

State of Oklahoma

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Fiscal Year '02



Budget Review

Senator Enoch Kelly Haney
Appropriations Chair

Senator Stratton Taylor
President Pro Tempore

Senator Cal Hobson
Appropriations Vice Chair

OVERALL APPROPRIATION

The budget adopted for Fiscal Year 2002 (FY'02) is \$5.6 billion, 4.3% more than the FY'01 budget (calculated with supplemental and Rainy Day Fund appropriations).

Of the \$232.6 million increase in the state's appropriated budget, about \$200 million was derived from revenue collected from gross production taxes on natural gas.

GENERAL APPROPRIATIONS BILL

The General Appropriations (GA) Bill, HB 1564, was enacted March 26 and provided \$4.999 billion for base appropriations for 46 of 82 state agencies supported by state appropriations. The GA bill also provided supplemental appropriations of \$97.4 million for 23 agencies (see "Supplemental Appropriations"). The Governor vetoed base funding for 36 agencies totaling \$285.7 million. To arrive at GA bill funding levels, the Legislature removed all one-time expenditures and one-time funding sources, then added the following:

- ◆ Annualization of the \$2,000 state employee pay increase that was effective October 1, 2000 (\$13.3 million);
- ◆ Annualization of the 2001 Healthcare Initiative (\$14.7 million);
- ◆ Payments for Phase I of the Statewide Bond Issue Obligation (\$15.8 million);
- ◆ Payments to restore losses in federal funds for specific programs at the Department of Human Services, the Oklahoma Health Care Authority and the Department of Mental Health and Substance Abuse Services (\$11.1 million)
- ◆ Annualization of FY'01 Supplementals for 5 agencies (\$23.8 million)

All additional funding decisions, including replacement of base funding for the 36 agencies whose budgets were vetoed from the GA bill, were made by the General Conference Committee on Appropriations (GCCA).

Comparison of Funding for Major Program Areas FY'01-FY'02 (in millions)

	<u>FY'01</u>	<u>FY'02</u>	<u>Change</u>	
	<u>Approp.</u>	<u>Approp.</u>	<u>\$</u>	<u>%</u>
Education	2,988.2	3,082.9	94.7	3.2
Gen. Gov./Trans.	483.2	495.7	12.4	2.6
Health/Soc. Serv.	653.4	714.3	61.0	9.3
Human Services	519.9	553.6	33.6	6.5
Natural Resources	124.9	126.4	1.5	1.2
Public Safety	602.6	612.6	10.1	1.7
Capitol Imp. Auth.	11.6	0.0	-11.6	-100.0
Gov. Emerg. Fund	1.0	10.1	9.1	910.0
REAP	15.5	15.5	0.0	0.0
Total	5,400.4	5,610.7	210.3	3.9

FY'01 SUPPLEMENTAL FUNDING

The Legislature approved HB 1564, HB 1557 and HB 1567 to provide for the following FY'01 supplemental funds:

- ◆ \$10.1 million was appropriated to the following agencies for bond sinking fund obligations related to the 1998 Phase I Statewide Bond Issue:
 - § Higher Education - \$2.8 million
 - § Oklahoma School for Science and Math - \$141,193
 - § State Department of Career and Technology Education - \$715,334
 - § Department of Central Services (DCS) - \$1 million
 - § Office of State Finance - \$163,067
 - § Department of Rehabilitation Services - \$714,190
 - § J.D. McCarty Center - 544,900
 - § University Hospitals Authority (UHA) - \$192,564
 - § Department of Veterans Affairs - \$634,836
 - § Oklahoma Department of Agriculture (ODA) - \$520,563
 - § Native American Cultural and Educational Authority - \$254,369
 - § Oklahoma Tourism and Recreation Department (OTRD) - \$185,160
 - § Oklahoma Historical Society - \$1,692,895
 - § Supreme Court - \$529,030
- ◆ \$10 million for the State Department of Education to implement the School District Utility Assistance Program;
- ◆ \$420,000 to the State Department of Education for stipends required by law for teachers attaining National Board Certification;
- ◆ \$6.7 million for OETA to complete digital conversion as required by the federal government (**VETOED**);
- ◆ \$9 million for endowed chairs through the State Regents for Higher Education;
- ◆ \$5 million for Higher Education to implement the Higher Education Utility Assistance Program;
- ◆ \$2.5 million for the State Board of Career and Technology Education for the Training and Industry Program (TIP);
- ◆ \$500,000 to the State Board of Career and Technology Education for heating assistance;
- ◆ \$5.5 million to DCS for the State Agency Utility Assistance Program (**VETOED**);
- ◆ \$4 million to the Oklahoma Military Department for the replacement of armory roofs (**VETOED**);
- ◆ \$4.8 million to DHS for the Low Income Home Energy Assistance Program (LIHEAP);
- ◆ \$20.9 million to OHCA for the increase in utilization and cost of the Medicaid program;
- ◆ \$980,000 to the Department of Mental Health and Substance Abuse Services (DMHSAS) to be used for medical costs associated with Griffin Memorial Hospital (see Mental Health Section);
- ◆ 241,000 to the DMHSAS for residential care homes, enhanced residential care homes and substance abuse prevention programs;
- ◆ \$3.25 million to UHA to fund Graduate Medical Education;
- ◆ \$200,000 to the Oklahoma State Department of Health to hire 17 additional nursing home inspectors;
- ◆ \$2 million to ODA for rural fire operational grants;
- ◆ \$500,000 to ODA to repay the federal government for fire suppression support and equipment;
- ◆ \$75,000 to ODA for fire ant research (**VETOED**);
- ◆ \$158,000 to Conservation Commission to pay a legal judgement against the Lincoln County Conservation District;
- ◆ \$106,710 to the Centennial Commission for operations and duties;
- ◆ \$1,779,500 to OTRD for ice storm damage and recovery at state parks;

- ◆ \$350,000 to the Oklahoma Water Resources Board for weather modification (**VETOED**);
- ◆ \$7 million to the Department of Corrections (DOC), enacted April 17, 2001, for increased cost of contracted beds;
- ◆ \$11.0 million to DOC, enacted May 9, 2001. Of the total, \$9.2 million was for increased cost of contracted prison beds and \$1.8 was for state facility operating shortfalls; and
- ◆ \$7.5 million to DOC for operating shortfalls, passed by the Legislature May 23, 2001. (HB 1557)

RAINY DAY FUND

The Legislature appropriated \$78,771,287 from the Rainy Day Fund for emergency, non-recurring needs of the state. The Legislature approved the following expenditures:

- ◆ Debt service payments for Phase I and II of the state ROADS program (\$57.2 million);
- ◆ State match for federal disaster funds and other disaster-related payments (\$10.1 million);
- ◆ Development of the personnel and accounting system by the Office of State Finance (\$5.04 million);
- ◆ Repair, ADA accessibility upgrades, and renovations to the Jim Thorpe State Office Building (\$981,287);
- ◆ Comprehensive health and mental health diagnostic and prevention services for children served by the Child Study Center (\$250,000);
- ◆ Construction of the University of Oklahoma Weather Center (\$2.7 million); and
- ◆ Capital funding associated with the Oklahoma State University/ Tulsa Campus (\$2.5 million).

COMMON EDUCATION (K-12)

The Legislature provided \$10 million in supplemental funding to reimburse school districts for heating costs incurred during the months of November through February of FY'01. Due to the high cost of natural gas during FY'01 many school districts experienced budget shortages during the 2000-2001 winter. In some cases school districts'

heating bills were more than five times higher than average in FY'01. (HB1564)

\$420,000 was provided in supplemental funding to ensure all teachers attaining National Board Certification (NBC) received the \$5,000 annual stipend required by law. As of FY'01, Oklahoma has 273 NBC teachers, the seventh highest number in the country. (HB1564)

\$63.5 million was appropriated to Common Education for FY'02, an increase of 3.2%. The top three Legislative priorities for common education were textbooks, health insurance, and retirement costs: (HB 1505)

- ◆ The Legislature provided over \$13.7 million to increase the per-student allocation for textbooks from \$32 to \$55. This amount was requested by the State Department of Education to meet the increasing costs of textbooks.
- ◆ \$14.1 million was provided to meet the increasing cost of health insurance to certified and support personnel at school districts. Effective July 1, 2001, health insurance premiums for the HealthChoice high option will increase from \$198.42/month to \$211.24/month. The new funds will allow districts to pay 33% (\$69.70/month) of the cost of health insurance for certified personnel, up from 29% (\$57.83/month) in FY'01; and 89% (\$189.69/month) for support personnel, up from 85% (\$170.24/month) in FY'01.
- ◆ The Legislature appropriated \$30.9 million to meet the full cost of the teachers retirement increase for FY'02 and meet a portion of the increase incurred during FY'01. During the 1998 session, the Legislature passed a bill requiring an increase in the employers' contribution to the teacher's retirement system beginning with FY'01. For FY'02 the employers' contribution will increase from 5.8% to 6.8%.

