

The background of the cover is a photograph of the Oklahoma State Capitol building, showing the large white dome and the statue of Liberty on top. The sky is a clear, bright blue. The text is overlaid on the image in a serif font.

STATE OF
OKLAHOMA

SUBMITTED BY
MARY FALLIN, GOVERNOR
TO THE
FIRST SESSION OF THE
53RD OKLAHOMA LEGISLATURE

EXECUTIVE BUDGET

FOR THE FISCAL YEAR ENDING JUNE 30, 2012

FY-2012

Executive Budget

Governor
Mary Fallin

February 7, 2011



Mary Fallin
Office of the Governor
State of Oklahoma

To the Citizens of the Great State of Oklahoma and the Oklahoma Legislature:

It is my pleasure to submit for your consideration the FY-2012 executive budget. The plan I have put forward is a responsible budget that strikes a balance between achieving savings through streamlining government functions and pursuing necessary agency cuts. Given the current revenue crisis, additional cuts are unavoidable. All state agencies must make shared sacrifices. While no state agency will be protected completely from budget cuts, my plan proposes lesser cuts to health, education and public safety entities in an effort to preserve vital services for the citizens of Oklahoma.

Addressing our immediate budget needs for FY 2012 is only part of the important task that lies before us. We must also pursue a long term strategy for building a more prosperous, stronger Oklahoma for generations to come. To achieve that goal, my budget includes a series of reforms that will establish a more efficient state government as well as a better environment for job creation and business growth and retention. Measures such as tort and workers compensation reform will lessen the burden on cash-strapped employers and bring more businesses to the state. The consolidation of state agency financial and technology services will help save taxpayer dollars and maximize efficiency. Additionally, we must continue to move forward on improvements to our school systems and work to build a healthier Oklahoma for our citizens.

It is an important time for Oklahoma. We are seeking to emerge from the national recession as a better, more prosperous state. To do that, we must continue to pursue reforms that deliver a pro-jobs, pro-business environment. We must also demand that our state agencies focus on the core functions of government and eliminate programs and operations that are not mission-critical. Our long term fiscal health depends on it.

I ask the Legislature and the Citizens of Oklahoma to come together in support of this agenda. If we do so, I am certain we can rise above the current budget crisis and emerge as a stronger, healthier state.

Sincerely,

A handwritten signature in black ink that reads "Mary Fallin".

Mary Fallin
Governor

PRESTON DOERFLINGER
DIRECTOR OF STATE FINANCE



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
OFFICE OF STATE FINANCE

February 7, 2011

Governor Fallin:

Please accept this, your executive budget for the FY-2012 budget year. The budget is balanced as required by law.

The budgets of all state agencies, boards and commissions were thoroughly reviewed in the preparation of this budget. Staff of the Budget Division of OSF, the Secretary of Finance and Revenue and I met with directors of major state agencies to examine and analyze agency programs and expenditures. State agency administrators and their staff provided information necessary for this extreme budget review. They also made suggestions to improve the efficiency and effectiveness of the delivery of services by their agencies. Our examination included a review of management efficiencies and innovations, alternative funding methods, tax policies, expenditures and revenue enhancement proposals.

The budget development process was inclusive of many interested parties, including you and representatives of your staff and House and Senate fiscal staffs who joined in meetings with agencies and offered ideas and suggestions.

Thank you for all of your time and attention in the development of the budget. To others involved in this process, I extend my appreciation for their input. I also want to thank analysts with the Budget Division for their diligence, hard work and dedication.

Respectfully,

A handwritten signature in black ink, appearing to read "Preston L. Doerflinger", written over a large, stylized circular graphic element.

Preston L. Doerflinger, Director
Office of State Finance

OKLAHOMA OFFICE OF STATE FINANCE

February 7, 2011

Citizens of the State of Oklahoma Members of the First Regular Session of the Fifty-Third Legislature

Governor Mary Fallin's FY-2012 budget consists of the following two documents. Both are available on the Internet. You can view them by accessing the Oklahoma Home Page, the Home Page of the Office of the Governor, or the Home Page of the Office of State Finance. The Oklahoma Home Page address is: <http://www.ok.gov>.

"FY-2012 EXECUTIVE BUDGET, Volume I"

This document contains Governor Fallin's budget recommendations to the 2011 Legislature. It includes a discussion of state revenues, a summary of her proposed budget and explanations of budget recommendations for state agencies.

"FY-2012 EXECUTIVE BUDGET, Volume II- HISTORICAL DATA"

This document is available online and includes detailed historical financial information about each agency of state government. The information is arranged by Cabinet Department and Branch of Government.

The individual display for each agency/entity of government includes the following:

- Mission of the Agency
- Description of the Board/Commission that governs the agency
- Description of agency Duties/Responsibilities
- Constitutional and Statutory References related to the entity
- Information regarding agency workload or performance criteria
- Expenditure and personnel data for FY-2009, FY-2010 and FY-2011

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Executive Summary

Executive Summary

Government Modernization

Financial and Payroll Shared Services

As agencies are facing more constrained budgets in FY-2012, Governor Fallin's budget encourages agencies to utilize a shared service model to accomplish common practice functions. According to a recent Hackett Group Benchmarking Study, Oklahoma far exceeds the number of FTE required to perform our cash disbursements, revenue and general accounting duties as compared to other governmental entities included in the study. By directing resources away from these functions, agencies will be able direct efforts to their core missions. This budget includes a \$6.1 million savings by working toward the benchmark set by our peer organizations.

Information Technology

Governor Fallin's budget proposes that there be a freeze on capital spending for the remainder of FY-2011. The resulting savings of \$50 million will be carried forward to the FY-2012 budget. Governor Fallin's budget also includes \$142 million in reduced FY-2012 information technology projects. The State Chief Information Officer will be responsible for managing a \$100 million bond to accomplish critical projects.

Electronic Payments

This budget includes savings of \$3.6 million that will be accomplished by moving from a paper check system to an electronic funds transfer system and purchasing card system for the state's largest 100 vendors. This proposal also includes requiring electronic funds transfer for all inter-agency payments. In total, state agencies will eliminate the processing of approximately 230,000 checks at a processing fee of \$13.50 per check. The cost of an electronic funds transfer is approximately five cents. The state will also benefit from an increased return on the purchasing card rebate.

Reduce Budgeted Vacancy Rate

Governor Fallin's budget achieves \$69.6 million in savings associated with budgeted FTE costs. In FY-2011, many agencies took advantage of the Voluntary Buyout Reimbursement fund set up by the 2010 Legislature to assist agencies with the cost of offering early retirement to eligible state employees. By law, these agencies are prevented from filling those 602 positions for the next three years. This proposal also includes reducing costs for FTE that are budgeted but vacant. And beginning immediately, the state chief information officer will implement a hard hiring freeze for all information technology positions.

Purchasing Card Initiative

Governor Fallin's budget includes \$1.7 million in savings that are accomplished by bringing all higher education institutions on to the state purchasing card system. This will increase the state's volume of expenditures on the purchasing card, thereby resulting in increased discounts for state purchases and increased accountability.

Agency Consolidation Proposals

Construction Industries Board into the Department of Labor – Significant savings for Oklahoma's taxpayers can be achieved by reducing administrative overhead. The Department of Labor will assume responsibility for issuing licenses and collection of licensing fees which will streamline this process into one department that already carries out similar duties for different industries. There will be no reduction in licensing requirements or safety inspections.

All inspections/enforcers will remain in place. All boards and commissions that advise and provide oversight to either entity will remain intact and continue to function.

Human Rights Commission into the Office of the Attorney General – Human rights protection is an important function part of the state’s Constitutional police powers. Through consolidation the state will realize substantial administrative savings while elevating the stature of the Human Rights Commission’s goals.

Merit Protection Commission into Office of Personnel Management – This merger combines two entities with similar functions while leaving the mission of the commission unchanged. Savings will be realized from a reduction of administrative support personnel and a reduction in office space.

Scenic Rivers Commission (SRC) into the Conservation Commission - The SCR would be transferred in whole to the Conservation Commission and become a division of the Conservation Commission. Merging the SRC not only saves the state money, but also provides the opportunity to increase federal matching funds. The Conservation Commission participates in several federal matching programs and believes any additional funds that come with the SRC could be used to leverage state dollars for a federal match, some of which can be 4-1 or 6-1 match rates. Any federal dollars gained through the programs would enhance water quality programs.

Oklahoma Center for the Advancement of Science and Technology into the Department of Commerce – This proposal merges entities whose functions are related to promoting economic development for a more unified mission while achieving cost savings from sharing administrative support and overhead. Associated boards and committees would remain intact.

Alcoholic Beverage Laws Enforcement Commission (ABLE) into Tax Commission and Oklahoma Board of Narcotics and Dangerous Drug (OBNDD) – This proposal would move ABLE’s the licensing functions into the Tax Commission and the investigating duties into the Bureau of Narcotics and Dangerous Drugs.

Department of Environmental Quality and the Mining Commission into a new entity called the Department of Natural Resources - Currently, the agencies share a similar mission to conserve Oklahoma’s natural resources. While the Department of Mines is also charged with protecting the safety of miners and enforcing mining and reclamation laws, safety education and training is provided by the Oklahoma Miner Training Institute and will remain intact. Consolidating their duties will not affect this mission; however, consolidation will result in savings from a reduction in administrative overhead and it will streamline industry services. Boards and commissions that advise and provide oversight to either entity will remain intact and continue to function. The Department of Mines was created by the state constitution, but the constitution only requires that it exist and be able to perform its duties; it does not require it to be a stand-alone entity.

Consolidation of the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) and the Oklahoma State Employee Benefits Council (EBC) – The Governor’s Budget recommends the creation of the Oklahoma Health and Wellness Board. The newly created Board is required to create and oversee two divisions for procuring, administering and managing the state health benefit plans, including a health maintenance organization (HMO). The divisions are the HealthChoice Health Insurance Division and the Employee Benefits Division. The Oklahoma Health and Wellness Board is required to remit annually to the General Revenue Fund fifteen percent of the combined administrative costs of the Oklahoma Health and Wellness Board for FY-2012. This amount is estimated to be \$3.7 million a year. Additionally, the Governor is proposing a change in state employees’ flexible benefits allowance calculation. Beginning in 2012, state employees’ benefit allowance shall never be less than provided in the 2011 plan year; and for future plan years state employees’ benefit allowance shall be benchmarked at the amount equal to the monthly premium of the basic preferred

provider organization plan offered, plus the monthly premium of the dental plan offered, plus the disability plan premium, and the basic life insurance plan premium. This change will in effect freezes the employee benefit allowance for the next 3 years, as the historical growth in HealthChoice premiums, of which the new FBA calculation is based, is not projected to surpass the 2011 plan year rates (the floor) until at least 2015. Under the current FBA calculation state agency payout is growing at an approximate annual rate of 6.6%. The effective benefit allowance freeze allows state agencies to realize estimated annual cost savings of : \$14.7 million in FY-12, \$45.1 million in FY-13 and, \$77.5 million in FY-14.

Oklahoma Space Industry Development Authority (OSIDA) reappropriation into the Engineer Workforce Tax Credit – Reappropriates current OSIDA funds to the Engineer Workforce Tax Credit program, which will encourage private investment in aerospace one of Oklahoma’s fastest growing industries.

Judicial Complaints into Non-appropriated State Entity - Self-fund through fees assessed on district court civil actions filed with a value of \$10,000 or more. Nearly every professional group self-monitors. For example, the following entities are self-funded through professional fees and monitor professional standards among its members: the Board of Medical Licensure and Supervision, the Board of Nursing, Osteopathic Examiners Board, the Pharmacy Board, and the Polygraph Examiners Board.

Secretary of State into a Non-appropriated State Entity – Self-fund through fees.

Transfer of Funds

State Transportation Fund

One component of the FY-2012 budget is a transfer of \$100 million from the State Transportation Fund to the Special Cash Fund for appropriation to other critical government services. The Department of Transportation will be given authorization to issue a bond through OCIA for \$100 million.

State Fiscal Stabilization Fund – Government Services Fund

Governor Fallin will allocate \$2.8 million from the State Fiscal Stabilization Fund – Government Services Fund to the State Department of Education to be used to upgrade their student information system.

Increased Compliance and Enforcement

Transition to a Two-Year Registration System for Non-commercial Vehicles

The Governor proposes a bi-annual registration system for non-commercial vehicles. A two-year transition period would provide for registrants of odd model year vehicles to obtain a two-year registration in the first year of implementation. Registrants of even model year vehicles would obtain their two-year registration in the second year of implementation. First time registration of vehicles would require a two-year registration. The FY-2012 budget includes \$104.9 million in revenue from this proposal.

Additional OTC Audit/Enforcement Revenue

The Governor proposes increasing Oklahoma Tax Commission audit and enforcement personnel by 10 at a cost of \$600,000 annually. Costs for this on-going project would be funded in FY-2013 and subsequent years by savings and efficiencies from the proposed change to the vehicle registration system. This increase in audit/enforcement agents would result in an annual increase of \$3.5 million that is included in the FY-2012 budget.

Move Sales Tax Collection on Beer to the Wholesale Level

Governor Fallin's budget proposes moving the point of taxation for sales of beer from the retail to the wholesale level. The FY-2012 budget includes \$5 million in additional revenue from the increased collections from losses at the retail level due to non-compliance.

Income Tax Increased Audit Project

The Governor's FY-2012 budget includes funding for two additional CPA level audit staff for increased income tax audit capability at the Oklahoma Tax Commission to generate increases to income tax collections in the amount of \$4 million. This \$4 million is included in the Governor's budget, and the increase in revenue for this project will double in FY-2013.

Agency Reductions

In order to protect critical areas of our state's mission, Governor Fallin's budget includes up to a 3% cut to Education, Health, Human Services and Public Safety agencies. Agencies in other areas received up to a 5% cut.

ARRA Funds

The Governor's Budget includes \$102 million in funds received due to the change in the FMAP rate included in the Recovery Act. These funds were received in the second two quarters of FY-2011, but were not authorized by the legislature. These funds have been carried over and will be available in FY-2012.

Expenditure Proposals

FY-2011 Supplementals

Governor Fallin's budget includes supplemental appropriations for the following agencies:

Oklahoma Health Care Authority - \$15 million to address decreased revenue streams to the Oklahoma Health Care Authority

Department of Corrections - \$3 million to avoid furloughs to correctional officers

FY-2012 Key Funding Issues

Treat Substance Abuse and Reduce Female Incarceration Rate

Governor Fallin's budget proposes \$2 million to prevent the incarceration of women by providing substance abuse treatment. The Oklahoma Department of Mental Health and Substance Abuse Services has proposed a comprehensive set of evidence-based programs to prevent the incarceration of women who are experiencing addiction. This investment will preserve families, increase employment and may help reduce our state's high incarceration rate for women.

Mental Health Emergency Responders

Governor Fallin's budget includes \$1 million for an expansion of the Mental Health Emergency Responders program to Oklahoma County. Currently, this program is only available in Tulsa. The current program allows local law enforcement the opportunity to call a team of mental health professionals to assist when law enforcement responds to a call involving a person believed to be in psychiatric crisis. The team of responders will join law enforcement at the scene providing an on-site assessment and stabilization to facilitate a safe resolution and intervention plan for the individual, diverting them from criminal justice involvement and allowing the officers to return to patrol. The program has successfully diverted 97% of constituents from incarceration.

Close F-Unit at the Oklahoma State Penitentiary

Governor Fallin's budget includes a savings of \$1 million by closing F-unit at the Oklahoma State Penitentiary. The savings would be realized through the reduction of FTE as well as a substantial reduction in operating cost savings. Inmates currently in F-unit at OSP would be relocated to private prisons or other Department of Corrections facilities.

Systems of Care Grant

The Governor's budget includes \$2,041,667 for the state match portion of the Systems of Care Grant. Systems of Care is a comprehensive spectrum of mental health and other support services that are organized into coordinated networks to meet the multiple and changing needs of children, adolescents and their families with a serious emotional disturbance. It accomplishes this by providing community based, family driven, youth guided, and culturally competent services statewide.

Student Information System

Governor Fallin's budget includes a supplemental appropriation for the State Department of Education, utilizing the remaining \$2.8 million of State Fiscal Stabilization Funds – Government Services Fund to begin the work of upgrading the Department's Student Information System. A longitudinal data system is essential to measuring student outcomes and program effectiveness. The current student information system, known as the Wave, does not communicate with the systems at the State Regents for Higher Education or CareerTech, though that connection is required by law (O.S. 70-3-163).

Summary of FY-2012 Balanced Budget

	FY'11 Revised Base	Agency Cuts	FY'12 Adjustments	Final FY'12 Appropriation	FY'12 \$ From Original FY'11	FY'12 % Orig. FY'11
Governor	\$2,129,671	-\$106,484	\$0	\$2,023,187	-\$106,484	-5.0%
TOTAL GOVERNOR	\$2,129,671	-\$106,484	\$0	\$2,023,187	-\$106,484	-5.0%
Lt. Governor	\$527,699	-\$26,385	\$0	\$501,314	-\$26,385	-5.0%
TOTAL LT. GOVERNOR	\$527,699	-\$26,385	\$0	\$501,314	-\$26,385	-5.0%
Agriculture, Department of	\$26,306,894	-\$1,315,345	\$0	\$24,991,549	-\$1,315,345	-5.0%
Conservation Commission	\$9,845,434	-\$492,272	\$0	\$9,353,162	-\$492,272	-5.0%
TOTAL AGRICULTURE	\$36,152,328	-\$1,807,616	\$0	\$34,344,712	-\$1,807,616	-5.0%
Commerce, Department of	\$26,905,919	-\$1,345,296	\$0	\$25,560,623	-\$1,345,296	-5.0%
REAP	\$12,400,504	-\$620,025	\$0	\$11,780,479	-\$620,025	-5.0%
Historical Society	\$12,913,636	-\$645,682	\$0	\$12,267,954	-\$645,682	-5.0%
J.M. Davis Memorial Commission	\$306,677	\$0	-\$100,000	\$206,677	-\$100,000	-32.6%
Labor, Department of	\$3,166,110	\$0	-\$1,500,000	\$1,666,110	-\$1,500,000	-47.4%
Oklahoma Scenic Rivers Comm.	\$279,239	\$0	-\$144,848	\$134,391	-\$144,848	-51.9%
Tourism and Recreation, Depart.	\$22,503,229	-\$1,125,161	\$0	\$21,378,068	-\$1,125,161	-5.0%
Will Rogers Memorial Comm.	\$744,984	\$0	-\$174,895	\$570,089	-\$174,895	-23.5%
TOTAL COMMERCE & TOURISM	\$79,220,298	-\$3,736,164	-\$1,919,743	\$73,564,391	-\$5,655,907	-7.1%
Arts Council	\$4,406,689	-\$220,334	\$0	\$4,186,355	-\$220,334	-5.0%
Career Technology Education,	\$141,977,302	-\$4,259,319	\$0	\$137,717,983	-\$4,259,319	-3.0%
Education, State Department of	\$2,378,356,186	-\$71,350,686	\$0	\$2,307,005,500	-\$68,550,686	-2.9%
Educational Television Authority	\$4,200,360	-\$210,018	\$0	\$3,990,342	-\$210,018	-5.0%
Higher Education, Regents for	\$1,003,461,016	-\$30,103,830	\$0	\$973,357,186	-\$30,103,830	-3.0%
Libraries, Department of	\$6,342,616	-\$190,278	\$0	\$6,152,338	-\$190,278	-3.0%
Science and Math, School of	\$6,540,080	-\$196,202	\$0	\$6,343,878	-\$196,202	-3.0%
Teacher Preparation, Comm.	\$1,641,053	-\$49,232	\$0	\$1,591,821	-\$49,232	-3.0%
TOTAL EDUCATION	\$3,546,925,302	-\$106,579,900	\$0	\$3,440,345,402	-\$103,779,900	-2.9%

Summary of FY-2012 Balanced Budget

	FY'11 Revised Base	Agency Cuts	FY'12 Adjustments	Final FY'12 Appropriation	FY'12 \$ From Original FY'11	FY'12 % Orig. FY'11
Corporation Commission	\$10,133,793	-\$506,690	\$0	\$9,627,103	-\$506,690	-5.0%
Mines, Department of	\$810,902	\$0	-\$635,000	\$175,902	-\$635,000	-78.3%
TOTAL ENERGY	\$10,944,695	-\$506,690	-\$635,000	\$9,803,005	-\$1,141,690	-10.4%
Environmental Quality, Department	\$8,126,853	-\$406,343	\$0	\$7,720,510	-\$406,343	-5.0%
Water Resources Board	\$5,698,571	-\$284,929	\$0	\$5,413,642	-\$284,929	-5.0%
TOTAL ENVIRONMENT	\$13,825,424	-\$691,271	\$0	\$13,134,153	-\$691,271	-5.0%
Auditor and Inspector	\$5,152,673	-\$257,634	\$0	\$4,895,039	-\$257,634	-5.0%
Bond Advisor	\$155,556	-\$7,778	\$0	\$147,778	-\$7,778	-5.0%
Consumer Credit, Department	\$535,255	-\$26,763	\$0	\$508,492	-\$26,763	-5.0%
Finance, Office of State	\$20,623,054	-\$1,031,153	\$0	\$19,591,901	-\$1,031,153	-5.0%
Insurance Commissioner	\$2,012,836	-\$100,642	\$0	\$1,912,194	-\$100,642	-5.0%
Land Office, Commissioners of	\$7,109,000	\$0	\$2,858,235	\$9,967,235	\$2,858,235	40.2%
Tax Commission	\$46,830,944	-\$2,341,547	\$600,000	\$45,089,397	-\$1,741,547	-3.7%
Treasurer	\$3,903,089	-\$195,154	\$0	\$3,707,935	-\$195,154	-5.0%
TOTAL FINANCE AND REVENUE	\$86,322,407	-\$3,960,670	\$3,458,235	\$85,819,972	-\$502,435	-0.6%
Health, Department of	\$63,709,238	-\$1,911,277	\$0	\$61,797,961	-\$1,911,277	-3.0%
Health Care Authority	\$978,015,720	-\$29,340,472	\$0	\$948,675,248	-\$14,340,472	-1.5%
Mental Health & Substance Abuse	\$187,742,113	-\$5,632,263	\$5,041,667	\$187,151,517	-\$590,596	-0.3%
TOTAL HEALTH	\$1,229,467,071	-\$36,884,012	\$5,041,667	\$1,197,624,726	-\$16,842,345	-1.4%
Central Services, Department of	\$15,973,031	\$79,865	\$0	\$16,052,896	\$79,865	0.5%
Horse Racing Commission	\$2,135,741	-\$106,787	\$0	\$2,028,954	-\$106,787	-5.0%
Human Rights Commission	\$571,258	\$0	-\$371,500	\$199,758	-\$371,500	-65.0%
Merit Protection Commission	\$527,921	\$0	-\$200,000	\$327,921	-\$200,000	-37.9%
Personnel Management	\$3,913,555	-\$195,678	\$0	\$3,717,877	-\$195,678	-5.0%
TOTAL HUMAN RESOURCES AND ADMINISTRATION	\$23,121,506	-\$222,600	-\$571,500	\$22,327,406	-\$794,100	-3.4%

Summary of FY-2012 Balanced Budget

	FY'11 Revised Base	Agency Cuts	FY'12 Adjustments	Final FY'12 Appropriation	FY'12 \$ From Original FY'11	FY'12 % Orig. FY'11
Children and Youth, Commission	\$2,156,561	-\$64,697	\$0	\$2,091,864	-\$64,697	-3.0%
Disability Concerns, Office of	\$341,513	-\$10,245	\$0	\$331,268	-\$10,245	-3.0%
Human Services, Department of	\$543,110,884	-\$16,293,327	\$0	\$526,817,557	-\$16,293,327	-3.0%
Indian Affairs, Commission of	\$206,781	-\$6,203	\$0	\$200,578	-\$6,203	-3.0%
J.D. McCarty Center	\$4,021,869	-\$120,656	\$0	\$3,901,213	-\$120,656	-3.0%
Juvenile Affairs	\$99,162,067	-\$2,974,862	\$0	\$96,187,205	-\$2,974,862	-3.0%
Physician Manpower Training	\$4,812,367	-\$144,371	\$0	\$4,667,996	-\$144,371	-3.0%
Rehabilitation Services, Depart.	\$30,453,770	-\$913,613	\$0	\$29,540,157	-\$913,613	-3.0%
University Hospitals Authority	\$38,595,044	-\$1,157,851	\$0	\$37,437,193	-\$1,157,851	-3.0%
TOTAL HUMAN SERVICES	\$722,860,856	-\$21,685,826	\$0	\$701,175,030	-\$21,685,826	-3.0%
Military, Department of	\$10,787,365	-\$323,621	\$0	\$10,463,744	-\$323,621	-3.0%
TOTAL MILITARY	\$10,787,365	-\$323,621	\$0	\$10,463,744	-\$323,621	-3.0%
ABLE	\$3,376,703	\$0	-\$1,436,435	\$1,940,268	-\$1,436,435	-42.5%
Attorney General	\$12,704,552	-\$381,137		\$12,323,415	-\$381,137	-3.0%
Corrections, Department of	\$465,141,777	-\$13,954,253	-\$1,061,271	\$450,126,253	-\$12,015,524	-2.6%
District Attorneys and DAC	\$34,257,560	-\$1,027,727		\$33,229,833	-\$1,027,727	-3.0%
Emergency Management	\$692,744	-\$20,782		\$671,962	-\$20,782	-3.0%
Fire Marshal	\$1,932,004	-\$57,960		\$1,874,044	-\$57,960	-3.0%
Indigent Defense System	\$15,153,972	-\$454,619		\$14,699,353	-\$454,619	-3.0%
Investigation, State Bureau of	\$14,716,322	-\$441,490		\$14,274,832	-\$441,490	-3.0%
CLEET	\$3,917,617	\$0	-\$1,376,757	\$2,540,860	-\$1,376,757	-35.1%
Medicolegal Investigations	\$4,794,164	-\$143,825		\$4,650,339	-\$143,825	-3.0%
OBND	\$5,466,418	-\$163,993		\$5,302,425	-\$163,993	-3.0%
Pardon and Parole Board	\$2,334,162	\$0	-\$556,400	\$1,777,762	-\$556,400	-23.8%
Public Safety, Department of	\$88,432,073	-\$2,652,962		\$85,779,111	-\$2,652,962	-3.0%
TOTAL SAFETY AND SECURITY	\$652,920,068	-\$19,298,748	-\$4,430,863	\$629,190,457	-\$20,729,611	-3.2%
Science & Technology, Center for	\$19,152,096	\$0	-\$1,000,000	\$18,152,096	-\$1,000,000	-5.2%
TOTAL SCIENCE AND TECHNOLOGY	\$19,152,096	\$0	-\$1,000,000	\$18,152,096	-\$1,000,000	-5.2%

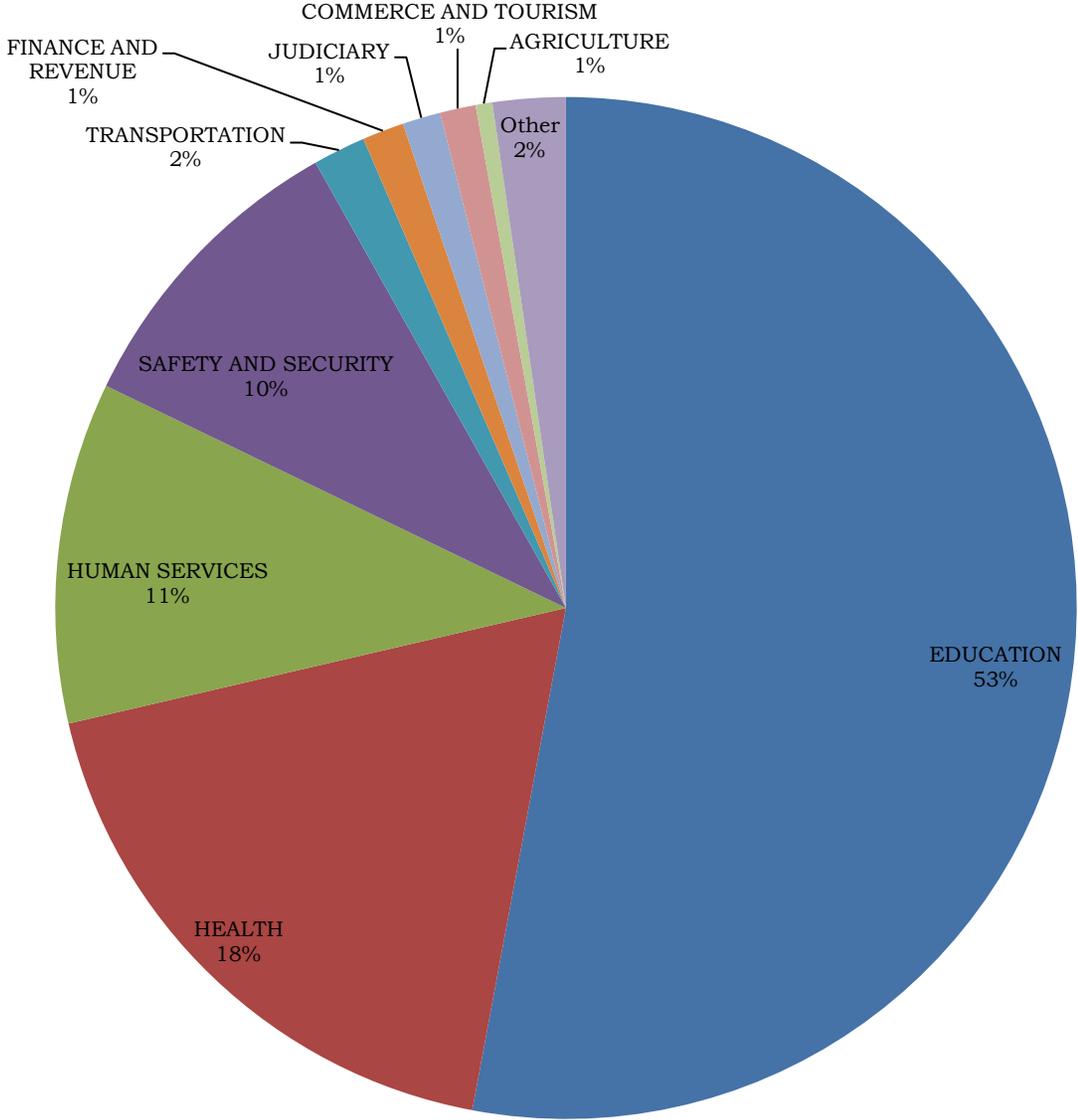
Summary of FY-2012 Balanced Budget

	FY'11 Revised Base	Agency Cuts	FY'12 Adjustments	Final FY'12 Appropriation	FY'12 \$ From Original FY'11	FY'12 % Orig. FY'11
Election Board	\$8,047,225	-\$402,361	\$0	\$7,644,864	-\$402,361	-5.0%
Ethics Commission	\$545,882	-\$27,294	\$0	\$518,588	-\$27,294	-5.0%
Judicial Complaints, Council on	\$230,581	\$0	-\$230,581	\$0	-\$230,581	-100.0%
Secretary of State	\$304,426	\$0	-\$304,426	\$0	-\$304,426	-100.0%
TOTAL SECRETARY OF STATE	\$9,128,114	-\$429,655	-\$535,007	\$8,163,452	-\$964,662	-10.6%
Space Industry Development Auth.	\$424,289	\$0	-\$424,289	\$0	-\$424,289	-100.0%
Transportation, Department of	\$114,771,010	\$0	\$93,661,638	\$208,432,648	\$93,661,638	81.6%
TOTAL TRANSPORTATION	\$115,195,299	\$0	\$93,237,349	\$208,432,648	\$93,237,349	80.9%
Veterans Affairs, Department of	\$35,957,256	-\$1,078,718	\$0	\$34,878,538	-\$1,078,718	-3.0%
TOTAL VETERANS AFFAIRS	\$35,957,256	-\$1,078,718	\$0	\$34,878,538	-\$1,078,718	-3.0%
House of Representatives	\$15,341,770	-\$767,089	\$0	\$14,574,682	-\$767,089	-5.0%
Legislative Service Bureau	\$4,902,835	-\$245,142	\$0	\$4,657,693	-\$245,142	-5.0%
Senate	\$11,759,778	-\$587,989	\$0	\$11,171,789	-\$587,989	-5.0%
TOTAL LEGISLATURE	\$32,004,383	-\$1,600,219	\$0	\$30,404,164	-\$1,600,219	-5.0%
Court of Criminal Appeals	\$3,455,576	-\$103,667	\$0	\$3,351,909	-\$103,667	-3.0%
District Courts	\$57,641,865	-\$1,729,256	\$0	\$55,912,609	-\$1,729,256	-3.0%
Supreme Court	\$15,381,358	-\$461,441	\$0	\$14,919,917	-\$461,441	-3.0%
Workers' Compensation Court	\$4,349,395	-\$130,482	\$0	\$4,218,913	-\$130,482	-3.0%
TOTAL JUDICIARY	\$80,828,194	-\$2,424,846	\$0	\$78,403,348	-\$2,424,846	-3.0%

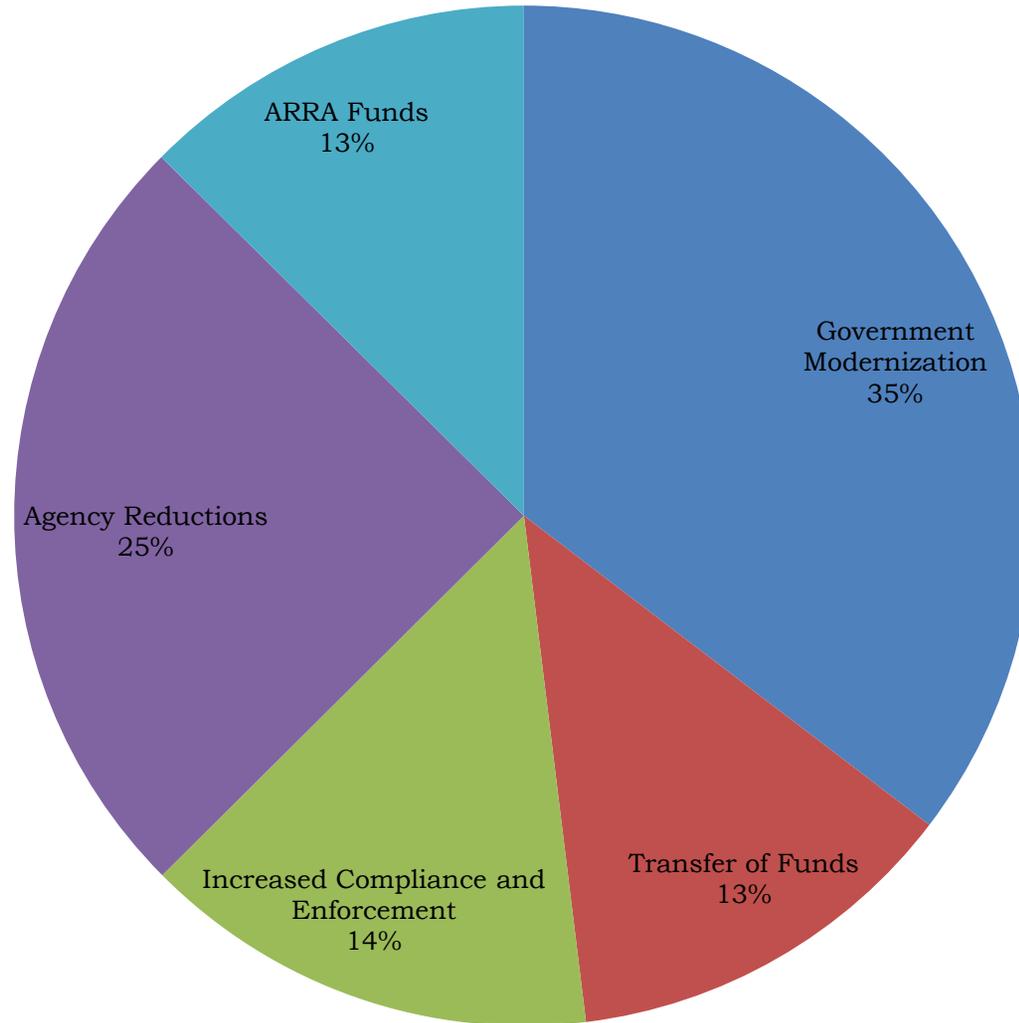
Summary of FY-2012 Balanced Budget

	FY'11 Revised Base	Agency Cuts	FY'12 Adjustments	Final FY'12 Appropriation	FY'12 \$ From Original FY'11	FY'12 % Orig. FY'11
Government Modernization						
Shared Services			\$ (6,182,475)			
Freeze FY-2011 Capital IT spend - save those for FY-2012			\$ (50,000,000)			
Reduce FY-2012 IT Projects			\$ (142,095,501)			
Electronic Payments			\$ (3,600,000)			
Hard Hiring Freeze and Reduce Budgeted Vacancy Rate			\$ (69,598,533)			
P Card Initiative			\$ (1,682,400)			
			-\$273,158,909			
Total Appropriation	\$6,707,470,032	-\$201,363,425	-\$180,513,771	\$6,325,592,836	-\$361,077,196	-5.4%
FY'12 Certified Revenues						
FY'12 Certified Revenues		\$6,104,794,917				
OSU Medical Authority Contract		-\$5,000,000				
ARRA Medicaid Funds	\$	102,000,000				
Oklahoma Health and Wellness Board (EBC w/OSEEGIB)	\$	3,700,000				
STF Transfer	\$	100,000,000				
SFSF - GSF	\$	2,800,000				
Transition to a two year registration system for non-commercial vehicles	\$	104,900,000				
Move Sales Tax collection point to wholesaler (convenience store sales)	\$	5,000,000				
Increased audit functions	\$	4,000,000				
For every 10 enforcement agents the state collects an additional \$2.9 million (net collections)	\$	3,500,000				
Total Revenue		\$6,425,694,917				
Total Expenditures		\$6,325,592,836				
Total Difference		\$100,102,081				

FY-2012 Budget by Cabinet



FY-2012 Budget Shortage Solutions



Governor

As Chief Magistrate of the State, the Governor is vested by the Oklahoma Constitution with “the Supreme Executive power.”

At the beginning of each session of the Legislature, the Governor presents the budget recommendations for the various state agencies and reports on the condition of the state. Every bill passed by the Legislature during regular session and prior to adjournment, before it becomes a law, is presented to the Governor. The Governor approves signs the bill if approved, if not; the bill is vetoed and returns with objections to the Legislature, which can override a Gubernatorial objection by a two-thirds vote.

When any state office becomes vacant, the Governor, unless otherwise provided by law, appoints a person to fill such vacancy, in certain instances by and with advice and consent of the Senate. The Governor is Commander in Chief of the state militia.

Additional duties of the Governor include:

- conducting the business of Oklahoma with other states;
- granting commutations, pardons and paroles and processing extraditions;
- approving agency rules;
- negotiating tribal compacts; and
- conserving the peace throughout the state.
- Issuing executive orders on various matters including emergency declarations

The Governor presides over, or is a member of, the following state boards and commissions:

- State Board of Equalization (Article 10, Section 21)
- Interstate Oil Compact (52 O.S. 201)
- Oklahoma Historical Society (53 O.S. 1.6)

- School Land Commission (64 O.S. 156)
- Capital Improvement Authority (73 O.S. 98.2)
- Oklahoma Capitol Complex Centennial Commission (73 O.S. 98.2)
- Transportation Commission (69 O.S. 302)
- Educational Commission (70 O.S. 506.1)
- Commissioners of the Land Office (70 O.S. 611)
- Southern Regional Educational Compact (70 O.S. 2127)
- Oklahoma Transportation Authority (69 O.S. 1703)
- Indian Affairs Commission (74 O.S. 1201)
- Southern Growth Policy Board (74 O.S. 3501)
- Contingency Review Board (74 O.S. 1201)

Lieutenant Governor

Oklahoma's Lieutenant Governor serves in place of the Governor when the Governor leaves the state. Also, the Lieutenant Governor serves as the President of the Oklahoma State Senate, casting a vote in the event of a tie and presiding over joint sessions of the State Legislature. In addition, the Lieutenant Governor presides over or is a member of the following 8 state boards and commissions:

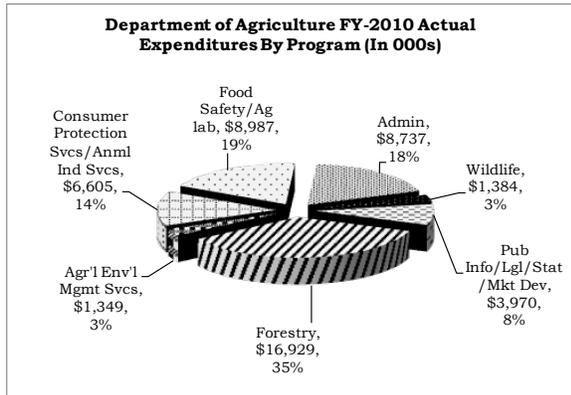
- State Insurance Fund (CompSource)
85 O.S. 131(A)(2)
- Tourism and Recreation Commission
74 O.S. 1804
- State Board of Equalization
68 O.S. 2864 (A)
- School Land Commission
64 O.S. 1
- Oklahoma Linked Deposit Board
62 O.S. 88.3 (A)(2)
- Capital Improvement Authority
- Native American Cultural and Education Authority (ex-officio member)
74 O.S. 1226.2 (B)(2)
- Film and Music Advisory Commission
74 O.S. 5026
- Oklahoma Capitol Complex Centennial Commission 73 O.S. 98.2 (A)

Department of Agriculture, Food and Forestry (ODAFF)

Mission

The Department of Agriculture, Food, and Forestry is the lead agency in the state for improvement and regulation of the agricultural industry in Oklahoma. The agency seeks to protect consumer health and safety, natural resources, property and the environment.

The Department of Agriculture's budget consists of state, federal and revolving funds. The following chart shows the actual expenditures for the department in FY-2010.



Animal Industry Services (AIS)

This division is responsible for the detection, eradication and control of livestock, poultry and aquaculture diseases. The introduction of disease, foreign or domestic, can have a negative economic impact on Oklahoma producers. In addition, some animal diseases have the potential to infect humans. AIS works with livestock producers, markets and exhibitions, State and Federal laboratories, the USDA-Animal Plant Health Inspection Service and veterinary practitioners in conducting surveillance to avert potential outbreaks. Specific responsibilities of the Animal Industry Services Division includes:

- detecting, controlling and eradicating livestock diseases in farms, ranches,

auction markets, slaughter plants, feedlots and other concentration points throughout the state;

- monitoring the movement of animals and poultry into, through and out of Oklahoma to verify compliance with state and federal laws and regulations;
- controlling the use of vaccines and biologics;
- preventing the spread of diseases transmissible to man and domestic animals.

Forestry Services

One of the department's missions is to conserve enhance, and protect Oklahoma's forest resources. These resources provide a multitude of ecological benefits, including cleansing our air and water, providing habitat for wildlife, and enhancing recreational opportunities while supporting a wood products industry with a value exceeding \$2.3 billion annually.

Wildfires

The Forestry Services Division is the primary state entity responsible for the control and prevention of wildland fire. It carries out this responsibility in two ways – (1) by suppressing wildfires with its own wildland fire resources, and (2) by providing assistance to the state's 879 certified fire departments.

Forestry Services provides direct initial attack on wildfires over all or parts of 18 counties in far eastern Oklahoma. Each year, the division's highly trained and well equipped state firefighters suppress an average of 1,500 wildfires in this area. Without such fire protection, the owners of Oklahoma's forestlands, 70% of which are Oklahoma families, could not afford the long-term risk of investing in tree planting or other practices to improve their land's productivity.

As the division responsible for Oklahoma's wildfire protection, the Forestry Services

plays a critical role in addressing emergency situations. Through its cooperative agreements with the federal wildland fire agencies, and through its membership in the South Central Interstate Forest Fire Protection Compact, OFS can bring resources from other states and from federal fire agencies.

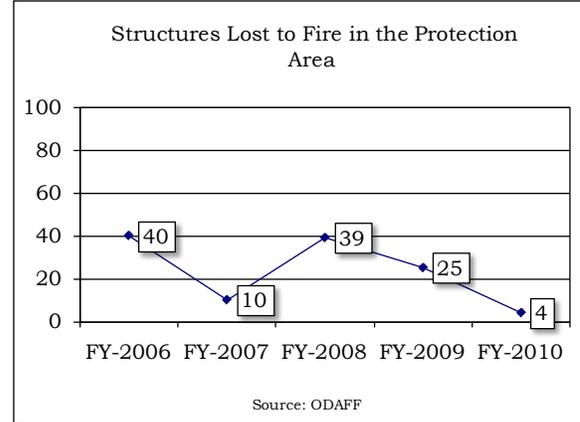
Rural Fire Defense

Throughout the state, Forestry Services manages one of the largest and most successful rural community fire assistance programs in America, called the Rural Fire Defense Program (RFDP). The RFDP provides technical assistance to the state’s fire departments through 11 rural fire coordinators. Additionally, both state and federal grant funds are used to purchase equipment, provide wildland fire clothing, build and improve fire stations, and provide training facilities. Furthermore, each year an operational grant is provided to every certified fire department in communities fewer than 10,000 in population.

Forestry Services operates an equipment revolving fund to provide low cost fire suppression and safety gear to Oklahoma Volunteer Fire Departments. Funds are expended for bulk purchases of personal protective clothing, hoses, nozzles, pumps and other items, which are in turn sold to fire departments at a low cost.

For the past four years, Forestry Services has maintained an agreement with the USDA Forest Service, to acquire property through the Firefighter Property Program (FPP) and bring such property into the state for use by wildland fire agencies, including volunteer fire departments. Once placed in service, the title to such property is passed to the receiving agency. Since the early 1980’s, virtually every rural fire department in Oklahoma has received one or more trucks through the FPP or the former Federal Excess Property Program (FEPP).

The following graph shows the five-year average for structures lost to fire in the protection area.



Operational Grants

The operational grants, first funded in FY-1990, provide funds for expenses of local fire suppression. The grants help cities, towns, fire districts and rural fire departments pay for insurance, protective clothing and equipment. The grants are 100% state funded. Since FY-2001, at least \$2 million has been provided each year to fund these grants, with 850-880 grants being awarded each year.

Year	No.	Per Entity	Funding
FY-2004	869	2,301	2,000,000
FY-2005	874	2,288	2,000,000
FY-2006	874	7,437	6,500,000
FY-2007	0	-	-
FY-2008	877	5,100	4,500,000
FY-2009	877	5,100	4,500,000
FY-2010	879	5,100	4,500,000
FY-2011	879	4,403	3,870,000
Total	6,129	31,729	\$27,870,000

Source: ODAFF

80/20 Grant Funding

First funded in FY-1992, the 80/20 grants (state/local funding) provide equipment and building needs for rural fire departments.

History of 80/20 Grants

<u>Year</u>	<u>Funding</u>
FY-2004	\$ 816,500
FY-2005	\$ 800,000
FY-2006	\$ 870,000
FY-2007	\$ 800,000
FY-2008	\$ 800,000
FY-2009	\$ 800,000
FY-2010	\$ 760,000
FY-2011	\$ 200,000
Total	\$5,846,500

Source: ODAFF

Forest Stewardship

The Forestry Services Division, in partnership with the USDA, is the division responsible for the delivery of USDA programs related to the management and conservation of state and private forests and forestlands in Oklahoma. Foresters employed by ODAFF, respond to requests from private landowners for assistance in planning and carrying out reforestation and other tree planting activities on their lands. In addition to planting trees, foresters assist landowners with such things as harvesting plans, practices that enhance wildlife habitat, water quality and recreational values on their forested properties. Additionally the Forest Stewardship Program assists landowners to qualify for and acquire cost-share and grant funds available through a variety of sources including the USDA's Forest Service and Natural Resource Conservation Service.

History of Forest Stewardship Program

<u>Year</u>	<u>Plans</u>	<u>Acres</u>
FY-2004	89	18,756
FY-2005	112	17,858
FY-2006	86	11,291
FY-2007	104	5,799
FY-2008	128	10,951
FY-2009	115	10,319
FY-2010	<u>120</u>	<u>13,700</u>
Total	754	88,674

Source ODAFF

Forest Inventory and Analysis

Having an accurate inventory of the forest resources and the impacts of management and utilization is critical to the conservation of our forests and to fully realize their economic and ecological potential. Forestry Services personnel in conjunction with the USDA Forest Service conduct field measurements and analyze the resulting data to provide information to be used for management and economic development. Currently crews have completed the seventh survey of eastern Oklahoma and are working on the central and western portions of the state.

State Forest Resource Assessment and Strategy

The Division completed the comprehensive Forest Resource Assessment and Strategy documents as required by the 2008 Farm Bill. This is now utilized to direct the implementation of Federal forestry related programs at the state level. The Forestry Services Divisions role is to utilize any provided Federal funding to implement its programs according to the priorities outlined by the assessment and report progress.

State Lands Management

The Forestry Services Division is developing management plans for over 110,000 acres of forested lands for the Oklahoma Department of Wildlife Conservation and almost 9,000 acres for the Department of Tourism, State Parks. The objectives of this effort are to maintain the health and value of the natural resource, provide for wildlife habitat and reduce the risk of catastrophic wildfire.

Forest Regeneration

The Department owns and operates the state's Forest Regeneration Center which grows and distributes more than 5 million tree seedlings to Oklahoma landowners. These seedlings are used in forest plantings for reforestation and afforestation, windbreaks, wildlife habitats, and erosion control plantings throughout the state. Many of the center's seedlings are produced

from genetically improved tree seed produced by the Department's Forest Tree Improvement Center in Idabel.

Conservation of Forested Lands

Forestry Services administers the Forest Legacy Program of the USDA Forest Service. This program works to conserve private forest lands and maintain "working forests" by protecting them from conversion to non-forest uses. The program provides for use of conservation easements or fee-simple purchase of lands in critical areas outlined in the State Forest Resource Assessment. The Forestry Services division provides forest management planning as a part of the Healthy Forest Reserve Program of the USDA Natural Resources Conservation Service. The program was established for the purpose of restoring and enhancing forest ecosystems to promote the recovery of threatened and endangered species, improve biodiversity, and enhance carbon sequestration.

Though a recently acquired grant from the USDA Forest Service, the Forestry Services Division is working with other states in the region to reestablish and conserve native shortleaf pine-bluestem ecosystems. This includes the development of management protocols, seedling genetic improvement and the management of existing

Urban Forestry

Trees also play an important role within Oklahoma's cities and towns. Forestry Services, through an agreement with the National Arbor Day Foundation, administers the Tree City U.S.A. Program throughout the state. Approximately 80% of Oklahoma's population now lives in a Tree City USA.

Forestry Education

One of the Forestry Services priorities is educating Oklahomans about the benefits forests and trees provide, including the "green" benefits of using wood over alternative products. The division runs the Oklahoma Forestry & Wildlife Youth Camp each summer in southeast Oklahoma. In addition, it is the primary agency that

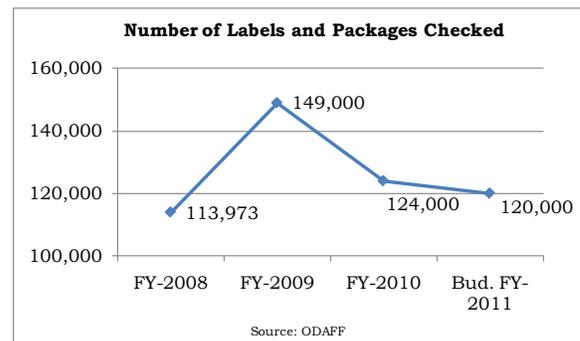
delivers the nationally acclaimed "Project Learning Tree" in state schools, and contracts with the Oklahoma Department of Tourism and Recreation to provide the interpretive program at Oklahoma's Forest Heritage Center Museum in Beaver's Bend State Park.

Consumer Protection Services (CPS)

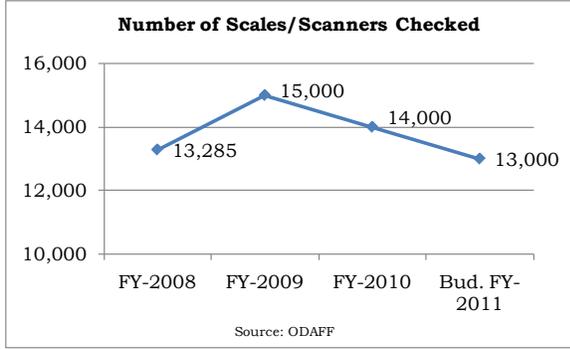
This program was formerly known as the Plant Industry & Consumer Services (PICS).

This division is involved in keeping our citizens and food safe, protecting crops, homes, the environment and safeguarding against dishonest business practices.

CPS samples and tests animal feed, fertilizer, and crop seed to ensure they meet label guarantee. The following graph displays the number of labels and/or packages checked by the department.



Inspectors verify that product prices charged are the same as advertised in all retail stores that use scanning devices. Food package weights are checked for accuracy, as well as scales that are used to weigh large trucks at various locations. The following graph shows the number of scales and scanning devices checked by the department.



Environmental protection programs are enforced through yearly inspections that require fertilizer producers to use good management practices. This helps safeguard the waters of Oklahoma from pollution by pesticides and fertilizers.

Commercial and private pesticide applicators are trained and certified through written and practical tests and commercial companies are required to be licensed to operate within the state. Complaints concerning improper pesticide application are investigated and compliance actions are taken when appropriate.

Inspections are conducted of all anhydrous ammonia fertilizer tanks and anhydrous safety training is provided by this division.

Crops are protected by routine inspections for diseases, insect trapping and detection, and detection programs that identify newly arrived weed species or pests.

Grain producers who store grain in public grain warehouses are protected by this division through financial and grain inventory audits that ensure compliance.

In addition to the programs listed above, this division has cooperative agreements with several Federal agencies.

ODAFF Agricultural Environmental Management Services (AEMS)

The ODAFF AEMS was created in 1997 to help develop, coordinate and oversee animal and poultry environmental policies and programs. Their mission is to work with producers and concerned citizens to

protect the environment of Oklahoma from animals, poultry and their wastes. The AEMS Division is responsible for implementing the Oklahoma Concentrated Animal Feeding Operations Act, the Oklahoma Registered Poultry Feeding Operations Act, the Oklahoma Poultry Waste Applicators Certification, and the Agriculture Compost Facilities Rules. Duties include the licensing, regulation and inspection of beef, swine and poultry breeding, growing and feeding facilities and licensed managed feeding operations, registrations of poultry feeding operations and licensing of poultry waste applicators and agricultural compost facilities.

During the past two decades, the number of Concentrated Animal Feeding Operations (CAFOs) and poultry operations has increased. In 1994, the number of licensed CAFOs was 184. By 2010, the number of licensed CAFOs had reached 299 with an animal capacity of 5,431,904. In 2001, there were 51 million chickens in Oklahoma, and in 2010 there were 56 million.

The Oklahoma State Legislature has placed statutory requirements on investigations of environmental complaints. ODAFF places complaint response and resolution among its highest priorities. Complaints help identify problems allowing the AEMS to direct resources to correct the pollution through its enforcement program.

The following table shows a recent history of the activities of the AEMS. The increase in soil samples from FY-2008 to FY-2009 was to ensure proper remediation of the land for the reopening of a dairy in Bryan County.

	CAFO and LMFO Activities				
	<u>FY-2006</u>	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>
Complaint Investigations	195	192	193	160	150
Complaint Follow-ups	771	739	655	720	757
Routine Inspections	2277	2225	4,455	6613	7381
Water Samples Collected	647	667	442	285	549
Soil Samples Collected	29	57	256	985	5976

Source: ODAFF

Wildlife Services

Wildlife Services is a cooperative program between the ODAFF and the Animal and Plant Health Inspection Service of the USDA. This division provides service to Oklahoma citizens and communities by protecting agriculture, public and private property, natural resources and human health and safety from damage or threats from wildlife.

Wildlife Services division protects pasture, rangelands, forests, public roads and other valuable resources from flooding by beavers. The division protects livestock, endangered species, pets, and desirable wildlife from predatory animals.

Bird and mammal strikes to aircraft are a safety concern to airlines and the flying public. The Wildlife Services division uses the latest wildlife management techniques and innovations to protect aircraft from wildlife strikes. These methods include habitat modifications and wildlife harassment programs at Oklahoma airports.

Feral swine is a growing problem in the state of Oklahoma. Wild and free ranging hogs root pastures, consume and destroy crops, degrade habitat and compete for resources with native wildlife species. Wildlife Service's monitors feral hog diseases that can be transmitted to livestock, wildlife and humans by routinely taking and submitting hog blood samples for analysis. Diseases transmitted by wildlife, such as Avian Influenza, Swine Brucellosis, pseudorabies, H1N1, plague and tularemia, are monitored by Wildlife Services.

Market Development Services

Market Development Services impacts the sustainability and growth of a broad section of Oklahoma's economy by assisting producers, processors, wholesalers and retailers in marketing their products and by supporting new and existing business development, growth and retention. Technical assistance, trade leads and

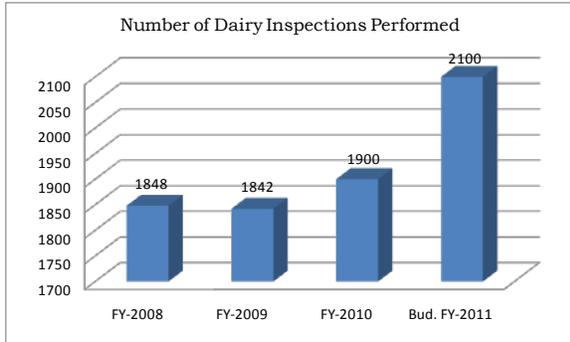
promotional activities are facilitated through Domestic and International Marketing, Made in Oklahoma, Agritourism, Farmers Market, Plasticulture and Communication programs. The Market News section provides unbiased price and sale information to assist in the orderly marketing and distribution of farm commodities for Oklahoma producers. Farm to School impacts the nutrition of Oklahoma students by providing schools with access to high quality locally grown foods and agricultural literacy. Ag in the Classroom equips preK-8th grade teachers with curriculum and training to integrate agricultural literacy with core standards.

Food Safety

This division provides services to its constituents by providing regulatory oversight of food and food products produced and consumed in the state to ensure that they are produced under sanitary conditions, are safe and are truthfully labeled. The major emphasis of this oversight is focused on food and food products that are derived from animals. The responsibility for this oversight is divided into three sections:

- Egg, Poultry and Organic Section – provides retail safety inspections of eggs and grading services for egg producers, poultry grading services to poultry processors and organic certification for livestock and crop producers as well as food processors in Oklahoma;
- Dairy Section – provides oversight of dairies and producers/processors of dairy products; and
- Meat and Poultry Inspection Section – provides continuous inspection during the production of meat and poultry products.

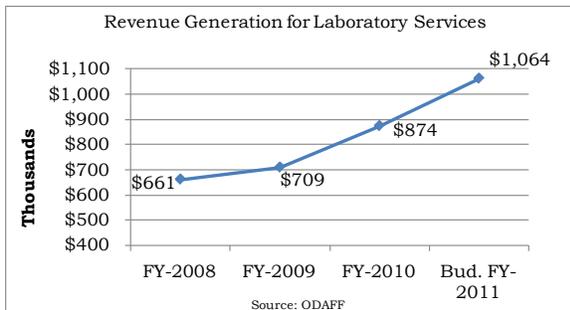
The following graph shows the number of dairy inspections performed by the department.



Laboratory Services

The Agriculture Laboratory directly supports the regulatory enforcement and surveillance activities of the Oklahoma Department of Agriculture, Food, and Forestry and provides services that benefit consumers as well as agriculture producers. The mission of the Laboratory is to provide, in a timely manner, accurate and precise analytical results to the Department, other agencies and the general public. To accomplish this mission, the Laboratory maintains nine certifications or accreditations and participates in 20 separate and independent proficiency-testing programs.

