

Summary of Budget Recommendations

This section contains information about the following subjects.

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

Current Budget Situation

FY-2004 Estimates

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

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

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

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

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

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

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

FY-2004 Executive Budget

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

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

Budget Proposal Summary

Summary Chart

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

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

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

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

The Equalization Board compares the estimated revenues to the total

Summary of Balanced Budget - Starting with Equalization Bd. Numbers

Agency / adjustment

Recommended

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

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

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

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

Agency Budgets

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

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

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

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

Funding Needs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This consists of 4 adjustments:

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

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

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

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

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

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

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

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

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

Capital Outlay Recommendations

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

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

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

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

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

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

Supreme Court Building can be completed.

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

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

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

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

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

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

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

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

Reductions

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

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

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

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

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

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

Agency Funds for Transfer to Special Cash Fund

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

Funding Opportunities

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

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

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

Issues

The following narrative summarizes budget proposals for several key issues.

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

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

Employee Insurance Costs

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

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

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

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

the State employee to reselect State coverage.

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

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

Management Tools

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

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

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

Retirement and Re-employment

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

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

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

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

Rainy Day Fund

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

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

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

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

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

Stabilization Fund

This budget proposes the creation of a new stabilization fund.

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

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

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

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

Governor

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

Additional duties of the Governor include:

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

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

FY-2004 General Appropriation Reductions

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

Lieutenant Governor

Oklahoma's Lieutenant Governor serves in place of the Governor when he leaves the state. She also serves as the President of the Oklahoma State Senate, casting a vote in the event of a tie and presiding over joint sessions of the State Legislature. In addition, the Lieutenant Governor presides over or is a member of the following 10 state boards and commissions:

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

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

FY-2004 General Appropriation Reductions

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

Department of Agriculture, Food and Forestry (ODAFF)

Animal Industry

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

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

Forestry Services

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

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

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

Forestry Services provides wildfire protection in two important ways:

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

Budget Recommendation

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

State/Local/Federal Partnership for Fire Protection

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

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

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

50/50 Volunteer Fire Assistance (VFA) Grants

The 50/50 (federal/local) VFA grants provide funding to local associations for purchasing fire-related equipment or training. The grant is limited to \$2,500 per applicant. This table shows the history of the program since FY-1993:

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

Source: ODAFF

Operational Grants

The operational grants, first funded in FY-1990, provide funds for expenses of local fire-fighting associations. The grants help cities, towns, fire districts and rural fire departments pay for insurance, protective clothing, etc. The grants are 100% state funded.

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

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

Source: ODAFF

80/20 Grant Funding

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

History of 80/20 Grants	
<u>Year</u>	<u>Funding</u>
FY-1993	350,000
FY-1994	200,000
FY-1995	350,000
FY-1996	450,000
FY-1997	926,500
FY-1998	1,142,223
FY-1999	2,045,500
FY-2000	2,687,445
FY-2001	3,209,000
FY-2002	3,766,219
FY-2003	<u>5,321,097</u>
Total	\$20,447,984

Source: ODAFF

Operational Funding for Rural-Fire Coordinators

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

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

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

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

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

Source: ODAFF

Excess Equipment Program

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

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

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

Source: ODAFF

Equipment Funding for Local Fire Departments

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

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

Source: ODAFF

Surplus State Equipment

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

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

Equipment and Vehicles for Firefighters and Other Agency Divisions

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

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

Aerial Fire Fighting

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

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

Fire-Ant Research

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

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

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

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

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

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

Source: ODAFF

Plant Industry & Consumer Services (PICS)

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

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

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

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

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

D. In addition, the Division has:

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

Budget Recommendation

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

corresponding reduction in the appropriation.

ODAFF Water Quality Services Division (WQS)

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

The ODAFF Water Quality Services Division (WQS) was created to help develop, coordinate and oversee environmental policies and programs. Their mission is to work with producers and concerned citizens to protect the environment of Oklahoma from animals, poultry and their wastes.

The WQS is responsible for implementing the Oklahoma Concentrated Animal Feeding Operations Act and Oklahoma Registered Poultry Feeding Operations Act. These programs include the licensing, regulation and inspection of beef, swine and poultry breeding, growing and feeding facilities and licensed managed feeding operations, registrations of poultry feeding operations and licensing of poultry waste applicators.

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

2002 Registered Poultry Feeding Operations			
County	Total by County	Total Birds	Total Houses
Adair	69	5,983,200	348
Blaine	1	5,000	3
Cherokee	23	983,100	73
Chocktaw	5	198,000	10
Craig	9	989,000	44
Creek	1	30,000	2
Deleware	172	9,384,010	565
Haskell	64	4,262,898	198
Latimer	5	202,000	13
LeFlore	247	18,336,544	798
Mayes	21	1,755,000	83
McCurtain	238	11,403,492	604
McIntosh	2	45,800	5
Muskogee	6	220,400	13
Okfuskee	1	4,400	1
Ottawa	30	2,798,650	145
Pittsburg	1	70,000	3
Pushmataha	2	30,000	3
Rogers	2	420,000	14
Sequoyah	19	588,343	40
Totals	918	57,709,837	2,965

