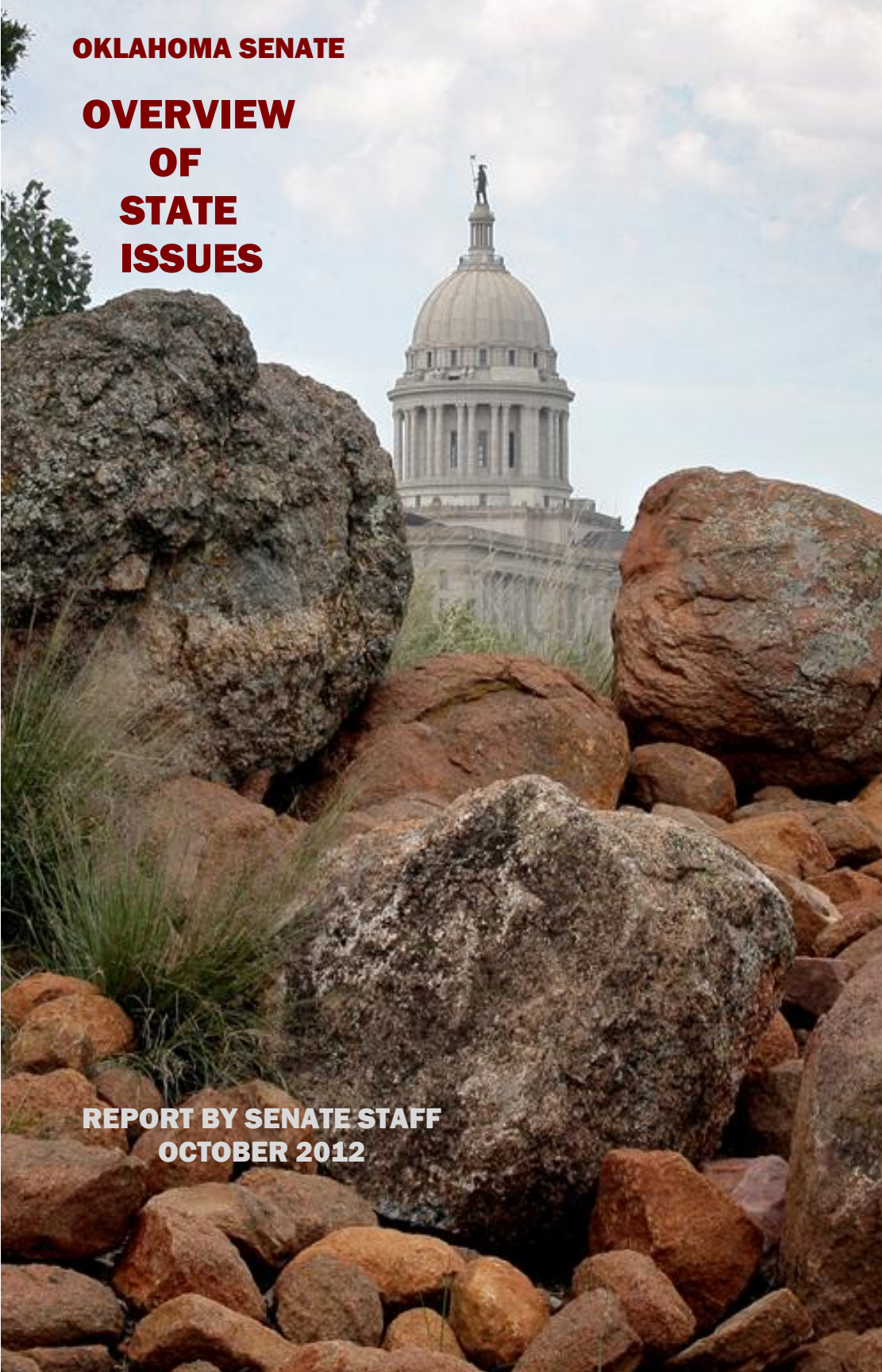


**OKLAHOMA SENATE**

**OVERVIEW  
OF  
STATE  
ISSUES**

**REPORT BY SENATE STAFF  
OCTOBER 2012**





# OKLAHOMA SENATE

## Overview of State Issues

October 2012

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## INTRODUCTION

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*Oklahoma Senate Overview of State Issues* is designed to provide a convenient summary of policy, budget and taxation issues that face Oklahoma's Legislature. Though full of factual groundwork, this book's goal is also to put issues in context.

Discussion begins with a brief overview of the state's economic conditions and population trends, since these dynamics so often serve as catalysts for change.

The state's tax structure is examined closely, beginning with an analysis of total taxation and how it compares with other states. Each major tax type is then presented in detail – how it is assessed, collected and spent under the law. Regional and national rate analyses are provided for each major tax type.

Overall expenditures are presented in a chapter that details the emergence of broad shifts in spending priorities. Recent bond issues for capital improvements are also highlighted.

Next is a series of chapters, each of which is dedicated to a major policy area that has been the subject of recent legislative deliberation and action. Subjects discussed include the programs and budgets of almost all major state agencies.

Where relevant, descriptions of issues include historical context and state-by-state comparisons. Programs and policies that at first may seem perplexing are more easily understood when viewed in historical context.

The information is by no means comprehensive. More information on a particular topic can be obtained by contacting the Senate staff analysts listed on the dividing page of each chapter.

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# OVERVIEW

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## State Economy and Demographics

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## STATE ECONOMY AND DEMOGRAPHICS

Changes in the state marketplace and population are at the root of much of the Legislature’s policy discussions. Shifts in these measures are often the catalyst for efforts to change state policies relating to social services, economic development, taxes and other areas.

### THE OKLAHOMA ECONOMY

The effects of the national economic recession have been somewhat muted in Oklahoma. This is because Oklahoma’s economy has diversified in the past decade. In 2011, mining and agriculture – once the backbone of Oklahoma’s economy – accounted for 11.89 percent of the state’s total economic output. This was significantly lower than the 18 percent share of gross state product (GSP) they comprised in 1985.

### Components of the 2011 Oklahoma Economy

	Dollar Amount <u>in Millions</u>	Percent <u>of Total</u>
Services	\$34,382	22.19%
Government	\$26,390	17.03%
Mining	\$15,868	10.24%
F.I.R.E.	\$21,615	13.95%
Trade	\$17,738	11.45%
Manufacturing	\$18,632	12.02%
Trans., Comm., & Util.	\$8,375	5.40%
Information	\$4,050	2.61%
Construction	\$5,357	3.46%
Agriculture	<u>\$2,560</u>	<u>1.65%</u>
<b>Total Gross Domestic Product</b>	<b>\$154,967</b>	<b>100.00%</b>

Source: Bureau of Economic Analysis

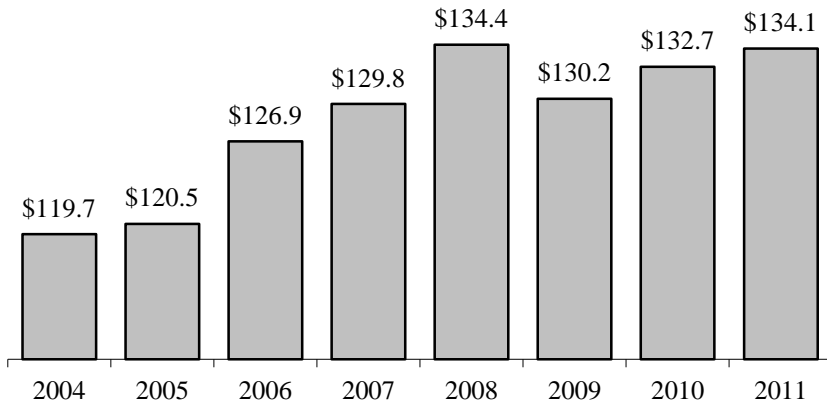
Despite the diversification of the economy, however, mining (which includes oil extraction) is more important to Oklahoma's economy than to the average state's economy.

The Finance, Insurance and Real Estate sector (F.I.R.E.), manufacturing sector, and the services sector are the largest private components of the Oklahoma economy. Together they comprise 48.16 percent of total state output. Oklahoma's manufacturing growth has frequently outpaced the nation's over the past several years. While the services sector is often perceived as paying low wages, it includes many of the high wage and new economy jobs such as software consulting, management and health professionals.

**ECONOMIC OUTPUT**

The state economy's production – the gross state product or GSP – is the total amount of goods and services produced by all industries within a state.

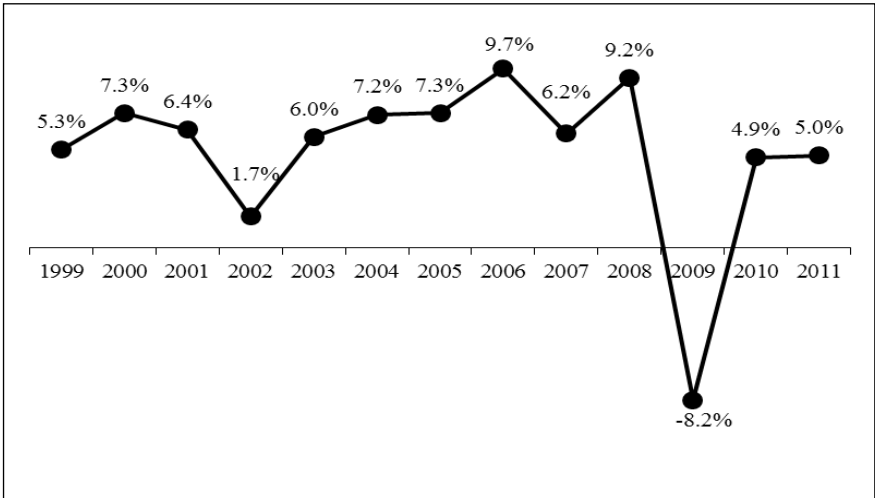
**Oklahoma Real Gross State Product**  
*2004 Through Projected 2011 (In Billions; 2005 Dollars)*



Source: BEA

The Real GSP, which is adjusted for price changes and is considered the most appropriate measure of state output, is forecast to increase by 1.8 percent in the year 2012, following an increase of 1.06 percent in 2010. Oklahoma is expected to surpass pre-recession employment levels in 2013.

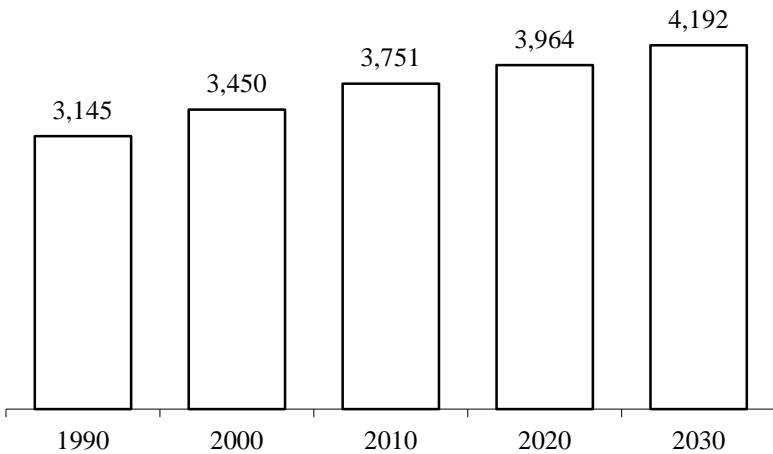
### Oklahoma Real Gross State Product Growth Rate 1999 Through 2011



Source: BEA

## POPULATION

### Oklahoma Population Trend and Projections 1990 Through 2030 (In Thousands)



Source: Oklahoma Department of Commerce

Census data for the year 2010 place Oklahoma as the 28th most populous state in the nation. This compares to 1995, when Oklahoma's 3.27 million residents made it the 27th most populous state. The decline in ranking between 1995 and 2010 is not due to a loss of population, because the state gained over 521,000 residents over the past 16 years. Instead, the ranking drop is due to the fact that states that were smaller than Oklahoma are growing faster.

## **Projected Growth in Population**

The latest U.S. Census Bureau projects that Oklahoma's population will increase by 441,000 people or 11.8 percent between 2010 and 2030.

The current population of Oklahoma citizens aged 65 years and older is 506,714 or 13.51 percent of the population. That number is expected to increase to 19.4 percent of the population by 2030, significantly higher than the expected state population growth as a whole, but less than the national projection of 19.7 percent. In 2008, Oklahoma ranked 19<sup>th</sup> as a state for the proportion of the population aged 65 years and older. That ranking is expected to drop to 33<sup>rd</sup> by 2030.

## **Working-Age Population**

The percentage of Oklahoma's population that is in the prime working ages – between 18 and 64 years of age – is expected to decrease from 61.7 percent in 2010 to 55.6 percent in 2030. Oklahoma has a larger percentage of young and elderly compared to the nation.

The primary reason for Oklahoma's projected decrease in the working-age proportion of the population is the growth rate of elderly residents. While our expected growth rate of elderly citizens is lower than the national average, the state may still experience a profound impact to expected tax revenues and social-service demands within the state.

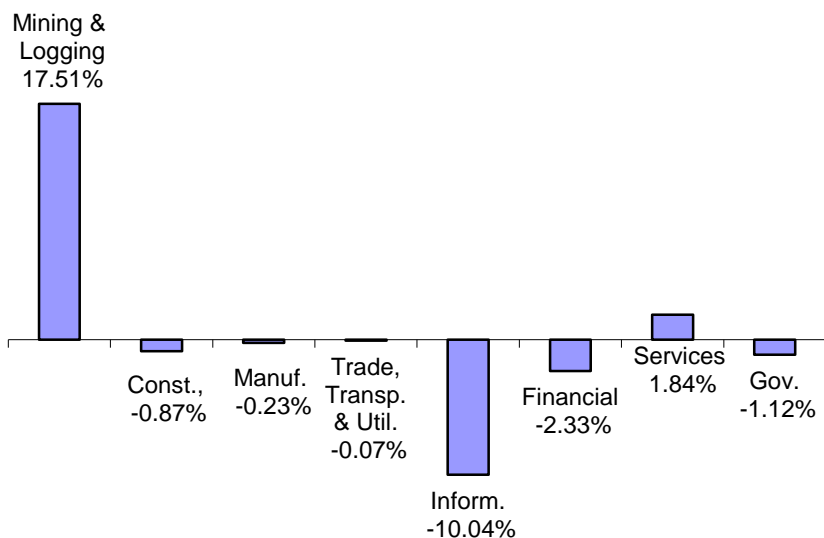
Oklahoma's year 2010 population of 3,751,351 makes up 1.22 percent of the nation's total population.

## **EMPLOYMENT AND INCOME TRENDS**

Oklahoma's average wage per job in 2011 was \$38,190 or 84.4 percent of the national average. This wage represents a 9.5 percent growth in wages from the 2005 average wage.

The per capita personal income (PCPI) in 2011 for Oklahoma was \$32,277 which is 89.5 percent of the national average. Per capita personal income is a broad measure of economic well-being that includes wages and salaries, proprietor income, dividends and rents, and government transfer payments. PCPI grew by 12.82 percent between 2006 and 2011 in Oklahoma; the U.S. PCPI grew at a rate of 10.44 percent. Lower wages, in addition to Oklahoma's relatively high proportion of senior citizens and children explains much of the PCPI difference. When adjusted for the cost of living index, Oklahoma's PCPI is \$300 less than the national average.

### Oklahoma Private Sector Employment Growth Rate, by Sector 2009 - 2011



Source: Bureau of Labor Statistics

Oklahoma's overall employment growth rate from 2009 to 2011 was 0.55 percent, compared to the national rate of -0.01 percent.

Oklahoma's unemployment rate of 4.7 percent in June of 2012 was far below the national rate of 8.2 percent.





## STATE BUDGET

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### Appropriation Checks and Balances

In Oklahoma, projected revenues are certified by the Board of Equalization. This Board is comprised of the Governor, Lt. Governor, State Auditor and Inspector, Treasurer, Attorney General, Superintendent of Instruction and President of the State Board of Agriculture.

The Oklahoma Constitution, Article X, Sec. 23, requires a balanced budget. Appropriations are limited to 95 percent of projected revenues and can not exceed 12 percent in growth.

Any revenue collected that exceeds the certified estimate is deposited into the Constitutional Reserve (Rainy Day) Fund until it reaches a Constitutional cap of 15 percent of the prior year's General Revenue Fund actual collections. The Rainy Day Fund can be used under the following conditions:

- 3/8 of the fund can be used if General Revenue fails to meet the estimate in the current fiscal year;
- 3/8 of the fund can be used if General Revenue is projected to decline from one year to the next;
- 1/4 of the fund can be used if there is an emergency declaration by the Governor and a 2/3 vote in both the Senate and House of Representatives, or this same 1/4 can be used without the Governor's declaration if there is a 3/4 vote by Senate and House of Representatives.

The Governor has line item veto authority over all appropriation bills. Vetoes can be overridden by a super-majority vote by both the Senate and House of Representatives.

### State Budget Cycle

The state fiscal year begins on July 1 and ends on June 30 of the following year. The following is a breakdown of the budget cycle throughout that year.

- **July 1** - The new fiscal year begins.

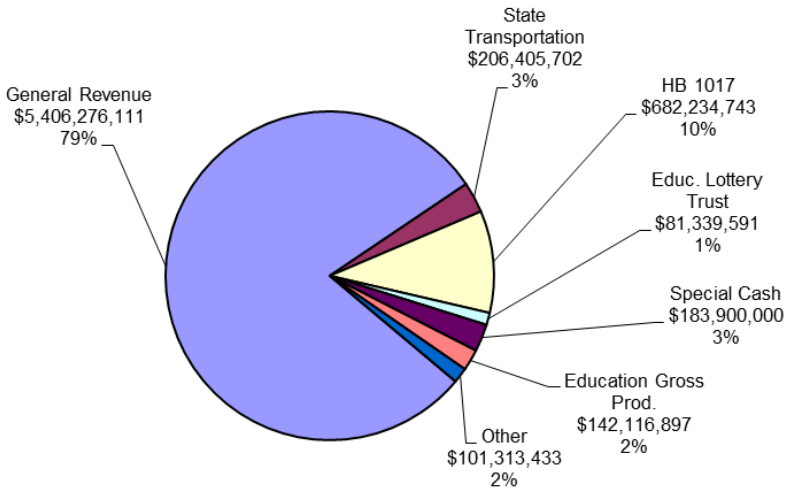
- **July through October** – Agencies formulate their budget work programs based off of appropriations and budget limits set by the Legislature in the preceding legislative session. Agencies begin formulating the budget request they will present for the next legislative session. This is a good time for advocacy groups to begin talking with state agencies about funding issues.
- **October 1** – Agencies submit their budget request to the Governor and Legislature for the upcoming fiscal year.
- **November** – Appropriation Subcommittees begin analysis of agency program performance measures and begin filing related reports. No appropriations can be made to an agency until these reports have been filed.
- **December** – The Board of Equalization meets for initial certification of revenues. This is the revenue estimate used for the Governor’s budget. This is the best time for advocacy groups to contact the Governor about program budgets.
- **February** – The Governor submits budget recommendations to the Legislature on the first day of session. The Board of Equalization meets for certification of revenues. This is the revenue estimate the Legislature is bound by constitutionally unless it passes a bill to increase or decrease revenue and that bill is signed by the Governor.
- **February through April** – Supplemental appropriations are considered for the current fiscal year. Subcommittees hold budget hearings for the upcoming fiscal year and move substantive bills with fiscal impacts through the process. This is the best time to talk to the Legislature about budget issues.
- **Late April to May** – The Subcommittees get their budget allocation and convene the General Conference Committee on Appropriations (GCCA). By this time, the Senate and House Appropriation Subcommittees have decided most of what they want to fund, and it is time to work out their differences in conference.
- **May** – The Legislature begins filing appropriation bills. During session, the Governor has 5 days to sign or veto a bill or it becomes law without their signature. If the bill is passed during the last week of session, the Governor has 15 days to sign it or it becomes a pocket veto. Session ends on the last Friday in May.
- **June** – The Board of Equalization meets to certify any changes to certification as a result of legislation that was signed into law and to certify that the Legislature did not exceed its appropriation authority.
- **June 30** – The current fiscal year ends. Agencies submit Budget Work Programs to the Office of State Finance and the process starts over.



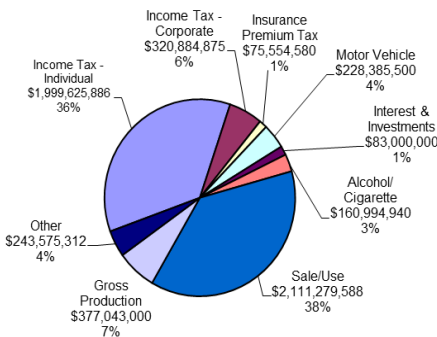
## Legislative Appropriation Authority

The Board of Equalization certifies funds for the Legislature to appropriate and also provides estimates for some of the major agency revolving funds such as the Common Education 1017 Fund. It does not provide estimates for every revolving fund that the Legislature uses for appropriation. Revenues that were included in the Board’s FY’13 certification packet totaled just over \$6.832 billion. Summaries of the major revenue categories are detailed below.

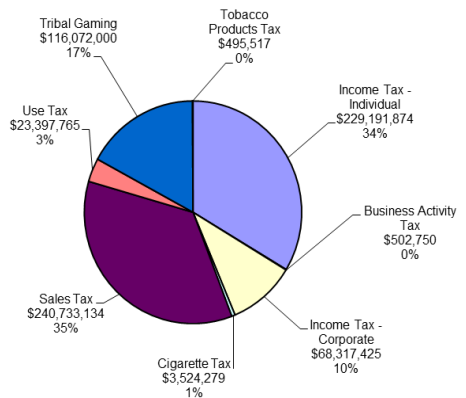
State Revenues by Major Category, FY’13



General Revenue Fund by Major Category, FY’13



HB 1017 Fund by Major Category, FY’13



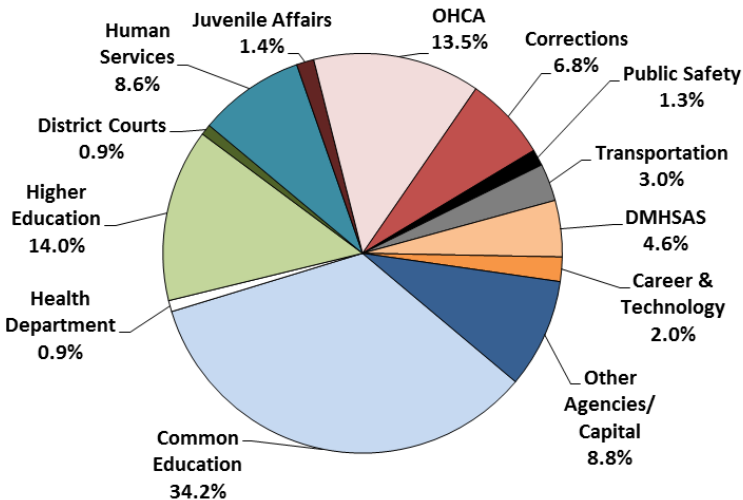
## State Expenditures

Seventy-two agencies received state appropriated dollars in FY'13 totaling \$6,828,529,374. Six agencies were moved to non-appropriated status or consolidated with other agencies. The consolidated agencies included the Department of Central Services, Office of Personnel Management, Office of Indian Affairs, and Office of Human Rights. The Secretary of State and Office of Judicial Complaints were made non-appropriated.

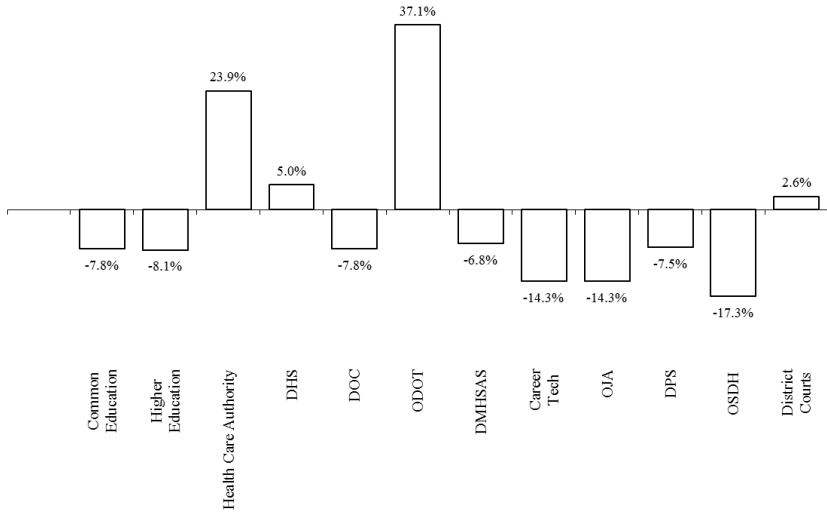
This table does not include the \$255.7 million or \$297.4 million apportioned to ODOT's ROADS Fund in FY'12 and FY'13 respectively. The figures for OHCA and ODMHSAS are reported with and without a \$118.1 million transfer of funds from OHCA to ODMHSAS for the purpose of paying the state Medicaid match for mental health services. Common Education received a \$52 million supplemental appropriation in FY'12 to help pay for teacher health benefits and NBC bonuses. That supplemental was annualized for FY'13.

	FY'12	FY'13	Dollar	Percent
	Appropriation	Appropriation	Change	Change
Common Education	\$2,330,604,082	\$2,333,604,082	\$3,000,000	0.1%
Higher Education	\$955,260,277	\$955,260,277	\$0	0.0%
OHCA with Transfer	\$983,085,563	\$925,063,007	-\$58,022,556	-5.9%
OHCA without Transfer	*\$983,085,563	*\$1,043,165,563	*\$60,080,000	*6.1%
Human Services	\$537,136,664	\$586,958,664	\$49,822,000	9.3%
Corrections	\$459,831,068	\$463,731,068	\$3,900,000	0.8%
Transportation	\$106,737,039	\$206,405,702	\$99,668,663	93.4%
DMHSAS	\$187,151,517	\$311,421,073	\$124,269,556	66.4%
DMHSAS without Transfer	*\$187,151,517	*\$193,318,517	*\$6,167,000	*0.6%
Career & Technology	\$135,142,618	\$135,142,618	\$0	0.0%
Juvenile Affairs	\$96,187,205	\$96,187,205	\$0	0.0%
Public Safety	\$89,894,790	\$89,894,790	\$0	0.0%
Health Department	\$60,083,682	\$61,783,682	\$1,700,000	2.8%
District Courts	\$59,600,000	\$59,600,000	\$0	0.0%
<b>FY'12 Subtotal (91.0% of Total)</b>	<b>\$6,000,714,505</b>	<b>\$6,225,052,168</b>	<b>\$224,337,663</b>	<b>3.7%</b>
Other Agencies/Capital	\$578,568,477	\$603,477,206	\$24,908,729	4.3%
<b>Total Appropriations</b>	<b>\$6,579,282,982</b>	<b>\$6,828,529,374</b>	<b>\$249,246,392</b>	<b>3.8%</b>

### Share of All FY'13 Appropriations by Agency



## Top Twelve Agency Appropriations Percent Change FY'09 to FY'13



State revenues available for appropriation dropped by over 13 percent between FY'09 and FY'11. Certification began to rebound in FY'12 and FY'13. However, most agencies' individual appropriations are still nowhere near the FY'09 amount. The Legislature appropriated funds to 78 agencies in FY'09. In FY'13, 21 of those agencies' appropriation levels were 10 percent to 20 percent below what they were in FY'09. An additional 33 agencies had their appropriation levels reduced by more than 20 percent over the same time period. The State Department of Education received a 7.8% appropriation reduction over this time period. Over 91 percent of state appropriations go to twelve agencies: Common Education, Higher Education, Career Technology Education, DHS, OHCA, ODMHSAS, ODOT, DPS, DOC, OJA, OSDH and the District Courts. Most people consider these agencies the "core government services." The remaining 66 agencies share the final 9 percent of the budget. When appropriations dropped by over 13 percent from FY'09 to FY'13, it was impossible to not make reductions in core services even if every other agency was closed down. Those other agencies include things such as the Tax Commission, Department of Libraries, Military Department, Veterans Affairs, Department of Agriculture, District Attorneys, OSBI, etc.

Education advocates argue that the cuts were much larger than 7.9% because of increasing costs. The same argument can be made by every agency. Common Education received a \$52 million supplemental in FY'12 to pay for National Board Certification bonuses and increasing health care costs for teachers and support personnel. They were the only agency in state government that received funds to cover inflation for health care. That supplemental was annualized for FY'13.

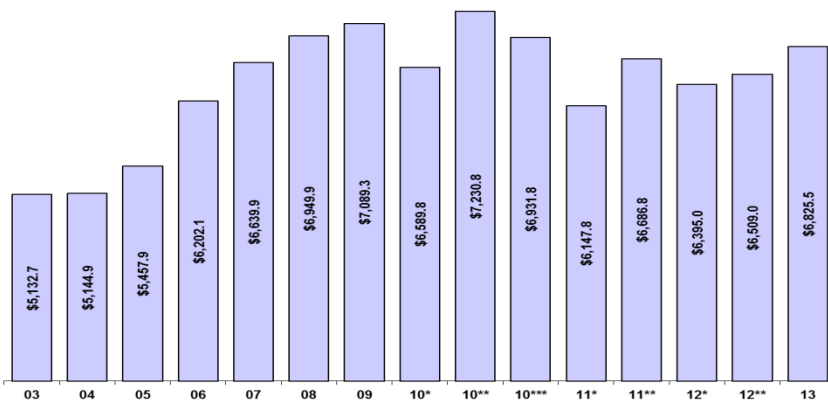
Of the top twelve agencies, the Department of Health took the largest cut at 17.3%. Over half of this cut was handled with the elimination of “pass thrus” which did not affect the operating budget of the Department. On the opposite end of the spectrum, the Oklahoma Health Care Authority received a 23.9% increase over this time period and the Oklahoma Department of Transportation received a 37.1% increase.

The state Medicaid matching dollars for mental health services was moved from OHCA to ODMHSAS in FY’13. The figures above do not reflect this \$118 million transfer because it was not an operational change for the agencies. If the transfer would have been included, the chart above would have reflected only a 9.8% increase for OHCA and a 50.1% increase for ODMHSAS.

### Appropriation History FY’03 to FY’13

State expenditures were relatively constant in the early half of the decade. Revenues were affected in FY’03 and FY’04 by the terrorist attacks of 2001. They began to rebound in 2004, and significant gains were made in FY’05 and FY’06. The implementation of major tax reductions beginning in FY’07 and a slow down in the national economy in FY’08 and FY’09 contributed to more moderate expenditure growth in those years. By early 2009, the state was beginning to feel the effects of the national recession. The Board of Equalization certified a decrease in revenues which necessitated reductions to most state agency budgets. The Legislature and Governor used federal stimulus dollars to backfill those cuts at Common Education, Higher Education and for agencies that receive Medicaid funds. A severe economic downturn in FY’10 led the Office of State Finance to reduce allocations by 7.5%. The graph below depicts the FY’10 - FY’12 budgets with and without these stimulus funds and the final total budget for FY’10 after the OSF cuts. There were no remaining stimulus funds in FY’13.

### 10-Fiscal Year Appropriation History



\* - Without Stimulus Funding    \*\* - With Stimulus Funding    \*\*\*-After OSF Reduction

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## Rainy Day Funds

The Constitutional Reserve Fund had a balance of \$577.5 million at the beginning of FY'13. There are three constitutional provisions that allow for expenditures from this fund. They can be found in Article X, Section 23, subsections 6a, 7 and 8:

- 6.a *“Up to three-eighths (3/8) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated for the forthcoming fiscal year, when the certification by the State Board of Equalization for said forthcoming fiscal year General Revenue Fund is less than that of the current fiscal year certification. In no event shall the amount of monies appropriated from the Constitutional Reserve Fund be in excess of the difference between the two said certifications.”*
7. *“Up to three-eighths (3/8) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated for the current fiscal year if the State Board of Equalization determines that a revenue failure has occurred with respect to the General Revenue Fund of the State Treasury*
8. *“Up to one-quarter (1/4) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated, upon a declaration by the Governor that emergency conditions exist, with concurrence of the Legislature by a two-thirds (2/3) vote of the House of Representatives and Senate for the appropriation...”*

## Legislation Impacting Revenue Collections

### Enacted during 2011 Legislative Session

**SB 123** - (Mazzei/Dank) Requires the Oklahoma Tax Commission to initiate a new compliance and audit program for corporate and partnership tax returns and adds additional audit and enforcement personnel for sales and use tax collection. Also authorizes the use of a card-based system for issuing tax refunds (as required by the Transparency, Accountability and Innovation in Oklahoma State Government 2.0 Act of 2011).

**SB 969** – (Newberry/Denny) Enacts the Oklahoma Equal Opportunity Education Scholarship Act to provide tax credits for qualified donations to scholarship-granting organizations and educational improvement granting organizations.

**HB 1008** – (McNiel/Mazzei) Modifies the income tax credit for the aerospace sector by shortening the duration of the tax credit moratorium to one year and by applying a 2015 sunset.

**HB 1634** – (Ortega/Schulz) Decreases the annual fee for certain coin-operated vending devices.

**HB 1939** – (Jackson/Johnson) Increases the \$1 waste tire recycling fee to \$2.50.

**Enacted during 2012 Legislative Session**

**SB 46** - (Barrington/Coody) Expands the sales tax exemption for 100% disabled veterans to include \$6,000 in sales to an un-remarried surviving spouse of a deceased qualified veteran.

**SB 1434** – (Bingman/Peters) Redirects \$2.7 million of revenue collected from the excise tax on petroleum and natural gas from the General Revenue Fund to the Oil and Gas Division of the Corporation Commission, beginning in FY-13.

**SB 1436** – (Business activity tax) Extends the BAT for one additional year *only if* SJR 52 is *not* approved by a vote of the people in November. (Note: If SJR 52 is approved and all intangible personal property is exempt from ad valorem taxation, the BAT “in lieu” tax will no longer be necessary.)

**SB 1984** – (Jolley/Sears) Provides the Tax Commission with an additional remedy against taxpayers owing delinquent sales taxes. Under specified circumstances, authorizes the Commission to close the business of a noncompliant taxpayer.

**HB 2576** – (Tax administration) Changes the due dates for certain tax/information reporting, remittances and imposition of late penalties for withholding taxes, cigarette and tobacco taxes, alcohol taxes and telephone surcharges. Also authorizes the Tax Commission to request a restraining order against businesses operating without a sales tax permit. Also makes sale, purchase or installation of an automated sales suppression device or “zapper” illegal.

**HB 3093** - (Williams/Fields) Effective July 1, 2013, exempts canoes, paddleboats and similar craft from registration and excise tax and subjects them to Oklahoma sales tax.

## Summary of Appropriations FY'12 – FY'13

	FY'12	FY'13	\$ Change	% Change
	Appropriation	Appropriation	from FY'12	from FY'12
<b>Education Subcommittee</b>				
Arts Council	\$4,010,087	\$4,010,087	\$0	0.0%
Career Technology Education	\$135,142,618	\$135,142,618	\$0	0.0%
Education Department	\$2,330,604,082	\$2,333,604,082	\$3,000,000	0.1%
Educational Television Authority	\$3,822,328	\$3,822,328	\$0	0.0%
Higher Education	\$955,260,277	\$955,260,277	\$0	0.0%
Land Office *	\$7,109,000	\$16,000,000	\$8,891,000	125.1%
Libraries Department	\$5,898,633	\$5,898,633	\$0	0.0%
Physician Manpower Training	\$4,379,254	\$4,379,254	\$0	0.0%
Private Vocational Schools	\$167,194	\$167,194	\$0	0.0%
School of Science and Math	\$6,332,274	\$6,332,274	\$0	0.0%
OCAST	\$17,811,449	\$17,811,449	\$0	0.0%
Teacher Preparation Commission	\$1,526,179	\$1,526,179	\$0	0.0%
<b>TOTAL EDUCATION</b>	<b>\$3,472,063,376</b>	<b>\$3,483,954,376</b>	<b>\$11,891,000</b>	<b>0.3%</b>
<b>General Government &amp; Transportation Subcommittee</b>				
Auditor and Inspector	\$4,706,986	\$4,706,986	\$0	0.0%
Bond Advisor	\$143,112	\$143,112	\$0	0.0%
Election Board *	\$7,805,808	\$7,805,808	\$0	0.0%
Civil Emergency Management	\$651,179	\$651,179	\$0	0.0%
Ethics Commission	\$523,129	\$588,129	\$65,000	12.4%
State Finance	\$40,132,347	\$40,132,347	\$0	0.0%
Governor	\$1,980,594	\$2,172,900	\$192,306	9.7%
House of Representatives	\$14,574,682	\$15,574,682	\$1,000,000	6.9%
Legislative Service Bureau	\$4,892,835	\$4,892,835	\$0	0.0%
Lt. Governor	\$506,591	\$506,591	\$0	0.0%
Merit Protection Commission	\$490,967	\$490,967	\$0	0.0%
Military Department	\$10,247,997	\$10,747,997	\$500,000	4.9%
Senate	\$11,171,789	\$12,171,789	\$1,000,000	9.0%
Space Industry Development	\$394,589	\$394,589	\$0	0.0%
Tax Commission	\$46,915,944	\$46,915,944	\$0	0.0%
Transportation Department *	\$106,737,039	\$206,405,702	\$99,668,663	93.4%
Treasurer	\$3,629,873	\$3,743,873	\$114,000	3.1%
<b>TOTAL GENERAL GOV'T &amp; TRANSP.</b>	<b>\$255,505,460</b>	<b>\$358,045,429</b>	<b>\$102,539,969</b>	<b>40.1%</b>
<b>Health &amp; Human Services Subcommittee</b>				
Children and Youth Commission	\$2,027,167	\$2,027,167	\$0	0.0%
Disability Concerns	\$317,607	\$317,607	\$0	0.0%
Health Department	\$60,083,682	\$61,783,682	\$1,700,000	2.8%
Health Care Authority	\$983,085,563	\$925,063,007	(\$58,022,556)	-5.9%
Human Rights Commission	\$531,270	\$0	(\$531,270)	-100.0%
Human Services Department	\$537,136,664	\$586,958,664	\$49,822,000	9.3%
Indian Affairs	\$192,307	\$0	(\$192,307)	-100.0%
J.D. McCarty Center	\$3,740,338	\$3,740,338	\$0	0.0%
Juvenile Affairs	\$96,187,205	\$96,187,205	\$0	0.0%
DMHSAS *	\$187,151,517	\$311,421,073	\$124,269,556	66.4%
Rehabilitation Services	\$30,149,232	\$30,449,232	\$300,000	1.0%
University Hospitals Authority	\$38,446,391	\$41,624,391	\$3,178,000	8.3%
Veterans Affairs	\$34,698,752	\$35,698,752	\$1,000,000	2.9%
<b>TOTAL HEALTH &amp; HUMAN SERVICES</b>	<b>\$1,973,747,695</b>	<b>\$2,095,271,118</b>	<b>\$121,523,423</b>	<b>6.2%</b>

	FY'12 Appropriation	FY'13 Appropriation	\$ Change from FY'12	% Change from FY'12
<b>Natural Resources &amp; Regulatory Services Subcommittee</b>				
Agriculture Department	\$25,610,247	\$27,610,247	\$2,000,000	7.8%
Commerce Department	\$29,073,212	\$29,573,212	\$500,000	1.7%
Conservation Commission	\$9,561,684	\$10,061,684	\$500,000	5.2%
Consumer Credit	\$331,730	\$31,730	(\$300,000)	-90.4%
Corporation Commission	\$11,324,427	\$11,324,427	\$0	0.0%
Environmental Quality	\$7,557,973	\$7,557,973	\$0	0.0%
Historical Society	\$12,502,546	\$12,502,546	\$0	0.0%
Horse Racing Commission	\$2,072,167	\$2,072,167	\$0	0.0%
Insurance Commissioner	\$1,871,937	\$1,871,937	\$0	0.0%
J.M. Davis Memorial Commission	\$306,009	\$306,009	\$0	0.0%
Labor Department	\$3,081,160	\$3,311,160	\$230,000	7.5%
Mines Department	\$779,139	\$779,139	\$0	0.0%
Scenic Rivers Commission	\$271,315	\$271,315	\$0	0.0%
Tourism and Recreation	\$21,803,003	\$21,803,003	\$0	0.0%
Water Resources Board	\$5,499,671	\$6,999,671	\$1,500,000	27.3%
Will Rogers Memorial	\$740,486	\$740,486	\$0	0.0%
<b>TOTAL NATURAL RESOURCES &amp; REG.</b>	<b>\$132,386,706</b>	<b>\$136,816,706</b>	<b>\$4,430,000</b>	<b>3.3%</b>
<b>Public Safety &amp; Judiciary Subcommittee</b>				
ABLE Commission	\$3,140,334	\$3,140,334	\$0	0.0%
Attorney General	\$13,228,141	\$15,228,141	\$2,000,000	15.1%
Corrections Department	\$459,831,068	\$463,731,068	\$3,900,000	0.8%
Court of Criminal Appeals	\$3,334,631	\$3,484,631	\$150,000	4.5%
District Attorneys and DAC	\$32,887,258	\$34,187,258	\$1,300,000	4.0%
District Courts	\$59,600,000	\$59,600,000	\$0	0.0%
Fire Marshal	\$1,796,764	\$1,796,764	\$0	0.0%
Indigent Defense System	\$14,699,353	\$14,699,353	\$0	0.0%
OSBI	\$13,848,059	\$13,848,059	\$0	0.0%
Judicial Complaints	\$75,000	\$0	(\$75,000)	-100.0%
CLEET	\$3,682,560	\$3,682,560	\$0	0.0%
Medicolegal Investigations *	\$5,698,281	\$7,198,281	\$1,500,000	26.3%
OBNDD	\$3,616,418	\$3,616,418	\$0	0.0%
Pardon and Parole Board	\$2,217,454	\$2,217,454	\$0	0.0%
Public Safety Department	\$89,894,790	\$89,894,790	\$0	0.0%
Supreme Court	\$17,300,000	\$17,337,000	\$37,000	0.2%
Workers' Compensation Court	\$4,197,166	\$4,247,166	\$50,000	1.2%
<b>TOTAL PUBLIC SAFETY &amp; JUDICIARY</b>	<b>\$729,047,277</b>	<b>\$737,909,277</b>	<b>\$8,862,000</b>	<b>1.2%</b>
REAP	\$11,532,469	\$11,532,469	(\$0)	0.0%
OSU Medical School	\$5,000,000	\$5,000,000	\$0	0.0%
<b>TOTAL APPROPRIATION</b>	<b>\$6,579,282,982</b>	<b>\$6,828,529,374</b>	<b>\$249,246,392</b>	<b>3.8%</b>

Land Office - This increase is from CLO funds which are not available for any other purpose constitutionally.

ODOT - The agency also received \$255.7 million and \$297.4 million from the ROADS Fund in FY'12 and FY'13 respectively.

OHCA and DMHSAS - Figures include a transfer of the Medicaid match for mental health services of \$118 million from OHCA to ODMHSAS.

Medicolegal Investigations - This figure includes funds for personnel and capital needed to regain certification.





## BONDS

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### **General Obligation Bonds – Governmental Purpose**

The Oklahoma Constitution requires that general obligation bonds be approved by a vote of the people and that the enabling law provide for the collection of a direct annual tax sufficient to pay the debt as it comes due within twenty-five years of issuance.

Voter-approved general obligation bonds are a full-faith and credit obligation of the State and carry a pledge by the State to make repayment of principal and interest from any legally available source of funds. The only outstanding governmental-purpose general obligation bonds of the State have been issued by the Oklahoma Building Bonds Commission.

*The outstanding governmental-purpose, general obligations bonds of the State of Oklahoma are secured initially by cigarette taxes. These are tax-supported bonds.*

### **Self-Supporting General Obligation Bonds – Industrial Loans**

The Oklahoma Industrial Finance Authority operates a voter-approved general obligation bond program under which the proceeds of the issues are used to make industrial development loans. The State Constitution limits the amount of general obligation debt that can be outstanding at any time for this purpose to \$90,000,000. If the borrower fails to make payment under this program, the ODFA will issue State general obligation bonds and use the proceeds to pay off the loan. General obligation bonds have never been issued to pay obligations due under this program.

*The outstanding OIFA general obligation bonds are secured initially by the loan repayments and then by OIFA reserves. These are tax-backed, but not tax-supported bonds.*

## **General Obligation Bonds – Credit Enhancement Reserve Fund Program**

The Oklahoma Development Finance Authority (the “ODFA”) is constitutionally authorized to incur general obligation indebtedness in an amount not to exceed \$100 million to provide credit support for the Credit Enhancement Reserve Fund (“CERF”) Program. All or portions of issues approved for participation in the program are guaranteed by CERF. The guarantee provides that general obligation bonds will be sold, if needed, to make required debt service payments.

The \$100 million Constitutional authorization has been divided by statute, with \$60 million dedicated to the Pooled Business Financing Program and the Public Facilities Financing Program and \$40 million reserved for the Quality Jobs Investment Program.

*This general obligation bonding authority represents a contingent liability and, as such, do not require any expenditure of State funds unless general obligation bonds are issued. These are tax-backed, but not tax-supported bonds.*

## **Lease Revenue Bonds**

With statutory authorization, the Oklahoma Capitol Improvement Authority (the “OCIA”) issues lease revenue bonds and notes to finance State capital facilities and equipment. Security for the bonds is provided by a lease with the State entity that occupies the facility or uses the equipment. The lease payments typically come from appropriations made by the Oklahoma Legislature for that purpose.

The legal structure of these issues provides that the leases may be terminated in the event sufficient appropriations are not received to make the required lease payment. As a result, the Oklahoma Supreme Court has held that the OCIA lease revenue bonds do not constitute a debt, as defined in the Oklahoma Constitution and, therefore, do not require voter approval. The credit markets view OCIA lease-backed obligations as slightly less secure than the State’s general obligation.

*Most outstanding OCIA bonds are secured by annual appropriations to the agency lessees (although a few pay from other agency sources). Most of these are tax-supported bonds.*

## **Direct Agency and Higher Education Lease Obligations**

In addition to the bonds sold by the OCIA, a number of other State agencies and institutions of higher education have issued lease revenue obligations to meet capital needs. Often, the annual lease payments are made by the State agencies from the appropriation they receive for operations, without the need for an increase in their budget to meet the lease requirement. In other cases, however, the agency is given approval by the Legislature to enter into a lease purchase agreement that requires an increase in the annual general revenue appropriation.

In both cases, these leases may also be terminated in the event of non-appropriation.

*These lease obligations are secured by a variety of agency or campus sources. Some require appropriation support. These are a mix of tax-backed and tax-supported bonds.*

## **Regents for Higher Education Master Lease Programs**

In 2001, a master lease program was created to provide for the more efficient and cost-effective financing of equipment acquisition by Oklahoma's public institutions of higher education. The Oklahoma Development Finance Authority (the "ODFA") issues bonds for this program that are secured by a lease with the Oklahoma Regents for Higher Education and by sub-leases with the participating campuses. In the event the lessees do not make their required lease payments from other sources, the State Regents can divert that institution's share of higher education appropriations to ensure timely payment of principal and interest on the bonds.

In most cases, the participants use a dedicated campus revenue stream, such as fees, user charges, or other income to make their lease payments. In 2006, the master lease program was expanded to include real property projects, resulting in even greater savings for the campuses.

A list of projects to be funded through the master lease programs must be submitted to the Oklahoma Legislature during the first week of the session each year. The Legislature has 45 days to reject any or all projects on the list. If projects are not disapproved within that period, they are deemed approved.

*The outstanding ODFA master lease bonds are secured initially by various fees, user charges, and revenues. These are tax-backed, but not tax-supported bonds.*

## **General Revenue Bonds – OU and OSU**

The University of Oklahoma and Oklahoma State University have statutory authority to issue General Revenue Bonds, secured by any generally available revenues, excluding only appropriated tax dollars and other specifically restricted funds. This security pledge allows OU and OSU to access the credit markets at very favorable interest rates. Any projects expected to be funded using this type of debt must be submitted to the Legislature for review each year. If the Legislature does not reject a project, it is deemed approved 45 days after the submission.

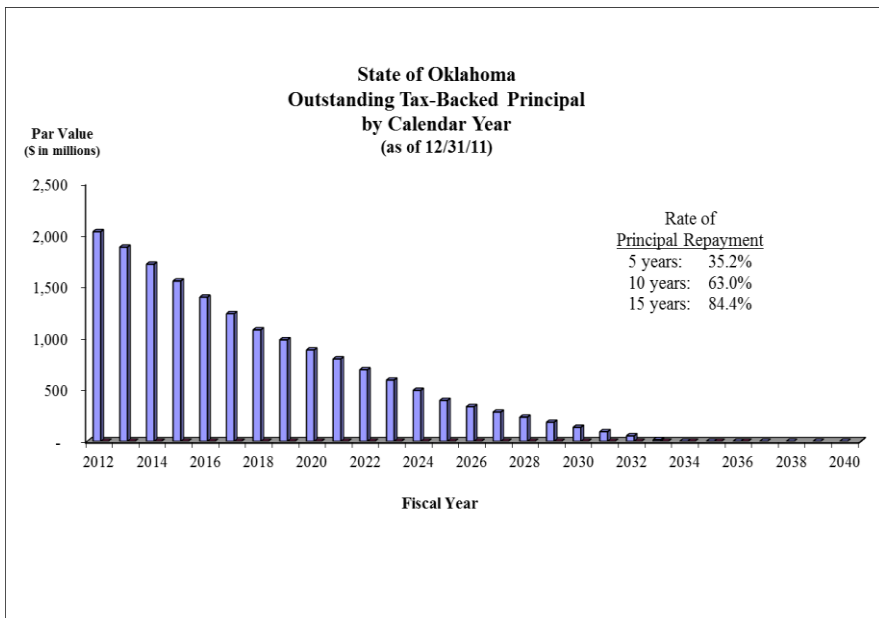
*These are revenue bonds secured by all general revenues of the universities, except appropriated tax dollars and certain restricted funds. These are neither tax-backed, nor tax-supported bonds.*

## Revenue Bonds – Multiple Issuers

Many State entities generate revenues from their operations and can, with proper statutory authority, issue bonds secured by their program or system cash-flows. Examples of these are: the Oklahoma Turnpike Authority; Grand River Dam Authority; Oklahoma Municipal Power Authority; Oklahoma Student Loan Authority; Oklahoma Housing Finance Agency; and the Oklahoma Water Resources Board.

While some of these entities issue bonds for capital purposes, others use bond proceeds to make loans in keeping with their program purpose. In either case, investors in these revenue bonds look to the cash flow of the operation rather than the State general revenues, for security. The legal documents describing the security behind these bonds make it clear that they are not an obligation of the State of Oklahoma.

<b>State of Oklahoma</b>			
<b>Calculation of Current Gross and Net Annual Debt Burden</b>			
	Fiscal Year		
	<u>2012</u>	<u>2013</u>	
<b>GROSS DEBT SERVICE</b>			
General Revenue Fund Appropriations (1)	\$ 4,968,375,954	\$ 5,167,110,992	
General Obligation Bond Debt Service	\$ 7,410,889	\$ 25,135,039	
G.O. Debt Service as % of Appropriations	0.15%	0.49%	
Annual Lease Payments	\$ 185,565,867	\$ 206,464,338	
Lease Payments as % of Appropriations	3.73%	4.00%	
<b>Total Gross Annual Payments</b>	<b>\$ 192,976,756</b>	<b>\$ 231,599,377</b>	
<b>Total Gross Annual Payments as % of Appropriations</b>	<b>3.88%</b>	<b>4.48%</b>	
	Fiscal Year		
	<u>2012</u>	<u>2013</u>	
<b>NET DEBT SERVICE</b>			
General Revenue Fund Appropriations (1)	\$ 4,968,375,954	\$ 5,167,110,992	
Net General Obligation Debt Service	\$ 7,410,889	\$ 25,135,039	
G.O. Debt Service as % of Appropriations	0.15%	0.49%	
Annual Net Lease Payments (see below for list of exclusions)	\$ 127,581,926	\$ 145,775,145	
Lease Payments as % of Appropriations	2.57%	2.82%	
<b>Total Net Annual Payments</b>	<b>\$ 134,992,815</b>	<b>\$ 170,910,184</b>	
<b>Total Net Annual Payments as % of Appropriations</b>	<b>2.72%</b>	<b>3.31%</b>	
<p>Exclusions from Gross Debt Service and explanation:</p> <ul style="list-style-type: none"> <li>* All Master Lease payments are excluded, since the campuses make these payments from other sources. No additional appropriations are made for these payments.</li> <li>* The ODFA issues under Community Development Pooled Finance Act (payments are made from each company's withholding tax collections before they are certified as State revenues).</li> <li>* The ODFA issues under tire program in 2004 for Goodyear and Michelin (also secured by each company's withholding tax collections, but also backed by State's corporate tax receipts).</li> </ul>			
<p>(1) Unrestricted General Revenue Funds appropriations. Figures shown are actual for FY 2012, with an assumed 4.0% annual growth thereafter.</p>			



**State of Oklahoma  
Selected Ratios for Tax-Backed Debt: 2012  
(including comparisons with bordering states)**

	State Rank						
	OK	TX	NM	CO	KS	MO	AR
Gross Tax-Supported Debt	43rd	9th	39th	18th	34th	31st	36th
Net Tax-Supported Debt	34th	9th	30th	32nd	29th	25th	42st
Net Tax-Supported Debt:							
- Per Capita	38th	39th	17th	41st	20th	37th	46th
- As % of 2011 Personal Income	39th	40th	16th	41st	22nd	35th	43rd

<sup>1</sup> The higher the number, the lower the state's debt and the lower its debt ratios. Information was taken from from Moody's "2012 State Debt Medians Report."



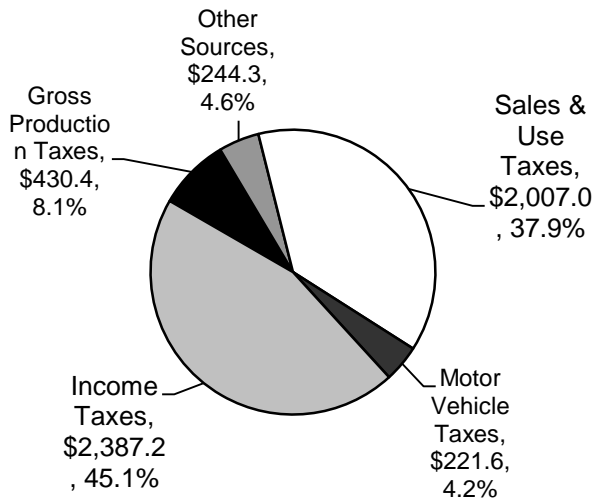


## OKLAHOMA TAXES

This chapter focuses on how Oklahoma government imposes taxes to support state, county, municipal and other local government programs. It also provides extensive detail on several major tax sources – how the taxes are assessed, how they are allocated, and how they compare with other taxes in the region and nation. Also, tax cuts enacted since the mid-1990s are highlighted.

### STATE REVENUE MIX

Sources of General Revenue FY'12  
(In Millions)



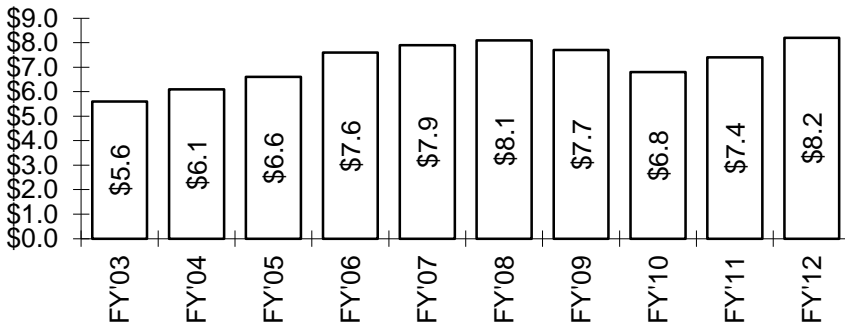
*Total = \$5.290 Billion*

Source: Oklahoma Tax Commission, Apportionment of Statutory Revenues, Fiscal Year 2012

## GROWTH IN STATE REVENUE

After a decline in FY'02 and FY'03, state revenue rose to record levels through FY'08. After another dip during FY'09 and FY'10, it began to rise again and has now reached FY'08 levels.

Oklahoma Economic Growth  
FY'03 Through FY'12 (In Billions)



Source: Oklahoma Tax Commission

## REVENUE PROJECTIONS

State Question 640, approved by voters in 1992, amended the Oklahoma Constitution to require revenue bills to be approved by the voters, unless they receive the approval of 3/4 of the members of each house of the Legislature. While no major tax rate increases or new taxes have been enacted by the Legislature since adoption of SQ 640, Oklahoma voters did approve an increase in tobacco taxes in November of 2004. When phased-in income and estate tax cuts were enacted during 2005 and 2006 it was estimated that such actions would ultimately reduce certified revenue by about \$627 million by FY'11. While these changes were being phased-in, a national recession took its toll on state revenue. This made it virtually impossible to determine the extent to which each of these changes impacted tax revenue.