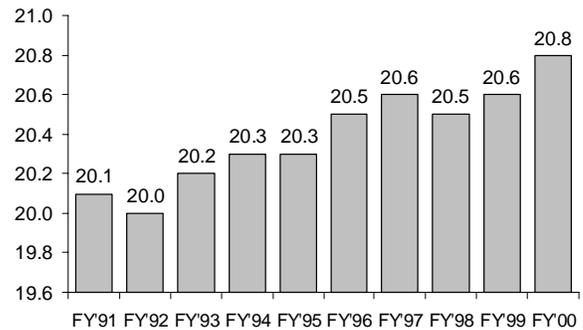
Oklahoma's landmark education reform bill, HB 1017, enacted in 1990, provided for a five-year plan to increase funding for schools by more than \$560 million. Since passage of HB 1017, Oklahoma has made significant progress in improving the quality of education in Oklahoma. Two measures of success are the increase in the number of seniors taking the American College Test (ACT) and the increase in the state's average ACT score. The table below reflects Oklahoma's improvement in these measures over the past 10 years.

While the national average has increased from 20.8 to 21, an increase of 0.2 since 1994, Oklahoma has

experienced a growth rate twice that with a 0.5 increase in average scores.

In FY'00 71% of the graduates in Oklahoma took the ACT.

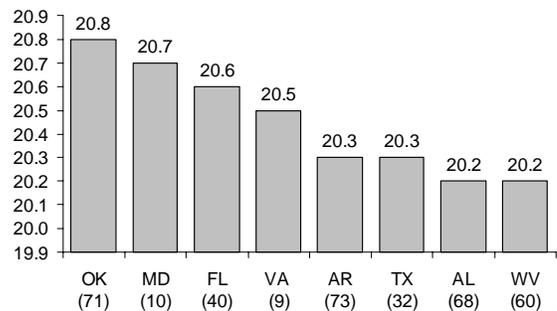
**Oklahoma ACT Scores
1991 - 2000**



Of the 15 SREB states, Oklahoma's ACT score was the highest in the region.

Note: The number in parentheses represents the percentage of graduates taking the ACT in the state.

**ACT Scores for Oklahoma and SREB States
2000**



(Source: 2000 ACT National and State Scores)

The Legislature also appropriated additional state funds for the following programs: (HB 1505)

- ◆ \$811,000 to fully fund the cost of providing 200 scholarships to teachers seeking NBC status and the \$5,000 annual stipend to an additional 90 teachers in FY'02;
- ◆ \$640,584 to continue the development and implementation of the Virtual Internet School In Oklahoma Network (VISION);
- ◆ \$497,500 for the Office of Accountability to establish a school performance audit bidding process authorized by HB 1601. The bill provides for performance audits for districts that exceed the administrative expenditure cap established in law, or districts that are interested in performing an audit;

- ◆ \$313,000 to implement a writing test portion for the End-of-Instruction English II exam (SB 810); and
- ◆ \$1.3 million to implement a staff development program that emphasizes differences in students' learning styles.

The Legislature also re-appropriated state funds from FY'01 for FY'02 to provide the following increases in these programs:

- ◆ \$125,000 for the Great Expectations program. With this re-appropriation the total budget for this program will be \$875,000, a 16% increase over FY'01;
- ◆ \$200,000 to increase the professional development program for teaching geography; and
- ◆ \$823,198 to continue the development and implementation of the Virtual Internet School in Oklahoma Network (VISION).

HIGHER EDUCATION

Higher education received more than \$16.8 million in supplemental funding for FY'01. Of this amount: (HB 1564)

- ◆ \$9.0 million was directed for the endowed chairs program, which matches every private dollar raised with a state dollar to attract nationally recognized researchers and professors from across the country to Oklahoma higher education institutions. With over 355 slots awarded and \$111.4 million in endowment funds, this program has been extremely successful since its inception in 1988. The State Regents for Higher Education currently have more than \$35.8 million in private funds waiting for matching state funds to establish another 107 slots.
- ◆ \$5.0 million was provided to decrease the burden of high natural gas costs from November to February of FY'01.
- ◆ \$2.8 million was provided to ensure institutions met debt-service obligations associated with the Phase I bond projects for FY'01, and \$4.3 was provided in the FY'02 base for future obligations.

The Legislature provided an additional \$34.0 million to higher education for FY'02, an increase of 4.8% from the FY'01 original appropriation. Of the total, \$31.2 million is for general operations (increasing costs of teachers retirement, health insurance, and

utilities) and \$500,000 was intended for the Cooperative Extension Service. (SB 239)

Of the \$34.0 million, the Legislature stated its intent that an additional \$2.4 million was to be used for the following grant and scholarship programs: (SB 239)

- ◆ \$1.1 million to expand the number of people eligible to receive an Oklahoma Tuition Aid Grant (OTAG). Currently the program serves more than 22,000 students. The funding will provide additional grants for about 1,375 new students;
- ◆ \$500,000 to meet financial obligations under the Oklahoma Higher Learning Access Program (OHLAP). This program provides free tuition to students in families who earn less than \$55,000/year and take a college preparatory curriculum during high school;
- ◆ \$400,000 for the Academic Scholars program, which is available to students who 1.) score among the top 0.5% of Oklahoma students on the ACT or SAT, 2.) receive one of three official national designations, or 3.) are nominated by a higher education institution;
- ◆ \$300,000 for the National Guard Tuition program, which provides an award amount equal to cost of resident tuition to members of the Army or Air National Guard who are pursuing an associate or baccalaureate degree at a state system institution.

SB 596 gives the State Regents for Higher Education authority to increase tuition over the next five years by 7% annually for resident tuition and 9% annually for non-resident tuition. This action is the first time since the early 1980s that the Legislature granted State Regents authority to raise tuition in future years.

Per Credit Hour Tuition Comparison for Higher Education Institutions in the Big 12

Institution	Resident	Non-Resident
University of Missouri	\$136.80	\$409.10
Iowa State University	\$122.00	\$407.00
University of Colorado	\$116.00	\$677.00
University of Nebraska	\$92.00	\$250.50
University of Texas	\$80.00	\$295.00
Texas Tech University	\$80.00	\$295.00
Texas A&M University	\$80.00	\$295.00
University of Kansas	\$75.55	\$301.15
Kansas State University	\$69.75	\$289.75
University of Oklahoma	\$63.00	\$208.00
Oklahoma State University	\$63.00	\$208.00

Currently tuition at Oklahoma's two comprehensive universities, the University of Oklahoma and Oklahoma State University, is ranked the lowest among Big 12 institutions.

Current and Proposed Tuition Rates for Oklahoma Higher Education Institutions

Resident Tuition Rates	Current	Proposed
<u>Lower Division</u>		
Comprehensive Universities	\$61.00	\$65.27
Regional Universities	\$49.00	\$52.43
Two-year Colleges	\$31.50	\$33.71
<u>Upper Division</u>		
Comprehensive Universities	\$65.00	\$69.55
Regional Universities	\$50.00	\$53.50
<u>Graduate Division</u>		
Comprehensive Universities	\$86.00	\$92.02
Regional Universities	\$66.00	\$70.62
Non-Resident Tuition Rates		
<u>Lower Division</u>		
Comprehensive Universities	\$136.00	\$148.24
Regional Universities	\$84.00	\$91.56
Two-year Colleges	\$67.50	\$73.58
<u>Upper Division</u>		
Comprehensive Universities	\$153.00	\$166.77
Regional Universities	\$93.00	\$101.37
<u>Graduate Division</u>		
Comprehensive Universities	\$188.50	\$205.47
Regional Universities	\$109.00	\$118.81

It is anticipated that tuition rates will be increased for the 2001-2002 school year for all colleges and universities but not necessarily for following years. An additional \$15.4 million in revenue will be generated for colleges and institutions across the state system during the 2001-2002 school year. To allay concerns regarding increased tuition rates, the Legislature provided an additional \$1.1 million to the Oklahoma Tuition Aid Grant (OTAG) program to provide financial aid to more than 1,375 new students. Currently more than 50% of students in the higher education system receive some form of financial aid.

HB 1896 allows an income tax deduction for contributions to a college savings plan, limited to \$2,500 per tax year. This legislation is estimated to impact income tax revenues by \$690,000 beginning in FY'03.

CAREER & TECHNOLOGY EDUCATION

The Legislature provided an additional \$5.1 million in supplemental funds to the Department of Career and Technology Education for FY'01. Of this amount, \$2.5 million was appropriated to the Training in Industry Program, which provides customized training to industries expanding their workforce in Oklahoma. Another \$500,000 was provided to cover costs of increased heating bills. \$700,000 was provided to ensure centers met debt-service obligations associated with the Phase I bond

projects for FY'01, and \$1.2 million was provided in the FY'02 base for future obligations. (HB1564)

For FY'02, the Legislature provided more than \$2.5 million to meet the increased employer contribution cost of teachers retirement, \$1.7 million to increase funding for programs in the career and technology system, and over \$1 million to meet the increased cost of health insurance and central administration costs. The total appropriation increase was \$5.3 million or 5.5% more than the original FY'01 appropriation. (HB1505).

