

State of Oklahoma

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Fiscal Year '06



Budget Review

Senator Johnnie Crutchfield
Appropriations Chair

Senator Mike Morgan
President Pro Tempore

APPROPRIATIONS OVERVIEW

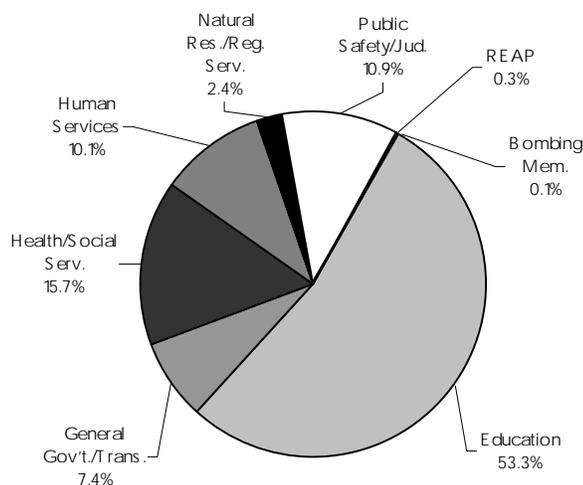
Revenues available for appropriation for Fiscal Year 2006 (FY'06) totaled approximately \$6,212,363,643. Of this amount, about \$101.1 million was used for FY'05 supplemental appropriations and another \$58 million was set aside for various tax cuts. More detail on those two subjects is provided later in this document. Final appropriations for the FY'06 budget year totaled approximately \$6,056.6 million. This represents an 11.0 percent increase over the FY'05 appropriation level of about \$5,457.9 million including supplemental funding. It is a total dollar increase of \$598.6 million. To arrive at the appropriated levels the Senate removed one-time expenditures and one-time funding sources from agency allocations and then added the following:

- ◆ Revenue growth from certified funds;
- ◆ Cash-flow reserve from revenue collections in the current fiscal year;
- ◆ Carryover in Oil Gross Production Revolving funds;
- ◆ State Treasurer's Unclaimed Property Fund

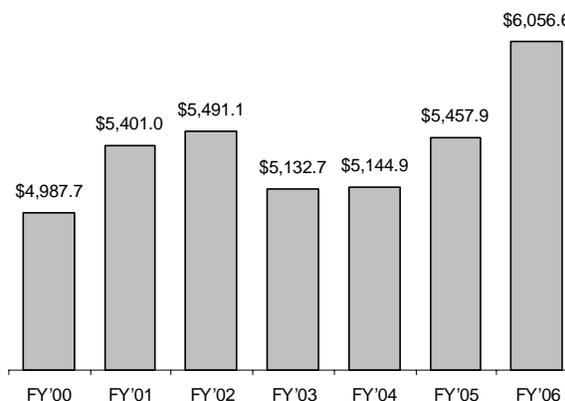
Comparison of Funding, FY'05-FY'06 (in millions)

	FY'05 Approp.	FY'06 Approp.	Change	
			\$	%
Education	3,035.3	3,231.2	195.9	6.5
Gen. Gov./Trans.	346.5	448.6	102.9	29.7
Health/Soc. Serv.	767.5	949.8	182.2	23.7
Human Services	550.2	610.7	60.5	11.0
Natural Res.	133.8	148.2	14.4	10.8
Public Safety	609.1	647.6	38.5	6.3
REAP	15.5	15.5	0.0	0.0
Bombing Memorial	0	5.0	5.0	N/A
Total	5,457.9	6,056.6	598.6	11.0

Appropriations by Subcommittee FY'06



Total State Appropriations Historical Comparison, FY'00 - FY'06



Figures include revenue shortfalls and supplementals.

SUPPLEMENTALS

The Legislature approved \$101.1 million in FY'05 supplemental appropriations. Funding was provided for a wide array of services including the following:

SB 216 provided \$14,831,215 for teacher health benefits and another \$387,725 for a shortfall in the National Board Certification program.

SB 219 allocated an additional \$20,000,000 to the Department of Human Services. This funding covered shortfalls in the budgets for Child Welfare and Adoption Subsidy programs, Aging and Personal Care Advantage Programs and DDS programs among other things.

HB 1181 provided an additional \$17,924,000 to the Department of Corrections.

HB 1185 allocated an additional \$4,000,000 to the Regents for Higher Education to cash flow the OHLAP Scholarship Fund until gaming revenues could be collected to help support the program.

SB 187 provided additional funds to the District Attorneys to prevent furloughs.

HB 1178 allocated an additional \$1,500,000 to Career Tech to pay for the Training in Industry (TIP) program. This program provides customized business training to new and expanding businesses.

HB 1179 appropriated an additional \$1,000,000 to the Oklahoma Indigent Defense System.

SB 141 appropriates \$645,000 to OJA for a new security fence at the L. E. Rader Center.

SB 159 provided an additional \$904,000 to the Historical Society for costs associated with the new History Center.

HB 1188 provided funding for temporary employees at the Tax Commission to expedite tax returns.

SB 1001 appropriated \$500,000 to the Lottery Commission to aid in its start up expense and the hiring of a director. The Lottery Commission is required to pay this money back to the state.

HB 1183 provides \$25,000,000 to school districts to help cover a shortfall in the Ad Valorem Reimbursement Fund.

SB 60 provided an additional \$11,400,000 to Common Education to pay for a shortfall in the teacher salary line item.

TAX CUTS

The 2005 Legislature sent to the Governor a comprehensive tax reduction package consisting of over 35 separate measures (see list below). For FY 2006, almost \$60 million in tax relief will be provided directly to taxpayers, and for FY 2007, relief will amount to approximately \$200 million.

Included in this package was significant income tax relief for both individuals and corporations (SB 435, HB 1547; Sen. Gumm/Rep. Calvey). For individuals, the amount of the standard deduction was increased for tax year 2006 to \$2,000 (single or married filing separate filers) or \$3,000 (married filing jointly, head of household or qualifying widow), and increased for tax year 2007 and subsequent years to \$4,000 (married filing jointly, head of household or qualifying widow). The top income tax rate was decreased from 6.65% to 6.25% beginning with tax year 2006. Tax computation will be simplified due to the elimination of a second method of computing taxes, and tax brackets are adjusted accordingly to eliminate any tax increases for lower income taxpayers. The amount of retirement income exempt from income taxes was increased from \$7,500 to \$10,000, and corporations will benefit by the extension of the break for certain capital gains (enacted for individuals in 2004) to corporate taxpayers. Taxpayers in Oklahoma are expected to realize \$56.5 million in tax savings from these reforms in FY 2006 and \$150.8 million in FY 2007.