Source: ODAFF

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

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

2002 Registered Swine Operations		
County Name	Number of Facilities	Total # of animals
Adair	2	11,200
Beaver	14	282,581
Blaine	1	6,000
Caddo	5	37,610
Canadian	1	4,000
Cimarron	1	8,640
Coal	1	2,400
Custer	1	6,000
Delaware	5	24,225
Ellis	4	84,168
Grady	3	16,260
Harper	1	33,096
Hughes	35	152,060
Johnston	2	3,650
Kingfisher	12	111,713
Major	8	113,062
McClain	1	3,000
McCurtain	15	36,085
McIntosh	1	9,600
Okfuskee	16	15,623
Payne	2	3,155
Pontotoc	1	16,320
Pottawatomie	6	9,025
Seminole	7	19,075
Texas	78	1,034,964
Washita	1	5,088
Woodward	3	223,020
Total	227	2,271,620

Source: ODAFF

CAFO and IMFO Activities

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

Source: ODAFF

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

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

Source: ODAFF

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

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

Boll Weevil Eradication Organization

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

Wildlife Services

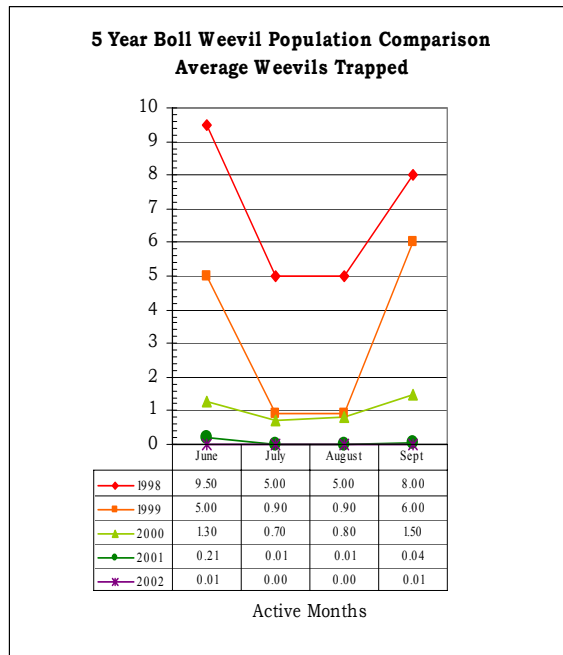
Wildlife Services is a cooperative program between the ODAFF and the Animal and Plant Health Inspection Service of the USDA and is responsible for responding to requests from the public for assistance in controlling wildlife damage to agriculture, safeguarding human health and safety, and protecting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

Budget Recommendation

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

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

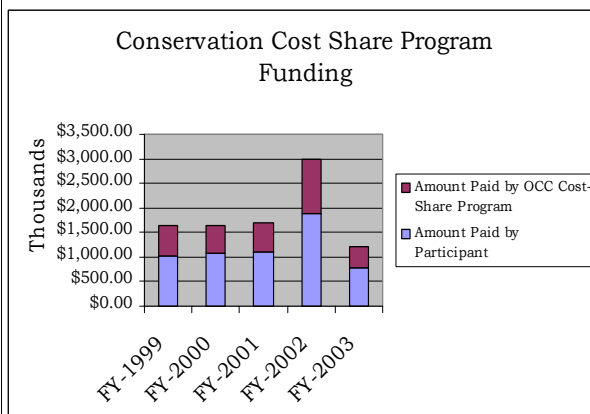
By the end of calendar year 2002, the Oklahoma Boll Weevil Eradication Organization (OBWEO) reduced boll weevil populations by greater than 99.9%, utilizing used and industry-donated equipment. Farmers continue to make a top crop, further improving yield, because of reduced weevil pressure. The following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



Conservation Commission

Cost-Share Program

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



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

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

Budget Recommendation

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

History of Funding for the Locally Led Cost Share Program		
	Appropriation	Amount to Each District (88)
FY-1999	\$1,320,000	\$15,000
FY-2000	500,000	7,500
FY-2001	1,165,000	15,500
FY-2002	1,500,000	18,100
FY-2003	1,000,000	10,227
FY-2004*	1,000,000	12,987
Total	\$6,485,000	\$66,327

*Recommended amount based on 77 districts

Watershed Rehabilitation

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

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

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

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

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

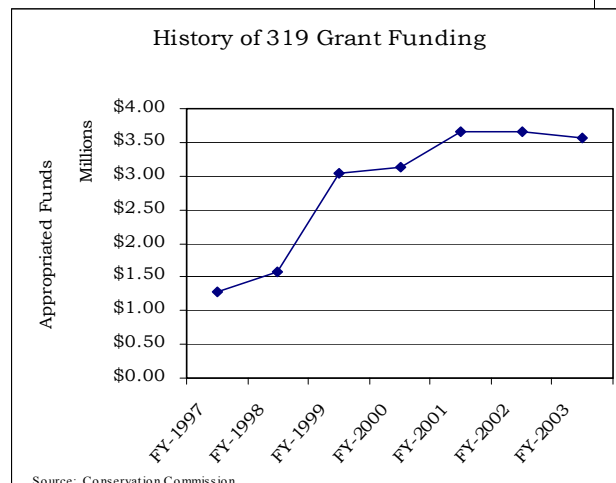
To be eligible for rehabilitation the state and/or local sponsors must provide a 35% match to federal dollars. In FY-2002, the Oklahoma Legislature appropriated \$500,000 to the Conservation Commission for use in matching federal rehabilitation dollars. This was followed by an additional appropriation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

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

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

Federal 319 Grant Increased for Nonpoint Source Pollution

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



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

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

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

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

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

Number of Conservation Districts

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

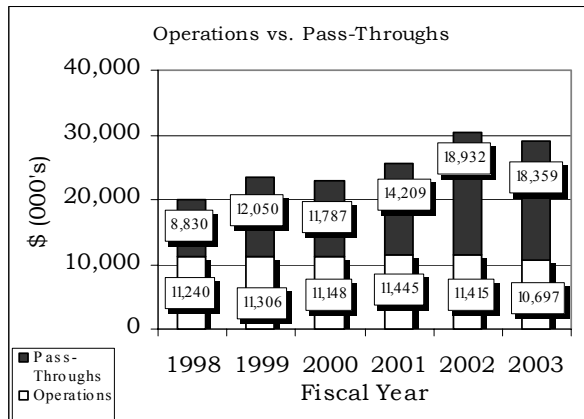
county. This budget recommends reducing the number of Conservation Cost Share Districts from 88 to 77. Their appropriation is reduced by \$650,000 to correspond with the reduction in districts.