HEALTH CARE AUTHORITY

The Oklahoma Health Care Authority (OHCA) received a supplemental appropriation of \$20,928,370 in April 2001 (HB 1564). The funding was provided for the following purposes:

- ◆ Enrollment in the SoonerCare program increased from 249,094 in June 2000 to 267,035 in March 2001. This was an average increase of 1,993 individuals per month. The SoonerCare portion of the supplemental totaled \$5,916,663.
- ◆ Inpatient and outpatient hospital expenditures increased throughout FY'01. The increases were attributable mainly to growth in enrollment and an increase in cost of Medicare crossover claims. The hospital portion of the supplemental totaled \$7,093,229.
- ◆ Prescription drug costs for the fee-for-service population were over budget. The cost overruns were attributable to three factors: the number of drugs used per month per recipient increased by 4%, the average cost per drug increased 5.4%, and the number of recipients requiring medication increased 5.1%. The prescription drug portion of the supplemental totaled \$7,918,477.

HB 1564 annualized the agency's supplemental appropriation. It also provided \$6,559,941 to annualize the 2001 Health Care Initiative, which increased rates for historically underfunded Medicaid providers. HB 1564 also appropriated \$8,757,769 to cover the decrease in the state's federal medical assistance percentage (FMAP). This percentage varies by state in inverse relation to a state's per capita income. Oklahoma's per capita income increased, causing the federal FY'02 FMAP to decrease from 71.24% to 70.43%

\$520,385 was appropriated for the Medicaid program's share of increased Medicare premiums, deductibles and co-pays for low-income seniors and disabled persons. (HB 1518)

\$7,955,111 was provided for anticipated increases in costs of the prescription drug program. OHCA estimates that the overall cost of drugs will increase by 9.6% during FY'02, the number of enrollees will increase by 2.3% and the total number of prescriptions will increase by 6.5%. (HB 1518)

\$6,375,772 was appropriated for provider rate increases. The funds will be used to increase physician and hospital rates in the fee-for-service and SoonerCare populations by 3%. (HB 1518)

\$810,019 was appropriated to fund a TEFRA 134 (Katie Beckett) Amendment. The TEFRA 134 Amendment will allow the state to undertake a categorical expansion of Medicaid eligibility for children under 19 years of age. It applies to children who: 1) are not presently eligible for Medicaid due to "excess" income/resources of the family; and 2) would be Medicaid eligible if their family chose to have them institutionalized. (HB 1518)

PUBLIC HEALTH

As part of the 2001 Health Care Initiative, the State Department of Health (OSDH) was directed to initiate a comprehensive tobacco prevention and cessation program. The Legislature directed \$1,750,000 in funding toward this purpose for FY'02 (HB 1518, HB 1570).

The Legislature passed an allied health pay raise targeted at groups with high turnover at several agencies, including OSDH, Department of Veterans Affairs and the J.D. McCarty Center for Developmentally Disabled Children. The raises were targeted at Registered Nurses, Licensed Practical Nurses and Nurse Managers. Patient Care Assistants also received a pay increase. (HB 1546, HB 1518)

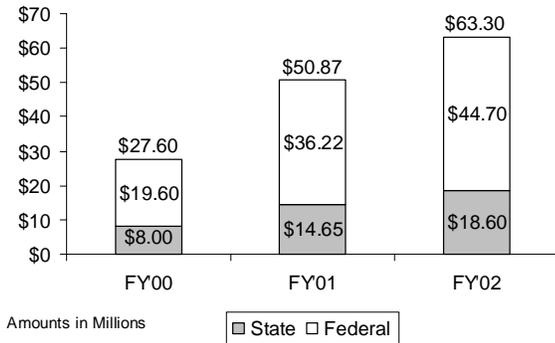
GRADUATE MEDICAL EDUCATION

Two bills were enacted providing a total of \$15.25 million for graduate medical education programs. (HB 1518, HB 1564)

Since June 1, 1999, the Oklahoma Health Care Authority has provided qualified teaching hospitals supplemental payment adjustments for direct medical education (DME) expenses. DME payments are distributed to about 15 teaching hospitals based on the number of resident-months at each participating hospital. The funds are made available by matching state dollars appropriated to

the University Hospitals Authority with federal funds.

Direct Medical Education Funding History



Hillcrest Hospital System, or HHS, (Hillcrest Hospital and Tulsa Regional Hospital) asked the Legislature in November 2000 for funds to offset the costs associated with their graduate medical education program. HHS is the second largest teaching system in the state. Tulsa Regional is the only training facility available for 105 Oklahoma State University residents from its School of Osteopathic Medicine. Hillcrest Hospital has residency positions for approximately 60 University of Oklahoma students. HHS claimed the costs associated with these programs were forcing them into bankruptcy. HHS maintained that without \$10 million by the end of FY'01 and an additional \$20 million for FY'02, it would be forced to eliminate these programs and close Tulsa Regional Hospital. HHS also maintained it would be forced to cancel its managed care contracts with more than 35,000 Medicaid enrollees. Without these contracts, the survival of managed care in the city of Tulsa was threatened. After six months of negotiations, the Legislature agreed to fund a portion of Hillcrest's requests through DME funding. Two FY'01 supplemental payments totaling \$5.65 million generated \$13.7 million in federal matching money. The total of \$19.3 million was divided among the state's teaching hospitals through the regular distribution formula. Of those funds, HHS received approximately \$8.7 million (of \$10 million requested) in new funding. The Legislature also increased the FY'02 base appropriation for DME by \$9.6 million, which will generate an additional \$22.8 million in federal funds. Of the \$32.4 million in new FY'02 funding, HHS will receive approximately \$12 million (of \$20 million requested). With the new funding, HHS has agreed to maintain its managed care contracts for the Tulsa Medicaid population, and to continue its teaching missions at both Tulsa Regional and Hillcrest hospitals.

VETERANS

\$300,000 was provided to the Department of Veterans Affairs in HB 1518. This funding will be used to operate a new 52 bed Alzheimer's wing at the Claremore Veterans Center. The new wing is expected to open in November 2001.

The Department of Veterans Affairs received \$1. 4 million in HB 1518 for the allied health pay raise. The money will be used to increase the salaries of 471 Registered Nurses and Licensed Practical Nurses by \$2,100. The Department's 79 Patient Care Assistants will receive a \$1,550 raise as well.

SB 8 exempts the Department of Veterans Affairs and its contractors from sales taxes. The estimated fiscal impact to the General Revenue Fund will be \$78,000.

CHILDREN'S SERVICES

The Department of Human Services received more than \$8 million for the following children's programs: (SB 235)

- ◆ Adoption Subsidy - \$3,292,570
- ◆ Foster Family Care - \$285,067
- ◆ Therapeutic Foster Care - \$148,686
- ◆ Prader Willi Syndrome - \$296,146
- ◆ High-risk Child Abuse Prevention - \$250,000
- ◆ Home and Community-based Waiver (Developmental Disability Services Division, or DDSD, waiver which serves children and adults) - \$4,821,305

The Legislature provided \$167,339 to finish building the Children's Coordinated Data System through the Oklahoma Commission on Children and Youth. The system will provide a one-stop source for all children's services provided and available to a client, as well as providing a comprehensive data base for statistics and analysis. The cooperative effort involves 10 state agencies: (SB 230)

- ◆ Oklahoma Commission on Children and Youth (OCCY)
- ◆ Oklahoma Department of Commerce
- ◆ Department of Human Services (DHS)

- ◆ Department of Health (OSDH)
- ◆ Department of Education
- ◆ Department of Mental Health and Substance Abuse Services (DMHSAS)
- ◆ Office of Juvenile Affairs (OJA)
- ◆ Office of State Finance
- ◆ Department of Rehabilitation Services (DRS)
- ◆ Oklahoma Health Care Authority (OHCA)

A comprehensive Children's Mental Health Initiative was funded with appropriations of more than \$1 million to two agencies. The initiative has 3 key components: (HB 1518)

- ◆ Katie Beckett Waiver - \$810,019 was appropriated to OHCA to fund a TEFRA 134 (Katie Beckett) Amendment. The TEFRA 134 Amendment will allow the state to undertake a categorical expansion of Medicaid eligibility for children under 19 years of age. It applies to children who: 1) are not presently eligible for Medicaid due to "excess" income/resources of the family; and 2) would be Medicaid eligible if their family chose to have them institutionalized.
- ◆ Systems of Care - A comprehensive spectrum of mental health and other support services which are organized into a coordinated network to meet the multiple and changing needs of children and adolescents with serious emotional disturbance and their families. \$196,680 was appropriated to the DMHSAS for both Systems of Care and Centers of Excellence.
- ◆ Centers of Excellence - DMHSAS, along with other agencies, will develop satellite assessment centers in rural communities which will use telemedicine (OneNet) to put professionals with expertise in children's mental health in touch with individuals who are providing children's mental health services.

Through OJA, the Legislature provided an increase of \$181,032 to Community Intervention Centers (CICs) located in Muskogee, Norman, Duncan and Lawton. CICs were established in FY'97 to allow municipalities a suitable facility to place juveniles arrested for misdemeanors until a parent or guardian is able to pick them up. (SB 235, HB 1505, HB 1570)

The Legislature also appropriated \$200,000 to meet the Master Cooperative Agreement between the National Guard Bureau and Oklahoma. The state

share of that contract rose from 30% to 40% for FY'02. Without the additional funding, the Military Department faced a loss of \$1.7 million in federal funding for the Thunderbird Youth Academy, a nationally recognized institute where at-risk teenagers pursue their education within a disciplined (boot camp) atmosphere.