The following graph shows an increase in revenue generated by the department for laboratory services provided.



The Laboratory, through its general chemistry, pesticide, inorganic, animal health, dairy and seed sections, provides chemical, microbiological, serological and biological analyses of various substances in order to ensure that agricultural products sold and produced within the state are compliant with label laws and are

wholesome and safe. The Laboratory is the only entity in the state that checks label compliance on livestock and pet feeds, fertilizers, pesticides, meat and meat products. The Agricultural Laboratory is the lead entity in the state for testing related to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). Through a cooperative agreement with U. S. EPA, the pesticide section performs all pesticide testing in the state related to FIFRA activities. Chemical and microbiological testing of ground and surface water is performed in order to determine the presence of pollution related to agricultural activities. The Laboratory performs food safety testing on meat and meat products. It provides serological testing for various livestock diseases. Biological examinations of crop, forage, and vegetable seeds are conducted in order to ensure proper purity and germination rates and to check for noxious weeds.

The dairy section provides analyses of milk and milk products to determine wholesomeness and safety for human consumption in support of the Federal Pasteurized Milk Ordinance (PMO). It is an FDA certified food laboratory and provides bacteriological analyses of meat and meat products.

The laboratory also houses the Oklahoma Bureau of Standards, which is the highest authority in the state relating to the calibration of length, volume, and weight measurements. The Bureau maintains and calibrates all of the standards relating to measurements and maintains traceability of these standards to the National Institute of Standards and Technology (NIST). The Bureau performs testing and calibration for private industry, service companies and other state agencies. Every product in the state sold by length, volume or weight can be traced back to this section. The Bureau is accredited through the National Voluntary Laboratory Accreditation Program.

Agricultural Statistics Division

The Agricultural Statistics Divisions is a cooperative program between the ODAFF

and the National Agricultural Statistics Service (NASS) of the USDA. This division conducts agricultural surveys every year and prepares reports covering virtually every aspect of U.S. and Oklahoma agriculture. Production and supplies of food and fiber, prices paid and received by farmers, farm labor and wages, farm finances, chemical use, and changes in the demographics of producers are only a few examples.

NASS provides timely, accurate, and useful statistics in service to U.S. agriculture by:

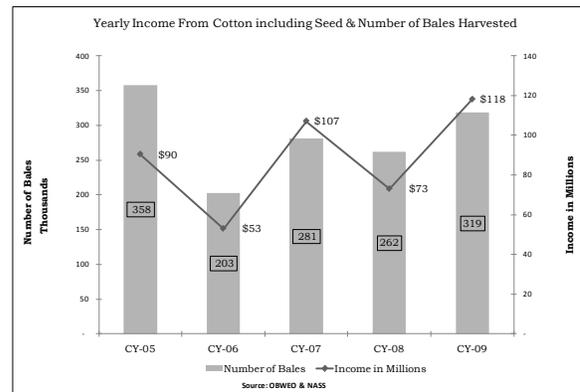
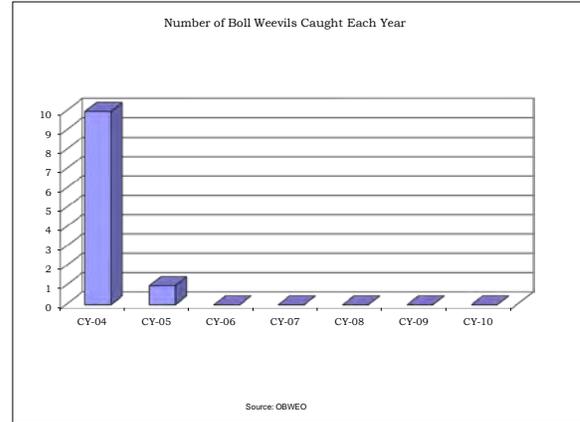
- providing objective and unbiased statistics on a preannounced schedule that is fair and impartial to all market participants;
- conducting the Census of Agriculture every five years, providing the only source of consistent, comparable, and detailed agricultural data for every county in America;
- serving the needs of their data users and customers at a local level by compiling and publishing the annual *Agriculture Statistics* bulletin, as well as conducting reimbursable surveys for their cooperative relationship with Oklahoma State University; and
- safeguarding the privacy of farmers, ranchers, and other data providers, with a guarantee that confidentiality and data security continue to be top priorities.

Boll Weevil Eradication Organization

The total estimated cost to eradicate the boll weevil through 2010 is \$32 million including program interest and debt. The industry has paid approximately \$19.25 million; the State provided \$3.75 million; and Federal funding has provided the balance of approximately \$9 million. This equates to a cost of approximately \$11.46 per acre through the life of the active eradication program.

Cotton producers passed a referendum by a positive 88% vote to provide the industry funding in 1998. Producers paid an assessment of \$7.50 per acre and one cent per pound of cotton harvested and sold each season. With all program debt having been paid off in February 2006, the Board of Directors voted to reduce the assessment for crop year 2006 to \$2.00 per acre and .0065 cent per pound of cotton harvested and sold. In the future, the board will set the assessment annually based on acres, cotton production, and program operating requirements. The assessment for the 2010 crop year was \$2.00 per acre. A post eradication maintenance and control program was phased in during the 2007 growing season. This will further reduce the cost to producers.

There were no boll weevils caught anywhere in Oklahoma during the 2010 growing season. Farmers continue to make a top crop, further improving yields because of reduced weevil pressure. The following charts show boll weevil trapping data for previous growing seasons - the first reflecting all of Oklahoma excluding the southeastern counties and the second reflecting only the southeastern counties.

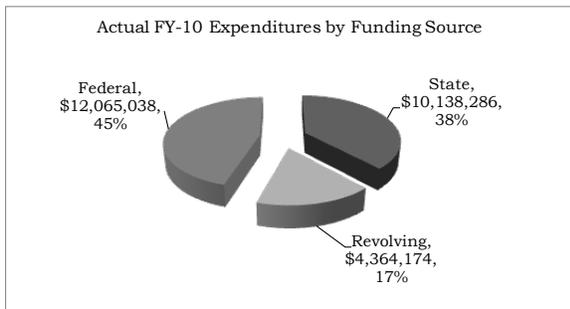


Conservation Commission

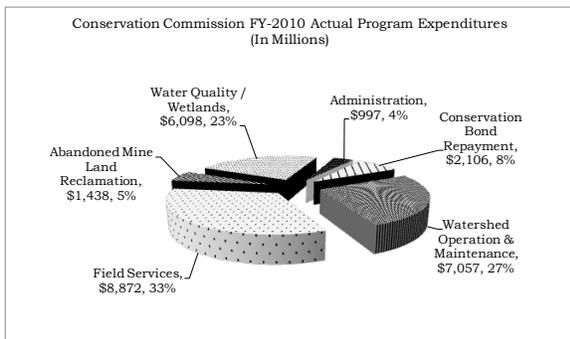
Mission

The mission of the Oklahoma Conservation Commission is to conserve, protect and restore Oklahoma's natural resources, working in collaboration with the Conservation Districts and other partners on behalf of the citizens of Oklahoma.

A large portion of the Conservation Commission's funding comes from federal funds, which totaled 45% of the Commission's FY-2010 funding. The following chart shows the actual FY-2010 expenditures by funding source.



The following chart shows the total expenditures for FY-2010 by division, totaling \$26,567,498.



Cost-Share Program

The Conservation Cost-Share Program is a public-private partnership between the State and private land users. The program encourages implementation of best management conservation practices on Oklahoma lands. This aids in the reduction

of soil erosion and the improvement of water quality. Since the program's inception in FY-1999, it has received \$12.1 million in state appropriations. Since the beginning of the program, 9,346 private landowners have installed 10,717 practices. The program has generated an additional \$14.8 million in private landowner investments as well.

Conservation Reserve Enhancement Program

The Conservation Reserve Enhancement Program (CREP) is a joint buffer establishment conservation program between the state and federal government (20% state funds/80% federal funds). This program targets state and nationally significant agriculture-related environmental effects.

CREP is a voluntary program that provides financial incentives to farmers and ranchers in order to protect streams. Producers enter into contracts (10 to 15 years in length) to set aside portions of their land to provide protective stream buffers.

Participants in the program receive incentive payments and cost-share assistance for installing specific conservation practices and establishing nutrient reducing stream buffers.

The Conservation Commission, partnering with the city of Tulsa/Tulsa Metropolitan Utilities Authority, the Oklahoma Scenic Rivers Commission, local Conservation Districts, EPA, and USDA, have begun a \$20.6 million program for the Eucha/Spavinaw and Illinois River Watersheds. This program will protect approximately 9,000 acres of riparian area with \$16.5 million federal funds matched by \$4.1 million state funds.

In addition to protecting water quality in these important watersheds, the program will put at least \$17.6 million into the local economies in the form of payments to landowners. During its third year, the

program accepted applications from 29 additional landowners to bring total applicants to 111. Eighteen new contracts were approved for the program totaling 132 acres of protected riparian area. This brings the program total to 351.7 contracted acres with an additional 546.4 pending acres. Matching programs have enrolled an additional 439 acres bringing the total to 790 of the 9000 acre goal.

Upstream Flood Control Program

Since 1948, the federal government, through the USDA's Natural Resources Conservation Service (NRCS) has constructed 2,107 upstream flood control dams in the State of Oklahoma (20% of the nation's total). The dams were designed and built with federal funds. Local sponsors (67 of Oklahoma's 87 conservation districts) are responsible for obtaining the necessary land rights and have continuing responsibility for the operation and maintenance of these dams. The federal government's established value of this public infrastructure is \$2.1 billion. The annual benefit realized from the dams is over \$82 million.

The primary purpose of the dams is to impound water to reduce flooding of prime farmland, highways, communities and residences. The dams also provide water resources for drinking water, recreation, industry, fire protection and significant wildlife habitat.

There is a growing concern that many of the early upstream flood control dams, built under the USDA assisted small watershed program, are at or near the end of their 50-year planned design life and may pose a public safety concern. Many of the older small dams have significant rehabilitation needs. Some pose a threat to public safety to people and towns downstream from the dams. Throughout the state there are 229 dams that have been reclassified as high hazard due to residential and business development downstream. The cost to modify the dams to meet mandated dam

safety criteria is over \$200 million, due to upstream and downstream development.

Federal legislation in 2000 authorized cost share assistance through the NRCS to rehabilitate the nation's upstream flood control dams. To be eligible for rehabilitation, the state and/or local sponsors must provide a 35% match to federal dollars.

The Conservation Commission, local district sponsors and NRCS have completed 20 rehabilitation projects and have 29 in planning or design pending the funding for construction. Federal funding assessments are being performed on 147 high hazard dams.

Capital Improvement Bond

The Conservation Commission received a \$25 million bond for conservation capital improvement projects, in June 2009. Bond funds are targeted to repair and rehabilitate upstream flood control structures (\$15.9 million), address flooding problems in the City of Kingfisher (\$4 million), provide state match for FEMA repair work and a USDA Conservation Reserve Enhancement Program in the Sugar Creek Watershed in Caddo County (\$3 million).

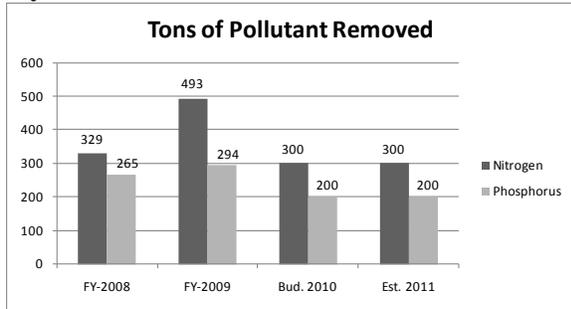
The Conservation Commission must also provide for a Conservation Cost-Share Program for landowners to access funds to repair damaged conservation practices (\$2.1 million). The bond funding is in place and is being accessed in FY 2010 and work continues in FY-2011. Authorization of the conservation bond was the most significant appropriation for conservation in the state's history.

Federal 319 Grant for Non-Point Source Pollution

FY-2010 federal funding from the Clean Water Act Section 319 for Oklahoma's Non-point Source management program remained constant compared to FY-2009 funding. The funds are used to implement

targeted programs to abate water quality impacts from non-point source pollution. The following graph shows the amount of Nitrogen and Phosphorus pollutants removed by the agency.

Key Performance Measure



Federal funds must be matched with 40% state and local funds, much of which comes from the Commission’s Conservation Cost-Share Program. Since 1999 the Conservation Commission received approximately \$6.5 million in appropriations, as a state match for federal “EPA 319 Funds” to reduce nutrient impacts in the Beaty Creek, Illinois River, Lake Wister, Ft. Cobb, Honey Creek (Grand Lake), North Canadian River, Stillwater Creek and Spavinaw Creek priority watersheds.

The programs target sources of non-point source pollution include nutrients, agriculture, silviculture, rural unpaved roads, rural waste systems, non-regulated construction activities and stream bank destabilization. Ongoing and completed Priority Watershed Non-point Source Projects and the totals for best management practice implementation include:

- Beaty Creek Watershed (\$2.1 million) within the Lake Eucha Watershed completed in FY-2005,
- Illinois River Watershed (\$2.0 million) completed in FY-2005,
- Lake Wister Watershed (\$1.9 million),
- Fort Cobb Watershed (\$4.3 million) completed in 2008,

- Stillwater Creek Watershed (\$1.1 million) completed in 2005,
- Spavinaw Creek Watershed (\$6.3 million),
- Grand Lake Watershed – Phase I (\$2.1 million) completed in 2009,
- Honey Creek (Grand Lake) Watershed (2.2 million),
- Illinois River Watershed Riparian Project (\$2.9 million), and
- North Canadian River Watershed Riparian Project (\$1.6 million).

These Priority Watershed Projects include implementation and demonstration of best management practices. The projects also include education programs to encourage watershed residents to help reduce non-point source pollution. Other grant tasks include:

- technical support of the Non-point Source Management Program;
- funding for a Rotating Basin Monitoring Program;
- non-point Source Total Maximum Daily Load Development;
- development of watershed-based plans for priority watersheds;
- continuation of Statewide Blue Thumb Educational Programs; and
- task coordination and management by the Office of the Secretary of the Environment.

The Oklahoma Carbon Program

The OCC’s Water Quality Division’s Carbon Program is a voluntary, fee-based program for the verification, certification, and registration of Oklahoma Carbon offsets

from agriculture, forestry, and geologic sequestration. Knowing that the same practices that sequester greenhouse gasses also often protect water quality, the Carbon Program compliments the nonpoint source program. In 2001, Oklahoma became the first state in the U.S. to give statutory authority for the verification of carbon offsets to a state agency. In 2010, the Commission worked with three stakeholder groups to develop verification protocols for the program. In addition, the agency worked with the Natural Resources Conservation Service to train conservation district staff across the state to verify carbon credits from agricultural practices. In 2010, the first credits were accepted into the program through the agricultural sector, as well as the oil and natural gas sector.

Wetlands Program

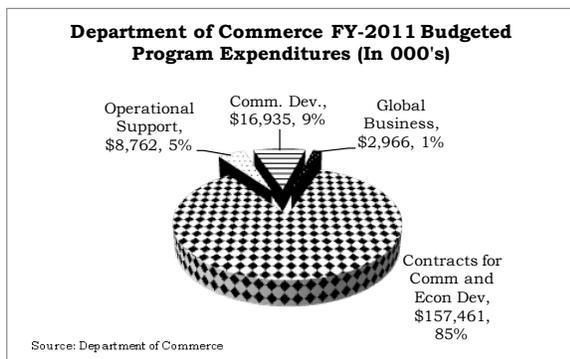
The Conservation Commission is the state agency responsible for developing and maintaining the State's Wetland Management Program. Key to that role is the ability to track gains and losses in wetlands across the State. In 2010 the Conservation Commission, working in partnership with EPA, the U.S. Fish and Wildlife Service, (USFWS) and the Oklahoma Water Resources Board, completed the statewide data map to allow for more efficient monitoring of wetland inventory. This product will help Oklahoma to qualify for additional federal funding for purposes of helping the state conserve and protect our wetland resources.

Department of Commerce

Mission

The Oklahoma Department of Commerce is responsible for increasing the quantity and quality of jobs available in Oklahoma by attracting new business, promoting the development and availability of a skilled workforce, supporting communities, and supporting the growth of existing businesses and entrepreneurs.

The graph below shows budgeted program expenditures for FY-2011.



Programs

Rural Action Partnership

The Rural Action Partnership Program connects economic development resources with the needs of rural Oklahoma. Rural development specialists serve communities and regions to encourage alliances and support economic development programs. The program assists rural communities in the effort to grow and recruit businesses and identify ways for communities to effectively market their products and services.

Community Development

The Office of Community Development manages the state Community Development Block Grant Program and other federally funded initiatives. Federal funding is the main source utilized to support projects; however, programs also receive support through the state energy office and state appropriations. In the past, private sector funds have also been utilized

to support Oklahoma's weatherization initiatives for people in need.

Oklahoma Fast Forward, Business Site Location Team

The Oklahoma Fast Forward Team works with corporate executives and national site location consultants to recruit business location and expansion projects to Oklahoma.

Business Solutions Division

The Business Solutions division works with statewide partners to promote and support economic development activities. The division has three service areas: business retention and expansion, start-up and entrepreneurial assistance, and rural economic development. Each area contributes to the delivery of the Rural Action Partnership Program, which connects economic development resources to the needs of rural Oklahoma.

Global Division

Commerce serves as the first responder for small and medium size companies seeking to explore international business opportunities. Team members positioned in Oklahoma and international trade offices in China, Israel, Mexico and Vietnam deliver programs assisting businesses with trade counseling, market research, trade show assistance, and other related services.

Oklahoma Main Street Program

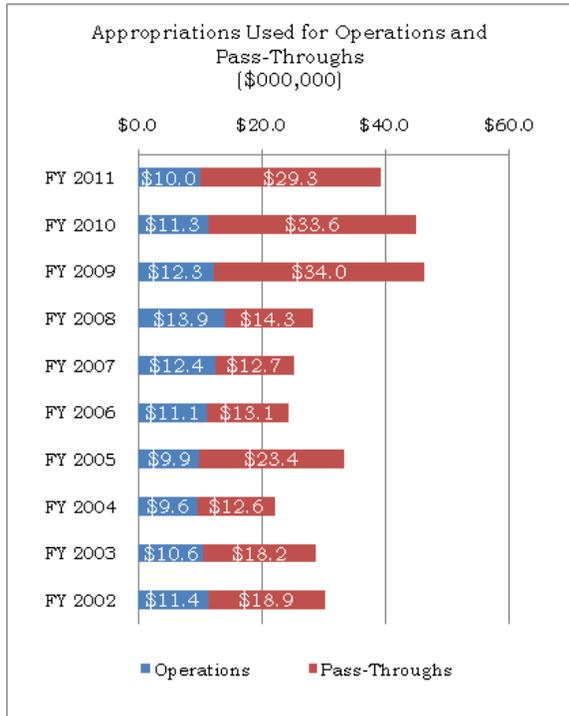
Through affiliation with the National Main Street Center and in cooperation with the State Arts Council, the Main Street Program provides training and technical assistance for preservation-based commercial district revitalization.

Workforce Development

The Governor's Council for Workforce and Economic Development leads state efforts to ensure the development of a skilled and available workforce. Key stakeholders include state workforce and education agencies, local workforce investment boards, workforce program service providers, public/private and faith-based workforce program operators, business leaders, and economic development entities.

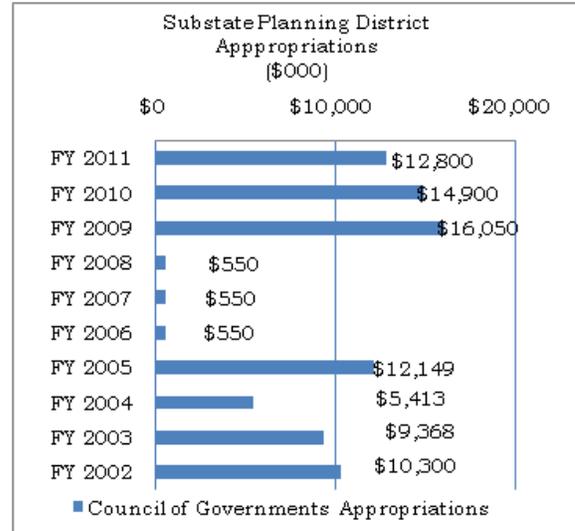
Pass-Through Funding

The Department’s budget consists of funds dedicated to operations and those passed through the agency to support other entities, as directed by the State Legislature. The chart below provides a summary of the appropriations used for operations and pass-throughs.



Sub-state Planning Districts

Oklahoma has 11 sub-state planning districts, also known as Council of Governments, or COGs. These organizations were established, in statute, to provide economic development leadership in their assigned areas. COGs operate independently and are funded by state appropriations, membership dues from member towns, and grants from state and federal sources. The following chart shows annual appropriations to the Sub-state Planning Districts.



American Recovery and Reinvestment Act (ARRA) Funds

Commerce is administering \$170.4 million in federal economic recovery funding, by distributing funds to spur economic development, create jobs, and weather the global economic downturn.

To ensure full transparency and accountability, Commerce created a new team to help manage and track the use of stimulus funds.

To create the economy of the future, Commerce channels recovery package dollars toward investments in technologies and programs to stimulate emerging industries. These include:

- renewable energy,
- energy efficiency systems and products,
- advanced battery manufacturing, and
- healthcare technology.

Commerce Recovery and Reinvestment Programs

Program	Award Amount	Activities To Be Funded
<i>Community Services Block Grant (CSBG)</i>	\$11,965,297	Community neighborhood development
<i>State Energy Program (SEP)</i>	\$46,704,000	Energy Conservation Activities
<i>Weatherization Assistance Program (WAP)</i>	\$60,903,196	Home improvement and repairs
<i>Workforce Investment Act (WIA)</i>	\$18,381,669	Job training for adult, dislocated worker and youth programs
<i>Community Development Block Grant-Recovery (CDBG-R)</i>	\$4,333,265	Non-housing community development
<i>Homelessness Prevention & Rapid Re-housing Program (HPRP)</i>	\$8,101,391	Financial Assistance and services to prevent homelessness
<i>State Energy Efficient Appliance Rebate Program</i>	\$3,495,000	Appliance Rebate Program
<i>Energy Assurance Planning</i>	\$534,197	Energy conservation Activities
<i>Energy Efficiency and Conservation Block Grant</i>	\$9,593,500	Energy efficiency and renewable energy
<i>State Energy Sector Partnership Grant</i>	\$6,000,000	Green Training and Energy Efficiency Weatherization
<i>State Fiscal Stabilization Grant</i>	\$420,000	Consumer Credit Counseling and Childhood Development
Total Awarded	\$170,431,515	

Native American Cultural & Educational Authority (NACEA)

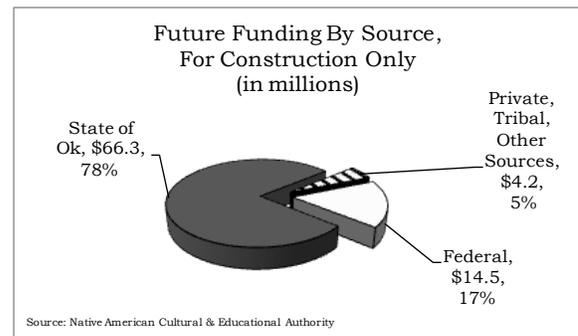
The NACEA was created by the Oklahoma State Legislature on September 1, 1994. By statute, the NACEA is authorized to construct and operate the American Indian Cultural Center and Museum generating awareness and understanding of the history of tribes and their relationship to Oklahoma. The American Indian Cultural Center will feature modern-day expressions of Oklahoma American Indian cultures and provide visitors a rare opportunity to be immersed in traditional celebrations, contemporary events, and activities both inside the Cultural Center and across the 250 acre Cultural Park.

Located at the junction of Interstate 35 and Interstate 40, the Cultural Center will be a satellite institution that will connect cultural institutions throughout the entire state.

The American Indian Cultural Center project is ultimately envisioned as having four components:

- American Indian Cultural Center and Museum – a 125,000 square foot institution telling Oklahoma’s story in relation to the presence of our Oklahoma tribes, past and present;
- A 250-acre park that is landscaped/programmed to extend the experience of native cultures to all visitors;
- Privately-funded and commercially-operated business enterprises that complement the mission of the Cultural Center will attract large numbers of visitors to the site and contribute revenue to the project and the State of Oklahoma; and
- A 4,000 square foot visitor welcome center connecting destinations across Oklahoma.

Construction on the project is over halfway complete and total project funding to date is \$89.9 million. The NACEA has completed \$80 million in construction, and \$8 million is currently under construction. The NACEA has received \$14.5 million in federal funding for the Cultural Center. In addition, the State of Oklahoma has provided \$66.3 million in state bond funds. An amount of \$4.2 million has been provided by private, tribal and other sources.



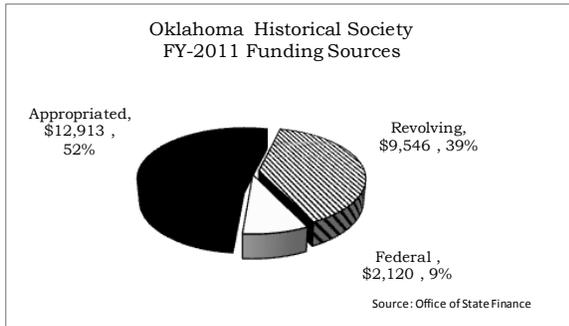
In partnership with the State of Oklahoma, Oklahoma Indian tribes and private sources have contributed funds amounting to the first two years of debt service for the 2005C state bond issue. The City of Oklahoma City has transferred the project land to the NACEA and has also committed \$4.9 million in Community Development Block Grant funds. The total project cost is \$170 million, which does not include \$15 million the NACEA plans to raise in private funds for an endowment.

Oklahoma Historical Society (OHS)

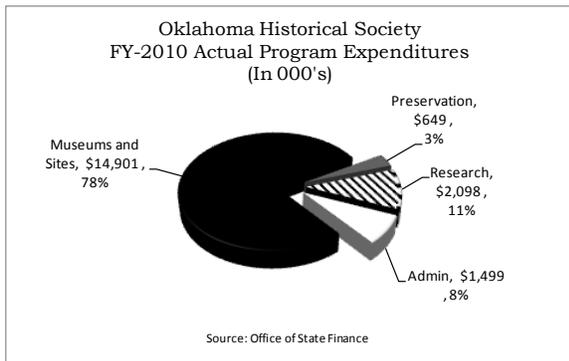
Mission

The Oklahoma Historical Society (OHS) preserves and perpetuates the history of Oklahoma and its people by collecting, interpreting and disseminating knowledge of Oklahoma and the Southwest.

The following chart shows the Department's primary funding sources for FY-2011, totaling \$24 million.



State appropriations accounted for 78% of the total OHS budget in FY-2010 and are the agency's primary funding source. The chart below shows program expenditures for OHS in FY-2010 totaling \$19 million.



The Oklahoma History Center

The Oklahoma History Center is a 215,000 square foot museum and research facility located across the street from the State Capitol. Sitting on an 18-acre site, the facility serves more than 200,000 visitors each year and offers a unique learning experience to more than 100,000 school students from across the state. The

institution is affiliated with both the Smithsonian Institution and the National Archives.

The Oklahoma History Center includes:

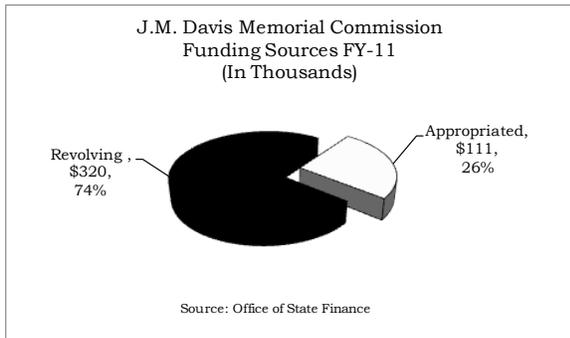
- A research library with more than 33 million pages of newspapers published in the state and twin territories since 1844;
- more than four million document pages of Indian history;
- more than 7.5 million photographs; and
- one of the best genealogical collections in the region for both beginners and serious family historians.

J. M. Davis Memorial Commission

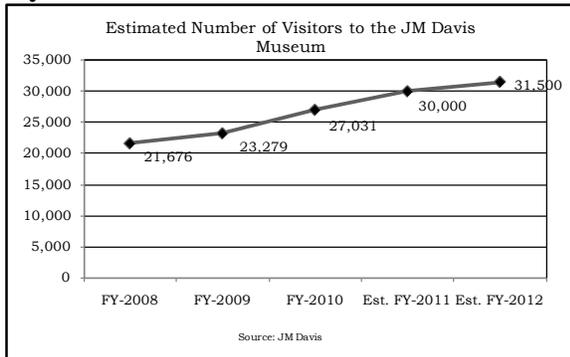
Mission

The mission of the J.M. Davis Memorial Commission is to house, protect, preserve, display and update the unique collection of firearms and historical artifacts collected by Mr. J.M. Davis, and to provide educational and historical information about the unique, historically significant artifacts to visitors to the museum.

The Commission's primary funding source is state funds. The chart below shows the breakdown of appropriated and revolving funds for FY-2011 totaling \$431,000.



Key Performance Measure



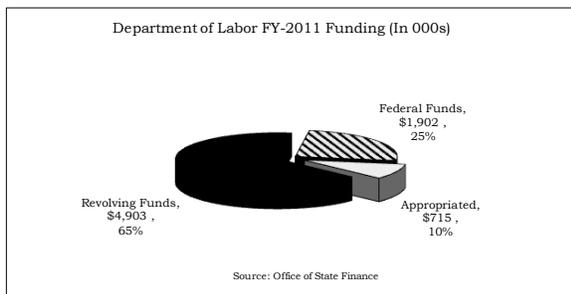
In 1965, Davis transferred his collection to the J.M. Davis Foundation, Inc. The Foundation, in turn, entered into an agreement with the State for preservation and display of the collection.

Department of Labor

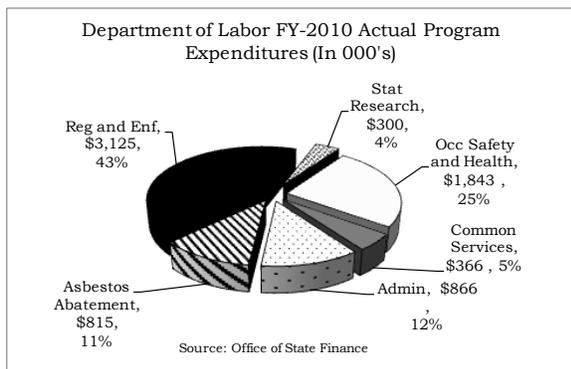
Mission

The Oklahoma Department of Labor (ODOL) administers state and federal labor laws, such as child labor and wage and hour laws. ODOL also provides free, confidential, voluntary and non-punitive safety and health consultation services to private sector employers in Oklahoma. This service helps companies lower their worker's compensation costs. The Department's mission is to help ensure fairness, equity, and safety in the workplace.

The Department of Labor's budget consists of state, federal and revolving funds. For FY-2011, state appropriated dollars were 10% of the Department's total budget of \$7.5 million, as shown in the graph below.



The following graph shows the Department's expenditures by division for FY-2010 totaling \$7.3 million.

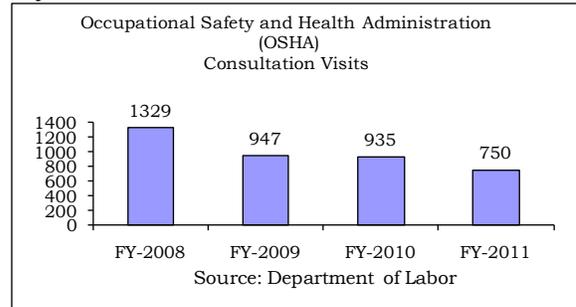


Occupational Safety and Health Administration Consultation Program (OSHA)

The U.S. Department of Labor generates a target list of employers who have high lost workday injury and illness rates. Through the Department's Safety Pays® program, each employer is contacted and offered ODOL consultation services.

The graph below shows actual OSHA consultation visits for FY-2008 through FY-2010 as compared with projections for FY-2011. Additional training and assistance visits are included in these numbers, as well as follow-up visits provided.

Key Performance Measure



This program helps small, high-hazard employers (250 employees or less) prevent injuries and illnesses. Federal funds cover 90% of the department's funding for this program. The OSHA consultant first identifies hazardous conditions and practices without the costly, adversarial impact often associated with federal OSHA rulings.

Boiler Inspections

The Safety Standards Division regulates the installation, operation and maintenance of boilers, pressure vessels, hot water heaters, elevators, amusement rides and water parks, as well as welding practices. State statutes require ODOL to inspect boilers and pressure vessels on an annual basis because of the potential for explosions and fires. Many boilers and pressure vessels are in highly trafficked places such as schools, churches and hospitals.

Rural Economic Action Plan (REAP)

Mission

The Rural Economic Action Plan (REAP) is a grant program. REAP provides grants to build and repair infrastructure in communities with a population of less than 7,000. According to statute, these grants can be used for things such as sewer and water line construction or repair, water treatment, water acquisition, distribution and related projects.

Oklahoma Employment Security Commission

Mission

OESC serves Oklahoma by providing labor market information, employment services, unemployment insurance and veterans' service.

Improving Customer Service

The OESC transitioned many of its services to online, web-based applications. This allows OESC to serve more customers while improving the quality of service. Oklahoma Job Link and Oklahoma Wage Network are direct results of these improvements.

Oklahoma Job Link is a powerful, online job matching Web site matches employers of all sizes and industries with qualified job candidates. During Program Year 2007, 23,945 job orders were listed in OJL which represented 60,565 job openings.

The Oklahoma Wage Network provides dynamic access to wage and employment estimates for the State, Metropolitan Areas, Workforce Investments Areas, and Local Labor Market Areas. OWN is an interactive web service that allows the user to view a wide range of data, including employment estimates (where available). A data user can view more detailed information about an occupation by clicking on the occupation.

Streamlining Internal Operations

OESC has also worked diligently to improve efficiencies within its operations. While many improvements are not listed here, the services below delineate OESC's goals.

As much as OklahomaJobLink.com proves to be an invaluable resource to employers and job seekers in Oklahoma, the online job matching tool has increased the efficiency and effectiveness of staff by providing a tremendous resource. The large pool of qualified applicants makes it easier to assist employers as they hire new workers.

With thousands of positions available for job seekers, the Oklahoma workforce system provides improved services to Oklahoma workers.

Oklahoma Service Link (OSL) OSL is the staff component of Oklahoma Job Link. It allows staff to enter services, track customer progress, generate reports, and other activities to aid in their delivery of service to employers, training seekers, and job seekers. In Oklahoma's integrated service delivery model, OSL is a valuable tool that makes integration more streamlined and successful.

OESC has also redesigned its user interface on its computer network. It has implemented a Tab-Based Enhancement (TAB-E) that will allow call center staff to transition to screens faster and allow more efficient error-correction. This will reduce call center customer transaction and wait times.

Agency Services

Finding jobs for people and people for jobs is the purpose of each office of OESC. Since 1933, the public employment service has matched job seekers with job openings.

The unemployment insurance system is designed to provide workers with insurance against involuntary unemployment by partial replacement of lost wages. Also, the system is designed to facilitate the reemployment of such workers. Qualified unemployed wage earners receive weekly unemployment benefits.

The unemployment tax rate is based on an experience factor per employer. For example, a business that has a 100% turnover rate in a year would pay a higher tax rate than a business that only has a 2% turnover rate even if the two businesses were in the same industry.

The ratio of the balance in the unemployment trust fund to the five year average of net benefit payments is another condition affecting the unemployment tax rate. The Oklahoma unemployment rate

has fluctuated dramatically over the past few years.

Description	Net Benefit Payments	Ratio of Trust Balance to five year average
(\$ in 000's)		
Trust fund Balance at 6/30/2008		840,778
Less Net Reed Act Funds set aside for Admin.		(3,143)
Balance applied		837,635
TOTAL NET BENEFIT PAYMENTS	831,435	
AVERAGE BENEFIT PAYMENT	166,287	166,287
TRUST FUND BALANCE RATIO		5.04

Even though Oklahoma's unemployment rate has been above its long-run average, it remains the lowest in the region.

Unemployment Rates for Region (annual average - seasonally adjusted)						
State	2005	2006	2007	2008	2009	2010
Oklahoma	4.5	4.1	4.0	3.7	6.4	6.8
Arkansas	5.1	5.3	5.2	5.2	7.3	7.7
Kansas	5.1	4.4	4.1	4.4	6.7	6.6
New Mexico	5.2	4.1	3.5	4.5	7.2	8.4
Texas	5.4	4.9	4.4	5.0	7.6	8.2
Colorado	5.1	4.4	3.9	4.9	7.7	8.0
Missouri	5.4	4.8	5.1	6.1	9.3	9.4

Oklahoma's December 2010 unemployment rate was 6.8%.

EFFECT OF TRUST FUND CONDITION ON CONTRIBUTIONS AND BENEFITS PER EMPLOYEE					
Ratio of Fund Balance to average benefit payments	Over 3.50%	3.00 3.49	2.50 2.99	2.00 2.49	Less than 2.00
Condition	NONE	A	B	C	D
Minimum Rate	0.1%	0.2%	0.2%	0.2%	0.3%
Maximum Rate	5.5%	5.8%	7.3%	8.3%	9.2%
Taxable Wage Base	\$13,600	\$14,500	\$15,300	\$16,200	\$17,000
Minimum UI Contribution Per Employe	\$14	\$29	\$31	\$32	\$51
Average UI Contribution Per Employe	\$140	\$189	\$230	\$275	\$374
Maximum UI Contribution Per Empl	\$748	\$841	\$1,117	\$1,345	\$1,564
Maximum Weekly Benefit Per Claima:	\$392	\$376	\$359	\$343	\$326
Maximum Total Benefit Per Claimant	\$8,500	\$8,100	\$7,700	\$7,200	\$6,800

Source: OESC Overview 2008

Other Programs

The veterans' services division addresses the specific employment and training needs of veterans through special programs. Through its various programs, veterans are

assisted in their efforts to find employment opportunities. These programs are all inclusive for veterans of any of the U.S. military services and not just for those who are disabled

Economic Research and Analysis regarding employment and employees is core to OESC. Labor market information is gathered and reported on the state and national level. The goal of this program is to provide quality information that will improve the functioning of labor markets by serving the needs of workers, employers, economic developers, planners, and policy makers.

OESC, in conjunction with the Department of Commerce, provides administrative support to the Governor's Council. The Governor's Council is a council of statewide decision-makers who work collaboratively toward a common workforce development system to ensure that workforce development is supporting economic development and growth of the Oklahoma economy.

The Oklahoma Scenic Rivers Commission (OSRC)

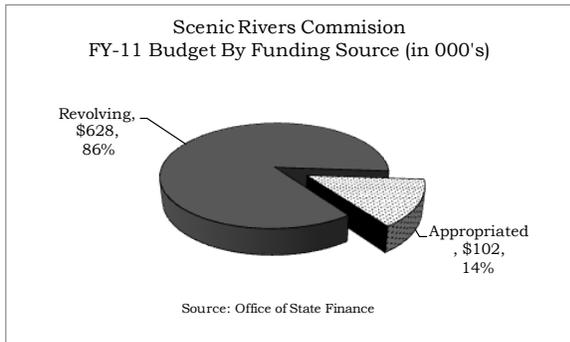
Mission

The primary mission of the Oklahoma Scenic Rivers Commission is to preserve and protect the aesthetic, scenic, historic, archaeological and scientific features of the Illinois River and its tributaries [Barren Fork Creek and Flint Creek].

In order to do this, the Commission has established minimum standards for planning and rules to carry out the provisions of the Scenic Rivers Act.

The Commission is a state commission established in 1977 in accordance with the Scenic Rivers Act (1970). The OSRC separated from the Tourism and Recreation Department in 2002 and became an independent agency.

As illustrated in the chart below, the Commission is funded by state general revenue appropriations and revolving funds, at 14% and 86% respectively for FY-2011, for a total budget of \$730,000.

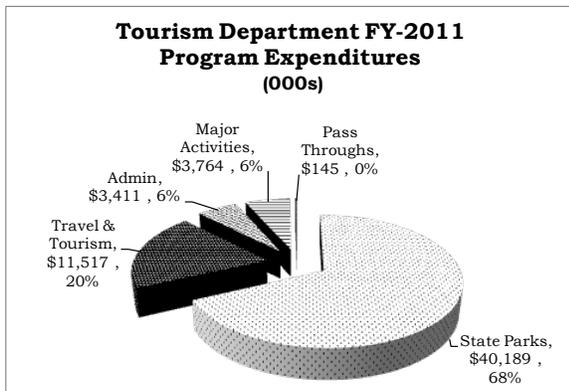


Oklahoma Tourism and Recreation Department

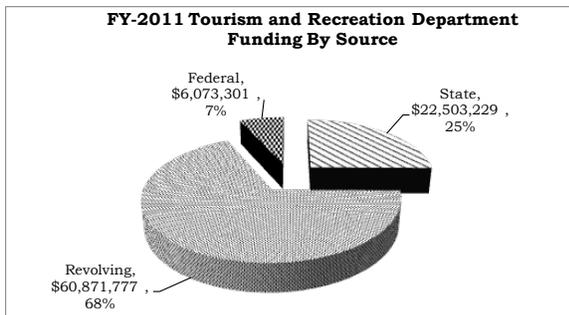
Mission

The Tourism and Recreation Department is the steward of the state's park system. The Department also advances economic development through the promotion of travel and tourism in Oklahoma. The agency mission is to advance the exceptional quality of life in Oklahoma by preserving, maintaining, and promoting our natural assets and cultural richness.

The majority of the Department's expenditures are devoted to State Parks, which are 68.1% of the FY-2011 budgeted expenditures. The following graph shows FY-2011 budgeted expenditures by program.

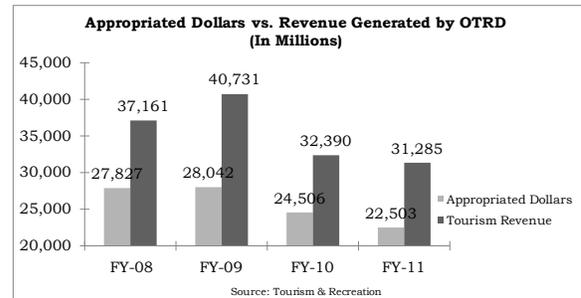


The following chart show the Tourism and Recreation Department's funding by source.



Travel Value

The chart below shows the appropriated dollars and the estimated economic impact of travel and tourism-related spending over a three year period.



Programs

State Parks

Oklahoma's State Park system is made up of 42 state parks, 5 lodges, 7 golf courses, and 304 cabins, as well as numerous campsites, scenic trails, boating, and other recreation facilities statewide.

The State Parks division administers the federal Land and Water Conservation Fund (LWCF), Recreation Trails Program (RTP) and Boating Infrastructure grants. Since 1964, the Department has provided matching grants to 1,182 community and state sponsored projects in the amount of over \$53 million. There are grant assisted park projects in every county in the state due to these efforts. Projects include playgrounds, ball-fields, campgrounds, accessibility improvements and support facilities, such as restrooms and walkways.

The following chart shows the self-sufficient status of the Oklahoma State Parks system over the last five years.

	Park Attendance	Park Revenue	State Approp.	Total Park Exp.	% of Self-Sufficiency
FY-2002	14.1	\$11.3	\$9.1	\$20.4	55.4%
FY-2003	14.1	\$11.1	\$10.2	\$21.3	52.1%
FY-2004	13.8	\$11.1	\$10.2	\$21.2	52.4%
FY-2005	12.7	\$11.1	\$10.4	\$21.5	51.6%
FY-2006	13.8	\$12.2	\$14.4	\$26.6	45.9%
FY-2007	13.5	\$13.1	\$16.2	\$29.3	44.7%
FY-2008	12.2	\$10.6	\$11.9	\$22.1	48.0%
FY-2009	12.2	\$11.9	\$14.0	\$25.9	45.9%
FY-2010	11.1	\$11.7	\$12.5	\$26.5	48.0%

Source: Tourism and Recreation Dept.

State Lodges

The five state lodges have gradually increased their self-sufficiency rate through more efficient management. Efforts are underway to improve the condition and

quality of the lodge facilities, while implementing operational savings plans.

	Occupancy Rate	Resort Revenue	State Approp.	Total Resort Exp.	% of Self-Sufficiency
FY-2002	43%	\$8.0	\$3.0	\$11.0	72.7%
FY-2003	43%	\$7.0	\$1.1	\$8.1	86.4%
FY-2004	36%	\$7.2	\$1.0	\$8.2	87.8%
FY-2005	36%	\$7.2	\$1.9	\$9.1	79.1%
FY-2006	34%	\$7.3	\$1.2	\$8.6	84.9%
FY-2007	39%	\$7.6	\$1.9	\$9.6	79.2%
FY-2008	39%	\$5.4	\$0.9	\$6.8	79.4%
FY-2009	37%	\$4.2	\$2.0	\$6.2	67.7%
FY-2010	34%	\$3.9	\$1.9	\$6.3	67%

Source: Tourism and Recreation Dept.

Golf Courses

Use of state golf courses has decreased compared to prior years, primarily due to the loss of Chickasaw Pointe, Lake Texoma and Fountainhead Golf Courses.

	Golf Rounds (thousands)	Golf Revenue	State Approp.	Total Golf Exp.	% of Self-Sufficiency
FY-2002	182.7	\$4.9	\$0.1	\$5.0	98.0%
FY-2003	161.6	\$4.5	\$1.3	\$5.8	77.6%
FY-2004	158.0	\$4.3	\$0.7	\$5.0	86.0%
FY-2005	158.1	\$4.4	\$1.0	\$5.5	80.0%
FY-2006	158.0	\$4.3	\$0.9	\$5.2	82.7%
FY-2007	138.0	\$4.7	\$0.8	\$5.6	83.9%
FY-2008	114.0	\$2.5	\$0.03	\$3.0	83.3%
FY-2009	90.9	\$3.0	\$0.70	\$3.7	81.1%
FY-2010	79.0	\$2.3	\$1.10	\$3.7	67.0%

Source: Tourism and Recreation Dept.

The golf courses are added amenities that support the lodges and the parks where they are located. They provide visitors with additional recreational opportunities when they visit state park properties. Cedar Creek Golf Course at Beavers Bend State Park was rated as Oklahoma's top municipal golf course in 2009 by Golf Digest magazine.

Capital Maintenance Funding

Beginning in FY-2008, the Legislature is providing the Department with an estimated \$10-12 million in capital maintenance funding from an apportionment of sales and use taxes. The Department currently has in excess of \$110 million in identified needs. FY-2011 program recommendations include equipment support for golf courses, improvements to cabins and lodge facilities, continuing the master planning program,

and vehicle purchases which have a useful life of five years or more.

Through FY-2014, the Legislature has provided the Department with a portion of the REAP Water Projects Funds to fund infrastructure and environmental improvements estimated to be \$2.9 million per year. The Department currently has in excess of \$19.6 million in identified environmental needs along with an additional \$10 million in water line projects being proposed. Types of projects funded include potable water, wastewater and erosion control work.

The Department is using the list of environmental needs that was developed cooperatively with the Department of Environmental Quality. The certainty of dedicated funds will allow the Department to realistically plan for park preservation and the systematic elimination of long standing facility needs.

Travel Promotion

This division develops information, marketing plans and programs designed to attract tourists to the state and to encourage Oklahomans to vacation in-state.

It disseminates information related to the state's public and private attractions, facilities and events to support increased economic development and awareness of Oklahoma as a travel destination. A crucial component is an extensive online travel planning service developed through the agency web site www.TravelOK.com, which is the state's official travel web site. More than 2.5 million customers have utilized Travelok.com, the Oklahoma Tourism travel call center and other services provided by Travel Promotion staff.

During FY-2010, the division operated 12 tourism information centers located at various points of entry into the state and at the State Capitol. These centers are designed to provide travel information to visitors traveling through and to our state and, ultimately, to encourage travelers to

extend their stay in Oklahoma. In April, 2010, the Department sub-leased the operation of the Cherokee Turnpike Tourism Information Center to the Cherokee Nation.

The Traveler Response Information Program (TRIP) operates Oklahoma’s official travel Web site and a toll-free call center for information. TRIP also maintains the destination database for more than 15,000 attractions, events, restaurants, accommodations and other tourism-related businesses around the state. The web site, www.travelok.com, is the official state site for Oklahoma travel and tourism information.

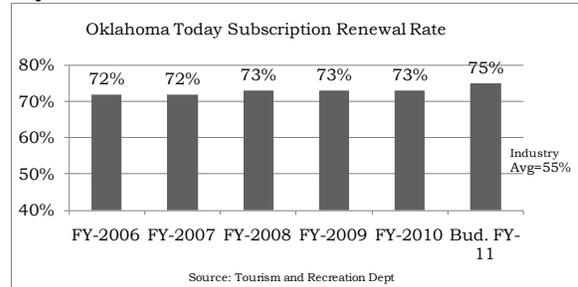
Oklahoma Today Magazine

Oklahoma Today is a general interest consumer magazine, published continuously by the State of Oklahoma since 1956. The magazine has an average paid circulation (subscribers and newsstand readers) of approximately 40,000 and an estimated readership of 117,100 for every issue. *Oklahoma Today* provides its readers the best of Oklahoma’s people, places, travel, culture, food, and outdoors in an attractive and engaging publication that enhances the Oklahoma experience.

Every issue encourages travel in the state, and articles and advertisements appearing in the magazine influence travel and purchasing decisions that generate a substantial economic impact in real dollars for the state and its communities. As an advertising vehicle, *Oklahoma Today* is nurturing the growth of a variety of cottage industries.

Subscription renewals for the publication exceed the industry average of 55% as shown in the following chart.

Key Performance Measure



Discover Oklahoma Television Show

Integris Discover Oklahoma is dedicated to the promotion of Oklahoma tourism by telling interesting stories about the people, destinations and tourist attractions in Oklahoma. This high-quality, entertaining 30-minute program is broadcast every Saturday at 6 p.m. on KXII-Channel 12.2 in Sherman/Dennison, TX, and at 6:30 p.m. on KOTV-Channel 6 in Tulsa, KWTV-Channel 9 in Oklahoma City, and KSWO-Channel 7 in Lawton. Several network stations also re-air the program on Sundays, and many regional stations and cable outlets air the program as well.

With a long track record of success in the promotion of Oklahoma tourism, the program, which is in its 20th season, reaches approximately 6.8 million viewers annually and produces 39 new episodes each year. The award-winning *Discover Oklahoma* television show celebrated its 20th season while consistently winning its time slot in ratings.

In addition to the weekly broadcast, the Discover Oklahoma staff also produces video content for local newscasts, including weekly tourism segments for KFOR-Channel 4 in OKC, KWTV-Channel 9 in OKC, and KOTV-Channel 6 in Tulsa.

Oklahoma Film and Music Office

The Oklahoma Film and Music Office (OF&MO) is committed to promoting the state as a desirable, production-friendly environment for motion pictures, TV shows and videos. The OF&MO assists both in-state and out-of-state companies by providing assistance with locations,

equipment, crew, permits and facts about Oklahoma and its communities. 2010 has been an important year for OF&MO in terms of both industry advancement and technology enhancement.

In 2009, lawmakers increased the Oklahoma Film Enhancement Rebate program from a 15% rebate to 35% cash back on qualified Oklahoma expenditures. This improvement to the program has made Oklahoma competitive in the marketplace for studio and independent films. In 2009, two major feature films were filmed in Oklahoma, totaling an in-state spend of just over \$3.5 million. Eleven projects have prequalified to utilize the rebate in 2011, with in-state direct spend totaling an estimated \$17.7 million.

Additionally in 2009, legislation went into effect which provides for an additional 2% rebate to the base of 35% for the use of Oklahoma music, musicians and music facilities in the production of a qualifying film with a minimum music expenditure of \$20,000. This incentivizes the use of Oklahoma music and musicians while also strengthening the rebate program.

OF&MO has worked throughout 2009 and 2010 to bring office technology up to industry standards. Reel-Scout, a leader in software solutions for film commissions, was implemented to revolutionize the way location photos are stored, maintained and categorized. With over 900 locations added to the database since it launched in March 2009, OF&MO also added Reel-Crew, an online crew and support services database. Producers interested in hiring Oklahoma crew members can search the site to find qualified candidates for filming jobs in the state.

In 2010, OF&MO revamped the state's film and music website, www.oklahomafilm.org. The new website, which launched in June, is a Content Management System, created by Ok.Gov and maintained and populated by OF&MO. New features include an e-newsletter system, a press room and many other features intended to help both Oklahomans and out-of-state businesses

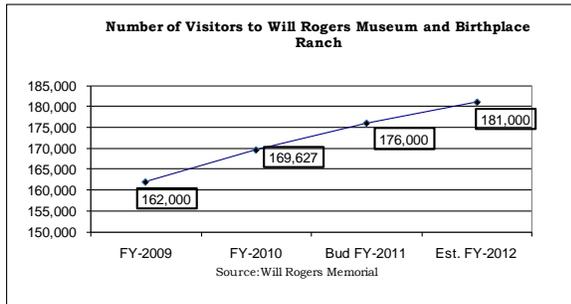
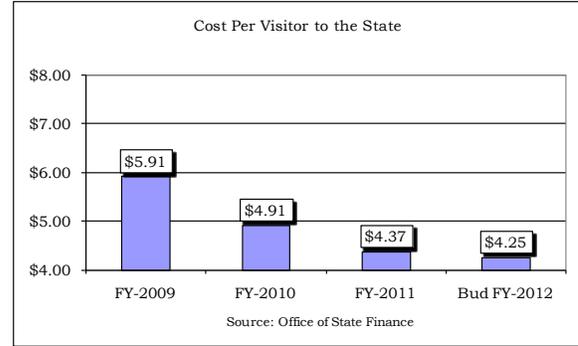
find what they are looking for in our state. The next update includes a comprehensive music database that will provide information about the state's musicians, venues and music-related businesses and services.

The long-term goal of the office is to increase film, television and music production in Oklahoma as a means of economic development and diversification. With advances in technology and continued support for state and local financial incentives, OF&MO looks forward to a banner year of film and music in Oklahoma.

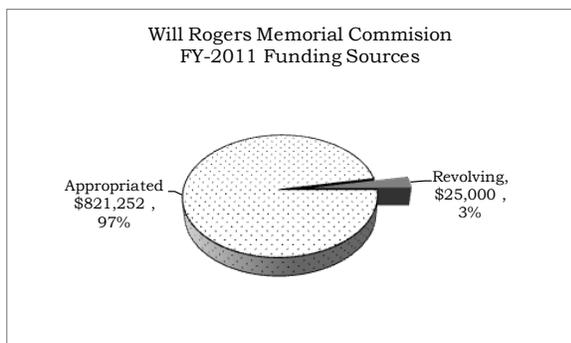
Will Rogers Memorial Commission

Mission

The Will Rogers Memorial Commission was established in 1938 to honor the life and works of Will Rogers through the creation of the Will Rogers Memorial Museum in Claremore. The museum and Will Rogers Birthplace Ranch hosted over 169,000 visitors in FY-2010. Admission is free, and both facilities are open year round.



The following chart shows the Will Rogers Memorial Commission's primary funding sources for FY-2011, totaling \$846,000. Over 97% of the Commission's budget is comprised of state appropriated funds. The remaining funding is derived from donations and foundation grants. The Commission spends one-third of its budget for educational outreach.



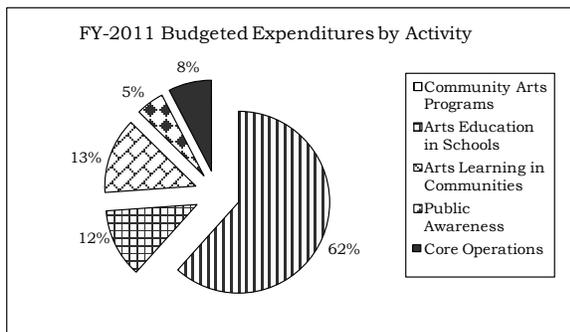
The following graph shows the correlation between the funding that the State provides and the estimated number of visitors.

Oklahoma Arts Council

Mission

The Oklahoma Arts Council was established in 1965 by the Oklahoma Legislature following the creation of the National Endowment for the Arts by the federal government. Each of the 50 states has created a state arts agency funded with state appropriations to support excellence and access to the arts.

The Council's mission is to lead in the development, support and enrichment of a thriving arts environment. The Oklahoma Arts Council meets this mission by providing grants and technical assistance for arts activities statewide. The National Endowment for the Arts and the State of Oklahoma are the sources of funding. The following graph illustrates how those funds are spent.



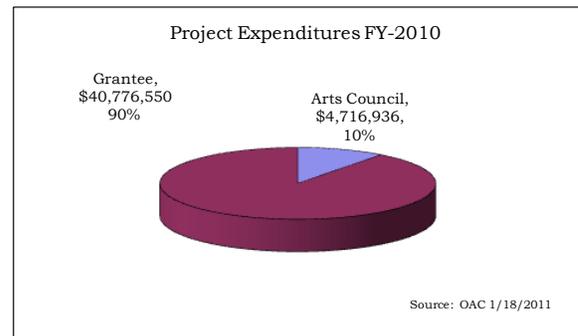
The Oklahoma Arts Council is primarily a grant making entity, as evidenced by the following table.

Key Performance Measure

	in 000's			
	FY-2010 Actual		FY-2011 Bud	
Direct grants costs	\$4,710	78.9%	\$4,383	79.5%
Indirect grants costs	\$ 786	13.2%	\$ 742	13.5%
Administration	\$ 475	8.0%	\$ 386	7.0%
Total	\$5,971		\$5,511	

The Council awards matching grants to nonreligious, nonprofit, tax exempt 501(c)(3) organizations; agencies of government; sovereign Indian tribes; public libraries; public schools; colleges and universities. All grants must be matched by

the grantee. Last year, the average match was \$9.42 to every dollar granted, as represented in the chart below.



Financial assistance for art programs is granted through three program areas: Community Arts Programs, Arts Education in Schools and Arts Learning in Communities. Following is a summary of each program.

Community Arts Programs

Community Arts Programs provide support for community arts activities to advance the cultural and economic development of Oklahoma. More than 200 organizations receive support annually through Community Arts Programs. They include Oklahoma's major symphonies, ballets and museums. In addition, the OAC funds festivals, community theatres, performing arts and local museums throughout rural Oklahoma that contribute to the enrichment and vitality of each community.

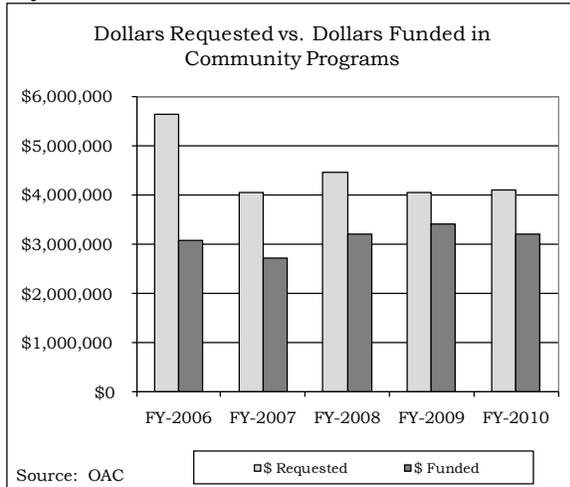
Community Arts Programs also supports cultural development outreach through funding and technical assistance to rural and urban underserved communities. The Council's Cultural Development Office provides cultural development and capacity building services to rural and underserved communities and developing arts organizations.

