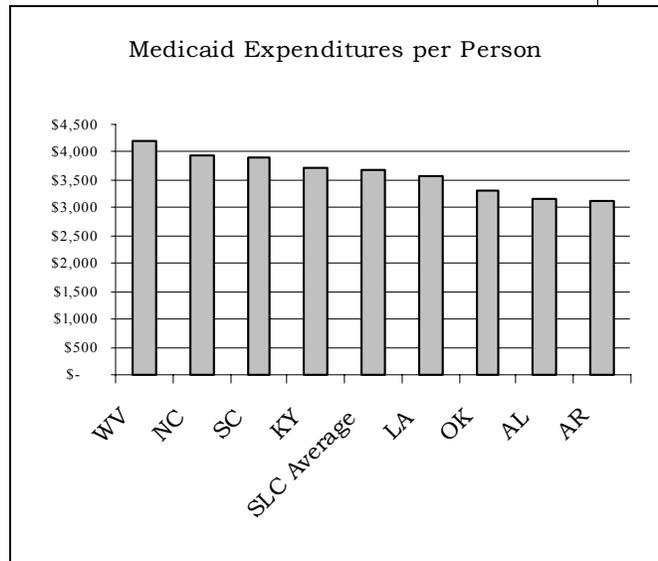
benefits effective January 1, 2003. OHCA eliminated behavioral health services to nursing home recipients and delayed a rate adjustment to nursing home fees indefinitely. Additionally, some medications were moved to the prior authorization list as a savings tool.

OSF expects that if OHCA expenditures continue as projected that a supplemental will be required to carry through FY-2003. This budget includes an additional \$8.8 million to allow OHCA to complete FY-2003 without any further eligibility or service reductions. Whether these adjustments carry OHCA through the entire current fiscal year will depend on the revenues to the state and the state of the economy as noted above.

Incurred But Not Reported (IBNR)

IBNR is the governmental version of a cash basis accounts payable. In other words, this is incurred debt owed by OHCA but not recorded in OHCA accounts.

Enrollment While health care costs across the board continue to increase, Oklahoma has been 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.

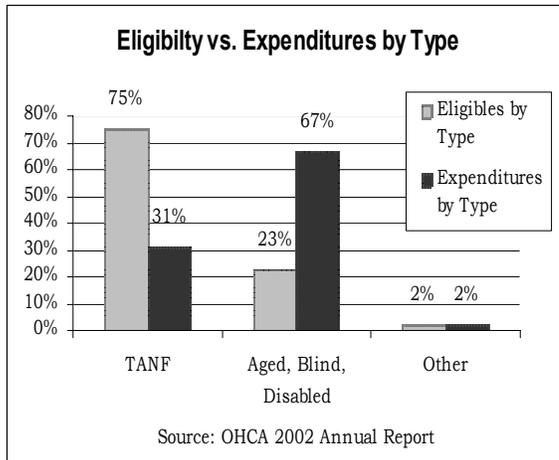


Fiscal Year	Incurred but Not Reported		
	Medicaid Liability at OHCA	Expenditures per Business Day	Liability in Business Days
FY-1997	\$ 969,202,573	\$ 3,876,810	32
FY-1998	\$ 1,056,613,866	\$ 4,226,455	32
FY-1999	\$ 1,139,789,576	\$ 4,559,158	33
FY-2000	\$ 1,234,732,264	\$ 4,938,929	33
FY-2001	\$ 1,489,235,572	\$ 5,956,942	30
FY-2002	\$ 1,749,795,585	\$ 6,999,182	32

The primary driver of costs is enrollment volume. Every other cost center is a function of enrollment numbers and any significant reduction in appropriations will require changes in eligibility. The economic counter cyclical nature of Medicaid results in eligibility expansions in good economic times when tax revenues are available that are unsustainable when a downturn occurs. This type of enrollee growth is also fundamental to OHCA's cost growth. Only 23% of current enrollees are in the category of the Aged, Blind and Disabled (ABD) versus 75% in the Temporary Assistance to Needy Families (TANF)/Aid for Families and Dependent Children (AFDC) but the ABD population consumes 67% of expenditures. A trend line of increasing ABD enrollment and their attendant high costs is very easy to predict with the baby boomers now beginning to reach retirement age.

The greatest issue in IBNR is the financial handcuff effect it has on some potential Medicaid alternatives. For instance, if the Health Maintenance Model (HMO) concept was to be expanded statewide it requires that OHCA pay the HMO's in advance. The net effect would be the IBNR coming due at the same time when OHCA would be paying HMO advance billings.

Cost Drivers



Services Oklahoma provides a broad range of services to Medicaid recipients including 29 of the 34 optional services allowed by the Center for Medicaid and Medicare Services (CMMS). As the chart generated by the OHCA Task Force shows many of the optional services are intertwined with other state services and the discontinuance may result in greater expenditures for other state agencies or increased costs for OHCA.

hierarchy of private insurance, Medicare, and Medicaid in terms of reimbursement rates. The converse argument is that any rate of reimbursement is greater than the uncompensated cost that the provider would bear if OHCA were to just eliminate the enrollment category or service from the program. However, some providers can limit or eliminate access by Medicaid recipients which others, such as hospitals, cannot. This reduction in access to some categories of providers has an impact on recipients and their quality of care which adversely affects health outcomes. Additionally, the higher cost of the service delivery methods used by the uninsured impact the average Oklahoman in their cost of health care insurance.

Current Fiscal Year Issues

As a result of the counter cyclical nature of Medicaid costs in relation to the economy, the State is put in the difficult position of having to increase allocations to OHCA from a dwindling

Optional Services Provided			
Service	Impact of Elimination	Service	Impact of Elimination
Case Management	State share paid by other agencies	Prosthetic Devices	Small amount of expenditures
Chiropractor	Substitution to physician services	Inpatient Hospital for age 65+ in institutions for mental diseases	Loss of \$123,000 in federal \$ for Mental Health Department
Clinic	Substitution to physician services	Inpatient Psychiatric for under 21	Loss of \$2 million in federal \$ for Mental Health Department & \$19 million for Human Services
Dental		Intensive Care Facility for Mentally Retarded	Loss of \$44 million in federal \$ for Human Services
Dentures		Nurse Anesthetist	Substitution of higher priced anesthesiologist
Diagnostic Services	Small amount of expenditures	Nursing Facility under 21	Substitution of inpatient hospital services
Emergency Hospital		Occupational Therapy	Small amount of expenditures
Eyeglasses		Psychologist	Substitution to physician services
Optometrist	Substitution to higher cost ophthalmologists	Rehabilitative	Loss of \$17 million in federal \$ to Mental Health Department
Personal Care		Respiratory Care	Small amount of expenditures
Physical Therapy	Small amount of expenditures	Screening Services	
Podiatrist	Substitution to physician services	Speech/Hearing/Language Disorders	Small amount of expenditures
Prescribed Drugs	Increased inpatient hospital utilization	TB related	State share paid by Health Department
Preventive Services		Transportation	
Private Duty Nursing	Small amount of expenditures		

revenue base. However, the cessation of services to the poor and the long run health implications inherent in that service interruption make additional funding for OHCA a critical need. Therefore, an addition of \$45 million to OHCA's FY-2003 shortfall adjusted general appropriation is required.

OSF has put together a plan of action that

Provider Reimbursement Many providers, with hospitals being the leader, protest that they currently are receiving less than cost for their services. Medicaid rates are last in the

will provide for this funding. It should be understood that this is maintenance and annualization of FY-2003's budget and does not account for any significant increases in enrollment.

Cost Containment and Additional Revenue Measures

Expand the State Maximum Allowable Cost (SMAC) List OHCA currently maintains a list of generic pharmaceutical drugs that have a limit to the maximum cost that the State will pay. OSF and OHCA have jointly examined the expansion of SMAC to mirror the Texas SMAC list which is an expanded list. OHCA began a partial implementation last fiscal year of the expanded list with an announced savings of \$1.4 million. This amount could grow to \$3.0 million if Oklahoma retains the SMAC for those drugs where Oklahoma has a lower price and adds only those with a lower SMAC in Texas. This savings initiative carries very little administrative cost and could be instituted immediately.

Collect Reimbursement from Those Who Abuse the System At present there are significant numbers of fathers who did not participate in the means testing for establishing the qualifications for Medicaid services. These parents have chosen to “let” the taxpayers pay their share. Many times these fathers are present in the home but have not married their child’s mother. Their financial resources are omitted in the application for services. Allowing this practice is a disincentive to family formation and clearly opposite of what is best for the child.

While it is in the best interest of the State to provide quality prenatal, birthing and neonatal care to all who cannot afford it, it is incumbent on the State to enforce the legislated guidelines so the taxpayers’ dollars go only to those who legitimately qualify.

The collection of birthing and neonatal care costs from delinquent fathers could eventually exceed \$12 million annually with the State share being approximately \$3 million. The Department of Human Services, which

is the state agency mandated to collect child support, has been legislatively mandated since 1995 to make this collection, but has yet to attempt to collect these costs. Not only would these additional funds provide continued quality care to financially disadvantaged pregnant women and children but would send a clear message that the decision to have children requires personal responsibility on the part of both parents.

Reduce dispensing fees to Pharmacists Currently OHCA pays a dispensing fee to pharmacists of \$4.15 per prescription. Recipients who are able pay \$1 to \$2 depending on the cost of the prescription. OSF has reviewed College of Pharmacy data regarding the calculation of drug costs and found that OHCA budget projections for drug costs assume no co-payments are made. Calls made to a sampling of urban and rural pharmacists enforce the conclusion that co-pays are seldom if ever made. The dispensing fee is therefore being borne almost entirely by OHCA. This fee is in addition to any profit margin built into the purchase price of the drug. The average price of a prescription at OHCA was approximately \$54 last year which yields a return of nearly 8% on the dispensing fee alone.

A reduction of only \$1 dollar in the dispensing fee yields over \$4.3 million in total savings annually based on the current level of 365,289 prescriptions per month.

Adopt Florida’s Approach to the Prior Authorization list Currently OHCA has a prior authorization list that requires, when it is clinically appropriate, patients and doctors to use less expensive drugs which have been proven to be effective before turning to higher cost alternatives. This list is a ‘tiered’ list that has different requirements for prescriptions depending on which tier a drug is

located. OSF believes that it would be appropriate to follow Florida's approach to the tiered structure. Florida allows drug manufacturers to change the tier, and hence the ease of prescription, by paying a supplemental rebate to OHCA. OHCA estimates that approximately \$4 million in State dollars could be saved with this approach.

Managed Care Organizations (MCO)

Provider Fee Four MCO's contract with OHCA to provide services to Medicaid recipients. OHCA has found a provision in federal law that allows a state to charge a fee to Medicaid MCO's which can then be used to leverage against federal dollars for increased reimbursements to the MCO's while increasing the amount of funds available to the State's Medicaid program. The following chart shows the expected return on such a program using a 6% provider tax. The participating MCO's will be held harmless by having the 6% returned in increased reimbursements and the State of Oklahoma will have nearly \$16 million in additional dollars to use for Medicaid services.

Oklahoma Health Care Authority	
Estimated Annual Revenue from MCO Quality Assurance Fee	
	Total
Net premium income 1/1/02-6/30/02	295,197,772
Annualized 2002 premium income	590,395,544
Estimated % Medicaid	375,882,361
Estimated % Medicare	48,306,404
Estimated % Commercial	166,206,779
Tax on Medicaid @ 6%	22,552,942
Tax on Commercial @ 6%	9,972,407
Total New State Revenue	
Tax on Medicaid @ 6%	22,552,942
State Share for Cost of Tax	6,661,575
Net Tax Gain	15,891,367
Revenue back to HMOs in increased rates (hold harmless)	22,552,942
Total State & Federal increase for state Medicaid Program	53,800,648
Notes:	
1) Fee amount assumes 6% assessed on annual premiums paid to MCOs.	
2) Source of data: Quarterly Financial Statements reported to OSDH by MCOs (YTD as of 6/30/02 annualized).	

The Department of Health

The mission of the Department of Health (DOH) is to promote, protect and improve the health of all Oklahomans through leadership and partnership with communities in developing and assessing health and information systems that will prevent disease and injury and promote healthier lifestyles.

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: Focuses on home visitation programs for low-resource mothers to improve health indicators and parenting skills in an effort to avert child abuse, unwanted repeat pregnancies, and other adverse incomes.

Child Guidance Services: Offers diagnostic and short term treatment services for developmental, psychological, speech, language and hearing problems for children through county health departments.

Women, Infants, and Children (WIC): A federally funded program that provides nutritional education and coupons for selected items to pregnant women and children less than 5 years old.

Dental Health: Oral health screening and small scale treatment for children and nursing home residents through contracts with providers. Includes some school based dental education and fluoridation programs.

Teen Pregnancy Prevention: Community based programs aimed at lowering the state's teen birth rate. Non-profit entities offer the services through provider contracts with OSDH.

Newborn Metabolic Screening: Screening of all Oklahoma newborns for various metabolic disorders.

Disease Prevention Services

Chronic Diseases: Screening, tracking, education and referrals for persons at risk for chronic diseases like cancer, diabetes, heart disease, and high blood pressure.

Communicable Diseases: Contains three primary areas of services as follows:

- Immunizations: inoculates children for all state-mandated vaccines and coordinates the distribution of vaccines to private health facilities.
- Tuberculosis: screening, diagnosis and treatment for persons with TB.
- HIV/STD: surveillance and prevention of HIV/STD's and helps eligible participants pay for prescriptions under the AIDS Drug Assistance Program.

Community Health Services

County Health Departments: Provides an array of services at the local level including technical 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: The licensing and inspection of nursing facilities, assisted living centers, group homes, intermediate care facilities for the mentally handicapped and residential care centers.

Medical Facilities and Entities: The licensing of hospitals, ambulatory surgical centers, community health centers, home health agencies, hospices, health maintenance organizations, etc.

Occupational Licensing: The licensing of plumbers, electricians, barbers, hearing aid fitters, the alarm industry, and licensed counselors.

Restaurant and Motel Inspections: Fee funded inspections of these facilities by local sanitarians working for the county health departments.

County and Jail Inspections: Inspections to ensure compliance with minimum safety and inmate welfare standards.

Support Services Provides administration services and data processing services for various functions of OSDH. This includes the Commissioner and his staff.

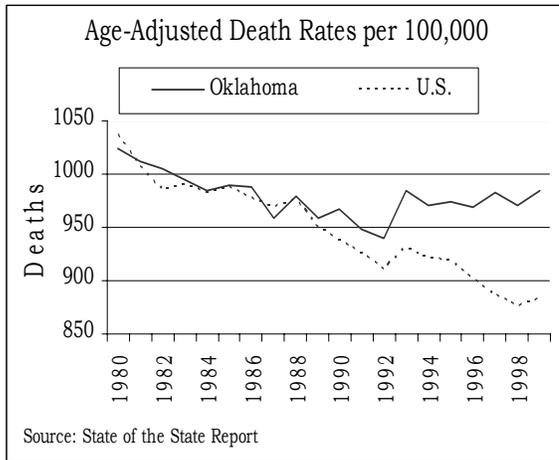
Health and Resources

Health in Oklahoma The Governor's transition team looked at the overall health of Oklahoma's citizens and noted some alarming results. According to the team, Oklahoma rated 46th in terms of overall health of its citizens. This represented a decline of thirteen places over the last decade. The team pinpointed five areas that they attributed this to:

Factor	State Ranking
1 High prevalence of smoking	49th
2 Low support for public health care	46th
3 High number of uninsured	46th
4 High rate of heart disease	48th
5 High total mortality	45th

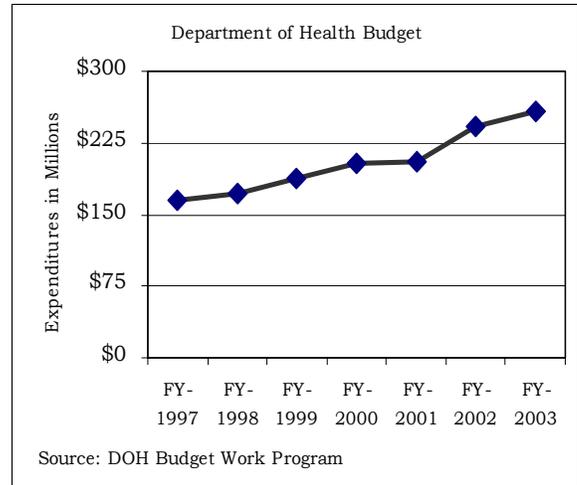
What makes this data even more disturbing is the relationship between the overall health of the nation as it compares to Oklahoma. The 2002

Department of Health State of the State's Health Report concludes that the 'State of the State's Health' is unacceptable. The 2002 report further emphasizes that Oklahomans die of heart disease, cancer, stroke, and chronic obstructive pulmonary disease at a greater rate than the rest of the United States.



The report goes on to say “there is an inseparable link between health and economic well-being”. OSF has looked closely at this link between poverty and poor health outcomes. In a budget crisis as the State currently finds itself, it is prudent that the State focus its resources where they can have the greatest impact. Additionally, the State must protect those who are most vulnerable.

With limited resources and a large at risk population in Oklahoma, OSF believes that a reallocation of Department of Health resources is a logical fiscal approach in trying to reverse Oklahoma's health trend line. The following chart shows that increasing expenditures by DOH is not positively correlated to improved health outcomes. Despite the nearly 57% increase in expenditures since 1997, the health of Oklahomans has continued to deteriorate when compared to the rest of the nation.



OSF is calling for DOH to provide health outcomes that support the continued funding of individual programs. The lack of concrete results from some of these programs leads OSF to suggest that the following program reductions and/or discontinuations be implemented:

Children First Oklahoma is the first state to implement this program statewide. However, the program has produced some disappointing statistics to date. OSF suggests that this program should be converted to a means tested program within the umbrella of Medicaid services.

Making Children First a Medicaid program would allow for a federal match on state funds. Currently the State expends over \$11 million to fund the program. If DOH uses TANF dollars (see Department of Human Services section for description of TANF dollars) for the first half of FY-2004 and applies for a waiver to make it a Medicaid eligible program in the last half of the fiscal year the State will save over \$9.3 million.

Child Abuse Prevention OSF believes that TANF funds should be applied to funding the Child Abuse Prevention program. The change in funding source for FY-2004 results in a savings of \$2.9 million in State dollars.

Eldercare The Eldercare program administered by the DOH is a provider of services for the ADvantage Medicaid waiver in the Department of Human Services. To date, none of the funds appropriated to the Eldercare Revolving Fund are matching funds for federal Medicaid dollars. This proposal transfers the Eldercare funding from the DOH Eldercare Fund to the Department of Human Services for the ADvantage program. The result of maximizing these funds with a federal Medicaid match retains the overall expenditures level in Eldercare but redirects the program to one which is means tested and provides ADvantage waiver services only.

The Eldercare program within the DOH and those contractors currently funded through Eldercare will all contract for ADvantage waiver business through the Long Term Care Authorities of Tulsa and Enid in the same way they do now. Moving these state dollars from the Eldercare Fund to DHS will provide a program of about the same size as that currently in DOH, allow them to retain most of the employees working in Eldercare and provide a savings in state dollars.

The movement of DOH Eldercare services to the Department of Human Services will consolidate a large part of senior's services in one agency. The resulting contraction reduces DOH's funding needs by over \$6.7 million.

Teenage Pregnancy Prevention OSF has identified this as another area where the use of TANF dollars is appropriate. The temporary switch in funding sources for FY-2004 results in \$848,000 reduction in appropriations to DOH.

HMO Regulation The financial collapse of Amcare HMO focused attention on DOH's administration of the state's HMO industry. OSF believes that this function should be placed in the office of the State Insurance Commissioner. The

movement of this regulatory assignment to the Insurance Commissioner allows a reduction of \$150,000 in base appropriations of DOH.

Administration, Pass Throughs and Revolving Funds A reduction in administration expenditures should be included with the transfer of some programs out of DOH. This proposal targets \$135,217 in administrative expenses for reduction.

DOH has pass throughs amounting to over \$2.68 million in their base appropriation. These are directed by the legislature as to purpose. This budget demonstrates that it is appropriate that all programs share the fiscal cuts and therefore has targeted 10% of this base for reductions.

The severity of the current fiscal crisis requires the transfer of the cash balances of the following revolving funds to the Special Cash Fund for other State needs.

Revolving Fund Balances Transferred to Special Cash	
Tobacco Prevention	\$ 500,000
Public Health Fund	\$ 500,000
Breast Cancer Fund	\$ 150,000
Trauma Care Fund	\$ 1,250,000
Child Abuse Prevention	\$ 575,000
Children First Fund	\$ 1,000,000
Total transfer to Special Cash	\$ 3,975,000

The Budget for the Department of Health

The following chart is a summary of the net effect of the aforementioned budget proposals.

Department of Health Budget Overview	
Base Appropriation	\$ 60,243,923
Less 10% of pass through expenditures	\$ 268,000
Less 10 % of administrative expenditures	\$ 135,217
Transfer HMO regulation to Insurance Commissioner	\$ 150,000
Additional travel reduction	\$ 401,290
Fund Teen Pregnancy Prevention with TANFS	\$ 848,000
Miscellaneous Reductions	\$ 1,802,507
Program Reductions/Eliminations	Net Reduction
Children First	\$ 9,439,225
Child Abuse	\$ 2,915,000
Eldercare moved to DHS	\$ 6,786,522
Total Program Reductions/Eliminations	\$ 19,140,747
Total Appropriation for FY-2004	\$ 39,300,669

Department of Human Services

Update on Welfare Reform in Oklahoma

The Department of Human Services (DHS) has experienced great success moving tens of thousands of welfare recipients into the workforce as a result of welfare reform efforts. These efforts in advance of the passage by Congress of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in the fall of 1996 but accelerated in the years since. This act overhauled the welfare system in the United States, eliminating the decades old Aid to Families with Dependent Children (AFDC). AFDC was replaced by a program designed to put recipients to work called Temporary Assistance to Needy Families (TANF). The Act which created TANF states four major goals for the program:

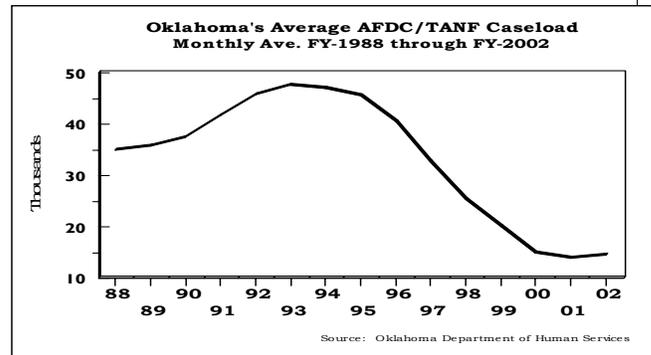
- Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- End the dependence of needy parents on government benefits by

promoting job preparation, work, and marriage;

- 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.

Dramatically reduced caseloads

Since reaching its peak of 47,712 cases in FY-1993, the average number of cases per month steadily dropped to a low of 14,051 in FY-2001. The monthly average number of cases went up slightly in FY-2002 to 14,648.



The average number of cases per month masks the work involved and staff required for the cases opened and closed each month. During FY-2002, 23,830 additional TANF cases were opened and 24,281 cases were closed. In addition, 20,241 applications were denied. Applicants can file appeals to the eligibility determinations made by DHS staff and these appeals go through a process of resolution.

Cash Benefits and Current Cases

From FY-1996 through FY-2002 the amount of money spent annually to provide monthly cash benefits has been reduced from almost \$129 million to less than \$37.4 million. Of the 14,648 average monthly TANF cases in FY-2002, 8,180 cases had an adult on work requirements. The remaining

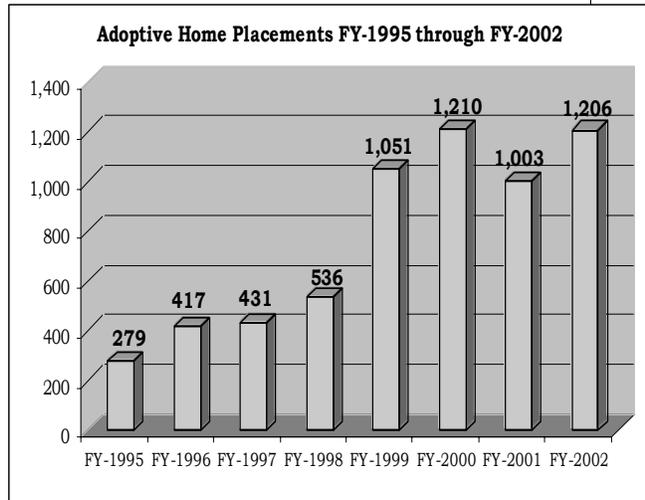
6,486 monthly average cases are “child only” cases. In these cases, the cash benefit is for the child or children only. An example of this type of case is that in which the child’s parents are deceased and the child lives with a grandparent.

Time-limited Benefits In October 2001, the first five-year lifetime limit for TANF cash benefits arrived. At the inception of Welfare Reform, some questioned the use of time limits for benefits to needy families. In fact, when the time limit came, there were only about 90 families in the state who had been on TANF for 60 consecutive months who also had an adult subject to work requirements on the case. DHS policy allows and staff has arranged limited assistance to families facing specific hardships after exceeding TANF time limits.

Children and Family Services

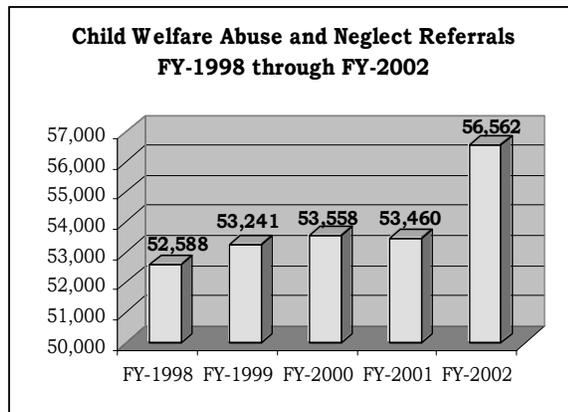
Growth in Adoptions The Department had another year of success in adoptive placements. In FY-2002, the Division of Children and Family Services authorized 1,206 adoptive placements. In recent years, adoptive home placements, the preliminary step to permanent adoptions, have sharply increased.

DHS put together a program combining the efforts of department staff and contracted staff to tackle the problem of children in need of a permanent home. These children's parents lost their parental rights.

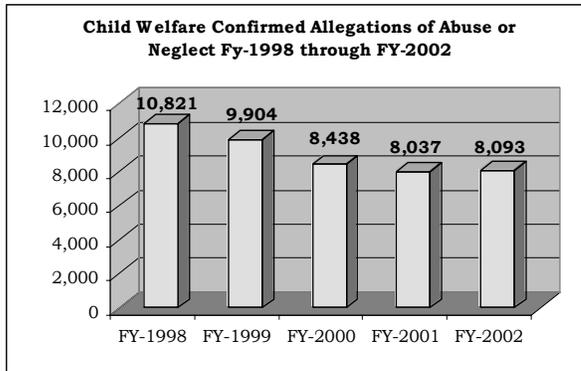


Making the adoption permanent is the final step in the process. Over 900 adoptive home placements were finalized in FY-2002. Currently, more than 5,798 children are supported by adoption assistance payments and services.

Child Protective Services Child abuse and neglect referrals, family based, which dropped slightly in FY-2001 increased by over 3,000 referrals in FY-2002.



Although more allegations of abuse and neglect were made and investigated, the number of confirmed investigations did not rise significantly.



The good news is even though the number of abuse and neglect allegations is increasing, confirmations are not. Both in absolute numbers and as a percentage of allegations, confirmations are decreasing.

Confirmations of Neglect or Abuse as a Percentage of Allegations FY-1998 through FY-2002

FY-1998	20.58%
FY-1999	18.60%
FY-2000	15.75%
FY-2001	15.03%
FY-2002	14.31%

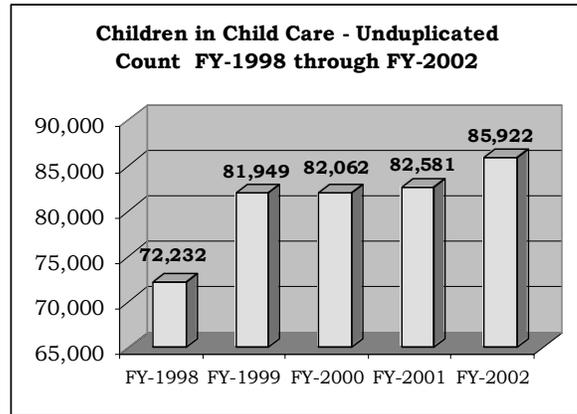
Foster Care An average daily population of 5,785 children was in foster care and kinship placements during FY-2002. At the end of the fiscal year, there were 3,938 approved foster homes. The average length of stay for a child placed in out-of-home care was reduced from 31.3 in FY-2000 to 24.8 months in FY-2001 and came down slightly again in FY-2002 to 24.3 months.

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.

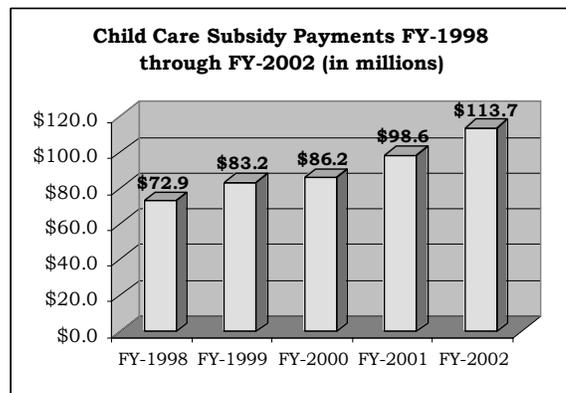
Subsidized child care pays part or all of the child care costs for qualifying families while parent or caretakers

work, attend school, or receive training. Subsidized child care was provided for almost 86,000 children during FY 2002. Total payments increases are due to the number of children in care and increased payment rates.



This system pays different rates depending on the level of accreditation earned by the facility. These levels, referred to as Stars are as follows:

- One Star – Basic Licensing Requirements
- One Star Plus – Transitioning to Higher Level
- Two Star – Seven Quality Criteria including Master Teachers
- Three Star – Two Star Criteria and Nationally Accredited



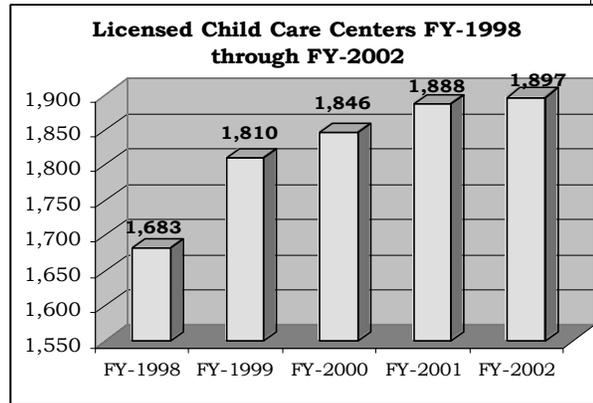
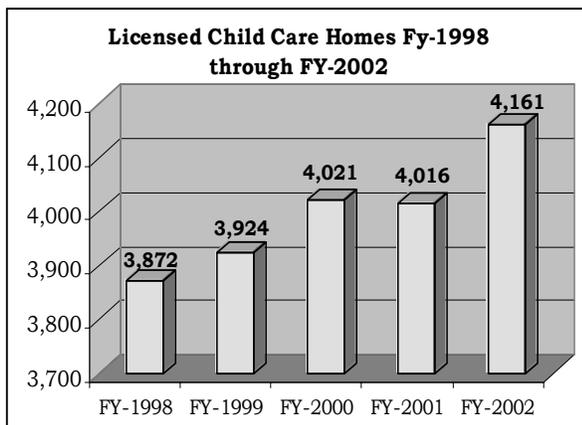
Electronic Benefit Transfer Child care claims are now processed using

the Electronic Benefit Transfer (EBT) system in 39 counties. More counties are coming on line in FY-2003. This system allows parents to check children in and out of a child care center using a swipe card system. This creates an electronic payment record for each child.

Each swipe is recorded in real-time on a database. The database is accessible for child care providers through the Web. Providers can know immediately whether the child has been approved for care in their facility and the amount of payment they will receive for that day's care, as well as any co-payment due from the parent.

EBT Child Care system is the first of its kind in the nation. *Computerworld* magazine gave it the 21st Century achievement award for visionary use of information technology. The Department was nominated for the award by ACS State and Local Solutions, the company that partnered with DHS in implementing the system.

Child Care Licensing The Division of Child Care licenses and inspects more than 6,000 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 74 child placing agencies that place children in foster homes and adoptive homes.



Developmental Disabilities

The Division of Developmental Disabilities (DDSD) in DHS provides services to people with a primary diagnosis of mental retardation (IQ of 70 or below). Those served may also have other developmental disabilities in addition to mental retardation such as autism, cerebral palsy, Down Syndrome, etc.

Persons Served DDSD currently serves approximately 7,800 people, ages 3 and up, in community based programs. The division also served an average of 405 persons in three public institutions.

These public institutions have a technical classification for Medicaid purposes: Intermediate Care Facility for the Mentally Retarded (ICF/MR). They are 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 designed for limited term treatment of persons with the dual diagnosis of mental retardation and mental illness. Since February of 2000, the Greer Center has been operated through a contract with Liberty Health Care Services of Oklahoma.

Community Services These are services provided to persons with developmental disabilities who are not in institutions. For several decades, in Oklahoma and all other states, the trend has been away from providing services in institutions. Some examples of services provided in the community are:

- Habilitation services
- Respite care
- Adaptive Equipment
- Architectural Modifications
- Medical Supplies
- Counseling
- Transportation
- Specialized Foster Care
- Live in companions
- Family Support Assistance Payments
- Group Homes
- Daily Living Supports
- Sheltered Workshops
- Community Integrated Employment
- Supported Employment

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. DDSD Family Support payments are TANF funded.

Types of Recipients There are various ways to classify the recipients of services for persons with developmental disabilities. It is important to look at where service delivery costs the most also at what services are paid for with 100% state dollars and what's paid for using federal matching dollars. Finding as many legitimate ways to cover services

with a mix of federal and state dollars makes the most of our scarce resources. This also helps us serve more people who need the services.

There are at least four types of recipients receiving services for developmental disabilities:

- People who are in an institution;
- People who are members of the Homeward Bound Class;
- Non-classmembers who receive services through a Medicaid waiver; and
- People not on a Medicaid waiver receiving sheltered workshop or group home services.

Who are the members of the Homeward Bound Class? They are former residents of the Hissom Center who filed a class action lawsuit in 1985 which compelled the state to create community-based alternatives to institutional placements. The resulting court order also required the closure of the Hissom Memorial Center in Sand Springs. There are approximately 858 surviving members of the original Homeward Bound Class.

The Court Order closing Hissom was issued in 1987 and the last resident was moved into the community in April of 1994. The lawsuit is still not settled. Services for classmembers are mandated by the court and services are offered to other people as funds become available.

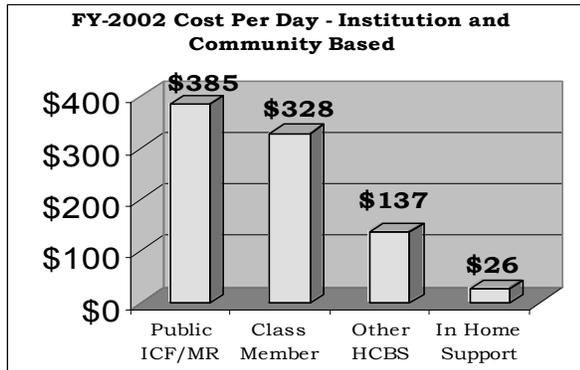
As of FY-2002, approximately 3,344 people who are non-classmembers are served through some type of community-based waiver.

Waiting List for Community Based Services As of January 2003, there are 3,239 people with developmental disabilities on the waiting list to receive services from one of the waivers

administered through DDS. Persons waiting for services are of all ages and many of them and their families face incredibly hard circumstances every day.

Cost of Service by Type of Recipient

As the following graph illustrates, the most expensive way to provide services is through public institutions. It cost \$385 per day in FY-2002 to serve an average of 405 residents. The next most expensive clients are the members of the Hissom class. The Court order requires that the state spend additional unmatched state dollars for this protected class. In FY-2002, classmembers cost an average of \$328 per day.



While \$328 dollars per day is less than what we spend serving people in our three public institutions, it is more than twice what we spend on community services for non-classmembers. The main reason for the disparity is the court-ordered 100 % state dollar services provided only to members of the Hissom class. These services cost approximately \$13.1 million in FY-2001, were decreased to \$8.2 million in FY-2002 and will cost at least \$7.7 million in FY-2003.

The good news is that DHS found ways to “federalize” some of these services which makes them eligible for Medicaid matching funds. The decrease in services provided with 100% state dollars makes more funds available for persons currently on the waiting list.

What services does the State purchase for only members of the Homeward Bound Class? Services mandated by the Federal Court for the 858 classmembers are:

- Room and board supplement payments along with single placement supplements which averaged \$7,379 per year per member in FY-2002. These supplement payments make it possible for classmembers to have “individual placements.” That means they can live in their own house or apartment with no roommate if they wish.
- Special Needs and other supported living payments averaged about \$2,011 per class member for FY-2001 and about \$1,165 per class member in FY-2002. Special needs payments go mostly for medical services that Medicaid does not cover, such as dental services for adults. Furniture and appliances are also in this category.
- Cost Settlement payments averaging \$2,086 per member in FY-2002. These are payments made to the companies who provide services to classmembers. The cost settlement process allows them to recover all of their costs.

Costs Related to the Lawsuit The Hissom lawsuit, although commenced in 1985, is still not completely settled. The Department incurs expenses every year related to the lawsuit, the attorneys involved and representatives of the court called the Court Panel and the Guardian Ad Litem. DHS spends over \$1.4 million each year for plaintiff’s attorney fees, Court representatives and a contract with the Attorney General’s office which is related solely to this litigation.

Others Receiving Community Services Home and Community Based waiver services were provided to

2,361 persons who were not members of the Homeward Bound Class. These services averaged cost a total of \$118.4 million for a cost per day of \$137. A second type of community based services waiver called the In Home Support waiver provides “capitated” services for \$11,300 per child and \$16,950 per adult. Services were provided to 983 persons on this waiver at a cost of only about \$26 per day in FY-2002.

A time for difficult choices The state and DHS are entering into a budget year when new funds for providing services to developmentally disabled people are not available. It is at this time and with the facts in mind that we must take a hard look at how our current dollars can be reconfigured so that more people can be served.

Child Support Enforcement

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had more sections devoted to the reform of the Child Support system in the United States than were devoted to Welfare Reform. Many people are not aware of the strong emphasis on Child Support in that act and in subsequent legislation. Finding ways to encourage and require that parents are financially responsible for their children is central to the spirit and the letter of the law.

Oklahoma’s Child Support Offices

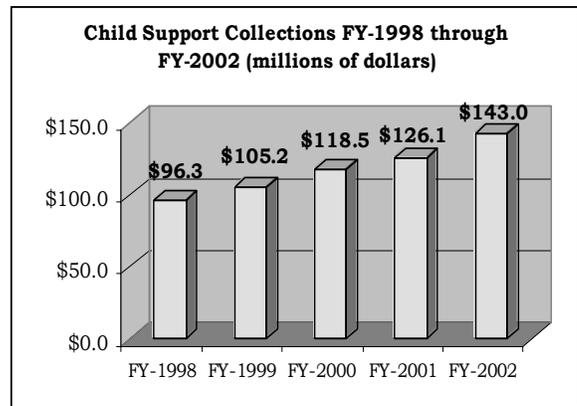
There are 35 Child Support Offices in Oklahoma. Of these, DHS staffs and runs 12; District Attorneys who contract with DHS to perform child support services operate 21. Two additional contract offices are operated by a Community Action Program and a private for profit company.

Child Support offices are located geographically across the state. They are responsible for collecting court ordered child support and distributing it to children and custodial parents.

Effectiveness Measures The system’s effectiveness is measured along five guidelines:

- Paternities Established
- Support Orders Established
- Collections on Current Support
- Collections on Arrears
- Cost Effectiveness

The federal Office of Child Support measures the performance of all states against these standards and uses that performance to distribute federal incentive funds.

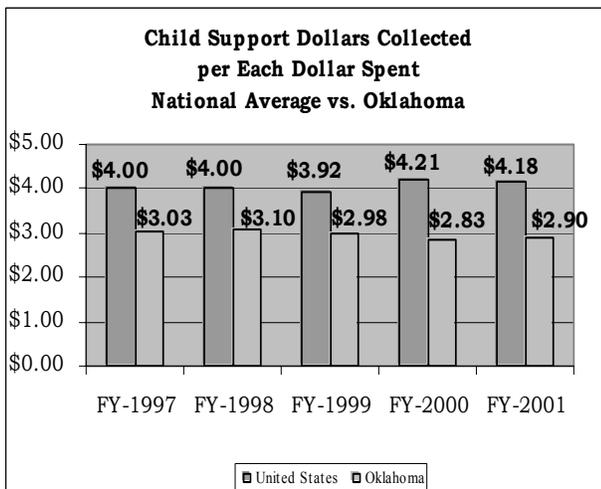


Collections on current and past due support have been steadily increasing in Oklahoma over the past several years. This is partly due to the opening of more child support offices to work the cases and partly due to the Child Support Division contracting out the collection of some of it’s harder to collect and older cases.

The Child Support Division contracts with the private sector for a number of services including collections, DNA testing, process service, credit bureau services, and parent location services.

Cost Effectiveness The measure of cost effectiveness in this area is child support dollars collected and

distributed vs. dollars spent to accomplish those collections. Although Oklahoma's collections are steadily increasing, our system consistently ranks well below the national average on the cost effectiveness measure. Comparing Oklahoma's cost effectiveness to the national average from Federal Fiscal Year (FFY) 1997 through FFY 2001 reveals these differences:



FFY 2001 is the most recent year for which comparable statistics are available. If Oklahoma had collected child support in FFY-2001 at the same rate as the average state, we would have collected \$206.1 million instead of \$143 million on behalf of the children to whom support is owed.

Our state's below average performance can be partly attributed to a formula setting child support amounts that were, on average, lower than most other states. In other words, when a child support order is established, it is based on a formula that results in fewer dollars per month, per child than many other states. In recent years, child support guidelines have been increased so that this gap in effectiveness should start to narrow. Another factor pulling our cost effectiveness ranking down (from 39 out of 54 states and territories in FFY-1998 to 46 out of 54 states and

territories in FFY-2001) is the increased cost of developing a statewide child support data system. Even one-time expenditures, count in the administrative dollars spent part of the cost effectiveness equation. Therefore, now that the new child support data system has been paid for, our cost effectiveness ratio should improve.

Of the states in our region, Oklahoma's cost effectiveness performance ranked higher than Arkansas, Kansas and New Mexico in FFY-2001. Colorado, Missouri, Louisiana and Texas had better cost effectiveness than Oklahoma in FFY-2001.

Emphasis on Fatherhood Child support is not just about finding non-custodial parents and making sure they send a check each month to their children. Financial support is important, but finding more and better ways to foster positive and nurturing relationships between fathers and children is also important.

Tulsa now has a program called Parent Connections which is available as a resource to the Child Support program. Parent Connections is on site for court days and can provide on site mediation between parents if necessary. The program is voluntary and participation is free if either parent has an active case with CSED.

Birthing Costs Title 56-238.6B of the Oklahoma Statutes requires payment of the cost of the birth to be part of child support orders, but Child Support Enforcement appears to be ignoring this portion of the law. The Child Support Enforcement Division must start including birthing costs as a component of child support orders.

Medicaid pays for almost half of all births in Oklahoma and including birthing costs in child support orders provides a way to reimburse Medicaid for these costs. Dollars collected for Medicaid paid births would be passed

from Child Support Enforcement to the Health Care Authority and used as a funding source for Medicaid services.

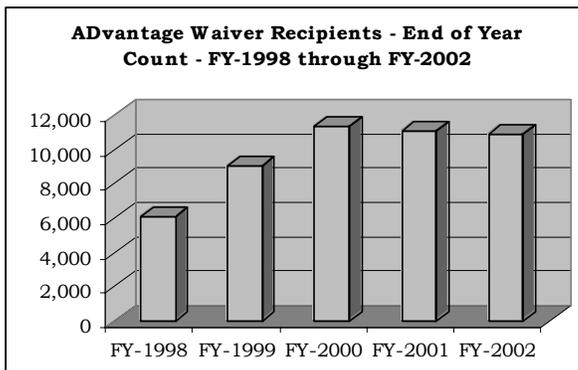
States such as Wisconsin, Michigan and Indiana all have successful programs for collecting birthing costs from non-custodial parents. Oklahoma should join them in enforcing existing law and providing much needed revenue to the Health Care Authority.

Aging Services

The Aging Services Division administers two Medicaid programs.

ADvantage Waiver First, is the ADvantage Waiver, operated through contracts with the Long Term Care Authorities of Tulsa and Enid. This program provides an alternative to nursing home care for some people. In order to qualify for services under this waiver, a person must meet the income guidelines for Medicaid and also be physically disabled to the extent that nursing home admission criteria would be met.

These services divert people away from nursing homes by providing health care services allowing them to stay in their own homes and/or have some of their needs met in an adult day center. The number of persons served through this program has increased steadily over the last few years and at the end of FY-2002 there were 10,911 persons being served through this waiver.



Eldercare Program in Health Department and ADvantage Waiver

The Eldercare program administered by the Department of Health is a provider of services for the ADvantage Medicaid waiver in the Department of Human Services. To date, none of the funds appropriated to the Eldercare Revolving Fund are matching funds for federal Medicaid dollars. This proposal transfers \$3.5 million from the Health Dept. Eldercare Fund to the Department of Human Services for the ADvantage program. The result of maximizing these funds with Medicaid increases the overall expenditure level for ADvantage by an additional \$11.8 million. As a result, Eldercare becomes means tested and provides ADvantage waiver services only.

The Eldercare program within the Health Department and those contractors currently funded through Eldercare will all contract for ADvantage waiver business through the Long Term Care Authorities of Tulsa and Enid in the same way they do now. Moving these state dollars from the Eldercare Fund to DHS allows the Health Department to retain many of the employees working in Eldercare, and provides a savings in state dollars.

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. The Personal Care program served an average of 4,500 people per month in FY-2002.

Other Programs Administered by Aging Services

Ombudsman Program Protects the rights of residents in long term care facilities. Professional staff and

certified ombudsman volunteers responded to over 3,000 complaints in FY-2002 and 75% reached a satisfactory resolution.

Advocacy The Oklahoma Aging Advocacy Leadership Academy accepted its fourth class in September, 2001. Members began a 10-month program designed to increase their knowledge of aging issues and concerns while developing or honing their skills in advocacy.

Volunteer Programs Volunteers in Aging Services programs touch the lives of our older population in a number of positive ways. Volunteers work with mental health professionals and physicians to help older persons who may be suffering from depression. Other programs for volunteers include: Retired Senior Volunteer Program; Foster Grandparent Program and Senior Companion Program.

Spending and Savings Recommendations

The FY-2004 recommended appropriation for the Department of Human Services maintains the current FY-2003 appropriation and adds \$7.5 million of new funding to fund the expansion of the agency's existing budget. The recommendation also includes a proposed reduction of \$621,260 based on 10% of actual travel expenditures. No further cuts are recommended.

There are several programs requiring Maintenance of Effort, two of the biggest are: TANF and state supplemental payments for the Aged, Blind and Disabled. The TANF program requires a state Maintenance of Effort expenditure of \$61 million. State supplemental payments for the aged, blind and disabled require \$38 million in 100% state dollars.

The following table shows many of the most costly programs at DHS, which do

not have federal matching dollars attached. Making cuts in these programs will cost the agency the least in their total budget. In addition, finding federal match for these dollars will produce savings and budget flexibility for the agency.

Significant Sources of 100% State Dollars	
Supported Living Services - Hissom Class Members	\$ 7,721,125
Sheltered Workshops - Dev. Disabilities	6,396,700
Group Homes -Dev. Disabilities	5,114,330
Community Integrated Employment - Dev. Dis.	2,991,657
Non-Federal Medical - Dev. Disabilities	2,270,000
Assisted Living - Dev. Disabilities	735,787
Special Projects - Dev. Disabilities	702,756
Residential Autism - Dev. Disabilities	602,250
Sr. Nutrition Overmatch	6,793,420
Adult Day Care	2,650,300
Older American Volunteer Program	527,392
Adoption Subsidies (Non-Title IV)	11,018,059
Foster Care (Non-Title IV)	6,255,713
Okla.Children's Services Contracts - Child Welfare	1,916,938
Non-Federal Medical - Child Welfare	1,013,078
Facility Management Unit - Construction	2,523,187
Commodity/Warehouse Distribution	1,954,571
Homeless Program	350,001
Total	\$61,537,264

Recommendations on Savings or Reductions, which can help increase agency efficiency

- Reduce staff to client ratio at NORCE and SORC saving approximately \$1.5 million
- Reduce Workers Compensation claims payments at NORCE and SORC through safety training and case management of injured workers producing a savings of \$271,227 if claims are reduced 50% by the end of FY-2004.
- Settle the Hissom lawsuit and stop related legal costs saving \$1,429,435, the FY-2002 actual expenditure.
- Decrease state funded group home slots in Developmental Disabilities currently paid for private ICF/MR clients. The savings of \$1.5 million equals \$5 million when matched

with Medicaid and will expand group home slots. Additional group home capacity allows downsizing and cost savings to occur at NORCE and SORC.

- Reducing Program Support and Administrative Costs by 5% will save approximately \$1.9 million.

Additional Savings and Federal Recovery Opportunities The Health and Human Services Cabinet will issue a Request for Proposals for federal funds maximization in February 2003. Past research by the Office of State Finance revealed additional opportunities for bringing federal funds into these agencies. Consultants will review federal fund opportunities in DHS, Health Department, Office of Juvenile Affairs, Medicaid, Department of Mental Health and Substance Abuse and others.

The lack of new revenue to fund growth in DHS programs emphasizes the need to take advantage of every opportunity to capture federal funds. DHS and other HHS Cabinet agencies should vigorously pursue these options as they become available.

Spending Recommendations As previously mentioned under Aging Services, this budget recommends the transfer of \$3.5 million from the Health Department Eldercare Program for use in the Medicaid ADvantage waiver program administered by the Aging Services Division. This funding will translate into an \$11.8 million total increase to purchase home and community based health care for Medicaid eligible seniors.

This budget also proposes adding \$4 million to DHS to address growth in programs such as therapeutic foster care and adoption subsidies.

The block granted program, Temporary Assistance to Needy Families (TANF), will have a surplus at the end of FY-2003 of approximately \$77 million.

These earmarked funds support purposes of the Personal Responsibility and Work Opportunity Reconciliation Act. The purposes are: providing assistance to needy families so that children may be cared for in their own homes; promoting job preparation, work, and marriage; preventing and reducing out-of-wedlock births; and encouraging the formation and maintenance of two parent families.