Economic factors such as the level and rate of growth in jobs and income are translated into estimates of tax revenue to be received by the state. Changes in the forecast for economic activity in the state will often have dramatic effects on projected tax revenues. For example, a gap between actual revenue and estimates has a significant impact on amounts deposited into the state's "Rainy Day Fund".



The “Rainy Day” Fund, formally known as the Constitutional Reserve Fund, was created to hold the portion of state revenue collections which exceeds 100 percent of the official estimate for that year. Deposits to the fund are capped at 15 percent of the General Revenue Fund estimate for the prior year.

Beginning in FY’02, actual revenues began to fall considerably short of the estimates, requiring significant budget reductions for many agencies and limiting deposits to the Fund. However, by the end of FY’04, revenue collections improved enough to permit the first deposit in the state’s “Rainy Day” fund since FY’01. Between FY’05 and FY’08, deposits to the fund were up to the constitutional limit. The following amounts were deposited to the “Rainy Day” Fund in recent years.

<u>Fiscal Year</u>	<u>Amount (in millions)</u>
FY’03	\$0
FY’04	\$217
FY’05	\$243
FY’06	\$34
FY’07	\$75
FY’08	\$25
FY’09	\$3.6
FY’10	\$0
FY’11	\$249
FY’12	\$328.3

## **COMPARING STATE-BY-STATE TAX LEVELS**

Policymakers often use state-by-state tax comparisons to guide their decisions. However, profound differences in how state and local governments operate in various states can skew comparisons. For example, some states require cities and counties to pay a large part of welfare and mental health costs. In Oklahoma, state government is solely responsible for providing those functions. Also, some states fund schools exclusively with state aid (Hawaii and New Mexico), while others have almost no state-level funding for schools (New Hampshire). In FY’11, Oklahoma state government provided about 48 percent of common education school costs.

### **Comparison of Per Capita State and Local Taxes**

Most experts agree the best way to compare taxes among states is to combine state and local tax revenues, which eliminates the differences in state versus local responsibility for public services. The following table shows the most recent comparison of per capita state and local taxes.

State and Local Taxes  
2009 Per Capita Taxes

<u>State</u>	<u>Taxes Per Capita</u>	<u>Ranking</u>
Arizona	\$3,130	45
Arkansas	\$3,262	38
Colorado	\$3,731	28
Kansas	\$4,070	19
Louisiana	\$3,891	24
Missouri	\$3,210	41
Nebraska	\$4,092	18
New Mexico	\$3,482	34
<b>Oklahoma</b>	<b>\$3,319</b>	<b>37</b>
Texas	\$3,480	35
U.S.	\$4,141	

Source: State Rankings 2012, A Statistical View of America, CQ Press, p. 301

Among regional states, Oklahoma has lower per capita taxes than Arizona, Arkansas and Missouri. Only Louisiana, Nebraska and Kansas are ranked in the upper half of the states, and all states in the region are below the national average. Alaska was had the highest in the nation with total per capita taxes of \$9,104. Alabama had the lowest with \$2,835 in total per capita taxes.

The average Oklahoman pays \$822 less per year in state and local taxes than the average American.

### **Comparison of Taxes as a Percent of Income**

Measuring state and local taxes as a percent of personal income reveals each state's tax burden – the percentage of personal income the average resident pays in taxes. This adjusts for the relative wealth of various states' residents. Oklahoma, with its relatively low per capita income level, ranked 36th (along with one other state) of the 50 states in state and local tax revenue as a percentage of personal income in 2009.

## State and Local Taxes As Percentage of Personal Income

State	Taxes as % of 2009 Income	Ranking
Arizona	9.6%	38
Arkansas	10.2%	28
Colorado	9.1%	44
Kansas	10.6%	20
Louisiana	10.8%	16
Missouri	8.9%	46
Nebraska	10.5%	23
New Mexico	10.6%	20
Oklahoma	9.7%	36
Texas	9.5%	40
U.S.	10.7%	

Source: Ibid, p. 303

Alaska is ranked highest at 21 percent. South Dakota is ranked lowest at 8.3 percent. Overall, the amount of state and local taxes as a percentage of personal income in the U.S. remained flat from 2007 to 2009, at 10.7 percent. Oklahoma data show the same trend, with a slight increase from 9.6 percent in 2007 to 9.7 percent in 2009. In the region, Oklahoma’s percentage is closest to that of Arizona and to Texas, a state often cited as having a lower tax burden due to the lack of a personal income tax.

### TAX CUT INITIATIVES

From 1996 to 2001, the strong state economy produced healthy growth revenues, allowing the Legislature to significantly reduce taxes without cutting essential state services. During 2002 and 2003, tax relief legislation was more targeted toward specific industries. Both general and industry-specific tax relief were provided in 2004 - income and property tax relief through the passage of State Questions 713, 714 and 715 and targeted relief through a variety of other measures. Additional growth in revenue during 2005, 2006 and 2007 permitted further broad tax reductions, several of which will be phased-in through 2010.

Much like the 2002 and 2003 sessions five years earlier, the 2008 session resulted in limited, targeted tax relief. In 2009, no broad tax cut initiatives were enacted due to revenue reductions and budget cuts, with the exception of one for active duty military personnel. During the 2010 legislative session, revenue and budget issues became so critical that a moratorium on many existing tax credit programs was put into place.

Where dollar figures for tax reductions are provided below, the total includes only those tax reductions that are determinable and certified by the State Board of Equalization (some laws, such as those that increase sales tax exemptions or income tax credits, result in actual savings to taxpayers but the amount cannot be determined on a statewide basis).

- **1996 and 1997 Sessions:** Legislative measures enacted in 1996 and 1997 session cut taxes for Oklahoma taxpayers by almost \$80 million annually. The most significant tax relief, in total dollars, was contained in HB 1621 (1996). The bill extends the same \$5,500 income tax deduction received by public-sector retirees to retirees in the private sector. The deduction applies to persons aged 65 and older who earn less than \$25,000 annually. Other tax measures during those sessions applied to unemployment taxes (HB 1130, 1997) and targeted Oklahoma industries in the energy (SB 911, 1996) and agriculture (HB 2959, 1996) sectors.
- **1998 Session:** In the 1998 session, tax reductions that will total \$104 million annually (when fully implemented) were enacted in HB 3152. These included:
  - ✓ a reduction in the top income tax rate for Method 1 filers from seven percent to 6.75 percent (cutting revenues by \$41.1 million);
  - ✓ increasing the income threshold to qualify for rebates under the Sales Tax Relief Act (\$41.0 million);
  - ✓ increased estate tax exemptions for lineal heirs (\$18.6 million);
  - ✓ college savings incentives; and
  - ✓ Small Business Administration fee tax credit (\$3.3 million).

Additional tax relief for businesses was provided by reducing employer contribution rates for unemployment insurance. The rate reduction was provided for an 18-month period beginning July 1, 1998. The change was projected to save employers about \$32.5 million in FY'99, and up to \$136 million over five years if the reduced rate is extended.

The income tax rate reductions and Sales Tax Relief Act thresholds included a provision that these tax cuts would be rolled back in the event of a decline in estimated revenues. This occurred in 2002, resulting in a suspension of these tax cuts for the 2002 tax year.

- **1999 Regular Session:** In the 1999 session, measures targeting tax relief for the airline industry were enacted, resulting in tax savings of more than \$5 million annually (SB 523 and HB 1294).
- **1999 Special Session:** In a special session convened in February 1999, HB 1003X was enacted to change the state's seven percent gross production tax rate on oil production to a rate tied to the price of oil:

- ✓ If oil sells for more than \$17 per barrel, the rate remains at seven percent.
- ✓ If the price is \$14 to \$17, the rate drops to four percent.
- ✓ If the price is less than \$14 per barrel, the rate drops to one percent.
- ✓ The tax on gas production remained at seven percent.

For tax-rate purposes, the price of oil will be determined monthly by the Tax Commission, based upon data submitted by the three largest oil purchasers.

This measure was expected to result in a tax cut of about \$29.2 million annually.

- **2000 Session:** The 2000 Legislature referred to voters a measure reducing motor vehicle registration fees and modifying the basis for the motor vehicle excise tax, which actually resulted in a tax savings of approximately \$50 million annually when fully implemented (HB 2189). Other tax measures enacted in 2000 included extending the insurance premium tax credit to affiliates (HB 2191) for a tax savings of \$2.1 million, and granting an income tax exemption for federally tax-exempt bonds (HB 2635) for a tax savings of \$1.2 million.
- **2001 Session:** Tax reductions approved in the 2001 session will total approximately \$63 million when fully implemented. These include a reduction in the top income tax rate for Method 1 filers from 6.75 percent to 6.65 percent and an earned income tax credit (HB 1933), income tax credits for space transportation vehicle providers (SB 55), increased workers' compensation assessments (HB 1003X) and coal producers (SB 495), expansion of the sales tax exemption for aircraft parts (SB 495) and income tax deductions for contributions to college savings plans (HB 1896). The income tax rate reduction retained the "trigger mechanism" from the 1998 law, which provided for a suspension in the rate reduction in the event of declining revenues, which occurred in 2002, so this reduction has not yet taken effect.
- **2002 Session:** In spite of the first decline in state revenues in several years, the Legislature provided targeted tax relief to selected industries, including an income tax credit for small wind turbine manufacturers (SB 1451), a new Quality Jobs Incentive Leverage Act designed to assist tire manufacturers (HB 2245), and additional income tax credits for certain airlines (HB 2315). These measures will result in a tax savings of approximately \$46.3 million.
- **2003 Session:** Continued revenue decline limited the amount of, and tax savings associated with, targeted relief provided. That relief included: establishing an income tax credit for certain ethanol production facilities (SB 429), extending the time limit on certain manufacturing investment tax credits (SB 440) and on certain gross production tax exemptions (SB 535)

and including certain jobs under the Quality Jobs Act to the benefit of tire manufacturers (HB 1593).

- **2004 Session:** Much of the tax relief proposed during 2004 was approved by Oklahoma voters on November 2, 2004. Taken together, these measures are expected to reduce taxes by nearly \$80 million when fully implemented. State questions 713, 714 and 715 resulted in the following types of tax relief:
  - ✓ Reduction in income tax on certain capital gains and retirement income and permanent reduction in the top tax rate (SQ 713/HB 2660).
  - ✓ Modification of the income threshold by which a senior citizen qualifies for a freeze on the value of a homestead for property tax purposes (SQ 714/ SJR 30).
  - ✓ Establishment of a new property tax exemption equal to the value of an individual's homestead for 100 percent disabled veterans (SQ 715/HJR 1044).

In addition to the state questions, the Legislature enacted additional tax relief which: expands tax credits for investments in venture capital (HB 2124) and provides state payments for up to 10 percent of eligible capital costs for qualified tire manufacturers making capital investments (HB 2373).

The Oklahoma Quality Jobs Program, originally enacted in 1993, provides incentive payments to targeted industries creating new jobs in Oklahoma. The program has been expanded and extended since that time, and the amounts of payments made are in addition to the tax cuts described above. Quality Jobs incentive payments exceeded \$54 million in FY'03.

- **2005 Session:** An improving revenue picture provided the 2005 Legislature with the ability to enact a \$60 million tax relief package focused on income tax relief for both individuals and businesses and targeted sales tax relief. Together, SB 435 and HB 1547 increased the standard deduction and reduced the top income tax rate. In tax year 2006, the standard deduction amount for those filing as “married filing jointly”, head of household or qualifying widow, increased to \$3,000. For tax year 2007 and subsequent years, that amount will increase to \$4,000. The top income tax rate decreased from 6.65 percent to 6.25 percent beginning with tax year 2006.

Retired individuals gained an even greater benefit from additional tax measures enacted. SB 435 increased the amount of retirement income exempt from income taxes from \$7,500 to \$10,000. HB 1476 increased the military retirement income exemption to an amount equal to 50 percent of military retirement benefits or \$10,000, whichever is greater. In addition, under HB 1193 Oklahoma taxpayers received a one-time payment from a portion of surplus state revenue deposited in the “Rainy Day Fund”.

Businesses and corporate taxpayers also benefited from both broad and industry-targeted tax relief. Under HB 1547, all corporations were given an exemption for certain capital gains (parallel to an exemption enacted for individuals in 2004). The franchise tax was simplified by eliminating the filing requirement for certain taxpayers in HB 1738. Bills enacted to provide targeted tax relief included measures to assist a variety of industries including: oil and gas, film and music, agriculture and alternative fuels. Sales tax relief was provided to organizations ranging from those providing support for homeless persons to those which focus on conservation and wildlife.

- **2006 Regular and Special Sessions:** Legislation enacted during these sessions will result in the largest tax cut in state history, including: decreases in the top income tax rate, increases in the standard deduction, expansion of retiree exemptions and elimination of the estate tax. In 2010 when all the changes are fully phased-in, over \$600 million in tax relief will be provided to Oklahomans. As in previous years, other legislation provided specific tax relief to businesses and nonprofit organizations. New economic development initiatives were also funded with surplus tax revenue.

Following last session's income tax rate decrease, HB 1172XX contained further reductions in the top marginal income tax rate. The rate will drop a full percentage point between 2007 and 2010. Specifically, the top rate will go to 5.65 percent in 2007, 5.55 percent in 2008 and 5.50 percent in 2009. Then, if state revenue continues to grow by at least 4 percent plus the cost of the additional scheduled tax reduction, the top marginal rate will drop to 5.25 percent in 2010.

Like the income tax rate, Oklahoma's standard deduction was modified both last and this session. HB 1172XX will also phase-in over a four-year period increases to the standard deduction until 2010 when it becomes tied to the federal standard deduction amount. From 2007 to 2009, the amounts will more than double. For example, those who are married, file jointly and do not itemize their deductions will be able to claim exemptions of \$5,500 in 2007, \$6,500 in 2008 and \$8,500 in 2009. That means the deduction will rise from the current 2006 level of \$3,000 to an estimated federal level of \$11,200 in 2010.

Private sector retirees will also benefit from a provision in HB 1172XX which will increase the income thresholds each year from 2007 to 2010 until they are completely eliminated in 2011. This means all retirees will ultimately be eligible to claim the \$10,000 deduction. Tax relief was also provided to military retirees. The amount of military retirement exempt from income tax increased to \$10,000 or 75 percent of benefits, whichever is greater.

The issue of estate tax was also addressed through the modification of provisions which currently apply to collateral heirs and the phase-out of the estate tax. For deaths which occur on or after January 1, 2007, lineal and collateral heirs will be subject to the same tax rate and exemption amount. That exemption will rise from \$1 million to \$2 million in 2008 and to \$3 million in 2009. For 2010 and beyond, the estate tax will be repealed.

In an effort to provide sales tax relief to certain nonprofit organizations, the 2006 Legislature approved sales tax relief measures which apply to a variety of nonprofit organizations ranging from community mental health centers to patriotic women's organizations to YMCAs. Sales tax exemptions or other tax credit programs were also enacted to benefit industries including: quarrying, coal-mining, zero-emission power generation and railroads.

Two funds were created during the 2006 Special Session for the purpose of utilizing certain surplus tax revenue for economic development purposes. SB 99XX created a \$150 million trust fund known as the Economic Development Generating Excellence (EDGE) Fund. Expenditures from the fund, limited to 5 percent of its assets, may be used as matching funds for applied research, for technology transfer and seed capital and for a variety of other specific uses. Two separate boards were also created to govern investment and expenditure of the fund. In HB 1169XX, the Oklahoma Department of Commerce and the Contingency Review Board were given the authority to propose and review expenditures of up to \$45 million by the Governor from a newly-created Oklahoma Opportunity Fund. Expenditures can be made for economic development purposes if they are expected to result in the creation of new jobs, maintenance of existing jobs, and/or investment in new property or ventures that will increase the state's tax base. In 2007, the Oklahoma supreme Court struck down the mechanism for using the Opportunity Fund. The law required expenditures from the fund to be approved unanimously by the Governor and two legislative leaders who serve on the Contingency Review Board. The court ruled that this arrangement violated the constitutional separation of powers between branches of government. Since the ruling, no additional appropriations have been made to the Opportunity Fund.

- **2007 Session:** Just one year after the largest tax cut in state history, the 2007 tax relief package is estimated to result in an additional tax savings of about \$13 million in FY-08 and \$75 million in FY-09. This will be accomplished through an acceleration of the phased-in reduction of the top income tax rate, the establishment of a new income tax credit for parents of minor children and a franchise tax exemption for companies with liability of \$250 or less.

The four-year income tax rate reduction put into place during the 2006 legislative session would have reduced the top marginal income tax rate each year until 2010, when the rate was set to drop to 5.25 percent. Under the 2007 session tax agreement, the reduction is accelerated with the potential



for the 5.25 percent top rate beginning during tax year 2009 if revenue targets are met.

Oklahoma parents who do not claim child care expenses will also benefit by being able to claim a new income tax credit. Under SB 861, a taxpayer with minor children may claim the greater of an existing child care expense tax credit or a new credit equal to 5 percent of the federal income tax child credit.

Most companies doing business in this state are subject to a franchise tax of \$1.25 on every \$1,000 of capital. During the 2006 session, companies with franchise tax liability of \$10 or less were exempted from the tax. Under this year's tax relief proposal in SB 861, those with a tax liability of \$250 or less would be exempt, relieving an additional 24,000 companies of the requirement to pay the franchise tax.

- **2008 Session:** Limited resources required the Legislature to enact only targeted tax relief initiatives during the 2008 session. That included: extending the expiration date for income tax credits for “clean-burning” motor vehicles (SB 1558), gross production tax exemptions for certain deep wells (SB 1658); modifying provisions relating to a tax credit for railroad reconstruction (SB 1799); and enacting new tax credit provisions for both employers and employees in the aerospace industry (HB 3239).
- **2009 Session:** Because resources were limited once again during the 2009 session, lawmakers were able to provide only minimal and targeted tax relief and assistance. Such measures included extending the sunset dates on certain existing tax exemption or credit provisions and modifying certain aspects of the Quality Jobs Program Act. The only traditional income tax relief came in the form of an increase in the income tax deduction for active duty military personnel. The deduction was increased from \$1,500 to 100% of salary or compensation. That deduction is in force through tax year 2014, when the impact will be analyzed and a determination will be made regarding its status.
- **2010 Session:** In the face of an historic revenue shortfall, the Legislature enacted various revenue enhancement measures including a moratorium on about 30 existing tax credit provisions (SB 1267 and HB 3024). Although some of the moratoriums were applied on a different basis, most will prevent any credits from being claimed on activities occurring from July 1, 2010 through June 30, 2012. Another measure (HB 2432) modifies existing gross production tax exemptions by deferring the payment of certain rebates until July 1, 2012.

- **2011 Session:** For the fourth consecutive year, legislation affecting income taxes was limited to targeted credit programs such as the Oklahoma Equal Opportunity Education Scholarship Act (SB 969) or measures aimed at improving tax compliance (SB 123). Several interim studies focused on the state's overall tax structure and on specific tax credit provisions.
- **2012 Session:** A number of bills were introduced to lower the state's top marginal income tax rate, modify the bracket structure, reduce or eliminate credits or some combination of those proposals. Ultimately, policymakers were unable to agree on a single approach.

## **INCOME TAXES**

Oklahoma received more than \$3.13 billion in income tax revenues in FY'12. Income taxes are the largest single source of money for the state General Revenue (GR) Fund, accounting for 38.3 percent of total revenue and about 45.1 percent of the deposits to the GR Fund in FY'12. The state income tax is imposed on the Oklahoma taxable income of all individuals and corporations, whether resident or nonresident. Oklahoma taxable income is based on federal adjusted gross income, so income tax changes enacted by Congress can impact state tax levels.

According to the CQ Press [State Rankings 2012](#) publication, in 2010 Oklahoma ranked 33rd among the states in per capita revenue collection from individual income taxes.

### **Individual Income Tax**

Oklahoma's graduated income tax rate ranges from ½ percent to 5.25 percent, depending upon the amount of taxable income. For the 2012 tax year, the schedule for a single individual is as follows:

- ½ percent on the first \$1,000
- 1 percent on the next \$1,500
- 2 percent on the next \$1,250
- 3 percent on the next \$1,150
- 4 percent on the next \$2,300
- 5 percent on the next \$1,500
- 5.25 percent on the remainder

Since 2000, the Legislature has enacted a number of income tax changes, ratcheting down the top marginal rate from 7 percent to 5.25 percent. During the 2006 Special Legislation Session, a multi-year, phased-in rate reduction was enacted. As a result, the top marginal income tax rate has changed as follows:

<u>Year</u>	<u>Top Marginal Rate</u>
2004	6.65%
2005	6.25%
2006	5.65%
2007	5.50%
2012	5.25%

## Individual Income Taxes Comparison

As the chart below demonstrates, Oklahoma ranked 33<sup>nd</sup> out of 43 states in the per capita amount of individual income taxes collected. When compared to the other states in this region, the state ranked 6<sup>th</sup> lowest of nine states. Five states in our region have higher maximum individual income tax rates and three have lower maximum rates.

In 2010, New York had the highest per capita income tax collections with \$1,792 collected per person. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) have no individual income tax.

The average Oklahoman pays \$172 less per year in individual income taxes than the average American citizen.

### Income Taxes 2012 Rates; 2010 Per Capita Revenue and Rankings

<u>State</u>	<u>Tax Rate</u>	<u>Per Capita Revenue</u>	<u>Ranking</u>
Arizona	2.59 - 4.54%	\$377	41
Arkansas	1 - 7%	\$716	28
Colorado	4.63%	\$810	19
Kansas	3.5 - 6.45%	\$940	15
Louisiana	2 - 6%	\$503	37
Missouri	1.5 - 6%	\$722	25
Nebraska	2.56 - 6.84%	\$828	18
New Mexico	1.7 - 5.3%	\$463	38
<b>Oklahoma</b>	<b>0.5 - 5.25%</b>	<b>\$592</b>	<b>33</b>
Texas	--	--	--
U.S.		\$764	

Source: Ibid, p. 333, and State Individual Income Taxes, 2012 Tax Rate Table, web page of Federation of Tax Administrators ([www.taxadmin.org](http://www.taxadmin.org))

## Corporate Income Tax

Corporate income tax is imposed at a flat six percent rate of Oklahoma taxable income. The corporate income tax rate was last changed in 1990, as part of HB 1017. Income taxes paid by Oklahoma corporations produced \$443 million in revenues during FY'12. Corporate income taxes total just over 14 percent of the amount collected through all income taxes.

## Corporate Income Taxes Comparison

Oklahomans pay about 49 percent of the national average per capita in corporate income taxes. With the exception of Arkansas and Kansas, all states in the region are below the national average.

In per capita corporate income tax revenue, Oklahoma ranks 42nd of the 46 states that levy a corporate income tax.

Alaska is the highest with \$900 collected per capita. Four states (Nevada, Texas, Washington and Wyoming) have no corporate income tax.

The corporate income tax rate does not correlate well with per capita collections. For example, Kansas collects \$123 per capita under a four percent rate, but Oklahoma collects \$58 per capita with a six percent rate.

### Corporate Income Tax 2012 Rates and 2010 Per Capita Revenue and Rankings

State	Tax Rate	Per Capita Revenue	Ranking
Arizona	6.968%	\$64	36
Arkansas	1 - 6.5%	\$132	16
Colorado	4.63%	\$71	34
Kansas	4%	\$123	20
Louisiana	4 - 8%	\$86	32
Missouri	6.25%	\$35	44
Nebraska	5.58 - 7.81%	\$84	33
New Mexico	4.8 - 7.6%	\$61	40
Oklahoma	6%	\$58	42
Texas	--	--	--
U.S.		\$119	

Source: Ibid, p. 335 and 2012 web page of Federation of Tax Administrators ([www.taxadmin.org](http://www.taxadmin.org))

## **Statutory Apportionment of Income Taxes**

Individual income tax revenues are apportioned by the Oklahoma Tax Commission on a monthly basis according to the following statutory schedule:

- 85.66% to the General Revenue Fund, which is appropriated by the Legislature;
- 8.34% to the Education Reform Revolving Fund;
- 5.00% to the Teachers' Retirement System Dedicated Revenue Revolving Fund; and
- 1.00% to the Ad Valorem Reimbursement Fund to reimburse local governments for lost revenues related to the exemption from ad valorem taxes of new, expanded or acquired manufacturing facilities.

Corporate income tax revenues are apportioned monthly as follows:

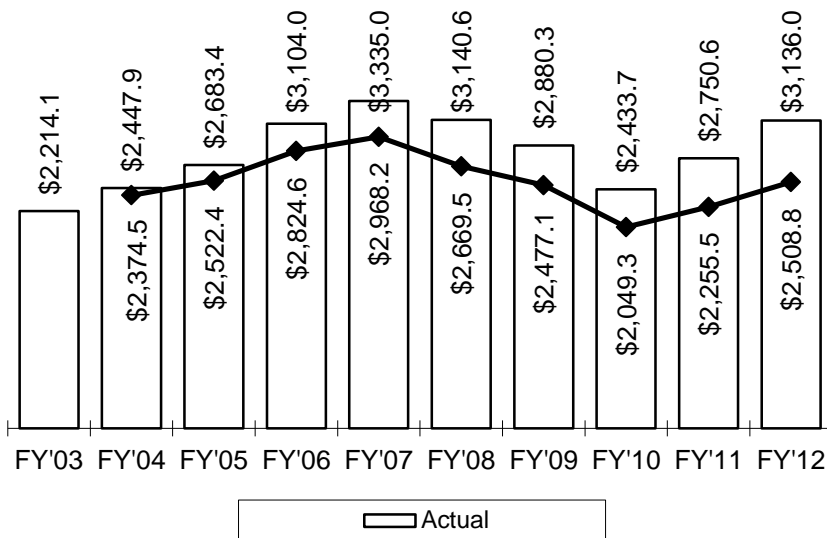
- 77.50% to the General Revenue Fund, which is appropriated by the Legislature;
- 16.5% to the Education Reform Revolving Fund;
- 5.00% to the Teachers' Retirement System Dedicated Revenue Revolving Fund; and
- 1.00% to the Ad Valorem Reimbursement Fund.

In FY'06 under HB 1078, a portion of income tax revenue was directed, prior to apportionment, to a newly-created road and bridge rebuilding fund, the Rebuilding Oklahoma Assess and Driver Safety Fund, also known as the ROADS Fund. In FY'13, the ROADS Fund will receive \$297.4 million in income tax revenue.

## **History of Revenues from State Income Taxes**

In real dollar terms, revenues from state income taxes have increased significantly over the last 10 years, but when adjusted for inflation using 2003 as the base year, the result is considerably less significant.

### History of Income Tax Revenue FY'03 Through FY'12 (In Millions)



Source: Oklahoma Tax Commission and U.S. Bureau of Labor Statistics Inflation Calculator

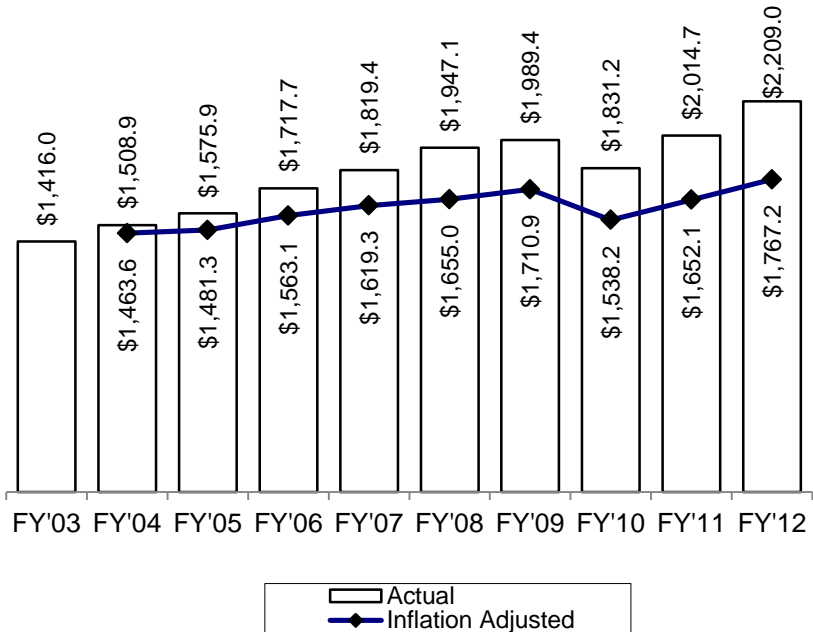
## SALES AND USE TAXES

In FY'12, state sales tax revenue totaled over \$2.20 billion and the use tax produced \$210 million. The state rate for both the sales tax and use tax in Oklahoma is 4.5 percent. The two taxes accounted for 37.9 percent of actual GR Fund revenues in FY'12. The Legislature has authorized municipalities and counties to levy sales taxes. There is no limit on the amount a municipality may levy, although voter approval is required. Counties may levy up to two percent. The use tax applies the same 4.5 percent tax on items purchased in other states to be used in Oklahoma.

### History of the State Sales Tax

Sales tax collections grew by over 56 percent between FY'03 and FY'12 but when adjusted for inflation, grew by only 24.8 percent. Despite a slight dip in FY'10, collections reached a ten year high in FY'12.

### State Sales Tax Collections FY'03 Through FY'12 (In Millions)



Source: Oklahoma Tax Commission, U.S. Bureau of Labor Statistics Inflation Calculator

Until 1983, all revenue from the state's then two percent sales tax was dedicated to the Department of Human Services (DHS) for fulfilling the Oklahoma Social Security Act. These funds were spent at the discretion of the Public Welfare Commission and were not subject to legislative appropriation. Effective July 1983, statutes were amended to provide more legislative control. Though the funds remained separate from the GR Fund, they could be expended only through direct appropriation by the Legislature.

During the 1984 legislative session, a temporary third cent was added to the sales tax rate, with the new revenue allocated to the GR Fund. Because of revenue shortfalls during the next fiscal year, the 1985 Legislature made permanent the third-cent tax and added another 0.25¢, making the total tax rate 3.25 percent.

Sales tax changes were again made during the 1987 session. Earmarking of the original two percent sales tax to DHS was discontinued and the funds were allocated to the GR Fund for annual appropriation by lawmakers. Also that year, the Legislature confronted severe budget shortfalls by raising the sales tax from 3.25 percent to 4.0 percent effective June 1, 1987.

Most recent changes in the sales tax were made by the 1990 Legislature as part of HB 1017, the Education Reform Act. Effective May 1, 1990, the sales tax increased from 4.0 percent to 4.5 percent.

## **Sales Tax Exemptions**

Items exempt from the state sales tax by statute include most advertising, natural gas and electricity sold for residential use, prescription drugs, and groceries purchased with food stamps and sales for resale. Many other sales to or by certain organizations are also exempt. Most services are not taxed.

As a result of the passage of SQ 713 in November of 2004, cigarette and tobacco products are no longer subject to sales tax.

### **State and Local Sales Tax 2012 Rates; 2009 Per Capita Revenue and Rankings**

<u>State</u>	<u>State Sales Tax Rate</u>	<u>State &amp; Local Per Capita Revenue</u>	<u>Ranking</u>
Arizona	5.6%	\$1,450	17
Arkansas	6.0%	\$1,669	10
Colorado	2.9%	\$1,303	29
Kansas	5.3%	\$1,414	19
Louisiana	4.0%	\$2,052	4
Missouri	4.2%	\$1,185	38
Nebraska	5.5%	\$1,351	23
New Mexico	5.0%	\$1,697	9
<b>Oklahoma</b>	<b>4.5%</b>	<b>\$1,336</b>	<b>25</b>
Texas	6.25%	\$1,609	13
U.S.		\$1,412	

Source: Ibid, pg. 305 and 2012 web page of Federation of Tax Administrators ([www.taxadmin.org](http://www.taxadmin.org))

	<u>National Ranking</u>	<u>Regional Ranking</u>
Oklahoma's Per Capita Rank	25	9
Number with rates higher than OK	35	6
Number with equal or lower rates	11	3

Hawaii is the highest with \$2,573 collected per capita. Four states (Delaware, Montana, New Hampshire and Oregon) have no sales tax.

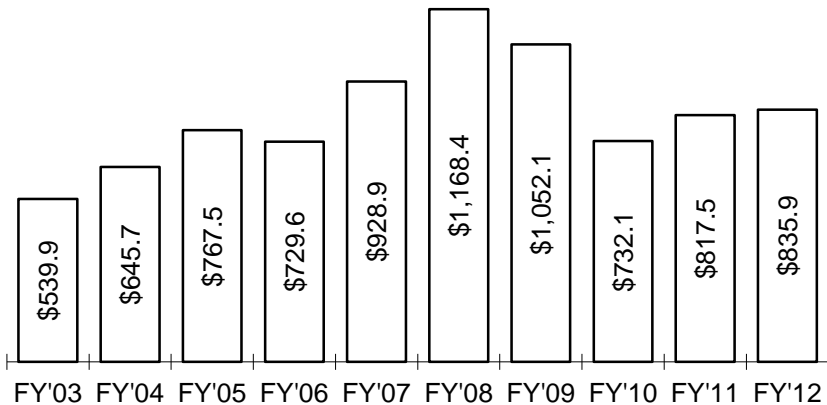
The average Oklahoman pays \$76 less per year in sales taxes than the average American citizen.



**GROSS PRODUCTION TAXES**

Significant revenues are generated for a number of state and local services through taxes levied on extraction and production of certain raw materials. Gross production taxes from the severance tax provided \$835.9 million in FY'12.

**History of Gross Production Tax Collections**  
*FY'03 Through FY'12 (In Millions)*



Source: Oklahoma Tax Commission

There are two types of gross production taxes: the severance tax and petroleum excise tax. The severance tax produces the lion's share of the revenue.

**Severance Tax**

A severance tax is a tax levied upon the production or mining of minerals when they are "severed" from the earth. A severance tax is levied upon the production of the following minerals:

<u>Type of Mineral</u>	<u>Tax Rate</u>
Oil (price > \$17 per barrel)	7.00%
Oil (price \$14 to \$17 per barrel)	4.00%
Oil (price < \$14 per barrel)	1.00%
Uranium	5.00%
Mineral ores and asphalt	0.75%
Gas (price > \$2.10 per mcf)	7.00%
Gas (price \$1.75-\$2.10 per mcf)	4.00%
Gas (price < \$1.75 per mcf)	1.00%

## Petroleum Excise Tax

A petroleum excise tax is levied, in addition to the severance tax, on oil and gas at a rate of 0.095 of 1 percent of gross value.

## Gross Production Tax History

Gross production taxes on oil were last changed by HB 1003X in a 1999 special session. The bill renewed exemptions from all but a one percent tax levy for various types of wells and enacted a three-tiered rate structure depending upon the price of oil (see Tax Cut Initiatives). In 2002, a similar tax structure was enacted for gas production (SB 947). While these tax structures were enacted with sunset dates, each has been extended several times. Between 2005 and 2009, gross production tax exemptions for certain deep-drilled wells and other types of drilling have also been extended beyond the original expiration dates. In 2010, as part of the overall budget and revenue package, certain gross production tax rebates were deferred for FY'11 and FY'12 and will be paid out over a later 36-month period which begins in FY'13. In addition, the tax rate for certain wells was modified, a cap on a specific rebate was removed and a mechanism was put into place to annually adjust a price threshold which affects many gross production tax exemptions.

## Apportionment of Gross Production Taxes

**Severance Taxes on Oil:** Pursuant to 68 O.S. 1001, the apportionment of severance tax revenues varies depending on the tax rate imposed (see Tax Cut Initiatives).

- If levied at a seven percent tax rate, severance tax revenues from oil are apportioned monthly as follows:

25.72%	to the Common Education Technology Fund;
25.72%	to the Higher Education Capital Fund;
25.72%	to the Oklahoma Tuition Scholarship Fund;
3.745%	to the County Bridge and Road Improvement Fund;
7.14%	to counties where the oil is produced, for roads;
7.14%	to school districts;
4.28% *	to three funds – the Oklahoma Tourism and Recreation Capital Expenditure Revolving Fund, the Oklahoma Conservation Commission Infrastructure Revolving Fund and the Community Water Infrastructure Development Revolving Fund – at one-third each from FY'07 to FY'15; and
.535%	to the Statewide Circuit Engineering District Revolving Fund.

- If levied at a four percent tax rate, severance tax revenues from oil are apportioned monthly as follows:

22.50%	to the Common Education Technology Fund;
22.50%	to the Higher Education Capital Fund;
22.50%	to the Oklahoma Tuition Scholarship Fund;
3.28%	to the County Bridge and Road Improvement Fund;
12.50%	to counties where the oil is produced, for roads;
12.50%	to school districts;
3.75%*	to three funds – the Oklahoma tourism and Recreation Capital Expenditure Revolving Fund, the Oklahoma Conservation Commission Infrastructure Revolving Fund and the Community Water Infrastructure Development Revolving Fund – at one-third each from FY’07 to FY’15; and
.47%	to the Statewide Circuit Engineering District Revolving Fund.

\* Beginning FY’16, the percentage divided between three funds will revert back to the REAP Water Projects Fund.

- If levied at a one percent tax rate, severance tax revenues from oil are apportioned monthly as follows:

50.0%	to counties where the oil is produced, for roads; and
50.0%	to school districts.

**Severance Taxes on Gas:** Like revenues from severance taxes on oil production, the apportionment of severance taxes on gas production varies depending on the tax rate imposed.

- If levied at a seven percent tax rate, severance tax revenues from gas are apportioned monthly as follows:

85.72%	to the General Revenue Fund;
7.14%	to counties where the gas is produced, for roads; and
7.14%	to school districts.

- If levied at a four percent tax rate, severance tax revenues from gas are apportioned monthly as follows:

75.0%	to the General Revenue Fund;
12.5%	to counties where the gas is produced, for roads; and
12.5%	to school districts.

- If levied at a one percent tax rate, severance tax revenues from gas are apportioned monthly as follows:

50.0%            to counties where the gas is produced, for roads; and  
50.0%            to school districts.

**Severance Taxes on Other Minerals:** Severance tax revenues from other minerals are apportioned monthly as follows:

85.72%           to the General Revenue Fund;  
7.14%            to counties where the mineral is produced for roads; and  
7.14%            to school districts.

**Petroleum Excise Taxes:** Until July 1, 2016, petroleum excise tax revenues from oil are apportioned monthly as follows:

82.634%        to the General Revenue Fund\*;  
10.526%        to the Corporation Commission Plugging Fund; and  
6.84%            to the Interstate Oil Compact Fund.

Excise tax revenue from natural gas is apportioned monthly as follows:

82.6045%       to the General Revenue Fund\*;  
10.5555%       to the Corporation Commission Plugging Fund; and  
6.84%            to the Interstate Oil Compact Fund.

After July 1, 2016, petroleum excise tax revenues from oil and gas will be apportioned monthly as follows:

92.35%           to the General Revenue Fund\*; and  
7.65%            to the Interstate Oil Compact Fund.

\* The first \$2.7 million is transferred to the Corporation Commission.

## **PROPERTY TAXES IN OKLAHOMA**

Property taxes, also known as ad valorem taxes, are the primary source of funding for county government operations. This revenue source also provided 20.7 percent of the statewide public school budget in FY'10 and 63 percent of career technology (vo-tech) center funding.

Decisions about property taxes in Oklahoma are made at three levels: (1) the Oklahoma Constitution authorizes property taxes to be imposed; (2) the Legislature has enacted statutes to implement constitutional provisions; and (3) the State Board of Equalization and the courts have interpreted these constitutional and statutory provisions. Property taxes can only be imposed if the people vote for them, a provision that has been in place since statehood and is not related to SQ 640. Property tax levies are based on the value of a taxpayer's property.

## Property Tax Comparison with Other States

Oklahoma’s per capita property tax average of \$598 per person in 2009 was less than 43% of the national average of \$1,381. Oklahoma ranks 48th out of the 50 states in per-capita property taxes.

The Oklahoma Constitution provides that property tax revenue may not be used by state government. In many other states, a state property tax is charged in addition to local property taxes.

### Per Capita State and Local Property Tax Revenue 2009

State	Per Capita Revenue	Ranking
Arizona	\$1,071	33
Arkansas	\$548	49
Colorado	\$1,253	24
Kansas	\$1,354	19
Louisiana	\$698	45
Missouri	\$922	37
Nebraska	\$1,443	17
New Mexico	\$611	47
Oklahoma	\$598	48
Texas	\$1,461	14
U.S.	\$1,381	

Source: Ibid, p. 307

## Valuation of Property for Tax Purposes

Property taxes are paid based on the value of a taxpayer’s property. The county assessor, a locally-elected officeholder, determines the value of most property in the county for tax purposes.

**Real Property:** The value of real property (land and structures) is determined by computer-assisted calculation (see Computerization Appraisals) but are subject to certain constitutional limits (see Limits on Property Valuations).

**Personal Property:** The value of personal property – furnishings, equipment, clothes, etc. – is assessed separately from real property. Motor vehicles are subject to registration fees in lieu of property taxes. The county assessor by law may use one of two methods to assess the value of personal property: (1) assume that a taxpayer's personal property is valued at 10 percent of the value of his/her real property, or (2) have a taxpayer file a list of his/her personal property for

assessment of value. Most calculations are based on the assumed value. Some counties have voted to exempt personal property from taxation. A special class of personal property is known as intangible personal property. A state constitutional provision lists certain types of intangible personal property which is exempt. In November of 2012, Oklahoma voters will be given the option to vote to exempt all intangible personal property.

**Centrally Assessed Property:** Property of certain companies (public service corporations, railroads and airlines) is centrally assessed – its value is determined by the State Board of Equalization rather than the local assessors.

## **Computerizing Appraisals**

A system called "computer-assisted mass appraisal" (CAMA) was implemented in Oklahoma to allow counties to systematically update property values based on recent sales of comparable properties. The goals of this program are (1) to have property values more accurately reflect fair market value for tax purposes, and (2) to make property valuation more uniform throughout the county.

## **Limits on Property Valuations**

Real property is valued at its "fair cash value" – the price a willing buyer would pay a willing seller in an "arm's-length" transaction. Real property may also be valued at its "use value" – its fair cash value for the highest and best use for which the property was actually used (or classified for use) during the previous calendar year. This "use value" provision is most often applied to agricultural land.

In 1996 and in 2004, the Legislature proposed, and the voters approved, Constitutional amendments that affected the valuation process.

- One amendment provided that the fair cash value of locally-assessed real property (i.e., all real property except that of public service corporations, airlines and railroads) cannot be increased by more than five percent in any year, unless title to the property is transferred or improvements are made to the property. In November of 2012, voters will be given the option to reduce this percentage from five percent to three percent for homestead property and agricultural property.
- Another amendment provided that valuation would be frozen, beginning January 1, 1997, for taxpayers with gross household income of \$25,000 or less if the head of household is 65 years of age or older. State Question 714 (2004) replaced the \$25,000 income threshold with a county- or metropolitan area-specific amount determined by the U.S. Department of Housing and Urban Development. For calendar year 2012, county median incomes ranged from \$35,700 in Choctaw County to \$62,500 in Roger Mills County.

- Another amendment enacted in 2004 provided those with 100 percent military disability with a property tax exemption for the full fair cash value of their homestead. The benefit is also extended to a surviving spouse.

## **Homestead Exemptions**

A taxpayer may apply for a homestead exemption that reduces by \$1,000 the assessed value of a taxpayer's actual residence. Taxpayers whose gross household income from all sources does not exceed \$20,000 may receive an additional homestead exemption of \$1,000 (often referred to as the "double homestead exemption"). A taxpayer who is at least 65 years old, or who is totally disabled, and whose gross household income from all sources does not exceed \$12,000, may file a claim for property tax relief for the amount of property taxes paid over one percent of his/her income, up to a maximum of \$200.

## **Assessment Ratios**

Once a property's value is computed by the county assessor, the "assessment ratio" or "assessment percentage" is applied. For locally-assessed property, the county assessor sets the ratio, but any increase must be approved by local voters. Personal property must be assessed at an amount between 10 percent and 15 percent of its fair cash value; real property must be assessed at an amount between 11 percent and 13.5 percent of its fair cash value; and other property (public service corporation, airline and railroad property) must be assessed at the ratio it was assessed on January 1, 1997 (22.85 percent for public service corporation and 12.08 percent for railroads and airlines).

The value of the property is multiplied by the assessment ratio to get the "assessed valuation". The assessed valuation is then multiplied by the number of mills which local voters have approved in their area to compute the amount of tax due.

## **Millages Allowed under the State Constitution**

Votes on property tax levies address the number of mills to be assessed (a mill is \$0.001 or one-tenth of a cent). The Oklahoma Constitution allows the following maximum levies:

- 10 mills for counties;
- 39 mills for schools;
- 2.5 mills for county health departments;
- 10 mills for vo-tech schools;
- 3 mills for ambulance service districts;
- 3 mills for solid waste management services;
- 5 mills for county building fund;

- 5 mills for city building fund;
- 5 mills for school building fund; and
- 4 mills for libraries.

The Constitution allows counties to abolish taxes on household personal property and livestock upon a vote of the people. If these taxes are abolished, the millage rates are automatically adjusted upward by an amount necessary to offset the lost revenue.

## **Millage Elections**

Boards of county commissioners or local boards of education generally are the entities that call millage elections. Those bodies also determine how many mills will be voted on, although in some cases an initiative petition can propose a millage amount. Some of these levies must be voted on each year, such as 15 of the 39 mills allowed for schools. Other levies, once approved by voters, remain in effect until changed or repealed.

The Constitution also allows counties, cities, school districts, career technology (vo-tech) districts, ambulance service districts, and solid waste districts to issue bonds if approved by the voters. If approved, the additional millage levy is imposed in an amount necessary to repay the bonds each year. This millage level is not necessarily the same each year. The revenue from these levies is deposited into a "sinking fund", which disperses principal and interest payments to bondholders.

## **Examples of Tax Computation**

The complex process for computing a taxpayer's ad valorem tax is confusing to many. The following step-by-step illustration shows how the final property tax amount is computed on a specific taxpayer:

A taxpayer lives in a home valued at \$50,000 in the city of Moore, in the Moore school district, in Cleveland County. The sum of all mills that have been approved by voters in that county was 104.84 in 1997. Comprising the total are 10.28 mills for the county, 0.28 mills for the county sinking fund, 13.73 mills for the city sinking fund, 2.57 mills for the county health department, 4.11 mills for county libraries, 40.18 mills for public schools, 5.15 mills for the school building fund, 15.18 mills for the school sinking fund, 9.25 mills for the vo-tech school and 4.11 mills for the vo-tech building fund.

**Real Property:** The assessor would compute the real property tax on that home as follows:

- a. \$50,000 gross home valuation x 12 percent assessment ratio = \$6,000 assessed valuation



- b. \$6,000 assessed valuation - \$1,000 homestead exemption = \$5,000 net assessed valuation
- c. \$5,000 net assessed valuation x 104.84 mills = \$524.20 annual real property taxes

**Personal Property:** Household personal property taxes for this taxpayer would be computed as follows (note, however, that Cleveland County has abolished personal property taxes):

- a. \$50,000 gross home valuation x 10 percent = \$5,000 assumed personal property value (this amount could be changed if the taxpayer chose to file a list of his/her personal property)
- b. \$5,000 personal property value x 12 percent assessment ratio = \$600 assessed valuation
- c. \$600 assessed valuation x 104.84 mills = \$62.90 annual personal property taxes

**Total Tax Due:** \$62.90 for personal property + \$524.20 for real property = \$587.10.

## MOTOR VEHICLE TAXES

The State of Oklahoma levies an annual tax for the registration of motor vehicles, and also levies excise taxes upon the transfer of title or possession of motor vehicles. Until 2001, the annual registration fee was based upon the value of the vehicle, and the excise tax was based on the factory delivered price, depreciated 35 percent per year for used vehicles. This resulted in a situation in which annual registration fees were increasing as factory delivered prices increased from year to year, and in which the value upon which excise taxes were paid was unequal to the sales price of a vehicle. (Typically, the value upon which excise taxes were paid was higher for new vehicles and considerably lower for used vehicles.) The fees to register vehicles in Oklahoma, other than commercial and farm vehicles, were among the highest in the nation, resulting in various forms of tax evasion and avoidance, such as increased use of out-of-state tags, Indian tags and commercial vehicle tags.

In 2000, the Legislature referred to the voters a question which imposed flat registration fees based upon the age of the vehicle (\$85 for vehicles 1-4 years old, \$75 for 5-8 years old, \$55 for 9-12 years old, \$35 for 13-16 years old and \$15 for 17+ years old, all with an additional \$5 in other fees added on). The question also based excise taxes on the actual sales price of new vehicles, at a rate of 3.25 percent. For used vehicles, the excise tax is based on the actual sales price also,

at a rate of \$20 for the first \$1,500 and 3.25 percent on the remainder. The value of used vehicles must be within 20 percent of the “blue book” value.

Through calendar year 2012, motor vehicle taxes and fees will be apportioned monthly as follows:

- 36.20% to school districts;
- 29.84% to the General Revenue Fund;\*
- 0.31% to the State Transportation Fund;
- 7.24% to counties;
- 2.59% to counties for county roads;
- 3.62% to county highway funds;
- 0.83% to county general funds;
- 3.10% to cities and towns;
- 1.24% to the Oklahoma Law Enforcement Retirement Fund;
- 0.034% to the Wildlife Conservation Fund; and
- 15.0% to the County Improvements for Roads and Bridges Fund.\*

\*From January 1, 2012 through the beginning of FY’15, five percent of the apportionment will gradually shift from the General Revenue Fund to the County Improvements for Roads and Bridges Fund.

This apportionment is subject to a “hold harmless” provision which mandates that no amounts earmarked for certain recipients (schools, counties, cities and towns and the Roads and Bridges Fund) will ever fall below the amount apportioned in the previous year. Any additional monies needed come from the amount which would go to the General Revenue Fund.

Making comparisons with other states in this area is difficult. Unlike most other states, in Oklahoma the annual registration fees are in lieu of property taxes on motor vehicles. Many other states impose sales taxes instead of special motor vehicle excise taxes, so these revenues are not considered as motor vehicle revenue. For these reasons, interstate comparisons are not always reliable.

## **MOTOR FUELS TAXES**

One of the ways the state generates revenue for state highways and county roads is through an excise tax levied on motor fuels. The taxes are apportioned according to formulas established by the Legislature. The two major taxes levied are the gasoline tax and the diesel fuel tax.

The gasoline tax of 17¢ per gallon is used to fund the majority of all work on roads and bridges. The diesel fuel tax of 14¢ per gallon adds additional funds for the same purpose.

## History of Motor Fuels Taxes

The fuel tax was first enacted in 1923 at a rate of 1¢ per gallon. The tax on diesel fuel was initiated in 1939. Throughout the state's history, motor fuel taxes have been increased 19 times, most recently in 1990.

### Oklahoma's Motor Fuel Tax Rate History

<u>Date</u>	<u>Gasoline</u>	<u>Diesel</u>	<u>Date</u>	<u>Gasoline</u>	<u>Diesel</u>
March 1923	\$.01		January 1947	\$.0558	\$.055
March 1924	.025		June 1949	.0658	.065
March 1925	.03		June 1953	.0658	.065
June 1929	.04		June 1957	.0758	.065
February 1931	.05		December 1957	.0658	.065
December 1931	.04		April 1984	.09	.09
April 1939	.04	\$.04	July 1985	.10	.10
July 1939	.0408	.04	May 1987	.16	.13
June 1941	.0558	.055	July 1990	.17	.14
April 1945	.0758	.055			

In 1996, the Legislature revised the motor fuel tax code in response to a U.S. Supreme Court ruling that affected the state's ability to tax sales made in Indian country. Although the tax rate was not changed, the point of taxation was moved "upstream" to the terminal rack. Also, provisions were made for apportionment of some motor fuel tax revenue to Indian tribes that enter into agreements with the state on fuel tax issues.

## Revenues from Fuel Taxes

Oklahoma state and local governments received approximately \$409 million in motor fuel tax revenues in FY'12. Among the 50 states, Oklahoma ranked 34th in per capita state revenue collections in 2010. The average Oklahoman pays \$3 less annually in motor fuel taxes than the average American citizen.

## Motor Fuel Tax 2012 Rates, 2010 Revenues and Rankings

State	Gasoline Tax Rate	Per Capita Revenue	Ranking
Arizona	18.0¢	\$124	26
Arkansas	21.5¢	\$160	9
Colorado	22.0¢	\$119	30
Kansas	24.0¢	\$149	16
Louisiana	20.0¢	\$129	22
Missouri	17.55¢	\$120	28
Nebraska	27.7¢	\$163	7
New Mexico	18.9¢	\$110	37
Oklahoma	17.0¢	\$115	34
Texas	20.0¢	\$121	27
U.S. Median		\$118	

Source: Ibid, pp. 339 and 2012 web page of Federation of Tax Administrators ([www.taxadmin.org](http://www.taxadmin.org)).

### Gasoline Tax

The 17¢ per gallon gasoline tax is a combination of: (1) a 16¢ per gallon excise tax levied on every gallon of gasoline that is either sold, stored and distributed, or withdrawn from storage in Oklahoma; and (2) a 1¢ per gallon assessment which is separately levied and apportioned.

The 1¢ is apportioned to the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund for cleaning up leaking underground storage tanks or to the State Transportation Fund.

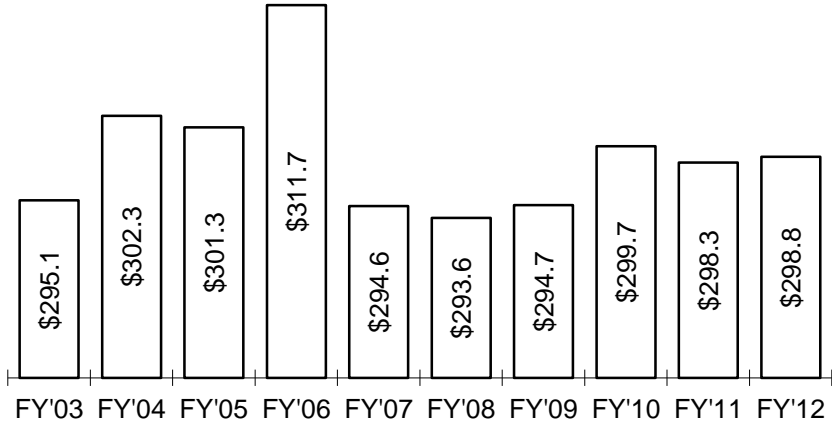
The other 16¢ of gasoline tax revenue is distributed as follows:

- 63.75% to the State Transportation Fund;\*
- 27.0% to the counties for county roads and highways;
- 3.125% to the counties for construction, maintenance and repair of county roads as provided in the County Bridge and Road Improvement Act;
- 2.297% to the County Bridge and Road Improvement Fund for construction, maintenance and repair of county roads and bridges;
- 1.875% to cities and towns for maintenance of streets;
- 1.625% to the High Priority State Bridge Revolving Fund; and
- 0.328% to the Statewide Circuit Engineering District Revolving Fund.

\* In addition, the first \$250,000 collected each month goes to the credit of the State Transportation Fund prior to apportionment.

Gasoline tax exemptions are allowed for the federal government, political subdivisions of the state, school districts, FFA or 4-H.

### Gasoline Tax Revenue (16 cents) FY'03 Through FY'12 (In Millions)



Source: Oklahoma Tax Commission

Only five states have a lower gas tax rate than Oklahoma's 17¢ per gallon rate.

### Diesel Fuel Tax

The 14¢ per gallon diesel fuel tax is a combination of: (1) a 13¢ per gallon excise tax levied on every gallon of diesel fuel that is either sold, stored and distributed, or withdrawn from storage in Oklahoma; and (2) a 1¢ per gallon assessment which is separately levied and apportioned.

The 1¢ assessment is apportioned to the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund for cleaning up leaking underground storage tanks or to the State Transportation Fund.

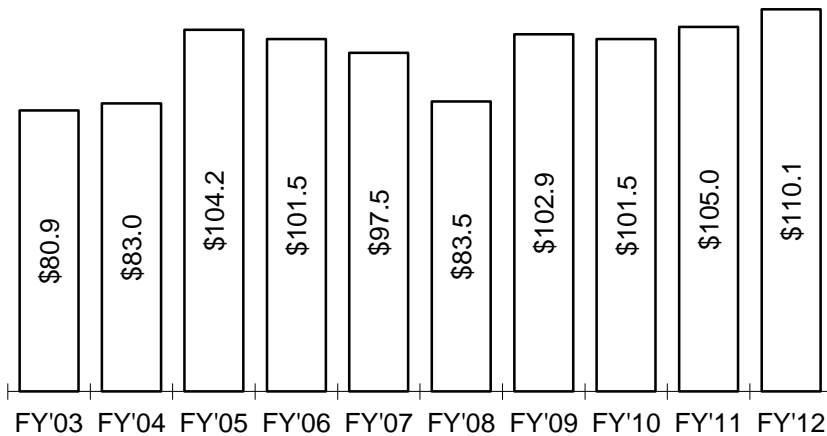
The remaining 13¢ of diesel fuel tax revenue is distributed as follows:

- 64.34% to the State Transportation Fund;
- 26.58% to counties for county roads and highways;
- 3.36% to the counties for construction, maintenance and repair of county roads as provided for in the County Bridge and Road Improvement Act;

3.84% to the County Bridge and Road Improvement Fund for construction, maintenance and repair of county roads and bridges;  
1.39% to the High Priority State Bridge Revolving Fund; and  
0.488% to the Statewide Circuit Engineering District Revolving Fund.