In addition to direct support to non-profit organizations, Community Arts Programs support local city and county governments through Local Government Challenge Grants. This program provides matching funds of up to \$5,000 to local governments

to support local community cultural programs.

In FY-2006, the Arts Council met 55% of the requests in Community Arts Programs; 76% of requests were met in FY-2010.

Key Performance Measure



Arts Education in Schools

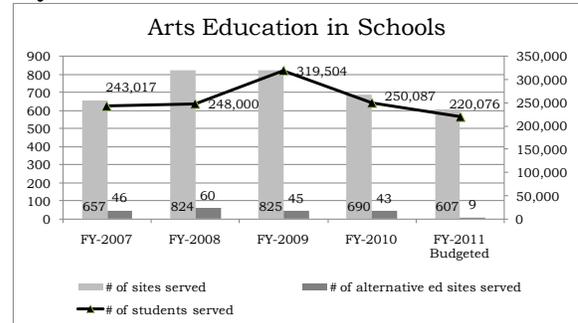
Arts Education in Schools program supports the efforts of schools and school districts, including alternative education programs, in providing quality and meaningful arts education to their students. Projects introduce and develop skills, knowledge and understanding in dance, drama, music, visual art, traditional arts and creative writing.

Arts Education in Schools is designed to:

- Support student learning in the arts and invigorate learning in other subject areas;
- Provide resources for classroom instruction, demonstrations and performances that ensure student understanding of the arts in real-world application;
- Introduce the arts in a broader context including practical application in design, advertising, media, entertainment and related industries; and

- Enable teachers to develop skills to introduce and incorporate the arts in the curriculum.

Key Performance Measure



As shown above, Arts Education in Schools also serves alternative education school sites. Direct classroom arts instruction is provided through the Arts in Alternative Education program, serving students considered “at risk” of not completing their education. These programs provide hands-on arts learning experiences that increase knowledge in the arts and develop skills important to students’ future workforce potential. These programs have historically been funded by a pass-through from the State Department of Education; however the department eliminated funding for this program in FY-2011.

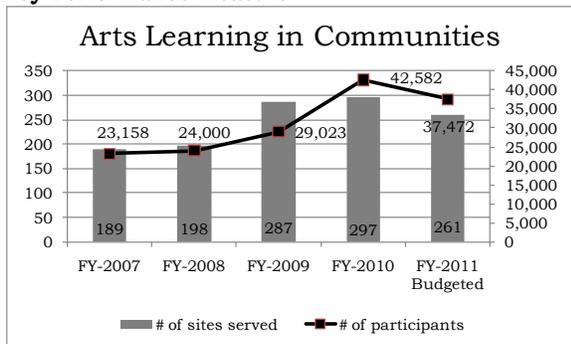
Arts Learning in Communities

The Arts Learning in Communities program provides the opportunity for every Oklahoman to have access to quality arts learning that is most appropriate to their current life circumstance and need. This program supports arts instruction workshops and classes in diverse community settings for populations with a variety of social, cognitive, emotional and physical needs in order to enhance their quality of life. The extent and manner of each project’s design varies with community need and demand, as well as the expertise of the local service provider. Arts Learning in Communities is designed to:

- Involve the participants in direct and meaningful engagement in the creative arts process; and
- Incorporate an evaluation that measures program impact on participants.

Learning about and through the arts to meet the unique needs of the participants in their community is the central aim for the program and includes projects such as: early childhood programs; after-school and summer programs for youth; prevention and intervention programs for youth at risk; adult workshops for community enhancement and social development; adult programs for life-long learning; programs for seniors in healthcare facilities, as well as arts learning projects in hospitals, social services agencies and other public settings. The chart below depicts historical participation in this program.

Key Performance Measure



Career and Technology Education

Mission

Providing customized business training for industries and preparing secondary students for postsecondary educational opportunities are just two ways the career-technology system contributes to Oklahoma's economy.

The Oklahoma career and technology education system offers a wide variety of educational opportunities to a diverse client base from youth in high school to senior citizens and incarcerated individuals.

CareerTech provides career-guidance and economic development through the following programs:

Comprehensive Schools

These programs help students in high school develop the technical, academic and employability skills needed to become financially independent citizens.

Technology Centers

These 29 centers provide Oklahoma businesses with skilled, competent employees.

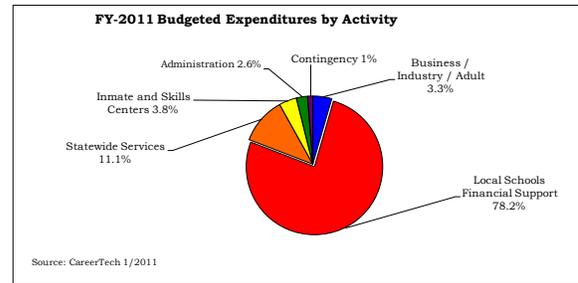
Business and Industry Training

This area includes customized training for specific employers, open enrollment classes for adults that want to enhance their job skills on a part-time basis, consulting services for entrepreneurs and small businesses, and management development training and bid assistance services.

Skills Centers

Programs at these centers help incarcerated individuals realize their potential by creating opportunities for them to experience and apply a quality education. Skills center training helps prepare over 1,400 inmates and juveniles per year for life outside the confines of prison and detention.

Funding for these programs is as follows:



The State Board of Career and Technology Education supervises career and technology education programs in comprehensive schools, technology centers and skills centers. It also administers the Carl Perkins program of the United States Department of Education in matters relating to career and technology education, and Tech Preparation.

The Department is responsible for formulating and adopting curricula, courses of study and other instructional aids necessary for the adequate instruction of students in all career and technology education programs.

Student Demographics

The *CareerTech* system offers programs and services in 29 technology center districts across 57 campuses, 398 comprehensive school districts and 15 skill centers including 3 juvenile facilities. This allows citizens in all 77 counties easy access to career-technology programs.

Total enrollment for FY-2010 including all programs was 499,508. From FY-2002 to FY-2010, student population has done the following:

- Adult enrollment in technology center full-time and statewide programs increased 18% from 11,145 to 13,145.
- Business and Industry enrollments increased 5% from 314,660 to 330,444.
- Enrollment in comprehensive schools increased 11% from 123,790 to 136,871.
- Skills Centers enrollment in full-time occupational programs for Oklahoma

offenders decreased by 30% from 2,031 to 1,427.

Comprehensive Schools

Comprehensive school programs offered in high schools include agricultural education, business and information technology, family and consumer science, health careers education, marketing education, technology education, and trade and industrial education. These programs provide students with hands-on experiences and opportunities to apply academic concepts in context.

While school districts utilize state and local funding provided to common education school districts to fund a large portion of the programs, state funds appropriated through *CareerTech* supplement them.

The detail in the following chart shows program and student costs.

Key Performance Measure

Comprehensive Schools Program Information FY-2010 Final					
	Total Students	Student FTE*	Total Cost	Avg. Cost per Student	Avg. Cost per FTE
Agricultural Education	24,961	24,610	8,919,360	\$ 357.33	\$ 362.43
Business and Information Technology	21,953	21,915	2,824,505	\$ 128.66	\$ 128.88
Family and Consumer Sciences	52,946	41,866	3,108,276	\$ 58.71	\$ 74.24
Health Occupations Education	1,053	1,053	94,752	\$ 89.98	\$ 89.98
Marketing Education	4,052	3,733	347,424	\$ 85.74	\$ 93.07
Technology Engineering/STEM	31,652	13,124	2,465,632	\$ 77.90	\$ 187.87
Trade & Industry Education	263	430	106,720	\$ 405.78	\$ 248.19
Total**	136,880	106,731	\$ 17,866,669	\$ 130.53	\$ 167.40

*One student FTE is equivalent to one student for a single class for a full academic year.
Source: CareerTech 1/2011

Technology Centers

The technology centers provide training for both high school students and adults. Technology centers serve 72 counties throughout the state, reaching virtually all citizens.

Technology centers receive state and federal appropriations and local ad valorem funds, as do other public schools. They may charge fees for training adult students. Ad valorem revenues make up the majority of local funds; tuition and fee revenue accounts for about 10% of local funding.

Funding Sources

Funding for the technology centers comes from three sources:

- State Appropriated Revenue (27.4%);
- Local Taxes, Tuition and Other (66.8%); and
- Federal Funds (5.9%).

Funding Formula (State Funds)

HB 1239 approved in 1991 mandated the development of a new funding formula for technology centers. It equalized variances in local funding sources, encouraged maximum local support, provided for allowable general fund balances and rewarded having ad valorem ratios above the required minimum.

The formula initially considers a target quality program cost and then subtracts available local general fund income to come up with the state’s contribution to each technology center.

Quality Program costs include:

- Direct Cost
 - Instruction and Classroom Activity
- Indirect Cost
 - Instructional Support
 - General Administration
 - General Support
 - Guidance and Counseling
 - Operation of Plant

- Student Transportation Services

Local General Fund Income:

- Maximum General Fund Valuation Millage
- Excessive Unencumbered General Fund Balance
- Tuition
 - Adults in Full-time programs
 - Business and Industry Training Programs
 - Client-based programs

Business and Industry Training

Business and industry specific training attracts new industry and helps existing businesses expand and prosper. Training programs designed for specific employers are delivered at the area technology centers or at worksites.

The most popular training offerings for clients of the Training for Industry Program (TIP) and Existing Industry Training programs are: quality-related training such as Lean Manufacturing, ISO, Six Sigma, process improvement and kanban; team skills training, including effective communications, problem-solving, and time management; management and supervisory training; customer service skills; and industrial maintenance skills.

Training offerings such as software and computer skills, quality-related training, management and supervisory skills, and team skills are very popular for Industry Specific Training clients.

Safety training runs the gamut from Forklift Driver Certifications and Blood Borne Pathogens to Lock Out/Tag Out, Confined Space Entry and HAZMAT.

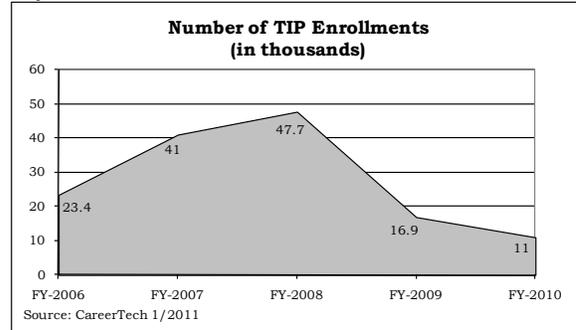
Popular Adult and Career Development programs include software or computer classes and continuing education for industries such as real estate and accounting.

Training for Industry Program (TIP)

In existence since 1968, TIP is an economic development incentive available to qualifying companies that create new jobs in Oklahoma. TIP provides customized start-up training for "wealth generating" companies, i.e. companies that are generally exporters of goods and services out of the state and, therefore, importers of new dollars into the state. Eligible businesses are ones that are exporters of goods and services and are creating new full-time jobs in:

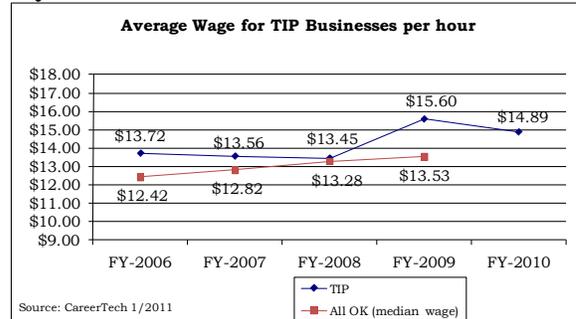
- Manufacturing;
- Processing;
- Business services; and
- Warehouse and distribution.

Key Performance Measure



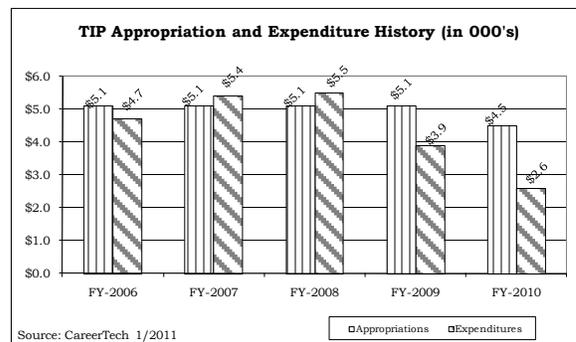
This program has been a successful tool for recruiting business, though demand for training by businesses is cyclical.

Key Performance Measure



NOTE: All OK median wage information is taken from the "Oklahoma Wage Report", produced by the Oklahoma Employment Security Commission. FY-2009 is the latest report available at this date.

Below is the funding history for TIP.



Existing Industry Training

Oklahoma companies can make sure existing employees are up-to-date with the latest skills and knowledge by taking

advantage of the Existing Industry Training Program. This program is intended to serve businesses that need to retrain incumbent workers in order to retool existing processes or expand a product line.

CareerTech and existing industries frequently partner when specific training is required. The participating business pays no tuition but frequently provides classroom space or unique materials.

Oklahoma Bid Assistance Network

The Oklahoma Bid Assistance Network (OBAN) is part of a nationwide effort of Procurement Technical Assistant Centers (PTACs). OBAN was established in 1986 through the Oklahoma Department of Career and Technology Education. Congress initiated the PTAC program to help companies across the nation participate in the defense market.

OBAN centers are located in 16 Technology Centers across the state. Bid assistance personnel help businesses locate and bid on federal, state and local government contacts as well as subcontracting opportunities. OBAN coordinators also help clients identify business improvements needed for more successful marketing to government agencies and provide a daily list of targeted bidding opportunities.

The primary purpose of OBAN is to create jobs and positively impact the economy in Oklahoma by assisting Oklahoma businesses in obtaining and performing in federal, state, and local government contracts.

OBAN helps a broad range of businesses. Some recent examples include aircraft maintenance and parts machining; equipment maintenance; mower repair companies; utilities contractors; automotive and automotive parts dealers; facilities maintenance companies, including janitorial services, fence builders, gate keepers and road maintenance; audio and video service companies; office suppliers; flight simulator providers; welding and all types of construction companies;

advertising agencies; embroidery work services and engravers.

OBAN works closely with Tinker Air Force Base, other military and commercial organizations and industry associations in support of Oklahoma's aeronautics and aerospace industries. OBAN also offers the construction community a unique biweekly construction summary of business opportunities that helps keep small and rural construction firms competitive.

During FY-2010, OBAN served 1,948 clients who secured more than \$218 million in contracts for Oklahoma companies.

Safety Training

Safety and Health training programs are intended to help organizations plan and implement safety processes and procedures to assure a safe work environment. Through the technology centers, these programs are available statewide.

The Safety allocation provided to the *CareerTech* system provides customized safety training, serving business and industry across the state. This training has helped reduce and prevent work related injuries and has helped reduce worker's compensation costs for the participating industries.

Firefighter Training Initiative

The safety and welfare of Oklahoma residents will be enhanced by the ability of technology centers to provide training for volunteer fire departments. This requires providing the volunteer fire departments with upgrade training or training on new systems or equipment.

These training programs accommodate an increased demand placed on technology centers for training and testing of volunteer fire departments in the state of Oklahoma. This training includes firefighter training and associated testing, as well as first-responder training.

Skills Centers

The Skills Centers School System provides comprehensive educational services to incarcerated individuals. Skills Center training is designed to help students become successful in the workplace and in their community. The skills centers operate industry-focused academies and registered apprenticeship programs for offenders.

Some of the programs offered include Electricity Technology, Meat Processing, Commercial and Residential Building Construction, Basic Computer Technology, Distribution and Warehouse Logistics, and Metal and General Manufacturing.

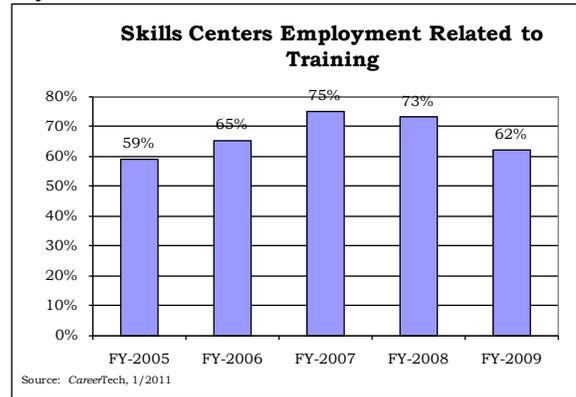
The skills centers school system operates 15 sites. In FY-2009, skills centers served 1,469 students with a positive placement rate of 92%. The following table provides information on the number of students and where they are served.

CareerTech Skills Centers		
	FY-2009	FY-2010
State prisons	1,302	1,275
Private prisons	0	0
Juvenile centers	80	75
Community corrections	87	77
Total	1,469	1,427

Source: CareerTech January 2011

- Inmates who are trained in CareerTech Skills Centers are 11% less likely to reoffend. If they are placed in a job related to their training, they are 17% less likely to be reincarcerated.
- A Young Offender Initiative implemented in FY-2006 has served over 339 young at-risk individuals, many of whom are probationers. These programs are operated through special arrangements with technology centers. Of the students trained, over 90% have been placed in high-growth, high-wage occupations with local companies.

Key Performance Measure



Dropout Recovery

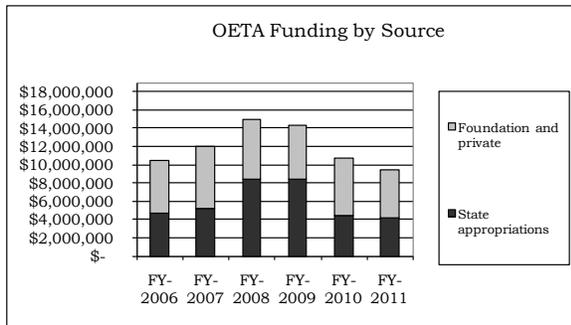
Since 1995, the Oklahoma Career and Technology Education system has operated Dropout Recovery Programs at various technology centers. These programs are intended to serve out-of-school youth who have not completed the requirements for a high school credential. Currently, nine Technology Centers provide dropout recovery services. In FY-2010, 1,272 students enrolled in these programs statewide. Of these, 515 completed the requirements for a high school diploma or GED and 470 are scheduled to return during FY-2011 to continue their education. Fifty-eight students were stabilized and returned to their home high school to continue their education. These hardest to serve youth are given the opportunity to develop life and employability skills while completing their academic requirements and gaining occupational skills. Many of these students were 15 to 16 years of age at the time they dropped out.

Oklahoma Educational Television Authority (OETA)

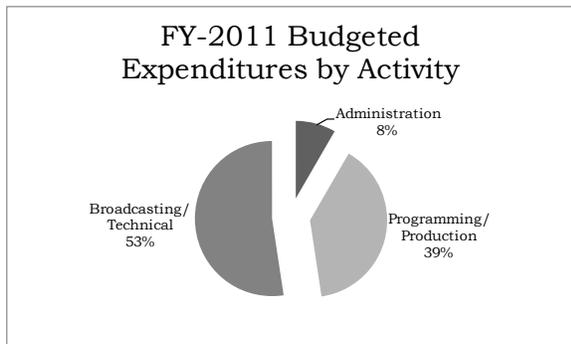
Mission

OETA is a federally licensed and regulated agency that operates non-commercial educational television channels assigned by the Federal Communications Commission (FCC).

OETA has been able to partially offset the declining state portion of funding through on-air membership drives, corporate, grant and foundation solicitations.



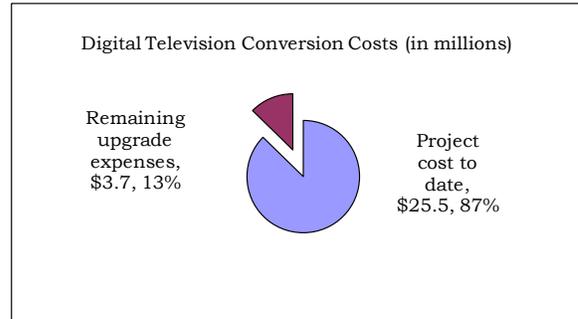
OETA has two main activities within the agency, broadcasting/technical and programming/production. FY-2011 Expenditures by activity are illustrated in the following graph:



Broadcasting/Technical Division

The Oklahoma Network is a complex technical installation with locations around the state, reaching from Boise City and Altus to Ponca City and Idabel and all points in between. All sites are serviced and managed from the network

headquarters in the state's capital in Oklahoma City. Tulsa's OETA studios and news bureau will be relocated to the OSU-Tulsa campus in April 2011. This division has the responsibility of operating all of the OETA facilities.



Programming/Production

This division is charged with the design, development, production and delivery of the many Oklahoma-centric television programs seen on OETA. A needs assessment of the audience is supported by the annual member survey and this instrument joins other research data in supporting the design of the program service.

OETA Foundation

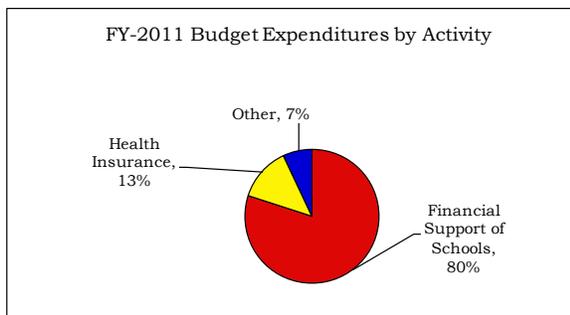
The Oklahoma Educational Television Authority Foundation, Inc. is a non-profit organization operating for the purpose of receiving, investing and expending privately donated funds which support public broadcasting. In addition to raising matching funds for any state capital investment, the Foundation provides a portion of the operating budget for the network. The OETA Foundation matched both state appropriations for digital conversion and will continue to raise private funds to match state appropriated money for the completion of the digital conversion.

Elementary and Secondary Education

A quality educational system is vital to economic growth and positive social outcomes for children and families. Studies consistently show that academically prepared children are more likely to attend and complete college, earn more income and lead healthier lifestyles. Oklahoma's common education system promotes rigorous academic standards and a comprehensive array of programs to ensure that every child from birth to age 18 has the opportunity to succeed.

Early childhood programs such as SoonerStart Early Intervention, Parents as Teachers, the Four-Year-Old program and Full Day Kindergarten provide parents and children the necessary developmental building blocks to improve school readiness and success. The statewide Alternative Education program and Advanced Placement grants give educators the flexibility to meet individual student needs at the middle school and secondary school levels. Both of these programs serve distinct populations but strive to help students succeed in school.

The state's commitment to common education is reflected in the state's appropriated budget. Common education received more than \$2.2 billion, over 36% of all state appropriations, in FY-2011; it is the single largest expenditure in Oklahoma's state budget.



As shown in the chart above, 80% of the total amount appropriated to education flows through the general state aid formula to individual school districts. The formula

incorporates districts' student demographics and local education revenue to equalize funding differences between property rich and property poor districts. The remaining 20% is divided between health insurance costs (13%) and other areas like textbooks, teachers' retirement and alternative education.

The State Department of Education is responsible for administering and managing state and federal education programs. State duties include the establishment of teacher and administrator certification requirements, formulation and adoption of curriculum standards and accreditation of both private and public schools across the state. The agency also manages the federal school nutrition program and the adult education program.

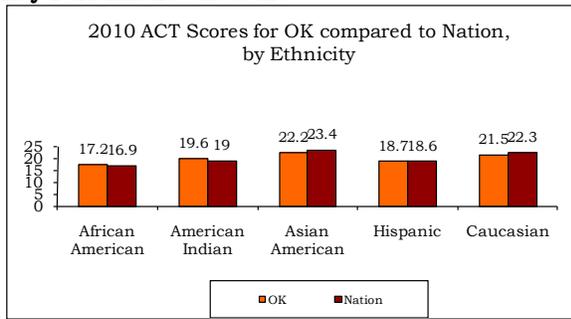
Student Demographics

Student enrollment reported by public schools in October 2010 reached a new record high of 659,615 public school students; 5,073 more than the year before, and 80,448 more students since enactment of Oklahoma's landmark legislation, the *Education Reform and Funding Act of 1990*. Four-year-old program enrollment has grown from 23,475 in October 2000, to 38,431 in October 2010, an increase of 63.8%.

There have also been some changes in student enrollment by race and ethnicity. The number of Hispanic students enrolled in Oklahoma schools in October 2010 was 80,984, an increase of 7,886 compared to last year and 65,410 since 1990. Hispanic students now make up 12% of the student population, compared to less than 3% in 1990.

Closing the achievement gap among minorities is a priority for Oklahoma. Oklahoma's graduation rates and ACT scores are above the national average for most racial and ethnic groups when compared nationally, depicted in the graph below.

Key Performance Measure



Funding Sources for Local School Districts

In October 2010, Oklahoma had 527 school districts with 1,005 elementary schools, 292 middle and junior high schools, 464 high schools and 18 charter schools (serving grades PK-12). On November 17, 2010, Pleasant Grove (Seminole County) annexed to Seminole (Seminole County), bringing the total to 526 school districts.

Public funding for Oklahoma’s public schools in FY- 2010 was:

- 25% local and county revenue;
- 18% federal funding;
- 57% state appropriated and dedicated

Local governments assess ad valorem taxes on property owners to support schools. The Oklahoma Constitution provides parameters for local millage assessments.

Schools also receive the following state dedicated revenue:

- Gross Production Tax;
- Motor Vehicle Collections;
- Rural Electrification Association Cooperative Tax;
- State School Land Earnings;
- Vehicle Tax Stamp;
- Farm Implement Tax Stamp;

- Oklahoma Education Lottery Trust Fund; and
- Other Dedicated Revenue.

All federal funds for school districts are dedicated to specific programs for target populations. Examples are school lunch programs, special education programs, low income programs and technology grants.

The State Department of Education is responsible for disbursing funds to school districts through the State Aid Funding Formula. It rests upon two concepts, fiscal neutrality and vertical equity. The State Aid Funding Formula is set in statute and distributes funds through three categories: Foundation Aid, Incentive Aid and Transportation Aid.

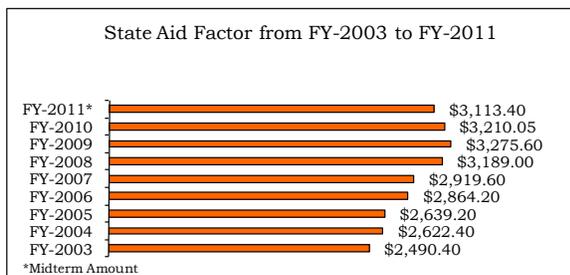
Foundation Aid is calculated on the basis of the highest weighted average daily membership (WADM) of students in each district for the preceding two years or the first nine weeks of the current school year. Weights are added based on certain characteristics (eg: Special Education, Bilingual, Gifted and Economically Disadvantaged) to determine the weighted ADM. The weighted ADM for a district is then multiplied by the Statutory Foundation Support Level. A portion of a district’s local revenues and all of its state-dedicated revenues are subtracted to arrive at the Foundation Aid amount (mid-term amount is \$1,643.05 per weighted ADM for the 2009-2010 school year and includes ARRA SFSF Education and Government Services Funds.).

The Incentive Aid Factor guarantees each district a minimum amount of funding per weighted student for each mill up to 20 mills. For the 2009-2010 school year, the mid-term amount is \$78.35. To calculate a school’s Incentive Aid Factor, the weighted ADM is multiplied by the Incentive Aid guarantee. A factored amount of local support is then subtracted. Twenty mills is then multiplied by the resulting number.

Transportation Aid is provided for all districts transporting students who live

more than 1.5 miles from school. The students, or the average daily haul, are multiplied by the per capita transportation allowance and the transportation factor (\$1.39 for school year 2009-2010.) Greater weight is applied for sparsely populated areas.

The State Aid Factor (SAF) is calculated by adding Foundation Aid, Incentive Aid and Transportation Aid per weighted ADM. The average weight per pupil is 1.56. For FY-2010, the SAF was \$3,210.05, as seen in the chart below.



- The decrease in state aid from FY-2009 to FY-2010 is \$65.55 per child.

Common Education Programs

Improving student achievement requires flexible programs for specific populations. Of the appropriations the State Department of Education receives, 2.5% is directed for the following programs:

- Early Intervention;
- Oklahoma Parents as Teachers;
- Alternative Education;
- Education Leadership Oklahoma;
- Adult Education and Literacy;
- Advanced Placement;
- Mentor Teacher;
- Oklahoma Arts Institute; and
- Arts in Education.

Early Intervention (EI)

SoonerStart is Oklahoma's voluntary early intervention program serving infants and toddlers with developmental delays from birth to 36 months. SoonerStart is a collaborative interagency project. The State Department of Education, as the lead agency, coordinates with the Departments of Health, Human Services, Mental Health and Substance Abuse Services, Oklahoma Health Care Authority and the Oklahoma Commission on Children and Youth to plan and implement the statewide system of early intervention. These services are designed to complement the medical care a child may receive from a physician. The program staff provides caregivers the skills and support they need to help them work with their children to attain essential developmental skills and accomplish the goals developed on an Individualized Family Service Plan (IFSP). An IFSP is designed for each child.

Depending on a child's and family's individual needs, SoonerStart offers one or a combination of services, some of which include, counseling, nutrition and physical therapy to name a few. The four most common diagnoses of infants and toddlers served by SoonerStart are Down Syndrome, Failure to Thrive, Hydrocephalus and Cerebral Palsy. The SoonerStart program will work with approximately 13,000 children in FY-2011.

Oklahoma Parents as Teachers

Parents are children's most important and effective teachers. Children's academic success is in most instances dependent on parents' active involvement in their child's early years. Recognizing the importance of this relationship, Parents as Teachers (OPAT) is a free and voluntary program which provides parents of children ages zero to three the skills to maximize their child's potential. Services are based on early childhood development research.

School districts apply for grants to fund OPAT programs. Qualifications to receive an OPAT program grant are based on enrollment history (if applicable), district

Average Daily Membership (ADM) and new or expanded programs. As with other service programs, multiple districts can join to create an OPAT program.

Year	Appropriation	# of Districts	# of families served
1991-92	650,000	13	377
2003-04	1,295,709	55	2,835
2004-05	1,295,000	68	4,235
2005-06	2,045,709	99	5,619
2006-07	2,045,709	97	5,117
2007-08	2,045,709	99	4,657
2008-09	2,045,709	96	4,388
2009-10	2,045,709	90	4,573

Source: SDE

Four-Year Old Program

Oklahoma is one of only three states that require teachers of four-year-olds to have a degree in early childhood education. Georgia and New York are the only other states requiring this quality indicator. Requiring this certification improves the quality of teaching and learning in the classroom and increases the probability children will be prepared for school in later years. Seventy-four percent of the four-year-old population in Oklahoma participates in this voluntary program.

The basis for Oklahoma’s high participation rate lies in the unique partnerships schools are creating with private child care providers. The State Department of Education encourages schools to provide certified teachers to private child care facilities to expand access. Lawton, Norman and Putnam City School districts are just a few of the districts involved in this initiative.

Alternative Education

The purpose of this program is to provide alternative education choices to prevent dropouts and increase the number of high school graduates.

The Juvenile Justice Reform Act of 1994 established the Statewide Academy System that began with eight pilot programs in three counties. State law now requires all

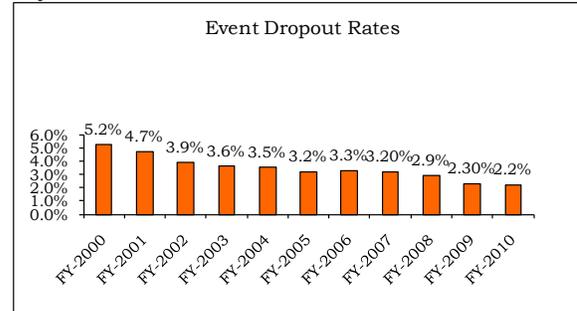
districts reporting dropouts and juvenile justice referrals to offer alternative education in Grades 6-12. In FY-2010, 10,933 students from 462 school districts were served in 251 Statewide Alternative Education Academies.

At-risk youth are individuals who might fail to successfully complete their secondary education because of economic, socio-cultural, academic or disciplinary reasons.

On each variable measured, students in alternative education programs showed more improvement than students in the comparison group.

Since FY-1999, Oklahoma’s event drop-out rate has decreased by 2.9% from 5.1% in FY-1999 to 2.2% in FY-2010, as shown below. Event drop out rate is the proportion of students from grades 7 to 12 who leave school each year without completing the school year.

Key Performance Measure



Staff Development

Professional development programs strive to improve teachers’ subject matter knowledge, teaching methodology and classroom management skills. There are several types of statewide Staff Development programs, including the Great Expectations program, the Neuro-developmental Learning Differences program and the Literacy First reading program. This line-item also provides funds for reading remediation in grades one through three. Approximately \$2.33 million is disbursed to districts for general professional development activities at the school level.

Great Expectations

This program's fundamental philosophy is, "All children can learn" when teachers have the attitude, knowledge and skill to set high expectations, build self-esteem and create a climate of mutual respect.

Funds appropriated provide \$1,000 scholarships to teachers and principals for summer institutes and follow-up training. To qualify for scholarships, each qualifying school must be willing to send up to five teachers and a principal to the summer institute. To date, approximately 35,514 teachers have had this training. Great Expectations has begun an initiative to broaden the focus of training to middle and high school faculty.

Literacy First

The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading and literacy training for all elementary teachers using the "Literacy First" program as its training base. The Literacy Professional Development Institute (PDI) provides a balanced approach to teaching reading by incorporating the latest phonics and literature based strategies. Since its implementation in 1997, approximately 16,000 teachers have been trained.

School Lunch Matching Programs

Students must have proper nutrition in order to maximize learning potential. The National School Lunch Act was passed by Congress in 1946 to safeguard the health and well being of the nation's children and to encourage the domestic consumption of nutritious foods. The goal of the State Department of Education is to provide nutritious meals to children enrolled in Oklahoma's public schools. In FY-2010, 58.88% of Oklahoma school children qualified for the free or reduced-price lunch program.

Education Leadership Oklahoma

National Board Certification is rooted in the belief that the single most important action this country can take to improve student learning is to improve the quality of teaching. The process requires teachers to undergo an extensive series of performance-based assessments that includes teaching portfolios, student work samples,

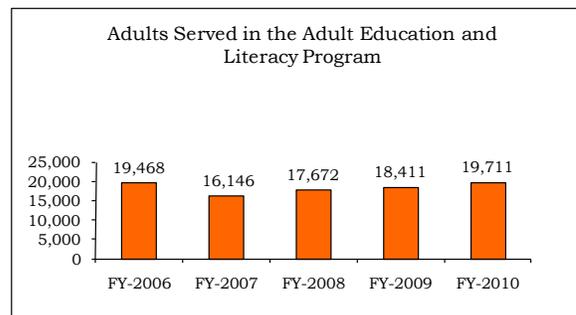
videotapes and thorough analyses of the candidates' classroom teaching and student learning. Teachers also complete a series of written exercises that probe the depth of their subject-matter knowledge, as well as their teaching methodology.

The purpose of Education Leadership Oklahoma (ELO) is to improve the quality of teaching and reward teachers who have attained national certification. The program provides technical assistance and a \$2,500 scholarship to 200 teachers applying for National Board Certification. A \$5,000 annual bonus is given to teachers who attain National Board Certification.

There are 2,820 National Board Certified teachers in Oklahoma, which places it 9th in the nation for the number of teachers certified.

Adult Education and Literacy

There are several types of adult education programs provided through state and federal funds. Adult Literacy Instruction classes are provided for adults who need basic skills instruction in reading, writing, mathematics, life skills and job readiness. GED Preparation Instruction is provided for adults who want to prepare to take the GED Tests in order to earn a high school equivalency diploma. Federal and state funds also provide Workplace Education and Family Literacy programs. The graph below shows the number of adults utilizing such services.



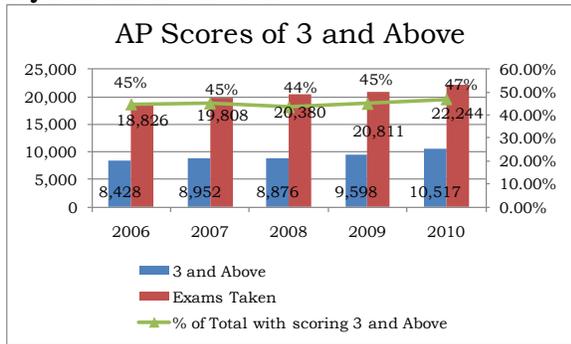
Advanced Placement

The College Board's Advanced Placement Program trains middle and secondary school educators to conduct college level academic courses for high school students.

Upon completion, high school students may take a College Board Advanced Placement exam. Exams are scored from 1 to 5 with a score of 5 reflecting superior knowledge of the subject. Students who complete AP courses are better prepared academically for college, more likely to choose challenging majors and twice as likely to go into advanced study.

The Oklahoma Advanced Placement Incentives program provides funding support for AP and Pre-AP teacher training. Funding goes for training, student exam fee assistance, score incentives to schools for AP program development and AP course grants. Students score a grade of 3, 4 or 5 on almost half of the exams taken, or 10,517, as seen below.

Key Performance Measure



Mentor Teacher

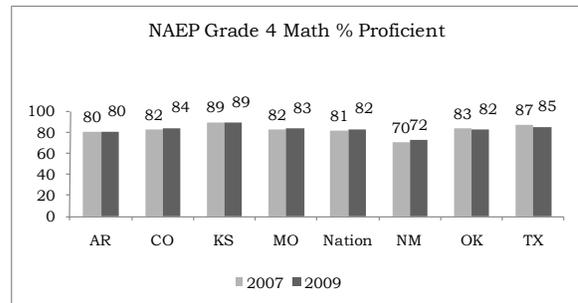
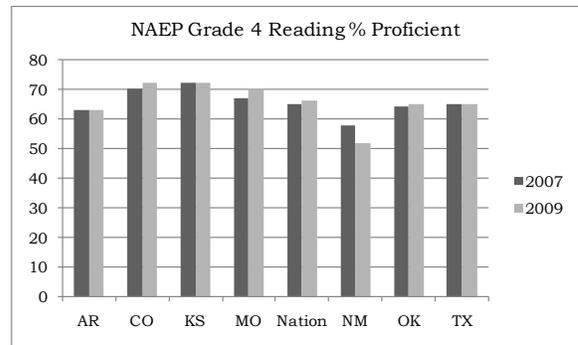
Teachers who have quality mentors during their first years of teaching are more likely to be better teachers and remain in the profession. Since 1981, Oklahoma has required all first year teachers to participate in a residency program. Every first-year teacher is assigned to a committee comprised of a mentor teacher, a higher education professor and the principal. At the end of the school year, the committee recommends whether the first year teacher should receive state certification. The mentor teacher plays the most active role in a teacher’s residency year, providing 72 hours of consultation.

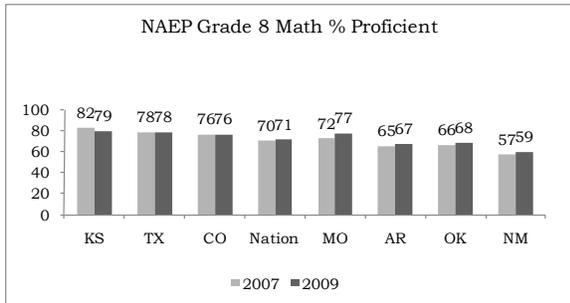
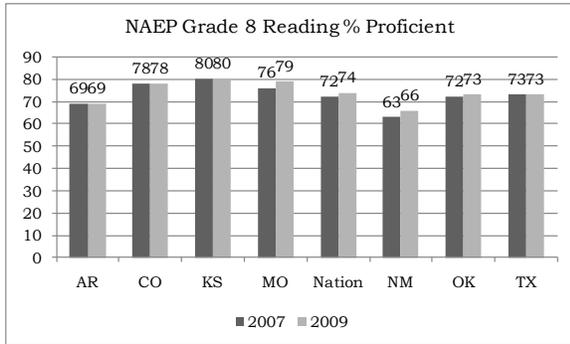
State law provides that teacher consultants may receive an annual stipend of not more than \$500.

Statewide Assessments and Outcomes

The National Assessment of Educational Progress (NAEP) is the only measure of student achievement in the United States that compares the performance of students in one state with the performance of students across other states. NAEP, sponsored by the U.S. Department of Education, has been conducted for over 30 years. The test is not administered to every student in the country. Instead, a sample size of students representing different socioeconomic, racial and ethnic backgrounds is tested in each state. Results are then extrapolated for aggregate state scores.

Reading and writing tests in grades 4 and 8 are administered every other year, with the next administration scheduled for 2009. The following charts are from the National Assessment of Education Progress Report for 2007.





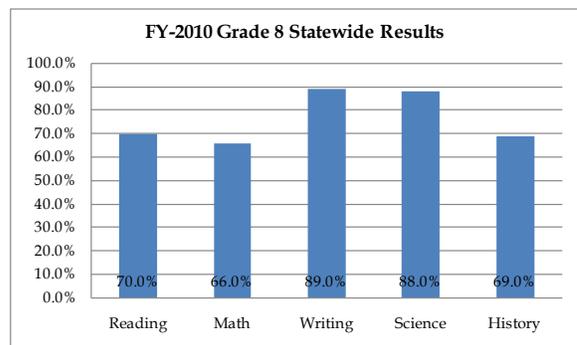
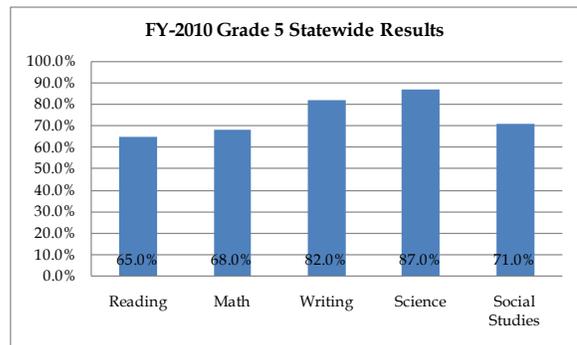
Criterion-Referenced Tests

Criterion-referenced tests measure student performance as compared to the state’s own curriculum standards. In Oklahoma, the two state CRT tests required are the Oklahoma Core Curriculum test administered to children in grades five and eight and the High School End of Instruction tests. All subject areas are tested in grades five and eight, including art. The High School End of Instruction Test is administered to students as they complete English I, English II, US History, Biology I, Algebra I, Geometry and Algebra II.

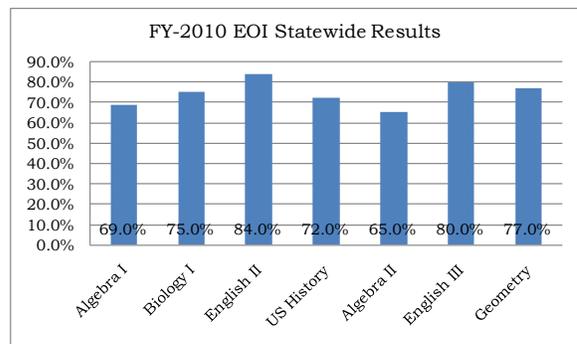
Individual student scores allow educators and parents to track educational achievement over time. These tests are not nationally normed and do not provide a basis for comparing students to their national counterparts.

Oklahoma’s curriculum standards are defined in the Priority Academic Student Skills (PASS). PASS represents the basic skills and knowledge all Oklahoma students are expected to learn in the elementary and secondary grades. State law requires PASS to be re-evaluated every three years. The ACE law in 2005 required EOI tests to be reviewed, revised and

recalibrated; as such, the ACE Algebra 1 scores of 2007 and subsequent years are not comparable to previous year’s scores.

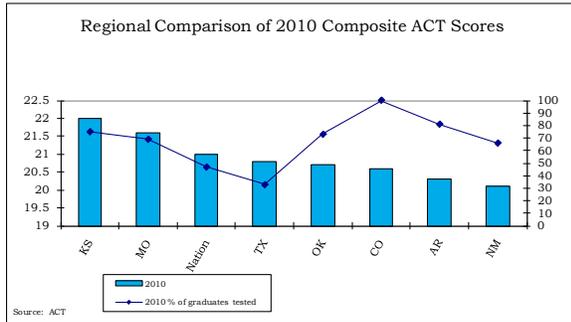


High School End of Instruction Tests (EOIs) were administered for the first time during the 2000-01 school year. Per ACE, students in the class of 2011-2012 will have to score satisfactory or above on English II, Algebra I, and two additional EOIs, or approved alternative tests, in order to receive a high school diploma. Results from the existing and previously administered tests are shown in the charts below.



The ACT Assessment is a national college admission and placement examination.

The exam tests students' subject knowledge of Reading, English, Mathematics and Science. ACT results are accepted by virtually all U.S. colleges and universities and the ACT is the test most often used for admission to Oklahoma public colleges and universities.



Oklahoma ranks 4th in the region with an average ACT score of 20.7; Kansas ranks first with a score of 22. The national average is 21, as seen above.

No Child Left Behind Act (NCLB)

The NCLB Act was signed into law January 8, 2002. It is the latest revision of the 1965 Elementary and Secondary Education Act (ESEA).

The overall purpose of the law is to ensure that each child in America is able to meet the high learning standards of the state where he or she lives. The specific goals of the law, as spelled out in the *Federal Register* issued on March 6, 2002, are:

- All students will reach high standards, at a minimum attaining proficiency or better in reading and mathematics by 2013-2014;
- By 2013-2014, all students will be proficient in reading by the end of the third grade;
- All limited English proficient students will become proficient in English;
- By 2005-2006, all students will be taught by highly qualified teachers;
- All students will be educated in learning environments that are safe, drug free and conducive to learning; and

- All students will graduate from high school.

To help schools and districts meet these goals, the law provides a number of different mandates, incentives and resources. Mandates include:

- Annual testing of all students against state standards in reading, mathematics and science in grades three through eight or at least three times in a student's school career (including once in high school);
- Required participation in "Verification" of each state's assessment system (every other year) by selected districts in the NAEP test;
- Aggregate and disaggregate analysis and reporting of student achievement results by race, ethnicity, special education status and limited English proficiency;
- A state definition and timeline for determining whether a school, district and the state are making "adequate yearly progress" (AYP) toward the goal of 100% of students meeting state standards by the 2013-2014 school year;
- Technical assistance and then sanctions for schools, districts and the state for failure to make AYP;
- Highly qualified teachers in core academic subjects by 2005-2006;
- Highly qualified aides or paraprofessionals;
- Support for students not meeting standards and/or for those who have special needs (e.g., homeless, limited-English-proficiency); and
- The use of "scientifically-based" programs and strategies.

NCLB will provide nearly \$1 billion annually in additional funding over the next five years to help states and districts strengthen K-3 reading programs, before and after-school programs, charter schools, reading readiness for preschool children, teacher professional development and education technology.

In March 2004, Education Commission of the States (ECS) released the ECS Report to the Nation: State Implementation of the No Child Left Behind Act. Only 3 states had met more requirements than Oklahoma – Kentucky, Colorado and Maryland.

State Student Information System

With the passage of the federal “No Child Left Behind Act of 2001”, additional accountability and reporting requirements were added to already growing state-level demands for additional and higher quality education data. During the 2003 legislative session, HB 1646 defined standards for the state student record system being developed by the State Department of Education. The bill also required that all schools in Oklahoma comply with extensible markup language (XML) standards and the most current version of the Schools Interoperability Framework (SIF) specifications.

SB 222, passed in 2009, created the P-20 Data Coordinating Council with the charge to advise education agencies on the coordination of the creation of a unified, longitudinal student data system to provide interoperability and efficient and effective storage, use and sharing of data among the State Department of Education, Oklahoma Department of Career and Technology Education, Oklahoma State Regents for Higher Education, Legislature, other policymakers and executive agencies, and the general public.

The law defines a unified data system, requiring that it have the following components and abilities:

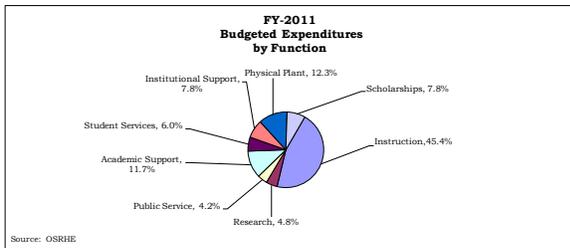
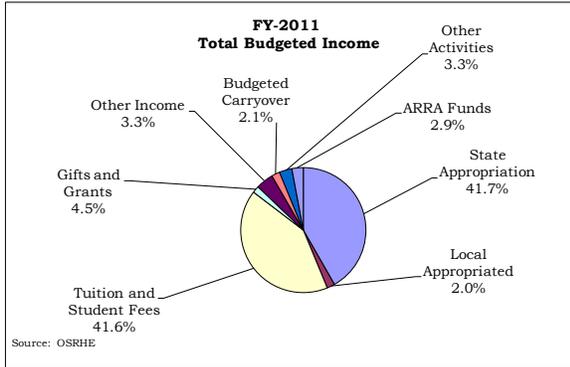
- Connect essential data elements relating to student level course work and course grades;
- Facilitate the transfer of data across systems and among interested parties to address questions that cut across levels of the educational system and agencies;

- Facilitate the addition of data elements relating to testing, instruction and other performance and demographic data; and
- Be accessible to a wide range of stakeholders and serve a variety of purposes, including improving teaching and learning, informing public policy, fostering a culture of evidence-based decision making, conducting research, evaluating system and program effectiveness, and providing reports to various stakeholder groups.

Implementation of a new secure electronic data system will reduce the reporting burden of schools while making more accurate information more readily available for decision-making purposes. This can revolutionize the manner in which student data is collected, managed and analyzed by local school districts and the State Department of Education.

Oklahoma State Regents for Higher Education

FY-2011 Funding and Expenditures for the State Regents for Higher Education is depicted in the following graphs:



Higher Education Initiatives

Brain Gain 2010

The OSRHE are moving aggressively to increase educational attainment in Oklahoma by doubling the expected growth rate of degree holders by 2010. Brain Gain 2010 calls for 28% of Oklahoma's population age 25 and older to hold a bachelor's degree or higher by 2010 and 10% of Oklahoma's population age 25 and older to hold an associates degree. In 2009, 22.7% held a bachelor's degree or higher and 12.9% held an associate degree.

Key Performance Measures

Percent of Population with College Degrees				
Age 25 or Older				
	OK	U.S. Avg.	US 2010 Est	OK Goal
Associate	12.9%	14.5%	n/a	10.0%
Bachelors or higher	22.7%	27.9%	n/a	28.0%
Source: Regents				
Source: U.S. Census Bureau, 2009 American Community Survey				

The Regents' have undertaken a number of initiatives to help students better prepare for college and complete college such as increasing the high school core curricular requirements for college admission from 11 courses to 15 and implementing the Educational Planning and Assessment System (EPAS), which provides 8th and 10th grade students with information about how they are progressing academically in core content areas. Other Programs such as the Oklahoma Higher Learning Access Program (OHLAP), known as Oklahoma's Promise, target students who might not otherwise attend or complete college.

College attendance and completion depend on several factors: the high school to college-going rate, college remediation rates and college retention rates. Studies show the more students need remediation, the less likely they are to complete college. The students that go to college need to be retained in order for the number of college graduates to increase in Oklahoma.

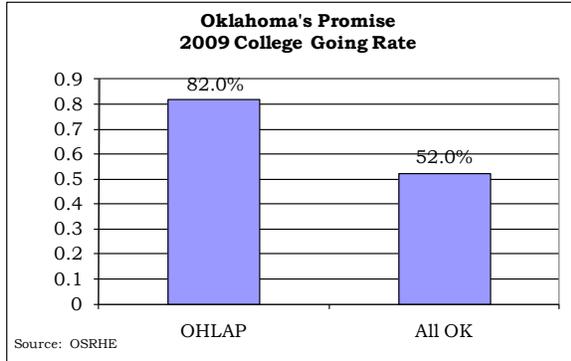
College-going Rate

The percentage of high school students going to college varies considerably across the state.

Key Performance Measures

Oklahoma High School to College-Going Rate					
Directly from High School to College					
	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009
Oklahoma County	59.4%	60.6%	60.0%	58.9%	50.7%
Tulsa County	58.1%	54.5%	49.1%	58.8%	52.3%
Highest county	77.8%	66.7%	69.6%	69.5%	61.5%
Lowest county	30.4%	29.6%	32.6%	30.3%	18.5%
Nation*	68.6%	N/A	N/A	N/A	63.8%
State avg.	58.6%	57.8%	57.4%	58.4%	52.0%
Source: State Regents' High School Indicators Project: High School to College-Going Rates*					

The 2009 college going rate for Oklahoma's Promise students was 82% compared to 52% for the state, as expressed in the following graph.



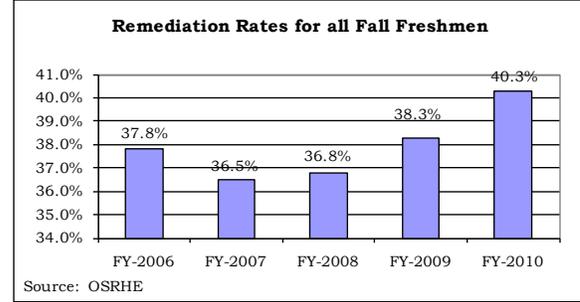
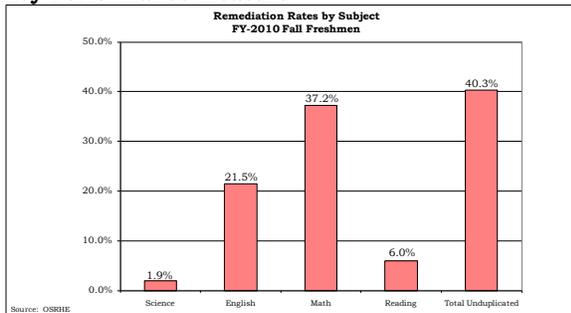
According to the 2000 Census, Oklahoma outpaces the nation in adult learners, ages 25 to 49, enrolled in part time higher education at 3.9% compared to the national average of 2.7%. The economic downturn may contribute to non-traditional students returning to college to increase job skills.

Remediation rate

College graduation rates are also a function of college remediation. A study conducted by the Education Commission of the States concluded students who require more than one remediation class are two times less likely to complete college than those students requiring no remedial courses.

In the fall of 2010, 37.2% of first-time freshmen were enrolled in at least one remedial mathematics course, 21.5% in a remedial English course and 6.0% in a remedial Reading course.

Key Performance Measure

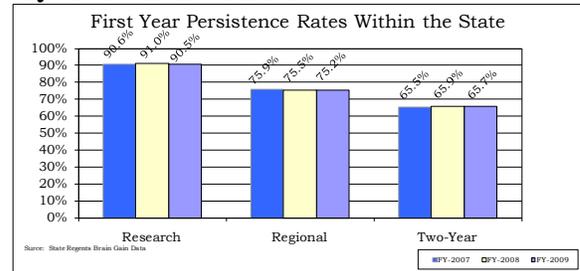


Retention and Graduation rate

College retention rates also play a critical role in college completion. Students need to return for their sophomore year after successful completion of their freshman year.

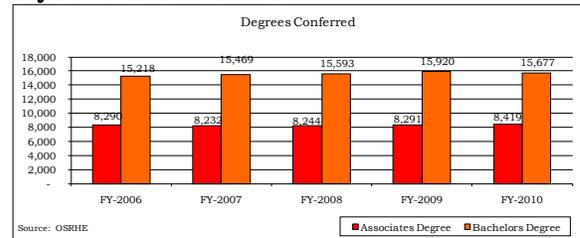
Six-year graduation rates of entering freshmen at the colleges and universities continue to improve; however, Oklahoma lags behind the nation.

Key Performance Measure



Oklahoma graduation rates at the regional and two-year institutions are especially low.

Key Performance Measure



Keeping Oklahoma graduates in Oklahoma and attracting others goes beyond the realm of higher education. It involves complex interactions between quality of life issues as well as income levels and job opportunities.

A higher percentage of graduates who were Oklahoma residents remain in the state one

year after graduation: approximately 88% of bachelor degree holders, 91% of associates and 82% of doctorates. Of the graduates who were non-residents, about 22% are still in Oklahoma five years after graduation.

Scholarships and Grants

Oklahoma Higher Learning Access Program

A 2001 study (Postsecondary Education Opportunity, September 2003) indicated that nationally only 4.5% of dependents in households with family incomes between \$35,000 and \$65,000 per year attain a bachelor’s degree by age 24. Recognizing the need to establish a program focused on this population, the Legislature created the Oklahoma Higher Learning Access Program (OHLAP).

Created in 1992, OHLAP provides academically prepared students in low to moderate income households five years of tuition at any public education institution in Oklahoma or a portion of tuition at any private college in Oklahoma.

In the 2007 Legislative Session, a dedicated revenue source was established for OHLAP to ensure reliable and sufficient funding for future students. The Regents are required to submit a funding estimate for the upcoming fiscal year to the Board of Equalization prior to November 1 of each year. The estimate is removed from the total amount of General Revenue before the official certification is made by the Board of Equalization, reserving the necessary funds for Oklahoma’s Promise to be fulfilled.

The above average college-going rates of Oklahoma’s Promise students indicate that the program is expanding college access to more Oklahoma students

To qualify students must:

- enroll in the 8th, 9th or 10th grade and have a family income below \$50,000/year;
- earn a minimum 2.5 grade point average and take a college preparatory curriculum which includes two years of

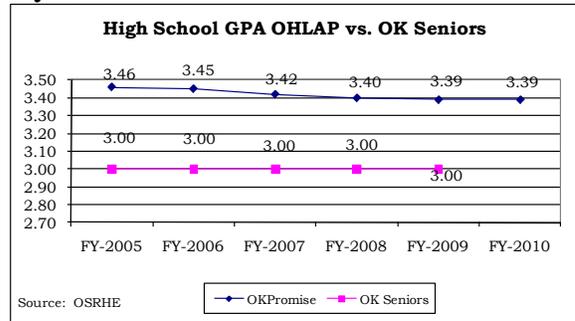
a foreign language or two years of computer science;

- remain drug and alcohol free; and
- not be adjudicated for any criminal offense.

OHLAP Students:

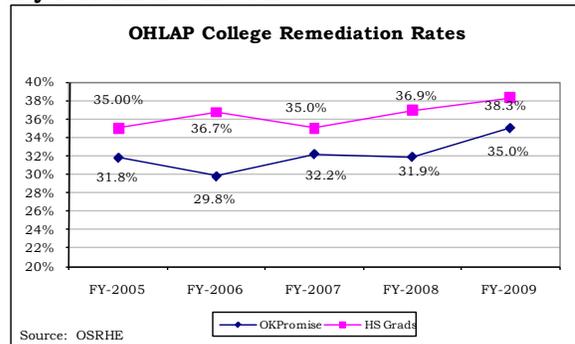
- Earn higher-than-average high school GPA’s;

Key Performance Measure



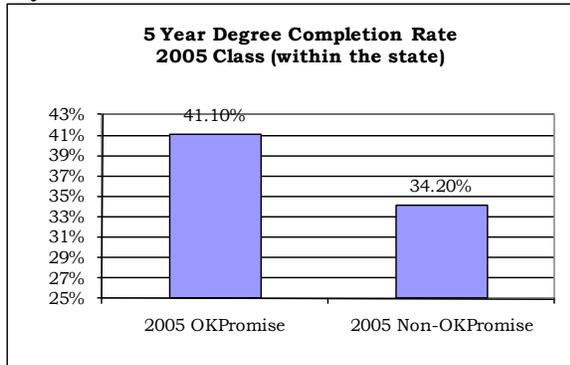
- Earn higher than average ACT scores;
- Have higher college-going rates;
- Require less remediation in college;

Key Performance Measure

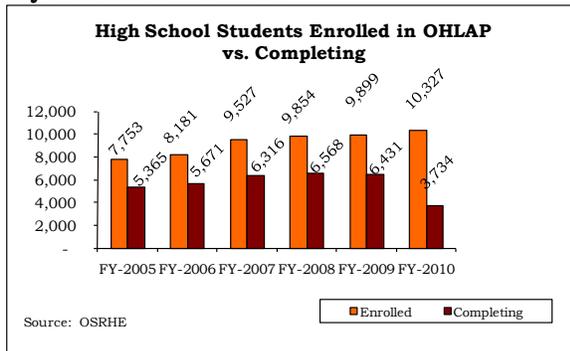


- Enroll full-time in college at higher-than-average rates;
- Persist in college at high rates; and
- Are initially completing college degrees at a higher-than-average rate.