Because they meet one or more purposes of this Act, this proposal spends part of the current TANF surplus on the programs in the Health Department listed below. This proposal offsets General Revenue appropriations to be used for other budget priorities in FY-2004.

	FY-2004 Proposed Funding
Program - Health Dept.	
Children First Half Year Funding	\$5,542,054
Child Abuse Prevention	2,725,839
Teen Pregnancy Prevention	<u>848,000</u>
General Revenue Offset	\$9,115,893

University Hospitals Authority

Brief History On February 5, 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. The privatization consists of a long-term lease arrangement 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 University Health Partners. During FY-2002, the name University Health Partners was changed to OU Medical Center through a licensing agreement with the University of Oklahoma. The name change represents the desire of the hospitals to associate themselves with the name and image of the University of Oklahoma. It also indicates the link between the hospitals and the University of Oklahoma Health Sciences Center medical schools they serve as a major teaching and research venue.

Current Role of the Authority

The Authority, in conjunction with the University Hospital Trust, is responsible for monitoring the JOA and making yearly financial and status 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.

Investment in medical technology, equipment and medical facilities has been significant. The University Hospitals Authority and Trust and HCA Health Services of Oklahoma, Inc. have combined investments of over \$98 million on the Oklahoma Health Sciences Campus to ensure the latest in technology and facilities design for the citizens of Oklahoma.

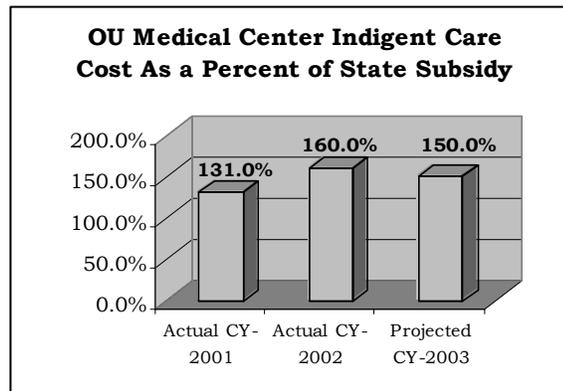
Indigent Care Expenditures

The OU Medical Center Hospitals provide care to indigent persons equaling at least 120% of the state's appropriation for indigent care. In the event that audited costs of indigent care go above 150% of the appropriation, the Governing Board of the JOA could seek an increase in the

appropriation from the Legislature and/or reduce services to indigents.

In FY-1999, the first full state fiscal year of the JOA, the appropriation for indigent care stayed at the base level of \$26.6 million. In this case, base level means the same appropriation supplement for indigent care to the University Hospitals before the privatization.

The appropriation is made to the University Hospital Authority, which in turn contracts with OU Medical Center for provision of indigent care. In FY-2000, the calculated cost of indigent care incurred by the hospitals exceeded 150% of the state subsidy. In response, the Legislature increased the appropriation for indigent care by \$2 million to \$28.6 million. They also reviewed formula for determining the cost of indigent care for possible changes.



During FY-2002, the Joint Governing Committee of the JOA adopted changes to the calculation of the total cost of indigent care. These revisions simplify the indigent care calculation and take into account Graduate Medical Education payments received by the hospitals as an offset to costs. Other cost offsets include Disproportionate Share Hospital (DSH) payments under the State Medicaid Plan and payments made by self-pay hospital patients.

FY-2004 general appropriation reductions The FY-2004 recommended appropriation for the University Hospital Authority holds the agency at the current reduced FY-2003 appropriation level. This proposal makes no additional reductions due to the need to maintain the state subsidy for indigent care as well as the support in GME hospital supplements.

Community Hospitals Authority

Brief History Created as a new agency by HB 2901 in May of 2002, the Community Hospitals Authority was created to support the missions of the OSU College of Osteopathic Medicine and the OU College of Medicine in Tulsa. It will further the teaching and training of medical students, support medical and biomedical research and help provide medical care for indigent and nonindigent populations. In addition, they will act as vehicle for securing additional funds outside existing state appropriations for graduate medical education and indigent care.

The legislation creating the Authority also charges them with coordinating the efficient delivery of medical care across Northeast Oklahoma. They may also contract for the delivery of indigent care with participating health care systems.

Membership of the Authority The Authority is composed of six members as follows: The presidents of OU and OSU or their designees. One member who shall be appointed by the Governor, one member who shall be appointed by the Speaker of the House of Representatives and one member who shall be appointed by the President Pro-tempore of the Senate. The sixth member is the Director of the Oklahoma Health Care Authority.

Once appointments were made, the Authority spent time organizing, and becoming familiar with the requirements of the State Open Meeting Act and the Administrative Procedures Act. Other activities include establishing their first Budget Work Program and submitting a draft Strategic Plan.

FY-2004 general appropriation recommendation The legislation creating the Community Hospitals Authority prohibits them from receiving any appropriations. In light of the current fiscal crisis, this provision should remain in place. The Authority can continue its current planning activities and accept donated funds.

Department of Mental Health and Substance Abuse Services

The Mental Health Law of 1953 established the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS), although publicly supported services to Oklahomans with mental illness date back to early statehood.

The agency's mission is to promote healthy communities and provide the highest quality care to enhance the well being of all Oklahomans. Today, the three principal realms of ODMHSAS activity are mental health, substance abuse, and domestic violence/sexual assault support services.

The Department served more than 90,000 clients in FY-2001 with a statewide network of programs. For individuals with mental illness, ODMHSAS supports a continuum of programs:

- Community-based treatment
- Case management

- Acute inpatient care

Programs for individuals dependent on alcohol or other drugs include:

- Outpatient counseling
- Extended residential treatment

Community-based programs for victims of domestic violence or sexual assault provide:

- Safe shelter;
- Advocacy; and
- Counseling services.

ODMHSAS also actively supports prevention programs to reduce the occurrence of substance abuse, violence, and other harmful behaviors among young people.

Focus on Community Services

Olmstead Case In June 1999, the United States Supreme Court decided the *Olmstead v. L.C.* case. This case addressed the specific question of whether the anti-discrimination provisions of Title II of the Americans with Disabilities Act (ADA) require placement of persons with mental disabilities in community settings rather than institutions. The Court held that the answer is a "qualified yes." Such action is in order when:

- The State's treatment professionals have determined that community placement is appropriate;
- The transfer from institutional care to a less-restrictive setting is not opposed by the affected individual; and
- The placement can be reasonably accommodated, taking into account the resources available to the State and the needs of others with mental disabilities.

Olmstead involved two clients at a Georgia State hospital, both with multiple disabilities, who were institutionalized numerous times. Their treatment professionals had determined that community placement was justified, but appropriate placement was not available. Regulations require that public entities administer their services, programs and activities in the most integrated setting appropriate to the needs of qualified individuals with disabilities. Reasonable modifications in policies, practices and procedures avoid discrimination unless the entity can demonstrate that such a modification fundamentally alters the nature of their services.

While the Supreme Court held that unjustified isolation is properly regarded as discrimination on the basis of a disability, the State's obligation is not limitless. The State demonstrates compliance when it has:

- a comprehensive, effectively working plan for placing qualified persons with disabilities in less-restrictive settings; and
- a waiting list that moves at a reasonable pace not controlled by the State's endeavors to keep its institutions fully populated and which complies with the reasonable modifications standard so a client cannot skip to the top of the placement list by filing a lawsuit.

Olmstead established a new civil right for persons with disabilities: the right to live in the most integrated setting appropriate to the wishes and needs of the individual.

As illustrated by this case, public policy now focuses on placing the mentally ill in the most appropriate environment possible for ongoing care and treatment. Service providers, advocates, and family members agree that placement in the "community" where the mentally ill 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, implementing this public policy is possible. Families and private insurance provide care for people with mental illness but a significant number rely upon publicly funded services.

Community-Based Mental Health Services 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 operated by ODMHSAS, 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, as well as support for certain other community-based services, such as

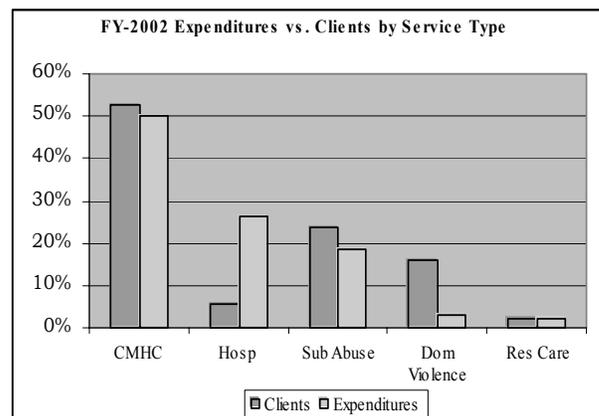
assistance for mentally ill individuals who are homeless.

FY-2002 CMHCs Exp. Per Client

Carl Albert	\$2,767.85
Jim Taliaferro	\$2,514.71
Central OK	\$3,040.78
Bill Willis	\$2,485.85
Private Non-Profits	\$1,683.03

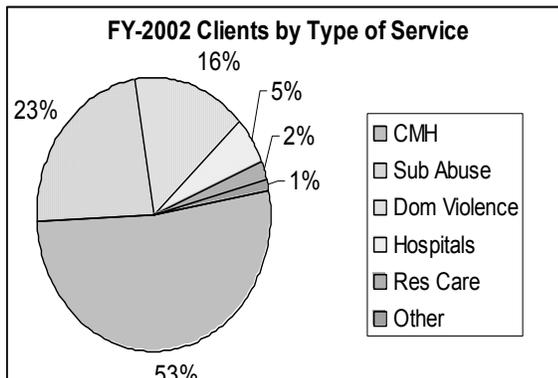
Funding Formula With the shift of funding from State Mental Hospitals to the CMHCs, ODMHSAS should also review the budget caps for each facility and establish an equitable formula for funding all of the CMHCs. This formula needs to ensure equity by including factors such as the prevalence of mental illness, the services offered, and the service population.

Comparison of Clients and Expenditures During FY-1999, 33.5 % of the agency's expenditures were for its state-operated inpatient psychiatric facilities (Eastern State Hospital, Griffin Memorial Hospital, and Oklahoma Youth Center), while only 3.9 % of the agency's clients were served there. This comparison was consistent with the trend of the past several years. Putting more money into community services and less into institutions became one of the driving factors behind the initiative to transition Eastern State Hospital (ESH) to community-based services.

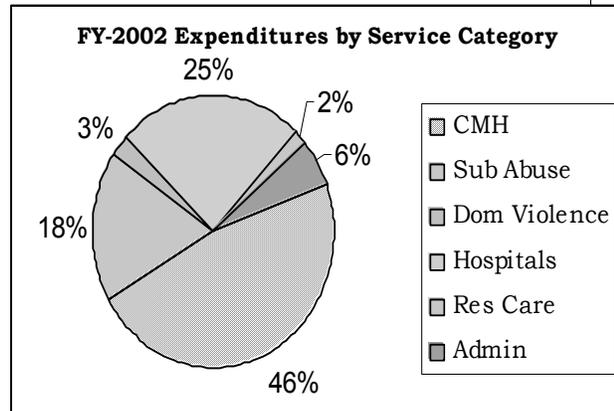


Ultimately, as clients moved into the community for services, ODMHSAS must reduce the portion of its budget for inpatient hospitals and shift funding to the community. With the completion of the ESH transition, ODMHSAS began implementing this change in FY-2001.

During FY- 2002, 53% of the Department's clients received community-based mental health services, most of them in the network of CMHCs across the state. About 23% of the Department's clients received substance abuse treatment, and about 16% were provided shelter or other domestic violence/sexual assault services. Only about 5% of the Department's clients received services in inpatient psychiatric facilities. The following chart illustrates the breakdown of services provided:



The next chart provides a similar breakdown of the FY-2002 expenditures by the same service categories. As shown, the percentage of ODMHSAS's expenditures spent for the inpatient hospitals has dropped from 33.5% in FY-1999 to 25%. This is a result of the transfer and increase of \$12.1 million in community-based contract funding.



State appropriations are the largest single source of revenue for ODMHSAS services. In fiscal year 2002, this source accounted for 76 % of the department's \$192 million in revenues. Federal funds, in the form of block grants and categorical funds, represented 14.3% of the Department's receipts. Collections from Medicaid, Medicare, and other sources made up 9.7% of revenues.

FY-2002 DMHSAS Funding Mix

Appropriated Funding	76.03%
Federal Funds	14.27%
Medicaid and Other	<u>9.70%</u>
Total	100.00%

FY-2004 General Appropriation Reductions

Leaders at the Department along with the Commission for Mental Health and Substance Abuse Services recognized the potential seriousness of the current revenue shortfall in early FY-2003. In response to declining revenues they instituted an across-the-board cut equaling 7.5% while protecting funding for services to children and newer generation medications. This budget holds the Department at the 7.5% reduced level, which equates to a reduction of \$1,583,900 to the already reduced FY-2003 appropriation. An additional cut of \$69,164 represents a 10% cut in travel expenses.

The Department owns valuable land located on the campus of Griffin

Memorial Hospital in Norman. Sale of part of this land, located in a commercially developing part of town, is estimated to bring additional revenue of at least \$2 million. This proposal is to authorize the Department in legislation to keep the proceeds of this sale to use toward operational needs in FY-2004. A reduction of \$2 million in their appropriation is recommended to offset the revenue from the sale.

Increased Medicaid revenue could be achieved if the Department implements additional measures for revenue enhancement. Administrative funds recovery for its community-based programs is one example. In addition, ODMHSAS staff are currently working with the Health Care Authority to establish higher Medicaid payment rates for clients in the Program for Assertive Community Treatment (PACT) program.

The Health and Human Services Cabinet is jointly issuing a Request for Proposals in February 2003, soliciting input from consultants who specialize in maximizing federal funds. In recognition of the increased Medicaid revenue the Department should receive, an additional \$500,000 is reduced from the agency's FY-2004 appropriation.

Agency Fund Balance Because of the current fiscal crisis, this budget transfers several agency revolving fund cash balances to the Special Cash Fund for other needs. This proposal transfers \$1.5 million from the 200 Revolving Fund for this purpose.

Other Revenue ODMHSAS should also continue to identify new grants and private sources available to fund its services. The Department has already begun to make advancements in this area. For example, the agency recently received the federal Center for Substance Abuse Prevention's State Incentive Grant of \$8.4 million which is allocated for substance abuse

prevention activities over a three-year span.

Office of Juvenile Affairs

Prior to 1995, the Department of Human Services (DHS) provided the services for Oklahoma's delinquent youth in-need-of-supervision. In January 1978, the Terry D. v. Rader lawsuit 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. As a result, DHS closed a number of public institutions and implemented a variety of community-based programs for children and youth.

In 1994, the Oklahoma Juvenile Reform Act (HB 2640) created the Office of Juvenile Affairs (OJA) as the state juvenile justice agency effective July 1, 1995. This legislation also created the Youthful Offender Act to provide swift justice for serious and habitual juvenile offenders ages 15 through 17.

With its removal from DHS, the new agency began to develop a comprehensive juvenile justice system. As its mission states, "the Office of Juvenile Affairs is a state agency entrusted by the people of Oklahoma to provide professional prevention, education, and treatment services as well as secure facilities for juveniles in order to promote public safety and reduce juvenile delinquency."

The Office of Juvenile Affairs:

- serves as the state planning and coordinating agency for statewide juvenile justice and delinquency prevention services
- provides court intake, probation, and parole for delinquent youth

- engages in juvenile justice and delinquency prevention activities relating to the provisions of the Oklahoma Juvenile Code
- provides a system for the rehabilitation and reintegration of juvenile delinquents into society
- preserves and strengthens family ties whenever possible, including improvement of the home environment
- secures for any juvenile removed from the custody of parents the treatment, care, guidance, and discipline to assist the juvenile in becoming a responsible and productive member of society

Since 1995, OJA has created new and innovative programs, increased community involvement, and enhanced its relationship with the judiciary. This new system provides safety to the public and gives juvenile offenders a second chance at becoming productive citizens.

Below is a list of some of the major accomplishments OJA has achieved since its inception:

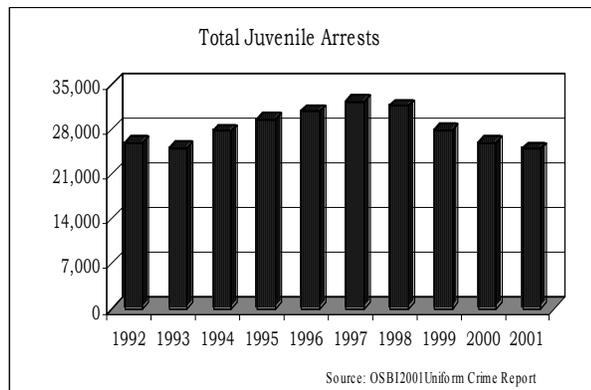
- met Federal Court requirements and ended the 18 year-old Terry D. lawsuit and federal oversight
- reformed statutes to allow the waiving of violent offenders to the adult system and the bridging of youthful offenders from the juvenile system to the adult system upon reaching age 18, if judicially directed
- addressed the placement waiting list and backup in county detention facilities by adding new beds to the juvenile justice system
- instituted a drug testing program for juveniles

- instituted a graduated sanctions program statewide to involve communities in addressing their own delinquency problems

System Placement Demand

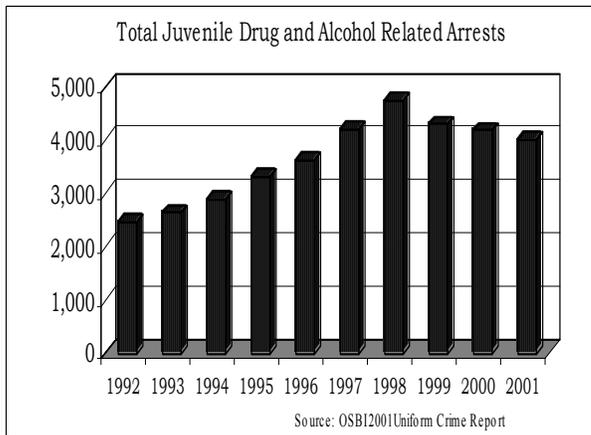
Two key factors contribute to the overall juvenile justice system placement demand: the total juvenile arrest rate and the number of out-of-home placement admissions.

Juvenile Arrest Rates According to data from the Oklahoma State Bureau of Investigation (OSBI) 2001 Uniform Crime Report, total juvenile arrests dropped in 2001 by 3.8%. The following chart shows a 10-year history of juvenile arrests.



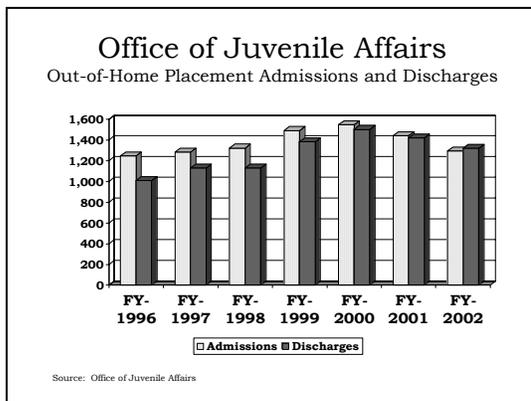
In this chart, the word “arrest” refers to the police handling of all juveniles who have committed a crime and are taken into custody when, under the same circumstances, the crime would warrant the arrest of an adult. Police “contacts” with juveniles are not counted as arrests when no offense has been committed. Instances where juveniles are taken into custody for their own protection and not because they have committed a crime, such as neglect cases, are not listed as arrests.

The next chart provides a 10-year history of the total juvenile drug and alcohol related arrests:



These figures illustrate Oklahoma's growing demand for substance abuse services in the juvenile justice system.

Out-of-home Placements The following chart provides a comparison of the out-of-home placement admissions and discharges since FY-1996. From FY-1996 to FY-2001, admissions were greater than discharges.

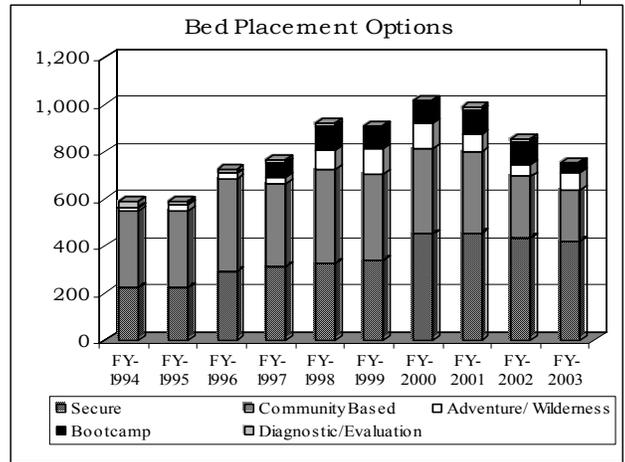


System Placement Options

To address the placement demand each year, OJA determines the security level each juvenile requires and matches the juvenile with the next available bed placement option at that level.

Increased Beds 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 following chart provides a breakdown of the available beds by type.

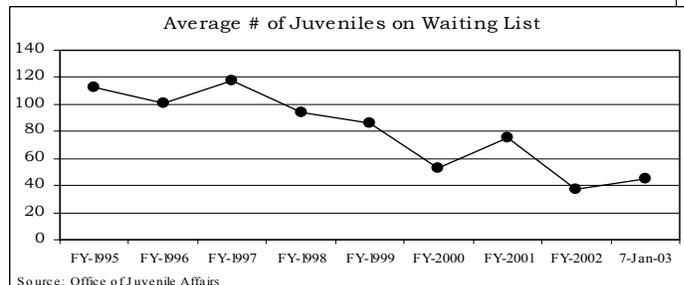


Source: Office of Juvenile Affairs

	Secure	Community Based	Adventure/Wilderness	Bootcamp	Diagnostic/Evaluation	Total
FY-1994	224	325	12	0	27	588
FY-1995	224	328	24	0	16	592
FY-1996	294	391	24	0	16	725
FY-1997	309	357	24	60	16	766
FY-1998	325	398	84	100	16	923
FY-1999	338	365	108	100	0	911
FY-2000	451	361	108	100	0	1,020
FY-2001	455	343	78	100	12	988
FY-2002	436	259	48	100	12	855
FY-2003	418	219	73	40	0	750

Source: Office of Juvenile Affairs

Placement Waiting List The following graph illustrates the change in the average number of juveniles awaiting placement over the past 8 years. As of January 7, 2003, the waiting list consisted of 45 youths.



Source: Office of Juvenile Affairs

OJA has successfully reduced the number of juveniles awaiting placement over the last few years. With continued monitoring, OJA should maintain a reduced list since accountability follow-up programs are beginning to help reduce recidivism.

Youthful Offender

HB 2640 created an essential element of reform, the Youthful Offender Act. This act addresses adolescents between the ages of 13 through 17 who commit certain serious felonies or who have been adjudicated for 3 or more felonies and are considered habitual offenders.

The Youthful Offender Act provides for appropriate assignment of serious juvenile offenders between the Department of Corrections (DOC) and OJA. It also establishes a bridge between the juvenile and adult system for offenders who are not responding to rehabilitation. Implementation of the Youthful Offender Act began on January 1, 1998.

The following chart provides a breakdown of the youthful offenders processed during FY-2002. Of the 281 remanded to the custody of OJA, 164 (58.4%) were placed in secure institutions.

FY-2002 Youthful Offenders	
78	Case dismissed
5	Sentenced as adults & transferred to DOC
23	Remanded to OJA supervision
<u>281</u>	Remanded to OJA custody
387	Total Youthful Offenders Processed

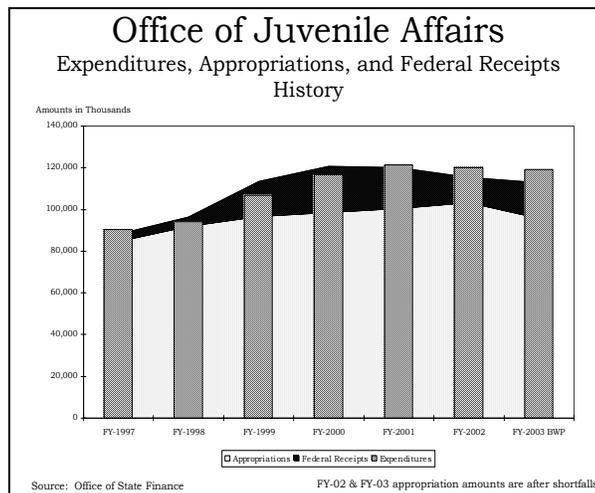
Source: Office of Juvenile Affairs

Federal Funds

Over the past few years, OJA has identified other revenue sources to

enhance its state appropriations. This additional revenue has helped OJA expand the services used to meet the needs of its juvenile delinquent population and to reduce recidivism.

The following chart provides a history of OJA's appropriations, expenditures, and federal receipts since FY-1997. It illustrates OJA's success in generating additional federal funds. The actual federal receipts for FY-2002 represented a 246% increase over the FY-1997 level.



The following provides a listing of the federal revenue sources received since FY-1996.

- VOI-TIS Funds** From FY-1996 through FY-2000, OJA received federal pass-through funds from DOC related to the Violent Offender Incarceration and Truth-in-Sentencing (VOI-TIS) programs. OJA used these funds, totaling \$3.1 million, in FY-2000 for a new private 80 bed medium-secure juvenile center and 18 level E (most secure level) group home beds. These funds are no longer available from DOC.
- Federal Grants** Several federal grants have provided additional funding to support OJA's services in recent years. Grants received include the Juvenile Accountability

Incentive Block Grant and the Juvenile Justice Delinquency Prevention Formula, Title V, and Challenge Grants.

- Medicaid** Through initiatives that began during the 1990's, OJA looked for ways to maximize Medicaid funding for the services provided to its juveniles. These funds come through reimbursement for targeted case management (TCM) and residential behavior management services (RBMS) to a portion of the agency's juveniles who are outside its secure facilities.

Since OJA was one of the first juvenile justice agencies to pursue Medicaid funds for juvenile delinquents, both the Oklahoma Health Care Authority (OHCA) and the Centers for Medicare and Medicaid Services (CMS), the division within the U.S. Department of Health and Human Services that oversees the Medicaid program, monitored this process closely. In FY-2001, OJA's Medicaid billings were audited to resolve questions with its cost allocation formula and the rate used for TCM reimbursements. In addition, OJA's Medicaid revenue was impacted when the regional CMS office reevaluated its previously approved definition of which juveniles are eligible for Medicaid reimbursed services.

Because of the audit process, OJA adjusted its formula and rate, in addition to repaying \$2.05 million of the Medicaid funds received to date. OJA worked closely with OHCA during this process to resolve concerns and provide increased training to the agency's field staff on the documentation and eligibility requirements for these billings.

With these issues now resolved OJA has a more stable federal revenue base.

For FY-2003, the agency budgeted \$17.1 million in federal revenue to fund a portion of its operating expenses.

FY-2003 Budget Shortfall

In December, the Equalization Board projected revenue estimates for the remainder of FY-2003 to be less than the amount certified for appropriations during this fiscal year. As a result, all state appropriated agencies were required to reduce their budgets by 6.5%. This equates to a \$6.65 million reduction for OJA.

To deal with these shortfalls, OJA canceled a contract for a medium secure detention center in Union City and relocated 80 juveniles into OJA operated institutions. In addition, OJA is identifying cost efficiencies in its operation of 3 state-operated secure institutions to reduce high per diem costs at these facilities. This will include a reduction-in-force of 57 employees beginning later this fiscal year.

Secure Bed Costs The FY-2002 average per diem bed costs at the state-operated facilities were \$222.97, compared with a per diem cost of \$129.78 at the private facility. The table below provides the amount at each facility.

Facility	Per Diem Bed Costs			
	FY-00	FY-01	FY-02	FY-03 BWP
SOJC	\$ 177.90	\$ 188.65	\$ 216.28	\$ 201.11
COJC	208.91	225.08	240.97	196.62
LERC	191.81	196.81	216.60	189.81
UCJC (private)	117.03	128.04	129.78	132.45

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.

FY-2004 Recommendation

The FY-2004 recommended appropriation for OJA is the same as the reduced FY-2003 level, with the following adjustments.

Annualization Savings The FY-2004 appropriation for OJA is reduced \$1 million to annualize savings achieved in FY-2003 (1% more than the 6.5% shortfall experienced in FY-2003).

Reduction in Pass-throughs More than 50% of the entire OJA budget is passed through either to local governments or private contractors. Some of those contractors have been exempted from current budget reductions. To help the State during the current fiscal crisis, this budget reduces the appropriation to OJA for pass-through to those contractors for one year by \$1,171,982 (6.5% below the original '03 level.)

<u>Pass-throughs to cut by 6.5%</u>	<u>'03 Budget</u>	<u>6.5% Cut</u>
Youth Service Agencies	\$6,180,156	\$401,710
First Offender Program	2,455,649	159,617
Emergency Youth Shelter	7,688,017	499,721
Community Intervention Centers	1,706,674	110,934
Total	\$18,030,496	\$1,171,982

One-time Reduction In FY-2003, OJA received a one-time appropriation of \$75,000 for a capital projects grant to detention centers. This budget reduces FY-2004 funding for this one-time appropriation.

Travel Reduction This budget directs OJA to reduce travel expenditures by an additional 10% and reduces the appropriation by \$49,989.

Services to Reduce Recidivism With limited funding, OJA is unable to provide all of the needed services for Oklahoma's delinquent juveniles. To reduce recidivism, the budget

recommends OJA shift future savings into the following areas:

Mental Health and Substance Abuse Treatment Statutes require that OJA file with the court an individual treatment and service plan in the case of any child adjudicated delinquent placed in OJA's custody or under the supervision of the agency. This plan must include identification of the services necessary for the juvenile's rehabilitation. OJA ensures that these juveniles receive the identified services.

Denying mental health services can result in regression of a youth's behavior and can have ill effects on their physical health. As a result, OJA has opened a small crisis stabilization unit at the L.E. Rader Center. OJA is encouraged to expand services to allow juveniles stabilized at the Rader Center to continue to progress in a therapeutic setting in the community.

With the large number of juveniles in custody facing drug or alcohol problems, there is a need for additional substance abuse services. Increased funding will allow OJA to expand its substance abuse contracted services and intervene earlier to stop the cycle of dependence.

Graduated Sanctions 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, 54 communities have a Graduated Sanctions Program. OJA is encouraged to use future savings toward expanding the number of Graduated Sanctions Programs throughout the state.

Department of Rehabilitation Services

The Department of Rehabilitation Services (DRS) provides services to individuals with a wide range of disabilities. A Commission composed of three members governs the DRS. The Governor, Speaker of the House of Representatives and the President Pro Tempore of the Senate appoint one member each.

Vocational Rehabilitation and Visual Services Divisions

The Vocational Rehabilitation and Visual Services (RVS) division of DRS administer the federal vocation rehabilitation program for the agency and assists Oklahomans with disabilities through 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 Rehabilitation Act.

The priority groups are determined by the severity of the disability with priority group one being the most severe. During the second half of FY-2003, DRS closed all four priority groups to new clients due to funding shortfalls.

Accessibility and Caseload The DRS has over 30 offices across the state. The various locations allow for better access to DRS services. Almost all of the offices serve as vocational rehabilitation and visual services locations.

The following table depicts the caseload data from the past two fiscal years. Ten (9 OKC; 1 Tulsa) office divisions are included in the count, but no actual cases were seen there. There are 34 physical locations as indicated by DRS.

CASELOAD BY CITY				FY-2002
Location	Total Div.s	FY-2001	FY-2002	Cases
				per Div.
Tulsa	7	5,760	5,599	800
Oklahoma City	18	3,887	4,358	242
Ada	3	1,492	1,509	503
Muskogee	3	1,425	1,436	479
Norman	3	1,244	1,350	450
Weatherford	3	1,402	1,219	406
Lawton	3	1,037	1,061	354
Midwest City	2	948	995	498
McAlester	2	992	982	491
Claremore	1	808	832	832
Altus	1	777	796	796
Stillwater	2	816	784	392
Durant	1	717	765	765
Chickasha	2	764	764	382
Idabel	2	743	700	350
Enid	2	774	655	328
Edmond	1	1,108	620	620
Miami	1	563	540	540
Tahlequah	1	548	511	511
Ardmore	1	511	466	466
Shawnee	1	436	458	458
Duncan	1	506	449	449
Okmulgee	1	448	438	438
Seminole	1	379	380	380
Bartlesville	1	480	373	373
Alva	1	338	336	336
Poteau	1	364	335	335
Ponca City	1	260	303	303
Woodward	2	283	265	133
El Reno	1	219	230	230
Wilburton	1	113	199	199
Vinita	2	194	160	80
Guymon	1	184	156	156
Grand Total	74	30,520	30,024	406

SOURCE: Dept. of Rehabilitative Services

Ticket to Work Oklahoma was among 13 states selected to implement a new federal program for people with disabilities who want to return to work - the Ticket to Work and Work Incentives Investment Act. The program targets current recipients of Social Security Disability Insurance and Supplemental Security Income disability benefits. The intent of the legislation is to assist these individuals in becoming employed, thus reducing

or eliminating their need for disability benefits and social services assistance.

Under the Ticket to Work program, the Social Security Administration has begun distributing tickets, also known as vouchers, as of January 2002 to more than 100,000 Oklahomans. With the tickets, recipients can purchase services from providers or employment networks that will provide employment assistance, vocational rehabilitation services and other support services.

Oklahoma was greatly involved in the development of this national legislation through serving as the only grant recipient to pilot the concept prior to national implementation. In addition, the Oklahoma Milestone Payment System was included in the legislation as a payment option for Ticket to Work. National recognition commended the Milestone system nationally for cutting government spending, improving service delivery and increasing customer satisfaction by linking payment for contract services to a series of checkpoints or milestones on the way to specific goals or outcomes, such as employment.

School for the Deaf and School for the Blind

These schools provide residential and day education programs for children who have a primary disability of either blindness or are deaf or hard of hearing. 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) provides special instruction in braille, orientation and mobility, low vision aids, and adaptive technology. The School for the Deaf (OSD) provides sign language classes and adaptive technology.

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 other public schools throughout the state. Both schools also provide specialized training and summer programs for parents and special education teachers.

	<u>OSB</u>	<u>OSD</u>
FY-2003 Budget	\$5,879,898	\$7,419,329
FTE	120.3	155.0
No. of Teachers	27	38
No. of Students	94	168
Students per Teacher	3.5	4.4

SOURCE: Department of Rehabilitation Services

Disability Determination Division

This division makes medical eligibility determinations for Oklahomans applying for Supplemental Security Income disability or Social Security Disability benefits. Federal dollars fully fund this program.

FY-2004 General Appropriation Reductions

This proposal reduces the FY-2004 appropriation for the Department of Rehabilitation Services by \$40,383 or 10% of the agency’s annual travel expenditures. The DRS currently has a debt service obligation to the OCIA for both the School for the Blind and the School for the Deaf. Negotiations are underway to achieve lower financing thus reducing the debt service payments for FY-2004 by \$595,065. No additional cuts are being recommended for DRS.

Oklahoma Commission on Children & Youth

The Oklahoma Commission on Children and Youth (OCCY) helps state systems and communities work together to more effectively improve

conditions for children, youth and families in Oklahoma by:

- facilitating joint planning and coordination among public and private agencies
- overseeing children's services provided by public and private entities
- promoting innovative programs

Children's Coordinated Database

In 1997, the Legislature passed HB 1391 - The Coordinated Database System for Children Act. This bill 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 desired outcome is to create a system that will result in more effective and efficient service delivery by having client data available on-line and reducing duplication of effort.

OCCY received a one-time appropriation of \$100,000 in FY-98 to begin development of this database and a base increase of \$184,000 in FY-2001 for startup equipment and implementation needs. The FY-2002 budget included \$167,000 to fund the ongoing staff and maintenance needs for this system.

Court Appointed Special Advocates

The Court Appointed Special Advocate (CASA) program is a national program that utilizes trained volunteers to provide independent personal advocacy services for abused and neglected children in Oklahoma.

During the 2002 legislative session, the Legislature transferred the CASA program along with its \$365,317

appropriated funds to the Office of the Attorney General.

FY-2004 General Appropriation Reductions

This proposal reduces the FY-2004 appropriation for the OCCY by \$7,975 or 10% of the agency travel expenses. In addition, because of the current fiscal crisis, several agency revolving fund cash balances will be transferred to the Special Cash Fund to fund other needs. This proposal transfers \$300,000 from the OCCY Revolving Fund for this purpose. No additional cuts are being recommended for the OCCY.

Office of Handicapped Concerns

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.

One of the agency's main duties is to serve as a referral and information source for the handicapped seeking services. In December 1999, the American Library Association's Government Documents Round Table selected OHC's *Disability Etiquette Handbook 1999 Edition* as one of that year's award-winning publications.

FY-2004 General Appropriation Reductions

The FY-2004 recommended appropriation for the Office of Handicapped Concerns includes a reduction of \$603 or 10% of the agency's travel expenditures. No additional cuts are being recommended for the OHC.

Oklahoma Indian Affairs Commission

The Legislature created the Oklahoma Indian Affairs Commission (OIAC) in May 1967 to serve as the liaison between the tribal governments and Oklahoma government agencies. Among its duties, the Commission develops several publications and has a website that contains information regarding tribal government in Oklahoma.

FY-2004 General Appropriation Reductions

The FY-2004 recommended appropriation for the OIAC includes a reduction of \$1,694 or 10% of the agency's travel expenditures. No additional cuts are being recommended for the OIAC.

J.D. McCarty Center for Children with Developmental Disabilities

The J.D. McCarty Center (JDMC) is a pediatric rehabilitation and habilitation facility that evaluates and treats Oklahoma's developmentally disabled children to enable them to reach their maximum potential. Built in 1950, the JDMC has faced the need to repair, upgrade and expand to meet contemporary standards and keep operations at a level consistent with current needs.

The 1998 Legislature in HB 3066 allocated \$10.3 million to provide capital improvement bond funding for a new facility. In 2000, Senate Bill 973 provided an additional \$485,000 to fund the new 101,000 square foot facility. The old facility was a mere 30,000 square feet.

The remaining \$4 million needed to fully fund the new center will come from revolving funds and proceeds from the sale of the current center. The new facility will be located in Norman next to the new Veterans' Center. A ground-breaking ceremony was held on January 22, 2001, with an original completion date of July, 2002. Due to construction issues and litigation, the new center is expected to open late in 2003 or early 2004.

	Beds Budgeted	Beds Filled
FY-2001	20	22.44
FY-2002	20	19.13
FY-2003	20	20.26
New Facility	30	NA

SOURCE: J.D. McCarty Center

The larger facility, which will include 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.

\$000's	FY-01	FY-02	FY-03
Total Exp.s	\$6,670	\$7,602	\$7,483
Appropriation	\$2,070	\$2,984	\$2,755
Medicaid	\$3,655	\$4,194	\$3,721

SOURCE: J.D. McCarty Center and OSF

The JDMC aims to become a nationally recognized provider of habilitation and rehabilitation services by utilizing new applications. Their emphasis on telecommunications will enable them to reach a more general population, such as doctors' offices, clinics, kiosks in frequently traveled locations, and the rapidly expanding population of web surfers.

FY-2004 General Appropriation Reductions

The FY-2004 recommended appropriation for the JDMC includes a reduction of \$5,043 or 10% of the agency's travel expenditures. The JDMC currently has a debt service obligation to the OCIA for the construction of their new facility. Negotiations are underway to achieve lower financing thus reducing the debt service payments for FY-2004 by \$454,012.

Physician Manpower Training Commission

The Legislature created the Physician Manpower Training Commission (PMTC) in 1975 with the mission to enhance medical care in rural and underserved areas of the state.

Medical Professionals

The Physician Manpower Training Commission administers a cost-sharing program to fund Family Practice resident's salary at the University of Oklahoma Health Sciences Center and the Oklahoma State University College of Osteopathic Medicine.

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.

The PMTC seeks to enhance medical care in rural and underserved areas of the state through scholarship/ loan incentive programs to assist medical and osteopathic students and family practice residents.

- Family Practice Resident Rural Scholarship

- Oklahoma Intern Cost-Sharing
- Physician/Community Match Loan
- Rural Medical Education Scholarship Loan

These programs provide approximately 30 physicians placed in Oklahoma communities with an estimated economic impact between \$8.75 million and \$10.5 million annually. A physician establishing practice in a rural Oklahoma community generates 17.8 jobs and approx \$350,000 worth of income annually. Physicians are vital to the economic health of small Oklahoma communities.

The PMTC also administers a scholarship program that encourages nursing students to establish practices in rural and underserved areas. These recipients are obligated to practice in an Oklahoma community or repay their loans with substantial penalties imposed in lieu of their obligated service.

Rural Medical Education Scholarship Program : (Act/Subact: 54/10)					
	1998	1999	2000	2001	2002
# placed	10	4	9	7	9
# remaining	7	4	9	7	9
# signed up	10	4	10	9	13
# completeing	10	4	10	9	11
# fulfilling	10	4	9	7	9
# defaulting	0	0	1	2	2
Family Practice Resident Rural Scholarship Program: (Act/Subact: 54/30)					
	1998	1999	2000	2001	2002
# placed	8	11	10	6	10
# remaining	7	11	10	6	10
# signed up	9	11	10	6	10
# completeing	9	11	10	6	10
# fulfilling	8	11	10	6	10
# defaulting	1	0	0	0	0
Physician/Community Match Program: (Act/Subact: 54/20)					
	1998	1999	2000	2001	2002
# placed	8	14	11	6	10
# remaining	0	0	11	6	10
# signed up	8	14	11	6	10
# completeing	8	13	10	still fulfilling obligation	10
# fulfilling	8	13	10	6	10
# defaulting	0	1	1	NA	NA

SOURCE: PMTC

Key Performance Measures				
	FY99	FY2000	FY2001	FY2002
Administration				
1. Admin as % of Total Budget	5%	6%	6%	6%
2. No. of communities receiving new physicians	35	25	22	28
3. No. of communities requesting physicians				58
Community Match Rural Scholarship Programs				
1. Physician Community Match Program				
a. Amount of funds per licensed physician (50/50 match)	\$40,000	\$40,000	\$40,000	\$40,000
b. No. of physicians receiving loan	14	11	6	10
c. No. of communities receiving physician	15	11	6	10
d. No. of communities requesting a physician	46	41	34	39
2. Family Practice Resident Rural Scholarship				
a. Amount of funds/family practice resident	\$12,000	\$12,000	\$12,000	\$12,000
b. No. of residents receiving loan	32	32	25	28
c. No. of communities receiving residents	8	11	10	8
d. No. of communities requesting residents	45	36	31	37
3. OK Rural Medical Education Scholarship Loan				
a. Amount of funds/medical student	\$12,000	\$12,000	\$12,000	\$12,000
b. No. of student receiving scholarship	38	38	30	24
c. No. of communities receiving scholarship students	12	5	9	8
d. No. of communities requesting students	37	34	31	34
Medical Residency Program				
1. OK Family Practice Resident salaries as % of region avg	94%	94%	94%	94%
2. Amount of funds/resident	\$38,498	\$34,757	\$37,196	\$39,467
3. No. of residents receiving funding	65	72	68	77
4. No. of residents requesting funding	115	96	104	106
Osteopathic Residency Program				
1. OK Family Practice Resident salaries as % of region avg	94%	94%	94%	94%
2. Amount of funds/resident	\$31,696	\$29,481	\$39,267	\$27,600
3. No. of residents receiving funding	55	58	45	46
4. No. of residents requesting funding	87	61	64	46
Nursing Student Assistance Program				
1. Average amount of state funds/nursing student	\$1,514	\$1,414	\$1,450	\$1,328
2. Average amount of total funds/nursing student	\$2,065	\$2,150	\$2,164	\$1,794
3. No. of nursing students receiving assistance	232	211	209	203
4. No. of communities or health facilities receiving a nurse	120	89	95	80
5. No. of communities requesting a nurse	52	63	59	53

SOURCE: PMTC

Physician Placement

The PMTC administers a professional placement service for physicians and communities. Three times a year, an updated list of community practice opportunities in Oklahoma is available for distribution. Approximately 58 communities were seeking physicians in 2002.

State Loan Repayment Program

The State Loan Repayment Program (SLRP) is part of the Health Resources and Services Administration's (HRSA) Bureau of Health Professions (BHP) overall strategy to improve access to underserved communities. The National Health Services Corps (NHSC) grants matching funds directly to

States to operate their own loan repayment programs. Primary care health professionals who are providing full-time clinical services in a public or non-profit facility located in a federally designated Health Professional Shortage Area are eligible for this program. Eligibility requirements and benefits vary from State to State.

The SLRP is a collaboration of Federal, State and community efforts. The Federal Government provides up to fifty percent of the funds to make loan repayment awards to primary health care clinicians. The remaining fifty percent of the funding comes from State and/or community resources. In addition, States provide all funds necessary to administer the program.

The PMTC does not receive any federal dollars as a funding source for their programs. This budget proposes a reallocation of \$200,000 of current state appropriations towards the SLRP.

Since its inception in 1987, 38 States have participated in the program. Currently, there are 34 State grantees. Of the southern region, only Arkansas and Oklahoma are not participating in the SLRP.

FY-2004 General Appropriation Reductions

Recommendation This proposal reduces the FY-2004 appropriation for the Physician Manpower Training Commission by \$2,145 or 10% of the agency's travel expenses.

Because of the current fiscal crisis, several agency revolving fund cash balances will be transferred to the Special Cash Fund to fund other needs. This proposal transfers \$200,000 from the PMTC Revolving Fund for this purpose.

**Board of Examiners for
Nursing Home
Administrators**

The Board consists of 15 members, 11 of whom shall be representative of the professions and institutions concerned with the care of the elderly, two members of the general public and two statutory members. The Governor, upon Senate approval, appoints all members except for the two statutory members.

Principal duties are licensing of nursing home administrators and approval of continuing education programs.

Human Resources and Administration

**Banking Department
Capital Improvement Authority
Department of Central Services
Consumer Credit
Horse Racing Commission
Insurance Department
Securities Commission
Office of Personnel Management
Merit Protection Commission
Oklahoma Employment Security Commission
State & Education Employees Group Insurance Board
Employees Benefits Council**

Banking Department

The State Banking Department preserves and promotes sound, constructive competition among financial institutions and ensures the security of deposits. They regulate State-chartered:

- Banks
- Savings and loan associations
- Credit unions
- Trust companies
- Perpetual care cemeteries

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.

State chartered banks There are 182 state chartered banks in Oklahoma. The Banking Department views the growth of the state chartered banking system as a plus for Oklahoma because state charters better fit the economic needs of smaller banking institutions. For example, a state chartered bank can lend 30% of its capital assets, whereas a national chartered bank can only lend 15%. State chartered banks are also able to deal with in-state banking officials who are familiar with their local circumstances.

Oklahoma State Chartered Banks	
<u>Calendar Year</u> <u>Ending</u>	<u>Number of Banks</u>
1999	186
2000	188
2001	185
2002	182

Source: Oklahoma Banking Department

Revenue from Banks and other Regulated Entities Banks must pay certain fees. The Department deposits some of these funds into the General Revenue Fund and some directly into

agency revolving funds. Banks pay fees based on a percentage rate of the bank's total assets.

Summary of Banking Revenues to General Revenue (000's)				
Fiscal Year	Assessment Rate	Bank Assessments to Gen. Rev.	Other Dep. To Gen. Rev.	Total Deposits to Gen. Rev.
FY-1995	22.5%	2,664	219	2,883
FY-1996	21.0%	2,791	233	3,024
FY-1997	21.0%	2,854	242	3,096
FY-1998	19.0%	2,631	255	2,886
FY-1999	18.0%	2,722	278	3,000
FY-2000	19.5%	2,766	287	3,053
FY-2001	19.0%	3,057	302	3,359
FY-2002	19.0%	3,486	354	3,840
FY-2003*	19.0%	3,615	319	3,934

* Projected
Source: Office of State Finance

Appropriations as a % of Gen. Rev. Deposits	
Fiscal Year	Deposit %
FY-1995	76.86%
FY-1996	72.62%
FY-1997	70.93%
FY-1998	88.95%
FY-1999	87.17%
FY-2000	89.98%
FY-2001	92.86%
FY-2002	79.45%
FY-2003*	73.87%

* Projected
Source: Office of State Finance

Recommendation This proposal reduces the Banking Department's FY-2004 appropriation an additional 10% (\$290,581) from the revised FY-2003 appropriation. Agency travel funds are also reduced an additional 10% (\$34,356).

Capitol Improvement Authority

The Oklahoma Capitol Improvement Authority (OCIA) is primarily responsible for acquiring and maintaining buildings for other state agencies. OCIA also issues bonds to

secure facilities when authorized by the Legislature.

FY-1999 Bond Issue – Phase I In the spring of 1998, the Legislature passed HB 3066, codified as Title 73, Section 301, which authorized the OCIA to acquire, construct, repair, refurbish improve and provide funding for a set of capital projects totaling \$158.1 million. The Authority issued negotiable obligations (bonds) in an amount sufficient to cover the costs of the enumerated projects and for payment of professional fees and associated costs of project development and financing.

Project	Amount
Higher Education Infrastructure	\$45,000,000
Oklahoma History Center	\$32,000,000
Lincoln Boulevard Renaissance Land	\$13,800,000
Lawton Veterans' Center	\$12,000,000
J.D. McCarty Center - New Facility	\$10,300,000
Wiley Post Building Renovation	\$10,000,000
School for the Blind	\$6,750,000
School for the Deaf	\$6,750,000
Native American Cultural Center	\$5,000,000
Vo-Tech Systemwide Equipment	\$5,000,000
Quartz Mountain Lodge	\$3,500,000
Boll Weevil Eradication	\$3,000,000
Finance & Purchasing MIS System (CORE)	\$3,000,000
Technology Incubator Program	\$2,000,000
Phase I Total	\$158,100,000

Also in HB 3066, the Legislature stated their intent to authorize a second group of specific capital projects totaling \$156.9 million when they returned in the spring of 2000. Together, the two groups of projects totaled \$315 million. The 2000 Legislature revised the total to \$315.6 million.

The OCIA receives debt service payments from agencies receiving bond proceeds. The OCIA then makes payments on behalf of the recipient agencies.

FY- 1999 Bond Issue – Phase II Phase II of the bond issue for \$157.5 million was approved in the 2000 legislative session. The State Bond Advisor’s Office, the Attorney General’s Office and the Supreme Court of Oklahoma gathered and reviewed the details of these bond

projects with the expectation that the issuance of the first bonds would occur in July of 2001.