Another \$100 million in tax relief will be provided in the form of direct refunds to taxpayers. Taxpayers filing joint returns will each receive up to \$100, and single filers will each receive up to \$50. These payments will be made from the "Rainy Day Fund".

Although these income tax reforms accounted for much of the tax relief enacted by the Legislature, a number of new sales tax exemptions were also provided. Sales exempt from sales taxes will include the following:

- ◆ Organizations assisting mentally and physically handicapped persons (HB 1233; Sen. Fisher/Rep. Hastings);
- ◆ Day shelters for homeless persons (HB 1275; Sen. Riley/Rep. Peters);
- ◆ Organizations facilitating the distribution of products to the needy (HB 1562; Sen. Jolley/Rep. K. Miller);
- ◆ Public trusts or nonprofit organizations for construction of hospitals and nursing homes (HB 1570; Sen. Rabon/Rep. Walker);

- ◆ Certain aircraft parts and related expenditures (HB 1577; Sen. Coffee/Rep. Piatt);
- ◆ Disabled veterans (HB 1547; Sen. Gumm/Rep. Calvey);
- ◆ Goodwill Industries and any similar organizations (SB 801; Sen. Eason McIntyre/Rep. Gilbert);
- ◆ Sports display advertising (HB 1547; Sen. Gumm/Rep. Calvey);
- ◆ Electricity associated with production from certain wells (HB 1498; Sen. Adelson/Rep. Bingman);
- ◆ Certain conservation and wildlife organizations (HB 1625; Sen. Wilson/Rep. Wilt)

Additional income tax benefits will be provided to targeted individuals and industries, as follows:

- ◆ Military retirees (HB 1476; Sen. Bass/Rep. Coody);
- ◆ Film and music production (HB 1716 and SB 877; Sen. Leftwich/Rep. Winchester) (HB 1756; Sen. Wilson/Rep. D. Miller);
- ◆ National Guard programs (HB 1780; Sen. Easley/Rep. Rousselot);
- ◆ Poultry litter and facilities for specially trained canines (HB 1014; Sen. Wilson/Rep. Auffet);
- ◆ Value-added agricultural production and processing (HB 1680; Sen. Gumm/Rep. Johnson);
- ◆ Wind turbines (HB 1605; Sen. Wilson/Rep. D. Miller);
- ◆ Ethanol production (HB 1556; Sen. Laughlin/Rep. Jackson);
- ◆ Biodiesel production (HB 1398; Sen. Laughlin/Rep. Covey);
- ◆ Railroad improvement and modernization (HB 1547; Sen. Gumm/Rep. Calvey);
- ◆ Historic building rehabilitation and coal production (SB 435; Sen. Gumm/Rep. Calvey);
- ◆ Energy efficient home construction (SB 610; Sen. Gumm/Rep. Calvey);
- ◆ Dry fire hydrants (HB 1547; Sen. Gumm/Rep. Calvey).

And the Legislature didn't stop there:

- ◆ Insurance premium tax credits (HB 1547; Sen. Gumm/Rep. Calvey);
- ◆ Franchise tax simplification and exemptions (HB 1738; Sen. Gumm/Rep. Terrill);
- ◆ Gross production tax exemptions for deep wells (HB 1788; Sen. Morgan/Rep. Adkins);
- ◆ Motor vehicle excise taxes on all-terrain vehicles (HB 1297; Sen. Fisher/Rep. Lamons);
- ◆ Quality Jobs Program Act (SB 407; Sen. Mazzei/Rep. Young) (HB 1810; Sen. Bass/Rep. Armes);
- ◆ Quality Investment Act (SB 755 and HB 1619; Sen. Leftwich/Rep. Nance);
- ◆ Benefits for research and development (SB 628; Sen. Mazzei/Rep. Young).

STATE EMPLOYEE PAY RAISES

The Legislature approved HB 2005 last year. It provided a staggered pay raise for state employees. Effective January 1, 2005, all full-time and part-time officers and employees, including temporary and other limited-term employees received an annualized salary increase equal to \$1,400. Effective July 1, 2005, all full-time and part-time officers and employees, including temporary and other limited-term employees will receive an additional annualized salary increase of \$700. State agencies were provided approximately \$48 million to pay for the operational costs associated with this Legislative mandate.

COMMON EDUCATION

HB 1020 appropriates \$145,200,000 in new funding for common education. This represents a 7.2% increase over last year's funding level. In addition to funding the first of four years of pay raises for teachers in order to meet the regional average, the measure fully funds benefits cost increases for teachers and support personnel. Additional funding is provided for several quality initiatives, and to partially restore past reductions in some critical program areas.

Annualize Teacher's Health Insurance

Aiming to fairly compensate Oklahoma's teachers and support personnel, the budget includes \$42.8 million to fully annualize and pay for 100% of teachers' and support personnel health insurance.

Teacher Salary Increase

The budget includes \$57.8 million for this year's portion of the multi-year salary increase plan to reach the regional average.

Full Day Kindergarten

Senate Bill 982 requires school districts to offer full day kindergarten by the 2011-12 school year. More than 70% of school districts already offer this, and the FY06 budget offers school districts an increased rate for full day kindergarten at a cost of \$21.6 million as an incentive to implement the program.

Middle School Math Improvement

The budget funds this quality teaching initiative in the amount of \$2 million, providing funds for training 500 teachers and awarding a \$1,000 bonus to teachers who attend the continuing education and successfully pass the intermediate math certification exam.

Middle School Math Labs

The budget also funds \$2 million for Middle School Math Labs in schools with records of low performance. This money is intended for ten pilot programs utilizing a scientifically research based math improvement curriculum.

Third Grade Remediation

In a significant new preventative effort to address early remediation, the state is allocating \$3 million for intensive remediation over the summer period to third grade students who finish the school year still not reading at the third grade level.

