



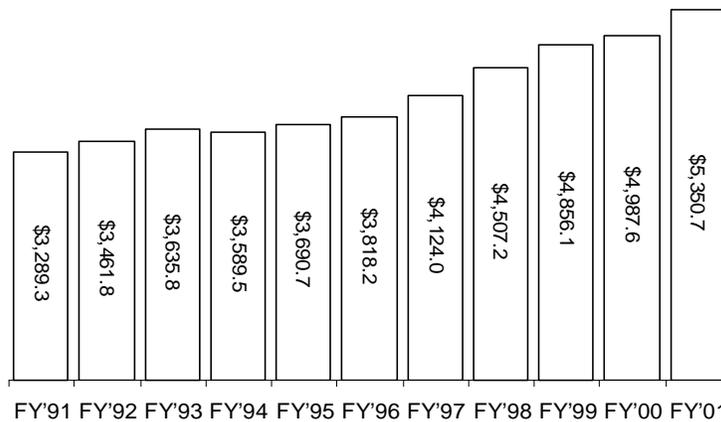
STATE EXPENDITURES

State budget trends reflect the changes experienced in Oklahoma's economic output and the priorities of its citizens. This chapter presents an overview of Oklahoma's state appropriated budget, trends in funding for specific programs, including recent bond-funded capital projects.

STATE APPROPRIATED BUDGET

About one-half of the state budget is subject to annual appropriation by the Legislature. Total appropriations have grown in nine of the 10 years between FY'91 and FY'01. Total appropriations growth between FY'91 and FY'01 was \$2.1 billion or 62.7%, an annual average increase of \$206.6 million or 6.3%.

History of State Appropriations
1991 through 2001

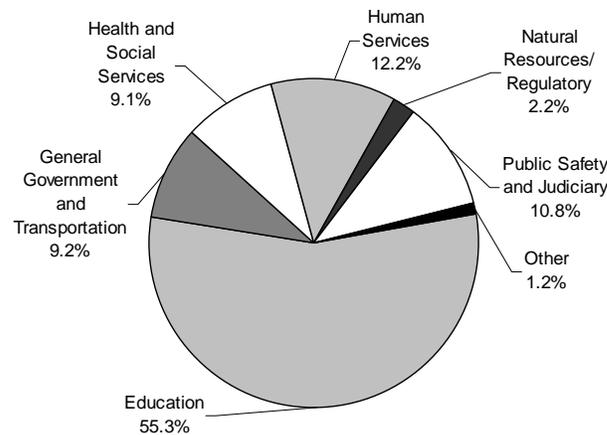


When adjusted for inflation, however, the increase in appropriations during the period was \$895.2 million or 27.2%.

Appropriation by Major Program Area

Of all money appropriated by the Legislature in FY'01, 55 cents of each dollar went to education agencies such as common education, higher education and career technology. The rest of the pie is split in varying shares to the other major state government areas, each of which is supervised by an appropriations subcommittee.

Share of All FY'01 Appropriations by Subcommittee

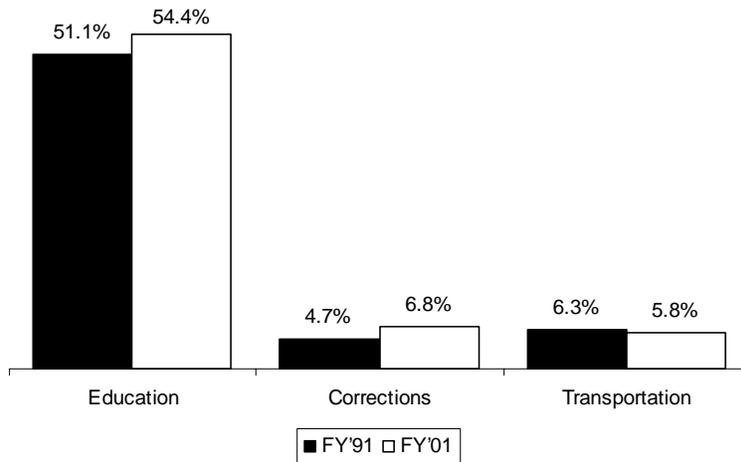


Between FY'91 and FY'01, appropriations have reflected the priorities of the Legislature and the citizens of Oklahoma. In the early 1990s appropriations reflected concern about the quality of education children were receiving in the state. By the mid 1990s, appropriations priorities shifted more toward public safety and transportation. By FY'01, the main recipient of new appropriations was education.