Budget Recommendation

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

Department of Commerce

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



Source: Oklahoma Department of Commerce

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

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

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

Source: Oklahoma Department of Commerce

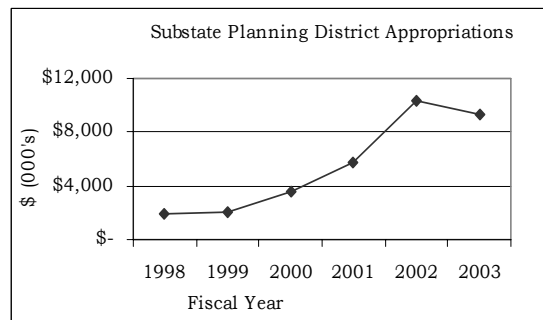
These projects generate \$2.03 of tax revenues for each \$1 of operations funding to the Department of Commerce. These figures include the value of state tax incentives and still the result is a 200% return on the state appropriated dollars spent on the Oklahoma Department of Commerce.

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

Substate Planning Districts

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

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



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

Source: Oklahoma Department of Commerce

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

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

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

Other "pass-through" funds include:

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

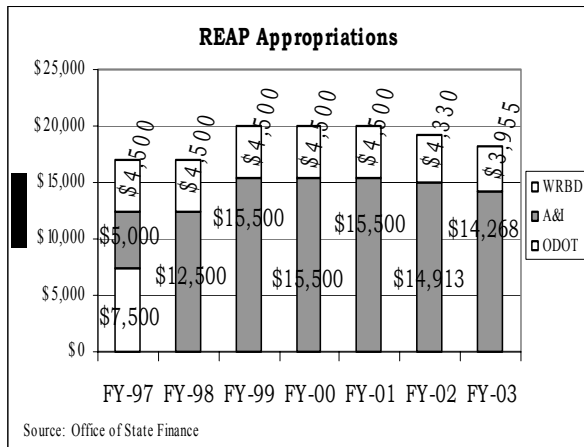
Rural Economic Action Plan

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

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

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

Source: Office of State Finance



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

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

Source: Office of State Finance

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

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

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

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

Source: Office of State Finance Records

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

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

Source: Office of State Finance Records

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

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

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

Native American Cultural and Educational Authority

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

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

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

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

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

Source: Native American Cultural and Educational Authority

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

Source: Native American Cultural and Educational Authority

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

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

Human Rights Commission

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

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

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

Department of Labor

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

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

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

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

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

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

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

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

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

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

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

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

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

Oklahoma Department of Tourism & Recreation

The Department of Tourism has six major divisions.

Division of State Parks

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

Division of Resorts

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

Division of Golf

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

Division of Travel and Tourism

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

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

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

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

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

Oklahoma Today Magazine

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

Division of Research and Development

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

Park Classification Tier Plan

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

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

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

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

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

Budget Recommendation

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

To have greater flexibility within their agency, this budget recommends

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

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

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

Oklahoma Capitol Complex and Centennial Commemoration Commission

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

State Capitol Dome

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

Projects Master Plan

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

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

Budget Recommendation

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

Oklahoma Historical Society

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

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

The Oklahoma History Center

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

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

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

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

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

exhibited or stored by the Smithsonian Institution.

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

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

Budget Recommendation

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

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

State History Center Estimated Costs:

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

Source: Oklahoma Historical Society

Budget Recommendations

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

This proposal reduces the OHS appropriation for the following items:

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

J. M. Davis Memorial Commission

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

The museum houses an extensive collection of firearms, knives, swords, steins, saddles, Indian artifacts, music boxes, World War I posters and more. John Monroe Davis, former owner and operator of the Mason Hotel in Claremore, originally amassed the

collection. His collection became so large that he no longer could keep it at the Mason Hotel.

In 1965, Davis transferred his collection to the J.M. Davis Foundation, Inc. The Foundation in turn entered into an agreement with the State for preservation and display of the collection. The collection is housed today in a 40 thousand sq. ft. facility. In 1995, the name of the museum was changed from J. M. Davis Gun Museum to J. M. Davis Arms and Historical Museum.

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

Budget Recommendation

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

The Oklahoma Scenic Rivers Commission (OSRC)

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

The Commission is vested with the power to establish minimum standards

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

Will Rogers Memorial Commission

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

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

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

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

Budget Recommendations

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

Department of Wildlife Conservation

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

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

More than 60 types of hunting and fishing licenses are sold by ODWC through 1,100 license dealers. All license revenue, except lifetime license revenue, is used for operations of ODWC.

