

FY'88 APPROPRIATIONS REPORT

Actions of the 1987 Legislature



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FY'88 APPROPRIATIONS FOR OPERATIONS

Overview

The 1987 Legislature appropriated a total of \$2,249.3 million for FY'88 and an FY'87 midterm adjustment for common schools. That amount was a reduction of \$83.1 million or approximately 3.6% from the FY'87 appropriations base. Appropriations for FY'88 operations were \$2,234.6 million, a reduction of \$43.2 million, or approximately 2% from the FY'87 appropriations base.

Tax increases of \$275 million and tuition and fee increases of more than \$39 million were required to meet the FY'88 appropriation level. Projections of \$121 million in increased state income tax collections as a result of the Federal Tax Reform Act of 1986 were also utilized for FY'88 appropriations.

The full-time equivalent employee limit (FTE) was increased from 34,472 to 35,063 an increase of 591 FTE. Most of the changes reflect additional workload demands in Human Services, Corrections and Transportation.

Calculation of FY'87 Appropriation Base

The Legislature, in planning the FY'88 appropriations, utilized an FY'87 appropriation base that was considerably larger than the amount actually appropriated for FY'87. This was due in part to the fact that the 1986 Legislature allowed agencies to carry any savings they could achieve from their FY'86 appropriations into FY'87. The savings in FY'86 were utilized so as to mitigate the reductions (average of 13%) in appropriations. Carryover and other one-time monies used for FY'87 (capital) amounted to approximately \$65 million. This amount was added to the amount actually appropriated by the 1986 Legislature in order to reach the FY'87 appropriation base. This resulted in an FY'87 budget that was significantly higher than the FY'87 appropriations.

The 1987 Legislature also determined the FY'87 base to include one-time funding agencies gained by drawing down excess balances in revolving funds and the full-year funding required for those programs and services provided only partial funding in FY'87. Another element that surfaced was the need to continue funding for services that had necessitated an FY'87 supplemental. DHS, Public Safety and the Board of Medicolegal Investigations received supplements due to additional needs or lack of revolving fund income to meet budget requirements.

The Legislature also attempted to determine actual operating needs of state government as specific workload demands dictated. The Department of Human Services, Corrections and a few other agencies were experiencing tremendous increases in service requirements. As a result, the 1987 Legislature attempted to determine the actual operating level of these agencies and provide the necessary funding, if possible. Therefore, almost all state agencies FY'88 appropriation will be higher than the FY'87 appropriation. However, the FY'88 appropriation will be better compared to the FY'87 appropriation base.

**STATUS OF SUBCOMMITTEE ACTION
BY SUBCOMMITTEE
FISCAL YEAR 1988**

<u>Agencies</u>	<u>FY'87 Initial Appropriations Base (A)</u>	<u>FY'88 Approp.</u>	<u>Amt. Change From FY'87 Approp. Base</u>	<u>% Change From FY'87 Approp. Base</u>
Education	1,246,740,075	1,261,301,699	14,561,624	1.17 %
Gen. Gov. & Judiciary	134,099,763	139,500,984	5,401,221	4.03 %
Health & Social Svcs.	588,641,531	580,918,228	(7,723,303)	(1.31)%
Nat. Res. & Reg. Svcs.	65,611,883	68,855,299	3,243,416	4.94 %
Pub. Safety & Trans.	242,754,251	184,067,108	(58,687,143)	(24.18)%
Sub Total	\$2,277,847,503	\$2,234,643,318	\$(43,204,185)	(1.90)%
Capital & Spec. Proj.	937,000	1,500,000	563,000	60.09 %
Retirement Systems	36,058,370	-0-	(36,058,370)	0.00 %
Disability Ins. Pgm.	7,926,480	-0-	(7,926,480)	0.00 %
Supplementals	10,000,000	13,153,053	3,153,053	31.53 %
Total	\$2,332,769,353	\$2,249,296,371	\$(83,042,982)	(3.58)%

FY 2014 BUDGET

**PUBLIC SAFETY AND
TRANSPORTATION (8.2%)**
\$184.1 MILLION

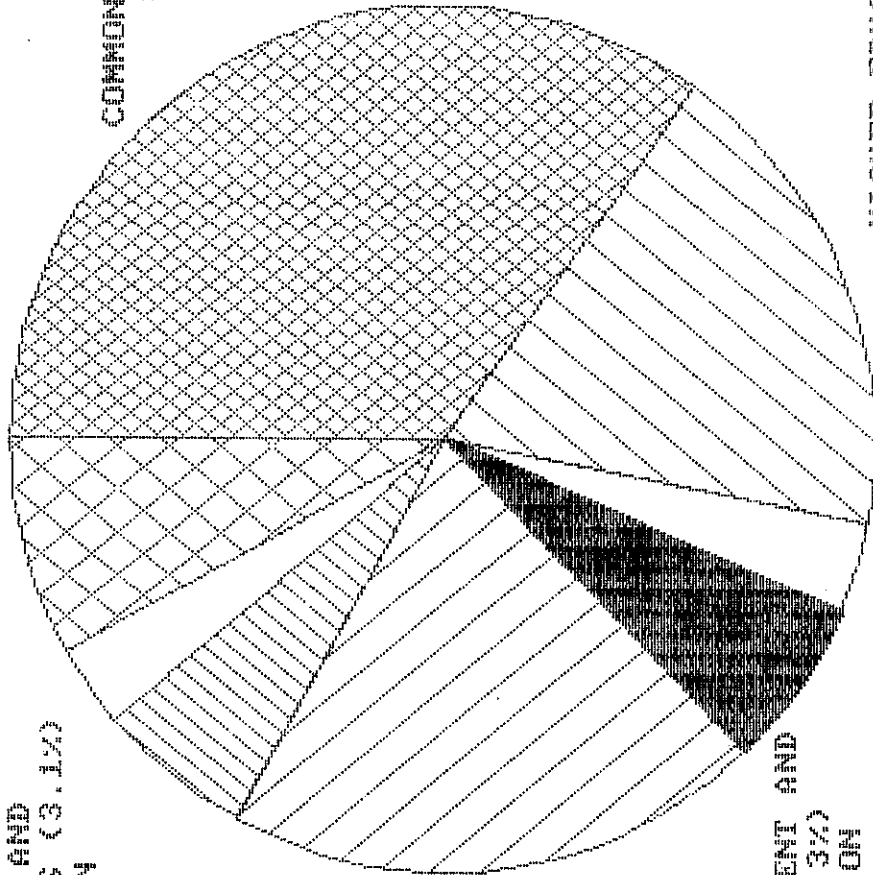
**NATURAL RESOURCES AND
REGULATORY SERVICES (3.1%)**
\$68.9 MILLION

HEALTH (5.8%)
\$129.3 MILLION

**HUMAN SERVICES
(20.2%)**
\$451.6 MILLION

**GENERAL GOVERNMENT AND
JUDICIARY (6.3%)**
\$139.7 MILLION

**VO-TECH AND OTHER EDUCATION
AGENCIES (3.5%)**
\$77.7 MILLION



COMMON EDUCATION (3.4.8%)
\$78.1 MILLION

HIGHER EDUCATION (18.1%)
\$405.4 MILLION

Historical Overview

The appropriation for operations for FY'88 is \$100.6 million less than the amount initially appropriated for FY'83, a reduction of 4.3%. When compared to the "actual" operating level for FY'83, the amount for FY'88 is only \$64.6 million, or 3%, more. In constant dollars, FY'88 appropriations are \$260.2 million, or 12%, less than the amount appropriated for "actual" FY'83 operations.

Table 1

<u>Fiscal Year</u>	<u>Total Appropriations for Operations</u> (in millions)	<u>Percentage that FY'88 Appropriation is Over/(Under) Prior Year Appropriation</u>
1988	\$2,234.8	
1987r (HB 1196)	2,165.9	3.2
1987	2,193.8	1.9
1986	2,461.6	(9.2)
1985	2,138.6	4.5
1984r (HB 1451)	2,051.7	8.9
1984	2,227.0	0.4
1983r (SB 69)	2,170.2	3.0
1983	2,335.4	(4.3)
1982	1,925.6	16.1

It is worthy to note that even though the Legislature has increased revenue in three of the past four years, state government funding has remained virtually at a standstill. The FY'85 budget caused nearly half (36) of Oklahoma's appropriated state agencies to experience further cuts, after two years of substantial reductions — \$166.2 million in FY'83, \$118.5 million in FY'84 or remain at a "standstill" level. Increases in FY'85 were directed to those agencies deemed to have critical funding needs (Public Schools — \$26.9 million; Higher Education — \$6.0 million; Corrections, Vo-Tech, Tax Commission).

The primary issue for the FY'86 budget was that the focus of the previous three legislative sessions had been primarily on meeting current budget difficulties with little consideration for future needs. Due to the small increase in revenue for FY'85 and budget reductions in the previous two fiscal years, there was a general consensus that enough revenue should be raised to grant statewide pay increases for teachers and state employees and to enhance state programs and services, especially in education.

The 1985 Legislature increased taxes to provide sufficient revenue for increases in teacher salaries, state employee salaries and education programs. An improved revenue estimating formula was also approved to more accurately reflect current economic conditions, restrict state government growth and provide a mechanism to set aside funds during future shortages.

Total appropriations for operations grew by approximately 15%, or \$323 million between FY'85 and FY'86. More specifically, increased spending for FY'86 was in the following areas:

Education pay increase	\$130.8 million
Education programs	\$76.8 million
State employee pay increase	\$57.0 million
Non-education programs	\$58.4 million

A number of state agencies received only pay increases and a small increase for common adjustments, resulting in operating levels at or below fiscal year 1982 levels.

Due to pressures within OPEC to control more of the market for oil, the world price for oil continued its fall from the high levels of the early 1980s. This rapid decline in oil prices and several other factors resulted in a FY'87 certification level of \$406 million less than the FY'86 level, a drop of 16.5%. Other factors that contributed to the shortage include:

- Out-of-state insurance companies continued to pay taxes under protest (\$21 million in revenue unavailable for appropriation).
- The FY'86 budget had been supported with \$63 million in nonrecurring cash.
- Oil companies received a preliminary injunction against the unclaimed mineral interest law (\$16 million in revenue unavailable for appropriation).

A number of steps were taken to mitigate the effect of such reductions. At first, agencies were asked to achieve savings in FY'86 to help alleviate FY'87 reductions. This action in effect stretched the cuts over 20 months rather than 12. Second, there was an agreement to have no capital/special projects bill (\$62 million); third, special cash sources were tapped for \$123 million. Nearly half (34) of the agencies experienced cuts greater than the average reduction of 12.8%.

The Legislature believed certain areas had critical funding needs and should receive lower reductions, since substantial reductions would adversely affect the services they provide. Those areas were: education, the courts, corrections and human services. All of these agencies received reductions less than the average reduction of 12.8%.

1987 Session

Governor's Budget Proposal

Governor Bellmon submitted his FY'88 budget recommendation on January 26, 1987, based on the official revenue estimates adopted at the December 1, 1986, meeting of the State Board of Equalization and based on additional revenue from proposed tax and fee increases. The Governor's basic policy objective was to maintain state funding at or near the level provided for FY'87. After many year's of budget reductions, the Governor determined the state could not tolerate additional reductions that the existing funding would require. Even though his recommendation was almost \$160 million below FY'87, an increase in user fees and tax increases dedicated to specific areas would have resulted in FY'88 budgets of approximately \$2.366 billion or \$54.5 million over FY'87.

The main points of the Governor's budget plan were:

- increase state sales and use tax collections through broadening the sales tax base to services while reducing the rate from 3.25% to 3.00%;
- increase motor fuels taxes by 6¢ per gallon, with 5¢ to go to DOT and 1¢ to a special capital account to pay any debt incurred for a capital projects proposal;
- increase tuition at the institutions of higher education;
- no appropriations to the Police, Firefighters, Law Enforcement and Disability Insurance Program for FY'88;
- reduce agencies' employer contribution to the Public Employees Retirement System by 50% and
- increase fees that agencies collect and take those agencies out of the appropriation process.

The Governor also attempted to balance the budget through the transfer of programs from one agency to another without funding and the elimination of certain services that were deemed unnecessary or under funded.

The Governor basically proposed a standstill budget for the major education agencies if the tuition increase proposed for higher education was included. He also planned to redistribute \$69 million in public service tax revenue, which was previously "off budget". Other state agencies would have received a 15.5% reduction in appropriations, whereas education agencies were slated for a 0.2% cut. Total General Fund appropriations, that is, education and other state government spending, would be cut by 7.1% from the FY'87 appropriation level.

A substantial part of Governor Bellmon's budget required other political entities to fund services that he does not consider to be state services. In particular, he would have required counties and local governments to provide support for over \$25 million in programs and services that had been previously funded by the state. As examples, \$9.5 million in funds currently provided to school districts serviced by vo-tech schools were proposed for elimination and counties would provide one-half the cost of all district attorney salaries and operating costs (\$10.1 million).

Other services provided by the state were to be phased out entirely, such as funding for the Physician's Manpower Training Commission (PMTTC), and funding would have been reduced substantially for community arts programs, museums and sites and specific services in the Health Department.

The Governor would have abolished or consolidated a number of agencies and programs. Closing the University of Science and Arts of Oklahoma (USAO), the state dental school, the osteopathic medical school, the Eldercare program, the Office of Handicapped Concerns, Consumer Credit Department, State Fire Marshal and Civil Defense were all part of the Governor's budget proposal and were rejected ultimately by the Legislature.

Budget Reconciliation Act

Immediately after the Governor introduced his budget, the Legislature was faced with a two-dimensional problem for the current (FY'87) year budget. First, the Office of State Finance projected that there would be insufficient revenue to fund current appropriations; and revenue failures in April and June were predicted. Secondly, it was projected that, due in part to the revenue failures, the state would not have sufficient revenues to build up the FY'88 cash flow reserve fund and ease the monthly fluctuation of revenues.

The Governor's recommendations to solve the FY'87 revenue problems were:

- increase the motor fuel tax by 6¢ and deposit those monies to the General Revenue Fund for FY'87;
- reduce agencies contributions by 50% to the Public Employees Retirement System for the remainder of FY'87;
- a 3% across-the-board reduction to all agency FY'87 appropriations; and
- utilize more than \$3.5 million in revenue available from other sources, one required abolishing the Pension System Reserve Fund, the other monies would result from the transfer of \$2 million from a bond escrow fund to the General Revenue Fund.

These items would have solved the problem presented by a revenue shortfall in FY'87. They would also assist in building cash reserves for the beginning of FY'88. One other proposal was suggested to build FY'88 reserves. The Governor proposed to consolidate the Human Services Fund with the General Revenue Fund. This would assist in building the FY'88 reserves by cancelling the repayment from the Human Services Fund to the Pensions System Reserve Fund. Consolidating the Human Services Fund would also make the month-to-month collections of general revenue monies more equal as sales tax revenues accrue more evenly throughout a fiscal year.

The Legislature, however, opted to reduce agency budgets selectively rather than make across-the-board reductions. The Legislature decided to make no reductions to the major education agencies (common education, vo-tech education and higher education) and to make selective cuts, depending upon agency circumstances. Ultimately, total agency reductions of \$27.9 million were made. At this point, the Legislature opted not to increase taxes but rather to improve the state's cash flow. The Legislature consolidated three (Human Services, Public Safety and Medicolegal) funds into the General Fund, which, when coupled with approximately \$28 million in cuts, saw the state through its immediate crisis.

Legislative Budget Policy

The Legislature's FY'88 budget policy drew upon the Governor's basic philosophy that FY'88 appropriations should maintain FY'87 appropriations base level of approximately \$2,277.8 million.

During February of 1987, the Board of Equalization recertified \$1,954 million as the maximum amount available for FY'88 appropriation. Although this amount was a \$22 million increase over the November 1986, initial certification, overall funding of state services was facing an approximate \$348 million reduction. A portion of this reduction was attributable to the use of approximately \$123 million of existing cash (one-time monies) to fund the previous fiscal year's budget.

In spite of the sizable cuts in the previous year's agency budgets, it was considered impractical to further shelter such areas as education, courts, corrections and social services from the full impact of their pro-rata share of the indicated cuts. Since these agencies accounted for over 80% of the appropriated budget, it was obviously impossible to provide adequate funding of such critical services without additional revenue sources.

HB 1061, the omnibus tax bill, was used to meet the critical funding needs of state government. A summary of FY'88 tax increases are as follows:

**REVENUE CHANGES TO THE
GENERAL REVENUE FUND**

<u>Item</u>	<u>Increase in Appropriations Authority</u>
TAX CHANGES	
Sales and Use Tax - increased 3/4%	\$128.2
Liquor Taxes	6.6
Cigarettes - increased 5¢	16.2
Income Tax Charges	
- Federal Tax Reform	64.3
- Repeal Conservation Excise	.8
- Tax Credit	
- Exemption for Blind	(.2)
NONTAX CHANGES	
- Sales Tax Vendor Remittance	.5
- Ad Valorem Fund Transfer	5.9
- Improve Cash Management (HB 1492)	16.2
- Revolving Funds Merged with the General Revenue Fund	17.4

In addition, the tax on gasoline and special fuel was increased by 6 cents per gallon, and the tax on diesel fuel was increased by 3 cents per gallon. Although this tax increase raised approximately \$116 million in additional revenue, the full increase was dedicated to the Department of Transportation. However, the additional funds did have a \$69 million positive impact on the General Revenue Fund by substituting previous general revenue funding with the new tax revenue.

During July of 1987, the Board of Equalization certified \$2,224 million as the maximum amount available for FY'88 appropriation. The Board's action was the final certification for the new fiscal year, and included the additional revenues to be realized from the recently authorized tax increases. An analysis of the certified amount is as follows (amounts in millions):

<u>Item</u>	<u>FY'87 Certification</u>	<u>Estimated Changes</u>	<u>Statutory Changes</u>	<u>FY'88 Certification</u>
Income Tax ¹	\$773.44	\$(72.61)	\$115.12	\$815.95
Sales & Use Tax	572.95	(16.94)	128.18	684.19
Gross Production Tax ²	211.74	(41.08)	—	170.66
Tag Agent Remittance	140.82	2.38	—	143.20
Other General Revenue	354.75	(18.20)	49.79	386.34
Total General Revenue	<u>\$2,053.70</u>	<u>\$(146.45)</u>	<u>\$293.09</u>	<u>\$2,200.34</u>
Other Certified	21.86	1.48	—	23.34
Total Certified	<u><u>\$2,075.56</u></u>	<u><u>\$(144.97)</u></u>	<u><u>\$293.09</u></u>	<u><u>\$2,223.68</u></u>

¹ Income tax collections were originally estimated to decline approximately 10% from the FY'87 certification amount. However, income tax collections were ultimately estimated to increase approximately 15% as a result of the 1986 federal tax reform.

FY'88 GENERAL REVENUE FUND

REVENUE SOURCES

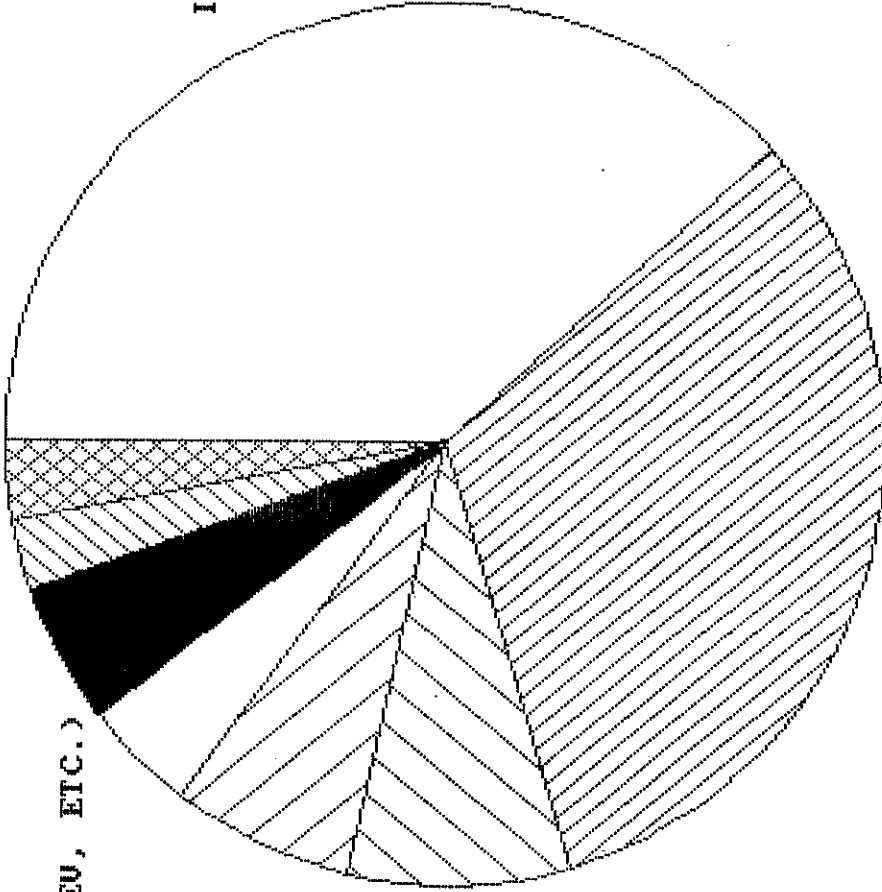
INTEREST INCOME (2.7%)

BUSINESS AND ESTATE TAXES
(5.2%)

CONSUMER TAXES
(CIGARETTES, ALCOHOLIC BEV, ETC.)
(4.1%)

TAG AGENT REMITTANCE
(6.2%)

GROSS PRODUCTION
(8.2%)



INCOME TAX (38.2%)

SALES & USE (32.1%)

An analysis of FY'88 income tax is as follows:

Individual	\$647.73
Corporate	90.00
Federal Tax Reform	121.39
Exemption for Blind	(0.22)
Total Estimated Income Tax	<u>\$858.90</u>
	x .95
Certified Amount	<u><u>\$815.95</u></u>

- 2 FY'87 problems in the receipt of gross production taxes were estimated to continue during FY'88. Current estimates are based on an oil production decline of 10% and gas production remaining constant when compared to the FY'87 estimate. Prices are anticipated to fall \$1.50 per barrel, with an overall decline in gross production to equal approximately 20%.

Fee Increases and Other Budget Agreements

The tax package that was finally agreed to and enacted still would have necessitated additional cuts of over \$60 million, or 2.5%, if applied across-the-board. Shielding the major education agencies would have meant 6 to 8% reductions to all other areas. As a means to mitigate or alleviate those cuts the Legislature chose to increase fees, reduce retirement contributions, make reductions selectively to those agencies that could best handle the reductions, and alter the funding priorities for state government services.

Slightly more than \$39 million in additional revenue will be provided for the FY'88 budget through fee increases. Of that amount, approximately \$16 million will accrue directly to appropriated funds. The other \$23 million will accrue directly to agency budgets; however, revenue attributable to those fees was still a major consideration as the FY'88 budget was written. (For specifics, see Table 2.)

Funding for state agencies varied considerably and reflected legislative priorities for such services as education, the courts, general government services, social services, economic development, law enforcement and transportation. The effect that budgetary changes will have on state government services is explained in the next several sections.

Potential Revenue and Cash Flow Reserve Outlook

The Legislature made significant changes in how the state will accommodate monthly fluctuations in revenue. First, the Legislature consolidated three funds totaling almost \$370 million into the General Revenue Fund. This change adds over 20% to the General Revenue Fund and should smooth out the monthly fluctuations. Second, the Legislature authorized the Director of State Finance to transfer monies from other funds to the General Revenue Cash Flow Reserve Fund to meet monthly allocation needs. However, prior to filling the next fiscal year's cash flow reserve fund the Director of State Finance must repay any monies "borrowed" from other funds. Third, the Legislature continued the practice of funding the common schools on an eleven-month budget to ease early cash flow problems.

TABLE 2
FEE INCREASES
FISCAL YEAR 1988

	<u>General Revenue</u>	<u>Other Appropriated</u>	<u>Revolving</u>
EDUCATION			
Common Education			
- Abolish Drivers Education Fund			
Deposit to General Revenue Fund	\$2,500,000		
Higher Education			
- General Enrollment & Tuition Fees			\$20,000,000
J.M. Davis			
- Authorized to Charge Fee			
Will Rogers			
- Authorized to Charge Fee			
EDUCATION SUBTOTAL	<u>\$2,500,000</u>		<u>\$20,000,000</u>
GENERAL GOVERNMENT AND JUDICIARY			
District Courts		\$3,578,691	
- Various Court Fees	\$485,000		
Secretary of State			
- Agriculture Fee Lien User Fee	\$485,000		
GENERAL GOVERNMENT SUBTOTAL	<u>\$485,000</u>	<u>\$3,578,691</u>	
HEALTH AND SOCIAL SERVICES			
Health Department			
- Dairy Inspection Fee			\$147,178
- Water Supply User Fees			278,459
- Waste Water User Fees			28,700
- Air Quality User Fees			86,581
- Review Home Owner Waste Water Systems			400,000
- Solid Waste Disposal Facilities			20,000
- Radioactive Waste Generation			25,000
Health Planning Comm.			
- Nursing Home Certificate of Need Fee			201,000
- Hospital Certificate of Need Fee			111,000
- Annual HMO License Fee			13,000
Veterans			
- Patient Payment Schedule			1,005,337
HEALTH AND SOCIAL SERVICES SUBTOTAL			<u>\$2,316,255</u>

NATURAL RESOURCES AND REGULATORY SERVICES

	<u>General Revenue</u>	<u>Other Appropriated</u>	<u>Revolving</u>
Banking			
Consumer Credit			
- Bank Assessment Fee	\$185,000		
- Credit Service License Fee	8,000		
- Investigation Fee	4,000		
- Examination Fee	8,000		
- Pawnbroker Investigation Fee	2,000		
- Supervised Lenders License Fee	40,725		
- Supervised Lenders Examination Fee	65,500		\$750,000
- Intent to Drill Permits			
- Agent Appointment Fee	\$1,686,744		
- Bail Bond Fee			53,000
- Asbestos Fee	300,000		
- Coal Production Fee			56,250
- Noncoal Production Fee			75,000
- Broker/Dealer Registration Fee	915,000		50,000
- Exemption Notification	25,000		
- Amendment Examination Fee	10,000		
	<u>\$3,249,969</u>		<u>\$984,250</u>
NATURAL RESOURCES SUBTOTAL			
PUBLIC SAFETY AND TRANSPORTATION			
CLEET			
Public Safety			
- Security Guard & Private Investigator Fee	\$965,000		
- Duplicate License Fee	240,000		
- Notification of Lien Holders	135,000		
- Non-resident Violators Compact	6,000,000		
	<u>\$7,340,000</u>		
PUBLIC SAFETY AND TRANSPORTATION SUBTOTAL			
TOTAL	\$13,574,969	\$3,578,691	\$23,300,505

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 (BM-feeinc)
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These three legislative actions are important in the context of projected revenue collections during FY'88. The Director of State Finance is required to place up to 11% of the General Revenue Fund fiscal year's certification into the cash flow reserve fund. The cash flow reserve fund is used to meet monthly allocation requirements. The current cash flow reserve fund will begin with approximately \$220 million or 10% of the FY'88 General Revenue Fund certification. This compares with the previous fiscal year balance of 10.4%.

The beginning cash flow reserve balance would normally be sufficient to meet monthly revenue fluctuations. However, due to the Federal Tax Reform Act the state might experience problems later in the fiscal year. The Board of Equalization certified and the Legislature appropriated approximately \$121 million in additional income tax revenue due to federal tax reform. This amount is over 5% of the total FY'88 certification and more than 16% of the projected income tax collections. Due to the collection pattern of income taxes in general and the probability that the new revenue from federal tax reform will not accrue to the General Revenue Fund until the last six months of FY'88, revenue problems might appear as early as January. This assumes, however, that collections for FY'88 are only 95% of the itemized estimate or collections actually equal the amount that is appropriated. Collections of 96 to 100% of the estimate will considerably alter the revenue projections. (Note: FY'87 revenue collections were 95.5% of the itemized estimate and the state did not experience a revenue failure.) The new authority vested in the Director of State Finance, that allows him to transfer monies from other funds to meet General Revenue monthly allocation requirements should mitigate any potential revenue problems.

Senator Robert Cullison, Appropriations Chairman
Senator Gerald Dennis, Appropriations Vice-Chairman
Brian L. Maddy, Fiscal Staff Director

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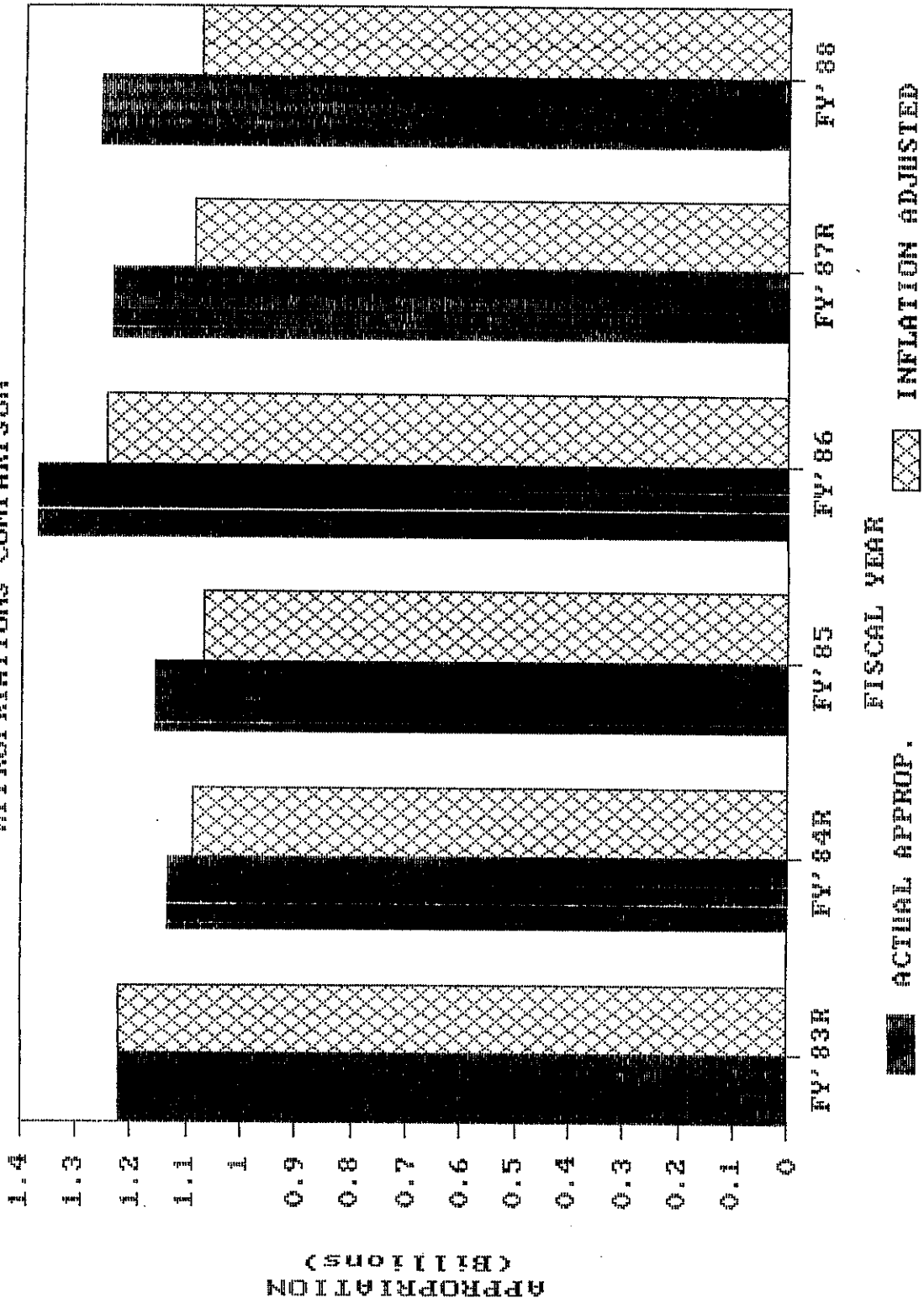
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SUBCOMMITTEE ON EDUCATION

APPROPRIATIONS COMPARISON



EDUCATION SUBCOMMITTEE HIGHLIGHTS

Historical Overview

State appropriations for education programs during the past six years have remained fairly constant. The low point in FY'84 was 7.2% below the FY'83 level, but by FY'86 appropriations surpassed the FY'83 figure and have remained higher ever since. When the effects of inflation are considered however, the lost ground amounts to 11.7% from FY'83 to FY'88.

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Inflation Adjusted Figure</u>	<u>Actual FTE</u>	<u>Authorized FTE</u>
1983 Revised	\$1,220,623,459	\$1,220,623,459	1,328.9	1,481.5
1984 Revised	1,132,492,935	1,086,845,427	1,316.8	1,474.5
1985	1,156,634,856	1,069,967,489	1,314.1	1,474.5
1986	1,366,889,127	1,243,757,167	1,317.3	1,483.0
1987	1,234,358,434	1,088,499,501	1,297.0	1,453.0
1988	1,261,203,913	1,077,952,062	N/A	1,468.5

1987 Session

Budget Reconciliation Act

Major education programs were spared cuts in HB 1196. OETA, however, was cut 2.4%, further impairing the agency's ability to maintain equipment properly. That agency, along with the Historical Society, J.M. Davis Commission, and Will Rogers Commission has seen substantial deterioration of facilities due to erosion of funding during the past two years. Reductions of 4.2% in the Arts Council appropriation and 5.3% in that of the Physician Manpower Training Commission have necessitated reduced state support for local programs.

Major Policy and Program Issues

Major policy issues focused on increased accountability for the state's top spending priority. Activities of the Chancellor and fiscal propriety at the higher education institutions received special attention in legislative committees. Senate Bill 77 addressed major concerns by requiring periodic audits of institutions and of foundations under certain circumstances. Restrictions are placed on certain funds.

Considerable pressure from the Legislature and education policymakers effected an agreement on the "hold-harmless" issue that provides for a one-time 33% reduction in the supplement and its gradual elimination as state formula funding increases. Driver education funds were merged into the General Revenue Fund and distributed through the formula. An examination of duplication in vocational-technical and higher education programs resulted in a statutory mandate for increased coordination.

Augmentation of nonappropriated funding for education received increased scrutiny. General enrollment fees and tuition were increased in the hope of adding \$20 million to the budgets at colleges and universities. The higher rates represent a 21% increase at the lower division level to as much as 33% at the graduate level. The appropriation for the Commissioners of the Land Office was increased to implement programs to maximize earnings and to enhance revenue collections. Earnings from Land Office investments benefit public schools and various colleges and universities.

The Oklahoma Center for the Advancement of Science and Technology was established as a separate agency in HB 1444, growing out of the Division of Science and Technology at the Department of Commerce. It is to be governed by a board of directors comprised of public sector members and private sector members with experience in small business, industry and basic or applied research. The center will administer six major programs: Centers of Excellence for basic research and for applied research at the state's universities; creation of endowed chairs and research funding; health research and commercial development; applied research project funding; providing technical information and data to minority businesses; and "seed capital" financing, both debt and limited equity, to encourage innovation in products and services.

Higher Education

The FY'88 appropriation is \$3.9 million (1.0%) less than the FY'87 appropriations base. However, the increased fee and tuition revenue and the \$11 million to the Oklahoma Center for the Advancement of Science and Technology will put the institutions in a stronger position than the previous year. Legislative action merged Sayre Junior College with Southwestern Oklahoma State University. An additional trustee was added to the boards of Tulsa, Ardmore and McCurtain Higher Education Centers.

Common Education

Appropriated funding was increased \$2,465,000 (0.3%) above the FY'87 appropriations base. Priorities in programs were examined and a \$3 million increase was given to the formula. Due to the hold harmless agreement, considerable changes will occur in formula funding. Aside from Red Rock, which was disqualified from formula funding due to disproportionate local receipts, the magnitude of change ranged from -73% to +79%, but 382 of the 613 districts showed a change, whether positive or negative, of less than 10%. However, 328 (53.5%) districts lost formula funding. Districts whose total revenues exceed 300% of state average per child revenue are prohibited from receiving formula aid. The Science and Math High School received \$50,000 and Community Literacy \$200,000.

The class-size reduction moratorium was extended for yet another year. The writing assessment component of the School Testing Program has been expanded to include seventh grade. HB 1110 expresses intent that only academic coursework (including vocational education) be approved for credit.

New Programs: H.B. 1344 encourages districts to apply for funds under the federal Drug-free Schools and Communities Act and to implement the programs fully by 1990. A 21-member council is to advise the State Board of Education on curriculum, model policies, and training workshops.

H.B. 1476 requires that after grade seven children are to receive periodic education about AIDS prevention. Locally developed curriculum is permitted, but the State Department of Education is directed to make plans and materials available. Parents may request in writing that their children not participate in the instruction.