Diesel tax exemptions are allowed for the federal government, political subdivisions of the state, school districts, limited agriculture uses, FFA or 4-H.

### Diesel Fuel Tax Revenue FY'03 Through FY'12 (In Millions)



Source: Oklahoma Tax Commission

Only one state has a lower diesel tax rate than Oklahoma's 14¢ per gallon rate.

# **AGRICULTURE**

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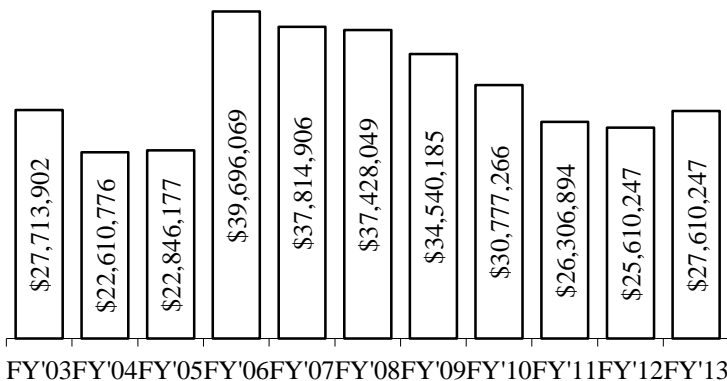


## AGRICULTURE

Although it is sometimes perceived as strictly a rural concern, agricultural production touches every legislative district. As a product of its geography and topography, Oklahoma maintains a diverse agricultural sector: from the heavily irrigated southwest section mostly devoted to cotton, wheat, and cattle, to the semi-arid high plains of the Panhandle with its heavy concentration of cattle feedlots and large-scale hog farms. The central section of the state is dominated by wheat and dairy farming, as well as diversified crops such as peanuts, pecans and hay. The wetter eastern region adds timber and poultry operations to the state’s agricultural sector.

Oklahoma ranks third in the U.S. in the production of winter wheat, fifth in cattle and calf production, fifth in pecans, seventh in peanuts, ninth in hog production, and 17th in poultry production.

Department of Agriculture  
 Appropriations Budget History  
 FY’03 Through FY’13



During FY'06, Oklahoma suffered an extreme drought which caused large wildfires throughout the state. Most of the burden of fighting those fires was put on rural fire departments which are mostly funded by the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF). ODAFF is also responsible for coordinating resources statewide in order to fight widespread wildfires by setting up, staffing, and managing an Incident Command Post. The high appropriation amount to the agency during FY'06 was due to one-time supplementals to cover costs associated with the wildfires and to increase funding to rural fire departments, almost doubling their yearly operational grants.

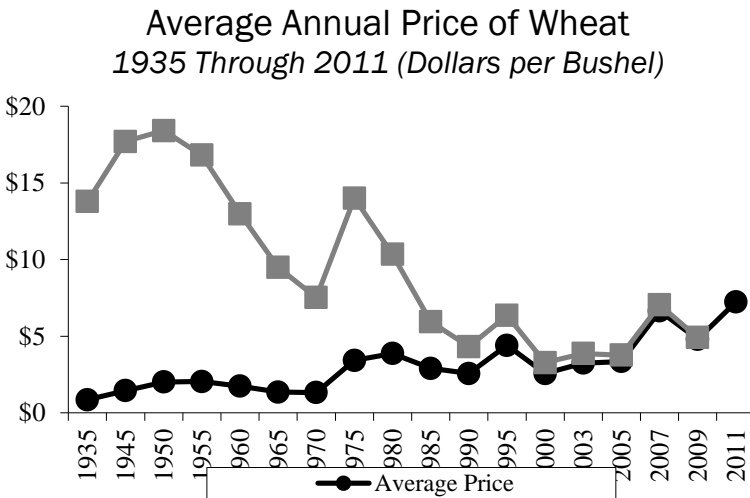
For all of the diversity and agricultural bounty in the state, the agricultural economic sector is in transition. Drastic price fluctuations and the structure of agricultural production have changed the face of Oklahoma's farming economy. Agriculture comprises 1.3 percent of Oklahoma's Gross State Product.

## AGRICULTURAL PRICES

A review of agricultural prices provides some historical trends for Oklahoma's major agricultural commodities.

### Wheat

The price of wheat has generally seen an upward trend since the Great Depression; however, adjusted for inflation, there has been a dramatic decrease in the real value of wheat during the same period. Of all Oklahoma commodities, wheat has fared the worst in terms of economic retention of value; however, price jumps in the past several years have helped rebuild value.



Source: Oklahoma Agricultural Statistics Service

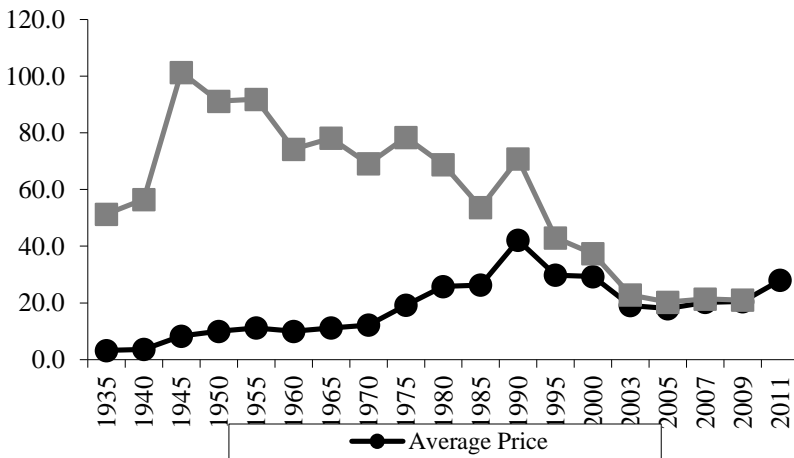
Although the price of wheat has increased from \$1.45 per bushel in 1945 to \$7.24 per bushel in 2011 (a 399 percent increase in actual price), adjusted for inflation, the value of wheat per bushel has actually declined 59 percent.

## **Peanuts**

The price of peanuts has generally seen an upward trend since the Great Depression. However, adjusted for inflation, there has been a significant decrease in the real value of peanuts during the same period.

The price of peanuts has increased from 8.3 cents per pound in 1945 to 28 cents per pound in 2011 (a 237 percent increase in actual price). Adjusted for inflation, however, the value of peanuts per pound has declined. The price of peanuts has increased 20 percent over the last decade (a decrease of 7 percent adjusted for inflation).

**Average Price of Peanuts**  
1935 Through 2011 (Cents per Pound)



Source: Oklahoma Agricultural Statistics Service

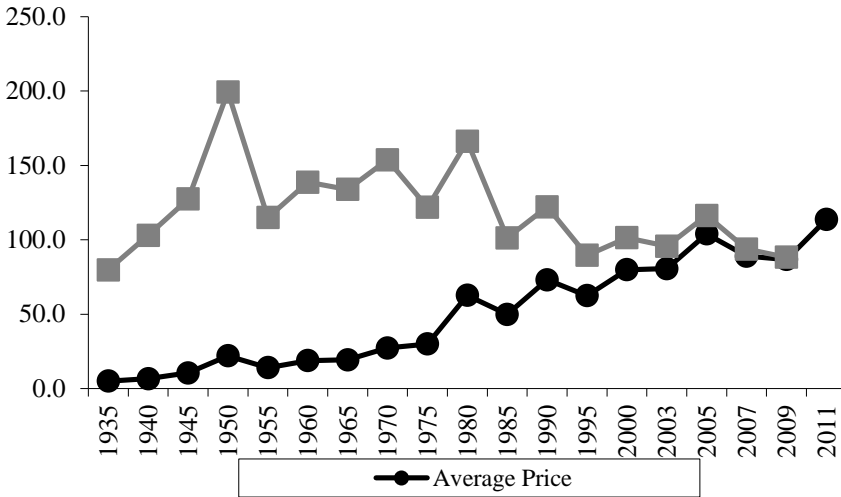
## **Cattle**

The price of cattle has generally seen an upward trend since the Great Depression. Adjusted for inflation, there has also been an increase in the real value of cattle during the same period.

Cattle is one of the few commodities in Oklahoma that has retained its value since the Great Depression. In 2011, the average price received for cattle was \$113 dollars per hundred weight.

Due to the recent drought, cattle inventories are at their lowest level in decades. This year's U. S. calf crop is expected to be the smallest in 63 years.

Average Price Received for Cattle  
1935 Through 2011 (Dollars per Hundred Weight)



Source: Oklahoma Agricultural Statistics Service

## RURAL OKLAHOMA

U.S. Census data confirms that fewer Oklahomans are living in rural communities than ever before. The dominant occupation for rural Oklahomans continues to be related to agriculture. However, the data suggests that less than half of Oklahoma farmers can afford to work full-time on their farms. The other farmers seek additional work throughout the year to supplement their income. Finally, the census data suggests that more rural Oklahomans are leaving their farms and moving to larger cities and towns. This trend is particularly high among the 18-35 year old age group.

### Age of Farmers

The average age of farmers has been rising. According to the 2007 Census of Agriculture, the average age of farm operators in Oklahoma was 57.6 years of age. Thirty-five years ago, the average age for the Oklahoma farmer was 51. Fewer Oklahomans under 35 years of age are choosing to engage in agricultural activities.

### Farming as an Occupation

Only 42 percent of Oklahoma's principal farm operators consider farming their primary occupation. Forty-three percent of the total number of principal farm operators work 200 days or more per year off the farm in other jobs.

The average net income of an Oklahoma farm in 2008 was \$11,856. Because commercial banks no longer can afford to loan money to farmers at low interest rates, the United States Department of Agriculture, Farm Service Agency (USDA FSA) has become the lender of last resort. According to FSA there were 1,351 direct guaranteed loans worth \$135.3 million made to Oklahoma farmers and ranchers during FY'09. Oklahoma's total loan liability exceeds \$760 million.

## **LEGISLATIVE INITIATIVES RELATING TO AGRICULTURE**

The Legislature addresses agricultural issues mainly through the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF) and the Oklahoma Conservation Commission. Recent legislative spending initiatives include:

- programs that assist farmers in developing best management practices;
- rural fire suppression expansions to save farm structures and land;
- international marketing efforts that assist foreign sales of Oklahoma commodities and products;
- agricultural diversification and a value-added program that allocates grants and loans to individuals, cooperatives, and other agricultural groups;
- efforts to create a safe, competitive environment for producers in agriculture;
- working with the USDA and United States Environmental Protection Agency to encourage sustainable growth;
- the Farm-to-School Program that links Oklahoma agricultural producers to Oklahoma school cafeterias;
- an AgriTourism program to support agricultural businesses who also contribute to tourism.



# EDUCATION

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**Common Education**

**Career and Technology Education**

**Postsecondary Education**

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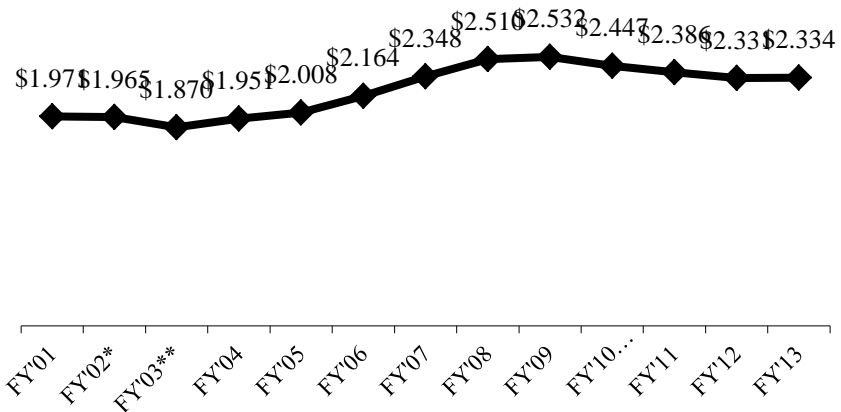


## COMMON EDUCATION

Over the past several years, the Legislature has implemented a number of reforms in education to improve student achievement and educational outcomes in Oklahoma. These initiatives involve every aspect of education – from early elementary education to rigorous high school standards to a new teacher and leader evaluation system. This chapter provides an overview of the Oklahoma common education system and highlights reform initiatives implemented to improve student outcomes across the pre-kindergarten through twelfth-grade years.

### APPROPRIATIONS FOR PUBLIC SCHOOLS

Common Education Appropriation History  
FY'01 Through FY'13 (In Billions)



\* Due to a statewide revenue shortfall the agency's appropriations were reduced by 3 percent.

\*\* Due to a statewide revenue shortfall the agency's appropriations were reduced by 8.3 percent.

\*\*\* Due to a statewide revenue shortfall the agency's appropriations were reduced by 4.9 percent

The largest single appropriation made by the Legislature supports the state's public school systems. For FY'13, 34.2 percent of all appropriations were for common education. If funding for higher education and career and technology education is added, the education share increases to 50.4 percent.

## **Funding Sources for Local School Districts**

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

- state appropriated revenue;
- local and county revenue;
- state dedicated revenue; and
- federal funds.

**State Appropriations:** Annual legislative appropriations rose steadily from FY'89 to FY'01, when they comprised more than 59 percent of all common school funding. Since FY'01, this percentage has fallen as low as 48 percent, mostly due to an increase in local funds and a decrease in state revenue collections due to the recent recession. Additional state funding comes from dedicated sources outlined below.

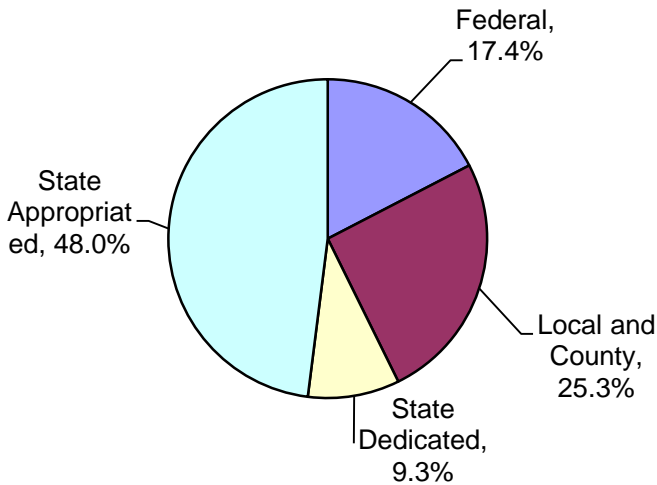
**Local and County Funds:** Local governments assess ad valorem taxes on property owners to support schools. The Oklahoma Constitution provides parameters for local millage assessments. For general fund use, each district is allowed to charge a maximum of 35 mills (a mill is 1/1000 of a dollar) on the assessed value of the district's real, personal and public service property. For the current school year, all 521 districts levied the maximum millage. There is also an automatic four-mill county levy for each district. In addition to these operational funds, all districts make use of the five-mill building-fund levy, and 379 of the districts utilize a sinking-fund levy. The sinking-fund levy is used to pay for local bond issues for capital improvements and maintenance. Bond issues must be approved by a 60 percent majority of a district's voters.

**State Dedicated Revenue:** Statutory and constitutional dedication of state revenue accounts for 9.3 percent of total common school revenue and comes from the following sources:

- Gross Production Tax – 7.14 percent of gross production taxes on extraction and production of certain raw materials from each county is allocated back to that county for the support of schools.
- Vehicle License and Registration – 36.2 percent of tag and registration fees are apportioned to local schools.
- Rural Electric Association Cooperative Tax – An assessment on rural electric cooperatives, paid in lieu of property taxes, generates revenues for schools.

- School Land Earnings – Rental earnings from state-held school lands and interest from investments are distributed to school districts statewide based on average daily attendance. These funds are managed and distributed by the Commissioners of the Land Office.

## Revenue Sources for School Districts 2010-2011 School Year



Federal Funds: Until recently federal funds comprised the smallest share of total revenue, ranging from 7 percent to 9 percent between FY'89 and FY'01. Federal funding has increased since FY'01 to allow states to implement requirements of the No Child Left Behind Act. It has also increased due to an influx of federal stimulus dollars for the purposes of Title I, IDEA, and Education Jobs funding. All federal funds are dedicated to specific programs for target populations (e.g., school lunch programs, special education, economically disadvantaged, etc.).

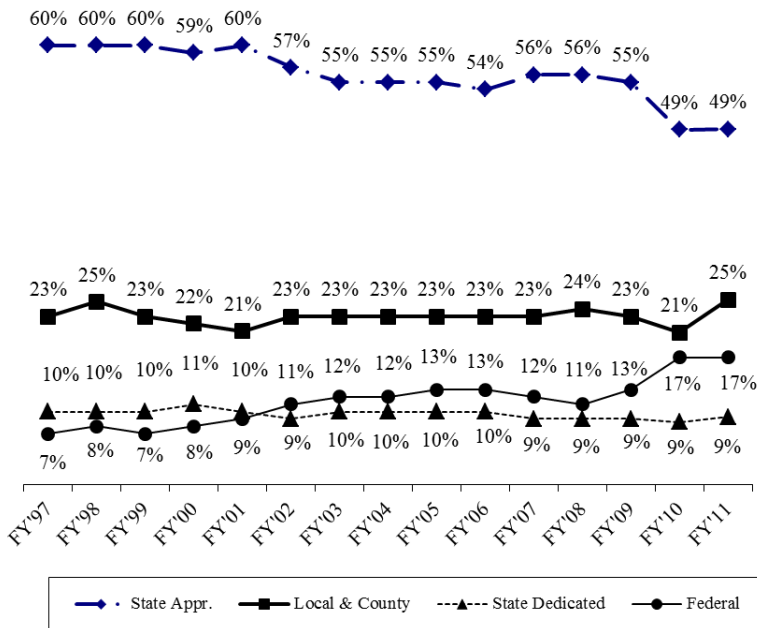
### Distribution of Appropriated Funds

For FY'13, over 77.8 percent of the annual appropriation for common education will be distributed to local districts based on the statutory State Aid Funding Formula, which is designed to equalize funding among districts. 21 percent of the funds are for special funding items such as textbooks, alternative education programs, advanced placement programs, etc. Less than 1 percent is for operations of the State Department of Education. Comparatively, in FY'01, 80.2 percent of state common education funds were distributed through the State Aid Funding Formula, 18.8 percent of the funds were targeted for specific items such as textbooks and alternative education, and 1 percent was appropriated to the State Department of Education for administration.

## Historical Changes in Funding Sources for Schools

General funding which comprises 72 percent of all expenditures for schools has changed radically during the state’s history. Local revenues from property taxes, which in 1976 accounted for 40 percent of general school funding, now contribute about one-fourth of revenue. Legislative appropriations from state revenue sources are the principal source of total general funding growth, currently comprising 48 percent of the funding mix.

Funding for Common Schools  
by Source Using General Funds  
FY'97 – FY'11  
(Percentage of Total Funding)



Source: State Department of Education reports

## State Aid Funding Formula (Section 18-200.1 of O.S. 70)

The State Aid Funding Formula is set in statute and distributes funds through three categories: Foundation Aid, Incentive Aid, and Transportation Aid.

- Foundation Aid** is calculated on the basis of the highest weighted average daily membership (ADM) of students in each district for the preceding two years or the first nine weeks of the current school year, although the count for virtual students is only based on the current school year. Weighting recognizes that educational costs vary by district and by student. Students

with special educational needs (impaired vision, learning disabilities, physical handicaps, etc.) are given additional weighting because additional costs will be incurred in providing these students an opportunity to learn. Grade-level weightings are used to account for variations in the cost of teaching different grade levels. To compensate for higher costs associated with smaller schools, weighting is also granted to isolated districts or districts with fewer than 529 students. Weighting is also provided for economically disadvantaged students.

The weighted ADM for a district is then multiplied by the Foundation Support Level (\$1,578.00 per weighted ADM for the 2011-2012 school year). From this figure, a portion of a district's local revenues and all of its state-dedicated revenues are subtracted to arrive at the Foundation Aid amount.

- **Incentive Aid**, also called Salary Incentive Aid, guarantees each district a minimum amount of funding per weighted student for each mill up to 20 mills of local ad valorem taxes levied above 15 mills. For the 2011-2012 school year, the amount is \$73.11.

To calculate Incentive Aid, the weighted ADM is multiplied by the Incentive Aid Guarantee. A factored amount of local support is then subtracted. The number of mills the district levies over 15 is then multiplied by the resulting figure ( $\$78.35 \times 20 = \$1,567.00$ ). The product is the district's Incentive Aid.

- **Transportation Aid** is provided to districts for transporting all students **who live more than 1.5 miles from school**. **These students, the "average daily haul"**, are multiplied by the per capita transportation allowance and the transportation factor (set by statute). The per capita transportation allowance is based on the district's population and provides greater weight to sparsely populated areas.

In 1997, the State Aid Funding Formula was changed to allow school districts to receive additional funding for current year student growth. This eliminated the need for a mid-term supplemental appropriation due to student increases.

**History of Oklahoma State Aid Factor  
Per Weighted ADM  
FY'92 Through FY'12**

<b>Fiscal Year</b>	<b>Foundation Aid</b>	<b>Incentive Aid Factor</b>	<b>Total Amount/ WADM</b>	<b>Dollar Change</b>	<b>% Change in Total Amount</b>
FY92	\$1,064.00	\$51.08	\$2,085.60		
FY93	\$1,098.00	\$53.14	\$2,160.80	\$75.20	3.6%
FY94	\$1,139.00	\$55.12	\$2,241.40	\$80.60	3.7%
FY95	\$1,149.00	\$56.01	\$2,269.20	\$27.80	1.2%
FY96	\$1,165.00	\$56.51	\$2,295.20	\$26.00	1.1%
FY97	\$1,195.00	\$58.17	\$2,358.40	\$63.20	2.8%
FY98	\$1,216.00	\$58.47	\$2,385.40	\$27.00	1.1%
FY99	\$1,239.00	\$59.93	\$2,437.60	\$52.20	2.2%
FY00	\$1,271.00	\$61.69	\$2,504.80	\$67.20	2.8%
FY01	\$1,320.00	\$62.92	\$2,578.40	\$73.60	2.9%
FY02*	\$1,377.00	\$64.81	\$2,673.20	\$94.80	3.7%
FY03	\$1,359.00	\$64.02	\$2,639.40	-\$33.80	-1.3%
FY04	\$1,354.00	\$63.42	\$2,622.40	-\$17.00	-0.6%
FY05	\$1,365.00	\$63.71	\$2,639.20	\$16.80	0.6%
FY06	\$1,463.00	\$70.06	\$2,864.20	\$225.00	8.5%
FY07	\$1,501.00	\$70.93	\$2,919.60	\$55.40	1.9%
FY08	\$1,616.00	\$78.65	\$3,189.00	\$269.40	9.2%
FY09	\$1,642.00	\$78.97	\$3,221.40	\$32.40	1.0%
FY10**	\$1,643.05	\$78.35	\$3,210.05	-\$11.35	-0.4%
FY11	\$1,601.00	\$75.62	\$3,113.40	-\$96.65	-3.0%
FY12	\$1,578.00	\$73.11	\$3,040.20	-\$73.20	-2.4%

\* Due to a revenue shortfall in FY'02, each district's total state aid was reduced by 3.8%.

\*\* Due to a revenue shortfall in FY'10, each district's total state aid was reduced by 7.6%.

Much of the state's focus on common education funding is aimed at reducing inequities in general funding available to various school districts. This number is reflected in the average per pupil expenditures per fall enrollment. For FY'10, the average Oklahoma per pupil expenditure, except for funds used for capital expenses, nontraditional expenses, etc, was \$7,896, according to data collected by the U.S. Census Bureau for their Public Education Finances Report.

## **LOTTERY AND GAMING**

Two additional sources of revenue were approved by Oklahoma voters in November 2004. The first was the Oklahoma Education Lottery Act; the second was the State-Tribal Gaming Act. The Oklahoma Education Lottery Act was approved as a ballot measure by the 2003 Legislature for the 2004 general election. The State-Tribal Gaming Act was referred to a vote of the people by the 2004 Legislature.

### **Oklahoma Education Lottery**

HB 1278, which provided an outline for the Education Lottery, was approved during the 2003 Legislative Session. According to the rules of distribution that were set forth in the bill, 45 percent serves as prize money, 20 percent is used for administrative costs, and 35 percent is allocated to education. In the first two full years of its existence, only 30 percent of the net proceeds were allocated to benefit education since funding was needed to pay off the \$10 million bond issue for start-up costs. Of the portion allocated for education, 45 percent can be used to fund K-12<sup>th</sup> grade public education and early childhood development programs; 45 percent can be used to fund higher education and career and technology education tuition assistance programs, capital projects, endowed chairs, technology improvements, as well as the Schools for the Deaf and the Blind; 5 percent is deposited in the School Consolidation Assistance Fund; and 5 percent is deposited into the Teachers' Retirement System Dedicated Revenue Revolving Fund. The Oklahoma Education Lottery Commission, also authorized by HB 1278, oversees all lottery operations.

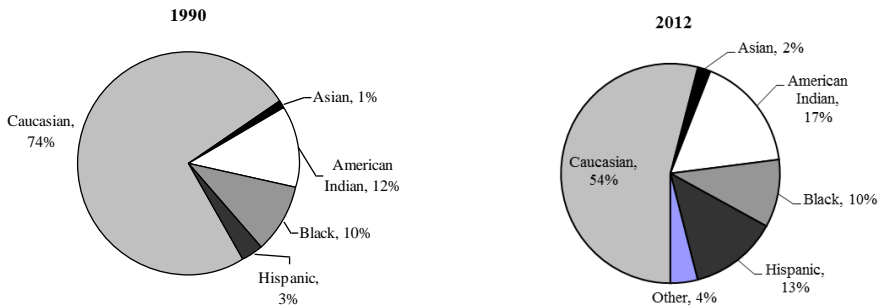
### **State-Tribal Gaming Act**

Another Legislative initiative from the 2004 Legislative Session was the passage of SB 1252, also known as the State-Tribal Gaming Act. This Act provides revenues for two areas of funding. The first is the Education Reform Revolving Fund (1017 Fund), in which 88% of generated gaming revenues are placed. The Education Reform Revolving Fund helps provide financial support for public schools through the State Aid Formula. The second beneficiary is the General Revenue Fund, in which the remaining 12% of generated gaming revenues are placed. Originally, this 12% amount was apportioned to the Oklahoma Higher Learning Access Program (OHLAP), also known as Oklahoma's Promise, which funds scholarships for students who would like to attend an in-state public college or university. However, SB 820 from the 2007 Legislative Session redirected these funds to the General Revenue Fund. This bill provides that the State Board of Equalization will each year make a determination of the needed amount for OHLAP and automatically subtract it from the amount it certifies as available for appropriation from the General Revenue Fund.

## STUDENT DEMOGRAPHICS

Over the past two decades Oklahoma's student population has experienced a number of changes. While the total number of students enrolling in school has increased by 1.5 percent from FY'90 through FY'12 (from 579,167 to 666,121), there have been some relatively significant changes in student enrollment by race and ethnicity. The number of Hispanic children enrolled in Oklahoma schools has increased by more than 70,000 students since 1990.

### Public School Enrollment by Race/Ethnicity 1990 and 2012



Source: State Department of Education

The number of children identified in need of special education services increased by approximately 30.9 percent (22,176) from 71,760 children in FY'94. In FY'12, there were 98,979 students aged 3 through 21 on individual education programs (IEPs).

Oklahoma has 521 school districts with 994 elementary schools, 225 middle schools, 68 jr. high schools, 21 charters and 461 senior highs.

## EXPENDITURES

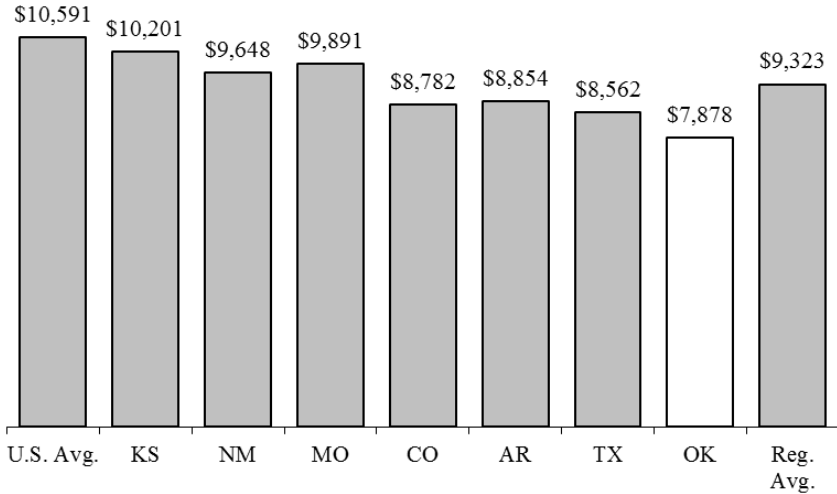
### Per-Pupil Expenditures

The National Center for Education Statistics (NCES) provides per-pupil expenditure comparisons for all states. Since NCES is a branch of the federal education department, per-pupil expenditure statistics from the NCES are widely used to compare state funding efforts for common education. Each state's number is calculated by dividing the total amount of funds expended for education, excluding expenditures on capital outlay, other programs, and interest on long-term debt, by the fall membership of public school students in the state.



The analysis includes all funding sources – local, state and federal. Historically, Oklahoma has spent below the national and regional averages on education.

### Per-Pupil Spending for Oklahoma and the Region FY'09



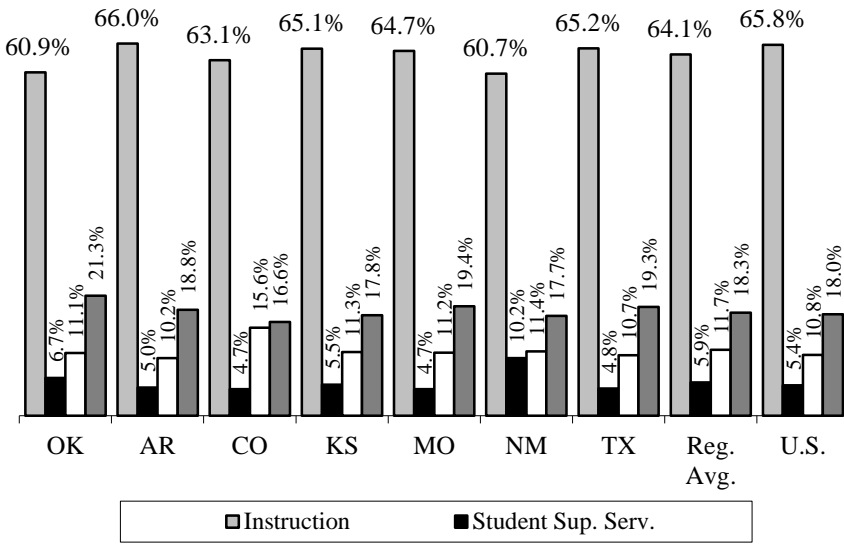
Source: National Center for Education Statistics (NCES )Common Core Data 2011

Oklahoma is at 85 percent of the regional average. Nationally, Oklahoma ranks 49 out of 50 states and the District of Columbia in annual per-pupil expenditures. District of Columbia ranks first with \$19,698 in annual per-pupil expenditures and Utah ranks last with \$6,612 in annual per-pupil expenditures for FY'09.

### Expenditures by Function

When looking at expenditures by function for the 2008-2009 school year, Oklahoma spends 60.9 percent of its money on instruction. This is 4.9 percent less than the national average and 3.2 percent less than the regional average. The category of instruction includes expenditures for staff and services that work directly with students, such as teachers, teaching assistants, and librarians. Student support services include guidance counselors, school nurses, social workers, and attendance staff. Administration includes administrators and administrative staff of schools and school districts. Operations include the operating expenditures for keeping schools and other school district facilities operating, as well as student transportation and food services.

### Percentage of School Expenditures by Function Oklahoma and Surrounding States 2007 Through 2009

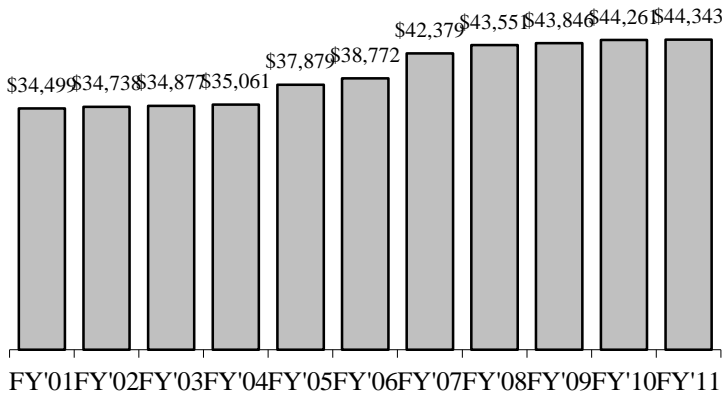


Source: National Center for Education Statistics (NCES) CCD 2012

### Teacher Salaries and Benefits

Since FY'90, legislators have focused on raising the salaries of classroom teachers. Between FY'01 and FY'11, the average salary for instructional staff has increased 28.5 percent, an average annual increase of 2.9 percent.

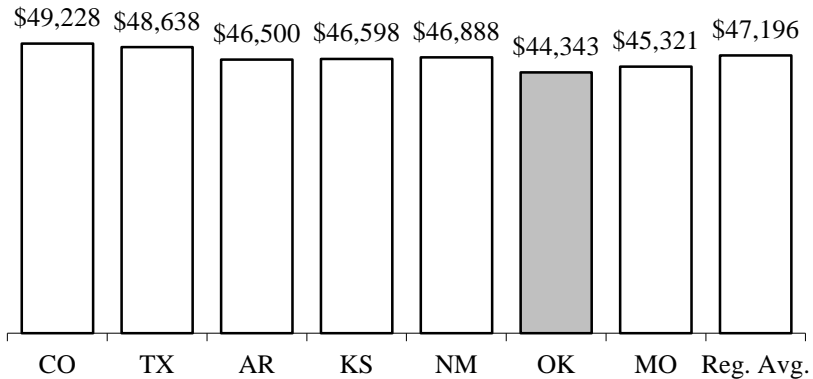
### Average Instructional Staff Salaries in Oklahoma FY'01 Through FY'11 (Excludes Fringe Benefits)



Source: Southern Regional Education Board (SREB), NEA

While school districts ultimately set teacher salaries, lawmakers have chosen to mandate minimum salaries in statute (70 O.S. 18-114.12). This policy has resulted in significant gains for beginning teachers, bringing Oklahoma’s first-year teacher salary to parity with regional states. The minimum teacher salary for a first-year teacher has increased from \$17,000 in FY’90 to \$31,600 currently, for teachers with at least a bachelor’s degree.

### Average Teacher Salaries for Oklahoma and the Region 2010-2011 School Year



Source: Southern Regional Education Board (SREB), NEA

In recent years, lawmakers have made several efforts to improve teacher salaries and health benefits across the state. Since the 2004 Legislative Session, almost \$489.6 million in new funding has been appropriated for this purpose.

HB 2662, from the 2004 Legislative Session, raised the benefit allowance for all teachers from 58 percent to 100 percent and excluded certain fringe benefits from being counted toward the teachers’ minimum salary schedule. These two provisions of the bill yielded an average salary increase of between \$850 and \$1,050 per year for approximately 30 percent of all Oklahoma teachers. For the 2005 fiscal year, the Legislature appropriated \$76.3 million to cover health insurance for all certified personnel within Common Education, \$2.2 million for support personnel, and \$3.75 million for personnel in the CareerTech system.

During the 2005 Legislative Session, the teachers’ minimum salary schedule was changed to provide teachers with a salary increase that averaged \$1,300 per teacher throughout the state. For the 2006 fiscal year the Legislature appropriated \$57.8 million to Common Education in order to fund this increase through the State Aid Formula. Additional increases for health benefits were also included totaling approximately \$32.9 million for certified personnel and \$9.9 million for support personnel.

SB 2XX from the 2006 Special Session provided a \$3,000 across-the-board salary increase for all teachers, modified the 2006-07 salary schedule to reflect this increase and modified the 2007-08 salary schedule to include another \$600 across-the-board salary increase. For the 2007 fiscal year, the Legislature appropriated \$161.5 million to Common Education and \$5.9 million to CareerTech in order to fund this increase. Additional amounts of \$10 million and \$6 million were also appropriated to cover increased costs for certified and support personnel health benefits respectively. CareerTech received a \$1.6 million appropriation for health benefit cost increases as well.

HB 1134 from the 2007 Legislative Session helped Oklahoma's teachers receive an average annual salary increase of \$1,000 during the 2007-08 school year. The breakdown for this average increase is as follows:

- The 2007-08 minimum salary schedule already contained a \$600 salary increase when compared to the 2006-07 minimum salary schedule. This increase was put in place for all years of experience and degree levels. \$32.2 million was appropriated inside the State Aid Formula to cover the associated costs of this increase, including the employers' share of taxes and Teachers' Retirement contributions. The Department of Career and Technology Education also received \$1.5 million to fully fund this increase.
- In addition to this original \$600 increase, other increases were added to the 2007-08 minimum salary schedule as follows:
  - ✓ \$425 for teachers with at least 10 years of experience who have earned bachelor's degrees,
  - ✓ \$850 for teachers with at least 10 years of experience who have earned master's degrees, and
  - ✓ \$1,700 for teachers with at least 10 years of experience who have earned doctorate degrees.

\$20 million was appropriated to the Department of Education to cover the associated costs of these additional increases. Funding for these increases was appropriated through the State Aid Formula and again included the employers' share of taxes and Teachers' Retirement contributions. The Department of Career and Technology Education also received an additional \$845,778 to fully fund this increase.

- Although this salary increase was fully funded for every teacher, school districts are only required to pay their teachers at the 2007-08 Minimum Salary Schedule level. In other words, if a school district already pays its teachers above the 2007-08 Minimum Salary Schedule, it will be up to their discretion whether or not to pay teachers any additional money.

Additional funding was again provided to address health care benefit cost increases for certified and support personnel. As a result, school districts received additional amounts of \$21.8 million, \$5.9 million, and \$2 million for certified personnel, support personnel, and the CareerTech system respectively.

Finally, even though the recent recession did affect Oklahoma and the State Department of Education was forced to deal with revenue shortfalls, the Legislature attempted to shield teacher salaries and benefits, including a \$37.6 million appropriation supplemental during the 2012 Legislature.

## **PUBLIC SCHOOL REFORM INITIATIVES**

Oklahoma's public schools have undergone significant changes since FY'89. Many of these changes are the direct result of the enactment of the landmark educational reform act of 1990, House Bill 1017. The Legislature originally appropriated more than \$565 million over five years to implement a wide range of reform policies as follows:

- **Reduced class sizes:** The Legislature appropriated \$30 million for districts to hire more teachers to comply with reductions in class size requirements. For kindergarten through sixth grades, a student teacher ratio of 20:1 is mandated. For students in grades seventh through twelfth, the maximum number of students allowed per teacher is 140 per day. Failure to comply with class size limits results in sanctions, which are authorized by statute.
- **Exemptions:** Some classrooms are exempted from calculations of class size limits:
  - ✓ If the class taught is a physical education or music class;
  - ✓ If the classroom exceeds the limit after the first nine weeks of school;
  - ✓ If the creation of an additional class will cause a class to have fewer than 10 students in kindergarten through grade three, and fewer than 16 for grades four through six;
  - ✓ If a teacher's assistant is employed to serve in classrooms that exceed the class size limitation;
  - ✓ If the school district has voted indebtedness through the issuance of bonds for more than 85 percent of the maximum allowable pursuant to the provisions of Section 26 of Article X of the Oklahoma Constitution;
  - ✓ If the school district is voting the maximum millage allowable for the support, maintenance and construction of schools; or

- ✓ If the school district consolidates or annexes under the Oklahoma School Voluntary Consolidation and Annexation Act.
- **Funding Equity:** The Legislature achieved more equity in student funding by appropriating over \$88 million to support the state aid formula.
- **Early Childhood Programs:** HB 1017 and follow-up legislation mandated and funded half-day kindergarten for all children and provided \$8.4 million for half-day four-year-old programs.
- **School Deregulation and Consolidation:** The initiative provided limited deregulation and funding incentives for the voluntary reduction of school districts from 611 in 1988 to 521 for the 2012-2013 school year.
- **Accountability:** The Office of Accountability was created to compile student achievement data by school site (see section on Office of Accountability below).

Some of the more recent reform measures include the Achieving Classroom Excellence Act of 2005 (SB 982) along with a follow-up implementation bill (SB 1792) in 2006, which included several initiatives, with a major focus on high school reform. Key provisions included:

- **Full Day Kindergarten** – See discussion in Early Childhood Education section below.
- **Middle School Math Improvement** - \$2 million was provided for training of 500 teachers and awarding a \$1,000 bonus to teachers who attend the continuing education and successfully pass the intermediate math certification exam. The budget also included \$2.5 million for **Middle School Math Labs** in schools with records of low math performance.
- **7<sup>th</sup> and 8<sup>th</sup> Grade Student Remediation** - Requires remediation for students who do not score at least at the satisfactory level on the reading and math tests administered in the 7th grade in the 2006-07 school year, and in the 8th grade in the 2007-08 school year. This is intended to prepare students for the end-of-instruction tests at the high school level.
- **ACE Steering Committee** – Created to advise the State Board of Education (SBE) on curriculum alignment, assessment development, cut-score determination, alternate tests, intervention and remediation strategies, and consequences for eighth-grade students who do not meet the mandated standard.

- **High School and Testing Reform**

- ✓ Requires students entering 9th grade in 2006-07 school year to enroll in a college preparatory/work ready curriculum. Allows parents to choose to enroll their student in a non-college preparatory curriculum.
- ✓ Directs SBE to develop end-of-instruction (EOI) tests in English III, Geometry, and Algebra II during the 2006-07 school year and implement the tests during the 2007-08 school year. The FY'07 budget included \$5.7 million for new test development and implementation.
- ✓ Requires students to pass 4 out of 7 EOI tests to receive a high school diploma beginning with students entering 9th grade in the 2008-09 school year. Students must pass Algebra I and English II along with 2 of the following tests: US History, Biology I, Geometry, Algebra II, and English III.
- ✓ Provides remediation and opportunity to retake EOI tests until at least a satisfactory score is attained on Algebra I and English II and two of the other listed tests or an approved alternative test.
- ✓ Authorizes technology center schools to provide remediation in Algebra I and Biology I to students enrolled in technology center schools.
- ✓ Directs State Department of Education to provide information on best practices for remediation and intervention and requires districts to monitor results and report findings to SDE.
- ✓ Requires student individualized education programs (IEPs) to have an appropriate statement on the IEP requiring administration of assessments with or without accommodations or with alternate assessments.
- ✓ Requires students identified as English language learners (ELL) to be assessed in a valid and reliable manner with the state academic assessments with acceptable accommodations as necessary, or with alternate assessments.
- ✓ Authorizes SBE to approve alternative methods for students to demonstrate mastery of the state academic content standards.
- ✓ Directs SBE to adopt rules for necessary student exceptions and exemptions to testing requirements. Requires SBE to collect and report data on number of students provided and categories of exceptions and exemptions granted.
- ✓ Directs SBE to review, realign and recalibrate the tests in reading and mathematics in third through eighth grades and the EOI tests. The SBE shall determine the cut scores for the new EOI tests and phase them in

over a multi-year period. The SBE shall compare EOI tests with those of other states and adjust cut scores as necessary.

- ✓ Directs the SBE to retain services of a nationally recognized, independent organization to study the reliability and validity of the EOI tests.
- ✓ Provides tuition waivers for up to 6 credit hours per semester for high school seniors who meet eligibility requirements for concurrent enrollment.

Additional key public school reform initiatives that have been passed:

### **2009 Legislation**

**SB 222** created the Educational Accountability Reform Act. First, this bill created a P-20 Data Coordinating Council until July 1, 2015 to assess the state's current student data system and make recommendations on improvements towards a unified system among all education agencies. Second, it created the Quality Assessment and Accountability Task Force to conduct a crosswalk of state curricular and performance standards with those of other high achieving states and to review the state student testing system. Third, this bill created the Educational Quality and Accountability (EQA) Board until July 1, 2015, to review the process for determination of adequate yearly progress, the process for approval of testing contracts, the tests administered, the cut score process, and determination of student performance levels. Finally, this bill authorizes the EQA Board to conduct an audit of the School Testing Program, and it modified the student testing performance level terminology and method by which the State Board of Education determines cut scores.

**HB 1461** requires schools that do not achieve Adequate Yearly Progress (AYP) status for two consecutive years and are identified for school improvement to use the assistance of a school support team established by the State Department of Education. The school support team will review and analyze all operations of the school in order to incorporate school improvement strategies and facilitate professional development through teacher training.

**HB 1864** changed the calculation of the school year to provide the option of measurement in hours (1,080 hours of classroom instruction) instead of days. It allows up to 30 hours a year to be used for attendance of professional meetings and allows parent-teacher conferences to count as classroom instruction time for no more than 12 hours per year. This bill also allows for the length of a school day to be extended and the number of days to be reduced, as long as the total number of hours is not less than 1,080 in a school year. Finally, it authorizes school districts to utilize instruction hours on Saturdays, pending the approval of the State Board of Education.



### **2010 Legislation**

**SB 2033** authorizes several reform initiatives in support of Oklahoma’s application for federal Race to the Top funds including a statewide teacher evaluation system, performance pay initiatives based upon the evaluation system, and other pay initiatives for teachers in hard-to-staff areas and low-performing schools. This bill also provides a process for dismissing teachers who do not achieve certain ratings under the evaluation system and limits compensation and benefits for career teachers who file a petition for trial de novo. (HB 1380 from 2011 eliminated trial de novo.) Moreover, it requires the State Board of Education to adopt the K-12 Common Core State Standards for English/language arts and mathematics. Finally, this bill requires school district boards to implement one of four intervention models in the event that a school site in their district is persistently identified as being among the low-achieving schools in the state. These intervention models include the turnaround model, the restart model, the transformation model, and school closure. (Oklahoma was unsuccessful in receiving Race to the Top funds, so in HB 1267 from 2011 the Race to the Top Commission was renamed the Teacher and Leader Effectiveness Commission.)

### **2011 Legislation**

**SB 346** requires students who score at a level of unsatisfactory on the reading portion of the 3<sup>rd</sup> grade criterion-referenced test to be retained. It requires schools to provide programs and additional help to struggling students beginning in the first grade to prevent retention. The retention requirement is subject to several good cause exemptions including students with an IEP, limited English-proficient students, and alternative assessment or portfolio demonstration of proficiency. It also requires each school district to establish a Reading Enhancement and Acceleration Development (READ) initiative focused on preventing retention.

**HB 1456** establishes a system to give schools a letter grade and deliver that information to parents. The grades of schools will be based 33% upon test scores, 17% learning gains in reading and mathematics, 17% on improvement of the lowest 25<sup>th</sup> percentile of students in the school in reading and mathematics on CRT’s and EOI tests, and 33% on whole school improvement. For middle and elementary school grades, total school improvement will be based on the drop-out rate, the percentage of students taking higher level coursework at a satisfactory or higher level and any other factors selected by the State Superintendent.

### **2012 Legislation**

**SB 1816** creates the Statewide Virtual Charter School Board. The Board may be an applicant for a full-time statewide virtual charter school sponsored by the State Board of Education pursuant to the Oklahoma Charter Schools Act and consist of five members.

**SB 1797** (Refer to the section titled ‘Office of Accountability’)

## **EARLY CHILDHOOD EDUCATION**

The Legislature has supported a range of early childhood developmental programs covering such areas as health care, developmental disabilities, child abuse prevention, parent education and early childhood education. These programs provide valuable developmental, health and educational services designed to ensure children under the age of 5 will be healthy and ready to learn once they enter kindergarten.

### **SoonerStart**

Funded through the State Department of Education, SoonerStart is a collaborative program which provides nursing, nutrition and case management services as well as physical, occupational and speech-language therapy to children who are disabled or developmentally delayed from birth to 36 months. For FY '13, the program is expected to serve around 13,000 children with a combined state and federal budget of \$19.8 million.

### **Head Start**

Head Start is a state and federally-funded program which provides developmental, health and parent educational services to low-income children ages 0 through 5 and their families. Oklahoma is one of the few states that provide state supplements for Head Start. For FY'11, the Legislature appropriated approximately \$2.4 million, an increase of almost 500 percent since FY'92 when the Legislature initiated state funding of the program with a \$423,000 appropriation. Oklahoma's program also received over \$114.5 million in federal funds for FY'11. State funds are appropriated to the Oklahoma Department of Commerce for administration and management of the program.

During FY'11, Head Start served 20,388 children and 293 women through 412 programs state wide.

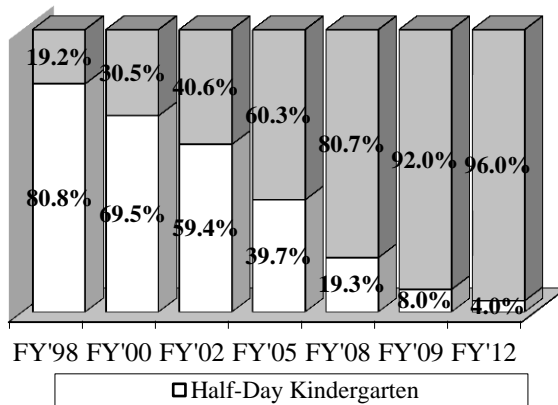
### **Programs for Four-Year-Olds**

Free half-day and full-day programs for four-year-olds are offered by school districts across the state. These programs provide developmentally appropriate activities to prepare children for kindergarten. In 1998, the Legislature increased funding available to schools to provide these programs. Enrollment in this program has increased dramatically since then. During FY'98, 2,493 four-year-olds in Oklahoma attended half-day public school pre-kindergarten, while in 2011-2012, 39,772 children were enrolled in Oklahoma Pre-Kindergarten programs. 66% of those children participated in a full-day program. Additionally, 99% of school districts chose to participate in the voluntary program.

## Full-Day Kindergarten

Students five-years of age must attend at least a half-day of kindergarten; full-day attendance is optional. The requirement for school districts to offer full-day kindergarten was enacted in 1999 in HB 1759, but it was contingent on funding. Districts receive an increased weight in the State Aid formula for full-day kindergarten as an incentive to implement the program. Districts are exempt from the requirement if their bonded indebtedness exceeds 85 percent of the maximum allowable at any time in the previous five years.

### Growth in Full-Day Kindergarten FY'98 Through FY'12



## Oklahoma Parents as Teachers

OPAT is a home visitation program serving families with children birth to age three. Monthly home visits, developmental screenings, and referrals are completed by parent educators employed by the school district. Enrollment is voluntary, but an emphasis is placed upon recruiting high needs families. In 2011-2012, 4,220 children within 74 school districts were served through OPAT at an average cost of \$375 per child. Total funding for the program in 2011-2012 was \$1,585,471.

## Oklahoma Partnership for School Readiness

Created in 2003 and funded through the Department of Human Services, the Oklahoma Partnership for School Readiness is a collaborative public/private partnership known as Smart Start Oklahoma. Smart Start coalitions in 18 communities across the state receive technical assistance, training and resources. In addition, the Partnership provides grants to support local needs assessments and strategic planning activities. This initiative first received state funding in FY'05 with a \$2 million appropriation; however, due to the recent recession, their current funding level is at \$1,842,976.

## Rural Infant Stimulation Environment (RISE)

During the 2007 Legislative Session, \$550,000 was appropriated to establish a RISE School Program that is designed to serve young children with physical disabilities from birth to five years of age. Funding for this program was later increased to \$600,000. However, due to the recent recession, the funding for this program has been reduced to \$529,943 in FY '13.

## Educare

During the 2006 Legislative Session, \$5 million was appropriated for an early childhood public/private match pilot program. This funding was matched on a 1:2 basis for one rural and one urban program. During the 2007 Legislative session, funding for this program was increased to \$10 million. In the program's sixth year, 2,642 slots were provided to low-income children by 11 providers and 14 sites at a state cost of \$10,000,000. The required private match is \$15,000,000. The average cost per child for year-round services is \$9,462.53.

## STUDENT TESTING

Oklahoma requires a number of state and national tests from third grade through high school.

In 1985, the Legislature laid the foundation for a comprehensive testing system with the Oklahoma School Testing Program. Since that time the program has undergone a number of changes.

All state-mandated tests are now criterion-referenced assessments, meaning they measure student attainment of skills established in Oklahoma's core curriculum, known as the Priority Academic Student Skills (PASS). At the secondary level, students are administered assessments at the completion of the subject matter instruction, rather than at specific grade levels. These tests are referred to as End-of-Instruction (EOI) tests. Currently, students attending public schools are required to participate in the following tests:

3 <sup>rd</sup>	Reading and Mathematics
4 <sup>th</sup>	Reading and Mathematics
5 <sup>th</sup>	Reading, Writing, Mathematics, Science, and Social Studies
6 <sup>th</sup>	Reading and Mathematics
7 <sup>th</sup>	Reading, Mathematics, and Geography
8 <sup>th</sup>	Reading, Writing, Mathematics, Science, and U.S. History
Secondary	Algebra I, Algebra II, Geometry, English II, English III, Biology I and U.S. History

Oklahoma Core Curriculum Tests, Grades 3-8  
 Percentage of all Oklahoma Students Tested  
 Scoring at the Proficient Level

2011-12 School Year Compared to 2010-11 School Year

Grade Level	Content Area	Percent Proficient	Increase/Decrease
<b>3</b>	Reading	72	+2
	Math	70	0
<b>4</b>	Reading	63	0
	Math	73	+1
<b>5</b>	Reading	68	+1
	Math	70	+1
	Writing	74	-4
	Science	88	-1
	Social Studies	69	-1
<b>6</b>	Reading	69	+4
	Math	71	+4
<b>7</b>	Reading	74	+3
	Math	70	+2
	Geography	82	+1
<b>8</b>	Reading	79	+2
	Math	68	+2
	Science	87	-2
	U.S. History	70	-1
	Writing	90	+5

Oklahoma EOI Tests Summary  
2011-2012 School Year  
Percentage of Regular Education  
Students Who Scored at the Proficient Level

Content Area	Percent Proficient Regular*	Increase/ Decrease
English II	86	0
ACE Algebra I	82	+3
Biology I	76	-3
U.S. History	74	-3
Algebra II	74	+8
Geometry	82	+4
English III	85	+1

\* Regular education does not include English language learners (ELLs) nor students with disabilities who are served on an Individualized Education Program (IEP).

Source: State Department of Education

In addition to the state tests, the National Assessment of Educational Progress (NAEP), a standardized national test, is administered every two years to a sample of approximately 2,500 4<sup>th</sup> and 8<sup>th</sup> grade students in schools selected by the NAEP governing board as being demographically representative of the state as a whole. The NAEP is used to compare students' educational achievement across the nation as an external check of the rigor of states' standards and assessments. Oklahoma has been required to participate in NAEP testing since passage of a state law in 1997. The federal No Child Left Behind Act has required all states to participate in NAEP beginning in 2003.

On the following page are results reflect the 2011 NAEP test for students:

Oklahoma's Performance  
on the National Assessment of Educational Progress  
(NAEP) Tests  
as Compared to the U.S. Average Scale Score

READING				MATHEMATICS			
Grade	Year	State Avg.	U.S. Avg.	Grade	Year	State Avg.	U.S. Avg.
4	1992	220	215	4	1992	220	219
	2003	214	216		2003	229	234
	2005	214	217		2005	234	237
	2007	217	220		2007	237	239
	2009	217	220		2009	237	239
	2011	215	220		2011	237	240
8	1998	265	261	8	1992	268	267
	2003	262	261		2003	272	276
	2005	260	260		2005	271	278
	2007	260	261		2007	275	280
	2009	259	262		2009	276	282
	2011	260	264		2011	279	283

Source: Oklahoma's State Profile from "The Nation's Report Card," National Assessment of Educational Progress

**Office of Accountability**

Created by HB 1017 in 1990, the Office of Accountability operates under the governance of the Education Oversight Board. The office administers two programs, the Oklahoma Educational Indicators Program and the Oklahoma School Performance Review Program.

Through the Oklahoma Educational Indicators Program, the Office of Accountability provides annual reports on public school performance at the State, District, and School levels. These "Profiles" report cards provide school performance information that is comparable and in context with various indicators. The report cards may be viewed on the internet at [www.schoolreportcard.org](http://www.schoolreportcard.org) or by calling (405) 225-9470.