Agency	Amount
Aeronautics	\$2,990,000
Agriculture	\$5,044,194
Bureau of Investigation	\$300,000
Career & Technology Education	\$13,845,303
Centennial Commission	\$5,470,101
Central Services	\$975,000
Central Services	\$51,833,333
Commerce	\$1,250,000
Conservation Commission	\$100,000
Corrections	\$260,101
Common Education	\$700,000
Educational Television Authority	\$250,000
Grand River Dam Authority	\$220,000
Health Department	\$735,000
Higher Education	\$30,617,909
Historical Society	\$10,456,303
House of Representatives	\$46,434
Human Services	\$2,010,101
J.D. McCarty Center	\$485,101
Juvenile Affairs	\$1,227,601
Mental Health	\$2,075,000
Military Department	\$5,700,101
Public Safety	\$1,194,000
Tourism	\$10,565,005
Transportation	\$5,241,412
Veterans Affairs	\$1,450,000
Water Resources	\$1,850,000
Wildlife Conservation	\$608,000
Phase II Total	\$157,499,999

Currently, and individual has challenged the legality of the bonds delaying their issuance. Until the bonds are issued, the Court does not have jurisdiction over the question of the constitutionality of the indebtedness created by the issuance of the bonds.

The OCIA approved a bond issue on Jan. 23, 2002, for \$5 million dollars in lease revenue bonds for the Capitol Dome. The money for the dome was part of the original \$157.5 million in Phase II projects. Private donors have pledged \$17.5 million for the dome. The presiding Governor, chairman of the Authority, sought to expedite the bonds to keep the project on schedule. The dome dedication took place November 2002.

Recommendation This budget includes recommended bond issues for new projects detailed in the capital outlay summary.

Department of Central Services

Recent Process Improvements

Purchasing reform Purchasing reform enables the State to enhance and leverage its purchasing power resulting in reduced prices and better goods and services. Several national publications and the National Association of Purchasing Officials have recognized the State's purchasing system for efficiency and effectiveness.

Procurement program changes

Decentralization of procurement practices increases competition and directs a greater percentage of dollars to local vendors. It also shortens acquisition time for needed supplies and helps reduce costs by doing away with the need for large inventories. A certified purchasing officer can make acquisitions up to \$25,000.

Purchase Cards Agencies can make a maximum purchase of \$2,500 with this card. The current purchase card contract is with BankOne. The purchase cards will significantly simplify the State's purchasing process and hasten payments for merchants.

Currently, average spending by state agencies using the purchase cards is \$189,000 per month, which results in an estimated \$2.5 million per year. This does not include acquisitions by universities or political subdivisions.

The State has over 1,000 purchase cards in use. Currently utilizing the State's purchase card contract are:

- 56 state agencies

- 3 universities (OSU, UCO and East Central University)
- 6 cities (Del City, Midwest City, Edmond, Tahlequah, Spiro, The Village)
- 3 school systems (Tulsa, Jenks, Crutchko)
- 1 technology center (Francis Tuttle)

Multi-State Cooperative Purchasing Agreements The Western States Contracting Alliance (WSCA), created under the umbrella of the National Association of Procurement Officials, spearheaded a National Computer Equipment Contract for Education, State and Local Government.

Oklahoma joined the cooperative agreement in February 2000, by signing participating addendums with four of the five vendors: Dell; Gateway; Compaq and IBM. As of January 2002, Compaq, Dell and Gateway have all announced permanent price reductions to their customers in the cooperative. New in FY-2003 was the national rollout and implementation of the wireless communications services and equipment contracts.

Pharmaceuticals 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). Contracts for pharmaceuticals incorporate "just in time delivery" which eliminates the need to maintain inventories of drugs that could expire prior to use.

The combined purchasing volume for contract year 2000/2001 was \$533 million. MMCAP distributed \$3 million in drug credits to participating states facilities. The credit reflects an overall return of approximately .55% of contract purchases for facilities

purchasing over \$7,400 annually. The credit issued is an additional savings on top of the price and up-charge savings facilities receive by participation in MMCAP. Eligible sales and potential credits for the state of Oklahoma for the previous four contract years are as follows:

Contract Year	Eligible Sales	Potential Credit
1997-98	\$6,875,499	\$24,611
1998-99	\$9,224,873	\$35,963
1999-00	\$11,034,834	\$69,072
2000-01	\$13,267,868	\$89,486

SOURCE: Dept. of Central Services

Statewide contracts The continued expansion of statewide contracts has simplified the acquisition of basic supplies in more than 100 areas. The contracts have provided greater convenience, simplified procedures and significantly reduced costs to the State. This results in greater convenience, smoother operations and less need to maintain large inventories.

Some examples of widely used statewide contracts are:

- Prime Vendor-Food Distribution Contract

Estimated 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

SOURCE: Dept. of Central Services

- Fuelman Fleet Management Contract

Oct. 2001-Sept. 2002:

Estimated Savings	\$99,224
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- Vehicle Contract

Contract Year	St Agcy Usage	All Entity Usage
1998	\$14,947,038	Not Available
1999	\$14,888,773	Not Available
2000	\$21,022,469	Not Available
2001	\$17,419,685	\$37,677,177*
2002	\$12,343,544	\$22,650,563**

SOURCE: Dept. of Central Services

*Total usage as reported by the vendors to DCS Central Purchasing.

**Total usage as reported by the vendors to DCS Central Purchasing for the first, second and third quarters of contract year 2002.

- Travel Agent Services

Zone	County	Awarded Travel Agents
1	Oklahoma	12
2	Payne	3
3	Tulsa	2
4	Cleveland	6
5	Rest of the State	11

SOURCE: Dept. of Central Services

NOTE: Transaction fees are charged and range from \$15.00 to \$30.00.

- Travel Services - Charge Card - Diners Club
- Travel Services - City Pairs Contract

Airline contracts:

Delta Airlines, American Airlines, United Airlines, and Great Plains Airlines

State Use Program The program assists in providing meaningful and gainful employment to disabled through state contracts for products and services. Currently 62 sheltered workshops employing approximately 2,000 persons with disabilities hold state contracts.

CORE Oklahoma Project The Department of Central Services and the Office of State Finance signed a contract with PeopleSoft as the Enterprise Vendor for designing, developing and installing a new integrated system to replace the current core systems for Financials, Purchasing, Personnel and Human Resources. Also in the contract is the utilization of an Implementation Partner, which is Maximus.

The Office of State Finance, Office of Personnel Management, DCS, and

employees from several other agencies staff the project, named “Core Application System” (CORE). Currently, CORE personnel are working on configuring the system for a July 1, 2003, “go live” date.

State Capitol Park In 2001, effective for FY-2002, the Legislature transferred responsibility for maintenance and operation of the State Capitol Park from the Oklahoma Tourism and Recreation Department to the Department of Central Services.

The State Capitol Park consists of the following:

- State Capitol building and grounds
- Governor’s Mansion and grounds
- Over 25 buildings, including office buildings, museums, etc.
- Roadside areas along Lincoln Boulevard and other primary streets

Environmental Abatement Formerly known as Asbestos Abatement, 1986 Federal regulations required school districts to remove and/or control asbestos contamination in their public school buildings. Its primary function today is to remove asbestos from public schools, state owned buildings and city and county buildings. Funding comes from appropriations and fees for service.

A recommended \$660,000 appropriation reduction privatizes the asbestos program currently within DCS. DCS Asbestos does subcontract many jobs to private contractors as dictated by demand and the need for “emergency” abatement services. Reducing the Asbestos program from two to one crew or purely acting as an administrator to private crews will more than offset this reduction.

Current law, 74 O.S. 61.6, mandates DCS to provide asbestos service. Upon legislative change, DCS shall act merely as a contract administrator for abatement duties.

Dome utilities This budget also recognizes the increased utility costs from the new dome at the State Capitol building. DCS can fund this small increase through agency revolving funds.

Additional issues The Department of Central Services included several items in their request, which, due to their nature as capital improvements, should fit well into a bond issue. The following list shows the dispersion of the requested capital funds.

- ADA Compliance = \$96,000
- Life and Safety = \$6.9 million
- Heating, Ventilation and Air Conditioning (HVAC) = \$440,000
- Roof/Ceiling Repair = \$305,000
- Other = \$2.3 million

This proposal recommends that the OCIA enter into bond indebtedness to cover the costs of needed improvements in state owned buildings.

FY-2004 General Appropriation Reductions

This proposal reduces the DCS FY-2004 appropriation by an additional \$39,218 (3.5% more than the 6.5% shortfall experienced in FY-2003) from targeted administrative services. All agency travel expenses are being reduced an additional 10% or \$6,378.

DCS currently has a debt service obligation to the OCIA for the state building renovations and asbestos abatement, the Lincoln Boulevard renovation, and the CORE project. Negotiations are underway to achieve lower financing thus reducing the debt service payments for FY-2003 and FY-2004. The following table displays the projected savings for the two bond issues undergoing refinancing.

Projected Savings from Refinancing:		
	FY-2003	FY-2004
St. Building Renovations	\$285,351	\$1,106,059
Lincoln Blvd Renovation	\$0	\$696,446

SOURCE: Office of State Finance

Other reductions Because of the current fiscal crisis, several agency revolving fund cash balances will be transferred to the Special Cash Fund to fund other needs. This proposal transfers a combined total of \$1 million from the Building and Facilities Revolving Fund, General Purpose Revolving Fund, and the Statewide Surplus Property Revolving Fund for this purpose.

Consumer Credit Commission

The Consumer Credit Commission administers the Uniform Consumer Credit code and regulates the following entities:

- Lending institutions other than banks or credit unions
- Pawnbrokers
- Credit service organizations charging a fee to provide assistance in repairing credit problems
- Rent-to-own stores
- Mortgage brokers

The Commission protects consumers against unfair credit practices of lenders. 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. Through these efforts, the Commission returns \$1.5 to \$2 million to consumers each year.

Recommendation This proposal reduces the Consumer Credit Commission's FY-2004 appropriation an additional 3.5% (\$25,680). Agency travel funds are also reduced an additional 10% (\$4,702).

In order to help with the current fiscal crisis, revolving fund balances are being transferred to the Special Cash Fund. This proposal transfers \$175,000 from the Oklahoma Mortgage Brokers Recovery Fund for this purpose.

Horse Racing Commission

The Horse Racing Commission (HRC) encourages state horse production and regulates horse racing activities at four racetracks:

- Remington Park in Oklahoma City
- Blue Ribbon Downs in Sallisaw
- Will Rogers Down in Claremore
- Fair Meadows in Tulsa

Race Track Regulations The Commission employs three stewards at each track to oversee racing activities. The stewards determine the winners of each race and conduct hearings before and after races concerning rule violations.

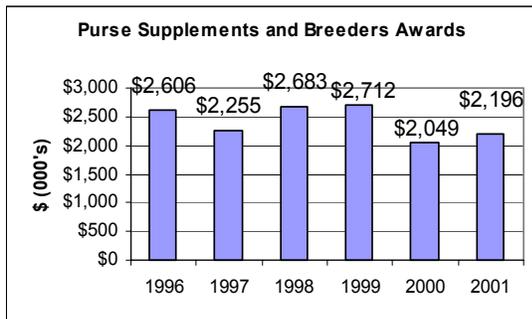
For example, the State veterinarian takes blood tests for drugs in winning horses. There are allowed medications for horses, but trainers are responsible for excessive drug levels in the horse. If cited for a violation, trainers may request a hearing before the stewards.

The Commission provides the also provides the following services at racetracks:

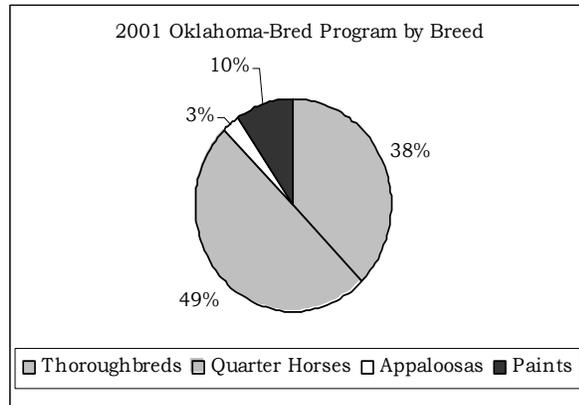
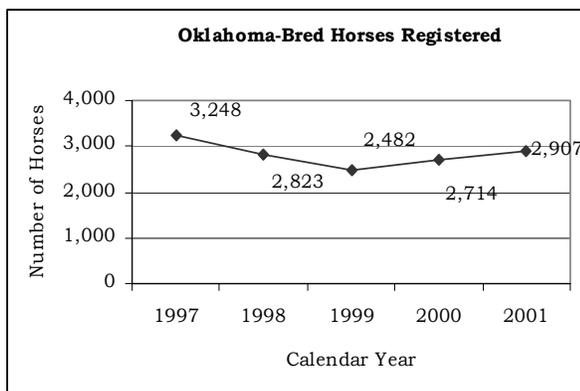
- Law enforcement agents conduct investigations and present evidence at hearings

- Employees register participants
- Employees verify horses in the paddocks are actually the horses registered to race

Oklahoma-Bred Horse Program The Oklahoma-Bred horse program provides incentives for breeders and owners to produce State-bred horses. In 2001, this program paid bonuses of \$2.2 million to Oklahoma-bred horses.



Since 1983, the Commission has certified over 64,000 horses as State-bred horses. The horses must remain in the state except when away for races, breeding or medical treatment. The program promotes agriculture with horse owners investing in horse facilities, feed and grain, etc.



Funding for the Oklahoma-Bred Horses Program comes from:

- Race track breakage (profits after wagers are paid)
- Unclaimed cash from wagering tickets
- A percentage of pari-mutuel tax
- Program registration fees

Horse Racing Data			
	CY-1999	CY-2000	CY-2001
Race Days Allotted	299	283	298
Oklahoma-Bred Horses Registered	2,482	2,714	2,907
Oklahoma-Bred Claims Checks Issued	7,895	8,071	7,291

Source: Oklahoma Horse Racing Commission

Recommendation This proposal reduces the Horse Racing Commission's FY-2004 appropriation an additional 3.5% (\$75,059). Agency travel funds are also reduced an additional 10% (\$8,314).

Insurance Department

The Insurance Department regulates the insurance industry. Regulation protects the public by assuring a

solvent insurance market and well-educated insurance agents.

The Department also regulates Real Estate Appraisers and Bail Bondsmen.

Entities Regulated by the Insurance Department			
	2001	2002	2003 est.
Insurance Agents	58,738	63,970	61,435
Real Estate Appraise	1,510	1,550	1,600
Bail Bondsmen	453	442	450

Source: Oklahoma Insurance Department

The National Association of Insurance Commissioners (NAIC) accredits the Department, which means the office meets the highest professional standards as it regulates the State insurance industry. The Department must comply with NAIC standards as they relate to financial statement examinations, financial analysis and legislation to receive this accreditation.

Financial Statement Examinations

Insurance companies operating in the 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. Accreditation assures that documents of all companies in every state are examined by applying uniform standards.

Medicare Fraud Prevention The Department helps prevent Medicare fraud by educating seniors and advocates through a grant funded by the U.S. Department of Health and Human Services Administration on Aging. Training provided through the grant teaches senior citizens and others working in the field of aging services how to properly review Medicare summary notices to make sure the consumer is paying the correct amount. This program helps prevent fraud and waste and protects citizens from paying for services that are otherwise covered or they did not receive. The program has enjoyed recognition and success in educating

seniors, advocates and professionals in aging services.

HMO Regulation This proposal includes moving Health Maintenance Organization regulation from the Health Department to the Insurance Department. The Insurance Department will monitor licensing and financial stability, as well as adjudication of claims. The Insurance Department’s proposed appropriation includes funding of \$50,000 to assume this responsibility.

Recommendation This proposal reduces the Insurance Department’s FY-2004 appropriation an additional 3.5% (\$100,520). Agency travel funds are also reduced an additional 10% (\$9,496).

In order to help with the current fiscal crisis, revolving fund balances are being transferred to the Special Cash Fund. This proposal transfers \$250,000 from the Bail Bondsmen Revolving Fund and \$400,000 from the Insurance Commissioner Revolving Fund for this purpose.

Securities Commission

The Securities Commission deters and remedies securities fraud of the investing public. 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

- Provides investor education

Licensed Securities Professionals			
Firms	FY-2000	FY-2001	FY-2002
Broker-Dealers	1,662	1,734	1,707
Adviser	616	659	718
Individuals			
Broker-Dealer Agents	67,894	74,022	69,366
Adviser Representatives	4,766	5,427	5,856
Securities Issuer Agents	127	118	107

Source: Securities Commission

Recommendation The FY-2004 appropriation to the Securities Commission remains at the already reduced level for FY-2003. Agency travel funds are also reduced an additional 10% (\$4,841).

In order to help with the current fiscal crisis, revolving fund balances are being transferred to the Special Cash Fund. This proposal transfers \$1 million from the Securities Commission Revolving Fund for this purpose.

Office of Personnel Management

The Office of Personnel Management (OPM) has evolved from a primarily regulatory role into a service and consultative role within state government.

Reduction In Force and Furlough Plans

Internal reductions Budget reductions required OPM to implement a Reduction In Force (RIF) in January 2003. OPM reduced their FTE count by eight with this RIF.

Other state agency actions Five agencies implemented unpaid furloughs for employees during May and June of 2003 to meet the reduction in funding. OPM has reviewed and approved ten other state agencies' Furlough Plans.

Additionally, four agencies (including OPM) have submitted Reduction In Force plans that have been approved by the OPM Administrator.

Current Studies

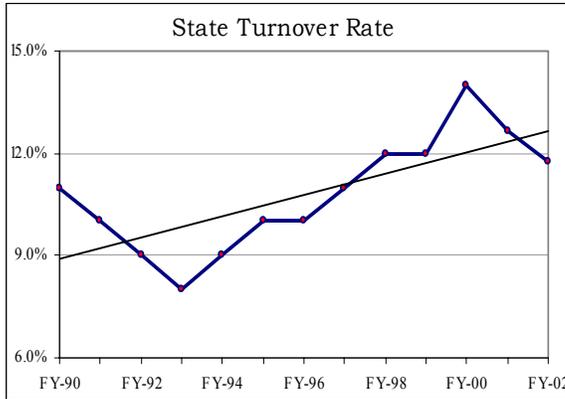
The 2001 Legislature passed legislation requiring the Administrator of OPM to conduct a salary study concerning state agency directors.

OPM worked in collaboration with Hay Management Consultants (HayGroup®) on the director salary study. Serious inequities were discovered between job content points and associated pay; i.e., agency directors were being paid a wide variety of salaries while managing agencies of similar size. The HayGroup® developed several recommendations, which the State should look at and modify to adjust the apparent disproportionate balance of agency directors' salaries.

SB 702 requires the Office of Personnel Management to conduct a study on certain job families experiencing high turnover rates. The overall turnover rate for FY-2002 for classified state employees was 11.8%, which includes all retirements, resignations and discharges during the fiscal year.

State Classified Employees:			
	FY-00	FY-01	FY-02
Employees	28,877	28,066	27,812
Resignations	2,688	2,488	2,139
Retirements	700	703	715
Discharges	413	358	415
Overall Turnover Rate	14.0%	12.6%	11.8%
Voluntary Turnover Rate	11.7%	11.4%	10.3%

SOURCE: Office of Personnel Management



SOURCE: Office of Personnel Management

Classification and Compensation Reform Update

State government continues to benefit from the passage of Senate Bill 464. 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.

According to OPM’s *FY-2003 Annual Compensation Report*, the gap between overall market pay and state government pay widened significantly in the past year.

State of Oklahoma vs. Market			
Year	State	Market	Difference
2003	\$29,318*	\$32,621	-11.3%
2002	30,001	31,344	-4.5%
2001	28,738	32,513	-13.1%
2000	27,614	31,093	-12.6%
1999	26,691	30,742	-14.0%

SOURCE: Office of Personnel Management

* Figure includes average longevity payment for calendar year 2002 of \$1,249.83.

The Report indicates that, based on the number and size of market adjustments, agencies were using pay adjustments to target jobs that were significantly below market. It is likely that these targeted pay adjustments, while not significantly affecting the State’s overall market position for classified jobs, may have had an impact on turnover rates.

The success of the Pay Movement Mechanisms contributed to the recommendation of the FY-2003 Annual Compensation Report that, when funds become available, the Legislature should provide additional funding to agencies for the purposes of targeted pay adjustments. This is the first year that the Report did not recommend an “across-the-board” increase to address disparities between the market and state government salaries.

Pay For Performance Implementation

In October 2001, OPM submitted and the Governor approved emergency rules implementing 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.”

OPM approved the following agencies use of pay for performance during FY-2002:

- Employees Benefits Council

- Office of Personnel Management
- Department of Environmental Quality
- Physicians Manpower Training Commission
- Cosmetology Board
- Merit Protection Commission
- Public Employees Retirement System
- Oklahoma Transportation Authority
- Commission on Children & Youth
- Board of Registration for Professional Engineers and Land Surveyors
- Secretary of State
- Military Department

Agencies approved to use pay for performance during FY-2003:

- Department of Consumer Credit
- Department of Environmental Quality
- Employees Benefits Council

State Information System Project

OPM is a member of the Core Applications Project Team along with the Office of State Finance, the Department of Central Services and the Department of Commerce. These agencies examined enterprise-wide information systems to provide an integrated package of software solutions on a common platform for financial, purchasing, human resources, and payroll systems.

OPM has lead responsibility for the human resources and payroll components, which will replace two antiquated systems with a user-friendly integrated computer system that will permit user agencies to more easily access vital employment data.

FY-2004 General Appropriation Reductions

This proposal reduces the Office of Personnel Management’s FY-2004 appropriation by \$376,000. This reduction is attributable to annualized savings from one-time expenditures and the RIF implemented during FY-2003 being removed from the budget. In addition, the agency will have to absorb a 10% or \$8,058 reduction in travel expenditures.

Merit Protection Commission

The agency has a mission to design, implement, and enforce a dispute resolution system for state employees. The agency has effectively used technology as means of cost cutting. They have been able to resolve 60 percent of their disputes through online resolution.

During FY-2002, the agency developed a website, which has allowed participants to resolve disputes in days rather than months.

The Commission continues to expand the use of the Alternative Dispute Resolution Program (ADRP) as a means of resolving employee disputes. ADRP provides both employees and agencies an opportunity to resolve disputes at the lowest possible level. Agencies and employees have taken advantage of ADRP, resulting in reduced disruption of programs for the agencies and employees.

	FY-2001	FY-2002	FY-2003 Q1-Q2
Appeals of Discharge	40	55	30
Appeals of Suspension without Pay	39	44	25
Appeals of Involuntary Demotion	3	5	7

SOURCE: Merit Protection Commission

Negotiation Conference

Appeal settlements at Negotiation Conferences have steadily increased since FY-2001. 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.

	FY-2001	FY-2002
Negotiation Conference Settlements	19	33

SOURCE: Merit Protection Commission

FY-2004 General Appropriation Reductions

The FY-2004 appropriation for the Merit protection Commission is reduced by \$2,515 or 10% of the agency's travel expenditures. No further budget reductions are recommended.

Employment Security Commission

The Oklahoma Employment Security Commission (OESC) strives to provide employment security and in so doing promote the economic well-being of the state of Oklahoma. OESC's local offices match the needs of employers and job-seeking individuals.

The OESC maintains four major divisions:

- Economic Research and Analysis
- Unemployment Insurance
- Employment Service
- Job Training Partnership Act

Economic Research and Analysis

Division is responsible for collecting,

analyzing and disseminating a wide array of socio-economic data.

Unemployment Insurance Program:

Qualified unemployed wage earners receive weekly unemployment benefits. Funds for these payments come from a state tax paid by employers. Federal FUTA taxes paid by employers fund the administration of this program.

UI Operating Costs	
FY-2002	\$21,384,673
FY-2001	\$19,813,649
FY-2000	\$19,562,414
FY-1999	\$20,026,253

SOURCE: OESC

The following table shows unemployment insurance claims, benefits paid, and contributions received by the OESC for FY-2002.

FY02	UI Claims	Benefits Payments	Contributions Received
JULY	110,911	\$18,646,347	\$4,107,002
AUG	87,616	\$13,851,920	\$9,392,644
SEPT	91,155	\$15,098,210	\$478,039
OCT	88,662	\$13,121,313	\$2,522,959
NOV	100,596	\$15,383,956	\$5,878,556
DEC	131,364	\$21,386,099	\$263,383
JAN	144,545	\$20,005,322	\$2,185,810
FEB	135,295	\$19,283,932	\$4,321,279
MAR	173,052	\$23,353,383	\$210,581
APR	167,709	\$20,818,122	\$14,459,344
MAY	152,773	\$18,403,230	\$35,403,978
JUNE	149,744	\$21,413,452	\$1,001,328
	1,533,422	\$220,765,286	\$80,224,903

SOURCE: OESC

Employment Service Division maintains a statewide labor exchange between employers and job-seeking individuals through the selection and referral of qualified workers.

Employment and Training Division is responsible for administering the Workforce Investment Act of 1998.

This act includes workforce programs for Adults, Dislocated Workers and Youth. These federally funded programs provide employment and training services to individuals who, for various reasons, have been unable to obtain meaningful employment. This includes responsibility for administering programs that prepare youth and unskilled adults for entry into the labor force. The program also provides job-training opportunities to economically disadvantaged individuals and those dislocated due to business closings and layoffs.

The Workforce Investment Act also mandates the development of a comprehensive workforce system that includes many other workforce related programs. To accomplish this goal, the employment and training division also serves as administrative staff to the state investment workforce board. This board makes recommendations regarding the development of this comprehensive system.

In addition to the Workforce Investment Act, the division also administers the Title V older worker programs, the Welfare to Work program and a contract to assist in serving TANF clients. All of these programs as well as the Workforce Investment Act assist the individual job seeking client and business in their specific workforce related needs.

State & Education Employees Group Insurance Board

The Oklahoma State & Education Employees Group Insurance Board (OSEEGIB) provides self-funded insurance plans to state, education, and local government employees. OSEEGIB's plan is often referred to as the "state plan".

Lower Premiums

Currently, OSEEGIB has excess funds available in their Life and Disability funds. Total fund equity less required capital nets the excess reserves in these funds. These reserves can help lower health insurance premiums and mitigate growing health insurance costs.

For plan year 2004 (Jan-Dec), this proposal reduces the premiums offered by OSEEGIB by using excess reserves available. The reduced premiums save the state money by lowering or offsetting the increase for benefit allowances paid by state agencies.

Employees Benefits Council

The Employees Benefits Council (EBC) purpose is to furnish state employees with choices among various employee benefits including health, life, dental, and disability insurance, optional plans, and flexible spending accounts. EBC also provides for the coordination, design, preparation, communication, and administration of all plans offered to state employees.

One of the primary functions of EBC is to contract with Health Maintenance Organizations (HMOs) for purposes of providing health coverage to state employees. Oklahoma is currently down to two HMO's and OSEEGIB's "State Plan".

Employee Benefit Allowance

Over the past year, the State has undergone many employee benefit changes for health insurance coverage. Rates have experienced three increases since January 2001.

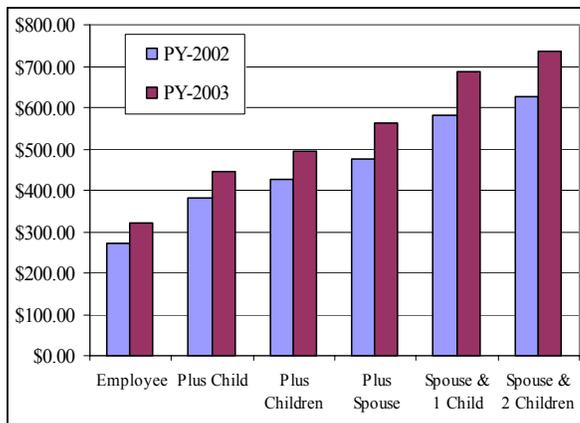
Plan year (PY) recognition has also changed over the past two years. Prior to FY-2002, the health insurance plan year was July through June. During

2001, the State implemented a *Short Year* that ran from July through December. Beginning January 1, 2002, the new plan year, January through December, began.

Benefit Allowance Changes

	Employee Only	Employee w/Family	Spouse	1 Child	2+ Children
PY-2001	\$262.19	\$224.69	\$106.47	\$58.73	\$81.38
Short Year	262.19	224.69	114.74	63.00	88.59
PY-2002	272.82	272.82	201.26	107.73	151.87
PY-2003	319.51	319.51	241.32	124.78	174.32
1-yr change	17.12%	17.12%	19.90%	15.83%	14.78%

Rate change increases range from 14% to 17% for PY-2003 over PY-2002. Coverage of a spouse experienced the most change. The following graph shows the change in benefit allowance per particular combination of employee and dependents.



SOURCE: Employees Benefits Council

Many private employers along with other states around the country have faced even higher premium increases for health coverage of employees and their dependants. State agencies continue to face critical needs to provide adequate benefit allowances to employees while absorbing the increased costs without appropriation supplements.

Provider Changes Many health-care providers across the nation have faced harsh economic and financial conditions with the HMO industry being hit the hardest. All of Oklahoma's HMO

providers have either ceased service or limited coverage to certain zip codes.

The current provider availability includes two limited-area HMO's and the State's plan, HealthChoice. The following matrix shows the provider change over the past three plan years.

Healthcare Providers:

	PY01	PY02	PY03
HealthChoice	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
AmCare	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CommunityCare	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HealthCare OK	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PacifiCare	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Benefits Administration

In November 2002, EBC implemented the Benefits Administration System (BAS) to replace the existing OPM Benefit mainframe system. The BAS project has been ongoing for over 3 years.

Recommendation Prior to the BAS, EBC paid OPM a reimbursement fee for some benefits administration costs from the OPM Benefit mainframe system. This proposal eliminates the EBC and transfers their duties to OPM. Reduced overhead and personnel should net a savings realized with future reductions in state appropriations to OPM.

Recommendation Because of the current fiscal crisis, several agency revolving fund cash balances will be transferred to the Special Cash Fund to fund other needs. This proposal transfers \$600,000 from the EBC Administration Revolving Fund for this purpose.

Military Affairs

Oklahoma Military Department

Oklahoma Military Department

The Oklahoma Military Department (OMD) maintains a high commitment to provide adequate facilities for the Oklahoma National Guard (OKNG) training around the state. It also continues to explore community use of local armories and providing facility renovations with the focus on community needs.

OMD continues to serve Oklahoma's troubled youth with programs, which instill self-esteem and hope in our young people.

Armory Maintenance

The State of Oklahoma has the responsibility for providing maintenance and repairs for the State's armories. Lack of funding for maintenance has prevented OMD from making needed repairs to aged roofing, electrical wiring, plumbing, and lighting.

The Legislature addressed these infrastructure needs in the 2000 and 2001 session.

Senate Bill 957, passed in the 2000 legislature, authorized \$6.3 million in bond issue proceeds. However, legal problems have prevented the issuance of the bonds.

Due to the delay of implementation of

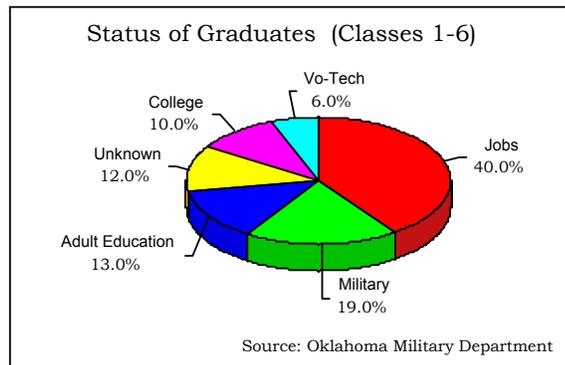
Senate Bill 957, the Governor and Legislature appropriated \$3.8 million dollars for FY-2002. These dollars were available immediately to begin the rehabilitation of the state's armories.

Transfer Armories to Cities and Towns

OMD has identified armories that serve no strategic purpose. State leaders should allow OMD to transfer these armories to towns and cities. Communities could use the facilities for many purposes; classrooms, civic government, host fundraisers, or youth groups.

Armory transfer would let OMD to put more funds into protecting the citizens or increase their services in youth programs.

Thunderbird Youth Academy



The agency continues to meet the challenge of reforming troubled youth in Oklahoma.

Beginning in FY-1992, the Thunderbird Youth Academy (TYA) began its training, holding two 22-week sessions per calendar year. The program utilizes a "quasi-military" approach to teach self-discipline, improve self-esteem and physical fitness.

Budget/Cadet breakdown

(\$'S IN THOUSANDS)

Year	Total Budget	Fed Share	State Share	Cost Per Cadet	State Cost Per Cadet	# of Grads
1998	\$2,481	\$1,780	\$701	\$12	\$4	199
1999	2,592	1,829	763	\$15	\$5	169
2000	2,800	1,820	980	\$15	\$5	191
2001	2,800	1,680	1,120	\$15	\$6	189
2002	<u>2800</u>	<u>1680</u>	<u>1120</u>	<u>\$14</u>	<u>\$6</u>	<u>200</u>
Totals/Avg.	\$13,473	\$8,789	\$4,684	\$14	\$5	189.6

Source: Military Department/OSF

**General Appropriation
Reductions**

This Budget reduces the FY-2004 appropriation for the Military Department by \$276,355 (3.5% more than the 6.5% shortfall experienced in FY-2003).

In addition, the Executive Budget reduces the agency's travel 10%, resulting in a \$4,071 thousand reduction.

Safety and Security

**Department of Corrections
Pardon and Parole Board
Department of Public Safety
State Emergency Fund
Alcoholic Beverage Laws Enforcement Commission
Council for Law Enforcement Education and Training
Narcotics and Dangerous Drugs
Oklahoma State Bureau of Investigation
State Fire Marshal
Board of Medicolegal Investigations
Civil Emergency Management
Attorney General
District Attorneys Council
Indigent Defense System**

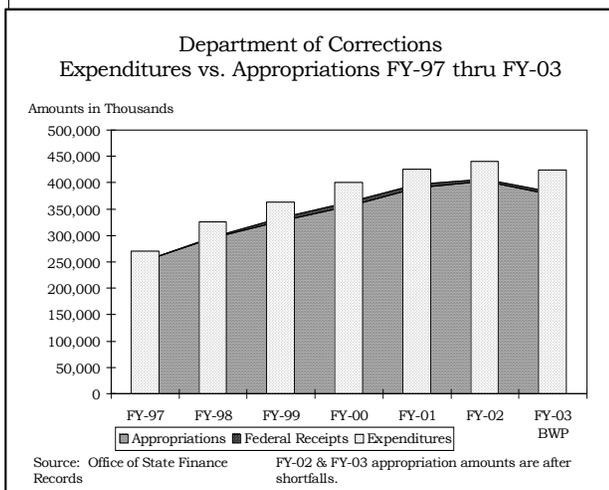
Department of Corrections

The Department of Corrections' (DOC) responsibilities include:

- housing inmates safely and securely
- providing opportunities for inmates to become rehabilitated
- facilitating a successful transition for inmates back into society
- monitoring inmate behavior upon release

In the spring of 2000, DOC reached a major milestone when it prevailed in a 27-year federal court case that addressed conditions of incarceration in this state. Because of that case, DOC implemented system changes to reduce overcrowding and improve inmate healthcare. The cost of those changes is still affecting the agency today.

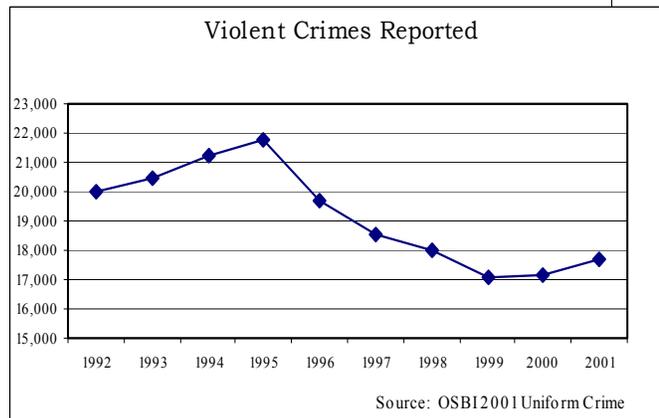
Almost all funding for DOC comes from state appropriations. The following chart provides a history of DOC's appropriations since FY-1997:



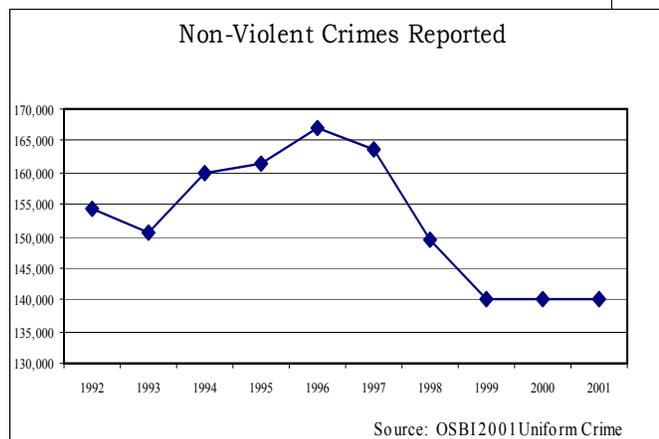
DOC also has revolving and federal revenue that provides the remainder of

its funding. Revolving funds are generated from sales of products and services to inmates (canteen sales) and from sales of inmate-produced products and services to internal and external purchasers. DOC typically receives federal funds for grants designated for specific programs or services.

Crime Rates



As illustrated in the graph, the violent crime rate in the early to mid 1990s was escalating. Between 1992 and 1995, the number of violent crimes reported increased by 9%, and nonviolent crimes were on the rise.



In 1995, Oklahoma reported 21,748 violent crimes and 166,890 other crimes. By 2001, violent crime rates had fallen more than 18% and reports

of nonviolent crimes had decreased more than 13%.

During the last administration, the focus was punishment of violent and habitual criminals. Special laws designed to release prisoners early were rarely invoked. As the crime rate continued to grow into the 1990s and offenders began to serve more time for their offenses, the demand for prison beds increased.

The Prison System

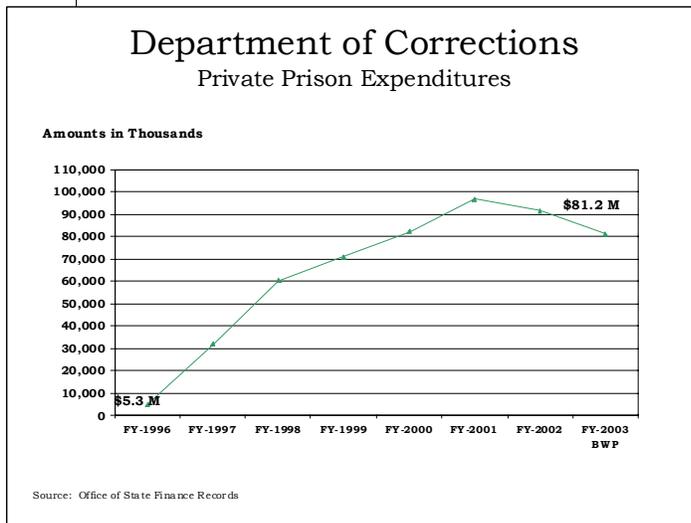
DOC operates 8 secure public facilities for maximum and medium-security inmates. State-operated minimum-security facilities and community centers provide additional capacity for a total state-operated capacity of 16,026 beds. With the increased bed demand, policy makers decided in 1996 to utilize private prisons, rather than build new facilities. Today, DOC is utilizing 5,469 private prison beds. The following chart provides a history of the growth in private prison expenditures.

Total System Capacity	
State Medium & Maximum	7,203
St Minimum & Community Centers	8,823
Private Prisons	6,014
County Jails	392
Halfway Houses	<u>1,134</u>
Total Bed Capacity	23,566

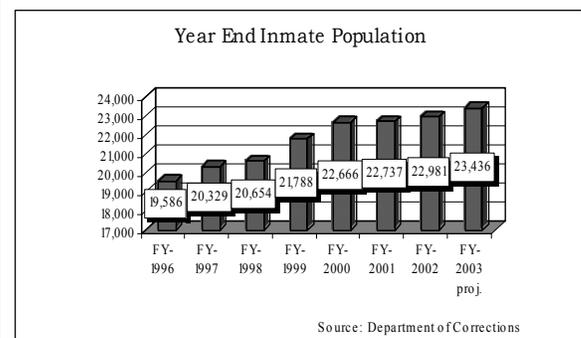
Source: Department of Corrections

State Facilities:	Operating Cost per Inmate
Minimum Security	\$46.18
Medium Security	46.55
Maximum Security	54.25
Community Corrections	51.53
Work Centers	32.02
Contracted Services	Per Diem Rate
Private Prisons:	
Davis	\$43.37
Great Plains	43.95
Cimarron	43.99
Lawton	40.82
Central Oklahoma	45.00
Diamondback	42.00
Contract Jails	31.00
Halfway Houses	32.00
Jail Back-up	24.00

Source: Department of Corrections



The following chart provides a history of the incarcerated inmate population since FY-1996.

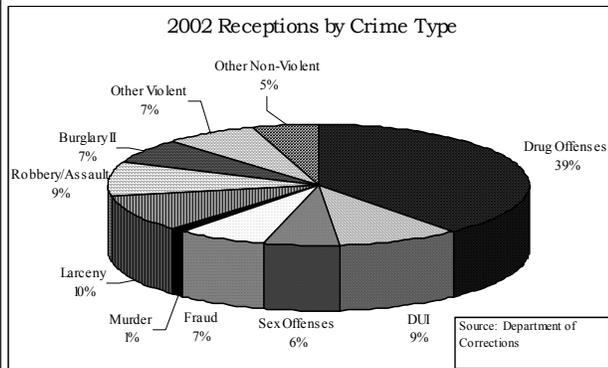
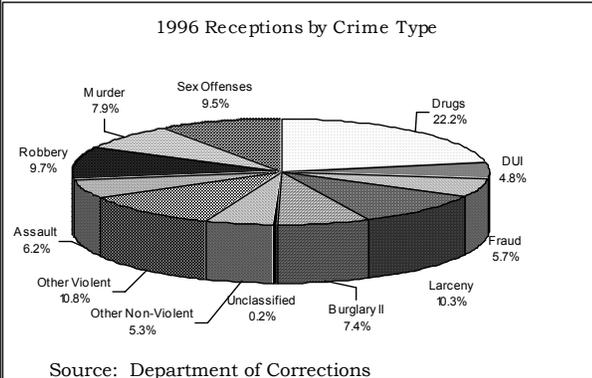


The state also contracts with county jails and halfway houses for additional beds. The following tables provide a breakdown of the total system capacity and the varying per diem rates:

For FY-2003, the Criminal Justice Resource Center projects 2% growth in the incarcerated inmate population.

A review of DOC receptions by crime type provides additional understanding of the current issues facing the correctional system. The following

charts compare receptions by crime type for FY-1996 and FY-2002:



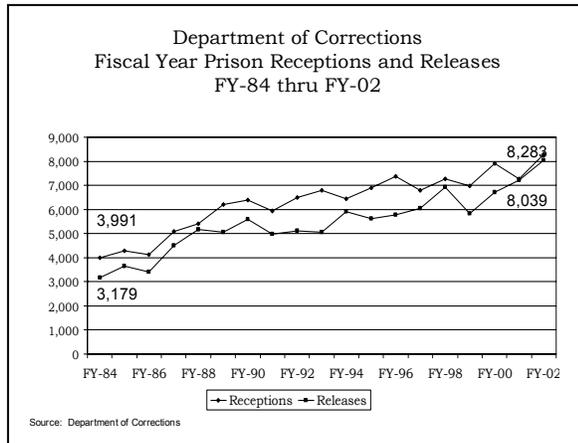
As shown, in 1996, drug and alcohol related receptions accounted for 27% of total receptions. In 2002, drug and alcohol related receptions increased to 39% of total receptions. This illustrates the need to identify new methods of dealing with the incarceration growth in this area.

For 2002, DOC had 8,283 in total receptions. The next table provides a demographical breakdown of these inmates:

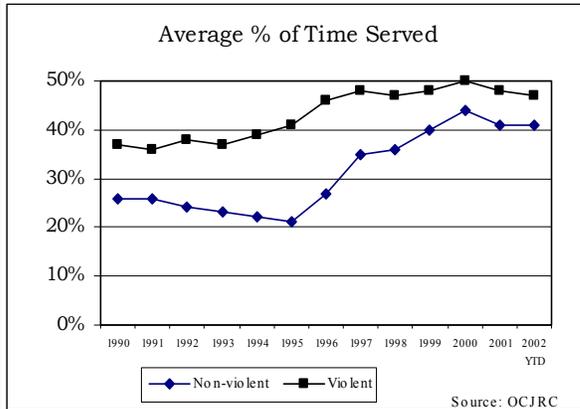
Total Receptions	8,283
Average Age	32.8
% over age 40	24.6%
% Males	85.8%
% Females	14.2%
% Non-Violent	80.4%
% White	59.8%
% Black	25.9%
% Native American	9.0%
% Hispanic	4.9%

Source: Department of Corrections

Another component to consider in assessing the demand on the state's correctional system is the number of inmates released each year. In 2001 and 2002, DOC experienced significant growth in releases as the Pardon and Parole Board addressed its backlog and increased recommendations. Receptions, however, continue to slightly outpace releases.

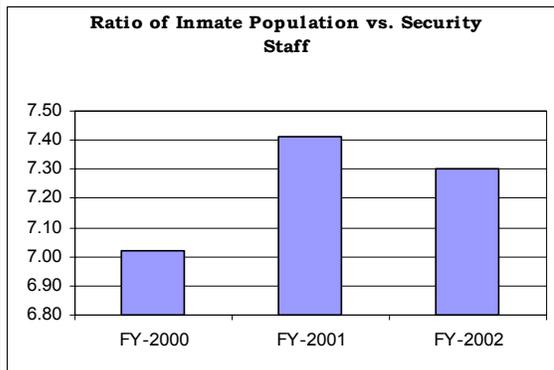


The average time served is final area that influences the overall correctional system volume. Time-served percentages increased in recent years due to the lengthening of mandatory time-served before parole eligibility. The following chart provides a history of the average percent time served for prison sentences:



Officer Staffing Levels Correctional officers (COs) are the backbone of any state prison system. Without adequate staffing, the ability to retain quality employees is diminished. Officer staffing levels today have reached a critical level with a vacancy rate of 17%.

This staffing level results in existing COs working longer and harder, and DOC paying sizeable overtime costs. The following chart shows the ratio of at-facility population vs. uniformed staff for the last 3 years.



Source: Department of Corrections

Community Sentencing

Policy makers provided significant reform with the implementation of community sentencing for certain nonviolent criminal acts. This program, voluntary under current law, demonstrates that alternatives to prison incarceration make sense and

provide a less expensive approach to traditional imprisonment.

This program enhances opportunities to apply restorative justice principles by making people personally responsible to their community for their criminal offenses while providing opportunities to be locally rehabilitated. This program, if implemented to its fullest potential, can provide significant relief to the adult correctional system and offer savings to the citizens of Oklahoma.

Community Sentencing Program

The recent addition of the Community Sentencing Division has expanded DOC's capacity to handle offenders. The Oklahoma Community Sentencing Act established the division to implement and administer a community sentencing system that improves public safety and punishes felony offenders under a court-ordered community sentence.

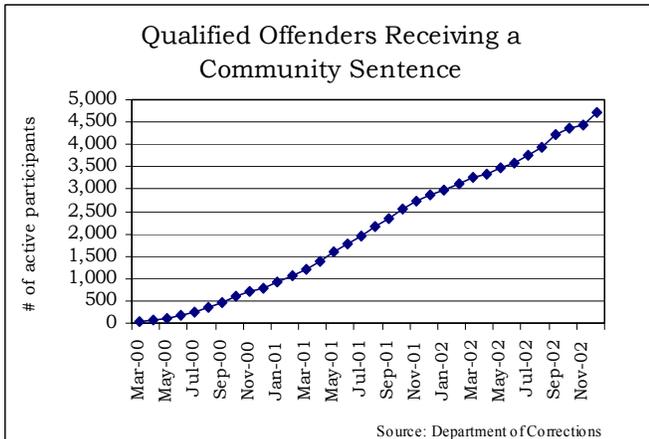
In FY-2000, the Governor and Legislature provided new funds for DOC to provide treatment and supervision of moderate-risk offenders in the community. The first 6 planning councils received funds in March 2000. Calendar year 2001 represented the first full year of statewide implementation with 38 community sentencing systems representing 59 counties receiving funding.

Each local sentencing system chooses to provide supervision for its offenders with state probation and parole officers or with another qualified source of the council's choosing.

The local community sentencing system provides a continuum of sanctions that gives the court a variety of measures to change offender behavior. The array of options allows the court to match offenders with the most appropriate sanctions and establishes degrees of increased control for individuals who fail to conform to the rules and conditions of their

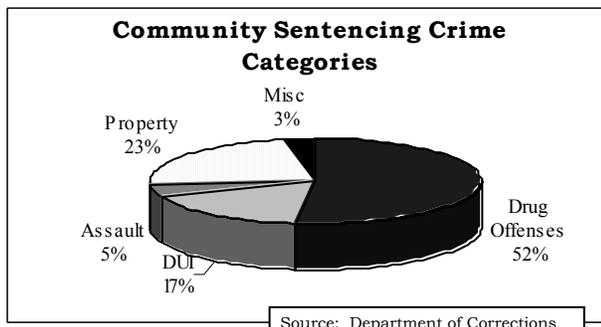
sentence. Among others, sanctions may include community service, special needs programs, supervision, community confinement, or education programs.

The following chart reflects the steady growth in the number of qualified offenders receiving a community sentence:



The sentencing of 1,847 additional offenders in 2002 brought the total number of offenders ordered to the program to 4,703.

Offenders receive a community sentence for a wide range of offenses. The next chart shows by percent the crime categories for the offenders sentenced during calendar year 2002:



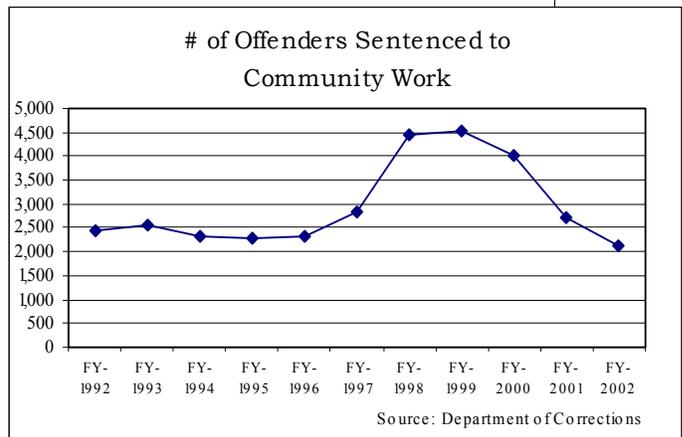
As shown, offenses related to drugs and alcohol comprised 69% of community sentences. As a result, DOC concentrated 61% of the expenditures for this program on

substance abuse services. This includes detoxification, in-patient and outpatient treatment, group and individual counseling, and urinalysis.

