



OKLAHOMA
Tax Commission

Oklahoma Tax Commission

FY 2026 Budget Hearing Presentation

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The Oklahoma Tax Commission (OTC), as an agency, administers the collection and distribution of approximately 76 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, this agency now encompasses 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

Agency Vision, Mission and Core Values

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

Core Values: What we believe...

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



OTC Journey – Rebuilding from Ground Up

Beginning of Journey – April 2022

- People
 - Lack of employee accountability
 - Lack of employee engagement
 - Lack of customer service culture
 - No employee/leadership training
 - Employees conditioned to believe their performance would never impact their compensation
 - High employee turnover
 - Toxic culture
- Processes
 - Significant use of inefficient/manual processes
 - No management/operations reporting strategy
 - Significant taxpayer/production “back logs”
- Technology
 - Outdated systems
 - Lack of cohesive technology strategy
 - Technology innovation (development) process broken
 - Lack of data integrity in systems
- Result... angry/frustrated taxpayers... angry/frustrated employees

OTC Journey – Rebuilding from Ground UP

Current Status/Progress – December 2024

• People

- Lack of employee accountability... Implemented robust employee PMP (annual review) process
- Lack of employee engagement... Employee engagement scores have skyrocketed
- Lack of customer service culture... Implementing a customer service focused culture
- No employee/leadership training... Executing formal employee (technical) and leadership training programs
- Employees conditioned to believe performance was not rewarded... Implemented employee incentive compensation plan
- High employee turnover... Annual employee turnover has gone from 30% to 11%
- Toxic culture... Transitioned from “don’t think” culture to building a culture focused on growing employee “problem-solvers”

• Processes

- Significant use of inefficient/manual processes... Automating processes over entire agency
- No management/operations reporting strategy... Building management reporting focused on “KPIs”
- Significant taxpayer/production “back logs” ... Taxpayer back logs coming down significantly

• Technology

- Lack of cohesive technology strategy... Building an integrated system strategy
- Technology innovation (development) process broken... Prioritizing resources to drive efficient/effective development process
- Lack of data integrity in systems... Focus on building data governance processes to drive data integrity/quality

- Result... angry/frustrated taxpayers... angry/frustrated employees... Although in our infancy, feedback on progress from taxpayers and employees overwhelmingly positive

Accomplishments

Top accomplishments for FY 2024 – FY 2025

- 1) Completed implementation and now fully executing employee performance management process (PMP)
- 2) Implemented “upward feedback” process for all employees to provide feedback on their leaders
- 3) Built and now executing agency-wide six-week leadership training program (EMPOWER)
- 4) Implemented operating system for centrally assessed entities (Ad Valorem annual revenue of \$500 million)
- 5) Implemented operating system for Collections Division
- 6) Successfully rolled out State’s “grocery” sales tax elimination
- 7) Implemented year one of Parental Choice Tax Credit program and transitioning to 100% OTC operated in year two
- 8) Employee engagement survey results continue to show significant improvement, annual employee turnover rate down from 30% to 11%, pay-for-performance culture implemented
- 9) Significant reduction in taxpayer “back logs” in both Business Tax Division and Income Tax Division



Analysis of Agency Challenges

	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	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 first 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 Q2 of calendar 2025.



Savings & Efficiencies (Current or Planned)

Savings or Efficiency Name	Brief description of how savings were achieved	Savings in Unit of Measurement*	FY 2024 (Actual \$ Savings)	FY 2025 (Projected \$ Savings)	FY 2026 (Projected \$ Savings)
Enhance taxpayer experience when interacting with the OTC taxpayer resource center.	Currently rebuilding entire taxpayer resource center from the ground up... processes, people, technology and culture.	Ultimate goals is minimal taxpayer wait times, automation of routine requests and 80% first call resolution.	N/A	N/A	N/A
Building a culture of accountability, employee development, leadership development.	Reduced employee annual turnover rate and improved employee engagement survey results.	Employee engagement scores, reduced employee annual turnover rate.	N/A	N/A	N/A
Parental Choice Tax Credit Program Execution	Bringing all portions of the program “in house” instead of leveraging outside service providers.	\$ to administer program	\$0	\$0	\$2M