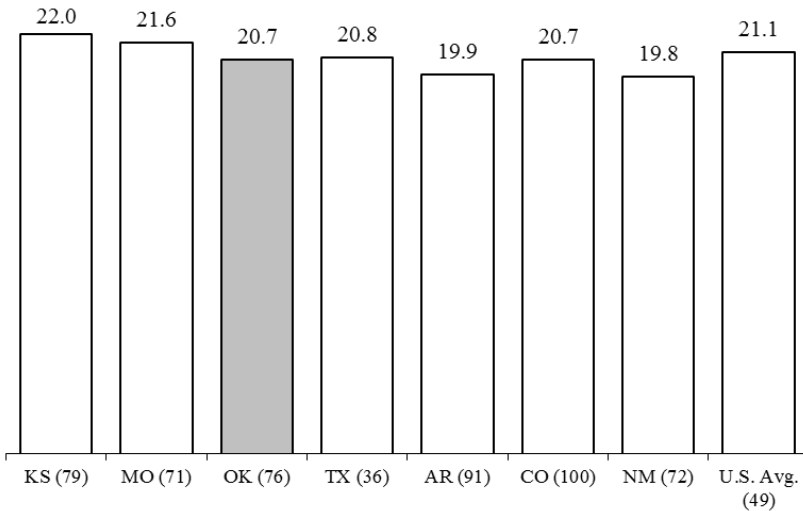
The Oklahoma School Performance Review Program was enacted in 2001 to determine the effectiveness and efficiency of the budget and operations of school districts.

However, SB 1797 from the 2012 Legislature abolishes the Education Oversight Board and creates the Commission for Educational Quality and Accountability. Beginning July 1, 2013, the duties of the Office of Accountability, which is renamed to be the Office of Educational Quality and Accountability, will be governed by the new Commission. Beginning July 1, 2014, the Commission will also assume many of the duties of the Commission of Teacher Preparation.

### **ACT College Entrance Exam**

Approximately 76 percent of high school seniors in Oklahoma participate in the ACT assessment for college admission. This compares to 49 percent of seniors nationally. Between 2005 and 2011, Oklahoma’s average composite score increased from 20.4 to 20.7, an increase of 1.5 percent.

**Oklahoma Students’ ACT Score Comparison  
2011**



Note: The number in parenthesis represents the percentage of seniors taking the ACT in the state.  
Source: National and State ACT Profile Reports



## **FEDERAL EDUCATIONAL REFORM EFFORTS**

In January of 2002 the U.S. Congress enacted House Resolution 1, known as the “No Child Left Behind Act”. This bill re-authorized the federal Elementary and Secondary Education Act (ESEA) funding for states and expands state testing and accountability program requirements. The main goal of the act is to ensure that by the 2013-2014 school year, all students will attain a minimum standard of proficiency or better in reading/language arts and mathematics. A number of new components are required of states and school districts to ensure progress. Congress is considering reauthorization of the ESEA once again. However, due to the division in Congress, the extent of the reauthorization and when or if that will actually happen, is unknown. Therefore, Oklahoma applied and was granted flexibility from the NCLB Act.

Over the last several years Oklahoma has been working to comply with the following provisions:

- Adopt state academic content standards in mathematics, reading/language arts and science. As a result of HB 1017, Oklahoma developed content standards in each of the four core academic areas in 1991. These standards are revised every six years at a minimum and have been reviewed by a number of state and national organizations;
- Develop and implement tests aligned to the state academic standards in grades three through eight in the areas of reading/language arts and math. In July of 2006, the United States Department of Education announced that Oklahoma was one of only four states in the nation to receive full federal approval of our student testing program;
- Develop and implement a single statewide accountability system for defining adequate yearly progress that meets federal guidelines;
- Ensure schools make adequate yearly progress (AYP) toward the goal of proficiency for all students in reading and mathematics by the 2013-14 school year. For schools and districts to make AYP, improvement must be demonstrated by all students along with each of the following subgroups of students: economically disadvantaged students, major racial or ethnic groups, students with disabilities, and English language learners (AYP may not be required in the reauthorization);
- Develop and implement school improvement sanctions for schools and districts that fail to make AYP. The number of schools identified as in need of improvement has been on a steady decline in recent years;

- Participate in the National Assessment of Educational Progress (NAEP). Participation in this program is also required under state law; and
- Ensure all teachers of core academic subjects are highly qualified by the end of the 2005-06 school year. More than 99 percent of Oklahoma teachers were reported to have met the benchmark.

While some additional funds are being provided to meet some of these requirements, federal funds for developing the accountability system and reporting system are not provided. Oklahoma has been working over the last several years to successfully implement this legislation and as we continue toward the intent of NCLB, final direction from the federal Department of Education will be necessary along with time to implement any new reforms.

## **SCHOOLS FOR THE BLIND AND DEAF**

The Oklahoma School for the Blind in Muskogee and the Oklahoma School for the Deaf in Sulphur provide day and residential services to students from across the state. Operated by the Department of Rehabilitation Services, both schools provide comprehensive educational and therapeutic services on their campus. The schools also provide a satellite pre-school, outreach and educational services to surrounding schools to allow even more students and families to have access to specialized programs.

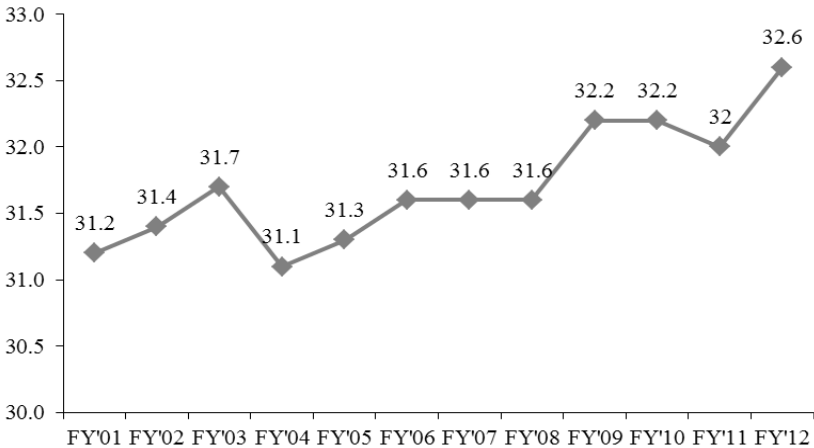
For FY'12, the Oklahoma School for the Blind received over \$7.1 million in state funds and in the 2011 school year, served 44 children in the residential program, 54 in the day program, and 88 in summer school. For FY'12, the Oklahoma School for the Deaf received over \$8.8 million in state funds and in the 2011 school year, served 87 children in the residential program, 55 in the day program, 26 in the pre-school program, and 70 in summer school.

As part of the schools' residential education programs, students have opportunities to participate in activities similar to a typical public school, including student organizations and interscholastic athletics. Course work mirrors classes at any public school but is enhanced with specialized instruction such as Braille, sign language, adaptive technology and equipment, orientation and mobility, etc. Both residential programs serve pre-kindergarten through twelve grades. Both schools transport residents home for weekends and holidays.

**OKLAHOMA SCHOOL OF SCIENCE AND MATHEMATICS**

Created in 1983 through legislative action, the mission of the Oklahoma School of Science and Mathematics is to foster the educational development of Oklahoma high school students who are talented in science and mathematics and show promise of exceptional development through participation in a residential educational setting emphasizing instruction in science and mathematics. This two-year residential school is located in Oklahoma City and provides advanced science and math courses to students in grades 11 and 12. With possible capacity for 288 students, the school currently serves approximately 144 students on a 32 acre campus.

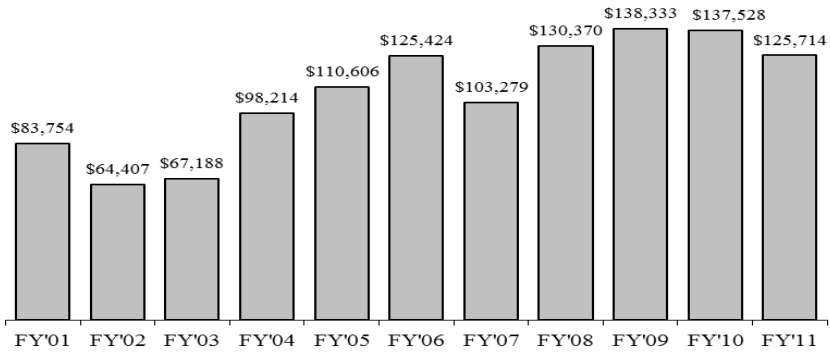
**Average ACT Score of Residential School  
FY'01 Through FY'12**



In the National Competition of Engineering Aptitude, Mathematics and Science (TEAM+S), sponsored each year by the Junior Engineering Technical Society, OSSM teams have placed first regionally for 13 consecutive years. In addition, the school has produced 175 National Merit Scholars.

To replicate the success of the residential school, the Legislature has provided funding to establish 13 regional math and science centers across the state to provide advanced science and math courses to students living in districts that did not offer these courses. All regional centers are housed in career and technology centers and are taught by people having a Ph.D. in the subject area.

### Average Scholarship Amount/Residential Students FY'01 Through FY'11



## **CAREER AND TECHNOLOGY EDUCATION (VO-TECH)**

Career and technology education got its start in 1904 when teacher H. F. Rusch, with the support of Oklahoma City Schools Superintendent Edgar Vaught, initiated the first manual training program. Schools in Lawton, Comanche, Ardmore and Muskogee followed Oklahoma City's lead. In all, 90 state schools offered vocational training prior to the passage of the Smith-Hughes Act of 1917, which established guidelines and funding for vocational education throughout the U.S.

In the 20<sup>th</sup> century, career and technology education advanced in both ideology and technology. Today, it is a comprehensive system that significantly contributes to the state's economic development and quality of life.

The Oklahoma Department of Career and Technology Education provides leadership and resources to ensure standards of excellence throughout the statewide system. The system offers its programs and services through 395 public school districts, 29 technology center districts with 57 campuses, and 16 skills centers located in correctional facilities. Currently, there are more than 2,500 instructors working in all areas of CareerTech education. Each of the technology centers works closely with advisors from local industry to ensure that Oklahoma's students learn the skills needed to be valued members of the workforce.

In FY 2011, enrollments in CareerTech training totaled 503,780. CareerTech provides nationally recognized competency-based curriculum, education, and training in the following broad categories. Each category offers a myriad of specialized and customized courses and training opportunities.

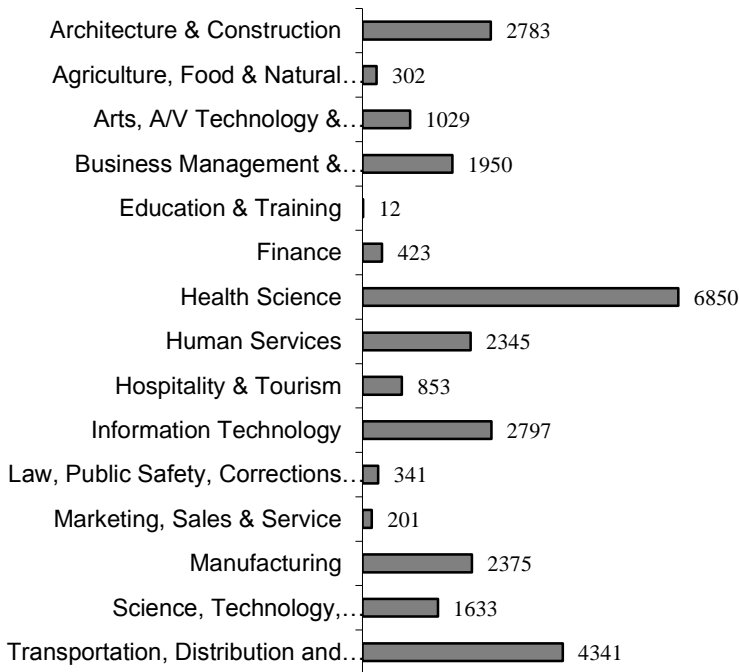
- Agricultural Education
- Business and Industry Training
- Business and Information Technology Education
- Family and Consumer Sciences Education
- Health Careers Education
- Marketing Education
- Science, Technology, Engineering, and Mathematics
- Technology Engineering
- Trade and Industrial Education

Oklahoma's CareerTech system uses competency-based curriculum. This curriculum is developed with the input of industry professionals, using skills standards to identify the knowledge and abilities needed to master an occupation.

Competency-based education enables CareerTech to provide students with the skills employers are seeking in the workplace.

CareerTech has developed 15 Career Clusters, which group occupations together based on commonalities. Schools will use these Career Clusters as an organizational tool to help students identify pathways from secondary schools to career technical schools, colleges, graduate schools, and the workplace. The Career Clusters show students how what they are learning in school links to the knowledge and skills needed for their success in postsecondary education/training and future careers.

### FY'11 Technology Center Enrollments By Career Cluster



Source: State Department of Career-Technology Education Annual Report

**CAREER AND TECHNOLOGY FUNDING**

**Appropriation History**

State appropriations for career and technology education funding grew by 11.7 percent from FY'03 to FY'13.

**Career & Technology Education Appropriation History**  
(In millions)

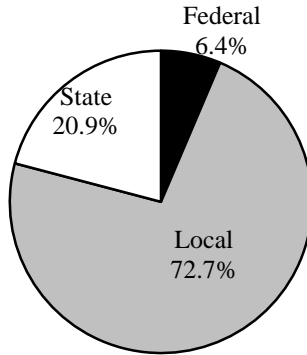


**Technology Center Funding**

Technology centers are funded through dedicated ad valorem millages, state appropriated revenues and tuition fees paid by students. Millages are assessed on real property within a technology center district. The Oklahoma Constitution restricts technology center districts to a maximum of 10 operating mills and five building-fund mills. Changes in technology center millages are enacted by a majority vote in a district-wide election.

Most technology centers depend more on local ad valorem receipts than state appropriations. Local property wealth varies widely from district to district, causing discrepancies in the amount of ad valorem revenue available to support each technology center. To address the discrepancies, the Legislature instituted a state equalization formula that allocates most state funds using local wealth as an inverse factor.

## FY'11 Funding Sources for Career-Technology Centers



Source: State Department of Career-Technology Education

Local taxes, tuition and other income comprise 73 percent of the system's entire budget.

## CAREER AND TECHNOLOGY SERVICES

### Comprehensive Schools

In FY'11, enrollments totaled 133,153. Programs in seven occupational areas are offered at 544 elementary, junior and senior high schools in Oklahoma. Some 37 percent of students in grades 6-12 are enrolled in CareerTech offerings ranging from exploration programs to programs that provide specific knowledge and skills in career fields. Forty-seven percent of students in grades 9-12 are enrolled in Career Tech offerings.

These students learn valuable skills that prepare them for life and work in our ever-changing world. The hands-on experience in high-tech classrooms helps students increase technological proficiency and develop entrepreneurial skills. All career and technology education programs meet academic standards and prepare students to work in the "real" world.

### Student Organizations

Nearly 71,000 secondary and postsecondary students are members of CareerTech program-related student organizations, which help develop teamwork and leadership skills. These organizations include BPA, Business Professionals of America; DECA, marketing education; FCCLA, Family, Career and Community Leaders of America; FFA, agricultural education; HOSA, Health Occupations Students of America; SkillsUSA, trade and industrial education; and TSA, technology engineering. Oklahoma has more than 2,550 students who are members of the National Technical Honor Society.



## **Technology Centers**

Oklahoma's technology centers provide high school students and adults opportunities to receive high-quality career and technology education through various options. While high school students who live in technology center districts attend tuition-free, adult students are charged nominal tuition.

Currently, 29 technology center districts operated on 57 campuses through the state, making services easily accessible to most Oklahomans. In FY'11, high school student enrollments in technology centers equaled 15,678. Adult enrollments in full-time programs, Industry-Specific Training, Adult and Career Development and Training for Industry totaled 353,628.

Technology centers work with business and industry partners to ensure that curriculum meets the needs of the workplace. Many students participate in clinicals, internships and on-the-job training to experience the world of work.

Students frequently are able to earn college credit for classes taken at technology centers through agreements with colleges.

## **Skill Centers**

CareerTech Skills Centers offer specialized, occupational training to adult and juvenile incarcerated individuals. Services have grown from just a few training programs in one center to a complete school system that provides services at 16 campuses. In FY'11, more than 1,300 individuals participated in Skills Center programs. In all, 83.3 percent of those completing Skills Centers programs have been placed in training-related jobs.

In a 2008 study of those who completed Skill Center training and were matched with training-related jobs, 82.6% did not return to incarceration within 52 months, compared to a rate of 65.5% for those who did not complete a Skill Center program.

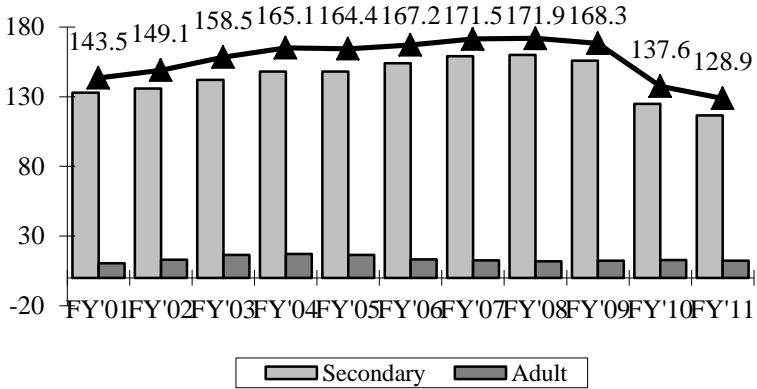
## **Dropout Recovery**

The students served through this initiative are out-of-school youth who are 15 to 19 years of age. These youth are given opportunities to gain academic credit and participate in career-specific training. In FY'11 dropout recovery programs were available at eight technology centers which helped 373 students attain a high school diploma and 16 completed a GED. The program also helped 202 students obtain employment, 29 entered the military and 31 enrolled in postsecondary education.

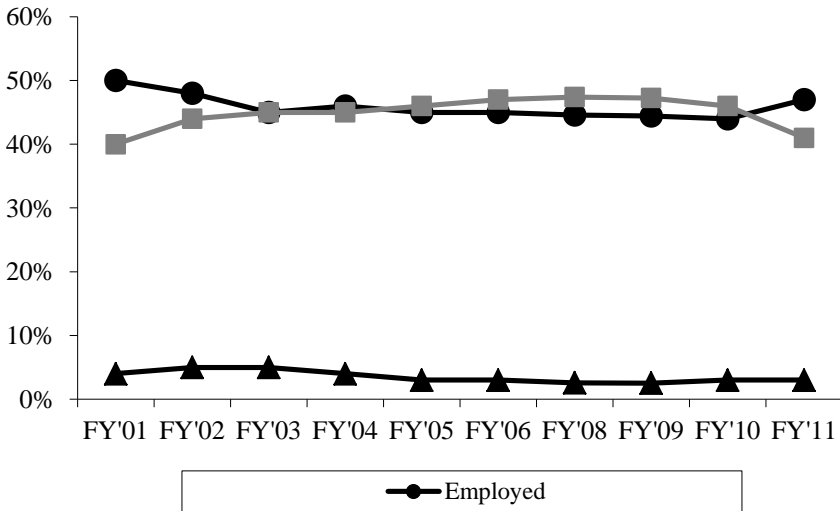
## ENROLLMENT TRENDS

Between FY'01 and FY'11, total enrollment in career-technology programs decreased by 10.2 percent.

**Career Technology Enrollment Trends by Student Type**  
(In Thousands)



**Student Outcomes for Career-Tech Programs**  
FY'01 Through FY'11



Source: State Department of Career-Technology Education

## **Career Tech Business and Industry Development**

Oklahoma's CareerTech offers customized programs and services for new companies, existing companies, small businesses wanting to expand and entrepreneurs just getting started. Often these services are incentives for companies to relocate in our state. These programs are designed to ramp-up very quickly to meet the critical issues facing employers and are focused in three primary areas: Business and Industry Development, Adult and Career Development, and Business and Entrepreneurial Services.

- **Business and Industry Development:** Customized training for companies.

*Training for Industry Program (TIP):* This program meets specific training needs of new and expanding industries in conjunction with the Quality Jobs Act.

*Industry Specific/Training for Existing Industry (TEI):* These offerings are designed to help existing companies stay competitive through incumbent worker training programs.

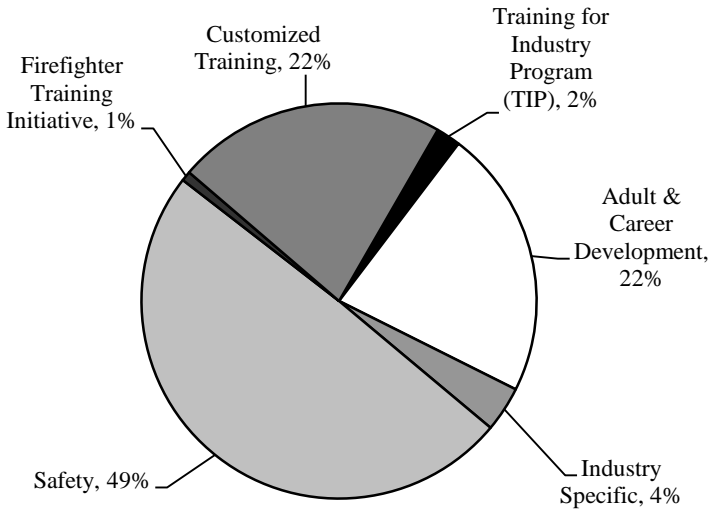
*Safety and Health Training:* These offerings are designed to help companies plan and implement safety processes, procedures and ongoing training to assure safe workplaces.

*Firefighting Training Initiative:* These offerings are designed to accommodate the increased demands for training and testing of volunteer firefighters across the state.

*Oklahoma Bid Assistance Network:* This program is designed to assist companies in obtaining state and government contracts.

- **Adult and Career Development:** Adults wishing to expand their expertise or who are looking to change career paths are provided job-training workshops, seminars, and short courses.
- **Business and Entrepreneurial Services:** Services are to provide professional assistance and guidance to persons interested in starting a new business or one currently successfully operating.

### FY'11 Enrollment by Career-Technology Economic Development Offerings





## POST-SECONDARY EDUCATION

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Providing high quality, affordable post-secondary educational programs to develop a skilled and educated workforce has become a priority with the Legislature. These programs are seen as an important key to improving the state's economy and per-capita income. Oklahoma's universities, colleges and career and technology centers (formerly called vo-tech centers) play an integral role in educating and preparing adults to compete in the state, national and global marketplace.

Since 1990, the Legislature has passed and implemented a number of funding and program initiatives to increase the caliber of our state's post-secondary institutions and expand opportunities for students to attain a post-secondary degree.

This chapter provides an overview of higher education.

### HIGHER EDUCATION

Oklahoma higher education began before Oklahoma Territory and Indian Territory combined to become a state in 1907. As early as 1890, the first territorial legislature created three institutions of higher learning. By 1901, four additional institutions of higher education were established across the state.

The Oklahoma State System of Higher Education was created in 1941 by a constitutional amendment, Article XIII-A, which provides that "all institutions of higher education supported in whole or in part by direct legislative appropriation shall be integral parts of a unified system." The amendment also created the State Regents for Higher Education as the "coordinating board of control of the Oklahoma State System of Higher Education." Currently, there are 25 colleges and universities, 11 regional universities, 12 community colleges, 11 constituent agencies and one higher education center offering courses and degree programs across the state.

## Higher Education Governance

The State Regents for Higher Education serve as the coordinating board for all state institutions. However, most agree that the Legislature has sole power to establish and/or close institutions (Attorney General Opinion 80-204). The primary responsibilities of the state regents are to:

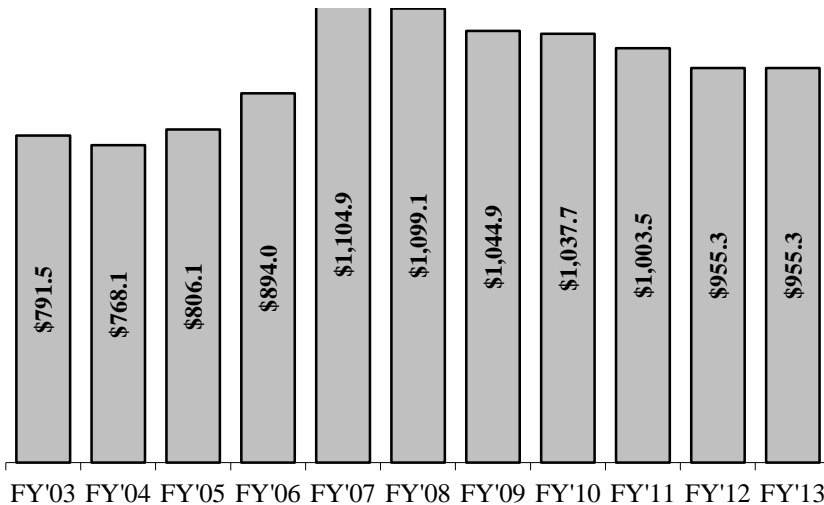
- prescribe standards of higher education;
- determine functions and courses of study at state institutions;
- grant degrees and other forms of academic recognition;
- recommend to the Legislature budget needs for state institutions; and
- determine fees within the limits set by the Legislature.

In addition to the state regents, there are three Constitutional governing boards and 12 statutory governing boards. These boards have responsibility for the operational governance of the state’s higher education institutions. Membership on all governance and coordinating boards is by appointment of the Governor and confirmation of the Senate.

## Funding Trends for Higher Education

In FY’13, 14 percent of the state’s appropriated budget went to the State Regents for Higher Education, which has sole authority for allocating state funds among colleges and universities.

History of Appropriations to Higher Education  
FY’03 Through FY’13  
(In Millions)



For FY'13 the Legislature appropriated over \$955 million to the State Regents for Higher Education, which represents an increase of over \$163 million or 20.7 percent from the FY'03 level.

Since FY'89, the state regents' office has been funded through a line-item appropriation in the higher education funding bill. Prior to that year, the state office was funded through an assessment made on each of the institutions under the regents' control. The FY'13 appropriation for administrative operations in the state regents' office is \$4.9 million, which represents less than 1 percent of total appropriations to higher education.

**Endowed Chairs:** Oklahoma has been making an effort to establish itself as a research hub in the Midwest. Higher Education plays an important role in this endeavor; state higher education institutions perform a great deal of research that can benefit the state and the nation. To draw better researchers to Oklahoma, the State Regents have requested private donations, to be matched by the state, to fund many new Endowed Chairs and professorships at the institutions. Until 2004, the State Regents could only match up to \$7.5 million annually in private funds for this purpose. Private donations were being offered, but the Regents lacked the State funds to match them.

In 2004, HB 1904 authorized a \$50 million bond issue for the Endowed Chairs program in order to eliminate the backlog. The Regents office used their annual \$7.5 million appropriation for Endowed Chairs to fund the debt service on the bond. However, the backlog of unmatched private funds continued to grow past this \$50 million amount.

As a result, HB 1137 from the 2007 Legislative Session was passed in order to increase the bonding authority for the Endowed Chairs program from \$50 million to \$100 million in an attempt to address the new backlog of private funds. At this time, appropriated funding was not provided to fund the debt service on the new bonds.

HB 1373 from the 2008 Legislative Session further increased the Oklahoma Capitol Improvement Authority's authority to issue bonds for the State's matching contribution for Endowed Chairs to \$150 million.

This bill also amended the Trust Fund provisions to provide that after July 1, 2008, state matching monies must be used to match the current backlog of endowment contributions before they may be used to match endowment accounts created after that date. After the backlog of state matching requirements are completed, expenditure of state matching monies is limited to a total of \$5 million per year; \$4 million for the comprehensive universities and \$1 million for other eligible institutions. Trust Fund endowment accounts of \$250,000 or less will be matched dollar for dollar with state matching monies and those exceeding \$250,000 will be matched with \$1 of state match for every \$4 received in contributions.

Although the Oklahoma Capitol Improvement Authority had been given authority to issue bonds up to \$150 million for the Endowed Chairs program, they had been unable to sell \$100 million of those bonds. Therefore, HB 3031 from the 2010 Legislature authorized OCIA to refinance or restructure outstanding obligations for the endowed chairs program. Due to the extended term of the refinancing and lower interest rate there was no need to increase state appropriated funds for the debt service.

Even after the multiple bond issues to reduce the backlog of endowed chairs, there was still a backlog of \$270 million in unmatched endowed chair funds at the beginning of 2012. The 2012 Legislature passed SB 1969 which abolishes the EDGE fund and deposits the principal of the fund into the Endowment Trust Fund. The amount to be deposited is estimated at \$156 million.

**Oklahoma Promise of Excellence Act:** During the 2005 session, the Legislature passed HB 1191 which created the Oklahoma Promise of Excellence Act of 2005 to authorize bonds for \$475 million for The Oklahoma State System of Higher Education. Bonds were issued by the Oklahoma Capital Improvement Authority, with revenues from the Oklahoma Education Lottery Trust Fund and any other source necessary designated for debt retirement. The scope of the Master Lease Program was expanded to include financing of acquisitions of or improvements to real property as well as personal property. An additional \$25 million in bonds were authorized to establish a permanent revolving lease fund within the Master Lease program, to be paid for with lottery revenues. Lease payments made for projects financed with money from this fund will go back into the fund for master leases.

In 2007, the Legislature amended both the personal property and real property portions of the Master Lease program. The use of the Master Lease program to finance the acquisition of personal property is now limited to a total of \$50 million in a calendar year. For real property, the Regents are required to submit an itemized list of proposed projects to the Legislature at the beginning of each legislative session, and the Legislature may disapprove all or part of the proposal. If the Legislature takes no action to disapprove, the proposal is deemed to be approved. SB 1332 from 2010 allows bonds issued under the Master Lease program to be refinanced.

The governing boards for OU, OSU and the State Regents (for all other institutions) have been authorized to issue bonds for capital projects at the institutions that may be paid for with any monies lawfully available other than revenues appropriated by the Legislature from tax receipts. The bonds issued under this act are tax exempt, and the Legislature is given the power to disapprove them.



## **Institutional Budgets**

For FY'12, state appropriations represent 40.5 percent of total operating revenue for higher education; tuition and fee revenue comprise another 43.1 percent of the total higher education budget, while other funds comprise 16.4 percent.

The allocation of appropriations by the State Regents to Institutions is based upon achieving two goals – funding parity within each tier and peer funding parity.

Funding parity within each tier is achieved by the development of a budget need for each institution as well as the entire system. To arrive at the budget need, the State Regents use “program budgeting” to focus on the costs of offering courses for each academic program. The cost base incorporates the actual expenditures of appropriations, tuition and fees that are allocated to all courses.

Through the accumulation of the course data, a standard cost for each program is developed for each institution and each tier. The standard cost is then multiplied by the number of students enrolled in each program, a peer factor, and the percentage of cost attributable to state appropriations. Again, this data is aggregated for each institution as well as the entire system to arrive at a budget need.

The second part of the funding mechanism uses per student funding data from peer institutions.

State Fiscal Support for Higher Education, by State, Fiscal Years 2006-07, 2010-11, and 2011-12<sup>a</sup> (Revised March 6, 2012)

State Fiscal Support (\$)									
	FY07 (Revised if Necessary)	FY11 (Revised if Necessary)				FY12			
		Federal Stimulus Monies: Stabilization	Federal Stimulus Monies: Government Services Funds <sup>d</sup>	Total Support	Federal Stimulus Monies: Stabilization	Federal Stimulus Monies: Government Services Funds <sup>d</sup>	Total Support		
	State Monies <sup>b</sup>	State Monies <sup>b</sup>	funds <sup>c</sup>		State Monies <sup>b</sup>	funds <sup>c</sup>			
Arizona	1,196,750,400	1,087,207,100	0	0	1,087,207,100	0	0	0	814,457,600
Arkansas	796,303,595	901,799,213	13,641,365	0	915,440,578	0	0	0	903,589,798
Colorado	689,786,249	676,318,216	89,194,099	0	765,512,315	0	0	0	647,496,274
Illinois <sup>e</sup>	2,848,129,600	3,200,025,000	0	0	3,200,025,000	0	0	0	3,585,962,200
Iowa	804,448,696	758,711,929	0	0	758,711,929	0	0	0	739,051,670
Kansas	788,720,641	754,758,804	40,423,534	0	795,182,338	0	0	0	739,612,189
Kentucky	1,253,992,000	1,222,151,212	57,272,600	0	1,279,423,812	0	0	0	1,235,421,786
Louisiana	1,459,847,337	1,292,584,372	289,592,480	0	1,582,176,852	0	0	0	1,290,047,558
Michigan	2,035,388,000	1,869,659,000	0	0	1,869,659,000	0	0	0	1,641,658,900
Minnesota	1,400,500,000	1,381,065,000	0	0	1,381,065,000	0	0	0	1,283,690,000
Missouri <sup>f</sup>	978,771,911	959,555,562	41,442,153	0	1,000,997,715	0	0	0	930,089,844
Nebraska	604,025,649	653,935,362	0	0	653,935,362	0	0	0	650,437,323
New Mexico	954,683,100	835,346,314	10,937,500	950,000	847,233,814	0	0	0	798,972,305
Oklahoma	1,033,365,199	1,046,029,585	59,794,986	0	1,105,824,571	0	0	0	945,260,277
Texas	5,709,136,834	6,270,811,568	0	0	6,270,811,568	0	0	0	6,464,046,632
Wisconsin	1,170,359,461	1,330,088,284	0	0	1,330,088,284	0	0	0	1,153,558,680
Wyoming	276,929,650	344,287,021	32,208,405	8,300,000	384,795,426	0	0	0	336,097,525
<b>Totals (National)</b>	<b>75,377,602,819</b>	<b>75,544,024,998</b>	<b>2,425,825,750</b>	<b>420,689,918</b>	<b>78,390,540,666</b>	<b>72,497,044,917</b>	<b>31,958,120</b>	<b>14,810,375</b>	<b>72,543,813,412</b>

<sup>a</sup>FY2012 figures on state support for higher education represent initial allocations and estimates reported by the states and are subject to change. <sup>b</sup>State monies include state tax appropriations and other state funds allocated to higher education. <sup>c</sup>Includes education stabilization funds used to restore the level of state support for public higher education. <sup>d</sup>Excludes government services funds used for modernization, renovation, or repair. <sup>e</sup>Illinois data for fiscal year 2012 include rapidly increasing appropriations made to the State Universities Retirement System (SURS) to address historical underfunding of pension programs. These SURS appropriations do not go to individual institutions or agencies and are not available to be used for educational purposes. <sup>f</sup>FY12 funding for Missouri includes \$30 million from MOHELA (the Higher Education Loan Authority of the State of Missouri); these funds were earmarked for need-based financial aid.

The peer group concept involves first selecting institutions from across the nation with missions that are comparable to Oklahoma institutions for the three tiers (comprehensive, four-year regional and two-year institutions). Once peer institutions are selected, the per-student average revenue from appropriations and tuition and fees is determined at each peer institution. The average revenue per student of all peer institutions is multiplied by the student counts at each Oklahoma college and university to arrive at budget needs.

At a state college or university, the principal operating budget is called the educational and general (E&G) budget. It contains funds for the primary functions – instruction, research and public service – and activities supporting the main functions. The E&G budget is divided into Part I, which comprises mostly state funds, and Part II (the “sponsored budget”), which derives funding from external sources such as federal grants and training contracts. The E&G budget is distinct from the capital budget, which pays for new construction, major repairs or renovations, and major equipment purchases. Auxiliary enterprises – tangential services such as housing, food services and the college store – are also excluded from the E&G budget.

There are two primary sources of funds for the Part I E&G budget – state appropriations and revolving funds. Appropriations by the Legislature are made to the State Regents who, in turn, allocate directly to each facility in the state system. Appropriations constitute about 40.5 percent of the institutions’ core educational budgets. Revolving funds are collected by the institution and consist primarily of student fees, sales and services of educational departments, and indirect cost reimbursements from grants and contracts. These funds constitute approximately 59.5 percent of the core educational budget, with student tuition/fees being the largest component.

## **Revolving Funds**

Among the State Regents’ constitutional powers is:

“...[t]o recommend to the Legislature proposed fees for all of such institutions and any such fees shall be effective only within the limits prescribed by the Legislature.”

Since 1890, it has been public policy in Oklahoma to provide comprehensive, low-cost public higher education. Thus, residents of Oklahoma are afforded subsidies covering a majority of their educational costs at all colleges and universities of the state system. Oklahoma’s institutions are above peer institutions in percentage of total higher education costs paid by tuition.

Comparison of Percentage of Total Cost  
Paid by Tuition/Student Fees  
2009 – 2010 School Year

<u>Tier</u>	<u>Peer Institutions</u>	<u>Oklahoma Institutions</u>
Research Universities	54.0%	53.8%
Four-Year Large Universities	54.4%	50.3%
Four-Year Small Universities	36.8%	45.2%
Two-Year Rural Colleges	31.7%	45.0%
Two-Year Urban Colleges	34.6%	32.4%
Technical Branches	41.5%	45.6%
Total Average	46.4%	48.9%

Note: Revenue defined as: Tuition/Fees + State Appropriations + Local Appropriations

Source: IPEDS, State Regents

## Tuition

In Oklahoma, determining tuition limits is a constitutional power of the Legislature. During the 2001 legislative session, the Legislature passed SB 596 and for the first time since the mid 1980's delegated this authority, within certain limits, to the Oklahoma State Regents for Higher Education. From the 2001-2002 through the 2005-2006 school years, the State Regents were authorized to increase tuition a maximum of 7 percent per year for Oklahoma residents, and 9 percent per year for nonresidents. Tuition rates at the professional schools (law, medicine, dental, veterinary medicine, etc.) could increase by 10 percent per year for residents and 15 percent per year for nonresidents during that time.

In the 2003 Legislative Session, the Legislature extended even more authority to the State Regents by allowing them to raise tuition by more than the seven and nine percent for residents and non-residents, respectively. The State Regents are now allowed to raise tuition at state higher education institutions to no more than the combined average of resident tuition and fees at the state-supported institutions of higher education that are members of the Big Twelve Conference. This change amounted to significant tuition and fee increases for the state's schools; in the 2004 school year, students at the University of Oklahoma saw residential tuition and fees increase nearly 28 percent, and at OSU, by nearly 27 percent.

All revenue derived from enrollment fees, nonresident tuition, and special fees for instruction and academic services are deposited in the institution's revolving fund for allocation for support of Part I of the institutions educational and general budget.

HB 2103 from 2007 Legislative Session directs each institution within the Oklahoma State System of Higher Education to offer to resident students enrolling for the first time as a fulltime undergraduate beginning with the 2008-2009 academic year, a tuition rate that will be guaranteed for a period of not less than four consecutive academic years at the comprehensive and regional universities at a rate not exceeding 115 percent of the institution’s nonguaranteed resident tuition rate. Each institution shall provide students with the following information prior to enrollment:

- a. the annual tuition rate charged and the percentage increase for the previous four (4) academic years, and
- b. the annual tuition and percentage increase that the nonguaranteed tuition rate would have to increase to equal or exceed the guaranteed tuition rate for the succeeding four (4) academic years.

**Undergraduate Tuition and Fees  
Big Twelve Public Universities  
Academic Years 2000-01 and. 2011-12**

<u>University</u>	<u>2000-01</u>		<u>2011-12</u>	
	<u>Resident</u>	<u>Nonresident</u>	<u>Resident</u>	<u>Nonresident</u>
Missouri	\$4,726	\$12,895	\$8,602	\$21,397
Texas A&M	\$3,572	\$9,592	\$8,419	\$23,809
Texas Tech	\$3,400	\$9,850	\$9,064	\$18,454
Texas	\$3,800	\$9,390	\$9,816	\$32,594
Iowa State	\$3,132	\$9,974	\$7,486	\$19,358
Nebraska	\$3,465	\$8,220	\$3,648	\$19,933
Kansas	\$2,725	\$9,493	\$8,470	\$19,124
Kansas State	\$2,781	\$9,549	\$7,658	\$19,124
Colorado	\$3,188	\$1,670	\$11,012	\$30,330
Oklahoma	\$2,774	\$5,204	\$7,125	\$18,078
Oklahoma State	\$2,774	\$5,204	\$7,107	\$18,455
<b>Big Twelve Average</b>	<b>\$3,303</b>	<b>\$9,643</b>	<b>\$8,401</b>	<b>\$21,888</b>

Source: FY’01 – “Washington Study Institutional Research and Reporting 9/21/04”  
 FY’12 – “FY 2011-12 Tuition Impact Analysis Report,” Oklahoma State Regents for Higher Education

## Average Cost of Attendance Oklahoma Colleges and Universities Full Time Undergraduate Students, FY'12

<i>Average Cost of Attendance</i>							
<i>Full-Time Undergraduate Resident and Nonresident Students</i>							
<i>FY2012</i>							
<b>Resident Students</b>		<b>Research Universities</b>	<b>Regional Universities</b>	<b>Community Colleges</b>	<b>Technical Branches</b>	<b>OSU - Tulsa (Note 1)</b>	<b>OU Health Science Center (Note 1)</b>
<b>Tier</b>							
Tuition		4,076.25	3,537.44	2,206.03	2,802.00	4,303.50	3,849.00
Mandatory Fees		3,039.50	1,154.59	819.33	827.50	2,803.50	2,080.00
Average Academic Service Fees		858.42	292.04	60.43	113.49	545.12	488.95
Books & Supplies		1,041.50	1,105.41	1,229.93	1,620.00	1,125.00	6,501.00
<b>Total Costs for Commuter Students</b>		<b>9,015.67</b>	<b>6,089.48</b>	<b>4,315.71</b>	<b>5,362.99</b>	<b>8,777.12</b>	<b>12,918.95</b>
Room & Board		6,880.00	4,542.56	4,436.85	5,030.00	0.00	0.00
<b>Total Costs for Students Living on Campus</b>		<b>15,895.67</b>	<b>10,632.03</b>	<b>8,752.56</b>	<b>10,392.99</b>	<b>N/A</b>	<b>N/A</b>

<b>Nonresident Students</b>		<b>Research Universities</b>	<b>Regional Universities</b>	<b>Community Colleges</b>	<b>Technical Branches</b>	<b>OSU - Tulsa (Note 1)</b>	<b>OU Health Science Center (Note 1)</b>
<b>Tier</b>							
Tuition		15,226.50	9,945.68	6,321.28	8,145.75	15,651.00	14,802.00
Mandatory Fees		3,039.50	1,154.59	819.33	827.50	2,803.50	2,080.00
Average Academic Service Fees		858.42	292.04	60.43	113.49	545.12	488.95
Books & Supplies		1,041.50	1,105.41	1,229.93	1,620.00	1,125.00	6,501.00
<b>Total Costs for Commuter Students</b>		<b>20,165.92</b>	<b>12,497.72</b>	<b>8,430.96</b>	<b>10,706.74</b>	<b>20,124.62</b>	<b>23,871.95</b>
Room & Board		6,880.00	4,542.56	4,436.85	5,030.00	0.00	0.00
<b>Total Costs for Students Living on Campus</b>		<b>27,045.92</b>	<b>17,040.28</b>	<b>12,867.81</b>	<b>15,736.74</b>	<b>N/A</b>	<b>N/A</b>

*Note: Totals may not add due to rounding*

*Full-time student costs are based on 30 credit hours per academic year*

*Note 1: These institutions do not have traditional dormitory facilities with board plans*

Source: "FY 2011-12 Tuition and Fee Rates" State Regents for Higher Education

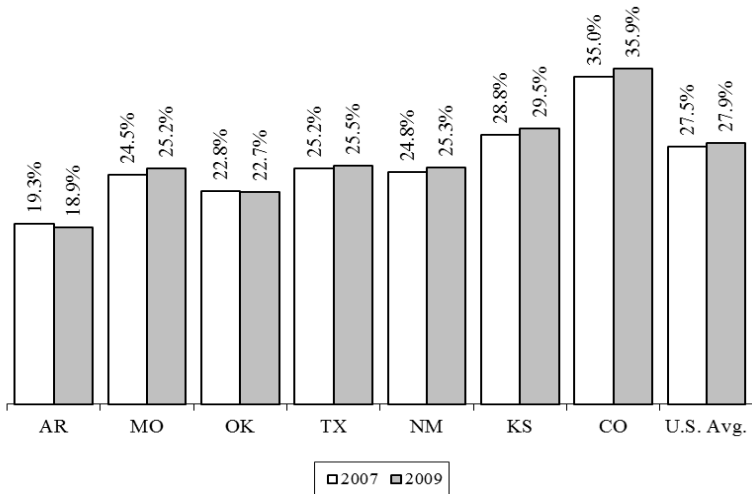
## College Graduates in Oklahoma

Over the past ten years, legislators and state regents have implemented a number of initiatives designed to increase the number of Oklahoma high school students ready for college level work, going to college, and graduating with a higher education degree. Increasing the number of adults with higher education degrees in Oklahoma is an important step in improving Oklahoma’s economic future.

Increasing the number of college graduates in Oklahoma can be achieved one of two ways. First, the state may import more college graduates through increased higher wage jobs and economic development. Legislators have created and funded a number of programs through the Department of Commerce and the Oklahoma Center for the Advancement of Science and Technology to improve higher-wage economic development opportunities in the state.

Another strategy the state regents are employing to increase the number of college graduates in Oklahoma is to increase the number of high school students entering college and college students remaining and matriculating with a higher education degree. Some programs are focused on encouraging more middle and high school students to take a college-preparatory curriculum and attend college while others are focused on college students.

**Percentage of Population 25 Years of Age and Older  
With a College Degree**  
*Oklahoma vs. Regional States and U.S., 2007 vs. 2009*



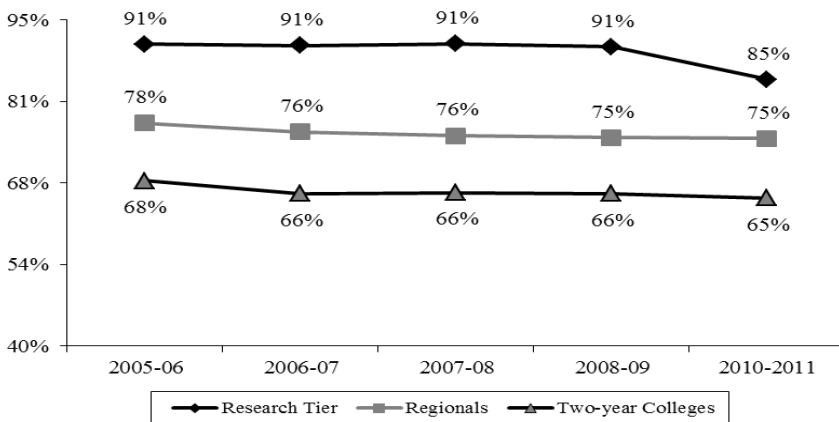
Source: U.S. Census Bureau

SB 1792 from the 2006 Legislative Session requires students beginning with those entering the ninth grade in the 2006-07 school year to complete a college preparatory/work ready curriculum to graduate from high school. However, it allows students to complete the current core curriculum in lieu of the college preparatory/work ready curriculum upon written parental approval.

Recognizing the importance of retaining and graduating more students, institutions have worked over the past several years to increase retention and graduation rates. In 1999, the state regents launched the “Brain Gain 2010” campaign to increase the number of Oklahomans graduating with a college degree in Oklahoma. Task forces were formed at the state and institutional level to identify challenges and solutions to ensure more students and adults entered college and more students in college graduated with a higher education degree.

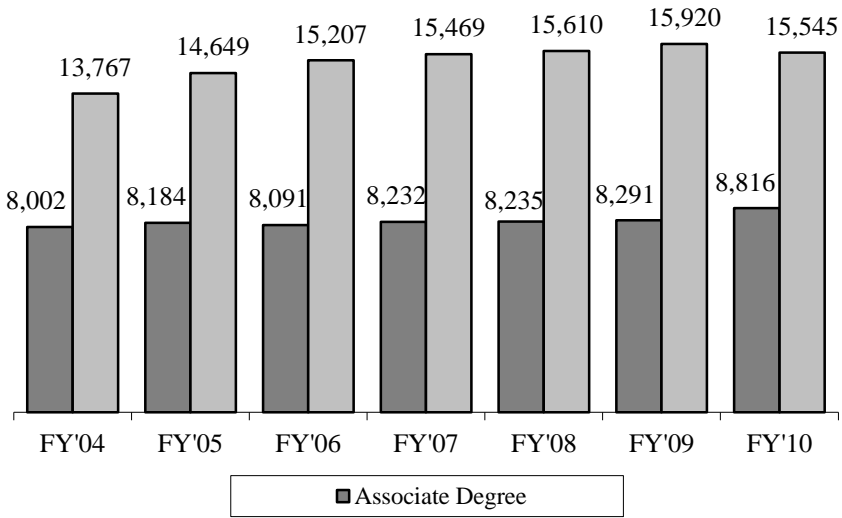
The most recent endeavor to increase the number of college graduates is called “Complete College America”. Oklahoma is one of twenty-nine states accepted to participate in the project due to the commitment to significantly increase the number of students successfully completing college and closing educational attainment gaps for traditionally underserved populations. Oklahoma will try to increase the number of degrees or certificates earned per year by 1,700 so that by 2023 there will be a 67% increase in the number earned. Five national foundations are providing multi-year support to CCA: the Carnegie Corporation, the Gates Foundation, the Ford Foundation, the Kellogg Foundation, and the Lumina Foundation for Education.

### First-Year Persistence Rates Within State 2005-06 Through 2010-11

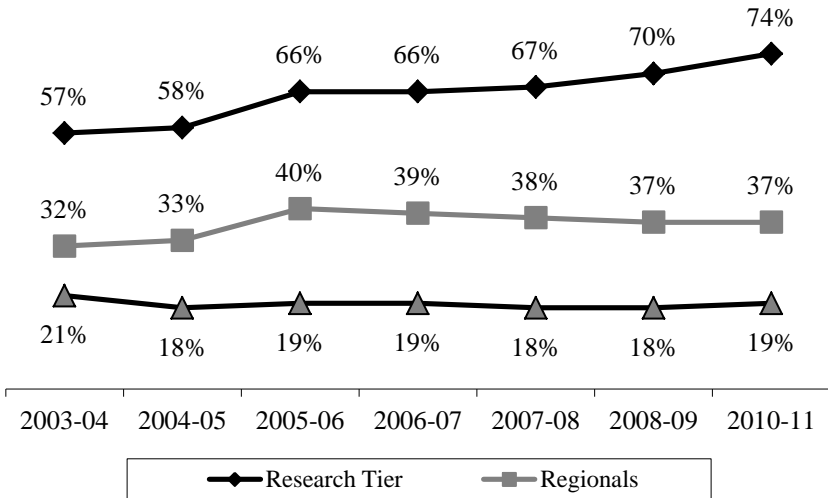




### Degrees Conferred in Oklahoma 2003-04 Through 2010-11



### Graduation Rates by Tier Within State 2003-04 Through 2010-11



Source: State Regents for Higher Education

In addition to the initiatives mentioned above, the Legislature has created a number of other programs designed to increase the number of graduates and help students and families finance the cost of higher education. These include the Oklahoma College Savings Plan Act and the Oklahoma Higher Learning Access Program which not only help families pay for college but help students complete college.

## **Oklahoma College Savings Plan Act**

Established in 1998 and implemented in 2000, the Oklahoma College Savings Plan Act provides parents and others an opportunity to save for college costs by creating a trust fund for prospective students. Any person may open an account on behalf of a beneficiary with as little as \$100 and contribute as little as \$15 per pay period to the savings plan. A maximum of \$300,000 may be invested for each beneficiary. Among the plan's benefits:

- Contributions up to \$10,000/year per taxpayer and \$20,000/year per married couple can be deducted from Oklahoma taxable income;
- Funds are invested in a specific mix of securities, bonds and money market funds depending on the beneficiary's age;
- Withdrawals are exempt from state and federal taxes.
- Funds invested can be used to pay for almost all costs of attending an accredited or approved college, whether public or private, in-state or out-of-state; funds can also be used for approved business, trade, technical or other occupational schools such as Career-Tech;
- If the beneficiary decides not to attend college, account holders may switch the beneficiary or save the funds for a later date; and
- A person may open an account at any time irrespective of the beneficiary's age.

This is the state's only qualified tuition savings plan. To date, nearly 47,600 accounts have been opened with current assets totaling over \$464 million.

## **State Financial Aid and Scholarships**

A number of programs are available to help students pay for college expenses. Some programs are based on financial need, and others are merit-based.

**Oklahoma Tuition Aid Grant Program (OTAG):** OTAG provides a maximum annual award of 75 percent of enrollment costs or \$1,000, whichever is less, to low-income students residing in Oklahoma who are attending a public higher education institution at least part time. Students attending a private higher education institution in Oklahoma are eligible to receive a maximum \$1,300 award. For FY'12 an estimated 21,387 students received a grant.

**Academic Scholars Program:** Ensuring Oklahoma's best students stay in Oklahoma to attain a higher education degree is the mission of this scholarship program. Students qualify for the program in one of three ways: (1) scoring among the top 0.5 percent of Oklahoma students on the ACT or SAT test; (2) receiving one of three official national designations, or (3) be nominated by a higher education institution (institutional nominee). The program provides \$5,500/year to students attending OU, OSU or University of Tulsa; \$4,000/year to students attending an Oklahoma four-year public or private college or university; or \$3,500 for students attending Oklahoma two-year colleges if they are eligible under the first two criteria. In the of Fall of 2003, awards provided under the institutional nominee designation became half of all amounts listed above. In order to remain eligible for these awards, students must maintain a 3.25 GPA and complete 24 hours of courses a year. For FY'12 there were 2,300 academic scholars across the state.

**Oklahoma Higher Learning Access Program (OHLAP) – Oklahoma's Promise:** This program's mission is to provide tuition assistance to students who might not otherwise attend or complete college. Qualifying students in families who earn less than \$50,000 annually receive free tuition assistance to any public or private higher education institution in Oklahoma for up to five years. In order to qualify, students must enroll in the program by the tenth grade, must agree to take a college preparatory curriculum, must have a grade point average of at least 2.5 in high school, and must refrain from unlawful behavior.

SB 820 from the 2007 Legislative Session created a permanent funding source for OHLAP, beginning July 1, 2008. Each year, the State Regents for Higher Education will provide the State Board of Equalization with an estimate of the amount of revenue necessary to fund OHLAP awards. The Board will make a determination of that amount and subtract it from the amount it certifies as available for appropriation from the General Revenue Fund. The Director of State Finance will transfer this amount to the OHLAP Trust Fund on a periodic basis as needed. Revenues from horse racing and the State-Tribal Gaming Act that have been deposited to the Oklahoma Higher Learning Access Trust Fund were redirected to the General Revenue Fund, beginning July 1, 2008. OHLAP eligibility requirements for students were modified by adding a requirement for students to be U.S. citizens or lawfully present in the U.S. as well as by allowing access to students who are both home-schooled and achieve an ACT score of at least 22. Eligibility requirements were further changed to include a new GPA requirement in order to retain benefits at the postsecondary level by requiring students to achieve a minimum GPA of 2.0 during their sophomore year and a

minimum GPA of 2.5 during their junior year and thereafter. Students will also lose their program benefits if they are expelled or suspended for more than one semester from an institution of higher education. Disqualification of program benefits will occur if the student's family income exceeds \$100,000 at the time the student begins their postsecondary education.

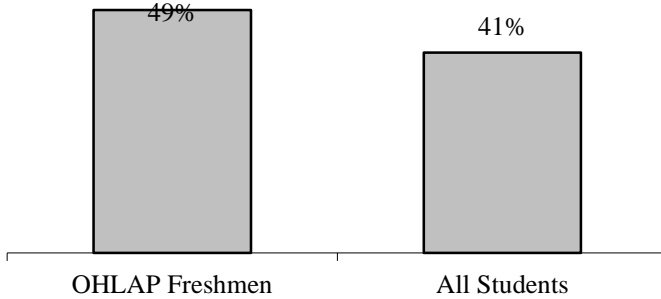
SB 1038 from the 2008 Legislative Session created the Task Force on Oklahoma's Promise – OHLAP, to study the family income limitations for participation in and requirements for maintaining eligibility in the program. This bill modified the grade point average requirements for continuance of the scholarship and delayed these requirements until the 2010-2011 school year. Finally, this bill extends the time period during which high school graduates must enroll in postsecondary studies to receive the OHLAP benefit for students who are members of the Armed Forces and ordered to active duty. HB 2446 from the 2008 Legislative Session modified the financial need eligibility requirements to qualify for OHLAP for any student who was adopted while in permanent custody of DHS, in court-ordered custody of a licensed private nonprofit child-placing agency, or federally recognized Indian tribe.

There were multiple bills from the 2011 Legislature that amended the OHLAP program:

- SB 610 requires the second income check for families of OHLAP students to be based on the federal adjusted gross income. It also delayed until the 2012-2013 school year the GPA requirements for students receiving OHLAP.
- HB 1343 allows a student to participate in OHLAP if the student is a child of any person killed in the line of duty in any branch of the United States Armed Forces after January 1, 2000.
- HB 1421 requires that for OHLAP students to retain eligibility, they must maintain satisfactory academic progress as required for eligibility for federal Title IV financial aid programs.

In FY'12, there were about 20,800 students receiving an award in college and approximately 32,000 students enrolled in high school. Studies show that OHLAP students are much less likely to require remediation classes to prepare them for college-level work and are more likely to remain in college through the third year.

