

State of Oklahoma

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Fiscal Year '05



Budget Review

Senator Mike Morgan
Appropriations Chair

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Appropriations Vice Chair

APPROPRIATIONS OVERVIEW

The budget adopted for Fiscal Year 2005 (FY'05) is \$213.4 million or 4.1 percent over the FY'04 budget (calculated with FY'04 supplemental appropriations). To arrive at the appropriated levels the Legislature removed all one-time expenditures and one-time funding sources, and then added the following:

- ◆ Revenue growth from certified funds
- ◆ Federal offset funds provided by Congress in fall of 2004
- ◆ Cash-flow reserve from revenue collections in current fiscal year
- ◆ Carryover in Oil Gross Production revolving funds
- ◆ Increases in revenue collections from Oklahoma Tax Commission using new Integrated Computer System
- ◆ State Treasurer's Unclaimed Property and Deposits Fund

GENERAL APPROPRIATIONS BILL

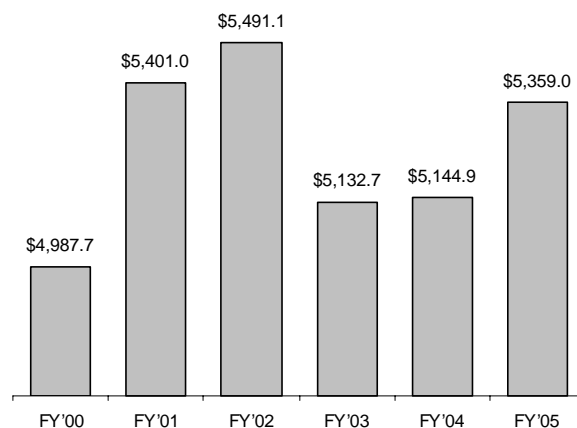
The General Appropriations Bill, HB 2007, was enacted March 22 and provided \$5,324.3 million for base appropriations for 81 agencies. The GA bill also appropriated \$15.2 million for FY'04 supplementals. Specific funding items above base amounts funded in HB 2007 include:

- ◆ Health benefit allowances at 100 percent for all certified teachers (\$50 million)
- ◆ Oklahoma Higher Learning Access Program (OHLAP) Scholarships (\$8.1 million)
- ◆ Medicaid enrollment growth and prescription cost increases (\$43.2 million)
- ◆ Trauma system infrastructure (\$2.1 million)
- ◆ Community Health Services (\$3 million)
- ◆ Child Care Subsidies (\$10 million)
- ◆ Developmentally Disabled Program (\$2 million)
- ◆ Rural Economic Action Plans (\$15.5 million)

Comparison of Funding, FY'04-FY'05 (in millions)

	Original FY'04 Approp.	FY'05 Approp.	Change	
			\$	%
Education	2,896.3	2,978.2	81.8	2.8
Gen. Gov./Trans.	342.9	346.9	4.0	1.2
Health/Soc. Serv.	704.2	767.6	63.3	9.0
Human Services	505.0	529.5	24.5	4.9
Natural Resources	112.9	133.4	20.4	18.1
Public Safety	574.2	587.9	13.7	2.4
REAP	6.0	15.5	9.5	158.3
Gov. Emergency	4.0	0	-4.0	-100.0
Total	5,145.6	5,359.0	213.4	4.1

Total State Appropriations Historical Comparison, FY'00 - FY'05



Figures include revenue shortfalls and supplementals.

IMPORTANT INFORMATION

Disclaimer: The purpose of the End of Session Review is to provide an unofficial summary of legislative activity for the citizens of Oklahoma and other interested persons. It is not an official action of the Oklahoma State Senate and should not be taken as any expression of legislative intent. The information contained in the End of Session Review is presented "as is" and without warranties, either expressed or implied, including warranties regarding the content of the legislative information and does not constitute an endorsement of the information's contents by the Oklahoma Senate. Do not rely solely on this information if it might affect your legal rights. Please refer to the printed version of the appropriate official publication or contact legal counsel of your choice.

REVENUE MEASURES

Tobacco Tax

Revenue Raising Measures and Expenditures

HB 2660 sends a tobacco tax increase proposal to a vote of the people at the November 2004 General Election. The bill levies an additional excise tax on cigarettes by 80¢ per 20 cigarette pack or 40 mills per cigarette for a total tax of \$1.03 per 20 cigarette pack. It levies an additional tax on tobacco products in the following amounts: 27 mills for each little cigar (total tax of 36 mills); \$90 per thousand upon all other cigars (total tax of \$120 per thousand); 40 percent of the factory list price on smoking tobacco (80 percent of the factory list price); and 30 percent of the factory list price of chewing tobacco (60 percent of the factory list price). In addition to the funding items listed below, the bill allocates 14.23 percent of the total amount collected to be apportioned to each municipality and county that levies a sales tax in the proportions which total municipal and county tax revenue was apportioned by the Tax Commission in the preceding month. The remaining funds are allocated as follows:

A. Medicaid	
1. Replacement of One Time Federal Funds	\$49,600,000
2. Premium Assistance Program	\$50,000,000
3. Katie Becket Waiver	\$2,200,000
4. ER Physician Rate Increase	\$2,000,000
5. Rural Hospital UPL Relief	\$5,000,000
6. Ambulance Rate Increase	\$1,000,000
B. Cancer	
1. Comprehensive Cancer Center	\$7,000,000
2. Breast and Cervical Cancer Treatment	\$1,000,000
C. Additional Funding Items	
1. Adolescent Substance Abuse Services	\$6,000,000
2. Trauma Care Assistance Fund	\$17,000,000
3. Tulsa / OSU Health Care Initiative	\$7,000,000
4. Smoking Cessation Programs	\$1,500,000
TOTAL FUNDS EXPENDED	\$149,300,000

Revenue Reduction Measures

- ◆ Income Tax Cuts - HB 2660 sets the top marginal rate for Method I filers at 6.65 percent. It eliminates the "trigger" mechanism as it relates to income tax rates and the qualifying income limits for the Sales Tax Relief Act. The last time the trigger mechanism was activated it generated approximately \$80 million.
- ◆ Retirement Income Tax Cut - The bill increases from \$5,500 to \$7,500 the amount of the income tax exemption for public and private sector retirement benefits. It increases the income threshold for qualification for the private sector

exemption from \$25,000 to \$37,500 for single filers and from \$50,000 to \$75,000 for joint filers.

- ◆ Capital Gains Tax Cut - The bill provides an income tax deduction for any individual taxpayer for qualifying gains receiving capital treatment earned by the taxpayer and included in the federal taxable income of such taxpayer. The following depicts the projected fiscal impact of the revenue reductions.

Tax Cut Package	FY'05 Impact	FY'06 Impact
1. Exemption of Oklahoma Source Capital Gains	\$6,300,000	\$38,200,000
2. Increases Exemption for Retirement Income	\$13,800,000	\$35,600,000
3. Eliminates Tax Trigger - Permanent Income Tax Rate of 6.65%		
Total Tax Cuts	\$20,100,000	\$73,800,000

Trauma Care Assistance Fund Fee Bills

In addition to tobacco tax revenues the Legislature sought to increase fines on numerous criminal acts in order to raise funding levels for the state's Trauma Care Assistance Fund. Fee bills approved by the Senate, including HB 2600, HB 2250 and SB 1554, could provide upwards of \$10 million in new funding for the state's trauma system.

FY'04 SUPPLEMENTALS

SB 1071 appropriates \$17.3 million to the State Board of Education and directs them to transfer the funds to the Tax Commission for deposit in the Ad Valorem Reimbursement Fund. The funds must be expended to reimburse school districts that claim a loss of revenue due to a five-year Ad Valorem tax exemption for a manufacturing facility.

HB 2007 appropriated \$464,550 to the State Board of Education as FY'04 supplemental funding for National Board Certification stipends. Of the 857 teachers who had attained National Board certification as of February, 2004, a total of 793 teachers were eligible for the bonus. However, the State Department had only enough funds for 700 bonuses. Supplemental funding was necessary to ensure all eligible teachers received their \$5,000 stipends.

The Oklahoma Tax Commission received an FY'04 supplemental appropriation in the amount of \$7,050,000. These funds will be employed to implement an Integrated Collections System (ICS) which replaces outdated computer server applications and an equipment infrastructure.

The Department of Corrections received a \$6 million supplemental appropriation in HB 2007. The Department used the supplemental funds to shore up the agencies deficit in contract bedding for the remaining part of FY'04.

The Board of Medicolegal Investigations received \$100,000 in supplemental appropriations for FY'04. The Board used these funds for a new body transport contract in Tulsa. Funds were also used to pay leave benefits for two long-time employees of the Medical Examiner's office.

STATE EMPLOYEE PAY RAISES

HB 2005 provided a staggered pay raise for state employees. Effective January 1, 2005, all full-time and part-time officers and employees, including temporary and other limited-term employees will receive an annualized salary increase equal to \$1,400. Effective July 1, 2005, all full-time and part-time officers and employees, including temporary and other limited-term employees will receive an additional annualized salary increase of \$700.

HB 2006 provided a raise for chief executive officers of both appropriated and non appropriated agencies. Non appropriated agencies, boards, and commissions are given the ability to establish the salary of each of the chief executive officers for which they have appointing authority. Those salaries are to be set between a new minimum and maximum salary range specified by law. Officers of appropriated agencies received the same salary adjustment that was provided for other state employees in HB 2005.

COMMON EDUCATION

For FY'05 common education was appropriated \$2.01 billion (HB 2012 and SB 1080). This represents a 2.0 percent increase over their FY'04 appropriation.

The Legislature partially restored funding to certain programs in FY'05. Increases included:

- ◆ Advanced Placement (\$1,000,000).
- ◆ Mentor Teacher Stipends (500,000).
- ◆ Parents as Teachers (\$250,000).
- ◆ Alternative Education (\$250,000).
- ◆ National Board Certification Scholarships and Stipends (\$1,419,650).

