OKLAHOMA SENATE
OVERVIEW OF STATE ISSUES
2018
Overview of State Issues

October 2018
INTRODUCTION

Oklahoma Senate Overview of State Issues is designed to provide a convenient summary of policy, 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
- Bonds ...................................................................................... 21
- Oklahoma Taxes ......................................................................... 27

Agriculture .................................................................................. 65

Education
- Common Education .................................................................... 73
- Career and Technology Education ............................................. 97
- Post-Secondary Education ......................................................... 105

Energy and Environment ............................................................. 121

Health and Social Services
- State Department of Health ...................................................... 133
- Medicaid .................................................................................. 143
- Mental Health and Substance Abuse Services ......................... 155

Human Services
- Department of Human Services ................................................ 169
- Juvenile Justice ......................................................................... 203

State Personnel Issues ................................................................ 217

Public Safety and Corrections ....................................................... 227

Tourism and Oklahoma Historical Society
- Department of Tourism and Recreation ...................................... 235
- Oklahoma Historical Society ...................................................... 243

Transportation ............................................................................ 249
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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

Oklahoma’s economy is recovering from the downturn in the oil and gas sector, as oil prices have maintained levels above $60 for most of 2018. In 2017, Oklahoma had a real Gross State Product (GSP) growth rate of 0.5%, after contracting 3.8% in 2016. Oklahoma has greatly diversified its economy since the 1986 oil bust, but it is still heavily dependent on the oil and gas industry. A previous study by OERB, in conjunction with Oklahoma City University, states that 1 out of every 5 jobs and 1 out of every 3 dollars of GSP is, directly and indirectly, supported by the oil and gas sector.

Components of the 2017 Oklahoma Economy

<table>
<thead>
<tr>
<th>Component</th>
<th>2017 Dollar Amount</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>$40,650</td>
<td>21.49%</td>
</tr>
<tr>
<td>Government</td>
<td>$29,949</td>
<td>15.83%</td>
</tr>
<tr>
<td>Mining</td>
<td>$22,870</td>
<td>12.09%</td>
</tr>
<tr>
<td>F.I.R.E.</td>
<td>$26,450</td>
<td>13.98%</td>
</tr>
<tr>
<td>Trade</td>
<td>$22,432</td>
<td>11.86%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$16,937</td>
<td>8.95%</td>
</tr>
<tr>
<td>Transport &amp; Warehousing</td>
<td>$10,391</td>
<td>5.50%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$4,435</td>
<td>2.34%</td>
</tr>
<tr>
<td>Information</td>
<td>$4,543</td>
<td>2.40%</td>
</tr>
<tr>
<td>Construction</td>
<td>$7,741</td>
<td>4.09%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>$2,762</td>
<td>1.47%</td>
</tr>
<tr>
<td><strong>Total GDP</strong></td>
<td><strong>$189,160</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis
The Finance, Insurance and Real Estate sector (F.I.R.E.), mining sector, and the services sector are the largest private components of the Oklahoma economy. Together they comprise 47.56 percent of total state output. 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**

*2010 Through 2017 (In Billions; Chained 2009 Dollars)*

<table>
<thead>
<tr>
<th>Year</th>
<th>GSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$144.0</td>
</tr>
<tr>
<td>2011</td>
<td>$151.3</td>
</tr>
<tr>
<td>2012</td>
<td>$159.8</td>
</tr>
<tr>
<td>2013</td>
<td>$166.8</td>
</tr>
<tr>
<td>2014</td>
<td>$176.0</td>
</tr>
<tr>
<td>2015</td>
<td>$181.0</td>
</tr>
<tr>
<td>2016</td>
<td>$174.2</td>
</tr>
<tr>
<td>2017</td>
<td>$175.1</td>
</tr>
</tbody>
</table>

Source: BEA

The Real GSP, which is adjusted for price changes and considered the most appropriate measure of state output, increased by 0.5% percent in the year 2017, which is the 43rd highest in the nation. The Real GSP increased 5.6 percent in the year 2012, which was the 3rd highest in the nation.
State Economy and Demographics

Oklahoma Real Gross State Product Growth Rate
2005 Through 2017

Source: BEA

Population

Oklahoma Population Trend and Projections
2000 Through 2040 (In Thousands)

Source: US Census Bureau

Oklahoma Senate Overview of State Issues
Census data for the year 2010 place Oklahoma as the 28th most populous state in the nation, with 3.75 million residents. 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 2010 is not due to a loss of population, because the state gained over 521,000 residents over that period. Instead, the ranking drop is due to the fact that certain states that were smaller than Oklahoma are growing faster. The most recent American Community Survey estimates Oklahoma’s current population is 3.93 million, the 28th most populous state.

**Projected Growth in Population**

The latest Oklahoma Department of Commerce projections estimate that Oklahoma’s population will increase by 551,150 people or 14.7 percent between 2010 and 2030.

The current population estimate of Oklahoma citizens aged 65 years and older is 602,823 or 15.3 percent of the population. That number is expected to increase to 18.8 percent of the population by 2030, significantly higher than the expected state population growth as a whole, but less than the national projection of 19.7 percent. In 2010, Oklahoma ranked 24th as a state for the proportion of the population aged 65 years and older.

**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 an estimated 60.3 percent in 2017 to 55.6 percent in 2030. 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 of the population is the growth rate of elderly residents. While our expected growth rate of elderly citizens is lower than the national average, the state may still experience a profound impact to expected tax revenues and social-service demands within the state.

The population of Oklahoma residents, aged 65 and older, is expected to top 800,000 by 2030.

**EMPLOYMENT AND INCOME TRENDS**

Oklahoma’s average wage per job in 2017 was $43,340 or 86 percent of the national average. This wage represents a 3.63 percent growth in wages from the 2015 average wage.

The per capita personal income (PCPI) in 2017 for Oklahoma was $44,376 which is 85.9 percent of the national average. Per capita personal income is a broad measure of economic well-being that includes wages and salaries, proprietor
State Economy and Demographics

Income, dividends and rents, and government transfer payments. PCPI grew by 7.0 percent between 2012 and 2017 in Oklahoma; the U.S. PCPI grew at a rate of 15.8 percent. When adjusted for the cost of living index, Oklahoma’s PCPI is 3.2 percent lower than the national average.

Oklahoma Employment Growth Rate, by Sector
2017 – 2018

Source: Bureau of Labor Statistics

Oklahoma’s overall employment growth rate from 2017 to 2018 was 2.1 percent.

Oklahoma’s unemployment rate of 3.5 percent in September 2018 was below the national rate of 3.7 percent. Oklahoma has the 18th lowest unemployment rate in the nation.

Top 15 Unemployment Rates for States
Seasonally Adjusted September 2018

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hawaii</td>
<td>2.2</td>
</tr>
<tr>
<td>2</td>
<td>Iowa</td>
<td>2.5</td>
</tr>
<tr>
<td>3</td>
<td>Idaho</td>
<td>2.7</td>
</tr>
<tr>
<td>3</td>
<td>New Hampshire</td>
<td>2.7</td>
</tr>
<tr>
<td>3</td>
<td>North Dakota</td>
<td>2.7</td>
</tr>
<tr>
<td>6</td>
<td>Minnesota</td>
<td>2.8</td>
</tr>
<tr>
<td>6</td>
<td>Nebraska</td>
<td>2.8</td>
</tr>
<tr>
<td>8</td>
<td>Vermont</td>
<td>2.9</td>
</tr>
<tr>
<td>8</td>
<td>Virginia</td>
<td>2.9</td>
</tr>
<tr>
<td>10</td>
<td>South Dakota</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td>Wisconsin</td>
<td>3</td>
</tr>
<tr>
<td>12</td>
<td>Colorado</td>
<td>3.1</td>
</tr>
<tr>
<td>13</td>
<td>Missouri</td>
<td>3.2</td>
</tr>
<tr>
<td>13</td>
<td>Utah</td>
<td>3.2</td>
</tr>
<tr>
<td>15</td>
<td>Kansas</td>
<td>3.3</td>
</tr>
</tbody>
</table>
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 cannot 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 15 percent of the prior year’s General Revenue Fund actual collections. 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 may be 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 estimate is used for the Governor’s budget. This is the best time for advocacy groups to contact the Governor about program budgets.

- **February** – The Governor submits budget recommendations to the Legislature on the first day of session. The Board of Equalization meets for certification of revenues. This is the revenue 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 the General Conference Committee on Appropriations (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 in conference.

- **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 their 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.

**Legislative Appropriation Authority**

The Board of Equalization certifies funds that the Legislature appropriated 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 used for appropriation. Revenues that were included in the Board’s June FY’18 certification packet totaled about $7.009 billion; however, as will be outlined in the next section, that amount was short lived due to the Supreme Court ruling on SB 845. After two special sessions, the Board of Equalization put the total revenues for FY’18 at $6.96 billion as reported in the February 20, 2018, revenue certification packet. For FY’19, the total revenue figure is $7.675 as reported in the June certification packet. The total amount of money budgeted by agencies from all funding sources is in excess of $25 billion. The Legislature provided a detailed accounting of these other funds in the General Appropriations bill for the first time in the 2015 session and then expanded it in the 2016 session to include non-appropriated agency budgets. Although this information was not included in recent GA bills, it was still collected and can be found in the Senate’s annual appropriation report. Summaries of the major expenditure categories appropriated by the Legislature totaled about $6.989 billion for final FY’18 and $7.660 for FY’19 are as follows:

**Authorized Expenditures by Major Category, FY’19**
Total Estimate for General Revenue Fund by Major Category, FY’19

- **Sales/Use**: $2,307,462,989 (37%)
- **Income Tax - Individual**: $2,144,972,175 (35%)
- **Other**: $361,297,285 (6%)
- **Interest & Investments**: $57,950,000 (1%)
- **Gross Production**: $526,954,372 (8%)
- **Insurance Premium Tax**: $98,509,154 (2%)
- **Motor Vehicle**: $209,934,800 (3%)
- **Alcohol/Cigarette**: $343,110,553 (6%)

**HB 1017 Fund by Major Category, FY’19**

- **Sales Tax**: $282,650,015 (35%)
- **Income Tax - Individual**: $283,776,673 (35%)
- **Cigarette Tax**: $2,865,832 (0%)
- **Income Tax - Corporate**: $29,100,495 (4%)
- **Tobacco Products Tax**: $704,607 (0%)
- **Use Tax**: $52,327,353 (6%)
- **Tribal Gaming**: $138,736,000 (17%)
- **Previous Yr Excess**: $28,000,000 (3%)
State Expenditures, FY’18 & ‘19

Although the legislature had been dealing with declining revenues for years, the FY’18 budget was especially challenging. The State Board of Equalization certified $6.029 billion available for FY’18 appropriations at its February 2017 meeting. The original FY’17 appropriated budget was $6.778 billion. This certification indicated a revenue shortfall of $748.6 million or 11.04% for FY’18. Budgeting was further complicated when later that month the BOE declared a revenue failure for FY’17 and reduced general revenue allocations by 0.7%, for a total reduction of $37,918,343. A budget hole of about $787 million would be challenging enough however when supplementals required for FY’17, annualization of those supplementals, and mandatory cost increases are factored in, the true budget hole for the Legislature was $1.005 billion or 14.83% out of balance.

Facing a revenue shortfall of over $1 billion, the Legislature enacted numerous tax reforms, moved two agencies to non-appropriated status, accessed various revolving funds or cash sources and passed a comprehensive tobacco cessation package. Although there were many notable tax reforms passed including HB 2429 which modified the gross production tax incentive rate for certain production from horizontal wells (1% to 4%), HB 2377 which moved up the sunset date for certain gross production tax exemptions to 7/1/17, and HB 2433 which modified “in lieu” sales tax exemption for motor vehicle purchases by applying a 1.25% sales tax in addition to the excise tax, the largest impact came from the tobacco cessation package. The comprehensive tobacco cessation package included a fee that was predicted to bring in $215,000,000 for specific health agencies however that bill was declared unconstitutional by the Oklahoma Supreme Court in August, forcing the Legislature to go into special session.

The first special session of the 56th Legislature began on September 25th per the executive order of the Governor whose special call not only included the need to fix the FY’18 budget, but many other things such as the need to address a teacher pay increase. Budget issues were further complicated by reports of mismanagement of funds at the Department of Health which would require a supplemental of $30 million. There were also rumblings in September that certain federal funds would no longer be allowed for Graduate Medical Education, and that funds already spent for that purpose would need to be returned. Budget wise, work of the first special session culminated in three main bills: HB1085x which modified tax exemptions on oil and gas gross production, HB 1081x which appropriated additional dollars to the Department of Mental Health from the Constitution Reserve Fund, and HB1019x which was the revised FY’18 GA bill that also included the $30 million for the Department of Health. The first special session adjourned on November 17th, but the completed budget was short-lived when the Governor line item vetoed HB1019x that same day. Sections of the bill that were not vetoed provided certain funding for the three health agencies affected by the lost cigarette revenue, transferred $80 million from CIRB to special cash, and funded the $30 million needed at the Health...
Department. These sections that remained law along with the original FY’18 GA bill left the budget unbalanced and required a second special session to convene.

The second special session convened on December 18th. At this point in time, not only did the budget still need to be revised and balanced, it was clear that funding would be needed for graduate medical education to replace the lost federal funds. Also, due to frustration with two GA bills that could not function, an outside group of business owners and stakeholders began formulating a plan that would become the Step Up plan. By the time the 2018 session began the legislature was still working on finalizing the 2018 budget while complications for the 2019 budget were coming to light, causing both budgets to be negotiated simultaneously. One of the bigger obstacles now solidifying were calls for a teacher walkout if pay raises were not a part of the FY’19 budget. Although the Governor incorporated many elements of the Step Up plan in her budget presented at the start of session, the tax package which was the majority of the plan did not received the super majority required by the Legislature. The FY’18 budget was finalized in late February in HB 1020xx. Besides still including the $30 million for the Department of Health, the final FY’18 budget also included $31,770,311 to cover the funds required to repay the federal government for money previously spent on graduate medical education. This funding was included in HB 1022xx. The final FY’18 budget, excluding FY’17 supplementals and any one time funding, totaled $6.802 billion, or about a 0.65% cut from the original FY’18 budget.

Since the final FY’18 budget did not include any additional funds for common education, and all revenue bills had not succeeded at this point, education groups confirmed that a teacher walkout would begin on April 2 if the Fund Education First deadline (April 1st) was not met with substantial pay increases for teachers and support employees, along with other funds for education and state government. With this in mind, the Legislature kept the second special session open in order to work on revenue measures and common education funding. By the end of March, major revenue measures were passed along with pay raises and funding for common education. HB 1010xx incorporated multiple tax changes including an additional $1 per pack of cigarettes, raised the GP tax incentive rate on oil and gas to 5%, raised the tax by $0.03 per gallon on gasoline, and raised the tax by $0.06 per gallon on diesel. The total amount expected to be generated by HB 1010xx that will be used in the FY’19 budget is $403,531,322. Another major revenue change was included in HB1011xx which caps itemized deductions at $17,000 excluding medical and charity. The impact for FY’19 expected from this bill is $84,347,438.

Pay raise bills passed by the end of March included HB 1024xx which is a graduated pay raise for state employees at an expected impact of $53,695,124; HB 1026xx provides a $1,250 pay raise for common education support employees at an impact of $52 million; and finally HB 1023xx provides a pay raise for certified personnel of school districts with the minimum raise being an increase of 15.825% and the maximum raise being an increase of 18.25% based
on the person’s years of experience. The impact of this bill is expected to be $353,501,793, including the increased costs for TRS and FICA. Funding for common education was included in HB 3705, and besides the funds for the pay raises, money was also included to raise the funding formula amount by $17 million, to cover the additional $24,687,149 needed for FBA increases, and to provide $33 million for textbooks separately from public school activities cash. The final increase to common education for FY’19 from FY’18 totaled $480,826,080 or nearly half a billion dollars. All pay raise bills and the common education funding bill were passed by the Legislature by March 29th, however; the teacher walkout still began on April 2nd. The walkout ended on April 13th with education groups conceding they had received 95% of what they had requested for FY’19. Only one additional tax revenue bill was passed during the walkout, HB 1019xx. This bill directs sales tax to be collected by websites who facilitate 3rd party sales or provide tax responsibility notices to purchasers. This proposal was already in consideration for FY’19; the effect of the walkout was that revenue from the tax bill would be directed to the Education Reform or 1017 fund. With revenue measures, pay raises, and common education funding bills being passed, the Legislature adjourned the second special session on April 17th.

With well over a third of available revenue for FY’19 already spent on common education during the second special session, remaining funds for other budget needs were limited. However, the Legislature was still able to address many issues in the remaining FY’19 budget. The largest remaining need addressed was $110,044,319 going to the two medical schools in order to cover the lost federal funds for the GME program. Some of the other issues addressed included an additional $7.5 million for concurrent enrollment at higher education, over $34 million at DHS to cover items such as increasing provider rates and restoring or increasing foster rates, and over $25 million at Corrections to cover additional costs for prisoners at certain prisons, the startup costs for a new offender management system, and the annualization of their supplemental. Total new dollars spent at state agencies for FY’19 over FY’18, excluding the already referenced increase amount at common education, totaled $252,986,829. The FY’19 budget, excluding supplementals, totaled $7,558,675,719, and was passed in SB 1600. Items funded in the FY’19 budget that did not go towards a state agency budget include $4 million for the Oklahoma Quick Action Closing fund, $4 million for the State Emergency Fund, and $5.6 million to cover federal regulation costs associated with the state pension systems, most notably being the Pathfinder system. (SB 1600 also repealed the previous common education funding bill, HB 3705, in order to have all agency funding sections in one general appropriations bill.)

Besides the revenue bills already referenced, many cash sources were accessed to address the budget. One notable cash source that was not used for the FY’19 budget was the Constitutional Reserve Fund or rainy day fund. The general appropriations bill transferred $92,000,000 from the ODOT 310 and 210 fund, $18,000,000 from the Unclaimed Property fund and $47,230,500 from the State Transportation Fund. All these funds along with a few other agency cash sources
were transferred to the Special Cash fund. The amount of funds transferred to Special Cash totaled $172,365,446, a significant decrease compared to the $310,684,782 transferred to Special Cash for the FY’18 budget. Besides the $18 million transferred from Unclaimed Property, an additional $19,892,744 had already been transferred to cover the lottery fund supplanting claim from the Board of Equalization.

Supplemental appropriations for FY’18 totaled $115,344,662, with most of that amount being used to fill the common education portion of the Ad Valorem Reimbursement Fund shortfall. This amount totaled $92,700,000. Agencies who received a supplemental for FY’18 were OMES for statutorily required transition costs for the Governor’s office in the amount of $30,000 and the Department of Corrections for operations in the amount of $8,750,000. The remaining supplemental amount was $13,864,662 for capitol debt service.

On a side note, following the need to appropriate $30 million to the Department of Health, multiple investigations ensued with a final state multicounty grand jury report coming out on May 17th. The report found that the $30 million was not actually needed nor was there a need to lay off 198 employees. The agency had disguised a “slush fund” as a federal grant account which meant the agency did have cash on hand to cover payroll expenses. The report called for the $30 million to be used for audits at other agencies. However, the 2018 session had adjourned on May 3rd, so the Legislature will need to address what to do with the funds in the next session.

The following is a table of the top twelve agencies receiving an appropriation for FY’18 and then ‘19. These tables do not include the $576.7 million or $580 million apportioned to ODOT’s ROADS Fund in FY’18 and FY’19 respectively, nor do they include $74.3 million in FY’18 and $76.8 million in FY’19 apportioned to Oklahoma’s Promise, better known as the Oklahoma Higher Learning Access Program (OHLAP). The FY’17 and ‘18 amounts are what the agencies received after any supplementals.

<table>
<thead>
<tr>
<th>Top Twelve Agency Funding, FY’17 to FY’18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY’17</strong></td>
</tr>
<tr>
<td>State Department of Education</td>
</tr>
<tr>
<td>Oklahoma Health Care Authority</td>
</tr>
<tr>
<td>State Regents for Higher Education</td>
</tr>
<tr>
<td>Department of Human Services</td>
</tr>
<tr>
<td>Department of Corrections</td>
</tr>
<tr>
<td>Department of Mental Health &amp; Substance Abuse</td>
</tr>
<tr>
<td>Department of Transportation</td>
</tr>
<tr>
<td>Department of Career &amp; Technology Education</td>
</tr>
<tr>
<td>Department of Public Safety</td>
</tr>
<tr>
<td>Office of Juvenile Affairs</td>
</tr>
<tr>
<td>District Courts</td>
</tr>
<tr>
<td>Department of Health</td>
</tr>
<tr>
<td><strong>Subtotal (92% of Total)</strong></td>
</tr>
<tr>
<td>Other Agencies/Capitol</td>
</tr>
<tr>
<td><strong>Total Appropriations</strong></td>
</tr>
</tbody>
</table>
## Top Twelve Agency Funding, FY’18 to FY’19

<table>
<thead>
<tr>
<th>Agency</th>
<th>Final FY’18 Appropriation</th>
<th>FY’19 Appropriation</th>
<th>Dollar Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Department of Education</td>
<td>$2,432,159,067</td>
<td>$2,912,985,147</td>
<td>$480,826,080</td>
<td>19.77%</td>
</tr>
<tr>
<td>Oklahoma Health Care Authority</td>
<td>$1,018,713,566</td>
<td>$1,132,465,946</td>
<td>$113,752,380</td>
<td>11.17%</td>
</tr>
<tr>
<td>State Regents for Higher Education</td>
<td>$768,879,667</td>
<td>$776,707,167</td>
<td>$7,828,500</td>
<td>1.02%</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>$695,270,253</td>
<td>$729,431,808</td>
<td>$34,161,555</td>
<td>4.91%</td>
</tr>
<tr>
<td>Department of Corrections</td>
<td>$491,572,248</td>
<td>$517,255,503</td>
<td>$25,683,255</td>
<td>5.22%</td>
</tr>
<tr>
<td>Department of Mental Health &amp; Substance Abuse</td>
<td>$325,824,832</td>
<td>$337,108,145</td>
<td>$11,283,313</td>
<td>3.46%</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$154,070,148</td>
<td>$165,853,359</td>
<td>$11,783,211</td>
<td>7.65%</td>
</tr>
<tr>
<td>Department of Career &amp; Technology Education</td>
<td>$111,769,218</td>
<td>$124,337,661</td>
<td>$12,568,443</td>
<td>11.24%</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td>$94,748,845</td>
<td>$97,610,968</td>
<td>$2,862,123</td>
<td>3.02%</td>
</tr>
<tr>
<td>Office of Juvenile Affairs</td>
<td>$90,924,763</td>
<td>$92,784,336</td>
<td>$1,859,573</td>
<td>2.05%</td>
</tr>
<tr>
<td>District Courts</td>
<td>$54,252,727</td>
<td>$54,422,613</td>
<td>$1,869,886</td>
<td>0.31%</td>
</tr>
<tr>
<td>Department of Health</td>
<td>$52,735,866</td>
<td>$54,874,700</td>
<td>$2,138,834</td>
<td>4.06%</td>
</tr>
<tr>
<td><strong>Subtotal (92% of Total)</strong></td>
<td><strong>$6,290,920,200</strong></td>
<td><strong>$6,995,837,353</strong></td>
<td><strong>$704,917,153</strong></td>
<td><strong>11.21%</strong></td>
</tr>
<tr>
<td>Other Agencies/Capitol</td>
<td>$626,907,220</td>
<td>$562,938,366</td>
<td>-$64,068,854</td>
<td>-10.22%</td>
</tr>
<tr>
<td><strong>Total Appropriations</strong></td>
<td><strong>$6,917,827,420</strong></td>
<td><strong>$7,558,775,719</strong></td>
<td><strong>$640,848,299</strong></td>
<td><strong>9.26%</strong></td>
</tr>
</tbody>
</table>
At the onset of FY’10, the Board of Equalization certified a decrease in revenues which necessitated reductions to most state agency budgets. The Legislature and Governor used federal stimulus dollars to backfill those cuts at Common Education, Higher Education and for agencies that receive Medicaid funds. The economic downturn fully hit during FY’10 which led the Office of State Finance to reduce allocations by 7.5%. The next two years, FY’11 and FY’12, state revenues continued to struggle to recover from the recession therefore stimulus funds were used to minimize cuts to agencies. The following graph depicts the FY’10 - FY’12 budgets with and without these stimulus funds and the final total budget for FY’10 after the OSF cuts. There were no remaining stimulus funds in FY’13, but state revenues had recovered enough so that final appropriations for FY’13 showed an increase from the previous year. Revenues during FY’14 continued to increase allowing a significant amount of funds to be used for FY’14 supplementals. FY’15 appropriations show a slight decrease attributed mostly to the downturn in the oil and gas markets. The full extent of the decrease in the oil and gas markets was not initially reflected in FY’16 due to a significant amount of surplus cash was transferred or appropriated from dozens of agency accounts to maintain appropriation levels. During FY’16 two revenue failures were declared resulting in a 7% reduction in general revenue allocations. Although a portion of the 7% cut was returned to the agencies, those amounts are not reflected in the graph since the agencies did not receive it in FY’16. Once again for FY’17 one-time revenue sources were used to minimize the cuts to

agencies. In an effort to move away from one-time revenue sources and to restore cuts, many on-going revenue measures were passed for FY’18 and FY’19. By FY’19, one-time funds transferred to special cash, and agency funds authorized in place of appropriations had significantly dropped.

10-Year Appropriation History

Top Twelve Agency Appropriations Percent Change
FY’15 to FY’19
## Summary of Appropriations
**FY '18 - FY '19**

<table>
<thead>
<tr>
<th>Subcommittee</th>
<th>FY’18 Final Appropriation</th>
<th>FY’19 Appropriation</th>
<th>$ Change from FY ’18</th>
<th>% Change from FY ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education Subcommittee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Department of Education</td>
<td>2,432,159,067</td>
<td>2,912,985,147</td>
<td>480,826,080</td>
<td>19.8%</td>
</tr>
<tr>
<td>State Regents for Higher Education</td>
<td>768,878,667</td>
<td>776,707,167</td>
<td>7,828,500</td>
<td>1.0%</td>
</tr>
<tr>
<td>Career &amp; Technology Education</td>
<td>111,769,218</td>
<td>124,337,661</td>
<td>12,568,443</td>
<td>11.2%</td>
</tr>
<tr>
<td>Center for Adv. Of Science &amp; Technology</td>
<td>13,333,855</td>
<td>13,356,927</td>
<td>23,072</td>
<td>0.2%</td>
</tr>
<tr>
<td>Educational Quality &amp; Accountability</td>
<td>1,612,470</td>
<td>1,624,791</td>
<td>12,321</td>
<td>0.8%</td>
</tr>
<tr>
<td>Commissioner of the Land Office</td>
<td>8,538,600</td>
<td>8,654,371</td>
<td>115,771</td>
<td>1.4%</td>
</tr>
<tr>
<td>Oklahoma School of Science and Math</td>
<td>6,082,397</td>
<td>6,205,416</td>
<td>123,019</td>
<td>2.0%</td>
</tr>
<tr>
<td>Department of Libraries</td>
<td>4,357,682</td>
<td>4,483,010</td>
<td>125,328</td>
<td>2.9%</td>
</tr>
<tr>
<td>Physician Manpower Training Commission</td>
<td>3,292,852</td>
<td>3,300,781</td>
<td>7,929</td>
<td>0.2%</td>
</tr>
<tr>
<td>State Arts Council</td>
<td>2,776,639</td>
<td>2,799,266</td>
<td>22,627</td>
<td>0.8%</td>
</tr>
<tr>
<td>Oklahoma Educational Television Authority</td>
<td>2,682,018</td>
<td>2,779,283</td>
<td>97,265</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>TOTAL EDUCATION</strong></td>
<td>3,355,483,465</td>
<td>3,857,233,820</td>
<td>501,750,355</td>
<td>15.0%</td>
</tr>
<tr>
<td><strong>General Government &amp; Transportation Subcommittee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>154,070,148</td>
<td>165,853,359</td>
<td>11,783,211</td>
<td>7.6%</td>
</tr>
<tr>
<td>Oklahoma Tax Commission</td>
<td>43,733,616</td>
<td>45,525,057</td>
<td>1,791,441</td>
<td>4.1%</td>
</tr>
<tr>
<td>Management and Enterprise Services</td>
<td>33,241,517</td>
<td>42,050,322</td>
<td>8,808,805</td>
<td>26.5%</td>
</tr>
<tr>
<td>House of Representatives</td>
<td>11,809,752</td>
<td>12,511,402</td>
<td>703,650</td>
<td>5.9%</td>
</tr>
<tr>
<td>Senate</td>
<td>8,821,903</td>
<td>9,219,421</td>
<td>397,518</td>
<td>4.5%</td>
</tr>
<tr>
<td>Oklahoma Military Department</td>
<td>9,906,466</td>
<td>10,195,256</td>
<td>288,790</td>
<td>2.9%</td>
</tr>
<tr>
<td>State Election Board</td>
<td>7,786,023</td>
<td>7,846,513</td>
<td>60,490</td>
<td>0.8%</td>
</tr>
<tr>
<td>Legislative Service Bureau</td>
<td>13,704,075</td>
<td>15,713,929</td>
<td>2,009,854</td>
<td>14.7%</td>
</tr>
<tr>
<td>State Auditor and Inspector</td>
<td>3,440,248</td>
<td>3,649,500</td>
<td>209,252</td>
<td>6.1%</td>
</tr>
<tr>
<td>Oklahoma State Treasurer</td>
<td>2,660,566</td>
<td>2,779,283</td>
<td>118,702</td>
<td>4.5%</td>
</tr>
<tr>
<td>Governor</td>
<td>1,630,146</td>
<td>1,676,281</td>
<td>46,135</td>
<td>2.8%</td>
</tr>
<tr>
<td>State Ethics Commission</td>
<td>699,055</td>
<td>710,351</td>
<td>11,296</td>
<td>1.6%</td>
</tr>
<tr>
<td>Office of Civil Emergency Management</td>
<td>475,934</td>
<td>496,122</td>
<td>20,188</td>
<td>4.2%</td>
</tr>
<tr>
<td>Lt. Governor</td>
<td>370,258</td>
<td>378,720</td>
<td>8,462</td>
<td>2.3%</td>
</tr>
<tr>
<td>Merit Protection Commission</td>
<td>358,839</td>
<td>361,044</td>
<td>2,205</td>
<td>0.6%</td>
</tr>
<tr>
<td>Space Industry Development Authority</td>
<td>288,398</td>
<td>300,898</td>
<td>12,500</td>
<td>4.3%</td>
</tr>
<tr>
<td>Attorney General</td>
<td>10,009,373</td>
<td>10,261,403</td>
<td>252,030</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>TOTAL GEN. GOV'T &amp; TRANSPORATION</strong></td>
<td>303,006,317</td>
<td>329,528,846</td>
<td>26,522,529</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>Health &amp; Human Services Subcommittee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oklahoma Health Care Authority</td>
<td>1,018,713,566</td>
<td>1,132,465,946</td>
<td>113,752,380</td>
<td>11.2%</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>695,270,253</td>
<td>729,431,808</td>
<td>34,161,555</td>
<td>4.9%</td>
</tr>
<tr>
<td>Mental Health &amp; Substance Abuse</td>
<td>325,824,832</td>
<td>337,108,145</td>
<td>11,283,313</td>
<td>3.5%</td>
</tr>
<tr>
<td>Office of Juvenile Affairs</td>
<td>90,924,763</td>
<td>92,784,336</td>
<td>1,859,573</td>
<td>2.0%</td>
</tr>
<tr>
<td>Department of Health</td>
<td>52,735,866</td>
<td>54,874,700</td>
<td>2,138,834</td>
<td>4.1%</td>
</tr>
<tr>
<td>University Hospitals Authority</td>
<td>37,419,239</td>
<td>37,419,239</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Department of Veteran Affairs</td>
<td>30,647,325</td>
<td>32,356,959</td>
<td>6,709,634</td>
<td>5.6%</td>
</tr>
<tr>
<td>Department of Rehabilitative Services</td>
<td>29,374,125</td>
<td>32,027,242</td>
<td>2,653,117</td>
<td>9.0%</td>
</tr>
<tr>
<td>OSU Medical Authority</td>
<td>10,776,487</td>
<td>10,776,487</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>J.D. McCarty Center</td>
<td>3,839,642</td>
<td>4,006,969</td>
<td>667,327</td>
<td>17.4%</td>
</tr>
<tr>
<td>Commission on Children and Youth</td>
<td>1,647,131</td>
<td>1,678,244</td>
<td>31,113</td>
<td>1.9%</td>
</tr>
<tr>
<td>Office of Disability Concerns</td>
<td>232,133</td>
<td>240,548</td>
<td>8,415</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>TOTAL HEALTH &amp; HUMAN SERVICES</strong></td>
<td>2,297,405,362</td>
<td>2,465,670,623</td>
<td>168,265,261</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
# Natural Resources & Regulatory Services Subcommittee

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY'18 Final Approp.</th>
<th>FY'19 Approp.</th>
<th>$ Change from FY '18</th>
<th>% Change from FY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Commerce</td>
<td>20,716,179</td>
<td>15,392,016</td>
<td>-5,324,163</td>
<td>-25.7%</td>
</tr>
<tr>
<td>Department of Agriculture</td>
<td>23,420,893</td>
<td>24,826,526</td>
<td>1,405,633</td>
<td>6.0%</td>
</tr>
<tr>
<td>Department of Tourism and Recreation</td>
<td>16,381,819</td>
<td>18,095,951</td>
<td>1,714,132</td>
<td>10.5%</td>
</tr>
<tr>
<td>Historical Society</td>
<td>10,857,102</td>
<td>11,407,032</td>
<td>549,930</td>
<td>5.1%</td>
</tr>
<tr>
<td>Oklahoma Corporation Commission</td>
<td>9,622,470</td>
<td>10,628,177</td>
<td>1,005,707</td>
<td>10.5%</td>
</tr>
<tr>
<td>Conservation Commission</td>
<td>9,656,845</td>
<td>9,725,596</td>
<td>68,751</td>
<td>0.7%</td>
</tr>
<tr>
<td>Department of Environmental Quality</td>
<td>5,657,985</td>
<td>6,493,879</td>
<td>835,894</td>
<td>14.8%</td>
</tr>
<tr>
<td>Oklahoma Water Resources Board</td>
<td>5,212,454</td>
<td>5,342,946</td>
<td>130,492</td>
<td>2.5%</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>3,494,040</td>
<td>3,635,733</td>
<td>141,693</td>
<td>4.1%</td>
</tr>
<tr>
<td>Department of Mines</td>
<td>733,092</td>
<td>775,859</td>
<td>42,767</td>
<td>5.8%</td>
</tr>
<tr>
<td>J.M. Davis Memorial Commission</td>
<td>229,082</td>
<td>243,259</td>
<td>14,177</td>
<td>6.2%</td>
</tr>
<tr>
<td><strong>TOTAL NAT RESOURCES &amp; REG SERVICES</strong></td>
<td>105,981,961</td>
<td>106,566,974</td>
<td>585,013</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

# Public Safety & Judiciary Subcommittee

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY'18 Final Approp.</th>
<th>FY'19 Approp.</th>
<th>$ Change from FY '18</th>
<th>% Change from FY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Corrections</td>
<td>491,572,248</td>
<td>517,255,003</td>
<td>25,682,755</td>
<td>5.2%</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td>94,748,845</td>
<td>97,610,968</td>
<td>2,862,123</td>
<td>3.0%</td>
</tr>
<tr>
<td>District Courts</td>
<td>54,252,727</td>
<td>54,422,613</td>
<td>169,886</td>
<td>0.3%</td>
</tr>
<tr>
<td>District Attorneys and DAC</td>
<td>32,572,351</td>
<td>36,073,093</td>
<td>3,500,742</td>
<td>10.7%</td>
</tr>
<tr>
<td>Supreme Court</td>
<td>14,668,924</td>
<td>14,698,223</td>
<td>29,299</td>
<td>0.2%</td>
</tr>
<tr>
<td>Oklahoma Indigent Defense System</td>
<td>15,854,326</td>
<td>17,128,633</td>
<td>1,274,307</td>
<td>8.0%</td>
</tr>
<tr>
<td>Oklahoma State Bureau of Investigation</td>
<td>11,827,606</td>
<td>12,363,750</td>
<td>536,144</td>
<td>4.5%</td>
</tr>
<tr>
<td>Office of the Chief Medical Examiner</td>
<td>10,898,174</td>
<td>11,131,182</td>
<td>233,008</td>
<td>2.1%</td>
</tr>
<tr>
<td>Narcotics and Dangerous Drugs</td>
<td>2,921,223</td>
<td>3,141,712</td>
<td>220,489</td>
<td>7.5%</td>
</tr>
<tr>
<td>Court of Criminal Appeals</td>
<td>3,580,876</td>
<td>3,951,743</td>
<td>370,867</td>
<td>10.4%</td>
</tr>
<tr>
<td>Law Enforcement Education and Training</td>
<td>2,752,104</td>
<td>2,848,337</td>
<td>96,233</td>
<td>3.5%</td>
</tr>
<tr>
<td>Alcoholic Beverage Laws Enforcement</td>
<td>2,441,678</td>
<td>2,989,728</td>
<td>548,050</td>
<td>22.4%</td>
</tr>
<tr>
<td>Pardon and Parole Board</td>
<td>2,167,806</td>
<td>2,333,154</td>
<td>165,348</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SAFETY &amp; JUDICIARY</strong></td>
<td>740,258,888</td>
<td>775,948,638</td>
<td>35,689,750</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY'18 Final Approp.</th>
<th>FY'19 Approp.</th>
<th>$ Change from FY '18</th>
<th>% Change from FY '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitol Debt Service</td>
<td>13,864,662</td>
<td>0</td>
<td>-13,864,662</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Ad Valorem Reimbursement Fund</td>
<td>92,700,000</td>
<td>0</td>
<td>-92,700,000</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Rural Economic Action Plan</td>
<td>9,126,817</td>
<td>10,126,817</td>
<td>1,000,000</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

**Total Appropriation**

<table>
<thead>
<tr>
<th>FY'18 Final</th>
<th>FY'19 Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,917,827,472</td>
<td>7,545,075,718</td>
</tr>
</tbody>
</table>

| % Change from FY'18 | 9.1% |

**ODOT:** The agency also received $576.7 million and $580 million from the ROADS Fund in FY '18 and FY '19 respectively.
BONDS

General Obligation Bonds – Governmental Purpose
The Oklahoma Constitution requires that general obligation bonds be approved by a vote of the people and that the enabling law provide for the collection of a direct annual tax sufficient to pay the debt as it comes due within twenty-five years of issuance.

Voter-approved general obligation bonds are a full-faith and credit obligation of the State and carry a pledge by the State to make repayment of principal and interest from any legally available source of funds. The State currently has no outstanding governmental-purpose general obligation bonds.

The outstanding governmental-purpose, general obligations bonds of the State of Oklahoma are secured initially by cigarette taxes. These are tax-supported bonds.

