Oklahoma Senate

Overview of State Issues

Report by Senate Staff

September 2008

OKLAHOMA SENATE

Overview of State Issues

September 2008

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INTRODUCTION

Oklahoma Senate Overview of State Issues is designed to provide a convenient summary of budget and taxation issues that face Oklahoma's Legislature. Though full of factual groundwork, this book's goal is also to put issues in context.

Discussion begins with a brief overview of the state's economic conditions and population trends, since these dynamics so often serve as catalysts for change.

The state's tax structure is examined closely, beginning with an analysis of total taxation and how it compares with other states. Each major tax type is then presented in detail – how it is assessed, collected and spent under the law. Regional and national rate analyses are provided for each major tax type.

Overall expenditures are presented in a chapter that details the emergence of broad shifts in spending priorities. Recent bond issues for capital improvements are also highlighted.

Next is a series of chapters, each of which is dedicated to a major policy area that has been the subject of recent legislative deliberation and action. Subjects discussed include the programs and budgets of almost all major state agencies.

Where relevant, descriptions of issues include historical context and state-by-state comparisons. Programs and policies that at first may seem perplexing are more easily understood when viewed in historical context.

The information is by no means comprehensive. More information on a particular topic can be obtained by contacting the Senate staff analysts listed on the dividing page of each chapter.

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TABLE OF CONTENTS

Overview
State Economy and Demographics 1
State Budget 7
Oklahoma Taxes 21
Agriculture 53
Education
Common Education 59
Career and Technology Education 83
Postsecondary Education 91
Energy and Environment 107
Health and Social Services
State Department of Health 113
Medicaid 121
Mental Health and Substance Abuse Services 131
Human Services
Department of Human Services 141
Juvenile Justice 169
State Personnel Issues 177
Public Safety and Corrections 185
Tourism 197
Transportation 207

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STATE ECONOMY AND DEMOGRAPHICS

Changes in the state marketplace and population are at the root of much of the Legislature's policy discussions. Shifts in these measures are often the catalyst for efforts to change state policies relating to social services, economic development, taxes and other areas.

THE OKLAHOMA ECONOMY

Unlike the national economic outlook, Oklahoma economic conditions should stay strong. Oklahoma's economy has diversified in the past decade. In 2007, oil and agriculture – once the backbone of Oklahoma's economy – accounted for 16 percent of the state's total economic output, lower than the 17.5 percent share of the gross state product (GSP) in 1985.

Components of the 2007 Oklahoma Economy

	Dollar Amount in Millions	Percent of Total
Services	$23,198	17.02%
Government	$21,811	16.01%
Mining	$19,536	14.34%
F.I.R.E.	$17,743	13.02%
Trade	$15,940	11.70%
Manufacturing	$15,508	11.38%
Trans., Comm., & Util.	$8,415	6.18%
Information	$4,705	3.45%
Construction	$4,450	3.27%
Other	$2,823	2.07%
Agriculture	$2,149	1.58%
Total Gross Domestic Product	**$136,275**	**100.00%**

Source: Bureau of Economic Analysis, 2008

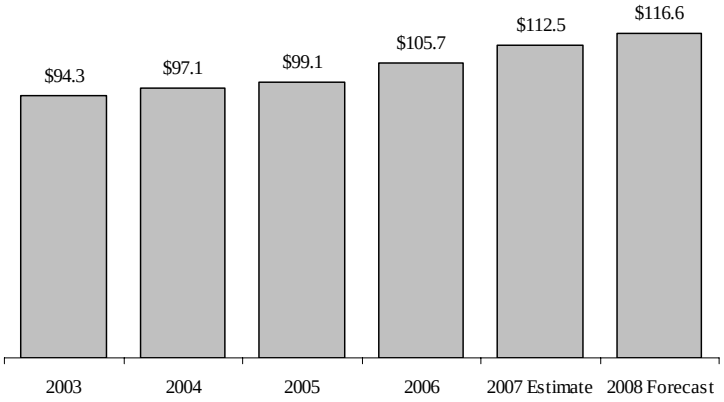
Despite the diversification of the economy, however, mining (which includes oil extraction) is more important to Oklahoma's economy than to the average state's economy.

The Finance, Insurance and Real Estate sector (F.I.R.E.), mining sector, and the services sector are the largest components of the Oklahoma economy. Together they comprise 44.4 percent of total state output. Oklahoma's manufacturing growth has frequently outpaced the nations over the past several years. While the services sector is often perceived as paying low wages, it includes many of the high wage and new economy jobs such as software consulting, management and health professionals.

ECONOMIC OUTPUT

The state economy's production – the gross state product or GSP – is the total amount of goods and services produced by all industries within a state.

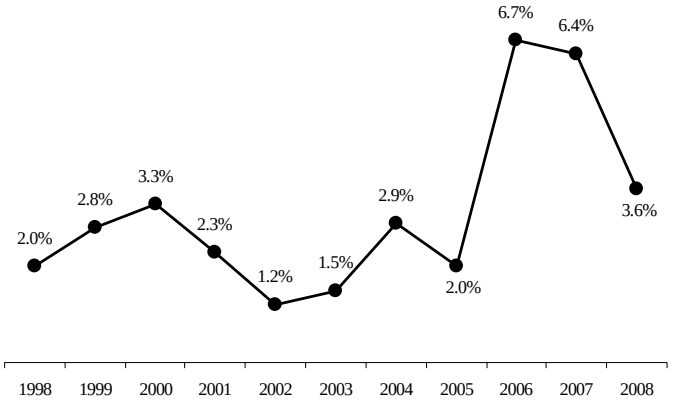
Oklahoma Real Gross State Product
2003 Through Projected 2008 (In Billions)



Source: OSU College of Business Administration, Oklahoma Economic Outlook 2008 Forecast

The Real GSP, which is adjusted for price changes and is considered the most appropriate measure of state output, is forecast to increase by 3.6 percent in the year 2008, following an increase of 6.4 percent in 2007. Industries including health services will be strong and manufacturing will decline slower than the national average, due to a boost from the energy sector.

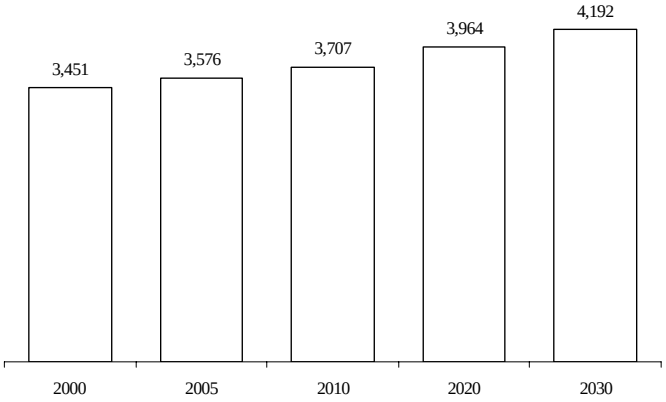
Oklahoma Real Gross State Product Growth Rate
1998 Through 2008



Source: OSU College of Business Administration, Oklahoma Economic Outlook 2008 Forecast

POPULATION

Oklahoma Population Trend and Projections
2000 Through 2030 (In Thousands)



Source: Oklahoma Department of Commerce

Census projections for the year 2005 place Oklahoma as the 28th most populous state in the nation. This compares to 1995, when Oklahoma's 3.27 million residents made it the 27th most populous state. The decline in ranking between

1995 and 2005 is not due to a loss of population, because the state gained over 277,000 residents over the past ten years. Instead, the ranking drop is due to the fact that states that were smaller than Oklahoma are growing faster.

Projected Growth in Population

The U.S. Census Bureau projects that Oklahoma's population will increase by 462,597 people or 13.4 percent between 2000 and 2030. This projected increase ranks 29th among states. Internal migration (from other states) comprises about 52.9 percent, natural increases (births minus deaths) account for 25.7 percent, and international migration is 11.8 percent of this growth projection.

Oklahoma's year 2006 population makes up about 1.2 percent of the nation's total population.

Working-Age Population

The percentage of Oklahoma's population that is in the prime working ages – between 18 and 64 years of age – is expected to decrease from 60.9 percent in 2000 to 58.3 percent in 2020. Oklahoma has a larger percentage of young and elderly compared to the nation.

The primary reason for Oklahoma's projected decrease in the working-age proportion is the growth rate of elderly residents. Oklahoma's elderly population is projected to increase at a faster rate than the nation. By 2010, it is projected that Oklahoma will have the nation's 20th highest proportion of elderly in its population. However, by 2030 Oklahoma's proportion should be lower than the national level. If projections hold true, this trend is likely to have a profound impact on long-term tax revenues and social-service demands within the state.

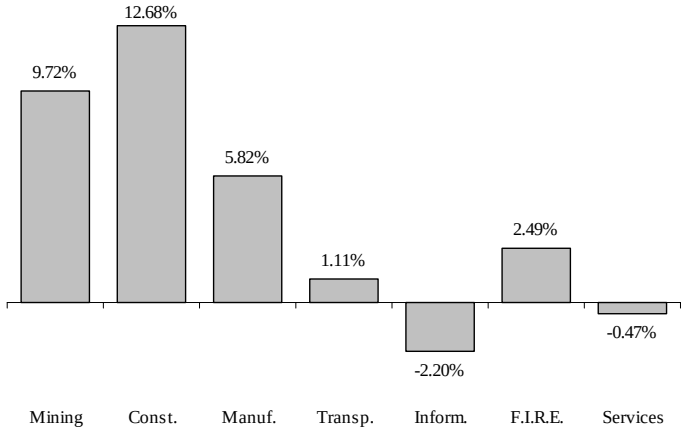
EMPLOYMENT AND INCOME TRENDS

Oklahoma's average wage per job in 2007 was $33,720 or 83 percent of the national average. This wage represents a 7.2 percent growth in wages from the 2005 average wage.

The per capita personal income (PCPI) in 2007 for Oklahoma was $34,153 which is 88.5 percent of the national average. Per capita personal income is a broad measure of economic well-being that includes wages and salaries, proprietor income, dividends and rents, and government transfer payments. PCPI grew by 13.4 percent between 2005 and 2007 in Oklahoma; the U.S. PCPI grew at a rate of 11.09 percent. Lower wages, in addition to Oklahoma's relatively high proportion of senior citizens and children explains much of the PCPI difference.

Oklahoma Private Sector Employment Growth Rate, by Sector

June 2008 (Percentage Difference from U.S. Average)



Source: Bureau of Labor Statistics, 2008

Oklahoma's overall employment growth rate from 2006 to 2008 was 3.25 percent, much higher than the national rate of 0.86 percent.

Oklahoma's unemployment rate of 3.9 percent in June of 2008 was below the national rate of 5.5 percent.

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STATE BUDGET

Appropriation Checks and Balances

In Oklahoma, projected revenues are certified by the Board of Equalization. This Board is comprised of the Governor, Lt. Governor, State Auditor and Inspector, Treasurer, Attorney General, Superintendent of Instruction and President of the State Board of Agriculture.

The Oklahoma Constitution, Article X, Sec. 23, requires a balanced budget. Appropriations are limited to 95 percent of projected revenues and can not exceed 12 percent in growth.

Any revenue collected that exceeds the certified estimate is deposited into the Constitutional Reserve (Rainy Day) Fund until it reaches a Constitutional cap of 10 percent of the prior year's General Revenue Fund. The Rainy Day Fund can be used under the following conditions:

- 3/8 of the fund can be used if General Revenue fails to meet the estimate in the current fiscal year;
- 3/8 of the fund can be used if General Revenue is projected to decline from one year to the next;
- 1/4 of the fund can be used if there is an emergency declaration by the Governor and a 2/3 vote in both the Senate and House of Representatives, or this same 1/4 can be used without the Governor's declaration if there is a 3/4 vote by Senate and House of Representatives.

The Governor has line item veto authority over all appropriation bills. Vetoes can be overridden by a super-majority vote by both the Senate and House of Representatives.

State Budget Cycle

The state fiscal year begins on July 1 and ends on June 30 of the following year. The following is a breakdown of the budget cycle throughout that year.

- **July 1** - The new fiscal year begins.

- **July through October** – Agencies formulate their budget work program. Budget limits are set by the Legislature in the preceding legislative session. Agencies begin formulating the budget request they will present for the next legislative session. This is a good time for advocacy groups to begin talking with state agencies about funding issues.

- **October 1** – Agencies submit their budget request to the Governor and Legislature for the upcoming fiscal year.

- **November** – Appropriation Subcommittees begin analysis of agency program performance measures and begin filing related reports. No appropriations can be made to an agency until these reports have been filed.

- **December** – The Board of Equalization meets for initial certification of revenues. This is the estimate the Governor uses for his budget. This is the best time for advocacy groups to contact the Governor about programs.

- **February** – The Governor submits his budget recommendations to the Legislature on the first day of Session. The Board of Equalization meets for certification of revenues. This is the estimate the Legislature is bound by constitutionally unless it passes a bill to increase or decrease revenue and that bill is signed by the Governor.

- **February through April** – Supplemental appropriations are considered for the current fiscal year. Subcommittees hold budget hearings for the upcoming fiscal year and move substantive bills with fiscal impacts through the process. This is the best time to talk to the Legislature about budget issues.

- **Late April to May** – The Subcommittees get their budget allocation and convene GCCA. By this time, the Senate and House Appropriation Subcommittees have decided most of what they want to fund, and it is time to work out their differences.

- **May** – The Legislature begins filing appropriation bills. During Session, the Governor has 5 days to sign or veto a bill or it becomes law without his signature. If the bill is passed during the last week of Session, the Governor has 15 days to sign it or it becomes a pocket veto. Session ends on the last Friday in May.

- **June** – The Board of Equalization meets to certify any changes to certification as a result of legislation that was signed into law and to certify that the Legislature did not exceed its appropriation authority.

- **June 30** – The current fiscal year ends. Agencies submit Budget Work Programs to the Office of State Finance and the process starts over.

State Revenues

For the fiscal year ending June 30, 2008, the total amount of funds processed by the state of Oklahoma was nearly $26.5 billion. Not all of these funds are under the control of the Legislature. In fact, legislative appropriations only account for about 25 percent of this total, having just recently surpassed the $7 billion mark. In general, money processed by the state comes from four basic sources:

State Taxes: This is the primary category from which the Legislature appropriates funds to state agencies. State taxes include things such as personal and corporate income taxes, sales and use taxes, oil and natural gas gross production taxes, motor vehicle and gasoline taxes, etc. More detailed descriptions of these revenue sources can be found in the section of this book titled "Oklahoma Taxes."

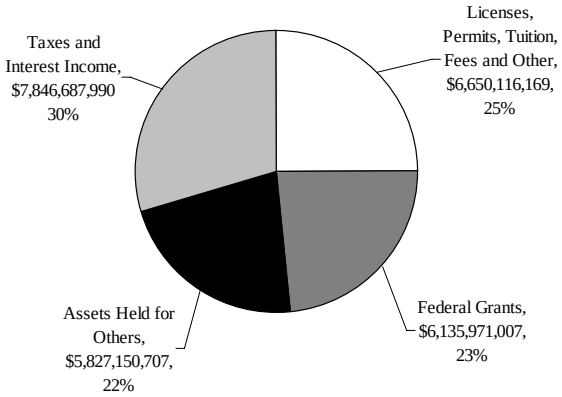
Licenses, Permits, Tuition, Fees and Other: These revenue sources are often deposited directly into agency revolving funds. The major component of this funding source is the tuition and fees collected by colleges and universities. Occupational license fees are included here, as are things such as driver license fees and hunting and fishing license fees.

Federal Grants: State agencies administer funds from federal agencies such as the U.S. Department of Education, U.S. Department of Health and Human Services, and U.S. Department of Transportation. Some examples of the programs they administer include Medicaid, Food Stamps and WIC.

Assets Held for Others: These are funds which are processed on behalf of other governmental entities and employees. They consist of local sales tax revenues collected by the state and disbursed back to cities and towns as well as funds for state employee retirement systems and employee benefit systems.

Total Funds Processed

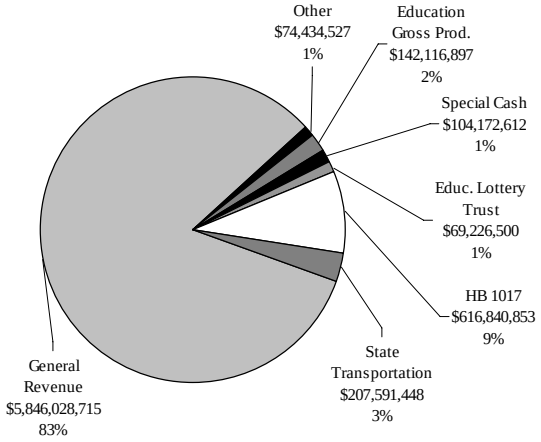
Fiscal Year Ending June 30, 2008



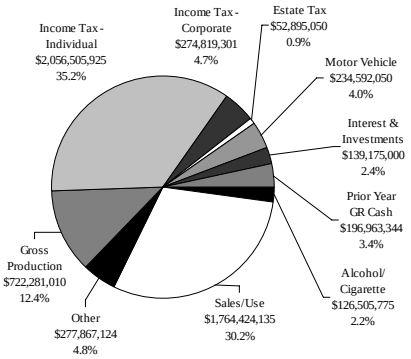
Legislative Appropriation Authority

The Board of Equalization certifies funds for the Legislature to appropriate and also provides estimates for some of the major agency revolving funds such as the Common Education 1017 Fund. It does not provide estimates for every revolving fund that the Legislature uses for appropriation. Revenues that were included in the Board's FY'09 certification packet totaled just over $7 billion. Summaries of the major revenue categories are detailed below.

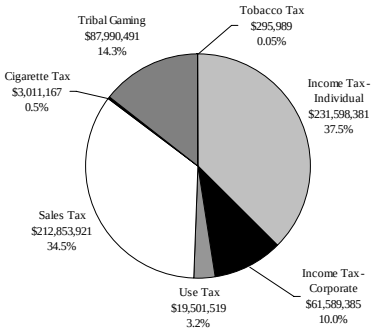
State Revenues by Major Category, FY'09



General Revenue Fund by Major Category, FY'09



HB 1017 Fund by Major Category, FY'09

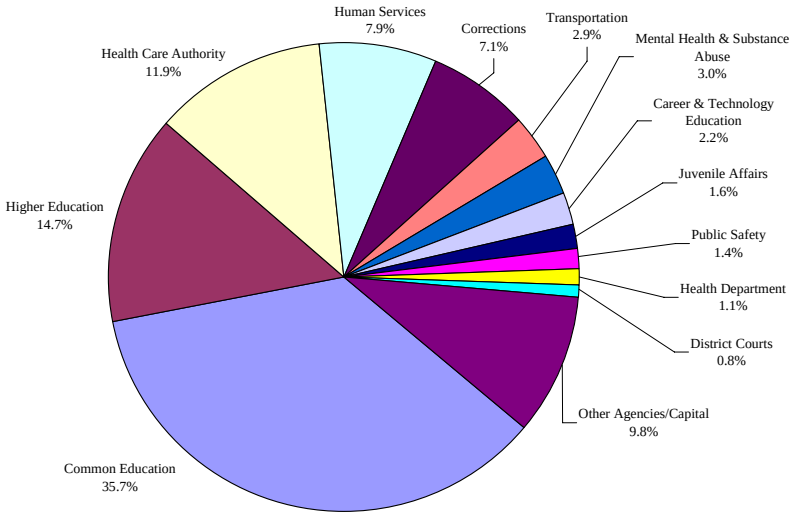


State Expenditures

State appropriations should reflect the priorities of taxpayers. In Oklahoma, those priorities have consistently included education, health care, public safety and transportation. Seventy-eight state agencies received appropriated dollars in FY'09 totaling $7,089,139,923. Approximately 90.4 percent of state appropriations were allocated to ten state agencies. This left 9.6 percent of the budget to split among the remaining 68 state agencies.

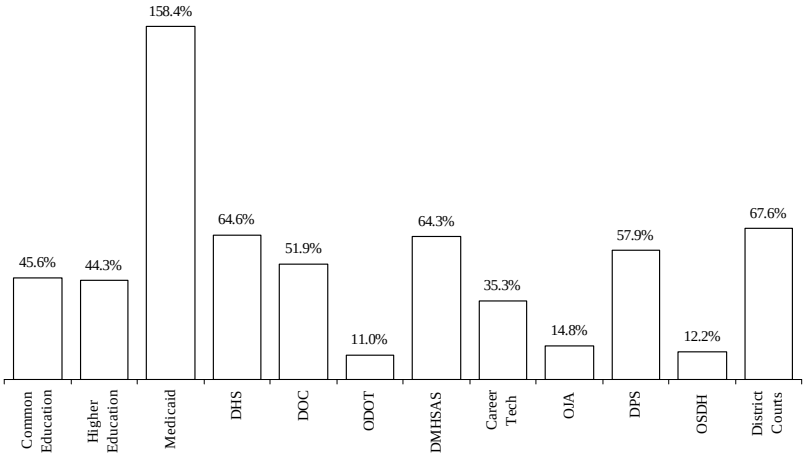
	FY'99 Appropriation	FY'09 Appropration	Dollar Change	Percent Change
Common Education	$1,738,531,635	$2,531,702,553	$793,170,918	45.6%
Higher Education	$757,862,120	$1,039,886,280	$282,024,160	37.2%
Health Care Authority	$325,846,050	$842,122,261	$516,276,211	158.4%
Human Services	$339,685,593	$559,107,190	$219,421,597	64.6%
Corrections	$331,165,993	$503,000,000	$171,834,007	51.9%
Transportation	$331,375,377	$207,691,448	-$123,683,929	-37.3%
Mental Health & Substance Abuse	$127,593,452	$209,579,129	$81,985,677	64.3%
Career & Technology Education	$116,939,996	$158,269,736	$41,329,740	35.3%
Juvenile Affairs	$97,824,095	$112,254,258	$14,430,163	14.8%
Public Safety	$61,544,635	$97,170,391	$35,625,756	57.9%
Health Department	$66,858,510	$75,028,113	$8,169,603	12.2%
District Courts	$34,647,308	$58,067,785	$23,420,477	67.6%
FY'09 Subtotal (90.4% of Total)	$4,329,874,764	$6,393,879,144	$2,064,004,380	47.7%
Other Agencies/Capital	$547,359,543	$695,260,779	$147,901,236	27.0%
Total Appropriations	$4,877,234,307	$7,089,139,923	$2,211,905,616	45.4%

Share of All FY'09 Appropriations by Agency



Top Ten Agency Appropriations Percent Change

FY'99 to FY'09



The largest budget increase in the last decade has been at the Oklahoma Health Care Authority, which administers the Medicaid Program. The 158% increase reflected here can be split into almost equal thirds between federal matching fund reductions, provider rate increases and growth in enrollment and utilization.

Many of the expenditure increases at DHS and ODMHSAS were actually implemented to save money in other areas. A significant investment in Drug Courts, PACT Teams, Systems of Care and other outcome based programs at ODMHSAS are expected to save money at DOC, DHS, OJA, Common Education and ODMHSAS itself. DHS has made a significant investment in the Advantage Waiver Program, which reduces nursing home costs in the budget for OHCA.

Common Education and Higher Education budgets have increased about 45% each over the last decade. The figures for Higher Education include OHLAP Scholarship funds which are apportioned by the Board of Equalization.

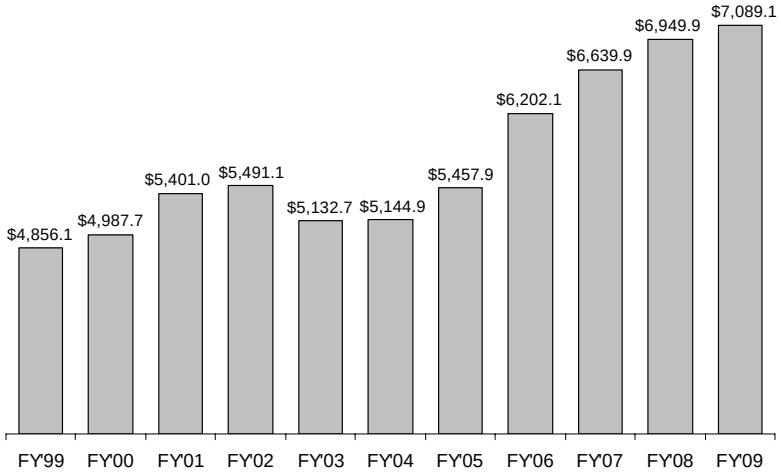
Significant investments have been made in the area of public safety with substantial increases at DOC, DPS and the District Courts.

Recent legislation will greatly increase funding for Oklahoma's transportation infrastructure. ODOT will receive $30 million annually until the ROADS Fund reaches a balance of $360 million. This means that State funding for ODOT will more than double over the next decade.

Appropriation History FY'99 to FY'09

State expenditures were relatively constant in the early half of the decade. Revenues were affected in FY'03 and FY'04 by the terrorist attacks of 2001. They began to rebound in 2004, and significant gains were made in FY'05 and FY'06. The implementation of major tax reductions beginning in FY'07 and a slow down in the national economy in FY'08 and FY'09 have contributed to more moderate expenditure growth in recent years.

10-Year Appropriation History



FY'09 Appropriation Overview

The General Appropriation (GA) Bill for the 2008 legislative session was HB 2276. That bill, in conjunction with several single agency appropriation bills passed in the final week of the session, appropriated a total amount of $7,089,139,923. There are several ways to calculate the difference in this appropriation from the amount appropriated for FY'08. For the purposes of this document, the FY'08 figure used will be $6,949,972,276. This is the amount appropriated in FY'08 including $30.6 million in supplemental appropriations. Another $73 million in supplemental appropriations were provided to Common Education. Those funds are not included in this total because they did not increase the total budget of the agency. They simply made up for revenue failures in the HB 1017 Fund. Approximately $152.5 million of items considered to be "one-times" have also been removed from this FY'08 total. The resulting comparison reflects the actual differences in the operating budgets of the agencies for FY'08 versus FY'09. As the charts that follow indicate, agencies will have $139,167,647 more state dollars to spend for general operations in FY'09 than in FY'08. This is a 2.0 percent increase.

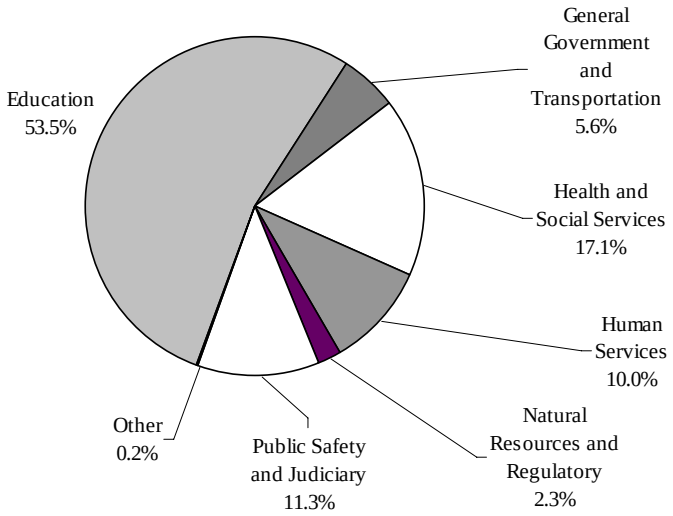
FY'09 Appropriation by Major Program Area

Of all money appropriated by the Legislature in FY'09, 53.5 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 a corresponding appropriation subcommittee.

Comparison of Funding by Subcommittee
FY'08 and FY'09
(In Millions)

	FY'08 Approp.	FY'09 Approp.	Change Dollar	Change Percent
Education	$3,756.0	$3,793.6	$37.6	1.0%
General Government & Transportation	$377.4	$396.9	$19.5	5.2%
Health and Social Services	$1,139.5	$1,214.7	$75.2	6.6%
Human Services	$702.4	$705.4	$3.0	0.4%
Natural Resources and Regulatory Services	$157.0	$160.0	$3.0	1.9%
Public Safety and Judiciary	$802.1	$803.0	$0.9	0.1%
REAP	$15.5	$15.5	$0.0	0.0%
Total	$6,949.9	$7,089.1	$139.2	2.0%

Share of All FY'09 Appropriations by Subcommittee



FY'09 Budget Issues

The sections that follow are a very brief synopsis of the budget issues that faced the 2008 Legislature. A more detailed breakdown of the budget is provided in a separate publication, the **FY'09 APPROPRIATIONS REPORT**.

Common Education

Common Education was appropriated a total of $2,531,702,553. This is an increase of $21,289,991 (0.8 percent) over the FY'08 appropriation of $2,510,412,567. Funding changes are as follows:

- $130,590 in obsolete funding for the Small School Incentive Grant Program was removed from the agency's budget;
- $1,073,604 in one-time funding for the Science and Mathematics Advanced Recruiting Technique Program was removed from the agency's budget;
- $968,328 was removed from the agency's budget in order to account for the certified adjustment of the lottery revenue allocation for the School Consolidation Assistance Fund;
- $968,328 was removed from the agency's budget in order to account for the certified adjustment of the lottery revenue allocation for the Teachers' Retirement System Dedicated Revenue Revolving Fund;
- $16,811,125 in additional funding was appropriated to the agency in order to fund employer contribution rate increases for Teachers' Retirement;
- $1,850,000 in additional funding was provided for National Certification Bonuses for school psychologists, speech-language pathologists, and audiologists;
- $128,866 was provided for the Federal School Lunch Program Match;
- $3,000,000 in additional funding was provided for required remediation for students who do not score at least at the satisfactory level on the eighth-grade criterion-referenced tests in reading and mathematics beginning with the 2007-08 school year;
- $450,000 in additional funding was provided for the Rural Infant Stimulation Environment (RISE) Program; and
- $200,000 in additional funding was provided for legal services for a district that meets certain requirements.

Postsecondary Education

Higher Education was appropriated a total of $1,039,886,280. This is an increase of $13,420,611 (1.3 percent) from the FY'08 appropriation of $1,026,465,669. Funding Changes are as follows:

- $48,105,000 in OHLAP (Oklahoma's Promise) funding was removed from the agency's budget, as OHLAP will now be funded through dedicated revenue from the General Revenue Fund pursuant to SB 820 from the 2007 Legislative Session ($54 million was apportioned for this purpose);

- $1,000,000 in one-time funding for capital improvements at the University of Oklahoma was removed from the agency's budget;
- $1,200,000 in one-time funding for capital improvements at Oklahoma State University in Tulsa was removed from the agency's budget;
- $16,500,000 in one-time funding for capital improvements at higher education institutions was removed from the agency's budget;
- $4,000,000 in one-time funding for a Forensics Center at the University of Central Oklahoma was removed from the agency's budget;
- $300,000 in one-time funding for Langston University was removed from the agency's budget;
- The agency received an additional amount of $5,796,146 in order to fund employer contribution rate increases for Teachers' Retirement;
- $4,899,465 in additional funding was provided to the agency for debt service on the bond authorized in SB 1373 for the Endowed Chairs Program; and
- The agency received $725,000 for the NWOSU Woodward Campus as well as $500,000 for the Redlands Community College.

Career and Technology Education

CareerTech was appropriated a total of $158,269,736. This is an increase of $2,720,294 (1.7 percent) over the FY'08 appropriation of $155,549,442. Funding changes are as follows:

- $1,200,000 in one-time funding for Metro Tech was removed from the agency's budget;
- $692,543 was removed from the agency's budget in order to adjust for the lottery revenue certification amount for FY'09;
- The agency received an additional amount of $1,350,294 in order to fund employer contribution rate increases for Teachers' Retirement;
- $250,000 in additional funding was provided for the ProStart and Lodging Management Programs;
- $70,000 in additional funding was provided for the Oklahoma Horizon Program;
- The agency received an additional amount of $300,000 for Oilfield Training Programs;
- $150,000 in additional funding was provided for the Great Plains Regional Public Safety Facility;
- The agency received an additional amount of $500,000 for operational expenditures at the Inmate Skill Centers; and
- $100,000 in additional funding was provided for the Pontotoc County Career Tech.

Dept of Transportation

The Department of Transportation received an FY'09 appropriation in the amount of $207,691,488. In addition to its appropriation, ODOT was authorized to sell

$300 million in bonds. The legislature removed the three percent trigger that currently governs deposits to the ROADS fund and set the yearly apportionment increase at $30 million. The cap on the ROADS fund was increased from $270 million to $370 million. By FY'16 ODOT will have received a total of $2.3 billion in appropriations to the fund.

Health Care Authority

The Oklahoma Health Care Authority (OHCA), charged with administering the state's Medicaid program, received $842,122,261. This is a 9.1 percent increase over the agency's FY'08 appropriation. This budget assumes the Health Care Authority using $20 million in carryover for FY'09. Major funding items include:

- $31,000,000 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'09;
- $35,000,000 to replace FY'07 carryover that was used for operations during FY'08;
- $13,900,000 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 1.5 percent;
- $6,900,000 for Medicare Part D;
- $2,100,000 for Federal FY'09 Medicare A & B premiums; and
- $1,300,000 for an annualization of the FY'08 anesthesiologist rate increase.

Public Health

The appropriation for the Department of Health will be $75,028,113. This is 1.7 percent more than the agency received in FY'08. The Department's budget includes $806,970 to be used for matching funds (5 percent) for a federal Pandemic Preparedness Grant. The Department also received $125,000 to increase the number of dentists in the Dental Loan Repayment Program. These new funds will allow another five dentists to join the program. Finally, the Department received $310,000 for newborn hearing screening machines.

Department of Human Services

The Department of Human Services (DHS) was appropriated $559,107,190 for FY'09. This amount represents a $2 million increase from the FY'08 appropriation. These funds were added for DDSD and AdVantage Waiver Services.

Office of Juvenile Affairs

The Office of Juvenile Affairs (OJA) was appropriated $112,254,258 for FY'09, a 0.2 percent increase from the FY'08 appropriation. The agency received an additional $2,068,446 for the L.E. Rader Center, as well as operational expenses.

Commerce

HB 2276 appropriates $28,328,894 to the Department of Commerce and SB 1292 appropriates $1.5 million. This amounts to a $3,079,878 increase over the agency's FY'08 appropriation. Changes of appropriation are due to cutting one-time funds associated with the 2nd Century Entrepreneurship bill and transferring the Capitol Dome Debt service of $474,000 from the Centennial Commission to Commerce. The $1.5 million appropriation will be used for the Bio-Diesel Fuel Center. Also, SB 1289 appropriates $1,105,872 to the agency to be used as debt service payment for the $25 million bond issued for the Native American Cultural Center. Finally, SB 1288 transferred $10 million to the agency from Unclaimed Property Fund. This money will be used for various needs across the state such as the GM plant and purchasing a hangar to be used as classroom for a technology center. Funds from SB 1288 are not included in the total appropriation figures.

Corrections

For FY'09, the Department of Corrections (DOC) received $503,000,000 in state appropriations. The appropriation included annualization of the FY'08 supplemental, as well as funding for bed expansion at several facilities.

Law Enforcement

The Legislature appropriated to the District Attorneys' Council an additional $2.9 million, for operations.

The Attorney General received additional funding for the expiring federal VINE (Victim Information Notification Everyday) Grant, in the amount of $550,000. This Grant funded the establishment of a computer system which tracks criminal offenders state-wide in compliance with the Oklahoma Victims Bill of Rights and the funding represents the annual cost to maintain the system. The Office also received $100,000 additional for the Domestic Violence Unit.

The Oklahoma Indigent Defense System received an additional $330,000 in state appropriations to cover the cost to increase private attorney contracts in FY'08 and FY'09 and $100,000 to open a new office in Guymon.

The Council on Law Enforcement Education and Training was appropriated an additional $204,000, which represents the 2nd year costs to implement SB 920. This bill, among other things, increased the number of hours required to complete the basic academy training for police officers.

Summary of Appropriations
FY'08 – FY'09

Agency	FY'08 Appropriation	FY'09 Appropriation	Dollar Change	Percent Change
Subcommittee on Education				
Arts Council	$5,150,967	$5,150,967	$0	0.0%
Career and Technology Education	$155,549,442	$158,269,736	$2,720,294	1.7%
Education, State Department of	$2,510,412,562	$2,531,702,553	$21,289,991	0.8%
Educational Television Authority	$8,394,383	$8,394,383	$0	0.0%
Higher Education, Regents for	$1,026,465,669	$1,039,886,280	$13,420,611	1.3%
Land Office, Commissioners of	$4,864,881	$4,864,881	$0	0.0%
Libraries, Department of	$7,294,856	$7,294,856	$0	0.0%
Physician Manpower Training Commission	$5,523,502	$5,523,502	$0	0.0%
Private Vocational Schools, Board of	$193,304	$0	($193,304)	-100.0%
Science & Math, School of	$7,597,512	$7,985,737	$388,225	5.1%
Science & Technology, Center for	$22,456,507	$22,456,507	$0	0.0%
Teacher Preparation, Commission on	$2,059,982	$2,059,982	$0	0.0%
Subtotal	$3,755,963,567	$3,793,589,384	$37,625,817	1.0%
Subcommittee on General Government and Transportation				
Auditor and Inspector	$6,315,269	$6,315,269	$0	0.0%
Bond Advisor	$186,419	$186,419	$0	0.0%
Central Services, Department of	$17,457,297	$18,713,175	$1,255,878	7.2%
Election Board	$6,805,988	$6,805,988	$0	0.0%
Emergency Management Department	$806,604	$1,156,604	$350,000	43.4%
Ethics Commission	$517,960	$667,960	$150,000	29.0%
Finance, Office of State	$23,081,434	$23,081,434	$0	0.0%
Governor	$2,661,981	$17,661,981	$15,000,000	563.5%
House of Representatives	$19,176,434	$19,176,434	$0	0.0%
Legislative Service Bureau	$4,887,349	$5,537,349	$650,000	13.3%
Lt. Governor	$659,597	$659,597	$0	0.0%
Merit Protection Commission	$613,684	$613,684	$0	0.0%
Military, Department of	$13,132,301	$13,132,301	$0	0.0%
Personnel Management	$4,891,745	$4,891,745	$0	0.0%
Secretary of State	$530,517	$530,517	$0	0.0%
Senate	$14,699,125	$14,699,125	$0	0.0%
Space Industry Development Authority	$530,340	$530,340	$0	0.0%
Tax Commission	$48,201,340	$50,201,340	$2,000,000	4.1%
Transportation, Department of	$207,591,448	$207,691,448	$100,000	0.0%
Treasurer	$4,668,763	$4,668,763	$0	0.0%
Subtotal	$377,415,595	$396,921,473	$19,505,878	5.2%
Subcommittee on Health and Social Services				
Health, Department of	$73,786,143	$75,028,113	$1,241,970	1.7%
Health Care Authority	$771,709,298	$842,122,261	$70,412,963	9.1%
J.D. McCarty Center	$4,452,961	$4,452,961	$0	0.0%
Mental Health & Substance Abuse Services	$207,429,129	$209,579,129	$2,150,000	1.0%
University Hospitals Authority	$41,865,342	$43,250,342	$1,385,000	3.3%
Veterans Affairs, Department of	$40,282,600	$40,282,600	$0	0.0%
Subtotal	$1,139,525,473	$1,214,715,406	$75,189,933	6.6%

Agency	FY'08 Appropriation	FY'09 Appropriation	Dollar Change	Percent Change
Subcommittee on Human Services				
Children and Youth, Commission on	$2,334,473	$2,608,473	$274,000	11.7%
Disability Concerns, Office of	$412,769	$412,769	$0	0.0%
Human Rights Commission	$710,226	$710,226	$0	0.0%
Human Services, Department of	$557,107,190	$559,107,190	$2,000,000	0.4%
Indian Affairs, Commission of	$258,466	$258,466	$0	0.0%
Juvenile Affairs	$112,060,812	$112,254,258	$193,446	0.2%
Rehabilitation Services, Department of	$29,539,374	$30,053,770	$514,396	1.7%
Subtotal	$702,423,310	$705,405,152	$2,981,842	0.4%
Subcommittee on Natural Resources and Regulatory Services				
Agriculture, Food and Forestry, Dept. of	$33,435,185	$34,540,185	$1,105,000	3.3%
Centennial Commission	$0	$0	$0	0.0%
Commerce, Department of	$27,854,894	$30,934,772	$3,079,878	11.1%
Conservation Commission	$9,187,084	$10,292,962	$1,105,878	12.0%
Consumer Credit, Department of	$669,042	$669,042	$0	0.0%
Corporation Commission	$15,310,417	$12,415,417	($2,895,000)	-18.9%
Environmental Quality, Department of	$9,728,096	$9,728,096	$0	0.0%
Historical Society	$14,587,451	$14,967,451	$380,000	2.6%
Horse Racing Commission	$2,669,568	$2,669,568	$0	0.0%
Insurance Commissioner	$2,515,943	$2,515,943	$0	0.0%
J.M. Davis Memorial Commission	$385,403	$385,403	$0	0.0%
Labor, Department of	$3,760,284	$3,760,284	$0	0.0%
Mines, Department of	$1,013,586	$1,013,586	$0	0.0%
Scenic Rivers Commission	$345,322	$345,322	$0	0.0%
Tourism and Recreation, Department of	$27,821,991	$28,041,991	$220,000	0.8%
Water Resources Board	$6,801,524	$6,801,524	$0	0.0%
Will Rogers Memorial Commission	$933,702	$933,702	$0	0.0%
Subtotal	$157,019,492	$160,015,248	$2,995,756	1.9%
Subcommittee on Public Safety and Judiciary				
Alcoholic Beverage Laws Enforcement	$3,925,266	$3,925,266	$0	0.0%
Attorney General	$13,924,449	$14,631,704	$707,255	5.1%
Corrections, Department of	$506,619,998	$503,000,000	($3,619,998)	-0.7%
Court of Criminal Appeals	$3,464,631	$3,474,527	$9,896	0.3%
District Attorneys and DAC	$39,920,210	$42,820,210	$2,900,000	7.3%
District Courts	$57,674,778	$58,067,785	$393,007	0.7%
Fire Marshal	$2,270,855	$2,270,855	$0	0.0%
Indigent Defense System	$16,304,008	$16,734,008	$430,000	2.6%
Investigation, State Bureau of	$17,316,450	$17,316,450	$0	0.0%
Judicial Complaints, Council on	$283,729	$283,729	$0	0.0%
Law Enforcement Education and Training	$4,410,370	$4,614,370	$204,000	4.6%
Medicolegal Investigations, Board of	$4,825,625	$4,825,625	$0	0.0%
Narcotics and Dangerous Drugs, Bureau of	$6,773,895	$6,773,895	$0	0.0%
Pardon and Parole Board	$2,577,581	$2,577,581	$0	0.0%
Public Safety, Department of	$97,170,391	$97,170,391	$0	0.0%
Supreme Court	$19,420,570	$19,247,063	($173,507)	-0.9%
Workers' Compensation Court	$5,242,033	$5,259,801	$17,768	0.3%
Subtotal	$802,124,839	$802,993,260	$868,421	0.1%
Rural Economic Action Plan	$15,500,000	$15,500,000	$0	0.0%
GRAND TOTAL	$6,949,972,276	$7,089,139,923	$139,167,647	2.0%

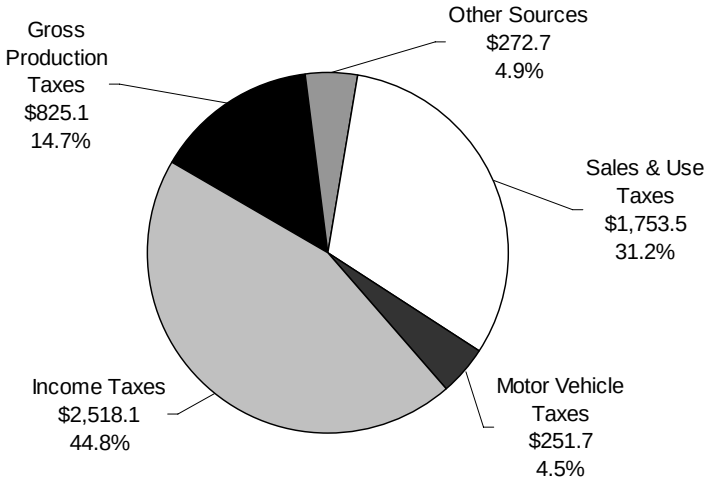
OKLAHOMA TAXES

This chapter focuses on how Oklahoma government imposes taxes to support state, county, municipal and other local government programs. It also provides extensive detail on several major tax sources – how the taxes are assessed, how they are allocated, and how they compare with other taxes in the region and nation. Also, tax cuts enacted since the mid-1990s are highlighted.

STATE REVENUE MIX

Sources of General Revenue FY'08

(In Millions)



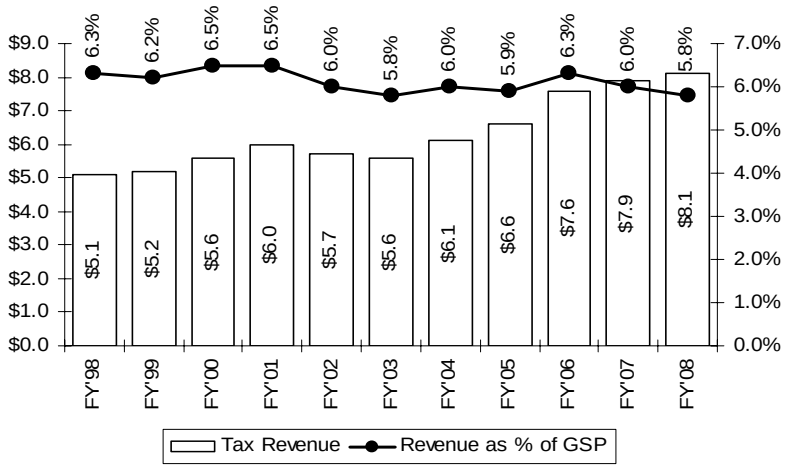
Total = $5.621 Billion

Source: Oklahoma Tax Commission, Apportionment of Statutory Revenues, Fiscal Year 2008

GROWTH IN STATE REVENUE

State revenue grew steadily from FY'98 through FY'01, then after a decline in FY'02 and FY'03, has risen to record levels. When measured as a percentage of Oklahoma's gross state product (GSP), tax revenue has closely tracked changes in the state's economy, averaging between 5.8 percent and 6.5 percent.

Oklahoma Economic Growth
FY'96 Through FY'06 (In Billions)



Source: Oklahoma Tax Commission and U.S. Department of Commerce Bureau of Economic Analysis

REVENUE PROJECTIONS

State Question 640, approved by voters in 1992, amended the Oklahoma Constitution to require revenue bills to be approved by the voters, unless they receive the approval of 3/4 of the members of each house of the Legislature. While no major tax rate increases or new taxes have been enacted by the Legislature since adoption of SQ 640, Oklahoma voters did approve an increase in tobacco taxes in November of 2004. When phased-in income and estate tax cuts were enacted during 2005 and 2006 it was estimated that such actions would ultimately reduce certified revenue by about $627 million by FY'11. Since these changes are still being phased-in, no determination has yet been made as to the impact on income tax revenue.

Economic factors such as the level and rate of growth in jobs and income are translated into estimates of tax revenue to be received by the state. Changes in the forecast for economic activity in the state will often have dramatic effects on projected tax revenues.

Beginning in FY'02, actual revenues began to fall considerably short of the estimates, requiring significant budget reductions for many agencies for FY'02, FY'03 and some additional reductions during FY'04. However, by the end of FY'04, revenue collections improved enough to permit the first deposit in the state's "Rainy Day" fund since FY'01. The "Rainy Day" Fund, formally known as the Constitutional Reserve Fund, was created to hold the portion of state revenue collections which exceeds 100 percent of the official estimate for that year. The fund is capped at 10 percent of the General Revenue Fund estimate for the prior year. Between FY'05 and FY'08, deposits to the fund have been to the constitutional limit. The following amounts were deposited to the "Rainy Day" Fund during the past five years.

Fiscal Year	Amount (in millions)
FY'04	$217
FY'05	$243
FY'06	$34
FY'07	$75
FY'08	$25

COMPARING STATE-BY-STATE TAX LEVELS

Policymakers often use state-by-state tax comparisons to guide their decisions. However, profound differences in how state and local governments operate in various states can skew comparisons. For example, some states require cities and counties to pay a large part of welfare and mental health costs. In Oklahoma, state government is solely responsible for providing those functions. Also, some states fund schools exclusively with state aid (Hawaii and New Mexico), while others have almost no state-level funding for schools (New Hampshire). Oklahoma state government provides about 56 percent of school costs.

Comparison of Per Capita State and Local Taxes

Most experts agree the best way to compare taxes among states is to combine state and local tax revenues, which eliminates the differences in state versus local responsibility for public services. The following table shows the most recent comparison of per capita state and local taxes.

State and Local Taxes
2004 Per Capita Taxes

State	Taxes Per Capita	Ranking
Arizona	$2,868	36
Arkansas	$2,539	48
Colorado	$3,471	25
Kansas	$3,375	22
Louisiana	$2,906	33
Missouri	$2,826	38
Nebraska	$3,611	16
New Mexico	$2,864	37
Oklahoma	$2,678	43
Texas	$2,875	34
U.S.	$3,441	

Source: State Rankings 2007, A Statistical View of the 50 United States, Morgan Quitno Corporation, p. 290

Among regional states, Oklahoma is ranked lower in per capita taxes than any state except Arkansas. Only Colorado, Nebraska and Kansas are ranked in the upper half of the states, and all states in the region, except Nebraska, are below the national average. New York was ranked first in the nation with total per capita taxes of $5,258. Alabama is ranked last with $2,332 in total per capita taxes.

The average Oklahoman pays $763 less per year in state and local taxes than the average American.

Comparison of Taxes as a Percent of Income

Measuring state and local taxes as a percent of personal income reveals each state's tax burden – the percentage of personal income the average resident pays in taxes. This adjusts for the relative wealth of various states' residents. Oklahoma, with its relatively low per capita income level, ranked 42nd (along with three other states) of the 50 states in state and local tax revenue as a percentage of personal income in 2004.

State and Local Taxes
As Percentage of Personal Income

State	Taxes as % of 2004 Income	Ranking
Arizona	10.0%	29
Arkansas	9.8%	36
Colorado	8.9%	46
Kansas	10.8%	12
Louisiana	10.7%	14
Missouri	9.4%	42
Nebraska	11.3%	8
New Mexico	10.7%	14
Oklahoma	9.4%	42
Texas	9.4%	42
U.S.	10.4%	

Source: Ibid, p. 292

New York is ranked first at 13.7 percent. South Dakota is ranked last at 8.3 percent. Overall, the amount of state and local taxes as a percentage of personal income in the U.S. increased slightly from 2002 to 2004, from 10.2 percent to 10.4 percent in. Oklahoma data show the opposite trend, with a slight decrease from 9.7 percent in 2002 to 9.4 percent in 2004.

TAX CUT INITIATIVES

From 1996 to 2001, the strong state economy produced healthy growth revenues, allowing the Legislature to significantly reduce taxes without cutting essential state services. During 2002 and 2003, tax relief legislation was more targeted toward specific industries. Both general and industry-specific tax relief were provided in 2004 - income and property tax relief through the passage of State Questions 713, 714 and 715 and targeted relief through a variety of other measures. Additional growth in revenue during 2005 and 2006 permitted further broad tax reductions, several of which will be phased-in through 2010. Where dollar figures for tax reductions are provided below, the total includes only those tax reductions that are determinable and certified by the State Board of Equalization (some laws, such as those that increase sales tax exemptions or income tax credits, result in actual savings to taxpayers but the amount cannot be determined on a statewide basis).

