

FY-2011

Executive Budget

Governor
Brad Henry

February 1, 2010

Feb. 1, 2010

To the Citizens of the Great State of Oklahoma and the Oklahoma Legislature:

I am pleased to submit for your consideration the FY-2011 executive budget. As required by state law, I have presented a balanced budget. The recommendations in this budget take into account the current revenue crisis while it attempts to protect the considerable achievements we have made in education, economic development, healthcare and public safety.

The global recession has impacted Oklahoma, as it has all states. Challenging economic times demand the fiscal sacrifice and restraint reflected in this budget. Surgical cuts in state agencies and programs are necessary, but it is critical that such reductions do not impair the core functions of state government.

In addition, we must look beyond the current recession and build on the progress built in recent years. Economic growth does not arise from happenstance. It requires hard work, bold vision and the tenacity to remain focused. Subsequently, innovative programs such as the EDGE Research Endowment and Insure Oklahoma must be protected and strengthened to ensure continued success in the years to come. It is important that the crisis of the moment not erode Oklahoma's ability to prosper once a full economic recovery is underway.

I ask the Legislature and the Citizens of Oklahoma to support this agenda for a strong and prosperous Oklahoma. I am confident that all Oklahomans can agree on these goals to achieve excellence and carry out state forward.

Sincerely,

Brad Henry
Governor

February 1, 2010

Governor Henry:

Please accept this, your executive budget for the FY-2011 budget year. The budget is balanced as required by law.

The budgets of all state agencies, boards and commissions were thoroughly reviewed in the preparation of this budget. Staff of the Budget Division of OSF, the Secretary of Finance and Revenue and I met with directors of major state agencies to examine and analyze agency programs and expenditures. State agency administrators and their staff provided information necessary for this rigorous budget review. They also made suggestions to improve the efficiency and effectiveness of the delivery of services by their agencies. Our examination included a review of management efficiencies and innovations, alternative funding methods, tax policies, expenditures and revenue enhancement proposals.

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

Sincerely,

Michael Clingman, Director
Office of State Finance

OKLAHOMA OFFICE OF STATE FINANCE

February 1, 2010

Citizens of the State of Oklahoma Members of the Second Regular Session of the Fifty-Second Legislature

Governor Brad Henry's FY-2011 budget consists of the following two documents. Both are available on the Internet. You can view them by accessing the Oklahoma Home Page, the Home Page of the Office of the Governor, or the Home Page of the Office of State Finance. The Oklahoma Home Page address is: <http://www.ok.gov>.

Volume I is distributed to the State Legislature, the media and the State Publications Clearinghouse. Volume II is available online.

“FY-2011 EXECUTIVE BUDGET, Volume I”

This document contains Governor Henry's budget recommendations to the 2010 Legislature. It includes a discussion of state revenues, a summary of his proposed budget and explanations of budget recommendations for state agencies.

“FY-2011 EXECUTIVE BUDGET, Volume II- HISTORICAL DATA”

This document is available online 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-2008, FY-2009 and FY-2010

**2300 North Lincoln Boulevard, Room 122, Oklahoma City, OK 73105-4801
Telephone (405) 521-2141 FAX (405) 521-3902**

Table of Contents

A. Governor’s FY-2011 Executive Budget	
Executive Summary	A-1
B. FY-2011 Budget Recommendations	
Governor	B-1
Lieutenant Governor	B-3
Agriculture	B-5
Commerce and Tourism	B-17
Education	B-37
Energy	B-77
Environment	B-83
Finance and Revenue	B-95
Health	B-129
Human Resources and Administration	B-141
Human Services	B-151
Military Affairs	B-179
Safety and Security	B-181
Science and Technology Development	B-209
Secretary of State	B-215
Transportation	B-221
Veterans Affairs	B-227
Legislature	B-229
Judiciary	B-231
C. State Budget Information	C-1
D. Appendix	D-1
Index	Index 1

Executive Summary

Summary of FY-2011 Balanced Budget

1. Total Amount Available from Certification Packet	\$5,294,829,734
2. Adjustments to Certification	
One Year Moratorium on Select Tax Credits	\$ 45,092,800
Repeal Rural Small Business Cap Credit	\$ 37,406,000
Equalize Payments for Services	\$ 18,701,866
Delay Motor Vehicle Apportionment Change	\$ 16,400,000
Decouple from Federal Debt Provision	\$ 11,620,000
Repeal Small Business Cap Credit	\$ 11,060,000
Adopt Revised Sales Tax Vendor Discount	\$ 9,950,000
Vending Machine Decals	\$ 9,000,000
Reform Electric Car Credit	\$ 9,000,000
Maximum Franchise Tax Remitters	\$ 7,800,000
Repeal Motor Fuel Purchaser Discount	\$ 6,100,000
Apportion Tobacco Tax Equalization Revenue to General Revenue	\$ 4,927,000
Smokeless Tobacco Tax Equalization	\$ 4,227,000
Collect Sales Tax on Electronically Delivered Items	\$ 3,460,000
Sales and Use Tax Remittances	\$ 2,998,100
Adjustment to Certification Packet	\$ 2,700,000
Beer Wholesaler Remittance Adjustment	\$ 1,150,000
Liquor and Wine Wholesaler Remittance Adjustment	\$ 840,000
Multi State Model Statute	\$ 836,000
Little Cigar Tax Equalization	\$ 386,000
Total Revenue Enhancements	\$ 203,654,766
3. Recover Cost of Service/Impact to Infrastructure	
Oversized Weight Permits	\$ 20,000,000
Certified Copies of Driving Records	\$ 10,600,000
Total Cost of Service/Impact to Infrastructure	\$ 30,600,000
4. Compliance Initiatives	
Automated Enforcement of Vehicle Insurance	\$ 95,000,000
Collect Sales Tax on Internet Sales	\$ 95,000,000
Total Compliance Initiatives	\$ 190,000,000
5. Bonding Initiatives	
Roads and Bridges	\$ 195,000,000
IT Equipment and Software Purchases	\$ 38,000,000
Total Bonding Initiatives	\$ 233,000,000

FY-2011 Executive Budget

6. Rainy Day Fund and Other Cash	
Various State Agencies	\$ 85,411,802
Rainy Day Fund (Amount Used for FY-2011 Budget)	\$ 67,594,528
Rainy Day Fund (Amount Used for FY-2010 Supplementals and Shortfall)	\$ 485,565,496
Excess FY-2010 Gross Production Oil to Education Funds	\$ 42,526,218
Cash to Balance FY-2010	\$ (343,568,092)
Funds Added back to Education GR FY-2010	\$ (80,000,000)
Total Cash Transfers	\$ 257,529,952
7. ARRA Funds	
ARRA Medicaid Funds	\$ 460,000,000
ARRA Education Funds	\$ 236,468,872
Total ARRA Funds	\$ 696,468,872
Total Revenue	\$ 6,906,083,324
8. CIO Savings Initiative	\$ (50,000,000)
Total Savings Initiatives	\$ (50,000,000)
9. Targeted Cuts	
Agency Consolidation Savings	\$ (5,360,000)
Savings from Reductions to Pass-Through Appropriations	\$ (8,681,000)
Total Targeted Cuts	\$ (14,041,000)
Total Savings Initiatives and Targeted Cuts	\$ (64,041,000)
<u>Balanced Budget Summary:</u>	
1. Appropriations Made by 2009 Legislature	\$ 6,616,561,467
2. Less: FY-2009 Supplementals	\$ (5,750,000)
3. Less: One-Time Expenditures	\$ (23,525,000)
4. ARRA Education Funds Used in FY-2010 Budget	\$ 236,352,128
5. ARRA Medicaid Funds Used in FY-2010 Budget	\$ 404,695,751
6. FY-2010 Base Budget	\$ 7,228,334,346
7. 7.5% General Revenue Reductions Made During FY-2010	\$ (385,827,878)
8. Adjusted FY-2010 Base Budget	\$ 6,842,506,468
9. Targeted Cuts Made in FY-2011	\$ (65,826,045)
10. Funds Added back to Education Agencies in FY-2010	\$ 80,000,000
11. Available Savings and Cuts	\$ (64,041,000)
12. Adjusted FY-2011 Base Budget	\$ 6,792,639,423
13. Hold Debt Service Harmless and OSU-Tulsa	\$ 5,740,532
14. Increased Certification to ODOT	\$ 1,926,868
15. Increased Certification to CLO	\$ 4,358,350
16. FY-2010 Supplementals	\$ 101,418,151
17. Executive Budget Expenditures	\$ 6,906,083,324
18. Available Revenues	\$ 6,906,083,324
	\$ 0

Potential Increases to the FY-2011 Revenue Certification

One Year Moratorium on Select Tax Credits

The Governor proposes a one-year moratorium on income tax credits for tax year 2010. The FY-2011 budget includes \$45 million in revenue from this proposal.

Repeal of the Rural Small Business Capital Credit

Governor Henry's budget proposes repealing the income tax credit for investment in certain large investment companies which invest in rural business ventures that may or may not be economically viable. The Governor's budget includes \$37.4 million in additional revenue from this change.

Equalization of Payments for Services

The Governor's budget includes increases to payments for services, licenses, permits and fees collected by the following agencies: Department of Public Safety, Securities Commission, Insurance Department, Election Board, Worker's Compensation Court, Department of Agriculture, Department of Environmental Quality, OSBI, Board of Medicolegal, Department of Education, Motor Vehicles Commission, Secretary of State, Consumer Credit Commission and the Oklahoma Water Resources Board. Many of these fees have not increased since the 1980's and 1990's while inflation has increased an average of 2.85% per year since 1985. The fee increases noted here are either deposited into the General Revenue Fund or collected by appropriated agencies and total \$49.3 million.

Delay of Motor Vehicle Apportionment

An increased penalty was enacted in 2009 for late vehicle registration. For FY-2010, 50% of the increased penalty revenue was apportioned to the General Revenue Fund. Beginning in FY-2011, this apportionment to the General Revenue Fund is set to change. The Governor proposes delaying the change in apportionment for one year, maintaining the apportionment to the General Revenue Fund. This delay would result in an increase of \$16.4 million that is included in the budget.

Decouple from the Federal Debt Forgiveness Provision

As a part of the American Recovery and Reinvestment Act, persons who are forgiven mortgage debt under certain temporary tax provisions will not include the amount as taxable income for computing their federal income tax payment. The state of Oklahoma would, for state tax purposes, consider that debt forgiveness amount to be taxable income as it has historically been treated under federal and state income tax law. This change would result in an increase of \$11.62 million.

Repeal of the Small Business Capital Credit

The Oklahoma Tax Code currently allows a credit equal to 20% of the cash invested in, or in conjunction with, a qualified small business capital company that invests in ventures that may or may not be economically viable. Repealing this tax credit would return a total \$11.1 million to the General Revenue Fund.

Adopt a Revised Sales Tax Vendor Discount

Vendors filing and remitting electronically currently receive a discount on sales tax of 2.25%, while other vendors are entitled to a discount of 1.25% of taxes timely remitted. The total compensation per vendor is capped at \$3,300 per month. This proposal would equalize the discount at 1% for all vendors and lower the cap to \$2,500 per month. The Governor's budget includes an annual increase of \$9.95 million for this proposal.

Reform the Electric Car Credit

The Governor proposes revisions to the credit for conversion of motor vehicles to clean burning fuel or investments in qualified electric motor vehicles. The Governor's FY-2011 budget includes an increase in revenues collected of \$9 million.

Increase Cost of Vending Machine Decals

In lieu of sales tax, owners of vending machines purchase decals for \$50 per year. This cost has not changed since 1988 although the value of items sold through vending machines has increased dramatically. This proposal seeks to equalize the treatment of sales of vending machines with sales by Oklahoma businesses. Raising the cost to \$150 per year would result in an annual increase in the amount of \$9 million.

Change Due Date and Delinquent Date for Maximum Franchise Tax Remitters

Current law provides that a franchise tax return be remitted on July 1 or the last day of the income tax year of the taxpayer. The return is delinquent if not filed by September 1 or the 15th day of the fourth month following the end of the income tax year.

This proposal moves the due date and the delinquent date to capture returns and payments from taxpayers paying the maximum tax amount in June, which will gain a one-time increase in franchise tax collections in FY11 of \$7.8 million to the General Revenue Fund.

Repeal Motor Fuel "Eligible Purchaser" Discount for Gasoline and Diesel Fuels

The current discount was originally enacted in the rewrite of the Motor Fuel Tax Code in 1996 to prevent an increase of tax to distributors who previously enjoyed a discount for timely remittance of taxes. However, the distributors no longer have any tax remitting responsibilities. The discount is currently 1.6% for gasoline purchasers and 1.9% for diesel purchasers, and this repeal would result in a \$6.1 million annual increase to the General Revenue Fund.

Capture Tobacco Tax Equalization Funds for General Revenue

The Governor's budget includes \$4.927 million achieved by directing the apportionment of the tobacco tax equalization proposals to the General Revenue Fund.

Smokeless Tobacco Tax Equalization

The Governor proposes converting the tobacco products tax on moist smokeless tobacco from a value-based tax to a weight-based tax to equalize the rate of taxation among similar tobacco products. The Governor's budget includes a resulting increase of \$4.227 million to the General Revenue Fund.

Capture Sales Tax on the Sale of Electronically Delivered Items

The Governor's budget proposes the collection of sales tax be extended to include the sale of items delivered electronically that would otherwise be taxed if delivered physically. This would include items such as computer software transferred electronically, digital movies, digital songs, digital books, etc. The total increase in collections from this change is \$3.46 million.

Sales and Use Tax Remittance Changes

Currently, approximately 31,000 vendors make monthly remittances on the 20th of each month for sales during the previous month. This proposal would require vendors that currently remit between \$1,000 and \$2,500 per month to remit the tax on the 20th of the month for sales during the 1st through the 15th as currently required for vendors remitting more than \$2,500 per month. The Governor's budget includes a one-time increase of \$2.998 million related to this change.

Beer Wholesaler Remittance Change

Approximately 44 beer wholesalers make monthly remittances on the 10th of the month for sales during the previous month in the amount of \$2.3 million. This proposal is to require the wholesalers to remit tax on the 20th of the month for sales during the 1st through the 15th as currently required of large sales tax vendors. The Governor's budget includes a one-time increase from this change of \$1.15 million.

Liquor and Wine Wholesaler Remittance Change

Wholesalers of liquor and wine currently make monthly tax remittances on the 10th of the month for sales during the previous month. The Governor proposes requiring the remittance on the 20th of each month for sales during the 1st through the 15th as other large sales tax vendors are currently required. The one-time increase to the General Revenue Fund for FY-2011 would be \$840,000.

Adopt Multistate Tax Commission (MTC) Model Statutes

The Governor's budget proposes that the Oklahoma Tax Commission adopt the MTC model statutes regarding sales tax collection of internet accommodations intermediaries that book accommodations on a non-exclusive basis for their customers. The proposed model requires and provides a mechanism for collection and remittance of tax on the entire retail price of the accommodations, including the margin. The Governor's budget includes the \$836,000 increase that would be apportioned to the General Revenue Fund from this change.

Little Cigar Tax Equalization

Under this proposal, products falling within the "little cigar" category outlined in statutes would be taxed at the same tax rate as cigarettes. This change would conform Oklahoma law to the federal provisions that became effective April 1, 2009. The Governor's budget includes an increase of \$386,000 as a result of this proposed change.

Recover Cost of Service/Impact to Infrastructure**Oversize Weight Permits**

This proposal increases the payment made by vehicles carrying oversized loads in Oklahoma. The cost of these permits is currently ranges from \$2 - \$250. It is costly to monitor and register these vehicles. The Governor's budget includes \$20 million by increasing the permit cost to \$4 - \$500.

Certified Copies of Driving Records

The State charges \$10 to persons attaining a certified copy of a driver record. The Department of Public Safety forecasts that it will collect \$10.6 million in FY-2011 at the current rate. This budget proposes doubling the fee for such copies to \$20. This generates an additional \$10.6 million in revenue for FY-2011.

Compliance Initiatives**Automated Enforcement of Vehicle Insurance**

The Governor's budget proposes that the State of Oklahoma better protect Oklahomans from uninsured motorists by increasing drivers' compliance with compulsory vehicle insurance laws through implementation of an automated enforcement system. An automated enforcement system will increase the efficiency of the current Oklahoma law enforcement, enable equal enforcement of in-state and out-of-state violators and reduce costs to existing vehicle liability policyholders. An automated system also eliminates insurance fraud by providing instant insurance verification.

The automated system can be implemented at no cost to the state. It is estimated that the state will collect \$95 million in revenues from this program.

Collection of Sales Tax on Remote Sales

Currently, out-of-state businesses without a presence in Oklahoma are not collecting sales tax on Internet, telephone or mail order sales made to Oklahoma, effectively providing them with an advantage over Oklahoma-based operations that do collect the sales tax. This compliance initiative allows the Oklahoma Tax Commission to pursue sales tax collections from the out-of-state companies in question. The Governor's budget includes an increase of \$95 million to the General Revenue Fund in FY-2011 collection of taxes currently due the state on these sales by out-of-state entities.

Bonding Initiatives

ROADS Fund

The Governor's budget proposes to bond a large portion of the payment to the ROADS fund in FY-2011. The ROADS fund is slated to receive \$220 million in FY-2011. The Governor's budget includes a bond initiative in the amount of \$195 million for deposit to the ROADS fund to fund road and bridge projects across the state.

Equipment and Information Technology Purchases

In FY-2009, state agencies spent \$231 million purchasing office equipment, information technology equipment and motor vehicles. The Governor's budget proposes a \$38 million bond to make a portion of these purchases in FY-2011.

Rainy Day Fund and Other Cash Transfers

Cash Transfers

One component of the FY-2011 budget involved identifying a variety of agency revolving funds that exceed the amount needed to balance FY-2010 expenditures. These funds can be re-directed to cover supplemental agency operating costs in FY-2010 and agency operating costs in FY-2011. This proposal transfers a total of \$85 million for this purpose. This proposed transfer of funds is based on a careful analysis of budgeted versus actual receipts and disbursements.

Rainy Day Fund

The current balance in the Rainy Day Fund is \$596.5 million. The Governor's budget proposes using \$69 million in the FY-2011 budget. This budget also uses \$60.7 million to fund necessary supplemental appropriations in FY-2010. In addition, agency General Revenue appropriations are being reduced by 7.5% in FY-2010 and \$424.4 million of Rainy Day Funds will be utilized to maintain cuts at this level. The proposed uses of Rainy Day Fund leaves a balance of almost \$43 million.

Excess FY-2010 Gross Production Oil Revenues to Education Funds

In December, the Board of Equalization certified an additional \$42.5 million of Gross Production Oil revenue. These increased funds are deposited into education revolving funds.

ARRA Funds

The State of Oklahoma received funding through the federal American Recovery and Reinvestment Act, also known as the stimulus bill. The FY-2010 budget included over \$404 million for the state Medicaid program and \$236 million for education. The Governor's FY-2011 budget includes \$460 million for the state Medicaid program and \$236 million for education.

Savings and Targeted Cuts

Chief Information Technology Officer

The Information Services Act created the Chief Information Officer (CIO) position. The CIO will generate cost savings by consolidation of information technology and telecommunication resources and personnel, improved procurement of technology and telecommunication products and services, modernization of all technology and telecommunication systems of the State and elimination of duplication across state agencies. The Governor's budget includes \$50 million of savings statewide.

One-Time Reduction of Pass-Through Appropriations

The Governor's budget recommends a one-time reduction to agency pass-throughs at the Department of Commerce, Department of Agriculture and Health Department. These funds go to local governments, non-profits and other entities. Pass-through obligations, made when funding is available, must be reassessed when faced with a budget shortfall. Reducing agency pass-throughs will allow agencies to re-direct vital resources currently used for the monitoring and oversight of these funds. The Governor's budget includes \$8.7 million in savings from the these one-time reductions.

Agency Consolidations

Oklahoma has 180 state agencies, some of which have overlapping missions, responsibilities and duties. These overlapping responsibilities can lead to unclear lines of authority which limits accountability, decreases efficiency and increases the cost of government. It is in the light that the Governor has recommended the following agencies be consolidated:

- OBND to OSBI
- Medicolegal to OSBI
- CLEET to DPS
- Emergency Management to DPS
- ABLE to DPS
- Will Rogers to Historical Society
- JM Davis to Historical Society
- EBC to OPM
- Merit Protection to OPM
- Aeronautics to Commerce
- Conservation Commission to Agriculture
- Combine DEQ and OWRB
- Dept of Mines to Labor Department
- Indian Affairs to Commerce
- OCAST to Commerce
- ODSIDA to Commerce

Agency consolidation can lead to increased efficiency at a lower cost to the taxpayers by reducing administrative and overhead costs. By consolidating agencies and using a shared services methodology, agencies can focus on their core competencies by allowing other agencies or personnel to handle administrative functions such as human resources, payroll, financial functions and information technology duties. These consolidated agencies will also provide a one stop shop for many of the governmental services accessed by Oklahomans. By integrating programs in consolidated agencies, Oklahomans will be able to receive more comprehensive services from a single entity instead of fragmented services from multiple agencies. These agencies will now be prepared to handle the challenges facing Oklahoma in a more streamlined and effective manner. The Governor's budget includes \$5.3 million in savings from agency consolidations.

FY-2010 General Revenue Appropriation Reductions

Due to a revenue shortfall this fiscal year, agency General Revenue Fund appropriations are being reduced by 7.5% in FY-2010. This results in a savings of almost \$386 million. Those savings are reflected here as adjustments to agencies FY-2011 base appropriations.

FY-2011 Targeted Appropriation Cuts

The Board of Equalization certified \$1.3 billion less in expenditure authority for the 2010 Legislature. In addition to the potential revenues, efficiencies and other targeted cuts proposed in this budget, the Governor’s budget includes \$66 million in targeted cuts to state agencies ranging from .5% to 3%. These targeted cuts seek to preserve core government services such as Education, Health and Public Safety.

Expenditure Proposals

The first step in developing this budget involved reviewing individual agency budgets. Office of State Finance staff utilized performance based budgeting techniques to evaluate programs and services. The Governor places a strong emphasis on performance and efficiency measures for agencies. Since the Governor’s budget revenues (as certified by the Board of Equalization) are almost \$1.3 billion less than the 2009 Legislature’s appropriations authority, agencies have been and will continue to be challenged to improve services and outcomes. Citizens must have confidence that tax dollars are being spent efficiently and effectively.

Note that the detail and a summary of these funding adjustments by Cabinet Department is located later in this section. The starting point for expenditure proposals is FY-2010 appropriations plus stimulus funding and less the cuts enacted during FY-2010. Subtracting one time expenditures and FY-2009 supplementals from this amount produces a base level of expenditures. Adding proposed changes in expenditures and stimulus funds available in FY-2011 yields the total Executive Budget.

FY-2009 Supplementals

The following table lists FY-2009 supplemental appropriations subtracted from the FY-2010 state expenditure base:

FY-2009 Supplementals		
a. OSU Medical Authority	\$	5,000,000
b. Narcotics and Dangerous Drugs, Bureau of	\$	650,000
c. Tax Commission	\$	100,000
Total FY-2009 Supplementals:	\$	5,750,000

One-Time Expenditures

Over \$23.5 million was appropriated for one-time FY-2010 expenditure items:

FY-2010 One Time Expenditures		
Commerce - OMRF	\$	(15,000,000)
Treasurer - State Land Reimbursement	\$	(2,000,000)
Water Resources Board - Capital Projects	\$	(2,000,000)
DPS - Troop K Headquarters	\$	(1,200,000)
Commerce - Sports Museum and Jim Thorpe Museum	\$	(1,000,000)
Commerce - BRAC Bonds	\$	(950,000)
Commerce - Worldwide Creativity Conference	\$	(500,000)

Rehab Services - Capital Projects	\$	(400,000)
Commerce - National Finals Rodeo	\$	(200,000)
Mental Health - Thunderbird Clubhouse	\$	(150,000)
Health Department - Dental Loan Repayment Program	\$	(125,000)
Total One-Time Expenditures:	\$	(23,525,000)

FY-2010 Supplementals

The following list includes supplemental appropriations to mitigate cuts and partially restore lost revenues:

FY-2010 Supplementals

a. Common Education - 1017 Fund	\$	50,000,000
b. Oklahoma Health Care Authority	\$	33,000,000
c. Additional Mitigation of FY-2010 Cuts	\$	10,000,000
d. Department of Rehabilitation Services	\$	1,218,153
e. Department of Corrections	\$	7,200,000
Total FY-2010 Supplementals	\$	101,418,153

FY-2011 Key Funding Issues

Education

This proposed budget partially restores reduced FY-2010 funding levels at the State Department of Education, the Regents for Higher Education and the School for the Deaf and School for the Blind (via the Department of Rehabilitation Services. The budget includes \$50 million to the State Department of Education for the current year revenue shortfall to the 1017 fund, \$54.4 million to the State Department of Education for the current year revenue shortfall to the General Revenue Fund and \$25.6 million to the Regents for Higher Education for the current year revenue shortfall to the General Revenue Fund.

Looking to FY-2011, Governor Henry’s budget seeks to make minimal reductions to the State Department of Education, Regents for Higher Education and CareerTech. This budget includes a 0.5% cut to the appropriation levels of these agencies. Other agencies in the Education Cabinet receive a 3% cut.

In the event that the Board of Equalization certifies an increased expenditure authority to the Legislature over the amount certified at the December meeting, the Governor recommends that the Legislature appropriate sufficient funds to make up any differential between the original FY-2010 appropriation of 1017 funds and the projected 1017 fund collections for FY-2011. This appropriation would allow common education to only receive a .5% cut in general revenue appropriations for FY-2011.

Health, Human Services and Veterans Affairs

As the economy has deteriorated during this fiscal year, the pressures on the state safety net programs such as Medicaid, Mental Health, Human Services, Health, Veteran’s Affairs and Rehabilitative Services has increased dramatically. At the same time, the revenue shortfall has caused state support for these vital programs to be cut during FY-2010. The Governor’s budget proposes a \$33 million supplemental appropriation to the Oklahoma Health Care Authority to address growth and increased utilization in the state’s Medicaid program in FY-2010. The Governor’s budget also seeks to provide a consistent level of service to our state’s

most vulnerable citizens by keeping the FY-2011 cuts to the Department of Human Services, Department of Health, Department of Mental Health and Substance Abuse Services, the Veterans Affairs Department and the Department of Rehabilitation Services at a minimal 0.5%.

Safety and Security

During difficult economic times, it is also important to protect public safety. The Governor's budget recognizes the need to protect the citizens of Oklahoma by providing a supplemental appropriation to the Department of Corrections of \$7.2 million to address population growth. The Governor's budget also makes minimal cuts of 0.5% to the FY-2011 budgets of the Department of Corrections and the Department of Public Safety.

FY-2011 Executive Budget

	FY'10 Original Appropriation (Including ARRA Funds)	FY'10 Cut (\$) (7.5% to GR Approps)	FY'10 Revised Total Approp	FY'10 Cuts Added Back	FY'10 Total % Change	FY'11 Cut (%)	FY'11 Cut (\$)	FY'11 Approp. Before Consolidations and Pass Through Reductions
Governor	\$2,475,642	-\$185,673	\$2,289,969		-7.5%	3.0%	-\$68,699	\$2,221,270
TOTAL GOVERNOR	\$2,475,642	-\$185,673	\$2,289,969				-\$68,699	\$2,221,270
Lt. Governor	\$613,425	-\$46,007	\$567,418		-7.5%	3.0%	-\$17,023	\$550,396
TOTAL LT. GOVERNOR	\$613,425	-\$46,007	\$567,418				-\$17,023	\$550,396
Agriculture, Department of	\$32,558,058	-\$1,916,854	\$30,641,203		-5.9%	3.0%	-\$709,236	\$29,931,967
Conservation Commission	\$9,572,455	-\$717,934	\$8,854,521		-7.5%	3.0%	-\$265,636	\$8,588,885
TOTAL AGRICULTURE	\$42,130,512	-\$2,634,788	\$39,495,724				-\$974,872	\$38,520,852
Commerce, Department of	\$31,631,086	-\$2,496,082	\$29,135,004		-7.9%	3.0%	-\$923,550	\$28,211,454
REAP	\$14,415,000	-\$1,081,125	\$13,333,875		-7.5%	100.0%	-\$13,333,875	\$0
Historical Society	\$14,253,034	-\$1,068,978	\$13,184,057		-7.5%	3.0%	-\$395,522	\$12,788,535
J.M. Davis Memorial Commission	\$358,425	-\$26,882	\$331,543		-7.5%	3.0%	-\$9,946	\$321,597
Labor, Department of	\$3,497,064	-\$92,645	\$3,404,419		-2.6%	3.0%	-\$34,279	\$3,370,140
Oklahoma Scenic Rivers Comm.	\$321,149	-\$24,086	\$297,063		-7.5%	3.0%	-\$8,912	\$288,151
Tourism and Recreation, Depart.	\$25,909,406	-\$1,943,205	\$23,966,201		-7.5%	3.0%	-\$718,986	\$23,247,215
Will Rogers Memorial Comm.	\$868,343	-\$65,126	\$803,217		-7.5%	3.0%	-\$24,097	\$779,121
TOTAL COMMERCE & TOURISM	\$91,253,508	-\$6,798,129	\$84,455,379				-\$15,449,166	\$69,006,213
Arts Council	\$5,150,257	-\$386,269	\$4,763,988		-7.5%	3.0%	-\$142,920	\$4,621,068
Career Technology Education,	\$157,790,479	-\$11,572,866	\$146,217,612		-7.3%	0.5%	-\$713,660	\$145,503,952
Education, State Department of	\$2,572,007,202	-\$124,800,305	\$2,447,206,897	\$54,440,000	-2.7%	0.5%	-\$7,968,219	\$2,493,678,678
Educational Television Authority	\$4,830,776	-\$362,308	\$4,468,468		-7.5%	3.0%	-\$134,054	\$4,334,414
Higher Education, Regents for	\$1,070,741,008	-\$58,595,717	\$1,012,145,291	\$25,560,000	-3.1%	0.5%	-\$3,741,203	\$1,033,964,088
Libraries, Department of	\$7,294,556	-\$547,092	\$6,747,464		-7.5%	3.0%	-\$202,424	\$6,545,040
Science and Math, School of	\$7,546,706	-\$566,003	\$6,980,704		-7.5%	3.0%	-\$209,421	\$6,771,282
Teacher Preparation, Comm.	\$1,915,783	-\$143,684	\$1,772,100		-7.5%	3.0%	-\$53,163	\$1,718,937
TOTAL EDUCATION	\$3,827,276,768	-\$196,974,245	\$3,630,302,524	\$80,000,000	-5.1%		-\$13,165,063	\$3,697,137,460
Corporation Commission	\$11,605,688	-\$870,427	\$10,735,261		-7.5%	3.0%	-\$322,058	\$10,413,203
Mines, Department of	\$942,635	-\$70,698	\$871,937		-7.5%	3.0%	-\$26,158	\$845,779
TOTAL ENERGY	\$12,548,323	-\$941,124	\$11,607,199				-\$348,216	\$11,258,983
Environmental Quality, Department	\$9,297,129	-\$697,285	\$8,599,845		-7.5%	3.0%	-\$257,995	\$8,341,849
Water Resources Board	\$6,525,417	-\$489,406	\$6,036,011		-7.5%	3.0%	-\$181,080	\$5,854,931
TOTAL ENVIRONMENT	\$15,822,547	-\$1,186,691	\$14,635,856				-\$439,076	\$14,196,780
Auditor and Inspector	\$5,873,200	-\$440,490	\$5,432,710		-7.5%	3.0%	-\$162,981	\$5,269,729
Bond Advisor	\$173,370	-\$13,003	\$160,367		-7.5%	3.0%	-\$4,811	\$155,556
Consumer Credit, Department of	\$622,209	-\$46,666	\$575,543		-7.5%	3.0%	-\$17,266	\$558,277
Finance, Office of State	\$23,081,434	-\$906,108	\$22,175,326		-3.9%	3.0%	-\$335,260	\$21,840,067
Insurance Commissioner	\$2,339,827	-\$175,487	\$2,164,340		-7.5%	3.0%	-\$64,930	\$2,099,410
Land Office, Commissioners of	\$4,524,339	\$0	\$4,524,339		0.0%	0.0%	\$0	\$4,524,339
Tax Commission	\$46,303,723	-\$3,472,779	\$42,830,944		-7.5%	3.0%	-\$1,284,928	\$41,546,015
Treasurer	\$4,341,950	-\$318,146	\$4,023,803		-7.3%	3.0%	-\$117,714	\$3,906,089
TOTAL FINANCE AND REVENUE	\$87,260,052	-\$5,372,678	\$81,887,373				-\$1,987,891	\$79,899,482
Health, Department of	\$74,235,930	-\$5,477,271	\$68,758,659		-7.4%	0.5%	-\$337,765	\$68,420,894
Health Care Authority	\$979,796,994	-\$43,578,031	\$936,218,963		-4.4%	3.0%	-\$16,123,871	\$920,095,092
Mental Health & Substance Abuse	\$203,125,222	-\$14,589,681	\$188,535,541		-7.2%	0.5%	-\$899,697	\$187,635,844
TOTAL HEALTH	\$1,257,158,146	-\$63,644,983	\$1,193,513,164				-\$17,361,333	\$1,176,151,830
Central Services, Department of	\$17,403,253	-\$851,048	\$16,552,205		-4.9%	3.0%	-\$314,888	\$16,237,317
Horse Racing Commission	\$2,482,698	-\$186,202	\$2,296,496		-7.5%	3.0%	-\$68,895	\$2,227,601
Human Rights Commission	\$664,061	-\$49,805	\$614,256		-7.5%	3.0%	-\$18,428	\$595,829
Merit Protection Commission	\$613,684	-\$46,026	\$567,657		-7.5%	3.0%	-\$17,030	\$550,628
Personnel Management	\$4,549,323	-\$341,199	\$4,208,124		-7.5%	3.0%	-\$126,244	\$4,081,880
TOTAL HUMAN RESOURCES AND ADMINISTRATION	\$25,713,018	-\$1,474,280	\$24,238,738				-\$545,484	\$23,693,255
Children and Youth, Commission on	\$2,480,232	-\$186,017	\$2,294,214		-7.5%	3.0%	-\$68,826	\$2,225,388
Disability Concerns, Office of	\$392,769	-\$29,458	\$363,311		-7.5%	3.0%	-\$10,899	\$352,412
Human Services, Department of	\$550,712,113	-\$31,451,735	\$519,260,378		-5.7%	0.5%	-\$1,939,524	\$517,320,854
Indian Affairs, Commission of	\$240,373	-\$18,028	\$222,345		-7.5%	3.0%	-\$6,670	\$215,675
J.D. McCarty Center	\$4,452,961	-\$306,704	\$4,146,257		-6.9%	3.0%	-\$113,481	\$4,032,776
Juvenile Affairs	\$112,388,578	-\$8,226,743	\$104,161,835		-7.3%	3.0%	-\$3,043,895	\$101,117,940
Physician Manpower Training Comm.	\$5,560,748	-\$355,264	\$5,205,484		-6.4%	3.0%	-\$131,448	\$5,074,036
Rehabilitation Services, Depart.	\$30,053,770	-\$2,284,033	\$27,769,737		-7.6%	0.5%	-\$146,940	\$27,622,797
University Hospitals Authority	\$43,493,342	-\$2,488,249	\$41,005,093		-5.7%	3.0%	-\$920,652	\$40,084,440
TOTAL HUMAN SERVICES	\$749,774,886	-\$45,346,232	\$704,428,653				-\$6,382,336	\$698,046,318

FY-2011 Executive Budget

	FY'10 Original	FY'10 Cut (\$)	FY'10 Revised	FY'10 Cuts	FY'10		FY'11		FY'11 Approp.
	Appropriation	(7.5% to GR			Total Approp	Added Back	Total %	FY'11	FY'11
	(Including ARRA	Approps)			Change	Cut (%)	Cut (\$)	Reductions	Consolidations
	Funds)								and Pass Through
Military, Department of	\$12,251,559	-\$918,867	\$11,332,692		-7.5%	3.0%	-\$339,981	\$10,992,712	
TOTAL MILITARY	\$12,251,559	-\$918,867	\$11,332,692				-\$339,981	\$10,992,712	
ABLE	\$3,925,258	-\$294,394	\$3,630,864		-7.5%	3.0%	-\$108,926	\$3,521,938	
Attorney General	\$13,722,234	-\$1,029,168	\$12,693,067		-7.5%	3.0%	-\$380,792	\$12,312,275	
Corrections, Department of	\$503,000,000	-\$33,975,000	\$469,025,000		-6.8%	0.5%	-\$2,095,125	\$466,929,875	
District Attorneys and DAC	\$39,822,795	-\$2,986,710	\$36,836,086		-7.5%	3.0%	-\$1,105,083	\$35,731,003	
Emergency Management	\$788,329	-\$59,125	\$729,204		-7.5%	3.0%	-\$21,876	\$707,328	
Fire Marshal	\$2,245,864	-\$168,440	\$2,077,424		-7.5%	3.0%	-\$62,323	\$2,015,101	
Indigent Defense System	\$15,734,022	-\$1,179,059	\$14,554,964		-7.5%	3.0%	-\$436,252	\$14,118,712	
Investigation, State Bureau of	\$17,107,029	-\$1,283,027	\$15,824,002		-7.5%	3.0%	-\$474,720	\$15,349,282	
CLEET	\$4,414,356	-\$72,652	\$4,341,704		-1.6%	3.0%	-\$26,881	\$4,314,823	
Medicolegal Investigations	\$4,699,939	-\$352,495	\$4,347,444		-7.5%	3.0%	-\$130,423	\$4,217,020	
OBNDD	\$6,299,722	-\$371,229	\$5,928,493		-5.9%	3.0%	-\$137,355	\$5,791,138	
Pardon and Parole Board	\$2,523,418	-\$189,256	\$2,334,162		-7.5%	3.0%	-\$70,025	\$2,264,137	
Public Safety, Department of	\$93,339,686	-\$7,000,476	\$86,339,209		-7.5%	0.5%	-\$431,696	\$85,907,513	
TOTAL SAFETY AND SECURITY	\$707,622,654	-\$48,961,031	\$658,661,622		-6.9%		-\$5,481,476	\$653,180,146	
Science & Technology, Center for	\$22,026,563	-\$1,651,992	\$20,374,570		-7.5%	3.0%	-\$611,237	\$19,763,333	
TOTAL SCIENCE AND TECHNOLOGY	\$22,026,563	-\$1,651,992	\$20,374,570				-\$611,237	\$19,763,333	
Election Board	\$6,373,569	-\$466,768	\$5,906,801		-7.3%	3.0%	-\$172,704	\$5,734,097	
Ethics Commission	\$621,203	-\$46,590	\$574,613		-7.5%	3.0%	-\$17,238	\$557,374	
Judicial Complaints, Council on	\$268,040	-\$20,103	\$247,937		-7.5%	3.0%	-\$7,438	\$240,499	
Secretary of State	\$353,881	-\$26,541	\$327,340		-7.5%	3.0%	-\$9,820	\$317,520	
TOTAL SECRETARY OF STATE	\$7,616,692	-\$560,002	\$7,056,690				-\$207,201	\$6,849,490	
Space Industry Development Auth.	\$493,216	-\$36,991	\$456,225		-7.5%	3.0%	-\$13,687	\$442,538	
Transportation, Department of	\$208,741,314	\$0	\$208,741,314		0.0%	0.0%	\$0	\$208,741,314	
TOTAL TRANSPORTATION	\$209,234,530	-\$36,991	\$209,197,539				-\$13,687	\$209,183,852	
Veterans Affairs, Department of	\$40,282,600	-\$3,021,195	\$37,261,405		-7.5%	0.5%	-\$186,307	\$37,075,098	
TOTAL VETERANS AFFAIRS	\$40,282,600	-\$3,021,195	\$37,261,405				-\$186,307	\$37,075,098	
House of Representatives	\$17,834,084	-\$1,337,556	\$16,496,527		-7.5%	3.0%	-\$494,896	\$16,001,631	
Legislative Service Bureau	\$5,537,153	-\$265,286	\$5,271,866		-4.8%	3.0%	-\$98,156	\$5,173,710	
Senate	\$13,670,186	-\$1,025,264	\$12,644,922		-7.5%	3.0%	-\$379,348	\$12,265,575	
TOTAL LEGISLATURE	\$37,041,422	-\$2,628,107	\$34,413,316				-\$972,399	\$33,440,916	
Court of Criminal Appeals	\$3,304,551	-\$247,841	\$3,056,710		-7.5%	3.0%	-\$91,701	\$2,965,009	
District Courts	\$54,003,040	-\$1,500,228	\$52,502,812		-2.8%	3.0%	-\$555,084	\$51,947,728	
Supreme Court	\$17,867,941	-\$1,317,596	\$16,550,345		-7.4%	3.0%	-\$487,510	\$16,062,835	
Workers' Compensation Court	\$5,055,966	-\$379,197	\$4,676,769		-7.5%	3.0%	-\$140,303	\$4,536,466	
TOTAL JUDICIARY	\$80,231,498	-\$3,444,862	\$76,786,636				-\$1,274,599	\$75,512,037	

Governor

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

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

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

Additional duties of the Governor include:

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

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

- Oklahoma Capitol Complex Centennial Commission (73 O.S. 98.2)
 - Transportation Commission (69 O.S. 302)
 - Educational Commission (70 O.S. 506.1)
 - Commissioners of the Land Office (70 O.S. 611)
 - Southern Regional Educational Compact (70 O.S. 2127)
 - Oklahoma Transportation Authority (69 O.S. 1703)
 - Indian Affairs Commission (74 O.S. 1201)
 - Southern Growth Policy Board (74 O.S. 3501)
 - Contingency Review Board (74 O.S. 1201)
- State Board of Equalization (Article 10, Section 21)
 - Interstate Oil Compact (52 O.S. 201)
 - Oklahoma Historical Society (53 O.S. 1.6)
 - School Land Commission (64 O.S. 156)
 - Capital Improvement Authority (73 O.S. 98.2)

FY-2011 EXECUTIVE BUDGET

Lieutenant Governor

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

- State Insurance Fund (CompSource)
85 O.S. 131(A)(2)
- Tourism and Recreation Commission
74 O.S. 1804)
- State Board of Equalization
68 O.S. 2864 (A)
- School Land Commission
64 O.S. 1
- Oklahoma Linked Deposit Board
62 O.S. 88.3 (A)(2)
- Capital Improvement Authority
- Native American Cultural and Education Authority (ex-officio member)
74 O.S. 1226.2 (B)(2)
- Film and Music Advisory Commission
74 O.S. 5026
- Oklahoma Capitol Complex Centennial Commission 73 O.S. 98.2 (A)

FY-2011 EXECUTIVE BUDGET

Department of Agriculture, Food and Forestry (ODAFF)

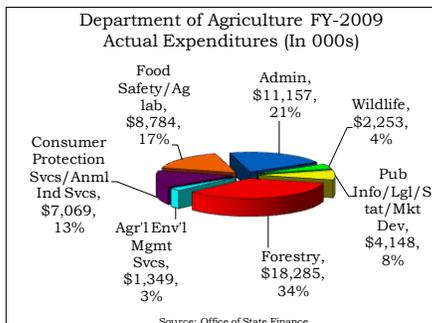
Notable Achievements

- Oklahoma has remained free of Brucellosis since April 2001.
- Oklahoma has not had a confirmed case of the H1N1 virus in swine.
- Recovered \$469,242 worth of stolen property and returned it to rightful owners in 2009.
- Grown the Farm-To-School Program from 6 to 60 schools in the past three years.
- Responded to 1,700 fires that burned over 300,000 acres in 2009.
- Completed construction of a 40,000 square foot state-of-the-art analytical laboratory.
- Developed an educational program for the public and emergency first responders to safely address situations where humans or animals are threatened by Africanized Honeybees.

Mission

The Department of Agriculture, Food, and Forestry is the lead agency in the state for improvement and regulation of the agricultural industry in Oklahoma. The agency seeks to protect consumer health and safety, natural resources, property and the environment.

The Department of Agriculture's budget consists of state, federal and revolving funds. The following chart shows the actual expenditures for the department in FY-2009.



Animal Industry Services (AIS)

One of the agency's most important functions is to ensure the quality and safety of the state's agricultural products. This division is responsible for the detection, eradication and control of livestock, poultry and aquaculture diseases. The introduction of disease, foreign or domestic, can have a negative economic impact on Oklahoma producers. In addition, some animal diseases have the potential to infect humans. AIS works with livestock producers, markets and exhibitions, State and Federal laboratories, the Oklahoma Office of the Federal Area Veterinarian in Charge and veterinary practitioners in conducting surveillance to avert potential outbreaks. Specific responsibilities of the Animal Industry Services Division includes:

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

Forestry Services

One of the department’s missions is to protect, conserve and enhance Oklahoma’s forest resources. These resources provide a multitude of benefits, including cleansing our air and water, providing habitat for wildlife, enhancing recreational opportunities and supporting a wood products industry with a value exceeding \$2.3 billion annually.

Wildfires

Forestry Services is the primary state entity responsible for the control and prevention of wildland fire. It carries out this responsibility in two ways – (1) by suppressing wildfires with its own wildland fire resources, and (2) by providing assistance to the state’s 875 certified fire departments.

Forestry Services provides direct initial attack on wildfires over all or parts of 18 counties in far eastern Oklahoma. Each year, highly trained and well equipped state firefighters suppress an average of 1,500 wildfires in this area. Without such fire protection, the owners of Oklahoma’s forestlands, 70% of which are Oklahoma families, could not afford the long-term risk of investing in tree planting or other practices to improve their land’s productivity.

As the division responsible for Oklahoma’s wildfire protection, Forestry Services plays a critical role in addressing emergency situations. Through its cooperative agreements with the federal wildland fire agencies, and through its membership in the South Central Interstate Forest Fire Protection Compact, OFS can bring resources from other states and from federal fire agencies.

Rural Fire Defense

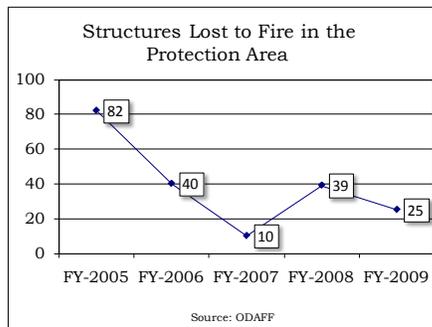
Throughout the state, Forestry Services manages one of the largest and most successful rural community fire assistance programs in America, called the Rural Fire Defense Program (RFDP). The RFDP provides technical assistance to the state’s fire departments through 11 rural fire

coordinators. Additionally, both state and federal grant funds are used to purchase equipment, provide wildland fire clothing, build and improve fire stations, and provide training facilities. Furthermore, each year the legislature provides an operational grant to every certified fire department in communities under 10,000 in population.

Forestry Services operates an equipment revolving fund to provide low cost fire suppression and safety gear to Oklahoma Volunteer Fire Departments. Funds are expended for bulk purchases of personal protective clothing, hoses, nozzles, pumps and other items, which are in turn sold to fire departments at a low cost.

For the past three years, Forestry Services has maintained an agreement with the USDA Forest Service, to acquire property through the Firefighter Property Program (FPP) and bring such property into the state for use by wildland fire agencies, including volunteer fire departments. Once placed in service, the title to such property is passed to the receiving agency. Since the early 1980’s, virtually every rural fire department in Oklahoma has received one or more trucks through the FPP or the former Federal Excess Property Program (FEPP).

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



Operational Grants

The operational grants, first funded in FY-1990, provide funds for expenses of local fire-fighting associations. The grants help

cities, towns, fire districts and rural fire departments pay for insurance, protective clothing and equipment. The grants are 100% state funded. Since FY-2001, at least \$2 million has been provided each year to fund these grants, with 850-875 grants being awarded each year.

History of Operational Grants			
Year	No.	Per Entity	Funding
FY-2003	860	2,326	2,000,000
FY-2004	869	2,301	2,000,000
FY-2005	874	2,288	2,000,000
FY-2006	874	7,437	6,500,000
FY-2007	0	-	-
FY-2008	877	5,100	4,500,000
FY-2009	877	5,100	4,500,000
FY-2010	879	5,100	4,500,000
Total	6,110	29,652	\$26,000,000

Source: ODAFF

80/20 Grant Funding

First funded in FY-1992, the 80/20 grants (state/local funding) provide equipment and building needs for rural fire departments. Approximately 85 fire departments received grants in FY-2009.

History of 80/20 Grants	
Year	Funding
FY-2004	\$ 816,500
FY-2005	\$ 800,000
FY-2006	\$ 870,000
FY-2007	\$ 800,000
FY-2008	\$ 800,000
FY-2009	\$ 800,000
Total	\$4,886,500

Source: ODAFF

Forest Stewardship

Forestry Services, in partnership with the USDA, is the division responsible for the delivery of USDA programs related to the management and conservation of state and private forests and forestlands in Oklahoma. Foresters employed by ODAFF, respond to requests from private landowners for assistance in planning and carrying out reforestation and other tree planting activities on their lands. In addition to planting trees, foresters assist landowners with such things as harvesting

plans, practices that enhance wildlife habitat, water quality and recreational values on their forested properties.

History of Forest Stewardship Program		
Year	Plans	Acres
FY-2004	89	18,756
FY-2005	112	17,858
FY-2006	86	11,291
FY-2007	104	5,799
FY-2008	128	10,951
FY-2009	<u>115</u>	<u>10,319</u>
Total	634	74,974

Source: ODAFF

Forest Regeneration

The Department owns and operates the state's Forest Regeneration Center which grows and distributes more than 6 million tree seedlings to Oklahoma landowners. These trees are used in forest plantings, windbreaks, wildlife habitats, and erosion control plantings throughout the state. Many of the center's trees are produced from genetically improved tree seed produced by the Department's Forest Tree Improvement Center in Idabel.

Urban Forestry

Trees also play an important role within Oklahoma's cities and towns. Forestry Services, through an agreement with the National Arbor Day Foundation, administers the Tree City U.S.A. Program throughout the state. Approximately 80% of Oklahoma's population now lives in a Tree City USA.

Forestry Education

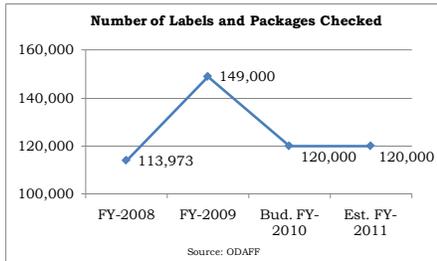
One of the Forestry Services priorities is educating Oklahomans about the benefits forests and trees provide, including the "green" benefits of using wood over alternative products. The division runs the Oklahoma Forestry & Wildlife Youth Camp each summer in southeast Oklahoma. In addition, it is the primary agency that delivers the nationally acclaimed "Project Learning Tree" in state schools, and contracts with the Oklahoma Department of Tourism and Recreation to provide the interpretive program at Oklahoma's Forest Heritage Center Museum in Beaver's Bend State Park.

Consumer Protection Services (CPS)

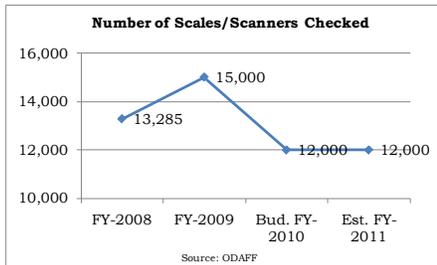
This program was formerly known as the Plant Industry & Consumer Services (PICS).

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

CPS samples and tests animal feed, fertilizer, and crop seed to ensure they meet label guarantee. The following graph displays the number of labels and/or packages checked by the department.



Inspectors verify product prices charged are the same as advertised in all retail stores that use scanning devices. Food package weights are checked for accuracy, as well as scales that are used to weigh large trucks at various locations. The following graph shows the number of scales and scanning devices checked by the department.



Environmental protection programs are enforced through yearly inspections that require fertilizer producers to use good management practices. This helps safeguard the waters of Oklahoma from pollution by pesticides and fertilizers.

Commercial and private pesticide applicators are trained and certified through written and practical tests and commercial companies are required to be licensed to operate within the state. Complaints concerning improper pesticide application are investigated and compliance actions are taken when appropriate.

Inspections are conducted of all anhydrous ammonia fertilizer tanks and anhydrous safety training is provided by this division.

Crops are protected by routine inspections for diseases, insect trapping and detection, and detection programs that identify newly arrived weed species or pests.

Grain producers who store grain in public grain warehouses are protected by this division through financial and grain inventory audits that ensure compliance.

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

ODAFF Agricultural Environmental Management Services (AEMS)

The ODAFF AEMS was created in 1997 to help develop, coordinate and oversee animal and poultry environmental policies and programs. Their mission is to work with producers and concerned citizens to protect the environment of Oklahoma from animals, poultry and their wastes. The ODAFF Lab helps to accomplish this mission through its analytical testing.

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

During the past 15 years, the number of Concentrated Animal Feeding Operations (CAFOs) and poultry operations has increased. In 1994, the number of licensed CAFOs was 184. By 2009, the number of licensed CAFOs had reached 299 with an animal capacity of 5,529,443. In 2001, there were 51 million chickens in Oklahoma, and in 2009 there were 54 million.

The Oklahoma State Legislature has placed strong statutory requirements on investigations of environmental complaints, and each agency must develop rules for the resolution of complaints.

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

The following table shows a recent history of the activities of the AEMS. The increase in soil samples from FY-2008 to FY-2009 was to ensure proper remediation of the land for the reopening of a dairy in Bryan County.

	CAFO and LMFO Activities				
	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009
Complaint Investigations	224	195	192	193	160
Complaint Follow-ups	498	771	739	655	720
Routine Inspections	1974	2277	2225	4,455	6613
Water Samples Collected	986	647	667	442	285
Soil Samples Collected	40	29	57	256	985

Source: ODAFF

Wildlife Services

Wildlife Services is a cooperative program between the ODAFF and the Animal and Plant Health Inspection Service of the USDA. This division provides service to Oklahoma citizens and communities by protecting agriculture, public and private property, natural resources and human health and safety from damage or threats from wildlife.

Wildlife Services protects pasture, rangelands, forests, public roads and other valuable resources from flooding by beavers. The division protects livestock, endangered

species, pets, and desirable wildlife from predatory animals.

Bird and mammal strikes to aircraft are a safety concern to airlines and the flying public. Wildlife Services uses the latest wildlife management techniques and innovations to protect aircraft from wildlife strikes. These methods include habitat modifications and wildlife harassment programs at Oklahoma airports.

Feral swine is a growing problem in the state of Oklahoma. Wild and free ranging hogs root pastures, consume and destroy crops, degrade habitat and compete for resources with native wildlife species. Wildlife Services monitors feral hog diseases that can be transmitted to livestock, wildlife and humans by routinely taking and submitting hog blood samples for analysis. Diseases transmitted by wildlife, such as Avian Influenza, Swine Brucellosis, pseudorabies, H1N1, plague and tularemia, are monitored by Wildlife Services.

Market Development Services

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

Food Safety

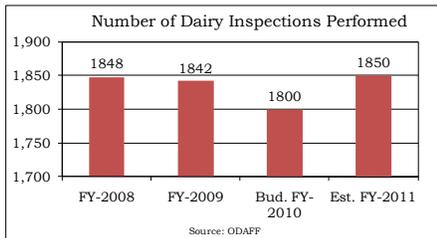
This division provides services to its constituents by providing regulatory oversight of food and food products produced and consumed in the state to ensure that they are produced under sanitary conditions, are safe and are truthfully labeled. The major emphasis of this oversight is focused on food and food

FY-2011 EXECUTIVE BUDGET

products that are derived from animals. The responsibility for this oversight is divided into three sections:

- Egg, Poultry and Organic Section – provides retail safety inspections of eggs and grading services for egg producers, poultry grading services to poultry processors and organic certification for livestock and crop producers as well as food processors in Oklahoma;
- Dairy Section – provides oversight of dairies and producers/processors of dairy products; and
- Meat and Poultry Inspection Section – provides continuous inspection during the production of meat and poultry products.

The following graph shows the number of dairy inspections performed by the department.

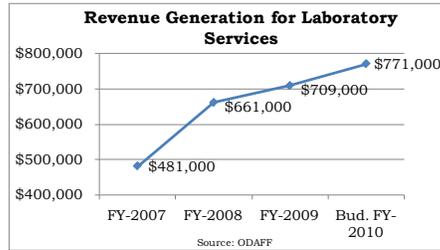


Laboratory Services

The Agriculture Laboratory directly supports the regulatory enforcement and surveillance activities of the Oklahoma Department of Agriculture, Food, and Forestry and provides services that benefit consumers as well as agriculture producers. The mission of the Laboratory is to provide, in a timely manner, accurate and precise analytical results to the Department, other agencies and the general public. To accomplish this mission, the Laboratory maintains nine certifications or accreditations and participates in 20 separate and independent proficiency-testing programs.

The Division moved into a new facility adjacent to the Agriculture Building in Oklahoma City in 2009.

The following graph shows an increase in revenue generated by the department for laboratory services provided.



- The Laboratory, through its general chemistry, pesticide, inorganic, animal health, dairy and seed sections, provides chemical, microbiological, serological and biological analyses of various substances in order to ensure that agricultural products sold and produced within the state are compliant with label laws and are wholesome and safe. The Laboratory is the only entity in the state that checks label compliance on livestock and pet feeds, fertilizers, pesticides, meat and meat products. The Agricultural Laboratory is the lead entity in the state for testing related to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). Through a cooperative agreement with U. S. EPA, the pesticide section performs all pesticide testing in the state related to FIFRA activities. Chemical and microbiological testing of ground and surface water is performed in order to determine the presence of pollution related to agricultural activities. The Laboratory performs food safety testing on meat and meat products. It provides serological testing for various livestock diseases. Biological examinations of crop, forage, and vegetable seeds are conducted in order to ensure proper purity and germination rates and to check for noxious weeds.
- The dairy section provides analyses of milk and milk products to determine wholesomeness and safety for human consumption in support of the Federal Pasteurized Milk Ordinance (PMO). It is an FDA certified food laboratory and

provides bacteriological analyses of meat and meat products.

- The laboratory also houses the Oklahoma Bureau of Standards, which is the highest authority in the state relating to the calibration of length, volume, and weight measurements. The Bureau maintains and calibrates all of the standards relating to measurements and maintains traceability of these standards to the National Institute of Standards and Technology (NIST). The Bureau performs testing and calibration for private industry, service companies and other state agencies. Every product in the state sold by length, volume or weight can be traced back to this section. The Bureau is accredited through the National Voluntary Laboratory Accreditation Program.

Agricultural Statistics Division

The Agricultural Statistics Divisions is a cooperative program between the ODAFF and the National Agricultural Statistics Service (NASS) of the USDA. This division conducts agricultural surveys every year and prepares reports covering virtually every aspect of U.S. and Oklahoma agriculture. Production and supplies of food and fiber, prices paid and received by farmers, farm labor and wages, farm finances, chemical use, and changes in the demographics of producers are only a few examples.

NASS provides timely, accurate, and useful statistics in service to U.S. agriculture by:

- Providing objective and unbiased statistics on a preannounced schedule that is fair and impartial to all market participants;
- Conducting the Census of Agriculture every five years, providing the only source of consistent, comparable, and detailed agricultural data for every county in America;
- Serving the needs of their data users and customers at a local level by compiling and publishing the annual *Agriculture Statistics* bulletin as well as conducting

reimbursable surveys for their cooperative relationship with Oklahoma State University;

- Safeguarding the privacy of farmers, ranchers, and other data providers, with a guarantee that confidentiality and data security continue to be top priorities.

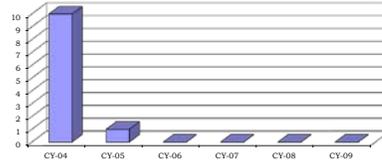
Boll Weevil Eradication Organization

The total estimated cost to eradicate the boll weevil through 2009 is \$31.2 million including program interest and debt. The industry has paid approximately \$18.7 million; the State provided \$3.7 million; and Federal funding has provided the balance of approximately \$8.6 million. This equates to a cost of approximately \$12.48 per acre through the life of the active eradication program.

Cotton producers passed a referendum by a positive 88% vote to provide the industry funding in 1998. Producers pay an assessment of \$7.50 per acre and one cent per pound of cotton harvested and sold each season. With all program debt having been paid off in February 2006, the Board of Directors voted to reduce the assessment for crop year 2006 to \$2.00 per acre and .0065 cent per pound of cotton harvested and sold. In the future, the board will set the assessment annually based on acres, cotton production, and program operating requirements. The assessment for the 2009 crop year was \$3.00 per acre. A post eradication maintenance and control program was phased in during the 2007 growing season. This will further reduce the cost to producers.

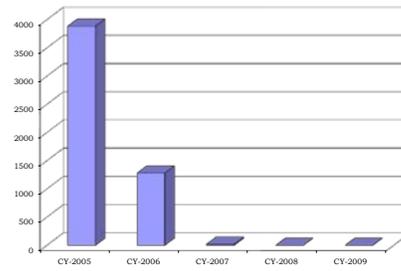
There were no boll weevils caught anywhere in Oklahoma during the 2009 growing season. Farmers continue to make a top crop, further improving yields because of reduced weevil pressure. The following charts show boll weevil trapping data for previous growing seasons - the first reflecting all of Oklahoma excluding the southeastern counties and the second reflecting only the southeastern counties.

Number of Boll Weevils Caught Each Year



Source: OBWEO

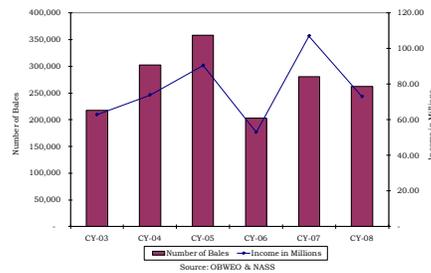
Boll Weevils Caught in Southeastern Oklahoma



Source: OBWEO

The value of production has generally increased every year since 2001 except for 2006, which was a very dry year.

Yearly Income From Cotton including Seed & Number of Bales Harvested



Source: OBWEO & NASS

Conservation Commission

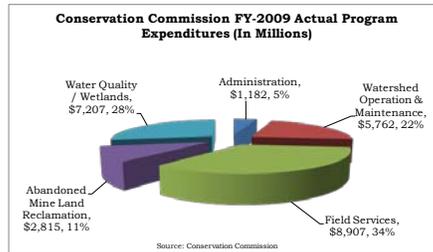
Notable Achievements

- Working cooperatively with the USDA's Natural Resources Conservation Service and Oklahoma's 87 conservation districts a record amount of federal conservation financial assistance was delivered to Oklahoma landowners. A total of \$81 million dollars of conservation practices were installed using funds from the Federal Farm Bill conservation programs. These conservation practices included practices to prevent soil erosion, improve water quality, restore wetlands, and improve wildlife habitat.*
- The 2009 legislature passed a bill authorizing a \$25 million capital improvement bond for conservation projects. The bill was signed by the Governor and the bond was sold in June 2009. The bond funds will be used to repair the state's conservation infrastructure damaged by the flood events of 2007 and 2008.*
- During 2009 Oklahoma experienced rainfall events that resulted in flooding that impacted many parts of the state. Due to Oklahoma's 2105 upstream flood control dams, many areas in the state were successfully protected from catastrophic damage during the spring and summer flood events. USDA economists estimated that over \$75 million in benefits to homes, cities, towns, roads, bridges, agricultural lands and wildlife habitat was realized because of the state's flood control infrastructure.*

Mission

The mission of the Oklahoma Conservation Commission is to conserve, protect and restore Oklahoma's natural resources, working in collaboration with the Conservation Districts and other partners on behalf of the citizens of Oklahoma.

A large portion of the Conservation Commission's funding comes from federal funds, which totaled 48% of the Commission's FY-2009 funding. The chart below shows the total expenditures for FY-2009, totaling \$25,873,258.



Cost-Share Program

The Conservation Cost-Share Program is a public-private partnership between the State and private land users. The program encourages implementation of best management conservation practices on Oklahoma lands. This aids in the reduction of soil erosion and the improvement of water quality. Since the program's inception in FY-1999, it has received \$12.1 million in state appropriations. Since the beginning of the program, 6,635 private landowners have installed 10,459 practices. The program has generated an additional \$10.9 million in private landowner investments as well.

Conservation Reserve Enhancement Program

The Conservation Reserve Enhancement Program (CREP) is a joint buffer establishment conservation program between the state and federal government (20% state funds/80% federal funds). This program targets state and nationally significant agriculture-related environmental effects. CREP is a voluntary program that provides financial incentives to farmers and ranchers in order to protect streams. Producers enter into contracts (10 to 15 years in length) to set aside portions of their land to provide protective stream buffers.

Participants in the program receive incentive payments and cost-share assistance for installing specific conservation practices and establishing nutrient reducing stream buffers. The Conservation Commission, partnering with the city of Tulsa/Tulsa Metropolitan Utilities Authority, the Oklahoma Scenic Rivers Commission, local Conservation Districts, EPA, and USDA, have begun a \$20.6 million program for the Eucha/Spavinaw and Illinois River Watersheds. This program will protect approximately 9,000 acres of riparian area with \$16.5 million federal funds matched by \$4.1 million state funds. In addition to protecting water quality in these important watersheds, the program will put at least \$17.6 million into the local economies in the form of payments to landowners. During its second year, the program accepted applications from 28 additional landowners to bring total applicants to 84. Eleven new contracts were approved for the program totaling 98.5 acres of protected riparian area. This brings the program total to 219.7 contracted acres with an additional 1,285.3 pending acres.

Upstream Flood Control Program

Since 1948, the federal government, through the USDA's Natural Resources Conservation Service (NRCS) has constructed 2,105 upstream flood control dams in the State of Oklahoma (20% of the nation's total). The dams were designed and built with federal funds. Local sponsors (67 of Oklahoma's 87 conservation districts) are responsible for obtaining the necessary land rights and have continuing responsibility for the operation and maintenance of these dams. The federal government's established value of this public infrastructure is \$2.1 billion. The annual benefit realized from the dams is over \$75 million.

The primary purpose of the dams is to impound water to reduce flooding of prime farmland, highways, communities and residences. The dams also provide water resources for drinking water, recreation,

industry, fire protection and significant wildlife habitat.

There is a growing concern that many of the early upstream flood control dams, built under the USDA assisted small watershed program, are at or near the end of their 50-year planned design life and may pose a public safety concern. Many of the older small dams have significant rehabilitation needs. Some pose a threat to public safety to people and towns downstream from the dams. Throughout the state there are 229 dams that have been reclassified as high hazard due to residential and business development downstream. The cost to modify the dams to meet mandated dam safety criteria is over \$200 million, due to upstream and downstream development.

Federal legislation in 2000 authorized cost share assistance through the NRCS to rehabilitate the nation's upstream flood control dams. To be eligible for rehabilitation, the state and/or local sponsors must provide a 35% match to federal dollars.

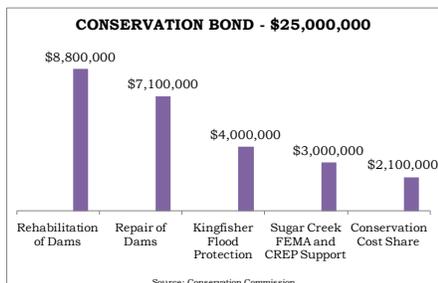
The Conservation Commission, local district sponsors and NRCS have completed 26 rehabilitation projects and have 25 in planning or design pending the funding for construction. Federal funding assessments are being performed on 141 high hazard dams.

Capital Improvement Bond

The Conservation Commission received a \$25 million bond for conservation capital improvement projects, in June 2009. Bond funds will be targeted to repair and rehabilitate upstream flood control structures (\$15.9 million), address flooding problems in the City of Kingfisher (\$4 million), provide state match for FEMA repair work and a USDA Conservation Reserve Enhancement Program in the Sugar Creek Watershed in Caddo County (\$3 million), and a Conservation Cost-Share Program for landowners to access funds to repair damaged conservation practices (\$2.1 million). The bond funding is in place and is being accessed in FY 2010.

Authorization of the conservation bond was the most significant appropriation for conservation in the state's history.

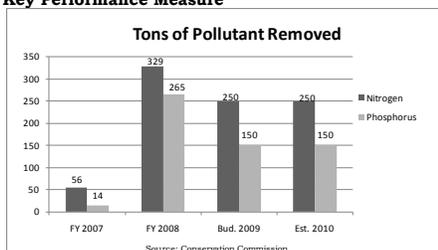
The following graph shows where the \$25 million bond will be distributed.



Federal 319 Grant for Non-Point Source Pollution

FY-2009 federal funding from the Clean Water Act Section 319 for Oklahoma's Non-point Source management program remained constant compared to FY-2008 funding. The funds are used to implement targeted programs to abate water quality impacts from non-point source pollution. The following graph shows the amount of Nitrogen and Phosphorus pollutants removed by the agency.

Key Performance Measure



Federal funds must be matched with 40% state and local funds, much of which comes from the Commission's Conservation Cost-Share Program. Since 1999 the Conservation Commission received approximately \$5.4 million in appropriations, as a state match for federal "EPA 319 Funds" to reduce nutrient

impacts in the Beaty Creek, Illinois River, Lake Wister, Ft. Cobb, Honey Creek (Grand Lake), North Canadian River, Stillwater Creek and Spavinaw Creek priority watersheds.

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

- Beaty Creek Watershed (\$2.1 million) within the Lake Eucha Watershed completed in FY-2005,
- Illinois River Watershed (\$2.0 million) completed in FY-2005,
- Lake Wister Watershed (\$1.9 million),
- Fort Cobb Watershed (\$4.3 million) completed in 2008,
- Stillwater Creek Watershed (\$1.1 million) completed in 2005,
- Spavinaw Creek Watershed (\$5.3 million),
- Grand Lake Watershed – Phase I (\$2.1 million) completed in 2009,
- Honey Creek (Grand Lake) Watershed (1.7 million),
- Illinois River Watershed Riparian Project (\$1.6 million), and
- North Canadian River Watershed Riparian Project (\$1.1 million).

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

- technical support of the Non-point Source Management Program,
- funding for a Rotating Basin Monitoring Program,
- non-point Source Total Maximum Daily Load Development,
- development of watershed-based plans for priority watersheds,
- continuation of Statewide Blue Thumb Educational Programs, and
- task coordination and management by the Office of the Secretary of the Environment.

The Oklahoma Carbon Program

The OCC's Water Quality Division's Carbon Program is a voluntary, fee-based program for the verification, certification, and registration of Oklahoma Carbon offsets from agriculture, forestry, and geologic sequestration. Because the same practices that sequester greenhouse gasses also often protect water quality, the Carbon Program compliments the nonpoint source program. In 2001, Oklahoma became the first state in the U.S. to give statutory authority for the verification of carbon offsets to a state agency. In 2009, the Commission worked with three stakeholder working groups, representing agriculture, forestry, and oil and gas sectors, to draft the rules to launch the Carbon Program. The Carbon Program was approved by the legislature and became effective on July 1, 2009. In addition, the agency worked with the Natural Resources Conservation Service to train conservation district staff across the state to verify carbon credits from agricultural practices. As a result of this training, 52 of the 87 conservation districts will provide verification services and 17 will provide information about the carbon program.

Wetlands Program

The Conservation Commission is the state agency responsible for developing and maintaining the State's Wetland

Management Program. Key to that role is the ability to track gains and losses in wetlands across the State. In 2009 the Conservation Commission, working in partnership with EPA, the U.S. Fish and Wildlife Service, (USFWS) and the Oklahoma Water Resources Board, completed the statewide digitization of the USFWS wetland inventory maps. This information, now available in digital form, is a fundamental component of monitoring wetland inventory and will help the State to eventually qualify for additional federal funding to help the state conserve and protect our wetland resources.

American Recovery and Reinvestment Act (ARRA) Funding

In FY-2009 the Conservation Commission aggressively sought funding for conservation projects through the federal American Recovery and Reinvestment Act (ARRA). To date, a total of \$16,725,000 of ARRA funds are being managed by the Commission.

The majority of the \$16.7 million the agency will receive in ARRA funds are coming from the USDA Natural Resources Conservation Service for work on the state's upstream flood control infrastructure (\$14,625,000). Five major dams will be rehabilitated with ARRA funds and another 14 dams will receive funding for significant repair work.

The Commission is also managing \$2 million of EPA funds for streambank stabilization projects to improve water quality in the Illinois River and Eucha-Spavinaw watersheds.

The US Fish and Wildlife Service has provided the Commission with \$100 thousand of ARRA funds to promote prescribed burns in northwest Oklahoma. This is an effort to reduce the population of eastern red cedars and improve the habitat for the Lesser Prairie Chicken.

Department of Commerce

Notable Achievements

- The Oklahoma Department of Commerce assisted 18 companies with relocation to the state, 56% selecting sites in rural areas. These relocation projects are expected to create over 2,319 new jobs, 43% in rural areas. The agency also supported 23 existing Oklahoma companies with business start-up and expansion projects resulting in the planned creation of 2,817 new jobs, 22% in rural areas. The total of new jobs projected is 5,136 with \$2.4 billion in planned investment.
- Fifty business and government leaders serve on the Governor's Council for Workforce and Economic Development. The Council leads state efforts to enhance the workforce delivery system and increase the skills and availability of Oklahoma's workforce. Workforce has successfully incubated the Career Readiness Certificate (CRC) program by awarding over 31,646 certificates since program inception. In 2009, the program was successfully transitioned to a partnering agency for full implementation. In addition, three Oklahoma communities received designation as Work Ready Communities based on high graduation rates, CRC's awarded, and other business related criteria. Oklahoma is the first in the nation to receive such designation.
- Agency knowledge-based initiatives are designed to increase the number of new economy jobs in Oklahoma. While workforce programming seeks to attract highly skilled "elsewhere Oklahomans" back to the state through Project Boomerang, entrepreneurial programs support the diverse needs of start-up companies in rural and urban areas. In addition, the agency actively supports the state Bioscience Association to strategically advance the targeted industry sector.
- 171,099 Oklahomans in all 77 counties were served by Community Services

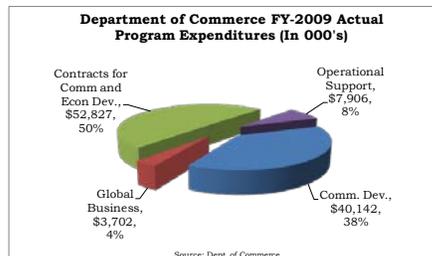
Block Grants leveraging 1.2 million hours of Oklahoma volunteer time. Over 150 Community Development Block Grants were funded supporting the infrastructure needs of rural Oklahoma.

- The Main Street Program has 40 participating communities responsible for the locally realized net gain of 186 new businesses and 663 new jobs. Over 114,000 volunteer hours were contributed in support of local main street programs and projects across the state.

Mission

The Oklahoma Department of Commerce is responsible for increasing the quantity and quality of jobs available in Oklahoma by attracting new business, promoting the development and availability of a skilled workforce, supporting communities, and supporting the growth of existing businesses and entrepreneurs.

The graph below shows actual program expenditures for FY-2009.



Programs

Rural Action Partnership

The Rural Action Partnership Program connects economic development resources with the needs of rural Oklahoma. Rural development specialists serve communities and regions to encourage alliances and support economic development programs. The program assists rural communities in the effort to grow and recruit businesses and identify ways for communities to effectively market their products and services.

Community Development

The Office of Community Development manages the state Community Development Block Grant Program and other federally funded initiatives. Federal funding is the main source utilized to support projects; however, programs also receive support through the state energy office and state appropriations. In the past, private sector funds have also been received to support Oklahoma’s weatherization initiatives for people in need.

Oklahoma Fast Forward, Business Site Location Team

The Oklahoma Fast Forward Team works with corporate executives and national site location consultants to recruit business location and expansion projects to Oklahoma.

Business Solutions Division

The Business Solutions division works with statewide partners to promote and support economic development activities. The division has three service areas: business retention and expansion, start-up and entrepreneurial assistance, and rural economic development. Each area contributes to the delivery of the Rural Action Partnership Program, which connects economic development resources to the needs of rural Oklahoma.

Global Division

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

Oklahoma Main Street Program

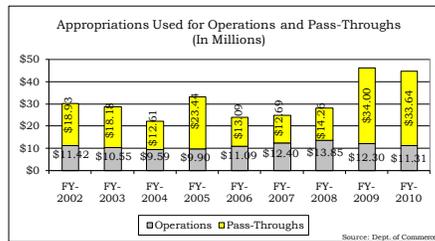
Through affiliation with the National Main Street Center and in cooperation with the State Arts Council, the Main Street Program provides training and technical assistance for preservation-based commercial district revitalization.

Workforce Development

The Governor’s Council for Workforce and Economic Development leads state efforts to ensure the development of a skilled and available workforce. Key stakeholders include state workforce and education agencies, local workforce investment boards, workforce program service providers, public/private and faith-based workforce program operators, business leaders, and economic development entities.