Key Performance Measure



Key Performance Measure



- In FY-2010, 32.6% of students enrolled in Oklahoma’s Promise completed the program.

Academic Scholars

Created in 1988 to encourage the state's and the nation's best students to attend higher education institutions in Oklahoma, this program provides scholarships to students meeting criteria established by the Oklahoma Legislature and the OSRHE.

Students qualify by receiving an official national designation, achieving outstanding ACT or SAT scores or receiving a nomination by a college or university. The amount of the award ranges from \$3,500 per year to \$5,500, according to the type of institution, and includes a tuition waiver. For FY-2010, scholarships in the amount of approximately \$9.3 million were awarded to 2,213 students.

Oklahoma Tuition Aid Grant (OTAG)

This need-based program provides a maximum annual award of 75% of enrollment costs or \$1,000, whichever is

less, to low-income students residing in Oklahoma enrolled full- or part-time in a public higher education institution or career tech school. The criterion to be eligible for OTAG is Expected Family Contribution of no more than \$1,700, as calculated by the Free Application for Federal Student Aid.

For students enrolled in private institutions, the maximum award is \$1,300. For FY-2010, funding was sufficient for an estimated 22,500 awards.

GEAR UP

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is a federal program designed to better prepare middle and high school students for college through mentoring programs and scholarships as well as new academic preparations and awareness programs for students and parents.

This national initiative began in 1998 to encourage more American youth to have high expectations, stay in school, study hard and take the right courses to prepare for college. Nationwide, more than 670 partnerships applied for GEAR UP funds. Oklahoma GEAR UP was one of the 164 successful applicants and was awarded a total of \$25.1 million for six years.

Oklahoma received another six year GEAR UP award on September 1, 2005. The Phase II amount was \$20.6 million over five years and will enable the state to expand the number of districts and students served.

The State Regents GEAR UP project has implemented activities that focus on providing college access information, teacher and counselor professional development, and developing partnerships with local community and faith-based organizations to raise college aspirations. Since the beginning of its current grant, GEAR UP has provided nearly \$1,550,000 in sub grant funding to 47 Oklahoma public school sites and 26 community organizations to help increase the number of low-income students who are prepared to enter and succeed in postsecondary

education. Averages of 90,000 students are served each year.

Since its inception in 1999, Oklahoma GEAR UP has provided sub grants to 191 school districts and school sites. In the 2006-2007 school year, GEAR UP has focused its efforts in 23 school districts to provide comprehensive training opportunities for teachers, counselors and school administrators designed to improve student learning and retention across three areas: curriculum/instruction, guidance and educational leadership.

College Savings Plan

The Oklahoma College Savings Plan offers families the opportunity to plan and save early for higher education expenses. There are several advantages:

- Oklahoma residents are eligible for an annual state income tax deduction of up to \$10,000 per taxpayer and \$20,000 per joint filing taxpayers;
- Earnings are tax free if used for educational purposes; and
- Students may go to the post-secondary institution of their choice in Oklahoma or in other states.

Since its inception in April 2000, over 45,000 Oklahoman’s have opened College Savings Plan accounts totaling over \$405 million in assets.

Tuition

Higher education tuition fees in Oklahoma are among the lowest in the nation even though fees at all levels have increased for the current academic year.

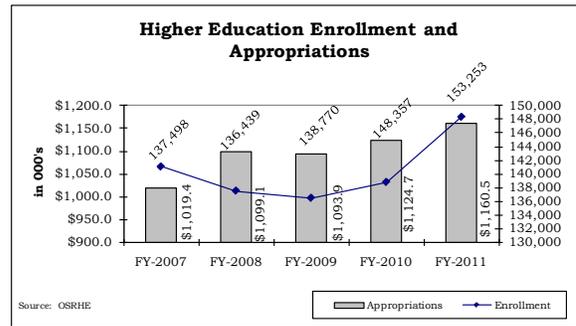
House Bill 1748, passed during the 2003 Legislative session, authorized the State Regents to establish tuition and mandatory fees at the following levels.

Undergraduate tuition and mandatory fees for resident students at comprehensive universities will be at a rate less than the average rate charged at public institutions in the Big Twelve Conference. Tuition and

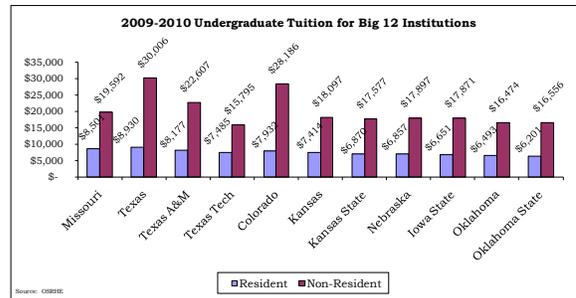
mandatory fees for residents and nonresidents for all degrees and at all other tiers are calculated in a similar manner.

In addition to submitting annual tuition reports, Regents are also required to make a reasonable effort to increase the need-based financial aid available to students proportionate to any increase in tuition.

The following is a chart showing system funding and FTE enrollment history and projections.



The following graph compares resident and nonresident tuition in the Big Twelve Conference. While higher education institutions across the United States increased tuition last year, Oklahoma’s tuition still remains the lowest in the region.



Concurrent Enrollment

In the 2009-2010 academic year, 10,851 high school seniors concurrently enrolled in courses at Oklahoma’s higher education institutions for a total of 49,289 credit hours.

State law provides that a twelfth-grade student enrolled in an accredited high school may be admitted provisionally to a

college or university in the Oklahoma State System of Higher Education. Younger students may be eligible for concurrent enrollment, but there are more stringent provisions. To be eligible, high school seniors must meet the requirements for admission, which are:

- University of Oklahoma - ACT 24 or SAT 1090 or GPA 3.0 and Class Rank in the Top 30%;
- Oklahoma State University - ACT 22 or SAT 1020 or GPA 3.0 and Class Rank in the Top 33.3%;
- Regional Universities - ACT 20 or SAT 940 or GPA 3.0 and Class Rank in the Top 50%; or
- Two-Year Colleges - ACT 19 or SAT 900 or GPA 3.0.

A provision of the Achieving Classroom Excellence (ACE) Act of 2005 addressed concurrent enrollment for high school seniors. ACE provided that a high school senior that meets the criteria for concurrent enrollment may receive a tuition waiver for up to six credit hours per semester.

Endowed Chairs

The Regents' Endowment Program was established by the State Regents in 1988 and codified by the Oklahoma Legislature in 1989 to "improve the overall quality of education and research". The Legislature further directed that endowed chairs and distinguished professorships should be established in academic areas which contribute to the enhancement of the overall cultural, business, scientific, and/or economic development of Oklahoma.

Endowed chairs and professorships must be established in areas for which the institution has ongoing, approved academic programs. Currently, private donations are matched with state appropriations on a one to one basis. This program is doing so well that it is generating private donations faster than available state funds can match them. There are currently \$267.7 million in unmatched private donations.

*Endowed Chairs	
	\$millions
Private contributions	\$ 369.6
Bond Proceed for State Match	\$ 100.0
State matched (appropriations)	\$ 177.7
Total funded	\$ 647.3
Balance of unmatched private contributions	\$ 267.6
Source: Regents	
*data current as of 1/11/11	

OneNet

OneNet is the official information and telecommunications network for education and government and is Oklahoma's primary means of distance learning. It became operational in 1996 and was built on the statewide talkback television system established and operated by the State Regents since 1971.

The system currently provides a border-to-border system, which includes all public colleges and universities, Career Technology Centers and about 70% of all public schools.

OneNet Funding	
FY-2011	
State Appropriations	\$ -
Higher Ed. Institutions User Fees	3,089,398
Federal (E-rate) Reimbursements	4,085,564
OK Universal Service Funds	2,441,998
Customer Revenue (non-E-rate)	3,919,758
Investment Income	200,000
Grants (OUSF, ODL, VISION)	18,045
Tower Lease Revenue	84,491
Administrative Overhead/other	11,196,614
	\$ 25,035,868
Source: OneNet	

Office of Accountability

The Office of Accountability provides narrative and statistical reports regarding the performance of the state's public schools to the people of Oklahoma, as required by the Oklahoma Educational Reform Act and the Oklahoma School Testing Program Act. Reports present

yearly and historical comparisons of public school and school district graduation rates, dropout rates, pupil-teacher ratios, enrollment gain and loss rates, school district finances and test results by grade and subject/section in a socioeconomic context.

The Office of Accountability oversees the Educational Indicators Program. This program has an award-winning track record of providing high-quality reports on school performance at the state, district and school level. In all, more than 100 statistical measures of curriculum, budget, programs, student performance and community characteristics are provided to educational stakeholders. Reports are provided to parents, educators, researchers, grant writers and policy makers. The office has distributed nearly 10 million school report cards to parents over the last 15 years and delivers more than 2 million report card downloads per year from its www.SchoolReportCard.org Web site.

The Office of Accountability also oversees the School Performance Review Program, authorized by legislation passed in 2001. A school performance review evaluates every aspect of school district operation. Districts may request a review or a review may be triggered by a district overspending in the area of Administration, as determined by the State Department of Education. The program's goal is to identify specific ways to reduce costs, enhance efficiency and reallocate savings into the classroom to improve student performance. The law requires that all realized savings to school districts as a result of a review be directed into additional funding of classroom services.

Quartz Mountain

The Quartz Mountain Arts and Conference Center is the chosen destination for various State and private business conferences in addition to being the home of the summer and fall fine arts institutes conducted by the Oklahoma Arts Institute.

Quartz Mountain Arts and Conference Center and Nature Park offers a variety of

recreational options for the resort and park visitor.

The Oklahoma Summer Arts Institute is a two-week residential school providing pre-professional training to Oklahoma's artistically talented students, ages 14-18. Students are chosen through a competitive audition process.

The Oklahoma Fall Arts Institutes are an annual series of four-day workshop retreats for amateur and professional artists, public school teachers and college and university instructors. Anyone age 21 or over is welcome to attend these intensive, hands-on workshops. Class sizes are limited to ensure close working relationships between participants and artists.

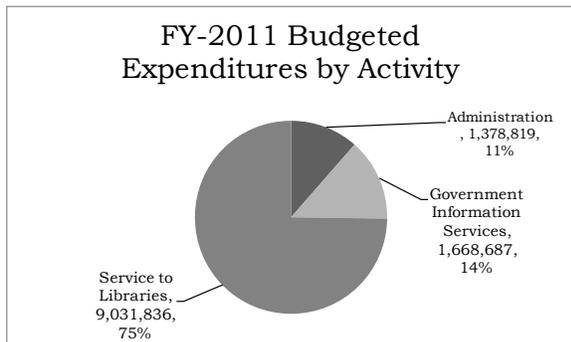
Oklahoma Department of Libraries (ODL)

Mission

The Oklahoma Department of Libraries (ODL) serves the citizens of Oklahoma by providing information services and preserving unique government information resources.

As a comprehensive state library agency, the Oklahoma Department of Libraries provides public library development services to the library community, as well as archives and records management services to the public and state government. The agency also maintains law and legislative reference resources, as well as state and federal government information resources.

Through a combination of traditional print and online web services, the ODL provides convenient public access to state publications and information. The agency also provides access to and retention of state records of temporary and permanent value. Information resources are preserved for future generations. The Department also publishes Oklahoma's official bluebook of state government information, the Oklahoma Almanac. The graph below shows a breakdown of the agency's budgeted expenditures for FY-2011.



Legal and Reference Services

The Jan Eric Cartwright Memorial Library in the State Capitol provides legal and legislative reference services to legislators.

The agency's U.S. Government Information division provides citizens access to federal information in both print and electronic formats.

Services to Local Libraries

Local libraries are served through formulation of standards, consultant services and continuing education for public library staff and trustees. A formal librarian certification program keeps Oklahoma's public librarians up to date with important trends and tools of their profession. Trained staff in public libraries means better service for library users and better management of taxpayers' dollars.

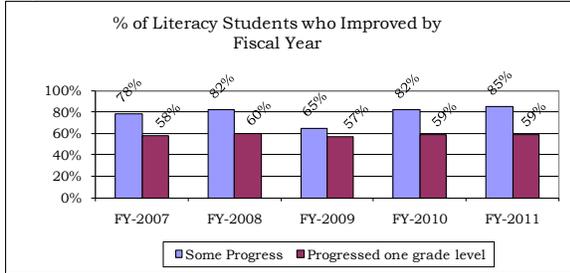
Literacy Program

The agency's literacy program supports local community efforts to increase the basic literacy of Oklahomans through the work of public library and community-based literacy programs. It:

- Provides grants to local communities for literacy programs;
- Coordinates publicity, training and development efforts; and
- Cooperates with other agencies and the private sector in the development of literacy projects.

The Literacy Resource Office works through local libraries using staff and volunteers to work with both children and adults. The graph below shows student improvement by fiscal year.

Key Performance Measure



Children’s summer reading program

The summer reading program is another major impetus which impacts the literacy rate, keeping multitudes of Oklahoma children reading during their vacation months. The centralized coordination of the program also saves local libraries tax dollars, while providing quality materials and programs that would not otherwise be available to many children.

Each year, a significant percent of Oklahoma’s children participate in Summer Reading activities, as shown in the table below.

Key Performance Measure

Summer Reading Program		
	# of children enrolled	% of eligible children enrolled
FY-2003	86,868	25% ¹
FY-2004	97,820	28% ¹
FY-2005	84,250	26% ¹
FY-2006	86,331	27% ¹
FY-2007	87,331	25% ¹
FY-2008	85,810	25% ¹
FY-2009	96,150	28% ¹
FY-2010	140,710	40% ¹
FY-2011 Projected ¹	140,000	40% ¹

Source: Department of Libraries 1/18/2011

Oklahoma School of Science and Mathematics (OSSM)

Mission

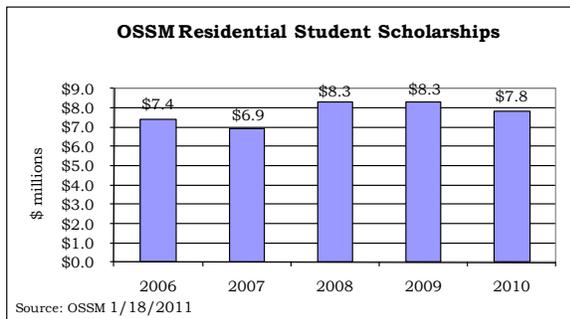
The mission of the Oklahoma School of Science and Mathematics is twofold:

- To foster the educational development of Oklahoma high school students who are academically talented in science and math; and
- To assist in the improvement of science and mathematics education for the state.

The OSSM has two main activities: a residential school, to which 77% of FY-2011 budget expenditures will go, and regional outreach, comprising the remaining 23%.

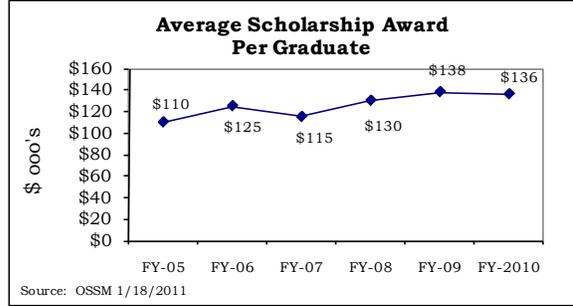
Residential High School

OSSM maintains a tuition-free residential high school for 144 students. Residential students represent the entire state with over half of the enrollment from smaller communities. Students focus on biology, chemistry, physics, computer science, mathematics and the humanities. They excel as measured by college admissions, scholarships and awards each year. All graduating seniors are college bound. The amount of total annual scholarships received by OSSM students is significant, as seen in the graph below.



The scholarship awards per graduate are also impressive, as the following graph indicates.

Key Performance Measure



Twenty-six states have various forms of Math and Science residential programs. However, there are differences such as charging tuition, breadth of subject areas included or concurrent enrollment status with higher education universities. For example, students at the Texas school are on the North Texas State campus and may enroll in college courses.

Maintaining a tuition-free residential high school requires significant investment. The cost per OSSM student is higher than traditional public education for two reasons. First, class sizes are considerably smaller than those of other public schools, thereby increasing the need for teachers and classrooms. Second, the students are not required to pay their educational or residential costs. The following table shows the cost breakdown for the past five fiscal years.

	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010
Educational Cost	\$22,645.00	\$22,761.00	\$22,126.00	\$22,511.00	\$22,091.00
Residential Cost	6,751.00	6,521.00	6,334.00	6,883.00	6,837.00
	\$29,396.00	\$29,282.00	\$28,460.00	\$29,394.00	\$28,928.00

Source: OSSM, 1/18/2011

At OSSM, 17 of 23 instructors and two administrators at the residential site have PhD's. In addition to the regional center program administrator, three of 21 instructors at the regional center sites have their Ph.D.s and four have National Board Certification.

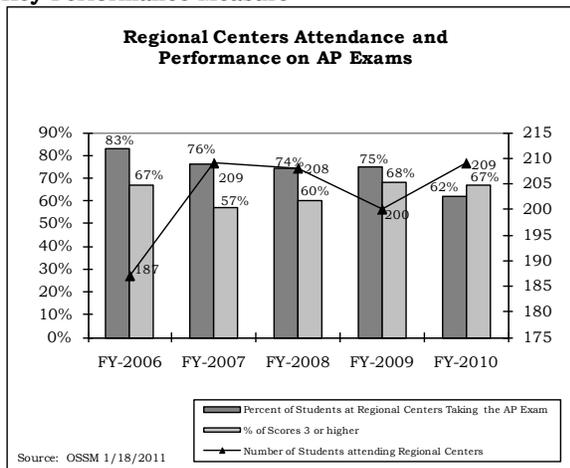
Regional Centers

OSSM also operates regional centers for other students talented in science and mathematics. The regional centers serve students in their local areas. Currently, there are sixteen operational regional center sites with nineteen locations located in Ardmore, Afton, Burns Flat, Chickasha, Drumright, Enid, Fairview-Alva, Muskogee, Ponca City, Poteau, Pryor, Okmulgee, Shawnee, Tahlequah, and Wayne.

These centers use existing facilities and existing transportation systems to serve student populations. The students attend the regional centers one-half of the school day while continuing to attend their local high school for the remainder of the day. Each of the centers serves students from multiple feeder high schools.

In FY-2010, there were 209 students in the regional centers. As evidenced in the graph below, 62% took the AP exams and 67% of the scores were a three or higher (Exams receive a score of 1 to 5; a score of 5 reflects superior knowledge of the subject, and a score of 3 qualifies for college credit.).

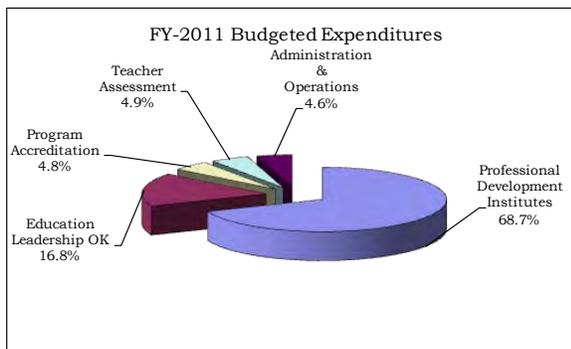
Key Performance Measure



Oklahoma Commission for Teacher Preparation (OCTP)

Mission

The OCTP serves as Oklahoma's independent standards board for teacher education and preparation. This competency-based system of teacher preparation includes an evaluation of teacher education programs, a teacher licensure and certification assessment system and professional development institutes aligned with science-based research. The chart below illustrates OCTP's FY-2011 budgeted expenditures.



Accreditation of Teacher Education Programs

The Commission is responsible for accrediting the state's 22 university teacher education programs. The accreditation process includes the approval of over 250 university offered certification programs (i.e. Elementary Education, Mathematics). The three phases of the accreditation process are:

- Evaluation of each program at an institution to ensure that state and national standards are met;
- Assessment of teacher candidate portfolios; and
- Site visits by trained examiners to institutions to ensure compliance with the standards established by the National Council for Accreditation of Teacher Education.

Teacher Assessment

The OCTP developed and administers a competency-based assessment system for teacher and administrator candidates that test knowledge in three areas: general education/critical thinking skills, professional teaching knowledge and subject area knowledge. Candidates for teacher licensure and certification must successfully complete all three components. OCTP administers over 24,000 teacher certification tests per year: 6 paper-based administrations per year across the state and 6 computer-based administrations per year across the state and country. The exams are also available at bases overseas for military personnel.

The *Certification Examinations for Oklahoma Educators* are reviewed annually and undergo redevelopment and revision as changes occur in national and/or state standards. Since 2001, OCTP has redeveloped/revised/expanded 46 exams and developed 9 new assessments to meet growing demands for new teacher certification fields.

OCTP is committed to ensuring that the tests are rigorous and fulfill their purpose – to ensure that individuals seeking an initial Oklahoma teaching license possess the knowledge and skills needed to teach effectively in Oklahoma public schools.

Professional Development Institutes (PDI's)

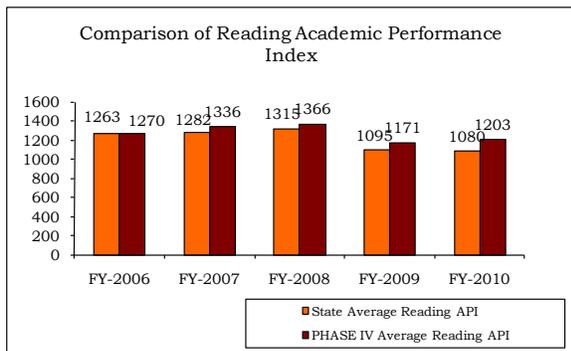
The Commission sponsors professional development institutes in literacy, science, middle school math and mentoring of teachers.

OCTP has contracted with the Oklahoma Technical Assistance Center for an independent and on-going evaluation of each of the Professional Development Institutes. Results of the evaluation are reported to the legislature annually and indicate that quality professional development is making a difference in Oklahoma classrooms.

Literacy PDI

The Reading Sufficiency Act, funded by the Legislature in 1997, provides reading professional development for all elementary teachers and administrators using Literacy First as the model. Student reading achievement is dependent on the knowledge and skills of both the teacher and principal. The scientifically research-based reading elements of phonemic awareness, phonics, vocabulary, fluency and comprehension are the frameworks for the skills and strategies taught. A key to the Literacy First process is assessment driven, systematic explicit instruction in each student’s “zone of proximal development.”

The Literacy First PDI occurs in four Phases. Phases I and II provide 7 days of professional development for teachers. Phase III focuses on literacy and leadership professional development for administrators. Phase IV three year reading reform is a process whereby the school makes a total commitment by including coaching and mentoring for support and follow up. Literacy First has made a difference for many students, teachers, schools and districts across Oklahoma, as evidenced in the table below.



Science PDI

The Science PDI, “Improving Science Across Oklahoma,” assists teachers in improving science instruction by providing intensive training in science content and inquiry processes with follow-up coaching and lesson study. Additionally, it helps teachers improve learning, as shown by increased student science scores. It includes 10 days of professional development for teachers and administrators. Interaction of technology

into the teaching of science and inquiry will create new opportunities for student engagement.

Middle School Math PDI

The math PDI is founded on a three-year systems approach to teaching mathematical concepts, focusing on grades 5 to 8. Connected Math, one of five programs recently recognized by the United States Department of Education as being effective, is the vehicle used in this research-based teacher training. The National Council for the Teaching of Mathematics’ (NCTM) mathematical strands is the core of the content used.

As teaching mathematics requires a special set of skills, teachers are trained in the understanding of mathematics, as well as the application, based on the TIMSS research for successful academic achievement in mathematics.

Mentoring PDI

Oklahoma has had a nationally recognized induction program in place for over 20 years. Realizing that Oklahoma loses 40 to 50% of the State’s teachers during the first five years of the profession, OCTP has developed the Oklahoma Mentoring Network (OMN). The OMN is expanding on Oklahoma’s residency program by developing and piloting a high quality, two-year mentoring program that is consistent, replicable, and sustainable throughout the state. Innovations of this model include a partnership of universities, a state agency, and a teacher organization. The 2007-2008 school year was the first year of the two-year model.

Education Leadership Oklahoma

Education Leadership Oklahoma provides scholarships and training for teachers going through the National Board for Professional Teachers certification process. OCTP provides technical assistance, training and a scholarship of \$2,500 for candidates to pay for the application process, assessment and preparation costs.

Upon successful completion, classroom teachers receive \$5,000 annually for the life

of the certificate. Teachers that earn certification, but do not receive the scholarship, qualify for reimbursement equivalent to the amount of the scholarship.



As indicated above, in FY-2010 there were 2,820 National Board Certified Teachers in Oklahoma, making Oklahoma 9th in the nation in the number of teachers achieving this high honor. A recent study by the National Research Council affirmed that National Board Certification has had a positive impact on student achievement, teacher retention, and professional development.

OCTP provides scholarships and support for teachers electing to go through the National Board process. Since 1997, OCTP has provided professional development and support for 5,954 Oklahoma teachers.

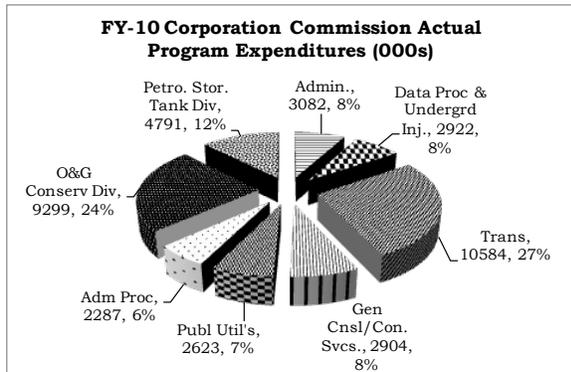
Oklahoma Corporation Commission (OCC)

Mission

The Oklahoma Corporation Commission regulates and enforces laws and activities associated with the exploration and production of oil and gas, public utilities, the safety aspects of motor carrier, rail and pipeline transportation and the storage and dispensing of petroleum-based fuels.

The Commission oversees the conservation of natural resources to avoid waste and protect the environment. The Commission has 3 elected Commissioners.

The Corporation Commission is primarily funded with revolving funds. Of the Commission's FY-2011 budgeted revenue sources, revolving funds are 57% of budgeted revenue. The following is a chart displaying the actual program expenditures of the Commission for FY-2010.



Consumer Services Division

The Consumer Services Division of the OCC is made up of five departments, which serve both regulated industry and Oklahoma consumers.

- Public Utility Complaints answers questions and investigates complaints involving regulated utilities and their customers;
- Technical Services conducts field tests for quality of utility service and industry compliance with OCC rules;

- Oil and Gas assists mineral and royalty owners, surface owners and consumers with their questions about drilling, operating procedures and how to locate well information;
- Mineral Owners Escrow Account (MOEA) keeps records on money owed to unknown or unlocated mineral owners;
- Consumer Education maintains a statewide outreach and community involvement to help inform consumers and industry about the Commission and how it works and how Consumer Services can help Oklahomans.

Oil and Gas Conservation Division

The Oil and Gas Conservation Division provides regulatory oversight for all activities associated with the exploration, production and pipeline transportation of oil and gas in Oklahoma. The Division is organized into three departments: Technical Services, Pollution Abatement and Field Operations. The recent activities of the Division can be found in the following table.

Key Performance Measure

Oil and Gas Conservation Division			
	FY-08	FY-09	FY-10
Intent to Drill applications Filed	5,837	4,561	2,982
Well Plugging Reports	1,699	908	1,582
Well Completions	4,497	4,887	2,822
Gas Well Tests Filed	4,179	3,635	1,919
Tax Incentives Filed	1,936	1,564	1,926
OG Total Applications Filed	18,148	15,555	11,231
Well Site Inspections	45,235	73,661	48,704
NonPollution/Pollution Complaints	1,995	1,740	1,716
Incidents/Inspection Discoveries	1,134	1,070	900
Plugging/Well Test/MIT Fld Witness	2,807	5,138	4,529
OG Total Field Activity	51,171	81,609	55,849

The decrease in oil and gas activities from FY-09 to FY-10 is due to a decline in industry activity, rule changes exempting certain wells from testing, reduction in field staff to perform site inspections, and a transition to a new database system.

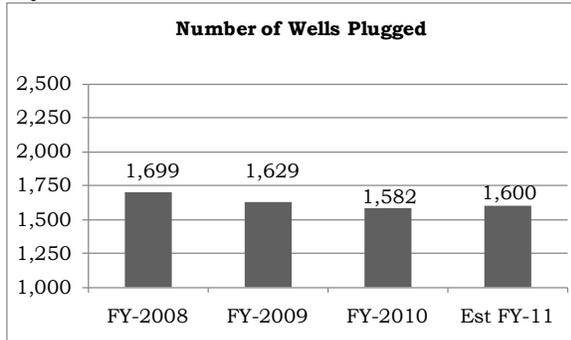
In addition to issuing regulatory permits, the Technical Services department is also the official repository and point of access for all information on oil and gas wells and related activity in Oklahoma.

The Pollution Abatement department protects the surface, surface waters, and ground waters of the state from pollution

attributed to oil and gas activities. If pollution occurs, this department oversees the remediation efforts. The department also administers the Federal Underground Injection Control Class II program mandated under the Federal Safe Drinking Water Act and the Commission's portion of the federally mandated Clean Water Act.

The Field Operations department investigates complaints from the public, witnesses all field tests and operations and provides instructions for well plugging operations. Field Operations personnel investigate and initiate enforcement procedures when appropriate. The following chart shows the progress with plugging wells.

Key Performance Measure

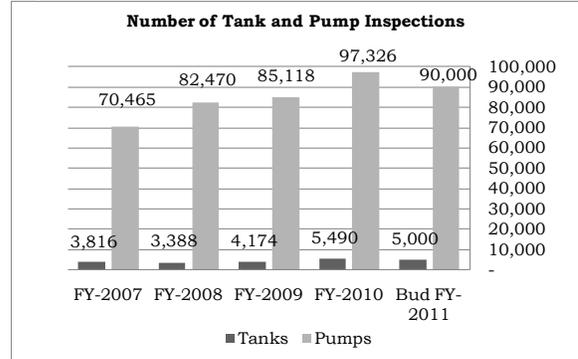


The Oil & Gas Division also works in conjunction with the national Brownfields program to clean up abandoned, polluted industrial sites and return the sites to productive use.

Petroleum Storage Tank Division

The Petroleum Storage Tank Division is responsible for state and federal regulations regarding the storage, quality and delivery of refined petroleum products. The following chart shows the number of pumps and tanks the Division has inspected.

Key Performance Measure



The Division administers the Oklahoma Storage Tank Release Indemnity Fund. The funds are used to remediate contaminated sites and seal leaking tanks. For every gallon of gasoline sold in the state, a one cent fee is assessed to support this fund.

Public Utility Division

The Public Utility Division provides technical support and policy analysis to:

- assure reliable public utility services at the lowest reasonable cost;
- administer and enforce Commission orders concerning public utilities (electric, gas, water, cotton gin and telecommunications service providers); and
- fulfill constitutional and statutory obligations.

The Commission is responsible for developing and presenting objective, independently researched, fact-based findings and recommendations to the Commission.

In FY-2010 the Division was responsible for regulating 529 public utilities.

Transportation Division

The Transportation Division administers licensing and certification of private and for-hire motor carriers and trucks that operate within and through Oklahoma. The Division also enforces federal motor carrier

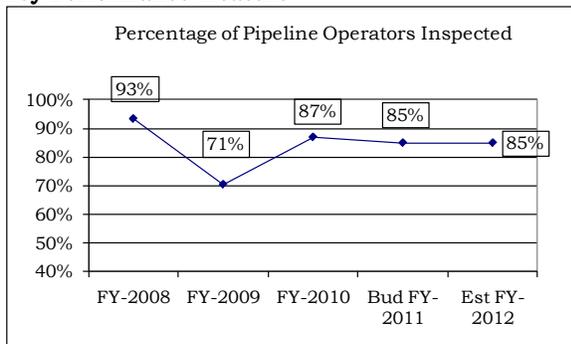
safety standards, some federal and state railroad regulations and pipeline safety regulations.

Oklahoma has more than 7,576 for-hire and private motor carriers licensed to operate in intrastate commerce, 24 railroads that operate in Oklahoma, and almost 40,000 miles of natural gas and hazardous liquid pipeline within the state. The table below documents the recent fiscal year activities and progress made by the Division and the graph shows the percentage of pipeline operators inspected.

Key Performance Measure

Transportation Performance Measures			
	FY08	FY09	FY10
Motor Carrier Licenses/Permits Issued	4,005	3,911	3,950
Unified Carrier Registration applications processed	10,119	7,307	3,461
Insurance Filings Approved	12,064	10,450	10,856
Identification Devices Issued	20,960	21,981	17,213
Letters of notification to Motor Carriers	8,697	8,582	8,034
DOT Numbers Issued	310	234	175
Hazardous Waste Credentials Issued	48	50	68
Deleterious Substance Transport Permits Issued	422	475	393
IRP applications processed	13,067	11,349	11,455
IFTA applications processed	3,906	3,906	3,625
Vehicles Registered	131,444	144,097	131,792
IRP and IFTA audits conducted	305	375	318
Total Applications Activity	205,347	212,717	191,340
Vehicle Checks	193,912	214,084	179,049
Citations Issued	17,656	23,542	19,100
Warnings Issued	1,817	3,186	3,502
Educational Contacts	1,054	809	540
Railroad Complaints/Queries Investigated	276	250	193
Pipeline Gas/Liquid Units Inspected	280	274	280
Pipeline Gas/Liquid Operators Inspected	143	245	220
Total Field Activity	215,138	242,390	202,884

Key Performance Measure

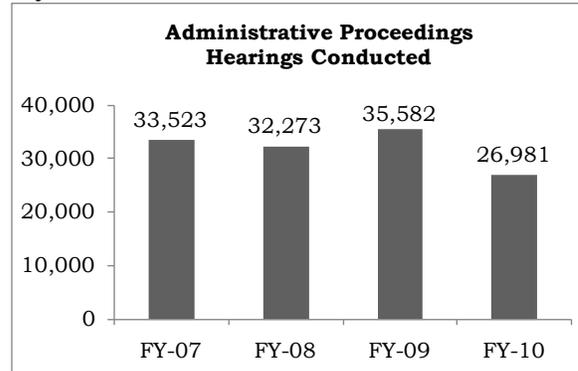


Office of Administrative Proceedings

The Office of Administrative Proceedings is the court division of the Corporation Commission. It includes administrative law judges, legal secretaries, court reporters

and the Court Clerk's Office. Filings are made and hearings are conducted in the Western Regional Office in Oklahoma City and in the Eastern Regional Office in Tulsa. Testimony and evidence may be presented by phone instead of appearing in person before an administrative law judge. In FY-2010, ten full-time administrative law judges, two part-time Administrative law judges and one appellate referee conducted 26,981 hearings.

Key Performance Measure

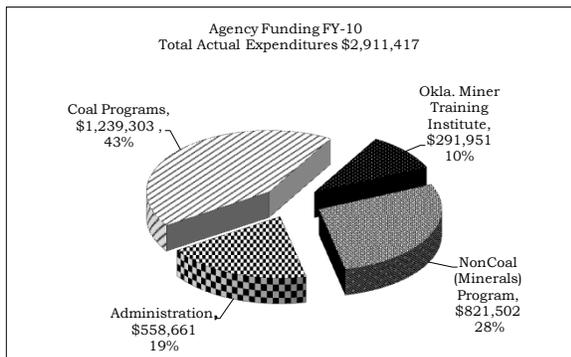


Department of Mines

Mission

The Oklahoma Department of Mines is the regulatory authority for surface and sub-surface mining in Oklahoma. The Department is empowered to implement and enforce state and federally mandated programs in health, safety, mining and land reclamation practices. The agency issues mining permits and performs inspections of all mining and mining-related land reclamation activities in the state.

The Department of Mines relies on state appropriations, federal funds and revolving funds to fund the Department's expenditures. For FY-2010, federal dollars were 39.4% of the Department's total funding of \$2,911,417. The following is a chart displaying the actual program expenditures of the department for FY-2010.



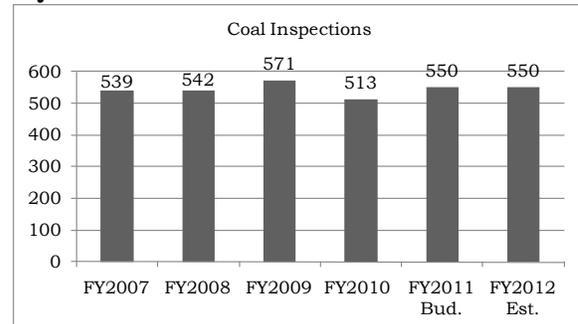
Programs

Coal Division

The Coal Division is essential for the implementation of state and federal laws regarding coal mining. The Coal Division contains three subdivisions: Technical Services, Permitting, and Inspection and Enforcement. Coal mining inspections are conducted to protect the environment, adjacent landowners and the public from the adverse effects of mining operations. Inspections are conducted on a monthly basis. Notices of violation are issued for non-compliance with approved mining permits or regulations. All citizen complaints result in an on-site inspection

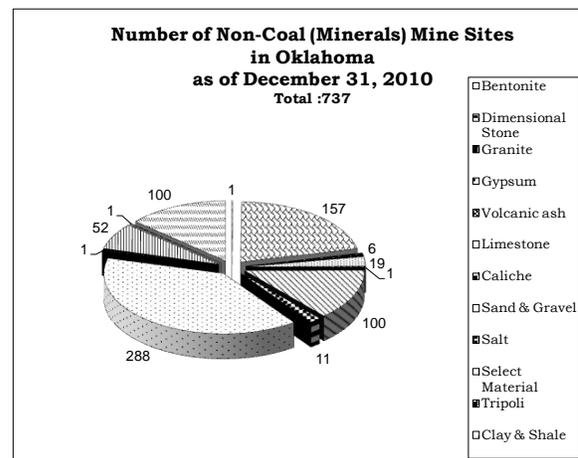
within five days. The following chart shows the total number of coal inspections that the department conducts annually.

Key Performance Measure



Minerals (Non-Coal) Division

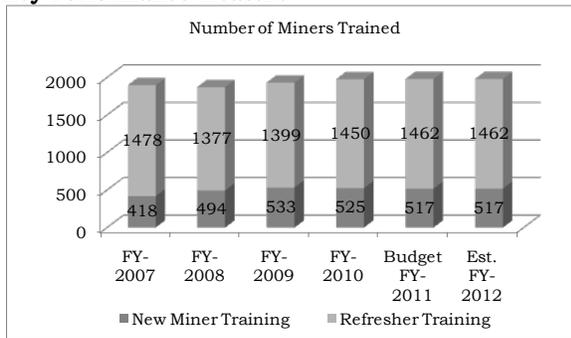
The Minerals Division is responsible for protecting the health and safety of the miners through frequent inspections, protecting the environment of the state through reclamation enforcement, and protecting the life, health, and property of the citizens who are affected by mining and related activities. The Minerals Division includes three separate subdivisions: Non-Coal Mining, Coal Combustion Byproducts (CCB), and Non-Mining Blasting that work simultaneously and in tandem to accomplish the Minerals Division's goals. The following chart indicates the number of Non-coal mining permits by commodity. Following the passage of HB 1281 in FY-2010, the minerals production fees were increased from \$.0075/ton to \$.01/ton, and the monthly inspection frequency was reduced from monthly to six times a year for active sites, and four times a year for inactive sites.



Oklahoma Miner Training

The Oklahoma Miner Training Institute (OMTI), located in Wilburton at Eastern Oklahoma State College, provides free classroom and on-site training for mine operators. Emphasis is placed on meeting the training needs of the mining operations from a statewide four-quadrant approach, reaching all 77 counties with mining operations. Courses delve into such topics as first-aid, mine safety, accident prevention and blasting certification. Miners are required to have training in using explosives and in health and safety. Existing miners and certified supervisors receive annual refresher training here as well.

Key Performance Measure



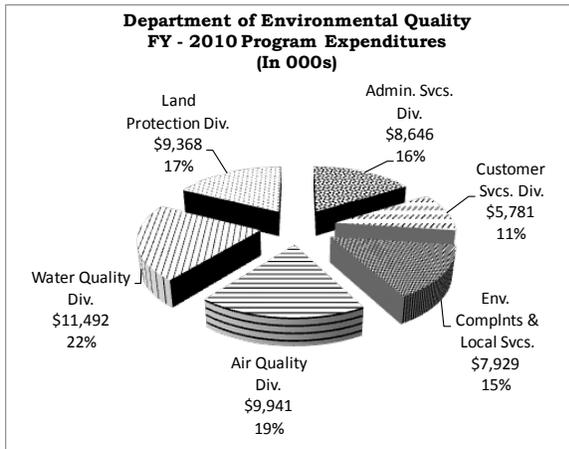
Department of Environmental Quality

Mission

The Department of Environmental Quality (DEQ) is responsible for ensuring compliance with state and federal environmental programs. The DEQ mission focuses on three major areas of responsibility:

- air quality,
- water quality, and
- land protection.

DEQ has three sources of funding: state appropriations, federal funds and revolving funds. Revolving funds are a significant source of funding for DEQ, representing 56.5% of the agency's total budgeted funding for FY-2011. The following chart shows how the disbursement of funds in FY-2010.



Environmental Complaints & Local Services Division

The Environmental Complaints & Local Services (ECLS) Division is primarily responsible for complaint response, media-specific inspections and/or enforcement and response to citizen requests for local services.

In 2010, ECLS was able to eliminate 26 million gallons of improperly treated sewage and 21,312 cubic yards of illegally dumped solid waste from the environment. ECLS

assisted communities across the state with restoration of water and wastewater systems and debris cleanup associated with four natural disasters, including: a tornado, two winter storms, and a flood.

Additionally, ECLS and the Customer Services Division (CSD), in conjunction with the Water Quality Division, provided hands-on compliance assistance to targeted small communities, many of which had longstanding compliance problems with their water and wastewater facilities. Thirty-six communities were identified for this assistance and, in just over a year, thirteen were declared a success.

Customer Services Division

In FY-2010 the Customer Assistance Program provided technical assistance to 20 new industries seeking various environmental permits to operate in Oklahoma.

From 2006 to 2010, CSD provided compliance assistance to small communities, including approximately \$513,000 each year to offset community costs for laboratory analysis in the Public Water Supply (PWS) program. Systems with a population of up to 3,500 benefited from this assistance for routine monitoring. Costly, first-time monitoring for disinfection by-products was fully funded for systems serving populations of less than 10,000.

CSD houses the State Environmental Laboratory (SEL) which provided analytical support for 32,000 bacteriological samples and 21,000 chemical samples for 230,000 different analyses. SEL also provided assistance with sample planning for the agency's programs as well as most PWS systems and other environmental agencies.

The Laboratory Accreditation Program continues to implement national model standards for environmental laboratory accreditation that were developed by The NELAC Institute. Legislation passed in 2010 will allow national recognition of CSD's lab accreditation program.

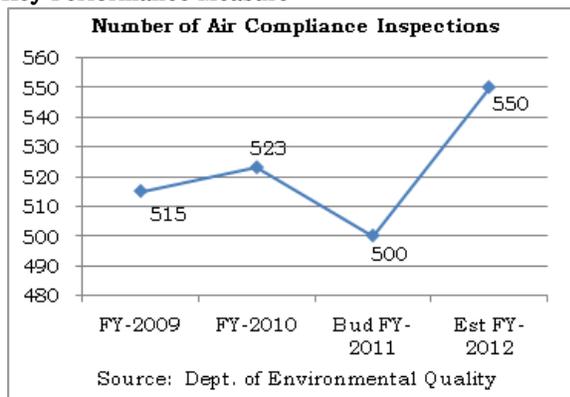
An outbreak of illness among participants in a triathlon at the Oklahoma River led to formation of a workgroup to develop criteria for protection of participants in activities that involve body contact. The criteria were modeled upon those that DEQ recommended for use on the Illinois River. Oklahoma City incorporated these criteria into the use permits granted for activities on the river. The river continues to be studied by Oklahoma agencies, Oklahoma City, and the EPA. Implementation of stormwater protection plans by cities along the river will be needed for long-term improvement of water quality.

CSD is responsible for preparing the agency Continuity of Operations Plan, coordinating emergency responses that involve environmental monitoring, developing a regional laboratory response plan, and safety planning and training for the agency.

Air Quality Division

Air quality attainment is determined by the National Ambient Air Quality Standards (NAAQS) set by the Environmental Protection Agency (EPA) to protect our citizens' health and welfare.

Key Performance Measure



AQD operates a network of 58 monitors at 29 sites across the state to measure concentrations of ozone and other pollutants including carbon monoxide, nitrogen dioxide, sulfur dioxide, particulate matter and lead in the ambient air. Recent revisions for the ambient air quality health-based standard for lead made it ten (10) times more stringent than the previous

standard. This required Oklahoma to place monitors in urban areas and near certain industrial facilities. AQD has added one source monitor and will add sites in Oklahoma City and Tulsa by the end of the year.

The division also operates an aggressive monitoring program for toxic air pollutants to proactively identify areas of potential exposure having adverse public health consequences. The division works with the industry and public to remedy any problems. AQD conducts air sampling in the Oklahoma City and Tulsa areas to determine population exposure to the state's regulated air toxic substances. Monitoring sites are also operational in Pryor and near schools in Midwest City. The toxics program includes sites to monitor for mercury in rainfall and in conjunction with the mercury in fish project to provide trend information on mercury in the environment.

The EPA continues to issue Maximum Achievable Control Technology (MACT) standards to regulate small area sources of air pollution that are normally permit-exempt. It is difficult to estimate the number of sources affected and the effort required implementing the new standards, because these sources are historically unregulated, and not part of any tracking system. Although many of the new standards have only minimal requirements and impose no new emission controls, it may be several years before all of them are fully implemented and their impact is understood. As AQD continues to receive delegation for these standards, the division will determine which of these MACT standards have the greatest impact in Oklahoma and develop outreach programs aimed at the highest priority source categories.

AQD issues construction and operating permits for both major Title V and minor sources after it is determined the source meets applicable rules, emissions limitations and air pollution control requirements. The Division conducts inspections to determine if permitted sources are in compliance with issued

permits and in response to citizens' complaints. DEQ compiles an annual statewide emissions inventory of air pollutants and contaminants from point, area, mobile and natural sources. This inventory is a resource that utilizes previous year's emissions data to evaluate emission trends, which can alert the division to potential air quality issues.

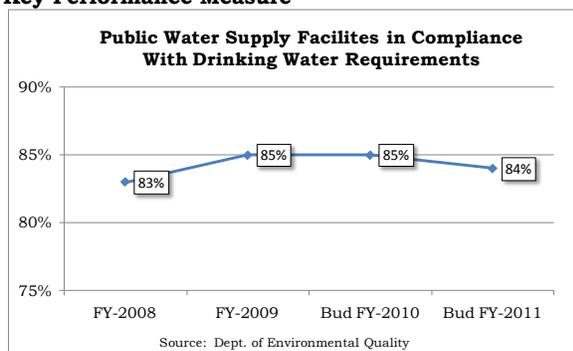
Water Quality Division

The regulation of Oklahoma's water quality is divided into three major areas:

- the control of municipal and industrial wastewater and stormwater;
- the evaluation of attainment of beneficial uses of Oklahoma's water bodies; and
- the monitoring and regulatory management of Public Water Supply systems.

Wastewater and storm water discharge permits are issued to limit the impact of pollutants to waters of the state, which protects the beneficial uses identified in Oklahoma's Water Quality Standards. Total Maximum Daily Load (TMDL) studies are conducted to determine the amount of pollution that a water body can assimilate without violating state water quality standards.

Key Performance Measure



Land Protection Division

The activities of the Land Protection Division (LPD) are focused principally on five broad areas:

- hazardous waste management,

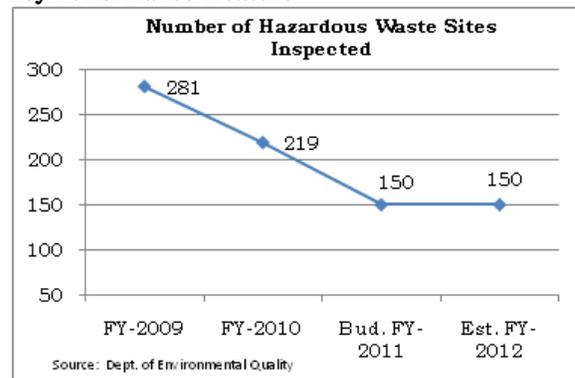
- contaminated site cleanup,
- solid waste management,
- radiation protection, and
- voluntary Clean-up/Brownfields.

Hazardous Waste Management

The hazardous waste management program, operated under delegation of the federal Resource Conservation and Recovery Act (RCRA), issues permits and monitors regulated hazardous waste facilities. The primary funding comes from fees, established by state law, for commercial disposal of hazardous waste at permitted facilities within the state. Other funding is provided through grants from the Environmental Protection Agency (EPA).

The following graph shows the number of hazardous waste inspections completed in previous fiscal years and anticipated in the upcoming fiscal years.

Key Performance Measure



The decrease in inspections from FY-2009 to FY-2010 was due to a special initiative in 2009 to focus inspections on smaller hazardous waste generators that traditionally have not been inspected as often as the state's larger generators. The inspection of smaller generators is less time consuming and resulted in more inspections. The increase in inspections did not find additional adverse environmental impacts and LPD returned to a more routine inspection protocol in the following fiscal years.

Contaminated Site Clean-up

The Site Cleanup Assistance Program was established in 2006 with funding provided

by SB 1366. The intent of the program is to clean up 57 armories that are scheduled to be returned to local communities under the federal Base Realignment and Closure Program. Currently, 18 armories have been completed.

Environmental hazards that have been addressed include: lead contamination, dust and sand from indoor firing ranges, lead-based paint, and asbestos. In addition, three abandoned hazardous waste sites that do not qualify for other programs are under investigation or remediation.

These funds will also provide a long-term revenue source for the required match of Superfund cleanup costs. There are 13 NPL sites in Oklahoma. Of the 13, five have been remediated and removed from the NPL, and three others are completed but have long-term groundwater remediation requirements before removal from NPL. The remaining five sites are undergoing investigation and cleanup. In the Superfund program, Oklahoma is able to leverage 90% federal funding by providing a 10% match for these large-scale site actions.

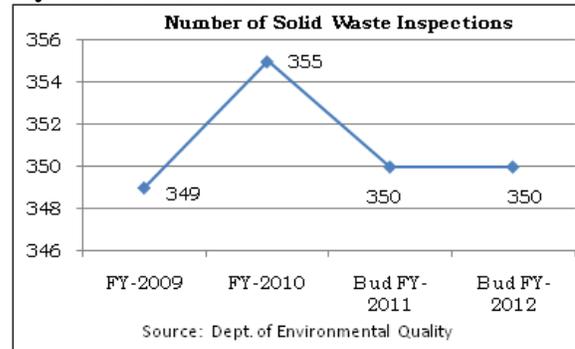
Solid Waste Management

DEQ's solid waste program regulates the generation and disposal of solid waste. DEQ also works in partnership with county and local governments to improve local solid waste infrastructure. Local needs include:

- cleaning of illegal dumps;
- development of convenience centers for bulky waste;
- obtaining equipment for managing disaster debris; and
- increasing recycling.

Where enhancements have been implemented, it has allowed local jurisdictions to take a more holistic approach to the management of wastes. Local governmental assistance includes cleaning trash dumps, recycling (including storm debris management), and land restoration projects.

Key Performance Measure



The LPD also oversees the implementation of the Waste Tire Recycling Act, which involves collection and recycling of roughly three million tires annually. The Act includes requirements for facilities that recycle or burn waste tires for fuel. The Act also includes provisions for the remediation of illegal tire dumps across the state and gives DEQ regulatory authority over tire dealers and tag agents to ensure compliance. LPD increased tire dealer inspections and outreach beginning in 2008, which has resulted in recovery of past due fees and increased compliance with the Act.

Radiation Protection

The LPD is responsible for regulating the safe use of most sources of radiation in the state. Oklahoma is also a major center of well logging. Industrial radiography and well logging are both critical in supporting the petroleum industry. Radiation is also heavily used in medicine; DEQ regulates about 50 medical facilities that use x-ray machines for therapy, and a similar number of facilities that use radioactive material for medical treatment and diagnosis. DEQ also closely monitors Nuclear Regulatory Commission regulation of the cleanup of three contaminated facilities in the state.

In total, LPD oversees about 300 radioactive materials licenses and about 150 industrial and analytical x-ray facilities. DEQ inspectors also investigate complaints from workers or citizens regarding radioactive issues. In emergencies and incidents involving radioactivity, DEQ serves as the state's technical expert, and investigates

events such as lost radioactive sources or personnel overexposures. The Nuclear Regulatory Commission oversees the portion of the LPD's radiation program related to radioactive materials under the Agreement State Program. In early FY-2011, the NRC's routine review of LPD's program found that the program was compatible with NRC requirements to protect public health and safety.

Voluntary Clean-Up/Brownfields

The DEQ's Voluntary Clean-Up/Brownfields program was established to enhance the economic value of sites that formerly went unused due to the stigma and expense of long-term remediation. Under the voluntary program, owners or developers can enter into agreements that streamline the cleanup process without undergoing the lengthy federal process.

Currently, there are 111 sites involved in voluntary cleanup. Fifteen sites were successfully completed in FY-2010, four of which applied for and received Brownfield Certification. Since the inception of the program in 1985, 207 sites have participated in either the Voluntary Cleanup or Brownfields Programs.

American Recovery and Reinvestment Act (ARRA) Funding

National Clean Diesel Program and State Clean Diesel Program

Through ARRA, the DEQ was awarded a National Clean Diesel Funding Assistance Program Grant and a State Clean Diesel Funding Assistance Program Grant to fund retrofit/replacement projects or programs targeting school busses in the potential non-attainment areas in and around Oklahoma City and Tulsa. The total amount of the two grants is \$3,584,672. The purpose of these grants is to reduce diesel emissions and improve air quality.

Lead-Impacted Communities

The "lead-impacted communities" grant relates to the Tar Creek Superfund site in northeast Oklahoma. In 2004, the State of Oklahoma established a local trust, the

Lead Impacted Communities Relocation Assistance (LICRA) Trust, to oversee the relocation of families with children younger than seven years old from the area in and around the towns of Picher and Cardin. The purpose was to protect young children from lead contamination associated with the historic mining activity in the area. This program was expanded in 2006 to offer voluntary relocation assistance to all residents and businesses in the most heavily impacted areas of the Tar Creek Superfund site. The purpose is to relocate citizens from the affected area to eliminate risks to health and safety, including exposure and subsidence risks, and to preserve and create jobs and promote economic recovery. ARRA pass-through funding for this effort totals \$15,760,000. To date, the ARRA funds have paid for approximately 282 buyout participants, including property owners and renters, to relocate from the area. The demolition of the homes will exhaust the remaining funding.

Drinking Water State Revolving Fund (DWSRF)

ARRA provided funding in the amount of \$31,481,000 to further capitalize Oklahoma's Drinking Water State Revolving Loan Fund for the financing of the construction of drinking water facilities and green infrastructure. The primary purpose is investment in infrastructure projects that will provide long-term public health and economic benefit, preserve and create jobs and promote economic recovery.

All of the ARRA funding received by DEQ has been obligated for eligible drinking water-related projects. Oklahoma was one of the first three states in the nation to achieve this milestone.

Brownfields

ARRA monies in the amount of \$1,955,580 were awarded to DEQ's Brownfields Revolving Loan Fund. The purpose of this revolving fund is to encourage and assist in the cleanup of commercial and industrial properties that are idled or underutilized due to the presence of historic contamination, so that the properties are available for redevelopment. Following a

competitive process, DEQ subgranted \$1 million to municipalities and non-profit organizations in early 2011.

Oklahoma Water Resources Board (OWRB)

Mission

The mission of the OWRB is to ensure clean, safe, and reliable water resources for current and future generations of Oklahomans by managing, protecting and improving our prosperity and diverse environmental legacy.

Water Resources Management

The OWRB is statutorily responsible for the long-term planning and management of the State's water resources through a system of water rights allocation, basin-scale water availability and demand studies, maintenance of a statewide comprehensive water plan, and hazard mitigation programs, which includes dam safety, floodplain management, and well drillers licensing. Programs associated with these activities are administered within the Board's Planning and Management Division, in cooperation with various federal and state authorities, advisory councils, and consultants.

To help ensure that water supplies are available to meet future demands, all agency activities are centered on the Oklahoma Comprehensive Water Plan, a dynamic document that is periodically updated and published by the OWRB. The plan identifies water demands over a 50-year planning horizon, potential sources of supply and other options to meet projected demands. Invaluable in producing a scientifically based OCWP, is in-depth hydrologic analyses of the state's groundwater and stream water sources. By expanding the scope of these studies, pertinent water management issues can be addressed. The Plan also presents policy recommendations to guide future water resource management in the state. The ongoing OCWP update, initiated in 2006, will be completed in 2011.

Appropriation of stream water and groundwater in Oklahoma, which is the foundation of the state's water management

activities, is overseen by the OWRB's Permitting Section. Water rights administration consists of legal and technical activities, including application processing and permit issuance, stream water forfeiture analysis, compliance investigation, annual water use reporting, record management, and geospatial mapping.

To establish the quantity of water available for appropriation within the state's stream and groundwater basins, the OWRB's Technical Section, in cooperation with state and federal agencies and universities, conducts large-scale water supply studies.

The Technical Section is continuing work on the Garber-Wellington Water Management Study that will result in a maximum annual yield for the groundwater basin in FY-2012. Stream system hydrologic investigations, which determine how much surface water is available for appropriation in each watershed, are being updated to reflect ten years of additional data.

The Technical Section is also constructing stream water allocation models for the Cache Creek, Beaver Creek, and Canadian River stream systems. These models will provide detailed information on how change in stream flows, particularly during dry years, affects existing permits and potentially impacts with the evaluation of new applications for existing water rights.

In addition, the OWRB collects crucial information on existing surface and groundwater supplies through a multi-faceted monitoring network that provides real-time data to enhance and complement Oklahoma's existing flood forecasting and warning capabilities, guides operation of state lakes and reservoirs, contributes vital information to the state's drought monitoring and response efforts, and facilitates agreement on interstate stream compacts.

Water Quality Programs

The OWRB develops and maintains Oklahoma's Water Quality Standards and routinely collects physical, chemical, and biological data to support water quality management and planning activities. The OWRB directs Oklahoma's Beneficial Use Monitoring Program (BUMP) to document beneficial use impairments, identify impairment sources, detect water quality trends, provide needed information for the Water Quality Standards, and facilitate the prioritization of pollution control activities. This program is designed to monitor ambient water quality of surface water. BUMP collects samples at 96 stream and river sites and samples 127 publicly owned reservoirs every three to four years. This baseline data is essential to make informed and prudent water quality management decisions.

Other water quality monitoring activities provide background data for numerous technical studies, in cooperation with many other state and federal agencies. Monitoring activities include stream gaging, water quality data collection, and biological data collection. Much of the collected data is related to assessing beneficial use support and identifying waters not supporting their uses (i.e., 303(d) list waters). The 303(d) list is a federally mandated list of waters that have threatened or impaired beneficial uses.