**Degree Completion Rates**  
Five-year Degree Completion Rate for  
*OHLAP Students vs. All Students*



Source: State Regents for Higher Education

**Regional University Baccalaureate Scholarship:** This program provides \$3,000 and a tuition waiver to students who have received an official national designation, such as National Merit Finalist, or have achieved an ACT composite score of at least 30. Scholarships are available only to students attending one of the Oklahoma public four-year regional universities. For FY'12 there will be 308 scholarship recipients.

**Heartland Scholarship Fund:** Lawmakers created this program to target children of victims of the April 19, 1995, bombing of the Alfred P. Murrah Federal Building in Oklahoma City. These awards can be applied to costs of tuition, fees, books, and room and board. Students attending an accredited higher education institution on a full-time basis receive the following amounts: \$5,500/year for a comprehensive university, \$4,000/year for a regional university, and \$3,500/year for a two-year college. Twenty-seven students have used this scholarship fund.

**Teacher Shortage Employment Incentive Program:** The Teacher Shortage Employment Incentive Program (TSEIP) was created in 2000 by SB 1393 to recruit and retain mathematics and science teachers in Oklahoma public schools. The incentive is the reimbursement of student loan expenses upon teaching five consecutive years in Oklahoma public schools. If there are no remaining student loans, the teacher will receive the same amount in a stipend. At present 307 teachers are currently enrolled in the program. Thirty-seven of the first 44 teachers that enrolled in 2001 received a benefit of \$10,347 at the end of the 2006 school year. 2006 was the first year that teachers were eligible for the benefit. The most recent benefit paid totaled \$15,267.

**Future Teachers Scholarship:** Up to \$1,500/year is awarded to full-time upperclassmen and graduate students who intend to teach a subject in which there is a critical need of teachers. In order to qualify, students must have graduated in the top 15 percent of their high school graduating class, scored at or above the 85th percentile on the ACT or similar test, or have been accepted for admission to a professional accredited education program in Oklahoma. Lesser amounts are available to underclassmen and part-time students. There are 80 people participating in this program.

**National Guard Tuition Waiver:** Members of the Army or Air National Guard who are pursuing an associate or baccalaureate degree at a state system institution receive an award amount equal to the cost of resident tuition. For FY'12 there were over 800 students participating in this program.

**Oklahoma Tuition Equalization Grant:** This program was established in 2003 to assist Oklahoma college students in meeting the cost of attendance at non-public post-secondary institutions within the state. To qualify, a student must be an Oklahoma resident; be a full-time undergraduate; attend a qualified Oklahoma not-for-profit, private, or independent institution of higher education located in Oklahoma; have a family income of \$50,000 or less; and meet their institution's policy on satisfactory academic progress for financial aid recipients. Recipients can receive the \$2,000 award for up to five years after their first semester of post-secondary enrollment, not to exceed the requirements for completion of a baccalaureate program. In FY'12, approximately 2,070 students will receive a grant.

# **ENERGY AND ENVIRONMENT**

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## **Energy and Environment Agencies**

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## **ENERGY AND ENVIRONMENT**

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There are six state agencies responsible for environmental regulations. The major tasks of the environmental regulatory agencies are outlined by the Oklahoma Environmental Quality Act (27A O.S. 1-3-101).

### **ENVIRONMENTAL AGENCY RESPONSIBILITIES**

#### **Oklahoma Conservation Commission**

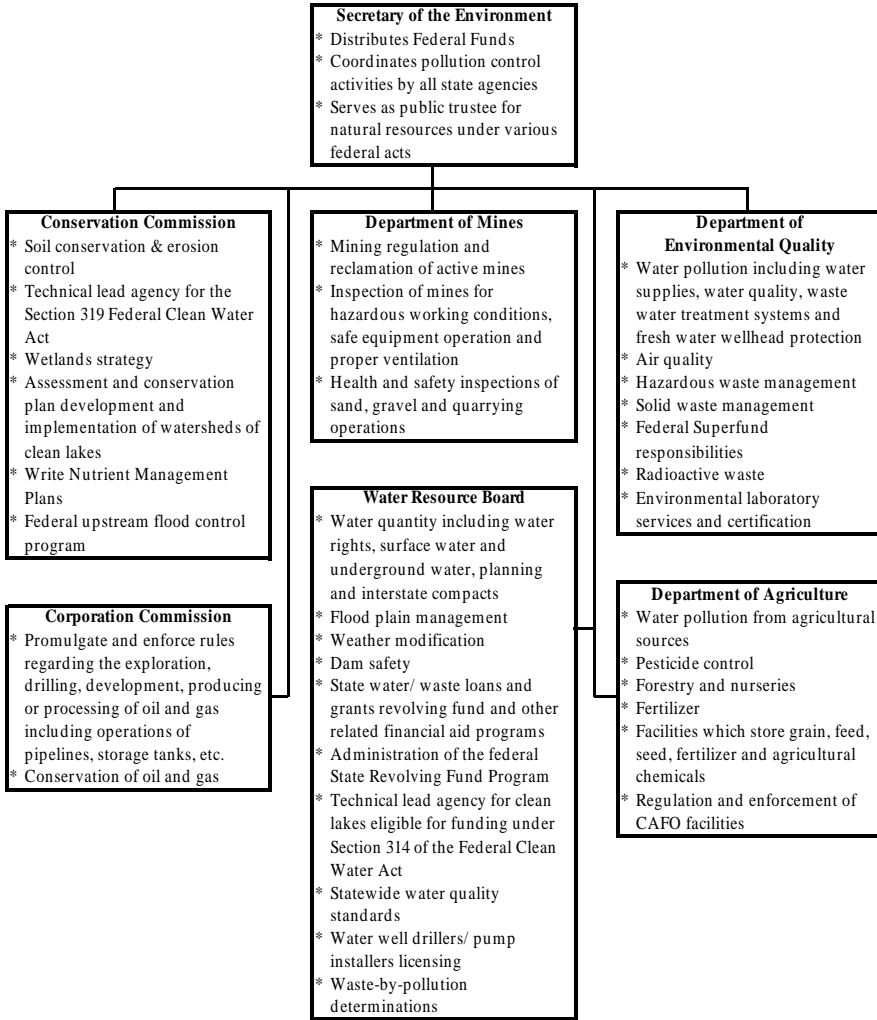
The Conservation Commission's primary responsibilities lie in the preservation and development of Oklahoma's natural resources. The commission has the responsibility for providing assistance to all 88 conservation districts in the areas of erosion prevention and control, prevention of flood and sediment damage, development of water resources, environmental education coordination, administration of the state Cost-Share Program, maintenance of small upstream flood control structures, abandoned mine land reclamation and the Conservation Reserve Enhancement Program.

#### **State Department of Agriculture**

The State Department of Agriculture was created to protect, improve and develop all of the state's agricultural resources, and to increase the contribution of agriculture to the state's economy. The department forms educational and economic partnerships, encourages value-added processing of Oklahoma's raw agricultural resources, and develops domestic and international markets for the state's agricultural commodities and products. The agency enforces laws and rules pertaining to food safety, water quality, and agricultural-related product or service quality along with monitoring concentrated animal feeding operations.

#### **Department of Environmental Quality**

The Department of Environmental Quality (DEQ) provides comprehensive environmental protection and program management. DEQ is responsible for the principal environmental regulatory functions of air quality, water quality, and solid waste and hazardous waste management.



## **Oklahoma Water Resources Board**

The Oklahoma Water Resources Board (OWRB) manages the waters of the state and plans for Oklahoma's long-range water needs to ensure an adequate supply of quality water. The primary function of the agency has been to administer the state's water rights program, both from ground water and stream water. The OWRB also administers the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF), which provide loans to qualified entities needing financial assistance to construct water and sewer projects. The OWRB completed the updated version of the Oklahoma Comprehensive Water Plan in 2011.

## **Corporation Commission**

Established in 1907 by the Oklahoma Constitution, the mission of the Corporation Commission is to regulate the activities of public utilities, oil and gas drilling, production and waste disposal; motor carriers, the storage, quality and dispensing of petroleum products, and other hazardous liquid handlers. The commission also monitors Oklahoma compliance with a number of federal programs.

The Commission is comprised of three statewide elected officials. They serve six-year terms that are staggered so that a vacancy occurs every two years.

## **Department of Mines**

The Department of Mines protects the environment through the enforcement of state and federal laws related to surface and sub-surface mining. Additionally, the department inspects mines for hazardous conditions, directs special consideration towards working conditions, verifies the safety of equipment operation, ensures proper ventilation, and regulates blasting activities.

## **CURRENT ENVIRONMENTAL INITIATIVES**

The Legislature has supported various programs designed to monitor and remediate the state's natural resources. The following programs highlight the state's commitment to a sound environment.

### **Water Quality Monitoring (BUMP)**

During the 1998 session, the OWRB was authorized and provided funding to implement a coordinated and comprehensive state water quality monitoring effort, known as the Beneficial Use Monitoring Program (BUMP).

Oklahoma's water resources are regulated through the promulgation of water quality standards, required by the federal government and developed by the OWRB. Beneficial uses are assigned to every water segment in Oklahoma. By statute, each state environmental agency is tasked with ensuring the maintenance of these beneficial uses. BUMP is designed to gather scientifically and legally defensible baseline water quality trend data. The data will be used to assess and identify sources of water quality impairment, detect water quality trends, provide needed information for the development of water quality standards, and facilitate the prioritization of pollution control activities.

BUMP composed of five key elements or tasks, one of which has not been implemented due to funding constraints:

- River and Stream Monitoring: 103 sites are sampled monthly for water quality. These sites are segregated into two distinct types of monitoring activities: fixed sites and rotating sites;
- Fixed Station Load Monitoring: Collection of water quantity flow data is used to track long-term trends. This component is currently unfunded;
- Fixed Station Lakes Monitoring: Currently 34 lakes are being sampled. The effort involves the sampling of about three stations per reservoir, but varies due to size;
- Fixed Station Groundwater Monitoring: Focusing on groundwater will involve monitoring existing wells. Funding was provided in the 2012 legislative session and this component will be implemented in the coming year; and
- Intensive Investigation Sampling: This element attempts to document the source of water impairment and recommend restorative actions. This component is currently unfunded.

## **Superfund Remediation**

The Superfund Program is administered by DEQ in partnership with the U.S. Environmental Protection Agency (EPA), which provides almost all the funding. Superfund is the federal program to monitor and remediate the nation's BUMP is uncontrolled hazardous waste sites as well as the sites that pose the greatest threat to human health and the environment. Nationwide, EPA has identified 1,348 sites on the National Priorities List (NPL). In Oklahoma, there are eight NPL sites, five deleted sites and one proposed site. The current eight sites are:

- Oklahoma Refining (Cyril);
- Imperial Refining (Ardmore);
- Tulsa Fuels and Manufacturing (Collinsville);
- Tar Creek (Ottawa County);
- Hudson Refining (Cushing);
- Tinker Air Force (Midwest City);
- Mosley Road Sanitary Landfill (Oklahoma City); and
- Hardage/Criner (McClain County).

## **Rural Economic Action Plan (REAP)**

The Rural Economic Action Plan (REAP) was established in 1996 to stimulate the economic development of the infrastructure in rural Oklahoma. For FY'13, the appropriations to REAP totaled about \$11.5 million.

The appropriation is given to the REAP fund and divided equally among 10 Substate Planning Districts resulting in two of the districts receiving half of a portion for rural economic development planning and implementation of projects. Provisions of REAP restrict grants to cities or towns with a population of less than 7,000. Also, the selection process gives priority to cities or towns with a population of less than 1,700.

Other REAP funds were derived from the apportionment of gross production revenues. During the 2006 legislative session, legislation was passed that divided the oil and gas gross production REAP funds three ways until 2014, between the Oklahoma Water Resources Board (OWRB), the Conservation Commission, and the Oklahoma Tourism and Recreation Department (OTRD). OWRB will use their portion of the funds to continue dealing with water infrastructure needs and also to conduct the Oklahoma Comprehensive Water Plan. The Conservation Commission will use their portion for the rehabilitation of watershed dams and for the Conservation Cost Share Program and the Conservation Reserve Enhancement Program. OTRD will use their portion for the purpose of one-time capital expenditures for capital assets owned, managed or controlled by the department. The department plans on using the funds to focus on environmental issues as identified by DEQ.

The current three-way division of the oil and gas gross production REAP funds was extended to the year 2016 during the 2012 legislative session.

# **HEALTH AND SOCIAL SERVICES**

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**State Department of Health**

**Medicaid**

**Mental Health and Substance Abuse Services**

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## STATE DEPARTMENT OF HEALTH

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Promoting preventive health practices that reduce society's cost of treating illnesses and epidemics is the focus of county health departments. The Oklahoma State Department of Health (OSDH) is the statewide coordinating body for those local efforts.

### ORGANIZATION OF THE PUBLIC HEALTH SYSTEM

The public health effort has expanded greatly over the state's history as new health problems – and new ideas for combating them – have emerged. Services that fall within OSDH's mandate include:

- Providing free immunizations for children to prevent contagious illnesses;
- Providing prenatal care, including food vouchers and home visitations, to improve birth outcomes of low-income women;
- Providing family planning services to prevent unplanned and mistimed pregnancies;
- Providing food establishment inspections to prevent food-borne diseases.

Approximately 50% of clients do not have a low enough income to qualify for Medicaid nor do they have income sufficient to purchase private health insurance. While clients are usually charged a fee based on their ability to pay, OSDH's operational theory is that recouping costs is not as important as preventing diseases and conditions that can seriously disrupt individual and public health. Primary care, treating diseases and medical conditions after their onset, is not the agency's primary mission. Instead, health department clinics provide preventive services and education to avert the onset of illness and disease; for example, by providing vaccines to children, or running educational anti-smoking or teen pregnancy prevention campaigns. There are certain exceptions to the emphasis on prevention over treatment. For example, persons with certain communicable diseases can get treatment at a health department as a way to protect public health (e.g., tuberculosis and sexually-transmitted diseases).

OSDH serves as the statewide coordinator of public health services, most of which are provided through local (county) health departments. The central office provides administrative and laboratory services to the local agencies and also maintains the state's vital records. Seventy counties are served by county-supported health departments. The other seven counties – Alfalfa, Cimmaron, Dewey, Ellis, Nowata, Roger Mills and Washita – do not contribute local funding. These seven counties receive only state-mandated services (i.e., environmental inspections, outbreak investigation and immunization). Optional services, such as prenatal clinics, are available only in counties that contribute local funds to the public health effort. Oklahoma City and Tulsa are served by city-county health departments that are administratively autonomous (guided by their own boards) but must comply with policies of the State Board of Health. Counties are encouraged to assess property taxes of up to 2.5 mills to fund operations of local health departments. Sixty-seven counties do so, most of them at the highest millage allowed by the Oklahoma Constitution. Three counties provide local support via sales taxes.

## **FUNDING TRENDS**

OSDH experienced a 20 percent reduction of state appropriations from SFY 2009 to SFY 2012. This reduction in funding was managed by reducing staffing and by developing operational efficiencies from initiatives such as the Agency's motorpool program, which saves over \$1 million every year. OSDH may experience a 10-20 percent reduction of federal funds for the current and upcoming federal fiscal years. As with the loss of state funding, the Agency is compiling impact scenarios to in an effort to minimize the loss of services provided to Oklahomans, if such a cut is experienced.

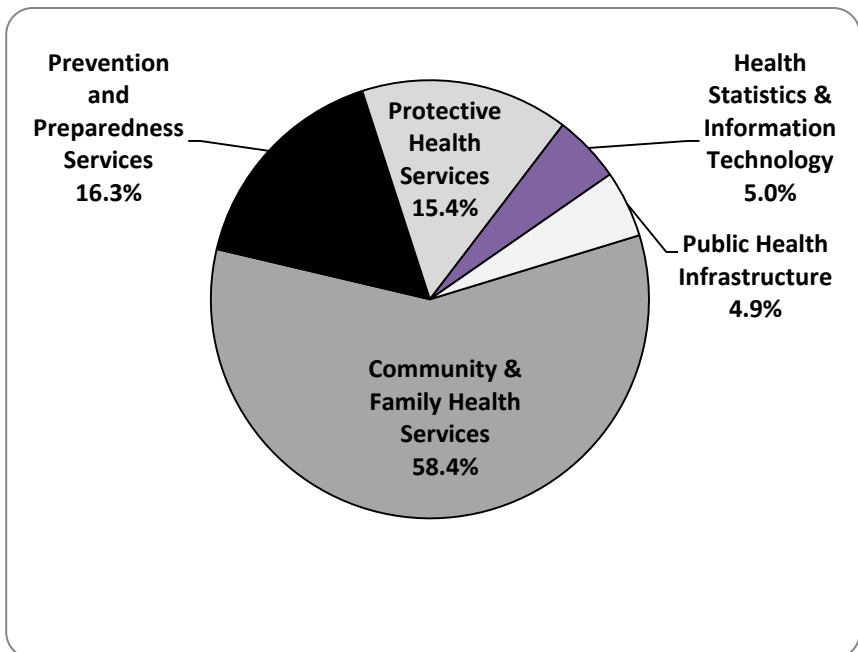
The majority, 53.2 percent, of the SFY 2012 OSDH expenditures-to-date of \$334.4 million came from federal sources (WIC, Medicaid and various block grants from the U.S. Department of Health and Human Services). State appropriations accounted for \$55 million or 16.5 percent of spending. Fees charged to clients (for such services as copies of birth and death certificates, and occupational and restaurant licensing) made up 21.4 percent of spending. County millage assessment funded \$29.9 million or 8.9 percent of spending.



OSDH SFY 2012 Expenditures by Division  
(as of 7/31/2012)

SFY 2012 Expenditures as of 7/31/12	General Revenue	Revolving (Fees and other Revenues)	Federal	Millage	Total
Community & Family Health Services	\$38,624,045	\$18,467,612	\$108,323,486	\$29,887,016	\$195,302,159
Prevention and Preparedness Services	\$9,616,866	\$2,840,906	\$42,100,383	\$0	\$54,558,155
Protective Health Services	\$4,102,800	\$36,423,841	\$10,874,759	\$0	\$51,401,399
Health Statistics & Information Technology	\$0	\$10,539,582	\$6,113,883	\$0	\$16,653,465
Public Health Infrastructure	\$2,702,755	\$3,314,809	\$10,459,726	\$0	\$16,477,290
<b>Total</b>	<b>\$55,046,466</b>	<b>\$71,586,749</b>	<b>\$177,872,236</b>	<b>\$29,887,016</b>	<b>\$334,392,468</b>

OSDH SFY 2012 Expenditures as a Percent of Total  
(as of 7/31/2012)



The sources of funding vary widely for different health department activities. Some activities are funded solely with appropriations; others function with no appropriated dollars. In some cases, each \$1 of appropriations for a particular program is used to access from \$1 to \$9 in federal funds.

## **SERVICES PROVIDED BY OSDH**

The Oklahoma State Department of Health provides a wide array of services associated with the goal of preventive health. Major programs fall into the following categories: Prevention and Preparedness, Community and Family Health and Protective Health. For fiscal years subsequent to SFY 2012 Health Improvement has been created to include the Center for the Advancement of Wellness, the Office of Performance Management, Health Planning and Grants, Community Development Service and the Center for Health Statistics.

### **Prevention and Preparedness Services**

Prevention and Preparedness Services (PPS) had expenditures in SFY 2012 of \$54.6 million or 16.3 percent of the total agency budget. Prevention and Preparedness is comprised of nine public health prevention and/or surveillance services: Public Health Laboratory, Acute Disease, Chronic Disease, HIV/STD, Immunization, Injury Prevention, Tobacco Use Prevention, Emergency Preparedness and Response and Screening and Special Services.

**Public Health Laboratory Service:** The Public Health Laboratory is CLIA-certified and provides essential laboratory services to local county health departments, agency programs and private health providers. Such services include analytical testing, training and technical assistance as well as pharmacy services for county health departments.

**Acute Disease Service:** The primary responsibility of this program is to control communicable diseases through surveillance, investigation of disease outbreaks, analysis of data to plan, implement and evaluate disease prevention and control measures, dissemination of pertinent information and education of healthcare professionals and the public.

**Chronic Disease Service:** The mission of this program is to prevent death and disability from chronic diseases and conditions such as cancer, cardiovascular disease, asthma, diabetes, and high blood pressure. Activities to accomplish this mission include screening for early detection of disease and promoting healthy behaviors throughout the lifespan.

**HIV/STD Service:** The mission of the HIV/STD Service is to protect and promote the public's health by intervening in the transmission of the Human Immunodeficiency Virus and other sexually transmitted diseases. Primarily federally funded, the Service provides statewide programs for the surveillance

and prevention of HIV and other STD's. The agency also helps eligible participants pay for prescriptions under the AIDS Drug Assistance Program.

**Immunization Service:** Immunizations help to reduce and eliminate morbidity and mortality caused by vaccine preventable diseases by supplying public and private health care providers with childhood and adult vaccines, and by performing immunization quality improvement assessments at schools, public and private clinics and child care centers.

**Injury Prevention Service:** Injuries are the third leading cause of death in Oklahoma and the leading cause of death among children and young adults 1–44 years of age. Many, if not most, of these injuries are preventable. The mission of this service is to improve the health of Oklahomans by working in collaboration with communities and stakeholders to identify injury problems, then develop, implement and evaluate environmental modifications and educational interventions. Some of the successful focus areas have been car seat safety, fire safety, and prevention of traumatic spinal cord injuries.

**Tobacco Use Prevention Service:** Tobacco Use Prevention is designed to build state capacity for broad-based tobacco use prevention programs, which support the Healthy People 2020 Objectives. Intervention areas include preventing initiation (to include reducing youth access) of tobacco products, eliminating exposure to environmental tobacco smoke, promoting cessation and addressing disparities. Critical components of the program include community mobilization, counter-marketing surveillance/evaluation, and policy development. For SFY 2013, this service will be consolidated into a new service area, Center for the Advancement of Wellness, in a new division, Health Improvement.

**Emergency Preparedness and Response Service:** This program is intended to plan, prepare and respond to a public health disaster or adverse event using an all-hazards approach. It involves coordination with all agencies and entities that would be involved in a response including hospitals, state, local, and city public, private and military groups. Activities include assessment, planning, exercises, detection, education, enhanced disease surveillance and a rapid notification system.

**Screening and Special Services:** The mission of this program is to provide statewide surveillance, screening and specialized programs to protect Oklahoma's children and their families. Programs in this service area include: Genetics, Newborn screening, Newborn Hearing Screening, Childhood Lead Poisoning Prevention and the Oklahoma Birth Defects Registry.

## **Community and Family Health Services**

The Community and Family Health Services provide oversight and direction to the sixty eight organized county health departments in the state. Additionally, central office programs focus primarily on preserving and improving the health

of women, adolescents, and babies. Community and Family Health Services acts as the liaison between the county health departments and all programs housed within the state health department. The mission of Community and Family Health Services (CFHS) is to strengthen the capacities of local Public Health Agencies through workforce education, leadership training, performance management, program research, development of strategic alliances, and community education. A primary responsibility is to enhance the capacity at the state and local levels for the development of population-based and clinical preventive services to meet community defined needs.

**County Health Departments:** The 68 county health departments are under the jurisdiction of OSDH and establish priorities in collaboration with communities and to implement program specific guidelines for OSDH defined goals and objectives. A basic function of county government, county health departments develop, implement and administer programs and services that are aimed at maintaining a healthy community. County residents are encouraged to participate in assessing public health needs and in formulating a community health plan. It also works with other community organizations to assure needed services and programs are available. These units also play a primary role in the development and implementation of emergency response plans at this level.

**Child Guidance and SoonerStart (Early Intervention) Services:** The Child Guidance Service is administered in regional county health departments and the Childcare Warmline, which offers free telephone consultation and referrals to child care providers. These programs provide support and training to parents, childcare providers, educators, the medical community and youth. The agency also staffs the Early Intervention (SoonerStart) program, primarily funded through the State Department of Education, for infants and toddlers, birth to 36 months, who have developmental delays.

**Dental Health Service:** The program provides leadership in oral disease prevention, anticipate needs, and mobilize efforts that will help protect and promote good oral health for Oklahoma citizens. Oral health screening and small-scale treatment is provided for children and nursing home residents in some areas through contracts with providers. There is also a school-based dental education program, a fluoridation program to improve the state's drinking water supply and the Dental Loan Repayment Program.

**Family Support and Prevention Service:** Family Support and Prevention Service promotes the health, safety and wellness of Oklahoma's children and families by administering visitation programs for low-resource mothers, provide training and assistance to organizations/agencies that service families with young children. The agency directs resources to improve health outcomes and parenting skills in an effort to avert child abuse, unplanned repeat pregnancies and other adverse outcomes.

**Maternal and Child Health Service:** This service area provides leadership, in partnership with key stake holders to county health departments and non-profit clinics to improve the physical and mental health, safety, and well-being of the Oklahoma maternal and child health population. They develop and promote best practices for women’s and men’s reproductive health and the health of babies. The agency also provides community-based programs aimed at lowering the state’s teen birthrate thru local agreements with county health departments and community-based organizations.

**Nursing Service:** Public health nurses comprise the largest segment of Oklahoma’s public health workforce. Nursing Service is responsible for the support of Oklahoma’s public health nurses by providing clinical practice guidelines and orders, continuing education and training opportunities, performance improvement activities and professional development.

**Record Evaluation and Support Service:** This service supports effective and efficient operations of county health department services by ensuring patient records are organized and maintained to conform to medico-legal standards. It provides on-site training and software support for agency computer application programs for data collection, billing, and patient records.

**Women, Infants and Children (WIC) Service:** This federally funded program provides nutritious foods to supplement the diets of women, infants, and children (approximately 100,000 per month). WIC foods are specifically chosen to provide the needed nutrients. The agency provides nutrition classes, interactive online education and fitness group classes, and private consultation with nutrition experts.

## **Protective Health Services**

OSDH has responsibility for a wide range of regulatory services in areas that affect the health of citizens. Regulatory responsibilities include enforcing laws and rules, performing routine inspections, investigating complaints, and issuing, renewing and revoking licenses. Most of the \$51.4 million of expenditures for this division come from licensure fees, trauma disbursements and Federal Medicaid and Medicare funds which help support health and medical facility inspections conducted by OSDH employees.

**Long-Term Care Service:** Long Term Care Service oversees the health and safety of residents living in licensed long-term care facilities. Long-term care facilities include nursing homes, skilled nursing facilities, residential care homes, assisted living centers, continuum of care homes and Intermediate Care Facilities for individuals who are Intellectually Disabled.

**Medical Facilities Service:** Medical Facilities Service is comprised of three main programs; Medical Facilities, Trauma and Emergency Medical Services. The Medical Facilities program licenses and certifies health care facilities in accordance with State and Federal Laws. It has responsibility for inspection,

licensure and Medicare certification of all non-long term care medical facilities in Oklahoma. The Emergency Medical Services develops rules for administering emergency response systems in the state and performs other functions such as; developing a comprehensive plan for EMS development, EMS testing and licensure and collection of statewide EMS data. The Trauma program is responsible for facilitating and coordinating a multidisciplinary system response to severely injured patients in Oklahoma. The Trauma system continuum of care includes; EMS field intervention, emergency department care, surgical interventions, intensive and general surgical in-hospital care, rehabilitation services and support groups to enable both the patient and their family to return to society at the most productive level possible.

**Consumer Health Service:** This service has four programs. The Consumer Protection program is responsible for licensing, monitoring and inspecting hotels and motels, eating and drinking establishments, retail and wholesale food outlets, food manufacturers, public bathing places and all sources of ionizing radiation. The Occupational Licensing program protects life and property by licensing and inspecting the alarm and locksmith industry, barbers, hearing aid dealers, home inspectors and sanitarians. The Professional Counselor Licensing program promotes and enforces laws and regulations which governs the practices of Licensed Professional Counselors, Licensed Marital and Family Therapists, Licensed Behavioral Practitioners and Licensed Genetic Counselors.

**Health Resources Development Service:** This service performs health protection and public assurance functions in the following program areas: Health Facility Systems, Managed Care Systems, Nurse Aide and Non-Technical Services Workers Registry, Home Care Administrator Registry and Jail Inspections.

**Quality Improvement and Evaluation Service:** The Quality Improvement and Evaluation Service is responsible for coordinating activities and database functions that fall under the umbrella of the national QualityNet System developed by the Centers for Medicare and Medicaid Services. Data is collected from many of the facilities overseen by Long-Term Care Service and Medical Facilities Service. The collected data is used by researchers studying trends in health care and as a mechanism for Medicaid and Medicare reimbursements.



## MEDICAID

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Medicaid, also known as Title XIX of the federal Social Security Act, is the primary mechanism for financing health care for low-income Americans. Unlike Medicare, which targets the elderly and is 100 percent federally funded, Medicaid is administered by state governments within certain guidelines set by the federal government.

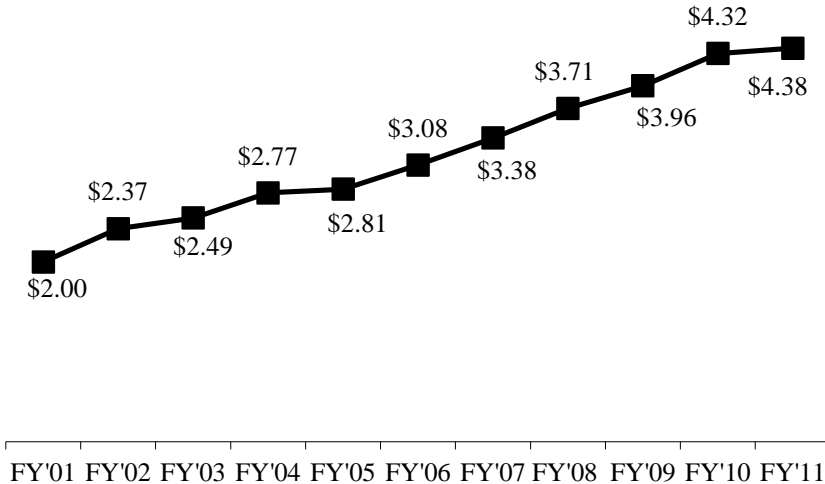
Federal law requires every state to designate a single agency to administer its Medicaid program. Since 1993, the Oklahoma Health Care Authority (OHCA) has been the designated agency in Oklahoma. Prior to that time, the Medicaid program was administered by the Department of Human Services (OKDHS). OHCA contracts with DHS to determine if certain individuals qualify for Soonercare. Individuals who are disabled, aged, in custody, qualified for cash assistance or receive State supplemental payment are processed and approved or denied by OKDHS. Applications and renewals for these programs are reviewed by each OKDHS county office for financial and/or medical qualifications. Once an individual meets the qualifications and completes the enrollment process, his or her records are sent to OHCA to coordinate medical benefits and make payments for services. All other applicants are processed through the Online Enrollment System.

## FINANCING

Medicaid is funded through a federal-state partnership. The federal share of the program, also known as the federal medical assistance percentage (FMAP), varies by state in inverse relation to a state's per capita income. For most services, Oklahoma's FMAP for FFY'11 was 64.94%. On average, for every one state dollar that Oklahoma Medicaid spends, Oklahoma receives \$2.97 in federal money. (The federal match for administrative expenses ranges from 50 percent to 90 percent, while some program expenditures are also eligible for matching rates of approximately 79 percent to 100 percent.)

In FY'12, the state share appropriated to the Oklahoma Health Care Authority was \$983 million. Total program dollar expenditures were estimated to be in excess of \$5.2 billion.

### Total Medicaid Expenditures FY'01 Through FY'11



While OHCA is the main beneficiary of state appropriations for Medicaid, other state agencies (such as the Department of Human Services, the State Department of Health, Department of Education and Department of Mental Health and Substance Abuse Services, the Office of Juvenile Affairs and the University Hospitals Authority, OU and OSU) pay the state match for various services and programs that are covered by Medicaid. Medicaid is also partly funded by fees on hospitals, long-term care facilities and rebates from drug manufacturers.

## MEDICAID ELIGIBILITY

Medicaid eligibility is determined by OKDHS and the Online Enrollment program based on standards set by the state and federal government. Individuals are determined to be Medicaid-eligible for one year periods.

### Covering the Uninsured

In general, Medicaid covers low-income mothers and children, the elderly, and people with disabilities. Most non-disabled working-age adults are ineligible for Medicaid, even if their income falls considerably below the federal poverty level. Medicaid enrolled 968,296 Oklahomans throughout FY'11, or about 25 percent of the total population.



Children make up 62 percent of Oklahoma's Medicaid population while the aged, blind and disabled account for about 17 percent of the population. Enrollment patterns in the Medicaid program, however, do not correspond with expenditure breakdowns. Nationally, only 20 percent of Medicaid program dollars are spent on children, compared to 62 percent that is spent to provide services for the aged, blind and disabled populations. This discrepancy reflects the fact that the aged, blind and disabled are more likely to suffer from chronic health problems which may require ongoing medical assistance, episodes of acute care, and eventually long term care.

## Medicaid Recipients and Expenditures *Fiscal Year 2011*

Percentage of Recipients		Percentage of Expenditures	
TANF/AFDC	67.64%	TANF/AFDC	37.15%
Aged, Blind and Disabled	17.45%	Aged, Blind and Disabled	51.81%
Other	14.91%	Other	11.04%

### Recipients of AFDC/TANF

Prior to federal adoption of Welfare Reform in 1996, persons eligible for the Aid to Families with Dependent Children (AFDC) program were automatically entitled to health care coverage under Medicaid. Congress severed this automatic link by repealing the AFDC program and creating the Temporary Assistance for Needy Families (TANF) program. Now, eligibility for Medicaid is no longer tied to receipt of cash assistance. However, anyone who meets the AFDC eligibility criteria that were in effect on July 16, 1996, is still able to receive Medicaid. In Oklahoma, the AFDC eligibility threshold is approximately 30 percent of the Federal Poverty Level (FPL) or \$6,856.10 per year for a family of three in 2011. Children through age 19 are eligible up to 185 percent of FPL or \$34,281.00 per year for a family of three. Transitional Medicaid coverage is available for families moving off welfare for a period of up to 12 months.

### Low-Income Pregnant Women and Children

While most healthy adults are ineligible for Medicaid, the past decade has seen a concerted effort by Congress and the states to improve the health of children and pregnant women. In Oklahoma, children under the age of 19 are covered up to 185 percent of FPL. Pregnant women are also covered up to 185 percent of FPL. Under HB 2842, passed during the 2<sup>nd</sup> Session of the 50<sup>th</sup> Legislature (2006), college students up to age 23 who are full-time students are covered, provided they meet eligibility requirements. In 1994, 14.2 percent of children nationally and 20.6 percent of Oklahoma children lacked health insurance. Among low-income children, the percentage without insurance was even higher. During the early 1990s, Congress mandated a phased-in expansion of Medicaid coverage for low-income children and pregnant women. This effort was superseded in Oklahoma by the passage of SB 639 (1997) and the state's Children's Health Insurance Plan.

Concurrent with Oklahoma's initiative, the Federal government announced a \$24 billion new program known as CHIP (Children's Health Initiative Plan) to encourage and assist states in insuring low-income children. The program provided enhanced federal matching funds to insure uninsured children up to 185 percent of the federal poverty level through the CHIP program. Oklahoma is currently receiving an enhanced federal match of 75 percent for the Medicaid costs of children, in the State Children's Health Insurance Program. SB 639 expanded Medicaid coverage to children and pregnant women with income below 185% of FPL that didn't qualify for Medicaid because of other reasons such as being covered by other health insurance.

## **Recipients of Supplemental Security Income (SSI)**

SSI is a federal cash assistance program for persons who are 65 years of age, blind or disabled and poor, known as ABD. As of June 2011, there were 131,363 adult and 19,020 children ABD members.

## **Medicaid Payments for Medicare Premiums**

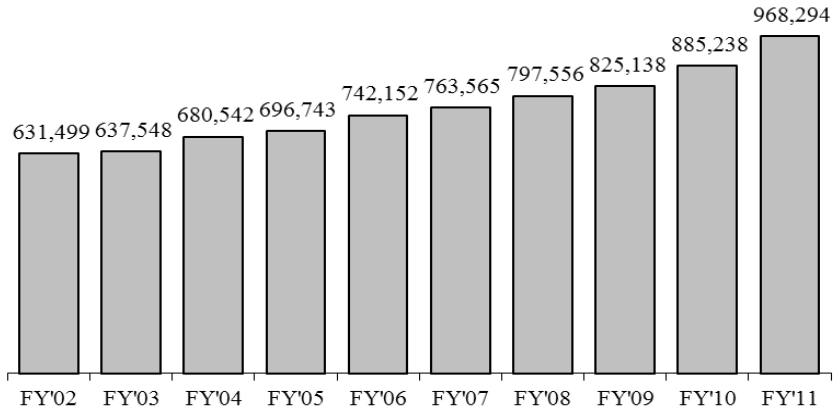
Under 1988 federal legislation, states are required to pay Medicare premiums, deductibles and coinsurance for needy elderly and disabled persons who are dually eligible for Medicare and Medicaid. This group is known as Qualified Medicare Beneficiaries (QMBs). The payments are cost-effective from the state's standpoint because it is less expensive to pay such out-of-pocket expenses for Medicare eligibles than it is to have them lose their Medicare benefits and fall into Medicaid eligibility. In FY'11, an average of 2,333 Part A premiums and 87,900 Part B premiums were paid each month.

## **Growth in Enrollment**

The Medicaid program is designed to be counter cyclical with the economy. For every one percentage point increase in unemployment that occurs, Medicaid enrollment can be expected to increase by 2.7 percent. Enrollment in the Medicaid program began to increase dramatically after the events of September 11, 2001, and the national recession that followed.

Enrollment has continued to increase throughout the recession in FY'09 and FY'11. Between July 2010 and July 2011, HCA has seen a 3.6% increase in enrollment. That is 26,000 more enrolled in a year's time.

Average Growth in Enrollment  
FFY'02 Through FFY'11



**MEDICAID AND MANAGED CARE**

Prior to January 1, 2004 OHCA operated two separate forms of managed care – SoonerCare Plus and SoonerCare Choice. Under the SoonerCare Plus program OHCA contracted directly with Health Maintenance Organizations (HMOs) to provide medically necessary services to beneficiaries residing in Oklahoma City, Tulsa, Lawton and the counties immediately surrounding these urban centers. In November of 2003, news of increased health care costs and a decision by a HMO to pull out of the state Medicaid program prompted the Oklahoma Health Care Authority board to approve a proposal to end its HMO contracts and expand the state’s other managed care system, SoonerCare Choice. All members from SoonerCare Plus were transitioned to SoonerCare Choice in January 2004. The entire Medicaid program is now referred to as SoonerCare.

In January 2009, the Patient-Centered Medical Home delivery system was implemented for SoonerCare Choice members.

These members have a medical home that provides basic health care, an information hub and more integrated services. SoonerCare Choice primary care providers are paid a monthly case management/care coordination fee. Visit-based services remain compensable on a fee-for-service basis.

Members enrolled in SoonerCare Choice are not “locked in” with a primary care provider/case manager (PCP/CM) and can change health care providers as necessary. This important facet to the program allows SoonerCare Choice members the opportunity to select a provider that has been added to the program. Providers contracting in this program include Advanced Registered Nurse

Practitioners, Family Practitioners, General Pediatricians, Internists, and Physician Assistants. Medical Home Providers receive a care coordination fee, visit-based fee-for-service payment and performance-based payments to providers meeting the quality of care targets (SoonerExcel).

Some member groups do not qualify to participate in SoonerCare Choice. Persons eligible for Oklahoma Medicaid who are institutionalized, dual eligible, in state or tribal custody or enrolled under a Home and Community-Based Waiver are not included in the SoonerCare Choice program at this time. Most of these members receive services under the fee-for-service delivery model, SoonerCare Traditional

Identifying the need to coordinate care for SoonerCare members with complex medical needs, the SoonerCare division created a Care Management department. This department contains nurse exceptional needs coordinators (ENCs) who support the Oklahoma Medicaid provider networks in both the SoonerCare Choice program and fee-for-service areas through research, collaboration and problem resolution as related to members' care.

**SERVICES PROVIDED BY MEDICAID**

Unlike Medicare, which charges its recipients monthly premiums and includes co-pays and deductibles, Medicaid is a system of essentially free health insurance coverage for qualifying members. However, Medicaid involves some cost to members: providers can charge co-payments for certain services, and nursing home residents must “spend down” their own resources to a certain level before Medicaid begins paying their bills.

**What Services are Covered?**

Federally Mandated Services	Optional Covered Services	
Early/Periodic Screening Diagnosis & Treatment (EPSDT) Under Age 21 Family Planning Services & Supplies Inpatient Hospital Laboratory & X-ray Non-emergency Transportation Nurse Midwife Nurse Practitioner Nursing Facility/Home Health for Age 21+ Outpatient Hospital Physician Rural Health Clinic and Federally Qualified Health Center	Case Management Chiropractor Clinic Dental Dentures Diagnostic Services Emergency Hospital Eyeglasses Inpatient Hospital for Age 65+ in Institutions for Mental Diseases Inpatient Psychiatric under age 21 ICF/MR Nurse Anesthetist Nursing Facility under age 21 Occupational Therapy	Optometrist Personal Care Physical Therapy Podiatrist Prescribed Drugs Preventive Services Private Duty Nursing Prosthetic Devices Psychologist Rehabilitative Respiratory Care Screening Services Speech/Hearing/Language Disorders TB Related

Hospital services followed by physician and nursing facility expenditures, account for more than \$1.6 billion of the \$4.38 billion Medicaid program.

## **Long-Term Care**

Medicaid is the nation's primary insurer of long-term health care services for individuals with chronic, non-acute needs. In fact, more than 75 percent of all residents in Oklahoma nursing homes are Medicaid clients. Long-term care services range from personal care, rehabilitative therapies, chore services, and home-delivered meals to durable medical equipment and environmental modification. With the graying of the baby-boom generation and advances in medical technology contributing to a rapidly expanding senior population, providing adequate and affordable long-term care will be one of the great challenges confronting state and federal policy makers in the new century.

Medicaid payments for long-term care falls into two general categories:

**Institutional Care:** This includes such facilities as nursing homes, Intermediate Care Facilities for the Intellectually Disabled (ICFs/MR), or state hospitals for the intellectually disabled. The state pays private institutional providers a per diem to cover the full range of patients' needs, including room and board. Part of the revenue for nursing homes and ICFs/MR payments is raised by daily per-bed fees imposed on all licensed facilities, which are matched with federal funds.

**Home- and Community-Based Programs:** Through several Medicaid waivers administered by OKDHS and three by OHCA, the state contracts with private agencies to provide needed services set out in an individual care plan. The largest waiver programs are the Home-and-Community Waiver for the developmentally disabled and the ADvantage Waiver for the aged and disabled. All 50 states have developed waivers as a way to allow those who do not need 24-hour nursing care to live fuller, more independent lives outside of institutions.

Eligibility for Medicaid long-term care services is based on a combination of medical and financial criteria. Medically, individuals must be certified as needing a "nursing home level of care" to qualify either for institutional placement or participation in one of the long-term care waivers. Financially, Medicaid members' incomes must be below 300 percent of the SSI eligibility threshold, which translates to monthly income of roughly \$2,094 per person and \$2,000 in non-exempted assets.

**Premium Assistance Program:** In January 2006, the Oklahoma Health Care Authority (HCA) started enrolling businesses and individuals into the Insure Oklahoma program. The first component of the Insure Oklahoma program is designed to assist Oklahoma small business owners (with 99 or fewer employees) in purchasing health insurance on the private market for their income eligible employees (at or below 200 percent of Federal Poverty Level). As of July 2012, the program had 4,867 businesses and 16,723 employees. A second component to the Insure Oklahoma program is the Individual Plan. The Individual Plan is designed as a safety net for those Oklahoma individuals who cannot access private, group health insurance coverage. Those who may qualify for this plan

include workers who employer does not offer health insurance and workers who are ineligible for their employer's insurance plan. The individual component of the Insure Oklahoma program began enrollment in March 2007. As of July 2012, the program had covered 13,297 uninsured Oklahomans. Funding for this program is generated from the Tobacco Tax approved by the voters in 2004 (State Question 713).

### Statewide Medicaid Information

County	Population Proj. July 2010*	SFY2011 Unduplicated Enrollees**	SFY2011 Expenditures
ADAIR	22,683	9,957	\$33,693,431
ALFALFA	5,642	914	\$2,853,008
ATOKA	14,182	4,261	\$15,877,669
BEAVER	5,636	920	\$2,103,195
BECKHAM	22,119	5,966	\$23,416,859
BLAINE	11,943	3,173	\$11,716,866
BRYAN	42,416	12,923	\$48,019,060
CADDO	29,600	10,069	\$31,658,514
CANADIAN	115,541	18,569	\$63,862,021
CARTER	47,557	15,049	\$56,023,094
CHEROKEE	46,987	13,780	\$60,370,174
CHOCTAW	15,205	6,029	\$25,447,639
CIMARRON	2,475	626	\$1,201,857
CLEVELAND	255,755	42,607	\$152,286,222
COAL	5,925	2,020	\$8,974,877
COMANCHE	124,098	27,067	\$80,640,796
COTTON	6,193	1,534	\$4,785,912
CRAIG <sup>†</sup>	15,029	5,082	\$27,293,333
CREEK	69,967	19,521	\$87,575,702
CUSTER	27,469	6,788	\$26,661,491
DELAWARE	41,487	11,780	\$44,876,203
DEWEY	4,810	892	\$2,806,853
ELLIS	4,151	772	\$2,225,479
GARFIELD <sup>†</sup>	60,580	16,003	\$95,628,695
GARVIN <sup>†</sup>	27,576	8,057	\$56,970,457
GRADY	52,431	11,643	\$43,051,973

County	Population Proj. July 2010*	SFY2011 Unduplicated Enrollees**	SFY2011 Expenditures
GRANT	4,527	815	\$2,789,505
GREER	6,239	1,732	\$6,940,566
HARMON	2,922	1,097	\$4,414,103
HARPER	3,685	774	\$2,431,679
HASKELL	12,769	4,711	\$18,713,268
HUGHES	14,003	4,237	\$21,019,784
JACKSON	26,446	7,356	\$24,121,027
JEFFERSON	6,472	2,304	\$8,451,335
JOHNSTON	10,957	3,945	\$16,747,638
KAY	46,562	14,541	\$51,804,116
KINGFISHER	15,034	3,154	\$9,842,337
KIOWA	9,446	2,852	\$12,954,260
LATIMER	11,154	3,461	\$14,478,046
LEFLORE	50,384	16,236	\$65,646,283
LINCOLN	34,273	8,412	\$27,293,810
LOGAN	41,848	8,324	\$34,804,671
LOVE	9,423	2,967	\$8,975,108
MCCLAIN	34,506	6,933	\$19,792,426
MCCURTAIN	33,151	13,470	\$50,677,763
MCINTOSH	20,252	6,287	\$33,739,880
MAJOR	7,527	1,466	\$7,368,376
MARSHALL	15,840	4,860	\$19,986,628
MAYES	41,259	12,207	\$45,736,063
MURRAY	13,488	3,683	\$13,933,278
MUSKOGEE	70,990	23,372	\$108,082,637
NOBLE	11,561	2,695	\$13,297,281
NOWATA	10,536	2,891	\$10,456,696
OKFUSKEE <sup>‡</sup>	12,191	4,203	\$23,466,458
OKLAHOMA	718,633	192,047	\$703,240,617
OKMULGEE	40,069	13,387	\$62,631,980
OSAGE	47,472	7,173	\$31,846,594
OTTAWA	31,848	11,471	\$40,343,866
PAWNEE	16,577	4,939	\$20,319,006

County	Population Proj. July 2010*	SFY2011 Unduplicated Enrollees**	SFY2011 Expenditures
PAYNE	77,350	14,474	\$51,313,691
PITTSBURG	45,837	11,897	\$53,694,851
PONTOTOC	37,492	10,613	\$56,673,334
POTTAWATOMIE	69,442	21,188	\$80,174,304
PUSHMATAHA	11,572	3,961	\$16,181,131
ROGER MILLS	3,647	710	\$1,288,999
ROGERS	86,905	17,169	\$65,252,018
SEMINOLE	25,482	8,997	\$36,770,542
SEQUOYAH	42,391	15,276	\$60,299,378
STEPHENS	45,048	11,538	\$41,274,491
TEXAS	20,640	5,448	\$9,631,919
TILLMAN	7,992	2,581	\$8,578,544
TULSA	603,403	147,621	\$540,240,820
WAGONER	73,085	13,198	\$40,155,729
WASHINGTON	50,976	11,761	\$50,203,714
WASHITA	11,629	2,639	\$9,456,560
WOODS	8,878	1,678	\$6,553,313
WOODWARD	20,081	4,773	\$16,244,727
Out of State		4,265	\$1,398,833
OTHERØ		4,503	\$687,632,171
<b>TOTAL</b>	<b>3,751,351</b>	<b>968,296</b>	<b>\$4,379,387,533</b>

\*Source: Population Division, U.S. Census Bureau. Estimates rounded to nearest 100.

<http://quickfacts.census.gov/qfd/states/40000.html> \*\*Enrollees are categorized within the last county on their enrollment record to allow for unduplicated counts.

ØGarfield and Garvin counties have public institutions and Okfuskee and Craig counties have private institutions for the intellectually disabled causing the SoonerCare expenditures to be higher than the norm.

Other - non-member specific payments include \$265,701,195 in Hospital Supplemental payments; \$138,460,084 in Medicare Part A & B (Buy-In) payments; \$68,908,787 in Medicare Part D (clawback) payments;

\$58,567,572 in GME payments to medical schools; \$50,957,037 in Insure Oklahoma premiums; \$209,782 in Insure Oklahoma ESI Out-Of Pocket payments; \$35,250,459 in EHR incentive payments; \$33,808,002 in Outpatient Behavioral Health Supplemental payments; \$13,441,208 in Public ICF/MR cost settlements; \$3,566,018 in SoonerExcel payments; \$1,551,618 in Health Access Network payments; \$1,288,927 in SFY2009 DMHSAS inpatient cost settlement and \$1,058,887 in non-member specific provider adjustments.

Additionally, Other includes \$14,862,595 paid on behalf of custody children within the State Office county code.





## **MENTAL HEALTH AND SUBSTANCE ABUSE**

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Perhaps no state government function has experienced such a profound change in its mission over the past 40 years than in the areas of mental health and substance abuse services. From its crude beginnings, the state mental health system has shifted paradigms. Hospitalization is now considered a temporary service for all but a few clients. Most mental health services are now provided in the community. Advances over the past several years have made recovery a reality for thousands of Oklahomans.

### **BACKGROUND ON MENTAL HEALTH CHANGES**

Until the mid-1960s, the primary means to treat mental illness was institutionalization in large state hospitals. On an average day in 1960, nearly 6,400 Oklahomans were in the state's mental hospitals. In the mid-1970s, the concept of "deinstitutionalization" prompted states to increase efforts to utilize outpatient services through Community Mental Health Centers. This approach has proven to be an effective means of recovery and a less costly method to provide services as compared to long-term inpatient care in a hospital setting. Today, over 70,000 individuals receive services from the department each year. Of those, only about 3 percent require hospital care. The vast majority take part in mental health and substance abuse outpatient programs, targeted community based services, prevention efforts and educational initiatives.

Much of the department's recent success can be attributed to an understanding that when left untreated, mental illness and substance abuse are a leading cause of disability and premature loss of life. The fiscal and economic impact of untreated, under-treated and unserved mental illness and substance abuse on Oklahoma is estimated to be \$8 billion.

**DMHSAS OVERVIEW**

The Oklahoma Department of Mental Health and Substance Abuse Services is responsible for providing services to Oklahomans who are affected by mental illness and substance abuse. The department provides services to approximately 70,000 individuals annually.

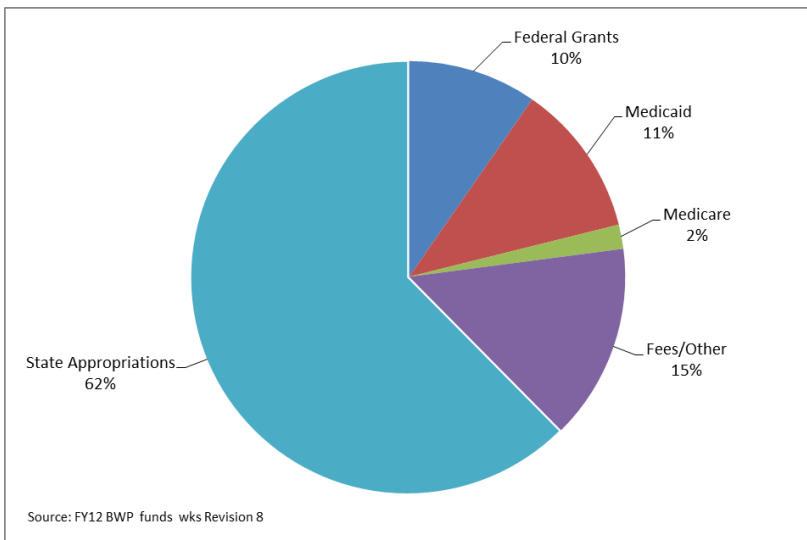
The state subsidizes services for clients with incomes below 200 percent of the federal poverty level and receives reimbursement for some services for clients who are eligible for the Medicaid program.

**Funding Sources**

Oklahoma's mental health system is centralized and primarily state funded (62 percent in FY'12).

Federal funding from various sources comprises the majority of the rest of the budget. Medicaid is the most important non-appropriated funding source for individual client services. Federal grants, which include both block grant funding and categorical grants awarded for specific projects, accounted for approximately 10 percent of the budget.

**DMHSAS Budget by Source, FY'12**  
Total = 301,490,736



## **Services Provided**

The department provides the following inpatient and community-based services in state administered or contracted programs.

### **Psychiatric Hospital Services**

- Regional Adult Psychiatric Hospital (Griffin Memorial Hospital)
- Child Psychiatric Hospital (Childrens Recovery Center)
- Forensic Psychiatric Evaluation and Treatment (Oklahoma Forensic Center)

### **Community Mental Health Centers**

- There are four state-operated and 10-private non-profit CMHCs that provide outpatient counseling and, in some cases, short-term hospitalization and substance abuse treatment.

### **Crisis Intervention Centers**

- Community-based crisis intervention and emergency detention (Tulsa Center for Behavioral Health, Oklahoma County Crisis Intervention Center and the Crisis Intervention Center in Norman, which is operated by Red Rock Behavioral Health Center);

### **Alcohol and Drug Treatment Programs**

- State-administered alcohol and drug treatment residential centers (two for adults, one for adolescents).
- Privately operated alcohol and drug prevention, outpatient and residential treatment programs (approximately 80 non-profit and for-profit contract providers);
- Residential treatment for persons with co-occurring disorders – both mental illness and substance abuse. All programs are required to be co-occurring competent.

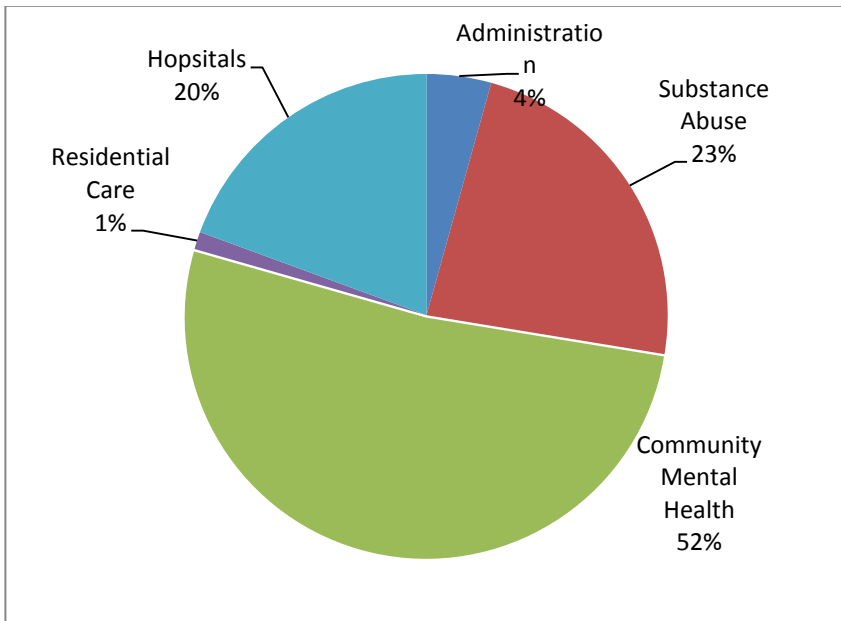
### **Residential Care Homes**

- 27 contracted homes.

## **Program Budgets**

State hospital operations, which serve about 3 percent of the agency’s total service recipients, accounted for 19.4 percent of the agency’s FY’12 budget. Community mental health programs utilized 52 percent of the budget and served 74 percent of clients. Substance abuse programs accounted for approximately 24 percent of the budget, serving 21 percent of clients. Administrative costs constituted approximately 4 percent of the budget.

**DMHSAS Budget by Program, FY’12**  
*Total = \$301,490,736*



## **PROGRAM OVERVIEW**

The demand for public mental health services exceeds the capacity of the current treatment system. This has always been the case, but has been exacerbated in recent years due to a growing public awareness of mental illness and of the existence of effective treatment; rising healthcare costs; and the state’s growing substance abuse problem, particularly the brain-damaging use of methamphetamine and resultant psychotic behavior.