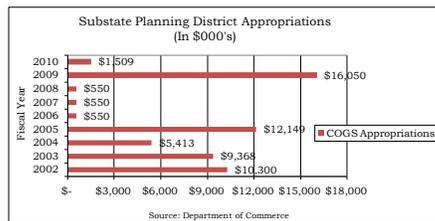
Pass-Through Funding

The Department’s budget consists of funds dedicated to operations and those passed through the agency to support other entities, as directed by the State Legislature. The chart below provides a summary of the appropriations used for operations and pass-throughs.



Sub-state Planning Districts

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



American Recovery and Reinvestment Act (ARRA) Funds

Commerce is administering \$164 million in federal economic recovery funding, by distributing funds to spur economic development, create jobs, and weather the global economic downturn.

To ensure full transparency and accountability, Commerce created a new team to help manage and track the use of stimulus funds.

Recovery package funding stimulates Oklahoma’s economy by putting people to work, raising their living standards, and injecting dollars into the state economy.

Stimulus funding has created 562.53 jobs following the ARRA program calculation methodology.

To create the economy of the future, Commerce channels recovery package dollars toward investments in technologies and programs to stimulate emerging industries. These include:

- renewable energy,
- energy efficiency systems and products,
- advanced battery manufacturing, and
- healthcare technology.

Commerce Recovery and Reinvestment Programs

Program	Award Amount	Activities to Be Funded
<i>Community Services Block Grant (CSBG)</i>	\$11,965,297	Community neighborhood development
<i>State Energy Program (SEP)</i>	\$46,704,000	Energy conservation activities
<i>Weatherization Assistance Program (WAP)</i>	\$60,903,196	Home improvement and repairs
<i>Workforce Investment Act (WIA)</i>	\$18,381,669	Job training for adult, dislocated worker, and youth programs
<i>Community Development Block Grant – Recovery (CDBG-R)</i>	\$4,333,265	Non-housing community development
<i>Homelessness Prevention & Rapid Re-housing Program (HPRP)</i>	\$8,101,391	Financial assistance and services to prevent homelessness
<i>State Energy Efficient Appliance Rebate Program</i>	\$3,495,000	Appliance Rebate Program
<i>Energy Assurance Planning</i>	\$534,197	Energy conservation activities
<i>Energy Efficiency and Conservation Block Grant</i>	\$9,593,500	Energy Efficiency and Renewable Energy
Total Awarded	\$164,011,515	

Native American Cultural & Educational Authority (NACEA)

The NACEA was created on September 1, 1994. It is authorized to construct and operate the American Indian Cultural Center and Museum; generating awareness and understanding of the history of tribes and their relationship to Oklahoma today. The American Indian Cultural Center will feature modern-day expressions of the tribal nations and provide visitors a rare opportunity to be immersed in traditional celebrations, contemporary events, and activities both inside the Cultural Center and across the 300-acre Cultural Park.

Located at the junction of Interstate 35 and Interstate 40, the Cultural Center will be a satellite institution that will connect cultural institutions throughout the entire state.

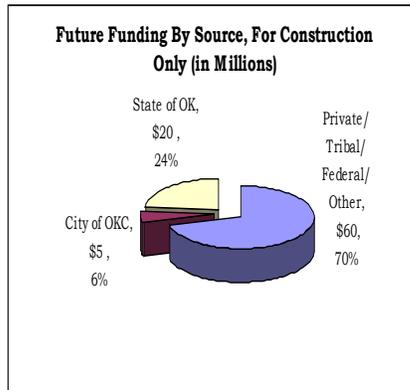
The American Indian Cultural Center project is ultimately envisioned as having four components:

- American Indian Cultural Center & Museum – a 125,000-square-foot institution telling Oklahoma’s story in relation to the presence of our Oklahoma tribes, past and present.
- A 300-acre park that is landscaped/programmed to extend the experience of Native cultures to all visitors.
- Privately-funded and commercially-operated business enterprises that complement the Mission of the Cultural Center, attract large numbers of visitors to the site, and will contribute revenue to the project.
- A 4,000-square-foot visitor welcome center connecting destinations across Oklahoma.

Construction on the project is underway and total project funding to date is \$77.5 million. The NACEA has completed \$50 million in construction and \$27.5 million is currently under construction. The NACEA has received \$7 million in federal funding for the Cultural Center. In addition, the State of Oklahoma has provided \$62.5

million in state bond funds. An amount of \$8 million has been provided by Centennial Commission, private, tribal and other sources. In partnership with the State of Oklahoma, a number of Oklahoma Indian tribes and private sources have contributed funds amounting to the first two years of debt service for the 2005C state bond issue. The city of Oklahoma City has transferred the project land to the NACEA and has also committed \$5 million in Community Development Block Grant funds. The total project cost is \$162 million, which does not include \$15 million the NACEA plans to raise in private funds for an endowment.

Future funding for the Cultural Center in the amount of \$85 million is depicted in the following graph and does not include the appropriated funding required for institutional development, the need to implement the organizational structure, staff and human resources necessary to operate credibly a high quality cultural and educational attraction.



Oklahoma Historical Society (OHS)

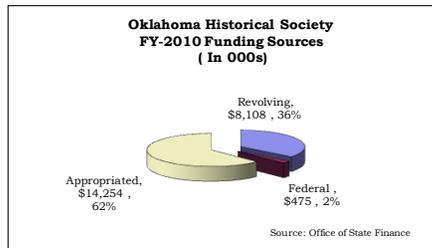
Notable Achievements

- Construction began this year on the Cherokee Strip Heritage Center in Enid, an \$8 million museum that will feature the same standards of exhibits and programs so evident at the Oklahoma History Center. This facility will be especially notable for the regional role it will play in delivering services to the people of western Oklahoma and for the public-private partnership that has made the project possible. Lew and Myra Ward, along with a dedicated group of Enid citizens, have raised more than \$7 million to match \$800,000 in seed money from the State. The museum will be operational by the spring of 2009.
- Major projects planned for the next two years include exhibits on "Field, Forest and Stream: Hunting and Fishing in Oklahoma," "Three Generations of One Apache Family: The Houser Clan," and "Another Hot Oklahoma Night: The Roots of Rock and Roll." All three projects, including collection and museum exhibit preparation, are possible due to State support for staff and foundation and corporate gifts for the final products.
- The OHS Website had basic information about the agency and its services, but little in the way of research information. Facilitated by major grants from foundations and the Chickasaw Nation, the OHS has since purchased numerous scanners and hired contract employees to create a dynamic website with a growing volume of original documents. By the end of 2009, the website will contain detailed descriptions of all collections, more than 40,000 photographs, more than 1,000 maps, and a rich mix of film clips, oral history excerpts, and genealogical research aids to encourage the understanding of Oklahoma History.

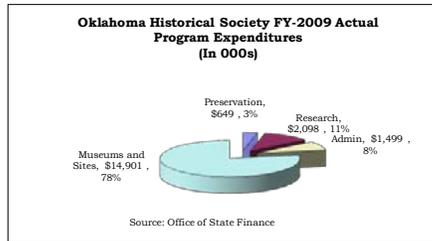
Mission

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

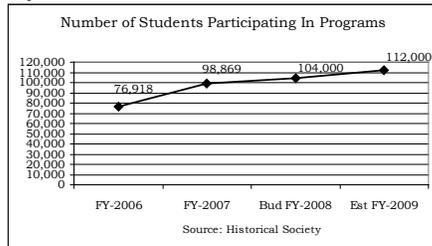
The following chart shows the Department's primary funding sources for FY-2010, totaling \$23 million.



State appropriations accounted for 80% of the total OHS budget in FY-2009 and are the agency's primary funding source. The chart below shows program expenditures for OHS in FY-2009 totaling \$19 million.



Key Performance Measure



The Oklahoma History Center

The Oklahoma History Center is a 215,000 square foot museum and research facility located across the street from the State Capitol. Sitting on an 18-acre site, the facility serves more than 200,000 visitors a year and offers a unique learning experience to more than 100,000 school students from across the state. The institution is affiliated with both the Smithsonian Institution and the National Archives.

The Oklahoma History Center includes:

- A research library with more than 33 million pages of newspapers published in the state and twin territories since 1844, more than 4 million document pages of Indian history, more than 7.5 million photographs and one of the best genealogical collections in the region for both beginners and serious family historians.

J. M. Davis Memorial Commission

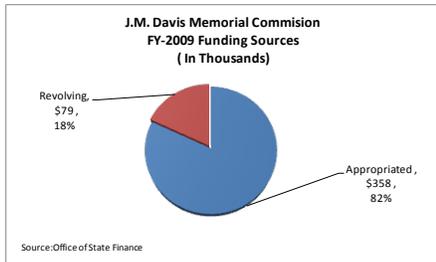
Notable Achievements

- The J.M. Davis Museum has opened six new exhibits since 2008. Included among these new exhibits is a recreation of the lobby of the J.M. Davis Mason Hotel Lobby, Claremore History on loan from a local collector, a model railroad exhibit that was featured in the Tulsa World, and a tribute to current Military service members and Oklahoman's who have been awarded the Congressional Medal of Honor.

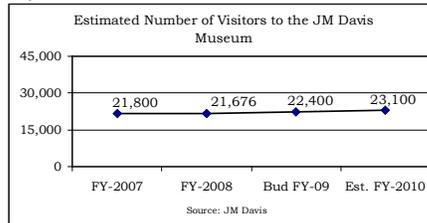
Mission

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

The Commission's primary funding source is state funds. The chart below shows the breakdown of appropriated and revolving funds for FY-2010 totaling \$437,000.



Key Performance Measure



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.

Department of Labor

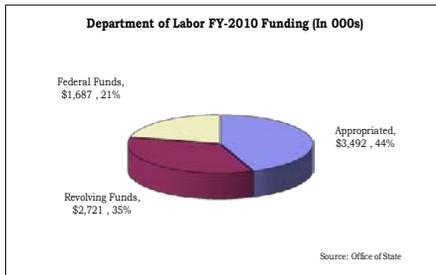
Notable Achievement

- During FY-2009, a total of 948 Occupational Safety And Health Administration (OSHA) consultation visits have been completed with Oklahoma employers. This resulted in the identification and correction of 2,515 serious hazards. As a result, \$4.9 million in potential federal OSHA fines has been avoided.

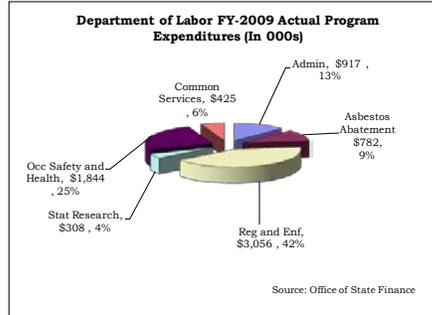
Mission

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

The Department of Labor's budget consists of state, federal and revolving funds. For FY-2010, state appropriated dollars were 44% of the Department's total budget of \$7.9 million, as shown in the graph below.



The following graph shows the Department's expenditures by Division for FY-2009 totaling \$7.3 million.



Occupational Safety and Health Administration Consultation Program (OSHA)

The U.S. Department of Labor generates a target list of employers who have high lost workday injury and illness rates. Through the Department's Safety Pays® program, each employer is contacted and offered ODOL consultation services.

The graph below shows real OSHA consultation visits for FY-2009 as compared with agency projections. Additional training and assistance visits are also shown, as well as follow-up visits provided.

Key Performance Measure



This program helps small (250 employees or less) high-hazard employers prevent injuries and illnesses. Federal funds cover 90% of the department's funding for this program. The OSHA consultant first identifies hazardous conditions and practices without the costly, adversarial impact often associated with federal OSHA rulings.

Boiler Inspections

The Safety Standards Division regulates the installation, operation and maintenance of boilers, pressure vessels, hot water heaters, elevators, amusement rides and water parks, as well as welding practices. State statutes require ODOL to inspect boilers and pressure vessels on an annual basis, because of the potential for explosions and fires. Many boilers and pressure vessels are in highly trafficked places such as schools, churches and hospitals.

**Rural Economic
Action Plan**

Mission

The Rural Economic Action Plan (REAP) is a grant program. REAP provides grants to build and repair infrastructure in communities with a population of less than 7,000. According to statute these grants can be used for things such as sewer and water line construction or repair, water treatment, water acquisition, distribution and related projects.

Oklahoma Employment Security Commission

Notable Achievements

- *OESC believes in the power of technology to improve the quality of services we deliver to Oklahomans. Our experience is that use of technology is central to program design. The use of technology enhances the efficiency of our programs.*
- *Oklahoma's Unemployment Insurance Benefits division was awarded a national award by the US Department of Labor at the Unemployment Insurance Director's Conference in Tempe, Arizona in November of 2008. Oklahoma was recognized as the top medium-sized state in the US in paying UI benefits in a timely and quality manner*

The Oklahoma Employment Security Commission (OESC) strives to provide employment security and promote the economic well-being of the state of Oklahoma. The OESC operates under the guidelines of federal-state grant agreements.

OESC serves Oklahoma by providing labor market information, employment services, unemployment insurance and veterans' service.

Improving Customer Service

The OESC transitioned many of its services to online, web-based applications. This allows OESC to serve more customers while improving the quality of service. Oklahoma Job Link and Oklahoma Wage Network are direct results of these improvements.

Oklahoma Job Link is a powerful, online job matching Web site matches employers of all sizes and industries with qualified job candidates. During Program Year 2007, 23,945 job orders were listed in OJL which represented 60,565 job openings.

The Oklahoma Wage Network provides dynamic access to wage and employment estimates for the State, Metropolitan Areas, Workforce Investments Areas, and Local Labor Market Areas. OWN is an interactive web service that allows the user to view a wide range of data, including employment estimates (where available). A data user can view more detailed information about an occupation by clicking on the occupation.

Streamlining Internal Operations

OESC has also worked diligently to improve efficiencies within its operations. While many improvements are not listed here, the services below delineate OESC's goals.

As much as OklahomaJobLink.com proves to be an invaluable resource to employers and job seekers in Oklahoma, the online job matching tool has increased the efficiency and effectiveness of staff by providing a tremendous resource. The large pool of qualified applicants makes it easier to assist employers as they hire new workers. With thousands of positions available for job seekers, the Oklahoma workforce system provides improved services to Oklahoma workers.

Oklahoma Service Link (OSL) OSL is the staff component of Oklahoma Job Link. It allows staff to enter services, track customer progress, generate reports, and other activities to aid in their delivery of service to employers, training seekers, and job seekers. In Oklahoma's integrated service delivery model, OSL is a valuable tool that makes integration more streamlined and successful.

OESC has also redesigned its user interface on its computer network. It has implemented a Tab-Based Enhancement (TAB-E) that will allow call center staff to transition to screens faster and allow more efficient error-correction. This will reduce call center customer transaction and wait times.

Agency Services

Finding jobs for people and people for jobs is the purpose of each office of OESC. Since 1933, the public employment service has matched job seekers with job openings.

The unemployment insurance system is designed to provide workers with insurance against involuntary unemployment by partial replacement of lost wages. Also, the system is designed to facilitate the reemployment of such workers. Qualified unemployed wage earners receive weekly unemployment benefits.

The unemployment tax rate is based on an experience factor per employer. For example, a business that has a 100% turnover rate in a year would pay a higher tax rate than a business that only has a 2% turnover rate even if the two businesses were in the same industry.

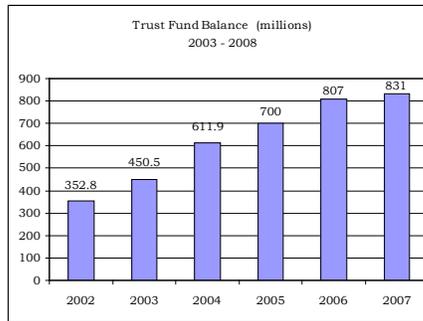
The ratio of the balance in the unemployment trust fund to the five year average of net benefit payments is another condition affecting the unemployment tax rate. The Oklahoma unemployment rate has fluctuated dramatically over the past few years.

Description	Net Benefit Payments	Ratio of Trust Balance to five year average
(\$ in 000's)		
Trust fund Balance at 6/30/2008		840,778
Less Net Reed Act Funds set aside for Admin.		(3,143)
Balance applied		837,635
TOTAL NET BENEFIT PAYMENTS	831,435	
AVERAGE BENEFIT PAYMENT	166,287	166,287
TRUST FUND BALANCE RATIO		5.04

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

State	2005	2006	2007	2008
Oklahoma	4.4	3.8	4.4	4.3
Arkansas	4.9	5.1	5.7	5.4
Kansas	5	4.3	3.8	4.9
New Mexico	5.1	4.3	3.1	4.3
Texas	5.4	4.8	4.1	5.6
Colorado	4.9	4.4	3.7	5.7
Missouri	5.2	5.4	5.6	6.5

While the Oklahoma unemployment rate was higher than normal, the balance in the trust fund rapidly climbed to \$807 million in 2007. Oklahoma's October Unemployment rate of 4.4% is the highest it's been since 2005.



The following table illustrates the inverse relationship of tax rates and benefits. The trust fund balance must be adequate to pay benefits even when unemployment is high. When the ratio of trust fund balance to average benefit payment decreases, tax rates increase and the maximum benefits decrease. As the trust fund balance increases the reverse is true.

FY-2011 EXECUTIVE BUDGET

EFFECT OF TRUST FUND CONDITION ON CONTRIBUTIONS AND BENEFITS PER EMPLOYEE					
Ratio of Fund Balance to average benefit payments	Over 3.50%	3.00 3.49	2.50 2.99	2.00 2.49	Less than 2.00
Condition	NONE	A	B	C	D
Minimum Rate	0.1%	0.2%	0.2%	0.2%	0.3%
Maximum Rate	5.5%	5.8%	7.3%	8.3%	9.2%
Taxable Wage Base	\$13,600	\$14,500	\$15,300	\$16,200	\$17,000
Minimum UI Contribution Per Employe	\$14	\$29	\$31	\$32	\$51
Average UI Contribution Per Employe	\$140	\$189	\$230	\$275	\$374
Maximum UI Contribution Per Empl	\$748	\$841	\$1,117	\$1,345	\$1,564
Maximum Weekly Benefit Per Claima	\$392	\$376	\$359	\$343	\$326
Maximum Total Benefit Per Claimant	\$8,500	\$8,100	\$7,700	\$7,200	\$6,800

Source: OESC Overview 2008

Other Programs

The veterans' services division addresses the specific employment and training needs of veterans through special programs.

Through its various programs, veterans are assisted in their efforts to find employment opportunities. These programs are all inclusive for veterans of any of the U.S. military services and not just for those who are disabled

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

OESC, in conjunction with the Department of Commerce, provides administrative support to the Governor's Council. The Governor's Council is a council of statewide decision-makers who work collaboratively toward a common workforce development system to ensure that workforce development is supporting economic development and growth of the Oklahoma economy.

The Oklahoma Scenic Rivers Commission (OSRC)

Notable Achievements

- *The Oklahoma Scenic Rivers Commission leased 416.50 acres of land adjacent to the Illinois River and Barren Fork Creek to protect sensitive riparian areas which, in turn, lead to improved water quality in the scenic streams. The majority are 30-year leases with some in perpetuity. Because of OSRC's new riparian protection strategy, the program has allowed the State to launch a new Conservation Reserve Enhancement Program. This program can potentially bring \$12 - \$15 million to the Illinois River Basin for water quality improvement.*
- *In cooperation with Oklahoma Department of Transportation, the Oklahoma Scenic Rivers Commission unveiled a new public access and boat launch to the Illinois River as part of a new US 59 Highway Bridget Replacement Project Crossing the Illinois River in Upper Adair County.*
- *The Oklahoma Scenic Rivers Commission started a new recycling program within the OSRC public access areas: the recycling program generated over \$1000 to the OSRC in 2009. Funds generated from the recycling program allowed the OSRC to purchase needed supplies.*

Mission

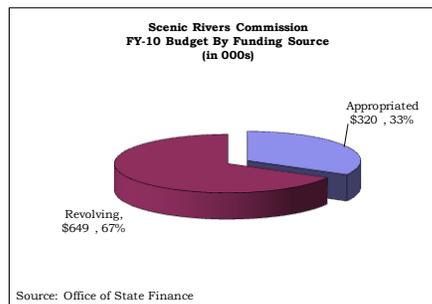
The primary mission of the Oklahoma Scenic Rivers Commission is to preserve and protect the aesthetic, scenic, historic, archaeological and scientific features of the Illinois River and its tributaries [Barren Fork Creek and Flint Creek].

To do this, the Commission has established minimum standards for planning and rules to carry out the provisions of the Scenic Rivers Act.

The Commission is a state commission established in 1977 in accordance with the

Scenic Rivers Act (1970). The OSRC separated from the Tourism and Recreation Department in 2002 and became an independent agency.

As illustrated in the chart below, the Commission is funded by state general revenue appropriations and revolving funds, at 33% and 67% respectively for FY-2010, for a total budget of \$970 thousand.



Oklahoma Tourism and Recreation Department

Notable Achievements

- *Tourism is the third largest industry in Oklahoma with an estimated economic impact of \$6.1 billion per year in travel and tourism-related spending. Travel spending supports approximately 76,000 jobs throughout the state. Domestic travel spending brought in over \$953 million in local, state and federal tax revenue.*
- *With more than 1.4 million unique visitors – and 18.9 million page views - in FY-2009, TravelOK.com remains a powerful marketing tool. Web users also submitted 32,000 requests through www.TravelOK.com for travel brochures and other materials.*
- *More than 1.3 million travelers were served through our network of seven gateway and five interior-state Tourism Information Centers around the state.*
- *Travel Promotion’s Travel Call Center assisted nearly 90,000 travelers with questions, itinerary plans, and literature requests about travel in Oklahoma.*
- *According to the findings of an independent conversion and advertising effectiveness study conducted on the 2009 tourism advertising campaign, direct spending by domestic travelers in Oklahoma almost doubled, growing from \$68.8 million in 2007 to \$136.3 million in 2009.*
- *The OKLA Strong travel development partnership program, with its 197 active statewide tourism industry partners, help to boost Oklahoma’s impact at consumer trade shows. More than 2.1 million people attended shows featuring these partners. More than 13,900 Oklahoma Travel Guides and 30,100 Oklahoma maps were given out during these events.*
- *In conjunction with the Department of Environmental Quality and the Secretary of the Environment, OTRD launched the Encouraging Conservation in Oklahoma (ECO) program. It is Oklahoma’s only sustainable travel program to help travel destinations and service providers develop environmentally-friendly practices.*
- *In FY-2009, approximately 12.2 million people visited Oklahoma State Parks generating more than \$18.5 million in revenue. This is an increase of nearly 150,000 visitors from FY-2008.*
- *The \$5.1 million reconstruction of the Roman Nose State Park lodge progressed in FY-2009, and is expected to be complete in January of 2011.*
- *Oklahoma Today, the official magazine of Oklahoma since 1956, saw record numbers of pages and revenue in FY-2009. The September/October “Oklahoma City” issue is the largest in the magazine’s history, both in revenue and page count (the issue also took first place at the International Regional Magazine Association award ceremony).*
- *The Oklahoma Film & Music Office recruited and facilitated production of the feature film “The Killer Inside Me.” Crews filmed in Cordell, Enid, Guthrie, Oklahoma City and Tulsa and the project is scheduled for release in 2010.*

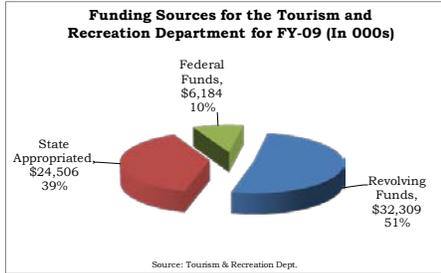
Mission

The Tourism and Recreation Department is the steward of the state’s park system. The Department also advances economic development through the promotion of travel and tourism in Oklahoma. The agency mission is to advance the exceptional quality of life in Oklahoma by preserving, maintaining, and promoting our natural assets and cultural richness.

The Department is primarily funded by state general revenue appropriations and revolving funds, 39% and 51% respectively in FY-2010, totaling \$63.08 million.

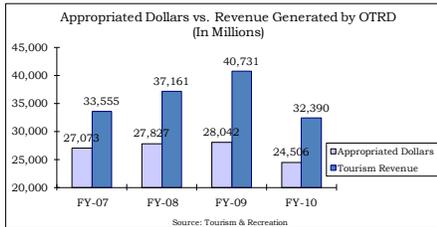
FY-2011 EXECUTIVE BUDGET

The majority of the Department's expenditures are devoted to State Parks, which are 75% of the FY-2010 budgeted expenditures and 77% of the FY-2009 actual expenditures.



Travel Value

The chart below shows the appropriated dollars and the estimated economic impact of travel and tourism-related spending over a three year period.



Programs

State Parks

Oklahoma's State Park system is made up of 50 state parks, 5 lodges, 7 golf courses, 304 cabins as well as numerous campsites, scenic trails, boating, and other recreation facilities statewide that provide visitors incomparable examples of Oklahoma's natural resources.

The State Parks division also administers the federal Land and Water Conservation Fund (LWCF), Recreation Trails Program (RTP) and Boating Infrastructure grants. These programs are an essential component in the development of socially and economically healthy communities. Since 1964, the Department has provided

matching grants to 1,182 community and state sponsored projects in the amount of over \$53 million. There are grant assisted park projects in every county in the state due to these efforts. Projects include playgrounds, ball-fields, campgrounds, accessibility improvements and support facilities such as restrooms and walkways.

The following chart shows the self-sufficient status of the Oklahoma State Parks system over the last five years.

	Park Attendance	Park Revenue	State Approp.	Total Park Exp.	% of Self-Sufficiency
FY-2002	14.1	\$11.3	\$9.1	\$20.4	55.4%
FY-2003	14.1	\$11.1	\$10.2	\$21.3	52.1%
FY-2004	13.8	\$11.1	\$10.2	\$21.2	52.4%
FY-2005	12.7	\$11.1	\$10.4	\$21.5	51.6%
FY-2006	13.8	\$12.2	\$14.4	\$26.6	45.9%
FY-2007	13.5	\$13.1	\$16.2	\$29.3	44.7%
FY-2008	12.2	\$10.6	\$11.9	\$22.1	48.0%
FY-2009	12.2	\$11.9	\$14.0	\$25.9	45.9%

Source: Tourism and Recreation Dept.

State Lodges

The five state lodges have gradually increased their self-sufficiency rate through more efficient management. Efforts are underway to improve the condition and quality of the lodge facilities, while implementing operational savings plans.

	Occupancy Rate	Resort Revenue	State Approp.	Total Resort Exp.	% of Self-Sufficiency
FY-2002	43%	\$8.0	\$3.0	\$11.0	72.7%
FY-2003	43%	\$7.0	\$1.1	\$8.1	86.4%
FY-2004	36%	\$7.2	\$1.0	\$8.2	87.8%
FY-2005	36%	\$7.2	\$1.9	\$9.1	79.1%
FY-2006	34%	\$7.3	\$1.2	\$8.6	84.9%
FY-2007	39%	\$7.6	\$1.9	\$9.6	79.2%
FY-2008	39%	\$5.4	\$0.9	\$6.8	79.4%
Fy-2009	37%	\$4.2	\$2.0	\$6.2	67.7%

Source: Tourism and Recreation Dept.

Roman Nose State Park Lodge

The \$5.1 million demolition and reconstruction project at the Roman Nose State Park Lodge reached the mid-point in FY-2009. The reconstructed lodge, at one of Oklahoma's original seven state parks, is expected to reopen January 2011.

The lodge was closed in 2007 because of damage from Tropical Storm Erin. A large portion of the lodge had to be torn down due to structural damage. The facility was downsized to accommodate occupancy

trends and to increase efficiency. The renovation also restored architectural integrity and incorporated environmentally-friendly materials at the facility. The final phase of reconstruction includes renovation of the 20 remaining rooms; adding two ADA accessible rooms and ADA lobby bathrooms; and renovation of the kitchen and adjoining meeting spaces. Plans to reopen the facility, as well as integrate the new features into the existing historical park, are much anticipated by many communities in western Oklahoma.

Golf Courses

Use of state golf courses has decreased compared to prior years, primarily due to the loss of Chickasaw Pointe, Lake Texoma and Fountainhead Golf Courses.

	Golf Rounds (thousands)	Golf Revenue	State Approp.	Total Golf Exp.	% of Self-Sufficiency
FY-2002	182.7	\$4.9	\$0.1	\$5.0	98.0%
FY-2003	161.6	\$4.5	\$1.3	\$5.8	77.6%
FY-2004	158.0	\$4.3	\$0.7	\$5.0	86.0%
FY-2005	158.1	\$4.4	\$1.0	\$5.5	80.0%
FY-2006	158.0	\$4.3	\$0.9	\$5.2	82.7%
FY-2007	138.0	\$4.7	\$0.8	\$5.6	83.9%
FY-2008	114.0	\$2.5	\$0.03	\$3.0	83.3%
FY-2009	90.9	\$3.0	\$0.70	\$3.7	81.1%

Source: Tourism and Recreation Dept.

The golf courses are added amenities that support the lodges and the parks where they are located. They provide visitors with additional recreational opportunities when they visit state park properties. Cedar Creek Golf Course at Beavers Bend State Park was rated as Oklahoma's top municipal golf course in 2009 by Golf Digest magazine.

Capital Maintenance Funding

Beginning in FY-2009, the Legislature provided the Department with an estimated \$10-12 million in capital maintenance funding from an apportionment of sales and use taxes. The Department currently has in excess of \$100 million in identified needs. The following categories and allocations for FY-2010 are noted below:

\$12.59 million (est.) – Sales and Use Tax Apportionment

- Building/ Facility Refurbishment (\$4,170,000)
- Nature Centers (\$2,260,000)
- Equipment (\$1,640,000)
- Restrooms, Campgrounds & Docks (\$1,370,000)
- A&E Emergency Fund/ Planning (\$1,360,000)
- Energy Saving Improvements (\$1,000,000)
- Maintenance Facilities/ Roofs (\$790,000)

This year's program will go towards improving our most popular and most significant revenue-generating assets, our cabins and campgrounds. It also will go towards necessary improvements for shelters, walkways, docks and restrooms so park visitors have facilities that are accessible, clean and safe.

Through FY-2014, the Legislature has provided the Department with a portion of the REAP Water Projects Funds for infrastructure and environmental improvements estimated to be \$2.9 million per year. The Department currently has in excess of \$19.6 million in identified environmental needs along with an additional \$10 million in water line projects proposed. Types of projects funded include potable water, wastewater and erosion control work.

The Department is using the list of environmental needs that was developed cooperatively with the Department of Environmental Quality. The certainty of dedicated funds will allow the Department to realistically plan for park preservation and the systematic elimination of long standing facility needs.

Travel and Tourism

This division develops information, marketing plans and programs designed to attract tourists to the state and to encourage Oklahomans to vacation in-state.

It disseminates information related to the state's public and private attractions,

facilities and events to support increased economic development and awareness of Oklahoma as a travel destination. A crucial component is an extensive online travel planning service developed through the agency web site www.TravelOK.com, which is the state's official travel web site. More than 2.5 million customers have utilized Travelok.com, the Oklahoma Tourism travel call center and other services provided by Travel Promotion staff.

The division operates 12 tourism information centers located at various points of entry into the state and at the State Capitol. These centers are designed to provide travel information to visitors traveling through and to our state and, ultimately, to encourage travelers to extend their stay in Oklahoma.

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

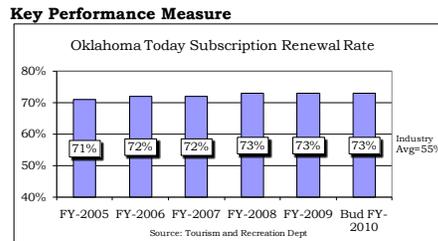
Oklahoma Today Magazine

Oklahoma Today is a general interest consumer magazine, published continuously by the State of Oklahoma since 1956. The magazine has an average paid circulation (subscribers and newsstand readers) of approximately 38,000 and an estimated readership of 150,000 for every issue. *Oklahoma Today* provides its readers the best of Oklahoma's people, places, travel, culture, food, and outdoors in an attractive and engaging publication that enhances The Oklahoma Experience.

The magazine is also an essential component in the development of tourism in Oklahoma. Every issue encourages travel in the state, and articles and advertisements appearing in the magazine

influence travel and purchasing decisions that generate a substantial economic impact in real dollars for the state and its communities. As an advertising vehicle, *Oklahoma Today* is nurturing the growth of a variety of cottage industries.

Subscription renewals for the publication exceed the industry average of 55% as shown in the following chart.



Discover Oklahoma Television Show

Integris Discover Oklahoma is dedicated to the promotion of Oklahoma tourism by telling interesting stories about the people, destinations and tourist attractions in our state. This high-quality, entertaining 30-minute program is broadcast every Saturday at 6 p.m. on KXII-Channel 12.2 in Sherman/Dennison, TX, and at 6:30 p.m. on KOTV-Channel 6 in Tulsa, KWTV-Channel 9 in Oklahoma City, and KSWO-Channel 7 in Lawton. Several network stations also re-air the program on Sundays, and many regional stations and cable outlets air the program, as well.

With a long track record of success in the promotion of Oklahoma tourism, the program, which is in its 19th season, reaches approximately 175,000 viewers weekly and produces 39 new episodes each year. The show will celebrate its 20th landmark season beginning April 2010.

In addition to the weekly broadcast, the Discover Oklahoma staff also produces video content for local newscasts, including weekly tourism segments for KFOR-Channel 4 in OKC, KWTV-Channel 9 in OKC, and KOTV-Channel 6 in Tulsa.

Oklahoma Film and Music Office

The Oklahoma Film and Music Office (OF&MO) is committed to promoting the state as a desirable, film-friendly environment for producing motion pictures, TV shows and videos. The OF&MO assists both in-state and out-of-state companies by providing assistance with locations, equipment, crew, permits and facts about Oklahoma and its communities.

In 2009, lawmakers increased the Oklahoma Film Enhancement Rebate program from a 15% rebate to 35% cash back on qualified Oklahoma expenditures. This improvement to the program has once again made Oklahoma competitive in the marketplace for studio and independent films. In 2009, two major feature films were filmed in Oklahoma, totaling an Oklahoma spend of just over \$3.5 million. Eleven films have prequalified to utilize the rebate program in 2010, with those Oklahoma expenditures totaling an estimated \$14.7 million.

Additionally, in 2009, legislation went into effect which provides for an additional 2% rebate to the base of 35% for the use of Oklahoma music, musicians and music facilities in the production of a qualifying film with a minimum music expenditure of \$20,000.

OF&MO has worked throughout 2009 to bring office technology up to industry standards. Reel-Scout, a leader in software solutions for film commissions, was implemented to revolutionize the way location photos are stored, maintained and categorized. With over 900 locations added to the database since it launched in March 2009, OF&MO also added Reel-Crew, an online crew and support services database. Producers interested in hiring Oklahoma crew members can search the site to find qualified candidates for filming jobs in the state.

Additionally, OF&MO is working to revamp the state's film and music website, www.oklahomafilm.org. The first round of updates includes a comprehensive music database that will include information

about the state's musicians, venues and music-related businesses and services. The long-term goal of the office is to increase film, television and music production in Oklahoma as a means of economic development and diversification. With advances in technology and continued support for state and local financial incentives, OF&MO looks forward to a banner year of film and music in Oklahoma.

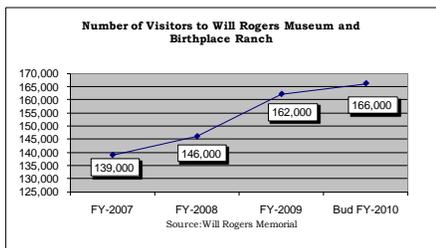
Will Rogers Memorial Commission

Notable Achievements

- A new major exhibit, the Will Rogers Heritage Gallery, presenting and interpreting the Cherokee heritage and family history of Will Rogers, opened at the Memorial Museum in June 2009.
- In September, one of the most popular exhibits at the Will Rogers Memorial, the 13 scale-model dioramas of Rogers' life, was restored and reopened in a single gallery in September 2009.
- Children's Day at the Museum, a new addition to Claremore's annual Will Rogers Days, drew more than 2800 young people, parents, and teachers to a day of musical performances, Cherokee story-telling, trick roping, and old fashioned games. It was the largest single-day attendance in ten years

Mission

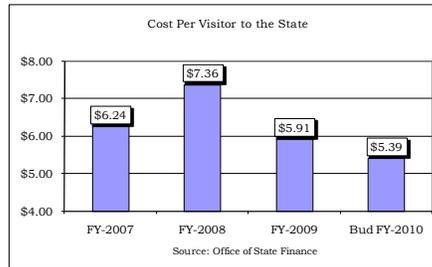
The Will Rogers Memorial Commission was established in 1938 to honor the life and works of Will Rogers through the creation of the Will Rogers Memorial Museum in Claremore. The museum and Will Rogers Birthplace Ranch host 162,000 visitors annually. Admission is free, and both facilities are open year round.



Over 96% of the Commission's budget is comprised of state appropriated funds. The remaining funding is derived from donations and foundation grants. The

Commission spends one-third of its budget for educational outreach.

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



Oklahoma Arts Council

Notable Achievements

- In FY-2009, the Oklahoma Arts Council served 108 communities in 60 counties and provided 549 grants to 379 cultural organizations schools and local governments who produce community arts and arts education programs throughout Oklahoma. The Council received requests for \$5.6 million and awarded \$4.6 million in grants in FY-2009. For every \$1 the Oklahoma Arts Council granted, non-profit organizations raised on average \$8.95 from the private sector which serve as matching funds.
- The Oklahoma Arts Council presented the 2009 Oklahoma Arts Conference in Stillwater. The theme of the conference was "Moving Forward in a Challenging Economy" and gave more than 250 participants from throughout the state an opportunity to learn strategies to advance the arts while dealing with critical economic issues. During the three-day conference, a new pre-conference session offered arts managers from larger cultural institutions an opportunity to discuss common challenges and explore strategies for a sustainable future. "Managing Your Career," a track just for career bound performing artists, addressed the business skills needed to advance self management for touring and performing artists.
- In FY-2009, the Oklahoma Arts Council continued Leadership Arts, a statewide network of community arts leaders and advocates. In the 2nd class of Leadership Arts, 36 members representing a broad base of expertise from 21 communities, learned how arts and cultural development can be harnessed to create economic opportunity, provide a high quality of community life and ignite the creative potential of Oklahoma's youth. The curriculum

was designed to be applicable statewide and special attention was paid to rural communities. Sessions were held in Lawton, Bartlesville and Ada, and included panel and individual presentations, group discussions and a tour of community arts spaces.

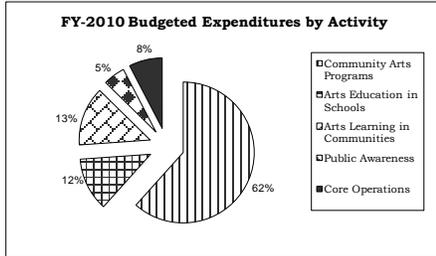
- During FY-2009, the Oklahoma Arts Council curated three galleries at the State Capitol that provide a showcase for Oklahoma's visual artists through rotating exhibitions. Approximately 466 works of art by 35 artists were seen by thousands of visitors and workers at the Oklahoma State Capitol. Displayed in the Governor's Gallery, the East and North Galleries, these works of art offer Oklahoma's talented artists a wider exposure than they may gain in a private gallery. More than 12,000 school children took guided tours at the Capitol. The exhibitions exemplify the artistic quality and cultural diversity in our state and enrich the lives of Oklahomans and Capitol visitors alike while promoting public interest and understanding of the arts.

Mission

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

The Council's mission is to lead in the development, support and enrichment of a thriving arts environment. The Oklahoma Arts Council meets this mission by providing grants and technical assistance for arts activities statewide. The National Endowment for the Arts and the State of Oklahoma are the sources of funding. The following graph illustrates how those funds are spent.

FY-2011 EXECUTIVE BUDGET

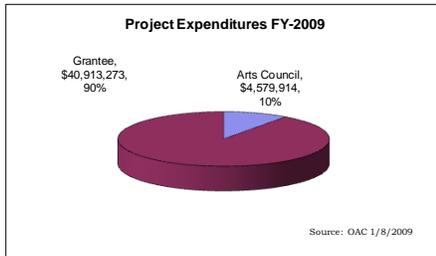


The Oklahoma Arts Council is primarily a grant making entity, as evidenced by the following table.

Key Performance Measure

	in 000's			
	FY-2009 Actual		FY-2010 Bud	
Direct grants costs	\$4,578	76.8%	\$5,100	15.8%
Indirect grants costs	\$ 821	13.8%	\$ 829	12.9%
Administration	\$ 565	9.5%	\$ 490	7.6%
Total	\$5,964		\$6,419	

The Council awards matching grants to nonreligious, nonprofit, tax exempt 501(c)(3) organizations; agencies of government; sovereign Indian tribes; public libraries; public schools; colleges and universities. All grants must be matched by the grantee. Last year, the average match was \$8.95 to every dollar granted, as represented in the chart below.



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

Community Arts Programs

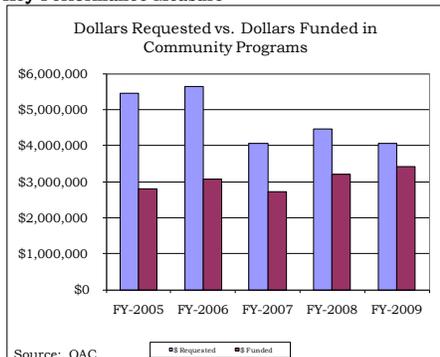
Community Arts Programs provide support for community arts activities to advance the cultural and economic development of Oklahoma. More than 200 organizations receive support annually through Community Arts Programs. They include Oklahoma's major symphonies, ballets and museums. In addition, the OAC funds festivals, community theatres, performing arts and local museums throughout rural Oklahoma that contribute to the enrichment and vitality of each community.

Community Arts Programs also supports cultural development outreach through funding and technical assistance to rural and urban underserved communities. This assistance is designed to assist communities in development of cultural leadership and improvement of their administrative and programming skills. The Council's Cultural Development Office provides cultural development and capacity building services to rural and underserved communities and developing arts organizations.

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

In FY-2005, the Arts Council met 51% of the requests in Community Arts Programs; 86% of requests were met in FY-2009.

Key Performance Measure



Arts Education in Schools

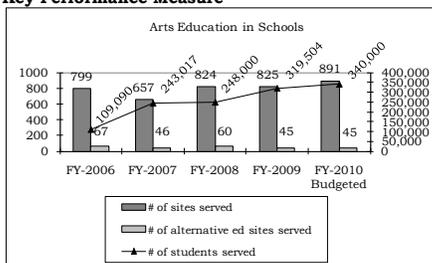
Arts Education in Schools program supports the efforts of schools and school districts, including alternative education programs, in providing quality and meaningful arts education to their students. Projects introduce and develop skills, knowledge and understanding in dance, drama, music, visual art,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

Arts Education in Schools is designed to:

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

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

Key Performance Measure



As shown above, Arts Education in Schools also serves alternative education school sites. Direct classroom arts instruction is provided through the Arts in Alternative Education program, serving students considered “at risk” of not completing their education. These programs provide hands-on arts learning experiences that increase knowledge in the arts and develop skills important to students’ future workforce potential.

Arts Learning in Communities

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

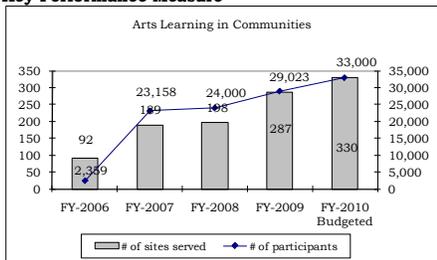
- Design arts experiences for the specific life circumstance of the learners and are age, ability and developmentally appropriate;

FY-2011 EXECUTIVE BUDGET

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

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

Key Performance Measure



Career and Technology Education

Notable Achievements

- Total enrollments for FY-2009 were 535,527 – about 32,000 less than in FY-2008 – due to funding shortages. More than 12,000 students were waiting to enroll in CareerTech courses.
- To meet the growing need for professionals in the Bioscience and Medical disciplines, Biomedical Academies now operate at 8 sites – 7 technology centers and 1 comprehensive school.
- The Center for Applied Economic Research at Oklahoma State University reports that the benefits to the state economy generated by completers of full-time programs and three of CareerTech's Business and Industry Training services "are substantial."
 - Direct and indirect benefits generated from the Training Industry Program, Existing Industry Training and Industry Specific Training (150,223 enrollments in FY-2007) are estimated at \$237.5 million.
 - Cost/benefit assessment for program completers generated a total of \$2.4 billion in direct and indirect benefits.
 - Oklahoma Bid Assistance generated a net indirect benefit to the state economy through small business contracting of more than \$860 million in FY-2007.
- CareerTech's Pre-Engineering programs totaled 940 students in 11 technology centers. Ninety percent of the completers are now in colleges throughout the United States. Many of these students were among 50 teams to participate in the FIRST (For Inspiration and Recognition of Science and Technology) Robotics regional competition. The top three winning teams were from the Career Tech system.
- All 29 technology centers completed Cooperative Alliance Agreements with Oklahoma higher education institutions to provide college credit for technology center students. Last year high school and adult students in technology centers were enrolled in more than 77,800 college credit hours.
- During FY-2009, 353 students attained a high school diploma through Dropout Recovery Programs and another 21 completed a GED. More than 500 students were stabilized, began earning credits and are planning to continue their education.

Mission

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

The Oklahoma career and technology education system offers a wide variety of educational opportunities to a diverse client base from youth in high school to senior citizens and incarcerated individuals.

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

Comprehensive Schools

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

Technology Centers

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

Business and Industry Training

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

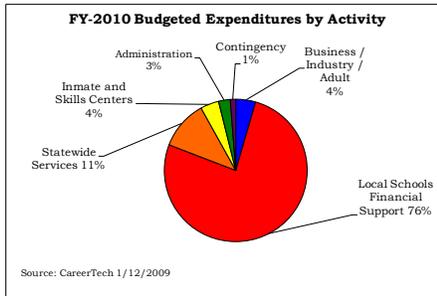
FY-2011 EXECUTIVE BUDGET

businesses, and management development training and bid assistance services.

Skills Centers

Programs at these centers help incarcerated individuals realize their potential by creating opportunities for them to experience and apply a quality education. Skills center training helps prepare over 1,400 inmates and juveniles per year for life outside the confines of prison and detention.

Funding for these programs is as follows:



The State Board of Career and Technology Education supervises career and technology education programs in comprehensive schools, technology centers and skills centers. It also administers the Carl Perkins program of the United States Department of Education in matters relating to career and technology education, and Tech Preparation.

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

Student Demographics

The CareerTech system offers programs and services in 29 technology center districts across 57 campuses, 399 comprehensive school districts and 19 skill centers including 3 juvenile facilities. This allows citizens in all 77 counties easy access to career-technology programs.

Total enrollment for FY-2009 including all programs is 535,527. From FY-2002 to FY-2009, student population has done the following:

- Adult enrollment in technology center full-time and statewide programs increased 4% from 11,145 to 11,567.
- Business and Industry enrollments increased 16% from 314,660 to 365,736.
- Enrollment in comprehensive schools increased 13% from 123,790 to 139,675.

Comprehensive Schools

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

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

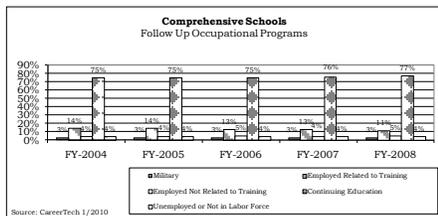
The detail in the following chart shows program and student costs.

Key Performance Measure

Comprehensive Schools					
Program Information					
FY-2009 Final					
	Total Students	Student FTE*	Total Cost	Avg. Cost per Student	Avg. Cost per FTE
Agricultural Education	26,234	25,998	\$ 9,612,660	\$ 366.42	\$ 369.75
Business and Information Technology	20,698	20,690	\$ 3,031,050	\$ 146.44	\$ 146.50
Family and Consumer Sciences	54,224	43,151	\$ 3,387,300	\$ 62.47	\$ 78.50
Health Occupations Education	1,221	1,221	\$ 112,125	\$ 91.83	\$ 91.83
Marketing Education	4,547	4,202	\$ 395,250	\$ 86.93	\$ 94.06
Technology Education/STEM	32,329	13,347	\$ 2,767,100	\$ 85.59	\$ 207.32
Trade & Industry Education	422	90	\$ 161,000	\$ 381.52	\$ 1,788.89
Total**	139,675	108,699	\$ 19,466,485	\$ 139.37	\$ 179.09

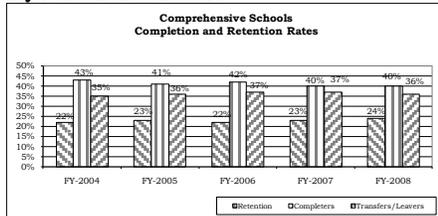
*One student FTE is equivalent to one student for a single class for a full academic year.
Source: CareerTech 1/2010

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



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

Key Performance Measure



Technology Centers

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

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

Funding Sources

Funding for the technology centers comes from three sources:

- State Appropriated Revenue (30.3%);
- Local Taxes, Tuition and Other (65.1%); and
- Federal Funds (4.7%).

Funding Formula (State Funds)

HB 1239 approved in 1991 mandated the development of a new funding formula for

technology centers. It equalized variances in local funding sources, encouraged maximum local support, provided for allowable general fund balances and rewarded having ad valorem ratios above the required minimum.

The formula initially considers a target quality program cost and then subtracts available local general fund income to come up with the state’s contribution to each technology center.

Quality Program costs include:

- Direct Cost
 - Instruction and Classroom Activity
 - Indirect Cost
 - Instructional Support
 - General Administration
 - General Support
 - Guidance and Counseling
 - Operation of Plant
 - Student Transportation Services
- Local General Fund Income:
- Maximum General Fund Valuation Millage
 - Excessive Unencumbered General Fund Balance
 - Tuition
 - Adults in Full-time programs
 - Business and Industry Training Programs
 - Client-based programs

Business and Industry Training

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

The most popular training offerings for clients of the Training for Industry Program (TIP) and Existing Industry Training

FY-2011 EXECUTIVE BUDGET

programs are: quality-related training such as Lean Manufacturing, ISO, Six Sigma, process improvement and kanban; team skills training, including effective communications, problem-solving, and time management; management and supervisory training; customer service skills; and industrial maintenance skills.

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

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

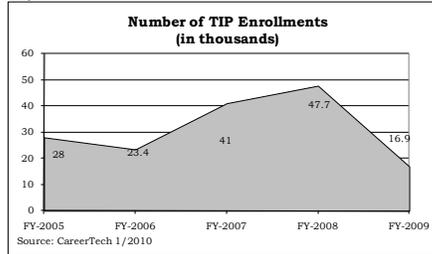
Popular Adult and Career Development programs include software or computer classes and continuing education for industries such as real estate and accounting.

Training for Industry Program (TIP)

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

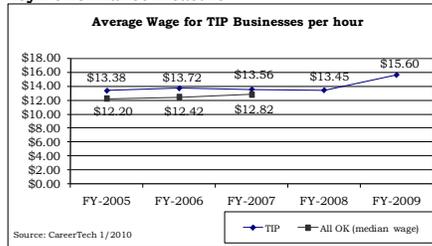
- Manufacturing;
- Processing;
- Business services; and
- Warehouse and distribution.

Key Performance Measure



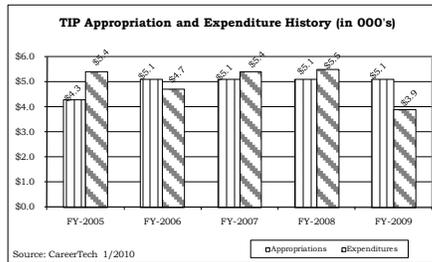
This program has been a successful tool for recruiting business. Demand for training by businesses is cyclical. CareerTech has experienced strong growth in the past three years and expects to have another busy year in FY-2009.

Key Performance Measure



NOTE: All OK median wage information is taken from the "Oklahoma Wage Report", produced by the Oklahoma Employment Security Commission. FY-2007 is the latest report available at this date.

Below is the funding history for TIP.



Existing Industry Training

Oklahoma companies can make sure existing employees are up-to-date with the latest skills and knowledge by taking advantage of the Existing Industry Training Program. This program is intended to serve

businesses that need to retrain incumbent workers in order to retool existing processes or expand a product line. *CareerTech* and existing industries frequently partner when specific training is required. The participating business pays no tuition but frequently provides classroom space or unique materials.

Oklahoma Bid Assistance Network

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

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

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

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

OBAN works closely with Tinker Air Force Base, other military and commercial

organizations and industry associations in support of Oklahoma's aeronautics and aerospace industries. OBAN also offers the construction community a unique biweekly construction summary of business opportunities that helps keep small and rural construction firms competitive.

During FY-2009, OBAN served 1,746 clients who secured more than \$ 163 million in contracts for Oklahoma companies.

Safety Training

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

The Safety allocation provided to the *CareerTech* system provides customized safety training, serving business and industry across the state. This training has helped reduce and prevent work related injuries and has helped reduce worker's compensation costs for the participating industries.

Firefighter Training Initiative

The safety and welfare of Oklahoma residents will be enhanced by the ability of technology centers to provide training for volunteer fire departments. This requires providing the volunteer fire departments with upgrade training or training on new systems or equipment.

These training programs accommodate an increased demand placed on technology centers for training and testing of volunteer fire departments in the state of Oklahoma. This training includes firefighter training and associated testing, as well as first-responder training.

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

FY-2011 EXECUTIVE BUDGET

industry-focused academies and registered apprenticeship programs for offenders.

Some of the programs offered include Electricity Technology, Meat Processing, Commercial and Residential Building Construction, Basic Computer Technology, Distribution and Warehouse Logistics, and Metal and General Manufacturing.

The school system operates 19 sites. In FY-2009, skills centers served 1,469 students with a positive placement rate of 93.76%. The following table provides information on the number of students and where they are served.

CareerTech Skills Centers		
	FY-2008	FY-2009
State prisons	1,266	1,302
Private prisons	0	-
Juvenile centers	106	80
Community corrections	98	87
Total	1,470	1,469

Source: CareerTech January 2010

- Inmates who are trained in CareerTech Skills Centers are 11% less likely to reoffend. If they are placed in a job related to their training, they are 17% less likely to be reincarcerated.
- A Young Offender Initiative implemented in FY-2006 has served over 339 young at-risk individuals, many of whom are probationers. These programs are operated through special arrangements with technology centers. Of the students trained, over 90% have been placed in high-growth, high-wage occupations with local companies.

Key Performance Measure



Dropout Recovery

Since 1995, the Oklahoma Career and Technology Education system has operated Dropout Recovery Programs at various technology centers. These programs are intended to serve out-of-school youth who have not completed the requirements for a high school credential. Currently, nine Technology Centers provide dropout recovery services. In FY-2008, 939 students enrolled in these programs statewide. Of these, 343 completed the requirements for a high school credential and over 500 are scheduled to return during FY-2009 to continue their education. Over 40 students were stabilized and returned to their home high school to continue their education. These hardest to serve youth are given the opportunity to develop life and employability skills while completing their academic requirements and gaining occupational skills. Many of these students were 15 to 16 years of age at the time they dropped out.

Oklahoma Educational Television Authority (OETA)

Notable Achievements

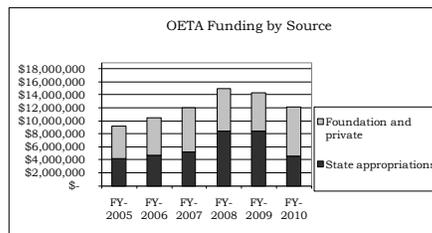
- All 18 of OETA's statewide transmission facilities have now been converted to digital, high definition broadcasting. Boise City's transmitter was signed on the air December 23, 2009, completing a 10-year process to meet FCC mandates to convert the system from analog to digital television.
- OETA has been recognized as the most-watched public television operation in the nation. Figures from the September-December quarter of 2009 show that OETA ranks number one in the nation followed by Chicago, Nashville, Las Vegas and Buffalo in gross rating points.
- Through advances in technology, OETA distributes two separate channels of programming statewide. This 24-hour service provides one channel of High Definition programming and one channel of Standard Definition devoted specifically to Oklahoma-oriented programming.
- Partnerships with OETA viewers and private funders has continued to increase over the past five years and now accounts for more than half of the network's income.
- OETA is the only television operation (either commercial or non-commercial) serving the entire state of Oklahoma and the only broadcast television signal for many rural Oklahomans.
- "Voter Voices" is an initiative that has allowed hundreds of Oklahomans to express their ideas regarding elections and candidates. The news and public affairs effort was awarded top honors nationally by the Corporation for Public Broadcasting.
- More than 1.8 million Oklahomans tune in weekly to OETA with 30,000 of them supporting the station by becoming and remaining members.

- OETA has taken a lead role in promoting Oklahoma as "The State of Creativity" and launched a new series by that name. The program has received several state and national awards during its first year of production as it spotlights the state's residents who have made their mark on the arts, business, education, research, agriculture, etc., through creative problem-solving.

Mission

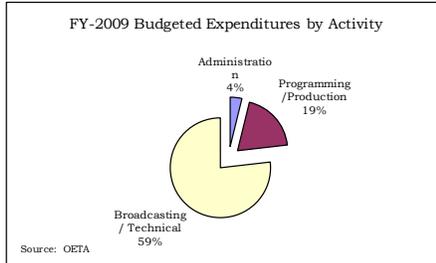
OETA is a federally licensed and regulated agency that operates non-commercial educational television channels assigned by the Federal Communications Commission (FCC). Branded as "The Oklahoma Network", OETA was the first such state network formed in 1953 and today is joined by 13 other states that operate public television networks.

Oklahoma state government consistently spends less per capita than 12 other states that operate such networks. OETA has been able to offset the declining state portion of its operating budget through on-air membership drives, corporate, grant and foundation solicitations.



OETA has two main activities within the agency, broadcasting/technical and programming/production. FY-2009 Expenditures by activity are illustrated in the following graph:

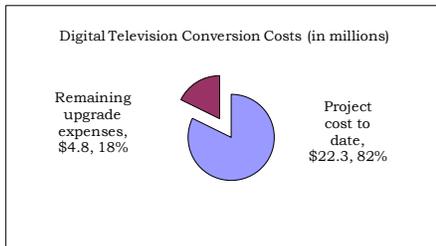
FY-2011 EXECUTIVE BUDGET



Broadcasting/Technical Division

The Oklahoma Network is a complex technical installation in with locations around the state, reaching from Boise City and Altus to Ponca City and Idabel and all points in between. All sites are serviced and managed from the network headquarters in the state's capital in Oklahoma City. In Tulsa, a staff of 10 operates the Tulsa studios and news bureau that will be relocated to the OSU-Tulsa campus by December 2010.

This division has the responsibility of operating all of the OETA facilities.



Programming/Production

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

OETA is recognized nationally for its statewide productions, both in volume and quality. During the past year, OETA presented 456 hours of Oklahoma-exclusive productions compared to the national average of 270 hours for a public television licensee. During the past year, OETA was recognized by its peers in the Society of Professional Journalists, the Oklahoma Association of Broadcasters and the Oklahoma Associated Press Broadcasters with a total of 11 first place awards.

On the regional and national level, OETA staff members received a record 14 nominations for the prestigious EMMY award, and four different productions received this highest honor. In national educational television activities, OETA won two awards for its productions on the Oklahoma Centennial and for outstanding educational service with commendations for its cost-effectiveness.

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. In addition to raising matching funds for any state capital investment, the Foundation provides a portion of the operating budget for the network.

The OETA Foundation matched both state appropriations for digital conversion and will continue to raise private funds to match state appropriated money for the completion of the digital conversion.

Elementary and Secondary Education

Notable Achievements

- For six consecutive years, Oklahoma's early childhood education program for four-year-old children has been cited as the national model and ranked as the top state in access by the National Institute for Early Education Research (NIEER). In FY-2010, approximately 73% of four-year-old children in Oklahoma voluntarily attend Pre-Kindergarten programs in public schools, an historic high of 37,378 students; 57.3% of those students in full-day classes.
- According to Education Week's "Quality Counts 2010" report, Oklahoma ranks 9th in the nation in "Standards, Assessments and Accountability" and 9th among states in "Teaching Profession." On the 14th annual report card, which considers more than a hundred comparable education indicators for all states, Oklahoma ranked 23rd nationally, with 100% scores in the sub-categories of "Standards," "School Accountability," and "Economy & Workforce" policies.
- The National Board for Professional Teaching Standards reported in December 2009 that Oklahoma ranks 8th in the nation in the number of new National Board Certified Teachers, and ranks 9th in the total number of teachers with national certification. Nationally certified teachers comprise nearly 6% of all Oklahoma teachers, twice the national average rate. The state has 2,599 National Board Certified Teachers while Missouri has 598; Arkansas has 1,397; Colorado has 478; Kansas has 326; Texas had 538; and New Mexico has 482. Nearly 60% of Oklahoma teachers with national certification teach in high-poverty schools.
- As part of the ACE law, Oklahoma Mathematics Laboratories are being provided to middle schools with low student achievement in math. In 2006,

the first year of the Oklahoma Mathematics Laboratories program, median scores of 8th grade students tested at the 10 original schools receiving these state grants increased 20.4% in the first year; 19.1% in 2007; and 5.5% in 2008. Eighteen new math labs were added in the 2008-2009 school year; there are currently 54 math labs in Oklahoma public schools.

- The number of high schools with Advanced Placement Programs was 81 in 1997; in 2009, at least 310 of 467 Oklahoma high schools provide AP classes, with the increase attributable to the state's Advanced Placement Incentives Program. The number of AP exams taken in 2009 (20,811 taken by 12,508 public school students) was over six times greater than the number of exams taken in 1996-97 when the AP Incentives Program began. The number of AP scores that may qualify for college credit increased 8 percent in the last year; yet, Oklahoma's minority students succeeded above the state average: 9.8 percent increase among Asian students; 11 percent increase among African American students; 14.6 percent increase among American Indians; and 30.1 percent increase among Hispanics.
- The U. S. Chamber of Commerce's second annual "Leaders and Laggards" national report card gave Oklahoma an "A" in "Technology," and grades of "B" in "School Management," "Staffing—Removing Ineffective Teachers," "Staffing—Hiring and Evaluation," and "Data." The report ranks Oklahoma 2nd in the nation in technology for virtual programs and computer-based assessments, 6th for School Management, and 11th for the state's education data system, the Wave.

Governor Henry has been working to strengthen Oklahoma's school system since elected to office. For the past few years, the Governor's initiatives have included working for fair compensation for teachers and support personnel. This included a pay increase plan for teachers to reach the regional average over four years. The state

FY-2011 EXECUTIVE BUDGET

appropriated funds to pay 100% of teacher and support personnel health insurance, and has accelerated the Governor's initial plan to meet the regional average on teacher salaries. The Governor also created a new funding source for education – the Education Lottery and Gaming Regulation Act.

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

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

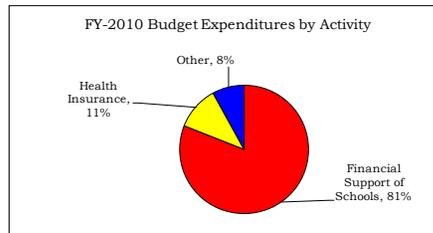
- Requiring districts to offer full day kindergarten;
- Strengthening professional development for middle school math teachers;
- Providing the ten lowest-performing middle schools in math with math labs;
- Establishing a default college preparatory curriculum that parents may opt out of;
- Requiring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

In FY-2010, the Governor continues his commitment to making Oklahoma's education system the best in the country. A quality educational system is vital to economic growth and positive social outcomes for children and families. Studies consistently show that academically prepared children are more likely to attend and complete college, earn more income and lead healthier lifestyles. Oklahoma's common education system promotes rigorous academic standards and a comprehensive array of programs to ensure

that every child from birth to age 18 has the opportunity to succeed.

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

The state's commitment to common education is reflected in the state's appropriated budget. Common education received more than \$2.4 billion, over 36% of all state appropriations in FY-2010; it is the single largest expenditure in Oklahoma's state budget.



As shown in the chart above, 81% of the total amount appropriated to education flows through the general state aid formula to individual school districts. The formula incorporates districts' student demographics and local education revenue to equalize funding differences between property rich and property poor districts. The remaining 19% is divided between health insurance costs (11%) and other areas like textbooks, teachers' retirement and alternative education.

The State Department of Education is responsible for administering and managing state and federal education programs. State duties include the establishment of teacher and administrator certification

requirements, formulation and adoption of curriculum standards and accreditation of both private and public schools across the state. The agency also manages the federal school nutrition program and the adult education program.

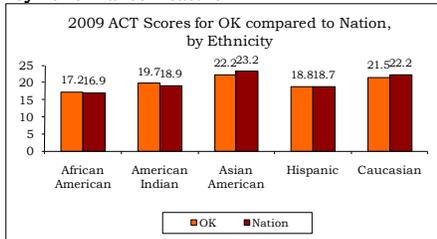
Student Demographics

Student enrollment reported by public schools in October 2009 reached a new record high of 654,511 public school students; 9,734 more than the year before, and 75,344 more students since enactment of Oklahoma’s landmark legislation, the *Education Reform and Funding Act of 1990*. Four-year-old program enrollment has grown from 23,475 in October 2000, to 37,378 in October 2009, an increase of 59.2%.

There have also been some changes in student enrollment by race and ethnicity. The number of Hispanic students enrolled in Oklahoma schools in October 2009 was 73,172, an increase of 5,520 compared to last year and 52,000 since 1990. Hispanic students now make up 11% of the student population, compared to less than 3% in 1990.

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

Key Performance Measure



Funding Sources for Local School Districts

Oklahoma has 534 school districts with 1,012 elementary schools, 293 middle and junior high schools and 467 high schools.

Public funding for Oklahoma’s public schools in FY- 2009 was:

- 23% local and county revenue;
- 13% federal funding;
- 64% state appropriated and dedicated

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

Schools also receive the following state dedicated revenue:

- Gross Production Tax;
- Motor Vehicle Collections;
- Rural Electrification Association Cooperative Tax;
- State School Land Earnings;
- Vehicle Tax Stamp;
- Farm Implement Tax Stamp;
- Oklahoma Education Lottery Trust Fund; and
- Other Dedicated Revenue.

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

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

FY-2011 EXECUTIVE BUDGET

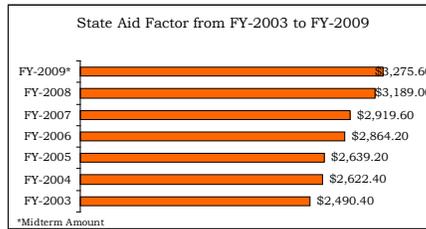
Foundation Aid, Incentive Aid and Transportation Aid.

Foundation Aid is calculated on the basis of the highest weighted average daily membership (WADM) of students in each district for the preceding two years or the first nine weeks of the current school year. Weights are added based on certain characteristics (eg: Special Education, Bilingual, Gifted and Economically Disadvantaged) to determine the weighted ADM. The weighted ADM for a district is then multiplied by the Statutory Foundation Support Level. A portion of a district's local revenues and all of its state-dedicated revenues are subtracted to arrive at the Foundation Aid amount (mid-term amount is \$1,667 per weighted ADM for the 2007-2008 school year.)

The Incentive Aid Factor guarantees each district a minimum amount of funding per weighted student for each mill up to 20 mills. For the 2007-2008 school year, the mid-term amount is \$80.43. To calculate a school's Incentive Aid Factor, the weighted ADM is multiplied by the Incentive Aid guarantee. A factored amount of local support is then subtracted. Twenty mills is then multiplied by the resulting number.

Transportation Aid is provided for all districts transporting students who live more than 1.5 miles from school. The students, or the average daily haul, are multiplied by the per capita transportation allowance and the transportation factor (\$1.39 for school year 2007-2008.) Greater weight is applied for sparsely populated areas.

The State Aid Factor (SAF) is calculated by adding Foundation Aid, Incentive Aid and Transportation Aid per weighted ADM. The average weight per pupil is 1.5. For FY-2009, the mid-term SAF was \$3,275.60, as seen in the chart below.

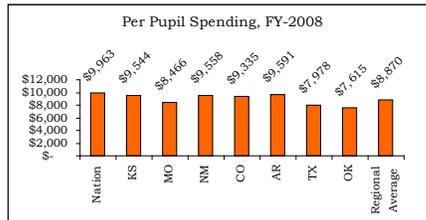


- The increase in state aid from FY-2008 to FY-2009 is \$86.60 per child.

Per-Pupil Expenditures

To accurately compare student funding between states, one must look at per-pupil expenditures. Per-pupil expenditures are calculated by dividing the total amount of federal, state and local funds expended for education by the average daily attendance of public school students in the state.

Oklahoma's per-pupil expenditure is \$7,615 for FY-2008 or 46th in the nation. Oklahoma was 8th in the region out of 8 states in FY-2008. The regional average was \$8,870 that year, as depicted in the chart below.



Common Education Programs

Improving student achievement requires flexible programs for specific populations. Of the appropriations the State Department of Education receives, 2.5% is directed for the following programs:

- Early Intervention;
- Oklahoma Parents as Teachers;

- Alternative Education;
- Education Leadership Oklahoma;
- Adult Education and Literacy;
- Advanced Placement;
- Mentor Teacher;
- Oklahoma Arts Institute; and
- Arts in Education.

Early Intervention (EI)

SoonerStart is Oklahoma's voluntary early intervention program serving infants and toddlers with developmental delays from birth to 36 months. SoonerStart is a collaborative interagency project. The State Department of Education, as the lead agency, coordinates with the Departments of Health, Human Services, Mental Health and Substance Abuse Services, Oklahoma Health Care Authority and the Oklahoma Commission on Children and Youth to plan and implement the statewide system of early intervention. These services are designed to complement the medical care a child may receive from a physician.

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

Depending on a child's and family's individual needs, SoonerStart offers one or a combination of services, some of which include, counseling, nutrition and physical therapy to name a few. The four most common diagnoses of infants and toddlers served by SoonerStart are Down Syndrome, Failure to Thrive, Hydrocephalus and Cerebral Palsy. The SoonerStart program will work with approximately 12,374 children in FY-2010.

Oklahoma Parents as Teachers

Parents are children's most important and effective teachers. Children's academic

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

School districts apply for grants to fund OPAT programs. Qualifications to receive an OPAT program grant are based on enrollment history (if applicable), district Average Daily Membership (ADM) and new or expanded programs. As with other service programs, multiple districts can join to create an OPAT program. For FY-2008, 5,619 children in 99 districts were served.

Year	Appropriation	# of Districts	# of families served
1991-92	650,000	13	377
2003-04	1,295,709	55	2,835
2004-05	1,295,000	68	4,235
2005-06	2,045,709	162	4,762
2006-07	2,045,709	97	4,784
2007-08	2,045,709	99	5,619

Source: SDE

Four-Year Old Program

Oklahoma is one of only three states that require teachers of four-year-olds to have a degree in early childhood education. Georgia and New York are the only other states requiring this quality indicator. Requiring this certification improves the quality of teaching and learning in the classroom and increases the probability children will be prepared for school in later years. Nearly 73% of the four-year-old population in Oklahoma participates in this voluntary program.

The basis for Oklahoma's high participation rate lies in the unique partnerships schools are creating with private child care providers. The State Department of Education encourages schools to provide certified teachers to private child care facilities to expand access. Lawton, Norman and Putnam City School districts are just a few of the districts involved in this initiative.

Alternative Education

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

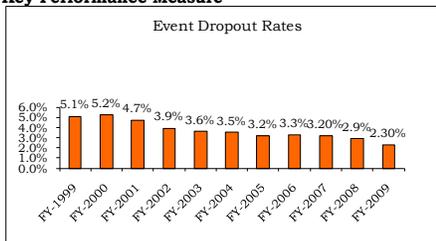
The Juvenile Justice Reform Act of 1994 established the Statewide Academy System that began with eight pilot programs in three counties. State law now requires all districts reporting dropouts and juvenile justice referrals to offer alternative education in Grades 6-12. In FY-2009, 10,930 students from 467 school districts were served in 249 Statewide Alternative Education Academies.

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

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

Since FY-1999, Oklahoma's event drop-out rate has decreased by 2.8% from 5.1% in FY-1999 to 2.3% in FY-2009, as shown below. Event drop out rate is the proportion of students from grades 7 to 12 who leave school each year without completing the school year.

Key Performance Measure



Staff Development

Professional development programs strive to improve teachers' subject matter knowledge, teaching methodology and classroom management skills. There are several types of statewide Staff Development programs, including the Great

Expectations program, the Neuro-developmental Learning Differences program and the Literacy First reading program. This line-item also provides funds for reading remediation in grades one through three. Approximately \$2.33 million is disbursed to districts for general professional development activities at the school level.

Great Expectations

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

Funds appropriated provide \$1,000 scholarships to teachers and principals for summer institutes and follow-up training. To qualify for scholarships, each qualifying school must be willing to send up to five teachers and a principal to the summer institute. To date, approximately 31,700 teachers have had this training. Great Expectations has begun an initiative to broaden the focus of training to middle and high school faculty.

Neuro-developmental Learning Differences

This program recognizes that children process information differently from one another. Some children form images, others form words and others form sentences. Educating teachers on children's different learning styles and how to effectively teach to these styles is the primary goal of this professional development institute. Funds provide \$1,500 scholarships for teachers to attend a 39 hour course and participate in a year-long practicum. Since the program's inception in FY-2001, 4,491 teachers have participated from 251 school districts and 16 agencies.

Literacy First

The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading and literacy training for all elementary teachers using the "Literacy First" program as its training base. The Literacy Professional Development Institute (PDI) provides a

balanced approach to teaching reading by incorporating the latest phonics and literature based strategies. Since its implementation in 1997, approximately 16,000 teachers have been trained. Student improvement indicates that this program has been successful.

School Lunch Matching Programs

Students must have proper nutrition in order to maximize learning potential. The National School Lunch Act was passed by Congress in 1946 to safeguard the health and well being of the nation's children and to encourage the domestic consumption of nutritious foods. The goal of the State Department of Education is to provide nutritious meals to children enrolled in Oklahoma's public schools. For the \$4.1 million the State appropriated for School Lunch Matching in FY-2007, the Federal government provided \$104 million. In FY-2008, 55.50% of Oklahoma school children qualified for the free or reduced-price lunch program.

Education Leadership Oklahoma

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

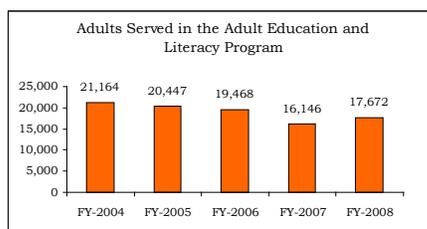
The purpose of Education Leadership Oklahoma (ELO) is to improve the quality of teaching and reward teachers who have attained national certification. The program provides technical assistance and a \$2,500 scholarship to 200 teachers applying for National Board Certification. A \$5,000 annual bonus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

There are 2,307 National Board Certified teachers in Oklahoma, which places it 10th in the nation for the number of teachers

certified and 8th in the nation for number of teachers certified in 2008. The State Department of Education estimates there will be an additional 324 teachers attaining national certification in FY-2009.

Adult Education and Literacy

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



Advanced Placement

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

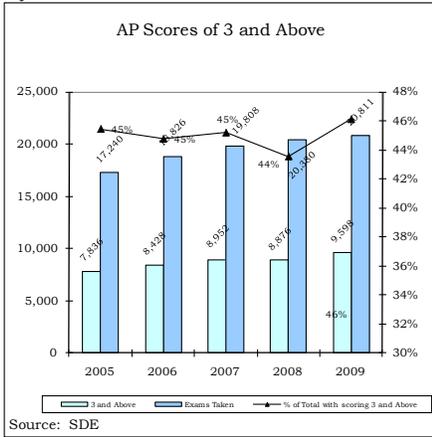
The Oklahoma Advanced Placement Incentives program provides funding

FY-2011 EXECUTIVE BUDGET

support for AP and Pre-AP teacher training. Funding goes for training, student exam fee assistance, score incentives to schools for AP program development and AP course grants.

Data from the College Board's AP program shows 12,508 Oklahoma public school students took 20,811 exams last school year. The number of exams taken is more than four times the number of exams taken in 1996-97, the year Oklahoma's AP Incentives program began. Students score a grade of 3, 4 or 5 on almost half of the exams taken, or 9,598, as seen below.