Self-Supporting General Obligation Bonds – Industrial Loans
The Oklahoma Industrial Finance Authority operates a voter-approved general obligation bond program under which the proceeds of the issues are used to make industrial development loans. The State Constitution limits the amount of general obligation debt that can be outstanding at any time for this purpose to $90,000,000. If the borrower fails to make payment under this program, the ODFA will issue State general obligation bonds and use the proceeds to pay off the loan. General obligation bonds have never been issued to pay obligations due under this program.

The outstanding OIFA general obligation bonds are secured initially by the loan repayments and then by OIFA reserves. These are tax-backed, but not tax-supported bonds.
General Obligation Bonds – Credit Enhancement Reserve Fund Program

The Oklahoma Development Finance Authority (the “ODFA”) is constitutionally authorized to incur general obligation indebtedness in an amount not to exceed $100 million to provide credit support for the Credit Enhancement Reserve Fund (“CERF”) Program. All or portions of issues approved for participation in the program are guaranteed by CERF. The guarantee provides that general obligation bonds will be sold, if needed, to make required debt service payments.

The $100 million Constitutional authorization has been divided by statute, with $60 million dedicated to the Pooled Business Financing Program and the Public Facilities Financing Program and $40 million reserved for the Quality Jobs Investment Program.

*This general obligation bonding authority represents a contingent liability and, as such, do not require any expenditure of State funds unless general obligation bonds are issued. These are tax-backed, but not tax-supported bonds.*

Lease Revenue Bonds

With statutory authorization, the Oklahoma Capitol Improvement Authority (the “OCIA”) issues lease revenue bonds and notes to finance State capital facilities and equipment. Security for the bonds is provided by a lease with the State entity that occupies the facility or uses the equipment. The lease payments typically come from appropriations made by the Oklahoma Legislature for that purpose. The legal structure of these issues provides that the leases may be terminated in the event sufficient appropriations are not received to make the required lease payment. As a result, the Oklahoma Supreme Court has held that the OCIA lease revenue bonds do not constitute a debt, as defined in the Oklahoma Constitution and, therefore, do not require voter approval. The credit markets view OCIA lease-backed obligations as slightly less secure than the State’s general obligation.

*Most outstanding OCIA bonds are secured by annual appropriations to the agency lessees (although a few pay from other agency sources). Most of these are tax-supported bonds.*

Direct Agency and Higher Education Lease Obligations

In addition to the bonds sold by the OCIA, a number of other State agencies and institutions of higher education have issued lease revenue obligations to meet capital needs. Often, the annual lease payments are made by the State agencies from the appropriation they receive for operations, without the need for an increase in their budget to meet the lease requirement. In other cases, however, the agency is given approval by the Legislature to enter into a lease purchase agreement that requires an increase in the annual general revenue appropriation.
In both cases, these leases may also be terminated in the event of non-appropriation.

*These lease obligations are secured by a variety of agency or campus sources. Some require appropriation support. These are a mix of tax-backed and tax-supported bonds.*

### Regents for Higher Education Master Lease Programs

In 2001, a master lease program was created to provide for the more efficient and cost-effective financing of equipment acquisition by Oklahoma’s public institutions of higher education. The Oklahoma Development Finance Authority (the “ODFA”) issues bonds for this program that are secured by a lease with the Oklahoma Regents for Higher Education and by sub-leases with the participating campuses. In the event the lessees do not make their required lease payments from other sources, the State Regents can divert that institution’s share of higher education appropriations to ensure timely payment of principal and interest on the bonds.

In most cases, the participants use a dedicated campus revenue stream, such as fees, user charges, or other income to make their lease payments. In 2006, the master lease program was expanded to include real property projects, resulting in even greater savings for the campuses.

A list of projects to be funded through the master lease programs must be submitted to the Oklahoma Legislature during the first week of the session each year. The Legislature has 45 days to reject any or all projects on the list. If projects are not disapproved within that period, they are deemed approved.

*The outstanding ODFA master lease bonds are secured initially by various fees, user charges, and revenues. These are tax-backed, but not tax-supported bonds.*

### General Revenue Bonds – OU and OSU

The University of Oklahoma and Oklahoma State University have statutory authority to issue General Revenue Bonds, secured by any generally available revenues, excluding only appropriated tax dollars and other specifically restricted funds. This security pledge allows OU and OSU to access the credit markets at very favorable interest rates. Any projects expected to be funded using this type of debt must be submitted to the Legislature for review each year. If the Legislature does not reject a project, it is deemed approved 45 days after the submission.

*These are revenue bonds secured by all general revenues of the universities, except appropriated tax dollars and certain restricted funds. These are neither tax-backed, nor tax-supported bonds.*
Revenue Bonds – Multiple Issuers

Many State entities generate revenues from their operations and can, with proper statutory authority, issue bonds secured by their program or system cash-flows. Examples of these are: the Oklahoma Turnpike Authority; Grand River Dam Authority; Oklahoma Municipal Power Authority; Oklahoma Student Loan Authority; Oklahoma Housing Finance Agency; and the Oklahoma Water Resources Board.

While some of these entities issue bonds for capital purposes, others use bond proceeds to make loans in keeping with their program purpose. In either case, investors in these revenue bonds look to the cash flow of the operation rather than the State general revenues, for security. The legal documents describing the security behind these bonds make it clear that they are not an obligation of the State of Oklahoma.

State Capitol Bonds

In 2010, the condition of the Oklahoma State Capitol had deteriorated to the point that scaffolding had to be erected over the south entrance to protect persons entering and exiting the building from falling limestone and other building parts. In 2013, the Legislature enacted a measure (HB 2032) which combined an income tax rate reduction with earmarking of income tax revenues for repairs to the Capitol. The Oklahoma Supreme Court ruled that this measure violated the constitutional requirement that each bill embrace a single subject.

In 2014, the Legislature enacted a second measure (HJR 1033) which authorizes the Oklahoma Capitol Improvement Authority to issue bonds in an amount up to $120 million to renovate, repair and remodel the Capitol. The State Capitol Repair Expenditure Oversight Committee, consisting of six legislators and three gubernatorial appointees, was also created to prepare and approve a project programming plan, with a preliminary plan to be delivered to the Director of the Office of Management and Enterprise Services by December 31, 2014, and a final plan by June 30, 2015.

In 2016, the Legislature enacted another measure to continue funding renovations to the State Capitol. HB 3168 authorized the Oklahoma Capitol Improvement Authority to issue an additional $125 million bond issue to continue the repair and remodeling the Capitol. The State Capitol Repair Expenditure Oversight Committee will continue to review all expenditures related to the renovation project.
### State of Oklahoma - Tax-Backed Debt

#### Principal Outstanding by Calendar Year (as of 12/31/17)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
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<th>2041</th>
<th>2042</th>
<th>2043</th>
<th>2044</th>
<th>2045</th>
<th>2046</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Value  ($ in millions)</td>
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</tr>
</tbody>
</table>

#### Rate of Principal Redemption

- 5 years: 36.7%
- 10 years: 66.1%
- 15 years: 83.7%
- 20 years: 92.0%
- 25 years: 96.6%
- 30 years: 99.6%

---

**Exclusions from Gross Debt Service and explanation:**

* Master Lease Program payments are excluded, since most of these payments are made from internal sources (e.g., student fees/charges, etc.) and do not require use of appropriated funds.
* ODEA Community Development Pooled Finance Act issues are excluded because payments are made from each company’s withholding tax collections before they are certified as State revenues.
* ODEA issues in 2004 for Goodyear and Michelin are secured by each company’s withholding tax collections and by the State’s corporate tax receipts. No taxes have been used.
* Other issues supported by non-appropriated dollars (e.g., the Attorney General’s Evidence Fund and OSBI fines/forfeitures) have been excluded from this calculation.

(1) Reflects 7.0% pro rata cuts to appropriations during Fiscal Year 2016 and the subsequent return of $140 million balance to appropriated agencies. The FY 2017 amount was adopted by the Board of Equalization on June 20, 2016. Fiscal Years 2018-2020 assume annual growth rate of 2.0%.
# State of Oklahoma

## Selected Ratios for Tax-Backed Debt: 2018

(including comparisons with bordering states)

<table>
<thead>
<tr>
<th>State Rank</th>
<th>OK</th>
<th>TX</th>
<th>NM</th>
<th>CO</th>
<th>KS</th>
<th>MO</th>
<th>AR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Tax-Supported Debt</td>
<td>40th</td>
<td>7th</td>
<td>38th</td>
<td>19th</td>
<td>28th</td>
<td>33rd</td>
<td>44th</td>
</tr>
<tr>
<td>Net Tax-Supported Debt</td>
<td>40th</td>
<td>13th</td>
<td>32nd</td>
<td>28th</td>
<td>25th</td>
<td>27th</td>
<td>36th</td>
</tr>
<tr>
<td>Net Tax-Supported Debt:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Per Capita</td>
<td>44th</td>
<td>42nd</td>
<td>22nd</td>
<td>40th</td>
<td>18th</td>
<td>38th</td>
<td>35th</td>
</tr>
<tr>
<td>- As % of 2016 Personal Income</td>
<td>44th</td>
<td>42nd</td>
<td>18th</td>
<td>41st</td>
<td>17th</td>
<td>40th</td>
<td>32nd</td>
</tr>
</tbody>
</table>

1 The higher the number, the lower the state’s debt and the lower its debt ratios. Information was taken from Moody’s “2018 State Debt Medians Report.”
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 where possible, how they compare with other state's taxes in the region and nation. To set the stage, a pie chart is provided on the following page to show the categories of taxes collected which make the greatest contribution to Oklahoma’s General Revenue Fund. In the sections which follow, the total amount of collections for each tax type is provided. The section concludes with an overview of selected legislative tax policy initiatives over the past few decades.

**STATE REVENUE MIX**

Oklahoma’s revenue stream relies most heavily on income and sales/use tax. Gross production tax from the oil and gas industry, motor vehicle taxes and fees and alcohol and cigarette taxes are also significant, although to a lesser degree. While reliance on revenue from income and sales tax is not unique, Oklahoma is part of a small subset of states which may benefit greatly from gross production taxes. This reliance on a sometimes volatile revenue source comes with its own set of revenue estimating and budgeting challenges.

State tax collections flow into various funds, the most important of which is the General Revenue Fund (more about this fund in the State Budget chapter). The pie chart below looks at the major categories of tax revenue which make up the General Revenue Fund.
Sources of Tax Revenue to General Revenue Fund
FY’19 Estimates
(In Millions)

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue (In Millions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales/Use</td>
<td>$2,428,908,388</td>
<td>37%</td>
</tr>
<tr>
<td>Income Tax</td>
<td>$2,394,577,772</td>
<td>37%</td>
</tr>
<tr>
<td>Gross Production</td>
<td>$554,688,813</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>$545,006,757</td>
<td>8%</td>
</tr>
<tr>
<td>Motor Vehicle</td>
<td>$220,984,000</td>
<td>3%</td>
</tr>
<tr>
<td>Alcohol/Cigarette</td>
<td>$361,169,003</td>
<td>6%</td>
</tr>
</tbody>
</table>

Total = $6.505 Billion

Source: Oklahoma State Board of Equalization, June 2018 Certification

**COMPARING STATE-BY-STATE TAX LEVELS**

Policymakers often use state-by-state tax comparisons to guide their decisions. However, profound differences exist between states in the way state and local governments operate, particularly with respect to the way the burden for funding public services is allocated. These differences can skew comparisons.

**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.
Among regional states, Oklahoma has the third lowest per capita tax revenue and all states in the region except Nebraska are below the national average. North Dakota was the highest in the nation with total per capita taxes of $9,207. Alabama had the lowest with $3,146 in total per capita taxes.

The average Oklahoman contributes $1,178 less per year in state and local tax revenue than the average American.

**Comparison of Taxes as a Percent of Income**

Comparing the amount of taxes paid per capita (above) becomes more meaningful when that amount is adjusted for the relative wealth of each state’s residents. To do that, the following chart compares the percentage of personal income the average resident pays in taxes. For Oklahomans, the percentage of personal income paid in state and local taxes was the lowest in the region and ranked 45th of the 50 states in 2015.
State and Local Taxes
As Percentage of Personal Income

<table>
<thead>
<tr>
<th>State</th>
<th>Taxes as % of 2015 Income</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>8.8%</td>
<td>37</td>
</tr>
<tr>
<td>Arkansas</td>
<td>9.9%</td>
<td>23</td>
</tr>
<tr>
<td>Colorado</td>
<td>8.9%</td>
<td>36</td>
</tr>
<tr>
<td>Kansas</td>
<td>9.3%</td>
<td>29</td>
</tr>
<tr>
<td>Louisiana</td>
<td>9.2%</td>
<td>31</td>
</tr>
<tr>
<td>Missouri</td>
<td>8.6%</td>
<td>41</td>
</tr>
<tr>
<td>Nebraska</td>
<td>10.2%</td>
<td>18</td>
</tr>
<tr>
<td>New Mexico</td>
<td>11%</td>
<td>11</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>8.4%</td>
<td>45</td>
</tr>
<tr>
<td>Texas</td>
<td>8.8%</td>
<td>37</td>
</tr>
<tr>
<td>U.S.</td>
<td>10.1%</td>
<td></td>
</tr>
</tbody>
</table>

North Dakota is ranked highest at 16.5 percent. Alaska is ranked lowest at 6.2 percent. Overall, the amount of state and local taxes as a percentage of personal income in Oklahoma remained nearly static between 2013 and 2015. Tax increases and policy changes enacted during the 2017 Special Session could change Oklahoma’s ranking in the coming years.

INCOME TAXES

Oklahoma collected more than $3.44 billion in income tax revenues in FY’18, accounting for 38.2 percent of total state tax revenue and 37% of revenue flowing to the General Revenue (GR) Fund. 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.

Individual Income Tax

Oklahoma’s graduated income tax rate is based on a bracket structure which ranges from ½ percent to 5 percent, depending upon the amount of taxable income. For tax years 2016 and after, the schedule is provided below. Please note that the incomes are shown for both single filers and joint filers. The bracket is fairly compressed, with single filers reaching the top bracket at $7,200 in income and joint filers at $12,200.
• ½ percent on the first $1,000 (single filer)/$2,000 (joint filer);
• 1 percent on the next $1,500/$3,000;
• 2 percent on the next $1,250/$2,500;
• 3 percent on the next $1,150/$2,300;
• 4 percent on the next $2,300/$2,400; and
• 5 percent on the remainder.

Since 2000, the Legislature has enacted a number of income tax changes, ratcheting down the top marginal individual rate from 7 percent to 5 percent. Although legislation enacted during the 2014 session could have resulted in one further reduction based on a certain revenue target often referred to as a “trigger”, the provision was repealed in 2017 (SB 170) due to budgetary concerns. As a result of changes over time, the following top marginal income tax rates apply:

<table>
<thead>
<tr>
<th>Year</th>
<th>Top Marginal Rate</th>
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<tbody>
<tr>
<td>2004</td>
<td>6.65%</td>
</tr>
<tr>
<td>2005</td>
<td>6.25%</td>
</tr>
<tr>
<td>2006</td>
<td>5.65%</td>
</tr>
<tr>
<td>2007</td>
<td>5.50%</td>
</tr>
<tr>
<td>2012</td>
<td>5.25%</td>
</tr>
<tr>
<td>2016 and after</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

**Individual Income Taxes Comparison**

As the chart below demonstrates, Oklahoma ranked 34th out of 43 states in the per capita amount of individual income taxes collected. When per capita collections are compared to the other states in this region, the state ranked 4th lowest of nine states.

In 2016, New York had the highest per capita income tax collections with $2,345 collected per person. Seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) do not levy individual income tax.

The average Oklahoman pays $304 less per year in individual income taxes than the average American.
Income Taxes
2018 Rates; 2016 Per Capita Revenue and Rankings

<table>
<thead>
<tr>
<th>State</th>
<th>Tax Rate</th>
<th>Per Capita Revenue</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>2.59 - 4.54%</td>
<td>$574</td>
<td>40</td>
</tr>
<tr>
<td>Arkansas</td>
<td>0.9 – 6.9%</td>
<td>$931</td>
<td>29</td>
</tr>
<tr>
<td>Colorado</td>
<td>4.63%</td>
<td>$1,173</td>
<td>14</td>
</tr>
<tr>
<td>Kansas</td>
<td>3.1 – 5.7%</td>
<td>$768</td>
<td>33</td>
</tr>
<tr>
<td>Louisiana</td>
<td>2 - 6%</td>
<td>$612</td>
<td>38</td>
</tr>
<tr>
<td>Missouri</td>
<td>1.5 - 6%</td>
<td>$989</td>
<td>25</td>
</tr>
<tr>
<td>Nebraska</td>
<td>2.46 - 6.84%</td>
<td>$1,177</td>
<td>13</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1.7 - 4.9%</td>
<td>$676</td>
<td>37</td>
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<tr>
<td>Oklahoma</td>
<td>0.5 - 5%</td>
<td>$764</td>
<td>34</td>
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<tr>
<td>Texas</td>
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</tr>
<tr>
<td>U.S.</td>
<td></td>
<td>$1,068</td>
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</tbody>
</table>


Corporate Income Tax

Corporate income tax is imposed at a flat six percent rate on Oklahoma taxable income. Unlike the individual income tax rate, the corporate income tax rate has not been changed since 1990. Income taxes paid by Oklahoma corporations were estimated to produce over $138 million in revenues during FY’18, which totaled just under 7 percent of the amount collected through all income taxes. The year-to-year volatility of this revenue source resulted in its inclusion in the Revenue Stabilization Fund, created in 2016 as a reserve fund to address fluctuating collections from corporate income and gross production tax. The provisions dictate that, once a certain revenue target is met, if collections from those sources exceed a “moving 5-year average amount”, the excess is diverted to the Revenue Stabilization Fund. Excess corporate income tax collections which would otherwise be sent to the General Revenue Fund are subject to this diversion.

Corporate Income Taxes Comparison

Oklahomans pay about 58 percent of the national average per capita in corporate income taxes. With the exception of Arkansas and Nebraska, all states in the region are below the national average.

When each state’s per capita revenue from corporate income taxes is compared, Oklahoma ranks 37th of the 46 states that levy such tax.
New Hampshire is the highest with $525 collected per capita. Two states (South Dakota and Wyoming) levy no corporate income tax and four states levy a gross receipts tax on corporations instead of income tax (Nevada, Ohio, Texas and Washington).

### Corporate Income Tax
#### 2018 Rates and 2016 Per Capita Revenue and Rankings

<table>
<thead>
<tr>
<th>State</th>
<th>Tax Rate</th>
<th>Per Capita Revenue</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>4.9%</td>
<td>$83</td>
<td>38</td>
</tr>
<tr>
<td>Arkansas</td>
<td>1 - 6.5%</td>
<td>$151</td>
<td>19</td>
</tr>
<tr>
<td>Colorado</td>
<td>4.63%</td>
<td>$113</td>
<td>27</td>
</tr>
<tr>
<td>Kansas</td>
<td>4%</td>
<td>$135</td>
<td>24</td>
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<tr>
<td>Louisiana</td>
<td>4 - 8%</td>
<td>$37</td>
<td>45</td>
</tr>
<tr>
<td>Missouri</td>
<td>6.25%</td>
<td>$54</td>
<td>43</td>
</tr>
<tr>
<td>Nebraska</td>
<td>5.58 - 7.81%</td>
<td>$161</td>
<td>15</td>
</tr>
<tr>
<td>New Mexico</td>
<td>4.8 – 5.9%</td>
<td>$55</td>
<td>42</td>
</tr>
<tr>
<td><strong>Oklahoma</strong></td>
<td>6%</td>
<td>$84</td>
<td>37</td>
</tr>
<tr>
<td>Texas</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td></td>
<td>$145</td>
<td></td>
</tr>
</tbody>
</table>


### Statutory Apportionment of Income Taxes

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 (sometimes referred to as the “HB 1017” Fund or ERRF);
- **5.00%** to the Teachers’ Retirement System Dedicated Revenue Revolving Fund; and
- **1.00%** to the Ad Valorem Reimbursement Fund, which reimburses local governments for lost revenues related to the constitutional ad valorem exemption for certain 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.

*The amount of corporate income tax collections apportioned to the General Revenue Fund is subject to the provisions of the Revenue Stabilization Fund.

It is important to note that in some cases, the statutes provide for a certain distribution of tax revenue either before the apportionment percentages are applied or outside the traditional statutory apportionment process. This is sometimes referred to as revenue “taken off the top”. In the case of income tax collections, amounts have been distributed this way to the Rebuilding Oklahoma Access and Driver Safety Fund (known as the ROADS Fund), Oklahoma’s Promise (formerly known as OHLAP), two public transportation-related funds and a fund for certain agency computer systems. Of these, the ROADS fund is by far the largest amount, with a distribution expected to reach $574.9 million in FY’19. Changes made during the 2017 Second Special Session will result in less income tax revenue accruing to the ROADS Fund beginning in FY’20 (HB1014XX). Those amounts will be replaced by new motor fuel tax collections from the tax increases enacted in HB 1010XX and changes to the apportionment of motor vehicle taxes and fees (see the Transportation chapter for additional discussion).

**History of Revenues from State Income Taxes**

Revenue from the state income tax has fluctuated over the last 10 years, reflecting economic and policy changes. When comparing FY’09 to FY’18, actual dollars increased by 19.5% but when adjusted for inflation using 2009 dollars, the increase was only 1.8%.
History of Income Tax Revenue  
FY’09 Through FY’18 (In Millions)


SALES AND USE TAXES

In FY’18, state sales tax revenue totaled over $2.56 billion and the use tax produced over $279 million. The state rate for both the sales tax and use tax in Oklahoma is 4.5 percent. The two taxes accounted for 37 percent of actual GR Fund revenues in FY’18 – equal to the amount produced by income tax. 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.

While the remainder of this section focuses solely on sales tax, use tax is becoming increasingly more significant due to the shift toward online sales (by “remote sellers”) and away from local brick and mortar retail sales. Over the past several years the Legislature has enacted provisions intended to increase remote seller compliance with the use tax. HB 1019XX (2nd Special Session) focused on certain vendors who facilitate third party sales (e.g. through a website), but are not physically located in Oklahoma. It required them to collect and remit taxes or to submit reports on total purchase amounts to the buyer and Tax Commission.
Those efforts were bolstered by a recent decision handed down by the U.S. Supreme Court. In *South Dakota v. Wayfair*, the Court overturned decades of precedent, authorizing South Dakota to require certain remote sellers to collect and remit sales/use tax. This is expected to improve Oklahoma state revenue collections.

**History of the State Sales Tax**

In actual dollars, sales tax collections grew by 28.7 percent between FY’09 and FY’18, but when adjusted for inflation, grew by only 9.7 percent.

<table>
<thead>
<tr>
<th>State Sales Tax Collections</th>
<th>FY’09 Through FY’18 (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’09</td>
<td>$1,989.4</td>
</tr>
<tr>
<td>FY’10</td>
<td>$2,094.7</td>
</tr>
<tr>
<td>FY’11</td>
<td>$2,209.1</td>
</tr>
<tr>
<td>FY’12</td>
<td>$2,294.5</td>
</tr>
<tr>
<td>FY’13</td>
<td>$2,363.7</td>
</tr>
<tr>
<td>FY’14</td>
<td>$2,438.2</td>
</tr>
<tr>
<td>FY’15</td>
<td>$2,504.7</td>
</tr>
<tr>
<td>FY’16</td>
<td>$2,585.9</td>
</tr>
<tr>
<td>FY’17</td>
<td>$2,664.4</td>
</tr>
<tr>
<td>FY’18</td>
<td>$2,613.3</td>
</tr>
</tbody>
</table>


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.

The 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.

In November of 2016, Oklahomans were presented with State Question 779. That proposal would have increased the sales tax rate for the first time in over two and one-half decades, adding an additional one cent dedicated to funding public education. The measure failed, receiving only 40.4% “yes” votes.

**Statutory Apportionment of Sales Taxes**

Sales tax revenues are apportioned by the Oklahoma Tax Commission as follows:

83.61% to the General Revenue Fund;
10.46% to the Education Reform Revolving Fund (HB 1017 Fund);
5.00% to the Teachers’ Retirement System Dedicated Revenue Revolving Fund;
0.87% divided between two tourism funds (36%, to the Oklahoma Tourism Promotion Revolving Fund, capped* at $5 million annually, and 64% to the Oklahoma Tourism Capital Improvement Revolving Fund, capped* at $9 million annually); and
0.06% to the Oklahoma Historical Society Capital Improvement and Operations Revolving Fund, capped* at the amount apportioned for FY’15.

*Any amounts which accrue in excess of the caps are deposited to the General Revenue Fund.

Prior to the application of the statutory apportionment schedule outlined above (often referred to as “off the top”), sales tax revenue will first be used to reimburse cities and towns for losses resulting from the annual Sales Tax Holiday.

The use tax is apportioned in the same way as the sales tax, with one difference - there is no off the top apportionment for the Sales Tax Holiday reimbursement. Instead and as a result of recent legislative action (HB 1019XX described above), an additional $20 million will flow to the HB 1017 Fund.
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, groceries purchased with food stamps and sales to a business for resale. Many other sales to or by certain organizations are also exempt. While most services are not taxed, the issue of taxation of services has continued to be a topic of legislative discussion fueled in part by budget difficulties and also by the continuing shift towards a service economy.

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
2018 Rates; 2015 Per Capita Revenue and Rankings

<table>
<thead>
<tr>
<th>State</th>
<th>State Only Sales Tax Rate</th>
<th>State Only Per Capita Revenue</th>
<th>State &amp; Local Per Capita Revenue</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>5.6%</td>
<td>$1,364</td>
<td>$1,556</td>
<td>7</td>
</tr>
<tr>
<td>Arkansas</td>
<td>6.5%</td>
<td>$1,434</td>
<td>$1,723</td>
<td>3</td>
</tr>
<tr>
<td>Colorado</td>
<td>5.5%</td>
<td>$1,430</td>
<td>$1,596</td>
<td>4</td>
</tr>
<tr>
<td>Kansas</td>
<td>4.0%</td>
<td>$1,360</td>
<td>$1,529</td>
<td>5</td>
</tr>
<tr>
<td>Louisiana</td>
<td>3.9%</td>
<td>$1,290</td>
<td>$1,469</td>
<td>6</td>
</tr>
<tr>
<td>Missouri</td>
<td>4.225%</td>
<td>$1,290</td>
<td>$1,469</td>
<td>7</td>
</tr>
<tr>
<td>Nebraska</td>
<td>5.5%</td>
<td>$1,260</td>
<td>$1,414</td>
<td>8</td>
</tr>
<tr>
<td>New Mexico</td>
<td>5.125%</td>
<td>$1,380</td>
<td>$1,550</td>
<td>9</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>4.5%</td>
<td>$1,340</td>
<td>$1,499</td>
<td>10</td>
</tr>
<tr>
<td>Texas</td>
<td>6.25%</td>
<td>$1,496</td>
<td>$1,656</td>
<td>11</td>
</tr>
<tr>
<td>U.S.</td>
<td></td>
<td></td>
<td>$1,147</td>
<td>12</td>
</tr>
</tbody>
</table>


Oklahoma’s ranking of 16th in per capita state and local sales tax revenue places it in the top half of those states which levy a sales tax. However, in the region only 3 states rank lower. The average Oklahoman spends $76 more a year in per capita sales taxes than the average American citizen. When the state sales tax rate is compared, only Colorado, Louisiana and Missouri have lower state rates. Four states (Delaware, Montana, New Hampshire and Oregon) levy no sales tax. It is important to note here that when looking at the actual rates, local rates were not included. During the time when Oklahomans were considering the proposed state question to raise the state tax rate (November of 2016 ballot), much was made of the relatively high state and local combined rates in some jurisdictions. As noted, the proposal failed.
**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 from the severance tax generated $682 million in FY’18. The volatility of this revenue source is a key component of the state’s budget history.

**History of Gross Production Tax Collections  
FY’09 Through FY’18 (In Millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’09</td>
<td>$1,052.1</td>
</tr>
<tr>
<td>FY’10</td>
<td>$732.1</td>
</tr>
<tr>
<td>FY’11</td>
<td>$817.5</td>
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<tr>
<td>FY’12</td>
<td>$835.9</td>
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<tr>
<td>FY’13</td>
<td>$513.5</td>
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<tr>
<td>FY’14</td>
<td>$665.4</td>
</tr>
<tr>
<td>FY’15</td>
<td>$542.1</td>
</tr>
<tr>
<td>FY’16</td>
<td>$411.2</td>
</tr>
<tr>
<td>FY’17</td>
<td>$319.8</td>
</tr>
<tr>
<td>FY’18</td>
<td>$682.1</td>
</tr>
</tbody>
</table>

Source: Oklahoma Tax Commission

There are two types of gross production taxes: the severance tax and petroleum excise tax. The severance tax produces the lion’s share of the revenue.

**Severance Tax**

A severance tax is a tax levied upon the production or mining of minerals when they are "severed" from the earth. Taxes are levied on the production of uranium at 5% and other minerals, ores and asphalt are taxed at 0.75%. The tax on production of oil and gas is more complex, with a standard 7% tax rate which has been modified over time based on price levels, types of drilling and to some extent, on broader budget concerns. Changes in the incentive structure over the past three decades, summarized below, follow a tax policy shift from complex and targeted to simple and broad-based.
The early years: Three-tiered rate structure and multiple unique incentives

From the late 1990’s until the beginning of FY’14, the tax on oil and gas was based on a three-tiered structure. If the price of oil or gas rose or fell by a specified amount, the tax rate would be adjusted. While it could fluctuate between 1%, 4% and 7%, the price thresholds were not modified or indexed in a way that resulted in many changes. Essentially, the tax rate remained at 7% for most of the time the three-tiered structure was in place.

During that same time period, eight unique rebate-style incentives were put into place to encourage the use of specific drilling technologies or to enhance production in certain marginal wells (e.g. enhanced recovery, horizontal wells, 3-D seismic). Each incentive had its own qualifying criteria, time limit and sunset date. Generally speaking, most gave the producer a tax rebate for 6/7ths of the 7% tax paid on production during a specified number of months. After each well reached the time limit of the applicable incentive, all production was taxed at 7%. Sunset dates on these incentives were extended many times, but between 2010 and 2018, more significant changes were made.

2010: Structural changes and budget concerns

During the 2010 legislative session, HB 2432 changed the incentive for the two most active types of production - horizontally-drilled wells and certain deep-drilled wells. In lieu of the rebate of 6/7ths of the tax, the wells were taxed at an up-front reduced rate for a specific time period (1% for horizontal and 4% for deep). HB 2432 also addressed then-current budget issues by suspending the payment of rebates due on certain production. That amount was later repaid over a three-year period beginning in FY’13.

2014: Bigger structural changes and broadening incentives

Perhaps the most significant change in decades occurred during the 2014 legislative session, with a shift away from rebates targeting specific types of production toward a single incentive rate. HB 2562 modified the tax rate/incentive structure for all new production from wells spudded on or after July 1, 2015. Those wells would be taxed at 2% for 36 months, with the standard 7% applied thereafter. While certain existing incentives were left in place for ongoing production, each was subject to sunset either on July 1, 2015 (deep well, new discovery, and 3-D seismic) or on July 1, 2020 (enhanced recovery, inactive well, production enhancement incentives and economically-at-risk). Both the process of claiming an incentive through a rebate and the taxation of certain production at 1% or 4% was set to phase out as each reached the applicable sunset date.
2016: Response to economic factors
Although it was scheduled to sunset in 2020, additional changes were made during the 2016 legislative session to the economically-at-risk rebate provision. As a result of a drop in oil and gas prices, a large amount of production qualified for the specific incentive and when rebate claims spiked, the Legislature took action. SB 1577 tightened the qualifications for all production on or after January 1, 2015 and capped the total amount of claims paid each year to no more than $12.5 million.

2017 and 2018: Accelerating sunsets and addressing budget concerns
During the 2017 Regular Session, each of the rebate-style incentives set to end in 2020 were eliminated early, effective July 1, 2017 (HB 2377). Another measure (HB 2429) addressed the 1% up front incentive tax rate established in 2010 on certain production from horizontal wells, raising it to 4%, beginning with July, 2017 production.

Those actions were quickly followed by further changes made during the two 2017 Special Sessions. HB 1085X (1st Special Session) once again addressed the incentive tax rate for horizontal production by eliminating it for production during and after December of 2017. HB 1010XX (2nd Special Session) modified the only gross production tax incentive left – the 2% for 36 months incentive rate – by raising it to 5%.

As a result, all production is incentivized in the same way, through a straightforward 5% tax rate for the first three years of production, followed by the 7% standard tax levy. By the conclusion of the 2017 and 2018 Regular and Special Sessions, the gross production tax incentive landscape first enacted in the 1990’s had changed almost completely.

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.

Apportionment of Gross Production Taxes
The apportionment of gross production tax is somewhat complex. Statutory incentives over time have resulted in production taxed at 5 different tax rates - 1%, 2%, 4%, 5% and 7%. Since most incentives will expire in 2018, most production will be taxed at either the 5% incentive rate or the standard 7% rate. For that reason, only the apportionment at those two rates is described below. Gross production tax apportionment is also affected by several other factors – the application of a $150 million cap under certain circumstances, the existence of the Revenue Stabilization Fund and the potential for adoption of the Vision Fund.

The cap is applied to the total annual amount apportioned to the italicized recipients listed below. If it exceeds $150 million, any excess is deposited into the General Revenue Fund.
The Revenue Stabilization Fund was created in 2016 as a reserve fund to address revenue volatility in collections from gross production tax and corporate income tax. The provisions dictate that, once a certain revenue target is met, if collections from those sources exceed a “moving 5-year average amount”, the excess is diverted to the Revenue Stabilization Fund. Any gross production tax collections which would otherwise be sent to the General Revenue Fund are subject to this diversion.

In November of 2018, Oklahoma voters will be asked to consider the creation of a constitutional reserve fund called the Vision Fund. The proposed fund would also function as a reserve fund, with five percent of gross production tax collections deposited into the fund beginning with fiscal year 2020. That percentage would increase by one-half percent annually until it reaches 100%.

With those caveats in mind, the apportionment of gross production tax is described below.

For oil, depending on the rate imposed, revenue is apportioned as follows:

- If levied at a seven percent tax rate:
  - 25.72% to the Common Education Technology Fund;
  - 25.72% to the Higher Education Capital Fund;
  - 25.72% to the Oklahoma Tuition Scholarship Fund;
  - 3.745% to the County Bridge and Road Improvement Fund;
  - 7.14% to counties where the oil is produced, for roads;
  - 7.14% to school districts;
  - 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’19; and
  - 0.535% to the Statewide Circuit Engineering District Revolving Fund.

- If levied at a five percent tax rate:
  - 23.75% to the Common Education Technology Fund;
  - 23.75% to the Higher Education Capital Fund;
  - 23.75% to the Oklahoma Tuition Scholarship Fund;
  - 3.28% to the County Bridge and Road Improvement Fund;
  - 10% to counties where the oil is produced, for roads;
  - 10% to school districts;
  - 5% 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 Fund.
Revolving Fund – at one-third each from FY’07 to FY’19; and
0.47% to the Statewide Circuit Engineering District Revolving Fund.

* Beginning FY’20, the percentage divided between three funds will revert back to the REAP (Rural Economic Action Plan) Water Projects Fund.

For gas, depending on the rate imposed, revenue is apportioned as follows:

- If levied at a seven percent tax rate:
  85.72% to the General Revenue Fund;
  7.14% to the counties where the gas is produced, roads; and
  7.14% to school districts.

- If levied at a five percent tax rate:
  80% to the General Revenue Fund;
  10% to the counties where the gas is produced, roads; and
  10% 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, 2021, 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, 2021, 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.

* The first $2.7 million is transferred to the Corporation Commission.
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.

Apportionment of motor vehicle taxes and fees has been modified in the recent past. As the result of legislation enacted in 2015 (HB 2244), certain recipients of revenue were subject to limits in spite of the statutory apportionment percentage. The first seven (italicized below) were capped at the actual amount apportioned during FY’15, with any excess deposited into the General Revenue Fund. The last fund listed, the County Improvements for Roads and Bridges Fund (CIRB) was capped at $120 million annually.

In 2017, under HB 2433 certain motor vehicle transfers became subject to 1.25% of the state sales tax. Previously, such transactions were fully exempt from sales tax.

During the 2017 Second Special Session, HB 1014XX further modified the apportionment by redirecting all amounts flowing to the General Revenue Fund to the ROADS Fund beginning FY’20. This change was part of a larger effort to reduce the amount of income tax revenue flowing to the ROADS Fund by increasing the amount of revenue from motor fuel taxes and motor vehicle taxes and fees.
Motor vehicle taxes and fees are apportioned monthly to eleven different funds and/or entities, as follows:

- **36.20%** to school districts;
- **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;
- **24.84%** to the General Revenue Fund until FY’20, then to the ROADs Fund thereafter;
- **1.24%** to the Oklahoma Law Enforcement Retirement Fund;
- **0.034%** to the Wildlife Conservation Fund; and
- **20.0%** to the County Improvements for 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 do not provide an accurate representation.

### ALCOHOL AND TOBACCO TAXES

Oklahoma levies taxes on various categories of alcoholic beverages, cigarettes and tobacco products. Taken together, these revenue sources produced 6% of the total amount deposited into the General Revenue Fund for FY’18. That percentage is likely to change in the near future based on the impact of two important changes in the law. Effective July 1, 2018, the tax on a 20-pack of cigarettes rose from $1.03 to $2.03 (HB 1010XX) and effective October 1, 2018, beer and wine may be sold in grocery and convenience stores and liquor stores are permitted to sell refrigerated products (State Question 792).

#### Alcohol Taxes

For many decades these beverage taxes were split into three separate categories, with different rates for low-point beer, alcoholic beverages (including higher-point beer) and mixed drinks consumed on the premises. Since State Question 792 was fully implemented, there is only one tax rate for all beer regardless of the percentage of alcohol. The taxes are levied and apportioned as follows:
• “Alcoholic beverages”: All spirits ($1.47 per liter), wine ($0.19 per liter), sparkling wine ($0.55 per liter) and beer ($12.50 per 31-gallon barrel) are subject to tax at the rates indicated. It is paid by the first licensee in the state who imports or handles the beverages and is passed on to, and levied upon, the ultimate consumer. That revenue is apportioned as follows:
  o 2/3rds of 97% to the General Revenue Fund, except for up to $350,000 collected annually from the sale of wine and sparkling wine to the Oklahoma Viticulture and Enology Center Development Revolving Fund;
  o 1/3rd of 97% to counties on the basis of area and population; and
  o 3% to the Tax Commission Revolving Fund.

• “Mixed beverage” tax: Any beverage sold by the individual drink for on-premises consumption is subject to an excise tax of 13.5%, levied on the license-holder serving the drink. All revenue from the mixed beverage tax is apportioned to the General Revenue Fund. Unlike the other tax listed, the mixed beverage tax is relatively “new”. It was first levied in 1985, in the year after Oklahoma voters approved the sale of liquor by the drink.