Stream water is also monitored by the OWRB for the Grand River Dam Authority (GRDA) to satisfy requirements outlined by the Federal Energy Regulatory Commission (FERC) permitting process for hydroelectric power generation activities.

The OWRB samples approximately 900 groundwater wells to track movement of pollutants from Confined Animal Feeding Operations (CAFO), in support of regulation by the Oklahoma Department of Agriculture, Food and Forestry. In addition, the OWRB conducts a groundwater mass measurement program looking at groundwater quantity on approximately 500 wells to track changes in groundwater levels over time.

The OWRB Lakes and Special Studies Section provides critical information, data, and solutions to repair our State's lakes. Through lake diagnostics and watershed modeling, a lake's primary source of impairment can be identified and mitigation options can be developed. With the OWRB's Bathymetric Mapping Program, water supply storage can be accurately determined. The capacity figures generated in these surveys provide vital data needed for the proper management of the State's water supply. Lake shorelines are actively being restored, which provides wildlife habitat, reduces suspension of sediments and takes up excess nutrients, thereby reducing algal bloom intensity.

Financial Assistance Program

OWRB's Financial Assistance Division (FAD) consists of the following loan programs: Clean Water State Revolving Fund Loan Program (wastewater), Drinking Water State Revolving Fund Program and the State Revenue Bond Loan Program. The OWRB also administers two grant programs, the Emergency Grant Program and the Rural Economic Action Plan (REAP) Grant Program for water and wastewater infrastructure.

From the original \$25 million seed money and additional appropriations, the Financial Assistance Program is now responsible for more than \$2.3 billion in water and wastewater projects in Oklahoma. The projects include construction and improvement of water supplies, storage facilities, pump stations, pipelines and treatment works, and refinancing outstanding loans.

Low interest rates available through FAD loan offerings, in addition to grants, have resulted in an estimated savings of \$853 million to Oklahoma communities and water systems. In addition, loans and grants from the FAD are often used in conjunction with funding from other sources, thus leveraging additional infrastructure dollars. It is estimated that since its inception, the FAD has been directly responsible for the creation of almost 97,000 jobs in Oklahoma. The

OWRB provides approximately 65% of the State's total water/wastewater infrastructure financing needs.

**According to the American Public Works Association, 40,000 jobs are created for every \$1 billion invested in water and wastewater infrastructure construction.*

	Clean Water		Drinking Water		Bond Series	
	No.	Loans	No.	Loans	No.	Loans
FY-99	82	295,432,184	3	9,753,675	207	297,425,000
FY-2000	11	36,211,099	6	19,668,280	8	12,375,000
FY-2001	21	55,350,000	8	18,390,550	21	55,350,000
FY-2002	16	56,976,155	6	28,878,178	22	37,805,000
FY-2003	16	43,580,834	7	7,407,591	23	79,960,000
FY-2004	12	31,182,156	9	74,466,431	22	45,870,000
FY-2005	8	52,659,000	9	29,158,232	5	22,810,000
FY-2006	10	28,570,500	13	99,164,634	9	66,790,000
FY-2007	8	44,581,177	7	19,782,757	2	8,565,000
FY-2008	5	32,210,000	8	46,485,000	1	1,840,000
FY-2009	27	75,133,823	30	174,111,928	2	2,825,000
FY-2010	33	148,460,824	31	179,259,601	4	32,905,000
	Emergency Grants		REAP Programs		Totals	
	No.	Grants	No.	Grants	No.	Total
FY-99	434	24,877,892	159	12,573,467	885	640,062,218
FY-2000	16	1,127,471	73	6,366,648	114	75,748,498
FY-2001	21	1,553,487	54	4,835,947	125	135,479,984
FY-2002	17	1,100,820	45	4,233,643	106	128,993,796
FY-2003	10	549,886	38	3,849,025	94	135,347,336
FY-2004	9	510,776	24	2,237,948	76	154,267,311
FY-2005	6	382,849	30	2,698,562	58	107,708,643
FY-2006	10	589,701	12	1,043,824	54	196,158,659
FY-2007	7	396,810	11	1,048,174	35	74,373,918
FY-2008	10	693,837	26	2,544,728	50	83,773,565
FY-2009	5	378,542	5	472,380	69	252,921,673
FY-2010	9	641,711	15	1,358,219	92	362,625,355

Oklahoma Comprehensive Water Plan (OCWP)

As a culmination of the public input and policy process of updating the Oklahoma Comprehensive Water Plan, a Town Hall meeting, coordinated by the Oklahoma Academy for State Goals, was held in May of 2010. To ensure that all water policy issues are sufficiently addressed, the Oklahoma Water Resources Research Institute (OWRRI) is currently working to synthesize OCWP public input recommendations with those developed during May's Water Town Hall. The Institute is also preparing to host 13 regional meetings to seek input on implementation ideas for final recommendations during FY-2011.

Technical assessments and engineering studies supporting the Water Plan are being accomplished with assistance from various local, state, and federal agencies and

organizations, as well as consultants. Regional and basin-level water resource planning fact sheets, a centerpiece of the Water Plan effort, are currently being developed. Among other benefits, these publications will include detailed information and data to assist public water supply providers in planning for their 50-year future. In conjunction with the OWRRI Regional meetings, the OWRB and CDM will be hosting meetings for water users in each of the 13 regions to seek input and feedback on the water resource planning fact sheets.

American Recovery and Reinvestment Act (ARRA) Funding

Financial Assistance Division

Oklahoma received approximately \$62 Million of stimulus funds for the Clean/Drinking Water State Revolving Fund Programs. To date, \$56 Million of the \$62 Million have been invested in Oklahoma communities saving Oklahomans approximately \$168 Million in interest costs. These funds were leveraged with below market rate loans and provided to 56 Oklahoma entities for wastewater and drinking water infrastructure improvements.

Office of the Secretary of the Environment

The Environmental Mission of the State of Oklahoma, as adopted by the state's environmental agencies, is to protect and enhance Oklahoma's environment and natural resources through preservation, conservation, restoration, education and enforcement in order to maintain and improve the environmental quality and natural beauty of our state and better the standard of living for all Oklahomans. The primary duties assigned to the Secretary of Environment are found in Oklahoma Statutes at 27A O.S. 1-2-101.

The Secretary of Environment has the following four responsibilities:

1. Any duties and powers assigned by the Governor;

2. Recipient and administrator of Federal Clean Water Act funds;
3. Coordinate pollution control activities of the state to avoid duplication of effort; and
4. Act on behalf of the public as trustee for natural resources.

Federal funding is delivered to the Secretary of Environment from the U.S.

Environmental Protection Agency through four distinct grant programs that are defined by the section of the Clean Water Act in which each is established.

- Section 104(b)(3) Wetlands – funds critical work to identify and restore wetlands
- Section 106 – funds critical water pollution control programs
- Section 319 – funds projects to improve water quality from polluted runoff
- Section 604(b) – funds state and regional water pollution control efforts

Each grant program has its own priorities, guidance, and funding cycles. Funds have also been allocated by section 104(b)(3) of the Clean Water Act that provided funding for the Clean Lakes program and were distributed to the Oklahoma Water Resources Board. Most recently, additional funding was provided via Section 604(b) from the American Recovery and Reinvestment Act of 2009.

Department of Wildlife Conservation

Mission

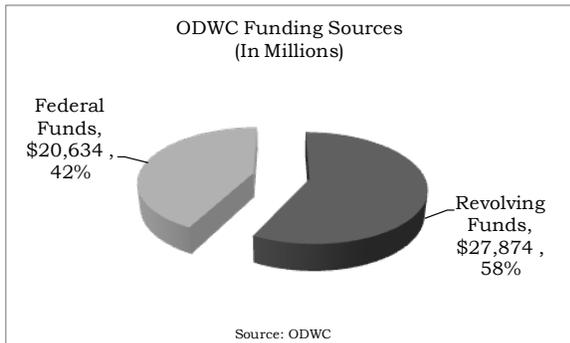
The Oklahoma Department of Wildlife Conservation (ODWC) is responsible for managing the wildlife and habitat of Oklahoma to provide scientific, educational, aesthetic, economic and recreational benefits for hunters, anglers and others who appreciate wildlife throughout the state.

In FY-2011, ODWC reported \$48.5 million in total receipts, primarily from sales of licenses and federal payments.

Federal payments are derived from federal excise taxes on guns and ammunition. States that provide all hunting license revenue for wildlife management receive allocations through a formula based on the state's land area, population and the number of hunting licenses.

More than 60 types of hunting and fishing licenses are sold by ODWC through 900 license dealers. All license revenue, except lifetime license revenue, is used for operations of ODWC.

The Department of Wildlife Conservation is a non-appropriated agency. The Department's two sources of funding are revolving funds and federal funds.



Hunting & Fishing Licenses

The Department of Wildlife Conservation is funded by license fees and federal funds. Revenues generated from the sale of hunting and fishing licenses totaled \$19.3 million in 2010. \$2.3 million of the revenue generated was through the sale of lifetime licenses in FY-2010, which is placed in a trust fund. The interest and investment earnings from the lifetime trust fund may be expended for operations.

Number of Hunting & Fishing Licenses Sold					
	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010
Hunting	316,080	322,710	326,437	391,394	301,025
Fishing	376,467	382,212	377,079	414,009	374,269
Combination	36,320	36,180	37,282	36,719	32,400
Other License	371,356	377,368	406,389	470,276	449,020
Total	1,100,223	1,118,470	1,147,187	1,312,398	1,156,714

Source: Department of Wildlife Conservation

Wildlife Management

ODWC manages the wildlife and 1.4 million acres (3.6 % of total state acreage) of public wildlife preserves. Private landowners (including farmers and ranchers) own most of the wildlife habitat and often suffer decreased income from their crops and grasslands as a result of foraging, or use as habitat by wildlife. The opportunities for hunting wildlife on these habitats decline as landowners use the land for agricultural and other revenue producing purposes.

Fee hunting, where hunters pay a fee to hunt on private lands, has shown there is a demand for higher quality hunts. It is important to encourage private landowners to provide quality habitat for wildlife.

State Auditor and Inspector

Required Audits

The Constitution (Article VI, Section 19) and/or statutes require the Auditor and Inspector (A&I) to audit the following entities:

- State and County Treasurers twice each year;
- Each Emergency Medical Services District;
- All 77 Counties including all Commissioners, Assessors, Clerks and Court Clerks
- County Solid Waste Management Operations;
- State Officers who Collect Money;
- District Attorneys and District Attorneys Council;
- Department of Corrections; and
- OSEEGIB (contracted out).

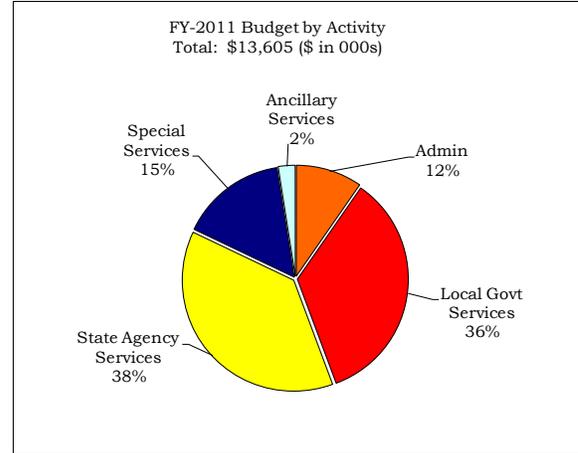
The Auditor and Inspector's Office is generally responsible for auditing all state agencies unless an agency has specific legislative authority to contract its audit outside (e.g. Higher Ed., trust authorities, and Commerce).

The table below shows the number of audits issued and the number of inquiries received and resolved. Inquiries are calls from Oklahoma citizens regarding questions or complaints about state and or local financing issues.

Audits Released	
FY-2009	364
FY-2010	319

Source: State Auditor & Inspector

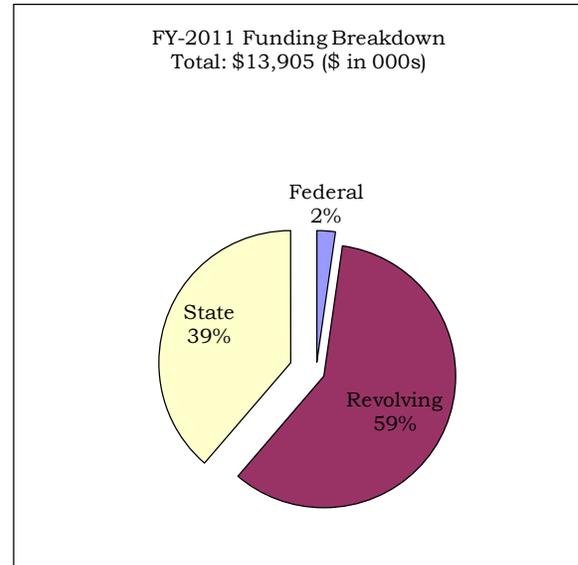
The graph below shows the FY-2011 Budget for the State Auditor and Inspector. The total budget is \$13.3 million.



Source: State Auditor and Inspector

Funding Sources

The Auditor and Inspector's budget is funded in large part from monies collected for audit services provided. The graph below shows the Auditor and Inspector's budget by fund for FY-10.



Source: State Auditor and Inspector

Financial Audits

The State Auditor's Office (SA&I) conducts financial audits, federal compliance audits, and attestation services in accordance with *Government Auditing Standards*. SA&I provides other audit services on governmental entities upon authorized requests.

One of the primary projects is the State's Single Audit. This audit covers the

operations of all state agencies, boards and commissions and is conducted in accordance with Office of Management and Budget A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Single Audit is a combination of two separate, yet interrelated, audits with one being the audit of the State's Comprehensive Annual Financial Report (CAFR). The second portion of the Single Audit covers federal funds expended by state agencies and their compliance with applicable laws and regulations.

with agency rules for eligibility and claims, and Investigative Audits.

Performance Audits

Performance audits provide information to improve operations, and aid those responsible for initiating corrective action. 74 O.S. § 213.2 authorizes the State Auditor and Inspector to conduct a performance audit on any public officer, institution or other governmental entity upon the written request of the Governor, the chief executive officer of a governmental entity or pursuant to a concurrent resolution of the Legislature.

The most common types of performance audits performed by the Division include economy and efficiency audits (determine whether an entity is acquiring, protecting and using its resources in the most productive manner), program effectiveness audits (address and measure the extent to which a program is achieving its goals and objectives), and compliance audits (relates to compliance criteria established by laws, regulations, and contract provisions).

Specialized Audits

Specialized Audits conducted by the State Auditor and Inspector consist of the following:

- Minerals Management Audits of oil and gas royalty paid on federal land located in the State;
- Horse Racing Audits of the pari-mutuel betting systems at the race tracks; Gaming Audits of the slot accounting systems of the racinos in the State;
- Oklahoma State Education and Employees Group Insurance Board Audits which are audits of compliance

Banking Department

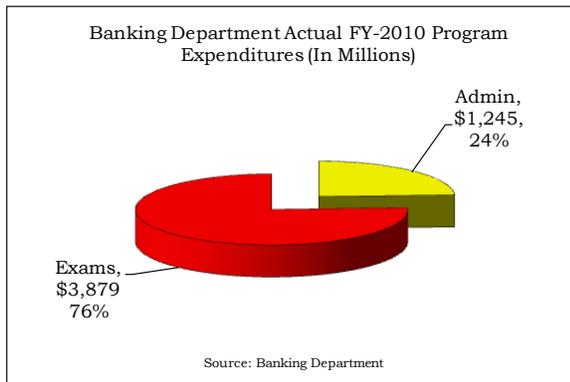
Mission

The State Banking Department preserves and promotes sound, constructive competition among financial institutions and ensures the security of deposits. It regulates State-chartered/licensed:

- Banks,
- Savings and loan associations,
- Credit unions,
- Trust companies,
- Money Order Companies, and
- Money Transmitter Companies.

The Conference of State Bank Supervisors (CSBS) accredits the Department. The CSBS evaluates the Department in the areas of administration and finance, personnel, training, examination, supervision and legislation.

The Banking Department has two activities, administration and examinations. The majority of expenditures are devoted to bank examinations. During FY-2010, examinations accounted for 76% of the Department's total expenditures.



State Chartered Banks

There are approximately 173 state chartered banks in Oklahoma. The Banking Department views the growth of the state chartered banking system as something positive for Oklahoma because state charters better fit the economic needs of smaller banking institutions. For example, a state chartered bank can lend

30% of its capital assets, whereas a national chartered bank can only lend 15%. State chartered banks are also able to deal with in-state banking officials who are familiar with their local circumstances.

End of Calendar Year	Number of Banks
2004	185
2005	185
2006	185
2007	177
2008	178
2009	174
2010	173

Source: Banking Department

State Chartered Credit Unions

The Banking Department regulates approximately 21 state chartered credit unions in Oklahoma. State chartered credit unions are allowed larger fields of membership than federal credit unions. Therefore, while the number of state chartered credit unions should remain about the same, we should see an increase in assets for state chartered credit unions.

End of Calendar Year	Number of Banks
2006	26
2007	24
2008	24
2009	21
2010	21

Source: Banking Department

Revenue From Banks and Other Regulated Entities

Banks pay assessments based on a percentage rate of the bank's total assets. The Department deposits 10% of Bank and Credit Union assessments into the General Revenue Fund and the remainder directly into agency revolving funds. The Department deposited \$619,146 into the General Revenue Fund for FY-2010 and

estimates they will deposit \$620,000 in FY-2011.

Office of the State Bond Advisor

Mission

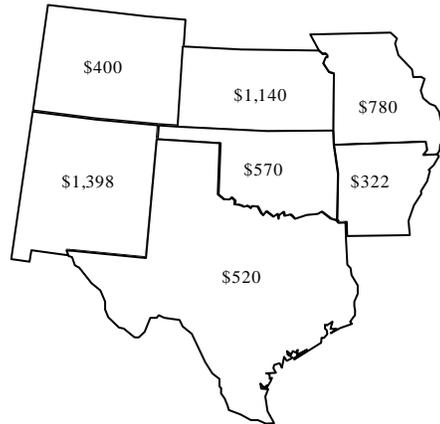
The Office of the State bond Advisor serves as staff to the Council of bond Oversight and provides advice and assistance to the Governor and Legislature on matters relating to capital planning, debt issuance, and debt management. The office also serves as staff to the Long-Range Capital Planning Commission (LRCPC) and administers the Private Activity Bond Allocation Act.

Among the State Bond Advisor’s other responsibilities are:

- reviewing all requests for proposals prior to their circulation;
- decreasing and maintaining relations with the bond rating agencies and credit enhancers,
- approving fees and expenses paid to professional service providers in connection with each State debt issuance and,
- staffing the Long-Range Capital Planning Commission

Although the use of tax-supported debt (appropriation-backed obligations) has increased in recent years, the state has a very modest debt burden when compared to other states. The maps below show the tax-supported debt per capita for Oklahoma and its bordering states.

Net Tax -Supported Debt per Capita as of May 2010



Oklahoma ranks in the bottom 13 among all states with a net tax-supported debt per capital of \$570. The national average is \$1,297.

General Obligation Debt	261,745
OCIA Lease Revenue Bonds	1,336,035
ODFA Master Lease Program-Personal Property	157,280
ODFA Master Lease Program-Real Property	200,780
ODFA Lease Revenue Bonds	228,674
Direct college Lease Purchase Debt	10,985
<u>Lease Purchase Debt Privately Sold</u>	<u>11,493</u>
Total Gross Tax-Supported Debt	2,206,992
Less: Self-Supported bonds	123,343
Total Net Tax-Supported Debt	2,083,649

Source: State Bond Advisor, "2010 Annual Report"

The state continues to provide for the rapid repayment of its outstanding obligations. Virtually all of the lease-purchase financings executed by agencies and authorities are repaid in five to ten years. Of all tax-backed debt, more than 88% is retired within 20 years and 98% is paid off in less than 25 years.

Net tax-supported debt per capita	\$570
Tax-supported debt service as percent of General Revenue Fund appropriations	3.53%
Per capita debt as percent of 2009 per capita personal income	1.60%

Capital Improvement Authority

Mission

The Oklahoma Capitol Improvement Authority (OCIA) is primarily responsible for acquiring and maintaining buildings for other state agencies. OCIA also issues bonds to obtain buildings when authorized by the Legislature.

Participating agencies make lease payments from their appropriations to the OCIA. The OCIA then makes debt service payments through a Trustee/Paying Agent to the bondholders.

Outstanding Issues

As of December 31, 2010, OCIA claimed 28 series of outstanding obligations. The total outstanding principal amount of these obligations was \$1.3 billion. The following table lists OCIA obligations authorized and issued in Calendar Year 2010.

Obligations Issued	Amount
Regents for Higher Education	\$132,075,000
Regents for Higher Education	\$87,260,000
Regents for Higher Education	\$30,105,000
Department of Transportation	\$110,565,000
Department of Transportation	\$92,075,000
Total	\$452,080,000

General Obligation Bonds

There are two types of general obligation bonds issued by the State. The first are government-purpose issues to fund legislatively identified capital projects. All of these bonds are secured by the cigarette tax revenue initially and, ultimately, by the full faith and credit of the state. The general obligation bonds are set to retire in 2018.

In 2005, the state paid the remaining debt on the General Obligation Bond Series 2003B of \$7.1 million. There is no debt service for FY-2011, except to be paid from

amounts provided by the partial advance-refunding bonds.

The second type of general obligation bonds are issued by the Oklahoma Industrial Finance Authority (OIFA) to fund industrial loans, and are secured initially by loan repayments from the private-sector industrial borrowers and then by OIFA reserves. As of December 31, 2010, there were 11 series of these bonds with a total principal amount outstanding at that date of \$47,450,000.

Industrial Loans (\$ in 000s)		
Obligations Issued	Amount	Annual Debt Service
Endowed Chairs	\$132,075	6,000 then 11,500
State Facilities Series 2010A/B	\$117,365	\$0 in FY-11 \$22,000 in FY-12
State Highway Cap Improvement Series 2010 A/B	\$202,640	\$8,000

CompSource Oklahoma

Mission

CompSource's mission is to partner with all Oklahoma employers as the source for their workers' compensation needs. The purpose of CompSource is to furnish Oklahoma employers with a stable market for workers' compensation insurance while delivering the highest quality service to policyholders and providing the necessary benefits and assistance to injured workers. CompSource provides coverage to employers of any size who are unable to obtain coverage from the private market. The Oklahoma Legislature created CompSource in 1933. The Legislature's intent in creating CompSource (then known as the State Insurance Fund) is for CompSource to be self sufficient.

Agency Services

CompSource provides competitively priced workers' compensation insurance to state agencies and businesses operating in Oklahoma by maintaining moderate growth in operating costs, and by returning investment earnings to policyholders through stabilized rates and dividends. CompSource assists policyholders in achieving the highest possible safety records in their place of business by providing trained safety personnel to perform safety inspections and training, thus helping to control the number of new claims. Currently,

CompSource is the largest workers' compensation insurance carrier in the state, serving more than 28,000 businesses and government agencies by providing coverage benefits for thousands of Oklahoma employees.

Historically, the insurance market has been cyclical. CompSource has experienced an increase in written premiums in recent years due to increasing acquisition costs of workers' compensation insurance. Benefits of workers' compensation insurance to injured employees and employers include:

- Injured employees receive compensation when unable to work;
- Medical bills from job related injuries are paid with no deductible;
- Employers potentially avoid general tort liability for workplace injuries; and
- Programs encouraging injured workers to return to work as soon as possible.

CompSource provides stability to the state's economy because it provides a source of workers' compensation insurance coverage to businesses that may not otherwise be able to obtain coverage through the private market.

Commission on Consumer Credit

Mission

The Commission on Consumer Credit protects consumer buyers, lessees, and borrowers against unfair practices, and regulates consumer credit transactions and related activities in the state of Oklahoma.

- 981 Supervised Lenders
- 355 Deferred Deposit Lenders
- 298 Pawnbrokers
- 130 Rent-to-Own Dealers
- 78 Precious Metals and Gem Dealers
- 50 Precious Metals Employees
- 144 Health Spas
- 13 Credit Service Organizations
- 1,567 Mortgage Loan Originators
- 511 Mortgage Brokers
- 2,226 Notification Permits

Licenses

Supervised Lender: This license allows a lender, as a business, to make or take assignment of supervised loans from other Consumer Credit organizations.

Deferred Deposit Lender: This license allows a 12 to 45 day loan up to \$500 by accepting a dated instrument and agreeing to hold the instrument for a period of time.

Pawnbroker: This license allows a business to take goods of value on receipt from the public, and makes loans against them as security. The goods are then held for a fixed length of time for the buyer to repurchase, or they may be sold outright.

Rent to Own: This license allows a business to contract with individuals to provide the use of personal property for personal, family or household use in return for compensation. The initial period of agreement is four months or less; renewal is allowed with each payment thereafter. The renewal with additional payments allows the consumer to become the owner of the property.

Precious Metals and Gem Dealer: This license allows a business, which has a permanent location in Oklahoma, to take, receive, or transfer USED precious metals or gems in the course of business. The licensee can conduct business only at the location listed on the license.

Precious Metals Employee: This license allows a person to work for a dealer, whether or not the person is in the direct employment of the dealer, in handling used precious metals or gems for the dealer.

Health Spa: This license allows any person, firm, corporation, organization, club, or association to engage in the sale of the right or privilege, to provide physical exercise programs through the use of exercise equipment or devices.

Credit Service Organization: This license allows a business to work with individuals to improve their credit history, record or rating, or to obtain an extension of credit. The business may also provide advice or assistance with regard to credit issues.

Mortgage Broker: This license allows a broker or lender who for compensation or gain, or in the expectation of compensation or gain, takes a residential mortgage loan application or offers, negotiates or modifies the terms of a residential mortgage loan.

Mortgage Loan Originator: This license allows an individual who for compensation or gain, or in the expectation of compensation or gain, takes a residential mortgage loan application or offers, negotiates or modifies the terms of a residential mortgage loan.

Notification: This license allows an individual or business to engage in consumer credit sales, consumer leases or consumer loans, other than supervised loans, or persons with an office or place of business in Oklahoma that take assignments of and undertake direct collection of payments from or enforcement of rights against debtors arising from

consumer credit sales, consumer leases or non-supervised consumer loans.

History

The Department of Consumer Credit is a state regulatory agency created in 1969 to regulate the consumer lending business in Oklahoma through the Uniform Consumer Credit Code. The Code represented the first body of law in Oklahoma comprehensively regulating non-commercial credit, small loans, installment sales and usury. Oklahoma was one of the first states in the nation to adopt a unified code in this field.

Over the years, the Oklahoma Legislature has given the following additional duties to the Department:

Oklahoma Pawnshop Act	1972	Title 59 §1501-1515
Precious Metal & Gem Dealer Licensing Act	1981	Title 59 §1521-1532
Credit Services Organization Act	1987	Title 24 §131-148
Oklahoma Health Spa Act	1987	Title 59 §2000-2012
Rental-Purchase Act	1988	Title 59 §1950-1957
Deferred Deposit Lender Act	2003	Title 59 §3101-3119
Oklahoma Secure and Fair Enforcement for Mortgage Licensing Act	2009	Title 59 §2095-2095.26

The rules of the Administrator of the Department promulgated pursuant to the above referenced Code and Acts are codified in the Oklahoma Administrative Code at Title 160.

Duties / Responsibilities

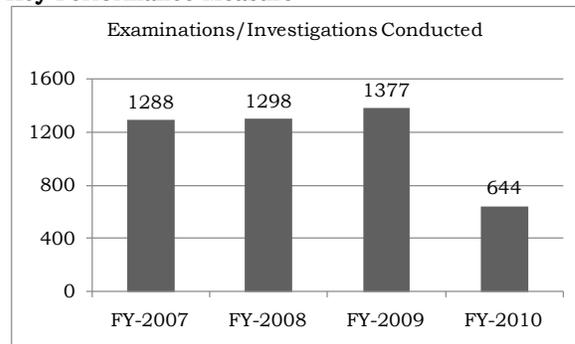
The Department is charged with the responsibility of administering the Uniform Consumer Credit Code, which includes provisions with respect to maximum charges, rate ceilings, disclosure requirements, enforcement rights, contract terms, advertising requirements and administration control.

The Department is responsible for investigating, licensing and regulating creditors designated as Supervised Lenders. The Department also has investigation and

licensing duties under the Pawnshop Act, Precious Metal and Gem Dealers Act, Credit Services Organization Act, Health Spa Act, Rental-Purchase Lessor Act and the Oklahoma Secure and Fair Enforcement for Mortgage Licensing Act.

The Department conducts examinations of licensed Supervised Lenders, Pawnbrokers, Credit Service Organizations, Rental-Purchase Lessors, Deferred Deposit Lenders and Mortgage Brokers. The following graph shows the number of examinations the Commission conducted from 2007 to 2010.

Key Performance Measure



As mandated by 59 O.S. § 3119, the Department remits \$9,000 per month for consumer counseling and education specifically designed for consumers utilizing deferred deposit loans.

The Department received 208 formal complaints and 3,600 telephone complaints in 2009. The Department’s goal is to protect consumers from predatory lending and deceptive trade practices by aggressively investigating consumer’s complaints.

The Commission

The Commission on Consumer Credit is the policymaking and governing board of the Department. The Commission also appoints an Administrator to manage the Department.

The Commission consists of nine members appointed by the Governor with the advice and consent of the Oklahoma State Senate. Five of those members are at-large

members. Four additional members are appointed by each of the following: the Oklahoma Consumer Finance Association, the Independent Finance Institute, the Oklahoma Pawnbrokers Association and the Oklahoma Association of Mortgage Professionals effective January 1, 2010. The State Banking Commissioner is a non-voting tenth member of the Commission.

Office of State Finance

Mission

The Office of State Finance (OSF) is part of the Executive Branch. It is under the administrative control of the Director of State Finance who is appointed by the Governor, with the advice and consent of the Senate. The Oklahoma Budget Law of 1947 (Title 62, Section 41.3) created the Division of the Budget and the Division of Central Accounting and Reporting (Office of the State Comptroller). OSF has two other divisions; the Information Services Division and the Telecommunications Division.

The Division of Central Accounting and Reporting (DCAR)

This division is responsible for setting forth the accounting systems and procedures for the state, auditing agency payroll and miscellaneous claims for completeness, compliance, and available funding and for maintaining the accounts and balances of the agencies. Statewide financial reports are prepared and filed with regulatory agencies, creditors, fiscal analysts, and are made available to the public. Employer tax reports and withholding payments are made on behalf of all agencies, as are other types of employee withholdings and information filings.

DCAR offers support to the agencies through the DCAR Newsletters, involvement with the Oklahoma Financial Managers Association, periodic training programs and its shared-services program. The shared services program offers the expertise of OSF staff to perform back-office accounting and reporting functions for agencies through an interagency agreement. Through efficiencies of effort, OSF is able to perform these functions at a lower cost than each separate agency. Shared-services allow an agency to focus its resources on its core mission.

A new initiative in DCAR is to assist agencies in developing, monitoring and assessing adequate internal control procedures to minimize the risk of error and fraud. A comprehensive plan for

implementing internal controls should provide reasonable assurance that the agency's objectives are being met for effective and efficient operations, responsible use of public funds, and compliance with applicable laws, rules, and regulations.

Agency Business Services (ABS)

OSF offers support to the agencies, boards, and commissions of the State through its Agency Business Services (ABS) unit. ABS provides support services for procurement and financial transactions of agencies including but not limited to:

- budgeting
- procurement
- accounts payable
- general accounting
- reporting, asset management
- accounts receivable and billing and
- document imaging services.

ABS focuses on these back-office services so agencies can focus on mission-critical tasks. Over 20 agencies have contracted with ABS for these services. Most contracts are for ongoing, long-term support, however some agencies have found it helpful to contract with ABS for temporary or transitional timeframes.

State-Tribal Gaming Compliance

OSF is the State Compliance Agency (SCA) for the State-Tribal Gaming Compacts. As such, OSF is responsible for working with the tribes to ensure compliance with the Compacts provisions and to ensure that the State is receiving the revenues required by the Compacts. Since January 27, 2005, 32 Tribal Compacts have been approved by the Secretary of the Interior and published in the Federal Register.

Budget Division

The Budget Division prepares the Governor's budget and assists in drafting supporting legislation for the Governor's proposals. Budget Division staff manages the state's budget system and makes appropriate allotments and transfers as

authorized by law. The division conducts fiscal policy research and analysis to improve the cost-efficiency of current financial practices. Developing and monitoring performance measures are another integral function of this division. Budget Division personnel also prepare analyses of appropriation and substantive legislation and make recommendations based on their research to the Governor.

In addition, the Budget Division prepares revenue certification information for the Board of Equalization, which sets the appropriations limit for the Legislature. To ensure the State is able to make 100% allocations based on legislative appropriations, division personnel monitor collections to the General Revenue Fund and other funds authorized for expenditure.

Information Services Division (ISD)

House Bill 1170, The Information Services Act, created the Chief Information Officer (CIO), a cabinet-level secretary who manages the Information Services Division of the Office of State Finance. The CIO retains jurisdictional responsibility related to information and telecommunications systems of all Oklahoma state agencies. The mission of ISD is to provide Oklahoma State agencies with quality, cost effective and secure information technology and telecommunications products and services. ISD manages the state's data processing and telecommunications infrastructures. ISD sets standards for these areas to ensure compatibility of voice and data communications.

ISD manages the local area networks for OSF, the Governor and several other state agencies. The communications infrastructure includes a state backbone of fiber-optic cable connecting the most populous areas of the state to high-speed internet capabilities. ISD also manages the state telephone system by negotiating long-distance and local services for the majority of state agencies.

Improving security for the network as well as implementing a disaster recovery plan is

a priority for this division. ISD sets security guidelines and procedures for all agencies. OSF works with Homeland Security, the Federal Bureau of Investigation, and OSBI to continually evaluate the system and propose changes to improve IT security.

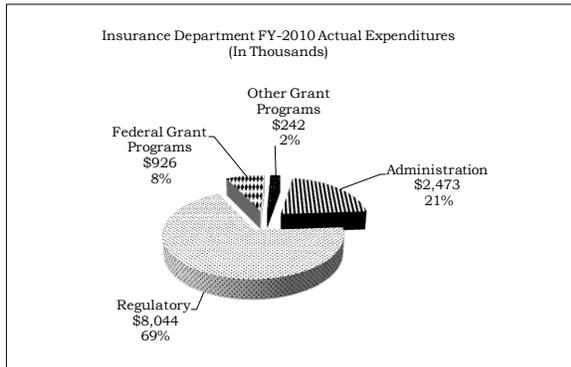
Insurance Department

Mission

The mission of the Oklahoma Insurance Department is to protect and enhance the financial security of Oklahoma and Oklahomans.

The Insurance Department is responsible for assuring the financial solvency of insurers, fostering healthy competition in the Oklahoma marketplace to keep insurance rates low and customer service levels high, and acting as a reliable resource to policymakers.

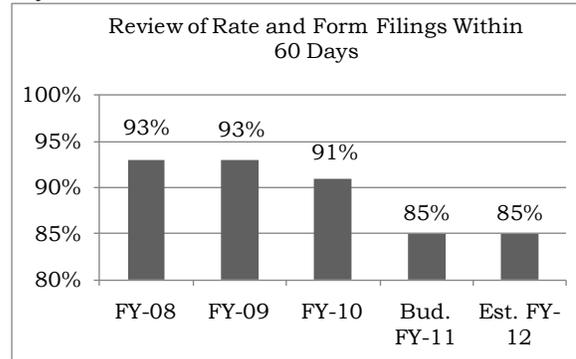
The Department's major source of funding comes from license fees collected from regulated entities and individuals in the insurance industry. The agency's total expenditures for FY-2010 were \$11.6 million. The following graph shows how the Department used those funds.



The Department regulates insurance companies, agents, adjusters, Health Maintenance Organizations (HMO's), business entities, real estate appraisers and bail bondsmen that operate in the State of Oklahoma.

The following graph shows the agency's progress toward meeting its goal of reviewing a minimum of 85% of the rate, rule, loss cost and form filings made by insurers within 60 days of receipt of the filing.

Key Performance Measure



Financial Oversight

The Department is accredited by the National Association of Insurance Commissioners (NAIC). The purpose of accreditation is to promote uniformity in the regulation of the insurance industry. To maintain accreditation, the Department must comply with NAIC standards as they relate to financial examinations, financial analysis, rules, and in some cases, statutes.

Each insurance company domiciled in Oklahoma must file financial statements and other documents with the Department, as required by statute, to demonstrate the company's solvency. Insurance departments in each state examine companies domiciled in their respective states. NAIC accreditation assures that all companies in every state are examined by applicable uniform standards.

Medicare/Medicaid Fraud Prevention

The Department received a grant from the U.S. Department of Health and Human Services Administration on Aging to educate senior citizens on how to protect themselves from becoming victims of healthcare fraud. Training provided through the grant teaches seniors, advocates and those working in the aging services field how to protect, detect, and report possible healthcare fraud.

The Department also received a federal grant through the Centers for Medicare and Medicaid Services (CMS) to support the State Health Insurance Counseling Program (SHIP). SHIP provides one-on-one personalized counseling, education and outreach resources to provide accurate and objective information and assistance to Medicare beneficiaries and their families. This allows the recipients to better understand and utilize their Medicare benefits. SHIP helps beneficiaries identify and understand programs and plans, including Medicare prescription drug coverage, Medicare Advantage plans, and Medicare supplemental insurance policies.

Commissioners of the Land Office (CLO)

Mission

In 1890, the United States Congress passed the Organic Act creating the Oklahoma Territory and establishing the School Land Trust.

The Federal Government set aside over 3 million acres and granted \$5 million to ensure that public education would always have a financial base. The State Constitution requires that the “principal shall be deemed a trust fund held by the State, and shall ever remain inviolate. It may be increased, but shall never be diminished.”

The Commissioners of the Land Office mission is two-fold:

- To generate maximum earnings for the various Trust beneficiaries through management of Trust lands, minerals and permanent funds; and
- To protect the assets of the Trusts.

The Trust beneficiaries are all common education institutions and the following colleges and universities:

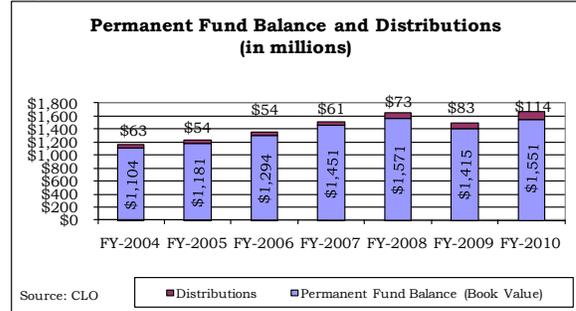
- University of Oklahoma
- Oklahoma State University
- Langston University
- Northern Oklahoma College
- Southeastern OSU
- University of Central Oklahoma
- East Central OSU
- Northeastern OSU
- Northwestern OSU
- Southwestern OSU
- Oklahoma Panhandle State University
- Cameron University
- University of Science and Arts of Oklahoma.

Five ex officio members constitute the CLO board: the Governor, Lieutenant Governor, State Auditor and Inspector,

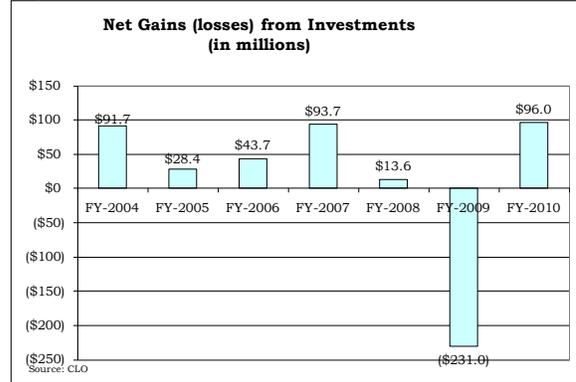
Superintendent of Public Instruction, and the President of the Board of Agriculture.

The following chart depicts the balance and distribution amounts in the Permanent Trust Fund over the last five years.

Key Performance Measure



Key Performance Measure



The Trusts managed by the CLO are: the Common School Fund, the Education Institutions Fund, the University of Oklahoma Fund, the University Preparatory School Fund, the Oklahoma State University Fund, the Normal Schools Fund, the Langston University Fund, the Public Building Fund and the Greer 33 Fund.

The CLO is also charged with the sale, rental, disposal and management of School Trust lands and assets, and of the funds and proceeds derived from these assets. The principle functions of the agency consist of the following:

- Leasing lands for agricultural, commercial and grazing purposes;
- Leasing lands for oil, gas and other minerals including water rights;

- Investing permanent funds as authorized by law;
- Sale of lands as prescribed by law;
- Improving, protecting and preserving lands owned by the Trusts; and
- Distributing the revenues of the various Trusts to the institutions to which the funds belong.

Real Estate Management

The real estate management division is responsible for the lease, sale and management of approximately 750,000 acres of Trust Lands along with the maintenance and care of all of the agency’s current and historical records.

Annual income is in excess of \$11 million. The majority of this income is derived from the agricultural leasing program. The table below provides a detailed inventory of Trust Lands.

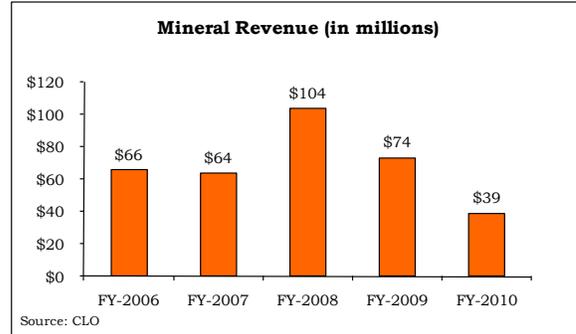
School Land Trust			
Acreage Inventory			
State Owned School Lands			
Year Ended June 30, 2010			
(Unaudited)			
	ORIGINAL	LAND ACQUIRED	TOTAL ACRES
TRUST FUND	GRANT LAND	BY FORECLOSURE	OWNED
Common School	325,676.54	40,775.52	366,452.06
State Education Institutions	75,685.72	6,726.43	82,412.15
University of Oklahoma	62,456.96	1,147.16	63,604.12
University Preparatory	21,080.75	400.00	21,480.75
Oklahoma State University	75,572.92	1,112.96	76,685.88
Normal Schools	74,152.38	478.50	74,630.88
Langston University	18,678.10	316.99	18,995.09
Public Buildings	36,258.92	-	36,258.92
Greer	3,239.30	-	3,239.30
Total Acres Owned	692,801.59	50,957.56	743,759.15

Minerals Management

The various trusts under the direction of the CLO own about 1.35 million gross and 1.1 million net mineral acres throughout 74 of Oklahoma’s 77 counties. The division is responsible for oversight of approximately 5,000 oil and gas wells and administration

of approximately 6,600 leases. The chart below depicts mineral revenue for the past five fiscal years.

Key Performance Measure



Gas Marketing Program

The CLO purchases natural gas on behalf of 84 state entities. Various strategies are employed to purchase natural gas at a cheaper rate than the local utility. This goal has been achieved with savings in excess of two million dollars in each of the past three fiscal years. The program tries to provide protection from pricing volatility.

The CLO evaluates agency needs and usage on a daily basis, then buys 75% -80% of that need and provides it to agencies daily. Oklahoma Natural Gas provides the infrastructure for the delivery to the individual facilities, and the CLO uses major transmission lines from numerous other companies. The CLO contracts with a provider to purchase the gas, then transports it to each one of the facilities based on the daily estimated need. The Office of State Finance allows the CLO to operate with a credit account, making the CLO a billing agent for the agencies receiving the gas.

Investments

The Investment Division is responsible for overseeing the investment portfolio portion of the trust. This portfolio started with the \$5 million compensation from the Federal Government for Indian lands. Royalty income and real estate sale proceeds are placed in the Permanent Trust Funds, the Investment Division manages the total balance of these funds. Over the years, these funds along with realized gains have

accumulated to approximately \$1.6 billion. The interest and dividends generated from investing in this Permanent Fund are distributed monthly to Oklahoma's public school systems and state colleges.

The Retirement Systems

The Systems

The State retirement systems consist of the following seven defined benefit pension plans:

- Oklahoma Public Employees Retirement System (OPERS),
- Uniform Retirement System for Justices and Judges (URSJJ),
- Oklahoma Teachers Retirement System (TRS),
- Oklahoma Police Pension and Retirement System (Police),
- Oklahoma Firefighters Pension and Retirement System (Firefighters),
- Oklahoma Law Enforcement Retirement System (OLERS), and
- Retirement Plan for Full-time Employees of the Department of Wildlife (Wildlife).

Systems are funded with employee contributions, employer contributions, return on investments and, in some cases, dedicated revenue streams.

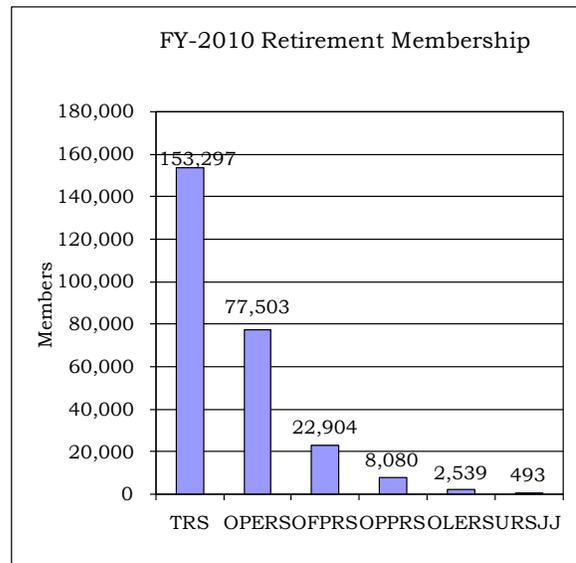
There are two main types of plans in the system. One type includes police, firefighters, and OLERS, which are referred to as “twenty and out” plans. Within the structure of OPERS, a “twenty and out” plan is maintained for correctional officers, probation and parole officers and fugitive apprehension officers in the Department of Corrections as well as for firefighters in the Military Department.

The other type of plan includes OPERS, URSJJ, TRS and Wildlife which are defined benefit plans. These plans have a guaranteed benefit that is a function of years of service and salary. In order to be entitled to these benefits, there is a requirement for a certain number of years of service before a member becomes vested.

The “twenty and out” plans are aimed at public safety services where it is in the interest of the public to have the active

members made up of younger, healthier individuals. These individuals often serve in areas that are defined as hazardous duty. These plans are extremely generous in their benefits and are designed to allow retired members to go on to other careers.

The relative size of the systems can best be understood by looking at their membership numbers. The overwhelming size of TRS compared to the other systems becomes readily apparent when viewed in this context. The graph on the following page illustrates the membership by system in FY-2011.



The simplest way to understand the health of any retirement system is to view its funded ratio, which is a ratio of debt to assets. The term fully-funded applies to a retirement system in which contributions are sufficient to pay for the benefits of existing and new employees. The table to the right lists funded ratios for each agency over the past four fiscal years.

Funded Ratios by System				
	2007	2008	2009	2010
Teachers	52.6%	50.5%	49.8%	47.8%
OPERS	72.6%	73.1%	66.8%	66.0%
Firefighters	61.6%	61.8%	54.2%	53.4%
Police	79.9%	82.2%	76.2%	74.9%
OLERS	83.0%	82.9%	74.0%	74.3%
Judges	98.9%	96.4%	84.8%	81.3%

Source: FY-2010 Annual Reports

The funding ratio of TRS is one of the lowest in the nation. This gap in funding of TRS liabilities is an absolute obligation of the state according to an Attorney General opinion. Ultimately, the responsibility for this debt falls on the shoulders of all Oklahomans.

In 2007, Senate Bill 357 passed both Houses and Governor Henry signed the bill into law. This legislation increases the employer contribution rates into the Teachers Retirement System.

A sensible combination of asset classes is another determinant for soundness of retirement funds. The allocation by asset class of the Oklahoma retirement funds are within prudent guidelines. OTRS, OPERS, Firefighters, and Police account for 95% of invested assets of the retirement systems.

Dedicated Revenues

The state systems differ from many other defined benefit retirement plans since several of the systems receive contributions other than employer and employee contributions. TRS, Firefighters, OLERS, and Police are all recipients of dedicated revenue streams.

The insurance premium tax provides all the dedicated revenue for Firefighters and Police and approximately half of the dedicated revenue to OLERS. These state revenues flow to Police and Firefighters although the members are employed primarily by cities and counties rather than the state.

The retirement systems exist for the benefit of employees and their beneficiaries. All of the systems provide a benefit for their members, with varying provisions for their

beneficiaries, in the event of the death of the member.

Spouse beneficiaries generally receive a lifetime benefit which varies from being the same amount as the employee to half of the employee benefit. Minor children beneficiaries receive a benefit as long as they are minors or, in some cases, while enrolled in higher education.

Oklahoma Public Employees Retirement System (OPERS)

Mission

The mission of OPERS is to provide and promote accountable and financially sound retirement plans for its members. OPERS administers a defined benefit retirement plan for public employees as well as for judges and justices (URSJJ). OPERS' clients are composed of:

- state and county employees, except for Oklahoma and Tulsa counties, and
- local governments that choose to participate.

Employee contributions for most state employees are now a level 3.5% of salary; and the combined employee and employer contribution rate for county and local agencies increased by 1.0% to 18% in FY-2009 and will increase 1.0% each year thereafter until it reaches 20% in FY-2011.

OPERS' Funded Status

The funded ratio of OPERS was in a steady decline since 1998, but posted an increase at the end of 2007 and 2008. OPERS had a funded ratio of 91% in 1998 and was 66% at the end of FY-2010. The employer contribution rate is 16.5% in FY-2011.

Deferred Compensation

OPERS also administers SoonerSave, which consists of two defined contribution plans- A deferred compensation plan and a deferred savings incentive plan. SoonerSave is available to state employees, as well as any elected officials receiving a salary from the state. The deferred compensation plan is an Internal Revenue Service 457 Plan.

Contributions and investment earnings grow tax deferred until withdrawal (assumed to be retirement), at which time they are taxed as ordinary income. The Savings Incentive Plan ("SIP") is a 401(a) plan under the Internal Revenue Code.

Membership changes seem to fluctuate with changes in stock market values. However, the number of retirees remaining in SoonerSave continues to grow along with modest increases in active membership.

Participants may direct the investment of their contributions to available investment options offered by the plan. Members making current contributions to the deferred compensation plan are also participants in the deferred savings incentive plan.

The deferred compensation plan is funded through employee contributions that are payroll deducted. Members must contribute a minimum of \$25 per month. The participants' accounts are invested in accordance with the investment elections of the participants. Note that when participants are making their own investment decisions, the investments are very conservative.

Savings Incentive Plan

In the deferred savings incentive plan, agencies contribute \$25 per month for their employees who are contributing to the deferred compensation plan. Individual members choose the types of investments. Investment choices employees make for the deferred savings incentive plan are not necessarily the same as the deferred compensation plan. The investment options are the same for each plan, with the exception of the self-directed brokerage option that is available in the deferred compensation plan only.

Uniform Retirement System for Justices and Judges (URSJJ)

The Uniform Retirement System for Justices and Judges is a defined benefit

pension plan covering all justices and judges of the Oklahoma Supreme Court, Courts of Criminal Appeal, Workers' Compensation Court, Court of Appeals and District Courts.

URSJJ Contribution Rates

The current employee contribution rate is 10%. This rate is scheduled to increase 1.5% per year to top out at 22% in FY-2019. The OPERS Board has specific statutory authority to raise contribution rates to keep this System 100% funded, if recommended by an actuary.

URSJJ Funded Status

The URSJJ funded status has been steadily declining from a high at June 30, 2002 of 148.2% to the current funded ratio at June 30, 2010 of 81.3%. This decline is due to an insufficient contribution rate structure. Even with the increasing schedule of employer contributions in future years, the funded ratio is expected to continue its decline.

Teachers Retirement System (TRS)

Mission

The Teachers Retirement Systems (TRS) was established in 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The category of education employees includes local school district employees and higher education employees, as well as a few others engaged in education.

TRS is the largest state retirement system with 151,105 members and net assets of \$9.56 billion as of June 30, 2010. As of June 30, 2009, only 47.8% of OTRS actuarial liabilities were covered by the actuarial value of its assets.

The increase in the dedicated revenue and an improved economy are expected to improve the funded position of the system in the future. TRS receives dedicated

revenue from a portion of the state's sales, use, individual income tax and corporate tax receipts. The system will also receive 5% of the net proceeds of the education lottery. The actuarial assumption is that these receipts will increase at 3.5% annually.

The "Alternative Retirement Plan for Eligible Employees of Participating State Institutions of Higher Education Act of 2004" provides new employees of the comprehensive universities (OU, OU Health Sciences, and OSU) the choice of joining OTRS or joining an alternative defined contribution plan.

The national trend in higher education institutions throughout the country is to make a defined contribution retirement option available. A defined contribution option provides portability and enables university faculty members to build their retirement funds over their entire working life.

Tax-Sheltered Annuity Plan

TRS also administers an optional tax-sheltered annuity program under section 403(b) of the Internal Revenue Code. TRS members may deposit funds into this plan if the local school board adopts a resolution making the plan available to its employees. This defined contribution plan is funded totally by employees and does not receive any employer match.

Even though this 403(b) defined contribution plan is offered to local education employees, relatively few take advantage of the opportunity.

Oklahoma Police Pension and Retirement System (Police)

The Police Pension Retirement System became effective January 1, 1981. All persons employed as officers or any person training to become a permanent police officer with a police department of a participating municipality with ages not less than 21 nor more than 45 when accepted for membership are eligible.

Police Membership	
Active	4,926
Retired	2,993
DROP	50
Vested	111
Total	8,080

Police system members with 20 or more years of continuous service may elect to participate in the Deferred Retirement Option Plan (DROP). This plan allows employees, eligible for a normal retirement benefit, to defer the receipt of retirement benefits while continuing employment. Participation shall not exceed five years. During this period employee contributions cease while employer contributions are divided equally between the retirement system and DROP. The monthly retirement benefits that the employee is eligible to receive are also paid into the DROP account.

A back-drop-date plan is also available. A member may retroactively elect to join this DROP as of a back-drop-date, which is no earlier than the member's normal retirement date or five years before his termination date. The monthly retirement benefits and employee contributions that would have been payable had the member elected to join the DROP are credited to the member's account with interest.

When the member actually terminates employment, the DROP account balance may be paid in a lump sum or to an annuity provider. Monthly retirement benefits are then paid directly to the retired member.

Oklahoma Law Enforcement Retirement System (OLERS)

The plan was established July 1, 1947. Qualified law enforcement officers of various state agencies and departments are members. The normal retirement date for retirement benefits eligibility is 20 years of service or age 62 with 10 years of service.

**Department of Wildlife
Retirement Plan (Wildlife)**

The DWR is a single-employer defined benefit plan. All permanent, full-time employees of the Department of Wildlife are eligible to participate on the date of their employment. This retirement system is unique since a single agency manages the retirement system for its own employees.

The retirement system has 315 active participants and 163 retired and inactive participants. It has a funded ratio of 80.4%. The revenue source for the retirement fund is the department's contribution and the employee's contributions. The funds are held and invested through a trust account.

The employer contribution is based on the annual valuation report and is currently set on a 15 year amortization schedule to fund the liability.

Securities Commission

Mission

The Department of Securities deters and remedies securities fraud on behalf of Oklahoma's citizens by:

- enforcing the Securities, Business Opportunity Sales, Subdivided Land Sales and Take-Over Disclosure Acts;
- registering offerings and sales of securities, business opportunities and subdivided land;
- registering securities sales and adviser professionals;
- performing on-site examinations of securities professionals and issuers; and
- providing investor education.

Securities Professionals

The investing public is protected through the licensing process that guarantees 100% of the registered broker-dealers, agents, investment advisers, and investment adviser representatives meet registration criteria at the time of registration.

During FY-2010, applications were processed for more than 1,608 broker-dealer firms, 1,114 investment adviser firms, 90,530 broker-dealer agents and 5,137 investment adviser representatives.

The following table shows the number of registered securities professionals for FY-2006 through FY-2010.

Key Performance Measure

	Number Registered as of June 30,				
	2006	2007	2008	2009	2010
<u>Firms</u>					
Broker-dealer	1,658	1,660	1,685	1,649	1,608
Investment adviser	1,008	1,038	1,127	1,096	1,114
<u>Individuals</u>					
Broker-dealer agents	75,012	81,071	86,123	83,483	90,530
Investment adviser representatives	6,247	6,201	6,123	7,623	5,137

Funding

HB 2068 placed the Securities Commission into non-appropriated status. Beginning in FY-2005, all agency expenditures were funded by revolving fund revenue.

State securities statutes provide for fee assessments and their allocation among State General Revenue and the Department's revolving funds. The following table presents such allocation for FY-2010 fees of \$17,740,509.

Fund	2010 Revenue \$000s	As a % of Total Revenue
State General Revenue	12,778	72.03%
Dept. Revolving Fund	3,982	22.45%
Dept. Investor Education Revolving Fund	981	5.53%
Totals	17,741	100.00%

The majority of the fee assessment is deposited to State General Revenue and is available for appropriation by the Legislature. The amount of State General Revenue was \$14,025,931 or 73.5% for FY-2009.

State General Revenue for FY-2010 declined \$1,247,697 representing a decline of less than 10% (8.89%).

Investigation and Enforcement

The Investigation and Enforcement division's goal is to impede the defrauding of the investing public by improving responsiveness to complaints. The division is also responsible for initiating investigations and taking the appropriate remedial actions or sanctions. FY-2010 activities are summarized below.

<u>Measure</u>	<u>Number</u>
New cases opened	114
Orders issued	30
Civil penalty collections (\$000s)	\$1,199

Oklahoma Tax Commission (OTC)

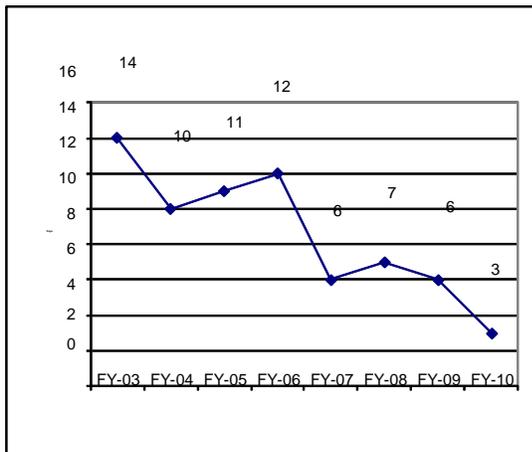
Mission

The primary responsibilities of the Tax Commission include the collection and distribution of approximately 75 different taxes, fees and licenses. The Commission allocates revenues to state funds and local government units, and collects and distributes local sales taxes levied by cities and towns in Oklahoma.

The Oklahoma Tax Commission consists of three distinct departments: Taxpayer Services, Revenue Administration and Support Services.

Income Tax Refund Processing

Since 2003, the Tax Commission has greatly reduced the amount of time required to process income tax refunds. The Commission generally utilizes temporary seasonal employees from February through June to process returns. The following graph shows the improved efficiency of processing tax returns.



Key Performance Measure

Source: Oklahoma Tax Commission

Professional License Compliance

Effective July 1, 2000, legislation required OTC to review professional license applicants for income tax compliance. This

tax review is conducted before a state license is issued.

