



OKLAHOMA
Tax Commission

Oklahoma Tax Commission

FY 2026 Budget Hearing Presentation

Doug Linehan, Executive Director



Executive Leadership Team

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

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

Ad Valorem

Administration

Audit Services

Business Operations

Business Tax Services

Central Processing

Collections

Digital Communications & Marketing

Headquarters

Human Resources

Income Tax Accounts

Innovation/Information Technology

Learning & Development

Legal Services

Tax Policy & Research

Taxpayer Resources Center

Executive Summary – FY 26 Appropriations Request

- Oklahoma Tax Commission respectfully requesting \$34.2 million for its FY 2026 appropriations budget.
 - FY 2026 request represents a \$1 million, or 3%, reduction from its FY 2025 appropriated budget of \$35.2 million.
 - FY 2025 appropriated budget of \$35.2 million was a \$2 million, or 5%, reduction from its FY 2024 appropriated budget of \$37.2 million.



Historical Perspective of Our Journey

- Although almost 100 years old, from an operational effectiveness perspective we are in our infancy.
- We are building an infrastructure to serve taxpayers, tax preparers and our employees more effectively and efficiently.
 - Making investments in our people, processes and technology, and attempting to do so in a fiscally responsible manner
- We have made significant progress in the last three year but still have a ways to go.
- We are laser-focused on the next steps of our journey... we are determined!



Accomplishments

Top accomplishments for FY 2024 – FY 2025

- Completed implementation and now fully executing employee performance management process (PMP)
- Implemented “upward feedback” process for all employees to provide feedback to their leaders
- Built and now executing agency-wide six-week leadership training program (EMPOWER)... teaching our leaders what good leadership looks like
- Implemented operating system for centrally assessed entities (Ad Valorem annual revenue of \$500 million)
 - Operating controls now in place (previous “operating system” was Microsoft Access database/Excel/Word and paper)



Accomplishments (cont'd.)

Top accomplishments for FY 2024 – FY 2025

- Implemented operating system for Collections division
 - Increased “no-touch” collections by approximately \$12 million in first six months of operation (forecasting \$25 million for entire fiscal year)
 - Assisting in reducing our reliance on outside collection agencies
- Successfully rolled out State’s “grocery” sales tax elimination
- Implemented year one of Parental Choice Tax Credit program and transitioning to 100% OTC operated in year two
 - Anticipate operational costs to execute program to come down by approximately \$2 million in FY 26
- Employee engagement survey results continue to show significant improvement



Accomplishments (cont'd.)

Top accomplishments for FY 2024 – FY 2025

- Annual employee turnover rate down from 30% to 11%
- Significant reduction in taxpayer “backlogs” across the agency
 - Examples:
 - Business Tax Credits and Refunds: backlog down 61% from high of 17,000
 - Income Tax Accounts: processing backlog down 80% compared to prior years
 - Taxpayer Waiver (penalty and interest): doubled the number of waivers processed in 2024 vs. 2023
 - Interest Paid to Taxpayers for Delayed Refunds: down to \$100,000 from \$1 million in prior years
 - Email response time to taxpayer reduced from several weeks to 2-3 days
- Recently awarded one of “Top Workplaces in Oklahoma”



Current Initiatives

	Challenge	Current Actions (Briefly describe how the agency is currently addressing the challenge.)	Planned Actions (Briefly describe how the agency plans to address the challenge going forward.)
1	Implementation of Parental Choice Tax Credit Legislation (Year 2).	Currently transitioning from a third-party vendor providing taxpayer-facing activities to an in-house solution.	Building out front-end system and hiring/training customer service employees to efficiently and effectively address all taxpayer needs.
2	OTC Taxpayer Resource Center (TRC) operating inefficiently and ineffectively with dated processes, employee training and technology.	Rebuilding TRC from ground up with new employee training programs, optimized processes and technology built specifically for optimized customer service.	Currently executing plan with “go-live” in Q3 of calendar 2025.
3	Historically inefficient technology development process leading to sub-optimal technology solutions.	Currently re-engineering end-to-end technology development process, focused on visibility, prioritization and accountability.	Currently executing plan with “go-live” in new environment in back half of calendar 2025.
4	Historical lack of accountability in employee performance and lack of pay differentiation for strong performers	Implemented a disciplined agency-wide employee performance management process. In addition, currently focused on ensuring all OTC job descriptions are complete and robust.	Currently executing in new environment and all job description modifications completed by end of Q3 of calendar 2025.