Oklahoma leads many other states in the number of National Board Certified teachers in our schools. In FY'04, 226 teachers received National Board Certificates from the State Department of Education, which brought the total number of nationally certified teachers up to 857. The state provides a stipend in the amount of \$5,000 to nationally certified teachers for the life of the certificate (10 years). The Legislature appropriated an additional \$1,419,650 in FY'05 to fund 350 scholarships for teachers who wish to go through the program, and ensure the State Department's ability to fund the total amount needed for all eligible teachers.

Teachers' Health Insurance/Teachers' Salary Increases

The Governor and the Legislature began an initiative this session to raise teachers' salaries up to the regional average by FY'09. The first phase of the plan was to raise certified employees' flexible benefit allowance to 100 percent state coverage. HB 2662 raised the benefit allowance to 100 percent in FY'05, and excluded certain fringe benefits from being counted toward the teachers' minimum salary schedule. These two provisions of the bill should yield an average salary increase of between \$850 and \$1,050 per year for approximately 30 percent of all Oklahoma teachers. The Legislature appropriated over \$50 million to cover health insurance for all certified personnel within Common Ed, and \$3.75 million for certified personnel in the Career Tech system.

The second phase of the plan, which would take place over four years from FY'06-FY'09, would ensure Oklahoma's average salary (\$34,877) reaches the regional average (\$39,136) by FY'09. This plan increases the starting salary from \$27,060 to \$28,000, and provides the following step increases:

- ◆ FY'06: Step increases of \$375 in years 0-4, \$400 in years 5-9, and \$425 in years 10+.
- ◆ FY'07: Step increases of \$425 in years 0-4, \$450 in years 5-9, and \$475 in years 10+.
- ◆ FY'08: Step increases of \$475 in years 0-4, \$500 in years 5-9, and \$525 in years 10+.
- ◆ FY'09: Step increases of \$525 in years 0-4, \$550 in years 5-9, and \$575 in years 10+.

Teachers will also see an increase of \$1,200 between levels of degrees. For example, a teacher at Step 0 in FY'05 with a Bachelor's Degree will earn \$28,000; with a Master's Degree, \$29,200; and with a Doctorate, \$30,400.

SB 1272, which covers the second phase, will cost \$197 million over four years.

POSTSECONDARY EDUCATION

For FY'05 higher education was appropriated \$802,136,296 in SB 923. This represents a 4.4 percent increase from their FY'04 appropriation.

The following key items were addressed:

- ◆ \$24 million for institutional maintenance.
- ◆ \$3.3 million to fully fund Cooperative Extension programs.
- ◆ \$8.2 million allocation for the Oklahoma Higher Learning Access Program (OHLAP).

Other program budgets were maintained at their FY'04 levels.

SB 1252 - GAMING

One of the main Legislative initiatives for FY'05 was the passage of the Gaming Bill. SB 1252, which will go to a vote of the people in November, provides revenue for two sources of Education Funding. The first is the Education Reform Revolving Fund, which is allocated for financial support of public schools (State Aid). The second item is the Oklahoma Higher Learning Access Program (OHLAP) Trust Fund, which funds scholarships for students who would like to attend an in-state public college or university. The Education Reform Revolving Fund will receive \$30.6 million from Gaming, and the OHLAP Trust Fund will receive over \$4 million.

HEALTH CARE AUTHORITY

The Oklahoma Health Care Authority (OHCA) base appropriation for FY'05 was allocated in SB 978. The agency, charged with administering the state's Medicaid program, received \$482,256,505. This is a 9.9 percent increase over the agency's FY'04 appropriation.

Major funding items include:

- ◆ \$18.7 million for prescription drugs.
- ◆ \$15 million for growth in enrollment/utilization.
- ◆ \$2.5 million for breast and cervical cancer treatment.

The agency has experienced a growth rate of 9 percent to 10 percent per year for the last four years. This year's appropriation is in line with the agency's historical trend. The agency and the Legislature will monitor expenditure data closely in FY'05 and

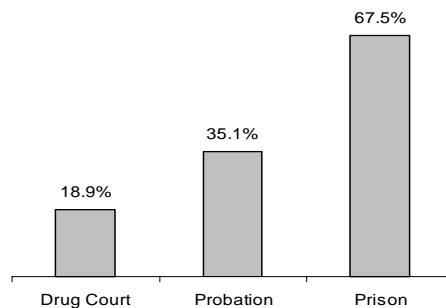
continue to try to find ways to reduce costs in the Medicaid program.