Advanced Placement

The budget includes an additional \$300,000 for Advanced Placement programs throughout the state. In these programs, which allow students the opportunity to earn college credit in high school, universities train teachers in how to teach Advanced Placement courses and high schools are given program grants and incentives. There are currently 34 Advanced Placement courses approved by the Department of Education. Priority in funding is given to paying the costs of taking the exams for low-income students.

Alternative Education

The budget allocates an additional \$1.6 million to alternative education programs, evaluation and assistance throughout the state. This money will be used to help more children graduate who have not succeeded in a traditional classroom setting. The graduation rate in alternative education schools is 70%.

Parents as Teachers

This measure includes an additional \$500,000 for the Parents as Teachers program. This money will be used as grants in an effort to try to serve the whole state. In 2003 - 2004, 55 programs serving 68 districts allowed for 3,957 children to benefit from

this program. This money will benefit an additional 1,524 children.

Mentor Teacher Stipends

The budget funds an additional \$200,000 for stipends for a minimum of 400 new mentor teachers. This program provides mentoring for first-year teachers.

National Board Certification

The legislation includes \$1,962,725 for the National Board Certification program. This amount represents the ability to award approximately 351 teachers a \$5,000 bonus and provide 75 more scholarships of \$2,500 to new applicants for fees and stipends to cover costs.

Academic Achievement Awards

For the first time, the state will provide monetary awards to two sets of school sites with the highest rating in the state's Academic Performance Index. Personnel in schools with the highest scores, and school personnel in sites with the highest improvement over the previous year will receive the award at a total cost of \$500,000 to the state. Award rates will depend on the number of recipients.

Improved Student Data

The budget funds the implementation of the State Student Information System within the State Department of Education with \$2.5 million, and initiates pilot projects at the local district level in student tracking and reporting with \$800,000. This will enable the state to collect data required by the federal No Child Left Behind Act and provide better information which is expected to result in more targeted decision-making for future policy considerations.

Testing Costs

This bill provides \$363,264 to supplement the state costs associated with testing. The money will be used to pay for testing contracts for Criterion Reference Tests and End of Instruction tests. A portion will also be used to enable schools to work with test data and print test labels on site rather than through the testing company, saving both time and money.

School Lunch Federal Match

The budget provides an additional \$40,000 to ensure that federal School Lunch Matching funds will not be lost. Based on the most recent data, 52.23% of Oklahoma children are eligible for free lunches and of those 71.74% participate in the program.

SoonerStart

The budget includes an additional \$949,158 to fully fund the needs of the SoonerStart Early Intervention Program. SoonerStart assists infants and toddlers with disabilities and/or developmental delays and their families through an individualized and

comprehensive system of services. At a cost of \$1,939 per child, this money enables SoonerStart to serve an additional 292 children in FY06.

Lottery Revenue for School Consolidation

When Oklahomans voted the lottery into effect in November, 5% of that money was earmarked for Elementary and Secondary Education Consolidation. The FY06 budget includes an estimation of that percentage of lottery revenue in the amount of \$3,113,571.

Teacher's Retirement

The state vote on the lottery also mandated earmarking 5% of lottery revenues for the state's teacher retirement system. The FY06 budget includes \$3,113,571 for that purpose.

POSTSECONDARY EDUCATION

For FY'06 higher education was appropriated \$889,433,880 in SB 63. This represents a \$87.3 million or 10% increase from its FY'05 appropriation.

The following key items were addressed:

- ◆ \$41.6 million for institutional mandatory cost increases, primarily health insurance and utilities. The funding will also address replacement costs for lost full-time faculty positions and new positions to accommodate an increased enrollment that in FY'05 was 200,000 students. Funding will also pay operating costs for new facilities and other staff needs in academic support and student services.
- ◆ \$15 million allocation for higher education student scholarship and grant programs. The Oklahoma Higher Learning Access Program is fully funded to meet growing demands. The Oklahoma Tuition Aid Grant Program will receive an additional \$1.3 million, most of which is needed to match federal funds. The Oklahoma Tuition Equalization Grant Program will also receive \$1.3 million in new funds. An increase of \$700,000 will keep the Academic Scholars Programs funded.
- ◆ \$1.4 million in tuition waivers for up to six hours of concurrent enrollment in college per semester for high school students. This program is included in SB 982, the Achieving Classroom Excellence Act.
- ◆ \$500,000 to the Office of Accountability for more school performance reviews.
- ◆ \$15 million for debt retirement demands in FY06 from the Oklahoma Education Lottery Trust Fund. Additional lottery money will be

spent on other capital needs at Oklahoma's state institutions of higher education and scholarship costs.

The Legislature also enacted the Oklahoma Higher Education Promise of Excellence Act of 2005 in HB 1191 to authorize a much needed infusion of financing for capital needs in the Oklahoma State System of Higher Education. Major components of the bill are:

- ◆ Authorization of \$475 million in bonds for projects at the state colleges and universities. The bonds will be issued by the Oklahoma Capital Investment Authority, with lottery funds used as the primary source for debt retirement.
- ◆ Expansion of the Master Lease program to allow financing of acquisitions of or improvements to real property, in addition to the currently allowed personal property. The Oklahoma Development Finance Authority will manage the financing through lease purchase agreements with the schools. A permanent revolving lease fund, funded through the sale of \$25 million in bonds, is established within the Master Lease program to provide for ongoing projects. While the \$25 million debt will be covered with lottery funds, the revolving lease fund will allow for lower cost financing.
- ◆ Authorization for the Boards of Regents for OU and OSU to issue bonds respectively for those institutions, and for the Oklahoma State Regents for Higher Education to issue the bonds for all other institutions. This program for capital projects will allow the colleges to pledge any monies available for the repayment of the bonds other than revenues appropriated by the Legislature from tax receipts. This avenue of allowing other available revenues to be pledged to the repayment of these bonds should enable the institutions to obtain cheaper financing for some capital projects.

CAREER AND TECHNOLOGY EDUCATION

Career and Technology Education received an increase of \$6.4 million in FY'06. This budget focuses on new funding for the programs in comprehensive high schools, and the efforts career tech contributes to the state's economic development.