Through the use of proven practices and expansion of community based services, the department will increase the effectiveness of services and continue to improve the efficiency of the delivery system. The department’s goal is to ensure access to appropriate care for all Oklahomans and the recovery of all served.

## **Mental Health Services**

One out of four adults will have one or more episodes of mental illness during their lifetime. People with mental illness are 10 times more likely than the general population to take their own lives.

For those who survive the illness, other health problems threaten their quality of life. Persons with mental illness are at significantly increased risk for diabetes, heart disease, obesity, and associated organ failure. At the same time, people with medical conditions such as diabetes and heart disease are at increased risk for mental illness; the combination of the two can be deadly.

The Oklahoma Department of Mental Health and Substance Abuse Services follows a tiered delivery of services designed to serve the most severely ill first. This approach is based on key principles that stress the following:

- Crisis intervention will be available to all in need. Longer-term services will be targeted to those most in need.
- A thorough face-to-face evaluation of the need for mental health services will be conducted for anyone meeting financial need criteria.
- Persons meeting defined diagnostic criteria will receive services on a timely basis, within uniformly defined time frames.
- Continuity of care between inpatient and outpatient providers will be emphasized.

Needs are prioritized and resources carefully directed to ensure a standard of excellence for services that are delivered.

There were 54,000 people served by the department's mental health services in fiscal year 2011.

## **Programs for Assertive Community Treatment (PACT)**

The Program of Assertive Community Treatment (PACT) is an effective, evidence-based service delivery model providing intensive, outreach-oriented mental health services to people with schizophrenia, bi-polar disease and other serious and persistent mental illnesses. Using a 24 hours-a-day, seven days-a-week team approach, PACT delivers comprehensive community treatment, rehabilitation and support services to consumers in their homes, at work and in community settings.

Building community supports such as PACT and other non-traditional programs of care allows an individual, who otherwise may be subjected to multiple hospital visits, or jail, the ability to address the demands of their illness while remaining in the community. The program is intended to assist clients with basic needs, increase compliance with medication regimens, address any co-occurring

substance abuse, help clients train for and find employment, and improve their ability to live with independence and dignity. PACT was implemented in Tulsa and Oklahoma City in May of 2001 with \$2 million provided by the state legislature. The program, now with teams located statewide, serves more than 840 people with serious mental illness in 26 counties.

With PACT assistance, comparing pre-PACT with post-PACT:

- The number of days in inpatient care decreased by 86 percent
- The number of days in jail decreased by 64 percent

## **Systems of Care (SOC)**

In the fall of 2002, Oklahoma received a six-year, \$9.4 million “Systems of Care” grant to establish children’s behavioral health service “hubs” throughout Oklahoma. The program has since expanded to approximately 60 counties, and serves more than 1,500 children and families throughout the state.

There is a tremendous need to expand children’s services throughout the state and programs such as Systems of Care, which cut through red tape and focus attention on the needs of the children and their families to provide the appropriate level of services. It is targeted to impact children, ages 6-18 years, with serious emotional and behavioral problems at home, school and in the community, and, it has been proven as a model system.

Evaluation demonstrates significant achievements in a child’s behavior when measuring outcomes following six-month client participation. Examples include:

	<u>Percent Reduction</u>
Out of Home Placements	30%
School Detentions	53%
Self-Harm Attempts	39%
Arrests	48%

## **Mental Health Courts**

Mental health court is a highly structured, court-based program providing a treatment alternative for non-violent offenders diagnosed with a mental illness. Court structure and processes are designed to identify and address the unique needs of a non-violent person who has come in contact with the criminal justice system because of his or her mental illness. Mental health courts currently exist in 16 counties.

## **Community Mental Health Centers (CMHC)**

One of the major challenges currently facing the department is that of equitable funding for community mental health centers. Despite this struggle, the CMHCs continue to provide core services such as medications, counseling, and case management that help many people with mental illness live a life in the community. In addition to core services, most CMHCs are able to offer best practice, evidence-based services, albeit on a limited basis.

## **Medicaid for Mental Health Providers**

In recent years the Medicaid program has become a significant revenue source for mental health providers. Much of this increase has come about because CMHCs are assuming more responsibility for persons needing treatment as opposed to state hospitals. Many CMHC services are Medicaid-reimbursable, while state psychiatric hospitals are considered institutions and are, therefore, ineligible for Medicaid.

## **Medications**

The advent of more effective psychotropic medications for people suffering from schizophrenia, severe depression, and bipolar disorder has enabled many more clients to lead normal, healthy lives in their communities. These “new generation” medications have improved quality of life for many people and have the potential to decrease hospitalization costs for states. It is important to provide appropriate medications on a consistent basis for all clients. Otherwise, persons with mental illness are stabilized in hospitals with medications, discharged, then either cannot or do not continue to take prescribed medications. Their condition deteriorates until law enforcement or loved-ones intervene, then they are re-admitted to a hospital.

## **Forensic Services**

DMHSAS is responsible for providing several forensic services: evaluating all people charged with a crime that are believed to suffer from mental illness, treating defendants with mental illness who are waiting for trial, but are not competent to proceed because of their mental illness, and hospital-based treatment for persons adjudicated as Not Guilty by Reason of Insanity (NGRI). The forensic population, served at the Oklahoma Forensic Center (OFC) in Vinita, averages approximately 160. Occasionally, there is a waiting list of individuals being held in local jails awaiting the availability of a bed at OFC.

## **SUBSTANCE ABUSE SERVICES**

More than 245,000 Oklahomans above age 12 abuse or are dependent on alcohol or illicit drugs. Annually, approximately 19,000 people received substance abuse services through the department. While many are in need of services, many also are receiving the assistance they need through programs provided by the department. Access to treatment services – through community-based substance abuse treatment programs, drug courts, support groups, and the encouragement of family and friends – help thousands of Oklahomans each year find the road to recovery.

The benefits of treatment accrue not only to individuals and their friends and families, but to society as well. Research shows that, a year after treatment, drug use was reduced by 50 percent, criminal activity dropped by 80 percent, employment increased, and homelessness and dependence on public assistance decreased. For every dollar spent on treatment, nearly \$7 is saved in reduced crime-related costs, a figure that rises to \$12 when health-care costs are included.

The department operates or contracts with approximately 80 substance abuse treatment programs offering a range of evidence-based outpatient, residential and aftercare services. Programs offered are based upon the needs of the individual. In addition, substance abuse treatment is available at community mental health centers. ODMHSAS also funds a network of 17 Area Prevention Resource Centers offering substance abuse prevention education and community prevention project development.

Alcohol is still, by far, Oklahoma’s number one drug of choice. The top listed drugs of choice for clients during 2011 were as follows:

Alcohol	35.7 percent
Marijuana	19.3 percent
Methamphetamine	19.1 percent
Prescription Drugs	14.3 percent

### **Proven Substance Abuse Programs are Making a Difference in Oklahoma**

Evidence-based, “best” practices have emerged in substance abuse treatment and are being implemented in the state, providing tools that result in a recovery for many individuals previously considered untreatable; as evidenced by stable living situations, employment, and reduced contact with the criminal justice system.



## **Drug Courts**

Coordinated through ODMHSAS, the drug court program couples the power of the court system with the benefits of substance abuse treatment. The drug court's primary purpose is to redirect certain drug offenders into a highly structured, judicially monitored treatment program rather than sending them to prison. Each participant is evaluated and assisted by a drug court "team" that includes representatives from the judicial, criminal justice, law enforcement and treatment field. No violent offenders are eligible for the program. Oklahoma has one of the top drug court programs in the nation, with nearly 4,100 participants. In 1995, Oklahoma had one drug court. In 2012, there were 60 drug courts (this includes adult drug and DUI courts, juvenile drug courts and family drug courts) serving 73 counties across the state. The average cost of drug court for one person is about \$5,000 per year, compared with \$19,000 or more per year for prison.

## **Substance Abuse Treatment for Adolescents, Women and Their Children**

Among the most vulnerable and historically underserved populations in the past are pregnant women and women with dependent children. This is changing, however, as these women and children are now one of the department's top priorities. Pregnant women and women with dependent children receive services through the agency's Temporary Assistance for Needy Families (TANF) contract with the State Department of Human Services. Treatment programs offer comprehensive, gender-specific substance abuse treatment services focusing on a number of areas. Individual and group counseling covers the psychology of addiction, core values, spirituality, relationships, anger management, 12-step recovery groups, family therapy, co-dependency, relapse prevention and parenting skills, as well as a number of other healthy living-related topics.

Toward the end of the four- to six-month program, clients begin working on receiving their high-school equivalency diplomas, if needed, and undergo job testing and interviewing skills. Programs also have comprehensive services for children ranging from infants who are born with drugs or alcohol in their system to toddlers and children up to age 12.

## **DUI Program**

Oklahoma also has become one of a small but growing number of states that has changed from an “offense-driven” DUI system to an “assessment-driven” DUI system. In the past, DUI offenders had to attend either a 10- or 24-hour DUI school, depending on whether the offense was the initial or a subsequent arrest. This type of process is simple and easy to administer, but did not consider the actual condition of the offender. Now, Oklahoma DUI offenders receive a detailed assessment, followed by treatment recommendations assigned from a grid containing five levels of intervention. The levels outlined in the intervention grid are of increasing intensity and designed to match the indicated severity of risk identified for the offender. These changes are intended to better identify the relative risk level of the offender and offer the most appropriate level and type of intervention.

## **Problem Gambling Service System**

Before 2005, no public funds were allocated to prevent and treat pathological and problem gambling. In March, 2005, however, pursuant to the Oklahoma Horse Racing State-Tribal Gaming Act, ODMHSAS began receiving monthly installments, totaling \$250,000 annually, to provide treatment and education related to problem gambling. In May 2007, ODMHSAS received its first quarterly installment pursuant to the Oklahoma Education Lottery Act, totaling \$500,000 annually. This funding is also targeted to prevention and treatment of problem gambling.

## **Prevention Services**

ODMHSAS has a number of Prevention Services initiatives in place geared toward preventing problems before they become larger and more costly to society. Activities are designed to help communities prevent the onset and reduce the progression of substance abuse, and problems/consequences associated with substance abuse. Priority initiatives are directed toward preventing/reducing underage drinking, nonmedical use of prescription drugs, adult binge drinking, inhalant use, methamphetamine use, alcohol use during pregnancy, and marijuana use.

# **HUMAN SERVICES**

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**Department of Human Services**

**Juvenile Justice**

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## DEPARTMENT OF HUMAN SERVICES

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While the Oklahoma Department of Human Services (OKDHS) has experienced structural changes over the past six decades, its primary mission has remained largely the same: to enable people and families to lead healthy, secure, economically independent and productive lives.

Until 1983 the agency received direct funding from the state sales tax, bypassing the annual legislative appropriations process. With a dedicated and growing revenue source, OKDHS took on more and more functions over the years as the state's health and welfare system was developed.

For years OKDHS was the state's largest agency. At its apex in FY'93, OKDHS consumed \$2 billion in state and federal funds annually, or one out of every three dollars spent by all of state government.

Beginning in the 1990s, lawmakers began to review the organization, and it was determined that major divisions of OKDHS – the public teaching hospitals, rehabilitative services, Medicaid, and juvenile justice services – could be managed more effectively if moved outside the umbrella of the state's largest agency.

### DECENTRALIZATION

Since 1993, decentralization has been the trend at OKDHS. The Legislature has transferred four large divisions out of the agency and created four new, distinct entities:

- University Hospitals Authority (OU Teaching Hospitals)
- Department of Rehabilitation Services
- Oklahoma Health Care Authority (Medicaid)
- Office of Juvenile Affairs

As a result, OKDHS's appropriated budget decreased by more than half between FY'94 and FY'95.

### Functions Separated from OKDHS Since 1993

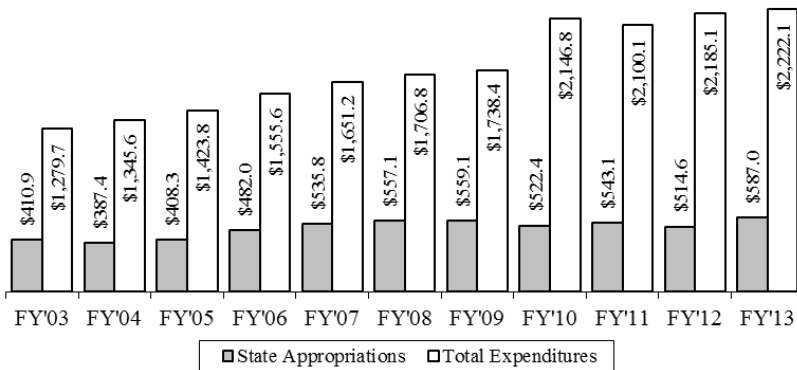
<u>Year</u>	<u>Function Transferred</u>	<u>Transferred Amount</u>
1993	University Hospitals Authority	\$29,710,032
1993	Rehabilitation Services	\$21,952,152
1995	Health Care Authority	\$227,816,716
1995	Office of Juvenile Affairs	\$75,959,840
<b>Total</b>		<b>\$355,438,740</b>

Note: The University Hospitals Authority is currently partnered with Columbia Health Care Association, which provides management and operating services.

## FUNDING

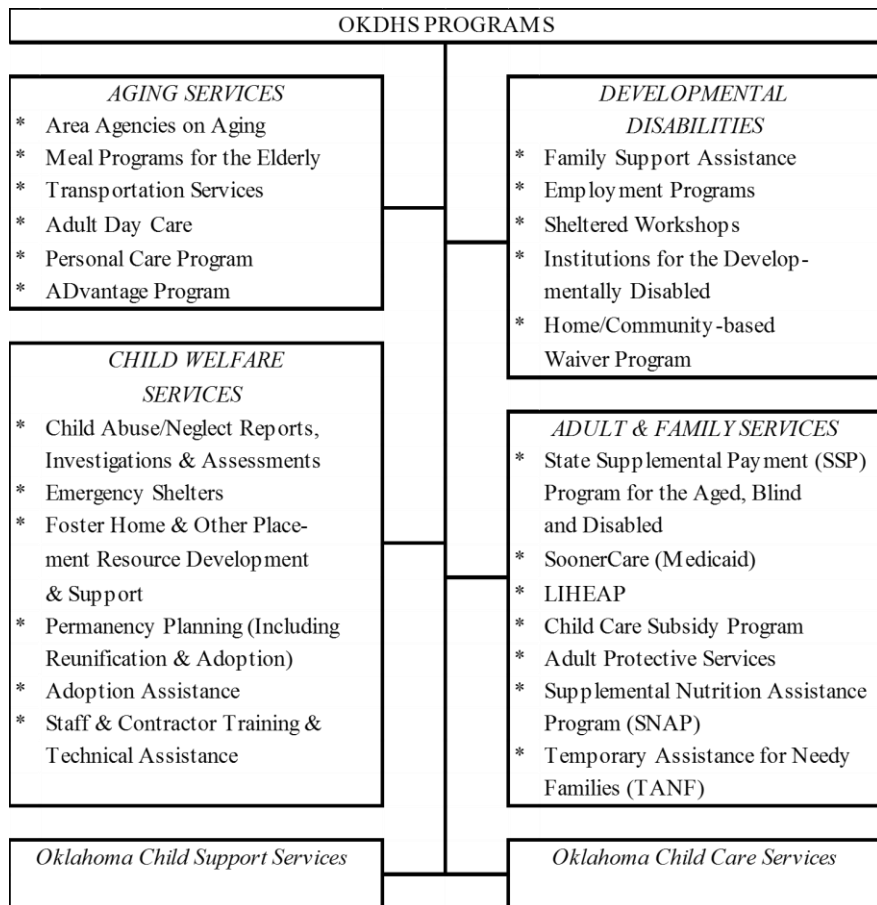
Approximately 65 percent of the \$2.2 billion total budget in FY'12 was provided by Federal block grants, entitlement programs, and a small amount from expenditures certified by other State Agencies. The amounts used in the comparison are the initial Appropriation dollars compared to the initial Budget Work Program (BWP) and does not include any supplemental funding for BWP Revisions.

### Appropriations and Total Budget Comparison FY'03 Through FY'13 (In Millions)



**ORGANIZATION**

The agency consists of six main divisions that oversee the following major programs



## **VERTICAL INTEGRATION**

Today, OKDHS is in the process of internal reorganization. In 2002, the agency brought together aging services, developmental disabilities, child care services and child support into a vertically integrated division. As part of the settlement to child welfare litigation, the agency took steps to vertically integrate the remaining program areas by separating child welfare services from adult and family services beginning in 2012. The goal of vertical integration is to create a system with clear delineation of roles, effective lines of communication, and accountability throughout the system. Vertical integration allows for more direct communication between top level management and frontline staff. Accountability for program integrity is focused and will foster improved employee and public confidence.

### **Adult & Family Services**

The Family Support Division is responsible for a number of programs providing low-income and disabled Oklahomans with cash payments, food benefits, child care, LIHEAP, and SoonerCare (Medicaid). It is also responsible for providing protective services for vulnerable adults.

State Supplemental Payment (SSP): The SSP Program provides a small payment to eligible Oklahomans who are aged, blind or disabled. The number of Oklahomans who receive SSP has increased by almost 10,000 since 2001. Federal regulations require that Oklahoma expend the same amount in SSP payments each year. In order to stay within the required spending level the amount of the individual benefit is adjusted each year to account for the change in the number of eligible recipients. Since 2004 the maximum individual benefit has decreased from \$50 to the current amount of \$41 per month. All SSP recipients now receive their payment on a debit card or by direct deposit. This process is handled through the Finance Division's Electronic Payments System (EPS).

Sooner Care (Medicaid) Eligibility: In September 2010 the Oklahoma Health Care Authority began online eligibility determination for children, families with children, and pregnant women through a web-based system called Online Enrollment. OKDHS still enrolls people for SoonerCare (Medicaid) at county human services centers and retains responsibility for determining SoonerCare (Medicaid) eligibility for the aged, blind, and disabled populations, including nursing home care, waived programs, and the Medicare Savings programs (Qualified Medicare Beneficiary, Specified Low Income Beneficiary, and Qualifying Individuals) eligibility.



The Low Income Home Energy Assistance Program (LIHEAP): The program consists of four components: 1) Heating Assistance, where OKDHS provides partial payment directly to the utility company/fuel provider for eligible household heating bills, beginning in December of each year; 2) Crisis Assistance, which is paid to the utility company/fuel provider through the Energy Crisis Assistance Program (ECAP), beginning in March of each year – applications for crisis assistance are accepted year round from those with life threatening medical situations; 3) Summer Cooling assistance, where DHS provides partial payment directly to the utility company for eligible household cooling bills, beginning in July of each year; and 4) Weatherization Assistance, where homeowners are assisted in making their homes more energy-efficient, which is administered by the Oklahoma Department of Commerce with LIHEAP funds allocated to them by OKDHS.

Historically, LIHEAP in Oklahoma has been funded solely with federal funds. Oklahoma's LIHEAP income eligibility maximum was raised to 130 percent of the Federal Poverty Guideline in federal fiscal year (FFY)'09 from 110 percent in past years and aligns with the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program). Due to anticipated reductions in LIHEAP funding, OKDHS reduced the income guideline back to 110% FPG in FFY'12. For FFY '11, OKDHS approved 74,379 households with heating assistance with an average payment of \$151. The LIHEAP Energy Crisis Assistance Program (ECAP) worked with 18,749 households who received an average benefit of \$230. OKDHS approved provided 95,077 households for summer cooling assistance with an average benefit of \$229.

Child Care Subsidy Program: The child care subsidy program in Oklahoma began as part of the Aid to Families with Dependent Children (AFDC) program in 1969. What had then evolved into four separate child care funding streams was consolidated in 1996 by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This new funding source is called the Child Care Development Fund (CCDF). This block grant expanded the amount of money available to states for child care. States can transfer funds from Temporary Assistance to Needy Families (TANF) block grant into their CCDF program. Oklahoma pays for child care for TANF recipients directly from TANF funds. The Oklahoma Legislature also approves additional funding for the Child Care Subsidy Program. With this expanded funding, more low-income families are receiving child care benefits.

The child care subsidy program encourages collaboration with many agencies and programs which help to strengthen and increase resources available to families. These other agencies and programs include child support services through the Oklahoma Child Support Services Division, the SoonerCare (Medicaid) program, Child Protective Services, the TANF program, Head Start, Early Head Start, Children First, Pre-K, and Child Care Resource and Referral programs.

In FY2012, OKDHS provided child care services to 70,089 children. The family must be determined eligible before their child care services can be either fully or partially subsidized. The family may have a co-payment for the child care based on their income, the number of family members and the number of family members needing services.

Providing child care benefits are part of an overall plan of service designed to help low income families achieve their maximum potential for self-support. It is a service benefit provided for children as a means to strengthen the family. Providing quality child care services assures the parent or caretaker that each child in care has the opportunity to receive developmental and learning experiences while the parent or caretaker is engaged in self-support activities like employment, education or training. The worker tries to help the client become more independent by suggesting ways to increase household income and identifying strengths in the client's life. Child care is also provided in critical situations to help prevent neglect, abuse or exploitation of children. The Family Support worker and the Child Welfare worker freely share information to develop a plan that best meets the needs of the family when both are working with the family.

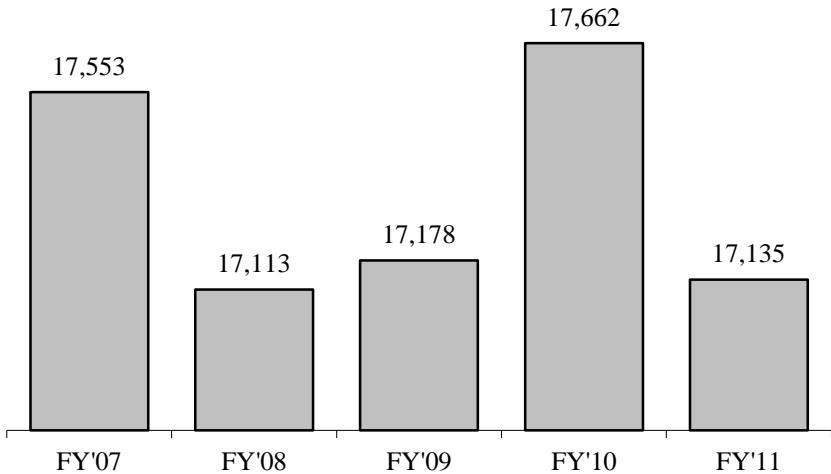
Unlike TANF, no direct payments are made to the families that receive child care benefits. Instead, all funds from this program are paid directly to a licensed and contracted child care center or home, or a contracted in-home provider chosen by the parent or caretaker. Providers are licensed to provide child care from child care licensing specialists located in the local human service center offices. Providers request a contract from the Family Support Services Division Child Care Unit. Until a provider is granted both a license and a contract, subsidized child care cannot be paid by OKDHS.

Adult Protective Services (APS): OKDHS is mandated by Oklahoma Statutes Title 43A Section 10-101 through 10-111 to provide protective services for vulnerable adults. There are 2 sections of the APS unit, the Community APS program (CAPS) and the Long Term Care Investigation (LTCI).

APS is a non-means tested, multi-faceted program for persons 18 years of age or older who are vulnerable and have allegedly been abused, neglected, and/or exploited. Community APS includes all investigations where the alleged perpetrator is not a staff member of a nursing facility. The Long Term Care Investigators Unit investigates allegations of maltreatment by nursing facility staff of nursing facility residents.

APS have been provided since 1977 when the statute was enacted by the Oklahoma Legislature. The program receives a small portion of the federal funding from the Social Services Block grant. The remainder of the funding is from state dollars. In FY'11, APS specialists investigated 17,135 reports of maltreatment of vulnerable Oklahoma adults. APS specialists substantiated 9,329 investigations for 54% of the total investigations. The 17,135 investigations included 29,818 distinct allegations. Fifty four (54) percent of the alleged victims were over sixty (60) years of age. The chart below lists the number of reports for the last 5 fiscal years.

### State Community Adult Protective Services Completed Investigations



APS staff at the state and local level work with community partners to provide a safety net of services for vulnerable adults. Staff routinely coordinate with local law enforcement, district attorneys, local medical and mental health providers as well as many local service organizations to provide services for those vulnerable adults who have been mistreated and to prevent a reoccurrence of the maltreatment. Maltreatment of vulnerable adults was criminalized in 1984 via Title 21, Section 843.1 of the Oklahoma Statutes. Prosecutions were limited and sporadic until 2003 when OKDHS sponsored conferences to improve awareness of the types of maltreatment.

The fastest growing allegation of maltreatment is financial exploitation of the elderly and vulnerable adult population. The rise in exploitation is related to difficult economic conditions and the reliability of monthly income from sources

like Social Security, retirement and other predictable forms of income. Vulnerable adults are often preyed upon by individuals who, by illegal means, target this group to obtain their assets. As a result of this alarming trend, the OKDHS APS program responded with a series of conferences that were held throughout the state. These conferences brought together law enforcement, district attorneys, judges and APS professionals to improve accountability for persons who perpetrate on vulnerable adults.

The types of referrals investigated by the OKDHS APS program are self neglect, caretaker neglect, caretaker abuse, sexual abuse, financial exploitation, verbal abuse, and sexual exploitation. The Oklahoma Legislature added a new allegation of financial neglect in November of 2007 in response to requests of Oklahoma's District Attorneys.

The types of vulnerabilities affecting APS clients include cognitive impairments such as Alzheimer's, and other forms of dementia; physical health problems such as chronic debilitating diseases or illnesses; developmental disabilities; mental illness; traumatic brain injury; and substance abuse.

Services are offered to assist vulnerable adults prevent future occurrences of maltreatment. Self determination of adults is a cornerstone of the APS program, and as such staff makes determinations of the person's ability to consent to services on every investigation. The client may reject offers of service as a result of an APS investigation.

Clients who lack decision-making abilities and who are in life endangering situations may be provided with involuntary protective services if there are services available to relieve the situation. These involuntary services are court ordered following approval of a certified petition brought before the court.

Long Term Care Investigations (LTCI): LTCI resides in the OKDHS Family Support Services Division APS unit. Its focus is investigations involving abuse, neglect and exploitation of nursing facility residents. During FY'11 LTCI completed intakes on 4354 cases; 574 were assigned to inspectors for investigation. LTCI inspectors substantiated 27 percent of the cases that were assigned.

LTCI staff routinely coordinates with local law enforcement, district attorneys, the State Department of Health, Ombudsmen, licensure boards and other social service and enforcement organizations to stop current problems and prevent reoccurrence of abuse. Staff also coordinates with local, state and county agencies to improve enforcement of abuse, trouble shoot potential problems in facilities, provide training and other activities designed to prevent abuse or facilitate a resolution.

Supplemental Nutrition Assistance Program (SNAP formerly the Food Stamp Program). SNAP serves as the first line of defense against hunger. It enables low-income families to supplement monthly household food while using Electronic Benefits Transfer (EBT) cards. Food benefit recipients spend their allotment to buy eligible food in authorized retail food stores.

During FFY'11, SNAP food benefits totaling \$945,039,010 were issued Oklahoma eligible households. Based on a monthly average, 609,723 individuals in 268,988 households were assisted, receiving \$291 per household or \$129 per person. This accounts for a monthly average of \$78,406,541 food benefit dollars received by Oklahoma from the USDA-Food and Nutrition Service. SNAP food benefit issuance increased again by 9.2% from FFY'10 figures.

Applicant households apply for program benefits through a local human services center office. A request for services form can be obtained at the local offices or printed from the [www.okdhs.org](http://www.okdhs.org) website and submitted to a local office as the first step in the eligibility process. Eligibility is determined by local office staff based on federally mandated requirements including:

- income test;
- meeting work requirements for adults age 18 to 50 (currently suspended through 09/30/2013 as part of the 2009 Stimulus Bill changes);
- household size.

Congress reauthorizes the SNAP (formerly the Food Stamp Program) every five years. It was last reauthorized in the 2008 Farm Bill (HR 612A). The program name was officially changed effective 10/01/2008 and Oklahoma chose to adopt the new federal name for its food benefit program. Every October 1<sup>st</sup>, states are required to make changes to the program through the Thrifty Food Plan overall.

Temporary Assistance for Needy Families (TANF) Block Grant: In August, 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which drastically altered both the funding and focus of the nation's welfare system. The act replaced Aid to Families with Dependent Children (AFDC) with TANF and made major revisions in child support laws. TANF introduced two critical changes to welfare:

- It eliminated the entitlement status of welfare – no longer are citizens guaranteed public assistance. Eligibility and benefits are determined more by state policies and budget constraints and less by federal mandates; and

- Stringent time limits and work requirements have been enacted for all recipients of cash assistance. Recipients may collect cash assistance for a lifetime maximum of five years and must have at least part-time work to receive benefits.

If there are more eligible clients than funds, the state may deny programs and services to eligible clients. All families who are eligible to receive TANF are also eligible for Medicaid.

The Deficit Reduction Act (DRA) of 2005 reauthorized the TANF program through the year 2010. The program has been authorized through extensions of the current DRA of 2005 through September 30, 2012. The DRA of 2005 addressed the needs of families by maintaining the program's overall funding and basic structure, while focusing increased efforts on building stronger families through work, job advancement, and research on healthy marriage and responsible fatherhood programs.

## **TANF Eligibility and Benefit Levels**

Under TANF, OKDHS defines eligibility criteria and benefit levels. The agency also may implement caps on eligible members of the family and require recipients to work. According to 2012 eligibility requirements, a person qualifying for cash assistance payments must:

- have at least one dependent child living with them;
- not have over \$5,000 equity in a car;
- not have over \$1,000 in other assets available;
- cooperate with child support enforcement efforts if a parent is absent from the home to establish paternity and increase parental support;
- be willing to comply with all of the work requirements mandated by state and federal law;
- all adult applicants must be screened for and found not to be using illegal substances.

The average family in the TANF program involves a parent and two children. As seen below, the maximum payment for a family of three is \$292. This figure does not include payments some clients receive for work participation allowances, work start-up payments or transportation services. The maximum a family of three can earn to still receive any cash assistance payment is \$702 per month in gross income.

## Monthly TANF Payments vs. Federal Poverty Level FY'12

<u>Family Members</u>	<u>FY'12 TANF Payment</u>	<u>Fed. Poverty Level</u>	<u>TANF as % of Poverty</u>
1	\$180	\$930.83	19%
2	\$225	\$1,260.83	18%
3	\$292	\$1,590.83	18%
4	\$361	\$1,920.83	19%
5	\$422	\$2,250.83	19%
6	\$483	\$2,580.83	19%
7	\$544	\$2,910.83	19%
8	\$598	\$3,240.83	18%
9+	\$650	\$3570.83	18%

TANF has four purposes set out in federal law:

- to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- to end the dependence of needy parents on government benefits by promoting job preparation, work and marriage;
- to 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
- to encourage the formation and maintenance of two-parent families.

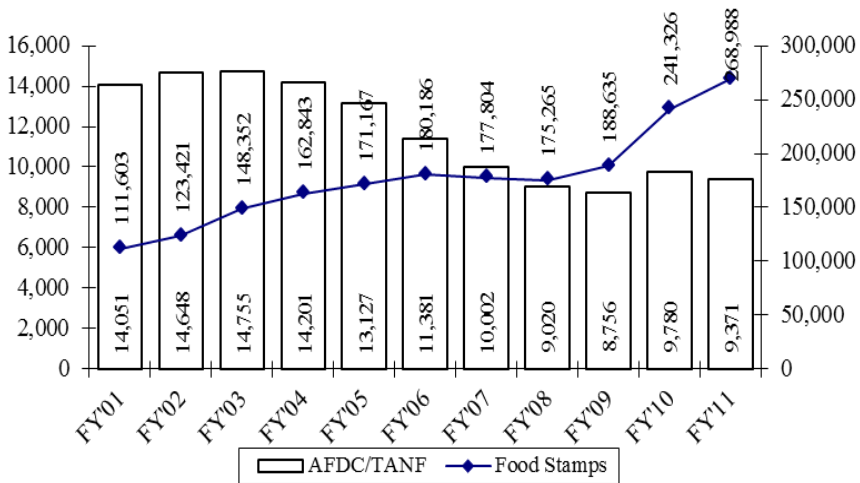
Under federal laws that ordered the conversion from AFDC to TANF, Oklahoma must expend at least \$60.1 million in state funds each year to access federal funds that total \$145 million (this state funding amount is referred to as “maintenance of effort” or MOE). In addition to cash assistance, TANF gives states the flexibility to use the grant for many other programs as long as they meet one of the four purposes of TANF.

## Types of Programs & Services Eligible for TANF Funds

* Adult Basic Education/GED/Literacy	* Domestic Violence/Training/Prevention
* Low-Income Father Services	* Tax Credit for Low-Income Families
* Child Abuse Prevention	* Teenage Pregnancy Prevention
* Employer Stipends	* Services to Teen Parents
* Caseworker Incentives	* Substance Abuse Treatment
* Child Care	* Transportation/Cars
* Job Training	* Vocational Training
* Utility Assistance	* Legal Aid Services
* Tuition Assistance	

During the past ten years, the number of adults participating in this program has declined significantly. However, there was a slight growth in cases due to current economic conditions in FY10 but the numbers began to decrease again in FY11.

Families Served by TANF and SNAP  
FY'01 Through FY'11



Source: OKDHS Annual Reports



## **Aging Services Programs**

The OKDHS Aging Services Division (ASD) administers community programs that support the independence and quality of life of older Oklahomans. Many of the services are delivered through 11 Area Agencies on Aging (AAA's), which were created as a result of the federal Older Americans Act of 1965. Major services provided include:

- **Long-Term Care Ombudsman Program:** The Long-Term Care Ombudsman Program is administered by the Aging Services Division of the Oklahoma Department of Human Services under the authority of the Older Americans Act and the Oklahoma Long-Term Care Ombudsman Act.

The Ombudsman Program serves residents in Oklahoma Long-Term Care Facilities including nursing homes, assisted living, and residential care homes. An ombudsman helps improve the quality of life and the quality of care available to the residents. A long-term care ombudsman is a person who receives complaints from residents of long-term care facilities, their friends or relatives and attempts to resolve those complaints. The Ombudsman has the authority to explore problems and recommend corrective action. Ombudsmen also serve as a clearing house of information on issues relating to systems, programs and services to the aging.

The Ombudsman Program is supported by local staff and volunteers committed to improving and enriching the lives of institutionalized older persons. Training in skills such as problem solving and communication, the processes of aging and long-term care facility regulations is provided by the Ombudsman Program for all staff and volunteers.

In State Fiscal Year 2011 the Ombudsman program investigated 6,167 complaints on the behalf of residents of long-term care facilities. Over 99% of those complaints were able to be addressed without the need to refer them on to enforcement agencies, and the great majority of complaints were resolved to the satisfaction of the resident and/or complainant.

- **Congregate and Home-Delivered Meals:** AAA's provide meals and nutrition education to older Oklahomans across the state. For FY'11, more than five million meals were served with 3 million delivered to homes, including 1.7 million delivered to ADvantage consumers. This program is funded by state appropriations and federal funds from the Older Americans Act.

- **Transportation:** Transportation services to medical appointments, shopping and other social services are provided across the state through AAAs via local providers (Older Americans Act services) and through the Federal Transit Administration’s Section 5310 program which provides buses to non-profit organizations to provide transportation to individuals who are elderly and individuals with disability;

**National Family Caregiver Support Program:** Caregiver services under the Older Americans Act include information to caregivers about available services, assistance to caregivers in gaining access to services, individual counseling, organization of support groups, and caregiver training to assist the caregivers in the areas of health, nutrition and financial literacy and in making decisions and solving problems relating to their caregiver roles. In addition, the respite voucher program provides respite care to family members caring for older Oklahomans, and also to grandparents who are raising grandchildren (and other relatives serving as parents). Vouchers can be used by the caregiver to hire a person of their choice to provide a temporary break from the stress of caregiving. In 2011, the respite voucher program issued over 2,400 vouchers statewide. There are also supplemental services on a limited basis to complement the care provided by caregivers such as the summer camp for grandchildren and the backpack program for school age children.

- **CNCS (Council for National and Community Services) Volunteer programs:** These programs are the Foster Grandparent Program (mentors for school-age children), the Senior Companion Program (companions to homebound elders) and the Retired Senior Volunteer Program. These programs connect older volunteers to volunteer opportunities in their communities. OKDHS contracts with area programs also funded by the CNCS federal program.
- **Adult Day Services:** In FY’11, 34 sites across the state provided subsidized day care for 3,336 elderly persons on average. People who receive Supplemental Security Income (SSI), Aid to the Aged, Blind or Disabled (ABD), or meet state income guidelines may qualify for a subsidy for adult day care costs in the 28 centers that contract with OKDHS for funding.
- **2-1-1 Coordinating Council:** OKDHS, through the Aging Services Division, participates in the 2-1-1 Coordinating Council with other state agencies and entities who have a stake in information and referral (I&R) functions in Oklahoma. The general purpose of the Oklahoma 2-1-1 Coordinating Council, the “Lead Entity” for the 2-1-1 initiative in Oklahoma, is to develop a statewide and integrated 2-1-1 service map for the state that avoids overlap, develop and maintain certification standards for providers who operate call centers, assist call centers in their pursuit of state and national standards; develop and maintain a process for call center accountability and compliance; provide leadership and coordination for the 2-1-1 call centers as they relate to large scale emergencies and homeland

security needs, develop an outcome driven strategic plan and advocate for funding to support and sustain the 2-1-1 delivery system.

2-1-1 is an easy to remember, free 24-hour telephone number that connects people with health and human service resources, including:

- ✓ Basic Human Needs Resources – food banks, clothing closets, shelters, rent assistance, utility assistance;
- ✓ Physical and Mental Health Resources – health insurance programs, Medicaid and Medicare, prenatal care, Children’s Health Insurance Program, medical information lines, crisis intervention services, support groups, counseling, drug and alcohol intervention and rehabilitation;
- ✓ Employment Supports – financial assistance, job training, transportation assistance, education programs;
- ✓ Support for Older Persons and Persons with Disabilities – adult day care, congregate meals, Meals on Wheels, respite care, home health care, transportation, homemaker services; and
- ✓ Support for Children, Youth and Families – child care, after-school programs, Head Start, family resource centers, summer camps and recreation programs, mentoring, tutoring, child protective services

2-1-1 operates in local communities with support from private and public sources. 2-1-1 is not supported by a phone company surcharge like 9-1-1. Counties throughout Oklahoma are developing funding partnerships with stakeholders including local and state government, the business community, United Way organizations, and charitable foundations. The funding picture for each county is unique. The 2-1-1 line became effective statewide in spring 2008.

- **Personal Care Program:** Personal Care is an optional Medicaid service that is available to any person regardless of age who requires the service and is financially eligible. OKDHS determines both financial eligibility and service need. OKDHS county office staff performs the financial eligibility determination and ASD nurses housed around the state perform the service need evaluation.

Personal care attendants provide assistance with activities of daily living (bathing, grooming, etc), light housekeeping and meal preparation. The amount and type of assistance needed is based on the consumer’s need, as determined by OKDHS. The personal care attendants are employed by licensed home care agencies, except in a small number of cases where needs dictate the service be provided by an independent personal care attendant.

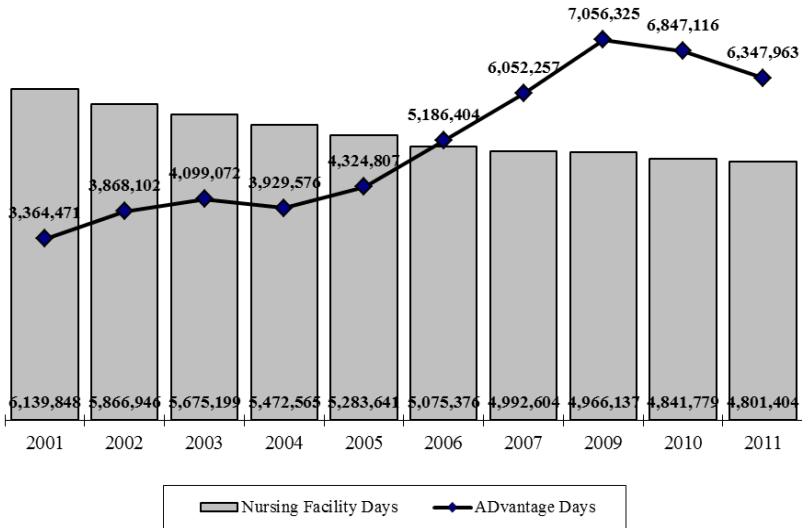
- **The ADvantage Program:** The ADvantage Program is a Medicaid-funded alternative to Medicaid-funded nursing home care. It provides services to elders and some younger adults with disabilities who qualify to have Medicaid pay their nursing home care but elect to stay at home. Long-term care services are provided in the home and community, rather than in a nursing facility through this Medicaid 1915(c) waiver program. Everyone who is in the ADvantage Program could choose to have their long-term care services provided in a nursing facility. Each ADvantage Program consumer has a case manager who works with the consumer and family to develop a care plan comprised of services to keep the consumer safely at home at a reduced cost to the state. Not every service plan is the same but is based on the consumer's needs and their informal support system's capacity to assist in meeting those needs. The cost to the state in Medicaid dollars spent for each consumer's ADvantage Program services must be equal to or less than the state would have paid to provide nursing facility services to that consumer. Generally, if a person needs 24 hour skilled care, the ADvantage Program is not the appropriate service delivery system to meet their needs.

OKDHS staff performs the financial and level of care eligibility determinations. The OKDHS/ASD nurse who performs the level of care determination provides potential consumers with a list of eligible case management providers in the consumer's geographic region from which the consumer chooses their case management agency. Depending on need, the consumer may also receive:

- ✓ Personal Care (Assistance with activities of daily living or homemaker/chore activities)
- ✓ Adult Day Health Care
- ✓ Home Delivered Meals
- ✓ Specialized Equipment and Supplies

The ADvantage Program began as a pilot in 1994 and has grown steadily since then. In FY'11, 21,212 consumers elected to be served in the ADvantage Program. In that same year 19,425 consumers received Medicaid nursing facility services.

In FY '11, ADvantage costs were \$181,406,448 as opposed to \$484,376,866 in nursing facility costs for the same time period. It cost the State of Oklahoma almost 4 times more to serve less people in nursing facility placement than service in the in-home setting. Since approximately 30 percent of these costs are paid with state-appropriated funds (with the other 70 percent being federal Medicaid participation), the program continues to save the state a significant amount of money, while providing a choice of settings for Medicaid consumers to receive their long-term care.



OKDHS continues implementation of its Electronic Data Entry & Retrieval System (ELDERS) to automate the medical eligibility process for the ADvantage Program. Since the beginning of the ADvantage Program, OKDHS has performed the required medical eligibility process using a paper-driven system. The processing of forms necessary to determine eligibility and provide services has slowed the eligibility-determination process. With ELDERS, the OKDHS nurses use laptop computers in the field to enter the required consumer information and then transfer that data electronically to the OKDHS computer system, thus decreasing the time and resources required to make these determinations.

- Legal Services:** Working with the Legal Aid Society of Oklahoma and the AAAs, the Legal Services Developer of ASD serves to help protect the legal rights of older Oklahomans and ensure legal services are available to Oklahomans over the age of 60 by informing service providers, partners and the general public on issues affecting older Oklahomans and making referrals for legal services. The Legal Services Developer provides leadership in effecting advocacy that strengthens protections for older Oklahomans by empowering constituency groups to provide effective legislative advocacy through education, training, and consultation.

## **Developmental Disabilities Programs**

The mission of the Developmental Disabilities Services Division (DDSD) is to enable persons with developmental disabilities to lead healthy, independent and productive lives to the fullest extent possible; to promote the full exercise of their rights as citizens of their communities, state, and country; and to promote the integrity and well-being of their families. The division's purpose is to design and operate a service system that efficiently uses available resources to support individuals in the least restrictive and intrusive manner possible. The division administers community-based programs and operates institutions both directly and through contract with an external company.

**GENERAL FUNDING BREAKDOWN:** There are two types of funding for DDSD services. First, Home and Community Based Waiver programs represent the majority of the services administered through DDSD. Waiver services allow Oklahoma to capture a federal match also known as the Federal Medical Assistance Percentages (FMAP). The FMAP roughly allows Oklahoma to pay 35 cents on the dollar for every dollar of service authorized through a Waiver program. Waiver programs are Medicaid programs, and thus require all recipients to be Medicaid eligible. Because there are Oklahomans with developmental disabilities that are not Medicaid eligible for various reasons, there are limited state funded services available that are wholly funded with state dollars made available through legislative appropriations.

**MEDICAID WAIVER SERVICES:** Again, the Medicaid Waiver program is the primary funding source for DDSD services. DDSD operates three major programs funded by Medicaid: (1) Home and Community-Based Waiver Services provided through four 1915(c) waivers, (2) Targeted Case Management provided by DDSD staff, and (3) Public Intermediate Care Facilities for persons with Intellectual Disabilities (ICF/ID).

- **Home and Community Based Waiver Programs:** The division operates four different Medicaid Waiver programs: In-Home Supports Waiver for Children, In-Home Supports Waiver for Adults, Community Waiver, and the Homeward Bound Waiver. Waiver services are provided by contracted provider agencies throughout Oklahoma. The services available through these Waiver programs include:
  - ✓ Adaptive Equipment, Architectural Modifications, and Medical Supplies
  - ✓ Employment Services
  - ✓ Family Training/Counseling
  - ✓ Habilitation Training Specialists
  - ✓ Professional Medical Services, including dental, nursing, nutritional, occupational, physical and speech therapies
  - ✓ Psychological Counseling
  - ✓ Residential Services
  - ✓ Respite Services
  - ✓ Transportation Services

To be eligible for DDS Waiver services, a person must:

- ✓ be a resident of the State of Oklahoma;
- ✓ be determined financially eligible for Medicaid by OKDHS;
- ✓ be determined to have a diagnosis of an intellectual disability or related condition;
- ✓ be determined to meet the Intermediate Care Facilities for persons with Intellectual Disabilities (ICF/ID) level of care;
- ✓ be age three or older;
- ✓ not be simultaneously enrolled in any other Medicaid Waiver program;
- ✓ not be residing in a hospital, nursing facility, or ICF/ID; and
- ✓ meet other waiver-specific eligibility criteria.

Waiver services are not entitlement programs. The fact that a person qualifies for the service does not mean he or she can automatically be served. Waiver services are dependent on the availability of state money to match the federal funds supporting the programs. There is a waiting list for Waiver services because there are more people requesting these services than there are state-matching funds to provide services. As of March 31, 2012 there were 6,589 Oklahoman's waiting for Waiver services.

The Community Waiver was first approved by the federal government in 1985. This Waiver provides for a comprehensive array of services including residential, employment, professional and habilitation services and supports. Case managers work closely with family and health professionals to design an annual plan of care based on identified needs. As of March 31, 2012 there were 2,691 Oklahomans being served through Community Waiver.

The In-Home Supports Waiver (IHSW) was created in 1999 in response to a comprehensive survey that found 85 percent of Oklahomans on the Waiver Request List wanted support to remain continue living in their own homes. Individuals on the IHSW are assigned DDS Case Managers to assist them in locating, securing, and coordinating needed services.

In FY2012, eligible children 3 through 17 years of age could receive up to \$12,820 of services per year through the IHSW for Children. Eligible adults 18 years of age or older could receive up to \$19,225 of services per year through the IHSW for Adults. The IHSW for Children provides less funding than the IHSW for Adults because many services are already available to children through the Medicaid State Plan Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program and the Oklahoma Department of Human Services Disabled Children's Program (DCP).

As of March 31, 2012 there were 280 Oklahoma children receiving services through the IHSW for Children. As of the same time, there were 1,371 Oklahoma adults receiving services through the IHSW for Adults.

The Homeward Bound Waiver was created in September 2003 to provide services and supports to the members of the Plaintiff Class of the Homeward Bound vs. The Hissom Memorial Center lawsuit. Prior to 1994, the Hissom Memorial Center in Sand Springs was one of the long-term care facilities, also known as a public ICF/ID, operated by OKDHS. This Waiver program meets the requirements set by the federal court for serving the individuals who lived at the center during a certain period of time. The services provided under the Homeward Bound Waiver are the same as those under the Community Waiver, with the exception of Class Members having the choice of sharing a house with roommates or living in a single placement. As of March 31, 2012, there were 703 class members served through the Homeward Bound Waiver.

- **Targeted Case Management Services:** Each person receiving waiver services through DDS has a case manager who ensures that individual needs are met through linkage, assessment, brokerage, advocacy, and monitoring activities. Targeted case management services (TCM) are activities that assist this population in gaining access to needed medical, social, educational, and other services and supports, even if these supports and services are not covered under the Oklahoma Home and Community-Based Services Waivers. Services provided include assessment and reassessment; support/service planning, and monitoring and coordination. The DDS Case Manager serves as the individual's Qualified Mental Retardation Professional (QMRP).
- **Public Intermediate Care Facilities (Resource Centers):** The Resource Centers serve individuals age six or older who meet the ICF/ID level of care requirement when their individual circumstances indicate this type of placement is the least restrictive, most appropriate living arrangement available. The division operates three facilities: the Southern Oklahoma

Resource Center (SORC) in Pauls Valley (census as of March 31, 2012 - 124); the Northern Oklahoma Resource Center (NORCE) in Enid (census as of March 31, 2012 - 113); and the Robert M. Greer Center located on the NORCE campus (census as of March 31, 2012 - 51). The Greer Center is the only facility in the state that exclusively serves individuals who are diagnosed as having both intellectual disability and mental illness. The management and operation of the Greer Center is provided through a contract with Liberty of Oklahoma Corporation.

#### **NON-MEDICAID SERVICES:**

DDS offers additional services that are not funded by Medicaid but are designed to support individuals in their communities. These services are often referred to as state-funded services as they are funded exclusively with state dollars, and are dependent wholly on legislative appropriations. Because the funding is exclusively with state dollars, the programs are limited in scope and availability.



**Family Support Assistance Program:** This program provides monthly cash payments to a limited number of families who have a child younger than 18 years of age with a developmental disability, and whose adjusted gross income is no more than \$45,000 a year. The families receive \$250 per month for one child meeting the eligibility criteria. If a family has more than one child meeting the eligibility criteria, an additional \$50 per month per child can be received, with a maximum of \$400 per month. These payments help families pay for needed services such as respite care, architectural modifications, technical assistance, or personal items such as diapers and medication. This program is funded-through the Temporary Assistance for Needy Families (TANF) block grant.

**State Funded Employment Services (Sheltered Workshop and Community Integrated Employment):** Sheltered Workshops provide employment services and work activities for individuals with developmental disabilities. In 1975, the Department began funding Work Activity Centers that later became known as Sheltered Workshops. Sheltered Workshops continue to provide opportunities for adults with developmental disabilities to engage in meaningful work or participate in training activities. People who receive sheltered workshop services are paid for their work in accordance with rules established by the US Department of Labor. Community Integrated Employment services are designed to promote independence through gainful, integrated employment. Services include assessment, training, supportive assistance and follow-along support. Employment may be a single placement or in groups of not more than eight.

**State Funded Group Home Program:** Group Homes offer a living arrangement for 6 to 12 people who share a home and receive up to 24 hours per day of supervision, support, and training in daily living skills. Group Home residents are 18 years of age or older and are provided community living services. Group Homes are single-family homes located in the community close to other services and activities. The home is owned or leased by a private agency. The agency receives reimbursement from DDS for supervising and supporting residents of the home.

## **Office of Client Advocacy**

The Office of Client Advocacy (OCA), established in 1982 following the filing of the “Terry D” lawsuit in 1978, administers three programs providing support and services to children and vulnerable adults in Oklahoma.

### **Investigations:**

The OCA has the responsibility to investigate allegations of caretaker abuse, neglect, sexual abuse, sexual exploitation and misconduct by a person responsible for a child, regardless of custody, residing outside their own homes other than children in foster care. This includes children who receive services from a community services provider or a community services worker, children in day treatment programs and children residing in a state institution.

OKDHS is statutorily authorized to investigate allegations of caretaker abuse, neglect, verbal abuse and exploitation of vulnerable adults. On behalf of the agency, OCA conducts those investigations involving Hissom class members, residents of Southern Oklahoma Resource Center (SORC), Northern Oklahoma Resource Center of Enid (NORCE) and the Robert M. Greer Center (Greer), and other vulnerable adults receiving services from a community services provider, a community services worker, a Medicaid personal care services provider or a Medicaid personal care assistant. In FY12 OCA received 2446 referrals and opened 997 investigations.

**Grievances:**

The purpose of OCA grievance policies and procedures is to provide clients a simple, effective, and timely system of problem resolution with access to procedures through which clients can obtain a thorough review, fair consideration, and corrections when appropriate. These policies also ensure that persons filing grievances are free from restraint, coercion, reprisal or discrimination. To further this purpose, OCA independently reviews and monitors the implementation of grievance programs providing services to the individuals listed in the paragraph below.

OCA is responsible for establishing and maintaining grievance programs for complaints filed by or on behalf of children in the custody of the OKDHS, regardless of placement, and children who are in the voluntary care of OKDHS. OCA also administers and monitors grievance programs for residents of NORCE, SORC and Greer, Hissom class members, and other individuals receiving services in the community from the OKDHS Developmental Disabilities Services Division (DDSD).

**Advocacy:**

OCA advocacy programs advance the capacity and recognition of individual choice, the realization of rights and responsibilities of citizenship, and the personal well-being of recipients of DDSD services. The program is based on the guiding principles of self-determination and meaningful choice.

OKDHS is required to establish an ombudsman program for each institution and residential facility for the intellectually disabled operated by OKDHS. The program is located in the Office of Client Advocacy (OCA). Orders of the United States District Court for the Northern District of Oklahoma in *Homeward Bound, Inc., et al. v. Hissom Memorial Center, et al.*, Case No. 85-C-437-TCK-SAJ, require OKDHS and OCA to provide advocacy services to individuals certified by the court as members of the plaintiff class, known as Hissom class members. OCA also provides advocacy services, on a short-term or emergency basis, to other DDSD clients who have a special advocacy need. In FY12, OCA provided advocacy services to 1129 individuals receiving services from DDSD.

## **Child Welfare Services**

OKDHS is the designated state agency mandated to protect children alleged to be abused or neglected. Child Welfare Services (CWS): (1) are directed toward child safety, permanency, and well-being; (2) focus on the family as an integral part of the child's well-being; and (3) are provided to assist the parent develop protective capacities and ability to care for their child.

Child Welfare Services works to keep families together when possible. When a child must be removed from the home to ensure safety, OKDHS searches for relatives or resource parents that can support the child and family while efforts are made toward reunification. When the child and family cannot be safely reunified, OKDHS makes efforts to place the child with a family that can provide a safe, healthy life for the child while maintaining connections to the child's kin, culture, and community.

OKDHS operates and manages two shelter programs and administers the federally-funded Safe and Stable Families program that funds family preservation, family support, time-limited family reunification, and adoption support services.

On January 4, 2012, the Oklahoma Department of Human Services (OKDHS) reached an agreement with the plaintiffs in class action litigation *DG vs. Yarbrough*, Case No. 08-CV-074. As part of this agreement, OKDHS developed an improvement plan, with the assistance of key internal and external stakeholders and the review and approval of the Co-Neutrals, who are child welfare experts who act as arbiters of any dispute between Child Welfare Services and the plaintiffs.

The improvement plan, known as the Oklahoma Pinnacle Plan, endorsed by the Co-Neutrals on July 25, 2012 details a five-year plan that begins State Fiscal Year (SFY) 2013 and addresses 15 performance areas identified in the settlement agreement.

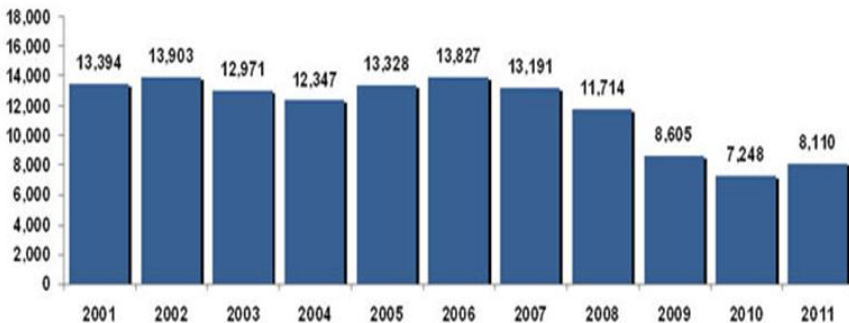
OKDHS is exploring new and innovative ways to recruit, retain, and support resource families to provide children with life experiences needed for healthy development in all aspects of life. The agency's goal is to place each child with a family that: (1) understands the impact of the trauma the child experiences when entering out-of-home care; (2) that can help the child heal from trauma; and (3) that will keep the child in the resource home during difficult times to ensure placement stability for the child.