### History of Alcoholic Beverage-Related* Tax Collections
<table>
<thead>
<tr>
<th>FY’09</th>
<th>FY’10</th>
<th>FY’11</th>
<th>FY’12</th>
<th>FY’13</th>
<th>FY’14</th>
<th>FY’15</th>
<th>FY’16</th>
<th>FY’17</th>
<th>FY’18</th>
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<td>$91.2</td>
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<td>$101.2</td>
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<td>$113.7</td>
<td>$117.4</td>
<td>$119.4</td>
<td>$123.1</td>
</tr>
</tbody>
</table>

*Includes taxes and fees associated with alcoholic beverages, low-point beer and mixed beverages

Source: Oklahoma Tax Commission
Cigarette and Tobacco Taxes

Cigarettes and tobacco products are taxed separately from alcoholic beverages and from each other. It is also important to note that some tax disparities exist between tribal and non-tribal sales, and that those rates are separate from the tax outlined below.

- Cigarettes: The tax is paid by wholesalers and passed on the consumer. In 2005, Oklahoma voters approved a change in the taxation of cigarettes. Cigarettes were exempted from sales tax and the excise tax rate was increased by $0.80 per pack, resulting in a total of $1.03 is levied on each 20-cigarette pack. As noted above, the per-pack rate was increased to $2.03 in July of 2018 in HB 1010XX. The apportionment is broken down as follows:
  ✓ The first $0.23 on each pack is used to repay state bonds;
  ✓ The next $0.80, is essentially split 12 ways, with over 60% apportioned to a variety of eight health-related funds, 16.83% to the General Revenue fund, 14.23% to counties and cities to replace lost sales tax, 2.07% to the HB 1017 Fund; and 1% to the Teachers’ Retirement System; and
  ✓ The last $1.00 to the General Revenue Fund before FY’20, after which it will flow to the newly-created Health Care Enhancement Fund.

- Tobacco products: Tax rates depend upon the size of the cigar or the type of tobacco. Large cigars are taxed at $0.12 each and little cigars are taxed exactly like cigarettes. Smoking tobacco is taxed at 80% of the factory list price and chewing tobacco at 60% of the factory list price. Revenue generated by tobacco products after January of 2005 is apportioned exactly as the “next $.80” for cigarettes, as noted above.
History of Cigarette and Tobacco Products* Tax Collections
FY’09 Through FY’18 (In Millions)

*Includes taxes and fees associated with cigarettes and tobacco products.
Source: Oklahoma Tax Commission

Since the taxation structures for cigarettes and alcoholic beverages can vary greatly from state to state, comparisons are difficult and may not provide an accurate picture. For that reason, data for Oklahoma’s surrounding states have not been included.

**MOTOR FUELS TAXES**

One of the ways the state generates revenue for state highways and county roads is 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. As of July, 2018, the 20¢ per gallon tax on gasoline and on diesel fuel is used to fund transportation needs.

**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 20 times, most recently in 2018. The increases enacted in 2018 were the first in 28 years.
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 $439.6 million in motor fuel tax revenues in FY'18. Even with the new rates in place, Oklahoma tax rates are still considerably lower than the national median rate and most states in our region. In fact, our rates are among the lowest five when compared to other states. Rates are highest in Pennsylvania and lowest in Alaska.

### Motor Fuel Tax

**2017* Rates and Rankings**

<table>
<thead>
<tr>
<th>State</th>
<th>Gasoline Tax Rate</th>
<th>Ranking</th>
<th>Diesel Tax Rate</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>19.0¢</td>
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<td>27.0¢</td>
<td>26</td>
</tr>
<tr>
<td>Arkansas</td>
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<td>22.8¢</td>
<td>36</td>
</tr>
<tr>
<td>Colorado</td>
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<td>36</td>
<td>20.5¢</td>
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</tr>
<tr>
<td>Kansas</td>
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<td>27.03¢</td>
<td>25</td>
</tr>
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<td>New Mexico</td>
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<td>Oklahoma</td>
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<tr>
<td>Texas</td>
<td>20.0¢</td>
<td>40</td>
<td>20.0¢</td>
<td>43</td>
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</tbody>
</table>

*All rates are 2017 except Oklahoma rates are updated to reflect 2018 changes.

### Gasoline Tax

The 20¢ per gallon gasoline tax is a combination of: (1) a 19¢ 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 to the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund for cleaning up leaking underground storage tanks, or to the State Transportation Fund.
Oklahoma Taxes

From the 19¢ in gasoline tax revenue, 16¢ 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;  
- 2.297% 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;  
- 1.625% to the High Priority State Bridge Revolving Fund; and  
- 0.328% to the Statewide Circuit Engineering District Revolving Fund.

The additional 3¢, levied as the result of HB 1010XX (2017 Second Special Session), will be distributed to the General Revenue Fund prior to FY’20 and thereafter, to the ROADS 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.

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Gasoline Tax Revenue  
FY’09 Through FY’18 (In Millions)

Source: Oklahoma Tax Commission

The Oklahoma Tax Commission estimated that the 3¢ per gallon increase in the gasoline tax will generate an additional $51.9 million in FY’19.
Diesel Fuel Tax

The 20¢ per gallon diesel fuel tax is a combination of: (1) a 19¢ 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 to the Petroleum Storage Tank Release Environmental Cleanup Indemnity Fund for cleaning up leaking underground storage tanks or to the State Transportation Fund.

From the 19¢ in diesel tax revenue, 13¢ is distributed as follows:

- 64.34% to the State Transportation Fund*;
- 26.58% to counties for county roads and highways;
- 3.36% 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;
- 1.39% to the High Priority State Bridge Revolving Fund; and
- 0.488% to the Statewide Circuit Engineering District Revolving Fund.

* In addition, the first $83,333 collected each month goes to the credit of the State Transportation Fund prior to apportionment.

The additional 6¢, levied as the result of HB 1010XX (2017 Second Special Session), will be distributed to the General Revenue Fund prior to FY’20 and thereafter, to the ROADS Fund.

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

### Diesel Fuel Tax Revenue

**FY’09 Through FY’18 (In Millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’09</td>
<td>$102.9</td>
</tr>
<tr>
<td>FY’10</td>
<td>$101.5</td>
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<td>FY’11</td>
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<td>FY’15</td>
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<tr>
<td>FY’16</td>
<td>$102.2</td>
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<tr>
<td>FY’17</td>
<td>$125.3</td>
</tr>
<tr>
<td>FY’18</td>
<td>$123.3</td>
</tr>
</tbody>
</table>

Source: Oklahoma Tax Commission

The Oklahoma Tax Commission estimated that the 6¢ increase in the diesel fuel tax rate will generate an additional $53 million in revenue in FY-19.
PROPERTY TAXES IN OKLAHOMA

Property taxes, also known as ad valorem taxes, are the primary source of funding for county government operations and in fact, the Oklahoma Constitution specifically prohibits the use of ad valorem taxes for state government purposes. This revenue source also provided 26.6 percent of the statewide public school budget (FY’17) and 75.14 percent of career technology (vo-tech) center funding (FY’17).

The property tax system in Oklahoma has three levels: (1) the Oklahoma Constitution authorizes property taxes to be imposed and dictates certain limits; (2) the Legislature enacts statutes to implement constitutional provisions; and (3) the State Board of Equalization and the courts interprets 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 (Article 5, Section 33). 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 $679 per person in 2015 was about 45% of the national average of $1,520. Oklahoma ranks 49th out of the 50 states in per-capita property taxes. Only Alabama ranks lower.

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

Per Capita State and Local Property Tax Revenue 2015

<table>
<thead>
<tr>
<th>State</th>
<th>Per Capita Revenue</th>
<th>Ranking</th>
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<tbody>
<tr>
<td>Arizona</td>
<td>$1,040</td>
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<td>Louisiana</td>
<td>$869</td>
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<td>Missouri</td>
<td>$922</td>
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<tr>
<td>Nebraska</td>
<td>$1,898</td>
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<tr>
<td>New Mexico</td>
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<tr>
<td>Oklahoma</td>
<td>$679</td>
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<td>Texas</td>
<td>$1,732</td>
<td>13</td>
</tr>
<tr>
<td>U.S.</td>
<td>$1,520</td>
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</tbody>
</table>

Source: Ibid, p. 310
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 and 1.25% of the state sales tax 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. Some counties have voted to exempt personal property from taxation. A special class of personal property is known as intangible personal property. In November of 2012, Oklahoma voters voted to exempt all intangible personal property.

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 the past 20 years, the Legislature has proposed, and the voters have approved, Constitutional amendments that affect 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 a specified percentage in any year, unless title to the property is transferred or improvements are made to the property. The cap was originally set at 5 percent in 1996, then in November of 2012, voters reduced this percentage to 3 percent for homestead property and agricultural 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 (often referred to as the “senior freeze”). 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 each year. For calendar year 2018, county median incomes ranged from $41,900 to $67,300.

• 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. In November of 2014, Oklahoma voters expanded this provision. One change made it possible for a veteran who sells one exempt property and acquires a new one in the same year to claim an exemption for each during the appropriate time period. Another allowed a surviving spouse to continue to claim the full amount of the exemption after the qualified veteran has died.

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 (often referred to 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 (often referred to as the “circuit breaker” provision).

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 most 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 CareerTech 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.

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.
TAX POLICY

Since the mid-1990s, legislative tax policy has largely been tied to trends in the state economy. During periods when a strong economy produced healthy growth in tax revenues, legislation has tended to provide tax relief which is broad in scope and impact and provided without cutting essential state services. When the opposite has been true, tax relief has been limited and generally targeted to a few key industries or groups or, in the case of income tax changes, made conditional upon revenue growth through means such as a “trigger” mechanism. During times of budget distress, existing tax relief provisions are more heavily scrutinized.

From the mid-1990’s through 2001, the Legislature reduced the top marginal income tax rate twice, enacted numerous tax credits, exemptions and deductions (often referred to as tax expenditures), modified the gross production tax rate structure and referred to Oklahoma voters a reduction in motor vehicle taxes and fees. Then during the 2002 and 2003 sessions, when faced with declining state tax revenues, tax relief was limited to narrowly-targeted measures affecting very specific economic sectors such as energy and manufacturing.

From the 2004 through 2007 legislative sessions, bolstered by an improving state economy, the Legislature embarked on a multi-year tax relief program which included:

- Multiple reductions in the top marginal individual income tax rate;
- Property tax relief for 100% disabled veterans and senior citizens (both sent to a vote of the people);
- Increases in the standard deduction and exemptions for senior citizens and military retirees;
- Exemptions for certain capital gains;
- Elimination of the estate tax;
- Various exemptions from sales tax, particularly for specified groups or entities; and
- Various tax credits for certain classes of taxpayers or industries.

During this same time period, the Legislature sent to a vote of the people a change in the taxation of cigarettes and tobacco products. In November of 2004, voters approved a new structure which increased excise taxes and eliminated sales tax. The majority of new revenue was dedicated to health-related funds.
This type of change in tax policy – an increase implemented through a statewide vote of the people – demonstrates the role on tax policy of the constitutional limit on revenue measures (Article V, Section 33, often referred to as “state question 640”).

Since 2008, economic and revenue volatility has limited the ability of the Legislature to provide tax relief. For several years, only targeted relief was enacted. For example, 2008 legislation provided gross production tax exemptions for certain deep-drilled wells and in 2009, the income tax deduction for active duty military was increased to 100%.

A sea change occurred in 2010 when the state faced an historic revenue shortfall. During that session the state budget was balanced in part by enactment of both revenue enhancement measures and a two-year moratorium on the ability to claim about thirty existing tax credits.

During the next few sessions (2011 and 2012), some targeted tax relief legislation was enacted but policymakers were unable to agree on the single best approach for further reducing income tax rates. Interim studies by both the House and Senate focused on the existing tax structure and on the impact and relative effectiveness of the numerous existing tax expenditures. This broad, analytical approach ultimately resulted in the passage of several important measures during the 2013 session, including:

- A two-step reduction in the top marginal income tax rate, with each reduction subject to a trigger based on certain revenue targets (HB 2032). NOTE: Because the bill also apportioned income tax revenue for Capitol repair and restoration, it was later found by the State Supreme Court to be unconstitutional as a violation of the “single subject” rule;

- Elimination of over twenty credits and deductions in existing law (HB2308); and

- Conversion of several transferrable tax credit provisions into refundable credits (SB 343).

At the top of the legislative priority list for the 2014 session was a new measure to address the Court’s invalidation of the income tax cut legislation. SB 1246 provided for the same two-step rate reduction, with the earliest possible cut to occur for tax year 2016 and the second step down as early as 2018.

As provided by law, in December of 2014 the State Board of Equalization (SBOE) met and determined that the statutorily-required revenue growth was adequate to trigger a change. As a result, the top marginal rate fell from 5.25% to 5% in the 2016 tax year. The specific trigger for this change required the General Revenue Fund estimate for FY’16 to be equal to or greater than the estimate certified for that fund in February of 2013 (when the rate cut was originally enacted).
The determination for the second rate cut from 5% to 4.85% had a trigger which was structured differently. Continuing budget concerns plus a growing disaffection for the use of trigger mechanisms ultimately led to a 2017 repeal of the second trigger and associated income tax rate reduction (SB 170). It is worth mentioning here that triggers have been used a number of times in the past (as far back as the 1990s). While each has been based on unique criteria, fiscal years and funds, they share the same essential goal – to determine if estimates of future revenue meet (or in some cases, do not meet) a specified level which will allow implementation of a proposed tax change. While this is intended as a hedge against unforeseen revenue or budget problems, the specifics are important. The trigger mechanism which resulted in the reduction to a 5% top marginal rate took effect during a year in which the state faced declining revenues and there were efforts, though ultimately unsuccessful, to roll back the trigger and delay the implementation of the 5% rate.

During the 2014 session, the Legislature also modified existing tax credits, exemptions and deductions related to the aerospace industry, donations to certain scholarship-granting organizations, compressed natural gas property, expenses for foster care providers and natural disasters. A new credit program was established to incentivize investment in development of low income housing. Like the prior year, a handful of bills also eliminated or placed sunsets on certain credit provisions.

Finally, the 2014 session also marked major changes to gross production tax incentives. These changes are more fully discussed in the gross production tax section but in general can be described as a shift away from complex and targeted toward simple and broad-based.

Due to continuing revenue and budget difficulties, tax policy legislation during the 2015 session was focused in part on analysis of incentive programs. HB 2182 established a formalized procedure for analyzing certain tax incentives by creating the Incentive Evaluation Act, which requires many incentives to be evaluated at least once every four years by a newly-created commission. To date, the Incentive Evaluation Commission has studied and made recommendations on over 20 incentives, resulting in a handful of legislative changes. Debate also focused on the earmarking of tax revenue outside of the appropriation process. HB 2243 capped the amount of sales tax revenue apportioned to certain funds, with the excess deposited to the credit of the General Revenue Fund. HB 2244 accomplished the same thing with respect to motor vehicle tax and fee revenue.

During the same session, the Legislature also modified the incentives for wind energy production. SB 502 prohibited taxpayers engaged in wind power generation from claiming the investment/new jobs tax credit and SB 498 established a 2017 tax year sunset on the ability of such entities to claim new ad valorem exemptions.
In 2016, the Legislature took a targeted approach to income tax incentives, by:

- Reducing by 25% the value of credits for railroad modernization (HB 3204) and coal production and use (SB 1614);
- Eliminating the credits for energy efficient residential construction (SB 1603) and child care service providers (SB 1605);
- Capping the total amount of investment/new jobs credits which may be claimed annually to $25 million for a two-year period (SB 1582);
- Extending the sunset date for the small business guaranty fee credit but adding a specific “measurable goal” requirement (HB 2536);
- Eliminating the refundability aspect of the Oklahoma earned income tax credit (SB 1604); and
- Eliminating the so-called “double deduction” by requiring state and local income or sales taxes included in itemized deductions on the federal return to be added back to calculate Oklahoma taxable income (SB 1606).

Gross production tax incentives were also addressed through the application of an annual $12.5 million cap on the incentive for “economically at-risk” oil and gas leases (SB 1577).

In order to address revenue volatility, the 2016 Legislature also created the Revenue Stabilization Fund (HB 2763). This measure requires the SBOE to monitor the amounts of revenue from oil, gas and corporate income tax by certifying the 5-year average annual amounts which flow to the General Revenue Fund. In the future, when General Revenue Fund deposits for the prior fiscal year meet or exceed $6.6 billion, tax revenue from those sources which comes in above the 5-year average will be apportioned to the Stabilization Fund.

The activities of the 56th Oklahoma Legislature, spanning the 2017 and 2018 Regular Sessions plus two Special Sessions, resulted in a tax increase package intended to prioritize education and teacher pay as well as health care.

During the 2017 Regular Session, a number of measures were enacted to generate funding for education and health care needs. Those included SB 845, which contained a $1.50 per pack smoking cessation fee later ruled unconstitutional by the Oklahoma Supreme Court. Additional revenue-generating measures were enacted: freezing the amount of the standard deduction (HB 2348), reducing the cap on the rebate for film makers (HB 2344), eliminating the sales tax vendor discount (HB 2367), eliminating the motor fuel purchaser discount (HB 2358) and partially eliminating the sales tax exemption on the purchase of motor vehicles (HB 2433). Several gross production tax measures, more fully discussed in that section of this chapter, generated additional revenue.
The Court’s invalidation of SB 845 necessitated additional action during the 2017 Special Sessions and the 2018 Regular Session. HB 1010 XX was the first major tax increase package enacted in decades to obtain the constitutionally-required 75% supermajority vote. That bill is expected to generate over $400 million in revenue, based on the following:

- An additional $1.00 per pack tax on cigarettes (bringing the total to $2.03 per pack);
- Modifying the tax on “little cigars”;
- An additional 3¢ per gallon tax on gasoline and 6¢ on diesel;
- An increase in the gross production tax incentive rate from 2% to 5%; and
- An occupancy tax of $5 per room, per night, which was subsequently repealed.

Several other measures rounded out the revenue package. HB 1011XX capped the amount of itemized deductions for an Oklahoma taxpayer at $17,000, excluding medical expenses. HB 1019XX enhanced the authority for collecting use tax from remote sellers. Two bills – HB 1034XX and 1036XX placed annual caps on the total amount of income tax credits which may be claimed for coal production and use and for railroad rehabilitation expenditures. HB 1085X accelerated the sunset date on certain gross production tax incentives.
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 third in the U.S. in the production of winter wheat, fourth in cattle and calf production, first in rye, second in canola, sixth in hog production, and thirteenth in broiler chicken production.

Department of Agriculture Appropriations Budget History
FY’09 Through FY’19
Oklahoma is vulnerable to both extreme drought and wildfires throughout the state. Most of the burden of fighting wildfires is put on rural fire departments which are mostly funded by the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF). ODAFF provides grants for operational funding as well as grants for the purchase of equipment. ODAFF is also responsible for coordinating resources statewide in order to fight widespread wildfires by setting up, staffing, and managing an Incident Command Post.

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 1.5 percent of Oklahoma’s Gross State Product, down from 1.6 percent in 2015. Gross receipts for crops and livestock totaled over $6.19 billion in 2017, which is down 12 percent from the previous year.

**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. Prices for wheat declined 46 percent from 2012 to 2016, and prices dropped to as low as $3.48 in September 2016. Rising yields and slowing global economic growth put downward pressure on many grain prices, although, prices are beginning to rebound in 2018.

![Average Annual Price of Wheat](chart)

Source: Oklahoma Agricultural Statistics Service
Although the price of wheat has increased from $1.45 per bushel in 1945 to $4.44 per bushel in 2017 (a 206 percent increase in actual price), adjusted for inflation, the value of wheat per bushel has actually declined 78 percent.

**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 2017, the average price received for cattle was $120 dollars per hundred weight.

Cattle inventories are recovering from their 2014 levels, which were the lowest in decades, due to extreme drought in the Southern Plains. The nationwide cattle inventory was 103 million in July 2018, up 1 percent from the previous year.

![Average Price Received for Cattle GE 500 LBS 1935 Through 2017 (Dollars per Hundred Weight)](image)

Source: Oklahoma Agricultural Statistics Service

**RURAL OKLAHOMA**

U.S. Census data confirms that fewer Oklahomans are living in rural communities than ever before. In 2017, over 60% of Oklahoma’s population resided within the Oklahoma City and Tulsa metropolitan areas. Only 33.8% of Oklahoma’s population lives in rural areas. The dominant occupation for rural
Oklahomans continues to be related to agriculture, and, as the industry evolves and continues utilization of economies of scale, it is projected that small rural towns will continue to decline in population, while larger rural towns will modestly increase in size. Overall, the population of rural Oklahoma, especially of young adults, will continue its decline as labor productivity in the agricultural industry increases.

**Age of Farmers**

The average age of farmers has been rising. According to the 2012 Census of Agriculture, the average age of farm operators in Oklahoma was 58.3 years of age. In 1979, the average age for the Oklahoma farmer was 51. Fewer Oklahomans under 35 years of age are choosing to engage in agricultural activities.

Note: The 2017 USDA Census of Agriculture will be released around February of 2019. The 2020 Overview of State Issues will have updated data.

**Farming as an Occupation**

In 2012, only 42 percent of Oklahoma’s principal farm operators consider farming their primary occupation. Forty-six percent of the total number of principal farm operators work 200 days or more per year off the farm in other jobs.

The average net income of an Oklahoma farm in 2012 was $11,899. According to the 2012 USDA Census of Agriculture the number of farms and acreage of farmland in Oklahoma is decreasing. In 2012, there were 80,245 farms in Oklahoma, a decrease of 6,320 from the 2007 census. While the number of family and individual farms is down, the numbers of corporate farms are increasing. Many crops produced in Oklahoma tend to have large scale economies, which lower per unit costs as the size of the operation grows. It is projected that corporate farms will continue to increase, as a share, of overall farms in the state, and the average size of the farm will continue to grow.

**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 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;

• working with the USDA and United States Environmental Protection Agency to encourage sustainable growth;

• the Farm-to-School Program that links Oklahoma agricultural producers to Oklahoma school cafeterias;

• an AgriTourism program to support agricultural businesses who also contribute to tourism;

• appropriations and the issuance of a bond for obtaining federal matching funds to address the aging flood control infrastructure; and

• creation of drought relief fund to be used when the governor declares a drought emergency;

• creation of the Oklahoma Industrial Hemp Agricultural Pilot Program to research hemp crops and their marketable uses;

• creation of the Eastern Red Cedar Directory to help landowners and harvesters of Red Cedar connect;

• creation of the Urban Garden Grants Act and the Healthy Food Financing Act to foster the development of urban gardens and create opportunities to purchase healthy foods in food desert areas.
EDUCATION

Common Education

Career and Technology Education

Postsecondary Education

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COMMON EDUCATION

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 elementary education to rigorous high school standards to a new teacher and leader evaluation system. 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’08 Through FY’19 (In Billions)

*Due to a statewide revenue shortfall the agency’s appropriations were reduced by 4.9 percent
The largest single appropriation made by the Legislature supports the state’s public school systems. For FY’18, 35.8 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 49.3 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 45 percent, mostly due to an increase in local funds and a decrease in state revenue collections due to the recent recession. Additional 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 current school year, all 512 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 over 390 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 comes from the following sources:

- Gross Production Tax – 7.14 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.

**Federal Funds:** Until recently federal funds comprised the smallest share of total revenue, ranging from 7 percent to 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 and its replacement, the Every Student Succeeds Act. It has also increased due to an influx of federal stimulus dollars for the purposes of Title I, IDEA and Education Jobs funding. All federal funds are dedicated to specific programs for target populations (e.g., school lunch programs, special education, economically disadvantaged, etc.).

![Revenue Sources for School Districts 2016-2017 School Year](image)

**Distribution of Appropriated Funds**

For FY’19, 78 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. 20 percent of these funds are for special funding items such as flexible benefit allowance, alternative education programs, advanced placement programs, etc. Less than 1 percent is for operations of the State Department of Education. Comparatively, in FY’01, 80.2 percent of state common education funds were distributed through the State Aid Funding Formula, 18.8 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.
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, although the count for virtual students is only based on 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 ($1,573.00 per weighted ADM for the 2017-2018 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 2017-2018 school year, the amount is $72.96.

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 ($72.96x20 = $1,459.20). 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.
STATE AID FORMULA COMPONENTS
CHANGES IN STATE AID FORMULA

<table>
<thead>
<tr>
<th>From 2016-2017</th>
<th>To 2017-2018</th>
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<tbody>
<tr>
<td>Foundation Aid</td>
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<tr>
<td>Weighted ADM Factor</td>
<td>$1,567.00</td>
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<tr>
<td>Transportation Factor</td>
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<tr>
<td>Salary Incentive Aid:</td>
<td></td>
</tr>
<tr>
<td>Weighted ADM Factor</td>
<td>$71.93</td>
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</table>


LOTTERY AND GAMING

Two additional sources of revenue were approved by Oklahoma voters in November 2004. The first was the Oklahoma Education Lottery Act, and 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 were allocated to benefit education since funding was needed to pay off the $10 million bond issue for start-up costs. Of the portion allocated for education, 45 percent can be used to fund K-12th grade public education and early childhood development programs; 45 percent can be used to fund higher education and career and technology education tuition assistance programs, capital projects, endowed chairs and technology improvements; 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.
HB 1837, signed into law in 2017, removes the requirement that the lottery give 35 percent of its profits to education. It directs the first $50 million of net proceeds each fiscal year shall be transferred to the Oklahoma Education Lottery Trust Fund. The portion of lottery annual net proceeds deposited to the Oklahoma Education Lottery Trust Fund that exceeds $50 million shall be appropriated by the Legislature on a cash basis to be allocated by the State Department of Education to public schools for the purpose of implementing prekindergarten-through-third-grade reading intervention initiatives or science, technology, engineering and math (STEM) programs.

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 revenues for two areas of funding. The first is the Education Reform Revolving Fund (1017 Fund), in which 88 percent of generated gaming revenues are placed. The Education Reform Revolving Fund helps provide financial support for public schools through the State Aid Formula. The second beneficiary is the General Revenue Fund, in which the remaining 12 percent of generated gaming revenues are placed. Originally, this 12 percent amount was apportioned to 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 college or university. However, SB 820 from the 2007 legislative session redirected these funds to the General Revenue Fund. This bill provides that the State Board of Equalization will each year make a determination of the needed amount for OHLAP and automatically subtract it from the amount it certifies as available for appropriation from the General Revenue Fund.

STUDENT DEMOGRAPHICS

Over the past two decades Oklahoma’s student population has experienced a number of changes. While the total number of students enrolling in school has increased by 20 percent from FY’90 through FY’18 (from 579,167 to 694,816), there have been some relatively significant changes in student enrollment by race and ethnicity. The number of Hispanic children enrolled in Oklahoma schools has increased by more than 80,000 students since 1990.
During the 2017-2018 school year 112,144 students qualified for individualized education programs (IEPs), which represented 16.2 percent of all students. There has been a rise in the special education participation rate since the 2009-10 school year.

Oklahoma has 512 traditional school districts with 985 elementary schools, 301 middle schools/junior high schools and 451 senior high schools. There are also 58 charter school sites and four virtual charter schools.

Source: Oklahoma State Department of Education Fast Facts 2017-2018

EXPENDITURES

Per-Pupil Expenditures
The National Center for Education Statistics (NCES) provides per-pupil expenditure comparisons for all states. Since NCES is a branch of the federal education department, per-pupil expenditure statistics from the NCES are widely used to compare state funding efforts for common education. Each state’s number is calculated by dividing the total amount of funds expended for education, excluding expenditures on capital outlay, other programs and interest on long-term debt, by the fall membership 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.
Oklahoma is at 85.2 percent of the regional average. Nationally, Oklahoma ranks 47 out of 50 states and the District of Columbia in annual per-pupil expenditures. New York ranks first with $22,366 in annual per-pupil expenditures, and Utah ranks last with $6,953 in annual per-pupil expenditures for FY’16.

**Expenditures by Function**

When looking at expenditures by function for the 2014-2015 school year, Oklahoma spent 48.6 percent of its money on instruction. 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.
Common Education

Oklahoma Senate Overview of State Issues

Percentage of School Expenditures by Function
Oklahoma and Surrounding States
2015

<table>
<thead>
<tr>
<th>State</th>
<th>Instruction</th>
<th>Student Sup. Serv.</th>
<th>Administration</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK</td>
<td>48.6%</td>
<td>6.0%</td>
<td>5.7%</td>
<td>4.8%</td>
</tr>
<tr>
<td>AR</td>
<td>51.0%</td>
<td>6.8%</td>
<td>5.8%</td>
<td>4.4%</td>
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<tr>
<td>CO</td>
<td>48.2%</td>
<td>6.8%</td>
<td>6.8%</td>
<td>4.8%</td>
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<tr>
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<td>51.2%</td>
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<td>8.2%</td>
<td>8.8%</td>
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<tr>
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</tr>
<tr>
<td>TX</td>
<td>50.4%</td>
<td>5.9%</td>
<td>6.7%</td>
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</tbody>
</table>


Teacher Salaries and Benefits

Average Teacher Salaries for Oklahoma and the Region
2016-2017 School Year

<table>
<thead>
<tr>
<th>State</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>$53,768</td>
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<tr>
<td>TX</td>
<td>$55,743</td>
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<tr>
<td>AR</td>
<td>$51,905</td>
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<td>KS</td>
<td>$50,531</td>
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<td>NM</td>
<td>$49,811</td>
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<tr>
<td>OK</td>
<td>$47,122</td>
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<tr>
<td>MO</td>
<td>$50,949</td>
</tr>
<tr>
<td>Reg. Avg.</td>
<td>$51,388</td>
</tr>
</tbody>
</table>

Source: NEA Rankings and Estimates Report 2018
While school districts ultimately set teacher salaries, lawmakers have chosen to mandate minimum salaries in statute (70 O.S. 18-114.14). Over the years, efforts to improve teacher salaries and health benefits have been made.

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. HB 1134 from the 2007 legislative session helped provide Oklahoma’s teachers an average annual salary increase of $1,000 during the 2007-08 school year.

The most recent update to the minimum salary schedule occurred during the Second Extraordinary Session of the 56th Oklahoma Legislature in 2018. HB 1023XX went into effect on Aug. 1, 2018, providing teachers with an average $6,100 increase. It increased the starting salary for a teacher with a bachelor’s degree from $31,600 to $36,601.

With regard to benefits, HB 2662 in 2004 raised the benefit allowance for all teachers from 58 percent to 100 percent of the premium amount for the HealthChoice (Hi) option plan 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. For the 2019 fiscal year, the Legislature appropriated $315 million to cover health insurance for all certified personnel and $172 million for support personnel.

**PUBLIC SCHOOL REFORM INITIATIVES**

Oklahoma’s public schools have undergone significant changes since 1989. Many of these changes stemmed from the educational reform act of 1990, House Bill 1017. The Legislature originally appropriated more than $565 million over five years to implement a wide range of reform policies, including reduced class sizes, early childhood education programs, incentives for voluntary consolidation and accountability for school performance.

Beginning in 2010, however, some of these requirements were left to the discretion of school districts to provide spending flexibility during an economic downturn. Under current law, some requirements are waived while state financial support for public schools is less than $3,291.60 per weighted average daily membership (SB 933, 2016).
Additional key public school reform initiatives that have been passed include:

**Testing/high school graduation**

In 2005, SB 982 created the Achieving Classroom Excellence, which put in place the requirement for high school students to pass 4 of 7 end-of-instruction exams. This was fully implemented for 9th graders in 2006-07. In 2016, the ACE requirements were repealed after leaders in common and higher education questioned their usefulness.

HB 3218 in 2016 called for the adoption of a new statewide system of assessments to correspond with the new state subject matter standards that were created in 2016 and implemented during the 2017-18 school year. For high school students, HB 3218 required a test once in grades 9-12 in English language arts and math; a test in science once in grades 10-12; and a history test once in grades 9-12. High school students are now required to take a single college- or career-readiness exam, the ACT or the SAT, along with a U.S. history assessment and a science assessment.

Building on the idea of new standards for graduation, the Legislature in 2017 passed HB 2155, which called for the creation of Individual Career Academic Plans (ICAPs). ICAPs are now in a pilot program phase, but they will be required for students entering the 9th grade in 2019-2020.

The plan is intended to be a kind of blueprint for a student to explore what he/she wants to do after high school and to provide a pathway to those goals. During the 2018 legislative session, the ICAP statute was modified by HB 2911 to include opportunities for military careers, apprenticeship programs and career and technology programs leading to certification or licensure.

**Reading Sufficiency Act**

The Reading Sufficiency Act (RSA) - and its requirement that third graders show that they are reading at grade level - went through several changes since SB 346 was adopted in 2011.

When RSA went into full effect for third graders in the 2013-2014 school year, there were many concerns about the implications for students. As a result, RSA was amended by HB 2625 in 2014 and SB 630 in 2015 to allow a Reading Proficiency Team to determine whether a student should receive probationary promotion. The changes also allowed for a student to show reading proficiency on a screening instrument - rather than depend on his or her performance on a single test.
RSA was further amended in 2017 by SB 84 and HB 1760 to require follow-up supports for students who were not reading at grade level. The legislation requires Student Reading Proficiency Teams to develop programs of reading instruction for those students. The legislation also provided additional reporting requirements to better track the progress of students who were promoted through the various pathways, including through a good-cause exemption and probationary promotion, and the progress of students who were retained.

Charter Schools

The Oklahoma Charter Schools Act was initially approved in 1999 via HB 1759. The purpose stated in the legislation was to improve student learning and increase learning opportunities for students.

At first, charter schools sponsorship was restricted. They could only be sponsored by a school district or CareerTech district where there was an average daily membership (ADM) of 5,000 or more and where all or part of the district was located in a county with a population of more than 500,000 or where the district is in a county contiguous to a county with a population of more than 500,000. In 2007, charter school sponsorship was expanded to institutions of higher education. HB 1589 allowed a comprehensive or regional institution of higher education to sponsor a charter school, subject to the same ADM and county population restrictions. It also required the institution to have an accredited teacher preparation program. In 2010, HB 2753 and SB 1862 expanded charter school sponsorship further to include a school district, a CareerTech district or a comprehensive or regional institution of higher education when a school site in the area was identified as in need of improvement under No Child Left Behind. The bill also allowed the State Board of Education to sponsor a charter school for the Office of Juvenile Affairs, and a federally recognized Indian tribe to sponsor a charter school if the school's purpose was to demonstrate native language immersion instruction and was located within former reservation or treaty boundaries.

The current form of the Charter Schools Act came about in 2015 via SB 782. The bill removed the population restriction for a school district as a sponsor, and it removed the average daily membership (ADM) requirement for a CareerTech school and higher education institution as a sponsor. It also allowed the State Board of Education to sponsor charters if denied by a local district, with a limit of 5 charters per year each of the first 5 years in counties with a population of less than 500,000. It allowed a rejected sponsor to appeal to the State Board of Education.
While expanding sponsorship opportunities, the bill also added to the requirements for charter applications and contracts. It directed the State Board of Education to establish a list of public school rankings, identifying charters in the bottom 5 percent according to the A-F grading system, and it provided options for those charters. It stated that if a low-ranking charter is not closed, the sponsor must appear before the State Board of Education. It allowed the State Board of Education to overturn the decision and close the charter.

In addition to expanding charter school sponsorship, SB 782 also provided for an existing school to become a conversion school, to be operated either by the district board of education or an independent operating board. A school site that becomes a conversion school is provided all the flexibilities given a charter school.

After brick-and-mortar charter schools came virtual charter schools, which initially began as any other charter school. In 2011 the Legislature passed SB 1816, which allowed the State Board of Education to sponsor a charter school when the applicant was the Statewide Virtual Charter School Board. The bill established the 5-member board to provide oversight of the statewide virtual charter school. It also tasked the board with approving virtual education providers. Under this operation, a school district could offer full-time virtual education to students who were residents of the districts or nonresidents.

In 2013, the operation of virtual education changed with passage of SB 267. The bill provided that effective July 1, 2014, the Statewide Virtual Charter School Board was to be the sole authority to sponsor statewide virtual charter schools in the state. Under the bill, the board was to be responsible for approving virtual charter schools, which could offer education to any student in the state. The bill also provided for calculation of State Aid for full-time virtual charter schools.

The Statewide Virtual Charter School Board also is tasked with establishing a review process for online curriculum to ensure the supplemental courses offered by school districts were aligned to the state's subject matter standards and to make publicly available a list of approved online courses.

**School Accountability**

Under No Child Left Behind (NCLB), schools were required to make adequate yearly progress (AYP) based on the improvement in student performance on standardized tests.

While reauthorization of NCLB was being considered by Congress, the U.S. Department of Education in 2010 allowed states to submit plans for flexibility under NCLB. Oklahoma filed such a plan, and the Legislature adopted an A-F school grading system via HB 1456 in 2011. HB 1456 developed the A-F framework and the method for calculating school grades. The method for developing the A-F grades for schools was amended in 2015 with HB 1658. Also in 2015, the Legislature passed SB 169 and HB 1071, which addressed the...
grading system for virtual students. In 2015, the Legislature passed HB 1823, which directed the State Board of Education to study and recommend to the Legislature revisions to the A-F grading system. The recommendations had to be certified by the State Regents for Higher Education.

At the same time the Legislature was addressing this issue, Congress was discussing and passed the Every Student Succeeds Act (ESSA), which replaced NCLB as the reauthorization of the Elementary and Secondary Education Act (ESEA). ESSA was signed into law on December 10, 2015. The result was to relax some of the requirements of school accountability systems.

Subsequently, in 2017 the Legislature approved HB 1693, which requires annual accountability reports to include A-F grades for each indicator separately, as well as an overview grade. It gave the State Board of Education the authority to adopt alternative accountability systems for virtual charter schools, alternative education programs and schools that offer only lower grade levels that are not tested. It adopted a "multimeasures" approach to comply with ESSA.

**Teacher/Leader Evaluations**

The Teacher and Leader Effectiveness Evaluation System is also an initiative that underwent several changes over time.

While teacher evaluations have been around for years, the Teacher and Leader Effectiveness Evaluation System, or TLE, was implemented in 2010 with SB 2033. The bill required that the TLE include a five-tier rating system, annual evaluations, remediation plans and quantitative and qualitative assessment components. The qualitative assessment was to be evidence-based, while the quantitative assessment was to include student academic growth based on standardized test data and other academic measurements.

In 2013, SB 207 and SB 426 both modified the system. SB 426 delayed full implementation, allowing for a phased-in approach. In 2014, SB 1828 and HB 3173 were passed to ensure the confidentiality of information collected through the TLE.

In 2015, SB 706 further delayed full implementation and made modifications to the rating system for teachers and leaders. SB 706 also allowed for two separate ratings, one qualitative and one quantitative.