- ◆ \$1.5 million was earmarked in increased funding for programs in the comprehensive high schools.
- ◆ \$2.7 million was allocated for other comprehensive high school and tech center

needs, such as increased personnel and program costs.

- ◆ \$1 million was allocated to fund the ongoing Training Industry Program for qualifying companies that create new jobs in Oklahoma and for Training for Existing Industries. Studies show that people who use TIP for training are earning more per hour. Training for Existing Industries assists Oklahoma companies in keeping existing employees up-to-date with the latest skills and knowledge.
- ◆ Funding for training of incarcerated individuals was increased by \$280,000 in the Skills Centers. These graduates show a training-related job placement rate of 84%.
- ◆ \$500,000 was included for Safety Training to industries throughout the state. In FY'04 these programs served 89,359 individuals and a key component addresses the federal OSHA's top ten willful and serious violations.

CENTER FOR THE ADVANCEMENT OF SCIENCE AND TECHNOLOGY

The FY06 budget provides an additional \$700,000 be invested in the Research and Technology Development Programs for competitive awards for 1-3 year projects based upon technical merit, potential for market success and commitment of resources. For every state dollar awarded to these programs, another \$19 is leveraged in private and federal funds.

DEPARTMENT OF LIBRARIES

A \$400,000 increase is given to expand the state-support to municipal and city libraries that serve people who live outside the municipal limits.

SCHOOL OF SCIENCE AND MATHEMATICS

An increase of \$448,000 is given to the Oklahoma School of Science and Mathematics (OSSM) for its operations in fostering the development of Oklahoma high school students who are academically talented in science and math. The funds will assist with lab and equipment supplies, and replace a math instructor lost in prior year's cuts.

The new funding will also add a regional center for students outside of the OSSM around the state. Currently there are ten outreach centers that use existing facilities and transportation for one-half day classes.

STATE ARTS COUNCIL

The budget provides an additional \$300,000 for the benefit that community arts provide around the state. Currently, only 48% of community requests are funded. This increase will bring it up to 60%.

PHYSICIAN MANPOWER TRAINING

The state is providing the Physician Manpower Training Commission \$337,000 in additional funding for training more nurses, and establishment of a program for training physician assistants.

REHABILITATION SERVICES

The Department of Rehabilitation Services (DRS) was appropriated \$27,365,925 for FY'06. This amount represents a 7.4 percent increase (\$1,886,297) in state funds from the FY'05 appropriation.

With this increase, DRS will perform a number of functions for FY'06:

- ◆ Provide additional Braille Educational Services and Braille textbook distribution for public school and home schooled students. (\$491,000)
- ◆ Increase the state match for vocational rehabilitation and employment programs, which will garner a 4:1 federal return on the amount of state dollars invested. (\$600,000)
- ◆ Ensure that salaries for teachers at the Oklahoma School for the Blind and Oklahoma School for the Deaf conform to the State Public School Minimum Teacher Salary Schedule. (\$171,000)

DEPARTMENT OF HUMAN SERVICES

The Department of Human Services (DHS) was appropriated \$481,991,177 for FY'06. This amount represents an 18.0 percent increase (\$73,660,328) from their FY'05 appropriation.

This increase for FY'06 will provide funding for:

- ◆ Subsidies for children of low-income working parents to ensure access to high-quality child care. (\$15.0 million)
- ◆ Additional services for the elderly, including personal care services and adult day care programs. (\$632,000)

- ◆ Rate increases for providers of services for elderly persons and persons with developmental disabilities. (\$6.3 million)
- ◆ Providing services through the home and community based waiver for persons presently on the Developmental Disabilities Services Division (DDSD) waiting list. (\$1.63 million)
- ◆ Replacement of federal funds lost on Medicaid-reimbursable programs due to the 2.27% reduction in Oklahoma's Federal Medical Assistance Percentage (FMAP). (\$9.5 million)
- ◆ Increased efforts to collect unpaid child support owed to custodial parents. (\$1.65 million)
- ◆ Establishing 2-1-1 call centers in three communities, which will provide a single point of access for Oklahomans in need of social services and financial assistance. (\$660,000)

OFFICE OF JUVENILE AFFAIRS

The Office of Juvenile Affairs (OJA) was appropriated \$98,323,188 for FY'06. This represents a 5.9 percent increase (\$5,515,188) from their FY'05 appropriation.

This increase will provide funding for:

- ◆ 24 additional group home beds for juveniles with serious mental health and/or substance abuse issues. (\$778,000)
- ◆ 12 sanction detention beds to provide immediate consequences for juveniles who are not complying with their reintegration and treatment plans. (\$485,000)
- ◆ Mental health screenings for juveniles in county detention centers. (\$178,000)
- ◆ Rate increases for county detention centers. (\$1.45 million)
- ◆ Capital improvements and repairs at secure juvenile facilities. (\$425,000)
- ◆ Establishing a contract management and oversight division within OJA. (\$488,000)
- ◆ Replacement of federal funds lost on Medicaid-reimbursable programs due to the 2.27% reduction in Oklahoma's Federal Medical Assistance Percentage (FMAP). (\$134,000)

HEALTH CARE AUTHORITY

The Oklahoma Health Care Authority (OHCA), charged with administering the state's Medicaid program, received \$634,786,355. This is a 31 percent increase over the agency's FY'05 appropriation.

Major funding items include:

- ◆ \$33.2 million for FMAP decrease. These funds will be used to replace lost Medicaid revenue due to the downward shift in the federal match Oklahoma will receive in FY 2006.
- ◆ \$36.8 million for growth in enrollment/utilization. The agency historically trends a 9 percent to 10 percent annual growth/utilization rate. This budget includes money for a growth/utilization rate of 7 percent.
- ◆ \$7.7 million for Medicare Modernization Act (MMA). Funds will be used to pay back the federal government when Medicare starts its prescription drug program.
- ◆ \$11.1 million for other annualizations, maintenance, and Federal and State mandates.
- ◆ \$800,000 was appropriated to the agency to phase in 12-month eligibility starting in January 2006.
- ◆ HB 1088 provides \$63 million new state dollars to match with federal funds to bring \$200 million into the Oklahoma Medicaid system. Within the \$63 million being leveraged, \$25 million will go towards increasing reimbursement rates for physicians. Specifically, \$9.9 million will be used for children's medical services, i.e. increases for pediatricians. \$15.1 million will be used for all other physicians and Medicare deductibles and co-insurance. The other \$38 million will be used for hospital rate increases. These rate increases will include outpatient and inpatient rate increases. HB 1088 also includes provisions for a task force to look into possible reforms of Oklahoma's Medicaid system.