MENTAL HEALTH AND SUBSTANCE ABUSE

On July 1, 2000, Eastern State Hospital, which served individuals with chronic mental illness, was closed. The 2001 Legislature responded to the closing of Eastern State by appropriating \$3 million for community based services. The funds will be used by the seven Community Mental Health Centers (CMHCs) in the Eastern State catchment area. (HB 1518)

The Legislature provided \$1.25 million for mental health services in central Oklahoma. Both the central and eastern regions of Oklahoma have seen an increased demand for services, to the point of crisis according to many advocates. The funds provided will be used by DMHSAS to address this demand. (HB 1518)

\$1,560,000 was appropriated to continue the Programs for Assertive Community Treatment (PACT) teams that began in Tulsa and Oklahoma City during FY'01. PACT teams are best-practice models that provide intensive services to severely mentally-ill individuals that involve visiting the client several times daily to ensure that medications are being taken, basic needs are being met, and clients are functioning in society. (HB 1518)

A comprehensive Children's Mental Health Initiative was funded with appropriations of more than \$1 million to two agencies. (See Children's Services) (HB 1518)

The residential care facility reimbursement rate was raised from \$7.66 per resident per day to \$8.66. These funds are used to provide socialization activities for clients in residential care homes. (HB 1518)

\$1,815,868 was added to the Drug Court Program, which offers subsidized treatment and court administration costs for non-violent, drug-dependent offenders. Through DMHSAS, the new funds provide treatment and operating costs to 23 existing drug courts. Ten more counties may have drug courts come on-line during FY'02. Included in the total new funding is \$815,868 for administration costs incurred by Drug Courts. (HB 1518)

An increase of \$450,000 was appropriated for the 29 existing domestic violence and sexual assault programs throughout the state. This will provide each program with an increase of about \$15,000. For every state dollar currently spent, domestic violence and sexual assault programs contribute an average of \$3 in other resources. In FY'00, services were provided to more than 15,000 individuals, 18% of whom were children. (HB 1518)

The Legislature passed an allied health pay raise targeted at groups with high turn-over at DMHSAS. The funds will provide a raise of \$2,100 for Registered Nurses, Licensed Practical Nurses and Nurse Managers. Also, Patient Care Assistants received an increase of \$1,550. (SB 702 and HB 1518)

The Legislature appropriated supplemental funding of \$980,000 for the renovation of the medical surgical unit at Griffin Memorial Hospital. These facilities have been used for the medical care of Department of Corrections (DOC) inmates for decades. Late in session, legislation was passed that transferred the responsibility of inmate medical care to DOC as of February 1, 2000. DOC plans to contract with Lindsay Hospital for the services previously provided at Griffin Memorial. With this change, \$600,000, of the \$980,000 supplemental appropriation, was transferred from DMHSAS to DOC. Additionally, DMHSAS spends \$1.7 million annually for the care of DOC inmates at Griffin. \$700,000 of these funds were also transferred to DOC to be used in contracting with Lindsay Hospital for services. (HB 1564 and HB 1570)

Supplemental funding of \$241,000 was appropriated to DMHSAS to bring an additional residential care home on-line, to fund an increase in the rate for enhanced residential care services, and for a substance abuse prevention program. (HB 1564)

\$30,000 was appropriated to the Council on Law Enforcement Education and Training to initiate a special program, the "Memphis Model," which trains law enforcement officers to respond to calls involving citizens suffering from severe psychiatric episodes.

HUMAN SERVICES

The Legislature provided \$7,976,297 to annualize the 2001 Health Care Initiative. For DHS, this included annualizing: (SB 235)

- ◆ Rate increases for senior nutrition center programs;
- ◆ Rate increases for providers of home- and community-based services to the elderly and the disabled (ADvantage, Personal Care, and Home and Community-based Waiver);
- ◆ Funding to provide services to DDS clients through the Home- and Community-based Waiver. Many of these people with developmental disabilities have been placed on a waiting list due to lack of funding;
- ◆ Funding to provide home and community-based services (ADvantage Waiver) to disabled adults who were previously ineligible due to lack of cognitive impairment.

DHS received more than \$8 million for the following children's programs: (SB 235)

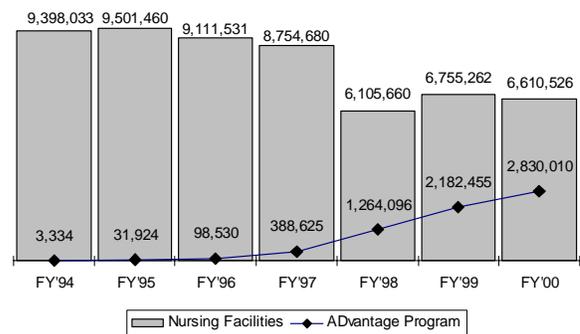
- ◆ Adoption Subsidy - \$3,292,570
- ◆ Foster Family Care - \$285,067

- ◆ Therapeutic Foster Care - \$148,686
- ◆ Prader Willi Syndrome - \$296,146
- ◆ High-risk Child Abuse Prevention - \$250,000
- ◆ Home and Community-based Waiver (DDSD waiver which serves children and adults) - \$4,821,305

During FY'01, DHS was forced to operate with a \$27 million budget "hole". The Legislature provided \$4,664,859 toward the operating shortfall for FY'02. DHS will identify carryover and one-time federal funds to cover the rest of the operations "hole". (SB 235)

The ADvantage and Personal Care Medicaid Waiver programs were provided approximately \$3.5 million to cover the growth in eligible individuals for FY'01 and FY'02. The ADvantage program provides an alternative to nursing home care by providing in-home health care and case management services to seniors who qualify medically for nursing home care under Medicaid and who meet income guidelines. The average annual per-client cost of the ADvantage program is \$11,700 - less than half the \$23,000 cost for nursing home care. The program is funded with 30% state funds and 70% federal funds. (SB 235)

Comparison of Medicaid Days for Nursing Facilities vs. ADvantage Program FY'94 - FY'00



\$500,000 was provided to senior nutrition centers and \$205,716 was provided to the Retired Senior Volunteer Program. These centers provide congregate and home-delivered meals to seniors. Both programs provide transportation services to medical appointments, shopping and other social services. Additionally, these programs are able to provide social interaction, which is critically important to many isolated Oklahoma seniors. (SB 235)

The Legislature passed an allied health pay raise targeted at groups with high turn-over at DHS. The

funds will provide a raise of \$2,100 for Registered Nurses and Licensed Practical Nurses. DHS was given authority to provide a pay increase of \$2,100 to Nurse Managers, but funding was not provided. Also, Direct Care Specialists received a funded increase of \$1,550. (SB 702 , SB 235 and HB 1768)

Nurses, Licensed Practical Nurses and Nurse Managers. (SB 702 and HB 235)

The Legislature appropriated \$4.8 million to DHS for the Low Income Home Energy Assistance Program (LIHEAP). This supplemental funding will help thousands of low-income households pay for the increase in heating costs associated with the rise in natural gas prices. (HB 1564)

JUVENILE JUSTICE

The Legislature provided about \$3.8 million towards an anticipated \$8 million loss in federal Medicaid funds. The Health Care Financing Administration (HCFA) notified OJA that effective February 1, 2001, youth residing in secure institutions, state-operated group homes and the state-operated wilderness camp are not eligible to receive Medicaid for any service, including medical services, because those youth are considered "prisoners" and are therefore ineligible. Also, HCFA and OHCA have found problems with the methodology used by OJA in its cost allocation plan for Targeted Case Management (TCM) services. This resulted in lowering the per-service reimbursement rate, which adds to the anticipated loss of federal funds. OJA will cover a portion of the anticipated loss by delaying capital projects and utilizing carryover. OJA projects that it will need to cut about 50 beds, some administration and a small portion of community services to offset the rest of the loss. (SB 235)

Through OJA, the Legislature provided an increase of \$181,032 to Community Intervention Centers (CICs) located in Muskogee, Norman, Duncan and Lawton. CICs were established in FY'97 to allow municipalities a suitable facility to place juveniles arrested for misdemeanors until a parent or guardian is able to pick them up. (SB 235, HB 1505, HB 1570)

The Legislature provided \$1.6 million towards a \$4,000/year pay increase for Police Officers, Juvenile Specialists and Institutional Program Coordinators within OJA secure facilities. These positions have been identified by OPEA as having extremely high turnover, and these positions are comparable to the DOC correctional officer position. (HB 1546)

The Legislature passed an allied health pay raise targeted at groups with high turnover at OJA. The funds provide a raise of \$2,100 for Registered

CRIMINAL JUSTICE

SB 397, a comprehensive anti-crime package, contains several key revisions to the state's criminal code: (SB 397)

- ◆ Increases to 18 the list of "deadly sins" that require offenders to serve at least 85% of their sentences before eligibility for parole. The seven new crimes added are Murder II, Manslaughter I, Poisoning with intent to kill, Shooting with intent to kill, Assault with intent to kill, Robbery by two or more people, and Robbery I. The new classifications will make Oklahoma eligible for an additional \$4 million in federal funds.
- ◆ Lowers the blood alcohol content for drunk driving from .10 to .08. The change will net Oklahoma an incentive bonus of \$2 million in additional federal highway funds for FY'02 and FY'03.
- ◆ Repeals the "cap law," a statute that allowed for the early release of eligible, non-violent inmates when prisons became too crowded.
- ◆ Raises the felony threshold on bogus checks and most property crimes from \$50 to \$500, bringing Oklahoma more in line with other states' felony limits. The bill also allows courts to require offenders to pay addition restitution of \$25 to victims of bogus checks.
- ◆ Allows courts to require property offenders to pay to crime victims restitution of up to three times the economic loss caused by a crime.
- ◆ Provides for parole consideration of non-violent inmates whose health status makes them no longer a risk to public safety.
- ◆ Allows non-violent inmates to earn extra time credits for good behavior, and for completion of drug-treatment and education programs.