Vocational Technical Education

The Board of Private Vocational Schools, transferred to Vo-tech in FY'87, has been given independent agency status again with funding of \$101,391. The funding increase, then, for FY'88 amounts to almost \$5.5 million. One-time capital projects total \$3,955,000 and the increase to programs and operations is \$1,532,500. Of the latter amount, new and existing industry training receives \$450,000; the bid assistance centers receive \$336,500 in additional funding; displaced homemakers' programs receive \$75,000. The Oklahoma

City District #22 Aviation Career Center receives \$300,000 for operations and \$1 million of the capital funds for construction and equipment. This new program will be located at Will Rogers Airport and promises to become a major component of the offerings in Oklahoma City. The bid assistance centers program is less than one year old, yet has assisted Oklahoma companies in obtaining 121 contracts worth \$14 million.

Commissioners of the Land Office

Legislative committees conferred at length with agency management concerning new programs and reorganization to maximize earnings. Efforts will focus on increased auditing, substantial penalties for delinquent payments, and a commercial leasing program. A recent pilot program in auditing suggests that earnings may increase by more than \$100,000 per year for each auditor hired. To carry out these plans the agency's budget was increased by 35.4%. Statutory change provides that the Depletion, Management and Sale Fund, the source of agency operations, is to be certified by the Board of Equalization. Revenues to the fund are income from surface leases.

Other Agencies

J.M. Davis Commission and Will Rogers Commission both suffered an effective 2% cut in operations. Although the Legislature authorized an admission charge at both museums, the two commissions have historically resisted such an action, and a change in the lease with the J.M. Davis Foundation may be necessary if this potential source of funds is to be utilized. The Physician Manpower Training Commission appropriation, vetoed in H.B. 1110, was restored in H.B. 1473 and signed by the Governor. A six per cent cut in appropriated funds will mean reductions in the scholarship, intern and residency, and perinatal programs.

All other small agencies in the subcommittee were spared cuts, except for the OPERS contribution reduction. The Arts Council received new funds for cultural and artistic activities for the National Conference of State Legislatures Conference in Tulsa in 1989 and for the Centennial Celebration of the Land Run. The Department of Libraries received additional funding to publish the Directory of Oklahoma. Reductions in the operating budget would have threatened the "maintenance of effort" by the state required to receive federal funds.

After a year of funding through Vocational Technical Education, the Board of Private Schools was once again given a separate appropriation. Certain difficulties had made the combined funding unworkable.

Senator Bernice Shedrick, Subcommittee Chairman
Maryanne Maletz, Education Fiscal Analyst

9/22/87
MM:em (MM-High)

**SUBCOMMITTEE ON EDUCATION
STATUS OF SUBCOMMITTEE ACTION
FISCAL YEAR 1988**

<u>Agencies</u>	<u>FY'87 Initial Appropriations Base (A)</u>	<u>FY'88 Approp.</u>	<u>Amt. Change From FY'87 Approp. Base</u>	<u>% Change From FY'87 Approp. Base</u>
Arts Council	1,411,125	1,480,157	69,032	4.89 %
Common Education	775,632,942	777,995,728	2,362,786	0.30 %
Historical Society	3,261,227	3,292,485	31,258	0.96 %
J. M. Davis	221,168	208,314	(12,854)	(5.81)%
Land Commission	3,589,831	3,610,000	20,169	0.56 %
Libraries	3,442,225	3,398,886	(43,339)	(1.26)%
O. E. T. A.	1,755,947	1,697,756	(58,191)	(3.31)%
Physicians Manpwr. Trng.	5,807,020	5,453,652	(353,368)	(6.09)%
Private Schools	-0-	101,391	101,391	0.00 %
Regents for Higher ED	398,327,906	394,403,922	(3,923,984)	(0.99)%
Science & Technology	-0-	11,000,000	11,000,000	0.00 %
Vo-Tech Education	52,944,335	58,330,444	5,386,109	10.17 %
Will Rogers Memorial	346,349	328,964	(17,385)	(5.02)%
Total	\$1,246,740,075	\$1,261,301,699	\$14,561,624	1.17 %

9/11/87
BM:em (BM-Sub-ED)

State Arts Council

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,548,517		\$1,997,756		11.3	12.0
FY'84 Revised	1,375,999	(11.1)%	2,040,502	2.1 %	11.4	12.0
FY'85	1,375,999	0.0 %	2,054,820	0.7 %	11.8	12.0
FY'86	1,600,962	16.3 %	2,154,302	4.8 %	12.0	12.0
FY'87 Revised ²	1,280,358	(20.0)%	2,118,636	(1.7)%	12.0	12.0
FY'88	1,480,157	15.6 %	2,198,397	3.8 %		14.5

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.9% increase.

- Since FY'83 the agency has experienced a 4.4 % decrease in appropriations; when adjusted for inflation the decrease is 18.3%.

- The Budget Reconciliation Act made a midyear cut of \$56,445 or 4.0% from the agency's FY'87 appropriation base. The agency was forced to reduce support of community programs in order to accommodate the reduced funding.

- Funding of \$80,000 was provided for arts events in conjunction with the Land Run Centennial celebration and the National Conference of State Legislatures meeting in Tulsa.

HB 1110, Sections 1-7.

9/14/87

MM:em (ED-H-Arts)

Department of Education

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$741,445,043		\$861,788,487		576.3	624.0
FY'84 Revised	684,147,203	(7.7)%	807,620,631	(6.3)%	580.5	623.0
FY'85	711,047,203	3.9 %	833,325,857	3.2 %	564.0	623.0
FY'86	853,106,689	20.0 %	970,062,375	16.4 %	559.5	623.0
FY'87 Revised ²	765,869,684	(10.2)%	895,343,101	(7.7)%	548.0	603.0
FY'88	778,097,942	1.6 %	936,293,082	4.6 %		585.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of expenditures.

2 The FY'87 figure reflects the actual appropriation, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.3% increase.

- Since FY'83 the agency has experienced a 4.9% increase in appropriations; when adjusted for inflation, the appropriation represents a 10.3% decrease.

- The Budget Reconciliation Act did not include common education.

Appropriation for Financial Support of Schools (FSS)

	<u>Appropriation</u>	<u>Percent Change</u>	<u>ADA</u>
FY'83 Revised	\$681,344,268		556,115
FY'84 Revised	632,194,167	(7.2)%	553,237
FY'85	662,081,154	4.7%	552,857
FY'86	787,117,521	18.9%	553,365
FY'87 Revised	721,983,555	(8.3)%	550,465
FY'88	729,694,458	1.1%	

- Since FY'83, the FSS line item has shown a 7% increase in appropriations; when adjusted for inflation, the appropriation represents an 8.4% decrease.

- The midterm adjustment is a supplementary appropriation made to schools with a 2% or greater growth in enrollment from one year to the next. This supplemental appropriation is normally made in the spring, after the fall enrollment figures have been collected. No funds have been put in reserve for the midterm adjustment in FY'88.

FSS Appropriation Including Midterm Adjustment

	<u>Appropriation</u>	<u>Percent Change</u>
FY'83 Revised	\$692,409,417	
FY'84 Revised	641,785,961	(7.3%)
FY'85	671,581,154	4.6%
FY'86	797,117,521	18.7%
FY'87 Revised	732,828,370	(8.1%)
FY'88	729,694,458	(.4%)

Appropriation for State Board and State Department of Education Operations

	<u>Appropriation</u>	<u>Percent Change</u>
FY'83 Revised	\$17,304,890	
FY'84 Revised	16,125,043	(6.8%)
FY'85	15,802,543	(2.0%)
FY'86	19,043,417	20.5%
FY'87 Revised	15,842,739	(16.8%)
FY'88	18,365,402	15.9%

Appropriations for Support Programs (Line Items) Other Than FSS

	<u>Appropriation</u>	<u>Percent Change</u>
FY'83 Revised	\$36,964,157	
FY'84 Revised	35,727,993	(3.3%)
FY'85	33,063,506	(7.5%)
FY'86	48,910,362	47.9%
FY'87 Revised	28,133,390	(42.5%)
FY'88	30,524,620	8.5%

- Appropriations for FY'88 reflect a continuing consensus in the Legislature to distribute funding for programs through the formula in the FSS line item. Kindergarten screening funds, a new line item in FY'87, have been distributed in FY'88 through the formula by adjusting the weights for kindergarten enrollment. Other line item changes include \$500,000, up from \$396,000 from FY'87, for "alternative education", a program that serves "at risk" students such as dropouts, suspended students and teenage parents. An urban program since the mid-1970s, alternative education has recently become available in rural districts as well, due to cooperative arrangements among districts. New line items are community literacy at \$200,000 and "instructional, cooperative and technological education" at \$4,255,519. The latter item includes \$1,853,090 for instructional computer services. The funds are distributed to districts as independently judged grants, on a contract basis. The small school cooperatives component comprises \$1,000,000, and the balance funds a variety of small programs.

- The line item for the county superintendents' salaries was vetoed by the Governor. In HB 1473 the item was restored, but cut from \$180,550 to \$78,336. The second bill also contained amendatory language that eliminates state subsidy of county superintendents in counties with less than three dependent districts.
- Drivers education funds will henceforth be distributed through the formula in the FSS line item. Such programs in the schools will no longer receive earmarked funding and will no longer be administered at the state level.
- A new professional development center has been added in Ardmore, bringing the number of these regional staff development resource centers to four.
- Since 1981, when the current formula provision was adopted, districts which would stand to lose large amounts of state aid have been cushioned by a "hold-harmless" supplement provision. Intended as a transition provision, the supplement has exacerbated the vicissitudes in state aid funding caused by uncertain state revenues. During the 1987 session, legislators worked with State Department of Education personnel and with representatives from the districts to come to an agreement. All hold harmless districts in FY'88 took a 33% cut in the supplement. Any increases in future formula funding to these districts would be deducted from the reduced supplement, so that, assuming state aid increases in coming years, the supplement will eventually be eliminated.
- The Oklahoma School of Science and Mathematics received an appropriation of \$50,000.
- The moratorium on class-size reductions was continued yet another year. In the 1986-87 school year districts that had more than 24 students in classes of grades 1-3 were not permitted to include the "excess" students in the ADA computation. When the law was adopted in 1985, the class size was originally slated to be 23 in 1986-87. In 1987-88 it was to be 22, but is actually still set at 24.
- Beginning in 1986-87, all tenth grade students take a writing assessment test. Seventh graders are included in 1987-88, and third graders are slated to start the program in 1988-89.
- Limits on administrative expenditures were placed on districts. The limits vary according to the size of the district.

HB 1110, Sections 71-79.
 HB 1473, Section 108.

9/21/87
 MM:em (ED-H-ED)

Oklahoma Historical Society

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,864,663		\$3,631,934		107.5	113.0
FY'84 Revised	2,288,443	(20.1)%	3,573,334	(1.6)%	104.5	114.5
FY'85	2,973,681	30.0 %	3,824,230	7.0 %	108.5	114.5
FY'86	3,613,207	21.5 %	3,820,393	(0.1)%	108.1	114.5
FY'87 Revised ²	2,938,448	(18.7)%	3,955,268	3.5 %	100.0	113.5
FY'88	3,292,485	12.0 %	3,901,964	(1.3) %		113.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas FY'88 is an estimate of expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.0% increase.

- Since FY'83 the agency has experienced a 15% increase in appropriations; when adjusted for inflation the appropriation represents a 1.8% decrease.
- The Budget Reconciliation Act made a midyear cut of \$108,042 or 3.3% from the agency's FY'87 appropriation base. The effect of the reduction was a delay in certain capital funding projects and the closing of two sites.
- The agency's budget constraints have eased moderately in FY'88. The Old Central site in Stillwater is to be reopened, and the agency plans to hire a second maintenance and repair person and an educational specialist in light of the upcoming Land Run centennial celebration.
- Administration of the Indian Hall of Fame in Anadarko was transferred to the society from the Tourism and Recreation Department.

HB 1110, Sections 8-9.

9/18/87
MM:em (ED-H-Hist)

J. M. Davis Memorial Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$213,002		\$314,319		10.1	11.0
FY'84 Revised	196,528	(7.7)%	237,737	(24.4)%	9.5	11.0
FY'85	196,528	0.0 %	244,451	2.8 %	9.7	11.0
FY'86	215,906	10.0 %	252,508	3.3 %	9.0	11.0
FY'87 Revised ²	200,684	(7.1)%	252,790	0.1 %	9.0	11.0
FY'88	208,314	3.8 %	277,993	10.0 %		10.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 5.8% decrease.

- Since FY'83 the agency has experienced a 2.2% decrease in appropriations; when adjusted for inflation the decrease is 16.4%.
- The Budget Reconciliation Act made a midyear cut of \$10,904 or 4.9% from the agency's FY'87 appropriation base. The effect was to exacerbate the problems with deterioration and maintenance at the facility and to eliminate a small reserve put aside for payment of accrued annual leave when an employee leaves the agency.
- In FY'88 the agency hopes to see a slight easing of spending constraints, but four employees are expected to retire, and payment of their accrued annual leave may be burdensome.

9/18/87
MM:em (ED-H-JMD)

Commissioners of the Land Office

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,819,851		\$2,276,444		59.2	66.0
FY'84 Revised	2,748,227	51.0% %	2,561,470	12.5 %	60.1	66.0
FY'85	3,197,424	16.3 %	2,868,798	12.0 %	62.0	66.0
FY'86	3,443,437	7.7 %	3,123,101	8.9 %	66.0	68.0
FY'87 Revised ²	3,139,726	(8.8)%	3,690,495	18.2 %	68.0	68.0
FY'88	3,610,000	15.0 %	4,861,891	31.7 %		83.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.6% increase.

- Since FY'83 the agency has experienced a 98% increase in appropriations; when adjusted for inflation the increase is 70%. In recent years the agency has taken measures to preserve the assets of the trusts with soil conservation programs, enforcement of loan agreements, and auditing of royalty agreements. The fiduciary responsibilities of the commission have required increased recordkeeping and legal work. All appropriations to the agency are from the Depletion, Management and Sale Fund. Revenues to the fund are 45% of the income from surface leases. All other earnings from investments are distributed to the beneficiaries.

- The Budget Reconciliation Act made a midyear cut of \$97,105 or 2.7% from the agency's FY'87 appropriation base. The effect was reduced spending for soil conservation and continued strain on the agency's personnel.

- In January, 1987, Arthur Andersen and Company completed a comprehensive study of the operations of the Land Office and made numerous recommendations for increasing earnings. Based on these findings and recommendations, the 1987 Legislature appropriated the full amount of certified revenue to the Depletion, Management and Sale Fund and authorized expenditure of an additional \$1.2 million that had accrued to the fund in previous years.

- The additional funding is for 6 new FTE and 9 FTE, formerly temporary, which will now be permanent positions. The new positions are a commercial leasing specialist, two account clerks to work on investments, an audit supervisor, a royalty compliance manager, and a systems analyst.

- The agency's strategy for increased earnings has two elements. Greater attention will be given to collecting revenues through increased audits, royalty compliance, and loan monitoring. A statutory change increased the interest rate on delinquent royalties to 18%. At the same time the agency expects to increase revenues with additional personnel in the investments area, a new commercial leasing program, and a new natural gas marketing program.
- The Governor had recommended that the agency operate as a trust, and the Board of Equalization complied by decertifying the DM&S fund. However, the Legislature mandated that the DM&S fund be certified and appropriated to the agency.

HB 1110, Sections 33-41.

9/21/87
MM:em (ED-H-Land)

Oklahoma Department of Libraries

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$3,946,117		\$5,272,109		81.3	86.0
FY'84 Revised	3,582,418	(9.2)%	4,958,592	(5.9)%	78.3	85.0
FY'85	3,582,418	0.0 %	5,271,457	6.3 %	77.5	80.0
FY'86	3,782,665	5.6 %	5,063,322	(3.9)%	79.2	80.0
FY'87 Revised ²	3,404,398	(10.0)%	5,452,628	7.7 %	71.0	80.0
FY'88	3,398,886	(0.2)%	6,271,495	15.0 %		76.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.3% decrease.

- Since FY'83 the agency has experienced a 13.9% decrease in appropriations; when adjusted for inflation the decrease is 26.4%.
- The Budget Reconciliation Act did not include the department. Federal "maintenance of effort" spending requirements precluded further reductions in the agency budget, without jeopardizing the \$1.3 million from federal sources.
- The FY'88 reduction reflects only the decreased OPERS obligation. An additional \$35,379 was included in the appropriation for publication of the Directory of Oklahoma, and \$10,000 for improvement of local facilities.
- The FY'88 total budget shows a 15% increase due to larger expenditures of federal funds.

HB 1110, Sections 4-7.

9/14/87
MM:em (ED-H-Lib)

Oklahoma Educational Television Authority

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,734,107		\$3,156,462		69.0	66.0
FY'84 Revised	1,611,286	(7.1)%	2,849,867	(9.7)%	61.9	66.0
FY'85	1,655,706	2.8 %	2,879,361	1.0 %	63.7	66.0
FY'86	1,933,841	16.8 %	2,892,633	0.4 %	60.5	66.0
FY'87 Revised ²	1,558,482	(19.4)%	2,093,329	(27.6)%	61.0	66.0
FY'88	1,697,756	8.9 %	2,250,557	7.5 %		66.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 3.3% decrease).

- Since FY'83 the agency has experienced a 2.1% decrease in appropriations, when adjusted for inflation the decrease is 16.3%.
- The Budget Reconciliation Act made a midyear cut of \$38.436 or 2.2% from the agency's FY'87 appropriation base. The effect was further erosion of maintenance of aging equipment.
- The agency will see little change operations funding in FY'88. The foundation has once again agreed to subsidize operations in the amount of \$552,801, as well as provide the program funding.

HB 1110, Sections 24-26.

9/14/87
MM:em (ED-H-OETA)

Physician Manpower Training Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$5,942,796		\$5,826,624		5.0	5.5
FY'84 Revised	6,110,438	2.8 %	6,276,229	7.7 %	5.0	5.0
FY'85	5,911,148	(3.3)%	5,702,036	(9.1)%	4.0	5.0
FY'86	6,519,948	10.3 %	6,429,482	12.6 %	5.0	5.5
FY'87 Revised ²	5,214,959	(20.0)%	5,620,897	(12.6)%	5.0	5.5
FY'88	5,453,652	4.6 %	5,673,650	0.9 %		5.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 6.1% decrease.

- Since FY'83 the agency has experienced a 8.2% decrease in appropriations, when adjusted for inflation the decrease is 21.6%.

- The Budget Reconciliation Act made a midyear cut of \$290,248 or 5.0% from the agency's FY'87 appropriation base. As a result, the hospitals employing interns and residents in the program had to contribute more towards salaries.

- The Governor's original budget proposal called for elimination of the agency and its programs. The original appropriation for the agency was vetoed, and the State Auditor and Inspector directed by the Governor to close the agency. After consultation with the Attorney General's office, however, and verification of available funds for agency operations, the agency continued to operate. The appropriation for FY'88 was ultimately included in HB 1473.

HB 1473, Sections 112-115.

9/16/87

MM:em (ED-H-PMTC)

Oklahoma Board of Private Schools

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$88,766		\$80,203		2.6	3.0
FY'84 Revised	90,751	3.4 %	86,966	8.4 %	2.8	3.0
FY'85	90,751	0.0 %	86,036	(1.1)%	3.0	3.0
FY'86	96,521	6.4 %	93,904	9.1 %	3.0	3.0
FY'87 Revised ²	N/A	N/A	N/A	N/A	N/A	N/A
FY'88	101,391	N/A	112,115	N/A		3.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The 1986 legislative session included the board's appropriation in the Vo-Tech appropriation. Although the two agencies were not technically merged, the Vo-Tech board assumed responsibility for the fiscal activities of the Board of Private Schools. The arrangement was not entirely satisfactory, in the view of the Board of Private Schools, and in 1987 the Legislature resumed making separate appropriations.

- Since FY'83 the agency has experienced a 14.2% increase in appropriations; when adjusted for inflation the FY'88 appropriation represents a 2.0% decrease.

HB 1110, Sections 30-32.

9/14/87
MM:em (ED-H-Priv)

Oklahoma State Regents for Higher Education

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$389,936,129		\$536,685,667		N/A	N/A
FY'84 Revised	361,239,898	(7.4)%	512,833,752	(4.4)%	N/A	N/A
FY'85	367,616,027	1.8 %	534,881,976	4.3 %	N/A	N/A
FY'86	425,877,293	15.9 %	600,946,059	12.4 %	N/A	N/A
FY'87 Revised ²	385,551,564	(9.5)%	577,053,674	(4.0)%	N/A	N/A
FY'88	394,403,922	2.2 %	596,216,007	3.3 %	N/A	N/A

¹ This figure represents the total of all appropriated, dedicated, and revolving fund expenditures for the system. FY'83 through FY'87 amounts show actual allocations, whereas FY'88 is an estimate of allocation.

² The FY'87 figure reflects the actual appropriation, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.0% decrease.

- Since FY'83 the higher education system has experienced a 1.1% increase in appropriations; when adjusted for inflation however, the appropriation represents a 13.6% decrease.
- The Budget Reconciliation Act did not include higher education.
- The allocations of state appropriated funds to the institutions for operations are essentially the same for FY'88 as for the previous year. The capital projects allocations increased from \$1.8 million to \$8.1 million.
- The state appropriation for tuition aid grants was increased from \$8.6 million to \$10.3 million (20%). In addition to state funds, the program also includes \$1 million of federal funds.
- The Chancellor's office does not receive a direct appropriation. Rather, the regents for higher education, as well as the two other boards that govern more than one institution, assess the institutions for expenses. In FY'88, as in the previous year, the Legislature limited the assessment by the regents for higher education to \$897,126. No limitation was placed on the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges, nor on the Board of Regents of Oklahoma Colleges.
- HB 1499 increases general fees and nonresident tuition at the institutions by approximately \$20 million.

- HB 1110 merges Sayre Junior College with Southwestern Oklahoma State University.
- National Merit Scholars and winners of National Achievement Scholarships for Outstanding Negro Students are to be granted a general enrollment fee waiver, if a resident, or a tuition waiver, if a nonresident.
- SB 77 mandated certain reforms in accounting procedures and in institutions' relations with foundations. It establishes audit requirements for institutions of the Oklahoma State System of Higher Education and for the State Regents. Financial audits by independent auditors are required annually. Special (compliance) audits by the State Auditor and Inspector are required at least once every five years. Boards governing the institutions are to select the independent auditors according to specifications and procedures set forth in the bill. They are also required to utilize internal auditors.
- SB 77 also addresses situations where institutions or the State Regents have relationships with foundations, school districts, or technical area school districts. It requires auditing of such related organizations under certain circumstances and prohibits mingling of funds.
- The bill also has provisions limiting use of petty cash funds, requiring that foundations and auxiliary enterprises (bookstores, cafeterias, etc.) not be subsidized by "Education and General" funds, and limiting the use of fees to the purpose for which collected.
- The bill makes it a felony to loan or give scholarship money to foundation or institution officers or employees or their relatives unless the recipient is a meritoriously qualified student.

HB 1110, Sections 54-59.
HCR 1053.

9/22/87
MM:em (ED-H-Reg)

Oklahoma Center for the Advancement of Science and Technology

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'88	\$11,000,000	N/A	\$8,815,300	N/A	N/A	11

- HB 1444 establishes the center as a separate agency in FY'88. Some of the programs the agency will administer had their start under the Division of Science and Technology in the Department of Commerce in FY'87.
- Funds are appropriated to the center's revolving fund. Interest earnings from the balance in the fund are to be used for administrative expenses. Not all of the \$11 million is due to be distributed in FY'88. The Legislature determined, however, that the ongoing nature of the programs and the need for interest income for administrative expenditures justified making an appropriation in excess of the current fiscal year's program needs.
- Programs:
 1. The Health Research Program, begun in FY'87, funds individual research proposals selected by peer reviewed competition. The program is designed to retain and encourage Oklahoma researchers as well as attract new researchers to the state. The FY'88 budget totals \$2,756,922.
 2. The MOST Eminent Scholars and Research Equipment Program, also begun in FY'87, encourages creation of endowed chairs at Oklahoma universities and funds purchases of state-of-the-art equipment. Awards require matching funds from nonstate sources. The FY'88 budget totals \$2,320,378.
 3. Centers of Excellence is a new program to encourage universities to strengthen basic and applied research and technology transfer programs. Again, matching funds are required. The program encourages cooperation and pooling of resources between institutions and between institutions and businesses. The FY'88 budget totals \$2,020,000.
 4. The applied research program funds the research projects of individual researchers in Oklahoma. Of the \$1 million appropriated for this program, approximately \$90,000 will be used to provide planning grants of \$1,000 for researchers wishing to apply for a federal Small Business Innovative Research grant. A bonus of \$5,000 will be awarded to applicants who are awarded a SBIR grant.
 5. The Technology Transfer Program will develop a statewide data bank of Oklahoma researchers and their areas of expertise. Businesses will have improved access to research resources, researchers will have increased contact with others in their fields, and out-of-state businesses will be able to gain information on research activity in the state. The FY'88 budget totals \$114,000.

HB 1110, Sections 51-53.

9/22/87
MM:em (ED-H-Sci)

Vocational - Technical Education

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$49,550,869		\$63,679,556		393.6	411.5
FY'84 Revised	46,797,331	(5.5)%	62,711,488	(1.5)%	390.1	404.0
FY'85	49,195,331	5.1 %	64,887,933	3.5 %	396.9	408.0
FY'86	56,675,493	15.2 %	71,923,871	10.8 %	402.0	410.0
FY'87 Revised ²	52,942,944	(6.6)%	71,789,938	(0.2)%	409.0	405.0
FY'88	58,330,444	10.2 %	80,860,444	12.6 %		413.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 10.2% increase.

- The Budget Reconciliation Act did not include the department.
- Since FY'83 the agency has experienced a 17.7% increase in appropriations; when adjusted for inflation the increase is 0.6%. Compared to the other principal education departments, the vocational-technical program has clearly been the state's first priority. Whereas higher education and common education have lost in real dollars 13.6% and 10.3% respectively since FY'83, the vo-tech program support has been sustained.
- Although the state appropriation increased 10.2% for FY'88, the proportion of state funds in the total budget declined slightly, from 75% to 73.6%. The federal funds percentage in the FY'88 total budget increased from 20.5 to 22.3%.
- Existing programs that have received funds for expansion in FY'88 are:
 1. New and Existing Industry Training at \$490,000. The 22 small business management programs and four "incubators" assist existing businesses and encourage the creation of new firms. In FY'87 approximately 24,660 individuals received training as a result of commitments between the vo-tech programs and 310 industries. Some of the programs are as basic as truck driving instruction; others involve considerable technological sophistication. The total FY'88 budget is \$2,751,793.
 2. Displaced Homemaker Program at \$75,000, and adding two new programs. Twenty-four programs offer labor market skills development to women affected by, among other reasons, Oklahoma's higher than average divorce rate and teenage pregnancy rate. Total program budget for FY'88 is \$1,067,972.

3. Bid Assistance Centers at \$336,500. In FY'87 21 bid assistance centers were established to help firms secure government contracts with a state investment of \$192,347 and a federal contribution through the Department of Defense of \$150,000. The program's data show 242 contracts awarded to 1,218 firms totaling \$23.8 million. (Data on preprogram totals are unavailable.) The FY'88 budget, then, will be virtually doubled at \$631,500.

- The major new program to receive funding is the Oklahoma City Aviation Career Center at \$1,000,000 for capital needs and \$300,000 for operations. Located adjacent to the Will Rogers Airport, the center will offer training in aircraft maintenance and repair.
- Other major capital projects funded for FY'88 total \$3,155,000 and consist mainly of funds for building improvements and major equipment purchases.
- Authorization was included in HB 1110, after considerable discussion in the subcommittee meetings, for cooperative agreements between two-year colleges and area vo-tech schools concerning joint use of facilities and courses of study, with an end to reducing duplication in program offerings.
- An additional \$500,000 was placed in the Department of Commerce budget for capital needs.

HB 1110, Sections 45-46.
HB 1473, Section 127.

10/5/87
MM:em (ED-H-VoT)

Will Rogers Memorial Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$313,466		\$419,034		13.0	15.0
FY'84 Revised	292,640	(6.6)%	389,595	(7.0)%	12.7	16.0
FY'85	292,640	0.0 %	418,651	7.5 %	13.0	16.0
FY'86	320,165	9.4 %	405,084	(3.2)%	13.0	16.0
FY'87 Revised ²	296,643	(7.3)%	437,745	8.1 %	14.0	16.0
FY'88	328,964	10.9 %	458,963	4.8 %		14.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts represent actual expenditures, whereas the FY'88 figure is an estimate of expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 5.0% decrease.

- Since FY'83 the agency has experienced a 4.9% increase in appropriations; when adjusted for inflation the appropriation represents a decrease of 10.3%.
- The Budget Reconciliation Act made a midyear cut of \$17,119 or 4.9% from the agency's FY'87 appropriation base. The effect was to eliminate all seasonal employees and to continue cutbacks in travel, maintenance, and to delay certain equipment purchases.
- HB 1110 authorizes the commission to charge admission, but agency personnel report strong opposition among commission members to such action.

HB 1110, Sections 42-43.

9/18/87
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GENERAL GOVERNMENT AND JUDICIARY

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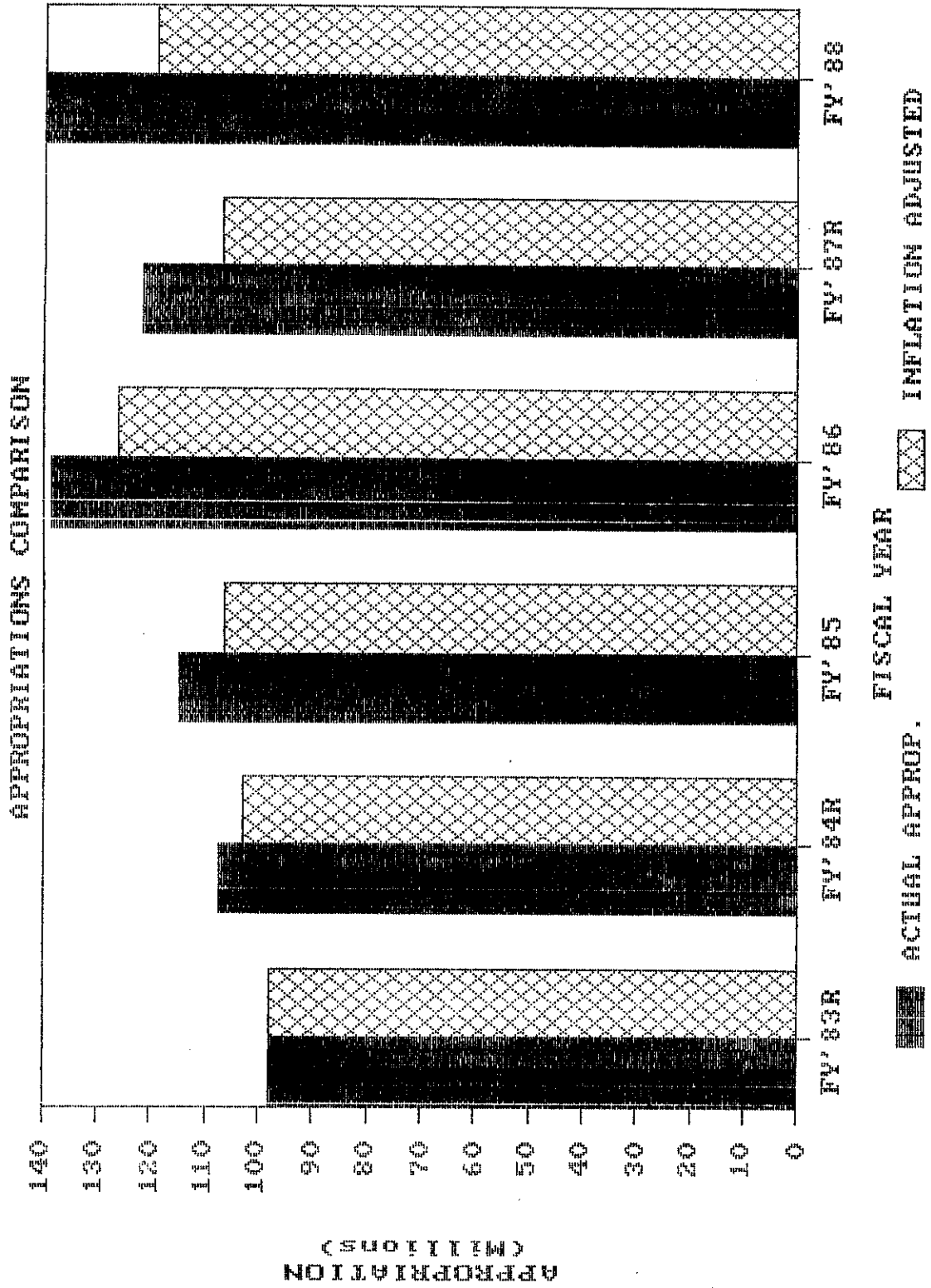
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GENERAL GOVERNMENT AND LOCALITY



GENERAL GOVERNMENT AND JUDICIARY HIGHLIGHTS

Historical Overview

The FY'88 appropriation for this subcommittee is 42.3% above the FY'83 appropriation level. In constant dollars, the FY'88 appropriation is only 21.6% above the FY'83 level. Authorized FTE for the same period have increased by 26.0%. Most of the increase in authorized FTE has come from additional responsibilities assigned to the Office of State Finance, the Office of Public Affairs, the Auditor and Inspector, and the Tax Commission. In FY'87 the actual FTE level was approximately 6.9% below the authorized level.

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Inflation Adjusted Figure</u>	<u>Actual FTE¹</u>	<u>Authorized FTE</u>
1983 Revised	\$98,196,016	\$98,196,016	2679.2	2845.0
1984 Revised	107,164,734	102,845,234	2807.3	3000.0
1985	114,978,873	106,363,434	3074.7	3348.0
1986	138,490,365	126,014,891	3288.1	3510.0
1987 Revised	121,502,712	107,145,249	3264.3	3505.0
1988	139,500,984	119,231,610		3585.0

- ¹ The actual FTE figures do not include FTE numbers from the Election Board, Governor's office, House, Senate, Legislative Service Bureau and Treasurer's office. These agencies have not been subject to annual FTE limits. (Beginning in FY'88 the Treasurer's office will be subject to an FTE limit.) When these agencies are included, the actual FTE totals are: FY'83 - 3142.9; FY'84 - 3255.2; FY'85 - 3529.6; FY'86 - 3767.7; and FY'87 - 3722.6.

1987 Session

Budget Reconciliation Act

HB 1196 cut the total FY'87 appropriation to the General Government and Judiciary Subcommittee by 3.3%. However, the cut for each individual agency varied from 0.0% to 5.0%. Seven agencies sustained cuts of 4.5% or more, including several major agencies: the Office of Personnel Management (4.9%); the Office of Public Affairs (4.5%); the Office of State Finance (5.0%); and the Tax Commission (4.9%). The remaining agencies sustained cuts of less than 3.0%. Most agencies were able to absorb the cuts without significant negative effects on the agency's activities. Many agencies used savings accrued from periodic job vacancies throughout the year. The Office of State Finance utilized savings from reduced lease-purchase costs on equipment. The Tax Commission reduced its equipment expenditures to a minimum for the fiscal year as a whole. In general, the cuts were absorbed without RIFs, furloughs or serious reductions in service levels. On the other hand, the Legislature chose to spare the courts from any major reductions at all. The District Courts, Court of Criminal Appeals and the Workers' Compensation Court received no cuts at all. The Supreme Court received only a minor cut of 0.5%.

HB 1196 also provided a supplemental appropriation of \$10,000 to the Ethics Commission. The additional funds were needed to meet the unexpected debts incurred in hiring outside counsel to represent the Commission in the David Walters case.

Major Policy and Program Issues

The Legislature also moved to strengthen the funding base for the court system. Funding for the courts (Supreme Court, Court of Criminal Appeals, District Courts, Workers' Compensation Court) comes primarily from the State Judicial Fund and the Workers' Compensation Administration Fund. In FY'87 General Revenue funded 22% of the courts' total budget of \$25.3 million. However, due to depletion of cash resources in the court funds in FY'87, the demand on General Revenue funds was much greater for FY'88. Therefore, the Legislature approved court fee increases of \$3.4 million. Despite the increases, General Revenue funding will still account for 33% of the courts' \$25.4 million FY'88 budget. This is partly due to the fact that the increases will be in effect for only three-quarters of FY'88 collections. In FY'89 the courts will receive the full benefit of the fee increases approved this year. This action should ensure that the court system remains supported primarily by users of the system and offenders of the law.