MENTAL HEALTH AND SUBSTANCE ABUSE

The Department of Mental Health and Substance Abuse Services received an appropriation of \$171,810,647. This is a 10 percent increase from the agency's FY'05 appropriation. Major funding items are as follows:

- ◆ Core Mental Health Services (\$5,500,000) - The agency received funds to provide core services to persons with mental illness. During FY'05, the agency turned away approximately 550 individuals a month who requested services because of a lack of resources. Without services, people will often end up in the emergency room or jail which is much more expensive than treatment. These funds will significantly reduce the number of people that are turned from services.
- ◆ Program for Assertive Community Treatment (\$650,000) - PACT teams have been shown to be extremely effective. In both national and Oklahoma studies they provided dramatic positive outcomes for persons with serious mental illness. An evaluation of PACT clients admitted in FY'03 shows that those clients used 5,548 fewer hospital days and spent 536 fewer days in jail. This funding will allow three additional teams to start up next fall.
- ◆ Drug Courts (\$8,000,000) - This funding will be used to expand the drug court program statewide. With these funds, the agency will add 3,229 new treatment slots to the existing drug courts as well as several new courts throughout the state. Drug courts are a proven best practice model that increase employment and reduce recidivism rates. There was a 75.1% decrease in unemployment among drug court graduates from entry to graduation.
- ◆ Systems of Care (\$1,000,000) - The Systems of Care model provides an organized and comprehensive service package to children with mental illness who require services from more than one state agency. ODMHSAS works in conjunction with DHS, OJA and OHCA, the child's school and others to ensure that one agency's plan of care does not contradict that of another. After six months in the program, the first 98 children served saw a decrease of 202 days of school suspension and over a 50% reduction in contacts with law enforcement. This funding will be used to replace expiring federal funding as well as add several new sites within the state.
- ◆ Forensic Center Bond Issue - \$800,000 was provided to pay debt service on an \$18.9 million

bond issue to replace the current facility which is 74 years old.

- ◆ FMAP Decrease - \$800,000 was provided to replace lost Medicaid revenue due to the downward shift in the federal match Oklahoma will receive in FY 2006.

PUBLIC HEALTH

The appropriation for the Department of Health will be \$62,790,819. This is 7.3 percent more than the agency received in FY'05.

Funding for the following items was provided:

- ◆ \$1 million for nursing home surveyors.
- ◆ \$750,000 for breast cancer screenings.
- ◆ \$1,200,000 to fund the expansion of Federally Qualified Health Centers in Oklahoma.

VETERANS AFFAIRS

The Department of Veterans Affairs received an appropriation of \$36,040,332. This is a 19 percent increase over the agency's FY'05 appropriation.

- ◆ This appropriation includes \$2 million to fund 69 new Primary Care Assistant positions. Fifty of these new positions will be used at the Lawton facility to ensure that the facility runs at capacity.

J.D. MCCARTY CENTER

The J.D. McCarty Center received an appropriation of \$3,792,283. This is a 20 percent increase over the agency's FY'05 appropriation. The agency was given \$102,000 to hire two (2) additional Speech Pathologists as well as salary increase for all Speech Pathologists.

UNIVERSITY HOSPITALS AUTHORITY

The University Hospitals Authority received an appropriation of \$40,549,342. This is a 3.9 percent increase over the authority's FY'05 appropriation. The appropriation includes \$1.52 million for Graduate Medical Education payments.

COURTS

The Legislature appropriated \$2,135,110 to fund the judicial salary increase to be received in July 2005 per the requirements of SB 1075 (2004) for the judges of the Supreme Court, District Courts, Court of Criminal Appeals and Worker's Compensation Court.

Supreme Court

The Supreme Court received a total FY'06 appropriation of \$16,000,000, a 20% increase from FY'05. Included in the appropriation was \$1,000,000 to pay debt service obligations for the Court's future move into the Oklahoma Judicial Center.

District Courts

The District Courts received a total FY'06 appropriation of \$47,300,000, marking a 10% increase in appropriations from FY'05. The increased funding was provided to help the Courts alleviate staffing and operating issues, as well as fund new district judge, special judge, and secretary-bailiff positions.

Workers' Compensation Court

The Workers' Compensation Court was appropriated \$4,365,564 in FY'06, reflecting a 16% increase in funding. The Court faced a budget shortfall in FY'06, thereby necessitating additional funds in the amount of \$390,000 from the Legislature.

Court of Criminal Appeals

The Court of Criminal Appeals received an FY'06 appropriation of \$2,828,160, which was an increase of 3% from FY'05. The Court of Criminal Appeals Revolving Fund was created with a \$200,000 transfer of Court carryover funds to help finance the Court's future move into the Oklahoma Judicial Center.

CORRECTIONS

For FY'06, the Department of Corrections (DOC) received \$409,443,403 in state appropriations. The appropriation included annualization of the \$17,924,000 FY'05 supplemental, which provided funding for contract beds, payroll and medical services.

Included in the DOC appropriation were mandates from the Legislature to apply a performance-based per diem increase not to exceed 2% for private prison and halfway house contractors in FY'06.

DOC was also authorized to add 100 correctional officers beginning in July to help reduce the position vacancy rate, rebuild the Clara Waters Community Corrections Center, and issue bonds for purchase of

the Union City Community Corrections Center. The Clara Waters facility was damaged by a May 2003 tornado and the Department recently entered into a lease agreement for Union City and began moving inmates into the facility in April.

LAW ENFORCEMENT

Department of Public Safety

The Department of Public Safety (DPS) received \$78,887,770 in state appropriated revenue for FY'06. Included in the appropriation was \$5,600,000 to replace temporary tag fee revenue that expires in August, 2005. The \$2 tag fee was enacted in 2003 to prevent a reduction in force, including Oklahoma Highway Patrol (OHP) Troopers.