Lifetime Hunting & Fishing Licenses

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

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

Source: Department of Wildlife Conservation

Recommendation

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

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

Comparison of Annual License Prices by State

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

Source: Department of Wildlife Conservation

Wildlife Management

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

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

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

Oklahoma State Park System

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

Oklahoma State Golf Division

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

Oklahoma State Resorts Division

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

Source: Department of Tourism and Recreation

**Oklahoma State Park System
FY-2003 (Budgeted)**

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

Source: Department of Tourism and Recreation

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

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

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

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

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

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

Elementary and Secondary Education

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

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

The No Child Left Behind Act

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

The NCLB legislation incorporates the principles and strategies of:

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

Testing

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

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

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

The state testing system must do the following:

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

Literacy training for teachers

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

Education Reform

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

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

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

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

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

Quality Teachers

The goal is to improve student learning by strengthening teaching.

Education Leadership Oklahoma (ELO)

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

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

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

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

Successful Students

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

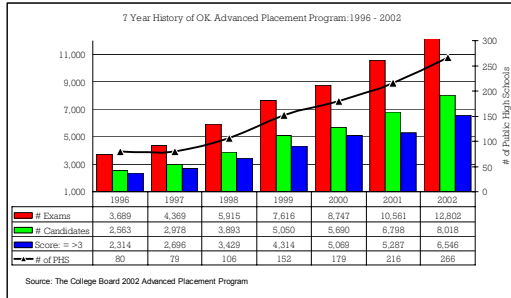
Generally, elementary schools are adding classes for four-year old students as space and teachers are made available by decreases in other classes.

Breakdown of Unweighted ADM 1/28/03					
	FY-1999	FY-2000	FY-2001	FY-2002	FY-2003**
Early Childhood (Half Day)	10,524.01	13,445.37	14,401.79	14,571.35	15,036.94
Early Childhood (Full Day)	<u>5,935.00</u>	<u>7,787.28</u>	<u>8,715.33</u>	<u>10,198.94</u>	<u>11,595.17</u>
Sub-total Early Childhood	16,459.01	21,232.65	23,117.12	24,770.29	26,632.11
Kindergarten (Half Day)	<u>44,016.24</u>	<u>42,354.12</u>	<u>41,777.74</u>	25,597.88	24,744.44
Kindergarten (Full Day)				<u>16,263.57</u>	<u>18,467.68</u>
Subtotal Kindergarten	44,016.24	42,354.12	41,777.74	41,861.45	43,212.12
Grade 1	54,052.19	52,780.14	51,458.31	50,535.85	50,073.74
Grade 2	47,479.70	47,186.04	45,633.72	44,963.13	44,227.60
Grade 3	47,274.49	47,113.71	46,952.42	45,409.94	44,670.33
Grade 4	46,710.25	47,028.33	46,986.92	47,094.40	45,474.80
Grade 5	46,182.72	46,644.34	47,065.32	46,977.45	47,195.69
Grade 6	46,546.13	46,051.64	46,510.72	47,202.87	47,256.37
Grade 7	47,561.40	46,347.26	46,055.06	46,768.86	47,564.43
Grade 8	47,718.61	47,291.62	46,012.64	45,724.57	46,598.47
Grade 9	49,329.61	48,976.54	48,597.72	47,806.50	48,763.54
Grade 10	46,205.46	45,258.25	44,832.28	44,589.74	45,215.82
Grade 11	41,801.51	41,267.31	40,185.97	40,340.14	41,867.06
Grade 12	38,180.79	39,219.19	38,708.18	37,941.93	38,544.64
Not Graded	2,839.40	2,754.71	3,175.48	3,127.04	2,467.98
OHP 1 (Out of Home Placem	1,415.38	1,453.23	1,597.93	1,742.55	1,711.36
OHP 2 (Out of Home Placem	34.07	41.59	30.73	32.94	32.59
OHP 3 (Out of Home Placem	7.80	7.64	7.83	7.51	7.95
OHP 4 (Out of Home Placem	<u>28.18</u>	<u>36.77</u>	<u>25.30</u>	<u>23.39</u>	<u>26.01</u>
Subtotal Grade 1 thru OHP	<u>563,367.69</u>	<u>559,458.31</u>	<u>553,836.53</u>	<u>550,288.81</u>	<u>551,698.38</u>
Total Ungrade ADM	<u>623,842.94</u>	<u>623,045.08</u>	<u>618,731.39</u>	<u>616,920.55</u>	<u>621,542.61</u>

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

The Advanced Placement (AP) Program

The AP program is an opportunity for students to pursue college-level studies while still in high school and to receive advanced placement, credit or both, in college. Students who complete AP courses are better prepared academically for college, more likely to choose challenging majors and twice as likely to go into advanced study.



High School Graduation Rates

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

GRADUATION RATES FOR THE CLASS OF 2000 BY STATE AND RACE						
	Native American		Asian	Hispanic	African-American	White
National & DC	57%	79%	53%	55%	76%	69%
Oklahoma	68%	90%	INS	64%	78%	74%
Count	17	23	22	31	37	50
Oklahoma's Ranking	3	4	N/A	5	15	22

Source: Manhattan Institute, 2000 Graduation Study

Office of Accountability

Oklahoma Indicators Program

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

It implements the Oklahoma Indicators Program by assessing and reporting on the performance of public schools and school districts. These reports present yearly and historical comparisons of public school and school district graduation rates, dropout rates, pupil-teacher ratios, enrollment gain and loss rates, school district finances, and test results by grade and subject/section in a socioeconomic context. These results are also available as school report cards.