In 2016, TLE was amended again by HB 2957, this time with a focus on the professional development of the teacher. HB 2957 gave districts the option of issuing their own ratings based solely on a qualitative component or on qualitative and quantitative components. The bill also called for a phased-in requirement of a professional development component.
Lindsey Nicole Henry Scholarships for Students with Disabilities

In 2010, the Lindsey Nicole Henry Scholarships for Students with Disabilities Program was created via HB 3393. The program was created to provide a scholarship to a student with an individualized education program (IEP) so that he or she could attend an approved private school. The scholarship was to be equal to the amount of State Aid the child would generate in a traditional public school. It required, however, that the student had to have attended public school in the year prior to participating in the program. HB 3393 also established a process for the State Board of Education to approve private schools to participate in the program.

In 2011, the program was modified by HB 1744. It exempted from the prior school year enrollment requirement students who are children of a member of the U.S. Armed Forces. The bill also established some procedures and deadlines for application to the program. HB 2414 in 2014 modified the program further. It exempted from the prior school year requirement students who have been provided services under an Individual Family Service Plan through SoonerStart and who were evaluated as being eligible for services.

Another expansion to the prior school year enrollment exemption took place in 2017 with passage of SB 301. The bill exempted from the prior-year school attendance requirement those students who were in out-of-home placement with the Department of Human Services; students adopted while in the permanent custody of DHS; or students who were in out-of-home placement with the Office of Juvenile Affairs. The bill also expanded eligibility to students with disabilities for whom an individualized service plan has been developed in accordance with state law.

School days/hours policies

In 2009, HB 1864 allowed for district boards of education to adopt a school hours policy, requiring 1,080 hours each school year rather than 180 days. According to one of the bill's authors, it was originally intended to help districts cope with inclement weather. That same bill, HB 1864, provided a noncodified section of law that stated that schools closed for weather-related issues in the 2008-09 school year would be allowed to make up the instruction time missed with either an equivalent number of days or hours being added to the remaining calendar.

Some school districts have opted to use the flexibility of the school hours policy to reduce the total number of days in the classroom. During the 2017-18 school year, there were 207 school sites that had adopted a 4-day week.

School Safety

The Oklahoma Commission on School Security was created in 2012 following the school shooting in Newton, Connecticut, that left 20 elementary students and 6 teachers dead.
As a result of the Commission's work, the Legislature in 2013 passed a series of school safety-related bills, including:

- **SB 256**, which added a requirement for 2 intruder drills per school year.
- **SB 257**, which created the Oklahoma School Security Institute within the Office of Homeland Security to act as a repository for information on resources available to schools to enhance security and assess risks to school campuses. It also allowed the institute to develop a telephone tip line.
- **SB 258**, which allows school security plans to be filed with police, fire and other emergency responders.
- **SB 259**, which directs a school to report discovery of a firearm to law enforcement and deliver any seized weapon to law enforcement.

These provisions were further amended in 2016 by HB 2931 to simply require 4 security drills. In 2015, the Legislature passed HB 2014, which allows a school district board of education to designate a school employee to carry a firearm on school property if the employee has a handgun license and has attended an armed security guard training program or a reserve peace officer certification program.

The Legislature has also taken action to address bullying in Oklahoma's schools. In 2013, the Legislature passed HB 1661, which created the School Safety and Bullying Prevention Act. The bill required school policies to provide for anonymous reporting of bullying, reporting by a school employee to a principal, publication of the policy and the making of a determination of whether bullying is occurring. It also directed the State Board of Education to establish a central repository for bullying information and to post incident reports online.

### EARLY CHILDHOOD EDUCATION

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 (Early Intervention)**

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. For FY’18, the program had a combined state and federal budget of $14.4 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. State funds are appropriated to the Oklahoma Department of Commerce for administration and management of the program.

**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 Oklahoma became the second state in the nation to provide free preschool for all 4-year-olds, with 99 percent of school districts providing the program. Approximately 74 percent of the state's 4-year-olds are enrolled in the program. Most of these children (87 percent of enrollment) are in full-day programs.

**Full-Day Kindergarten**
Students who are age 5 must attend at least a half-day of kindergarten; full-day attendance is optional. Beginning with the 2013-14 school year, all school districts must offer full-day kindergarten. Districts receive an increased weight in the State Aid formula for full-day kindergarten as an incentive to implement the program. 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.

**Program of Parent Education**
The Program of Parent Education is a home visitation program serving families with children birth to age 3. Monthly home visits, developmental screenings and referrals are completed by parent educators employed by the school district. Enrollment is voluntary, but an emphasis is placed upon recruiting high needs families.

**Educare (Early Childhood Initiative)**
During the 2006 legislative session, $5 million was appropriated for an early childhood public/private match pilot program. During the 2007 legislative session, funding for this program was increased to $10 million with a required private match of $15 million. For FY’19 this program was appropriated $10,500,000.
**STUDENT TESTING**

Oklahoma requires a number of assessments 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, most recently with the passage of HB 3218 during the 2016 legislative session.

Beginning in 2017-18, the statewide student assessment system was required to yield both norm-referenced and criterion-referenced scores. The assessments must also align to the Oklahoma subject matter standards and provide a measure of comparability among other states. At the secondary level, students are administered assessments at the completion of the subject matter instruction, rather than at specific grade levels. Beginning in 2017-18, students attending public schools are required to participate in the following tests:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>English Language Arts and Mathematics</td>
</tr>
<tr>
<td>4th</td>
<td>English Language Arts and Mathematics</td>
</tr>
<tr>
<td>5th</td>
<td>English Language Arts, Mathematics and Science</td>
</tr>
<tr>
<td>6th</td>
<td>English Language Arts and Mathematics</td>
</tr>
<tr>
<td>7th</td>
<td>English Language Arts and Mathematics</td>
</tr>
<tr>
<td>8th</td>
<td>English Language Arts, Mathematics and Science</td>
</tr>
<tr>
<td>Secondary</td>
<td>English Language Arts, Mathematics, Science and U.S. History</td>
</tr>
</tbody>
</table>

To meet the secondary assessment requirements, 11th-grade high school students can take the ACT or the SAT, depending on which test the school district has chosen to administer. They must also take a science assessment and a U.S. history assessment.

Students with significant cognitive disabilities who are on an individualized education program (IEP) may qualify for the Oklahoma Alternative Assessment Program (OAAP) Portfolio assessment, an alternative way to assess progress according to alternate grade-level standards.

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. Since 2003, federal law has required all states to participate in NAEP.
Oklahoma’s Performance on the National Assessment of Educational Progress (NAEP) Tests as Compared to the U.S. Average Scale Score

<table>
<thead>
<tr>
<th>Grade</th>
<th>Year</th>
<th>State Avg.</th>
<th>U.S. Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>1992</td>
<td>220</td>
<td>215</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>214</td>
<td>216</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>214</td>
<td>217</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>217</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>217</td>
<td>220</td>
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<tr>
<td></td>
<td>2011</td>
<td>215</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>217</td>
<td>221</td>
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<tr>
<td></td>
<td>2015</td>
<td>222</td>
<td>221</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>217</td>
<td>221</td>
</tr>
<tr>
<td>8</td>
<td>1998</td>
<td>265</td>
<td>261</td>
</tr>
<tr>
<td></td>
<td>2003</td>
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<td>261</td>
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<tr>
<td></td>
<td>2005</td>
<td>260</td>
<td>260</td>
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<td></td>
<td>2007</td>
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<td>261</td>
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<td>2009</td>
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<td></td>
<td>2011</td>
<td>260</td>
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<tr>
<td></td>
<td>2013</td>
<td>262</td>
<td>266</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>263</td>
<td>264</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>261</td>
<td>265</td>
</tr>
</tbody>
</table>

Source: Oklahoma’s State Profile from “The Nation’s Report Card,” National Assessment of Educational Progress
(NAEP) Tests (Cont’d)

<table>
<thead>
<tr>
<th>Grade</th>
<th>Year</th>
<th>State Avg.</th>
<th>U.S. Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>1992</td>
<td>220</td>
<td>219</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>229</td>
<td>234</td>
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<td></td>
<td>2005</td>
<td>234</td>
<td>237</td>
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<tr>
<td></td>
<td>2007</td>
<td>237</td>
<td>239</td>
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<tr>
<td></td>
<td>2009</td>
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<td>239</td>
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<td></td>
<td>2011</td>
<td>237</td>
<td>240</td>
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<tr>
<td></td>
<td>2013</td>
<td>239</td>
<td>241</td>
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<tr>
<td></td>
<td>2015</td>
<td>240</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>237</td>
<td>239</td>
</tr>
<tr>
<td>8</td>
<td>1992</td>
<td>268</td>
<td>267</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>272</td>
<td>276</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>271</td>
<td>278</td>
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<td></td>
<td>2007</td>
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<td>280</td>
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<td>276</td>
<td>284</td>
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<tr>
<td></td>
<td>2015</td>
<td>275</td>
<td>281</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>275</td>
<td>282</td>
</tr>
</tbody>
</table>

Source: Oklahoma’s State Profile from “The Nation’s Report Card,” National Assessment of Educational Progress

**Office of Educational Quality and Accountability**

Originally created as the Office of Accountability in 1990 via HB 1017, the office was placed under the purview of the Education Oversight Board. In 2012, the Legislature passed SB 1797, which combined the Office of Accountability with the Commission for Teacher Preparation to create the Office of Educational Quality and Accountability. The Education Oversight Board was replaced with the Commission for Educational Quality and Accountability. The consolidation was complete effective July 1, 2014.

The Office of Educational Quality and 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 online at [www.schoolreportcards.org](http://www.schoolreportcards.org).
The Commission for Educational Quality and Accountability is tasked with overseeing implementation of the Oklahoma Teacher Preparation Act and setting performance levels and corresponding cut scores pursuant to the Oklahoma School Testing Program Act.

**ACT College Entrance Exam**

With the assessment changes brought about by HB 3218, 100 percent of the 2017 graduating class participated in the ACT assessment for college admission. This compares to 60 percent of students nationally. A total of 42,405 Oklahoma students tested in 2017.

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**Oklahoma Students’ ACT Score Comparison 2017**

<table>
<thead>
<tr>
<th>State</th>
<th>Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>KS</td>
<td>21.7</td>
<td>73%</td>
</tr>
<tr>
<td>MO</td>
<td>20.4</td>
<td>100%</td>
</tr>
<tr>
<td>OK</td>
<td>19.4</td>
<td>100%</td>
</tr>
<tr>
<td>TX</td>
<td>20.7</td>
<td>45%</td>
</tr>
<tr>
<td>AR</td>
<td>19.4</td>
<td>100%</td>
</tr>
<tr>
<td>CO</td>
<td>20.8</td>
<td>100%</td>
</tr>
<tr>
<td>NM</td>
<td>19.7</td>
<td>66%</td>
</tr>
<tr>
<td>U.S. Avg.</td>
<td>21.0</td>
<td>60%</td>
</tr>
</tbody>
</table>

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

*Source: National and State ACT Profile Reports*

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**FEDERAL EDUCATIONAL REFORM EFFORTS**

In December 2015, the U.S. Congress passed and the president signed into law the Every Student Succeeds Act (ESSA), which replaced the No Child Left Behind Act as the re-authorization of the federal Elementary and Secondary Education Act (ESEA). The legislation addresses federal education funding, state testing and accountability program requirements.
Prior to implementation of ESSA, Oklahoma was operating under a No Child Left Behind flexibility waiver granted by the U.S. Department of Education. Under the terms of the waiver, Oklahoma was required to raise education standards, create accountability systems and improve systems for teacher and principal evaluation and support. To meet these terms, the state adopted the Common Core standards in English language arts and mathematics, the Teacher and Leader Effectiveness Evaluation System and the A-F performance grading system. After the Legislature repealed the Common Core standards, the State Board of Education adopted new subject matter standards that were implemented during the 2016-17 school year.

**SCHOOLS FOR THE BLIND AND THE 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.

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 twelfth 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 possible capacity for nearly 300 students, the school currently serves approximately 160 students on a 32-acre campus.
To replicate the success of the residential school, the Legislature has provided funding to establish 9 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.

In 2014, OSSM began a virtual regional center with the goal of serving more rural students.
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 391 public school districts, 29 technology center districts with 58 campuses and 16 skills centers located in correctional facilities. Currently, there are more than 2,600 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 FY’17, enrollments in CareerTech training totaled 522,908. 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 Careers Education
Career and Technology Education

- Marketing Education
- Science, Technology, Engineering and Mathematics
- Technology Engineering
- 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 15 Career Clusters, which group occupations together based on commonalities. Schools 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.

<table>
<thead>
<tr>
<th>FY’17 Technology Center and Comprehensive Schools Enrollments By Career Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architecture &amp; Construction</td>
</tr>
<tr>
<td>Agriculture, Food &amp; Natural Resources</td>
</tr>
<tr>
<td>Arts, A/V Technology &amp; Communications</td>
</tr>
<tr>
<td>Business Management &amp; Administration</td>
</tr>
<tr>
<td>Education &amp; Training</td>
</tr>
<tr>
<td>Finance</td>
</tr>
<tr>
<td>Health Science</td>
</tr>
<tr>
<td>Human Services</td>
</tr>
<tr>
<td>Hospitality &amp; Tourism</td>
</tr>
<tr>
<td>Information Technology</td>
</tr>
<tr>
<td>Law, Public Safety, Corrections &amp; Security</td>
</tr>
<tr>
<td>Marketing, Sales &amp; Service</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Science, Technology, Engineering &amp; Mathematics</td>
</tr>
<tr>
<td>Transportation, Distribution and Logistics</td>
</tr>
</tbody>
</table>

Source: State Department of Career and Technology Education, Annual Report 2017
CAREER AND TECHNOLOGY FUNDING

Appropriation History
State appropriations for career and technology education funding decreased 20 percent from FY’08 to FY’19.

Career & Technology Education Appropriation History
(In millions)

*Includes an additional $750,000 for adult education, which was transferred from the Department of Education in 2014.

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 5 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.
FY’18 Funding Sources for Career-Technology Centers

Source: State Department of Career and Technology Education

CAREER AND TECHNOLOGY SERVICES

Comprehensive Schools
In FY’17, enrollments totaled 159,686. Programs in occupational areas are offered at 391 schools in Oklahoma. Some 37 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. Forty-six percent of students in grades 9-12 are enrolled in Career Tech offerings.

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.

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.
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.

Secondary students (10th-12th graders) are also able to earn upper level math and/or science credit at their local technology centers. In addition, some technology centers offer Advanced Placement (AP) courses. These academic offerings also meet their high school academic graduation requirements.

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

**Student Organizations**

More than 85,000 secondary and postsecondary students are members of CareerTech program-related student organizations, which help develop teamwork and leadership skills. These organizations include Business Professionals of America (BPA); marketing education (DECA); Family, Career and Community Leaders of America (FCCLA); agriculture, food and natural resources student organization (FFA); Health Occupations Students of America (HOSA); architecture and construction student organization (SkillsUSA); Technology Student Association (TSA); and National Technical Honor Society (NTHS).

**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 16 campuses. In FY’17, there were more than 1,800 enrollments in Skills Center programs. In FY’17, 88.5 percent of those completing Skills Centers programs were placed in training-related jobs.

In a 2008 study 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. In FY’17 dropout recovery programs were available at 9 technology centers serving 1,079 students. Of the program completers, 374 students earned a high school diploma and 16 completed a GED. The program also helped 117 students obtain employment, 23 entered the military and 124 enrolled in postsecondary education.
**ENROLLMENT TRENDS**

Between FY’11 and FY’17, total enrollment in career-technology programs decreased by .12 percent.

![Career Technology Enrollment Trends by Student Type](chart)

Source: State Department of Career and Technology Education Fast Facts, FY’17.

**CareerTech 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.

*Training for Existing Industry (EI) Initiative*: These offerings are designed to help existing companies stay competitive by providing the existing workforce with upgraded training or training on new technology or equipment.
**Safety and Health Initiative:** These offerings are designed to help companies plan and implement safety processes, procedures and ongoing training to assure safe workplaces.

**Volunteer Firefighter Training:** These offerings are designed to accommodate the increased demands for training and testing of volunteer firefighters across the state.

**Business Incubators:** This program helps entrepreneurs and start-up business firms survive and prosper during their early years.

**Training for Industry Growth:** This program is designed specifically to meet critical training needs identified by employers.

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**FY’17 Business and Industry Services Enrollment**

- Safety, 172,390
- Adult and Career Development, 54,700
- Industry Specific Training, 97,363
- Training for Industry Program, 4,111
- Firefighter Training, 3,254
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 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.

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 regional universities, 12 community colleges, 11 constituent agencies, two higher education centers and one public liberal arts university 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’19, 10.3 percent of the state’s appropriated budget went to the State Regents for Higher Education, which has constitutional authority for allocating state funds among colleges and universities.

**History of Appropriations to Higher Education**

*FY’09 Through FY’19*

*(In Millions)*
The Legislature appropriated $776 million to the State Regents for Higher Education in FY’19. This was an increase of 1 percent from FY’18.

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’19 appropriation for administrative operations in the State Regents’ office is $3.9 million, which represents less than 1 percent of total appropriations to higher education.

**Master Lease Program:** 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 State 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. SB 1332 from 2010 allows bonds issued under the Master Lease Program to be refinanced.

The governing boards for the University of Oklahoma, Oklahoma State University 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**

For FY’19 state appropriations represent 27.2 percent of the FY’19 Educational and General Budgets for higher education, while self-generated revolving funds, primarily from tuition and fees, comprise 72.1 percent of the total higher education budget.
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.

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.

**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.

**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-1980s, delegated this authority, within certain limits, to the Oklahoma State Regents for Higher Education. From the 2001-2002 through the 2005-2006 school year, 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 7 and 9 percent for residents and nonresidents, 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 Oklahoma State University, 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.

HB 2103 from 2007 legislative session directs each institution within the Oklahoma State System of Higher Education to offer to resident students enrolling for the first time as a full-time undergraduate beginning with the 2008-2009 academic year, a tuition rate that will be guaranteed for a period of not less than four consecutive academic years at a rate not exceeding 115 percent of the institution’s nonguaranteed resident tuition rate. Each institution shall provide students with the following information prior to enrollment:

a. the annual tuition rate charged and the percentage increase for the previous four academic years, and
b. the annual tuition and percentage increase that the nonguaranteed tuition rate would have to increase to equal or exceed the guaranteed tuition rate for the succeeding four academic years.

### Undergraduate Tuition and Mandatory Fees
Research Peer Public Universities

<table>
<thead>
<tr>
<th>University</th>
<th>2016-17 Resident</th>
<th>2016-17 Nonresident</th>
<th>2017-18 Resident</th>
<th>2017-18 Nonresident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma</td>
<td>$8,631</td>
<td>$22,953</td>
<td>$9,063</td>
<td>$24,444</td>
</tr>
<tr>
<td>Oklahoma State</td>
<td>$8,321</td>
<td>$22,443</td>
<td>$8,738</td>
<td>$23,775</td>
</tr>
<tr>
<td>Kansas</td>
<td>$10,489</td>
<td>$25,872</td>
<td>$12,592</td>
<td>$28,360</td>
</tr>
<tr>
<td>Kansas State</td>
<td>$9,874</td>
<td>$24,775</td>
<td>$10,255</td>
<td>$25,588</td>
</tr>
<tr>
<td>Texas</td>
<td>$10,110</td>
<td>$35,906</td>
<td>$11,392</td>
<td>$40,448</td>
</tr>
<tr>
<td>Texas Tech</td>
<td>$10,231</td>
<td>$22,417</td>
<td>$10,772</td>
<td>$23,012</td>
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<tr>
<td>Iowa State</td>
<td>$8,219</td>
<td>$21,583</td>
<td>$8,676</td>
<td>$22,512</td>
</tr>
</tbody>
</table>

Source: “FY 2016-17 Tuition Impact Analysis Report,” Oklahoma State Regents for Higher Education

Source: “FY 2017-18 Tuition Impact Analysis Report” Oklahoma State Regents for Higher Education
### Average Annual Cost of Attendance

**Oklahoma Colleges and Universities**

**Full Time Undergraduate Students, FY’19**

<table>
<thead>
<tr>
<th></th>
<th>Resident Students</th>
<th></th>
<th>Nonresident Students</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Research Universities</td>
<td>Regional Universities</td>
<td>Community Colleges</td>
</tr>
<tr>
<td><strong>Tuition</strong></td>
<td>$5,072</td>
<td>$5,444</td>
<td>$3,274</td>
<td>$4,024</td>
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<tr>
<td><strong>Mandatory Fees</strong></td>
<td>3,968</td>
<td>1,599</td>
<td>1,099</td>
<td>991</td>
</tr>
<tr>
<td><strong>Average Academic</strong></td>
<td>1,862</td>
<td>565</td>
<td>369</td>
<td>192</td>
</tr>
<tr>
<td><strong>Service Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Books &amp; Supplies</strong></td>
<td>984</td>
<td>1,134</td>
<td>1,305</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>Total Costs for</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commuter Students</strong></td>
<td>11,886</td>
<td>8,742</td>
<td>6,048</td>
<td>6,707</td>
</tr>
<tr>
<td><strong>Room &amp; Board</strong></td>
<td>9,525</td>
<td>5,825</td>
<td>5,621</td>
<td>5,804</td>
</tr>
<tr>
<td><strong>Total Costs for</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Students Living on</strong></td>
<td>21,411</td>
<td>14,566</td>
<td>11,669</td>
<td>12,511</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Research Universities</th>
<th>Regional Universities</th>
<th>Community Colleges</th>
<th>Technical Branches</th>
<th>OSU-Tulsa (Note 1)</th>
<th>OU Health Science Center (Note 1)</th>
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<tbody>
<tr>
<td><strong>Tuition</strong></td>
<td>$20,523</td>
<td>$13,854</td>
<td>$8,520</td>
<td>$10,369</td>
<td>$20,877</td>
<td>$20,169</td>
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<tr>
<td><strong>Mandatory Fees</strong></td>
<td>3,968</td>
<td>1,599</td>
<td>1,099</td>
<td>991</td>
<td>3,662</td>
<td>2,752</td>
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<tr>
<td><strong>Average Academic</strong></td>
<td>1,862</td>
<td>565</td>
<td>369</td>
<td>192</td>
<td>1,521</td>
<td>3,061</td>
<td></td>
</tr>
<tr>
<td><strong>Service Fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Books &amp; Supplies</strong></td>
<td>984</td>
<td>1,134</td>
<td>1,305</td>
<td>1,500</td>
<td>1,300</td>
<td>7,168</td>
<td></td>
</tr>
<tr>
<td><strong>Total Costs for</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commuter Students</strong></td>
<td>27,336</td>
<td>17,152</td>
<td>11,294</td>
<td>13,052</td>
<td>27,360</td>
<td>33,150</td>
<td></td>
</tr>
<tr>
<td><strong>Room &amp; Board</strong></td>
<td>9,525</td>
<td>5,825</td>
<td>5,621</td>
<td>5,804</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Total Costs for</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Students Living on</strong></td>
<td>36,861</td>
<td>22,977</td>
<td>16,915</td>
<td>18,856</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Totals may not add due to rounding, numbers are preliminary.*

*Full-time student costs are based on 30 credit hours per academic year.*

*Note 1: These institutions do not have traditional dormitory facilities with board plans.*

Source: “FY2018-19 Tuition and Fee Rates” Oklahoma State Regents for Higher Education.
College Graduates in Oklahoma-Key Initiatives

Over the past 10 years, legislators and the 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.

The most recent endeavor to increase the number of college graduates is called “Complete College America.” Oklahoma is one of 37 states accepted to participate in the project due to the commitment to significantly increase the number of students successfully completing college and closing educational attainment gaps for traditionally underserved populations. Oklahoma will try to increase the number of degrees or certificates earned per year by 1,700 so that by 2023 there will be a 67 percent increase in the number earned. Five national foundations are providing multi-year support to CCA: the Carnegie Corporation, the Gates Foundation, the Ford Foundation, the Kellogg Foundation and the Lumina Foundation for Education.

Mathematics Success Initiative. Key elements of Oklahoma’s CCA agenda include increasing freshman-to-sophomore retention and graduation rates and enhancing the efficacy and efficiency of remediation and freshman gateway courses. Math course pass rates are a significant barrier to retention and graduation rates. The Mathematics Success Group has developed a strategic plan to improve mathematics preparation of students entering college, reform mathematics remediation to be more effective and strengthen mathematics preparation for all majors. Oklahoma’s Mathematics Success Initiative involves all public institutions and has received recognition and support from the Schusterman Family Foundation, the Dana Center at the University of Texas, the Southern Regional Education Board, Complete College America and Jobs for the Future.

Reach Higher – FlexFinish. Eight of Oklahoma’s public regional universities and 14 public community colleges and technical branches offer flexible class options and enrollment periods through Reach Higher, the state system adult degree completion program, to meet the needs of working adults. With a Reach Higher associate or bachelor’s degree, students receive the leadership training, communications skills and business knowledge they need to get ahead.

Reach Higher – Direct Complete. This developing program, funded by a grant from the Lumina Foundation, will invite all 25 public institutions to participate in offering comprehensive services and support to adult students returning to pursue degree programs that lead to employment in Oklahoma’s critical occupations, as determined by Oklahoma Works, Oklahoma’s workforce development agency. This program will engage employers from business and industry, Tribal Education Offices, nonprofit organizations and others in developing social supports and financial assistance for adult students.
OKcollegestart.org. The state’s student information portal provides college planning and preparation information and tools for students, parents, adult learners and educators. Through the site, students can create individual portfolios, request and track transcripts, utilize high school planning timelines, explore career options, access campus information, search for scholarships and apply for Oklahoma’s Promise, among other features.

GEAR UP. Oklahoma GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs), a federally funded program administered by the State Regents, provides college preparation services and information to seventh-12th grade students. Phase III of the GEAR UP grant is in the seventh year of the seven-year grant cycle and partners with 24 school districts and six community colleges. The State Regents were recently awarded a fourth, consecutive GEAR UP grant and will work with 10 school districts and five community colleges for the next seven years. GEAR UP III and IV combined serve approximately 30,000 middle and high school students and first-year college freshmen across the state.

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

Oklahoma vs. Regional States and U.S.

<table>
<thead>
<tr>
<th>State</th>
<th>2016 Population 25+ With College Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>AR</td>
<td>39.9%</td>
</tr>
<tr>
<td>MO</td>
<td>43.1%</td>
</tr>
<tr>
<td>OK</td>
<td>41.8%</td>
</tr>
<tr>
<td>TX</td>
<td>42.2%</td>
</tr>
<tr>
<td>NM</td>
<td>44.6%</td>
</tr>
<tr>
<td>KS</td>
<td>50.7%</td>
</tr>
<tr>
<td>CO</td>
<td>55.7%</td>
</tr>
<tr>
<td>U.S. Avg.</td>
<td>46.9%</td>
</tr>
</tbody>
</table>

Source: Lumina Foundation
Degrees Conferred in Oklahoma
2007 Through 2017

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 $15 per pay period to the savings plan. A maximum of $300,000 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 CareerTech;

• 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. As of July 2018, the plan had assets totaling more than $1 billion.

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. During 2017-2018 OTAG awarded $17 million in grants.

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 the 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 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’18, almost 3,000 students were enrolled in the program.

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 $55,000 annually upon application and less than $100,000 upon graduation and annually while the student attends college receive free tuition assistance to any public or private higher education institution in Oklahoma for up to five years. Beginning in 2021-22, the income qualification to
apply for the program increases to $60,000. In order to qualify, students must enroll in the program by the 10th 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. OHLAP eligibility requirements for students were modified by adding a requirement for students to be U.S. citizens or lawfully present in the United States as well as by allowing access to students who are both home schooled and achieve an ACT composite score of at least 22.

To retain OHLAP eligibility, students must achieve a minimum GPA of 2.0 through 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.

OHLAP was further modified to extend the time period during which high school graduates must enroll in postsecondary studies to receive the OHLAP benefit if they are members of the Armed Forces and ordered to active duty. Also, financial eligibility requirements to qualify for OHLAP were modified 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 2015, the State Regents were authorized to review financial eligibility if a student's family income includes military benefits or Social Security due to a death or disability.

SB 820 from the 2007 legislative session created a permanent funding source for OHLAP. 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 the Office of Management and Enterprise Services 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 had been deposited to the OHLAP Trust Fund were directed to the General Revenue Fund beginning July 1, 2008.

In FY’18, an estimated 17,400 students will receive Oklahoma’s Promise scholarships. 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.

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.
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 or an equivalent cash benefit upon teaching five consecutive years in Oklahoma public schools.

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.

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.

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.
ENERGY AND ENVIRONMENT

Energy and Environment Agencies

Section Information Prepared By:
Quinten Dilbeck
Fiscal Analyst    (405) 530-2384    dilbeck@oksenate.gov
ENERGY AND ENVIRONMENT

Most legislation relating to protection of our state’s natural resources and regulation of the industries utilizing those resources is assigned to the Senate Energy Committee. These issues include regulation and management of: water resources; protection of land, air and water quality; exploration of oil and gas including pipelines, refineries, royalty and mineral owner concerns and surface damages; generation and distribution of electric power, including wind energy; telecommunications; and mining of coal, aggregates and other minerals as well as monitoring and working with the regulatory agencies responsible for governing these areas such as the Department of Environmental Quality, the Oklahoma Water Resources Board and the Corporation Commission.

Legislative and regulatory authority over these issues and the agencies assigned to protect our state’s natural resources is of great importance to our citizens and the industries which invest billions of dollars in our state’s infrastructure to provide the energy resources and utility services on which our citizens depend.

Following are brief highlights of the major issue areas and recent legislative efforts in those areas.

WATER

Any legislation dealing with water can easily become the biggest and most emotional issue in a legislative session. No citizen, industry, tribal or governmental entity is without a vital interest in even the slightest amendment to laws governing the ownership, regulation and permitting of the quantity and quality of our state’s waters.

In the last decade there have been several moratoriums enacted in an attempt to prevent large transfers of water out of state. Of particular concern was the State of Texas seeking water from Southeastern Oklahoma to serve the growing population in the north Dallas area. These various moratoriums have been amended over the years, but based on federal court decisions resulting from
lawsuits brought by Tarrant County, Texas, at least two of the moratorium statutes are now determined to be void. Ultimately Texas lost their legal battle in the U.S. Supreme Court but it is likely they will continue to pursue water resources from Oklahoma in the future.

The recent lawsuit against the City of Oklahoma City, which was seeking a permit to transfer water from the Sardis Reservoir in Southeast Oklahoma, has been settled, pending approval of the agreement by the U.S. congress. The Chickasaw and Choctaw Tribes strongly opposed and filed suit against the permit the city was seeking and rejected the State of Oklahoma’s legal authority and ownership of this water. The State will manage the waters of Sardis Lake, which will allow future use by Oklahoma City, but the tribes will have some control over the sale of water. There are also certain restrictions on the amount of use of the water, such as about 38,000 acre feet of water reserved for local use and a minimum of 50 cubic feet of flow in the Kiamichi River during diversions.

There was also an appeal of the Oklahoma Water Resource Board’s order setting the Maximum Annual Yield for the Arbuckle-Simpson aquifer. In September 2015 it was ruled that the limits can be enforced. This lawsuit was filed by a large group of industry and landowner representatives in the Oklahoma County District Court. The plaintiffs appeal was refused, and the limits are currently enforced.

**Energy and Environment**

**OIL AND GAS**

While legislation affecting oil and gas tax credits is critically important and receives a great deal of attention by the Legislature due to the impact on our state budget, regulatory issues affecting day-to-day operations of both large and small producers, royalty owners and surface owners often attract much attention at the Capitol. One example of this is the increasing public concern over recent earthquake swarms and their possible connection to oil and gas activity. Even though the Corporation Commission, a constitutional entity, is charged with permitting and regulation of oil and gas activities, many of the requirements governing those activities are statutorily enacted or amended by the Legislature. Considering such activities are a vital part of the economy in this state, there will always be great interest in legislation affecting all aspects of the industry, from initial drilling through distribution of refined products to consumers.

When there has been a high probability that wastewater injection wells have influenced earthquakes, the Corporation Commission has begun issuing moratoriums or capping volumes of wastewater injections at certain wells. Industry has cooperated with these directives in almost every instance and continues to work with the commission to reduce earthquake swarms.
Researchers now conclude that injection into the Arbuckle formation, the state's deepest, poses the highest risk. Over 700 Arbuckle disposal wells are now covered. Earthquakes of magnitude 2.7 or greater have been reduced by over 60% from 2015 to 2017.

**ELECTRIC GENERATION AND DISTRIBUTION**

The financial investment in electric power generation and distribution facilities and infrastructure is unparalleled in comparison to all other major industries in this state; and regulation of this industry, by statute and the authority vested in the Corporation Commission, is of great importance to both the industry and all Oklahoma consumers.

Currently, the electric service providers and consumer watch organizations are greatly concerned about the requirement for Oklahoma utility providers to come into compliance air-quality standards issued by the federal Environmental Protection Agency. Meeting the requirements will force our state utility providers to make costly modifications to aging coal-fired generation units. Like all costs of service, ratepayers will ultimately pay for these modifications, although the Corporation Commission recently approved a rate reduction with OG&E due to lower costs from the recent federal corporate tax cut and increased use of natural gas for generation. The case did not include recovery for the half a billion dollars spent installing scrubbers in coal fired plants to meet the new air-quality standards.

Wind power generation has continued to increase, and according to the American Wind Energy Association, as of 2017, our state ranks 2nd nationally in total megawatts (MW) installed at a capacity of 7,495MW. During the 2014 session, there were several important pieces of legislation relating to wind energy due to citizen complaints. At least one lawsuit filed in federal court against large wind generation facilities moving closer to populated areas concerning the lack of state regulation or permitting of siting such facilities. Legislation was enacted in 2014 directing the Corporation Commission to conduct a Notice of Inquiry and begin a rulemaking process to address these concerns. In 2018, legislation was passed requiring new wind energy projects to gain approval from military authorities, so the projects won't interfere with training or operations.

In anticipation of future technological advances in electric generation technology, a measure was enacted in 2014 at the request of electric service providers to establish a separate tariff for consumers who choose to install “distributed generation” facilities in their homes. With currently available technology this would only apply to a relatively small number homes throughout the state but more importantly, it sets a policy that consumers choosing to install any type of self-generating electric service and remain connected to the traditional electric grid shall not be subsidized by other ratepayers who are purchasing electric
power from the provider. That is a simplified explanation of a rather complicated rate-setting process whereby certain distribution costs are mingled with electric rates and these costs are applied to various classes of consumers. The Corporation Commission is charged with establishing all these rates including the amount of the tariff established by this act. The amount of which will probably not be significant enough to deter any customer interested in installing such equipment in their home. Recently the Commission rejected a proposed tariff rate by OG&E, due to the use of older data from 2010 to develop the rate amount.

**TELECOMMUNICATIONS**

While issues relating to telephone, internet and cable television are largely federally regulated, there are certain state regulated activities that often receive much attention when they occur. There is legislation proposed attempting to modify the Oklahoma Universal Service Fund. The OUSF was created in 1997 to provide basic local toll-free calling service to rural customers at reasonable and affordable rates comparable to the access in urban areas and internet access for all public schools, libraries, not-for-profit hospitals, certain qualified health centers and mental health facilities (added in 2014). Based on the number of customers and facilities eligible to receive funding from the OUSF, the Corporation Commission determines the level of funding necessary and sets a tariff which in turn is added to the bills of Oklahoma telephone customers. There is a separate, Oklahoma Lifeline Fund, created to provide low-income Oklahomans assistance in maintaining basic local exchange telephone service.

**ENVIRONMENTAL PROTECTION**

The Department of Environmental Quality was created in 1993 to streamline environmental regulation previously provided haphazardly by nine different state agencies into a smaller and more organized system of state environmental agencies that cooperate to protect the water, land and air of our state. Each state environmental agency, which in addition to DEQ include, the Corporation Commission, the Oklahoma Water Resources Board, the State Department of Agriculture, Food and Forestry, the Oklahoma Conservation Commission, the Department of Wildlife Conservation and the Department of Mines, work in coordination to enforce the Oklahoma Environmental Quality Act under their jurisdictional area and also operate under the coordination of the Secretary of Energy and Environment.
From its inception in 1993, DEQ was organized differently than most other state agencies in that under the governance of a thirteen member Environmental Quality Board, there are eight smaller advisory councils made up of representatives of the industries they represent for the purpose of actually drafting rules, which are later adopted by the Environmental Quality Board, and working with the agency staff to govern these issues: Air Quality, Hazardous Waste, Laboratory Services, Radiation Management, Small Business Compliance, Solid Waste Management, Water Quality Management and Waterworks and Wastewater Works. These smaller councils, with direct knowledge and experience in these various industries are involved partners working closely with agency staff and are highly regarded by the regulated industries.

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

**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 84 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.

Distributes Federal Funds
Coordinates pollution control activities by all state agencies
Serves as public trustee for natural resources under various federal acts

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Secretary of the Environment

Department of Mines

* Mining regulation and reclamation of active mines
* Inspection of mines for hazardous working conditions, safe equipment operation and proper ventilation
* Health and safety inspections of sand, gravel and quarrying operations

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Water Resource Board

* Water quantity including water rights, surface water and underground water, planning and interstate compacts
* Flood plain management
* Weather modification
* Dam safety
* State water/waste loans and grants revolving fund and other related financial aid programs
* Administration of the federal State Revolving Fund Program
* Technical lead agency for clean lakes eligible for funding under Section 314 of the Federal Clean Water Act
* Statewide water quality standards
* Water well drillers/pump installers licensing
* Waste-by-pollution determinations

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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. The OWRB completed the updated version of the Oklahoma Comprehensive Water Plan in 2011.
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**: over 84 sites are sampled monthly for water quality. These sites are segregated into two distinct types of monitoring activities: fixed sites and rotating sites; monitoring sites may temporarily decrease in number due to recent budget reductions. Currently sites are on an eight week rotation;

- **Fixed Station Load Monitoring**: Collection of water quantity flow data is used to track long-term trends. This component is currently unfunded, although the Board is partnering with other entities such as USGS and the Army Corp of Engineers to monitor;

- **Fixed Station Lakes Monitoring**: Currently 206 lakes are being sampled on a five year rotation schedule for lakes over 500 surface acres and ten lakes under 500 surface acres tested annually. 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. Samples are taken from 750 wells on a four year rotation and was completely phased in by 2017; and

- **Intensive Investigation Sampling**: This element attempts to document the source of water impairment and recommend restorative actions. This component is currently unfunded.

### 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 1,338 sites on the National Priorities List (NPL). In Oklahoma, there are eight NPL sites, seven deleted sites and one proposed site. The current eight sites are:

- Oklahoma Refining (Cyril);
- Eagle Industries (Midwest City);
- Tulsa Fuels and Manufacturing (Collinsville);
- Tar Creek (Ottawa County);
- Hudson Refining (Cushing);
- Tinker Air Force (Midwest City);
- Wilcox Oil Co. (Creek County); 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’19, the appropriations to REAP totaled about $10.1 million.

The appropriation is given to the REAP fund 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 2014, 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.