- **1996 and 1997 Sessions:** Legislative measures enacted in 1996 and 1997 session cut taxes for Oklahoma taxpayers by almost $80 million annually. The most significant tax relief, in total dollars, was contained in HB 1621

(1996). The bill extends the same $5,500 income tax deduction received by public-sector retirees to retirees in the private sector. The deduction applies to persons aged 65 and older who earn less than $25,000 annually. Other tax measures during those sessions applied to unemployment taxes (HB 1130, 1997) and targeted Oklahoma industries in the energy (SB 911, 1996) and agriculture (HB 2959, 1996) sectors.

- **1998 Session:** In the 1998 session, tax reductions that will total $104 million annually (when fully implemented) were enacted in HB 3152. These included:

  - ✓ a reduction in the top income tax rate for Method 1 filers from seven percent to 6.75 percent (cutting revenues by $41.1 million);
  - ✓ increasing the income threshold to qualify for rebates under the Sales Tax Relief Act ($41.0 million);
  - ✓ increased estate tax exemptions for lineal heirs ($18.6 million);
  - ✓ college savings incentives; and
  - ✓ Small Business Administration fee tax credit ($3.3 million).

  Additional tax relief for businesses was provided by reducing employer contribution rates for unemployment insurance. The rate reduction was provided for an 18-month period beginning July 1, 1998. The change was projected to save employers about $32.5 million in FY'99, and up to $136 million over five years if the reduced rate is extended.

  The income tax rate reductions and Sales Tax Relief Act thresholds included a provision that these tax cuts would be rolled back in the event of a decline in estimated revenues. This occurred in 2002, resulting in a suspension of these tax cuts for the 2002 tax year.

- **1999 Regular Session:** In the 1999 session, measures targeting tax relief for the airline industry were enacted, resulting in tax savings of more than $5 million annually (SB 523 and HB 1294).

- **1999 Special Session:** In a special session convened in February 1999, HB 1003X was enacted to change the state's seven percent gross production tax rate on oil production to a rate tied to the price of oil:

  - ✓ If oil sells for more than $17 per barrel, the rate remains at seven percent.
  - ✓ If the price is $14 to $17, the rate drops to four percent.
  - ✓ If the price is less than $14 per barrel, the rate drops to one percent.
  - ✓ The tax on gas production remained at seven percent.

For tax-rate purposes, the price of oil will be determined monthly by the Tax Commission, based upon data submitted by the three largest oil purchasers.

This measure was expected to result in a tax cut of about $29.2 million annually.

- **2000 Session:** The 2000 Legislature referred to voters a measure reducing motor vehicle registration fees and modifying the basis for the motor vehicle excise tax, which actually resulted in a tax savings of approximately $50 million annually when fully implemented (HB 2189). Other tax measures enacted in 2000 included extending the insurance premium tax credit to affiliates (HB 2191) for a tax savings of $2.1 million, and granting an income tax exemption for federally tax-exempt bonds (HB 2635) for a tax savings of $1.2 million.

- **2001 Session:** Tax reductions approved in the 2001 session will total approximately $63 million when fully implemented. These include a reduction in the top income tax rate for Method 1 filers from 6.75 percent to 6.65 percent and an earned income tax credit (HB 1933), income tax credits for space transportation vehicle providers (SB 55), increased workers' compensation assessments (HB 1003X) and coal producers (SB 495), expansion of the sales tax exemption for aircraft parts (SB 495) and income tax deductions for contributions to college savings plans (HB 1896). The income tax rate reduction retained the "trigger mechanism" from the 1998 law, which provided for a suspension in the rate reduction in the event of declining revenues, which occurred in 2002, so this reduction has not yet taken effect.

- **2002 Session:** In spite of the first decline in state revenues in several years, the Legislature provided targeted tax relief to selected industries, including an income tax credit for small wind turbine manufacturers (SB 1451), a new Quality Jobs Incentive Leverage Act designed to assist tire manufacturers (HB 2245), and additional income tax credits for certain airlines (HB 2315). These measures will result in a tax savings of approximately $46.3 million.

- **2003 Session:** Continued revenue decline limited the amount of, and tax savings associated with, targeted relief provided. That relief included: establishing an income tax credit for certain ethanol production facilities (SB 429), extending the time limit on certain manufacturing investment tax credits (SB 440) and on certain gross production tax exemptions (SB 535) and including certain jobs under the Quality Jobs Act to the benefit of tire manufacturers (HB 1593).

- **2004 Session:** Much of the tax relief proposed during 2004 was approved by Oklahoma voters on November 2, 2004. Taken together, these measures are expected to reduce taxes by nearly $80 million when fully implemented. State questions 713, 714 and 715 resulted in the following types of tax relief:

  - ✓ Reduction in income tax on certain capital gains and retirement income and permanent reduction in the top tax rate (SQ 713/HB 2660).
  - ✓ Modification of the income threshold by which a senior citizen qualifies for a freeze on the value of a homestead for property tax purposes (SQ 714/ SJR 30).
  - ✓ Establishment of a new property tax exemption equal to the value of an individual's homestead for 100 percent disabled veterans (SQ 715/HJR 1044).

  In addition to the state questions, the Legislature enacted additional tax relief which: expands tax credits for investments in venture capital (HB 2124) and provides state payments for up to 10 percent of eligible capital costs for qualified tire manufacturers making capital investments (HB 2373).

  The Oklahoma Quality Jobs Program, originally enacted in 1993, provides incentive payments to targeted industries creating new jobs in Oklahoma. The program has been expanded and extended since that time, and the amounts of payments made are in addition to the tax cuts described above. Quality Jobs incentive payments exceeded $54 million in FY'03.

- **2005 Session:** An improving revenue picture provided the 2005 Legislature with the ability to enact a $60 million tax relief package focused on income tax relief for both individuals and businesses and targeted sales tax relief. Together, SB 435 and HB 1547 increased the standard deduction and reduced the top income tax rate. In tax year 2006, the standard deduction amount for those filing as "married filing jointly", head of household or qualifying widow, increased to $3,000. For tax year 2007 and subsequent years, that amount will increase to $4,000. The top income tax rate decreased from 6.65 percent to 6.25 percent beginning with tax year 2006.

  Retired individuals gained an even greater benefit from additional tax measures enacted. SB 435 increased the amount of retirement income exempt from income taxes from $7,500 to $10,000. HB 1476 increased the military retirement income exemption to an amount equal to 50 percent of military retirement benefits or $10,000, whichever is greater. In addition, under HB 1193 Oklahoma taxpayers received a one-time payment from a portion of surplus state revenue deposited in the "Rainy Day Fund".

  Businesses and corporate taxpayers also benefited from both broad and industry-targeted tax relief. Under HB 1547, all corporations were given an exemption for certain capital gains (parallel to an exemption enacted for individuals in 2004). The franchise tax was simplified by eliminating the

filing requirement for certain taxpayers in HB 1738. Bills enacted to provide targeted tax relief included measures to assist a variety of industries including: oil and gas, film and music, agriculture and alternative fuels. Sales tax relief was provided to organizations ranging from those providing support for homeless persons to those which focus on conservation and wildlife.

- **2006 Regular and Special Sessions:** Legislation enacted during these sessions will result in the largest tax cut in state history, including: decreases in the top income tax rate, increases in the standard deduction, expansion of retiree exemptions and elimination of the estate tax. In 2010 when all the changes are fully phased-in, over $600 million in tax relief will be provided to Oklahomans. As in previous years, other legislation provided specific tax relief to businesses and nonprofit organizations. New economic development initiatives were also funded with surplus tax revenue.

  Following last session's income tax rate decrease, HB 1172XX contained further reductions in the top marginal income tax rate. The rate will drop a full percentage point between 2007 and 2010. Specifically, the top rate will go to 5.65 percent in 2007, 5.55 percent in 2008 and 5.50 percent in 2009. Then, if state revenue continues to grow by at least 4 percent plus the cost of the additional scheduled tax reduction, the top marginal rate will drop to 5.25 percent in 2010.

  Like the income tax rate, Oklahoma's standard deduction was modified both last and this session. HB 1172XX will also phase-in over a four-year period increases to the standard deduction until 2010 when it becomes tied to the federal standard deduction amount. From 2007 to 2009, the amounts will more than double. For example, those who are married, file jointly and do not itemize their deductions will be able to claim exemptions of $5,500 in 2007, $6,500 in 2008 and $8,500 in 2009. That means the deduction will rise from the current 2006 level of $3,000 to an estimated federal level of $11,200 in 2010.

  Private sector retirees will also benefit from a provision in HB 1172XX which will increase the income thresholds each year from 2007 to 2010 until they are completely eliminated in 2011. This means all retirees will ultimately be eligible to claim the $10,000 deduction. Tax relief was also provided to military retirees. The amount of military retirement exempt from income tax increased to $10,000 or 75 percent of benefits, whichever is greater.

  The issue of estate tax was also addressed through the modification of provisions which currently apply to collateral heirs and the phase-out of the estate tax. For deaths which occur on or after January 1, 2007, lineal and collateral heirs will be subject to the same tax rate and exemption amount.

That exemption will rise from $1 million to $2 million in 2008 and to $3 million in 2009. For 2010 and beyond, the estate tax will be repealed.

In an effort to provide sales tax relief to certain nonprofit organizations, the 2006 Legislature approved sales tax relief measures which apply to a variety of nonprofit organizations ranging from community mental health centers to patriotic women's organizations to YMCAs. Sales tax exemptions or other tax credit programs were also enacted to benefit industries including: quarrying, coal-mining, zero-emission power generation and railroads.

Two funds were created during the 2006 Special Session for the purpose of utilizing certain surplus tax revenue for economic development purposes. SB 99XX created a $150 million trust fund known as the Economic Development Generating Excellence (EDGE) Fund. Expenditures from the fund, limited to 5 percent of its assets, may be used as matching funds for applied research, for technology transfer and seed capital and for a variety of other specific uses. Two separate boards were also created to govern investment and expenditure of the fund. In HB 1169XX, the Oklahoma Department of Commerce and the Contingency Review Board were given the authority to propose and review expenditures of up to $45 million by the Governor from a newly-created Oklahoma Opportunity Fund. Expenditures can be made for economic development purposes if they are expected to result in the creation of new jobs, maintenance of existing jobs, and/or investment in new property or ventures that will increase the state's tax base. In 2007, the Oklahoma supreme Court struck down the mechanism for using the Opportunity Fund. The law required expenditures from the fund to be approved unanimously by the Governor and two legislative leaders who serve on the Contingency Review Board. The court ruled that this arrangement violated the constitutional separation of powers between branches of government. Since the ruling, no additional appropriations have been made to the Opportunity Fund.

- **2007 Session:** Just one year after the largest tax cut in state history, the 2007 tax relief package is estimated to result in an additional tax savings of about $13 million in FY-08 and $75 million in FY-09. This will be accomplished through an acceleration of the phased-in reduction of the top income tax rate, the establishment of a new income tax credit for parents of minor children and a franchise tax exemption for companies with liability of $250 or less.

  The four-year income tax rate reduction put into place during the 2006 legislative session would have reduced the top marginal income tax rate each year until 2010, when the rate was set to drop to 5.25 percent. Under the 2007 session tax agreement, the reduction is accelerated with the potential for the 5.25 percent top rate beginning during tax year 2009 if revenue targets are met.

Oklahoma parents who do not claim child care expenses will also benefit by being able to claim a new income tax credit. Under SB 861, a taxpayer with minor children may claim the greater of an existing child care expense tax credit or a new credit equal to 5 percent of the federal income tax child credit.

Most companies doing business in this state are subject to a franchise tax of $1.25 on every $1,000 of capital. During the 2006 session, companies with franchise tax liability of $10 or less were exempted from the tax. Under this year's tax relief proposal in SB 861, those with a tax liability of $250 or less would be exempt, relieving an additional 24,000 companies of the requirement to pay the franchise tax.

- **2008 Session:** Limited resources required the Legislature to enact only targeted tax relief initiatives during the 2008 session. That included: extending the expiration date for income tax credits for "clean-burning" motor vehicles (SB 1558), gross production tax exemptions for certain deep wells (SB 1658); modifying provisions relating to a tax credit for railroad reconstruction (SB 1799); and enacting new tax credit provisions for both employers and employees in the aerospace industry (HB 3239).

INCOME TAXES

Oklahoma received more than $3.14 billion in income tax revenues in FY'08. Income taxes are the largest single source of money for the state General Revenue (GR) Fund, accounting for 39 percent of total revenue and about 44.8 percent of the deposits to the GR Fund in FY'08. The state income tax is imposed on the Oklahoma taxable income of all individuals and corporations, whether resident or nonresident. Oklahoma taxable income is based on federal adjusted gross income, so income tax changes enacted by Congress can impact state tax levels.

According to Morgan Quito's State Rankings 2007, in 2005 Oklahoma ranked 27th among the 50 states in per capita revenue collection from individual income taxes.

Individual Income Tax

Oklahoma's graduated income tax rate ranges from ½ percent to 5.5 percent, depending upon the amount of taxable income. For the 2008 tax year, the schedule for a single individual is as follows:

- ½ percent on the first $1,000
- 1 percent on the next $1,500
- 2 percent on the next $1,250

- 3 percent on the next $1,150
- 4 percent on the next $2,300
- 5 percent on the next $1,500
- 5.5 percent on the remainder

Since 2000, the Legislature has enacted a number of income tax changes, ratcheting down the top marginal rate from 7 percent and 5.5 percent. During the 2006 Special Legislation Session, a multi-year, phased-in rate reduction was enacted. As a result, the top marginal income tax rate has changed as follows:

Year	Top Marginal Rate
2004	6.65%
2005	6.25%
2006	5.65%
2007	5.50%
2008	5.50%

In the first year after 2008 when state revenue grows by at least 4 percent plus the cost of the scheduled change in the standard deduction, the top marginal rate will drop to 5.25 percent.

Individual Income Taxes Comparison

Nationwide		Regional States	
National Ranking (per capita):	27	Regional Ranking:	4
Number of states imposing tax:	44	States using tax:	9
		States with higher max. rate:	5
		States with lower max. rate:	3

In 2005, Massachusetts had the highest per capita income tax collections with $1,506 collected per person. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) have no individual income tax.

The average Oklahoman pays $46 less per year in individual income taxes than the average American citizen.

Income Taxes

2008 Rates; 2005 Per Capita Revenue and Rankings

State	Tax Rate	Per Capita Revenue	Ranking
Arizona	2.59 - 4.54%	$478	39
Arkansas	1 - 7%	$676	29
Colorado	4.63%	$809	17
Kansas	3.5 - 6.45%	$746	24
Louisiana	2 - 6%	$531	38
Missouri	1.5 - 6%	$692	28
Nebraska	2.56 - 6.84%	$793	20
New Mexico	1.7 - 5.3%	$564	36
Oklahoma	0.5 - 6.25%	$697	27
Texas	--	--	44
U.S.		$743	

Source: Ibid, p. 323, and State Individual Income Taxes, 2008 Tax Rate Table, web page of Federation of Tax Administrators (www.taxadmin.org)

Corporate Income Tax

Corporate income tax is imposed at a flat six percent rate of Oklahoma taxable income. The corporate income tax rate was last changed in 1990, as part of HB 1017. Income taxes paid by Oklahoma corporations produced $360 million in revenues during FY'08. Corporate income taxes total just over one-tenth of the amount collected through individual income taxes.

Corporate Income Taxes Comparison

Oklahomans pay about 37 percent of the national average per capita in corporate income taxes. All states in the region are below the national average.

In per capita corporate income tax revenue, Oklahoma ranks 45th of the 46 states that levy a corporate income tax.

Alaska is the highest with $888 collected per capita. Four states (Nevada, Texas, Washington and Wyoming) have no corporate income tax.

The corporate income tax rate is not necessarily related to per capita collections. For example, Kansas collects $90 per capita under a four percent rate, but Oklahoma collects $48 per capita with a six percent rate.

Corporate Income Tax
2008 Rates and 2005 Per Capita Revenue and Rankings

State	Tax Rate	Per Capita Revenue	Ranking
Arizona	6.968%	$118	21
Arkansas	1 - 6.5%	$100	29
Colorado	4.63%	$68	41
Kansas	4%	$90	35
Louisiana	4 - 8%	$78	38
Missouri	6.25%	$38	46
Nebraska	5.58 - 7.81%	$113	24
New Mexico	4.8 - 7.6%	$126	19
Oklahoma	6%	$48	45
Texas	--	--	47
U.S.		$130	

Source: Ibid, p. 325 and 2008 web page of Federation of Tax Administrators (www.taxadmin.org)

Statutory Apportionment of Income Taxes

For FY'08, individual income tax revenues are apportioned by the Oklahoma Tax Commission on a monthly basis according to the following statutory schedule:

85.66% to the General Revenue Fund, which is appropriated by the Legislature;
8.34% to the Education Reform Revolving Fund;
5.00% to the Teachers' Retirement System Dedicated Revenue Revolving Fund; and
1.00% to the Ad Valorem Reimbursement Fund to reimburse local governments for lost revenues related to the exemption from ad valorem taxes of new, expanded or acquired manufacturing facilities.

Corporate income tax revenues are apportioned monthly as follows:

77.50% to the General Revenue Fund, which is appropriated by the Legislature;
16.5% to the Education Reform Revolving Fund;
5.00% to the Teachers' Retirement System Dedicated Revenue Revolving Fund; and
1.00% to the Ad Valorem Reimbursement Fund.

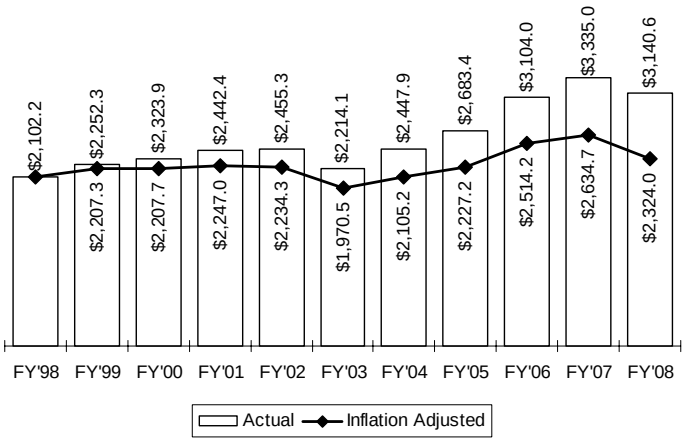
In FY'06 under HB 1078, a portion of income tax revenue was directed, prior to apportionment, to a newly-created road and bridge rebuilding fund, the Rebuilding Oklahoma Assess and Driver Safety Fund, also known as the

ROADS Fund. In FY'08, the ROADS Fund received $137.5 million in income tax revenue.

History of Revenues from State Income Taxes

Revenues from income taxes in Oklahoma have increased by over 49 percent over the last 10 years in real dollar terms. When adjusted for inflation, the increase is 11 percent.

History of Income Tax Revenue
FY'98 Through FY'08 (In Millions)



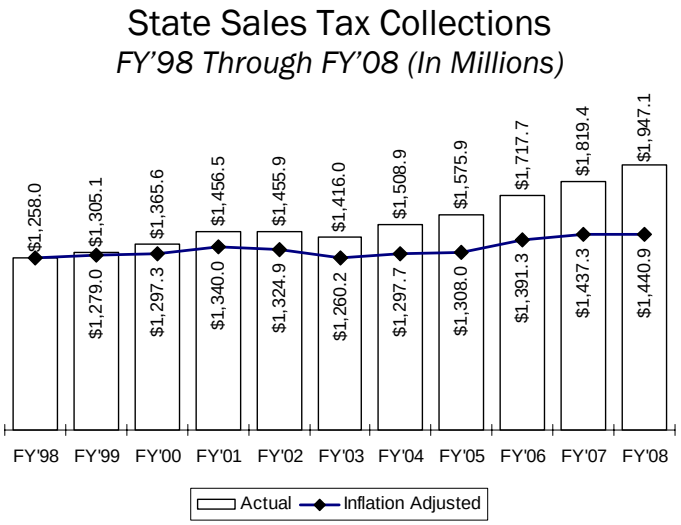
Source: Oklahoma Tax Commission and U.S. Bureau of Labor Statistics Inflation Calculator

SALES AND USE TAXES

In FY'08, state sales tax revenue totaled over $1.95 billion and the use tax produced $166.4 million. The state rate for both the sales tax and use tax in Oklahoma is 4.5 percent. The two taxes accounted for 31.2 percent of actual GR Fund revenues in FY'08. The Legislature has authorized municipalities and counties to levy sales taxes. There is no limit on the amount a municipality may levy, although voter approval is required. Counties may levy up to two percent. The use tax applies the same 4.5 percent tax on items purchased in other states to be used in Oklahoma.

History of the State Sales Tax

Sales tax collections have grown at an average annual rate of 4.52 percent between FY'98 and FY'08. When actual dollars collected are adjusted for inflation, the average annual rate of growth drops to 1.41 percent.



Source: Oklahoma Tax Commission, U.S. Bureau of Labor Statistics Inflation Calculator

Until 1983, all revenue from the state's then two percent sales tax was dedicated to the Department of Human Services (DHS) for fulfilling the Oklahoma Social Security Act. These funds were spent at the discretion of the Public Welfare Commission and were not subject to legislative appropriation. Effective July 1983, statutes were amended to provide more legislative control. Though the funds remained separate from the GR Fund, they could be expended only through direct appropriation by the Legislature.

During the 1984 legislative session, a temporary third cent was added to the sales tax rate, with the new revenue allocated to the GR Fund. Because of revenue shortfalls during the next fiscal year, the 1985 Legislature made permanent the third-cent tax and added another 0.25¢, making the total tax rate 3.25 percent.

Sales tax changes were again made during the 1987 session. Earmarking of the original two percent sales tax to DHS was discontinued and the funds were allocated to the GR Fund for annual appropriation by lawmakers. Also that year, the Legislature confronted severe budget shortfalls by raising the sales tax from 3.25 percent to 4.0 percent effective June 1, 1987.

Most recent changes in the sales tax were made by the 1990 Legislature as part of HB 1017, the Education Reform Act. Effective May 1, 1990, the sales tax increased from 4.0 percent to 4.5 percent.

Sales Tax Exemptions

Items exempt from the state sales tax by statute include most advertising, natural gas and electricity sold for residential use, prescription drugs, and groceries

purchased with food stamps and sales for resale. Many other sales to or by certain organizations are also exempt. Most services are not taxed.

As a result of the passage of SQ 713 in November of 2004, cigarette and tobacco products are no longer subject to sales tax.

State and Local Sales Tax
2008 Rates; 2004 Per Capita Revenue and Rankings

State	State Sales Tax Rate	State & Local Per Capita Revenue	Ranking
Arizona	5.6%	$1,110	6
Arkansas	6.000%	$1,031	9
Colorado	2.9%	$906	16
Kansas	5.3%	$907	15
Louisiana	4.0%	$1,186	5
Missouri	4.225%	$808	22
Nebraska	5.5%	$1,008	12
New Mexico	5.0%	$1,029	10
Oklahoma	4.5%	$790	25
Texas	6.25%	$851	19
U.S.		$834	

Source: Ibid, pg. 294 and 2008 web page of Federation of Tax Administrators (www.taxadmin.org)

	National Ranking	Regional Ranking
Oklahoma's Per Capita Rank	25	10
Number of states imposing this tax	47	10
Number with rates higher than OK	34	6
Number with rates same as or lower than OK	11	3

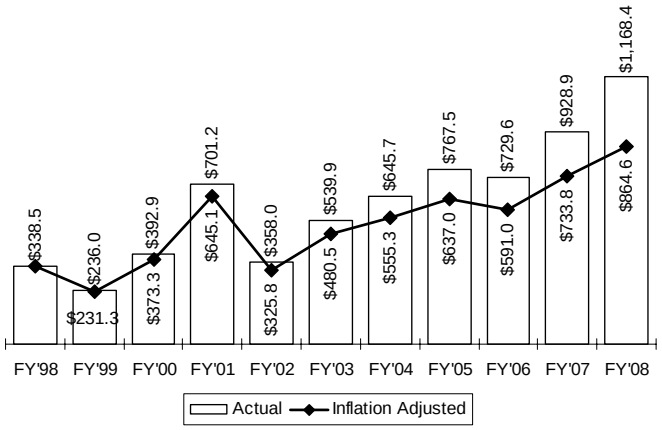
Washington is the highest with $1,577 collected per capita. Four states (Delaware, Montana, New Hampshire and Oregon) have no sales tax.

The average Oklahoman pays $44 less per year in sales taxes than the average American citizen.

GROSS PRODUCTION TAXES

Significant revenues are generated for a number of state and local services through taxes levied on extraction and production of certain raw materials. Gross production taxes provided $1.168 billion in FY'08.

History of Gross Production Tax Collections
FY'98 Through FY'08 (In Millions)



Source: Oklahoma Tax Commission and U.S. Bureau of Labor Statistics Inflation Calculator

There are two types of gross production taxes: the severance tax and petroleum excise tax.

Severance Tax

A severance tax is a tax levied upon the production or mining of minerals when they are "severed" from the earth. A severance tax is levied upon the production of the following minerals:

Type of Mineral	Tax Rate
Oil (price > $17 per barrel)	7.00%
Oil (price $14 to $17 per barrel)	4.00%
Oil (price < $14 per barrel)	1.00%
Uranium	5.00%
Mineral ores and asphalt	0.75%
Gas (price > $2.10 per mcf)	7.00%
Gas (price $1.75-$2.10 per mcf)	4.00%
Gas (price < $1.75 per mcf)	1.00%

Petroleum Excise Tax

A petroleum excise tax is levied, in addition to the severance tax, on oil and gas at a rate of 0.095 of 1 percent of gross value.

Gross Production Tax History

Gross production taxes on oil were last changed by HB 1003X in a 1999 special session. The bill renewed exemptions from all but a one percent tax levy for various types of wells and enacted a three-tiered rate structure depending upon

the price of oil (see Tax Cut Initiatives). In 2002, a similar tax structure was enacted for gas production (SB 947). Both tax structures were extended for an additional three years in SB 1253 (2004). During the 2005 and subsequent legislative sessions, the gross production tax exemptions for certain deep-drilled wells have been extended beyond the original expiration dates.

Apportionment of Gross Production Taxes

Severance Taxes on Oil: Pursuant to 68 O.S. 1001, the apportionment of severance tax revenues varies depending on the tax rate imposed (see Tax Cut Initiatives).

- If levied at a seven percent tax rate, severance tax revenues from oil are apportioned monthly as follows:

25.72%	to the Common Education Technology Fund;
25.72%	to the Higher Education Capital Fund;
25.72%	to the Oklahoma Tuition Scholarship Fund;
4.28%	to the County Bridge and Road Improvement Fund;
7.14%	to counties where the oil is produced, for roads;
7.14%	to school districts; and
4.28% *	to three funds – the Oklahoma tourism and Recreation Capital Expenditure Revolving Fund, the Oklahoma Conservation Commission Infrastructure Revolving Fund and the Community Water Infrastructure Development Revolving Fund – at one-third each from FY'07 to FY'11.

- If levied at a four percent tax rate, severance tax revenues from oil are apportioned monthly as follows:

22.50%	to the Common Education Technology Fund;
22.50%	to the Higher Education Capital Fund;
22.50%	to the Oklahoma Tuition Scholarship Fund;
3.75%	to the County Bridge and Road Improvement Fund;
12.50%	to counties where the oil is produced, for roads;
12.50%	to school districts; and
3.75%*	to three funds – the Oklahoma tourism and Recreation Capital Expenditure Revolving Fund, the Oklahoma Conservation Commission Infrastructure Revolving Fund and the Community Water Infrastructure Development Revolving Fund – at one-third each from FY'07 to FY'11.

* Beginning FY'12, the percentage divided between three funds will revert back to the REAP Water Projects Fund.

- If levied at a one percent tax rate, severance tax revenues from oil are apportioned monthly as follows:

50.0%	to counties where the oil is produced, for roads; and
50.0%	to school districts.

Severance Taxes on Gas: Like revenues from severance taxes on oil production, the apportionment of severance taxes on gas production varies depending on the tax rate imposed.

- If levied at a seven percent tax rate, severance tax revenues from gas are apportioned monthly as follows:

85.72%	to the General Revenue Fund;
7.14%	to counties where the gas is produced, for roads; and
7.14%	to school districts.

- If levied at a four percent tax rate, severance tax revenues from gas are apportioned monthly as follows:

75.0%	to the General Revenue Fund;
12.5%	to counties where the gas is produced, for roads; and
12.5%	to school districts.

- If levied at a one percent tax rate, severance tax revenues from gas are apportioned monthly as follows:

50.0%	to counties where the gas is produced, for roads; and
50.0%	to school districts.

Severance Taxes on Other Minerals: Severance tax revenues from other minerals are apportioned monthly as follows:

85.72%	to the General Revenue Fund;
7.14%	to counties where the mineral is produced for roads; and
7.14%	to school districts.

Petroleum Excise Taxes: Until July 1, 2011, petroleum excise tax revenues from oil are apportioned monthly as follows:

82.634%	to the General Revenue Fund;
10.526%	to the Corporation Commission Plugging Fund; and
6.84%	to the Interstate Oil Compact Fund.

Excise tax revenue from natural gas is apportioned monthly as follows:

82.6045%	to the General Revenue Fund;
10.5555%	to the Corporation Commission Plugging Fund; and
6.84%	to the Interstate Oil Compact Fund.

After July 1, 2011, petroleum excise tax revenues from oil and gas will be apportioned monthly as follows:

92.35%	to the General Revenue Fund; and
7.65%	to the Interstate Oil Compact Fund.

Gross Production Tax Collections by Type
(In Millions)

	FY'01	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08
Severance	$701.14	$358.98	$539.90	$645.70	$767.55	$1,043.80	$928.97	$1,116.84
Petroleum Excise	$9.94	$5.48	$8.01	$9.28	$11.63	$15.54	$13.18	$16.32
TOTAL	$711.08	$364.46	$547.91	$654.98	$779.18	$1,059.34	$942.15	$1,133.16

PROPERTY TAXES IN OKLAHOMA

Property taxes, also known as ad valorem taxes, are the primary source of funding for county government operations. This revenue source also provided 23 percent of the statewide public school budget in FY'07 and 70.5 percent of career technology (vo-tech) center funding.

Decisions about property taxes in Oklahoma are made at three levels: (1) the Oklahoma Constitution authorizes property taxes to be imposed; (2) the Legislature has enacted statutes to implement constitutional provisions; and (3) the State Board of Equalization and the courts have interpreted these constitutional and statutory provisions. Property taxes can only be imposed if the people vote for them, a provision that has been in place since statehood and is not related to SQ 640. Property tax levies are based on the value of a taxpayer's property.

Property Tax Comparison with Other States

Oklahoma's per capita property tax average of $465 per person in 2004 was less than half the national average of $1,084. Oklahoma ranks 47th out of the 50 states in per-capita property taxes.

The Oklahoma Constitution provides that property tax revenue may not be used by state government. In many other states, a state property tax is charged in addition to local property taxes.

Per Capita State and Local Property Tax Revenue
2004

State	Per Capita Revenue	Ranking
Arizona	$847	35
Arkansas	$401	49
Colorado	$1,027	23
Kansas	$1,186	15
Louisiana	$503	46
Missouri	$748	37
Nebraska	$1,149	16
New Mexico	$442	48
Oklahoma	$465	47
Texas	$1,251	13
U.S.	$1,084	

Source: Ibid, p. 296

Valuation of Property for Tax Purposes

Property taxes are paid based on the value of a taxpayer's property. The county assessor, a locally-elected officeholder, determines the value of most property in the county for tax purposes.

Real Property: The value of real property (land and structures) is determined by computer-assisted calculation (see Computerization Appraisals) but are subject to certain constitutional limits (see Limits on Property Valuations).

Personal Property: The value of personal property – furnishings, equipment, clothes, etc. – is assessed separately from real property. Motor vehicles are subject to registration fees in lieu of property taxes. The county assessor by law may use one of two methods to assess the value of personal property: (1) assume that a taxpayer's personal property is valued at 10 percent of the value of his/her real property, or (2) have a taxpayer file a list of his/her personal property for assessment of value. Most calculations are based on the assumed value.

Centrally Assessed Property: Property of certain companies (public service corporations, railroads and airlines) is centrally assessed – its value is determined by the State Board of Equalization rather than the local assessors.

Computerizing Appraisals

A system called "computer-assisted mass appraisal" (CAMA) was implemented in Oklahoma to allow counties to systematically update property values based on recent sales of comparable properties. The goals of this program are (1) to have property values more accurately reflect fair market value for tax purposes, and (2) to make property valuation more uniform throughout the county.

Limits on Property Valuations

Real property is valued at its "fair cash value" – the price a willing buyer would pay a willing seller in an "arm's-length" transaction. Real property may also be valued at its "use value" – its fair cash value for the highest and best use for which the property was actually used (or classified for use) during the previous calendar year. This "use value" provision is most often applied to agricultural land.

In 1996 and in 2004, the Legislature proposed, and the voters approved, Constitutional amendments that affected the valuation process.

- One amendment provided that the fair cash value of locally-assessed real property (i.e., all real property except that of public service corporations, airlines and railroads) cannot be increased by more than five percent in any year, unless title to the property is transferred or improvements are made to the property.

- Another amendment provided that valuation would be frozen, beginning January 1, 1997, for taxpayers with gross household income of $25,000 or less if the head of household is 65 years of age or older. State Question 714 (2004) replaced the $25,000 income threshold with a county- or metropolitan area-specific amount determined by the U.S. Department of Housing and Urban Development. For calendar year 2008, county median incomes ranged from $33,100 in Pushmataha County to $53,600 in the Oklahoma City metropolitan area.

- Another amendment enacted in 2004 provided those with 100 percent military disability with a property tax exemption for the full fair cash value of their homestead. The benefit is also extended to a surviving spouse.

Homestead Exemptions

A taxpayer may apply for a homestead exemption that reduces by $1,000 the assessed value of a taxpayer's actual residence. Taxpayers whose gross household income from all sources does not exceed $20,000 may receive an additional homestead exemption of $1,000 (this is known as the “double homestead exemption”). A taxpayer who is at least 65 years old, or who is totally disabled, and whose gross household income from all sources does not exceed $12,000, may file a claim for property tax relief for the amount of

property taxes paid over one percent of his/her income, up to a maximum of $200.

Assessment Ratios

Once a property's value is computed by the county assessor, the "assessment ratio" or "assessment percentage" is applied. For locally-assessed property, the county assessor sets the ratio, but any increase must be approved by local voters. Personal property must be assessed at an amount between 10 percent and 15 percent of its fair cash value; real property must be assessed at an amount between 11 percent and 13.5 percent of its fair cash value; and other property (public service corporation, airline and railroad property) must be assessed at the ratio it was assessed on January 1, 1997 (22.85 percent for public service corporation property and 12.08 percent for railroads and airlines).

The value of the property is multiplied by the assessment ratio to get the "assessed valuation". The assessed valuation is then multiplied by the number of mills which local voters have approved in their area to compute the amount of tax due.

Millages Allowed under the State Constitution

Votes on property tax levies address the number of mills to be assessed (a mill is $0.001 or one-tenth of a cent). The Oklahoma Constitution allows the following maximum levies:

10 mills	for counties;
39 mills	for schools;
2.5 mills	for county health departments;
10 mills	for vo-tech schools;
3 mills	for ambulance service districts;
3 mills	for solid waste management services;
5 mills	for county building fund;
5 mills	for city building fund;
5 mills	for school building fund; and
4 mills	for libraries.

The Constitution allows counties to abolish taxes on household personal property and livestock upon a vote of the people. If these taxes are abolished, the millage rates are automatically adjusted upward by an amount necessary to offset the lost revenue.

Millage Elections

Boards of county commissioners or local boards of education generally are the entities that call millage elections. Those bodies also determine how many mills will be voted on, although in some cases an initiative petition can propose a millage amount. Some of these levies must be voted on each year, such as 15 of the 39 mills allowed for schools. Other levies, once approved by voters, remain in effect until changed or repealed.

The Constitution also allows counties, cities, school districts, career technology (vo-tech) districts, ambulance service districts, and solid waste districts to issue bonds if approved by the voters. If approved, the additional millage levy is imposed in an amount necessary to repay the bonds each year. This millage level is not necessarily the same each year. The revenue from these levies is deposited into a "sinking fund", which disperses principal and interest payments to bondholders.

Examples of Tax Computation

The complex process for computing a taxpayer's ad valorem tax is confusing to many. The following step-by-step illustration shows how the final property tax amount is computed on a specific taxpayer:

> A taxpayer lives in a home valued at $50,000 in the city of Moore, in the Moore school district, in Cleveland County. The sum of all mills that have been approved by voters in that county was 104.84 in 1997. Comprising the total are 10.28 mills for the county, 0.28 mills for the county sinking fund, 13.73 mills for the city sinking fund, 2.57 mills for the county health department, 4.11 mills for county libraries, 40.18 mills for public schools, 5.15 mills for the school building fund, 15.18 mills for the school sinking fund, 9.25 mills for the vo-tech school and 4.11 mills for the vo-tech building fund.

Real Property: The assessor would compute the real property tax on that home as follows:

a. $50,000 gross home valuation x 12 percent assessment ratio = $6,000 assessed valuation

b. $6,000 assessed valuation - $1,000 homestead exemption = $5,000 net assessed valuation

c. $5,000 net assessed valuation x 104.84 mills = $524.20 annual real property taxes

Personal Property: Household personal property taxes for this taxpayer would be computed as follows (note, however, that Cleveland County has abolished personal property taxes):

a. $50,000 gross home valuation x 10 percent = $5,000 assumed personal property value (this amount could be changed if the taxpayer chose to file a list of his/her personal property)

b. $5,000 personal property value x 12 percent assessment ratio = $600 assessed valuation

c. $600 assessed valuation x 104.84 mills = $62.90 annual personal property taxes

Total Tax Due: $62.90 for personal property + $524.20 for real property = $587.10.

MOTOR VEHICLE TAXES

The State of Oklahoma levies an annual tax for the registration of motor vehicles, and also levies excise taxes upon the transfer of title or possession of motor vehicles. Until 2001, the annual registration fee was based upon the value of the vehicle, and the excise tax was based on the factory delivered price, depreciated 35 percent per year for used vehicles. This resulted in a situation in which annual registration fees were increasing as factory delivered prices increased from year to year, and in which the value upon which excise taxes were paid was unequal to the sales price of a vehicle. (Typically, the value upon which excise taxes were paid was higher for new vehicles and considerably lower for used vehicles.) The fees to register vehicles in Oklahoma, other than commercial and farm vehicles, were among the highest in the nation, resulting in various forms of tax evasion and avoidance, such as increased use of out-of-state tags, Indian tags and commercial vehicle tags.

In 2000, the Legislature referred to the voters a question which imposed flat registration fees based upon the age of the vehicle ($85 for vehicles 1-4 years old, $75 for 5-8 years old, $55 for 9-12 years old, $35 for 13-16 years old and $15 for 17+ years old, all with an additional $5 in other fees added on). The question also based excise taxes on the actual sales price of new vehicles, at a rate of 3.25 percent. For used vehicles, the excise tax is based on the actual sales price also, at a rate of $20 for the first $1,500 and 3.25 percent on the remainder. The value of used vehicles must be within 20 percent of the “blue book” value.

Although this change was projected to result in a tax savings of approximately $23 million to taxpayers, the actual tax savings was considerably higher. The Oklahoma Tax Commission has estimated that the tax savings has actually amounted to approximately $50 million annually.

During FY'08, motor vehicle taxes and fees were apportioned monthly as follows:

36.20%	to school districts;
39.84%	to the General Revenue Fund; *
0.31%	to the State Transportation Fund;
7.24%	to counties;
2.59%	to counties for county roads;
3.62%	to county highway funds;
0.83%	to county general funds;
3.10%	to cities and towns;
1.24%	to the Oklahoma Law Enforcement Retirement Fund;
0.034%	to the Wildlife Conservation Fund; and
5.00%	to the County Improvements for Roads and Bridges Fund.*

* During FY'08 and FY'09, an additional 5 percent each year will be redirected from the General Revenue Fund to the County Improvements for Roads and Bridges Fund. From July 1, 2009 on, 29.84 percent will be apportioned to General Revenue and 15 percent will be apportioned to the County Roads and Bridges Fund.

Making comparisons with other states in this area is difficult. Unlike most other states, in Oklahoma the annual registration fees are in lieu of property taxes on motor vehicles. Many other states impose sales taxes instead of special motor vehicle excise taxes, so these revenues are not considered as motor vehicle revenue. For these reasons, interstate comparisons are not always reliable.

MOTOR FUELS TAXES

The State of Oklahoma generates revenues for state highways and county roads through an excise tax levied on motor fuels. The taxes are apportioned according to formulas established by the Legislature. The two major taxes levied are the gasoline tax and the diesel fuel tax.

The gasoline tax of 17¢ per gallon is used to fund the majority of all work on roads and bridges. The diesel fuel tax of 14¢ per gallon adds additional funds for the same purpose.

History of Motor Fuels Taxes

The fuel tax was first enacted in 1923 at a rate of 1¢ per gallon. The tax on diesel fuel was initiated in 1939. Throughout the state's history, motor fuel taxes have been increased 19 times, most recently in 1990.

Oklahoma's Motor Fuel Tax Rate History

Date	Gasoline	Diesel	Date	Gasoline	Diesel
March 1923	$.01		January 1947	$.0558	$.055
March 1924	.025		June 1949	.0658	.065
March 1925	.03		June 1953	.0658	.065
June 1929	.04		June 1957	.0758	.065
February 1931	.05		December 1957	.0658	.065
December 1931	.04		April 1984	.09	.09
April 1939	.04	$.04	July 1985	.10	.10
July 1939	.0408	.04	May 1987	.16	.13
June 1941	.0558	.055	July 1990	.17	.14
April 1945	.0758	.055			

In 1996, the Legislature revised the motor fuel tax code in response to a U.S. Supreme Court ruling that affected the state's ability to tax sales made in Indian country. Although the tax rate was not changed, the point of taxation was moved "upstream" to the terminal rack. Also, provisions were made for apportionment of some motor fuel tax revenue to Indian tribes that enter into agreements with the state on fuel tax issues.

Revenues from Fuel Taxes

Oklahoma state and local governments received approximately $377 million in motor fuel tax revenues in FY'08. Among the 50 states, Oklahoma ranked 37th in per capita state revenue collections in 2005. The average Oklahoman pays about the same amount annually in motor fuel taxes as the average American citizen.

Montana is the highest with $205 collected per capita. New York is the lowest with $28 collected per capita. Sparsely populated and Western states tend to have higher per capita motor fuel tax payments.

Motor Fuel Tax
2008 Rates, Revenues and Rankings

State	Gasoline Tax Rate	Per Capita Revenue	Ranking
Arizona	18.0¢	$119	34
Arkansas	21.5¢	$157	8
Colorado	22.0¢	$126	30
Kansas	24.0¢	$155	9
Louisiana	20.0¢	$134	23
Missouri	17.55¢	$128	26
Nebraska	23.9¢	$174	4
New Mexico	18.9¢	$116	38
Oklahoma	17.0¢	$117	37
Texas	20.0¢	$128	26
U.S. Median	21.0¢	$117	

Source: Ibid, pp. 329 and 2008 web page of Federation of Tax Administrators (www.taxadmin.org).

Gasoline Tax

The 17¢ per gallon gasoline tax is a combination of: (1) a 16¢ per gallon excise tax levied on every gallon of gasoline that is either sold, stored and distributed, or withdrawn from storage in Oklahoma; and (2) a 1¢ per gallon assessment which is separately levied and apportioned.

The 1¢ is apportioned to the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund for cleaning up leaking underground storage tanks or to the State Transportation Fund.

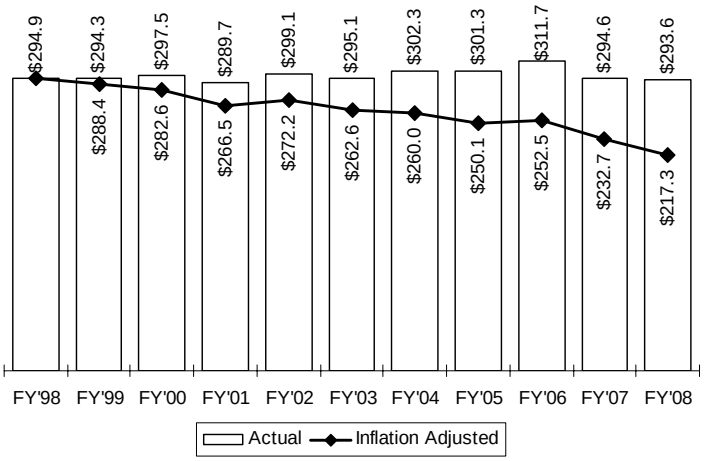
The other 16¢ of gasoline tax revenue is distributed as follows:

63.75%	to the State Transportation Fund;*
27.0%	to the counties for county roads and highways;
3.125%	to the counties for construction, maintenance and repair of county roads as provided in the County Bridge and Road Improvement Act;
2.625%	to the County Bridge and Road Improvement Fund for construction, maintenance and repair of county roads and bridges;
1.875%	to cities and towns for maintenance of streets; and
1.625%	to the High Priority State Bridge Revolving Fund.

* In addition, the first $250,000 collected each month goes to the credit of the State Transportation Fund prior to apportionment.

Gasoline tax exemptions are allowed for the federal government, political subdivisions of the state, school districts, FFA or 4-H.

Gasoline Tax Revenue (16 cents)
FY'98 Through FY'08 (In Millions)



Source: Oklahoma Tax Commission and U.S. Bureau of Labor Statistics Inflation Calculator

Gasoline Tax Comparison With Other States

National Ranking:	37 of 50	(revenues per capita)
	45 of 50	(gas tax rate)

Diesel Fuel Tax

The 14¢ per gallon diesel fuel tax is a combination of: (1) a 13¢ per gallon excise tax levied on every gallon of diesel fuel that is either sold, stored and distributed, or withdrawn from storage in Oklahoma; and (2) a 1¢ per gallon assessment which is separately levied and apportioned.

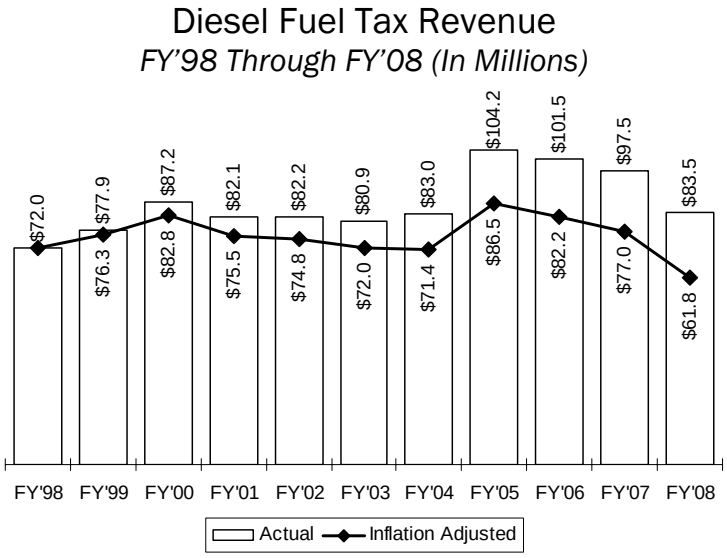
The 1¢ assessment is apportioned to the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund for cleaning up leaking underground storage tanks or to the State Transportation Fund.

The remaining 13¢ of diesel fuel tax revenue is distributed as follows:

64.34%	to the State Transportation Fund;
26.58%	to counties for county roads and highways;
3.85%	to the counties for construction, maintenance and repair of county roads as provided for in the County Bridge and Road Improvement Act;

3.84%	to the County Bridge and Road Improvement Fund for construction, maintenance and repair of county roads and bridges; and
1.39%	to the High Priority State Bridge Revolving Fund.

Diesel tax exemptions are allowed for the federal government, political subdivisions of the state, school districts, limited agriculture uses, FFA or 4-H.



Source: Oklahoma Tax Commission and U.S. Bureau of Labor Statistics Inflation Calculator

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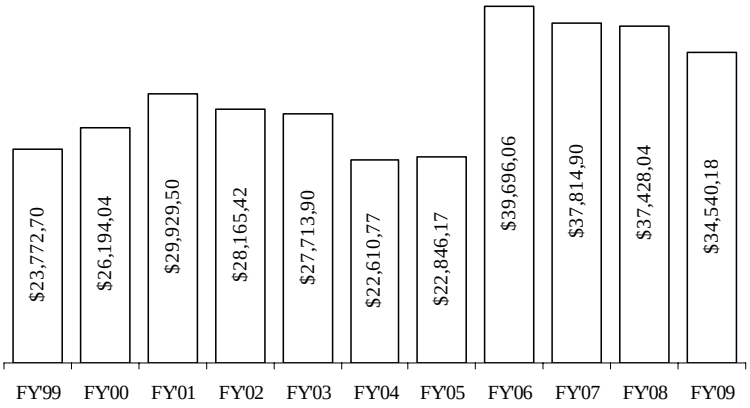
AGRICULTURE

Although it is sometimes perceived as strictly a rural concern, agricultural production touches every legislative district. As a product of its geography and topography, Oklahoma maintains a diverse agricultural sector: from the heavily irrigated southwest section mostly devoted to cotton, wheat, and cattle, to the semi-arid high plains of the Panhandle with its heavy concentration of cattle feedlots and large-scale hog farms. The central section of the state is dominated by wheat and dairy farming, as well as diversified crops such as peanuts, pecans and hay. The wetter eastern region adds timber and poultry operations to the state's agricultural sector.

Oklahoma ranks fourth in the U.S. in the production of winter wheat, fifth in cattle and calf production, fifth in pecans, seventh in peanuts, eighth in hog production, and tenth in poultry production..

Department of Agriculture
Appropriations Budget History
FY'99 Through FY'09



* During FY'06, Oklahoma suffered an extreme drought which caused large wildfires throughout the state. Most of the burden of fighting those fires was put on rural fire departments which are mostly funded by the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF). ODAFF is also responsible for coordinating resources statewide in order to fight widespread wildfires by setting up, staffing, and managing an Incident Command Post. The high appropriation amount to the agency during FY'06 was due to one-time supplementals to cover costs associated with the wildfires and to increase funding to rural fire departments, almost doubling their yearly operational grants.

For all of the diversity and agricultural bounty in the state, the agricultural economic sector is in transition. Drastic price fluctuations and the structure of agricultural production have changed the face of Oklahoma's farming economy. Agriculture comprises 1.58 percent of Oklahoma's Gross State Product.