School performance review

A school performance review evaluates the management and fiscal

performance of local school districts statewide. The bottom line is to identify specific ways to reduce costs, enhance efficiency and reallocate savings into the classroom.

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

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

FY-2004 Appropriation Recommendation

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

FY-2003 supplementals

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

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

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

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

The Ad Valorem Reimbursement Fund

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

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

FY-2004 appropriations

This budget includes the following appropriation adjustments:

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

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

Higher Education

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

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

Brain Gain 2010

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

The strategies are

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

Increase in number of degree holders

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

Percent of Population with College Degrees
Age 25 or Older

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

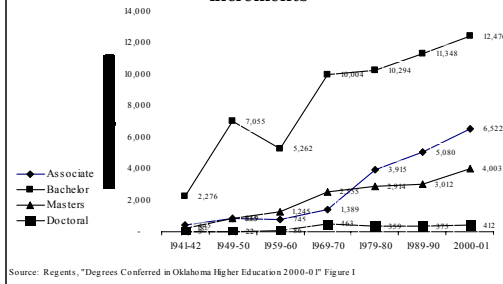
Source: Regents, "Report Card on Oklahoma Higher Education 2002"

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

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

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

Public Institution Degrees by Type in Decade
Increments



Source: Regents, "Degrees Conferred in Oklahoma Higher Education 2000-01" Figure 1

College going rate

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

students going to college varies considerably across the state. Note that the two largest counties are slightly above the state average while the lesser populated counties vary considerably.

Oklahoma High School to College-Going Rate Directly from High School to College				
	FY-1999	FY-2000	FY-2001	3-Yr Avg.
Oklahoma County	56.9%	57.8%	57.8%	56.5%
Tulsa County	58.1%	55.7%	56.0%	56.0%
Highest county	70.2%	79.7%	70.2%	
Lowest county	25.0%	18.7%	25.0%	
State avg.	56.8%	55.1%	56.8%	56.2%

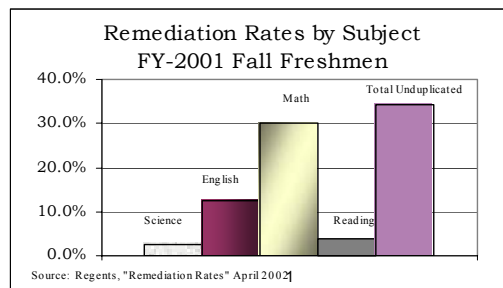
Source: Regents "High School Indicators Project: High School to College-Going Rates, February 2002"

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

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

Remediation rate

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



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

Percent of First-time Freshmen Enrolled in Remedial Courses				
Fiscal Year	FY-1998	FY-1999	FY-2000	FY-2001
Percentage	39.9%	40.6%	37.2%	34.1%

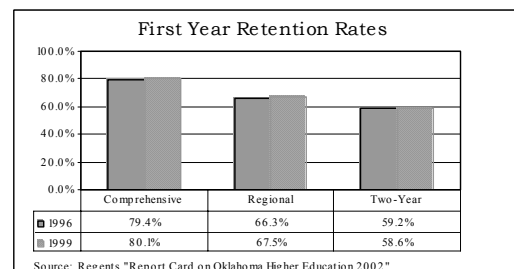
Source: Regents "Annual Remediation Report" April 2002

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

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

Retention rates

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



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

Graduation Rates		
	Oklahoma	Nation
Comprehensive Universities (6-years)	51.6%	55.1%
Regional Universities (6-years)	31.3%	45.5%
Two-Year Colleges (3-years)	19.6%	31.6%
Note: 3 & 6 years are length of time within which students graduate		
Source: "Report Card on Oklahoma Higher Education 2002"		

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

With retention and graduation rates increasing, the next goal is to keep Oklahoma graduates in Oklahoma. Keeping Oklahoma graduates in Oklahoma and attracting others goes beyond the realm of higher education. It involves complex interactions between quality of life issues as well as income levels and job opportunities.

Tuition

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

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

Undergraduate Tuition and Fees						
	Resident Tuition		% Increase to Reach Ave.	Nonresident Tuition		% Increase to Reach Ave.
	OK	Comparisons*		OK	Comparisons*	
OU & OSU	3,206	4,209	31.3%	8,355	12,665	51.6%
4-Year Institutions	2,377	3,197	34.5%	5,530	8,101	46.5%
2-Year Institutions	1,613	1,843	14.3%	4,019	3,529	-12.2%
* OU & OSU compared to Big 12 states; 2 and 4 year compared to Big 12 & regional states						
Source: Washington Higher Education Coordinating Board 2002-2003 Tuition and Fee Rates: A National Comparison, December 2002						

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

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

Scholarships and Grants

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

OHLAP

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

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

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

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

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

College Savings Plan

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

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

Endowed Chairs

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

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

Regents Endowment Allocations	
Fiscal Year Allocated	Amount
	\$ millions
FY-2000	11.0
FY-2001 (including supplemental)	20.0
FY-2002	11.0
FY-2003	<u>9.5</u>
	51.5
Source: Regents & OSF appropriations summaries	

Currently, private donations are matched with state appropriations on a one to one basis. This program is doing so well that it is generating private donations faster than available state funds can match them. Regents' data indicates that more than \$44 million of private donations are unmatched. In the current budget situation, alternative sources of funding will have to be identified to fund the State's share of the match in this important program.

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

OneNet

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

The system currently provides a border-to-border system which includes all public colleges and universities and about 80% of the public schools.

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

OneNet Funding
FY-2003

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

*This is after budget shortfall reduction. Original was \$4,221,280.