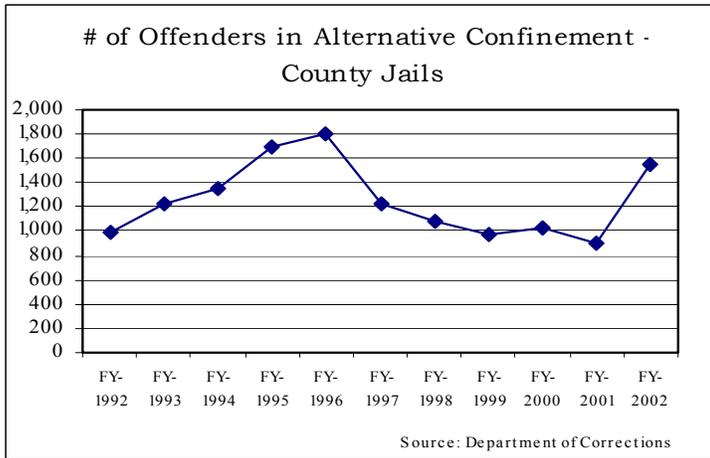
Community Service Sentencing Program

DOC has administered another community level program, the Community Service Sentencing Program, since 1988. In FY-2002, this program had 2,132 offenders

sentenced to community work and 1,550 offenders sentenced to alternative confinement in county jails. The following charts show a 10-year history of the offenders sentenced to this program:



The offenders sentenced to this program from 1996-1997 increased as the number of counties participating grew. The decrease beginning in 2000 is due to Oklahoma County no longer contracting with the State for these services as well as budget reductions.



The number of counties housing offenders in alternative confinement increased from 1992 to 1996. In 1996, the number of offenders began to decrease when Oklahoma County stopped their program for alternative confinement.

Comprehensive Criminal Justice Reform

Comprehensive legislation calling for smarter punishment of criminals in Oklahoma became effective July 1, 2001. SB 397, a sweeping overhaul of the criminal justice code, included the following principal provisions:

- increased the felony limit to \$500 from \$50 for bogus check
- increased the felony limit to \$1,000 from \$500 for property crimes
- added several crimes to the list of “deadly sins” for which an offender must serve at least 85 percent of the sentence
- modified the DUI limit from .1 to .08 for blood or breath alcohol concentration
- enhanced the earned credits for eligible inmates
- modified the parole process for subsequent dockets, medical

paroles, and signature requirements on parole documents

- changed the minimum sentence for distribution of certain amounts of drugs

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

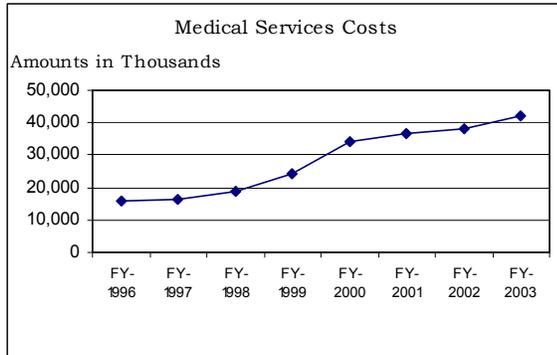
in a prison setting is more costly and complicated than in other settings. The nature of the prison population makes injuries and wounds more common, and inmates generally do not lead healthy lifestyles. Consequently, instances of hepatitis and other communicable diseases are much more prevalent.

The cost of health care nationwide is continuing to escalate faster than the inflation rate. This cost growth, combined with recent court decisions defining constitutionally required health care, and the inmate population growth have resulted in significant increases for DOC’s health care services expenditures. This 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.

With the change in services available from the privatization and restructuring of University Hospital and the elimination of the services previously required by the Department of Mental Health and Substance Abuse Services, DOC needed to pursue other options to obtain some of the medical services previously provided at these facilities.

During the 2001 session, the Legislature passed HB 1570, which allowed DOC to contract for medical

and hospital services with the Lindsay Hospital. In FY-2002, DOC received \$1.3 million for the facility conversion costs and partial year operating costs for the hospital.



Source: Office of State Finance
 *Note: Medical Services Costs do not include University Hospital or Griffin.

Cost Savings Initiatives In addition to securing the contract with Lindsay Hospital, DOC has been actively seeking to control the spiraling cost of health care for inmates. The agency has taken several important steps and is considering additional steps that will mitigate some of the growing pressure on budgetary resources. Some of these actions include

- establishing a physician referral review process prior to inmates being sent out for specialized and/or inpatient medical care
- contracting with the Oklahoma Education and Employees Group Insurance Board to assist in procuring negotiated rates with local hospitals
- developing a consistent pharmaceutical formulary to reduce the cost of drugs
- developing consistent standards of care to ensure adequate care is rendered in a fiscally responsible manner
- physically aggregating prisoners with similar medical conditions - DOC now considers the medical

needs of inmates when assigning them to facilities

- compiling a list of aged and medically needy inmates who no longer pose a threat to public safety for possible parole

Supplemental Needs

As previously described, the costs of Oklahoma's correctional system have significantly increased over the last several years. These needs were not fully funded at the start of FY-2003 and have worsened with the current state revenue shortfall.

In December, the Equalization Board projected revenue estimates for the remainder of FY-2003 to be less than the amount certified for appropriations during this fiscal year. As a result, all state appropriated agencies were required to reduce their budgets by 6.5%. This equates to a \$25.5 million reduction for DOC.

Originally, DOC considered implementing a 23-day furlough, among other reductions, to address its growing deficit. In November, the Governor and Legislature passed a \$9.8 million supplemental appropriation to delay the agency's furlough plan.

This budget includes an additional \$9.0 million supplemental appropriation to address the agency's most critical and immediate needs. This amount is also built into the base for FY-2004. Including the use of other funding sources, the total additional funding provided in FY-2003 is \$16.15 million; or \$25.95 million counting the first supplemental. The following chart provides a summary of the supplemental appropriation:

<i>Supplemental Adjustments (amounts in millions)</i>	
Contract beds	\$11.11
Medical services	1.04
Employee benefit allowance increase	1.89
Remaining furlough days	5.12
Balance of 1st Shortfall	3.74
Use of Carryover funds	(4.35)
Increase use of Non-appropriated funds	(2.80)
Reduce contingency funds	(0.50)
Excess budget-Offender Programs	(0.23)
Impact of Early releases/other reform	(3.09)
Increase inmate medical co pay	(0.04)
Reduce admin - regional offices	(0.34)
Payroll surplus	<u>(2.56)</u>
Total Supplemental	\$9.00
Source: Office of State Finance	

This supplemental recommendation eliminates the need for a furlough and provides funding to secure the necessary prison beds to protect public safety. With DOC's facilities already utilized at near capacity, DOC must lease additional private beds to meet the remaining need. The estimate of beds needed for the remainder of FY-2003 is expected to decline because of the emergency releases currently being reviewed and recommendations for further criminal justice reform.

Medical Services As described earlier, DOC is currently facing growing inmate health care costs. This supplemental recommendation includes funding to cover the FY-2003 medical services deficit.

Employee Benefit Allowance In January 2003, the employee benefit allowance costs for all agencies increased due to the rise in health insurance premiums. Since DOC is facing a budget crisis and reducing throughout the agency to cover other funding needs, this budget includes

funding for the estimated increase in these costs.

Supplemental Offset To absorb a portion of the shortfall, DOC replaced \$800,000 of its appropriated funds with available revolving fund revenue, used \$4.4 million in carryover funds, reduced its contingency funds, and estimated a payroll surplus in its budget. This budget recommends DOC further offset its deficit with additional revolving fund revenue and excess appropriations budgeted in the offender programs.

Medical Co-Pay Increase This budget includes a recommendation to raise the inmate co-pay for requested medical visits from its current level of \$2 per visit to \$4 per visit. This will generate an estimated \$109,000 annually, and \$36,000 in FY-2003 with implementation in March. While this increase does not provide a lot of additional revenue, it helps reduce frivolous visits by inmates to the prison medical clinics and brings the state more in line with the national average for inmate co-pays.

Regional Offices DOC operates 2 administrative offices outside the central agency operations, the East and West Central regional offices. These regional offices oversee operations of the prison facilities and infuse an additional layer of management into the agency's operations. This budget reduces the administrative cost of each office's budget beginning in March for a savings of \$340,000 in FY-2003. This reduction will leave approximately 78% of the office's budgets for the non-administrative functions provided.

FY-2004 Adjustments

Annualization Needs This budget provides \$21.5 million for annualization of the FY-2003 supplementals. This includes funding

for contract beds, medical services, and the employee benefit allowance increase.

<i>FY-2004 Appropriation (amounts in millions)</i>	
FY-2003 Base (after shortfall)	\$367.29
Adjustments:	
Annualize FY-03	21.46
Supplementals	
Mabel Bassett Transition	(0.58)
Eliminate OCI subsidy	(1.41)
Travel Reduction	(0.62)
Total Adjustments	<u>19.41</u>
FY-2004 Total	\$386.71

Source: Office of State Finance

Mabel Bassett Transition DOC is in the early stages of moving the Mabel Bassett Correctional Center operations and the female offenders housed at Lexington Assessment & Reception Center to the Central Oklahoma Correctional Facility (COCF). Mabel Bassett is unable to expand or to accommodate all the special needs offenders that should be placed in a maximum-security environment. Additionally, female inmates do not have access to all the medical or mental health programs that similarly situated male offenders have access to.

Combining all medium and maximum security female inmates will centralize female offender operations, reduce inmate transportation costs, centralize medical resources, reduce female jail back-up inmate populations, and provide female inmates greater access to programs and services equivalent to male inmate facilities.

On January 7, 2003, the Council of Bond Oversight gave approval to the Oklahoma Development Finance Authority to serve as the conduit issuer of a \$45 million lease revenue bond. This action allows DOC to enter into final contract negotiations for the lease/purchase of the COCF. This budget includes an offset for partial

year savings in FY-2004 from the use of COCF.

OCI Subsidy The Oklahoma Correctional Industries (OCI) provides training and work experience for inmates. The manufacturing division of OCI produces a variety of products including furniture, modular panel systems, furniture renovation, metal fabrication, license plates, signs, clothing and footwear, bedding, chemicals and janitorial cleaning supplies, corrugated boxes, binders, printing services, and a variety of record conversion services. There are currently 25 manufacturing and service operations located within 9 correctional facilities statewide. OCI also operates an agri-services division that provides DOC's meat, milk, and eggs. FY-2003 OCI sales are budgeted at \$20.5 million.

OCI is intended to be self-supporting, and all sales revenues are returned to the program to finance its operations. This budget requires the program to be fully self-supporting.

Other Reductions This budget reduces agency travel expenses by an additional 10%.

Reform the Current System

DOC has several opportunities to reduce the cost of its operations without increasing the risk to the public. In some cases, reforms that would realize savings may even improve public safety. This budget requires all agencies, including DOC, to improve operations and identify efficiencies in order to meet the reduction in state revenue. DOC should consider the following list of cost saving opportunities:

- eliminate budgeted vacancies among non-uniformed personnel

- streamline management reporting by eliminating unnecessary supervisory positions
- continue and enhance efforts to more effectively manage energy and other utility costs through a combination of energy saving initiatives and contract renegotiations
- utilize the most cost-effective methods of providing work for inmates
- lower inmate per diem costs
- eliminate or reduce inmate rehabilitation programs that are either ineffective or not meeting expectations
- implement the recommendations from the efficiency study contract with the National Institute of Corrections
- identify cost-effective improvements to the classification instruments being used
- continue efficiency and management improvements in inmate health services, including greater use of telemedicine, expansion of inmate hospice programs, and establishment of provider rates
- expand the use of technology to help reduce inmate transportation costs
- reduce recidivism through funding and focus on reintegration services
- transition inmates to the community with proper use of the lowest level beds
- expand the use of drug and mental health courts
- make discipline and level system changes
- enact parole docket changes
- increase the use of medical paroles
- reinstate electronic monitoring/global positioning for certain non-violent offenders
- create an intermediate-sanctions program for offenders on probation
- reevaluate punishments for drug/alcohol crimes
- target community sentencing eligibility to conserve resources and avoid net-widening
- eliminate mandatory return of offenders to class level 1 for disciplinary actions
- streamline the parole process and remove the Governor from the parole process

For FY-2004, this budget includes an assumption of no inmate population growth. The following initiatives are recommended to accomplish this and lower the funding required for private prisons in the future. In some cases, policy changes or legislative action will be required.

- enact presumptive or mandatory community sentences for certain offenders

Reduced Bed Needs The initiatives included in this budget will keep violent and habitual offenders in prison and provide flexibility to the criminal justice system in the treatment of the nonviolent offenders. These changes will also maintain fiscal responsibility. By accomplishing this, the State will be able to redirect its resources towards activities that enhance education, growth, and prosperity. This will eventually lead to further reductions in criminal activity.

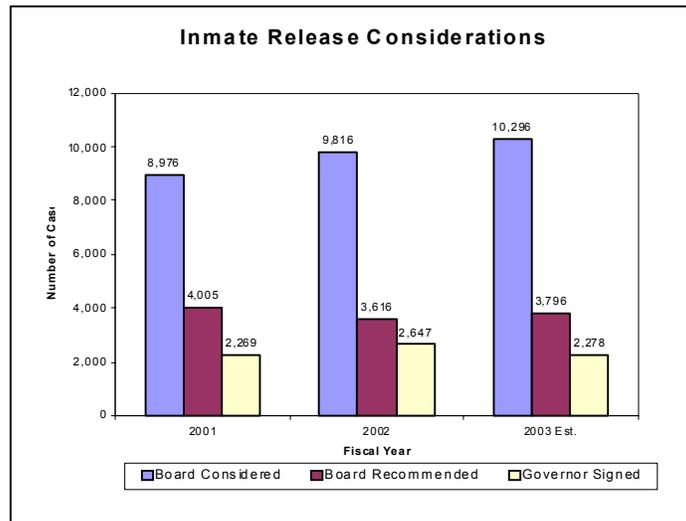
Reintegration Services With limited funding, DOC has been unable to fully

provide transitional services for inmates returning to the community. The lack of these services can often result in a revolving door effect where inmates released one day recidivate and quickly return to the correctional system. To help reduce recidivism, the budget recommends DOC shift future savings from reduced bed demand into funding for reintegration services.

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.

Pardon and Parole Board

The Pardon and Parole Board determines the best possible recommendations for the supervised release of adult felons, through a case-by-case investigative process. The Board strives to protect the public during this process and to maintain a low revocation and recidivism rate for the State of Oklahoma. With timely recommendations and appropriate community-level programs, the Board can contribute to the appropriate management and control of the State's inmate population.



Source: Pardon and Parole Board

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 The Pardon and Parole Board is a constitutional, 5 member, part-time body charged with making clemency recommendations to the Governor concerning convicted adult felons. Members of the Board are appointed, 3 by the Governor, 1 by the Chief Justice of the State Supreme

Court, and 1 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. The following table shows a history of the monthly

	Annual Docket Assignments	Parole/Commutations Considered	Parole/Commutations Processed	Victim Notifications Annual
2001	10,488	8,976	2,269	2,400
2002	10,848	9,816	2,647	3,100
2003	11,388	10,296	2,278	3,422

Source: Pardon and Parole Board

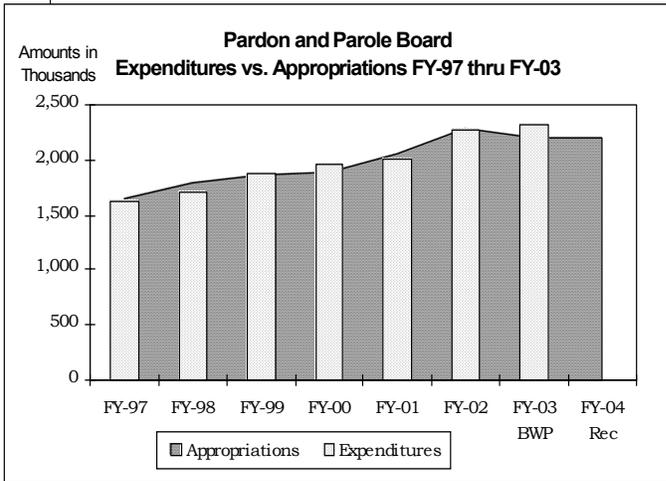
board member compensation:

**PARDON AND PAROLE BOARD MEMBER
COMPENSATION HISTORY**

Date	Board Member Mthly Pay	Board Chair Mthly Pay
pre 07/01/1988	\$300	\$300
07/01/1988	\$600	\$600
07/01/1997	\$800	\$800
07/01/2000	\$1,400	\$1,400
07/01/2001	\$1,900	\$2,067

Source: Pardon and Parole Board

FY-2004 general appropriation reductions The FY-2004 recommended appropriation for the Pardon and Parole Board is the same as the reduced FY-2003 level, with the following adjustments. This budget directs the Pardon and Parole Board to reduce travel expenditures by an additional 10% and reduces the appropriation by \$3,604.



Source: Office of State Finance
FY-02 & FY-03 appropriations are after shortfalls.

Department of Public Safety

Public safety is a high priority for the people of this state. Law enforcement agencies need modern technology and well trained officers to effectively serve our citizens. In recent legislative

sessions, the legislature addressed DPS's technology and training needs by providing resources for an even higher level of service with a vehicle replacement plan, training academies, and a digital driver license system.

Vehicle Replacement:

In the 2000 legislature, state leaders created a new dedicated revenue source for vehicle replacement. HB1920 raised fines assessed on persons convicted of generally any traffic offense on a state highway, turnpike, or county road. Bill provisions directed DPS to deposit all revenues in the new Vehicle Replacement Revolving Fund. DPS officials estimated that the new revenue would amount to \$3 million annually.

In 2002, the law changed to allow DPS to use these funds to "equip vehicles". For FY-2003, in order to deal with the funding shortfall, DPS used approximately \$475,000 to pay the salaries of positions who equip vehicles. Furthermore, DPS has diverted significant general revenue from vehicle purchases.

Trooper Strength

Having an adequate level of troopers patrolling our interstates and highways is crucial for making sure state travelers are safe. Citizens should feel confident that there will be swift responses to emergencies on our highways.

The chart below compares the level of trooper strength in Oklahoma relative to surrounding states. Per trooper, our state has less registered vehicles, crashes, square miles, and population than the regional average. This verifies Oklahoma has made a commitment to making travel safe for our citizens.

	Register	Highway	Crashes	Square	Population
	Vehicles Per	Miles Per	Per	Miles Per	Per
	Trooper	Trooper	Trooper	Trooper	Trooper
Arkansas	5,247	44	49	142	6,916
Kansas	5,015	23	21	175	5,753
Missouri	5,993	143	58	95	7,512
New Mexico	3,105	167	18	253	3,634
Texas	9,623	134	42	168	12,427
Average	5,797	102	38	167	7,248
Median	5,247	134	42	168	6,916
Oklahoma	4,426	147	33	103	4,924
Source Public Safety Agencies					

Digital Driver License & Homeland Security

In April of 1995, Oklahomans saw first hand the devastation that a terrorist act can bring. The Oklahoma City bombing proved that our country's domestic soil is not immune to attacks. Then on September 11, 2001 our whole country learned how much of threat terrorism poses to our lives.

We as a state and a nation must continue to use all necessary resources to keep our citizens safe. Implementing a Digital Driver license system a year early, in FY-2004, is a necessary first step.

Since July 1st, 2003, \$5.75 has been taken from the issuance fee for new and renewed driver licenses. To fund the start-up costs for the system, the fee will generate at least \$3 million annually. When DPS implements the digital system, operating costs will require funding. Costs associated with issuing a digital license will be approximately two dollars more per license than the current film licenses. To help fund these incremental costs, effective July 1, 2004 House Bill 1308 from the 48th legislature raises:

- Fees for obtaining new or renewed driver licenses by one dollar.
- Fees for obtaining new or renewed identification card by three dollars.
- Driver license replacement fees by five dollars.

To help implement the digital system in FY-2004, this budget proposes accelerating the scheduled FY-2005 fee increases a year early. These fee increases below will generate approximately \$2 million annually.

Current Driver License Budget

DPS currently spends approximately \$1.5 million annually to have its current vendor issue driver licenses. With the new funding mechanism for the digital system in place for FY-2004, this \$1.5 million will no longer be necessary. This budget reduces this appropriation by \$1,350,000.

Capitol Security

The Capitol Building and other state facilities need funding to enhance security. The Task Force on Security for State Employees made their recommendations in a report submitted on January 30, 2002. Their report outlines the technology and manpower needs in order to ensure safety for our state employee workforce. This budget provides \$2.5 million in operations funding and \$1.8 million in capital expenditures to begin the implementation of these recommendations.

Funding Reductions

Turnpike Authority Reimbursements

The Oklahoma Transportation Authority (OTA) contracts with DPS to patrol turnpikes. Current reimbursement includes funding the compensation, uniforms, and vehicles for the troopers and their supervisors assigned to turnpikes. However, these reimbursements do not cover all of DPS's costs to patrol turnpikes.

This budget recommends that OTA reimburse DPS for administrative support and for the costs of equipping patrol vehicles assigned to Turnpikes. Also, this budget recommends that

OTA reimburse the state for services provided to them by state agencies and that DPS receives these dollars.

(In thousands)	
FY-2002 OTA reimbursement:	\$9,049
Administrative support	\$840
Equipping patrol vehicles	84
Central services costs	<u>25</u>
Proposed additional reimbursement	<u>949</u>
FY-2004 Recommended reimbursement	\$9,998

Reducing number of Motor License Agents (MLAs) that Issue Licenses from 280 to 150

Currently 280 tag agents issue Driver Licenses. Many of these tag agents issue less than 2,400 per year, which is the estimated break even point for Digital Driver Licenses.

The amount of equipment the vendor of the Digital Driver license system provides for the state determines the charge per license issued. This budget proposes not providing digital driver license system equipment to MLAs who issue less than 2400 driver licenses a year. Eliminating 130 MLA's drops the charge approximately 40 cents per card issued. Also, taxpayers will save money by DPS not having to provide transmission circuit lines to these low volume sites. Reduction in MLA's, according to DPS, will save the state \$900,000. This budget proposes that DPS use the savings to replace funds appropriated for operations.

Close 29 One & Two Day Driver

Source: DPS	280 MLAs	150 MLA	Savings
Card Issuance Cost	\$2,021,210	\$1,680,636	\$340,574
Transmission line costs	1,204,000	645,000	559,000
Total	\$3,225,210	\$2,325,636	\$899,574

License Exam Stations

This budget proposes eliminating some of the Driver license exam sites that are open only one or two days a month. The proposed closed sites are low volume sites. Of the twenty-nine the largest volume in FY-2002 was 669 licenses issued. Most of the 28 remaining sites issued far less than 669 licenses.

By eliminating these 29 inefficient sites, the state will save over \$50,000. Outlined below are approximate savings:

- Telephone data line costs: \$44,000.
- Travel savings of \$11,000 by not sending Driver License examiners from other locations to these sites.

800 Megahertz Communication System

The State of Oklahoma has invested \$28.1 million in the 800 megahertz communication system. The system has 11 operating sites, 2 dispatch locations, and approximately 500 subscriber radios. It provides wireless communication to state troopers in twelve counties in East-Central Oklahoma. However, resources have not been available to make this a statewide communication system.

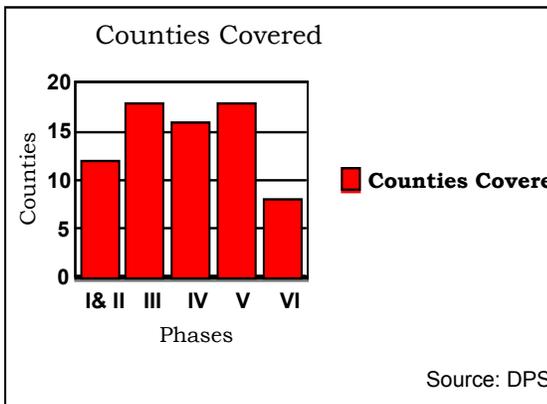
DPS's plan for a statewide system separates construction into six different phases. Four phases are not completed and involve different parts of the state.

- Phase III: would complete the northeast quadrant of the state and the H.E Bailey Turnpike at a cost of \$11.1 million.
- Phase IV: would complete the southeast quadrant of the state at a cost of \$9.9 million. After completion of this phase, the

system would cover 70% of the state.

- Phase V: would complete the northwest quadrant, at a cost of \$11.1 million.
- Phase VI: would complete the Southwest quadrant and reach completion of a statewide system. Phase VI would require a \$5.6 million investment.

Graph below details how many additional counties each phase would cover after completion.



Law Enforcement Fragmentation

Unlike surrounding states, Oklahoma has a decentralized approach to providing law enforcement services. Five different agencies provide some type of police service.

The following chart shows that surrounding states have consolidated most of these functions into one large law enforcement agency. Oklahoma has not followed this approach, for example, Oklahoma's largest police agency, the Department of Public Safety, has one primary law enforcement responsibility, traffic enforcement. Texas's largest law enforcement agency handles traffic enforcement, as well as several

other primary responsibilities as shown the chart below.

State	Traffic Enforcement	Criminal Investigations	Drug Enforcement	Vice Enforcement	Crime Lab Services
Arkansas	X	X	X	X	X
Colorado	X	X	X		
Missouri	X	X	X	X	X
New Mexico	X	X	X	X	X
Texas	X	X	X	X	X
Oklahoma	X				

Source: Bureau of Justice Statistics
X= Agency has primary responsibility for that function.

Law Enforcement Compensation

The chart below briefly summarizes current compensation for state law enforcement officials. The graph does not include Management salaries.

	Beginning	Median	Maximum
Trooper	\$27,000	\$35,916	\$47,987
OSBI Agent	\$33,500	\$46,250	\$56,000
OBND	\$33,400	\$44,250	\$56,350

Source: DPS, OSBI & OBN

General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for the Department of Public Safety by an additional \$2.4 million (3.5% more than the 6.5% shortfall experienced in FY-2003).

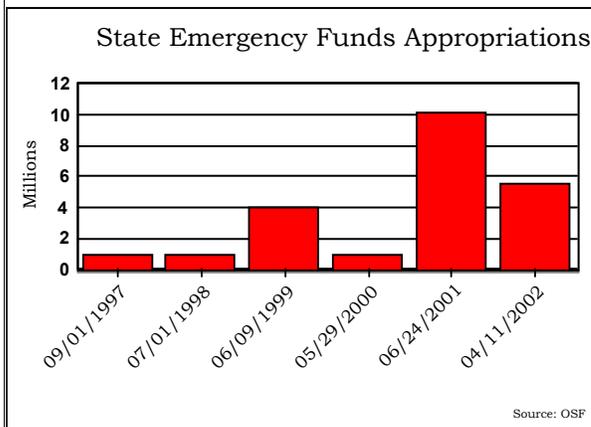
Agency travel expenses are being reduced an additional 10%, resulting in a \$59,034 reduction.

State Emergency Fund

The State Emergency Fund provides relief after a disaster. The law permits the Governor to 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



The disasters, particularly the ice storms, have resulted in the most expensive damages in state history. To address these damages the Legislature appropriated \$10.1 million to the State Emergency Fund in FY-2002 and \$5.5 million for FY-03. However, these

appropriations will not fund all reconstruction and relief needs from these disasters. The first following chart details the costs of these disasters.

Disaster	Total Estimated Cost	State Share	State Share Already Funded	State Share Remaining		FY-2004 Needs	Balance in FY-05
				After FY-2003	After FY-2003		
December 00 Ice Storms	182,146	18,478	8,439	10,039	6,000	4,039	
January 02 Ice Storms	143,158	20,519	6,196	14,323	8,000	6,323	
December 02 Icen Storms	3,525	587	0	587	300	287	
Total	\$328,829	\$39,584	\$14,635	\$24,949	\$14,300	\$10,649	

Source: Civil Emergency Management\OSF

State Emergency Needs

This budget appropriates \$5 million for payments on disasters in FY-2004 and \$1 million for new disasters.

Alcoholic Beverage Laws Enforcement Commission

The Alcohol Beverage Laws Enforcement Commission (ABLE) protects the public's welfare and interest by enforcement of laws pertaining to alcoholic beverages, youth access to tobacco, and charity games. Priority enforcement is the minimization of alcohol and tobacco use by Oklahoma's youth.

Alcohol Education

Education and creating awareness are a large part of ABLE's strategy for reducing teenage alcohol use. Before attaining alcohol licenses, businesses must attend an orientation provided by ABLE.

ABLE recently began contracting with a private organization to provide an orientation for new employees of alcohol serving entities. In addition to educating all businesses and employees to understand all alcohol laws, ABLE wants them to have the ability to spot things such as fraudulent driver licenses.

Cops-In-Shops

The C-I-S program is a proactive program focusing 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 beverages establishments. Effort aims at apprehending employees or customers who engage in illegal alcohol transactions. ABLE also periodically contracts with the Department of Health to supply agents for tobacco sales operation.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Requests for Basic Academy	784	655	620	643	638
# of Trainees - Basic Academy	487	560	484	480	479
Months waiting - Basic Academy	7	8	10	4	4

Source: CLEET

	FY 2000	FY 2001	FY 2002
Alcohol Inspections (Businesses)	5,963	6,144	4,090
Tobacco Investigations	263	1,564	1,265
Tobacco Buy Operations	262	1,584	533

Source: ABLE

General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for ABLE by an additional \$140,378 (3.5% more than the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel by 10%, resulting in a \$764 reduction.

Council on Law Enforcement Education and Training (CLEET)

The mission of CLEET is to establish standards for peace officer certification; provide quality education and training programs to peace officers statewide; establish licensing and training standards for private security officers; and enforce the State requirement for licensing officers.

Training

The Basic Academy has acquired new equipment for their students. CLEET purchased a standard sized "human" dummy, called "Controlled Force Freddy", to teach students defense tactics. "Freddy" comes with a pulley system that allows him to move, which helps students learn control tactics like wrist locks, arm bars, and stabilization techniques preparatory to handcuffing.

Continuing Education

CLEET always is developing new continuing education courses that further address public safety problems. Some of the recent classes deal with new issues and realities that are confronting Oklahoma's law enforcement community.

Recent developed classes include:

- International Terrorism/Weapons of Mass Destruction:** Designed to take a broad based approach to international terrorism and weapons of mass destruction. The class provides basic knowledge of international terrorism and discusses the role of local, state, and federal law enforcement.
- Drivers License ID fraud:** Oklahoma has more cases of fraudulent driver licenses than most other states. This class will help officers recognize counterfeit licenses, passports, birth certificates, military I.D cards, and credit cards.

- **Aircraft Accidents:** This course educates first responders on the unique hazards associated with an aircraft crash. Further instruction includes federal regulations regarding the investigation of aircraft accidents, evidence collection and preservation requirements, interagency relations, and the investigative process.

Status of New Building

In the 2000 Session, Senate Bill 1121 authorized CLEET to enter into a lease purchase agreement with the Oklahoma Development Finance Authority or local public trust for a new state-of-the-art-law enforcement training facility. To pay for the construction of the facility, CLEET issued \$26 million in bonds in May of 2002. Construction began in August 2002, and will be complete by the start of FY-2005.

To fund the debt service for the facility, the Legislature increased the fees assessed in criminal cases. This will allow CLEET to retire the bonds over a 25-year period.

The new headquarters will include features that the current facility does not have. Absence of these features hinders CLEET's ability train their officers and leads to delays in training. Delays force many local law enforcement agencies to send first year officers out patrolling the streets with only partial CLEET instruction.

Plans for the new headquarters include:

- 1.) **Firearms Training:** CLEET currently does not have a firearm range, forcing them to rent other entities' ranges for basic academy and continuing education. Scheduling problems lead to delays in the certification of officers.

- 2.) **Physical Custody/Control Training:** Current facility lacks the space for this type of training. CLEET must also rent facilities for control instruction. Scheduling problems exist here too.

- 3.) **Driver Training:** Without a driver training track, CLEET is unable to train their students in a timely manner in this most basic job function.

In FY-2001, the city of Ada was the selected site for the facility. Ada's contributions for the Academy will make for a good partnership with the state. Their commitments total \$2,581,790 and include providing land, waiving permit fees, extending water and sewer lines at no cost, and providing an additional supplemental site located on the campus of East Central University.

General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for CLEET by an additional \$100,929 (3.5% more than the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel by 10%, resulting in a \$34,084 reduction.

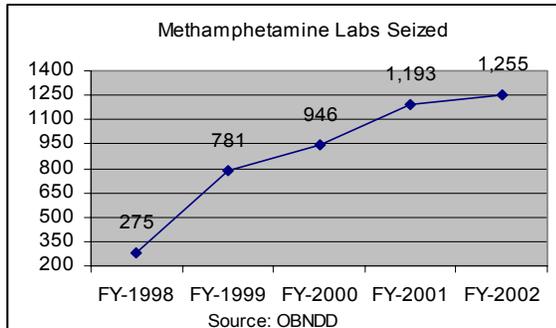
Oklahoma Bureau of Narcotics and Dangerous Drugs Control

The Oklahoma Bureau of Narcotics and Dangerous Drugs Control's (OBNDD) primary objective is to minimize the availability of illegal drugs throughout Oklahoma. Current efforts to reduce availability include:

- Enforcing drug laws.
- Providing educational programs for demand reduction purposes.

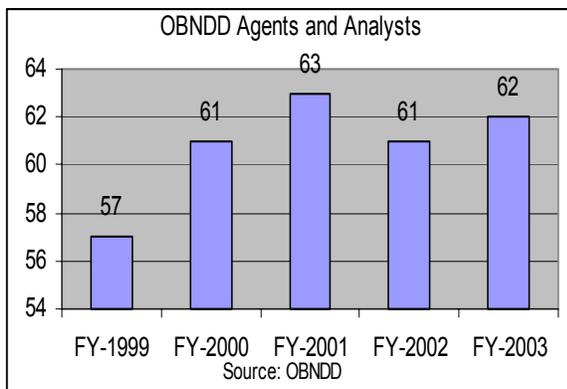
- Monitoring individuals licensed to prescribe drugs, and eradicating domestically grown marijuana.

Methamphetamine Seizures



Since FY-2000, the Legislature has provided dollars to hire additional investigative agents and criminal analysts. These additional positions and several recent significant federal grants to various state and local law enforcement agencies, has strengthened Oklahoma's ability to combat our Methamphetamine outbreak.

The following graph shows the level of manpower over the past five fiscal years.



General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for OBND by an additional \$207,387 (3.5% more than

the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel by 10%, resulting in a \$7,054 reduction.

Oklahoma State Bureau of Investigation

It is the mission of the OSBI to provide exceptional investigative, laboratory, and information services to the criminal justice community through their statutory requests, while providing outstanding customer service to the public.

Forensic Science Improvement Plan

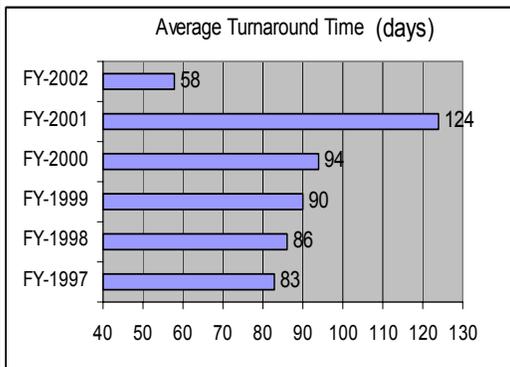
The 2001 legislative session created a funding plan to ensure that OSBI will be able to provide timely and exceptional service to its clients. Since July 1, 2001, legislation added an additional five-dollar penalty on criminal fines. OSBI will use the proceeds exclusively for forensic services. This additional revenue will amount to over \$3 million annually.

The Forensic Science Improvement plan includes:

- Additional forensic scientists, methamphetamine clan lab responders, and modern equipment for quicker turnaround time on cases submitted.
- A state-of-the-art Forensic Center in Oklahoma City. The new laboratory will provide adequate workspace, and allow for the necessary growth in staffing. Construction of the new laboratory begins in FY-2004.
- In FY-2006, construction of a new \$21 million laboratory and

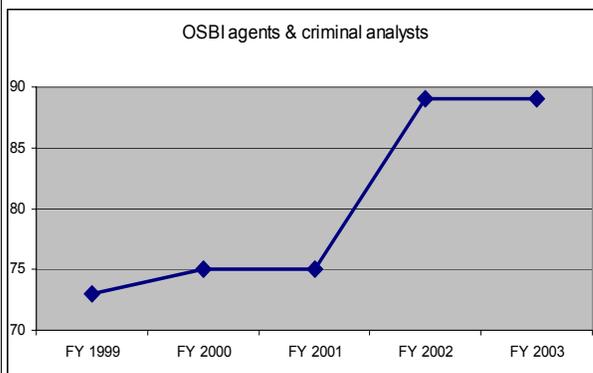
investigative office in Southeastern Oklahoma.

The methamphetamine clan lab responders hired in FY-2002 are already having a positive impact. Average turnaround time, which is the average amount of days it takes OSBI to return the results to requesting law enforcement agency, dropped significantly in FY-2002. Turnaround time reached an alarming rate in FY-2001 resulting in dismissal of criminal cases. The OSBI believes that the days of courts dismissing cases because of slow turnaround time are over.



OSBI Agents

The number of OSBI investigative agents has increased over recent fiscal years. These additional agents enhance the ability of local law enforcement to catch serious crime offenders.



General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for the OSBI by an additional \$375,986 (3.5% more than the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel 10%, resulting in a \$27,294 reduction.

Revolving Fund

In order to help the state get through the current fiscal crisis, this budget transfers \$350,000 from the AFIS fund and \$500,000 from the OSBI revolving fund to the special cash fund.

State Fire Marshal (SFM)

The SFM is responsible for the preservation of life and property by actively pursuing programs to minimize outbreaks of fires. Programs include investigating and documenting the cause or origins of fires, enforcing Life Safety Codes and fire/crime prevention, and developing and implementing 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. SFM has the legal authority of power of arrest if probable cause exists in an arson investigation.

Data below show the work level for the agency the past 5 years.

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Arsons	350	286	320	333	308
Arson Investigators	19	16	18	21	21
Total Fires	997	752	834	816	757
Code Inspections	332	2,223	2,487	2,550	2,726
Inspectors	16	16	18	21	21

FY-2004 general appropriation reductions

This Budget reduces the FY-2004 appropriation for the State Fire Marshal by an additional \$65,627 (3.5% more than the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel by 10%, resulting in a \$1,276 reduction.

Revolving Fund

In order to help the state get through the current fiscal crisis, this budget transfers \$150,000 from SFM's revolving fund to the special cash fund.

Board of Medicolegal Investigations

The Board of Medicolegal Investigations protects public safety by investigating 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 uses scene investigations, autopsies and external examinations, histological examinations, and toxicological analysis.

Medicolegal has two laboratories within the state: the Central Laboratory, located in Oklahoma City, and the Eastern Laboratory, located in Tulsa.

Due to the declining number of willing local Medical Examiners, the State Medical Examiner has been expanding the number of district investigators. This trend will likely continue into the future.

FY-2004 Reduction

This budget includes a 10% reduction in the agency's travel of \$754.

	Workload		
	FY	FY	FY
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Autopsies	1,580	1,530	1,615
Crime Scene Investigations	1,396	1,431	1,291
Drug Screens	19,278	20,879	20,878
<small>(Autopsies in Calendar Years)</small>			<small>Source: Medicolegal</small>

Civil Emergency Management

The Department is divided into four main areas:

Hazard Mitigation: The Mitigation Program is available to communities across Oklahoma to assist with identifying and implementing long term hazard mitigation measures before, during and after major disaster declaration.

Community Preparedness: This program provides a forum for local and state agencies to provide coordination with other state and federal agencies in developing their capability to respond to a catastrophic disaster.

Emergency Response: In time of emergency, the departmental staff is responsible for coordinating state emergency operations including but not limited to active disaster reservists, voluntary organization staff, and other state agency personnel. The staff also monitors events and evaluates the potential for a State-declared emergency and the need for federal emergency and disaster assistance.

Disaster Recovery: Following a state or federal emergency or disaster declaration, departmental staff is responsible for implementing procedures to provide for the quick and efficient delivery of state and federal aid to persons affected by the emergency or disaster.

This budget includes a 10% reduction in the agency's travel of \$7,026.

Attorney General

Tobacco Settlement: In August 1996, the Attorney General led Oklahoma as the 14th state to file a lawsuit against the tobacco industry. As a result, Oklahoma was part of a November 1998 court decision between the states and the tobacco industry. The state's share of the settlement is a projection of future payments over the next 25 years equaling \$2.3 billion.

A statewide vote in 2000 created an endowment trust fund. Creation of this fund ensures that a large share of the payments by tobacco companies will go to health related purposes. The only money the law authorizes to be spent out of the fund is the earnings it generates. This ensures that the state will permanently have a substantial amount of funds to spend on smoking cessation and health related efforts even after the settlement revenues cease to come in.

The trust fund's board of directors has the authority to spend the fund's earnings for programs such as tobacco prevention, cancer research and health care programs for seniors and children.

In FY-2003, the trust fund's second year, the fund receives 55% of the tobacco payments, while the Legislature can appropriate the remaining 45% of the settlement money. In each ensuing fiscal year, the trust fund's share will increase by five percent until its total share reaches 75 percent.

The AG's Office, by State law, can receive up to 3/16 of each payment for deposit to their evidence fund, as long as the balance in the evidence fund does not exceed \$1.5 million.

Contract Attorneys

Various agencies contract with the AG's office for legal services.

Contracting with the AG guarantees that an assistant AG will spend a certain amount of his or her time working for the agency. Contracts with the AG vary from 12.5% of an attorney's time to 100%.

The following chart details the agencies under contract with the AG's office for FY-2003, and the agreed upon percentage of time an assistant AG will work for each agency.

Contracted Agencies - FY 2003		
AGENCY	(%)	Annual Fee
Accountancy Board	50.0%	\$43,810
Career Tech	100.0%	105,873
Construction Industries Board	25.0%	21,905
Dept. of Consumer Credit	50.0%	42,615
St. Bd of Embalmers & Funeral Directors	12.5%	11,220
Employee Benefits Council	25.0%	17,480
Industrial Finance Authority	100.0%	103,931
Office of Juvenile Affairs (4 attorneys)	100.0%	251,197
J.D. McCarty Center	25.0%	17,480
St. Bd. Of Medical Licensure & Supervision	100.0%	90,442
Ok. Board of Nursing	25.0%	22,752
OCAST	40.0%	36,318
OSBI	100.0%	57,780
Board of Pharmacy	25.0%	20,504
PMTC	12.5%	10,653
Police Pension Retirement System	100.0%	94,201
Real Estate Appraisal Board	25.0%	22,752
Real Estate Commission	25.0%	22,262
Ok. St. Regents for Higher Education	100.0%	101,818
Dept. of Rehab Services	60.0%	54,477
Student Loan Authority	25.0%	21,307
Teacher Retirement System	100.0%	92,753
Dept. of Tourism	100.0%	95,829
State Treasury	50.0%	41,009
Used Motor Vehicle Parts Comm.	12.5%	11,250
Dept. of Veteran Affairs	100.0%	85,160
Bd. Of Veterinary Medical Examiners	50.0%	43,330
Dept. of Wildlife Conservation	50.0%	43,330
Total		\$1,583,438

It is recommended that more agencies utilize the services of the Attorney General's Office for their legal needs rather than employing outside counsel.

General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for the Attorney General by an additional \$248,772 (3.5% more

than the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel by 10%, resulting in a \$9,557 reduction.

District Attorneys' Council (DAC)

The District Attorneys' Council (DAC) provides local prosecutorial response to law enforcement agencies. DAC and prosecutors are leaders in the criminal justice system, in that they try to represent the public with respect to criminal justice issues. This agency facilitates the State's reaction to changes in crime and incarceration rates.

The Council is responsible for developing a formula for distribution of State dollars to the District Attorneys, and has worked hard to develop a fair and equitable distribution plan in conjunction with this mandate.

Multi-jurisdictional Task forces

DAC oversees and provides assistance to the state's multi-jurisdictional task forces. The 24 various task forces are a primary weapon in the state's "war on drugs". Seizure and forfeiture proceeds supplement federal grants to fund these task forces.

Federal grants that fund these task forces our from the Department of Justice's (DOJ) Byrne Grant program. The program's general purpose is to improve the criminal justice process. D.O.J allocates a certain amount of dollars to all states, and each state's chief executive officer designates a certain agency to oversee and distribute the grants. Currently, the District Attorneys Council is the designated agency for this purpose. The following chart details where the state allocated the Byrne Grant dollars for FY-2003.

Byrne Grant Program FY-2003			
	Agency	Project	Federal \$'s
Task Forces			
	District Atty #3	Task Force	154,489
	Distict Atty #5	Task Force	122,167
	District Atty #6	Task Force	117,050
	Distict Atty #8	Task Force	150,768
	District Atty #9	Task Force	140,120
	District Atty #10	Task Force	91,000
	District Atty #11	Task Force	80,752
	District Atty #12	Task Force	111,067
	Distict Atty #13	Task Force	104,448
	District Atty #15	Task Force	132,307
	Distict Atty #16	Task Force	136,694
	District Atty #18	Task Force	87,772
	Distict Atty #19	Task Force	143,740
	District Atty #20	Task Force	141,044
	District Atty #21	Task Force	125,842
	Distict Atty #22	Task Force	128,027
	Distict Atty #23	Task Force	169,000
	District Atty #24	Task Force	79,968
	Distict Atty #25	Task Force	115,176
	District Atty #26	Task Force	164,550
	Distict Atty #27	Task Force	201,945
	Choctaw Sheriff Dept.	Task Force	119,357
	Kickapoo Tribe	Task Force	53,020
	El Reno Police Dept.	Task Force	106,530
	Elk City	Task Force	71,975
	Total Task Force		3,048,808
Criminal History Improvement			
	District Atty's Council	Criminal History Improv.	367,150
	OSBI	Criminal History Improv.	175,000
	Criminal Justice Res Cntr	Criminal History Improv.	683,315
	Total Criminal History Improvement		1,225,465
Other			
	OSBI	Clan Lab Responder	284,328
	Oklahoma County	Clan Lab Support	31,610
	Pontotoc County	Drug Court.	55,151
	District Attys Council	Drug Task Force Cord.	54,228
	Tulsa Police Dept.	Gang Response team	72,927
	District Atty #1	Drug Interdiction Team	89,787
	Chief Medical Examiner	Meth Lab equipment	203,087
	District Atty #07	Meth iniative	48,272
	OSBI	State Intelligence Network	132,000
	OJA	Sanctions program	187,790
	Dept. of Pub. Safety	Telecommunications	64,200
	Chief Medical Examiner	Toxicology Secretary	30,623
	Bureau of Narcotics	Wire Intercept Project	\$417,446
	Oklahoma County	Youthful Drug Driving Prev	40,177
	Total Other		1,711,626
	Total Byrne Grant Program		5,985,899

General Appropriation Reductions

This Budget reduces the FY-2004 appropriation for DAC by an additional \$1.06 million (3.5% more than the 6.5% shortfall experienced in FY-2003).

Also, the Executive Budget reduces the agency's travel by 10%, resulting in a \$26,544 reduction.

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:

- 1.) Contracts with local attorney or firms. 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.
- 2.) 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 sixteen counties where they are unable to contract with local firms at a reasonable rate.
- 3.) 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 \$60 per hour while in court, and \$40 per hour for any out of court work.

OIDS Trial Division				
\$'s in Thousands	FY	FY	FY	FY
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003 BWP</u>
Non-Cap trial/statewide contracts	\$4,869	\$5,098	\$5,380	\$5,282
Non-cap trial/staff attorneys	1,424	1,736	2,049	1,961
Non-cap trial/conflict cases	434	527	711	141
Capital Trial/staff attorneys	2,277	3,018	3,253	2,894
Capital trial/conflict cases	117	192	173	140
Total	\$9,121	\$10,571	\$11,566	\$10,418
Admin Costs were not allocated				

OIDS Supplemental needs

The state financial crisis has had a detrimental impact on OIDS. Budget cuts, for the most part, removed OIDS ability to contract for conflict counsel. Fortunately, an agreement between legislative leaders, the Governor, and the Chief Justice allowed OIDS to guarantee court funds in order to enter into contracts for conflict counsel. The agreement provides that the state will provide a supplemental to fund these conflict counsel contracts for FY-2003.

Budget cuts have also had an impact on OIDS expert witness budget. Not providing expert witnesses can result in convicted offenders getting new trials.

This budget recommends a \$1.1 million dollar supplemental to fund OIDS needs for conflict counsel and expert witnesses. The Forensic Testing Revolving fund and additional assessments from representation costs will fund \$550,000 of the supplemental. Special cash will fund the remaining \$550,000.

2004 Funding Reductions

Seizure Money

Due to effective law enforcement efforts, some agencies within the state have seen increases in seizure and forfeiture proceeds. DPS, OBND, and District Attorney have used these funds for various law enforcement purposes.

Below the graph shows the increase in seizures done by the Department of Public Safety.

DPS Seizures			
Actual \$'s	FY 2000	FY 2001	FY 2002
State Courts	\$1,653,622	\$1,598,890	\$3,854,752
Federal Courts	241,017	464,442	10,078,524
Total	1,894,639	2,063,332	13,933,276

Source: DPS

In many cases OIDS has to defend the accused who have had their property seized, thus exhausting state resources. Therefore, this budget proposes OIDS receive 75% of all seizures until OIDS' share reaches \$1 million. Accordingly, this budget includes a \$1 million dollar reduction in OIDS FY-2004 appropriation.

Minimum Fee

Current law requires judges to assess fees on convicted offenders for representation costs. OIDS has recently been stepping up their efforts to convince judges to assess these fees. During this effort, OIDS has proposed to Judges that they assess minimum fees on cases. Under OIDS proposal, factors surrounding the case determine the level of the minimum fee like, whether the charge is a misdemeanor or felony, and whether the case goes to trial or not.

This budget proposes that judges assess convicted offenders the following fees at a minimum:

- \$150 for a misdemeanor
- \$250 for a felony

If an OIDS staff or contract attorney can document that the costs exceeded the above minimum fees, then the convicted offender should be assessed the documented costs.

OIDS currently receives approximately \$450,000 from representation assessments. This budget forecasts that OIDS' recent efforts to increase

these assessments will generate an additional \$100,000 in FY-2003 and another \$500,000 in FY-2004.

The following chart details how much the state would generate depending how many judges assess the fees. The chart assumes 50% of all assessments will be collected. The column labeled appointments, in the following chart, shows how many times a judge has ordered OIDS to defend an individual on a charge. Note: Defendants usually have more than one charge, thus # of appointments is more than the actual # of defendants that OIDS has represented. Table is based upon FY-2002 data.

Forensic Science Testing Line Item

Since FY-2002, OIDS has received \$650,000 for forensic testing. Due to state financial problems, this budget proposes allowing OIDS to spend \$325,000 of these funds for FY-2004 operations

Potential Minimum Fee Revenue			
	Appointments	Minimum Fee	Possible Revenue
Felony	16,270	\$250.00	\$4,067,500
Misdemeanor	6,776	\$150.00	\$1,016,400
Total	23,046	N/A	\$5,083,900
Assuming 50% of it is collected:			\$2,541,950.0
Assuming 50% Judges assess fees:			\$1,270,975
Assuming 75% Judges assess fees			\$1,906,463
Assuming 100% Judges assess fees			\$2,541,950.0

FY-2004 Appropriations

This budget provides \$1.6 million to ensure OIDS can meet all conflict cases and expert witnesses' needs for FY-2004. Also, OIDS can use a portion of these dollars to replace any of the staff lost from the Reduction in Force plan approved in FY-2003.