In addition, the Legislature took several initial steps toward restructuring the state's cash and funds management system. During the interim period of 1986, the consulting firm of Deloitte, Haskins and Sells conducted a study of the state's cash management system and submitted a report of its recommendations to the Legislature shortly before the 1987 session convened. The study's recommendations received strong support from both the newly-elected State Treasurer and the Legislature. Some of the important recommendations included were: expansion of the state's investment options; implementation of a sophisticated cash flow forecasting system; closer monitoring of state accounts in outlying banks; and replacement of the state's antiquated punch-card check-writing system with a paper check system. The Legislature responded by making necessary statutory changes in HB 1492 and providing a generous budget for the Treasurer to implement operational changes in his office.

Finally, the 1987 Legislature also initiated some potentially significant changes in the operation of the Tax Commission. As part of the agreement to get a tax package passed, the Governor was allowed to appoint a Republican as chairman of the Tax Commission. The new chairman's term will expire January 1989. The other two commissioners' terms will expire in 1991 and 1993.

One other aspect of the tax bill agreement permitted the Governor to appoint a Republican administrator to the agency. The Governor's appointee assumed his position at the Tax Commission on June 1. However, the role and specific responsibilities of the administrator remained undefined until the end of the session.

In the final compromise agreement reached at the end of the session, several provisions regarding the administration of the Tax Commission were codified in the statutes. First, the membership of the commission will be bipartisan; no more than two of the three positions can be occupied by members of the same political party. Second, the commission was required to appoint an administrator to serve at the pleasure of the commission. The administrator was made the "administrative officer" of the agency with specific reference to personnel matters.

State Legal Services

The 1987 Legislature approved several measures to meet the increasing burdens placed upon the state's legal services. Both the Supreme Court and the Workers' Compensation Court received additional funds to provide for needed personnel. The Supreme Court was appropriated an additional \$336,125 for five judicial assistants and three legal secre-

taries. Currently the nine Supreme Court Justices are assigned one judicial assistant. Despite increasing caseloads over the years, no judicial assistants have been added to the court since statehood. The new assistants (half the number the court requested) will be assigned to justices according to need.

The Workers' Compensation Court received funds for additional personnel to meet responsibilities added by the 1986 Legislature. The court received a total of \$97,973 for four FTE. Two of the FTE will handle the additional docketing demands created by the implementation of prehearing conferences. These prehearing conferences attempt to resolve cases in an informal setting prior to the use of official hearings. The other two FTE will administer the new medical fee schedule which became operational in March 1987. The medical fee schedule sets compensation rates for specific medical services provided by doctors. The court anticipates protests over this new policy.

An important new program was also created in the Oklahoma Appellate Public Defender System at the Center for Criminal Justice in Norman. The substantive language for the program was contained in HB 1178. The program, funded at \$265,045 in FY'88, will address the problem of post-conviction relief for indigent capital defendants. In short, the program will provide legal representation for indigent murder defendants now on death row. According to the director of the center, this program will dramatically speed up the appeals process in death cases. It should also prevent potential lawsuits against the state for providing inadequate legal representation to indigent capital defendants. The agency also received an additional \$55,000 to help bring salaries for attorneys of the Oklahoma Appellate Public Defender System to a level closer to the District Attorneys and the Public Defender's Office in Oklahoma County and Tulsa County. This additional funding should help prevent the loss of experienced attorneys to the county public defender's offices.

Central Services

In the area of the central service agencies, several new programs were initiated to provide more effective and efficient services to the state. One major expenditure that the Legislature approved, \$1,500,000, will expand and enhance the effort toward providing the state with a modern statewide telecommunications network. Last year the Legislature approved \$1,000,000 to provide the state with less expensive long-distance service between the 405 and 918 area codes. This previous appropriation also allowed replacement of telecommunication circuits and the installation of conduit for fiber optics in the capitol complex. The \$1,000,000 appropriation in FY'87 will be repaid to the General Revenue Fund through the savings achieved. The new appropriation will accomplish two primary objectives. First, a new central phone switch and other necessary equipment will be installed for the four state agencies located at the N.E. 36th Street and Martin Luther King Blvd. campus in Oklahoma City. These agencies needed the equipment replaced, and by providing a single system for all the agencies, the state should realize initial savings of \$75,000 to \$200,000. These agencies will also be connected with the Capitol switch allowing them to take advantage of long-distance savings to the 918 area.

The other major objective of this appropriation is to link the state's telecommunication system with the telecommunication system of the State Regents for Higher Education. The Regents received a Kellogg grant previously for the construction of a system connecting various campuses in the state. Linking the two systems will provide a foundation network for the transmission of voice, data, and video signals among most parts of the state.

The Legislature also approved several other changes to increase the effectiveness of the state's central services. The Office of Personnel Management received \$74,712 to initiate an employee assistance program. The ultimate aim of the program is to combat the negative effects on employee productivity caused by substance abuse and emotional problems. The two FTE funded by the appropriation will coordinate agency efforts to put effected employees in contact with existing social service programs.

The Legislature also consolidated the authority and responsibility for the development of the Integrated Central System (the state's central computer system) under the Director of State Finance. This change makes the director solely responsible for policy decisions regarding the project and requires the director to submit a quarterly report to the Legislature describing the progress and goals of the project. In the past there have been some problems with direction and accountability for the project.

The Legislature also moved to ensure that agencies take advantage of low interest rates when they are available for the lease-purchase of equipment. Whenever an agency renews a lease-purchase arrangement in the future, it must check the current rates being received by the Purchasing Division in the Office of Public Affairs to see if any overall savings to the state can be obtained.

One other central service program was created by the Legislature to bring the state into compliance with federal law and to provide an important service to the state's agricultural-finance sector. The new program, the Agricultural Commodity Lien Central Filing System, was created in HB 1052 and funded in the Secretary of State's budget. The program, which will be operated in the Secretary's office, will bring the state into compliance with the Food Security Act of 1985. The program will also protect commodity buyers and lenders by providing a central record of liens against commodities available for purchase. Once in full operation and certified by the USDA, the program should become self-supporting through fees charged to users of the service.

Cash and Funds Management

The Legislature also made several major changes in the management of state funds. Included were significant changes in the operation of the Treasurer's office. In HB 1492, the Legislature expanded the options for investment of state funds to include, among others, prime banker's acceptances, prime commercial paper, and certain repurchase agreements. Previously, state funds could only be invested in certificates of deposit from in-state banks or federal Treasury notes. Under the new expanded investment policy, the state should collect an estimated \$17,000,000 in additional interest earnings. The bill also requires the Treasurer to develop a written investment policy and make quarterly reports summarizing investment activities.

The Legislature also provided the Treasurer's office with a large budget increase to perform the additional duties of the agency. The Legislature appropriated the Treasurer \$2.6 million for FY'88, double the average annual operating budget of previous years. This level of funding will allow the agency to set up a modern data processing network to handle the cash management needs and to replace the state's outdated punch-card check writing system with a paper check system. It is also important to note that FY'88 will be the first time in several years that the Treasurer's office has operated with appropriated funds. In past years the Treasurer's office received revenue through a revolving fund with an independent source of income and the Legislature exercised limited oversight of the agency's activities.

And finally, the Legislature acted to provide more flexibility in meeting the state's cash management needs. The Director of State Finance will now be able to transfer monies from any fund (Pension Reserve Fund, Highway Fund, etc.) to the General Revenue Cash Flow Reserve Fund to meet General Revenue Fund monthly allocation needs. Any such "borrowed" monies are required to be repaid to their respective funds before any money is transferred to the Cash Flow Reserve Fund for the next fiscal year. This change should prevent dramatic strains on the General Revenue Fund due to the cyclical and volatile nature of General Revenue Fund collections.

Senator Ben Brown, Subcommittee Chairman
Bryce Fair, General Government & Judiciary Fiscal Analyst

**SUBCOMMITTEE ON GENERAL GOVERNMENT AND JUDICIARY
STATUS OF SUBCOMMITTEE ACTION
FISCAL YEAR 1988**

<u>Agencies</u>	FY'87 Initial Appropriations Base (A)	FY'88 <u>Approp.</u>	Amt. Change From FY'87 <u>Approp. Base</u>	% Change From FY'87 <u>Approp. Base</u>
Attorney General	2,474,625	2,789,228	314,603	12.71%
Auditor & Inspector	2,958,272	2,772,306	(185,966)	(6.29)%
Capitol Imprv. Auth.	527,404	575,895	48,491	9.19 %
Ct. Criminal Appeals	770,966	777,521	6,555	0.85 %
Ctr. for Criminal Just.	456,969	794,640	337,671	73.89 %
DA's and DATCC	20,930,797	20,395,920	(534,877)	(2.56)%
District Courts	16,601,523	16,374,776	(226,747)	(1.37)%
Election Board	2,172,477	3,628,804	1,456,327	67.04 %
Ethics Commission	100,000	98,375	(1,625)	(1.63)%
Finance	7,844,937	8,860,294	1,015,357	12.94 %
Governor	1,729,735	1,556,762	(172,973)	(10.00)%
House of Representatives	7,926,497	8,192,652	266,155	3.36 %
Legislative Service	1,345,789	2,139,418	793,629	58.9 %
Lt. Governor	286,458	386,485	100,027	34.92 %
Merit Protection Comm.	418,339	405,201	(13,138)	(3.14)%
Personnel Management	3,578,196	3,541,920	(36,276)	(1.01)%
Public Affairs	9,920,276	9,167,934	(752,342)	(7.58)%
Secretary of State	308,667	719,977	411,310	133.25 %
Senate	5,314,680	5,121,557	(193,123)	(3.63)%
Supreme Court	5,374,910	5,730,290	355,380	6.61 %
Tax Commission	40,511,606	40,230,121	(281,485)	(0.69)%
Treasurer	-0-	2,658,089	2,658,089	0.00 %
Worker's Comp. Court	2,546,640	2,582,819	36,179	1.42 %
Total	\$134,099,763	\$139,500,984	\$5,401,221	4.03 %

9-11-87
BM:em (BM-Sub-GG)

Attorney General

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,469,429		\$2,270,285		55.8	65.0
FY'84 Revised	2,304,288	(6.7)%	2,305,505	1.6%	57.6	62.0
FY'85	2,314,763	0.5 %	2,250,000	(2.4)%	59.3	62.0
FY'86	2,719,907	17.5 %	2,489,775	10.7%	59.5	67.0
FY'87 Revised	2,242,605	(17.5)%	2,357,065 ²	(5.5)%	58.8	65.0
FY'88	2,789,228	24.4 % ³	3,017,286	28.0%		65.0

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 12.7% increase.

- Since FY'83 the agency has experienced a 13.0 % increase in appropriations; when adjusted for inflation there has been a decrease of 3.5%.
- The Budget Reconciliation Act made a midyear cut of \$28,850 or 1.2% from the agency's FY'87 appropriation base. The agency used savings from position vacancies to offset this reduction.
- The increased appropriation includes \$216,623 to help raise attorney salaries to levels comparable with District Attorneys. The agency also received \$40,000 designated specifically for providing legal assistance to the Public Employees Relations Board.
- The FY'88 appropriation also included "pass-through" funds of \$131,942. The Attorney General's Evidence Fund received \$100,000 which should be adequate for one year. In addition the agency received \$31,942 to pay an assessment levied against the state by a federal appeals court. The case involved a law passed a few years ago restricting anonymous campaign literature.
- The agency was authorized to provide legal services, on a contract basis, to the Oklahoma Development Finance Authority, Oklahoma Industrial Finance Authority, Oklahoma Student Loan Authority and the new Executive and Legislative bond oversight commissions. The agency was also allowed to raise the salary cap on one attorney position to \$80,000 in order to hire qualified bond counsel.

HB 1099, Sections 1-10

BF/ljh: (BF-H-atty)
9/11/87

Auditor and Inspector

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,770,459		\$2,872,794		75.5	81.0
FY'84 Revised	2,651,348	(4.3)%	3,901,865	35.8%	88.7	103.0
FY'85	2,698,321	1.8 %	3,979,491	2.0%	106.1	118.0
FY'86	3,065,698	13.6 %	4,756,893	19.5%	118.7	120.0
FY'87 Revised	2,799,034	(8.7)%	4,829,987 ²	1.5%	117.6	120.0
FY'88	2,772,306	(1.0)% ³	5,428,272	12.4%		120.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 3.9% decrease.

- Since FY'83 the agency has experienced a 0.1% increase in appropriations; when adjusted for inflation there has been a decrease of 14.5%.
- The Budget Reconciliation Act made a midyear cut of \$79,238 or 2.8% from the agency's FY'87 appropriation base. To offset the cut the agency reduced its normal operating expenditures.
- The FY'88 appropriation will provide the agency with a similar funding level as FY'87. The FY'88 total budget figure is inflated to allow for any possible additional revenue from reimbursable audits.
- The agency received a one-time appropriation of \$50,000 to develop accounting software to be made available for use by the counties on a contract basis.
- The Commission on County Government Personnel Education and Training, which is funded through the Auditor and Inspector's office, received an additional \$47,000 to replace budget cuts in previous years.
- The Auditor and Inspector was directed to conduct a reimbursable investigative audit of every higher education institution, vocational-technical school district, and school district at least once every four years.
- The increases in the agency's total budget over the past few years are due primarily to the growth in reimbursable audits. These consist largely of audits of counties and agencies which receive federal funds.

HB 1099, Sections 11-23

BF/ljh: (BF-H-aud) 9/11/87

Center for Criminal Justice

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$263,786		\$290,369		9.0	10.0
FY'84 Revised	245,993	(6.7)%	238,417	(17.9)%	9.2	11.0
FY'85	274,757	11.7%	286,464	20.2%	10.1	11.0
FY'86	434,815	58.3	417,601	45.8%	13.1	15.0
FY'87 Revised	442,244	1.7%	432,458 ²	3.6%	13.6	15.0
FY'88	794,640	79.7% ³	824,715	90.7%		25.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 73.9% increase.

- Since FY'83 the agency has experienced a 201.2% increase in appropriations; when adjusted for inflation the increase is 157.5%. The agency received a substantial increase in FY'86 to hire additional attorneys to meet an increasing caseload. From FY'83 to FY'85 the total pending caseload increased from 139 to 333.

- The Budget Reconciliation Act made a midyear cut of \$12,571 or 2.8% from the agency's FY'87 appropriation base. The cut was absorbed through savings from temporary position vacancies.

- The increased FY'88 appropriation will fund a new post-conviction relief program. The program will be staffed by three attorneys, two investigators and five support positions. However, the \$265,045 provided for the program is only partial-year funding. In FY'89 the program will cost approximately \$340,000 to continue. The program should speed up dramatically the appeals process for indigent capital defendants.

- The agency also received an additional \$55,000 to apply toward attorney salary increases and \$20,075 to be used to match a federal grant for computer equipment.

HB 1099, Sections 24-27

BF/ljh: (BF-H-cjus)
9/11/87

Court of Criminal Appeals

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$674,014		\$672,177		19.8	22.0
FY'84 Revised	628,003	(6.8)%	626,997	(6.7)%	17.7	19.0
FY'85	678,607	8.1%	678,166	8.2%	16.0	19.0
FY'86	766,966	13.0%	748,365	10.4%	17.0	19.0
FY'87 Revised	834,966	8.9%	712,852 ²	(4.8)%	16.2	19.0
FY'88	777,521	(6.9)% ³	777,521	9.1%		19.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 8.6% decrease.

- Since FY'83 the agency has experienced a 14.4% increase in appropriations; when adjusted for inflation there has been a decrease of 2.2%.
- The court received no midyear cut under the Budget Reconciliation Act. The Legislature placed a priority on not cutting the state's court systems. Only the Supreme Court received a minor reduction.
- The FY'88 appropriation is lower than the FY'87 level due to the removal of \$80,000 in one-time funds for the purchase of a court information system. However, the FY'88 appropriation does include an additional \$20,000 to provide a service maintenance contract for the new system.
- HB 1150 will expand the size of the court from three to five judges, effective January 1989. Initial costs are estimated at \$450,000 to \$500,000.

HB 1099, Section 28-29

BF/ljh
(BF-H-capp)
9/8/87

District Attorneys and DATCC

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$11,202,753		\$17,571,667		541.0	536.0
FY'84 Revised	17,825,644	59.1%	21,559,665	22.7%	557.1	553.0
FY'85	18,919,334	6.1%	22,209,093	3.0%	514.0	554.0
FY'86	21,427,191	13.3%	24,836,646	11.8%	531.0	557.0
FY'87 Revised	19,962,616	(6.8)%	26,079,952 ²	5.0%	525.4	566.0
FY'88	20,395,920	2.2% ³	32,558,920	24.8%		567.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.4% increase.

- Since FY'83 the agency has experienced a 82.1% increase in appropriations; when adjusted for inflation the increase is 55.6%. However, this comparison is not especially helpful since the state did not assume full funding of the DA's until the last half of FY'83. Prior to that time the counties provided most of the funding. Compared to FY'84, the first full year of state funding, the inflation-adjusted FY'88 appropriation shows only a 1.8% increase.

- The Budget Reconciliation Act made a midyear cut of \$607,487 or 2.9% from the agency's FY'87 appropriation base. The agency was able to absorb the cut primarily through savings from position vacancies. Being an election year, turnover in some districts was higher than usual.

- The FY'88 appropriation includes an additional \$78,000 to provide full year funding for the statutorily mandated salary increases which became effective in mid-FY'87. Another statutory salary increase is scheduled to go into effect in mid-FY'89. The appropriation also included \$40,000 for the DA's evidence fund. This fund pays for expert witnesses and other services utilized by District Attorneys in prosecuting cases.

- The large increase in the agency's total FY'88 budget is due primarily to additional "pass-through" funds, not expanded operations. The District Attorneys Training Coordination Council acts as a clearinghouse for many federal grants to entities engaged in law enforcement activities.

- The DATCC was also directed to conduct an interim study of the use of Bogus Check Funds by the District Attorneys.

HB 1099, Sections 30-41

BF/ljh: (BF-H-datecc)
9/8/87

District Courts

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$14,119,599		\$13,753,055		366.3	376.0
FY'84 Revised	13,855,184	(1.9)%	13,819,990	0.5%	362.6	373.0
FY'85	13,870,754	0.1%	14,017,036	1.4%	362.0	373.0
FY'86	17,100,000	23.3%	16,059,327	14.6%	368.6	377.0
FY'87 Revised	15,515,646	(9.3)%	16,132,190 ²	0.5%	369.1	377.0
FY'88	16,374,776	5.5% ³	16,374,776	1.5%		377.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.4% decrease.

- Since FY'83 the agency has experienced a 16.0% increase in appropriations; when adjusted for inflation there is a decrease of 0.9%. The funding increases in FY'86 provided salary increases for the district judges and court reporters.

- The agency received no cut in FY'87 under the Budget Reconciliation Act.

- The FY'88 appropriation places the agency's budget at essentially the same level as FY'87.

HB 1099, Sections 42-46

BF/ljh
(BF-H-dert)
9/8/87

Election Board

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,541,394		\$3,578,054		15.5	N/A
FY'84 Revised	2,758,371	8.5%	1,804,367	(49.6)%	14.4	N/A
FY'85	2,725,794	(1.2)%	4,425,768	145.3%	12.9	N/A
FY'86	3,096,404	13.6%	1,944,675	(56.1)%	15.0	N/A
FY'87 Revised	2,949,105	(4.8)%	4,223,905 ²	117.2%	16.0	N/A
FY'88	3,628,804	23.0%	3,333,253	(21.1)%		N/A

(1) Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

(2) Includes carryover.

- Since FY'83 the agency has experienced a 42.8% increase in appropriations; when adjusted for inflation the increase is 22.0%.
- The Budget Reconciliation Act made a midyear cut of \$53,844 or 2.5% from the agency's FY'87 appropriation base. The cut was absorbed through the use of funds remaining after the 1986 election expenses were paid.
- The increase in the FY'88 appropriation over the FY'87 level is largely due to the \$600,000 cost of the new Presidential Primary to be held in March 1988.
- As indicated in the "actual budget" column, the agency's expenditures are concentrated in election years. Annual "base" costs for agency administration and county election board secretary salaries are approximately \$2,000,000. In FY'89, the agency will need approximately \$1,500,000 in cash to meet the normal election expense obligations incurred early in the fiscal year.

HB 1099, Sections 47-50

BF/ljh
(BF-H-elec)
9/11/87

Ethics Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	N/A		N/A		N/A	N/A
FY'84 Revised	N/A		N/A		N/A	N/A
FY'85	N/A		N/A		N/A	N/A
FY'86	N/A		N/A		N/A	N/A
FY'87 Revised	\$110,000		\$93,513		1.7	2.0
FY'88	93,375	(10.6)%	100,375	7.3%		2.0

(1) Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated level of expenditures.

- The Commission began operation in July, 1986.
- The Budget Reconciliation Act provided a midyear supplemental appropriation of \$10,000 to the Commission to pay unanticipated legal fees for the case involving David Walters. The case is still pending before the State Supreme Court.
- The FY'88 appropriation is essentially the same as the original appropriation in FY'87.
- Due to the vacancy in the Director's position for two months during the year, the agency was able to purchase computers to assist in its filing responsibilities.

HB 1099, Sections 51-52

BF/ljh
(BF-H-ethic)
9/11/87

Office of State Finance

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,043,324		\$1,955,404		57.4	70.0
FY'84 Revised	1,898,003	(7.1)%	2,014,240	3.0 %	58.5	65.0
FY'85	2,176,043	14.6 %	2,578,987	28.0 %	73.5	192.0
FY'86	8,549,354	292.9 %	12,603,645	388.7 %	143.0	179.0
FY'87 Revised	7,804,001	(8.7)%	10,919,406 ²	(13.4)%	152.6	165.0
FY'88	8,860,294	13.5 % ³	12,278,882	12.5 %		167.0

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.3% increase.

- Since FY'83 the agency has experienced a 333.6% increase in appropriations; when adjusted for inflation the increase is 270.6%. This large increase occurred mainly in FY'86 when the agency assumed responsibility for operating the state's data services center (\$4.9 million) and central phone system (Centrex - \$4.6 million).

- The Budget Reconciliation Act made a midyear cut of \$388,936 or 5.0% from the agency's FY'87 appropriation base. The reduction was absorbed largely from data center savings on the purchase of leased equipment. There were also some savings due to position vacancies.

- The FY'88 appropriation includes several adjustments from the FY'87 appropriated base. There are reductions of \$300,000 for continued data center savings and \$57,623 for transferring the Intergrated Central System Director's salary to project funds. On the other hand there is an increase of \$41,510 for membership fees in intergovernmental organizations. There is also a one-time appropriation of \$1,500,000 to link the state's telecommunication system with the telecommunication system of the Higher Regents and to emplace a local communications network for the state agencies at N. E. 36th street and Martin Luther King Jr. Blvd. in Oklahoma City.

- The two additional FTE are phone installers to work with the Centrex operations.

HB 1099, Sections 100-113

BF/ljh
(BF-H-osf)
9/11/87

Governor

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,732,996		\$1,543,737		39.9	N/A
FY'84 Revised	1,555,799	(10.2)%	1,647,842	6.7 %	36.7	N/A
FY'85	1,630,799	4.8 %	1,579,389	(4.2)%	38.9	N/A
FY'86	1,641,622	0.7 %	1,686,931	6.8 %	38.9	N/A
FY'87 Revised	1,278,703	(22.1)	1,581,367 ²	(6.3)%	32.7	N/A
FY'88	1,556,762	21.7 % ³	1,673,762	5.8 %		N/A

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 8.2% decrease.

- Since FY'83 the agency has experienced a 10.2% decrease in appropriations; when adjusted for inflation the decrease is 23.2%.

- The Budget Reconciliation Act made a midyear cut of \$34,595 or 2% from the agency's FY'87 appropriation base.

- In effect, the FY'88 appropriation will provide the Governor's office with a total budget similar to the FY'87 level.

HB 1099, Sections 53-54

BF/ljh
(BF-H-gov)
9/11/87

House of Representatives

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$6,139,055		\$5,760,505		183.7	N/A
FY'84 Revised	5,614,778	(8.5)%	6,011,116	4.4 %	187.0	N/A
FY'85	5,502,482	(2.0)%	6,204,187	3.2 %	197.3	N/A
FY'86	7,120,798	29.4 %	7,112,725	14.6 %	213.1	N/A
FY'87 Revised	6,137,745	(13.8)%	6,714,930 ²	(5.6)%	209.9	N/A
FY'88	8,192,652	33.5 % ³	8,192,652	22.0 %		N/A

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 5.1% increase.

- Since FY'83 the agency has experienced a 33.5% increase in appropriations; when adjusted for inflation the increase is 14.1%.

- The Budget Reconciliation Act made a midyear cut of \$128,557 or 2.0% from the agency's FY'87 appropriation base.

- The FY'88 appropriation actually represents no reduction from the FY'87 appropriation base. There is also included \$350,000 for the purchase of statute books.

HB 1099, Sections 55-57

BF/ljh
(BF-H-reps)
9/11/87

Legislative Service Bureau

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	N/A	---	N/A	---	N/A	N/A
FY'84 Revised	N/A	---	N/A	---	N/A	N/A
FY'85	N/A	---	N/A	---	N/A	N/A
FY'86	\$957,410	---	\$1,317,825	---	31.8	N/A
FY'87 Revised	1,318,873	37.8%	2,047,542 ²	55.4%	23.4	N/A
FY'88	2,139,418	63.7%	2,159,418	5.5 %		N/A

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'86 and FY'87 are actual figures; FY'88 is the anticipated spending level.

² Includes carryover.

- The FY'88 appropriation is a 63.7% increase over FY'87. The increase is due primarily to the inclusion of \$825,000 for legislative studies.
- The Budget Reconciliation Act made a midyear cut of \$26,916 or 2.0% from the agency's FY'87 appropriation base.
- The Legislative Service Bureau was formed in FY'86 after the consolidation of the Legislative Fiscal Office and Joint Bill Processing.
- The Governor vetoed a \$20,000 appropriation made to the agency to contract for a study of the use of mediation in medical malpractice issues.

HB 1099, Sections 58-69

BF/ljh
(BF-H-lsb)
9/8/87

Lt. Governor

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$180,241		\$168,897		4.4	5.0
FY'84 Revised	167,298	(7.2)%	170,664	1.0 %	4.8	5.0
FY'85	163,952	(2.0)%	169,869	(0.5)%	5.0	5.0
FY'86	313,123	91.0 %	280,441	65.1 %	5.0	5.0
FY'87 Revised	247,239	(21.0)%	293,947 ²	4.8 %	5.6	5.0
FY'88	386,485	56.3 % ³	386,485	31.5 %		N/A

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 41.9% increase.

- Since FY'83 the agency has experienced a 114.4% increase in appropriations; when adjusted for inflation the increase is 83.3%. Much of this increase came in FY'86 when the agency received additional funds to initiate an international economic development program.

- The Budget Reconciliation Act made a midyear cut of \$14,219 or 5.0% from the agency's FY'87 appropriation base. The effect of the cut was absorbed largely through temporary position vacancies due to the election year change in administration.

- The increased FY'88 appropriation includes funding for 7.5 FTE and \$105,000 for economic development. Economic development activities will address both the domestic and international areas.

HB 1099, Sections 70-72

BF/ljh
(BF-H-ltgov)
9/11/87

Merit Protection Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$256,796		\$240,356		4.5	5.0
FY'84 Revised	264,879	3.1 %	244,521	1.7 %	4.6	6.0
FY'85	265,963	0.4 %	268,847	9.9 %	5.7	6.0
FY'86	438,412	64.8 %	402,144	49.6 %	9.1	10.0
FY'87 Revised	382,422	(12.8)%	448,046 ²	11.4 %	10.0	10.0
FY'88	405,201	6.0 % ³	415,201	(7.3)%		10.0

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 2.0% increase.

- Since FY'83 the agency has experienced a 57.8% increase in appropriations; when adjusted for inflation the increase is 34.9%. Most of this increase occurred in FY'86 when the agency received funding for four additional FTE to address its increasing caseload. For example, the number of petitions filed with the Commission increased from 192 in FY'83 to 288 in FY'84.

- The Budget Reconciliation Act made a midyear cut of \$20,917 or 5.0 % from the agency's FY'87 appropriation base. The agency was able to absorb the reduction without adverse effects due to a larger than anticipated carryover of FY'86 funds.

- Though the FY'88 appropriation shows an increase, the agency's total FY'88 budget will be approximately 7.3% less than the FY'87 level. This reduction, however should not reduce the agency's service level significantly.

HB 1099, Sections 73-74

BF/ljh
(BF-H-merit)
9/8/87

Office of Personnel Management

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$3,772,568		\$3,341,466		93.1	103.0
FY'84 Revised	3,439,725	(8.8)%	3,152,880	(5.6)%	91.6	99.0
FY'85	3,439,725	0.0 %	3,181,482	0.9 %	89.9	99.0
FY'86	3,978,299	15.7 %	3,475,111	9.2 %	94.0	110.0
FY'87 Revised	2,961,844	(25.5)%	3,317,360 ²	(4.5)%	92.6	102.0
FY'88	3,541,920	19.6 % ³	3,541,920	6.8 %		102.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.1% increase.

- Since FY'83 the agency has experienced a 6.1% decrease in appropriations; when adjusted for inflation the decrease is 19.8%.

- The Budget Reconciliation Act made a midyear cut of \$176,786 or 4.9 % from the agency's FY'87 appropriation base. The cut was absorbed primarily through personnel vacancies over the course of the year.

- For FY'88 the agency received an additional \$74,712 to initiate an employee assistance program. The program's goal is to reduce the losses in worker productivity caused by substance abuse or emotional problems. The two FTE administering the program will coordinate agency efforts to put effected employees in contact with appropriate social service programs.

HB 1099, Sections 75-77

BF/ljh
(BF-H-opm)
9/11/87

Office of Public Affairs

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$6,270,323		\$12,685,024		253.6	257.0
FY'84 Revised	\$6,641,625	5.9 %	15,295,070	20.6 %	344.2	413.0
FY'85	\$6,714,187	1.1 %	18,051,644	18.0 %	412.9	424.0
FY'86	\$8,178,927	21.8 %	17,252,257	(4.4)%	431.2	477.0
FY'87 Revised	\$7,780,229	(4.9)%	18,619,400 ²	7.9 %	440.8	484.0
FY'88	9,743,829	25.2 % ³	27,774,771	49.2 %		488.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 2.7% decrease.

- Since FY'83 the agency has experienced a 46.2% increase in appropriations; when adjusted for inflation the increase is 25.0%. This comparison is not particularly informative since the agency's responsibilities have changed significantly in recent years. For example, in July 1985 the central communication operations (Centrex) was transferred to the Office of State Finance. In FY'86 the agency received additional programs including risk management, asbestos abatement and fleet management.
- The Budget Reconciliation Act made a midyear cut of \$433,698 or 4.4% from the agency's FY'87 appropriation base. The agency was able to take most of the reduction in the asbestos program because of unanticipated reimbursements and higher than expected carryover. FTE vacancies offset the rest of the cut.
- The FY'88 appropriation included a reduction of \$228,224 since funding of the Risk Management Program was switched to the Motor Vehicle Liability Revolving Fund. There was also a reduction of \$309,008 in the asbestos abatement program due to reimbursements for completed projects.
- A Risk Management Participation Revolving Fund was created to allow entities such as rural fire protection districts to obtain coverage from the state's Risk Management Program. Two FTE were authorized to administer the new program.
- Substantive language was adopted which requires all agencies to review current interest rates being obtained by Central Purchasing before renewing any lease-purchase agreements. If an agency does not refinance when current rates are 1% or more below the old rate, the agency must submit a written explanation of its decision.

- The Capitol Improvement Authority received an increase of \$48,491 to pay the full cost of the space leased by the University Center at Tulsa in the Tulsa State Office Building. This amount will no longer come out of UCAT's funds.
- The Governor vetoed \$167,000 of the agency's appropriation which was intended to subsidize the operations of the capitol cafeterias. The agency leased the facilities to DM Premier Management, Inc. which assumed control in September 1987. The lessee will pay the state \$68,000 per year or 10.7% of gross income, whichever is greater.

HB 1099, Sections 78-99

BF/ljh
(BF-H-opa)
9/11/87

Secretary of State

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$549,085		\$697,252		23.7	24.0
FY'84 Revised	586,778	6.9 %	754,985	8.3 %	23.3	24.0
FY'85	383,085	(34.7)%	788,728	4.5 %	23.2	24.0
FY'86	363,673	(5.1)%	812,365	3.0 %	23.0	24.0
FY'87 Revised	263,740	(27.5)%	737,608 ²	(9.2)%	22.4	23.0
FY'88	719,977	173.0 % ³	1,244,455	68.7 %		26.0

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 145.1% increase.

- Since FY'83 the agency has experienced a 31.1% increase in appropriations; when adjusted for inflation the increase is 12.1%. The reductions in appropriations from FY'85 to FY'87 were in response to additional income from notary public fee increases. The fee collections are used to pay the agency's operation costs.

- The Budget Reconciliation Act made a midyear cut of \$14,927 or 4.8% from the agency's FY'87 appropriation base. The cut was absorbed by reducing expenditures for equipment and supplies.

- The increased FY'88 appropriation provides \$455,000 for the new Agricultural Product Lien Central Filing System created by HB 1052. Once in place, the program is intended to generate enough revenue to pay for itself. The system will provide buyers a central information source about liens against agricultural commodities available for purchase.

HB 1099, Sections 114-119

BF/ljh
(BF-H-sec)
9/11/87

Senate

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$4,733,191		\$4,915,298		159.7	N/A
FY'84 Revised	4,332,431	(8.5)%	4,475,360	(9.0)%	146.0	N/A
FY'85	4,245,782	(2.0)%	4,594,098	2.7 %	145.4	N/A
FY'86	5,291,861	24.6 %	5,247,367	14.2 %	149.0	N/A
FY'87 Revised ⁽²⁾	4,563,701	(13.8)%	5,020,593	(4.3)%	142.3	N/A
FY'88	5,121,557	12.2 % ³	5,121,557	2.0		N/A

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.9% decrease.

- Since FY'83 the agency has experienced a 8.2% increase in appropriations; when adjusted for inflation there has been a decrease of 7.5 %.

- The Budget Reconciliation Act made a midyear cut of \$93,137 or 2.0% from the agency's FY'87 appropriation base.

- The FY'88 appropriation includes \$10,000 to provide access for the handicapped to the Senate gallery.

HB 1099, Sections 120-121

BF/ljh
(BF-H-sen)
9/11/87

Supreme Court

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$4,259,972		\$4,160,346		87.0	108.0
FY'84 Revised	4,779,828	12.2 %	4,470,739	7.5 %	89.4	98.0
FY'85	4,452,951	(6.8)%	4,769,141	6.7 %	95.5	105.0
FY'86	5,380,469	20.8 %	5,515,778	15.7 %	103.9	110.0
FY'87 Revised	5,183,427	(3.7)%	5,701,102 ²	3.4 %	105.7	110.0
FY'88	5,730,290	10.6 % ³	6,645,423	16.6 %		121.0

1 Total of all appropriated, dedicated, federal and revolving fund revenue for agency.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 7.1% increase.

- Since FY'83 the agency has experienced a 34.5% increase in appropriations; when adjusted for inflation the increase is 15.0%.
- The Budget Reconciliation Act made a midyear cut of \$26,042 or 0.5% from the agency's FY'87 appropriation base. The court was able to absorb this relatively minor cut by reducing some normal operating expenses.
- The FY'88 appropriation includes an additional \$336,125 for five judicial assistants and three legal secretaries. The agency also received \$69,951 for two auditors to ensure that the district courts are remitting collections to the State Judicial Fund properly.
- The court received a one-time nonfiscal appropriation of \$50,000 to hire retired judges as mediators in an attempt to reduce part of the court's case backlog.
- Expenditures from the Judicial Fund, which are mandated by statute, were exempted from budgetary limits. The main expense in this category is legal representation for indigent capital defendants.

HB 1099, Sections 122-133

BF/ljh
(BF-H-supr)
9/11/87

Tax Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$40,569,552		\$42,497,750		1032.9	1143.0
FY'84 Revised	35,577,218	(12.3)%	38,249,122	(10.0)%	1043.8	1110.0
FY'85	40,998,259	15.2 %	43,809,572	14.5 %	1244.9	1297.0
FY'86	45,249,431	10.4 %	51,198,183	16.9 %	1305.2	1372.0
FY'87 Revised	36,496,242	(19.3)%	48,885,291 ²	(4.5)%	1263.5	1372.0
FY'88	40,230,121	10.2 % ³	48,826,357	(0.1)%		1372.0

1 Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

2 Includes carryover.

3 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.5% increase.

- Since FY'83 the agency has experienced a 0.8% decrease in appropriations; when adjusted for inflation the decrease is 15.2%. The increases in total budget for FY'85 and FY'86 were primarily in response to recommendations of a Coopers and Lybrand study completed in 1982. Most of the increase provided additional auditors, attorneys, and revenue processors.