Key Performance Measure



Mentor Teacher

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

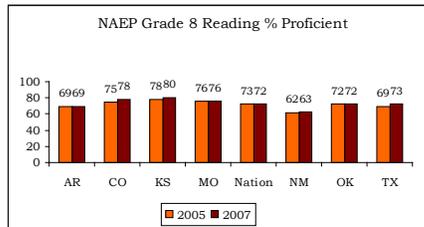
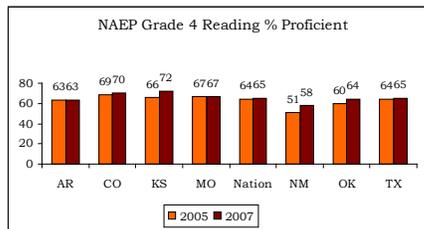
State law provides that teacher consultants may receive an annual stipend of not more

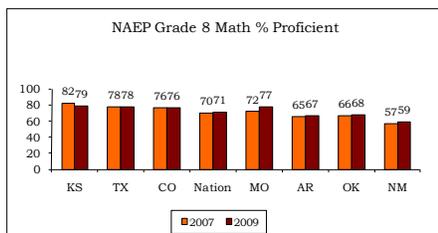
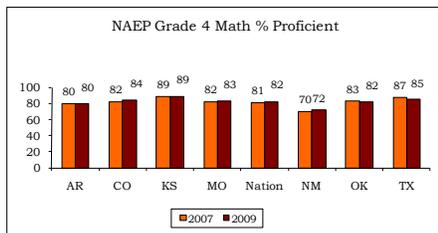
than \$500. The FY-2010 budget included funding for the program in the amount of \$700,000.

Statewide Assessments and Outcomes

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

Reading and writing tests in grades 4 and 8 are administered every other year, with the next administration scheduled for 2011. The following charts are from the National Assessment of Education Progress Report for 2007 and 2009, when available.





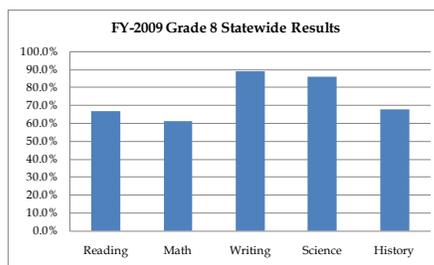
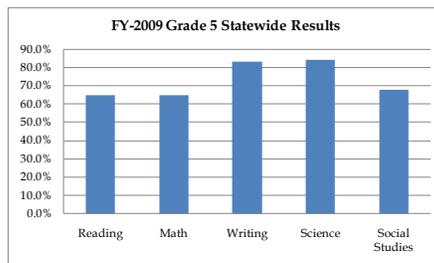
Criterion-Referenced Tests

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

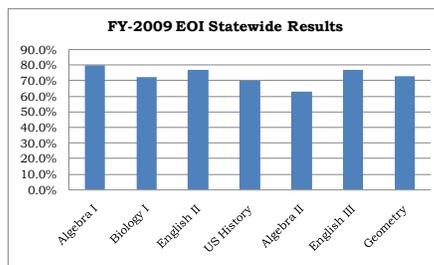
Individual student scores allow educators and parents to track educational achievement over time. These tests are not nationally normed and do not provide a basis for comparing students to their national counterparts.

Oklahoma's curriculum standards are defined in the Priority Academic Student Skills (PASS). PASS represents the basic skills and knowledge all Oklahoma students are expected to learn in the elementary and secondary grades. State law requires PASS to be re-evaluated every three years. The ACE law in 2005 required EOI tests to be reviewed, revised and recalibrated; as such, the ACE Algebra 1

scores of 2007 and subsequent years are not comparable to previous year's scores.

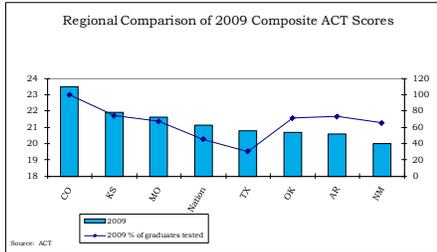


High School End of Instruction Tests (EOIs) were administered for the first time during the 2000-01 school year. Per ACE, students in the class of 2011-2012 will have to score satisfactory or above on English II, Algebra I, and two additional EOIs, or approved alternative tests, in order to receive a high school diploma. Results from the existing and previously administered tests are shown in the charts below.



The ACT Assessment is a national college admission and placement examination. The exam tests students' subject knowledge

of Reading, English, Mathematics and Science. ACT results are accepted by virtually all U.S. colleges and universities and the ACT is the test most often used for admission to Oklahoma public colleges and universities.



Oklahoma ranks 5th in the region with an average ACT score of 20.7; Colorado ranks first with a score of 23.5. The national average is 21.1, as seen above.

No Child Left Behind Act (NCLB)

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

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

- All students will reach high standards, at a minimum attaining proficiency or better in reading and mathematics by 2013-2014;
- By 2013-2014, all students will be proficient in reading by the end of the third grade;
- All limited English proficient students will become proficient in English;
- By 2005-2006, all students will be taught by highly qualified teachers;

- All students will be educated in learning environments that are safe, drug free and conducive to learning; and
- All students will graduate from high school.

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

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

NCLB will provide nearly \$1 billion annually in additional funding over the next five years to help states and districts strengthen K-3 reading programs, before and after-school programs, charter schools,

reading readiness for preschool children, teacher professional development and education technology.

In March 2004, Education Commission of the States (ECS) released the ECS Report to the Nation: State Implementation of the No Child Left Behind Act. Only 3 states had met more requirements than Oklahoma – Kentucky, Colorado and Maryland. Currently, Oklahoma is one of only three states that has all 38 NCLB requirements.

State Student Information System (“The Wave”)

With the passage of the federal “No Child Left Behind Act of 2001”, additional accountability and reporting requirements were added to already growing state-level demands for additional and higher quality education data. During the 2003 legislative session, HB 1646 defined standards for the state student record system being developed by the State Department of Education. The bill also required that all schools in Oklahoma comply with extensible markup language (XML) standards and the most current version of the Schools Interoperability Framework (SIF) specifications.

Implementation of the new secure electronic data system, *the Wave*, is reducing the reporting burden of schools while making more accurate information more readily available for decision-making purposes. This has revolutionized the manner in which student data is collected, managed and analyzed by local school districts and the State Department of Education.

Districts reporting information to meet state and federal requirements now have the capability to provide data via SIF. The *Wave* has integrated reporting requirements into a seamless exchange of information from the district’s student information system to a centralized system of secure information using standard data elements, definitions, and reporting formats.

As SIF expands development, so will the *Wave*. The Governor and the Legislature

will work with the State Department of Education to maximize and leverage all state and federal resources to keep up with these expansions. The first year (federally funded) of a five-year contract for design and implementation of the *Wave* was approved by Central Purchasing in June 2004.

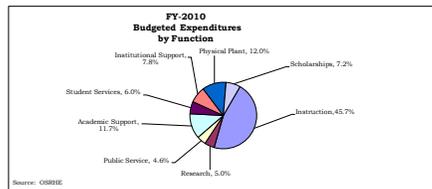
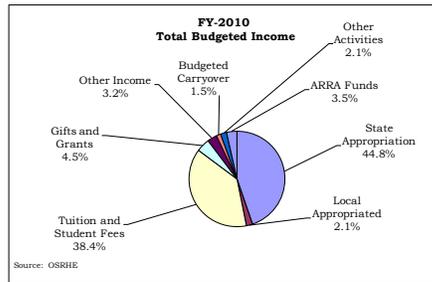
Oklahoma State Regents for Higher Education

Notable Achievements

- Higher education institutions have cooperative alliance agreements with all 29 career technology centers. These voluntary partnerships increase access to technical college-credit programs for high school and adult students in Oklahoma. Preliminary fall 2009 figures show that 4,798 students (2,153 high school and 2,645 adult students) were enrolled in a total of 39,259 credit hours.
- Since its inception in 1999, Oklahoma GEAR UP has provided subgrants to 222 school districts and school sites. In the 2009-10 school year, GEAR UP has focused its efforts in 29 school districts to provide comprehensive training opportunities for teachers, counselors and school administrators designed to improve student learning and retention across three areas: curriculum/instruction, guidance and educational leadership.
- Since its inception in April 2000, more than 44,000 Oklahomans have opened Oklahoma College Savings Plan accounts totaling \$342 million in assets.
- Endowed Chairs - There are currently \$365.5 million in unmatched private donations.
- The Office of Accountability's Educational Indicators Program has an award-winning track record of providing high-quality reports on school performance at the state, district and school level. In all, more than 100 statistical measures of curriculum, budget, programs, student performance and community characteristics are provided to educational stakeholders. Reports are provided to parents, educators, researchers, grant writers and policy makers. The office has distributed nearly 10 million school

report cards to parents over the last 15 years and delivers more than 2 million report card downloads per year from its www.SchoolReportCard.org Web site www.SchoolReportCard.org web site.

FY-2010 Funding and Expenditures for the State Regents for Higher Education is depicted in the following graphs:



Higher Education Initiatives

Brain Gain 2010

The OSRHE are moving aggressively to increase educational attainment in Oklahoma by doubling the expected growth rate of degree holders by 2010. Brain Gain 2010 calls for 28% of Oklahoma's population age 25 and older to hold a bachelor's degree or higher by 2010 and 10% of Oklahoma's population age 25 and older to hold an associates degree. In 2006, 22.1% held a bachelor's degree or higher and 6.5% held an associate degree.

Key Performance Measures

Percent of Population with College Degrees Age 25 or Older				
	OK	U.S. Avg.	US 2010 Est	OK Goal
Associate	6.5%	7.4%	n/a	10.0%
Bachelors or higher	22.1%	27.0%	n/a	28.0%

Source: Regents
Numbers based on 2006 US Census Data

The Regents' have undertaken a number of initiatives to help students better prepare for college and complete college such as increasing the high school core curricular requirements for college admission from 11 courses to 15 and implementing the Educational Planning and Assessment System (EPAS), which provides 8th and 10th grade students with information about how they are progressing academically in core content areas. Other Programs such as the Oklahoma Higher Learning Access Program (OHLAP) target students who might not otherwise attend or complete college. College attendance and completion depend on several factors: the high school to college-going rate, college remediation rates and college retention rates. Studies show the more students need remediation, the less likely they are to complete college. The students that go to college need to be retained in order for the number of college graduates to increase in Oklahoma.

College-going Rate

The percentage of high school students going to college varies considerably across the state.

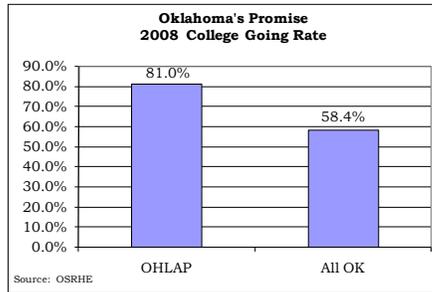
Key Performance Measures

Oklahoma High School to College-Going Rate Directly from High School to College						
	FY-2003	FY-2004	FY-2005	FY-2006	FY-2007	FY-2008
Oklahoma County	56.9%	60.2%	59.4%	60.6%	60.0%	58.9%
Tulsa County	58.5%	57.7%	58.1%	54.5%	49.1%	58.8%
Highest county	78.2%	75.0%	77.8%	66.7%	69.6%	69.5%
Lowest county	28.6%	26.7%	30.4%	29.6%	32.6%	30.3%
Nation*	63.9%	66.7%	68.6%	N/A	N/A	N/A
State avg.	56.4%	57.9%	58.6%	57.8%	57.4%	58.4%

Source: State Regents' High School Indicators Project: High School to College-Going Rates
*Source: U.S. Department of Education, National Center for Education Statistics, (2007). The Condition of Education 2007 (NCES 2007-084). Indicator 25.

The 2008 college going rate for Oklahoma's Promise students was 81% compared to 58.4% for the state, as expressed in the following graph. As enrollment in this

program grows, Oklahoma's Promise students will have a positive statewide impact on Oklahoma's state college-going rate.



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

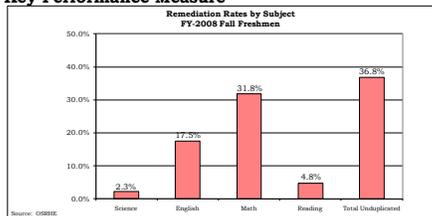
According to the 2000 Census, Oklahoma outpaces the nation in adult learners, ages 25 to 49, enrolled in part time higher education at 3.9% compared to the national average of 2.7%. The economic downturn may contribute to non-traditional students returning to college to increase job skills.

Remediation rate

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

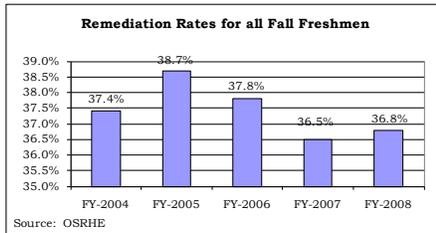
In the fall of 2008, 31.8% of first-time freshmen were enrolled in at least one remedial mathematics course, 17.5% in a remedial English course and 4.8% in a remedial Reading course.

Key Performance Measure



FY-2011 EXECUTIVE BUDGET

In FY-2008, first-time freshmen going directly from Oklahoma high schools had a remediation rate of 36.8%.

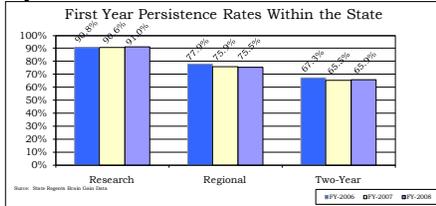


Retention and Graduation rate

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

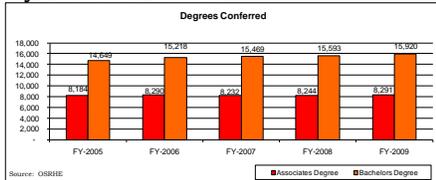
Six-year graduation rates of entering freshmen at the colleges and universities continue to improve; however, Oklahoma lags behind the nation.

Key Performance Measure



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

Key Performance Measure



Keeping Oklahoma graduates in Oklahoma and attracting others goes beyond the realm of higher education. It involves complex interactions between quality of life

issues as well as income levels and job opportunities.

A higher percentage of graduates who were Oklahoma residents remain in the state one year after graduation: approximately 88% of bachelor degree holders, 91% of associates and 82% of doctorates. Of the graduates who were non-residents, about 22% are still in Oklahoma five years after graduation.

Scholarships and Grants

Oklahoma Higher Learning Access Program (Oklahoma's Promise)

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

Created in 1992, OHLAP provides academically prepared students in low to moderate income households five years of tuition at any public education institution in Oklahoma or a portion of tuition at any private college in Oklahoma.

In the 2007 Legislative Session, the Governor and the Legislature established a dedicated revenue source for Oklahoma's Promise to ensure reliable and sufficient funding for future students. The Regents are required to submit a funding estimate for the upcoming fiscal year to the Board of Equalization prior to November 1 of each year. The estimate is removed from the total amount of General Revenue before the official certification is made by the Board of Equalization, reserving the necessary funds for Oklahoma's Promise to be fulfilled.

The above average college-going rates of Oklahoma's Promise students indicate that the program is expanding college access to more Oklahoma students

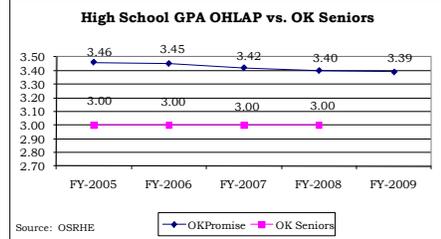
To qualify students must:

- enroll in the 8th, 9th or 10th grade and have a family income below \$50,000/year;
- earn a minimum 2.5 grade point average and take a college preparatory curriculum which includes two years of a foreign language or two years of computer science;
- remain drug and alcohol free; and
- not be adjudicated for any criminal offense.

Ten years of data show that Oklahoma's Promise has the potential to increase the number of Oklahoma students attending and completing higher education. Compared to Oklahoma's current student population, data has shown that Oklahoma's Promise students:

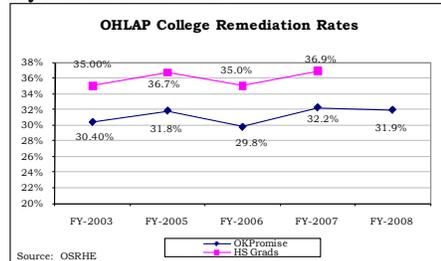
- Earn higher-than-average high school GPA's;

Key Performance Measure



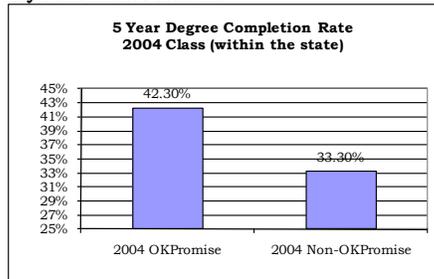
- Earn higher than average ACT scores;
- Have higher college-going rates;
- Require less remediation in college;

Key Performance Measure

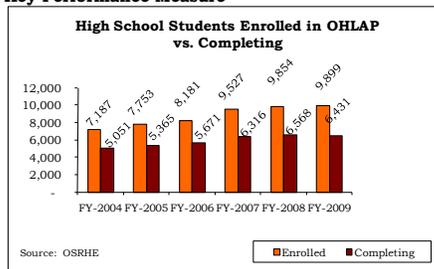


- Enroll full-time in college at higher-than-average rates;
- Persist in college at high rates; and
- Are initially completing college degrees at a higher-than-average rate.

Key Performance Measure



Key Performance Measure



- In FY-2009, 64.9% of students enrolled in Oklahoma's Promise completed the program.

Academic Scholars

Created in 1988 to encourage the state's and the nation's best students to attend higher education institutions in Oklahoma, this program provides scholarships to students meeting criteria established by the Oklahoma Legislature and the OSRHE.

Students qualify by receiving an official national designation, achieving outstanding ACT or SAT scores or receiving a nomination by a college or university. The amount of the award ranges from \$3,500 per year to \$5,500, according to the type of institution, and includes a tuition waiver. For FY-2009, scholarships in the amount of

approximately \$9.3 million were awarded to 2,136 students.

Oklahoma Tuition Aid Grant (OTAG)

This need-based program provides a maximum annual award of 75% of enrollment costs or \$1,000, whichever is less, to low-income students residing in Oklahoma enrolled full- or part-time in a public higher education institution or career tech school. The criterion to be eligible for OTAG is Expected Family Contribution of no more than \$1,700, as calculated by the Free Application for Federal Student Aid.

For students enrolled in private institutions, the maximum award is \$1,300. For FY-2009, funding was sufficient for an estimated 26,000 awards.

GEAR UP

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is a federal program designed to better prepare middle and high school students for college through mentoring programs and scholarships as well as new academic preparations and awareness programs for students and parents.

This national initiative began in 1998 to encourage more American youth to have high expectations, stay in school, study hard and take the right courses to prepare for college. Nationwide, more than 670 partnerships applied for GEAR UP funds. Oklahoma GEAR UP was one of the 164 successful applicants and was awarded a total of \$25.1 million for six years.

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

The State Regents GEAR UP project has implemented activities that focus on providing college access information, teacher and counselor professional development, and developing partnerships with local community and faith-based organizations to raise college aspirations.

Since the beginning of its current grant, GEAR UP has provided nearly \$1,550,000 in sub grant funding to 47 Oklahoma public school sites and 26 community organizations to help increase the number of low-income students who are prepared to enter and succeed in postsecondary education. Averages of 90,000 students are served each year.

Since its inception in 1999, Oklahoma GEAR UP has provided sub grants to 191 school districts and school sites. In the 2006-2007 school year, GEAR UP has focused its efforts in 23 school districts to provide comprehensive training opportunities for teachers, counselors and school administrators designed to improve student learning and retention across three areas: curriculum/instruction, guidance and educational leadership.

College Savings Plan

The Oklahoma College Savings Plan offers families the opportunity to plan and save early for higher education expenses. There are several advantages:

- Oklahoma residents are eligible for an annual state income tax deduction of up to \$10,000 per taxpayer and \$20,000 per joint filing taxpayers;
- Earnings are tax free if used for educational purposes; and
- Students may go to the post-secondary institution of their choice in Oklahoma or in other states.

Since its inception in April 2000, nearly 44,000 Oklahoman's have opened College Savings Plan accounts totaling \$342 million in assets.

Tuition

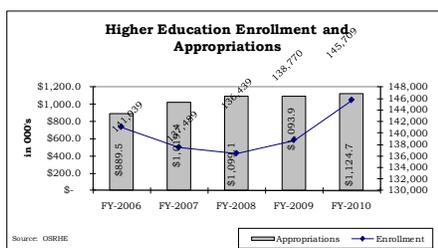
Higher education tuition fees in Oklahoma are among the lowest in the nation even though fees at all levels have increased for the current academic year.

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

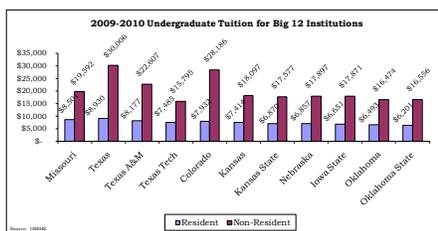
Undergraduate tuition and mandatory fees for resident students at comprehensive universities will be at a rate less than the average rate charged at public institutions in the Big Twelve Conference. Tuition and mandatory fees for residents and nonresidents for all degrees and at all other tiers are calculated in a similar manner.

In addition to submitting annual tuition reports, Regents are also required to make a reasonable effort to increase the need-based financial aid available to students proportionate to any increase in tuition.

The following is a chart showing system funding and FTE enrollment history and projections.



The following graph compares resident and nonresident tuition in the Big Twelve Conference. While higher education institutions across the United States increased tuition last year, Oklahoma's tuition still remains the lowest in the region.



Concurrent Enrollment

In the 2008-2009 academic year, 10,897 high school seniors concurrently enrolled in courses at Oklahoma's higher education institutions for a total of 52,228 credit hours.

State law provides that a twelfth-grade student enrolled in an accredited high school may be admitted provisionally to a college or university in the Oklahoma State System of Higher Education. Younger students may be eligible for concurrent enrollment, but there are more stringent provisions. To be eligible, high school seniors must meet the requirements for admission, which are:

- University of Oklahoma - ACT 24 or SAT 1090 or GPA 3.0 and Class Rank in the Top 30%;
- Oklahoma State University - ACT 22 or SAT 1020 or GPA 3.0 and Class Rank in the Top 33.3%;
- Regional Universities - ACT 20 or SAT 940 or GPA 3.0 and Class Rank in the Top 50%; or
- Two-Year Colleges - ACT 19 or SAT 900 or GPA 3.0.

A provision of the Achieving Classroom Excellence (ACE) Act of 2005 addressed concurrent enrollment for high school seniors. ACE provided that a high school senior that meets the criteria for concurrent enrollment may receive a tuition waiver for up to six credit hours per semester.

Endowed Chairs

The Regents' Endowment Program was established by the State Regents in 1988 and codified by the Oklahoma Legislature in 1989 to "improve the overall quality of education and research". The Legislature further directed that endowed chairs and distinguished professorships should be established in academic areas which contribute to the enhancement of the overall cultural, business, scientific, and/or economic development of Oklahoma.

Endowed chairs and professorships must be established in areas for which the institution has ongoing, approved academic programs. 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

FY-2011 EXECUTIVE BUDGET

than available state funds can match them. There are currently \$365.5 million in unmatched private donations.

*Endowed Chairs	
	\$millions
Private contribution	\$ 306.9
State matched	\$ 177.7
Total funded	\$ 484.6
Balance of unmatched private contributions	\$ 365.5
Source: Regents	
*data current as of 1/11/10	

OneNet

OneNet is the official information and telecommunications network for education and government and is Oklahoma’s primary means of distance learning. It became operational in 1996 and was built on the statewide talkback television system established and operated by the State Regents since 1971.

The system currently provides a border-to-border system, which includes all public colleges and universities, Career Technology Centers and about 70% of all public schools.

OneNet Funding	
FY-2010	
State Appropriations	\$ -
Higher Ed. Institutions User Fees	3,145,116
Federal (E-rate) Reimbursements	3,767,645
OK Universal Service Funds	2,153,244
Customer Revenue (non-E-rate)	4,715,351
Investment Income	240,000
Grants (OUSF, ODL, VISION)	12,000
Tower Lease Revenue	84,491
Administrative Overhead/other	2,274,180
	\$ 16,392,027
Source: OneNet	

Office of Accountability

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

Reform Act and the Oklahoma School Testing Program Act. Reports present yearly and historical comparisons of public school and school district graduation rates, dropout rates, pupil-teacher ratios, enrollment gain and loss rates, school district finances and test results by grade and subject/section in a socioeconomic context.

The Office of Accountability oversees the Educational Indicators Program. This program has an award-winning track record of providing high-quality reports on school performance at the state, district and school level. In all, more than 100 statistical measures of curriculum, budget, programs, student performance and community characteristics are provided to educational stakeholders. Reports are provided to parents, educators, researchers, grant writers and policy makers. The office has distributed nearly 10 million school report cards to parents over the last 15 years and delivers more than 2 million report card downloads per year from its www.SchoolReportCard.org Web site.

The Office of Accountability also oversees the School Performance Review Program, authorized by legislation passed in 2001. A school performance review evaluates every aspect of school district operation. Districts may request a review or a review may be triggered by a district overspending in the area of Administration, as determined by the State Department of Education. The program’s goal is to identify specific ways to reduce costs, enhance efficiency and reallocate savings into the classroom to improve student performance. The law requires that all realized savings to school districts as a result of a review be directed into additional funding of classroom services.

Since FY-2003, the Office of Accountability has completed 25 school performance reviews. During the last year, the office completed reviews of the public school systems of Cement, Tipton, Turner, Thackerville, Duncan and Crooked Oak. It is currently working on reviews at Hulbert, El Reno, Haworth, and Fletcher public

schools. Later this year, the office will start a review of Broken Arrow Public Schools.

Quartz Mountain

The Quartz Mountain Arts and Conference Center is the chosen destination for various State and private business conferences in addition to being the home of the summer and fall fine arts institutes conducted by the Oklahoma Arts Institute.

Quartz Mountain Arts and Conference Center and Nature Park offers a variety of recreational options for the resort and park visitor. Water-skiing, fishing and jet skiing are popular summer sports. The park includes a system of hiking and biking trails, an 18-hole golf course and paddleboats. It is a favorite spot for rock-climbers, photographers and bird-watchers. The north fork of the Red River runs through the park.

The Oklahoma Summer Arts Institute is a two-week residential school providing pre-professional training to Oklahoma's artistically talented students, ages 14-18. Students are chosen through a competitive audition process.

The Oklahoma Fall Arts Institutes are an annual series of four-day workshop retreats for amateur and professional artists, public school teachers and college and university instructors. Anyone age 21 or over is welcome to attend these intensive, hands-on workshops. Class sizes are limited to ensure close working relationships between participants and artists.

Oklahoma Department of Libraries (ODL)

Notable Achievements

• **Information Access:** ODL provides access to over 2,000 full-text magazines, journals and reference titles that are available to all Oklahoma residents from school, office and home. Last year, citizens performed almost 16 million searches of the Digital Prairie online databases. The agency also manages an online interlibrary loan system that allows libraries to borrow materials quickly for customers from in state, out-of-state, and international libraries.

• **Internet Access:** ODL staff helps Oklahoma public libraries obtain millions in non-appropriated dollars each year to pay for the cost of broadband connections in local communities. Because of these efforts, Oklahoma is now in the top ten states for broadband connectivity for public library customers, and 96% of the state's public libraries provide wireless access. The agency hosts 21 websites for public libraries and literacy councils on ODL equipment. More than one million searches have been performed on these sites

• **Information Products:** The Department of Libraries is digitizing content of historic interest and publishing these documents on the Internet. This Oklahoma Crossroads digital collection currently averages more than 163,000 searches and page views each month. The department produces the Oklahoma Almanac, a single volume treasury of information about Oklahoma, every two years. ODL also produces the Oklahoma Agencies, Boards, and Commissions book (also known as the ABC), an essential guide to Oklahoma state government, published annually. . ODL created the official state government search engine, SoonerSearch, and today partners with OSF and their portal vendor to manage the service.

• **Literacy Services for Adults and Children:** The department awards \$250,000 in grants to community literacy

councils and libraries annually. It provides technical support to community literacy councils on board development and accountabilities, and provides tutor training on learning disabilities, cognitive learning styles, etc. to help adult learners, and provide training to caregivers and parents on the importance of reading to children. ODL's First Book initiative distributes books to children at-risk for low literacy, and supports local childhood literacy programs. More than 17,000 children and adults are reached annually through these literacy services.

• **Support for Oklahoma's Literary Community.** ODL manages the Oklahoma Center for the Book, a state affiliate of the National Center for the Book in the Library of Congress. This office promotes Oklahoma authors, books about the state, and our literary heritage by sponsoring the Oklahoma Book Award program, a national model for state literary award initiatives. The Center partners with other organizations to support events that celebrate Oklahoma writers and readers.

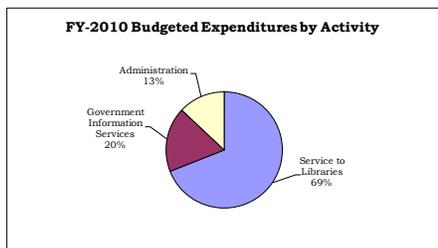
Mission

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

As a comprehensive state library agency, the Oklahoma Department of Libraries provides public library development services to the library community, as well as archives and records management services to the public and state government. The agency also maintains law and legislative reference resources, as well as state and federal government information resources.

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

for future generations. The Department also publishes Oklahoma's official bluebook of state government information, the Oklahoma Almanac. The graph below shows a breakdown of the agency's budgeted expenditures for FY-2010.



Source: Oklahoma Department of Libraries

Legal and Reference Services

The Jan Eric Cartwright Memorial Library in the State Capitol provides legal and legislative reference services to legislators.

The agency's U.S. Government Information division provides citizens access to federal information in both print and electronic formats.

Services to Local Libraries

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

Literacy Program

The agency's literacy program supports local community efforts to increase the basic literacy of Oklahomans through the work of public library and community-based literacy programs. It:

- Provides grants to local communities for literacy programs;

- Coordinates publicity, training and development efforts; and
- Cooperates with other agencies and the private sector in the development of literacy projects.

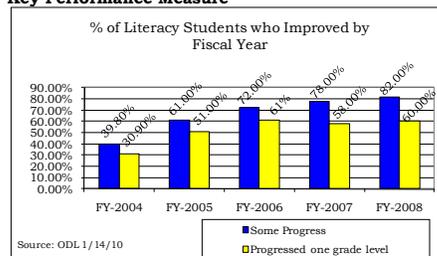
The Literacy Resource Office works through local libraries using staff and volunteers to work with both children and adults. The following table (top) describes services offered by the Literacy Resource Office, and the graph (below) shows student improvement by fiscal year.

Key Performance Measure

Client	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009 Actual
Children in Libraries First Book Program	1,592	1,721	1,886	4,290	8,050
Children served by local programs	4,865	6,312	5,153	8,280	13,596
Active Tutors	1,123	1,200	872	942	963
Adult Literacy (not TANF)	3,542	3,346	3,504	2,900	2,400
TANF - hours of instruction *	106,425	76,652	67,248	58,777	60,581

*Reduction in federal TANF in FY-2008
Source: Department of Librar

Key Performance Measure



Children's summer reading program

The summer reading program is another major impetus which impacts the literacy rate, keeping multitudes of Oklahoma children reading during their vacation months. The centralized coordination of the program also saves local libraries tax dollars, while providing quality materials

FY-2011 EXECUTIVE BUDGET

and programs that would not otherwise be available to many children.

Each year, a quarter of Oklahoma’s children participate in Summer Reading activities, as shown in the table below.

Key Performance Measure

Summer Reading Program		
	# of children enrolled	% of eligible children enrolled
FY-2003	86,868	25%
FY-2004	97,820	28%
FY-2005	84,250	26%
FY-2006	86,331	27%
FY-2007	87,331	25%
FY-2008	85,810	25%
FY-2009 Actual	96,150	28%

Source: Department of Libraries 1/14/2010

Oklahoma School of Science and Mathematics (OSSM)

Notable Achievements

The First 1,000:

OSSM has graduated more than 1,000 students since 1992. More than one-half of these graduates are still involved in completing their educational and professional training. The following achievements are descriptive of those students who have been out of OSSM long enough to complete at least one degree:

- More than half who have completed a degree and have entered the workforce are working in Oklahoma;
- Ten have started their own businesses in Oklahoma;
- Three who were working out-of-state have returned and are now faculty at OSSM;
- Two have found jobs in Oklahoma through the Department of Commerce Project Boomerang;
- 300 are practicing engineers;
- 60 have earned an M.D.;
- 5 have earned a D.O.;
- 40 have earned a Ph.D.;
- 2 have earned a D.V.M.;
- 2 have earned a D.D.S.;
- 25 have earned a J.D.;
- 85% have stayed in a technical field for their chosen profession;
- Alumni with Ph.D.s or M.D.s are teaching at MIT, Stanford, Michigan, United States Air Force Academy, Air Force Institute of Technology, Johns Hopkins College of Medicine, Wake Forest College of Medicine, Southern Utah University, The Citadel, University of California – Berkeley, and University of California – Merced;
- 3 are serving in the ministry;

- 40 are serving in the armed forces of the United States; and
- More than half stayed in Oklahoma for undergraduate education.

Mission

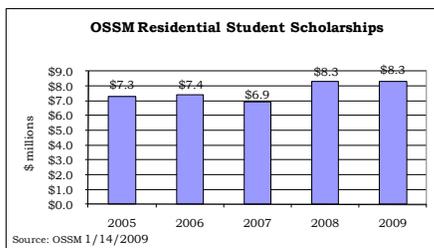
The mission of the Oklahoma School of Science and Mathematics is twofold:

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

The OSSM has two main activities: a residential school, to which 70% of FY-2010 budget expenditures will go, and regional outreach, comprising the remaining 30%.

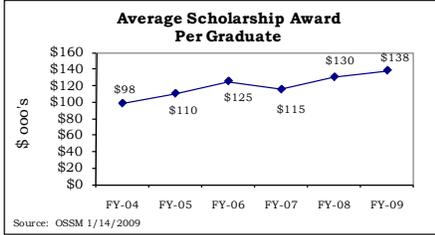
Residential High School

OSSM maintains a tuition-free residential high school for 144 students. Residential students represent the entire state with over half of the enrollment from smaller communities. Students focus on biology, chemistry, physics, computer science, mathematics and the humanities. They excel as measured by college admissions, scholarships and awards each year. All graduating seniors are college bound. The amount of total annual scholarships received by OSSM students is significant, as seen in the graph below.



The scholarship awards per graduate are also impressive, as the following graph indicates.

Key Performance Measure



Twenty-six states have various forms of Math and Science residential programs. However, there are differences such as charging tuition, breadth of subject areas included or concurrent enrollment status with higher education universities. For example, students at the Texas school are on the North Texas State campus and may enroll in college courses.

Maintaining a tuition-free residential high school requires significant investment. The cost per OSSM student is higher than traditional public education for two reasons. First, class sizes are considerably smaller than those of other public schools, thereby increasing the need for teachers and classrooms. Second, the students are not required to pay their educational or residential costs. The following table shows the cost breakdown for the past five fiscal years.

	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009
Educational Cost	\$22,174.00	\$22,645.00	\$22,761.00	\$22,126.00	\$22,511.00
Residential Cost	6,430.00	6,751.00	6,521.00	6,334.00	6,883.00
	\$28,604.00	\$29,396.00	\$29,282.00	\$28,460.00	\$29,394.00

Source: OSSM 1/14/2009

At OSSM, 19 of 26 instructors and two administrators at the residential site have PhD's. In addition to the regional center program administrator, three of 26 instructors at the regional center sites have their Ph.D.s and three have National Board Certification.

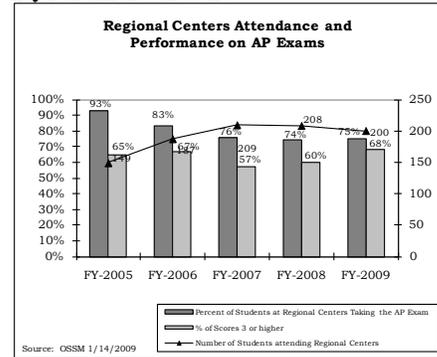
Regional Centers

OSSM also operates regional centers for other students talented in science and mathematics. The regional centers serve students in their local areas. Currently, there are fifteen operational regional center sites with nineteen locations located in Ardmore, Afton, Burns Flat, Chickasha, Drumright, Enid, Fairview-Alva, Muskogee, Ponca City, Poteau, Pryor, Okmulgee, Shawnee, Tahlequah, and Wayne.

These centers use existing facilities and existing transportation systems to serve student populations. The students attend the regional centers one-half of the school day while continuing to attend their local high school for the remainder of the day. Each of the centers serves students from multiple feeder high schools.

In FY 2009, there were 200 students in the regional centers. As evidenced in the graph below, 75% took the AP exams and 68% of the scores were a three or higher (Exams receive a score of 1 to 5; a score of 5 reflects superior knowledge of the subject, and a score of 3 qualifies for college credit.).

Key Performance Measure



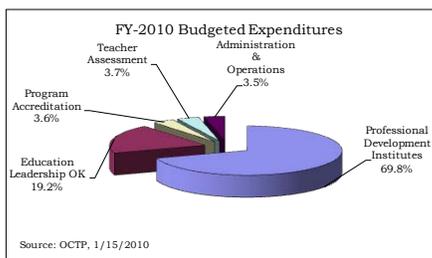
Oklahoma Commission for Teacher Preparation (OCTP)

Notable Achievement

- In the January 2010 "Quality Counts" reports issued by Education Week, Oklahoma was ranked #9 in the nation in teacher preparation. Oklahoma has been ranked in the top 10 states in the nations since 1997.
- The National Council for the Accreditation of Teacher Education (NCATE) recognizes Oklahoma for having a partnership that serves as a national model.
- Oklahoma's teacher certification examinations assess 7 different world languages, including the nations' only certification for Cherokee.
- In 2009, Oklahoma certification exams were made available for the first time at bases overseas for military personnel and their families and for Teach for America candidates preparing to work in Oklahoma public schools.
- Oklahoma ranks 9th in the nation in the number of teachers attaining National Board Certification with 2,599 teachers having achieved that milestone.
- In 2009, schools participating in the Elementary Reading Professional Development Institute (PDI) outscored the state average by 198 points on the Reading Academic Performance Index (API).
- In 2009, middle schools participating in the Reading PDI increased their average by 28 points while the state average decreased by 5 points on the Reading Academic Performance Index (API).
- In 2009, schools participating in the Math Professional Development Institute increased their Math Academic Performance Index (API) average by 68 points while the state average only increased by 37 points.
- In 2009, schools participating in the Mentoring Professional Development Institute had a 90% teacher retention rate.
- In the past eight years (2002-2009), the Phase IV schools have raised their average API from 732 to 1393. In 2009 the Phase IV schools' 1393 API scores were 198 points above the state average.
- In 2009, Oklahoma ranks eighth nationwide with 296 attaining National Board Certification and 2,599 total National Board Certified Teachers statewide.
- Oklahoma has a national board teacher(s) or candidate(s) in 319 school districts and 76 counties across the state.
- In 2009, Education Leadership Oklahoma supported 1,550 National Board Candidates and/or teachers through professional development.

Mission

The OCTP serves as Oklahoma's independent standards board for teacher education and preparation. This competency-based system of teacher preparation includes an evaluation of teacher education programs, a teacher licensure and certification assessment system and professional development institutes aligned with science-based research. The chart below illustrates OCTP's FY-2010 budgeted expenditures.



Accreditation of Teacher Education Programs

The Commission is responsible for accrediting the state's 22 teacher education programs. The three phases of the accreditation process are:

- Evaluation of each program at an institution to ensure that state and national standards are met;
- Assessment of teacher candidate portfolios; and
- Site visits by trained examiners to institutions to ensure compliance with the standards established by the National Council for Accreditation of Teacher Education.

Teacher Assessment

The OCTP developed and administers a competency-based assessment system for teacher and administrator candidates that test knowledge in three areas: general education/critical thinking skills, professional teaching knowledge and subject area knowledge. Candidates for teacher licensure and certification must successfully complete all three components. OCTP administers over 24,000 tests per year: 6 paper-based administrations per year across the state and 6 computer-based administrations per year across the state and country.

The *Certification Examinations for Oklahoma Educators* are reviewed annually and undergo redevelopment and revision as changes occur in national and/or state standards. Since 2001 OCTP has redeveloped/revise/expanding 43 exams and developed 9 new assessments to meet growing demands for new teacher certification fields. OCTP is committed to ensuring that the tests are rigorous and fulfill their purpose – to ensure that individuals seeking an initial Oklahoma teaching license possess the knowledge and skills needed to teach effectively in Oklahoma public schools.

Professional Development Institutes (PDI's)

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

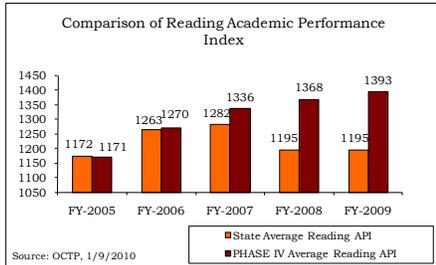
OCTP has contracted with the Oklahoma Technical Assistance Center for an independent and on-going evaluation of each of the Professional Development Institutes. Results of the evaluation are reported to the legislature annually and indicate that quality professional development is making a difference in Oklahoma classrooms.

Literacy PDI

The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading professional development for all elementary teachers and administrators using Literacy First as the model. Student reading achievement is dependent on the knowledge and skills of both the teacher and principal. The scientifically research-based reading elements of phonemic awareness, phonics, vocabulary, fluency and comprehension are the frameworks for the skills and strategies taught. A key to the Literacy First process is assessment driven, systematic explicit instruction in each student's "zone of proximal development."

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

FY-2011 EXECUTIVE BUDGET

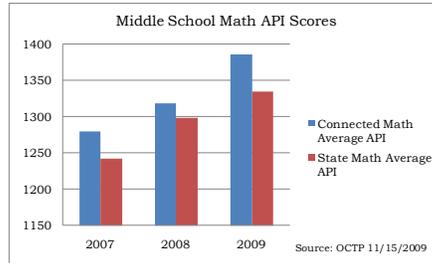


Science PDI

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

Middle School Math PDI

The math PDI is founded on a three-year systems approach to teaching mathematical concepts, focusing on grades 5 to 8. Connected Math, one of five programs recently recognized by the United States Department of Education as being effective, is the vehicle used in this research-based teacher training. The National Council for the Teaching of Mathematics' (NCTM) mathematical strands is the core of the content used. The outcomes indicate that this professional development program does impact student learning, as indicated below.



As teaching mathematics requires a special set of skills, teachers are trained in the understanding of mathematics, as well as the application, based on the TIMSS research for successful academic achievement in mathematics.

Mentoring PDI

Oklahoma has had a nationally recognized induction program in place for over 20 years. Realizing that Oklahoma loses 40 to 50% of the State's teachers during the first five years of the profession, OCTP has developed the Oklahoma Mentoring Network (OMN). The OMN is expanding on Oklahoma's residency program by developing and piloting a high quality, two-year mentoring program that is consistent, replicable, and sustainable throughout the state. Innovations of this model include a partnership of universities, a state agency, and a teacher organization. The 2007-2008 school year was the first year of the two-year model.

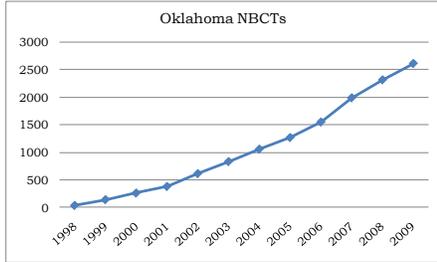
Education Leadership Oklahoma

Education Leadership Oklahoma provides scholarships and training for teachers going through the National Board for Professional Teachers certification process. OCTP provides technical assistance, training and a scholarship of \$2,500 for candidates to pay for the application process, assessment and preparation costs.

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

FY-2011 EXECUTIVE BUDGET

equivalent to the amount of the scholarship.



As indicated above, in FY-2009 there were 2,604 National Board Certified Teachers in Oklahoma, making Oklahoma 10th in the nation in the number of teachers achieving this high honor. Further, NBCTs make up 5.7% of the state's teaching force and 58.4% of the state's NBCTs teach in Title I schools. A recent study by the National Research Council affirmed that National Board Certification has had a positive impact on student achievement, teacher retention, and professional development.

Oklahoma Corporation Commission (OCC)

Notable Achievements

- *The Information Technology (IT) Division worked with the Oil and Gas (OG) Division to continue phasing out its legacy applications. The Risk Based Data Management System (RBDMS) project team completed the first two phases which were performing gap analysis for and developing the Entity/Bond module to replace OG's Surety application. RBDMS Entity/Bond was placed into production and the Wells module development was near complete by the end of the year. RBDMS is a partnership between the agency and the Ground Water Protection Council.*
- *The IRP/IFTA project team for the Transportation Division, released a near production version late in the year for user testing, with additional development continuing on a few modules. The IT Division upgraded the disaster recovery infrastructure by setting up a redundant server for the production implementation of the IRP system.*
- *In FY-2009, OCC field inspectors located and turned in to the Oklahoma Energy Resources Board 421 abandoned oil and gas sites for remediation.*
- *The Consumer Services Division's two Mineral Owners Escrow Account (MOEA) staff collected and deposited a record \$13,437,601 in FY'09 with the total being held in escrow totaling \$26,365,152.*

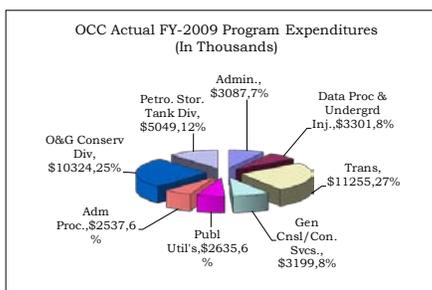
Mission

The Oklahoma Corporation Commission regulates and enforces laws and activities associated with the exploration and production of oil and gas, public utilities, the safety aspects of motor carrier, rail and

pipeline transportation and the storage and dispensing of petroleum-based fuels.

The Commission oversees the conservation of natural resources to avoid waste and protect the environment. The Commission has 3 elected Commissioners.

The Corporation Commission is primarily funded with revolving funds. Of the Commission's FY-2010 budgeted revenue sources, revolving funds are 59% of budgeted revenue. The following is a chart displaying the actual program expenditures of the Commission for FY-2009.



Consumer Services Division

The Consumer Services Division of the OCC is made up of five departments, which serve both regulated industry and Oklahoma consumers. Public Utility Complaints answers questions and investigates complaints involving regulated utilities and their customers; Technical Services conducts field tests for quality of utility service and industry compliance with OCC rules; Oil and Gas assists mineral and royalty owners, surface owners and consumers with their questions about drilling, operating procedures and how to locate well information; Mineral Owners Escrow Account (MOEA) keeps records on money owed to unknown or unlocated mineral owners; Consumer Education maintains a statewide outreach and community involvement to help inform consumers and industry about the Commission and how it works and how Consumer Services can help Oklahomans.

Oil and Gas Conservation Division

The Oil and Gas Conservation Division provides regulatory oversight for all activities associated with the exploration, production and pipeline transportation of oil and gas in Oklahoma. The Division is organized into three departments: Technical Services, Pollution Abatement and Field Operations. The recent activities of the Division can be found in the following table.

Key Performance Measure

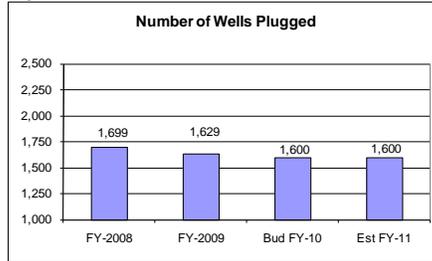
Oil and Gas Conservation Division	FY-07	FY-08	FY-09
Intent to Drill applications Filed	6,177	5,837	4,561
Well Plugging Reports	2,014	1,699	908
Well Completions	6,200	4,497	4,887
Gas Well Tests Filed	4,192	4,179	3,635
Tax Incentives Filed	1,939	1,936	1,564
OG Total Applications Filed	<u>20,522</u>	<u>18,148</u>	<u>15,555</u>
Well Site Inspections	67,666	45,235	73,661
NonPollution/Pollution Complaints	2,168	1,995	1,740
Incidents/Inspection Discoveries	1,150	1,134	1,070
Plugging/Well Test/MIT Fld Witness	4,613	2,807	5,138
OG Total Field Activity	75,597	51,171	81,609

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

The Pollution Abatement department protects the surface, surface waters and ground waters of the state from pollution attributed to oil and gas activities. If pollution occurs, this department oversees the remediation efforts. The department also administers the Federal Underground Injection Control Class II program mandated under the Federal Safe Drinking Water Act and the Commission's portion of the federally mandated Clean Water Act.

The Field Operations department investigates complaints from the public, witnesses all field tests and operations and provides instructions for well plugging operations. Field Operations personnel investigate and initiate enforcement procedures when appropriate. The following chart shows the progress with plugging wells.

Key Performance Measure

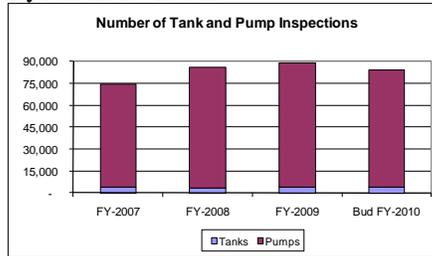


The Oil & Gas Division also works in conjunction with the national Brownfields program to clean up abandoned, polluted industrial sites and return the sites to productive use.

Petroleum Storage Tank Division

The Petroleum Storage Tank Division is responsible for state and federal regulations regarding the storage, quality and delivery of refined petroleum products. The following chart shows the number of pumps and tanks the Division has inspected.

Key Performance Measure



The Division administers the Oklahoma Storage Tank Release Indemnity Fund. The funds are used to remediate contaminated sites and seal leaking tanks. For every gallon of gasoline sold in the state, a one cent fee is assessed to support this fund.

Public Utility Division

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

FY-2011 EXECUTIVE BUDGET

- Assure reliable public utility services at the lowest reasonable cost;
- Administer and enforce Commission orders concerning public utilities (electric, gas, water, cotton gin and telecommunications service providers); and
- Fulfill constitutional and statutory obligations.

Staff is responsible for developing and presenting objective, independently researched, fact-based findings and recommendations to the Commission.

In FY-2009 the Division was responsible for regulating 494 public utilities.

Transportation Division

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

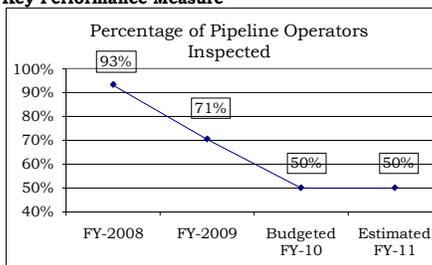
Oklahoma has more than 7,088 for-hire and private motor carriers licensed to operate in intrastate commerce, 26 railroads that operate in Oklahoma and almost 39,000 miles of natural gas and hazardous liquid pipeline within the state. The table that follows documents the recent fiscal year activities and progress made by the Division and the graph shows the percentage of pipeline operators inspected.

Key Performance Measure

Performance Measures	FY07	FY08	FY09
Motor Carrier Licenses/Permits Issued	5,134	4,005	3,911
Interstate Registration Certificates Issued	107	-	-
Single State Registrations Issued	622	-	-
Unified Carrier Registration applications processed		5,811	3,544
Insurance Filings Approved	14,870	12,064	10,450
Identification Devices Issued	62,432	20,960	21,981
Letters of notification to Motor Carriers	12,049	8,697	8,582
DOT Numbers Issued	361	310	234
Hazardous Waste Credentials Issued	50	48	50
Deleterious Substance Transport Permits Issued	323	422	475
IRP applications processed	12,185	13,067	11,349
IFTA applications processed	3,752	3,906	3,906
Vehicles Registered	156,895	131,444	144,097
IRP and IFTA audits conducted	405	305	375
Total Applications Activity	269,185	201,039	208,954
Vehicle Checks	190,088	193,912	214,084
Citations Issued	20,937	17,656	23,542
Warnings Issued	2,764	1,817	3,186
Vehicle Inspections	386	486	486
Educational Contacts	1,129	1,054	809
Railroad Complaints/Queries Investigated	214	276	250
Pipeline Gas/Liquid Units Inspected	368	280	274
Pipeline Gas/Liquid Operators Inspected	143	143	245
Total Field Activity	216,029	215,624	242,876

Vehicle checks increase is a result of implementation of new recordkeeping system.

Key Performance Measure



The inspection numbers were higher in FY-2008 and FY-2009 due to special emphasis requirements for a Federal Grant Program, which focused on certain operational aspects performed by each operator, such as operator qualification plans and public awareness plans.

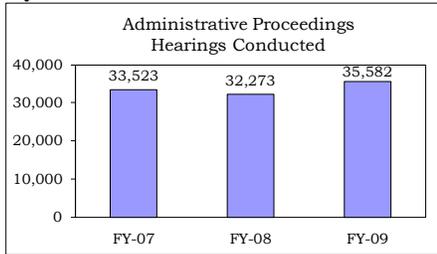
Office of Administrative Proceedings

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

FY-2011 EXECUTIVE BUDGET

In FY-2009, ten full time administrative law judges, two part time Administrative law judges and one appellate referee conducted 35,582 hearings.

Key Performance Measure



American Recovery and Reinvestment Act (ARRA) Funding

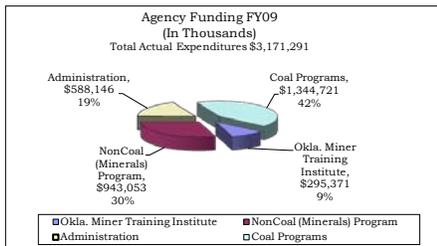
In FY-2009, the Oklahoma Corporation Commission's Petroleum Storage Tank Division was awarded a \$2,336,000 American Recovery and Reinvestment Act (ARRA) grant through the Environmental Protection Agency (EPA) for cleanup and remediation work on leaking underground storage tanks (LUST) over the next two years. These funds will allow us to clean up existing LUST sites that have been on hold for lack of funding. In FY-2010, the Oklahoma Corporation Commission's Public Utilities Division received two ARRA grants; \$842,838 for State Electricity Regulators Assistance and \$480,777 for Energy Emergency Preparedness to support state planning and energy assurance capabilities.

Department of Mines

Mission

The Oklahoma Department of Mines is the regulatory authority for surface and sub-surface mining in Oklahoma. The Department is empowered to implement and enforce state and federally mandated programs in health, safety, mining and land reclamation practices. The agency issues mining permits and performs inspections of all mining and mining-related land reclamation activities in the state.

The Department of Mines relies on state appropriations, federal funds and revolving funds to fund the Department's expenditures. For FY-2009, Federal dollars were 42.4% of the Department's total funding of \$3,171,291. The following is a chart displaying the actual program expenditures of the department for FY-2009.



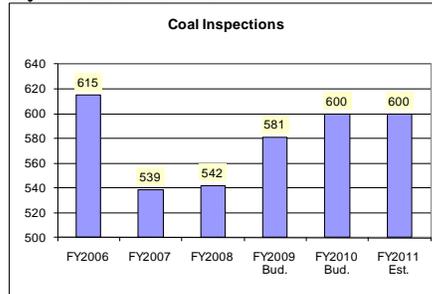
Programs

Coal Division

The Coal Division is essential for the implementation of state and federal laws regarding coal mining. The Coal Division contains three subdivisions: Technical Services, Permitting, and Inspection and Enforcement. Coal mining inspections are conducted to protect the environment, adjacent landowners and the public from the adverse effects of mining operations. Inspections are conducted on a monthly basis. Notices of violation are issued for non-compliance with approved mining permits or regulations. All citizen complaints result in an on-site inspection within five days. The following chart shows

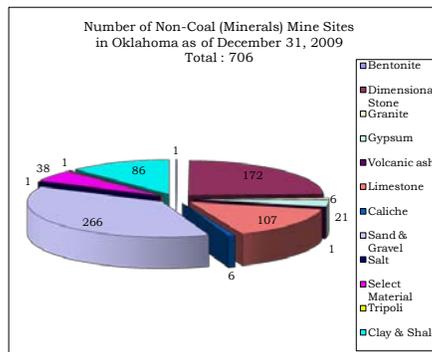
the total number of coal inspections that the department conducts annually.

Key Performance Measure



Minerals (Non-Coal) Division

The Minerals Division is responsible for protecting the health and safety of the miners through frequent inspections, protecting the environment of the state through reclamation enforcement, and protecting the life, health, and property of the citizens who are affected by mining and related activities. The Minerals Division includes three separate subdivisions: Non-Coal Mining, Coal Combustion Byproducts (CCB), and Non-Mining Blasting that work simultaneously and in tandem to accomplish the Minerals Division's goals. The following chart indicates the number of Non-coal mining permits by commodity.



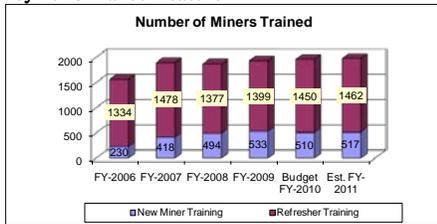
Oklahoma Miner Training

The Oklahoma Miner Training Institute (OMTI), located in Wilburton at Eastern Oklahoma State College, provides free classroom and on-site training for mine

FY-2011 EXECUTIVE BUDGET

operators. Emphasis is placed on meeting the training needs of the mining operations from a statewide four-quadrant approach, reaching all 77 counties with mining operations. Courses delve into such topics as first-aid, mine safety, accident prevention and blasting certification. Miners are required to have training in using explosives and in health and safety. Existing miners and certified supervisors receive annual refresher training here as well.

Key Performance Measure



Department of Environmental Quality

Notable Achievements

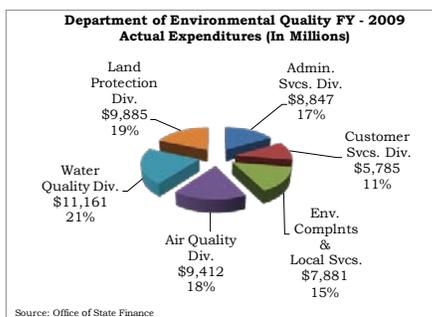
- All of Oklahoma meets the National Ambient Air Quality Standards, including the 0.075 ppm ozone standard.
- Through the Drinking Water State Revolving Fund (DWSRF) Program, approximately \$535 million in funding has been provided to 99 communities and rural water districts for drinking water system improvements.
- The American Recovery and Reinvestment Act (ARRA) was enacted on February 17th, 2009. The DWSRF program funded twenty-four (24) drinking water infrastructure projects in the amount of \$137 million, of which \$107 million was from the DWSRF base program and \$30.2 million was in the form of principal forgiveness using ARRA funds. Twenty-three percent of the ARRA funds were used to fund green projects that were more energy-efficient and water-efficient. Water systems receiving ARRA funds ranged in populations from 1,817 to 621,590.
- Environmental cleanups have been completed at sixteen former National Guard armories. Of these, 14 have been deeded to small towns and two more are in the process. Nine additional armories are currently undergoing site investigation and remediation activities.
- A cooperative effort of DEQ, ConocoPhillips Company, and the Okmulgee Area Development Corporation resulted in the cleanup of the former Okmulgee Refinery site. A new hotel is under construction on a portion of the property and is scheduled to open in February 2010.

Mission

The Department of Environmental Quality (DEQ) is responsible for ensuring compliance with state and federal environmental programs. The DEQ mission focuses on three major areas of responsibility:

- Air Quality,
- Water Quality, and
- Land Protection.

The DEQ has three sources of funding: state appropriations, federal funds and revolving funds. Revolving funds are a significant source of funding for DEQ, representing 55.7% of the agency's total budgeted funding for FY-2010. The following chart shows how the agency disbursed the funds in FY-2009.



Environmental Complaints & Local Services Division

The Environmental Complaints & Local Services (ECLS) Division and the Customer Services Division (CSD) support DEQ's efforts to improve the quality of Oklahoma's environment. ECLS, which provides the staffing for 30 local offices across the state, is primarily responsible for complaint response, media-specific inspections and/or enforcement and response to citizen requests for local services. In 2009, ECLS was able to eliminate 26 million gallons of improperly treated sewage and 51,048 cubic yards of illegally dumped solid waste from the environment. ECLS assisted communities across the state with

restoration of water and wastewater systems and debris cleanup associated with five natural disasters including two tornados, one ice storm, one wildfire and one blizzard. Additionally, ECLS and CSD, in conjunction with the Water Quality Division, provided intensive hands-on compliance assistance to targeted small communities with longstanding compliance problems.

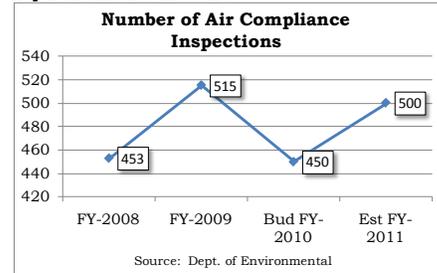
Within the CSD, the Customer Assistance Program offers non-regulatory approaches to compliance through technical assistance to industries seeking permits to operate in Oklahoma. CSD provides compliance assistance to small communities, including \$513,000 to offset community costs for laboratory analysis in the Public Water Supply (PWS) program. In FY-2009 all systems with a population of 3,500 benefited from this assistance for routine monitoring, and costly, first-time monitoring for disinfection by-products was fully funded for systems serving populations of less than 10,000. In addition, the CSD houses the State Environmental Laboratory (SEL) which provides analytical support and assistance with sample planning for the agency's programs as well as most PWS systems and other environmental agencies. EPA has requested that DEQ reduce PDES permit limits for mercury in wastewater discharges, which required new methods and instrumentation to meet the requirement for low level mercury analysis in surface water.

In FY-2009 concerns over the quality of private drinking water wells in the Locust Grove area led to an emergency response with extensive surveying of water quality in the area. A recommendation was made to citizens that water should be treated before consumption to prevent exposure to harmful bacteria that were found to be widely present in the groundwater. The CSD is responsible for preparing the agency Continuity of Operations Plan, coordinating emergency responses that involve environmental monitoring, developing a regional laboratory response plan and safety planning and training for the agency.

Air Quality Division

Air quality attainment is determined by the National Ambient Air Quality Standards (NAAQS) set by the Environmental Protection Agency (EPA) to protect our citizens' health and welfare. EPA has announced that the agency has reconsidered the current ozone standard and is proposing to strengthen the 8-hour "primary" ozone standard, designed to protect public health, to a level within the range of 0.060-0.070 parts per million (ppm), as originally recommended by EPA's science advisory panel. If the standard is lowered, the Oklahoma City and Tulsa metropolitan areas and most of the rest of the state will be at risk of violating the standard. EPA will issue final standards by August 31, 2010. State recommendations for attainment/non-attainment designations will be due to EPA by January 2011 and will be finalized by August 2011. An area violating the standard is designated as non-attainment and will require the Air Quality Division (AQD) to develop state implementation plans to reduce ozone formation. DEQ will be working with EPA, potentially impacted areas of the state, and the regulated community to evaluate recommendations to minimize adverse impacts on Oklahoma citizens. EPA is also proposing to establish a seasonal "secondary" standard, designed to protect sensitive vegetation and ecosystems, including forests, parks, wildlife refuges and wilderness areas.

Key Performance Measure



AQD is continuing to implement an aggressive monitoring program for toxic air pollutants. AQD conducts air sampling in

the Oklahoma City and Tulsa areas to determine population exposure to the state's regulated air toxic substances. Monitoring sites have also been added in Pryor and near schools in Midwest City. EPA has proposed revisions to the sulfur dioxide standard which may include the establishment of a 1-hour daily maximum value in the 0.050 to 0.075 ppm range. DEQ has monitored values in the Tulsa and Muskogee area that would be problematic if a 1-hour standard were established in that range. The final rule is scheduled to be issued in June 2010.

AQD may be faced with new requirements related to Climate Change. Congress is considering legislation that would regulate greenhouse gas (GHG) emissions and EPA has proposed the Prevention of Significant Deterioration/Title V Greenhouse Gas Tailoring Rule. The EPA rule would move forward in the event Congress fails to enact climate change legislation. The rule will generally require the permitting of sources emitting 25,000 tons/year or more of GHG and could also trigger the collection of Title V emissions fees associated with these emissions.

Water Quality Division

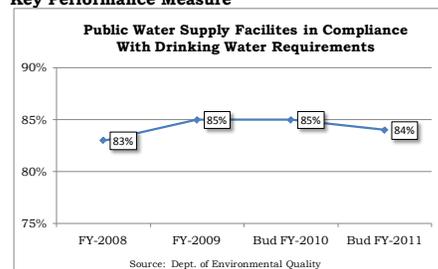
The regulation of Oklahoma's water quality is divided into three major areas:

- The regulatory control of municipal and industrial wastewater and stormwater;
- The evaluation of attainment of beneficial uses of Oklahoma's water bodies; and
- The monitoring and regulatory management of Public Water Supply systems.

Wastewater and storm water discharge permits are issued to limit the impact of pollutants to Waters of the State, which protects the beneficial uses identified in Oklahoma's Water Quality Standards. Total Maximum Daily Load (TMDL) studies are conducted to determine the amount of pollution that a water body can assimilate without violating state water quality standards.

The PWS program monitors more than 1,600 PWS systems, serving in excess of three million residents plus visitors to the state. Historically, PWS facilities have maintained a high level of compliance. However, as the result of recent implementation of new federal standards (e.g. Arsenic Rule, Ground Water Rule, Disinfection By-Product (DBP) Rules, Long-Term 2 Enhanced Surface Water Treatment Rule, and the Radionuclides Rule), many systems have struggled with compliance. This decline was not the result of degradation in Oklahoma's water quality, but a reflection of the impact of new federal rules. DEQ has taken steps to provide additional technical assistance to those systems by increasing onsite technical visits by 50% over previous years. DEQ is seeing improvements in compliance rates and anticipates this trend to continue.

Key Performance Measure



The State Environmental Laboratory monitors drinking water for about 90 contaminants. The new federal regulations have increased the number of regulated components and the number of systems that must be monitored. This prompted the Legislature to provide annual funding to assist small communities with the costs of laboratory analysis. As initially implemented, PWS systems serving up to 10,000 would be held harmless for laboratory fee increases above the 2004 level. While funding has remained constant, increased analytical requirements and costs have prevented the program from covering systems with a population of 10,000 and can only cover those with a population of 1,300 or less.

With the January 2001 EPA issuance of a water quality criterion for mercury in fish tissue of 0.3 mg/kg, EPA is requiring states to incorporate this criterion into their water quality standards. This action has prompted DEQ to reexamine the level at which consumption advisories for mercury is issued.

Additional fish tissue monitoring for mercury has been initiated in order to make decisions regarding the issuance of site specific consumption advisories to protect human health and to see if there is a correlation between air emissions sources of mercury and levels found in fish from Oklahoma lakes. The first round of monitoring for mercury in fish found 16 of 49 lakes with mercury levels that exceeded health advisory criteria. Follow-up sampling in these lakes is in progress and site specific advisories will be issued in the spring 2010. CSD is currently drafting revised consumption advisories for these contaminants based upon recent changes in EPA consumption recommendations.

Land Protection Division

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

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

Hazardous Waste Management

The hazardous waste management program is operated under delegation of the federal Resource Conservation Recovery Act (RCRA), issuing permits and monitoring regulated hazardous waste facilities. The primary funding comes from fees, established by state law, for commercial disposal of hazardous waste at permitted facilities within the state. Other funding is provided through grants from the Environmental Protection Agency (EPA).

The following graph shows the number of hazardous waste inspections completed in

previous fiscal years and anticipated in the upcoming fiscal years.

Key Performance Measure



The increase in inspections for FY 2009 was primarily the result of a shift in the type of inspections conducted. Historically, EPA has required that resources be focused on larger hazardous waste generators under the premise these generators would likely have the greatest potential for environmental impacts. Since Oklahoma has a relatively small number of larger generators, which have historically been inspected frequently and generally found to be in compliance, DEQ believed a shift toward smaller generators (many of which had never been inspected) was warranted. Smaller generators are generally much easier to inspect, and as a result a larger number can be evaluated.

Site Clean-up

The Site Cleanup Assistance Program was established in 2006 with funding provided by SB 1366. The intent of the program is to cleanup 57 armories that are scheduled to be returned to local communities under the federal Base Realignment and Closure Program. Currently, 16 armories have been completed.

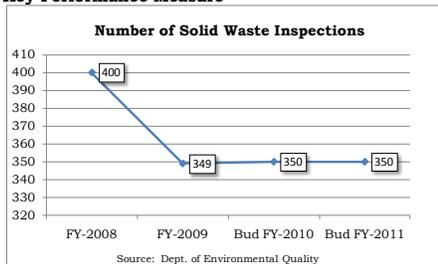
Environmental hazards that have been remediated include: lead, dust and sand from indoor firing ranges, lead-based paint, and asbestos. In addition, three abandoned hazardous waste sites that do not qualify for other programs are under investigation or remediation. These funds will also provide a long-term revenue source for the required match of Superfund cleanup costs. Superfund Match costs are expected to escalate substantially over the

next five years as National Priorities List (NPL) sites move into the construction phases of remediation. There are 14 NPL sites that have been designated in Oklahoma. Of the 14, five have been remediated and removed from the NPL and two have been completed but not removed from the NPL. In the Superfund program, Oklahoma is able to leverage 90% federal funding by providing a 10% match for NPL site actions.

Solid Waste Management

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

Key Performance Measure



The LPD also oversees the implementation of the Waste Tire Recycling Act (Act) which involves collection and recycling of roughly 3 million tires annually. The Act includes requirements for facilities that recycle or burn waste tires for fuel. The Act also includes provisions for the remediation of illegal tire dumps across the state and gives DEQ regulatory authority over tire dealers and tag agents to ensure compliance.

Since the inception of the Act, DEQ has successfully managed Oklahoma’s waste tire stream. By working closely with waste tire processors, the number of waste tires in illegal dumps across the state has dropped from millions to an estimated 350,000. Since July 1, 2003, nearly 15.3 million tires have been removed from the waste stream. Approximately 680,000 of the waste tires removed were from illegal tire dumps, landfills, and community-wide collection events.

Radiation Protection

The LPD is responsible for regulating the safe use of most sources of radiation in the state. Although Oklahoma is not usually thought of as a “nuclear state,” Tulsa is one of the world’s major centers of industrial radiography (use of very powerful radioactive sources to look for hidden flaws in materials such as pressure vessels, pipelines, and aircraft parts). Oklahoma is also a major center of well logging. Industrial radiography and well logging are both critical in supporting the petroleum industry. Radiation is also heavily used in medicine; DEQ regulates about 50 medical facilities that use x-ray machines for therapy, and a similar number of facilities that use radioactive material for medical treatment and diagnosis. DEQ also closely monitors Nuclear Regulatory Commission regulation of the cleanup of three contaminated facilities in the state.

In total, LPD oversees about 300 radioactive materials licenses and about 150 industrial and analytical x-ray facilities. DEQ inspectors also investigate complaints from workers or citizens regarding radioactive issues. In emergencies and incidents involving radioactivity, DEQ serves as the state’s technical expert, and investigates events such as lost radioactive sources or personnel overexposures.

Services to the public provided by LPD’s Radiation Management Section include industrial radiography certification. This provides a certification required by the US Nuclear Regulatory Commission before performing industrial radiography as described above. LPD also works with the laboratories of the Customer Service

Division to perform radon testing of homes, schools, and other buildings.

Voluntary Clean-Up/Brownfields

The DEQ's Voluntary Clean-Up/Brownfields program was established to enhance the economic value of sites that formerly went unused due to the stigma and expense of long-term remediation. Under the voluntary program, owners or developers can enter into agreements that streamline the cleanup process without undergoing the lengthy federal process.

Oklahoma has received national recognition for the redevelopment of contaminated sites. Most recently, Oklahoma City Metropolitan Area Projects (MAPs) was honored with the 2009 Region 6 Phoenix Award™ and the inaugural Renewal Award for Economic Impact. The DEQ Brownfield Program nominated Oklahoma City for the awards based on diligent efforts the City took to mitigate the environmental hazards in downtown Oklahoma City throughout the MAPs effort.

Currently, there are 113 sites involved in voluntary cleanup. Since the inception of the program in 1985, 207 sites have participated in either the Voluntary Cleanup or Brownfields Programs.

American Recovery and Reinvestment Act (ARRA) Funding

National Clean Diesel Program and State Clean Diesel Program

Through ARRA, the DEQ was awarded a National Clean Diesel Funding Assistance Program Grant and a State Clean Diesel Funding Assistance Program Grant to fund retrofit/replacement projects or programs targeting school busses in the potential non-attainment areas in and around Oklahoma City and Tulsa. The total amount of the two grants is \$3,584,672. The purpose of these grants is to reduce diesel emissions and improve air quality.

Lead-Impacted Communities

The "lead-impacted communities" grant relates to the Tar Creek Superfund site in

northeast Oklahoma. In 2004, the State of Oklahoma established a local trust, the Lead Impacted Communities Relocation Assistance (LICRA) Trust, to oversee the relocation of families with children less than seven years old from the area in and around the towns of Picher and Cardin. The purpose was to protect young children from lead contamination associated with the historic mining activity in the area. This program was subsequently expanded to offer voluntary relocation assistance to all residents and businesses in the most heavily impacted areas of the Tar Creek Superfund site. The purpose and objective is to relocate citizens out of the affected area to eliminate risks to health and safety, including exposure and subsidence risks, and to preserve and create jobs and promote economic recovery. ARRA pass-through funding for this effort totals \$15,760,000. Funding is received by DEQ in increments. These pass-through funds are almost immediately transferred by DEQ to the LICRA Trust for the purposes specified.

Drinking Water State Revolving Fund (DWSRF)

ARRA provided funding in the amount of \$31,481,000 to further capitalize Oklahoma's Drinking Water State Revolving Loan Fund for the financing of the construction of drinking water facilities and green infrastructure. The primary purpose is investment in infrastructure projects that will provide long-term public health and economic benefit, preserve and create jobs and promote economic recovery.

All of the ARRA funding received by DEQ has been obligated for eligible drinking water-related projects. Oklahoma was one of the first three states in the nation to achieve this milestone.

Brownfields

ARRA monies in the amount of \$1,955,580 are designated for DEQ's Brownfields Revolving Loan Fund. The purpose of this revolving fund is to encourage and assist in the cleanup of commercial and industrial properties that are idled or underutilized due to the presence of historic contamination, so that the properties are

FY-2011 EXECUTIVE BUDGET

available for redevelopment. DEQ plans to subgrant half the funds in 2010, reserving half the funds for loans.

Oklahoma Water Resources Board (OWRB)

Notable Achievements

- *The OWRB's loan programs continued to provide financing at up to 40% below market interest rate with up to a 30-year repayment term, even during very difficult market conditions. With the passage of the American Recovery and Reinvestment Act of 2009, the OWRB funded the equivalent of three years of loans within FY-2010. More than \$252 million in water and wastewater infrastructure loans and grants were approved for 55 cities and rural water districts throughout Oklahoma.*
- *The Arbuckle-Simpson Aquifer Hydrology Study was completed by the OWRB's Planning and Management Division in FY-2009. This serves as a milestone in the state's efforts to obtain information necessary to understand the aquifer's hydrologic system and assess the consequences of groundwater withdrawals on the environment and area water users, with the ultimate goal, according to SB 288, of protecting springs and streams in the region.*
- *The OWRB's Floodplain Management program currently assists a record number of 382 communities participating in the National Flood Insurance Program (NFIP).*
- *The Water Quality Division completed numerous final reports including the Final Report for Beneficial Use Monitoring Program; Final Report on the Probabilistic Stream Monitoring Program for Oklahoma conducted under the auspices of the Environmental Protection Agency Regional Environmental Monitoring and Assessment Program; Oklahoma's National Lakes Survey; and Development of a Probability Survey Design for Lakes and Reservoirs for Oklahoma.*

Mission

The mission of the OWRB is to manage and protect the water resources of the state and plan for Oklahoma's long-range water needs in a responsive, innovative, and professional manner to ensure that all Oklahomans have adequate quantities of good water.

Water Resources Management

To help ensure that water supplies are available to meet future demands, all agency activities are centered around the Oklahoma Comprehensive Water Plan, a dynamic document that is continually updated and published by the OWRB. The plan identifies water demands over a 50-year planning horizon, potential sources of supply and other options to meet those demands. Invaluable in producing a scientifically based OCWP is in-depth hydrologic analysis of the state's groundwater and stream water sources. By expanding the scope of these studies, pertinent water management issues can be addressed. The Plan also presents policy recommendations to guide future water resources management in the state. The ongoing OCWP update, initiated in 2006, will be completed in 2011.

Appropriation of stream and groundwaters in Oklahoma, the foundation of the state's water management activities, is overseen by the OWRB's Permitting Section. Water rights administration consists of legal and technical activities, including application processing and permit issuance, stream water forfeiture analysis, compliance investigation, annual water use reporting, record management, and geospatial mapping.