Agency Goals and Key Performance Metrics

Goal		Metric	FY 24 Target	FY 24 Actuals	FY 25 Target	FY 29 Target
1	Simplify and optimize all external taxpayer communications with focus on communications being customer-centric (both digital communications and paper/letter communications).	Overhaul existing external communication touchpoints (i.e. external website, digital communications, written communications) throughout the agency.	50% To be completed FY 24	46% completed	60% completed	100% completed
2	Continue to rollout new-hire employee training programs for all divisions leveraging established learning-based technologies and practices.	Create a formal training program that covers training curriculum for all divisions through a learning management system (LMS).	50% To be completed FY 24	30% completed	64% completed	100% completed
3	Optimize innovation/automation process with a disciplined and return-based approach based on maximizing development time on transformational initiatives and minimizing time spent on maintenance-type projects.	Transition from current time and resource allocation (6% transformational and 94% maintenance) to 50% transformational and 50% maintenance by FY 26.	50% To be completed FY 24	25% completed	58% completed	100% completed
4	Continue to execute robust agency-wide employee performance management process (PMP), with focus on accountability and employee/leader development.	OTC leaders to substantially complete Empower training; OTC Core Values and/or qualitative measurements are properly included in OTC employees' responsibilities	100% Completed	100% Completed	100% Completed	100% Completed
5	Execute a robust employee recruitment and retention strategy.	Begin a proactive employee sourcing strategy; Ensure job descriptions are updated and properly reflected in Workday; Continue to execute against the State's Employee Compensation Philosophy	N/A	20% completed	100% completed	100% completed
6	Optimize Parental Choice Tax Credit processes, with focus on enhancing the taxpayer/employee experience	Eliminate manual processes for student transfers/withdrawals and allow taxpayers to submit requests through OkTAP	100% completed	75% completed	100% completed	100% completed
7	Implement the elimination of the state's grocery sales tax	Make resources available including rules, guides and FAQs for vendors and consumers; Update tax forms; Make system changes; Ensure returns are processing correctly; problem resolution post implementation	N/A	75% completed	100% completed	100% completed



Projects for FY 2025/FY 2026

- 1) Optimize Parental Choice Tax Credit execution.
- 2) Implement the elimination of the state's grocery sales tax.
- 3) Simplify and optimize all external taxpayer communications.
- 4) Continue to execute a robust agency-wide employee performance management process (PMP)
- 5) Rebuild taxpayer resource center from ground up.... including people, processes, technology and culture.
- 6) Optimize technology development process to drive efficiency, effectiveness, visibility and prioritization.



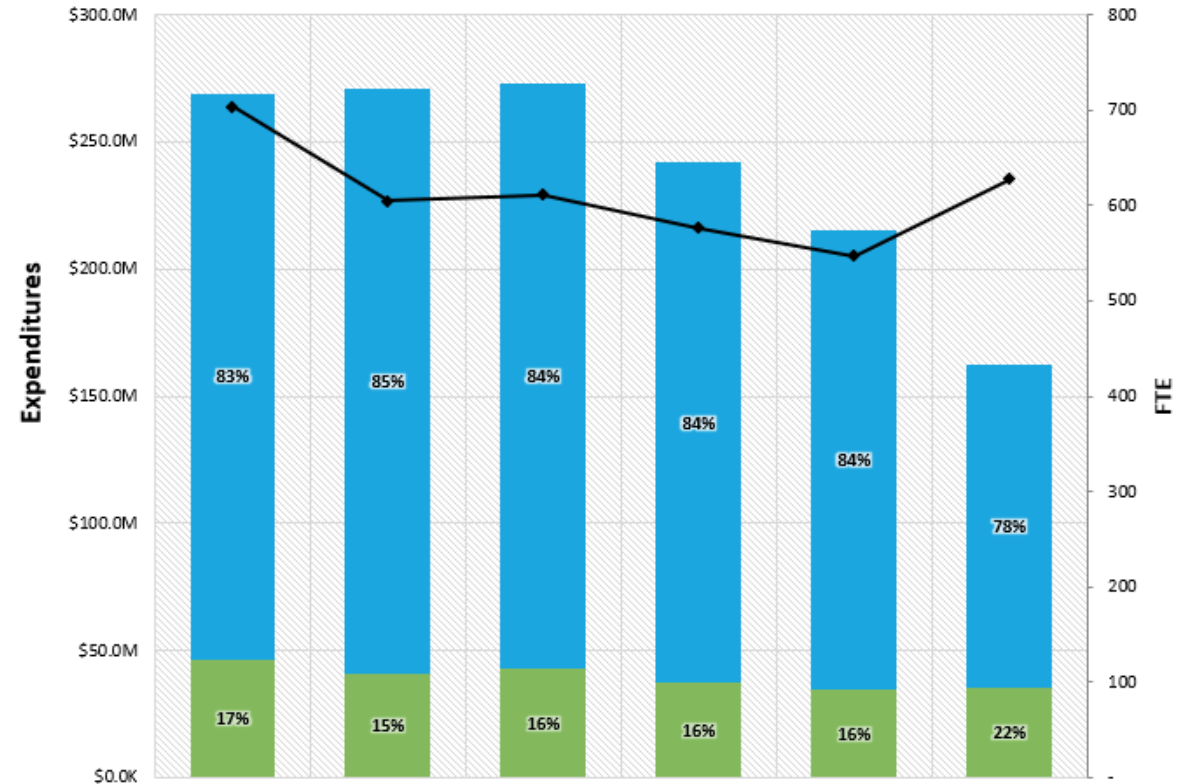
Total Historic Actual Expenditures (FY 2020-24) and Current Year Budget (FY 2025)