- The Budget Reconciliation Act made a midyear cut of \$1,997,590 or 4.9% % from the agency's FY'87 appropriation base. The agency absorbed the cut through FTE vacancies and reductions in equipment expenditures, office supplies, and travel.

- The increased FY'88 appropriation is due primarily to replacement of one-time carryover funds used in FY'87. The total budget for the agency in FY'88 will be essentially the same as FY'87.

- The agency now has a single administrator, appointed by the Commission, who is responsible for day-to-day operations and personnel matters.

HB 1099, Sections 134-138 (vetoed), 139-148; HB 1473, Sections 140, 199-200; HB 1512

BF/ljh
(BF-H-tax)
9/11/87

Treasurer

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$96,834		\$1,123,578		32.1	N/A
FY'84 Revised	-0-	(100.0)%	1,093,202	(2.7)%	31.6	N/A
FY'85	-0-	0.0 %	1,043,178	(4.6)%	29.8	N/A
FY'86	-0-	0.0 %	1,056,964	1.3 %	29.8	N/A
FY'87 Revised	-0-	0.0 %	1,281,372	21.2 %	34.0	N/A
FY'88	2,658,089	N/A	2,658,089	107.4 %		50.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditure for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

- FY'88 is the first year since FY'83 that the Treasurer's office has received appropriated funds. In recent years, the agency has operated off a revolving fund which received income from state investments in certificates of deposit.
- The FY'88 appropriation provides the agency with a budget twice as large as previous years. Included in the appropriation are funds for new data processing software, a new check writing system, and additional staff.
- HB 1492, The Oklahoma Cash Management Act of 1987, made several significant changes in the Treasurer's operations. Among other changes, the bill expands investment options, requires the Treasurer to provide a written investment policy and directs the Treasurer to submit a quarterly investment report to the Legislature. The Treasurer estimates an additional \$17,000,000 in interest income for the state due to the changes in investment practices.
- The Treasurer will also begin a new Agricultural Linked Deposit Program in FY'88. SB 283, which created the program, authorizes the Treasurer to invest up to 2% of the state's deposits with state banks at interest rates below the current market level. These banks in turn make loans to farmers and agricultural businesses at lower than market rates. The state will not be liable for any defaulted loans.

HB 1099, Sections 149-150

BF/ljh
(BF-H-treas)
9/11/87

Workers' Compensation Court

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,930,703		\$2,020,045		55.2	57.0
FY'84 Revised	1,905,255	(1.3)%	1,829,279	(9.4)%	54.3	59.0
FY'85	2,197,487	15.3 %	2,161,069	18.1 %	56.6	59.0
FY'86	2,417,791	10.0 %	2,286,422	5.8 %	65.8	68.0
FY'87 Revised	2,228,330	(7.8)%	2,521,976 ²	10.3 %	68.7	70.0
FY'88	2,582,819	15.9 % ³	2,610,819	3.5 %		74.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 are actual figures; FY'88 is the anticipated spending level.

² Includes carryover.

³ The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.4% increase.

- Since FY'83 the agency has experienced a 33.8% increase in appropriations; when adjusted for inflation the increase is 14.3%.

- The agency received no midyear cut in FY'87 under the Budget Reconciliation Act.

- The court received an additional \$97,973 in FY'88 for four FTE. Two of the FTE will be used to handle the increased docketing needs caused by the implementation of prehearing conferences. The other two will administer the medical fee schedule which became operational in March 1987. The medical fee schedule establishes rates which limit the compensation for specific services provided by physicians. The court is anticipating some protests by physicians over this new program.

HB 1099, Sections 151-153

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(BF-H-work)
9/11/87

HEALTH AND SOCIAL SERVICES

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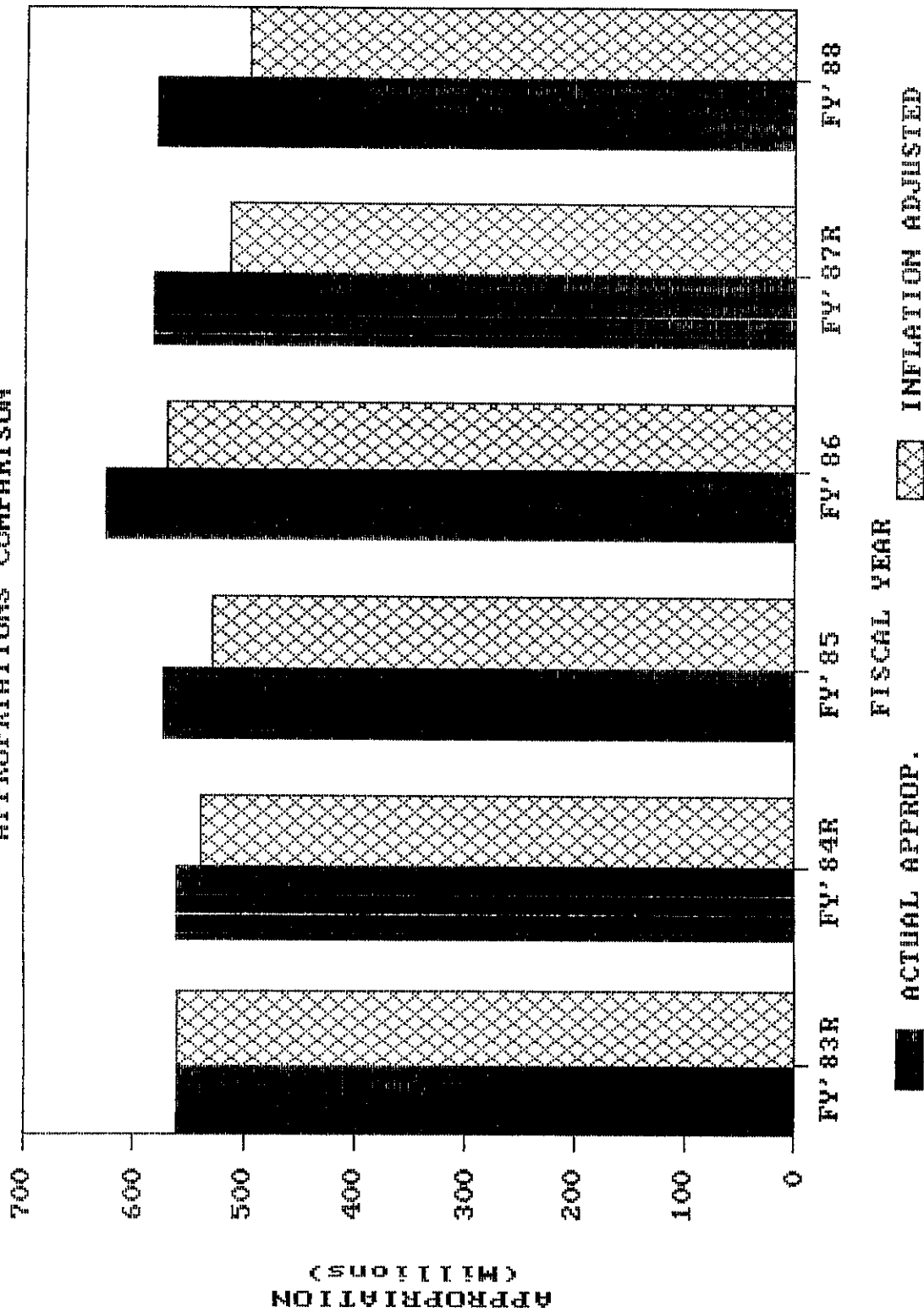
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HEALTH AND SOCIAL SERVICES

APPROPRIATIONS COMPARISON



HEALTH AND SOCIAL SERVICES HIGHLIGHTS

Historical Overview

Appropriations

Actual appropriations to the Health and Social Services Subcommittee have remained relatively constant since FY'83. The subcommittee's appropriation level has grown only 3.6% or \$20.1 million in the past six years. The only notable exception is FY'86, the peak appropriation level for this period, in which an 8.0% across-the-board pay increase for all state employees was authorized.

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Inflation Adjusted Figure</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
Revised	\$560,850,894	\$560,850,894	18,711.6	19,969.8
Revised	\$560,960,927	\$538,350,218	17,042.3	19,457.5
	\$573,217,019	\$530,265,512	17,823.5	18,373.5
	\$626,531,561	\$570,092,412	17,436.8	18,212.5
Revised ¹	\$571,595,488	\$504,052,459	16,339.4	17,027.0
	\$580,918,228	\$496,511,306		17,239.5

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ts actual appropriation, less mid-year reductions (HB 1196). Including FY'86 carried over to offset FY'87 reductions, the FY'87 appropriation base is y \$588,641,531.

However, a careful examination of this 3.6% growth reveals very different impacts upon the Department of Human Services versus other agencies within the subcommittee. The Department of Human Services appropriation has grown 8.3% since FY'83, the first year DHS was included in the appropriations process. The bulk of this increase is attributable to entitlement program growth and changes in federal regulations. At the same time, appropriations to all other health and social service agencies have decreased by 9.9%, reflecting implementation of cost efficiencies and elimination of various discretionary programs.

In actual dollars available for operating expenses, the FY'88 appropriation reflects a 0.5% or \$2.7 million reduction over FY'87 and a 7.3% or \$45.6 million reduction over FY'86. Factored into this year's appropriations determinations for the health and social service agencies is \$14.8 million in savings due to the one-time adjustment in the Oklahoma Public Employees Retirement System contribution level. As a result, these agencies will actually "feel" an average 2% increase in spending power over FY'87. This increase has been allocated proportionately between DHS and other health and social service agencies.

In inflation-adjusted dollars, appropriation figures are shown to be steadily decreasing, with the exception of FY'86 due to the across-the-board pay increase. Between FY'83 and FY'88 "buying power" of the agencies has dropped 11.5%. When DHS and other health and social service agencies are analyzed separately, the percent decline in dollars available to DHS is 7.4%, while the decline for all other agencies is a dramatic 23.0%.

FTE Comparison

The actual FTE level for the subcommittee declined 12.7% between FY'83 and FY'87, with only FY'85 and FY'86 show slight increases over the declining pattern. The authorized FTE level declined steadily during this same period. The FY'88 authorized FTE level shows an 212.5 FTE or 1.2% increase primarily due to increases for the Department of Human Services and the Department of Veterans Affairs, despite offsets from limit reductions for the Departments of Health and Mental Health.

Over 90% of this decline in actual FTE is due to a conscious FTE reduction effort at the Department of Human Services. Since FY'83 DHS has cut an average of 1587.3 FTE or 11.6% of its labor force, over 952 FTE at the Oklahoma Teaching Hospitals alone. They plan to reduce another 75 FTE this year through attrition, 50% of whom will be from the Administration and Management Information Divisions. However, this cut is not factored into their FY'88 FTE limit. The remainder of the subcommittee's actual FTE decline since FY'83 is primarily due to a 9.9% or 281 average FTE reduction at the Department of Mental Health due to a decreased patient census at the state hospitals and a shift toward community care as provided by private organizations.

These reductions are offset to some degree by modest increases in FTE levels at the Department of Veterans Affairs in FY'85 due to the opening of 61 new nursing beds at their Ardmore Center and in FY'88 to the anticipated opening of a new 51-bed nursing care wing at Talihina and the start-up for the new 250-bed Claremore Center, the latter two expansions requiring authorization of an additional 36 FTE and 34 average FTE, respectively. This represents an 8-9% overall increase in actual FTE over six years. The J.D. McCarty Center increased actual FTE by 50.0% between FY'83 and FY'87 in order to achieve standards necessary for Medicaid certification and other third party reimbursements; they plan to add three more FTE, a 3.6% increase, in FY'88. The Health Department's FTE authorization for FY'88 is virtually identical to its FY'83 level. Its FTE Limit tends to fluctuate 2-3% and its actual FTE level 5-9% from year to year, depending upon the anticipated level of millage revenue for that year. This is due to the fact that Health Department employees paid from locally generated or WIC funds are not included in the FTE Limit figures nor in actual FTE statistics.

1987 Session

Budget Reconciliation Act

Approximately \$4.85 million in midyear cuts were made to health and social service agencies other than DHS. Fortunately a great many agencies had anticipated a midyear cut and had been underspending their budget in order to accommodate such a possibility. On the average, health and social service agencies were cut 3.5%, with the range being 0% to 24.7%. The Health and Mental Health Departments did pass on midyear cuts to private contract agencies, averaging 2.6% and totaling \$477,000. However, the effect of the midyear cuts on all state operations was negligible, primarily due to vacancy savings or increased utilization of revolving funds.

Unlike most agencies, the Board of Medicolegal Investigations faced a serious budget shortfall in FY'87, lagging 30% behind its target in fee collections due to autopsy fee nonpayment by cities and counties, despite a successful court decision on the issue then pending appeal. To resolve this problem, the bill redirected the agency's income into the General Revenue Fund, as opposed to the agency's revolving fund, and provided a supplemental appropriation, thereby averting a drastic curtailment of agency operations.

DHS was originally proposed to be cut \$6.8 million from their appropriation; however, joint legislative action reduced this to \$4.4 million. At the time it was not determined how this cut should be taken; the agency was prohibited only from increasing furloughs as a result of the cut. In the flurry of activity in which the bill was written and passed, no clear signals were received from DHS regarding their capability to accommodate this 1% cut to their FY'87 appropriation.

A critical policy change included in the Budget Reconciliation Act was the elimination of the 49-year tradition of earmarking sales tax and other revenue for the Human Services Fund. The Human Services Fund was composed primarily of tax revenues from 2% of the state's gross retail sales, but also included motor vehicle licensing fees and funds collected from a telephone access line surcharge. The fund was utilized for any and all programs assigned to the Department of Human Services. When instituted in 1938 this revenue provided the sole source of state revenue to the agency, and historically it provided DHS with flexibility in quickly matching federal dollars, as well as insulation from political pressures on funding levels.

DHS FY'87 Midyear Budget Changes

Immediately following the passage of the Budget Reconciliation Act the agency brought to the Legislature's attention the need for a supplemental appropriation or implementation of drastic cuts to programs due to the anticipation of a \$14.2 million shortfall. The agency was facing \$3.8 million in entitlement program overruns, \$6 million in unbudgeted payroll and operating costs due to their inability to meet its optimistic FTE and other cost reduction plans, and a \$4.4 million reduction from the recently passed Budget Reconciliation Act. The agency was also mired in a near crisis situation over the delays in medical claims payments through UNISYS, a private firm under DHS contract, leading some members of the Legislature to question whether the shortfall might be even larger. The Legislature ultimately granted \$12.5 million in relief to DHS, but required \$1.7 million in cuts of which \$1 million was taken from the Oklahoma Teaching Hospitals subsidy and \$700,000 from restrictions on hiring, travel, and equipment and supply purchases.

By the end of the fiscal year, DHS had made considerable progress in reducing encumbrances and correcting other problems in the medical claims area. However, they put themselves in a cash poor situation by year-end, necessitating a \$4 million transfer from the Oklahoma Teaching Hospitals subsidy for FY'87. The teaching hospitals were able to accommodate this reduction, combined with the previous cut — a total of \$5 million in FY'87, due to lower than expected expenditures combined with improved collections.

Another significant policy issue was the abolition of the two-year-old DHS regional administration system and the recent reorganizational structure. Legislative members had significant concerns that the agency's regional system had caused confusion regarding lines of authority and duplication of work, thus undermining program integrity and quality, as well as employee morale. In addition, there were concerns about a mid-year staff reorganization that produced pay raises for top management staff in a year of furloughs and hiring freezes. By June 1, 1987, the agency had abolished the regional system and put an interim organizational structure in place.

Major Policy and Program Issues

Revenue Generating Strategies

Within the subcommittee, three agencies will pay for new program initiatives or offset General Revenue cuts with increased fees. All of the fees described below flow to agency revolving funds.

Health Department: The Legislature directed the Health Department to initiate a mechanical licensing program, primarily for heating and air conditioning installers, and to institute a fee schedule, expected to raise \$242,000, to pay for the cost of the new program.

Approximately \$200,000 in fees will be generated as part of the newly consolidated Grade A and Manufactured Grade Dairy Inspection Program. The "Oklahoma Milk and Milk Products Act" transferred the manufactured grade milk inspection program from the Agriculture Department to the Health Department and instituted a \$0.01/cwt. fee on Grade A and manufactured grade milk to help in covering the inspection costs.

As part of the FY'88 appropriation bill, statutes involving the Health Department fee levying authority were modified to allow for higher ranges for license or permit issuance and renewal fees. In addition, language was inserted to limit the dollar impact of new fees on rural water supply users. In order to offset a portion of their appropriations cut, the agency is implementing fee modifications, expected to generate up to \$1.2 million annually, in the following areas: water supply treatment; waste water treatment; air quality; solid waste disposal; existing homeowner waste water systems; and radioactive waste generators.

Health Planning Commission: Certificate of need fees for nursing homes and hospitals were increased from 1/4% to 3/4% of the project cost, and the annual health maintenance organization (HMO) licensure fee was increased from \$3,700 to \$5,000. Combined these fees are estimated to generate an additional \$325,000 annually. In order to maintain current agency operations, the fees were increased to offset what would have otherwise been a fourfold increase in appropriations over the previous year due to the use of one-time federal and revolving funds in FY'87.

Veterans Affairs: In anticipation of budget cuts to the agency and their desire to have sufficient revenue to open new bed capacity at Talihina and Claremore Centers, the patient payment schedule for single veterans was changed from 70% to 85% of gross income according to a War Veterans Commission rule change. However, statutory language was included in the appropriations bill to increase the minimum retained income allowance for veterans and to amend the maximum care and treatment charge system. The net result of these changes is a revenue gain of approximately \$1 million for the department annually.

Children And Youth Initiatives

A number of legislative decisions will impact programming for children and youth within a variety of state agencies, among them: the Department of Health, the Department of Mental Health, the Department of Human Services, and the Commission on Children and Youth.

Out of concerns regarding overlapping responsibilities, a fragmented service delivery system, and the unmet needs of children and families, a joint resolution was passed that authorized the Legislative Service Bureau to conduct a comprehensive study of the organizations that serve children and families and of the interrelationships among them.

A desire for assurance of a maintenance level of youth program funding in FY'88 led to line itemization in the DHS appropriation bill of \$7.5 million for support of contracts with agencies which comprise the Oklahoma Association of Youth Services. In addition, statutes were amended to set new standards for funding eligibility for youth service agencies. These standards will facilitate the DHS contracting process with youth service agencies and will enhance the quality of services to troubled youth and their families. There was also an attempt to better coordinate funding for agencies serving youth and families by transferring pass-through funding currently within the Health Department to DHS and consolidating it in the youth services contracting system.

The Health Department completed its first full year of statewide child abuse prevention programming, serving children and families through contracts with 45 private organizations. Efforts were made in the Health Department appropriation deliberations to ensure that the Child Abuse Prevention Program would not be placed at risk, despite the uncertainty about and ultimate inability of the Legislature to establish a state children's trust fund in FY'88. In compliance with the state plan, a specific level of General Revenue funding was directed into the Child Abuse Prevention Revolving Fund; when combined with the anticipated 25% federal challenge grant match, it will allow for continuation of the FY'87 level of expenditures of \$945,000. Continued efforts to identify a suitable funding mechanism for the establishment of a children's trust fund are anticipated in order to ensure compliance with future regulations for the federal matching grant and to establish a permanent source of funding for primary prevention programming.

In accordance with the state's jail removal deadline for juveniles, revised during this legislative session to January 1, 1988, DHS is completing the development of a \$4 million statewide regional juvenile detention system. The system will ultimately be composed of a total of 10 facilities and 128 beds, anticipated to serve over 1,000 youth annually, with an additional 800 youth utilizing DHS "jail alternatives" programs available in 60 counties. Although the two major urban areas, Oklahoma City and Tulsa, have operated facilities for two decades, they have recently expanded capacity and now operate as regional centers. Three other new centers around the state are presently operational, and the remaining five are expected to be "on line" prior to January 1, 1988. Although \$1.8 million in capital funds is needed to complete the system and only \$1.1 million has been secured, the agency expects to finance the remainder through local debt financing. In separate legislation related to juvenile detention the cost sharing formula for the state and counties was defined. A 50:50 split will prevail for most of the detention costs in the two largest metropolitan areas, while a 90:10 state-county split will be instituted for all costs in all other counties. In addition, DHS is responsible for transportation costs.

Apart from the development of a system of secure residential beds for youth prior to adjudication, the Juvenile Justice System has recently struggled with the shortage of appropriated resources for custody youth, aggravated by the recent closings of DHS youth institutions, resulting in a dramatic decrease in the number of secure residential beds for delinquent youth and residential services for deprived youth. In a two-year period, 1983-1985, there was a 20% increase in juvenile arrests and a 37% increase in delinquency petitions; from 1980 to 1986 there was a 500% increase in child abuse and neglect confirmations.

In response to pressure on the system's capacity and in order to provide better treatment for youth in the department's custody and protection for the community, \$1.3 million in new state funds will be invested in enhanced continuum of care services for: 1) expanded utilization of foster care; 2) development of highly structured, secure, community-based residential facilities; and 3) the development of residential diagnostic and evaluation beds.

In addition, funding was provided for 18 vehicles in critical need of replacement and with an average of 125,000 miles each at youth institutions including training schools, state schools for the mentally retarded and the School for the Deaf.

Two other children's programs addressed as part of the FY'88 appropriations process were: 1) Teenline, a \$72,000 statewide crisis hotline staffed by volunteers which was assumed by the Department of Mental Health; and 2) OASIS, a computerized information and referral system for children with handicaps which will receive \$75,000 in state support through the Commission on Children and Youth.

Entitlement Programs

Public assistance and other welfare related caseloads, which compose 70% of the total Department of Human Services budget, have grown significantly in the past three years and have contributed to most of the growth in the DHS budget during that time. As a percentage of the total DHS budget, AFDC and Medicaid alone have jumped from 37% in FY'83 to 57% in FY'87. Oklahoma's human services budget, like that of many other states, is increasingly driven by the uncontrollable caseload level of assistance programs, the regulations for which are primarily determined by the federal government. As Oklahoma's economy has worsened, ever increasing numbers of families have fallen into poverty and become eligible for Medicaid, Aid to Families with Dependent Children (AFDC), Emergency Assistance, Day Care Assistance, Food Stamps, Aid to Aged, Blind and Disabled (AABD), and other programs.

There are no immediate signs of a reversal or even a halt to the growth in the number of eligible clients. In fact, there are indications that there has been a long-term increase in the number of those living below the poverty line in the state. DHS entitlement program expenditures grew 5.8% in FY'87, and FY'88 state appropriations have allowed for an additional 5.3% increase to maintain programs at FY'87 levels. When the planned Medicaid expansions are also included, the entitlement programs' budget will reflect a substantial 11.3% or \$77.9 million increase over FY'87.

Fortunately, the state share of the FY'88 anticipated growth is nominal, due to the increase in the federal matching rate from 59.86% to 63.33% effective October 1, 1987, and bringing to the state an additional \$19.8 million in federal revenues. Oklahoma's matching rate has been adjusted upwards annually for the past two years based on the state's declining per capita income.

Increased caseloads combined with reduced staffing have also brought problems in quality control, potentially costing huge financial penalties. Despite a rigorous FTE reduction plan at DHS Central Offices in FY'88, the agency anticipates increasing field staff in order to alleviate the workload on current staff and improve quality control standards.

Medical Services

In the past two decades there has been a nationwide shift in focus regarding the provision of publicly financed medical care, away from a reliance on institutional care toward home and community-based care and away from traditional fee for service systems to more innovative payment schemes. The intention has been to move recipients into less expensive settings that also foster independence and enhance the quality of life.

Oklahoma, like other states lacking discretionary state resources, has emphasized maximum utilization of federal Medicaid matching dollars, which carry an institutional bias. Not until the early 1980s did federal law governing the Title XIX (Medicaid Program) change (1) to allow for reimbursement for alternative care through waivers, (2) to move away from a cost reimbursement methodology to alternative systems with incentives for shorter lengths of stay, and (3) to shift its emphasis from only physician providers to nontraditional providers, like nurses and clinic staff. In recent years the state implemented only a limited number of these options into the state Title XIX plan. Instead, in the last four years the state has focused on an examination of how to control the state share of medical expenses through restrictions on provider reimbursement increases and client eligibility.

The 1987 Legislative Session is highly significant for its contributions to major Medicaid expansions which will be implemented in FY'88. Two bills signed into law focused on recommendations for the provision of indigent health care, including authorization for a comprehensive, two-year contracted study of the issue under the direction of an Oklahoma Council on Health Care Delivery, with staff support from the Health Planning Commission. In addition, the Legislature, after careful study, endorsed implementation of a DHS indigent health care proposal, allowing for the development of a \$24.2 million expansion of the Medicaid Program and bringing into the state \$15.3 million in new federal dollars. The funding mechanism for this expansion is the conversion of \$9 million of the Oklahoma Teaching Hospitals (OTH) state subsidy into Medicaid federal/state matching funds by adjusting the Medicaid reimbursement rate, based on the disproportionate share of indigent care from which OTH and 11 other hospitals will benefit.

The planned Title XIX expansions are the first major enhancements since 1975 when the Vendor Drug Program was added. The only other major change was in 1979 involving an increase in the resource standards for cash assistance recipients. The expansions will include the following caseloads: (1) 1,200 new pregnant women and 1,500 new children under two if income is below 100% of the federal poverty guideline; (2) 570 two-parent families who are categorically related to the AFDC program; and (3) 5,300 individuals categorically related to the AFDC Program with incomes up to the "needs" standard, a 40% increase in the income eligibility. The latter group may have previously been eligible for the Medically Needy Program, but have been ineligible for prescription benefits and have had to utilize a portion of their incomes to receive benefits.

The most significant change about this year's proposals involves eligibility criteria. As part of a change in federal regulations two years ago, the previously inseparable eligibility linkage between the Medicaid Program and cash assistance programs was severed. In providing the latitude for the perinatal coverage option, Medicaid is turning toward a posture of being a program for the poor, not just the poor who categorically relate to a cash assistance program.

Case management services is another new area of Medicaid expansion in FY'88. Though not a specific service, case management represents a coordinated approach to social services delivery. Both DHS and the Department of Mental Health are relying heavily on new federal matching dollars in this area in order to offset General Revenue cuts of \$3.8 million for DHS and \$1.7 million for Mental Health.

The DHS FY'88 appropriation included \$9.8 million for the implementation of Medicaid rate increases of \$2.50 per day for nursing homes, \$5.00 per day for nursing homes for the mentally retarded, and 3.7% for hospitals. Reimbursement rates are set in accordance with Title XIX regulations by recommendations from a DHS Rates and Standards Committee to be commensurate with the costs necessary to run effective and economically operated facilities.

Under the oversight and management of the Oklahoma Teaching Hospitals, the Department of Human Services will open its new George Nigh Rehabilitation Center in Okmulgee in August, 1987. Beginning with 26 beds, but ultimately expanding to 48 beds, this center is expected to provide a broad range of quality rehabilitative services to eastern Oklahoma clients, as well as maintain its services to vocational rehabilitation clients from across the state. OTH expects to obtain licensing for the upgraded facility and to initiate the process of obtaining Medicaid certification by year-end.

Considerable legislative and media attention during the 1987 Legislative Session was devoted to DHS medical claims processing system due to difficulties with UNISYS, the company responsible for the processing and payment of these claims for the state. The department also came to a resolution over a two-year contract dispute with UNISYS, a \$5.24 million settlement which was 82% of the original contract price and included \$1.2 million in additional contract requirements. Faulty design, insufficient testing, inadequate technical assistance from UNISYS, and breach of contract provisions led to the difficulties. At worst the average time needed to process claims was 70 days, and there were over 178,000 claims in suspense. Beginning in March an interdisciplinary team of DHS and UNISYS staff devoted themselves to correcting the difficulties. As of July 1987, the average claims payment period was 12 days, and there were only 36,000 claims in suspense.

The department will seek in FY'88 Medicaid Management Information System (MMIS) certification of the system which will allow for the federal matching rate for related DHS administration costs to increase from 50% to 75%. If approved retroactively, this would offer a \$1 million windfall to the agency, and an additional \$1.5 million annual increase in revenues.

Public Health

In recent years the State Department of Health has strived to make creative use of increasingly limited resources and to steadily increase its range of personal, environmental and occupational health services and, correspondingly, local funds to support those services.

While attracting considerable legislative attention with regard to premarital testing, mandatory testing of prisoners, sex education and criminal activity, AIDS also received funding attention. Despite General Revenue cuts to the FY'88 Health Department budget, the Legislature provided new funding for the expansion of AIDS screening, counseling, testing, and epidemiology. Combined with federal funds and current Health Department epidemiology service funds, the department will operate a \$800,000 program.

Due to the new Medicaid coverage of pregnant women, the Health Department anticipates indirect, and possibly direct, benefits, allowing expansion of perinatal services, especially to high risk populations in rural areas. Various other initiatives, new consumer protections involving electricians and heating/air condition installers, an upgraded and consolidated dairy inspection program, improved public water supply testing, and the ongoing Superfund-supported, environmental clean-up program, are examples of the ways in which the state is protecting the interests of public health.

Services for the Mentally Retarded

The Department of Human Services provides for the care and treatment of an estimated 1,250 children and adults with developmental disabilities at three state schools. An additional 620 clients reside in community-based group homes, supported by DHS funds. During the past four years there has been a 68% increase in state funds devoted to this area as a result of increased federal regulations related to maintaining certification, federal court pressures associated with Oklahoma's continuing "Homeward Bound" case, and a state commitment to deinstitutionalize and move toward community-based care. Beginning in 1983, group home capacity for the mentally retarded has grown to 758 beds as of the end of FY'87. The process is now becoming more expensive and more difficult as the placements involve clients with higher levels of disabilities.

The Legislature affirmed the commitments of the state plan by allowing for an increased \$1.9 million to maintain group home beds started midyear and to open an additional 150 beds in FY'88. However, the state plan may fall far short of needed improvements for care and treatment of the mentally retarded. An August, 1987, district court judgment in the "Homeward Bound" case demanded the closure of Hissom State School within four years and the immediate expansion of a broad range of community services for the mentally retarded. Regardless of the ultimate outcome of this case, the impact of this judgment is profound and will entail substantial increases in both state and federal funding.

Though requiring no new funding in FY'88, the Legislature also made a commitment to the financial support of a new 48-bed facility to be dedicated to the care and treatment of clients diagnosed as both mentally ill and mentally retarded. It is being constructed in FY'88 with bond financing through a public trust on the Enid State School campus. It is expected that the bulk of the facility's cost will be reimbursable with Medicaid funds, unlike costs at freestanding psychiatric facilities where most of the dually diagnosed clients currently receive residential treatment services.

Services for Deaf and Blind

A broad new \$300,000 initiative within the Department of Mental Health, as mandated by the Deaf and Hearing Impaired Act of 1985, will allow for the development of community mental health and alcohol and drug abuse treatment services for the deaf and hearing impaired. It will allow for the hiring of specialized staff, the training of current staff and purchase of telephone equipment for the deaf.

The Telecommunications for the Deaf and Hearing Impaired Act allowed DHS to purchase \$317,000 of specialized telephone hearing equipment for 600 income eligible deaf and hearing impaired individuals in FY'87. This year's appropriation bill directed all revenues from the \$0.05 monthly telephone access line surcharge into a newly created revolving fund to insure that all such collections are spent for their intended purpose. It is expected that over \$500,000 of equipment for 1,000 individuals will be expended in FY'88. In addition, the surcharge allows for the payment of message relay services.

A new Transition Program for the Deaf, utilizing \$200,000 in new state funds, will be developed in FY'88 to enable high school students from the School for the Deaf to complete their final year of high school in Oklahoma City, building the skills they will need as adults living and working in an urban setting.

The Legislature also passed legislation to allow for the sale of a bond to construct a new Library for the Blind in Oklahoma City to replace the seriously dilapidated current facility. The project is anticipated to be completed in FY'89.

> Community Mental Health Services

Over the past decade the state has been engaged in the development of a comprehensive community mental health system, as part of a shift from the costly investment in state hospitals and in order to have care provided to patients in the least restrictive setting. This trend is consistent with prevailing concepts at the national level and follows recommendations made in the 1978 Georgetown University study, "Revitalizing Oklahoma's Commitment to the Mentally Ill", and the 1980 legislative report from the Special Committee on Health Care Delivery System.

Despite these efforts the Department of Mental Health expended \$61.4 million or 53% of its FY'87 budget for the care and treatment of adults and children at four psychiatric centers. The average daily census (excluding home visits) at the four institutions was 812, although admissions were 6824. Community mental health services, much of which is provided by private, voluntary agencies, composed \$36.9 million or 31.8% of the department's budget and served at least seven times the number of clients served by the hospitals.

In FY'88 the department's budget work program includes a reduction in the hospital capacity, based on an anticipated average daily census of 780, and budget of \$56.6 million, translating to 48.6% of the agency budget. Also included is a significant expansion of community services, permitting expenditures of \$43 million or 36.9% of the agency budget. A shift in resources from the hospitals to community-based services, combined with a conservatively estimated \$3.8 million expansion of the state Title XIX plan will permit the enhancements.

As state funds have shrunk, community mental health centers have increasingly focused their efforts on the needs of chronically mentally ill and those who can be reimbursed under entitlement programs. Despite reduced state funding in FY'88, a Title XIX (Medicaid) program expansion in FY'88 will not only prevent a curtailment of services, but will allow for enhancements. Private and state community mental health centers (CHMC) will be the prime beneficiaries of the Medicaid expansion, which will encompass case management services and increased limits on day treatment services, for a total increase of \$11 million in federal/state Medicaid dollars once fully operational.

Start-up of a 40-bed, \$2.8 million, short-term emergency center in Oklahoma City and a 50-bed, \$4.1 million crisis center network in Tulsa is planned in early FY'88. The crisis centers will provide for greater "front door" control over hospital admissions. In addition to providing an alternative to hospital inpatient stays, the facilities will make high-quality, emergency psychiatric services more available to people who need them in the state's population centers.

An essential component of the state's community mental health plan is the development of residential psychiatric services, without which the hospital census cannot be successfully reduced. Approximately 150 new community placement beds are budgeted in FY'88, and the agency ultimately hopes to fund start-up of up to 100 additional beds before the end of FY'88. This step will enable a more therapeutic setting for individuals currently receiving insufficient support in room and board facilities and those in state hospitals for whom institutional care is inappropriate. An estimated \$1.5 million, and perhaps as much as \$2.3 million, in state appropriations will be expended for supervised apartments, advanced residential facilities, secure nursing homes, CMHC locked unit beds, foster care, and other monitored housing arrangements, geared to client needs. In addition, the Legislature endorsed a 14% rate increase for the 32 room and board homes. The department contracts, which pay for resocialization programs for 1700 individuals, will not only better compensate room and board operators, but will improve the quality of care due to increased staff training requirements and the addition of new program activities.

The final area of community program enhancement is in the area of youth services. Legislative and advocate concerns about the care and treatment of juveniles in unsegregated, adult psychiatric residential settings provided a major impetus for the program's development. The department plans implementation of a \$822,600 program, including: 1) three regional residential crisis centers for youth to be linked with current community mental health center inpatient units and 2) three new "Homebuilder" outreach programs, anticipated to help 180 families annually with the intensive therapy necessary to keep the families together.

Alcohol and Drug Treatment

The state continues to struggle with an underfunded system which ranks among the lowest states in expenditures for both prevention and treatment of alcohol and drug abuse. However, a major enhancement of state-supported services in this area is the development of the Oklahoma City Crisis Center, 20 beds of which will be devoted to emergency intervention services for alcohol and drug abuse. State appropriations will also allow for a 25% expansion of residential alcohol and drug abuse services for adolescents in Wetumka. Further, federal "War on Drugs" funds, estimated at \$1.9 million, will allow for first-year support of the crisis center and will fund a variety of private projects aimed at preventing and reducing alcohol and drug abuse, especially as it affects Native Americans, chronic alcoholics, women and adolescents.

Prison overcrowding has forced Oklahoma to examine the needs of the incarcerated and try to find appropriate methods of rehabilitation or alternatives to incarceration. In FY'87 the Department of Mental Health, through the treatment alternatives to drunk driving (TADD), trusty, forensic and medical-surgical programs, served 1500 inmates. Although no new state funding was appropriated to specifically expand treatment services to alcohol and drug abusing inmates, joint Mental Health-Corrections ventures were encouraged by appropriations legislation and may be possible if additional "War on Drugs" funds are provided through other state agencies.

Veterans Centers

A major issue at the outset of the 1987 Legislative Session was the Governor's proposal to eliminate the Department of Veterans Affairs and phase out veterans centers. The department provides skilled nursing care and domiciliary care to 884 veterans at five veterans centers at a cost of approximately \$70/day. Though more than double the Medicaid intermediate care nursing home reimbursement rate, the level of care is skilled versus intermediate care, and Oklahoma's costs rank in the median when compared to the costs of veterans centers in other states. The Legislature affirmed its support of veterans and the agency by resolution and later through its appropriations decisions.