To establish the quantity of water available for appropriation within the state's stream and groundwater basins, the OWRB's Technical Section cooperates with numerous state and federal technical agencies and universities in large-scale water supply studies. The Technical Section is continuing work on the Garber-Wellington Groundwater Study that will

result in a maximum annual yield for the basin in FY-2012. Stream system hydrologic investigations, which determine how much surface water is available for appropriation in each watershed, are being updated to reflect ten years of additional data.

The Technical Section is also constructing stream water allocation models for the Cache Creek, Beaver Creek, and Canadian River stream systems. These models will provide detailed information on how change in stream flows, particularly during dry years, affects existing permits and potentially interferes with the evaluation of new applications for existing water rights.

In addition, the OWRB collects crucial information on existing surface and groundwater supplies through a multi-faceted monitoring network that provides real-time data to enhance and complement Oklahoma's existing flood forecasting and warning capabilities, guides operation of state lakes and reservoirs, contributes vital information to the state's drought monitoring and response efforts, and facilitates agreement in interstate stream compacts.

Water Quality Programs

The OWRB develops and maintains Oklahoma's Water Quality Standards and routinely collects physical, chemical, and biological data to support water quality management and planning activities.

The OWRB directs Oklahoma's Beneficial Use Monitoring Program (BUMP) to document beneficial use impairments, identify impairment sources, detect water quality trends, provide needed information for the Water Quality Standards, and facilitate the prioritization of pollution control activities. This program is designed to monitor ambient water quality of surface water. BUMP collects samples at 96 stream and river sites (OWRB is sole collector on 84 of the sites) and samples each of our 127 publicly owned reservoirs every three to four years. This baseline data is essential to make informed and prudent water quality management decisions.

Other water quality monitoring activities provide background data for numerous technical studies in cooperation with many other state and federal agencies. Monitoring activities include stream gaging, water quality data collection, and biological data collection. Much of the collected data is related to assessing beneficial use support and identifying waters not supporting their uses (i.e., 303(d) list waters). The 303(d) list is a federally mandated list of waters that have threatened or impaired beneficial uses.

Stream water is also monitored by the OWRB for the Grand River Dam Authority (GRDA) to satisfy requirements outlined by the Federal Energy Regulatory Commission (FERC) permitting process for hydroelectric power generation activities.

The OWRB samples approximately 900 groundwater wells to track movement of pollutants from Confined Animal Feeding Operations (CAFO), in support regulation by the Oklahoma Department of Agriculture, Food and Forestry. In addition, the OWRB conducts a groundwater mass measurement program looking at groundwater quantity on approximately 500 wells to track changes in groundwater levels over time.

Financial Assistance Program

OWRB's Financial Assistance Division (FAD) consists of the following loan programs: Clean Water State Revolving Fund Loan Program (wastewater), Drinking Water State Revolving Fund Program and the State Revenue Bond Loan Program. The OWRB also administers two grant programs, the Emergency Grant Program and the Rural Economic Action Plan (REAP) Grant Program for water and wastewater infrastructure.

From the original \$25 million seed money and additional appropriations, the Financial Assistance Program is now responsible for more than \$2.2 billion in water and wastewater projects in Oklahoma, including construction/improvement of water supplies, storage facilities, pump stations,

FY-2011 EXECUTIVE BUDGET

pipelines, and treatment works, as well as for refinancing outstanding loans.

Low interest rates available through FAD loan offerings have resulted in an estimated savings of \$762 million to Oklahoma communities and water systems. In addition, loans and grants from the FAD are often used in conjunction with funding from other sources, thus leveraging additional infrastructure dollars. It is estimated that since its inception, the FAD has been directly responsible for the creation of almost 88,000 jobs in Oklahoma. The OWRB provides approximately 65% of the state's total water/wastewater infrastructure financing needs.

**According to the American Public Works Association, 40,000 jobs are created for every \$1 billion invested in water and wastewater infrastructure construction.*

FY	Clean Water		Drinking Water		Bond Series	
	No.	Loans	No.	Loans	No.	Loans
To FY-99	82	295,432,184	3	9,753,675	207	297,425,000
FY-2000	11	36,211,099	6	19,668,280	8	12,375,000
FY-2001	21	55,350,000	8	18,390,550	21	55,350,000
FY-2002	16	56,976,155	6	28,878,178	22	37,805,000
FY-2003	16	43,580,834	7	7,407,591	23	79,960,000
FY-2004	12	31,182,156	9	74,466,431	22	45,870,000
FY-2005	8	52,659,000	9	29,158,232	5	22,810,000
FY-2006	10	28,570,500	13	99,164,634	9	66,790,000
FY-2007	8	44,581,177	7	19,782,757	2	8,565,000
FY-2008	5	32,210,000	8	46,485,000	1	1,840,000
FY-2009	27	75,133,823	30	174,111,928	2	2,825,000
Total	216	\$751,886,927	106	\$527,267,257	322	\$631,615,000

FY	Emergency Grants		REAP Program		Totals	
	No.	Grants	No.	Grants	No.	Total
To FY-99	434	24,877,892	159	12,573,467	885	640,062,218
FY-2000	16	1,127,471	73	6,366,648	114	75,748,498
FY-2001	21	1,553,487	54	4,835,947	125	135,479,984
FY-2002	17	1,100,820	45	4,233,643	106	128,993,796
FY-2003	10	549,886	38	3,849,025	94	135,347,335
FY-2004	9	510,776	24	2,237,948	76	154,267,311
FY-2005	6	382,849	30	2,698,562	58	107,708,643
FY-2006	10	589,701	12	1,043,824	54	196,158,659
FY-2007	7	396,810	11	1,048,174	35	74,373,918
FY-2008	10	693,837	26	2,544,728	50	83,773,565
FY-2009	5	378,542	5	472,380	69	252,921,673
Total	545	\$32,162,070	477	\$41,904,346	1,666	\$1,984,835,600

Oklahoma Comprehensive Water Plan (OCWP)

As part of the public input and policy process of updating the Oklahoma Comprehensive Water Plan, 11 Regional Input Meetings were held during the first half of FY-2009. Planning Workshops, the

third phase of the Water Plan's public participation process, consisted of a series of ten planning workshops held during the latter part of FY-2009. Workshop recommendations will be the focus of a three-day Town Hall meeting scheduled for May 2010.

Technical assessments and engineering studies supporting the Water Plan are being accomplished with assistance from various local, state, and federal agencies and organizations, as well as consultants. Regional and basin-level water resource planning fact sheets, a centerpiece of the Water Plan effort, are currently being developed. Among other benefits, these publications will include detailed information and data to assist public water supply providers in planning for their 50-year future. The OWRB secured an additional \$900,000 in federal matching money to continue these efforts.

American Recovery and Reinvestment Act (ARRA) Funding

Financial Assistance Division

Oklahoma received approximately \$31 Million of stimulus funds for the Clean Water State Revolving Fund. These funds were leveraged with below market rate loans and provided to 32 Oklahoma entities for wastewater infrastructure improvements. The leveraged funds saved Oklahoma entities approximately \$74 million in interest costs.

Oklahoma received approximately \$31 million of stimulus funds for the Drinking Water State Revolving Fund. These funds were leveraged with below market rate loans and provided to 24 Oklahoma entities for water infrastructure improvements. The leveraged funds saved Oklahoma entities approximately \$94 million in interest costs.

Office of the Secretary of the Environment

This award will fund projects completed under Section 604(b) of the CWA for the State of Oklahoma. These projects focus on water quality planning and monitoring. The projects are listed below with a brief description:

FY-2011 EXECUTIVE BUDGET

- \$63,214, OWRB, Assessment of Distribution of Arsenic, Chromium, Selenium and Uranium in Groundwater in the Oklahoma Aquifer;
- \$60,000, OWRB, Assessment of Habitat Limited Fisheries and Secondary Body Contact Recreation Waterbodies for the 2013 Triennial Revision;
- \$26,207, OWRB, Water Well Level Mass Measurement Program;
- \$56,801, OWRB, Developing In-Lake BMPs to Enhance Raw Water Quality of Oklahoma's Sensitive Water Supply.
- \$48,465, OWRB, Update to Oklahoma's Surface Water Monitoring Strategy Document;
- \$54,115, INCOG, 303(d) Sampling and Rain Garden BMPs;
- \$10,998, OSE, "Green-by-Example" for Oklahoma State Agencies

Department of Wildlife Conservation

Mission

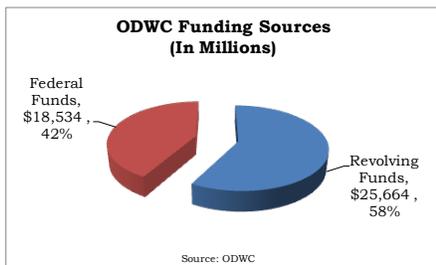
The Oklahoma Department of Wildlife Conservation (ODWC) is responsible for managing the wildlife and habitat of Oklahoma to provide scientific, educational, aesthetic, economic and recreational benefits for hunters, anglers and others who appreciate wildlife throughout the state.

In FY-2010, ODWC reported \$44.2 million in total receipts, primarily from sales of licenses and federal payments. The last hunting and fishing license fee increase was July 1, 2003.

Federal payments are derived from federal excise taxes on guns and ammunition. States that provide all hunting license revenue for wildlife management receive allocations through a formula based on the state's land area, population and the number of hunting licenses.

More than 60 types of hunting and fishing licenses are sold by ODWC through 900 license dealers. All license revenue, except lifetime license revenue, is used for operations of ODWC.

The Department of Wildlife Conservation is a non-appropriated agency. The Department's two sources of funding are revolving funds and federal funds.



Hunting & Fishing Licenses

The Department of Wildlife Conservation is funded by license fees and federal funds. Revenues generated from the sale of hunting and fishing licenses totaled \$21.3 million in 2009. \$2.6 million of the revenue generated was through the sale of lifetime licenses in FY-2009, which is placed in a trust fund. The interest and investment earnings from the lifetime trust fund may be expended for operations.

	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009
Hunting	323,301	316,080	322,710	326,437	391,394
Fishing	378,192	376,467	382,212	377,079	414,009
Combination	37,998	36,320	36,180	37,282	36,719
Other	361,821	371,356	377,368	406,389	470,276
Total	1,101,312	1,100,223	1,118,470	1,147,187	1,312,398

Source: Department of Wildlife Conservation

Wildlife Management

ODWC manages the wildlife and 1.4 million acres (3.6 % of total state acreage) of public wildlife preserves. Private landowners (including farmers and ranchers) own most of the wildlife habitat and often suffer decreased income from their crops and grasslands as a result of foraging or use as habitat by wildlife. The opportunities for hunting wildlife on these habitats decline as landowners use the land for agricultural and other revenue producing purposes.

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

FY-2011 EXECUTIVE BUDGET

State Auditor and Inspector

Required Audits

The Constitution (Article VI, Section 19) and/or statutes require the Auditor and Inspector (A&I) to audit the following entities:

- State and County Treasurers twice each year;
- Each Emergency Medical Services District;
- All 77 Counties including all Commissioners, Assessors, Clerks and Court Clerks
- County Solid Waste Management Operations;
- State Officers who Collect Money;
- District Attorneys and District Attorneys Council;
- Department of Corrections; and
- OSEEGIB (contracted out).

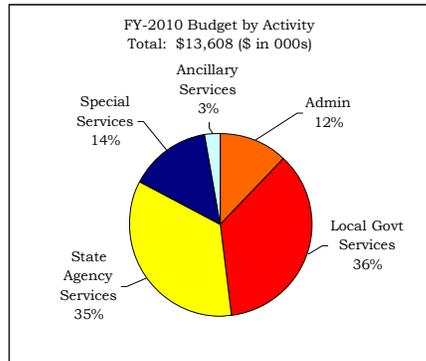
The Auditor and Inspector’s Office is generally responsible for auditing all state agencies unless an agency has specific legislative authority to contract its audit outside (e.g. Higher Ed., trust authorities, and Commerce).

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

	FY-2009	
Total Audits		364
Inquiries Received and Resolved		10,400

Source: State Auditor & Inspector

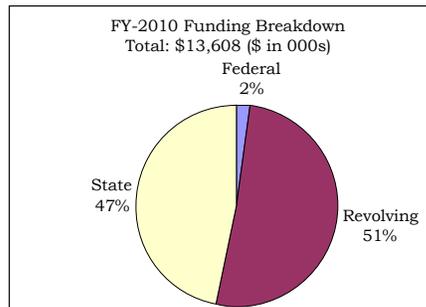
The graph below shows the FY-2010 Budget for the State Auditor and Inspector. The total budget is \$13.6 million.



Source: State Auditor and Inspector

Funding Sources

The Auditor and Inspector’s budget is funded in large part from monies collected for audit services provided. The graph below shows the Auditor and Inspector’s budget by fund for FY-10.



Source: State Auditor and Inspector

Financial Audits

The State Auditor’s Office (SA&I) conducts financial audits, federal compliance audits, and attestation services in accordance with *Government Auditing Standards*. SA&I provides other audit services on governmental entities upon authorized requests.

One of the primary projects is the State’s Single Audit. This audit covers the operations of all state agencies, boards and commissions and is conducted in accordance with Office of Management and

Budget A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Single Audit is a combination of two separate, yet interrelated audits with one being the audit of the State's Comprehensive Annual Financial Report (CAFR). The second portion of the Single Audit covers federal funds expended by state agencies and their compliance with applicable laws and regulations.

Performance Audits

Performance audits provide information to improve operations and aid those responsible for initiating corrective action. 74 O.S. § 213.2 authorizes the State Auditor and Inspector to conduct a performance audit on any public officer, institution or other governmental entity upon the written request of the Governor, the chief executive officer of a governmental entity or pursuant to a concurrent resolution of the Legislature.

The most common types of performance audits performed by the Division include economy and efficiency audits (determine whether an entity is acquiring, protecting and using its resources in the most productive manner), program effectiveness audits (address and measure the extent to which a program is achieving its goals and objectives), and compliance audits (relates to compliance criteria established by laws, regulations, and contract provisions).

Specialized Audits

Specialized Audits conducted by the State Auditor and Inspector consist of the following: Minerals Management Audits of oil and gas royalty paid on federal land located in the State; Horse Racing Audits of the pari-mutuel betting systems at the race tracks; Gaming Audits of the slot accounting systems of the racinos in the State; Oklahoma State Education and Employees Group Insurance Board Audits which are audits of compliance with agency rules for eligibility and claims, and Investigative Audits.

Banking Department

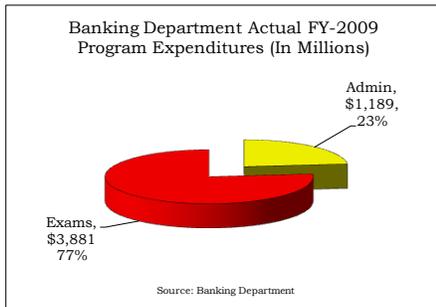
Mission

The State Banking Department preserves and promotes sound, constructive competition among financial institutions and ensures the security of deposits. It regulates State-chartered/licensed:

- Banks,
- Savings and loan associations,
- Credit unions,
- Trust companies,
- Perpetual care cemeteries,
- Money Order Companies, and
- Money Transmitter Companies.

The Conference of State Bank Supervisors (CSBS) accredits the Department. The CSBS evaluates the Department in the areas of administration and finance, personnel, training, examination, supervision and legislation.

The Banking Department has two activities, administration and examinations. The primary expenditures are devoted to bank examinations. During FY-2009, examinations were 77% of the Department's total expenditures.



State Chartered Banks

There are approximately 174 state chartered banks in Oklahoma. The Banking Department views the growth of the state chartered banking system as a plus for Oklahoma because state charters better fit the economic needs of smaller banking institutions. For example, a state chartered bank can lend 30% of its capital

assets, whereas a national chartered bank can only lend 15%. State chartered banks are also able to deal with in-state banking officials who are familiar with their local circumstances.

End of Calendar Year	Number of Banks
2003	184
2004	185
2005	185
2006	185
2007	177
2008	178
2009	174

Source: Banking Department

Revenue From Banks and Other Regulated Entities

Banks pay assessments based on a percentage rate of the bank's total assets. The Department deposits 10% of Bank and Credit Union assessments into the General Revenue Fund and the remainder directly into agency revolving funds. The Department deposited \$600,267 into the General Revenue Fund for FY-2009 and estimates they will deposit \$600,000 in FY-2010.

Office of the State Bond Advisor

Notable Achievements

- One of the more significant new-money issues of 2009 was the sale of \$148,080,000 Oklahoma Capitol Improvement Authority (OCIA) State Highway Improvements Revenue Bonds, Series 2009 A and B. This was the first of two issues authorized by the Legislature. The second issue is expected to occur after July, 2010. The 2009 Bonds included the first use at the State level of "Build America Bonds" (BABs). BABs are taxable bonds which provide for a cash subsidy of 35% of the interest from the federal government. BABs totaling \$68,830,000 were part of this issue.
- Another important transaction in 2009 was the issuance by OCIA of \$24,880,000 bonds for the funding of Conservation Commission projects. The projects include the restoration of several hundred coffer dams throughout the state and other conservation and erosion mitigation measures. The funds will provide improvement to these structures which were approaching 50 years of age in many cases.

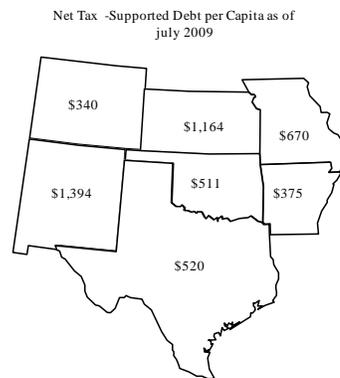
The Office of the State Bond Advisor serves as staff to the Council of Bond Oversight and provides advice and assistance to the Governor and Legislature on matters relating to capital planning, debt issuance and debt management. The Office also serves as staff to the Long-Range Capital Planning Commission (LRPCPC) and administers the Private Activity Bond Allocation Act.

Among the State Bond Advisor's other responsibilities are:

- Review of all requests for proposals prior to their circulation;
- Maintains relations with the bond rating agencies and credit enhancers; and

- Approves fees and expenses paid to professional service providers in connection with each State debt issuance.

Although the use of tax supported debt (appropriation-backed obligations) has increased in recent years, the State has a very modest debt burden when compared to other states. The map below shows the tax supported debt for Oklahoma the bordering states.



Source: State Bond Advisor

Oklahoma ranks in the bottom 12 among all states with a net tax-supported debt per capita of \$511. The national average is \$1,195.

When comparing the net tax-supported debt as a percentage of 2007 personal income, Oklahoma is at 1.5% with the national average at 3.1%.

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

FY-2011 EXECUTIVE BUDGET

Gross & Net Tax-Supported Debt as of December 31, 2009 (\$ in thousands)	
General Obligation Debt	236,045
OCIA Lease Revenue Bonds	1,051,630
ODFA Master Lease Program-Personal Property	155,355
ODFA Master Lease Program-Real Property	154,390
ODFA Lease Revenue Bonds	207,051
Direct college Lease Purchase Debt	11,725
Lease Purchase Debt Privately Sold	9,925
<u>Contractual Obligation Debt</u>	<u>66,000</u>
Total Gross Tax-Supported Debt	1,892,121
Less: Self-Supported bonds	<u>126,008</u>
Total Net Tax-Supported Debt	1,766,113

Source: State Bond Advisor, "2009 Annual Report"

The State continues to provide for the rapid repayment of its outstanding obligations. Virtually all of the lease purchase financings done by agencies and authorities are repaid in five to ten years. Of all tax backed debt, more than 88% is retired within 20 years and 98% is paid off in less than 25 years.

The following is a summary of key debt ratios as of July 2009.

Key Debt Ratios	
Net tax-supported debt per capita	\$511
Tax-supported debt service as percent of General Revenue	
Fund appropriations	2.85%
Per capita debt as percent of 2009 per capita personal income	1.50%

Source: State Bond Advisor

As staff for the LRCPC, the Office of the State Bond Advisor reviewed 3,800 capital project requests. The most recent plan (for fiscal years 2010-2014) recommended total capital spending of \$6.7 billion, of which \$6.3 billion is self-funded. A total of \$60 million is recommended for funding from general appropriations.

Capital Improvement Authority

The Oklahoma Capitol Improvement Authority (OCIA) is primarily responsible for acquiring and maintaining buildings for other state agencies. OCIA also issues bonds to obtain buildings when authorized by the Legislature.

Participating agencies make lease payments from their appropriations to the OCIA. The OCIA then makes debt service payments through a Trustee/Paying Agent to the bondholders.

Outstanding Issues

As of December 31, 2007, the OCIA had 29 series of obligations outstanding. The total outstanding principal amount of these obligations was \$1.1 billion.

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

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

Source: OCIA

General Obligation Bonds

There are two types of general obligation bonds issued by the State. The first are government-purpose issues to fund legislatively identified capital projects. All of these bonds are secured by cigarette tax revenue initially and, ultimately, by the full faith and credit of the State. The general obligation bonds are set to retire in 2018.

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

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

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

Source: State Bond Advisor

The second type of general obligation bonds are issued by the Oklahoma Industrial Finance Authority (OIFA) to fund industrial loans, and are secured initially by loan repayments from the private-sector industrial borrowers and then by OIFA reserves. As of December 31, 2006, there were 11 series of these bonds, with a total principal amount outstanding at that date of \$60,400,000.

CompSource Oklahoma

Notable Achievements

- *On April 7, 2008, CompSource celebrated 75 years of providing service to Oklahoma.*
- *CompSource held workers compensation rates constant during 2008 while market rates trended higher.*
- *During 2008, CompSource paid \$20 million in dividends to policyholders. Over the last ten years, CompSource has returned more than \$82 million in dividends to policyholders.*
- *CompSource has taken steps to contain the growth in medical costs through the implementation of a preferred provider network and pharmacy benefits management program. These programs help reduce medical and prescription drug costs through the utilization of in-network medical providers and pharmacies and through reduced administrative costs.*
- *CompSource has reduced administrative expenses through increased operating efficiencies. Measured as a percentage of net premiums earned, administrative expenses for 2008 are roughly one-half the level of administrative expenses in 1998.*
- *Approximately 70% of CompSource's policies are issued to small businesses with \$5,000 or less in annual premiums.*

Mission

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

provides coverage to employers of any size who are unable to obtain coverage from the private market.

The Oklahoma Legislature created CompSource in 1933. The Legislature's intent in creating CompSource (then known as the State Insurance Fund) is for CompSource to be self sufficient.

Agency Services

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

Currently, CompSource is the largest workers' compensation insurance carrier in the state, serving more than 28,000 businesses and government agencies by providing coverage benefits for thousands of Oklahoma employees. The table below reflects premiums written in the public and non-public sectors.

	2004	2005	2006	2007	2008
Private Sector	75%	76%	75%	73%	71%
Public Sector					
-State Agencies	11%	11%	12%	12%	13%
-Other Public	14%	13%	13%	15%	16%
Total	100%	100%	100%	100%	100%

Source: CompSource

Historically, the insurance market has been cyclical. CompSource has experienced an increase in written premiums in recent years due to increasing acquisition costs of workers' compensation insurance. Benefits of workers' compensation insurance to injured employees and employers include:

FY-2011 EXECUTIVE BUDGET

- Injured employees receive compensation when unable to work;
- Medical bills from job related injuries are paid with no deductible;
- Employers potentially avoid general tort liability for workplace injuries; and
- Programs encouraging injured workers to return to work as soon as possible.

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

Commission on Consumer Credit

Mission

The Commission on Consumer Credit serves consumers and creditors through education, protection, and regulation. To accomplish this mission, the Department licenses and regulates 6,049 entities:

- 1,227 Supervised Lenders
- 366 Deferred Deposit Lenders
- 313 Pawnbrokers
- 256 Rent-to-Own Dealers
- 55 Precious Metals and Gem Dealers
- 49 Precious Metals Employees
- 154 Health Spas
- 39 Credit Service Organizations
- 776 Mortgage Loan Originators
- 2,428 Mortgage Brokers
- 2,421 Notification Permits

Licensees

Supervised Lender: This license allows a lender to make or take assignment of consumer loans in which the rate of the loan finance charge exceeds ten percent (10%) per year.

Deferred Deposit Lender: This license allows a lender to make small, short-term payday loans.

Pawnbroker: This license allows a pawnbroker to lend money on the security of pledged goods, or the act of purchasing tangible personal property on condition that it may be redeemed or re-purchased by the seller for a fixed price within a fixed period of time.

Rent to Own: This license allows a business to contract with individuals to provide the use of personal property for personal, family or household use for an initial period of four (4) months or less and which permits the consumer to become the owner of the property.

Precious Metals and Gem Dealer: This license allows a business to take, receive or transfer gems or used precious metals such as platinum, gold or silver in the course of business.

Precious Metals Employee: This license allows a person to work for a dealer, whether or not the person is in the direct employment of the dealer, who handles used precious metals or gems for the dealer.

Health Spa: This license allows any person or business to engage in the use or sale of the right or privilege to provide physical exercise programs through the use of exercise equipment or devices.

Credit Service Organization: This license allows a business to assist individuals with improving his/her credit history or rating or to obtain an extension of credit.

Mortgage Broker: This license allows a broker or lender who for compensation or gain, or in the expectation of compensation or gain, takes a residential mortgage loan application or offers, negotiates or modifies the terms of a residential mortgage loan.

Mortgage Loan Originator: This license allows an individual who for compensation or gain, or in the expectation of compensation or gain, takes a residential mortgage loan application or offers, negotiates or modifies the terms of a residential mortgage loan.

Notification: This license allows an individual or business to engage in consumer credit sales and consumer loans.

The Department's budget consists of state and revolving funds. In FY-2009, state appropriated dollars were 25% of the Department's total funding of \$2,692,910.

History

The Department of Consumer Credit is a state regulatory agency created in 1969 to regulate the consumer lending business in Oklahoma through the Uniform Consumer Credit Code ("Code"), 14A O.S. §§ 1-101

through 9-101. The Code represented the first body of law in Oklahoma comprehensively regulating non-commercial credit, small loans, installment sales and usury. Oklahoma was one of the first states in the nation to adopt a unified code in this field.

Because Oklahoma’s consumer credit laws are substantially similar to federal law, Oklahoma has an exemption from sections 2 and 5 of the federal Truth in Lending Act and corresponding Regulations Z and M. To maintain the exemption, the Department is required to continuously update the Code and the Administrator’s Truth in Lending rules to correspond with any changes to the Federal Truth in Lending Act or Regulations Z and M. The Department promulgated numerous rule changes in 2009 as a result of Federal rule changes. The Oklahoma Legislature has also given the following regulatory duties to the Department:

- The Oklahoma Pawnshop Act (1972)
- Precious Metal & Gem Dealer Licensing Act (1981)
- The Credit Services Organization Act (1987)
- The Oklahoma Health Spa Act (1987)
- The Rental Purchase Act (1988)
- The Mortgage Broker Licensure Act (1997), replaced by the Oklahoma Secure and Fair Enforcement for Mortgage Licensing (2009)
- The Deferred Deposit Lender Act (2003)

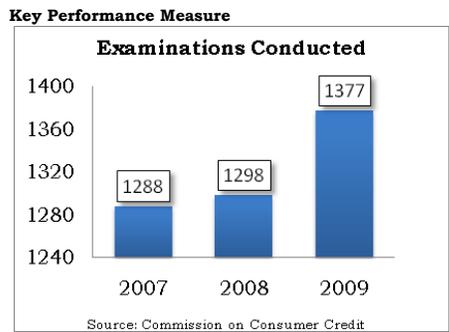
Duties / Responsibilities

The Department is charged with the responsibility of administering the Uniform Consumer Credit Code, which includes provisions with respect to maximum charges, rate ceilings, disclosure requirements, enforcement rights, contract terms, advertising requirements and administration control.

The Department is responsible for investigating, licensing and regulating creditors designated as Supervised Lenders. The Department also has investigation and licensing duties under the Pawnshop Act, Precious Metal and Gem Dealers Act, Credit

Services Organization Act, Health Spa Act, Rental-Purchase Lessor Act and the Oklahoma Secure and Fair Enforcement for Mortgage Licensing Act.

The Department conducts examinations of licensed Supervised Lenders, Pawnbrokers, Credit Service Organizations, Rental-Purchase Lessors, Deferred Deposit Lenders and Mortgage Brokers. The following graph shows the number of examinations the Commission conducted from 2007 to 2009.



As mandated by 59 O.S. § 3119, the Department remits \$9,000 per month for consumer counseling and education specifically designed for consumers utilizing deferred deposit loans.

The Department received 208 formal complaints and 3,600 telephone complaints in 2009. The Department’s goal is to protect consumers from predatory lending and deceptive trade practices by aggressively investigating consumer’s complaints.

The Commission

The Commission on Consumer Credit (“Commission”) is the policymaking and governing board of the Department. The Commission also appoints an Administrator to manage the Department.

The Commission consists of nine members appointed by the Governor with the advice and consent of the Oklahoma State Senate. Five of those members are at-large members. Four additional members are

FY-2011 EXECUTIVE BUDGET

appointed by each of the following: the Oklahoma Consumer Finance Association, the Independent Finance Institute, the Oklahoma Pawnbrokers Association and the Oklahoma Association of Mortgage Professionals effective January 1, 2010. The State Banking Commissioner is a non-voting tenth member of the Commission.

Office of State Finance

Notable Achievements

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

The Office of State Finance (OSF) is part of the Executive Branch. It is under the administrative control of the Director of State Finance who is appointed by the Governor, with the advice and consent of the Senate. The Oklahoma Budget Law of 1947 (Title 62, Section 41.3) created the Division of the Budget and the Division of Central Accounting and Reporting (Office of the State Comptroller). OSF has two other divisions; the Information Services Division and the Telecommunications Division.

The Division of Central Accounting and Reporting (DCAR)

This division is responsible for setting forth the accounting systems and procedures for

the state, auditing agency payroll and miscellaneous claims for completeness, compliance, and available funding and for maintaining the accounts and balances of the agencies. Statewide financial reports are prepared and filed with regulatory agencies, creditors, fiscal analysts, and are made available to the public. Employer tax reports and withholding payments are made on behalf of all agencies, as are other types of employee withholdings and information filings.

DCAR offers support to the agencies through the DCAR Newsletters, involvement with the Oklahoma Financial Managers Association, periodic training programs and its shared-services program. The shared services program offers the expertise of OSF staff to perform back-office accounting and reporting functions for agencies through an interagency agreement. Through efficiencies of effort, OSF is able to perform these functions at a lower cost than each separate agency. Shared-services allow an agency to focus its resources on its core mission.

A new initiative in DCAR is to assist agencies in developing, monitoring and assessing adequate internal control procedures to minimize the risk of error and fraud. A comprehensive plan for implementing internal controls should provide reasonable assurance that the agency's objectives are being met for effective and efficient operations, responsible use of public funds, and compliance with applicable laws, rules, and regulations.

State-Tribal Gaming Compliance

OSF is the State Compliance Agency (SCA) for the State-Tribal Gaming Compacts. As such, OSF is responsible for working with the tribes to ensure compliance with the Compacts provisions and to ensure that the State is receiving the revenues required by the Compacts. Since January 27, 2005, 32 Tribal Compacts have been approved by the Secretary of the Interior and published in the Federal Register.

Budget Division

The Budget Division prepares the Governor's budget and assists in drafting supporting legislation for the Governor's proposals. Budget Division staff manages the state's budget system and makes appropriate allotments and transfers as authorized by law. The division conducts fiscal policy research and analysis to improve the cost-efficiency of current financial practices. Developing and monitoring performance measures are another integral function of this division. Budget Division personnel also prepare analyses of appropriation and substantive legislation and make recommendations based on their research to the Governor.

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

Information Services Division (ISD)

The mission of ISD is to provide Oklahoma State agencies with quality, cost effective and secure information technology and telecommunications products and services. ISD manages the state's data processing and telecommunications infrastructures. ISD sets standards for these areas to ensure compatibility of voice and data communications.

ISD manages the local area networks for OSF, the Governor and several other state agencies. The communications infrastructure includes a state backbone of fiber-optic cable connecting the most populous areas of the state to high-speed internet capabilities. ISD also manages the State telephone system by negotiating long-distance and local services for the majority of state agencies.

Improving security for the network as well as implementing a disaster recovery plan is a priority for this division. ISD sets security guidelines and procedures for all agencies. OSF works with Homeland

Security, the Federal Bureau of Investigation, and OSBI to continually evaluate the system and propose changes to improve IT security.

Communications Operations Reporting Enterprise (CORE)

The Office of State Finance, the Office of Personnel Management and the Department of Central Services serve as the lead agencies in the CORE project. The CORE project, an enterprise resource planning system, is a 7 year project that began in 2002.

The purchasing and financial components of CORE/PeopleSoft went "live" November 3, 2003. These components of CORE/PeopleSoft, replaced antiquated systems with an integrated computer system that will permit user agencies to more easily access vital data. The project is multi-phased with various modules being made available during the different phases.

Phase I included the implementation of the financial and procurement module, the human resources and payrolls system, and the budget module. Phase II of the project will roll out new applications to eliminate the need for the stand-alone and duplicative systems in the agencies. The modules include federal grant tracking, project accounting, billing, accounts receivable, inventories and asset management. These modules are in the initial design stages now and OSF is seeking the input of all agencies to ensure a suitable system is designed.

Phase II enhanced many aspects of Phase I modules and implemented new functionality within the purchasing system. A new vendor portal will open the way for on-line bidding of state purchases and allow a vendor to view its purchase orders, deliveries and payments with the state in one centralized location.

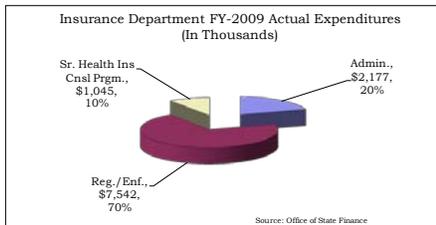
Insurance Department

Mission

The mission of the Oklahoma Insurance Department is to protect and enhance the financial security of Oklahoma and Oklahomans.

The Insurance Department is responsible for assuring the financial solvency of insurers, fostering healthy competition in the Oklahoma marketplace to keep insurance rates low and customer service levels high and acting as a reliable resource to policymakers.

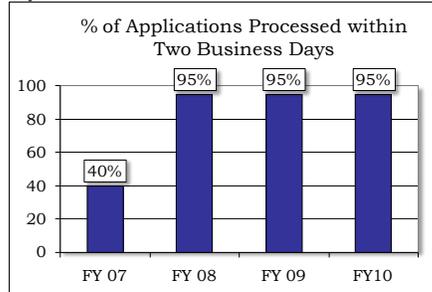
The Department's major source of funding is license fees collected from regulated entities and individuals in the insurance industry. The agency's total expenditures for FY-2009 were \$10.7 million. The following graph shows how the Department used those funds.



The Department regulates insurance companies, agents, adjusters, Health Maintenance Organizations (HMO's), business entities, real estate appraisers and bail bondsmen that operate in the State of Oklahoma.

The following graph shows the agency's progress towards meeting and maintaining its key performance measure of processing and issuing 95% of licenses for the various producers and adjusters within two days of receipt of the application.

Key Performance Measure



Financial Oversight

The Department is accredited by the National Association of Insurance Commissioners (NAIC). The purpose of accreditation is to promote uniformity in the regulation of the insurance industry. To maintain accreditation, the Department must comply with NAIC standards as they relate to financial examinations, financial analysis, rules, and in some cases, statutes.

Each insurance company domiciled in Oklahoma must file financial statements and other documents with the Department, as required by statute, to demonstrate the company's solvency. Insurance departments in each state examine companies domiciled in their respective states. NAIC accreditation assures that all companies in every state are examined by applicable uniform standards.

Medicare/Medicaid Fraud Prevention

The Department received a grant from the U.S. Department of Health and Human Services' Administration on Aging to educate senior citizens on how to protect themselves from becoming victims of healthcare fraud. Training provided through the grant teaches seniors, advocates and those working in the aging services field how to protect, detect, and report possible healthcare fraud.

FY-2011 EXECUTIVE BUDGET

The Department also received a federal grant through the Centers for Medicare and Medicaid Services (CMS) to support the State Health Insurance Counseling Program (SHIP). SHIP provides one-on-one personalized counseling, education and outreach resources to provide accurate and objective information and assistance to Medicare beneficiaries and their families. This allows the recipients to better understand and utilize their Medicare benefits. SHIP helps beneficiaries identify and understand programs and plans, including Medicare prescription drug coverage, Medicare Advantage plans, and Medicare supplemental insurance policies.

Commissioners of the Land Office (CLO)

Notable Achievements

- In Fiscal Year 2009 the CLO distributed \$82,654,602 to schools and colleges across the state of Oklahoma. This is the largest distribution in the history of the agency.
- The primary reason for the FY-2009 record distribution was an increase in interest earned from fixed income investments (\$62 million in FY-2009 compared to \$51 million in FY-2008). This was made possible by:
 - Strong mineral income in FY-2009 and FY-2008, (\$73 million and \$104 million respectively), of which the majority was invested in fixed income;
 - Diversified asset allocation which was rebalanced diligently; and
 - Being proactive and positioning the CLO investments to take advantage of the 2009 strong fixed income markets.

Mission

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

The Federal Government set aside over 3 million acres and granted \$5 million to ensure that public education would always have a financial base. The State Constitution requires that the “principal shall be deemed a trust fund held by the State, and shall ever remain inviolate. It may be increased, but shall never be diminished.”

The Commissioners of the Land Office mission is two-fold:

- To generate maximum earnings for the various Trust beneficiaries through

management of Trust lands, minerals and permanent funds; and

- To protect the assets of the Trusts.

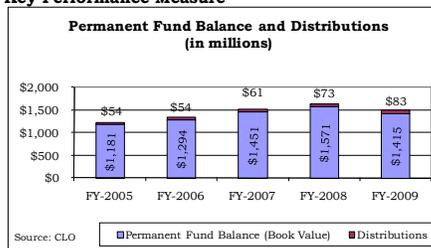
The Trust beneficiaries are all common education institutions and the following colleges and universities:

- University of Oklahoma
- Oklahoma State University
- Langston University
- Northern Oklahoma College
- Southeastern OSU
- University of Central Oklahoma
- East Central OSU
- Northeastern OSU
- Northwestern OSU
- Southwestern OSU
- Oklahoma Panhandle State University
- Cameron University
- University of Science and Arts of Oklahoma.

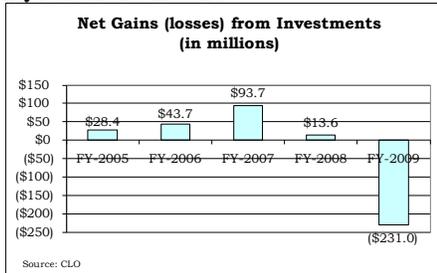
Five ex officio members constitute the CLO board: the Governor, Lieutenant Governor, State Auditor and Inspector, Superintendent of Public Instruction, and the President of the Board of Agriculture.

The following chart depicts the balance and distribution amounts in the Permanent Trust Fund over the last five years.

Key Performance Measure



Key Performance Measure



The Trusts managed by the CLO are: the Common School Fund, the Education Institutions Fund, the University of Oklahoma Fund, the University Preparatory School Fund, the Oklahoma State University Fund, the Normal Schools Fund, the Langston University Fund, the Public Building Fund and the Greer 33 Fund.

The CLO is also charged with the sale, rental, disposal and management of School Trust lands and assets, and of the funds and proceeds derived from these assets. The principle functions of the agency consist of the following:

- Leasing lands for agricultural, commercial and grazing purposes;
- Leasing lands for oil, gas and other minerals including water rights;
- Investing permanent funds as authorized by law;
- Sale of lands as prescribed by law;
- Improving, protecting and preserving lands owned by the Trusts; and
- Distributing the revenues of the various Trusts to the institutions to which the funds belong.

Real Estate Management

The real estate management division is responsible for the lease, sale and management of approximately 750,000 acres of Trust Lands along with the

maintenance and care of all of the agency's current and historical records.

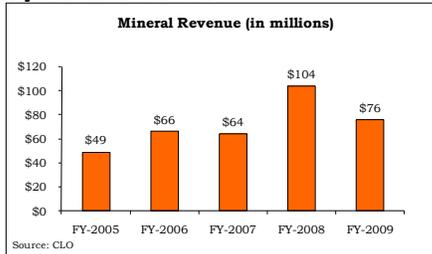
Annual income is in excess of \$11 million. The majority of this income is derived from the agricultural leasing program. The table below provides a detailed inventory of Trust Lands.

School Land Trust Acreage Inventory State Owned School Lands Year Ended June 30, 2009 (Unaudited)			
TRUST FUND	ORIGINAL GRANT LAND	LAND ACQUIRED BY FORECLOSURE	TOTAL ACRES OWNED
Common School	325,718.53	40,775.52	366,494.05
State Education Institutions	75,685.72	6,726.43	82,412.15
University of Oklahoma	62,456.96	1,147.16	63,604.12
University Preparatory	21,080.75	400.00	21,480.75
Oklahoma State University	75,572.92	1,112.96	76,685.88
Normal Schools	74,152.38	478.50	74,630.88
Langston University	18,678.10	316.99	18,995.09
Public Buildings	36,258.92	-	36,258.92
Greer	3,239.30	-	3,239.30
Total Acres Owned	692,843.58	50,957.56	743,801.14

Minerals Management

The various trusts under the direction of the CLO own about 1.35 million gross and 1.1 million net mineral acres throughout 74 of Oklahoma's 77 counties. The division is responsible for oversight of approximately 5,000 oil and gas wells and administration of approximately 6,600 leases. Income from the mineral estate totaled approximately \$76 million dollars in FY-2009. The agency expects royalty income to exceed \$50 million in the current fiscal year. In FY-2009, 279 wells were drilled on CLO property. The chart below depicts mineral revenue for the past five fiscal years.

Key Performance Measure



Gas Marketing Program

The CLO purchases natural gas on behalf of 84 state entities. Various strategies are employed to purchase natural gas at a cheaper rate than the local utility. This goal has been achieved with savings in excess of two million dollars in each of the past three fiscal years. The program tries to provide protection from pricing volatility.

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

Investments

The Investment Division is responsible for overseeing the investment portfolio portion of the trust. This portfolio started with the \$5 million compensation from the Federal Government for Indian lands. Each year the realized and unrealized capital gains from the various bond and equity investments increase the portfolio. As of June 30, 2009, the portfolio had a fair market value of \$1.4 billion. The interest and dividends from the investment portfolio are distributed to the Trust beneficiaries each year.

The Retirement Systems

The Systems

The State retirement systems consist of the following seven defined benefit pension plans:

- Oklahoma Public Employees Retirement System (OPERS);
- Uniform Retirement System for Justices and Judges (URSJJ);
- Oklahoma Teachers Retirement System (TRS);
- Oklahoma Police Pension and Retirement System (Police);
- Oklahoma Firefighters Pension and Retirement System (Firefighters);
- Oklahoma Law Enforcement Retirement System (OLERS); and
- Retirement Plan for Full-time Employees of the Department of Wildlife (Wildlife).

Systems are funded with employee contributions, employer contributions, return on investments and, in some cases, dedicated revenue streams.

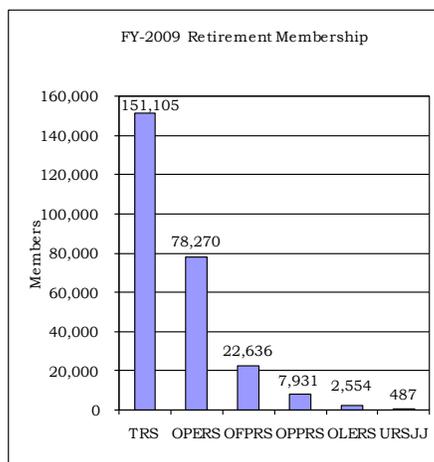
There are two main types of plans in the system. Police, Firefighters, and OLERS are referred to as “twenty and out” plans. Additionally, within the structure of OPERS a “twenty and out” plan is maintained for correctional officers, probation and parole officers and fugitive apprehension officers in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

OPERS, URSJJ, TRS and Wildlife are defined benefit plans. These plans have a guaranteed benefit that is a function of years of service and salary. In order to be entitled to these benefits, there is a requirement for a certain number of years of service before a member becomes vested.

The “twenty and out” plans are aimed at public safety services where it is in the interest of the public to have the active members made up of younger, healthier individuals. These individuals often serve

in areas that are defined as hazardous duty. These plans are extremely generous in their benefits and are designed to allow retired members to go on to other careers.

The relative size of the systems can best be understood by looking at their membership numbers. The overwhelming size of TRS compared to the other systems becomes readily apparent when viewed in this context. The graph on the following page illustrates the membership by system in FY-2008.



The financial health of retirement systems is measured by a ratio of projected benefit payments to funds available for benefit payments.

Calculations of projected benefit payments are based on a number of factors including age of employees, estimated retirement age, number of years credited in system, marital status, mortality rate tables and COLA increases.

TRS's large relative size is a concern because the system carries an Unfunded Actuarial Accrued Liability (UAAL) of approximately \$9.5 billion. UAAL reflects the excess amount of liability to provide benefits over the amount of assets available to pay those benefits. This accrual reflects an actuary's best estimate of costs that will

FY-2011 EXECUTIVE BUDGET

be incurred for future benefits promised as of a certain date.

The simplest way to understand the health of any retirement system is to view its funded ratio, which is a ratio of debt to assets. The term fully-funded applies to a retirement system in which contributions are sufficient to pay for the benefits of existing and new employees. The table to the right lists funded ratios for each agency over the past four fiscal years.

Funded Ratios by System				
	2006	2007	2008	2009
Teachers	49.3%	52.6%	50.5%	49.8%
OPERS	71.4%	72.6%	73.1%	66.8%
Firefighters	58.5%	62.6%	61.8%	54.2%
Police	78.0%	79.9%	82.2%	76.2%
OLERS	84.4%	83.0%	82.9%	74.0%
Judges	102.5%	98.9%	96.4%	84.8%

Source: FY-2009 Annual Reports

The funding ratio of TRS is one of the lowest in the nation. This gap in funding of TRS liabilities is an absolute obligation of the State according to the Attorney General's. Ultimately, therefore, the responsibility for this debt falls on the shoulders of all Oklahomans.

In 2007, the legislature passed and Governor Henry signed Senate Bill 357 into law. This legislation increases the employer contribution rates into the Teachers Retirement System. Current estimates show this legislation will bring the system to an 80% funded ratio over the next 20 years.

A sensible combination of asset classes is another determinant of soundness of retirement funds. The allocation by asset class of the Oklahoma retirement funds are within prudent guidelines. The only unusual allocation is in the alternative assets of Police with investment in venture capital; however, the investment in alternative assets is within prudent guidelines. Police is the only state retirement fund that invests in venture capital.

Dedicated Revenues

The State systems differ from many other defined benefit retirement plans since several of the systems receive contributions other than employer and employee contributions. TRS, Firefighters, OLERS, and Police are all recipients of dedicated revenue streams.

The insurance premium tax provides all the dedicated revenue for Firefighters and Police and approximately half of the dedicated revenue to OLERS. These state revenues flow to Police and Firefighters although the members are employed primarily by cities and counties rather than the state.

The amount dedicated to the retirement plans through FY-2010 will increase above previous levels. The General Revenue Fund will decrease to provide for the increase to the retirement funds.

The retirement systems exist for the benefit of employees and their beneficiaries. All of the systems provide a benefit for their members with varying provisions for their beneficiaries in the event of the death of the member.

Spouse beneficiaries generally receive a lifetime benefit which varies from being the same amount as the employee to half. Minor children beneficiaries receive a benefit as long as they are minors or, in some cases, while enrolled in higher education. The table below shows the average regular benefit of retirees only. This table does not include any amounts that may be received from Deferred Retirement Option Plans (DROP) programs, disability programs or payments to beneficiaries.

Retiree Annual Benefits	
System	Avg. Benefit*
OTRS	14,989
OPERS	14,629
OPPRS	
Paid	27,867
Volunteer	1,732
OPPRS	29,725
OLERS	33,572
URSJJ	62,700

*Avg. benefit includes service retirees only.

Oklahoma Public Employees Retirement System (OPERS)

Notable Achievements

- *Government Finance Officers Association (GFOA) has recognized OPERS for outstanding achievement in financial reporting for eleven years in a row.*
- *All member documents for OPERS and SoonerSave are being imaged rather than microfilmed.*
- *An online member enrollment process was implemented and 90% are done online.*
- *An agency Intranet was developed for office policies, procedures and forms*

Mission

The mission of OPERS is to provide and promote accountable and financially sound retirement plans for its members. OPERS administers a defined benefit retirement plan for public employees as well as for judges and justices (URSJJ). OPERS' clients are composed of:

- State and county employees, except for Oklahoma and Tulsa counties, and
- Local governments that choose to participate.

State agency employer contribution rates increased by 1.0% from 13.5% to 14.5% for FY 2009 and will increase 1.0% each year

thereafter until it reaches 16.5% in FY 2011.

- Employee contributions for most state employees are now a level 3.5% of salary; and
- The combined employee and employer contribution rate for county and local agencies increased by 1.0% to 18% in FY 2009 and will increase 1.0% each year thereafter until it reaches 20% in FY 2011.

OPERS' Funded Status

The funded ratio of OPERS was in a steady decline since 1998, but posted an increase at the end of 2007 and 2008. OPERS had a funded ratio of 91% in 1998 and was 73.0% at the end of FY 2008. The total "required contribution rate" is now 22.98% of salaries while the System is only projected to take in 18% of salaries in employer and employee contributions in the coming fiscal year. The employer contribution rate is 15.5% in FY 2010.

Deferred Compensation

OPERS also administers SoonerSave which consists of two defined contribution plans- A deferred compensation plan and a deferred savings incentive plan. SoonerSave is available to state employees, as well as any elected officials receiving a salary from the state. The deferred compensation plan is an Internal Revenue Service 457 Plan. Contributions and investment earnings grow tax deferred until withdrawal (assumed to be retirement), at which time they are taxed as ordinary income. The Savings Incentive Plan ("SIP") is a 401(a) plan under the Internal Revenue Code.

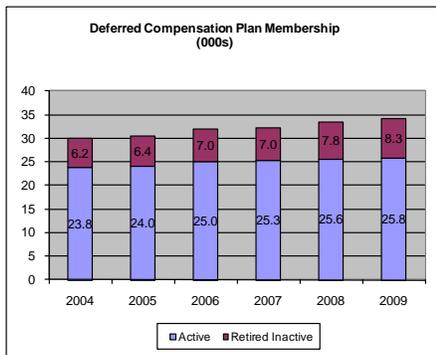
Membership changes seem to fluctuate with changes in stock market values. However, the number of retirees remaining in SoonerSave continues to grow along with modest increases in active membership.

Participants may direct the investment of their contributions in available investment options offered by the plan. Members making current contributions to the deferred compensation plan are also

FY-2011 EXECUTIVE BUDGET

participants in the deferred savings incentive plan.

The deferred compensation plan is funded through employee contributions that are payroll deducted. Members must contribute a minimum of \$25 per month. The net assets available for plan benefits as of June 30, 2008 totaled \$456.3 million, which is a decrease of \$10.6 million over the previous year. Deferred compensation plan contributions increased by \$2.3 million, primarily due to an increase in the number of active participants.



The participants' accounts are invested in accordance with the investment elections of the participants. Note that when participants are making their own investment decisions, the investments are very conservative.

	30-Jun-08		30-Jun-09	
	\$ million	%	\$ million	%
Large Cap Equity	94.1	20.6%	70.1	17.4%
Stable Value	163.1	35.8%	193.9	48.1%
Small Cap Equity	38.9	8.5%	32.4	8.0%
Mid Cap Equity	55.7	12.2%	33.4	8.3%
Bond	28	6.1%	18.0	4.5%
International Equity	55	12.1%	36.8	9.1%
Balanced	17.5	3.8%	14.2	3.5%
Target Date Funds	0	0.0%	1.6	0.4%
Other	3.4	0.7%	2.8	0.7%
Total	\$455.7	100%	\$403.2	100%

Source: Deferred Compensation Plan Financial Statements June 30, 2009

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries.

Savings Incentive Plan

In the deferred savings incentive plan, agencies contribute \$25 per month for their employees who are contributing to the deferred compensation plan. Individual members choose the types of investments. Investment choices employees make for the deferred savings incentive plan are not necessarily the same as the deferred compensation plan. The investment options are the same for each plan, with the exception of the self-directed brokerage option that is available in the deferred compensation plan only.

Uniform Retirement System for Justices and Judges (URSJJ)

The Uniform Retirement System for Justices and Judges is a defined benefit pension plan covering all justices and judges of the Oklahoma Supreme Court, Courts of Criminal Appeal, Workers' Compensation Court, Court of Appeals and District Courts. The membership of URSJJ at June 30 is as follows:

	2007	2008	2009
Retirees and beneficiaries	194	195	200
Terminated vested	11	11	13
<u>Active participants</u>	<u>278</u>	<u>277</u>	<u>274</u>
Total	483	483	487

Source: FY-2009 Annual Report

URSJJ Contribution Rates

The current employee contribution rate is 8%. The current statutory employer contribution rate for FY 2009 is 7.0%. This rate is scheduled to go up to 8.5% in FY 2010 and increase 1.5% a year to top out at 22% in FY 2019. The OPERS Board has specific statutory authority to raise contribution rates to keep this System

100% funded, if recommended by an actuary. The OPERS Board set employer rates at 54.34% effective September 1, 2008. However, none of the judicial entities was appropriated sufficient funds to pay the higher rate.

URSJJ Funded Status

The URSJJ funded status has been steadily declining from a high at June 30, 2002 of 148.2% to the current funded ratio at June 30, 2008 of 96.4%. This decline is due to an insufficient contribution rate structure. The total actuarial required contribution rate is now 33.22% while the System is projected to take in only 16.5% of salaries in employer and employee contributions for the coming fiscal year. Even with the increasing schedule of employer contributions in future years, the funded ratio is expected to continue its decline.

Teachers Retirement System (TRS)

Notable Achievements

- *Received Government Finance Officers Association's (GFOA) certificate for twelfth straight year.*
- *Internal cash management earned the System over \$11.9 million (in excess of \$265,000 over exclusively using the custodian). The system's securities lending and commission recapture programs netted \$10.5 million and \$790,000.*

The Teachers Retirement Systems (TRS) was established in 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The category of education employees includes local school district employees and higher education employees, as well as a few others engaged in education.

TRS is the largest state retirement system with 151,105 members and net assets of \$9.4 billion as of June 30, 2009. As of June 30, 2009, only 49.8% of OTRS actuarial liabilities were covered by the

actuarial value of its assets. The funding period increased from 21.6 years to 54.4 years.

The increase in the dedicated revenue and an improved economy are expected to improve the funded position of the system in the future. TRS receives dedicated revenue from a portion of the state's sales, use, individual income tax and corporate tax receipts. The system will also receive 5% of the net proceeds of the education lottery. The actuarial assumption is that these receipts will increase at 3.5% annually. Additionally, the percentage of these sources is scheduled to increase. The dedicated tax revenue has increased \$23.3 million each year for the past two years to \$266.8 million.

OTRS Dedicated Revenue Sales, Use, Income Tax	
FY-04	3.75%
FY-05	4.00%
FY-06	4.50%
FY-07	5.00%
FY-08	5.00%
Source: Title 68, §1353,1403,2352	

The "Alternative Retirement Plan for Eligible Employees of Participating State Institutions of Higher Education Act of 2004" provides new employees of the comprehensive universities (OU, OU Health Sciences, and OSU) the choice of joining OTRS or joining an alternative defined contribution plan.

The national trend in higher education institutions throughout the country is to make a defined contribution retirement option available. A defined contribution option provides portability and enables university faculty members to build their retirement funds over their entire working life.

Tax-Sheltered Annuity Plan

TRS also administers an optional tax-sheltered annuity program under section 403(b) of the Internal Revenue Code. TRS members may deposit funds into this plan if the local school board adopts a resolution making the plan available to its employees. This defined contribution plan is funded totally by employees and does not receive any employer match.

This plan is invested by TRS just as is the regular retirement with no discretion on the type of investments by individual members. The Teachers' Deposit Fund had \$312.2 million at the end of FY-2008 compared to \$357.8 million at the end of FY-2007.

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

Oklahoma Police Pension and Retirement System (Police)

Police became effective January 1, 1981. All persons employed as officers or any person training to become a permanent police officer with a police department of a participating municipality with ages not less than 21 nor more than 45 when accepted for membership are eligible.

Police Membership Data	
Active	4,983
Retired	2,785
DROP	60
Vested	103
Total	7,931

Police system members with 20 or more years of continuous service may elect to participate in the Deferred Retirement Option Plan (DROP). This plan allows employees eligible for a normal retirement benefit to defer the receipt of retirement benefits while continuing employment. Participation shall not exceed five years. During this period employee contributions cease while employer contributions are divided equally between the retirement

system and DROP. The monthly retirement benefits that the employee is eligible to receive are also paid into the DROP account.

A back-drop-date plan is also available. A member may retroactively elect to join this DROP as of a back-drop-date which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DROP are credited to the member's account with interest.

When the member actually terminates employment, the DROP account balance may be paid in a lump sum or to an annuity provider. Monthly retirement benefits are then paid directly to the retired member.

Oklahoma Law Enforcement Retirement System (OLERS)

The plan was established July 1, 1947. Qualified law enforcement officers of various state agencies and departments are members. The normal retirement date for retirement benefits eligibility is 20 years of service or age 62 with 10 years of service.

Department of Wildlife Retirement Plan (Wildlife)

The DWR is a single-employer defined benefit plan. All permanent, full-time employees of the Department of Wildlife are eligible to participate on the date of their employment. This retirement system is unique since a single agency manages the retirement system for its own employees.

The retirement system has 315 active participants and 163 retired and inactive participants. It has a funded ratio of 80.4%. The revenue source for the retirement fund is the Department's contribution and the employee's contributions. The funds are held and invested through a trust account.

The employer contribution is based on the annual valuation report and is currently set on a 15 year amortization schedule to fund the liability. The Department has increased the annual contribution to 2.8 million based on the actuarial valuation report. Employees contribute 3% of salary. The vesting period is 10 years.

**Department of Wildlife
Retirement Plan (Wildlife)**

The DWR is a single-employer defined benefit plan. All permanent, full-time employees of the Department of Wildlife are eligible to participate on the date of their employment. This retirement system is unique since a single agency manages the retirement system for its own employees.

The retirement system has 315 active participants and 163 retired and inactive participants. It has a funded ratio of 80.4%.The revenue source for the retirement fund is the Department's contribution and the employee's

contributions. The funds are held and invested through a trust account. The employer contribution is based on the annual valuation report and is currently set on a 15 year amortization schedule to fund the liability. The Department has increased the annual contribution to 2.8 million based on the actuarial valuation report. Employees contribute 3% of salary. The vesting period is 10 years.

FY-2011 EXECUTIVE BUDGET

Retirement Systems - Number of Members and Employee Contribution Amounts						
Plan Year Ending 6/30/2008 (\$ in 000's)						
	OPERS	URSJJ	OTRS	OPPRS	OFPRS	OLERS
Active members	45,120	277	88,678	4,453	11,784	1,278
Retired Members*	26,033	195	45,238	2,023	5,486	840
Vested Members	5,580	11	6,915	91	1,208	23
Deferred Option Plan (DROP)	-	-	-	86	143	48
Employee Contribution %:						
State-not elected	3.0% to 6.4%	8.00%	7.00%	8%	8%	8&
State-elected	4.5% to 10%	-	5.00%	-	-	-
Hazardous Duty	8	-	-	-	-	-
County & Local	3.5% to 11.41%	5.00%	7.85-8.35%	13.00%	12.9%**	10.50%
Employee Contribution \$:	\$66,699	\$2,486	\$286,739	\$19,184	\$18,830	\$4,569
Actuarial Value of Assets	\$6,491,928	\$235,297	\$9,256,787	\$1,752,169	\$1,817,177	\$730,589
Actuarial Accrued Liability	\$8,894,287	\$244,062	\$18,346,864	\$2,132,176	\$2,941,207	\$881,318

* Includes regular retirees and disabled retirees as well as beneficiaries and spouses
 ** Volunteers receive 0%

Source: Annual Financial Reports, Actuarial Reports as of July 1, 2008

Securities Commission

Mission

The Department of Securities deters and remedies securities fraud on behalf of Oklahoma’s citizens. To accomplish this mission, the agency:

- Enforces the Securities, Business Opportunity Sales, Subdivided Land Sales and Take-Over Disclosure Acts;
- Registers offerings and sales of securities, business opportunities and subdivided land;
- Registers securities sales and adviser professionals;
- Performs on-site examinations of securities professionals and issuers; and
- Provides investor education.

Securities Professionals

The investing public is protected through the licensing process that guarantees that 100% of the registered broker-dealers, agents, investment advisers, investment adviser representatives meet registration criteria at the time of registration.

During FY-2009, applications were processed for more than 1,649 broker-dealer and 1,096 investment adviser firms; and 83,483 broker-dealer agents and 7,623 investment adviser representatives.

The following table shows the number of registered securities professionals for FY-2005 through FY-2009.

Key Performance Measure

	Number Registered as of June 30				
	2005	2006	2007	2008	2009
Firms					
Broker-dealer	1,655	1,658	1,660	1,685	1,649
Investment Adviser	922	1,008	1,038	1,127	1,096
Individuals					
Broker-dealer					
Agents	70,980	75,012	81,071	86,123	83,483
Investment Adviser Representatives	6,734	6,247	6,201	6,123	7,623

Funding

HB 2068 placed the Securities Commission into non-appropriated status. Beginning in FY-2005 all agency expenditures were funded by revolving fund revenue.

State securities statutes provide for fee assessments and their allocation among State General Revenue and the Department’s revolving funds. The following table presents such allocation for FY-2009 fees of \$19,070,745.

Fund	2009 Revenue \$000s	As a % of Total Revenue
State General Revenue	\$14,026	73.50%
Dept. Revolving Fund	\$4,487	23.50%
Department Investor		
Education Revolving Fund	\$558	3.00%
Totals	\$19,071	100.00%

The majority of the fee assessment is deposited to State General Revenue and is available for appropriation by the Legislature. The amount of State General Revenue was \$14,025,931 or 73.5% for FY-2009 and \$14,034,478 or 75.3% for FY-2008.

State General Revenue for FY-2009 declined \$8,547 representing a decline of less than 1% (0.06%).

Investigation and Enforcement

The Investigation and Enforcement division’s goal is to impede the defrauding of the investing public by improving responsiveness to complaints. The division is also responsible to initiate investigations and take the appropriate remedial actions or sanctions. FY-2009 activities are summarized below.

Measure	Number
New cases opened	117
Orders issued	25
Civil penalty collections (\$000s)	\$26

Oklahoma Tax Commission (OTC)

Notable Achievements

- *In November 2009, the agency introduced on-line business registration for new partnerships, corporations and LLCs that need to register for sales, use, withholding, franchise and/or waste tire taxes.*
- *Throughout 2009, the agency has been consolidating various imaging repositories into one enterprise-wide system. By the end of FY2010 most of the agency's systems will be under one repository, allowing for much easier searches and image integration.*
- *In October 2009, the agency launched a listing of the Top 100 Tax Delinquencies, as required by statute. This list is composed of the top 100 entities who owe delinquent taxes, including interest, penalties, fees and costs in excess of \$25,000 which are unpaid for more than 90 days and for which a tax warrant has been filed. Throughout 2010, many more entities with delinquencies over \$25,000 will be added to this system.*
- *In January 2010, the agency's on-line car tag renewal system, CARS (Convenient Auto Renewal System), will be up and running providing 24-7 access to Oklahoma taxpayers for renewing their car tags.*
- *In CY2009, the agency made many significant upgrades to its Data Center, including replacing its UPS (uninterrupted power supply), air conditioning systems, and installing the agency's first-ever generator. These enhancements will insure that the agency continues operations, even when others are off-line due to power loss. These upgrades will also insure that public safety professionals have ongoing access to information throughout even the worst severe weather events.*
- *During CY2010, the agency will award a bid to implement an integrated tax system, consolidating its many tax systems into one, cohesive system. Full implementation will take at least 3 years, but this implementation will be a major stepping stone to providing for many more improvements throughout the agency.*
- *The agency's on-line business tax filing system continues to see strong growth with 81,324 annual filings in FY-2003 to 639,729 annual filings in FY-2009. Each of these on-line filings decreases the agency's costs and increases the efficiency of our existing staff.*
- *The Commission has seen a 346% increase (226,000 to 1,008,978) in on-line income tax return filers from FY-2000 to FY-2009. This system increases the agency's efficiency by eliminating in-house data entry and the time and errors inherent in the manual data entry process.*
- *Implemented use of an outsourcing firm to collect income and business tax, which provided for a 53% increase (\$19 million to \$29.1 million) in collections from FY-1999 to FY-2009.*
- *The agency has been an active participant in the Streamlined Sales Tax Agreement since its inception. Through FY-09, the agency has collected \$30.2 million as a result of its participation.*
- *The Professional License Compliance program has significantly increased compliance. Since inception in FY-2000 through FY-2009, the OTC has collected an estimated \$93 million from delinquent license holders.*
- *The agency's compliance and enforcement efforts of Oklahoma's cigarette and tobacco tax laws was significantly enhanced by the new 10-digit stamps and new compacts signed by tribes. Over the past year, cigarette tax collections increased \$14.8 million while, according to statistics, overall smoking has decreased.*

As of December 31, 2009, the OTC completed its first general issue license plate reissue since the 1980's. During CY-2010, special license plates, motorcycles and mopeds will also receive new tags. The Digital License Plate System uses modern technology to produce on-demand license plates at a faster rate and lower operating costs. The weight of the finished product allows for lower postage costs when mailing.

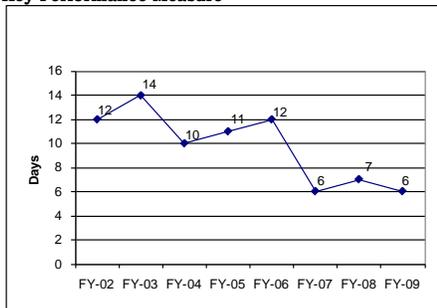
The primary responsibilities of the Tax Commission include the collection and distribution of approximately 75 different taxes, fees and licenses. The Commission allocates revenues to state funds and local government units, and collects and distributes local sales taxes levied by cities and towns in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

The Oklahoma Tax Commission consists of three distinct departments: Taxpayer Services, Revenue Administration and Support Services.

Income Tax Return Processing

Since 2003, the Tax Commission has greatly reduced the amount of time required to process income tax refunds. The Commission utilizes temporary seasonal employees from February through June to process returns.

Key Performance Measure



Source: Oklahoma Tax Commission

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.

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

Tobacco Enforcement

The Tax Commission has undertaken a variety of compliance and enforcement efforts in order to insure that all cigarette and tobacco taxes are being accurately reported and paid. These efforts include, but are not limited to:

- Assessed over \$443,00 on taxes owed but not paid from purchases of cigarette products over the internet since the project began in October 2005;
- Increased compliance and enforcement efforts of Oklahoma's cigarette and tobacco tax laws with additional staff. Over the past year, cigarette tax collections increased \$19.8 million while, according to statistics, overall smoking has decreased.
- Established a phone hotline in 2005 in which wholesalers may report violations of cigarette and tobacco laws. The OTC continues to use this resource as one of its primary ways to identify violators of the state's tobacco laws.
- Responded to more than 50 tips and leads on wholesalers and retailers over the last year. More than 90% of those investigations have resulted in seizures on cigarettes and other tobacco

FY-2011 EXECUTIVE BUDGET

products from 45 businesses in Oklahoma and Texas;

- Conducted compliance inspections on several cigarette & tobacco wholesale businesses statewide. Total confiscations of cigarette and tobacco from 2005-2008 were: 613 confiscations with an estimated retail value of \$1,253,171. In 2009 there were 214 confiscations with an estimated retail value of \$800,688.

State Treasurer

Notable Achievements

- During the first two years of the current administration, investment earnings for the General Revenue Fund were tripled – generating almost \$100 million during FY 2006 and almost \$150 million during FY 2007. For FY 2008, earnings are projected to be \$160 million;
- New investments in US Agency senior securities, which yield more than comparable US Treasury securities, enhanced earnings in FY 2007 by \$18.2 million. During FY 2008, US Agency investments were further diversified to include mortgage-backed securities. The increase attributable to this new strategy is projected to be \$22.8 million for FY 2008;
- Investment in highest-quality commercial paper for short-term liquidity will generate more than \$540,000 in additional income during FY 2008;
- Online trading was implemented during FY 2007 and expanded to include Agency issues in FY 2008. During FY 2007, online trading saved \$82,000. Savings will total \$440,000 during FY 2008;
- Two contracts renegotiated by Treasurer Meacham for banking services reduced the cost of banking services to the state by one-third or \$250,000 per year;
- By implementing several initiatives, including a “fast track” claims process, the amount of unclaimed property returned to its rightful owners has been greatly enhanced. In the past two years, the number of claims paid has jumped 52 percent and the amount of money returned has increased by 26 percent.
- The SEED for Oklahoma Kids initiative was launched in January 2008. The multi-year study, funded by the Ford Foundation, will measure the effectiveness of matching grants, totaling up to \$2 million, in encouraging low to moderate income households to save for

a child's education with the Oklahoma College Savings Plan:

- A restructuring of the investments of the Oklahoma Tobacco Settlement Endowment Trust Fund and negotiated reductions in investment fees will help the state realize a total added benefit of more than \$17.9 million over the next five years.
- Staffing within the treasurer's office has been reduced by 13.5 FTE in the past two years to save more than \$400,000 per year.

Mission

The mission of the State Treasurer's Office is to serve the people of Oklahoma and state agencies by providing sound financial services, reuniting citizens with their unclaimed property, and promoting economic development opportunities in a fiscally responsible and efficient manner while adhering to the highest professional and ethical standards.

Finding ways to save money and generate more income for the state is part of the culture in the State Treasurer's Office. Due to these efforts, taxpayers are realizing a benefit of more than \$116 million each year.

Investment Portfolio

The Treasurer directs the investment of approximately \$5 billion for the state's General Revenue Fund and for state agencies. Due to several initiatives designed to increase earnings while maintaining safety and liquidity, the treasurer has been able to maintain income levels from the portfolio during the falling interest rate cycle the economy as been experiencing.

Direct Deposit/PayCard Contract

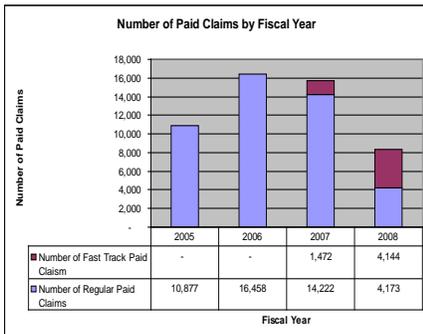
Legislation requested by the Treasurer's Office, effective July 1, 2007, requires all state employee pay be done with direct deposit. Employees that are unable to have a banking relationship can use a pay card. Annual savings, once fully implemented, will be approximately \$250,000 for state government.

Record Storage Efficiency

By eliminating the need to store paper records and moving to more electronic imaging, the Treasurer’s Office is saving approximately \$17,000 per year. In future years, savings will increase as the need for storage space continued to be reduced.

Unclaimed Property Division

The Treasurer’s Office maintains unclaimed funds for 350,000 Oklahomans. These funds total \$260 million. In the past two years, the number of claims paid has increased by more than 50 percent. A fast track claims process, implemented in March 2007, has resulted in the payment of more than 5,600 claims totaling \$1.3 million. Booths operated by Treasurer’s staff at the Oklahoma City and Tulsa state fairs have identified more than 7,600 Oklahomans with \$2.9 million in unclaimed property.



Security Improvements

Using funds saved through various efficiency projects, the office has reinvested \$370,000 to enhance security within its financial operations including upgraded hardware and software to help protect private bank account and social security numbers.

College Savings Plan

The Oklahoma College Savings Plan offers families the opportunity to plan and save for higher education expenses. There are several advantages:

- Oklahoma residents are eligible for an annual state income tax deduction of up to \$10,000 per taxpayer, \$20,000 per joint filing taxpayers;
- Earnings are tax free if used for educational purposes; and
- Students may go to the post-secondary institution of their choice in Oklahoma or in other states.

Since its inception in April 2000, more than 37,000 Oklahomans have opened College Savings Plan accounts totaling \$285.3 million in assets. This represents an increase in assets under management of 115 percent since July 2005.

Tobacco Settlement Endowment Trust Fund

The Oklahoma Tobacco Settlement Endowment Trust Fund permanently invests a majority of Oklahoma’s share of the National Settlement Agreement. Investments are controlled by a board of investors, chaired by the Treasurer and staffed by the Treasurer’s Office.

- In early 2007, the board made a change in investment policy to generate \$12.7 million in additional income during the next five years while protecting the fund for generations to come. The changes generate more cash and ensure the value of the fund will continue to grow faster than inflation.
- In the first year after the investment policy was changed, the board of investors certified \$10.3 million for expenditure. This reflects a \$3.5 million or 52 percent increase from the previous year.
- The Treasurer also renegotiated all investment contracts to generate an additional \$5.2 million – reflecting a 27.5 percent reduction in fees – during the next five years.

FY-2011 EXECUTIVE BUDGET

- The total benefit is more than \$17.9 million for spending on programs to improve the health of Oklahomans.

The trust fund currently contains \$382 million.

Oklahoma Lottery Commission

The Oklahoma Lottery Commission is governed by a seven member Board of Trustees appointed by the Governor with the advice and consent of the Senate. Proceeds from the lottery are used to pay prizes to the players, commissions to the lottery retailers, costs of creating and maintaining a gaming system and to fund the Commission's operating costs.

The State appropriated one-time funding of \$500,000 to cover costs associated with starting the lottery in FY-05 and FY-06. These funds were repaid to the State in FY-07, and through December of 2007, the Lottery has provided more than \$160 million to the State to benefit education in Oklahoma.

Oklahomans who enjoy playing the lottery can choose from several fun and entertaining games: Scratcher / Instant tickets where the players scratch a ticket to see if they are a winner, and several online games where the player chooses numbers, or has the gaming system choose numbers for them, and waits until the next drawing to see if they are a winner. The online games offered by the Lottery are Pick 3 (sales started November 10, 2005), Powerball (sales started January 12, 2006); Cash 5 (sales started September 1, 2006) and Hot Lotto (sales started January 3, 2008).

All net proceeds from the Oklahoma Lottery Commission benefit Oklahoma education.

The Oklahoma Health Care Authority (OHCA)

Notable Achievements

- **Record enrollment**

More than 825,000 or 22 percent of all Oklahomans were enrolled in SoonerCare at one point during state fiscal year 2009.

- **Successful implementation of Medical Home model of care**

A patient-centered medical home primary care delivery system was implemented Jan. 1, 2009. The system provides SoonerCare Choice members with a comprehensive, coordinated approach to primary care, which in turn leads to improved quality and lower medical costs. Members have access to enhanced care coordination, communications, appointment availability and education to help them navigate their health care system.

- **Pay for performance implemented**

To compliment the medical home delivery system, a new method of reimbursement was designed to incorporate a managed care component with traditional fee-for-service and incentive payments. For providing these enhanced services and supportive infrastructure, primary care providers are prepaid a monthly care coordination fee for each panel member enrolled. The performance-based component, called SoonerExcel, recognizes the PCPs achievement of quality and efficiency goals. The annual budget for SoonerExcel incentive payments is \$4.2 million; payments totaled \$614,273 for January through June 2009.

- **Insure Oklahoma coverage expansion approved**

Insure Oklahoma is a premium assistance program which makes affordable health coverage available to adults throughout the state. In 2009, OHCA's federal partner, the Centers for Medicare & Medicaid Services (CMS) approved two long-awaited expansions to the program.

- **All Kids Act**

In May 2007, the Oklahoma State Legislature passed the "All Kids Act" (56 O.S. 1009.2) which established a one-time \$8 million set-aside within tobacco tax collections. It was estimated that 20,000 children could be served with those funds. In Aug. 10, 2007, the OHCA submitted an expansion request to CMS. In late December 2009, CMS approved the change which will allow children under age 19, in families with workers from any size business, and whose household earns from 185 percent of the Federal Poverty Level (FPL) up to and including 300 percent FPL. Children will be served by the Insure Oklahoma Employer Sponsored Insurance (ESI) or Individual Plan (IP) program. Children in ESI will receive coverage through their family's private insurance plan. ESI will subsidize a portion of the family's premium costs. Children in IP will receive coverage through the state-operated Individual Plan network and benefit plan.

- **Additional adults**

OHCA had also submitted a waiver amendment to expand coverage to additional adults populations. The agency also received that approval in late December 2009. The expansion would include uninsured adults up to and including 250 percent of the FPL. Two new eligibility groups can be added to Insure Oklahoma, providing coverage for foster parents regardless of employer size and employees of not-for-profit businesses with up to 500 employees. These two groups include the uninsured with incomes up to and including 250 percent of the FPL.