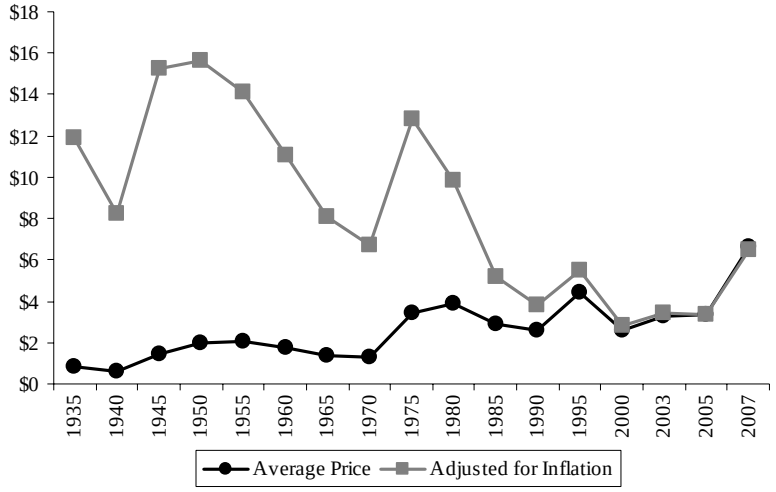
AGRICULTURAL PRICES

A review of agricultural prices provides some historical trends for Oklahoma's major agricultural commodities.

Wheat

The price of wheat has generally seen an upward trend since the Great Depression; however, adjusted for inflation, there has been a dramatic decrease in the real value of wheat during the same period. Of all Oklahoma commodities, wheat has faired the worst in terms of economic retention of value; however, price jumps in the past couple of years have helped rebuild value.

Average Annual Price of Wheat
1935 Through 2007 (Dollars per Bushel)



Source: Oklahoma Agricultural Statistics Service

Although the price of wheat has increased from $1.45 per bushel in 1945 to $6.65 per bushel in 2007 (a 359 percent increase in actual price), adjusted for inflation, the value of wheat per bushel has actually declined 60 percent.

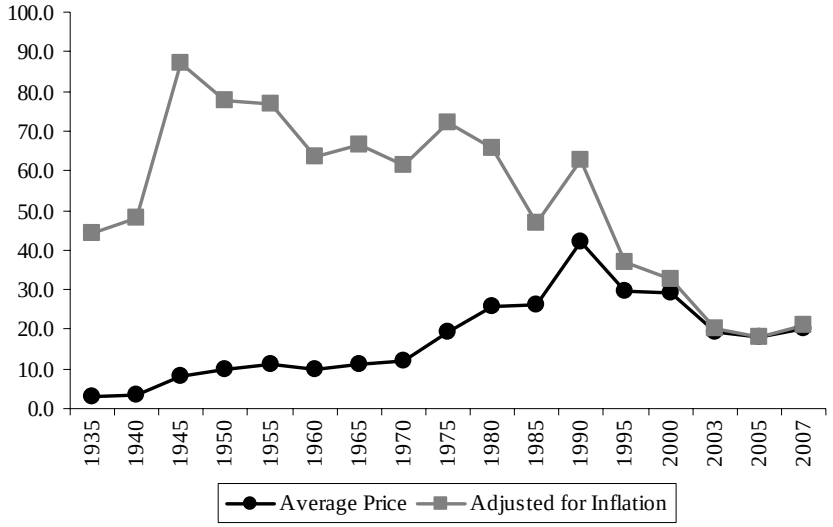
Peanuts

The price of peanuts has generally seen an upward trend since the Great Depression. However, adjusted for inflation, there has been a significant decrease in the real value of peanuts during the same period.

The price of peanuts has increased from 8.3 cents per pound in 1945 to 20 cents per pound in 2007 (a 141 percent increase in actual price). Adjusted for inflation, however, the value of peanuts per pound has declined. The price of peanuts in 2005 was lower than it was 10 years ago (about 27 percent lower in actual dollars and about 37 percent lower adjusted for inflation).

Average Price of Peanuts

1935 Through 2007 (Cents per Pound)

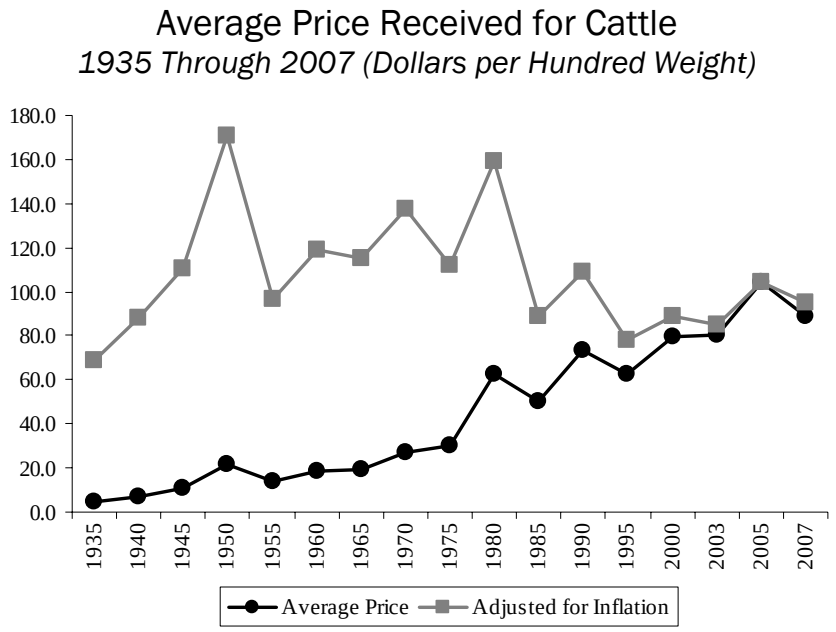


Source: Oklahoma Agricultural Statistics Service

Cattle

The price of cattle has generally seen an upward trend since the Great Depression. Adjusted for inflation, there has also been an increase in the real value of cattle during the same period.

Cattle is one of the few commodities in Oklahoma that has retained its value since the Great Depression. In 2007, the average price received for cattle was $89 dollars per hundred weight.



Source: Oklahoma Agricultural Statistics Service

RURAL OKLAHOMA

U.S. Census data confirms that fewer Oklahomans are living in rural communities than ever before. The dominant occupation for rural Oklahomans continues to be related to agriculture. However, the data suggests that only one-half of Oklahoma farmers can afford to work full-time on their farms. The other half of Oklahoma farmers seek additional work throughout the year to supplement their income. Finally, the census data suggests that more rural Oklahomans are leaving their farms and moving to larger cities and towns. This trend is particularly high among the 18-35 age group.

Age of Farmers

The average age of farmers has been rising. According to the 2002 Census of Agriculture, the average age of farm operators in Oklahoma was 56 years of age. Twenty-eight years ago, the average age for the Oklahoma farmer was 51. Fewer Oklahomans under 35 years of age are choosing to engage in agricultural activities – a 50 percent decrease over the past 20 years.

Farming as an Occupation

Only 55 percent of Oklahoma's farmers consider farming their principal occupation. Forty-four percent of the total number of farmers work 200 days or more per year off the farm in other jobs.

The average farmer needs about $250,000 in loans per year to meet expenses. The average net income of an Oklahoma farmer in 2002 was $8,220. Because commercial banks no longer can afford to loan money to farmers at low interest rates, the United States Department of Agriculture, Farm Service Agency (USDA FSA) has become the lender of last resort. According to FSA there were 1,085 loans worth $134 million made to Oklahoma farmers and ranchers during FY'07. Oklahoma's total loan liability exceeds $808 million.

LEGISLATIVE INITIATIVES RELATING TO AGRICULTURE

The Legislature addresses agricultural issues mainly through the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF) and the Oklahoma Conservation Commission. Recent legislative spending initiatives include:

- programs that assist farmers in developing best management practices;
- rural fire suppression expansions to save farm structures and land;
- international marketing efforts that assist foreign sales of Oklahoma commodities and products;
- agricultural diversification and a value-added program that allocates grants and loans to individuals, cooperatives, and other agricultural groups;
- efforts to create a safe, competitive environment for producers in agriculture;
- working with the USDA and United States Environmental Protection Agency to encourage sustainable growth;
- programs that educate minority youth about possible careers in the field of agriculture;
- the Farm-to-School Program that links Oklahoma agricultural producers to Oklahoma school cafeterias;
- bonds and lease agreements in order to build a new agriculture laboratory and replace aging or outdated equipment; and
- an AgriTourism program to support agricultural businesses who also contribute to tourism.

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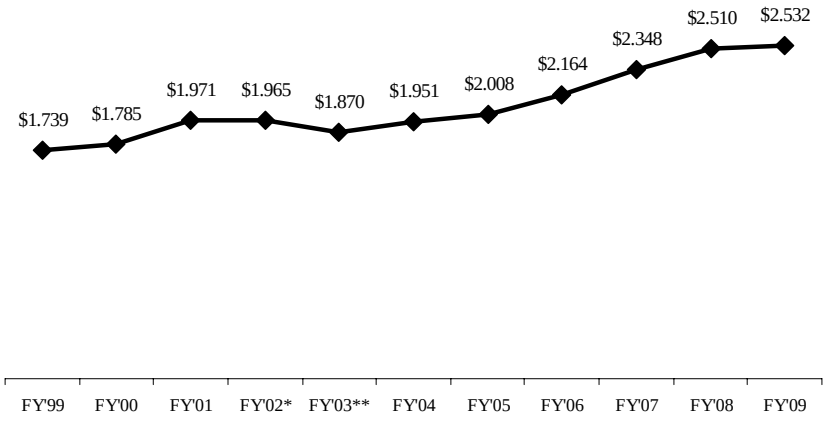
COMMON EDUCATION

National studies have consistently concluded that a quality educational system is strongly associated with positive economic and social outcomes for children and families. Over the past several years, the Legislature has implemented a number of reforms in education to improve student achievement and educational outcomes in Oklahoma. These initiatives involve every aspect of education – from early childhood education to strong reading and math skills to rigorous high school standards. This chapter provides an overview of the Oklahoma common education system and highlights reform initiatives implemented to improve student outcomes across the pre-kindergarten through twelfth-grade years.

APPROPRIATIONS FOR PUBLIC SCHOOLS

Common Education Appropriation History

FY'99 Through FY'09 (In Billions)



* Due to a statewide revenue shortfall the agency's appropriations were reduced by 3 percent.

** Due to a statewide revenue shortfall the agency's appropriations were reduced by 8.3 percent.

The largest single appropriation made by the Legislature supports the state's public school systems. For FY'09, 35.7 percent of all appropriations were for common education. If funding for higher education and career and technology education is added, the education share increases to 52.6 percent.

Funding Sources for Local School Districts

Public funding for Oklahoma's public schools comes from four sources:

- state appropriated revenue;
- local and county revenue;
- state dedicated revenue; and
- federal funds.

State Appropriations: Annual legislative appropriations rose steadily from FY'89 to FY'01, when they comprised more than 59 percent of all common school funding. Since FY'01, this percentage has fallen as low as 54 percent, mostly due to an increase in federal funds. Additional state funding comes from dedicated sources outlined below.

Local and County Funds: Local governments assess ad valorem taxes on property owners to support schools. The Oklahoma Constitution provides parameters for local millage assessments. For general fund use, each district is allowed to charge a maximum of 35 mills (a mill is 1/1000 of a dollar) on the assessed value of the district's real, personal and public service property**.** For the 2006-2007 school year, all 540 districts levied the maximum millage. There is also an automatic four-mill county levy for each district. In addition to these operational funds, all districts make use of the five-mill building-fund levy, and 395 of the districts utilize a sinking-fund levy. The sinking-fund levy is used to pay for local bond issues for capital improvements and maintenance. Bond issues must be approved by a 60 percent majority of a district's voters.

State Dedicated Revenue: Statutory and constitutional dedication of state revenue accounts for 9 percent of total common school revenue and comes from the following sources:

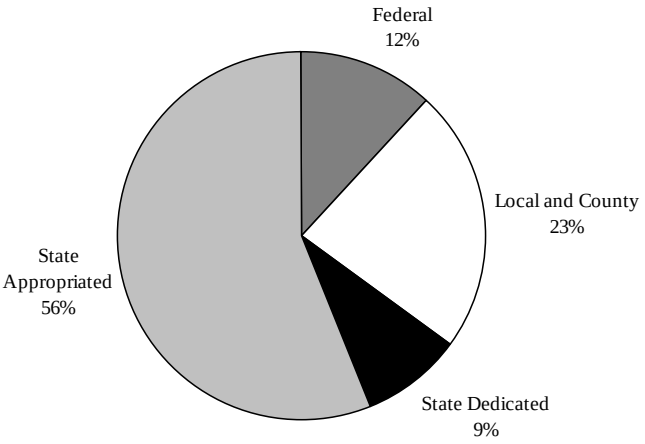
- Gross Production Tax – 12 percent of gross production taxes on extraction and production of certain raw materials from each county is allocated back to that county for the support of schools.

- Vehicle License and Registration – 36.2 percent of tag and registration fees are apportioned to local schools.

- Rural Electric Association Cooperative Tax – An assessment on rural electric cooperatives, paid in lieu of property taxes, generates revenues for schools.

- School Land Earnings – Rental earnings from state-held school lands and interest from investments are distributed to school districts statewide based on average daily attendance. These funds are managed and distributed by the Commissioners of the Land Office.

Revenue Sources for School Districts
2006-2007 School Year



Federal Funds: Until recently federal funds comprised the smallest share of total revenue, ranging from 7 percent 9 percent between FY'89 and FY'01. Federal funding has increased since FY'01 to allow states to implement requirements of the No Child Left Behind Act. All federal funds are dedicated to specific programs for target populations (e.g., school lunch programs, special education, economically disadvantaged, etc.).

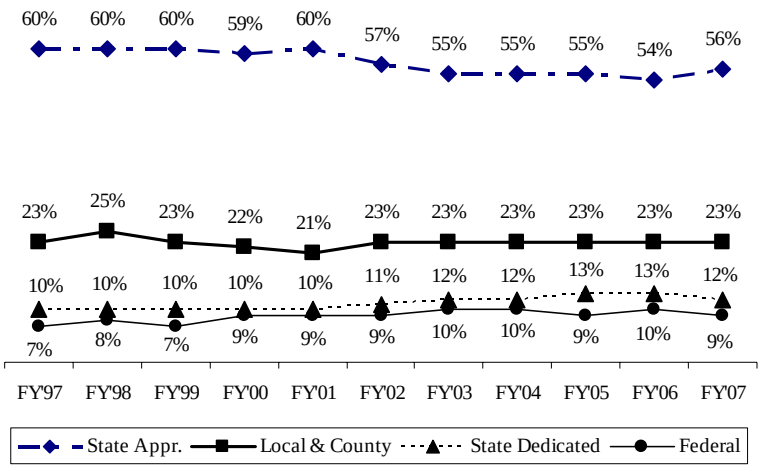
Distribution of Appropriated Funds

For FY'09, over 80.4 percent of the annual appropriation for common education will be distributed to local districts based on the statutory State Aid Funding Formula, which is designed to equalize funding among districts. 18.3 percent of the funds are for special funding items such as textbooks, alternative education programs, advanced placement programs, etc. Less than 1 percent is for operations of the State Department of Education. Comparatively, in FY'99, 89 percent of state common education funds were distributed through the State Aid Funding Formula, 10 percent of the funds were targeted for specific items such as textbooks and alternative education, and 1 percent was appropriated to the State Department of Education for administration.

Historical Changes in Funding Sources for Schools

General funding which comprises 82 percent of all expenditures for schools has changed radically during the state's history. Local revenues from property taxes, which in 1976 accounted for 40 percent of general school funding, now contribute less than one-fourth of revenue. Legislative appropriations from state revenue sources are the principal source of total general funding growth, currently comprising 56 percent of the funding mix.

Funding for Common Schools
by Source Using General Funds
(Percentage of Total Funding)



Source: State Department of Education reports

State Aid Funding Formula (Section 18-200.1 of O.S. 70)

The State Aid Funding Formula is set in statute and distributes funds through three categories: Foundation Aid, Incentive Aid, and Transportation Aid.

- **Foundation Aid** is calculated on the basis of the highest weighted average daily membership (ADM) of students in each district for the preceding two years or the first nine weeks of the current school year. Weighting recognizes that educational costs vary by district and by student. Students with special educational needs (impaired vision, learning disabilities, physical handicaps, etc.) are given additional weighting because additional costs will be incurred in providing these students an opportunity to learn. Grade-level weightings are used to account for variations in the cost of teaching different grade levels. To compensate for higher costs associated with smaller schools, weighting is also granted to isolated districts or districts with fewer than 529 students. Weighting is also provided for economically disadvantaged students.

The weighted ADM for a district is then multiplied by the Foundation Support Level ($1,642 per weighted ADM for the 2008-2009 school year). From this figure, a portion of a district's local revenues and all of its state-dedicated revenues are subtracted to arrive at the Foundation Aid amount.

- **Incentive Aid**, also called Salary Incentive Aid, guarantees each district a minimum amount of funding per weighted student for each mill up to 20 mills of local ad valorem taxes levied above 15 mills. For the 2008-2009 school year, the amount is $78.97.

  To calculate Incentive Aid, the weighted ADM is multiplied by the Incentive Aid Guarantee. A factored amount of local support is then subtracted. The number of mills the district levies over 15 is then multiplied by the resulting figure ($78.97 x 20 = $1,579.40). The product is the district's Incentive Aid.

- **Transportation Aid** is provided to districts for transporting all students who live more than 1.5 miles from school. These students, the "average daily haul", are multiplied by the per capita transportation allowance and the transportation factor (set by statute). The per capita transportation allowance is based on the district's population and provides greater weight to sparsely populated areas.

In 1997, the State Aid Funding Formula was changed to allow school districts to receive additional funding for current year student growth. This eliminated the need for a mid-term supplemental appropriation due to student increases.

History of Oklahoma State Aid Factor Per Weighted ADM

FY'92 Through FY'09

Fiscal Year	Foundation Aid	Incentive Aid Factor	Total Amount/ WADM	Dollar Change	% Change in Total Amount
FY'92	$1,064.00	$51.08	$2,085.60		
FY'93	$1,098.00	$53.14	$2,160.80	$75.20	3.6%
FY'94	$1,139.00	$55.12	$2,241.40	$80.60	3.7%
FY'95	$1,149.00	$56.01	$2,269.20	$27.80	1.2%
FY'96	$1,165.00	$56.51	$2,295.20	$26.00	1.1%
FY'97	$1,195.00	$58.17	$2,358.40	$63.20	2.8%
FY'98	$1,216.00	$58.47	$2,385.40	$27.00	1.1%
FY'99	$1,239.00	$59.93	$2,437.60	$52.20	2.2%
FY'00	$1,271.00	$61.69	$2,504.80	$67.20	2.8%
FY'01	$1,320.00	$62.92	$2,578.40	$73.60	2.9%
FY'02*	$1,377.00	$64.81	$2,673.20	$94.80	3.7%
FY'03	$1,359.00	$64.02	$2,639.40	-$33.80	-1.3%
FY'04	$1,354.00	$63.42	$2,622.40	-$17.00	-0.6%
FY'05	$1,365.00	$63.71	$2,639.20	$16.80	0.6%
FY'06	$1,463.00	$70.06	$2,864.20	$225.00	8.5%
FY'07	$1,501.00	$70.93	$2,919.60	$55.40	1.9%
FY'08	$1,616.00	$78.65	$3,189.00	$269.40	9.2%
FY'09	$1,642.00	$78.97	$3,221.40	$32.40	1.0%

* Due to a revenue shortfall in FY'02, each district's total state aid was reduced by 3.8 percent.

Much of the state's focus on common education funding is aimed at reducing inequities in general funding available to various school districts. This number is reflected in the average per pupil expenditures per weighted average daily membership. For FY'06, the average Oklahoma per pupil expenditure including all funds was $6,941.

LOTTERY AND GAMING

Two additional sources of revenue were approved by Oklahoma voters in November 2004. The first was the Oklahoma Education Lottery Act; the second was the State-Tribal Gaming Act. The Oklahoma Education Lottery Act was approved as a ballot measure by the 2003 Legislature for the 2004 general election. The State-Tribal Gaming Act was referred to a vote of the people by the 2004 Legislature.

Oklahoma Education Lottery

HB 1278, which provided an outline for the Education Lottery, was approved during the 2003 Legislative Session. According to the rules of distribution that were set forth in the bill, 45 percent serves as prize money, 20 percent is used for administrative costs, and 35 percent is allocated to education. In the first two full years of its existence, only 30 percent of the net proceeds was allocated to benefit education because funding was needed to pay off the $10 million bond issue that was needed for start-up costs. Of the portion allocated for education, 45 percent is used to fund K-12th grade public education and early childhood development programs; 45 percent is used to fund higher education and career and technology education tuition assistance programs, capital projects, endowed chairs, technology improvements, as well as the Schools for the Deaf and the Blind; 5 percent is deposited in the School Consolidation Assistance Fund; and 5 percent is deposited into the Teachers' Retirement System Dedicated Revenue Revolving Fund. The Oklahoma Education Lottery Commission, also authorized by HB 1278, oversees all lottery operations.

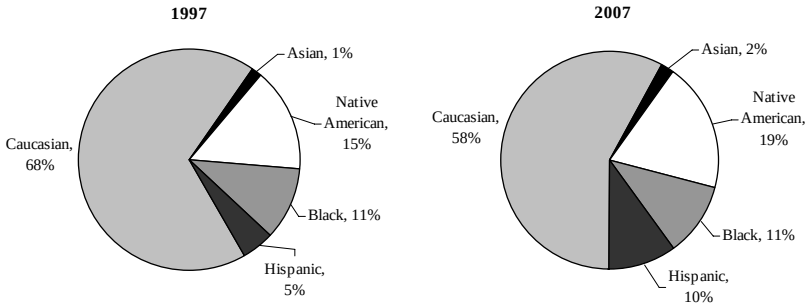
State-Tribal Gaming Act

Another Legislative initiative from the 2004 Legislative Session was the passage of SB 1252, also known as the State-Tribal Gaming Act. This Act provides revenue sources for two areas of education funding. The first is the Education Reform Revolving Fund, which provides for financial support for public schools (State-Aid). The second beneficiary is the Oklahoma Higher Learning Access Program (OHLAP), also known as Oklahoma's Promise, which funds scholarships for students who would like to attend an in-state public college or university.

STUDENT DEMOGRAPHICS

Over the past decade Oklahoma's student population has experienced a number of changes. While the total number of students enrolling in school has only increased by 2.9 percent from FY'97 through FY'07 (from 623,681 to 641,721), there have been some small but significant changes in student enrollment by race and ethnicity. The number of Hispanic children enrolled in Oklahoma schools increased 112.6 percent from FY'97 to FY'07, going from 4.6 percent of the student population to 10 percent.

Public School Enrollment by Race/Ethnicity
1997 and 2007



Source: State Department of Education

The number of children identified in need of special education services increased by approximately 33.8 percent (24,240) from 71,760 children in FY'94. In FY'07, there were more than 96,000 students aged 3 through 21 on individual education programs (IEPs).

Oklahoma has 539 school districts with 1,020 elementary schools, 293 middle schools and 482 senior highs. The Oklahoma State Department of Education projects that the number of school districts will decrease to 535 by the end of the 2008-2009 school year.

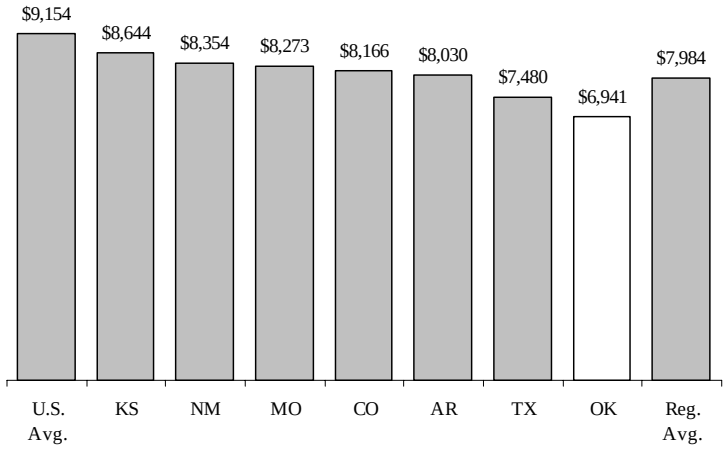
EXPENDITURES

Per-Pupil Expenditures

The National Center for Education Statistics (NCES) provides per-pupil expenditure comparisons for all states. Per-pupil expenditure statistics from the

NCES are considered the most consistent and accurate source of information comparing state funding efforts for common education. Each state's number is calculated by dividing the total amount of funds expended for education by the average daily attendance of public school students in the state. The analysis includes all funding sources – local, state and federal. Historically, Oklahoma has spent below the national and regional averages on education.

Per-Pupil Spending for Oklahoma and the Region
FY'06



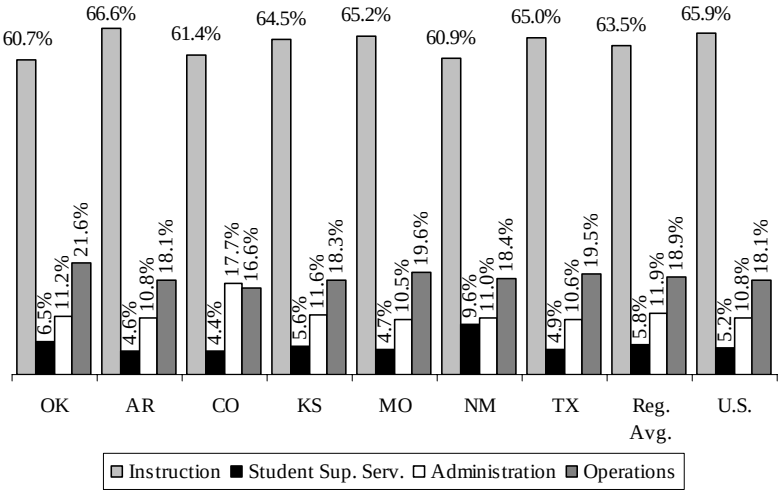
Source: National Center on Education Statistics 2008

Oklahoma is at 86.9 percent of the regional average. Nationally, Oklahoma ranks 48 out of 50 states and the District of Columbia in annual per-pupil expenditures. New Jersey ranks first with $14,954 in annual per-pupil expenditures and Utah ranks last with $5,464 in annual per-pupil expenditures for FY'06.

Expenditures by Function

When looking at expenditures by function for the 2005-2006 school year, Oklahoma spends 60.5 percent of its money on instruction. This is 5.2 percent less than the national average and 2.8 percent less than the regional average. The category of instruction includes expenditures for staff and services that work directly with students, such as teachers, teaching assistants, and librarians. Student support services include guidance counselors, school nurses, social workers, and attendance staff. Administration includes administrators and administrative staff of schools and school districts. Operations include the operating expenditures for keeping schools and other school district facilities operating, as well as student transportation and food services.

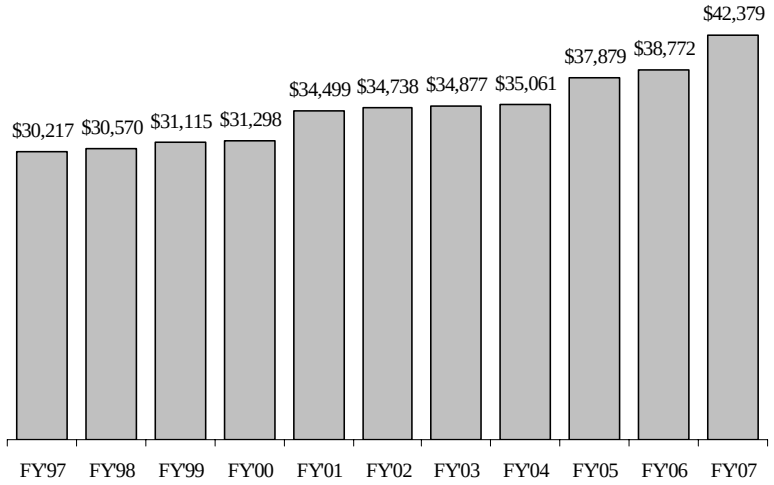
Percentage of School Expenditures by Function
Oklahoma and Surrounding States
2005 Through 2006



Teacher Salaries and Benefits

Since FY'90, legislators have focused on raising the salaries of classroom teachers. Between FY'98 and FY'07, the average salary for instructional staff has increased 38.6 percent, an average annual increase of 3.9 percent.

Average Instructional Staff Salaries in Oklahoma
FY'97 Through FY'07 (Excludes Fringe Benefits)

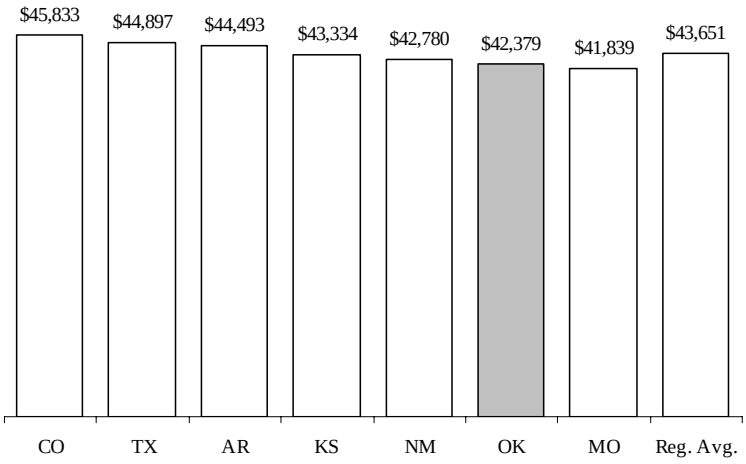


Source: Southern Regional Education Board (SREB)

While school districts ultimately set teacher salaries, lawmakers have chosen to mandate minimum salaries in statute (70 O.S. 18-114.7). This policy has resulted in significant gains for beginning teachers, bringing Oklahoma's first-year teacher salary to parity with regional states. The minimum teacher salary for a first-year teacher has increased from $17,000 in FY'90 to $31,600 in FY'09. This represents an 85.9 percent increase in salary in 19 years.

Average Teacher Salaries for Oklahoma and the Region

2006-2007 School Year



Source: Southern Regional Education Board (SREB)

In recent years, lawmakers have made several efforts to improve teacher salaries across the state. Since the 2004 Legislative Session, almost $329 million in new funding has been appropriated for this purpose.

HB 2662, from the 2004 Legislative Session, raised the benefit allowance for all teachers from 58 percent to 100 percent and excluded certain fringe benefits from being counted toward the teachers' minimum salary schedule. These two provisions of the bill yielded an average salary increase of between $850 and $1,050 per year for approximately 30 percent of all Oklahoma teachers. The Legislature appropriated more than $50 million to cover health insurance for all certified personnel within Common Education, and $3.75 million for certified personnel in the CareerTech system.

During the 2005 Legislative Session, the teachers' minimum salary schedule was changed in order to provide teachers with a salary increase that averaged $1,300 per teacher throughout the state. The Legislature appropriated $57.8 million to Common Education in order to fund this increase through the State Aid Formula.

SB 2XX from the 2006 Special Session provided a $3,000 across-the-board salary increase for all teachers, modified the 2006-07 salary schedule to reflect

this increase and modified the 2007-08 salary schedule to include another $600 across-the-board salary increase. The Legislature appropriated $136 million to Common Education in order to fund this increase outside of the State Aid Formula with the understanding that it would be placed back inside the State Aid Formula in FY'08. The CareerTech system also received an appropriation of $5.9 million to fund this increase. During the 2007 Legislative Session, another $21 million in supplemental funding was appropriated in order to fully fund school district costs for taxes and Teachers' Retirement regarding this increase.

HB 1134 from the 2007 Legislative Session helped Oklahoma's teachers receive an average annual salary increase of $1,000 during the 2007-08 school year. The breakdown for this average increase is as follows:

- The 2007-08 minimum salary schedule already contained a $600 salary increase when compared to the 2006-07 minimum salary schedule. This increase was put in place for all years of experience and degree levels. $32.2 million was appropriated inside the State Aid Formula to cover the associated costs of this increase, including the employers' share of taxes and Teachers' Retirement contributions. The Department of Career and Technology Education also received $1.5 million to fully fund this increase.

- In addition to this original $600 increase, other increases were added to the 2007-08 minimum salary schedule as follows:

  - ✓ $425 for teachers with at least 10 years of experience who have earned bachelor's degrees,

  - ✓ $850 for teachers with at least 10 years of experience who have earned master's degrees, and

  - ✓ $1,700 for teachers with at least 10 years of experience who have earned doctorate degrees.

  $20 million was appropriated to the Department of Education to cover the associated costs of these additional increases. Funding for these additional increases was appropriated through the State Aid Formula and again included the employers' share of taxes and Teachers' Retirement contributions. The Department of Career and Technology Education also received an additional $845,778 to fully fund this increase.

- Although the salary increase was fully funded for every teacher, school districts are only required to pay their teachers at the 2007-08 Minimum Salary Schedule level. In other words, if a school district already pays their teachers above the 2007-08 Minimum Salary Schedule, it will be up to their discretion whether or not to pay their teachers any additional money.

PUBLIC SCHOOL REFORM INITIATIVES

Oklahoma's public schools have undergone significant changes since FY'89. Many of these changes are the direct result of the enactment of the landmark educational reform act of 1990, House Bill 1017. The Legislature appropriated more than $565 million over five years to implement a wide range of reform policies.

- **Reduced class sizes:** The Legislature appropriated $30 million for districts to hire more teachers to comply with reductions in class size requirements. For kindergarten through sixth grades, a student teacher ratio of 20:1 is mandated. For students in grades seventh through twelfth, the maximum number of students allowed per teacher is 140 per day. Failure to comply with class size limits results in sanctions, which are authorized by statute.

- **Exemptions:** Some classrooms are exempted from calculations of class size limits:

  - ✓ If the class taught is a physical education or music class;

  - ✓ If the classroom exceeds the limit after the first nine weeks of school;

  - ✓ If the creation of an additional class will cause a class to have fewer than 10 students in kindergarten through grade three, and fewer than 16 for grades four through six;

  - ✓ If a teacher's assistant is employed to serve in classrooms that exceed the class size limitation;

  - ✓ If the school district has voted indebtedness through the issuance of bonds for more than 85 percent of the maximum allowable pursuant to the provisions of Section 26 of Article X of the Oklahoma Constitution;

  - ✓ If the school district is voting the maximum millage allowable for the support, maintenance and construction of schools; or

  - ✓ If the school district consolidates or annexes under the Oklahoma School Voluntary Consolidation and Annexation Act.

- **Minimum Teacher Salaries.** Over $319.6 million was appropriated to increase the minimum salary for a beginning teacher from $17,000 in FY'91 to $24,060 in FY'94.

- **Funding Equity:** The Legislature achieved more equity in student funding by appropriating over $88 million to support the state aid formula.

- **Early Childhood Programs**: HB 1017 and follow-up legislation mandated and funded half-day kindergarten for all children and provided $8.4 million for half-day four-year-old programs.
- **School Deregulation and Consolidation:** The initiative provided limited deregulation and funding incentives for the voluntary reduction of school districts from 611 in 1988 to 539 in the 2007-2008 school year.
- **Accountability:** The Office of Accountability was created to compile student achievement data by school site (see section on Office of Accountability below).

Since FY'95, Oklahoma lawmakers have passed a number of reform and funding measures targeted to improve student achievement. These include:

- the Oklahoma Advanced Placement Incentive Program;
- the Reading Sufficiency Act for children in K-3;
- increasing teacher salaries and providing 100 percent state-paid health insurance;
- increasing funding for early childhood programs;
- requiring districts to offer all-day kindergarten by the 2011-2012 school year;
- Education Leadership Oklahoma Act: Provides teachers who earn National Board Certification with an annual $5,000 stipend;
- Rigorous high school curriculum requirements: Four years of English, and three years each of math, history and science are required;
- Charter Schools Act: Authorizes charter schools to operate in 13 school districts in Oklahoma and must be sponsored by either the school district, or technology center school district, or a higher education institution**.** For the 2008-2009 school year, Oklahoma City will have 13 charter schools, and Tulsa will have three;
- The Education Open Transfer Act: Provides process for transfer of students to a district of parent's choice; and
- The Academic Performance Index (API): Measures the performance of schools. The index includes factors such as student attendance rates, dropout rates, test results, advanced-placement participation, graduation rates, ACT scores and college remediation rates.

The Legislature's most recent reform measures include the Achieving Classroom Excellence Act of 2005 (SB 982) along with a follow-up implementation bill (SB 1792) in 2006, which included several initiatives, with a major focus on high school reform. Key provisions included:

- **Full Day Kindergarten –** See discussion in Early Childhood Education section below.

- **Middle School Math Improvement -** $2 million was provided for training of 500 teachers and awarding a $1,000 bonus to teachers who attend the continuing education and successfully pass the intermediate math certification exam. The budget also included $2.5 million for **Middle School Math Labs** in schools with records of low math performance. Ten schools were selected during the 2005-06 school year for pilot programs utilizing a scientifically research-based math improvement curriculum. Each year new schools are selected with a limit of one school selected per district each year, with no school being eligible to receive a mathematics laboratory more than once. The number of schools selected each year is determined based on the total amount of funds available as well as the number of computers necessary for a class of students at each qualifying school site. The State Department of Education reported in August of 2006 that the eighth grade math scores on the state tests increased an average of almost 16 percent after the first year of implementation of this program at the 10 pilot sites.

- **7th and 8th Grade Student Remediation** - Requires remediation for students who do not score at least at the satisfactory level on the reading and math tests administered in the 7th grade in the 2006-07 school year, and in the 8th grade in the 2007-08 school year. This is intended to prepare students for the end-of-instruction tests at the high school level.

- **ACE Steering Committee** – Created to advise the State Board of Education (SBE) on curriculum alignment, assessment development, cut-score determination, alternate tests, intervention and remediation strategies, and consequences for eighth-grade students who do not meet the mandated standard.

- **High School and Testing Reform**
  - ✓ Requires students entering 9th grade in 2006-07 school year to enroll in a college preparatory/work ready curriculum. Allows parents to choose to enroll their student in a non-college preparatory curriculum.
  - ✓ Directs SBE to develop end-of-instruction (EOI) tests in English III, Geometry, and Algebra II during the 2006-07 school year and implement the tests during the 2007-08 school year. The FY'07 budget included $5.7 million for new test development and implementation.

- ✓ Requires students to pass 4 out of 7 EOI tests to receive a high school diploma beginning with students entering 9th grade in the 2008-09 school year. Students must pass Algebra I and English II along with 2 of the following tests: US History, Biology I, Geometry, Algebra II, and English III.

- ✓ Provides remediation and opportunity to retake EOI tests until at least a satisfactory score is attained on Algebra I and English II and two of the other listed tests or an approved alternative test.

- ✓ Authorizes technology center schools to provide remediation in Algebra I and Biology I to students enrolled in technology center schools.

- ✓ Directs State Department of Education to provide information on best practices for remediation and intervention and requires districts to monitor results and report findings to SDE.

- ✓ Requires student individualized education programs (IEPs) to have an appropriate statement on the IEP requiring administration of assessments with or without accommodations or with alternate assessments.

- ✓ Requires students identified as English language learners (ELL) to be assessed in a valid and reliable manner with the state academic assessments with acceptable accommodations as necessary, or with alternate assessments.

- ✓ Authorizes SBE to approve alternative methods for students to demonstrate mastery of the state academic content standards.

- ✓ Directs SBE to adopt rules for necessary student exceptions and exemptions to testing requirements. Requires SBE to collect and report data on number of students provided and categories of exceptions and exemptions granted.

- ✓ Directs SBE to review, realign and recalibrate the tests in reading and mathematics in third through eighth grades and the EOI tests. The SBE shall determine the cut scores for the new EOI tests and phase them in over a multi-year period. The SBE shall compare EOI tests with those of other states and adjust cut scores as necessary.

- ✓ Directs the SBE to retain services of a nationally recognized, independent organization to study the reliability and validity of the EOI tests.

- ✓ Provides tuition waivers for up to 6 credit hours per semester for high school seniors who meet eligibility requirements for concurrent enrollment.

EARLY CHILDHOOD EDUCATION

Recent studies indicate a strong positive correlation between high quality early childhood programs and positive developmental, social and economic outcomes for children.

The Legislature has supported a range of early childhood developmental programs covering such areas as health care, developmental disabilities, child abuse prevention, parent education and early childhood education. These programs provide valuable developmental, health and educational services designed to ensure children under the age of 5 will be healthy and ready to learn once they enter kindergarten.

SoonerStart

Funded through the State Department of Education, SoonerStart is a collaborative program which provides nursing, nutrition and case management services as well as physical, occupational and speech-language therapy to children who are disabled or developmentally delayed from birth to 36 months**.** In FY'08, the program served more than 13,548 children with a combined state and federal budget of $23.4 million.

Head Start

Head Start is a state and federally-funded program which provides developmental, health and parent educational services to low-income children ages 0 through 5 and their families. Oklahoma is one of the few states that provide state supplements for Head Start.

For FY'09, the Legislature appropriated approximately $3.17 million, an increase of more than 600 percent since FY'92 when the Legislature initiated state funding of the program with a $423,000 appropriation. Oklahoma's program also received over $96.9 million in federal funds for FY'07. State funds are appropriated to the Oklahoma Department of Commerce for administration and management of the program.

During FY'07, Head Start served 15,030 children through 452 programs state wide.

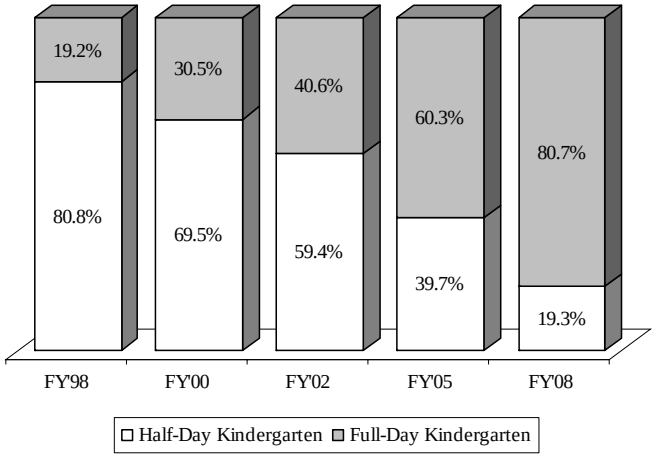
Programs for Four-Year-Olds

Free half-day and full-day programs for four-year-olds are offered by school districts across the state. These programs provide developmentally appropriate activities to prepare children for kindergarten. In 1998, the Legislature increased funding available to schools to provide these programs. Enrollment in this program has increased dramatically since then. During FY'98, 2,493 four-year-olds in Oklahoma attended half-day public school pre-kindergarten, while in FY'07 attendance reached 35,334 for half-day and full-day programs combined. Currently, 97 percent of districts offer this program and 72 percent of Oklahoma's four-year-olds attend public school pre-kindergarten.

Full-Day Kindergarten

Students five-years of age must attend at least a half-day of kindergarten; full-day attendance is optional. The requirement for school districts to offer full-day kindergarten was enacted in 1999 in HB 1759, but it was contingent on funding. Senate Bill 982 in 2005 amended this section to require all school districts to offer full-day kindergarten by the 2011-12 school year. More than 96 percent of school districts are already in compliance. Districts receive an increased weight in the State Aid formula for full-day kindergarten as an incentive to implement the program and the FY'06 budget provided $21.6 million. Districts are exempt from the requirement if their bonded indebtedness exceeds 85 percent of the maximum allowable at any time in the previous five years.

Growth in Full-Day Kindergarten
FY'98 Through FY'08



Oklahoma Parents as Teachers

The Oklahoma Parents as Teachers program is a voluntary home-school partnership that emphasizes the importance of the parents' role as the first teachers of children. In FY'09 the program received $2.05 million in state funds. During FY'07, the program served 5,117 children and was offered by 95 districts.

Oklahoma Partnership for School Readiness

Created in 2003 and funded through the Department of Human Services, the Oklahoma Partnership for School Readiness is a collaborative public/private partnership known as Smart Start Oklahoma. Smart Start coalitions in 18 communities across the state receive technical assistance, training and resources. In addition, the Partnership provides grants to support local needs assessments and strategic planning activities. This initiative first received state funding in FY'05 with a $2 million appropriation and continues to receive that base funding amount.

Rural Infant Stimulation Environment (RISE)

During the 2007 Legislative Session, $550,000 was appropriated to establish a RISE School Program that is designed to serve young children with physical disabilities from birth to five years of age. Program funding for FY'09 was increased to $600,000.

Educare

During the 2006 Legislative Session, $5 million was appropriated for an early childhood public/private match pilot program. This funding was matched on a 1:2 basis for one rural and one urban program. During the 2007 Legislative Session, funding for this program was increased to $10 million.

STUDENT TESTING

One of the most quantifiable methods to measure student success across the nation is standardized test scores. Oklahoma requires a number of state and national tests from third grade through high school.

In 1985, the Legislature laid the foundation for a comprehensive testing system with the Oklahoma School Testing Program. Since that time the program has undergone a number of changes.

All state-mandated tests are now criterion-referenced assessments, meaning they measure student attainment of skills established in Oklahoma's core curriculum, known as the Priority Academic Student Skills (PASS). At the secondary level, students are administered assessments at the completion of the subject matter instruction, rather than at specific grade levels. These tests are referred to as

End-of-Instruction (EOI) tests. For the 2008-09 school year, students attending public schools are required to participate in the following tests:

3rd	Reading and Mathematics
4th	Reading and Mathematics
5th	Reading, Writing, Mathematics, Science, and Social Studies
6th	Reading and Mathematics
7th	Reading, Mathematics, and Geography
8th	Reading, Writing, Mathematics, Science, and U.S. History
Secondary	Algebra I, Algebra II, Geometry, English II, English III, Biology I and U.S. History

Oklahoma Core Curriculum Tests, Grades 3-8

Percentage of all Oklahoma Students Tested Scoring at the Proficient Level

(satisfactory + advanced)

2006-07 School Year Compared to 2005-06 School Year

Grade Level	Content Area	Number Tested	Percent Proficient	Increase/ Decrease
3	Reading	43,486	87	+5
	Math	44,017	75	+4
4	Reading	42,525	90	+4
	Math	42,617	82	+3
5	Reading	41,683	81	+6
	Math	42,055	83	+7
	Writing	43,083	80	-3
	Science	42,222	82	+2
	Social Studies	43,796	65	+5
6	Reading	41,899	78	+1
	Math	42,295	76	+2
7	Reading	42,377	77	+4
	Math	42,377	74	+7
	Geography	43,737	80	+1
8	Reading	42,592	79	+4
	Math	42,303	77	+5
	Science	43,030	83	+4
	U.S. History	44,597	65	+1
	Writing	44,098	86	+1

Oklahoma EOI Tests Summary, 2007
Percentage of Regular Education and All Students Who Scored at the Proficient Level

Content Area	Regular*	All
English II	75	69
ACE Algebra I	75	72
Biology I	55	51
U.S. History	72	66

* Regular education does not include English language learners (ELLs) nor students with disabilities who are served on an Individualized Education Program (IEP).

Source: Office of Accountability and Assessment, State Department of Education, August 2007

In addition to the state tests, the National Assessment of Educational Progress (NAEP), a standardized national test, is administered every two years to a sample of approximately 2,500 4th and 8th grade students in schools selected by the NAEP governing board as being demographically representative of the state as a whole. The NAEP is used to compare students' educational achievement across the nation as an external check of the rigor of states' standards and assessments. Oklahoma has been required to participate in NAEP testing since passage of a state law in 1997. The federal No Child Left Behind Act has required all states to participate in NAEP beginning in 2003.

The following results reflect the 2007 NAEP test for students scoring at or above the basic level:

Oklahoma's History of Participation and Performance on the National Assessment of Educational Progress (NAEP) Tests
as Compared to the U.S. Average Scale Score

READING			
Grade	Year	State Avg.	U.S. Avg.
4	1992	220	215
	2003	214	216
	2005	214	217
	2007	217	220
8	1998	265	261
	2003	262	261
	2005	260	260
	2007	260	261

MATHEMATICS			
Grade	Year	State Avg.	U.S. Avg.
4	1992	220	219
	2003	229	234
	2005	234	237
	2007	237	239
8	1992	268	267
	2003	272	276
	2005	271	278
	2007	275	280

Source: Oklahoma's State Profile from "The Nation's Report Card," National Assessment of Educational Progress

Office of Accountability

Created by HB 1017 in 1990, the Office of Accountability operates under the governance of the Education Oversight Board. The office administers two programs, the Oklahoma Educational Indicators Program and the Oklahoma School Performance Review Program.

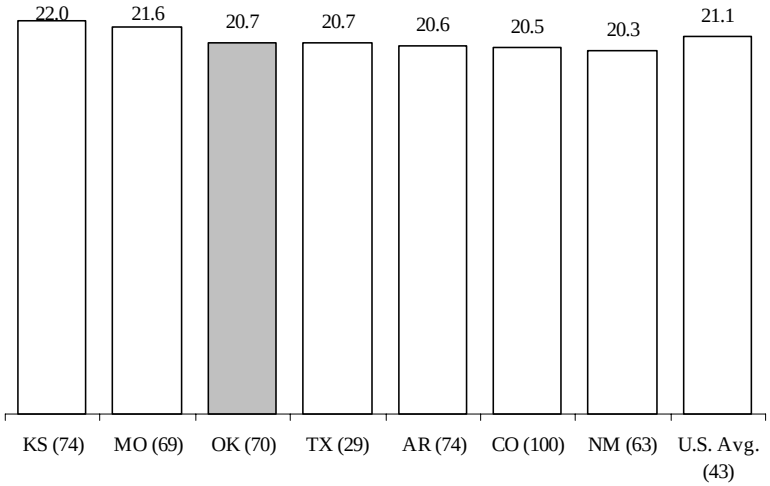
Through the Oklahoma Educational Indicators Program, the Office of Accountability provides annual reports on public school performance at the State, District, and School levels. These "Profiles" report cards provide school performance information that is comparable and in context with various indicators. The report cards may be viewed on the internet at www.schoolreportcard.org or by calling (405) 225-9470.

The Oklahoma School Performance Review Program was enacted in 2001 to determine the effectiveness and efficiency of the budget and operations of school districts.

ACT College Entrance Exam

More than 71 percent of high school seniors in Oklahoma participate in the ACT assessment for college admission. This compares to 42 percent of seniors nationally. Between 2005 and 2007, Oklahoma's average composite score increased from 20.4 to 20.7, an increase of 1.5 percent.

Oklahoma Students' ACT Score Comparison
2008



Note: The number in parenthesis represents the percentage of seniors taking the ACT in the state.

FEDERAL EDUCATIONAL REFORM EFFORTS

In January of 2002 the U.S. Congress enacted House Resolution 1, known as the "No Child Left Behind Act". This bill re-authorized the federal Elementary and Secondary Education Act (ESEA) funding for states and expands state testing and accountability program requirements. The main goal of the act is to ensure that by the 2013-2014 school year, all students will attain a minimum standard of proficiency or better in reading/language arts and mathematics. A number of new components are required of states and school districts to ensure progress. Congress is considering reauthorization of the ESEA once again. However, further consideration has been delayed until after the 2008 elections.