Also included in the FY'06 appropriation was \$3,400,000 to fund two 50-cadet OHP trooper academies, which will help offset the mandatory retirement of nearly 90 OHP troopers beginning in 2006. DPS plans to use \$1,300,000 in drug asset forfeiture funds to supplement the \$3,400,000 to pay for the total cost of the academies.

Also included in the appropriation was \$35,000 to move the OHP Troop K headquarters to a temporary facility until a permanent facility can be located and acquired. The current headquarters in Pawnee is in a state of severe disrepair and poses a health risk to the staff.

State Bureau of Investigation

The State Bureau of Investigation received an appropriation of \$11,154,628 for FY'06, a 15% increase from FY'05. Increased funding was provided to offset costs associated with SB 646, which requires the Agency to collect DNA samples from convicted felons, as well as to cover increased cost of operations.

Board of Medicolegal Investigations

The Chief Medical Examiner's Office was appropriated \$3,922,904 for FY'06, a 15% increase from FY'05. Included in the increased funds was \$400,000 to replace vacant pathologist positions to reduce caseload, which increasingly threatens agency's accreditation. With the new funds, the Office may also attempt to hire two additional regional investigators.

JUDICIARY

District Attorneys Council

The District Attorneys Council was appropriated an additional \$3,666,011 in FY'06. The Legislature appropriated \$30,592,742, which included annualization of the \$2,250,000 FY'05 supplemental, as well as, \$751,891 to help reduce personnel-related issues.

Attorney General

For Fiscal Year 2006, the Office of the Attorney General received an appropriation of \$11,286,462. Included in the appropriation was \$800,000 to help fund the Consumer Protection Unit, which due to budget cuts in recent years had been funded from built up cash in an agency revolving fund. This revolving fund has been depleted and can no longer sustain the unit.

Also appropriated to the Office was \$150,000 to increase funding for the Court Appointed Special Advocates (CASA) program.

Also contained in the appropriation was \$4,182,562, which was due to the transfer of the Domestic Violence Unit from the Department of Mental Health and Substance Abuse Services to the Office of the Attorney General. This appropriation reflected no increase in funding from their FY'05 appropriation.

Indigent Defense System

The Oklahoma Indigent Defense System received an appropriation of \$15,633,001, which included annualization of the FY'05 supplemental of \$1,000,000. The additional revenue will help the agency reduce case backlog, currently more than 3,000, by contracting with private attorneys to handle additional cases.

AGRICULTURE

HB 1108 appropriated \$27,196,069 to the Department of Agriculture. This amounts to a \$3,384,853 increase over the agency's FY'05 appropriation.

One-time expenditures totaling \$551,356 were removed from the agency's appropriation. These expenditures included funding for tick eradication, debt service on the boll weevil eradication bond, and funding for the Rural Development Foundation.

The agency received \$1,800,000 for debt service on a \$24 million bond that will be used to construct a new laboratory building for the Oklahoma Department of Agriculture, Food and Forestry and to renovate a laboratory for the Oklahoma Animal Disease Diagnostic Laboratory.

In FY'05, a portion of the agency's General Revenue allocation was replaced with REAP funds. As a result, the agency has received \$1,384,853 in order to replace the REAP funding from the previous year.

The agency has been authorized to receive a transfer of \$500,000 from the Gross Production Tax REAP Water Projects Fund in order to increase funding for the Wildlife Services Division, Rural Fire Grants and the 80/20 Rural Fire Program.

CENTENNIAL COMMISSION

SB 147 appropriated \$3,899,630 to the Oklahoma Capitol Complex and Centennial Commemoration Commission. This amounts to a \$3,363,177 increase over the agency's FY'05 appropriation. The agency received \$850,000 to pay off loan interest from the construction of the Capitol Dome, \$500,000 for a debt service payment for the Capitol Dome, and \$2,000,000 for Centennial Projects.

COMMERCE

SB 149 appropriated \$27,334,663 to the Department of Commerce. This results in a \$6,003,182 decrease from the agency's FY'05 appropriation.

The most significant change is the removal of one-time expenditures from the Substate Planning Districts, the Rural Development Foundation, the Little Dixie Statewide Youth Restitution Program, the KEDDO Small Business Incubator, and the Community Action Agency Enterprise Zone. The result is the removal of \$9,272,234 from the agency's FY'05 appropriation.

\$77,556 was appropriated to the agency for debt service on the American Indian Cultural Center.

\$1,000,000 was appropriated to the agency for the Military Base Closure Fund. These funds will be used to ensure that the five military bases in the state of Oklahoma remain intact and that their positive economic impact for the state is not jeopardized. Money from the fund is matched by local funds of communities that could be potentially affected by military base closures or downsizings.

The Department of Commerce received \$1,000,000 to implement the Prescription Drug Program for Oklahoma (Rx for Oklahoma). This program will help medically indigent residents of Oklahoma to receive prescription drugs from drug manufacturer assistance programs.

The agency has been authorized to receive a transfer of \$1,000,000 from the Gross Production Tax REAP Water Projects Fund in order to increase funding to the Oklahoma Department of Commerce for operational expenditures.

CONSERVATION COMMISSION

SB 151 appropriated \$9,803,928 to the Conservation Commission. This is a \$2,686,270 increase over the agency's FY'05 appropriation.

The agency has been authorized to receive a transfer of \$2,400,000 from the Gross Production Tax REAP Water Projects Fund. \$400,000 of this transfer has been allocated to the agency for operations, and the remaining \$2,000,000 has been allocated for Priority Watershed Projects.

HISTORICAL SOCIETY

SB 160 appropriated \$13,106,387 to the Oklahoma Historical Society. This is a \$2,964,134 increase over the agency's FY'05 appropriation.

Included in this increase is \$2,779,000 for debt service and operations of the new Oklahoma History Center. The new center is 195,000 square-feet and will require more funds to operate than the former museum of 50,000 square-feet.

HORSE RACING COMMISSION

HB 1117 appropriated \$2,360,889 to the Oklahoma Horse Racing Commission. This is a \$502,707 increase over the agency's FY'05 appropriation.

The agency received an additional \$450,000 for operations that are associated with the regulation of racetrack gaming.