**Child protective services received 66,541 reports of potential child abuse or neglect in SFY 2011.** After screening, 29,468 reports met the criteria for a child abuse or neglect assessment or investigation. A differential approach in the response to reports of child abuse and neglect is required for OKDHS to receive certain federal funding; therefore, accepted reports of child abuse or neglect are prioritized and responded to in different manner as either an assessment or an investigation.

Assessment means a comprehensive review of child safety and evaluation of family functioning and protective capacities conducted in response to a child abuse or neglect referral that does not allege a serious and immediate safety threat to a child. Investigation means a comprehensive review of child safety and evaluation of family functioning and protective capacities conducted in response to an allegation of abuse or neglect that involves a serious and immediate threat to the child's safety.

In SFY 2011, OKDHS conducted an assessment or investigation for 48,393 children and determined 8,110 or 16.76% of the children were victims of abuse, neglect, or both. Of the 8,110 children, neglect was substantiated for 83.29% of the children; abuse was substantiated for 12.04% of the children; and sexual abuse was substantiated for 4.67% of the children.

Child Protective Services  
Number of Investigations and Children for Whom Abuse and Neglect  
Was Substantiated SFY 2001 – 2011



**Out-of-home care has decreased 33% since 2007.** When a child cannot be safely maintained in the child's own home, out-of-home care is required. A child may be placed in: (1) a foster care home with relatives; (2) a foster care home with non-relative kinship; (3) a foster care home; (4) therapeutic foster care; (5) a contracted foster care home; or (6) in group home care.

Oklahoma has one of the highest kinship foster care placement rates in the nation and provides a foster care maintenance payment to those relatives and kin, as well as to non-kin, non-relative, foster parents.

In SFY 2007, 11,941 children in OKDHS care were in out-of-home placement. In SFY 2011, 8,205 children were in out-of-home care. In SFY 2011, 33% fewer children were in out-of-home care than in 2007.

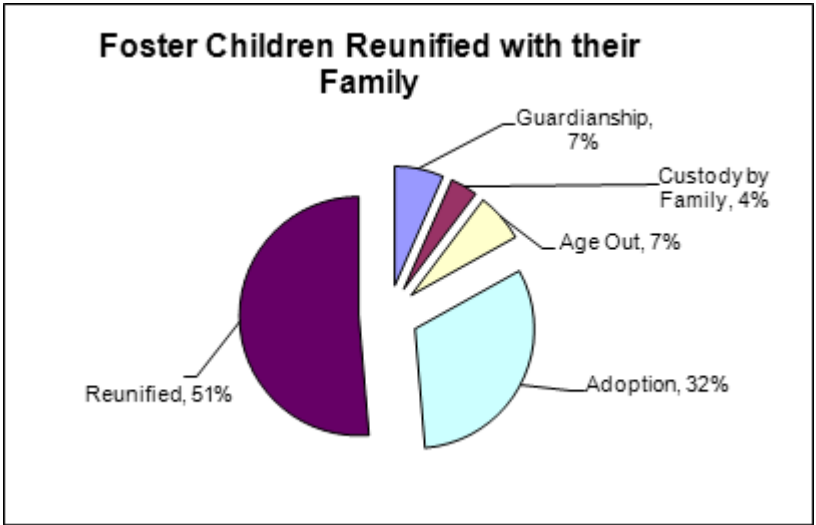
**Resource foster and adoptive parents are invaluable to the child welfare system.** In the last 30 years, resource parents in Oklahoma have received only two reimbursement increases totaling \$1.50 per day which is significantly below the rising increase in cost-of-living over the same time period. The foster care payment reimburses resource parents for the cost of food, clothing, shelter, school supplies, personal incidentals, and reasonable travel for a child in Oklahoma Department of Human Services (OKDHS) custody.

As part of the Oklahoma Pinnacle Plan, OKDHS has recommended that resource parents be reimbursed at the established Minimum Adequate Rates for Children as set out in a study published by the University of Maryland, National Resource Parent Association, and Children's Rights. The full rate increase in the Pinnacle Plan is a five year plan to fully implement, with staggered increases, the Minimum Adequate Rates for Children in foster care. Implementation has begun with approval by the Commission for Human Services of the FY13 increase in monthly reimbursement rates for resources parents.

**Pinnacle Plan Monthly Reimbursement Rates  
for Resource Parents**

Age	Current	FY13	FY14	FY15	FY16	FY17
0-5	\$365	\$403.48	\$441.97	\$480.45	\$518.94	\$557.42
6-12	\$430	\$471.78	\$513.57	\$555.35	\$597.14	\$638.92
13+	\$498.33	\$538.73	\$579.13	\$619.53	\$659.93	\$700.33

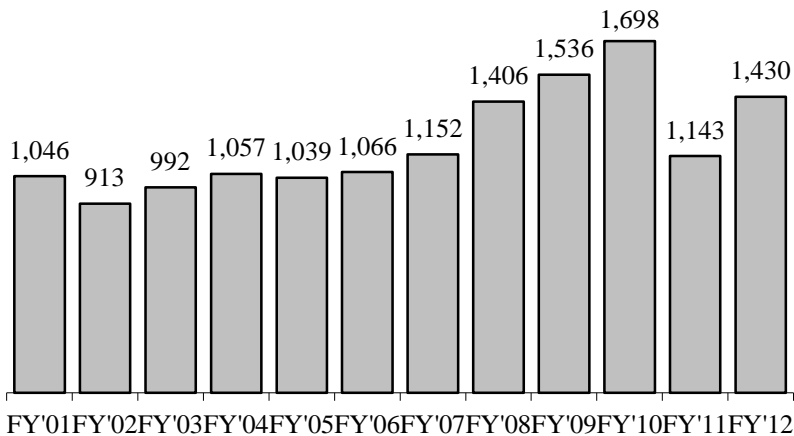
**The majority of foster children are reunified with their families.** In SFY 2012, 4,505 children exited OKDHS care. Seven percent entered a legal guardianship; 4% were placed in the legal custody of a family member; 7% reached 18 years of age while in care; 32% were adopted; and 51% were reunified with their family.



**OKDHS seeks permanent homes for children unable to return home.** A child needs lifelong connections from caring and loving families to thrive. When a child removed from the home for abuse or neglect cannot safely return home, OKDHS seeks a safe, permanent family for the child. Between 2007 and 2011, 6,933 children in OKDHS care were adopted. In SFY 2012, OKDHS finalized 1,430 adoptions. Per capita, OKDHS adoptions are twice the national average.

In a few cases, adoptions are dissolved. In SFY 2012, there were 27 adoption dissolutions which is less than 1% of finalized adoptions and on average these adoptions lasted 74 months or longer than six years.

**Adoptions Finalized SFY 2001 – 2011**



**The number of children qualifying for adoption assistance continues to rise.**

The adoption assistance program aids in securing safe, permanent adoptive homes for children with special needs. Adoption assistance provides adoptive families of any income level with needed social services and medical and financial support to care for the child considered difficult to place. Federal and state laws provide for adoption assistance benefits that include: (1) Medicaid coverage; (2) a monthly adoption assistance payment; (3) special services; and (4) reimbursement of non-recurring adoption expenses.

There were 9,197 children who qualified for adoption assistance at the end of 2007. At the end of 2011, 12,357 children qualified for adoption assistance.

Adoption subsidy amounts are set at 90% of the foster care reimbursement amounts and the rate for adoption assistance will also increase per the Pinnacle Plan.

**Monthly Adoption Assistance Rates**

<b>Age</b>	<b>Current</b>	<b>New Rate</b>
0-5	\$310.50	\$348.73
6-12	\$364.50	\$406.62
13+	\$418.50	\$460.84

**Salary adjustments were made for Child Welfare Specialists positions in July 2012.**

One of the many objectives in the Oklahoma Pinnacle Plan focused on the recruitment and retention of child welfare personnel. The Pinnacle Plan proposes that the salaries for OKDHS child welfare personnel be increased incrementally over five years beginning in SFY 2013. The salary adjustments are based on the compensation market for the Child Welfare Specialist and does consider what other states pay child welfare workers. The legislature supported this Pinnacle Point and appropriated funding for the salary adjustments for Year One of the Plan and the establishment of the new minimum hiring rates for the Child Welfare Specialist, levels I through IV. Salary adjustments needed due to market compression for Child Welfare Services program staff will be implemented no later than November 16, 2012.

**Minimum Hiring Rates effective July 16, 2012**

<b>Job Title</b>	<b>Current Hiring Rate</b>	<b>New Hiring Rate for SFY 2013</b>
Child Welfare Specialist I	\$2,381.07	\$2,531.87
Child Welfare Specialist II	\$2,624.33	\$2,821.15
Child Welfare Specialist II	\$2,894.18	\$3,111.24
Child Welfare Specialist IV	\$3,466.10	\$3,726.06

<b>Job Title</b>	<b>SFY 2012</b>	<b>SFY 2013</b>	<b>SFY 2014</b>	<b>SFY 2015</b>	<b>SFY 2016</b>	<b>SFY 2017</b>
<b>CWS I</b>	\$2,624.33	\$2,821.15	\$2,990.42	\$3,124.99	\$3,218.74	\$3,307.26
<b>CWS II</b>	\$2,894.18	\$3,111.24	\$3,336.81	\$3,570.39	\$3,802.46	\$4,040.11
<b>CWS III</b>	\$3,466.10	\$3,726.06	\$3,986.88	\$4,226.09	\$4,437.40	\$4,603.80
<b>CWS IV</b>						

## **Oklahoma Child Care Services**

The Oklahoma Child Care Services (OCCS) assures Oklahoma families have access to licensed, affordable, high-quality child care where children have the opportunity to develop to their fullest potential in a safe, healthy and nurturing environment.

The Oklahoma Child Care Facilities Licensing Act (10 O.S., § 401-410), enacted in 1963, authorizes OKDHS to administer the licensing program. This responsibility includes developing minimum requirements for child care facilities, revising existing requirements, and implementing policies and procedures for the licensing program. The foundation of quality child care is a strong licensing program working closely with the Child Care Advisory Committee. OCCS is committed to working with providers to ensure licensing requirements are met that safeguard the health and safety of children while in care. A well-trained licensing staff and regular monitoring visits increase the likelihood of positive outcomes in children’s physical, emotional and cognitive well-being.



The National Association of Child Care Resource & Referral Agencies (NACCRRRA) released a state report card comparing states on how well they meet basic requirements needed to protect the health and safety of children in care. Independent ranking by NACCRRRA placed Oklahoma second overall in center care and first in family child care home care. A key factor in Oklahoma's ranking is the fact that Licensing Specialists conduct three unannounced inspections annually.

In FY'98, DHS began using a tiered system for rating child care centers and homes.

- A ★ rating means the facility meets minimum licensure standards.
- A ★+ rating, added in FY'01, is available to facilities for a 24-month period. The expectation is that at the end of the 24-months the facility will meet ★★ requirements or revert back to the ★ rate.
- A ★★ rating is given if the facility meets additional quality criteria, or is nationally accredited. This rating was instituted in April 1998.
- A ★★★ rating is awarded when a program meets additional criteria, and is nationally accredited. This rating was instituted in July 1999.

The state child care reimbursement rate depends on a number of factors: the facility's star rating, the age of the child, whether the child attends full- or part-time, whether the facility is a home or a center, and whether the facility is located in an area of high or low rates.

During FY'09, ninety seven percent of children whose center-based care was subsidized by OKDHS attended two star or higher centers. During the same year, seventy-three percent of children whose home-based care was subsidized by OKDHS attended two star or higher homes.

At the end of June 2012 Oklahoma had 4,143 licensed child care facilities including 1,719 child care centers, part-day, school-age and day camp programs; and 2,424 family child care homes and large family child care homes. Licensing specialists work cooperatively with the Cherokee Nation, Muscogee Creek Nation, Chickasaw Nation, and Choctaw Nation tribal licensing programs to license facilities and reduce duplication of monitoring tasks.

Residential and Agency Licensing Services license residential child care facilities and child-placing agencies throughout the state. Licensing staffs provide a variety of consultative services, in addition to regulatory responsibility for the enforcement of licensing requirements. They also investigate complaints regarding non-compliance with licensing requirements or violations of the Oklahoma Child Care Facilities Act. Their primary mission is to ensure that licensed programs are safe and healthy environments for children and youth who

are in 24 hour, out of home care. At the end of June 2012, Residential Licensing Services monitored the following child care facilities with a combined capacity of 3,700 children: 29 children's shelters and 86 residential child care programs. In addition the program monitored 65 child-placing agencies.

The Professional Development Unit is responsible for the development of initiatives contributing to the mission of the OCCS including training for Licensing staff and child care providers. To accomplish their goals, the Unit participates in the development of initiatives; creation of contracts through an invitation to bid process, interagency agreement or grant award; and monitoring of initiatives for effectiveness. Major services were delivered through contracts with the University of Oklahoma, Oklahoma State Regents for Higher Education, Oklahoma Child Care Resource and Referral Association, Oklahoma State Department of Health, and the Oklahoma Department of Mental Health and Substance Abuse Services.

## **Oklahoma Child Support Services**

Oklahoma Child Support Services (OCSS), a division of OKDHS, acts as an economic advocate for the children of Oklahoma, ensuring that parents financially support their children. OCSS helps families become self-sufficient, and for those who are not receiving public assistance to remain self-sufficient. OCSS received the National Child Support Enforcement Association's 2011 Outstanding Program Award.

But why is child support important? If a parent fails to participate in a child's life, it often falls on taxpayers to pick up the bill. OCSS helps all taxpayers by enforcing both parents' financial responsibility for the support of their children. More than that, research shows that children with both parents financially supporting them are more likely to succeed in life. A child receiving a reliable source of support is more likely to finish high school, go to college and have a stable marriage. Paying child support is one way that both parents play a part in helping their child succeed.

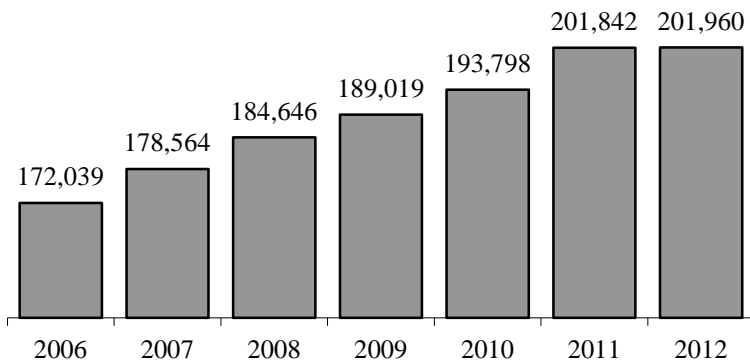
To promote healthy families, OCSS enhances the well-being of children by establishing, monitoring and enforcing a reliable source of support for the families it serves. In support of this mission, OCSS provides the following services:

- ✓ locating non-custodial parents;
- ✓ establishing paternity;
- ✓ establishing and enforcing child support and medical support orders;
- ✓ working with other partners, states and countries to obtain child support;
- ✓ collecting and distributing support payments; and
- ✓ modifying child support orders when necessary.

Child Support Services provides these services to families statewide through a variety of different delivery models. OCSS contracts with District Attorneys to operate 14 full-service Child Support Offices. OCSS directly operates 21 full-service offices, a private vendor operates two full-service offices, and one full-service office is operated by a non-profit organization. There are also four specialty offices: one focuses on working with parents of newborns at the hospital with the largest number of births covered by Medicaid in the state, two offices work exclusively on the child welfare cases in the juvenile court in the two metro counties for the determination of paternity and support orders for collection of child support and the fourth works with difficult-to-collect cases.

As of June 30, 2012, OCSS had almost 202,000 open cases. Of these, approximately 10 percent are current TANF or Foster Care assistance cases, 37 34 percent are former TANF or Foster Care assistance cases and 56 percent have never been on TANF or Foster Care assistance but 50 percent of those are Medicaid cases.

### Child Support Ending Caseload *SFY 2006 through 2012*



Through the OCSS Internet site, child support payments may be paid by credit or debit cards. WebPay also offers a bank transfer directly to OCSS known as “direct debit.” Both individuals and employers are eligible to sign up for this service. OCSS also has a cooperative agreement with the Oklahoma Employment Security Commission to provide an exchange of information regarding quarterly wages, new hires, and unemployment claims.

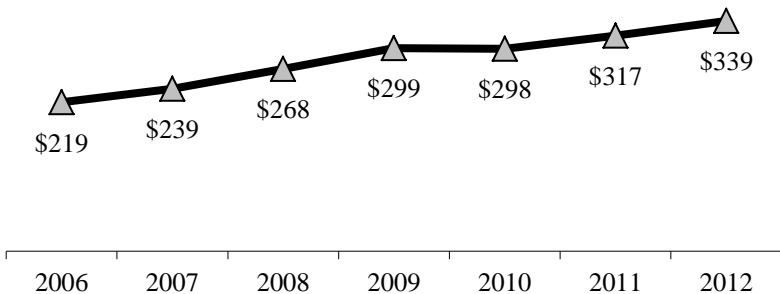
Other OCSS partnerships for the benefit of Oklahoma’s families include:

- Access and Visitation – Through contracts with local non-profit social service agencies, and funded by a special federal grant, referral services are available for a parent to have access to and visitation time with his or her children.

University of Oklahoma, Center for Public Management contracts:

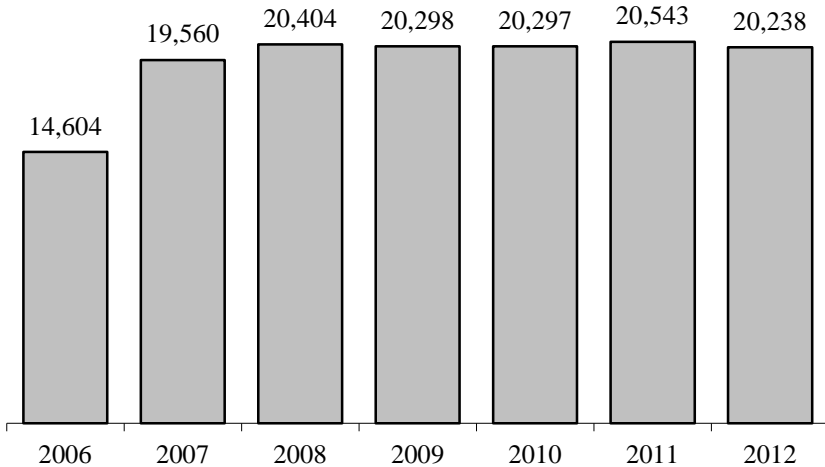
- Customer Assistance Response Effort (CARE) Customer Call Center has been Oklahoma’s primary source for child support customer information since 2001. The call center currently answers 55,000 customer calls each month, with an additional monthly average of 96,600 calls being handled by the Interactive Voice Response (IVR) system. CARE answered its six millionth call on December 20, 2011. Customer Service Representatives (CSRs) successfully resolve an average of 91.8 percent (50,490) of calls processed each month - allowing district offices to devote State resources to other casework.
- In February 2008, the Oklahoma Employer Service Center opened its phone lines. This center was developed to educate employers on new hire and income assignment requirements. Employers also receive assistance enrolling children in employer health plans.
- In 2001, with three court liaisons in the eastern part of the state, OCSS piloted a problem solving court program to help noncustodial parents remove barriers to paying child support, called the Court Liaison Program. Beginning in November 2007, OCSS started expanding the program, which now includes a total of 36 counties and 20 court liaisons. In June 2010, 1,393 noncustodial parents had participated in the CLP with more than \$1,795,695 child support owed. Of those, 474 have obtained gainful employment resulting in child support payments of more than \$1,204,809. Without this program, all of these parents would have been in jail for 180 days. The incarceration cost savings to the state was \$6,034,661 for the period January.
- Total distributed collections (including interstate collections) increased by 6.82 percent, from \$317 million in SFY’11 to \$339 million in SFY’12. In-state collections increased by 7 percent from \$293 million in SFY’11 to \$314 million in SFY’12.

**Total Child Support Collections**  
*SFY 2006 through 2012 (in millions)*



- As of June 30, 2012 OCSS established paternity (by order or by paternity acknowledgement) of 20,238 children; 14,404 of these established paternities were through voluntary acknowledgement.

### Paternalities Established in Child Support Cases *SFY 2006 through 2012*



- The federal cost effectiveness ratio increased from \$4.07 to \$4.40 between FFY'10 and FFY'11. As of March 31, 2012, cost effectiveness is \$4.57. This means OCSS collected over four dollars for every dollar spent on collection. Achieving the \$4.00 threshold qualifies Oklahoma for more federal incentives and for every state dollar spent in the child support program; the federal government matches that dollar with two more.

OCSS has a variety of tools to compel child support payments. Among them:

- Income Assignment – In partnership with employers, OCSS withholds child support from paychecks as the primary method of child support collection. During the year ending June 30, ~~2010~~ 2012, over \$225 million was collected -- a 10 percent increase from the year ending 6/30/11 of \$205 million.
- Federal Tax Offset – – This automated process with IRS allows for seizure of IRS refunds. During the year ending June 30, 2012, over \$38 million was collected--a 5 percent increase over the previous year.
- Oklahoma Tax Refund Offset – This automated process for seizure of state tax refunds is in partnership with the Oklahoma Tax Commission.

- Unemployment Offset – Another automated process, this seizes unemployment benefits in partnership with Oklahoma Employment Security Commission. This offset allows for continuation of regular payment of child support when the payor is unemployed. During the year ending June 30, 2012, almost \$9.4 million was collected. OCSS also completed a new automation project to collect from unemployment issued in other states and collected more than \$150,000 for 1,548 families that could not have been reached before.
- Workers’ Compensation and Personal Injury Award Intercept – Enhanced by new law first effective November 1, 2007, this automated process intercepts workers’ compensation and personal injury settlements and awards. During the year ending June 30, 2012, more than \$7 million was collected--an increase of \$1 million over the prior year.
- Lottery Offset – Starting with legislation effective in November 2005, this special collection process intercepts lottery winnings of parents who owe child support. During the year ending June 30, 2012, \$33,978 was collected.
- Passport Denial Collections – Persons who owe past due child support in excess of \$2,500 are not permitted to obtain or renew a passport. This collection remedy, halting travel to and from the United States pending payment of support owed, has been extremely successful in 2012. From January – June, 2012 the passport denial program has collected \$354,583, more than in calendar years 2010 and 2011 combined.

## **Tribal Child Support Agencies within Oklahoma**

In FY’99, OCSS and the Chickasaw Nation opened the first Tribal Child Support Agency in the country. The Federal Child Support Enforcement Office now sponsors 55 Tribal Child Support Offices around the country, with Oklahoma hosting nine (9) full service Tribal Child Support Agencies, more than in any other state. OCSS collaborates with the Chickasaw, Osage, Cherokee, Kaw, Muscogee (Creek), Ponca, Comanche, Modoc and Kickapoo federally funded Tribal Child Support Agencies to provide services to thousands of Oklahoma tribal families. OCSS partners with these tribal child support programs to coordinate services, refer cases, train employees, and provide access to the OCSS automated computer system.



## JUVENILE JUSTICE

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The organization of state programs addressing juvenile delinquents changed significantly in the mid 1990's. Before 1995, these programs were under the purview of the Department of Human Services. A separate agency, the Office of Juvenile Affairs (OJA), was created in 1995 to establish independent management of the juvenile justice system, a move designed to improve services and hold juveniles more accountable for their actions.

### OFFICE OF JUVENILE AFFAIRS

The creation of OJA was part of a sweeping juvenile justice reform bill, HB 2640, enacted in 1994. After a one-year transition period, the separate agency became operational on July 1, 1995 (FY'96). The bill expanded prevention, intervention and detention programs across the state. The goals of the legislation were to:

- Initiate a number of primary prevention programs to prevent juvenile crime;
- Provide immediate consequences and rehabilitation programs for early offenders to prevent further juvenile crime; and
- Ensure the public's safety by providing more medium-security beds for juveniles adjudicated for serious offenses.

### Changes in Juvenile Justice Laws

In addition to creating prevention and treatment programs for adjudicated youth, HB 2640 also enacted the "Youthful Offender Act". Prior to this time, the juvenile justice system was required to release a juvenile in the state's custody at the age of 18. Under the Act, if a juvenile sentenced as a Youthful Offender (YO) turns 18 years of age but has failed to successfully complete his treatment plan, the juvenile may be transferred to the adult correctional system by the court of jurisdiction. Similarly, the juvenile may also be moved to the adult system at any time if the terms of the rehabilitation agreement with the court were violated.

During the 2000 Legislative Session, the Youthful Offender Act was amended to allow a youth up to the age of 20 to remain in the juvenile system, if OJA requests an extension of custody. The purpose of this amendment was to allow YOs who were seventeen years of age or older at the time of their sentencing to have sufficient time in the juvenile system to complete their rehabilitation plans.

During the 2006 Legislative Session, the Youthful Offender Act was further amended. These amendments were the most substantive changes since the enactment of the original legislation. SB1799 included eliminating the ten-year cap on the sentence a YO could receive; mandating in lieu of the cap the same sentencing range as for an adult offender. SB1799 also provided for the retention of YOs in OJA custody until age twenty-one, only in the event of the opening of a new, separate facility devoted to the treatment of YOs. SB1760 removed the cases of fifteen-, sixteen-, and seventeen-year olds charged with first degree murder from eligibility as YOs or from any further jurisdiction of the Juvenile Court.

During the 2008 Legislative Session, the legislature rewrote the Youthful Offender Act in SB1403 to have the courts review the sentence at the time the YO turns eighteen. At the sentencing review hearing, the court may make one of four recommendations: (1) the YO is returned to OJA in order to complete the rehabilitation agreement, provided the time shall not exceed the YO reaching eighteen years and 5 months; (2) the YO is discharged from OJA and transferred to DOC to complete the original sentence, and the court cannot add more time than the original sentence; (3) the YO is placed on probation with DOC; or (4) the YO is discharged from state custody.

SB1403 (2008) the Youthful Offender Act was further amended by permitting the transfer of a YO to DOC if a YO is found to have committed battery or assault and battery on a state employee or contractor while in custody; if a YO has disrupted the facility, smuggled contraband, engaged in other types of behaviors which have endangered the lives or health of other residents or staff; or established a pattern or disruptive behavior not conducive to the policies and procedures of the program. Additionally, SB1403 defined the placement of a YO to be the responsibility of OJA, and OJA is to place a YO not more than 45 days following the filing and adoption of the written rehabilitation plan with the court, unless an emergency is declared. For YOs who have been sentenced to OJA custody who are pending placement into an OJA facility, seventeen- and eighteen-year olds may be detained in county jails while eighteen-year olds may be held in the general population of county jails. The bill also retains annual court review hearings for YOs who are in OJA custody, which are to be completed within 30 days of the date the sentence was imposed.

In 2009, SB270 clarified that a sentence imposed upon a youthful offender would be served in the custody of or under the supervision of OJA until the expiration of the sentence, the youthful offender is discharged, or the youthful offender reaches the age of 18, whichever occurs first. The parole of a youthful offender



as a triggering event for the termination of the sentence was eliminated. This bill also clarified that at the age of 18, the court may order that the youthful offender be placed in the custody of the Department of Corrections rather than incarcerated in the custody of DOC.

In 2009, HB2029 renumbered all sections of the Juvenile Code, including the Youthful Offender Act.

In 2010, SB1771 clarified that youthful offenders shall not remain in the custody of or under the supervision of OJA beyond the maximum age of 18 years and 5 months.

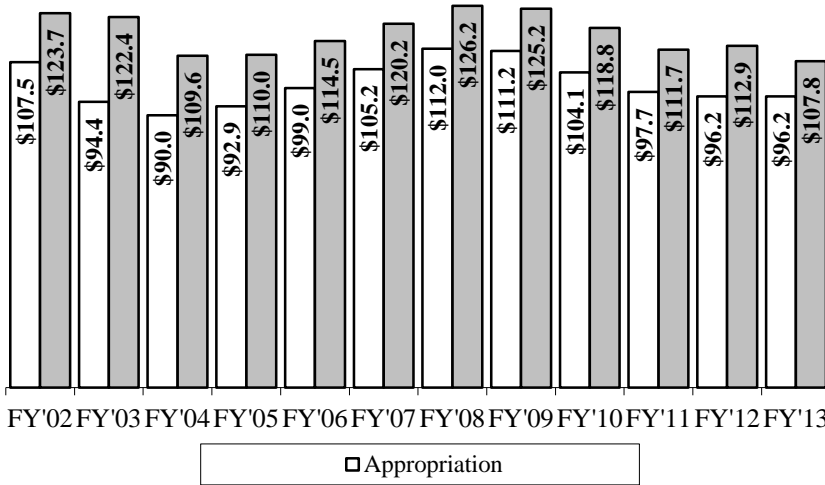
In 2011, SB247 authorized OJA to place juveniles in a collocated secure facility which meet applicable criteria of the federal Juvenile Justice Delinquency Prevention Act.

In 2012, SB1582 authorized campus police for secure juvenile facilities, as provided by the Campus Security Act. HB2300 directed OJA to certify DHS shelters with OJA establishing a system of certification. Additionally, HB2300 established the OK Mentoring Children of Incarcerated Parents Program for children who are in the custody of OJA and currently placed outside the home, or who have been identified by OJA as at-risk of becoming involved in the juvenile justice system. HB2641 provides an evidence-based counseling curriculum for students in school districts. HB3091 authorized courts to order an expungement of an entire file and record of a Youthful Offender case.

## **OFFICE OF JUVENILE AFFAIRS BUDGET**

Funding for juvenile justice remains primarily a state responsibility. The federal government provides modest funding for juvenile justice programs or services through reimbursement from the Title XIX Medicaid program for youth who are not institutionalized; pass-through and discretionary funding from the Juvenile Accountability Block Grant (JABG); and formula and Title V from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) of the U.S. Department of Justice.

Appropriations and Total Budget  
FY'02 Through FY'13 (In Millions)

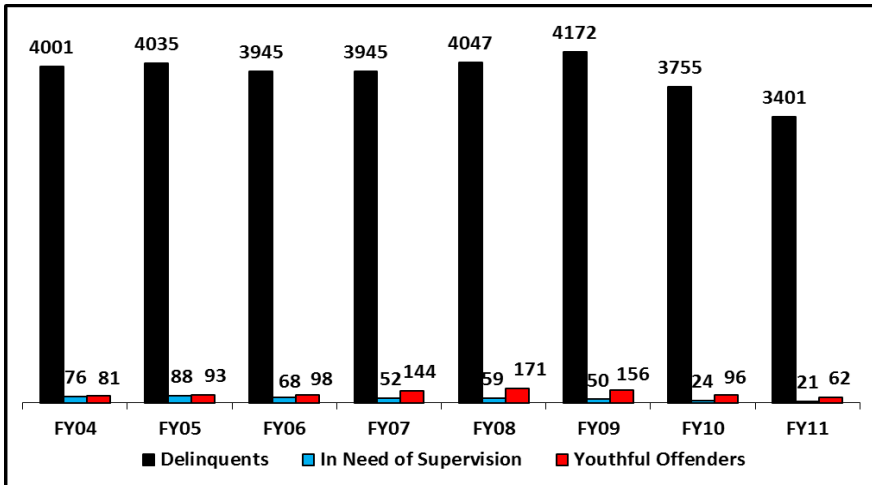


Appropriations to the agency were decreased during FY'10 due to the state revenue failure caused by the recession. Monthly cuts of 5% began in August '09 and were increased to 10% beginning in December '09 for the remainder of the fiscal year. The net effect was a 7.5% reduction in state appropriations for FY10. Appropriations were reduced an additional 4.8% for FY11. In addition, the agency was required to carryover \$912,464 in stimulus savings from FY10 to FY11. [Appropriations were reduced for FY'12 to be \$96.2 Appropriated & \$112.9 Budgeted; and for FY'13 to be \$96.2 Appropriated & \$107.8 Budgeted.]

**JUVENILE CRIME AND RECIDIVISM**

The total number of juveniles adjudicated as delinquent decreased between FY'04 and FY'11 (-15.0%), as did the number of juveniles adjudicated as Youthful Offenders (-23.5%).

### Types of Adjudication FY'04 Through FY'11



Source: Office of Juvenile Affairs – Juvenile On-Line Tracking System (JOLTS).

## OJA PROGRAMS

In keeping with the agency’s mission, programs provided by the Office of Juvenile Affairs can be divided into three categories:

- Prevention programs, which aim to prevent and decrease juvenile delinquency;
- Intervention/treatment programs, which provide immediate consequences and rehabilitation services for juveniles adjudicated for less serious offenses; and
- Detention/incarceration programs, which protect the public from juveniles who have been adjudicated for or are charged with violent or other serious offenses.

### Prevention

**Community-Based Youth Services:** Community-based Youth Services agencies are the primary providers of prevention services for the juvenile justice system, since part of their mission is to prevent youth from entering the juvenile justice system.

The State of Oklahoma funds 42 Youth Services agencies serving all 77 counties across the state and is responsible for providing a continuum of services. Youth Services Agencies provide community educational programs to schools and parent organizations, parenting classes, and family counseling (prevention

programs) as well as first-time offender and emergency shelter programs (intervention programs). Some also subcontract with municipalities to operate community intervention centers serving as temporary holding facilities for youth arrested on minor charges when their guardians cannot immediately be located.

During FY'10, Youth Services agencies received nearly \$23.3 million in state funding. In FY'13, Youth Services received a line-item of \$22,810,677 from the \$96,197,205 appropriated to OJA.

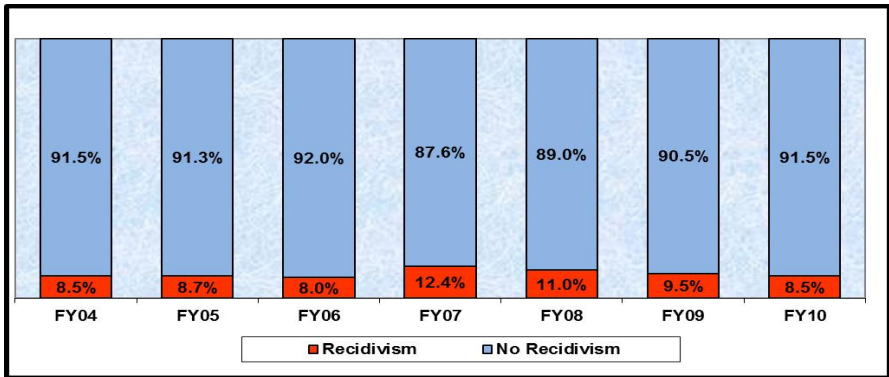
## **Intervention/Treatment Programs**

***Graduated Sanctions:*** This program is a community-based initiative focused on preventing juveniles who have committed non-violent minor offenses from committing more serious and/or violent crimes. In previous years, it has been funded by the federal government under the Juvenile Accountability Block Grant (JABG) and by community donations. The federal funding which supported this program has undergone a gradual reduction. State dollars have been appropriated to allow for continued existence of these community-based services. For FY'10, nineteen communities had graduated sanctions programs in operations. During FY'11 and FY'12, the number of communities providing the graduated sanctions program declined. For FY'13, twelve communities have graduated sanctions programs in operation.

Youth arrested for minor offenses (such as vandalism or petty larceny) are referred to the program. The youth and their parent are given the option to participate in the program or go through the juvenile justice system. If the family elects to participate in the program, the youth appears before a community board. The board determines the appropriate consequences and treatment plan based on the individual needs of the youth. A variety of consequences and services are ordered by the community boards to assist the youth with learning responsibility through community accountability. Each program is unique to the geographic location and the community it serves. Services and/or consequences may include counseling, community service projects, life skills programs, and Saturday school.

***First Offender:*** This curriculum-based program is primarily state-funded and administered by Youth Services agencies across the state. The program is designed to intervene and prevent identified community youth from further involvement in the juvenile justice system. Youth served under this program have committed minor offenses such as being truant, violating curfew, and shoplifting. Parents and youth must apply to participate in the program; it provides eight weeks of counseling and instruction on anger management, responsible decision-making and appropriate behavior. State law allows district attorneys to defer further prosecution of juveniles who successfully complete the program.

## First Offender Program Recidivism FY'04 Through FY'10



Source: Office of Juvenile Affairs – Juvenile On-Line Tracking System (JOLTS).

## Detention

State funds are provided for 301 secure detention beds located in 17 counties. These centers provide secure detention to juveniles arrested for serious crimes as well as juveniles placed in state’s custody and awaiting placement in an OJA-operated or contracted facility. State reimbursement for these centers varies according to facility capacity and during FY’10 the OJA budget for detention centers was reduced by 7.5% and will sustain a further reduction during FY’11 of 4.4% due to the reduction in state appropriations. In FY’13, funding for the 11.9% in previous cuts, were restored to the detention centers.

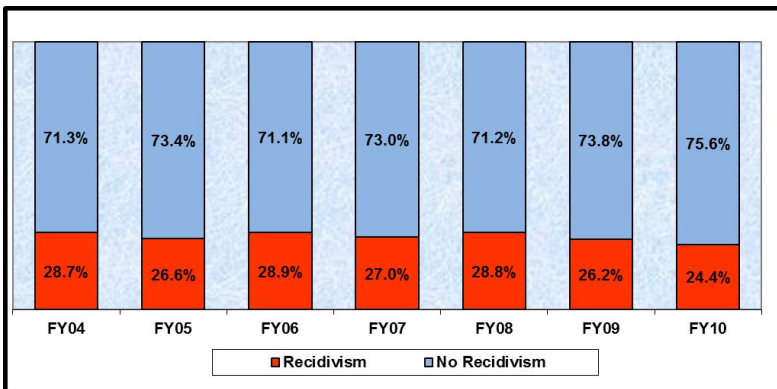
Residential services are provided to adjudicated youth in the custody of the Office of Juvenile Affairs for serious property crimes and violent offenses. Services range from foster homes to maximum-security institutions. During FY’10, the OJA contract for the 30-bed program operated by the Oklahoma Military Department was cancelled due to the state’s budget shortfall. The program had served 90 chronic property offenders a year. All OJA placements incorporate educational services either at a local school, as in the case of foster care, or on-site at the facility, as in group homes and secure institutions.

- Therapeutic Foster Care (TFC):** TFC is a contracted service for youth who need medical and therapeutic services but can be served outside of a psychiatric facility. The agency contracts for approximately 20 beds costing \$33.80 per day with an annual cost of \$12,337 per bed.
- Specialized Community Homes:** These are homes of individuals in the community who provide room and board for up to four youths. The contractors are professional social service providers who offer intensive, individually focused therapeutic intervention programs. In FY’11, OJA had

reduction from six to two homes, as the annual salary reduced from \$38,000 to \$31,500. In addition to salary, providers receive \$22.63 per day in foster care maintenance payments for each child they are serving. In FY'12, the number of Specialized Community Homes increased to three homes and OJA restored the annual salary back to \$38,000 for the three homes.

- **Level E Group Homes:** These staff secure group homes have a highly structured environment and regularly scheduled contact with professional staff. Crisis intervention is available through a formalized process on a 24-hour basis. Youth in this category display extreme anti-social and aggressive behaviors and often suffer emotional disturbances as well. The state contracts with private providers for 226 Level E beds at an average cost of \$142/day. Due to the state's budget shortfall, the payments to Level E providers were reduced by 3.0% during FY'10 and a further 4.4% during FY'11 for a total reduction of 7.4%. In FY'12, funding for the 11.8% in previous cuts, were restored to the Level E Group Homes.
- **Secure Institutions:** Secure institutions are locked and fenced facilities that provide OJA's most intensive level of residential programming. They are reserved for youth whose behavior represents the greatest risk to the public and to themselves. The agency operates two institutions: the Southwestern Oklahoma Juvenile Center in Manitou (78 beds), and the Central Oklahoma Juvenile Center in Tecumseh (116 beds). In September 2011, the Lloyd E. Rader Center in Sand Springs was closed. The Rader Center was OJA's largest secure facility, which was the only secure facility in Oklahoma with the Diagnostic and Evaluation program, the Intensive Treatment Program, as well as the Behavior and Medical Unit.

### Annual Out-of-Home Placement Recidivism FY'04 Through FY'10

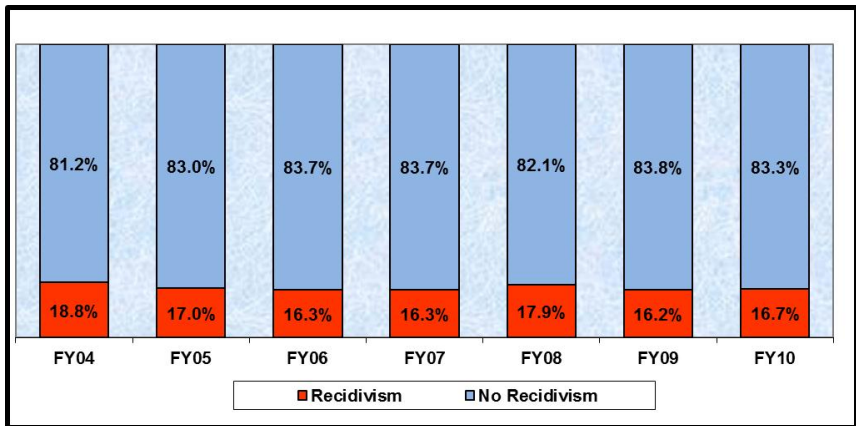


Source: Office of Juvenile Affairs – Juvenile On-Line Tracking System

## Follow-up and Aftercare

Research shows that an essential part of successful rehabilitation of delinquent youth includes a program of six to twelve months of follow-up/aftercare that includes both surveillance as well as therapeutic counseling services. OJA provides the surveillance and Youth Services agencies provide the therapeutic counseling through their Community At-Risk Services (CARS) program. The CARS program was implemented in FY'00 for individual, group and family counseling, as well as school reintegration. All youth exiting group homes or institutions are eligible for CARS services, while other at-risk youth may also receive services in order for them to remain at home. During FY'10 the CARS program was reduced by 7.5% and will be reduced a further 4.4% during FY'11. In FY'12, partial funding of approximately one-fifth of the previous reductions were restored to the CARS program.

### Annual Recidivism Rates for the CARS Program FY'04 Through FY'10



Source: Office of Juvenile Affairs – Juvenile On-Line Tracking System

# STATE PERSONNEL ISSUES

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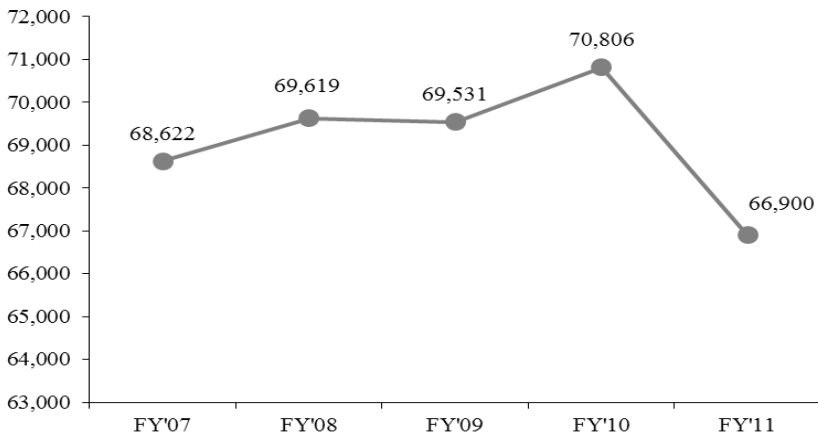
## STATE PERSONNEL ISSUES

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### Total State Government Employment

State agencies paid a total of 66,900 full-time-equivalent employees in FY'11, according to Office of Personnel Management data. This total includes 32,410 FTE at state higher education institutions, a 2,631 person decrease from FY'09. While FTE levels at most state agencies are regulated by legislative limits, employment levels in the higher education system are set by governing boards.

Total Employment by State Agencies  
*FY'07 Through FY'11*



Source: Office of Personnel Management

## State Employee Salaries

The average state employee earns \$40,483 per year (according to Office of Personnel Management data, which excludes higher education agencies). State employees' salaries have increased an average of 4.7 percent over the last five years.

### Average Oklahoma State Employee Salary FY'08 Through FY'12

<u>Fiscal Year</u>	<u>Average Salary</u>	<u>Percent Change</u>
2008	\$39,020	2.2%
2009	\$39,486	2.2%
2010	\$39,842	0.9%
2011	\$40,026	0.5%
2012	\$40,483	1.2%

Source: Office of Personnel Management

## PAY RAISE HISTORY

FY'08 – FY'13 No Pay Raise

FY'07 5 percent annual across-the-board raise provided for all state employees effective October 1, 2006. (SB 82XX)

FY'06 \$700 annual across-the-board raise provided for all state employees effective July 1, 2005. (HB 2005)

FY'05 \$1,400 annual across-the-board raise provided for all state employees effective January 1, 2005 (HB 2005).

FY'04 No Pay Raise

FY'03 No Pay Raise

FY'02 No Pay Raise

FY'01 \$2,000 annual across-the-board raise provided for all state employees effective October 1, 2000 (SB 994).

FY'00 2 percent pay increase, with a minimum provision of \$600 and a maximum provision of \$1,000, for all state employees effective July 1, 1999 (SB 183).

FY'99 4 percent pay increase, with minimum provision of \$1,250 and a maximum provision of \$2,000, for all state employees effective January 1, 1999 (HB 2928).

FY'98 No Pay Raise

FY'97 \$1,200 annual across-the-board raise for agency employees. Also, an allied health pay plan gave a 10 percent raise to about 900 health care workers (SB 846).

- FY'96 No Pay Raise
- FY'95 \$800 annual across-the-board raise for agency employees beginning October 1, 1994 (SB 870).
- FY'94 No Pay Raise
- FY'93 2.5 percent mandatory pay increase for all state employees effective December 1, 1992, and a discretionary 2.5 percent increase effective January 1993. Agencies paid costs of these raises within existing personnel budget; no new appropriations were provided. About half the state work force received the optional raise, which agencies granted based on their fiscal capacity (HB 1973).
- FY'92 \$420/year per employee. Also enacted was an increase in the minimum state employee salary from \$11,700 to \$12,413 (the federal poverty level for a family of three) (HB 1681).
- FY'91 \$1,000/year per employee (SB 877).
- FY'90 \$400/year per employee (SB 58).

## **STATE EMPLOYEE BENEFITS PACKAGE**

The state employee benefits package consists of paid annual and sick leave; a defined benefit retirement plan and a deferred compensation retirement plan; and group health, life, and disability insurance.

Generally, employees pay the following costs of benefits:

- 3.5 percent of salary paid to the Oklahoma Public Employees Retirement System (OPERS). However, contributions differ for employees in other retirement systems (see Retirement Benefits);
- supplemental life insurance premiums (optional);
- federally mandated social security tax and Medicare tax; and
- effective January 1, 2012, employees under the age of 50 may defer up to \$17,000 annually while employees 50 or over may defer up to \$22,500 per year.

State agencies, as employers, pay the remaining cost of providing employee benefits as follows:

- 16.5 percent of salaries paid to OPERS;

- a benefits allowance ranging from \$640.98 to \$1,677.96 in Plan Year (PY) 2012, depending on whether an employee chooses to buy coverage for dependents (see Group Health Insurance Benefits). The state funds 75 percent of the monthly group health insurance premiums for dependents;
- \$25 per month matching employer contribution for employee participants of the state's deferred compensation program; and
- federally-mandated social security tax and Medicare tax.

## **RETIREMENT BENEFITS**

The state has seven state retirement plans. OPERS is the main retirement system, covering two of every three state employees. The normal retirement age for state employees is 62 for those who became a member of OPERS before November 1, 2011. The normal retirement age for those who became a member of OPERS on or after November 1, 2011, is 65. The employee must have at least six years of full-time-equivalent employment. Any employee retiring on or after this age is entitled to an annual benefit equal to 2 percent of the employee's final average salary, multiplied by the number of years of credited service. For example, an employee retiring at the age of 62 with a final average salary of \$25,000 and 30 years of credited service would receive an annual retirement benefit of \$15,000 (2% x 30 years x \$25,000).

Employees may elect to receive a greater retirement than that listed above. By contributing an additional 2.91 percent of all gross salary, an employee will receive a 2.5 percent multiplier rather than a 2 percent multiplier for all years of service in which the greater contribution was made.

Statutes also allow state employees to retire under the "Rule of 80" or "Rule of 90", depending on the date the member joined the system. To qualify for retirement under this option, the sum of the employee's age and years of credited service must equal 80 or 90. Thus, an employee 55 years of age with 25 years of service may retire with full benefits under the "Rule of 80". Persons who become a member of OPERS on or after November 1, 2011, can retire at the "Rule of 90" if they are at least 60 years of age.

Another option for state employees is early retirement. To qualify, an employee must be at least 55 years of age and have a minimum of 10 years of credited service for those who became a member of OPERS before November 1, 2011. For those who became a member of OPERS on or after November 1, 2011, the minimum age for early retirement is 60.

Another benefit to retirees is a state contribution of \$105 per month credited toward group health insurance costs. The monthly health insurance premium for retirees under the age of 65 is equal to the monthly premium for active employees (commonly known as the blending of rates).

In addition to OPERS, there are six state retirement systems with their own unique rules and regulations: the Oklahoma Teachers' Retirement System (OTRS), the Uniform Retirement System for Justices and Judges (URSJJ), the Oklahoma Police Pension and Retirement System (OPPRS), the Oklahoma Law Enforcement Retirement System (OLERS), the Oklahoma Firefighters Pension and Retirement System (OFPRS), and the Oklahoma Wildlife Conservation Retirement System.

There are legislative procedures which govern the consideration of certain retirement measures. The Oklahoma Pension Legislation Actuarial Analysis Act requires legislation pertaining to OPERS, URSJJ, OTRS, OPPRS, OLERS and OFPRS to be subject to review by an actuary that contracts with the Legislative Service Bureau. Legislation relating to these systems is identified by an RB number and the Legislative Actuary makes a determination whether such a measure does or does not have a fiscal impact. A retirement bill deemed not to have a fiscal impact may be introduced, considered and enacted during either session of a Legislature. Legislation which is deemed to have a fiscal impact must be introduced during the first session of a Legislature. For such legislation to be considered, the legislation must first be submitted by the committee of which the legislation was assigned to the Legislative Actuary for an actuarial investigation. Once the investigation is completed, retirement measures having a fiscal impact can only be considered, passed and enacted during the second session if the concurrent funding associated with such measure is also provided.

## **GROUP HEALTH INSURANCE BENEFITS**

State employees are offered a benefit allowance to pay for mandated and optional coverages as well as assist employees in the cost of covering dependents. The benefit allowance is based on the following formula:

Monthly premium of the Health Choice high option health plan  
Plus  
Average monthly premium of all dental plans  
Plus  
Basic life insurance monthly premium  
Plus  
Basic disability monthly premium  
Equals  
Employee Only Flexible Benefit Allowance

Beginning January 1, 2013, the benefit allowance shall not be less than the plan year 2012 benefit allowance amounts.

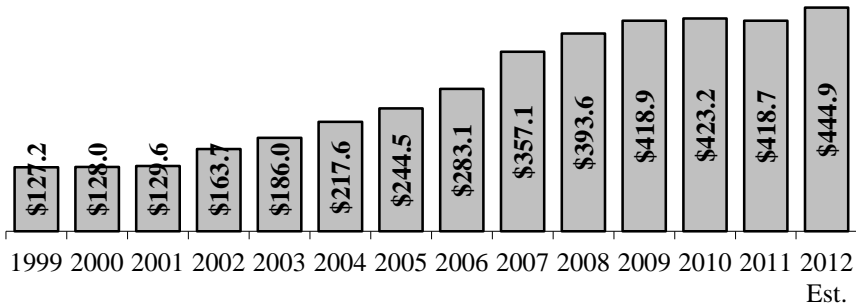
Dependents are covered at 75 percent of the monthly premium of the Health Choice high option health insurance plan. The benefits allowance is used to purchase the options the employees want. They must select coverage for themselves in the following areas: medical, dental, life, and disability. If the total price of the options selected by the employees is less than the benefit allowance, they receive the difference as taxable income. If the cost of the options selected by the employees is more than the benefit allowance, the employees may elect to pay for the excess through pre-tax payroll deductions.

The state offers its employees a standard indemnity plan (HealthChoice) or health maintenance organizations (HMOs). The basic differences between the medical plans include: cost; choice of doctors and hospitals; how the employee and the plan share expenses through deductibles, co-payments, and coinsurance; and the maximum the employee has to pay out of pocket.

School district employees are also offered a benefit allowance to pay for coverage for the group health insurance plan offered by the state or the self-insured plan offered by the school district. Full-time certified and support personnel electing health insurance coverage will receive an allowance in the amount equal to the Health Choice Hi-option. Personnel not electing coverage may receive \$189.69 per month in taxable compensation. There is no benefit allowance provided to school district employees for dependent coverage.

The cost of providing health benefits to state employees and their families has been increasing steadily over the past decade. Small changes to the benefit plan and other adjustments have allowed rates to remain fairly constant the last two years. Despite this good news, state agencies have still had to absorb over \$300 million in cost increases since FY'99.

### Benefit Allowance Cost Projection (In Millions)



# **PUBLIC SAFETY AND CORRECTIONS**

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# PUBLIC SAFETY AND CORRECTIONS

## Department of Corrections

This chapter describes the state prison system, summarizes recent initiatives and concerns, and compares significant benchmarks with other states.

## Organization of the Prison System

There are 24 prisons - 17 public and 6 private - scattered throughout the state. Of the six private prisons, only two hold Oklahoma inmates exclusively (Davis and Lawton). Two others (Great Plains and Diamondback) are currently vacant. The Northfork prison houses California inmates. Oklahoma has the 3rd most number of inmates held in private prison beds (4,776) in the US.

In addition to prisons, DOC also operates 15 work centers and 7 community corrections centers and contracts with 11 privately operated halfway houses and 15 county jails to house inmates.

As of July 16, 2012, the Department had a 97.3% occupancy-rate at state facilities and a 93.2% occupancy rate in contract beds. It housed 1,585 offenders in county jail backup (awaiting reception at LARC) and it also supervised 20,860 offenders on probation, 3,071 on parole and 680 on GPS monitoring.

### Private Prisons (owner)

	<u>City</u>	<u>Capacity</u>	<u>Opened</u>
Great Plains Correctional Facility (Cornell) * vacant	Hinton	2,000	1991
Northfork Correctional Facility (CCA) * California inmates	Sayre	2,400	2000
Diamondback Correctional Facility (CCA) * vacant	Watonga	2,160	1998
Davis Correctional Facility (CCA)	Holdenville	1,620	1996
Cimarron Correctional Facility (CCA) * including Puerto Rico inmates	Cushing	1,720	1997
Lawton Correctional Facility (GEO)	Lawton	2,526	1998

### State Prisons - Maximum Security

Oklahoma State Penitentiary	McAlester	1,115	1908
Lexington Assessment and Reception Center	Lexington	418	1978

<u>State Prisons - Medium Security</u>	<u>City</u>	<u>Capacity</u>	<u>Opened</u>
Oklahoma State Reformatory *includes 200 min. beds	Granite	999	1909
Dick Conner Correctional Center *includes 236 min. beds	Hominy	1,196	1979
Joseph Harp Correctional Center	Lexington	1,405	1978
Mack Alford Correctional Center *includes 263 min. beds	Stringtown	805	1973
James Crabtree Correctional Center *includes 200 min. beds	Helena	969	1982
Lexington Correctional Center *includes 267 min. beds	Lexington	1,020	1978
Mabel Basset Correctional Center (Female) *includes 264 min. beds	McLoud	1,136	1998

<u>State Prisons - Minimum Security</u>	<u>City</u>	<u>Capacity</u>	<u>Opened</u>
Jackie Brannon Correctional Center	McAlester	737	1985
Jim Hamilton Correctional Center	Hodgen	706	1969
Jess Dunn Correctional Center	Taft	982	1980
John Lilley Correctional Center	Boley	836	1983
Northeast Oklahoma Correctional Center	Vinita	501	1994
William S. Key Correctional Center	Ft. Supply	1,087	1988
Howard McLeod Correctional Center	Atoka	616	1961
Bill Johnson Correctional Center	Alva	630	1995
Eddie Warrior Correctional Center (Female)	Taft	783	1988

## INMATE DEMOGRAPHICS

The statistics below are a snapshot of the demographics of the inmates in DOC custody taken in July, 2012.