FY-2004 Executive Budget

This budget includes a 10% reduction in the agency's travel of \$26,544.

OIDS Recommended Appropriations		
	<u>FY-2003</u>	<u>FY-2004</u>
FY-2003 Revised Appropriation	\$ 14,449,665	\$ 14,449,655
Operations Increases	1,100,000	1,600,000
Use forensic testing fds for operations	(450,000)	(325,000)
Increase in Court Assessments of Costs	(100,000)	(500,000)
Seized Funds	0	(1,000,000)
Not provide conflict council in Metro Counties	0	(200,000)
One time funds for Moving Costs	0	(200,000)
Reduce Travel Costs	<u>0</u>	<u>(16,706)</u>
Net Change	<u>550,000</u>	<u>(641,706)</u>
Recom Appropriation	<u>14,999,665</u>	<u>13,807,949</u>

Science and Technology Development

**Oklahoma Center for the Advancement
of Science and Technology**

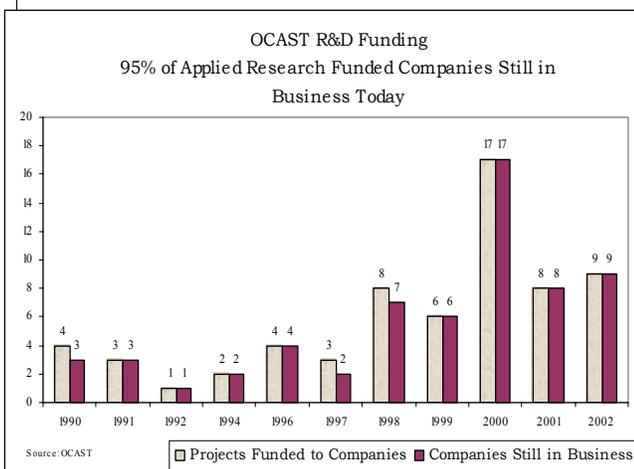
Oklahoma Center for the Advancement of Science and Technology (OCAST)

The Oklahoma Center for the Advancement of Science and Technology (OCAST) seeks to expand and diversify Oklahoma's economy and provide new and higher quality jobs for Oklahomans by encouraging the development of products, processes, and industries. To achieve these goals, OCAST's charge is to:

- Support research and development
- Facilitate technology transfer and commercialization
- Stimulate seed-capital investment
- Encourage manufacturing competitiveness.

Research and Development

OCAST strives to select businesses with solid futures for research and development grants. Many startup businesses fail in the first few years. The following graph compares the number of OCAST grants each year with the number of companies still in business.

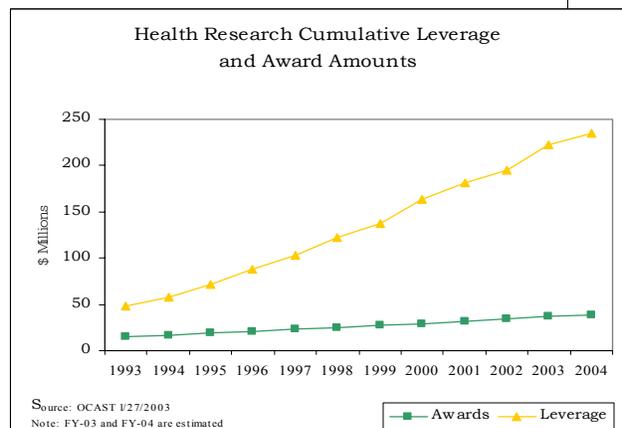


Health Research

The Oklahoma Health Research Program awards seed funds for research projects related to human health. The program funds projects for up to 3 years at a maximum level of \$45,000 per year. Eligible applicants are Oklahoma universities and colleges, non-profit 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 fund research projects related to human health and 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.

OCAST's increased Health Research award outlays provide additional opportunities for OCAST funded researchers to secure private and federal funding. This increase in awards along with increases in the National Institutes of Health budget provides the framework for increases in leveraged private and federal funds.



One test of successful research is the number of patents issued. The

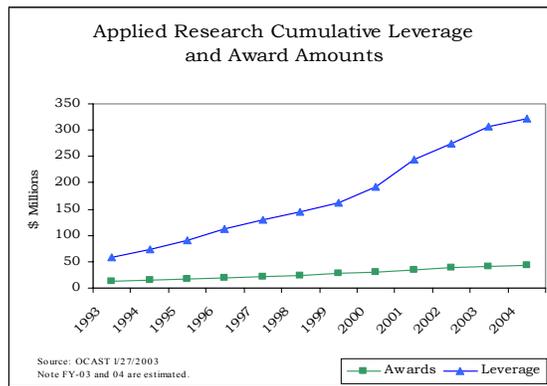
following chart shows varying results; however, the prospects for the future appear promising.

	FY-2000	FY-2001	FY-2002	FY-2003	FY-2004
Applications	10	16	10	10	12
Awards	3	10	2	2	5

Source: OCAST
Note: FY-2003 and FY-2004 are estimated

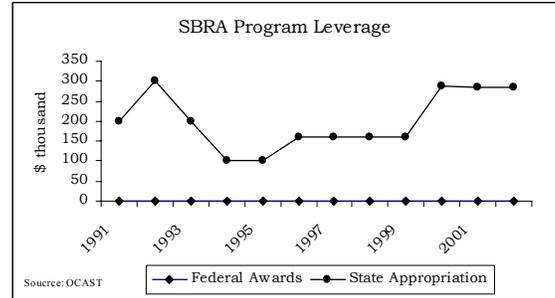
Applied Research

The Oklahoma Applied Research Support (OARS) program was initiated to accelerate the development of technology with potential for producing a commercially successful product, process or service, beneficial to Oklahoma’s economy. OCAST, through the OARS program, provides incentive funding to applied research projects under terms which increase industrial R&D investment and reward collaborative efforts. State incentive funding helps recipients leverage the capital required to develop and market technology.



Small Business Research Assistance

The Small Business Research Assistance program addresses the goals of supporting applied research and facilitating technology transfer by leveraging federal and private resources.



Small Business programs motivate and assist qualifying Oklahoma firms competing for research funding under the federal Small Business Innovation Research and Small Business Technology Transfer Programs to develop commercially viable products.

These OCAST programs defray a portion of a qualifying firm’s federal Small Business Phase I proposal preparation costs and provide bridge funding between Phase I and Phase II federal grants. The programs also provide information and assistance to improve the quality of proposals.

The purpose of the R&D Faculty and Student Intern Partnerships program is to improve the state’s research and development (R&D) base. This is accomplished by student and faculty internships in Oklahoma R&D facilities to encourage students to pursue careers at scientific and technical firms.

Oklahoma Applied Research Support R&D Faculty and Student Intern Partnerships acknowledge that the principal resource of institutions of higher education are the students and faculty. OARS internships provide student and faculty increased experience with R&D in a workplace environment. OARS funding for R&D Faculty and Student Intern Partnerships support both one and two-year projects.

The Alliance for Manufacturing Excellence uses state, federal and local funding to provide hands-on assistance to help small-and medium-sized

Oklahoma manufacturers become progressively more successful in their marketplace.

The Alliance establishes valuable partnerships among small and large manufacturers, business leaders, education institutions and government to share ideas, explore resources and work together to advance manufacturing.

OCAST sponsors the Oklahoma Technology Commercialization Center through a contract with the private, not-for-profit Oklahoma Technology Development Corporation. The Center works with Oklahoma companies, inventors, researchers and entrepreneurs to turn technological innovations into exceptional business opportunities for Oklahoma.

Services provided through the Center include:

- Technology assessments and technical concept analysis
- Engineering, testing and prototype development
- Market research and analysis
- Economic feasibility studies
- Development of strategic marketing plans
- Development of strategic business plans
- Access to early stage risk capital

The Center is the program manager for the Technology Business Finance Program designed to provide Oklahoma high-tech start-up companies with preliminary financing and early stage risk capital to stimulate additional investment from private sources.

The Oklahoma Inventors Assistance Program is designed to help Oklahoma inventors navigate the invention process from idea to marketplace. Located on the Oklahoma State University campus in Stillwater, the program provides information, education, and referrals to service providers who have expertise in the invention process. Workshops and seminars are held on topics of direct concern to inventors. The website provides "A Showcase of Oklahoma Inventors" featuring a variety of products from Oklahoma individuals and firms.

FY-2004 Appropriation Recommendation

FY-2003 appropriations after revenue shortfall are the base for FY-2004 appropriations calculations.

- Base is reduced an additional 3.5%.
- Travel expenses are reduced 10% for the portion of travel paid by state appropriations.

FY-2004 recommended appropriations are \$11,334,501.

- Additionally, \$951,553 of FY-2002 General Revenue is transferred to the Special Cash Fund.

Secretary of State

**Secretary of State
Council on Judicial Complaints
Election Board
Ethics Commission**

Secretary of State

Central Registry of Public

Documents The Secretary of State (SOS), created in Article VI of the Oklahoma Constitution, has a number of constitutional and statutorily established duties. Among them are:

- Filing and official repository of executive orders and official acts of the Governor;
- Filing and distributing copies of all laws enacted by the Legislature;
- Filing and repository of inter local and cooperative agreements, including tribal agreements.
- Official counting and binding of initiative referendum petitions and transmitting them to the Supreme Court;
- Publishing ballot titles;
- Maintaining information about all meetings held under the Open Meeting Act;
- Compiling and publishing the Oklahoma Code and Oklahoma Register;
- Central registry for filing business documents on corporations and partnerships of all types;
- Recording mortgages of public utilities and railroads, invention developer bonds and surface damage bonds;
- Registration of charitable organizations and professional fund raisers and solicitors;
- Processing all domestic and foreign requests for extradition;
- Maintaining original certificates of all pardons and paroles.

The Oklahoma Administrative Code and the Oklahoma Register

Rulemaking authority, delegated to agencies by law, eliminates the need for excessive legislation. The Administrative Procedures Act provides the process for rulemaking and executive orders in 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. Cumulative supplements revise the Code annually.

The Oklahoma Register is a semi-monthly publication documenting administrative code changes between publications of the annual supplements. The Oklahoma Register includes new rules, amendments, revisions and revocations of existing rules, emergency rules, notices of proposed rules and the rulemaking process, executive orders, and local project funding contract announcements.

A text database, available via the internet, provides on-line search capabilities for the information compiled in the Oklahoma Register and Oklahoma Administrative Code.

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. The substitute address is not related to the victim's actual address and may be used as his or her residential, school and work address.

Second, victims are provided with a cost-free mail forwarding service. The SOS is the victim's agent for service of process and receipt of mail. Participant mail is forwarded.

Business Registration Services on the Internet As part of fulfilling their mission of providing a central registry of official documents, SOS is making most services available to businesses via access to the internet. In FY-2001, the agency contracted with NIC Conquest, Inc. to develop this new business registration system. By May FY-2003, businesses will register, electronically file documents and pay on-line.

	FY-2001 <u>Actual</u>	FY-2002 <u>Actual</u>	FY-2003 <u>BWP</u>	FY-2004 <u>Estimated</u>
General Revenue	\$513	\$536	\$484	\$0
200 Revolving Fund	1,138	1,442	2,858	3,342
205 Revolving Fund	<u>252</u>	<u>159</u>	<u>209</u>	<u>209</u>
Total	\$1,903	\$2,137	\$3,551	\$3,551

FY-2004 general appropriation reductions The FY-2004 recommended budget for the Secretary of State includes a proposed increase in fees to offset the current General Revenue appropriation. Because of the current fiscal crisis, the proposal transfers several agency revolving fund cash balances to the Special Cash Fund for other needs. This proposal transfers \$800,000 from the 200 Revolving Fund.

Council on Judicial Complaints

Created in Title 20 of the Oklahoma Statutes, the Council on Judicial Complaints accepts and investigates complaints received from the public on judicial officers and their conduct, including 634 state municipal judges. The Council determines whether complaints go before the Court on the Judiciary, warrant a reprimand, admonition, or dismissal.

The Council consists of three members, each serving a five-year term and 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, receiving testimony and other evidence. They may also issue subpoenas and serve subpoenas. Proceedings before the Council are confidential.

FY-2004 general appropriation reductions The FY-2004 recommended appropriation for the Council on Judicial Complaints maintains the FY-2003 appropriation level. The agency travel budget is reduced 10% or \$2,737. No other cuts are proposed.

Election Board

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
- One way of recounting ballots

The election system used in Oklahoma provides fair treatment as well as quick, reliable results for voters, candidates, media, taxpayers and the public. Therefore, it is with pride that the Secretary of the State Election Board takes a position of leadership in the national debate around the establishment of statewide voting systems in other states. Oklahoma has

become a benchmark for other states as they work to achieve statewide voting systems that work as well as ours.

FY-2004 general appropriation reductions

The FY-2004 recommended appropriation includes specific recommended reductions of \$572,862. These include the elimination of the \$25 per day stipend paid to precinct officials, which equals a reduction of \$245,200. The agency travel budget is reduced 10% or \$2,430.

County Election Board Secretary

Salaries Current law provides an increase in County Election Board salaries as of May 1, 2003. The increased cost in FY-2004 is \$273,000. Current law also requires the State to pay 135 % of these salaries. Rolling back this percentage to 120% will shift part of the cost of these salaries back to the counties. This will reduce the appropriation to the Election Board by an additional \$327,662.

The following chart depicts what the current County Election Board Salaries are and the increase as of May 2003:

	<u>Current Salaries</u>	<u>Salaries as of May 1, 2003</u>	<u>Difference</u>
Registered Voters			
0 to 10,000	\$20,188.28	\$20,988.28	\$800.00
10,001 to 15,000	\$20,988.28	\$24,152.45	\$3,164.17
15,001 to 17,500	\$24,152.45	\$27,328.93	\$3,176.48
17,501 to 25,000	\$27,328.93	\$33,046.94	\$5,718.01
25,001 to 50,000	\$33,046.94	\$42,374.66	\$9,327.72
50,001 to 75,000	\$42,374.66	\$47,811.26	\$5,436.60
75,001 to 150,000	\$47,811.26	\$53,243.00	\$5,431.74
150,001 or more	\$53,243.00	\$57,502.44	\$4,259.44

Ethics Commission

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;
- When appropriate, investigates and prosecutes violations of state ethics rules and law.

The agency requested a supplemental appropriation of \$37,000 to pay the remaining cost of a judgment in favor in a lawsuit brought by Oklahomans for Life, Inc. The total judgment against the agency was \$54,825. One-third, or \$18,275 was paid this fiscal year.

A supplemental appropriation is not necessary for this obligation because Title 51, Section 159 of the Oklahoma Statutes, covers it. This law provides that no state agency shall be required to pay a judgment prior to the next fiscal year after the judgment is obtained. The judgment was finalized in FY-2002 and the agency made their first payment in FY-2003.

This section also gives agencies the flexibility to pay such judgments at the rate of one-third per fiscal year from funds available. The next one-third payment will be due before the end of FY-2004 and the final payment in FY-2005.

Fee Proposal Recent research by the Ethics Commission staff confirms Oklahoma as one of only 8 states that do not currently charge a fee for lobbyist registration. The proposed fee is \$100 per lobbyist and \$250 per principal organization. The following table illustrates how much the fees will raise in support of agency functions:

FY-2004 Executive Budget

Description	Proposed Fee	Potential Number	Renewal Assumption	Revenue Impact
Principal Registrations	\$250	761	90.0%	\$171,225
Lobbyist Registrations	\$100	446	90.0%	\$40,140
Total Revenue Estimate				\$211,365

Legislation is necessary to set the fees and require yearly filing by lobbyists and principal organizations.

FY-2004 general appropriation

reductions The FY-2004 recommended appropriation for this agency includes a reduction of \$640 representing 10% of travel expenditures. The new lobbyist fee allows an additional \$200,000 reduction.

Transportation

**Department of Transportation
Oklahoma Aeronautics and Space Commission
Space Industry Development Authority**

Department of Transportation

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.

OCIA issued 150 million in bonds for phase II. OCIA owns the roads built with these bond proceeds, and leases them to the ODOT. OCIA covers debt service through the lease payments made by ODOT.

Capital Improvement Plan

The Road Program enacted in 1997 planned on providing \$1 billion of infrastructure funding in two phases. The first phase provided \$710 million of highway system funding for five years beginning in FY-98 from several sources. The second phase called for an additional \$300 million in investments as approved in 1999 by the Contingency Review Board (CRB) who found economic conditions warranted continuation of the program. However, the state budget situation that developed in FY-2002 has postponed or possibly eliminated \$150 million of the funding for phase II.

Originally Planned Road Program Funding							
\$ IN MILLIONS							
Fiscal Year	Road Program Phase I				Road Program Phase II		
	Approps	Debt Service	Rainy Day	Bonds	Debt		
					Approps	Service	Bonds
FY-1998	\$34.9			\$50	\$300		
FY-1999	40	28.4		60			
FY-2000	40	39.4		52.6			
FY-2001	33.1	39.4		52.6			150
FY-2002	40.8	39.4				19.9	
FY-2003		39.4				18.9	
Totals	\$188.8	\$186.0	\$215.2	\$300.0	\$0	\$38.8	\$150.0

Source: OSF

The Legislature authorized giving 10% of the funding to each of ODOT's eight field divisions. Also, Divisions containing the high traffic and higher cost urban centers of Oklahoma City and Tulsa received an additional 10%.

Maintenance

Phase I Capital funding:
(\$ in millions)

- \$165 appropriations
- \$300 bond funds
- \$245 Rainy Day Fund appropriations

Phase II Capital Funding:
(\$ in millions)

- \$150 bonds
- \$150 appropriations (never funded)

Bonds: In June 1998, the Oklahoma Capitol Improvement Authority (OCIA) issued \$300 million in ten year revenue bonds for Phase I. Two years later,

Percentage of Bridges Rated Structurally Deficient

Oklahoma	33%
Missouri	26%
Rhode Island	25%
Pennsylvania	25%
South Dakota	23%
Mississippi	22%
Iowa	20%
North Dakota	19%
Michigan	19%
Louisiana	19%

Source: Federal Highway Administration

The pressure to build new roads in Oklahoma has diverted limited resources from maintenance. This diversion has played a large role in why our roads and bridges have received poor condition ratings from the Federal Highway Administration. According to

FY-2004 Executive Budget

ODOT, Oklahoma has 3,350 miles of highways rated in inadequate or critical condition. 1,156 bridges are structurally deficient and functionally obsolete.

ODOT and OCIA have discussed plans to refinance the debt on CIP bonds. Refinancing will result in estimated savings for ODOT in FY-2004 of \$10,752,204 and additional amounts in following fiscal years. Furthermore, the Equalization board certified that an additional \$15.6 million can be appropriated out of the Transportation Fund in FY-2004.

\$'s and miles in thousands	% of hwy budget for maint	Maint budget per lane mile	DVMT Per lane mile	DVMT Per Capita
State				
Arkansas	22.2%	\$4.99	1.8	24.4
Colorado	10.9%	6.26	3	15.9
Kansas	29.7%	11.51	1.8	15.9
Missouri	21.8%	4.07	1.9	23.7
New Mexico	24.1%	5.24	1.5	24.8
Texas	26.1%	5.12	2.2	20.2
Regional Avg	22.5%	6.20	2.0	20.8
Regional Median	23.2%	5.18	1.85	22.0
Oklahoma	13.4%	\$4.17	2.3	19.3

Source: Oklahoma Transportation Resource Center

Considering the refinancing savings and the additional funds that are available, this budget proposes reducing operations appropriations to

ODOT by \$20,000,000 and cutting travel expenditures by \$116,236. The first chart below lists the areas of reductions that are proposed.

FY-2004 Appropriations

ODOT State Appropriations			
Fund	FY02 Revised Approp	FY03 Revised Approp	FY-04 Recommended
State Transportation Fund	\$205,562,738	\$196,628,655	\$212,295,137
Constitutional Reserve Fund	57,200,000	17,151,269	\$0
General Revenue	30,375,788	31,068,440	31,068,440
Cut in operations			(20,000,000)
Debt service savings			(10,952,204)
Travel Cut			(116,236)
Total General Revenue			0
Investment Earnings	4,820,879	0	0
Total Appropriations	\$297,959,405	\$244,848,364	\$212,295,137

Savings from refinancing and additional transportation funds may be higher than the reductions listed in the chart below. Therefore, ODOT may actually have additional resources in FY-2004.

Oklahoma Aeronautics Commission (OAC)

\$'s in Millions					
Detail of CIP	FY-00	FY-01	FY-02	FY-03	FY04
Phase 1:	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Recom.</u>
Appropriations	\$33.2	\$40.7	\$39.6		
Debt service	39.4	39.4	39.4	39.4	39.4
R.D Fund commit	52.5	0.0	0.0	0.0	
Total Phase 1	125.1	80.1	79.0	39.4	39.4
Phase 2:					
Debt service	\$0.0	\$0.0	\$19.9	\$18.9	\$18.9
Add'l \$150 million commit		0.0	0.0	0.0	0.0
Total Phase 2	0.0	0.0	19.9	18.9	18.9
Total	<u>\$125.1</u>	<u>\$80.1</u>	<u>\$98.9</u>	<u>\$58.3</u>	<u>\$58.3</u>

Source: ODOT
FY-2004 Rec. is before debt service savings

The Oklahoma Aeronautics Commission OAC works closely with municipalities and the federal government to preserve and improve our state's 123 airports.

Oklahoma has the fourth largest number of airports per capita in the country. The airports are an asset for citizens, communities, and business interests. However, maintenance and airport

improvement expenses accompany the benefits of having this airport infrastructure. To help pay these costs Aeronautics has the following

dedicated revenues (\$ figures from FY-2002 actual).

- Aircraft excise tax \$1.7 million
- Aircraft registration fees \$354,984
- Aviation Fuel Tax \$110,000

Regional Business Airports

Innovative Financing: In 1999, OAC adopted a new Oklahoma Airports System Plan. The plan's goal is to enhance economic development by increasing the number of regional airports who can accommodate business jets. Presently, the state has 49 regional airports, and 36 of them are business jet capable. Four of the thirteen that do not have such capable runways now have ongoing projects to make their runways jet capable.

Federal Fiscal Year 2002

Oklahoma Airports received a record \$42.3 million of federal dollars in Federal Fiscal Year 2002. Regional Business/General Aviation airports received \$15.5 million for 44 airport improvement projects. General Aviation airports are the primary focus of OAC, because enhancing their capabilities makes Oklahoma more accessible to visitors and businesses.

Oklahoma Space Industry Development Authority (OSIDA)

OSIDA aspires to aid economic development in Oklahoma by stimulating the creation of space commerce, education and space related industries.

Upon creation of OSIDA, legislation also authorized a \$17.9 million tax

credit. Any company that has a viable business plan for space development, creates 100 jobs with a \$1 million payroll within three years, and has \$10 million in equity is eligible for the credit. There have been estimations that this credit can sell on the open market for \$15 million. That gives a company instant cash for investing in space infrastructure in Oklahoma.

With assistance from the Southwest Oklahoma Development authority, OSIDA acquired the Clinton Sherman Airpark. This acquisition was ideal for development of space industry because of the airpark's advantages.

- infrastructure in place
- favorable weather conditions
- community support
- local business incentives

OSIDA's Board of Directors enters into a Memorandum of Understanding (MOU) with each company who has expressed serious understanding and desire to locate in Oklahoma and operate at the airpark. The MOU, although non-binding, sets forth the intention and responsibility of each party to make the arrangement successful. This has been a useful tool in the process of establishing a relationship between the agency and companies considering locating in Oklahoma.

Environmental Impact Statement

Last year, the Federal Aviation Administration (FAA) required OSIDA to prepare an environmental impact study. This is an eighteen-month process to determine impacts a spaceport may have on the environment. In August of 2002, 3 companies began the study. Once completed OSIDA expects companies to begin operations at the airpark.

FY-2004 Budget

This budget removes the one time expenditure of \$500,000 for the Environmental Impact Study from the agency's budget. Furthermore, the agency received a \$3,563 travel reduction.

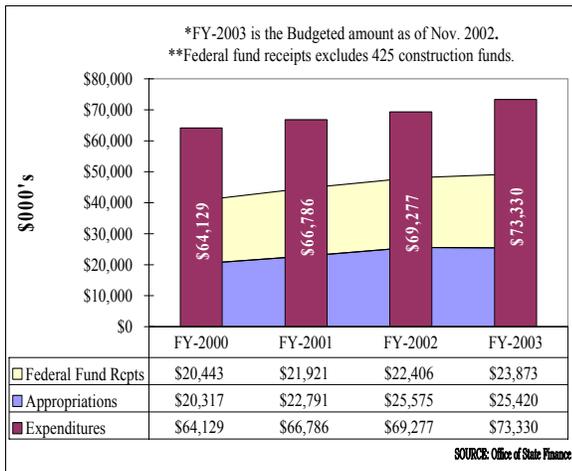
Veterans Affairs

Department of Veterans Affairs

Oklahoma Department of Veterans Affairs

Mission and Organization

The Oklahoma Department of Veterans Affairs provides medical and rehabilitative services for veterans and their families. Veterans Centers are 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. The average daily population in the Oklahoma Centers will be about 1,181 in FY-2002. 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.



Construction and Renovation at Veterans Centers

A new wing of 52 beds at the Claremore Center was originally scheduled to start patient intake in November of 2001. Due to delays in construction, the start up date for patient intake was moved to April 1, 2002. During FY-2001, renovation of existing space at the Clinton Center was completed and renovation of existing bed space at the Talihina Center continued. A

few beds will be down periodically at Talihina due to the on-going construction project. Anticipated completion date is July 1, 2004.

Construction commenced on the new 200 bed Lawton Center on April 1, 2001, with a target date for completion set for May, 2003. The United States Department of Veterans Affairs pays 65% of the costs of these projects.

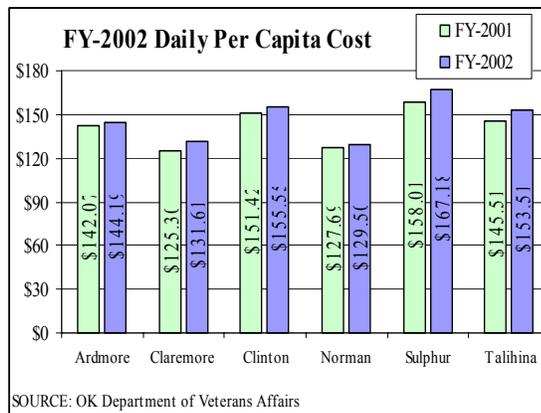
The following table shows the available beds for FY-2003 and FY-2004. Note that the Lawton beds are scheduled to begin filling during FY-2004.

	Nursing Care Beds	Domiciliary Beds
Ardmore	175	10
Claremore	302	0
Clinton	145	0
Norman	301	0
Sulphur	132	10
Talihina	184	0
Lawton	<u>200</u>	<u>0</u>
	1,439	20

SOURCE: ODVA

State funding is provided through bond revenue with lease payments built into the agency's appropriations for operating expenses.

Bed Costs and Occupancy



	Available Beds	Occupancy Rate	
		FY-2001	FY-2002
Ardmore	175	100%	95%
Claremore	250	98%	99%
Clinton	145	100%	100%
Norman	301	100%	100%
Sulphur	132	98%	98%
Talihina	184	95%	92%
TOTAL	1187	99%	97%

SOURCE: ODVA

Facility Repair

Due to problems stemming from poor design and construction, the Norman Veterans Center experienced moisture leakage leading to mold and mildew damage. ODVA is addressing the problem accordingly.

The federal government identified this as a priority life-safety issue. The priority list for the 65% federal match required ODVA to use funds designated for other projects to fund their 35% match (\$1,830,040). This amount includes \$550,000 designated as Lawton start-up from the FY-2003 appropriation. ODVA designated an additional \$102,000 for debt service for a short-term bond.

Contracted Services

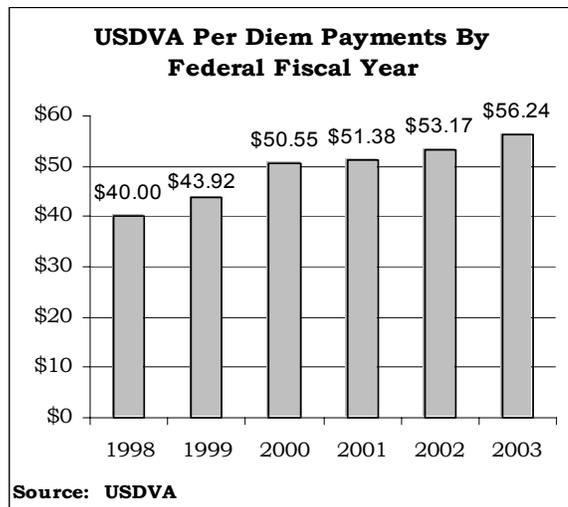
Contracted services are used within Veterans Affairs in several areas. Dietitians, physical therapists, dentists and radiologists are all contracted. Non-medical examples are chaplains and computer maintenance. Contractual services in other areas are being considered. Efficiency savings have been channeled into direct nursing care staff.

Other outsourcing opportunities are also available in food services, housekeeping, laundry, security and grounds maintenance. The department should continue to investigate these areas and convert current operations where savings or improved services are possible.

Physicians could be retained on professional services contract rather than paid as full time staff at the centers. Allowing a physician to maintain a practice outside a center may help attract young doctors to rural Oklahoma. Other professional medical services could also be contracted.

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. Such payments are often referred to as "per diem." Federal per diem payments usually increase each year, but by varying amounts.



The overlap of the two fiscal years in addition to the payment lag built into the system results in the federal per diem payments affecting more than one state fiscal year. During the first five months of each state fiscal year, July through November, the state receives payment based on the previous year's rate from the USDVA. For the last seven months of the state fiscal year, December through July, the state receives the rate based on the current federal fiscal year. The payment system works like this:

- The federal per diem rate increase becomes effective on October 1.
- In early November, the ODVA reports to the USDVA the number of veterans in their centers during October.
- Payment based on October's increased payment is received by the state department in December.

Duplication of Effort

Currently, both the USDVA and the Oklahoma State Health Department (OSHD) do separate inspections of veteran's centers in Oklahoma. This proposal removes the mandate that the OSHD conduct veteran facility inspections.

The USDVA inspects the facilities annually for licensure purposes and federal per diem eligibility. The reduced responsibility for the OSDH would be an increase cost savings for the agency.

FY-2004 General Appropriation Recommendations

The FY-2004 recommended appropriation for the Department of Veterans Affairs is the same as the FY-2003 appropriation as revised by the shortfall less 10% (\$18,439) of total travel expenditures.

The ODVA currently has a debt service obligation to the OCIA for the 1999 bond issue for the Lawton Center. Negotiations are underway to achieve lower financing thus reducing the debt service payments for FY-2004 by \$528,946.

In addition, this proposal recommends \$4 million to fund the start up costs of the new 200 bed Lawton Veterans Center. Funding will allow the phasing in of these beds starting in May 2003 at a rate of 50 beds every six to seven weeks.

Legislature

**State Senate
House of Representatives
Legislative Service Bureau**

Legislative Compensation Board

In 1968, voters adopted a constitutional amendment that created the Legislative Compensation Board (LCB). LCB consists of 9 members, 5 appointed by the Governor and 2 each by the House Speaker and President Pro Tempore of the Senate. The Constitution requires the LCB to meet every 2 years, review legislative pay, and determine whether to give legislators a raise.

When the Board meets, it must discuss all elements of compensation including annual salary, supplemental allowances, insurance benefits, and retirement benefits. Each part of the total compensation takes on a specific monetary value at some point in time, whether that time is now or in the future. Generally, salary is the most significant facet of total compensation. However, this is not always the case with elected officials' compensation.

Supplemental allowances, per diem, and retirement benefits often play a significant role in total compensation. In 1976, the Legislature enacted a per diem rate in lieu of expenses while away from home during session. In 1997, the Legislature changed the rate from a flat \$35 per day to the IRS rate, which was then \$95 per day (see notes and asterisks in the table).

In a study of Legislative Compensation, the Office of State Finance (OSF) gathered comparative data from every state for benchmarking purposes. The study included questions regarding salary, insurance, expense allowances, and retirement information. LCB members received the results prior to

their biannual meeting in November of 1999.

In addition to the current legislative information, the study compiled historical legislative compensation information. This information included previous action taken by Legislative Compensation Boards, cost of living adjustments in Oklahoma compared to national averages, and historical salary breakdowns for Oklahoma Legislators.

Most recently, the Board met on October 16, 2001. After open discussion, members decided to maintain the current salary and benefits structure enacted by the 1997 and 1999 LCB.

The following table provides a historical perspective of LCB actions:

LEGISLATIVE COMPENSATION BOARD ACTION					
Meeting Date	Compensation	President Pro Tempore & Speaker	Other House & Senate Leadership *		Legislative Per Diem Rate
10/31/1968	\$8,400		\$3,600/yr	a	\$15/Day
10/31/1972	\$9,400		\$4,200/yr	a	\$15/Day
10/29/1974	\$9,960		\$4,200/yr	a	\$15/Day
10/19/1976	\$12,948		\$6,000/yr		\$15/Day
10/17/1978	\$12,948		\$6,000/yr		\$15/Day
10/21/1980	\$18,000		\$8,400/yr		\$35/Day
10/18/1982	\$20,000	b	\$9,300/yr		\$35/Day
11/07/1988	\$32,000	c	\$14,944/yr		\$35/Day
10/15/1991	\$32,000		\$14,944/yr		\$35/Day
10/19/1993	\$32,000		\$14,944/yr		\$35/Day
10/17/1995	\$32,000	d	\$14,944/yr		\$35/Day
10/21/1997	\$38,400	e	\$17,932/yr	f	\$95/Day *
11/09/1999	\$38,400	e	\$17,932/yr	f	\$103/Day *
10/16/2001	\$38,400	e	\$17,932/yr	f	\$103/Day *

Other House & Senate Leadership includes the Majority & Minority Floor Leaders for years 1968 through 1996, and adds the Speaker Pro Tempore & Asst. Majority Leader beginning in 1997.

Notes:

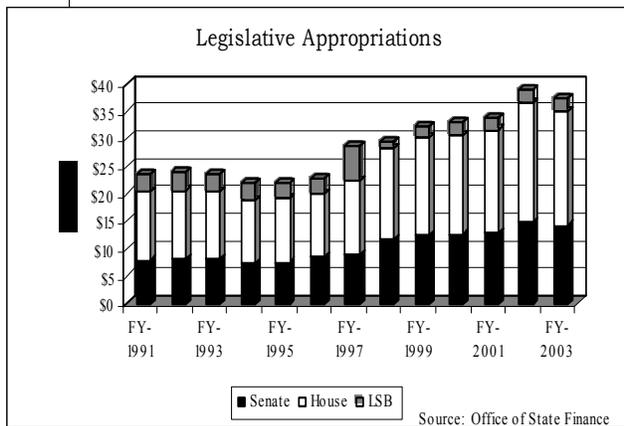
- a. While in Regular or Special Session.
- b. Salary was paid at \$2,500/month for Jan-April and \$1,250/mo. for rest of year.
- c. Salary changed to be paid in equal monthly amounts of \$2,666.67.
- d. Monthly benefit allowance limited to lesser of \$195 or the current employee rate.
- e. Monthly benefit allowance limited to lesser of \$262.19 or current employee rate.
- f. The Speaker Pro Tempore and Asst Majority Leader added to the Leadership paid at a higher rate.

* Per diem in lieu of expenses: Title 74, Section 291.1 (amended by Section 16 of HB 1895, FY-97 Legislative Session) deleted the \$35 per-diem and substituted "an amount authorized by the provisions of the Internal Revenue Code of 1986..."

Source: Office of State Finance

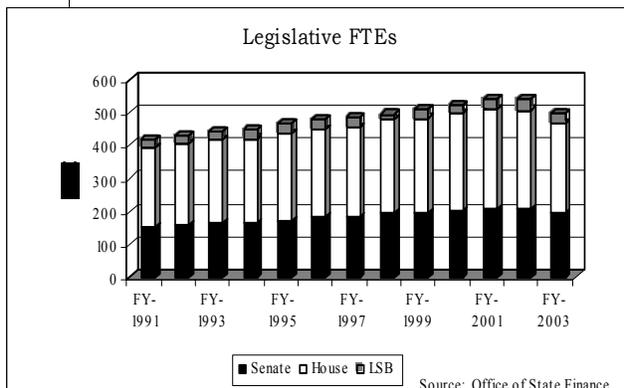
State Senate, House of Representatives, and Legislative Service Bureau

The State Senate, House of Representatives, and Legislative Service Bureau (LSB) represent the legislative branch. The following chart shows the combined appropriation level for these agencies over the past 13 years.



As illustrated, the House, Senate, and LSB have experienced a combined 57.63% increase in appropriations since FY-91.

The next chart shows a comparison of the FTEs for these agencies. As shown, the combined number of staff grew by 18.83% over the same period.



FY-2004 general appropriation reductions The FY-2004 recommended appropriation for each of these agencies is the same as the

reduced FY-2003 level, as adjusted by the following items. The FY-2004 recommended budget reduces each agency's appropriation by an additional 3.5%. Additionally, this budget reduces all agency travel expenses by an additional 10%. The following table shows each of these amounts for the Senate, House of Representatives, and LSB:

	Revised FY-2003 Base	3.5% Reduction	Travel Reduction	Total FY-2004
Senate	13,325	466	49	12,810
House of Rep	19,128	669	62	18,397
LSB	2,261	79	6	2,176

Source: Office of State Finance

Judiciary

**Supreme Court and Court of Appeals
District Courts
Court of Criminal Appeals
Workers Compensation Court**

The State Judicial Fund

Appropriation and Certification The State Judicial Fund (SJF) is an important source of funding for the judiciary. The SJF is a certified fund; meaning that the funds available for the next fiscal year are “certified” by the State Equalization Board and subsequently appropriated on an annual basis by the Legislature. A projection of revenues is developed by the Administrative Office of the Courts (AOC). The Legislature appropriates 95% of the certified estimate for state judiciary needs.

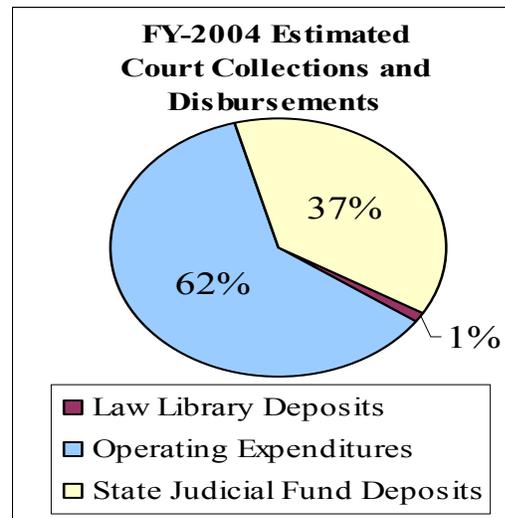
The SJF has an additional element of volatility which impacts the ability to provide reasonable revenue estimates for Board certification. This volatility is because it is not an initial depository account for any revenue source but is instead a residual account which receives transfers from the various 77 county court funds. The initial deposit of money occurs in these local court accounts.

Court Fund Collections and Expenditures Title 20, Section 1301, et seq. states: “All fees, fines, costs and forfeitures shall, when collected by the court clerk, be deposited in a fund in the county treasury designated The Court Fund and shall be used, from year to year, in defraying the cost and expenses of holding court in said county.” Revenue sources for the court fund are based upon fees, fines, costs and forfeitures with revenue trends that are both identifiable and predictable.

However, these collections at the local level are not immediately transferred to state custody in the manner of other revenues. First, these collections must serve as the primary revenue source for county court operations. After local court obligations are paid, money is transferred to the SJF. Those expenditures 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.
3. Mandated expenses: Law library assessments and contributions to the SJF.



SOURCE: Office of State Finance

Lump sum expenditures are closely related to court case loads and case complexities. These costs vary from year to year. Restricted expenditures relate to work force and facility needs and tend to be predictable. Statute establishes the mandated expenditures.

\$000's	Actual	Actual	Actual
	FY-2000	FY-2001	FY-2002
Total Collections	\$53,017	\$57,604	\$63,006
Operating Disbursements	32,876	36,228	37,807
Law Library	344	567	562
St. Judicial Fd Deposits	20,614	20,665	24,470

SOURCE: Office of State Finance

It is important to note that court fund budgets, while increasing due to normal economic conditions, have benefited over the last 10 years from certain cost shifts from their local budget to the state budget. Some of these expenditures paid at the state

level were at one time local court fund expenditures, such as the cost of providing indigent criminal defense for 75 counties; payroll cost for Court Secretary/Bailiff and Reporter positions; and the elimination of the requirement to place or apportion 10% of court fund collections to the State Judicial Retirement Fund.

Collection Transfers Title 20, Section 1308 requires court fund transfers to the SJF be either quarterly or monthly, depending upon county population, by the county court clerk. The statutes also provide court clerks the ability to retain an additional amount equal to 20% of their expenses of the prior quarter for a cash flow reserve.

The ability to reasonably estimate SJF revenues depends on collections, local court expenditures and reserve requirements. The SJF is therefore a residual account that receives revenues only after all expense and cash flow reserve needs are met.

Growth Court fund collections have experienced solid growth over the last ten years. Expenditure growth, even with the transfer of certain prior costs from the local court budget to the state budget, has increased at a rate slightly higher than collections growth. This expenditure growth has impeded the ability of court fund transfers to the SJF to keep pace with the growth rate of total court fund collections. The AOC certified estimate of State Judicial Fund revenues reflects this relationship.

State Judicial Fund Certification As identified, SJF certification estimates are not keeping pace with the overall growth in court fund collections. This statement is validated by the fact that FY-99 court fund transfers were eventually \$7.2 million more than what was certified for FY-99.

One reason the AOC did not recommend a higher certification amount was a concern over being under funded when court fund expenditures increase. This

concern is really a fear of being caught with a revenue failure in the SJF. This reasoning, while a valid concern, ignores the fact that the courts are in direct control of a great portion of those expenditures in their budget.

When any certified estimate is overestimated, it is the responsibility of the Director of State Finance to declare a revenue failure. This provision is not unique to the courts. When state agencies submit their budget work programs to the Office of State Finance for approval, their revenue estimates are reviewed to make sure they have not overestimated anticipated revenues. A similar process occurs when county court clerks submit their budgets through the District Judge to the AOC. This process should be designed to facilitate the prudent management of limited resources and to ensure that court funding decisions do not reduce revenues to the SJF below what was certified.

There have been examples where the total of approved district court budgets, once subtracted from the court's own estimate of court fund collections would, if actually expended at that level, result in insufficient transfers to the SJF. This inattention to the certified SJF revenue estimate in the budget approval process is a concern.

This proposal encourages close examination of how the State Judicial Fund certification estimate is determined. This proposal does not identify a specific formula for determining SJF certification due to the need for the courts' involvement in this process.

Supreme Court

The Oklahoma Supreme Court is the highest court in Oklahoma for civil matters. Besides deciding cases this court is also responsible for administering the State's entire judicial

system. Chief Justice Joseph M. Watt is presiding judge.

Wiley Post Building Renovation The Supreme Court is currently in the process of renovating the Wiley Post Historical Building for adaptive use as a Judicial Center to house the Oklahoma State Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals, Administrative Offices of the Courts and the Court Clerk.

The total cost of the project is estimated at \$23.5 million. HB 3065 and HB 3066, passed into law in 1998, provided the funds from lease revenue obligations to be issued in 1999 by the OCIA to begin the project. Currently, \$10 million dollars has been provided in the capital outlay bond issue authorized by SB 973. Additional funding of \$13.5 million is needed to complete the project as presently planned, and a bond issue to provide this funding is recommended.

FY-2004 General Appropriation Reductions

This proposal reduces the FY-2004 appropriation for the Supreme Court by an additional \$71,944 from administration costs for the Supreme Court and district courts. All Court travel expenses are being reduced an additional 10% or \$10,827. The Supreme Court currently has a debt service obligation to the OCIA for the Wiley Post Building renovation. Negotiations are underway to achieve lower financing thus reducing the debt service payments for FY-2004 by \$440,789.

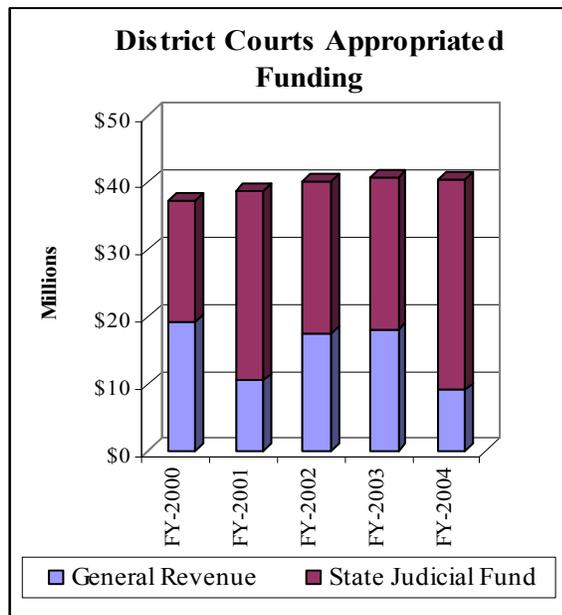
District Courts

There are currently nine judicial administrative districts managing 26 judicial districts in the State of Oklahoma. Presiding judges are elected by their peers to assist in the administration of Oklahoma’s trial courts. District judges, associate district judges and special judges often serve as the first

contact a person may have with the judicial system. These courts are the backbone of the court system and hear both criminal and civil cases.

Increase Fees and Fines This budget proposes an increase on fees applied by the District Courts. Small claims courts would be exempted from any increases. The fee increase is intended to make the District Courts self-supporting.

Under the current system, the District Courts collect fines, fees, and bond forfeitures. Then a portion is deposited in the Law Library, spent on local operating expenditures, and the remaining amount is deposited in the State Judicial Fund.



SOURCE: Office of State Finance

This proposal provides the Supreme Court with the authority to set court fees at the level necessary to fund District Court operations.

Early estimates indicate that the District Courts need approximately \$19 million in additional collections to be self-supporting. This would require an estimated average of about 35% to 40% increase on fees and would eliminate General Revenue Fund support in favor

of the self-supporting concept.

District Court Funding Resources:				
\$000's	FY-2000	FY-2001	FY-2002	FY-2003
General Revenue	\$19,437	\$10,045	\$17,096	\$17,381
State Judicial Fund	17,389	27,973	22,542	22,343
Special Cash	630	30	0	0
Gen Rev Carryover	642	880	491	393
SJF Carryover	12	0	346	230
TOTAL	38,110	38,928	40,475	40,347

SOURCE: Office of State Finance

FY-2004 allows half year funding from General Revenue to the District Courts to allow for the two-quarter lag between assessing and collecting fines and fees. State Judicial Fund deposits will supplement this \$9.5 million decrease from General Revenue.

Private collection agencies This proposal provides that the AOC consider the idea of using private collection agencies to collect on delinquent fines or fees owed to the State. The State of Texas has seen a rapid improvement in fund collections through this mechanism.

Not only does the AOC need to think about the amounts owed by those in state, but also they need to be aware of the number of offenders who flee the state to avoid payment. Private agencies have the available resources to track down those with the ability to pay on their outstanding debt.

FY-2004 General Appropriation Reduction

The FY-2004 appropriation for the District Courts is the same as provided for FY-2003 as reduced by the shortfall, less a 10% (\$15,152) reduction in travel expenditures.

Court of Criminal Appeals

The Court of Criminal Appeals is the highest court in the State of Oklahoma with appellate jurisdiction in criminal cases. It is the court of last resort in criminal matters. Judge Charles Johnson is presiding judge.

FY-2004 General Appropriation Reduction

The FY-2004 appropriation for the Court of Criminal Appeals is the same as provided for FY-2003 as reduced by the shortfall, less a 10% (\$1,758) reduction in travel expenditures.

Workers' Compensation Court

The Workers' Compensation Court is responsible for providing fair and timely procedures for the resolution of disputes and identification of issues involving on-the-job injuries.

System Reform

Oklahoma is one of just three states that still rely on a court to resolve job injury cases. Despite significant relief from recent reforms, our system is still one of the most expensive in the nation while providing among the lowest benefits to injured workers.

The Legislature should pursue continued reform in order to provide additional significant relief from the increasing costs.

FY-2004 General Appropriation Reduction

The FY-2004 appropriation for the Workers' Compensation Court is the same as provided for FY-2003 as reduced by the shortfall, less a 10% (\$6,827) reduction in travel expenditures.