Source: Regents 10/23/2002

FY-2004 Appropriation Recommendation

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

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

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

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

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

Career and Technology Education

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

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

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

Comprehensive Schools

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

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

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

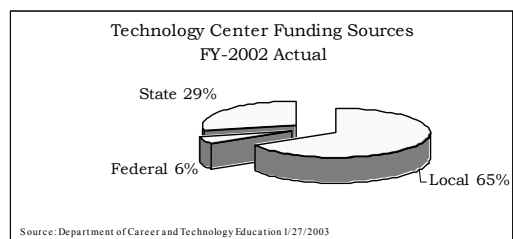
Comprehensive High Schools Program Information FY-2003 Estimated					
	Total Students	Student FTE*	Total Cost	Avg. Cost per Student	Avg. Cost per FTE
Agricultural Education	24,426	25,129	\$ 6,099,210	\$ 250	\$ 243
Business and Information Technology	14,162	13,960	1,200,137	85	86
Family and Consumer Sciences	36,201	29,653	2,703,540	75	91
Health Occupations Education	761	673	56,435	74	84
Marketing Education	4,147	4,700	356,530	86	76
Technology Education	23,211	15,686	1,777,475	77	113
Trade & Industry Education	5,685	6,809	639,015	112	94
Total	108,593	96,610	\$ 12,832,342	\$ 118	\$ 133

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

Technology Centers

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

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

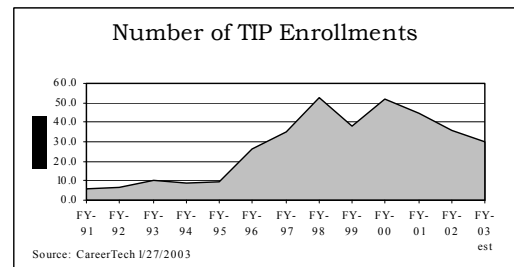


Business and Industry Training

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

Training for Industry Program (TIP)

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



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

Existing Industry Training

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

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

Skills Centers

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

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

CareerTech Skills Centers Students Served FY-2002	
State prisons	1,294
Private prisons	241
Juvenile centers	106
Community corrections	<u>384</u>
Total	2,025
Source: CareerTech 1/27/2003	

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

FY-2004 Appropriation Recommendation

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

FY-2003 supplementals

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

FY-2004 appropriations

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

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

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

Arts Council

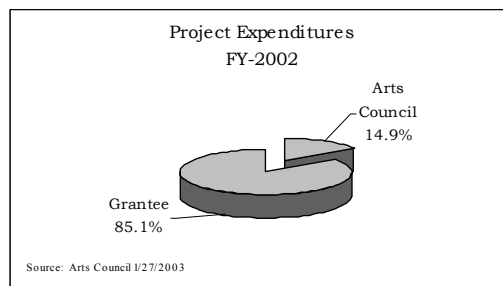
The Arts Council's mission is to nurture and support a thriving arts environment which is essential to the quality of life of all Oklahomans. It provides assistance for arts activities statewide. Funding is provided by the National Endowment for the Arts and the State of Oklahoma.

The Arts Council is primarily a grant making entity.

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

Source: Arts Council 1/27/2003

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



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

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

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

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

FY-2004 Appropriation Recommendation

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

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

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

Oklahoma Educational Television Authority (OETA)

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

extending service to the remainder of the state.

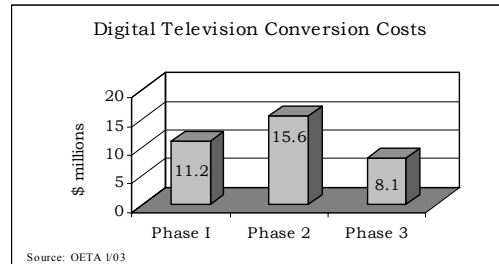
Conversion to Digital Transmission

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

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

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

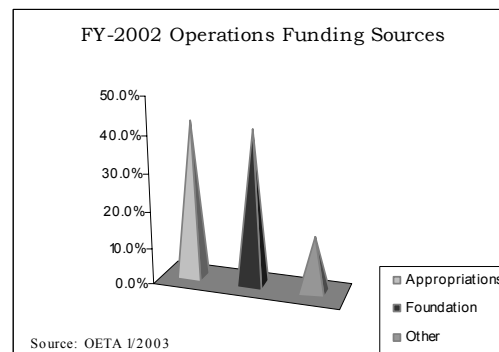
The final phase deals with the conversion of translators in the areas outside the range of the four full service transmitters. The FCC regulations governing this phase have not been determined; so the cost is estimated.



Operations Funding

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

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



OETA Foundation

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

FY-2004 Appropriation Recommendation

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

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

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

Oklahoma Department of Libraries

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

Through a combination of traditional print and online web services, the Department of Libraries provides convenient public access to state publications and information. It also retains state records of temporary and permanent value. Information resources are preserved for future generations. The department also publishes Oklahoma's official bluebook of state government information, the *Oklahoma Almanac*.

Legal and reference services

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

information in both print and electronic formats.

Services to local libraries

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

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

Literacy program

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

- Providing services through grants
- Coordinating publicity, training, and development efforts
- Cooperating with other agencies and the private sector in the development of literacy projects

The literacy resource office works through local libraries using staff and volunteers to work with both children and adults.