OTC reviews the following professions through this program:

- Doctors
- Nurses
- Insurance agents
- Teachers
- Architects
- Accountants
- All medical related licenses
- Engineers
- Abstractors
- Cosmetologists
- Process servers
- Abstractors
- Funeral directors
- Securities brokers

Tobacco Enforcement

The Tax Commission has undertaken a variety of compliance and enforcement efforts in order to insure that all cigarette and tobacco taxes are being accurately reported and paid. These efforts include, but are not limited to:

- assessed over \$448,000 on taxes owed but not paid from purchases of cigarette products over the internet since the project began in October 2005.
- established a phone hotline in 2005 in which wholesalers may report violations of cigarette and tobacco laws. During FY-2010, 75 calls were received. The OTC continues to use this resource as one of its primary ways to identify violators of the state's tobacco laws.
- responded to more than 45 tips and leads on wholesalers and retailers over the last year. Approximately 95% of those investigations have resulted in seizures on cigarettes and other tobacco products from 43 businesses in Oklahoma and Texas.

Oklahoma Tax Commission (OTC)

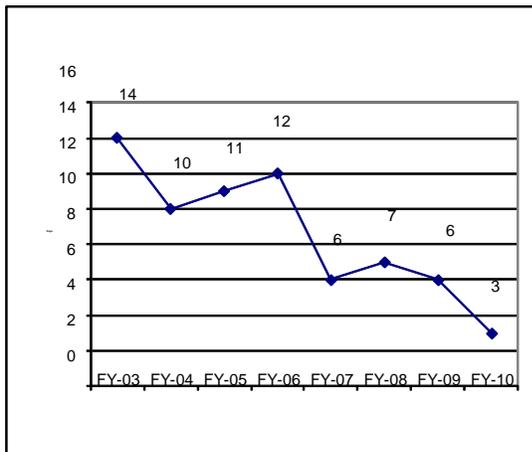
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- Teachers
- Architects
- Accountants
- All medical related licenses
- Engineers
- Abstractors
- Cosmetologists
- Process servers
- All Health Department licenses
- Abstractors
- Funeral directors
- Securities brokers

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State Treasurer

Mission

The mission of the State Treasurer's Office is to serve the people of Oklahoma and state agencies by providing sound financial services, reuniting citizens with their unclaimed property, and promoting economic development opportunities in a fiscally responsible and efficient manner while adhering to the highest professional and ethical standards.

Investment Portfolio

The Treasurer directs the investment of approximately \$5 billion for the state's General Revenue Fund and for state agencies. Due to several initiatives designed to increase earnings while maintaining safety and liquidity, the treasurer has been able to maintain income levels from the portfolio during the falling interest rate cycle the economy as been experiencing.

Direct Deposit/PayCard Contract

Legislation passed in Session 2007 required all state employee pay be conducted through direct deposit. Employees that are unable to have a banking relationship can use a pay card. Annual savings, once fully implemented, will be approximately \$250,000 for state government.

Record Storage Efficiency

By eliminating the need to store paper records and moving to more electronic imaging, the Treasurer's Office is saving approximately \$17,000 per year. In future years, savings will increase as the need for storage space continued to be reduced.

Unclaimed Property Division

The Treasurer's Office maintains unclaimed funds for 350,000 Oklahomans. These funds total \$260 million. In the past two years, the number of claims paid has increased by more than 50 percent. A fast track claims process, implemented in

March 2007, has resulted in the payment of more than 5,600 claims totaling \$1.3 million. Booths operated by Treasurer's staff at the Oklahoma City and Tulsa state fairs have identified more than 7,600 Oklahomans with \$2.9 million in unclaimed property.

Security Improvements

Using funds saved through various efficiency projects, the office has reinvested \$370,000 to enhance security within its financial operations including upgraded hardware and software to help protect private bank account and social security numbers.

College Savings Plan

The Oklahoma College Savings Plan offers families the opportunity to plan and save for higher education expenses. There are several advantages:

- Oklahoma residents are eligible for an annual state income tax deduction of up to \$10,000 per taxpayer, \$20,000 per joint filing taxpayers;
- Earnings are tax free if used for educational purposes; and
- Students may go to the post-secondary institution of their choice in Oklahoma or in other states.

Since its inception in April 2000, more than 37,000 Oklahomans have opened College Savings Plan accounts totaling \$285.3 million in assets. This represents an increase in assets under management of 115 percent since July 2005.

Tobacco Settlement Endowment Trust Fund

The Oklahoma Tobacco Settlement Endowment Trust Fund permanently invests a majority of Oklahoma's share of the National Settlement Agreement. Investments are controlled by a board of

investors, chaired by the Treasurer and staffed by the Treasurer's Office.

The Oklahoma Health Care Authority (OHCA)

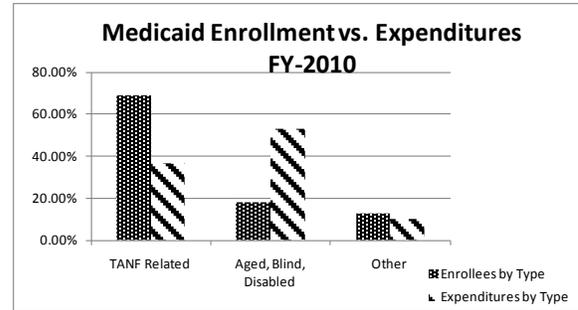
Mission

The mission of the Oklahoma Health Care Authority is to purchase state and federally funded health care in the most efficient and comprehensive manner possible and to study and recommend strategies for optimizing the accessibility and quality of health care.

The appropriation to the Health Care Authority has grown from 6.74% of total appropriations in FY-2000 to 11.38% of total appropriations in FY-2011. OHCA's FY-2011 operational revenues include:

REVENUES	FY- 2011
Federal - program	\$2,831,388,054
Federal Stimulus funds (ARRA)	235,594,190
Federal - admin	98,607,521
Drug Rebates	126,972,460
Medical Refunds	42,032,295
NF Quality of Care Fee	51,470,446
OSA Refunds & Reimbursemer	513,434,679
Tobacco Tax	97,271,754
Health Carrier Access Fee	52,000,000
Insurance Premiums	7,757,796
Misc Revenue	84,000
Prior Year Carryover	20,167,973
Other Grants	6,329,456
OEPIC Transfer	30,000,000
State Appropriated	699,875,770
TOTAL REVENUES	\$4,812,986,394

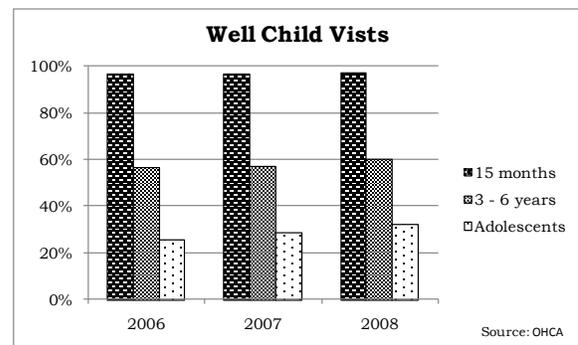
The following chart shows Medicaid enrollment by categorical type compared to Medicaid expenditures by categorical type. It is significant that the Aged, Blind and Disabled category comprises only 18% of Medicaid recipients by type but accounts for 53% of total Medicaid expenditures. Therefore, a minority of Medicaid recipients account for the majority of the expenditures.



Key Performance Measures

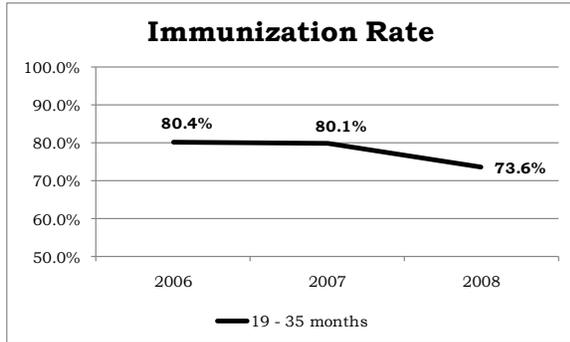
The percentage of Oklahomans enrolled in Medicaid at some point during the year is a key measure because it indicates the percentage of the uninsured population receiving healthcare services. Otherwise, they would join the ranks of the uninsured whose uncompensated care costs must be absorbed by our state hospitals. In FY-2010, 23.59% or almost 1 in 4 Oklahomans were enrolled in SoonerCare or Insure Oklahoma at some point in the year. This was up from 22.65% in FY-2009.

An important measure of personal responsibility and access to preventive services is the number of "well child visits" with primary care physicians for both young children and adolescents. The percentage of children age 15 months enrolled in Medicaid who saw their physician for a well child visit during the year was 97.4% during 2009 (the most recent year for which data is available). Among children age 3-6 the percentage of well child visits was 64.9% during 2009 and 40.1% for adolescents.



The percentage of Oklahoma children who have received up-to-date immunizations was 70.2% in 2009. The national long term

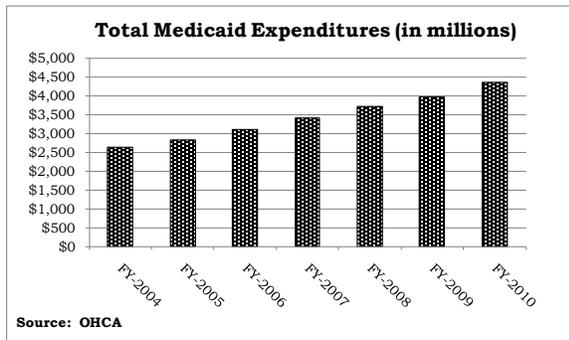
goal for childhood immunizations is 90% as defined by Healthy People 2010 Campaign.



Service Delivery Systems

Medicaid services are delivered through two delivery systems in FY-2011. Both delivery systems pay private health care providers to deliver services to Medicaid recipients. One delivery system is the traditional fee-for-service system. The other is the SoonerCare Choice program which is a managed care program providing “capped” payments to physicians for basic services and patient management under Title 56 Oklahoma Statute Section 1010.1(B).

With each of these programs, the agency is responsible for setting compensation levels, specifying what services are covered and contracting with providers to deliver the services.



Eligibility Determination

The Oklahoma Department of Human Services conducts eligibility determinations for Medicaid.

Insure Oklahoma Update

The Insure Oklahoma program makes affordable health coverage available to

Oklahomans who are uninsured or at risk of losing their coverage due to high premium costs. The state share of Insure Oklahoma’s costs comes from the state’s tobacco tax revenues.

During FY-2009, Insure Oklahoma extended coverage to include full-time college students ages 19 to 22 who meet the income qualifications. As of June 2010, 256 college students were covered under Insure Oklahoma.

The Insure Oklahoma Employer Sponsored Insurance (ESI) plan is designed to assist Oklahoma small business owners in purchasing health insurance on the private market for their income-eligible employee at or below 200 percent of federal poverty level. In March 2009, the number of employees a qualifying business can have was raised from 50 to 99.

Economic Impact and Cost Drivers

Direct and Indirect Impact of Medicaid Spending

Health care services are a substantial economic presence in Oklahoma. The health care sector affects the economy in much the same way a manufacturing plant does by bringing in money, while providing jobs and wages to residents. During FY-2010 for every \$1 in state revenues spent Oklahoma receives \$3.22 in federal funding available for direct medical services and administrative costs. Health care businesses, in turn, have an additional impact through the purchases of technology and services. The \$4.3 billion in Medicaid expenditures for FY-2010 is estimated to have supported 151,000 direct and indirect jobs within the health care industry and generated \$4.2 billion in income to Oklahomans. Increased business activity and increased tax collections are also a significant part of the economic impact of Medicaid spending.

Enrollment, Utilization and Covered Services

Other cost drivers for health care are the enrollment volume, utilization and covered services. As the total volume of enrollment

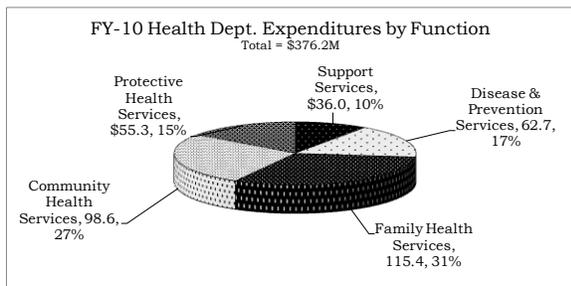
increases and more people have access to medical care, expenditures go up. In addition, an increase in the average number of services or prescriptions per recipient also drives costs. The total array of covered services is the third cost driver of Medicaid costs. When making funding decisions for the state Medicaid budget, all these factors must be taken into account.

The Department of Health

Mission

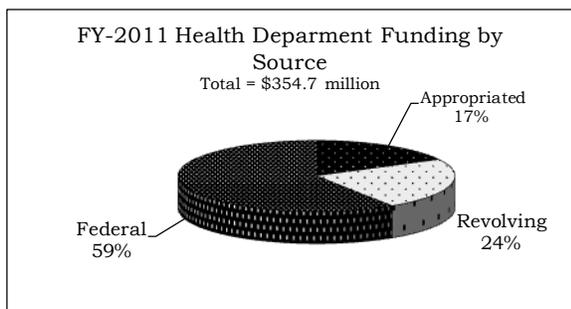
The mission of the Department of Health is to promote, protect and improve the health of all Oklahomans through strategies that focus on preventing disease and injuries. Local health service delivery is accomplished by approximately 2,000 employees located at the central office in Oklahoma City and 68 county health departments throughout the state.

Poor health behaviors and lifestyle choices by Oklahomans pose a significant challenge for the Department when seeking ways to improve the public's health outcomes.



Funding

The three sources of funding for public health programs are state appropriations, revolving funds and federal funds. The following pie chart shows FY-2011 funding by source.

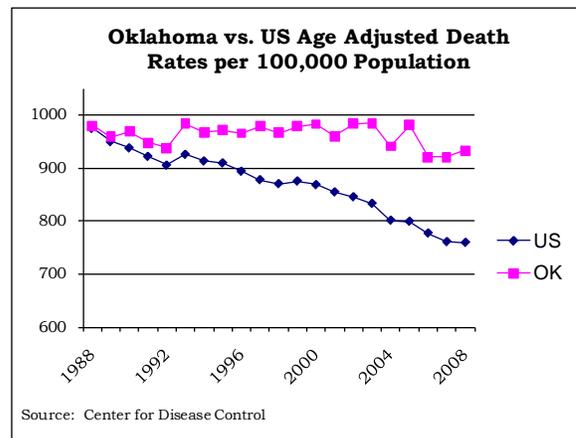


Health Status in Oklahoma

The Board of Health State of the State's Health Report has reached the conclusion for several years that the 'State of the State's Health' is unacceptable and that remains the case. Oklahomans continue to die of heart disease, cancer, stroke, and

chronic obstructive pulmonary disease at a greater rate than the rest of the United States.

The following chart, compiled from Center for Disease Control (CDC) data, shows that the age adjusted death rate (total mortality rate) in Oklahoma became greater than the national average in the late nineteen eighties and has continued to climb while the national average has dropped. In 2007, the most recent year for which data are available, there were 920 deaths per 100,000 people in Oklahoma, but the average for the U.S. was 760 deaths per 100,000 people.



In United Health Foundation's State Health Rankings, 2010 edition, Oklahoma ranks 46th in overall health status among all states. This is an increase from the last year when Oklahoma was ranked 49th. Our highest rank in recent years was 40th in the 2004 report. In 1990, Oklahoma ranked 31st in overall health compared to other states, and in the intervening years Oklahoma has lost ground in terms of relative health status compared to other states. Oklahoma's public health strengths include a low prevalence of binge drinking at 12.5 percent of the population, high immunization coverage with 91.3 percent of children ages 19 to 35 months receiving immunizations and high public health funding at \$106 per person.

Challenges include a high prevalence of smoking at 25.4 percent of the population, a high prevalence of obesity at 32.0 percent

of the population, limited access to early prenatal care with 76.4 percent of pregnant women receiving prenatal care in the first trimester, limited availability of primary care physicians with 80.3 primary care physicians per 100,000 population, a high rate of preventable hospitalizations with 88.7 discharges per 1,000 Medicare enrollees, many poor mental and physical health days per month at 4.2 days per month, and a high rate of deaths from cardiovascular disease at 345.1 deaths per 100,000 population.

According to the United Health Foundation, Oklahoma also has large health disparities. In Oklahoma, obesity is more prevalent among non-Hispanic American Indians at 38.7 percent than non-Hispanic whites at 29.1 percent. The prevalence of diabetes also varies by race and ethnicity in the state; 16.1 percent of non-Hispanic American Indians have diabetes compared to 9.3 percent of non-Hispanic whites.

Divisions of the State Department of Health

Community and Family Health Services

County Health Departments

The Department of Health provides an array of services, including those described below at the local level through 68 county health departments. Services include oversight for public health nurses, and community health workers, as well as local finance, budgeting and record keeping administration.

Maternal and Infant Health Programs

County health departments and non-profit clinics provide family planning, maternity, child and adolescent health and school health services to economically challenged, un-insured and under-insured women and their children.

Children First

Nurse home visitation program for low-resource first-time mothers improve health indicators and parenting skills in an effort

to avert child abuse, unwanted repeat pregnancies and other adverse outcomes.

Child Guidance Services

Diagnostic and short term treatment services for developmental, psychological, speech, language and hearing problems for children are provided by multi-disciplinary teams located regionally at 16 county health departments throughout the state.

Women, Infants and Children (WIC)

WIC is a federally funded program that provides nutritional education and coupons for selected items to pregnant women and children less than 5 years old.

Dental Health

Oral health screening and small scale treatment for children and nursing home residents is provided through contracts with dentists and dental hygienists.

Teen Pregnancy Prevention

Evidence based programs are aimed at lowering the number of teen pregnancies.

Prevention & Preparedness Services

Newborn Metabolic Screening

All Oklahoma newborns are screened for various metabolic disorders.

Chronic Diseases

Screening, tracking, education and referrals for persons at risk for chronic diseases like cancer, diabetes, heart disease and high blood pressure are provided.

Injury Prevention

Promotes the improved health of Oklahomans by collaborating with communities and stakeholders to identify injury problems, and develop, implement, and evaluate environmental modifications, policy, and educational interventions.

Public Health Laboratory

Implements and provides essential public health laboratory services to State/County Health Departments, Agency Programs, and Private Health Providers consistent with public health goals.

Communicable Diseases

Three primary areas of services are as follows:

- Immunizations
- Tuberculosis
- HIV/STD - surveillance and prevention

Protective Health Services

Long Term Care Services

Provides licensing and inspection of nursing facilities, assisted living centers, group homes and intermediate care facilities for the mentally handicapped and residential care centers.

Medical Facilities

Licensing and regulation of hospitals, ambulatory surgical centers, community health centers, home health agencies, hospices, etc. is provided by this division.

Consumer Health

Barbers, cosmetologists, licensed counselors, hearing aid fitters and the alarm industry are regulated.

Restaurant and Motel Inspections

Sanitarians working for the state/county health departments inspect these facilities.

County Jail Inspections

These inspections ensure compliance with minimum safety and inmate welfare standards.

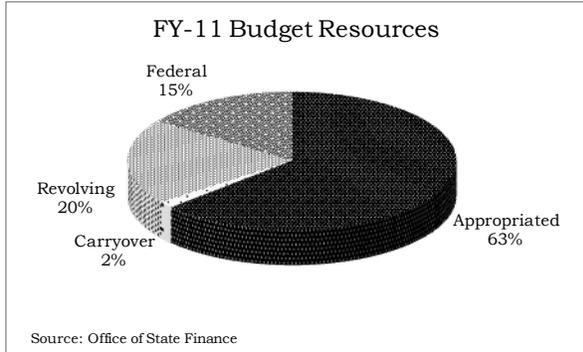
Department of Mental Health and Substance Abuse Services (ODMHSAS)

Mission

The Mental Health Law of 1953 established the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS), although publicly supported services to Oklahomans with mental illness date back to early statehood.

The agency's mission is to promote healthy communities and provide the highest quality care to enhance the well being of all Oklahomans. Today, the two principal realms of ODMHSAS activity are mental health and substance abuse.

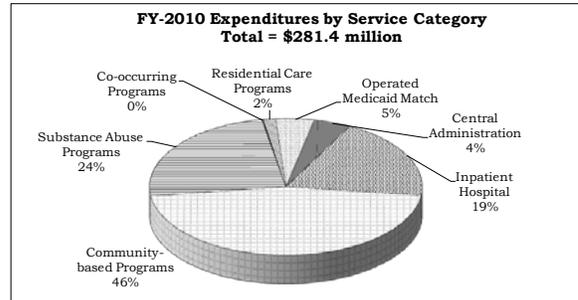
State appropriations are the largest single source of revenue for ODMHSAS services, as seen in the chart below. In FY-2011, budgeted appropriated funds amounted to 63% of the total budget which equals approximately \$290 million.



Comparison of Clients and Expenditures

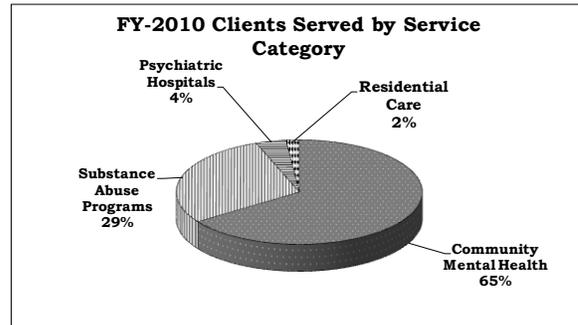
In FY-1999, 33.5% of the agency's total expenditures were for state-operated inpatient psychiatric hospitals, which served 3.9% of the clients. Since that time, the agency has focused on shifting to community based services. Illustrative of the shift in service delivery to community based services, the hospital portion of total expenditures for FY-2010 dropped to 19% of the total. About 65% of all clients served and 46% of all expenditures were for

community based mental health services, during FY-2010. The chart below represents expenditures for all major service categories in FY-2010.



Source: Office of State Finance

The next chart provides a similar breakdown of the FY-2010 clients served by similar categories.



Services Provided

In FY-2010, the Department provided services to:

- 50,001 persons through community mental health services,
- 22,096 persons through substance abuse treatment,
- 3,042 persons through psychiatric hospitalization,
- 1,324 persons through residential care services; and

Community mental health services include:

- Community-based treatment,
- Case management, and
- Acute inpatient care.

Programs for individuals dependent on alcohol or other drugs include:

- Outpatient counseling, and
- Extended residential treatment.

ODMHSAS also actively supports prevention programs to reduce the occurrence of substance abuse, violence and other harmful behaviors among young people.

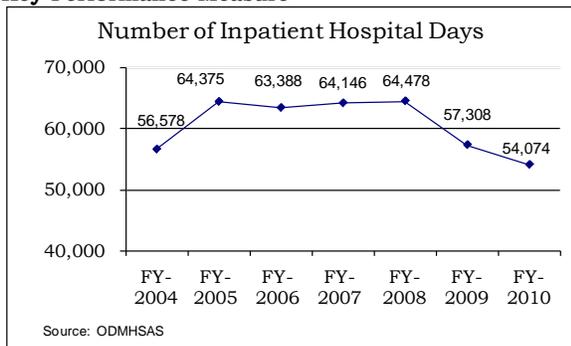
Continued Implementation of Best Practices

Service approaches designed on best practices ensure that Oklahomans who need these services will receive them in a timely and culturally competent manner that promotes prevention, recovery and an increased quality of life.

Clients who receive best practice services have:

- Fewer inpatient hospital days,
- Fewer days in jail,
- More days in school or at work engaged in productive activities,
- Fewer crisis episodes, and
- Less contact with law enforcement.

Key Performance Measure



Community-Based Mental Health Services

Public policy now focuses on placing persons with mental illness in the most appropriate environment possible for

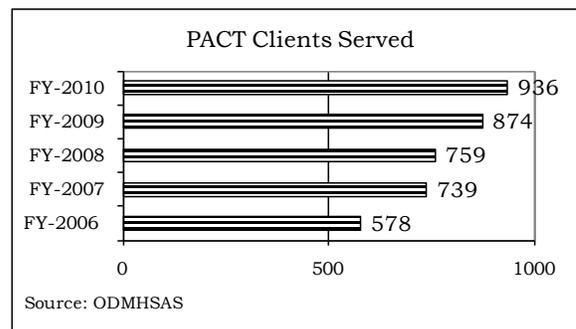
ongoing care and treatment. Service providers, advocates and family members agree that placement in the "community" where persons with mental illness are closer to family and friends, provides the best atmosphere for success.

Today, due to the advent of psychotropic medications, improved therapeutic methods and an increase in non-hospital resources, this public policy is a reality.

Program for Assertive Community Treatment (PACT)

Oklahoma is a leader in the development and implementation of this service delivery model. It is outreach-oriented and designed for adults with severe and persistent mental illnesses. Using a 24-hour a day, 7 days a week approach, PACT teams deliver comprehensive community treatment, rehabilitation and support services to consumers in their homes, at work and in community settings. The result of this service delivery system is a dramatic drop in inpatient hospital days and jail days for these clients.

The following chart shows ODMHSAS's pursuit of growth in the number of adults with severe and persistent mental illness who are served in this program.



Drug Courts

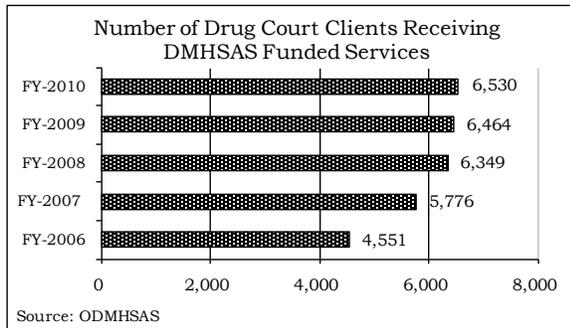
Drug court graduates are less likely to be rearrested than those on traditional probation or those who have gone to prison and are on parole.

According to ODMHSAS:

- the re-arrest rate after four years for drug court graduates is 23.5%;

- the re-arrest rate for traditional probationers is 38.2%; and
- the re-arrest rate for prison parolees is 54.3%.

The cost of drug courts is also dramatically less expensive than incarceration at \$5,000 per year per person vs. \$19,000 per year per person in the prison system.



New Generation Medications

Remarkably effective medications are now available for the treatment of mental illness. These newer generation medications are considered an essential treatment for mental illnesses such as schizophrenia, bipolar and major depressive disorders. When a person with severe mental illness is successfully stabilized with appropriate medication and community supports, it leads to a decrease in inpatient hospital days. The savings created by this decrease constitutes part of the funding the agency has shifted to the purchase of these medications.

In addition to expenditures made by ODMHSAS, pharmaceutical firms have donated new generation medications for use in treatment of mentally ill patients. The following chart shows the historical expenditures by ODMHSAS for these medications and the equivalent dollar amount of donated medications.

Fiscal Year	Amount	Donated Meds
2006	\$7,871,320	27.0M
2007	\$9,955,389	29.0M
2008	\$8,718,429	35.7M
2009	\$8,863,944	41.2M
2010	\$7,445,843	48.9M

Community Mental Health Centers

The ODMHSAS uses a network of community mental health service areas covering the state. In each area, a publicly supported community mental health center (CMHC) serves as the primary access point for the non-Medicaid, publicly funded mental health services. Most CMHCs have satellite offices or other specialized programs within their service areas. These centers provide the following services to assist adult mental health clients in the community:

- Emergency intervention
- Assessment
- Counseling
- Psychosocial rehabilitation
- Case management
- Community support services

CMHCs also provide therapeutic services for children who are demonstrating symptoms of emotional disturbance. Five CMHCs are state operated, while the others are private non-profit organizations contracting with ODMHSAS.

The Department funds social and recreational services for individuals with mental illness who live in residential care facilities. Support for certain other community-based services, such as assistance for mentally ill individuals who are homeless is also provided. An important outcome for persons with mental illness who live in residential care facilities is their ability to sustain themselves within a community based setting and avoid costly inpatient treatment.

Department of Central Services (DCS)

Mission

The Department of Central Services provides a wide variety of support services to state agencies and other governmental entities.

Under provision of the State Purchasing Director, DCS manages the proposal, bidding, and pricing negotiations for almost all state agencies.

Fleet Management regulates the acquisition, lease, operation, maintenance, repair, and disposal of the vehicles required for state agencies.

State Leasing administers the leasing and space management of property for all state agencies and institutions. Facilities Services operates and maintains seventeen buildings; the total space managed is approximately two million square feet.

Multi-State Cooperative Purchasing Agreements

Current Purchasing Agreements:

Pharmaceutical purchases for the Department of Corrections, Health Department, Department of Mental Health, as well as other state and county agencies, are through the Minnesota Multi-State Contracting Alliance for Pharmacy (MMCAP). The combined purchasing volume for the 44 member states, plus the cities of Chicago and Los Angeles, for contract year 2005/2006 is over one billion dollars with Oklahoma accounting for over \$19 million on contract purchases. MMCAP distributes, based on percentage of total sales, \$3 million in drug credits to participating state facilities. Oklahoma received \$57,212 in credits for this reporting period. MMCAP is an excellent example of combining state spend to become a viable force in the marketplace.

Statewide contracts

The continued expansion of statewide contracts has simplified the acquisition of supplies and services in more than 125 areas. Statewide contracts provide greater convenience, simplified procedures, and significantly reduced administrative costs to the State. The ease of use of these contracts also reduces the need to carry additional inventories, as products can be quickly and easily acquired. Competitively bid statewide service contracts eliminate the need for agencies to draft and solicit for services and items commonly purchased among state agencies.

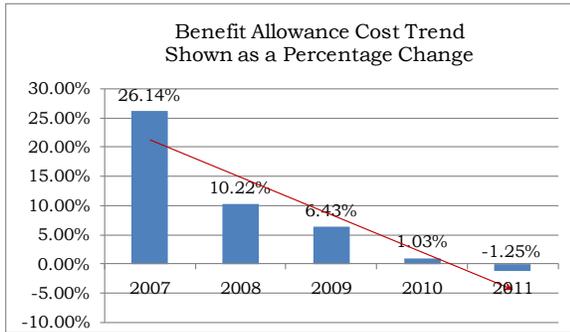
The recently added Office Products Portal provides a 61% discount to State users for disposable office products and has greatly increased our ability to assure State Use compliance while providing a one stop order process that has simplified the lives of our users.

DCS has also entered into a statewide auto rental contract and will soon release a trip calculator.

Fleet Management

Fleet Management provides vehicles, repair services, and fuel to state agencies at a cost lower than the private sector. Fleet Management continues to assess the State's vehicular needs and requirements to identify savings to the State.

Employees Benefits Council



	2007	2008	2009	2010	2011
Total Cost in Millions	\$357.10	\$393.60	\$418.90	\$423.20	\$417.90
\$ Difference	\$74.00	\$36.50	\$25.30	\$4.30	(\$5.30)
% Change	26.14%	10.22%	6.43%	1.03%	-1.25%

About EBC

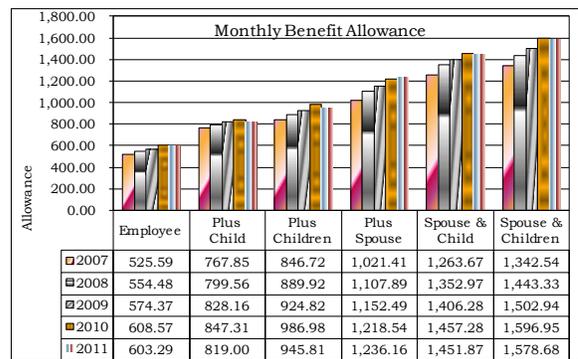
The Employees Benefits Council (EBC) is the state's benefits office and Plan Administrator for all active state employees and their families. As the sole benefits office for the state, EBC is a non-appropriated state agency, governed by a five-member Council of dedicated professionals who serve the state without compensation. Competitive benefits are the cornerstone to attracting and retaining high quality employees to state service. EBC is responsible for designing, selecting, and administering benefits for the largest employer group in the state with only 38 full-time employees. EBC does more with less by leveraging technology.

Mission & Vision

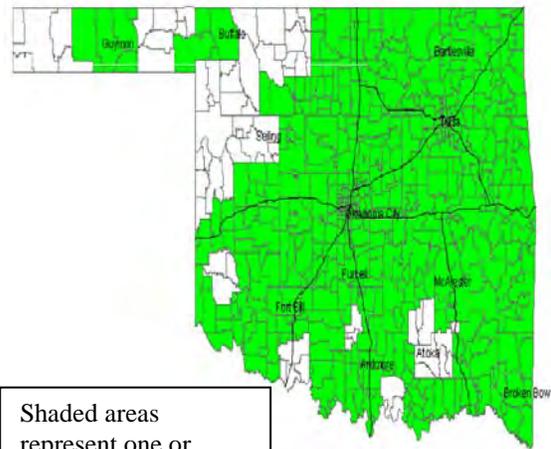
The mission of the state's benefits office is to provide expert benefits management that includes designing for choice, cost effectiveness, superior administration, and promoting healthy lifestyles. The vision is to be the foremost authority in flexible benefits with results of attaining the highest level of customer satisfaction.

Benefit Choices

In health care coverage, one size does not fit all. One of the primary functions of EBC is to contract with private-sector health, dental, and vision plans to provide choices to state employees. "Markets exist wherever consumers are allowed to seek the greatest value for their money and producers are allowed to seek profits by providing what consumers (state employees and teachers) want. The interaction of demand and supply creates competitive prices, generates investment, and leads to innovation and progress."



When surveyed, over 61 percent of state employees indicated they want choice in health insurance plan offerings. The choice of an HMO carrier is offered alongside the State's government-run health care plans. Statewide, more than 95 percent of state employees have a choice of an HMO. Of those, 43 percent choose an HMO.



Shaded areas represent one or more HMO choices

Tax Savings

Another primary function of EBC is serving as administrator of the state's Internal Revenue Code Section 125 plan. This designation allows employees to purchase benefits on a pre-tax basis. Usage of the plan in Fiscal Year 2010 resulted in \$2.63 million FICA savings for both the state and its employees.

Employees can also take advantage of additional tax savings through participation in EBC's flexible spending health and dependent care accounts. These programs allow employees to contribute pre-tax income to fund certain qualifying medical and dependent care expenses. In 2010, combined contributions to these accounts were approximately \$19.8 million. Participation in this program resulted in significant tax savings for state employees by lowering an employee's taxable income. More than 13,000 employees were enrolled in a flexible spending health care account during 2010 – a participation rate 17 percent more than the national average – and more than 700 state employees used a dependent care account. Most FSA participants use a debit card (also known as the “Benny Card”) that EBC provides, at no cost to employees, for charges incurred at health, dental, and vision care providers and pharmacies. The State's benefits office also allows state employees to review their flexible spending account activity online via EBC's Benefits Administration System.

Health and Wellness

As the state's benefits office, EBC works hard to balance benefit levels, cost and choice. However, successfully managing health benefits today involves more than plan design and cost management. It involves building a “culture of health” by providing a resource for state employees to better manage their health, in turn lowering health care utilization and reducing health insurance premiums. Analyses show 87.5

percent of health care claim costs are due to an individual's lifestyle, i.e. sedentary, eating habits, tobacco use, etc. In 2006, EBC implemented the OKHealth Wellness program benefit as a way for state employees to address unhealthy behaviors and learn to live healthier lifestyles.

The OKHealth program offers employees a unique and effective solution for better health by incorporating wellness, disease management, and health coaching into a single, comprehensive program. Employees are required to complete a detailed health risk assessment, which stratifies participants into one of five risk tiers, based on potential health problems. Each risk tier determines the frequency of coaching sessions as well as goals and action plans for the employee. With a dedicated staff of professional health coaches, employees participating in the program at twelve months have already been successful in lowering elevated blood pressure, LDL cholesterol, triglycerides, weight, blood glucose, and quitting cigarette smoking.

To encourage participation in the program, employees are eligible to receive up to three wellness incentives. The first incentive includes an initial visit to a primary care physician and lab work at no out-of-pocket cost to the participants. The second wellness incentive is a discount at a participating fitness center. A third possible incentive offered by some agencies is the OKHealth pay incentive. Participating agencies are authorized to pay participants \$100 (Bronze), \$300 (Silver), or \$500 (Gold) for successfully completing the program. The incentives consist of three separate payments payable to a participant upon completion of the (1) initial enrollment, (2) twelve-week follow up, and (3) achieving goals at the twelve-month follow up. There are many other ancillary benefits from having healthy employees such as less absenteeism and increased productivity.

The Employees Benefits Council is the advocate for state employees and their families and represents the State of Oklahoma as the employer. EBC works hard to balance the costs between the state and its employees. The unique services provided by this agency are not duplicated elsewhere in state government.

Horse Racing Commission

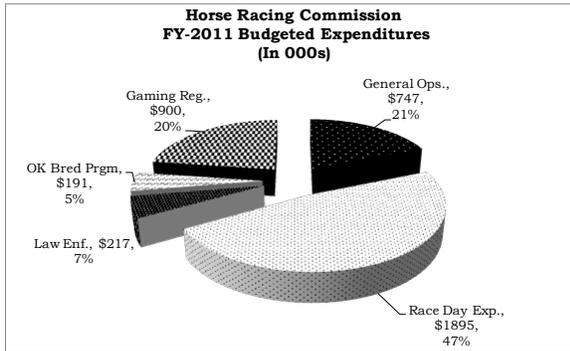
Mission

The Oklahoma Horse Racing Commission (OHRC) encourages agriculture, the breeding of horses, and the growth, sustenance and development of live racing. The commission generates public revenue through the control, regulation, implementation and enforcement of Commission-licensed racing and gaming.

Below are the three Commission-licensed racing facilities and two gaming facilities regulated by the Commission.

- Remington Park in Oklahoma City (Racing and Gaming);
- Will Rogers Downs in Claremore (Racing and Gaming); and
- Fair Meadows at Tulsa (Racing Only).

The Commission’s budget consists of state and revolving funds. For FY-2011, state appropriated dollars were 54% of the Commission’s total budget. The following graph shows the agency’s budgeted expenditures for FY-2011.



Gaming Regulation

Beginning in FY-2006, the Commission began regulation of gaming at racetrack facilities. Adjusted gross revenue from gaming activities help fund education, grow race purses, and support the organization licensees (racetracks). Approximately, \$14.3 million has been generated for education in the State of Oklahoma in

2010, and approximately \$62 million since the inception of gaming at the racetracks.

Gaming agents regulate gaming activities at the racetracks. Their responsibilities include checking the backgrounds of all gaming employees, gaming laboratories, vendors, manufacturers, distributors and racing facilities that have gaming activities.

Racetracks are required to maintain a certain number of race days in order to continue operating a gaming facility. This requirement creates an increase in the number of race days.

Calendar Year	# of Race Days
2003	202
2004	188
2005	192
*2006	264
2007	265
2008	265
**2009	238
2010	211
Est. 2011	211

*First full year of gaming

**Blue Ribbons Down closed November 2009

Racetrack Regulations

The Commission employs seven stewards between Will Rogers Downs and Remington Park racetracks, to oversee racing activities. The stewards determine the winners of each race and conduct hearings concerning rule violations.

Official veterinarians, also employed by the Commission, collect urine and blood samples for drug tests from winning horses. Alleged violators are notified to appear at a hearing before the stewards, and can be fined and/or receive license suspensions.

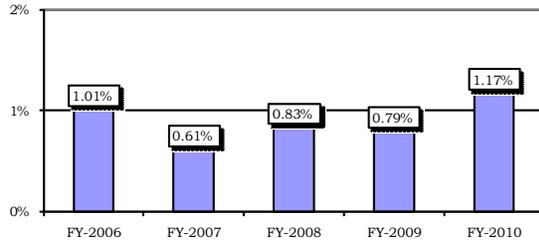
Key Performance Measure

FY-2012 EXECUTIVE BUDGET

Calendar Year	2006	2007	2008	2009	2010
Number of races days	264	265	265	238	211
Number of races	2564	2631	2658	2582	2532
Number of horses tested	5128	5262	5316	5164	5064
Number of positive tests	52	32	44	41	59
Positive Tests vs Tested	1.01%	0.61%	0.83%	0.79%	1.17%

Total number of races and horses for 2010 is an estimate at this time. Final data expected 03/2011

Percentage of Positive Drug Tests vs Number of Horses Tested



Source: Horse Racing Commission

- Unclaimed tickets from wagering;
- A percentage of pari-mutuel tax;
- Program registration fees; and
- Funding from gaming activities.

The following chart shows overall days allotted for racing, as well as the number of Oklahoma-Bred Horses registered during CY-2003 through CY-2010.

	Horse Racing Data							
	CY-2003	CY-2004	CY-2005	CY-2006	CY-2007	CY-2008	CY-2009	CY-2010
Race Days Allotted	202	188	192	264	265	265	238	211
Oklahoma-Bred Horses Registered	2,636	2,775	2,517	2,879	2,726	3,091	2,114	2,902
Oklahoma-Bred Claim Checks Issued	5,443	5,975	4,626	5,133	7,967	8,526	7,270	8,370

Source: Oklahoma Horse Racing Commission

The Commission also provides the following services at racetracks:

- Law enforcement agents, who conduct investigations and present evidence at hearings;
- Licensing personnel, who issue occupation licenses to participants; and
- Horse identifiers, who verify before the race, that the horses are the correct horses entered to race.

Oklahoma-Bred Horse Program

Since 1983, the Commission has registered 89,258 horses as accredited Oklahoma-bred horses. The Program provides incentives for horse owners to invest in farms, horse facilities, veterinary services, horse trailers, etc.

The program provides incentives for breeders and owners to produce accredited Oklahoma-bred horses. High quality bred horses increase the quality and competition of racing, which attracts more race fans and breeders to the state.

Funding for the Oklahoma-Bred Program comes from:

- Racetrack Breakage (odd cents after calculations on wagers are made);

Human Rights Commission

Mission

The Oklahoma Human Rights Commission works to eliminate discrimination and promote unity and understanding among Oklahomans. The Commission consists of a nine-person board. The Commission establishes policy, sets goals, approves programs and projects, and conducts public hearings on human rights complaints.

The Commission consists of two distinct functional divisions - Enforcement and Compliance, and Community Relations. The Community Relations Division provides outreach and educational services.

The Enforcement and Compliance Division receives, processes, and investigates complaints of discrimination in the areas of employment, housing, and public accommodation. To resolve complaints, the Commission contracts with the Equal Employment Opportunity Commission (EEOC) and Housing and Urban Development (HUD). Under these contracts, complaints of discrimination are resolved in compliance with the policies and procedures of EEOC and HUD. Through these contracts, the Human Rights Commission receives training on EEOC and HUD policies and procedures.

Merit Protection Commission (MPC)

Mission

The Oklahoma Merit Protection Commission (Commission) is an Administrative - Judicial agency established to protect the integrity of the state's Merit System of Personnel Administration

The Commission receives and acts on complaints, counsels persons and groups on their rights and duties as set out in the Oklahoma Personnel Act at title 74 O.S. § 840-1.9. Appeals originate from multiple sources: Merit system applicants, classified employees appealing adverse actions, employees alleging discrimination including sexual harassment, alleged violations of the Oklahoma Personnel Act or Merit Rules, Whistle blower claims or other claims based upon statutory protection.

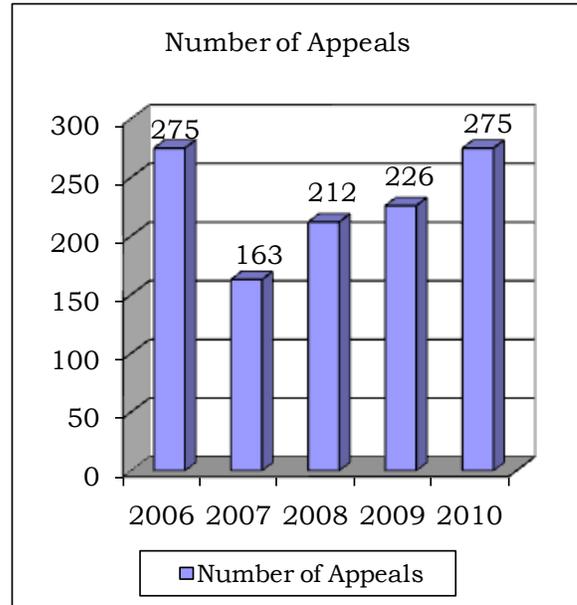
In addition to providing the services outlined above, the Commission maintains a statewide Alternative Dispute/Mediation program for state agencies and employees. The Commission also conducts Administrative Hearings. The District court and Appellate courts review the record of matters tried before the Commission's Administrative Law Judges without retrial.

These programs ensure legal practices are followed in state government and promote effective human resource management. Additionally, the MPC saves the state money by resolving conflicts at the lowest, and least expensive, level.

Appeals

The chart below shows the total number of appeals filed with the Merit Protection Commission over the past six fiscal years. Since 2007, appeals have increased each

year. FY-2010 saw appeals tie a six-year high of 275.

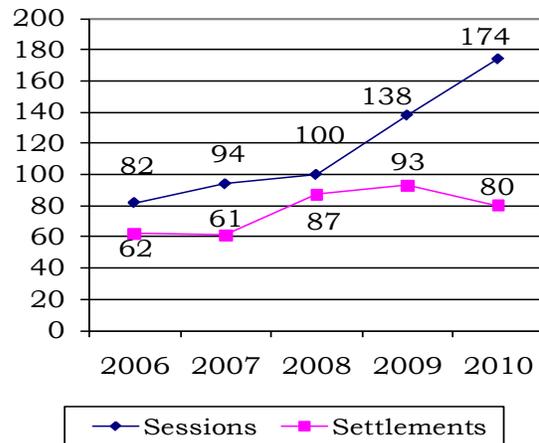


Alternative Dispute Resolution

The Commission's Alternative Dispute Resolution Program exists in two primary forms: Negotiation Conferences and Mediations.

The chart below displays the number of Alternative Dispute Resolution sessions and the resulting settlements.

Alternative Dispute Resolutions



The gap between the sessions and the settlements has continued to close over the past fiscal years. This continued success hinges on proper recruitment and training of volunteer mediators.

Grievance Management

The Commission is committed to helping employees and agencies resolve conflict at the lowest level possible through the internal grievance management program. By rule appeals of most alleged violations must first go through the internal grievance system before being appealed to the Commission. In FY 2010, agencies reported a total of 263 grievances.

Office of Personnel Management

Mission

OPM provides recruitment and referral services for state agencies, maintains a classified system of employment, approves and reviews agency Reduction-In-Force (RIF) proposals, and assists with affirmative action program needs. OPM provides many different management training and development opportunities, including the Carl Albert Public Internship Program, a Certified Public Manager Program, the Quality Oklahoma Program and the State Personnel Interchange Program.

Current Studies:

OPM Annual Report and Workforce Summary

The State of Oklahoma employs 37,672 employees in 128 agencies, boards and commissions, with a presence in all 77 counties.

State Employee County Residence					
County	Employees	County	Employees	County	Employees
Adair	105	Grant	53	Nowata	38
Alfalfa	181	Greer	197	Okfuskee	216
Atoka	317	Harmon	40	Oklahoma	10,346
Beaver	40	Harper	141	Okmulgee	234
Beckham	127	Haskell	86	Osage	266
Blaine	95	Hughes	144	Ottawa	318
Bryan	229	Jackson	248	Out of State	75
Caddo	203	Jefferson	58	Pawnee	149
Canadian	1,268	Johnston	94	Payne	503
Carter	519	Kay	208	Pittsburg	949
Cherokee	340	Kingfisher	127	Pontotoc	345
Choctaw	129	Kiowa	172	Pottawatomie	818
Cimarron	22	Latimer	232	Pushmataha	244
Cleveland	3,386	Le Flore	452	Roger Mills	29
Coal	105	Lincoln	406	Rogers	647
Comanche	830	Logan	349	Seminole	198
Cotton	55	Love	69	Sequoyah	262
Craig	522	Major	71	Stephens	317
Creek	365	Marshall	121	Texas	118
Custer	378	Mayes	615	Tillman	152
Delaware	185	McClain	516	Tulsa	2,528
Dewey	37	McCurtain	298	Wagoner	259
Ellis	50	McIntosh	229	Washington	201
Garfield	836	Murray	385	Washita	137
Garvin	720	Muskogee	866	Woods	188
Grady	382	Noble	144	Woodward	388
				Total	37,672

OPM FY 2009 Annual Report and Workforce Summary

**OPM FY 2009 Annual Report and Workforce Summary
Equal Opportunity/Affirmative Action
Status Report for Oklahoma State Gov't**

Employees by Job Category and Percent		
Professionals	16,838	45%
Administrative Support	5,730	15%
Protective Service	3,961	11%
Paraprofessionals	3,029	8%
Technicians	2,729	8%
Service Maintenance	2,025	6%
Officials and Administrators	1,905	5%
Skilled Craft	874	2%
Totals	37,091	100%

117 state agencies prepared FY-2008 Affirmative Action Plans, which reflected the following 2007 state government workforce, ethnic minority, and female representation.

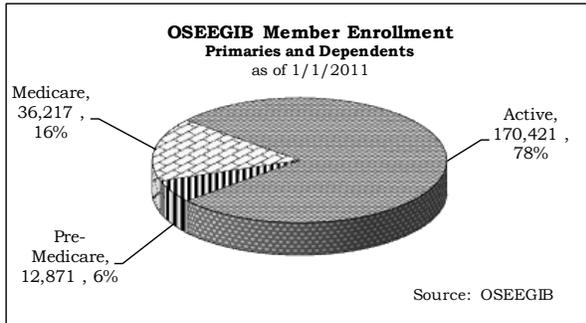
State Government Work Force Representation				
Race	Male	Female	Total	Percent
White	12,260	16,586	28,846	78.50%
Black	1575	2,130	3,705	10.00%
Asian / Pacific Islander	275	371	646	1.80%
Amer. Indian/Alas. Native	1,108	1,500	2,608	7.30%
Hispanic	389	526	915	2.40%
Totals	15,607	21,113	36,720	
Percent of Totals	43.60%	56.40%		100.00%

State & Education Employees Group Insurance Board (OSEEGIB)

Mission

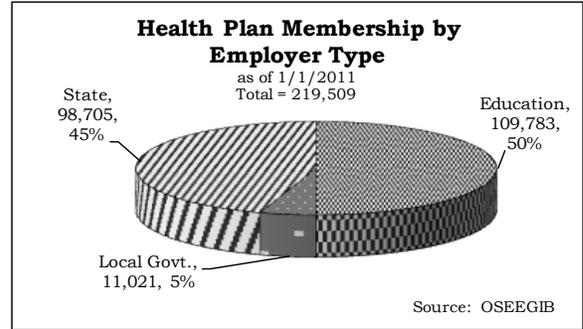
The Oklahoma State & Education Employees Group Insurance Board provides self-funded insurance plans to state, education, and local government employees as well as their dependents and survivors. The plan is a self-insured health, dental, life and disability program, which is actuarially rated to provide premiums adequate to meet the payment of all claims, administrative expenses and any change in reserve estimates.

OSEEGIB health insurance plans are open to state, education, and local governments. These plans are also available to retirees provided the retiree elects to participate prior to retirement.

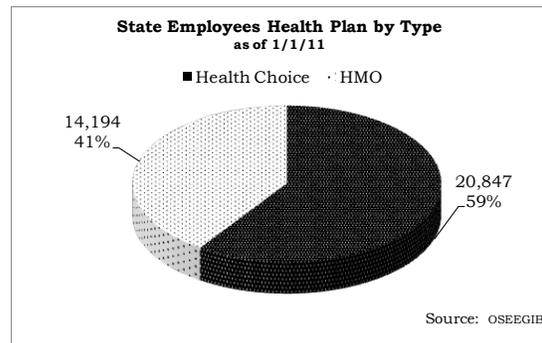


Each of these enrollment categories has a different cost structure. For example, pre-Medicare retirees are generally in their mid-50s through 64 years of age and experience greater medical costs. Medicare retirees have greater total medical costs; however, Medicare covers the majority of the costs. By law, the costs for the pre-Medicare and active members must be combined to produce a uniform premium for both categories.

The following graph shows that the primary beneficiaries are education employees and their dependents.



Members have a choice of health insurance plans. All members may enroll in HealthChoice, which is the state offered preferred provider option (PPO). In 2011, there were 20,847 state employees enrolled in HealthChoice and 14,194 state employees enrolled in health maintenance organizations (HMO) across the state.



Oklahoma Commission on Children & Youth

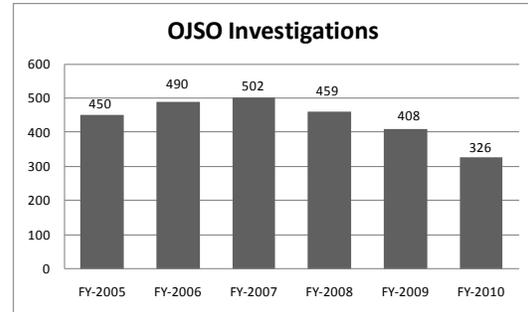
Mission

The mission of the Oklahoma Commission on Children and Youth (OCCY) is to improve services to children and their families by: Planning, coordinating and communicating with communities and between public and private agencies; independent monitoring of the children and youth service system; and testing models and demonstration programs for effective services. In pursuit of their mission OCCY administers the following programs:

- Office of Juvenile System Oversight
- Joint Oklahoma Information Network (JOIN)
- Board of Child Abuse Examination
- Child Death Review Board
- Office of Planning and Coordination
- Interagency Coordinating Council
- Juvenile Personnel Training
- Oklahoma Area wide Services Information System (OASIS)
- Post Adjudication Review Boards

Office of Juvenile System Oversight

OCCY's Office of Juvenile System Oversight Division (OJSO) monitors compliance of public and private, residential and non-residential facilities according to their established responsibilities, which include state and federal laws, applicable accrediting and licensing standards, policies and procedures, and applicable court orders.



Joint Oklahoma Information Network (JOIN)

JOIN is a system to allow sharing of case information and data collection used in planning, research, outcome evaluation and service coordination. The project is called JOIN – Joint Oklahoma Information Network.

- Gives citizens and service providers easy access to services through a resource directory;
- Provides a better service delivery system to clients through agency collaboration; and
- Provides aggregate information from participating agencies.

Oklahoma agencies who serve children and families, 13 in all, have signed an interagency agreement to participate in the project.

The database can be accessed at <http://www.join.ok.gov>.

Office of Disability Concerns

Mission

The Office of Disability Concerns (ODC) helps develop policies and services to meet the needs of Oklahomans with disabilities. The Governor's Advisory Committee on Employment of the Handicapped and the Governor's Advisory Committee to the Office of Disability Concerns assist the ODC in meeting this role.

ODC assists citizens with disabilities in seeking and becoming employed. The staff at ODC provides information, attend job fairs, provide entrepreneurial education and support the Business Leadership Network (BLN). BLN is a coalition of employers that promote employment for people with disabilities.

ODC administers a training program for disabled high school students in how to most effectively present their skills and abilities as they enter post-secondary education or employment. The program is called High School Hi-Tech, Tech Now Training.

ODC also administers the federally funded Client Assistance Program (CAP). CAP provides information, intervention, case management and, in some cases, assistance in the appeals and/or fair hearing process to individuals who are eligible for or receiving services funded by the Rehabilitation Act.

Department of Human Services

Mission

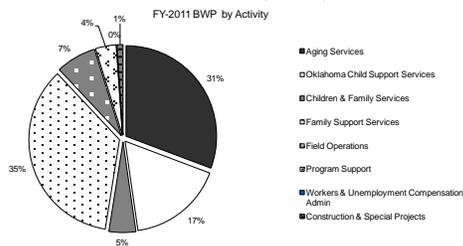
The mission of the Department of Human Services (DHS) is to help individuals and families in need help themselves lead safer, healthier, more independent and productive lives.

In pursuit of their mission, DHS administers the following programs:

- Family Support Services
 - TANF
 - Food Stamps
 - Adult Protective Services
- Developmental Disabilities
 - Institutional Facilities
 - Home and Community Based Waiver Programs
- Children and Family Services
 - Adoptive Services
 - Foster Care
 - Child Welfare
- Child Care
 - Child Care Subsidy
 - Child Care Facility Licensing
- Aging Services
 - ADvantage Program
 - Personal Care Program
- Child Support Enforcement

In FY-2011, DHS ranked as the fourth largest state agency, representing 8.0% of the state appropriated budget. DHS's FY-2011 operational budget, a total of \$2.07 billion, includes the following revenue sources:

Federal Grants:	\$1,383,926
State Funding:	\$ 559,007
Other Sources:	\$ 153,458
Total:	\$2,096,391



Source: FY-2011 Budget Work Program

Family Support Services

Temporary Assistance for Needy Families (TANF)

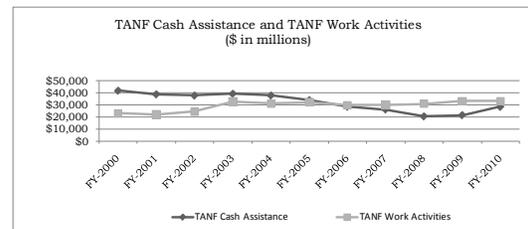
As a result of state and federal reform initiatives, Oklahoma has reduced the number of children and families receiving public cash assistance by over 82% from 47,712 average monthly cases in FY-1993 to 9,760 average monthly cases in FY-2010.

The four major goals of TANF are:

- Provide cash assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Promote job preparation, work and marriage to end the dependence of needy parents on government benefits;
- Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encourage the formation and maintenance of two-parent families.

TANF services fall into three main categories:

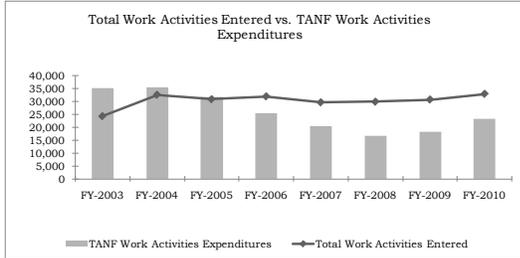
- Work Activities
- Family Formation/ Stabilization Services
- Cash Assistance



Source: OKDHS Annual Reports

Key Performance Measure

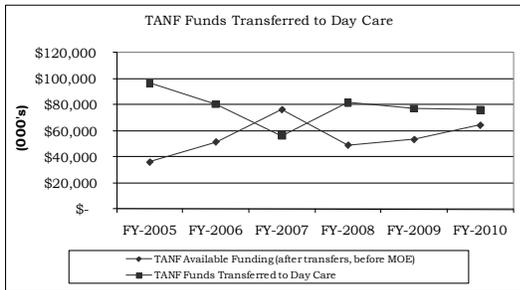
FY-2012 EXECUTIVE BUDGET



Source: OKDHS Annual Reports

TANF Funding

While the TANF block grant amount has remained relatively stable over past fiscal years, the amount spent on TANF services has decreased.



Source: OKDHS

Due to the importance of child care, more of the block grant is being transferred to child care. Without child care services, many parents would not be able to leave TANF assistance for gainful employment.

How TANF Cash Payments Work

A family of three is eligible for \$292 maximum cash benefits per month. The following example illustrates how the eligibility calculation works:

A family of three has earned monthly income of \$500. DHS adjusts earned income by subtracting \$120 from that amount; leaving \$380 adjusted earned income. Half of their adjusted earned income reduces the family's cash payment amount. Therefore, the family is eligible to receive \$102 per month (\$292-\$190).

Examples of Monthly Cash Payments for a Family of Three

Adjusted Monthly Earned Income	Max. Cash Assistance
\$0	\$292
\$250	\$167
\$500	\$42
\$550	\$17
Formula: $\$292 - [(Earned\ Income - \$120)/2]$	

Cash Benefits and Current Cases

Expenditures for cash assistance benefits have decreased by over 72% from \$129 million in FY-1996 to \$28.07 million in FY-2010. Of the 22,131 persons on average per month receiving TANF benefits in FY-2010, representing a total of 9,760 cases, with 3,067 of these cases had an adult with a work requirement. The remaining 6,693 monthly average cases are primarily "child only" cases. In these cases, the cash benefit is for the child or children only. An example of this type of case is that in which the child's parents are deceased and the child lives with a grandparent.