\$1,815,868 was appropriated to more than triple state support for the Drug Court Program. The innovative courts offer intensive supervision, subsidized treatment and court administration costs for non-violent, drug-dependent offenders. Through DMHSAS, the new funds will provide treatment and operating costs to existing courts and help develop new programs during FY'02. Included in the total new funding is \$815,868 for administration costs incurred by Drug Courts. The courts had been supported by an \$850,000 appropriation in FY'01. (HB 1518)

The Legislature appropriated \$725,000 to the Oklahoma Indigent Defense System (OIDS) to provide forensic testing in cases where new technology might help determine innocence or guilt. The new funds will bring to about \$1 million the OIDS budget for re-examining criminal convictions that hinged on out-dated scientific evidence. (HB 1545).

\$530,935 was appropriated to OIDS to bring its attorneys to parity with prosecutors. The funding caps a three-year, \$960,000 initiative to increase public defenders' salaries, which had lagged pay for prosecutors by 26% in 1999.

District attorneys offices were provided increased budgets of more than \$4.6 million to boost prosecutorial efforts:

- ◆ SB 397 provides a \$25 fee increase for every bogus check handled in restitution cases. The fee increase, paid by offenders, is expected to generate more than \$3 million to benefit DA operations. (SB 397)
- ◆ The Legislature provided for about \$1.5 million in increased support of DA offices from the state Crime Victims Compensation Revolving Fund. HB 1547 allows courts to increase assessments against offenders to help support the funding increase. The new funds will allow quicker processing of claims by victims, better services to victims by DA Victim-Witness Coordinators, and increased payments to providers of sexual-assault examinations. (HB 1545, HB 1547, HB 1548)
- ◆ \$100,000 was appropriated to the District Attorneys Council to pay for increased costs of transcripts and expert prosecution witnesses. (HB 1545)

CORRECTIONS

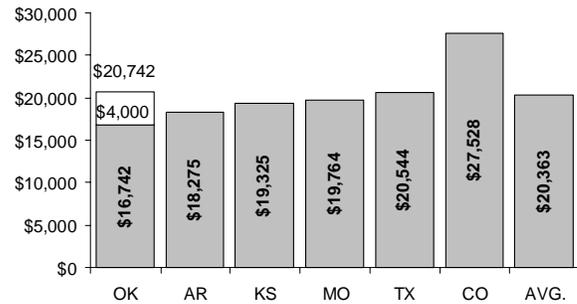
\$17.8 million was appropriated to the Department of Corrections (DOC) to provide pay increases beginning July 1, 2001 to almost all prison-system employees: (HB 1556 and SB 702)

- ◆ Correctional Officers, Probation and Parole Officers, Case Managers, Unit Managers, Correctional Counselors, and Food-service Workers will receive annual salary increases of \$4,000.
- ◆ All other classified DOC employees will receive \$2,000 raises.

- ◆ The salary of the DOC director was authorized to be increased from \$90,000 to \$110,000. The Board of Corrections initiated a national search for a new director upon the announced resignation the current director in March. (HB 1570)

The pay raises would address critical staffing shortages at state prisons caused by DOC's inability to recruit and retain prison workers at existing pay scales. One correctional officer supervises as many as 106 inmates on some shifts, according to DOC.

Comparison of Beginning Salaries for Corrections Officers



\$1.6 million was appropriated to DOC to improve staffing ratios at state prisons during FY'02. The funds would support costs of about 46 new employees. DOC had requested funding to fill about 450 vacant slots. (HB 1556)

Supplemental funding of about \$30.1 million was provided throughout the legislative session to address shortfalls in DOC's FY'01 budget. The agency had requested up to \$34 million. Funding provided: (HB 1564, HB 1567, HB 1557)

- ◆ \$24.3 million for costs of contracted prison beds.
- ◆ \$1.8 million for shortfalls in operating budgets of state-operated prisons caused by increased overtime payments and increased natural gas costs.
- ◆ The Legislature authorized the transfer of \$4.0 million in funds available within DOC's budget to support cost overruns in the inmate medical budget.

The Legislature approved a plan to improve the inmate health care system by allowing DOC to initiate a contract with a community hospital that will provide 21 beds for DOC's use. Provisions of the plan: (HB 1570)

- ◆ The Medical-Surgical Unit at Griffin Memorial Hospital (a Department of Mental Health and Substance Abuse Services facility) will cease to serve DOC inmates on February 1, 2002. Unit employees will continue to serve mental health patients.
- ◆ DMHSAS will transfer \$1.3 million to DOC to help initiate the community hospital contract.

- ◆ The University Hospitals Authority retains responsibility for serving inmates' tertiary-care needs, although doctors and nurses will no longer be required to commute to the Medical-Surgical unit to provide secondary-level care.

In March, DOC and the Pardon and Parole Board developed new procedures to decrease from 120 to 30 days the average period between parole approval and release from prison. As many as 2,100 inmate paroles had been backlogged in February.

\$305,666 was appropriated to the Pardon and Parole Board to improve processing of an increased number of inmate paroles. Major provisions of the increase: (HB 1556)

- ◆ 2.0 FTE and \$72,488 was provided to add staff who investigate cases and process paroles.
- ◆ \$91,000 was provided to improve technology that will facilitate quicker processing of parole files.
- ◆ \$32,000 was provided to increase pay for the five parole board members to \$22,800 annually, a 35% increase.
- ◆ \$58,500 was appropriated to support a \$2,000 annual pay increase for the 25 parole board investigators.

LAW ENFORCEMENT

\$4.4 million in new funding was appropriated to the Department of Public Safety (DPS) for a variety of programs: (HB 1549)

- ◆ \$794,045 to provide for annual step increases for state troopers.
- ◆ \$330,000 to annualize the cost of Capitol Patrol troop integration.
- ◆ \$1.5 million to fund a Highway Patrol academy of about 80 cadets during 2002. About 165 troopers are eligible to retire.
- ◆ \$436,648 for capital improvements to Highway Patrol troop headquarters across the state.
- ◆ \$512,500 and 10.0 FTE to improve drivers license testing services.

SB 753 was enacted to improve staffing and funding for the crime laboratories of the Oklahoma State Bureau of Investigation (OSBI). The bill provides for a \$5 fee increase on criminal cases that will

generate \$2.9 million to support 23.0 new FTE and other lab operations.

\$97,000 was appropriated to OSBI to conduct an investigative academy for its agents. (HB 1549)

\$173,780 was approved for the Bureau of Narcotics and Dangerous Drugs (BNDD) to hire 3.0 FTE criminal intelligence analysts. Working with other state and local law enforcement agencies, intelligence analysts help target the highest-priority drug cases. (HB 1549)

\$295,637 was provided to BNDD to hire 3.0 FTE narcotics agents who speak foreign languages. The new agents, who will be assigned to local offices in Woodward, Tulsa and Lawton, will ensure that every BNDD office has at least one bilingual agent. (HB 1549)

The Council on Law Enforcement Education and Training (CLEET) received an appropriation increase of \$173,323. Funding was provided for the following improvements: (HB 1549)

- ◆ \$48,000 to purchase replacement vehicles used in pursuit training for law enforcement officers.
- ◆ \$33,334 for an additional CLEET academy instructor.
- ◆ \$41,752 for an additional accountant to help in collection of fees.
- ◆ \$30,000 to initiate a special program, the "Memphis Model," which trains law enforcement officers to respond to calls involving citizens suffering from severe psychiatric episodes.

A \$577,862 increase was appropriated to the Board of Medicolegal Investigations, which investigates whether deaths were criminal. Major initiatives that were funded include: (HB 1549)

- ◆ \$272,560 to nearly double the front-line staff who conduct initial inquiries on unattended deaths. To the existing staff of 8 investigators, the agency will add 6.0 FTE, two of whom will serve the two major urban areas and four of whom will work in rural areas.
- ◆ \$82,000 to help support a fifth forensic pathologist, who will be added to the Oklahoma City headquarters, which serves the western 2/3rds of the state. The additional doctor will help the agency meet national performance standards on percentage of cases that are autopsied.
- ◆ \$126,000 for increased general operations costs.

- ◆ \$26,507 to hire a custodian at the expanded Tulsa headquarters building.