MENTAL HEALTH AND SUBSTANCE ABUSE

The Department of Mental Health and Substance Abuse Services received an appropriation of \$155,447,428 for FY'05 (HB 2044). This is a 7.2 percent increase from the agency's FY'04 appropriation. Major funding items are as follows:

- ◆ Core Mental Health Services (\$2,500,000) - The agency received funds to provide core services to persons with mental illness. During FY'04, the agency turned away approximately 850 individuals a month who requested services because of a lack of resources. Without services, people will often end up in the emergency room or jail which is much more expensive than treatment. These funds will reduce that number significantly.
- ◆ Program for Assertive Community Treatment (\$750,000) - PACT teams have been shown to be extremely effective. In both national and Oklahoma studies they provided dramatic positive outcomes for persons with serious mental illness. An evaluation of PACT clients admitted in FY'03 shows that those clients used 5,548 fewer hospital days and spent 536 fewer days in jail. This funding will allow two additional teams to start up next fall in rural areas.
- ◆ Drug Courts (\$1,000,000) - There are currently 13 drug courts in planning stages and waiting for funding to begin operations. This funding will be used to fund treatment associated with several of these drug courts so they may begin operations. Drug courts are a proven best practice model that increase employment and reduce recidivism rates. There was a 75.1% decrease in unemployment among drug court graduates from entry to graduation.

Re-Arrest Rate After 36 Months



Source: ODMHSAS

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- ◆ Systems of Care (\$1,000,000) – The Systems of Care model provides an organized and comprehensive service package to children with mental illness who require services from more than one state agency. ODMHSAS works in conjunction with DHS, OJA and OHCA, the child's school and others to ensure that one agency's plan of care does not contradict that of another. After six months in the program, the first 98 children served saw a decrease of 202 days of school suspension and over a 50% reduction in contacts with law enforcement. This funding will be used to serve 200 more children.
- ◆ Forensic Center Bond Issue – \$500,000 was provided to pay debt service on an \$18.9 million bond issue to replace the current facility which is 74 years old.

PUBLIC HEALTH

The appropriation for the Department of Health will be \$57,563,226 (HB 2042). This is 7.1 percent more than the agency received in FY'04.

Funding for the following items was provided:

- ◆ \$900,000 for county health departments.
- ◆ \$500,000 to purchase flu vaccines.
- ◆ \$600,000 to replace federal cuts in the long term care facility inspection division.
- ◆ \$600,000 to operate a trauma referral call center.
- ◆ \$100,000 to increase funding for the state's community health care system network.

VETERANS AFFAIRS

The Department of Veterans Affairs received an appropriation of \$30,091,172 in HB 2046. This is an 11.7 percent increase over the agency's FY'04 appropriation.

- ◆ This appropriation includes \$1,607,321 for the operation of the new Lawton Veterans Center which opened in November 2003.

UNIVERSITY HOSPITAL AUTHORITY

The University Hospital Authority received an appropriation of \$39,029,342 in FY'05. Funds appropriated to the Authority are used to reimburse the OU Medical Center for indigent care as well as to provide the state matching funds for Medicaid

programs that benefit other teaching hospitals within the state. Those programs, known as the Graduate Medical Education (GME) programs, received an increase of \$1,365,118 in state funds in FY'05. These funds will be used to draw down approximately \$3,276,283 in federal Medicaid matching funds.

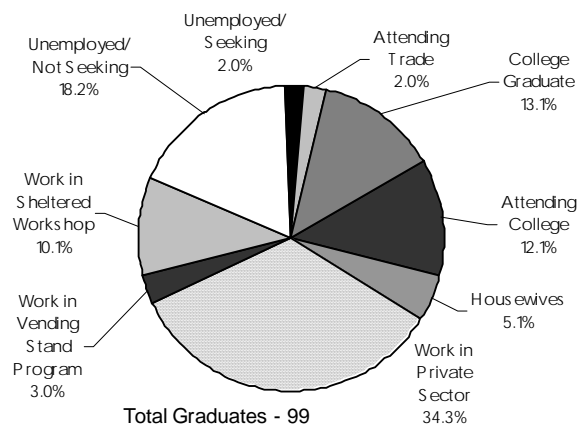
The Authority also received \$3,065,639 in new funds to ensure that level I trauma services continue to be provided at the OU Medical Center.

REHABILITATION SERVICES

The Department of Rehabilitation Services (DRS) was appropriated \$25,479,628 for FY'05 (HB 2053). This amount represents a 2.9 percent increase in state funds from the FY'04 appropriation. With this increase, DRS will perform a number of functions for FY'05:

- ◆ Continue to provide vocational rehabilitation and employment services to clients in Priority Groups 1 and 2.
- ◆ Match the anticipated \$740,000 increase in federal funding for vocational rehabilitation and employment programs.
- ◆ Move teachers at the Oklahoma School for the Blind and Oklahoma School for the Deaf to the Public School Minimum Teacher Salary Schedule.
- ◆ Continue to provide Braille Educational Services and Braille textbook distribution.

Oklahoma School for the Blind Post Graduate Summary 1992-2002



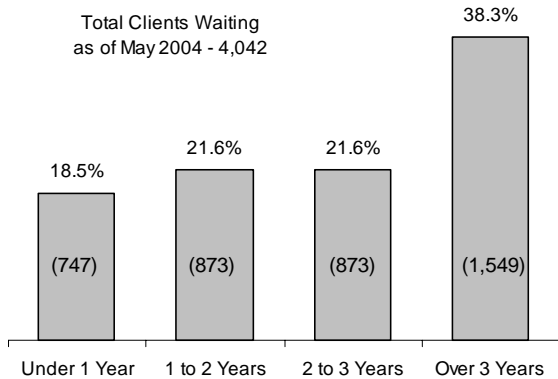
DEPARTMENT OF HUMAN SERVICES

The Department of Human Services (DHS) was appropriated \$408,330,849 for FY'05 (HB 2048). This amount represents a 5.4 percent increase from their FY'04 appropriation.