TOURISM

HB 1122 appropriated \$28,355,959 to the Department of Tourism and Recreation. This is a \$4,193,319 increase over the agency's FY'05 appropriation.

The agency received \$3,300,000 for park maintenance, \$2,300,000 of which will be transferred to the Department from the Gross Production Tax REAP Water Projects Fund. Currently, the agency has over \$50,000,000 in identified maintenance needs.

WATER RESOURCES BOARD

SB 175 appropriated \$7,173,896 to the Oklahoma Water Resources Board. This is a \$733,551 increase over the agency's FY'05 appropriation. The agency has been authorized to receive a transfer of \$600,000 from the Gross Production Tax REAP Water Projects Fund. \$100,000 of these funds will

be allocated for a Saltwater Lake Irrigation project and \$500,000 will be allocated for the Arbuckle-Simpson Aquifer Study.

DEPARTMENT OF TRANSPORTATION

SB 115 provided the Oklahoma Department of Transportation an FY'06 appropriation of \$275,148,137, a 37 percent increase over FY'05. The additional monies are for the following:

- ◆ \$69.35 million for debt service on the Capital Improvement Program (CIP), a \$1 billion highway construction project that represents the largest infrastructure investment in state history.
- ◆ \$1.37 million for Industrial/Lake Access programs

Additional funding (an 8.7 percent increase) is secured in HB 1078, which creates the "Rebuilding Oklahoma Access and Driver Safety Fund" for receipt of monies that would otherwise be apportioned to the General Revenue Fund. Said monies are for the following:

- ◆ FY'06 - \$15 million for roads and bridge maintenance; \$2 million for the Heartland Flyer; \$500,000 for Public Transit.
- ◆ FY'07 and thereafter - funding for maintenance and repair of state highways and bridges will increase incrementally (\$17.5 million or \$35 million per year dependant upon the percentage of revenue growth) until reaching the amount of \$170 million annually.
- ◆ \$2 million per year will be provided for the operations and capital projects of the Heartland Flyer.
- ◆ \$3 million per year will be provided for Public Transit activities.

OKLAHOMA TAX COMMISSION

The Oklahoma Tax Commission's FY'06 appropriation is \$45,626,291, a 10 percent increase over FY'05. Additional monies are for the following:

- ◆ \$2.2 million for the annualization of the Computer Integrated System, which links an individual or a company and all of its tax types within one system. OTC estimates the system will generate \$19.2 million in FY'06 through more effective audit collection efforts.

OKLAHOMA MILITARY DEPARTMENT

The Military Department's FY'06 appropriation is \$12,546,432, a 55.6 percent increase over the agency's FY'05 appropriation. The additional monies are for the following:

- ◆ \$1.85 million for National Guard Life Insurance. All members in good standing of the Oklahoma Air and Army National Guard will receive \$250,000 in coverage.
- ◆ \$1.79 million for the operation of the State Transition And Reintegration System (STARS), a program that tracks youth governed by the state juvenile justice system who are at high risk to re-offend.
- ◆ \$225,000 for debt service on a \$6 million bond issue that will finance completion of the National Guard Armory roof repair program.
- ◆ \$250,000 for the purchase of body armor and the requisite training with it.
- ◆ \$100,000 to initiate a lead abatement program at the Department's terminated indoor firing ranges.

STATE AUDITOR & INSPECTOR

The State Auditor & Inspector received and FY'06 appropriation in the amount of \$5,988,786, an increase of 8.4%. The agency received an additional \$200,000 for the hire of five FTE to activate its Performance Review Division, an entity that will conduct program audits to determine whether a state agency or body has been run in an efficient manner.

SUMMARY OF APPROPRIATIONS

<u>Agency</u>	<u>FY'05 Final Appropriation</u>	<u>FY'06 Appropriation</u>	<u>\$ Change</u>	<u>% Change</u>
Subcommittee on Education				
Arts Council	\$3,923,871	\$4,243,338	\$319,467	8.1%
Career and Technology Education	\$125,387,358	\$130,287,358	\$4,900,000	3.9%
Education, State Department of	\$2,059,282,390	\$2,164,263,450	\$104,981,060	5.1%
Educational Television Authority	\$4,201,753	\$4,624,059	\$422,306	10.1%
Higher Education, Regents for	\$806,136,296	\$889,433,880	\$83,297,584	10.3%
Land Office, Commissioners of	\$4,747,965	\$4,719,497	(\$28,468)	-0.6%
Libraries, Department of	\$6,212,118	\$6,681,355	\$469,237	7.6%
Physician Manpower Training Commission	\$5,024,607	\$5,361,490	\$336,883	6.7%
Private Vocational Schools, Board of	\$155,456	\$171,879	\$16,423	10.6%
Science & Math, School of	\$6,572,319	\$7,020,513	\$448,194	6.8%
Science & Technology, Center for	\$11,669,647	\$12,400,942	\$731,295	6.3%
Teacher Preparation, Commission on	\$1,998,168	\$2,022,875	\$24,707	1.2%
Subtotal	\$3,035,311,948	\$3,231,230,636	\$195,918,688	6.5%
Subcommittee on General Government and Transportation				
Auditor and Inspector	\$5,523,603	\$5,988,786	\$465,183	8.4%
Bond Advisor	\$188,096	\$181,212	(\$6,884)	-3.7%
Central Services, Department of	\$12,234,432	\$12,263,035	\$28,603	0.2%
Civil Emergency Management Administration	\$680,972	\$1,355,561	\$674,589	99.1%
Election Board	\$7,072,129	\$6,621,839	(\$450,290)	-6.4%
Ethics Commission	\$480,747	\$492,277	\$11,530	2.4%
Finance, Office of State	\$22,866,800	\$22,756,515	(\$110,285)	-0.5%
Governor	\$2,522,709	\$2,578,710	\$56,001	2.2%
House of Representatives	\$18,080,670	\$18,629,154	\$548,484	3.0%
Legislative Service Bureau	\$2,303,193	\$2,415,783	\$112,590	4.9%
Lt. Governor	\$523,259	\$592,436	\$69,177	13.2%
Merit Protection Commission	\$512,154	\$565,684	\$53,530	10.5%
Military, Department of	\$8,062,531	\$12,546,432	\$4,483,901	55.6%
Personnel Management	\$4,497,011	\$4,633,249	\$136,238	3.0%
Secretary of State	\$456,927	\$510,184	\$53,257	11.7%
Senate	\$12,769,707	\$13,146,893	\$377,186	3.0%
Space Industry Development Authority	\$518,323	\$523,264	\$4,941	1.0%
Tax Commission	\$41,462,019	\$45,626,291	\$4,164,272	10.0%
Transportation, Department of	\$200,875,804	\$292,648,137	\$91,772,333	45.7%
Treasurer	\$4,926,592	\$4,524,498	(\$402,094)	-8.2%
Subtotal	\$346,557,678	\$448,599,940	\$102,042,262	29.4%
Subcommittee on Health and Social Services				
Health, Department of	\$57,563,226	\$62,790,819	\$5,227,593	9.1%
Health Care Authority	\$482,256,505	\$634,786,355	\$152,529,850	31.6%
J.D. McCarty Center	\$3,162,767	\$3,792,283	\$629,516	19.9%
Mental Health & Substance Abuse Services	\$155,447,428	\$171,810,647	\$16,363,219	10.5%
University Hospitals Authority	\$39,029,342	\$40,549,342	\$1,520,000	3.9%
Veterans Affairs, Department of	\$30,091,172	\$36,040,332	\$5,949,160	19.8%
Subtotal	\$767,550,440	\$949,769,778	\$182,219,338	23.7%