Upcoming Initiatives

- **Simplify and Optimize Taxpayer Communications (e.g., letter, e-correspondence, demos, etc.)**
 - Simplify letters for average taxpayer to understand (i.e., what, when, why, etc.)
 - Create demonstration videos, website landing pages, social media content and e-correspondence to efficiently inform taxpayers of initiatives or changes occurring
 - EX: Parental Choice Tax Credit, “Grocery” Sales Tax, DRIVE Act, etc.
- **Optimize Taxpayer-Facing “OkTAP”**
 - Current challenges exist with individuals utilizing the platform as it was initially implemented for business use (not individual). Focus on “ease of use”.
 - Individual taxpayers
 - Business taxpayers
 - Tax preparers

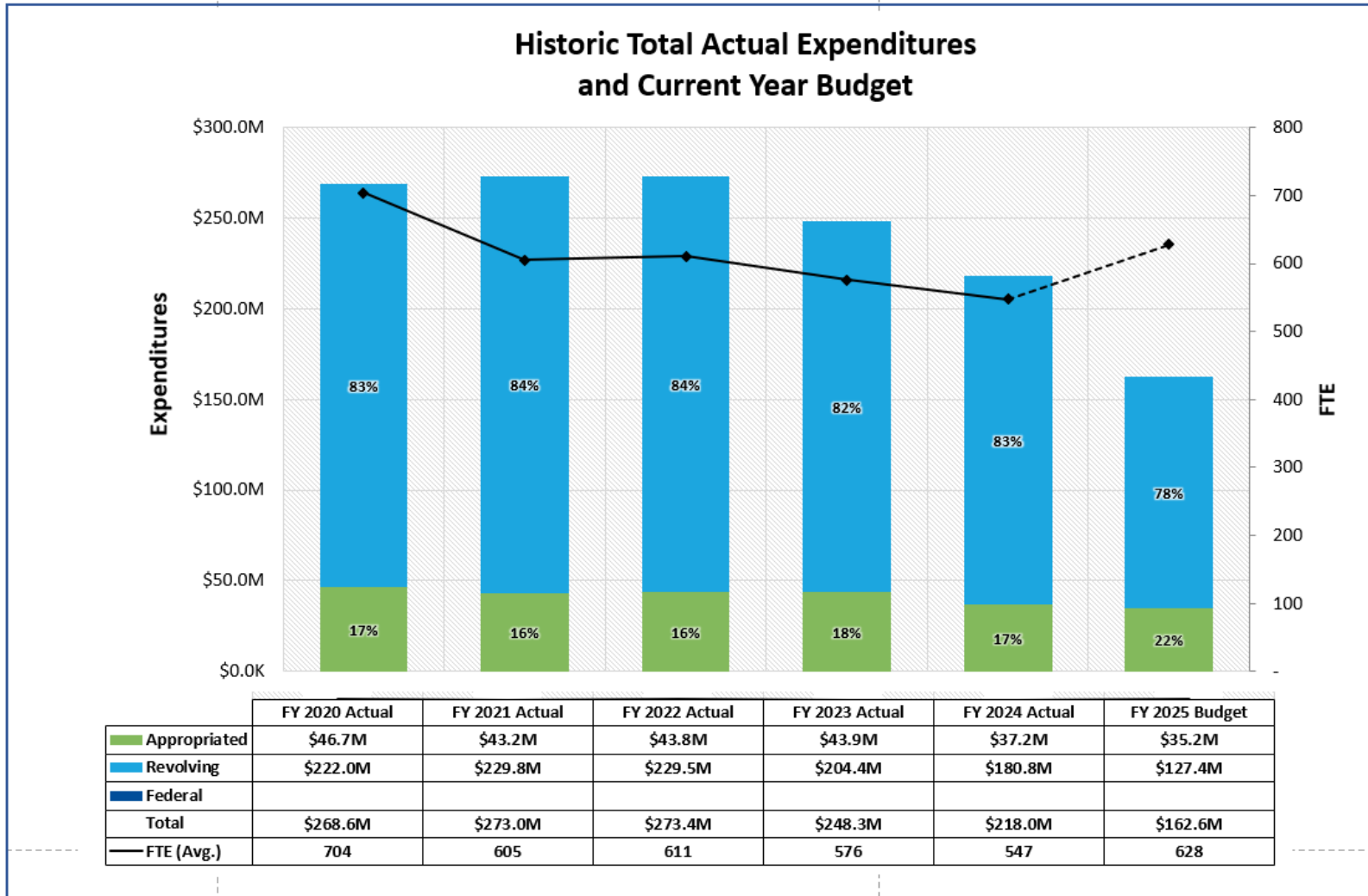


Upcoming Initiatives (cont'd.)

- **Optimize OTC External Website**
 - Current website lacks functionality such as search features, chat bot functionality, integration with existing systems
- **Implement Current Version of OTC Tax Operating System (“Core 21”)**
 - Implement newest version of the operating system that will allow new features to be added such as integration with Integrated Voice Response (IVR) phone system, e-correspondence, enhanced features and functionality, etc.



Total Historic Actual Expenditures (FY 2020-24) and Current Year Budget (FY 2025)



Two items of note for FY 2025 revolving fund budget:

- 1) *Ad Valorem 5-Year Manufacturing Exemption...* This credit is paid one year in arrears, will be appropriated as part of upcoming legislative session and will then be added to FY 2025 budget. Currently estimated to be in the \$90-\$100 million range.
- 2) *Filmed in Oklahoma Program Revolving Fund...* Annually budgeted for \$30 million (included in FY 2025 budget); FY 2024 actual expenses include only \$2 million.
- 3) Adjusting for the above items, pro-forma appropriated budget as a % of total budget would be 14%





FY 2026 Budgeted Full Time Equivalents (FTE) (with history)

Budgeted

FTE	
680 *	FY 2023
(93)	Motor Vehicle Division Transfer to Service Oklahoma
7	Parental Choice Tax Credit (PCTC) Resources
14	Taxpayer Resource Center (TRC) Optimization
608 *	FY 2024
20	Bringing Entire PCTC Program In-House
628 *	FY 2025
-	
628 **	FY 2026

*Historical vacancy rate of approximately 9%.