Summary Information

Recommended appropriations

Summary of FTE changes

Constitutional Reserve Fund

**RECOMMENDED
APPROPRIATIONS**

SUMMARY BY CABINET

AND

**DETAILED ADJUSTMENTS
BY AGENCY**

FY-2004 Recommended Appropriations

Appropriations by Cabinet and Agency

	Agency/Cabinet Name	FY-2003	FY-2003 After Nov. Shortfall	Addtl Cuts for FY-2003 Approps.	Supplements and Adjustments	Net FY-2003	Less '03 One-time Approps	Cuts to Pass-throughs
1	SUMMARY BY CABINET							
2	Governor	\$2,906,729	\$2,717,792	\$0	\$0	\$2,717,792	\$0	\$0
3	Lieutenant Governor	548,452	512,803	0	0	512,803	0	0
4	Agriculture	36,935,930	34,860,095	0	0	34,860,095	0	(2,000,000)
5	Commerce and Tourism	91,384,300	86,052,398	(311,786)	0	85,740,612	(486,965)	(13,196,492)
6	Education	3,046,340,911	2,828,691,367	(56,351)	43,575,757	2,872,210,773	0	0
7	Energy	11,119,503	10,419,485	0	0	10,419,485	0	0
8	Environment	15,530,023	14,520,572	0	0	14,520,572	0	0
9	Finance & Revenue	73,378,274	68,911,695	0	2,200,000	71,111,695	0	0
10	Health & Human Services	1,249,158,846	1,177,407,064	0	8,800,000	1,186,207,064	(75,000)	(1,439,982)
11	Human Resources & Admin.	30,845,869	28,926,941	(285,351)	0	28,641,590	0	0
12	Military	7,895,866	7,382,635	0	0	7,382,635	0	0
13	Safety & Security	547,739,517	512,362,076	0	19,350,000	531,712,076	(200,000)	0
14	Science and Technology Dev.	12,597,604	11,778,760	0	0	11,778,760	0	0
15	Secretary of State	8,529,250	8,036,484	0	0	8,036,484	0	(572,862)
16	Transportation	247,993,202	245,769,339	0	0	245,769,339	(500,000)	0
17	Veterans	26,687,506	24,952,818	0	0	24,952,818	0	0
18	Total Executive Branch	5,409,591,782	5,063,302,324	(653,488)	73,925,757	5,136,574,593	(1,261,965)	(17,209,336)
19								
20	The Legislature	37,127,285	34,714,011	0	0	34,714,011	0	0
21	The Judiciary	61,564,119	59,073,239	0	0	59,073,239	0	0
22	Total Legislature & Judiciary	98,691,404	93,787,250	0	0	93,787,250	0	0
23								
24	Total Excl. Suppl's & Retirement	5,508,283,186	5,157,089,574	(653,488)	73,925,757	5,230,361,843	(1,261,965)	(17,209,336)
25								
26	State Emergency Fund			0	1,000,000	1,000,000	0	0
27	Defined Contrib. Plan conversion					0	0	0
28	Capital Outlay Expenditures: apprs.					0	0	0
29	Debt Service - new bond issue					0	0	0
30	Total Appropriations	5,508,283,186	5,157,089,574	(653,488)	74,925,757	5,231,361,843	(1,261,965)	(17,209,336)
31								
32								
33								
34								
35								
36	GOVERNOR	2,906,729	2,717,792	0	0	2,717,792	0	0
37								
38	LIEUTENANT GOVERNOR	548,452	512,803	0	0	512,803	0	0
39								
40	AGRICULTURE							
41	Agriculture	29,648,836	28,046,662	0	0	28,046,662	0	(2,000,000)
42	Conservation Commission	7,287,094	6,813,433	0	0	6,813,433	0	0
43	TOTAL AGRICULTURE	36,935,930	34,860,095	0	0	34,860,095	0	(2,000,000)
44								
45	COMMERCE & TOURISM							
46	Centennial Commission	640,904	599,245	0	0	599,245	0	0
47	Commerce, Department of	29,766,666	28,214,308	(54,011)	0	28,160,297	(300,000)	(4,657,898)
48	Historical Society	10,515,233	9,831,743	0	0	9,831,743	(186,965)	(315,678)
49	Human Rights Commission	790,374	739,000	0	0	739,000	0	0
50	J. M. Davis Memorial Commission	364,704	340,998	0	0	340,998	0	0
51	Native Amer. Cultural & Educ. Auth.	867,638	842,117	0	0	842,117	0	0
52	Labor Department	3,678,570	3,523,690	0	0	3,523,690	0	0
53	REAP - local gov'ts thru A&I	15,259,750	14,267,866	0	0	14,267,866	0	(8,222,916)
54	Scenic Rivers Commission	357,805	334,548	0	0	334,548	0	0
55	Tourism & Recreation	28,177,594	26,456,550	(257,775)	0	26,198,775	0	0
56	Will Rogers Memorial Commission	965,062	902,333	0	0	902,333	0	0
57	TOTAL COMMERCE & TOURISM	91,384,300	86,052,398	(311,786)	0	85,740,612	(486,965)	(13,196,492)

FY-2004 Recommended Appropriations

Operations Cuts	Additional Travel Reduction	Cuts with Operations Offsets	Other %age Cuts	Annualize FY-2003 Suppl's	Replace use of One-time Funds	Other Adjustments	Net Change from Rev. 2003	Recommended FY-2004 Approp.	
									1
\$0	(\$13,885)	\$0	(\$135,890)	\$0	\$0	\$0	(\$149,775)	\$2,568,017	2
0	(303)	0	0	0	0	0	(303)	512,500	3
(650,000)	(39,089)	(1,330,000)	(1,911,749)	0	1,000,000	0	(4,930,838)	29,929,257	4
(990,387)	(99,463)	(2,774,304)	(2,848,305)	0	0	0	(20,395,916)	65,656,482	5
(54,071)	(4,445,454)	(2,495,098)	(6,123,537)	25,486,165	0	52,500,086	64,868,091	2,893,559,458	6
(182,300)	(24,553)	(400,000)	(910,280)	0	0	0	(1,517,133)	8,902,352	7
0	(111,759)	(10,500,000)	(294,157)	0	1,200,000	11,404,000	1,698,084	16,218,656	8
0	(126,307)	(566,079)	(588,735)	300,000	0	1,003,000	21,879	68,933,574	9
(12,405,639)	(1,204,027)	(36,942,669)	(100,000)	0	0	52,500,000	332,683	1,177,739,747	10
(660,000)	(78,660)	(1,802,505)	(907,058)	0	0	50,000	(3,398,223)	25,528,718	11
0	(4,071)	0	(276,355)	0	0	0	(280,426)	7,102,209	12
(50,000)	(256,235)	(5,223,000)	(4,635,643)	21,074,000	0	2,500,000	13,209,122	525,571,198	13
0	(3,343)	0	(440,916)	0	0	0	(444,259)	11,334,501	14
0	(5,807)	(684,207)	0	0	0	273,000	(989,876)	7,046,608	15
(20,000,000)	(119,799)	(12,436,991)	0	0	0	0	(33,056,790)	212,712,549	16
0	(18,439)	(528,946)	0	0	0	4,000,000	3,452,615	28,405,433	17
(34,992,397)	(6,551,194)	(75,683,799)	(19,172,625)	46,860,165	2,200,000	124,230,086	18,418,935	5,081,721,259	18
									19
0	(116,157)	0	(1,214,990)	0	0	0	(1,331,147)	33,382,864	20
0	(34,564)	(440,789)	(71,944)	0	0	0	(547,297)	58,525,942	21
0	(150,721)	(440,789)	(1,286,934)	0	0	0	(1,878,444)	91,908,806	22
									23
(34,992,397)	(6,701,915)	(76,124,588)	(20,459,559)	46,860,165	2,200,000	124,230,086	16,540,491	5,173,630,065	24
									25
0	0	0	0	0	0	6,000,000	6,000,000	6,000,000	26
0	0	(64,000,000)	0	0	0	0	(64,000,000)	(64,000,000)	27
0	0	0	0	0	0	1,800,000	1,800,000	1,800,000	28
0	0	0	0	0	0	6,379,600	6,379,600	6,379,600	29
(34,992,397)	(6,701,915)	(140,124,588)	(20,459,559)	46,860,165	2,200,000	138,409,686	(33,279,909)	5,123,809,665	30
									31
									32
									33
									34
									35
0	(13,885)	0	(135,890)	0	0	0	(149,775)	2,568,017	36
									37
0	(303)	0	0	0	0	0	(303)	512,500	38
									39
									40
0	(32,544)	(1,330,000)	(1,889,167)	0	0	0	(5,251,711)	22,794,951	41
(650,000)	(6,545)	0	(22,582)	0	1,000,000	0	320,873	7,134,306	42
(650,000)	(39,089)	(1,330,000)	(1,911,749)	0	1,000,000	0	(4,930,838)	29,929,257	43
									44
									45
(193,984)	(692)	0	0	0	0	0	(194,676)	404,569	46
(796,403)	(44,929)	(210,334)	0	0	0	0	(6,009,564)	22,204,744	47
0	(8,969)	(1,410,524)	0	0	0	0	(1,922,136)	7,909,607	48
0	(4,855)	0	(73,900)	0	0	0	(78,755)	660,245	49
0	(139)	0	0	0	0	0	(139)	340,859	50
0	0	0	0	0	0	0	0	842,117	51
0	(10,680)	0	(128,750)	0	0	0	(139,430)	3,384,260	52
0	0	0	0	0	0	0	(8,222,916)	6,044,950	53
0	0	0	0	0	0	0	0	334,548	54
0	(29,199)	(1,153,446)	(2,645,655)	0	0	0	(3,828,300)	22,628,250	55
0	0	0	0	0	0	0	0	902,333	56
(990,387)	(99,463)	(2,774,304)	(2,848,305)	0	0	0	(20,395,916)	65,656,482	57

FY-2004 Recommended Appropriations

Appropriations by Cabinet and Agency

Agency/Cabinet Name	FY-2003	FY-2003 After Nov. Shortfall	Addtl Cuts for FY-2003 Approps.	Supplements and Adjustments	Net FY-2003	Less '03 One-time Approps	Cuts to Pass- throughs
58							
59 EDUCATION							
60 Arts Council	4,318,483	4,037,782	0	0	4,037,782	0	0
68 Career. & Technical Education (a)	131,196,667	122,668,883	0	3,735,868	126,404,751	0	0
61 Education, Department of	2,040,028,941	1,881,940,896	0	39,839,889	1,921,780,785	0	0
62 Educational TV Authority	3,741,795	3,498,578	0	0	3,498,578	0	0
63 Higher Education, Regents for	851,255,610	801,772,775	0	0	801,772,775	0	0
64 Library Department	6,891,409	6,443,467	0	0	6,443,467	0	0
65 Private Vo-Tech Schools Board (a)	166,022	155,231	0	0	155,231	0	0
66 School of Science & Math	6,522,429	6,098,471	(56,351)	0	6,042,120	0	0
67 Teacher Preparation Commission	2,219,555	2,075,284	0	0	2,075,284	0	0
69 TOTAL EDUCATION	3,046,340,911	2,828,691,367	(56,351)	43,575,757	2,872,210,773	0	0
70							
71 ENERGY							
72 Corporation Commission (a)	9,735,621	9,102,806	0	0	9,102,806	0	0
73 Liquefied Petroleum Gas Board (a)	434,148	405,928	0	0	405,928	0	0
74 Mines, Department of (a)	949,734	910,751	0	0	910,751	0	0
75 TOTAL ENERGY	11,119,503	10,419,485	0	0	10,419,485	0	0
76							
77 ENVIRONMENT							
78 Environmental Quality, Dept. of	7,460,880	6,975,923	0	0	6,975,923	0	0
79 Water Resources Board	3,839,143	3,589,599	0	0	3,589,599	0	0
80 Water Resources - REAP	4,230,000	3,955,050	0	0	3,955,050	0	0
81 TOTAL ENVIRONMENT	15,530,023	14,520,572	0	0	14,520,572	0	0
82							
83 FINANCE & REVENUE							
84 Auditor & Inspector	5,939,515	5,553,446	0	0	5,553,446	0	0
85 Finance, Office of State	8,912,398	8,363,582	0	1,900,000	10,263,582	0	0
86 Land Office Commission	4,095,100	4,095,100	0	0	4,095,100	0	0
87 Tax Commission	49,161,169	45,965,693	0	300,000	46,265,693	0	0
88 Treasurer	5,270,092	4,933,874	0	0	4,933,874	0	0
89 TOTAL FINANCE & REVENUE	73,378,274	68,911,695	0	2,200,000	71,111,695	0	0
90							
91 HEALTH & HUMAN SERVICES							
92 Children & Youth Commission	1,751,885	1,638,012	0	0	1,638,012	0	0
93 Handicapped Concerns, Office of	386,278	362,145	0	0	362,145	0	0
94 Health Department	64,292,965	60,243,923	0	0	60,243,923	0	(268,000)
95 Human Services, Department of	410,923,039	388,705,938	0	0	388,705,938	0	0
96 Office of Juvenile Affairs	102,368,528	95,714,574	0	0	95,714,574	(75,000)	(1,171,982)
97 University Hospitals Authority	41,499,895	38,802,402	0	0	38,802,402	0	0
98 Rehabilitation Services., Dept. of	25,576,817	23,914,324	0	0	23,914,324	0	0
99 Health Care Authority	442,605,130	418,554,812	0	8,800,000	427,354,812	0	0
100 Indian Affairs Commission	276,685	258,700	0	0	258,700	0	0
101 J.D. McCarty Center	2,946,549	2,755,023	0	0	2,755,023	0	0
102 Mental Health Department	150,924,452	141,189,018	0	0	141,189,018	0	0
103 Physician Manpower Trng. Comm.	5,606,623	5,268,193	0	0	5,268,193	0	0
104 TOTAL HEALTH & HUMAN SVCS.	1,249,158,846	1,177,407,064	0	8,800,000	1,186,207,064	(75,000)	(1,439,982)
105							
HUMAN RESOURCES and							
106 ADMINISTRATION							
107 Banking Department	3,107,821	2,905,813	0	0	2,905,813	0	0
108 Central Services, Department of	15,301,061	14,392,546	(285,351)	0	14,107,195	0	0
109 Consumer Credit Commission	733,716	686,024	0	0	686,024	0	0
110 Horse Racing Commission	2,144,550	2,005,154	0	0	2,005,154	0	0
111 Insurance Department	2,872,013	2,685,332	0	0	2,685,332	0	0
112 Merit Protection Commission	592,319	553,818	0	0	553,818	0	0
113 Personnel Management, Office of	5,399,774	5,048,789	0	0	5,048,789	0	0
114 Securities Commission	694,615	649,465	0	0	649,465	0	0
TOTAL HUMAN RESOURCES AND	30,845,869	28,926,941	(285,351)	0	28,641,590	0	0
115 ADMINISTRATION							

FY-2004 Recommended Appropriations

Operations Cuts	Additional Travel Reduction	Cuts with Operations Offsets	Other %age Cuts	Annualize FY-2003 Suppl's	Replace use of One-time Funds	Other Adjustments	Net Change from Rev. 2003	Recommended FY-2004 Approp.	
									58
									59
0	(1,955)	0	0	0	0	0	(1,955)	4,035,827	60
0	(59,280)	(220,395)	(50,000)	0	0	3,200,000	2,870,325	125,539,208	68
0	(116,140)	0	(102,122)	25,486,165	0	43,666,586	68,934,489	1,950,875,385	61
0	(308)	0	0	0	0	0	(308)	3,498,270	62
0	(4,253,591)	(1,939,470)	(5,898,780)	0	0	5,633,500	(6,458,341)	795,314,434	63
0	(4,444)	0	0	0	0	0	(4,444)	6,439,023	64
(54,071)	(52)	0	0	0	0	0	(54,123)	101,108	65
0	(1,801)	(335,233)	0	0	0	0	(337,034)	5,761,437	66
0	(7,883)	0	(72,635)	0	0	0	(80,518)	1,994,766	67
(54,071)	(4,445,454)	(2,495,098)	(6,123,537)	25,486,165	0	52,500,086	64,868,091	2,893,559,458	69
									70
									71
0	(20,751)	(400,000)	(910,280)	0	0	0	(1,331,031)	7,771,775	72
(77,000)	(613)	0	0	0	0	0	(77,613)	328,315	73
(105,300)	(3,189)	0	0	0	0	0	(108,489)	802,262	74
(182,300)	(24,553)	(400,000)	(910,280)	0	0	0	(1,517,133)	8,902,352	75
									76
									77
0	(97,734)	(1,500,000)	(244,157)	0	0	2,404,000	562,109	7,538,032	78
0	(14,025)	(9,000,000)	(50,000)	0	1,200,000	9,000,000	1,135,975	4,725,574	79
0	0	0	0	0	0	0	0	3,955,050	80
0	(111,759)	(10,500,000)	(294,157)	0	1,200,000	11,404,000	1,698,084	16,218,656	81
									82
									83
0	(42,949)	0	(207,883)	0	0	0	(250,832)	5,302,614	84
0	(20,084)	(44,079)	0	0	0	0	(64,163)	8,299,419	85
0	(10,897)	0	0	0	0	0	(10,897)	4,084,203	86
0	(51,387)	(522,000)	(148,085)	300,000	0	1,003,000	581,528	46,547,221	87
0	(990)	0	(232,767)	0	0	0	(233,757)	4,700,117	88
0	(126,307)	(566,079)	(588,735)	300,000	0	1,003,000	21,879	68,933,574	89
									90
									91
0	(7,975)	0	0	0	0	0	(7,975)	1,630,037	92
0	(603)	0	0	0	0	0	(603)	361,542	93
(6,921,739)	(401,290)	(13,352,225)	0	0	0	0	(20,943,254)	39,300,669	94
0	(621,260)	0	0	0	0	7,500,000	6,878,740	395,584,678	95
(1,000,000)	(49,989)	0	0	0	0	0	(2,296,971)	93,417,603	96
0	0	0	0	0	0	0	0	38,802,402	97
0	(40,383)	(595,065)	0	0	0	0	(635,448)	23,278,876	98
(2,900,000)	(4,481)	(20,041,367)	(100,000)	0	0	45,000,000	21,954,152	440,508,964	99
0	(1,694)	0	0	0	0	0	(1,694)	257,006	100
0	(5,043)	(454,012)	0	0	0	0	(459,055)	2,295,968	101
(1,583,900)	(69,164)	(2,500,000)	0	0	0	0	(4,153,064)	137,035,954	102
0	(2,145)	0	0	0	0	0	(2,145)	5,266,048	103
(12,405,639)	(1,204,027)	(36,942,669)	(100,000)	0	0	52,500,000	332,683	1,177,739,747	104
									105
									106
0	(34,356)	0	(290,581)	0	0	0	(324,937)	2,580,876	107
(660,000)	(6,378)	(1,802,505)	(39,218)	0	0	0	(2,508,101)	11,884,445	108
0	(4,702)	0	(25,680)	0	0	0	(30,382)	655,642	109
0	(8,314)	0	(75,059)	0	0	0	(83,373)	1,921,781	110
0	(9,496)	0	(100,520)	0	0	50,000	(60,016)	2,625,316	111
0	(2,515)	0	0	0	0	0	(2,515)	551,303	112
0	(8,058)	0	(376,000)	0	0	0	(384,058)	4,664,731	113
0	(4,841)	0	0	0	0	0	(4,841)	644,624	114
(660,000)	(78,660)	(1,802,505)	(907,058)	0	0	50,000	(3,398,223)	25,528,718	115

FY-2004 Recommended Appropriations

Appropriations by Cabinet and Agency

	Agency/Cabinet Name	FY-2003	FY-2003 After Nov. Shortfall	Addt'l Cuts for FY-2003 Approps.	Supplements and Adjustments	Net FY-2003	Less '03 One-time Approps	Cuts to Pass-throughs
116								
117	MILITARY AFFAIRS							
118	Military Department	7,895,866	7,382,635	0	0	7,382,635	0	0
119								
120	SAFETY AND SECURITY							
121	A.B.L.E. Commission	4,010,797	3,750,095	0	0	3,750,095	0	0
122	Attorney General	7,107,784	6,655,528	0	0	6,655,528	0	0
123	Civil Emergency Management	749,202	700,504	0	0	700,504	0	0
124	Corrections, Department of	392,828,555	367,294,699	0	18,800,000	386,094,699	0	0
125	District Attorneys Council	30,307,624	28,373,703	0	0	28,373,703	0	0
126	Fire Marshal	1,875,056	1,753,177	0	0	1,753,177	0	0
127	Indigent Defense System	15,440,273	14,449,655	0	550,000	14,999,655	(200,000)	0
128	Investigation, Bureau of	10,742,452	10,044,193	0	0	10,044,193	0	0
129	Law Enforcmt. Education & Training	2,883,685	2,858,660	0	0	2,858,660	0	0
130	Medicolegal Investigations Board	3,918,936	3,664,205	0	0	3,664,205	0	0
131	Narc. & Dang. Drugs Control	5,925,357	5,540,209	0	0	5,540,209	0	0
132	Pardon & Parole Board	2,355,603	2,202,489	0	0	2,202,489	0	0
133	Public Safety Department	69,594,193	65,074,959	0	0	65,074,959	0	0
134	TOTAL SAFETY & SECURITY	547,739,517	512,362,076	0	19,350,000	531,712,076	(200,000)	0
135								
136	SCIENCE & TECH. DEVLPMNT.							
137	Center for Adv. /Sci. & Tech.	12,597,604	11,778,760	0	0	11,778,760	0	0
138								
139	SECRETARY OF STATE							
140	Secretary of State	517,868	484,207	0	0	484,207	0	0
141	Election Board	7,227,380	6,819,235	0	0	6,819,235	0	(572,862)
142	Ethics Commission, Oklahoma	482,321	450,970	0	0	450,970	0	0
143	Council on Judicial Complaints	301,681	282,072	0	0	282,072	0	0
144	TOTAL SECRETARY OF STATE	8,529,250	8,036,484	0	0	8,036,484	0	(572,862)
145								
146	TRANSPORTATION							
147	Space Industry Development	985,000	920,975	0	0	920,975	(500,000)	0
148	Transportation, Department of	247,008,202	244,848,364	0	0	244,848,364	0	0
149	TOTAL TRANSPORTATION	247,993,202	245,769,339	0	0	245,769,339	(500,000)	0
150								
151	VETERANS							
152	Veterans Affairs, Department of	26,687,506	24,952,818	0	0	24,952,818	0	0
153								
154	TOTAL EXECUTIVE BRANCH	5,409,591,782	5,063,302,324	(653,488)	73,925,757	5,136,574,593	(1,261,965)	(17,209,336)
155								
156	LEGISLATURE							
157	House of Representatives	20,457,766	19,128,011	0	0	19,128,011	0	0
158	Legislative Service Bureau	2,417,878	2,260,716	0	0	2,260,716	0	0
159	Senate	14,251,641	13,325,284	0	0	13,325,284	0	0
160	TOTAL LEGISLATURE	37,127,285	34,714,011	0	0	34,714,011	0	0
161								
162	JUDICIARY							
163	Court of Criminal Appeals	2,817,556	2,634,415	0	0	2,634,415	0	0
164	District Courts	40,897,067	39,723,545	0	0	39,723,545	0	0
165	Supreme Court	13,543,032	12,682,235	0	0	12,682,235	0	0
166	Workers' Compensation Court	4,306,464	4,033,044	0	0	4,033,044	0	0
167	TOTAL JUDICIARY	61,564,119	59,073,239	0	0	59,073,239	0	0
168								
169	Subtotal (excludes supplementals)	5,508,283,186	5,157,089,574	(653,488)	73,925,757	5,230,361,843	(1,261,965)	(17,209,336)

a - Consolidation Proposals: LPGas Bd. and Mining Dept into the Corporation Commission; Private Vo-Tech Schools Bd. into the Career Tech Dept.

The budgets are displayed separately here to show the detailed adjustments for each entity.

FY-2004 Recommended Appropriations

Operations Cuts	Additional Travel Reduction	Cuts with Operations Offsets	Other %age Cuts	Annualize FY-2003 Suppl's	Replace use of One-time Funds	Other Adjustments	Net Change from Rev. 2003	Recommended FY-2004 Approp.	
									116
									117
0	(4,071)	0	(276,355)	0	0	0	(280,426)	7,102,209	118
									119
									120
0	(764)	0	(140,378)	0	0	0	(141,142)	3,608,953	121
0	(9,557)	0	(248,772)	0	0	0	(258,329)	6,397,199	122
0	(7,026)	0	0	0	0	0	(7,026)	693,478	123
0	(61,908)	0	0	19,474,000	0	0	19,412,092	386,706,791	124
0	(26,544)	0	(1,060,767)	0	0	0	(1,087,311)	27,286,392	125
0	(1,276)	0	(65,627)	0	0	0	(66,903)	1,686,274	126
0	(16,706)	(2,025,000)	0	1,600,000	0	0	(641,706)	13,807,949	127
0	(27,924)	0	(375,986)	0	0	0	(403,910)	9,640,283	128
0	(34,084)	0	(100,929)	0	0	0	(135,013)	2,723,647	129
0	(754)	0	0	0	0	0	(754)	3,663,451	130
0	(7,054)	0	(207,387)	0	0	0	(214,441)	5,325,768	131
0	(3,604)	0	0	0	0	0	(3,604)	2,198,885	132
(50,000)	(59,034)	(3,198,000)	(2,435,797)	0	0	2,500,000	(3,242,831)	61,832,128	133
(50,000)	(256,235)	(5,223,000)	(4,635,643)	21,074,000	0	2,500,000	13,209,122	525,571,198	134
									135
									136
0	(3,343)	0	(440,916)	0	0	0	(444,259)	11,334,501	137
									138
									139
0	0	(484,207)	0	0	0	0	(484,207)	0	140
0	(2,430)	0	0	0	0	273,000	(302,292)	6,516,943	141
0	(640)	(200,000)	0	0	0	0	(200,640)	250,330	142
0	(2,737)	0	0	0	0	0	(2,737)	279,335	143
0	(5,807)	(684,207)	0	0	0	273,000	(989,876)	7,046,608	144
									145
									146
0	(3,563)	0	0	0	0	0	(503,563)	417,412	147
(20,000,000)	(116,236)	(12,436,991)	0	0	0	0	(32,553,227)	212,295,137	148
(20,000,000)	(119,799)	(12,436,991)	0	0	0	0	(33,056,790)	212,712,549	149
									150
									151
0	(18,439)	(528,946)	0	0	0	4,000,000	3,452,615	28,405,433	152
									153
(34,992,397)	(6,551,194)	(75,683,799)	(19,172,625)	46,860,165	2,200,000	124,230,086	18,418,935	5,081,721,259	154
									155
									156
0	(61,631)	0	(669,480)	0	0	0	(731,111)	18,396,900	157
0	(5,830)	0	(79,125)	0	0	0	(84,955)	2,175,761	158
0	(48,696)	0	(466,385)	0	0	0	(515,081)	12,810,203	159
0	(116,157)	0	(1,214,990)	0	0	0	(1,331,147)	33,382,864	160
									161
									162
0	(1,758)	0	0	0	0	0	(1,758)	2,632,657	163
0	(15,152)	0	0	0	0	0	(15,152)	39,708,393	164
0	(10,827)	(440,789)	(71,944)	0	0	0	(523,560)	12,158,675	165
0	(6,827)	0	0	0	0	0	(6,827)	4,026,217	166
0	(34,564)	(440,789)	(71,944)	0	0	0	(547,297)	58,525,942	167
									168
(34,992,397)	(6,701,915)	(76,124,588)	(20,459,559)	46,860,165	2,200,000	124,230,086	16,540,491	5,173,630,065	169

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

	Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets
	GENERAL ADJUSTMENTS:				
1	Debt: Refinance outstanding debt.: roads (BON-345 & 345B)				(12,436,991)
2	Debt: Refinance outstanding debt.: non-roads (also see "Taxes" section re debt refinancing of G.O. bonds and impact on General Revenue) (\$9,134,798)				0
3	State Finance (BON-090)				(44,079)
4	Commerce Dept. (series 1996A) (BON-160)				(210,334)
5	Historical Society (BON-350)				(1,410,524)
6	Tourism (BON-566 & 620)				(1,153,446)
7	DCS (BON-580) & CORE project (BON-580B) & Lincoln Blvd. Renovation (BON-580A)				(1,802,505)
8	Regents for Higher Education (BON-605)				(1,939,470)
9	School of Science and Math (BON-629 & 629A))				(335,233)
10	Veterans Affairs (BON-650)				(528,946)
11	J.D. McCarty Center for Handicapped Children (BON-670)				(454,012)
12	Supreme Court (BON-677)				(440,789)
13	Career Tech Education (BON-800)				(220,395)
14	Rehabilitative Services (BON-805 & 805A)				(595,065)
15	Allow employees that have health insurance through spouse's employer to drop state provided coverage. Offer \$50 / mo. in lieu of income.				
16	OSEEGIB: use excess reserves to lower premium effective with 1-1-04 period.				
17	Ensure maximization of federal funds (Health and Social Services; Elementary and Secondary Education; Higher Education; Tourism).				
18	Travel: Reduce agency travel an add'l 10%.			(6,701,915)	
19	Anatomical Bd.: abolish; duties to OUHSC				
20	CEM: Disaster matching funds (amt.of outstanding state share obligation is \$14 million in '04 and \$10.5 million in '05 - '06)				
21	TRS and OPERS: Explore Defined Contribution Plan(s); all new employees only; existing ones can opt in; "savings" comes from reducing employer contribution for first year, phasing half back in 2nd year, then fully back in 3rd				(64,000,000)
22	Management tools:				
23	- allow retirement with ability to continue working for the state (employee pays own cost of insurance; no employer retirement contribution)				

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

	Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets
	GENERAL ADJUSTMENTS:				
24	- early retirement alternatives				
25	- fewer line-items				
26	- greater transfer authority in budget				
27	ADJUSTMENTS BY CABINET:				
28	Governor				
29	Governor: add'l 5% cut from initial '03 approps. (11.5% overall)				
30	Lieutenant Governor				
31	Lt. Gov.: leave appropriation at FY-2003 level				
32	Agriculture				
33	Agric.: charge for trees from state nursery facility, privatize, or cease.				(250,000)
34	Agric.: double trapping fee to \$4,800; make mandatory in order to get the services. Reduce approp.				(180,000)
35	Agric.: raise pesticide registration fee from \$100 to \$200.				(900,000)
36	Agric.: reduce pass-throughs by \$2 million		(2,000,000)		
37	Agric.: reduce remaining approp. by 10%				
38	Conserv.Comm.: add'l 3.5% cut on admin.svcs.				
39	Conserv.Comm.: Cost Share program				
40	Conserv.Comm: reduce funding related to proposed reduction in number of districts to 77 vs. 88			(650,000)	
41	Commerce and Tourism				
42	Cent.Comm.: reduce operating costs to 4 FTE			(193,984)	
43	Commerce: aerospace study; one-time in '03	(300,000)			
44	Commerce: close all foreign offices except Mexico, Vietnam and China (Europe, Nigeria, Korea)			(496,403)	
45	Commerce: Reduce funding to - COGS (Substate Planning Districts) and Community Action Agencies		(4,657,898)		
46	Commerce: reduce operations (-6 FTE)			(300,000)	
47	Historical Soc.: cut bal. of pass-throughs another 5%		(9,553)		
48	Historical Soc.: Museums / Historical Sites: one-times	(186,965)			
49	Historical Soc.: Reduce Tulsa Race Riot appropriations to half of initial '03 approp.		(306,125)		
50	Human Rights Comm.: cut another 10% from rev.'03				

FY-2004 Executive Budget

Other %age Cuts	Annualize '03 supplemental s	Replace use of one-time funds	Other Adjustments	Net change from 2003	Recommended Appropriation	check figures	Use of one- time funds
					0	0	
					0	0	
					0	0	
					(135,890)	0	
(135,890)					(135,890)	0	
					0	0	
0					0	0	
					(250,000)	0	
					(180,000)	0	
					(900,000)	0	
					(2,000,000)	0	
(1,889,167)					(1,889,167)	0	
(22,582)					(22,582)	0	
		1,000,000			1,000,000	0	
					(650,000)	0	
					0	0	
					(193,984)	0	
					(300,000)	0	
					(496,403)	0	
					(4,657,898)	0	(4,657,898)
					(300,000)	0	
					(9,553)	0	
					(186,965)	0	
					(306,125)	0	(306,125)
(73,900)					(73,900)	0	

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

	Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets
	GENERAL ADJUSTMENTS:				
51	Labor Dept.: reduce approps. another 3.5% from initial '03 G.R. approp.				
52	REAP: Reduce funding to REAP (thru Auditor & Inspector) - results in \$6,044,950 to A&I; \$3,955,050 to Water Res.Bd.		(8,222,916)		
53	Tourism: 10% additional cut on approps.				
54	Education				
55	Career Tech: add'l cut on admin. functions				
56	Career Tech: Funding for Business and Industry activities				
57	Career Tech: TIP funding				
58	Educ.: add'l 3.5% cut on admin.svcs. at state dept.				
59	Educ.: Adult Education Match				
60	Educ.: Flexible Ben.Allow.: Certified Staff (fully fund '03 adj.)				
61	Educ.: Flexible Ben.Allow.: Support Staff				
62	Educ.: funding for '04; annualize the adjustment in supplemental to "normalize" the '03 cut at 6.5%				
63	Educ.: Nat'l Bd.Cert.Teachers: \$2k incr.				
64	Educ.: Nat'l Bd.Cert.Teachers: 73 newly certified teachers				
65	Educ.: Additional funding for State Aid				
66	Educ.: School lunch match				
67	Educ.: Student Testing				
68	Higher Educ.: Endowed Chairs - change match requirements.				
69	Higher Educ.: reduce approp. to "annualize" the 6.5% cut to total appropriation rather than only GR; reduction would be taken from GR approp. for '04				
70	Higher Educ.: Regents approp. add'l admin. cut				
71	Higher Educ.: tuition increase authority comprehensives to avg. of Big 12; Regionals to 100% of regional avg's and 2-year schools to 125% of avg for 2-year schools.				0
72	Private Vo-tech Schools Bd.: Consol.w/Career Tech			(54,071)	
73	Scholarship programs: OHLAP - adjusted for tuition incr.				
74	Teacher Preparation Comm.: add'l 3.5% cut				

FY-2004 Executive Budget

Other %age Cuts	Annualize '03 supplementals	Replace use of one-time funds	Other Adjustments	Net change from 2003	Recommended Appropriation	check figures	Use of one-time funds
(128,750)					(128,750)	0	
					(8,222,916)	0	(8,222,916)
(2,645,655)					(2,645,655)	0	
					0	0	
(50,000)					(50,000)	0	
			2,000,000		2,000,000	0	
			1,200,000		1,200,000	0	
(102,122)					(102,122)	0	
			100,000		100,000	0	
			15,210,000		15,210,000	0	
			20,276,000		20,276,000	0	
	25,486,165				25,486,165	0	
			1,474,000		1,474,000	0	
			1,365,000		1,365,000	0	
			5,000,000		5,000,000	0	
			128,032		128,032	0	
			113,554		113,554	0	
					0	0	
(5,848,780)					(5,848,780)	0	
(50,000)					(50,000)	0	
					0	0	
					(54,071)	0	
			5,633,500		5,633,500	0	
(72,635)					(72,635)	0	

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

	Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets
	GENERAL ADJUSTMENTS:				
75	Energy				
76	Corp. Comm.: Cut an add'l 10% in approps. from rev. '03				
77	Corp. Comm.: fee increases				(400,000)
78	L.P. Gas consolidation with Corporation Commission.			(77,000)	
79	Mines Dept. to Corp. Comm.			(105,300)	
80	Environment				
81	DEQ: add'l 3.5% cut on '03 approp.				
82	DEQ: Clean Air Standards				
83	DEQ: Clean Air Standards: (increase fees: 7 - 8% avg. increase in all to cover costs.)				(1,500,000)
84	DEQ: fed. requirement to monitor all systems				
85	Water Res.Bd.: add'l 3.5% cut on admin.svcs.				
86	Water Res.Bd.: BUMP funding				
87	Water Res.Bd.: Munic.tap fee: 50 cents; use \$4.5 million for Comprehensive Water Plan; use \$4.5 million to get fed. match of \$35 million for water & wastewater infrastructure loan fund.				(9,000,000)
88	Water Res.Bd.: Munic.tap fee: Comprehensive water plan				
89	Water Res.Bd.: Munic.tap fee: Loan program for water / wastewater				
90	Finance and Revenue				
91	A&I: reduce an add'l 3.5%				
92	Land Comm.: Minerals management for other agencies.				
93	Tax Comm.: add'l 3.5% cut on admin.svcs.				
94	Tax Comm.: AdVal. Resources; restructure; 4FTE				
95	Tax Comm.: fed.refund offset program				
96	Tax Comm.: hire more temps to process returns faster				
97	Tax Comm.: improve revenue estimating resources; 2 FTE				
98	Tax Comm.: IRP audit compliance funds				
99	Tax Comm.: operations savings related to lower discount on sales tax returns filed other than electronically.				(522,000)
100	Treasurer: additional 4.5% cut				

FY-2004 Executive Budget

Other %age Cuts	Annualize '03 supplementals	Replace use of one-time funds	Other Adjustments	Net change from 2003	Recommended Appropriation	check figures	Use of one-time funds
					0	0	
(910,280)					(910,280)	0	
					(400,000)	0	
					(77,000)	0	
					(105,300)	0	
					0	0	
(244,157)					(244,157)	0	
			1,500,000		1,500,000	0	
					(1,500,000)	0	
			904,000		904,000	0	
(50,000)					(50,000)	0	
		1,200,000			1,200,000	0	
					(9,000,000)	0	
			4,500,000		4,500,000	0	
			4,500,000		4,500,000	0	
					0	0	
(207,883)					(207,883)	0	
					0	0	
(148,085)					(148,085)	0	
			230,000		230,000	0	
			340,000		340,000	0	
	300,000				300,000	0	
			150,000		150,000	0	
			283,000		283,000	0	
					(522,000)	0	
(232,767)					(232,767)	0	

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets
GENERAL ADJUSTMENTS:				
101	Health and Human Services			
102	DHS: maint.of programs/annualizations			
103	DHS: transfer of Eldercare program funds from Health Dept.; DOH funds reduced \$6.8 million; DHS to add to existing funds and match with federal funds.			
104	HCA: add'l cut on admin.svcs.			
105	HCA: additional adjustments to the SMAC.			
106	HCA: Collections from absent fathers			
107	HCA: Funding for '04 operations - maint., annualizations			
108	HCA: HMO Medicaid Provider Fee: impact in '04 will provide HCA an additional \$16 million for programs.			
109	HCA: reduction in dispensing fee of \$1.			
110	HCA: supplemental drug rebate; reduce appropriations			
111	Health Dept.: Ch.1st - use Medicaid \$ in 2nd half of FY-2004. Narrow scope of services.			
112	Health Dept.: Ch.1st - use TANF \$ as state match for first half of FY-2004.			
113	Health Dept.: Child Abuse prevention - use TANF funds for state match in '04; reduce approp.			
114	Health Dept.: Eldercare - transfer program to DHS for FY-2004; funds to DHS will be reduced; they'll match federal funds; DOH will provide services as a provider through DHS; will require modifications to existing DOH services.			
115	Health Dept.: HMO regulation to Insurance Comm.			
116	Health Dept.: Nursing Home inspections - stop duplicative inspections at Veterans Centers			
117	Health Dept.: reduce admin. appropriation			
118	Health Dept.: Reduce pass-throughs by an add'l 10%			
119	Health Dept.: Use TANF dollars to supplant GR on teen preg.prev.			
120	Juvenile Affairs: annualize '03 cuts			
121	Juvenile Affairs: one-time capital projects grants to detention centers			
122	Juvenile Affairs: reduce approps. to pass-throughs			
123	Mental Health: additional Medicaid			

FY-2004 Executive Budget

Other %age Cuts	Annualize '03 supplementals	Replace use of one-time funds	Other Adjustments	Net change from 2003	Recommended Appropriation	check figures	Use of one-time funds
					0	0	
			4,000,000		4,000,000	0	
			3,500,000		3,500,000	0	
(100,000)					(100,000)	0	
					(1,600,000)	0	
					(150,000)	0	
			45,000,000		45,000,000	0	
					(15,891,367)	0	
					(1,300,000)	0	
					(4,000,000)	0	
					(3,897,171)	0	
					(5,542,054)	0	(5,542,054)
					(2,915,000)	0	(2,915,000)
					(6,786,522)	0	
					(150,000)	0	
					0	0	
					(135,217)	0	
					(268,000)	0	(268,000)
					(848,000)	0	(848,000)
					(1,000,000)	0	
					(75,000)	0	
					(1,171,982)	0	(1,171,982)
					(500,000)	0	

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

	Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets
	GENERAL ADJUSTMENTS:				
124	Mental Health: annualize cut of 7.5% vs 6.5%			(1,583,900)	
125	Mental Health: property to sell in Norman.				(2,000,000)
126	Human Resources and Administration				
127	Banking Dept.: reduce approp. another 10% on '03 revised				
128	Consumer Credit: add'l 3.5% approp. cut				
129	DCS: add'l 3.5% cut on admin.sves.				
130	DCS: asbestos program; outsource work; keep half the appropriation			(660,000)	
131	Horse Racing Com.: reduce an add'l 3.5%.				
132	Ins.Comm.: cut an add'l 3.5%.				
133	Ins.Comm.: HMO regulation from Health Dept.				
134	OPM: move EBC to OPM				
135	OPM: remove one-times; annualize savings from RIF				
136	Military Affairs				
137	Military: add'l 3.5% cut in approps.				
138	Safety and Security				
139	ABLE: reduce approp. an add'l 3.5% (total of 10%)				
140	Attorney General: add'l 3.5% cut				
141	CLEET: add'l 3.5% cut				
142	Corrections Dept.-annualize Suppl.				
143	District Attorneys: add'l 3.5% cut				
144	DPS: add'l 3.5% cut in '04				
145	DPS: Capitol Security opns. - (line-item)				
146	DPS: Digital Drivers Licenses: minimum sales level at Tag Agent to qualify for new DDL equipment;implement program in '04 vs. '05; implement fees early also. Use \$900k saved in revolving fund costs for general agency operations.				(900,000)
147	DPS: Digital Drivers Licenses.				(1,350,000)
148	DPS: Drivers Licenses: Reduce no. of Drivers' License Offices to 60 full time (closes 29 one and two day offices)			(50,000)	
149	DPS: Turnpike reimbursement to include Admin. costs.				(948,000)
150	Fire Marshal: add'l 3.5% cut				
151	Indigent Defense - '04 opns				
152	Narcotics Bureau: 3.5% add'l cut				

FY-2004 Executive Budget

Other %age Cuts	Annualize '03 supplementals	Replace use of one-time funds	Other Adjustments	Net change from 2003	Recommended Appropriation	check figures	Use of one-time funds
					(1,583,900)	0	
					(2,000,000)	0	(2,000,000)
					0	0	
(290,581)					(290,581)	0	
(25,680)					(25,680)	0	
(39,218)					(39,218)	0	
					(660,000)	0	
(75,059)					(75,059)	0	
(100,520)					(100,520)	0	
			50,000		50,000	0	
					0	0	
(376,000)					(376,000)	0	
					0	0	
(276,355)					(276,355)	0	
					0	0	
(140,378)					(140,378)	0	
(248,772)					(248,772)	0	
(100,929)					(100,929)	0	
	19,474,000				19,474,000	0	
(1,060,767)					(1,060,767)	0	
(2,435,797)					(2,435,797)	0	
			2,500,000		2,500,000	0	
					(900,000)	0	
					(1,350,000)	0	
					(50,000)	0	
					(948,000)	0	
(65,627)					(65,627)	0	
	1,600,000				1,600,000	0	
(207,387)					(207,387)	0	

FY-2004 Executive Budget

Detail of Recommended Appropriations Adjustments by Agency

Agency / adjustment	Less '03 one-time approps	Cuts to pass-throughs	Operations cuts	Cuts with operations offsets	
GENERAL ADJUSTMENTS:					
153	OIDS: give them a share of seizure money; 75% up to cap of \$1 million			(1,000,000)	
154	OIDS: moving expenses: one-time for '03	(200,000)			
155	OIDS: pro-rate allocation of various fees collected by court clerks; establish which fees are mandatory. Set a minimum felony and misdemeanor fee.			(500,000)	
156	OIDS: remove reqm't that OIDS provide capital counsel in OKC and Tulsa.			(200,000)	
157	OIDS: use half the forensic money in the base approp. for expenses related to providing direct defense			(325,000)	
158	OSBI: add'l 3.5% cut				
159	Science and Technology Development				
160	OCAST: reduce an add'l 3.5%				
161	Secretary of State				
162	Co.Election Bd.Sec.sals (5-1-03 increase)				
163	Co.Election Bd.Sec.sals (5-1-03; reduce state share to 120% vs. 135%)		(327,662)		
164	Elec.Bd.: eliminate \$25/day training stipend (counties pick up mileage costs)		(245,200)		
165	Ethics Comm.: implement a lobbyist fee.			(200,000)	
166	Sec.of State: fee increases of approx. 15% average (eliminate appropriated funding).			(484,207)	
167	Transportation				
168	ODOT: reduce general revenue funding		(20,000,000)		
169	Spaceport Authority: one-time for environmental impact study	(500,000)			
170	Veterans Affairs				
171	Veterans Aff.: Lawton opening (phase in the opening of the beds in FY-2004)				
172	Legislature				
173	House of Representatives: add'l 3.5% cut				
174	Legislative Service Bureau: add'l 3.5% cut				
175	Senate: add'l 3.5% cut				
176	Judiciary				
177	Supreme Court: add'l 3.5% cut on admin.svcs.				
178					
179	Totals	(1,261,965)	(17,209,336)	(41,694,312)	(140,124,588)

FY-2004 Executive Budget

Other %age Cuts	Annualize '03 supplementals	Replace use of one-time funds	Other Adjustments	Net change from 2003	Recommended Appropriation	check figures	Use of one-time funds
					(1,000,000)	0	
					(200,000)	0	
					(500,000)	0	
					(200,000)	0	
					(325,000)	0	
(375,986)					(375,986)	0	
					0	0	
(440,916)					(440,916)	0	
					0	0	
			273,000		273,000	0	
					(327,662)	0	
					(245,200)	0	
					(200,000)	0	
					(484,207)	0	
					0	0	
					(20,000,000)	0	(20,000,000)
					(500,000)	0	(500,000)
					0	0	
			4,000,000		4,000,000	0	
					0	0	
(669,480)					(669,480)	0	
(79,125)					(79,125)	0	
(466,385)					(466,385)	0	
					0	0	
(71,944)					(71,944)	0	
(20,459,559)	46,860,165	2,200,000	130,230,086	0	(32,324,711)	0	(58,868,966)

FY-2004 Executive Budget

Average FTE FY-1998 through FY-2003 Year-to-Date

	FY-98	FY-99	FY-2000	FY-2001	FY-2002	FY-2003
CABINET/AGENCY	Actual	Actual	Actual	Actual	Actual	Year-to-Date
1 GOVERNOR	40.2	41.0	39.7	38.4	36.6	32.4
1 LIEUTENANT GOVERNOR	9.0	8.6	8.3	8.1	8.1	6.9
2 ADMINISTRATION and HUMAN RESOURCES	1,671.7	1,698.9	1,655.1	1,662.8	1,665.7	1,663.2
16 AGRICULTURE	531.4	542.2	528.6	567.4	571.3	550.9
3 COMMERCE and TOURISM	1,821.1	1,825.0	1,783.2	1,809.9	1,799.1	1,732.9
4 EDUCATION (excluding	1,100.6	1,101.4	1,098.8	1,103.9	1,114.6	1,076.2
13 ENERGY	448.6	514.2	508.4	502.8	501.7	486.3
7 ENVIRONMENT	592.1	627.3	626.1	606.0	615.9	624.4
5 FINANCE and REVENUE	2,007.9	1,998.4	1,932.0	1,930.9	1,956.9	1,906.7
9 HEALTH and HUMAN SERVICE	15,954.0	14,656.7	14,208.0	13,996.2	14,390.0	14,389.5
8 MILITARY DEPARTMENT	250.7	301.4	343.0	408.2	413.7	402.0
8 SAFETY and SECURITY	8,117.1	8,372.1	8,571.2	8,551.3	8,639.8	8,431.4
18 SCIENCE and TECHNOLOGY	18.3	18.6	18.9	19.3	19.9	19.8
1 SECRETARY of STATE	62.3	68.8	69.6	69.1	67.6	68.6
10 TRANSPORTATION	2,663.1	2,653.8	2,636.0	2,535.5	2,436.2	2,452.5
15 VETERANS AFFAIRS	1,422.9	1,470.4	1,549.8	1,528.9	1,452.1	1,458.7
Sub-total	36,711.0	35,898.8	35,576.7	35,338.7	35,689.2	35,302.3
11 LEGISLATURE	493.4	508.2	521.6	539.4	540.1	498.3
12 JUDICIARY	835.1	859.0	865.9	881.0	898.9	889.6
Sub-total	1,328.5	1,367.2	1,387.5	1,420.4	1,439.0	1,387.8
17 REGENTS	278.3	289.3	294.8	306.7	304.2	308.4
17 HIGHER EDUCATION	26,191.1	27,069.0	27,011.7	27,660.5	28,423.0	26,938.6
Sub-total	26,469.4	27,358.3	27,306.5	27,967.2	28,727.2	27,247.0
GRAND TOTAL	64,508.9	64,624.3	64,270.7	64,726.3	65,855.4	63,937.1
Cabinets/Executive (non-h.e.)	36,711.0	35,898.8	35,576.7	35,338.7	35,689.2	35,302.3
Judiciary & Legislature	1,328.5	1,367.2	1,387.5	1,420.4	1,439.0	1,387.8
TOTAL: Cabinets, Legis. & Judiciary	38,039.5	37,266.0	36,964.2	36,759.1	37,128.2	36,690.1
305 GOVERNOR	40.2	41.0	39.7	38.4	36.6	32.4
440 LIEUTENANT GOVERNOR	9.0	8.6	8.3	8.1	8.1	6.9
ADMINISTRATION - APPROPRIATED and HUMAN RESOURCES						
65 Banking Department	39.9	41.0	42.4	42.8	42.5	42.2
290 Employment Security Commission	729.6	761.2	715.8	708.6	712.4	723.2
298 Merit Protection Commission	8.7	8.9	8.5	9.7	9.7	8.7
353 Horse Racing Commission	39.1	38.6	38.6	37.6	35.8	35.3
385 Insurance Department	110.8	116.8	127.3	131.7	132.4	129.7
516 State & Educ. Employees Grp. Ins. Board	154.1	159.6	160.9	165.1	170.7	177.6
548 Personnel Management, Office of	108.3	104.5	97.9	97.6	98.4	96.5
580 Central Services, Dept. of	284.3	265.6	258.8	262.0	259.5	245.6
630 Securities Commission	28.8	29.1	29.4	26.7	27.6	26.6
635 Consumer Credit Commission	13.5	15.1	14.8	14.7	13.7	13.4
815 Employees Benefits Council	23.3	25.0	27.5	30.5	30.7	30.7
Sub-total	1,540.4	1,565.4	1,521.9	1,527.0	1,533.4	1,529.5