Agents of the Alcoholic Beverage Laws Enforcement Commission will receive a pay increase averaging 5% in FY'02, supported by an \$80,000 appropriation. (HB 1549)

\$144,897 in new funds were provided to the Office of the State Fire Marshal. The funding will provide the following: (SB 213, HB 1570)

- ◆ \$59,100 to hire an additional fire protection engineer to review building plans in rural areas for compliance with codes.
- ◆ \$28,750 for a new secretary who will provide support to the 10 additional agents added since FY'97.
- ◆ \$40,000 for increased motor pool expenses.
- ◆ The Legislature authorized the expenditure of \$100,000 in fee revenues to support training and equipment for agents, and for two new internship and apprentice slots.

COURTS

The state's 77 district courts were provided an appropriations increase of \$2.1 million or 5.4% for FY'02. The increased funding will provide the following improvements: (HB 1539, HB 1570)

- ◆ \$575,202 was appropriated for six additional special judges to be hired in judicial districts across the state. The new judges will help provide timely resolution of an increasing number of case filings.
- ◆ 12 new secretary-bailiffs, supported by a \$218,775 appropriation, will provide staff support to existing judges.
- ◆ \$218,775 will support five additional court reporter slots across the state.
- ◆ Court reporters at district courts received a pay increase of about 12.6% during FY'02, supported by an appropriation of \$177,125.

The Legislature approved in HB 1539 a new project management program for the Oklahoma Court Information System, which serves district courts. The new program is intended to improve system operations and facilitate collections of fines and fees that support a variety of government operations. The Supreme Court, which supervises the

computerization project, was authorized to hire 10.0 additional FTE. (HB 1539)

The Supreme Court was granted an appropriations increase of \$1.1 million or 8.4% for FY'02. The new funds will pay bond obligations for the new Supreme Court offices (at the Wiley Post Building), support expansions in judicial education, and improve development of uniform jury instructions. (HB 1539)

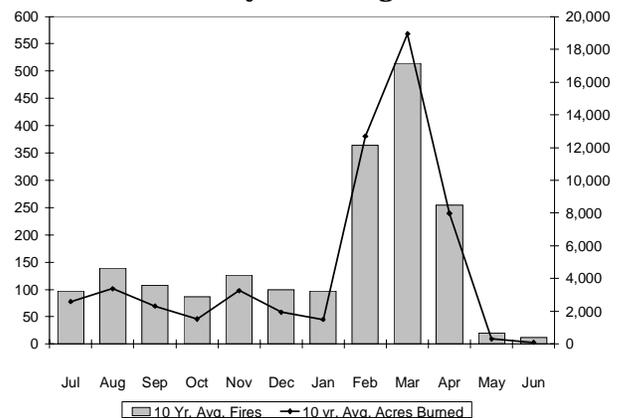
\$141,646 was appropriated to the Court of Criminal Appeals, an increase of 5.2%. Included was \$76,091 to replace aging data processing equipment. (HB 1539)

\$133,937 was appropriated to the Workers' Compensation Court, an increase of 3.2%. The new funds, coupled with a new fee authorization, will support 1.0 new FTE to improve responses to public requests for information and 3.0 FTE to improve monitoring of employers' work comp insurance coverage. (HB 1539)

AGRICULTURE

The bond issue was authorized in response to the increased number and frequency of fires.

**Oklahoma Fire Activity
10-year Averages**



The Legislature created and provided full funding for a new division within the ODA: the Food Safety Division. In conjunction with the federal government, this division will ensure the safety of the eggs, meat and dairy products produced, sold and distributed in the state. (HB 1529)

In May 2001, Oklahoma was declared a "Brucellosis-free" state by order of the United States Department of Agriculture. Oklahoma has devoted a total of \$6.6 million for brucellosis eradication and monitoring since 1996.

ODA continues to monitor the transport and sale of livestock to detect and eradicate various animal diseases through an intensive inspection program. Toward this effort, the Legislature provided additional funding for sheep scrapie testing within the Animal Industries Division. (HB 1529)

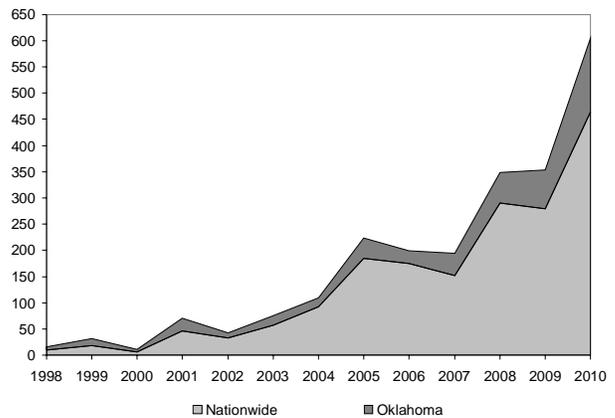
CONSERVATION COMMISSION

The Legislature funded the Conservation Commission's cost-share program at the \$1.5 million level, an increase of \$500,000 from FY'01. The program will fund locally led animal waste management, water quality and soil conservation priorities throughout the state to address non-point source pollution. (SB 225)

The Legislature also provided \$175,000 to replace a federal budget cut in local Conservation District offices. The funds will be used to fund salaries of district office employees. (SB 225)

The Legislature appropriated \$500,000 to match federal funds made available to rehabilitate upstream flood control structures throughout the state. Out of the total 10,500 watershed structures in the United States, Oklahoma maintains 2,100 or 20% of the total number. Many of these structures will require rehabilitation and repair as they reach the end of their usable life within the next five years. (SB 225)

Number of Dams That Will Reach the End of Their Evaluated Life



Funds were also made available to match federal funds for non-point source pollution implementation programs in at Lake Wister, Fort Cobb, and Stillwater. (SB 225)

The Legislature funded the fourth year of the state's commitment to the Geographic Information System (GIS) digital orthophotography program. This state-federal initiative involves the digitization and analysis of aerial photographs of Oklahoma. The resulting data will be used for industrial, economic, environmental, conservation, educational, and community planning and development. (SB 225)

ENVIRONMENT

The Legislature dedicated \$1.2 million to the implementation of the fourth year of the Beneficial Use Monitoring Program (BUMP). The program is designed to provide a comprehensive monitoring effort to protect the quality of the state's water resources. (SB 225)

The Legislature provided \$555,000 to match federal remediation efforts at the Tar Creek Superfund site. The U.S. Environmental Protection Agency regards Tar Creek as one of the country's most dangerous Superfund sites in terms of human health and the environment. Lead and zinc mining in northeast Oklahoma left hundreds of miles of underground tunnels and millions of tons of hazardous debris. \$6.3 million was requested for remediation efforts. (SB 225)

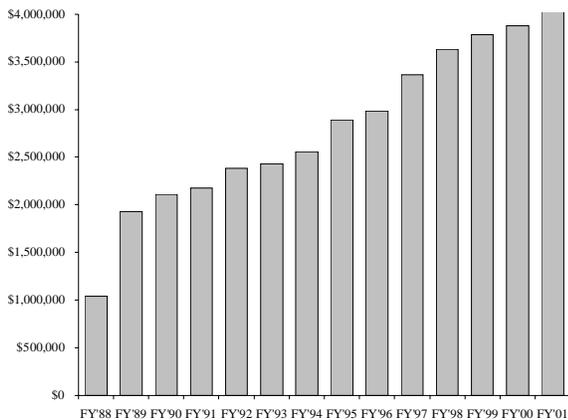
In response to chronic drought conditions and expanded water usage in rural areas of the state, \$450,000 was secured to study water demand projections and public water supplies with emphasis on water supply sources during droughts. (SB 225)

TOURISM

The Legislature made \$1 million available to the state's 51 State Parks to establish an equipment replacement program. (HB 1535)

The Legislature provided \$500,000 to match funds collected through the Tourism Tax assessed on tourism businesses. The funds will be used to supplement tourism advertising efforts in Oklahoma and surrounding states to boost visitation and tourism awareness. (HB 1535)

Oklahoma Tourism Promotion Tax Annual Deposits



The Legislature increased funding for the Multi-county Organizations Matching Funds Program by \$250,000. The program will allow Oklahoma's 19 qualifying lake and country associations to expend additional resources for local promotion and advertising. (HB 1535)

Funds were provided to OTRD to make infrastructure improvements in Oklahoma's six resorts. The funds will update obsolete telephone systems and convert the locks at all resort and lodge guestrooms to electronic safety locks. (HB 1535)

The Legislature approved SB 567 to transfer the Quartz Mountain Arts & Conference Center, golf course and park to the Regents for Higher Education effective January 2002. The Regents intend to use the facility to develop hospitality management curricula and, in conjunction with the Oklahoma Arts Institute, to establish fine arts programs. (SB 567)

To provide an incentive to attract film and video production companies to operate in Oklahoma, the Legislature funded the provisions of SB 674, the "Compete with Canada Film Act," with \$150,000. (HB 1535)

OKLAHOMA MILITARY DEPARTMENT

\$3.8 million was appropriated to repair 82 National Guard Armory roofs, many of which had so deteriorated that any significant rainfall caused extensive damage to structures and interiors. These monies will be used to leverage as much \$19 million in federal matching funds targeted for the internal repair and refurbishment of the armories. (SB 213)

The Legislature also appropriated \$200,000 to meet the Master Cooperative Agreement between the National Guard Bureau and Oklahoma. The state share of that contract rose from 30% to 40% for FY'02. Without the additional funding, the Military Department faced a loss of \$1.7 million in federal funding for the Thunderbird Youth Academy, a nationally recognized institute where at-risk teenagers pursue their education within a disciplined (boot camp) atmosphere.

