



## STATE OF OKLAHOMA

### LONG-RANGE CAPITAL PLANNING COMMISSION



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December, 2011

Honorable Mary Fallin  
Governor

Honorable Brian Bingman, Senate President Pro Tempore  
Oklahoma State Senate

Honorable Kris Steele  
Speaker of the House  
Oklahoma State House of Representatives

Gentlemen:

On behalf of the Long-Range Capital Planning Commission ("Commission"), I am pleased to submit the Capital Improvements Plan (the "CIP" or "Plan") for the State of Oklahoma, covering fiscal years 2013-2017. The Commission presents this year's CIP in a single volume, representing those projects that require funding from State appropriations.

The Commission has consistently recommended that certain essential capital projects be funded by direct appropriation from the General Fund. The current Plan, like those in recent years, suggests an appropriation funding level of \$60 million per year for capital projects. The Commission also recommends funding of \$300 million in projects either fully or partially supported by the State's General Fund over the five years covered by the Plan. While \$300

million in capital funding represents a significant commitment, it represents only about 1.0% of the expected \$30 billion the Legislature will appropriate over the next five years. Alternatively, some of these items could be addressed with capital borrowings to ensure that essential needs are addressed in a timely manner. This more immediate funding would allow the State to access matching funding from private, federal and other sources.

In the development of this year's Plan, the Commission used the web-based budget system developed by the Office of State Finance. This web-based system, in operation for several years, not only provides for direct, online budget input - for both capital and operating budgets and for strategic planning - by the State's agencies, boards, commissions and authorities, but also permits direct access by Executive and Legislative members and staffs to the raw data submitted by these governmental entities.

The approach taken in the Plan is designed to permit a thorough consideration of projects that require an appropriation from general revenues. Because there are many competing demands for funding from this source, it is important that you have the best information available to support informed decisions concerning the allocation of the State's limited resources.

One goal of the capital planning process is to provide information in a clear, concise format. For this reason, the Commission has chosen

to emphasize the funding recommendations during the next two fiscal years. It also includes a listing of the larger projects that may require bond funding.

State agencies, authorities and trusts must have well-maintained facilities and equipment to operate efficiently. To provide for the health, safety, education, and well-being of our citizens, state government must be diligent in the repair, renovation, and replacement of these assets. Too often, the importance of these capital assets to governmental operations is overlooked when budgeting decisions are made. Many of our resources are now reaching the point where further delays in maintenance will result in the need for far more costly replacement in the near future.

From its annual review of capital project requests for several years, and the recent history of capital funding in the State, the Commission has consistently reached the following conclusions:

- Oklahoma’s agencies, departments, and trust authorities are dependent upon well-maintained capital facilities and equipment to provide services to the State’s residents in an efficient and cost-effective manner;
- The State’s institutions of higher education and its vocational and technical training programs require state-of-the-art equipment and laboratories if they are to prepare the next generation to compete in national and international markets;
- Current budgeting practices need to be revised to provide elected leaders more detailed information about the capital facility and equipment needs of each State entity;
- Oklahoma’s spending for major maintenance, repair, and replacement of capital items has been inadequate to preserve the State’s infrastructure and has resulted in inefficient (and in some cases, unsafe) conditions;

- A greater awareness is needed of the essential role that capital assets play in the operation of State government. This includes changes in the way the State reviews budget requests and a more rational approach to the allocation of limited resources.

Although current needs are acute, a commitment to fund the recommended projects will help State agencies make significant progress in addressing deferred maintenance, replacing outdated equipment, and improving efficiency.

Many worthy projects are not reflected in the CIP. The Commission received requests for appropriation-supported projects totaling over \$2.8 billion, while recommending \$300 million for funding. Included, as a separate list, are many projects that have requested funding of \$2 million or more. Because of their high cost, these are not considered by the Commission as feasible projects for funding by direct appropriation.

Given the importance of capital facilities and equipment to the operation of State government, it is critical that all state entities participate fully in the capital budgeting process. The capital program was developed to strengthen the State’s financial management practices by giving lawmakers the information needed to efficiently allocate limited resources. A commitment by Oklahoma’s elected officials is essential if our State is to realize the benefits of more efficient capital planning and budgeting practices.

#### State Facility Capital Needs Committee

The State Facilities Capital Needs Committee has not been active for several years. Meetings of this Committee provided an excellent venue for the Commission and State entities to present significant information about the State’s capital budgeting process. It is suggested that the Leadership of the Senate and the House reactivate this important committee.

## Conclusions

The Commission is aware that you face many conflicting demands for limited State funds. We ask, however, that you consider in your proposed budget and in your final appropriations, the importance of capital spending to all State agencies and, ultimately, to all Oklahomans. We also look to you to convey to all State agencies the importance of complying with existing statutes. The participation of all agencies is essential if we are to realize that objective.

State agencies have used this mandated system of capital budgeting for over ten years now. It would be both prudent and timely for the State's leadership to assess this model, to determine whether it should be continued, modified or replaced.

In closing, I express my thanks to my fellow Commission members and to the many State agency personnel who made the development of this plan possible.

Respectfully submitted,

R. Scott Thompson  
Chair

