



Oklahoma Tax Commission

FY 2027 Budget Hearing Presentation

Submitted by: Doug Linehan, Executive Director

Executive Leadership Team

Doug Linehan Executive Director

Elizabeth Field General Counsel

Joe Gappa Deputy Executive Director

Jessica Grogis Deputy Executive Director

Mathangi Shankar Chief Financial Officer

Karissa Whalen Chief Human Resources Officer



The Oklahoma Tax Commission (OTC), as an agency, administers the collection and distribution of approximately 75 different taxes, licenses and fees. It is the OTC's statutory duty to apportion such revenues to the various state funds and to allocate directly to local units of government certain state-collected levies earmarked to counties, school districts and municipalities. Under contract with individual municipalities, the OTC is responsible for administration, collection and distribution of local sales and use tax levied by the cities and towns of Oklahoma.

Founded in 1931, the OTC is comprised of the following divisions:

Ad Valorem

Administration

Audit Services

Business Operations

Business Tax Services

Central Processing

Collections

Digital Communications & Marketing

Headquarters

Human Resources

Income Tax Accounts

Innovation/Information Technology

Learning & Development

Legal Services

Tax Policy & Research

Taxpayer Resources Center

Agency Vision, Mission and Core Values

Mission: Promote tax compliance through serving taxpayers with transparency and fairness in administration of the tax code and unparalleled customer service.

Core Values:

- Transparency and fairness in administration of the tax code
- Unparalleled customer service
- Drive efficiencies through innovation
- Creating a great place to work



Accomplishments

Top accomplishments for FY 2025 – FY 2026

- 1) Successfully streamlined Parental Choice Tax Credit (PCTC) program in year two of existence, by significantly enhancing and simplifying the taxpayer and school experience. Feedback from all parties has been overwhelmingly positive.
- 2) Successfully launched the transformation of the OTC Taxpayer Resource Center (TRC) (OTC's taxpayer contact center) on July 1, 2025, by overhauling all aspects of the TRC including people, processes, technology and culture. The first five months in this new environment has been measurably better for taxpayers, tax preparers and employees.
- 3) Significantly increased the amount of collections handled by OTC employees (as opposed to "outside collections agencies") thereby significantly reducing outside collection agency fees paid by taxpayers.
- 4) Continued to enhance the efficiency and effectiveness of the OTC by further reducing production "backlogs" that have been in existence dating back as far as ten years.
- 5) Awarded Top Workplaces in Oklahoma for calendar 2024 and awarded Top Workplaces in Oklahoma and USA Today Top Workplaces for calendar 2025. Annual employee turnover reduced from 30% to 11% (2022 vs. 2025).
- 6) Continue to reduce reliance on legislative appropriated dollars to fund our operations. OTC is requesting appropriated funds for fiscal 2027 of \$31.2 million, a reduction of \$3 million, or 9%, from fiscal 2026 appropriated amount. Fiscal 2027 requested appropriated funds is 22% less compared to fiscal 2022.
 - 1) Due to operating efficiencies and strong revenues from 1) our Audit division and 2) OTC fees earned for processing applicable city and county taxes, the OTC previously discussed with the legislature and governor's office its desire for the legislature to sweep \$40 million from OTC revolving funds. Since those meetings, the OTC cash position has continued to increase, and we are now suggesting the legislature sweep \$50-\$60 million from OTC revolving funds (please see slides 13-14 for additional discussion).



Analysis of Agency Challenges

| | Challenge Description | Current Actions (Briefly describe how the agency is currently addressing the challenge.) | Planned Actions (Briefly describe how the agency plans to address the challenge going forward.) |
|---|---|---|--|
| 1 | Historical lack of focus on customer service from the OTC | On July 1, 2025, the OTC went live in new environment (i.e., people, process, technology and culture). We have been planning for new environment for almost 18 months). Very positive results in first five months of new environment. | Over the next 24 months continue to optimize the Taxpayer Resource Center (see goals). |
| 2 | Continue Optimization of Backend Technology (reduce manual processes and drive incremental audit/compliance revenues) | Prioritizing the following tax types with respect to continuing to optimize associated technology and reduce manual processes...Ad Valorem, Corporate Income Tax, Gross Production, OKTap Enhancements, Audit enhancements and POA simplification/processing. | Allocating/Prioritizing development time to these specific initiatives to complete these technology enhancement initiatives over the next 24 months. |