Inmate Count = 25,885

<u>Gender</u>	<u>Count</u>	<u>Percentage</u>
Male	23,305	89.8%
Female	2,646	10.2%

<u>Race</u>	<u>Count</u>	<u>Percentage</u>
Caucasian	13,953	53.8%
African American	7,461	28.8%
Native American	2,425	9.3%
Hispanic	1,979	7.6%
Other	123	0.5%

<u>Controlling Offense Sentence Type</u>	<u>Count</u>	<u>Percentage</u>
Death	63	0.2%
LWOP	767	3.0%
Life	1,700	6.6%
85%	6,272	24.2%
Violent	12,544	48.3%
Non-Violent	13,378	51.6%

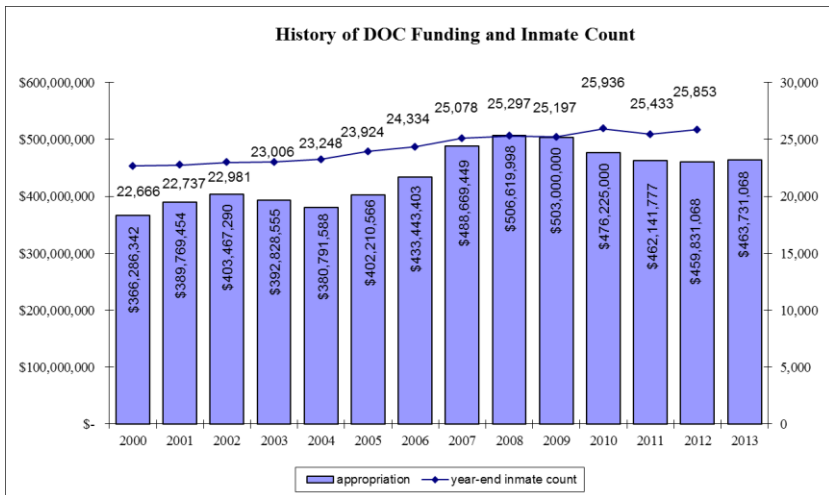
<u>Top 5 Controlling Offense (Male)</u>	<u>Count</u>	<u>Avg. Sentence (Years)</u>
Distribution of CDS / Possession with Intent	1,905	13
Possession of Controlled Substance	1,899	8
Burglary - 2nd Degree	1,255	9
Murder - 1st Degree	1,179	35
Robbery - Attempt with Dangerous Weapon	998	15

<u>Top 5 Controlling Offense (Female)</u>	<u>Count</u>	<u>Avg. Sentence (Years)</u>
Possession of Controlled Substance	396	7
Distribution of CDS / Possession with Intent	261	11
Manufacture of CDS	155	12
Trafficking in Illegal Drugs	98	12
Uttering Forged Instruments	94	7

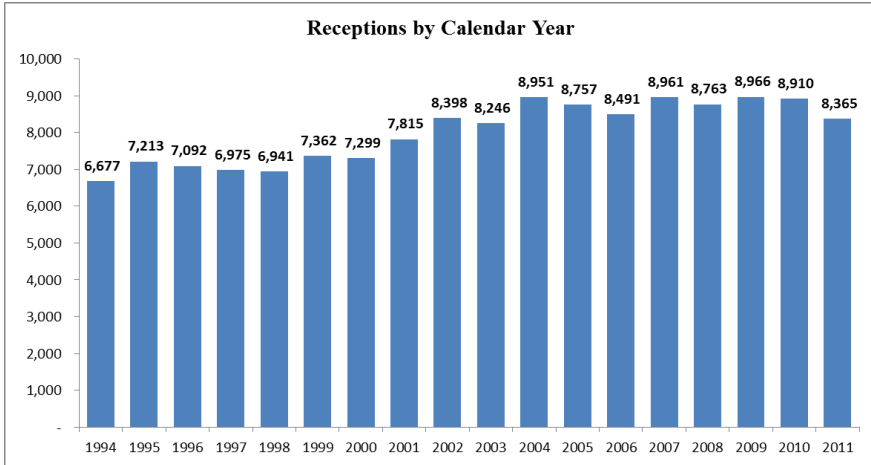
<u>Top 5 County of Conviction for Controlling Offenses</u>	<u>Count</u>	<u>Percentage</u>
Oklahoma	6,886	26.5%
Tulsa	5,025	19.4%
Comanche	770	3.0%
Cleveland	730	2.8%
Garfield	609	2.3%

## Growth in the Prison System

The number of inmates in DOC custody has more than doubled since 1991 and the agency's budget has more than tripled in that time. The FY'13 budget for DOC comprises 6.7% of the total state appropriated budget. The chart below shows the fiscal year-end inmate counts and appropriated budgets for DOC since FY2000.



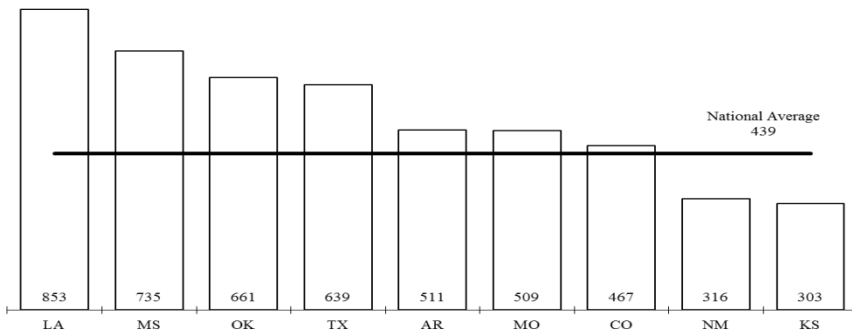
A major reason for the growth in the prison population is the increasing number of inmates DOC receives each year. As the chart below shows, annual receptions are at all-time highs. One contributing factor to this problem is the high number of offenders on probation being revoked back to prison each year, which comprise nearly 20% of annual receptions. About half of these offenders have committed new crimes, while the other half have committed technical violations of probation or parole. This issue has again been addressed by Legislation in HB 3052, passed into law in 2012, and is discussed in later pages.



### How Oklahoma Compares With Other States

In 2010, Oklahoma imprisoned 659 persons for each 100,000 residents, while the national average was 439. Only the states of Mississippi and Texas had higher rates of incarceration.

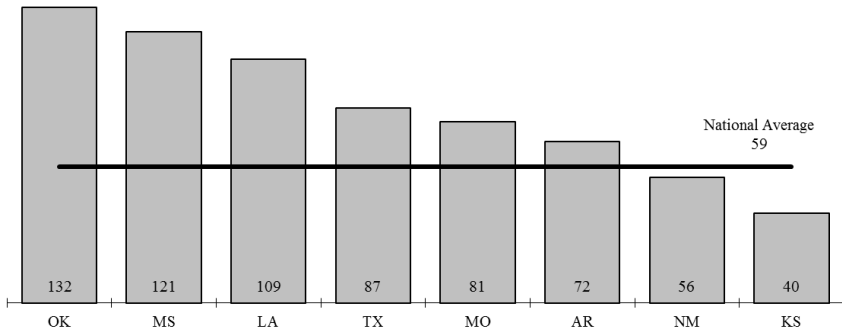
Peer State Prisoner Incarceration Rates, 2010  
Rates per 100,000 Population



## Female Offenders

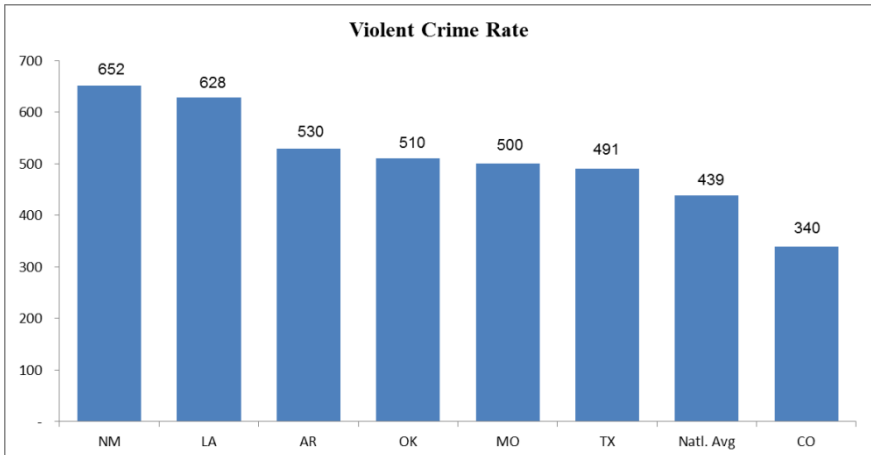
When looking at women specifically, Oklahoma has the highest incarceration rate in the country. In 2010, the State incarcerated 130 women for each 100,000 female residents which is more than double the national average.

Peer State Female Incarceration Rates, 2010  
Rates per 100,000 Population



## Crime Rates

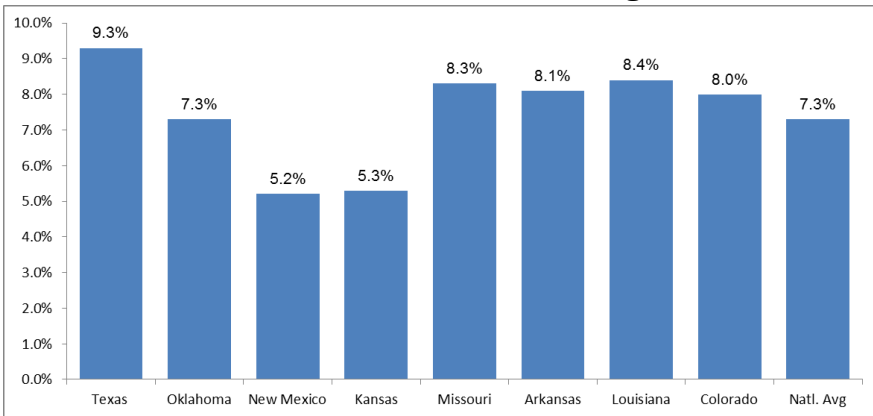
According to the FBI, Oklahoma ranks 17th highest nationally in rate per 100,000 of property crimes, while it ranks 11th highest in rate of violent crimes. Oklahoma's violent crime rate is another issue addressed in HB 3052.



## MGT Performance Audit

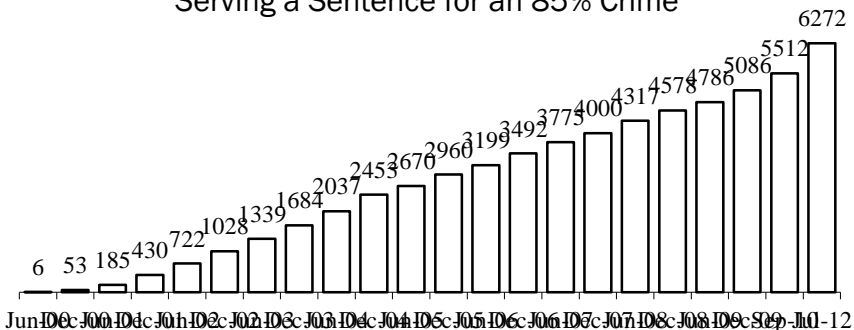
In 2007, the State contracted with MGT of America, Inc. to conduct a comprehensive review of the Department of Corrections and related criminal justice programs. MGT reviewed the departments operations with a primary focus on improving efficiency, reducing costs, and planning for the growth of the inmate population. MGT released a final report with 144 recommendations. Overall, MGT found the State prison system to be very efficient and noted that our per-diem costs per inmate were very low compared nationally. However, when they compared what Oklahoma spent on Corrections as a percent of its State general fund expenditures, we were found to spend double the national average. The following chart shows how we compare in those numbers as-of 2011 and our numbers have improved.

Corrections as a Percent of State Budget, FY'10



MGT found that virtually all of the projected growth in Oklahoma prisoners is a consequence of longer periods of imprisonment associated with the 85% sentencing laws, accompanied by a very low parole grant rate.

Number of Inmates  
Serving a Sentence for an 85% Crime



MGT noted that Oklahoma is the only state in the nation where the Governor is directly responsible for the routine approval of all parole releases from the State's correctional system and recommended the Governor only be required to review the most violent cases. In November, 2012, the voters of Oklahoma will decide whether to remove the Governor from having parole authority over non-violent cases in State Question 762.

**DEPARTMENT OF CORRECTIONS BUDGET**

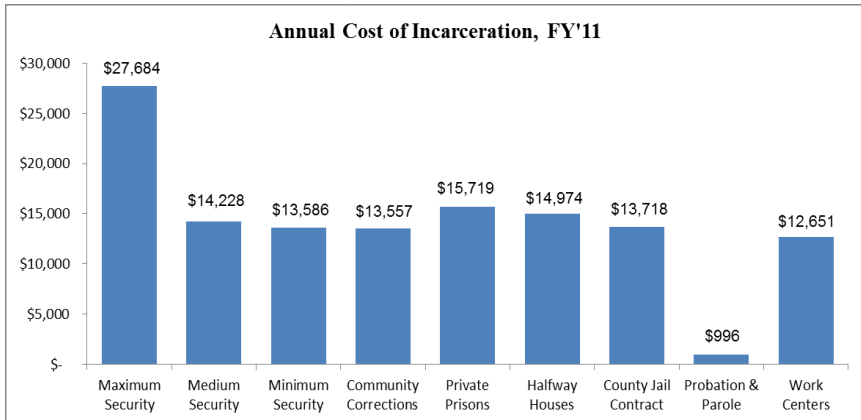
**Sources of Funding**

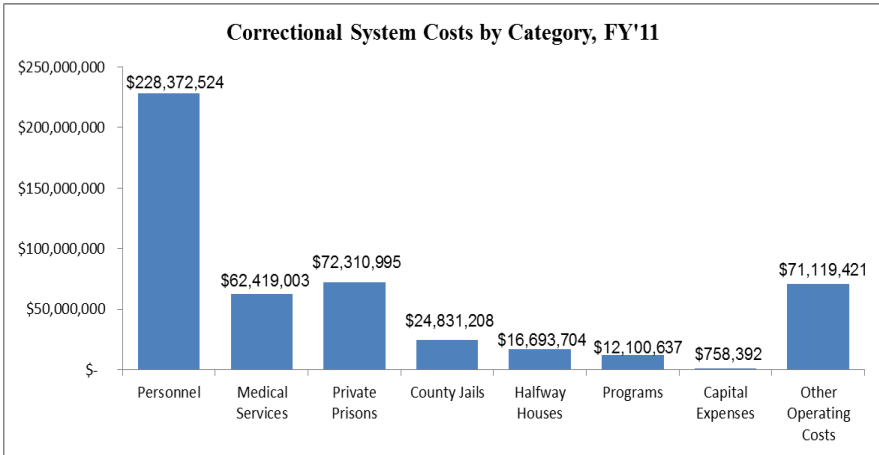
Almost all funding for DOC comes from state appropriations. Revolving funds are generated from sales of products and services to inmates (canteen sales), and from sales of inmate-produced products and services through Oklahoma Correctional Industries and Agri-Services to state agencies and private purchasers. Federal funds are generally grants for specific treatment or rehabilitation programs.

FY'12 DOC Budget by Source

Appropriated Funds	\$463,731,068	88.59%
Revolving Funds	\$56,829,120	10.86%
Federal Funds	\$2,877,596	0.55%
<b>Total Funding</b>	<b>\$523,437,784</b>	<b>100.00%</b>

**Costs of the Prison System**



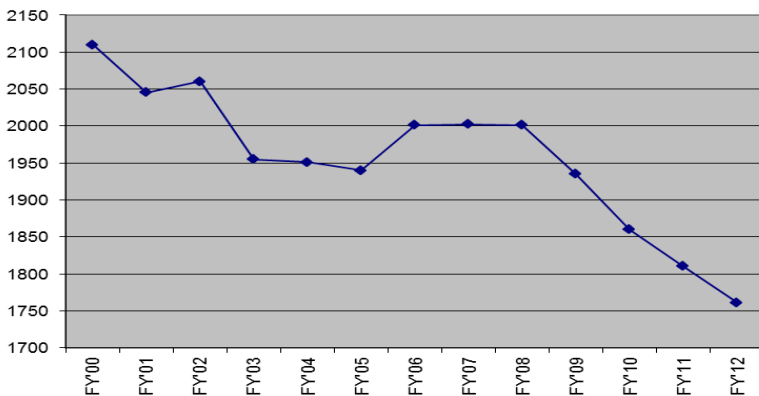


**CURRENT ISSUES AND TRENDS**

**Staffing Issues**

The at-capacity or over-capacity levels at DOC facilities and the Department’s consistent budget struggles have put a strain on DOC employees in the form of poor morale, high turnover rates, high over-time expenditures and low corrections officer-to-inmate ratios. MGT made several recommendations concerning dangerously low-staffing levels at specific DOC facilities, but in general found that the Department has consistently dealt with annual budget constraints by reducing budgeted FTE levels and the associated personnel costs.

**Number of Corrections Officers**





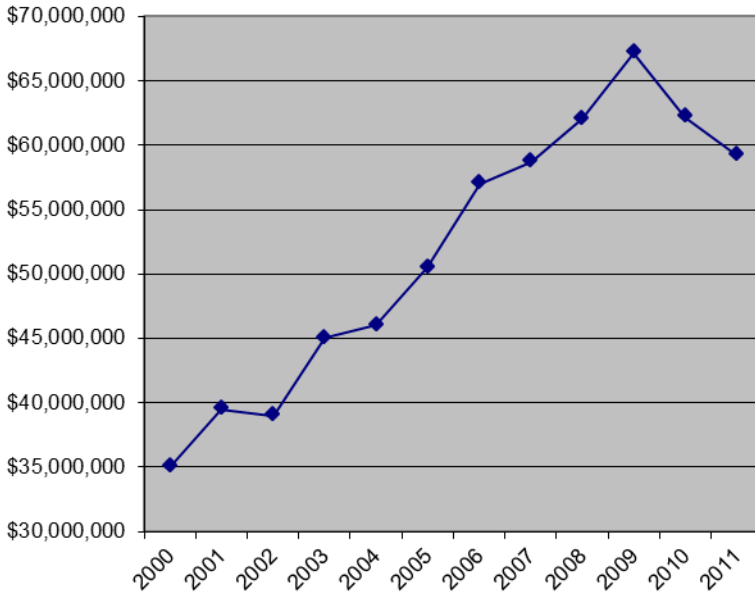
In order to deal with budget cuts in FY'10 and FY'11, the Department offered early retirement packages to eligible employees and more than 300 accepted the buyouts. And all DOC employees were required to accept one furlough day per month in FY'11. The DOC has also been forced to leave vacant positions unfilled. Although these efforts helped the agency meet budget, it put a further strain on manpower, especially among corrections officers, which was already a concern and continues to be.

## **Managing the Inmate Population**

The DOC is under constant pressure managing an ever-increasing inmate population in aging facilities, with fewer manpower and with private prison and halfway house operators eager to expand operations. Due to deteriorating infrastructure at the Penitentiary in McAlester, the DOC contracted with Davis CF (after legislation was passed) to house maximum security inmates there. The OSP will further reduce its inmate population due to recent legislation passed allowing the DOC to close F cell house which is very old and inefficient. Many of the State facilities were not built for the purpose of housing inmates, but have been converted to do so, making such facilities inefficient and operationally challenging.

Another major issue facing the Department is the health, physical and mental, of inmates. The DOC reports that approximately 47% of all incarcerated offenders (43% of males, 79% of females) have a history of or current symptoms of mental illness. The increasing number of inmates with mental illness causes the State to expend more funds on costly psychotropic drugs in prisons. The DOC also reports that the average age of inmates is increasing dramatically, due primarily to offenders serving longer sentences. In 1980, DOC housed 100 inmates who were aged 50 or above. Today, the DOC houses more than 4,000 such inmates. This costs the State more in medical expenses. In fact, the DOC opened a geriatric unit at Joseph Harp Corrections Center in 2007, which houses inmates who meet one of the following criteria: dementia/alzheimer patient; vision impaired/blind; wheelchair bound; uses walker/crutches; 65 or older.

**Offender Health Care Expenditures, by Fiscal Year**



## Reform Legislation

In the fall of 2011, the Legislature again looked for outside help to focus on Corrections issues and this time worked with the Council on State Governments Justice Center to analyze sentencing data and develop a comprehensive set of policy options for lawmakers. The Center found three key challenges facing the State and focused policy options around them. They were: 1. Oklahoma has a high violent crime rate and public safety resources are stretched beyond their limits; 2. The State provides inadequate supervision and treatment for offenders being released from incarceration; 3. The State faces a growing prison population and drug possession is still the most common felony offense among people admitted to State prisons, despite significant State investment in effective diversion programs. The Legislature responded by passing into law HB 3052. The law requires that all inmates exiting prison must be supervised for no less than 9 months. It establishes a grant program at the Attorney General's Office to fund crime reduction initiatives by local law enforcement agencies, establishes risk, mental health and substance abuse assessments and evaluations prior to sentencing for those found guilty of a felony and authorizes DOC to establish facilities to be designated as intermediate revocation facilities for the purpose of temporarily confining (6 months) offenders who have violated the terms and conditions of probation

## **Other Agencies**

Another area of concern in the public safety sector is the Board of Medicolegal Investigations, which lost its national accreditation in 2009 primarily due to inadequate staffing, excessive workload and a lack of sufficient space. A comprehensive reform bill was passed by the Legislature in 2010; however, the bill was vetoed by the Governor. Still, a bill was passed in 2010 to begin the process of moving the agency to Edmond and building a new headquarters to be located near the OSBI Forensic Science Center and the University of Central Oklahoma Forensic Science Institute.

# TOURISM

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## TOURISM

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In Oklahoma, tourism offers its citizens two important commodities: economic development opportunities and recreational resources. The Oklahoma Department of Tourism and Recreation (OTRD) is the state agency that promotes development and use of the state parks, resorts and golf courses. The department also advances tourism by publicizing information about recreation facilities and events.

OTRD operates the following state facilities:

- 35 state parks;
- 5 lodges;
- 7 golf courses; and
- 12 Tourism Information Centers.

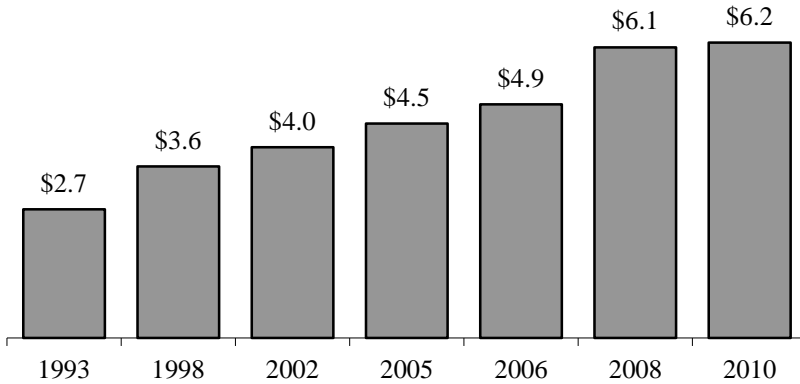
### ECONOMIC IMPACT OF TOURISM

In 2010, Oklahoma tourism generated \$6.2 billion in domestic travel spending, according to the Oklahoma Tourism and Recreation Department.

It is estimated that tourism accounts for 74,900 jobs in Oklahoma, amounting to \$1.8 billion in payroll for 2010. In addition, tourism contributes to the development of the workforce for the companies that supply goods and services to the travel industry, from real estate brokers to cleaning services to grocery stores to gas stations.

In 2010, tourism contributed more than \$1 billion in federal, state, and local taxes. Travel-generated tax revenue is a significant economic benefit because governments use these funds to support travel infrastructure and help support a variety of public programs. Each dollar spent by domestic travelers in Oklahoma produced 10 cents for federal tax coffers, five cents in state tax receipts, and two cents in local tax funds.

### Domestic Travel Spending in Oklahoma (Billions of Dollars)



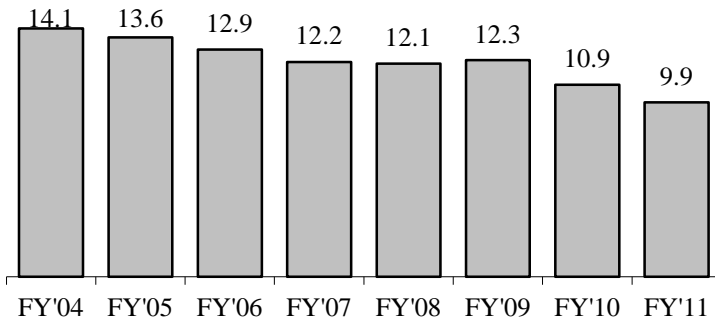
Source: Travel Industry Association and the U.S. Department of Commerce; OTRD

## STATE PARKS

Oklahoma features an extensive range of state park resources. From large state parks like Beavers Bend and Lake Murray, to the geographical dispersion of the parks throughout the state like Black Mesa and Natural Falls, park visitors can enjoy a multitude of natural resources. Oklahoma State Parks offer a great ecological diversity from the woodlands and lakes of the southeast to mesas and deserts of the panhandle. In fact, mile for mile, Oklahoma has the most diverse terrain in America. All parks offer a great array of natural environments which welcome both expert and novice nature enthusiasts.

Oklahoma's 35 state parks serve approximately 12 million visitors annually, ranking the 18<sup>th</sup> most visited in the United States. The parks are supported by approximately 560 full-time employees.

### State Park Attendance in Oklahoma (In Millions)



The parks consist of more than 300 cabins and cottages and over 2,000 structures and buildings. Private entrepreneurs operate 42 leased concessions. These operations provide numerous services and recreational opportunities for guests, from miniature golf and horseback riding to marinas and restaurants.

Recent legislation has provided new funds for extensive capital improvement to the state parks system. In the 2006 legislative session, Tourism was directed to receive a share of the REAP funds from gross production on oil and gas taxes. On a continuing basis, the department will be receiving a portion of the REAP funds, and the sales and use tax revenues.

The portion of the REAP funds will be used to address environment improvements such as potable water, wastewater infrastructure, and erosion control.

The portion of the sales and use tax is estimated to be about \$15 million each year. The following categories and allocations show how the Department plans on using the funds:

Facility Renovations	\$5,700,000
Comfort Stations	\$1,800,000
Campgrounds	\$2,250,000
Accessibility/Trails	\$10,500,000
Playgrounds	\$2,550,000
Docks/Piers/Ramps	\$1,200,000
Master Plan/Assessment	\$450,000

## **STATE GOLF COURSES**

The state owns and operates seven golf courses:

- Arrowhead Golf Course, Canadian
- Cedar Creek Golf Course, Broken Bow
- Fort Cobb Golf Course, Fort Cobb
- Grand Cherokee Golf Course, Langley
- Lake Murray Golf Course, Ardmore
- Roman Nose Golf Course, Watonga
- Sequoyah Golf Course, Hulbert

During the peak season, about 30 full-time employees work with 60 seasonal employees and volunteers to operate the courses located throughout the state. In FY'11, the courses generated over \$2.1 million in revenue. In FY'11, 70,000 rounds of golf were played. The 9,000 round decrease over the previous fiscal year was mainly due to last year's heat wave.

### State Golf Course Statistics *FY'04 Through FY'11*

	FY04	FY05	FY06	FY07	FY08	FY10	FY11
Total Rounds Played	158,052	158,070	158,010	138,415	114,069	78,787	70,000
State Appropriations	\$845	\$882	\$878	\$776	\$408	\$1,345	\$699
Total Golf Visitor Revenue	\$4,289	\$4,435	\$4,409	\$4,029	\$3,426	\$2,340	\$2,157
Revenue as a % of Total Budget	84%	83%	83%	69%	59%	64%	76%
Total Golf Expenditures	\$5,134	\$5,317	\$5,287	\$4,941	\$4,941	\$3,657	\$3,221
Profit/Loss (Inc. minus Exp.)	\$0	\$0	\$0	-\$136	-\$827	-\$1,317	-\$365

### STATE LODGES

The Resort Division maintains five lodge properties, all located within our state parks. Each of our facilities include lodge rooms and cabin accommodations and offer amenities such as restaurants, meeting space, catering, recreational facilities and programs. Further, each of our resort parks provide our guests the opportunity to golf, fish, hike and indulge in a myriad of other activities. The lodges are geographically distinct and located throughout the state:

- Sequoyah Lodge is in the northeast section of the state, located near Wagoner, in the Sequoyah State Park;
- Lake Murray Lodge is in south central Oklahoma, just outside of Ardmore and within the Lake Murray State Park;
- Roman Nose Lodge is found in the Roman Nose State Park close to Watonga, in the central portion of the state;
- The Lakeview Lodge is in the southeast area of the state, near Broken Bow, within Hochatown State Park; and
- The Belle Starr Lodge is located in the Robbers Cave State Park near Wilburton, in southeast Oklahoma.

Each lodge is designed with a theme reflecting the history of its area and the type of recreation it provides.



For FY'11, the lodges generated \$4.07 million in revenue. Roman Nose Lodge is newly renovated and re-opened. Performing jobs from major maintenance to food service, about 85 full-time and 100 seasonal employees staff the facilities. Because the facilities are located in predominately rural locations, the resorts are major employers and contributors to the local economies.

## **OKLAHOMA TOURISM INFORMATION CENTERS**

Information Centers serve as an information resource and rest area for travelers along Oklahoma's major highways and interstates.

Oklahoma has 12 Information Centers:

- Thackerville
- Capitol Building, Oklahoma City
- Midwest City (operated by the City of Midwest City)
- Miami
- Sallisaw
- Colbert
- Blackwell
- Erick
- Walters
- Catoosa
- Oklahoma City
- Cherokee Turnpike in Delaware County (operated by the Cherokee Nation)

These facilities are located at various points of entry to the state, in the major metropolitan areas, and the state capitol building. These 12 centers provide tourism-related materials to over 1.6 million visitors per year. Studies have demonstrated that for every three visitors who stop at a tourism information center, one is influenced to extend their stay in Oklahoma; thereby, additional dollars are added to the state and local economies.

## **OKLAHOMA TODAY MAGAZINE**

*Oklahoma Today* covers the people, places, history and culture of Oklahoma in a manner designed to encourage readers to explore the state and its people.

As the official state magazine, *Oklahoma Today* tells the historic and contemporary story of Oklahoma to a worldwide audience. The magazine is published bi-monthly beginning in January and ending in November. An extra issue, the *Year in Review*, is published in late January.

*Oklahoma Today* is produced by a staff of 13 full-time employees. The magazine also relies on the talent of freelance writers, photographers and art directors. *Oklahoma Today* has a paid circulation of almost 40,000 and a readership of approximately 150,000. The magazine is distributed to newsstands in Oklahoma and surrounding states and is available on selected newsstands and bookstores nationwide.

*Oklahoma Today* has received multiple awards for excellence. Named “Best Magazine in Oklahoma” for 2007, 2010 and 2012 by the Society of Professional Journalist, *Oklahoma Today* has won the coveted "Magazine of the Year" title six times since 1991 by the International Regional Magazine Association (IRMA).

## **OKLAHOMA FILM AND MUSIC COMMISSION**

The office of the Oklahoma Film and Music Commission promotes, supports and expands film, television and music activities in Oklahoma. Activities of the division include research, scouting and evaluation of locations for film and television productions and coordinating the activities of the productions and the communities in which they shoot. That includes permitting, arranging clearances and serving as a liaison between the productions and state and location officials, institutions, businesses and the media.

The division administers three incentive programs: The Oklahoma Film Enhancement Rebate Program, the Point-of-Purchase Oklahoma Sales Tax Exemption and the Construction Tax Credit.

The Oklahoma Film Enhancement Rebate program, funded up to \$5 million per year in 2005, offers a 35 percent rebate to qualifying production’s expenditures in Oklahoma with a minimum \$50,000 budget and a minimum \$25,000 Oklahoma expenditure.

The Point-of-Purchase Oklahoma Sales Tax Exemption is offered to qualifying productions on goods and services to be used in the production. There is no minimum budget or expenditure requirement.

There are also two tax credits designed to support and grow Oklahoma’s film and music industries. Oklahoma taxpayers can experience a 25 percent tax credit when they invest the profits of one film or music project produced in Oklahoma into a subsequent project to be produced in Oklahoma. There is also a 10-25 percent tax credit for construction of Oklahoma film or music facilities.

**Films made in Oklahoma in 2010 and 2011**

“Heaven’s Rain” (2010)  
“A Christmas Snow” (2010)  
“Bully” (2011)  
“Home Run” (2011)  
“Into the Great Wide Open” (2011)

**TRAVEL AND TOURISM**

**Native America**

Over the past several years, Oklahoma’s tourism marketing campaign has evolved to represent the state’s growing tourism opportunities and attractions. The campaign as always featured the “Oklahoma Native America” theme line as a brand identity designed to provide an image for Oklahoma which reflects our state’s rich Native American culture and heritage, as well as the vast natural beauty and diversity found here.

Oklahoma maintains the largest Native American population per capita of any state in the country. Many of the over 260,000 Native Americans are descendants of the original 67 tribes inhabiting Oklahoma, formerly known as Indian Territory. Currently, 39 Native American tribes have their tribal headquarters here in Oklahoma. The name "Oklahoma" itself is a Choctaw name meaning "Red People".

Oklahoma is also home to the one of the most ecologically diverse regions in the country. Distinct eco-regions offer a variety of recreation opportunities for citizens and visitors alike. Oklahomans can enjoy activities ranging from boating and fishing on the beautiful lakes in the northeast to hiking and rock climbing on the rocky cliffs in the southwest, and from riding off-road vehicles across the sand dunes in the arid deserts of the northwest to kayaking and observing nature in the lush pine forests of the southeast.

In 2004, the department extended the “Oklahoma Native America” theme line by implementing the highly successful OKLA campaign.

**Advertising**

For FY’10, the Department spent \$3.5 million on domestic advertising. These funds were derived from revenue collected from the sales and use tax.

During the 2006 legislative session, legislation was passed that repealed the Tourism Tax. However, the law also earmarked 0.93 percent of sales and use tax revenues to replace the Tourism Tax revenue. That appropriation was reduced to 0.87% of sales and use tax revenues during the 2010 legislative session. Beyond advertising, those funds will be used for capital improvements in state parks.

<b>Literature Requests</b>	
	<u>FY'11</u>
Phone	6,463
Voice Mail	1,868
U.S. Mail	734
E-Mail	547
Website	36,434
Reader Service	<u>12,582</u>
<b>Total Literature Requests</b>	<b><u>58,628</u></b>

<b>Website Activity</b>	
<a href="http://www.travelok.com">www.travelok.com</a>	
	<u>FY'11</u>
Total Visitor Sessions	2,025,308
Total Unique Visitor Sessions	1,915,771
Total Page Views	13,947,659
Average Sessions Per Day	5,544
Average Length of Session	9:55

## **NACEA**

The Native American Cultural and Educational Authority (NACEA) was created in 1994 to construct and operate the American Indian Cultural Center and Museum for generating awareness and understanding of the history of tribes and their relationship to Oklahoma today. Originally, the state would cover one-third of the construction cost, the federal government would cover one-third, and the final third would come from private donations or the tribes. The total cost of construction was estimated at \$150 million. However, due to budget restraints, the federal government is not expected to be able to fulfill its portion of the funding. Therefore, during the 2008 session the Legislature authorized another bond for \$25 million to further fund the construction of the center.

To date, state funding for the center is a total of over \$67 million. Overall, funding for the center has reached \$91 million. NACEA has requested another \$79 million for completion of the project.

# TRANSPORTATION

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# TRANSPORTATION

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The mission of the Oklahoma Department of Transportation (ODOT) is to provide a safe, economical and efficient transportation network for the people, commerce and communities of Oklahoma. Because many experts cite quality roads as an essential element in creating and maintaining healthy economies, Oklahoma's legislative leaders have made an effort to reverse the state's historically low investment in transportation issues. This chapter summarizes the challenges facing ODOT and highlights recent initiatives intended to create solutions.

## BACKGROUND

In 1995, ODOT released a comprehensive highway needs study which calculated a \$4.57 billion backlog of construction needs on state highways. At that time, state fuel taxes were the only significant source of revenue for highway construction, and a projected fuel tax growth of 2 percent annually would never bridge the gap between revenues and needs.

To address these funding shortfalls, both ODOT and the Legislature have enacted various policies over the past decade:

- The department outsourced more functions, particularly mowing and engineering;
- The Legislature authorized the use of more inmate labor for routine maintenance projects (litter removal, guardrail repair and other manual tasks);
- The legislature created the ROADS fund, which will infuse \$2.3 billion to ODOT between FY'08 and FY'16.

State Funding Comparison FY 2011			
State	Lane Miles	State Funding for Highways	State Funding per Lane Mile
Kansas	23,915	\$783,840,649	\$32,776
Louisiana	39,132	\$667,900,000	\$17,068
Missouri	75,656	\$1,201,000,000	\$15,874
New Mexico	29,237	\$358,609,000	\$12,266
Oklahoma	31,586	\$368,849,493	\$11,678
Texas	193,188	\$3,136,115,437	\$16,233

**CIP AND STATE BOND ISSUES**

In an effort to address the state’s highway needs, the Legislature adopted HB 1629 (1997), which provides a plan for \$1.01 billion in new revenues for highway construction. Using a combination of appropriated funds and bond sale proceeds, the Capitol Improvement Program (CIP) nearly doubled the annual amount spent for state highway construction. Of the \$1.01 billion total, \$560 million is provided as direct appropriations to ODOT and another \$450 million was raised through bond financing.

Beginning in 2006 under HB 1176, ODOT is now liable for the CIP debt service. As the debt service requirement is reduced the difference between the annualized amount and the debt service requirement will be available for roads and bridges.

Three state bond issues have been passed in recent years to supplement ODOT’s funding and to cover recent decreases to the State Transportation Fund. The Oklahoma Capitol Improvement Authority will be responsible for issuing the bonds:

**2008 (HB 2272)**

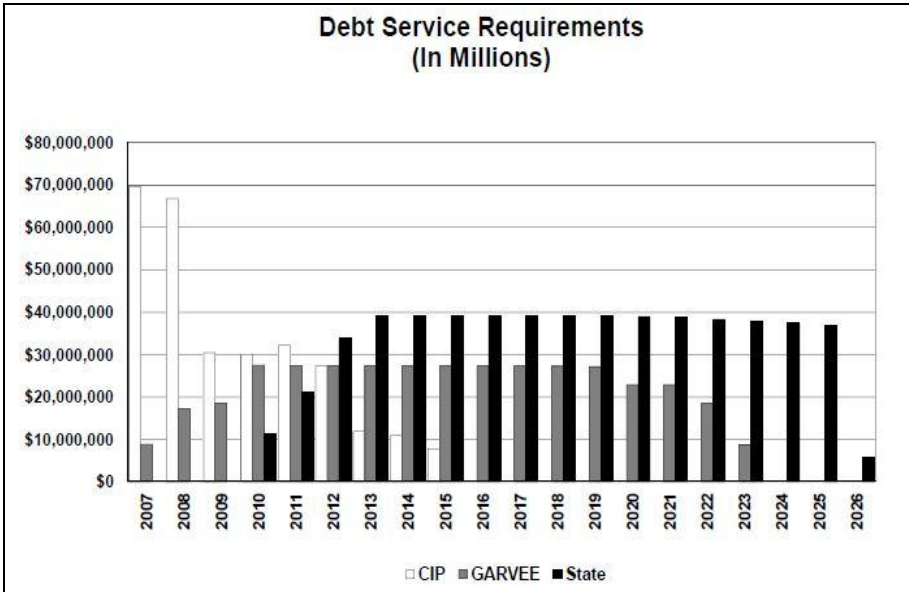
Authorized the sale of \$300 million in bonds in two issues; the first \$150 million no earlier than August 1, 2009 and the second \$150 million no earlier than August 1, 2010.

**2010 (HB 2434)**

Authorized ODOT to increase the August 1, 2010 bond issue amount to cover ODOT’s FY’11 authorization decrease and continue funding road and bridge improvements.

**2011 (HB 2171)**

Authorized ODOT to issue a \$70 million dollar bond issue to cover ODOT’s FY’12 authorization decrease and continue funding road and bridge improvements.



**CROSS-TOWN EXPRESSWAY – OKLAHOMA CITY**

In May 2002 the Federal Highway Administration (FHWA) approved ODOT’s Crosstown Expressway project, the largest single such undertaking in Department history. ODOT, the FHWA, the City of Oklahoma City and the general public had labored since 1996 to solve the problem of an ever-growing I-40 traffic load with the least impact on the affected area and community. The now former roadway was designed to accommodate 70,000 vehicles per day; today’s traffic count numbers 100,000 daily users. Because of the age of the roadway and the increased traffic, it became clear that prompt action was necessary to keep traffic safe and flowing.



Eastbound lanes of traffic on the new Crosstown Expressway were opened in January 2012 with the westbound lanes following in February 2012. The newly opened Crosstown is designed to carry 173,000 vehicles a day and includes five driving lanes in each direction.

Work continues on the Dallas and Amarillo Junctions as well as building downtown connector routes to the new interstate and deconstructing the old crosstown bridge. Reusable steel beams from the old Crosstown Bridge will be offered to the counties for use on the county road system.

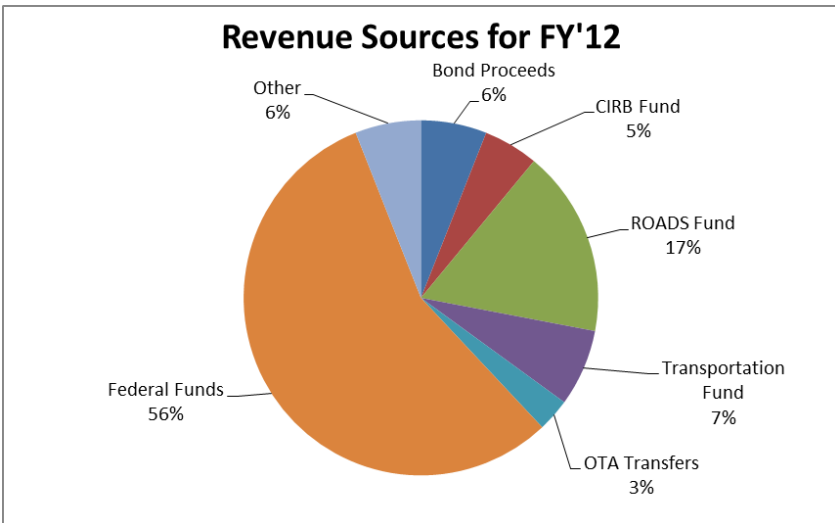
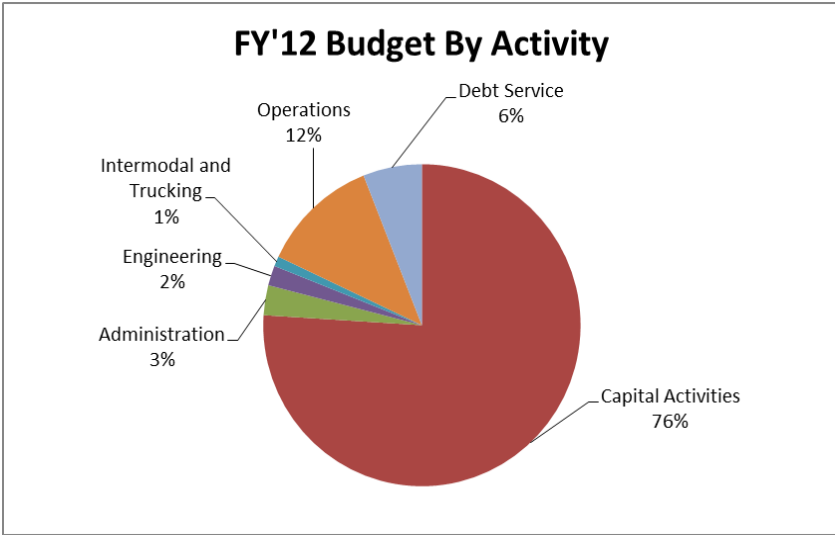
Total costs for the new Crosstown Expresses are estimated at \$660 million; all funding will derive from federal sources. All construction is expected to complete in 2014.

**FUNDING FOR STATE HIGHWAYS**

Total monies available for support of the state transportation system have increased by \$219.5 million or 20 percent between FY'02 and FY'12. This is largely due to an increase in the creation of the ROADS fund and an increase in federal funds.

**ODOT Revenue Sources Comparison**  
*FY'02 and FY'12*

Funding Source	FY'02		FY'12	
	Dollars (in millions)	Percent of Total	Dollars (in millions)	Percent of Total
Appropriation	\$299.1	35.0%	\$106.7	9.9%
Revolving/Carryover	\$118.7	13.9%	\$187.6	17.4%
Federal Funds	\$435.7	51.1%	\$523.1	48.7%
ROADS Fund	\$0.0	0.0%	\$255.7	23.8%
<b>Total</b>	<b>\$853.6</b>	<b>100.0%</b>	<b>\$1,073.1</b>	<b>100.0%</b>



Highway construction projects have a significant impact on the economy of Oklahoma. ODOT reports that for every \$1 million in highway construction projects granted to an Oklahoma-based contractor, about 90 jobs are created and about \$840,000 are expended on indirect salaries and materials.

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**ROADS FUND**

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During the 2005 session a historic piece of legislation was passed that would help infuse funds into the Oklahoma Department of Transportation for years to come. HB 1078 created the Rebuilding Oklahoma Access and Driver Safety (ROADS) Fund. Initially, the fund would provide funding for the maintenance and repair of state highways and bridges and would increase incrementally (\$17.5 million if the percentage of General Revenue Fund growth is less than 3 percent compared to the previous year, \$35 million if growth is 3 percent or better) until reaching the amount of \$170 million.

Many changes and modifications have been made to the ROADS fund since its inception to dramatically increase funding for the State's transportation infrastructure. Below are the highlights of the modifications to the fund:

**2006 (HB 1176)**

- Changed the State Transportation Fund into a revolving fund;
- Apportioned 5 percent of all fees, taxes and penalties collected or received pursuant to the Oklahoma Vehicle License and Registration Act to the County Improvements for Roads and Bridges Fund for the fiscal year beginning July 1, 2007 (FY'08). This apportionment will grow to 10 percent in FY'09 and 15 percent in FY'10.
- Increased the annual ROADS fund allocation from \$35 million to \$50 million.
- Increased the overall cap on the fund from \$170 million to \$270 million.

**2008 (HB 2272)**

- Removed the 3 percent annual trigger for additional funding, which provided for a consistent annual increase of \$30 million.
- Increased the overall cap on the fund from \$270 million to \$370 million
- Authorized the sale of \$300 million in bonds in two issues, the first \$150 million no earlier than August 1, 2009 and the second \$150 million no earlier than August 1, 2010.

**2010 (SB 1466)**

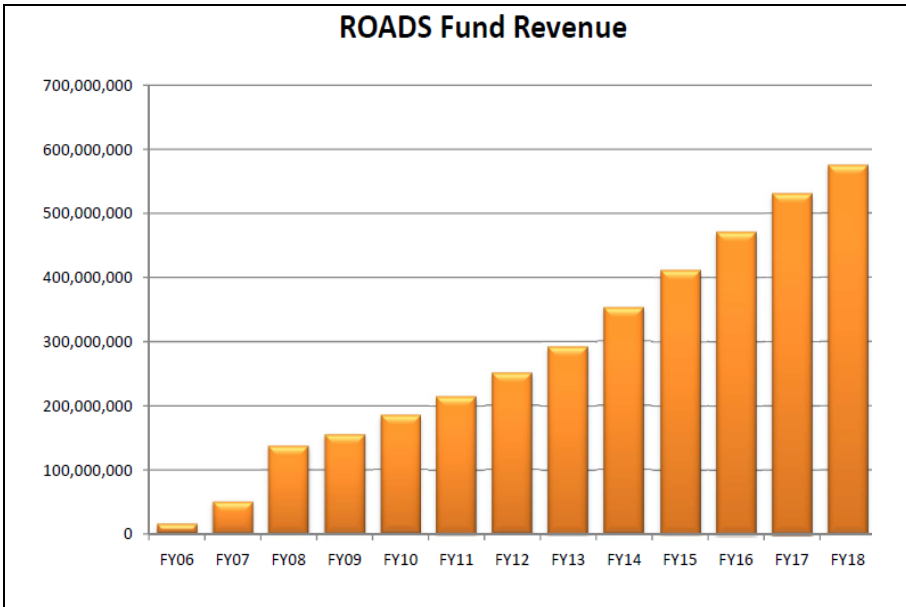
- Increased the annual ROADS fund allocation from \$30 million to \$35.7 million.
- Increased the overall cap on the fund from \$370 million to \$400 million.

**2011 (SB 973)**

- Increased the annual ROADS fund allocation from 35.7 million to \$41.7 million.
- Increased the overall cap on the fund from \$400 million to \$435 million.

**2012 (HB 2248)**

- Increased the annual ROADS fund allocation from \$41.7 million to \$59.7 million.
- Increased the overall cap on the fund from \$435 million to \$575 million.



**FUNDING FOR COUNTY ROADS**

The County Bridge and Road Improvement Fund was established within ODOT to receive motor fuel tax receipts that are apportioned directly by statute for maintenance, repair, and replacement of county roads and bridges (as prescribed by the County Bridge and Road Improvement Act). These funds are allocated among the various counties by ODOT. To receive monies, a county must submit to ODOT a project plan for repair or replacement of a county road or bridge. Projects are approved by the Transportation Commission and contracts are awarded subject to the state competitive bidding process. As work progresses contractors submit progress billings to ODOT for payment from the fund.

The apportionment of funds from the County Bridge and Road Improvement Fund is based on factors developed by ODOT, taking into consideration the following:

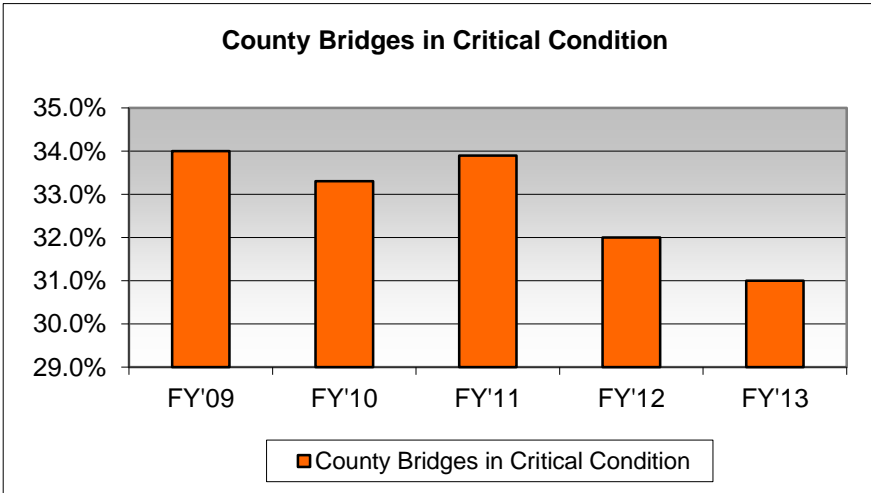
- the county's share of total state road mileage;
- the county's share of statewide vehicle miles driven annually, measured by ODOT; and
- effects of terrain on road improvement and maintenance costs. Flat terrain is presumed to be 15 percent less costly than rolling terrain, and mountainous terrain is 15 percent more costly than rolling terrain. Thus, a county with less-than-average mountainous terrain receives a reduced apportionment.

The following table shows how the various factors influence apportionment in three counties: one that is a relatively mountainous eastern county, a flat western county and an urban county with high traffic volume:

<b>Cost Factor</b>	<u>Mountainous LeFlore Co.</u>	<u>Flat Terrain Harper Co.</u>	<u>High Traffic Oklahoma Co.</u>
	2.33	0.98	2.27

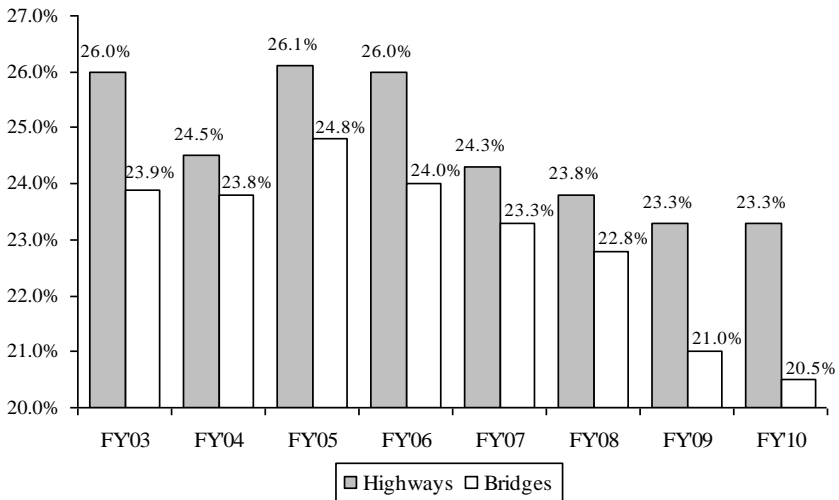
In the 2006 Legislative Session, funding for county roads was addressed in two separate bills. SB 1288 appropriated \$25 million in one-time funds to the County Bridges and Road Improvement Fund for the repair of county roads and bridges in the state. HB 1176 apportioned 5 percent of all fees, taxes and penalties collected or received pursuant to the Oklahoma Vehicle License and Registration Act to the County Improvements for Roads and Bridges (CIRB) Fund for the fiscal year beginning July 1, 2007 (FY'08). This apportionment will grow to 10 percent in FY'09 and 15 percent in FY'10 for a total annual fiscal impact of approximately \$85 million;

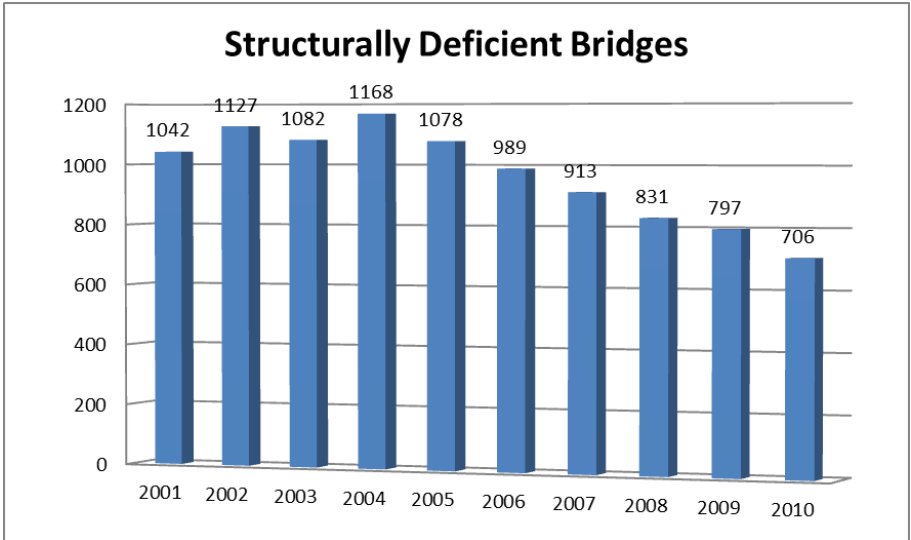
In the 2012 Legislative Session, HB 2249 further increased funding to the County Improvements for Roads and Bridges Revolving Fund. The measure gradually increases the CIRB allocation from 15% to 20% over a 3 year period. Increases in revenue to the County Improvements for Roads and Bridges Fund will total \$1,700,000 for FY'13, \$21,063,393 for FY'14 and \$31,126,614 for FY'15.



## STATE ROAD AND BRIDGE SYSTEM STATISTICS

The chart below shows the number of roads and bridges in disrepair on the State's highway system.





**OKLAHOMA TURNPIKE AUTHORITY (OTA)**

**Revenue**

OTA is a non-appropriated state agency that administers the state’s turnpike system. All revenues are derived from tolls, concessions and fines. Over the past several years the system has experienced a gradual increase in toll revenues, from \$129.8 million in 1999 to a projected \$233.01 million in 2012. This represents 80 percent growth, which the Authority attributes to the completion of turnpike extensions, a 15 percent toll hike in 2001 and another 16 percent toll hike in 2009, along with a heavier volume of traffic. A portion of state excise taxes for fuels consumed on turnpikes is made available to the agency for bond debt payment in the event that revenues fall short of debt requirements which has never occurred.

**Financial Obligations**

The financial structure of the turnpike system is based on “cross-pledging”. Costs incurred and revenues received are combined across the system. Debt payment is based on the total amount and not on an individual turnpike within the system. Total outstanding bond debt is \$1.56 billion: \$1.085 billion in principal, with \$475 million in interest paid by the time the bonds are retired in 2031. Debt service was \$88.6 million for Calendar 2011. Annual payments stay fairly level until 2028 when they drop to around \$36.4 million per year.

## Maintenance

Started in 1994, the OTA Capital Plan identifies maintenance (repair, rehabilitation, and improvement) expenditures on a five-year basis; it is updated annually. The current Five-Year Plan (2012-2016) estimates expenditures of \$531.3 million. These projects will be funded from unrestricted and restricted funds of the Authority including Bond proceeds which are discussed below.

## System Statistics

In January 1998, OTA was authorized to issue bonds for the construction of five new turnpike completion and/or improvement projects: Kilpatrick, Turner, Muskogee, Will Rogers, and H.E. Bailey. Bonds totaling \$678 million were issued that year. All projects were completed by 2002.

The two urban turnpikes, the Kilpatrick and Creek were completed in 2002 and represent the busiest turnpikes on the Turnpike System. In order to address traffic congestion issues, in August of 2011, the Authority was authorized to issue bonds in order to add capacity on the busiest sections of these two roads.

Bonds totaling \$159.7 million were issued in December of 2011. Work is ongoing and is expected to be completed by 2014.

Oklahoma's 612 total turnpike miles account for 5 percent of the state's highway system. This amount ranks second nationally. By regional comparison Kansas, a state demographically similar, has some 250 miles of turnpike roads.

### Turnpike Mileage/System Percentage