Shifts in Appropriations to Major Program Areas

The share of appropriations made to education – common education, higher education and career technology – went from 51.1% in FY'91 to 54.4% in FY'01, a 3.3% increase. Education received its highest percentage of total appropriations in FY'95, when it topped 57 cents of every dollar appropriated. Corrections went from 4.7% to 6.8% of total appropriations during the 11-year period, and reached its highest share (7.0%) during FY'00.

Share of Total Appropriations by Major Program
FY'91 vs. FY'01



CAPITAL BUDGET AND BOND ISSUES

Aside from a state highway fund, there is no statutory allocation of funds for state government capital needs in Oklahoma. Some states have used the dedicated-revenue concept as a means of addressing deteriorating infrastructures. In Oklahoma, funds for state government capital improvements – new buildings, major equipment purchases, grants for local government capital projects – must be addressed out of the state’s appropriated budget each year. During the cash-strapped period created by the oil bust in the early 1980s, capital considerations took a back seat to maintaining essential government services.

To address neglected infrastructure needs, lawmakers have approved several large revenue bond issues since 1997. Using the Oklahoma Capitol Improvement Authority (OCIA) as entity to issue the bonds, these initiatives have made available \$775 million for investment in projects that touch every county in the state.

The ROADS Plan

In 1997, the Legislature passed HB 1629 to provide a \$1 billion boost to state highway construction, which had been languishing under a stagnant source of dedicated motor fuel taxes. Nearly half the \$450 million total was provided by two sales of revenue bonds through OCIA. In Phase I, \$300 million of bonds were sold in May 1998 to finance

construction of a list of projects specified in HB 1629. Phase II bonds totaling \$150 million were sold in August 2000 to pay construction costs of roads outlined in HB 2259 (2000). All told, the ROADS Plan will nearly double the amount spent on highways over a five-year period. To retire the bonds, the Legislature increased funding to the Oklahoma Department of Transportation, which makes debt-service payments to OCIA (see chapter on Transportation).

HB 3306 Bond Issues for State Projects

HB 3306 (1998) authorized a statewide revenue bond issue for capital expenditures throughout the state. The bonds are issued by OCIA. Individual agencies that sponsor the projects are making lease-purchase payments to OCIA to pay principal and interest costs. The total amount authorized was \$325 million, initiated through two phases.

Phase I of 1998 State Bond Issue: Phase I totaled \$158.1 million for 15 specific projects through 14 state agencies. The sale of Phase I bonds began in September 1999.

HB 3360 Phase I Bond Projects

Agency	Project	Amount
Higher Education	Colleges & Universities Infrastructure	\$45,000,000
Historical Society	History Center	\$32,000,000
Central Services	Lincoln Boulevard Renaissance	\$13,800,000
Veterans Affairs	Lawton	\$12,000,000
J.D. McCarty Center	New Facility	\$10,300,000
Supreme Court	Remodel Wiley Post Building	\$10,000,000
Rehabilitative Services	School for the Blind	\$6,750,000
Rehabilitative Services	School for the Deaf	\$6,750,000
Commerce	Native American Cultural Center	\$5,000,000
Career Technology Education	Systemwide Equipment and Technology	\$5,000,000
Tourism and Recreation	Quartz Mountain Lodge	\$3,500,000
Agriculture	Boll Weevil Eradication	\$3,000,000
Central Services	Purchasing Systems Hardware/Software	\$2,000,000
University Hospital	Technology Incubator Program	\$2,000,000
Office of State Finance	Financial Management Information System	\$2,000,000
Total		\$158,100,000

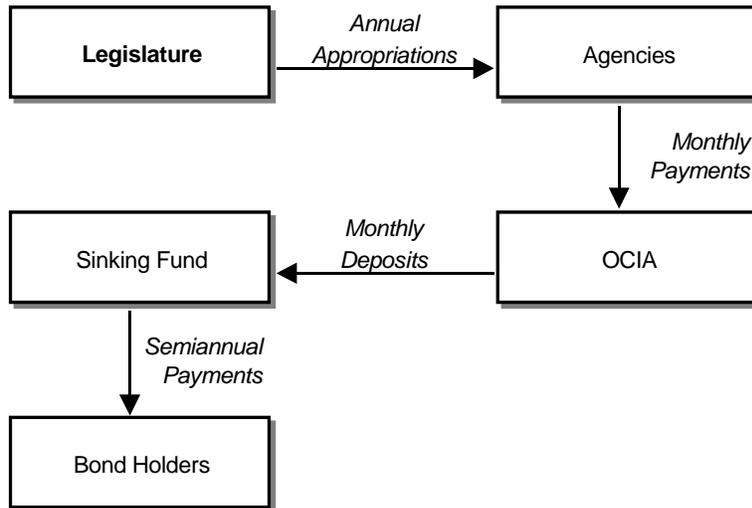
Phase II of 1998 State Bond Issue: Phase II bonds totaling \$157.5 were authorized in SB 973 (2000 regular session) and SB 2X (2000 special session). The second bond issue is more comprehensive, addressing capital projects throughout the state. The law authorizes sale of Phase II bonds beginning January 1, 2001.