Savings & Efficiencies (Current)

| Savings or Efficiency Name | Brief description of how savings were achieved | Savings in Unit of Measurement* | FY 2025 (Actual \$ Savings) | FY 2026 (Projected \$ Savings) | FY 2027 (Projected \$ Savings) |
|---|---|---|-----------------------------|--------------------------------|--------------------------------|
| Parental Choice Tax Credit Program | Brought “front end” of program (i.e., taxpayer and school interface) in house and significantly enhanced taxpayer and school experience | Feedback received from taxpayers and schools has been overwhelmingly positive as to their experience in year 2 vs. year 1. | | | |
| Taxpayer Resource Center Transformation | Went “live” in new TRC environment on July 1, 2025 | Avg. wait times from multiple hours to 10 min; Customer Experience Survey Results 4.6 out of 5.0; Call abandon rate from 60% to 10%; Over 15,000 calls handled entirely by automated system (no human touch); Call Summary Time reduced by 2/3; Spanish speaking experience; etc. | | | |
| Taxpayer Waiver Request Processing | Simplified, Optimized and Automated Processes | Taxpayer interest and penalty waiver request processing time has historically taken 3 years; Now averages 3 months. | | | |
| Business Tax Credits/Refunds | Simplified, Optimized and Automated Processes | Backlog has been reduced from over 17,000 to under 4,700, or 70%. Backlog has not been this low since 2015. | | | |
| Outside Collection Agency Fees paid by Taxpayers | Simplified, optimized and automated processes to reduce reliance on outside collection agencies (and maximize internal collections) | Collections sent to outside collection agencies reduced from 60% of total collections to 30%. | | | |

** Hours, FTE, square feet, etc.*



Agency Goals and Key Performance Metrics

| Goal | | Metric | FY 25 Target | FY 25 Actuals | FY 26 Target |
|------|--|--|---|---------------|--------------|
| 1 | Optimize Taxpayer Resource Center | First Call Resolutions; Call Wait Times; Spanish Speaking Experience; Call Summary Time; Fully Automated Calls (no human touch); Leverage Chatbots; etc. | Optimize over next 24 months (all about enhancing taxpayer experience) | | |
| 2 | Optimize Technology to Reduce Manual Processes | Prioritizing the following tax types with respect to continuing to optimize associated technology and reduce manual processes...Ad Valorem, Corporate Income Tax, Gross Production, OKTap Enhancements, Audit enhancements and POA simplification/processing | Allocating/Prioritizing development time to these specific initiatives to complete these technology enhancement initiatives over the next 24 months | | |



Projects for FY 2026 and FY 2027

- 1) TRC Optimization (please see prior slides)
- 2) Continuing to optimize technology in the following areas and reduce reliance on manual processes (please see prior slides)
 - 1) Ad Valorem Taxes
 - 2) Corporate Income Taxes
 - 3) Gross Production Taxes
 - 4) OKTap Enhancements
 - 5) Audit Division Processing Optimization
 - 6) Powers of Attorney (POAs) Optimization



Total Historic Actual Expenditures (FY 2021-25) and Current Year Budget (FY 2026)