While the requirements a state must meet are numerous, the list below highlights the most important and far-reaching. Over the last several years Oklahoma has been working to comply with the following provisions:

- Adopt state academic content standards in mathematics, reading/language arts and science. As a result of HB 1017, Oklahoma developed content standards in each of the four core academic areas in 1991. These standards are revised every six years at a minimum and have been reviewed by a number of state and national organizations;

- Develop and implement tests aligned to the state academic standards in grades three through eight in the areas of reading/language arts and math. This requirement must be met by the 2005-2006 school year. Oklahoma received $5.6 million in federal funds to establish these tests. In July of 2006, the United States Department of Education announced that Oklahoma was one of only four states in the nation to receive full federal approval of our student testing program;

- Develop and implement a single statewide accountability system for defining adequate yearly progress that meets federal guidelines;

- Ensure schools make adequate yearly progress (AYP) toward the goal of proficiency for all students in reading and mathematics by the 2013-14 school year. For schools and districts to make AYP, improvement must be demonstrated by all students along with each of the following subgroups of students: economically disadvantaged students, major racial or ethnic groups, students with disabilities, and English language learners;

- Develop and implement school improvement sanctions for schools and districts that fail to make AYP. The number of schools identified as in need of improvement has been on a steady decline in recent years;

- Participate in the National Assessment of Educational Progress (NAEP). Participation in this program is also required under state law; and

- Ensure all teachers of core academic subjects are highly qualified by the end of the 2005-06 school year. More than 92 percent of Oklahoma teachers were reported to have met the benchmark.

While some additional funds are being provided to meet some of these requirements, federal funds for developing the accountability system and reporting system are not provided. Oklahoma has been working over the last several years to successfully implement this legislation and as we continue toward the goal of all students meeting the achievement benchmarks by the 2013-2014 school year, important policy and funding decisions will need to be addressed.

SCHOOLS FOR THE BLIND AND DEAF

The Oklahoma School for the Blind in Muskogee and the Oklahoma School for the Deaf in Sulphur provide day and residential services to students from across the state. Operated by the Department of Rehabilitation Services, both schools provide comprehensive educational and therapeutic services on their campus. The schools also provide a satellite pre-school, outreach and educational services to surrounding schools to allow even more students and families to have access to specialized programs.

For FY'08, the Oklahoma School for the Blind received over $6.8 million in state funds and served 38 children in the residential program, 51 in the day program, and 22 in summer school. For FY'08, the Oklahoma School for the Deaf received $8.5 million in state funds and served 80 children in the residential program, 67 in the day program, 29 in the pre-school program, and 42 in summer school.

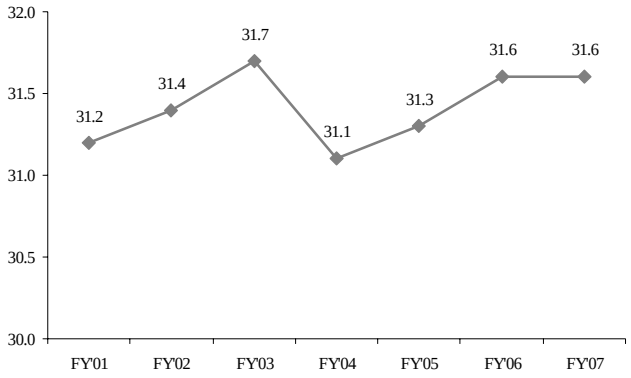
As part of the schools' residential education programs, students have opportunities to participate in activities similar to a typical public school, including student organizations and interscholastic athletics. Course work mirrors classes at any public school but is enhanced with specialized instruction such as Braille, sign language, adaptive technology and equipment, orientation and mobility, etc. Both residential programs serve pre-kindergarten through twelve grades. Both schools transport residents home for weekends and holidays.

OKLAHOMA SCHOOL OF SCIENCE AND MATHEMATICS

Created in 1983 through legislative action, the mission of the Oklahoma School of Science and Mathematics is to foster the educational development of Oklahoma high school students who are talented in science and mathematics and show promise of exceptional development through participation in a residential educational setting emphasizing instruction in science and mathematics. This two-year residential school is located in Oklahoma City and provides advanced science and math courses to students in grades 11 and 12. With 26 full-time

faculty, 11 adjunct faculty and future capacity for 280 students, the school currently serves approximately 144 students on a 32 acre campus.

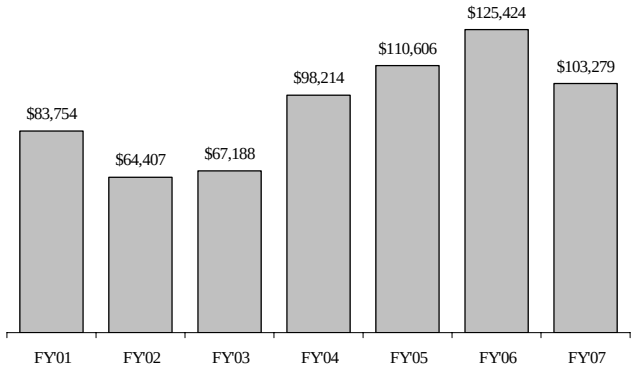
Average ACT Score of Residential School
FY'01 Through FY'07



The graduating classes of 1998 and 2000 achieved the highest ACT composite scores of any high school in the United States. In addition, the school has produced 248 National Merit Scholars.

To replicate the success of the residential school, the Legislature has provided funding to establish 15 regional math and science centers across the state to provide advanced science and math courses to students living in districts that did not offer these courses. All regional centers are housed in career and technology centers and are taught by people having a Ph.D. in the subject area.

Average Scholarship Amount/Residential Students
FY'01 Through FY'07



CAREER AND TECHNOLOGY EDUCATION (VO-TECH)

Career and technology education got its start in 1904 when teacher H. F. Rusch, with the support of Oklahoma City Schools Superintendent Edgar Vaught, initiated the first manual training program. Schools in Lawton, Comanche, Ardmore and Muskogee followed Oklahoma City's lead. In all, 90 state schools offered vocational training prior to the passage of the Smith-Hughes Act of 1917, which established guidelines and funding for vocational education throughout the U.S.

In the 20th century, career and technology education advanced in both ideology and technology. Today, it is a comprehensive system that significantly contributes to the state's economic development and quality of life.

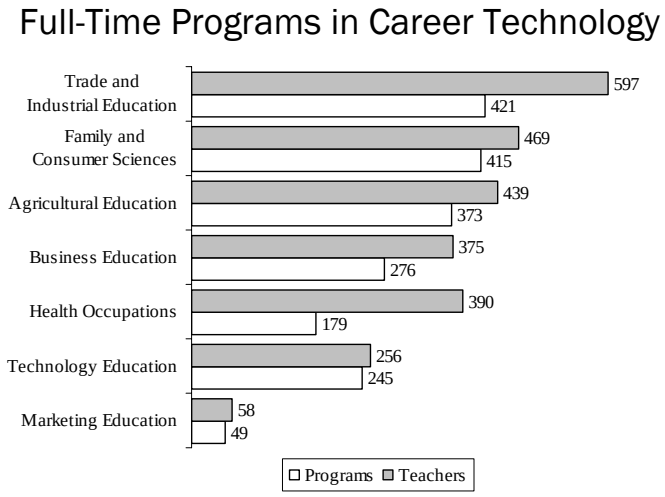
The Oklahoma Department of Career and Technology Education provides leadership and resources to ensure standards of excellence throughout the statewide system. The system offers its programs and services through nearly 400 public school districts, 29 technology centers with 56 campuses, and 20 skills centers located in correctional facilities. Currently, there are more than 2,500 instructors working in all areas of CareerTech education. Each of the technology centers works closely with advisors from local industry to ensure that Oklahoma's students learn the skills needed to be valued members of the workforce.

In 2007, enrollments in CareerTech training totaled 527,493. CareerTech provides nationally recognized competency-based curriculum, education, and training in the following broad categories. Each category offers a myriad of specialized and customized courses and training opportunities.

- Agricultural Education
- Business and Industry Training
- Business and Information Technology Education
- Family and Consumer Sciences Education
- Health Occupations Education
- Marketing Education
- Technology Education
- Trade and Industrial Education

Oklahoma's CareerTech system uses competency-based curriculum. This curriculum is developed with the input of industry professionals, using skills standards to identify the knowledge and abilities needed to master an occupation. Competency-based education enables CareerTech to provide students with the skills employers are seeking in the workplace.

CareerTech has developed 16 Career Clusters, which group occupations together based on commonalities. Schools will use these Career Clusters as an organizational tool to help students identify pathways from secondary schools to career technical schools, colleges, graduate schools, and the workplace. The Career Clusters show students how what they are learning in school links to the knowledge and skills needed for their success in postsecondary education/training and future careers.



Source: State Department of Career-Technology Education

State Board of Career and Technology Education

The Oklahoma State Board of Career and Technology Education is comprised of nine people. Two members of the State Board of Education are appointed to the CareerTech Board along with a resident of each of the five congressional districts and one member at-large. Members are appointed by the Governor and confirmed by the state Senate. Their terms vary in length from one to six years.

The State Superintendent of Public Instruction serves as the ninth member and the Board's chairperson. The Director of the agency serves as an ex officio, nonvoting member.

CAREER AND TECHNOLOGY FUNDING

Appropriation History

State appropriations for career and technology education funding grew by 33.1 percent from FY'99 to FY'09.

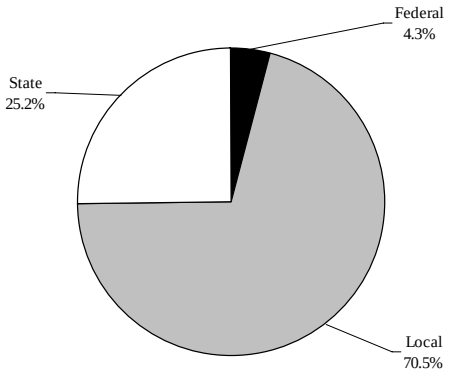
Career & Technology Education Appropriation History
(In millions)

Technology Center Funding

Technology centers are funded through dedicated ad valorem millages, state appropriated revenues and tuition fees paid by students. Millages are assessed on real property within a technology center district. The Oklahoma Constitution restricts technology center districts to a maximum of 10 operating mills and five building-fund mills. Changes in technology center millages are enacted by a majority vote in a district-wide election.

Most technology centers depend more on local ad valorem receipts than state appropriations. Local property wealth varies widely from district to district, causing discrepancies in the amount of ad valorem revenue available to support each technology center. To address the discrepancies, the Legislature instituted a state equalization formula that allocates most state funds using local wealth as an inverse factor.

FY'08 Funding Sources for Career-Technology Centers



Source: State Department of Career-Technology Education

Local taxes, tuition and other income comprise 70.5 percent of the system's entire budget.

CAREER AND TECHNOLOGY SERVICES

Comprehensive Schools

More than 1,200 CareerTech programs in seven occupational areas are offered at 562 elementary, junior and senior high schools in Oklahoma. Some 42 percent of students in grades 6-12 are enrolled in CareerTech offerings ranging from exploration programs to programs that provide specific knowledge and skills in career fields.

These students learn valuable skills that prepare them for life and work in our ever-changing world. The hands-on experience in high-tech classrooms helps students increase technological proficiency and develop entrepreneurial skills. All career and technology education programs meet academic standards and prepare students to work in the "real" world.

Student Organizations

More than 73,810 secondary and postsecondary students are members of CareerTech program-related student organizations, which help develop teamwork and leadership skills. These organizations include BPA, Business Professionals of America; DECA, marketing education; FCCLA, Family, Career and Community Leaders of America; FFA, agricultural education; HOSA, Health Occupations Students of America; SkillsUSA, trade and industrial education; and TSA, technology engineering. Oklahoma has more than 2,310 students who are members of the National Technical Honor Society.

Technology Centers

Oklahoma's technology centers provide high school students and adults opportunities to receive high-quality career and technology education through various options. While high school students who live in technology center districts attend tuition-free, adult students are charged nominal tuition.

In FY'07, 29 technology center districts operated on 56 campuses through the state, making services easily accessible to most Oklahomans. In FY'07, high school student enrollments in technology centers equaled 16,797. Adult enrollments in full-time programs, Industry-Specific Training, Adult and Career Development and Training for Industry totaled 423,747.

Technology centers work with business and industry partners to ensure that curriculum meets the needs of the workplace. Many students participate in clinicals, internships and on-the-job training to experience the world of work.

Students frequently are able to earn college credit for classes taken at technology centers through agreements with colleges.

Skill Centers

CareerTech Skills Centers offer specialized, occupational training to adult and juvenile incarcerated individuals. Services have grown from just a few training programs in one center to a complete school system that provides services at 25 campuses. In FY'07, more than 1,750 individuals participated in Skills Center programs. In all, 95 percent of those completing Skills Centers programs have been placed in training-related jobs.

Of those who completed Skill Center training and were matched with training-related jobs, 82.6% did not return to incarceration within 52 months, compared to a rate of 65.5% for those who did not complete a Skill Center program.

Dropout Recovery

The students served through this initiative are out-of-school youth who are 15 to 19 years of age. These youth are given opportunities to gain academic credit and participate in career-specific training. Dropout recovery programs are available at six technology centers. Last year 329 students completed requirements for a high school credential and 84 students were stabilized and returned to their home high school to continue their education. Four hundred and sixty students participated in local dropout recovery projects and will return in the fall to continue their pursuit of a high school credential.

NEW AND EMERGING SERVICES

Pre-Engineering Programs

CareerTech Pre-Engineering Education is offered in 10 technology center districts at 22 different campuses (high school and technology center). For the 2007-2008 school year, there were over 900 students enrolled in pre-engineering. The programs combine pre-AP and AP math and science courses with a sequence of engineering courses to better prepare students for college. The engineering curriculum, developed by the national, non-profit group Project Lead The Way, gives students the rigorous, relevant, reality-based knowledge that they need to excel in this high-tech field.

Cyber Security

Oklahoma's CareerTech is a member of the multi-state Cyber Security Educational Consortium, a National Science Foundation Advanced Technological Education Regional Center. Courses allow participants to obtain industry and government credentials while gaining practical hands-on experience. Nine technology centers throughout the state participate in the Cyber Security Education Consortium.

Biomedical Sciences

Oklahoma's CareerTech has partnered with Project Lead The Way and five other states to develop a biomedical sciences curriculum. This curriculum was piloted at three sites in Oklahoma this past year and will be added at 5 additional sites during the fall of 2008. The Biomedical Science curriculum consists of four courses and, similar to pre-engineering, combines rigorous upper level math and science. Students interested in math, science, and the human body will find the Biomedical Sciences program a great introduction to numerous science and medical fields.

Biotechnology

As companies move from research and development to the manufacturing of pharmaceuticals, industrial and agricultural products, jobs will continue to increase in Oklahoma. Southern Technology Center, Ardmore, has formed a partnership with the Noble Foundation to design and implement a biotech academy. Students will complete a rigorous biotech curriculum, which includes two AP science courses, as well as the opportunity for internships and live research at the Noble Foundation. Other biotech programs have begun at Moore Norman and Meridian Technology Centers.

Nanotechnology

By 2010, the market for nanotechnology products and services is estimated to reach $1 trillion in the U.S. economy and will require from 800,000 to two million new workers. To address these workforce needs, CareerTech is partnering with Oklahoma State University-Institute of Technology and have launched the Oklahoma Nanotechnology Education Initiative (ONEI). To advance this initiative, ONEI has been awarded a $598,000 three-year Advanced Technological Education National Science Foundation grant.

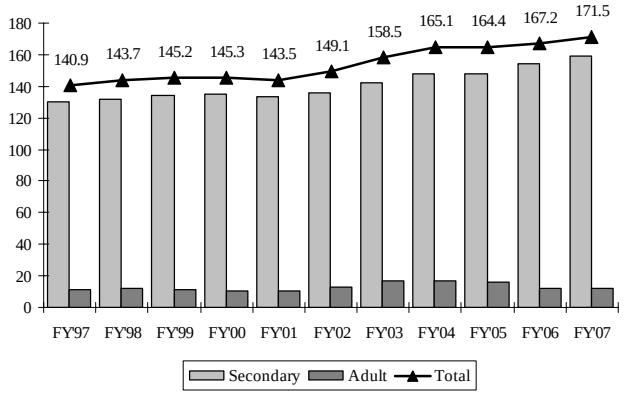
FIRST Robotics

FIRST Robotics Competition (FRC) is designed to help high school students discover how interesting and rewarding the life of engineers and technicians can be. Oklahoma hosted a Regional FIRST Competition in the Spring of 2008, and next year's Regional is already scheduled for February 2009. Many of the FIRST Robotics teams from the state of Oklahoma are led by CareerTech instructors.

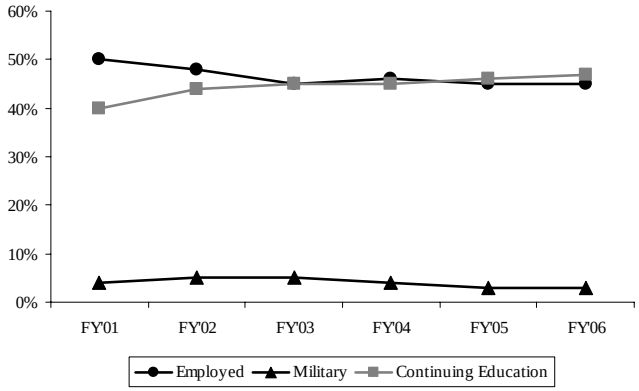
ENROLLMENT TRENDS

Between FY'97 and FY'07, total enrollment in career-technology programs increased by 21.7 percent.

Career Technology Enrollment Trends by Student Type
(In Thousands)



Student Outcomes for Career-Tech Programs
FY'01 Through FY'06



Source: State Department of Career-Technology Education

Career Tech Business and Industry Development

Oklahoma's CareerTech offers customized programs and services for new companies, existing companies, small businesses wanting to expand and entrepreneurs just getting started. Often these services are incentives for companies to relocate in our state. These programs are designed to ramp-up very quickly to meet the critical issues facing employers and are focused in three primary areas: Business and Industry Development, Adult and Career Development, and Business and Entrepreneurial Services.

- **Business and Industry Development**: Customized training for companies.

Training for Industry Program (TIP): This program meets specific training needs of new and expanding industries in conjunction with the Quality Jobs Act.

Industry Specific/Training for Existing Industry (TEI): These programs are designed to help existing companies stay competitive through incumbent worker training programs.

Safety and Health Training: These programs are designed to help companies plan and implement safety processes, procedures and ongoing training to assure safe workplaces.

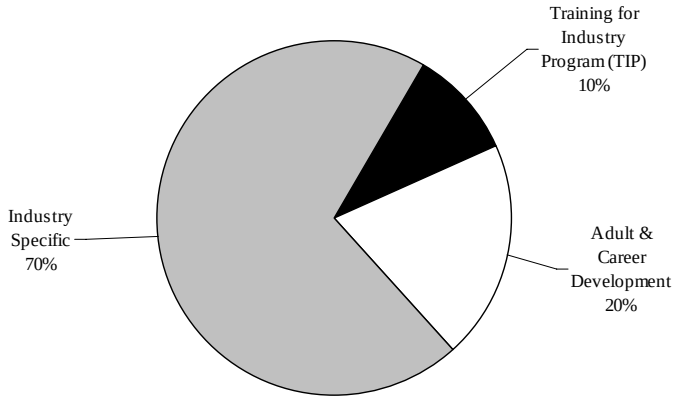
Firefighting Training Initiative: These programs are designed to accommodate the increased demands for training and testing of volunteer firefighters across the state.

Oklahoma Bid Assistance Network: This program is designed to assist companies in obtaining state and government contracts.

- **Adult and Career Development**: Adults wishing to expand their expertise or who are looking to change career paths are provided job-training workshops, seminars, and short courses.

- **Business and Entrepreneurial Services**: Services are to provide professional assistance and guidance to persons interested in starting a new business or one currently successfully operating.

FY'07 Enrollment by
Career-Technology Economic Development Program



POST-SECONDARY EDUCATION

Providing high quality, affordable post-secondary educational programs to develop a skilled and educated workforce has become a priority with the Legislature. These programs are seen as an important key to improving the state's economy and per-capita income. Oklahoma's universities, colleges and career and technology centers (formerly called vo-tech centers) play an integral role in educating and preparing adults to compete in the state, national and global marketplace.

Since 1990, the Legislature has passed and implemented a number of funding and program initiatives to increase the caliber of our state's post-secondary institutions and expand opportunities for students to attain a post-secondary degree.

This chapter provides an overview of higher education and career and technology education in Oklahoma.

HIGHER EDUCATION

Oklahoma higher education began before Oklahoma Territory and Indian Territory combined to become a state in 1907. As early as 1890, the first territorial legislature created three institutions of higher learning. By 1901, four additional institutions of higher education were established across the state.

The Oklahoma State System of Higher Education was created in 1941 by a constitutional amendment, Article XIII-A, which provides that "all institutions of higher education supported in whole or in part by direct legislative appropriation shall be integral parts of a unified system." The amendment also created the State Regents for Higher Education as the "coordinating board of control of the Oklahoma State System of Higher Education." Currently, there are 25 colleges and universities, 10 constituent agencies and one higher education center offering courses and degree programs across the state.

Higher Education Governance

The State Regents for Higher Education serve as the coordinating board for all state institutions. However, most agree that the Legislature has sole power to establish and/or close institutions (Attorney General Opinion 80-204). The primary responsibilities of the state regents are to:

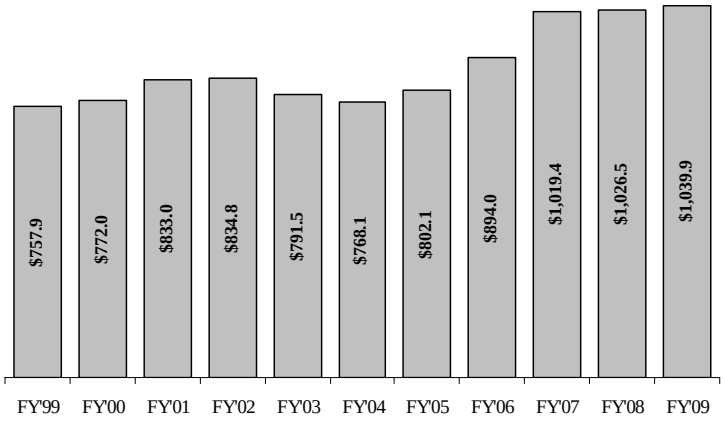
- prescribe standards of higher education;
- determine functions and courses of study at state institutions;
- grant degrees and other forms of academic recognition;
- recommend to the Legislature budget needs for state institutions; and
- determine fees within the limits set by the Legislature.

In addition to the state regents, there are three Constitutional governing boards and 12 statutory governing boards. These boards have responsibility for the operational governance of the state's higher education institutions. Membership on all governance and coordinating boards is by appointment of the Governor and confirmation of the Senate.

Funding Trends for Higher Education

In FY'09, 14.7 percent of the state's appropriated budget went to the State Regents for Higher Education, which has sole authority for allocating state funds among colleges and universities.

History of Appropriations to Higher Education
FY'99 Through FY'09
(In Millions)



For FY'09 the Legislature appropriated over $1.039 billion to the State Regents for Higher Education, which represents an increase of $282 million or 37.2 percent from the FY'99 level.

Since FY'89, the state regents' office has been funded through a line-item appropriation in the higher education funding bill. Prior to that year, the state office was funded through an assessment made on each of the institutions under the regents' control. The FY'09 appropriation for administrative operations in the state regents' office is $5.6 million, which represents less than 1 percent of total appropriations to higher education.

Endowed Chairs: Oklahoma has been making an effort to establish itself as a research hub in the Midwest. Higher Education plays an important role in this endeavor; state higher education institutions perform a great deal of research that can benefit the state and the Nation. To draw better researchers to Oklahoma, the State Regents have requested private donations, to be matched by the state, to fund many new Endowed Chairs and professorships at the institutions. Until 2004, the State Regents could only match up to $7.5 million annually in private funds for this purpose. Private donations were being offered, but the Regents lacked the State funds to match them.

In 2004, HB 1904 authorized a $50 million bond issue for the Endowed Chairs program in order to eliminate the backlog. The Regents office used their annual $7.5 million appropriation for Endowed Chairs to fund the debt service on the bond. However, the backlog of unmatched private funds continued to grow past this $50 million amount.

As a result, HB 1137 from the 2007 Legislative Session was passed in order to increase the bonding authority for the Endowed Chairs program from $50 million to $100 million in an attempt to address the new backlog of private funds. At this time, appropriated funding was not provided to fund the debt service on the new bonds.

HB 1373 from the 2008 Legislative Session further increased the Oklahoma Capitol Improvement Authority's authority to issue bonds for the State's matching contribution for Endowed Chairs to $150 million.

This bill also amended the Trust Fund provisions to provide that after July 1, 2008, state matching monies must be used to match the current backlog of endowment contributions before they may be used to match endowment accounts created after that date. After the backlog of state matching requirements are completed, expenditure of state matching monies is limited to a total of $5 million per year; $4 million for the comprehensive universities and $1 million for other eligible institutions. Trust Fund endowment accounts of $250,000 or less will be matched dollar for dollar with state matching monies and those exceeding $250,000 will be matched with $1 of state match for every $4 received in contributions.

Oklahoma Promise of Excellence Act: During the 2005 session, the Legislature passed HB 1191 which created the Oklahoma Promise of Excellence Act of 2005 to authorize bonds for $475 million for The Oklahoma State System

of Higher Education. Bonds were issued by the Oklahoma Capital Improvement Authority, with revenues from the Oklahoma Education Lottery Trust Fund and any other source necessary designated for debt retirement. The scope of the Master Lease Program was expanded to include financing of acquisitions of or improvements to real property as well as personal property. An additional $25 million in bonds were authorized to establish a permanent revolving lease fund within the Master Lease program, to be paid for with lottery revenues. Lease payments made for projects financed with money from this fund will go back into the fund for master leases.

In 2007, the Legislature amended both the personal property and real property portions of the Master Lease program. The use of the Master Lease program to finance the acquisition of personal property is now limited to a total of $50 million in a calendar year. For real property, the Regents are required to submit an itemized list of proposed projects to the Legislature at the beginning of each legislative session, and the Legislature may disapprove all or part of the proposal. If the Legislature takes no action to disapprove, the proposal is deemed to be approved.

The governing boards for OU, OSU and the State Regents (for all other institutions) have been authorized to issue bonds for capital projects at the institutions that may be paid for with any monies lawfully available other than revenues appropriated by the Legislature from tax receipts. The bonds issued under this act are tax exempt, and the Legislature is given the power to disapprove them.

Institutional Budgets

State appropriations represent 49.6 percent of total operating revenue for higher education; tuition and fee revenue comprise another 37 percent of the total higher education budget, while other funds comprise 13.4 percent.

The allocation of appropriations by the State Regents to Institutions is based upon achieving two goals – funding parity within each tier and peer funding parity.

Funding parity within each tier is achieved by the development of a budget need for each institution as well as the entire system. To arrive at the budget need, the State Regents use “program budgeting” to focus on the costs of offering courses for each academic program. The cost base incorporates the actual expenditures of appropriations, tuition and fees that are allocated to all courses.

Through the accumulation of the course data, a standard cost for each program is developed for each institution and each tier. The standard cost is then multiplied by the number of students enrolled in each program, a peer factor, and the percentage of cost attributable to state appropriations. Again, this data is aggregated for each institution as well as the entire system to arrive at a budget need.

The second part of the funding mechanism uses per student funding data from peer institutions.

Peer State Appropriation Comparison
(In Thousands)

State	FY'98	FY'03	FY'06	FY'07	FY'08	1-Year Change	2-Year Change	5-Year Change	10-Year Change
Arizona	$787,659	$859,059	$994,751	$1,106,045	$1,267,786	14.6%	27.4%	47.6%	61.0%
Arkansas	$516,675	$616,911	$736,924	$785,273	$857,955	9.3%	16.4%	39.1%	66.1%
Colorado	$652,263	$685,529	$597,454	$681,903	$737,724	8.2%	23.5%	7.6%	13.1%
Illinois	$2,248,187	$2,763,757	$2,641,164	$2,785,865	$2,919,547	4.8%	10.5%	5.6%	29.9%
Iowa	$748,502	$769,854	$779,847	$804,488	$881,031	9.5%	13.0%	14.4%	17.7%
Kansas	$566,353	$679,830	$754,550	$788,720	$825,698	4.7%	9.4%	21.5%	45.8%
Kentucky	$768,008	$1,071,006	$1,209,238	$1,253,192	$1,342,354	7.1%	11.0%	25.3%	74.8%
Louisiana	$769,680	$1,158,608	$1,242,769	$1,430,956	$1,656,927	15.8%	33.3%	43.0%	99.7%
Michigan	$1,827,908	$2,154,247	$2,012,271	$2,040,389	$2,043,409	0.1%	1.5%	-5.1%	11.8%
Minnesota	$1,180,519	$1,323,393	$1,365,500	$1,400,500	$1,577,102	12.6%	15.5%	19.2%	33.6%
Missouri	$778,194	$875,070	$855,340	$895,376	$934,957	4.4%	9.3%	6.8%	20.1%
Nebraska	$415,099	$520,769	$540,881	$576,327	$616,042	6.9%	13.9%	18.3%	48.4%
New Mexico	$486,163	$609,070	$706,440	$861,447	$961,418	11.6%	36.1%	57.9%	97.8%
Oklahoma	$666,024	$750,656	$840,072	$955,483	$1,015,150	6.2%	20.8%	35.2%	52.4%
Texas	$3,558,936	$4,831,304	$5,242,541	$5,449,196	$6,058,375	11.2%	15.6%	25.4%	70.2%
Wisconsin	$1,001,525	$1,211,419	$1,130,779	$1,174,980	$1,271,724	8.2%	12.5%	5.0%	27.0%
Wyoming	$135,034	$191,958	$233,415	$259,260	$280,738	8.3%	20.3%	46.2%	107.9%
Totals	$17,106,729	$21,072,440	$21,883,936	$23,249,400	$25,247,937	8.6%	15.4%	19.8%	47.6%

Source: Grapevine Fifty-State Summary Table Report, University of Illinois (http://www.grapevine.ilstu.edu/fifty state summary.htm)

The peer group concept involves first selecting institutions from across the nation with missions that are comparable to Oklahoma institutions for the three tiers (comprehensive, four-year regional and two-year institutions). Once peer institutions are selected, the per-student average revenue from appropriations and tuition and fees is determined at each peer institution. The average revenue per student of all peer institutions is multiplied by the student counts at each Oklahoma college and university to arrive at budget needs.

At a state college or university, the principal operating budget is called the educational and general (E&G) budget. It contains funds for the primary functions – instruction, research and public service – and activities supporting the main functions. The E&G budget is divided into Part I, which comprises mostly state funds, and Part II (the "sponsored budget"), which derives funding from external sources such as federal grants and training contracts. The E&G budget is distinct from the capital budget, which pays for new construction, major repairs or renovations, and major equipment purchases. Auxiliary enterprises – tangential services such as housing, food services and the college store – are also excluded from the E&G budget.

There are two primary sources of funds for the Part I E&G budget – state appropriations and revolving funds. Appropriations by the Legislature are made to the State Regents who, in turn, allocate directly to each facility in the state system. Appropriations constitute about 49.6 percent of the institutions' core educational budgets. Revolving funds are collected by the institution and consist

primarily of student fees, sales and services of educational departments, and indirect cost reimbursements from grants and contracts. These funds constitute approximately 50.4 percent of the core educational budget, with student tuition/fees being the largest component.

Revolving Funds

Among the State Regents' constitutional powers is:

> "…[t]o recommend to the Legislature proposed fees for all of such institutions and any such fees shall be effective only within the limits prescribed by the Legislature."

Since 1890, it has been public policy in Oklahoma to provide comprehensive, low-cost public higher education. Thus, residents of Oklahoma are afforded subsidies covering a majority of their educational costs at all colleges and universities of the state system. Oklahoma's institutions are above peer institutions in percentage of total higher education costs paid by tuition.

Comparison of Percentage of Total Cost Paid by Tuition/Mandatory Fees
2005 – 2006 School Year

Tier	Peer Institutions	Oklahoma Institutions
Research Universities	56.3%	57.8%
Four-Year Large Universities	51.7%	48.8%
Four-Year Small Universities	33.9%	41.0%
Two-Year Rural Colleges	26.4%	35.4%
Two-Year Urban Colleges	30.9%	30.4%
Technical Branches	36.6%	39.6%
Total Average	39.3%	42.2%

Note; Revenue defined as: Tuition/Fees + State Appropriations + Local Appropriations

Source: IPEDS, FY'08

Tuition

In Oklahoma, determining tuition limits is a constitutional power of the Legislature. During the 2001 legislative session, the Legislature passed SB 596 and for the first time since the mid 1980's delegated this authority, within certain limits, to the Oklahoma State Regents for Higher Education. From the 2001-2002 through the 2005-2006 school years, the State Regents were authorized to increase tuition a maximum of 7 percent per year for Oklahoma residents, and 9 percent per year for nonresidents. Tuition rates at the professional schools (law,

medicine, dental, veterinary medicine, etc.) could increase by 10 percent per year for residents and 15 percent per year for nonresidents during that time.

In the 2003 Legislative Session, the Legislature extended even more authority to the State Regents by allowing them to raise tuition by more than the seven and nine percent for residents and non-residents, respectively. The State Regents are now allowed to raise tuition at state higher education institutions to no more than the combined average of resident tuition and fees at the state-supported institutions of higher education that are members of the Big Twelve Conference. This change amounted to significant tuition and fee increases for the state's schools; in the 2004 school year, students at the University of Oklahoma saw residential tuition and fees increase nearly 28 percent, and at OSU, by nearly 27 percent.

All revenue derived from enrollment fees, nonresident tuition, and special fees for instruction and academic services are deposited in the institution's revolving fund for allocation for support of Part I of the institutions educational and general budget.

Undergraduate Tuition and Fees
Big Twelve Public Universities
Academic Years 2000-01 and. 2007-08

	2000-01		2007-08	
University	**Resident**	**Nonresident**	**Resident**	**Nonresident**
Missouri	$4,726	$12,895	$8,098	$18,754
Texas A&M	$3,572	$9,592	$7,335	$15,675
Texas Tech	$3,400	$9,850	$6,783	$15,123
Texas	$3,800	$9,390	$7,670	$24,544
Iowa State	$3,132	$9,974	$6,161	$16,919
Nebraska	$3,465	$8,220	$6,216	$16,236
Kansas	$2,725	$9,493	$6,600	$16,107
Kansas State	$2,781	$9,549	$6,235	$15,970
Colorado	$3,188	$1,670	$6,635	$24,797
Oklahoma	$2,774	$5,204	$5,607	$14,721
Oklahoma State	$2,774	$5,204	$5,491	$14,916
Big Twelve Average	**$3,303**	**$9,643**	**$6,621**	**$17,615**

Source: FY'01 – "Washington Study Institutional Research and Reporting 9/21/04"
FY'08 – "FY 2007-08 Tuition Impact Analysis Report," Oklahoma State Regents for Higher Education

Average Cost of Attendance
Oklahoma Colleges and Universities
Full Time Undergraduate Students, FY'07

Tier	Tuition	Mandatory Fees	Average Academic Serv. Fees	Books & Supplies	Total Cost for Commuter Students	Room & Board	Total Cost for Living on Campus
Resident							
Research Universities	$3,423	$2,126	$670	$1,025	$7,245	$6,127	$13,371
Regional Universities	$2,826	$944	$121	$948	$4,838	$4,189	$9,027
Community Colleges	$1,791	$688	$66	$980	$3,524	$4,051	$7,575
Technical Branches	$2,546	$760	$167	$1,336	$4,809	$5,020	$9,829
OSU-Tulsa	$3,585	$1,782	$369	$940	$6,676	$0	*
OU Health Sciences Center	$3,261	$1,504	$455	$4,019	$9,239	$0	*
Nonresident							
Research Universities	$12,692	$2,126	$670	$1,025	$16,514	$6,127	$22,640
Regional Universities	$8,181	$944	$121	$948	$10,194	$4,189	$14,383
Community Colleges	$5,276	$688	$66	$980	$7,010	$4,051	$11,061
Technical Branches	$7,226	$760	$167	$1,336	$9,489	$5,020	$14,509
OSU-Tulsa	$13,010	$1,782	$369	$940	$16,100	$0	*
OU Health Sciences Center	$12,375	$1,504	$455	$4,019	$18,353	$0	*

* These institutions do not have traditional dormitory facilities with board plans.

College Graduates in Oklahoma

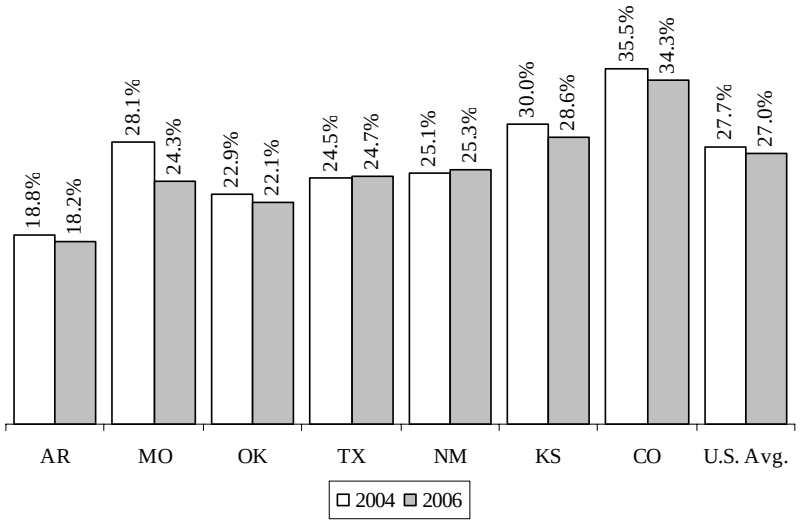
Over the past ten years, legislators and state regents have implemented a number of initiatives designed to increase the number of Oklahoma high school students ready for college level work, going to college, and graduating with a higher education degree. Increasing the number of adults with higher education degrees in Oklahoma is an important step in improving Oklahoma's economic future.

Increasing the number of college graduates in Oklahoma can be achieved one of two ways. First, the state may import more college graduates through increased higher wage jobs and economic development. Legislators have created and funded a number of programs through the Department of Commerce and the Oklahoma Center for the Advancement of Science and Technology to improve higher-wage economic development opportunities in the state.

Another strategy the state regents are employing to increase the number of college graduates in Oklahoma is to increase the number of high school students entering college and college students remaining and matriculating with a higher education degree. Some programs are focused on encouraging more middle and high school students to take a college-preparatory curriculum and attend college while others are focused on college students.

Percentage of Population 25 Years of Age and Older With a College Degree

Oklahoma vs. Regional States and U.S., 2004 vs. 2006



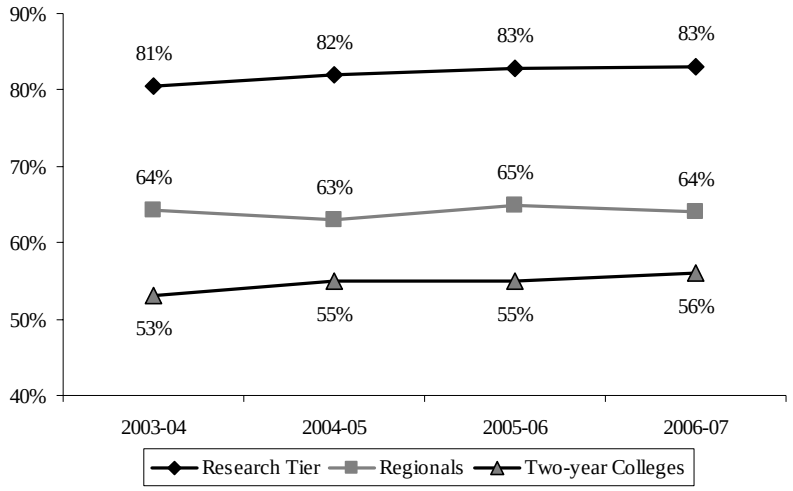
Source: U.S. Census Bureau

SB 1792 from the 2006 Legislative Session requires students beginning with those entering the ninth grade in the 2006-07 school year to complete a college preparatory/work ready curriculum to graduate from high school. However, it allows students to complete the current core curriculum in lieu of the college preparatory/work ready curriculum upon written parental approval.

Recognizing the importance of retaining and graduating more students, institutions have worked over the past several years to increase retention and graduation rates. In 1999, the state regents launched the "Brain Gain 2010" campaign to increase the number of Oklahomans graduating with a college degree in Oklahoma. Task forces were formed at the state and institutional level to identify challenges and solutions to ensure more students and adults entered college and more students in college graduated with a higher education degree.

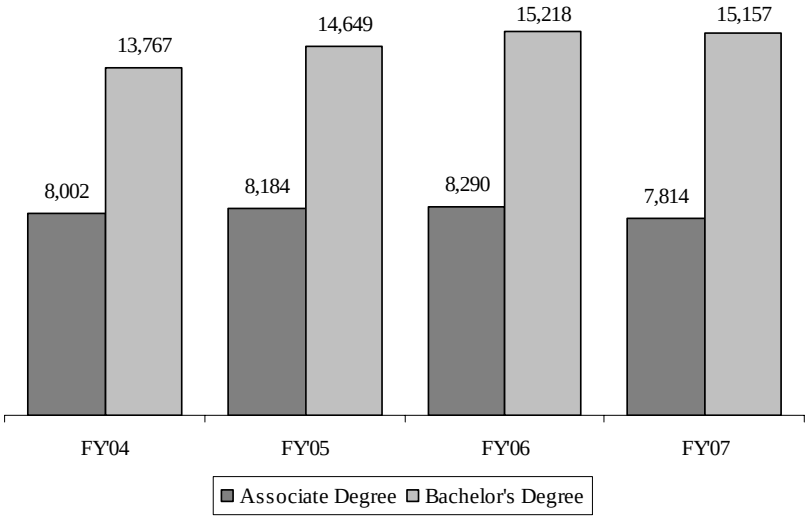
First-Year Persistence Rates Within State

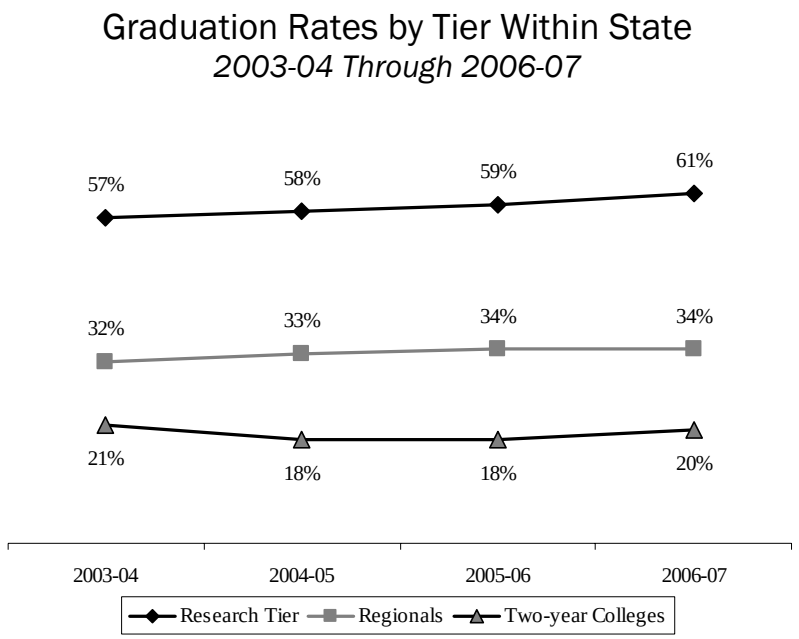
2003-04 Through 2006-07



Degrees Conferred in Oklahoma

2003-04 Through 2006-07





Source: State Regents for Higher Education

In addition to the initiatives mentioned above, the Legislature has created a number of other programs designed to increase the number of graduates and help students and families finance the cost of higher education. These include the Oklahoma College Savings Plan Act and the Oklahoma Higher Learning Access Program which not only help families pay for college but help students complete college.

Oklahoma College Savings Plan Act

Established in 1998 and implemented in 2000, the Oklahoma College Savings Plan Act provides parents and others an opportunity to save for college costs by creating a trust fund for prospective students. Any person may open an account on behalf of a beneficiary with as little as $100 and contribute as little as $25 per pay period to the savings plan. A maximum of $235,000 may be invested for each beneficiary. Among the plan's benefits:

- Contributions up to $10,000/year per taxpayer and $20,000/year per married couple can be deducted from Oklahoma taxable income;
- Funds are invested in a specific mix of securities, bonds and money market funds depending on the beneficiary's age;
- Withdrawals are exempt from state and federal taxes.

- Funds invested can be used to pay for almost all costs of attending an accredited or approved college, whether public or private, in-state or out-of-state; funds can also be used for approved business, trade, technical or other occupational schools such as Career-Tech;

- If the beneficiary decides not to attend college, account holders may switch the beneficiary or save the funds for a later date; and

- A person may open an account at any time irrespective of the beneficiary's age.

This is the state's only qualified tuition savings plan. To date, nearly 40,946 accounts have been opened with current assets totaling over $303.3 million.

State Financial Aid and Scholarships

A number of programs are available to help students pay for college expenses. Some programs are based on financial need, and others are merit-based.

Oklahoma Tuition Aid Grant Program (OTAG): OTAG provides a maximum annual award of 75 percent of enrollment costs or $1,000, whichever is less, to low-income students residing in Oklahoma who are attending a public higher education institution at least part time. Students attending a private higher education institution in Oklahoma are eligible to receive a maximum $1,300 award. For FY'08 an estimated 26,065 students received a grant.

Academic Scholars Program: Ensuring Oklahoma's best students stay in Oklahoma to attain a higher education degree is the mission of this scholarship program. Students qualify for the program in one of three ways: (1) scoring among the top 0.5 percent of Oklahoma students on the ACT or SAT test; (2) receiving one of three official national designations, or (3) be nominated by a higher education institution (institutional nominee). The program provides $5,500/year to students attending OU, OSU or University of Tulsa; $4,000/year to students attending an Oklahoma four-year public or private college or university; or $3,500 for students attending Oklahoma two-year colleges if they are eligible under the first two criteria. In the of Fall of 2003, awards provided under the institutional nominee designation became half of all amounts listed above. In order to remain eligible for these awards, students must maintain a 3.25 GPA and complete 24 hours of courses a year. For FY'08 there will be 2,111 academic scholars across the state.

Oklahoma Higher Learning Access Program (OHLAP) – Oklahoma's Promise: This program's mission is to provide tuition assistance to students who might not otherwise attend or complete college. Qualifying students in families who earn less than $50,000 annually receive free tuition assistance to any public or private higher education institution in Oklahoma for up to five years. In order to qualify, students must enroll in the program by the tenth grade, must agree to

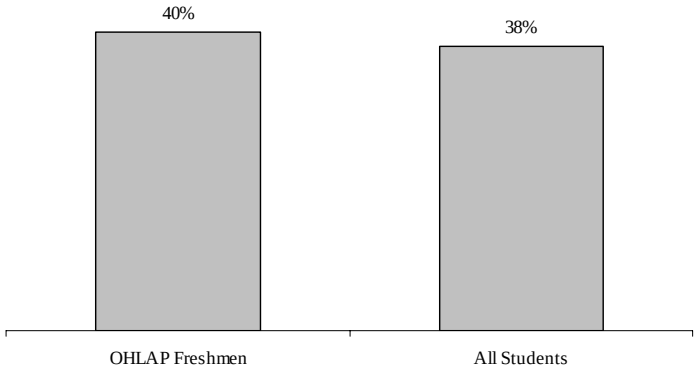
take a college preparatory curriculum, must have a grade point average of at least 2.5 in high school, and must refrain from unlawful behavior.

SB 820 from the 2007 Legislative Session created a permanent funding source for OHLAP, beginning July 1, 2008. Each year, the State Regents for Higher Education will provide the State Board of Equalization with an estimate of the amount of revenue necessary to fund OHLAP awards. The Board will make a determination of that amount and subtract it from the amount it certifies as available for appropriation from the General Revenue Fund. The Director of State Finance will transfer this amount to the OHLAP Trust Fund on a periodic basis as needed. Revenues from horse racing and the State-Tribal Gaming Act that have been deposited to the Oklahoma Higher Learning Access Trust Fund were redirected to the General Revenue Fund, beginning July 1, 2008. OHLAP eligibility requirements for students were modified by adding a requirement for students to be U.S. citizens or lawfully present in the U.S. as well as by allowing access to students who are both home-schooled and achieve an ACT score of at least 22. Eligibility requirements were further changed to include a new GPA requirement in order to retain benefits at the postsecondary level by requiring students to achieve a minimum GPA of 2.0 during their sophomore year and a minimum GPA of 2.5 during their junior year and thereafter. Students will also lose their program benefits if they are expelled or suspended for more than one semester from an institution of higher education. Disqualification of program benefits will occur if the student's family income exceeds $100,000 at the time the student begins their postsecondary education.

SB 1038 from the 2008 Legislative Session created the Task Force on Oklahoma's Promise – OHLAP, to study the family income limitations for participation in and requirements for maintaining eligibility in the program. This bill modified the grade point average requirements for continuance of the scholarship and delayed these requirements until the 2010-2011 school year. Similarly, the limitation for family income to be below $100,000 for students enrolling in postsecondary studies was also delayed. Finally, this bill extends the time period during which high school graduates must enroll in postsecondary studies to receive the OHLAP benefit for students who are members of the Armed Forces and ordered to active duty. HB 2446 from the 2008 Legislative Session modified the financial need eligibility requirements to qualify for OHLAP for any student who was adopted while in permanent custody of DHS, in court-ordered custody of a licensed private nonprofit child-placing agency, or federally recognized Indian tribe.

In FY'08, there were over 16,900 students receiving an award in college and over 26,000 students enrolled in high school. Studies show that OHLAP students are much less likely to require remediation classes to prepare them for college-level work and are more likely to remain in college through the third year.

Degree Completion Rates
Five-year Degree Completion Rate for *OHLAP Students vs. All Students*



Source: State Regents for Higher Education

Regional University Baccalaureate Scholarship: This program provides $3,000 and a tuition waiver to students who have received an official national designation, such as National Merit Finalist, or have achieved an ACT composite score of at least 30. Scholarships are available only to students attending one of the Oklahoma public four-year regional universities. For FY'08 there will be 286 scholarship recipients.

Heartland Scholarship Fund: Lawmakers created this program to target children of victims of the April 19, 1995, bombing of the Alfred P. Murrah Federal Building in Oklahoma City. These awards can be applied to costs of tuition, fees, books, and room and board. Students attending an accredited higher education institution on a full-time basis receive the following amounts: $5,500/year for a comprehensive university, $4,000/year for a regional university, and $3,500/year for a two-year college. There are currently 24 scholarship recipients participating in this program.

Teacher Shortage Employment Incentive Program: The Teacher Shortage Employment Incentive Program (TSEIP) was created in 2000 by SB 1393 to recruit and retain mathematics and science teachers in Oklahoma public schools. The incentive is the reimbursement of student loan expenses upon teaching five consecutive years in Oklahoma public schools. If there are no remaining student loans, the teacher will receive the same amount in a stipend. At present 453 teachers are currently enrolled in the program. Thirty-seven of the first 44 teachers that enrolled in 2001 received a benefit of $10,347 at the end of the 2006 school year. 2006 was the first year that teachers were eligible for the benefit which is based on a formula included in the legislation.