GENERAL GOVERNMENT

The Legislature appropriated \$144,168 to the Oklahoma Tax Commission (OTC) for the Federal Refund Offset Program. This new authority allows the commission to capture federal tax refunds and overpayments for the settlement of delinquent state

tax liabilities. OTC estimates that this program will recover \$2 million per year. (SB 217 and HB 1570)

\$726,100 was appropriated to the Office of State Finance for the VISION program; a statewide computer system designed to improve student access to the Internet. (HB 1570)

At the suggestion of legislators, the Office of Personnel Management (OPM) began contracting with 21 state Career Technology centers to provide sites for merit system testing and employment counseling. Previously, OPM operated such facilities in a cooperative with the Oklahoma Employment Security Commission; however, recent cuts of 50% in federal funding compelled the closing of 12 offices. OPM had estimated that \$400,000 in state funding would be required to continue these services on a statewide , but the new cooperative with Career Tech required no appropriation.

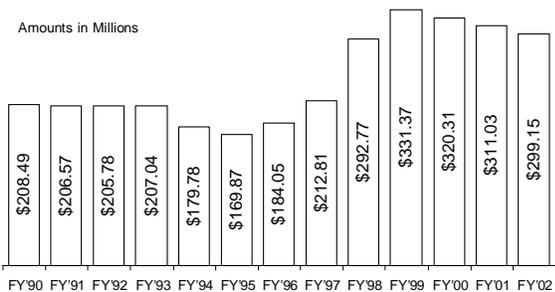
HB 1896 allows an income tax deduction for contributions to a college savings plan, limited to \$2,500 per tax year. This legislation is estimated to impact income tax revenues by \$690,000 beginning in FY'03.

The Legislature authorized \$2 million in continued support for public transportation, and appropriated \$2.6 million for ODOT employee pay raises and benefits costs.

DEPARTMENT OF TRANSPORTATION

The Legislature appropriated \$299.2 million to the Department of Transportation for FY'02, a decrease in funding of 3.8% from FY '01. (HB 1564, HB 1570, SB 249, and SB 310)

**Department of Transportation
Funding History**



The Capitol Improvement Program (CIP), the \$1 billion initiative for highway and road construction initiated in 1997, was funded as follows:

- ◆ Phase I -- \$80.2 million for projects and debt service.
- ◆ Phase II -- \$19.9 million for debt service

DEPARTMENT OF COMMERCE

The Legislature appropriated, or designated, \$545,000 for the Department of Commerce Capital Improvement Program. These monies will be used to identify and map the services, assets and infrastructure (police and fire operations, vehicles, parks, utilities, water and sewer lines, etc.) of Oklahoma cities and towns. This inventory will help Oklahoma communities to: avoid costly mistakes in construction projects; plan the location, timing, and financing of needed improvements; and obtain the federal funds available for such activities. (SB 210)

The Legislature authorized the continued expenditure of \$7.03 million for the Head Start Program and for other community development initiatives. (SB 210)

PUBLIC EMPLOYEES

SB 702 and HB 1546, a \$37.6 million pay and benefits package for state employees, was passed by the Legislature. SB 702 was signed into law May 15, 2001. (HB 1546)

The bills provide pay raises effective July 1, 2001, targeted for high turnover and/or low-paying jobs.

Below is a list of the employees receiving the pay raise and the annual amount they will receive:

\$4,000 Annual Increase

- Department of Corrections
 - Correctional Officers
 - Correctional Security Managers
 - Probation and Parole Officers
 - Correctional Counselors
 - Case Managers
 - Unit Managers
 - Food Service Specialists & Managers
 - Other Certified Staff
- Office of Juvenile Affairs
 - Police Officers
 - Juvenile Specialists
 - Institutional Program Coordinators

\$2,100 Annual Increase

- Department of Human Services
 - Registered Nurses
 - Licensed Practical Nurses
 - Nurse Managers (HB 1768)
- Department of Mental Health & Substance Abuse
 - Registered Nurses
 - Licensed Practical Nurses
 - Nurse Managers
- Office of Juvenile Affairs
 - Registered Nurses

- Licensed Practical Nurses
- Nurse Managers
- J.D. McCarty Center
 - Registered Nurses
 - Licensed Practical Nurses
 - Nurse Managers
- Department of Veterans Affairs
 - Registered Nurses
 - Licensed Practical Nurses
- Department of Health
 - Registered Nurses
 - Licensed Practical Nurses

\$2,000 Annual Increase

- Department of Corrections
 - All Other Classified Employees
- Pardon and Parole Board
 - Pardon & Parole Investigators

\$1,550 Annual Increase

- Department of Human Services
 - Direct Care Specialists
- Department of Mental Health & Substance Abuse
 - Patient Care Assistants
- J.D. McCarty Center
 - Patient Care Assistants
- Department of Veterans Affairs
 - Patient Care Assistants
- Department of Health
 - Patient Care Assistants
- Department of Rehabilitation Services
 - Direct Care Specialists

\$1,300 Annual Increase

- Department of Transportation
 - Transportation Equipment Operators
 - Transportation Technicians

SB 702 also provides state employees with an increased benefit designed to reduce the cost of health insurance. Under the bill, employer-paid dependent health insurance coverage is increased from 50% to 75% of the cost. Also, the monthly benefit allowance for employees is changed from a fixed amount to one based on a formula. The formula-based benefit allowance will protect employees from the cost of medical inflation that occurs from year to year.

Court reporters employed by District Courts, the Workers' Compensation Court and the Corporation Commission will receive pay increases of up to \$3,742 effective July 1, 2001, under bills passed by the Legislature. The raise was funded with an appropriation of \$177,125 to the District Courts and \$28,616 to the Workers' Compensation Court. (HB 1548, HB 1539 and HB 1544)

The Legislature approved appropriations of \$530,935 to provide pay increases to the 65

attorneys employed by the Oklahoma Indigent Defense System (OIDS), who were paid between 7-22% less than prosecutors. The appropriation completes a three-year project targeting pay parity among state-paid attorneys in the criminal justice system. OIDS attorneys received pay increases averaging 6% in FY'01 and 11% in FY'00. (HB 1570, HB 1545)

Pay limitations on Assistant District Attorneys were removed in HB 1548.

Law enforcement agents employed by the Alcoholic Beverage Laws Enforcement Commission will receive a pay increase of 5%. The agents were excluded from a FY'99 pay increase package for law enforcement personnel employed by other agencies.

TAX POLICIES

HB 1933 provides a \$46 million annual income tax cut. Two main provisions: (HB 1933)

- ◆ An earned income tax credit (EITC) in the amount of 5% of the federal EITC, which increases with earnings and family size. The annual impact, beginning in FY'03, is expected to reduce taxes paid by \$22.5 million. Families with income less than \$32,000 and individuals with income less than \$10,000 are eligible. The tax credit is expected to benefit between 250,000 and 300,000 income tax payers. The average credits will be about \$80 annually.
- ◆ Lowers the maximum income tax rate under Method 1 from 6.75% to 6.65% effective January 1, 2002. The income tax rate reduction for FY'02 is estimated to be about \$9.67 million and \$23.8 million annually beginning in FY'03.

SB 8 exempts from sales taxes purchases by the Department of Veterans Affairs and its contractors. Beginning in FY'02, the estimated fiscal impact to the General Revenue Fund will be \$78,000.

Relating to electric deregulation, SB 440 provides an income tax credit for production of electricity from renewable sources. There is no fiscal impact for FY'02 or FY'03.

SB 495 makes several changes to tax laws:

- ◆ exempts sales related to aircraft repairs modifications from sales tax if the aircraft weighs between 12,500 to 300,000 pounds and is repaired or modified at a new or expanded facility. The investment threshold for a new or expanded facility is lowered from \$4 million to \$3 million, and amounts expended for research and

development may be included to reach the threshold. To qualify, construction for a new or expanded facility must begun by July 1, 1999. The Oklahoma Tax Commission anticipates an annual fiscal impact of \$23,000.

- ◆ allows coal tax credits to be claimed against insurance premium taxes and enacts a new credit for coal producers of \$0.95 per ton, with an additional \$0.95 per ton for coal produced from thin seams. The new credits are transferable. These provisions cause a fiscal impact of about \$1.7 million per year.
- ◆ modifies the definition of "royalty interest owner" and allows credit of amounts withheld against the income taxes of the person to whom the royalty payment is ultimately distributed. These provisions cause a positive fiscal impact of \$1.8 million annually beginning in FY'02

HB 1896 allows an income tax deduction for contributions to a college savings plan, limited to \$2,500 per tax year. This legislation will impact income tax revenues by \$690,000 beginning in FY'03.

HB 1081 and HB 1728 eliminate the state motor vehicle safety inspection program that had required Oklahoma drivers to pay a \$5 fee annually for each vehicle. The fee cut is estimated to save drivers \$12 million annually. Of the \$5 inspection fee, \$1 had supported state services such as law enforcement. Under HB 1081, the \$1 fee will be transferred to the yearly renewal of vehicle tags. Reductions in service stations willing to participate had created a hardship for drivers.