FY-2004 Executive Budget

CABINET/AGENCY	FY-98 Actual	FY-99 Actual	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Year-to-Date
ADMINISTRATION - NON-APPROPRIATED						
20 Public Accountancy, State	5.7	5.8	6.9	6.7	6.0	6.0
45 Licensed & Landscape Architects, Bd.	1.9	2.0	2.7	3.0	2.9	2.6
145 Chiropractic Examiners Board	3.5	1.7	1.4	3.0	2.0	2.0
190 Cosmetology, State Board of	12.5	13.9	13.9	13.7	12.7	13.1
215 Dentists, Bd. of Governors of	3.9	4.2	4.2	4.0	4.0	4.0
285 Embalmers and Funeral Directors, Bd.	2.9	3.0	3.2	3.2	3.4	3.9
450 Medical Licensure & Supervision, Bd.	25.6	24.4	21.0	20.0	19.9	20.3
475 Motor Vehicle Commission	3.8	3.7	3.7	3.7	4.0	4.0
510 Board of Nursing	19.1	19.6	19.2	20.8	21.0	20.3
520 Optometry, Board of Examiners	1.2	1.2	1.2	1.2	1.2	1.3
525 Osteopathic Examiners Board	4.0	4.5	4.5	4.6	4.5	4.5
560 Pharmacy, Board of	7.1	7.8	8.2	8.2	7.8	8.2
570 Prof. Engineers & Land Surveyors	6.3	6.4	6.1	7.5	6.4	6.0
575 Psychologist Examiners Board	1.7	1.7	1.7	1.7	1.9	2.0
588 Real Estate Commission	18.2	19.7	20.1	18.9	18.4	19.6
622 Licensed Social Workers Board	1.0	1.0	1.2	1.2	0.4	0.0
632 Speech-Language Path. & Audio, Bd.	0.9	1.0	1.1	1.5	1.8	2.0
755 Used Motor Vehicle & Parts	8.6	8.4	8.8	8.8	10.0	10.0
790 Veterinary Medical Examiners Board	3.4	3.5	4.1	4.1	4.0	4.0
Sub-total	131.3	133.5	133.2	135.8	132.3	133.7
Total	1,671.7	1,698.9	1,655.1	1,662.8	1,665.7	1,663.2
AGRICULTURE						
39 Boll Weevil Eradication Organization	8.2	23.2	22.0	57.2	57.3	59.4
40 Agriculture, Department of	502.7	497.7	483.7	487.9	492.2	470.5
535 Peanut Commission	1.0	1.0	1.0	1.0	1.0	1.0
645 Conservation Commission	15.5	16.5	16.9	16.5	15.8	15.9
875 Wheat Commission	4.0	3.8	4.9	4.8	5.0	4.2
Total	531.4	542.2	528.6	567.4	571.3	550.9
COMMERCE and TOURISM						
7 Centennial Commission	0.0	0.0	0.0	6.6	8.6	7.7
160 Commerce, Department of	164.4	149.5	146.2	147.1	144.4	139.9
204 J.M. Davis Memorial Commission	9.6	8.7	8.1	8.9	9.3	9.5
320 Wildlife Conservation Commission	358.0	339.7	337.4	329.7	327.8	332.7
350 Historical Society, Oklahoma	137.5	139.2	153.4	150.6	154.2	148.5
355 Human Rights Commission	20.5	19.5	18.8	18.2	19.2	19.4
370 Industrial Finance Authority	9.6	8.8	8.8	7.8	7.1	6.8
405 Labor Department	119.5	116.2	103.0	103.2	104.2	107.3
566 Tourism & Recreation Department	989.3	1,031.6	995.2	1,023.4	1,010.4	937.1
568 Scenic Rivers Commission		0.0	0.0	0.0	0.0	11.8
880 Will Rogers Memorial	12.7	11.8	12.3	14.4	13.9	12.3
Total	1,821.1	1,825.0	1,783.2	1,809.9	1,799.1	1,732.9
EDUCATION (Excl. Higher Education) *						
55 Arts Council, State	15.5	16.1	16.3	16.9	16.8	16.9
265 Education, State Department of	482.6	490.4	478.5	481.4	479.9	459.9
266 Educational Television Authority	59.5	60.3	66.9	72.0	72.1	69.2
269 OK Comm. for Teacher	6.2	7.7	8.2	7.8	8.9	8.8
430 Libraries, Department of	77.8	79.9	77.9	74.3	74.8	74.3
563 Private Vocational Schools Board	3.0	3.0	3.0	3.0	2.8	3.0
629 School of Science & Mathematics	47.0	52.4	55.9	61.3	69.1	69.9
800 Career and Technology Education	409.0	391.6	392.1	387.2	390.2	374.3
Total	1,100.6	1,101.4	1,098.8	1,103.9	1,114.6	1,076.2

* Excludes Student Loan Authority

FY-2004 Executive Budget

CABINET/AGENCY	FY-98 Actual	FY-99 Actual	FY-2000 Actual	FY-2001 Actual	FY-2002 Actual	FY-2003 Year-to-Date
ENERGY						
125 Mines, Department of	44.8	42.0	42.6	42.6	41.8	41.4
185 Corporation Commission	433.1	457.2	450.3	445.3	445.1	430.3
307 Interstate Oil Compact	2.0	2.0	2.0	2.0	1.7	1.0
445 Liquefied Petroleum Gas Board	9.5	9.4	9.5	9.8	10.0	9.6
446 Marginally Producing Oil & Gas Wells	4.0	3.6	4.0	3.1	3.1	4.0
Total	448.6	514.2	508.4	502.8	501.7	486.3
ENVIRONMENT						
292 Dept. of Environmental Quality	510.8	539.4	532.3	516.0	517.6	523.8
835 Water Resources Board	81.3	87.9	93.8	90.0	98.3	100.6
Total	592.1	627.3	626.1	606.0	615.9	624.4
FINANCE & REVENUE						
90 Finance, Office of State	136.4	129.0	126.0	120.3	118.0	117.0
92 Tobacco Board of Directors		0.0	0.0	0.0	0.0	1.0
300 Auditor & Inspector	161.8	152.8	150.5	159.6	160.2	150.9
315 Firefighters Pension & Retirement	10.1	10.3	9.7	9.2	9.6	10.2
390 CompSource Oklahoma	384.2	356.5	328.5	316.6	331.4	355.1
410 School Land Commission	53.4	54.8	56.0	53.9	53.5	54.4
416 Law Enforcement Retirement	4.0	4.6	5.3	4.5	4.0	4.0
515 Public Employees Retirement System	39.8	39.4	39.7	45.4	48.9	49.1
557 Police Pension & Retirement	6.4	6.6	7.6	8.0	9.2	9.3
695 Tax Commission	1,115.5	1,148.6	1,108.3	1,099.9	1,098.3	1,029.5
715 Teachers Retirement System	37.4	38.7	40.6	45.1	49.2	49.3
740 Treasurer	58.9	57.1	59.8	68.4	74.6	77.0
Total	2,007.9	1,998.4	1,932.0	1,930.9	1,956.9	1,906.7
HEALTH & HUMAN SERVICES						
127 Children & Youth Commission	20.1	19.0	20.2	20.4	20.2	22.2
326 Handicapped Concerns	8.8	8.5	7.5	8.2	8.0	7.6
340 Health, Department of	2,071.7	2,280.4	2,356.4	2,285.2	2,320.1	2,391.1
360 Indian Affairs Commission	3.3	3.6	4.6	4.4	4.1	3.5
400 Office of Juvenile Affairs	1,093.4	1,116.4	1,058.7	1,078.7	1,096.3	1,094.9
452 Mental Health & Substance Abuse	2,260.8	2,151.2	1,926.8	1,793.3	1,853.1	1,799.1
509 Nursing Homes Administrators Board	3.0	3.0	3.0	3.0	3.0	3.0
619 Physician Manpower Training Comm.	6.0	6.0	6.0	6.0	6.0	6.0
670 J.D. McCarty Center	122.5	128.7	127.4	126.9	134.5	140.5
805 Department of Rehab. Services	869.8	874.6	871.1	871.1	897.3	896.4
807 Health Care Authority	234.0	247.1	255.9	263.8	281.3	272.2
825 University Hospitals Authority	1,596.1	25.7	13.6	4.0	4.0	4.0
830 Human Services Department	7,664.5	7,792.5	7,556.8	7,531.2	7,762.1	7,749.1
Total	15,954.0	14,656.7	14,208.0	13,996.2	14,390.0	14,389.5
MILITARY DEPARTMENT						
25 Military Department	250.7	301.4	343.0	408.2	413.7	402.0
Total	250.7	301.4	343.0	408.2	413.7	402.0

FY-2004 Executive Budget

CABINET/AGENCY	FY-98	FY-99	FY-2000	FY-2001	FY-2002	FY-2003
	Actual	Actual	Actual	Actual	Actual	Year-to-Date
SAFETY & SECURITY						
30 A.B.L.E. Commission	60.5	62.5	62.0	62.2	61.2	58.2
47 Indigent Defense System	107.0	113.0	124.5	134.7	141.1	133.6
49 Attorney General	143.6	151.6	158.6	158.6	158.8	160.8
131 Corrections Department	4,915.5	5,078.8	5,150.0	5,095.5	5,123.6	4,864.0
220 District Attorney's Council	1,077.5	1,107.8	1,152.1	1,150.1	1,157.1	1,153.0
306 Pardon and Parole Board	37.3	39.3	39.4	39.7	41.9	39.6
309 Civil Emergency Management, Dept. of	27.4	28.6	29.3	29.0	29.1	27.3
415 Council on Law Enforce. Educ. & Trng.	32.7	36.5	37.6	37.8	38.6	36.1
308 Investigation, Okla. State	226.6	241.0	253.5	256.2	264.6	283.6
310 State Fire Marshal, Office of	26.3	29.8	29.0	30.2	30.5	31.8
342 Medicolegal Investigations Board	57.1	59.8	60.4	60.1	66.1	67.9
477 Narcotics & Dangerous Drugs	89.1	90.6	98.2	97.8	102.5	97.3
585 Public Safety, Department of	1,316.5	1,332.8	1,376.6	1,399.4	1,424.7	1,478.3
Total	8,117.1	8,372.1	8,571.2	8,551.3	8,639.8	8,431.4
SCIENCE & TECHNOLOGY						
628 Center f/t Adv. of Science & Technology	18.3	18.6	18.9	19.3	19.9	19.8
Total	18.3	18.6	18.9	19.3	19.9	19.8
SECRETARY OF STATE						
678 Council on Judicial Complaints	0.0	1.6	1.9	2.0	2.0	2.0
270 Election Board	23.2	25.1	24.6	23.7	22.8	23.3
296 Ethics Commission	6.7	7.0	7.0	6.8	7.0	7.0
625 Secretary of State	32.4	35.1	36.1	36.6	35.8	36.4
Total	62.3	68.8	69.6	69.1	67.6	68.6
TRANSPORTATION DEPARTMENT *						
60 Aeronautics Commission		0.0	0.0	0.0	0.0	9.0
345 Department of Transportation	2,663.1	2,653.8	2,636.0	2,535.5	2,433.3	2,439.5
346 Space Industry Development Au	0.0	0.0	0.0	0.0	2.9	4.0
Total	2,663.1	2,653.8	2,636.0	2,535.5	2,436.2	2,452.5
* Does not include the Transportation Authority						
VETERANS AFFAIRS						
650 Veterans Affairs	1,422.9	1,470.4	1,549.8	1,528.9	1,452.1	1,458.7
Total	1,422.9	1,470.4	1,549.8	1,528.9	1,452.1	1,458.7
LEGISLATURE						
421 Senate	193.5	194.3	200.4	206.0	208.1	198.3
422 House of Representatives	285.4	287.1	294.0	300.5	297.5	266.6
423 Legislative Service Bureau	14.5	26.8	27.2	32.9	34.5	33.4
Total	493.4	508.2	521.6	539.4	540.1	498.3
JUDICIARY						
199 Court of Criminal Appeals	35.9	35.2	35.1	34.7	33.9	30.8
219 District Courts	570.6	580.8	588.9	595.3	611.0	611.5
369 Workers' Compensation Court	94.7	95.3	94.3	94.7	96.5	93.7
677 Supreme Court/Court of Appeal	133.9	147.7	147.6	156.3	157.5	153.6
Total	835.1	859.0	865.9	881.0	898.9	889.6
STATE REGENTS						
600 A & M Regents	0.0	0.0	0.0	0.0	0.0	0.0
605 Regents For Higher Education	270.8	281.8	286.8	299.3	296.7	300.2
610 Regents For Oklahoma Colleges	7.5	7.5	8.0	7.4	7.5	8.2
Total	278.3	289.3	294.8	306.7	304.2	308.4

FY-2004 Executive Budget

CABINET/AGENCY	FY-98	FY-99	FY-2000	FY-2001	FY-2002	FY-2003
	Actual	Actual	Actual	Actual	Actual	Year-to-Date
COLLEGES & UNIVERSITIES						
10 Oklahoma State University	6,762.7	7,043.3	7,159.4	7,279.6	7,486.4	7,310.1
41 Western Oklahoma State College	127.5	135.7	137.8	144.2	143.6	138.3
100 Cameron University	540.4	557.0	568.2	573.8	588.1	562.3
108 Carl Albert State College	195.0	193.9	193.6	206.2	217.5	230.7
120 University of Central Oklahoma	1,226.0	1,171.1	1,207.0	1,215.1	1,091.5	1,193.4
150 Univ. of Science and Arts of Okla.	175.7	173.3	171.6	174.3	175.6	169.7
165 Connors State College	222.9	231.0	211.6	236.7	252.9	229.5
230 East Central Oklahoma State Univ.	534.9	535.6	546.7	533.3	541.0	532.3
240 Eastern Oklahoma State College	211.5	220.3	220.3	214.0	209.3	208.7
241 Redland Community College	133.8	136.8	135.9	142.7	150.2	138.6
420 Langston University	455.6	489.6	457.7	457.2	478.2	478.0
461 Rogers State Univ.(Claremore)	405.5	321.3	265.0	285.1	325.2	330.3
470 Murray State College	155.8	161.2	161.3	162.2	164.7	159.5
480 Northeastern A & M College	322.8	320.6	310.7	303.1	319.5	289.6
485 Northeastern Oklahoma State Univ.	1,012.9	1,029.2	988.2	996.5	1,045.5	975.3
490 Northern Oklahoma College	194.6	193.7	221.5	241.2	247.6	225.5
505 Northwestern Oklahoma State Univ.	241.9	247.8	251.6	266.6	276.2	270.9
530 Oklahoma Panhandle State University	182.1	189.3	193.9	187.9	188.8	172.1
531 Rose State College	520.6	534.5	540.3	540.6	545.4	508.8
620 Quartz Mountain Resort & Park	29.0	26.1	27.8	23.2	13.7	15.0
623 Seminole Junior College	152.4	155.1	154.6	161.1	161.4	160.5
633 South Oklahoma City J.C.	506.2	518.8	528.3	547.6	507.8	451.7
660 Southeastern Oklahoma State Univ.	516.8	529.7	529.7	534.7	563.1	556.0
665 Southwestern Oklahoma State Univ.	606.5	620.2	633.7	633.0	632.0	635.5
750 Tulsa Community College	1,156.7	1,148.7	1,179.7	1,189.4	1,189.1	1,145.3
774 University Center at Tulsa	0.0	0.0	0.0	0.0	0.0	0.0
Sub-total	16,589.8	16,883.8	16,996.1	17,249.3	17,514.3	17,087.6
325 OU Geological Survey	0.0	0.0	0.0	0.0	0.0	0.0
760 University of Oklahoma	5,563.1	5,732.9	5,735.6	5,954.4	6,225.5	4,977.9
761 Oklahoma University Law Center	0.0	0.0	0.0	0.0	0.0	0.0
770 Okla. University Health Science Ctr.	3,530.0	3,895.0	3,993.1	4,149.1	4,407.1	4,581.7
771 OU Health Science Ctr.Prof.Prac.Plan	458.3	502.4	229.9	257.9	276.1	291.4
845 Medical Research & Technology	49.9	54.9	57.0	49.8	0.0	0.0
Sub-total	9,601.3	10,185.2	10,015.6	10,411.2	10,908.7	9,851.0
Sub-total Colleges & Universities	26,191.1	27,069.0	27,011.7	27,660.5	28,423.0	26,938.6
Sub-total Higher Education	26,469.4	27,358.3	27,306.5	27,967.2	28,727.2	27,247.0
GRAND TOTAL	64,508.9	64,624.3	64,270.7	64,726.3	65,855.4	63,937.1

Constitutional Reserve 'Rainy Day' Fund History

Description	FY-88	FY-89	FY-90	FY-91	FY-92	FY-93
Certified 100 pct.	2,319,840,831	2,499,838,709	2,661,169,752	3,034,375,978	3,213,893,237	3,365,177,687
Cert. Approp 95 pct.	2,203,848,789	2,374,846,774	2,528,111,264	2,882,657,179	3,053,198,575	3,196,918,803
Max. Fund Limit	0	220,384,879	237,484,677	252,811,126	288,265,718	305,319,858
Deposits	0	77,994,351	100,810,258	73,929,614	75,117,212	0
Re-Deposits	0	0	0	0	10,464	25,176
Fund Balance	0	77,994,351	178,804,609	252,734,223	327,861,899	327,887,075
Avail for Budget Stabilization	0	0	0	0	0	0
Avail Emerg app.	0	38,997,176	89,402,305	126,367,112	163,925,718	163,930,950
Appropriated	0	26,000,000	75,000,000	30,000,000	61,878,177	43,867,903
Description	FY-94	FY-95	FY-96	FY-97	FY-98	FY-99
Certified 100 pct.	3,398,476,001	3,515,271,803	3,613,566,660	3,531,051,107	3,866,388,947	4,185,608,918
Cert. Approp 95 pct.	3,228,552,201	3,339,508,212	3,432,888,327	3,354,498,552	3,673,069,497	3,976,328,472
Max. Fund Limit	319,691,880	322,855,220	333,950,821	343,288,833	335,449,855	367,306,950
Deposits	0	0	0	91,402,205	247,042,462	142,898,076
Re-Deposits	0	3,555	0	12,909	388,745	1,119,324
Fund Balance	327,887,075	327,890,630	45,574,052	114,300,821	308,906,533	298,479,933
Available for Budget Stabilization	0	0	0	0	0	0
Available for Emergency	45,570,498	22,785,249	22,787,026	57,143,956	154,453,266	148,680,304
Appropriated	45,570,498	22,785,249	22,688,345	52,825,496	154,444,000	148,621,410
Description	FY-00	FY-01	FY-02	FY-03	FY-04*	
Certified 100 pct.	4,271,447,504	4,456,033,491	4,828,695,956	4,725,288,154	4,387,523,672	
Cert. Approp 95 pct.	4,057,875,129	4,233,231,816	4,587,261,158	4,489,023,746	4,168,147,488	
Max. Fund Limit	397,632,847	405,787,513	423,323,182	458,726,116	448,902,375	
Deposits	0	82,584,612	261,904,617	0	N/A	
Re-Deposits	28,700	9,826	299,087	0	N/A	
Fund Balance	149,887,223	157,552,400	340,984,817	72,398,995	N/A	
Available for Budget Stabilization	0	0	98,242,957	36,199,497	N/A	
Available for Emergency	74,929,261	78,771,287	170,342,865	36,199,497	N/A	
Appropriated	74,929,261	78,771,287	268,585,822	N/A	N/A	

*Certified estimate as of December 20, 2002 State Board of Equalization certification of revenue.

Constitutional Reserve Fund Appropriations

Agency Name	Purpose	Session			Per Agency	
		2000	2001	2002	Detail	Total
Centennial Commission						1,250,000
	Capitol dome construction			1,250,000	1,250,000	
Central Services						1,481,287
	Repair of buildings		981,287	500,000	1,481,287	
Corrections						15,000,000
	Duties			15,000,000	15,000,000	
DEQ						4,000,000
	EPA Tar Creek Superfund Clean-up			4,000,000	4,000,000	
Education						46,945,070
	Financial support of schools			6,192,898	6,192,898	
	Flexible benefits			7,412,172	7,412,172	
	National Board certified personnel			340,000	340,000	
	Testbooks			33,000,000	33,000,000	
Ethics Commission						68,938
	Duties			68,938	68,938	
Health Care Authority						69,121,479
	Medicaid			69,121,479	69,121,479	
Higher Education						63,385,796
	Allocation to Institutions - Article XIII-A			54,685,796	54,685,796	
	O.U. weather center		2,700,000		2,700,000	
	OU/Tulsa campus			1,000,000	1,000,000	
	O.S.U. Tulsa		2,500,000	2,500,000	5,000,000	
Historical Society						2,300,000
	Murrah Memorial	2,300,000			2,300,000	
Human Services						49,121,478
	Duties			49,121,478	49,121,478	
Labor						300,000
	Duties			300,000	300,000	
OETA						400,000
	Channel 3 analog transmitter			400,000	400,000	
State Emergency Fund						16,601,000
	State emergencies	1,000,000	10,100,000	5,501,000	16,601,000	
State Finance						6,080,792
	Statewide system development		5,040,000	1,040,792	6,080,792	
Transportation						144,994,881
	Roads	70,643,612	57,200,000	17,151,269	144,994,881	
University Hospitals						250,000
	Child study center		250,000		250,000	
Water Resources						1,000,000
	Weather modification	1,000,000			1,000,000	
Total per Legislative Session		74,943,612	78,771,287	268,585,822	422,300,721	
2000 - 2002 Sessions Grand Total						<u>422,300,721</u>

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Explanation of Design of Tables and Figures

The tables and figures in this section are intended to provide the reader with a broad array of information about the Oklahoma economy and its government. This information is presented in two different, but complementary formats.

The first of these formats is the ranking of all fifty states in the various measures presented. This comparison helps the reader understand where Oklahoma ranks nationally, and how we compare to other states. The second format is a comparison of Oklahoma to the United States over a history of varying length depending upon the data series. This comparison shows how our state has been performing compared to the nation as a whole over time.

By combining these two views of comparing Oklahoma against some benchmark, we get a great deal more information than if we look at either view separately. For example, knowing that Oklahoma ranks 40th on some measure may seem to be bad news, but if our standing compared to the United States has improved over time, this is less concerning. Conversely, Oklahoma ranking 10th in some comparison may not be strictly good news if our trend compared to the nation as a whole has been declining.

In order to maximize the value of these two comparisons of Oklahoma's performance on the various measures included here, a general format is followed. First, the fifty state ranking is presented followed by the comparison of Oklahoma and the United States over time. The former comparison is depicted in a table and Oklahoma will be highlighted to aid readers. The latter comparison is depicted with a line graph and also includes a table so that the underlying information is available to anyone interested.

The measures presented in the following tables include population, per capita personal income, average earnings, median household income, unemployment rate, and per pupil education spending. Median household income is a relatively good means of comparing states at a point in time, but is not appropriate as a time series so the historical comparison of Oklahoma to the United States is omitted. All of the remaining comparisons are presented in the format described above.

Table 1. Population Growth Fifty State Rankings, 1992 to 2002

Rank	State	1992 Population	2002 Population	Population Growth 1992 to 2002
1	Nevada	1,351,367	2,173,491	60.84%
2	Arizona	3,915,740	5,456,453	39.35%
3	Colorado	3,495,939	4,506,542	28.91%
4	Utah	1,836,799	2,316,256	26.10%
5	Georgia	6,817,203	8,560,310	25.57%
6	Idaho	1,071,685	1,341,131	25.14%
7	Texas	17,759,738	21,779,893	22.64%
8	Florida	13,650,553	16,713,149	22.44%
9	North Carolina	6,897,214	8,320,146	20.63%
10	Oregon	2,991,755	3,521,515	17.71%
11	Washington	5,160,757	6,068,996	17.60%
12	New Mexico	1,595,442	1,855,059	16.27%
13	Delaware	694,925	807,385	16.18%
14	Tennessee	5,049,742	5,797,289	14.80%
15	New Hampshire	1,117,784	1,275,056	14.07%
16	Virginia	6,414,307	7,293,542	13.71%
17	South Carolina	3,620,464	4,107,183	13.44%
18	California	30,974,659	35,116,033	13.37%
19	Arkansas	2,415,984	2,710,079	12.17%
20	Minnesota	4,495,572	5,019,720	11.66%
21	Maryland	4,923,368	5,458,137	10.86%
22	Montana	825,770	909,453	10.13%
23	Mississippi	2,623,734	2,871,782	9.45%
24	Alaska	588,736	643,786	9.35%
25	New Jersey	7,880,508	8,590,300	9.01%
26	Missouri	5,217,101	5,672,579	8.73%
27	Kentucky	3,765,469	4,092,891	8.70%
28	Indiana	5,674,547	6,159,068	8.54%
29	Oklahoma	3,220,517	3,493,714	8.48%
30	Wisconsin	5,025,398	5,441,196	8.27%
31	Alabama	4,154,014	4,486,508	8.00%
32	Illinois	11,694,184	12,600,620	7.75%
33	Vermont	572,751	616,592	7.65%
34	Hawaii	1,158,613	1,244,898	7.45%
35	Nebraska	1,611,687	1,729,180	7.29%
36	Kansas	2,532,394	2,715,884	7.25%
37	Wyoming	466,251	498,703	6.96%
38	South Dakota	712,801	761,063	6.77%
39	Massachusetts	6,028,709	6,427,801	6.62%
40	Michigan	9,479,065	10,050,446	6.03%
41	Rhode Island	1,012,581	1,069,725	5.64%
42	New York	18,246,653	19,157,532	4.99%
43	Connecticut	3,300,712	3,460,503	4.84%
44	Maine	1,238,508	1,294,464	4.52%
45	Louisiana	4,293,003	4,482,646	4.42%
46	Iowa	2,818,401	2,936,760	4.20%
47	Ohio	11,029,431	11,421,267	3.55%
48	Pennsylvania	12,049,450	12,335,091	2.37%
49	West Virginia	1,806,451	1,801,873	-0.25%
50	North Dakota	638,223	634,110	-0.64%
	United States	256,514,224	288,368,698	12.42%

Source: United States Census Bureau

Figure 1. Oklahoma Population as a Percent of United States, 1970-2002

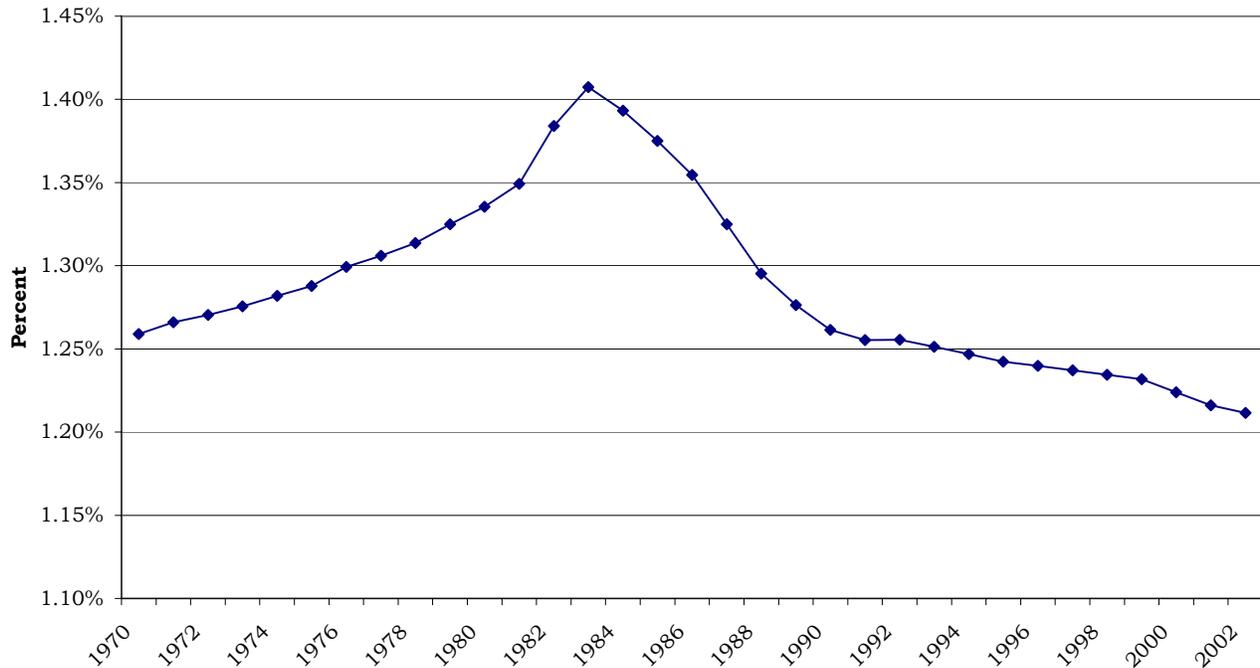


Table 2. Oklahoma Population as a Percent of United States, 1970-2002

Year	Oklahoma Population	United States Population	Oklahoma as a Percent of United States	Year	Oklahoma Population	United States Population	Oklahoma as a Percent of United States
1970	2,559,463	203,302,031	1.26%	1987	3,210,122	242,288,918	1.32%
1971	2,618,601	206,827,026	1.27%	1988	3,167,057	244,498,982	1.30%
1972	2,658,646	209,283,905	1.27%	1989	3,150,307	246,819,230	1.28%
1973	2,695,931	211,357,481	1.28%	1990	3,148,825	249,622,814	1.26%
1974	2,734,768	213,341,554	1.28%	1991	3,175,440	252,980,941	1.26%
1975	2,774,683	215,465,255	1.29%	1992	3,220,517	256,514,224	1.26%
1976	2,826,815	217,562,735	1.30%	1993	3,252,285	259,918,588	1.25%
1977	2,870,014	219,759,869	1.31%	1994	3,280,940	263,125,821	1.25%
1978	2,917,336	222,095,080	1.31%	1995	3,308,208	266,278,393	1.24%
1979	2,975,310	224,567,241	1.32%	1996	3,340,129	269,394,284	1.24%
1980	3,025,290	226,545,805	1.34%	1997	3,372,917	272,646,925	1.24%
1981	3,096,164	229,465,714	1.35%	1998	3,405,194	275,854,104	1.23%
1982	3,206,123	231,664,458	1.38%	1999	3,437,147	279,040,168	1.23%
1983	3,290,402	233,791,994	1.41%	2000	3,454,408	282,224,348	1.22%
1984	3,285,533	235,824,902	1.39%	2001	3,469,577	285,317,559	1.22%
1985	3,271,332	237,923,795	1.37%	2002	3,493,714	288,368,698	1.21%
1986	3,252,735	240,132,887	1.35%				

Source: United States Census Bureau

Table 3. State Per Capita Personal Income as a Percent of United States Fifty State Rankings, 1991 and 2001

Rank	State	1991 Per Capita Personal Income	1991 Per Capita Personal Income as a Percent of United States	Rank	State	2001 Per Capita Personal Income	2001 Per Capita Personal Income as a Percent of United States
1	Connecticut	\$26,747	133.58%	1	Connecticut	\$42,435	139.26%
2	New Jersey	25,055	125.13%	2	Massachusetts	38,907	127.68%
3	New York	23,820	118.96%	3	New Jersey	38,509	126.38%
4	Massachusetts	23,671	118.22%	4	New York	36,019	118.20%
5	Maryland	23,516	117.44%	5	Maryland	35,188	115.48%
6	Alaska	23,226	116.00%	6	New Hampshire	34,138	112.03%
7	Hawaii	23,046	115.10%	7	Colorado	33,470	109.84%
8	Delaware	22,257	111.16%	8	Minnesota	33,101	108.63%
9	California	21,983	109.79%	9	Illinois	33,023	108.37%
10	New Hampshire	21,270	106.23%	10	California	32,702	107.32%
11	Illinois	21,260	106.18%	11	Delaware	32,472	106.56%
12	Nevada	21,100	105.38%	12	Virginia	32,431	106.43%
13	Virginia	21,033	105.04%	13	Washington	32,025	105.10%
14	Washington	20,850	104.13%	14	Alaska	30,936	101.52%
15	Pennsylvania	20,438	102.07%	15	Pennsylvania	30,720	100.81%
16	Minnesota	20,427	102.02%	16	Rhode Island	30,215	99.16%
17	Colorado	20,369	101.73%	17	Nevada	29,897	98.11%
18	Rhode Island	20,228	101.02%	18	Michigan	29,788	97.76%
19	Florida	20,068	100.22%	19	Wyoming	29,416	96.53%
20	Michigan	19,307	96.42%	20	Wisconsin	29,270	96.06%
21	Ohio	19,196	95.87%	21	Hawaii	29,002	95.18%
22	Kansas	18,806	93.92%	22	Florida	28,947	95.00%
23	Wyoming	18,805	93.92%	23	Nebraska	28,886	94.80%
24	Oregon	18,744	93.61%	24	Ohio	28,816	94.57%
25	Nebraska	18,706	93.42%	25	Georgia	28,733	94.29%
26	Wisconsin	18,667	93.23%	26	Vermont	28,594	93.84%
27	Missouri	18,514	92.46%	27	Texas	28,581	93.79%
28	Georgia	18,201	90.90%	28	Kansas	28,565	93.74%
29	Vermont	18,171	90.75%	29	Missouri	28,226	92.63%
30	Texas	18,090	90.35%	30	Oregon	28,165	92.43%
31	Indiana	18,009	89.94%	31	Indiana	27,783	91.18%
32	Iowa	17,818	88.99%	32	North Carolina	27,514	90.29%
33	North Carolina	17,784	88.82%	33	Iowa	27,331	89.69%
34	Maine	17,638	88.09%	34	Tennessee	26,988	88.57%
35	Arizona	17,441	87.10%	35	Maine	26,723	87.70%
36	Tennessee	17,433	87.06%	36	South Dakota	26,664	87.50%
37	South Dakota	16,907	84.44%	37	North Dakota	25,902	85.00%
38	Oklahoma	16,674	83.27%	38	Arizona	25,872	84.90%
39	Alabama	16,503	82.42%	39	Oklahoma	25,071	82.28%
40	Montana	16,471	82.26%	40	Kentucky	24,923	81.79%
41	South Carolina	16,358	81.70%	41	South Carolina	24,886	81.67%
42	North Dakota	16,230	81.06%	42	Idaho	24,621	80.80%
43	Kentucky	16,207	80.94%	43	Alabama	24,589	80.69%
44	Idaho	16,158	80.70%	44	Louisiana	24,535	80.52%
45	Louisiana	16,030	80.06%	45	Utah	24,180	79.35%
46	New Mexico	15,661	78.22%	46	Montana	23,963	78.64%
47	Utah	15,592	77.87%	47	New Mexico	23,155	75.99%
48	West Virginia	15,214	75.98%	48	Arkansas	22,887	75.11%
49	Arkansas	15,175	75.79%	49	West Virginia	22,881	75.09%
50	Mississippi	13,766	68.75%	50	Mississippi	21,750	71.38%
	United States	\$20,023			United States	\$30,472	

Source: Bureau of Economic Analysis

Figure 2. Oklahoma Per Capita Personal Income as a Percent of United States, 1958-2001

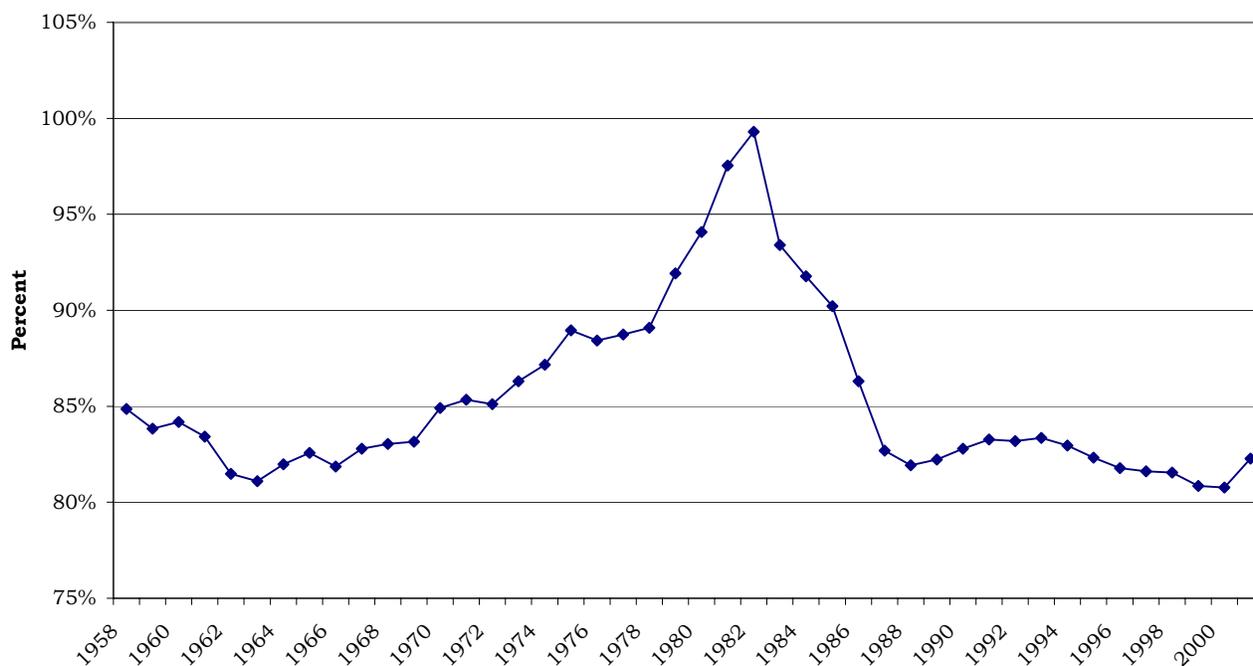


Table 4. Oklahoma Per Capita Personal Income as a Percent of United States, 1958-2001

Year	Oklahoma Per Capita Personal Income	United States Per Capita Personal Income	Oklahoma as a Percent of United States	Year	Oklahoma Per Capita Personal Income	United States Per Capita Personal Income	Oklahoma as a Percent of United States
1958	\$1,794	\$2,114	84.86%	1980	\$9,580	\$10,183	94.08%
1959	1,857	2,215	83.84%	1981	11,003	11,280	97.54%
1960	1,916	2,276	84.18%	1982	11,817	11,901	99.29%
1961	1,947	2,334	83.42%	1983	11,725	12,554	93.40%
1962	1,994	2,447	81.49%	1984	12,687	13,824	91.78%
1963	2,055	2,534	81.10%	1985	13,265	14,705	90.21%
1964	2,196	2,679	81.97%	1986	13,288	15,397	86.30%
1965	2,361	2,859	82.58%	1987	13,464	16,284	82.68%
1966	2,517	3,075	81.85%	1988	14,257	17,403	81.92%
1967	2,702	3,264	82.78%	1989	15,265	18,566	82.22%
1968	2,948	3,550	83.04%	1990	16,205	19,572	82.80%
1969	3,198	3,846	83.15%	1991	16,674	20,023	83.27%
1970	3,477	4,095	84.91%	1992	17,437	20,960	83.19%
1971	3,711	4,348	85.35%	1993	17,955	21,539	83.36%
1972	4,020	4,723	85.12%	1994	18,531	22,340	82.95%
1973	4,524	5,242	86.30%	1995	19,144	23,255	82.32%
1974	4,986	5,720	87.17%	1996	19,846	24,270	81.77%
1975	5,475	6,155	88.95%	1997	20,739	25,412	81.61%
1976	5,974	6,756	88.43%	1998	21,930	26,893	81.55%
1977	6,586	7,421	88.75%	1999	22,540	27,880	80.85%
1978	7,387	8,291	89.10%	2000	24,046	29,770	80.77%
1979	8,485	9,230	91.93%	2001	25,071	30,472	82.28%

Source: Bureau of Economic Analysis

Figure 3. Per Capita Personal Income Gap, Oklahoma and United States, 1958-2001

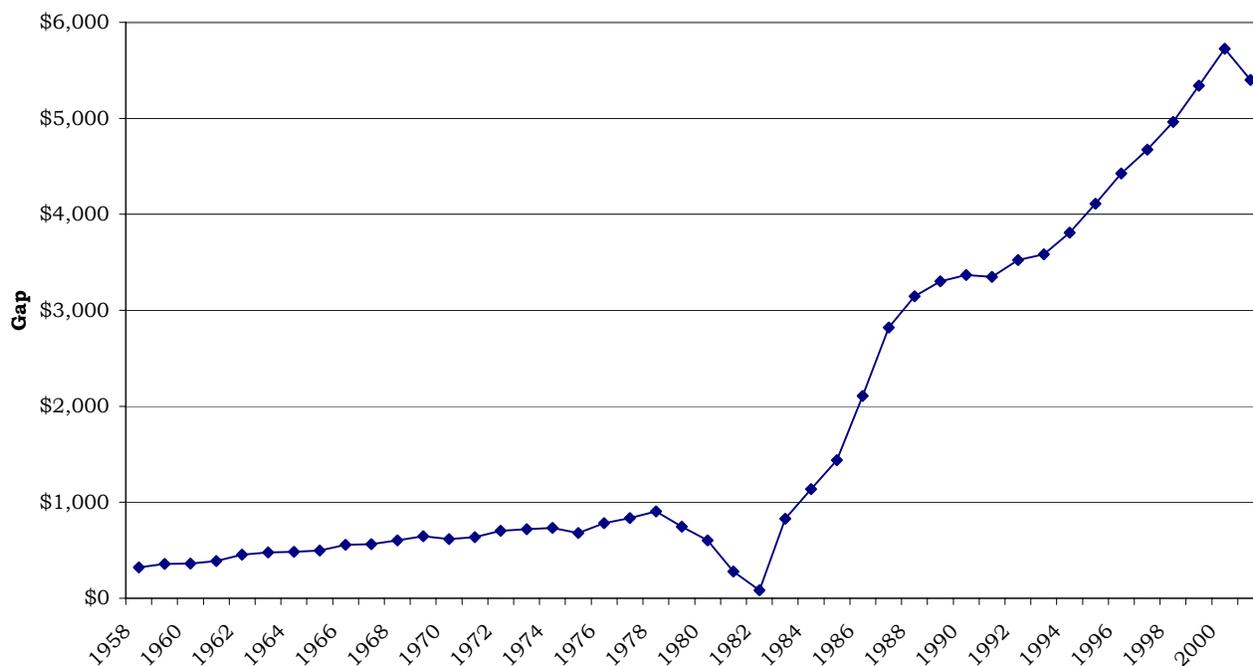


Table 5. Per Capita Personal Income Gap, Oklahoma and United States, 1958-2001

Year	Oklahoma Per Capita Personal Income	United States Per Capita Personal Income	Gap, United States - Oklahoma	Year	Oklahoma Per Capita Personal Income	United States Per Capita Personal Income	Gap, United States - Oklahoma
1958	\$1,794	\$2,114	\$320	1980	\$9,580	\$10,183	\$603
1959	1,857	2,215	358	1981	11,003	11,280	277
1960	1,916	2,276	360	1982	11,817	11,901	84
1961	1,947	2,334	387	1983	11,725	12,554	829
1962	1,994	2,447	453	1984	12,687	13,824	1,137
1963	2,055	2,534	479	1985	13,265	14,705	1,440
1964	2,196	2,679	483	1986	13,288	15,397	2,109
1965	2,361	2,859	498	1987	13,464	16,284	2,820
1966	2,517	3,075	558	1988	14,257	17,403	3,146
1967	2,702	3,264	562	1989	15,265	18,566	3,301
1968	2,948	3,550	602	1990	16,205	19,572	3,367
1969	3,198	3,846	648	1991	16,674	20,023	3,349
1970	3,477	4,095	618	1992	17,437	20,960	3,523
1971	3,711	4,348	637	1993	17,955	21,539	3,584
1972	4,020	4,723	703	1994	18,531	22,340	3,809
1973	4,524	5,242	718	1995	19,144	23,255	4,111
1974	4,986	5,720	734	1996	19,846	24,270	4,424
1975	5,475	6,155	680	1997	20,739	25,412	4,673
1976	5,974	6,756	782	1998	21,930	26,893	4,963
1977	6,586	7,421	835	1999	22,540	27,880	5,340
1978	7,387	8,291	904	2000	24,046	29,770	5,724
1979	8,485	9,230	745	2001	25,071	30,472	5,401

Source: Bureau of Economic Analysis

**Table 6. State Median Household Income as Percent of United States Fifty State Ranking,
Three Year Average Median, 1999-2001**

Rank	State	1999-2001 Three Year Average State Median Household Income	1999-2001 Three Year Average State Median Household Income as a Percent of United States
1	Alaska	\$55,426	129.28%
2	Maryland	55,013	128.32%
3	Connecticut	52,887	123.36%
4	Minnesota	52,804	123.16%
5	New Jersey	52,137	121.61%
6	New Hampshire	50,866	118.64%
7	Delaware	50,301	117.33%
8	Colorado	50,053	116.75%
9	Hawaii	49,232	114.83%
10	Virginia	49,085	114.49%
11	Massachusetts	49,018	114.33%
12	Utah	48,378	112.84%
13	Illinois	47,578	110.97%
14	California	47,243	110.19%
15	Michigan	46,929	109.46%
16	Wisconsin	46,734	109.01%
17	Nevada	45,493	106.11%
18	Washington	44,835	104.58%
19	Rhode Island	44,825	104.55%
20	Missouri	43,884	102.36%
21	Oregon	42,701	99.60%
22	Ohio	42,631	99.44%
23	Nebraska	42,518	99.17%
24	Georgia	42,508	99.15%
25	Pennsylvania	42,320	98.71%
26	Iowa	42,255	98.56%
27	New York	42,157	98.33%
28	Indiana	41,921	97.78%
29	Vermont	41,888	97.70%
30	Kansas	41,097	95.86%
31	Arizona	40,965	95.55%
32	Texas	40,547	94.57%
33	Wyoming	40,007	93.32%
34	North Carolina	39,040	91.06%
35	Maine	38,733	90.34%
36	South Dakota	38,407	89.58%
37	South Carolina	38,362	89.48%
38	Idaho	38,310	89.36%
39	Florida	38,141	88.96%
40	Kentucky	37,184	86.73%
41	Alabama	36,693	85.59%
42	Tennessee	36,542	85.23%
43	North Dakota	35,830	83.57%
44	New Mexico	34,599	80.70%
45	Oklahoma	34,554	80.60%
46	Mississippi	33,305	77.68%
47	Louisiana	33,194	77.42%
48	Montana	32,929	76.81%
49	Arkansas	31,798	74.17%
50	West Virginia	30,342	70.77%
	United States	\$42,873	

Source: United States Census Bureau

Table 7. State Average Earnings Per Job as a Percent of United States Fifty State Rankings, 1991 and 2001

Rank	State	1991 State Average Earnings Per Job	1991 State Average Earnings Per Job as a Percent of United States	Rank	States	2001 State Average Earnings Per Job	2001 State Average Earnings Per Job as a Percent of United States
1	New York	\$32,629	125.50%	1	New York	\$49,072	131.71%
2	Connecticut	31,903	122.71%	2	Connecticut	48,147	129.23%
3	New Jersey	31,729	122.04%	3	New Jersey	46,490	124.78%
4	Alaska	31,519	121.23%	4	Massachusetts	45,586	122.36%
5	Massachusetts	29,705	114.25%	5	California	41,919	112.51%
6	California	29,074	111.82%	6	Illinois	40,522	108.76%
7	Delaware	28,242	108.62%	7	Delaware	39,166	105.12%
8	Illinois	27,758	106.76%	8	Maryland	39,080	104.89%
9	Maryland	27,279	104.92%	9	Washington	38,631	103.69%
10	Michigan	27,104	104.25%	10	Colorado	38,371	102.99%
11	Hawaii	26,952	103.66%	11	Texas	38,261	102.69%
12	Pennsylvania	26,500	101.92%	12	Michigan	38,176	102.46%
13	Washington	25,864	99.48%	13	Virginia	38,064	102.16%
14	Virginia	25,830	99.35%	14	Georgia	37,193	99.83%
15	Nevada	25,506	98.10%	15	Pennsylvania	36,951	99.18%
16	Texas	25,085	96.48%	16	Alaska	36,853	98.92%
17	Georgia	25,007	96.18%	17	Minnesota	35,952	96.50%
18	Ohio	24,991	96.12%	18	New Hampshire	35,693	95.80%
19	Rhode Island	24,735	95.14%	19	Nevada	35,652	95.69%
20	Colorado	24,374	93.75%	20	Rhode Island	35,019	93.99%
21	Minnesota	24,192	93.05%	21	Arizona	33,946	91.11%
22	New Hampshire	24,089	92.65%	22	Ohio	33,931	91.07%
23	Florida	23,681	91.08%	23	Hawaii	33,306	89.39%
24	Louisiana	23,383	89.94%	24	North Carolina	32,965	88.48%
25	Arizona	23,207	89.26%	25	Oregon	32,739	87.87%
26	Indiana	23,198	89.22%	26	Florida	32,629	87.58%
27	Oregon	23,081	88.78%	27	Missouri	32,528	87.31%
28	Alabama	23,019	88.54%	28	Tennessee	32,410	86.99%
29	Missouri	22,978	88.38%	29	Indiana	32,385	86.92%
30	North Carolina	22,721	87.39%	30	Wisconsin	31,880	85.57%
31	Tennessee	22,655	87.14%	31	Alabama	30,921	82.99%
32	Wisconsin	22,417	86.22%	32	Louisiana	30,721	82.46%
33	West Virginia	22,281	85.70%	33	South Carolina	30,504	81.87%
34	South Carolina	22,079	84.92%	34	Kentucky	30,391	81.57%
35	Oklahoma	21,946	84.41%	35	Kansas	30,179	81.00%
36	Maine	21,875	84.14%	36	Utah	30,110	80.82%
37	Kentucky	21,822	83.93%	37	New Mexico	29,694	79.70%
38	New Mexico	21,649	83.27%	38	Nebraska	29,560	79.34%
39	Nebraska	21,615	83.13%	39	Vermont	29,451	79.05%
40	Wyoming	21,604	83.09%	40	Oklahoma	29,362	78.81%
41	Utah	21,532	82.82%	41	West Virginia	28,781	77.25%
42	Kansas	21,381	82.24%	42	Maine	28,748	77.16%
43	Vermont	21,155	81.37%	43	Wyoming	28,667	76.94%
44	Idaho	20,888	80.34%	44	Idaho	28,527	76.57%
45	Iowa	20,252	77.89%	45	Iowa	28,479	76.44%
46	Arkansas	20,094	77.29%	46	Arkansas	27,674	74.28%
47	Mississippi	19,614	75.44%	47	Mississippi	27,172	72.93%
48	Montana	19,433	74.75%	48	South Dakota	26,266	70.50%
49	South Dakota	19,268	74.11%	49	North Dakota	25,256	67.79%
50	North Dakota	18,338	70.53%	50	Montana	24,819	66.62%
	United States	\$26,000			United States	\$37,257	

Source: Bureau of Economic Analysis

Figure 4. Oklahoma Average Earnings Per Job as a Percent of United States, 1969-2001

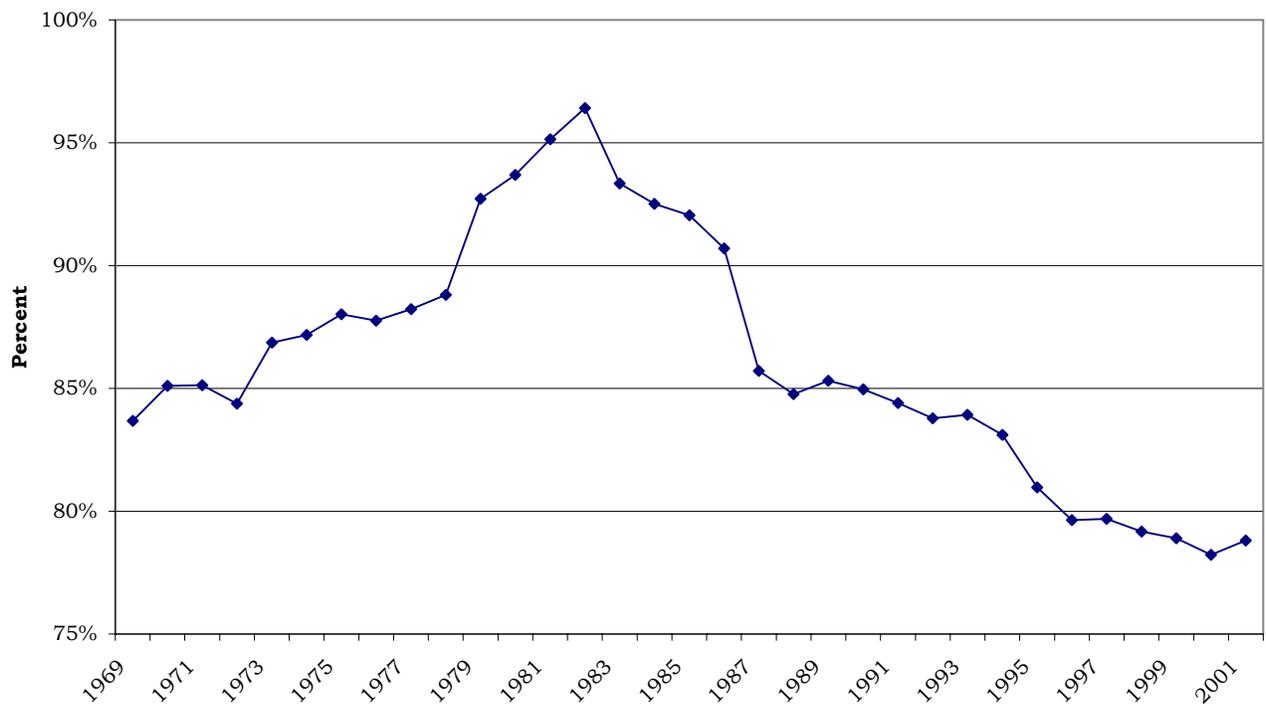


Table 8. Oklahoma Average Earnings Per Job as a Percent of United States, 1969-2001

Year	Oklahoma Average Earnings Per Job	United States Average Earnings Per Job	Oklahoma as a Percent of United States	Year	Oklahoma Average Earnings Per Job	United States Average Earnings Per Job	Oklahoma as a Percent of United States
1969	\$5,763	\$6,887	83.68%	1986	\$19,117	\$21,079	90.69%
1970	6,214	7,301	85.10%	1987	18,908	22,059	85.72%
1971	6,618	7,774	85.12%	1988	19,607	23,131	84.76%
1972	7,029	8,330	84.38%	1989	20,530	24,064	85.31%
1973	7,776	8,951	86.87%	1990	21,378	25,163	84.96%
1974	8,322	9,547	87.17%	1991	21,946	26,000	84.41%
1975	9,059	10,293	88.01%	1992	23,180	27,665	83.79%
1976	9,787	11,153	87.76%	1993	23,757	28,307	83.93%
1977	10,590	12,004	88.23%	1994	24,049	28,937	83.11%
1978	11,552	13,009	88.81%	1995	23,918	29,540	80.97%
1979	13,036	14,059	92.72%	1996	24,284	30,493	79.64%
1980	14,189	15,144	93.70%	1997	25,189	31,610	79.69%
1981	15,650	16,449	95.14%	1998	26,188	33,077	79.17%
1982	16,701	17,322	96.42%	1999	27,308	34,611	78.90%
1983	16,942	18,151	93.34%	2000	28,474	36,398	78.23%
1984	17,948	19,400	92.52%	2001	29,362	37,257	78.81%
1985	18,692	20,307	92.05%				

Source: Bureau of Economic Analysis

Table 9. Unemployment Rate Fifty State Rankings, 2001 and 2002

Rank	State	2001 Unemployment Rate	Rank	State	2002 Unemployment Rate
1	North Dakota	2.8%	1	South Dakota	3.0%
2	Nebraska	3.1%	2	North Dakota	3.3%
3	Connecticut	3.3%	3	Nebraska	3.5%
3	Iowa	3.3%	4	Iowa	3.7%
3	South Dakota	3.3%	5	Connecticut	3.9%
6	Delaware	3.5%	5	Delaware	3.9%
6	New Hampshire	3.5%	5	Vermont	3.9%
6	Virginia	3.5%	8	Wyoming	4.0%
9	Vermont	3.6%	9	Maine	4.1%
10	Colorado	3.7%	9	Virginia	4.1%
10	Massachusetts	3.7%	11	Minnesota	4.2%
10	Minnesota	3.7%	12	Hawaii	4.3%
13	Oklahoma	3.8%	12	Montana	4.3%
14	Wyoming	3.9%	12	Oklahoma	4.3%
15	Georgia	4.0%	15	Maryland	4.4%
15	Maine	4.0%	15	New Hampshire	4.4%
17	Maryland	4.1%	17	Kansas	4.5%
18	New Jersey	4.2%	18	Georgia	4.6%
19	Kansas	4.3%	19	Rhode Island	4.7%
19	Ohio	4.3%	20	Massachusetts	4.8%
21	Indiana	4.4%	21	Tennessee	4.9%
21	Utah	4.4%	22	Indiana	5.0%
23	Tennessee	4.5%	22	Missouri	5.0%
24	Hawaii	4.6%	24	Arkansas	5.1%
24	Montana	4.6%	24	Wisconsin	5.1%
24	Wisconsin	4.6%	26	Utah	5.2%
27	Arizona	4.7%	27	Colorado	5.3%
27	Missouri	4.7%	27	Kentucky	5.3%
27	Pennsylvania	4.7%	29	Florida	5.4%
27	Rhode Island	4.7%	29	Idaho	5.4%
31	Florida	4.8%	29	Nevada	5.4%
31	New Mexico	4.8%	29	New Jersey	5.4%
33	New York	4.9%	33	Pennsylvania	5.5%
33	Texas	4.9%	34	Ohio	5.6%
33	West Virginia	4.9%	35	Alabama	5.7%
36	Idaho	5.0%	35	South Carolina	5.7%
37	Arkansas	5.1%	37	Arizona	5.8%
38	Alabama	5.3%	38	West Virginia	5.9%
38	California	5.3%	39	Louisiana	6.0%
38	Michigan	5.3%	39	New Mexico	6.0%
38	Nevada	5.3%	39	New York	6.0%
42	Illinois	5.4%	42	Michigan	6.1%
42	South Carolina	5.4%	42	Texas	6.1%
44	Kentucky	5.5%	44	Illinois	6.3%
44	Mississippi	5.5%	45	California	6.4%
44	North Carolina	5.5%	46	North Carolina	6.5%
47	Louisiana	6.0%	47	Alaska	6.6%
48	Alaska	6.3%	47	Mississippi	6.6%
48	Oregon	6.3%	49	Washington	7.0%
50	Washington	6.4%	50	Oregon	7.4%
	United States	4.8%		United States	5.8%

Source: Bureau of Labor Statistics and Office of State Finance Calculations for 2002 Unemployment Rate based on average of monthly unemployment rates for states.