Some important programs that will be funded with this increase for FY'05 include:

- ◆ Ensuring that children of low-income working parents have access to safe, high-quality child care by continuing to subsidize the cost of that care.
- ◆ Establishing group homes for mentally retarded persons charged with dangerous crimes, but found incompetent to stand trial.
- ◆ Providing support for the Partnership for School Readiness, which works with communities to develop early childhood education initiatives.
- ◆ Increasing rates for therapeutic foster care service providers as well as payments for foster care families.
- ◆ Providing home and community based waiver services for persons on the Developmental Disabilities Services Division (DDSD) waiting list.

Percent of Clients on the DDSD Waiting List



OFFICE OF JUVENILE AFFAIRS

The Office of Juvenile Affairs (OJA) was appropriated \$92,858,160 for FY'05 (HB 2051, SB 985, SB 988 and SB 990). This represents a 3.2 percent increase from their FY'04 appropriation.

With this increase, OJA will:

- ◆ Establish a 12-bed behavioral management unit at the L.E. Rader Center for aggressive and assaultive juveniles in OJA custody.
- ◆ Continue tracking of juveniles exiting OJA residential placements.
- ◆ Continue paying for medical services for non-Medicaid eligible juveniles in OJA custody.
- ◆ Provide additional funding for emergency youth shelters.
- ◆ Provide additional funding for juvenile detention centers.

COURTS

Supreme Court

The Legislature appropriated \$13,337,544 in SB 1065 to the Supreme Court. The appropriation for FY'05 includes the following:

- ◆ \$1 million for the operations of the court.
- ◆ \$202,278 for debt service on the new Supreme Court building.

District Courts

The state's 77 district courts were provided an appropriation of \$43,043,226 in SB 1059. The district court's appropriation also included \$118,000 for three new court positions: one secretary-bailiff and one court reporter in Cleveland County; and one secretary-bailiff in Oklahoma County. Also this year, the State Judicial Fund was changed into a revolving fund. This change should allow the district courts to realize an additional \$2.6 million for FY'05.

Court of Criminal Appeals

The Court of Criminal Appeals was appropriated \$2,675,541 in SB 1055. The Court of Criminal Appeals was also appropriated \$75,000 in SB 1051 for operations of the Court.

District Attorneys Council

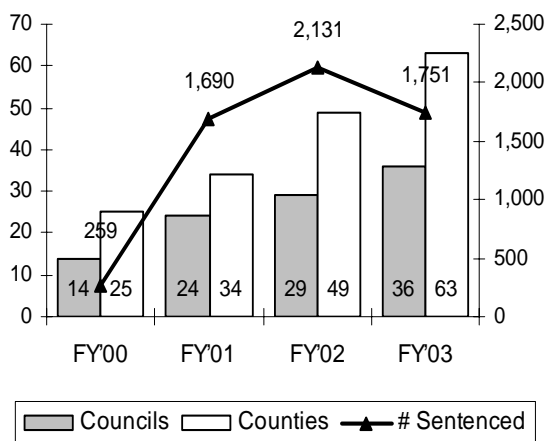
The District Attorneys Council was appropriated an additional \$500,000.00 in SB 1051 for FY'05. The additional revenue ensures that all employees within the 27 District Attorney offices will receive the state employee pay raise that goes into effect on January 1, 2005.

CORRECTIONS

For FY'05, the Department of Corrections (DOC) received \$384,286,568 in state appropriations in HB 2074 and SB 1037.

DOC's appropriation contained a line item for Community Sentencing in the amount of \$6,000,000. Since the inception of the program in FY'00, 36 planning councils encompassing 63 counties have participated in sentencing 5,685 offenders to community sentences.

Community Sentencing Program History



LAW ENFORCEMENT

For Fiscal Year 2005, the Alcoholic Beverage Laws Enforcement Commission (ABLE) received an appropriation of \$3,626,853 (HB 2072).

- ◆ This included \$143,000 to cover pay issues among the ABLE agents. Of these funds \$38,000 was used to equalize the pay between the ABLE enforcement agents. The remaining \$105,000 was used to give the ABLE agents back certain pay raises (7 percent) that were taken away during the recent State budget cuts

The Department of Public Safety (DPS) received \$65,062,004 in state appropriated revenue for FY'05 in HB 2089. This represents a 4.2 percent increase in funding.

Also this year, the Legislature passed SB 1137 which compressed the step structure of the Oklahoma Highway Patrol from fourteen (14) steps down to seven (7). The average increase for each

trooper under SB 1137 is 22 percent. The following table reflects the revised seven step system.