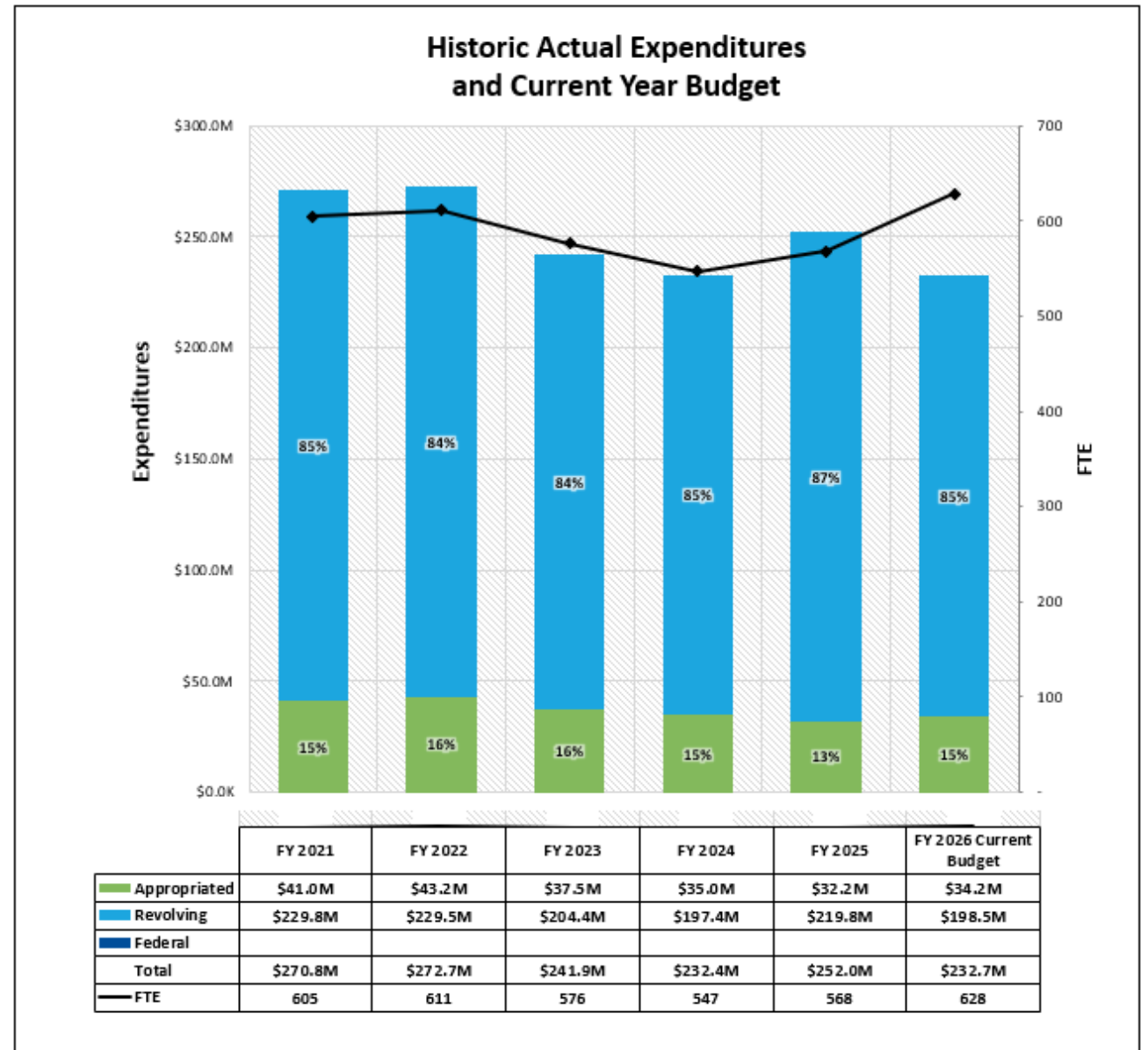
Explanation of Changes and Trends

The FY26 budget revolving fund total does not include reimbursements to counties from the Ad Valorem Reimbursement Fund. The historical actuals for FY20-25 contain the Ad Valorem reimbursement expenditures made during those fiscal years.

FY26 budget revolving fund total includes unexpended prior year and current year obligations for the film rebate program.

Difference in headcount for FY 26 due to vacant positions the OTC is currently filling for the optimization of the Taxpayer Resource Center and Information Technology services.

FY26 Appropriated budget excludes prior year carryover funds.



Estimated Impact of Federal Funding Changes

| Program Name | Federal Agency | Description of expected change (s) (i.e. change in state match, admin costs, program requirements or client eligibility, etc.) | Actual FY 25 Total Federal Funding Received (\$) | Projected FY 26 Total Federal Funding To Be Received (\$) | Estimated FY 27 Total Federal Funding To Be Received (\$) |
|---|----------------|---|---|--|--|
| Oklahoma Tax Commission Receives No Federal Funding | | | | | |

* Only list programs with federal funding that are expected to change. Refer to the agency’s Federal Funds Schedule in the Budget Request document.