The agency's FY'88 appropriation level and resulting agency budget will allow for the opening of a new 51-bed Talihina wing in January 1988 and to prepare for the opening of a new 250-bed veterans center in Claremore in July 1988. As a result of these commitments an additional \$3.1 million in state revenue will be needed in FY'89.

Senator Bernest Cain, Subcommittee Chairman
Barbara Norton, Health and Social Services Fiscal Analyst

9/8/87
BN:em (BN-high)

**SUBCOMMITTEE ON HEALTH AND SOCIAL SERVICES
STATUS OF SUBCOMMITTEE ACTION
FISCAL YEAR 1988**

<u>Agencies</u>	<u>FY'87 Initial Approp. Base</u>	<u>FY'88 Appropriations</u>	<u>Amount Change From FY'87 Approp. Base</u>	<u>Percent Change From FY'87 Approp. Base</u>
Children and Youth	\$621,866	\$664,522	\$42,656	6.86 %
Handicapped Concerns	218,237	210,847	(7,390)	(3.39)%
Health Department	35,004,901	33,189,663	(1,815,238)	(5.19)%
Health Planning Commission	127,074	165,987	38,913	30.62 %
Human Rights Commission	539,848	521,835	(18,013)	(3.34)%
Human Services	450,726,485	450,152,021	(574,464)	(0.13)%
Indian Affairs Commission	170,912	60,231	(110,681)	(64.76)%
J.D. McCarty Center	1,529,818	1,219,518	(310,300)	(20.28)%
Medicolegal Investigations	1,793,181	1,879,038	85,857	4.79 %
Mental Health	86,032,992	82,496,338	(3,536,654)	(4.11)%
Nursing Homes Board	144,457	119,944	(24,513)	(16.97)%
Veterans Affairs	11,731,760	10,238,284	(1,493,476)	(12.73)%
TOTAL	<u><u>\$588,641,531</u></u>	<u><u>\$580,918,228</u></u>	<u><u>(7,723,303)</u></u>	<u><u>(1.31)%</u></u>

BM:ljh (BM-Stat)

Commission on Children and Youth

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$326,857		\$317,338		3.0	6.0
FY'84 Revised	\$661,693	102.4 %	\$634,448	99.9 %	7.0	7.0
FY'85	\$661,693	0.0 %	\$660,313	4.1 %	8.5	8.5
FY'86	\$683,697	3.3 %	\$644,805	(2.3)%	7.8	8.5
FY'87 Revised ²	\$566,590	(17.1)%	\$1,559,635	141.9 %	11.0	12.0
FY'88	\$664,522	17.3 %	\$1,669,870	7.1 %		12.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 6.9% increase.

- Since FY'83 the agency has experienced a 103.3% increase in appropriations; when adjusted for inflation the increase is reduced to 73.8%.

- The Budget Reconciliation Act made a midyear cut of \$20,776 or 3.3% from the agency's FY'87 appropriation base accommodated as a result of underexpenditure of certain line items and temporary reduction in lower priority services and supplies.

- The FY'88 appropriation includes the statewide OPERS reduction and a \$20,000 cut to their FY'87 appropriation base, the latter due to \$15,000 in FY'86 General Revenue carryover funds originally appropriated for a runaway hotline and to \$5,000 in reduced equipment needs. Also reflected in the appropriation and the total budget for FY'88 is the addition of \$75,000 in new pass-through funds for OASIS, a computerized data base project on resources for handicapped children, which is operated out of the Health Sciences Center.

- There is no negative impact on the agency's oversight operations or other contracts.

✓ - The 100% total budget expenditure increase from FY'83 to FY'84 is due to the fact that the agency was provided only six months funding in its first year of operation, FY'83. The 241.9% total budget expenditure increase from FY'86 to FY'87 is primarily due to the transfer of the Juvenile Justice Delinquency Prevention (JJDP) Program from DECA, but also is attributable to initiation of the federal Department of Education "Coordinate for Kids" Program and the National Juvenile Judges Council Permanency Planning Program. Of these new federal funds approximately 15% was retained by the agency for administrative costs, and 85% was provided to public and private agencies in the form of grants.

- Lead responsibility for the "Coordinate for Kids" (Handicapped Children's Early Education Program) Grant was granted by Executive Order in June 1987 to the State Department of Education. In addition, the Commission on Children and Youth was designated as the subcontract agency for the planning and oversight functions related to this grant. Because this decision had not been made prior to the final appropriation decisions, some corrective Contingency Review Board action will be necessary.
- The use of \$15,000 in one-time carryover appropriated funds will require restoration in FY'89.

HB 1135, Sections 1-3.

9/8/87

BN:em (HS-H-Child)

Office of Handicapped Concerns

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$226,979		\$222,554		7.0	7.0
FY'84 Revised	\$216,148	(4.8)%	\$223,456	0.4 %	7.0	7.0
FY'85	\$219,812	1.7 %	\$300,324	13.4 %	8.5	11.0
FY'86	\$227,184	3.6 %	\$327,355	9.0 %	8.6	10.5
FY'87 Revised ²	\$209,699	(7.7)%	\$299,563	(8.5)%	7.9	9.0
FY'88	\$210,847	0.5 %	\$310,847	3.8 %		9.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 3.4% decrease.

- Since FY'83 the agency has experienced a 7.1% decrease in appropriations; when adjusted for inflation the decrease is 20.6%.
- The Budget Reconciliation Act made no midyear cuts to this agency.
- The FY'88 appropriation level represents a "hold harmless" budget for the agency. The only cut made from the agency's FY'87 appropriation base was due to the statewide 6% OPERS adjustment. It was felt that the agency could not accommodate an operations cut and still fulfill its statutory responsibilities.

HB 1135, Sections 4-7.
HB 1473, Section 1.

9/8/87
BN:em (HS-H-Handi)

Department of Health

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$37,378,174		\$64,697,210		1225.6	1308.5
FY'84 Revised	\$34,641,271	(7.3)%	\$69,913,850	8.1 %	1162.6	1341.0
FY'85	\$33,948,446	(2.0)%	\$70,715,668	1.1 %	1266.0	1266.0
FY'86	\$38,246,090	12.7 %	\$80,020,488	11.3 %	1203.3	1302.0
FY'87 Revised ²	\$30,354,986	(26.0)%	\$79,022,785	(1.2)%	1131.1	1302.0
FY'88	\$33,189,663	9.3 %	\$84,522,318	7.0 %		1273.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 5.2% decrease.

- Since FY'83 the agency has experienced a 11.2% decrease in appropriations; when adjusted for inflation the decrease is 24.1%.
- The Budget Reconciliation Act made a midyear cut of \$1,680,499 or ^{5.2%} 4.8% from the agency's FY'87 appropriation, accommodated by passing on a \$46,786 or average 4.8% cut to private pass-through funding contracts, and as a result of FTE vacancy savings and reduced expenditures in travel, communications and equipment.
- The FY'88 appropriation level, though reflecting a 9.3% increase compared to the revised FY'87 appropriation, is a 5.2% cut from their FY'87 appropriation base. Included in this is the statewide OPERS adjustment and a \$1.58 million cut to base operations. The agency will absorb some of this cut through use of carryover revolving funds and through fee increases which will offer a net income gain of approximately \$1 million (virtually all of which are in the environmental services area).
- The agency's total budget expenditures have increased 30% since FY'83, \$9.3 million of which is due to increases in the environmental clean-up and WIC (Women, Infants and Children) programs.
- The FTE Limit was decreased by 29.0 based on a calculation of the agency's needs. The wide swings in the actual FTE figures are due to swings in the level of locally generated fees and WIC funds. Both actual and authorized FTE figures do not include FTE supported by locally generated fees or WIC funds.

- Fee levying authority for environmental and other health services was increased to allow a higher maximum cap for license/permit issuances and renewals. A provision was also added to allow for an annual fee for water supply regulatory services to be based on a percentage, rather than a range, but capped this increase at \$.10/month/residential user. Of the \$1 million in annual environmental fees that will be raised as a result of General Revenue cuts, approximately half are related to the agency's increased fee authority.
- The "Milk and Milk Products Act" portion of the appropriations bill transfers from Agriculture to Health the responsibility for the manufactured grade and soft-serve dairy inspection program, to be consolidated with the Grade A dairy inspection program. This action was taken in order to avoid duplication and increase cost efficiencies. Milk grading responsibility remains with Agriculture. A fee of \$.01/cwt. of raw and Grade A milk, estimated to generate \$200,000 annually, was instituted to help offset the increased costs of the consolidated program and federally required program improvements.
- The agency was given funding permitting a 50% expansion in their AIDS education and testing program, which the agency anticipates to grow fourfold over the next five years.
- The Legislature directed that \$706,700 in appropriated funds be deposited in the Child Abuse Prevention Fund, which will conform with the state's Child Abuse Prevention Plan and facilitate the receipt of a 25% federal matching grant. When the state and federal funds are combined, FY'88 expenditures for child abuse prevention contracts will match the FY'87 level of \$945,000.
- Legislative intent language in the bill provides that funds for the Eldercare Program are maintained at FY'87 levels. In addition, funding is provided in the appropriation to allow expansion into three new counties.
- Pass-through funding for the Oklahoma Rural Water Association, Margaret Hudson School, Mary Mahoney and Morton Health Centers, and the Sickle Cell Research Foundation are preserved at original FY'87 contract levels. A financial reporting requirement was added this year. Pass-through funding for youth services, previously under the Health Department, was transferred to DHS.
- A total of \$448,500, provided for one-time capital improvements, will be dropped from the agency's FY'88 appropriation base.
- Based on the agency's FY'88 budget work program, there may be a need for an appropriation base adjustment due to the use of one-time carryover revolving and federal funds. However, some underexpenditure of that budget, as routinely occurs, would mitigate this need.

HB 1135, Sections 8-40.
 HB 1473, Sections 2-26.
 HB 1110, Section 133.

9/8/87
 BN:em (HS-H-Heal)

Health Planning Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$450,910		\$865,947		23.2	24.0
FY'84 Revised	\$303,885	(32.6)%	\$744,705	(14.0)%	20.6	24.0
FY'85	\$238,085	(21.7)%	\$770,722	3.5 %	22.1	24.0
FY'86	\$263,040	10.5 %	\$862,334	11.9 %	23.1	24.0
FY'87 Revised ²	\$120,824	(54.1)%	\$853,651	(1.0)%	23.2	26.0
FY'88	\$165,987	37.4 %	\$1,013,107	18.7 %		25.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 30.6% increase.

- Since FY'83 the agency has experienced a 63.2% decrease in appropriations; when adjusted for inflation the decrease is 68.5%. The annual appropriation level has dropped significantly due to the use of federal and revolving funds.

- The Budget Reconciliation Act made a midyear cut of \$6,290 or 4.9% from the agency's FY'87 appropriation, accommodated as a result of FTE vacancy savings.

- The FY'88 appropriation reflects a \$72,211 cut to the agency's FY'87 operating budget, which includes \$41,099 due to the elimination of one vacant health planning assistant position and a 4.3% cut to their FY'87 appropriation base needed to maintain operations. The latter will reduce the numbers of printed copies of the Quadrennial State Health Plan available and possibly necessitate reprints in future years. The remainder of this cut is due to the statewide OPERS reduction. No immediate negative programmatic effects are anticipated.

- The FY'88 total budget for this agency includes \$100,000 in revolving funds, anticipated as a transfer from DHS, for the purpose of conducting or contracting for an indigent health care study. When this amount is removed, the anticipated FY'88 total budget expenditures are not significantly different from FY'87.

- The FTE Limit was reduced by one FTE due to the fact that the position had been vacant for more than a year without any negative operational effect.

- Fees for Certificates of Need for nursing homes and hospitals are increased from 1/4 to 3/4 of 1% of project cost, and minimum and maximum levels are raised correspondingly; annual HMO licensure fees are changed to a flat \$5,000 fee, up ^{to} a \$3,700 average fee. Total fee changes will raise an additional \$325,000 in revolving fund revenue and offset what would have otherwise needed to be a four-fold increase in appropriations. The fee increase follows on the heels of legislation during the 1986 Session which decreased Certificate of Need fees from 1/2% to 1/4%.
- The agency is utilizing \$59,070 in one-time funds in order to meet its FY'88 budget needs - \$11,510 in carryover federal grant monies and \$47,560 in carryover revolving funds. There are no longer any federal funds available for state health planning purposes. These one-time funds, will require restoration in FY'89.

HB 1135, Sections 4-45.
HB 1473, Sections 27-29.

9/8/87
BN:em (HS-H-Plan)

Human Rights Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$473,993		\$585,648		19.6	24.0
FY'84 Revised	\$468,448	(1.2)%	\$664,337	13.4%	20.4	21.0
FY'85	\$477,241	1.9 %	\$632,797	(4.7)%	20.8	22.0
FY'86	\$563,890	18.1 %	\$673,264	6.4%	20.5	24.0
FY'87 Revised ²	\$509,368	(9.7)%	\$653,150	(3.0)%	19.9	23.0
FY'88	\$521,835	2.4 %	\$806,552	23.5%		23.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 3.3% increase.

- Since FY'83 the agency has experienced a 10.1% increase in appropriations; when adjusted for inflation, however, the agency has experienced a 5.9% decrease.
- The Budget Reconciliation Act made a midyear cut of \$15,480 or 2.9% from the agency's FY'87 appropriation, accommodated as a result of an underexpenditure in professional services and by utilizing federal funds which the agency was planning to budget in FY'88.
- The FY'88 appropriation level represents a "hold harmless" budget for the agency. The only cut made from the agency's FY'87 appropriation base was due to the statewide 6% OPERS adjustment. Responsibility for investigation of housing and age discrimination cases was added to the agency's workload by the 1986 Legislature, yet the agency sustained a 7.0% cut in appropriations in FY'87. Investigator positions have remained unfunded for several years, and it was felt that any further cuts would seriously hamper this agency's ability to carry out its statutory responsibilities. In addition, they hope to negotiate a HUD contract in January, 1988 and need to demonstrate their capacity to perform the work in order to successfully negotiate this contract.
- The total agency budget expenditure level increases significantly in FY'88 over FY'87 due to the anticipation of midyear contracts with HUD.

HB 1135, Sections 46-47.

9/8/87

BN:em (HS-H-Huma)

Department of Human Services

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$415,694,815		\$1,041,578,361		13,696.3	14,600.0
FY'84 Revised	\$427,101,147	2.7 %	\$1,029,085,129	(1.2)%	13,137.2	14,000.0
FY'85	\$439,500,000	2.9 %	\$1,052,488,027	2.3 %	12,534.7	13,000.0
FY'86*	\$476,121,333	8.3 %	\$1,144,169,007	8.7 %	12,507.6+	12,800.0
FY'87 Revised ²	\$448,726,485	(5.8)%	\$1,181,360,276	3.3 %	11,632.8+	11,850.0
FY'88	\$450,152,021	0.3 %	\$1,282,302,926	8.5 %		12,109.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.1% increase.

* Includes \$30 million Human Services Fund carryover.

+ Furlough effect "artificially" lowers FTE figures during these years. Actual FTE figures for FY'86 and FY'87 with the furlough effect removed are 12,578.6 and 11,923.3, respectively.

- Since FY'83 the agency has experienced a 8.3% increase in appropriations; when adjusted for inflation, however, the agency has experienced a 7.4% decrease. The bulk of the increase in actual dollars is due to the growth in entitlement programs.

- The Budget Reconciliation Act made a midyear cut of \$4.4 million and removed the 49-year tradition of earmarking a portion of the sales tax revenue for deposit into the Human Services Fund. HB 1372 was subsequently passed to provide the agency appropriated funds lost due to the elimination of the Human Services Fund. It also restored the \$4.4 million midyear cut and provided a \$8.1 supplemental appropriation, needed due to unanticipated entitlement program growth and personnel/operating cost overruns. However, the bill also required DHS to cut \$1 million from the OTH subsidy, reducing it to \$38 million, and to reduce expenditures in the remainder of the year by \$700,000 through a hiring freeze, a freeze on non-mandatory travel, and restrictions on equipment and supply purchases.

- The appropriation bill also alleviated a year-end cash crisis by allowing a \$4 million cut to the OTH subsidy reducing it to \$34 million, and temporary interfund borrowing between the OTH Disbursing Fund and the other DHS disbursing funds.

- The FY'88 appropriation figure reflects what appears to be a nearly standstill appropriation level due to the OPERS reduction. The agency will actually receive a \$9.4 million increase in state funds. This appropriation level, although \$8.4 million less than the agency felt it needed to maintain current programs, should not cause serious programmatic hardship compared to FY'87. It will, however, require an FTE reduction, despite increasing quality control error rates, and is predicated upon optimistic revenue assumptions involving changes to the State Title XIX plan, proposals which had not been fully evaluated prior to the passage of the bill.
- In terms of total budget growth, agency expenditures have increased a full 23.1% since FY'83; even when adjusted for inflation the figures reflect a real increase of 5.2%. Most of the growth in the last several years is due to entitlement program growth. As a percentage of the agency's total budget expenditures, state funds have dropped from 40% to 35% over the past six years. A continuing emphasis on maximum utilization of federal funds and the increased federal match over the past two consecutive years for AFDC and Medicaid, the latter triggered by the state's poor economy and declining per capita income, has primarily caused this change.
- The appropriations bill authorized an average of 12,109.0 FTE for DHS, an increase of 259.0 or 2.2% over FY'87. This limit increase was needed due to a combination of factors: furlough adjustment, inability of the agency to meet its FTE reduction goal and expanding programs. The year-end FTE (removing the furlough effect) level for DHS was 11,844.7, a 10.7% decrease over the agency's December, 1985 FTE level when they initiated a rigorous staff reduction plan, but approximately 200 more than the agency's original goal. The additional FTE slots will be primarily at the George Nigh Rehabilitation Center, the schools for the deaf and mentally retarded, and within two federally funded programs. In addition, OTH was allowed up to 150.0 additional FTE for contingency reasons, but this figure is not included in the FTE Limit.
- The DHS appropriation does allow for \$4.8 million in carryover funds not originally calculated into the FY'87 appropriation base. It also provides funding for:
 - ending the agency-wide, monthly furloughs (\$6 million);
 - maintaining entitlement programs (\$10 million), which includes Medicaid at \$5 million, AFDC at \$2.2 million, AABD of \$2.5 million, Foster Care of \$.2 million, and Home Maintenance of \$.3 million;
 - maintaining group homes for the mentally retarded (\$700,000); and
 - Medicaid rate increases for hospitals, ICFs and ICF-MRs (\$9.8 million).
- New programming made possible by the FY'88 funding level includes:
 - expanding group homes for the mentally retarded by 150 beds (\$1.4 million);
 - increased juvenile detention operations (\$1.2 million);
 - transportation costs associated with juvenile detention services (\$300,000);
 - increased cost of operating the George Nigh Rehabilitation Center in Okmulgee, including the bond repayment obligation (\$2 million);
 - enhancement of services to youth adjudicated delinquent (\$1.3 million); and
 - motor vehicle replacement at state schools and youth institutions (\$200,000).
- Reductions assumed in the bill are:
 - deferral of increased staffing and other enhancements planned to upgrade the new Okmulgee Rehabilitation Center (\$1.1 million);
 - reductions in the state budgets for the Youth, Aging and Income Support Divisions, to be offset by federal Medicaid funds made available through the development of a \$6.8 million case management program (\$3.8 million);
 - reduction of OTH subsidy, as revised by the mid-year budget reconciliation changes, from \$38 million to \$3⁴/₄ million (~~\$4~~ million); and
 - reduction of 75 State Office staff positions through attrition (\$800,000).

- DHS had a cash carryover into FY'88 of \$1.1 million, of which \$433,703 was unearmarked.
- Because of the increase in the federal matching rate for AFDC and Medicaid, the agency will receive \$19.8 million more federal funds in FY'88 than was received in FY'87.
- A total of \$477,231 was transferred to DHS from the Health Department and Department of Commerce, for youth service programs and Older Americans Volunteer Programs, respectively. Both sets of funds are passed through to contract agencies.
- The bill endorsed the development of a DHS Indigent Health Care proposal involving a \$24.2 million Medicaid expansion program, which will bring to the state \$15.3 million in new federal dollars. The expansion will provide categorical Medicaid coverage to income-eligible, pregnant women and children under two, income-eligible adults in two-parent families, and families who have incomes up to the "need" standard.
- A total of \$9 million of the Oklahoma Teaching Hospitals state subsidy was converted into state/federal Medicaid revenue for OTH, as part of the DHS Indigent Health Care proposal, thus reducing the subsidy to \$26 million.
- Funds related to the Telecommunications for the Deaf and Hearing Impaired Act and previously appropriated to DHS (\$513,000 in FY'87), were removed from the appropriations process. Revenues derived from the 5¢ telephone surcharge will flow directly to a newly created revolving fund.
- As with last year, the bill included intent language protecting the employment status of the DHS construction crew. No construction crew RIF will be permitted, except insofar as it is applied proportionately to the entire agency.
- The issue of changing the governance of the Oklahoma Teaching Hospitals to an independent public authority was deferred.
- A total of \$400,000, provided for one-time capital expenditures for vehicles and juvenile detention facilities, will be dropped from the agency's FY'88 appropriation base.
- The mid-year development of group home beds for the mentally retarded, juvenile detention operations, and enhanced juvenile services for adjudicated youth may necessitate increased General Revenue funding of up to \$2.1 million in order to maintain FY'88 basic service levels in FY'89. In addition, entitlement program growth adjustments are again anticipated, but may be offset by increased federal funds if Oklahoma is again granted an increase in the AFDC and Medicaid federal matching rate.

SB 96

9/8/87

BN:em (HS-H-DHS)

Indian Affairs Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$185,452		\$232,079		5.1	5.0
FY'84 Revised	\$179,245	(3.3)%	\$310,169	33.6 %	6.6	13.0
FY'85	\$175,660	(2.0)%	\$256,225	(17.4)%	10.5	13.0
FY'86	\$177,302	0.9 %	\$222,112	(13.3)%	7.9	13.0
FY'87 Revised ²	\$103,911	(41.4)%	\$134,510 *	(39.4)%	3.1	5.0
FY'88	\$60,231	(42.0)%	\$157,047	16.8 %		5.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 64.8% decrease.

* An additional \$393,776 in oil overcharge funds were passed through this agency for local tribal projects.

- Since FY'83 the agency has experienced 67.5% decrease in appropriations; when adjusted for inflation the decrease is 72.2%.

- The Budget Reconciliation Act made a midyear cut of \$37,663 or 22.0% from the agency's FY'87 appropriation, accommodated as a result of FTE vacancy savings.

- Although the appropriations reduction from ^{the} FY'87 ^{appropriation base} to FY'88 alone is ~~\$73,018~~ ^{\$110,661} or ~~54.9%~~ ^{64.8%}, utilization of approximately \$96,816 in untapped federal and revolving carryover funds will allow for total expenditures 16.8% above FY'87 expenditures. The Legislature directed the agency to spend carryover federal grant funds based on guidance from the State Auditor's Office that there would be no problems in spending the federal monies.

- Agency will sustain a 6% budget cut, to be taken in the personnel area due to the fact that the director position is currently unfilled and a clerical position is filled with temporary staff.

- The use of \$96,816 in one-time, non-appropriated funds and the 6% cut to personnel, may necessitate a significant appropriations increase in FY'89.

HB 1135, Sections 48-49.

9/8/87
BN:em (HS-H-Ind)

J. D. McCarty Center for Handicapped Children

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,777,824		\$1,367,276		55.1	56.5
FY'84 Revised	\$1,292,008	(27.3)% 9.7%	\$1,498,210	9.6%	60.4	65.5
FY'85	\$1,634,140	26.5 %	\$1,860,275	24.2%	74.8	84.5
FY'86	\$1,831,592	12.1 %	\$2,270,340	22.0%	83.7	85.5
FY'87 Revised ²	\$1,450,707	(20.8)%	\$2,316,716	2.0%	82.6	85.5
FY'88	\$1,219,518	(15.9)%	\$2,371,467	2.4%		88.5

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 20.3% decrease.

- Since FY'83 the agency has experienced a ~~31.4% decrease~~ ^{3.5% increase} in appropriations; when adjusted for inflation, the decrease is ~~41.4%~~ ^{represents an 11% increase}. Beginning in FY'84, the state began to increase its investment in the agency in order to upgrade the facility and staffing levels and thereby obtain accreditation as a JCAH-specialized hospital and certification for Medicaid reimbursement and other third party payments. ^{approaching the FY'83} The investment has clearly paid off because the FY'88 appropriation level is ~~lower than its lowest level during the past six years~~, yet the agency's total budget has steadily increased and the quality of care provided has steadily been enhanced.

- The Budget Reconciliation Act made a midyear cut of \$74,926 or 4.9% from the agency's FY'87 appropriation, accommodated by utilizing unbudgeted revolving fund income.

- The FY'87 appropriation represents a 15% cut to their FY'87 appropriations base prior to the OPERS reduction and reflects the agency's FY'88 budget request. The agency first became eligible for Medicaid funds in January, 1985. As a result, the agency's revolving fund income, composed of Medicaid, Crippled Children's Program funds, and third party reimbursements has increased sufficiently to cover the reduction. There is no adverse programmatic impact as a result of this cut.

- The FTE Limit was increased by 3.0 FTE to include an Accounting Clerk I, a licensed practical nurse and a cook. No additional state funds were required to accommodate the staff additions.

- This year's appropriation bill included language directing the agency to obtain an fiscal audit annually and to design its budget using certain program activities.
- The Legislature considered, but did not pursue a proposal to have the agency operated as a satellite of the Oklahoma Teaching Hospitals. It was decided that, at this time, the agency should remain an independent, free standing hospital under the control of a three member commission, composed of members of the American Legion "40 et 8" organization.

HB 1135, Sections 50-53.
HB 1473, Sections 30-31.

9/8/87
BN:em (HS-H-JDM)

Board of Medicolegal Investigations

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ^{Expenditures}	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,733,046		\$1,731,099		41.0	41.5
FY'84 Revised	\$1,655,886	(4.5)%	\$1,752,415	1.2 %	41.1	43.0
FY'85	\$1,6 ⁶ 3,669	(0.5)%	\$1,739,824	(0.7)%	42.2	43.0
FY'86	\$1,712,463	4.7% 2.9%	\$1,904,917	9.5 %	43.0	43.5
FY'87 Revised ²	\$1,783,181	4.1 %	\$1,870,265	(1.8)%	42.4	43.5
FY'88	\$1,879,038	5.4 %	\$1,879,038	0.5 %		46.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.8% increase.

- Since FY'83 the agency has experienced a 8.4% increase in appropriations; when adjusted for inflation, however, the agency has experienced a 7.4% decrease.
- The FY'87 agency budget had been based on revolving fund fee collections which lagged 35% by midyear. The cash flow problem was due to nonpayment by various cities and counties of a \$100 autopsy fee for deaths occurring within their jurisdiction. (Lawsuit is still on appeal.) In March, 1987 the Board of Medicolegal Investigations attempted to address their budget shortfall and increased fee revenue by rule changes, which specifically increased cremation permit fees from \$60 to \$100 and instituted an out-of-state shipment permit fee of \$100. These rule changes were disapproved by House resolution in April, 1987, prior to their implementation.
- The Budget Reconciliation Act made no midyear cuts to the agency, instead diverted fee income from their revolving fund to the General Revenue fund and provided a supplemental appropriation of \$122,092 to replace what had been budgeted for the remaining of the year as revolving fund income. However, one agency-wide furlough day, saving \$4,622, was taken prior to the passage of this legislation. Both actions alleviated the agency's budget crisis.
- Compared to the FY'87 appropriation base, as adjusted for the full-year elimination of revolving fund fee income, the FY'88 appropriation level will provide the agency with \$59,761 more in revenue for operations. Of this amount, \$37,355 will be utilized for new personnel and \$22,406 for increases in malpractice insurance, workers' compensation charges, transportation, and lab supplies. The increased appropriation will alleviate some of the pressure on this small, single mission agency in terms of uncontrollable operating costs, increasing demands of the criminal justice system and a growing administrative workload. In addition, the agency will be cut \$45,723 for the statewide OPERS adjustment.

- The FTE Limit was increased by 2.5 FTE and includes an Investigator and a part-time Lab/Custodial Worker for the Oklahoma City office, to be funded with new appropriated funds, and a Chemist I, to be hired pending the availability of federal funds.
- Though not initially budgeted, the agency anticipates receipt of as much as \$348,500 in federal funds through the Federal Highway Safety Program, the Department of Justice Omnibus Drug Bill and the Federal Aviation Administration. The agency was identified for federal contracts due to the comparative quality of their toxicology laboratory in this region; any federal funds received will enhance the lab's capability and produce benefits for state operations as well.

HB 1135, Sections 54-55.
HB 1473, Section 121.

9/8/87
BN:em (HS-H-Med)

Department of Mental Health

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$89,339,329		\$114,064,315		2845.4	3069.0
FY'84 Revised	\$82,593,737	(7.5)%	\$111,416,975	(2.3)%	2802.1	3107.0
FY'85	\$82,883,737	0.4%	\$110,951,728	(0.4)%	3041.3	3036.5
FY'86	\$93,365,259	12.6%	\$116,791,126	5.3 %	2699.3	3036.5
FY'87 Revised ²	\$83,679,942 77,417,846	(10.4)% (17.1%)	\$110,848,785	(5.1)%	2564.4	2806.0
FY'88	\$82,496,338	(1.4)% 6.6%	\$116,421,207	5.0 %		2750.0

¹ Total of all appropriated, dedicated, federal and revolving fund expenditures. FY'88 figure reflects anticipated expenditures from all sources of revenue.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover and redesignated capital funds, the FY'88 appropriation would actually reflect a 4.1% decrease.

It also does not include \$5.1 million in capital appropriations reappropriated and redesignated for operations.

- Since FY'83 the agency has experienced a 7.7% decrease in appropriations; when adjusted for inflation the decrease is 21.1%.
- The Budget Reconciliation Act made a midyear cut of \$2,353,050 or 2.7% from the agency's FY'87 appropriation, accommodated by passing on a \$428,905 or average 2.3% cut to private community mental health contracts and by utilizing unbudgeted revolving funds to absorb the remainder.
- The FY'88 appropriation represents a \$3.5 million or 4.1% cut to the agency's FY'87 appropriation base. This includes the statewide OPERS reduction, and a \$1.0 million net cut to operations. The agency intends to distribute the cut in state revenues as follows:
 - private community mental health centers (\$1,200,000);
 - state community mental health centers (\$528,000);
 - state hospitals (\$1,027,450);
 - central office (\$331,569);
 - state alcohol and drug programs (\$150,000); and
 - private alcohol and drug programs (\$50,000).

There should be no harmful impact on community mental health center service levels due to the anticipation of increased revolving fund revenue. Alcohol and drug programs, as a whole, shall also be insulated from a negative impact due to increased funds from federal sources. However, the 3.0% cut to the central office, while representing currently vacant positions, follows a 25% reduction over the past five years and may bring field support services to a marginal level. Impact of the hospital reductions are less certain; they are based on a declining patient census and associated FTE levels. Much of these cuts could be offset by drawing down the agency's revolving fund reserves, if the agency needed and chose to do so.

- New programming planned by the Department and made possible by the FY'88 funding level includes:
 - youth emergency services to include three residential crisis centers and three new "Homebuilder" outreach programs (\$615,450);
 - 25% expansion of residential alcohol and drug abuse services for adolescents in Wetumka;
 - new mental health and substance abuse services for the deaf and hearing impaired, as directed by the Deaf and Hearing Impaired Act of 1985 and in accordance with the state plan completed in May, 1987 (\$300,000);
 - 14% rate increase for the 32 Room and Board homes under state contracts (\$200,000); and
 - various community program and crisis center enhancements (\$1,338,000).
- The Department of Mental Health carried over at least \$7.1 million in revolving funds into FY'88. This is consistent with the previous year's carryover of \$7.8 million.
- The agency's anticipated total budget for FY'88 is set at a level comparable to FY'86, but is based on a optimistic projection of revolving fund collections.
- The FTE Limit was reduced by 56.0 FTE based on the agency's estimate of FTE needs, but includes up to 5% flexibility. The authorized limit for FTE has steadily decreased over the past six years, 10.4% since FY'83, due to a decreased patient census at the state hospitals and a shift toward community care provided by private organizations.
- The agency has budgeted up to \$11 million in increased federal/state Medicaid funds for day treatment and case management services as a result of a change in the state's Title XIX Plan. Of this amount \$7 million represents new federal funds which will flow to private and state community mental health centers; the remainder represents agency funds already included in their budget. This increase is expected to fully offset the FY'88 cuts in state revenue made to community mental health centers, and to allow for expanded services in FY'89.
- A shift in agency resources away from the hospitals, the provision of some new state funds and the utilization of federal "War on Drugs" funds will assist in allowing the development of two new crisis centers in the state's major metropolitan areas, Tulsa and Oklahoma City. Tulsa will have two facilities, a total of 50 crisis beds for psychiatric patients, with a budget of \$4.1 million. The Oklahoma City crisis facility, with an operating budget of \$2.8 million, will be housed in combination with the agency's relocated central offices in the Pauline Mayer building and will have a 40 beds for use by both psychiatric and substance abuse clients.
- Federal "War on Drugs" funds, estimated at \$1.9 million, will allow first-year support of the Oklahoma City Crisis Center and will provide one-year funding to a variety of private efforts aimed at preventing and reducing drug abuse. It is uncertain as to whether this federal grant money will be extended for a second year.
- The operation of a state-wide, toll-free Teen Hotline Program and its staff of three, previously located at the OU Health Sciences Center and supported by a variety of one-time funding sources, was transferred to the department without funding.
- The appropriations bill includes intent language that \$25,000 be expended for the training of Room and Board personnel, as was done in FY'87.
- Several reappropriations were included in the bill to allow for sufficient time to complete the work and resolve contract issues.

- This year's appropriation bill included language directing the agency to design its budget using certain program activities to facilitate both legislative and executive tracking of expenditures. Placement of total expenditure limits on program areas was deferred.
- A total of \$288,000, provided for one-time expenditures in FY'88, will be dropped from the agency's FY'88 appropriation base.
- The mid-year development of community placement beds, the use of \$900,000 in one-time federal "War on Drugs" funds for the Oklahoma City Crisis Center, and the possibility of drawing down revolving funds below the \$2 million level needed to begin the new fiscal year may necessitate increased General Revenue funding of up to \$3 million in order to maintain FY'88 basic service levels in FY'89.

HB 1135, Sections 56-72
HB 1473, Sections 32-35

10/7/87
BN:em (HS-H-Ment)

Oklahoma State Board of Nursing Homes

All revenue was deposited in revolving fund directly in FY'83

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	⁰ \$129,960		\$129,960		3.1	2.3
FY'84 Revised	\$146,148	^{NA} +2.5%	\$134,846	3.8%	2.9	3.0
FY'85	\$143,225	(2.0)%	\$124,929	7.4%	2.8	3.0
FY'86	\$149,372	4.3 %	\$118,321	5.3%	2.7	3.0
FY'87 Revised ²	\$87,958	(41.1)%	\$105,024	11.2%	2.2	3.0
FY'88	\$119,944	36.4 %	\$130,000	23.8%		3.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 17.0% increase.

no app^{no} in FY'83!

- Since FY'83 the agency has experienced a ^{17.9%}~~7.7%~~ decrease in appropriations, when adjusted for inflation the decrease is ~~21.1%~~ ^{29.9%}.

- The Budget Reconciliation Act made a midyear cut of \$35,648 or 24.7% from the agency's FY'87 appropriation, accommodated as a result of FTE vacancy savings and lower than anticipated expenditures for professional services, the latter a result of reduced nursing home survey requests.

- The FY'88 appropriation level represents a \$24,513 cut from the agency's FY'87 appropriation base. Remaining General Revenue carryover of \$13,500 from FY'86 offsets a part of this cut; the remainder is due to a 6% operations cut, to be taken in previously overbudgeted professional services and various operating line items, and the OPERS reduction.

- The use of \$13,500 in one-time carryover appropriated funds will require restoration in FY'89. The 6% cut is sustainable unless the number of nursing home classification surveys increases significantly.

HB 1135, Sections 73-74.

9/8/87
BN:em (HS-H-Nurs)

Department of Veterans Affairs

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$13, ³ 133,555		\$21,641,118		787.2	826.0
FY'84	\$11,701,311	(12.2%) (10.9%)	\$20,001,385	(3.0)%	774.4	826.0
FY'85	\$11,701,311	0.0 %	\$20,741,279	3.7 %	791.3	862.0
FY'86	\$13,190,339	12.7 %	\$23,205,670	11.9 %	829.3	862.0
FY'87 Revised ²	\$10,263,933	(22.2)%	\$22,832,365	(1.6)%	818.8	862.0
FY'88	^{238,284} \$10, 263,933	(0.2)% (-2.5)%	\$24,800,000	7.6 %		896.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 12.7% decrease.