HB 3360 Phase II Bond Projects

Agency	Amount	Agency	Amount
Aeronautics	\$4,611,000	House of Representatives	\$46,434
Agriculture	\$5,269,194	Human Services	\$2,465,101
Bureau of Investigation	\$300,000	J.D. McCarty	\$485,101
Centennial Commission	\$6,275,101	Juvenile Affairs	\$2,015,001
Central Services	\$5,995,000	Libraries	\$50,000
Commerce	\$1,450,000	Mental Health	\$2,075,000
Conservation Comm.	\$185,000	Military	\$6,300,101
Consumer Credit	\$20,000	Public Safety	\$1,389,000
Corrections	\$260,101	Tourism	\$11,090,005
Education	\$995,000	Transportation	\$5,896,412
Educational TV Auth.	\$250,000	Veterans Affairs	\$1,700,000
Grand River Dam	\$220,000	Vo-tech	\$15,640,303
Health	\$935,000	Water Resources	\$2,100,000
Higher Education	\$60,568,342	Wildlife Conservation	\$1,808,000
Historical	\$17,105,803		
		Total	\$157,499,999

Payment Process Under HB 3306: Payments to bond holders follows a specific path outlined in the bill. Agencies will use annual appropriations to make monthly payments to OCIA. The monthly payments by agencies will equal one-twelfth of the annual principal payment and one-sixth of the semiannual interest payment.

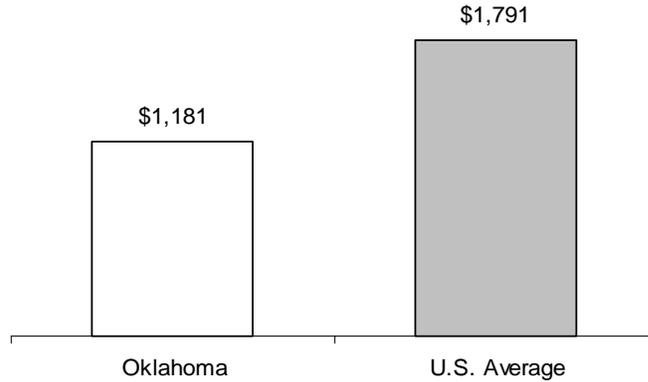
Repayment of Bond Proceeds under HB 3360



STATE GOVERNMENT DEBT COMPARISONS

1998 U.S. Census data placed Oklahoma at 35th lowest in the nation in per capita state government outstanding debt. Oklahoma's state government debt burden of \$1,181 per person was \$610 or 34% lower than the national average rate.

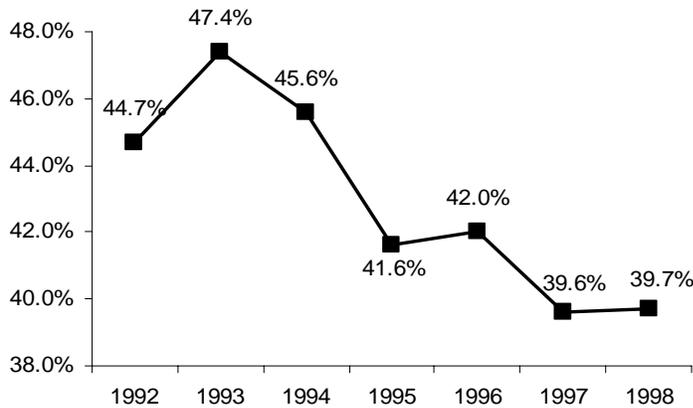
1998 Per Capita State Government Debt Outstanding



Source: U.S. Census Bureau, "1998 State Government Finance Data"

The state government debt rate in Oklahoma has dropped 2.7% from eight years ago.

History of State Debt as Percent of Total State Budget



Source: U.S. Census Bureau, "1998 State Government Finance Data"