Cadet	\$30,000
Probation	\$33,000
Step 1	\$36,711
Step 2	\$38,377
Step 3	\$40,123
Step 4	\$41,953
Step 5	\$43,871
Step 6	\$45,881
Step 7	\$47,987

AGRICULTURE

HB 2054 appropriated \$24,231,030 for the Department of Agriculture. This amounts to a 7.1 percent increase over the agency's FY'04 appropriation.

The most significant change in this year's budget is the restoration of the 80/20 Rural Fire Program. That program was eliminated in FY'04 due to the state's revenue failures. The program was restored to its original level of \$800,000 for FY'05.

The agency received \$200,000 to update its motor pool. The Animal Control Program received a \$100,000 increase. The Agriculture Enhancement and Diversification program was also reinstated at its original appropriated level of \$250,000.

The Legislature continued funding of a project at OSU to assist small manufacturing facilities in rural Oklahoma. The New Product Development Center for Small Rural Manufacturers will assist the state's small rural manufacturers in developing new products and processes, thus increasing their sustainability and profitability.

The Legislature provided \$330,000 for the promotion of the Made in Oklahoma Coalition. The purpose of the coalition is to promote and create brand awareness for Oklahoma food products. This is an \$80,000 increase over the FY'04 level.

CONSERVATION COMMISSION

The Conservation Commission was appropriated \$7,617,658 in SB 1019. This represents a 22.5 percent increase over the FY'04 allocation.

The agency was provided approximately \$450,000 to pay for FY'04 and FY'05 employee health benefits.

The Commission was given an additional \$140,000 in general operating increases.

The Legislature funded the Conservation Commission's cost-share program at \$250,000. The program will fund locally led animal waste management, water quality and soil conservation priorities throughout the state to address non-point source pollution.

- ◆ In addition, the Water Resources Board was directed to expend up to \$500,000 on cost share programs as administered by the Conservation Commission if the Rural Economic Action Plan Water Projects Fund generates more than \$6,476,485 in revenues next fiscal year.

The Legislature appropriated \$415,000 to match federal funds made available to rehabilitate upstream flood control structures throughout the state. Out of the total 10,500 watershed structures in the United States, Oklahoma maintains 2,100 or 20 percent of the total number. Many of these structures will require rehabilitation and repair as they reach the end of their usable life within the next five years.

- ◆ In addition, the Water Resources Board was directed to expend up to \$500,000 on the watershed rehabilitation program administered by the Conservation Commission if the Rural Economic Action Plan Water Projects Fund generates more than \$5,076,485 in revenues next fiscal year.

ENVIRONMENT

HB 2060 appropriated \$9,495,264 to the Department of Environmental Quality (DEQ). This is a 60.2 percent increase over the agency's FY'04 appropriation.

The majority of this increase (\$3,000,000) is dedicated to help fund the provisions of the Tar Creek Superfund Site Project as detailed by SB 1490. These funds will be used to relocate families with children under the age of 6 from affected areas.

In addition, the Water Resources Board was directed to expend up to \$400,000 on public water supply renovations if the Rural Economic Action Plan Water Projects Fund generates more than \$5,576,485 in revenues next fiscal year.

TOURISM

The Legislature increased the appropriations to the Tourism and Recreation Department by 6.8 percent (HB 2070). The majority of this increase, nearly

\$800,000, will be used to undertake park maintenance and renovation projects. The agency has never had a permanent maintenance fund. The agency currently has over \$80,000,000 in maintenance requests.

The Legislature funded a \$2,000 pay raise for Park Rangers. The raises will be provided to 40 employees for a total cost including benefits of \$100,000.

The Legislature continued its funding for the Multi-county Organizations Matching Funds Program in the amount of \$476,000. The program will allow Oklahoma's 19 qualifying lake and country associations to expend additional resources for local promotion and advertising.

HISTORICAL SOCIETY

The Oklahoma Historical Society received a total appropriation of \$10,642,253 for FY'05. The agency received \$642,000 in new funds for general operating increases. This funding will be sufficient to avoid any disruptions to museum operations next fiscal year.

OKLAHOMA TAX COMMISSION

The Oklahoma Tax Commission's (OTC) FY'05 appropriation is \$41,812,019, a 19 percent decrease from FY'04. This decrease reflects a reduction in one-time expenditures from the previous year.

Despite the overall reduction, the agency received additional revenues for the following:

- ◆ \$300,000 to improve enforcement of cigarette and tobacco tax laws (it is estimated that tobacco tax evasion costs the state \$6.6 million annually).
- ◆ \$350,000 to initiate a feasibility study for a new Tax Commission Building as part of the Lincoln Renaissance Project.

Senate Bill 141 transfers OTC's Motor Vehicle Enforcement section, the International Fuel Tax Agreement section and the International Registration Plan section to the Corporation Commission; administrative responsibility for the agency's highway system weigh stations is transferred to the Oklahoma Department of Transportation. The funds budgeted (\$3.8 million) by OTC for the trucking regulatory activities are transferred (SB 967) to the Corporations Commission (\$3.7 million) and to the Department of Transportation (\$100,000).