Future Teachers Scholarship: Up to $1,500/year is awarded to full-time upperclassmen and graduate students who intend to teach a subject in which there is a critical need of teachers. In order to qualify, students must have graduated in the top 15 percent of their high school graduating class, scored at or above the 85th percentile on the ACT or similar test, or have been accepted for admission to a professional accredited education program in Oklahoma. Lesser amounts are available to underclassmen and part-time students. There are 85 people participating in this program.

National Guard Tuition Waiver: Members of the Army or Air National Guard who are pursuing an associate or baccalaureate degree at a state system institution receive an award amount equal to the cost of resident tuition. For FY'08 there were over 1,896 students participating in this program.

Oklahoma Tuition Equalization Grant: This program was established in 2003 to assist Oklahoma college students in meeting the cost of attendance at non-public post-secondary institutions within the state. To qualify, a student must be an Oklahoma resident; be a full-time undergraduate; attend a qualified Oklahoma not-for-profit, private, or independent institution of higher education located in Oklahoma; have a family income of $50,000 or less; and meet their institution's policy on satisfactory academic progress for financial aid recipients. Recipients can receive the $2,000 award for up to five years after their first semester of post-secondary enrollment, not to exceed the requirements for completion of a baccalaureate program. In FY'08, approximately 1,861 students will receive a grant.

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ENERGY AND ENVIRONMENT

There are six state agencies responsible for environmental regulations. The major tasks of the environmental regulatory agencies are outlined by the Oklahoma Environmental Quality Act (27A O.S. 1-3-101).

ENVIRONMENTAL AGENCY RESPONSIBILITIES

Oklahoma Conservation Commission

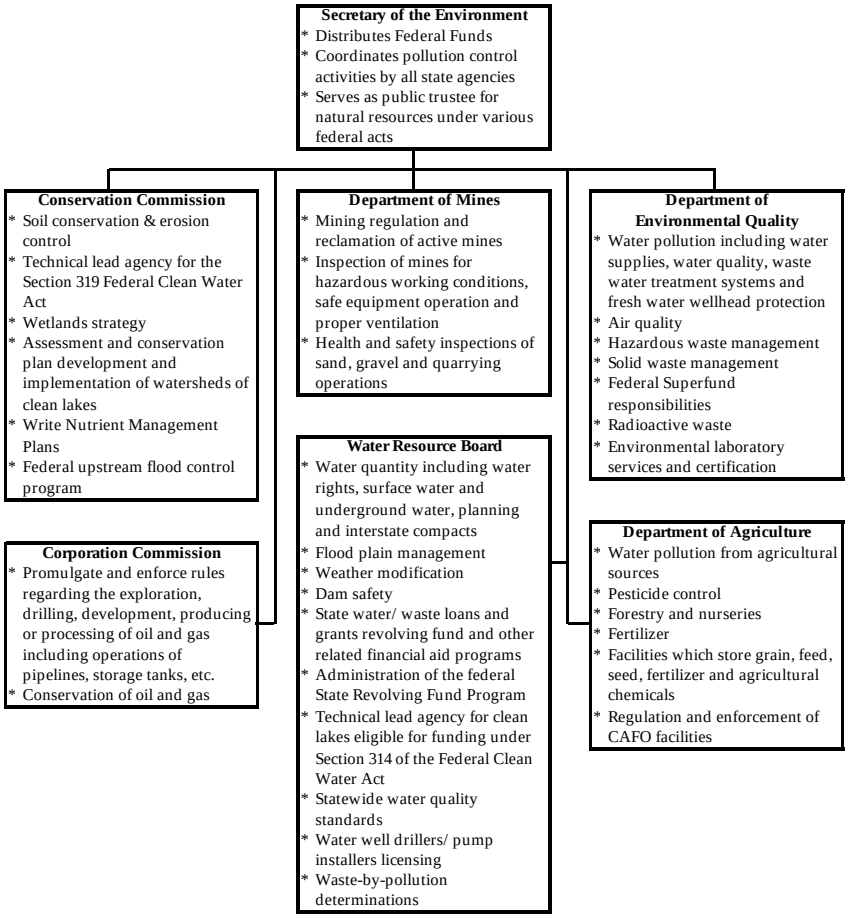
The Conservation Commission's primary responsibilities lie in the preservation and development of Oklahoma's natural resources. The commission has the responsibility for providing assistance to all 88 conservation districts in the areas of erosion prevention and control, prevention of flood and sediment damage, development of water resources, environmental education coordination, administration of the state Cost-Share Program, maintenance of small upstream flood control structures, abandoned mine land reclamation and the Conservation Reserve Enhancement Program.

State Department of Agriculture

The State Department of Agriculture was created to protect, improve and develop all of the state's agricultural resources, and to increase the contribution of agriculture to the state's economy. The department forms educational and economic partnerships, encourages value-added processing of Oklahoma's raw agricultural resources, and develops domestic and international markets for the state's agricultural commodities and products. The agency enforces laws and rules pertaining to food safety, water quality, and agricultural-related product or service quality along with monitoring concentrated animal feeding operations.

Department of Environmental Quality

The Department of Environmental Quality (DEQ) provides comprehensive environmental protection and program management. DEQ is responsible for the principal environmental regulatory functions of air quality, water quality, and solid waste and hazardous waste management.



Oklahoma Water Resources Board

The Oklahoma Water Resources Board (OWRB) manages the waters of the state and plans for Oklahoma's long-range water needs to ensure an adequate supply of quality water. The primary function of the agency has been to administer the state's water rights program, both from ground water and stream water. The OWRB also administers the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF), which provide loans to qualified entities needing financial assistance to construct water and sewer projects. During the past two years, they have been working to update the Comprehensive Water Plan.

Corporation Commission

Established in 1907 by the Oklahoma Constitution, the mission of the Corporation Commission is to regulate the activities of public utilities, oil and gas drilling, production and waste disposal; motor carriers, the storage, quality

and dispensing of petroleum products, and other hazardous liquid handlers. The commission also monitors Oklahoma compliance with a number of federal programs.

The Commission is comprised of three statewide elected officials. They serve six-year terms that are staggered so that a vacancy occurs every two years.

Department of Mines

The Department of Mines protects the environment through the enforcement of state and federal laws related to surface and sub-surface mining. Additionally, the department inspects mines for hazardous conditions, directs special consideration towards working conditions, verifies the safety of equipment operation, ensures proper ventilation, and regulates blasting activities.

CURRENT ENVIRONMENTAL INITIATIVES

The Legislature has supported various programs designed to monitor and remediate the state's natural resources. The following programs highlight the state's commitment to a sound environment.

Water Quality Monitoring (BUMP)

During the 1998 session, the OWRB was authorized and provided funding to implement a coordinated and comprehensive state water quality monitoring effort, known as the Beneficial Use Monitoring Program (BUMP).

Oklahoma's water resources are regulated through the promulgation of water quality standards, required by the federal government and developed by the OWRB. Beneficial uses are assigned to every water segment in Oklahoma. By statute, each state environmental agency is tasked with ensuring the maintenance of these beneficial uses. BUMP is designed to gather scientifically and legally defensible baseline water quality trend data. The data will be used to assess and identify sources of water quality impairment, detect water quality trends, provide needed information for the development of water quality standards, and facilitate the prioritization of pollution control activities.

BUMP is composed of five key elements or tasks, one of which has not been implemented due to funding constraints:

- River and Stream Monitoring: Almost 200 sites are sampled monthly for water quality. These sites are segregated into two distinct types of monitoring activities: fixed sites and rotating sites;

- Fixed Station Load Monitoring: Collection of water quantity flow data is used to track long-term trends;

- Fixed Station Lakes Monitoring: Currently 47 lakes are being sampled. The effort involves the sampling of about three stations per reservoir, but varies due to size;

- Fixed Station Groundwater Monitoring: Focusing on groundwater will involve monitoring existing wells. Implementation of this facet of BUMP is being delayed due to lack of funding; and

- Intensive Investigation Sampling: This element, which is in its early stages of implementation, attempts to document the source of water impairment and recommend restorative actions.

Superfund Remediation

The Superfund Program is administered by DEQ in partnership with the U.S. Environmental Protection Agency (EPA), which provides almost all the funding. Superfund is the federal program to monitor and remediate the nation's uncontrolled hazardous waste sites as well as the sites that pose the greatest threat to human health and the environment. Nationwide, EPA has identified 1,257 sites on the National Priorities List (NPL). In Oklahoma, there are ten NPL sites, three deleted sites and one proposed site. The current ten sites are:

- Oklahoma Refining (Cyril);
- Imperial Refining (Ardmore);
- Tulsa Fuels and Manufacturing (Collinsville);
- Tar Creek (Ottawa County);
- Hudson Refining (Cushing);
- Double Eagle Refinery (Oklahoma City);
- Fourth Street Refinery (Oklahoma City);
- Tinker Air Force (Midwest City);
- Mosley Road Sanitary Landfill (Oklahoma City); and
- Hardage/Criner (McClain County).

Rural Economic Action Plan (REAP)

The Rural Economic Action Plan (REAP) was established in 1996 to stimulate the economic development of the infrastructure in rural Oklahoma. For FY'09, the appropriations to REAP totaled a little over $23 million.

$15.5 million is given to the Department of Commerce and divided equally among 10 Substate Planning Districts resulting in two of the districts receiving half of a portion for rural economic development planning and implementation of projects. Provisions of REAP restrict grants to cities or towns with a population

of less than 7,000. Also, the selection process gives priority to cities or towns with a population of less than 1,700.

Other REAP funds were derived from the apportionment of gross production revenues. During the 2006 legislative session, legislation was passed that divided the oil and gas gross production REAP funds three ways until 2011, between the Oklahoma Water Resources Board (OWRB), the Conservation Commission, and the Oklahoma Tourism and Recreation Department (OTRD). OWRB will use their portion of the funds to continue dealing with water infrastructure needs and also to conduct the Oklahoma Comprehensive Water Plan. The Conservation Commission will use their portion for the rehabilitation of watershed dams and for the Conservation Cost Share Program and the Conservation Reserve Enhancement Program. OTRD will use their portion for the purpose of one-time capital expenditures for capital assets owned, managed or controlled by the department. The department plans on using the funds to focus on environmental issues as identified by DEQ.

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STATE DEPARTMENT OF HEALTH

Promoting health practices that reduce society's cost of treating illnesses and epidemics has, since statehood, been the focus of county health departments. The Oklahoma State Department of Health (OSDH) is the statewide coordinating body for those local efforts.

ORGANIZATION OF THE PUBLIC HEALTH SYSTEM

The public health effort has expanded greatly over the state's history as new health problems – and new ideas for combating them – have emerged. Services that fall within OSDH's mandate include:

- Providing free immunizations for children to prevent contagious illnesses;
- Providing prenatal care, including food vouchers and home visitations, to improve birth outcomes of low-income women;
- Providing family planning services to prevent unplanned and mistimed pregnancies;
- Providing food establishment inspections to prevent food-borne diseases.

A typical client at a local health department clinic does not have a low enough income to qualify for Medicaid but does not have a high enough income to purchase private health insurance. While clients are usually charged a fee based on their ability to pay, OSDH's operational theory is that recouping costs is not as important as preventing diseases and conditions that can seriously disrupt individual and public health. Primary care – treating diseases and medical conditions after their onset – is not the agency's primary mission. Instead, health department clinics provide preventative services and education to avert the onset of illness and disease – for example, by providing vaccines to children, or running educational anti-smoking or teen pregnancy prevention campaigns. There are certain exceptions to the emphasis on prevention over treatment. For example, persons with certain communicable diseases can get treatment at a health department as a way to protect public health (e.g., tuberculosis and sexually-transmitted diseases).

OSDH serves as the statewide coordinator of public health services, most of which are provided through local (county) health departments. The central office provides administrative and laboratory services to the local agencies and also maintains the state's vital records. Seventy counties are served by county-supported health departments. The other seven counties – Alfalfa, Cimmaron, Dewey, Ellis, Harper, Nowata and Roger Mills – do not contribute local funding. These seven counties receive only state-mandated services (i.e., environmental inspections, outbreak investigation and immunization). Optional services, such as prenatal clinics, are available only in counties that contribute local funds to the public health effort. Oklahoma City and Tulsa are served by city-county health departments that are administratively autonomous (guided by their own boards) but must comply with policies of the State Board of Health. Counties are encouraged to assess property taxes of up to 2.5 mills to fund operations of local health departments. Sixty-seven counties do so, most of them at the highest millage allowed by the Oklahoma Constitution. Three counties provide local support via sales taxes. Total local health monies collected statewide pay for less than one-third of all county health department operations.

FUNDING TRENDS

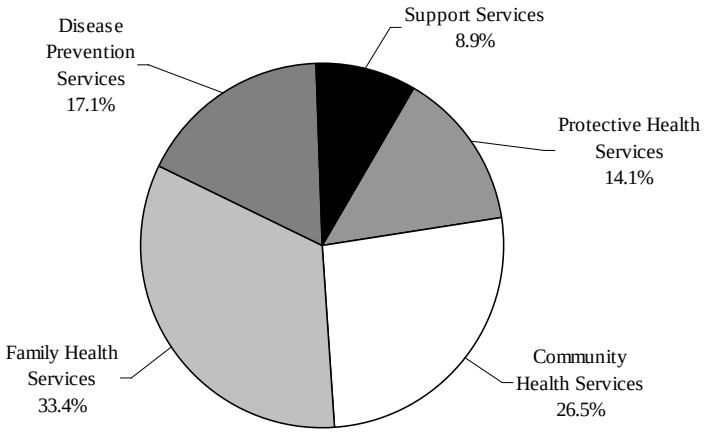
Over half (57.5 percent) of the FY'08 OSDH expenditures of $344.1 million came from federal sources (WIC, Medicaid and various block grants from the U.S. Department of Health and Human Services). State appropriations accounted for $64.9 million or 18.9 percent of spending. Fees charged to clients (for such services as copies of birth and death certificates, and occupational and restaurant licensing) made up 17.2 percent of spending. County millage assessment generated $22.2 million or 6.4 percent of spending.

OSDH FY'08 Expenditures by Activity

	General Revenue	Fees	Federal Funds	Millage	Total
Support Services	$4,108,653	$13,597,212	$12,800,052	$0	$30,505,917
Disease Prevention Services	$9,737,025	$5,576,477	$43,639,478	$0	$58,952,980
Family Health Services	$11,866,728	$4,821,683	$18,811,598	$0	$35,500,009
Community Health Services	$34,332,487	$1,648,346	$24,872,100	$22,185,701	$83,038,634
Protective Health Services	$4,810,439	$33,517,187	$10,070,020	$0	$48,397,646
WIC	$0	$0	$87,718,343	$0	$87,718,343
Total	$64,855,332	$59,160,905	$197,911,591	$22,185,701	$344,113,529

The sources of funding vary widely for different health department activities. Some activities are funded solely with appropriations; others function with no appropriated dollars. In some cases, each $1 of appropriations for a particular program is used to access from $1 to $9 in federal funds.

OSDH FY'08 Expenditures as a Percent of Total



SERVICES PROVIDED BY OSDH

The Oklahoma State Department of Health provides a wide array of services associated with the goal of preventative health. Major programs fall into the following categories: Family Health, Disease and Prevention, Community Health and Protective Health.

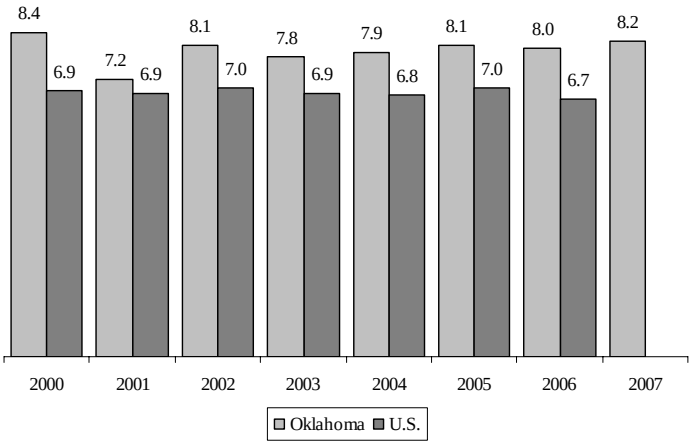
Family Health Services

This division, the agency's largest, had expenditures in FY'08 of $114.9 million, or 33.4 percent of the total agency expenditures. Programs focus primarily on preserving and improving the health of women, children and teens:

- **Maternal and Child Health Services:** County health departments and non-profit clinics provide materials, family planning and child health services to low-income pregnant women at risk for unplanned and mistimed pregnancies, infants, children and adolescents. The agency also provides community-based programs aimed at lowering the state's teen birthrate via contracts with community-based organizations.

- **Family Support and Child Abuse Prevention Programs:** Resources focus on home visitation programs for low-resource mothers to improve health indicators and parenting skills in an effort to avert child abuse, unplanned repeat pregnancies and other adverse outcomes.

Oklahoma Infant Mortality Rates per 1000
2000 through 2007



- **Child Guidance and SoonerStart Early Intervention Services:** County health clinics offer diagnostic and short-term treatment services for developmental, psychological, speech, language and hearing problems among children. The agency also staffs the Early Intervention (SoonerStart) program, funded through the State Department of Education, for infants and toddlers.

- **Women, Infants and Children (WIC):** This federally-funded program provides nutritional education and coupons for selected foods to 100,000 pregnant women, infants, and children less than five years of age per month.

- **Dental Health**: Oral health screening and small-scale treatment is provided for children and nursing home residents in some areas through contracts with providers. There is also a school-based dental education program, a fluoridation program to improve the state's drinking water supply and the Dental Loan Repayment Program.

- **Newborn Metabolic Screening**: The agency coordinates screening of all Oklahoma newborns for hearing loss and various metabolic disorders.

Disease Prevention Services

Disease Prevention Services (DPS) had expenditures in FY'08 of $59.0 million or 17.1 percent of the total agency budget. Disease and Prevention is comprised of nine public health prevention and/or surveillance services: Public Health Laboratory; Acute Disease; Chronic Disease; HIV/STD; Immunization; Injury Prevention; Tobacco Use Prevention and Terrorism Preparedness and Response Services.

Public Health Laboratory Services: The Public Health Laboratory is CLIA-certified and provides essential laboratory services to local county health departments, agency programs and private health providers. Such services include analytical testing, training and technical assistance as well as pharmacy services for county health departments.

Communicable (Acute) Diseases: The primary responsibility of this program is to control communicable diseases through surveillance; investigation of disease outbreaks; analysis of data, to plan, implement and evaluate disease prevention and control measures; dissemination of pertinent information; education of healthcare professionals and the public. The Acute Disease Service provides screening, diagnosis and rigorous follow-up programs for persons with tuberculosis.

Chronic Diseases: This program provides screening, tracking, education and referrals for persons at risk of a number of chronic diseases such as cancer, cardiovascular disease, asthma, diabetes, and high blood pressure.

HIV/STD: Coordinates and funds a statewide program for the surveillance and prevention of Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome and other sexually transmitted diseases. The agency also helps eligible participants pay for prescriptions under the AIDS Drug Assistance Program.

Immunization Services: Immunizations help to reduce and eliminate morbidity and mortality caused by vaccine preventable diseases by supplying public and private health care providers with childhood and adult vaccines, and by performing immunization quality improvement assessments at schools, public and private clinics and child care centers. In 2006, Oklahoma ranked 25th in the nation with 80.4 percent of children, ages 19 months through 2 years of age, fully immunized against 10 deadly diseases.

Injury Prevention Services: Injuries are the third leading cause of death in Oklahoma and the leading cause of death among children and young adults 1–44 years of age. Many, if not most, of these injuries are preventable. The mission of this service is to improve the health of Oklahomans by working in collaboration with communities and stakeholders to identify injury problems, then develop, implement and evaluate environmental modifications and educational interventions. Some of the successful focus areas have been car seat safety, fire safety, and prevention of traumatic spinal cord injuries.

Tobacco Use Prevention: Tobacco Use Prevention is designed to build state capacity for broad-based tobacco use prevention programs, which support the Healthy People 2010 Objectives. Intervention areas include preventing initiation (to include reducing youth access) of tobacco products; eliminating exposure to environmental tobacco smoke; promoting cessation and addressing disparities. Critical components of the program include community mobilization, counter-marketing surveillance/evaluation, and policy development.

Terrorism Preparedness and Response: This program is intended to plan, prepare and respond to a public health disaster or adverse event using an all-hazards approach. It involves coordination with all agencies and entities that would be involved in a response including hospitals, state, local, and city public, private and military groups. Activities include assessment, planning, exercises, detection, education, enhanced disease surveillance and a rapid notification system.

Community Health Services

Community Health Services, the agency's second largest division, accounted for 26.5 percent or $91.4 million of the agency's expenditures in FY'08. The division covers an array of services at the county health department level, including technical oversight for public health nurses and community health workers throughout the state, local finance and budgeting, and record keeping.

The mission of Community Health Services (CHS) is to strengthen the capacities of local Public Health Agencies through workforce education, leadership training, performance management, program research, development of strategic alliances, and community education. A primary responsibility is to enhance the capacity at the state and local levels for the development of population-based and clinical preventive services to meet community defined needs.

- **Nursing Service**: Strives to enhance health and wellness of individuals, families and communities through a holistic nursing approach; meeting quality requirements through personal readiness and teamwork; and valuing individual work and fostering personal and professional excellence.

- **Record Evaluation and Support**: Supports effective and efficient operations of county health department services by ensuring patient records are organized and maintained to conform with medico-legal standards. Provides on-site training and software support for agency computer application programs for data collection, billing, and patient records.

- **Community Development Service**: Provides the foundation for building community partnerships, serves as "change agents" working within communities to identify community resources and best practices to meet community needs. Further supports communities by identifying funding opportunities; assisting in the development of Community Health Centers and Federally Qualified Health Centers, and fostering population-based services to meet State Health Department priorities.

- **County Health Departments**: Responsible to establish priorities in collaboration with communities and to implement program specific guidelines for OSDH defined goals and objectives. The 68 County Health Departments under the jurisdiction of the OSDH accomplish this through the provision of direct clinic and population-based services, community out-

reach, and through the development of community partnerships and local and regional plans. These units also play a primary role in the development and implementation of emergency response plans at this level.

Protective Health Services

OSDH has responsibility for a wide range of regulatory services in areas that affect the health of citizens. Regulatory responsibilities include enforcing laws and rules, performing routine inspections, investigating complaints, and issuing, renewing and revoking licenses.

Most of the $48.4 million expenditures for this division comes from licensure fees, trauma disbursements and Federal Medicaid and Medicare funds which help support health and medical facility inspections conducted by OSDH employees.

- **Long-Term Care Services:** OSDH is responsible for licensing and inspecting nursing facilities, assisted living centers, intermediate care facilities for the mentally retarded, residential care centers and adult day care centers.

- **Medical Facilities and Entities:** The agency licenses hospitals, ambulatory surgical centers, community health centers, home health agencies, hospices, etc.

- **Occupational Licensing:** OSDH licenses barbers, hearing-aid professionals, the alarm industry, home inspectors and licensed professional counselors.

- **Restaurant and Motel Inspection:** The Consumer Protection Division is responsible for licensing, monitoring and inspecting hotels and motels, eating and drinking establishments, retail and wholesale food outlets, food manufacturers, public bathing places, medical micropigmentation, body piercing, and all sources of ionizing radiation. They also administer statewide programs for bedding, general occupational health and product safety.

- **County and City Jail Inspections:** OSDH employees inspect local jails to ensure compliance with minimum safety and inmate welfare standards. In response to jail crowding, this division has expanded enforcement efforts in this area.

Trauma

- The Trauma Care Assistance Revolving Fund was created by the Legislature in July 1999. Originally it was funded with a $4 increase in driver's licenses and a $1 increase in boat and motor registrations. This raised approximately $2.5 million per year.

- In March of 2003 the Legislature increased the driver's license fee by $1.50 making the assessment $5.50 per drivers license. This increased annual collections to around the $3 million level.

- In 2004 the following occurred:

  - ✓ A $100 special assessment for violations of the open container laws

  - ✓ $10 extra for speeding

  - ✓ A $100-$200 special assessment for violation of insurance laws, reinstatement of drivers license and certain drug offenses

  - ✓ Fines ($200-$5,000) for second and subsequent convictions of driving without a valid drivers license

  - ✓ State Question 713 was passed: 7.5 percent of tax on cigarettes and 11.39 percent of payments in lieu of excise tax on tribal entities went to Trauma Fund

In FY'05 when these last measures were partially implemented the Trauma Fund took in $8.2 million. In FY'08 this figure was $22.8 million. From August of 2001 when the first distribution was paid from the Trauma Fund until December 2007 a total of $61.35 million was distributed. The April 2008 distribution was $10.5 million making the total disbursements to hospitals, ambulance services and physicians for uncompensated trauma care $71.8 million.

FY'09 Ambulance Service Fix

SB 1918 creates the Oklahoma Emergency Response Systems Stabilization and Improvement Revolving Fund. The bill also directs portions of cigarette and tobacco taxes that exceed the amount deposited into the Trauma Care Assistance Revolving Fund to be deposited into the Oklahoma Emergency Response Systems Stabilization and Improvement Revolving Fund up to $2.5 million per year.

MEDICAID

Medicaid, also known as Title XIX of the federal Social Security Act, is the primary mechanism for financing health care for low-income Americans. Unlike Medicare, which targets the elderly and is 100 percent federally funded, Medicaid is administered by state governments within certain guidelines set by the federal government.

Federal law requires every state to designate a single agency to administer its Medicaid program. Since 1993, the Oklahoma Health Care Authority (OHCA) has been the designated agency in Oklahoma. Prior to that time, the Medicaid program was administered by the Department of Human Services (DHS). DHS continues to play an important role in the Medicaid program because it certifies eligibility of recipients and operates home and community-based Medicaid programs serving elderly and disabled populations.

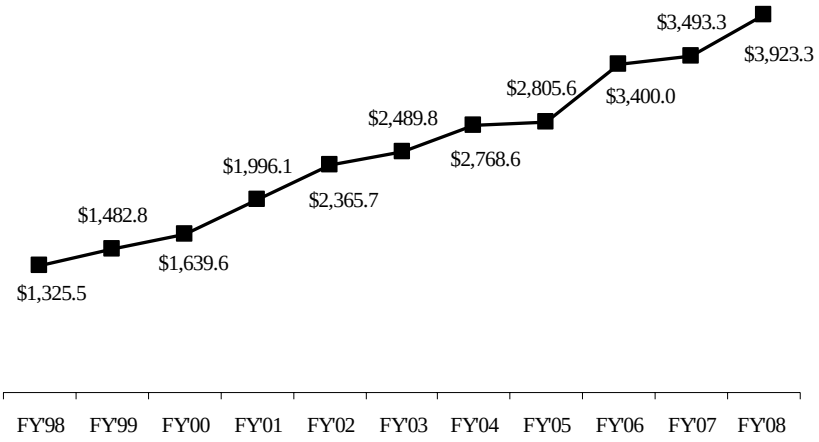
FINANCING

Medicaid is funded through a federal-state partnership. The federal share of the program, also known as the federal medical assistance percentage (FMAP), varies by state in inverse relation to a state's per capita income. For most services, Oklahoma's FMAP for FY'08 was 65.90. On average, for every one state dollar that Oklahoma Medicaid spends, Oklahoma receives $1.93 in Federal money. (The federal match for administrative expenses ranges from 50 percent to 90 percent, while some program expenditures are also eligible for matching rates of approximately 79 percent to 100 percent.)

In FY'08, the state share appropriated to the Oklahoma Health Care Authority was $777.2 million. Total program dollar expenditures were estimated to be in excess of $3.9 billion, or approximately 10.5 percent of total state spending for that year.

In FY'09, the Medicaid budget is projected to increase to over $3.9 billion, with state appropriations accounting for $842 million.

Total Medicaid Expenditures
FY'98 Through FY'08



While OHCA is the main beneficiary of state appropriations for Medicaid, other state agencies (such as the Department of Human Services, the State Department of Health, Department of Education and Department of Mental Health and Substance Abuse Services, the Office of Juvenile Affairs and the University Hospitals Authority, OU and OSU) pay the state match for various services and programs that are covered by Medicaid. Medicaid is also partly funded by fees on long-term care facilities and by rebates from drug manufacturers.

MEDICAID ELIGIBILITY

Medicaid eligibility is determined by DHS based on standards set by the state and federal government. Individuals are determined to be Medicaid-eligible for six-month periods.

Covering the Uninsured

In general, Medicaid covers low-income mothers and children, the elderly, and people with disabilities. Most non-disabled working-age adults are ineligible for Medicaid, even if their income falls considerably below the federal poverty level. Medicaid enrolled 763,565 Oklahomans throughout FY'07, or about 20 percent of the total population.

Children make up two-thirds of Oklahoma's Medicaid population while the aged, blind and disabled account for about 20 percent of the population. Enrollment patterns in the Medicaid program, however, do not correspond with expenditure breakdowns. Nationally, only 20 percent of Medicaid program dollars are spent on children, compared to 62 percent that is spent to provide services for the aged, blind and disabled populations. This discrepancy reflects the fact that the aged, blind and disabled are more likely to suffer from chronic health problems which may require ongoing medical assistance, episodes of acute care, and eventually long term care.

Medicaid Recipients and Expenditures
Fiscal Year 2007

Percentage of Recipients		Percentage of Expenditures	
TANF/AFDC	70.85%	TANF/AFDC	37.2%
Aged, Blind and Disabled	18.21%	Aged, Blind and Disabled	57.8%
Other	10.94%	Other	5.1%

Recipients of AFDC/TANF

Prior to federal adoption of Welfare Reform in 1996, persons eligible for the Aid to Families with Dependent Children (AFDC) program were automatically entitled to health care coverage under Medicaid. Congress severed this automatic link by repealing the AFDC program and creating the Temporary Assistance for Needy Families (TANF) program. Now, eligibility for Medicaid is no longer tied to receipt of cash assistance. However, anyone who meets the AFDC eligibility criteria that were in effect on July 16, 1996, is still able to receive Medicaid. In Oklahoma, the AFDC eligibility threshold is 27 percent of the Federal Poverty Level (FPL) or $3,734 per year for a family of three in 2008. Children through age 19 are eligible up to 185 percent of FPL or $32,560 per year. Transitional Medicaid coverage is also guaranteed for families moving off welfare for a period of up to 12 months.

Low-Income Pregnant Women and Children

While most healthy adults are ineligible for Medicaid, the past decade has seen a concerted effort by Congress and the states to improve the health of children and pregnant women. In Oklahoma, children under the age of 19 are covered up to 185 percent of FPL. Pregnant women are also covered up to 185 percent of FPL. Under HB 2842, passed during the 2nd Session of the 50th Legislature (2006), college students up to age 23 who are full-time students will be covered, provided they meet eligibility requirements. In 1994, 14.2 percent of children

nationally and 20.6 percent of Oklahoma children lacked health insurance. Among low-income children, the percentage without insurance was even higher. During the early 1990s, Congress mandated a phased-in expansion of Medicaid coverage for low-income children and pregnant women. This effort was superseded in Oklahoma by the passage of SB 639 (1997) and the state's Children's Health Insurance Plan.

Concurrent with Oklahoma's initiative, the Federal government announced a $24 billion new program known as CHIP (Children's Health Initiative Plan) to encourage and assist states in insuring low-income children. The program provided enhanced federal matching funds to insure uninsured children up to 185 percent of the federal poverty level either through a Medicaid expansion (Oklahoma's option) or through a stand-alone CHIP program. Oklahoma is currently receiving an enhanced federal match of 80 percent for the Medicaid costs of children, in the State Children's Health Insurance Program, made eligible by SB 639.

Recipients of Supplemental Security Income (SSI)

SSI is a federal cash assistance program for persons who are 65 years of age, blind or disabled and poor, known as ABD. Receipt of SSI assistance automatically qualifies an individual for Medicaid. As of June 2008, there were 119,635 adult and 16,316 children ABD recipients.

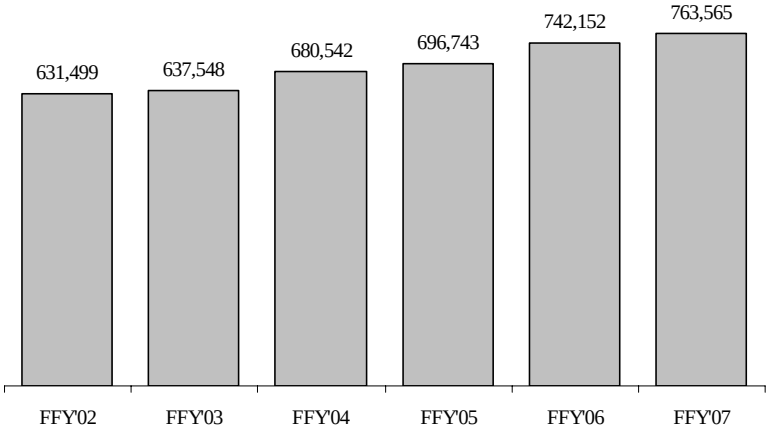
Medicaid Payments for Medicare Premiums

Under 1988 federal legislation, states are required to pay Medicare premiums, deductibles and coinsurance for needy elderly and disabled persons who are dually eligible for Medicare and Medicaid. This group is known as Qualified Medicare Beneficiaries (QMBs). The payments are cost-effective from the state's standpoint because it is less expensive to pay such out-of-pocket expenses for Medicare eligibles than it is to have them lose their Medicare benefits and fall into Medicaid eligibility. In FY'07, an average of 2,859 Part A premiums and 80,694 Part B premiums were paid each month.

Growth in Enrollment

The Medicaid program is designed to be counter cyclical with the economy. For every one percentage point increase in unemployment that occurs, Medicaid enrollment can be expected to increase by 2.7 percent. Enrollment in the Medicaid program began to increase dramatically after the events of September 11, 2001, and the national recession that followed.

Average Growth in Enrollment
FFY'02 Through FFY'07



MEDICAID AND MANAGED CARE

Prior to January 1, 2004 OHCA operated two separate forms of managed care – SoonerCare Plus and SoonerCare Choice. Under the SoonerCare Plus program OHCA contracted directly with Health Maintenance Organizations (HMOs) to provide medically necessary services to beneficiaries residing in Oklahoma City, Tulsa, Lawton and the counties immediately surrounding these urban centers. In November of 2003, news of increased health care costs and a decision by a HMO to pull out of the state Medicaid program prompted the Oklahoma Health Care Authority board to approve a proposal to end its HMO contracts and expand the state's other managed care system, SoonerCare Choice.

Now OHCA only has one managed care program – SoonerCare Choice. After the transition of all beneficiaries from SoonerCare Plus into SoonerCare Choice in April 2004, OHCA dropped the word "Choice" from the name of the program. The entire managed care program is now referred to as SoonerCare.

SoonerCare is a Primary Care Case Management (PCCM) program in which the state contracts directly with primary care providers throughout the state to provide basic health care services. The SoonerCare program is partially capitated, in that providers are paid a monthly capitated rate for a fixed set of services with noncapitated services remaining compensable on a fee-for-service basis. Some beneficiary groups are not eligible to participate in SoonerCare. Persons eligible for Oklahoma Medicaid who are institutionalized, dual eligibles,

in-state or tribal custody or enrolled under a Home and Community-based Waiver are not included in the SoonerCare program at this time.

Beneficiaries enrolled in SoonerCare are not "locked in" with a primary care provider/case manager (PCP/CM) and can change health care providers up to four times per year. This important facet to the program allows SoonerCare beneficiaries the opportunity to select a provider that has been added to the program. Providers contracting in this program include physicians, nurse practitioners and physician assistants.

Identifying the need to coordinate care for SoonerCare members with complex medical needs, the SoonerCare division created a Care Management department. This department contains nurse exceptional needs coordinators (ENCs) who support the Oklahoma Medicaid provider networks in both the SoonerCare program and fee-for-service areas through research, collaboration and problem resolution as related to members' care.

SERVICES PROVIDED BY MEDICAID

Unlike Medicare, which charges its recipients monthly premiums and includes co-pays and deductibles, Medicaid is a system of essentially free health insurance coverage for eligible beneficiaries. However, Medicaid involves some cost to clients: providers can charge co-payments for certain services (e.g., $1-$3 for doctors' visits or prescription drugs), and nursing home residents must "spend down" their own resources to a certain level before Medicaid begins paying their bills.

What Services are Covered?

Federally Mandated Services	Optional Covered Services	
Early/Periodic Screening Diagnosis & Treatment (EPSDT) Under Age 21	Case Management	Optometrist
Family Planning Services & Supplies	Chiropractor	Personal Care
Inpatient Hospital	Clinic	Physical Therapy
Laboratory & X-ray	Dental	Podiatrist
Non-emergency Transportation	Dentures	Prescribed Drugs
Nurse Midwife	Diagnostic Services	Preventive Services
Nurse Practitioner	Emergency Hospital	Private Duty Nursing
Nursing Facility/Home Health for Age 21+	Eyeglasses	Prosthetic Devices
Outpatient Hospital	Inpatient Hospital for Age 65+ in Institutions for Mental Diseases	Psychologist
Physician	Inpatient Psychiatric under age 21	Rehabilitative
Rural Health Clinic and Federally Qualified Health Center	ICF/MR	Respiratory Care
	Nurse Anesthetist	Screening Services
	Nursing Facility under age 21	Speech/Hearing/Language Disorders
	Occupational Therapy	TB Related

Hospital services followed by prescription drug and nursing facility expenditures, account for more than $1 billion of the $3.9 billion Medicaid program.

Long-Term Care

Medicaid is the nation's primary insurer of long-term health care services for individuals with chronic, non-acute needs. In fact, more than 75 percent of all residents in Oklahoma nursing homes are Medicaid clients. Long-term care services range from personal care, rehabilitative therapies, chore services, and home-delivered meals to durable medical equipment and environmental modification. With the graying of the baby-boom generation and advances in medical technology contributing to a rapidly expanding senior population, providing adequate and affordable long-term care will be one of the great challenges confronting state and federal policy makers in the new century.

Medicaid payments for long-term care falls into two general categories:

Institutional Care: This includes such facilities as nursing homes, Intermediate Care Facilities for the Mentally Retarded (ICFs/MR), or state hospitals for the mentally retarded. The state pays private institutional providers a per diem to cover the full range of patients' needs, including room and board. Part of the revenue for nursing homes and ICFs/MR payments is raised by daily per-bed fees imposed on all licensed facilities, which are matched with federal funds.

Home- and Community-Based Programs: Through several Medicaid waivers administered by DHS, the state contracts with private agencies to provide needed services set out in an individual care plan. The largest waiver programs are the Home-and-Community Waiver for the developmentally disabled and the ADvantage Waiver for the aged and disabled. All 50 states have developed waivers as a way to allow those who do not need 24-hour nursing care to live fuller, more independent lives outside of institutions.

Eligibility for Medicaid long-term care services is based on a combination of medical and financial criteria. Medically, individuals must be certified as needing a "nursing home level of care" to be eligible either for institutional placement or participation in one of the long-term care waivers. Financially, Medicaid recipients' incomes must be below 300 percent of the SSI eligibility threshold, which translates to monthly income of roughly $1,911 per person and $2,000 in non-exempted assets.

Premium Assistance Program: In January 2006, the Oklahoma Health Care Authority (HCA) started enrolling businesses and individuals into the O-EPIC program. The first component of the O-EPIC program is designed to assist Oklahoma small business owners (with 50 or fewer employees) in purchasing health insurance on the private market for their income eligible employees (at or below 185 percent of Federal Poverty Level). As of June 2008, the program had enrolled 2,742 businesses and 8,761 employees. A second component to the O-EPIC program is the individual plan. The individual plan is designed as a safety net for those Oklahoma individuals who cannot access private, group health insurance coverage. Those who may be eligible for this plan include workers who employer does not offer health insurance and workers who are ineligible for

their employer's insurance plan. The individual component of the O-EPIC program began enrollment in March 2007. As of June 2008, the program had enrolled 2,923 uninsured Oklahomans. Funding for this program is generated from the Tobacco Tax approved by the voters in 2004 (State Question 713).

Statewide Medicaid Information

County	Population Proj. July 2007*	Unduplicated Enrollees**	Expenditures
ADAIR	22,317	8,284	$28,182,110
ALFALFA	5,673	591	$2,282,345
ATOKA	14,340	3,751	$13,054,944
BEAVER	5,336	650	$1,811,789
BECKHAM	19,271	4,887	$21,414,422
BLAINE	12,734	2,434	$9,452,118
BRYAN	38,395	10,564	$42,088,178
CADDO	30,063	7,743	$25,736,472
CANADIAN	101,335	12,656	$45,748,367
CARTER	47,503	12,069	$48,792,860
CHEROKEE	44,910	11,386	$48,106,114
CHOCTAW	15,334	5,602	$24,393,759
CIMARRON	2,807	479	$1,421,321
CLEVELAND	228,594	32,624	$121,836,079
COAL	5,634	1,854	$7,966,252
COMANCHE	109,181	21,973	$66,070,928
COTTON	6,491	1,358	$5,689,642
CRAIG	15,046	4,342	$25,413,736
CREEK	69,146	15,415	$68,174,521
CUSTER	25,566	5,985	$23,688,030
DELAWARE	40,061	10,230	$33,325,985
DEWEY	4,475	719	$3,456,734
ELLIS	3,912	519	$2,328,902
GARFIELD	57,068	12,487	$90,044,693
GARVIN	27,375	6,734	$59,019,542
GRADY	50,490	9,894	$33,217,331
GRANT	4,653	722	$3,432,897
GREER	5,864	1,474	$6,324,091

County	Population Proj. July 2007*	Unduplicated Enrollees**	Expenditures
HARMON	3,042	911	$4,914,948
HARPER	3,348	629	$2,410,523
HASKELL	12,155	3,787	$14,503,169
HUGHES	13,893	3,612	$18,965,161
JACKSON	26,042	6,120	$20,531,799
JEFFERSON	6,385	2,003	$7,422,064
JOHNSTON	10,436	3,237	$13,682,002
KAY	45,889	11,662	$40,601,020
KINGFISHER	14,316	2,199	$7,206,941
KIOWA	9,778	2,283	$10,332,257
LATIMER	10,562	2,610	$10,483,707
LEFLORE	50,079	14,083	$52,408,253
LINCOLN	32,645	6,513	$23,089,242
LOGAN	36,971	6,909	$26,891,334
LOVE	9,162	2,241	$6,888,451
MCCLAIN	31,038	4,408	$15,864,453
MCCURTAIN	34,018	11,898	$47,196,850
MCINTOSH	19,899	5,060	$22,753,810
MAJOR	7,329	957	$4,573,418
MARSHALL	14,558	3,773	$14,272,050
MAYES	39,774	9,900	$39,975,315
MURRAY	12,945	3,055	$12,089,190
MUSKOGEE	71,018	19,767	$87,805,757
NOBLE	11,152	2,201	$12,552,434
NOWATA	10,785	2,370	$9,458,320
OKFUSKEE	11,370	3,648	$23,305,673
OKLAHOMA	691,266	149,116	$547,417,577
OKMULGEE	39,670	12,199	$50,879,398
OSAGE	45,549	6,962	$26,875,882
OTTAWA	33,026	9,661	$35,443,980
PAWNEE	16,844	3,802	$16,605,944
PAYNE	73,818	11,257	$43,022,558
PITTSBURG	45,002	10,200	$43,949,048
PONTOTOC	35,350	9,159	$46,921,028
POTTAWATOMIE	68,638	17,174	$60,814,245
PUSHMATAHA	11,641	3,506	$15,398,458

County	Population Proj. July 2007*	Unduplicated Enrollees**	Expenditures
ROGER MILLS	3,293	338	$1,219,179
ROGERS	82,435	12,545	$52,414,192
SEMINOLE	24,650	8,371	$34,993,027
SEQUOYAH	41,356	12,972	$47,620,056
STEPHENS	43,243	9,123	$32,164,227
TEXAS	20,238	3,581	$6,887,974
TILLMAN	8,482	2,686	$8,104,170
TULSA	577,795	107,632	$436,738,816
WAGONER	66,313	9,514	$38,127,570
WASHINGTON	49,241	8,757	$42,909,114
WASHITA	11,583	2,154	$10,691,555
WOODS	8,385	1,388	$5,375,500
WOODWARD	19,231	3,660	$12,408,768
OUT OF STATE	0	3	$17,173,310
OTHER^	0	0	$330,277,443
	$3,579,212	$759,022	$3,377,085,322

* County Population Projections were downloaded from the Oklahoma Department of Commerce website (www.odoc.state.ok.us)

** Enrollees listed represent an unduplicated count of individuals that were eligible for Medicaid at some point in time within FY'05 by their recorded county of residence.

^ Includes state custody and out of state enrollees or providers and any non-provider or non-beneficiary specific payments.

MENTAL HEALTH AND SUBSTANCE ABUSE

Perhaps no state government function has experienced such a profound change in its mission over the past 40 years than in the areas of mental health and substance abuse services. From its crude beginnings, the state mental health system has shifted paradigms. Hospitalization is now considered a temporary service for all but a few clients. Most mental health services are now provided in the community. Advances over the past several years have made recovery a reality for thousands of Oklahomans.

BACKGROUND ON MENTAL HEALTH CHANGES

Until the mid-1960s, the primary means to treat mental illness was institutionalization in large state hospitals. On an average day in 1960, nearly 6,400 Oklahomans were in the state's mental hospitals. In the mid-1970s, the concept of "deinstitutionalization" prompted states to increase efforts to utilize outpatient services through Community Mental Health Centers. This approach has proven to be an effective means of recovery and a less costly method to provide services as compared to long-term inpatient care in a hospital setting. Today, over 60,000 individuals receive services from the department each year. Of those, only about 5 percent require hospital care. The vast majority take part in mental health and substance abuse outpatient programs, targeted community based services, prevention efforts and educational initiatives.

Much of the department's recent success can be attributed to an understanding that when left untreated, mental illness and substance abuse are a leading cause of disability and premature loss of life. The fiscal and economic impact of untreated, under-treated and unserved mental illness and substance abuse on Oklahoma is estimated to be $8 billion.

DMHSAS OVERVIEW

The Oklahoma Department of Mental Health and Substance Abuse Services is responsible for providing services to Oklahomans who are affected by mental illness and substance abuse. In fiscal year 2007, the department provided services to 60,736 individuals – an increase of nearly 3,000 individuals over the pervious year.

The state subsidizes services for clients with incomes below 200 percent of the federal poverty level and receives reimbursement for some services for clients who are eligible for the Medicaid program.

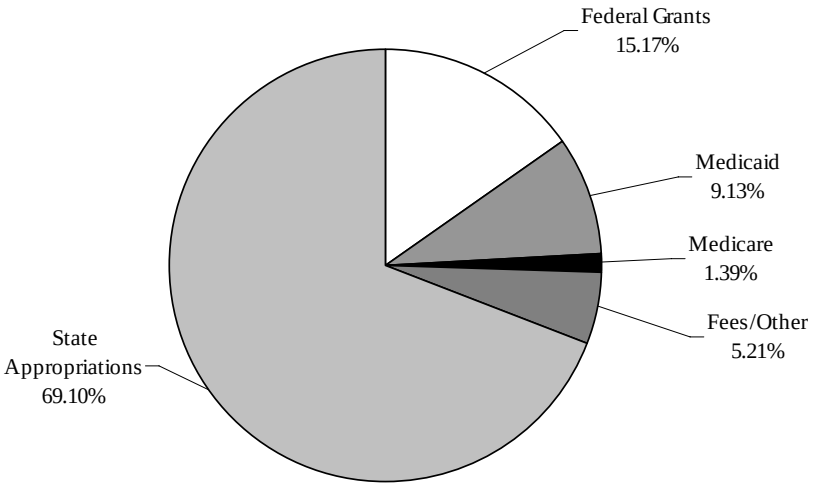
Funding Sources

Oklahoma's mental health system is centralized and primarily state funded (69.1 percent in FY'09).

Federal funding from various sources comprise the majority of the rest of the budget. Medicaid is the most important non-appropriated funding source for individual client services. In recent years, federal categorical grants, which are generally awarded for a specific project and are time limited, have increased dramatically and currently account for 5.02 percent of the budget while federal block grants have decreased in both actual dollars and as a percent of the budget.

DMHSAS Budget by Source, FY'09 Estimate

Total = $284,544,769



Services Provided

The department provides the following inpatient and community-based services in state administered or contracted programs.

Psychiatric Hospital Services

- Regional Adult Psychiatric Hospital (Griffin Memorial Hospital)
- Child Psychiatric Hospital (Oklahoma Youth Center)
- Forensic Psychiatric Evaluation and Treatment (Oklahoma Forensic Center)

Community Mental Health Centers

- There are five state-operated and 10-private non-profit CMHCs that provide outpatient counseling and, in some cases, short-term hospitalization and substance abuse treatment.

Crisis Intervention Centers

- Community-based crisis intervention and emergency detention (Tulsa Center for Behavioral Health, Oklahoma County Crisis Intervention Center and the Crisis Intervention Center in Norman).

Alcohol and Drug Treatment Programs

- State-administered alcohol and drug treatment residential centers (three for adults, one for adolescents).
- Privately operated alcohol and drug prevention, outpatient and residential treatment programs (92 non-profit and for-profit contract providers).
- Residential treatment for persons with co-occurring disorders – both mental illness and substance abuse (four state-operated and one contract).

Residential Care Homes

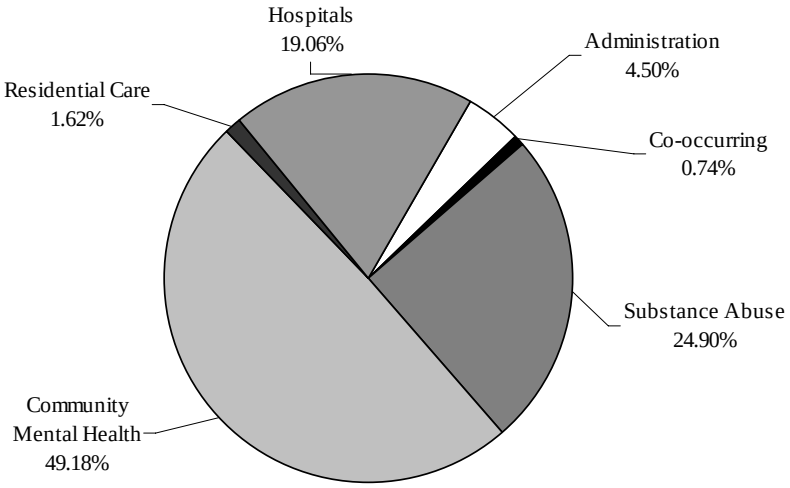
- 32 contracted homes.

Program Budgets

State hospital operations account for 19.06 percent of the agency's FY'09 budget, down from 43.4 percent in FY'92. Hospitals serve only 4.4 percent of the agency's total clients. Mental health community-based programs will utilize 49.18 percent of the budget and serve 71.4 percent of the clients in FY'09. Substance abuse programs account for 24.9 percent of the budget and 32 percent of the clients. Co-occurring programs (for persons who have both a mental

health and a substance abuse disorder) accounted for 0.74 percent of the budget and 0.5 percent of clients. Central administration accounts for 4.5 percent of the budget.