Time-limited Benefits

One of the provisions of the TANF program limits cash assistance payments to five years in a lifetime. In FY-2010, 51 families became ineligible for cash assistance benefits as a result of this provision. DHS policy allows caseworkers to arrange limited assistance to families facing specific hardships after exceeding TANF time limits.

Low Income Home Energy Assistance Program (LIHEAP)

Low Income Home Energy Assistance Program (LIHEAP) through a federal grant assists low income Oklahoma households with paying their energy bills. The majority of the grant is used for winter heating with the remainder being used for the Energy Crisis Assistance Program (ECAP) and Summer Cooling Assistance Program. The Oklahoma Department of Commerce also receives an allocated portion of the annual LIHEAP block grant to provide weatherization services to eligible households.

OKDHS administers the program by taking applications and disbursing funds to the

client's energy provider. Eligible clients have incomes less than 130% of the federal poverty level, or \$2,389 per month for a family of four, and must be responsible for paying their utility bill. During FFY-2010 (Federal Fiscal Year), OKDHS served 230,432 households. Benefit payments are one-time; the average payment made on behalf of a beneficiary in FFY-2010 was \$141 for heating assistance, \$229 for cooling assistance and \$325 for crisis assistance.

Developmental Disabilities

Oklahoma Department of Human Services (OKDHS) Developmental Disabilities Services Division (DDSD) administers three Medicaid funded Home and Community Based (HCBS) Waivers serving Oklahoman's with developmental disabilities in their respective communities. OKDHS DDSD is also the agency responsible for operating the three public intermediate care facilities for persons with mental retardation (ICF's/MR). There are currently 5,125 Oklahoman's with developmental disabilities receiving services and supports residing in their respective communities around the state, and 300 in the public ICF's/MR administered through DDSD. Over the past three decades, states have decreased institutional care services and increased home and community based services.

Home and Community Based Medicaid Services

The Department of Human Services administers three different home and community based waiver programs for children and adults. These are services provided to persons with developmental disabilities who are not in institutions. Over the past three decades, states have decreased institutional care services and increased home and community based services. This move has occurred for two main reasons. First, the quality of life for children and adults with developmental disabilities is better in community placements versus institutional placements. Second, in FY-2010 institutional care cost

an average of \$553 a day while community based care for non-class members costs an average of \$137 a day for other Home and Community Based Waiver clients and \$36 per day for In Home Supports Waiver clients.

These services are paid for with state and federal dollars. Some Sheltered Workshop slots and some group home placements are entirely state funded while others are funded through Medicaid with almost 70% federal dollars.

Description of waiver programs:

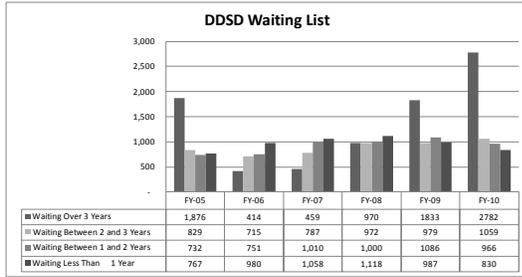
- The Home and Community Based Services Waiver Program (HCBSW) – These services are for developmentally disabled people who are independent of a family and usually live in a residential facility. Recipients must be Medicaid eligible.
- The In Home Supports Waiver – DHS established this waiver in 2000 in an effort to serve individuals on the waiver waiting list. These services are for children or adults living at home with families. The amount received is capped at \$19,225 for adults and \$12,820 for children. Recipients must be eligible for Medicaid.
- All of the above-mentioned waivers provide recipients with habilitation training specialists, respite care, adaptive equipment, architectural modifications, medical supplies and services, various therapies, family training and counseling, transportation and employment services.
- Homeward Bound Class Waiver – This waiver was created in FY-2004 for Hissom Class members.

In FY-2007, approximately 4,811 people who were non-class members were served through some type of community-based waiver.

Waiting List for Community Based Services

As of January 10, 2011 there were 6,006 people with developmental disabilities

waiting to receive services from one of the programs administered through DDSD.



Source OKDHS

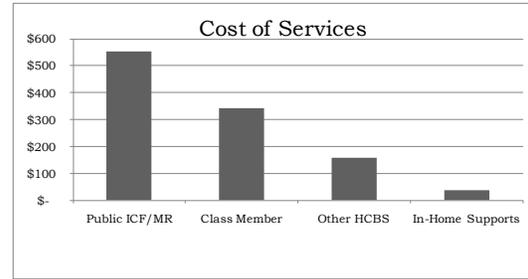
Medicaid-eligible persons waiting for services are of all ages, and many of them and their families face financial hardships every day trying to provide costly services such as medical supplies, therapy and adaptive equipment on limited incomes sometimes with no access to health care.

Developmental Disabilities Recipients

DDSD’s primary goal is to enable children and adults to lead more independent and productive lives in the least restrictive environment.

There are at least four categories of recipients receiving services for developmental disabilities:

- Public ICF/MR: People who are in one of three public institutions;
- Class Member: People who are members of the Homeward Bound Class and receive services consistent with the requirements of the final order of the Homeward Bound lawsuit;
- Home & Community Based Services or In-Home Supports Waiver: Non-class members who receive community based services through a Medicaid Waiver; and
- People not on a Medicaid waiver receiving vocational, group home services, or the Family Support Subsidy.



Source: OKDHS

Institutional Care

The state operates three public institutions for people with developmental disabilities: Southern Oklahoma Resource Center (SORC) near Pauls Valley, Northern Oklahoma Resource Center in Enid (NORCE) and the Greer Center, located on the NORCE campus. The Greer Center is operated through a contract with Liberty Health Care Services of Oklahoma, and serves people with a dual diagnosis of mental retardation and mental illness. For Medicaid purposes, these public institutions are classified as Intermediate Care Facilities for the Mentally Retarded (ICF/MR).

While community based services are tend to be preferred and the most cost-effective treatment alternative for children and adults with developmental disabilities, institutional options are a Medicaid entitlement; clients in these facilities range in age from 17 to over 60, with some having disabilities and some require 24 hour medical attention.

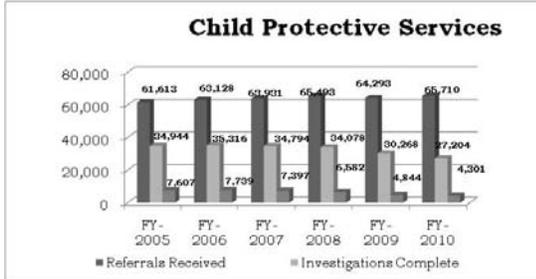
Children and Family Services

The Children and Family Services division in the Department of Human Services is responsible for three main programs:

- Investigating all allegations of child abuse and neglect;
- Providing foster care and kinship placements and family preservation programs to children from abusive homes; and
- Providing permanent adoptive placements for children in need of adoption.

Child Protective Services

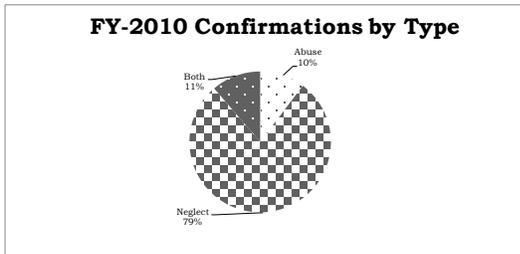
This count is based on the number of children included in the referral and/or investigation.



Source: OKDHS

In FY-2004, OKDHS hit a record low number of confirmations and in FY-2010, the number of confirmations decreased slightly both as a whole number and as a percentage of referrals.

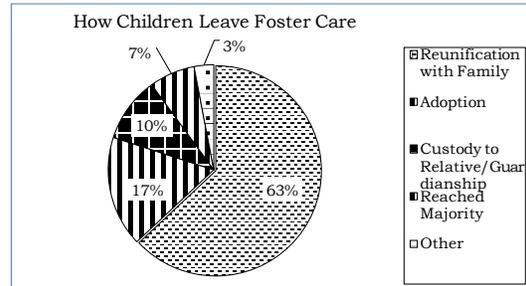
Neglect is historically the largest category of child mistreatment and in FY-2010 accounted for 79% of confirmations.



Source: OKDHS

Foster Care

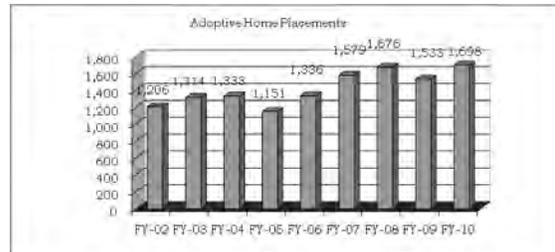
Children in foster care have been removed from their homes for health and safety reasons. Children need lifelong connections that come from caring and loving families in order to thrive. OKDHS actively works to assure that all children served through child welfare have safe, loving families and reduce the length of out-of-home care for children who are victims of child abuse and neglect by building bridges with families who understand the importance of maintaining connections to a child's kin, culture and community life while in out-of-home care.



Source: OKDHS

Growth in Adoptions

In recent years, adoptive home authorizations, the preliminary step to permanent adoptions, have sharply increased. From FY-2001 to FY-2010, DHS has increased the number of placements by almost 153% from 1,003 placements in FY-2001 to a record 1,698 placements in FY-2010.



Source: OKDHS

DHS put together the program Swift Adoption to increase permanent adoptive home placements. This program was in response to a federal adoption initiative to increase the number of permanent home placements. Administratively, DHS placed all staff under the state office and contracted out certain services. As a result, adoption placements have more than tripled since 1996.

Currently, more than 9,000 children are supported by adoption assistance payments and services. DHS provides subsidies to people who adopt special needs children. Oklahoma includes the following in the definition of special needs:

- physically or mentally disabled,
- children over 8 years-old,
- siblings,

- emotionally disturbed,
- ethnic/race, and
- high risk of mental disease.

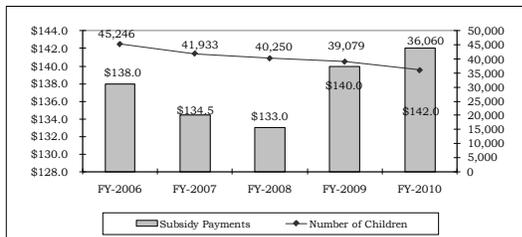
While the number will fluctuate during the year, approximately 1,200 children are awaiting adoption.

Child Care

Child Care Subsidies

Child care activities in the Department can be divided into two main areas: the Child Care Subsidy Program and Child Care Licensing.

Subsidized child care pays part or all of the child care costs for qualifying families while parents or caretakers work, attend school, or receive training. Subsidized child care was provided for approximately 70,000 children during FY-2010. The monthly average number of children for whom subsidy payments were made was 39,060 in FY-2010. Total payment increases are due to increased rates for the improved quality of child care facilities.



Source: OKDHS

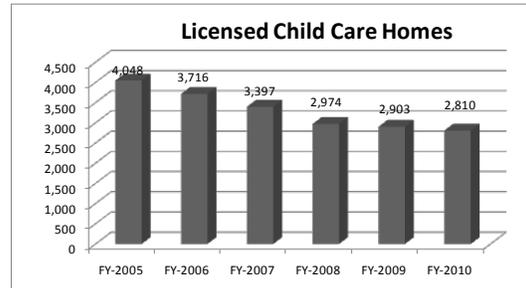
Quality Child Care Initiative

The Stars System pays different rates depending on the level of accreditation earned by the facility. These levels, referred to as Stars, are as follows:

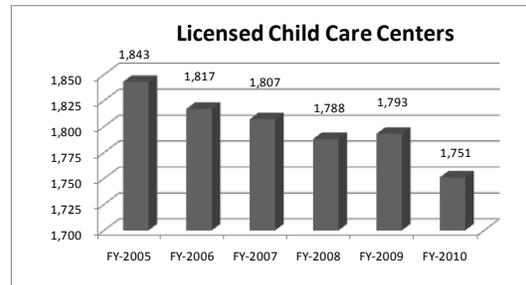
- One Star – Basic Licensing Requirements;
- One Star Plus – Transitioning to Higher Level;
- Two Star – Seven Quality Criteria including Master Teachers; and
- Three Star – Two Star Criteria and Nationally Accredited.

Child Care Licensing

The Division of Child Care licenses and inspects over 4,500 child care centers and family care homes in Oklahoma for children ages six weeks to 12 years. The division also licenses 136 residential and shelter facilities that provide care for children who are unable to live at home and 62 child placing agencies that place children in foster homes and adoptive homes.

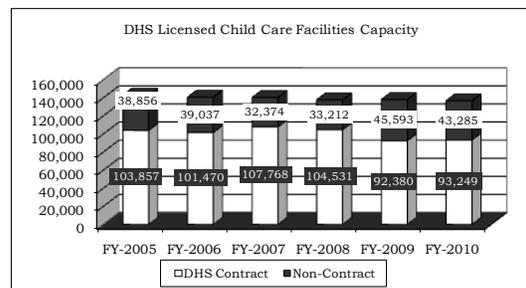


Source: OKDHS



Source: OKDHS

While the number of centers and homes is decreasing, the overall capacity is actually increasing due to homes and centers increasing their individual capacities. Total capacity in FY-2010 is almost 140,000 slots. The following chart shows total capacity in number of slots available for the DHS Child Care Subsidy program versus those that are not.



Aging Services

Aging Services is responsible for the following programs:

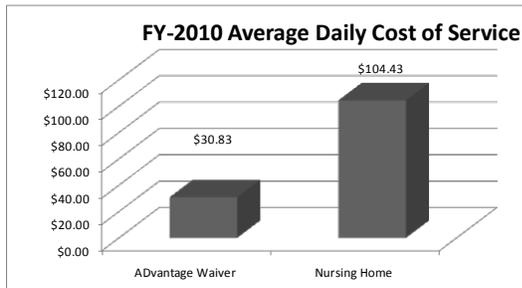
- Congregate Meals
- Ombudsman Program
- Advocacy
- Volunteer Programs

The Aging Services Division also administers the following two Medicaid programs.

ADvantage Waiver

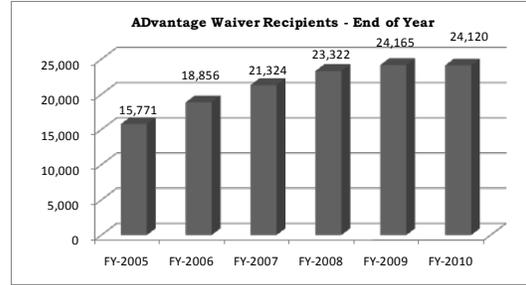
Operated through contracts with the Long Term Care Authorities of Tulsa and Enid, this home health care program provides an alternative to nursing home care. In order to qualify for ADvantage services, a person must meet Medicaid income guidelines and require nursing home-level care.

These services divert people away from nursing homes by providing home health care services and/or some services in adult day centers. The ADvantage program provides a significant savings when compared to the cost of nursing home care.



Source: OKDHS

After several years of high growth, FY-2005 to FY-2007 saw increases in clients at average growth rate of 13% per year. FY-2010 saw a leveling off of this trend with a slight decrease of 45 clients at year end, but this is an increase of 46% from FY-2005.



Source: OKDHS

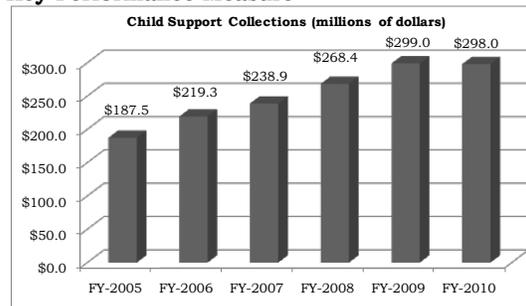
Personal Care

The second Medicaid program administered by the Aging Services Division is Personal Care. This service is available to those who meet the medical eligibility criteria as determined by an Aging Services long-term care nurse. Personal care aides, who generally work for home care agencies, provide non-medical assistance to people in their homes.

Child Support Enforcement

This division is primarily responsible for locating non-custodial parents, establishing paternity and collecting and distributing support payments. In addition to restructuring the public welfare program, The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 implemented a number of changes to Child Support Enforcement. Finding ways to encourage and require parents to be financially responsible for their children is central to the spirit and letter of the law. As the chart below illustrates, child support collections continue to increase each year. FY-2008 collections leveled off with a slight decrease from FY-2009 to FY-2010, but have risen 152% since FY-2000.

Key Performance Measure



Source: OKDHS

**Oklahoma Indian Affairs
Commission**

Mission

The Oklahoma Indian Affairs Commission (OIAC) is charged with the mission of serving as the liaison between Oklahoma's tribal population and governments and the Oklahoma State government. The Oklahoma Indian Affairs Commission accomplishes this mission by maintaining consistent involvement in the areas of legislation development and tracking, policy concerns, legal issues, economic development and education.

J.D. McCarty Center for Children with Developmental Disabilities

Mission

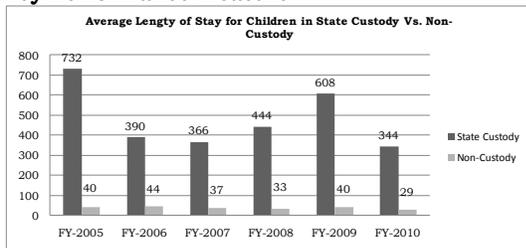
The mission of the J.D. McCarty Center (JDMC) for Children with Developmental Disabilities is to provide a comprehensive program of habilitative care to Oklahoma's citizens with disabilities.

The J.D. McCarty Center habitates, rehabilitates, evaluates, and treats Oklahoma's developmentally disabled children, enabling them to reach their maximum potential. The ultimate goal is to enable children to return to a family or community environment.

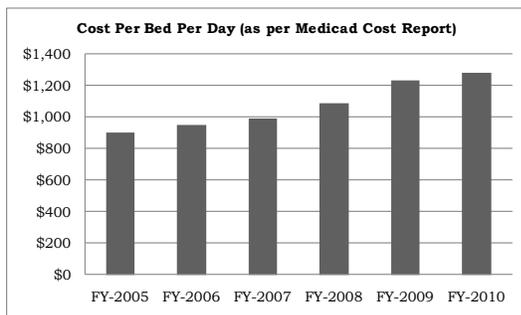
JDMC's emphasis on telecommunications enables the agency to reach a more general population, such as doctors' offices, clinics, kiosks in frequently traveled locations and the rapidly expanding population of web surfers.

The JDMC serves children that come to the facility in the custody of the state. The table below shows the number of clients in state custody versus those that are not.

Key Performance Measure



Source: JD McCarty Center



Office of Juvenile Affairs

Mission

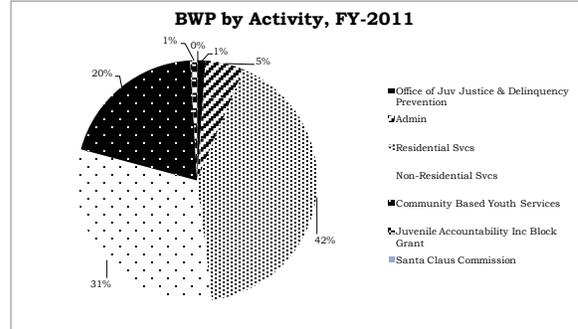
The mission of OJA is to promote public safety and reduce juvenile delinquency by providing professional prevention, education and treatment services, as well as secure facilities for juveniles.

OJA manages these functions through five main programs: juvenile justice and delinquency prevention, residential, nonresidential, juvenile accountability incentive block grant and community based youth services.

The Office of Juvenile Affairs:

- serves as the state planning and coordinating agency for statewide juvenile justice and delinquency prevention services;
- preserves and strengthens family ties whenever possible;
- provides court intake, probation and parole for delinquent youth;
- removes a juvenile from the custody of parents if the safety of the juvenile or the protection of the public would otherwise be endangered;
- provides treatment, care, guidance and discipline to adjudicated juveniles removed from the custody of parents to assist the juvenile in becoming a responsible, productive member of society; and
- provides a system for the rehabilitation and reintegration of juvenile delinquents into society.

OJA is one of the 10 largest state agencies. The agency's FY-2011 appropriation is 1.7% of the total state appropriated budget. The following chart shows OJA's FY-2011 expenditures by program.



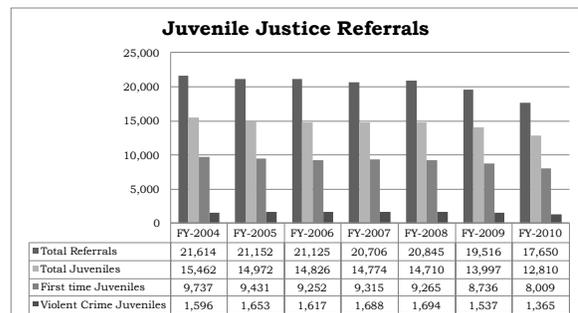
Source: Office of Juvenile Affairs.

While OJA receives funding from federal grants and revolving funds, nearly 88% of operational funding in FY-2010 came from state appropriations. Approximately 10% of OJA's funding came from federal funds, and 2% from revolving funds. Grants received include the Juvenile Accountability Incentive Block Grant, the Juvenile Justice and Delinquency Prevention Formula Grant and Title V.

Nonresidential Services

The Juvenile Services Unit (JSU) provides intake, probation and parole services to youth in all 77 counties, except those with Juvenile Bureaus. Juvenile Bureaus, located in Canadian, Comanche, Oklahoma, and Tulsa counties, perform intake and probation functions. In those counties, JSU staff provides parole services.

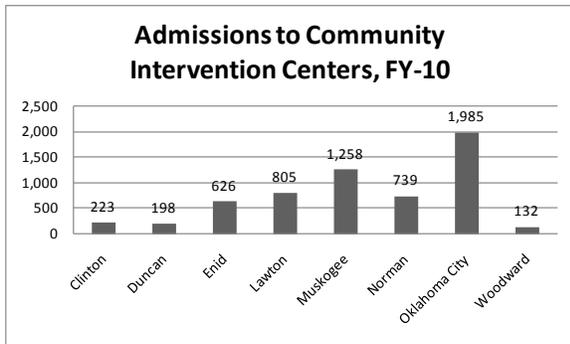
Three key factors contribute to the overall juvenile justice system demand for non-residential services: The total juvenile arrest rate contributing to the total juvenile referrals to OJA and the bureaus; and intake decisions made by district attorneys that require diversion, informal probation, and court-involved treatment services.



Source: Office of Juvenile Affairs.

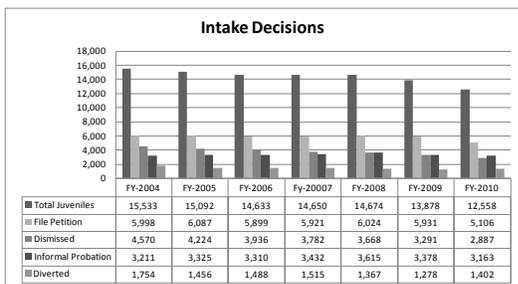
Not all arrested juveniles are referred to OJA or the bureaus for intake processing. The establishment of interlocutory agreements with some municipal courts has resulted in the processing of juveniles arrested for certain classes of less serious crimes such as misdemeanors by those courts.

The introduction and funding by OJA of Community Intervention Centers (CIC) in eight municipalities for the temporary holding of juveniles arrested for less serious offenses in order to free up law enforcement resources, has also encouraged the diversion of some juveniles for processing by municipal courts. During FY-2010, 5,966 CIC admissions took place with juveniles typically released to their parents or custodians within four hours.



Source: Office of Juvenile Affairs.

Every referral received by OJA and the juvenile bureaus must be processed through an intake process. In FY-2010, 8,009 (63%) of the total of 12,558 juveniles referred were referred for the first time to the juvenile justice system.



Source: Office of Juvenile Affairs.

The most common intake decision by district attorneys is to file a petition for court involvement. The total number of intakes has declined since FY-2006, from 14,633 to 12,558 in FY-2010. In FY-2010, 2,887 or 23% of the total intakes were dismissed.

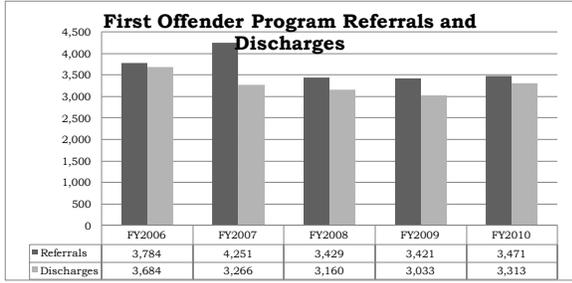
Contracted service programs assist the OJA's Juvenile Justice Specialists in developing an individualized service plan for each juvenile and family. OJA provides a full range of services to encourage positive, law-abiding behavior and balances those services with public safety.

Community Based Youth Services

Forty-two designated Youth Service Agencies provide a statewide system of prevention, diversion, intervention and treatment programs to keep juveniles from entering or further penetrating into the juvenile justice system. Youth Service Agencies are not-for-profit and governed by local boards of directors made up of community volunteers.

OJA contracts with Youth Service Agencies to provide community based services such as the First Offender program, Community At-Risk Services (CARS), Emergency Shelter care and prevention services. Some Youth Service Agencies also operate Community Intervention Centers (CICs), therapeutic foster homes, group homes, detention centers, youth workforce development, and gang intervention.

The First Offender Program is a statewide program for juveniles who have committed a first-time misdemeanor or non-violent felony. The program provides juveniles and their parents 12 hours or more of skill development classes emphasizing communication, anger management, problem solving and decision-making. 3,471 juveniles received First Offender services in FY-2010.

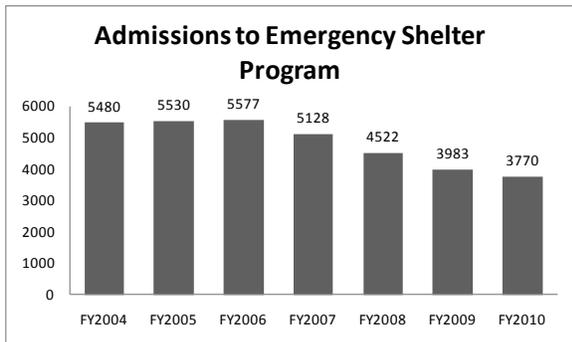


Source: Office of Juvenile Affairs.

Successful reintegration of juveniles back into the community is fundamental for both the juvenile and the community. Without effective reintegration programs, juveniles are more likely to re-offend and become incarcerated again. This is counter-productive for the youth and costly to the state.

Youth Service Agencies provide reintegration services through the Community At Risk Services (CARS) program. CARS is also provided to prevent out of home placement. Services include mentoring, tutoring, counseling, and assessment services as well as supervision of youth in independent living settings.

Emergency shelters are open 24 hours a day, seven days a week and serve both the Department of Human Services and OJA. During FY-2010, emergency shelters provided temporary short-term housing and supportive services for 3,770 children and youth.



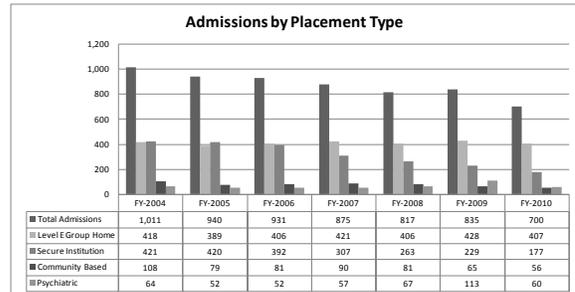
Source: Office of Juvenile Affairs.

Residential Services

Two key factors contribute to the overall demand for juvenile justice system residential services: the total caseload of custody youth and the number of available out-of-home residential beds. To address placement demand each year, OJA determines the security risk and treatment need each custody juvenile presents and matches the juvenile with the available and appropriate placement options.

Because of the limited number of available beds, out-of-home residential facilities are reserved for custody youth who present moderate and serious risks to communities. If there is a waiting list of juveniles to be placed in one, they are typically held in secure county detention centers.

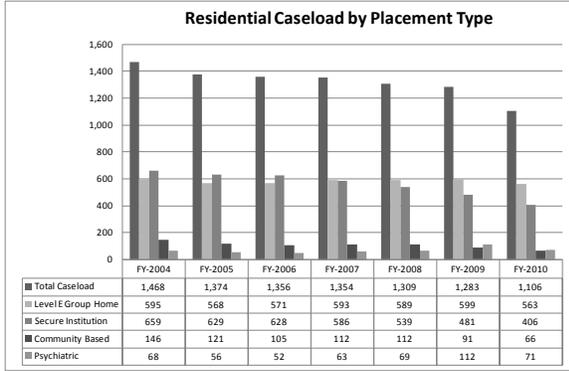
The chart below contains the number of admissions and caseloads, which has gradually declined along with the number of available out-of-home residential beds continuing to decline since a peak of 1,020 in FY-2000.



Source: Office of Juvenile Affairs.

Secure Placement

Residential treatment services represent the most intensive intervention to interdict a pattern of behavior that will otherwise result in an adult career in crime. Facilities provide applicable treatment for specific problems to enable normal youth maturation and to prepare the youth for reintegration into the home and the community.



Source: Office of Juvenile Affairs.

offenders that are 19-years old and older. On October 26, 2009, 141 youthful offenders were in an institutional setting. Of which, 19.1% remained on extensions, some being over the age of 19.

Youthful Offender

The Youthful Offender Act courts the discretion to place youthful offenders in the custody or under the supervision of OJA if the court determines that rehabilitation is appropriate. Upon good conduct and successful completion of OJA’s program, the court can discharge the sentence and the youthful offender can avoid conviction for a crime.

This Act also establishes a bridge between OJA and the Department of Corrections (DOC) for youthful offenders. If a youth is sentenced as a youthful offender and placed in the custody or under the supervision of OJA, the court must discharge the youth or transfer custody to DOC or place the youth on probation with DOC when the youthful offender reaches 18 years and five months. The court can also hold periodic review hearings, at its discretion, to determine the status of a youthful offender prior to the youth reaching 18 years of age.

A vast majority of the youthful offenders in OJA secure institutions are 17-years old and older. On October 26, 2009, 83% of youthful offenders in an OJA institutional setting were ages 17, 18 and 19-years old, while 17% were 15 and 16-years old.

Prior to a recent change of law in SB1403 in 2008, recommendations from the District Attorney’s Office to extend the time a youthful offender was to be remanded to OJA custody was considered by the courts. Currently, OJA continues to have youthful

Physician Manpower Training Commission (PMTC)

Mission

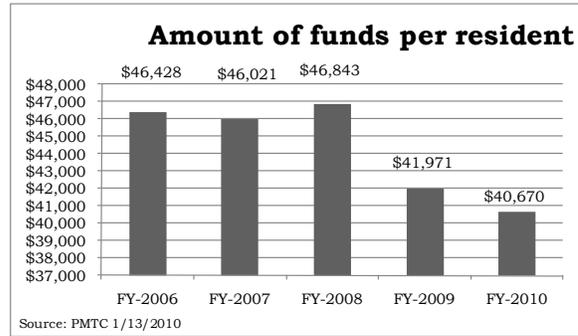
The Physician Manpower Training Commission (PMTC) was created in 1975 to enhance medical care in rural and underserved areas of the state through the following programs:

- Oklahoma Intern/Resident Cost-Sharing;
- Community Match Rural Scholarship Incentive Programs;
 - Rural Medical Education Scholarship Loan
 - Family Practice Resident Rural Scholarship
 - Physician/Community Match Loan
- Physician Placement Program;
- Nursing Student Assistance Program; and
- Physician Assistant Scholarship Program.

The PMTC programs provide approximately 25 physicians each year to rural Oklahoma communities. The National Center for Rural Health Works, Stillwater, Oklahoma, points out that a rural physician generates 25 jobs and over \$1.5 million in annual revenue. Physicians are vital to the economic health of small Oklahoma communities.

Oklahoma Intern/Resident Cost Sharing

PMTC provides partial salaries for family practice residents while participating in qualified training programs at OU College of Medicine-OKC (Oklahoma City, Lawton and Enid), OU College of Medicine-Tulsa (Tulsa and Ramona) and OSU College of Osteopathic Medicine (Tulsa, Oklahoma City, Enid, Durant and Tahlequah). At current funding levels, PMTC is able to fund 60% of 130 family practice residents' stipends.



Community Match Rural Scholarship Incentive Programs

Rural Medical Education Scholarship Loan

PMTC also administers a loan program whereby medical or osteopathic students contract to practice in a rural community with a population of 7,500 or less when their training is completed. A student can receive up to \$60,000 over a four-year period with a payback of practicing in a rural community one year for each year of financial assistance. Since 1975, 408 students have participated in the program. There are 29 recipients that will begin their obligated practice in one – three years after they complete their residency training. Currently 17 medical students are receiving assistance for FY-2011.

Family Practice Resident Rural Scholarship

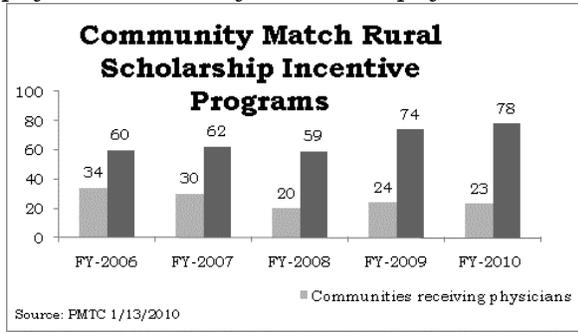
This scholarship program is for residents in accredited Oklahoma Family Practice Programs. Each participating resident receives \$1,000 per month (up to 36 months) with a month-for-month practice obligation in an underserved community upon completion of residency training. Since 1992, 183 recipients have completed training and are fulfilling their obligations. PMTC is assisting 13 family practice residents in FY-2011.

Physician/Community Match Loan

A rural Oklahoma community may provide loans matched by PMTC to any qualified primary care physician to assist in establishing a full-time medical practice. The state will match funds (50%-50%) with

a rural community (population under 10,000) to provide a one-time \$40,000 sign on bonus to a primary care physician for a 3-year practice obligation. The physician repays the loan by practicing medicine in that community. Since 1989, 191 physicians have participated in this program. 170 of the 191 physicians are fulfilling or have fulfilled their practice obligation in a rural community.

The following graph shows the total number of physicians who began rural practices compared to the number of communities seeking a physician. Over the last five years, 44% of the communities requesting physicians actually received a physician.



Physician Assistant Program

Created in FY-2006, this is a two and a half year scholarship/loan program for physician assistant students in accredited physician assistant programs. Participating students receive \$1,000 per month for up to 30 months, with a month-for-month practice obligation in a rural community of 20,000 in population or less. Since its inception, there have been 51 physician assistance participants. PMTC is assisting 12 PA students for FY-2011.

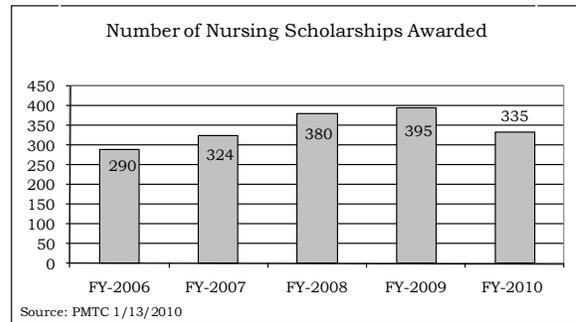
Nursing Student Assistance Program

Established in 1982, this program provides financial assistance to Oklahoma nursing students pursuing Licensed Practical Nursing, Associate Degree in Nursing, Bachelor's of Science in Nursing or Master's of Science in Nursing degrees. The scholarship loan is repaid by working as a nurse in Oklahoma, with an emphasis on

rural communities. There are two programs:

- Matching scholarship assistance provided by PMTC and matched by a community or institution which in return receives the services of the nurse upon graduation; and
- Non-matching scholarship assistance is provided solely by PMTC.

Since its inception, there have been 5,478 nursing participants. All 77 counties have benefited from the program. PMTC is assisting 339 nursing students for FY-2011.



Department of Rehabilitation Services

Mission

The mission of the Department of Rehabilitation Services (DRS) is to provide opportunities for individuals with disabilities to achieve productivity, independence, and an enriched quality of life.

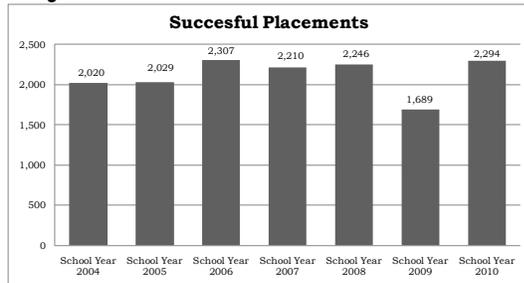
The agency administers four main programs:

- Vocational Rehabilitation and Visual Services Division;
- Oklahoma School for the Blind;
- Oklahoma School for the Deaf; and
- Disability Determination Division

Vocational Rehabilitation and Visual Services Division

The Vocational Rehabilitation and Visual Services (DVR/DVS) divisions of DRS administers the federal vocation rehabilitation program for Oklahomans with disabilities. DRS provides vocational rehabilitation, education, employment services and independent living programs. Once a client is determined eligible for vocational rehabilitation services, he or she is placed into one of three priority groups according to the severity of his or her disability and in accordance with guidelines in the federal Rehabilitation Act. DRS receives \$4 from the federal government for every \$1 of state funding for this program.

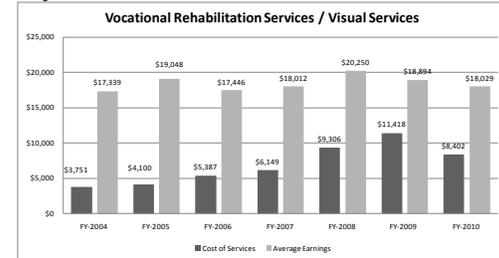
Key Performance Measure



Source: OKDRS

The Vocational Rehab and Visual Services Divisions helped 2,292 Oklahomans become successfully employed, a 27% increase over 2009. At an average cost per client of \$8,444, successfully employed clients earned an average annual paycheck of \$18,002 in FY2010. Staff help more than 20,000 clients with vocational rehabilitation and employment services each year. DRS counts a case as successful once the client has been involved in integrated employment for more than 90 days

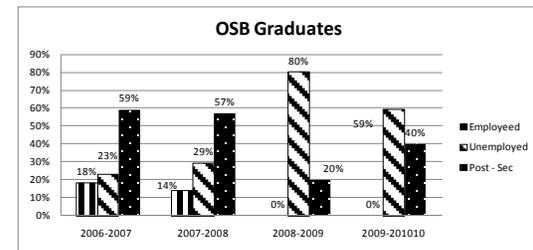
Key Performance Measure



Source: OKDRS

School for the Deaf and School for the Blind

The Oklahoma School for the Deaf and Oklahoma School for the Blind provide residential and day education programs for children who have a primary disability of either blindness or deafness. A comprehensive curriculum of reading, language arts, mathematics, social studies, science, physical education and computer-science serves children through the 12th grade.

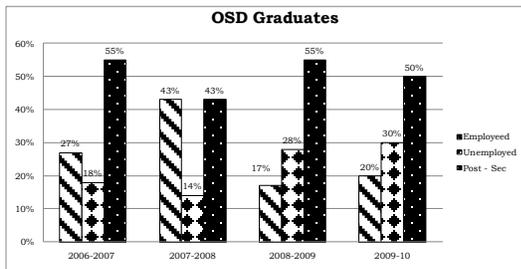


Source OKDRS

The School for the Blind (OSB) in Muskogee provides special instruction in Braille, orientation and mobility, low vision aids and adaptive technology.

The School for the Deaf (OSD) in Sulphur provides sign language classes and adaptive technology.

program is funded 100% with federal dollars.



Source OKDRS

During the 2008-2009 school year, OSD served a total of 286 students from all across the state. The Sulphur campus housed 91 students during the school week, while 63 students attended school during the day, and 33 preschoolers were served in the satellite preschools in Chickasha, Collinsville, and Edmond. 99 students attended the ASDC National Conference hosted by the School for the Deaf.

A total of 116 students were served by the OSB campus in Muskogee, 41 residential students and 54 day students. 21 students attended summer school.

Both schools are resource centers in the state for services to children who are blind, deaf, or hard of hearing. OSD and OSB offer outreach services to these students in public schools throughout the state. Both schools also provide specialized training and summer programs for students, parents and special education teachers.

Nationwide, 47 states and the District of Columbia have schools for the deaf; 42 states and the District of Columbia have schools for the blind.

Disability Determination Division

The Disability Determination Division (DDD) makes medical eligibility determinations for Oklahomans applying for Supplemental Security Income disability or Social Security Disability benefits. This

University Hospitals Authority and Trust

Brief History

In early 1998, the University Hospitals Authority entered into a Joint Operating Agreement (JOA) with HCA Health Services of Oklahoma, Inc., a subsidiary of Columbia Corporation. The agreement completed the largest and most comprehensive privatization in Oklahoma, consisting of a long-term lease between the University Hospitals Trust and HCA Health Services of Oklahoma, Inc. to lease, manage and operate the University Hospitals.

This historic partnership combined University Hospital, Children’s Hospital of Oklahoma, O’Donoghue Rehabilitation Institute and Presbyterian Hospital to form what is now called OU Medical Center. This name represents the association of the hospitals with the University of Oklahoma Health Sciences Center medical schools. The OU Medical Center hospitals serve as teaching hospitals for the medical schools.

Current Role of the Authority

The Authority, in conjunction with the University Hospital Trust, is responsible for monitoring the JOA and making yearly financial reports to the Governor and the Legislature. The mission of the Authority is to be a catalyst for medical excellence, to support medical education, clinical research and to assure the best care available to all Oklahoma citizens regardless of means, while growing essential alliances and maximizing utilization of state and federal resources.

Indigent Care Expenditures

The OU Medical Center Hospitals provide care to indigent persons equaling at least 120% of the state’s appropriation for indigent care. In the event that audited costs of indigent care go above 150% of the appropriation, the Governing Board of the JOA can seek an increase in the appropriations from the Legislature or

reduce services to indigents. Indigent care means medical care provided to individuals who do not have insurance and cannot pay for the cost of the care they receive.

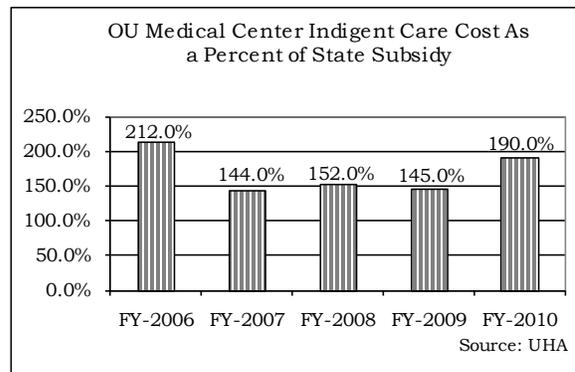
During FY-2010, there were a total of 232,106 admissions including, clinic and emergency room visits providing care to the medically indigent at OU Medical Center. The categories of service are as follows:

- 15,312 Admissions
- 216,799 Adult and Pediatric outpatient and ER visits.

Of the number of persons who received services, 362 of the inpatients, 6014 of the outpatients and 262 of the emergency room patients were Department of Corrections’ inmates. Oklahoma law requires that OU Medical Center treat inmates at no charge to the Department of Corrections. Therefore, these services are reflected in the total cost of indigent care.

FY-10 Indigent Care Percentage at 190%

During FY-2010 the percentage of indigent care provided by the OU Medical Center Hospitals was 190% of the state’s appropriation for indigent care. Previous year’s levels were below the 150% compliance standard. Stabilized indigent care levels and improved reimbursements brought the indigent care percentage into contract compliance for FY-2007 through FY-2009. Revenue shortfalls in FY-10 increased the indigent care percent to 190%.



Trauma Care Related to Indigent Care

OU Medical Center runs the state's only Level I Trauma Center but the state is still in need of comprehensive trauma system development. This includes hospital and ambulance licensing regulations promulgated by the Board of Health along with other system components. Some of these other components, such as statutory changes, additional rules and provision of funding for uncompensated trauma care, continue to be developed.

The comprehensive trauma care system will contain at least the following components:

- pre-hospital transfer protocols which clarify that patients are transported to the nearest hospital specified to handle their level of injury;
- regional plans for community or regional on-call systems which ensure that physician coverage is maintained and 24-hour emergency care is available;
- reciprocal patient transfer agreements with hospitals capable of providing major trauma care;
- agreements with provisions for transferring patients back to the originating hospital when it is medically appropriate to do so;
- trauma referral centers, which coordinate trauma care for all ambulance services and first response agencies within regions, as well as facilitate trauma patient transfers into the region; and
- adequate funding for uncompensated trauma care.

Oklahoma Military Department

Mission

The Oklahoma Military Department's (OMD) mission is to preserve the state and the nation through the organization and training of the Oklahoma National Guard. To that end, OMD is committed to providing adequate training facilities for the Oklahoma National Guard.

OMD also continues to serve Oklahoma's at-risk youth with programs, which instill self-esteem and discipline in our young people.

Youth Programs

The Oklahoma Military Department fields five programs involving Oklahoma's youth. On July 1, 2005, Oklahoma Military Department reconstituted the State Transition and Reintegration System (STARS), providing statewide tracking services for adjudicated youth through personal contacts and advanced Global Position Satellite (GPS) technologies.

The Youth Programs Division (YPD) continues to develop and refine the coordination between its residential programs resulting in significant progress in the areas of job training and job placement.

Thunderbird Youth Academy

The Thunderbird Youth Academy (TYA) holds two 22-week sessions per calendar year. This voluntary program utilizes military discipline to improve self-esteem and physical fitness of approximately 200 Oklahoma at-risk youths every year.

Education is a key component of the TYA. The curriculum focuses on specific criteria, GED completion and basic life skills. GED preparation is intensive and directed toward improving each cadet academically. Once cadets obtain their GED, they have the opportunity to complete college level studies before graduation. This voluntary program is the result of a cooperative effort

between TYA and local colleges and universities. The credits are fully transferable and certified college instructors teach the classes. Since inception of the program Oklahoma's high school dropouts have dramatically improved their education level and employability potential, with 180 graduating in 2010.

STARBASE

STARBASE operates its programs at five locations: Tulsa, Oklahoma City, Camp Gruber, Anadarko, and Pryor. This program has inspired over 40,900 of Oklahoma's elementary school-aged youth with a greater appreciation of math and sciences through practical application of rocketry, astronomy, life sciences, and aerospace technology.

Troop Strength

Currently, the Oklahoma Military Department has over 9,700 troops stationed in the state. The number of troops currently on active duty is 4200.

Alcohol Beverage Laws Enforcement Commission (ABLE)

Mission

The Alcohol Beverage Laws Enforcement Commission protects and enforces state laws pertaining to alcoholic beverages, youth access to tobacco, and charity games. Their priority enforcement is the minimization of alcohol and tobacco use by Oklahoma's youth.

Alcohol Education

Education and creating awareness are a large part of ABLE's strategy for reducing teenage alcohol use. Before attaining alcohol licenses, businesses must attend an orientation provided by ABLE through a contract with a private organization to train new employees of alcohol-serving entities. Also, ABLE trains business employees to spot fraudulent driver licenses, and intoxicated and underage persons.

Attorney General

Mission

The mission of the Office of Attorney General is to represent Oklahoma by serving and protecting citizens, government and the law. A few of the services it provides to accomplish its mission are:

- *Representing the state in criminal appeals;*
- *Investigating criminal matters anywhere in the state through the Multi County Grand Jury;*
- *Providing advice and counsel to all State Officers, Boards and Commissions;*
- *Writing opinions upon all questions of law submitted to the Attorney General by persons or bodies with proper statutory authority;*
- *Appearing, as required by statute, and prosecuting or defending, before any court, board or commission, any cause or proceeding in which the state is an interested party;*
- *Overseeing funding and certification for domestic violence and sexual assault programs as well as batterers' intervention programs across the state;*
- *Providing statewide and regional training for law enforcement officers, prosecutors, victim advocates, healthcare professionals, and various other allied professionals;*
- *Developing and maintaining a hotline that provides crisis intervention and resources to victims of domestic violence, sexual assault and stalking;*
- *Implementing OK VINE, Oklahoma's criminal tracking and automated victim notification service and VINE Protective Order, a service that provides status change notification to victims filing protective orders; and*

- *Administering the Address Confidentiality Program which allows agencies to accept a substitute address for participants and enables them to respond to requests without disclosing the location of victims of domestic violence, sexual assault and stalking to their perpetrators.*

Contract Attorneys

Under state law, various agencies contract with the Attorney General's office for legal services. With these contracts, the agency is guaranteed that an assistant attorney general will spend a certain amount of his or her time working for the agency. Contracts with the Attorney General vary from 25% of an attorney's time to 100%. As of January, 2011, the Attorney General's Office has contracts with more than 48 state agencies.

Domestic Violence Unit

In 2005, the Legislature authorized the transfer of the powers and duties associated with the Domestic Violence and Sexual Assault Program to the Attorney General's Office from the Department of Mental Health and Substance Abuse Services. Funds were reallocated to the budget of the Attorney General for the continuation of programs and services. Services include community-based programs for victims of domestic violence and sexual abuse that provide:

- Safe shelter;
- Advocacy; and
- Counseling services.

Board of Tests for Alcohol and Drug Influence

Mission

The Board of Tests for Alcohol and Drug Influence promotes a safe driving environment through:

- Proper training of officers in the use of breath testing equipment;
- Inspection and training of ignition interlock installers;
- Performing certification, calibration and maintenance on breath testing equipment to factory and Board standards; and
- Maintaining records associated with breath testing and ignition interlock to include rules of the Board, policies and procedures of the Board, and minutes of each meeting of the Board; and,

Background

The Board of Tests for Alcohol and Drug Influence is comprised of the Dean of the University of Oklahoma College of Medicine, the Commissioner of Public Safety, the Director of the Oklahoma State Bureau of Investigation, the State Commissioner of Health, the Director of the Council of Law Enforcement Education and Training, one certified peace officer selected by the Oklahoma Sheriffs and Peace Officers Association, and one person selected by the Oklahoma Association of Chiefs of Police.

By statute, the Legislature appropriates funds to the Department of Public Safety to be transferred for the support of the Board of Tests for Alcohol and Drug Influence.

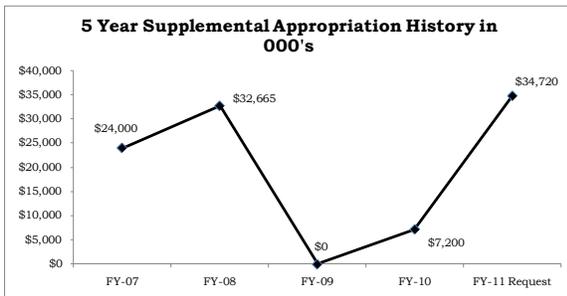
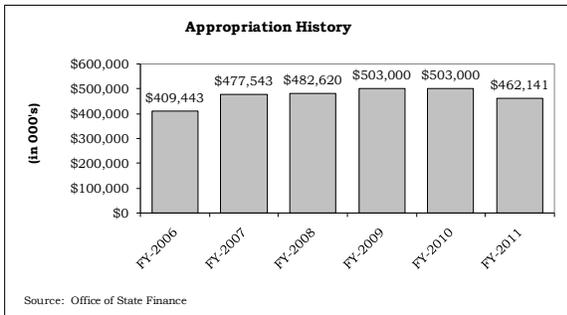
Department of Corrections (DOC)

Mission

The Department of Correction’s mission reflects the importance of public safety by seeking to protect the public, its employees and the offenders under its supervision. The agency’s responsibilities include:

- Housing inmates safely and securely;
- Providing opportunities for inmates to become rehabilitated;
- Facilitating a successful transition for inmates back into society; and
- Monitoring inmate behavior upon release

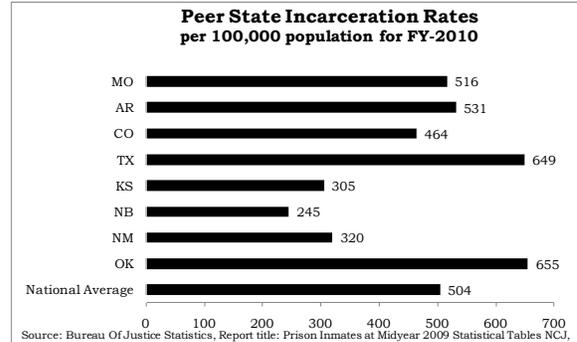
As one of the state’s largest agencies, DOC’s FY-2011 appropriation made up 7% of the state appropriations. DOC’s appropriations have more than doubled from FY-1996 to FY-2011. The following charts show DOC’s appropriation history and their FY-2010 expenditures by account.



The National Conference on State Legislature reports states spent on average

5.3 percent of their general revenue funds on corrections in fiscal year 2008.

The fact Oklahoma spends 7% of its general revenue fund on Corrections is reflective of the high costs associated with a high rate of per capita incarceration.



95% of operational funding in FY-2010 came from state appropriations, with revolving funds and federal funds making up the remaining 5%. DOC generates revolving funds from the sale of products and services to inmates (canteen sales) and from the sale of inmate-produced products and services to internal and external purchasers. DOC typically receives federal grant funds for specific programs or services such as sex offender management or substance abuse treatment.

The Demand for Prison Beds

Oklahoma currently incarcerates 132 women per 100,000 population compared to the national average of 68.

As of January 11, 2010 the offender population was 25,411. On January 10, 2011 the count had risen to 25,594. Calendar year 2010 receptions were 8,910 with 8,726 releases.

The Prison System

DOC operates eight (8) secure public facilities for maximum and medium security offenders, nine (9) minimum security facilities and twenty-two (22) community/work centers provide additional bed space for a total state operated count of 18,073, as of January 10, 2011. The total

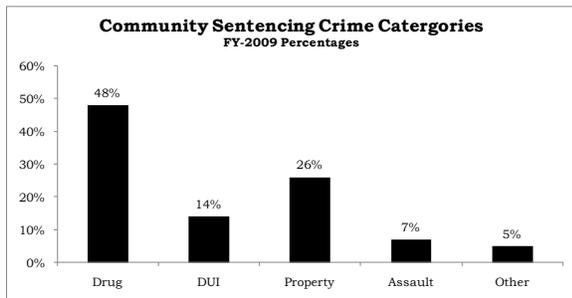
offender count at contract facilities is 4,713 private prisons, 1,258 halfway houses, 515 contract county jails, for a total contract bed count of 6,486. We have 412 offenders on community programs and 623 offenders that are at other facilities, (i.e., hospitals, out witness to court/jails, escapees at large, escapees in custody with other law enforcement agencies, etc.). As of January 10, 2011, the total system count is 25,594.

Oklahoma currently has six (6) private prisons; three (3) facilities house Oklahoma offenders and one (1) facility housing out-of-state offenders, with two facilities currently empty and pursuing out of state contracts. The North Fork Correctional Facility's capacity is 2,400 offenders and it currently houses approximately 2,381 offenders from California.

In support of State Statute 57 - 563.2 that prohibits other states from sending high risk offenders to private prisons in Oklahoma; Private Prison and Jail Administration staff pre-screen the files of out-of-state offenders to ensure appropriateness for transfer to Oklahoma.

Community Sentencing

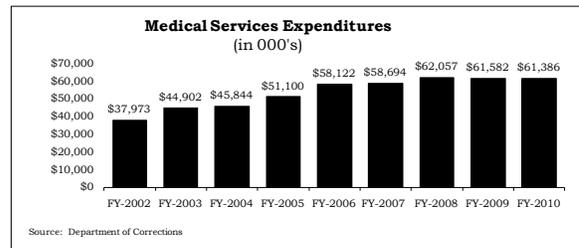
The Oklahoma Community Sentencing Act provides an alternative sentencing program for certain nonviolent criminals DOC's FY-2011 budget for the program's active local community sentencing systems was \$5 million. The average annual cost per offender in FY-2011 was \$1,781, less than \$5 per day.



Inmate Health Care

Providing health care in a prison setting is more costly and complicated than in other settings. The nature of the prison population makes injuries and wounds more common and inmates generally do not lead healthy lifestyles. Consequently, instances of hepatitis and other communicable diseases are much more prevalent.

The cost of health care nationwide is continuing to escalate faster than the inflation rate. This cost growth is compounded by the special, and usually costly, precautions that must be taken to protect other citizens when an inmate needs treatment outside the prison facility.



Cost Savings Initiatives

The Private Prison and Jail Administration Unit successfully negotiated reduced per diem rates with all three private prisons during FY-2010, resulting in a savings of approximately \$5.4 million for FY-2010.

Oklahoma Correctional Industries generated revenue of \$19,389,620 in FY-2009. In FY-2010, revenues were \$14,840,505 with a margin of \$1,262,962. ODOC forecasts in FY-2011 a revenue of \$15,000,000 with a margin of \$1,200,000.

The Division of Institutions and the Division of Female Offender Operations have jointly developed and implemented a position consolidation plan addressing unit management positions (unit managers, case managers, correctional unit assistants and select clerical positions). The reduction achieved since the beginning of this plan

has resulted in 73 employees being eliminated.

The Division of Institutions and the Division of Female Offender Operations reduced food services expenditures by more than \$1 million from FY2009 to FY2010 and continues to focus on food costs. An improved master menu that is expected to be more cost effective was implemented in FY2011.

The Division of Institutions implemented the use of surplus military clothing from the US Army. Thirty-four thousand articles of clothing have been acquired and modified for use by offenders. The estimated value of this clothing is approximately \$272,000.

District Attorneys' Council (DAC)

Mission

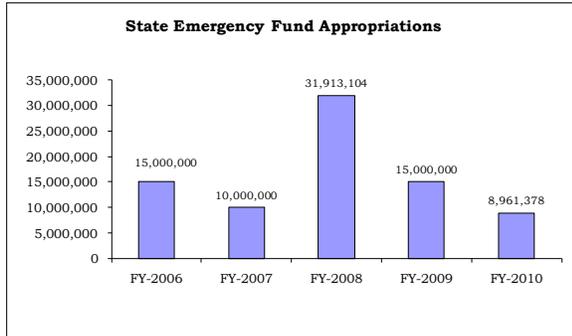
The mission of the District Attorneys Council is to protect the citizens of the State of Oklahoma through the effective and efficient administration of justice. One of the District Attorneys Council's duties is to develop a formula to distribute state appropriated funds to local District Attorney Offices. Other services provided include:

- Administrative support for local District Attorneys;
- Victims of Crime services;
- Education of state leaders on the District Attorneys' positions on criminal justice issues; and
- Assistance to the state's Multijurisdictional drug task forces.

District Attorneys

The 27 District Attorneys in the state are locally elected officials. They are responsible for prosecuting state criminal cases on behalf of the public. The total budget for FY-2011 is \$110 million.

State Emergency Fund



The State Emergency Fund provides funds to local governments and businesses for reconstruction and relief after a disaster. The Governor can allocate and authorize expenditures from this fund in certain cases, and the Contingency Review Board can allocate funds for other specified needs.

In recent years, the state has experienced several disasters, which include:

- December 2007 ice storm.
- January 2007 ice storm.
- January 2009 Ice Storm
- February 2009 Tornadoes
- March 2009 Snow Storm
- April 2009 Wildfires
- December 2009 Blizzard
- January 2010 Ice Storm
- May 2010 Tornadoes
- June 2010 Flooding

Oklahoma Department of Emergency Management (ODEM)

Mission

The mission of the OEM is to minimize the effects of natural and man-made disasters. The agency accomplishes this by preparing and implementing preparedness plans, assisting local government subdivisions with training for and mitigation of disasters and coordinating actual disaster response/recovery operations.

The Department is divided into four main areas:

Hazard Mitigation

Assists communities with identifying and implementing long-term hazard mitigation measures.

Community Preparedness

Provides coordination with other state and federal agencies in developing their capability to respond to a catastrophic disaster.