OKLAHOMA MILITARY DEPARTMENT

For FY'05 the Legislature appropriated \$8,062,531 to the Military Department. This reflects a 14.8 percent increase over the agency's FY'04 appropriation. The additional monies are for the following:

- ◆ \$675,000 to expand the Thunderbird Youth Academy's candidate base from 100 to 200 cadets (matched by \$2.5 million in federal funds).
- ◆ \$225,000 for debt service on a \$6 million bond issue (HB 2001) that will finance completion of the National Guard Armory roof repair (34 armories).

OFFICE OF STATE FINANCE

The Office of State Finance received an FY'05 appropriation of \$22.9 million dollars, a 13.9 percent increase over FY'04. \$3.7 million of the additional monies will be used to implement the budget phase of the CORE project. CORE will provide increased efficiency in the delivery of state services to include: utilizing web interfaces, improving financial tracking (e.g., budget, purchasing, contracts, etc.), providing more integrated human resources management system functionality and centralizing the license process.

Phase I	Phase II
General Ledger	Budget Preparation
Accounts Payable	Accounts Receivable
Purchasing	Commitment Control
Human Resources	Billing
Base Benefits	e-Billing, e-Procurement
Payroll	Training
Time and Labor	Grants, Asset Management, Inventory

SUMMARY OF APPROPRIATIONS

<u>Agency</u>	<u>FY'04 Appropriation</u>	<u>FY'05 Appropriation</u>	<u>\$ Change</u>	<u>% Change</u>
Subcommittee on Education				
Arts Council	\$3,864,077	\$3,923,871	\$59,794	1.5%
Career and Technology Education	\$117,822,607	\$123,887,358	\$6,064,751	5.1%
Education, State Department of	\$1,968,446,150	\$2,007,663,450	\$39,217,300	2.0%
Educational Television Authority	\$3,448,064	\$4,201,753	\$753,689	21.9%
Higher Education, Regents for	\$768,130,521	\$802,136,296	\$34,005,775	4.4%
Land Office, Commissioners of	\$4,095,100	\$4,747,965	\$652,865	15.9%
Libraries, Department of	\$6,166,270	\$6,212,118	\$45,848	0.7%
Physician Manpower Training Commission	\$5,017,536	\$5,024,607	\$7,071	0.1%
Private Vocational Schools, Board of	\$152,989	\$155,456	\$2,467	1.6%
Science & Math, School of	\$6,204,693	\$6,572,319	\$367,626	5.9%
Science & Technology, Center for	\$11,014,880	\$11,669,647	\$654,767	5.9%
Teacher Preparation, Commission on	\$1,986,006	\$1,998,168	\$12,162	0.6%
Subtotal	\$2,896,348,893	\$2,978,193,008	\$81,844,115	2.8%
Subcommittee on General Government and Transportation				
Auditor and Inspector	\$5,226,966	\$5,523,603	\$296,637	5.7%
Bond Advisor	\$163,527	\$188,096	\$24,569	15.0%
Central Services, Department of	\$12,210,888	\$12,234,432	\$23,544	0.2%
Civil Emergency Management Administration	\$666,226	\$680,972	\$14,746	2.2%
Election Board	\$8,195,395	\$7,072,129	(\$1,123,266)	-13.7%
Ethics Commission	\$447,125	\$480,747	\$33,622	7.5%
Finance, Office of State	\$20,080,825	\$22,866,800	\$2,785,975	13.9%
Governor	\$2,477,660	\$2,522,709	\$45,049	1.8%
House of Representatives	\$17,437,944	\$18,080,670	\$642,726	3.7%
Legislative Service Bureau	\$2,060,969	\$2,303,193	\$242,224	11.8%
Lt. Governor	\$467,494	\$523,259	\$55,765	11.9%
Merit Protection Commission	\$504,885	\$512,154	\$7,269	1.4%
Military, Department of	\$7,021,379	\$8,062,531	\$1,041,152	14.8%
Personnel Management	\$4,602,700	\$4,497,011	(\$105,689)	-2.3%
Secretary of State	\$429,494	\$456,927	\$27,433	6.4%
Senate	\$12,147,920	\$12,769,707	\$621,787	5.1%
Space Industry Development Authority	\$515,852	\$518,323	\$2,471	0.5%
Tax Commission	\$51,651,406	\$41,812,019	(\$9,839,387)	-19.0%
Transportation, Department of	\$192,185,387	\$200,875,804	\$8,690,417	4.5%
Treasurer	\$4,377,639	\$4,926,592	\$548,953	12.5%
Subtotal	\$342,871,681	\$346,907,678	\$4,035,997	1.2%
Subcommittee on Health and Social Services				
Health Care Authority	\$439,000,000	\$482,256,505	\$43,256,505	9.9%
Health, Department of	\$53,763,633	\$57,563,226	\$3,799,593	7.1%
J.D. McCarty Center	\$2,757,898	\$3,162,767	\$404,869	14.7%
Mental Health & Substance Abuse Services	\$145,018,006	\$155,447,428	\$10,429,422	7.2%
University Hospitals Authority	\$36,736,052	\$39,029,342	\$2,293,290	6.2%
Veterans Affairs, Department of	\$26,943,202	\$30,091,172	\$3,147,970	11.7%
Subtotal	\$704,218,791	\$767,550,440	\$63,331,649	9.0%