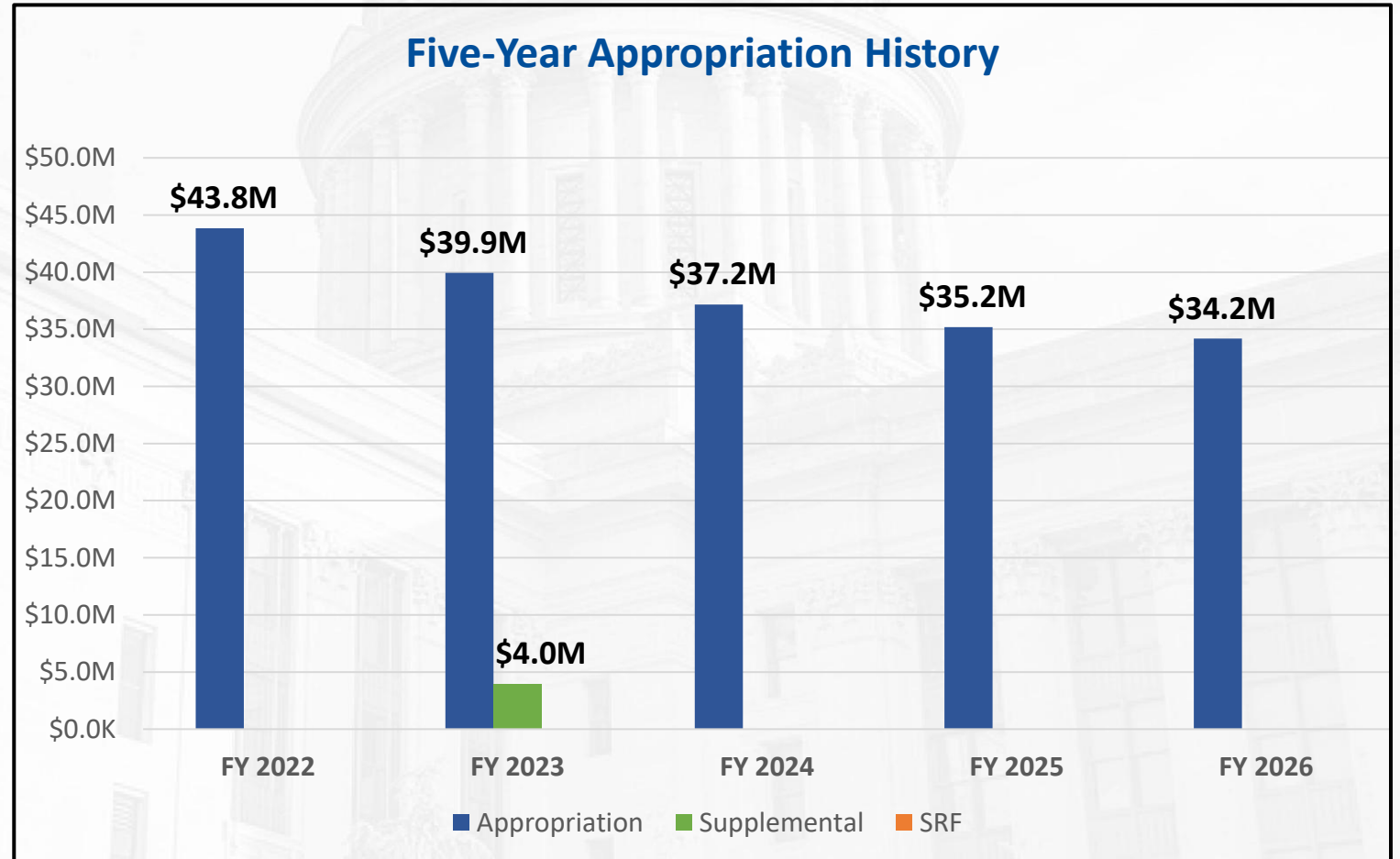
FY 2026 Budgeted Full Time Equivalents (FTE)



| | FY 2026 Budgeted FTE |
|------------------------------------|----------------------|
| Total FTE | 628 |
| Supervisor FTE | 140 |
| Supervisors to Total FTE Ratio (%) | 22% |
| Current Budgeted but Unfilled FTE | 52 |

Appropriation History

| Fiscal Year | Legislated Appropriation (\$) <i>(Includes supplementals and SRF/ARPA.)</i> |
|-------------|--|
| FY 2022 | \$43,844,417 |
| FY 2023 | \$43,924,417 |
| FY 2024 | \$37,174,417 |
| FY 2025 | \$35,174,417 |
| FY 2026 | \$34,174,417 |



FY 2027 requested appropriated funds of \$31.2 million.