The current three-way division of the oil and gas gross production REAP funds was extended to the year 2019 during the 2016 legislative session.
State Department of Health

Medicaid

Mental Health and Substance Abuse Services

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STATE DEPARTMENT OF HEALTH

The Oklahoma State Department of Health (OSDH) protects and promotes health, prevents disease and injury, and helps to create conditions by which Oklahomans can be healthy. This is achieved through statewide programs that range from rapid identification and response to disease outbreaks, medical and public health emergency response, protection of the population through inspection (e.g. restaurants, medical facilities) and implementing statewide evidence based initiatives that improve health (e.g. Preparing for a Lifetime). Local public health efforts through most county health departments are also coordinated by the OSDH.

ORGANIZATION OF THE PUBLIC HEALTH SYSTEM

The public health effort has evolved 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 who lack resources in order to prevent contagious illnesses;
- Providing prenatal, infant, and parenting education, including access to nutritious foods and nurse home visitation services, to improve infant health outcomes among low-income women;
- Providing perinatal and reproductive health services to ensure readiness to parents and improved children’s health;
- Providing food establishment inspections to prevent food-borne diseases.

Health departments offer direct clinical services that protect the community or derive a greater community benefit. Many clients are charged a fee based on their ability to pay for these services, however, some traditional infectious disease services are provided free of charge to ensure prevention of the spread of disease to the community and unnecessary cost to the healthcare system and businesses. Providing primary care to individuals is not the agency's mission; however,
ensuring the availability of care is one of the ten essential public health services and is provided through assessment and designation of shortage areas, coordination with health workforce entities and health providers. Health department clinics provide preventive services and education to avert the onset of illness and disease, for example, by providing vaccines to children, running educational anti-smoking or healthy infant interventions. Treatment for health conditions are provided as a means of community prevention (e.g., tuberculosis or sexually transmitted diseases) or, in rare cases, healthcare shortages. Medical and case management services are provided for certain health conditions such as infant and toddler development delays.

OSDH serves as the statewide coordinator of public health services. The central office provides administrative, laboratory and program services to support local agencies and also provides state level programs in order to be effective, create efficiency and achieve an economy of scale. Seventy counties are served by county-supported health departments. The other seven counties – Alfalfa, Cimarron, Dewey, Ellis, Nowata, Roger Mills and Washita – do not contribute local funding to support a health department location. These seven counties receive only state-wide services (i.e., environmental inspections, outbreak investigation, public health and medical emergency response, Women, Infants and Children (WIC) and immunization). 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 may 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.

**FUNDING BY REVENUE SOURCE**

The majority of OSDH FY’18 expenditures, $184,407,976 million or 56.18% percent, were supported by federal funding sources (WIC, Medicaid and various categorical federal grants and cooperative agreements from the U.S. Department of Health and Human Services). State appropriations supported $60,836,931 million or 18.53% percent (this includes expenditures utilizing special appropriations), fees charged to clients (for such services as copies of birth and death certificates, occupational and restaurant licensing, etc.) supported $48,617,699 million or 14.81% percent and county millage funded $34,402,838 million or 10.48% percent of anticipated expenditures.
State Department of Health

Oklahoma Senate Overview of State Issues

135

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Funding by Service

The sources of funding vary widely for different health department program activities. Given that state appropriations to the OSDH account for less than 1% of all appropriated dollars in the state, few activities are funded solely with state appropriations. Most programs are implemented utilizing a variety of funding streams and several 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’18 Expenditures](chart.png)
SERVICES PROVIDED BY OSDH

Community and Family Health Services
Community Health Services provide oversight and direction to the sixty eight (68) organized county health departments in the state. Additionally, Community Health Services acts as the liaison between the county health departments and state wide programs within the state health department.

County Health Departments: The 68 county health departments are under the jurisdiction of OSDH and establish priorities in collaboration with communities and to implement program specific guidelines for OSDH defined goals and objectives. A basic function of county government, county health departments develop, implement and administer programs and services that are aimed at maintaining a healthy community. County residents are encouraged to participate in assessing public health needs and in formulating a community health plan. It also works with other community organizations to assure needed services and programs are available. These units also play a primary role in the development and implementation of emergency response plans at this level.

Community Evaluation and Record Support Service: This service provides Epidemiological support for the 68 county health departments. It also supports effective and efficient operations of county health department services by ensuring patient records are organized and maintained to conform to medico-legal standards. It provides on-site training and software support for agency computer application programs for data collection, billing, and patient records.

Family Health Services
Family Health Services programs focus primarily on preserving and improving the health of women, adolescents, and babies. The programs of Family Health Services work alongside the county health departments and local partners. The 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 health needs.

SoonerStart (Early Intervention) Services: The agency staffs the Early Intervention (SoonerStart) program, primarily funded through the State Department of Education, for infants and toddlers, birth to 36 months, who have developmental delays. This program is a home visitation program. It staffed with a multidisciplinary team included disciplines such as RNs, Occupational Therapist, Physical Therapist, Speech Language Pathologist, Vision and Hearing Specialist. This program is provided in all 77 counties.

Dental Health Service: The program provides leadership in oral disease prevention, anticipates needs, and mobilizes efforts that will help protect and promote good oral health for Oklahoma citizens. 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.

**Family Support and Prevention Service:** Family Support and Prevention Service (FSPS) promotes the health, safety and wellness of Oklahoma’s children and families by administering visitation programs for low-resource mothers and provides training and assistance to organizations/agencies that service families with young children. The agency directs resources to improve health outcomes and parenting skills in an effort to avert child abuse, unplanned repeat pregnancies and other adverse outcomes. The Child Guidance area of FSPS is administered in regional county health departments and the Childcare Warmline, which offers free telephone consultation and referrals to child care providers. These programs provide support and training to parents, childcare providers, educators, the medical community and youth.

**Maternal and Child Health Service:** This service area provides leadership, in partnership with key stakeholders, to county health departments and non-profit clinics to improve the physical and mental health, safety, and well-being of the Oklahoma maternal and child health population. They develop and promote best practices for women’s and men’s reproductive health and the health of babies. The agency also provides community-based programs aimed at lowering the state’s teen birthrate through local agreements with county health departments and community-based organizations.

**Nursing Service:** Public health nurses comprise the largest segment of Oklahoma’s public health workforce. Nursing Service is responsible for the support of Oklahoma’s public health nurses by providing clinical practice guidelines and orders, continuing education and training opportunities, performance improvement activities and professional development.

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

**Screening and Special Services:** The mission of this program is to provide statewide surveillance, screening and specialized programs to protect Oklahoma’s children and their families. Programs in this service area include: Genetics, Newborn screening, Newborn Hearing Screening, Childhood Lead Poisoning Prevention and the Oklahoma Birth Defects Registry.
Women, Infants and Children (WIC) Service: This federally funded program provides nutritious foods to supplement the diets of women, infants, and children (approximately 100,000 per month). WIC foods are specifically chosen to provide the needed nutrients. The agency provides nutrition classes, interactive online education and fitness group classes, and private consultation with nutrition experts.

Office of the State Epidemiologist
Office of the State Epidemiologist (OSE) is comprised of five public health prevention and/or surveillance services: Public Health Laboratory, Acute Disease, HIV/STD, Immunization and Emergency Preparedness and Response Services. The role of the State Epidemiologist is to serve as a medical consultant and provide epidemiologic consultation to the agency on matters relating to infectious disease, immunizations, preparedness and response; supervise the investigation of disease outbreaks; consult on the preparation and implementation of various grants and research activities; represent the agency with the Council of State and Territorial Epidemiologists (CSTE); supervise the collection and analysis of disease surveillance data; oversee the publication of various educational materials; and act as the media spokesperson for the agency on epidemiologic matters.

Public Health Laboratory Service: 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.

Acute Disease Service: 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 and education of healthcare professionals and the public.

HIV/STD Service: The mission of the HIV/STD Service is to protect and promote the public’s health by intervening in the transmission of the Human Immunodeficiency Virus (HIV), viral hepatitis, and other sexually transmitted diseases (STDs). Primarily federally funded, the Service provides statewide programs for the surveillance, care, and prevention of HIV, viral hepatitis, and other STDs. Services include care and wrap around services for low income HIV infected individuals, health education, partner services, surveillance, screening and treatment of STDs, and referral to appropriate clinical and social services.

Immunization Service: 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.
Emergency Preparedness and Response Service: 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.

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. The majority of expenditures for this division come 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 Service: Long Term Care Service oversees the health and safety of residents living in licensed long-term care facilities. Long-term care facilities include nursing homes, skilled nursing facilities, residential care homes, assisted living centers, continuum of care homes and Intermediate Care Facilities for individuals who are Intellectually Disabled.

Medical Facilities Service: Medical Facilities Service is comprised of three main programs; Medical Facilities, Trauma and Emergency Medical Services. The Medical Facilities program licenses and certifies health care facilities in accordance with State and Federal Laws. It has responsibility for inspection, licensure and Medicare certification of all non-long term care medical facilities in Oklahoma. The Emergency Medical Services develops rules for administering emergency response systems in the state and performs other functions such as; developing a comprehensive plan for EMS development, EMS testing and licensure and collection of statewide EMS data. The Trauma program is responsible for facilitating and coordinating a multidisciplinary system response to severely injured patients in Oklahoma. The Trauma system continuum of care includes; EMS field intervention, emergency department care, surgical interventions, intensive and general surgical in-hospital care, rehabilitation services and support groups to enable both the patient and their family to return to society at the most productive level possible.

Injury Prevention Service: 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.
**Consumer Health Service:** The Consumer Protection program is responsible for licensing, monitoring and inspecting hotels and motels, eating and drinking establishments, retail and wholesale food outlets, food manufacturers, public bathing places and all sources of ionizing radiation. The Occupational Licensing program protects the public by licensing hearing aid dealers and sanitarians. The Professional Counselor Licensing program also governs the practices of Licensed Genetic Counselors.

**Health Resources Development Service:** This service performs health protection and public assurance functions in the following program areas: Health Facility Systems, Managed Care Systems, Nurse Aide and Non-Technical Services Workers Registry, Home Care Administrator Registry and Jail Inspections.

**Quality Improvement and Evaluation Service:** The Quality Improvement and Evaluation Service is responsible for coordinating activities and database functions that fall under the umbrella of the national QualityNet System developed by the Centers for Medicare and Medicaid Services. Data is collected from many of the facilities overseen by Long-Term Care Service and Medical Facilities Service. The collected data is used by researchers studying trends in health care and as a mechanism for Medicaid and Medicare reimbursements.

**Health Improvement Services**
Health Improvement Services focuses on the leading causes of death (cardiovascular disease and cancer) and provides a range of programs to prevent disease, disability or premature death. This includes working directly with communities, schools and businesses; programs aimed at specific populations suffering health disparities; and efforts to transform healthcare to improve outcomes, quality and cost. As OSDH is an outcome driven organization, Health Improvement Services assesses the health of the population, collects data on healthcare quality and costs, and makes data available to public health and healthcare practitioners, health serving entities, stakeholders and the public. This area also records and provides vital records (birth and death certificates) to the public.

**Center for Health Statistics:** The Center for Health Statistics (CHS) collects, stewards, and disseminates population-level health statistics (vital statistics, hospital discharge data, central cancer registry, behavioral risk factor surveillance system, abortion data) and provides enterprise-level support through analytic services, data management, quality assurance activities, technical expertise and reporting solutions (e.g. OK2SHARE, State of the State’s Health Report). The CHS is responsible for the ongoing evaluation of trends in the health status of Oklahomans and the utilization and costs of health care services. Additionally, the office of the Director of Science and the Institutional Review Board is located within the CHS. This office is responsible for ensuring the protection of human subjects in research conducted by OSDH and its affiliates, as well as promoting data use for the advancement of disease prevention and control.
Public Health Informatics: Responsible for internal and external communications through three key functions: media relations, electronic communications, and written publications.

Health Policy, Planning & Partnerships: Conducts strategic planning, provides project management and implements coordinated policy initiatives of the agency to improve population health, develop modernized public health system proposals, and create efficiencies in the healthcare. Collects data and assesses healthcare workforce and plans for improved access to care. Includes the agency rule liaison who is responsible for coordinating the agency’s rule promulgation efforts in close conjunction with the legislative liaison. Includes the Office of the Tribal Liaison; and Office of Health Equity and Minority Health, which focus on improving health of disparate populations; as well as the development and maintenance of key strategic partnerships to improve the health of all Oklahomans by bringing coalitions and multi-sectorial groups together to solve complex health problems.

Center for Chronic Disease Prevention and Health Promotion: Focuses on state level interventions/partnerships to reduce tobacco use and obesity as well as identify and manage chronic disease. This includes providing outcome-based technical assistance to local communities and other partners, conducting health promotion, supporting tobacco cessation programs, providing health education, establishing chronic disease management programs, and coordinating cancer screening services. These efforts involve changes to policies, systems and environments and are coordinated closely with the Tobacco Settlement Endowment Trust, healthcare organizations, Tribal nations and other strategic partners across the state.

Vital Records: Responsible for registering every birth and death which occurs in the state as well as preserving, amending and issuing certified copies of those records in accordance with state law.

Oklahoma Medical Marijuana Authority: Responsible for the oversight of the medical marijuana program as prescribed in Title 63 O.S. § 420A et seq. The Oklahoma Medical Marijuana Authority oversees the application process, licensing, and compliance management for patient and business licensees. As of October 15, 2018 OMMA approved: 7,747 patient licenses, 925 grower licenses, 589 dispensary licenses, as 248 processor licenses, and 57 caretaker licenses.
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 (OKDHS). OHCA determines eligibility for most non-disabled applicants through its Online Enrollment System. OHCA also contracts with DHS to determine if certain individuals qualify for SoonerCare. Individuals who are disabled, aged, in custody, qualified for cash assistance or receive State supplemental payment are processed and approved or denied by OKDHS. Applications and renewals for these programs are reviewed by each OKDHS county office for financial and/or medical qualifications. Once an individual meets the qualifications and completes the enrollment process, his or her records are sent to OHCA to coordinate medical benefits and make payments for services.

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 FFY’19 was 62.38%. On average, for FY’18 for every one state dollar that Oklahoma Medicaid spends, Oklahoma receives $1.43 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’18, the state share appropriated to the Oklahoma Health Care Authority was $1.018 billion. Total expenditures were estimated to be in excess of $5.7 billion.

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) pay the state match for various services and programs that are covered by Medicaid. Medicaid is also partly funded by fees on hospitals, long-term care facilities and rebates from drug manufacturers.

**Medicaid Eligibility**

Medicaid eligibility is determined by OKDHS and OHCA’s Online Enrollment program based on standards set by the state and federal government. Individuals are determined to be Medicaid-eligible for one year periods.
Covering the Uninsured
In general, Medicaid covers low-income mothers and children, the elderly, and people with disabilities. Some non-disabled working-age adults may qualify for Medicaid if they are a parent or caretaker of a child who also qualifies for Medicaid. However, their income must fall considerably below the federal poverty level. Most non-disabled working-age adults are ineligible. Medicaid enrolled over 1 million Oklahomans throughout FY’18.

Children (age 0-18) make up 60 percent of Oklahoma's Medicaid population and account for 18 percent of all OHCA expenditures while the aged, blind and disabled account for about 16.9 percent of the population and accounts for 46.33 percent of OHCA expenditures. Enrollment patterns in the Medicaid program, however, do not correspond with expenditure breakdowns. 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 Members and Expenditures
**Fiscal Year 2018**

<table>
<thead>
<tr>
<th>Recipients</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>TANF/AFDC</td>
<td>69.86% 35.74%</td>
</tr>
<tr>
<td>Aged, Blind &amp; Disabled</td>
<td>16.88% 46.33%</td>
</tr>
<tr>
<td>Other</td>
<td>13.26% 17.93%</td>
</tr>
</tbody>
</table>

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 are covered through the Insure Oklahoma program, 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 through the CHIP program. Oklahoma is currently receiving an enhanced federal match of 94.0 percent for the Medicaid costs of children, in the State Children’s Health Insurance Program. SB 639 expanded Medicaid coverage to children and pregnant women with income below 185% of FPL that didn’t qualify for Medicaid because of other reasons such as being covered by other health insurance.

**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. As of August 2018, there were 139,822 adult (age 21 & over) and 17,932 children (age under 21) ABD members.

**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. As of August 2018, there were 115,113 dual enrollees.

**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. Oklahoma surpassed one million enrollees in FY’12.

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**Enrollment FY’05 Through FY’18**

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’05</td>
<td>696,743</td>
</tr>
<tr>
<td>FY’06</td>
<td>742,162</td>
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<tr>
<td>FY’07</td>
<td>763,165</td>
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<tr>
<td>FY’08</td>
<td>797,556</td>
</tr>
<tr>
<td>FY’09</td>
<td>825,138</td>
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<tr>
<td>FY’10</td>
<td>855,238</td>
</tr>
<tr>
<td>FY’11</td>
<td>948,294</td>
</tr>
<tr>
<td>FY’12</td>
<td>1,007,356</td>
</tr>
<tr>
<td>FY’13</td>
<td>1,015,939</td>
</tr>
<tr>
<td>FY’14</td>
<td>1,025,097</td>
</tr>
<tr>
<td>FY’15</td>
<td>996,825</td>
</tr>
<tr>
<td>FY’16</td>
<td>1,018,106</td>
</tr>
<tr>
<td>FY’17</td>
<td>1,014,983</td>
</tr>
<tr>
<td>FY’18</td>
<td>1,024,726</td>
</tr>
</tbody>
</table>
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. All members from SoonerCare Plus were transitioned to SoonerCare Choice in January 2004. The entire Medicaid program is now referred to as SoonerCare.

In January 2009, the Patient-Centered Medical Home delivery system was implemented for SoonerCare Choice members.

These members have a medical home that provides basic health care, an information hub and more integrated services. SoonerCare Choice primary care providers are paid a monthly case management/care coordination fee. Visit-based services remain compensable on a fee-for-service basis.

Members enrolled in SoonerCare Choice are not “locked in” with a primary care provider/case manager (PCP/CM) and can change health care providers as necessary. This important facet to the program allows SoonerCare Choice members the opportunity to select a provider that has been added to the program. Providers contracting in this program include Advanced Registered Nurse Practitioners, Family Practitioners, General Pediatricians, Internists, and Physician Assistants. Medical Home Providers receive a care coordination fee, visit-based fee-for-service payment and performance-based payments to providers meeting the quality of care targets (SoonerExcel).

Some member groups do not qualify to participate in SoonerCare Choice. Persons eligible for Oklahoma Medicaid who are institutionalized, dual eligible, in state or tribal custody or enrolled under a Home and Community-Based Waiver are not included in the SoonerCare Choice program at this time. Most of these members receive services under the fee-for-service delivery model, SoonerCare Traditional.

In 2015, HB 1566 was passed and required the Health Care Authority to develop a Request For Proposal (RFP) for a care coordination model for the Aged, Blind and Disabled population. The intent of the bill was to deliver better access to care, improve health outcomes and control costs of the ABD population. The OHCA issued an RFP in November 2016 and began the solicitation and evaluation process. However, the agency canceled the RFP in June 2017 due to uncertainty surrounding federal and state funding.
Medicaid Work Requirements

In January 2018, the Centers for Medicare & Medicaid Services (CMS) issued official guidance for states interested in developing work or community engagement requirements for able-bodied adults seeking Medicaid coverage. This guidance represented a shift in federal Medicaid policy, which had historically rejected work requirements as a condition of eligibility. Part of the criteria CMS outlined included aligning Medicaid work requirements with Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) work requirements.

In the months leading up to the second session of the 56th Legislature, Gov. Mary Fallin convened a workgroup to evaluate this idea. The workgroup developed legislation to direct OHCA to pursue a federal waiver to implement work requirements. Gov. Fallin also issued an executive order in March 2018 that specified certain exemptions. House Bill 2932, by Rep. Glen Mulready and Sen. Adam Pugh, was passed and signed into law, providing statutory authority for the waiver.

OHCA will submit its community engagement proposal to CMS in October 2018. OHCA estimates that less than 7,000 members annually would be affected by the proposal. Although the proposal will be submitted to the federal government in October 2018, there is no estimated timeframe to receive a response.

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 qualifying members. However, Medicaid involves some cost to members: providers can charge co-payments for certain services and nursing home residents must “spend down” their own resources to a certain level before Medicaid begins paying their bills.

What Services are Covered?

<table>
<thead>
<tr>
<th>Federally Mandated Services</th>
<th>Optional Covered Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early/Periodic Screening Diagnosis &amp; Treatment (EPSDT) Under Age 21</td>
<td>Case Management</td>
</tr>
<tr>
<td>Family Planning Services &amp; Supplies</td>
<td>Chiropractor</td>
</tr>
<tr>
<td>Federally Qualified Health Center Services</td>
<td>Clinic</td>
</tr>
<tr>
<td>Freestanding Birth Center Services</td>
<td>Dental</td>
</tr>
<tr>
<td>Inpatient Hospital</td>
<td>(Adult Emergency Extractions)</td>
</tr>
<tr>
<td>Laboratory &amp; X-ray</td>
<td>Diagnostic Services</td>
</tr>
<tr>
<td>Non-emergency Transportation</td>
<td>Emergency Hospital</td>
</tr>
<tr>
<td>Nurse Midwife</td>
<td>Eyeglasses</td>
</tr>
<tr>
<td>Nurse Practitioner</td>
<td>Health Homes for Enrollees with Chronic Conditions</td>
</tr>
<tr>
<td>Nursing Facility/Home Health for Age 21+</td>
<td>Inpatient Hospital for Age 65+ in</td>
</tr>
<tr>
<td>Outpatient Hospital</td>
<td>Institutions for Mental Diseases</td>
</tr>
<tr>
<td>Physician</td>
<td>Inpatient Psychiatric under age 21</td>
</tr>
<tr>
<td>Rural Health Clinic</td>
<td>ICF/MR</td>
</tr>
<tr>
<td>Tobacco Cessation Counseling for Pregnant Women</td>
<td>Nurse Anesthetist</td>
</tr>
<tr>
<td></td>
<td>Nursing Facility under age 21</td>
</tr>
<tr>
<td></td>
<td>Occupational Therapy</td>
</tr>
<tr>
<td></td>
<td>Optometrist</td>
</tr>
<tr>
<td></td>
<td>Personal Care</td>
</tr>
<tr>
<td></td>
<td>Physical Therapy</td>
</tr>
<tr>
<td></td>
<td>Podiatrist</td>
</tr>
<tr>
<td></td>
<td>Prescribed Drugs</td>
</tr>
<tr>
<td></td>
<td>Preventive Services</td>
</tr>
<tr>
<td></td>
<td>Private Duty Nursing</td>
</tr>
<tr>
<td></td>
<td>Prosthetic Devices</td>
</tr>
<tr>
<td></td>
<td>Psychologist</td>
</tr>
<tr>
<td></td>
<td>Rehabilitative</td>
</tr>
<tr>
<td></td>
<td>Respiratory Care</td>
</tr>
<tr>
<td></td>
<td>Screening Services</td>
</tr>
<tr>
<td></td>
<td>Speech/Hearing/Language Disorders</td>
</tr>
<tr>
<td></td>
<td>TB Related</td>
</tr>
</tbody>
</table>
Pharmacy followed by inpatient services (hospital) and physicians expenditures, account for more than $1.7 billion of the $5.3 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 67 percent of all residents in Oklahoma nursing homes are Medicaid members. 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 fall into two general categories:

**Institutional Care:** This includes such facilities as nursing homes, Intermediate Care Facilities for the Intellectually Disabled (ICF/ID), or state hospitals for the intellectually disabled. 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 ICF/ID 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 OKDHS and three by OHCA, 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 qualify either for institutional placement or participation in one of the long-term care waivers. Financially, Medicaid members’ incomes must be below 300 percent of the SSI eligibility threshold, which translates to monthly income of roughly $2,199 per person and $2,000 in non-exempted assets. There is no additional threshold for members who have Income Pension trusts. That threshold is $4,400 a month.
**Premium Assistance Program:** In January 2006, the Oklahoma Health Care Authority (OHCA) started enrolling businesses and individuals into the Insure Oklahoma program. The first component of the Insure Oklahoma program, Employer-Sponsored Insurance (ESI), is designed to assist Oklahoma small business owners (with 250 or fewer employees) in purchasing health insurance on the private market for their income eligible employees (at or below 200 percent of Federal Poverty Level). As of August 2018, the ESI program had 4,570 businesses and 14,229 employees. A second component to the Insure Oklahoma 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 qualify for this plan include workers whose employer does not offer health insurance and workers who are ineligible for their employer’s insurance plan. The individual component (IP) of the Insure Oklahoma program began enrollment in March 2007. As of August 2018, the IP program had covered 5,393 uninsured Oklahomans. Funding for this program is generated from the Tobacco Tax approved by the voters in 2004 (State Question 713). Since 2014, Oklahoma has received waivers from the federal government to keep operating Insure Oklahoma. Some changes that have been required to keep Insure Oklahoma operating include decreasing the Individual Plan from 200% Federal Poverty level to 100% Federal Poverty level. The Employer Sponsored Insurance Plan has increased business size from 200 employees to 250 or fewer employees.
# Statewide Medicaid Information

*Insure Oklahoma included*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ADAIR</td>
<td>21,909</td>
<td>9,471</td>
<td>43%</td>
<td>$ 38,079,167</td>
</tr>
<tr>
<td>ALFALFA</td>
<td>5,907</td>
<td>931</td>
<td>16%</td>
<td>$ 3,433,016</td>
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<tr>
<td>ATOKA</td>
<td>13,887</td>
<td>4,253</td>
<td>31%</td>
<td>$ 18,861,801</td>
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<td>BEAVER</td>
<td>5,315</td>
<td>1,013</td>
<td>19%</td>
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<td>BECKHAM</td>
<td>21,793</td>
<td>6,005</td>
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<td>BLAINE</td>
<td>9,498</td>
<td>2,864</td>
<td>30%</td>
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<td>BRYAN</td>
<td>46,319</td>
<td>13,825</td>
<td>30%</td>
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<td>CADDY</td>
<td>29,173</td>
<td>9,896</td>
<td>34%</td>
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<td>CANADIAN</td>
<td>139,926</td>
<td>21,643</td>
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<td>CARTER</td>
<td>48,190</td>
<td>15,325</td>
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<td>CHEROKEE</td>
<td>48,888</td>
<td>14,029</td>
<td>29%</td>
<td>$ 82,619,007</td>
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<td>CHOTICAW</td>
<td>14,863</td>
<td>5,710</td>
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<tr>
<td>CIMARRON</td>
<td>2,154</td>
<td>566</td>
<td>26%</td>
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<td>CLEVELAND</td>
<td>279,641</td>
<td>46,596</td>
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<td>COAL</td>
<td>5,642</td>
<td>1,784</td>
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<td>COMANCHE</td>
<td>121,526</td>
<td>29,743</td>
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<td>COTTON</td>
<td>5,823</td>
<td>1,603</td>
<td>28%</td>
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<td>CRAIG</td>
<td>14,327</td>
<td>5,348</td>
<td>37%</td>
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<td>CREEK</td>
<td>71,704</td>
<td>19,495</td>
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<td>28,800</td>
<td>7,049</td>
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<td>DELAWARE</td>
<td>42,602</td>
<td>11,268</td>
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<td>$ 45,880,836</td>
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<tr>
<td>DEWEY</td>
<td>4,878</td>
<td>1,022</td>
<td>21%</td>
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<td>ELLIS</td>
<td>3,966</td>
<td>763</td>
<td>19%</td>
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<td>61,581</td>
<td>16,712</td>
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<td>GARVIN</td>
<td>27,909</td>
<td>8,501</td>
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<td>54,943</td>
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<td>GREER</td>
<td>5,843</td>
<td>1,746</td>
<td>30%</td>
<td>$ 7,295,608</td>
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<td>HARMON</td>
<td>2,689</td>
<td>987</td>
<td>37%</td>
<td>$ 5,354,960</td>
</tr>
<tr>
<td>HARPER</td>
<td>3,808</td>
<td>731</td>
<td>19%</td>
<td>$ 1,880,077</td>
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<td>HASSELL</td>
<td>12,763</td>
<td>4,362</td>
<td>34%</td>
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<td>HUGHES</td>
<td>13,302</td>
<td>4,413</td>
<td>33%</td>
<td>$ 22,116,021</td>
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<td>JACKSON</td>
<td>25,125</td>
<td>6,484</td>
<td>26%</td>
<td>$ 21,582,418</td>
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<tr>
<td>JEFFERSON</td>
<td>6,183</td>
<td>2,248</td>
<td>36%</td>
<td>$ 6,704,437</td>
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<tr>
<td>JOHNSTON</td>
<td>11,060</td>
<td>3,899</td>
<td>35%</td>
<td>$ 18,035,588</td>
</tr>
<tr>
<td>KAY</td>
<td>44,544</td>
<td>15,064</td>
<td>34%</td>
<td>$ 58,304,325</td>
</tr>
</tbody>
</table>

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**Medicaid**

**Oklahoma Senate Overview of State Issues** 151
### Medicaid

<table>
<thead>
<tr>
<th>County</th>
<th>Oklahoma Population</th>
<th>Unduplicated Members</th>
<th>Population Enrolled in SoonerCare</th>
<th>SFY2018 Expenditures</th>
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<td>MAJOR</td>
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<td>TILLMAN</td>
<td>7,433</td>
<td>2,398</td>
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<td>$7,715,874</td>
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### Oklahoma Senate Overview of State Issues

#### Medicaid

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>TULSA</td>
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<td>WOODWARD</td>
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<td>4,474</td>
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<td>Out of State</td>
<td>9,094</td>
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<td>$ 2,919,385</td>
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<tr>
<td>OTHER‡</td>
<td>2,014</td>
<td></td>
<td>$ 1,219,007,142</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,930,864</strong></td>
<td><strong>1,020,726</strong></td>
<td><strong>26%</strong></td>
<td><strong>$ 5,308,124,649</strong></td>
</tr>
</tbody>
</table>

*Source: Population Division, U.S. Census Bureau. Estimates rounded to nearest 100. American Fast Fact Finder PEPANNRES table using the advanced search options. **Enrollees listed above are the unduplicated count per last county on the enrollee record for the entire state fiscal year (July-June).

‡Garfield and Garvin counties have public institutions and Okfuskee and Craig counties have private institutions for the intellectually disabled causing the average dollars per SoonerCare enrollee to be higher than the norm.

◊ Non-member specific payments include $487,126,283 in Supplemental Hospital Offset Payment Program (SHOPP) payments; $208,655,731 in Hospital Supplemental payments; $174,067,603 in Medicare Part A & B (Buy-In) payments; $111,778,467 in Medicare Part D (clawback) payments; $54,990,574 in GME payments to medical schools; $59,722,490 in Insure Oklahoma ESI premiums; $179,987 in Insure Oklahoma Out-Of Pocket payments; $10,235,649 in EHR incentive payments; $49,400,417 in Outpatient Behavioral Health Supplemental payments; $2,879,428 in SoonerExcel payments; $8,424,185 in Health Access Network payments; $26,748,999 in NET payments; $3,160,176 in ICF/MR payments; $11,300,327 in Self-Directed Care and $-5102,839 in non-member specific provider adjustments.
MENTAL HEALTH AND SUBSTANCE ABUSE

Perhaps no state government function has experienced such a profound change in its mission over the past 50 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 short term service for all but a few clients. Most mental health services are now provided in the community. Advances over the past several decades have made recovery a reality for thousands of Oklahomans. We now understand that there are proven means to prevent these diseases from advancing to critical levels, or from occurring altogether and that links to the right services can stop the advancement of disease and help individuals lead full and productive lives in recovery. Prevention, treatment and recovery related to mental illness and substance use dependence and addiction works. The key is linking individuals to the right services.

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 psychiatric 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. Oklahoma experiences consistently high rates of mental illness and addiction, and increasing negative outcomes for those unable to access appropriate care. Only a third of Oklahomans who need services are actually getting those needed services due to a lack of resources and investment. The continued demand on state-funded services, in addition to increased stress on the private system, has created a crisis situation that will only grow worse if we are unable to provide additional opportunities for service engagement.
ODMHSAS OVERVIEW

The Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) is the State’s statutory authority responsible for prevention, treatment and recovery of mental illness, substance abuse and addictive disorders. This includes management and oversight of the state’s behavioral health Medicaid services along with rule-making responsibility for statutory certification processes. It is the agency’s core mission to assure that prevention and treatment services are provided for all Oklahomans. The services, programs, and initiatives undertaken by the department are dedicated to this end. The department delivered services to just over 197,000 Oklahomans in FY’18 and served all 77 Oklahoma counties through a statewide network of private providers at the community level. This includes mental health and substance abuse inpatient/residential services, outpatient care and targeted community based services, prevention efforts and educational initiatives. There are over 300 contracted treatment providers in the ODMHSAS statewide network, along with more than 800 behavioral health Medicaid agency and individual providers. Additionally, ODMHSAS certifies approximately 3,300 treatment providers (organizations and individuals) throughout the state. There are other state agencies that provide limited substance abuse and mental health treatment services, but those services are not core to their respective missions. ODMHSAS programs and services include:

Program areas related to treatment and recovery include:

- Community mental health centers
- Outpatient and residential substance abuse services
- Crisis and inpatient psychiatric care
- Drug courts and mental health courts
- PACT services
- Systems of Care
- Gambling outreach and addiction services

Prevention programs include:

- Regional prevention coordinators
- Prevention of under age drinking
- Prescription drug abuse prevention and treatment initiatives
- Synar (Illegal Tobacco Sales to Minors) Compliance
- Suicide prevention initiatives
- School-based initiatives
Behavioral Health Medicaid programs include:

- Pre-authorization
- Reimbursement
- Policy and Rules

A person must be 200 percent of the poverty level or below, or be eligible for Medicaid, to qualify for services funded by ODMHSAS.

**Funding Sources**

ODMHSAS is primarily state funded (approximately 71 percent of all funding). Federal funding from various sources comprises the majority of the rest of the budget. Medicaid is the most important non-appropriated funding source for individual client services, accounting for nearly 17 percent of the budget. Federal block grants and other federal grant funding account for approximately 11 percent of the budget.

**Program Budgets**

Of all persons served by the department, approximately 175,000 receive mental health services. Nearly 40,000 receive services for substance use. Many receive services for both mental health and substance abuse. Community-based treatment and recovery services account for 62 percent of service expenditures, with 32 percent of expenditures made for treatment beds (inpatient and residential care). Expenditures for prevention services constitute approximately 3 percent of budgeted expenditures. Administrative costs account for approximately 3 percent or less of total department expenditures.
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; the state’s growing substance abuse problem and resultant psychotic behavior, along with the state’s alcohol and prescription drug abuse problem. 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 die by suicide.

Persons with untreated 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.

Substance Abuse Services
According to national prevalence studies, up to 12 percent of adult Oklahomans have a substance use disorder. Access to treatment services – through community-based and residential 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 provides a range of evidence-based outpatient, residential and aftercare services (primarily through community-based contractors). Programs offered are based upon the needs of the individual. ODMHSAS also funds a network of 17 Area Prevention Resource Centers offering substance abuse prevention education and community prevention initiatives.

The primary drug of choice for substance abuse treatment during FY’18 were as follows:

<table>
<thead>
<tr>
<th>Substance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methamphetamine</td>
<td>33.6%</td>
</tr>
<tr>
<td>Alcohol</td>
<td>25.1%</td>
</tr>
<tr>
<td>Marijuana</td>
<td>17.5%</td>
</tr>
<tr>
<td>Opiates</td>
<td>10.3%</td>
</tr>
<tr>
<td>Heroin</td>
<td>6.2%</td>
</tr>
<tr>
<td>Other</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
Program Information
ODMHSAS is responsible for developing and maintaining programs related to prevention, treatment and recovery of mental health and addiction issues. This includes matters related to policy, certification and the operation of Oklahoma’s behavioral health Medicaid program. In this role, ODMHSAS plans, operates, funds and certifies a wide range of programs/treatment services designed to create and maintain a continuum of care. The department is committed to the utilization of evidence-based practices to maximize program effectiveness and efficiency. Major components of the department’s statewide prevention, treatment and recovery network include:

Central Administration
The Central Administration program provides administration, direction, planning and technical assistance to facilities operated by the department as well as to contract providers. It sets standards, policies and goals for programs and monitors programs to ensure required criteria are met. Additionally, central administration performs evaluations and data analysis and maintains an automated information system of clients receiving services.

Inpatient Hospitals
The department operates psychiatric hospital services for adults in Norman and a forensic hospital for adults in Vinita. The Norman hospital (Griffin Memorial Hospital) receives voluntary and involuntary court committed patients while the forensic hospital in Vinita (Oklahoma Forensic Center) serves only individuals sent for evaluation or treatment through the criminal court system. In addition to these hospital sites, smaller inpatient units are located at department facilities in McAlester, Ft. Supply, Tulsa and Lawton. These facilities provide acute inpatient psychiatric care for individuals who do not have access to other psychiatric inpatient care, or longer term care for individuals who are a danger to themselves or others and are unable to temporarily function in a community setting. The Oklahoma Forensic Center conducts forensic evaluations for the judicial system and provides inpatient care for persons found not guilty by reason of insanity.

Community Based Treatment and Recovery Services
The department oversees a statewide program to administer both inpatient/residential and outpatient community-based mental health and substance abuse treatment services for qualifying Oklahomans. This is accomplished through utilization of a statewide public/private provider network. The majority of services are delivered through locally contracted private provider organizations.
Mental Health Programs – This includes the delivery of mental health services across all age spectrums and severity of illness including community-based outpatient services, crisis intervention and inpatient services. Included in this are initiatives to serve higher risk populations (PACT, Mental Health Court, Systems of Care etc.) The department 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.

Substance Abuse Programs – As the alcohol and drug authority under Title 43A of the Oklahoma State Statutes, the department is responsible for comprehensive planning and program implementation in the areas of education, training, prevention and treatment for individuals and families affected by alcohol, drug abuse and gambling. This includes the delivery of residential and outpatient substance abuse services such as medically supervised detoxification, non-medical detoxification, residential treatment, day treatment, sober living, DUI school, Drug Court and other outpatient services. Approximately 100 private non-profit contractors and state operated facilities provide substance abuse programs. The intent is to provide a continuum of services to individuals with substance abuse disorders so they become sober and productive members of society. ODMHSAS serves all 77 Oklahoma counties.

Community Mental Health Centers (CMHC)
ODMHSAS is responsible for a statewide network of community mental health centers (CMHC) that provide a wide variety of services including case management for adults and children, crisis intervention, psychiatric rehabilitation, medication services, and other outpatient mental health services. Additionally, community based programs include assistance with such services as housing, employment, peer advocacy and drop in centers.
Community Based Structured Crisis Centers
The department supports Community Based Structured Crisis Centers for adults located throughout the state, including: Ardmore, Clinton, Muskogee, Norman, Oklahoma City, Sapulpa and Tulsa. Facilities in Ardmore, Oklahoma City, Sapulpa and Tulsa also operate behavioral health urgent care centers that provide 23-hour respite and observation to help prevent psychiatric emergency and keep people from needing admission to inpatient or crisis beds. These facilities also address substance abuse emergencies.