DMHSAS Budget by Program, FY'09 Estimate
Total = $284,544,769



PROGRAM OVERVIEW

The demand for public mental health services exceeds the capacity of the current treatment system. This has always been the case, but has been exacerbated in recent years due to a growing public awareness of mental illness and of the existence of effective treatment; rising healthcare costs; and the state's growing substance abuse problem, particularly the brain-damaging use of methamphetamine and resultant psychotic behavior.

Through the use of proven practices and expansion of community based services, the department will increase the effectiveness of services and continue to improve the efficiency of the delivery system. The department's goal is to ensure access to appropriate care for all Oklahomans and the recovery of all served.

Mental Health Services

One out of four adults will have one or more episodes of mental illness during their lifetime. People with mental illness are 10 times more likely than the general population to take their own lives.

For those who survive the illness, other health problems threaten their quality of life. Persons with mental illness are at significantly increased risk for diabetes, heart disease, obesity, and associated organ failure. At the same time, people with medical conditions such as diabetes and heart disease are at increased risk for mental illness; the combination of the two can be deadly.

The Oklahoma Department of Mental Health and Substance Abuse Services follows a tiered delivery of services designed to serve the most severely ill first. This approach is based on key principles that stress the following:

- Crisis intervention will be available to all in need. Longer-term services will be targeted to those most in need.
- A thorough face-to-face evaluation of the need for mental health services will be conducted for anyone meeting financial need criteria.
- Persons meeting defined diagnostic criteria will receive services on a timely basis, within uniformly defined time frames.
- Continuity of care between inpatient and outpatient providers will be emphasized.

Needs are prioritized and resources carefully directed to ensure a standard of excellence for services that are delivered.

There were 44,603 people served by the department's mental health services in fiscal year 2007.

Programs for Assertive Community Treatment (PACT)

The Program of Assertive Community Treatment (PACT) is an effective, evidence-based service delivery model providing intensive, outreach-oriented mental health services to people with schizophrenia, bi-polar disease and other serious and persistent mental illnesses. Using a 24 hours-a-day, seven days-a-week team approach, PACT delivers comprehensive community treatment, rehabilitation and support services to consumers in their homes, at work and in community settings.

Building community supports such as PACT and other non-traditional programs of care allows an individual, who otherwise may be subjected to multiple hospital visits, or jail, the ability to address the demands of their illness while remaining in the community. The program is intended to assist clients with basic needs, increase compliance with medication regimens, address any co-occurring substance abuse, help clients train for and find employment, and improve their ability to live with independence and dignity. PACT was implemented in Tulsa and Oklahoma City in May of 2001 with $2 million provided by the state legislature. The program, now with teams located statewide, serves more than 900 people with serious mental illness in 19 counties.

Oklahoma is considered a national leader in this area. The following measures show a pre/post hospital and jail comparison for consumers:

	Pre-PACT	Post-PACT	Percent Reduction
Hospital Days	9,583	2,612	73%
Jail Days	3,614	1,314	64%

Systems of Care (SOC)

In the fall of 2002, Oklahoma received a six-year, $9.4 million "Systems of Care" grant to establish children's behavioral health service "hubs" throughout Oklahoma. The program has since expanded to serve children in 40 counties, and serves more than 700 children and families throughout the state.

There is a tremendous need to expand children's services throughout the state and programs such as Systems of Care, which cut through red tape and focus attention on the needs of the children and their families to provide the appropriate level of services. It is targeted to impact children, ages 6-18 years, with serious emotional and behavioral problems at home, school and in the community, and, it has been proven as a model system.

Evaluation demonstrates significant achievements in a child's behavior when measuring outcomes following six-month client participation. Examples include:

	Percent Reduction
Out of Home Placements	45%
School Detentions	45%
Self-Harm Attempts	68%
Arrests	49%

Mental Health Courts

Mental health court is a highly structured, court-based program providing a treatment alternative for non-violent offenders diagnosed with a mental illness. Court structure and processes are designed to identify and address the unique needs of a non-violent person who has come in contact with the criminal justice system because of his or her mental illness. Mental health courts currently exist in seven counties.

Community Mental Health Centers (CMHC)

One of the major challenges currently facing the department is that of equitable funding for community mental health centers. Despite this struggle, the CMHCs

continue to provide core services such as medications, counseling, and case management that help many people with mental illness live a life in the community. In addition to core services, most CMHCs are able to offer best practice, evidence-based services, albeit on a limited basis.

Medicaid for Mental Health Providers

In recent years the Medicaid program has become a significant revenue source for mental health providers. Much of this increase has come about because CMHCs are assuming more responsibility for persons needing treatment as opposed to state hospitals. Many CMHC services are Medicaid-reimbursable, while state psychiatric hospitals are considered institutions and are, therefore, ineligible for Medicaid.

Medications

The advent of more effective psychotropic medications for people suffering from schizophrenia, severe depression, and bipolar disorder has enabled many more clients to lead normal, healthy lives in their communities. These "new generation" medications have improved quality of life for many people and have the potential to decrease hospitalization costs for states. It is important to provide appropriate medications on a consistent basis for all clients. Otherwise, persons with mental illness are stabilized in hospitals with medications, discharged, then either cannot or do not continue to take prescribed medications. Their condition deteriorates until law enforcement or loved-ones intervene, then they are re-admitted to a hospital.

Forensic Services

DMHSAS is responsible for providing several forensic services: evaluating all people charged with a crime that are believed to suffer from mental illness, treating defendants with mental illness who are waiting for trial, but are not competent to proceed because of their mental illness, and hospital-based treatment for persons adjudicated as Not Guilty by Reason of Insanity (NGRI). The forensic population, served at the Oklahoma Forensic Center (OFC) in Vinita, is on the increase. In July 2000, there were 132 forensic patients at OFC. Census now averages approximately 176. Occasionally, there is a waiting list of individuals being held in local jails awaiting the availability of a bed at OFC. In addition many of the buildings are over 70 years old with numerous maintenance needs. In the 2004 Legislative Session, DMHSAS received approval for up to $18.9 million in capital bond funds to build a new, 200-bed forensic unit. Ground breaking on the new construction began in July 2006, with the opening slated for the summer of 2008.

SUBSTANCE ABUSE SERVICES

In Oklahoma, nearly 130,000 adults need treatment for alcoholism and another 21,000 need treatment for other types of drug use. In fiscal year 2007, 19,467

people received substance abuse services through the department. While many are in need of services, many also are receiving the assistance they need through programs provided by the department. Access to treatment services – through community-based substance abuse treatment programs, drug courts, support groups, and the encouragement of family and friends – help thousands of Oklahomans each year find the road to recovery.

The benefits of treatment accrue not only to individuals and their friends and families, but to society as well. Research shows that, a year after treatment, drug use was reduced by 50 percent, criminal activity dropped by 80 percent, employment increased, and homelessness and dependence on public assistance decreased. For every dollar spent on treatment, nearly $7 is saved in reduced crime-related costs, a figure that rises to $12 when health-care costs are included.

The department operates or contracts with 97 substance abuse treatment programs offering a range of outpatient, residential and aftercare services. In addition, substance abuse treatment is available at community mental health centers. ODMHSAS also funds a network of 20 Area Prevention Resource Centers offering substance abuse prevention education and community prevention project development.

Alcohol is still, by far, Oklahoma's number one drug of choice. The top listed drugs of choice for clients during 2007 are as follows:

Alcohol	37.4 percent
Marijuana	17.6 percent
Methamphetamine	19.9 percent
Cocaine	11.8 percent

Proven Substance Abuse Programs are Making a Difference in Oklahoma

Evidence-based, "best" practices have emerged in substance abuse treatment and are being implemented in the state, providing tools that result in a recovery for many individuals previously considered untreatable; as evidenced by stable living situations, employment, and reduced contact with the criminal justice system.

Drug Courts

Coordinated through ODMHSAS, the drug court program couples the power of the court system with the benefits of substance abuse treatment. The drug court's primary purpose is to redirect certain drug offenders into a highly structured, judicially monitored treatment program rather than sending them to prison. Each participant is evaluated and assisted by a drug court "team" that includes representatives from the judicial, criminal justice, law enforcement and treatment field. No violent offenders are eligible for the program. Oklahoma has one of the

top drug court programs in the nation, with nearly 4,000 participants. In 1995, Oklahoma had one drug court. In 2007 there were more than 50 drug courts (this includes adult drug and DUI courts, juvenile drug courts and family drug courts) serving 60 counties across the state. The average cost of drug court for one person is about $5,000 per year, compared with $19,000 or more per year for prison.

Substance Abuse Treatment for Adolescents, Women and Their Children

Among the most vulnerable and historically underserved populations in the past are pregnant women and women with dependent children. This is changing, however, as these women and children are now one of the department's top priorities. Pregnant women and women with dependent children receive services through the agency's Temporary Assistance for Needy Families (TANF) contract with the State Department of Human Services. Treatment programs offer comprehensive, gender-specific substance abuse treatment services focusing on a number of areas. Individual and group counseling covers the psychology of addiction, core values, spirituality, relationships, anger management, 12-step recovery groups, family therapy, co-dependency, relapse prevention and parenting skills, as well as a number of other healthy living-related topics.

Toward the end of the four- to six-month program, clients begin working on receiving their high-school equivalency diplomas, if needed, and undergo job testing and interviewing skills. Programs also have comprehensive services for children ranging from infants who are born with drugs or alcohol in their system to toddlers and children up to age 12.

DUI Program

Oklahoma also has become one of a small but growing number of states that has changed from an "offense-driven" DUI system to an "assessment-driven" DUI system. In the past, DUI offenders had to attend either a 10- or 24-hour DUI school, depending on whether the offense was the initial or a subsequent arrest. This type of process is simple and easy to administer, but did not consider the actual condition of the offender. Now, Oklahoma DUI offenders receive a detailed assessment, followed by treatment recommendations assigned from a grid containing five levels of intervention. The levels outlined in the intervention grid are of increasing intensity and designed to match the indicated severity of risk identified for the offender. These changes are intended to better identify the relative risk level of the offender and offer the most appropriate level and type of intervention.

Problem Gambling Service System

Before 2005, no public funds were allocated to prevent and treat pathological and problem gambling. In March, 2005, however, pursuant to the Oklahoma Horse Racing State-Tribal Gaming Act, ODMHSAS began receiving monthly installments, totaling $250,000 annually, to provide treatment and education

related to problem gambling. In May 2007, ODMHSAS received its first quarterly installment pursuant to the Oklahoma Education Lottery Act, totaling $500,000 annually. This funding is also targeted to prevention and treatment of problem gambling.

Co-occurring Disorders

Both state and national statistics demonstrate that more and more persons needing services have both a mental health and a substance abuse disorder (co-occurring disorder). Approximately half of all clients admitted to a department inpatient psychiatric facility have an alcohol diagnosis or presenting problem in addition to their mental illness.

Providing services to persons with co-occurring disorders presents some unique challenges. First, service providers need to have staff that are appropriately trained and equipped to address both issues. Second, there is a lack of services for persons with co-occurring disorders. The department is aggressively moving forward to address these needs and ensure appropriate care for all clients.

DEPARTMENT OF HUMAN SERVICES

While the Oklahoma Department of Human Services (OKDHS) has experienced structural changes over the past six decades, its primary mission has remained largely the same: to enable people and families to lead healthy, secure, economically independent and productive lives.

Until 1983 the agency received direct funding from the state sales tax, bypassing the annual legislative appropriations process. With a dedicated and growing revenue source, OKDHS took on more and more functions over the years as the state's health and welfare system was developed.

For years OKDHS was the state's largest agency. At its apex in FY'93, OKDHS consumed $2 billion in state and federal funds annually, or one out of every three dollars spent by all of state government.

Beginning in the 1990s, lawmakers began to review the organization, and it was determined that major divisions of OKDHS – the public teaching hospitals, rehabilitative services, Medicaid, and juvenile justice services – could be managed more effectively if moved outside the umbrella of the state's largest agency.

DECENTRALIZATION

Since 1993, decentralization has been the trend at OKDHS. The Legislature has transferred four large divisions out of the agency and created four new, distinct entities:

- University Hospitals Authority (OU Teaching Hospitals)
- Department of Rehabilitation Services
- Oklahoma Health Care Authority (Medicaid)
- Office of Juvenile Affairs

As a result, OKDHS's appropriated budget decreased by more than half between FY'94 and FY'95.

Functions Separated from OKDHS Since 1993

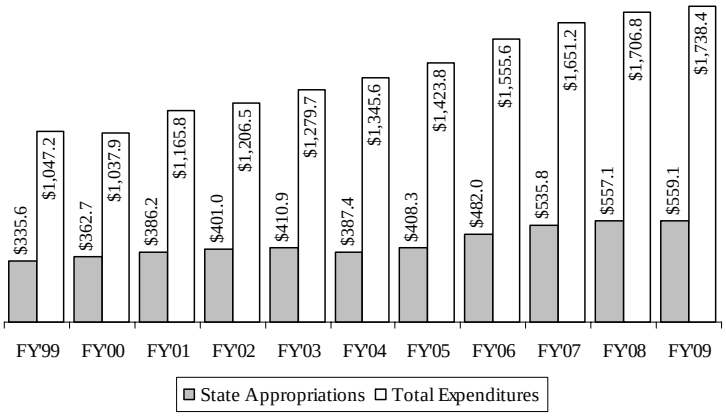
Year	Function Transferred	Transferred Amount
1993	University Hospitals Authority	$29,710,032
1993	Rehabilitation Services	$21,952,152
1995	Health Care Authority	$227,816,716
1995	Office of Juvenile Affairs	$75,959,840
Total		**$355,438,740**

Note: The University Hospitals Authority is currently partnered with Columbia Health Care Association, which provides management and operating services.

FUNDING

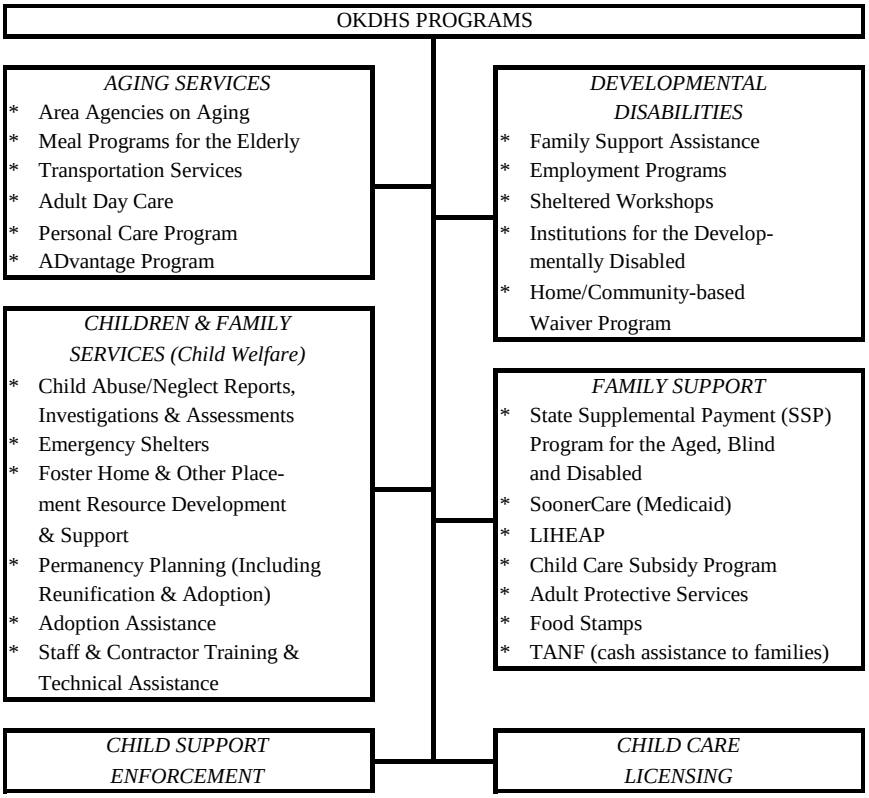
Approximately 60 percent of the $1.7 billion total budget in FY'08 was provided by Federal block grants, entitlement programs, and a small amount from expenditures certified by other State Agencies. The amounts used in the comparison are the initial Appropriation dollars compared to the initial Budget Work Program (BWP) and does not include any supplemental funding for BWP Revisions.

Appropriations and Total Budget Comparison
FY'99 Through FY'09 (In Millions)



ORGANIZATION

The agency consists of six main divisions that oversee the following major programs:



Family Support Programs

The Family Support Division is responsible for a number of programs providing low-income and disabled Oklahomans with cash payments, food stamps, child care, LIHEAP, and SoonerCare (Medicaid). It is also responsible for providing protective services for vulnerable adults

State Supplemental Payment (SSP): The SSP Program provides a small payment to eligible Oklahomans who are aged, blind or disabled. The number of Oklahomans who receive SSP has increased by almost 10,000 since 2001. Federal regulations require that Oklahoma expend the same amount in SSP payments each year. In order to stay within the required spending level the amount of the individual benefit has decreased each year to account for the increase in recipients. Since 2004 the individual benefit has decreased from $50

to the current amount of $46 per month. All SSP recipients now receive their payment on a debit card or by direct deposit. This process is handled through the Finance Division's Electronic Payments System (EPS).

Sooner Care (Medicaid) Eligibility: OKDHS is responsible for determining eligibility for all SoonerCare (Medicaid) programs. In 2006, Congress passed the Deficit Reduction Act of 2005 (DRA), which seeks to reduce Medicaid costs. One of the provisions of this act requires every Medicaid applicant and recipient to verify their citizenship and identity. The DRA requires that each applicant/recipient provide original documents proving their identity and U.S. citizenship.

In 1999, the Oklahoma Health Care Authority in partnership with other state agencies and advocacy groups streamlined SoonerCare (Medicaid) eligibility and eliminated verification requirements (unless questionable) for children and pregnant women. A one-page (front and back) application was developed and self-declaration of income, citizenship, and other factors of eligibility were implemented. This procedure made the eligibility determination process much simpler and faster for this population. Mail-in applications became the norm and many more pregnant women and children were approved for Medicaid. With the DRA's requirements that citizenship and identity be verified, OKDHS must now collect citizenship and identity documentation on all applicants and recipients. In addition, to incorporate the DRA changes, the application has increased to five pages.

The Low Income Home Energy Assistance Program (LIHEAP): The program consists of four components: 1) Heating Assistance, where OKDHS provides partial payment directly to the utility company/fuel provider for eligible household heating bills, beginning in December of each year; 2) Crisis Assistance, which is paid to the utility company/fuel provider through the Energy Crisis Assistance Program (ECAP), beginning in March of each year – applications for crisis assistance are accepted year round from those with life threatening medical situations; 3) Summer Cooling crisis assistance, where DHS provides partial payment directly to the utility company for eligible household cooling bills, beginning in July of each year; and 4) Weatherization Assistance, where homeowners are assisted in making their homes more energy-efficient, which is administered by the Oklahoma Department of Commerce with LIHEAP funds allocated to them by OKDHS.

Historically, LIHEAP in Oklahoma has been funded solely with federal funds. Oklahoma's LIHEAP income eligibility maximum is 110 percent of the Federal Poverty Guideline and provides one of the lowest LIHEAP payments to eligible households in the nation. For the FFY'07 winter heating program, 85,729 households were approved for LIHEAP with an average payment of $85 paid to the utility company/fuel provider.

Child Care Subsidy Program: The child care subsidy program in Oklahoma began as part of the Aid to Families with Dependent Children (AFDC) program in 1969. What had then evolved into four separate child care funding streams was consolidated in 1996 by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This new funding source is called the Child Care Development Fund (CCDF). This block grant expanded the amount of money available to states for child care. States can transfer funds from Temporary Assistance to Needy Families (TANF) block grant into their CCDF program. Oklahoma pays for child care for TANF recipients directly from TANF funds. The Oklahoma Legislature also approves additional funding for the Child Care Subsidy Program. With this expanded funding, more low-income families are receiving child care assistance.

The child care subsidy program encourages collaboration with many agencies and programs which help to strengthen and increase resources available to families. These other agencies and programs include the Child Support Enforcement program, the SoonerCare (Medicaid) program, Child Protective Services, the TANF program, Head Start, Early Head Start, Children First, and Child Care Resource and Referral programs.

In 2007, OKDHS provided child care services to 75,489 children. The family must be determined eligible before their child care services can be either fully or partially subsidized. The family may have a co-payment for the child care based on their income, the number of family members and the number of family members needing services.

Providing child care services is part of an overall plan of service designed to help low income families achieve their maximum potential for self-support. It is a service provided for children as a means to strengthen the family. Providing quality child care services assures the parent or caretaker that each child in care has the opportunity to receive developmental and learning experiences while the parent or caretaker is engaged in self-support activities like employment, education or training. The worker tries to help the client become more independent by suggesting ways to increase household income and identifying strengths in the client's life. Child care is also provided in critical situations to help prevent neglect, abuse or exploitation of children. The Family Support worker and the Child Welfare worker freely share information to develop a plan that best meets the needs of the family when both are working with the family.

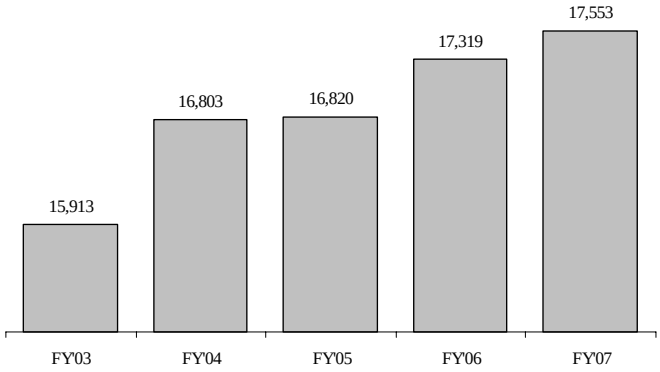
Unlike TANF, no direct payments are made to the families that receive child care services. Instead, all funds from this program are paid directly to a licensed and contracted child care center or home, or a contracted in-home provider chosen by the parent or caretaker. Providers are licensed to provide child care from child care licensing specialists located in the local human service center offices. Providers request a contract from the Family Support Services Division Child Care Section. Until a provider is granted both a license and a contract, subsidized child care cannot be paid by OKDHS.

Community Adult Protective Services (APS): OKDHS is mandated by Oklahoma Statutes Title 43A Section 10-101 through 10-111 to provide protective services for vulnerable adults. There are 2 sections of the APS unit, the Community APS program (CAPS) and the Long Term Care Investigation (LTCI).

APS is a non-means tested, multi-faceted program for persons 18 years of age or older who are vulnerable and have allegedly been abused, neglected, and/or exploited. Community APS includes all investigations where the alleged perpetrator is not a staff member of a nursing facility. The Long Term Care Investigators Unit investigates allegations of maltreatment by nursing facility staff of nursing facility residents.

Adult Protective Services have been provided since 1977 when the first APS statute was enacted by the Oklahoma Legislature. The program receives a small portion of the federal funding from the Social Services Block grant. The remainder of the funding is from state dollars. In FY'07 APS specialists investigated 17,553 reports of maltreatment of vulnerable Oklahoma adults. The chart below lists the number of reports for the last 5 fiscal years.

State Community Adult Protective Services
Completed Investigations



APS staff at the state and local level work with community partners to provide a safety net of services for vulnerable adults. Staff routinely coordinate with local law enforcement, district attorneys, local medical and mental health providers as well as many local service organizations to provide services for those vulnerable adults who have been mistreated and to prevent a reoccurrence of the maltreatment. Maltreatment of vulnerable adults was criminalized in 1984 via Title 21, Section 843.1 of the Oklahoma Statutes. Prosecutions were limited and sporadic until 2003 when OKDHS sponsored conferences to improve awareness of the types of maltreatment.

The fastest growing allegation of maltreatment is financial exploitation of the elderly and vulnerable adult population. The rise in exploitation is related to difficult economic conditions and the reliability of monthly income from sources like Social Security, retirement and other predictable forms of income. Vulnerable adults are often preyed upon by individuals who, by illegal means, target this group to obtain their assets. As a result of this alarming trend, the OKDHS APS program responded with a series of conferences that were held throughout the state. These conferences brought together law enforcement, district attorneys, judges and APS professionals to improve accountability for persons who perpetrate on vulnerable adults. The Oklahoma County Coalition for Vulnerable Adults (CAFEE) was an outgrowth of these conferences and, as a result, 83 cases of financial exploitation of vulnerable adults were prosecuted in the last 3 years. Similar coalitions have been formed in Tulsa and Muskogee.

In 2006, the OKDHS APS program and the Oklahoma Bankers Association received the Governor's award for excellence for their collaboration on a fraud video that alerts tellers in banks to possible exploitation of vulnerable bank customers.

The types of referrals investigated by the OKDHS APS program are self neglect, caretaker neglect, caretaker abuse, sexual abuse, financial exploitation, verbal abuse, and sexual exploitation. The Oklahoma Legislature added a new allegation of financial neglect in November of 2007 in response to requests of Oklahoma's District Attorneys.

The types of vulnerabilities affecting APS clients include cognitive impairments such as Alzheimer's, and other forms of dementia; physical health problems such as chronic debilitating diseases or illnesses; developmental disabilities; mental illness; traumatic brain injury; and substance abuse.

Services are offered to assist vulnerable adults prevent future occurrences of maltreatment. Self determination of adults is a cornerstone of the APS program, and as such staff makes determinations of the person's ability to consent to services on every investigation. The client may reject offers of service as a result of an APS investigation.

Clients who lack decision making abilities and who are in life endangering situations may be provided with involuntary protective services if there are services available to relieve the situation. These involuntary services are court ordered following approval of a certified petition brought before the court.

Long Term Care Investigations (LTCI): The LTCI Unit was formed in the early 70's. Originally, LTCI was a part of the OKDHS Audit and Review Unit and performed annual inspections of State schools and other intermediate care facilities for the mentally retarded. LTCI also investigated complaints in nursing facilities. When the functions of that unit moved to the Oklahoma Health Care Authority, LTCI stayed in the Aging Services Division of OKDHS and narrowed

its focus to investigations involving abuse, neglect and exploitation of nursing facility residents. LTCI was combined with Adult Protective Services in FY'01.

During FY'08 LTCI completed intakes on 2236 cases; 542 were assigned to inspectors for investigation. LTCI inspectors substantiated 52 percent of the cases that were assigned.\

LTCI staff routinely coordinates with local law enforcement, district attorneys, the State Department of Health, Ombudsmen, licensure boards and other social service and enforcement organizations to stop current problems and prevent reoccurrence of abuse. Staff also coordinates with local, state and county agencies to improve enforcement of abuse, trouble shoot potential problems in facilities, provide training and other activities designed to prevent abuse or facilitate a resolution.

Food Stamp Program: (Supplemental Nutrition Assistance Program effective 10/01/2008): The Food Stamp Program serves as the first line of defense against hunger. It enables low-income families to buy nutritious food with Electronic Benefits Transfer (EBT) cards. Food benefit recipients spend their allotment to buy eligible food in authorized retail food stores.

During FFY'07, federal food benefits totaling $463,558,509 were issued to Oklahoma eligible households. Based on a monthly average, 423,084 persons in 177,804 households were assisted, receiving $216 per household or $91 per person. This accounts for a monthly average of $38,426,785 food benefit dollars received in to Oklahoma from USDA-Food and Nutrition Service.

Applicant households apply for program benefits through a local human services center office. Request for Services form can be obtained at the local offices or printed from the www.okdhs.org website and submitted to a local office as the first step in the eligibility process. Eligibility is determined by local office staff based on federally mandated requirements including:

- income and resource asset test;
- meeting work requirements for adults age 18 to 50;
- household size.

Congress reauthorized the Food Stamp Program in the 2008 Farm Bill (HR 612A). There are required changes states must make effective 10/01/2008 that will take place with the annual Thrifty Food Plan overall change made every October 1st. These will include increasing the $10 minimum benefit amount to an estimated $14; increasing the standard deduction amount for a 1-3 person household from $134 to $144; eliminating the dependent care deduction maximum amounts of $200 for children under age 2, $175 for children 2 and over; excluding combat-related military pay from countable income for the duration of the deployment; and excluding certain IRA retirement accounts and certain educational accounts as countable resources. The Food Stamp Program

name also officially changes 10/01/2008 to the Supplemental Nutrition Assistance Program (SNAP) and states are encouraged to make these changes as soon as possible on or after 10/01/2008.

Temporary Assistance for Needy Families (TANF) Block Grant: In August, 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which drastically altered both the funding and focus of the nation's welfare system. The act replaced Aid to Families with Dependent Children (AFDC) with TANF and made major revisions in child support laws. TANF introduced two critical changes to welfare:

- It eliminated the entitlement status of welfare – no longer are citizens guaranteed public assistance. Eligibility and benefits are determined more by state policies and budget constraints and less by federal mandates; and

- Stringent time limits and work requirements have been enacted for all recipients of cash assistance. Recipients may collect cash assistance for a lifetime maximum of five years and must have at least part-time work to receive benefits.

If there are more eligible clients than funds, the state may deny programs and services to eligible clients. All families who are eligible to receive TANF are also eligible for Medicaid.

The DRA reauthorized the TANF program through the year 2010. The new law addressed the needs of families by maintaining the program's overall funding and basic structure, while focusing increased efforts on building stronger families through work, job advancement, and research on healthy marriage and responsible fatherhood programs.

TANF Eligibility and Benefit Levels

Under TANF, OKDHS defines eligibility criteria and benefit levels. The agency also may implement caps on eligible members of the family and require recipients to work. According to 2007 eligibility requirements, a person qualifying for cash assistance payments must:

- have at least one dependent child living with them;

- not have over $5,000 equity in a car;

- not have over $1,000 in other assets available;

- cooperate with child support enforcement efforts if a parent is absent from the home to establish paternity and increase parental support; and

- be willing to comply with all of the work requirements mandated by state and federal law.

The average family in the TANF program involves a parent and two children. In FY'07 the average monthly payment was $215.81. The maximum monthly payment for a family of three is $292. The maximum a family of three can earn to still receive any cash assistance payment is $702 per month in gross income.

Monthly TANF Payments vs. Federal Poverty Level

Family Members	2007 TANF Payment	Fed. Poverty Level	TANF as % of Poverty
1	$180	$851	21%
2	$225	$1,140	20%
3	$292	$1,431	20%
4	$361	$1,721	21%
5	$422	$2,011	21%
6	$483	$2,301	21%
7	$544	$2,591	21%
8	$598	$2,881	21%
9+	$650	$3,164	21%

TANF has four purposes set out in federal law:

- to provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;

- to end the dependence of needy parents on government benefits by promoting job preparation, work and marriage;

- to prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and

- to encourage the formation and maintenance of two-parent families.

Under federal laws that ordered the conversion from AFDC to TANF, Oklahoma must expend at least $61.8 million in state funds each year to access federal funds that total $148 million (this state funding amount is referred to as "maintenance of effort" or MOE). In addition to cash assistance, TANF gives states the

flexibility to use the grant for many other programs as long as they meet one of the four purposes of TANF.

Types of Programs & Services Eligible for TANF Funds

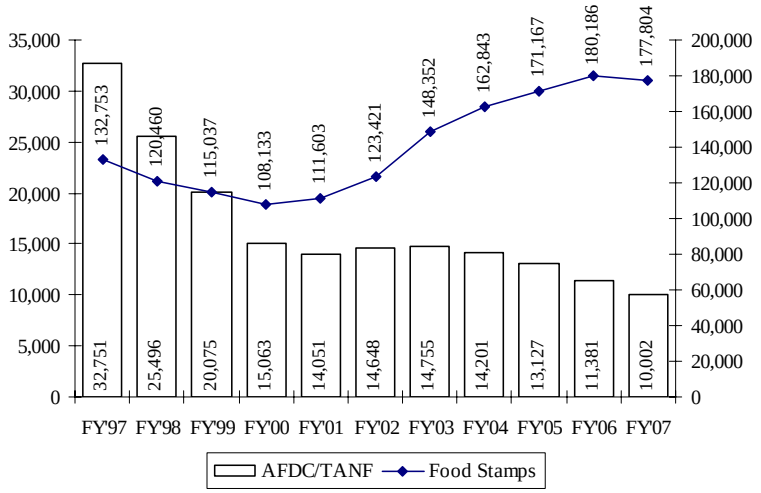
* Adult Basic Education/GED/ Literacy	* Domestic Violence/Training/ Prevention
* Low-Income Father Services	* Tax Credit for Low-Income Families
* Child Abuse Prevention	* Teenage Pregnancy Prevention
* Employer Stipends	* Services to Teen Parents
* Caseworker Incentives	* Substance Abuse Treatment
* Child Care	* Transportation/Cars
* Job Training	* Vocational Training
* Utility Assistance	* Legal Aid Services
* Tuition Assistance	

As a result of welfare reform initiatives and the state's prosperous economy, the caseload for the TANF program has decreased dramatically – by more than 75 percent between FY'93 and FY'06.

The increase in the number of families served by TANF from FY'01 to FY'03 is due to the decline in the economy. Food stamps are normally an indicator of the health of the economy and the number of families eligible for these benefits has been increasing since FY'00.

Families Served by AFDC/TANF and Food Stamps

FY'97 Through FY'07



Source: OKDHS Annual Reports

Aging Services Programs

The OKDHS Aging Services Division (ASD) administers community programs that support the independence and quality of life of older Oklahomans. Many of the services are delivered through 11 Area Agencies on Aging (AAAs), which were created as a result of the federal Older Americans Act of 1965. Major services provided include:

- **Congregate and Home-Delivered Meals:** AAAs provides meals and nutrition education to older Oklahomans across the state. More than four million meals are served annually, with 1.8 million delivered to homes. This program is funded by state appropriations and federal funds from the Older Americans Act;

- **Transportation:** Transportation services to medical appointments, shopping and other social services are provided across the state through AAAs;

- **Caregiver Services:** Caregiver Services provide a variety of services including respite care to family members caring for older Oklahomans, and also for grandparents who are raising grandchildren (and other relatives serving as parents). This service is provided through a voucher system, with which the caregiver purchases respite from the stress that can arise from the day-to-day caring for their loved ones;

- **Adult Day Services:** In FY'07, 40 sites across the state provided subsidized day care for 600 elderly persons. People who receive Supplemental Security Income (SSI), Aid to the Aged, Blind or Disabled (ABD), or meet state income guidelines may qualify for a subsidy for adult day care costs;

- **2-1-1 Collaborative:** OKDHS, through the Aging Services Division, participates in the 2-1-1 Advisory Collaborative with other state agencies and entities who have a stake in information and referral (I&R) functions in Oklahoma. The general purpose of the Oklahoma 2-1-1 Advisory Collaborative, the "Lead Entity" for the 2-1-1 initiative in Oklahoma, is to represent I&R service providers and collaborative agencies in the development and implementation process of 2-1-1 in Oklahoma.

  2-1-1 is an easy to remember, free 24-hour telephone number that connects people with health and human service resources, including:

  - ✓ Basic Human Needs Resources – food banks, clothing closets, shelters, rent assistance, utility assistance;
  - ✓ Physical and Mental Health Resources – health insurance programs, Medicaid and Medicare, prenatal care, Children's Health Insurance Program, medical information lines, crisis intervention services, support groups, counseling, drug and alcohol intervention and rehabilitation;
  - ✓ Employment Supports – financial assistance, job training, transportation assistance, education programs;

- ✓ Support for Older Persons and Persons with Disabilities – adult day care, congregate meals, Meals on Wheels, respite care, home health care, transportation, homemaker services; and
- ✓ Support for Children, Youth and Families – child care, after-school programs, Head Start, family resource centers, summer camps and recreation programs, mentoring, tutoring, child protective services

2-1-1 operates in local communities with support from private and public sources. 2-1-1 is not supported by a phone company surcharge like 9-1-1. Counties throughout Oklahoma are developing funding partnerships with stakeholders including local and state government, the business community, United Way organizations, and charitable foundations. The funding picture for each county is unique. Effective Spring 2008, 2-1-1 is now available statewide

- **Personal Care Program:** Personal Care is an optional Medicaid service that is available to any person regardless of age who requires the service and is financially eligible. OKDHS determines both financial eligibility and service need. OKDHS county office staff performs the financial eligibility determination and ASD nurses housed around the state perform the service need evaluation.

  Personal care attendants provide assistance with activities of daily living (bathing, grooming, etc), light housekeeping and meal preparation. The amount and type of assistance needed is based on the consumer's need, as determined by OKDHS. The personal care attendants are employed by licensed home care agencies, except in a small number of cases where needs dictate the service be provided by an independent personal care attendant.

- **The ADvantage Program**: The ADvantage Program is a Medicaid-funded alternative to Medicaid-funded nursing home care. It provides services to elders and some younger adults with disabilities who qualify to have Medicaid pay their nursing home care but elect to stay at home. Long-term care services are provided in the home and community, rather than in a nursing facility through this Medicaid 1915(c) waiver program. Everyone who is in the ADvantage Program could choose to have their long-term care services provided in a nursing facility. Each ADvantage Program consumer has a case manager who works with the consumer and family to develop a care plan comprised of services to keep the consumer safely at home at a reduced cost to the state. Not every service plan is the same but is based on the consumer's needs and their informal support system's capacity to assist in meeting those needs. The cost to the state in Medicaid dollars spent for each consumer's ADvantage Program services must be equal to or less than the state would have paid to provide nursing facility services to that consumer. Generally, if a person needs 24 hour skilled care, the ADvantage Program is not the appropriate service delivery system to meet their needs.

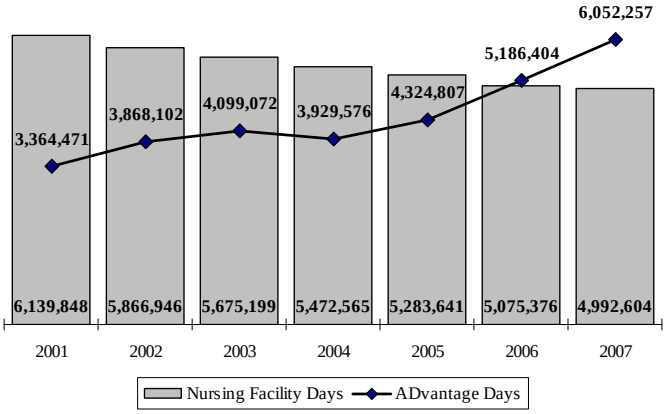
OKDHS staff performs the financial and level of care eligibility determinations. The OKDHS/ASD nurse who performs the level of care determination provides potential consumers with a list of eligible case management providers in the consumer's geographic region from which the consumer chooses their case management agency. Depending on need, the consumer may also receive:

- ✓ Personal Care (Assistance with activities of daily living or homemaker/chore activities)
- ✓ Adult Day Health Care
- ✓ Home Delivered Meals
- ✓ Specialized Equipment and Supplies

The ADvantage Program began as a pilot in 1994 and has grown steadily since then. In FY'07, 21,260 consumers elected to be served in the ADvantage Program. In that same year 20,191 consumers received Medicaid nursing facility services.

The average daily Medicaid expenditure for both acute care services and ADvantage Program services was $43.31 per-person in FY'07. The average daily Medicaid expenditure for both acute care services and nursing home services was $107.47 per person during that same time period. Since approximately 30 percent of these costs are paid with state-appropriated funds (with the other 70 percent being federal Medicaid participation), the program continues to save the state a significant amount of money, while providing a choice of settings for Medicaid consumers to receive their long-term care.

Comparison of Medicaid Days for
Nursing Facilities vs. ADvantage Program
2001 Through 2006



OKDHS continues implementation of its Electronic Data Entry & Retrieval System (ELDERS) to automate the medical eligibility process for the ADvantage Program. Since the beginning of the ADvantage Program, OKDHS has performed the required medical eligibility process using a paper-driven system. The processing of forms necessary to determine eligibility and provide services has slowed the eligibility-determination process. With ELDERS, the OKDHS nurses use laptop computers in the field to enter the required consumer information and then transfer that data electronically to the OKDHS computer system, thus decreasing the time and resources required to make these determinations.

Developmental Disabilities Programs

The mission of the Developmental Disabilities Services Division (DDSD) is to enable persons with developmental disabilities to lead healthy, independent and productive lives to the fullest extent possible; to promote the full exercise of their rights as citizens of their communities, state, and country; and to promote the integrity and well-being of their families**.** The division's purpose is to design and operate a service system that efficiently uses available resources to support individuals in the least restrictive and intrusive manner possible. The division administers community-based programs and operates institutions both directly and through contract with an external company.

MEDICAID SERVICES: Medicaid is the primary funding source for DDSD services. The state share for Oklahoma is approximately 30 percent and the federal share is about 70 percent of each dollar spent for Medicaid services. In other words, for every dollar the state spends, the federal government provides another two dollars. DDSD operates three major programs funded by Medicaid: (1) Home and Community-Based Waiver Services provided through four 1915(c) waivers, (2) Targeted Case Management provided by DDSD staff, and (3) Public Intermediate Care Facilities for the Mentally Retarded.

- **Home and Community Based Waiver Programs:** The division operates four different Medicaid waiver programs: In-Home Supports Waiver for Children, In-Home Supports Waiver for Adults, Community Waiver, and the Homeward Bound Waiver. Waiver services are provided by contracted provider agencies throughout Oklahoma. The services available through these waiver programs include:

  - ✓ Adaptive Equipment, Architectural Modifications, and Medical Supplies
  - ✓ Employment Services
  - ✓ Family Training/Counseling
  - ✓ Habilitation Training Specialists
  - ✓ Professional Medical Services, including dental, nursing, nutritional, occupational, physical and speech therapies
  - ✓ Psychological Counseling
  - ✓ Residential Services

- ✓ Respite Services
- ✓ Transportation Services

To be eligible for DDSD waiver services, a person must:

- ✓ be a resident of the State of Oklahoma;
- ✓ be determined financially eligible for Medicaid by OKDHS;
- ✓ be determined to have a diagnosis of mental retardation or related condition;
- ✓ be determined to meet the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) level of care;
- ✓ be age three or older;
- ✓ not be simultaneously enrolled in any other Medicaid waiver program;
- ✓ not be residing in a hospital, nursing facility, or ICF/MR; and
- ✓ meet other waiver-specific eligibility criteria.

Waiver services are not entitlement programs. The fact that a person qualifies for the service does not mean he or she can automatically be served. Waiver services are dependent on the availability of state money to match the federal funds supporting the programs. There is a waiting list for waiver services because there are more people requesting these services than there are state-matching funds to provide services. During FY'08 over 1,200 individuals applied for services and were added to the waiting list. As of June 30, 2008, 4,060 are on the waiting list for waiver services.

The Community Waiver was first approved by the federal government in 1985. This waiver provides for a comprehensive array of services including residential, employment, professional and habilitation services and supports. Case managers work closely with family and health professionals to design an annual service plan of care for the service recipients based on their identified needs. During FY'08, 2,770 individuals were served under the Community Waiver for a total cost of $148.3 million, which required $48.4 million in state funding. The average annual cost per service recipient was approximately $53,539.

The In-Home Supports Waiver (IHSW) was created in 1999 in response to a comprehensive survey that found 85 percent of the individuals on the waiver waiting list wanted support to remain living in their own homes. Individuals on the IHSW are assigned DDSD Case Managers to assist them in locating, securing, and coordinating needed services. During FY'08, eligible children 3 through 17 years of age could receive up to $12,820 of services per year through the IHSW for Children. Eligible adults 18 years of age or older could receive up to $19,225 of services per year through the IHSW for Adults. The IHSW for Children provides less funding than the IHSW for Adults because many services are already available to children through the Medicaid State Plan Early and Periodic Screening, Diagnosis and Treatment

(EPSDT) Program and the Oklahoma Department of Human Services Disabled Children's Program (DCP).

During FY'08, 611 children participated in the IHSW for Children at a cost of $4.5 million, which required $1.5 million in state funding. 1,534 adults participated in the IHSW for Adults at a cost of $20.4 million, which required $6.7 million in state funding.

The Homeward Bound Waiver was created in September 2003 to provide services and supports to the members of the Plaintiff Class of the Homeward Bound vs. The Hissom Memorial Center lawsuit. Prior to 1994, the Hissom Memorial Center in Sand Springs was one of the long-term care facilities operated by OKDHS. This waiver program meets the requirements set by the federal court for serving the individuals who lived at the center during a certain period of time. The services provided under the Homeward Bound Waiver are the same as those under the Community Waiver, with the exception of Class Members having the choice of sharing a house with roommates or living in a single placement. During FY'08, 781 individuals were served in the Homeward Bound Waiver for a total cost of $94.6 million, which required $31.1 million in state funding. The average annual cost per service recipient was approximately $121,108.

- **Targeted Case Management Services:** Each person receiving waiver services through DDSD has a case manager who ensures that individual needs are met through linkage, assessment, brokerage, advocacy, and monitoring activities. Targeted case management services (TCM) are activities that assist this population in gaining access to needed medical, social, educational, and other services and supports, even if these supports and services are not covered under the Oklahoma Home and Community-Based Services waivers. Services provided include assessment and reassessment; support/service planning, and monitoring and coordination. The DDSD Case Manager serves as the individual's Qualified Mental Retardation Professional (QMRP).

- **Public Intermediate Care Facilities (Resource Centers):** The Resource Centers serve individuals age six or older who meet the ICF/MR level of care requirement when their individual circumstances indicate this type of placement is the least restrictive, most appropriate living arrangement available. The division operates three facilities: the Southern Oklahoma Resource Center (SORC) in Pauls Valley (average FY'08 census-161); the Northern Oklahoma Resource Center (NORCE) in Enid (average FY'08 census-51); and the Robert M. Greer Center located on the NORCE campus (average FY'06 census-51). The Greer Center is the only state facility that exclusively serves individuals who are diagnosed as having both mental retardation and mental illness. On February 1, 2000, the management and operation of the Greer Center was contracted to Liberty of Oklahoma Corporation under a 10-year agreement. During FY'08, the facilities had a

total cost of approximately $71.6 million, of which $23.6 million was state funding.

NON-MEDICAID SERVICES: The division offers a wide array of additional services that are not funded by Medicaid but are designed to support individuals in their communities. While DDSD continues to explore additional federal funding sources, these services are primarily funded by 100 percent state dollars.

- **Family Support Assistance Program:** This program provides monthly cash payments to a limited number of families who have a child younger than 18 years of age with a developmental disability, and whose adjusted gross income is no more than $45,000 a year. The families receive $250 per month for one child meeting the eligibility criteria. If a family has more than one child meeting the eligibility criteria, an additional $50 per month per child can be received, with a maximum of $400 per month. These payments help families pay for needed services such as respite care, architectural modifications, technical assistance, or personal items such as diapers and medication. This program is funded by state and federal funds available through the Temporary Assistance for Needy Families (TANF) block grant. During FY'08, more than 2,100 children were served through this program at a cost of approximately $5.4 million.

- **State Funded Employment Services (Sheltered Workshop and Community Integrated Employment):** Sheltered Workshops provide employment services and work activities for individuals with developmental disabilities. In 1975, the Department began funding Work Activity Centers that later became known as Sheltered Workshops. Sheltered Workshops continue to provide opportunities for adults with developmental disabilities to engage in meaningful work or participate in training activities. People who receive sheltered workshop services are paid for their work in accordance with their abilities and rules established by the US Department of Labor. Community Integrated Employment services are designed to promote independence through gainful, integrated employment. Services include assessment, training, supportive assistance and follow-along support. Employment may be a single placement or in groups of not more than eight.

- **State Funded Group Home Program:** Group Homes offer a living arrangement for 6 to 12 people who share a home and receive up to 24 hours per day of supervision, support, and training in daily living skills. Group Home residents are 18 years of age or older and are provided community living services. Group Homes are single-family homes located in the community close to other services and activities. The home is owned or leased by a private agency. The agency receives reimbursement from DDSD for supervising and supporting residents of the home.

Children and Family Services (Child Welfare)

The OKDHS Children and Family Services Division, in conjunction with Field Operations staff, are responsible for developing and implementing Child Welfare Services in all 77 counties. These services include:

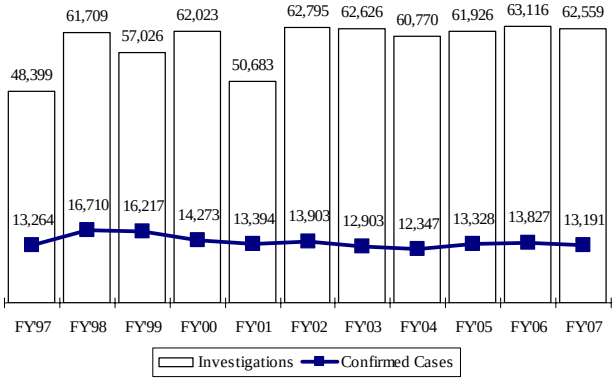
- Responding to reports of child abuse and neglect;
- Working with families involved in reports of abuse or neglect to safely maintain their children in their own homes;
- Providing emergency shelter services in Oklahoma City and Tulsa for children removed from their homes and placed into the protective or emergency custody of OKDHS;
- Recruiting, assessing, training, approving and supporting foster families and other resources for safe out of home placements for children removed from their homes;
- Working with families of children in out of home care to reunite them safely, if possible, providing direct and contracted services;
- Developing and facilitating permanent placement plans for children, which includes adoption and family reunification; and
- Supporting adoptive families.

The division operates two shelter programs: the Pauline Mayer Shelter in Oklahoma City and the Laura Dester Center in Tulsa. It also administers the federally-funded Promoting Safe and Stable Families Program, which funds some family preservation, family support, time-limited family reunification and adoption support services.

Child Protective Services: In FY'97, OKDHS received reports of child abuse and neglect on 51,001 families. The number of reports has steadily increased over the years and, in FY'07, OKDHS received 63,931 reports, a 25 percent increase since FY'97. All reports of child abuse and neglect are documented and reviewed, and approximately 56 percent are subsequently investigated. Of those cases investigated, about 21 percent are confirmed. In FY'07, 80 percent of cases were attributed to neglect, 14 percent to physical abuse, and 6 percent to sexual abuse. Threat of Harm, Substance Abuse by Caretaker, Failure to Protect, Exposure to Domestic Violence, Lack of Supervision, Inadequate or Dangerous Shelter, and Inadequate Physical Care account for 88 percent of all confirmed neglect.

Number of Child Abuse Investigations and Confirmations by Child*

FY'97 Through FY'07

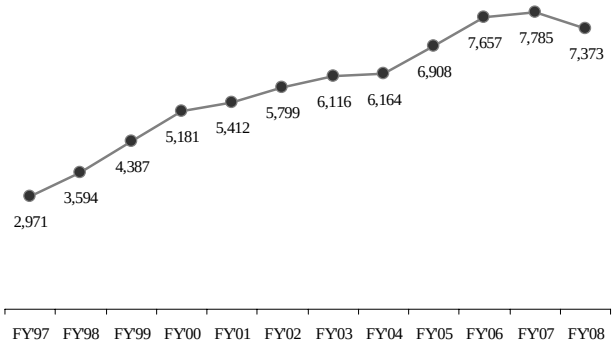


* This is a duplicated count. For example, if one child is investigated three times throughout the year, it is counted three times.