Fiscal Year 2006 Budget Review

Agency	FY05 Final Appropriation	FY06 Appropriation	\$ Change	% Change
Subcommittee on Human Services				
Children and Youth, Commission on	\$1,569,789	\$1,725,018	\$155,229	9.9%
Handicapped Concerns, Office of	\$362,128	\$376,944	\$14,816	4.1%
Human Rights Commission	\$662,762	\$686,563	\$23,801	3.6%
Human Services, Department of	\$428,330,849	\$481,991,177	\$53,660,328	12.5%
Indian Affairs, Commission of	\$248,942	\$255,530	\$6,588	2.6%
Juvenile Affairs	\$93,503,160	\$98,323,348	\$4,820,188	5.2%
Rehabilitation Services, Department of	\$25,479,628	\$27,365,925	\$1,886,297	7.4%
Subtotal	\$550,157,258	\$610,724,505	\$60,567,247	11.0%
Subcommittee on Natural Resources and Regulatory Services				
Agriculture, Food and Forestry, Dept. of	\$22,846,177	\$27,196,069	\$4,349,892	19.0%
Centennial Commission	\$536,453	\$3,899,630	\$3,363,177	626.9%
Commerce, Department of	\$33,337,845	\$27,334,663	(\$6,003,182)	-18.0%
Conservation Commission	\$7,117,658	\$9,803,928	\$2,686,270	37.7%
Consumer Credit, Department of	\$616,513	\$637,925	\$21,412	3.5%
Corporation Commission	\$8,767,056	\$12,354,190	\$3,587,134	40.9%
Environmental Quality, Department of	\$9,495,264	\$8,166,580	(\$1,328,684)	-14.0%
Historical Society	\$11,046,253	\$13,106,387	\$2,060,134	18.7%
Horse Racing Commission	\$1,858,182	\$2,360,889	\$502,707	27.1%
Insurance Commissioner	\$2,136,301	\$2,231,595	\$95,294	4.5%
J.M. Davis Memorial Commission	\$330,983	\$322,454	(\$8,529)	-2.6%
Labor, Department of	\$3,061,658	\$3,224,721	\$163,063	5.3%
Mines, Department of	\$815,510	\$849,165	\$33,655	4.1%
Scenic Rivers Commission	\$333,158	\$323,041	(\$10,117)	-3.0%
Tourism and Recreation, Department of	\$24,162,640	\$28,355,959	\$4,193,319	17.4%
Water Resources Board	\$6,440,345	\$7,173,896	\$733,551	11.4%
Will Rogers Memorial Commission	\$882,678	\$830,679	(\$51,999)	-5.9%
Subtotal	\$133,784,674	\$148,171,771	\$14,387,097	10.8%
Subcommittee on Public Safety and Judiciary				
Alcoholic Beverage Laws Enforcement	\$3,626,853	\$3,738,839	\$111,986	3.1%
Attorney General	\$5,953,778	\$11,286,462	\$5,332,684	89.6%
Corrections, Department of	\$402,210,568	\$409,443,403	\$7,232,835	1.8%
Court of Criminal Appeals	\$2,750,541	\$2,828,160	\$77,619	2.8%
District Attorneys and DAC	\$29,176,731	\$30,592,742	\$1,416,011	4.9%
District Courts	\$43,043,226	\$47,300,000	\$4,256,774	9.9%
Fire Marshal	\$1,537,061	\$1,685,180	\$148,119	9.6%
Indigent Defense System	\$15,428,761	\$15,633,001	\$204,240	1.3%
Investigation, State Bureau of	\$9,681,911	\$11,154,628	\$1,472,717	15.2%
Judicial Complaints, Council on	\$271,152	\$278,826	\$7,674	2.8%
Law Enforcement Education and Training	\$2,686,318	\$2,758,783	\$72,465	2.7%
Medicolegal Investigations, Board of	\$3,427,372	\$3,922,904	\$495,532	14.5%
Narcotics and Dangerous Drugs, Bureau of	\$4,967,062	\$5,389,595	\$422,533	8.5%
Pardon and Parole Board	\$2,150,328	\$2,316,329	\$166,001	7.7%
Public Safety, Department of	\$65,062,004	\$78,887,770	\$13,825,766	21.3%
Supreme Court	\$13,337,544	\$16,000,000	\$2,662,456	20.0%
Workers' Compensation Court	\$3,770,408	\$4,365,564	\$595,156	15.8%
Subtotal	\$609,081,618	\$647,582,186	\$38,500,568	6.3%
Rural Economic Action Plan	\$15,500,000	\$15,500,000	\$0	0.0%
Bombing Memorial	\$0	\$5,000,000	\$5,000,000	100.0%
GRAND TOTAL	\$5,457,943,616	\$6,056,578,816	\$598,635,200	11.0%