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 for people with the most severe 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. Currently, there are 12 PACT teams statewide. With PACT assistance, comparing pre-PACT with post-PACT, participants see a reduction in inpatient care days (as much as a 71% decrease) and the number of days an individual spends in jail (as much as a 93.5 percent decrease).

Substance Abuse Treatment for Adolescents, Women and Their Children
Pregnant women and women with dependent children are one of the department’s top priorities. Gender-specific treatment programs offer comprehensive services focusing on a number of areas. These targeted services help break down barriers to recovery that are unique to this population, provide necessary treatment and clear a path to recovery. Services are also offered for the children, and in many cases the children are able to be with their mother during the treatment and recovery process. These programs are designed to break the cycle of addiction, keep families together and eliminate the occurrence of future negative consequences that would otherwise likely occur if these services were not offered.
Services for Children and Youth

The department contracts for a variety of mental health services for children, including family based, in-home services, outpatient services and wrap around services. Contracted providers are located in communities throughout the state. The Children’s Recovery Center (CRC) in Norman is the only state-operated facility dedicated to providing inpatient and residential treatment services for children and youth. The facility provides crisis services and inpatient care for both mental health and substance abuse.

The Oklahoma Systems of Care (SOC) program is a nationally recognized initiative that covers that serves nearly 5,000 youth (and their families) across the state. Youth receiving services through SOC show decreases in school suspensions and detentions, decreases in contacts with law enforcement, decreases in self-harm and suicide attempts, decreases in problem behaviors and clinically significant improvement in functioning. Over 70% of the youth coming into SOC, are diagnosed as “clinically impaired,” show significant improvement within six months.

Systems of Care 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.

Smart on Crime (Criminal Justice)

The department provides a variety of services targeted to work with the criminal justice system and aid in appropriate diversion of eligible offenders into treatment programs that provide significantly better outcomes, reduce taxpayer cost and change lives.

Screening and Assessment – As authorized by 43A O.S. 3-704, offender screenings are conducted by certified treatment providers to determine felony offenders’ risk to reoffend as well as identify substance use and mental health treatment needs. Previously only available in 37 counties, ODMHSAS has now received funding to make these services available statewide for felony offenders. By serving as central screening hubs, county jail-based screenings save diversion program resources and avoid duplicative assessment processes. To date, over 26,000 felony defendants have been screened. Approximately 23,000 final dispositions have been recorded. Over 80 percent of those screened have been recommended for various alternatives (DA supervision, community sentencing, DOC supervision, charges dismissed and specialty treatment programs).
Drug Court – The annual cost per person of drug court is $5,000 compared to $19,000 for incarceration. A study of over 4,000 drug court graduates demonstrated that these graduates earned more than $204 million in legal wages and paid an estimated $6.1 million in taxes over a five year period. Had these graduates been incarcerated, instead of in drug court, it would have cost the state an additional $191.6 million (average sentence of three years each). Drug Court graduates experience significantly lower incarceration rates than DOC released inmates (7.9% compared to 23.4%). In addition to a 95.4% drop in unemployment and a 119.3% jump in monthly income; a 81.1% increase in participants who are able to again live with their children; and, a 116.7% in participants with private health insurance.

Mental Health Court – There are mental health courts in only 16 counties serving approximately 500 participants at any given time. Another 17 counties have requested courts. Recent appropriations will allow for the addition of approximately 180 mental health court slots statewide. Like drug court, there are much lower rates of incarceration for mental health court graduates compared to released inmates and released inmates with a Serious Mental Illness (3.2% compared to 23.4% and 41.8% respectively). The cost for mental health court is approximately $5,400 annually, per participant. Incarceration would cost between $19,000 and $23,000 (person with a serious mental illness) annually.

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.

Prevention Services
Prevention services include oversight and delivery of initiatives targeting communities throughout the state. The department oversees a network of contracted Regional Prevention Coordinators, located in 17 Oklahoma communities and serving the entire state, to conduct localized prevention efforts. The department also oversees the delivery of targeted statewide initiatives such as Prescription for Change/OKImReady (campaign to reduce opioid/prescription drug abuse), opioid overdose prevention and naloxone distribution, collaborative work with sister agencies regarding Oklahoma’s Prescription Monitoring Program (PMP), statewide suicide prevention initiatives (QPR, school-based services,
awareness and outreach), 2M2L underage drinking initiative and other underage drinking prevention efforts, SYNAR compliance enforcement and reporting, Mental Health First Aid, SBIRT (Screening, Brief Intervention and Referral to Treatment) partnership with primary care and hospitals, the suicide prevention initiative, alcohol server training and numerous other successful efforts.
Department of Human Services

Juvenile Justice

Section Information Prepared By:
Will Robinson
Fiscal Analyst  (405) 521-5670  robinson@oksenate.gov
While the Oklahoma Department of Human Services (DHS) has experienced many name and structural changes since the creation of the “Oklahoma Department of Public Welfare” in 1936, its primary mission has remained largely the same: to improve the quality of life of vulnerable Oklahomans by increasing people’s ability to lead safer, healthier more independent and productive lives.

DHS was created in the Oklahoma state constitution. The agency’s governance structure was dictated in the constitution requiring a governing board which would later be referred to as the Commission for Human Services. This board consisted of private citizen volunteers who were appointed in rotating years by the Governor. For most of the agency’s existence, the Commission had the responsibility of overseeing the agency and hiring/firing the agency’s director.

In 2012, Oklahoma voters passed State Question 765 which amended the state constitution, abolished the Commission for Human Services, and made DHS an executive level agency giving the Governor the authority to appoint the director of the agency with senate confirmation.

Until 1983, the agency received direct funding from a dedicated two-percent state sales tax, bypassing the annual legislative appropriations process. With a guaranteed and growing revenue source, more and more functions were put under DHS over the years as the state’s health and welfare system was developed.

Although DHS today is a much smaller agency than it was at its apex in the early 1990’s, it still has an annual operating budget of more than $2 billion in state and federal funds. Because of the agency’s purpose, it is able bring in a high percentage of federal matching dollars and federal block grants – approximately $2.40 for every state dollar appropriated.
Beginning in the 1990s, lawmakers began to review the organization, and it was determined that major divisions of DHS — the public teaching hospitals, rehabilitative services, SoonerCare (Medicaid), and juvenile justice services — could be managed more effectively if moved outside the umbrella of the very large and varied agency.

**DECENTRALIZATION**

Since 1993, decentralization has significantly changed DHS. The Legislature has transferred four large service divisions out of the agency and created three separate state agencies and a private entity:

- University Hospitals Authority (OU Teaching Hospitals)
- Department of Rehabilitation Services
- Oklahoma HealthCare Authority (SoonerCare)
- Office of Juvenile Affairs

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

### Functions Separated from DHS Since 1993

<table>
<thead>
<tr>
<th>Year</th>
<th>Function Transferred</th>
<th>Transferred Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>University Hospitals Authority</td>
<td>$29,710,032</td>
</tr>
<tr>
<td>1993</td>
<td>Rehabilitation Services</td>
<td>$21,952,152</td>
</tr>
<tr>
<td>1995</td>
<td>HealthCare Authority</td>
<td>$227,816,716</td>
</tr>
<tr>
<td>1995</td>
<td>Office of Juvenile Affairs</td>
<td>$75,959,840</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$355,438,740</td>
</tr>
</tbody>
</table>

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

**FUNDING**

Approximately 69% of the $2.24 billion total budget in FY’18 was provided by Federal block grants, entitlement programs, and a small amount from expenditures certified by other State Agencies.
In response to legislation in 2012, DHS reorganized and vertically integrated Child Welfare Services. The program and policy side of child welfare had previously been separated from the field workers and supervisors in two different divisions of DHS (Children and Family Services, and Field Operations). The goal of the legislation and vertical integration was to create a system with clear delineation of roles, effective lines of communication, and accountability throughout the system. Vertical integration has allowed for more direct communication between top level management and frontline child welfare staff. Accountability for program integrity is now focused and fosters improved employee and public confidence.
ORGANIZATION

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

<table>
<thead>
<tr>
<th>OKDHS PROGRAMS</th>
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<tbody>
<tr>
<td>AGING SERVICES</td>
</tr>
<tr>
<td>* Area Agencies on Aging</td>
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<tr>
<td>* Meal Programs for the Elderly</td>
</tr>
<tr>
<td>* Transportation Services</td>
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<tr>
<td>* Adult Day Care</td>
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<tr>
<td>* Personal Care Program</td>
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<tr>
<td>* ADvantage Program</td>
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<tr>
<td>DEVELOPMENTAL DISABILITIES</td>
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<tr>
<td>* Family Support Assistance</td>
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<tr>
<td>* Employment Programs</td>
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<tr>
<td>* Sheltered Workshops</td>
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<tr>
<td>* Institutions for the Developmentally Disabled</td>
</tr>
<tr>
<td>* Home/Community-based Waiver Program</td>
</tr>
<tr>
<td>CHILD WELFARE SERVICES</td>
</tr>
<tr>
<td>* Child Abuse/Neglect Reports, Investigations &amp; Assessments</td>
</tr>
<tr>
<td>* Emergency Shelters</td>
</tr>
<tr>
<td>* Foster Home &amp; Other Placement Resource Development &amp; Support</td>
</tr>
<tr>
<td>* Permanency Planning (Including Reunification &amp; Adoption)</td>
</tr>
<tr>
<td>* Adoption Assistance</td>
</tr>
<tr>
<td>* Staff &amp; Contractor Training &amp; Technical Assistance</td>
</tr>
<tr>
<td>ADULT &amp; FAMILY SERVICES</td>
</tr>
<tr>
<td>* State Supplemental Payment (SSP) Program for the Aged, Blind and Disabled</td>
</tr>
<tr>
<td>* SoonerCare (Medicaid)</td>
</tr>
<tr>
<td>* LIHEAP</td>
</tr>
<tr>
<td>* Child Care Subsidy Program</td>
</tr>
<tr>
<td>* Adult Protective Services</td>
</tr>
<tr>
<td>* Supplemental Nutrition Assistance Program (SNAP)</td>
</tr>
<tr>
<td>* Temporary Assistance for Needy Families (TANF)</td>
</tr>
</tbody>
</table>

Oklahoma Child Support Services

Oklahoma Child Care Services

Adult & Family Services (AFS)

Adult & Family Services is responsible for a number of programs providing low-income and disabled Oklahomans with cash payments, food benefits, child care, LIHEAP, and SoonerCare.
Department of Human Services

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 17,000 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 is adjusted each year to account for the change in the number of eligible recipients, the current amount is $41 per month.

SoonerCare (Medicaid) Eligibility: In September 2010 the Oklahoma HealthCare Authority began online eligibility determination for children, families with children, and pregnant women through a web-based system called Online Enrollment. DHS still enrolls people for SoonerCare at county offices and retains responsibility for determining SoonerCare eligibility for the aged, blind, and disabled populations, including nursing home care, waivered programs, and the Medicare Savings programs (Qualified Medicare Beneficiary, Specified Low Income Beneficiary, and Qualifying Individuals) eligibility.

The Low Income Home Energy Assistance Program (LIHEAP): The program consists of four components: 1) Heating Assistance, where DHS 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 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 DHS.

The LIHEAP income guideline increased to 130 % in FFY’17 to align with SNAP. Due to state budget challenges and staff reductions in FFY’18, AFS began contracting with the University of Oklahoma Center for Public Management to administer LIHEAP using the OKDHSLive.org website. This outsourcing helped AFS reduce state expenditures for the program. For FFY’18, 77,816 households received heating assistance with an average payment of $185; 6,270 households received energy crisis assistance with an average benefit of $256; and 68,498 households received summer cooling assistance with an average benefit of $296.

Child Care Services (CCS): The CCS 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 DHS 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. CCS 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.

In addition to monitoring programs a minimum of three times annually for compliance with licensing requirements and Stars quality criteria, licensing specialists investigate complaints and maintain a database for accountability and parent referrals. Licensing staff offer an interconnected combination of consultation and monitoring. Often, they assist child care programs with resources and technical assistance available through the CCS website and partner organizations.

In FY’98, DHS began using a tiered system for rating child care centers and homes.

- A ★ (1 star) rating means the facility meets minimum licensure standards.
- A ★+ (1 star plus) rating, added in FY’01, allows programs to meet additional quality criteria while working toward meeting all ★★ (2 star) criteria.
- A ★★ (2 star) rating is given if the facility meets additional quality criteria, or is nationally accredited. This rating was instituted in April 1998.
- A ★★★ (3 star) rating is awarded when a program meets additional criteria, and 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, the child attends full- or part-time, and whether the facility is a home or a center.

During FY’18, ninety six percent of children whose center-based care was subsidized by DHS attended two star or higher centers. During the same year, eighty percent of children whose home-based care was subsidized by DHS attended two star or higher homes.
In FY’18, Oklahoma averaged 3,248 licensed child care facilities a month including 1,507 child care centers, part-day, school-age and day camp programs; and 1,741 family child care homes and large family child care homes. These programs provided a monthly average capacity of 121,063. 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.

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. The Oklahoma Legislature also appropriated additional funding for the Child Care Subsidy Program. With this expanded funding, more low-income families are receiving child care benefits.

The child care subsidy program encourages collaboration with many agencies and programs which helps to strengthen and increase resources available to families. These other agencies and programs include Child Support Services, SoonerCare, Child Welfare Services, TANF, Head Start, Early Head Start, Children First, Pre-K, and Child Care Resource and Referral programs.

In FY’18, DHS provided child care services to 43,642 children. The family must be determined eligible before their child care services can be either fully or partially subsidized. The family may have a child care co-payment based on their income, the number of family members and the number of family members needing services.

Unlike TANF, no direct payments are made to the families that receive child care benefits. 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 county offices. Providers request a contract from the Adult and Family Services Child Care Subsidy Unit. Until a provider is granted both a license and a contract, subsidized child care cannot be paid by DHS.

In November 2014 Congress reauthorized the Child Care and Development Block Grant (CCDBG) for the first time since 1996. The new law represents an historic re-envisioning of the CCDF program by utilizing a two-generation approach providing both work supports for parents and stable early education opportunities for children. Research shows that stability in high quality early care settings is critical for brain development and contributes to school readiness.
and success throughout life. Policy changes required by the new law include 12 month eligibility periods, locked-in copayments, establishment of an exit threshold set at 85% of State Median Income, and a graduated phase out of subsidized care as family income increases. To support the changes required by the law, Congress increased discretionary funding by 83%. The Oklahoma portion was $32 million. In addition to a substantial provider rate increase which went into effect 8/1/18, DHS plans to use these additional funds to increase eligibility and reduce copayments for families who receive subsidized child care.

Supplemental Nutrition Assistance Program (SNAP) (formerly the Food Stamp Program). SNAP serves as the first line of defense against hunger. It enables low-income families to supplement monthly household food while using Electronic Benefits Transfer (EBT) cards. Food benefit recipients spend their allotment to buy eligible food in authorized retail food stores.

During FY’18, SNAP food benefits totaling $847,542,177 were issued to Oklahoma eligible households. Based on a monthly average, 825,583 individuals in 382,157 households were assisted, receiving $253 per household or $116 per person. This accounts for a monthly average of $70,628,515 food benefit dollars received by Oklahoma from the USDA-Food and Nutrition Service. SNAP food benefit issuance increased by 4.8% from FY’17 to FY’18.

Applicant households apply for program benefits through a local county office, by completing request for benefits form, submitting an application online through okdhslive.org, or by calling the DHS Customer Service Center. Eligibility is determined by local county office staff or support center staff based on federally mandated requirements including:

- income test;
- meeting work requirements for able-bodied adults without dependents between the ages of age 18 to 50;
- household size.
- meeting citizenship or qualified alien status requirements.

Congress reauthorizes SNAP every five years. It was last reauthorized in the 2008 Farm Bill (HR 612A). The program name was officially changed effective October 1, 2008 and Oklahoma chose to adopt the new federal name for its food benefit program. Every October 1st, states are required to make changes to the program through the Thrifty Food Plan overall.
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 participate in work or an approved work activity for 25 to 30 hours per week during those five years.

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 SoonerCare.

The Deficit Reduction Act (DRA) of 2005 reauthorized the TANF program through the year 2010. The program has been authorized through extensions of the current DRA of 2005 through September 30, 2019. The DRA of 2005 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, DHS 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 2018 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;
- be willing to comply with all of the work requirements mandated by state and federal law;
- all adult applicants must be screened for and found not to be using illegal substances.
The average family in the TANF program involves a parent and two children. As seen below, the maximum payment for a family of three is $292. This figure does not include payments some clients receive for work participation allowances, work start-up payments or transportation services. In 2015, DHS created a new rule to disregard a parent's earnings from new employment for three months provided the income is less than $2,064. This rule was instituted to increase the TANF recipient's ability to remain employed by being given time to stabilize their family situation and pay for initial work related costs before the TANF benefit closes. The percentage of families reapplying for TANF assistance after closure because of earnings has gradually decreased since 2015. Except for the three month earned income disregard period, the maximum a family of three can earn to still receive any cash assistance payment is $1,193 per month in gross income.

### Monthly TANF Payments vs. Federal Poverty Level FY’18

<table>
<thead>
<tr>
<th>Family Members</th>
<th>FY’18 TANF Payment</th>
<th>Fed. Poverty Level</th>
<th>TANF as % of Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$180</td>
<td>$1,012.00</td>
<td>18%</td>
</tr>
<tr>
<td>2</td>
<td>$225</td>
<td>$1,372.00</td>
<td>17%</td>
</tr>
<tr>
<td>3</td>
<td>$292</td>
<td>$1,732.00</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>$361</td>
<td>$2,092.00</td>
<td>18%</td>
</tr>
<tr>
<td>5</td>
<td>$422</td>
<td>$2,452.00</td>
<td>18%</td>
</tr>
<tr>
<td>6</td>
<td>$483</td>
<td>$2,812.00</td>
<td>18%</td>
</tr>
<tr>
<td>7</td>
<td>$544</td>
<td>$3,172.83</td>
<td>18%</td>
</tr>
<tr>
<td>8</td>
<td>$598</td>
<td>$3,532.50</td>
<td>17%</td>
</tr>
<tr>
<td>9+</td>
<td>$650</td>
<td>$3,892.16</td>
<td>17%</td>
</tr>
</tbody>
</table>

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 $60.1 million in state funds each year to access federal funds that total $145 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
- * Employer Stipends
- * Teenage Pregnancy Prevention
- * Caseworker Incentives
- * Services to Teen Parents
- * Child Care
- * Substance Abuse Treatment
- * Job Training
- * Transportation/Cars
- * Utility Assistance
- * Vocational Training
- * Tuition Assistance
- * Legal Aid Services

During the past ten years, the number of adults participating in this program has declined significantly. However, there was a slight growth in cases due to economic conditions during FY’17 but the numbers began to decrease again in FY’18.

### Families Served by TANF and SNAP (Monthly Average)

**FY’09 through FY’18**

![Graph showing families served by TANF and SNAP]
Adult Protective Services (APS)

DHS is mandated by Oklahoma Statutes Title 43A Section 10-101 through 10-111 to provide protective services for vulnerable adults. There are three units in the APS Division: the Community APS (CAPS); the Long Term Care Investigation (LTCI); and the AIDS Coordination and Information Services (ACIS).

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. CAPS includes investigations where the alleged perpetrator is not a staff member of a nursing facility. LTCI investigates allegations of maltreatment by nursing facility staff of nursing facility residents. ACIS is the DHS statewide HIV case management service designed to provide the most vulnerable individuals living with HIV/AIDS the continuum of care needed to improve quality of life, ensure medical plans are individualized, link clients with appropriate services, expedite access to services, and coordinate a range of services needed to maintain optimal function.

APS was created in 1977 when the 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 is state dollars. In FY’18, with increasing numbers of referrals of maltreatment and decreasing numbers of workers, CAPS investigated 12,688 reports of maltreatment of vulnerable Oklahoma adults. These investigations covered 19,337 separate allegations of maltreatment. Fifty-eight percent of the investigations concerned females while 42 percent concerned males. Sixty-six percent were age 60 and over. An additional 4,992 referrals screened as lower risk were assigned as information and referral with tasks, with APS Specialists offering the clients appropriate services.

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 to 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 retains the right to 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):** LTCI resides in the DHS Adult Protective Services. Its focus is investigations involving abuse, neglect and exploitation of nursing facility residents. During FY’18 LTCI completed intake of 6,247 self-reports from approximately 402 nursing facilities across the state. Reports including abuse, neglect or exploitation were forwarded to APS staff for possible investigation. In FY’18, there were 2,075 intakes of maltreatment of persons residing in nursing facilities. Of these 334 cases met criteria to be assigned for LTCI investigation, and in 466 cases, maltreatment was substantiated. An additional 167 reports were referred to other agencies including the Oklahoma State Department of Health, the Attorney General’s Medicaid Fraud Division, county APS and state ombudsman for possible investigation.

**AIDS Coordination and Information Services (ACIS).** ACIS provides comprehensive bio-psychosocial case management and information to individuals diagnosed with HIV/AIDS and their families. Professional Care Coordinators ensure client needs are met by providing clients with assessments, advocacy, interventions, access to community resources, and follow-up services. In Oklahoma, one in four newly-diagnosed individuals has advanced disease progression and receives an AIDS diagnosis within three months of first testing positive for HIV. Approximately 15 percent of ACIS clients qualify for Medicaid services, while the remaining 80 percent rely on other services coordinated through ACIS. During FY’18, the total clients served statewide were 954 with a 9% increase in new clients compared to the previous fiscal year. 26 percent of all new cases opened in FY’18 were identified as extremely vulnerable and would have required an APS referral without ACIS interventions. During FY’18, ACIS staff coordinated and connected clients with over 5,400 individual services. Additionally, staff coordinated another $22.3 million in prescription assistance of non-state dollars, secured through federal grants, private nonprofit organizations, and patient assistance programs.

**Aging Services Programs**
Aging Services (AS) administers community programs that support the independence and quality of life of older Oklahomans. The Older Americans Act services are delivered through 11 Area Agencies on Aging (AAA’s). The largest program is the Medicaid Advantage Waiver. This listing reflects major program offerings, excluding grants, for FY’18.

**Older Americans Act Programs:**
- Congregate & Home Delivered Meals
- Long-Term Care Ombudsman
- National Family Caregiver Support Program
- Legal Services
- Senior Community Services Employment Program
Department of Human Services

**Congregate and Home-Delivered Meals:** The OAA program funds meals for seniors in need. Meals are provided in a congregate setting, usually in a senior center, as well as delivered to the senior’s home. AAA’s administratively oversees this process and also provide nutrition education across the state. For FY’18, 1,234,269 home delivered meals were provided and 1,214,672 congregate meals served. Approximately 85% of this program is funded by federal OAA funds. Given the demand for OAA services, particularly meals, the state has long overmatched this program significantly. There are currently 188 congregate meal sites across the state.

Other smaller services offered through OAA in FY’18:

- 36,074 hours to 1183 individuals for Homemaker services (*provides assistance preparing meals, shopping for personal items, managing money, using the telephone, or doing light housework*)
- 2,029 hours to 311 individuals for Chore services (*provides assistance with heavy housework, yard work, or sidewalk maintenance*)
- 20,798 hours to 1,270 individuals for Health Promotion (*provides health promotion or disease prevention programs and activities demonstrated to be evidence-based to participants in a group or individual setting*)
- 7,139 hours to 6,041 individuals for Outreach services (*Provides a one-on-one contact between a service provider and an older client or caregiver*)
- 252,997 trips to 3,757 individuals for Transportation services (*provides one, one-way trip transportation*)
- 875 hours to 782 individuals for Nutrition Counseling services (*provides individualized guidance to a person who is at nutritional risk because of health or nutrition history, dietary intake, medication use, chronic illnesses, or to caregivers.*)

**Long-Term Care Ombudsman Program:** The Long-Term Care Ombudsman Program is administered by Aging Services of the Oklahoma Department of Human Services under the authority of the Older Americans Act and the Oklahoma Long-Term Care Ombudsman Act.

The Ombudsman Program serves residents in Oklahoma Long-Term Care Facilities including nursing homes, assisted living, and residential care homes. An ombudsman helps improve the quality of life and the quality of care available to the residents. A long-term care Ombudsman is a person who receives and investigates complaints from residents of facilities, their friends or relatives, and attempts to resolve those complaints. Complaints investigated fall into 128 categories and include but are not limited to: violations of resident rights, abuse, neglect or exploitation, medical care, dietary needs, and numerous other areas. The Ombudsman has the authority to explore problems and recommend corrective action. Ombudsmen also provide individual, systems and legislative advocacy regarding long-term care.
In FY’18 the Ombudsman program investigated 4198 complaints on the behalf of residents. Over 99.7% of those complaints were addressed without the need to refer them on to enforcement agencies, and the great majority of complaints were resolved to the satisfaction of the resident and/or complainant.

**National Family Caregiver Support Program:** OAA Caregiver services include information to caregivers about available services, assistance to caregivers in gaining access to services, individual counseling, organization of support groups, and caregiver training to assist the caregivers in the areas of health, nutrition and financial literacy and in making decisions and solving problems relating to their caregiver roles. In addition, the respite voucher program provides respite care to family members caring for older Oklahomans, and also to grandparents who are raising grandchildren (and other relatives serving as parents). Vouchers can be used by the caregiver to hire a person of their choice to provide a temporary break from the stress of caregiving. In FY’18, the respite voucher program provided 99,470 hours of respite to 1,097 unduplicated caregivers and 21,231 hours of respite to 196 unduplicated grandparents raising grandchildren. There are also supplemental services on a limited basis to complement the care provided by caregivers such as the summer camp for grandchildren and the backpack program for school age children.

**Legal Services:** Working with the Legal Aid Society of Oklahoma and the AAAs, the Legal Services Developer of AS serves to help protect the legal rights of older Oklahomans and ensure legal services are available to Oklahomans over the age of 60 by informing service providers, partners and the general public on issues affecting older Oklahomans and making referrals for legal services. The Legal Services Developer provides leadership in advocacy that strengthens protections for older Oklahomans by empowering constituency groups to provide effective legislative advocacy through education, training, and consultation.

**Senior Community Services Employment Program:** Aging Services inherited this program, funded through the U.S. Department of Labor and authorized by Title V of the Older Americans Act, in 2015. Services are provided in 34 of the 77 counties in Oklahoma. The services are provided through three identified sub-grantees. The program provides work-based or training in part-time community service assignments with assistance in skill development. The program serves adults age 55 and older who have an income below 125% of the federal poverty level, are unemployed, and have poor employment prospects. In FY’18, the program provided 112,299 work-based training hours and helped 170 Oklahomans age 55 and older preparing for or finding employment.

**Transportation Services:** Transportation services to medical appointments, shopping and other social services are provided across the state through AAAs via local providers (Older Americans Act services) and much more predominantly through the Federal Transit Administration’s (FTA) Section 5310 program which provides funding for capital assistance (vehicles) to approximately 132 non-profit organizations, governmental entities for
transportation to individuals who are elderly and individuals with disability. These programs assist participants in remaining independent in their communities. In 2018, the FTA Section 5310 program alone provided 1,436,340 trips for 615,792 riders, and approximately 553 vehicles traveled 8,746,152 miles to do so.

**Adult Day Services:** In FY’18, 27 sites across the state provided subsidized day services for approximately 640 elderly persons. The program supported 93,840 service days and 563,040 service hours for the year. Half of the state’s funding, intended for attendees over 60 years of age, is used to provide Adult Day Services for individuals on the waiting list for the DDS waiver. Participants who qualify for the *ADvantage* or DDS waiver also may receive Adult Day Services through those waiver programs. 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 in the 27 centers that contract with DHS for funding. DHS eligible participants also pay a co-payment to the center based upon their income. The majority of centers are located in the eastern half of the state and efforts continue to try and boost options in western Oklahoma. As a reminder, this program is a valuable community-based service program that is far less expensive than nursing home care which allows the senior a safe place to stay during the day while adult children or other caregivers work. Adult Day Services allow the participant to remain part of the community and avoid premature institutionalization.

**ADvantage Waiver:** The *ADvantage* Waiver is a SoonerCare funded alternative to nursing home care. It provides services to elders and some younger adults with physical disabilities who qualify to have SoonerCare pay their nursing home care but elect to stay at home instead. 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* Waiver could choose to have their long-term care services provided in a nursing facility. The cost to the state in SoonerCare dollars spent for each member’s *ADvantage* services must be equal to or less than the state would have paid to provide nursing facility services. Generally, if a person needs 24 hour skilled care, the *ADvantage* Waiver is not the appropriate service delivery system to meet their needs.

DHS staff performs the financial and level of care eligibility determinations. In Aging Services, a nurse performs the level of care determination and provides potential members with a list of eligible case management providers in their geographic region from which the member chooses their case management agency. All members receive case management. Additional services, with nearly 20 available, are provided based on need and outlined in the plan of care.
Examples of other services available include:

- Personal Care (Assistance with activities of daily living or Home maker/chore activities)
- Adult Day Services
- Home Delivered Meals
- Specialized Equipment and Supplies
- Hospice
- Consumer-Directed Personal Assistance Services

The ADvantage Waiver began as a pilot in 1994 and has grown steadily since that time. In FY’18, according to preliminary CMS 372 reports from the Oklahoma Health Care Authority, 20,932 consumers elected to be served in the ADvantage Program. In FY’18, again according to preliminary CMS 372 reports from the Oklahoma Health Care Authority, ADvantage costs were $190,523,754.

State Plan Personal Care: Personal Care is an optional SoonerCare service that is available to any person regardless of age who requires the service and is financially eligible. DHS determines both financial eligibility and service need. 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...
DHS. 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.

**Developmental Disabilities Programs**

The mission of the Developmental Disabilities Services (DDS) 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 an institution serving individuals with co-occurring intellectual disabilities and mental illness through a contract with an external company.

**General Funding Breakdown:** There are two types of funding for DDS services. First, Home and Community Based Waiver programs represent the majority of the services administered through DDS. Waiver services allow Oklahoma to capture FMAP. The FMAP allows Oklahoma to pay 41 cents on the dollar for every dollar of service authorized through a Waiver program. Waiver programs are SoonerCare programs, and thus require all recipients to be SoonerCare eligible. Because there are Oklahomans with developmental disabilities that are not SoonerCare eligible for various reasons, there are limited state funded services available that are wholly funded with state dollars made available through legislative appropriations.

**Medicaid Waiver Services:** Again, the Medicaid Waiver program is the primary funding source for DDS services. DDS 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 DDS staff, and (3) Public Intermediate Care Facilities for persons with Intellectual Disabilities (ICF/ID).

**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 DDS Waiver services, a person must:
✓ be a resident of the State of Oklahoma;
✓ be determined financially eligible for Medicaid by DHS;
✓ be determined to have a diagnosis of an intellectual disability or related condition;
✓ be determined to meet the Intermediate Care Facilities for persons with Intellectual Disabilities (ICF/ID) 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/ID; 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. As of June 30, 2018 there were 7,672 Oklahomans waiting 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 plan of care based on identified needs. As of June 30, 2018 there were 2,860 Oklahomans being served through Community Waiver.

The In-Home Supports Waiver (IHSW) was created in 1999 in response to a comprehensive survey that found 85% of Oklahomans on the Waiver Request List wanted support to continue living in their own homes. Individuals on the IHSW are assigned DDS Case Managers to assist them in locating, securing, and coordinating needed services.
In FY’18, eligible children 3 through 17 years of age could receive up to $13,850 of services per year through the IHSW for Children. Eligible adults 18 years of age or older could receive up to $20,765 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). As of June 30, 2018 there were 134 Oklahoma children receiving services through the IHSW for Children. As of the same time, there were 1,428 Oklahoma adults receiving services through the IHSW for Adults.

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, also known as a public ICF/ID, operated by DHS. 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. As of June 30, 2018, there were 573 class members served through the Homeward Bound Waiver.

Targeted Case Management Services: Each person receiving waiver services through DDS 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 DDS Case Manager serves as the individual’s Qualified Intellectual Disability Professional (QIDP).

Public Intermediate Care Facility: The Robert M. Greer Center is located on the campus of the former publicly operated Northern Oklahoma Resource Center in Enid which closed November 17, 2014. The Greer Center is the only facility in the state that exclusively serves individuals who are diagnosed as having both intellectual disability and mental illness (census June 30, 2018 – 52). The management and operation of the Greer Center is provided through a contract with Liberty of Oklahoma Corporation. The Southern Oklahoma Resource Center in Pauls Valley closed on July 10, 2015.
Non-Medicaid Services: DDS offers additional services that are not funded by Medicaid but are designed to support individuals in their communities. These services are often referred to as state-funded services as they are funded exclusively with state dollars, and are dependent wholly on legislative appropriations. Because the funding is exclusively with state dollars, the programs are limited in scope and availability.

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 through the Temporary Assistance for Needy Families (TANF) block grant.

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 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 DDS for supervising and supporting residents of the home.

Office of Client Advocacy
The mission of the Office of Client Advocacy (OCA) is to ensure the safety, well-being, fair treatment, and promotion of individual rights of persons with intellectual disabilities served by DHS as well as children living in residential facilities. OCA provides advocacy services, administrative reviews and investigations of abuse, neglect or exploitation, and helps to resolve grievances.
OCA has three Investigative Units: Children’s Investigations, Vulnerable Adult Investigations, and Specialized Investigations. These units conduct independent and objective investigations to: protect DHS clients from further maltreatment; deter and prevent maltreatment; provide relevant evidence in administrative and judicial proceedings; rule out unfounded allegations; and, hold violators accountable. Based on investigative findings, OCA makes recommendations to DHS leadership for systemic changes to enhance services to children and vulnerable adults.

OCA is responsible for conducting investigations of alleged DHS retaliation, harassment, or discrimination against foster parents or DHS custody children as well as conduct administrative investigations involving the death or near-death of a child known to DHS, or upon request by the DHS Director.

OCA also processes and manages all grievances for foster parents who have complaints against employees of DHS or a child placing agency through the Foster Care Ombudsman program. Effective November 1, 2018, the Ombudsman program will also manage all grievances of children in custody through a new system established on their behalf with a Bill of Rights created in statute. Additionally, OCA manages and monitors the grievance process for all vulnerable adults and children in DHS contracted facilities.

**Investigations involving children in residential care:** OCA is charged with the statutory responsibility to conduct investigations for children residing outside their own homes other than in foster care. Rather than just report investigative findings, OCA has worked to reduce incidences of maltreatment of children in residential settings and improve outcomes. This work has involved collaborating with Child Welfare Services Specialized Placement and Partnership Unit, DHS Child Care Services, Oklahoma Office of Juvenile Affairs, the Oklahoma Psychiatric Hospital Association, and the Oklahoma Health Care Authority, et.al.

![Children's Investigations in Residential Facilities](chart.png)

1,249 reports of abuse or neglect of children in residential facilities were received in FY’18 received with 375 investigations conducted. 50 of those cases had a confirmed victim.
Investigations involving adults with intellectual and developmental disabilities: OCA is charged with the statutory responsibility of investigating allegations of abuse or neglect of vulnerable adults with developmental disabilities who receive services from the DHS Developmental Disabilities Services (DDS). In FY’18, OCA received 1,413 reports (referrals) related to allegations of abuse or neglect of vulnerable adults. Of those referrals, 488 were investigated. Referrals and investigations may include multiple victims as well as more than one allegation type (ex. abuse, neglect, exploitation, financial exploitation, sexual abuse, indecent exposure, sexual exploitation, or verbal abuse)
Special Investigations: In FY’18 a total of 14 cases were referred to the Specialized Investigations Unit. Of these, seven were regarding foster parent retaliation, harassment or discrimination. When an investigation results in a confirmed finding against an agency employee, the agency is mandated by statute to promptly initiate a plan of corrective discipline which could include dismissal of the employee.
Seven administrative investigations were assigned in FY’18. Most often administrative investigations arise from cases involving a death or near death of a child known to DHS and are assigned at the request of the DHS Director. The intent of the investigation is to obtain an independent objective review in order to identify any concerns or recommend systemic changes necessary to improve system functionality and prevent future occurrences.

Advocacy Services: OCA’s Advocacy Unit seeks to protect and advocate for the rights of individuals with developmental disabilities to ensure that their needs are met and that they have access to the same opportunities as those expected by the general population. OCA Advocates act as a member of the client’s interdisciplinary support team and assist with resolving issues related to client services and improving quality of life and care. OCA Advocates assist clients in expressing the client’s choices and preferences, report any concerns of abuse or neglect, monitor services, seek problem resolution, file grievances on behalf of clients, and serve as authorized representatives in fair hearings.

In FY’18, Advocacy Services were provided to 1,189 clients, including: Hissom Class Members; residents of the Robert M. Greer Center; former residents of NORCE and SORC who transitioned into community services; and other individual DDS service recipients upon request.

Advocates identified 2,163 issues with service delivery, successfully resolving 99 percent of issues through informal problem resolution. Over 95% of issues were resolved within 30 days or had extenuating circumstances to justify a longer timeframe. OCA advocates completed 99 percent of required monitoring visits and service reviews within required timeframes.

Special Advocacy assists individuals receiving services from DDS with resolving issues related to services that they have or may be in need of obtaining. Case managers, guardians, family, and providers can request advocacy assistance on behalf of the service recipient. OCA provided special advocacy services to 335 individuals in FY’18.

Grievances: The Grievance Program provides a process for children in DHS custody and DDS service recipients to voice complaints and seek timely resolution of their concerns. In FY’17 had 760 grievances filed by children in facilities which was drastically reduced compared to 2, 105 in the previous year.

OK Foster Parent Voices is a grievance and complaint process available for foster parents established through legislation in 2014. The program is in partnership with the Oklahoma Commission on Children and Youth, housed in OCA, and overseen by the Foster Care Ombudsman. In FY’17 there were 257 complaints filed through this system and in FY’18 there were 238. The majority of these complaints are resolved at the lowest possible level allowing for quick problem resolutions for the foster parents.
Child Welfare Services

DHS is the designated state agency mandated to protect children alleged to be abused or neglected. Child Welfare Services (CWS): (1) are directed toward child safety, permanency, and well-being; (2) focus on the family as an integral part of the child's well-being; and (3) are provided to assist the parent develop protective capacities and ability to care for their child.

CWS works to keep families together when possible. When a child must be removed from the home to ensure safety, CWS searches for relatives or resource parents that can support the child and family while efforts are made toward reunification. When the child and family cannot be safely reunified, CWS makes efforts to place the child with a family that can provide a safe, healthy life for the child while maintaining connections to the child's kin, culture, and community.

DHS administers the federally-funded Safe and Stable Families program that funds family preservation, family support, time-limited family reunification, and adoption support services.

On January 4, 2012, DHS reached an agreement with the plaintiffs in class action litigation DG vs. Yarbrough, Case No. 08-CV-074. As part of this agreement, DHS developed an improvement plan, with the assistance of key internal and external stakeholders and the review and approval of the Co-Neutrals, who are child welfare experts who act as arbiters of any dispute between CWS and the plaintiffs.

The improvement plan, known as the Oklahoma Pinnacle Plan, endorsed by the Co-Neutrals on July 25, 2012 details a five-year plan that began Fiscal Year 2013 and addresses 15 performance areas identified in the settlement agreement.