Financial Resource Analysis

| Carryover | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---------|---------|-------------|---------|
| Total appropriated carryover amount expended (\$) | \$ | \$ | \$2,429,317 | \$ |

| Historical Cash Balances | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|--------------|---------------|---------------|---------------|
| Year End Revolving Fund Cash Balances <i>(All Revolving Funds)</i> | \$90,045,651 | \$133,707,393 | \$151,494,873 | \$197,405,193 |

| Revolving Class Fund # <i>(Unrestricted only)</i> | Revolving Class Fund Name <i>(Unrestricted only)</i> | Current cash balance (\$) | Projected FY 2026 year-end cash balance (\$) |
|--|--|---------------------------|--|
| 20000 | OK Tax Commission Revolving Fund | \$69M | \$77M |
| 21500 | OK Tax Commission Reimbursement Fund | \$22M | \$21M |
| | Total Unrestricted Revolving Fund Cash balance: | \$91M | \$98M |



Unrestricted funds are those that are not limited by state or federal law, rule, regulation, other legally binding method, or donor restriction.

Financial Resource Analysis (cont'd.)

| Revolving Class Fund # (Unrestricted only) | Revolving Class Fund Name (Unrestricted only) | Current cash balance (\$) | Projected FY 2026 year-end cash balance (\$) |
|---|---|---------------------------|--|
| 20000 | OK Tax Commission Revolving Fund | \$69M | \$77M |
| 21500 | OK Tax Commission Reimbursement Fund | \$22M | \$21M |
| | Total Unrestricted Revolving Fund Cash balance | \$91M | \$98M |

| Fiscal Year | Agency's plan to deploy cash | \$ Range |
|-------------------------|---|----------------|
| FY 2026 2027 | Optimize Taxpayer-Facing System (OkTAP) | \$5.0M |
| | Optimize External Website | \$3.5M |
| | Implement Updated Version of Tax Op. System | \$3.0M |
| | Implement "AI" Initiatives | \$2.5M |
| | Optimize Taxpayer Resource Center Space | \$1.0M |
| | Total | \$15.0M |

Note 2: OTC does not believe its net cash position will continue to grow at the pace it has grown in the past because 1) we are much more proactive in our recruiting efforts (i.e., filling historically open roles faster) and 2) we are currently executing the state's compensation philosophy which we believe will add approximately \$7M of additional annual operating expenses. On average, OTC has historically paid employees in the 50% of market median range as opposed to the state's desired 90% of market median range.

Note 1: In previous discussions with the legislature and governor's office, OTC suggested sweeping \$40M from OTC revolving funds. OTC currently suggests the legislature sweeping \$50M-\$60M due to strong cash position as seen in the table above.

In addition to planned investments, ideally the OTC would maintain an additional cash reserve of approximately \$20M. A significant portion of OTC revenue comes from processing county/city sales and use taxes for which the OTC earns 0.5% of amounts collected (by statute). The previous three years have been very strong from a tax revenue base perspective and that strength has contributed to our strong cash position. The \$20M would be in place to address a reduction in future tax collections which would negatively impact our revenue/cash position.



FY 2024 – 2025 Appropriation Change Review

| <i>Purpose of appropriation increase or decrease</i> | <i>Amount FY 2024</i> | <i>Amount FY 2025</i> | <i>Total amount received FY 2024 - 25</i> | <i>Total amount expended by 11/1/2025</i> | <i>Included in FY 2026 approp? (Yes/No)</i> | <i>If not expended fully, please explain.</i> |
|--|-----------------------|-----------------------|---|---|---|--|
| Requested appropriation decrease | \$37.2M | \$35.2M | -\$2M | N/A | No | As seen on slide 12, the OTC continues to reduce reliance on legislative appropriated dollars to fund its operations. OTC is requesting appropriated funds for fiscal 2027 of \$31.2 million, a reduction of \$3 million, or 9%, from fiscal 2026 appropriated amount. Fiscal 2027 requested appropriated funds is 22% less compared to fiscal 2022. |
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**Do not include SRF / ARPA appropriation increases.*

FY 2026 Appropriation Change Review

| <i>Purpose of appropriation increase or decrease</i> | <i>Amount of increase or decrease (\$)</i> | <i>Does this need to be included in your FY 2027 appropriation? (Yes/No)</i> | <i>If yes, included in appropriation for same purpose? (Yes/No)</i> | <i>If not included for same purpose, please explain.</i> |
|--|--|--|---|--|
| Requested appropriation decrease | -\$1M | No | N/A | As seen on slide 12, the OTC continues to reduce reliance on legislative appropriated dollars to fund its operations. OTC is requesting appropriated funds for fiscal 2027 of \$31.2 million, a reduction of \$3 million, or 9%, from fiscal 2026 appropriated amount. Fiscal 2027 requested appropriated funds is 22% less compared to fiscal 2022. |
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