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

Source: Dept. of Libraries 1/27/2003

Children's summer reading program

The summer reading program is another major impetus which impacts the literacy rate. The program keeps multitudes of Oklahoma children reading during their vacation months. The centralized coordination of the program also saves local libraries tax dollars while providing quality materials and programs that would not otherwise be available to many children.

The number of children participating in the summer reading program has dramatically increased in the last few years.

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

Source: Department of Libraries 1/27/2003

FY-2004 Appropriation Recommendation

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

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

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

Board of Private Vocational Schools

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

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

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

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

FY-2004 Appropriation Recommendation

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

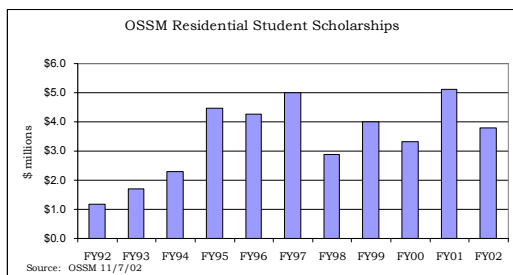
Oklahoma School of Science and Mathematics (OSSM)

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

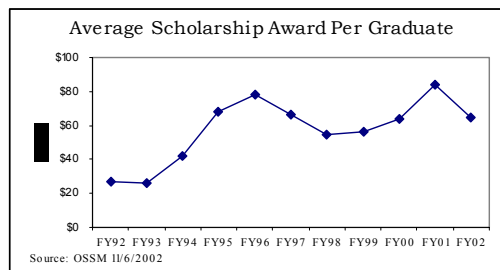
- To foster the educational development of Oklahoma high school students who are academically talented in science
- To assist in the improvement of science and mathematics education for the state

Residential High School

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



The scholarship awards per graduate are also impressive.



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

Comparison Cost per OSSM Residential Student FY-1999 to FY-2002				
	<u>FY-1999</u>	<u>FY-2000</u>	<u>FY-2001</u>	<u>FY-2002</u>
Educational Cost	15,202.95	15,641.67	18,022.40	21,784.01
Residential Cost	<u>4,728.87</u>	<u>5,065.78</u>	<u>6,232.30</u>	<u>6,640.57</u>
	<u>19,931.82</u>	<u>20,707.45</u>	<u>24,254.70</u>	<u>28,424.58</u>

Source: OSSM, 11/6/2002

Of the 655 OSSM graduates, 331 have or are attending in-state higher education institutions.

Regional Centers

OSSM also operates regional centers for other students talented in science and mathematics. The regional centers serve students in their local areas.

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

FY-2004 Appropriation Recommendation

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

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

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

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

Oklahoma Commission for Teacher Preparation

The Commission serves as an independent standards board for teacher education. This competency based system of teacher preparation includes an evaluation of teacher education programs, a teacher assessment system and professional development institutes.

Accreditation of Teacher Education Programs

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

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

Teacher Assessment

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

Professional Development Institutes

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

The No Child Left Behind Act of 2001

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

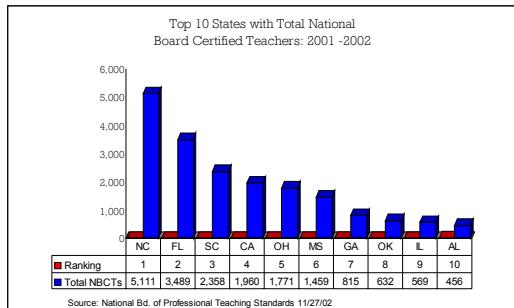
The NCLB act requires all literacy training to be scientifically based. The current Oklahoma program requires only minor changes to meet the federal requirements. Oklahoma is required to maintain its current expenditure level on professional development. The NCLB act provides federal funding for expansion.

Education Leadership Oklahoma

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

candidates to pay for the testing program and preparation costs.

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



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

FY-2004 Appropriation Recommendation

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

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

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

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

Oklahoma Corporation Commission

The mission of the Oklahoma Corporation Commission is to regulate and enforce laws and supervise activities associated with the exploration and production of oil and gas; public utilities; the safety aspects of motor carrier, rail and pipeline transportation; and the storage and dispensing of petroleum-based fuels.

The Commission oversees the conservation of natural resources to avoid waste and protect the environment.

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

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

Oil and Gas Conservation Program

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

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

operations and production pipeline operations.

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

The Technical Services department is the official repository and point of access for all information on all oil and gas wells and related activity in Oklahoma.

The Pollution Abatement department protects the surface, surface waters, and ground waters of the state from pollution attributed to oil and gas activities. If pollution occurs, this department oversees the remediation efforts.

The department also administers the Federal Underground Injection Control Class II program mandated under the Federal Safe Drinking Water Act and the Commission's portion of the federally mandated Clean Water Act.

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

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

Source: Corporation Commission

Petroleum Storage Tank Division

The Petroleum Storage Tank Division is responsible for state and federal regulations regarding the storage, quality and delivery of refined petroleum products.

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

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

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

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

Public Utility Division

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

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

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

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

Transportation Division

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

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

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

Source: Corporation Commission

Data Processing Division-Web

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

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

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

Office of Administrative Proceedings

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

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

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

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

Source: Corporation Commission

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

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

Liquefied Petroleum Gas Board

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

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

Inspectors for the LPG Board check and certify the compliance of LPG transportation and piping systems, storage containers, dispensing stations, apparatus or appliances. Agency inspectors also conduct safety seminars for permit holders. The LPG Administrator issues all permits, administrative penalties and collects all fees. Other responsibilities include investigating fires, explosions and possible violations of safety rules and standards.