DHS is exploring new and innovative ways to recruit, retain, and support resource families to provide children with life experiences needed for healthy development in all aspects of life. To that end, DHS contracts with private foster care agencies to supplement the recruitment of resource families. The agency's goal is to place each child with a family that: (1) understands the impact of the trauma the child experiences when entering out-of-home care; (2) that can help the child heal from trauma; and (3) that will keep the child in the resource home during difficult times to ensure placement stability for the child.

Child protective services received 80,598 reports of potential child abuse or neglect in FY’18. After screening, 37,865 reports met the criteria for a child abuse or neglect assessment or investigation. A differential approach in the response to reports of child abuse and neglect is required for DHS to receive certain federal funding; therefore, accepted reports of child abuse or neglect are prioritized and responded to in different manner as either an assessment or an investigation.
Assessment means a comprehensive review of child safety and evaluation of family functioning and protective capacities conducted in response to a child abuse or neglect referral that does not allege a serious and immediate safety threat to a child. Investigation means a comprehensive review of child safety and evaluation of family functioning and protective capacities conducted in response to an allegation of abuse or neglect that involves a serious and immediate threat to the child's safety.

In FY’18, DHS conducted an assessment or investigation for 67,125 children and determined 15,951 or 23.8% of the children were victims of abuse, neglect, or both.

### Child Protective Services

<table>
<thead>
<tr>
<th>Number of Children in Completed Investigations and Children with Substantiated Abuse and Neglect*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’09 – FY’18</td>
</tr>
<tr>
<td>FY’09</td>
</tr>
<tr>
<td>30,701</td>
</tr>
</tbody>
</table>

*Does not include assessments

When a child cannot be safely maintained in the child's own home, out-of-home care is required. A child may be placed in: (1) a foster care home with relatives; (2) a foster care home with non-relative kinship; (3) a foster care home; (4) therapeutic foster care; (5) a contracted foster care home; or (6) in group home care.

At the beginning of FY’18, 9,044 children in DHS care were in out-of-home placement. At the beginning of FY’19, 8,440 children were in out-of-home care. Resource foster and adoptive parents are invaluable to the child welfare system. The foster care payment reimburses resource parents for the cost of food, clothing, shelter, school supplies, personal incidentals, and reasonable travel for a child in DHS custody.
As part of the Oklahoma Pinnacle Plan, DHS recommended that resource parents be reimbursed at the established Minimum Adequate Rates for Children as set out in a study published by the University of Maryland, National Resource Parent Association, and Children's Rights. The full rate increase in the Pinnacle Plan is a five-year plan to fully implement, with the last increase implemented as of July 1, 2018.

### Pinnacle Plan Daily Reimbursement Rates for Resource Parents

<table>
<thead>
<tr>
<th>Age</th>
<th>6/30/12</th>
<th>8/1/12</th>
<th>5/1/14</th>
<th>7/1/14</th>
<th>8/1/15</th>
<th>8/1/17</th>
<th>7/1/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>$12.17</td>
<td>$13.45</td>
<td>$14.31</td>
<td>$15.17</td>
<td>$16.88</td>
<td>16.04</td>
<td>$17.72</td>
</tr>
<tr>
<td>6-12</td>
<td>$14.33</td>
<td>$15.72</td>
<td>$16.65</td>
<td>$17.58</td>
<td>$19.45</td>
<td>18.48</td>
<td>$20.42</td>
</tr>
<tr>
<td>13+</td>
<td>$16.61</td>
<td>$17.96</td>
<td>$18.86</td>
<td>$19.76</td>
<td>$21.54</td>
<td>20.46</td>
<td>$22.62</td>
</tr>
</tbody>
</table>

The majority of foster children are reunified with their families. In FY’18, 5,231 children exited DHS care. Six percent entered a legal guardianship; 3% were placed in the legal custody of a family member; 4% reached 18 years of age while in care; 41% were adopted; and 44% were reunified with their family.

DHS seeks permanent homes for children unable to return home. A child needs lifelong connections from caring and loving families to thrive. When a child is removed from the home for abuse or neglect and cannot safely return home, DHS seeks a safe, permanent family for the child. Between FY’13 and FY’18, more than 11,500 children in DHS care were adopted. In FY’18, DHS finalized 2,144 adoptions.

In a few cases, adoptions are dissolved. In FY’18, there were 32 adoption dissolutions. On average these adoptions lasted 69 months.
The number of children qualifying for adoption assistance continues to rise. The adoption assistance program aids in securing safe, permanent adoptive homes for children with special needs. Adoption assistance provides adoptive families of any income level with needed social services and medical and financial support to care for the child considered difficult to place. Federal and state laws provide for adoption assistance benefits that include: (1) SoonerCare coverage; (2) a monthly adoption assistance payment; (3) special services; and (4) reimbursement of non-recurring adoption expenses.

14,123 children qualified for adoption assistance at the end of FY’14, which increased to 18,330 children at the end of FY’18.

One of the many objectives in the Oklahoma Pinnacle Plan focused on the recruitment and retention of child welfare personnel. The Pinnacle Plan proposed that the salaries for DHS child welfare personnel be increased incrementally over five years beginning in FY’13. The salary adjustments are based on the compensation market for the Child Welfare Specialist and does consider what other states pay child welfare workers. The legislature supported this Pinnacle Point and appropriated funding for the salary adjustments and the establishment of the new minimum hiring rates for the Child Welfare Specialist, levels I through IV.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>FY’12</th>
<th>New Hiring Rate for FY’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Welfare Specialist I</td>
<td>$2,381.07</td>
<td>$3,055.78</td>
</tr>
<tr>
<td>Child Welfare Specialist II</td>
<td>$2,624.33</td>
<td>$3,385.41</td>
</tr>
<tr>
<td>Child Welfare Specialist III</td>
<td>$2,894.18</td>
<td>$4,040.11</td>
</tr>
<tr>
<td>Child Welfare Specialist IV</td>
<td>$3,466.10</td>
<td>$4,603.80</td>
</tr>
</tbody>
</table>
### Minimum Hiring Rates effective July 1, 2018, Cont’d.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>FY’12</th>
<th>FY’13</th>
<th>FY’14</th>
<th>FY’15</th>
<th>FY’16</th>
<th>FY’17</th>
<th>FY’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWS II</td>
<td>$2,624.33</td>
<td>$2,821.15</td>
<td>$2,990.42</td>
<td>$3,124.99</td>
<td>$3,218.74</td>
<td>$3,307.26</td>
<td>$3,385.41</td>
</tr>
<tr>
<td>CWS III</td>
<td>$2,894.18</td>
<td>$3,111.24</td>
<td>$3,336.81</td>
<td>$3,570.39</td>
<td>$3,802.46</td>
<td>$4,040.11</td>
<td>$4,040.11</td>
</tr>
<tr>
<td>CWS IV</td>
<td>$3,466.10</td>
<td>$3,726.06</td>
<td>$3,986.88</td>
<td>$4,226.09</td>
<td>$4,437.40</td>
<td>$4,603.80</td>
<td>$4,603.80</td>
</tr>
</tbody>
</table>

### Child Support Services

Child support programs help families become stronger and more self-sufficient while decreasing reliance on public assistance. In addition to recovering funds spent on welfare, the collection and distribution of reliable child support builds self-esteem, helps children stay in school, and enables children to build stronger relationships when they move into adulthood themselves.

Child support is paid by parents for the care and support of children not in the parent’s custody. Noncustodial parents are legally obligated to provide child support. Custodial persons receive child support. In FY’18, Child Support Services (CSS) collected $358 million for the 192,584 families in its caseload.

To promote healthy families, CSS establishes, monitors, and enforces reliable support while encouraging self-sufficiency and strengthening relationships. In support of this mission, CSS provides the following services:

- Locating parents
- Establishing legal fatherhood (paternity)
- Establishing and enforcing fair support orders
- Increasing health care coverage for children

Child Support Services provides these services to families statewide through a variety of different delivery models. CSS contracts with District Attorneys to operate nine full-service Child Support Offices. CSS directly operates 24 full-service offices, and one full-service office is operated by a non-profit organization.

As of June 30, 2018, CSS had more than 192,000 open cases. Of these, approximately 9% are current TANF or Foster Care assistance cases, 27% are former TANF or Foster Care assistance cases and 64% have never been on TANF or Foster Care assistance, 45% of those are SoonerCare cases.
Total distributed collections (including interstate and out of country collections) decreased by 1%, from $372 million in FY’15 to $368 million in FY’16. In-state collections also decreased by 1% from $347 million in FY’15 to $344 million in FY’16.
CSS has a variety of tools to collect child support payments. Among them:

- **Income Assignment** – In partnership with employers, CSS withholds child support from paychecks as the primary method of child support collection. During the year ending June 30, 2018, over $236 million was collected.

- **Federal Income Tax Offset** – This automated process with IRS allows for taking of tax refunds. During the year ending June 30, 2018, $32.7 million was collected, a decrease of 5% since the previous year.

- **Federal Administrative Offset** – This automated process with the Office of Child Support Enforcement (OCSE) and the U.S. Treasury allows for taking of various federal monies. During the year ending June 30, 2018, almost $234 thousand was collected using this remedy.

- **Oklahoma Tax Refund Offset** – This automated process for taking of state tax refunds is in partnership with the Oklahoma Tax Commission. During the year ending June 30, 2018, $2.6 million was collected using this remedy.

- **Income Assignment to the Social Security Administration** – In partnership with Child Support agencies around the country, the SSA withholds child support from Social Security Title II benefits for child support obligations. During the year ending June 30, 2018, over $12.5 million was collected. SSI and concurrent SSI and SSA benefits may not be offset to pay child support.

- **Unemployment Benefit Offset** – This automated collection process conducted in cooperation with Oklahoma Employment Security Commission, applies to unemployment benefits. The offset allows for continuation of regular payment of child support when the payer is unemployed. During the year ending June 30, 2018, more than $3.1 million was collected. The semi-automated program for CSS collecting from unemployment agencies in other states received almost $108,000 for families that could not have been reached before.

- **Workers’ Compensation and Personal Injury Award Intercept** – This automated process intercepts workers’ compensation and personal injury settlements and awards. During the year ending June 30, 2018, more than $3.65 million was collected.

- **Financial Institution Data Match (FIDM)** – Persons who owe past due child support of at least 90 days in arrears may have their financial account seized and levied for payment of child support. CSS partners with all Financial Institutions within Oklahoma, and receives matching information from many banks across the country. During the year ending June 30, 2018, the FIDM levy program collected $3.1 million.
• Lottery Offset – This automated special collection process intercepts lottery winnings of parents who owe child support. During the year ending June 30, 2018, $19,207 was collected.

• Passport Denial Collections – Persons who owe past due child support in excess of $2,500 are not permitted to obtain or renew a passport. During the year ending June 30, 2018, the passport denial program collected $340,000.

• Oklahoma Crime Victims Compensation Program – Persons entitled to financial compensation from the Oklahoma Crime Victims Fund are matched with child support obligors. The only funds CSS offsets from the crime victims are lost wages. This is a small program that collected just over $22,400 during FY’18.

• Unclaimed Property Fund with the Oklahoma State Treasurer’s Office. CSS submits claims on behalf of child support obligors. During the year ending June 30, 2018, almost $44,000 was collected.

The CSS federal cost effectiveness ratio is $7.03 for FY’18. This means CSS collected over seven dollars for every dollar spent on collection. This value is extended even more with the federal match rate CSS receives: for every state dollar spent in the child support program (except federal incentives dollars), the federal government matches that dollar with two more.

**Tribal Child Support Agencies within Oklahoma**

The Chickasaw Nation in Oklahoma was the first Tribe nationally to receive direct funding for a Tribal Child Support Enforcement Program. The readiness of the Chickasaw Nation to become a federally funded Tribal Child Support Program was helped by its relationship with Oklahoma Child Support Services. CSS originally developed a contract with the Chickasaw Nation in 1998 allowing the Tribe to accept applications for child support services for Native Americans. Now there are ten (10) tribes operating comprehensive child support programs in Oklahoma: the Chickasaw Nation, the Osage Nation, the Cherokee Nation, the Muscogee (Creek) Nation, the Modoc Tribe of Oklahoma, the Ponca Tribe of Oklahoma, the Kaw Nation, the Kickapoo Nation, the Comanche Nation, and the Delaware Tribe of Oklahoma. CSS is supportive of all the tribal programs. CSS partners with these tribal child support programs to coordinate services, refer cases, and provide access to the CSS automated case management computer system. For those tribes who wish to use it, CSS grants access to Oklahoma tribal IV-D partners to use the state’s automated child support case management computer system as their own case management system. Four (Chickasaw, Kaw, Kickapoo and Osage) tribes are choosing to use full functionality of the Oklahoma system, five (Cherokee, Modoc, Muscogee Creek, Delaware, and Ponca) are using the system as read-only and one (Comanche) is not using the DHS system yet. All of the Oklahoma Tribes report positive interaction and assistance with CSS.
The organization of state programs addressing juvenile delinquents changed significantly in the mid 1990’s. 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.

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, the juvenile may be transferred to the adult correctional system by the court of jurisdiction. Similarly, the juvenile may also be moved to the adult system at any time if the terms of the rehabilitation agreement with the court were violated.
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 the 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 twenty-one, 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 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; or (4) the YO is discharged from state custody.

SB 1403 (2008) the Youthful Offender Act was further amended by permitting the transfer of 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 than 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 while 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.

In 2009, SB 270 clarified that a sentence imposed upon a youthful offender would be served in the custody of or under the supervision of OJA until the expiration of the sentence, the youthful offender is discharged, or the youthful offender reaches the age of 18, whichever occurs first.
Juvenile Justice

The parole of a youthful offender as a triggering event for the termination of the sentence was eliminated. This bill also clarified that at the age of 18, the court may order that the youthful offender be placed in the custody of the Department of Corrections rather than incarcerated in the custody of DOC.

In 2009, HB 2029 renumbered all sections of the Juvenile Code, including the Youthful Offender Act.

In 2010, SB 1771 clarified that youthful offenders shall not remain in the custody of or under the supervision of OJA beyond the maximum age of 18 years and 5 months.

In 2011, SB 247 authorized OJA to place juveniles in a collocated secure facility which meet applicable criteria of the federal Juvenile Justice Delinquency Prevention Act.

In 2012, SB 1582 authorized campus police for secure juvenile facilities, as provided by the Campus Security Act. HB 2300 directed OJA to certify DHS shelters with OJA establishing a system of certification. Additionally, HB 2300 established the OK Mentoring Children of Incarcerated Parents Program for children who are in the custody of OJA and currently placed outside the home, or who have been identified by OJA as at-risk of becoming involved in the juvenile justice system. HB 2641 provided an evidence-based counseling curriculum for students in school districts. HB 3091 authorized courts to order an expungement of an entire file and record of a Youthful Offender case.

In 2013, a large bill, SB 679, resulting from the Juvenile Justice Reform Committee established by the Legislature, consisted of changes to many areas including, but not limited to, due process when a dispositional order undergoes revocation or modification, strengthened court orders directing parents of children who have orders for treatment, additional authority to detain a child, sealing of child records, uniform intake process, court proceedings, OJA custody youth, detention, diversion services, sexting, intoxication, interrogations, adjudication hearings, assessments, and interlocal agreements.

In 2014, SB 929 provided OJA standing in YO cases and allows for OJA custody extended youth to be allowed to remain in detention and receive services. SB 1902 authorized the Board of Juvenile Affairs to serve as a governing body for an OJA charter school and the Executive Director to provide administration and operation of such a school.

In 2015, the Oklahoma Youth Academy Charter School (OYACS) was established. A charter school, using an innovative approach, operated by OJA and chartered through Oklahoma State Department of Education (OSDE). OYACS exists to serve the unique academic, physical, social and emotional needs of students who are in critical periods of their lives.
OYACS provides an individualized education, which encompasses academic, social, emotional, and employment skills for highly challenged youth in OJA’s secure institutions in Manitou and Tecumseh.

In 2017, HB 2387, authorized the consolidation of all three current secure facilities into one centrally located, redesigned center. Initial planning for the facility represented a unique collaboration among the Office of Juvenile Affairs (OJA), Commissioners of the Land Office (CLO), and Office of Management and Enterprise Services (OMES). This next generation campus will address safety and security with increased cost-efficiency, and, more importantly, will enhance the educational and rehabilitative options for young people in OJA custody.

In 2018, SB 224, amended the Youthful Offender Act to extend the treatment time for a juvenile adjudicated as a youthful offender under the recommendation of OJA to 19 years. The extension furthers the legislative intent of the Youthful Offender Act to allow amenable youths to be rehabilitated through OJA programming instead of entering the adult Department of Corrections system. This bill also increased confidentiality protections of sensitive personal information for youths who are adjudicated and successful in the Youthful Offender system. The bill also requires legal representation for all juvenile delinquents and youthful offenders at all court hearings and reviews.

**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 Block Grant (JABG) – ended in 2017; and Formula Grants from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) of the U.S. Department of Justice.
Appropriations to the agency were decreased during FY’10 due to the state revenue failure caused by the recession. Monthly cuts of 5% began in August of ’09 and were increased to 10% beginning in December of ’09 for the remainder of the fiscal year. The net effect was a 7.5% reduction in state appropriations for FY’10. Appropriations were reduced an additional 4.8% for FY’11. In addition, the agency was required to carryover $912,464 in stimulus savings from FY’10 to FY’11. Appropriations were reduced for FY’12 to $96.2 million appropriated and $112.9 million budgeted; and for FY’13 to $96.2 million appropriated and $107.8 million budgeted. In FY’14, the appropriation was $98.2 million but the $2 million increase was legislatively directed to Community Based Programs, an increase of Level E rates, and to a group home in Lawton, Oklahoma. This produced a net appropriated amount of $96.2 million for FY’14. In FY’15, the appropriated amount was $96.5 million and the budgeted amount was $114.9 million. Additional reductions in appropriations were made in FY’16 and FY’17 due to continuing negative economic conditions, however when those conditions changes funding was increased for both FY’18 and FY’19.

**Juvenile Crime and Recidivism**

The total number of juveniles adjudicated as delinquent decreased between FY’10 and FY’18 (-28.7%).
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/Secure Facilities programs, 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 their mission is to prevent youth from entering the juvenile justice system.
The State of Oklahoma funds 40 Youth Services agencies serving all 77 counties across the state and is 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 their guardians cannot immediately be located.

During FY’10, Youth Services agencies received nearly $23.3 million in state funding. In FY’15, Youth Services received $21,305,255 from the $96,499,033 appropriated to OJA. During FY’16 and through FY’17, budgets for Youth Services was reduced by 5.75%. FY18’s budget was funded for approximately $20 million.

**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 Block Grant (JABG) 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 existence of these community-based services. For FY’10, nineteen communities had graduated sanctions programs in operations. During FY’11 and FY’12, the number of communities providing the graduated sanctions program declined. For FY’15, twelve communities have graduated sanctions programs in operation. For FY’17, eleven communities have graduated sanctions programs in operation. During FY’18, 10 communities participated in graduated sanctions programming.

Youth arrested for minor offenses (such as vandalism or petty larceny) are referred to the sanctions program. The youth and their parent are given the option to participate in the sanctions 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 12 hours of instruction on anger management, responsible decision-making, effective communication skills and appropriate behavior. State law allows district attorneys to defer further prosecution of juveniles who successfully complete the program. During the past 2 years, the program has been offered to other community stakeholders for better access for youth demonstration risk factors. Those stakeholders include: local schools, law enforcement, DHS and municipal courts.

**Detention**

State funds are provided for 303 secure detention beds located in 16 counties. These centers provide secure detention to juveniles arrested for serious crimes as well as juveniles placed in state’s custody and awaiting placement in an OJA-operated or contracted facility. State reimbursement for these centers varies according to facility capacity and during FY’10 the OJA budget for detention centers was reduced by 7.5% and sustained a further reduction during FY’11 of 4.4%. In FY’13, funding for the 11.9% in previous cuts was restored to the detention centers. In FY’15, due to budget constraints, OJA reduced detention center funding by 3.5%. In FY’16, detention rates were reduced 5%, and were reduced another 2% for FY’17. During FY’18, the secure detention centers have continued to operate under a reduced budget.
Community Residential Services
Residential services are provided to adjudicated youth in the custody of the Office of Juvenile Affairs for serious property crimes and violent offenses. Services range from foster homes to medium-security institutions. During FY’10, the OJA contract for the 30-bed program operated by the Oklahoma Military Department was cancelled due to the state’s budget shortfall. The program had served 90 chronic property offenders a year. 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.

- **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 $22.63 per day with an annual cost of $8,260 per bed (additional funding per bed is available to the service provider from OHCA for eligible placements).

- **Specialized Community Homes:** These are homes of individuals in the community who provide room and board for up to four youths. The contractors ensure professional social service providers are available who offer intensive, individually focused therapeutic intervention programs. In FY’11, OJA had a reduction from six to two homes, as the annual salary reduced from $38,000 to $31,500. In addition to salary, providers receive $22.63 per day in foster care maintenance payments for each child they are serving. In FY’12, the number of Specialized Community Homes increased to three homes and OJA restored the annual salary back to $38,000 for the three homes. In FY’14, OJA lost one of the Specialized Community Homes due to the operator’s retirement. OJA currently funds 1 Specialized Community Home.

- **Level E Group Homes:** These staff secure group homes 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 220 Level E beds at an average cost of $138.20 per day.

Institutional Residential Services

- **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 2 institutions: the Southwestern Oklahoma Juvenile Center in Manitou (60 beds), and the Central Oklahoma Juvenile Center in Tecumseh (82 beds). The Oklahoma Juvenile Center for Girls in Norman was combined with the Central Oklahoma Juvenile Center in FY’18.
Follow-up and Aftercare

Research shows that an essential part of successful rehabilitation of delinquent youth includes a program of six to twelve months of follow-up/aftercare that includes both surveillance as well as therapeutic counseling services. OJA provides the surveillance and Youth Services Agencies provide the therapeutic counseling through their Community At-Risk Services (CARS) program. The CARS program was implemented in FY’00 for individual, group and family counseling, as well as school reintegration. All youth exiting group homes or institutions are eligible for CARS services, while other at-risk youth may also receive services in order for them to remain at home. During FY’10 the CARS program was reduced by 7.5% and was reduced a further 4.4% during FY’11.

In FY’12, partial funding of approximately one-fifth of the previous reductions was restored to the CARS program. In FY’16 and FY’17 budgets for community-based services including CARS services were reduced approximately 5.75% due to the decrease in the agency’s appropriation.
Juvenile Justice

Source: Office of Juvenile Affairs – Juvenile On-Line Tracking System
STATE PERSONNEL ISSUES

Total State Government Employment
State agencies paid an average of 63,952 full-time-equivalent employees in FY’18, according to data provided by the Budget division of the Office of Management and Enterprise Services. This total includes an average of 31,606 FTE at state higher education institutions and 32,346 at Executive Branch agencies.

Total Employment by State Agencies
FY’10 through FY’18

Note: The numbers above are yearly averages.
Source: Budget Division of the Office of Management and Enterprise Services
State Employee Salaries
The average state employee earns $47,565 per year (according to Office of Management and Enterprise Services data, which excludes higher education agencies). State employees’ salaries have increased an average 8.4 percent over the last five years.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Average Salary</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$39,842</td>
<td>0.90%</td>
</tr>
<tr>
<td>2011</td>
<td>$40,026</td>
<td>0.50%</td>
</tr>
<tr>
<td>2012</td>
<td>$40,483</td>
<td>1.20%</td>
</tr>
<tr>
<td>2013</td>
<td>$40,966</td>
<td>1.20%</td>
</tr>
<tr>
<td>2014</td>
<td>$42,108</td>
<td>2.79%</td>
</tr>
<tr>
<td>2015</td>
<td>$43,133</td>
<td>2.43%</td>
</tr>
<tr>
<td>2016</td>
<td>$43,881</td>
<td>1.73%</td>
</tr>
<tr>
<td>2017</td>
<td>$44,990</td>
<td>2.53%</td>
</tr>
<tr>
<td>2018</td>
<td>$47,565</td>
<td>5.72%</td>
</tr>
</tbody>
</table>

Source: Office of Management and Enterprise Services

Total Remuneration Study
In 2012, the State contracted for a Total Remuneration Study for all executive branch employees. The purpose of this study was to take a comprehensive look at salary and benefits for both classified and unclassified employees and compare to jobs in both the private and public sectors. The study began by the formation of a committee with representation from the Governor’s office, Senate, House of Representatives, State Agencies, Oklahoma Public Employee Association, and the State’s Human Capital Management Division. This committee defined the State’s competitive market, set the desired position in relation to this market, and drafted the State’s compensation philosophy. Once the competitive market was determined, benchmark jobs were selected and compared to similar positions in the market. Overall, the study found that state employees were paid below their counterparts in both the public and private sectors, but in many cases had a richer benefits package. The study concluded with recommendations and a five year plan for implementing them.
PAY RAISE HISTORY

<table>
<thead>
<tr>
<th>Year</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'18</td>
<td>A tiered salary increase was given to nearly all state employees (HB1024. See explanation below)</td>
</tr>
<tr>
<td>FY'16-'17</td>
<td>No Pay Raise</td>
</tr>
<tr>
<td>FY'15</td>
<td>A pay raise was passed to provide pay raises for the job categories identified by the total renumeration study as being the most underpaid (SB 2131, SB 232. See explanation below.)</td>
</tr>
<tr>
<td>FY'08 - FY'14</td>
<td>No Pay Raise</td>
</tr>
<tr>
<td>FY'07</td>
<td>5% across-the-board raise provided for all state employees effective October 1, 2006 (SB 82XX)</td>
</tr>
<tr>
<td>FY'06</td>
<td>$700 annual across-the-board raise provided for all state employees effective July 1, 2005. (HB 2005)</td>
</tr>
<tr>
<td>FY'05</td>
<td>$1,400 annual across-the-board raise provided for all state employees effective January 1, 2005 (HB 2005)</td>
</tr>
<tr>
<td>FY'02 - FY'04</td>
<td>No Pay Raise</td>
</tr>
<tr>
<td>FY'01</td>
<td>$2,000 annual across-the-board raise provided for all state employees effective October 1, 2000 (SB 994)</td>
</tr>
<tr>
<td>FY'00</td>
<td>2% pay increase, with a minimum of $600 and a maximum of $1,000, for all state employees effective July 1, 1999 (SB 183)</td>
</tr>
</tbody>
</table>

Note: FY'18 a tiered salary increase was given to nearly all state employees. (see amounts above) (HB1024)

In the 2014 legislative session, SB 2131 was passed to provide pay raises for the job categories identified by the study as being most underpaid. Also passed in that session was HB 3293, which codified the State’s compensation policy. It directed the establishment of an effective pay for performance plan and removed most salaries from statute, both recommendations of the study. Approximately 12,378 employees at 25 state agencies received raises under the provisions of SB 2131. These raises averaged between 5% and 13.5%.

In the 2018 second special session, HB 1024XX was passed to provide salary increases to nearly every state employee. The increases were tiered based on the employee’s annual base salary as of 6/30/2018. The salary tiers were as follows and were given on 7/1/2018.

* $40,000 and under - $2,000
* 40,000.01 to $49,999.99 - $1,500
* $50,000 to $59,999.99 - $1,000
* $60,000 and over $750

STATE EMPLOYEE BENEFITS PACKAGE

The state employee benefits package consists of paid annual and sick leave; a defined benefit retirement plan or 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, 2016, employees under the age of 50 may defer up to $18,000 annually while employees 50 or over may defer up to $24,000 per year into a defined contribution retirement plan unless they were hired after November 1, 2015.
- 16.5 percent of salaries paid to OPERS;
- a benefits allowance ranging from $640.98 to $1,677.96 in Plan Year (PY) 2016, 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 for those who became a member of OPERS before November 1, 2011. The normal retirement age for those who became a member of OPERS on or after November 1, 2011, is 65. The employee must have at least six years of full-time-equivalent employment. 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". Persons who become a member of OPERS on or after November 1, 2011, can retire at the “Rule of 90” if they are at least 60 years of age.

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 for those who became a member of OPERS before November 1, 2011. For those who became a member of OPERS on or after November 1, 2011, the minimum age for early retirement is 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.

In 2015 OPERS established Pathfinder, a defined contribution system for members initially employed on or after November 1, 2015. Pathfinder is a defined contribution retirement savings program composed of a 401(a) plan for mandatory contributions and a 457(b) plan for additional voluntary contributions.

The first component of the Pathfinder plan is the 401(a) plan. Employees hired after November 1, 2015 will be enrolled in the 401(a) and have a mandatory contribution of 4.5% of their pre-tax salary go into the plan. Their employer also contributes 6% of their pre-tax salary into the plan. Contributions and any earnings grow tax-deferred until money is withdrawn, usually during retirement.

The second component of Pathfinder is the 457(b) plan where employees can elect to contribute more than the mandatory 401(a) contribution of 4.5%. As with the 401(a) plan, contributions and any earnings in the 457(b) grow tax-deferred until money is withdrawn. The employer is also required bump up its match from 6% to 7% if employees increase their pre-tax salary contribution to 7% or more.
State Personnel Issues

<table>
<thead>
<tr>
<th><strong>Employee Contribution</strong></th>
<th><strong>Employer Match</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum 4.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Less than 7.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>7.0% or Above</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

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.

![Graph: Funding Percentage of Oklahoma Teachers Retirement System (OTRS) and Oklahoma Public Employees Retirement System (OPERS)](chart.png)

**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:
Monthly premium of the Health Choice high option health plan

Plus

Average monthly premium of all dental plans

Plus

Basic life insurance monthly premium

Plus

Basic disability monthly premium

Equals

Employee Only Flexible Benefit Allowance

Beginning January 1, 2013, the benefit allowance shall not be less than the plan year 2012 benefit allowance amounts.

Dependents are covered at 75 percent of the monthly premium of the Health Choice high option health insurance plan. 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 health benefits to state employees and their families has been increasing steadily over the past decade as the premiums increase each year. Small changes to the benefit plan and other adjustments have allowed rates to remain fairly constant the last three years. The monthly benefit allowance cost to state agencies has remained unchanged since 2013.
BENEFIT ALLOWANCE COST PROJECTION (IN MILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$217.2</td>
</tr>
<tr>
<td>2005</td>
<td>$244.5</td>
</tr>
<tr>
<td>2006</td>
<td>$283.2</td>
</tr>
<tr>
<td>2007</td>
<td>$330.5</td>
</tr>
<tr>
<td>2008</td>
<td>$339.7</td>
</tr>
<tr>
<td>2009</td>
<td>$418.9</td>
</tr>
<tr>
<td>2010</td>
<td>$441.7</td>
</tr>
<tr>
<td>2011</td>
<td>$418.7</td>
</tr>
<tr>
<td>2012</td>
<td>$435.8</td>
</tr>
<tr>
<td>2013</td>
<td>$448.7</td>
</tr>
<tr>
<td>2014</td>
<td>$448.7</td>
</tr>
<tr>
<td>2015</td>
<td>$448.7</td>
</tr>
<tr>
<td>2016</td>
<td>$448.7</td>
</tr>
</tbody>
</table>
Department of Corrections
This chapter describes the state prison system, summarizes recent initiatives and concerns, and compares significant historical figures.

Organization of the Prison System
There are 27 prisons - 24 public and 3 private - scattered throughout the state. The three private prisons (Davis, Cimarron, and Lawton) hold Oklahoma inmates exclusively.

As of October, 2018, the Department had a 113% occupancy-rate at state facilities and a 97% occupancy rate in contract beds. It also supervised 26,881 offenders on probation, 2,394 on parole and 575 on GPS monitoring.

<table>
<thead>
<tr>
<th>Private Prisons (Owner)</th>
<th>City</th>
<th>Capacity</th>
<th>Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Davis Correctional Facility (CCA)</td>
<td>Holdenville</td>
<td>1,620</td>
<td>1996</td>
</tr>
<tr>
<td>Cimarron Correctional Facility (CCA)</td>
<td>Cushing</td>
<td>1,720</td>
<td>1997</td>
</tr>
<tr>
<td>Lawton Correctional Facility (GEO)</td>
<td>Lawton</td>
<td>2,526</td>
<td>1998</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Prisons - Maximum Security</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma State Penitentiary</td>
<td>McAlester</td>
<td>1,15</td>
<td>1908</td>
</tr>
<tr>
<td>Lexington Assessment and Reception Center</td>
<td>Lexington</td>
<td>418</td>
<td>1978</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State Prisons - Medium Security</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma State Reformatory</td>
<td>Granite</td>
<td>1,042</td>
<td>1909</td>
</tr>
<tr>
<td>Dick Conner Correctional Center</td>
<td>Hominy</td>
<td>1,196</td>
<td>1979</td>
</tr>
<tr>
<td>Joseph Harp Correctional Center</td>
<td>Lexington</td>
<td>1,405</td>
<td>1978</td>
</tr>
<tr>
<td>Mack Alford Correctional Center</td>
<td>Stringtown</td>
<td>805</td>
<td>1973</td>
</tr>
<tr>
<td>James Crabtree Correctional Center</td>
<td>Helena</td>
<td>969</td>
<td>1982</td>
</tr>
<tr>
<td>Mabel Bassett Correctional Center (Female)</td>
<td>McLoud</td>
<td>1,136</td>
<td>1998</td>
</tr>
<tr>
<td>North Fork Correctional Center</td>
<td>Sayre</td>
<td>2,500</td>
<td>2016</td>
</tr>
</tbody>
</table>
### State Prisons - Minimum Security

<table>
<thead>
<tr>
<th>Correctional Center</th>
<th>City</th>
<th>Capacity</th>
<th>Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jackie Brannon Correctional Center</td>
<td>McAlester</td>
<td>737</td>
<td>1985</td>
</tr>
<tr>
<td>Jim Hamilton Correctional Center</td>
<td>Hodgen</td>
<td>706</td>
<td>1969</td>
</tr>
<tr>
<td>Jess Dunn Correctional Center</td>
<td>Taft</td>
<td>982</td>
<td>1980</td>
</tr>
<tr>
<td>John Lilley Correctional Center</td>
<td>Boley</td>
<td>836</td>
<td>1983</td>
</tr>
<tr>
<td>Northeast Oklahoma Correctional Center</td>
<td>Vinita</td>
<td>501</td>
<td>1994</td>
</tr>
<tr>
<td>William S. Key Correctional Center</td>
<td>Ft. Supply</td>
<td>1,087</td>
<td>1988</td>
</tr>
<tr>
<td>Howard McLeod Correctional Center</td>
<td>Atoka</td>
<td>616</td>
<td>1961</td>
</tr>
<tr>
<td>Bill Johnson Correctional Center</td>
<td>Alva</td>
<td>630</td>
<td>1995</td>
</tr>
<tr>
<td>Eddie Warrior Correctional Center (Female)</td>
<td>Taft</td>
<td>783</td>
<td>1988</td>
</tr>
<tr>
<td>Clara Waters Community Corrections Center</td>
<td>OKC</td>
<td>288</td>
<td>2008</td>
</tr>
<tr>
<td>Enid Community Corrections Center</td>
<td>Enid</td>
<td>90</td>
<td>1974</td>
</tr>
<tr>
<td>Kate Barnard Correctional Center</td>
<td>OKC</td>
<td>250</td>
<td>1977</td>
</tr>
<tr>
<td>Lawton Community Corrections Center</td>
<td>Lawton</td>
<td>153</td>
<td>1973</td>
</tr>
<tr>
<td>Oklahoma City Community Corrections Center (Female)</td>
<td>OKC</td>
<td>262</td>
<td>1970</td>
</tr>
<tr>
<td>Union City Community Correctional Center</td>
<td>Union City</td>
<td>228</td>
<td>1999</td>
</tr>
</tbody>
</table>

### Inmate Demographics

The statistics below are a snapshot of the demographics of the inmates in DOC custody taken in June, 2018.

Inmate Count = 27,220

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>88%</td>
</tr>
<tr>
<td>Female</td>
<td>12%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td>53%</td>
</tr>
<tr>
<td>African American</td>
<td>26%</td>
</tr>
<tr>
<td>Native American</td>
<td>12%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crime Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violent</td>
<td>50%</td>
</tr>
<tr>
<td>Non-Violent</td>
<td>50%</td>
</tr>
</tbody>
</table>

Average Age          38.9

<table>
<thead>
<tr>
<th>Offenders on Death Row</th>
<th>47</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offenders in for Life without Parole</td>
<td>921</td>
</tr>
<tr>
<td>Offenders in on 85% Laws</td>
<td>8,972</td>
</tr>
</tbody>
</table>
Growth in the Prison System
The number of inmates in DOC custody has grown by 8.3% since 2007 while the appropriation has increased by 5.8% after a significant appropriation bump in FY’19. The 2019 budget for DOC comprises 7.13% of the total state appropriated budget. The chart below shows the fiscal year-end inmate counts and appropriated budgets for DOC since FY’07.

A major reason for the growth in the prison population is the increasing number of inmates DOC receives each year. In 2014, statute changes allowing for faster document transfers were instituted as well as DOC initiating the depopulating of county jails. As a result, DOC annual receptions are among at-all-time highs as the chart below shows.
**DEPARTMENT OF CORRECTIONS BUDGET**

**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’19 DOC Budget by Source**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriated Funds</td>
<td>$517,255,503</td>
<td>87.99%</td>
</tr>
<tr>
<td>Revolving Funds</td>
<td>$66,251,105</td>
<td>11.27%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$4,362,130</td>
<td>0.74%</td>
</tr>
<tr>
<td>Total Funding</td>
<td>$587,868,738</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

**Costs of the Prison System**

**CURRENT ISSUES AND TRENDS**

**Staffing Issues**
The at-capacity or over-capacity levels at DOC facilities and the Department’s past budget struggles have put a strain on DOC employees. Historically, the agency has struggled with a high turnover rate in their employment of correctional officers. To counter this, the Legislature is looking into options that will increase the morale of DOC correctional officers, such as increasing hourly wages and/or hiring more CO’s to reduce the amount of overtime required by DOC employees.
Another area of concern in the public safety sector is the Board of Medicolegal Investigations which lost its national accreditation in 2009 primarily due to inadequate staffing, excessive workload and a lack of sufficient space. After receiving funding in FY’16 for the construction of a new OKC location, the BMI now has a new central state location and has also increased the amount of staff for this location. However, in order to regain its national accreditation, the Tulsa building must be renovated and equipped to meet national standards and staff will need to be increased for the Tulsa office.

Department of Public Safety
The Department of Public Safety currently has 788 state troopers of which 36 are on the OLERS DROP list and must retire within 5 years. Also included among the 788 troopers are the 29 probationary troopers from the 65th Highway Patrol Academy who will lose their probationary status in January of 2019.
In 2016 DPS conducted a study which showed that the pay raise that went into effect in FY’15 increased the entry level law enforcement positions from 25th in the state to 6th and supervisory positions from 19th to 9th. These new salaries are more competitive and have increased the caliber of the applicant pool. In addition to the trooper pay raise in 2015, troopers also received the statewide state employee pay raise from HB1024XX which began in FY’19.