Explanation of Changes and Trends

The FY25 budget revolving fund total does not include reimbursements to counties from the Ad Valorem Reimbursement Fund (Quality Jobs Incentive Program). Due to timing of the program, FY24 obligations will be satisfied in FY25. The historical actuals for FY20-23 contain the Ad Valorem reimbursement expenditures made during those fiscal years.

Increase in headcount for FY 25 resulting from 1) the budgeting of historically vacant positions the OTC is currently filling in FY 25 due to the OTC optimization of the Taxpayer Resource Center and 2) internal staffing of Parental Choice Tax Credit program's taxpayer facing responsibilities (previously outsourced).

Historic Total Actual Expenditures and Current Year Budget



	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Budget
Appropriated	\$46.7M	\$41.0M	\$43.2M	\$37.5M	\$34.8M	\$35.2M
Revolving	\$222.0M	\$229.8M	\$229.5M	\$204.4M	\$180.8M	\$127.4M
Federal						
Total	\$268.6M	\$270.8M	\$272.7M	\$241.9M	\$215.6M	\$162.6M
FTE	704	605	611	576	547	628



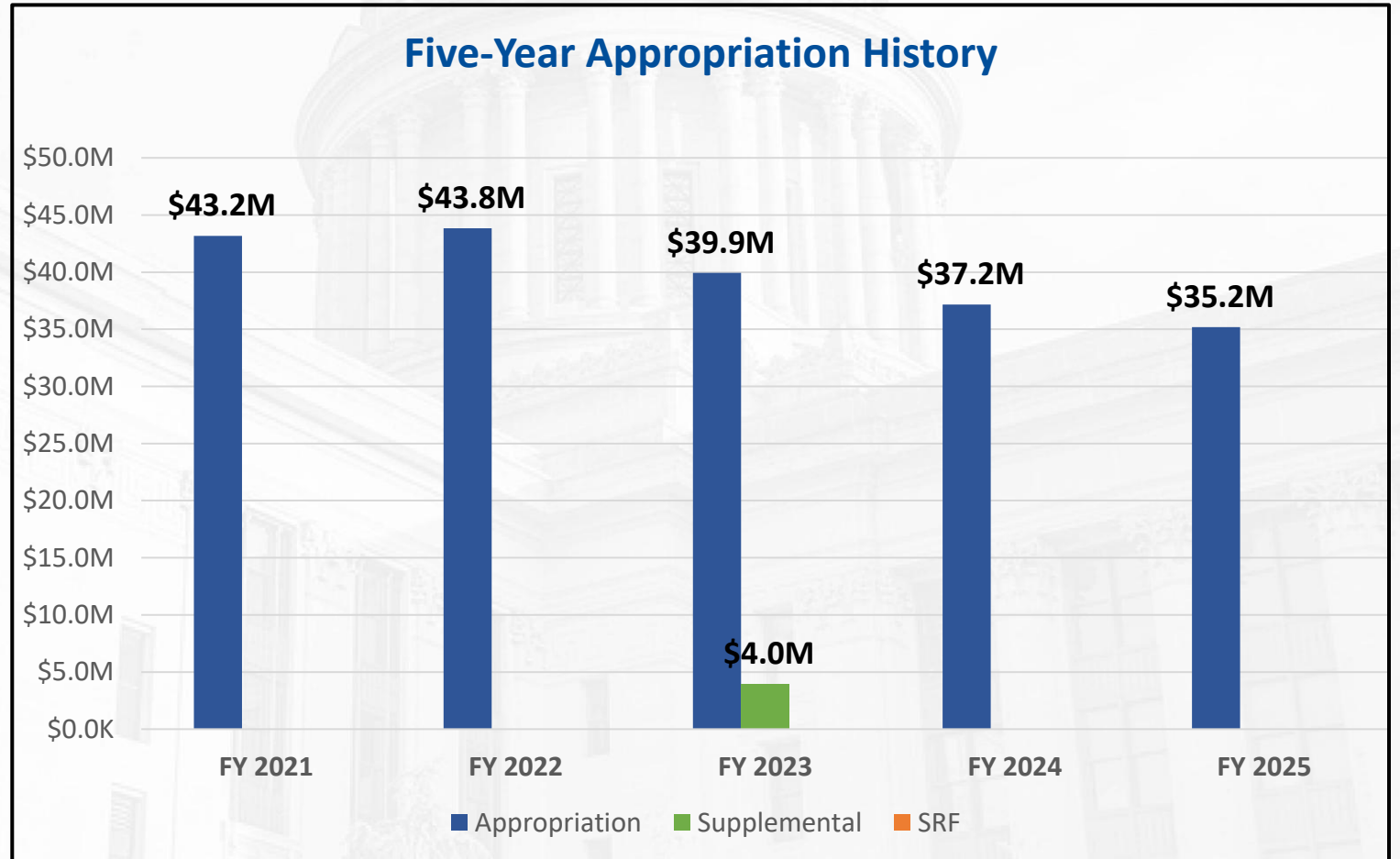


FY 2025 Budgeted Full Time Equivalents (FTE)

	FY 2025 Budgeted FTE
Total FTE	628 (increase of 20 positions from FY 2024 budgeted FTE; due to bringing PCTC processes inside OTC)
Supervisor FTE	146
Supervisors to Total FTE Ratio (%)	23%
Current Budgeted but Unfilled FTE	54

Appropriation History

Fiscal Year	Legislated Appropriation (\$) (Includes supplementals and SRF/ARPA.)
FY 2021	\$43,177,267
FY 2022	\$43,844,417
FY 2023	\$43,924,417
FY 2024	\$37,174,417
FY 2025	\$35,174,417



*Includes Supplemental and Statewide Recovery Fund (ARPA) appropriations.