- Since FY'83 the agency has experienced a 22.0% decrease in appropriations; when adjusted for inflation the decrease is 33.4%.
- The Budget Reconciliation Act made a midyear cut of \$750,000 or 6.4% from the agency's FY'87 appropriation, accommodated primarily as a result of FTE vacancy savings.
- The FY'88 appropriation level represents a \$1.5 million or 12.7% cut from the agency's FY'87 appropriation base. Half of this represents the state-wide OPERS reduction, and the remainder represents a 6% cut to operations. The agency can accommodate this \$703,906 cut due to the anticipation of increased federal and revolving funds and due to operational cost efficiencies put in place during FY'87.
- There is no adverse programmatic impact as a result of this cut. In fact, the FY'88 total budget will allow for a 6% increase in veterans center bed capacity by mid-FY'88. Despite gubernatorial proposals throughout the 1987 Legislative Session to eliminate the Department of Veterans Affairs and phase out veterans centers, the Legislature affirmed its support of the agency and its mission. Further, they endorsed a 51-bed nursing care bed expansion at the Talihina Veterans Center in mid-FY'88 and start-up of a new 250-bed veterans center in Claremore at the end of FY'88.
- The FTE Limit was changed to an average limit and was increased by an average 34.0 FTE to allow for new staff required for the Talihina and Claremore Centers.

- A War Veterans Commission rule change, passed in March in anticipation of state budget cuts, increased the charge to single veterans from 70% to 85% of gross income. However, statutory changes were made in the appropriations bill to increase the minimum monthly retained income allowance for veterans from \$100 to \$150 and make other minor modifications to the patient payment schedule, causing some income loss. The net annual revenue gain is approximately \$1 million.
- Although not a factor in FY'88 budget deliberations, the agency is anticipating favorable congressional legislation which would increase the VA per diem reimbursement rate for nursing care from \$17.05 to \$20.35 and for domiciliary care from \$7.30 to \$8.70. Bills are currently pending in both the House and the Senate, with effective dates of October 1, 1987. Such a change would bring approximately \$1 million in new federal funds to the agency annually.
- Full operation of the new Talihina wing and new Claremore Center is expected to cost \$7.7 million next year, which would require, by current estimates, a total of \$3.1 million in new General Revenue funds. Part of this state funding increase may be offset by new federal revenues if the legislation increasing the VA per diem rate is passed by Congress.

HB 1135, Sections 75-90.
HB 1473, Sections 36-47 and 138.

9/8/87
BM:em (HS-H-Vets)

NATURAL RESOURCES AND REGULATORY SERVICES

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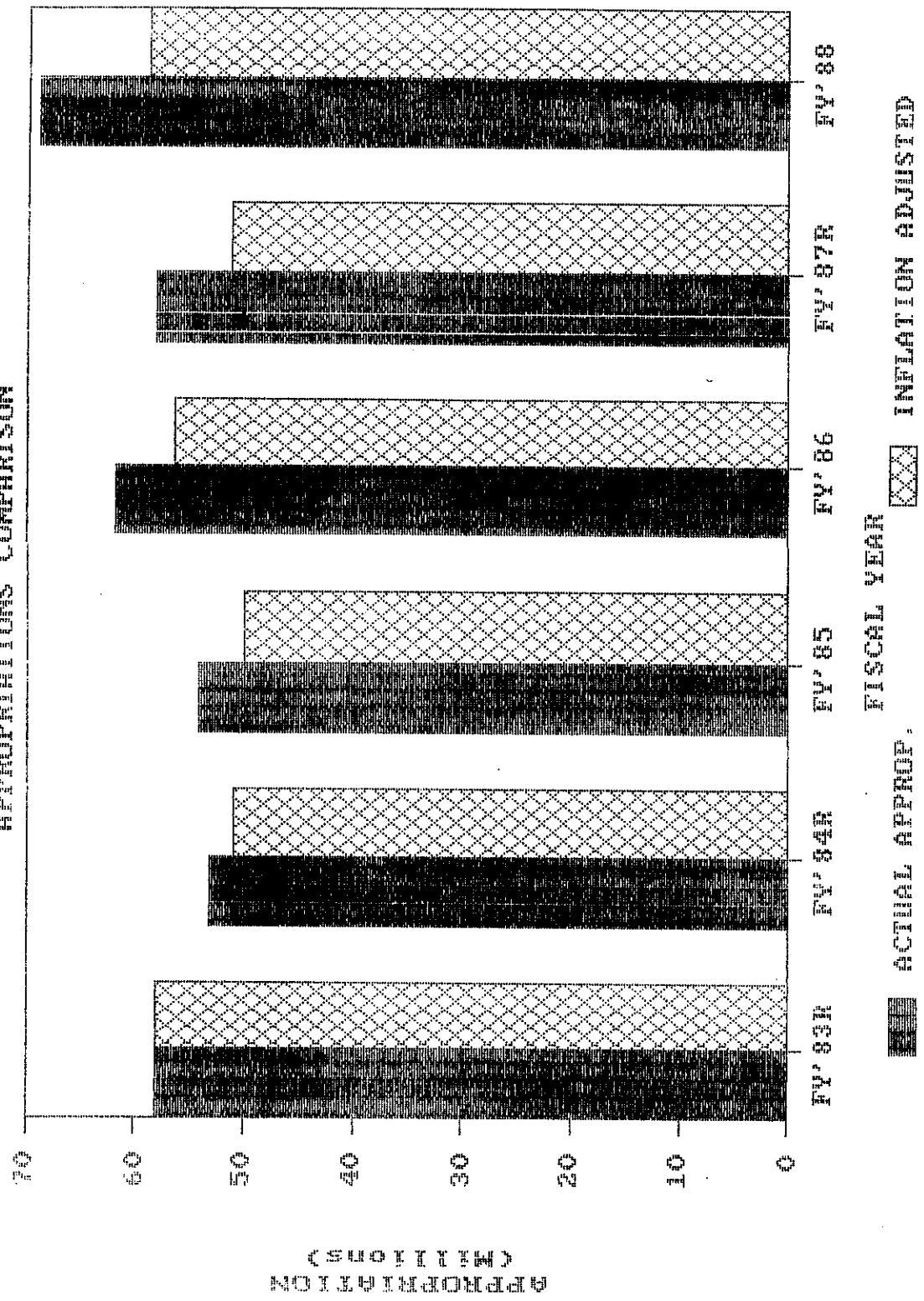
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**DEPARTMENT OF THE ARMY
APPROPRIATIONS COMPARISON**



NATURAL RESOURCES AND REGULATORY SERVICES HIGHLIGHTS

Historical Overview

The appropriation level for FY'88 represents an increase in funding for the Natural Resources and Regulatory Services Subcommittee of approximately 19% from the revised FY'87 amount. The increase is also approximately 19% from the revised FY'83 level. After adjusting for inflation however, the increase from FY'83 is only 1.4%. The FY'88 appropriation represents an actual increase of \$10.8 million and an inflation adjusted increase of just over \$840,000 from the FY'83 level.

This funding increase came as the Legislature has provided support for various programs and activities. For FY'86, the Legislature passed a pay increase for state employees and provided over \$4 million for the agencies of this subcommittee to implement the increase. This was the first employee pay increase since FY'83. For FY'88, the Legislature appropriated \$6.3 million more for economic development to the Department of Commerce than was appropriated to the old Departments of Economic Development and Economic and Community Affairs in FY'83. These funds are going for many new programs, some of which are discussed later in this report.

The \$1.1 million appropriation made this session to the Horse Racing Commission compares to no funding provided for this activity in FY'83. The first-year funding was provided to the Commission was in FY'84. For the \$1.1 million appropriated for FY'88, the state expects to receive over \$2.2 million in direct revenues from horse racing in the state.

The appropriation level for the Labor Department has increased over \$1 million since FY'83. This funding has gone primarily for boiler inspection, asbestos abatement inspection, amusement ride inspection and the new Job Safety Program. The reduced role of the federal government in examining banks and problems in the banking industry have required an additional \$700,000 in funding be added to the Banking Department since FY'83.

Over \$14 million in expanded programs and other increases granted in the past five years have been funded with less than \$1 million in new appropriations (adjusted for inflation). The remainder of the funding has come from cuts made in other agencies and in other programs in this subcommittee. Three out of the five natural resources related agencies have received actual funding declines since FY'83. This is true for two out of the nine regulatory agencies. While many new programs have been initiated over the last several years, funding has often been provided through reallocating existing funds.

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Inflation Adjusted Figure</u>	<u>Actual FTE</u>	<u>Authorized FTE</u>
1983 Revised	\$58,007,314	\$58,007,314	2457.0	2632.0
1984 Revised	53,127,294	50,985,887	2292.9	2453.0
1985	54,161,420	50,103,071	2272.8	2480.5
1986	61,869,246	56,295,947	2363.5	2558.0
1987 Revised ¹	58,171,191	51,297,346	2308.1	2446.5
1988	68,855,299	58,850,682		2473.0

¹ Reflects actual appropriation, less midyear reductions (HB 1196). Including FY'86 monies carried over to offset FY'87 reductions, the FY'87 appropriation base is actually \$65,611,883.

1987 Session

Budget Reconciliation Act

To accommodate a potential budget shortfall most agency budgets in the Natural Resources and Regulatory Services Subcommittee were cut approximately 5% for the remainder of FY'87. Cuts were made according to each agency's ability to achieve a certain reduction. Two agencies, the LPG Board and the Mining Department, were spared any cuts due to the serious impact a reduction would have on their operations. The Horse Racing Commission's budget was cut only 1.9% to prevent the cancellation of any race days. The Securities Commission received a 9.1% cut because funds received from another source allowed for state funds to be saved. Most reductions were met by personnel savings. Many agencies had held positions open and reduced expenditures during the year in anticipation of budget reductions.

Subcommittee Budget Approach

The subcommittee approached the FY'88 budget by first identifying those areas where budget cuts could be made and by prioritizing additional funding needs. New programs and activities were initiated by redirecting funds from activities that no longer were considered to be priorities, thereby allowing over \$7 million in reductions from the FY'87 budget to be utilized for new activities.

Fee increases were reviewed as a means of offsetting some of the cuts and to provide funding for essential new programs and services. If all were adopted, fee changes considered by the subcommittee would have generated nearly \$16 million in new revenues. The Governor's executive budget recommended nearly \$9 million in fee increases. After consideration of the funding needs of the agencies and the merits of the fee proposals, the committee adopted \$3.3 million in fee increases. Nearly half of this revenue is generated from changing the insurance agent appointment fee from \$10 to \$20. This fee is paid by the insurance companies and not by individual agents. Changes in securities fees will generate approximately \$1 million in new revenue. Many of these changes involve simplifying the fee structure by consolidating small fees and through modifying assessment methods. A new fee was established for asbestos inspection to offset the increasing costs of the inspection program. This fee will be collected by the Department of Labor and will be deposited in the General Fund. Mineral production fees were increased to offset declining revenue to the Mining Department Revolving Fund. Other changes include increasing the bank assessment fee from 17¢ to 19¢ per \$1,000 of assets and increasing the fees paid by supervised lenders and credit service organizations.

Major Policy and Program Issues

Economic Development

For the 1988 fiscal year the Legislature provided additional funding to expand the work performed by the Department of Commerce. Many of these additional funds are directly tied to legislation passed this session which adds additional responsibilities to the agency. Other additions will broaden the approach of the Department away from the traditional recruitment approach of economic development to a more comprehensive approach that focuses on assisting existing and new businesses.

Over \$1.3 million in new funding was added to the department to carry out provisions of HB 1444, the Economic Recovery Act of 1987. Of these funds, \$250,000 will go for the establishment of the ORIGINS information system. This system will establish in Oklahoma a central source of economic, demographic, and trade data that will be made available to communities and groups across the state. The information available on this system will also be used by the Department to develop the state's economic development strategy, to provide support for Oklahoma Futures, and to complete the state's five-year economic development plan.

To assist localities in preparing for economic development, HB 1444 contained provisions establishing a Certified Cities program and for establishing the Economic Innovation Network. Through the Certified Cities program cities attain certification designating that they have met established criteria regarding preparedness for economic development. This program provides an incentive for communities to go through the procedures essential for implementing development practices. The Economic Innovation Network will distribute \$600,000 appropriated this year as incentive funds. These funds will be awarded on a competitive basis to regional entities for locally sponsored development activities. This program offers a financial incentive for regional areas of the state to better coordinate their development efforts.

The addition of funds for small business development, financial advisory assistance, business retention and revitalization, and new regional offices will allow the department to focus more attention on assisting existing Oklahoma companies and new business ventures. The department will now have available the resources and capabilities to provide assistance to Oklahomans in need of business related technical assistance. Businesses seeking assistance in acquiring financing will now be able to get help from the newly created Capital Resources Division. This division will manage the loan programs now available through the department and will provide information on alternative financing options. New regional offices will work in coordination with the existing Small Business Development Centers and vo-tech offices to provide one-stop technical assistance throughout the state.

Tourism Promotion

Realizing the importance of the tourism industry to the state, the Legislature provided the Tourism and Recreation Department with \$875,000 in additional funds for promotion and advertising. These funds will be used in conjunction with the \$425,000 that was already in the agency's budget for advertising. Of this \$1.3 million, \$1.1 million will be used for direct media costs with the remaining \$200,000 needed to print brochures. To provide additional funds for advertising the Legislature passed the Tourism Promotion Act. This act will provide a dedicated source of funds for tourism advertising. Revenue estimates for the current year are uncertain but it is felt that up to \$2 million could be generated for subsequent years. The increased advertising funds approved for this year will probably move Oklahoma from 6th place to 4th place in advertising expenditures in our eight-state region.

Assistance for Farmers and Ranchers

The 1985 federal farm bill placed additional responsibilities on the state's 89 conservation districts. Farmers are required to have conservation plans on file at the district offices in order to be eligible for federal assistance. This requirement has meant an increased workload for the districts at a time when both state and federal funding has been reduced. The inability of the districts to comply with this federal law could jeopardize up to \$150 million in federal subsidy loan payments and a large portion of

Farmers Home Administration loans. To respond to this situation, the Legislature appropriated an additional \$340,000 for the district field offices for additional help to handle the increased workload.

Additional assistance for rural areas comes as a result of additional funds appropriated for upstream flood control. These funds will be used for the repair and maintenance of flood control structures. The upkeep of these structures is critical in order to minimize property loss and damage during flooding, to maintain Oklahoma's eligibility for federal disaster relief funds, and to protect the possible liability of the state in the event a structure fails.

The Department of Agriculture was given a \$250,000 appropriation to start the Brucellosis Depopulation Program. These funds will be used to subsidize ranchers with infected cattle on a per head basis. This program, in conjunction with the increased enforcement powers granted in SB 32, is expected to reduce the number of infected cattle in the state and move Oklahoma from Class B to Class A status. If this occurs, the restrictions now placed on the sale of Oklahoma cattle would be removed. Additional funds were also given to this department for a mediation program that will assist farmers in bankruptcy proceedings and for the provisions of SB 283, the Agriculture Diversification Act.

Additional Recreation Area Added

The Federal Bureau of Reclamation is now completing its work on the McGee Creek Recreation Area. Sometime this summer or fall this area will be turned over to the state for the continued operation and maintenance of the site and facilities. Additional funds were given to the Department of Tourism and Recreation to hire the necessary personnel to operate the site and to make additional improvements. Also, additional funds were given to the Department of Agriculture to provide fire protection for the area.

Regulatory Changes

Many of the regulatory agencies in this subcommittee are affected by legislation passed this session. Several bills added new responsibilities to the Insurance Department. Most of these bills contained provisions that generate enough revenue to offset the costs of any additional duties placed on the department. Senate Bill 340 is a comprehensive revision of the state's laws relating to setting property and casualty insurance rates. This bill is a response to a recent state Supreme Court ruling that set new tests and standards for rate-making. Six new FTE were added to the agency for the provisions of this bill and eight FTE were added to carry out other legislation adopted during the last two sessions. No additional appropriated funds were needed for any of these positions.

In SB 140, the Consumer Credit Department was given the additional responsibility of regulating credit service organizations. To meet the workload demands of this responsibility, an additional \$55,000 in appropriated funding was given to the agency. Fees raised in the appropriation bill related to this agency more than offset this cost. In HB 1417 the Securities Department was given additional duties relating to capital formation in Oklahoma. These responsibilities were funded through the agency's revolving fund.

The Department of Labor was given an additional \$115,000 for the Asbestos Inspection Program. The demand for inspections has gone up from 245 actual inspections in FY'85 to an estimated demand for inspections in FY'88 of 2,100. These new funds will support two new FTE. The Labor Department was also given \$150,000 to maintain last year's

funding level for the Job Safety Program. The prior year funding source won't be available for FY'88. The Job Safety Program offers businesses increased safety consultation in an attempt to lower injury incidence rates and ultimately lower workers' compensation insurance premiums.

The inspection of the state's manufactured grade dairies and soft-serve ice cream restaurants was transferred from the Department of Agriculture to the Department of Health. The Health Department already has similar inspection responsibilities and this transfer should eliminate any duplication in inspections. Funding for the Older American Volunteer Program was moved from the Department of Commerce to the Department of Human Services. This program will operate in the same manner under DHS, but will be funded through a more appropriate agency.

Corporation Commission Funding

A significant funding problem facing the committee involved the Corporation Commission. Over half of the commission's budget has historically been funded from the Conservation Fund. This fund receives its revenue from an excise tax on oil and gas production. As these revenues have dropped significantly in the last few years, the commission was in need of new revenues for FY'88 to avoid drastic cutbacks in services. Several new revenue sources were suggested to meet this need. The Governor's budget included a recommendation for a utility assessment fee and an increase in the oil and gas excise tax. The Legislature rejected both of these proposals and provided additional General Revenue to the agency to help the funding problem. The 21.6% increase in appropriated funds for the agency will still leave the agency 9% below the FY'87 original budget in FY'88. This funding decrease will result in the elimination of 10 to 15 employees and the complete elimination of additional positions held vacant in the past.

Governor's Vetoes

The appropriations and the substantive changes related to these agencies were originally passed in SB 61. Three appropriation items were vetoed by the Governor. These were: the annual appropriation to the Community Action Agencies (Department of Commerce - \$777,855); the annual appropriation for tick eradication (Department of Commerce - \$91,000); and an appropriation for the Weather Modification Program (Water Resources Board - \$10,000). All three of these appropriations were again passed as provisions of HB 1473. The appropriations for tick eradication and weather modification were again vetoed, the appropriation to the Community Action Agencies was not vetoed and this funding was restored.

The Governor also objected to certain substantive sections contained in SB 61. In order to negate these sections, he was required to veto every substantive section of the bill. Most of this language was restored in HB 1473.

Senator Roy Boatner, Subcommittee Chairman
Jerry Johnson, Natural Resources & Regulatory Services Fiscal Analyst

JJ/ljh
(JJ-high)
9/16/87

**SUBCOMMITTEE ON NATURAL RESOURCES AND REGULATORY SERVICES
STATUS OF SUBCOMMITTEE ACTION
FISCAL YEAR 1988**

<u>Agencies</u>	FY'87 Initial Appropriations <u>Base (A)</u>	FY'88 <u>Approp.</u>	Amt. Change From FY'87 <u>Approp. Base</u>	% Change From FY'87 <u>Approp. Base</u>
Agriculture	11,506,537	12,424,545	918,008	7.98 %
Banking Dept.	2,131,303	2,045,959	(85,344)	(4.00)%
Commerce	13,622,519	13,722,437	99,918	0.73 %
Conservation Comm.	3,137,512	3,489,550	352,038	11.22 %
Consumer Credit	532,763	525,459	(7,304)	(1.37)%
Corporation Comm.	3,727,439	4,533,645	806,206	21.63 %
Horse Racing Comm.	963,444	1,119,805	156,361	16.23 %
Insurance Comm.	2,361,388	2,199,095	(162,293)	(6.87)%
Labor	2,123,111	2,273,125	150,014	7.07 %
Liquefied Petroleum	240,405	242,478	2,073	0.86 %
Mining Board	877,400	845,700	(31,700)	(3.61)%
Pollution Control	166,122	160,237	(5,885)	(3.54)%
Securities Comm.	733,887	661,029	(72,858)	(9.93)%
Tourism & Recreation	20,742,611	21,164,178	421,567	2.03 %
Water Resources Board	2,745,442	3,448,057	702,615	25.59 %
Total	\$65,611,883	\$68,855,299	\$3,243,416	4.94 %

9/11/87
BM:em (BM-Sub-NR)

Department of Agriculture

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$13,146,790		\$19,483,287		543.6	556.0
FY'84 Revised	12,234,909	(6.9)%	17,807,603	(8.6)	525.4	523.0
FY'85	12,258,129	0.2 %	18,789,774	5.6 %	528.5	536.5
FY'86	12,562,451	2.5 %	19,613,659	4.3 %	548.2	551.5
FY'87 Revised ²	10,518,360	(16.3)%	17,621,075	(10.2)%	520.1	551.5
FY'88	12,424,545	18.1 %	20,518,427	16.4 %		544.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect an 8.0% increase.

- Since FY'83 the agency has experienced a 4.5% decrease in appropriations; when adjusted for inflation the decrease is 19.2%.

- HB 1196 reduced the agency's FY'87 appropriation by \$569,459 or 4.9%. The agency absorbed most of this reduction through vacancy savings and reduced expenditures throughout the year.

- Reductions for FY'88 include the removal of one-time expenditures made for FY'87, the removal of funding associated with the change in the contribution to the retirement system and the transfer of those funds associated with the dairy inspection program to the Department of Health.

- Additional funding of \$140,000 was given to the department for the statewide rural fire defense program. These new funds will restore to the fire defense districts the funding level they had before funding cuts over the last few years.

- Funds were also appropriated to expand the department's forestry division's fire protection program. The area surrounding the new recreation area at McGee Creek Lake will now be covered under this program. The cost of expanding this program was just over \$300,000. Of this amount, approximately \$200,000 will be for one-time expenditures.

- An appropriation of \$250,000 was given to the department to start a brucellosis depopulation program. These funds will be used to subsidize ranchers with infected cattle. This program, in conjunction with the increased enforcement powers granted in SB 32, is expected to reduce the number of infected cattle in the state and move Oklahoma from Class B to Class A status.

- To provide assistance to farmers, additional funds were appropriated to carry out the provisions of SB 283, the Agriculture Diversification Act, and to start a new mediation program. The mediation program will provide assistance to farmers in bankruptcy proceedings. SB 283 established the Agriculture Linked Deposit Program. This program allows state funds to be used for loans to distressed farmers to promote agricultural diversification.
- Funds were provided to help support fire protection programs throughout the state. Additional funds were also provided for agriculture related promotional activities.
- The total budget for the agency for the year just completed was over 10% below the previous year's level. The agency is anticipating an increase in its total budget for FY'88. This gain will be largely dependent on the receipt of federal funds. Increased expenditures are expected from federal reimbursements and from the surplus property program.
- The inspection of soft-serve ice cream establishments and grade C dairys was transferred to the Department of Health to prevent any duplication in the inspection process.

SB 61, Sections 1-4

9/14/87
JJ:em (NR-H-Agri)

Banking Department

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,304,529		\$1,370,935		36.6	41
FY'84 Revised	1,331,992	2.1%	1,343,218	(2.0)%	35.3	35
FY'85	1,392,136	4.5%	1,387,786	3.3 %	33.5	37
FY'86	1,768,411	27.0%	1,718,753	23.8 %	42.9	55
FY'87 Revised ²	2,003,461	13.3%	1,871,234	8.9 %	47.3	55
FY'88	2,045,959	2.1%	2,078,181	11.1 %		52

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures. Total budget amounts lower than appropriation figures reflect years in which funds were returned to the general fund.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.0% decrease.

- Since FY'83 the agency has experienced a 56.8% increase in appropriations; when adjusted for inflation this increase is 34%. This increase has provided for new inspectors in response to the reduced role of the FDIC in examining banks and the increasing problems in Oklahoma's banking industry. Problems in the banking industry have required more frequent examination of many banks. Frequent examinations help to identify problem banks early, in an effort to prevent bank failures.
- The Budget Reconciliation Act reduced the agency's FY'87 appropriation by \$63,939 or 3%. This reduction was accomplished by leaving examiner positions open throughout the year.
- The FY'88 funding for the agency is set at a level that will provide sufficient funding for 50 FTE. The department feels it can meet its regulatory responsibilities at this level.
- The agency's total budget has increased each year since FY'85. The agency operates almost completely from appropriated funds. A small revolving fund accounts for the remainder of the agency's budget.
- To provide additional revenue to the general fund (to offset the cost of operating the Banking Department) the annual assessment fee on banks was raised from 17 cents to 19 cents per \$1,000 of assets. This change will generate approximately \$185,000 in FY'88.

SB 61, Sections 10-11

9/14/87

JJ:em (NR-H-Bank)

Department of Commerce

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	N/A		N/A		N/A	N/A
FY'84 Revised	N/A	N/A	N/A	N/A	N/A	N/A
FY'85	N/A	N/A	N/A	N/A	N/A	N/A
FY'86	N/A	N/A	N/A	N/A	N/A	N/A
FY'87 Revised ²	\$11,377,422	N/A	\$71,498,789	N/A	138.6	156
FY'88	13,722,437 ³	20.6 %	85,534,295	19.6 %		200

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.1% increase.

³ Does not include \$1.5 million appropriated for Oklahoma's bid for the Supercoducting Super Collider (HB 1473, Section 131).

- The Budget Reconciliation Act made a midyear cut of \$562,369 or 4.1% from the agency's FY'87 appropriation base. This cut includes a 5% reduction from the operating funds of the agency, removing \$100,000 from the County Jail Fund and a 7.5% cut in funds provided for the More Oklahoma Science and Technology program. Funds provided for community development projects and for the health research program were spared from cuts.

- To expand to work of the Department of Commerce additional funding was provided for several new programs.

In FY'87 private sector funds were raised for some of the expanded operations of the agency. These funds were not available for FY'88. The Legislature provided \$463,000 to replace these private sector funds used for a finance specialist, the foreign offices and advertising.

Additional funding was provided to expand the department's financial assistance program. New personnel will be added to the department to provide technical assistance to those seeking help in raising capital for business start-ups or expansions. Funding was provided for the operation of the program for only nine months. It was felt that it would take three months to get the new program operating.

Funds for advertising and marketing will go for the purchase of media advertising and for the printing of promotional material.

Nearly \$500,000 in additional funding was given to the department to establish new programs that will assist existing Oklahoma companies. The focus of many of these new programs will be to provide technical assistance to businesses needing help. New regional offices to be established in conjunction with existing vo-tech centers and Small Business Development Centers will make available one-stop assistance to businesses and individuals across the state. Emphasis will be placed on making it easier for the private sector to access state assistance. Included in this concept of state assistance is a new focus on small business development. Recognizing the importance of small businesses in job creation, the state is bolstering its efforts to help small enterprises to survive and possibly to expand. These programs were also funded for nine months.

A program to assist nonprofit organizations establish profit-making subsidiaries was begun with \$225,000. This program will help create new jobs and will result in reduced dependency on government funding. All funds will be distributed as competitive matching grants.

- Several bills passed this session required additional funds for the department. The bill with the greatest budgetary impact was the Economic Development Act of 1987 (HB 1444). To fund the provisions of this act over \$1.3 million in new funds were appropriated to the department. The act redefined the mission of the department and created several new economic development entities. Oklahoma Futures was created as a policy development and oversight board. It has the responsibility of approving the department's annual business plan and the state's five-year economic development plan. Other entities created by the act include the Oklahoma Capital Investment Board, the Oklahoma Development Finance Authority, the Oklahoma Center for the Advancement of Science and Technology and the Executive and Legislative Bond Oversight Commissions.

The act authorizes the department to establish the Economic Innovation System. This statewide system will provide incentive funds to regional entities for locally sponsored development activities. All funds will be awarded through a competitive process. The program provides a financial incentive for regional areas of the state to coordinate their development activities. An appropriation of \$600,000 was made for FY'88 for this program. A new Certified Cities program will also assist localities in preparing for economic development. The program allows cities to receive certification that they have met established criteria regarding preparedness for development. This program was provided \$118,000 for FY'88.

Funding was provided to the agency to establish a planning and financing assistance program for infrastructure development. The program will involve developing a planning process for public works construction. A \$75,000 appropriation was given to the agency to pay the costs of the newly created position of State Bond Advisor. Revenue generated by the new Bond Oversight Commission will fund this position in future years.

- The Inventors Assistance Act passed this session required additional funding of \$176,950. These funds will help those with product ideas get their inventions into production.
- Funding for minority business development was appropriated to carry out the provisions of SB 120. These funds will go to hire a new full-time employee to provide direct assistance to minority ventures.

- The Incubators Incentive Act required \$20,000 in additional appropriations. These funds will support a half-time position responsible for implementing this legislation.
- Community development projects were funded with nearly \$2.8 million for FY'88. This is an increase of \$440,000 over the FY'87 amount.
- Funding provided for the tick eradication program was vetoed by the Governor. The amount of this item was \$91,000.

SB 61, Sections 15-20; HB 1473, Sections 54-55

9/14/87
JJ:em (NR-H-Comm)

Conservation Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$3,258,347		\$3,539,423		9.3	10
FY'84 Revised	3,007,326	(7.7)%	4,271,379	20.7 %	9.0	10
FY'85	3,007,326	0.0 %	5,709,556	33.7 %	9.5	10
FY'86	3,146,630	4.6 %	5,755,692	0.8 %	9.3	12
FY'87 Revised ²	2,931,633	(6.8)%	5,193,421	(9.8)%	10.7	12
FY'88	3,489,550	19.0 %	6,900,760	32.9 %		12

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect an 11.2% increase.

- Since FY'83 the agency has experienced a 7.1% increase in appropriations; when adjusted for inflation however, the agency experienced a decrease of 8.5%.
- The Budget Reconciliation Act made a midyear cut of \$25,602 or .8% from the agency's FY'87 appropriation base. The reduction amount removes 5% of the funding that supports the central office but spares cuts to the field offices.
- An additional \$340,000 was appropriated to the Conservation Commission to provide increased support to the state's 89 conservation districts. This funding increase was in response to the additional responsibilities placed on the district offices by the 1985 federal farm bill. The districts are working with farmers to help them file the required conservation plans. Failure to meet the requirements of this new federal legislation could jeopardize millions of dollars in federal subsidy payments and loans that come to Oklahoma.
- To provide for additional repair and maintenance of upstream flood control structures an additional \$200,000 was appropriated for FY'88. The upkeep of these structures is critical for public safety, to minimize property loss and damage during flooding, to maintain Oklahoma's eligibility for federal disaster relief funds, and to protect the possible liability of the state in the event a structure fails.
- Funding was provided to supply the employees of the conservation districts with health insurance. These employees are funded in part with federal money and have not been eligible for regular state benefits.
- To provide for water related projects, \$102,000 was appropriated for designated needs.

- Funding provided last year for one-time projects and for the replenishment of a revolving fund were removed from the agency's appropriation base.
- An appropriation cut and the loss of federal funds forced a reduction in the total budget of the agency of nearly 10% for FY'87, after steady growth since FY'83. For FY'88 the agency is anticipating increased federal funding. This gain, coupled with the appropriation increase, will result in a total budget increase for FY'88.

SB 61, Sections 28-32

9/14/87
JJ:em (NR-H-Cons)

Consumer Credit Department

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$456,990		\$559,955		15.5	16.0
FY'84 Revised	426,708	(6.6)%	545,345	(2.6)%	16.0	16.0
FY'85	418,174	(2.0)%	549,981	0.8 %	15.9	16.0
FY'86	232,361	(44.4)%	592,212	7.7 %	16.0	16.0
FY'87 Revised ²	506,880	118.1%	498,260	(15.9)%	13.8	16.0
FY'88	525,459	3.7%	540,459	8.5 %		16.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 1.2% decrease.

- Since FY'83 the agency has experienced a 15% increase in appropriations; when adjusted for inflation however, the agency received a reduction of 1.7%. The large appropriation increase in FY'87 came as the agency's revolving fund was abolished and the agency became funded solely from the general fund.
- The Budget Reconciliation Act made a midyear cut of \$15,983 or 3% from the agency's FY'87 appropriation base. This reduction was achieved through holding positions open throughout the year.
- The consolidation of positions through budget cuts made last year allowed nearly \$50,000 to be removed from the agency's appropriation base.
- The agency received \$55,000 in additional funding to carry out the provisions of SB 140, the Credit Services Organization Act. This legislation requires that all credit service organizations be regulated by the Consumer Credit Department. New fees placed on these organizations and other fee increases adopted for this department more than offset this increased appropriation.
- A revolving fund was created to receive reimbursements for examinations. This fund allows for greater accountability in the examination process. An appropriation of \$5,000 was made to establish the fund.
- The agency's total budget has remained fairly constant over the last few years, with a large decrease experienced in FY'87. This large decrease (nearly 16%) came as positions within the department were consolidated to lessen the number of administrators.

SB 61, Sections 37-39

9/16/87

JJ:em (NR-H-Cred)

Corporation Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$3,478,000		\$15,994,933		393.8	433
FY'84 Revised	3,143,196	(9.6)%	15,594,682	(2.5)%	386.4	414
FY'85	3,276,636	4.2 %	15,574,997	(0.1)%	401.9	419
FY'86	3,991,523	21.8 %	17,372,802	11.5 %	417.5	429
FY'87 Revised ²	3,146,550	(21.2)%	15,794,440	(8.1)%	407.8	429
FY'88	4,533,645	44.1 %	15,519,722	(1.7)%		412

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 21.6% increase.

- Since FY'83 the agency has experienced a 30.3% increase in appropriations; when adjusted for inflation the increase is 11.4%.
- The Budget Reconciliation Act made a midyear cut of \$186,372 or 5% from the agency's FY'87 appropriation base. Personnel and operations savings were achieved through austerity measures implemented early in the year.
- The large appropriation increase granted for FY'88 was given to offset revenue shortfalls from other sources. Funds available to the commission from its revolving funds have been declining over the last few years. Without new revenues the commission would have faced dramatic cutbacks in programs and personnel. Even with this appropriation increase, the agency will have less total funds available for FY'88 than were used in FY'87. The agency is expected to eliminate between 5 and 15 positions to accommodate this reduction.
- The Energy Conservation Services Division was transferred from the Corporation Commission to the Department of Commerce.
- 18 FTE positions were removed from the agency's authorization. Of these, eight were associated with the Energy Conservation Services transfer and ten were unfilled slots.
- The agency's total budget for FY'88 will be 11% lower than the FY'86 level. Reduced income to the agency's revolving funds have required the agency to streamline and reorganize many of its operations.

SB 61, Sections 54-58; HB 1473, Section 126

9/14/87

JJ:em (NR-H-Corp)

Horse Racing Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	N/A		\$0			
FY'84 Revised	\$257,952	N/A	301,599	N/A	5.5	9
FY'85	-0-	N/A	1,047,973	247.5 %	8.4	9
FY'86	-0-	N/A	1,360,703	29.8 %	8.9	9
FY'87 Revised	945,342	N/A	1,436,911	5.6 %	8.5	9
FY'88	1,119,805	18.4 %	1,969,805	37.1 %		10

¹ This figure represents the total of all appropriated, dedicated, and revolving fund expenditures for the agency. During FY'85 and FY'86 the agency operated solely from revolving fund revenue. For FY'87 this fund was abolished and the agency's operations became funded only through the annual appropriation. Expenditures for FY'87 and FY'88 above the appropriation amounts are from the Breeder Development Fund. None of these funds go for agency operations but are distributed to Oklahoma breeders.

- The Budget Reconciliation Act made a midyear cut of \$18,102 or 1.9% from the FY'87 appropriation base. The agency received a lesser reduction in order to prevent the cancellation of approved race days. Cuts were achieved through personnel savings and reduced administrative expenses.
- An additional \$67,000 was provided to the commission to fund additional race days in FY'88. Many of these funds are for the upfront cost of race officials that is reimbursed to the general fund. Funds appropriated to the commission are more than offset by revenue generated by their activities.
- To help protect the integrity of horse racing in Oklahoma an appropriation of \$55,200 was granted to the agency to expand its investigative capabilities. Since the commission was first established the enforcement unit has been staffed by only one person. Initially the commission received assistance from the OSBI in enforcement matters. A court ruling severely limited the extent of this assistance and brought about the need for a stronger commission enforcement staff.
- Also to maintain integrity in the industry, funds were appropriated for additional fingerprint checks. These checks are made on track officials and others involved with track operations.
- \$14,000 was appropriated for the auditing of betting machines. These audits will be performed by the Auditor and Inspector's office.
- Additional funds were granted for the upgrade of the agency's data processing system. Anticipated workload increases due to the opening of Remington Park would have overloaded the present system.