Out of Home Care: OKDHS spent $73.7 million in state and federal funds on out of home care for custody children in FY'07. The number of Oklahoma children in out of home care grew steadily through FY'07 to 12,222 but has declined by nearly 1,000 children in FY'08 to 11,235. The majority of children in out of home care are placed with foster or kinship families with the daily average declining by 412 from FY'07 to FY'08. The average length of stay for children in out of home care is 22.8 months while the average length of stay for children exiting to permanence is 20.5 months.

Average Daily Number of Children in Foster Family and Kinship Care

FY'97 Through FY'07



Foster/Kinship Care: Currently there are 3,904 foster family homes available statewide. Of these homes, 43.8 percent are kinship, reflecting the diligent efforts to place children with family. In FY'05, the foster/kinship family rate of reimbursement was increased by 50 cents per day, and the rate was again increased by $1.00 per day in FY'06. Before the FY'05 increase, the rates had been the same since 1982.

Therapeutic Foster Care (TFC)**:** Therapeutic Foster Care is a residential behavioral management service provided in foster home settings. TFC is designed to serve children ages three through eighteen with special psychological, social, behavioral, and emotional needs who can accept and respond to the close relationships within a family setting, but whose special needs require more intensive or therapeutic services than are found in traditional foster care. On average, 1,000 children are in TFC placements at any given time.

Group Homes**:** For FY'08, OKDHS group home beds had contracts with eleven providers for a total of 341 group home beds and served approximately 600 custody youth. Eighty-nine percent of group home beds are for children with a behavioral health prognosis who require therapy and educational programming on the group home campus.

Adoption Assistance: The Adoption Assistance Program helps to secure and support safe and permanent adoptive families for children with special needs. Adoption assistance is designed to provide adoptive families of any income level with needed social services, and medical and financial support to care for children considered difficult to place. Federal and state law provides for adoption assistance benefits including Medicaid coverage, a monthly adoption assistance payment, special services, and reimbursement of non-recurring adoption expenses:

- **Medicaid.** The child is eligible for the Oklahoma Medicaid program or the Medicaid program in the state of residence.

- **Monthly assistance payments.** An adoption assistance payment is available for children meeting that meet the special needs criteria. As of July 2008, 9,285 children were receiving this subsidy.

- **Special services.** Special services are used to meet the child's needs that cannot be met by the adoptive parent(s) and that are not covered under any other program for which the child would qualify.

- **Reimbursement of non-recurring adoption expenses.** Reimbursement of non-recurring adoption expenses is available to assist adoptive parents with one-time expenses related to the costs of the adoption. Funding is provided by 50 percent state and 50 percent federal funds. The program provides a one-time payment not to exceed $1,200 per child; and

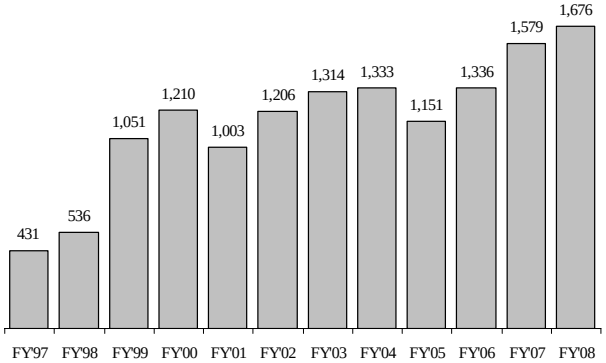
- **Post-legal adoption assistance.** Post-legal adoption assistance is a state-funded program to assist families who have adopted a child who has a causative, pre-existing condition which was not identified or known prior to the finalization of the adoption which has resulted in a severe medical or psychiatric condition that requires extensive treatment, hospitalization, or institutionalization. The child must also meet the definition of a child with special needs.

The Adoption Assistance Program provided monthly benefits and/or services to more than 10,000 children during FY'08 with this number expected to rise due to a continued increase in the number of finalized adoptions.

Adoption Services: Due to concerted efforts on the part of OKDHS, the number of children placed in adoptive homes has more than quadrupled between FY'93 and FY'08. However, about 2,900 children are still awaiting adoption.

Of the 1,676 children authorized for placement in adoptive homes in FY'08, 56 percent were five years of age or less, 34 percent were six to 12 years of age, and 10 percent were 13 to 18 years of age. Approximately ninety percent or more had one or more special needs (defined as either physical, mental or emotional disability; or age, racial or ethnic factor). Sixty-one percent of children placed in adoptive homes were part of a sibling group. For FY'08, 43 percent of the children were placed with relatives, 19 percent with non-relatives, 33 percent with foster parents and the remaining 5 percent with kinship. Kinship placements may include relatives as well as others who are not related, but who have an existing emotional bond with the child, such as a school teacher or a neighbor.

Children Authorized for Adoptive Placement
FY'97 Through FY'08



Both FY'07 and FY'08 have been all time records for the number of children authorized for adoptive placement. FFY'07 was also the highest number of finalized adoptions to date (1,152) and it is projected that Oklahoma will receive

some amount of adoption incentive payment from the federal government. It is anticipated that FFY'08 which ends 9-30-08 may also be another record year for adoption finalizations which could result in an additional adoption incentive award.

Oklahoma Child Care Services

The Oklahoma Child Care Services Division (OCCS) assures Oklahoma families have access to licensed, affordable, high-quality child care where children have the opportunity to develop to their fullest potential in a safe, healthy and nurturing environment.

The Oklahoma Child Care Facilities Licensing Act (10 O.S., § 401-410), enacted in 1963, authorizes OKDHS to administer the licensing program. This responsibility includes developing minimum requirements for child care facilities, revising existing requirements, and implementing policies and procedures for the licensing program. The foundation of quality child care is a strong licensing program working closely with the Child Care Advisory Committee. OCCS is committed to working with providers to ensure licensing requirements are met that safeguard the health and safety of children while in care. A well-trained licensing staff and regular monitoring visits increase the likelihood of positive outcomes in children's physical, emotional and cognitive well-being.

The National Association of Child Care Resource & Referral Agencies (NACCRRA) released a state report card comparing states on how well they meet basic requirements needed to protect the health and safety of children in care. Independent ranking by NACCRRA placed Oklahoma sixth overall in center care and first in family child care home care. A key factor in Oklahoma's ranking is the fact that Licensing Specialists conduct three unannounced inspections annually.

In FY'98, DHS began using a tiered system for rating child care centers and homes.

- A ✯ rating means the facility meets minimum licensure standards.
- A ✯+ rating, added in FY'01, is available to facilities for a 24-month period. The expectation is that at the end of the 24-months the facility will meet ✯✯ requirements or revert back to the ✯ rate.
- A ✯✯ rating is given if the facility meets additional quality criteria, <u>or</u> is nationally accredited. This rating was instituted in April 1998.
- A ✯✯✯ rating is awarded when a program meets additional criteria, <u>and</u> is nationally accredited. This rating was instituted in July 1999.

The state child care reimbursement rate depends on a number of factors: the facility's star rating, the age of the child, whether the child attends full- or part-time, whether the facility is a home or a center, and whether the facility is located in an area of high or low rates.

During FY'08, ninety six percent of children whose center-based care was subsidized by OKDHS attended two star or higher centers. During the same year, sixty seven percent of children whose home-based care was subsidized by OKDHS attended two star or higher homes.

At the end of December 2007 Oklahoma had 4,974 licensed child care facilities including 1,798 child care centers, part-day, school-age and day camp programs; and 3,176 family child care homes and large family child care homes,. Licensing specialists work cooperatively with the Cherokee Nation, Muscogee Creek Nation, Chickasaw Nation, and Choctaw Nation tribal licensing programs to license facilities and reduce duplication of monitoring tasks.

Residential and Agency Licensing Services license residential child care facilities and child-placing agencies throughout the state. Licensing staffs provide a variety of consultative services, in addition to regulatory responsibility for the enforcement of licensing requirements. They also investigate complaints regarding non-compliance with licensing requirements or violations of the Oklahoma Child Care Facilities Act. Their primary mission is to ensure that licensed programs are safe and healthy environments for children and youth who are in 24 hour, out of home care. At the end of December 2007, Residential Licensing Services monitored the following child care facilities with a combined capacity of 3,675 children: 37 children's shelters and 96 residential child care programs. In addition the program monitored 68 child-placing agencies.

The Professional Development Unit is responsible for the development of initiatives contributing to the mission of the OCCS including training for Licensing staff and child care providers. To accomplish their goals, the Unit participates in the development of initiatives; creation of contracts through an invitation to bid process, interagency agreement or grant award; and monitoring of initiatives for effectiveness. Major services were delivered through contracts with the University of Oklahoma, Oklahoma State Regents for Higher Education, Oklahoma Child Care Resource and Referral Association, Oklahoma State Department of Health, and the Oklahoma Department of Mental Health and Substance Abuse Services.

Division of Child Support Enforcement

The Child Support Enforcement Division (CSED) acts as an economic advocate for the children of Oklahoma. When a parent fails to participate in a child's life, it often falls on taxpayers to pick up the bill. CSED helps all taxpayers by enforcing both parents' financial responsibility for the support of their children.

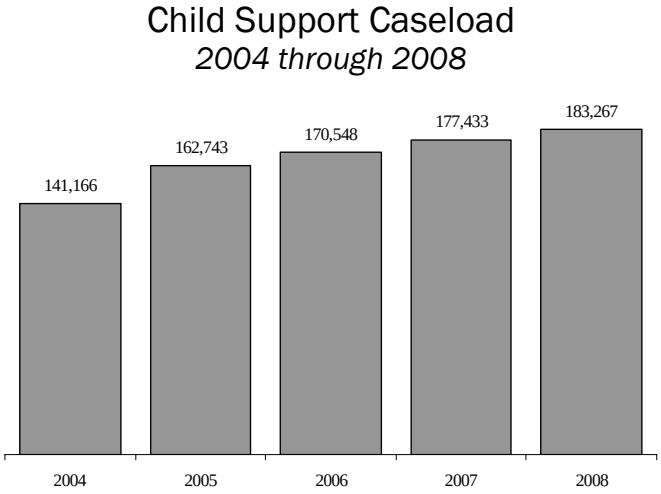
The mission of CSED is to enhance the well-being of children by establishing, monitoring and enforcing a reliable source of support for the families it serves.

CSED provides the following services:

- locating non-custodial parents;
- establishing paternity;
- establishing and enforcing child support and medical support orders;
- working with other partners, states and countries to obtain child support;
- collecting and distributing support payments; and
- modifying child support orders when necessary.

The Child Support Enforcement Division provides these services to families statewide through a variety of different delivery models. CSED contracts with District Attorneys to operate 14 full-service Child Support Offices. CSED directly operates 20 full-service offices, a private vendor operates two full-service offices, and one full-service office is operated by a non-profit organization. There are also three special offices: one focuses on working with parents of newborns, one works with the child welfare and juvenile cases for the determination of paternity and collection of child support, and the third works with difficult-to-collect cases.

As of March 31, 2008, CSED had over 183,000 open cases. Of these, approximately 11 percent are current TANF or Foster Care assistance cases, 42 percent are former TANF or Foster Care assistance cases and 47 percent have never been on TANF or Foster Care assistance but 41 percent of those are Medicaid cases.



Through the CSED Internet site, child support payments may be paid by credit or debit cards. WebPay also offers a bank transfer directly to CSED known as "direct debit." Both individuals and employers are eligible to sign up for this service. CSED also has a cooperative agreement with the Oklahoma Employment Security Commission to provide an exchange of information regarding quarterly wages, new hires, and unemployment claims.

Other CSED partnerships for the benefit of Oklahoma's families include:

- Access and Visitation – Through contracts with local non-profit social service agencies, and funded by a special federal grant, referral services are available for a parent to have access to and visitation time with his or her children.

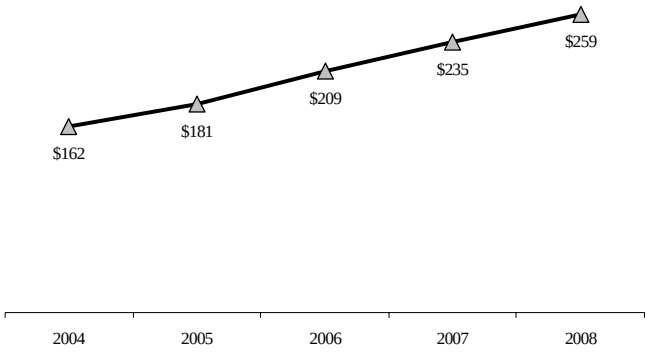
- University of Oklahoma, Center for Public Management contracts:

  - ✓ Customer Assistance Response Effort (CARE) Customer Call Center has been Oklahoma's primary source for child support customer information since 2001. The call center currently averages 43,000 customer calls each month, with an additional monthly average of 203,389 calls going through the Interactive Voice Response (IVR) system. CARE anticipates its four millionth call in November 2008. Customer Service Representatives (CSRs) successfully resolve an average of 89 percent (38,290) of calls processed each month, allowing district offices to devote State resources to other casework.

  - ✓ In February 2008, the Oklahoma Employer Service Center opened its phone lines. This center was developed to educate employers on new hire and income assignment requirements. Employers also receive assistance enrolling children in employer health plans.

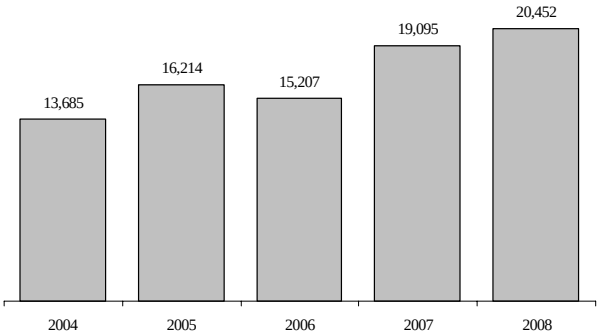
- CSED was third in the nation in the percentage increase in total distributed collections from FFY'06 to FFY'07. Total distributed collections (including interstate collections) increased by 8.98 percent, from $224 million in FFY'06 to $244 million in FFY'07. Oklahoma was second in the nation in the percentage increase in in-state distributed collections. In-state collections increased by 9.30 percent from $205 million in FFY'06 to $224 million in FFY'07. FF'07 figures are based on preliminary figures from the federal government. For the year ending March 31, 2008, total collections (including interstate) were over $259 million, as displayed in the graph below.

Total Child Support Collections
2004 through 2008 (in millions)



- CSED was first in the nation in the Paternity Establishment Performance Measure in FFY'06 and FFY'07, based on federal performance measure criteria. As of March 31, 2008 CSED established paternity (by order or by paternity acknowledgement) of 20,452 children; 15,244 of these established paternities were through voluntary acknowledgement.

Paternities Established in Child Support Cases
2004 through 2008



- The federal cost effectiveness ratio increased from $3.12 to $4.00 between FFY'03 and FFY'07. For the year ending March 31, 2008, cost effectiveness is $4.33. This means CSED collected over four dollars for every dollar spent on collection. Achieving the $4.00 threshold qualifies Oklahoma for more federal incentives and for every state dollar spent in the child support program, the federal government matches that dollar with two more.

CSED has a variety of special collection strategies and tools to compel child support payments. Among them:

- Income Assignment – In partnership with employers, CSED withholds child support from paychecks as the primary method of child support collection. During the year ending March 31, 2008, over $171 million was collected - a 10 percent increase from the previous year.

- Federal Tax Offset – This automated process with IRS allows for annual seizure of IRS refunds. During the year ending March 31, 2008, over $27 million was collected - a 26 percent increase from the previous year.

- Oklahoma Tax Refund Offset – This automated process for seizure of state tax refunds is in partnership with the Oklahoma Tax Commission. During the year ending March 31, 2008, over $4 million was collected - a 23 percent increase from the previous year.

- Unemployment Offset – Another automated process, this seizes unemployment benefits in partnership with Oklahoma Employment Security Commission. This offset allows for continuation of regular payment of child support when the payor is unemployed. During the year ending March 31, 2008, over $2 million was collected - a 16 percent increase over the previous year.

- Workers' Compensation Award Intercept – This is a newly automated process that intercepts workers' compensation awards. During the year ending March 31, 2008, over $4 million was collected - a 36 percent increase from the previous year. CSED has also begun to receive personal injury settlements and should see greater collections next year.

- Lottery Offset – Starting in November 2005, this is the newest special collection process, garnering big collections for a limited group of families. During the year ending March 31, 2008, $41,349 was collected.

Tribal Child Support Agencies within Oklahoma

Since FY'00, CSED has maintained a cooperative agreement with the Chickasaw Nation Tribal Child Support Agency. Similar to the agreements found in other states, CSED works under this cooperative agreement to assist the tribe in creating its own child support program. During FY'06 and FY'07, CSED has also assisted the Osage, Cherokee, Kaw, Muscogee Creek and Modoc Nations and the Ponca Tribe with their new federally funded tribal child support programs. CSED partnered with these tribes to jointly develop customer outreach letters, case referral and transfer policy, training, and enhancement to the automated computer system. CSED is also working with the Comanche Nation as they develop a tribal child support program. Tribal programs are expected to be eligible to obtain their own child support systems and centralized resources by January 2009.

JUVENILE JUSTICE

The organization of state programs addressing juvenile delinquents changed significantly in the mid 1990s. Before 1995, these programs were under the purview of the Department of Human Services. A separate agency, the Office of Juvenile Affairs (OJA), was created in 1995 to establish independent management of the juvenile justice system, a move designed to improve services and hold juveniles more accountable for their actions.

OFFICE OF JUVENILE AFFAIRS

The creation of OJA was part of a sweeping juvenile justice reform bill, HB 2640, enacted in 1994. After a one-year transition period, the separate agency became operational on July 1, 1995 (FY'96). The bill expanded prevention, intervention and detention programs across the state. The goals of the legislation were to:

- Initiate a number of primary prevention programs to prevent juvenile crime;
- Provide immediate consequences and rehabilitation programs for early offenders to prevent further juvenile crime; and
- Ensure the public's safety by providing more medium-security beds for juveniles adjudicated for serious offenses.

Changes in Juvenile Justice Laws

In addition to creating prevention and treatment programs for adjudicated youth, HB 2640 also enacted the "Youthful Offender Act". Prior to this time, the juvenile justice system was required to release a juvenile in the state's custody at the age of 18. Under the Act, if a juvenile sentenced as a Youthful Offender (YO) turns 18 years of age but has failed to successfully complete his treatment plan, he can be transferred to the adult correctional system by the court of jurisdiction. Similarly, he can also be moved to the adult system at any time if he

violates the terms of his rehabilitation agreement with the court. During the 2000 Legislative Session, the Youthful Offender Act was amended to allow a youth up to the age of 20 to remain in the juvenile system if OJA requests an extension of custody. The purpose of this amendment was to allow YOs who were seventeen years of age or older at the time of their sentencing to have sufficient time in the juvenile system to complete their rehabilitation plans.

During the 2006 Legislative Session, the Youthful Offender Act was further amended. These amendments were the most substantive changes since enactment of the original legislation. SB 1799 included eliminating the ten-year cap on the sentence a YO could receive; mandating in lieu of the cap the same sentencing range as for an adult offender. SB 1799 also provided for the retention of YOs in OJA custody until age 21, only in the event of the opening of a new, separate facility devoted to the treatment of YOs. SB 1760 removed the cases of fifteen-, sixteen-, and seventeen-year olds charged with first degree murder from eligibility as YOs or from any further jurisdiction of the Juvenile Court.

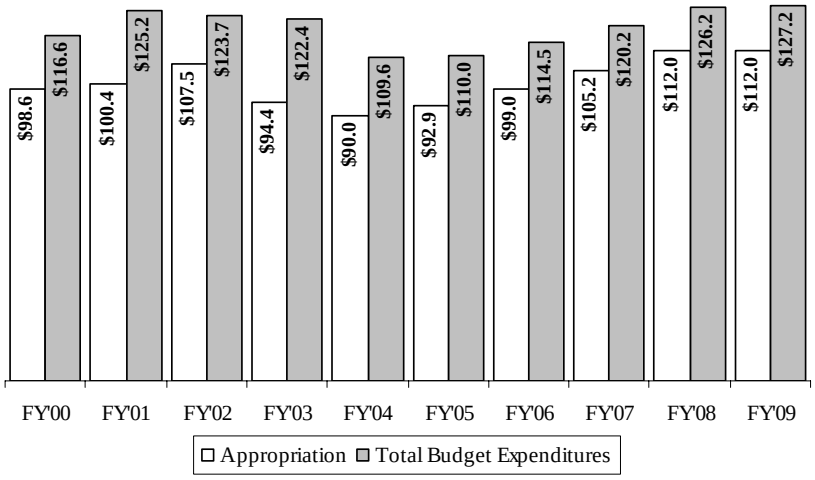
During the 2008 Legislative Session, the legislature rewrote the Youthful Offender Act in SB 1403 to have the courts review the sentence at the time the YO turns eighteen. At the sentencing review hearing, the court may make one of four recommendations: (1) the YO is returned to OJA in order to complete the rehabilitation agreement, provided the time shall not exceed the YO reaching eighteen years and 5 months; (2) the YO is discharged from OJA and transferred to the Department of Corrections (DOC) to complete the original sentence, and the court cannot add more time than the original sentence; (3) the YO is placed on probation with DOC; (4) the YO is discharged from state custody.

SB 1403 (2008) contained other amendments to the Youthful Offender Act. The bill permitted transferring a YO to DOC if a YO is found to have committed battery or assault and battery on a state employee or contractor while in custody; if a YO has disrupted the facility, smuggled contraband, engaged in other types of behaviors which have endangered the lives or health of other residents or staff; or established a pattern or disruptive behavior not conducive to the policies and procedures of the program. Additionally, SB 1403 defined the placement of a YO to be the responsibility of OJA, and OJA is to place a YO not more then 45 days following the filing and adoption of the written rehabilitation plan with the court, unless an emergency is declared. For YOs who have been sentenced to OJA custody who are pending placement into an OJA facility, seventeen- and eighteen-year olds may be detained in county jails and eighteen-year olds may be held in the general population of county jails. The bill also retains annual court review hearings for YOs who are in OJA custody, which are to be completed within 30 days of the date the sentence was imposed.

OFFICE OF JUVENILE AFFAIRS BUDGET

Funding for juvenile justice remains primarily a state responsibility. The federal government provides modest funding for juvenile justice programs or services through reimbursement from the Title XIX Medicaid program for youth who are not institutionalized; pass-through and discretionary funding from the Juvenile Accountability Incentive Block Grant (JAIBG); and formula, Title V, and challenge grants from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) of the U.S. Department of Justice. The JAIBG grant has been reduced in amount during the last several years.

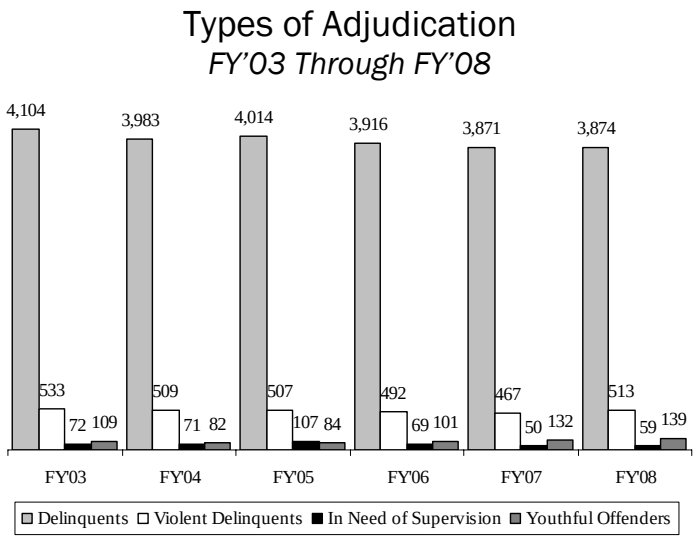
Appropriations and Total Budget
FY'00 Through FY'09 (In Millions)



Appropriations to the agency have increased 25 percent between FY'04 and FY'08 making FY'08 the first time appropriations had reached the prior funding level since before the budget cuts that took place in FY'03 and FY'04. Supplemental appropriations have been requested and were awarded to the agency in the amounts of $1 million in FY'07 and $2 million in FY'08, as shown above.

JUVENILE CRIME AND RECIDIVISM

While the total number of juveniles adjudicated delinquent decreased only slightly between FY'03 and FY'05, the number of juveniles adjudicated as Youthful Offenders increased 27.5 percent between FY'03 (109) and FY'08 (139).



Source: OJA – Juvenile On-Line Tracking System (JOLTS)

OJA PROGRAMS

In keeping with the agency's mission, programs provided by the Office of Juvenile Affairs can be divided into three categories:

- Prevention programs, which aim to prevent and decrease juvenile delinquency;
- Intervention/treatment programs, which provide immediate consequences and rehabilitation services for juveniles adjudicated for less serious offenses; and
- Detention/incarceration program, which protect the public from juveniles who have been adjudicated for or are charged with violent or other serious offenses.

Prevention

Community-Based Youth Services: Community based Youth Services Agencies are the primary providers of prevention services for the juvenile justice system, since part of the mission of Community based Youth Services Agencies is to prevent youth from entering the juvenile justice system.

The State of Oklahoma funds 42 Youth Services agencies serving all 77 counties across the state. These agencies are responsible for providing a continuum of services. Youth Services Agencies provide community educational programs to

schools and parent organizations, parenting classes and family counseling (prevention programs) as well as first-time offender and emergency shelter programs (intervention programs). Some also subcontract with municipalities to operate community intervention centers serving as temporary holding facilities for youth arrested on minor charges when guardians cannot immediately be located. For FY'08, Youth Services Agencies received nearly $25 million in state funding. In addition, the agency provides community educational programs to schools and parent organizations.

A study conducted by the Office of Juvenile Affairs in 2003 found that of the 33,366 former juveniles who had received preventive services from Youth Services Agencies between 1996 and 2003, only 494 (1.5 percent) were later sentenced as adults to the Oklahoma Department of Corrections. During the same period, 70,289 individuals had been served by the juvenile bureaus and the Office of Juvenile Affairs and 6.6 percent had been sentenced as adults to the correctional system.

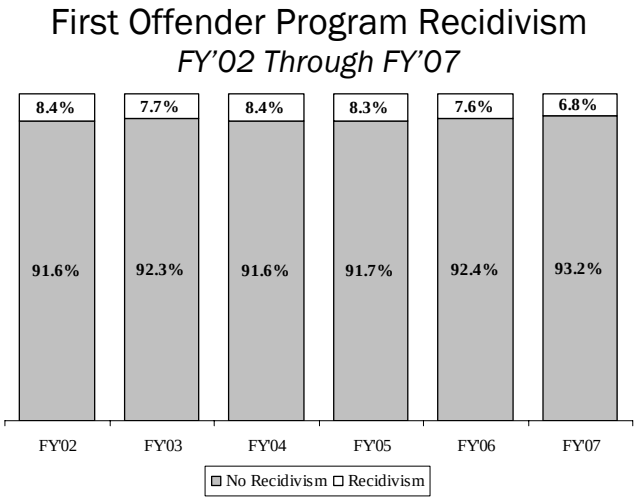
Intervention/Treatment Programs

Graduated Sanctions: This program is a community-based initiative focused on preventing juveniles who have committed non-violent minor offenses from committing more serious and/or violent crimes. In previous years, it has been funded by the federal government under the Juvenile Accountability Incentive Block Grant (JAIBG) and by community donations. The federal funding which supported this program has undergone a gradual reduction. State dollars have been appropriated to allow for continued expansion of these community-based services. For FY'08, 20 communities had graduated sanctions programs in operation.

Youth arrested for minor offenses (such as vandalism or petty larceny) are referred to the program. The youth and their parent are given the option to participate in the program or go through the juvenile justice system. If the family elects to participate in the program, the youth appears before a community board. The board determines the appropriate consequences and treatment plan based on the individual needs of the youth. A variety of consequences and services are ordered by the community boards to assist the youth with learning responsibility through community accountability. Each program is unique to the geographic location and the community it serves. Services and/or consequences may include counseling, community service projects, life skills programs, and Saturday school.

First Offender: This curriculum-based program is primarily state-funded and administered by Youth Services agencies across the state. The program is designed to intervene and prevent identified community youth from further involvement in the juvenile justice system. Youth served under this program have committed minor offenses such as being truant, violating curfew, and shoplifting. Parents and youth must apply to participate in the program; it provides eight weeks of counseling and instruction on anger management, responsible decision-

making and appropriate behavior. State law allows district attorneys to defer further prosecution of juveniles who successfully complete the program.



Detention/Incarceration

State funds are provided for 301 secure detention beds in 17 counties. These centers provide secure detention to youth arrested for violent crimes who are awaiting their court process and youth who are adjudicated delinquent and awaiting placement in an OJA-operated or contracted facility. Rates for these centers vary according to facility capacity and range from $90.52/day for the 79 bed facility in Oklahoma City to $166.36/day for six- to seven-bed facilities in various parts of the state.

Residential services are provided to adjudicated youth in the custody of the Office of Juvenile Affairs for serious property crimes and violent offenses. Placements range from therapeutic foster care homes to maximum-security institutions. All OJA placements incorporate educational services either at a local school, as in the case of foster care, or on-site at the facility, as in group homes and secure institutions.

- **Level E:** Level E placements have a highly structured environment and regularly scheduled contact with professional staff. Crisis intervention is available through a formalized process on a 24-hour basis. Youth in this category display extreme anti-social and aggressive behaviors and often suffer emotional disturbances as well. The state contracts with private providers for 226 Level E beds at an average cost of $142/day.

- **Therapeutic Foster Care (TFC):** TFC is a contracted service for youth who need medical and therapeutic services but can be served outside of a psychiatric facility. The agency contracts for approximately 20 beds costing $33.80 per day with an annual cost of $12,337 per bed.

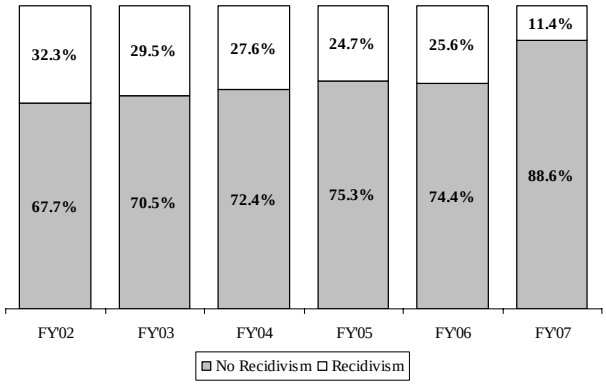
- **Specialized Community Homes:** These are homes of individuals in the community who provide room and board for up to five youths. The contractors are professional social service providers who offer intensive, individually focused therapeutic intervention programs. OJA currently contracts with six homes and provides an annual salary of $38,000 to providers. In addition to the annual salary, providers receive $22.63 per day in foster care maintenance payments for each child they are serving.

- **Thunderbird Youth Academy Company B Program:** This quasi-military program comprised of 30 beds provides a short-term, highly structured residential setting that primarily serves chronic property offenders at a cost to OJA of $162.54/bed/day, based on three 90-day classes. The emphasis of the program is on promoting education, accountability, community service projects and self-respect.

- **Secure Institutions:** Secure institutions are locked and fenced facilities that provide OJA's most intensive level of residential programming. They are reserved for youth whose behavior represents the greatest risk to the public and to themselves. The agency operates three institutions: the Southwestern Oklahoma Juvenile Center in Manitou (78 beds), the Central Oklahoma Juvenile Center in Tecumseh (116 beds), and the Lloyd E. Rader Center in Sand Springs (148 beds).

Annual Out-of-Home Placement Recidivism

FY'02 Through FY'07



Source: OJA – Juvenile On-Line Tracking System

Follow-up and Aftercare

Research shows that an essential part of successful rehabilitation of delinquent youth includes a program of six to 12 months of follow-up/aftercare that includes both surveillance as well as therapeutic counseling services. OJA funds two such programs to provide these essential services: the STARS Tracking Program administered by the Oklahoma Military Department and Community At-Risk Services (CARS) provided by Youth Services Agencies. The Tracking Program

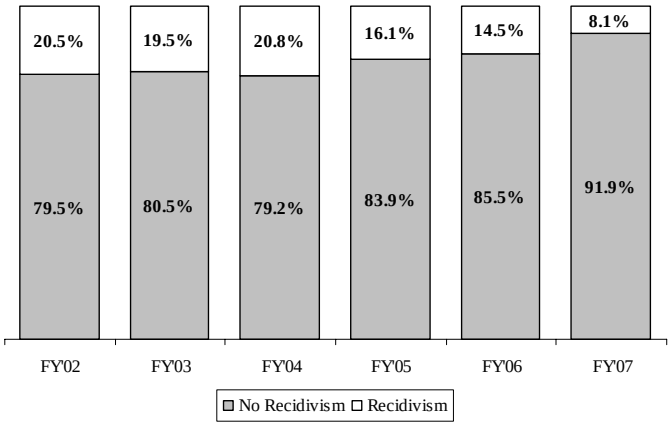
provides surveillance and accountability services, and CARS provides the therapeutic component.

Between FY'99 and FY'03, the Oklahoma Military Department contracted with OJA to provide surveillance in its Tracking Program, known as STARS (State Transition and Reintegration Services) for all youth leaving a group home or institution. The goal of the STARS program was to ensure that youth were successfully completing their reintegration plans through the provision of mentoring, tutoring, community services, and tracking. In FY'02, the program tracked over 2,800 youth and had a total budget in excess of $3 million. At the end of FY'03, the program was reduced to $774,000 due to the revenue shortfall and funded at that level for FY'04.

In FY'04, OJA provided the Tracking Program by contracting with 63 private individuals at $15 per hour to provide face-to-face tracking. Subsequently, the agency acquired 38 Global Positioning System (GPS) electronic monitors at a cost of $4.20 per day. A combination of face-to-face tracking and GPS monitoring between September, 2003, and June, 2004 served approximately 350 youth. OJA's capacity to track youth at any one time was limited to no more than 134 youth. In FY'05, the Tracking Program was returned to the Oklahoma Military Department and is now known as the State Tracking and Reintegration System (STARS).

Therapeutic services are provided by the Community At-Risk Services (CARS) program which was implemented in its present form in FY'00. CARS services are provided by community based Youth Services agencies and include services such as individual, group and family counseling as well as school reintegration. Youth exiting group homes and institutions are eligible for CARS services. Additionally, CARS also serves other at-risk youth with prevention services.

Annual Recidivism Rates for the CARS Program
FY'02 Through FY'07

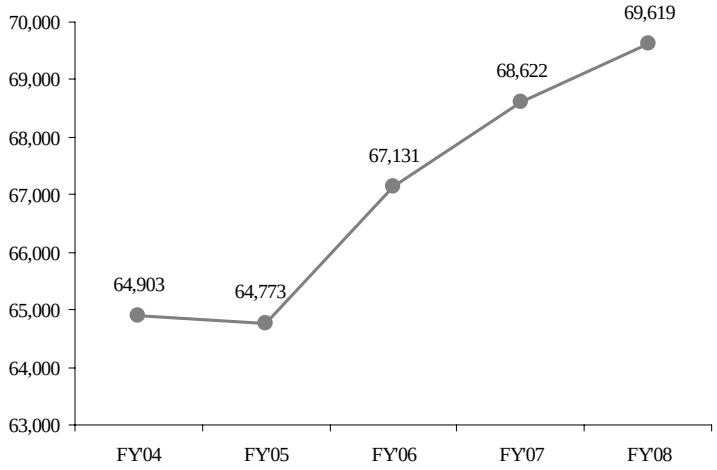


STATE PERSONNEL ISSUES

Total State Government Employment

State agencies paid a total of 69,619 full-time-equivalent employees in FY'08, according to Office of Personnel Management data. This total includes 32,351 FTE at state higher education institutions, a 1,277 person increase. While FTE levels at most state agencies are regulated by legislative limits, employment levels in the higher education system are set by governing boards.

Total Employment by State Agencies
FY'04 Through FY'08



Source: Office of Personnel Management

State Employee Salaries

The average state employee earns $38,585 per year (according to Office of Personnel Management data, which excludes higher education agencies). State employees' salaries have increased an average of 15.3 percent over the last five years.

Average Oklahoma State Employee Salary

FY'03 Through FY'07

Fiscal Year	Average Salary	Percent Change
2003	$32,695	0.2%
2004	$32,887	0.6%
2005	$35,656	7.7%
2006	$37,880	5.8%
2007	$38,585	2.9%

Source: Office of Personnel Management

PAY RAISE HISTORY

FY'09 No Pay Raise

FY'08 No Pay Raise

FY'07 5 percent annual across-the-board raise provided for all state employees effective October 1, 2006. (SB 82XX)

FY'06 $700 annual across-the-board raise provided for all state employees effective July 1, 2005. (HB 2005)

FY'05 $1,400 annual across-the-board raise provided for all state employees effective January 1, 2005 (HB 2005).

FY'04 No Pay Raise

FY'03 No Pay Raise

FY'02 No Pay Raise

FY'01 $2,000 annual across-the-board raise provided for all state employees effective October 1, 2000 (SB 994).

FY'00 2 percent pay increase, with a minimum provision of $600 and a maximum provision of $1,000, for all state employees effective July 1, 1999 (SB 183).

FY'99 4 percent pay increase, with minimum provision of $1,250 and a maximum provision of $2,000, for all state employees effective January 1, 1999 (HB 2928).

FY'98 No Pay Raise

FY'97 $1,200 annual across-the-board raise for agency employees. Also, an allied health pay plan gave a 10 percent raise to about 900 health care workers (SB 846).

FY'96 No Pay Raise

FY'95 $800 annual across-the-board raise for agency employees beginning October 1, 1994 (SB 870).

FY'94 No Pay Raise

FY'93 2.5 percent mandatory pay increase for all state employees effective December 1, 1992, and a discretionary 2.5 percent increase effective January 1993. Agencies paid costs of these raises within existing personnel budget; no new appropriations were provided. About half the state work force received the optional raise, which agencies granted based on their fiscal capacity (HB 1973).

FY'92 $420/year per employee. Also enacted was an increase in the minimum state employee salary from $11,700 to $12,413 (the federal poverty level for a family of three) (HB 1681).

FY'91 $1,000/year per employee (SB 877).

FY'90 $400/year per employee (SB 58).

STATE EMPLOYEE BENEFITS PACKAGE

The state employee benefits package consists of paid annual and sick leave; a defined benefit retirement plan and a deferred compensation retirement plan; and group health, life, and disability insurance.

Generally, employees pay the following costs of benefits:

- 3.5 percent of salary paid to the Oklahoma Public Employees Retirement System (OPERS). However, contributions differ for employees in other retirement systems (see Retirement Benefits);
- supplemental life insurance premiums (optional);
- federally mandated social security tax and Medicare tax; and
- effective January 1, 2009, employees under the age of 50 may defer up to $15,500 (adjusted for inflation) annually while employees 50 or over may defer up to $21,000 (adjusted for inflation) per year.

State agencies, as employers, pay the remaining cost of providing employee benefits as follows:

- 14.5 percent of salaries paid to OPERS;
- a benefits allowance ranging from $574.37 to $1,502.94 in Plan Year (PY) 2009, depending on whether an employee chooses to buy coverage for

dependents (see Group Health Insurance Benefits). The state funds 75 percent of the monthly group health insurance premiums for dependents;

- $25 per month matching employer contribution for employee participants of the state's deferred compensation program; and
- federally-mandated social security tax and Medicare tax.

RETIREMENT BENEFITS

The state has seven state retirement plans. OPERS is the main retirement system, covering two of every three state employees. The normal retirement age for state employees is 62. Any employee retiring on or after this age is entitled to an annual benefit equal to 2 percent of the employee's final average salary, multiplied by the number of years of credited service. For example, an employee retiring at the age of 62 with a final average salary of $25,000 and 30 years of credited service would receive an annual retirement benefit of $15,000 (2% x 30 years x $25,000).

Employees may elect to receive a greater retirement than that listed above. By contributing an additional 2.91 percent of all gross salary, an employee will receive a 2.5 percent multiplier rather than a 2 percent multiplier for all years of service in which the greater contribution was made.

Statutes also allow state employees to retire under the "Rule of 80" or "Rule of 90", depending on the date the member joined the system. To qualify for retirement under this option, the sum of the employee's age and years of credited service must equal 80 or 90. Thus, an employee 55 years of age with 25 years of service may retire with full benefits under the "Rule of 80".

Another option for state employees is early retirement. To qualify, an employee must be at least 55 years of age and have a minimum of 10 years of credited service. An employee who elects to retire early receives an adjustment of annual benefits in accordance with the following schedule:

Examples of Retirement Benefits at Various Ages

Age	Percent of Normal Retirement Benefits	Age	Percent of Normal Retirement Benefits
62	100.00%	58	73.33%
61	93.33%	57	66.67%
60	86.67%	56	63.33%
59	80.00%	55	60.00%

For example, an employee 55 years of age with a final average salary of $25,000 and 10 years of service would receive an annual retirement benefit of $3,000 (2% x 10 years x $25,000 x 60%).

Another benefit to retirees is a state contribution of $105 per month credited toward group health insurance costs. The monthly health insurance premium for retirees under the age of 65 is equal to the monthly premium for active employees (commonly known as the blending of rates).

In addition to OPERS, there are six state retirement systems with their own unique rules and regulations: the Oklahoma Teachers' Retirement System (OTRS), the Uniform Retirement System for Justices and Judges (URSJJ), the Oklahoma Police Pension and Retirement System (OPPRS), the Oklahoma Law Enforcement Retirement System (OLERS), the Oklahoma Firefighters Pension and Retirement System (OFPRS), and the Oklahoma Wildlife Conservation Retirement System.

There are legislative procedures which govern the consideration of certain retirement measures. The Oklahoma Pension Legislation Actuarial Analysis Act requires legislation pertaining to OPERS, URSJJ, OTRS, OPPRS, OLERS and OFPRS to be subject to review by an actuary that contracts with the Legislative Service Bureau. Legislation relating to these systems is identified by an RB number and the Legislative Actuary makes a determination whether such a measure does or does not have a fiscal impact. A retirement bill deemed not to have a fiscal impact may be introduced, considered and enacted during either session of a Legislature. Legislation which is deemed to have a fiscal impact must be introduced during the first session of a Legislature. For such legislation to be considered, the legislation must first be submitted by the committee of which the legislation was assigned to the Legislative Actuary for an actuarial investigation. Once the investigation is completed, retirement measures having a fiscal impact can only be considered, passed and enacted during the second session if the concurrent funding associated with such measure is also provided.

Legislation was enacted in 2007 to take a significant step toward improving the funding level of OTRS. The employer contribution rate is increased by 50 basis points (0.50 percent) over a three year period. These increases will result in generating approximately $50 in additional annual contribution by FY'11. If the contribution rates are fully implemented and funded, the funded status of TRS would be at 80 percent by the year 2026. These rates will only increase if the Legislature makes available the appropriate funding to the employers to cover the cost.

GROUP HEALTH INSURANCE BENEFITS

State employees are offered a benefit allowance to pay for mandated and optional coverages as well as assist employees in the cost of covering dependents. The benefit allowance is based on the following formula:

Average monthly premium of all high option health plans

Plus

Average monthly premium of all high option dental plans

Plus

Basic life insurance monthly premium

Plus

Basic disability monthly premium

Equals

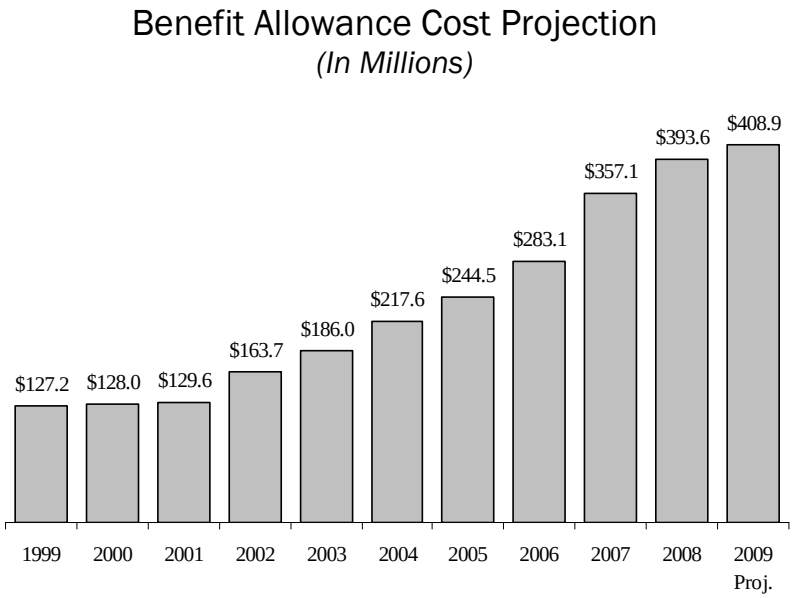
Employee Only Flexible Benefit Allowance

Dependents are covered at 75 percent of the average monthly premium of all high option health insurance plans. The benefits allowance is used to purchase the options the employees want. They must select coverage for themselves in the following areas: medical, dental, life, and disability. If the total price of the options selected by the employees is less than the benefit allowance, they receive the difference as taxable income. If the cost of the options selected by the employees is more than the benefit allowance, the employees may elect to pay for the excess through pre-tax payroll deductions.

The state offers its employees a standard indemnity plan (HealthChoice) or health maintenance organizations (HMOs). The basic differences between the medical plans include: cost; choice of doctors and hospitals; how the employee and the plan share expenses through deductibles, co-payments, and coinsurance; and the maximum the employee has to pay out of pocket.

School district employees are also offered a benefit allowance to pay for coverage for the group health insurance plan offered by the state or the self-insured plan offered by the school district. Full-time certified and support personnel electing health insurance coverage will receive an allowance in the amount equal to the Health Choice Hi-option. Personnel not electing coverage may receive $189.69 per month in taxable compensation. There is no benefit allowance provided to school district employees for dependent coverage.

The cost of providing health benefits to state employees and their families has been increasing steadily over the past decade. Small changes to the benefit plan and other adjustments have allowed rates to remain fairly constant the last two years. Despite this good news, state agencies have still had to absorb nearly $300 million in cost increases since FY'99.



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PUBLIC SAFETY AND CORRECTIONS

Department of Corrections

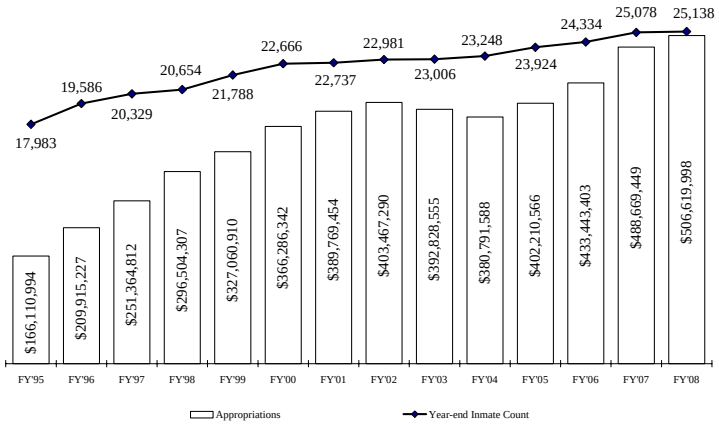
This chapter describes the state prison system, summarizes recent initiatives and concerns, and compares significant benchmarks with other states.

DEPARTMENT OF CORRECTIONS BUDGET

Appropriations and Inmate Count History

Since FY'91, the number of inmates in DOC custody has more than doubled, while appropriations to the Department have more than tripled. The FY'09 DOC budget comprises 7 percent of the total state appropriated budget. The chart below shows the fiscal year-end inmate counts and appropriated budgets for DOC since FY'95. Since 1996, DOC has received a supplemental appropriation every year but two (FY'02 and FY'03).

History of DOC Appropriations and Inmate Count
FY'95 Through FY'08



Source: Inmate Count from DOC End of FY "Inmate Population Analysis"

Sources of Funding

Almost all funding for DOC comes from state appropriations. Revolving funds are generated from sales of products and services to inmates (canteen sales), and from sales of inmate-produced products and services through Oklahoma Correctional Industries and Agri-Services to state agencies and private purchasers. Federal funds are generally grants for specific treatment or rehabilitation programs.

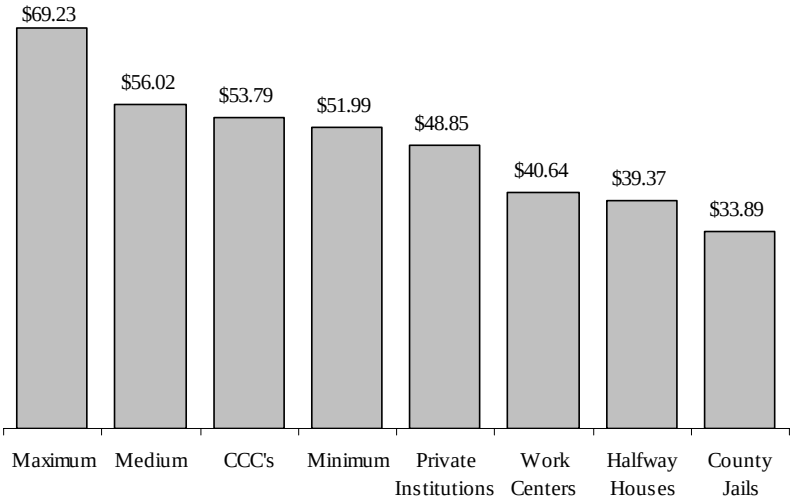
FY'09 DOC Budget by Source

Appropriated Funds	$503,000,000	86%
Revolving Funds	76,487,672	13%
Federal Funds	2,500,000	1%
Total Funding	$581,987,672	100%

Costs of the Prison System

Almost all (93 percent) of the funds spent by DOC go toward housing inmates in various security levels. The remaining 7 percent represents administrative costs. Cost per inmate varies widely by type of facility and program.

Per Diem Cost by Type of Facility
FY'07



Organization of the Prison System

There are 23 prisons - 17 public and 6 private - scattered throughout the state.

	City	Capacity
Private Prisons (Non-Oklahoma Inmates)		
Great Plains Correctional Facility (Cornell)	Hinton	812
Northfork Correctional Facility (CCA)	Sayre	1,440
Diamondback Correctional Facility (CCA)	Watonga	2,160
Private Prisons (Oklahoma Inmates)		
Davis Correctional Facility (CCA)	Holdenville	1,670
Cimarron Correctional Facility (CCA)	Cushing	1,042
Lawton Correctional Facility (GEO)	Lawton	2,526
State Prisons–Maximum Security (plus med/min units)		
Oklahoma State Penitentiary	McAlester	1,502
Lexington Assessment and Reception Center	Lexington	1,439
State Prisons–Medium Security (plus min units)		
Oklahoma State Reformatory	Granite	999
Dick Conner Correctional Center	Hominy	1,196
Joseph Harp Correctional Center	Lexington	1,397
Mack Alford Correctional Center	Stringtown	805
James Crabtree Correctional Center	Helena	1,071
Mabel Bassett Correction Center (Female)	McLoud	1,136
State Prisons–Minimum Security		
Jackie E. Brannon Correctional Center	McAlester	737
Jim Hamilton Correctional Center	Hodgen	706
Jess Dunn Correctional Center	Taft	982
John Lilley Correctional Center	Boley	836
Northeastern Oklahoma Correctional Center	Vinita	444
William S. Key Correctional Center	Fort Supply	1,087
Howard McLeod Correctional Center	Atoka	616
Bill Johnson Correctional Center	Alva	444
Eddie W. Warrior Correctional Center (Female)	Taft	783

Of the six private prisons, three hold Oklahoma inmates exclusively and three hold out-of-state inmates exclusively. Four of the private prisons are owned by Corrections Corporation of America (CCA), while Cornell Corrections Corporation and GEO Group each own one. Oklahoma has the 3rd most number of inmates in private prison beds (4,700) in the nation, behind only Texas and Florida.