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

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

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

Department of Mines

The Oklahoma Department of Mines is the regulatory authority for surface and sub-surface mining in Oklahoma. They are empowered to implement and enforce state and federally mandated programs in health, safety, mining and land reclamation practices.

The agency issues mining permits and performs inspections of all mining and mining-related land reclamation activities in the state.

Oklahoma Miner Training Institute

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

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

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

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

Source: Department of Mines

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

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

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

Source: Department of Mines

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

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

Department of Environmental Quality

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

- Air Quality
- Water Quality
- Land Protection

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

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

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

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

Department of Environmental Quality Penalty Information

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

Source: Department of Environmental Quality

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

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

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

Areas Exceeding or in Danger of Exceeding Federal Standards	
Already Exceeded	In Danger of Exceeding
Tulsa	Oklahoma City
	Lawton
	Talequah
Source: Department of Environmental Quality	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Department of Environmental Quality Lab Activity

	FY-2000	FY-2001	FY-2002	FY-2003 Est.
Private Citizens	536	663	600	600
Public Water Supply-Chemical	8,053	8,521	10,250	14,500
Public Water Supply-Bacteriological	30,857	30,494	27,500	27,500
Hazardous Waste	456	458	500	500
Oklahoma Water Resources Board	2,727	2,913	4,000	4,000
Other Contractual	503	471	450	450
Totals	43,122	43,510	43,300	47,550

Source: Department of Environmental Quality

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

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

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

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

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

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

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

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

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

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

For example, a commercial property in the OKC metro area targeted for redevelopment was found to be contaminated with hydraulic oil. By entering the voluntary program, the developer was able to remediate the site and is now in the process of constructing a new commercial venture.

Voluntary Clean-Up/Brownfields Program Sites Since 1999

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

Source: Department of Environmental Quality

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

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

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

Source: Department of Environmental Quality

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

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

Oklahoma Water Resources Board (OWRB)

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

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

The Board sets water quality standards and classifies Oklahoma waters with respect to their best use. OWRB employees conduct scientific studies and surveys which analyze the physical, chemical and biological parameters of our water. They also work closely with the Oklahoma Attorney General, the United States Environmental Protection Agency and other environmental agencies regarding water management issues and litigation.

The OWRB also coordinates:

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

Infrastructure Funding for Municipalities and Local Districts

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

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

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

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

OWRB also administers two grant programs:

- REAP Grant Program
- Emergency Grant Program

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

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

FY	Clean Water SRF		Drinking Water SRF		Bond Series	
	No.	Loans	No.	Loans	No.	Loans
Total through FY-1992	7	\$41,318,205	0	0	94	\$89,860,000
FY-1993	6	24,328,029	0	0	24	40,030,000
FY-1994	8	48,461,967	0	0	20	25,305,000
FY-1995	5	7,666,795	0	0	11	23,580,000
FY-1996	14	47,351,108	0	0	14	26,150,000
FY-1997	16	45,247,014	0	0	16	29,865,000
FY-1998	16	43,652,545	1	4,177,000	21	39,840,000
FY-1999	10	37,406,521	2	5,576,675	7	22,795,000
FY-2000	11	36,211,099	6	19,668,280	8	12,375,000
FY-2001	19	54,260,185	8	18,631,300	21	55,350,000
FY-2002	16	56,976,155	6	25,803,178	23	39,425,000
Through 12/31/2002	<u>11</u>	<u>19,637,687</u>	<u>5</u>	<u>7,083,740</u>	<u>16</u>	<u>32,005,000</u>
Total	139	\$462,517,310	28	\$80,940,174	275	436,580,000

FY	Emergency Grants		REAP Program		Totals	
	No.	Grants	No.	Grants	No.	Total Amount
Total through FY-1992	268	\$16,139,935	0	0	369	\$147,318,140
FY-1993	32	1,168,039	0	0	62	65,526,068
FY-1994	23	950,375	0	0	51	74,717,342
FY-1995	27	1,143,282	0	0	43	32,390,077
FY-1996	28	1,735,723	0	0	56	75,236,831
FY-1997	16	766,882	47	3,018,311	95	78,897,207
FY-1998	13	966,731	52	4,364,526	103	93,000,802
FY-1999	28	2,006,925	60	5,190,630	107	72,975,751
FY-2000	16	1,127,471	73	6,366,648	114	75,748,498
FY-2001	21	1,553,487	54	4,835,947	123	134,630,919
FY-2002	17	1,100,820	45	4,233,643	107	127,538,796
Through 12/31/2002	<u>4</u>	<u>157,335</u>	<u>20</u>	<u>1,839,147</u>	<u>56</u>	<u>60,722,909</u>
Total	493	\$28,817,005	351	\$29,848,852	1,286	\$1,038,703,340

Source: OWRB

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

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

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

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

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

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

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

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

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

	Rainy Day Fund	REAP Water Projects Fd.	Total Funding
FY-1999	\$1,000,000		
FY-2000	1,000,000		
FY-2001		1,269,912	
FY-2002		1,122,389	
FY-2003		1,100,000	
FY-2004		1,200,000	
Total	\$2,000,000	\$4,692,301	\$6,692,301

Budget Recommendation A total of \$1.2 million for FY-2004 is being recommended from the REAP fund for BUMP which will allow the OWRB to continue monitoring the ambient water quality of surface and groundwater and continue necessary biological and groundwater testing.

In addition, the agency will absorb an additional appropriation cut to administrative services of 3.5% or \$50,000.