Financial Resource Analysis

Carryover	FY 2021	FY 2022	FY 2023	FY 2024
Total appropriated carryover amount expended (\$)	\$2,161,647	\$	\$2,429,317	\$

Historical Cash Balances	FY 2021	FY 2022	FY 2023	FY 2024
Year End Revolving Fund Cash Balances <i>(All Revolving Funds)</i>	\$56,577,253	\$90,045,651	\$133,667,432	\$153,748,370*

Revolving Class Fund # <i>(Unrestricted only)</i>	Revolving Class Fund Name <i>(Unrestricted only)</i>	Current cash balance (\$)	Projected FY 2025 year-end cash balance (\$)
20000	OK Tax Commission Revolving Fund	\$56.8M	\$51.03M
21500	OK Tax Commission Reimbursement Fund	\$26.2M	\$21.05M
#		\$	\$
#		\$	\$
#		\$	\$
#		\$	\$
Total Unrestricted Revolving Fund Cash balance:		\$	\$

***Please Note: Historical cash balance for FY 2024 include Pass-Through funds not used for operations (\$61M).**



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

FY 2023 – 2024 Appropriation Change Review

<i>Purpose of appropriation increase or decrease</i>	<i>Amount FY 2023</i>	<i>Amount FY 2024</i>	<i>Total amount received FY 2023 - 24</i>	<i>Total amount expended by 11/1/2024</i>	<i>Included in FY 2025 approp? (Yes/No)</i>	<i>If not expended fully, please explain.</i>
DPS reimbursement	\$4,000,000	No adjustments	\$4,000,000	\$4,000,000	No	
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
Totals	\$4,000,000	No adjustments	\$4,000,000	\$4,000,000		



**Do not include SRF / ARPA appropriation increases.*

Budget & Supplemental Incremental Request Summary

	Request Name	FY 2026 Incremental Appropriation Request Amount (\$) <i>{or FY 2025 for Supplementals}</i>	Type of Request: Recurring, One-time, or Supplemental
1	N/A		
2			
3			
4			
5			