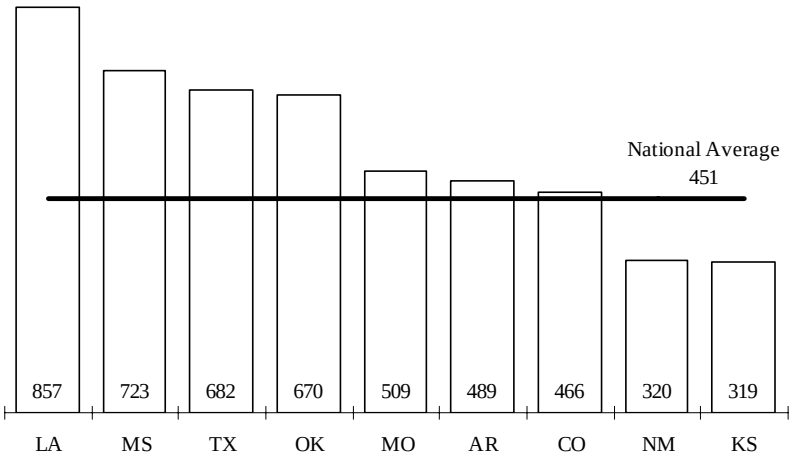
In addition to prisons, DOC also operates 15 work centers and seven community corrections centers. DOC also contracts with nine privately operated halfway houses and numerous county jails to house inmates.

How Oklahoma Compares With Other States

In 2007, Oklahoma imprisoned 670 persons for each 100,000 residents. The national average was 451. Only the states of Louisiana, Mississippi and Texas had higher rates of incarceration. Oklahoma's ranking has remained unchanged since 2003. Since 1991 the state's crime rate has declined by 29 percent, while its incarceration rate has increased 62 percent.

Peer State Prisoner Incarceration Rates, 2007 Mid-year

Rates per 100,000 Population

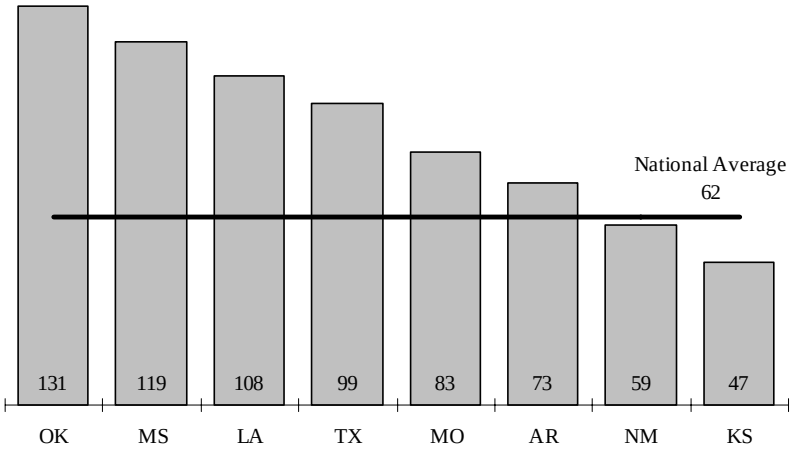


Female Offenders

When looking at female offenders alone, Oklahoma has the highest incarceration rate in the nation. In 2007, the State incarcerated 131 women for each 100,000 female residents. This rate is nearly double the national average of 62.

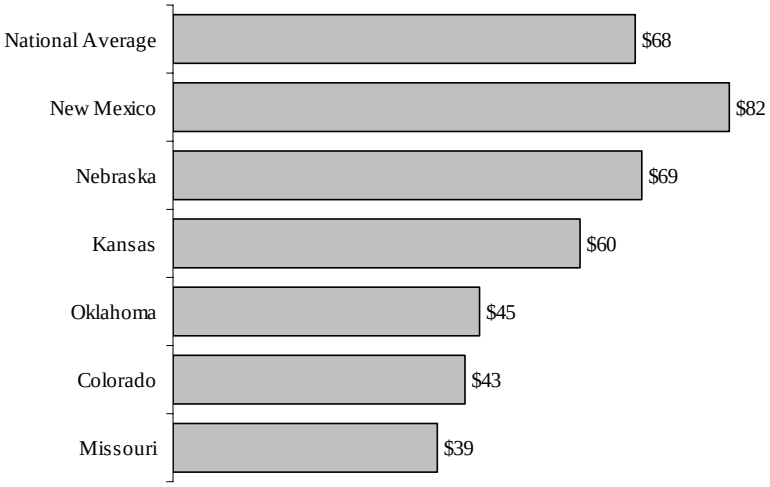
Peer State Female Incarceration Rates, 2007 Mid-year

Rates per 100,000 Population



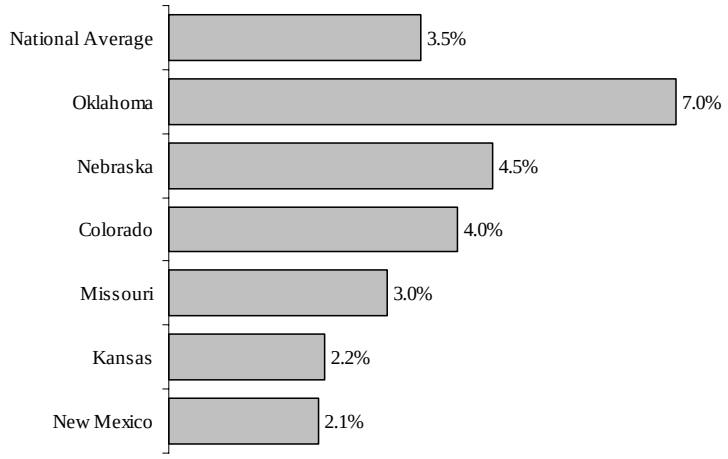
While Oklahoma ranks high in terms of incarceration rate, the State ranks low in the cost of its prison system.

Correctional System Per Diem Costs, FY'06



However, when comparing how much the State spends on Corrections as a percentage of the state budget, Oklahoma spends double the national average.

Corrections as a Percent of State Budget, FY'06



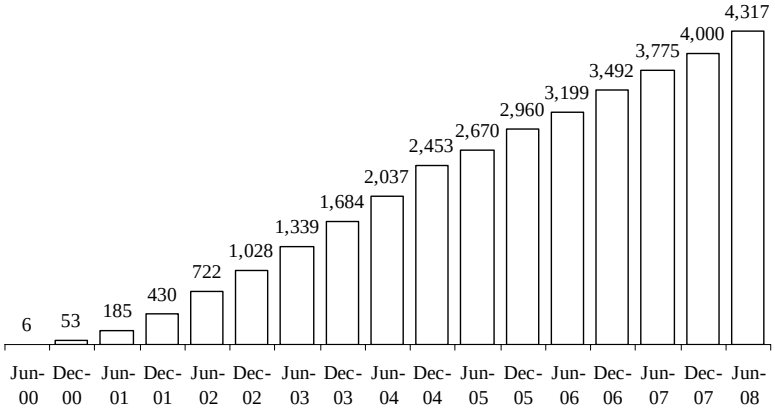
MGT Performance Audit

On July 16, 2007, the State of Oklahoma contracted with MGT of America, Inc. for a comprehensive performance review of the Oklahoma Department of Corrections and related criminal justice functions. Under this contract, MGT conducted a review of the department's operations with a primary focus on improving efficiency, reducing costs, and planning for the growth of the system's inmate population in a manner consistent with the public's safety.

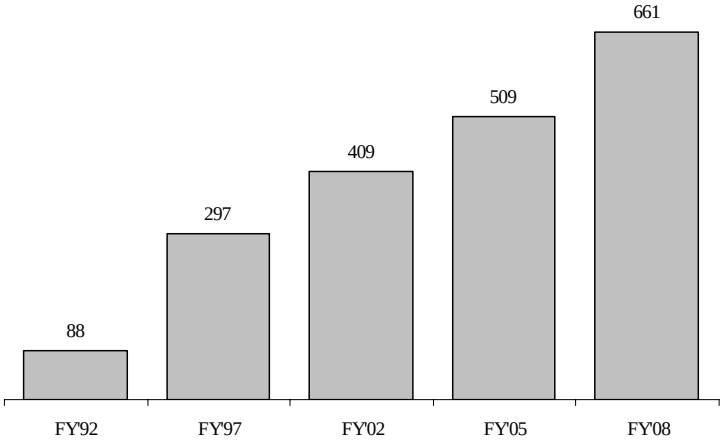
MGT released a final report to the Legislature on December 31, 2007, in which 141 recommendations were made. Some of the Audit's key findings are discussed on the following pages.

"MGT found that virtually all of the projected growth in Oklahoma prisoners is a consequence of longer periods of imprisonment associated with the "85%" sentencing laws, accompanied by a very low parole grant rate."

Number of Inmates Serving a Sentence for an 85% Crime



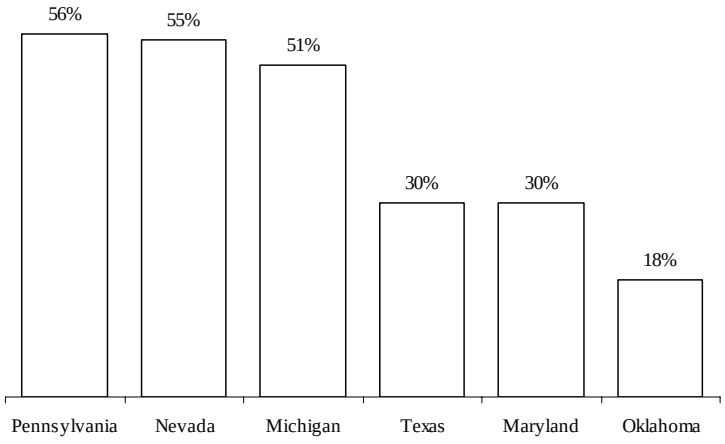
Inmates Serving a Sentence of Life Without Parole



MGT noted that Oklahoma is the only state in the nation where the governor is directly responsible for the routine approval of all parole releases from the state's correctional system and recommended the Governor only be required to review the most violent cases.

MGT also noted that Oklahoma's parole rate has fluctuated from a high of 41 percent to a low of 7.5 percent in the past 16 years and that the current rate of 18 percent is much lower than the parole rates of other states with discretionary parole release programs.

State Parole Rates



Overcrowding Issues

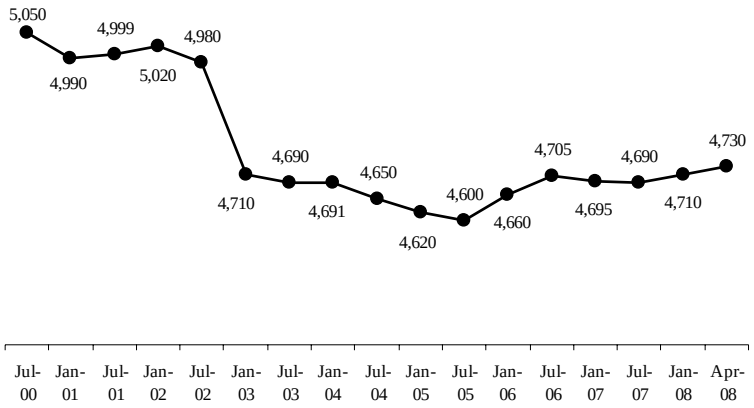
Due to continual overcrowding issues, the Department has developed a bond issue proposal totaling more than $330 million for a new maximum security facility and expansion and/or renovation of medium and minimum security facilities. However, MGT recommended the Legislature immediately commission an independent engineering/architectural firm to produce a master plan that considers the Department's proposed expansion plans and develops alternatives as found appropriate. The study is to be conducted in FY'09.

The Department has roughly 700 new beds coming online in FY'09 thru expansion of certain facilities and the renovation of the tornado-damaged Clara Waters Community Corrections Center in Oklahoma City. Also, the private Davis Correctional Facility in Holdenville has expanded by 660 beds and is contracting with the State for a portion of these beds in FY'09.

Staffing Issues

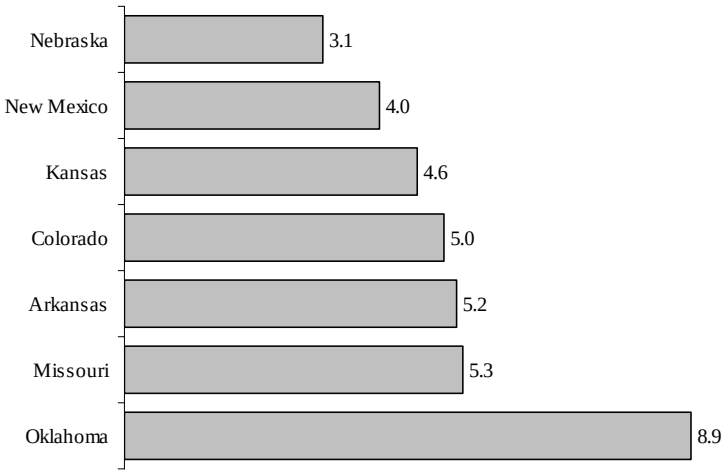
The at-capacity or over-capacity levels at DOC facilities and the Department's consistent budget struggles have put a strain on DOC employees in the form of poor morale, high turnover rates, high over-time expenditures and low corrections officer to inmate ratios. MGT made several recommendations concerning dangerously low-staffing levels at specific DOC facilities, but in general found that the Department has consistently dealt with annual budget constraints by reducing budgeted FTE levels and the associated personnel costs.

DOC Monthly Employment in FTE



One result of the low security level is the increasing rate of violence and inmate homicides in the prisons, which MGT noted is extremely high in Oklahoma. In FY'06, Oklahoma tied with California for most reported inmate homicides in the nation with six.

Inmates Per Correctional Officers in Peer States, FY'07



One recommendation which has already been signed into law is the lowering of the age requirement restriction on corrections officers from age 21 to 20. The Legislature also provided funding for the Department to provide signing bonuses and other incentives for corrections officers and medical staff.

Lastly, and perhaps most importantly, MGT recommended the Legislature should fund a full-year budget for the Department with clear assumptions on population, capacity, staffing, capital projects, and programs. The Legislature provided funding of $503 million in FY'09, which is projected to fully-fund the agency for the entire fiscal year.

INMATE DEMOGRAPHICS

The typical Oklahoma prisoner is a white male, 37 years of age who has dropped out of school after the 10th grade. He is being imprisoned after his first or second conviction and is serving his first prison term. His crime was most likely non-violent and drug-related. He is a heavy user of drugs or alcohol and he will serve slightly more than two years in prison, about 40 percent of a six-year sentence.

As of April 30, 2008

Inmate Count = 25,316

	Count	Percentage
Gender		
Male	22,638	89%
Female	2,678	11%
Race		
Caucasian	13,563	53.6%
African Am.	7,640	30.2%
Native Am.	2,294	9.1%
Hispanic	1,696	6.7%
Other	123	0.5%
Crime Type		
Violent	10,582	41.8%
Non-Violent	14,734	58.2%

Mental Illness

DOC reports that approximately 47 percent of all incarcerated offenders, 43 percent of males and 79 percent of females, have a history of or current symptoms of a mental illness. Twenty-six percent of incarcerated offenders, 23 percent of males and 52 percent of females have current symptoms of mental illness.

Education

Of new offenders entering the prison system in FY'08, the average reading level was 6.98 (sixth grade, ninth month) and approximately 48 percent claimed a GED, high school diploma or some college courses. In FY'08 8,769 offenders participated in some educational service.

Drug Abuse

Of the 8,772 offenders that entered DOC custody in FY'08, 64 percent were assessed to have a moderate to high substance abuse treatment need. In FY'08 923 offenders completed substance abuse treatment.

Of the 8,480 offenders released in FY'08, 76 percent needed but did not receive treatment.

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TOURISM

In Oklahoma, tourism offers its citizens two important commodities: economic development opportunities and recreational resources. The Oklahoma Department of Tourism and Recreation (OTRD) is the state agency that promotes development and use of the state parks, resorts and golf courses. The department also advances tourism by publicizing information about recreation facilities and events.

OTRD operates the following state facilities:

- 50 state parks;
- 5 resorts;
- 7 golf courses; and
- 12 Welcome Centers.

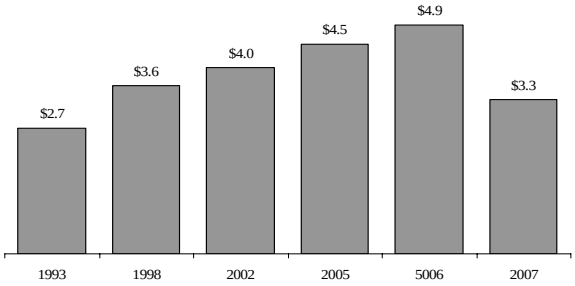
ECONOMIC IMPACT OF TOURISM

In 2006, Oklahoma tourism generated $5.3 billion in domestic travel spending, according to the Tourism Industry Association.

It is estimated that tourism accounts for 72,000 jobs in Oklahoma. In addition, tourism contributes to the development of the workforce for the companies that supply goods and services to the travel industry, from real estate brokers to cleaning services to grocery stores to gas stations.

In 2006, tourism contributed $842 million in federal, state, and local taxes. Travel-generated tax revenue is a significant economic benefit because governments use these funds to support travel infrastructure and help support a variety of public programs. Each dollar spent by domestic travelers in Oklahoma produced 10 cents for federal tax coffers, five cents in state tax receipts, and two cents in local tax funds.

Domestic Travel Spending in Oklahoma
(Billions of Dollars)



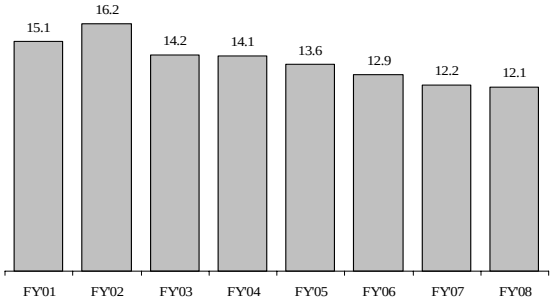
Source: Travel Industry Association and the U.S. Department of Commerce

STATE PARKS

Oklahoma features an extensive range of state park resources. From large state parks like Beavers Bend and Lake Murray, to the geographical dispersion of the parks throughout the state like Black Mesa and Natural Falls, park visitors can enjoy a multitude of natural resources. Oklahoma State Parks offer a great ecological diversity from the woodlands and lakes of the southeast to mesas and deserts of the panhandle. In fact, mile for mile, Oklahoma has the most diverse terrain in America. All parks offer a great array of natural environments which welcome both expert and novice nature enthusiasts.

Oklahoma's 50 state parks serve approximately 12 million visitors annually, ranking the 18th most visited in the United States. The parks are supported by approximately 300 full-time employees and 250 seasonal employees during the summer months.

State Park Attendance in Oklahoma
(In Millions)



The parks consist of more than $180 million in assets, including some 2,100 structures and buildings. Private entrepreneurs operate 56 leased concessions. These operations provide numerous services and recreational opportunities for guests, from miniature golf and horseback riding to marinas and restaurants.

Recent legislation has provided new funds for extensive capital improvement to the state parks system, partially in preparation for Oklahoma's centennial, but mostly due to need. In FY'07, slightly over $10 million in one-time monies was appropriated. On a continuing basis, the department will be receiving a portion of the REAP funds, and the sales and use tax revenues.

The portion of the REAP funds will be used to address environment improvements such as potable water, wastewater infrastructure, and erosion control.

The portion of the sales and use tax is estimated to be about $10 million each year. The following categories and allocations show how the Department plans on using the funds:

Facility Renovations	$3,800,000
Comfort Stations	$1,200,000
Campgrounds	$1,500,000
Accessibility/Trails	$700,000
Playgrounds	$1,700,000
Docks/Piers/Ramps	$800,000
Master Plan/Assessment	$300,000

STATE GOLF COURSES

The state owns and operates seven golf courses:

- Arrowhead Golf Course, Canadian
- Cedar Creek Golf Course, Broken Bow
- Fort Cobb Golf Course, Fort Cobb
- Grand Cherokee Golf Course, Langley
- Lake Murray Golf Course, Ardmore
- Roman Nose Golf Course, Watonga
- Sequoyah Golf Course, Hulbert

During the peak season, about 30 full-time employees work with 60 seasonal employees and volunteers to operate the courses located throughout the state. In FY'08, the courses generated over $3.4 million in revenue. In FY'08, 114,069 rounds of golf were played, a 21 percent decrease over FY'07.

State Golf Course Statistics
FY'03 Through FY'08

	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08
Total Rounds Played	161,608	158,052	158,070	158,010	138,415	114,069
State Appropriations	$1,397	$845	$882	$878	$776	$408
Total Golf Visitor Revenue	$4,352	$4,289	$4,435	$4,409	$4,029	$3,426
Revenue as a % of Total Budget	76%	84%	83%	83%	69%	59%
Total Golf Expenditures	$5,749	$5,134	$5,317	$5,287	$4,941	$4,941
Profit/Loss (Inc. minus Exp.)	$0	$0	$0	$0	-$136	-$1,107

STATE RESORTS AND LODGES

The Resort Division maintains three resort and two lodge properties, all located within our state parks. Each of our facilities include lodge rooms and cabin accommodations and offer amenities such as restaurants, meeting space, catering, recreational facilities and programs. Further, each of our resort parks provide our guests the opportunity to golf, fish, hike and indulge in a myriad of other activities. The resorts and lodges are geographically distinct and located throughout the state:

- Western Hills Guest Ranch is in the northeast section of the state, located near Wagoner, in the Sequoyah State Park;
- Lake Murray Resort is in south central Oklahoma, just outside of Ardmore and within the Lake Murray State Park;
- Roman Nose Resort is found in the Roman Nose State Park close to Watonga, in the central portion of the state;
- The Lakeview Lodge is in the southeast area of the state, near Broken Bow, within Hochatown State Park; and
- The Belle Starr Lodge is located in the Robbers Cave State Park near Wilburton, in southeast Oklahoma.

Each resort is designed with a theme reflecting the history of its area and the type of recreation it provides.

For FY'08, the resorts generated $4.9 million in revenue. Performing jobs from major maintenance to food service, about 85 full-time and 100 seasonal employees staff the facilities. Because the facilities are located in predominately rural locations, the resorts are major employers and contributors to the local economies.

OKLAHOMA WELCOME CENTERS

Welcome Centers serve as an information resource and rest area for travelers along Oklahoma's major highways and interstates.

Oklahoma operates 12 Welcome Centers:

- Thackerville
- Capitol Building, Oklahoma City
- Midwest City
- Miami
- Sallisaw
- Colbert
- Blackwell
- Erick
- Walters
- Catoosa
- Oklahoma City
- Cherokee Turnpike in Delaware County

These facilities are located at various points of entry to the state, in the major metropolitan areas, and the state capitol building. These 12 centers provide tourism-related materials to over 1.5 million visitors per year. Studies have demonstrated that for every three visitors who stop at a tourism information center, one is influenced to extend their stay in Oklahoma; thereby, additional dollars are added to the state and local economies.

OKLAHOMA TODAY MAGAZINE

Oklahoma Today covers the people, places, history and culture of Oklahoma in a manner designed to encourage readers to explore the state and its people.

As the official state magazine, *Oklahoma Today* tells the historic and contemporary story of Oklahoma to a worldwide audience. The magazine is

published bi-monthly beginning in January and ending in November. An extra issue, the *Year in Review*, is published in late January.

Oklahoma Today is produced by a staff of 12 full-time employees. The magazine also relies on the talent of freelance writers, photographers and art directors. *Oklahoma Today* has a paid circulation of almost 40,000 and a readership of approximately 150,000. The magazine is distributed to newsstands in Oklahoma and surrounding states and is available on selected newsstands and bookstores nationwide.

Oklahoma Today has received multiple awards for excellence. Named "Best Magazine in Oklahoma" for 2007 by the Society of Professional Journalist, *Oklahoma Today* has won the coveted "Magazine of the Year" title five times in the last decade and was named a finalist two times by the International Regional Magazine Association (IRMA).

OKLAHOMA FILM AND MUSIC COMMISSION

The office of the Oklahoma Film and Music Commission promotes, supports and expands film, television and music activities in Oklahoma. Activities of the division include research, scouting and evaluation of locations for film and television productions and coordinating the activities of the productions and the communities in which they shoot. That includes permitting, arranging clearances and serving as a liaison between the productions and state and location officials, institutions, businesses and the media.

The division administers two incentive programs: The Oklahoma Film Enhancement Rebate Program and the Point-of-Purchase Oklahoma Sales Tax Exemption.

The Oklahoma Film Enhancement Rebate program, funded up to $5 million per year in 2005, offers a 15 percent rebate to qualifying productions with a minimum $500,000 budget and a minimum $300,000 Oklahoma expenditure.

The Point-of-Purchase Oklahoma Sales Tax Exemption is offered to qualifying productions on goods and services to be used in the production. There is no minimum budget or expenditure requirement.

There are also two tax credits designed to support and grow Oklahoma's film and music industries. Oklahoma taxpayers can experience a 25 percent tax credit when they invest the profits of one film or music project produced in Oklahoma into a subsequent project to be produced in Oklahoma. There is also a 10-25 percent tax credit for construction of Oklahoma film or music facilities.

Film Enhancement Rebate Program Funding History

The following is a history of rebate funding and expenditures, a list of films shot in Oklahoma in the last decade and Film & Music Office budgets and staff since 1993.

History of Rebate Funding Prior to 2005		
FY'01	Initial Seed money from legislature	$150,000.00
FY'02	Legislative appropriation	$44,000.00
	ACOG Funding (initial amount)	$70,000.00
	ACOG Funding (final amount)	$115,187.50
	Amount Funded Prior to 2005	**$379,187.50**

History of Rebate Expenditures Prior to 2005	
2002 *Cock Fight*	$58,425.14
2003 *Sam and Janet*	$38,860.88
2003 *The Christmas Child*	$158,697.00
2004 *Return to Sender*	$123,204.48
Total Payouts	**$379,187.50**

Films made in Oklahoma in 2007 and 2008:

"Splinter" (2007)
"Rainbow Around the Sun" (2007)
"Fingerprints" (2007)
"Ivory" (2007)
"Okie Noodling II" (2007)
"Unsolved" (2007)
"Stanton Family Grave Robbery" (2007)
"Barking Water" (2008)

TRAVEL AND TOURISM

Native America

Over the past several years, Oklahoma's tourism marketing campaign has evolved to represent the state's growing tourism opportunities and attractions. The campaign as always featured the "Oklahoma Native America" theme line as a brand identity designed to provide an image for Oklahoma which reflects our state's rich Native American culture and heritage, as well as the vast natural beauty and diversity found here.

Oklahoma maintains the largest Native American population per capita of any state in the country. Many of the over 260,000 Native Americans are descendants of the original 67 tribes inhabiting Oklahoma, formerly known as Indian Territory. Currently, 39 Native American tribes have their tribal headquarters here in Oklahoma. The name "Oklahoma" itself is a Choctaw name meaning "Red People".

Oklahoma is also home to the one of the most ecologically diverse regions in the country. Distinct eco-regions offer a variety of recreation opportunities for citizens and visitors alike. Oklahomans can enjoy activities ranging from boating and fishing on the beautiful lakes in the northeast to hiking and rock climbing on the rocky cliffs in the southwest, and from riding off-road vehicles across the sand dunes in the arid deserts of the northwest to kayaking and observing nature in the lush pine forests of the southeast.

In 2004, the department extended the “Oklahoma Native America” theme line by implementing the highly successful OKLA campaign. Responses have increased an astonishing 253 percent since implementation of the state’s OKLA tourism advertising campaign in 2004.

Advertising

For FY'08, the Department spent $5.2 million on domestic advertising. These funds were derived from revenue collected from the sales and use tax. In FY’07, the Department is budgeting $4.7 million for domestic advertising. Return on the advertising dollars has grown from $7.70 to $32.54 in 2007. Total direct spending attributed to the Department’s tourism advertising totaled $68.8 million in 2007.

During the 2006 legislative session, legislation was passed that repealed the Tourism Tax. However, the law also earmarked 0.93 percent of sales and use tax revenues to replace the Tourism Tax revenue. Beyond advertising, those funds will be used for capital improvements in state parks.

TRIP (Travelers Response Information Program)

TRIP (Travelers Response Information Program)

	FY'08
General Information Calls	21,055
Parks/Resorts Calls	4,890
E-Mail Requests	1,739
Total Counselor-Assisted Inquiries	***27,684***

Literature Requests

	FY'08
Phone	14,760
Voice Mail	1,594
U.S. Mail	1,256
E-Mail	440
Website	31,389
Reader Service	27,649
Total Literature Requests	***77,088***

Website Activity
www.travelok.com

	FY'08
Total Visitor Sessions	4,624,361
Total Unique Visitor Sessions	1,692,866
Total Page Views	34,370,430
Average Sessions Per Day	12,289
Average Length of Session	12:04

NACEA

The Native American Cultural and Educational Authority (NACEA) was created in 1994 to construct and operate the American Indian Cultural Center and Museum for generating awareness and understanding of the history of tribes and their relationship to Oklahoma today. Originally, the state would cover one-third of the construction cost, the federal government would cover one-third, and the final third would come from private donations or the tribes. The total cost of construction was estimated at $150 million. However, due to budget restraints, the federal government is not expected to be able to fulfill its portion of the funding. Therefore, during the 2008 session the Legislature authorized another bond for $25 million to further fund the construction of the center. (SB 1374) Operational funding and bond debt service funding for NACEA is actually a line-item in the Oklahoma Department of Commerce's state appropriation amount.

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TRANSPORTATION

The mission of the Oklahoma Department of Transportation (ODOT) is to provide a safe, economical and efficient transportation network for the people, commerce and communities of Oklahoma. Because many experts cite quality roads as an essential element in creating and maintaining healthy economies, Oklahoma's legislative leaders have made an effort to reverse the state's historically low investment in transportation issues. This chapter summarizes the challenges facing ODOT and highlights recent initiatives intended to create solutions.

BACKGROUND

In 1995, ODOT released a comprehensive highway needs study which calculated a $4.57 billion backlog of construction needs on state highways. At that time, state fuel taxes were the only significant source of revenue for highway construction, and a projected fuel tax growth of 2 percent annually would never bridge the gap between revenues and needs.

To address these funding shortfalls, both ODOT and the Legislature have enacted various policies over the past decade:

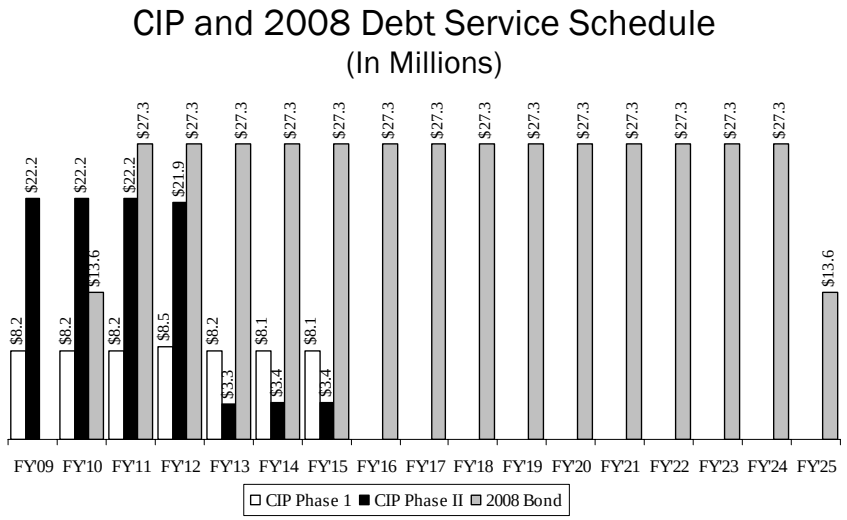
- ODOT decreased its payroll by 323 FTE or 13 percent from FY'96 to FY'06;
- The department outsourced more functions, particularly mowing and engineering;
- The Legislature authorized the use of more inmate labor for routine maintenance projects (litter removal, guardrail repair and other manual tasks);
- The legislature created the ROADS fund, which will infuse $2.3 billion to ODOT between FY'08 and FY'16.

CIP AND 2008 BOND ISSUES

In an effort to address the state's highway needs, the Legislature adopted HB 1629 (1997), which provides a plan for $1.01 billion in new revenues for highway construction. Using a combination of appropriated funds and bond sale proceeds, the Capitol Improvement Program (CIP) nearly doubled the annual amount spent for state highway construction. Of the $1.01 billion total, $560 million is provided as direct appropriations to ODOT and another $450 million was raised through bond financing.

Beginning in 2006 under HB 1176, ODOT is now liable for the CIP debt service. As the debt service requirement is reduced the difference between the annualized amount and the debt service requirement will be available for roads and bridges.

During the 2008 session, HB 2272 was enacted which directed even more bond proceeds to ODOT. The bill authorized the sale of $300 million in bonds in two issues, the first $150 million no earlier than August 1, 2009 and the second $150 million no earlier than August 1, 2010. The Oklahoma Capitol Improvement Authority (OCIA) will also issue these bonds



GARVEE BONDS

Grant Anticipation Revenue Vehicles (GARVEE bonds) are a financing instrument that enables states to fund transportation projects based on their anticipated future federal funding. States and local agencies can issue GARVEE bonds for transportation projects using future federal highway funds to repay the principal, interest, and any other costs associated with the issuance of the bonds.

The use of GARVEE bonds was authorized at the federal level by the National Highway System Designation Act of 1995.

In October 2000, the Contingency Review Board (comprised of the Governor, House Speaker and Senate Pro Tempore) authorized the sale of $799 million in GARVEE bonds; an additional $250 million was approved in February 2002, bringing the total to $1.05 billion. Authority to use the GARVEE bond program was included in HB 2259 (2000). As envisioned, this program would finance 12 bond projects across the state in an effort to enhance economic development. According to ODOT, completion of these projects will leave all Oklahoma cities with a population of 10,000 or more with four-lane highway access to the interstate system. Once issued, the bonds will be retired over a ten-year period using future federal highway appropriations.

The GARVEE program was on hold for three years while the state Supreme Court considered several challenges to its constitutionality, ranging from a separation of powers conflict (the Contingency Review Board) to the question of whether the issue of bonds would incur a statewide debt and thus required a vote of the people. The Council on Bond Oversight was created to answer the former argument while the Court ruled the latter lacked merit.

All legal hurdles were cleared by December 2003 and the Court then approved an initial $100 million issue of GARVEE bonds. The first contract – a $4.1 million project to improve almost three miles of U.S. 70 in southeastern Oklahoma – was let in May 2004.

GARVEE PROJECTS
(Cost in Millions)

US 70 from I-35 to Durant	$13.4
US 70 from Idabel to Hugo	$65.1
SH 99 from SH 39 to SH 59 between Ada and Seminole	$29.8
US 59 from US 271 to I-40 between Poteau and Sallisaw	$26.7
US 183 from US 70 to I-40 between Davidson and Clinton	$23.4
SH 3 from SH 34 to SH 33 between Woodward and Watonga	$3.2
SH 88 from US 412 to I-44 between Inola and Claremore	$1.9
US 169 from I-244 to 21st St. in Tulsa	$13.4
US 77 from I-44 to Memorial Rd. (Broadway Extension)	$3.0
Broadway Extension (OKC) between NW 36th and NW 63rd (includes I-44 interchange)	$38.7
I-44 from Riverside Drive to Memorial	$69.1

CROSS-TOWN EXPRESSWAY – OKLAHOMA CITY

In May 2002 the Federal Highway Administration (FHWA) approved ODOT's Crosstown Expressway project, the largest single such undertaking in Department history. ODOT, the FHWA, the City of Oklahoma City and the general public had labored since 1996 to solve the problem of an ever-growing I-40 traffic load with the least impact on the affected area and community. The current elevated roadway - completed in the early 1960's - was designed to accommodate 70,000 vehicles per day; today's traffic count numbers 100,000 daily users. Because of the age of the roadway and the increased traffic, it became clear that prompt action was necessary to keep traffic safe and flowing.

Total costs for the new Crosstown Expresses are at estimated at $547 million; all funding will derive from federal sources. If the monies are secured in a timely fashion ODOT plans a 2012 completion date.

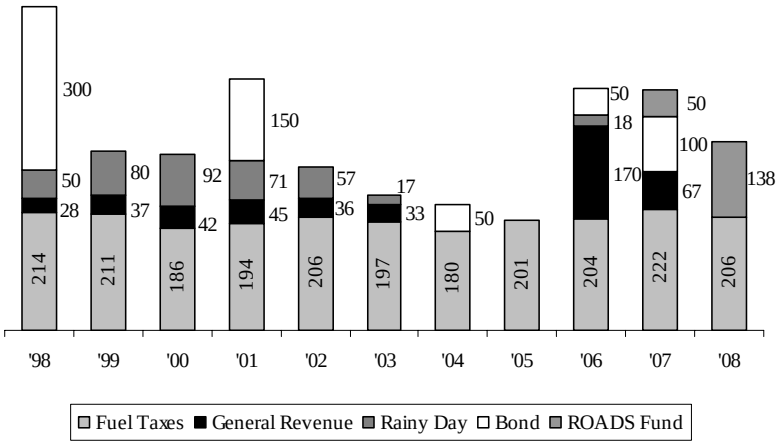
FUNDING FOR STATE HIGHWAYS

Total monies available for support of the state transportation system have increased by $412.9 million or 61 percent between FY'98 and FY'08. This is largely due to an increase in federal funds and state appropriations.

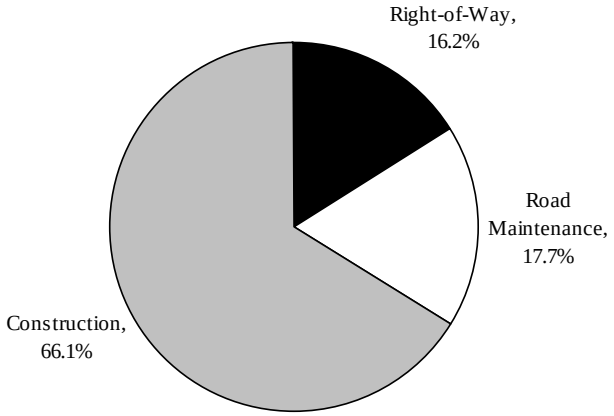
ODOT Revenue Sources Comparison
FY'98 and FY'08

	FY'98		FY'08	
Funding Source	Dollars (in millions)	Percent of Total	Dollars (in millions)	Percent of Total
Appropriation	$288.9	47.0%	$206.9	17.3%
Revolving Funds	$29.5	4.8%	$166.1	13.9%
Federal Funds	$296.3	48.2%	$679.3	56.9%
ROADS Fund	$0.0	0.0%	$142.5	11.9%
Total	$614.7	100.0%	$1,194.8	100.0%

History of ODOT Highway Construction Fund Receipts
FY'98 Through FY'08 (In Millions)



FY'08 ODOT Actual Expenditures by Program
($900.4 Million)



Highway construction projects have a significant impact on the economy of Oklahoma. ODOT reports that for every $1 million in highway construction projects granted to an Oklahoma-based contractor, about 90 jobs are created and about $840,000 is expended on indirect salaries and materials.

ROADS FUND

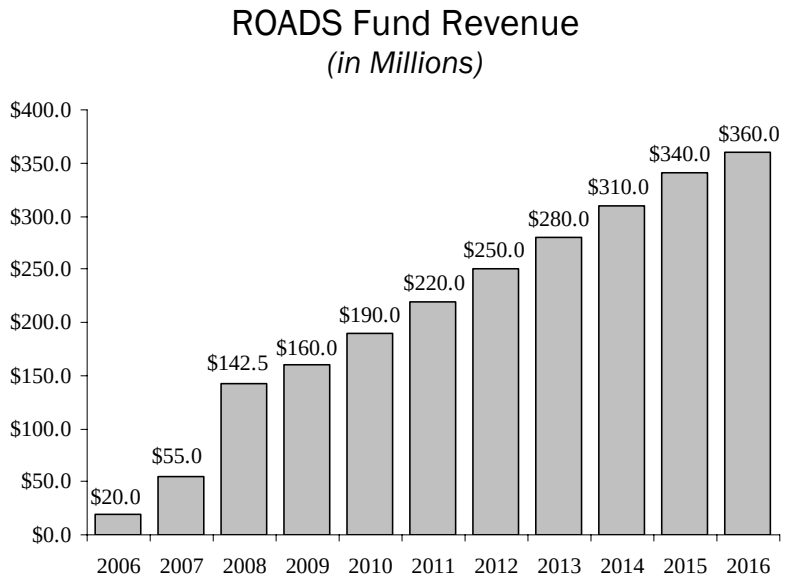
During the 2005 session a historic piece of legislation was passed that would help infuse funds into the Oklahoma Department of Transportation for years to come. HB 1078 created the Rebuilding Oklahoma Access and Driver Safety (ROADS) Fund. Initially, the fund would provide funding for the maintenance and repair of state highways and bridges and would increase incrementally ($17.5 million if the percentage of General Revenue Fund growth is less than 3 percent compared to the previous year, $35 million if growth is 3 percent or better) until reaching the amount of $170 million.

However during the 2006 legislative session, another major measure was introduced and passed to help further address state road and bridge funding. HB 1176XX, passed in 2006, built upon HB 1078 to dramatically increase funding for the State's transportation infrastructure. The bill:

- Changed the State Transportation Fund into a revolving fund;
- Apportioned 5 percent of all fees, taxes and penalties collected or received pursuant to the Oklahoma Vehicle License and Registration Act to the County Improvements for Roads and Bridges Fund for the fiscal year beginning July 1, 2007 (FY'08). This apportionment will grow to 10 percent in FY'09 and 15 percent in FY'10 for a total annual fiscal impact of approximately $85 million;
- Increased the cap on the ROADS fund from $170 million to $270 million and increases yearly apportionment growth from a maximum of $35 million a year to $50 million a year.

During the 2008 session a third improvement to the ROADS fund was passed. HB 2272 built even further on the previous ROADS bills by:

- Removing the 3 percent annual trigger for additional funding, which will provide for a consistent annual increase of $30 million.
- Increasing the total allocation to the ROADS fund from $270 million to $370 million.
- Authorizing the sale of $300 million in bonds in two issues, the first $150 million no earlier than August 1, 2009 and the second $150 million no earlier than August 1, 2010. The Oklahoma Capitol Improvement Authority (OCIA) will issue the bonds and ODOT will service the debt on the new financings



FUNDING FOR COUNTY ROADS

The County Bridge and Road Improvement Fund was established within ODOT to receive motor fuel tax receipts that are apportioned directly by statute for maintenance, repair, and replacement of county roads and bridges (as prescribed by the County Bridge and Road Improvement Act). These funds are allocated among the various counties by ODOT. To receive monies, a county must submit to ODOT a project plan for repair or replacement of a county road or bridge. Projects are approved by the Transportation Commission and contracts are awarded subject to the state competitive bidding process. As work progresses contractors submit progress billings to ODOT for payment from the fund.

The apportionment of funds from the County Bridge and Road Improvement Fund is based on factors developed by ODOT, taking into consideration the following:

- the county's share of total state road mileage;
- the county's share of statewide vehicle miles driven annually, measured by ODOT; and
- effects of terrain on road improvement and maintenance costs. Flat terrain is presumed to be 15 percent less costly than rolling terrain, and mountainous terrain is 15 percent more costly than rolling terrain. Thus, a county with less-than-average mountainous terrain receives a reduced apportionment.

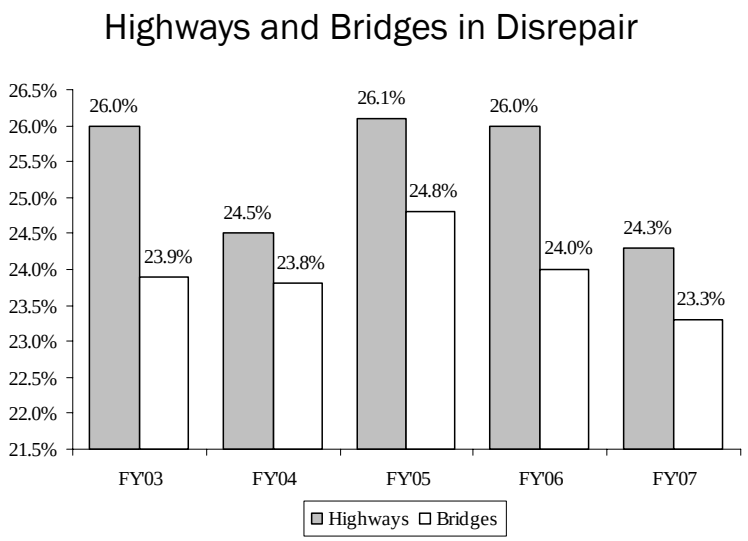
The following table shows how the various factors influence apportionment in three counties: one that is a relatively mountainous eastern county, a flat western county and an urban county with high traffic volume:

	Mountainous LeFlore Co.	Flat Terrain Harper Co.	High Traffic Oklahoma Co.
Cost Factor	2.33	0.98	2.27

In the 2006 Legislative Session, funding for county roads was addressed in two separate bills. SB 1288 appropriated $25 million in one-time funds to the County Bridges and Road Improvement Fund for the repair of county roads and bridges in the state. HB 1176 apportioned 5 percent of all fees, taxes and penalties collected or received pursuant to the Oklahoma Vehicle License and Registration Act to the County Improvements for Roads and Bridges Fund for the fiscal year beginning July 1, 2007 (FY'08). This apportionment will grow to 10 percent in FY'09 and 15 percent in FY'10 for a total annual fiscal impact of approximately $85 million;

In the 2008 Legislative Session, HB 2381 created the "Emergency and Transportation Revolving Fund" and transferred $25 million from the State Highway Construction and Maintenance Fund to the newly created fund. The new fund will be administered by the counties and used for emergency transportation needs within the state.

STATE ROAD AND BRIDGE SYSTEM STATISTICS

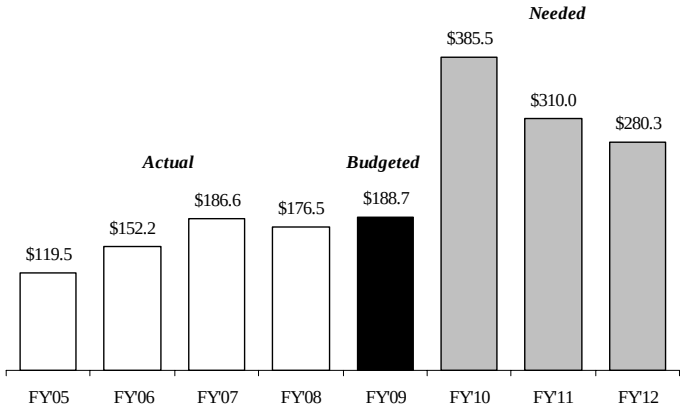


It should be noted that with the additional funding that ODOT received beginning in FY'06, and increasing over the next few years, the agency expects these percentages to decrease substantially.

MAINTENANCE

ODOT calculates a backlog of special maintenance projects (major road resurfacing, widening, bridge repair, etc) in excess of $1 billion; and it estimates average funding needs of $289 million for each of the next five fiscal years (FY'08 through FY'12) to bring the state's roads, highways and bridges up to minimum standards. In FY'08 ODOT allocated $185.1 million to its maintenance budget; the estimated FY'09 budget is $182.6 million.

Maintenance Budget
Past Funding/Future Needs
(In Millions)



OKLAHOMA TURNPIKE AUTHORITY (OTA)

Revenue

OTA is a non-appropriated state agency (it receives no state or federal dollars) that administers the state's turnpike system; all revenues are derived from tolls, concessions and fines. Over the past several years the system has experienced a gradual increase in toll revenues, from $129.8 million in 1999 to a projected $196.4 in 2006. This represents a 66 percent growth, which the Authority attributes to the completion of turnpike extensions, a 15 percent toll hike and a heavier volume of traffic. A portion of state excise taxes for fuels consumed on turnpikes is made available to the agency for bond debt payment in the event that revenues fall short of debt requirements; to date that has not occurred, and the agency has "passed some $310 million through" to ODOT since 1992.

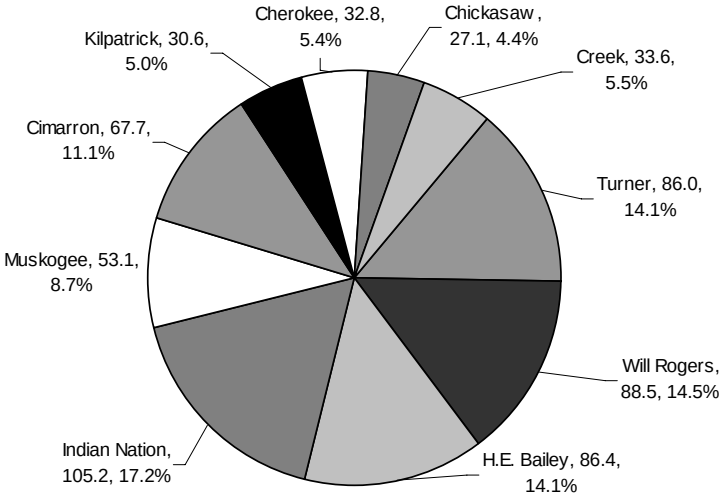
Financial Obligations

The financial structure of the turnpike system is based on "cross-pledging": costs incurred and revenues received are combined. Debt payment, then, is based on the total amount, not on an individual turnpike within the system. Total outstanding bond debt is $2.09 billion: $1.2 billion in principal, with $891 million in interest paid by the time the bonds are retired in 2028. Debt service was $98.0 million for Calendar 2008; annual payments will hold steady through 2022, and then fall off to the $50 million range until retirement.

Maintenance

Started in 1994, the OTA Capital Plan identifies maintenance (repair, rehabilitation, and improvement) expenditures on a five-year basis; it is updated annually. The current Five-Year Plan (2007-2011) estimates expenditures of $359.1 million.

System Statistics

In January 1998, OTA was authorized to issue bonds for the construction of five new turnpike completion and/or improvement projects: Kilpatrick, Turner, Muskogee, Will Rogers, and H.E. Bailey. Bonds totaling $678 million were issued that year; all projects were completed during calendar 2002. Oklahoma's 612 total turnpike miles account for 5 percent of the state's highway system. This amount ranks second nationally (New York is first); by regional comparison Kansas, a state demographically similar (highway system mileage, industrial usage, weather, etc.), has some 250 miles of turnpike roads.

Turnpike Mileage/System Percentage