- \$11,000 in funding used last year for the contractual services of an attorney were removed from the agency's budget and language was placed in the bill prohibiting the use of contracted legal assistance.
- The agency's total budget has increased steadily since initial funding was provided in FY'84. Additional responsibilities associated with the growth of the racing industry require this increase.

SB 61, Sections 63-65; HB 1473, Section 85

9/14/87
JJ:em (NR-H-Horse)

Insurance Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,114,353		\$2,352,062		64.4	67
FY'84 Revised	1,880,751	(11.0)%	2,327,498	(1.1)%	62.4	62
FY'85	1,806,824	(3.9)%	2,429,111	4.4 %	65.8	67
FY'86	1,966,141	8.8 %	3,199,024	31.7 %	66.4	71
FY'87 Revised ²	1,974,319	0.4 %	3,060,874	(4.3)%	78.1 ³	84 ³
FY'88	2,199,095	11.4 %	3,758,247	22.8 %		98

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 6.9% decrease.

3 The increase in FTE for FY'87 represents the addition of the Property and Casualty Rates Board to the Insurance Department.

- Since FY'83 the agency has experienced a 4.0% increase in appropriations; when adjusted for inflation, this appropriation level represents a decrease of 11.1%.
- The Budget Reconciliation Act made a midyear cut of \$118,069 or 5% from the agency's FY'87 appropriation base. This reduction was achieved primarily through personnel savings.
- Several bills passed this session added new responsibilities to the agency. These bills contained provisions that generated enough revenue to the agency's revolving fund to more than offset the additional costs. This increased income to the agency allowed the Legislature to reduce the agency's appropriation amount from the FY'87 base by nearly 7%. To accommodate the increased responsibilities added to the agency 14 new FTE were authorized.
- The appropriation bill raised the agent appointment license fee from \$10 to \$20. This change will generate \$1.6 million for the General Revenue Fund in FY'88. This fee is paid by insurance companies and not by agents.
- The agency's total budget has grown quite dramatically over the last few years, as more demands have been placed on the agency regarding their regulation of the insurance industry. Also, in FY'87 the Property and Casualty Rate Board was combined with the Insurance Department. This accounts for approximately \$500,000 of the growth of the agency. It should be noted that the fees paid by the insurance industry more than offset the costs of operating this department.

SB 61, Sections 71-72

9/14/87

JJ:em (NR-H-Ins)

Department of Labor

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$1,124,576		\$1,560,655		50.7	58.5
FY'84 Revised	1,091,301	(3.0)%	1,647,419	5.6 %	51.5	55.5
FY'85	1,249,398	14.5 %	1,769,867	7.4 %	57.4	59.0
FY'86	1,976,115	58.2 %	2,552,020	44.2 %	71.0	79.0
FY'87 Revised ²	1,919,105	(2.9)%	2,817,463	10.4 %	82.4	89.0
FY'88	2,273,125	18.4 %	3,490,125	23.9 %		93.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 7.1% increase.

- Since FY'83 the agency has experienced a 102.1% increase in appropriations; when adjusted for inflation this increase is 72.8%. This funding has gone primarily for boiler inspection, asbestos abatement inspection, amusement ride inspection and the new Job Safety Program.
- The Budget Reconciliation Act made a midyear cut of \$106,156 or 5% from the agency's FY'87 appropriation base. Savings in operational expenses and open positions enabled the agency to absorb this reduction.
- To respond to the dramatic increase in the demand for asbestos abatement inspections, the Legislature provided \$115,000 in additional funds to this agency. Inspections have increased from 245 in FY'85 to an estimated 2,100 for FY'88. These funds will support 2 new FTE.
- Last year a job safety program was begun to provide safety consultation services to Oklahoma businesses. The program is designed to lower Oklahoma's high job injury incidence rates and possibly to lower workers' compensation insurance rates. The program was begun with \$300,000 for FY'87. Of this amount, \$150,000 was not available for FY'88. An appropriation of \$150,000 was given for FY'88 in order to maintain the program at the previous year's level.
- Nearly \$50,000 was removed from the agency's appropriation for the costs associated with the position of assistant commissioner. The Legislature felt that with the current budget situation, funds should not be expended for this purpose. In addition to removing these funds, language was placed in the bill directing that no funds be spent for this purpose.
- A fee was established for asbestos inspections to help offset the costs of the Asbestos Inspection Program. It is estimated that the new fee will generate \$300,000 to the General Fund in FY'88.

SB 61, Sections 74-81

JJ:em (NR-H-Lab)

Liquefied Petroleum Gas Board

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget¹</u>	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$232,953		\$239,646		8.5	9.0
FY'84 Revised	261,203	12.1 %	241,392	0.7 %	7.5	9.0
FY'85	255,979	(2.0)%	243,630	0.9 %	9.0	9.0
FY'86	274,298	7.2 %	261,815	7.5 %	8.9	9.0
FY'87 Revised ²	229,039	(16.5)%	234,336	(11.5)%	7.4	9.0
FY'88	242,478	5.9 %	242,478	3.5 %		9.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.9% increase.

- Since FY'83 the agency has experienced a 4.1% increase in appropriations; when adjusted for inflation however, this appropriation level represents a decrease of 11.1%.
- While the Budget Reconciliation Act cut most state agency budgets for FY'87, the LPG Board was spared any reduction. With the severity of the cut made in FY'87 and the budget situation of the agency, any cut would have severely hampered the agency's operations.
- The LPG Board was given an additional appropriation of \$10,000 to help address critical personnel problems. This additional appropriation will help the agency keep enough inspectors in the field and will provide for some additional office help.
- The agency's total budget for FY'88 will be only 1% above the FY'83 level. Adjusted for inflation this represents a reduction of nearly 14%.

SB 61, Sections 83-84

9/14/87
JJ:em (NR-H-LPG)

Department of Mines

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$414,914		\$1,210,970		28.4	31.0
FY'84 Revised	459,721	10.8 %	1,206,072	(0.4)%	29.8	36.0
FY'85	675,946	47.0 %	1,831,235	51.8 %	43.9	46.5
FY'86	978,922	44.8 %	2,322,845	26.8 %	53.6	57.5
FY'87 Revised ²	817,400	(16.5)%	2,215,716	(4.6)%	54.6	57.5
FY'88	845,700	3.5 %	2,266,332	2.3 %		57.5

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 3.0% decrease.

- Since FY'83 the agency has experienced a 103.8% increase in appropriations; when adjusted for inflation this increase is 74.2%. Large increases were granted to this agency in recent years as the state was attempting to build up the enforcement capabilities of the department in order to regain primacy over mining regulation.
- While the Budget Reconciliation Act cut most state agency budgets for FY'87, the Mining Department was spared any reduction. This was to protect the state's newly regained primacy over mining regulation in the state.
- The agency's FY'88 appropriation was lessened only by the amount of the reduction in the state's contribution to the retirement system. This reduction will not impact the operating budget of the agency.
- The appropriation bill raised the fees on coal and mineral production to help generate more income to the agency's revolving fund. This fee increase will compensate for declining income to the fund and will help the agency maintain a standstill budget.
- Large increases in the agency's total budget in FY'85 and FY'86 are due to the appropriation increases and large increases in federal funds. It is anticipated that the FY'88 total budget will maintain the FY'87 level.

SB 61, Sections 85-86

9/14/87

JJ:em (NR-H-Mines)

Department of Pollution Control

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$179,971		\$1,495,299		8.9	9.0
FY'84 Revised	168,141	(6.6)%	1,453,299	2.8 %	7.9	8.0
FY'85	163,141	(3.0)%	1,057,134	(27.3)%	6.9	8.0
FY'86	187,788	15.1 %	1,113,424	5.3 %	7.5	8.0
FY'87 Revised ²	148,497	(21.0)%	970,186	(12.9)%	6.8	8.0
FY'88	160,237	7.9 %	3,160,237	225.7 %		8.0

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 3.5% decrease.

- Since FY'83 the agency has experienced a 11% decrease in appropriations; when adjusted for inflation this decrease is 23.9%.
- The Budget Reconciliation Act made a midyear cut of \$8,306 or 5% from the agency's FY'87 appropriation base. This reduction was realized through vacancy savings.
- The agency's FY'88 appropriation was lessened only by the amount of the reduction in the state's contribution to the retirement system. This reduction will not impact the operating budget of the agency.
- The large increase in the agency's total budget for FY'88 represents the expected increase in federal funds available for the Leaking Underground Storage Tank program.

SB 61, Sections 90-91

9/14/87
JJ:em (NR-H-Poll)

Securities Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$815,165		\$1,069,361		28.3	35.0
FY'84 Revised	756,972	(7.1)%	1,036,599	(3.1)%	27.8	29.5
FY'85	656,972	(13.2)%	1,144,939	10.4 %	29.2	30.0
FY'86	765,113	16.5 %	1,290,738	12.8 %	32.1	34.0
FY'87 Revised ²	629,200	(17.8)%	1,239,253	(4.0)%	30.8	34.0
FY'88	661,029	5.1 %	1,376,029	11.0 %		34.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 9.9% decrease.

- Since FY'83 the agency has experienced a 18.9% decrease in appropriations; when adjusted for inflation this decrease is 30.7%.
- The Budget Reconciliation Act made a midyear cut of \$66,709 or 9.1% from the agency's FY'87 appropriation base. The unanticipated receipt of funds from nonstate sources allowed these state funds to be saved.
- Funds for one-time moving expenses paid in FY'87 were removed from the FY'88 appropriation. The only other reduction removes the funds associated with lowering the state's contribution to the retirement system.
- The agency's total budget for FY'88 is expected to be 11% above the FY'87 actual total. Increased duties placed on the agency were funded from the agency's revolving fund, negating the need for additional appropriated funds.

SB 61, Sections 93-94

9/14/87
JJ:em (NR-H-Sec)

Department of Tourism and Recreation

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$21,423,841		\$35,719,561		1028.1	1098.0
FY'84 Revised	18,877,417	(11.9)%	33,587,069	(6.0)%	901.8	1006.3
FY'85	19,577,417	3.7 %	34,890,668	3.9 %	837.5	993.0
FY'86	21,944,919	12.1 %	34,669,323	(0.6)%	845.4	975.0
FY'87 Revised ²	18,420,604	(16.1)%	33,200,808	(4.2)%	818.1	839.5
FY'88	21,164,178	14.9 %	34,827,123	4.9 %		839.5

1 This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 2.3% increase.

- Since FY'83 the agency has experienced a 1.2% decrease in appropriations; when adjusted for inflation the decrease is 16.6%.
- The Budget Reconciliation Act made a midyear cut of \$920,101 or 4.4% from the agency's FY'87 appropriation base. This cut originally was 5.4%, but was reduced by \$200,000 to provide additional funds for advertising. The reduction will be offset to a large extent through expenditures from the agency's revolving fund.
- An additional appropriation of \$875,000 was given to the agency for increased promotion and advertising. Most of these funds will be used for direct media costs with some funds used for the printing of brochures.
- During FY'88 the Federal Bureau of Reclamation will turn over to the state the responsibility of operating and maintaining the McGee Creek Recreation Area. To make improvements on this newly completed area and to hire necessary personnel the agency received \$125,000 in additional appropriations.
- To provide for capital improvements in state facilities and to support tourism activities nearly \$300,000 in new appropriations were granted to the agency.
- The agency's total budget has remained fairly constant over the last few years. Changes in appropriation levels have been adjusted for by changes in expenditures from other sources.

SB 61, Sections 98-103

9/14/87

JJ:em (NR-H-Tour)

Water Resources Board

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$2,814,810		\$3,816,908		79.1	84.0
FY'84 Revised	2,676,815	(4.9)%	4,017,043	5.2 %	80.7	81.0
FY'85	2,650,047	(1.0)%	4,268,137	6.2 %	80.5	83.0
FY'86	3,004,121	13.4 %	5,181,266	21.4 %	88.0	88.0
FY'87 Revised ²	2,603,379	(13.3)%	5,843,505	12.8 %	83.6	88.0
FY'88	3,448,057	32.4 %	4,640,662	(20.6)%		88.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts show actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 25.6% increase.

- Since FY'83 the agency has experienced a 22.5% increase in appropriations; when adjusted for inflation this increase is 4.7%. Much of this increase is associated with the start-up of the Financial Assistance Program. This program provides loans and grants to local entities for water related development projects.
- The Budget Reconciliation Act made a midyear cut of \$82,063 or 3.0% from the agency's FY'87 appropriation base. The lesser cut for this agency helped to prevent additional furlough days for the agency in FY'87.
- An additional appropriation of \$126,000 was given to the agency to prevent personnel reductions. The agency was anticipating the receipt of \$200,000 in oil overcharge funds which would have helped pay personnel costs. These funds were taken back by the Governor for distribution to other programs.
- An appropriation of \$592,000 was made to fund designated water projects throughout the state.
- A \$10,000 appropriation made for the Weather Modification Program was vetoed by the Governor.
- The large reduction in the total budget for FY'87 is due to lower expenditures of federal funds. This is due primarily to the completion of the Tar Creek cleanup.

SB 61, Sections 109-115

9/14/87

JJ:em (NR-H-Water)

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PUBLIC SAFETY AND TRANSPORTATION

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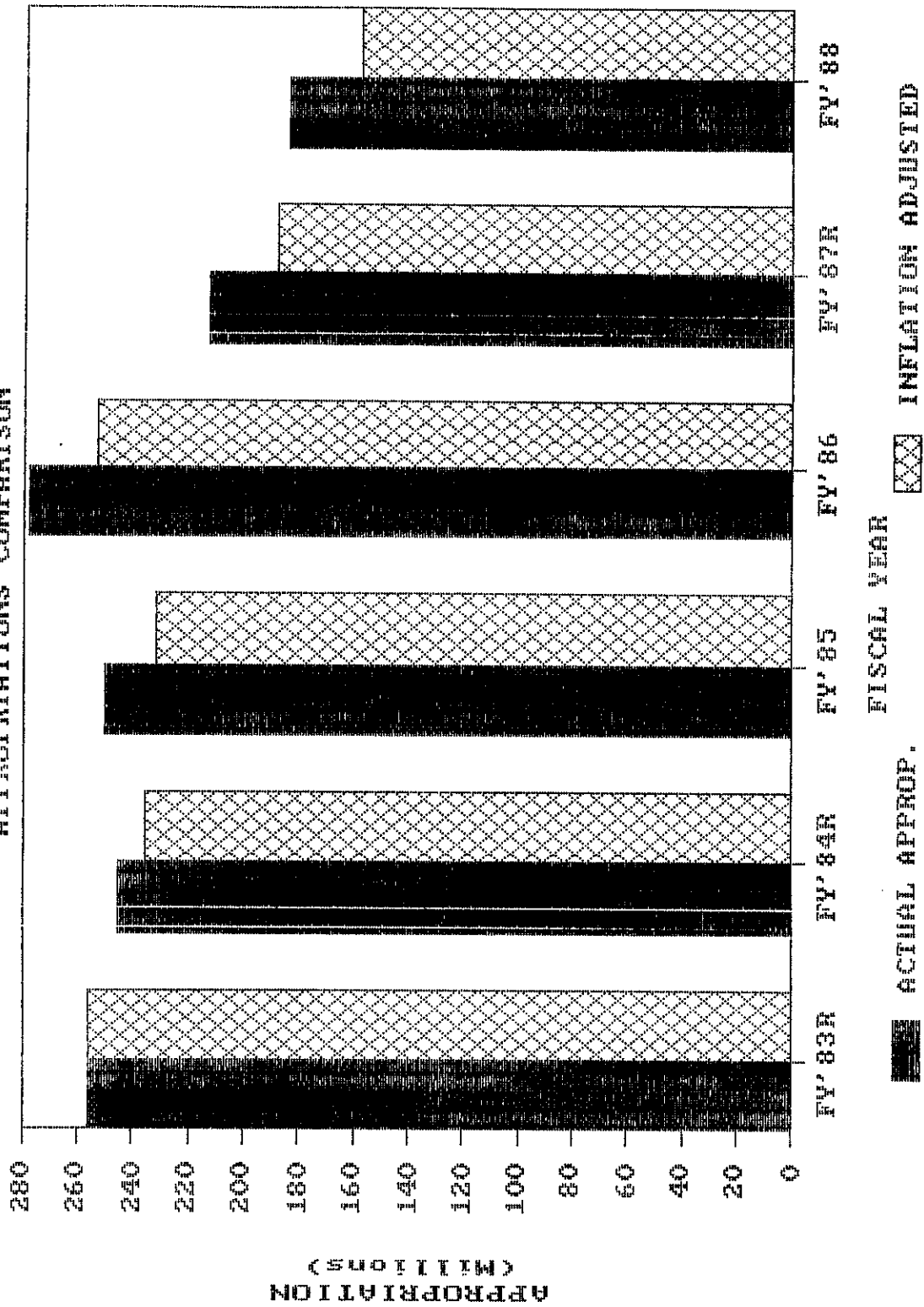
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PUBLIC SAFETY AND TRANSPORTATION

APPROPRIATIONS COMPARISON



PUBLIC SAFETY AND TRANSPORTATION HIGHLIGHTS

Historical Overview

With the FY'88 appropriations, the law enforcement and public safety agencies, General Revenue funding was 26.2% above FY'83. When the increase attributable to the transfer of the Department of Public Safety Revolving Fund to General Revenue is deducted, the increase is only 6.9%. Adjusting for inflation and reductions in revolving fund and federal support, law enforcement will be funded 1.4% less than in FY'83.

The shortfall in FY'86 General Revenue was known early enough in the fiscal year for agencies to apply spending controls by December or January. The Governor and legislative leaders agreed to allow agencies to carry any FY'86 savings into FY'87 to help offset reductions in FY'87. Excluding the Department of Transportation, public safety agencies reduced General Revenue expenditures by over \$5.6 million or an average of 3.8%. In addition, revolving fund expenditures were cut almost \$1.9 million, an average of 6.5%. Total spending was voluntarily reduced by \$7,558,018 or 15.0%. In addition, DOT reduced administrative expenses by another \$3.6 million or 5.5%.

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Inflation Adjusted Figure</u>	<u>Actual FTE</u>	<u>Authorized FTE</u>
1983 Revised	\$255,793,437	\$255,778,409	7739.7	8260.5
1984 Revised	245,037,957	235,161,187	7847.1	8362.5
1985	250,190,406	231,443,484	8123.8	8523.5
1986	277,806,821	252,781,457	8311.6	8660.5
1987 Revised	213,008,110	187,837,836	8228.2	8548.5
1988	184,042,108	157,300,947		8782.5

Corrections General Revenue funding increased 32.2% between FY'83 and FY'87, being driven by a systems inmate population increase of 31.8%. FY'88 funding was increased 10.7% over FY'87 levels, reflecting an unfunded increase of 700 inmates in FY'87. The increase in FY'87 population is a result of the Corrections Board's decision to reduce house arrest population and a net increase in new admissions over releases.

In order to absorb the projected net new admissions of 600 inmates in FY'88, plus the inflow reduction of house arrest from 1,000 down to about 300-400 inmates, the Governor and Pardon and Parole Board have agreed to greatly expand parole and commutations. Budgets, therefore, are based on the assumption that the commutation process and continued use of Emergency Release program (CAP) will maintain at-facility population at June '87 levels or even slightly below.

Funding increases in FY'88 provided an additional 200 corrections officers for increased security at institutions, 75 new parole and probation officers to reduce caseloads, and increased maintenance and repair funding.

Transportation funding from all sources increased only 2.5% between FY'83 and FY'87, in spite of a significant increase in federal allocations since FY'84/'85. General Revenue appropriations in FY'87 had actually declined to 58.7% less than in FY'83, as the Legislature was forced to help balance a General Revenue shortfall with a 53.1% cut. In FY'88, the state was facing the loss of federal allocations if appropriations were not increased. (Each state dollar generates between \$7.50 and \$9.00 in federal dollars.)

Therefore, as part of the total tax package (HB 1061) the largest motor fuel tax in the state's history was approved in April. With the added 5¢ on gasoline and 3¢ on diesel, \$93.7 million in dedicated highway user funds are budgeted for FY'88. However, this increase was offset by a cut of \$41.6 million in General Revenue appropriations, resulting in a total increase of \$52.1 million or 13.8% over FY'87. After adjusting for inflation this level of funding is 0.3 of 1% less than funding received by DOT in FY'83. The tax increase was essential to get back to a level that would prevent deterioration of the state highway system. By making most of DOT funding from dedicated sources, the costly and disruptive impact of fluctuations in General Revenue should be greatly reduced.

1987 Session

Budget Reconciliation Act

Additional cuts were made to the FY'87 budget, prior to addressing FY'88 needs. Cuts totaling over \$3.9 million or about 3.2% were made in all agencies except the Department of Public Safety and Department of Transportation.

A failure of fee revenues primarily from increases passed in FY'87 would have resulted in a \$3-\$3.5 million shortfall in DPS revenues by the end of FY'87. The Legislature acted decisively to correct the uncertainty in the department's annual expenditure program by transferring revolving fund revenues to General Revenue, effective March 1, and making a supplemental General Revenue appropriation of \$6.9 million. This action required the agency to absorb operating cuts of about \$1.6 million or 3.5%.

The Department of Transportation General Revenue appropriation was cut \$7.0 million or 10.6% by deferring contracted engineering work for May and June, paring down the May and June lettings and some administrative reductions. This cut was effectively reduced to \$5.0 million by the transfer of \$2.095 million from the Oklahoma Turnpike Authority. The critical factors were the preservation of federal highway allocations and the maximization economic stimulus of construction spending.

Major Policy and Program Issues

Prison Overcrowding

As it has every year in recent history, the Legislature faced major policy and fiscal decisions stemming from Oklahoma's "tough on crime and criminals" attitude and the resulting net growth of inmates in all phases of the correctional system. In FY'87, Governors Nigh and Bellmon, invoked the Emergency Release (CAP) a total of five times, reducing the sentences of about 3,000 eligible inmates by 300 days. Inmates serving time on house arrest status grew to near the maximum 15% of system population with a high of 1,417 in October FY'87. In February 1987, the Board of Corrections approved a more restrictive policy in an effort to reduce the perceived threat to the public from the high number of marginal risk inmates that had qualified for the program. The result of that policy has been a steady decline in the number of inmates on House Arrest to 761 by the beginning of FY'88, but has also contributed to the at-facility overcrowding problem.

Several alternatives were debated during the session. The major piece of legislation was the Offender and Inmate Rehabilitation Act (HB 1449). That bill, had it passed, would have created about 500 new beds for inmates by transferring those in need of drug and

alcohol treatment to the Department of Mental Health. This proposal was an extension of the DUI rehabilitation program and was aimed at one of the proven causes of criminal activity. The bill was shelved due to lack of funding. However, an intent section in the appropriation bill directed DOC and DMH to prepare a contingency plan for such a program for gubernatorial approval and authorized the Governor to implement the plan upon declaration of an emergency.

Private prison operations were authorized by HB 1472; however, no new funds were provided. The bill directed the Department of Corrections and Office of Public Affairs to prepare a request-for-proposal (RFP) to be made available to prospective firms. The legislation also authorized counties to contract for jails and DHS juvenile facilities run by private operators.

After commitments from Governor Bellmon and the Pardon and Parole Board, DOC was funded on the assumption that inmate population would be held to no growth in FY'88, through continued use of Emergency Release (CAP) and a policy that substantially increases the number of inmates released by commutation of sentence. Policy makers hoped to buy time for further study before authorizing major increases in prison facilities. The inmate prison population projection model will provide a tool for analysis of the impact of various statutory and policy alternatives on various prison populations, and a Criminal Justice Task Force, created in HCR 1044, will address this area in its interim report.

Other Corrections issues acted on were: Inmate idleness - the appropriation bill included provisions which directed DOC to develop and implement by October 1, 1987, a plan to insure that every inmate not subject to certain confinement restrictions or in educational programs be afforded the opportunity of a minimum of 30 hours per week of work activity.

Also the construction of a prison industries building at Lilley C.C. will utilize inmate labor under DHS/OPA construction supervision. DOC was also authorized to enter into agreements with DHS for employment of inmates on any construction project, subject to controls to insure public safety and provided inmates would not replace DHS employees.

Legislative Oversight

The qualifications of the Director of Corrections were amended and appointment of future directors by the Board of Corrections will require Senate confirmation.

Pardon and Parole staffing was increased by 2 FTE to meet the increased requirements of a commutation docket which will approach 3,000 cases in FY'88, if the target of 1,500 releases is to be achieved.

Transportation Infrastructure Needs and Economic Development

Several issues connected with funding of the state's transportation needs were addressed by the Legislature. DOT's latest Highway Needs Study and Sufficiency Rating Report, the Oklahoma Infrastructure Study by the Governor's Infrastructure Advisory Task Force and Department of Economic and Community Affairs and the report by the Oklahoma Academy for State Goals — all noted progress in the previous 10 years, but stressed greater funding efforts at state, county and municipal levels would be necessary if the system were to reach "adequate" ratings by the year 2000. These increases were calculated on base expenditures prior to the General Revenue cuts of 45.9% in FY'87.

Comparison of motor fuel taxes with those of surrounding states showed most states considering increases and only Missouri with a lower per-gallon tax rate. Review of highway funding showed a clear trend from FY'82 to FY'87 of declining state General Revenue appropriations (-66.8%) almost offset by increased dedicated state revenues (+43.0%) and federal allocations (+56.7%).

Fairly early in the session it became clear that levels of state funding in the range of \$200-\$225 million per year was necessary to preserve the system improvements that had been achieved and to make maximum use of increasing federal allocations. The initial tax hike proposal was for 6¢ per gallon on all fuels to generate about another \$120 million per year. The eventual compromise achieved in HB 1061 was for 6¢ (to 16¢) on gasoline and special fuels and 3¢ (to 13¢) on diesel fuel. Cities will receive the equivalent of about \$10 million in FY'88 by the state assuming construction maintenance of state highways within city limits. County road needs were addressed with the allocation (a formula of 40% millage, 30% population and 30% land area) of 1¢ of the gasoline tax worth about \$17.4 million in FY'88 to county road funds. The formula for apportionment of County Road Improvement funds was amended by HB 1243 to take into consideration the effect of terrain and traffic volume.

Other issues that supported such a tax increase were the fact that the economic impact of \$1,000,000 of construction expenditure equates to about 100 jobs; economic projections indicate that for each dollar of new construction spending almost \$2.50 of economic activity is generated. Construction spending has long been recognized as one of the quickest methods of stimulating the economy. Furthermore, gasoline prices had settled to five- or six-year lows at the beginning of the calendar year.

Another issue decided in the funding of transportation needs was to place the new fuel tax revenues directly into the Highway Construction and Maintenance Fund rather than directly into the General Revenue Fund where the monies would be subject to other competing needs. Oklahoma ranked second out of twelve comparable states in the percentage of highway funding provided by general funds. Transportation advocates urged the Legislature to place highway user generated revenues in special funds dedicated to specific highway purposes (as is done by constitution in 27 states). Advocates of constitutional dedication say such action is needed to prevent diversion of highway user revenues to general government purposes. Oklahoma's record in recent years of reducing DOT appropriations when General Revenue declines makes those concerns understandable. General Revenue appropriations were cut to \$9.3 million, about 2.0% of DOT's planned expenditures in FY'88. The Legislature declined to totally eliminate this flexible source of "emergency revenues" as a future option in uncertain economic times.

The "Trucking Industry Self-Funded Research and Development Act" of 1987 (TISRAD) was contained in HB 1142, as well as in other related measures — HB 1091, SB 180 and SB 280. The purpose of this package was to overhaul the state's truck registration statutes in order to encourage the location of the motor carrier transportation industry. The legislation funds various research programs to be conducted by the Motor Transportation Safety, Education and Economic Development Research Foundation from portions of various truck registration fees. It is estimated that about \$713,000 will be generated for the foundation in FY'88. If the economic development objectives of the legislation are realized, an additional \$3 to \$5 million revenue dollars per year could be realized.

Law Enforcement

The primary issues addressed by the Legislature largely centered on the failure of driver license suspension and restitution fee increases passed in FY'86 to generate levels required to offset reduced General Revenue appropriations. Compounding the revolving fund shortfall was the Department of Public Safety's curtailment of replacement of highway patrol pursuit vehicles and an attrition of trooper manpower (expected to approach 10% by FY'87 in the absence of funding for a patrol academy). By FY'87, nonappropriated funds accounted for over 41% of the DPS budget. Fluctuations in these revenues made it difficult for administrators and legislators to be certain budget decisions would in fact be realized. Therefore, the new Commissioner of Public Safety and legislators recognized the need to stabilize funding by transferring fee income to General Revenue and increasing appropriated funding. Additional funds of \$872,000 for the purchase of 80 patrol vehicles in FY'87 was included in the HB 1196 adjustment.

Within the cut levels imposed for FY'88, legislators attempted to provide a continuing level of operations for the Department of Public Safety by funding replacement of 150 vehicles (\$1,500,000) and a patrol academy of at least 25 (\$383,600). To compensate for attrition of highway patrol troopers, legislation was approved to allow the department to reassign troopers in drivers license examiner positions to "road duties" on a voluntary basis. Attrition of civilian positions and in capital security will continue on a selected basis to achieve about \$648,000 in cuts from FY'87 levels.

Responsibility for the administration of the Security Guard and Private Investigator Act was transferred from DPS to the Law Enforcement Training Academy. The act, passed in the previous session of the Legislature, established standards, training requirements, qualifications, license fees and a misdemeanor penalty for failure to comply with the law. Businesses and individuals are subject to the statute. CLEET is required to establish the administrative procedures necessary to issue licenses, maintain a file of individuals and agencies in the business and investigate violations (enforcement date was moved to January 1, 1988). CLEET received a General Revenue appropriation of \$300,000 and six new FTE for that new responsibility. Also, CLEET Fund revenues in FY'88 were sufficient to establish a new program of management training for sheriff and municipal chiefs and their administrators.

Bureau of Narcotics revenues generated from sale of confiscated property will be used to help offset reduced General Revenue funding. Appropriated and revolving funding levels will bring agent manpower up to FY'86 levels.

Fee Increases

OBSI. Although there was no change in the \$35 fee for records checks, implementation of the Security Guard and Private Investigator Act by CLEET could generate as much as \$700,000 in new revenue for the OSBI Revolving Fund for records checks on applicants for licenses. The agency appropriation was reduced \$122,000, which is offset by increased fee income.

Fire Marshal. A new law was enacted in HB 1133 requiring the district court clerk to collect an expert witness fee and remit the fee to the General Revenue Fund in civil cases where employees of the State Fire Marshal are subpoenaed to testify. The State Fire Marshal is to establish a schedule of daily rates which would be available to court clerks and attorneys.

The Security Guard and Private Investigators Act revision (HB 1449) will generate about \$965,000 in FY'88. First-year cost of implementing the program is \$300,000.

Alcoholic Beverage fees were amended in HB 1133 to create a new \$100 fee when changes are made in officers and principal managers of corporate licensees and to reduce fees for transfer of ownership of mixed beverage establishment licenses from \$500 to \$100. The net increase to General Revenue is projected to be about \$32,000 per year.

Nonresident Violator Compact reinstatement fees were increased in HB 1133 from \$35 to \$75, which corresponds to in-state reinstatement fees, and will generate an estimated \$6,000,000 increase in General Revenue from about 80,000 suspensions. This agreement, now in force in 39 states, allows out-of-state drivers, arrested for certain traffic violations, to be released on a promise to appear or pay the fine at a later date upon the discretion of the arresting officer. This same privilege also applies now to Oklahoma drivers arrested in Oklahoma. Failure to pay the fine or to appear in court results in suspension of the motorist's drivers license.

The fee for a duplicate drivers license was increased in HB 1133 from \$2.00 to \$5.00. An additional \$225,000 (43.17%) to General Revenue, \$182,000 (35.0%) to the school district and the balance of about \$114,000 to nine other funds will result.

Notification of owners of abandoned vehicles will be accompanied by a new \$5.00 fee to be deposited in General Revenue. The fee is projected to produce about \$128,000 in new general fund revenues.

Aircraft registration fees heretofore were deposited by the Tax Commission to counties and allocated to counties in the same manner as ad valorem taxes. House Bill 1133 amended 3 O.S., Section 256, to have the fees deposited in the State Aeronautics Commission Revolving Fund for construction and maintenance of airports. Estimated income to the fund in FY'88 is about \$450,000 to \$500,000. The reduction to counties varies from \$26 in Adair County to \$138,410 in Tulsa County.

Senator Herb Rozell, Subcommittee Chairman
Mike Terry, Public Safety & Transportation Fiscal Analyst

MT/ljh
(MT-high)
8/6/87

**SUBCOMMITTEE ON PUBLIC SAFETY AND TRANSPORTATION
STATUS OF SUBCOMMITTEE ACTION
FISCAL YEAR 1988**

<u>Agencies</u>	FY'87 Initial Appropriations Base (A)	FY'88 Approp.	Amt. Change From FY'87 Approp. Base	% Change From FY'87 Approp. Base
ABLE	2,489,470	2,314,097	(175,373)	(7.04)%
Civil Defense	396,600	411,789	15,189	3.83 %
CLEET	1,078,450	1,503,499	425,049	39.41 %
Corrections	110,591,685	112,278,056	1,686,371	1.52 %
Fire Marshal	631,827	601,766	(30,061)	(4.76)%
Military Dept.	3,644,600	3,377,993	(266,607)	(7.32)%
Narcotics (BNDD)	3,180,418	2,905,502	(274,916)	(8.64)%
OSBI	7,185,404	6,677,058	(508,346)	(7.07)%
Pardon & Parole	727,500	764,200	36,700	5.04 %
Public Safety	43,464,250	43,917,839	453,589	1.04 %
Total	\$242,754,251	\$184,067,108	\$(58,687,143)	(24.81)%

9/11/87
BM:em (BM-Sub-PS)

ABLE Commission

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$303,847	131.5	\$988,706	6.7	31.1	33.0
FY'84 Revised	88,203	(71.0)	1,015,096	(2.7)	30.0	32.0
FY'85	1,021,875	1158.5	1,099,804	8.3	29.6	32.0
FY'86	2,801,445	174.1	2,901,445	250.0	70.0	72.0
FY'87 Revised ²	2,213,489	(21.0)	2,488,489	(4.8)	67.0	72.0
FY'88	2,314,097	4.5	2,424,097	(2.6)		72.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 2.2% decrease.

- Since FY'83 the agency has experienced a 245.1% increase in total budget when adjusted for inflation the increase is 209.5% in total. These increases resulted from passage of liquor by the drink legislation in April 1985, which more than doubled the agency's staff.
- The Budget Reconciliation Act made a midyear cut of \$124,000 or 5.3% from the agency's FY'87 appropriation base. The effect was more than offset by carryover savings of almost \$152,000 from the FY'86 appropriation.
- Four agent positions will remain vacant with accompanying reductions in supplies, motor vehicle expenses and travel. FTE authorizations were not cut, however.
- Changes in certain types of liquor licenses will result in a net increase of about \$32,400 to General Fund revenues.
- Statutes were amended to allow a bar to sell its open liquor stock with sale of the business if the the business has been in continuous operation.
- Hotel mini-bars were authorized and a license established in Senate Bill 37.

HB 1133, Sections 1-6

MT/ljh
(MT-H-able)
9/18/87

Civil Defense

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$376,393	7.5	\$1,811,337	(16.8)	29.0	29.0
FY'84 Revised	351,349	(6.7)	1,454,655	(27.4)	25.7	28.0
FY'85	407,323	11.8	1,697,452	16.7	29.0	29.0
FY'86 without carryover out	429,458	5.4	1,760,357	3.7	29.0	29.0
FY'87 Revised ²	338,770	(5.6)	1,776,370	(1.2)	25.0	29.0
FY'88	386,789	14.1	1,884,176	6.0		29.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 2.6% increase.

- Since FY'83 the agency has experienced a 2.7% increase in appropriations, when adjusted for inflation the FY'88 level is a decrease of 12.2%.
- The Budget Reconciliation Act made a midyear cut of \$19,830 or 5.5 % from the agency's FY'87 appropriation base. The effect of the reduction was more than offset by a carryover savings of \$38,000 from the FY'86 appropriation.
- An increase of \$25,000 provides part-time staff for May flood and another part-time position to implement recent federal superfund legislation which designated Civil Defense the responsible state agency for local government hazardous waste emergency response plans.
- The FY'87 Equipment Spending Limit was increased by \$19,700 to allow the agency to use available federal funds for purchase of a computer.
- Major floods hit Oklahoma in October, 1986 and again in May of 1987. HB 1473 appropriates \$1,331,700 for the state match of grants made to individuals and families and \$490,000 for grants to public agencies. In addition to these appropriations, Department of Transportation will pay out about \$1,800,000 to repair roads and bridges, the Military Department expended \$108,000 for active duty pay for guardsmen called to active duty because of the floods, and \$300,000 from the Governor's Emergency Fund was also spent.