SUMMARY OF APPROPRIATIONS

<u>Agency</u>	<u>FY'01 Appropriation</u>	<u>FY'02 Appropriation</u>	<u>\$ Change from FY'01</u>	<u>% Change from FY'01</u>
Subcommittee on Education				
Arts Council	\$4,255,497	\$4,545,772	\$290,275	6.8%
Career and Technology Education, Department of	\$128,739,078	\$131,846,398	\$3,107,320	2.4%
Education, State Department of	\$1,981,791,430	\$2,034,909,789	\$53,118,359	2.7%
Educational Television Authority	\$3,685,817	\$10,638,732	\$6,952,915	188.6%
Higher Education, Regents for	\$833,015,553	\$860,475,547	\$27,459,994	3.3%
Land Office, Commissioners of	\$4,233,763	\$4,310,632	\$76,869	1.8%
Libraries, Department of	\$6,960,586	\$7,254,115	\$293,529	4.2%
Physician Manpower Training Commission	\$5,449,660	\$5,901,708	\$452,048	8.3%
Private Vocational Schools, Board of	\$169,117	\$174,760	\$5,643	3.3%
Science & Technology, Center for	\$12,158,041	\$14,286,952	\$2,128,911	17.5%
Science & Math, School of	\$5,444,263	\$6,172,098	\$727,835	13.4%
Teacher Preparation, Commission on	\$2,330,425	\$2,336,374	\$5,949	0.3%
Subtotal	\$2,988,233,230	\$3,082,852,877	\$94,619,647	3.2%
Subcommittee on General Government and Transportation				
Auditor and Inspector	\$6,075,964	\$6,277,121	\$201,157	3.3%
Central Services, Department of	\$14,585,125	\$16,194,148	\$1,609,023	11.0%
Civil Emergency Management Administration	\$762,369	\$772,373	\$10,004	1.3%
Commerce, Department of	\$25,653,941	\$31,175,324	\$5,521,383	21.5%
Election Board	\$7,545,503	\$7,607,768	\$62,265	0.8%
Ethics Commission	\$508,730	\$467,321	(\$41,409)	-8.1%
Finance, Office of State	\$9,238,872	\$15,147,572	\$5,908,700	64.0%
Governor	\$2,772,408	\$3,059,715	\$287,307	10.4%
House of Representatives	\$18,556,604	\$21,534,490	\$2,977,886	16.0%
Legislative Service Bureau	\$2,261,478	\$2,545,135	\$283,657	12.5%
Lt. Governor	\$521,101	\$577,318	\$56,217	10.8%
Merit Protection Commission	\$595,046	\$604,407	\$9,361	1.6%
Military, Department of	\$7,666,836	\$11,700,375	\$4,033,539	52.6%
Personnel Management	\$5,617,759	\$5,689,734	\$71,975	1.3%
Secretary of State	\$514,267	\$545,124	\$30,857	6.0%
Senate	\$13,017,287	\$15,001,727	\$1,984,440	15.2%
Spaceport Authority	\$150,000	\$300,000	\$150,000	100.0%
Tax Commission	\$50,680,269	\$51,748,599	\$1,068,330	2.1%
Transportation, Department of	\$311,037,259	\$299,154,666	(\$11,882,593)	-3.8%
Treasurer	\$5,482,722	\$5,547,465	\$64,743	1.2%
Subtotal	\$483,243,540	\$495,650,382	\$12,406,842	2.6%
Subcommittee on Health and Social Services				
Health Care Authority	\$383,733,068	\$418,679,264	\$34,946,196	9.1%
Health, Department of	\$69,500,271	\$71,706,878	\$2,206,607	3.2%
J.D. McCarty Center	\$2,614,983	\$3,101,630	\$486,647	18.6%
Mental Health & Substance Abuse Services	\$138,182,733	\$148,835,211	\$10,652,478	7.7%
University Hospitals Authority	\$35,940,534	\$45,149,895	\$9,209,361	25.6%
Veterans Affairs, Department of	\$23,426,069	\$26,570,641	\$3,144,572	13.4%
Subtotal	\$653,397,658	\$714,043,519	\$60,645,861	9.3%
Subcommittee on Human Services				
Children and Youth, Commission on	\$1,940,308	\$2,209,406	\$269,098	13.9%
Handicapped Concerns, Office of	\$402,233	\$406,608	\$4,375	1.1%
Human Rights Commission	\$816,753	\$831,973	\$15,220	1.9%
Human Services, Department of	\$391,037,103	\$416,396,819	\$25,359,716	6.5%
Indian Affairs, Commission of	\$287,843	\$291,247	\$3,404	1.2%
Juvenile Affairs	\$100,442,925	\$107,466,872	\$7,023,947	7.0%
Rehabilitation Services, Department of	\$24,997,396	\$25,953,544	\$956,148	3.8%
Subtotal	\$519,924,561	\$553,556,469	\$33,631,908	6.5%

<u>Agency</u>	<u>FY'01 Appropriation</u>	<u>FY'02 Appropriation</u>	<u>\$ Change from FY'01</u>	<u>% Change from FY'01</u>
Subcommittee on Natural Resources and Regulatory Services				
Agriculture, Department of	\$29,929,503	\$29,021,961	(\$907,542)	-3.0%
Banking, Department of	\$3,118,816	\$3,171,246	\$52,430	1.7%
Centennial Commission	\$340,000	\$590,904	\$250,904	73.8%
Conservation Commission	\$7,680,104	\$7,764,094	\$83,990	1.1%
Consumer Credit, Department of	\$774,670	\$788,942	\$14,272	1.8%
Corporation Commission	\$9,773,537	\$10,502,244	\$728,707	7.5%
Environmental Quality, Department of	\$7,651,276	\$8,556,880	\$905,604	11.8%
Historical Society	\$11,589,925	\$10,847,233	(\$742,692)	-6.4%
Horse Racing Commission	\$2,258,390	\$2,290,006	\$31,616	1.4%
Insurance Commissioner	\$2,965,978	\$3,023,172	\$57,194	1.9%
J.M. Davis Memorial Commission	\$392,397	\$448,704	\$56,307	14.3%
Labor, Department of	\$3,882,940	\$3,912,772	\$29,832	0.8%
Liquefied Petroleum Gas Board	\$458,777	\$469,648	\$10,871	2.4%
Mines, Department of	\$942,282	\$999,823	\$57,541	6.1%
Native American Cultural Center	\$254,369	\$392,638	\$138,269	54.4%
Securities Commission	\$704,525	\$731,174	\$26,649	3.8%
Tourism and Recreation, Department of	\$31,827,145	\$33,350,273	\$1,523,128	4.8%
Water Resources Board	\$9,418,598	\$8,461,854	(\$956,744)	-10.2%
Will Rogers Memorial Commission	\$904,323	\$1,051,197	\$146,874	16.2%
Subtotal	\$124,867,555	\$126,374,765	\$1,507,210	1.2%
Subcommittee on Public Safety and Judiciary				
Alcoholic Beverage Laws Enforcement	\$4,084,576	\$4,221,892	\$137,316	3.4%
Attorney General	\$6,669,686	\$7,116,561	\$446,875	6.7%
Corrections, Department of	\$389,769,454	\$387,462,900	(\$2,306,554)	-0.6%
Court of Criminal Appeals	\$2,720,270	\$2,861,916	\$141,646	5.2%
District Attorneys and DAC	\$31,213,067	\$31,902,762	\$689,695	2.2%
District Courts	\$38,853,817	\$40,971,275	\$2,117,458	5.4%
Fire Marshal	\$1,815,364	\$1,973,743	\$158,379	8.7%
Indigent Defense System	\$14,648,539	\$16,042,393	\$1,393,854	9.5%
Investigation, State Bureau of	\$10,950,072	\$11,307,844	\$357,772	3.3%
Judicial Complaints, Council on	\$300,504	\$301,681	\$1,177	0.4%
Law Enforcement Education and Training	\$2,858,635	\$3,050,458	\$191,823	6.7%
Medicolegal Investigations, Board of	\$3,438,913	\$4,016,775	\$577,862	16.8%
Narcotics and Dangerous Drugs, Bureau of	\$5,665,596	\$6,237,218	\$571,622	10.1%
Pardon and Parole Board	\$2,052,545	\$2,377,711	\$325,166	15.8%
Public Safety, Department of	\$69,992,993	\$74,596,430	\$4,603,437	6.6%
Supreme Court	\$13,286,237	\$13,823,343	\$537,106	4.0%
Workers' Compensation Court	\$4,238,754	\$4,372,691	\$133,937	3.2%
Subtotal	\$602,559,022	\$612,637,593	\$10,078,571	1.7%
Rural Economic Action Plan	\$15,500,000	\$15,500,000	\$0	0.0%
Capital Improvement Fund	\$11,600,000	\$0	(\$11,600,000)	-100.0%
Governor's Emergency Fund	\$1,000,000	\$10,100,000	\$9,100,000	910.0%
Deferred Savings Plan (OPERS)	\$93,000	\$0	(\$93,000)	-100.0%
GRAND TOTAL	\$5,400,418,566	\$5,610,715,605	\$210,297,039	3.9%