Mission

The mission of the Oklahoma Health Care Authority is to purchase state and federally funded health care in the most efficient and comprehensive manner possible and to study and recommend strategies for optimizing the accessibility and quality of health care.

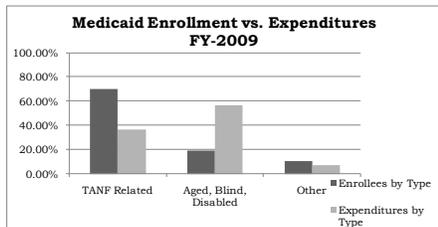
The appropriation to the Health Care Authority has grown from 6.74% of total

FY-2011 EXECUTIVE BUDGET

appropriations in FY-2000 to 10.03% of total appropriations in FY-2010. OHCA's FY-2010 operational revenues and total expenditures include:

Revenue Source	FY-10
General Revenue Fund	\$581,040,412
Special Cash or Prior Year	\$58,146,080
245 Fund Transfer	\$32,995,945
Carryover	\$23,404,558
Tobacco Settlement Funds	\$24,150,000
Tobacco Tax Revenue	\$90,596,627
Quality of Care Fund	\$51,540,524
Drug Rebates	\$120,237,784
Supplemental Drug Rebate	\$7,337,189
Medical Refunds	\$31,032,295
Other State Agencies	\$345,842,602
Other Revenue	\$7,646,763
Federal Stimulus Funds	\$316,460,502
Federal Medicaid Funds	\$2,765,432,807
Total	\$4,455,864,089

The following chart shows Medicaid enrollment by categorical type compared to Medicaid expenditures by categorical type. It is significant that the Aged, Blind and Disabled category comprises only 19% of Medicaid recipients by type but accounts for 57% of total Medicaid expenditures. Therefore, a minority of Medicaid recipients account for the majority of the expenditures.

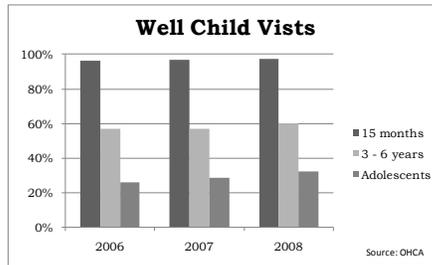


Key Performance Measures

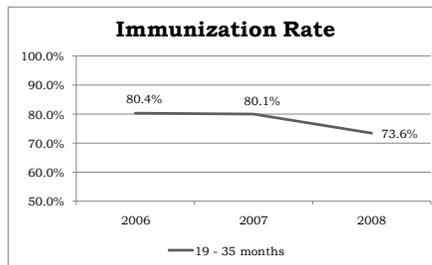
The percentage of Oklahomans enrolled in Medicaid at some point during the year is a key measure because it indicates the percentage of the uninsured population receiving healthcare services. Otherwise, they would join the ranks of the uninsured whose uncompensated care costs must be absorbed by our state hospitals. In FY-

2009, 22.65% or more than 1 in 5 Oklahomans were enrolled in SoonerCare or Insure Oklahoma at some point in the year. This was up from 21.9% in FY-2008 and 21.5 % in FY-2007.

An important measure of personal responsibility and access to preventive services is the number of “well child visits” with primary care physicians for both young children and adolescents. The percentage of children age 15 months enrolled in Medicaid who saw their physician for a well child visit during the year was 97.3% during 2008 (the most recent year for which data is available). Among children age 3-6 the percentage of well child visits was 60% during 2008 and 32.1% for adolescents.



The percentage of children who have received up-to-date immunizations was 73.6% in 2008. The long term goal for childhood immunizations is 90% by 2010.

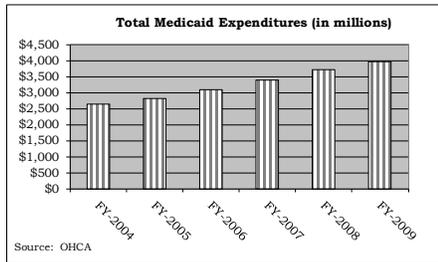


Service Delivery Systems

Medicaid services are delivered through two delivery systems in FY-2010. Both delivery systems pay private health care providers to deliver services to Medicaid recipients. One

delivery system is the traditional fee-for-service system. The other is the SoonerCare Choice program which is a managed care program providing “capped” payments to physicians for basic services and patient management under Title 56 Oklahoma Statute Section 1010.1(B).

With each of these programs, the agency is responsible for setting compensation levels, specifying what services are covered and contracting with providers to deliver the services.



Eligibility Determination

The Oklahoma Department of Human Services conducts eligibility determinations for Medicaid.

Insure Oklahoma Update

The Insure Oklahoma program makes affordable health coverage available to Oklahomans who are uninsured or at risk of losing their coverage due to high premium costs. The state share of Insure Oklahoma’s costs comes from the states’ tobacco tax revenues.

During FY-09, Insure Oklahoma extended coverage to include full-time college students ages 19 to 22 who meet the income qualifications. As of June 2009, 30 college students were covered under Insure Oklahoma.

The Insure Oklahoma Employer Sponsored Insurance (ESI) plan is designed to assist Oklahoma small business owners in purchasing health insurance on the private market for their income-eligible employee at or below 200 percent of federal poverty level. In March 2009, the number of

employees a qualifying business can have was raised from 50 to 99.

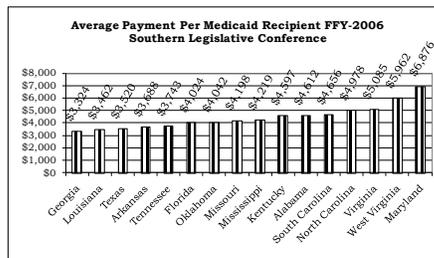
Economic Impact and Cost Drivers

Direct and Indirect Impact of Medicaid Spending

Health care services are a substantial economic presence in Oklahoma. The health care sector affects the economy in much the same way a manufacturing plant does by bringing in money, while providing jobs and wages to residents. During FY-09 for every 1\$ in state dollars spent Oklahoma receives \$2.99 in federal dollars available for direct medical services and administrative costs. Health care businesses, in turn, have an additional impact through the purchases of technology and services. The \$3.9 billion in Medicaid expenditures for FY-2009 is estimated to have supported 138,900 direct and indirect jobs within the health care industry and generated \$3.8 billion in income to Oklahomans. Increased business activity and increased tax collections are also a significant part of the economic impact of Medicaid spending.

Expenditures per Recipient

While health care costs across the board continue to increase, Oklahoma is one of the most effective states in the region in controlling per recipient costs according to the Southern Legislative Conference’s (SLC) most recent data. Only Georgia, Arkansas, Texas, Louisiana and Florida had lower average per recipient payments in Federal Fiscal Year 2006 than Oklahoma.



Enrollment, Utilization and Covered Services

Other cost drivers for health care are the enrollment volume, utilization and covered services. As the total volume of enrollment increases and more people have access to medical care, expenditures go up. In addition, an increase in the average number of services or prescriptions per recipient also drives costs. The total array of covered services is the third cost driver of Medicaid costs. When making funding decisions for the state Medicaid budget, all these factors must be taken into account.

The Department of Health

Notable Achievements

• Oklahoma Health Improvement Plan

The Department of Health completed the Oklahoma Health Improvement Plan completed in December 2009. The Oklahoma Health Improvement Plan addresses improving health outcomes through targeted "flagship initiatives" of children's health improvement, tobacco use prevention, and obesity reduction. The plan also looks at the complex issue of increasing the public health infrastructure's effectiveness and accountability.

• H1N1 Response

In 2009 the Oklahoma State Department of Health (OSDH) led the state's response efforts for the H1N1 pandemic. The agency activated its emergency response incident command system and began coordinating efforts with local, regional, state, tribal and federal response partners. As part of this effort, OSDH implemented heightened surveillance statewide and, upon identification of the virus within Oklahoma, led response efforts centered on influenza laboratory testing and public health and medical system coordination. Once shipments of H1N1 vaccine were initiated, OSDH directed vaccine distribution through numerous public health and school-based clinics to provide vaccinations to those priority groups most at risk for serious medical complications. As additional vaccine became available throughout the fall, OSDH worked with local health departments and medical providers to promote and deliver H1N1 vaccine in locations across Oklahoma, while maintaining heightened influenza surveillance and medical system impact monitoring.

• Public Health Emergency Preparedness

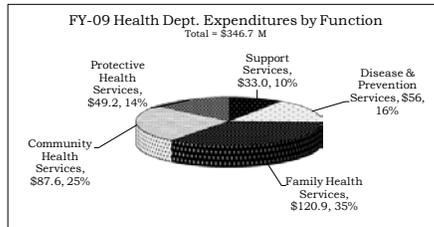
In December 2009, The Trust for America's Health (TFAH) recognized Oklahoma as one of only seven states to score 9 out of 10 points used to measure public health emergency preparedness. No state was awarded all ten points. Oklahoma was recognized for its achievements in hospital

bed data reporting; state public health laboratory capability; disease tracking, monitoring and reporting; capabilities related to identification of food-borne pathogens; Medical Reserve Corps readiness; requirements for licensed child care facility disaster planning; maintenance of public health funding; and establishment of liability protections for entities engaged in disaster response operations.

Mission

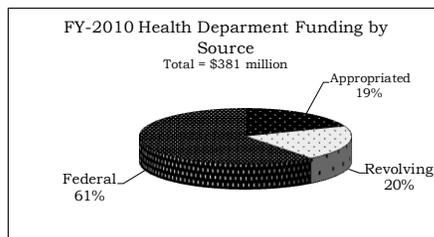
The mission of the Department of Health is to promote, protect and improve the health of all Oklahomans through strategies that focus on preventing disease and injuries. Local health service delivery is accomplished by approximately 2,200 employees located at 68 county health departments throughout the state.

Poor health behaviors and lifestyle choices by Oklahomans pose a significant challenge for the Department when seeking ways to improve the public's health outcomes.



Funding

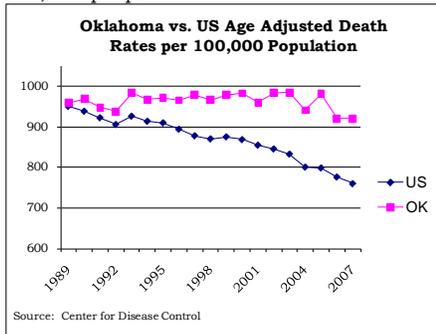
The three sources of funding for public health programs are state appropriations, revolving funds and federal funds. The following pie chart shows FY-2010 funding by source.



Health Status in Oklahoma

The Board of Health State of the State’s Health Report has reached the conclusion for several years that the ‘State of the State’s Health’ is unacceptable and that remains the case. Oklahomans continue to die of heart disease, cancer, stroke, and chronic obstructive pulmonary disease at a greater rate than the rest of the United States.

The following chart, compiled from Center for Disease Control (CDC) data, shows that the age adjusted death rate (total mortality rate) in Oklahoma became greater than the national average in the late nineteen eighties and has continued to climb while the national average has dropped. In 2007, the most recent year for which data are available, there were 920 deaths per 100,000 people in Oklahoma, but the average for the U.S. was 760 deaths per 100,000 people.



In United Health Foundation’s State Health Rankings, 2009 edition, Oklahoma ranks 49th in overall health status among all states. This is a decrease from the last year when Oklahoma was ranked 43rd. Our highest rank in recent years was 40th in the 2004 report. In 1990, Oklahoma ranked 31st in overall health compared to other states, and in the intervening years Oklahoma has lost ground in terms of relative health status compared to other states. Oklahoma’s public health strengths include a low prevalence of binge drinking at 12.3 percent of the population and

strong public health funding at \$100 per person.

Challenges to Oklahoma’s public health include a high prevalence of smoking at 24.7 percent of the population, a high prevalence of obesity at 30.9 percent of the population, limited availability of primary care physicians with 80.7 primary care physicians per 100,000 population, a high rate of preventable hospitalizations with 90.3 discharges per 1,000 Medicare enrollees, many poor mental and physical health days per month at 4.0 days and 4.2 days in the previous 30 days, respectively, and a high rate of deaths from cardiovascular disease at 354.4 deaths per 100,000 population.

According the United Health Foundation, Oklahoma also has large health disparities. In Oklahoma, obesity is more prevalent among non-Hispanic American Indians at 36.6 percent than non-Hispanic whites at 28.2 percent. The prevalence of diabetes also varies by race and ethnicity in the state; 17.1 percent of non-Hispanic American Indians have diabetes compared to 9.0 percent of non-Hispanic whites.

Divisions of the State Department of Health

Family Health Services

Family Planning Services

County health departments and non-profit clinics provide family planning services to low-income women at risk for unwanted and mistimed pregnancies. Services include physical exams, contraceptive supplies, education and counseling and voluntary sterilization.

Child Abuse Prevention

Home visitation programs for low-resource mothers improve health indicators and parenting skills in an effort to avert child abuse, unwanted repeat pregnancies and other adverse outcomes.

Child Guidance Services

Diagnostic and short term treatment services for developmental, psychological,

speech, language and hearing problems for children are provided through county health departments.

Women, Infants and Children (WIC)

WIC is a federally funded program that provides nutritional education and coupons for selected items to pregnant women and children less than 5 years old.

Dental Health

Oral health screening and small scale treatment for children and nursing home residents is provided through contracts with dentists and dental hygienists.

Teen Pregnancy Prevention

Programs are aimed at lowering the number of teen pregnancies.

Disease Prevention Services

Newborn Metabolic Screening

All Oklahoma newborns are screened for various metabolic disorders.

Chronic Diseases

Screening, tracking, education and referrals for persons at risk for chronic diseases like cancer, diabetes, heart disease and high blood pressure are provided.

Communicable Diseases

Three primary areas of services are as follows:

- Immunizations
- Tuberculosis
- HIV/STD - surveillance and prevention

Community Health Services

County Health Departments

The Department of Health provides an array of services at the local level through 69 county health departments. Services include oversight for public health nurses, and community health workers, as well as local finance, budgeting and record keeping administration.

Protective Health Services

Long Term Care Services

Provides licensing and inspection of nursing facilities, assisted living centers, group homes and intermediate care facilities for the mentally handicapped and residential care centers.

Medical Facilities

Licensing and regulation of hospitals, ambulatory surgical centers, community health centers, home health agencies, hospices, etc. is provided by this division.

Consumer Health

Barbers, cosmetologists, licensed counselors, hearing aid fitters and the alarm industry are regulated.

Restaurant and Motel Inspections

Sanitarians working for the state/county health departments inspect these facilities.

County Jail Inspections

These inspections ensure compliance with minimum safety and inmate welfare standards.

Department of Mental Health and Substance Abuse Services (ODMHSAS)

Notable Achievements

Jail Diversion Programs: Investment in criminal justice programs continued to provide great value to Oklahoma taxpayers. For example, for Oklahomans receiving treatment through drug court as opposed to spending time in a correctional facility, they were 63% less likely to be re-arrested than successful standard probation offenders and 131% less likely to be arrested than released prison inmates. They experienced an 86.2% decrease in unemployment and a 48.8% increase in participants who had children living with them as opposed to placement in the child welfare system.

Promoting Quality and Efficiency: The agency won multiple awards at the state's quality team day, including recognition for developing protocols to maximize Medicaid participation delivered by ODMHSAS providers, implementation of an online resource center available to Oklahomans, and an electronic approval process of agency personnel actions (OPM-92's).

Oklahoma Received a "B" in 2009 NAMI report: Oklahoma's mental health system received a "B" in the 2009 NAMI Grading the States Report. The grade represented a two grade improvement from the "D" received in 2006, the biggest improvement of any state. Oklahoma was only one of six states to receive a "B", the highest grade awarded in the report.

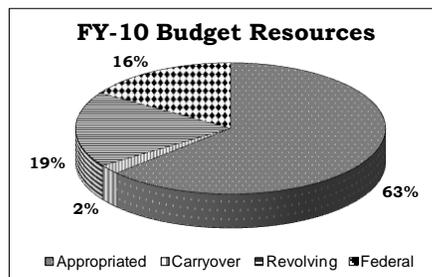
Mission

The Mental Health Law of 1953 established the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS), although publicly supported services to Oklahomans with mental illness date back to early statehood.

The agency's mission is to promote healthy communities and provide the highest quality care to enhance the well being of all

Oklahomans. Today, the two principal realms of ODMHSAS activity are mental health and substance abuse.

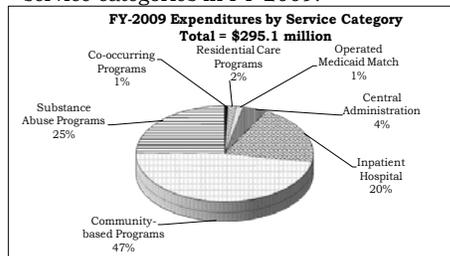
State appropriations are the largest single source of revenue for ODMHSAS services, as seen in the chart below. In FY-2010, expenditures from appropriated funds amounted to 63% of total expenditures equaling approximately \$316 million.



Source: Office of State Finance

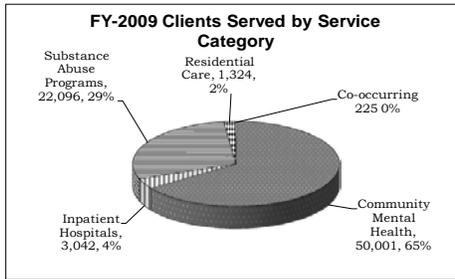
Comparison of Clients and Expenditures

In FY-1999, 33.5% of the agency's total expenditures were for state-operated inpatient psychiatric hospitals which served 3.9% of the clients. Since that time, the agency has focused on shifting to community based services. Illustrative of the shift in service delivery to community based services, the hospital portion of total expenditures for FY-2009 dropped to 20% of the total. About 65% of all clients served and 47% of all expenditures were for community based mental health services during FY-2009. The chart below represents expenditures for all major service categories in FY-2009.



Source: Office of State Finance

The next chart provides a similar breakdown of the FY-2009 clients served by similar categories.



Services Provided

In FY-2009, the Department provided services to:

- 50,001 persons through community mental health services;
- 23,042 persons through psychiatric hospitalization;
- 22,096 persons through substance abuse treatment;
- 1,324 persons through residential care services; and
- 154 persons with co-occurring disorders.

Community mental health services include:

- Community-based treatment,
- Case management, and
- Acute inpatient care.

Programs for individuals dependent on alcohol or other drugs include:

- Outpatient counseling, and
- Extended residential treatment.

Community-based programs for victims of domestic violence or sexual assault provide:

- Safe shelter,
- Advocacy, and

- Counseling services.

ODMHSAS also actively supports prevention programs to reduce the occurrence of substance abuse, violence and other harmful behaviors among young people.

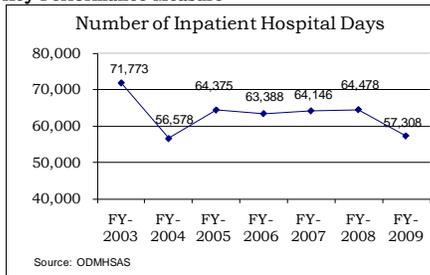
Continued Implementation of Best Practices

Service approaches designed on best practices ensure that Oklahomans who need these services will receive them in a timely and culturally competent manner that promotes prevention, recovery and an increased quality of life.

Clients who receive best practice services have:

- Fewer inpatient hospital days,
- Fewer days in jail,
- More days in school or at work engaged in productive activities,
- Fewer crisis episodes, and
- Less contact with law enforcement.

Key Performance Measure



Community-Based Mental Health Services

Public policy now focuses on placing persons with mental illness in the most appropriate environment possible for ongoing care and treatment. Service providers, advocates and family members agree that placement in the "community" where persons with mental illness are

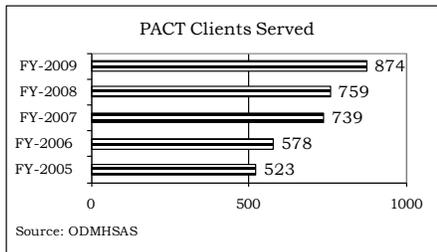
closer to family and friends, provides the best atmosphere for success.

Today, due to the advent of psychotropic medications, improved therapeutic methods and an increase in non-hospital resources, this public policy is a reality.

Program for Assertive Community Treatment (PACT)

Oklahoma is a leader in the development and implementation of this service delivery model. It is outreach-oriented and designed for adults with severe and persistent mental illnesses. Using a 24-hour a day, 7 days a week approach, PACT teams deliver comprehensive community treatment, rehabilitation and support services to consumers in their homes, at work and in community settings. The result of this service delivery system is a dramatic drop in inpatient hospital days and jail days for these clients.

The following chart shows the growth in the number of adults with severe and persistent mental illness who are served in this program.



Drug Courts

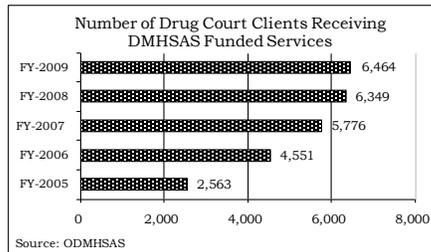
Drug court graduates are less likely to be rearrested than those on traditional probation or those who have gone to prison and are on parole.

According to ODMHSAS:

- The re-arrest rate after four years for drug court graduates is 23.5%;
- The re-arrest rate for traditional probationers is 38.2%; and

- The re-arrest rate for prison parolees is 54.3%.

The cost of drug courts is also dramatically less expensive than incarceration at \$5,000 per year per person vs. \$19,000 per year per person in the prison system.



New Generation Medications

Remarkably effective medications are now available for the treatment of mental illness. These newer generation medications are considered an essential treatment for mental illnesses such as schizophrenia, bipolar and major depressive disorders. When a person with severe mental illness is successfully stabilized with appropriate medication and community supports, it leads to a decrease in inpatient hospital days. The savings created by this decrease constitutes part of the funding the agency has shifted to the purchase of these medications.

The Governor and the Legislature support ODMHSAS in its commitment to new generation medications by providing funding specifically earmarked for purchase of these drugs. For FY-2008, a total of \$6.5 million was budgeted for this purpose. In addition to appropriated funding, pharmaceutical firms donate almost \$35.7 million worth of new generation medications for use in treatment of mentally ill patients.

Community Mental Health Centers

Oklahoma has 20 mental health service areas covering the state. In each area, a publicly supported community mental health center (CMHC) serves as the primary access point for the non-Medicaid, publicly funded mental health services. Most

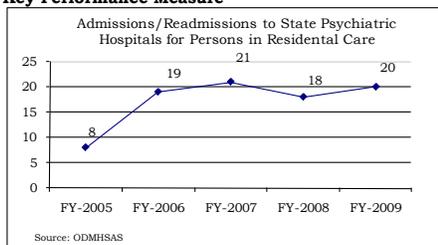
CMHCs have satellite offices or other specialized programs within their service areas. These centers provide the following services to assist adult mental health clients in the community:

- Emergency intervention
- Assessment
- Counseling
- Psychosocial rehabilitation
- Case management
- Community support services

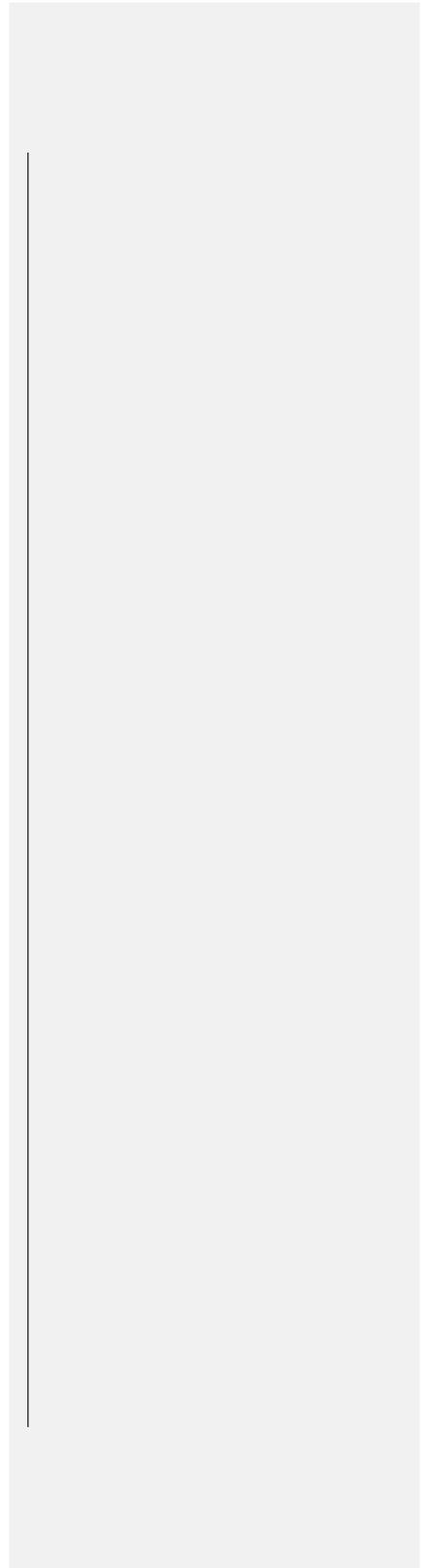
CMHCs also provide therapeutic services for children who are demonstrating symptoms of emotional disturbance. Five CMHCs are state operated, while the others are private non-profit organizations contracting with ODMHSAS.

The Department funds social and recreational services for individuals with mental illness who live in residential care facilities. Support for certain other community-based services, such as assistance for mentally ill individuals who are homeless is also provided. An important outcome for persons with mental illness who live in residential care facilities is their ability to sustain themselves within a community based setting and avoid costly inpatient treatment.

Key Performance Measure



FY-2011 EXECUTIVE BUDGET



Department of Central Services

Notable Achievement

- *Successfully installed new computer systems for fleet management, allowing for the complete inventorying and monitoring of expenditures associated with vehicles in the state's fleet.*
- *Implemented a new printing system to improve job costing and tracking of expenditures associated with the state's printing operation.*
- *Completed several deferred maintenance and repair projects within the Capitol complex. Also began the process to identify and repair the significant water damage to the Transportation, Denver Davidson and Thorpe buildings.*

Main Duties/Responsibilities

The Department of Central Services provides a wide variety of support services to state agencies and other governmental entities.

Fleet Management regulates the acquisition, lease, operation, maintenance, repair, and disposal of the vehicles required for state agencies.

State Leasing administers the leasing and space management of property for all state agencies and institutions. Facilities Services operates and maintains seventeen buildings; the total space managed is approximately two million square feet.

Multi-State Cooperative Purchasing Agreements

Current Purchasing Agreements:

Pharmaceutical purchases for the Department of Corrections, Health Department, Department of Mental Health, as well as other state and county agencies, are through the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). The combined purchasing volume for the 44 member states, plus the cities of Chicago and Los Angeles, for

contract year 2005/2006 is over one billion dollars with Oklahoma accounting for over \$19 million on contract purchases. MMCAP distributes, based on percentage of total sales, \$3 million in drug credits to participating state facilities. Oklahoma received \$57,212 in credits for this reporting period. MMCAP is an excellent example of combining state spend to become a viable force in the marketplace.

Other multi-state opportunities include contracts of MRO supplies, Satellite Phones, Personal Computers, Hazardous Equipment Response Equipment and Automated External Defibrillators (AED) for which Oklahoma is the lead state.

Statewide contracts

The continued expansion of statewide contracts has simplified the acquisition of supplies and services in more than 125 areas. Statewide contracts provide greater convenience, simplified procedures, and significantly reduced administrative costs to the State. The ease of use of these contracts also reduces the need to carry additional inventories, as products can be quickly and easily acquired. Competitively bid statewide service contracts eliminate the need for agencies to draft and solicit for services and items commonly purchased among state agencies.

The recently added Office Products Portal provides a 61% discount to State users for disposable office products and has greatly increased our ability to assure State Use compliance while providing a one stop order process that has simplified the lives of our users.

DCS has also entered into a statewide auto rental contract and will soon release a trip calculator.

Fleet Management

Fleet Management provides vehicles, repair services, and fuel to state agencies at a cost lower than the private sector. Fleet Management continues to assess the State's vehicular needs and requirements to identify savings to the State.

Horse Racing Commission

Mission

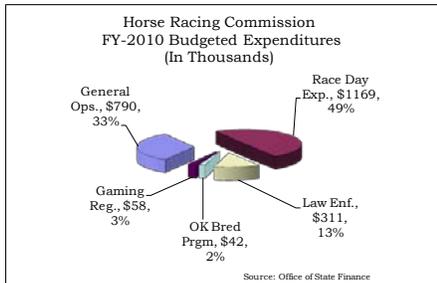
The Oklahoma Horse Racing Commission (OHRC) encourages agriculture, the breeding of horses, the growth, sustenance and development of live racing, and generates public revenue through the forceful control, regulation, implementation and enforcement of Commission-licensed racing and gaming.

Below are the three Commission-license racing facilities and two gaming facilities regulated by the Commission.

- Remington Park in Oklahoma City; (Racing and Gaming);
- Will Rogers Downs in Claremore; (Racing and Gaming); and
- Fair Meadows at Tulsa (Racing Only).

Blue Ribbon Downs in Sallisaw (Racing and Gaming) closed in 2009.

The Commission's budget consists of state and revolving funds. For FY-2010, state appropriated dollars were 55% of the Commission's total budget funding. The following graph shows the agency's expenditures for FY-2009.



Gaming Regulation

Beginning with FY-2006, the Commission began regulation of gaming at racetrack facilities. Adjusted gross revenue from gaming activities fund education, grow race purses and to organization licensees. For

January 2009 through November 2009, \$12.3 million has been delivered for education in the State of Oklahoma.

Gaming agents have been hired to regulate gaming activities at the racetracks. Their responsibilities include checking the backgrounds of all gaming employees, gaming laboratories, vendors, manufacturers, distributors and racing facilities that have gaming activities.

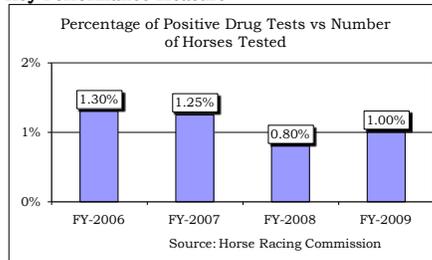
With the addition of gaming, racetracks are required to maintain a certain number of race days in order to continue operating a gaming facility. This requirement creates an increase in the number of race days.

Racetrack Regulations

The Commission employs three stewards at each racetrack to oversee racing activities. The stewards determine the winners of each race and conduct hearings concerning rule violations.

Official veterinarians, also employed by the Commission, collect urine and blood samples for drug tests in winning horses. Alleged violators are notified to appear at a hearing before the stewards and can be fined and/or receive license suspensions.

Key Performance Measure



The Commission also provides the following services at racetracks:

- Law enforcement agents who conduct investigations and present evidence at hearings;

- Licensing personnel who issue occupation licenses to participants; and
- Horse identifiers who verify before the race that horses are actually the horses entered to race.

Oklahoma-Bred Horse Program

Since 1983, the Commission has registered 85,786 horses as accredited Oklahoma-bred horses. The Program provides incentives for horse owners to invest in farms, horse facilities, veterinary services, horse trailers, etc.

The program provides incentives for breeders and owners to produce accredited Oklahoma-bred horses. High quality bred horses increase the quality and competition of racing which attracts more race fans and breeders to the state.

Funding for the Oklahoma-Bred Program comes from:

- Racetrack Breakage (odd cents after calculations on wagers are made);
- Unclaimed tickets from wagering;
- A percentage of pari-mutuel tax;
- Program registration fees; and
- Funding from gaming activities.

The following chart shows overall days allotted for racing, as well as the number of Oklahoma-Bred Horses registered during CY-2003 through CY-2009.

Horse Racing Data							
	CY-2003	CY-2004	CY-2005	CY-2006	CY-2007	CY-2008	CY-2009
Race Days Allotted	202	188	192	264	265	265	238
Oklahoma-Bred Horses Registered	2636	2775	2517	2879	2726	3091	2114
Oklahoma-Bred Claim Checks Issued	5443	5975	4626	5133	7967	8526	7270

Human Rights Commission

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

The Commission consists of two distinct functional divisions - Enforcement and Compliance, and Community Relations. The Community Relations Division provides outreach and educational services.

The Enforcement and Compliance Division receives, processes, and investigates complaints of discrimination in the areas of employment, housing, and public accommodation. To resolve complaints, the Commission contracts with the Equal Employment Opportunity Commission (EEOC) and Housing and Urban Development (HUD). Under these contracts, complaints of discrimination are resolved in compliance with the policies and procedures of EEOC and HUD. Through these contracts, the Human Rights Commission receives training on EEOC and HUD policies and procedures.

During FY-2008, the Commission resolved 202 employment discrimination complaints and 60 housing discrimination complaints.

Merit Protection Commission

Notable Achievement

- Captured administrative law hearings on digital recording, both audio and video.
- Settlement of disputes through Alternate Dispute Resolution rose to 87%, the highest settlement percentage over the past five years.
- Certified six new volunteer facilitators through the Supreme Court Mediation Program to serve in the Commission's Alternative Dispute Resolution Program.
- Certified one investigator through the United States Equal Employment Opportunity Commission.

Mission

The Commission serves the State of Oklahoma Executive Branch by providing quasi-judicial programs in accordance with the Administrative Procedures Act and Oklahoma Personnel Act to protect employees' constitutional due process rights and to shield the state from costly litigation in state and federal court.

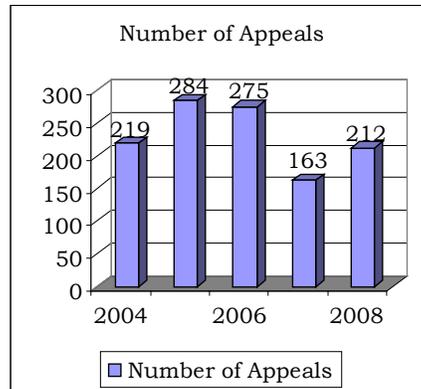
The agency's mission is to design, implement, and enforce a dispute resolution system for state employees. This system is comprised of training, consultation, investigation, mediation, and adjudication to protect the integrity of the personnel system.

In addition, the Commission provides Alternative Dispute Resolution Programs and manages the state Grievance Program. These components focus on problem solving and dispute resolution to enhance the state workplace and indirectly improve productivity.

These programs serve the people of Oklahoma by promoting effective human resources management and ensuring legal practices are followed in state government.

Appeals

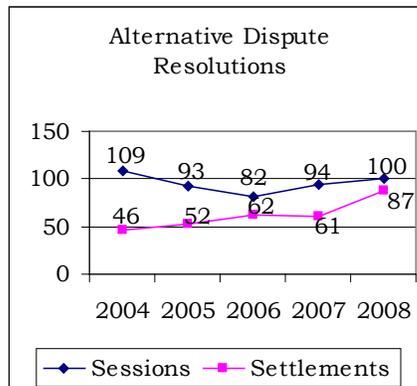
The chart below shows the total number of appeals filed with the Merit Protection Commission over the past five fiscal years.



Alternative Dispute Resolution

The Commission's Alternative Dispute Resolution Program exists in two primary forms: Negotiation Conferences and Mediations.

The chart below displays the number of Alternative Dispute Resolution sessions and the resulting settlements.



FY-2011 EXECUTIVE BUDGET

The gap between the sessions and the settlements has continued to close over the past fiscal years. This continued success hinges on proper recruitment and training of volunteer mediators.

Grievance Management

The Commission is committed to helping employees and agencies resolve conflict at the lowest level possible through the internal grievance management program. By rule appeals of most alleged violations must first go through the internal grievance system before being appealed to the Commission. In FY 2008, agencies reported a total of 238 grievances.

Office of Personnel Management

Notable Achievements

- Prepared the FY-2009 OPM Annual Report and Workforce Summary. The report indicates that 72.5% of the state workforce is in the classified service and 27.5% is in the unclassified service; the average age of the workforce is 46.4 years, with 30.8% between the ages of 50-59; the average years of service 11.6.
- Issued the FY-2008 Equal Opportunity/Affirmative Action Status Report for Oklahoma State Government. In FY- 2008, women constituted 57.5% of the state workforce compared to 56.4% in FY-2007, and ethnic minorities constitute 21.4%, compared to 21.5% in FY-2007.
- Issued the 2009 Annual Compensation Report, indicating the state classified service workforce continues to trail the competitive labor market by 15.47%, down from 16.12% the previous year. Turnover decreased slightly to 13.2% from 14.1% the previous year.
- Issued the FY-2008 Pay Movement Mechanism Report, indicating 69 agencies spent approximately \$28.03 million in Calendar Year 2008 for 15,767 employees, compared to Calendar Year 2007 in which approximately \$4.34 million was spent for 7,281 employees. Five agencies, the Department of Transportation, Department of Corrections, Department of Human Services, Department of Environmental Quality, and the Oklahoma Health Care Authority account for 78%, or approximately \$21.84 million, of the CY-2008 PMM expenditures for 12,147 employees.
- Beginning in September, 2008, OPM began using the Training Administration functionality of the

PeopleSoft HRMS to schedule workshops and enroll participants. From inception through June 30, 2009, OPM scheduled 305 sessions with 6,634 participants utilizing Training Administration functionality.

- The OKCAREERS web-based employment application, applicant tracking testing and certification system for filling vacancies in the classified service which was implemented in January, 2008, continued to show benefits to applicants, agencies and OPM itself in FY 09. Job applicants, agency HR staff and OPM itself continued to reap benefits from the new system. By allowing applicants to apply directly online for jobs listings created by agency HR staff, OPM received 129,706 applications and 3,156 requisitions from state agencies resulting in the hiring of 2,576 new state employees.
- In FY-2009, OPM concluded an agreement with the Oklahoma Employment Services Commission to provide on-site electronic testing at five local offices of the OESC: Tulsa, Lawton, McAlester, Altus and Clinton. Although the sites were not completely trained and operational until the Summer of 2009, this partnership already has allowed 404 job applicants to test at sites in their communities while also receiving their examination scores immediately upon completion of Merit tests in FY-2009.
- OPM completed Phase I of the move toward a paperless environment. All 47,916 state employee files were scanned and cycled through a quality control process. Phase II, which involves imaging the cards containing historical information for all personnel transactions dating prior to July 1, 1985, is in process. State employee files can now be accessed electronically by the OPM Management Services Department, Classification Division, and

FY-2011 EXECUTIVE BUDGET

reviewed by designated agency HR personnel or upon direct requests by employees. New documents are scanned upon receipt to maintain the most up-to-date information available.

OPM provides recruitment and referral services for state agencies, maintains a classified system of employment, approves and reviews agency Reduction-In-Force (RIF) proposals, and assists with affirmative action program needs. OPM provides many different management training and development opportunities, including the Carl Albert Public Internship Program, a Certified Public Manager Program, the Quality Oklahoma Program and the State Personnel Interchange Program.

**Current Studies:
OPM Annual Report and
Workforce Summary**

The State of Oklahoma employs 37,672 employees in 128 agencies, boards and commissions, with a presence in all 77 counties.

State Employee County Residence					
County	Employees	County	Employees	County	Employees
Adair	105	Grant	53	Nowata	38
Alfalfa	181	Greer	197	Okfuskee	216
Atoka	317	Harmon	40	Oklahoma	10,346
Beaver	40	Harper	141	Okmulgee	234
Beckham	127	Haskell	86	Osage	266
Blaine	95	Hughes	144	Ottawa	318
Bryan	229	Jackson	248	Out of State	75
Caddo	203	Jefferson	58	Pawnee	149
Canadian	1,268	Johnston	94	Payne	503
Carter	519	Kay	208	Pittsburg	949
Cherokee	340	Kingfisher	127	Pontotoc	345
Choctaw	129	Kiowa	172	Pottawatomie	818
Cimarron	22	Latimer	232	Pushmataha	244
Cleveland	3,386	Le Flore	452	Roger Mills	29
Coal	105	Lincoln	406	Rogers	647
Comanche	830	Logan	349	Seminole	198
Cotton	55	Love	69	Sequoyah	262
Craig	522	Major	71	Stephens	317
Creek	365	Marshall	121	Texas	118
Custer	378	Mayes	615	Tillman	152
Delaware	185	McClain	516	Tulsa	2,528
Dewey	37	McCurtain	298	Wagoner	259
Ellis	50	McIntosh	229	Washington	201
Garfield	836	Murray	385	Washita	137
Garvin	720	Muskogee	866	Woods	188
Grady	382	Noble	144	Woodward	388
				Total	37,672

OPM FY 2009 Annual Report and Workforce Summary

OPM FY 2009 Annual Report and Workforce Summary
Equal Opportunity/Affirmative Action
Status Report for Oklahoma State Gov't

Employees by Job Category and Percent		
Professionals	16,838	45%
Administrative Support	5,730	15%
Protective Service	3,961	11%
Paraprofessionals	3,029	8%
Technicians	2,729	8%
Service Maintenance	2,025	6%
Officials and Administrators	1,905	5%
Skilled Craft	874	2%
Totals	37,091	100%

117 state agencies prepared FY-2008 Affirmative Action Plans, which reflected the following 2007 state government workforce, ethnic minority, and female representation.

FY-2011 EXECUTIVE BUDGET

State Government Work Force Representation				
Race	Male	Female	Total	Percent
White	12,260	16,586	28,846	78.50%
Black	1,575	2,130	3,705	10.00%
Asian / Pacific Islander	275	371	646	1.80%
Amer. Indian/Alas. Native	1,108	1,500	2,608	7.30%
Hispanic	389	526	915	2.40%
Totals	15,607	21,113	36,720	
Percent of Totals	43.60%	56.40%		100.00%

Annual Compensation Report

The 2009 Annual Compensation Report concluded that state classified employee pay fell behind pay in the market by 15.47 percent as of the end of Fiscal Year 2009. As shown in the table below, the current market deficit improved a fraction of a percent (.65%) from last year, during which classified average pay lagged the market by double digit figures in each year except 2005. The latter year was an exception due to the two general pay increases totaling \$2,800 that were authorized by the Legislature in that year.

Year	State of Oklahoma Market % Difference		
	Oklahoma	Market	% Difference
2009	35,209	40,656	15.47%
2008	34,868	40,490	16.12%
2007	34,714	38,897	12.05%
2006	32,427	36,315	11.99%
2005	31,518	34,102	8.20%
2004	29,968	33,393	11.43%

OPM 2009 Annual Compensation Report

The Report also concluded that the overall turnover rate for the state's classified work force decreased slightly from the previous year, moving from 14.1 percent to 13.2%. The voluntary rate also decreased slightly from 11.7 percent to 10.4%.

Pay Movement Mechanism Usage Report

State agencies, without additional funding and from existing budgets, continue to utilize statutorily authorized pay movement mechanisms to address critical recruitment and retention workforce challenges. As the

table below illustrates, the overall usage of these mechanisms increased significantly from calendar year 2007 and calendar year 2008.

Pay Movement Mechanism Usage Report		
TITLE	CY 2007	CY 2008
LATERAL TRANSFER	\$23,073.10	\$219,374.83
CAREER PROGRESSION	\$1,439,820.06	\$5,832,430.39
PERFORMANCE BASED ADJUSTMENT	\$492,040.48	\$965,034.00
COMPLETION OF PROB/TRIAL PERIOD	\$124,313.29	\$827,114.12
EQUITY ADJUSTMENT	\$446,857.75	\$4,665,221.00
SKILL-BASED PAY ADJUSTMENT	\$225,856.57	\$204,555.25
MARKET ADJUSTMENT	\$1,590,758.06	\$15,325,497.18

OPM 2009 Annual Compensation Report

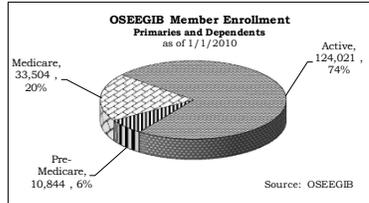
State & Education Employees Group Insurance Board (OSEEGIB)

Notable Achievements

- OSEEGIB completed its transition to a new health, dental, and life claims processor and claims processing system. With the advanced technology of the new system, more than 80% of claims are processed automatically with no manual intervention necessary. This is a significant increase over the automatic processing rate of 70% achieved by the previous system. OSEEGIB anticipates processing more than 90% of claims automatically by the end of 2010.*
- Implemented online claims filing for HealthChoice Network Dentists. Online claim submission is a much more efficient method of submitting claims. It significantly reduces processing errors and improves the turnaround time for claim payments. It also helps to reduce costs for providers by making it unnecessary to pay a clearinghouse to submit claims to OSEEGIB.*

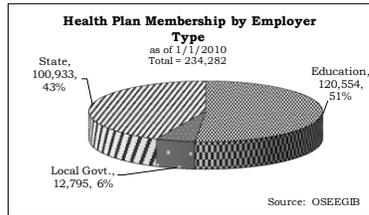
The Oklahoma State & Education Employees Group Insurance Board provides self-funded insurance plans to state, education, and local government employees as well as their dependents and survivors. The plan is a self-insured health, dental, life and disability program, which is actuarially rated to provide premiums adequate to meet the payment of all claims, administrative expenses and any change in reserve estimates.

OSEEGIB health insurance plans are open to state, education, and local governments. These plans are also available to retirees provided the retiree elects to participate prior to retirement.

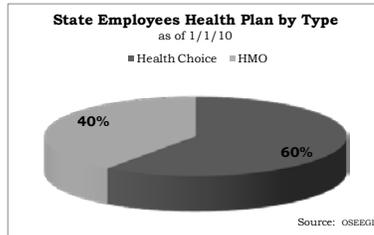


Each of these enrollment categories has a different cost structure. For example, pre-Medicare retirees are generally in their mid-50s through 64 years of age and experience greater medical costs. Medicare retirees have greater total medical costs; however, Medicare covers a part of the cost. By law, the costs for the pre-Medicare and active members must be combined to produce a uniform premium for both categories.

The following graph shows that the primary beneficiaries are education employees and their dependents.



Members have a choice of health insurance plans. All members may enroll in HealthChoice, which is the state offered preferred provider option (PPO). In 2010, there were 21,996 state employees enrolled in HealthChoice and 14,720 state employees enrolled in health maintenance organizations (HMO) across the state.



Oklahoma Commission on Children & Youth

Notable Achievements

- In FY-2009, the Office of Juvenile System Oversight (OJSO) reviewed approximately 408 complaints against the children's service system. The majority of these complaint investigations concerned OKDHS Child Welfare.
- In FY-2009, the Joint Oklahoma Information Network (JOIN) Directory grew to 19,499 listings of programs and services. This Directory averaged 166,184 hits per month.
- In FY- 2009, the Office of Planning and Coordination established 8 Intensive Technical Assistance communities across the state. Those included: Texas County, Friends of Tenth Street, (Oklahoma City), Washington County, Ottawa County, Cherokee County, Johnston County, McIntosh County, and Jackson County. These communities received seed funding for community driven programs.

Mission

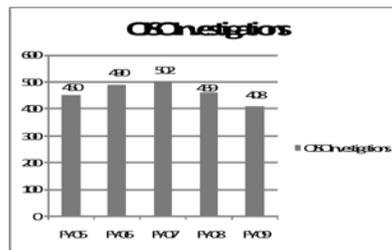
The mission of the Oklahoma Commission on Children and Youth (OCCY) is to improve services to children and their families by: Planning, coordinating and communicating with communities and between public and private agencies; independent monitoring of the children and youth service system; and testing models and demonstration programs for effective services. In pursuit of their mission OCCY administers the following programs:

- Office of Juvenile System Oversight
- Joint Oklahoma Information Network (JOIN)

- Board of Child Abuse Examination
- Child Death Review Board
- Office of Planning and Coordination
- Interagency Coordinating Council
- Juvenile Personnel Training
- Oklahoma Area wide Services Information System (OASIS)
- Post Adjudication Review Boards

Office of Juvenile System Oversight

OCCY's Office of Juvenile System Oversight Division (OJSO) monitors compliance of public and private, residential and non-residential facilities with their established responsibilities, which include state and federal laws, applicable accrediting and licensing standards, policies and procedures, and applicable court orders.



Source: OCCY

Joint Oklahoma Information Network (JOIN)

In 1997, the Legislature passed HB 1391 - The Coordinated Database System for Children Act. HB 1391 directed OCCY to develop a system to allow sharing of case information and data collection used in planning, research, outcome evaluation and service coordination. The project is called JOIN – Joint Oklahoma Information Network.

The JOIN resource directory and eligibility determination are now up and running. The database does three main things:

FY-2011 Executive Budget

- Gives citizens and service providers easy access to services through a resource directory;
- Provides a better service delivery system to clients through agency collaboration; and
- Provides aggregate information from participating agencies

Oklahoma agencies who serve children and families, 13 in all, have signed an interagency agreement to participate in the project.

The database can be accessed at <http://www.join.ok.gov>

Office of Disability Concerns

Notable Achievement

- *The Office of Disability Concerns began a disability awareness program geared for elementary children at Edgemere Elementary School in Oklahoma City this year. The purpose of the program was to bring awareness regarding the vast range of disabilities and to educate children that people with disabilities are like everyone else.*

Mission

The Office of Disability Concerns (ODC) 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 Disability Concerns assist the ODC in meeting this role.

ODC assists citizens with disabilities in seeking and becoming employed. The staff at ODC provide information, attend job fairs, provide entrepreneurial education and support the Business Leadership Network (BLN). BLN is a coalition of employers that promote employment for people with disabilities.

During FY-2006, ODC began a training program for disabled high school students in how to most effectively present their skills and abilities as they enter post-secondary education or employment. The program is called High School Hi-Tech, Tech Now Training.

ODC also administers the federally funded Client Assistance Program (CAP). CAP provides information, intervention, case management and, in some cases, assistance in the appeals and/or fair hearing process to individuals who are eligible for or receiving services funded by the Rehabilitation Act.

Department of Human Services

Notable Achievements

- *Child abuse and neglect referrals alleged 108,389 children to be the victims of child abuse or neglect. Of those, 8,605 children were confirmed victims; the fewest number of confirmations in the past 15 years.*
- *Quality child care in Oklahoma is ranked first among states for child care centers and homes licensing standards and compliance monitoring by the National Association of Child Care Resource and Referral Agencies. There were 4,700 child care facilities licensed with a combined capacity of over 130,000 child care slots.*
- *Vulnerable adult referrals totaled 17,178 for alleged abuse or neglect; 10,475 vulnerable adults were confirmed to have experienced abuse, neglect, exploitation or self-neglect. With self-neglect confirmed 65 percent of the time.*
- *Access to food and nutrition continues to be a priority. OKDHS certified record numbers of Supplemental Nutrition Assistance Program (formerly Food Stamp Program) benefits for Oklahomans. Over 693,000 Oklahomans received assistance through this program. Grocery stores received \$592 million in revenue through SNAP at 2,810 locations. More than 26,000 different seniors received over 3.9 million meals through 237 nutrition sites statewide.*
- *Foster care has seen a decrease with 17 percent fewer children in care. Of the children removed from their homes, more than 72 percent were reunited with their families after receiving OKDHS services.*
- *Access to medical care was provided to more than 825,000 members enrolled in SoonerCare (Oklahoma's Medicaid Program) for at least one month during*

the year. This was a record number of persons, mostly children, to receive health care.

- *Food distribution to needy Oklahomans is facilitated by OKDHS with \$15 million in food commodities provided to schools, food banks, child care facilities and children's residential programs.*
- *Independent living is an option for those who are medically fragile and financially eligible for nursing facility placement. More than 24,000 Oklahomans received care in their own homes and communities through the ADvantage Waiver program. This program avoided \$300 million in costs to taxpayers in one year alone through the reduced cost of in-home care compared to a nursing facility.*
- *Individuals with developmental disabilities benefit from services provided by OKDHS. More than 14,000 individuals received services with 60 percent of adults employed in competitive supported employment – the highest percentage in the nation.*
- *Child support services benefited more than 188,000 Oklahoma families. The largest number ever and 35 percent more than five years ago. Oklahoma Child Support Services collected over \$299 million in child support, more than a 185 percent increase in 10 years.*
- *Subsidized child care was received by 70,022 children which facilitated parents or caregivers participating in employment or education opportunities. The 4,700 child care providers received more than \$140 million through state subsidies.*
- *Temporary Assistance to Needy Families (TANF) recipients included 1,548 parents who were able to discontinue receipt of the TANF benefits. Three months after leaving the TANF program, at least 85% of the TANF parents were still employed. Of those parents receiving cash assistance, 67 percent are either employed or in school. The average number of TANF adult participants*

dropped to just 3,200 – down from more than 13,000 ten years ago.

Mission

The mission of the Department of Human Services (DHS) is to help individuals and families in need help themselves lead safer, healthier, more independent and productive lives.

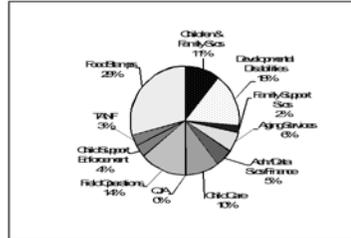
In pursuit of their mission, DHS administers the following programs:

- Family Support Services
 - TANF
 - Food Stamps
 - Adult Protective Services
- Developmental Disabilities
 - Institutional Facilities
 - Home and Community Based Waiver Programs
- Children and Family Services
 - Adoptive Services
 - Foster Care
 - Child Welfare
- Child Care
 - Child Care Subsidy
 - Child Care Facility Licensing
- Aging Services
 - ADvantage Program
 - Personal Care Program
- Child Support Enforcement

In FY-2010, DHS ranks as the fourth largest state agency, representing 8.0% of the state appropriated budget. DHS's FY-2010 operational budget, a total of \$2.06 billion, includes the following revenue sources:

Federal Grants: \$1,314,723,327
 State Funding: \$548,384,461
 Other Sources: \$179,516,638

DHS Funding by Activity
 FY-2010 Budget
 Total: \$2,042,624



Source: FY-2010 Budget Work Program

Family Support Services

Temporary Assistance for Needy Families (TANF)

As a result of state and federal reform initiatives, Oklahoma has reduced the number of children and families receiving public cash assistance by over 82% from 47,712 average monthly cases in FY-1993 to 8,756 average monthly cases in FY-2009.

While the state initiated a number of different welfare reforms prior to 1995, the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), passed in the fall of 1996, fundamentally changed the way public cash assistance programs were delivered to children and families across the nation. The Temporary Assistance to Needy Families (TANF) block grant created in PRWORA replaced the traditional cash assistance entitlement program, known as Aid to Families with Dependent Children.

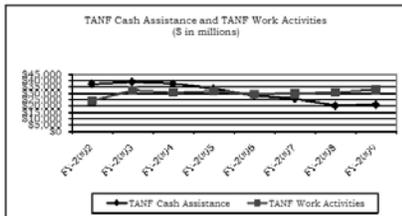
The four major goals of TANF are:

- Provide cash assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Promote job preparation, work and marriage to end the dependence of needy parents on government benefits;
- Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encourage the formation and maintenance of two-parent families.

FY-2011 Executive Budget

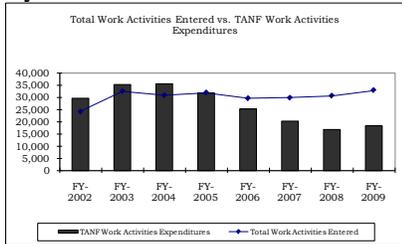
TANF services fall into three main categories:

- Cash Assistance
- Work Activities
- Family Formation/ Stabilization Services



Source: OKDHS Annual Reports

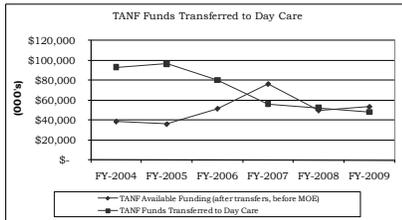
Key Performance Measure



Source: OKDHS Annual Reports

TANF Funding

While the TANF block grant amount has remained relatively stable over past fiscal years, the amount spent on TANF services has decreased.



Source: OKDHS

Due to the importance of child care, more of the block grant is being transferred to child care. The amount transferred to child care increased from \$48 million in FY-2001 to a

peak of over \$96 million in FY-2005. Due to escalating additional state subsidies appropriated beginning in FY-2005, the necessary transfer from TANF to Child Care was \$56.4 million, or \$40 million less in FY-2007 than FY-2005. Without child care services, many parents would not be able to leave TANF assistance for gainful employment.

How TANF Cash Payments Work

A family of three is eligible for \$292 maximum cash benefits per month. The following example illustrates how the eligibility calculation works:

A family of three has earned monthly income of \$500. DHS adjusts earned income by subtracting \$120 from that amount; leaving \$380 adjusted earned income. Half of their adjusted earned income reduces the family's cash payment amount. Therefore, the family is eligible to receive \$102 per month (\$292-\$190).

Examples of Monthly Cash Payments for a Family of Three

Adjusted Monthly Earned Income	Max. Cash Assistance
\$0	\$292
\$250	\$167
\$500	\$42
\$550	\$17

Formula: $\$292 - [(Earned\ Income - \$120)/2]$

Cash Benefits and Current Cases

Expenditures for cash assistance benefits have decreased by over 84% from \$129 million in FY-1996 to \$21.3 million in FY-2009. Of the 19,092 average monthly persons receiving TANF benefits in FY-2009, 3,261 cases had an adult on work requirements. The remaining 15,831 monthly average cases are "child only" cases. In these cases, the cash benefit is for the child or children only. An example of this type of case is that in which the child's parents are deceased and the child lives with a grandparent.

Time-limited Benefits

One of the provisions of the TANF program limits cash assistance payments to five years in a lifetime. In FY-2007, 44 families became ineligible for cash assistance benefits as a result of this provision. DHS policy allows caseworkers to arrange limited assistance to families facing specific hardships after exceeding TANF time limits.

Low Income Home Energy Assistance Program (LIHEAP)

Low Income Home Energy Assistance Program (LIHEAP) through a federal grant assists low income Oklahoma households with paying their energy bills. The majority of the grant is used for winter heating with the remainder being used for the Energy Crisis Assistance Program (ECAP) and Summer Cooling Assistance Program. The Oklahoma Department of Commerce also receives an allocated portion of the annual LIHEAP block grant to provide weatherization services to eligible households.

OKDHS administers the program by taking applications and disbursing funds to the client's energy provider. Eligible clients have incomes less than 130% of the federal poverty level, or \$2,389 per month for a family of four, and must be responsible for paying their utility bill. During FFY-2009 (Federal Fiscal Year), OKDHS served 201,234 households or 69% of eligible households. Benefit payments are one-time; the average payment made on behalf of a beneficiary in FFY-2009 was \$151 for heating assistance, \$207 for cooling assistance and \$240 for crisis assistance.

Developmental Disabilities

Oklahoma Department of Human Services (OKDHS) Developmental Disabilities Services Division (DDSD) administers three Medicaid funded Home and Community Based (HCBS) Waivers serving Oklahoman's with developmental disabilities in their respective communities. OKDHS DDSD is also the agency responsible for operating the three public intermediate care facilities for persons with mental retardation (ICF's/MR). There are currently 5,248

Oklahoman's with developmental disabilities receiving services and supports residing in their respective communities around the state, and 339 in the public ICF's/MR administered through DDSD. Over the past three decades, states have decreased institutional care services and increased home and community based services.

The transition from institutional services to community based services has been a national trend for the past three decades. The quality of life for children and adults with developmental disabilities is greater in community placements versus institutional placements. In 2009 Institutional care cost an average of \$520 per day while community based care for non-class members costs an average of \$151 a day for Community waiver service recipient's, and \$34 per day for persons receiving supports through an In- Home Supports Waiver.

There are several programs that are entirely funded through state appropriations, while other programs are eligible for federal matching funds. The federal match was 66% prior to the Americans Reinvestment and Recovery Act of 2009.

Description of Waiver services:
The Community Waiver is a comprehensive Waiver program for people with developmental disabilities whose needs cannot be met through the In-Home Supports Waiver, and many receive residential services.

The In Home Supports Waiver –was established in 2000 in an effort to serve individuals on the Waiver waiting list. Services are provided for children or adults who typically are living at home with their families. The amount received is capped at \$19,225 for adults and \$12,820 for children. Recipients must be eligible for Medicaid.

All of the above-mentioned Waivers provide recipients with the option of habilitation training specialists services, respite care, adaptive equipment, architectural modifications, medical supplies and services, various therapies, family training and counseling, transportation and

FY-2011 Executive Budget

employment services based on their identified needs.

Homeward Bound Waiver – This waiver was created in FY-2004 for Hissom Class members offers comprehensive supports similar to those offered through the Community Waiver with other services that are consistent with the requirements of the final order of the Homeward Bound Lawsuit.

	FY-2005		FY-2006		FY-2007		FY-2008		FY-2009	
	# Served	Total Exp.								
HCBSW	2,354	\$ 109.0	2,592	\$ 120.2	2,710	\$ 135.9	2,770	\$ 148.3	2,808	\$ 154.9
Homeward Bound	805	\$ 89.1	865	\$ 93.4	796	\$ 95.4	781	\$ 94.6	761	\$ 93.5
HSW-Adult	864	\$ 9.9	1,216	\$ 13.9	1,466	\$ 18.6	1,534	\$ 20.5	1,514	\$ 20.9
HSW-Children	405	\$ 2.8	527	\$ 3.4	633	\$ 4.6	611	\$ 4.5	552	\$ 4.1
Total	4,428	\$ 210.8	5,140	\$ 238.9	5,607	\$ 254.5	5,696	\$ 267.9	5,635	\$ 273.4

* Total Exp in millions

Source: OKDHS

In FY-2009, approximately 4,745 people who were non-class members were served through some type of community-based waiver.

Waiting List for Community Based Services At the end of FY-20079, there were 4,885 people with developmental disabilities on the waiting list to receive services from one of the programs administered through DDSD. This is a 20% increase over FY-2008.

Medicaid-eligible persons waiting for services are of all ages. Many of them and their families face financial hardships every day trying to provide costly services such as medical supplies, therapy and adaptive equipment on limited incomes sometimes with no access to health care.

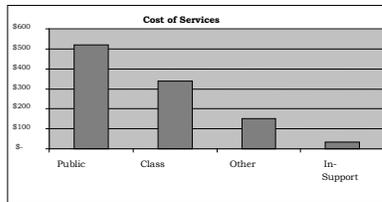
Developmental Disabilities

DDSD’s primary goal is to enable children and adults to lead more independent and productive lives in the least restrictive environment.

At the end of FY-2009, the number of persons ages 3 and up served in DDSD community based programs was 5,248. There are at least four categories of recipients receiving services for developmental disabilities:

- Public ICF/MR: People who are in one of three public institutions;

- Class Member: People who are members of the Homeward Bound Class and receive services consistent with the requirements of the final order of the Homeward Bound lawsuit;
- Home & Community Based Services or In-Home Supports Waiver: Non-class members who receive community based services through a Medicaid Waiver; and
- People not on a Medicaid waiver receiving vocational, group home services, or the Family Support Subsidy.



Source: OKDHS

Institutional Care

The state operates three public institutions for people with developmental disabilities: Southern Oklahoma Resource Center (SORC) near Pauls Valley, Northern Oklahoma Resource Center in Enid (NORCE) and the Greer Center, located on the NORCE campus. The Greer Center is operated through a contract with Liberty Health Care Services of Oklahoma, and serves people with a dual diagnosis of mental retardation and mental illness. For Medicaid purposes, these public institutions are classified as Intermediate Care Facilities for the Mentally Retarded (ICF/MR).

While community based services are considered the most preferred and cost-effective treatment alternative for children and adults with developmental disabilities, the institutional option is the Medicaid entitlement Clients in these facilities range in age from 17 to over 60 many have is abilities and some require 24 hour medical attention.

Home and Community Based Medicaid Services

The Department of Human Services administers three different home and

FY-2011 Executive Budget

community based waiver programs for children and adults. These are services provided to persons with developmental disabilities who are not in institutions. Over the past three decades, states have decreased institutional care services and increased home and community based services.

This move has occurred for two main reasons. First, the quality of life for children and adults with developmental disabilities is better in community placements versus institutional placements. Second, in FY-2007 institutional care cost an average of \$488 a day while community based care for non-class members costs an average of \$137 a day for other Home and Community Based Waiver clients and \$31 per day for In Home Supports Waiver clients.

These services are paid for with state and federal dollars. Some Sheltered Workshops slots and some group home placements are entirely state funded while others are funded through Medicaid with almost 70% federal dollars.

Description of waiver programs:

- The Home and Community Based Services Waiver Program (HCBSW) – These services are for developmentally disabled people who are independent of a family and usually live in a residential facility. Recipients must be Medicaid eligible.
- The In Home Supports Waiver – DHS established this waiver in 2000 in an effort to serve individuals on the waiver waiting list. These services are for children or adults living at home with families. The amount received is capped at \$19,225 for adults and \$12,820 for children. Recipients must be eligible for Medicaid.
- All of the above-mentioned waivers provide recipients with habilitation training specialists, respite care, adaptive equipment, architectural modifications, medical supplies and services, various therapies, family

training and counseling, transportation and employment services.

- Homeward Bound Class Waiver – This waiver was created in FY-2004 for Hissom Class members.

	FY-2004		FY-2005		FY-2006		FY-2007	
	# Served	Total Exp.						
HCBSW	2,282	\$111,444	2,354	\$109,017	2,592	\$120,235	2,710	\$135,862
Homeward Bound Waiver	822	\$90,118	805	\$89,109	805	\$93,385	796	\$95,375
IBSW-Adult	775	\$9,729	864	\$9,908	1,216	\$13,894	1,466	\$18,592
IBSW-Children	388	\$2,936	405	\$2,750	527	\$3,359	635	\$4,556

Source: OKDHS

In FY-2007, approximately 4,811 people who were non-class members were served through some type of community-based waiver.

Waiting List for Community Based Services

At the end of FY-2009, there were 3,314 people with developmental disabilities on the waiting list to receive services from one of the waivers administered through DDSD. This is a 16% over FY-2006. Medicaid-eligible persons waiting for services are of all ages. Many of them and their families face financial hardships every day trying to provide costly services such as medical supplies, therapy and adaptive equipment on limited incomes with no access to health care.

Children and Family Services

The Children and Family Services division in the Department of Human Services is responsible for three main programs:

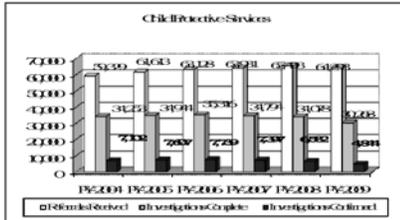
- Investigating all allegations of child abuse and neglect;
- Providing foster care and kinship placements and family preservation programs to children from abusive homes; and
- Providing permanent adoptive placements for children in need of adoption.

Child Protective Services

Child abuse and neglect referrals decreased by 18,753 from FY-2008 to FY-2009. This count is based on the number of children

FY-2011 Executive Budget

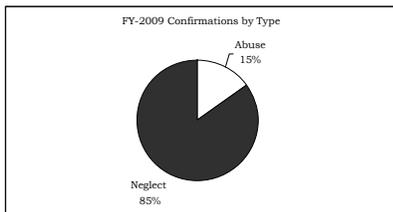
included in the referral and/or investigation.



Source: OKDHS

In FY-2004, OKDHS hit a record low number of confirmations. In FY-2009, the number of confirmations decreased slightly both as a whole number and as a percentage of referrals.

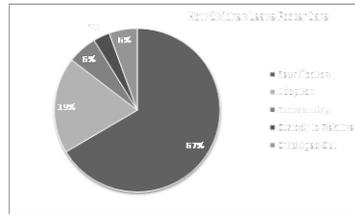
Neglect is historically the largest category of child mistreatment and in FY-2009 accounted for 85% of confirmations.



Source: OKDHS

Foster Care

Foster Care children were removed from their homes for health and safety reasons. Children need lifelong connections that come from caring and loving families in order to thrive. OKDHS is actively working to assure that all children served through child welfare have safe, loving families and reducing the length of out-of-home care for children who are victims of child abuse and neglect by building bridges with families who understand the importance of maintaining connections to a child's kin, culture and community life while in out-of-home care. At the end of the 2009, 1,175 fewer children lived in foster care than the previous year. This is the lowest number of children in care in six years.

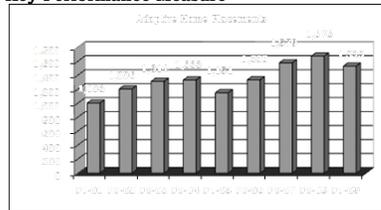


Source: OKDHS

Growth in Adoptions

In recent years, adoptive home authorizations, the preliminary step to permanent adoptions, have sharply increased. From FY-2001 to FY-2009, DHS has increased the number of placements by almost 153% from 1,003 placements in FY-2001 to 1,533 placements in FY-2009.

Key Performance Measure



Source: OKDHS

DHS put together the program Swift Adoption to increase permanent adoptive home placements. This program was in response to a federal adoption initiative to increase the number of permanent home placements. Administratively, DHS placed all staff under the state office and contracted out certain services. As a result, adoption placements have more than tripled since 1996.

Currently, more than 9,000 children are supported by adoption assistance payments and services. DHS provides subsidies to people who adopt "special needs" children. Oklahoma includes the following in the definition of special needs:

- physically or mentally disabled;
- children over 8 years old;
- siblings;
- emotionally disturbed;

- ethnic/race; and
- high risk of mental disease.

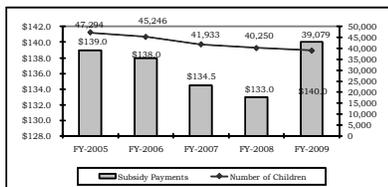
While the number will fluctuate during the year, approximately 1,200 children are awaiting adoption.

Child Care

Child Care Subsidies

Child care activities in the Department can be divided into two main areas: the Child Care Subsidy Program and Child Care Licensing.

Subsidized child care pays part or all of the child care costs for qualifying families while parents or caretakers work, attend school, or receive training. Subsidized child care was provided for approximately 75,000 children during FY-2007. The monthly average number of children for whom subsidy payments were made was 39,079 in FY-2009. Total payment increases are due to increased rates for the improved quality of child care facilities.



Source: OKDHS

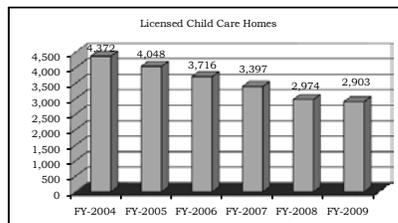
Quality Child Care Initiative

The Stars System pays different rates depending on the level of accreditation earned by the facility. These levels, referred to as Stars, are as follows:

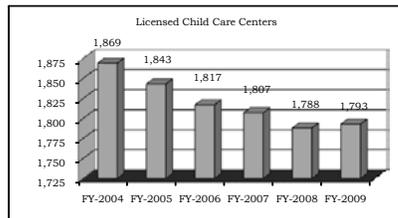
- One Star – Basic Licensing Requirements;
- One Star Plus – Transitioning to Higher Level;
- Two Star – Seven Quality Criteria including Master Teachers; and
- Three Star – Two Star Criteria and Nationally Accredited.

Child Care Licensing

The Division of Child Care licenses and inspects almost 5,200 child care centers and family care homes in Oklahoma for children ages six weeks to 12 years. The division also licenses 136 residential and shelter facilities that provide care for children who are unable to live at home and 62 child placing agencies that place children in foster homes and adoptive homes.



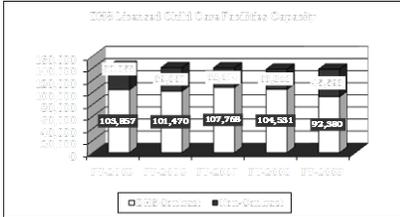
Source: OKDHS



Source: OKDHS

While the number of centers and homes is decreasing, the overall capacity is actually increasing due to homes and centers increasing their individual capacities. Total capacity in FY-2009 is almost 140,000 slots. The following chart shows total capacity in number of slots available for the DHS Child Care Subsidy program versus those that are not.

FY-2011 Executive Budget



Aging Services

Aging Services is responsible for the following programs:

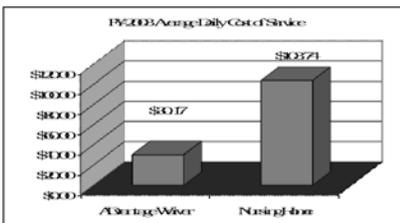
- Congregate Meals
- Ombudsman Program
- Advocacy
- Volunteer Programs

The Aging Services Division also administers the following two Medicaid programs.

ADvantage Waiver

Operated through contracts with the Long Term Care Authorities of Tulsa and Enid, this home health care program provides an alternative to nursing home care for some people. In order to qualify for ADvantage services, a person must meet Medicaid income guidelines and require nursing home-level care.

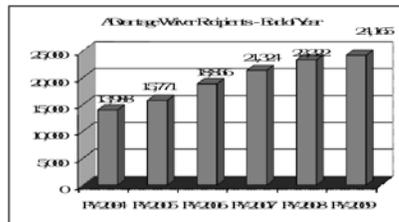
These services divert people away from nursing homes by providing home health care services and/or some services in adult day centers. The ADvantage program provides a significant savings when compared to the cost of nursing home care.



Source: OKDHS

After several years of high growth, FY-2005 to FY-2007 saw increases in clients at average growth rate of 13% per year. FY-

2009 saw a leveling off of this trend with an increase of 843 clients at year end, but this is an increase of 47% from FY-2005.



Source: OKDHS

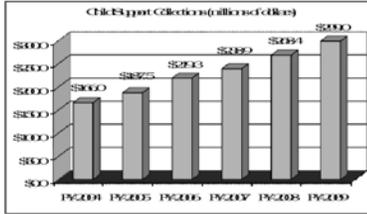
Personal Care

The second Medicaid program administered by the Aging Services Division is Personal Care. This service is available to those who meet the medical eligibility criteria as determined by an Aging Services long-term care nurse. Personal care aides, who generally work for home care agencies, provide non-medical assistance to people in their homes.

Child Support Enforcement

This division is primarily responsible for locating non-custodial parents, establishing paternity and collecting and distributing support payments. In addition to restructuring the public welfare program, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 implemented a number of changes to Child Support Enforcement. Finding ways to encourage and require parents to be financially responsible for their children is central to the spirit and letter of the law. As the chart below illustrates, child support collections continue to increase each year. FY-2008 collections were up 11% over FY-2007 and FY-2009 collections rose almost 10% over FY-2008.

FY-2011 Executive Budget



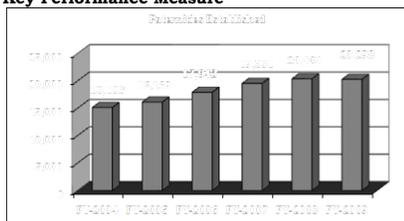
Source: OKDHS

FY-2011 Executive Budget

Emphasis on Fatherhood

Child support is not just about finding non-custodial parents and making sure they send a check each month to their children. Financial support is important, but finding more and better ways to foster positive and nurturing relationships between fathers and children is also important.

Key Performance Measure



Source: OKDHS

**Oklahoma Indian Affairs
Commission**

Mission

The Oklahoma Indian Affairs Commission (OIAAC) is charged with the mission of serving as the liaison between Oklahoma's tribal population and governments and the Oklahoma State government. The Oklahoma Indian Affairs Commission accomplishes this mission by maintaining consistent involvement in the areas of legislation development and tracking, policy concerns, legal issues, economic development and education.

J.D. McCarty Center for Children with Developmental Disabilities

Notable Achievements

- *Outpatient encounters increased 17.3% over FY 2008.*
- *Professional Fees decreased 6% due to renegotiations of contracts and time donated to the center to perform medical services.*
- *Administrative Expenditures have remained at 8% of agency expenditures since FY 2007.*
- *Received commitments from two of Oklahoma's Indian Tribes to build two cabins for the Center's proposed Summer Camp Facility*

Mission

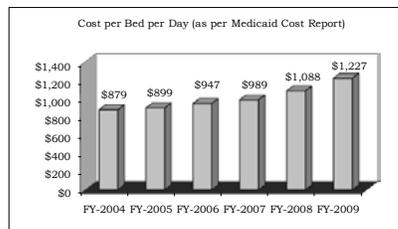
The mission of the J.D. McCarty Center (JDMC) for Children with Developmental Disabilities is to provide a comprehensive program of habilitative care to Oklahoma's citizens with disabilities.

The J.D. McCarty Center habitates, rehabilitates, evaluates, and treats Oklahoma's developmentally disabled children, enabling them to reach their maximum potential. The ultimate goal is to enable children to return to a family or community environment.

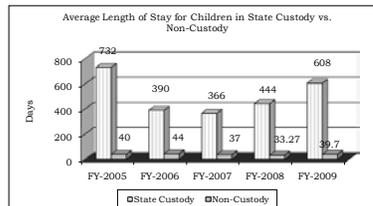
JDMC's emphasis on telecommunications will enable the agency to reach a more general population, such as doctors' offices, clinics, kiosks in frequently traveled locations and the rapidly expanding population of web surfers.