Due to the budget shortfall, the 64th Highway Patrol Academy was delayed and did not take place in FY’17. This was the first year that there was not a trooper academy since FY’11 and only the fifth time in the last 20 fiscal years. With the delay of the 64th Academy, the annual total trooper count fell for the first time since 2011. The 65th Academy has increased the ranks; however its impact has only increased OHP back to 2013 levels.
TOURISM AND OKLAHOMA HISTORICAL SOCIETY

Oklahoma Department of Tourism and Recreation

Oklahoma Historical Society

Section Information Prepared By:

Quinten Dilbeck
Fiscal Analyst (405) 530-2384 dilbeck@oksenate.gov
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:
- 33 state parks;
- 5 lodges;
- 7 golf courses; and
- 5 Tourism Information Centers (oversees 6 other centers).

**ECONOMIC IMPACT OF TOURISM**

In 2017, Oklahoma tourism generated nearly $8.96 billion in direct travel spending, a 20.8% increase over 2010, according to studies completed by Dean Runyan Associates for the Oklahoma Tourism and Recreation Department.

It is estimated that tourism accounts for 100,000 jobs in Oklahoma, amounting to more than $2.2 billion in payroll for 2017. 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 2017, tourism contributed more than $656 million in 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 11 cents in tax revenues: four cents for federal tax coffers, four cents in state tax receipts, and three cents in local tax funds.

Domestic Travel Spending in Oklahoma  
(Billions of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Travel Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$7.4</td>
</tr>
<tr>
<td>2011</td>
<td>$8.0</td>
</tr>
<tr>
<td>2012</td>
<td>$8.3</td>
</tr>
<tr>
<td>2013</td>
<td>$8.6</td>
</tr>
<tr>
<td>2014</td>
<td>$8.8</td>
</tr>
<tr>
<td>2015</td>
<td>$8.6</td>
</tr>
<tr>
<td>2016</td>
<td>$8.6</td>
</tr>
<tr>
<td>2017</td>
<td>$9.0</td>
</tr>
</tbody>
</table>

Source: OTRD

**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 33 state parks serve approximately 9.9 million visitors annually.
The parks consist of more than 330 cabins and cottages and around 2,000 structures and buildings. Private entrepreneurs operate over 50 leased concessions, generating gross sales of over $23 million in FY’17. These operations provide numerous services and recreational opportunities for guests, from miniature golf and horseback riding to marinas and restaurants.

Legislation has provided new funds for extensive capital improvement to the state parks system. In the 2006 legislative session, Tourism was directed to receive a share of the REAP funds from gross production on oil and gas taxes. 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 and capital improvements such as potable water, wastewater infrastructure, and conservation planning. Total receipts for FY’18 were $2.63 million.

The Department of Tourism receives 0.87% of sales and use tax revenues each year to help support its operations and to perform capitol repairs and renovations to state parks. In 2015, this apportionment was capped at $5.75 million for the Tourism Promotion Revolving Fund and $10.36 million for the Tourism Capital Improvement Revolving Fund.

**Oklahoma Tourism Marketing**

The Travel Promotion Division serves the state through a variety of programs and services.
TravelOK.com provides detailed listings for more than 24,000 attractions and activities, lodging, events and restaurants around the state along with deals, photos and videos, articles and more, all of which are free advertising opportunities for industry partners. We use digital marketing efforts to help direct online users to our site, as well as television, print, social, and native advertising initiatives.

This division oversees 11 branded tourism information centers around the state, five of which are operated internally, where visitors can receive tourism information and free tourism brochures from OTRD and industry partners.


The Oklahoma Consumer & Trade Marketing team reaches over 3 million people a year, in-state, nationally, and internationally, through Road Shows and Community visits, Consumer and Group Travel Shows, and International Marketing initiatives.

Oklahoma Today magazine is published six times a year and features stories and photography created to inform readers of the varied and unique tourism opportunities located throughout the state. Annually, through readership and social media, Oklahoma Today reaches nearly 1 million people.

The division produces a weekly television show, Discover Oklahoma, which features tourism industry clients, providing statewide on-air promotion in Oklahoma, north Texas, and Wichita, KS, plus the free use of promotional content on private websites. Annually, through viewership and social media, Oklahoma Today reaches more than 3.4 million people.

A recent study of the return on investment for tourism marketing by Oklahoma Tourism and Recreation Department concluded that for every dollar invested in marketing, seven dollars in state and local tax revenue are returned.

During the Spring marketing campaign of 2016, the $2.3 million invested in the Oklahoma Tourism and Recreation Department’s advertising campaign generated:

- 1.42 million new visitors who would not otherwise have come to Oklahoma
- $210 million in additional visitor spending
- $16.6 million in incremental state and local tax revenue
Due to the cap of apportionments to the Tourism Promotion Revolving Fund, the 2017 Spring marketing campaign saw only $1.8 million in ad investments, lowering state and local tax revenue by $5.9 million.

**STATE LODGES**

The Resort Division maintains five 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 lodges are geographically distinct and located throughout the state:

- Sequoyah Lodge is in the northeast section of the state, located near Wagoner, in the Sequoyah State Park;
- Lake Murray Lodge is in south central Oklahoma, just outside of Ardmore and within the Lake Murray State Park. The lodge is reconstructed with $15 million in nonappropriated funds;
- Roman Nose Lodge 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 lodge is designed with a theme reflecting the history of its area and the type of recreation it provides.

For FY’17, State Parks, and amenities like the lodges generated $22.5 million in revenue.

**OKLAHOMA TOURISM INFORMATION CENTERS**

Information Centers serve as an information resource and rest area for travelers along Oklahoma’s major highways and interstates.

Oklahoma has 11 Information Centers:

- Thackerville (operated by the Chickasaw Nation)
- Capitol Building, Oklahoma City
Tourism and Oklahoma Historical Society

- Midwest City (operated by the City of Midwest City)
- Miami (operated by the City of Miami)
- Sallisaw
- Colbert (operated by the Choctaw Nation)
- Blackwell
- Erick
- Catoosa (operated by the Cherokee Nation)
- Oklahoma City
- Cherokee Turnpike in Delaware County (operated by the Cherokee Nation)

These facilities are located at various points of entry to the state, in the major metropolitan areas, and the state capitol building. These 11 centers provide tourism-related materials to millions of 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 Film and Music Office

The office of the Oklahoma Film and Music Office 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 The Oklahoma Film Enhancement Rebate Program.

The Oklahoma Film Enhancement Rebate Program, funded up to $4 million per year in 2018, offers up to a 37 percent rebate to a qualifying production’s expenditures in Oklahoma with a minimum $50,000 budget and a minimum of $25,000 Oklahoma expenditures.

The Oklahoma Film Enhancement Rebate Program was extended for ten years in FY’15. Since that extension, $85.1 million has been spent on film production, increasing by over 1,100% in the first two years after the extension. During the budget negotiations for FY’18, the $5 million cap was reduced to $4 million. Production expenditures fell to $15.6 million that fiscal year.
Jobs related to film production increased to 2,170 in FY'18 from 668 the year of the rebate extension in FY'15. In 2018, MovieMaker magazine named Oklahoma City among the top big cities to live and work as a moviemaker.

**NACEA**

The Native American Cultural and Educational Authority (NACEA) is a state agency 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 will not 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.

To date, state funding for construction of the center is a total of over $67 million. Overall, funding for the center has reached over $91 million. NACEA will need another $80 million to complete the project, through a mix of state funding and pledges from private and local entities.

Of the $80 million needed to complete the Cultural Center, about $50 million will be used to complete the construction of the facility, and $30 million will be used to purchase and develop the museum exhibits.

Legislation was passed in 2015 that will transfer the property and the museum back to the city of Oklahoma City, along with another $25 million in bond funds, if the city agrees. Oklahoma City reached an agreement with the Chickasaw Nation earlier this year to operate the completed museum for 7 years. The city committed $9 million in capital funds toward the museum’s completion. The remaining funds needed to complete the museum will come from private and tribal donations.

The NACEA will receive a $5.961 million appropriation for the 2019 fiscal year. A large majority of NACEA’s yearly appropriations are used to pay debt service on the previous bond issues. The remaining amount of appropriations will fund NACEA operations. The majority of operations expenses for NACEA include salaries, insurance premiums, and the museum site maintenance and security.

Construction on the facility is expected to resume in January of 2019, and completion is expected in the Spring of 2021.
OKLAHOMA HISTORICAL SOCIETY

The Oklahoma Historical Society (OHS) is a statewide organization dedicated to collecting, preserving, and sharing the history of Oklahoma and its people. Through programs and partnerships, the OHS accomplishes its mission through research collections, artifacts and historic sites, museums, educational programs, historic preservation, images, and publications.

History of the OHS
The Oklahoma Press Association created the OHS in 1893 to collect newspapers. As a result of that early action, the OHS has collected and preserved more than 98% of all newspapers issued in the twin territories and state since 1844, representing the history of every community one day, one week at a time. Through this partnership, all publishers in the state still send free copies of their newspaper to the OHS for microfilming and digitization.

The OHS is the oldest state agency still in operation. The people of the territory, through their council members, made the OHS a government agency in 1895, an endorsement that was followed in 1907 with status as a state agency as well as a private-membership organization. Since that time, the people of the state have invested in the old Historical Building (now the Supreme Court Building), the Oklahoma History Center, and a long list of historic sites and museums across the state. Today, the OHS is an affiliate of the Smithsonian, the National Archives, and the National Park Service.

Education
The ultimate outcome of all OHS programs is education. Through collections, programs, and historic preservation, the OHS provides a bridge from the past to the present, offering insights into who we are, how we got here, and how we have dealt with challenges and opportunities in the past. This educational outreach empowers not only students across the state, but also the adult population through continuing education in the form of museums, historic sites, books, magazines, newspaper articles, documentaries, and news sources.
More than a third of all people visiting OHS museums and historic sites are students, including those that are home schooled, who are offered special programs throughout the year. One program that has been expanding in recent years is History Day, a national competition that starts at schools, progresses to regional competitions, and advances to state finals before going to nationals in Washington, D.C. In 2018, History Day as administered by the OHS reached 6,365 students in more than 29 counties, making Oklahoma number one in the nation on a per-student basis.

**Collections**

The ability to offer educational outreach is based on collections and the information each object, document, site, or building represents. The collections started with newspapers in 1893 but quickly expanded to documents such as photographs of the first land runs, more than 4 million pages of tribal history gathered by the Dawes Commission in the 1890s, and the notes and draft copies of the Constitutional Convention in 1906 and 1907. Among the half million artifacts in the collections are a bison-hide teepee made and painted in the 1850s, a stage coach used in the Wild West Shows, and the objects recovered from the airplane crash that killed Wiley Post and Will Rogers.

In the 1930s the collecting process was expanded to buildings and historic sites, such as Fort Gibson, established in 1824, and Sequoyah’s Cabin, built by the Cherokee genius in the 1820s. As support for a growing museum community expanded in the 1950s and 1960s, the OHS acquired key sites and museums to preserve and share the stories of Indian history, land runs, farming, oil and gas, and leadership. From books and photographs to maps and biographical files, the collections of the OHS help us trace our shared history one community, one family at a time.

- Historic Forts and Battlefields—4
- Historic Homes—7
- Museums—14
- Over 33 million pages of newspapers
- 12 million photographs and maps
- 500,000-plus artifacts
- 1,400 buildings and districts on the National Register of Historic Places
- 58,000 buildings and sites on Oklahoma Landmark Inventory
Partnerships
While the core mission of the OHS is to collect, preserve, and share history, the key practices to achieve that mission include higher standards, greater efficiencies, and increased partnerships. The results of higher standards include the Route 66 Museum in Clinton, which is still grossing more than $400,000 a year, and the Oklahoma History Center, an affiliate of the Smithsonian and the National Archives, the only institution in the country that shares that dual affiliation.

Along with the higher standards came what OHS leaders call an “entrepreneurial business plan,” based on the principals of free enterprise and sustainability. Using state appropriated dollars as seed money for planning, core staff, and innovative leadership, the OHS has attracted a long list of partners willing to share collections and resources. Good examples include the $12 million raised to complete the Oklahoma History Center, the $8 million raised by the people of Enid to re-invent a regional museum, and a new contract with Ancestry.Com to share collections with an international audience and generate a stream of revenue at the same time.

A partial listing of contractual partners includes:

- 25 separate 501c3 non-profit organizations supporting units of the OHS
- Oklahoma Higher Education Heritage Society
- Oklahoma Military Hall of Fame
- Oklahoma Law Enforcement Hall of Fame
- Western District of Federal Courts Historical Society
- Oklahoma Energy Resources Board
- Oklahoma Regents for Higher Education
- Numerous Indian Tribes
- Colonial Williamsburg and Mount Vernon

Economic Impact
Although it is difficult to place a monetary value on state pride, sense of community, and life-long learning, we can follow a few OHS trails to establish an economic impact on the state. The greatest impact is on heritage tourism, an important building block in an industry that made an $8.96 billion impact on the economy in 2017. Although Oklahoma is a beautiful state, there are only a few natural resources to attract tourists so the attraction has to be landmarks, buildings, and stories associated with Oklahoma history, whether it is Indians, cowboys, land runs, Route 66, architecture, or oil.
A more direct reflection of economic development is the rehabilitation of historic buildings. Through a contract with the National Park Service, the OHS serves as the state clearing house for projects utilizing the economic stimulus of tax credits for bringing historic buildings back to life. In the last decade, leading up to 2016, the state and federal tax credits administered by the OHS have been used on 77 buildings, generating $520 million in investments and creating 3,232 direct jobs and 3,514 indirect jobs. One national study concluded that every dollar spent on historic rehabilitation spurs an additional $11.70 in economic activity. In 2016 rehabilitation projects in Oklahoma generated more than $20 million in paychecks.

**OKPOP Museum**

In 2015, legislation was signed issuing a $25 million bond to partially fund the construction of The Oklahoma Museum of Popular Culture in the City of Tulsa. The museum will be managed by the Oklahoma Historical Society, which has launched a $15 million private fundraising campaign for exhibits and collections. The City of Tulsa has pledged $3 million, along with a private donation of a lot in the Tulsa Art District. The business plan for the museum is to earn $2 million in revenue a year through admissions, events, sales, and revenue from a 100 space parking garage, making the museum self-sufficient.

The museum will celebrate the creative spirit of Oklahomans and the influence of the state’s artists on popular culture worldwide.

Construction of the facility is expected to begin in the winter of 2019, and the museum is expected to open in 2020.
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 2005, ODOT released a comprehensive highway needs study which calculated a $11.2 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:

- 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 $2.8 billion to the ODOT construction program between FY’08 and FY’17.
TRANSPORTATION BOND ISSUES

In an effort to address the state’s highway needs, the Legislature adopted HB 1629 (1997), which provided 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 was 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.

Three state bond issues have been passed in recent years to supplement ODOT’s funding and to cover recent decreases to the State Transportation Fund. The Oklahoma Capitol Improvement Authority was responsible for issuing the bonds:

2010 (HB 2434)
Authorized ODOT to increase the August 1, 2010 bond issue amount to cover ODOT’s FY’11 appropriation decrease and continue funding road and bridge improvements.

2011 (HB 2171)
Authorized ODOT to issue a $70 million dollar bond issue to cover ODOT’s FY’12 appropriation decrease and continue funding road and bridge improvements.

2016 (HB 3231)
Authorized the sale of $200 million in bonds to offset the reduction of $200 million in cash from the ROADS fund as part of FY’17 state budget reductions.

![Debt Service Requirements Chart](chart.png)
FUNDING FOR STATE HIGHWAYS

Total monies available for support of the state transportation system have decreased by $14.2 million or 2.1 percent between FY’16 and FY’18. This is largely due to the increase in deposits to the ROADS fund.

<table>
<thead>
<tr>
<th>ODOT Revenue Source Comparison</th>
<th>FY’16 Actual</th>
<th>FY’17 Actual</th>
<th>FY’18 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Transportation Fund</td>
<td>184,901,463</td>
<td>154,958,361</td>
<td>155,047,956</td>
</tr>
<tr>
<td>Motor Fuel Tax - HP Bridge</td>
<td>6,182,915</td>
<td>6,304,136</td>
<td>6,200,000</td>
</tr>
<tr>
<td>Bond Proceeds</td>
<td>-</td>
<td>200,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Income Tax</td>
<td>457,048,911</td>
<td>316,748,912</td>
<td>476,448,912</td>
</tr>
<tr>
<td>Motor Fuel Tax - Rail</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
</tr>
<tr>
<td>Motor Fuel Tax - Transit</td>
<td>850,000</td>
<td>850,000</td>
<td>850,000</td>
</tr>
<tr>
<td><strong>Total Allocation</strong></td>
<td><strong>$ 649,833,289</strong></td>
<td><strong>$ 679,711,409</strong></td>
<td><strong>$ 639,396,868</strong></td>
</tr>
<tr>
<td>OTA Transfers</td>
<td>45,755,547</td>
<td>46,459,651</td>
<td>42,000,000</td>
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<tr>
<td><strong>Total State Revenue</strong></td>
<td><strong>$ 695,588,836</strong></td>
<td><strong>$ 726,171,060</strong></td>
<td><strong>$ 681,396,868</strong></td>
</tr>
<tr>
<td>ROADS Debt Service</td>
<td>36,434,743</td>
<td>51,924,700</td>
<td>43,969,000</td>
</tr>
<tr>
<td>Highways and Bridges</td>
<td>649,069,092</td>
<td>664,446,360</td>
<td>626,327,868</td>
</tr>
<tr>
<td>Lake &amp; Industrial Access</td>
<td>1,485,000</td>
<td>1,200,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Passenger Rail</td>
<td>2,850,000</td>
<td>2,850,000</td>
<td>2,850,000</td>
</tr>
<tr>
<td>Public Transit</td>
<td>3,850,000</td>
<td>3,850,000</td>
<td>3,850,000</td>
</tr>
<tr>
<td>Intermodal</td>
<td>1,900,000</td>
<td>1,900,000</td>
<td>1,900,000</td>
</tr>
<tr>
<td><strong>Total Allocation</strong></td>
<td><strong>$ 695,588,835</strong></td>
<td><strong>$ 726,171,060</strong></td>
<td><strong>$ 681,396,868</strong></td>
</tr>
</tbody>
</table>
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 are 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.

Many changes and modifications have been made to the ROADS fund since its inception to dramatically increase funding for the State’s transportation infrastructure. The 3% growth trigger was removed in 2008 which provided for a consistent annual increase to the fund. The annual allocation has increased from $30 million in 2008 to $41.7 million in 2012. The overall cap has been raised from the original $170 million to $575 million in 2012. Below are the most recent modifications to the fund:
2012 (HB 2248)

- Increased the annual ROADS fund allocation from $41.7 million to $59.7 million.
- Increased the overall cap on the fund from $435 million to $575 million.

**State Road and Bridge System Statistics**

The chart below shows the number of roads and bridges in disrepair on the State’s highway system.
COUNTY ROADS

In the 2006 Legislative Session, 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 (CIRB) Fund for the fiscal year beginning July 1, 2007 (FY’08). This apportionment was to 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 2012 Legislative Session, HB 2249 further increased funding to the County Improvements for Roads and Bridges Revolving Fund. The measure gradually increased the CIRB allocation from 15% to 20% over a 3 year period. In 2015, HB 2244 capped the Fund’s revenue at $120 million per year. Below is an illustration of the percentage of deficient bridges on the county system.
PORT OF ENTRY WEIGH STATIONS

On January 22, 2008, the Oklahoma Department of Transportation, the Oklahoma Corporation Commission, and the Oklahoma Turnpike Authority announced a landmark partnership effort to upgrade Oklahoma’s Port of Entry facilities. Utilizing an estimated $81 million in funding originating from the Oklahoma Petroleum Storage Tank Release Indemnity Program as provided by the Corporation Commission, $11 million from the Turnpike Authority and $4 million from ODOT, the Department will develop eight new Port of Entry facilities at Oklahoma borders.

To-date Ports of Entry facilities have been completed on the following four locations; on Interstate 35 in Kay County at the Kansas state line, on Interstate 40 in Beckham County at the Texas state line, on Interstate 40 East in Sequoyah County, and Interstate 35 south in Love County and are currently in service. All currently available funding has been committed and the remaining three facilities will be scheduled and advanced to construction as additional fiscal resources are accumulated.

Illegally loaded or operated trucks have an adverse impact on the condition of our transportation system and on the safety of the traveling public. These state-of-the-art facilities will establish the front line necessary to create a more controlled freight transportation environment on the highway system.
Today, ODOT oversees and monitors five different railroad companies operating on approximately 134 miles of State owned track, administers the Federal Highway Administration’s (FHWA) Grade Crossing Safety Program (that provides federal funds to make safety improvements to Oklahoma’s 3,800 at-grade public railway / road intersections), manages Oklahoma’s Heartland Flyer passenger rail service (Amtrak’s highest-rated train for customer satisfaction), oversees rail company involvement for ODOT projects which touch on railroad property, and seeks and develops federal funding opportunities to grow and improve Oklahoma’s passenger and freight rail systems.

Over the years the Department has developed public – private partnerships with many Class III and Class I railroads to lease the majority of the State owned mainline track in order to continue rail service for many Oklahoma communities and businesses. Two of these leases were developed as long term lease to purchase agreements, intended to eventually return these facilities to private ownership. Following the maturation of these 30 year agreements, more than 350 miles of the State owned rail system was returned to private ownership in 2012, thus reducing total ownership from its peak of 882.

In August 2014, ODOT and Stillwater Central Railroad completed a $75 million sale of the Sooner Sub rail line between Midwest City and Sapulpa. The sale was a culmination of a 180 day process put into place in 2013 by the State Legislature. The sale calls for plans to introduce a pilot program for passenger-rail service, dubbed the "Eastern Flyer" connecting Midwest City and Sapulpa.

With the sale of the Sooner Sub rail line ODOT announced a $100 million initiative to improve safety at the state's railroad crossings with most of the money coming from the $75 million sale of the Sooner Sub. Improvements are to be made at more than 300 rail crossings statewide and will add flashing lights and crossing arms to many of the crossings. Federal funding and money from railroad companies also will be used in the program, which should take three to four years to complete.

Rail freight traffic continues to be the main source of railroad activity in the state. An estimated 278 million tons of freight flows through the state each year with many rail lines carrying 50 to 100 trains a day. Rail freight traffic will experience significant growth over the next few decades. The number of trains on some corridors is expected to double over the next 20 years, and the largest growth in freight traffic per day is expected on the BNSF line in the northern part of the state.
**Oklahoma Turnpike Authority (OTA)**

**Mission**

Mission Statement: To construct, operate, and maintain a safe and economical turnpike system for the convenience of turnpike customers and to address transportation needs of the State.

The OTA is a non-tax supported instrumentality of the State of Oklahoma and a body corporate and politic, created by statute in 1947 to provide an alternative means of constructing necessary State roadways without further straining limited State highway funds. The OTA is authorized to construct, maintain, repair and operate the Turnpike System, which presently consists of ten turnpikes covering approximately 605 miles (2,388.6 lane miles) and 806 bridge structures. No tax appropriations are received by the OTA; operations and debt service are funded by toll and concession revenues. Only patrons that drive on the road pay for the road through tolling and 40% of toll revenues come from out-of-state drivers.

Turnpikes serve Oklahoma as a mechanism for building and using roads now but gradually paying for the roads as they are used. The OTA is similar to a public utility, providing a needed basic service at a fee that yields a return to its bondholders (investors). The OTA must generate sufficient revenues to operate and maintain its roads at a high quality, as well as provide for debt service payments to its bondholders. Toll rates for the Oklahoma Turnpike System are over 50% below the national average for similar turnpike systems. The OTA also pays for all salaries, benefits, equipment and operating costs for the Highway Patrol Officers that patrol the Turnpike System.
The Oklahoma Legislature has sole discretion to authorize new turnpike projects considered for construction by OTA, with approval from the Oklahoma Department of Transportation. Turnpike Revenue Bonds or Refunding Bonds may be issued for the purpose of paying the costs of turnpike projects or refunding any bonds of the Authority then outstanding. Turnpike bond sales must be approved by the Council of Bond Oversight and must comply with all rules and regulations of the United States Treasury Department and the United States Securities and Exchange Commission. All OTA debt is issued in accordance with the Trust Agreement dated February 1, 1989, as amended. Turnpike Revenue Bonds are payable solely from the tolls and other OTA revenues and do not constitute indebtedness of the State.

The OTA is required by the Trust Agreement to adopt a final budget on or before December 10 annually to provide for the next year’s operating expenses, monthly deposits to the Reserve Maintenance Fund and the Capital Plan. The necessary investments in the maintenance, rehabilitation and improvements of roads within the System are identified for the next 20-30 years and then prioritized into five-year goals with the Capital Plan. The Trust Agreement sets forth the proper flow of funds to be established by the OTA. Disbursements from these funds are strictly governed by the Trust Agreement and are only made in compliance with the Trust Agreement. Accordingly, based on the planned capital investments programmed in the Capital Plan, required monthly deposits from revenues received to the Reserve Maintenance Fund are established during the budgeting period as required by Section 505 of the Trust Agreement. Monies held in the General Fund are also allocated for certain projects of the Capital Plan. Below is the Authority’s Projected Sources and Uses of funds for the year 2018.

**2018 Sources and Uses of Funds**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Total 2018 Sources</th>
<th>$321,115,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Fund carryover</td>
<td>1,909,700</td>
<td>$323,024,700</td>
</tr>
</tbody>
</table>

**Uses**

<table>
<thead>
<tr>
<th>Uses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>10.0%</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>6.1%</td>
</tr>
<tr>
<td>Highways, Bridges, Trails</td>
<td>2.6%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>3.0%</td>
</tr>
<tr>
<td>Toll Operations</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Total 2018 Uses = $323,024,700
Financial Structure and Turnpike Bond Issues

The financial structure of the turnpike system is based on “cross-pledging”. Costs incurred and revenues received are combined across the system. The total debt is based on the entire system and not on an individual turnpike within the system. “Cross-pledging” was approved by a referendum vote of the people in 1954 for the purpose of financing the construction of other key turnpikes. As stated previously, no tax appropriations are received by the OTA, operations and debt service are funded by toll and concession revenues. The Authority’s sources and uses of funds are graphically represented on the following page.

The Authority’s bonds are rated annually by the three Rating Agencies. The OTA carries the highest rating of any Toll Authority from Moody’s Investor Services –Aa3. This Aa3 rating (which is equivalent of AA- rating) is based on a stable, well-established turnpike system that serves as an essential inter and intrastate connector. The Authority is also rated AA- by both Fitch and Standard and Poor’s. These ratings help the Authority continue to have access to capital in the bond markets at the best possible rates.

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 $687 million were issued that year. All projects were completed by 2002.

In order to address traffic congestion issues, in August of 2011, the Authority was authorized to issue bonds in order to add capacity on the busiest sections of these two roads.

Bonds totaling $159.7 million were issued in December of 2011. Both segments were opened to traffic in the fall of 2013 and a substantial traffic increase is seen on both segments to date which further confirmed the need for these improvements.

Financing the Driving Forward Plan

The Driving Forward program is being financed by several bond issues over the next three to four years. The first bond issue was completed on January 31, 2017 and closed on February 8, 2017. This bond issue included the Series 2017A Second Senior Revenue Bonds in the amount of $456.1 million and the Series 2017B Second Senior Refunding Revenue Bonds in the amount of $23.9 million. The Series 2017A Bonds were issued for the purpose of financing the Driving Forward projects and the Series 2017B Bonds were issued to refund the Series 2007A Bonds. These bonds were structured as tax-exempt fixed rate “AA-” bonds, and the OTA’s total all-in-cost of capital for the transaction was just under 4.0%.
Transportation

The second bond issue was completed on December 6, 2017 and closed on December 21, 2017. This bond issue included the 2017C Second Senior Revenue Bonds in the amount of $312.8 million, the Series 2017D Second Senior Refunding Revenue Bonds in the amount of $275.7 million, and the 2017E Second Senior Refunding Revenue Bonds in the amount of $95.8 million. The Series 2017C Bonds were issued for the purpose of financing the Driving Forward projects, the Series 2017D Bonds were issued to refund the Series 2006B, E, &F Bonds, and the Series 2017E Bonds were issued to advance refund a portion of the Series 2011B Bonds. These “AA-” Rated bonds were structured as tax-exempt fixed rate bonds, and the OTA’s total all-in-cost of capital for the transaction was just over 3.75%.

Planning is still underway with the third bond issue tentatively projected for completion by the end of 2018.

Driving Forward

On October 29, 2015, Governor Mary Fallin announced the Driving Forward initiative, which included projects to be financed with the proceeds from revenue bonds issued by the Oklahoma Turnpike Authority over the next three to four years.

The program’s focus is to enhance the safety of the turnpike system by replacing aging pavement and toll plazas as well as developing new alignments that will provide additional routes around Oklahoma City. The projects are generally described below:

HE Bailey Turnpike

- **Project Length**: 7.5 miles
- **Type**: Turnpike full depth pavement reconstruction and safety features and toll plaza modernization for better access for PIKEPASS customers
- **Overview**: This project reconstructed aging pavement and provided wider lanes and enhanced safety features for travel between Bridge Creek and North Meridian Avenue near Newcastle as well as improved technology for toll plaza locations for customer safety and convenience.

Muskogee Turnpike

- **Project Length**: 9.5 miles
- **Type**: Turnpike full depth pavement reconstruction and safety features and toll plaza modernization for better access for PIKEPASS customers
• **Overview:** This project reconstructed aging pavement and provided wider lanes and enhanced safety features for travel between the Creek Turnpike interchange and State Highway 51 near Coweta as well as improved technology for toll plaza locations for customer safety and convenience.

**Turner Turnpike**

• **Project Length:** 22 miles
• **Type:** Reconstruction to replace pavement and add capacity and safety features including lights
• **Overview:** The Turner Turnpike is a vital turnpike corridor that connects Oklahoma’s two metro areas. Improving safety and convenience on this road is a priority for the OTA. This pavement reconstruction, expansion and safety project begins east of Bristow and extends easterly through the Creek Turnpike West (State Highway 364) junction and will end with the reconstruction of the I-44 / SH-66 interchange. In the five-year period before re-construction started, there were 15 fatalities and 514 wrecks on this section of road.

The investment will result in an “urban turnpike corridor” by adding capacity and modernizing the facility with new pavement, wide shoulders and highway lighting. High efficiency highway lighting is a significant safety feature of growing importance in the corridor that helps to overcome the night time sight distance challenges of the Turner’s sub-standard vertical alignment which cannot be cost effectively corrected. These improvements will allow much safer travel and are necessary to accommodate the increasing volume and types of present day and future traffic and vehicles that will use it.

**Southwest OKC Kilpatrick Extension**

• **Project Length:** 7 miles
• **Type:** New construction
• **Overview:** This project is an extension of the John Kilpatrick Turnpike (JKT) that will connect SW OKC and the metro area at-large with the urban core. It will provide additional travel connectivity and offer another route for accessing the Will Rogers World Airport. The project begins at the existing I-40/JKT junction and extends southeasterly providing access to State Highway 152/Airport Road. Because opening this extension is expected to increase traffic on the full extent of the Kilpatrick Turnpike, the Authority has proceeded with a project designed to widen and replace the existing bridge decks on two bridges at the North Canadian River in advance of the opening of this extension. The construction work necessary to widen these bridges will be impactful on traffic flows and it is prudent to initiate and complete the required bridge widening now.
Northeast OK County Loop

- **Project Length**: 21 miles
- **Type**: New construction
- **Overview**: This project will enhance transportation network access to and from Eastern Oklahoma County by establishing connections to vital intersections for travel. The facility will offer a safer and more efficient alternative connection between the Turner Turnpike (I-44) and Interstate 40. The route will provide a drive-time reduction to access Tulsa from the south OKC Metro and Interstate 35 and assist in alleviating growing congestion on the Oklahoma City area urban Interstate system.

**Updates on all of these projects can be found below:**

- The projects on the H.E. Bailey Turnpike and Muskogee Turnpike are currently open to traffic.
- The project to widen the Turner Turnpike between Kellyville and Sapulpa is well underway with numerous construction activities ongoing in the nearly 16-mile long construction zone. A major milestone was achieved in July with the substantial completion of 3.5 miles of widening near Kellyville. Other portions of the project are progressing well as traffic has switched to widened sections within the work zone.
- The Eastern Oklahoma County Turnpike broke ground in December, beginning with the interchange at the Turner Turnpike. Since that time, multiple construction contracts have been awarded and construction activities are ongoing in all areas of the corridor. The remainder of the projects necessary to complete the construction in the corridor are anticipated to be let to contract by late spring of 2019.
- Construction also commenced on the Kilpatrick Turnpike Extension in January with the I-40 interchange project. Three other projects along the corridor began recently, placing the 7-mile segment entirely under construction from I-40 to SH-152.

**Gilcrease**

The Oklahoma Turnpike Authority has established a partnership with the city of Tulsa, the Indian Nations Council of Governments, Tulsa County, the Oklahoma Department of Transportation, the federal government to construct the Gilcrease Expressway West Project. A competitively selected private investor will assist with constructing the facility and financing a portion of the construction cost. The project delivery method is the first of its kind in the State of Oklahoma and fulfills a critical transportation need for the western Tulsa Metropolitan Area.
The five-mile, four-lane roadway will include an adjacent multi-use trail and feature 22 bridges, including the bridging the Arkansas River and the Berryhill Creek drainage way. This extension from Interstate 44 to US-412 highway and West Edison Street will be a toll road owned and operated by the Oklahoma Turnpike Authority, utilizing all-electronic ("AET") toll collection including PIKEPASS and PlatePay.

Thus far, the OTA Board has passed several resolutions to facilitate the finance, construction and ultimately the maintenance and operations of the Gilcrease Expressway. No single entity was able to finance and construct the Gilcrease Project individually, thus the need to form the partnership among the Governmental Entities to leverage available resources. In early 2018, the Authority issued a Request for Information to solicit ideas from the private sector. The Authority received 22 responses from interested parties, which helped form the project delivery method. In May of 2018, a Public Sector Comparator was completed that compelled a determination that a Build-Finance delivery method was the most cost effective for the OTA. In June of 2018, the Authority issued a Request for Qualifications. Responses were received August 22 and the Authority expects to shortlist potential private partners by the end of September.

The estimated cost of completion is $290 million and the project will rely on several sources of funding. In late May 2018, the ODOT GARVEE bonds were issued as an additional funding source for the project in the amount of $71.4 million. The OTA will provide cash contributions and the private sector partner will provide for interim financing during the construction period. The Authority is also seeking access to a low-interest Transportation Infrastructure Finance and Innovation Act (TIFIA) loan from the United States Department of Transportation (USDOT). The TIFIA loan will allow the OTA to re-pay the private sector’s interim financing and the TIFIA loan will be repaid from toll revenues generated on the Gilcrease. The Authority submitted the TIFIA Letter of Interest in early June. The compilation of OTA cash contributions, GARVEE proceeds and short-term private sector financing represent the totality of the cost to complete the project.

**Toll Collection and PIKEPASS**

*PIKEPASS*

The Oklahoma Turnpike Authority was one of the first turnpikes in the nation to introduce highway speed open road toll collection using Radio Frequency Identification (RFID) technology. This system, named PIKEPASS, was made available to its first travelers on January 1, 1991. This enhancement improved ease and safety of travel for turnpike users and, most importantly, facilitated better ingress and egress in the urban areas by accommodating multiple entry and exit points.
As of June 20, 2018, this program consists of more than 725,000 active accounts utilizing 1.8 million transponders (PIKEPASS toll tags). In 2017, approximately 75% of the Authority’s transactions were collected through the PIKEPASS System.

Interoperability

Interoperability between the Oklahoma Turnpike Authority and North Texas Tollway Authority (NTTA) facilitating the use of PIKEPASS toll tags to pay tolls in the Dallas / Fort Worth area became officially functional on August 10, 2014. Interoperability between the Oklahoma Turnpike Authority and the Kansas Turnpike Authority became officially functional on November 1, 2014. The further implementation of the Central United States Interoperability HUB is ongoing. Once finished, the interoperability initiative will add the Texas Department of Transportation, the Central Texas Regional Mobility Authority, the Harris County Toll Road Authority and the Fort Bend County Toll Road Authority to the network of toll agencies allowing travel and toll payment with PIKEPASS. National toll tag interoperability remains a common goal amongst all tolling entities.

All-Electronic Tolling (“AET”)

Nationally and globally, all-electronic (“AET”) or cashless tolling is continuing to bring enhanced safety, access and ease of travel to toll facility customers. OTA management has initiated a Strategic Planning Group to examine the benefits, risks and potential issues associated with the future conversion of the turnpikes comprising the Oklahoma Turnpike System to a cashless, or AET system. The planning group conducted an overview of the Oklahoma Turnpike System’s existing toll collection system as well as an analysis of cashless systems throughout the United States, comparing costs and benefits of various electronic tolling options. This analysis included multiple peer-to-peer meetings with other toll road authorities that have AET tolling systems.

At present, the Authority has only authorized deployment of one “pilot project” involving one interchange on the Creek Turnpike that opened to traffic on January 5, 2017. This site was chosen as the “pilot location” due to an already high 90% PIKEPASS utilization by customers. Cashless tolling was implemented at this interchange through the use of the “PLATEPAY” System.

“PLATEPAY” is the Authority’s new license plate based tolling system installed on an overhead gantry at the cashless tolling point, in this instance at the Peoria-Elm interchange on the Creek Turnpike. Cameras on the overhead gantries capture a non-PIKEPASS vehicle’s license plate and a toll invoice, rather than a violation, is mailed to the vehicle’s registered owner. PIKEPASS customers will still use transponders to pay tolls as normal with no difference in billings. This “pilot project” has assisted the Authority in its understanding of lane issues at interchanges and back-office procedures associated with the “PLATEPAY” System and has allowed the Authority to assess performance and improve
processes and procedures. In fiscal year 2017, PLATEPAY revenue constituted 0.3% of the Authority’s toll revenues.

Using the “PLATEPAY pilot project” as its basis of analysis, the Authority’s Strategic Planning Group, working closely with the Authority’s Traffic Engineer, has contracted with a project consultant to help define the steps necessary to deploy AET tolling at other locations. The first turnpike corridor to be enhanced with AET is expected to be the John Kilpatrick Southwest Loop. The Authority plans to open this corridor for a limited time using conventional cash collection methods and then subsequently convert this 7-mile corridor to AET. The segment will represent first such facility for the Authority. This conversion process, to be undertaken in a deliberate, conservative, and measured approach, is expected to take 18 months to three years during which time the Authority will focus on the following:

- Lessons learned from successful AET deployments by other tolling agencies across the country;
- Understanding the Authority’s customer base or traffic mix, and issues related to each category of customer, including PIKEPASS users versus cash customers, passenger versus commercial vehicles, and in-state versus out-of-state revenue risks;
- A marketing plan to maximize electronic toll collection utilization;
- Continuing to work with other tolling authorities to maximize interoperability across the nation; and
- Review and adoption of necessary legislation related to toll collection and enforcement.