Figure 5. Oklahoma and United States Unemployment Rates, 1978-2002

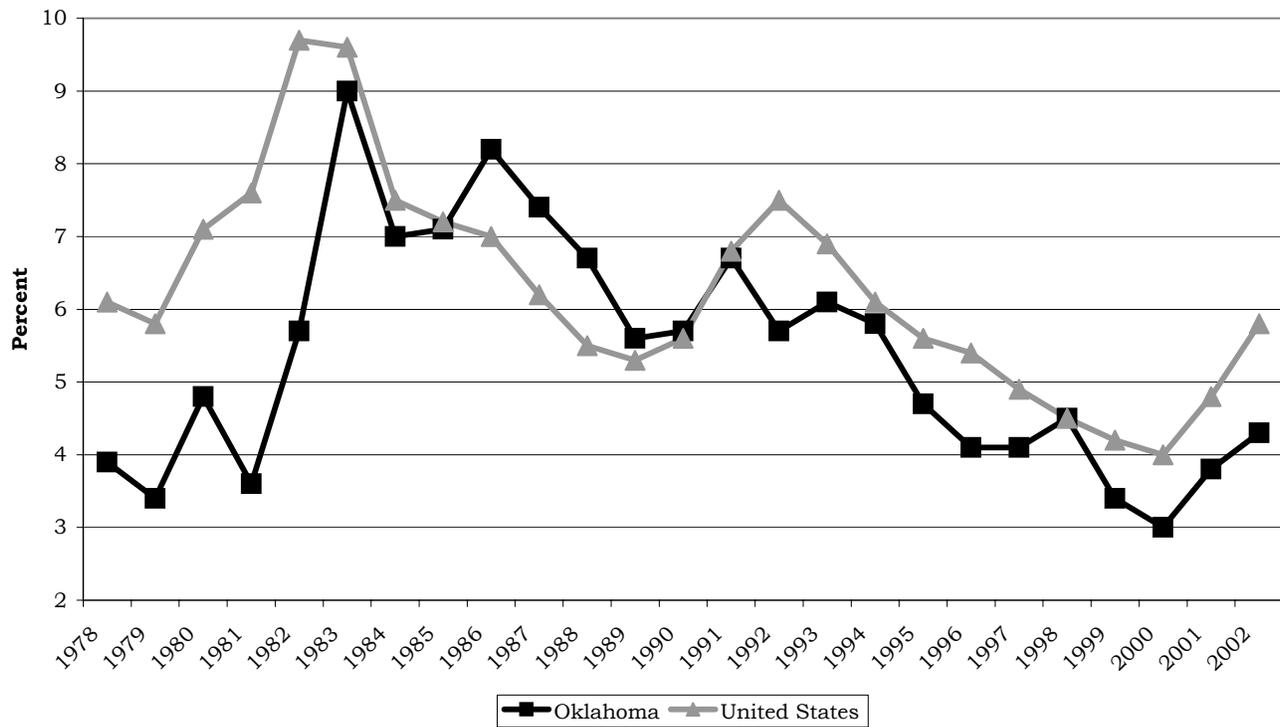


Table 10. Oklahoma and United States Unemployment Rates, 1978-2002

Year	Oklahoma Unemployment Rate	United States Unemployment Rate	Year	Oklahoma Unemployment Rate	United States Unemployment Rate
1978	3.9%	6.1%	1991	6.7%	6.8%
1979	3.4%	5.8%	1992	5.7%	7.5%
1980	4.8%	7.1%	1993	6.1%	6.9%
1981	3.6%	7.6%	1994	5.8%	6.1%
1982	5.7%	9.7%	1995	4.7%	5.6%
1983	9.0%	9.6%	1996	4.1%	5.4%
1984	7.0%	7.5%	1997	4.1%	4.9%
1985	7.1%	7.2%	1998	4.5%	4.5%
1986	8.2%	7.0%	1999	3.4%	4.2%
1987	7.4%	6.2%	2000	3.0%	4.0%
1988	6.7%	5.5%	2001	3.8%	4.8%
1989	5.6%	5.3%	2002	4.3%	5.8%
1990	5.7%	5.6%			

Source: Bureau of Labor Statistics and Office of State Finance Calculations for 2002 Unemployment Rate based on average of monthly unemployment rates for states.

Table 11. Elementary and Secondary Education Expenditures Per Pupil Fifty State Rankings, FY-2000

Rank	State	FY-2000 Elementary and Secondary Education Expenditures Per Pupil (\$000's)	Fall 1999 Enrollment	Elementary and Secondary Education Expenditures per Pupil in Fall Enrollment
1	New Jersey	\$13,327,645	1,289,256	\$10,337
2	New York	28,433,240	2,887,776	9,846
3	Connecticut	5,402,868	553,993	9,753
4	Rhode Island	1,393,143	156,454	8,904
5	Alaska	1,183,499	134,391	8,806
6	Massachusetts	8,511,065	971,425	8,761
7	Vermont	870,198	104,559	8,323
8	Delaware	937,630	112,836	8,310
9	Michigan	13,994,294	1,725,617	8,110
10	Wisconsin	6,852,178	877,753	7,806
11	Pennsylvania	14,120,112	1,816,716	7,772
12	Maryland	6,545,135	846,582	7,731
13	Maine	1,604,438	209,253	7,667
14	Wyoming	683,918	92,105	7,425
15	Indiana	7,110,930	988,702	7,192
16	Minnesota	6,140,442	854,034	7,190
17	West Virginia	2,086,937	291,811	7,152
18	Oregon	3,896,287	545,033	7,149
19	Illinois	14,462,773	2,027,600	7,133
20	Ohio	12,974,575	1,836,554	7,065
21	New Hampshire	1,418,503	206,783	6,860
22	Virginia	7,757,598	1,133,994	6,841
23	Nebraska	1,926,500	288,261	6,683
24	Iowa	3,264,336	497,301	6,564
25	Hawaii	1,213,695	185,860	6,530
26	Georgia	9,158,624	1,422,762	6,437
27	Washington	6,399,883	1,003,714	6,376
28	California	38,129,479	6,038,589	6,314
29	Montana	994,770	157,556	6,314
30	Kansas	2,971,814	472,188	6,294
31	Texas	25,098,703	3,991,783	6,288
32	Colorado	4,400,888	708,109	6,215
33	Missouri	5,655,531	914,110	6,187
34	South Carolina	4,087,355	666,780	6,130
35	North Carolina	7,713,293	1,275,925	6,045
36	Kentucky	3,837,794	648,180	5,921
37	Florida	13,885,988	2,381,396	5,831
38	New Mexico	1,890,274	324,495	5,825
39	Louisiana	4,391,214	756,579	5,804
40	Nevada	1,875,467	325,610	5,760
41	North Dakota	638,946	112,751	5,667
42	Alabama	4,176,082	740,732	5,638
43	South Dakota	737,998	131,037	5,632
44	Oklahoma	3,382,581	627,032	5,395
45	Tennessee	4,931,734	916,202	5,383
46	Idaho	1,302,817	245,331	5,310
47	Arkansas	2,380,331	451,034	5,277
48	Mississippi	2,510,376	500,716	5,014
49	Arizona	4,262,182	852,612	4,999
50	Utah	2,102,655	480,255	4,378
	United States	\$323,808,909	46,857,321	\$6,911

Source: National Center for Education Statistics and Bureau of Economic Analysis

Figure 6. Oklahoma Elementary and Secondary Education Expenditures Per Pupil as a Percent of United States, FY-86 to FY-2000

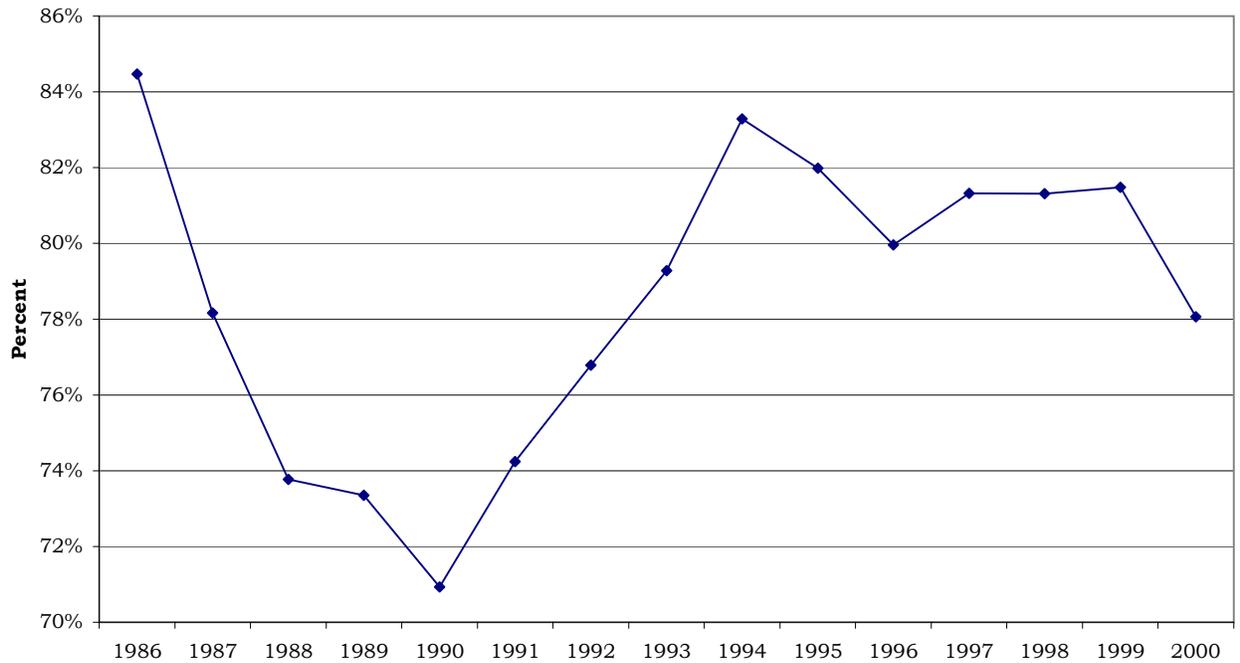


Table 12. Oklahoma Elementary and Secondary Education Expenditures Per Pupil as a Percent of United States, FY-86 to FY-2000

Fiscal Year	Oklahoma Elementary and Secondary Education Expenditures Per Pupil	United States Elementary and Secondary Education Expenditures Per Pupil	Oklahoma as a Percent of United States	Fiscal Year	Oklahoma Elementary and Secondary Education Expenditures Per Pupil	United States Elementary and Secondary Education Expenditures Per Pupil	Oklahoma as a Percent of United States
1986	\$2,939	\$3,479	84.47%	1994	\$4,437	\$5,327	83.29%
1987	2,878	3,682	78.16%	1995	4,533	5,529	81.99%
1988	2,897	3,927	73.77%	1996	4,549	5,689	79.96%
1989	3,159	4,307	73.35%	1997	4,817	5,923	81.33%
1990	3,293	4,643	70.93%	1998	5,033	6,189	81.31%
1991	3,639	4,902	74.24%	1999	5,303	6,508	81.48%
1992	3,857	5,023	76.78%	2000	5,395	6,911	78.06%
1993	4,090	5,160	79.28%				

Source: National Center for Education Statistics and Bureau of Economic Analysis

Appendix

Demographic Maps and Tables

Budget Process

Budget Cycle

Funds Subject to Appropriation

Glossary

Acronyms

Oklahoma's Budgeting Process

Budget Cycle: A budget is a planned utilization of available funds to procure services or materials to accomplish assigned responsibilities and programs.

The budget cycle for state operations starts with state agencies developing a strategic plan and a detailed outline of financial needs for the next five fiscal years. These documents are then reviewed and analyzed by the Budget Division of the Office of State Finance (OSF) in light of overall state responsibilities, goals, objectives and total funds available. The Governor's recommended budget is then developed. The Governor's recommended budget is considered by the State Legislature which makes the final appropriation of funds to the agencies.

Each state agency, based upon funds appropriated by the Legislature and other funds available to the agency, then develops a Budget Work Program which outlines in detail planned expenditures for the ensuing fiscal year. Work programs are reviewed by the Budget Division of the OSF and the approved work program will serve as a basis for the subsequent allotment of funds. Budget Work Programs can be revised at any time during the fiscal year if justified and if the revision can be accomplished within various expenditure, full-time-equivalent employee and program expenditure limits.

The final phase of the budget cycle is the continuing review by the agency of actual expenditures against the Budget Work Program to ensure that economy, efficiency, and goals and objectives are being attained. The continuing review of the agency budget includes reporting of appropriate measures or indicators of the agency's progress towards achieving stated goals.

Strategic Planning Process: Across the country, government officials are reviewing how services are being provided in order to reduce costs and increase productivity. It is important for us to strengthen accountability and improve performance.

Strategic planning is the process by which members of an organization envision its future and develop the action plans necessary to achieve the future. HB 1622, passed by the 1999 Legislature, now requires each agency to prepare a Strategic Plan covering a 5-year period. The first Strategic Plan was due on October 1, 2001.

The Office of State Finance and the Office of Personnel Management (OPM) developed uniform criteria and outlined a strategic planning process which enabled agency managers to meet this requirement.

OSF committed to an intensive effort to monitor agency progress ensuring that all agencies met the target date. Strategic planning meetings were conducted in the spring of 2000 to inform all agencies of the HB 1622 requirements. Eighteen separate meetings were scheduled and representatives from OSF and OPM discussed the new requirements with each agency. Most agency directors attended the meetings as did the individuals who would become the agency contact for strategic planning efforts.

A few Oklahoma agencies have been preparing long-range plans; however, most of the agencies do not. Now, all Executive Branch state agencies, excluding the Governor's Office and the Lieutenant Governor's Office are required to submit a 5-year strategic plan. The Legislative and Judicial Branches are not required to submit strategic plans. HB 1622 also authorizes the Governor and the

Legislature to develop a statewide strategic plan.

Basis of Budgeting: 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 Request Process: On October 1 each year state agencies are required by law to submit a "Budget Request" detailing their funding needs for the ensuing fiscal year. The budget request is the financial plan related to the agency's strategic plan. Budget Requests are also reviewed by the Budget Division of the Office of State Finance and legislative staff.

Both the budget request and the strategic plan are submitted by the various agencies using a web-based application developed by OSF. The request may be revised after initial submission.

Development of the Executive Budget: The Governor prepares and submits to the Legislature at the beginning of each annual legislative session a balanced budget based on OSF review of budget requests prepared by state agencies and subsequent recommendations by OSF, cabinet members and policy advisors. Budgeted expenditures can not exceed the amount available for appropriation as certified by the State Equalization Board unless revenue raising measures are proposed to balance the spending recommendations.

The State Equalization Board / Certification of Revenues: This body consists of the Governor, the Lieutenant Governor, the Attorney

General, the State Treasurer, the Auditor and Inspector, the Superintendent of Public Instruction, and the President of the Board of Agriculture.

Not more than 45 days or less than 35 days prior to the convening of each regular session of the Legislature, the State Board of Equalization certifies amounts available for appropriation. A second meeting of the Board is held within five days of the monthly apportionment in February.

At these two constitutionally-mandated meetings estimates of revenue to each annually appropriated fund are based on the laws in effect at the time such determination is made. These estimates are based on predictable changes in the economy as well as current law.

Should the Legislature enact laws that provide additional revenues or a reduction in revenues to these certified funds, the Board meets to determine the changes in revenue. Only those changes in revenue resulting from changes in law can be considered at the third meeting.

Funds subject to appropriation by the Legislature are those funds which are certified for appropriation by the Board: the General Revenue Fund, the Council on Law Enforcement Education and Training Fund, the Commissioners of the Land Office Fund, the State Judicial Fund, the Mineral Leasing Fund, the Special Occupational Health and Safety Fund, the Public Building Fund, and the State Transportation Fund. The Legislature also may appropriate the cash balances residing in certain non certified funds including the Constitutional Reserve Fund, the General Revenue Cash-flow Reserve Fund, and the Special Cash Fund, as well as any other funds.

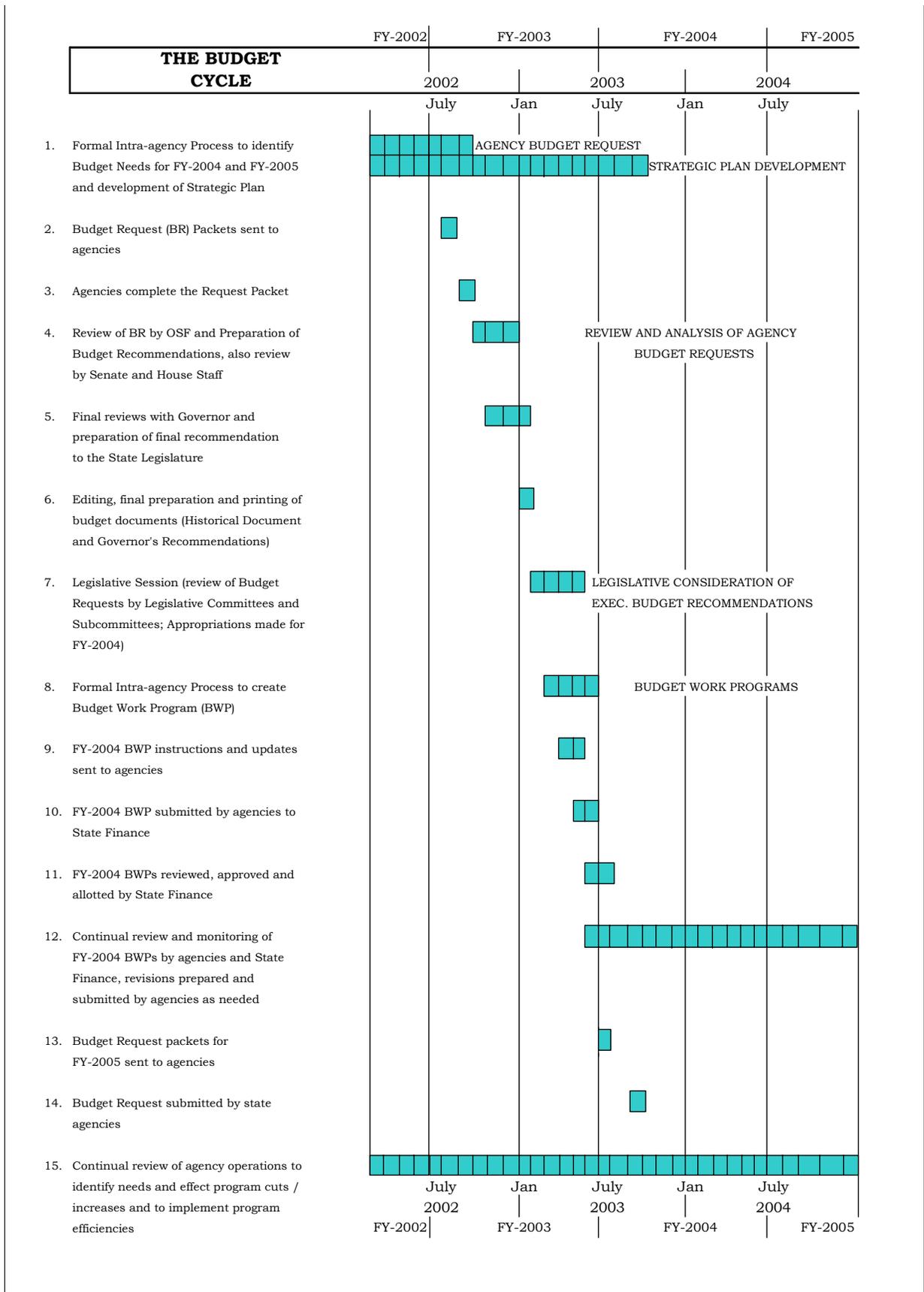
Budgetary Controls: The legal level of budgetary control is maintained at the

line-item level (General Operations, Duties, etc.) identified in appropriation acts. Agency budgets may be modified subject to statutory limits on transfers using the Budget Work Program. The Director of State Finance can approve transfers between line-items up to 25 percent. The Contingency Review Board (a three-member board comprised of the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives) can approve transfers between line-items up to 40 percent. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer tends to effectuate or subvert the intention and objectives of the Legislature.

Revenue Shortfalls: During the fiscal year, it is possible that actual revenues are less than the estimates made when agency budgets are prepared. If revenues are not sufficient to cover appropriations, Article 10, Section 23 of the Oklahoma Constitution provides that agency appropriations be reduced to bring them within revenues actually collected.

In the event of a failure of revenue, the Director of State Finance is required by law, Title 62, Section 41.9, to reduce agency appropriations in the ratio that an agency's total appropriation bears to the total of all appropriations made from the fund or funds experiencing a revenue shortfall.

FY-2004 Executive Budget



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)

State Judicial Fund (Fund 53X): Income is derived from fines and fees collected by the local courts. The Supreme Court may transfer moneys without legislative authority from the State Judicial Fund to the Court Fund of a county when the county funds are exhausted and when the county must hold jury trials and/or if a change of venue is needed. The rest of the funds are annually appropriated by the legislature and funds are used for the operations of the Supreme Court and the state's district courts. (Title 20, Section 1310; effective November, 15, 1994)

Mineral Leasing Fund (Fund 55X): Income to this fund is from a share of lease sales and royalty payments on oil and gas production on federal lands within the state. Funds are used for the financial support of public schools. (Title 62, Section 41.8; effective 1920)

Special Occupational Health and Safety Fund (Fund 54X): Each insurance carrier writing Workers' Compensation Insurance in this state, the State Insurance Fund, and each self-insured employer authorized to make workers compensation payments directly to employees pays a sum equal to three-fourths of 1 percent of the total workers compensation losses, excluding medical payments and temporary total disability compensation. Funds are used exclusively for the operation and administration of the Occupational Health and Safety Standards Act of 1970 and other necessary expenses of the Department of Labor. (Title 40, Section 417.1; effective July 1, 1986)

Public Building Fund (Fund 11X): Income to the fund is from portions of leases, sales, rentals and royalties of lands set aside for public building purposes by the state's Enabling Act

(Section 33) and lands granted in lieu thereof, under the management of the Commissioners of the Land Office. Funds are appropriated for major maintenance and capital improvements of public facilities. (Title 64, Section 371; effective 1910)

State Transportation Fund (Fund 12X): Revenue consists primarily of a portion of motor fuel taxes plus 0.3 percent of motor vehicle fees. Funds are appropriated for the construction, repair and maintenance of state highways, for other transportation systems, and for such other transportation purposes as the Legislature may authorize. (Title 69, Section 1501.1; effective July 1, 1990)

Common Education Technology Fund (Fund 15X): This fund was created to receive a portion of revenue collected from gross production tax on

oil. These revenues were previously apportioned to the General Revenue Fund. Funds are subject to legislative appropriation. (Title 62, Section 41.29c; effective February 5, 1999)

Oklahoma Tuition Scholarship Fund (Fund 16X): This fund was created to receive a portion of revenue collected from gross production tax on oil. These revenues were previously apportioned to the General Revenue Fund. Funds are subject to legislative appropriation. (Title 62, Section 41.29e; effective February 5, 1999)

Higher Education Capital Fund (Fund 17X): This fund was created to receive a portion of revenue collected from gross production tax on oil. These revenues were previously apportioned to the General Revenue Fund. Funds are subject to legislative appropriation. (Title 62, Section 41.29d; effective February 5, 1999)

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 is 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.

Actuarial Value of Assets (re: retirement): The value of cash, investments and other property belonging to a pension plan as valued by the actuary, using market smoothing techniques, for the purpose of an actuarial valuation.

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

GLOSSARY

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.

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.

Continuing Appropriation: See Nonappropriated Funds.

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 2004 (FY-2004) runs from July 1, 2003 to June 30, 2004].

GLOSSARY

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.).

Program Budgeting: A tool to organize budget data by program, rather than item of expenditure or organizational location (generally an agency or division). Program budgeting seeks to link the expenditure of resources with the original mission or purpose of the appropriation of tax dollars.

Rainy Day Fund: See Constitutional Reserve Fund.

Revolving Fund: A fund created statutorily or by inference to finance and account for a particular department or division. Fees received, transfers of appropriations, or other fund transfers support expenditures paid from revolving funds. Revolving funds are continuing funds and are not subject to fiscal year limitations. Agencies generally may exercise greater control over the expenditure of revolving funds than they may over appropriated dollars.

Supplemental Appropriation: This refers to a subsequent appropriation made to an agency in addition to the agency's initial annual appropriation. Supplemental appropriations are to deal with current year funding issues and may be made for a variety of reasons such as to offset a revenue shortfall or to offset insufficient funds to operate a program effectively. Some observers view supplemental appropriations as a sign of inept management or a means of subverting the State's balanced budget restrictions.

GLOSSARY

Temporary Assistance to Needy Families (TANF): The Federal program that replaced the Aid to Families with Dependent Children (AFDC) program pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, enacted August 22, 1996. This act makes significant changes to the United States Welfare System.

Unfunded Liability (re: retirement): The excess of the Actuarial Accrued Liability (that portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs) over the Actuarial Value of Assets (the value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation).

ACRONYMS

- AABD:** Aid to the Aged, Blind and Disabled
- AA/EEO:** Affirmative Action/Equal Employment Opportunity
- ABD:** Aged, Blind and Disabled
- ABLE:** Alcoholic Beverage Laws Enforcement
- ACH:** Automated Clearing House
- ACIS:** Aids Coordination and Information Services
- ACT:** American College Testing Program
- ADA:** Americans with Disabilities Act
- ADA:** Average Daily Attendance
- ADAPPT:** Alcohol and Drug Abuse Prevention and Pregnant Teenagers
- ADM:** Average Daily Membership
- ADPICS:** Advanced Purchasing and Inventory Control System
- ADTC:** Alcohol Drug Treatment Center
- ADRP:** Alternate Dispute Resolution Program
- AFDC:** Aid to Families with Dependent Children
- AFIS:** Automated Fingerprint Information System
- AG:** Attorney General
- AHERA:** Asbestos Hazard Emergency Response Act
- AIA:** Authorized Inspection Services
- AICPA:** American Institute of Certified Public Accountants
- AIDS:** Acquired Immunodeficiency Syndrome
- ALMIS:** Area Labor Market Information System
- AOC:** Administrative Office of the Courts
- AP:** Advanced Placement
- APR:** Annual Percentage Rate
- ARNP:** Advanced Registered Nurse Practitioner

ACRONYMS

- ARU:** Audio Response Unit
- AVTS:** Area Vocational Technical School
- BAS:** Benefits Administration System
- BEEMP:** Business Energy Education Management Program
- BRT:** Brucellosis Ring Test
- BUMP:** Beneficial Use Monitoring Program
- BHP:** Bureau of Health Professionals
- BR:** Budget Request
- BWP:** Budget Work Program
- CAFO:** Concentrated Animal Feeding Operation
- CAFR:** Comprehensive Annual Financial Report
- CARE:** Customer Assistance Response Effort
- CARS:** Community at Risk Services
- CASA:** Court Appointed Special Advocate
- CC:** Correctional Center
- CCA:** Comprehensive Cooperative Agreement
- CCC:** Community Corrections Center
- CCDS:** Children's Coordinated Data System
- CD:** Certificate of Deposit
- CDIB:** Certified Degree of Indian Blood
- CDL:** Commercial Drivers License
- CDS:** Controlled Dangerous Substance
- CEEMP:** Community Energy Education Management Program
- CERCLIS:** Comprehensive Environmental Response Compensation
& Liability Info System
- CF:** Court Fund

ACRONYMS

- CFS:** Central Filing System
- CHIP:** Children's Health Insurance Program, Title XXI
- CIP:** Capital Improvement Plan
- C-I-S:** Cops in Shops Program
- CJC:** Council on Judicial Complaints
- CLEET:** Council on Law Enforcement Education and Training
- CLO:** Commissioners of the Land Office
- CMIA:** Cash Management Improvement Act
- CMHC:** Community Mental Health Centers
- CMS:** Centers for Medicare & Medicaid Services
- CNS:** Clinical Nurse Specialist
- CO:** Correctional Officer
- COCF:** Central Oklahoma Correctional Facility
- COGS:** Council of Governments/sub-state planning districts
- COJC:** Central Oklahoma Juvenile Center
- COLA:** Cost of Living Adjustment
- CON:** Certificate of Need
- COPTA:** Central Oklahoma Public Transportation Authority
- CP:** Central Purchasing
- CPA:** Certified Public Accountant
- CRB:** Contingency Review Board
- CRNA:** Certified Registered Nurse Anesthetists
- CRT:** Criterion Reference Test
- CSBS:** Conference of State Bank Supervisors
- CSED:** Department of Human Services Child Support Enforcement
Division
- CSD:** Customer Services Division

ACRONYMS

- CTEP:** Commercial Transportation Enhancement Program
- CWSRF:** Clean Water State Revolving Fund
- CY:** Calendar Year
- DA:** District Attorney
- DAC:** District Attorneys Council
- DARE:** Drug Awareness Resistance Education
- DCA-CATT:** Defense Contracting Agency Computer Assisted
Technology Transfer
- DCAR:** Division of Central Accounting and Reporting
- DCEM:** Department of Civil Emergency Management
- DCS:** Department of Central Services
- D & E:** Diagnostics and Evaluation
- DDSD:** Division of Developmental Disabilities
- DEQ:** Department of Environmental Quality
- DHS:** Department of Human Services
- DMHSAS:** Department of Mental Health and Substance Abuse
Services
- DNA:** Deoxyribonucleic Acid
- DO:** Doctor of Osteopathy
- DOC:** Department of Corrections
- DOE:** Department of Energy
- DOH:** Department Of Health
- DOJ:** Department of Justice
- DP:** Data Processing
- DPS:** Department of Public Safety
- DROP:** Deferred Retirement Option Program
- DRS:** Department of Rehabilitation Services

ACRONYMS

- DSH:** Disproportionate Share Hospital
- DTP:** Diphtheria Tetanus Toxoids Pertussis
- DTV:** Digital Television
- DUR:** Drug Utilization Review
- DUI:** Driving Under the Influence
- DWR:** Department of Wildlife Retirement
- DWSRF:** Drinking Water State Revolving Fund
- EAP:** Employee Assistance Program
- EBC:** Employees Benefits Council
- ECHO:** Enriching Children's Hearing Opportunities
- ECLS:** Environmental Complaints on Local Services
- EEOC:** Equal Employment Opportunity Commission
- EDP:** Electronic Data Processing
- EFT:** Electronic Funds Transfer
- EIA:** Equine Infectious Anemia
- EITC:** Earned Income Tax Credit
- EPA:** Environmental Protection Agency
- EPCRA:** Emergency Planning and Community Right to Know Act
- EPSDT:** Early Periodic Screening, Diagnosis and Treatment
- ER:** Emergency Room
- ERP:** Enterprise Resource Program
- ERP:** Enterprise Revenue Planning
- ESEA:** Elementary and Secondary Education Act
- ESH:** Eastern State Hospital
- EVA:** Equine Viral Arteritis
- FAA:** Federal Aviation Administration

ACRONYMS

- FATS:** Firearms Training System
- FCC:** Federal Communications Commission
- FEMA:** Federal Emergency Management Agency
- FFA:** Future Farmers of America
- FFP:** Federal Financial Participation
- FFY:** Federal Fiscal Year
- FMAP:** Federal Medical Assistance Percentage
- FPL:** Federal Poverty Level
- FTA:** Federation of Tax Administrators
- FUTA:** Federal Unemployment Tax Act
- FTE:** Full-time Equivalent (employee or student)
- FY:** Fiscal Year
- GAAP:** Generally Accepted Accounting Principals
- GAAS:** Generally Accepted Auditing Standards
- GASB:** Governmental Accounting Standards Board
- GCCA:** General Conference Committee on Appropriations
- GCGP:** Governor's Commission on Government Performance
- GEAR UP:** Gaining Early Awareness and Readiness for Undergraduate Programs
- GFOA:** Government Finance Officers Association
- GIS:** Geographic Information System
- GME:** Graduate Medical Education
- GMH:** Griffin Memorial Hospital
- GNRI:** George Nigh Rehabilitation Institute
- GPA:** Grade Point Average
- GPT:** Governor's Performance Team (referencing the Governor's Commission on Government Performance)

ACRONYMS

GSL: Guaranteed Student Loan

GSP: Gross State Product

HB: House Bill

HCA: Health Care Authority

HCFA: Health Care Finance Authority (federal agency)

HCP: Health Care Provider

HCR: House Concurrent Resolution

HEAL: Health Education Assistance Loan

HIPAA: Health Insurance Portability and Accountability Act

HIV: Human Immunodeficiency Virus

HJR: House Joint Resolution

HMO: Health Maintenance Organization

HR: Human Resources

HRC: Horse Racing Commission

HRSA: Health Resources & Services Administration

HRDS: Human Resources Development Services

HTS: Habilitation Training Specialist

HUD: Housing and Urban Development

HVAC: Heating, Ventilation, Air Conditioning

ICF-MR: Intermediate Care Facility - Mentally Retarded

ICS: Integrated Central Services Accounting System

ID: Identification Number

IFA: Imported Fire Ant

IFTA: International Fuel Tax Agreement

IMD: Institution for Mental Disease

IMHU: Intermediate Mental Health Unit

ACRONYMS

- IMO:** International Marketing Office
- IRP:** International Registration Plan
- IP:** Internet Protocol
- IRS:** Internal Revenue Service
- ISTEA:** Inter-modal Surface Transportation Efficiency Act
- ITBS:** Iowa Test of Basic Skills
- IVR:** Interactive Voice Response
- JCAHO:** Joint Commission on the Accreditation of Healthcare Organizations
- JDMC:** J. D. McCarty Center
- JOA:** Joint Operating Agreement
- JOLTS:** Juvenile Online Tracking System
- JSU:** Juvenile Services Unit
- JTPA:** Job Training Partnership Act
- KIDS:** Kids Information Data System
- LCB:** Legislative Compensation Board
- LEA:** Local Education Agencies
- LERC:** L.E. Rader Center
- LIHEAP:** Low Income Housing Energy Assistance Program
- LMFO:** Licensed Managed Feeding Operations
- LMI:** Labor Market Information
- LPG:** Liquefied Petroleum Gas Board
- LPN:** Licensed Practical Nurse
- LSB:** Legislative Service Bureau
- LSCA:** Library Services and Construction Act
- LSI:** Level of Service Inventory

ACRONYMS

- LTC:** Long-term Care Facility
- MCF:** Million Cubic Feet
- MCI:** Market Cattle Identification
- MD:** Medical Doctor
- MHz:** Megahertz
- MIS:** Management Information System
- MMCAP:** Minnesota Multi-State Contracting Alliance for Pharmacy
- MN:** Medically Needy
- MOA:** Memoranda of Agreement
- MOST:** More Oklahoma Science and Technology
- MOU:** Memoranda of Understanding
- MR/MI:** Mentally Retarded/Mentally Ill
- MRI:** Magnetic Resonance Imaging
- MSA:** Metropolitan Statistical Area
- MSHA:** Mine Safety and Health Administration
- MWC:** Midwest City
- NAAQS:** National Ambient Air Quality Standards
- NACEA:** Native American Cultural and Educational Authority
- NAEP:** National Assessment of Education Progress
- NAIC:** National Association of Insurance Commissioners
- NAMI:** National Alliance for the Mentally Ill
- NAPLEX:** North America Pharmacist Licensure Examination
- NASA:** National Aeronautics Space Administration
- NBC:** National Board of Certification
- NBPTS:** National Board for Professional Teaching Students
- NCATE:** National Council for Accreditation of Teacher Education

ACRONYMS

- NCCI:** National Council on Compensation Insurance
- NCES:** National Center for Education Statistics
- NCLB:** No Child Left Behind Act
- NELRP:** Nursing Education Loan Repayment Program
- NFPA:** National Fire Protection Association
- NGRI:** Not Guilty by Reason of Insanity
- NHSC:** National Health Services Corps
- NIDA:** National Institute for Drug Abuse
- NIMH:** National Institute of Mental Health
- NORCE:** Northern Oklahoma Resource Center in Enid
- NOV:** Notices of Violations
- NPDES:** National Pollutant Discharge Elimination System
- NRCS:** Natural Resource Conservation Services (U. S. Department of Agriculture)
- NRDA:** National Resource Damage Assessment
- OAC:** Oklahoma Aeronautics and Space Commission
- OAI:** Oklahoma Arts Institute
- OAR:** Office of Administrative Rules
- OARS:** Oklahoma Applied Research Support
- OBND:** Oklahoma Bureau of Narcotics and Dangerous Drugs
- OBRA:** Omnibus Budget Reconciliation Act
- OBWEO:** Oklahoma Boll Weevil Eradication Organization
- OCAST:** Oklahoma Center for the Advancement of Science and Technology
- OCC:** Oklahoma Conservation Commission
- OCCY:** Oklahoma Commission on Children and Youth
- OCI:** Oklahoma Children's Initiative

ACRONYMS

- OCI:** Oklahoma Correctional Industries
- OCIA:** Oklahoma Capitol Improvement Authority
- OCJRC:** Oklahoma Criminal Justice Resource Center
- ODAFF:** Oklahoma Department of Agriculture, Food and Forestry
- ODL:** Oklahoma Department of Libraries
- ODMHSAS:** Oklahoma Department of Mental Health and
Substance Abuse Services
- ODOC:** Oklahoma Department of Commerce
- ODOL:** Oklahoma Department of Labor
- ODOT:** Oklahoma Department of Transportation
- ODVA:** Oklahoma Department of Veterans Affairs
- ODWC:** Oklahoma Department of Wildlife Conservation
- OECD:** Organization for Economic Cooperative Development
- OESC:** Oklahoma Employment Security Commission
- OETA:** Oklahoma Educational Television Authority
- OFPRS:** Oklahoma Firefighters Pension and Retirement System
- OHLAP:** Oklahoma Higher Learning Access Program
- OHCA:** Oklahoma Health Care Authority
- OHC:** Office of Handicapped Concerns
- OHS:** Oklahoma Historical Society
- OHSA:** Oklahoma Occupational Health and Safety Standards Act of
1970
- OIAC:** Oklahoma Indian Affairs Commission
- OIDS:** Oklahoma Indigent Defense System
- OIES:** Oklahoma International Export Service
- OJA:** Office of Juvenile Affairs
- OKC:** Oklahoma City

ACRONYMS

- OK-LEAP:** Oklahoma Local Entrepreneurial Assistance Program
- OKNG:** Oklahoma National Guard
- OLERS:** Oklahoma Law Enforcement Retirement System
- OLETS:** Oklahoma Law Enforcement Telecommunications System
- OLMID:** Oklahoma Labor Market Information Data Base
- OMA:** Oklahoma Military Academy
- OMD:** Oklahoma Military Department
- OMTI:** Oklahoma Miner Training Institute
- OMSP:** Oklahoma Main Street Program
- OPEN:** Oklahoma Public Employment Network
- OPERS:** Oklahoma Public Employees Retirement System
- OPM:** Office of Personnel Management
- OPPRS:** Oklahoma Police Pension and Retirement System
- ORIGINS:** Oklahoma Resource Integrated General Information
Network System
- OSB:** Oklahoma School for the Blind
- OSBI:** Oklahoma State Bureau of Investigation
- OSD:** Oklahoma School for the Deaf
- OSDH/OSDOH:** Oklahoma State Department of Health
- OSEEGIB:** Oklahoma State and Education Employees Group
Insurance Board
- OSF:** Office of State Finance
- OSI/OSIS:** Oklahoma State Industries
- OSIDA:** Oklahoma Space Industry Development Authority
- OSIS:** Oklahoma State Information System (Child Enforcement)
- OSM:** Office of Surface Mining
- OSRC:** Oklahoma Scenic Rivers Commission

ACRONYMS

OSRHE: Oklahoma State Regents for Higher Education

OSSM: Oklahoma School of Science and Mathematics

OST: Office of State Treasure

OTA: Oklahoma Transportation Authority

OTAG: Oklahoma Tuition Aid Grant

OTC: Oklahoma Tax Commission

OTRD: Oklahoma Tourism and Recreation Department

OWCP: Oklahoma Comprehensive Water Plan

OTRS: Oklahoma Teachers' Retirement System

OWRB: Oklahoma Water Resources Board

OYC: Oklahoma Youth Center

P & C: Property and Casualty

PA: Public Accountant

PACT: Program for Assertive Community Treatment

PARBA: Post Adjudication Review Board Act

PASS: Priority Academic Student Skills

PC: Personal Computer

PCA: Patient Care Assistant

PCCM: Primary Care Case Management

PCP/CM: Primary Care Provider/Case Manager

PCPI: Per Capita Personal Income

PDI: Professional Development Institutions

PICS: Plant Industry & Consumer Services

PLUS: Parent Loan for Undergraduate Students

PM/PM: Per Member Per Month

PMTC: Physician Manpower Training Commission

ACRONYMS

PPI: Preferred Product Initiative

PPRD: Department of Commerce's Policy, Planning and Resource Development Division

Pre K -12: Pre Kindergarten through Grade 12

PRWORA: Personal Responsibility and Work Opportunity Reconciliation Act

PST: Petroleum Storage Tank

QJP: Quality Jobs Program

R & D: Research and Development

RBMS: Residential Behavior Management Services

RCRA: Resource Conservation and Recovery Act

REAP: Rural Economic Action Plan

RESC: Regional Education Service Center

RFP: Requests for Proposals

RHCD: Rural Health Care Division of the Universal Service Administrative Company

RIF: Reduction in Force

RI/FS: Remedial Investigation/Feasibility Study

RIP: Recreation Trails Program

RN: Registered Nurse

RTW: Right-To-Work

RVS: Rehabilitation and Visual Services

SARA: Superfund Act Reauthorization Amendments

SB: Senate Bill

SBIR: Small Business Innovation Research

SBRA: Small Business Research Assistance

SCHIP: State Children's Health Insurance Plan

SCORP: Statewide Comprehensive Outdoor Recreation Plan

ACRONYMS

- SCPD:** State Central Purchasing Division
- SCR:** Senate Concurrent Resolution
- SDA:** Service Delivery Area
- SDE:** State Department of Education
- SEEDS:** Self-employed Entrepreneurial Development System
- SFM:** State Fire Marshal
- SH:** State Highway
- SIB:** State Infrastructure Bank
- SIF:** State Insurance Fund
- SIP:** Savings Incentive Program
- SJF:** State Judicial Fund
- SJR:** Senate Joint Resolution
- SLC:** Schools and Libraries Corporation
- SLC:** Southern Legislative Conference
- SLS:** Supplemental Loans for Students
- SLRP: State Loan Repayment Program
- SMAC:** State Maximum Allowable Cost
- SMI:** Severely Mentally Ill
- SOJC:** Southwestern Oklahoma Juvenile Center
- SORC:** Southern Oklahoma Resource Center
- SOS:** Secretary of State
- SREB:** Southern Regional Education Board
- SRF:** State Revolving Fund
- SSA:** Social Security Administration
- SSI/SSDI:** Social Security Insurance/Social Security Disability Insurance
- STARS:** State Transition and Reintegration Services

ACRONYMS

- STD:** Sexually Transmitted Disease
- STI:** State Training Inventory
- STTR:** Small Business Technology Transfer
- SWJC:** Southwest Oklahoma Juvenile Center (Manitou)
- TADD:** Treatment Alternatives for Drunk Drivers
- TANF:** Temporary Assistance to Needy Families
- TASS:** Texas Assessment of Academic Skills
- TCM:** Targeted Case Management
- TIBS:** Tulsa Institute of Behavioral Sciences
- TIP:** Training for Industry Program
- TMDL:** Total Maximum Daily Load
- TQM:** Total Quality Management
- TRIP:** Traveler Response Information Program
- TRS:** Teachers' Retirement System
- TTC:** The Trident Center
- TYA:** Thunderbird Youth Academy
- UAAL:** Unfunded Accrued Actuarial Liability
- UCJC:** Union City Juvenile Center
- UI:** Unemployment Insurance
- URSJJ:** Uniform Retirement System for Justices and Judges
- US:** United States
- USAC:** Universal Service Administrative Company
- USAPs:** United States Assessment Protocols
- USDA:** United States Department of Agriculture
- USDVA:** U.S Dept. of Veteran Affairs

ACRONYMS

- USF:** Universal Services Fund
- USGS:** United States Geologic Survey
- UST:** Underground Storage Tank
- VFA:** Volunteer Fire Assistance
- VISION:** Virtual Internet School in Oklahoma Network
- VOI-TIS:** Violent Offender and Truth in Sentencing
- VO TECH:** Vocational and Technical Education
- WC:** Work Center
- WDB:** Workforce Development Board
- WIC:** Women, Infants and Children
- WQS:** Water Quality Services Division (ODAFF)
- WQS:** Water Quality Standards (EPA)
- WSCA:** Western States Contracting Alliance
- WSPC:** Western State Psychiatric Center
- WtW:** Welfare to Work
- YGS:** Youth Guidance Specialist
- Y2K:** Year 2000

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