In recent years, the JDMC has seen an increase in the number of children that come to the facility in the custody of the state. JDMC is also seeing an increase in children with behavioral problems and more severe diagnoses. This led to an

increase in the average length of stay for children in the hospital, especially for state custody children through FY-2005. However, after moving into their new facility and no longer having to house children in wards, many of their challenging behaviors were successfully resolved and foster care placements increased. This has resulted in a dramatic drop in average length of stay for custody children from 732 days in FY-2005 to 366 days in FY-2007.



Source: JD McCarty Center



Source: JD McCarty Center

Office of Juvenile Affairs

Notable Achievements

- *PbS System: OJA voluntarily has implemented a nationally recognized standardized ongoing data collection and analysis process, the Performance-based Standards (PbS) system, which references agency operations and conditions of confinement. The PbS system allows frontline staff to enter information directly into a centralized database eliminating the need for staff to complete six separate reports. The system is being implemented in other units of the agency*
- *Reduced Juvenile Crime: OJA's work in the communities throughout the state, along with its many partnerships, have helped to reduce juvenile crime in Oklahoma to an eight year low.*
- *Acquisitions: Upon advice of the State Purchasing Director and the recommendations of the Department of Central Services audit, OJA's acquisition authority limit was increased from \$10,000 to \$50,000.*
- *Re-accreditation: Recertified the Southwestern Oklahoma Juvenile Center facility and the Juvenile Services Unit with the national accreditation commission, American Correctional Association.*

Mission

The Oklahoma Juvenile Reform Act (HB 2640) created the Office of Juvenile Affairs (OJA) as the state juvenile justice agency effective July 1, 1995. Previously, the Department of Human Services (DHS) provided services for Oklahoma's youth adjudicated delinquent or youth in-need-of-supervision.

The mission of OJA is to promote public safety and reduce juvenile delinquency by

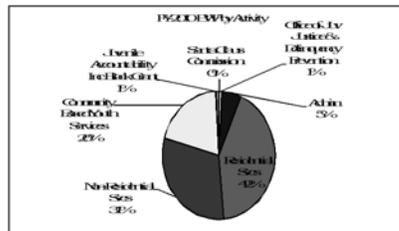
providing professional prevention, education and treatment services, as well as secure facilities for juveniles.

OJA manages these functions through five main programs: juvenile justice and delinquency prevention, residential, nonresidential, juvenile accountability incentive block grant and community based youth services.

The Office of Juvenile Affairs:

- serves as the state planning and coordinating agency for statewide juvenile justice and delinquency prevention services;
- preserves and strengthens family ties whenever possible;
- provides court intake, probation and parole for delinquent youth;
- removes a juvenile from the custody of parents if the safety of the juvenile or the protection of the public would otherwise be endangered;
- provides treatment, care, guidance and discipline to adjudicated juveniles removed from the custody of parents to assist the juvenile in becoming a responsible, productive member of society; and
- provides a system for the rehabilitation and reintegration of juvenile delinquents into society.

OJA is one of the 10 largest state agencies. The agency's FY-2010 appropriation is 1.8% of the total state appropriated budget. The following chart shows OJA's FY-2010 expenditures by program.



Source: Office of Juvenile Affairs.

While OJA receives funding from federal grants and revolving funds, nearly 88% of

FY-2011 Executive Budget

operational funding in FY-2010 came from state appropriations. Approximately 10% of OJA's funding came from federal funds, and 2% from revolving funds. Grants received include the Juvenile Accountability Incentive Block Grant, the Juvenile Justice and Delinquency Prevention Formula Grant and Title V.

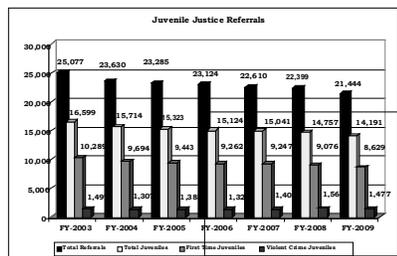
Nonresidential Services

The Juvenile Services Unit (JSU) provides intake, probation and parole services to youth in all 77 counties, except those with Juvenile Bureaus. Juvenile Bureaus, located in Canadian, Comanche, Oklahoma, and Tulsa counties, perform intake and probation functions. In those counties, JSU staff provides parole services.

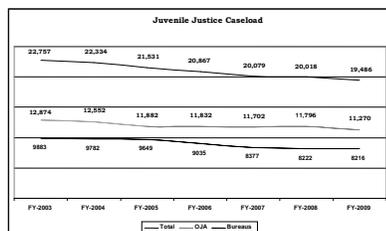
Three key factors contribute to the overall juvenile justice system demand for non-residential services: The total juvenile arrest rate contributing to the total juvenile referrals to OJA and the bureaus; and intake decisions made by district attorneys that require diversion, informal probation, and court-involved treatment services.

Not all arrested juveniles are referred to OJA or the bureaus for intake processing. The establishment of interlocutory agreements with some municipal courts has resulted in the processing of juveniles arrested for certain classes of less serious crimes such as misdemeanors by those courts.

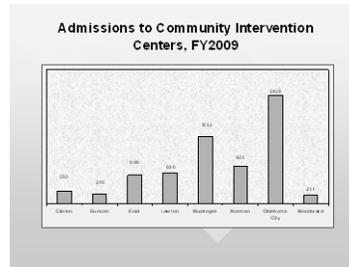
The introduction and funding by OJA of Community Intervention Centers (CIC) in eight municipalities for the temporary holding of juveniles arrested for less serious offenses in order to free up law enforcement resources, has also encouraged the diversion of some juveniles for processing by municipal courts. During FY-2009, 6,848 CIC admissions took place with juveniles typically released to their parents or custodians within four hours.



Source: Office of Juvenile Affairs.

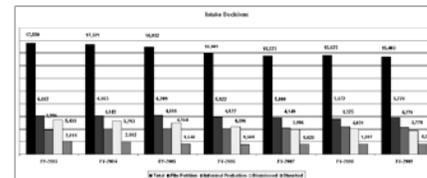


Source: Office of Juvenile Affairs.



Source: Office of Juvenile Affairs.

Every referral received by OJA and the juvenile bureaus must be processed through an intake process. In FY-2009, 8,629 (60.8%) of the total of 14,191 juveniles referred were referred for the first time to the juvenile justice system.



Source: Office of Juvenile Affairs.

The most common intake decision by district attorneys is to file a petition for court involvement. The total number of intakes has declined by 598 since FY-2006,

FY-2011 Executive Budget

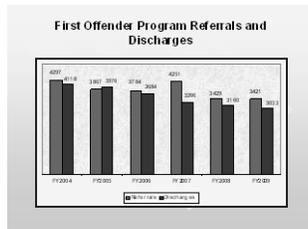
from 16,001 to 15,403 in FY-2009. In FY-2009, 3,779 or 24.5% of the total intakes were dismissed.

Contracted service programs assist the OJA's Juvenile Justice Specialists in developing an individualized service plan for each juvenile and family. OJA provides a full range of services to encourage positive, law-abiding behavior and balances those services with public safety.

Community Based Youth Services

Forty-two designated Youth Service Agencies provide a statewide system of prevention, diversion, intervention and treatment programs to keep juveniles from entering or further penetrating into the juvenile justice system. Youth Service Agencies are not-for-profit and governed by local boards of directors made up of community volunteers.

OJA contracts with Youth Service Agencies to provide community based services such as the First Offender program, Community At-Risk Services (CARS), Emergency Shelter care and prevention services. Some Youth Service Agencies also operate Community Intervention Centers (CICs), therapeutic foster homes, group homes, detention centers, youth workforce development, and gang intervention.



Source: Office of Juvenile Affairs.

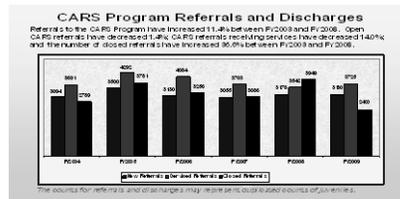
The First Offender Program is a statewide program for juveniles who have committed a first-time misdemeanor or non-violent felony. The program provides juveniles and their parents 12 hours or more of skill development classes emphasizing communication, anger management, problem solving and decision-making. Over

3,400 juveniles received First Offender services in FY-2009.

First Offender Program			
FY	Actual Exp.*	Referrals	Avg Cost/Juv
FY-03	\$2,321,000	4,572	\$507.66
FY-04	\$1,751,000	4,297	\$407.49
FY-05	\$2,243,000	3,867	\$580.04
FY-06	\$2,011,000	3,784	\$531.45
FY-07	\$1,569,000	4,251	\$369.09
FY-08	\$1,772,000	3,429	\$516.77
FY-09	\$1,812,000	3,421	\$529.67

*Rounded
Source: Office of Juvenile Affairs.

Successful reintegration of juveniles back into the community is fundamental for both the juvenile and the community. Without effective reintegration programs, juveniles are more likely to re-offend and become incarcerated again. This is counter-productive for the youth and costly to the state.



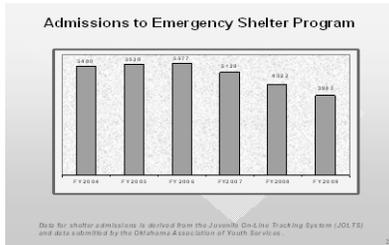
Source: Office of Juvenile Affairs.

Youth Service Agencies reintegration through the Community At Risk Services (CARS) program. CARS is also provided to prevent out of home placement. Services include mentoring, tutoring, counseling, and assessment services as well as

FY-2011 Executive Budget

supervision of youth in independent living settings.

Emergency shelters are open 24 hours a day, seven days a week and serve both Department of Human Services and OJA. During FY-2009, emergency shelters provided temporary short-term housing and supportive services for 3,983 children and youth.



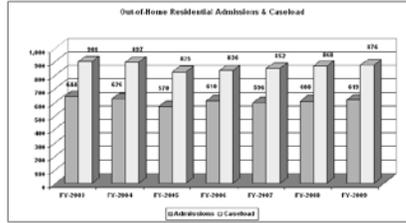
Source: Office of Juvenile Affairs.

Residential Services

Two key factors contribute to the overall demand for juvenile justice system residential services: the total caseload of custody youth and the number of available out-of-home residential beds. To address placement demand each year, OJA determines the security risk and treatment need each custody juvenile presents and matches the juvenile with the available and appropriate placement options.

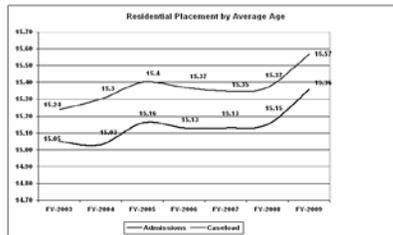
Because of the limited number of available beds, out-of-home residential facilities are reserved for custody youth who present moderate and serious risks to communities. If there is a waiting list of juveniles to be placed in one, they are typically held in secure county detention centers.

The chart below contains the number of admissions and caseloads, which has stayed consistent, yet the number of available out-of-home residential beds have continued to decline since a peak of 1,020 in FY-2000.

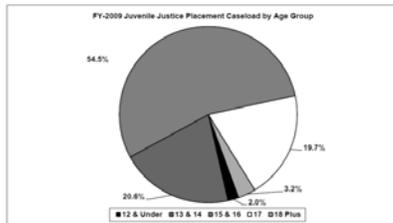


Source: Office of Juvenile Affairs.

The graphs below illustrate the average age of juveniles placed in out-of-home residential facilities.



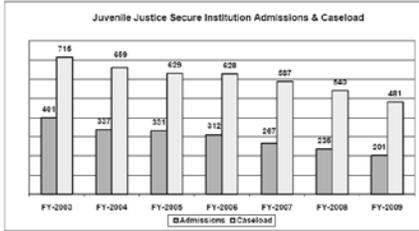
Source: Office of Juvenile Affairs.



Source: Office of Juvenile Affairs.

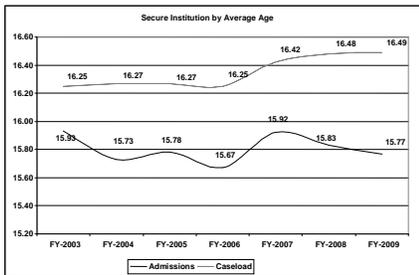
Secure Placement

Residential treatment services represent the most intensive intervention to interdict a pattern of behavior that will otherwise result in an adult career in crime. Facilities provide applicable treatment for specific problems to enable normal youth maturation and to prepare the youth for reintegration into the home and the community.



Source: Office of Juvenile Affairs.

The graph below illustrates the change in the average age of juveniles placed in secure facilities.



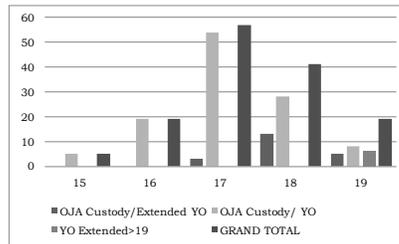
Source: Office of Juvenile Affairs.

Youthful Offender

HB 2640 created the Youthful Offender Act to ensure public safety and hold adolescents ages 13 through 17 accountable for the commission of serious crimes. Implementation of this essential reform tool began on January 1, 1998. The Act allows courts the discretion to place youthful offenders in the custody or under the supervision of OJA if the court determines that rehabilitation is appropriate. Upon good conduct and successful completion of OJA's program, the court can discharge the sentence and the youthful offender can avoid conviction for a crime.

This Act also establishes a bridge between OJA and the Department of Corrections (DOC) for youthful offenders. If a youth is sentenced as a youthful offender and placed in the custody or under the supervision of OJA, the court must discharge the youth or transfer custody to

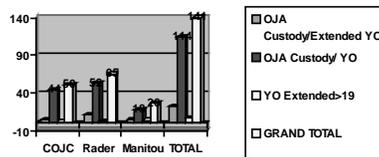
DOC or place the youth on probation with DOC when the youthful offender reaches 18 years and five months. The court can also hold periodic review hearings, at its discretion, to determine the status of a youthful offender prior to the youth reaching 18 years of age.



Source: Office of Juvenile Affairs.

A vast majority of the youthful offenders in OJA secure institutions are 17-years old and older. On October 26, 2009, 83% of youthful offenders in an OJA institutional setting were ages 17, 18 and 19-years old, while 17% were 15 and 16-years old.

Prior to a recent change of law in SB1403 in 2008, recommendations from the District Attorney's Office to extend the time a youthful offender was to be remanded to OJA custody was considered by the courts. Currently, OJA continues to have youthful offenders that are 19-years old and older. On October 26, 2009, 141 youthful offenders were in an institutional setting. Of which, 19.1% remained on extensions, some being over the age of 19.



Source: Office of Juvenile Affairs.

Physician Manpower Training Commission (PMTC)

Notable Achievements

- Physicians placed in rural Oklahoma in FY-2010 will provide an economic impact of \$36.7 million to rural Oklahoma.
- Twenty-seven scholarships were given to physician assistant students in FY-2010. This program provides funding to physician assistant students who agree to establish their practice in rural Oklahoma communities with a population of 20,000 or less.
- In FY-2010, 335 nursing students received scholarships through the Oklahoma Nursing Student Assistance Program; 136 of these nursing students are matched with health care facilities in Oklahoma.

Mission

The Physician Manpower Training Commission (PMTC) was created in 1975 to enhance medical care in rural and underserved areas of the state through the following programs:

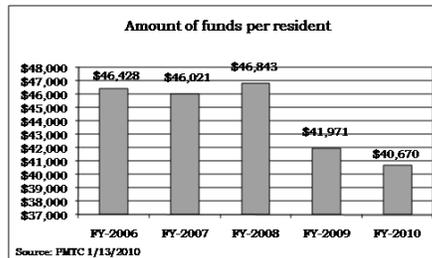
- Oklahoma Intern/Resident Cost-Sharing;
- Community Match Rural Scholarship Incentive Programs;
 - Rural Medical Education Scholarship Loan
 - Family Practice Resident Rural Scholarship
 - Physician/Community Match Loan
- Physician Placement Program;
- Nursing Student Assistance Program; and
- Physician Assistant Scholarship Program.

There are no other programs like this in any other state. The PMTC programs provide approximately 25 physicians each year to rural Oklahoma communities. The National Center for Rural Health Works,

Stillwater, Oklahoma, points out that a rural physician generates 25 jobs and over \$1.5 million in annual revenue. Physicians are vital to the economic health of small Oklahoma communities.

Oklahoma Intern/Resident Cost Sharing

The PMTC administers a cost-sharing program to fund Family Practice residents' salaries at the University of Oklahoma Health Sciences Center and the Oklahoma State University Center for Health Sciences. The benchmark for the amount of funds per resident is based on the regional average for similar programs and is attained annually. The graph below depicts the amount of funds per resident for the past five fiscal years.



Training for Family Practice residents takes place in Oklahoma City, Tulsa, Enid, Tahlequah, Ramona, Lawton and Durant. Statistics show that primary care residents trained in Oklahoma are more likely establish a medical practice in Oklahoma.

Community Match Rural Scholarship Incentive Programs

Rural Medical Education Scholarship Loan

PMTC also administers a loan program whereby medical or osteopathic students contract to practice in a rural community with a population of 7,500 or less when their training is completed. A student can receive up to \$60,000 over a four-year period with a payback of practicing in a rural community one year for each year of

financial assistance. Since 1975, 408 students have participated in the program.

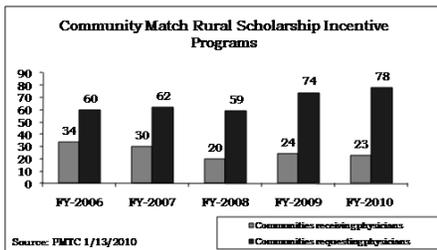
Family Practice Resident Rural Scholarship

This scholarship program is for residents in accredited Oklahoma Family Practice Programs. Each participating resident receives \$1,000 per month (up to 36 months) with a month-for-month practice obligation in an underserved community upon completion of residency training. Since 1992, 183 recipients have completed training and are fulfilling their obligations.

Physician/Community Match Loan

A rural Oklahoma community may provide loans matched by PMTC to any qualified primary care physician to assist in establishing a full-time medical practice. The physician repays the loan by practicing medicine in that community. Since 1989, 180 physicians have been placed

The following graph shows the total number of physicians who began rural practices compared to the number of communities seeking a physician. Over the last five years, 44% of the communities requesting physicians actually received a physician.



Physician Assistant Program

Created in FY-2006, this is a two and a half year scholarship/loan program for physician assistant students in accredited physician assistant programs. Participating students receive \$1,000 per month for up to 30 months, with a month-for-month practice obligation in a rural community of 20,000 population or less. The first full class of program participants will be

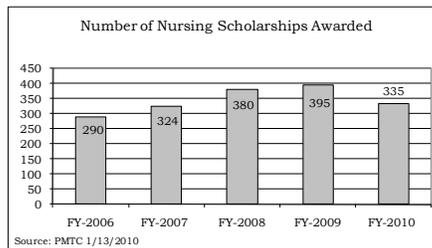
graduated this calendar year and begin repaying their obligations in rural Oklahoma. Since its inception, there have been 61 physician assistance participants.

Nursing Student Assistance Program

Established in 1982, this program provides financial assistance to Oklahoma nursing students pursuing Licensed Practical Nursing, Associate Degree in Nursing, Bachelor's of Science in Nursing or Master's of Science in Nursing degrees. The scholarship loan is repaid by working as a nurse in Oklahoma, with an emphasis on rural communities. There are two programs:

- Matching scholarship assistance provided by PMTC and matched by a community or institution which in return receives the services of the nurse upon graduation; and
- Non-matching scholarship assistance is provided solely by PMTC.

Since its inception, there have been 5,259 participants. The graph below shows the number of recent recipients by fiscal year.



Department of Rehabilitation Services

Notable Achievements

- *The Department of Rehabilitation Services (DRS) assisted more than 73,368 Oklahomans with disabilities and their families during FY-2009.*
- *DRS's Vocational Rehabilitation and Visual Services divisions assisted 1,689 persons with disabilities to start new jobs during 2009. A range of vocational rehabilitation and employment services were provided to 12,431 persons who were preparing to go to work. DRS was able to eliminate waiting lists and open its vocational rehabilitation service to all eligible Oklahomans with disabilities. Those who become employed reduce the need for disability benefits and social services while paying taxes on their earnings.*
- *Oklahoma School for the Deaf (OSD) hosted the national conference of the American Society for Deaf Children (ASDC) in Sulphur, OK. The ASDC convention is held biennially for families of deaf children as an opportunity to access information to help them with education, parenting, communication and technology in raising a child with deafness. More than 500 participants, attended workshops, saw exhibits and made family connections with other parents and professionals in the field of deafness.*
- *Oklahoma Library for the Blind and Physically Handicapped produced the first locally recorded audio book accepted by*

the National Library Services (NLS) in digital format.

- *DRS's Disability Determination Division is nationally recognized by SSA every year for outstanding production. In 2009, the DDD staff processed and cleared 58,590 cases for Oklahomans who applied for disability payments from federal social security programs.*

Mission

The mission of the Department of Rehabilitation Services (DRS) is to provide opportunities for individuals with disabilities to achieve productivity, independence, and an enriched quality of life.

The agency administers four main programs:

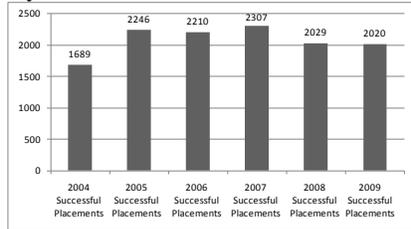
- Vocational Rehabilitation and Visual Services Division;
- Oklahoma School for the Blind;
- Oklahoma School for the Deaf; and
- Disability Determination Division

Vocational Rehabilitation and Visual Services Division

The Vocational Rehabilitation and Visual Services (DVR/DVS) divisions of DRS administers the federal vocation rehabilitation program for Oklahomans with disabilities. DRS provides vocational rehabilitation, education, employment services and independent living programs. Once a client is determined eligible for vocational rehabilitation services, he or she is placed into one of three priority groups according to the severity of his or her disability and in accordance with guidelines in the federal Rehabilitation Act. DRS receives \$4 from the federal government for every \$1 of state funding for this program.

Formatted: Font: 10 pt

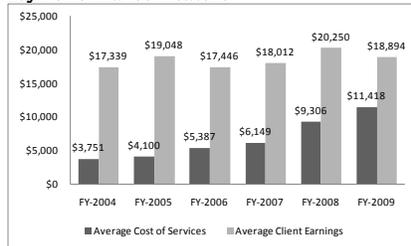
Key Performance Measure



Source: OKDRS

DRS counts a case as successful once the client has been involved in integrated employment for more than 90 days. At an average cost per client of \$11,418, successfully placed clients received the benefit of earning an average paycheck of \$18,894 per year in FY-2009.

Key Performance Measure



Source: OKDRS

School for the Deaf and School for the Blind

The Oklahoma School for the Deaf and Oklahoma School for the Blind provide residential and day education programs for children who have a primary disability of either blindness or deafness. A comprehensive curriculum of reading, language arts, mathematics, social studies, science, physical education and computer-science serves children through the 12th grade.

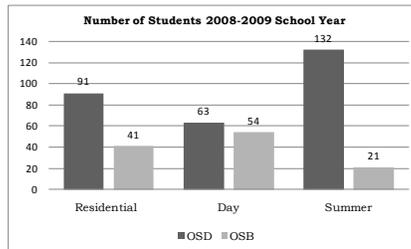
The School for the Blind (OSB) in Muskogee provides special instruction

in Braille, orientation and mobility, low vision aids and adaptive technology.

The School for the Deaf (OSD) in Sulphur provides sign language classes and adaptive technology.

During the 2008-2009 school year, OSD served a total of 286 students from all across the state. The Sulphur campus housed 91 students during the school week, while 63 students attended school during the day, and 33 preschoolers were served in the satellite preschools in Chickasha, Collinsville, and Edmond. 99 students attended the ASDC National Conference hosted by the School for the Deaf.

A total of 116 students were served by the OSB campus in Muskogee, 41 residential students and 54 day students. 21 students attended summer school.

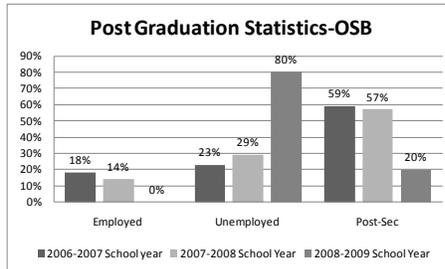


Source: OKDRS

Both schools are resource centers in the state for services to children who are blind, deaf, or hard of hearing. OSD and OSB offer outreach services to these students in public schools throughout the state. Both schools also provide specialized training and summer programs for students, parents and special education teachers.

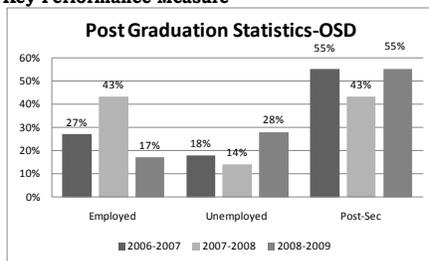
Nationwide, 47 states and the District of Columbia have schools for the deaf; 42 states and the District of Columbia have schools for the blind.

FY-2011 Executive Budget



Source: OKDRS

Key Performance Measure



Source: OKDRS

Disability Determination Division

The Disability Determination Division (DDD) makes medical eligibility determinations for Oklahomans applying for Supplemental Security Income disability or Social Security Disability benefits. This program is funded 100% with federal dollars.

FY-2011 Executive Budget

University Hospitals Authority and Trust

Notable Achievements

- **Investment in Medical Technology, Equipment and Research and Medical Facilities**

To date, the University Hospitals Authority and Trust and HCA Health Services of Oklahoma (dba OU Medical Center) have combined investments of \$319 million on hospital equipment and facilities improvements. In addition the Trust provided \$18.6 million for the construction of the Stanton L. Young Basic Research building Phase II where state of the art genomics and oncology research began in 2006. The Trust has also completed the Arrhythmia Research Institute located in the O.U. Medical Center where pioneering arrhythmia ablation procedures were innovated. In 2007 the Trust began construction of the 312,000 square foot O.U. Children's Physicians medical office building where centralized state of the art pediatric care will be provided to Oklahoma's children. This facility was completed and began seeing patients in September, 2009.

Brief History

In early 1998, the University Hospitals Authority entered into a Joint Operating Agreement (JOA) with HCA Health Services of Oklahoma, Inc., a subsidiary of Columbia Corporation. The agreement completed the largest and most comprehensive privatization in Oklahoma, consisting of a long-term lease between the University Hospitals Trust and HCA Health Services of Oklahoma, Inc. to lease, manage and operate the University Hospitals.

This historic partnership combined University Hospital, Children's Hospital of Oklahoma, O'Donoghue Rehabilitation Institute and Presbyterian Hospital to form what is now called OU Medical Center. This name represents the association of the hospitals with the University of Oklahoma

Health Sciences Center medical schools. The OU Medical Center hospitals serve as teaching hospitals for the medical schools.

Current Role of the Authority

The Authority, in conjunction with the University Hospital Trust, is responsible for monitoring the JOA and making yearly financial reports to the Governor and the Legislature. The mission of the Authority is to be a catalyst for medical excellence, to support medical education, clinical research and to assure the best care available to all Oklahoma citizens regardless of means, while growing essential alliances and maximizing utilization of State and Federal resources.

Indigent Care Expenditures

The OU Medical Center Hospitals provide care to indigent persons equaling at least 120% of the state's appropriation for indigent care. In the event that audited costs of indigent care go above 150% of the appropriation, the Governing Board of the JOA can seek an increase in the appropriations from the Legislature or reduce services to indigents. Indigent care means medical care provided to individuals who do not have insurance and cannot pay for the cost of the care they receive.

During FY-2009, there were a total of 235,750 admissions, clinic and emergency room visits providing care to the medically indigent at OU Medical Center. The categories of service are as follows:

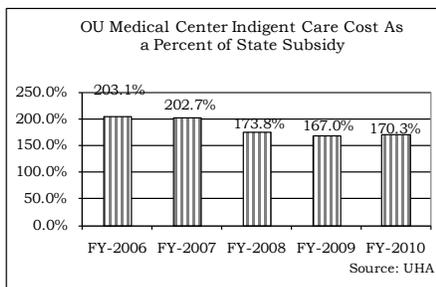
- 15,980 Admissions
- 213,671 Adult and Pediatric outpatient and ER visits.

Of the number of persons who received services, 379 of the inpatients, 5,094 of the outpatients and 220 of the emergency room patients were Department of Corrections' inmates. Oklahoma law requires that OU Medical Center treat inmates at no charge to the Department of Corrections. Therefore, these services are reflected in the total cost of indigent care.

FY-2011 Executive Budget

FY-2009 Indigent Care Percentage at 150%

During FY-2009 the indigent care percent was 167%. Previous year's levels were above the 150% compliance levels due to increasing indigent care costs and revenue shortfalls. Stabilized indigent care levels and improved reimbursements brought the indigent care percent into contract compliance for FY-2008. The FY-2010 Indigent Care percent is 170% of costs.



Trauma Care Related to Indigent Care

OU Medical Center runs the state's only Level I Trauma Center but the state is still in need of comprehensive trauma system development. This includes hospital and ambulance licensing regulations promulgated by the Board of Health along with other system components. Some of these other components such as statutory changes, additional rules and provision of funding for uncompensated trauma care continue to be developed.

The comprehensive trauma care system will contain at least the following components:

- Pre-hospital transfer protocols which clarify that patients are transported to the nearest hospital specified to handle their level of injury;
- Regional plans for community or regional on-call systems which ensure that physician coverage is maintained and 24-hour emergency care is available;
- Reciprocal patient transfer agreements with hospitals capable of providing major trauma care;
- Agreements will include provisions for transferring patients back to the originating hospital when it is medically appropriate to do so;
- Trauma referral centers which coordinate trauma care for all ambulance services and first response agencies within regions and facilitate trauma patient transfers into the region; and
- Adequate funding for uncompensated trauma care.

FY-2011 Executive Budget

Oklahoma Military Department

Mission

The Oklahoma Military Department's (OMD) mission is to preserve the state and the nation through the organization and training of the Oklahoma National Guard. To that end, OMD is committed to providing adequate training facilities for the Oklahoma National Guard.

OMD also continues to serve Oklahoma's at-risk youth with programs, which instill self-esteem and discipline in our young people.

Youth Programs

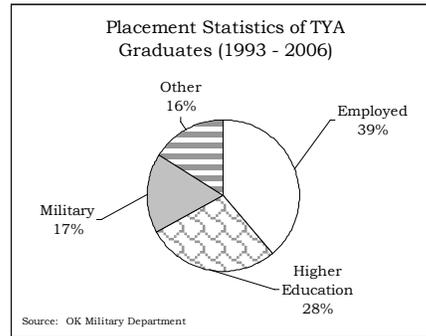
The Oklahoma Military Department fields five programs involving Oklahoma's youth. On July 1, 2005, Oklahoma Military Department reconstituted the State Transition and Reintegration System (STARS), providing statewide tracking services for adjudicated youth through personal contacts and advanced Global Position Satellite (GPS) technologies. First Lady Kim Henry became the official spokesperson for Oklahoma's National Guard Youth Challenge Program, and this program set a national mark by being the first program of its kind to publish their entry web page in both English and Spanish.

The Youth Programs Division (YPD) continues to develop and refine the coordination between its residential programs resulting in significant progress in the areas of job training and job placement.

Thunderbird Youth Academy

In Pryor since 1993, the Thunderbird Youth Academy (TYA) holds two 22-week sessions per calendar year. This voluntary program utilizes military discipline to improve self-esteem and physical fitness of approximately 200 Oklahoma at-risk youths every year.

Education is a key component of the TYA. The curriculum focuses on specific criteria, GED completion and basic life skills. GED preparation is intensive and directed toward improving each cadet academically. Once cadets obtain their GED, they have the opportunity to complete college level studies before graduation. This voluntary program is the result of a cooperative effort between TYA and local colleges and universities. The credits are fully transferable and certified college instructors teach the classes. Since 1993 2,464 of Oklahoma's high school dropouts have dramatically improved their education level and employability potential, with 227 graduating in 2006.



Thunderbirds Regimented Training Program (TRTP)

Having served 865 adjudicated cadets in Pryor, this residential program continues to be a unique asset to the Office of Juvenile Affairs. TRTP also maintains the highest standards of the American Correctional Association certification criteria.

Thunderbird Trades Academy (TTA)

Located in Pryor, this residential program launched its inaugural class January 12, 2004, in cooperation with OSU-Oklmulgee. TTA has graduated 35 youth to date and has a 100% placement rate. TTA has developed new partnerships which are setting the stage for significant job training and placement enhancements and may result in establishing a new model for the nation.

FY-2011 Executive Budget

State Transition and Reintegration System (STARS)

Prior to its closing in July 2001, STARS tracked and provided reintegration services for 6,468 youth throughout the state. In July 2005, state lawmakers reopened the program. Currently, STARS provides tracking services for an average of 200 serious violent or sexual offender juveniles each month, statewide.

STARBASE

STARBASE operates its programs at five locations: Tulsa, Oklahoma City, Camp Gruber, Anadarko, and Pryor. This program has inspired over 40,900 of Oklahoma's elementary school-aged youth with a greater appreciation of math and sciences through practical application of rocketry, astronomy, life sciences, and aerospace technology.

Troop Strength

Currently, the Oklahoma Military Department has over 9,700 troops stationed in the state. The number of troops currently on active duty is 1190.

Alcohol Beverage Laws Enforcement Commission (ABLE)

Notable Achievements

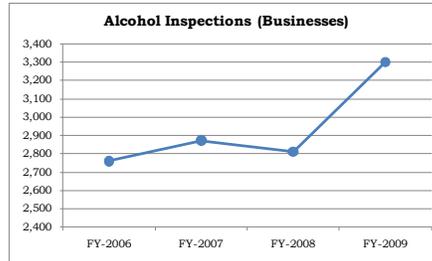
- *The agency has performed all required alcohol inspections throughout all 77 counties with only 26 field agents.*
- *Agency employees continue to serve the Regional Organized Crime Information Center and OKLEX board.*
- *Oklahoma's compliance rate for rejecting the sale of tobacco to minors in FY-2009 continued to exceed national standards.*
- *ABLE maintains documentation on 48,465 licensees and issues over 14,000 licenses per year.*

Mission

The Alcohol Beverage Laws Enforcement Commission protects and enforces state laws pertaining to alcoholic beverages, youth access to tobacco, and charity games. Their priority enforcement is the minimization of alcohol and tobacco use by Oklahoma's youth.

Alcohol Education

Education and creating awareness are a large part of ABLE's strategy for reducing teenage alcohol use. Before attaining alcohol licenses, businesses must attend an orientation provided by ABLE through a contract with a private organization to train new employees of alcohol-serving entities. Also, ABLE trains business employees to spot fraudulent driver licenses, and intoxicated and underage persons.



FY-2011 Executive Budget

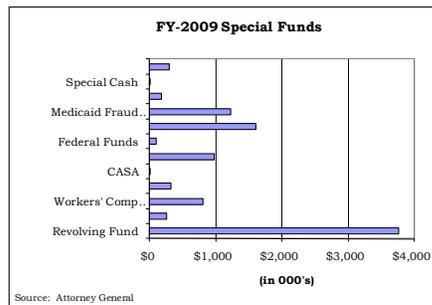
Attorney General

Mission

The mission of the Office of Attorney General is to represent Oklahoma by serving and protecting citizens, government and the law. A few of the services it provides to accomplish its mission are:

- *Representing the state in criminal appeals;*
- *Investigating criminal matters anywhere in the state through the Multi County Grand Jury;*
- *Providing advice and counsel to all State Officers, Boards and Commissions;*
- *Writing opinions upon all questions of law submitted to the Attorney General by persons or bodies with proper statutory authority;*
- *Appearing, as required by statute, and prosecuting or defending, before any court, board or commission, any cause or proceeding in which the state is an interested party;*
- *Overseeing funding and certification for domestic violence and sexual assault programs as well as batterers' intervention programs across the state;*
- *Providing statewide and regional training for law enforcement officers, prosecutors, victim advocates, healthcare professionals, and various other allied professionals;*
- *Developing and maintaining a hotline that provides crisis intervention and resources to victims of domestic violence, sexual assault and stalking;*
- *Implementing OK VINE, Oklahoma's criminal tracking and automated victim notification service and VINE Protective Order, a service that provides status change notification to victims filing protective orders; and*

- *Administering the Address Confidentiality Program which allows agencies to accept a substitute address for participants and enables them to respond to requests without disclosing the location of victims of domestic violence, sexual assault and stalking to their perpetrators.*



Contract Attorneys

Under state law, various agencies contract with the Attorney General's office for legal services. With these contracts, the agency is guaranteed that an assistant attorney general will spend a certain amount of his or her time working for the agency. Contracts with the Attorney General vary from 25% of an attorney's time to 100%. As of January, 2009, the Attorney General's Office has contracts with more than 48 state agencies.

Key Performance Measure

	Cost of Counsel (\$ Per Hour)	
	FY-2008	FY-2009
Assistant Attorney General	\$62	\$63
Market Rate of Private Counsel	\$161	\$169

Domestic Violence Unit

In 2005, the Legislature authorized the transfer of the powers and duties associated with the Domestic Violence and Sexual Assault Program to the Attorney General's Office from the Department of Mental Health and Substance Abuse Services. Funds were reallocated to the budget of the Attorney General for the continuation of programs and services. Services include

FY-2011 Executive Budget

community-based programs for victims of domestic violence and sexual abuse that provide:

- Safe shelter;
- Advocacy; and
- Counseling services.

Board of Tests for Alcohol and Drug Influence

Notable Achievements

- *The Board made significant changes to the Board of Test Rules (Title 40) to make the testing procedure less contentious in the courtroom.*
- *The rules governing interlock installers and users were rewritten with the help of the interlock company's association to better comply with current statutes.*
- *The Board approved the use of the CMI Intoxilyzer 8000 and is in the process of developing software requirements to comply with Oklahoma law and to complement the LEADERS program and ultimately make work simpler for law enforcement personnel.*

Mission

The Board of Tests for Alcohol and Drug Influence promotes a safe driving environment through:

- Proper training of officers in the use of breath testing equipment;
- Inspection and training of ignition interlock installers;
- Performing certification, calibration and maintenance on breath testing equipment to factory and Board standards; and
- Maintaining records associated with breath testing and ignition interlock to include rules of the Board, policies and procedures of the Board, and minutes of each meeting of the Board; and,

Background

The Board of Tests for Alcohol and Drug Influence is comprised of the Dean of the University of Oklahoma College of Medicine, the Commissioner of Public Safety, the Director of the Oklahoma State Bureau of Investigation, the State Commissioner of Health, the Director of the Council of Law Enforcement Education and Training, one certified peace officer selected by the Oklahoma Sheriffs and Peace Officers Association, and one person selected by the Oklahoma Association of Chiefs of Police.

By statute, the Legislature appropriates funds to the Department of Public Safety to be transferred for the support of the Board of Tests for Alcohol and Drug Influence.

Department of Corrections (DOC)

Notable Achievements

- *In FY 2008 Oklahoma Correctional Industries generated \$16,165,452.15. In FY 2009, OCI generated \$19,217,411.18, an increase of \$3,051,959.03.*
- *Long term outcomes for successfully released Community Sentencing offenders continue to be outstanding. As of June 30, 2009, 88% of offenders who completed the program prior to July 1, 2006, remained in the community.*
- *Volunteers contributed 166,824 hours of service in FY 2009, and the Volunteer Services Unit trained 1243 volunteers during FY 2009.*
- *During the first year of the Agri-Services Unit's goat production venture, with assistance from Oklahoma State University and Langston University, 59 live births were reported.*
- *The Oklahoma Department of Corrections was awarded \$350,000 from the District Attorney's Council through the 2009 Recovery Act Justice Assistance Grant Programs for the Female Diversion Program. This grant will target women in Tulsa and Oklahoma Counties who are at risk of incarceration due to program failure, general non compliance and other gender specific pathways that place women at a higher risk of incarceration than their male counterparts.*
- *The Faith and Character Community Program was expanded to a third*

facility, Dick Conner Correctional Center. The program now reaches 75 offenders at Dick Conner Correctional Center, 120 offenders at Oklahoma State Reformatory and 195 offenders at Mabel Bassett Correctional Center.

- *In an effort to find a solution to help contain the health care costs, the Department of Corrections (DOC) partnered with the Oklahoma Health Care Authority (OHCA) for maximizing state resources by drawing down federal dollars for inmates who were admitted to the hospital. Over seventy-two inmate inpatient hospital stays have been covered utilizing this project resulting in a savings to the state of almost 4.5 million dollars.*
- *The DOC continues to experience a dramatic increase in the number and percentage of offenders with a serious mental illness. To address this increase without increased resources, mental health services have implemented the following innovative practices:*
- *The DOC and ODMHSAS implemented an historical Interagency Data Sharing Agreement in which all of the DOC qualified mental health professionals have been credentialed and trained to use the web-based portal in to the ODMHSAS data system. This system provides DOC's mental health staff with a summary of an offender's previous (state funded) mental health and substance abuse services. This has facilitated a reentry program for mentally ill offenders.*
- *The DOC has implemented three innovative interagency mental health projects approved by the Governor's*

FY-2011 Executive Budget

Transformation Advisory Board worth a total of more than \$250,000 in federal funds

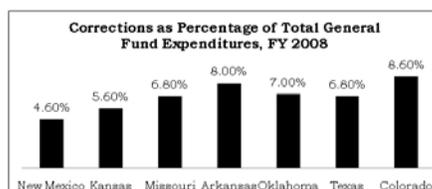
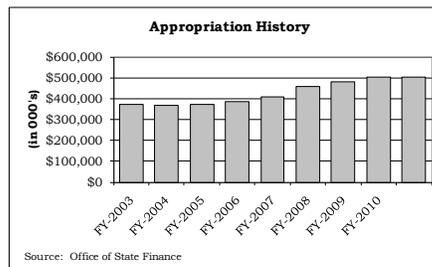
- *The Correctional Crisis Resolution Training (CCRT) Project is a program designed to improve the outcomes of Correctional Officer and Probation/Parole officer interactions with people in crisis who have a mental illness. CCRT is a collaboration between the Oklahoma Department of Corrections, Oklahoma Department of Mental Health and Substance Abuse Services, Oklahoma City Police Department, Midwest City Police Department, NAMI-Oklahoma, consumers and their families, and community mental health providers.*
- *The Peer Recovery Support Specialist (PRSS) Project, through staff from NAMI OK, provides training and support groups for selected offenders in four DOC sites who can become certified Peer Recovery Support Specialists while incarcerated and eventually become potentially employable after discharge.*
- *The Correctional Mental Health Workforce Development Project is designed to ensure that Oklahoma has adequate numbers of mental health professionals who are competent to provide high quality services to those in need of such treatment within Oklahoma's correctional system. This can be accomplished in part by developing a workforce partnership between the Oklahoma Department of Corrections (DOC), the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS), the Oklahoma State University Center for Health Sciences (OSU CHS) and other Oklahoma agencies, colleges, and universities.*

Mission

The Department of Correction's mission reflects the importance of public safety by seeking to protect the public, its employees and the offenders under its supervision. The agency's responsibilities include:

- Housing inmates safely and securely;
- Providing opportunities for inmates to become rehabilitated;
- Facilitating a successful transition for inmates back into society; and
- Monitoring inmate behavior upon release

As one of the state's largest agencies, DOC's FY-2009 appropriation made up 7% of the state appropriations. DOC's appropriations have more than doubled from FY-1996 to FY-2009. The following charts show DOC's appropriation history and their FY-2008 expenditures by account.



- The National Conference on State Legislature reports states spent on average 5.3 percent of their general revenue funds on corrections in fiscal year 2008.
- The fact Oklahoma spends 7% of its general revenue fund on Corrections is reflective of the high costs

FY-2011 Executive Budget

associated with a high rate of per capita incarceration.

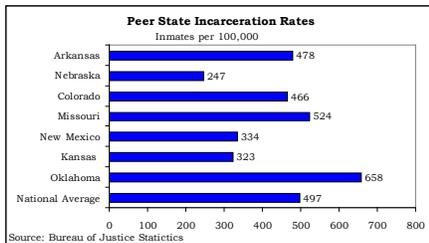
Expenditures by Program in (000's)		
	FY 2009	FY 2010 Bud.
Prison Operations	\$194,577	\$197,649
Medical Services	\$62,056	\$67,162
General Operations*	\$61,850	\$64,428
Contract Facilities	\$116,379	\$117,756
Community Sentencing	\$9,630	\$8,158
Offender Programs	\$16,924	\$17,489
Prison Industries	\$27,919	\$32,321
Community Corrections	\$28,710	\$30,137
Probation and Parole Services	\$31,257	\$31,656
*General Operations includes Central	\$549,302	\$566,756

Source: Department of Corrections

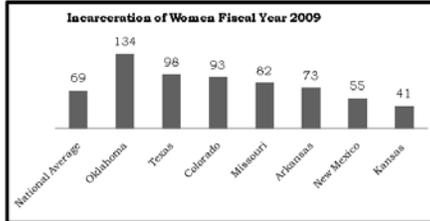
95% of operational funding in FY-2008 came from state appropriations, with revolving funds and federal funds making up the remaining 5%. DOC generates revolving funds from the sale of products and services to inmates (canteen sales) and from the sale of inmate-produced products and services to internal and external purchasers. DOC typically receives federal grant funds for specific programs or services such as sex offender management or substance abuse treatment.

The Demand for Prison Beds

Despite the overall decrease in violent and nonviolent crimes since 1994, the number of offenders incarcerated in Oklahoma has increased. Oklahoma imprisons 658 inmates for each 100,000 residents. This is 132% of the national average of 497 prisoners per 100,000 residents and Oklahoma's incarceration rate is consistently higher than the national average.

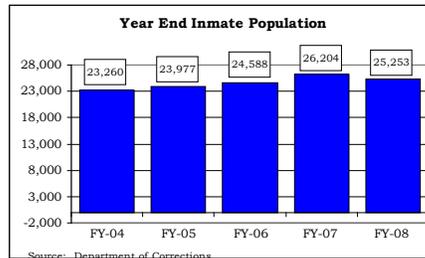


Oklahoma currently incarcerates 134 women per 100,000 population compared to the national average of 69.



Oklahoma's incarceration rate has grown at a quicker rate than the population of the state. Part of this increase can be traced back to the early 1990s when offenders began to serve more time for their offenses and special laws designed to release prisoners early were rarely invoked.

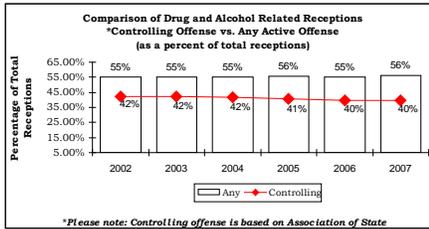
As of December 22, 2008, the inmate population was 25,253, down from the FY-2007 year-end population of 26,204. The inmate population is expected to increase to 27,035 for FY-2009.



One contributing factor to this increase is that since FY-2000, there has been an increasing trend in the number of drug and alcohol receptions.

In 2002, drug and alcohol related receptions accounted for just over 42% of total receptions. The state has implemented a number of initiatives to deal with this issue, such as drug courts and community sentencing.

FY-2011 Executive Budget



The number of receptions, releases and the average time served are three critical factors in the demand for more bed space. For FY-2007, DOC processed 8,914 new inmates, over 700 inmates more than were released. The trend has been receptions were more than releases, increasing the population.

The average time served is another important component that influences the overall correctional system volume. Because the mandatory amount of time-served to be eligible for parole increased in the late 1990's, DOC inmates are serving more time in custody.

The Prison System

DOC operates eight (8) secure public facilities for maximum and medium security offenders. State operated minimum security facilities and community centers provide additional capacity for a total state operated capacity of 18,020 beds. Today, DOC is using a total of 4,690 private prison beds; 1,248 halfway house beds, and 525 county jail beds for a total bed count of 6,463 in the private sector. The total system capacity, including state operated and private facilities equals 25,270 offender beds.

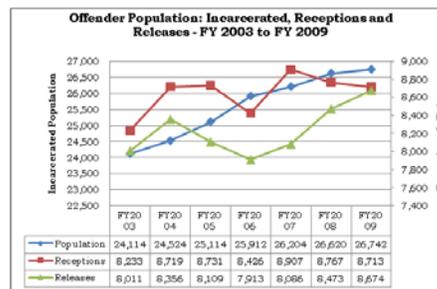
A 720 bed maximum security housing unit was constructed and opened on August 5, 2008 at Davis Correctional Facility in Holdenville, Oklahoma. This unit now houses approximately 360 maximum security Oklahoma offenders.

Oklahoma currently has 6 private prisons, 3 holding Oklahoma offenders and 3 holding out-of-state offenders. North Fork Correctional Facility currently houses California offenders. Diamondback

Correctional Facility currently holds Arizona offenders as does Great Plains Correctional Facility.

The number of out of state offenders housed in private prisons located in Oklahoma has grown to 4,888 with a capacity of 6,560. In support of State Statute 57 § 563.2 that prohibits other states from sending high risk offenders to Oklahoma facilities, Private Prisons and Jail Administration staff pre-screen the files of thousands of out-of-state offenders to ensure appropriateness for transfer to Oklahoma.

The chart below shows the comparison of the state's offender population with receptions and releases.



Note: Population numbers are based on Department of Corrections Weekly Population Analysis, and the receptions and releases are based on data extracted from the Offender Management System.

Despite the fact the number of receptions and releases are contributing to a decline in population, the overall increase in the population serving 85% minimum time served sentences is causing a general population increase.

Probation and Parole

The following tables present a statistical overview of offenders in probation and parole for Fiscal Year 2008 and fiscal year 2009

FY-2011 Executive Budget

Revocations			
	FY 2008	FY 2009	Difference
Technical/Absconders (Offenders who have committed technical violations of their supervision)	546	443	(18.9%)
Law Violations	1,248	1,021	(18.2%)
Specialty Courts (Drug Court and Mental Health Court) *	246	241	(2.0%)
Total	2,040	1,705	(16.4%)

Employment			
	FY 2008	FY 2009	Difference
Employment	80.8%	79.2%	(1.6%)

Absconders			
	FY 2008	FY 2009	Difference
Absconders (Offenders who refuse to report to an officer)	13.9%	10.6%	(3.3%)

*Note: These figures reflect only those offenders supervised by the Department of Corrections.

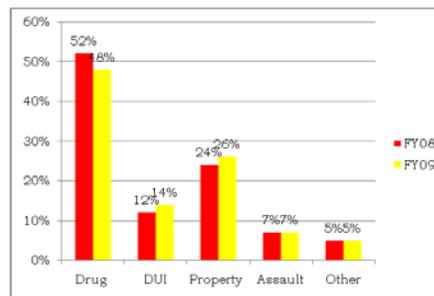
Community Sentencing

The Oklahoma Community Sentencing Act provides an alternative sentencing program for certain nonviolent criminals. The Act offers an innovative approach that combines assessment, supervision, and treatment to directly confront criminogenic needs, those contributing to criminal behavior. This cost-effective community punishment is a proven investment in public safety with 88% of offenders who successfully complete the program remaining in the community. DOC's FY-2009 budget for the program's active local community sentencing systems was \$5 million. The average annual cost per offender in FY-2009 was \$1,781, less than \$5 per day.

Each local community sentencing system, a partnership between the State and one or more county governments, provides the court a continuum of program options. The array of options allows the court to match offenders with the most appropriate sanctions and establishes a gradation of actions to increase control for individuals who fail to conform to the rules and conditions of their sentence. While in the community, the offender is employed, receives treatment, and pays restitution and court fees. Sanctions may include community service, special needs

treatment, and supervision or education programs. The local sentencing systems supervise offenders with state probation and parole officers or with another qualified entity. As of December 31, 2009, a total of 16,587 offenders had received a community sentence; there were 3,346 active participants.

Community Sentencing Crime Categories



Inmate Health Care

The state has both a moral and legal obligation to provide adequate health care for those confined under state custody. However, providing health care in a prison setting is more costly and complicated than in other settings. The nature of the prison population makes injuries and wounds more common and inmates generally do not lead healthy lifestyles. Consequently, instances of hepatitis and other communicable diseases are much more prevalent.

The cost of health care nationwide is continuing to escalate faster than the inflation rate. This cost growth is compounded by the special, and usually costly, precautions that must be taken to protect other citizens when an inmate needs treatment outside the prison facility.

DOC's health care is provided by two main entities, OU Medical Center and Lindsay Hospital. The following chart demonstrates the increasing health care costs for the Department of Corrections.

FY-2011 Executive Budget

Specific Populations

A 2008 Urban Institute Report on Offender Re-entry Health has documented the poor health status of offenders entering prisons as compared with the general population. Offender populations are also aging due to longer prison sentences. This circumstance is often made worse by offender's tendency for unhealthy lifestyles, coupled with a history of substance abuse or other chronic medical conditions.

The offender population 50 years and older in the Oklahoma Department of Corrections has grown from 85 in 1980 to over 3,700 in Fiscal Year 2009.

Offender Population 50 Years of Age and Older			
Year	50 and Older	Total Population	Percentage of Total Offender Population
1980	85	1,746	4.9%
1994	879	13,689	6.4%
2009	3,764	26,742	14.1%

Note: Does not include out-count population. Data for 1980 and 1994 from Wheeler, et al., 1995. Data for 2009 from Oklahoma Department of Corrections Offender Management System.

The projected population aged 50 years or older is expected to be 5,254 by Fiscal Year 2013, a 48 percent increase, while the overall offender population is expected to grow 10 percent.

According to the last national report on health care expenditures by the U.S. Bureau of Justice (2004), medical care costs totaled \$3.7 billion annually and accounted for about 12 percent of correctional spending in FY 2001. In FY 2008, the Oklahoma Department of Corrections healthcare spending was at 13.8% of total expenditures.

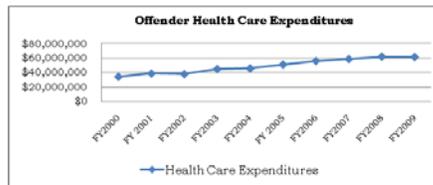
Oklahoma Department of Corrections health care expenditures demonstrate consistent growth, reflecting the national trend.

Factors increasing the cost of offender health care include: Increased offender population, increased average age of offenders, market-driven increases in salaries and benefits of health care personnel, and increased costs of non-

Department of Corrections physician and hospital services.

Less tangible factors affecting costs include: Improved overall quality of care, compliance with community standards of care, and the evolution of medical technology.

The chart below illustrates Oklahoma Department of Corrections health care expenditures have increased from \$34,205,000 in Fiscal Year 2000 to over \$61,581,742 in Fiscal Year 2009, an increase of 80.0 %.



Cost Savings Initiatives

The Division of Institutions and the Division of Female Offender Operations jointly conducted a detailed review of operating funds during the spring of calendar 2009. This review's primary objective was the standardization of operating funds allocations for the 2010 fiscal year. Additionally this effort provided a basis for managing the decline in resources that was expected for the 2010 fiscal year.

The Division of Institutions has continued to conduct comparative analyses of the operating funds performance of the institutions and is reviewing 100% of all institution purchases in an effort to cope with the difficult FY2010 budget situation.

The Division of Institutions completed a technical training laboratory at Lexington, Oklahoma during the spring of FY2009. Correctional Security Consultants assigned to this training laboratory have conducted security CCTV system training for employees from throughout the agency. This includes the use of the latest fiber optic and digital equipment. These consultants have also assisted in the installation of modern CCTV systems. Training and assistance capability is available for fence intrusion systems,

FY-2011 Executive Budget

security door controls, fire alarms, CCTV, metal detection equipment, and telephone systems. The intention of this operation is to upgrade the electronic security installation and maintenance capabilities of each institution and the department as a whole at a lower cost than contracting such efforts.

During FY2009 and continuing during FY2010 the Division of Institutions implemented stringent anti-violence plans within the medium and maximum security facilities. These plans combined with security performance audits are expected to improve security outcomes during FY2010 and FY2011.

OCI combined three OCI garment operations into two, three OCI record conversions operations into two, and consolidated the OCI bindery operation into another existing operation.

Increasing the use of telemedicine and online consultations for specialty visits conducted with the University Physicians Medical Group. Reducing hospital stays and costs by using medical case management services,

Establishing a physician referral review process prior to offenders being sent out for specialized and/or inpatient medical care;

The request for proposal for the provision of pharmacy services was completed. The five year contract should allow for efficient and economical provision of pharmaceuticals for the offender population.

Improvement of Services

A contract for electronic health records was awarded to MedUnison. This program will allow all offenders' medical records to be input and monitored electronically with the ability to detect negative pharmacy interactions and appointment timing reminders automatically provided.

A MOU with DMHSAS was signed to bridge children participating in DMHSAS systems of care wraparound with incarcerated parents in an effort to provide the parent input and increase cooperation and compliance once the parent is in the home.

The agreement also includes the ability to bridge offenders participating in wraparound to DMH systems of care staff in rural communities DOC staff were not accessing.

FY-2011 Executive Budget

District Attorneys' Council (DAC)

Notable Achievements

- *In calendar year 2007, the DAC Instituted a program to ensure that every Prosecutor in the state receives trial Advocacy training. This program is designed to enhance the trial skills of all prosecutors the citizens of Oklahoma receive the best possible representation in the courtroom.*
- *The DAC instituted a domestic violence project to encourage and assist communities in developing a coordinated community response to these crimes.*
- *The DAC instituted a capital litigation project to more effectively prosecute these complex cases.*
- *The DAC administers several federal grants programs, and implemented changes required to administer Recovery Act (ARRA) funds.*
- *We enhanced the prosecution case management system with the addition of District 21.*

Mission

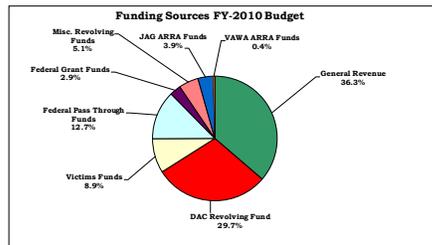
The mission of the District Attorneys Council is to protect the citizens of the State of Oklahoma through the effective and efficient administration of justice. One of the District Attorneys Council's duties is to develop a formula to distribute state appropriated funds to local District Attorney Offices. Other services provided include:

- Administrative support for local District Attorneys;
- Victims of Crime services;
- Education of state leaders on the District Attorneys' positions on criminal justice issues; and
- Assistance to the state's

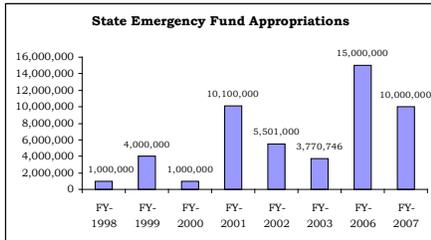
Multijurisdictional drug task forces.

District Attorneys

The 27 District Attorneys in the state are locally elected officials. They are responsible for prosecuting state criminal cases on behalf of the public. Total funding for FY-2007 was \$87.5 million.



State Emergency Fund



The State Emergency Fund provides funds to local governments and businesses for reconstruction and relief after a disaster. The Governor can allocate and authorize expenditures from this fund in certain cases, and the Contingency Review Board can allocate funds for other specified needs.

In recent years, the state has experienced several disasters, which include:

- Winter 2005-2006 wildfires,
- December 2006 ice and snow storms,
- January 2007 ice storm.
- December 2007 ice storm.

To address the damages from these disasters, the Legislature and the Governor appropriated \$10.1 million to the State Emergency Fund in FY-2002, \$5.5 million in FY-2003, \$3.7 million in FY-2004, and \$15.0 million in FY-2006. However, until FY-2007, these appropriations did not fully fund all reconstruction and relief needs from these disasters listed above and the state owed nearly \$14 million as its share of federal matching funds. In FY-2007, authorization for \$10 million was given to the Department of Emergency Management to fulfill the State of Oklahoma's obligations for past disasters.

Current Issues

The blizzard in December of 2009 caused several areas within the state to be declared a state disaster area by the Governor.

Oklahoma Department of Emergency Management (ODEM)

Notable Achievements

- *The Oklahoma Department of Emergency Management (ODEM) coordinated the state's response, recovery efforts for four presidentially declared disasters as well as Oklahoma's response to the blizzard of Christmas Eve in 2009.*

ODEM's efforts benefitted local governments that sustained more than \$20 million in infrastructure damage and response costs due to an ice storm, wildfires, flooding, tornadoes and other severe weather.

In addition to the 2009 disasters, state emergency management officials continued to manage recovery efforts for the 2007 and 2008 disasters which left more than \$225 million in infrastructure damage to cities, towns and counties.

ODEM assisted local preparedness efforts by distributing more than \$1.1 million in grant funds to 77 city and county emergency management departments through the Emergency Management Performance Grant program.

As part of the department's mitigation efforts, ODEM secured nearly \$4 million in federal grants to assist cities, towns, counties and schools. The grants helped fund residential safe rooms, school safe rooms, industrial size generators, outdoor storm sirens, reverse 911 programs, NOAA weather radios, community hazard mitigation plans and the acquisition of repetitive loss properties.

Mission

The mission of the OEM is to minimize the effects of natural and man-made disasters. The agency accomplishes this by preparing and implementing preparedness plans, assisting local government subdivisions with training for and mitigation of disasters and coordinating actual disaster response/recovery operations.

The Department is divided into four main areas:

Hazard Mitigation

Assists communities with identifying and implementing long-term hazard mitigation measures.

Community Preparedness

Provides coordination with other state and federal agencies in developing their capability to respond to a catastrophic disaster.

Emergency Response

Coordinates state emergency operations. The staff also monitors events and evaluates whether they may qualify as a State-declared emergency and the need for federal emergency and disaster assistance.

Disaster Recovery

Departmental staff implements procedures to provide for the quick and efficient delivery of state and federal aid to persons who have been affected by an emergency or disaster.

State Fire Marshal (SFM)

Notable Achievements

- *The SFM names fire service representatives to serve as grant evaluators at the U.S. Fire Administration in Washington D.C. These representatives then present their community leaders with critical information on successful grant-writing.*
- *With passage of the Fire Safe Compliant Cigarette Act, the SFM began enforcement activities on January 1, 2009. The SFM will also compare statistics 10 years prior and 10 years after passage to determine the success of the Act and anticipates reduced fires caused by smoking materials.*
- *The SFM purchased a mobile communications trailer and tow vehicle with Homeland Security grant funds. This one-of-a-kind unit is equipped to provide interoperable communications between emergency first responders, law enforcement, EMT, county and city officials during all-hazards incidents statewide.*

Mission

The mission of the agency is to promote safety and awareness and reduce the loss of lives and property through public education, investigations, inspections, reviewing building plans, enforcing code and collecting statistical data from the annual incident reports from more than 900 fire departments. Duties include:

- Investigating and documenting the cause or origins of fires;
- Assisting with and enforcing adopted Life Safety Codes and fire/crime prevention; and
- Developing fire safety campaigns.

The State Fire Marshal positions investigators around the state for fast response to all investigative needs. This increases the probability of detecting any

possible attempt of arson. The SFM has the legal authority to arrest suspects if probable cause exists in an arson investigation.

Oklahoma Indigent Defense System (OIDS)

The Oklahoma Indigent Defense System provides representation for indigent Oklahomans charged with committing criminal acts.

OIDS provides services in three ways:

- OIDS enters into legal services contracts with local firms for non-capital trials. They receive payment in a lump sum each year to cover all cases in that particular year;
- OIDS staff attorneys handle capital trial cases and all cases that have reached the appellate level. They also represent indigents in non-capital trial cases in 20 counties where they are unable to contract with local firms at a reasonable rate; and
- OIDS appoints counsel in cases when there is not a contract in the appropriate county and OIDS has a conflict of interest.

	FY 2006	FY 2007	FY 2008
Source: OIDS			
# of Non-Capital cases (staff)	5,257	6,467	7,395
Ave. Cost per Non-Capital case (staff)	\$463	\$410	\$373
Capital Trial clients (staff)	65	74	86
Ave. Cost per Capital case (staff)	\$38,708	\$34,824	\$28,756
# of contract Non-Capital cases	30,179	31,610	30,029
# of conflict Non-Capital cases	376	462	477

In FY-2009, OIDS represented a total of 37,424 court appointments. Of these total cases, over 30,000 were contract non-capital trial cases, 86 capital trial cases, and 529 general appeals cases.

Oklahoma State Bureau of Investigation (OSBI)

Notable Achievements

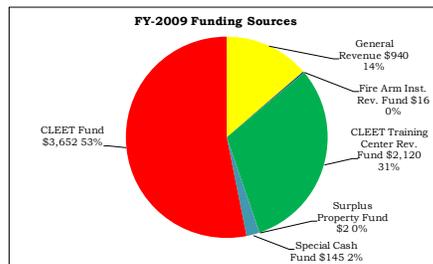
- All appropriate OSBI personnel are now trained in incident management and fully NIMS (National Incident Management System) compliant, the only state level law enforcement agency to achieve compliance.
- All convicted offender DNA samples are now processed in-house by the CODIS Unit (Combined DNA Index System). The Unit is current with processing and generated 114 "cold hits" this past year.
- New Y-STR DNA technology was validated for casework. The technology looks specifically at male contributions to biological samples from crime scenes, especially sexual assaults.
- Average Forensic Laboratory case turnaround time decreased 9.4% to a very acceptable 29 days.
- Increased the number of clients using the Automated Criminal History System (ACHS) for name based criminal history searches. Currently, 18.9% of all searches are processed through ACHS.
- Homicide investigations totaled 75 for the year, an increase of 25% from 2006.
- The Investigative Division was completely reorganized to provide better service to criminal justice agencies.

Mission

The mission of the Oklahoma State Bureau of Investigation is to ensure the safety and security of the citizens of Oklahoma. OSBI clients include federal, tribal, state, district, county and municipal law

enforcement and prosecutorial agencies, the general public and statutory requestors such as the Governor, Attorney General, and the Medical Examiner.

OSBI provides a wide array of investigative and forensic laboratory services including technical crime scene investigations and investigations of criminal offenses such as homicide, rape, assault, theft, fraud, embezzlement, and corruption. Specialized services include computer forensics, criminal intelligence, information sharing systems, polygraphs, forensic interviewing of child victims, training, expert testimony, laboratory analysis, and Internet crimes against children investigations.



Child Abuse Response Team (CART)

In 2006 SB 1800 created the CART and authorized two new FTE. Funding for this program was provided in the 2007 Legislative session. CART was created to conduct child abuse investigations.

The OSBI now has a new Forensic Child Abuse Investigator, who, along with seven other Special Agents with extensive training in child abuse investigations, train, support, and assist law enforcement agencies in cases where children have been assaulted, abused, or exploited. Since January 1, 2007, the OSBI has investigated 147 cases of child abuse involving 184 victims.

FY-2011 Executive Budget

Forensic Science Center

The new \$30 million 86,000 square foot forensic laboratory in Edmond is scheduled for substantial completion in March 2008. This facility replaces the existing outdated 19,000 square foot Central Laboratory building that was built in 1972.

State Fusion Center

The OSBI developed and implemented an intelligence Fusion Center. It is staffed with nine OSBI Analysts and three OSBI Agents, and supplemented by analysts from OCPD, Tulsa P.D., Military Department, and the FBI.

Information Sharing Initiatives

The federal grant-funded OASIS (Oklahoma Automated Secure Information Sharing) and OKLeX (Oklahoma Law Enforcement Information Exchange) are secure, searchable web based sources of valuable information for law enforcement agencies. OASIS is a data warehouse of information shared by the OSBI, DPS, OCPD, and TPD, while OKLeX is an Internet portal allowing all law enforcement agencies to search various data bases for information.

Council on Law Enforcement Education and Training (CLEET)

Notable Achievement

- *406 recruits from municipal, town, county, state and tribal law enforcement agencies attended the Oklahoma Basic Law Enforcement Academy in FY-2008. Another 113 officers began an academy in June, 2008.*
- *12,615 individuals completed CLEET provided continuing education training in FY-2008 compared to 11,098 in FY-2007.*
- *CLEET accredited 2,033 training programs from client agencies to conduct training in-house to address specific needs in their jurisdiction.*
- *A formal Curriculum Review Committee comprised of subject matter experts was established to review and revise the basic academy curriculum.*
- *Operation Cooperation Program was established in Oklahoma. The Operation Cooperation concept is based on researched examples across the nation, of how shared resources of training, intelligence, hard assets, and extra eyes and ears on the street have been a force amplifier for private and public agencies to increase security and protection for communities.*

Mission

The mission of CLEET is to:

- Protect citizens by developing well trained and highly skilled law enforcement and security professionals;

- Establish standards and provide training for peace officer certification;
- Deliver high quality professional training programs that focus on success for Oklahoma law enforcement officers through continuing and advanced education programs;
- Investigate matters that could result in revocation of peace officer certification;
- Establish licensing and training standards for private security officers, private investigators, security guard agencies and private investigative agencies; and
- Regulate unlicensed activity and investigate complaints against licensees that may result in punitive action including filing of criminal charges.

Training

On July 1, 2008, basic academy hours of training were increased from 505 to 576 hours. Input on proposed curriculum changes was gained from law enforcement agencies, subject matter experts as well as law enforcement professional organizations. More time has been dedicated for practical exercises to allow the students to participate in mock vehicle accident investigations, crime scene investigations, responding to domestic violence calls, etc. Training is focused on academic excellence and student achievement to ensure entry-level police officers are prepared for essential tasks.

Continuing Education

Through the use of technology, CLEET has established a continuous learning environment through web-based training that allows law enforcement officers to access training 24 hours a day, 7 days a week.

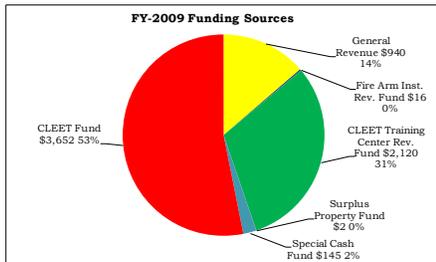
FY-2011 Executive Budget

Private Security Licensing

The licensing activity for security guards, private investigators and agency licenses is driven by customer demand and regulatory efforts. There were 8,631 active licenses at the end of FY-2009 representing an increase of 2.5% from FY-2008. The decline is due in part to a legislative change removing the security guard licensing requirement for active peace officers.

Budget

53% of CLEET's appropriated budget is provided through the CLEET certified fund. This fund is comprised of a \$9 Penalty Assessment Fee that is added upon conviction to criminal and traffic fines. 34% of fees collected are dedicated to the Training Center Revolving Fund to pay the annual bond debt service that financed construction of the facility in Ada.



Board of Medicolegal Investigations

Notable Achievements

- *The Board completed the implementation of a statewide death investigator program. The Board now has almost 30 agency-trained investigators serving all areas of the state.*
- *The Board continues to increase the number of forensic drug tests.*

Mission

The Board of Medicolegal Investigations, investigates deaths in Oklahoma that are sudden, violent or suspicious. The primary goal is to determine with medical and legal certainty the cause of death. The agency conducts scene investigations, autopsies and external examinations, histological examinations and toxicological analyses.

Medicolegal has two laboratories within the state: the Central Laboratory, located in Oklahoma City, and the Eastern Laboratory, located in Tulsa.

Source: Medicolegal	FY 2006	FY 2007	FY 2008
Autopsies	1,851 ¹	1,884 ¹	1,599
Drug Screens	26,170 ¹	28,334 ¹	29,112
# of Autopsies per Pathologist	370 ¹	343 ¹	267

FY-2011 Executive Budget

Oklahoma Bureau of Narcotics and Dangerous Drugs (OBNDD)

2009 Notable Achievements:

- *OBNDD worked for nearly a year on the historic **Crystal Darkness Oklahoma** documentary that aired on virtually every Oklahoma television station during the evening of January 13, 2009, reaching nearly 2 million Oklahomans.*
- *The Mobile Operations Team (MOT) successfully conducted large-scale operations in both SE and NE Oklahoma removing individuals responsible for drug distribution in several local communities.*
- *OBNDD received legislative authority to add a birth-date requirement for the purchase of pseudoephedrine products. This will help to reduce the fraudulent use of state-issued and other identification cards when used to purchase pseudoephedrine products. 11,815 potentially fraudulent sales were blocked since its implementation.*
- *On September 30, 2009 OBNDD with NADDI held the first-ever Methadone Symposium. Law Enforcement, medical, mental health, and treatment program professionals participated with national and local experts to discuss the current methadone situation Oklahoma.*
- *OBNDD discontinued use of a third party vendor and developed the new PMP/PSE system in-house, saving approximately \$40,000 per year.*
- *Through JAG funds, OBNDD established two drug task forces in Southern and NE Oklahoma to combat illegal drug.*
- *OBNDD created a state-of-the-art online case management system, and several other streamlined online programs.*

Mission Statement: Committed to honor, integrity, and excellence, the Oklahoma Bureau of Narcotics will serve the citizens

of Oklahoma in the quest for a drug-free state.

About OBNDD: The Oklahoma Bureau of Narcotics & Dangerous Drugs Control (OBNDD) is responsible for drug enforcement in Oklahoma. OBNDD's strength is in the unique skills and abilities of dedicated agents and support staff. They conduct a wide variety of specialized programs to combat the local availability of various domestic and foreign produced drugs. Enforcement, intelligence, diversion, regulatory, wire intercept, legal, analytical, and educational activities are directed from OBNDD headquarters in Oklahoma City; five district offices located in Tulsa, McAlester, Ardmore, Lawton and Woodward; and eleven regional offices in Ada, Altus, Clinton, Duncan, Durant, Enid, Guymon, Henryetta, Idabel, Muskogee, and Poteau.

Leadership: OBNDD is consistently viewed as a national model for drug enforcement due to proactive investigative and enforcement techniques, cutting-edge regulatory oversight programs, and aggressive legislative initiatives that have shaped national drug policy.

Education: A primary mission of OBNDD is the enforcement of laws designed to halt the local availability of drugs; however, OBNDD is also mandated by Title 63 to provide drug education and training opportunities to law enforcement and the citizens of Oklahoma. To meet this need, the Prevention, Education, and Training Division instructed 112 programs throughout the State of Oklahoma for 5,832 officers and civilians, representing 209 different agencies. Another vital component is providing drug education aimed at demand reduction. The Community-Oriented Narcotics Education and Training (COPNET). It is grant-funded, consisting of volunteer instructors working for OBNDD. COPNET instructors presented 750 drug awareness and prevention programs to 22,351 K-12 students and 3,314 adults in 2009.

A significant event of 2009 was the first-ever Methadone Symposium held on

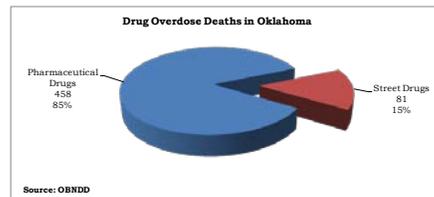
FY-2011 Executive Budget

September 30, 2009. OBND in assisted the Oklahoma Chapter of the National Association of Drug Diversion Investigators (Oklahoma NADDI) in hosting this comprehensive symposium Approximately 88 attendees representing law enforcement, medical professionals, mental health providers, and treatment program staff participated with national and local experts to discuss the current methadone situation in Oklahoma.

Crystal Darkness Oklahoma: OBND worked for nearly a year on the historic *Crystal Darkness Oklahoma*. This moving documentary aired on virtually every Oklahoma television station during the evening of January 13, 2009. The program has reached nearly 2 million Oklahomans as the documentary continues to be shown in schools and for community groups statewide. There were 293 registered "Watch Parties" attended by more than 20,000 participants. Many of the watch parties were personally attended by Bureau personnel. Every employee of the agency was involved in some aspect of this historic project. OBND personnel helped man phones and answer questions at all the call centers setup to field the flood of phone calls generated by the documentary. Throughout 2009, OBND education and training officers continued to meet requests for educational programs at schools and for the general public generated by this gripping documentary.

Diversion Unit: OBND is the only law enforcement agency in Oklahoma to regulate prescription drugs in Oklahoma. The abuse of pharmaceuticals in Oklahoma is escalating at an alarming rate. In 2009, there were 612 drug related overdose deaths, 87% of the drug related overdoses were caused by prescription drug abuse. The Diversion Unit is comprised of specialized, highly trained and experienced agents and civilians who are tasked with investigating and preventing the diversion of prescription drugs to illegal markets. Investigations not only regulate controlled dangerous substances, but also present criminal charges for prosecution. There are approximately 16,320 active OBND registrants in the state of Oklahoma

including hospitals, pharmacies, dentists, veterinarians, and hospices. Most of these registrants provide great public service, however if diversion of pharmaceuticals occurs, it is a source of supply for abuse. In 2009, OBND completed 165 diversion investigations involving 93 registrants.