HB 1133, Sections 7-11

MT/ljh
(MT-H-civil)
9/18/87

Council on Law Enforcement Education and Training

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$894,875 *	4.9	\$894,875	4.9	16.0	16.0
FY'84 Revised	833,285 *	(15.4)	833,285	(15.4)	16.0	16.0
FY'85	940,210	331.9	940,210	12.8	16.0	16.0
FY'86	1,175,085	25.0	1,175,085	25.0	18.0	19.0
FY'87 Revised ²	1,025,450	(16.5)	1,144,850	(2.6)	18.3	19.0
FY'88	1,503,499 *	46.6	1,503,499	31.3		25.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 25.5% increase.

* Includes appropriated CLEET Fund and General Revenue Fund.

- Since FY'83 the agency has experienced a 68.0% increase in total budget; when adjusted for inflation the increase is 43.6%. Total budget included appropriated revolving funds. In FY'85 and FY'86 the revolving fund was abolished, but re-established in FY'87 when General Revenue support was removed.
- An increase of \$146,000 or 12.7% in appropriated CLEET funds allows the agency to provide special management training for Chiefs of Police and Sheriffs and their key personnel. FY'88 income to the CLEET Fund is estimated to be in excess of appropriations from the CLEET Fund. The fund will have a balance of about \$700,000 by the end of FY'88. Legislators also considered, but did not authorize or fund, new programs to increase the minimum police officer training by 40 hours and to create a training program for qualified persons wishing to become police officers.
- The General Revenue Fund appropriation of \$300,000, a 26.2% increase to the total budget, will implement the Security Guard and Private Investigator Act passed last year. HB 1461 transfers administration and enforcement responsibility to CLEET from the Department of Public Safety.
- HB 1315 requires CLEET to certify dogs which are trained to detect controlled dangerous substances. License fees will generate about \$6,000 for the CLEET Fund in FY'88.

HB 1133, Sections 38-42

MT/ljh
(MT-H-cleet)
9/23/87

Department of Corrections

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$78,698,832	25.6	\$87,703,274	22.7	2768.2	3177.0
FY'84 Revised	92,602,503	17.7	102,196,501	16.5	2934.9	3346.0
FY'85	98,602,533	6.5	110,960,533	8.6	3203.0	3496.0
FY'86	114,146,829	15.8	125,733,000	13.3	3262.8	3496.0
FY'87 Revised ²	101,418,886	(11.2)	121,865,000	(3.1)	3229.1	3384.0
FY'88	112,278,056	10.7	125,033,640	2.6		3559.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 6.2% increase.

- Since FY'83 the agency has experienced a 42.5% increase in appropriations, when adjusted for inflation the increase is 21.8%. The rise in appropriations is explained by a 51.6% increase in inmates in the system during this period.

- The Budget Reconciliation Act made a midyear cut of \$3,000,000 or 2.8 % from the agency's FY'87 appropriation base. The effect was partially offset by the use of \$1.5 million in DOC Revolving Fund cash and by carryover savings from the FY'86 appropriations.

- Funding for the department assumes no net increase in inmate population nor change in prison beds. To achieve this no growth plan: (1) the Governor, DOC and Parole Board have agreed to greatly broaden the criteria for Commutations and commute up to 1,500 inmates, 1,000 of which are to be at facility; (2) make CAP releases as required to stay below 95% of capacity; and (3) reduce the number of inmates on House Arrest to 300-400 by the end of FY'88. A commutation docket of this magnitude and continued use of CAP released are necessary to handle the reduction in House Arrest of about 50 per month and the projected average net monthly inmate intake of about 50.

- Increased appropriations funded \$6.5 million to bring the DOC budget back to near the FY'86 actual spending levels.* In addition, \$2,484,000 in new funds were necessary to meet the direct costs (staff, food, clothing, medical, etc.) of increased numbers of inmates added to the system in the past year. A savings of \$360,000 in direct inmate costs was assumed, based on a planned reduction in system count of 400 inmates by the end of FY'88 resulting from the Governor's commutation program.

* With the OPERS contribution deduction, the FY'88 appropriation is \$1.5 million or 1.3% above the FY'86 level.

- Funds were also provided to increase security staff by 148 FTE by the end of FY'88 (\$534,315) and the addition of 75 new probation and parole officers on a phased-in basis (\$950,000).
- DOC and DMH were authorized to enter an agreement to house inmates in unused DMH facilities and for DMH to provide needed services including treatment. No additional funds were provided and the plan must meet with approval of the Governor
- Prison Industries was authorized to build a janitorial products facility at Lilly CC in Boley and with the stipulation that inmate labor be used. Also, DOC and DHS were authorized to enter agreements to utilize inmate labor.
- DOC was directed to implement a plan to provide inmates the opportunity for 30 hours of work per week, excepting inmates in certain security classes or other programs such as vo-tech or education.
- The law concerning the appointment of the Corrections Director was amended by making the Corrections Board appointee subject to the advice and consent of the Senate. Changes also allows experience to be substituted for educational qualifications of the Director.
- SB 15 creates the life-without-parole sentencing option for murder cases. The impact on correctional facilities is difficult to determine with present estimating tools, however the new prison population projection model will provide a better idea for the next ten years. The major impact, in terms of population increase, probably will not appear for another eight to ten years.
- SB 68 authorizes inmates to be paid workers' compensation when employed with private prison industries. This change will allow those products to be sold in interstate commerce, thereby greatly expanding the potential market and encouraging other employers to utilize inmate labor.
- HB 1294 allows Probation and Parole officers to carry firearms at their discretion, gives them limited peace officer status, and specifies CLEET certified firearms training be provided.
- HB 1472 authorizes DOC to contract with private entities for minimum security prison facilities, establishes procedures and directs DOC to prepare a request for proposal.
- HB 1486 amends the Nonviolent Intermediate Offender Act (NIO) which was found to be unconstitutional by the courts in 1986. The new act is known as the Delayed Sentencing Program for Youth Adults, removes the "judicial function" exercised by DOC under the old law. The program is conducted at the Lexington Assessment Center.

HB 1133, Sections 12-29

MT/ljh
 (MT-H-corr)
 9/18/87

State Fire Marshal

	<u>Appropriation</u>		<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$761,213 *		19.8	\$761,213	19.8	17.8	22.0
FY'84 Revised	643,213 **		15.9	643,213	(15.5)	18.0	18.0
FY'85	675,513		N/A	675,513	5.0	18.0	19.0
FY'86	715,377		5.9	715,377	5.9	19.0	19.0
FY'87 Revised ²	596,827		(16.6)	632,300	(11.6)	18.0	18.0
FY'88	601,766		(0.8)	601,766	(4.9)		17.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.9% decrease.

* Includes General Revenue and Appropriation Revolving Fund.

** Appropriated Revolving Fund.

- Since FY'83 the agency has experienced a 21.0% decrease in appropriated funds; when adjusted for inflation the decrease is 32.5%.

- The agency received \$24,840 in order to eliminate need for furloughs in FY'88. This agency was one of the few state departments forced to furlough employees in FY'87.

- Savings from two vacant positions and reduced FTE amounts to \$41,667. These cuts have been absorbed by carefully limiting the amount of time spent on each arson investigation and operating costs savings.

- Substantive language in section 32 establishes fees for employees of the Fire Marshal's office who are called to testify in civil law suits outside their statutory duties. Court clerks will collect fees which are to be paid in advance by litigant issuing subpoena.

HB 1133, Sections 30-32

MT/ljh
(MT-H-fire)
9/18/87

Military Department

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$3,300,323	(4.3)	\$4,800,323	3.2	128.5	128.5
FY'84 Revised	3,412,741	3.4	5,212,741	8.6	140.5	140.5
FY'85	3,566,619	4.5	5,499,011	5.5	145.8	147.5
FY'86	4,101,361	15.0	6,670,306	21.3	154.6	169.5
FY'87 Revised ²	3,408,789	(16.9)	6,705,000	0.5	157.3	170.5
FY'88	3,377,993	(0.9)	8,599,290	28.3		182.5

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 5.9% decrease.

- Since FY'83 the agency has experienced a 2.3% increase in appropriations, when adjusted for inflation there is a 12.6% decrease. However, the decline in general revenue funding has been largely offset by federalization of a number of previously state funded FTE and other increases in federal funding.

- The Budget Reconciliation Act made a midyear cut of \$181,000 or 16.9% from the agency's FY'87 appropriation base. The effect of the decrease was offset by carryover of \$180,000, which left the department near actual FY'86 appropriated spending levels. Reduced levels of funding will continue in operating costs, ROTC scholarships, education programs, and certain other areas. Cuts in armory maintenance may be somewhat offset by increases in federal funds.

- The Department was authorized to replace one of their state funded vehicles and spending limits for FY'87 federal funds were increased by \$150,000 reflecting a change in federal reimbursement procedures.

- Funds for armory construction at: Holdenville, west Tulsa, South Tulsa, Broken Arrow, and Witaker in Prior; and architectural services for armories at: Yukon, Sallisaw, and Tulsa were reappropriated.

HB 1133, Sections 43-47

MT/ljh
(MT-H-mili)
9/18/87

Bureau of Narcotics and Dangerous Drugs

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$3,556,601	17.1	\$3,751,601	21.9	79.0	79.0
FY'84 Revised	3,221,992	(9.4)	3,476,352	(7.3)	72.6	74.0
FY'85	3,157,552	(2.0)	3,571,002	2.7	70.2	74.0
FY'86	3,492,785	10.6	3,914,835	9.6	73.5	77.0
FY'87 Revised ²	2,518,082	(27.9)	3,792,982	(3.2)	75.0	77.0
FY'88	2,905,502	15.4	3,686,805	2.8		77.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 4.4% increase.

- Since FY'83 the agency has experienced an 18.4 % decrease in appropriations, when adjusted for inflation the decrease is 30.2%.
- The Budget Reconciliation Act made a midyear cut of \$398,418 or 13.6% from the agency's FY'87 appropriation base. The effect of these reductions was offset by FY'86 carryover of almost \$264,000, holding an average vacancy of 2.0 FTE reductions in vehicle replacement and no transfer of funds to replenish the Evidence Fund.
- The FY'87 Federal Funds Expenditure Limit was increased by \$170,000 in HB 1196. The grant from the Bureau of Justice Assistance will be used for local law enforcement/BNDD joint operations. Provisions of the grant are rather specific and with not offset any costs of normal investigative operations.
- The FY'87 appropriation actually amounts to an increase of \$123,500 over the General Revenue funds, including carryover, that were available to BNDD in FY'87. In addition, the Bureau is authorized to utilize funds from the Narcotics Revolving Fund (\$110,000) to provide funding for three vacant agent positions as well as two part-time secretarial positions.
- Sale of property confiscated as a result of BNDD operations brought \$101,380 into the Revolving Fund in July, which was added to the \$103,000 received in June from cash confiscated in a joint Oklahoma Bureau of Narcotics/U.S. Drug Enforcement Agency operation.

- Sections 53, 55 and 56 of HB 1133 amend the statutes defining the Narcotics Revolving Fund and will permit the Bureau to deposit in the fund proceeds from the sale of confiscated property resulting from state operations. Confiscations resulting from joint state/federal operations will be placed in the Evidence Fund. The purpose of these procedures is to satisfy federal regulations concerning supplanting of federal funds.
- In Section 54 of HB 1133, the Bureau is authorized to lease out aircraft (the Fantasy Island seaplane confiscated by federal Drug Enforcement Agency and turned over to BNDD) owned by the Bureau without approval of the Office of Public Affairs. It is estimated that the plane currently has greater value as a tourist attraction than it could bring in an outright sale.

HB 1133, Sections 48-56

MT/ljh
(MT-H-bnnd)
9/23/87

Oklahoma State Bureau of Investigation

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$7,667,079	23.8	\$7,766,079	22.7	185.3	200.0
FY'84 Revised	7,103,320	(7.4)	7,128,320	(8.2)	172.0	175.0
FY'85	7,103,320	0.0	7,207,320	1.1	170.0	175.0
FY'86	7,917,856	11.5	8,123,106	12.7	181.0	187.0
FY'87 Revised ²	6,491,500	(18.0)	7,208,000	(11.3)	181.0	187.0
FY'88	6,677,058	2.9	7,659,058	6.3		187.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 10.2% decrease.

- Since FY'83 the agency has experienced a 12.9 % decrease in appropriations, when adjusted for inflation the decrease is 25.6 %. Total budget has declined only 1.4% since FY'83, but after adjusting for inflation the decrease in total budget is 15.8%. While workload measurement is difficult, looking at new cases it would appear the OSBI workload has remained virtually unchanged since FY'83, while actual FTE declined 2.4%. There are some types of cases the OSBI can decline and thereby somewhat control their workload. It is significant that the backlog of general investigation and forensic laboratory cases has grown 31.5% (from 1,226 to 1,613) in this period.

- The Budget Reconciliation Act made a midyear FY'87 cut of \$170,000 or 2.6% from the agency's FY'87 appropriation base. The effect of the reduction was more than offset by FY'86 carryover savings, however, the Bureau's FY'87 General Revenue appropriation was \$178,548 less than was available in FY'86.

- The FY'88 General Revenue appropriation (\$6,677,058) actually represents a reduction from the \$6,491,500 of General Revenue and \$623,904 carryover funds available in FY'87. Utilization of excess balances in the Evidence Fund will reduce the actual cut from FY'87 to about \$309,000.

- The Bureau is projecting only about \$100,000 net increase in Revolving Fund income, although interagency income from CLEET for Private Investigator and Security Guard records checks could generate as much as \$700,000 in revenue with a corresponding expense of about \$490,000. Therefore reductions will occur through:
 - savings in office rental expense (\$26,556);
 - a decline in payments to FBI for records checks from FY'87 levels (\$25,000);
 - vacancy savings from leaving 1 FTE position unfilled (\$43,208);
 - reductions in various equipment purchases (\$30,927);
 - elimination of vehicle replacements (\$119,000); and
 - a reduction in motor vehicle supplies, travel and supplies (\$64,433), totaling \$309,124.
- Section 37 of HB 1133 increases FY'87 spending limits for Professional Services by \$50,000 to pay outside attorney fees. This increase was required to complete payment of attorney fees on the adverse judgment in the suit brought by an employee of the Bureau.
- HB 1264 establishes a \$150.00 laboratory analysis fee whereby persons convicted of crimes in which OSBI rendered forensic and laboratory analysis, pay a fee for said services. About \$30,000 to \$40,000 in revenues are projected.
- HB 1461 requires security guards and private investigators to pay OSBI a \$35.00 fingerprint analysis fee prior to licensure. Revenues are estimated as high as \$700,000 to the OSBI Revolving Fund, but \$300,000 to \$400,000 may be a more realistic estimate. However, the Bureau has only budgeted only a portion of those revenues resulting in an increase of \$265,500 in Revolving Fund income.

HB 1133, Sections 33-37

MT/ljh
(MT-H-osbi)
9/23/87

Pardon and Parole Board

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$571,092	33.7	\$571,092	33.7	18.0	19.0
FY'84 Revised	590,934	3.5	590,934	3.5	18.0	19.0
FY'85	656,968	11.2	656,968	11.2	21.0	21.0
FY'86	749,191	14.0	749,191	14.0	22.0	22.0
FY'87 Revised ²	697,500	(6.9)	709,500	(5.3)	21.0	22.0
FY'88	764,200	12.5	764,200	12.5		24.0

1 This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

2 The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 7.7% increase.

- Since FY'83 the agency has experienced a 33.8 % increase in appropriations, when adjusted for inflation the increase is 14.4 %. A 26.3% increase in staff has been required to keep pace with the growth of inmates in the State Corrections Department and the increased size of parole dockets.
- The Budget Reconciliation Act made a midyear cut of \$18,000 or 2.6% from the agency's FY'87 appropriation base. The effect was that the agency was forced to keep one investigation position vacant.
- The legislature approved two additional investigators to handle the additional workload from the Governor's Commutation Docket. The Board is expecting the expanded Commutation Docket will require the preparation of at least 3,000 case files in FY'88. The Department of Corrections funding levels are based, in part, on the assumption that the Governor and the Parole Board will commute 1,000 at facility inmates.
- Statutes were amended by HB 1160 so that inmates who have rioted or escaped from prison will not be considered for parole, pending final action on their riot or escape charges.
- HB 1294 authorizes the board and Governor to revoke all or any portion of a parole. Furthermore, good time credits will be earned during incarceration of a parolee pending action by the Governor.
- HB 1427 requires the board to notify affected law enforcement agencies regarding the parole of inmates convicted from their jurisdiction.

- HB 1473 deletes the provision that kept inmates from being eligible for House Arrest if denied parole during the previous six months. The intent of the legislation is to reduce the high waiver rate for parole hearing and subsequently increase the number of inmates who accept parole rather than serving out the final few months of their sentence. This change could increase parole caseloads.

HB 1133, Sections 57-58

MT/ljh
(MT-H-ppb)
9/18/87

Department of Public Safety

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$33,012,297	21.4	\$43,022,223	16.3	1304.0	1304.0
FY'84 Revised	29,767,875	(9.8)	44,013,020	2.3	1305.0	1305.0
FY'85	29,552,647	(0.7)	46,185,255	4.9	1285.6	1305.0
FY'86	33,614,126	13.7	50,474,126	9.3	1303.9	1317.0
FY'87 Revised ²	34,000,000	1.1	45,245,662	(10.4)	1261.0	1317.0
FY'88	43,917,839	29.2	46,710,000	3.2		1317.0

¹ This represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 thru FY'87 reflect actual expenditures, whereas FY'88 is an estimate of anticipated expenditures.

² The FY'87 figure reflects the actual appropriation, less the midyear reduction, and does not include monies carried over from FY'86. However using the FY'87 appropriation base, including the carryover, the FY'88 appropriation would actually reflect a 0.2% increase.

- Since FY'83 the agency has experienced an 8.6% increase in total budget. When adjusted for inflation the total budget has decreased 7.2% since FY'83.
- The Budget Reconciliation Act made a midyear adjustment of cash and general revenue which resulted in a cut of \$754,338 or 1.6 % from the agency's FY'87 appropriation base. The effect forced attrition of about 24.7 civilian positions by the end of FY'87. Also, lack of funds for a patrol academy in FY'87 resulted in 27.0 vacant positions by years end.
- The General Revenue increase results from abolishing and transferring revolving fund income to General Revenue Fund. This action, taken in HB 1196, was necessary as agency revolving fund income was experiencing a serious shortfall which would have jeopardized operations.
- New funding of \$1,500,000 was provided for replacement of about 150 vehicles at 90,000 to 100,000 miles and \$383,600 for a patrol academy of at least 25.
- To meet budget the Department will cut \$89,305 by attrition of vacancies in Capital Patrol. Also \$63,108 in savings in operating expenses and \$559,250 in savings from continued vacancy of about 20 positions and seasonal employee reductions are to be made.
- Funding actually represents a cut of about \$990,000 or 2.3% to the agency appropriation before the added funding for cars, patrol academy and OPERS adjustment.
- DPS will expend up to \$160,000 (the same level as FY'87) for contract with the Board of Tests for Alcohol and Drug Influence.

- Fee increases were passed as follows:

In Section 66 of HB 1133, the reinstatement fee related to Nonresident Violators Compact was increased from \$35 to \$75, and makes statute consistent to similar increases passed in FY'86.

Section 69 in HB 1133 raises the fee for duplicate drivers license to \$5.00 from \$2.00.

SB 321 establishes a \$5.00 fee payable by wrecker and towing services, for notification of owners abandoned vehicles. Section 70 of HB 1133, amended SB 321 to have the revenues from the fee deposited in General Revenue rather than the DPS revolving fund.

Total increases in fees to general revenue are estimated at \$6,362,000.

- The Department will be allowed to transfer Trooper personnel from the Driver Examination Division on a voluntary basis to Highway Patrol road duty. This flexibility will help offset attrition in OHP strength which has occurred without funding for patrol academis in the past two years. (Sections 67 & 68)
- HB 1461 transferred Security Guard and Private Investigator regulation and licensing to CLEET.

HB 1133, Sections 59-72

MT/ljh
(MT-H-pub)
9/23/87

Department of Transportation

	<u>Appropriation</u>	<u>Percent Change</u>	<u>Total Budget</u> ¹	<u>Percent Change</u>	<u>Actual FTE</u>	<u>Auth. FTE</u>
FY'83 Revised	\$123,401,567	(11.8)	\$300,200,000	(1.3)	3162.8	3253.0
FY'84 Revised	107,884,205	(12.6)	319,100,000	6.3	3114.4	3209.0
FY'85	105,712,781	(2.0)	372,300,000	16.7	3135.6	3209.0
FY'86	106,610,208	2.7	439,100,000	17.9	3177.8	3253.0
FY'87 Revised ²	60,853,825 *	(42.9)	366,895,000	(16.4)	3175.2	3253.0
FY'88	9,315,309	(84.7)	458,619,000	25.0		3293.0

¹ This figure represents the total of all appropriated, dedicated, federal and revolving fund expenditures for the agency. FY'83 through FY'87 amounts reflect actual expenditures, whereas the FY'88 figure is an estimate of anticipated expenditures.

² The FY'87 figure reflects the total budget, less the midyear reduction, and does not include monies carried over from FY'86. However, using the FY'87 base, including the carryover, the FY'88 total budget would actually reflect a 23.7% increase.

* HB 1196 adjustment increased by \$2,095,000 from Oklahoma Turnpike Authority.

- Since FY'83 the agency has experienced a 92.5 % decrease in appropriations but a 52.7% increase in total budget. When adjusted for inflation the increase in total budget is only 30.5%. FY'88 levels of resources are considered barely sufficient to bring all state roads up to an adequate rating by the year 2000.

- The Budget Reconciliation Act made a midyear cut of \$7,000,000 or 11.9% from the agency's FY'87 appropriation base. The effect of the adjustment was reduced somewhat by a transfer of \$2,095,000 from the Oklahoma Turnpike Authority. Nevertheless, the adjustment forced deferment of \$4.9 million in contract engineering and some deferred spending in administrative areas. The legislature insured that the \$5.7 million needed to match federal funds for the March, April and May letting was available. These minimum lettings were deemed to be essential to not only the summer construction season, but also the state's hard pressed economy.

- Funding for DOT was shifted from general revenue appropriation to earmarked motor fuels tax. HB 1061 increased the tax on gasoline and special fuels by 6¢/gallon and on diesel fuel by 3¢/gallon. Five cents of the increase in tax on gasoline and special fuels and 3¢ on diesel fuel was earmarked to the Highway Construction and Maintenance Fund. Total new income to the HC&M fund for FY'88 is projected to be \$98,853,000. This represents a net increase in funding over FY'87 to DOT of \$29,853,000 or 43.3%. This increase in funding is approximately the same amount of FY'87 funding decrease experienced by DOT from general revenue appropriation for FY'87. All federal highway allocations will be matched as a result of the fuel taxes approved in HB 1196.

- The 1¢ tax increase formula in HB 1061 is distributed on a basis that takes into account population, mileage and terrain. HB 1061 also requires DOT to maintain city streets which are a continuation of the state/federal highway system. This will cost about \$7,000,000 annually. The budget provides 40 additional FTE to maintain state highways within city limits.
- Increases for special airport and access projects amounted to \$465,000. These funds had previously been spread out over all 77 counties based on the size and number of aircraft registered. The legislature acted to consolidate those funds to effect the greater economic leverage at the state Aeronautics Commission.

The Aeronautics Commission administration budget was increased \$74,300 to \$231,739. Funds for airport construction will be increased to just over \$1,000,000.

- Funds for Industrial Access have been increased by \$363,750 to \$2,000,000 and for Lake and Historical Access \$798,188 to \$2,750,000.
- HB 1243 apportions the County Road Improvement Revolving Fund to each county (1¢ motor fuels tax enacted in 1985) on a formula basis, which is similar to the bridge formula (based on number of bridges and terrain). Previously this fund was apportioned by DOT on a request/need basis depending upon a case-by-case county application process.

HB 1133, Sections 73-85

MT/ljh
(MT-H-trans)
10/8/87

**STATE AND FEDERAL HIGHWAY EXPENDITURES
COMPARED TO FY'83 LEVEL
(\$ in 000)**

	<u>FY'83</u>	<u>FY'84</u>	<u>% Change</u>	<u>FY'85</u>	<u>% Change</u>	<u>FY'86</u>	<u>% Change</u>	<u>FY'87</u>	<u>% Change</u>	<u>FY'88</u>	<u>% Change</u>
REVENUE BY SOURCE:											
Appropriations	\$145,552	\$111,884	(23.1)	\$109,713	(24.6)	\$111,110	(23.7)	\$58,759	(59.6)	\$9,315	(93.6)
Dedicated	<u>74,819</u>	<u>82,481</u>	<u>(10.2)</u>	<u>120,547</u>	<u>61.1</u>	<u>137,423</u>	<u>83.7</u>	<u>152,789</u> a	<u>104.2</u>	<u>248,451</u>	<u>232.1</u>
Subtotal State	\$220,371	\$194,365	(11.8)	\$230,260	4.5	\$248,533	12.8	\$211,548	(4.0)	\$257,766	17.0
Federal	<u>161,314</u>	<u>163,717</u>	<u>1.5</u>	<u>225,027</u>	<u>39.5</u>	<u>238,037</u>	<u>47.6</u>	<u>189,703</u>	<u>17.6</u>	<u>189,703</u>	<u>17.6</u>
Total Revenue	\$381,685	\$358,082	(6.2)	\$455,287	19.3	\$486,570	27.5	\$401,251	5.1	\$447,469	17.2
EXPENDITURES BY FUNCTION:											
Non-Highway Programs	\$26,948	\$19,847	(26.4)	\$33,136	23.0	\$17,593	(34.7)	\$39,010	44.8	\$42,407	57.4
Admin., Engin. & Maint.	<u>115,563</u>	<u>121,317</u>	<u>5.0</u>	<u>125,329</u>	<u>8.5</u>	<u>136,003</u>	<u>17.7</u>	<u>138,412</u>	<u>19.8</u>	<u>147,790</u>	<u>27.9</u>
Subtotal Non-Construction	\$142,511	\$141,164	(0.9)	\$158,465	11.2	\$153,596	7.8	\$177,422	24.5	\$190,197	33.5
State Match Requirement	23,571	31,385	33.2	32,292	37.0	41,448	75.8	32,929	39.7	45,000	90.9
100% State Roads	<u>54,289</u>	<u>21,816</u>	<u>(59.8)</u>	<u>43,503</u>	<u>(19.9)</u>	<u>57,089</u>	<u>5.2</u>	<u>5,922</u>	<u>(89.1)</u>	<u>22,569</u>	<u>(58.4)</u>
Subtotal State Funds for Hwy. Const.	\$77,860	\$53,201	(31.7)	\$75,795	2.7	\$98,537	26.6	\$38,851	(50.1)	\$67,569	(13.2)
Federal Funds	<u>161,314</u>	<u>163,717</u>	<u>1.5</u>	<u>225,027</u>	<u>39.5</u>	<u>238,037</u>	<u>47.6</u>	<u>181,497</u>	<u>12.5</u>	<u>189,703</u>	<u>17.6</u>
Subtotal for Highways	\$239,174	\$216,918	(9.3)	\$300,822	25.8	\$336,574	40.7	\$220,348	(7.9)	\$257,272	7.6
Total DOT Expenditures	<u>\$381,685</u>	<u>\$358,082</u>	<u>6.2</u>	<u>\$459,287</u>	<u>20.3</u>	<u>\$490,170</u>	<u>28.4</u>	<u>\$397,770</u>	<u>4.2</u>	<u>\$447,469</u>	<u>17.2</u>

a Includes \$2.095 million transferred from Oklahoma Turnpike Authority.

b Includes County Road Improvement funding.

PENSIONS AND RETIREMENT

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PENSIONS AND RETIREMENT

Overview

All of the state retirement systems are fiscally sound. As shown on Table 1, investment income plus member contributions exceed benefits and member withdrawals for each system. Investment income for the Public Employees Retirement System exceeds benefit and member withdrawals (even without the use of employee contributions). A significant reason for this situation is the generous contributions made by the state over the past number of years. Tables 1 and 2 do not reflect FY'87 activity, however, the information does reflect the latest available figures which were the basis for FY'88 legislative action.

The state retirement systems were deemed to have the financial capacity to meet their obligations and maintain their actuarial soundness on a short-term basis with reduced or eliminated funding from appropriations and employee contributions.

Accordingly, no appropriations were made to Firefighters, Police and Law Enforcement Retirement Systems for Fiscal Year 1988. The Fiscal Year 1987 appropriation was \$17.7, \$12.7 and \$5.7 million, respectively. There were no reductions of dedicated revenue to the systems; i.e., the portion of the gross production tax on gas to the Teachers System, the Insurance Premium Tax to the Firefighters and Police Systems and the various motor vehicle fees to the Law Enforcement System remained unchanged. In fact, the Firefighters and Police Systems will have an infusion of over \$30 million due to the settlement reached by the Attorney General with the Insurance companies filing premium taxes under protest.

Because of the exceptional strength of the Public Employee Retirement System, employer contributions funded through General Revenue appropriations have been reduced for Fiscal Year 1988 from approximately \$65 million to \$37 million. This reduction was accomplished by reducing the employer contribution from 14% to 8%.

Specific Features

H.B. 1473 significantly improved the benefits to be enjoyed by the members of the various state retirement systems as follows:

- Teachers, Public Employees, Firefighters, Police, and Law Enforcement Retirement Systems will pay \$4,000 to the retirement beneficiary of any retired member who dies after July 20, 1987.
- All retirees of the Public Employees Retirement System as of June 30, 1988 will receive a 3% cost-of-living increase.
- The employee retirement contribution for members of the Public Employees Retirement System shall be 0% of the first \$25,000 of gross wages earned for the fiscal year ending June 30, 1988.
- The amount of credited service required for electing a vested benefit for members of the Public Employees Retirement System has been decreased from ten to eight years.

- Members of the Teachers and Public Employees Retirement Systems whose annual salaries exceed \$25,000 have the option to pay contributions on the incremental salary at a rate of 10%. The maximum annual salary on which an employee may choose to contribute is now \$40,000.
- An active member of Teachers or Public Employees Retirement System who retires between July 1, 1987 and January 1, 1988 will receive benefits computed on the average three-year annual compensation up to a maximum of \$40,000 if the member pays 30% of the amount between \$25,000 and his average annual compensation up to \$40,000. This benefit is being offered to state employees to encourage early retirement.
- Under certain situations members of the state retirement systems are allowed to transfer up to five years of service in other state retirement systems upon payment of an amount equal to a 5% contribution plus 5% interest for each year transferred.

H.B. 1473 made the following modifications to the retirement system:

- The boards of trustees of the Public Employees, Police and Law Enforcement Retirement Systems were made subject to the "prudent man rule."
- The Police and Law Enforcement Retirement Systems were removed from the sunset laws.
- The amortization rate was extended from 25 years to 40 years for the retirement of the accrued unfunded liability for the Teachers and Public Employees Retirement Systems.
- The employer contribution for the Public Employees Retirement System was reduced from 14% to 8% of the allowable annual compensation up to \$25,000 per employee for the fiscal year ending June 30, 1988.

Bob Jones, Fiscal Analyst

ANALYSIS OF SELECTED STATE RETIREMENT SYSTEMS
(Millions of Dollars)

	<u>Fiscal Year 1985</u>	<u>Teachers</u>	<u>Public Employees</u>	<u>Firefighters</u>	<u>Police</u>	<u>LAW Enforcement</u>
Revenue Sources						
Appropriated and Dedicated State Revenues		125.0	89.1	29.2	20.3	10.3
Investment Income		113.9	73.0	16.0	16.2	5.2
Member and Other Contributions		69.0 (1)	15.2	12.9	12.5	1.9
Federal Matching Funds		2.9	—	—	—	—
Realized Gains (Losses) on Investments		12.2	6.4	3.4	5.8	(0.1)
Total Revenue Sources		<u>323.0</u>	<u>183.7</u>	<u>61.5</u>	<u>54.8</u>	<u>17.3</u>
Benefits and Member Withdrawals		141.9	49.4	22.8	12.4	3.9
Agency Refunds		—	2.1	—	—	—
Administrative and Investment Costs		1.6	1.0	0.4	0.2	0.2
Total Increase at Cost		<u>179.5</u>	<u>131.2</u>	<u>38.3</u>	<u>42.2</u>	<u>13.2</u>
Unrealized Increase (Decrease) in Investment Assets		149.6	113.8	(3.2)	13.4	7.5
Total Increase in Value		<u>328.1</u>	<u>245.0</u>	<u>35.1</u>	<u>55.6</u>	<u>20.7</u>
Fiscal Year 1986						
Revenue Sources						
Appropriated and Dedicated State Revenue		125.0	99.9	32.8	21.1	13.9
Investment Income		123.7	81.4	16.9	17.6	5.4
Member and Other Contributions		96.4 (1)	16.2	14.2	13.2	2.2
Federal Matching Funds		3.2	—	—	—	—
Realized Gains on Investments		21.0	25.4	9.5	7.4	4.6
Total Revenue Sources		<u>369.3</u>	<u>222.9</u>	<u>73.4</u>	<u>59.3</u>	<u>26.1</u>
Benefits and Member Withdrawals		164.4	62.0	26.1	13.2	5.5
Agency Refunds		—	0.6	—	—	—
Administrative and Investment Costs		1.8	1.3	0.3	0.2	0.1
Total Increase at Cost		<u>203.1</u>	<u>159.0</u>	<u>47.0</u>	<u>45.9</u>	<u>20.5</u>
Unrealized Increase (Decrease) in Investment Assets		115.6	113.8	15.2	(6.3)	8.6
Total Increase in Value		<u>318.7</u>	<u>272.8</u>	<u>62.2</u>	<u>39.6</u>	<u>29.1</u>

(1) Included teacher's tax-sheltered annuity deposits of \$9.8 million for fiscal year 1985, and \$13.3 million for fiscal year 1986.

ANALYSIS OF SELECTED STATE RETIREMENT SYSTEMS
(Millions of Dollars)

	<u>Teachers</u>	<u>Public Employees</u>	<u>Firefighters</u>	<u>Police</u>	<u>Law Enforcement</u>
Return on Investment for Year Ended June 30, 1986	8.36%	8.97%	7.05%	7.89%	7.56%
Cost Value of Assets at June 30, 1986	1,531.9	987.3	275.2	235.8	83.7
Market Value of Assets at June 30, 1986	1,626.2	1,116.3	301.4	267.9	94.0
Unfunded Accrued Liability	1,112.5 (1)	301.9 (1)	278.8 (2)	127.0 (2)	116.6 (2)
Approximate Value of Actuarial Assets Required	2,738.7	1,418.2	580.2	394.9	210.6
Percentage Funded	59.4%	78.7%	51.9%	67.8%	44.6%
Current Amortization Period of Unfunded Liability from July 1, 1986	15 yrs	7 yrs	16 yrs	16 yrs	34 yrs
Indicated Annual Amortization of Unfunded Liability	133.6 (1)	51.7 (1)	26.7 (2)	12.2 (2)	8.5 (2)
Annual Employer Normal Cost	20.1 (1)	53.1 (2)	19.0 (2)	18.6 (2)	3.9 (2)

(1) As of June 30, 1986.

(2) As of June 30, 1985.

GOVERNOR BELLMON'S BUDGET VETOS

<u>Area</u>	<u>Item</u>	<u>Amount</u>
EDUCATION		
Common Education ¹	County Superintendents' Salary Appropriation	\$ 180,500
Physician Manpower Training Commission ²	Appropriation	5,453,652
Education Subtotal		\$5,634,152
GENERAL GOVERNMENT AND JUDICIARY		
Courts	Medical Malpractice (intent)	
O. P. A.	Capitol Cafeteria (vendor to operate cafeteria)	\$ 235,000
Tax Commission ³	Appropriation	40,230,121
General Government Subtotal		\$40,465,121
NATURAL RESOURCES AND REGULATORY SERVICES		
Commerce ⁴	Community Action Agencies	\$777,855
	Tick Eradication	91,000
Water Resources Board	Weather Modification	10,000
Natural Resources Subtotal		\$878,855
TOTAL PROGRAM FUNDING VETOED		\$46,978,128

¹ The Governor ultimately agreed to fund County Superintendents in counties with three or more dependent districts.

² P. M. T. C. received an FY'88 appropriation with the understanding that they change their mission to more adequately address the need for services in rural areas.

³ Funding was provided after the Governor and Legislature agreed to the reform of the Tax Commission. However, the Tax Commission was forced to shut down for two days and exhaust most of its revenues while a compromise was being developed.

⁴ The Community Action Agencies received funding in HB 1473. However, the Governor contends that CAP Funding and the Community Services Block Grant (CSBG) should be transferred to DHS.

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