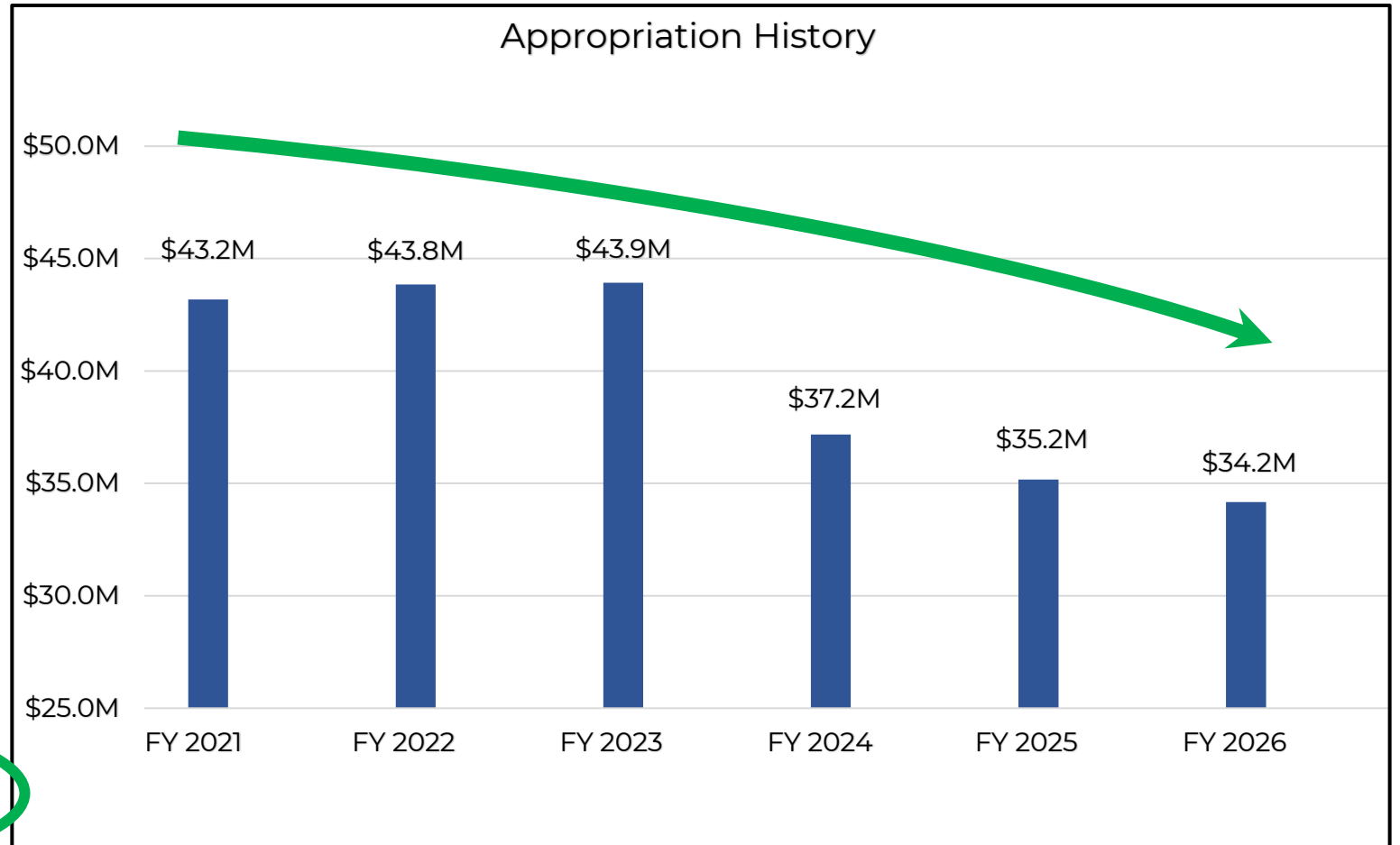
** Anticipated vacancy rate of approximately 3%.

Vacancy Rate Reduction Plan:

- 1) Reallocating (and filling) historically vacant positions to TRC in order to optimize performance (approximately 25).
- 2) Increasing number of internal developers to reduce reliance on third-party (more expensive) resources (approximately 10).

Appropriation History

Fiscal Year	Legislated Appropriation (\$ in millions)
FY 2021	\$43.2
FY 2022	\$43.8
FY 2023	\$43.9
FY 2024	\$37.2
FY 2025	\$35.2
FY 2026 (Request)	\$34.2



**FY2023 includes \$4M reimbursement of REAL ID expenditures pursuant to SB1040, Section 147*

Note: Significant reduction in appropriations in FY 2024 due to transfer of OTC Motor Vehicle Division to Service Oklahoma.

Financial Resource Analysis

Historical Cash Balances	FY 2022	FY 2023	FY 2024	FY 2025 (Projected)
Year End Unrestricted Revolving Fund Cash Balances (in millions)	\$38.8	\$59.8	\$78.8	\$72.2

Revolving Class Fund # (Unrestricted only)	Revolving Class Fund Name (Unrestricted only)	Projected FY 2025 year-end cash balance (\$ in millions)
20000	OK Tax Commission Revolving Fund	\$51.1
21500	OK Tax Commission Reimbursement Fund	\$21.1
Total Unrestricted Revolving Fund Cash balance:		\$72.2

Fiscal Year	Agency's plan to deploy cash (including \$)
FY 2025 2026 2027	Optimize Taxpayer-Facing System (OkTAP) \$7M
	Optimize External Website \$6M
	Implement Updated Version of GenTax \$4.5M
	Optimize Taxpayer Resource Center Space \$4M
	Simplify Taxpayer Communications \$2.5M
	Transfer to OTC Restricted Building Fund \$2M
	Remaining PCTC In-House Transition \$2M
	Implement Legal Case Mgmt. System \$.3M
Implement Future Initiatives ("AI") TBD	





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