Fiscal Year 2005 Budget Review

<u>Agency</u>	<u>FY'04 Appropriation</u>	<u>FY'05 Appropriation</u>	<u>\$ Change</u>	<u>% Change</u>
Subcommittee on Human Services				
Children and Youth, Commission on	\$1,550,000	\$1,569,789	\$19,789	1.3%
Handicapped Concerns, Office of	\$356,000	\$362,128	\$6,128	1.7%
Human Rights Commission	\$650,000	\$662,762	\$12,762	2.0%
Human Services, Department of	\$387,455,619	\$408,330,849	\$20,875,230	5.4%
Indian Affairs, Commission of	\$244,000	\$248,942	\$4,942	2.0%
Juvenile Affairs	\$90,000,000	\$92,858,160	\$2,858,160	3.2%
Rehabilitation Services, Department of	\$24,750,000	\$25,479,628	\$729,628	2.9%
Subtotal	\$505,005,619	\$529,512,258	\$24,506,639	4.9%
Subcommittee on Natural Resources and Regulatory Services				
Agriculture, Food and Forestry, Dept. of	\$22,610,776	\$22,846,177	\$235,401	1.0%
Centennial Commission	\$526,503	\$536,453	\$9,950	1.9%
Commerce, Department of	\$22,322,034	\$33,337,845	\$11,015,811	49.3%
Conservation Commission	\$6,220,557	\$7,117,658	\$897,101	14.4%
Consumer Credit, Department of	\$602,747	\$616,513	\$13,766	2.3%
Corporation Commission	\$7,997,813	\$8,767,056	\$769,243	9.6%
Environmental Quality, Department of	\$5,928,921	\$9,495,264	\$3,566,343	60.2%
Historical Society	\$8,537,394	\$10,642,253	\$2,104,859	24.7%
Horse Racing Commission	\$1,761,748	\$1,858,182	\$96,434	5.5%
Insurance Commissioner	\$2,072,157	\$2,136,301	\$64,144	3.1%
J.M. Davis Memorial Commission	\$299,604	\$330,983	\$31,379	10.5%
Labor, Department of	\$2,958,570	\$3,061,658	\$103,088	3.5%
Mines, Department of	\$722,124	\$815,510	\$93,386	12.9%
Scenic Rivers Commission	\$258,158	\$333,158	\$75,000	29.1%
Securities Commission	\$501,088	\$0	(\$501,088)	-100.0%
Tourism and Recreation, Department of	\$22,616,482	\$24,162,640	\$1,546,158	6.8%
Water Resources Board	\$6,228,494	\$6,440,345	\$211,851	3.4%
Will Rogers Memorial Commission	\$792,798	\$882,678	\$89,880	11.3%
Subtotal	\$112,957,968	\$133,380,674	\$20,422,706	18.1%
Subcommittee on Public Safety and Judiciary				
Alcoholic Beverage Laws Enforcement	\$3,431,691	\$3,626,853	\$195,162	5.7%
Attorney General	\$5,794,927	\$5,953,778	\$158,851	2.7%
Corrections, Department of	\$378,931,566	\$384,286,568	\$5,355,002	1.4%
Court of Criminal Appeals	\$2,634,378	\$2,750,541	\$116,163	4.4%
District Attorneys and DAC	\$25,972,055	\$26,926,731	\$954,676	3.7%
District Courts	\$40,897,067	\$43,043,226	\$2,146,159	5.2%
Fire Marshal	\$1,504,323	\$1,537,061	\$32,738	2.2%
Indigent Defense System	\$14,243,912	\$14,428,761	\$184,849	1.3%
Investigation, State Bureau of	\$9,441,383	\$9,681,910	\$240,527	2.5%
Judicial Complaints, Council on	\$267,999	\$271,152	\$3,153	1.2%
Law Enforcement Education and Training	\$2,649,441	\$2,686,318	\$36,877	1.4%
Medicolegal Investigations, Board of	\$3,357,458	\$3,427,372	\$69,914	2.1%
Narcotics and Dangerous Drugs, Bureau of	\$4,859,814	\$4,967,062	\$107,248	2.2%
Pardon and Parole Board	\$2,115,485	\$2,150,328	\$34,843	1.6%
Public Safety, Department of	\$62,429,532	\$65,062,004	\$2,632,472	4.2%
Supreme Court	\$11,962,341	\$13,337,544	\$1,375,203	11.5%
Workers' Compensation Court	\$3,691,957	\$3,770,409	\$78,452	2.1%
Subtotal	\$574,185,329	\$587,907,618	\$13,722,289	2.4%
Rural Economic Action Plan	\$6,000,000	\$15,500,000	\$9,500,000	158.3%
Governor's Emergency Fund	\$4,000,000	\$0	(\$4,000,000)	-100.0%
GRAND TOTAL	\$5,145,588,281	\$5,358,951,676	\$213,363,395	4.1%