Mobile Operations Team (MOT): OBND has altered its enforcement tactics and actions in response to varying trends in the narcotics trade. One such effort was the creation of the Mobile Operations Team (MOT) with assistance from federally funded JAG monies. MOT was established to target individual distribution cells within communities across Oklahoma. The MOT is It is important to note that MOT does not replace local narcotics enforcement. MOT seeks to deploy highly trained and well-equipped agents to work with local law enforcement in targeting specific narcotics problems in their area. In 2009, the MOT Unit successfully conducted large-scale operations in SE and NE Oklahoma, removing individuals responsible for drug distribution throughout several communities. OBND follows up these MOT missions with Public Forums, bringing together a panel of experts in prevention, treatment, recovery, faith-based organizations, and law enforcement to meet the needs of these communities.

Marijuana Eradication: OBND has gained a national reputation as a leader and innovator in domestic marijuana eradication. More importantly however, is the fact that OBND has led the charge to make sure that Oklahoma is no longer a wholesale marijuana producing and exporting state. OBND established the country's first eradication program incorporating aerial rappelling operations and aerial spraying. This program utilizes

FY-2011 Executive Budget

funding through DEA's Domestic Cannabis Eradication / Suppression Program (DCE/SP) to dramatically reduce cultivated marijuana in Oklahoma. Recently, Oklahoma has seen a trend that for years had been confined primarily to the west coast. OBNDD located three (3) high-quality, commercial growing operations with ties to Mexican cartel organizations. Nearly 66,000 plants were seized in 2009, as well as evidence that growers were living in the patches and cultivating marijuana for Mexican distribution networks.

Electronic Surveillance and Intelligence:

Prior to other state and federal experts sounding an alarm, OBNDD recognized the emerging impact of Mexican drug organizations in the U.S. In 1996, this agency initiated a state-of-the-art electronic surveillance and wiretap unit that has resulted in the arrests of members from some of the most powerful drug cartels operating on American soil. The OBNDD Wire Unit maintains one of the only full-time Spanish interception units in this part of the country. In 2009, the Wire Unit completed investigations in SW and SE Oklahoma, unplugging and dismantling major Mexican drug pipelines into the state. This division also oversees a Financial Asset and Seizure Team (FAST) which identifies and seizes illegally gained assets of drug traffickers.

Deconfliction: The High Intensity Drug Trafficking Area (HIDTA) Oklahoma Intel Center (OIC) is currently configured as the central clearinghouse for Deconfliction Events and Subjects/Targets for Law Enforcement in the State of Oklahoma. The *Events* side of the system is for safety. It minimizes the possibility for participant agencies to conduct planned enforcement actions in the same location at the same time. The *Subject* side puts investigators together with other agencies conducting an investigation on the same individual or group, effectively maximizing resources.

Prescription Monitoring Program: In 2009, OBNDD received legislative authority to change the reporting requirement for scheduled drugs. This enabled OBNDD to track the prescribing of all scheduled drugs

on a 24 hour cycle. This also allows law enforcement and the medical community to lookup individuals who are illegally obtaining prescriptions from multiple practitioners as well as identify the over-prescribing practitioners.

Pseudoephedrine Tracking: In 2009 OBNDD received legislative authority to add a birth date requirement to reduce fraudulent use of state issued identifications to purchase PSE products. OBNDD has established a data sharing agreement with the Department of Public Safety (DPS) to cross-check the state issued identification cards with those maintained by DPS. This will in time allow the state mandatory limits to be enforced against all licenses issued by DPS as well as our internal systems.

OBNDD maintains an aggressive and proactive approach toward reducing the local availability of drugs and addressing the ever-changing climate of narcotics distribution and abuse. This combined with future strategies, defines the character of OBNDD and drives this agency toward its ultimate quest of creating a Drug-Free Oklahoma.

Pardon and Parole Board

Notable Achievements

- *The Board began using video conferencing in February, 2006 to interview inmates for parole consideration. This initiative has decreased travel costs for the Board and the Department of Corrections.*

The Pardon and Parole Board provides recommendations for the supervised release of adult felons through a case-by-case investigative process. The Board strives to protect the public during this process and to maintain a low revocation and recidivism rate for the State of Oklahoma. With timely recommendations and appropriate community-level programs, the Board can contribute to the intelligent management and control of the State's inmate population.

Explanations of the Key Terms

- **Parole** is the release of a prisoner whose sentence has not expired, on condition of future good behavior.
- **Pardon** is the exemption of a convicted person from the penalties of an offense or a crime.
- **Clemency** is the act of leniency or mercy on an individual for a crime committed.

The Board's staff determines parole eligibility for persons in the Department of Corrections' custody, prepares an extensive investigative report which includes a recommendation to the Board and notifies the victims and other related entities. The Board reviews this information and makes recommendations for clemency on the various parole programs, commutations and pardons, as prescribed by law. Upon recommendation by the Board, the Governor makes the final decision on the clemency, with the restrictions and stipulations recommended by the Board.

The Board

The Pardon and Parole Board is a constitutional, five-member, part-time body charged with making clemency

recommendations to the Governor concerning convicted adult felons. Members of the Board are appointed: Three by the Governor, one by the Chief Justice of the State Supreme Court, and one by the presiding Judge of the Court of Criminal Appeals. The members hold office coterminous with the Governor and meet several days each month at one of the State penal institutions.

FY-2011 Executive Budget

messaged to all law enforcement agencies statewide.

Department of Public Safety (DPS)

Notable Achievements

- *In early 2007, the Department underwent a major conversion in the issuance of oversized and overweight permits. The process has transitioned into a full-scale call center providing a more efficient, customer-friendly operation. As a result of this transition, the agency anticipates a 15% to 25% increase in permit issuance volume.*
- *The court liaison positions established in FY-2006 continue to see benefits. Two personnel travel around the state to hold court-clerk instruction classes regarding operations and the documents required from the municipal and district courts. The largest benefit to this program is the reduction in errors on the forms and increased efficiency by the Department and the 423 Municipal court clerks.*
- *A website hosted by DPS continues to add court clerks from around the state. This website results in more accurate and timely conviction, suspension and withdrawal data received by DPS from court clerks and aids them in complying with federal mandates.*
- *The Amber Alert system, managed by the Department, proved its worthiness again in 2007. The most notable rescue was that of a 3-year-old girl who was located by Trooper Josh Blue shortly after the Amber Alert was issued.*
- *DPS also launched the Silver Alert program for missing senior citizens. The Silver Alert system works much like the Amber Alert system does. Through the use of the Oklahoma Law Enforcement Telecommunications System, alerts can be instant*

Mission

The Department of Public Safety provides the following services to ensure a safe and secure environment for the citizens of this state:

- Law Enforcement Services; and
- Driver License Services;

In FY-2007, the Department of Public Safety received 1.4 % of the state's appropriated budget. Approximately 40% of the Department's budget is funded by appropriations.

Law Enforcement Services

- **The Oklahoma Highway Patrol (OHP)** patrols over 96,000 miles of road, investigates collisions and enforces size and weight laws. OHP also assists local and federal agencies following a federal disaster.
- **Commercial Vehicle Enforcement Troop** enforces size and weight laws.
- **Lake Patrol** enforces laws on state lakes.
- **Executive Security** provides security and transportation for the Governor and Lt. Governor.

Trooper Strength

In calendar year 2007, 39 troopers retired. The agency graduated two trooper academies during FY-2007, graduating 37 new troopers in September 2006, and 49 new troopers in July 2007.

Driver License Services

In an effort to streamline and improve agency services to the public, a newly named division, Driver Compliance, was implemented on November 1, 2007 by combining three current divisions that interact with each other into one. Driver Improvement (DI) and Financial Responsibility (FR) both take actions and hold hearings on drivers who do not comply

FY-2011 Executive Budget

with certain laws, which affect their driving status. Driver License Services (DLS) maintains the demographic files of all drivers, which DI and FR rely on to notify drivers of actions. DLS also issues handicap placards, the application for which is reviewed by the DI Medical Aspects Desk for potential medical compliance issues.

FY-2011 Executive Budget

Oklahoma Center for the Advancement of Science and Technology (OCAST)

Notable Achievements

- *Cumulative leverage for all OCAST programs for the last 22 years is \$19.92 for each dollar invested by Oklahoma through legislative appropriation. These leveraged funds came from federal research funding, private investment, and business financial impacts.*
- *In FY-2009, OCAST awarded over \$15.0 million to Oklahoma universities, non-profit research foundations and businesses.*
- *Participants in OCAST programs report an average salary of \$44,050, 19 percent above the per capita income in Oklahoma.*
- *Last year, Oklahoma researchers working under OCAST-funded contracts filed 207 U.S. patents.*
- *Since its establishment in 1987, OCAST has funded 2,198 projects.*
- *In 2009, the OCAST's Oklahoma Inventors Assistance Service helped 99 Oklahoma inventors and entrepreneurs.*
- *Over its 22 years of operation, OCAST-supported projects have resulted in \$3.5 billion of leveraged economic impact.*

Mission

The Oklahoma Center for the Advancement of Science and Technology is tasked with improving the Oklahoma economy by moving technology from concept to commercialization. Using internationally-accepted methods of applying public funds to research projects, OCAST helps Oklahomans develop knowledge-based businesses. These businesses, in turn, attract private and federal investment, world-class scientists and collaborative

relationships that translate into quality jobs for Oklahomans.

To achieve its vision, OCAST:

- Increases cooperation among the private sector, research foundations and universities through collaborations and networks that maximize productivity;
- Provides leadership, information, services and financial assistance to enhance the ability of Oklahoma advanced technology firms and Oklahoma scientific researchers to compete in the marketplace;
- Uses nationally recognized experts as peer reviewers to ensure performance that meets national standards of excellence and provides Oklahoma with national visibility; and
- Leverages federal and private resources to optimize the effectiveness of limited state resources.

OCAST is Oklahoma's only technology-based economic development agency – the only agency focusing solely on technology, its development, transfer, commercialization and impact on Oklahoma's economy.

OCAST Programs

OCAST strives to select businesses with solid futures for research and development funds. Seventy-four percent (74%) of companies funded by OCAST since its inception are still in business. Through the following programs OCAST develops, implements, evaluates and modifies programs and services designed to encourage and enable Oklahoma firms to develop, apply and commercialize technology.

Oklahoma Health Research (OHR)

The Oklahoma Health Research Program awards seed funds for research projects related to human health. The program funds projects for up to three years at a maximum level of \$45,000

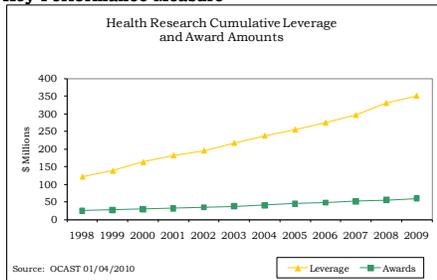
FY-2011 Executive Budget

per year. Eligible applicants are Oklahoma universities and colleges, nonprofit research organizations and commercial enterprises. In FY-2008, for every state dollar awarded in health research funding, eight dollars was leveraged in private and federal funds.

Health Research awards enable researchers to gain expertise and produce data needed to obtain larger grants from federal agencies and other funding organizations. Awards permit research centers to recruit and retain health scientists, researchers and technicians. They contribute to improved health care while permitting expansion in biotechnology, biomedical and commercial enterprises in Oklahoma.

The following graph illustrates the successful leveraging of funds compared to dollars awarded.

Key Performance Measure



One test of successful research is the number of patents issued. The following chart shows the rate of success for Oklahoma patent applications.

	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009
Applications	11	18	24	22	18
Awards	1	2	1	4	4

Source: OCAST 1/04/2010

Success Story

Human respiratory syncytial virus (RSV) hospitalizes more than 100,000 children each year. The virus resides in the lungs

and causes cold and flu-like symptoms that, if not treated, can turn into pneumonia with dramatic impacts on infants and premature babies. Through an OCAST award of \$300,000, Dr. Antonius Oomens of Oklahoma State University and his research team are investigating the molecular biology of RSV in cell cultures, including duplication mechanisms. The end goal is the development of a vaccine that can control RSV not only in the U.S. and developed countries where the disease often is successfully treated, but also in underdeveloped countries where RSV can be a death sentence.

Oklahoma Plant Science Research (OPSR)

Plant science research funds are awarded through external, peer-reviewed funding competitions with preference given to plant research projects which have potential commercial application and the development of new products and services that shall form the basis of new, high-technology plant science/agriculture industry for the state. Collaborative research, which brings together personnel from multiple organizations, from multiple disciplines and with varied experiences and perspective frequently enhances the prospects successful research. Collaborative projects among institutions of higher education, nonprofit research organizations and private enterprises are encouraged, and proposals involving co-principal investigators from more than one organization are strongly encouraged.

Success Story

Drought, disease, and poor soil quality are of great concern to farmers. What if these concerns were a thing of the past? Oklahoma researchers are discovering new ways for producing more robust plants that can withstand these unfavorable conditions. The field of genetic testing is in its (relative) infancy, and as researchers continue to unlock the code to DNA and RNA, they are discovering they have a long way to go in fully understanding gene function.

FY-2011 Executive Budget

Dr. Kay Scheets, adjunct assistant professor of botany at Oklahoma State University, is researching virus-induced gene silencing in maize plants. By inserting the maize mRNA into the maize necrotic streak virus (MNeSV) and infecting the plant with the altered virus, researchers can “trick” the maize plant’s cellular system into “silencing” that gene, providing a faster way to identify the gene’s function and impact. The end goal is to breed better varieties of plants that can resist drought or disease or can grow in poor quality soil. Once Dr. Scheets optimizes MNeSV for silencing maize genes, she will expand the study to determine if the virus can be similarly used in wheat and oats. Through OCAST funding, Dr. Scheets hired research support and purchased research equipment necessary to carry out her study.

R&D Faculty and Student Intern Partnerships (RDIP)

The R&D Intern Partnership program provides support for qualified research and development partnership projects that involve industry and institutions of higher education. The program increases the pool of scientists, engineers and business entrepreneurs available to Oklahoma industry, encourages students to be scientists and engineers and enhances faculty members’ teaching experience.

The faculty and student interns come from rural and urban colleges and they intern throughout Oklahoma. Through this program the interns learn first-hand about the many outstanding high-tech employment opportunities in Oklahoma. This program helps Oklahoma companies and helps reduce the “brain-drain” from Oklahoma.

Success Story

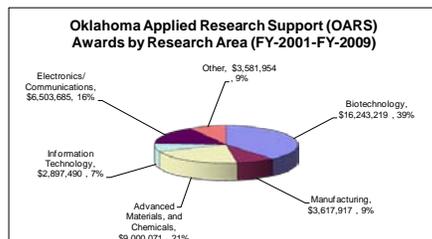
OCAST’s R&D Intern Partnerships with Oklahoma City Community College (OCCC) allow students working toward their associate’s degree in biotechnology to receive first-rate, on-the-job training. Students often juggle school, work and family – making the stipend provided by

the OCAST partnership all the more important. Companies participating in the intern partnership are required to match the OCAST award. Dr. Charlotte Mulvihill, professor of biotechnology at OCCC, says without the stipend, many students wouldn’t receive the invaluable experience they gain through the internship program.

The intern partnership allows employers to screen future employees, students to network and gain experience in the industry and the college to receive feedback from companies on how to improve the degree program. To date, 41 students have interned under OCAST’s program at OCCC--fourteen continued their education after graduation, 18 assumed full-time positions in Oklahoma companies and 14 were hired by the firms where they interned.

Oklahoma Applied Research

The Oklahoma Applied Research Support (OARS) program competitively awards funds for one- to three-year projects based upon technical merit, potential for market success and commitment of resources. The program requires a minimum of one dollar matching support for each state dollar awarded. Eligible applicants are Oklahoma businesses and universities, colleges or nonprofit research organizations with industrial partners.



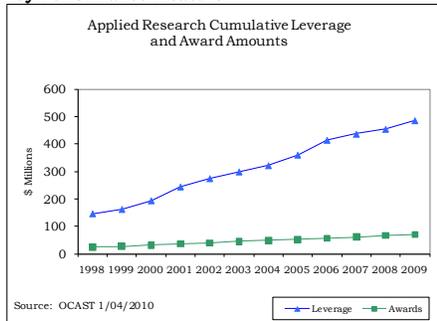
OARS produces commercially viable Research and Development. Federal and private funding attracted to OARS projects and the ratio of OARS support to private and federal support both demonstrate the program’s effectiveness

FY-2011 Executive Budget

at securing capital. In FY-2009, for every state dollar awarded to Applied Research another \$24 was leveraged in private and federal funds and business financial impacts.

In FY-2009, OARS produced \$37.7 million in sales, resulted in 276 jobs added or retained with an average salary of \$47,650 – 29% above the Oklahoma per capita income, and created \$97.7 million of leveraged federal funding and economic benefits to Oklahoma.

Key Performance Measure



Oklahoma Nanotechnology Applications Project (ONAP)

The Oklahoma Nanotechnology Applications Project competitively awards funds for one- to three- year projects based upon technical merit, potential for market success and commitment of resources. ONAP is designed to assist Oklahoma companies, universities, and non-profit organizations who are developing new nanotechnology applications as well as those with existing applications. ONAP awards provide a maximum of one dollar of funding for each dollar of matching funds for research and development projects. The project requires that research lead to innovation, new knowledge or technology; have a high probability of leading to commercially successful products, processes or services within a reasonable period of time; are technically sound and will produce a measurable result and have a reasonable probability to enhance

employment opportunities within Oklahoma.

Small Business Research Assistance (SBRA)

The federal Small Business Innovation Research (SBIR) program provides financial support for technology feasibility studies and prototype development that is lacking in the private investment community. The federal Small Business Technology Transfer (STTR) program accomplishes this purpose while forging research collaborations between small firms and universities or other nonprofit research institutions.

OCAST's SBRA program provides assistance to improve the quality of proposals submitted to the federal programs, defrays a portion of a qualifying firm's federal SBIR or STTR proposal preparation costs, bridges funding between federal SBIR grants and assists in locating research resources necessary to successfully compete in the SBIR and STTR programs. OCAST's Small Business Research Assistance (SBRA) program attracted \$69 of private and federal funding for every taxpayer dollar expended in FY-2009.

Inventors Assistance Service (IAS)

OCAST contracts with Oklahoma State University to operate the IAS. Through workshops, web site and on-site consultations, the IAS provides Oklahoma inventors with information and training on developing their invention and on issues related to patenting/licensing, marketing and manufacturing. The IAS assists the independent inventor in navigating the process from idea to marketplace.

Oklahoma Technology Commercialization Center (Tech Center)

OCAST contracts with a private, nonprofit organization to operate the Tech Center, which assists entrepreneurs, early-stage technology companies and companies seeking to commercialize new technologies. The

FY-2011 Executive Budget

Tech Center assesses needs, guides clients through the commercialization process and links them to a comprehensive network of technology sources (including Oklahoma universities) and commercialization assistance services. The Tech Center also provides specialized business development services, access to early-state risk financing, access to specialized incubator space and help in transferring technology.

In FY-2009, OCAST's Oklahoma Technology Commercialization Center managed under contract to OCAST's strategic partner i2E, attracted \$35.63 of private and federal funding for every taxpayer dollar.

OCAST Technology Business Finance Program (TBFP)

This OCAST program provides limited pre-seed financing for start-up advanced technology firms. The program requires a match and includes payback provisions. This program, managed under contract with i2E, has resulted in paybacks totaling more than \$3.3 million since the program began in 1999. Every state taxpayer dollar expended in FY-2009 attracted \$14.47 of private and federal funding.

Oklahoma Seed Capital Fund

After having been in statute for a number of years, the Legislature provided funding for this program in FY-2007, enabling OCAST to implement the program through a competitive proposal process. The result was a new Oklahoma Seed Capital Fund LLC managed by i2E, Inc., a not-for-profit corporation, under contract to OCAST.

After receiving two years of full funding, the Oklahoma Seed Capital Revolving Fund has made approximately \$3.4 million of immediate investment in seven companies, with more than \$5 million reserved for follow-on rounds for these companies. Co-investment commitment by other private sector funds and individuals has exceeded another \$8 million to date. This means that more than \$11 million will go to Oklahoma technology companies in need of seed capital stage resources to continue growth and expansion, and an additional

\$10 million – including \$5 million of state funds plus a similar minimum of \$5 million in anticipated private sector funds – are ready for investment in these companies in the near future.

Success Story

Selexys, a startup bio-pharmaceutical company located in the Presbyterian Health Foundation Research Park, received funding through OCAST's Seed Capital Fund managed by investment from OCAST through its contractor i2E, Inc. and the money OCAST placed in i2E's seed capital fund. Last year, the company also received the largest-ever financial award made to an Oklahoma company from the National Institutes of Health under the Small Business Innovation Research program. The company product, Anti-P-Selectin, targets a specific molecule and is intended to prevent blood clots from forming in patients with Sickle Cell anemia. Company founder Scott Rollins predicts growth under the SBIR award, meaning more employees in an Oklahoma-based high-tech biotech company.

Oklahoma Manufacturing Alliance (Manufacturing Alliance)

OCAST provides oversight and state matching funds to this affiliate of the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership program. The Alliance helps small and medium-sized manufacturers modernize in order to compete successfully. Under a partnership with Oklahoma State University, the Manufacturing Alliance also provides engineering services to small and rural manufacturers through its Application Engineers program. Every state taxpayer dollar expended in FY-2009 attracted \$194 of private and federal funding.

Success Story

VE Enterprises is one of the most respected names in the tank and trailer manufacturing business. Operating under the "VE" banner since 1987, it employs about 100 people at its

FY-2011 Executive Budget

135,000 square-foot factory in Springer. Products include a variety of liquid storage tanks, vacuum trailers, bobtails and roll-offs for environmental, waste management and the oil and gas industries.

Owner Trey Whatley contacted manufacturing extension agent Kay Watson with the Oklahoma Manufacturing Alliance and soon had all of his employees scheduled for Lean Manufacturing training. A new employee benefit plan soon followed and company leaders are now taking advantage of an Alliance-led program to identify new target markets. The results: 1) hundreds of thousands of dollars in new sales through increased efficiency; 2) lower employee turnover; 3) 50 percent decrease in safety problems; and 4) enhanced customer services through a special training program.

Election Board

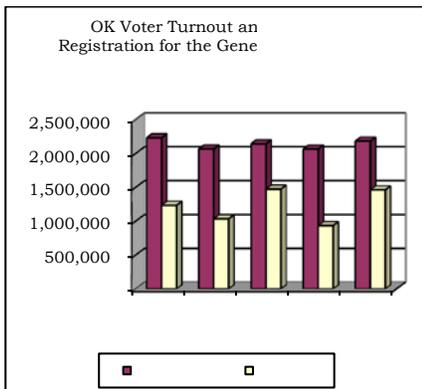
Notable Achievement

- *The Election Board successfully implemented voting for disabled voters, including blind voters.*

The State Election Board coordinates all statewide elections for over 2,000 precincts in the State's 77 counties. Unlike Florida and many other states whose election system problems became evident in the 2000 and 2004 national elections, Oklahoma's unified system serves as a model. In place for more than a decade, the uniform system provides:

- One voting system;
- One kind of ballot;
- One way of voting;
- One way of counting ballots; and
- One way of recounting ballots.

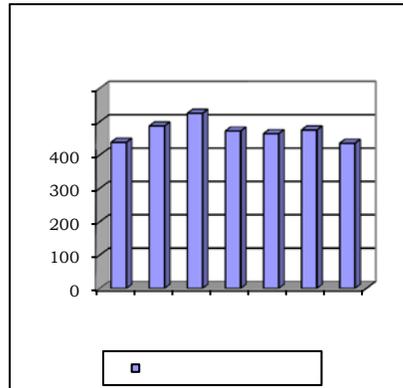
The graph below shows the voter registration and voter turnout for each of the general elections. A general election is held on the first Tuesday in November in even number years. The next general election is scheduled for November 2, 2010.



Source: Election Board

The graph in the next column shows the number of voter information requests received by the Election Board. Voter

information requests were the highest in FY-2004 due to the presidential election and state general election.



Source: Election Board

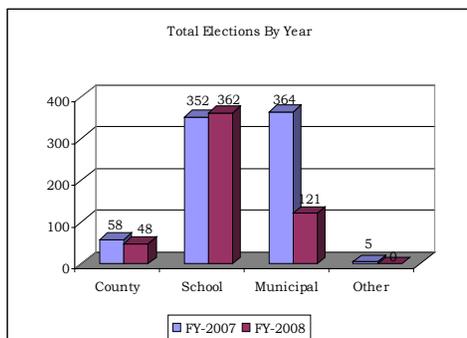
Help America Vote Act of 2002 (HAVA)

This federal act was passed in light of the voting problems of the Presidential Election of 2000. The legislation calls for a wide variety of improvements and also establishes a set of national standards that states must meet. In FY-2006, the Election Board was appropriated an additional \$1.5 million, which is set aside as federal matching money for HAVA. The largest expenditures necessary in Oklahoma are in the areas of polling place technology and disabled voter accessibility.

Election Costs

Every four years the State of Oklahoma has seven statewide elections: two primaries, two run-off primaries, two general elections, and one presidential preferential primary. The cost for each statewide election fluctuates based upon the number of ballots printed and the transit cost of ballots to counties. An estimate for the cost of a general election is \$950,000, and special elections are around \$900,000. In FY-2009, there were 3 statewide elections. The table below shows the number of local elections in FY-2008.

FY-2011 Executive Budget



County, school, and municipal elections are usually held on the same day making the total number of local elections high.

Ethics Commission

Notable Achievement

- *All state candidate and non-candidate committee registrations and campaign reports are filed electronically using the Oklahoma Campaign Reporting System (OCRS).*
- *All lobbyists' registrations and expenditure reports are filed electronically using the Lobbyist Reporting and Disclosure System (LRDS).*

There are five commissioners. One each is appointed by the Governor, President Pro Tempore of the Senate, Speaker of the House, Chief Justice of the Supreme Court, and Attorney General. A full term for a commissioner is five years. The Ethics Commission's duties include:

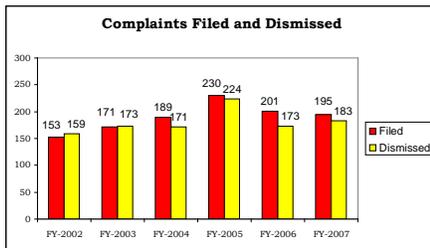
- Administering ethics rules and state law regarding compliance and disclosure of campaign financing of state and county candidates;
- Registering and regulating the compliance and disclosure of political and financial information of lobbyists;
- Promulgating rules on official conduct, political activity, and disclosure of personal financial interest by state officers and employees; and
- Investigating and prosecuting violations of state ethics rules and law.

The total number of complaints in FY-2009 was 13. This represents a 30% increase from 10 complaints in FY-2008.

Council on Judicial Complaints

Created in Title 20 of the Oklahoma Statutes, the Council on Judicial Complaints accepts and investigates allegations of judicial misconduct. The Council has jurisdiction over all persons subject to the Code of Judicial Conduct, including approximately 690 state, municipal and administrative judges. The Council determines whether complaints are dismissed, warrant a reprimand or admonition or go before the Court on the Judiciary.

The Council consists of three members, each serving a five-year term, two of whom must be members of the Oklahoma Bar Association. The appointing authorities are the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the President of the Oklahoma Bar Association. Duties and responsibilities of the Council include holding hearings, administering oaths and receiving testimony and other evidence. The Council may also issue and serve subpoenas. Proceedings before the Council are confidential.



Secretary of State

Notable Achievements

- *Improve employee efficiency from new technology*
- *Increase on-line user activity from new technology*
- *Distribute Legislation, Administrative Rules, and other SOS publications and filed documents via new technology*
- *Use targeted training to increase IT division effectiveness by 15%, thereby decreasing maintenance costs by \$200,000 via new technology.*

The Secretary of State, created in Article VI of the Oklahoma Constitution, has a number of constitutional and statutorily established duties. These include:

- Serving as the official repository of original acts of the Governor, laws enacted by the Legislature and initiative and referendum measures;
- Maintaining information regarding meetings held under the Open Meeting Act;
- Maintaining the Central Filing System for Agriculture Liens and record mortgages, UCC statements pertaining to public service corporations, transmitting utilities and railroads;
- Maintaining a central registry for filing business documents on corporations and partnerships of all types;

Funding Sources

The Secretary of State is funded in majority by revenue derived from fees collected for such things as Business Entity, Notary and Trademark filings.

The Oklahoma Administrative Code and the Oklahoma Register

The Oklahoma Administrative Code is the official compilation of agency rules and executive orders for the State of Oklahoma. *The Oklahoma Register* is a semi-monthly publication documenting administrative

code changes between publications of the annual supplements.

International Relations and Services

The Secretary of State has primary responsibility for international relations for state government with the U. S. Department of State, the Houston, Chicago and New York Consular Corps. The SOS is the first point of contact for the State of Oklahoma Sister State agreements.

Business Registration Services on the Internet

Since implementation in June 2003, the Secretary of State is utilizing the web based SOONERAccess system to cut costs and increase efficiency of both employees and customers. SOONERAccess allows customers to submit the majority of business entity documents, trademarks/renewals, and Notary Public applications/renewals on-line.

FY-2011 Executive Budget

Oklahoma Aeronautics Commission (OAC)

Notable Achievements

- *Led passage of HB 3239, HB 3098 and HB 2501. House Bill 3239, the Aerospace Industry Engineer Workforce Bil offers a tax credit of \$5,000 for up to five years to engineers hired after January 1, 2009, by an Oklahoma aerospace company. Companies who hire those engineers will receive a tax credit (10% for an in-state graduate and 5% for an out-of-state graduate) for the compensation paid to an engineer during the first five years of his or her employment.*
- *Led passage of HB 3098, the Aerospace Development Act of 2008. House Bill 3098 transferred the administration of two key aerospace programs, the Center for Aerospace Supplier Quality (CASQ) and the Oklahoma Aerospace Institute (OAI), to OAC in November 2009, allowing OAI to focus on creating a partnership of service providers to serve the aerospace industry.*
- *Led passage of HB 2501, amending what is commonly known as the Aircraft Dealers' Protection Act. This bill removed barriers to aviation manufacturers entering into dealership and service center agreements with Oklahoma aviation businesses.*
- *Awarded capital improvement grants totaling \$2,108,168 in FY-2008 to General Aviation airports throughout the state in order to make sure that our airports are being utilized in bringing business to Oklahoma.*
- *Awarded aviation education grants/contracts totaling \$120,360 in FY-2008 to promote aviation and the aerospace industry to elementary through high school students throughout the state.*
- *The Oklahoma Airport System Plan is used by the Federal Aviation Administration (FAA) as a model for*

other states and the FAA Southwest Region.

Mission

The mission of the (OAC) is to promote aviation, which includes fostering the viability and growth of the aerospace industry and ensuring that the needs of commerce and communities across the state are met by the state's 114 public airports that comprise the Oklahoma Airport System.

Oklahoma has 114 publicly-owned airports. 111 of these are General Aviation airports, while the other 3 are Air Carrier airports – OKC Will Rogers, Tulsa International and Lawton-Ft. Sill Municipal. Out of the 111 General Aviation airports, 46 are classified as Regional Business airports (RBs). Currently, 41 of the RBs have jet-capable (5,000 feet or longer) runways.

The OAC determines the airport projects that will be funded with state and federal funds through its capital planning and programming process and its Capital Improvement Program. The vast majority of funding for airport projects comes from the federal government through the Federal Aviation Administration Airport Improvement Program. During the last several years, the OAC has programmed over \$10 million annually in federal funds for airport projects in Oklahoma. This does not include the more than \$12 million a year in federal funds (through individual \$150,000 grants) that is going directly to the 100 Oklahoma GA airports that are in the federal system.

The OAC is funded with aviation-generated (aircraft excise tax, aircraft registration fees and aviation fuel tax), revenues. In FY-2008, OAC received \$5,164,746 from these sources. The average from these sources over the past four fiscal years, including FY-2007, was \$4,504,562. In FY-2008, the OAC expended \$1,786,268 on airport projects, nearly \$90,503 to promote the aerospace industry, and \$1,459,834 on operations.

FY-2011 Executive Budget

Oklahoma Space Industry Development Authority (OSIDA)

Notable Achievements

- Assisted in creating over 150 jobs in the aerospace field. Over 100 Oklahoma companies have been utilized by new space companies for technical assistance or manufacturing. Oklahoma State University and The University of Oklahoma have played a significant role working with Oklahoma's new space companies.
- The average salary of the commercial space related jobs is \$85,000;
- OSIDA receives Federal support from NASA for Aerospace Education for K-12 as well as Oklahoma Colleges and Universities including;
 - University of Oklahoma;
 - Oklahoma State University;
 - Southwestern Oklahoma State University; and
 - K – 12 school districts across the state.
- OSIDA will receive additional Federal Funds provided by the Federal Aviation Administration to install a Precision Approach Path Indicator System for the runways and a new Rotating Beacon at the Spaceport. The 230,000 dollar Grant is the second received from the Federal Aviation Administration for the facility since 2008.
- Named the World's Newest Gateway to Space on June 12, 2006, receiving a Launch Site Operators License from the Federal Aviation Administration's Office of Commercial Space Transportation. OSIDA became only the sixth recipient of a Launch Site Operators License from the Federal Aviation Administration's Office of Commercial Space Transportations in its 25 year history;

- OSIDA became the first inland spaceport to have its own dedicated airspace.
- The Oklahoma Spaceport became the first U.S. Spaceport to host the initial flight test of a rocket powered sub-orbital space flight vehicle operated by Armadillo Aerospace.
- OSIDA became the first and only spaceport representative chosen to brief the Joint Planning and Development Offices Next Generation Airspace Committee on future sub-orbital spaceflight opportunities that are projected to take place in the National Airspace System. The Committee was enacted in 2003 by President Bush and Congress.

Mission

OSIDA aspires to aid economic development in Oklahoma by stimulating the creation of space commerce, education as well as other aerospace related industries that will provide high tech employment opportunities for Oklahoma.

Oklahoma Spaceport / Clinton Sherman Airpark

OSIDA acquired the Clinton Sherman Airpark at no cost in September, 2006. This acquisition continues to be ideal for the development of commercial space operations as well as aeronautical research, development, and manufacturing because of the airpark's advantages:

- Infrastructure in place that includes a 13,503' x 300' runway, six commercial aircraft hangars, and 96 acres of concrete ramp for additional operations.
- Favorable weather conditions – more than 300 VFR flying days a year.
- OSIDA contracts with the South Western Oklahoma Development Authority to provide facility maintenance at the Oklahoma Spaceport.
- Over 700 acres of land for future development.

During FY-2005, OSIDA completed a mandatory flight safety study and an

FY-2011 Executive Budget

environmental impact study for the Clinton Sherman Airpark. The successful completion of these studies allowed OSIDA to obtain a Spaceport license for the former Clinton-Sherman Airpark from the Federal Aviation Administration's Office of Commercial Space Transportation in 2006. Having a Launch Site Operator's License for the Oklahoma Spaceport enables Oklahoma to be very competitive in attracting aerospace companies as well as the Department of Defense and NASA to Oklahoma with the potential to provide high-tech research and development opportunities at the Oklahoma Spaceport.

Department of Transportation (ODOT)

Notable Achievement

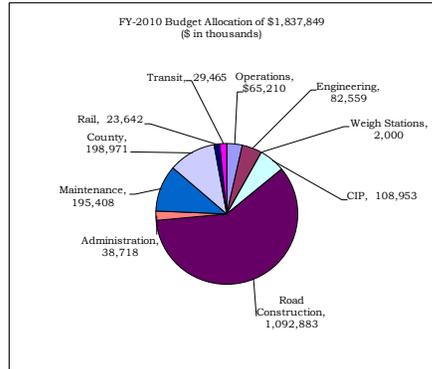
- The Transportation Commission completed the rehabilitation or reconstruction of bridges that were fully, or in part, funded by the \$100 million appropriation made available through the provisions of SB1288. The number of load posted bridges decreased from 137 in January 2006 to 39 in November 2008.
- The Department significantly increased the number bridges included in the Eight Year Construction Work plan to 480 from the 167 that were contained in the initial Construction Work Plan in 2003. (Note: The Transportation Commission approved the FFY2009 – FFY2016 Eight Year Construction Work Plan in October 2008. This plan contains 502 bridge projects.)
- ODOT, in conjunction with County Commissioners, developed the five year County Improvement for Roads and Bridges (CIRB) Work Plan. This plan schedules projects that will be initiated for county roads and bridges that are made available from the provisions of HB1176 which will provide an additional \$85 million annually. Included in this initial plan is the reconstruction or rehabilitation of 110 county bridges.

Mission

The mission of the Oklahoma Department of Transportation (ODOT) is to provide a safe, economical and effective transportation network for the people, commerce and communities of Oklahoma. ODOT is charged with the planning, construction, operation and maintenance of Oklahoma's transportation infrastructure. This includes 12,286 miles of highway and 6,805 bridges, as well as 953 miles of state owned railroad. The Department of Transportation is a non-appropriated agency. The legislature authorizes the

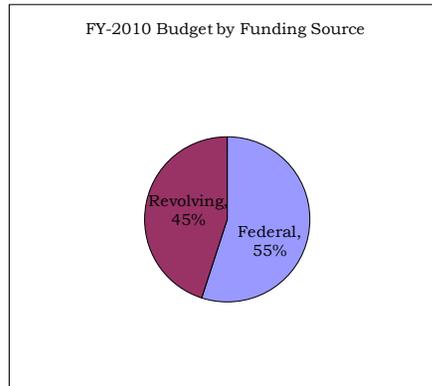
FY-2011 Executive Budget

agency to spend its budget. The budget allocation in FY-2010 is \$1,873,849,000.



Source: ODOT

Of the \$1.8 billion budget, ODOT's budget is comprised of federal and revolving funds. The chart below shows the funding breakdown by source.



Source: ODOT

Motor Fuel Taxes

Motor fuel taxes are the main source of revenue to the State Transportation Fund (STF), ODOT's primary source of state funding. The motor fuel taxes that are deposited to the fund are gasoline excise tax, diesel fuel excise tax, special fuel use tax, and special fuel decals.

The gasoline tax is assessed on the consumer when they purchase gas and is

FY-2011 Executive Budget

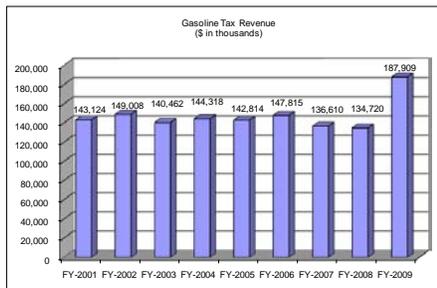
the largest source of revenue to STF. Currently, the tax rate is 16 cents per gallon.

The gasoline tax revenue is apportioned to municipalities for local road repair. The following table shows the apportionment of gasoline tax revenue.

Gasoline Tax Apportionment	
Transportation Fund	63.75%
County Highways	30.13%
Cities & Towns	1.88%
County Bridge & Road Improvement Fund	2.63%
High Priority State Bridges Fd	1.63%

Source: Oklahoma Tax Commission

The graph below shows the amount of gasoline tax apportioned to the State Transportation Fund over the past 10 years.



Diesel tax revenue is also apportioned to the County Highway and the County Bridge and Road Improvement Fund. These funds are the only source of revenue that counties have for highway and bridge maintenance and repair.

GARVEE Bonds

The Grant Anticipation Revenue Vehicles program, or "GARVEE," allows the state to address immediate highway needs by issuing bonds and using future federal highway funds to service the debt. Governor Henry directed ODOT to pursue a first phase of GARVEE projects valued at \$300 million.

The Transportation Commission identified 12 "economic development" corridors for the GARVEE program where roads will be improved to help enhance the state's business climate. More than \$500 million, of which \$300 million will be provided by debt financing, will be spent on the first phase of the following corridor projects.

GARVEE Projects

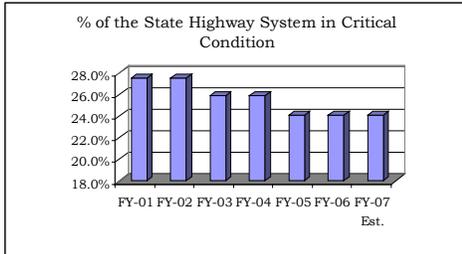
- Oklahoma City: US-77 (Broadway Extension) bridges and roadway with interchange at I-44, from one-fourth mile north of NW 63rd Street to NW 36th Street.
- Oklahoma City: US-77 (Broadway Extension) I-44 to Memorial Road.
- Tulsa: I-44 from Arkansas River bridge to Yale Ave.
- Tulsa: US-169 from I-244 to 21st Street.
- Idabel: US-70 from Idabel to Hugo.
- Durant: US-70 from I-35 to Durant.
- Ada: Highway 99 from I-40 to Ada.
- Sequoyah County: US-59 from US-271 to I-40 near Sallisaw.
- SW Oklahoma: US-183 from US-70 to I-40.
- Woodward: SH-3 from SH-34 in Woodward to SH-33 in Watonga.
- Rogers County: SH-88 from US-412 in Inola to I-44 and SH-20/88 beginning at Claremore and ending at south bypass.

State Highway System

Historically, Oklahoma's highways and bridges have received poor condition ratings. According to ODOT, 24.3% of the highway system is rated in critical condition or in need of reconstruction or rehabilitation. Also, 1,545 (22.7%) of the state's 6,805 bridges are structurally deficient and/or functionally obsolete.

FY-2011 Executive Budget

Key Performance Measure



Source: ODOT

ROADS Fund

The 2006 Oklahoma legislative session, through H.B. 1176, provided an excellent foundation of opportunity to address the long-term needs of our transportation system. The legislative intent for H.B. 1176 was to provide an additional \$50 million annually. Because of the statutory trigger mechanism requiring a 3% growth in estimated revenues apportioned to the General Revenue Fund, ODOT did not receive the intended amount for fiscal years 2008 and 2009. Continued inability of the State to meet the 3% threshold would have had a negative impact on ODOT's Eight Year Construction Work Plan.

The 2008 legislative session provided an improved opportunity to address the long-term needs of our transportation system through H.B. 2272, which removed the 3% trigger based on the growth of state revenues that was contained in HB 1176. The new bill provides for an annual increase beginning with fiscal year 2010 of \$30 million until the funding level reaches \$370 million each year.

In addition to the funding for highways and bridges, the Oklahoma Tourism and Passenger Rail Revolving Fund is apportioned \$2 million and the Public Transit Revolving Fund is apportioned \$3 million.

Oklahoma Department of Veterans Affairs

Notable Achievements

Upgrade of Information Technology Infrastructure *The Information Technology Division has and continues to focus their efforts on improving and upgrading our technology infrastructure to meet the growing demands of the future. To date, the infrastructure changes include the migration of our network to a new provider and the addition of a disaster recovery network, increased the capacity of the data center generator and UPS system, upgraded our patient health records system, provided specialized training to key staff members, increased network security and stability via network and file access monitoring and system access, upgraded our desktop imaging solution, migrated Exchange to address disaster recovery issues, addressed disaster recovery issues system wide and upgraded the OKC facility network. The Information Technology Division is currently working on several projects that will ensure the Oklahoma Department of Veterans Affairs has an infrastructure that will be viable and sustainable in the future.*

Continued compliance USDVA Standards *All seven of ODVA's centers have continued to be fully licensed by the USDVA. Maintaining licensing requires that ODVA be up to the latest VA standards and maintain the infrastructure of the agency. In 2009, we received a grant from the USDVA for a 60 bed replacement wing with ancillary areas at our Sulphur Center. This project is well under way.*

Continued assistance to Oklahoma's Veterans *ODVA's Claims and Benefits department has continued to work to help veterans get their benefits and to provide aid when they need it. This year, in addition to the normal assistance, the agency helped 16 veteran-families that were impacted by the Lone Grove tornado and the Ratliff City wildfire.*

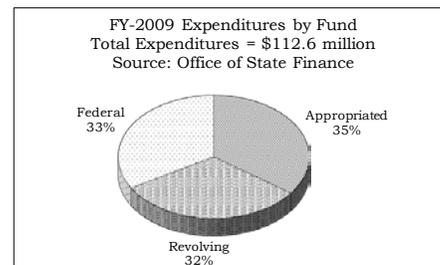
Mission

The Oklahoma Department of Veterans Affairs provides medical and rehabilitative services for veterans and their families. The Department operates seven long term care centers located in Norman, Clinton, Ardmore, Sulphur, Claremore, Talihina and Lawton. The Centers provide intermediate to skilled nursing care and domiciliary care for war time veterans. In FY-2009, the average daily population in the Oklahoma Centers was approximately 1,362. The Department estimates that during FY-2009, over 178 honorably discharged veterans were on a waiting list for admission to one of the veterans centers.

Number of Veterans on Waiting List

# of Veterans on Waiting List:	
Ardmore	0
Claremore	32
Clinton	1
Norman	109
Sulphur	5
Talihina	0
Lawton	31
Total	178

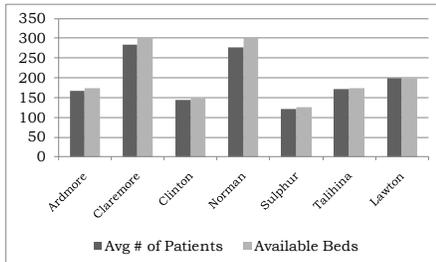
The Department's funding comes from three primary sources. These sources are patient revenue, state appropriations and a federal per diem payment per veteran in each center. Each of the three funding sources makes up roughly one-third of the total. Nationally, federal funding for these centers makes up 33% of the total.



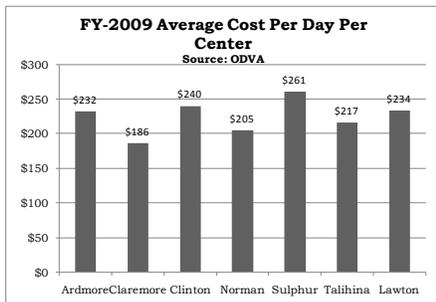
FY-2011 Executive Budget

Bed Occupancy and Cost

FY-2009 Patients per Center



The following chart shows the average daily per capita cost by facility in FY-2009.

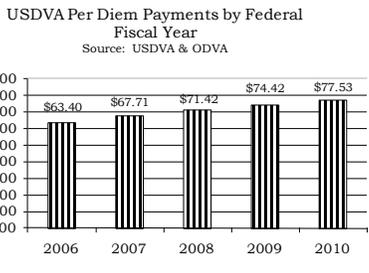


Cost Comparison to Other States

The national average cost per day in state operated Veterans Centers was \$254.44 in 2009. The average cost per day during the same time period in Oklahoma centers was \$224.95.

Federal Funds

The U.S. Department of Veterans Affairs (USDVA) pays for a portion of the care provided in our Veterans Centers. Payment is made for each day and each bed that is occupied. Federal per diem payments usually increase each year, but by varying amounts.



**House of Representatives,
Legislative Service Bureau
and State Senate**

The House of Representatives, Legislative Service Bureau (LSB) and the State Senate represent the legislative branch.

The Oklahoma Legislature consists of 101 members in the House of Representatives and 48 members in the State Senate. They convene annually beginning on the first Monday in February, and adjourn on the last Friday in May. Normally, the Legislature is in session Monday through Thursday. Extra sessions may be called by the Governor or by the Legislature.

State Senators serve four-year terms with half of the members elected every 2 years. Members of the House of Representatives serve two-year terms.

Each house of the Legislature considers four different types of legislation:

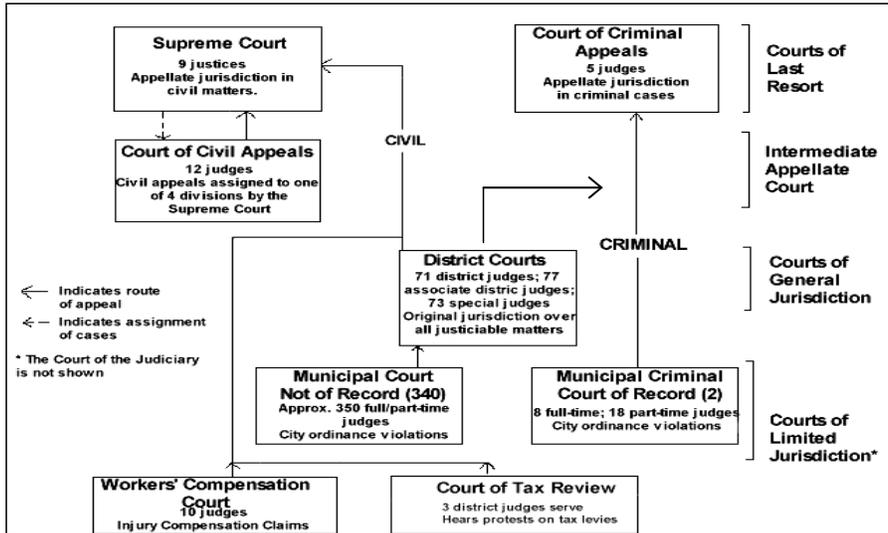
- Bills that will become law when passed by both houses and signed by the Governor;
- Joint Resolutions that have the effect of law if passed by both houses and signed by the Governor but may not become part of the statutes;
- Concurrent resolutions which express the will of both of the houses; and
- Simple resolutions, which express the will of the house of origin.

In 1990, voters in Oklahoma decided to adopt term limits for legislators. Therefore, legislators have a 12-year limit on service in the House of Representatives, the Senate, or both.

FY-2011 Executive Budget

Transportation
231

The Judiciary



Court Organization

The Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals, 77 District Courts, and Workers' Compensation Court make up the Oklahoma Court System. The Administrative Office of the Courts provides administrative services for the Court System.

Unlike most states, Oklahoma has two courts of last resort. The Supreme Court determines all issues of a civil nature, and the Oklahoma Court of Criminal Appeals decides all criminal matters. The Governor appoints the members of these courts and the Court of Civil Appeals from a list of three names submitted by the Oklahoma Judicial Nominating Commission.

In Oklahoma, all litigants are entitled to appeal as a matter of right. Appeals to the Court of Criminal Appeals come directly from the District Court. All appeals in civil cases are made to the Oklahoma Supreme Court. Appeals may be made to the Supreme Court from the District Court,

Workers' Compensation Court, Court of Tax Review and state agencies such as the Department of Public Safety, Oklahoma Corporation Commission and the Department of Human Services. The Supreme Court has total discretion in deciding which cases it will hear and directs many of these appeals to the Court of Civil Appeals.

State Judicial Revolving Fund

The State Judicial Revolving Fund (SJF) is an important source of funding for the judiciary. The Legislature changed the SJF from a certified fund to a revolving fund in 2004. This allows the Administrative Office of the Courts (AOC) to budget 100% of the projected revenues.

Revenues for the court fund are based on local collections of fees, fines, costs and forfeitures; but the SJF receives revenues only after the local courts have met their expense and cash flow reserve needs.

County court clerks deposit in the SJF the amount by which local court receipts exceed expenses for the reporting period. The statute also allows court clerks to retain 20% of their expenses for the reporting period from the excess amount. Court fund transfers are made either quarterly or monthly, depending on county population.

Over the past years, court fund collections have experienced solid growth. Local court expenditures, however, have grown at a slightly higher rate.

Local court obligations fall into three basic categories:

1. Lump sum expenses: Jurors and witnesses, guardianship evaluations, publications, supplies, telephones, etc.;
2. Restricted expenses: Renovation, remodeling, maintenance, furniture and fixtures, part-time bailiffs, part-time court clerks (which are generally full-time employees), per diem court reporters, etc.; and
3. Mandated expenses: Law library assessments and contributions to the SJF.

Lump sum expenditures are closely related to court caseloads and case complexities. These costs vary from year to year. Restricted expenditures relate to work force and facility needs and tend to be predictable. Mandated expenditures are established by law.

Over the last several years, most expenses for indigent criminal defendants have been paid out of the local court funds. Other significant local court fund expenditures include utilities and the salaries and benefits of Deputy Court Clerks.

Court of Criminal Appeals

The Court of Criminal Appeals is the highest court in the State of Oklahoma with appellate jurisdiction in criminal cases. It is the state court of last resort in criminal matters, with appeals coming directly from the District Courts and Municipal Courts of Record. The Court also promulgates rules, procedures and uniform jury instructions in criminal cases. Judge Gary Lumpkin is presiding judge.

In recent years, the Court of Criminal Appeals has eliminated a backlog of cases, guaranteeing that both the State and individual litigants now have a speedy resolution of appellate issues relating to crimes committed in Oklahoma.

District Courts

In Oklahoma, the court of general jurisdiction is the District Court. Seventy-seven district courts hear both criminal and civil cases and form the backbone of the court system. Currently, there are nine judicial administrative districts managing 26 judicial districts in the State of Oklahoma. Presiding judges are elected by their peers to assist in the administration of Oklahoma's trial courts. The positions of District Judge, Associate District Judge and Special Judge often serve as the first contact a person may have with the judicial system.

Under the current system, the District Courts collect fines, fees and bond forfeitures. Local courts deposit a portion in the Law Library Fund, cover local operating expenditures and deposit the remaining amount in the State Judicial Revolving Fund.

District Court Funding Resources:				
	(\$000's)			
	FY-2006	FY-2007	FY-2008	FY-2009
General Revenue	\$962	\$15,741	\$22,053	\$20,000
State Judicial Fund	46,338	2	5	0
Special Cash	0	39	0	0
443 Fund	0	37639	33815	34,000
TOTAL	\$47,300	\$53,421	\$55,873	\$54,000

Note: The State Judicial Fund was converted to a Revolving Fund in FY-2005. Deposits to the Revolving Fund are shown under the 443 Fund.

Supreme Court

The Oklahoma Supreme Court is the highest court in Oklahoma for civil matters. The Court consists of nine Justices. Each Justice is selected from one of nine judicial districts. The Justices stand for retention on a six-year rotating schedule. The retention ballot appears on general election ballots and is a non-partisan, non-competitive election process. Chief Justice James E. Edmonson is presiding judge of the court and Steven W. Taylor is Vice-Chief Justice.

Wiley Post Building Renovation

The State of Oklahoma is currently in the process of renovating the Wiley Post Historical Building for use as a Judicial Center to house the Oklahoma Supreme Court, the Court of Criminal Appeals, the office of the Clerk of the Appellate Court, and the Administrative Offices of the Courts. The target date of completion has extended to mid-2010.

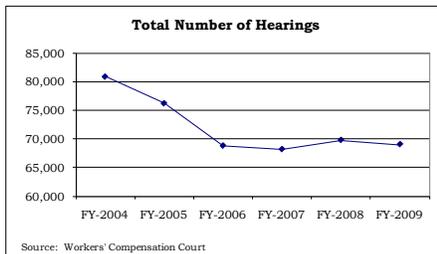
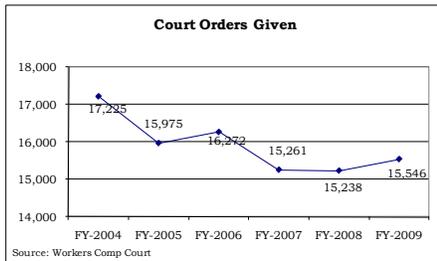
Workers' Compensation Court

The Workers' Compensation Court is composed of ten judges appointed by the Governor. Its mission is to provide fair and timely procedures for the resolution of disputes and identification of issues involving work-related injuries.

The Court is vested with jurisdiction to administer the Workers' Compensation Act, including determining claims for compensation, the liability of employers and insurers, and any rights asserted under the Act.

It also regulates self-insured employers, maintains employer insurance coverage records, establishes a workers' compensation medical fee schedule, provides information about workers' compensation through its Counselor Department and participation in educational programs, and maintains a Mediation System for disposition of claims without the necessity of trial.

Judge Mary A. Black is the current Presiding Judge.



THE BUDGET CYCLE
STATE FISCAL YEAR IS JULY 1 - JUNE 30

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
1. Agencies review program needs and prepare Budget Requests and Strategic Plans.	July 1 - Oct 1											
2. Agencies submit Budget Requests. Strategic Plans are submitted every even numbered year.				Oct 1								
3. Office of State Finance reviews Budget Requests and Strategic Plans for development of the Executive Budget Book.				Oct - Nov								
4. December Equalization Board Meeting - expenditure authority is the approved basis for the Executive Budget.						Dec						
5. Submission of Executive Budget to the Legislature. Legislative session begins.								Feb				
6. Feb Equalization Board - expenditure authority is approved basis for Legislative Appropriations and Governor's action								Feb				
7. Legislature reviews agency budgets and finalizes appropriation recommendations.								Feb - May				
8. Governor's action on Appropriation Bills								Feb - Mid-June				
9. June Equalization Board Meeting - revenue and expenditure authority adjusted to incorporate statutory changes.												June
10. Budget Work Programs submitted to the Office of State Finance for approval by July 1	July											

Oklahoma State Budget Process – State Fiscal Year is July 1 through June 30.

1. **Agencies review** program performance and financial needs for preparation of the Budget Request and Strategic Plan
2. The **Budget Request** is the legal document which contains all financial and program information for each agency including a listing of all requests for additional state funds and changes in revolving or federal funds. Budget Requests must be submitted October 1 of every year under Section 41.29 of Title 62.

Agency Strategic Plans include each agency's mission, goals and performance measures within a five year time line. Section 45.3 of Title 62 requires strategic plans to be submitted October 1 of every even-numbered year.

3. The **Office of State Finance Budget Division** reviews agency budget requests and holds agency budget request hearings for development of the Executive Budget.
4. **December Equalization Board Meeting** – The Equalization Board is the constitutional body responsible for setting revenue and expenditure authority for the Governor and Legislature (Sec. 23 Art. 10 of Oklahoma Constitution). The limit approved at this meeting is the amount used for development of the Executive Budget Book.
5. **Submission of Executive Budget** – The Governor is required to submit an Executive Budget to the Legislature on the first Monday of each regular legislative session. The budget must be balanced using the December Equalization Board amounts.
6. **February Equalization Board Meeting** – The Board is constitutionally required under Section 23 of Article 10 to meet again and incorporate economic adjustments to the revenue and expenditure authority. The limit approved at this meeting constitutes the limit for Legislative appropriations action.
7. **Legislative Appropriations Process** – The appropriations subcommittees and legislative staff of each house review agency budgets, budget requests and pass appropriation bills.
8. **Governor acts**, within constitutional time lines set forth in Sections 11 and 12 of Article 6 of the Oklahoma Constitution, to sign, veto or pocket veto appropriation bills.
9. **June Equalization Board Meeting** – The board is authorized in Section 23 of Article 10 of the Oklahoma Constitution to meet and incorporate statutory changes that increase or decrease revenue and expenditure authority for the coming fiscal year.
10. **Agency Budget Work Programs** are required under Section 41.7c of Title 62 and serve as the official plan of how the agency intends to utilize available funds to accomplish statutory duties and responsibilities. The document is due on or as close thereafter June 1 and is approved July 1.

Oklahoma State Budget Process

State Equalization Board

The Oklahoma Constitution provides for a number of checks and balances to ensure the Governor and Legislature maintain a balanced budget every year. One of the most important provisions is Section 23 of Article 10 which outlines the framework for how Oklahoma sustains a balanced budget. This section designates the State Board of Equalization as the body responsible for establishing expenditure limits for the Governor and the Legislature. The Board of Equalization is comprised of the Governor, Lieutenant Governor, Treasurer, Auditor and Inspector, Attorney General, Superintendent of Public Instruction and Secretary of Agriculture.

Pursuant to Section 23, the Equalization Board must meet at least two times every fiscal year:

- “no more than 45 days but no less than 35 days before the start of the legislative session” (sometime in late December or early January); and
- “within five days after the monthly apportionment in February of each year”.

The Board can only meet again and adjust revenue estimates if the Legislature and Governor enact laws during regular or special session that reduce or increase revenue certified by the board, transfer cash from one fund to another or establish a new certified appropriated fund. In practice, the Equalization Board meets in June to incorporate legislative changes enacted during the session and to re-certify revenue available for the coming fiscal year.

The benefit of this approach is that both the executive and legislative body are required to use the same revenue estimate and expenditure limit. State expenditures passed by the Legislature and enacted by the Governor cannot exceed the amount of funds certified and authorized by the Board.

The Office of State Finance which staffs the Board, compiles revenue projections from various revenue collecting agencies throughout the state, analyzes the information and presents the information to the Board for its consideration and approval. Projections for the General Revenue Fund which makes up more than 80% of total state appropriated spending are estimated utilizing a state economic model developed by Oklahoma State University and modified to fit the state’s customized needs by Tax Commission staff. Revenue estimates presented to the Board are based on current and prior year collection trends, economic forecasts, federal tax law changes and other foreseeable factors.

Revenue certified and authorized at the December Board meeting serves as the basis for the Governor’s Executive Budget. The Board considers possible revisions to the December estimate at the February meeting. Revisions to the December estimate are based on economic changes which have been noted since that time, which may increase or decrease anticipated revenue collections. The estimate approved at this meeting sets the limit on which legislative appropriations are based.

State Revenues and Expenditures

Spending Limits

Oklahomans believe in responsible budgeting and limiting state expenditure growth to reasonable levels. This philosophy is cemented in paragraph 1 of Section 23 in Article 10 of the Constitution. Increases in Legislative appropriations in any year are limited to no more than 12% more than the preceding year's level, adjusted for inflation.

Paragraph 1 of Section 23 provides an additional limit for Oklahoma's state budget. This paragraph limits expenditures of certified funds to 95% of the Equalization Board estimate. This internal safeguard protects agency budgets from mild fluctuations in revenues in the event revenues do not meet the 100% estimate.

Certain statutory revolving funds are also included in the executive and legislative expenditure authority considered by the Equalization Board. Estimates for revolving funds are included for informational purposes. The Equalization Board does not have to approve them since they are not certified funds. Unlike certified funds, the Governor and Legislature can spend 100% of the revolving fund estimate. There are six revolving fund estimates that are included in the executive and legislative expenditure authority. Revenues from four of the six funds are specifically dedicated to education purposes. Funds from the Tobacco Settlement Fund are directed for health services and the Judicial Fund is directed for district court operations.

Cash Management

Another internal budget control is provided in Section 10.1 of Title 62 of the Oklahoma Statutes which creates the Cash Flow Reserve Fund (CFRF). The CFRF is used for two purposes: (1) to make allocations to agencies in July since the General Revenue Fund (GRF) for that year has no collections until the end of July, and (2) to ensure that each monthly allocation of revenue to agencies is equal to one-twelfth of the money appropriated by the Legislature. This second purpose is intended to protect State agencies from variation in monthly revenue collection patterns and in practice the CFRF is used to make up the difference between actual collections in a month and the required allocations for that month.

Money is deposited into the Cash Flow Reserve Fund for the next fiscal year from current year General Revenue Fund collections that are in excess of the amount appropriated from the fund. The limit on deposits into the Cash Flow Reserve Fund is 10% of the amount certified by the Board of Equalization as available for appropriation from the General Revenue Fund for the next year. General Revenue Fund collections that are in excess of the certified estimate cannot be used to make deposits to the Cash Flow Reserve Fund as those monies are directed elsewhere according to the State Constitution. Any excess General Revenue Fund collections for the current year after the Cash Flow Reserve Fund for the next year has been funded are carried forward as cash that is available for appropriation by the Legislature.

Budget Stabilization

A portion of the revenue collected in excess of 100% of the certified GRF estimate is deposited in the Constitutional Reserve Fund (CRF), known as the Rainy Day Fund, at the end of the fiscal year. Deposits into the CRF are limited to 10% of the certified actual collections to the GRF for the preceding fiscal year. The CRF can be accessed for three different and distinct purposes: emergencies, future year budget stabilization, and current year budget stabilization. Up to 25% of the fund may be appropriated upon a declaration of an emergency by the Governor with two-thirds legislative concurrence or three-fourths of both the House and Senate. Up to three-eighths of the CRF may be appropriated to make up any decline in

revenue certified as available for appropriation by the Board of Equalization from one year to the next. The amount can not exceed the decline in certified revenue. The final three-eighths of the CRF may be appropriated to address a current year revenue shortfall. To access this money, the BOE must determine that a revenue failure has occurred in the GRF and appropriations from the CRF for this purpose are limited to the amount of the shortfall.

Revenue Shortfalls

The Director of the Office of State Finance (OSF) is statutorily charged with making allotments to agencies to control expenditures. State law also requires the State's budget to remain in balance every fiscal year. Oklahoma is barred from expending more money than it collects in a given year.

To ensure that revenues are sufficient to meet the appropriations specified by the Legislature, OSF closely monitors collections throughout the year. The allocation of appropriated monies to agencies occurs on the Tuesday following the second Monday of every month during a fiscal year.

As we have seen in FY-2010, during times of economic recession state revenue collections can fall below the level of appropriations. Thus, limiting appropriations to only 95% of estimated collections is an insufficient measure to ensure the state maintains a balanced budget during times of severe economic distress.

Title 62, Section 41.9 of the Oklahoma Statutes reads, in part:

“At the end of any fiscal year, the entire amount appropriated to any spending agency must be allotted by the Budget Director, except where the estimated budget resources during any fiscal year are insufficient to pay all of the appropriations for such year in full. The Budget Director shall not allot to any spending agency during any fiscal year, an amount which will be in excess of the amount of revenue collected and allocated to appropriations made to such spending agency. In the event of a failure of revenue, the Budget Director shall control the allotment authorizations to prevent obligations being incurred in excess of the revenue to be collected. However, the Budget Director shall make all reductions within each state fund where a revenue failure occurs apply to each department, institution, board, commission or special appropriation made by the State Legislature, in the ratio that its total appropriation for that fiscal year bears to the total of all appropriations for that fiscal year, as provided in Section 23, Article 10, of the Constitution of Oklahoma.”

This directs the Office of State Finance to allocate all of the money appropriated to state agencies, unless revenue collections are less than the amount appropriated. When this occurs, OSF is required by this statute to reduce the allocations to agencies to no more than the amount of revenue collected. Further, the reduction in allocations is to be effected upon all agencies receiving money from the fund in which the failure occurs. Each agency receives a proportional share of the reduction based on their share of appropriations compared to the total appropriations from the fund.

Executive and Legislative Appropriations Process

Executive Budget

The Governor sets the tone for state budget recommendations with the submission of the Executive Budget on the first Monday in February of each regular legislative session. Section 41.34 of Title 62 requires the Governor to submit a balanced budget with detailed revenue and expenditure proposals to the presiding officer of each house. The Director of State Finance is required to prepare the document after reviewing state agency budgets, requests and developing recommendations. The proposals outlined in the Governor's Executive Budget Book serve as the Governor's fiscal and policy priorities for the year.

Legislative Process

The Legislature reviews the Executive Budget and works with the Governor throughout the session to enact a balanced budget. Establishing the state budget is the responsibility of the appropriations committees of the Senate and the House of Representatives. The committees of each house work through appropriation subcommittees which are categorized by specific budget areas such as general government, education, health, and safety and security. Subcommittees review agency budgets, requests for additional funding and Governor's recommendations.

The General Appropriations (GA) Bill is a method to provide a base level of funding. This provision is a safeguard to ensure state government programs and services do not shut down in the event the Legislature and the Governor are unable to agree on a budget. Historically, general appropriation bills are passed in March or April of the regular legislative session.

A recent addition to state law, Section 9.11 of Title 62, passed during the 2003 session requires the Legislature to present an appropriation bill to fully fund common education to the Governor at least 25 days prior to April 10 (subsection E of Section 6-101 of Title 70) but not later than April 1. Adjustments to increase or decrease the amount may still be made by the Legislature.

Appropriation decisions for agencies are typically not finalized until April or May when the General Conference Committee on Appropriations, or GCCA is convened. The primary difference between an appropriation subcommittee of the House or Senate and GCCA is that GCCA is comprised of both House and Senate members. Before beginning the GCCA process, the House and Senate agree to allocate a certain amount of available funding to each GCCA subcommittee. Before a formal appropriations bill is presented to either legislative body, the two houses must work together in GCCA, negotiate spending priorities and produce a unified budget together.

Appropriations bills may be written for individual agencies or groups of agencies that are within the same subject area such as education. In addition to appropriating funds for the coming fiscal year, appropriation bills also include agency spending limits, total personnel hiring limits, and the maximum salaries of directors.

If the bills are approved by a majority of both houses, the appropriation bill is sent to the Governor. All legislation, including appropriation bills become effective 90 days after the end of the legislative session or later if a later effective date is specified. Legislation may become effective earlier if passed with an emergency clause. For an emergency clause to be enacted, two-thirds of each body must approve the emergency clause through a separate vote on the bill.

Governor's Action

Section 11 of Article 6 provides the Governor five working days, excluding Sundays, to enact or veto all or part of an appropriations bill while the Legislature is in regular session. If the Governor does not sign or veto a bill within five days, a bill automatically becomes law. The Governor has 15 working days to sign or veto a bill after the regular session has adjourned. Any bill presented to the Governor within five days of the end of the regular legislative session must be acted upon within the 15 days also. In contrast to actions taken during session, if the Governor does not sign or veto a bill within the 15 working days after session, the bill fails to become law. This is also referred to as a pocket veto.

In addition to these powers, Section 12 of Article 6 of the Oklahoma Constitution gives the Governor the authority to disapprove an entire appropriations bill or any item or single appropriation within the bill. This line-item veto power is one manner by which the Governor exercises control of state budget appropriations.

Vetoes may be overridden by two-thirds majority of each house for bills with no emergency clause and by three-fourths majority of each house for bills with an emergency clause.

Funds Subject to Appropriation

The State Board of Equalization, in accordance with Section 23, Article X of the Oklahoma Constitution, annually certifies the following funds as available for appropriation. Each of these funds is identified in the accounting structure with a three-digit code. The first two digits uniquely identify the fund. The last digit represents the year the funds were collected (e.g. "190" would be the General Revenue Fund collected in FY-2000).

General Revenue Fund (Fund 19X):

Income to this fund is from state taxes, fees, regulatory functions, and income on money and property. Approximately one-half of all state revenue is deposited to this fund. Funds are appropriated for the operation of state government and other purposes specified by the Legislature. (Article 10, Section 2)

Council on Law Enforcement Education and Training (CLEET) Fund (Fund 58X): Income is derived from a penalty assessment fee. Any person penalized for violating Oklahoma law pays a penalty assessment. Income is dedicated to peace officer training. (Title 20, Section 1313.2; effective November 1, 1988)

Commissioners of the Land Office Fund (Fund 51X): This fund was created to receive revenue collected from surface leasing of lands managed by the Commissioners of the Land Office and 6 percent of the revenue generated from the Common School Fund, the Education Institutions Fund, the University of Oklahoma Fund, the University Preparatory School Fund, the Oklahoma State University Fund, the Public Building Fund, and the Greer 33 Fund. Funds are used for administrative costs of the Commissioners of the Land Office. Funds not used for administrative costs of the Commissioners of the Land Office are allocated to public schools. (Title 64, Section 15; effective July 1, 1992)

Mineral Leasing Fund (Fund 55X): Income to this fund is from a share of lease sales and royalty payments on oil and gas production on federal lands within the state. Funds are used for the financial support of public schools. (Title 62, Section 41.8; effective 1920)

Special Occupational Health and Safety Fund (Fund 54X): Each insurance carrier writing Workers' Compensation Insurance in this state, the State Insurance Fund, and each self-insured employer authorized to make workers compensation payments directly to employees

pays a sum equal to three-fourths of 1 percent of the total workers compensation losses, excluding medical payments and temporary total disability compensation. Funds are used exclusively for the operation and administration of the Occupational Health and Safety Standards Act of 1970 and other necessary expenses of the Department of Labor. (Title 40, Section 417.1; effective July 1, 1986)

Public Building Fund (Fund 11X): Income to the fund is from portions of leases, sales, rentals and royalties of lands set aside for public building purposes by the state's Enabling Act (Section 33) and lands granted in lieu thereof, under the management of the Commissioners of the Land Office. Funds are appropriated for major maintenance and capital improvements of public facilities. (Title 64, Section 371; effective 1910)

Oklahoma Education Lottery Trust Fund (Fund 38X): In November of 2004, voters passed State Question 706 which established this fund as one available for appropriation by the Legislature for the purposes of common education, higher education, and career technology education. Revenue deposited in the fund comes from net proceeds generated by the Oklahoma Lottery. .

Agency Budgets

The state's budget cycle can be divided into three areas:

- Agency Budget Work Programs
- Agency Strategic Plans
- Agency Budget Request
- Financial Tools

The state's budget is prepared on a cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the State's Comprehensive Annual Financial Report (CAFR) encumbrances are recorded as: (1) expenditures for budgetary purposes if expected to be presented for payment by November 15, following the end of the fiscal year and, (2) reservations of fund balance for GAAP purposes.

Budget Work Programs

Oklahoma statutes provide the legal framework under which state agencies budget and expend funds in a responsible manner. Section 41.7c of Title 62 requires every agency to submit a balanced budget on the first day in June or soon thereafter. Funds must be budgeted by program category and must conform to program categories and expenditure limits placed in law.

Appropriation bills set maximum limits on the amount of state appropriated funds, revolving funds and federal funds that each program may budget and spend for the fiscal year. Maximum limits for personnel or full-time-equivalent (FTE) personnel, lease-purchase expenditures and director salaries are also defined in statute. Budget work programs must work within these parameters to provide a plan on how the agency will utilize all state, revolving and federal funds for the fiscal year.

Work programs are reviewed by the Budget Division of OSF and the approved work program serves as a basis for the subsequent allotment of funds. Certified funds such as the General Revenue Fund are allotted to agencies on a monthly basis and cash appropriations are appropriated in a lump sum. Budget Work Programs can be revised at any time during the

fiscal year if justified. Revisions can be accomplished within various expenditure, full-time-equivalent employee and transfer limits.

Agencies are allowed under law (Section 41.46 of Title 62) to transfer up to a maximum of 25% of funds between line-items. The Contingency Review Board can approve transfers between line-items up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer meets legislative intent or subverts the intention and objectives of the Legislature.

Executive and legislative staff review agency budgets and expenditures throughout the year to ensure each agency is meeting program goals and stated legal expenditure limits.

Strategic Planning

Across the nation, states are in the process of implementing measures to improve efficiency and accountability in state government. Oklahoma is no different. Over the past seven years, the Executive and Legislative branch have implemented measures designed to focus on meaningful performance data which can then be used to make better budgeting decisions.

Passed in 1999, the Oklahoma Program Performance Budgeting and Accountability Act required agencies to submit strategic plans defining their mission, vision, goals and performance measures. At the same time, state agency budget request forms were modified to incorporate program information and performance measures for every program category within an agency. Section 45.3 of Title 62 requires every agency to submit five year strategic plans on October 1 of every even numbered year.

Strategic planning helps focus agency leadership and staff on short-term and long-term goals and how to achieve those goals. Outcome measures required in strategic plans and agency budget requests focus agency leadership and staff on monitoring and improving performance. This information is a valuable tool for policymakers. This performance information is also used in routine and special performance evaluations and policy analysis conducted by agencies, the Office of State Finance, legislative staff, Auditor and Inspector and outside consultants. Evaluating government programs and services using meaningful data, allows elected officials to make better, more informed budgeting decisions.

Budget Request

Section 41.29 of Title 62 requires agencies to submit a "Budget Request" on October 1, of every year. The budget request serves as the financial plan to the agency's strategic plan. This document outlines program funding and performance information and includes a detailed listing of additional state funding requested by each agency.

The Budget Division has been working with select agencies over the past two years to refine and improve funding and performance measure information submitted in the Budget Request and Strategic Plan. There is particular emphasis on unit costs and program performance. Copies of each agency's budget request and strategic plan is submitted to the Office of State Finance, House and Senate staff and members of the Legislative Oversight Committee on State Budget and Performance.

This committee, established in Section 41.47 of Title 62, is required to review each agency's programs, funding and performance once every four years. Members are directed to utilize zero-base budgeting and performance base budgeting techniques.

Financial Tools

Comprehensive Annual Financial Report (CAFR)

The CAFR is the primary means of reporting the financial activities for all state agencies. Prepared by the Division of Central Accounting and Reporting and in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, this model provides a better picture of the state's financial status as a single, unified entity. Financial statements contained in the CAFR include a statement of net assets and liabilities, statement of activities outlining major state expenditures, statement of Revenues, Expenditures and Changes in Fund Balances. The CAFR is a valuable tool to use when reviewing and analyzing overall state budget revenue and expenditure trends.

Single Audit

The Single Audit is prepared by the Auditor & Inspector's Office to meet the requirements of the Single Audit Act. The federal funds expended by all State agencies (excluding higher education and civil emergency management) are included within the scope of the Single Audit. This report provides information on the type of federal funds available for state agencies such as block grants, entitlement programs, matching grants and reports federal fund expenditures for each agency. This report, required by the federal government ensures state agencies are properly expending and accounting for federal funds.

Performance Audits

Since FY-2002, the Office of the State Auditor and Inspector has been conducting performance audits, authorized by 74 O.S. Supp 2001, 213.2. A performance audit includes economy, efficiency, and program audits. Economy and efficiency audits determine whether the entity is utilizing its resources economically and efficiently. Auditors also determine the causes of inefficiencies or uneconomical practices. A program audit determines if a program is achieving the desired results or benefits established by the Legislature, or other authorizing body. Program audits also ascertain the effectiveness of organizations, programs, activities or functions.

In practice, performance audits determine if an agency is focusing resources on activities that maximize productivity or outcomes. In addition to identifying efficiencies, performance audits can also identify areas worthy of additional state investment. This is another important tool for policymakers to utilize when reviewing the efficiency and effectiveness of agency programs and expenditures.

Financial System

Daily, monthly and annual reports generated from the Office of State Finance financial systems provide quality agency budgeting and expenditure reports which allow policymakers to track funds by program and object code. Other essential financial reports include budget to actual reports, cash balance and receipts and disbursements for funds.

The Budget Request and Strategic Plan documents give policymakers the opportunity to review an agency's mission, goals and performance to ensure resources are allocated to specified statutory duties and responsibilities. Not only do these financial tools ensure agencies are spending money appropriately but wisely. All of the financial tools mentioned can provide policymakers the opportunity to make informed fiscal policy recommendations based on quality financial and performance information.

Capital Budget

The Capital Budget Process

The State of Oklahoma's Capital Improvement Plan (CIP) and the Long-Range Capital Planning Commission were established in 1992. This provided the infrastructure for state and local governments to perform comprehensive capital plans. Capital projects are defined as one-time projects costing at least \$25 thousand with a useful life of at least five years.

The CIP development process begins early in the calendar year. July 1 is the official deadline for agencies, boards, commissions, trusts, colleges and universities to input their Capital Budget Requests into a web-based system hosted by the Office of State Finance. Once received, the Commission separates requests into two broad categories: self-funded and appropriation-funded. Generally, the Commission accepts an applicant's ranking of self-funded projects without further review.

Projects requiring an appropriation are evaluated according to a ranking process to permit the equitable allocation of limited state resources. The ranking system uses the following criteria:

- legal obligations;
- fiscal impact;
- urgency of maintenance needs;
- departmental priority;
- economic impact;
- impact on service to the public; and
- completion of prior phases.

For more information on the Capital Budget process please contact Tim Martin with the State Bond Advisor, 602-3100.

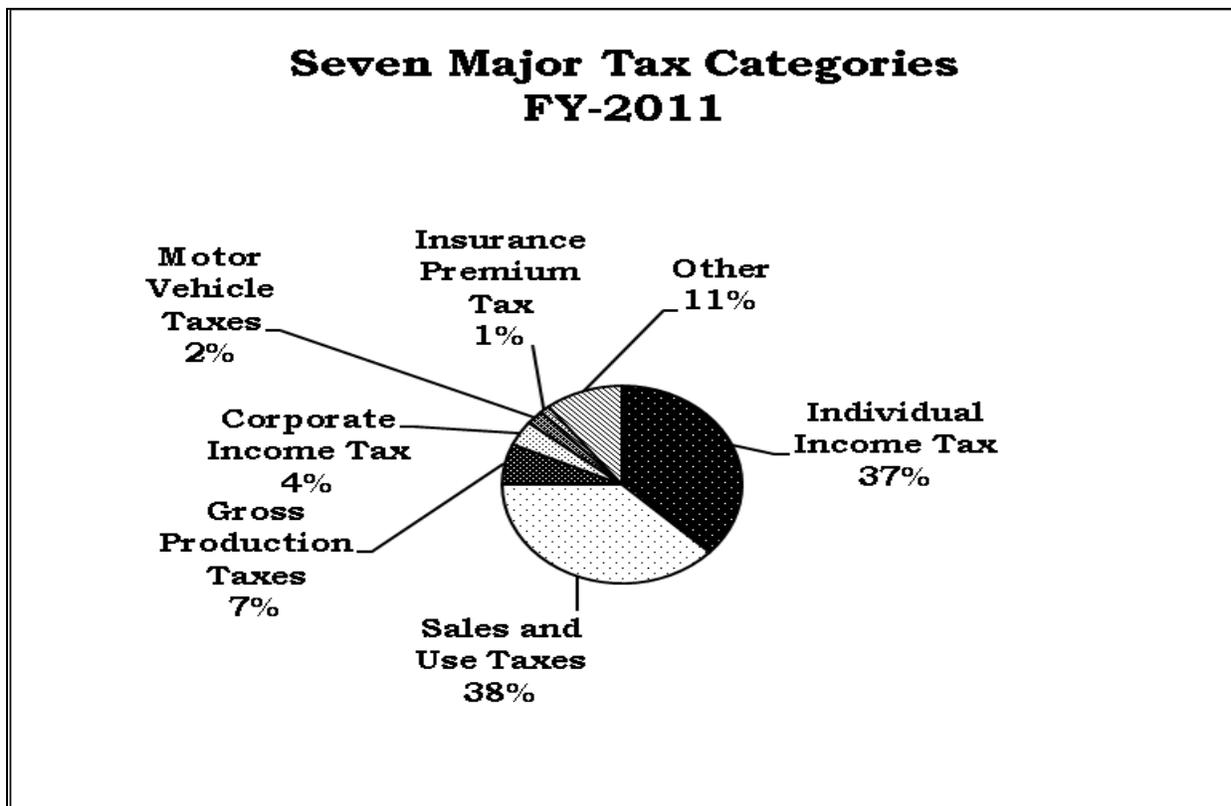
Oklahoma Revenues and Expenditures

Major Tax Sources

The single largest source of revenue collected by the state comes from taxes paid by Oklahoma citizens, businesses and others doing business in the state. Tax revenue accounted for approximately 50% of total state revenue collections in FY-2009. Most of the state's appropriated revenue is from general taxes. For FY-2009, tax revenue comprised 82% of total appropriated revenue.

Taxes such as income tax are compulsory payments and cannot legally be avoided. This is in contrast to fees, like fishing licenses, which are discretionary and voluntary to the extent one decides to utilize a state service.

The seven major tax categories for FY-2011 which provide approximately 89% of total state tax revenue are:



Income Taxes

Oklahoma's income tax laws date back to 1915 when an income tax was imposed on the net income of individuals residing in Oklahoma and upon the Oklahoma portion of nonresidents' income. The income tax was extended to corporations and banks in 1931.

The importance of the income tax to state revenues increased when voters approved the 1933 constitutional amendment prohibiting state taxation of property. While there have been numerous changes to the income tax law since its inception, today it is the single most

important source of state revenue and represents nearly 42% of all state tax revenue in the General Revenue Fund.

Individual Income Tax: The Oklahoma individual income tax calculation employs rates from 0.5 percent to 5.50 percent and does not permit the deduction of federal income paid tax from net income. During the 2005 session, Senate Bill 435 eliminated the use of a second method of calculating income tax and modified the tax bracket for single and joint filers.

In 2006, the Legislature passed and the Governor approved the largest tax cut package in history. House Bill 1172 lowers the individual income tax rate and increases the standard deduction over several years. Currently, the individual income tax rate is 5.50% but decreases to 5.25% at a point determined by the Board of Equalization based on the amount of growth revenue for the coming fiscal year as required by statute.

The increase in the standard deduction is a gradual increase. By the year 2011, the standard deduction will equal the federal standard deduction if the Board of Equalization determines there is sufficient growth revenue. The table below shows the individual income tax rates and corresponding standard deduction increase.

Standard Deduction

	Tax Rate	Married Filing Jointly	Head of Household	Single
2007	5.65%	5,500	4,125	2,750
2008	5.50%	6,500	4,875	3,250
2009	5.50%	8,500	6,375	4,250
2010	5.50%	11,400	8,350	5,700
2011*	5.50%	Match Federal Deduction		
*Based on the amount of growth revenue determined by the Board of Equalization.				

In addition, the apportionment of individual income tax receipts was changed by the 2006 Legislature. The following table shows those changes.

Individual Income Tax Apportionments FY-2007 to FY-2011					
	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>	<u>FY-2011</u>
General Revenue	86.16%	85.66%	85.66%	85.66%	85.66%
1017 Fund	8.34%	8.34%	8.34%	8.34%	8.34%
Teachers' Retirement Fund	4.50%	5.00%	5.00%	5.00%	5.00%
Ad Valorem Reimbursement Fund	1.00%	1.00%	1.00%	1.00%	1.00%

Corporate Income Tax: Like current individual income tax rates, corporate income tax rates were progressive when implemented in 1931 and remained that way until 1935 when a flat, six percent rate was established. The rate was decreased to four percent in 1947. The rate has since been increased to its original and current level of six percent.

The corporate income tax rate is applied to all taxable income. Manufacturers' exemptions and some targeted credits and incentive payments frequently are used as economic development tools which reduce a company's income tax liability. The largest of these targeted incentive programs is the "Quality Jobs" program.

While revenue from the corporate income tax is important to the overall revenue picture, it provides only about 4% to 5% of total tax revenue. That is because corporations subject to the corporate income tax have become, over time, a smaller part of the overall economy. This is due, in part, to the fact that many businesses now organize as subchapter S corporations or limited liability organizations.

Under those classifications, all income immediately goes to the partners or shareholders, and as a result, the companies pay no corporate income tax. The partners or shareholders, however, are taxed on that income, as well as income from other sources, under the individual income tax, rather than under the corporate income tax. Additionally, some businesses may be subject to some other form of taxation, such as the bank privilege tax or the insurance premium tax. Legislation in 2004 changed the apportionment of corporate income tax revenue. The table below shows the change in apportionment.

Corporate Income Tax Apportionments FY-2007 to FY-2011					
	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011
General Revenue	78.00%	77.50%	77.50%	77.50%	77.50%
1017 Fund	16.50%	16.50%	16.50%	16.50%	16.50%
Teachers' Retirement Fund	4.50%	5.00%	5.00%	5.00%	5.00%
Ad Valorem Reimbursement Fund	1.00%	1.00%	1.00%	1.00%	1.00%

State Sales and Use Taxes

The State sales and use tax has varied considerably in both rate and purpose since its initial imposition in 1933 when a temporary one percent tax was dedicated to public schools. Two years later, the tax was renewed, but the revenue from the tax was apportioned to the General Revenue Fund. In 1939, the rate was increased to two percent with 97 percent of the revenue apportioned to the State Assistance Fund or welfare programs administered by what is now the Department of Human Services.

The revenue continued to be dedicated in this manner until the 1980s, when all collections were apportioned to the General Revenue Fund. Since then, the General Revenue Fund has been the primary source of state funds for the Department of Human Services.

When Oklahoma faced a state funding crisis brought on by the decline of the petroleum industry in the 1980s, the state sales tax was increased incrementally to four percent. In 1990, the "Education Reform Act", also known as House Bill 1017, was passed, increasing the sales and use taxes to the current 4.5 percent level.

The sales and use taxes are imposed on sales of tangible personal property and on the furnishing of some services, such as transportation, meals and lodging, as well as telecommunication services. Most services, however, are not subject to the sales and use taxes. Exemptions are also allowed when the product or service is subject to another tax, such as the motor fuels tax. Other specific exemptions are made for governmental and nonprofit entities, agriculture and to certain areas targeted to encourage economic development. The value of some of the large exemptions from the sales and use tax include an exemption on sales to manufacturers equal to \$1.6 billion in sales tax revenue and sales for resale which total \$1.5 billion in sales tax revenue. During the 2005 legislative session, the apportionment for sales and use tax revenue changed. Now, for each fiscal year the apportionment for use tax is the same as the apportionment for sales tax. The table below shows the change in apportionment.

Sales Tax and Use Tax Apportionment FY-2007 to FY-2011					
	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011
General Revenue	85.04%	83.61%	83.61%	83.61%	83.61%
1017 Fund	10.46%	10.46%	10.46%	10.46%	10.46%
Teachers' Retirement Fund	4.50%	5.00%	5.00%	5.00%	5.00%
Remaining 0.93% to:					
36%-Ok Tourism Promotion Revolving Fund					
64%-Ok Tourism Capital Revolving Fund					

Motor Vehicle Taxes

Motor vehicle taxes and fees have a long history in Oklahoma. Oklahoma City was the birthplace of the parking meter in 1913 and it was here that “horseless carriages” were tagged before it was required by the State.

Oklahoma’s modern day motor vehicle taxes are comprised of a broad category of taxes and fees imposed on the purchase and use of motor vehicles, including an excise tax levied on the purchase of cars, trucks, buses, boats and motors, as well as annual registration fees.

Motor vehicle registration fees, commonly called tag fees, are paid annually in lieu of ad valorem or personal property taxes. Voter’s passage of State Question 691 in 2000 tied the cost of registration fees to the age of the vehicle:

- Years 1 – 4: \$91 annually
- Years 5 – 8: \$81 annually
- Years 9 – 12: \$61 annually
- Years 13 – 16: \$41 annually
- Years 17 and beyond: \$21 annually

The question also changed the calculation of the motor vehicle excise tax, which is paid in lieu of state and local sales taxes. Previously, the tax was assessed at 3.25 percent of the factory delivered price and depreciated at a rate of 35 percent annually. The state question’s approval left the rate the same, but assessed it against the actual sales price of the vehicle, which is usually lower than the factory delivered price of a new vehicle.

Motor vehicle taxes are collected by independent businesses operating as motor license agents or tag agents. The only exception to this is the taxes and fees imposed on trucks and trailers used in interstate commerce, which are collected by the Oklahoma Tax Commission. The chart below shows how motor vehicle taxes and fees are apportioned for 2011.

Motor Vehicle Tax Apportionment	
General Revenue Fund	29.84%
State Transportation Fund	0.31%
Counties	29.28%
Cities and Towns	3.10%
School Districts	36.20%
Law Enforcement Retirement	1.24%
Wildlife Conservation	.03%

Motor Fuel Taxes

In 1910, local roadways were maintained by requiring able bodied males to provide four days of labor per year – less if they brought their own horse. By 1916, a two mill tax was levied in townships to supplement the work requirement but both were completely abolished by 1933.

The first gasoline tax became effective in 1923 and was used for the construction and maintenance of roads and bridges. Prior to that time, local governments were responsible for roads and bridges which were supported through ad valorem taxes at the local level.

Motor fuel taxes in Oklahoma are a form of selective sales tax and include the gasoline tax and diesel excise tax, the motor fuel importer use tax and the special fuel use tax. The taxes are levied on the quantity or volume of fuel sold, rather than the price. The state gasoline tax is 16 cents per gallon, plus a 1 cent per gallon special assessment. The state tax on diesel fuel is 13 cents per gallon, plus a 1 cent per gallon assessment.

There are some major exemptions to the payment of motor fuel taxes. All government entities are exempt and the tax paid on diesel fuel used off-road and for agricultural purposes may be refunded upon application to the Oklahoma Tax Commission.

Fuel used by all recognized Indian tribes for tribal governmental purposes may be exempt. Tribes may request a refund for taxes paid on motor fuel used for tribal purposes, or in the alternative, they may enter into a compact with the State to receive a portion of the motor fuels tax collections. If they compact with the State, the tribes must agree not to challenge the constitutionality of the motor fuel tax code. The law permitting the sharing of motor fuels revenue went into effect in 1996.

Motor fuels tax revenue supports road and bridge building, plus maintenance, for both state and local governments. A 1 cent per gallon special assessment provides for environmental cleanup of leaking petroleum storage tanks. Almost one-third of the total motor fuel revenue is apportioned for local uses with the remainder used for state purposes. According to state statute, motor fuel taxes, like sales taxes, are assessed on the consumer when they purchase fuel. This tax incidence was defined by statute during the 1996 legislative session as the result of a court ruling that required whoever actually paid the tax be specified in the statutes. Yet while the statutes identify the consumer as paying the tax, it is technically collected and remitted at the terminal rack or refinery level. The following chart shows the FY-2011 apportionment of gasoline and diesel taxes, after mandated apportionments to the Public Transit Revolving Fund, the Oklahoma Tourism and Passenger Rail Revolving Fund and the first \$333,333 each month to the State Transportation Fund:

Motor Fuels Tax Apportionment		
	<u>Gasoline</u>	<u>Diesel</u>
	<u>Tax</u>	<u>Tax</u>
High Priority State		
Bridge Fund	1.63%	1.39%
State Transportation Fund	63.75%	64.34%
Counties for Highways	30.13%	30.43%
Cities and Towns	1.88%	-
County Bridges and Roads	2.63%	3.85%

Gross Production Taxes

Gross production or severance taxes are imposed on the removal of natural products, such as natural gas and oil, from land or water and are determined by the value and quantity of the products removed. Gross production taxes placed on the extraction of oil and gas were separated from the ad valorem property tax in 1910. For the first 20 years of statehood, oil and gas gross production and the ad valorem property tax were the major sources of state revenue.

While the ad valorem property tax became strictly a local tax in the 1930s, the oil and gas gross production tax have continued to be an important source of revenue for state government, schools and road building and maintenance.

Oil and natural gas have a three-tiered tax rate structure that specifies a certain tax rate based on the current price of oil or natural gas. For natural gas, if the price per thousand cubic feet (MCF) is greater than \$2.10, the tax rate is 7%. If the price is between \$2.10 and \$1.75 per MCF, then the rate is 4% and any price lower than \$1.75 results in a tax rate of 1%. For oil, the price must be greater than \$17 per barrel for the tax rate to be 7%. If the price is between \$17 and \$14 per barrel, the tax rate is 4%, and a price below \$14 per barrel yields a 1% tax rate. The charts below show the apportionment for the revenue from gross production tax on oil and natural gas.

During the 2006 Legislative Session, The Rural Economic Access Plan (REAP Fund) apportionment from the Gross Production tax on oil was divided between three new funds. Each of the three funds receives 33.33% of the 4.28% apportioned to the REAP Fund. The table below shows the apportionments to all funds from the Gross Production tax on oil. A cap of \$150 million applies to six of the funds receiving Gross Production oil revenue (identified by an asterisk in the apportionment chart that follows). Oil revenue collected above the \$150 million cap that would have been apportioned to those funds is deposited into the General Revenue Fund.

Gross Production Tax – Oil Apportionment

*Common Education Technology Fund	25.72%
*OK Student Aid Revolving Fund	25.72%
*Higher Education Capital Fund	25.72%
County Highways	7.14%
School Districts	7.14%
County Roads and Bridges	4.28%
REAP Fund	4.28%
*Tourism Capital Expenditure Fund	33.33%
*Conservation Commission Fund	33.33%
*Community Water Revolving Fund	33.33%
* Indicates capped funds	

Gross Production Tax – Natural Gas Apportionment

General Revenue Fund	85.72%
County Highways	7.14%
School Districts	7.14%

FY-2011 Executive Budget

Constitutional Reserve "Rainy Day" Fund (CRF) History					
Description	FY-91	FY-92	FY-93	FY-94	FY-95
Beginning RDF Balance	151,734,223	196,861,899	135,008,898	91,140,995	45,574,052
Adjustments to the Balance	10,464	25,176	0	3,555	0
Appropriations	(30,000,000)	(61,878,177)	(43,867,903)	(45,570,498)	0
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	75,867,112	98,430,950	67,504,449	45,570,498	22,787,026
End of FY Deposit	75,117,212	0	0	0	0
Ending Balance	196,861,899	135,008,898	91,140,995	45,574,052	45,574,052
Description	FY-96	FY-97	FY-98	FY-99	FY-00
Beginning RDF Balance	45,574,052	114,300,821	308,906,533	297,360,609	149,858,523
Adjustments to the Balance	12,909	388,745	0	1,119,324	28,700
Appropriations	(22,688,345)	(52,825,496)	(154,444,000)	(148,621,410)	(74,929,261)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	22,787,026	57,150,411	154,453,266	148,680,304	74,929,262
End of FY Deposit	91,402,205	247,042,463	142,898,076	0	82,584,612
Ending Balance	114,300,821	308,906,533	297,360,609	149,858,523	157,542,574
Description	FY-01	FY-02	FY-03	FY-04	FY-05
Beginning RDF Balance	157,542,574	340,685,730	72,398,995	136,333	217,501,299
Adjustments to the Balance	9,826	299,087	0	0	0
Appropriations	(78,771,287)	(268,585,822)	(72,262,663)	0	0
-Budget Stabilization					
1)Current Fiscal Year	-	98,242,957	36,199,498	68,167	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	78,771,287	170,342,865	36,199,498	68,167	54,375,325
End of FY Deposit	261,904,617	0	0	217,364,966	243,815,275
Ending Balance	340,685,730	72,398,995	136,333	217,501,299	461,316,574
Description	FY-06	FY-07	FY-08	FY-09	FY-10
Beginning RDF Balance	461,316,574	495,690,168	571,598,627	596,573,270	596,573,270
Adjustments to the Balance	268,565	0	0	0	0
Appropriations	0	0	0	0	0
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	115,329,143	123,922,542	142,899,657	149,143,317	149,143,317
End of FY Deposit	34,105,029	75,908,459	24,974,643	0	N/A
Ending Balance	495,690,168	571,598,627	596,573,270	596,573,270	N/A

FY-2011 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2006 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2007 Appropriation	5 Percent Change	6 Percent of Total	FY-2008 Appropriation	Percent Change	Percent of Total
SUMMARY BY CABINET									
Governor	\$2,578,710	2.22%	0.04%	\$2,641,163	2.42%	0.04%	\$2,661,981	0.79%	0.04%
Lieutenant Governor	592,436	13.22%	0.01%	592,436	0.00%	0.009%	693,197	17.01%	0.010%
Agriculture	36,999,997	16.17%	0.60%	37,268,701	0.73%	0.55%	42,865,133	15.02%	0.61%
Commerce and Tourism	90,522,534	2.53%	1.46%	88,459,871	-2.28%	1.31%	92,910,558	5.03%	1.32%
Education	3,208,748,707	8.52%	51.86%	3,454,998,597	7.67%	51.24%	3,719,455,094	7.65%	52.80%
Energy	13,203,355	4.93%	0.21%	15,081,841	14.23%	0.22%	13,224,003	-12.32%	0.19%
Environment	15,340,476	-4.88%	0.25%	17,282,166	12.66%	0.26%	16,529,620	-4.35%	0.23%
Finance and Revenue	86,666,319	5.09%	1.40%	89,683,898	3.48%	1.33%	90,503,091	0.91%	1.28%
Health	909,937,163	23.92%	14.71%	1,009,567,436	10.95%	14.97%	1,094,889,912	8.45%	15.54%
Human Resources & Administ.	20,509,420	3.77%	0.33%	22,422,169	9.33%	0.33%	27,973,920	24.76%	0.40%
Human Services	619,191,715	15.30%	10.01%	681,720,756	10.10%	10.11%	709,624,852	4.09%	10.07%
Military Affairs	12,546,432	55.61%	0.20%	12,898,334	2.80%	0.19%	13,654,939	5.87%	0.19%
Safety and Security	578,165,197	10.04%	9.34%	651,008,576	12.60%	9.65%	689,019,068	5.84%	9.78%
Science and Technology	12,400,942	6.27%	0.28%	22,442,616	80.98%	0.51%	22,456,507	0.06%	0.32%
Secretary of State	7,903,126	-4.56%	0.24%	9,021,927	14.16%	0.27%	9,118,194	1.07%	0.13%
Transportation	275,671,401	36.88%	4.46%	285,940,419	3.73%	4.24%	218,400,061	-23.62%	3.10%
Veterans	36,040,332	19.77%	0.58%	39,324,159	9.11%	0.58%	40,282,600	2.44%	0.57%
Total Executive Branch	\$5,927,018,262	12.53%	95.79%	\$6,440,355,065	8.66%	95.51%	\$6,804,262,730	5.65%	96.58%
The Legislature	\$34,191,830	3.13%	0.55%	\$35,732,522	4.51%	0.53%	\$38,762,908	8.48%	0.55%
The Judiciary	<u>70,493,724</u>	12.07%	1.14%	<u>79,253,297</u>	12.43%	1.18%	<u>85,827,012</u>	8.29%	1.22%
Total Legis. & Judic.	\$104,685,554	8.98%	1.69%	\$114,985,819	9.84%	1.71%	\$124,589,920	8.35%	1.77%
Total Excl. Supps. / Ret.	\$6,031,703,816	12.47%	97.48%	\$6,555,340,884	8.68%	97.22%	\$6,928,852,650	5.70%	98.35%
Supplementals & Emerg. Fund	<u>155,841,940</u>	#####	2.52%	<u>187,578,680</u>	20.36%	2.78%	<u>116,063,211</u>	-38.13%	1.65%
TOTAL APPROPRIATIONS	\$6,187,545,756	14.67%	100.00%	\$6,742,919,564	8.98%	100.00%	\$7,044,915,861	4.48%	100.00%
GOVERNOR, LT. GOVERNOR									
Governor	\$2,578,710	2.22%	0.04%	\$2,641,163	2.42%	0.04%	\$2,661,981	0.79%	0.04%
Lieutenant Governor	<u>592,436</u>	13.22%	0.01%	<u>592,436</u>	0.00%	0.01%	<u>693,197</u>	17.01%	0.01%
TOTAL GOV., LT. GOV.	\$3,171,146	4.11%	0.05%	\$3,233,599	1.97%	0.05%	\$3,355,178	3.76%	0.05%

FY-2011 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2006 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2007 Appropriation	5 Percent Change	6 Percent of Total	FY-2008 Appropriation	Percent Change	Percent of Total
AGRICULTURE									
Agriculture	\$27,196,069	12.24%	0.44%	\$28,314,906	4.11%	0.42%	\$33,678,049	18.94%	0.48%
Conservation Commission	<u>9,803,928</u>	28.70%	0.16%	<u>8,953,795</u>	-8.67%	0.13%	<u>9,187,084</u>	2.61%	0.13%
TOTAL AGRICULTURE	\$36,999,997	16.17%	0.60%	\$37,268,701	0.73%	0.55%	\$42,865,133	15.02%	0.61%
COMMERCE AND TOURISM									
Commerce, Department of	\$27,334,663	-18.01%	0.44%	\$25,082,836	-8.24%	0.37%	\$28,104,894	12.05%	0.40%
Centennial Commission	3,899,630	#####	0.06%	1,062,291	-72.76%	0.02%	1,066,511	0.40%	0.02%
Historical Society	13,106,387	29.23%	0.21%	14,480,363	10.48%	0.21%	14,687,451	1.43%	0.21%
J.M. Davis Memorial Comm.	347,454	4.98%	0.01%	382,166	9.99%	0.01%	535,403	40.10%	0.01%
Labor Department	3,224,721	5.33%	0.05%	3,613,893	12.07%	0.05%	3,760,284	4.05%	0.05%
REAP -local gov't thru Aud & In	15,500,000	0.00%	0.25%	15,500,000	0.00%	0.23%	15,500,000	0.00%	0.22%
Scenic Rivers Commission	323,041	n/a	0.01%	339,752	5.17%	0.01%	345,322	1.64%	0.00%
Tourism & Recreation Dept.	25,955,959	7.42%	0.42%	27,073,374	4.31%	0.40%	27,826,991	2.78%	0.39%
Will Rogers Memorial Comm.	<u>830,679</u>	-5.89%	0.01%	<u>925,196</u>	11.38%	0.01%	<u>1,083,702</u>	17.13%	0.02%
TOTAL COMMERCE & TOURISM	\$90,522,534	2.53%	1.46%	\$88,459,871	-2.28%	1.31%	\$92,910,558	5.03%	1.32%
EDUCATION									
Arts Council	\$4,243,338	8.14%	0.07%	\$4,442,810	4.70%	0.07%	\$5,150,967	15.94%	0.07%
Education, Department of	2,164,263,450	7.80%	34.98%	2,348,041,255	8.49%	34.82%	2,480,155,207	5.63%	35.20%
Educational TV Authority	4,624,059	10.05%	0.07%	5,164,350	11.68%	0.08%	8,394,383	62.54%	0.12%
Higher Educ., Regents for	889,433,880	10.88%	14.37%	933,933,880	5.00%	13.85%	1,053,949,576	12.85%	14.96%
Department of Libraries	6,681,355	7.55%	0.11%	6,847,731	2.49%	0.10%	7,294,856	6.53%	0.10%
School of Science & Mathematic	7,020,513	6.82%	0.11%	7,230,508	2.99%	0.11%	7,585,732	4.91%	0.11%
Teacher Preparation Commissio	2,022,875	1.24%	0.03%	2,050,705	1.38%	0.03%	2,059,982	0.45%	0.03%
Career & Technology Education	<u>130,287,358</u>	5.17%	2.11%	<u>147,287,358</u>	13.05%	2.18%	<u>154,864,391</u>	5.14%	2.20%
TOTAL EDUCATION	\$3,208,748,707	8.52%	51.86%	\$3,454,998,597	7.67%	51.24%	\$3,719,455,094	7.65%	52.80%
ENERGY									
Corporation Commission	\$12,354,190	4.99%	0.20%	\$14,083,860	14.00%	0.21%	\$12,210,417	-13.30%	0.17%
Mines, Department of	<u>849,165</u>	4.13%	0.01%	<u>997,981</u>	17.52%	0.01%	<u>1,013,586</u>	1.56%	0.01%
TOTAL ENERGY	\$13,203,355	4.93%	0.21%	\$15,081,841	14.23%	0.22%	\$13,224,003	-12.32%	0.19%
ENVIRONMENT									

FY-2011 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2006 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2007 Appropriation	5 Percent Change	6 Percent of Total	FY-2008 Appropriation	Percent Change	Percent of Total
Environmental Quality, Dept. of	\$8,166,580	-13.99%	0.13%	\$9,525,217	16.64%	0.14%	\$9,728,096	2.13%	0.14%
Water Resources Board	4,373,896	-1.31%	0.07%	6,744,617	54.20%	0.10%	4,601,524	-31.77%	0.07%
Water Resources - REAP	<u>2,800,000</u>	27.27%	0.05%	<u>1,012,332</u>	-63.85%	0.02%	<u>2,200,000</u>	117.32%	0.03%
TOTAL ENVIRONMENT	\$15,340,476	-4.88%	0.25%	\$17,282,166	12.66%	0.26%	\$16,529,620	-4.35%	0.23%
FINANCE & REVENUE									
Auditor & Inspector	\$5,988,786	8.42%	0.10%	\$6,219,622	3.85%	0.09%	\$6,315,269	1.54%	0.09%
Bond Advisor	181,212	-3.66%	0.00%	185,117	2.15%	0.00%	186,419	0.70%	0.00%
Consumer Credit Commission	637,925	3.47%	0.01%	661,263	3.66%	0.01%	669,042	1.18%	0.01%
Insurance Department	2,231,595	4.46%	0.04%	2,444,856	9.56%	0.04%	2,515,943	2.91%	0.04%
Finance, Office of State	22,756,515	-0.48%	0.37%	23,000,204	1.07%	0.34%	23,081,434	0.35%	0.33%
Land Office Commission	4,719,497	-0.60%	0.08%	4,828,535	2.31%	0.07%	4,864,881	0.75%	0.07%
Tax Commission	45,626,291	10.04%	0.74%	47,711,604	4.57%	0.71%	48,201,340	1.03%	0.68%
Treasurer	<u>4,524,498</u>	-8.16%	0.07%	<u>4,632,697</u>	2.39%	0.07%	<u>4,668,763</u>	0.78%	0.07%
TOTAL FINANCE & REVENUE	\$86,666,319	5.09%	1.40%	\$89,683,898	3.48%	1.33%	\$90,503,091	0.91%	1.28%
HEALTH									
Health Department	\$62,790,819	9.08%	1.01%	\$71,234,131	13.45%	1.06%	\$73,786,143	3.58%	1.05%
Health Care Authority	634,786,355	31.63%	10.26%	701,964,163	10.58%	10.41%	771,709,298	9.94%	10.95%
Mental Health Department	171,810,647	10.53%	2.78%	194,703,800	13.32%	2.89%	207,529,129	6.59%	2.95%
University Hospitals Authority	<u>40,549,342</u>	3.89%	0.66%	<u>41,665,342</u>	2.75%	0.62%	<u>41,865,342</u>	0.48%	0.59%
TOTAL HEALTH	\$909,937,163	23.92%	14.71%	\$1,009,567,436	10.95%	14.97%	\$1,094,889,912	8.45%	15.54%
HUMAN RESOURCES AND ADMINISTRATION									
Merit Protection Commission	565,684	10.45%	0.01%	611,434	8.09%	0.01%	648,684	6.09%	0.01%
Personnel Management	4,633,249	3.03%	0.07%	4,848,371	4.64%	0.07%	4,891,745	0.89%	0.07%
Central Services, Dept. of (DCS)	12,263,035	0.23%	0.20%	13,639,156	11.22%	0.20%	19,053,697	39.70%	0.27%
Horse Racing Commission	2,360,889	27.05%	0.04%	2,618,898	10.93%	0.04%	2,669,568	1.93%	0.04%
Human Rights Commission	<u>686,563</u>	3.59%	0.01%	<u>704,310</u>	2.58%	0.01%	<u>710,226</u>	0.84%	0.01%
TOTAL HUMAN RESOURCES AND ADMINISTRATION	\$20,509,420	3.77%	0.33%	\$22,422,169	9.33%	0.33%	\$27,973,920	24.76%	0.40%
HUMAN SERVICES									

FY-2011 EXECUTIVE BUDGET

Agency / Cabinet Name	1	2	3	4	5	6	FY-2008 Appropriation	Percent Change	Percent of Total
	FY-2006 Appropriation	Percent Change	Percent of Total	FY-2007 Appropriation	Percent Change	Percent of Total			
Children & Youth Commission	\$1,725,018	9.89%	0.03%	\$2,101,609	21.83%	0.03%	\$2,334,473	11.08%	0.03%
Handicapped Concerns	376,944	4.09%	0.01%	381,813	1.29%	0.01%	412,769	8.11%	0.01%
Human Services Department	481,991,177	18.04%	7.79%	535,797,324	11.16%	7.95%	557,107,190	3.98%	7.91%
Indian Affairs Commission	255,530	2.65%	0.00%	257,732	0.86%	0.00%	258,466	0.28%	0.00%
J. D. McCarty Center	3,792,283	19.90%	0.06%	4,278,944	12.83%	0.06%	4,452,961	4.07%	0.06%
Office of Juvenile Affairs	98,323,348	5.89%	1.59%	104,219,585	6.00%	1.55%	110,060,812	5.60%	1.56%
Phys. Manpower Trng. Comm.	5,361,490	6.70%	0.09%	5,470,499	2.03%	0.08%	5,523,502	0.97%	0.08%
Rehabilitation Svcs., Dept. of	<u>27,365,925</u>	7.40%	0.44%	<u>29,213,250</u>	6.75%	0.43%	<u>29,474,679</u>	0.89%	0.42%
TOTAL HUMAN SERVICES	\$619,191,715	15.30%	10.01%	\$681,720,756	10.10%	10.11%	\$709,624,852	4.09%	10.07%
MILITARY AFFAIRS									
Military Department	\$12,546,432	55.61%	0.20%	\$12,898,334	2.80%	0.19%	\$13,654,939	5.87%	0.19%
SAFETY AND SECURITY									
A.B.L.E. Commission	\$3,738,839	3.09%	0.06%	\$3,965,159	6.05%	0.06%	\$3,925,266	-1.01%	0.06%
Attorney General	11,286,462	89.57%	0.18%	12,798,702	13.40%	0.19%	13,944,449	8.95%	0.20%
Emergency Management, Dept.	1,355,561	99.06%	0.02%	756,843	-44.17%	0.01%	836,604	10.54%	0.01%
Corrections Department	409,443,403	6.55%	6.62%	456,004,876	11.37%	6.76%	477,543,364	4.72%	6.78%
District Attorneys Council	30,592,742	13.61%	0.49%	39,092,742	27.78%	0.58%	39,920,210	2.12%	0.57%
Fire Marshal	1,685,180	9.64%	0.03%	2,052,561	21.80%	0.03%	2,270,855	10.64%	0.03%
Indigent Defense System	15,633,001	8.35%	0.25%	16,206,256	3.67%	0.24%	16,304,008	0.60%	0.23%
Investigation, Bureau of	11,154,628	15.21%	0.18%	13,351,567	19.70%	0.20%	17,316,450	29.70%	0.25%
Law Enf. Educ. & Training	2,758,783	2.70%	0.04%	3,265,473	18.37%	0.05%	4,410,370	35.06%	0.06%
Medicolegal Invest., Board of	3,922,904	14.46%	0.06%	4,587,380	16.94%	0.07%	4,825,625	5.19%	0.07%
Narc. & Dang. Drugs Control	5,389,595	8.51%	0.09%	6,320,763	17.28%	0.09%	6,773,895	7.17%	0.10%
Pardon and Parole Board	2,316,329	7.72%	0.04%	2,555,018	10.30%	0.04%	2,577,581	0.88%	0.04%
Public Safety, Department of	<u>78,887,770</u>	21.25%	1.27%	<u>90,051,236</u>	14.15%	1.34%	<u>98,370,391</u>	9.24%	1.40%
TOTAL SAFETY & SECURITY	\$578,165,197	10.04%	9.34%	\$651,008,576	12.60%	9.65%	\$689,019,068	5.84%	9.78%
SECRETARY OF STATE									
Council on Judicial Complaints	\$278,826	2.83%	0.00%	\$282,503	1.32%	0.00%	\$283,729	0.43%	0.00%
Election Board	6,621,839	-6.37%	0.11%	7,709,951	16.43%	0.11%	7,785,988	0.99%	0.11%
Ethics Commission	492,277	2.40%	0.01%	504,039	2.39%	0.01%	517,960	2.76%	0.01%
Secretary of State	<u>510,184</u>	11.66%	0.01%	<u>525,434</u>	2.99%	0.01%	<u>530,517</u>	0.97%	0.01%
TOTAL SECRETARY OF STAT.	\$7,903,126	-4.56%	0.13%	\$9,021,927	14.16%	0.13%	\$9,118,194	1.07%	0.13%

FY-2011 EXECUTIVE BUDGET

Agency / Cabinet Name	1 FY-2006 Appropriation	2 Percent Change	3 Percent of Total	4 FY-2007 Appropriation	5 Percent Change	6 Percent of Total	FY-2008 Appropriation	Percent Change	Percent of Total
SCIENCE AND TECHNOLOGY									
OCAST	\$12,400,942	6.27%	0.20%	\$22,442,616	80.98%	0.33%	\$22,456,507	0.06%	0.32%
TRANSPORTATION									
Transportation Department	\$275,148,137	36.97%	4.45%	\$285,411,848	3.73%	4.23%	\$217,869,721	-23.66%	3.09%
Space Industry Develop. Author	<u>523,264</u>	0.95%	0.01%	<u>528,571</u>	1.01%	0.01%	<u>530,340</u>	0.33%	0.01%
TOTAL TRANSPORTATION	\$275,671,401	36.88%	4.46%	\$285,940,419	3.73%	4.24%	\$218,400,061	-23.62%	3.10%
VETERANS									
Veterans Affairs Department	\$36,040,332	19.77%	0.58%	\$39,324,159	9.11%	0.58%	\$40,282,600	2.44%	0.57%
TOTAL EXECUTIVE BRANCH	\$5,927,018,262	12.53%	95.79%	\$6,440,355,065	8.66%	95.51%	\$6,804,262,730	5.65%	96.58%
LEGISLATURE									
House of Representatives	\$18,629,154	3.03%	0.30%	\$19,176,434	2.94%	0.28%	\$19,176,434	0.00%	0.27%
Legislative Service Bureau	2,415,783	4.89%	0.04%	2,995,021	23.98%	0.04%	4,887,349	63.18%	0.07%
Senate	<u>13,146,893</u>	2.95%	0.21%	<u>13,561,067</u>	3.15%	0.20%	<u>14,699,125</u>	8.39%	0.21%
TOTAL LEGISLATURE	\$34,191,830	3.13%	0.55%	\$35,732,522	4.51%	0.53%	\$38,762,908	8.48%	0.55%
JUDICIARY									
Court of Criminal Appeals	\$2,828,160	2.82%	0.05%	\$3,083,013	9.01%	0.05%	\$3,489,631	13.19%	0.05%
District Courts	47,300,000	9.89%	0.76%	54,403,272	15.02%	0.81%	57,674,778	6.01%	0.82%
Supreme Court	16,000,000	19.96%	0.26%	16,878,678	5.49%	0.25%	19,420,570	15.06%	0.28%
Workers' Compensation Court	<u>4,365,564</u>	15.78%	0.07%	<u>4,888,334</u>	11.97%	0.07%	<u>5,242,033</u>	7.24%	0.07%
TOTAL JUDICIARY	\$70,493,724	12.07%	1.14%	\$79,253,297	12.43%	1.18%	\$85,827,012	8.29%	1.22%
TOTAL EXCL. SUPPS./ & RETIREMENT SYSTEMS	\$6,031,703,816	12.47%	97.48%	\$6,555,340,884	8.68%	97.22%	\$6,928,852,650	5.70%	98.35%
Supplementals & Emerg. Fund	<u>\$155,841,940</u>	#####	2.52%	<u>\$187,578,680</u>	20.36%	2.78%	<u>\$116,063,211</u>	-38.13%	1.65%
TOTAL APPROPRIATIONS	\$6,187,545,756	14.67%	100.00%	\$6,742,919,564	8.98%	100.00%	\$7,044,915,861	4.48%	100.00%

FY-2011 EXECUTIVE BUDGET

SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION ALLOCATIONS (2009-2010)

<u>Regents' Allocation</u>	ORIGINAL ALLOCATION	% OF ORIGINAL ALLOCATION
University of Oklahoma	\$149,164,412	13.26%
OU Law Center	6,585,755	0.59%
OU Health Sciences Center	102,336,487	9.10%
OU Tulsa	9,099,631	0.81%
Oklahoma State University	133,970,472	11.91%
OSU Agriculture Experiment Station	29,398,132	2.61%
OSU Agriculture Extension Division	32,131,822	2.86%
OSU Technical Branch, Okmulgee	15,954,394	1.42%
OSU College of Veterinary Medicine	12,005,462	1.07%
OSU, Oklahoma City	12,291,697	1.09%
OSU Center for Health Sciences	15,587,426	1.39%
OSU Tulsa	12,240,087	1.09%
University of Central Oklahoma	58,339,263	5.19%
East Central University	19,419,846	1.73%
Northeastern State University	40,484,590	3.60%
Statewide Literacy Program - NSU	73,229	0.01%
Northwestern Oklahoma State University	11,240,181	1.00%
Southeastern Oklahoma State University	20,790,182	1.85%
Southwestern Oklahoma State University	25,148,226	2.24%
Cameron University	23,890,775	2.12%
Langston University - Campus	20,650,489	1.84%
Langston - Endowment	1,779,115	0.16%
Oklahoma Panhandle State University	7,857,838	0.70%
University of Science & Arts of Oklahoma	7,740,204	0.69%
University of Science & Arts - Jane Brooks	27,038	0.00%
Rogers State University	15,405,503	1.37%
Carl Albert State College	7,077,240	0.63%
Connors State College	7,517,316	0.67%
Eastern Oklahoma State College	7,190,952	0.64%
Murray State College	6,354,940	0.57%
Northeastern Oklahoma A&M College	9,869,059	0.88%
Northern Oklahoma College	11,093,949	0.99%
Oklahoma City Community College	27,455,306	2.44%
Redlands Community College	6,540,291	0.58%
Rose State College	23,021,757	2.05%
Seminole State College	6,605,488	0.59%
Tulsa Community College	39,279,390	3.49%
Western Oklahoma State College	5,993,719	0.53%
Ardmore Higher Education Program	723,982	0.06%

FY-2011 EXECUTIVE BUDGET

SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION ALLOCATIONS (2009-2010)

<u>Regents' Allocation cont.</u>	ORIGINAL ALLOCATION	% OF ORIGINAL ALLOCATION
Ponca City Learning Site	700,000	0.06%
OSF CORE Assessment Fees	149,565	0.01%
Section 13 Offsets	10,036,945	0.89%
Entry-Yr Tchr Prog Funds	1,877,309	0.17%
State Regents' Budget/Regents' IT/MTRC	11,361,337	1.01%
OneNet (includes Higher Ed User Fees)	3,145,116	0.28%
Internet II / National Lambda Rail	1,529,250	0.14%
Scholar-Leadership Enrichment Program	305,882	0.03%
Economic Development Incentives	442,050	0.04%
Regional University Scholarships	800,229	0.07%
Prospective Teacher Scholarships	100,000	0.01%
Chiropractic Scholarships	40,000	0.00%
National Guard Waiver Program	2,045,612	0.18%
Tulsa Reconciliation Scholarships	50,000	0.00%
Concurrent Enrollment Waiver Program	2,500,000	0.22%
Teacher Shortage Incentive Program	402,692	0.04%
Brain Gain 2010	3,750,000	0.33%
Student Preparation Program	1,174,710	0.10%
Summer Academies Program	600,000	0.05%
Oklahoma Tuition Aid Grants	18,927,327	1.68%
Academic Scholars Program	8,604,500	0.77%
Endowed Chairs Program	12,399,465	1.10%
Academic Library Databases	410,000	0.04%
Master Lease Program	75,000	0.01%
OCIA Debt Service	36,101,613	3.21%
EPSCoR	3,449,647	0.31%
Quartz Mountain	1,251,975	0.11%
OHLAP	54,000,000	4.80%
George & Donna Nigh Scholarship	70,000	0.01%
Oklahoma Tuition Equalization Program	3,828,751	0.34%
Capital and One-Time Allocations	1,005,867	0.09%
Office of Accountability	770,520	0.07%
Adult Degree Completion Program	500,000	0.04%
TOTAL ALLOCATIONS OF APPROPRIATIONS *	\$1,124,741,007	100.00%

* Includes \$33,196,893 from the Higher Education Capital Revolving Fund, \$33,196,893 from the Student Aid Revolving Fund, \$25,032,927 from the Lottery Trust Fund, \$54,000,000 designated General Revenue for OK Promise, and \$129,233,390 from the Special Cash Fund.

Office of State Finance

Please direct all press inquiries to (405) 521-3277.

<u>If you have questions about this function of government</u>	<u>Then please contact:</u>
The Oklahoma Economy	Michael Clingman (405) 521-3277 michael.clingman@osf.ok.gov
The Oklahoma State Budget and Budget Process	Brandy Manek (405) 521-3786 brandy.manek@osf.ok.gov
State Revenue, Taxes	Shelly Paulk (405) 522-2603 shelly.paulk@osf.ok.gov
Agriculture, Energy and Environment.....	Lia Tepker (405) 522-5743 lia.tepker@osf.ok.gov
Education, Science and Technology Development	Jill Geiger (405) 521-6176 jill.geiger@osf.ok.gov
Governor, Lieutenant Governor, Finance and Revenue, Legislature, Secretary of State, Transportation.....	Larry Asberry, Jr. (405) 522-0677 larry.asberry@osf.ok.gov
Health and Veterans Affairs.....	Rich Edwards (405) 522-4305 rich.edwards@osf.ok.gov
Human Resources and Administration	Larry Asberry, Jr. (405) 522-0677 larry.asberry@osf.ok.gov
Military Affairs, Safety and Security, Judiciary	Chris Sherman (405) 521-3097 chris.sherman@osf.ok.gov
Human Services.....	Erik Paulson (405) 522-0924 erik.paulson@osf.ok.gov
Commerce & Tourism.....	Collette Coleman (405) 521-3643 collette.coleman@osf.ok.gov

Office of State Finance

Budget Division Staff

Michael Clingman (405) 521-3277
Director, Office of State Finance

E-Mail: michael.clingman@osf.ok.gov

Brandy Manek (405) 521-3786
Budget Division Director

E-Mail: brandy.manek@osf.ok.gov

Larry Asberry, Jr..... (405) 522-0677

E-Mail: larry.asberry@osf.ok.gov

Collette Coleman..... (405) 521-3643

E-Mail: collette.coleman@osf.ok.gov

Rich Edwards (405) 522-4305

E-Mail: rich.edwards@osf.ok.gov

Jill Geiger (405) 521-6176

E-Mail: jill.geiger@osf.ok.gov

Shelly Paulk..... (405) 522-2603

E-Mail: shelly.paulk@osf.ok.gov

Chris Sherman (405) 521-3097

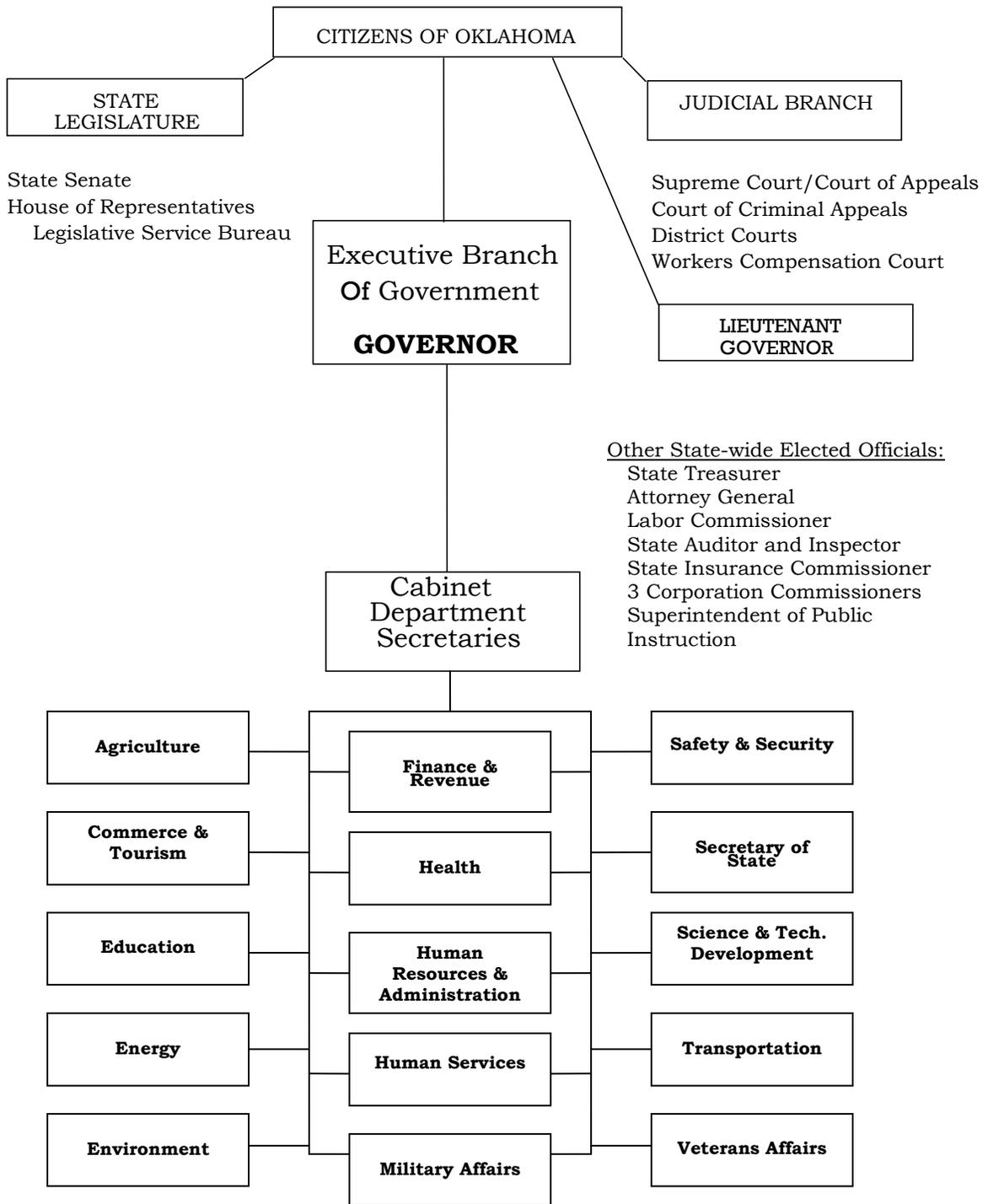
E-Mail: chris.sherman@osf.ok.gov

Lia Tepker (405) 522-5743

E-Mail: lia.tepker@osf.ok.gov

Erik Paulson..... (405) 522-0924

E-Mail: erik.paulson@osf.ok.gov



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-2010 Executive Budget

Cabinet/Agency	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010
	Actual FTE	Actual FTE	Actual FTE	Actual FTE	Actual FTE
Governor	34.4	32.5	32.9	31.8	28.2
Lieutenant Governor	8.0	6.5	7.2	7.2	7.8
Agriculture	555.1	538.8	541.0	540.0	532.0
Commerce and Tourism	2,180.8	2,175.0	2,122.6	2,072.7	2,116.5
Education (excluding Higher Education)	1,004.8	1,026.4	1,011.1	1,080.4	998.9
Energy	911.5	1,011.7	1,023.5	1,021.9	911.2
Environment	984.9	997.7	1,011.8	1,030.1	1,032.8
Finance and Revenue	2,025.6	2,042.7	2,030.2	1,990.1	1,937.7
Health	4,698.7	4,840.3	4,720.1	4,823.5	4,769.0
Human Resources and Administration	748.5	756.4	765.7	771.7	764.9
Human Services	9,910.3	10,203.9	10,034.6	10,226.3	10,358.7
Military	368.5	305.5	313.4	368.7	383.9
Safety and Security	8,257.3	8,290.5	8,550.0	8,694.0	8,421.5
Science & Technology	19.3	23.0	23.3	25.7	23.4
Secretary of State	64.9	64.8	64.4	65.1	59.8
Transportation	2,947.1	3,009.7	3,081.0	3,059.3	3,093.7
Veterans Affairs	1,813.9	1,817.2	1,854.8	1,828.6	1,932.6
	36,533.6	37,142.6	37,187.6	37,637.5	37,372.6
Regents	320.8	323.3	315.1	321.6	311.8
Higher Education	30,070.9	31,074.6	32,036.1	32,237.5	33,318.1
	30,391.7	31,397.9	32,351.2	32,559.1	33,629.9
Total Executive Branch	66,925.3	68,540.5	69,538.8	70,196.6	71,002.5
Legislature	494.6	468.1	505.2	479.9	454.4
Judiciary	881.9	900.3	915.7	911.4	910.6
	1,376.5	1,368.4	1,420.9	1,391.3	1,365.0
GRAND TOTAL	68,301.8	69,908.9	70,959.7	71,587.9	72,367.5
Total Excluding Higher Ed	38,230.9	38,834.3	38,608.5	39,028.8	38,737.6
305 Governor	34.4	32.5	32.9	31.8	28.2
440 Lieutenant Governor	8.0	6.5	7.2	7.6	7.8
Agriculture					
40 Agriculture, Department of	466.8	454.9	456.1	448.6	447.2
39 Boll Weevil Eradication	27.2	23.5	16.5	15.8	12.6
645 Conservation Commission	56.3	56.3	62.4	69.5	67.2
535 Peanut Commission	1.0	0.0	1.0	1.0	1.0
875 Wheat Commission	3.8	4.1	5.0	5.0	4.0
Total	555.1	538.8	541.0	539.9	532.0

FY-2010 Executive Budget

Cabinet/Agency	FY-2006 Actual	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual
Commerce and Tourism					
7 Centennial Commission	6.9	7.1	7.0	0.0	0.0
160 Commerce, Department of	148.2	152.4	153.5	154.1	156.3
290 Employment Security Commission, OK	793.5	739.2	696.6	676.4	756.6
350 Historical Society, Oklahoma	156.8	163.7	169.6	167.6	172.7
922 Housing Finance Authority	110.9	111.5	110.8	110.2	115.3
370 Industrial Finance Authority	6.6	6.8	6.8	6.9	6.9
204 J.M. Davis Memorial Commission	6.4	5.9	6.5	5.8	6.6
405 Labor Department	93.2	97.9	95.2	94.8	91.7
981 Municipal Power Authority	48.0	49.1	52.3	55.6	47.2
568 Scenic Rivers Commission	12.1	12.8	13.5	14.9	14.4
566 Tourism & Recreation, Department of	787.2	817.4	798.7	775.7	738.9
880 Will Rogers Memorial Commission	11.0	11.2	12.1	10.8	9.9
Total	2,180.8	2,175.0	2,122.6	2,072.8	2,116.5
Education (Excl. Higher Education)					
55 Arts Council, State	16.4	16.2	15.3	15.1	16.0
800 Career & Technology Education	359.3	359.6	338.0	329.6	323.9
265 Education, State Department of	356.1	372.5	374.9	448.5	374.4
266 Educational Television Authority	65.0	67.2	71.2	71.5	72.8
430 Libraries, Department of	65.8	62.6	59.1	56.6	55.9
563 Private Vocational Schools Board	2.8	2.6	2.9	2.5	2.5
629 School of Science & Mathematics	70.9	73.1	72.1	73.8	75.7
618 Student Loan Authority	59.3	63.4	67.5	72.2	67.5
269 Teacher Preparation, OK Commission	9.2	9.2	10.2	10.4	10.2
Total	1,004.8	1,026.4	1,011.2	1,080.2	998.9
Energy					
185 Corporation Commission	459.1	473.4	480.3	476.9	451.1
980 Grand River Dam Authority (GRDA)	401.9	487.2	491.4	493.2	410.0
307 Interstate Oil Compact Commission	1.5	2.0	2.2	2.0	3.0
445 Liquefied Petroleum Gas Board	9.1	9.1	9.7	10.6	9.2
446 Marginally Producing Oil & Gas Wells	4.2	4.6	4.7	4.5	4.0
125 Mines, Department of	35.7	35.4	35.1	34.6	34.0
Total	911.5	1,011.7	1,023.4	1,021.8	911.3
Environment					
292 Dept. of Environmental Quality (DEQ)	548.3	565.1	573.6	586.3	586.0
835 Water Resources Board	92.7	94.4	96.0	94.7	94.2
320 Wildlife Conservation Commission	343.9	338.2	342.3	349.1	352.6
Total	984.9	997.7	1,011.9	1,030.1	1,032.8
Finance and Revenue					
300 Auditor & Inspector	151.2	149.2	135.2	124.6	117.8
65 Banking Department, State	40.3	39.3	38.4	38.5	39.8
390 CompSource	370.2	363.7	373.5	368.3	357.5
90 Finance, Office of State	139.2	148.5	155.5	155.3	170.6
315 Firefighters Pension & Retirement	9.7	9.2	8.9	9.1	9.0
385 Insurance Commissioner	124.7	135.1	139.6	121.9	126.3
410 Land Office, Commissioners of the	56.2	54.9	55.7	55.8	50.9
416 Law Enforcement Retirement	4.0	4.8	5.2	6.0	6.0
435 Lottery Commission	27.3	41.0	41.0	38.6	40.7
557 Police Pension & Retirement Board	11.0	10.3	11.1	11.8	10.8
515 Public Employees Retirement System	52.8	51.6	52.3	50.3	51.4

FY-2010 Executive Budget

Cabinet/Agency	FY-2006 Actual	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual
695 Tax Commission	914.0	917.6	903.0	900.2	852.6
715 Teachers Retirement System	49.3	49.4	49.3	48.0	44.6
740 Treasurer	75.7	68.1	61.5	61.7	59.6
Total	2,025.6	2,042.7	2,030.2	1,990.1	1,937.6
Health					
807 Health Care Authority	364.5	385.9	410.8	434.5	449.7
340 Health, Department of	2275.7	2,336.7	2,350.2	2,253.9	2,206.1
452 Mental Health & Substance Abuse, Dept. of	2017.8	2,078.2	1,919.9	2,098.1	2,074.0
509 Nursing Homes, State Board of	3.1	2.0	3.1	3.4	2.8
92 Tobacco Settlement Trust Board	3.0	4.0	5.4	6.0	7.0
170 Construction Industries Board	34.6	33.5	30.6	27.6	29.4
Total	4,698.7	4,840.3	4,720.0	4,823.5	4,769.0
Human Resources and Administration					
582 Bond Advisor, State	3.0	3.0	3.0	3.0	2.0
580 Central Services, Dept. of	229.5	234.2	239.3	244.4	243.7
635 Consumer Credit Commission	15.1	15.6	15.4	16.4	17.4
353 Horse Racing Commission	39.8	42.1	42.1	41.5	40.0
355 Human Rights Commission	17.8	16.5	14.9	14.0	14.0
298 Merit Protection Commission	6.1	6.5	7.5	7.2	6.4
548 Personnel Management, Office of	73.5	69.1	67.8	65.1	63.9
630 Securities Commission	26.7	26.1	25.7	25.8	25.8
Sub-total	411.5	413.1	415.7	417.4	413.2
Human Resources and Administration - Non-Appropriated					
20 Accountancy, OK State Board of	9.5	8.3	7.2	9.0	8.2
145 Chiropractic Examiners Board	2.0	2.3	2.6	2.9	2.9
190 Cosmetology, State Board of	13.3	13.4	11.4	12.0	12.1
215 Dentists, Bd. of Governors of Registered	4.0	4.0	4.0	4.0	4.0
815 Employees Benefit Council	30.0	30.1	33.1	33.9	36.2
285 Funeral Board	3.1	3.3	3.2	2.6	2.3
45 Licensed & Landscape Architects, Bd. of Gov.	3.0	3.0	3.0	3.0	3.0
622 Licensed Social Workers, State Board	0.0	0.8	1.2	1.3	1.5
450 Medical Licensure & Supervision, Board of	22.6	22.6	23.0	22.0	20.5
475 Motor Vehicle Commission, Oklahoma	4.0	4.1	3.8	3.6	3.5
510 Nurse Registration & Education Board	22.6	23.5	23.9	23.7	26.0
516 OK State & Education Employees Grp.Ins.Bd.	167.9	172.3	176.0	175.4	171.8
520 Optometry, Board of Examiners in	1.4	2.3	2.6	2.9	2.3
525 Osteopathic Examiners Board	5.1	5.0	4.9	5.8	5.4
560 Pharmacy, Board of	8.0	8.0	8.8	9.2	8.9
570 Professional Engineers & Land Surveyors	7.2	8.5	8.5	9.5	8.5
575 Psychologist Examiners Board	2.1	2.0	2.0	2.0	2.0
588 Real Estate Commission, Oklahoma	16.7	15.7	16.4	17.5	17.5
632 Speech Pathology & Audiology Board	1.6	1.7	1.9	2.0	2.0
755 Used Motor Vehicle & Parts Commission	9.9	9.4	9.1	8.9	9.4
790 Veterinary Medical Examiners, Board of	3.0	3.0	3.1	3.1	3.6
Sub-total	337.0	343.3	349.7	354.3	351.6
Total	748.5	756.4	765.4	771.7	764.8
Human Services					
127 Children & Youth, Commission on	22.6	26.6	27.0	26.8	27.1
326 Handicapped Concerns, Office of	7.7	7.8	7.9	8.0	7.8
830 Human Services Department	7788.7	8,062.1	7,886.0	8,082.5	8,184.6
360 Indian Affairs Commission	2.9	2.3	3.0	3.5	2.5

APPENDIX

D-7

FY-2010 Executive Budget

Cabinet/Agency	FY-2006 Actual	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual
670 J.D. McCarty Ctr. for Handicapped Concerns	197.6	202.0	207.2	214.9	214.8
400 Juvenile Affairs, Office of	998.0	1,003.0	997.4	998.4	979.6
619 Physician Manpower Training Commission	6.0	5.8	5.8	6.0	6.0
805 Rehabilitative Services, OK Dept. of	882.7	889.3	894.1	879.1	929.2
825 University Hospitals Authority	4.1	5.0	6.1	7.0	7.0
Total	9,910.3	10,203.9	10,034.5	10,226.2	10,358.6
Military					
25 Military Department	368.5	305.5	313.4	368.7	383.9
Safety and Security					
30 A.B.L.E. Commission	43.4	45.3	44.4	42.3	45.0
49 Attorney General	165.6	172.8	174.5	174.3	161.3
772 Chem. Tests for Alcohol & Drug Infl.	4.3	5.4	6.0	6.5	6.8
131 Corrections Department	4722.9	4761.3	4916.6	5032.3	4739.2
415 Council on Law Enforcement Educ.&Trng.	34.0	33.0	43.7	44.2	46.4
220 District Attorney's Council	1162.4	1140.8	1144.4	1139.8	1151.2
309 Emergency Mgt., Dept. of	25.1	26.6	28.0	27.5	25.3
47 Indigent Defense System	123.9	122.9	122.8	125.9	122.5
308 Investigation, Okla. State Bureau of (OSBI)	286.8	286.3	302.4	314.7	322.2
448 Licensed Alcohol & Drug Counselors, Board of	1.1	1.9	1.5	1.4	1.8
342 Medicolegal Invest. Bd.	63.3	69.3	70.6	72.1	75.2
477 Narcotics & Dangerous Drugs Control	94.0	94.3	109.3	116.3	117.2
306 Pardon and Parole Board	42.5	41.8	41.4	41.6	40.1
585 Public Safety, Department of	1457.1	1457.4	1513.9	1525.0	1539.2
310 State Fire Marshal, Office of	30.9	31.4	30.5	30.1	28.0
Total	8,257.3	8,290.5	8,550.0	8,694.0	8,421.4
Science and Technology					
628 Cent.f/t Adv.of Science & Technology	19.3	23.0	23.3	25.7	23.4
Secretary of State					
678 Council on Judicial Complaints	2.0	2.0	2.0	2.0	2.0
270 Election Board, State	22.3	23.1	22.6	24.6	19.1
296 Ethics Commission	6.8	6.9	6.3	7.1	7.0
625 Secretary of State	33.8	32.8	33.5	31.5	31.7
Total	64.9	64.8	64.4	65.2	59.8
Transportation					
60 Aeronautics Commission, OK	10.4	9.7	11.2	12.0	11.6
346 Space Industry Development Authority	3.4	3.0	3.8	4.0	3.9
345 Transportation	2383.9	2,446.3	2,493.1	2,472.4	2,502.1
978 Turnpike Authority	549.4	550.7	572.9	570.9	576.0
Total	2947.1	3009.7	3081.0	3059.3	3093.6
Veterans Affairs					
650 Veterans Affairs	1813.9	1817.2	1854.8	1828.6	1932.6
Legislature					
422 House of Representatives	268.9	251.4	279.7	272.9	254.9
423 Legislative Service Bureau	27.2	27.7	26.0	20.1	12.4
421 Senate	198.5	189.0	199.5	186.9	187.1
Total	494.6	468.1	505.2	479.9	454.4

FY-2010 Executive Budget

Cabinet/Agency	FY-2006 Actual	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual
Judiciary					
199 Criminal Appeals, Court of	30.0	30.8	31.9	31.6	30.7
219 District Courts	620.5	628.7	638.9	630.5	626.4
369 Workers' Compensation Court	82.4	83.1	82.2	81.6	77.1
677 Supreme Court/Court of Appeals	149.0	157.7	162.7	167.7	176.3
Total	881.9	900.3	915.7	911.4	910.5
State Regents					
620 Quartz Mountain Conference Center	14.4	12.9	14.0	15.0	15.2
605 Regents For Higher Education	299.4	303.2	294.6	300.3	291.0
610 Regentional Unviversity System of Oklahoma	7.0	7.2	6.5	6.3	5.6
Total	320.8	323.3	315.1	321.6	311.8
Colleges and Universities					
10 Oklahoma State University	7668.1	7783.4	7980.1	8246.4	8276.9
100 Cameron University	578.4	678.4	627.8	592.3	631.2
108 Carl Albert J.C.	271.6	276.6	279.3	245.2	765.9
165 Connors State College	220.6	176.6	175.8	160.7	173.7
230 East Central Oklahoma State Univ.	542.3	553.1	561.8	524.0	553.6
240 Eastern Oklahoma State College	205.7	220.6	231.3	204.4	229.6
420 Langston University	471.1	459.1	452.5	432.0	474.3
470 Murray State College	173.9	177.4	177.4	171.0	176.6
480 Northeastern A & M College	292.2	285.7	283.0	259.6	288.6
485 Northeastern Oklahoma State Univ.	1059.3	1,074.3	1,156.7	1,138.2	1,133.1
490 Northern Oklahoma College	302.6	321.3	337.3	304.1	330.8
505 Northwestern Oklahoma State Univ.	291.7	300.8	304.5	285.3	307.9
530 Oklahoma Panhandle State University	177.3	169.1	160.2	154.0	165.5
241 Redland Community College	183.6	191.9	190.9	191.5	190.4
461 Rogers State Univ.(Claremore J.C.)	362.1	366.5	380.4	382.7	405.0
531 Rose State College	569.7	574.8	569.0	501.0	533.7
606 Ardmore Higher EducationCenter			12.6	12.8	13.8
623 Seminole J.C.	159.4	167.7	169.4	170.6	172.9
633 South Oklahoma City J.C.	511.2	580.6	636	618.7	742
660 Southeastern Oklahoma State Univ.	559.3	568.4	538.1	517.6	532
665 Southwestern Oklahoma State Univ.	710.8	731.1	737.9	714.8	745.2
750 Tulsa J.C.	1256.7	1,253.6	1296.1	1270	1320
120 University of Central Oklahoma	1280.6	1,344.4	1396.9	1476.8	1470.1
150 Univ. of Science and Arts of Okla	166.7	175.8	175.4	173.1	176.4
41 Western Oklahoma State College	155.9	162.9	163.4	152.6	159.9
760 University of Oklahoma	6636.8	6,962.7	7,352.7	7,576.0	7,409.6
770 Okla. University Health Science Ctr.	4936.9	5,169.1	5,329.5	5,385.3	5,547.7
771 OU Health Science Ctr.Prof.Prac.Plan	326.4	348.7	359.8	376.8	391.7
Total	30,070.9	31,074.6	32,035.8	32,237.5	33,318.1
	68,301.8	69,908.9	70,959.0	71,587.6	72,367.0

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.

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.

Board of Equalization: A Constitutional body, the State Board of Equalization is made up of the Governor, Lieutenant Governor, State Treasurer, State Auditor and Inspector, Attorney General, Superintendent of Public Instruction, and President of the State Board of Agriculture. The Board annually certifies the amount of state funds available for appropriation. The Board also has duties regarding the equalization of ad valorem taxes among the counties.

Budgeted Vacancy: A vacant employee position which is funded in an agency's current budget (in most instances, the vacancy has remained unfilled for an extended period of time).

Budget Request: A detailed outline of an agency's financial needs for the next fiscal year.

Budget Work Program: An outline of detailed planned expenditures for the ensuing or current fiscal year, which takes into consideration funds appropriated by the Legislature and other funds available to the agency, and any expenditure limitations or directives expressed in legislation.

Capital Expenditure / Outlay: Expenditures made for securing capital assets. Capital assets are significant, tangible assets with a value greater than \$25 thousand that have a life greater than one year and will be used in providing services.

Carryover: This term refers to unobligated monies an agency has available to fund its operations in succeeding fiscal years. Generally, carryover monies are considered non-recurring in nature.

GLOSSARY

Cash-flow Reserve Fund: This fund was established as a fiscal management tool. General Revenue Fund cash is set aside in this fund at the end of each fiscal year. Monies in this fund are used to make cash available for the July allocation of General Revenue funds to state agencies and to provide for monthly cash allocations in those months in which receipts are below needed levels. The use of this fund eliminates the need for "seasonal borrowing."

Constitutional Reserve Fund (CRF): Designed to cushion against economic emergencies, this fund, popularly known as the "Rainy Day Fund," was established by constitutional amendment in 1985. All General Revenue Fund receipts collected in excess of the certified estimate are deposited in this fund until the fund is equal to 10% of the certified General Revenue Funds from the preceding fiscal year. Up to three-eighths (3/8) of the balance may be appropriated only in the event that the up-coming year's General Revenue certification is lower than the preceding year's. Up to \$10 million may be expended for incentives to support retention of at-risk manufacturing establishments under certain conditions and after unanimous finding by the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate. Up to three-eighths (3/8) of the balance may be appropriated in the event of a revenue failure, declared by the State Board of Equalization. Up to one-fourth (1/4) of the balance may be appropriated upon the declaration of an emergency by the Governor and approval by 2/3 of both legislative houses; or, absent a gubernatorial declaration of emergency, approval by 3/4 of both houses.

Expenditure: The disbursement of monies from a state fund for the purchase of goods and services.

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 2011 (FY-2011) runs from July 1, 2010 to June 30, 2011].

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.

GLOSSARY

One-time: Budget items that receive funding for one fiscal year (for example, funding for a feasibility study, funding for the replacement of major equipment items, funding for the purchase of furniture for a new facility, etc.).

Program Budgeting: A tool to organize budget data by program, rather than item of expenditure or organizational location (generally an agency or division). Program budgeting seeks to link the expenditure of resources with the original mission or purpose of the appropriation of tax dollars.

Rainy Day Fund: See Constitutional Reserve Fund.

Revolving Fund: A fund created statutorily or by inference to finance and account for a particular department or division. Fees received, transfers of appropriations, or other fund transfers support expenditures paid from revolving funds. Revolving funds are continuing funds and are not subject to fiscal year limitations. Agencies generally may exercise greater control over the expenditure of revolving funds than they may over appropriated dollars.

Supplemental Appropriation: This refers to a subsequent appropriation made to an agency in addition to the agency's initial annual appropriation. Supplemental appropriations are to deal with current year funding issues and may be made for a variety of reasons such as to offset a revenue shortfall or to offset insufficient funds to operate a program effectively. Some observers view supplemental appropriations as a sign of inept management or a means of subverting the State's balanced budget restrictions.

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).

INDEX

<u>Entity Name</u>	<u>Page</u>
- A -	
ABLE Commission.....	B-181
Aeronautics Commission	B-221
Agriculture, Department of	B-5
Alcohol and Drug Influence, Board of Tests.....	B-184
Arts Council.....	B-37
Attorney General	B-182
Auditor and Inspector.....	B-95
- B -	
Banking Department	B-97
Boll Weevil Commission.....	B-12
Bond Advisor, State.....	B-198
- C -	
Capital Improvement Authority.....	B-100
Career and Technology Education, Department of.....	B-41
Central Services, Department of	B-141
Chemical Tests for ALC./Drug Infl., Bd.....	B-184
Children and Youth, Oklahoma Commission on (OCCY)	B-151
Commerce, Department of	B-17
CompSource Oklahoma	B-101
Conservation Commission	B-13
Consumer Credit Commission	B-103
Corporation Commission	B-77
Corrections, Department of.....	B-185
Court of Criminal Appeals	B-233
- D -	
Disability Concerns, Office of.....	B-153
District Courts	B-234
District Attorney's Council.....	B-192
- E -	
Education, Department of.....	B-49
Education Employees Group Insurance Board, Oklahoma State	B-150
Educational TV Authority	B-47
Election Board	B-215
Emergency Fund	B-193
Emergency Management, Department of	B-194
Employment Security Commission.....	B-27
Environmental Quality, Department of.....	B-83
Ethics Commission.....	B-217
- F -	
Finance, Office of State.....	B-106
Fire Marshal, State.....	B-195
- G -	
Governor.....	B-1

FY-2008 Executive Budget

- H -

Health Care Authority	B-129
Health, Department of	B-133
Higher Education, Regents for	B-60
Historical Society.....	B-21
Horse Racing Commission	B-142
House of Representatives.....	B-229
Human Rights Commission	B-144
Human Services, Department of	B-154

- I -

Indian Affairs Commission.....	B-164
Indigent Defense System	B-196
Insurance, Department of.....	B-108
Investigation, Oklahoma State Bureau of	B-197

- J -

J. D. McCarty Center.....	B-165
J. M. Davis Memorial Commission	B-23
Judiciary.....	B-231
Juvenile Affairs, Office of	B-166

- L -

Labor, Department of	B-24
Land Office, Commission of the	B-110
Law Enforcement Education and Training, Council on (CLEET)	B-199
Legislative Service Bureau	B-229
Libraries, Department of.....	B-68
Lieutenant Governor.....	B-3
Lottery Commission, Oklahoma	B-128

- M -

Medicolegal Investigations, Board of.....	B-201
Mental Health and Substance Abuse Services, Department of	B-136
Merit Protection Commission	B-145
Military Department	B-179
Mines, Department of.....	B-81

- N -

Narcotics and Dangerous Drugs Control, Bureau of	B-202
Native American Cultural and Educational Authority	B-20
Nursing Home Administrators, Board of Examiners for.....	B-141

- O -

OCAST (Center for the Advancement of Science and Technology)	B-209
Oklahoma State Bureau of Investigation (OSBI).....	B-197

- P -

Pardon and Parole Board.....	B-205
Personnel Management, Office of	B-147
Physician Manpower Training Commission	B-171

Public Safety, Department of	B-206
- R -	
Regents for Higher Education	B-60
Rehabilitation Services, Department of.....	B-173
Retirement Systems.....	B-113
- S -	
School Land Commission	B-110
School of Science & Mathematics.....	B-71
Scenic Rivers Commission	B-30
Science and Technology, OK Center for the Advancement of.....	B-209
Secretary of State	B-219
Securities Commission	B-121
Senate	B-229
Space Industry Development Authority	B-222
State Fire Marshal.....	B-195
Supreme Court.....	B-235
- T -	
Tax Commission.....	B-122
Teacher Preparation, Commission for.....	B-73
Tourism and Recreation, Department of.....	B-31
Transportation, Department of.....	B-224
Treasurer	B-125
- U -	
University Hospitals Authority	B-176
- V -	
Veterans Affairs, Department of.....	B-227
- W -	
Water Resources Board	B-90
Wildlife Conservation, Department of.....	B-94
Will Rogers Memorial Commission	B-36
Workers' Compensation Court	B-236