Emergency Response

Coordinates state emergency operations. The staff also monitors events and evaluates whether they may qualify as a State-declared emergency and the need for federal emergency and disaster assistance.

Disaster Recovery

Departmental staff implements procedures to provide for the quick and efficient delivery of state and federal aid to persons who have been affected by an emergency or disaster.

State Fire Marshal (SFM)

Mission

The mission of the agency is to promote safety and awareness and reduce the loss of lives and property through public education, investigations, inspections, reviewing building plans, enforcing code and collecting statistical data from the annual incident reports from more than 900 fire departments. Duties include:

- Investigating and documenting the cause or origins of fires;
- Assisting with and enforcing adopted Life Safety Codes and fire/crime prevention; and
- Developing fire safety campaigns.

The State Fire Marshal positions investigators around the state for fast response to all investigative needs. This increases the probability of detecting any possible attempt of arson. The SFM has the legal authority to arrest suspects if probable cause exists in an arson investigation.

Oklahoma Indigent Defense System (OIDS)

The Oklahoma Indigent Defense System provides representation for indigent Oklahomans charged with committing criminal acts.

OIDS provides services in three ways:

- OIDS enters into legal services contracts with local firms for non-capital trials. They receive payment in a lump sum each year to cover all cases in that particular year;
- OIDS staff attorneys handle capital trial cases and all cases that have reached the appellate level. They also represent indigents in non-capital trial cases in 20 counties where they are unable to contract with local firms at a reasonable rate; and
- OIDS appoints counsel in cases when there is not a contract in the appropriate county and OIDS has a conflict of interest.

In FY-2010, OIDS represented a total of 43,883 court appointments. Of these total cases, over 32,000 were contract non-capital trial cases, 105 capital trial cases, and 558 general appeals cases.

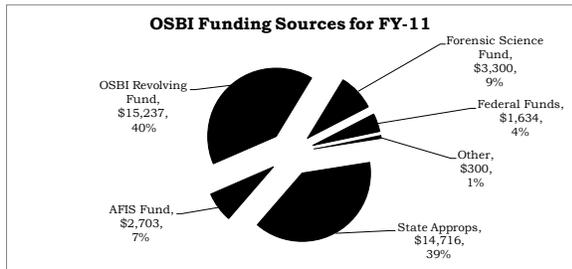
Oklahoma State Bureau of Investigation (OSBI)

Mission

The mission of the Oklahoma State Bureau of Investigation is to ensure the safety and security of the citizens of Oklahoma.

OSBI clients include federal, tribal, state, district, county and municipal law enforcement and prosecutorial agencies, the general public and statutory requestors such as the Governor, Attorney General, and the Medical Examiner.

OSBI provides a wide array of investigative and forensic laboratory services including technical crime scene investigations and investigations of criminal offenses such as homicide, rape, assault, theft, fraud, embezzlement, and corruption. Specialized services include computer forensics, criminal intelligence, information sharing systems, polygraphs, forensic interviewing of child victims, training, expert testimony, laboratory analysis, and Internet crimes against children investigations.



Investigative Services

The Investigative Services Division provides a full range of investigative assistance to those entities authorized by State statutes. Most commonly, assistance is a complete investigation conducted by OSBI agents with a comprehensive report for use in prosecution efforts. The types of investigations conducted include, but are not limited to, homicides, rapes, assaults, white collar crime, public corruption, property crimes such as burglaries, computer crimes such as Internet crimes

against children, child abuse, insurance fraud, auto theft and oil field theft. Services also include polygraph examinations, electronic surveillance, aerial surveillance, crime scene investigations, forensic art, video analysis, judicial backgrounds, and local law enforcement training in areas of basic and advanced criminal investigations. The Fusion Center maintains the Statewide Intelligence Network and provides expanded use of crime analysis to help state and local law enforcement as well as federal agencies.

Criminalistic Services

The Criminalistic Services Division is the full-service, accredited forensic crime laboratory system for the State of Oklahoma. The program supports law enforcement statewide through forensic services that aid in the investigation and prosecution of crime. Forensic analysis of criminal case evidence is provided to municipal, county, district, state, tribal, and federal law enforcement and prosecution agencies. The forensic disciplines include Serology/DNA, CODIS, Controlled Substances, Toxicology, Trace Evidence, Firearms and Latent Evidence. Additional services include clandestine drug laboratory crime scene response, expert testimony, drug destruction, informational databases and forensic training. Sexual assault kits, blood alcohol kits, gunshot residue kits, marijuana field test kits, and drug facilitated sexual assault kits are provided to hospitals and law enforcement at no cost.

Information Services

The Information Services Division provides internal support to the OSBI, assists local law enforcement and provides services to the citizens of Oklahoma. The services include:

- dissemination of criminal history information to non-criminal justice agencies and to the general public;
- issues new and renewal licenses to citizens wishing to carry concealed weapons, and maintains the self defense act licensing records;

- collects and enters all information related to the filing of criminal charges by Oklahoma's District Attorneys - the collection of this data and the disposition data related to the charges provides comprehensive data for the courts, prosecutors and the public;
- collects crime statistics from Oklahoma law enforcement agencies and assimilates it into the Crime in Oklahoma Annual Report, which provides law enforcement administrators and other interested parties the data necessary to make informed decisions about the problem of crime in this state; the data is also sent to the FBI for inclusion with national crime statistics;
- training to all law enforcement agencies on record keeping and the proper method of reporting crime statistics as well as conducts audits to ensure the integrity of the data collected and submitted;
- from submitted fingerprint card and disposition data, builds the Master Name Index, Arrest Segment, Custodial Segment and Judicial Segment of the criminal history record for the State Central Repository;
- produces and disseminates criminal history rap sheets used by criminal justice agencies nationwide;
- processes submitted fingerprint cards to capture the fingerprint images and minutia records to facilitate the comparison and positive identification of individuals through utilizing the Automated Fingerprint Identification System (AFIS);
- provides initial and follow-up training to jail sites using OSBI owned Livescan Booking devices - these devices capture data on the subject, charges to be filed, electronic images of fingerprints, palm prints and digital images including mug shots, scars, marks and tattoos;
- collects and analyzes criminal justice data, and provides reports on criminal justice issue to state and local criminal justice agencies.

Information Technology Services

In addition to hardware acquisition and support as well as software application development and support to the OSBI, the ITS Division provides day-to-day technical support of the Automated Fingerprint Identification System (AFIS), the Computerized Criminal History repository (CCH) and the related fingerprint capture Livescan devices deployed statewide. ITS also supports message switching services between local, state and federal agencies such as: NCIC, III and IAFIS at the federal level, OLETS, NLETS, ODIS, OASIS and OkLEX at state level and local police systems as necessary.

Council on Law Enforcement Education and Training (CLEET)

Mission

The mission of CLEET is to:

- Protect citizens by developing well trained and highly skilled law enforcement and security professionals;
- Establish standards and provide training for peace officer certification;
- Deliver high quality professional training programs that focus on success for Oklahoma law enforcement officers through continuing and advanced education programs;
- Investigate matters that could result in revocation of peace officer certification;
- Establish licensing and training standards for private security officers, private investigators, security guard agencies and private investigative agencies; and
- Regulate unlicensed activity and investigate complaints against licensees that may result in punitive action including filing of criminal charges.

Training

CLEET formed a Curriculum Review Board representing law enforcement agencies, subject matter experts and law enforcement organizations from across the State to ensure training topics and methods remain current. Additionally, CLEET is continually changing teaching methods to dedicate more time to practical exercises to allow the students to participate in mock vehicle accident investigations, crime scene investigations, responding to domestic violence calls, etc. Training is focused on academic excellence and student achievement to ensure basic training across Oklahoma is consistent and entry-level

police officers are prepared for essential tasks.

Continuing Education

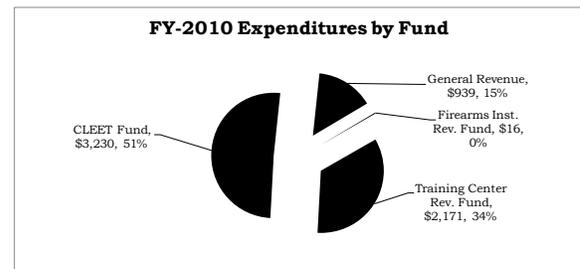
CLEET conducted 391 specialized and advanced classroom courses at approximately 56 locations across the state representing an increase of 94 courses from FY-2009. Through the use of technology, CLEET has established a continuous learning environment through web-based training that allows law enforcement officers to access local training 24 hours a day, 7 days a week

Administration

In FY-2010, CLEET collected \$ 5,780,683 from seven fee sources representing a decrease of \$ 331,078 from FY-2009 collections. The Penalty Assessment Fee is the primary funding source for CLEET's appropriated budget and funds the debt service for the new law enforcement training center in Ada.

Budget

85% of CLEET's budget is provided through the CLEET Fund and the CLEET Training Center Revolving Fund. These funds are comprised of a \$9 Penalty Assessment Fee that is added upon conviction to criminal and traffic fines. 34% of fees collected are dedicated to the Training Center Revolving Fund to pay the annual bond debt service that financed construction of the facility in Ada.



Board of Medicolegal Investigations

Mission

The Board of Medicolegal Investigations investigates deaths in Oklahoma that is sudden, violent or suspicious. The primary goal is to determine with medical and legal certainty the cause of death.

The agency conducts scene investigations, autopsies and external examinations, histological examinations and toxicological analyses.

Medicolegal has two laboratories within the state: the Central Laboratory, located in Oklahoma City, and the Eastern Laboratory, located in Tulsa.

Oklahoma Bureau of Narcotics and Dangerous Drugs (OBNDD)

Mission

The Oklahoma Bureau of Narcotics & Dangerous Drugs Control (OBNDD) is responsible for drug enforcement in Oklahoma. OBNDD's strength is in the unique skills and abilities of dedicated agents and support staff. They conduct a wide variety of specialized programs to combat the local availability of various domestic and foreign produced drugs. Enforcement, intelligence, diversion, regulatory, wire intercept, legal, analytical, and educational activities are directed from OBNDD headquarters in Oklahoma City; five district offices located in Tulsa, McAlester, Ardmore, Lawton and Woodward; and eleven regional offices in Ada, Altus, Clinton, Duncan, Durant, Enid, Guymon, Henryetta, Idabel, Muskogee, and Poteau.

Education

A primary mission of OBNDD is the enforcement of laws designed to halt the local availability of drugs; however, OBNDD is also mandated by Title 63 to provide drug education and training opportunities to law enforcement and the citizens of Oklahoma. To meet this need, the Prevention, Education, and Training Division instructed 112 programs throughout the State of Oklahoma for 5,832 officers and civilians, representing 209 different agencies. Another vital component is providing drug education aimed at demand reduction. The Community-Oriented Narcotics Education and Training (COPNET). It is grant-funded, consisting of volunteer instructors working for OBNDD. COPNET instructors presented 750 drug awareness and prevention programs to 22,351 K-12 students and 3,314 adults in 2009.

A significant event of 2009 was the first-ever Methadone Symposium held on September 30, 2009. OBNDD assisted the Oklahoma Chapter of the National Association of Drug Diversion Investigators (Oklahoma NADDI) in hosting this comprehensive symposium. Approximately 88 attendees representing law enforcement, medical professionals, mental health providers, and treatment program staff participated with national and local experts to discuss the current methadone situation in Oklahoma.

Diversion Unit

OBNDD is the only law enforcement agency in Oklahoma to regulate prescription drugs in Oklahoma. The abuse of pharmaceuticals in Oklahoma is escalating at an alarming rate. In 2009, there were 612 drug related overdose deaths, 87% of the drug related overdoses were caused by prescription drug abuse. The Diversion Unit is tasked with investigating and preventing the diversion of prescription drugs to illegal markets. Investigations not only regulate controlled dangerous substances, but also present criminal charges for prosecution. There are approximately 16,320 active OBNDD registrants in the state of Oklahoma including hospitals, pharmacies, dentists, veterinarians, and hospices. Most of these registrants provide great public service, however if diversion of pharmaceuticals occurs, it is a source of supply for abuse. In 2009, OBNDD completed 165 diversion investigations involving 93 registrants.

Mobile Operations Team (MOT)

OBNDD has altered its enforcement tactics and actions in response to varying trends in the narcotics trade. One such effort was the creation of the Mobile Operations Team (MOT) with assistance from federally funded JAG monies. MOT was established to target individual distribution cells within communities across Oklahoma. MOT seeks to deploy highly trained and well-equipped agents to work with local law enforcement in targeting specific narcotics problems in

their area. In 2009, the MOT Unit successfully conducted large-scale operations in SE and NE Oklahoma, removing individuals responsible for drug distribution throughout several communities.

Marijuana Eradication

OBNDD has gained a national reputation as a leader and innovator in domestic marijuana eradication. More importantly however, is the fact that OBNDD has led the charge to make sure that Oklahoma is no longer a wholesale marijuana producing and exporting state. OBNDD established the country's first eradication program incorporating aerial rappelling operations and aerial spraying. This program utilizes funding through DEA's Domestic Cannabis Eradication / Suppression Program (DCE/SP) to dramatically reduce cultivated marijuana in Oklahoma. Recently, Oklahoma has seen a trend that for years had been confined primarily to the west coast. OBNDD located three (3) high-quality, commercial growing operations with ties to Mexican cartel organizations. Nearly 66,000 plants were seized in 2009, as well as evidence that growers were living in the patches and cultivating marijuana for Mexican distribution networks.

Electronic Surveillance and Intelligence

Prior to other state and federal experts sounding an alarm, OBNDD recognized the emerging impact of Mexican drug organizations in the U.S. In 1996, this agency initiated a state-of-the-art electronic surveillance and wiretap unit that has resulted in the arrests of members from some of the most powerful drug cartels operating on American soil. The OBNDD Wire Unit maintains one of the only full-time Spanish interception units in this part of the country. In 2009, the Wire Unit completed investigations in SW and SE Oklahoma, unplugging and dismantling major Mexican drug pipelines into the state. This division also oversees a Financial Asset and Seizure Team (FAST) which

identifies and seizes illegally gained assets of drug traffickers.

Deconfliction

The High Intensity Drug Trafficking Area (HIDTA) Oklahoma Intel Center (OIC) is currently configured as the central clearinghouse for Deconfliction Events and Subjects/Targets for Law Enforcement in the State of Oklahoma. The *Events* side of the system is for safety. It minimizes the possibility for participant agencies to conduct planned enforcement actions in the same location at the same time. The *Subject* side puts investigators together with other agencies conducting an investigation on the same individual or group, effectively maximizing resources.

Prescription Monitoring Program

In 2009, OBNDD received legislative authority to change the reporting requirement for scheduled drugs. This enabled OBNDD to track the prescribing of all scheduled drugs on a 24 hour cycle. This also allows law enforcement and the medical community to lookup individuals who are illegally obtaining prescriptions from multiple practitioners as well as identify the over-prescribing practitioners.

Pseudoephedrine Tracking

In 2009 OBNDD received legislative authority to add a birth date requirement to reduce fraudulent use of state issued identifications to purchase PSE products. OBNDD has established a data sharing agreement with the Department of Public Safety (DPS) to cross-check the state issued identification cards with those maintained by DPS. This will in time allow the state mandatory limits to be enforced against all licenses issued by DPS as well as our internal systems.

OBNDD maintains an aggressive and proactive approach toward reducing the local availability of drugs and addressing the ever-changing climate of narcotics distribution and abuse. This combined with

future strategies, defines the character of
OBNDD and drives this agency toward its
ultimate quest of creating a Drug-Free
Oklahoma.

Pardon and Parole Board

Mission

The Pardon and Parole Board provides recommendations for the supervised release of adult felons through a case-by-case investigative process. The Board strives to protect the public during this process and to maintain a low revocation and recidivism rate for the State of Oklahoma. With timely recommendations and appropriate community-level programs, the Board can contribute to the intelligent management and control of the State's inmate population.

Explanations of the Key Terms

- **Parole** is the release of a prisoner whose sentence has not expired, on condition of future good behavior.
- **Pardon** is the exemption of a convicted person from the penalties of an offense or a crime.
- **Clemency** is the act of leniency or mercy on an individual for a crime committed.

The Board's staff determines parole eligibility for persons in the Department of Corrections' custody, prepares an extensive investigative report which includes a recommendation to the Board and notifies the victims and other related entities. The Board reviews this information and makes recommendations for clemency on the various parole programs, commutations and pardons, as prescribed by law. Upon recommendation by the Board, the Governor makes the final decision on the clemency, with the restrictions and stipulations recommended by the Board.

The Board

The Pardon and Parole Board is a constitutional, five-member, part-time body charged with making clemency recommendations to the Governor concerning convicted adult felons. Members of the Board are appointed: Three by the Governor, one by the Chief Justice of the State Supreme Court, and one by the presiding Judge of the Court of Criminal

Appeals. The members hold office coterminous with the Governor and meet several days each month at one of the State penal institutions.

Department of Public Safety (DPS)

Mission

The Department of Public Safety provides the following services to ensure a safe and secure environment for the citizens of this state:

- Law Enforcement Services; and
- Driver License Services;

Law Enforcement Services

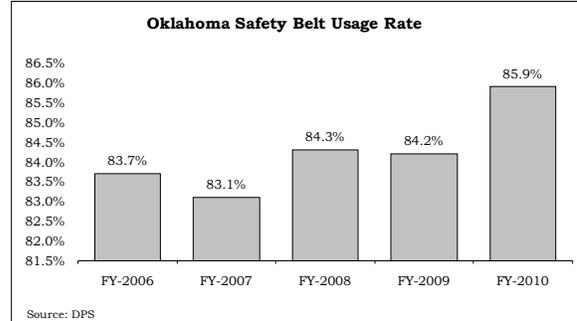
- **The Oklahoma Highway Patrol (OHP)** patrols over 96,000 miles of road, investigates collisions and enforces size and weight laws. OHP also assists local and federal agencies following a federal disaster.
- **Commercial Vehicle Enforcement Troop** enforces size and weight laws.
- **Lake Patrol** enforces laws on state lakes.
- **Executive Security** provides security and transportation for the Governor and Lt. Governor.

Driver License Services

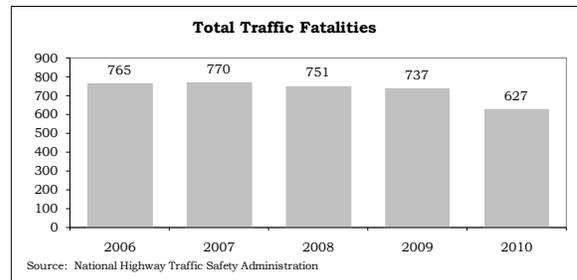
- The Identity Verification Unit of DPS has implemented additional security procedures for driver license issuance and is utilizing additional technology purchased with Federal Homeland Security funding to enhance and secure the identity and personal information of licenses issued by DPS.

Key Performance Measures

Oklahoma's seat belt usage has continued to increase from 83.5% in 2006 to 86% in 2010.



Traffic fatalities have steadily declined since FY-2007. Note: The FY-2010 statistics are preliminary as of the date of this publication.



Oklahoma Center for the Advancement of Science and Technology (OCAST)

Mission

The Oklahoma Center for the Advancement of Science and Technology is tasked with improving the Oklahoma economy by moving technology from concept to commercialization. Using internationally-accepted methods of applying public funds to research projects, OCAST helps Oklahomans develop knowledge-based businesses. These businesses, in turn, attract private and federal investment, world-class scientists and collaborative relationships that translate into quality jobs for Oklahomans.

To achieve its vision, OCAST:

- Increases cooperation among the private sector, research foundations and universities through collaborations and networks that maximize productivity;
- Provides leadership, information, services and financial assistance to enhance the ability of Oklahoma advanced technology firms and Oklahoma scientific researchers to compete in the marketplace;
- Uses nationally recognized experts as peer reviewers to ensure performance that meets national standards of excellence and provides Oklahoma with national visibility; and
- Leverages federal and private resources to optimize the effectiveness of limited state resources.

OCAST is Oklahoma's only technology-based economic development agency – the only agency focusing solely on technology, its development, transfer, commercialization and impact on Oklahoma's economy.

OCAST Programs

OCAST strives to select businesses with solid futures for research and development funds. Seventy-one percent (71%) of companies funded by OCAST since its inception are still in business. Through the following programs OCAST develops, implements, evaluates and modifies programs and services designed to encourage and enable Oklahoma firms to develop, apply and commercialize technology.

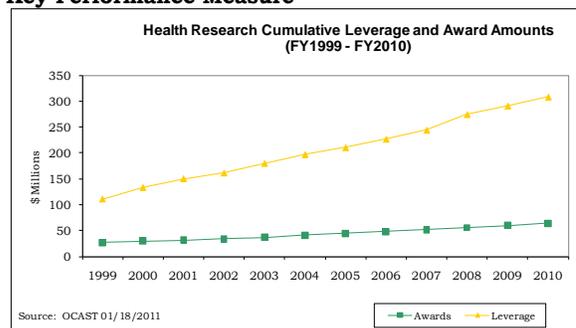
Oklahoma Health Research (OHR)

The Oklahoma Health Research Program awards seed funds for research projects related to human health. The program funds projects for up to three years at a maximum level of \$45,000 per year. Eligible applicants are Oklahoma universities and colleges, nonprofit research organizations and commercial enterprises.

Health Research awards enable researchers to gain expertise and produce data needed to obtain larger grants from federal agencies and other funding organizations. Awards permit research centers to recruit and retain health scientists, researchers and technicians. They contribute to improved health care while permitting expansion in biotechnology, biomedical and commercial enterprises in Oklahoma.

The following graph illustrates the successful leveraging of funds compared to dollars awarded.

Key Performance Measure



One test of successful research is the number of patents issued. The following chart shows the rate of success for Oklahoma patent applications.

Health Research Patents FY-2005 to FY-2010						
	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	FY-2010
Applications	11	18	24	22	18	13
Awards	1	2	1	4	4	24
Source: OCAST 1/18/2011						

Oklahoma Plant Science Research (OPSR)

Plant science research funds are awarded through external, peer-reviewed funding competitions with preference given to plant research projects which have potential commercial application and the development of new products and services that shall form the basis of new, high-technology plant science/agriculture industry for the state. Collaborative research, which brings together personnel from multiple organizations, from multiple disciplines and with varied experiences and perspective frequently enhances the prospects successful research. Collaborative projects among institutions of higher education, non-profit research organizations and private enterprises are encouraged, and proposals involving co-principal investigators from more than one organization are strongly encouraged.

R&D Faculty and Student Intern Partnerships (RDIP)

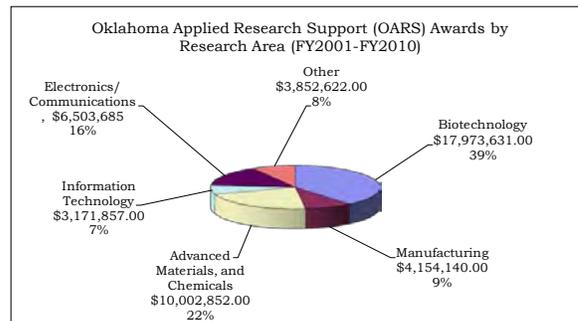
The R&D Intern Partnership program provides support for qualified research and development partnership projects that involve industry and institutions of higher education. The program increases the pool of scientists, engineers and business entrepreneurs available to Oklahoma industry, encourages students to be scientists and engineers and enhances faculty members' teaching experience.

The faculty and student interns come from rural and urban colleges and they intern throughout Oklahoma. Through this program the interns learn first-

hand about the many outstanding high-tech employment opportunities in Oklahoma. This program helps Oklahoma companies and helps reduce the "brain-drain" from Oklahoma.

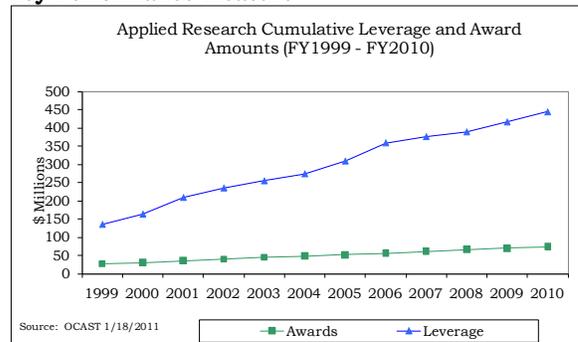
Oklahoma Applied Research

The Oklahoma Applied Research Support (OARS) program competitively awards funds for one- to three-year projects based upon technical merit, potential for market success and commitment of resources. The program requires a minimum of one dollar matching support for each state dollar awarded. Eligible applicants are Oklahoma businesses and universities, colleges or nonprofit research organizations with industrial partners.



OARS produces commercially viable Research and Development. Federal and private funding attracted to OARS projects and the ratio of OARS support to private and federal support both demonstrate the program's effectiveness at securing capital.

Key Performance Measure



Oklahoma Nanotechnology Applications Project (ONAP)

The Oklahoma Nanotechnology Applications Project competitively awards funds for one- to three- year projects based upon technical merit, potential for market success and commitment of resources. ONAP is designed to assist Oklahoma companies, universities, and non-profit organizations who are developing new nanotechnology applications as well as those with existing applications. ONAP awards provide a maximum of one dollar of funding for each dollar of matching funds for research and development projects. The project requires that research lead to innovation, new knowledge or technology; have a high probability of leading to commercially successful products, processes or services within a reasonable period of time; are technically sound and will produce a measurable result and have a reasonable probability to enhance employment opportunities within Oklahoma.

Small Business Research Assistance (SBRA)

The federal Small Business Innovation Research (SBIR) program provides financial support for technology feasibility studies and prototype development that is lacking in the private investment community. The federal Small Business Technology Transfer (STTR) program accomplishes this purpose while forging research collaborations between small firms and universities or other nonprofit research institutions.

OCAST's SBRA program provides assistance to improve the quality of proposals submitted to the federal programs, defrays a portion of a qualifying firm's federal SBIR or STTR proposal preparation costs, bridges funding between federal SBIR grants and assists in locating research resources necessary to successfully compete in the SBIR and STTR programs. OCAST's Small Business Research Assistance (SBRA) program

attracted \$69 of private and federal funding for every taxpayer dollar expended in FY-2009.

Inventors Assistance Service (IAS)

OCAST contracts with Oklahoma State University to operate the IAS. Through workshops, web site and on-site consultations, the IAS provides Oklahoma inventors with information and training on developing their invention and on issues related to patenting/licensing, marketing and manufacturing. The IAS assists the independent inventor in navigating the process from idea to marketplace.

Oklahoma Technology Commercialization Center (Tech Center)

OCAST contracts with a private, nonprofit organization to operate the Tech Center, which assists entrepreneurs, early-stage technology companies and companies seeking to commercialize new technologies. The Tech Center assesses needs, guides clients through the commercialization process and links them to a comprehensive network of technology sources (including Oklahoma universities) and commercialization assistance services. The Tech Center also provides specialized business development services, access to early-state risk financing, access to specialized incubator space and help in transferring technology.

OCAST Technology Business Finance Program (TBFP)

This OCAST program provides limited pre-seed financing for start-up advanced technology firms. The program requires a match and includes payback provisions.

Oklahoma Seed Capital Fund

After having been in statute for a number of years, the Legislature provided funding for this program in FY-2007, enabling OCAST to implement the program through a competitive proposal process. The result was a new Oklahoma Seed Capital Fund LLC managed by i2E, Inc., a not-for-profit corporation, under contract to OCAST.

**Oklahoma Manufacturing Alliance
(Manufacturing Alliance)**

OCAST provides oversight and state matching funds to this affiliate of the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership program. The Alliance helps small and medium-sized manufacturers modernize in order to compete successfully. Under a partnership with Oklahoma State University, the Manufacturing Alliance also provides engineering services to small and rural manufacturers through its Application Engineers program.

Election Board

Mission

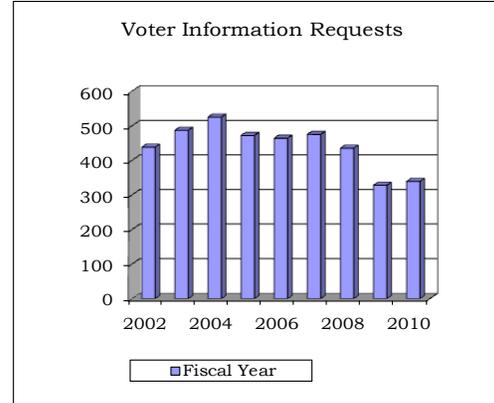
The State Election Board coordinates all statewide elections for over 2,000 precincts in the State's 77 counties. Oklahoma's unified system serves as a model of election conduct for the nation. In place for almost twenty years, the uniform system provides:

- one voting system,
- one type of ballot,
- one way of voting,
- one way of counting ballots, and
- one way of recounting ballots.

The graph below shows voter registration and voter turnout for each of the General Elections. A General Election is held on the first Tuesday after the first Monday in November in even-numbered years. The next General Election is scheduled for November 6, 2012.

Voter Registration		
Fiscal Year	Registration	Turnout
2000	2,233,190	1,234,229
2002	2,067,911	1,035,630
2004	2,143,978	1,474,304
2006	2,065,824	933,766
2008	2,185,000	1,462,661
2010	2,082,604	1,034,767

The graph in the next column shows the number of voter information requests received by the State Election Board. Voter information requests have decreased since FY-2004.



Help America Vote Act of 2002 (HAVA)/Upgrade of State Voting System

This federal legislation was passed following the presidential election of 2000. The legislation calls for a wide variety of improvements and also establishes a set of national standards that states must meet. The State Election Board is currently in the process of selecting new statewide voting equipment that will fully comply with the mandates of HAVA.

The new equipment will be an optical scan system with a paper ballot and a component that is accessible to voters with disabilities. The initial purchase of the new system will be paid with federal funds received specifically for this purpose. Ongoing maintenance will be a state responsibility.

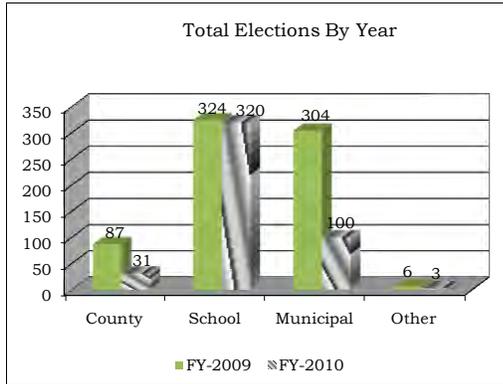
Military and Overseas Voter Empowerment (MOVE) Act of 2009

This federal legislation requires that all states take certain measures to facilitate absentee voting by military and overseas voters, including the use of electronic communication with these voters. The legislation mandates that absentee ballots be mailed to these voters at least 45 days before all federal elections, which may require significant adjustments to Oklahoma's election calendar. Some federal funding will be available for initial compliance with the MOVE Act; however,

ongoing compliance will be a state responsibility.

Election Costs

Every four years the State of Oklahoma has seven statewide elections: two primaries, two runoff primaries, two general elections, and one presidential preferential primary. The cost for each statewide election fluctuates based upon the number of ballots printed and the number of poll workers needed. An estimate for the state’s cost of a general election is \$1,195,000, and the state’s cost of a special statewide election is approximately \$950,000. In FY-2011, there were three statewide elections. The table below shows the number of local elections in FY-2009 and FY-2010.



County, school, and municipal elections are often held on the same day, making the total number of local elections high.

Ethics Commission

Mission

There are five commissioners. One each is appointed by the Governor, President Pro Tempore of the Senate, Speaker of the House, Chief Justice of the Supreme Court, and Attorney General. A full term for a commissioner is five years. The Ethics Commission's duties include:

- Administering ethics rules and state law regarding compliance and disclosure of campaign financing of state and county candidates;
- Registering and regulating the compliance and disclosure of political and financial information of lobbyists;
- Promulgating rules on official conduct, political activity, and disclosure of personal financial interest by state officers and employees; and
- Investigating and prosecuting violations of state ethics rules and law.

There were a total of 11 complaints in FY-2010. This represents a 15% increase from 13 complaints in FY-2009.

Secretary of State

Mission

The Secretary of State, created in Article VI of the Oklahoma Constitution, has a number of constitutional and statutorily established duties. These include:

- Serving as the official repository of original acts of the Governor, laws enacted by the Legislature and initiative and referendum measures;
- Maintaining information regarding meetings held under the Open Meeting Act;
- Maintaining the Central Filing System for Agriculture Liens and record mortgages, UCC statements pertaining to public service corporations, transmitting utilities and railroads;
- Maintaining a central registry for filing business documents on corporations and partnerships of all types;

the first point of contact for the State of Oklahoma Sister State agreements. This division is a high growth area as requests for briefings with country background and significant state information along with protocol guidelines increased 40% from FY 2009 to FY 2010 for protocol services.

Funding Sources

The Secretary of State is funded in majority by revenue derived from fees collected for such things as Business Entity, Notary and Trademark filings.

The Oklahoma Administrative Code and the Oklahoma Register

The Oklahoma Administrative Code is the official compilation of agency rules and executive orders for the State of Oklahoma. *The Oklahoma Register* is a semi-monthly publication documenting administrative code changes between publications of the annual supplements.

International Relations and Services

The Secretary of State has primary responsibility for international relations for state government with the U. S. Department of State, the Houston, Chicago and New York Consular Corps. The SOS is

Oklahoma Aeronautics Commission (OAC)

Mission

The mission of OAC is to promote aviation, which includes fostering the viability and growth of the aerospace industry and ensuring that the needs of commerce and communities across the state are met by the state's 113 public airports that comprise the Oklahoma Airport System.

Oklahoma has 113 publicly owned airports, 110 of which are general aviation airports; the other three are commercial airports - OKC Will Rogers, Tulsa International and Lawton-Ft. Sill Municipal. Out of the 110 General Aviation airports, 49 are classified as Regional Business airports (RBs). Currently, 42 of the RBs have jet-capable (5,000 feet or longer) runways. Approximately 93 percent of Oklahoma's population is within 25 miles of a jet-capable airport and 97 percent of Oklahoma's population is within 25 miles of one of the state 49 RBs. The majority of the state's largest employers use our airports to conduct their business more efficiently.

OAC determines the airport projects that will be funded with state and federal funds through the annual development and approval of the three-year Capital Improvement Program. The vast majority of funding for airport projects comes from the federal government through the Federal Aviation Administration's Airport Improvement Program.

During the last several years, OAC has programmed approximately \$10 million annually in federal funds for airport projects in Oklahoma. This does not include the more than \$14 million a year in federal funds (through individual \$150,000 grants) that are awarded directly to the 100 Oklahoma general aviation airports that are in the federal system.

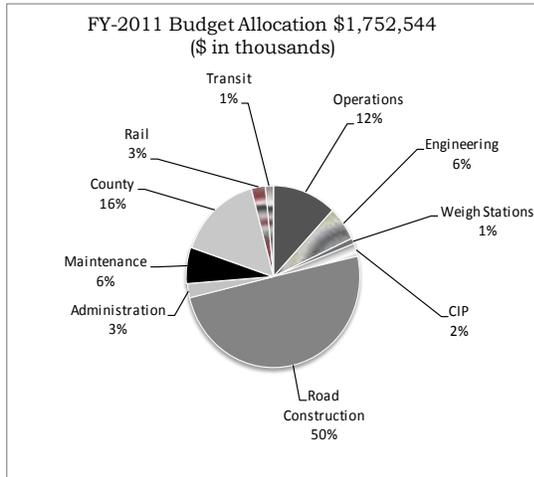
OAC does not receive a state appropriation; but is funded with aviation-generated (aircraft excise tax, aircraft registration fees and aviation fuel tax) revenues.

Department of Transportation

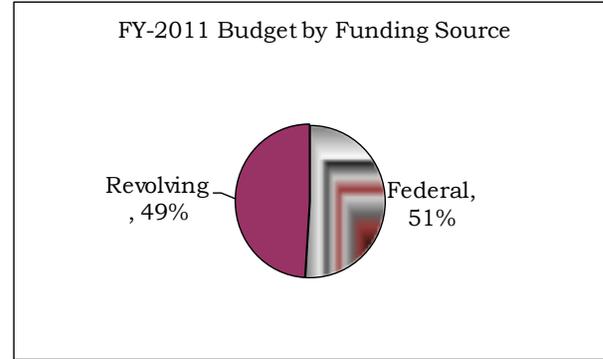
Mission

The mission of the Oklahoma Department of Transportation (ODOT) is to provide a safe, economical, and effective transportation network for the people, commerce and communities of Oklahoma. ODOT is charged with the planning, construction, operation and maintenance of Oklahoma's transportation infrastructure. This includes 12,186 miles of highway and 6,805 bridges, as well as 953 miles of state owned railroad.

The department of Transportation is a non-appropriated agency. The legislature authorizes the agency to spend its budget. The budget allocation in FY-2011 is \$1,752,544,000.



The \$1.7 billion ODOT budget is comprised of federal and revolving funds. The chart below shows the funding comparison by source;



State Transportation Fund

SB 1466 was a key component of the 2009 budget compromise that directed the Office of State Finance (OSF) to transfer \$100,756,780 from the State Transportation Fund (STF) to the Special Cash Fund of the State. In doing so, the legislation effectively takes motor fuel tax revenue from ODOT and provides that sum for appropriation to other agencies. To offset this reduction, the legislature provided ODOT with additional bonding capacity in the amount of \$65 million, with the balance being a budget reduction. OSF transfers funds on a monthly basis to the Special Cash Fund until the \$100,756,780 requirement is fulfilled.

Motor Fuel Taxes

SB 2173 Transition Plan stipulated that starting from July 1, 2010, Motor Fuel Tax collections, the County Bridge and Road Improvement (CBRI) apportionments will be directed to the Counties and the Statewide Circuit Engineering District Revolving Fund through a process to be established by the Oklahoma Tax Commission. All accrued balance funds previously apportioned to ODOT have been transferred to the counties for administration.

ROADS Fund

The 2008 legislative session provided an improved opportunity to address the long term needs of our transportation system through HB 2272 which removed the 3% trigger based on the growth of state revenues that was in HB 1176. The bill

provides for an annual increase beginning with fiscal year 2010 of \$30 million from Income Tax to ODOT until the funding level reaches \$370 million each year. Through legislation passed in 2010, the annual increase will rise to \$35.7 million beginning 2012 until the annual allocation reaches \$400 million. For fiscal year 2011, the allocation is \$220 million.

state issued bonds to fund various state projects valued at \$150 and \$215 million in 2009 and 2010 respectively. These bonds will be serviced with future state income.

Weigh Stations

The objectives of the program are:

- monitor and inspect commercial vehicles to enforce safety regulations and ensure public safety;
- monitor commercial vehicles for compliance with taxation, registration, and
- permitting laws regarding size and weight to reduce damage to existing roads and bridges, monitor and inspect vehicles for potential homeland security or hazardous materials and respond as appropriate.

The Weigh Station Revolving Fund is supported by fund transfers from Oklahoma Corporation Commission (OCC) for maintenance, repairs, and upgrade of existing weigh stations, for the design and technology plans for eight (8) new weigh stations and one (1) virtual weigh station. The Oklahoma Turnpike Authority (OTA) is providing funding for the construction of the facility in Ottawa County. (Department of Public Safety (DPS) contributes to the funding of weigh stations to support DPS's OS/OW permitting operations as well as develop an automated OS/OW routing system).

Oklahoma Capital Improvement Authority Bonds for 2009 and 2010

To keep up with the construction and upgrade of its transportation system, the

**Oklahoma Space Industry
Development Authority
(OSIDA)**

Department of Defense and NASA to Oklahoma with the potential to provide high-tech research and development opportunities at the Oklahoma Spaceport.

Mission

OSIDA aspires to aid economic development in Oklahoma by stimulating the creation of space commerce, education as well as other aerospace related industries that will provide high tech employment opportunities for Oklahoma.

Oklahoma Spaceport / Clinton Sherman Airpark

OSIDA acquired the Clinton Sherman Airpark ,at no cost, in September, 2006. This Acquisition continues to be ideal for the development of commercial space operations as well as aeronautical research, development, and manufacturing because of the airpark's advantages:

- Infrastructure in place that includes a 13,503' x 300' runway, six commercial aircraft hangars and 96 acres of concrete ramp for additional operations.
- Favorable weather conditions – more than 300 VFR flying days a year. OSIDA contracts with the South Western Oklahoma Development Authority to provide facility maintenance at the Oklahoma Spaceport.
- Over 700 acres of land for future development.

During FY-2005, OSIDA completed a mandatory flight safety study and an environmental impact study for the Clinton Sherman Airpark. The successful completion of these studies allowed OSIDA to obtain a Spaceport license for the former Clinton-Sherman Airpark from the Federal Aviation Administration's Office of Commercial Space Transportation in 2006. Having a Launch Site Operator's License for the Oklahoma Spaceport enables Oklahoma a to be very competitive in attracting aerospace companies as well as the

Oklahoma Department of Veterans Affairs

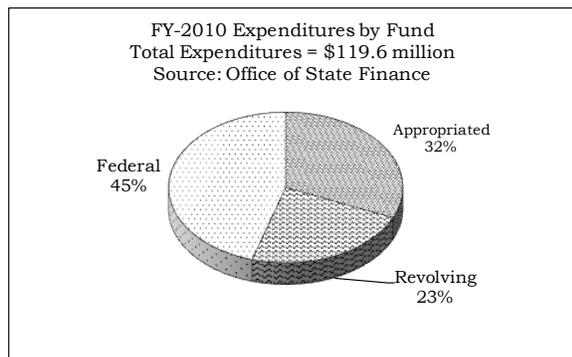
Mission

The Oklahoma Department of Veterans Affairs provides medical and rehabilitative services for veterans and their families. The Department operates seven long term care centers located in Norman, Clinton, Ardmore, Sulphur, Claremore, Talihina and Lawton. The Centers provide intermediate to skilled nursing care and domiciliary care for war time veterans. In FY-2010, the average daily population in the Oklahoma Centers was approximately 1,379. The Department estimates that during FY-2010, over 134 honorably discharged veterans were on a waiting list for admission to one of the veterans centers.

Number of Veterans on Waiting List

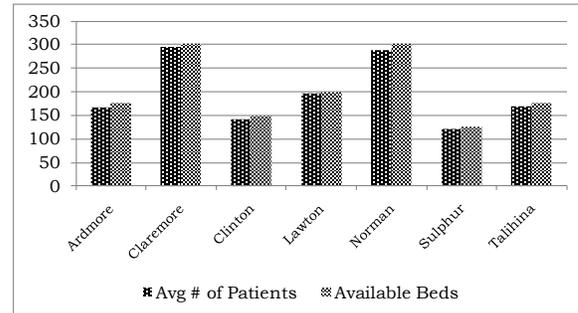
Ardmore	0
Claremore	77
Clinton	4
Lawton	11
Norman	39
Sulphur	3
Talihina	0
Total	134

The Department's funding comes from three primary sources. These sources are patient revenue, state appropriations and a federal per diem payment per veteran in each center. State appropriations make up roughly one third of the total funding, with two thirds coming from patient revenue and federal per diem.

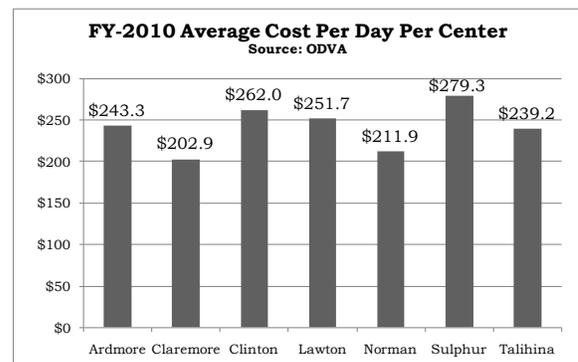


Bed Occupancy and Cost

FY-2010 Patients per Center



The following chart shows the average daily per capita cost by facility in FY-2010.



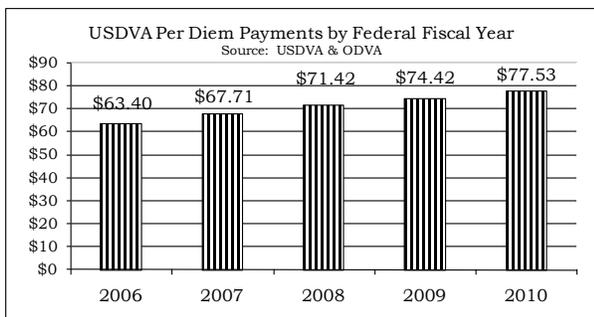
Cost Comparison to Other States

The national average cost per day in state operated Veterans Centers was \$250.27 in FY-2010. The average cost per day during the same time period in Oklahoma centers was \$241.45.

Federal Funds

The U.S. Department of Veterans Affairs (USDVA) pays for a portion of the care provided in our Veterans Centers. Payment is made for each day and each bed that is occupied. Federal per diem payments usually increase each year, but by varying amounts.

FY-2012 EXECUTIVE BUDGET



House of Representatives, Legislative Service Bureau and State Senate

The House of Representatives, Legislative Service Bureau (LSB) and the State Senate represent the legislative branch.

The Oklahoma Legislature consists of 101 members in the House of Representatives and 48 members in the State Senate. They convene annually beginning on the first Monday in February, and adjourn on the last Friday in May. Normally, the Legislature is in session Monday through Thursday. Extra sessions may be called by the Governor or by the Legislature.

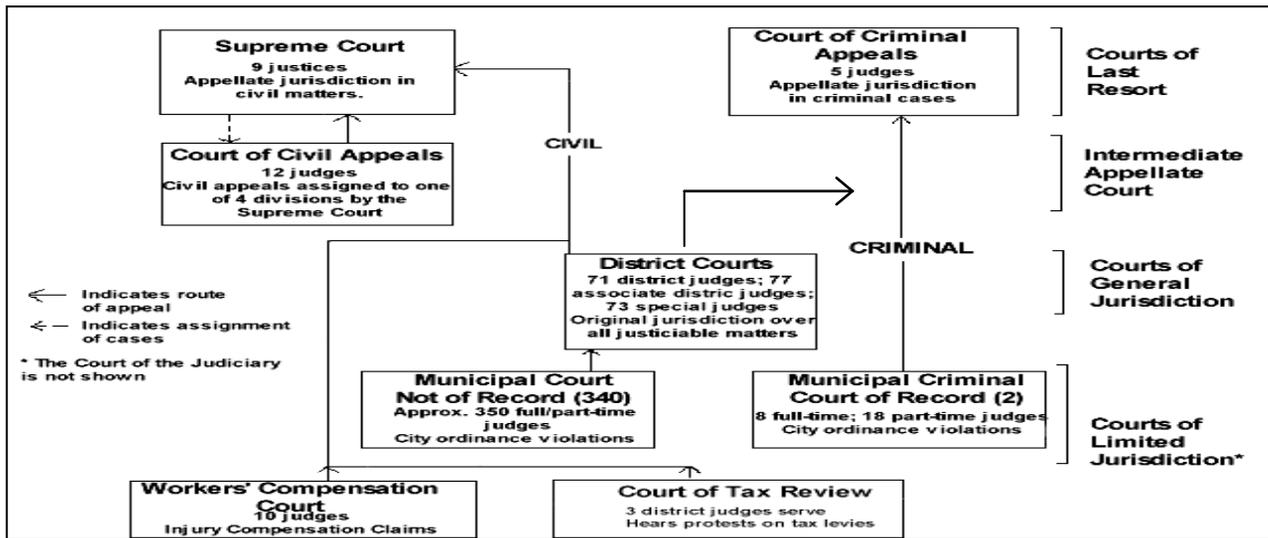
State Senators serve four-year terms with half of the members elected every 2 years. Members of the House of Representatives serve two-year terms.

Each house of the Legislature considers four different types of legislation:

- Bills that will become law when passed by both houses and signed by the Governor;
- Joint Resolutions that have the effect of law if passed by both houses and signed by the Governor but may not become part of the statutes;
- Concurrent resolutions which express the will of both of the houses; and
- Simple resolutions, which express the will of the house of origin.

In 1990, voters in Oklahoma decided to adopt term limits for legislators. Therefore, legislators have a 12-year limit on service in the House of Representatives, the Senate, or both.

The Judiciary



Court Organization

The Supreme Court, the Court of Criminal Appeals, the Court of Civil Appeals, 77 District Courts, and Workers' Compensation Court make up the Oklahoma Court System. The Administrative Office of the Courts provides administrative services for the Court System.

Unlike most states, Oklahoma has two courts of last resort. The Supreme Court determines all issues of a civil nature, and the Oklahoma Court of Criminal Appeals decides all criminal matters.

In Oklahoma, all litigants are entitled to appeal as a matter of right. Appeals to the Court of Criminal Appeals come directly from the District Court. All appeals in civil cases are made to the Oklahoma Supreme Court. Appeals may be made to the Supreme Court from the District Court, Workers' Compensation Court, Court of Tax Review and state agencies such as the Department of Public Safety, Oklahoma Corporation Commission and the Department of Human Services. The Supreme Court has total discretion in deciding which cases it will hear and directs many of these appeals to the Court of Civil Appeals.

State Judicial Revolving Fund

The State Judicial Revolving Fund (SJF) is an important source of funding for the judiciary. The Legislature changed the SJF from a certified fund to a revolving fund in 2004. This allows the Administrative Office of the Courts (AOC) to budget 100% of the projected revenues.

Revenues for the court fund are based on local collections of fees, fines, costs and forfeitures; but the SJF receives revenues only after the local courts have met their expense and cash flow reserve needs.

County court clerks deposit in the SJF the amount by which local court receipts exceed expenses for the reporting period. The statute also allows court clerks to retain 20% of their expenses for the reporting period from the excess amount. Court fund transfers are made either quarterly or monthly, depending on county population.

Over the past years, court fund collections have experienced solid growth. Local court expenditures, however, have grown at a slightly higher rate.

Local court obligations fall into three basic categories:

1. Lump sum expenses: Jurors and witnesses, guardianship evaluations, publications, supplies, telephones, etc.;
2. Restricted expenses: Renovation, remodeling, maintenance, furniture and fixtures, part-time bailiffs, part-time court clerks (which are generally full-time employees), per diem court reporters, etc.; and
3. Mandated expenses: Law library assessments and contributions to the SJF.

Lump sum expenditures are closely related to court caseloads and case complexities. These costs vary from year to year. Restricted expenditures relate to work force and facility needs and tend to be predictable. Mandated expenditures are established by law.

Over the last several years, most expenses for indigent criminal defendants have been paid out of the local court funds. Other significant local court fund expenditures include utilities and the salaries and benefits of Deputy Court Clerks.

Court of Criminal Appeals

The Court of Criminal Appeals is the highest court in the State of Oklahoma with appellate jurisdiction in criminal cases. It is the state court of last resort in criminal matters, with appeals coming directly from the District Courts and Municipal Courts of Record. The Court also promulgates rules, procedures and uniform jury instructions in criminal cases. Judge Charles Thompson is presiding judge.

In recent years, the Court of Criminal Appeals has eliminated a backlog of cases, guaranteeing that both the State and individual litigants now have a speedy resolution of appellate issues relating to crimes committed in Oklahoma.

District Courts

In Oklahoma, the court of general jurisdiction is the District Court. Seventy-seven district courts hear both criminal and civil cases and form the backbone of the court system. Currently, there are nine judicial administrative districts managing 26 judicial districts in the State of Oklahoma. Presiding judges are elected by their peers to assist in the administration of Oklahoma's trial courts. The positions of District Judge, Associate District Judge and Special Judge often serve as the first contact a person may have with the judicial system.

Under the current system, the District Courts collect fines, fees and bond forfeitures. Local courts deposit a portion in the Law Library Fund, cover local operating expenditures and deposit the remaining amount in the State Judicial Revolving Fund.

Supreme Court

The Oklahoma Supreme Court is the highest court in Oklahoma for civil matters. The Court consists of nine Justices. Each Justice is selected from one of nine judicial districts. The Justices stand for retention on a six-year rotating schedule. The retention ballot appears on general election ballots and is a non-partisan, non-competitive election process. Chief Justice Steven W. Taylor is presiding judge of the court and Tom Colbert is Vice-Chief Justice.

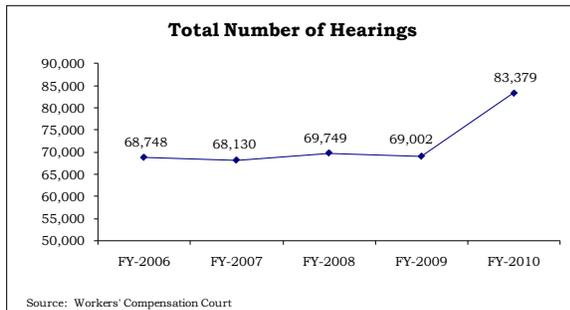
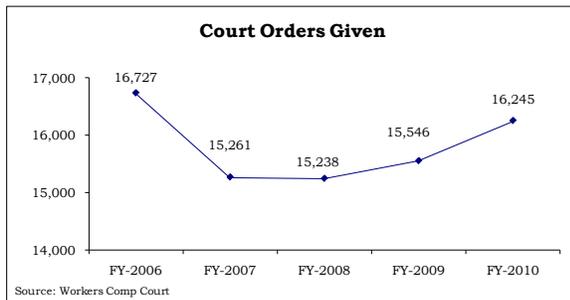
Workers' Compensation Court

The Workers' Compensation Court is composed of ten judges appointed by the Governor. Its mission is to provide fair and timely procedures for the resolution of disputes and identification of issues involving work-related injuries.

The Court is vested with jurisdiction to administer the Workers' Compensation Act, including determining claims for compensation, the liability of employers and insurers, and any rights asserted under the Act.

It also regulates self-insured employers, maintains employer insurance coverage records, establishes a workers' compensation medical fee schedule, provides information about workers' compensation through its Counselor Department and participation in educational programs, and maintains a Mediation System for disposition of claims without the necessity of trial.

Judge Kent Eldridge is the current Presiding Judge.



State Budget Information

**Oklahoma State Budget Process
State Revenues
Constitutional Reserve Fund
Appropriation History
Higher Education Allocation
Non-Appropriated Agency Budget and FTE**

THE BUDGET CYCLE
STATE FISCAL YEAR IS JULY 1 - JUNE 30

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
1. Agencies review program needs and prepare Budget Requests and Strategic Plans.	July 1 - Oct 1											
2. Agencies submit Budget Requests. Strategic Plans are submitted every even numbered year.				Oct 1								
3. Office of State Finance reviews Budget Requests and Strategic Plans for development of the Executive Budget Book.				Oct - Nov								
4. December Equalization Board Meeting - expenditure authority is the approved basis for the Executive Budget.						Dec						
5. Submission of Executive Budget to the Legislature. Legislative session begins.								Feb				
6. Feb Equalization Board - expenditure authority is approved basis for Legislative Appropriations and Governor's action								Feb				
7. Legislature reviews agency budgets and finalizes appropriation recommendations.								Feb - May				
8. Governor's action on Appropriation Bills								Feb - Mid-June				
9. June Equalization Board Meeting - revenue and expenditure authority adjusted to incorporate statutory changes.												June
10. Budget Work Programs submitted to the Office of State Finance for approval by July 1	July											

Oklahoma State Budget Process – State Fiscal Year is July 1 through June 30.

1. **Agencies review** program performance and financial needs for preparation of the Budget Request and Strategic Plan
2. The **Budget Request** is the legal document which contains all financial and program information for each agency including a listing of all requests for additional state funds and changes in revolving or federal funds. Budget Requests must be submitted October 1 of every year under Section 34.36 of Title 62.

Agency Strategic Plans include each agency’s mission, goals and performance measures within a five year time line. Section 45.3 of Title 62 requires strategic plans to be submitted October 1 of every even-numbered year.

3. The **Office of State Finance Budget Division** reviews agency budget requests and holds agency budget request hearings for development of the Executive Budget.
4. **December Equalization Board Meeting** – The Equalization Board is the constitutional body responsible for setting revenue and expenditure authority for the Governor and Legislature (Sec. 23 Art. 10 of Oklahoma Constitution). The expenditure authority approved at this meeting is the amount used for development of the Executive Budget Book.
5. **Submission of Executive Budget** – The Governor is required to submit an Executive Budget to the Legislature on the first Monday of each regular legislative session. The budget must be balanced using the December Equalization Board amounts.
6. **February Equalization Board Meeting** – The Board is constitutionally required under Section 23 of Article 10 to meet again and incorporate economic adjustments to the revenue and expenditure authority. The limit approved at this meeting constitutes the limit for Legislative appropriations action.
7. **Legislative Appropriations Process** – The appropriations subcommittees and legislative staff of each house review agency budgets, budget requests and pass appropriation bills.
8. **Governor acts**, within constitutional time lines set forth in Sections 11 and 12 of Article 6 of the Oklahoma Constitution, to sign, veto or pocket veto appropriation bills.
9. **June Equalization Board Meeting** – The board is authorized in Section 23 of Article 10 of the Oklahoma Constitution to meet and incorporate statutory changes that increase or decrease revenue and expenditure authority for the coming fiscal year.
10. **Agency Budget Work Programs** are required under Section 34.42 of Title 62 and serve as the official plan of how the agency intends to utilize available funds to accomplish statutory duties and responsibilities. The document is due on June 1, or as close thereafter as possible, and is approved by July 1.

Oklahoma State Budget Process

State Equalization Board

The Oklahoma Constitution provides for a number of checks and balances to ensure the Governor and Legislature maintain a balanced budget every year. One of the most important provisions is Section 23 of Article 10 which outlines the framework for how Oklahoma sustains a balanced budget. This section designates the State Board of Equalization as the body responsible for establishing expenditure limits for the Governor and the Legislature. The Board of Equalization is comprised of the Governor, Lieutenant Governor, Treasurer, Auditor and Inspector, Attorney General, Superintendent of Public Instruction and Secretary of Agriculture.

Pursuant to Section 23, the Equalization Board must meet at least two times every fiscal year:

- “no more than 45 days but no less than 35 days before the start of the legislative session” (sometime in late December or early January); and
- “within five days after the monthly apportionment in February of each year”.

The Board can only meet again and adjust revenue estimates if the Legislature and Governor enact laws during regular or special session that reduce or increase revenue certified by the board, transfer cash from one fund to another or establish a new certified appropriated fund. In practice, the Equalization Board meets in June to incorporate legislative changes enacted during the session and to re-certify revenue available for the coming fiscal year.

The benefit of this approach is that both the executive branch and legislative body are required to use the same revenue estimate and expenditure limit. State expenditures passed by the Legislature and enacted by the Governor cannot exceed the amount of funds certified and authorized by the Board.

The Office of State Finance which staffs the Board, compiles revenue projections from various revenue collecting agencies throughout the state, analyzes the information and presents the information to the Board for its consideration and approval. Projections for the General Revenue Fund which makes up more than 80% of total state appropriated spending are estimated utilizing a state economic model developed by Oklahoma State University and modified to fit the state’s customized needs by Tax Commission staff. Revenue estimates presented to the Board are based on current and prior year collection trends, economic forecasts, federal tax law changes and other foreseeable factors.

Revenue certified and authorized at the December Board meeting serves as the basis for the Governor’s Executive Budget. The Board considers possible revisions to the December estimate at the February meeting. Revisions to the December estimate are based on economic changes which have been noted since that time, which may increase or decrease anticipated revenue collections. The estimate approved at this meeting sets the limit on which legislative appropriations are based.

State Revenues and Expenditures

Spending Limits

Oklahomans believe in responsible budgeting and limiting state expenditure growth to reasonable levels. This philosophy is cemented in paragraph 1 of Section 23 in Article 10 of the Constitution. Increases in Legislative appropriations in any year are limited to no more than 12% more than the preceding year's level, adjusted for inflation.

Paragraph 1 of Section 23 provides an additional limit for Oklahoma's state budget. This paragraph limits expenditures of certified funds to 95% of the Equalization Board estimate. This internal safeguard protects agency budgets from mild fluctuations in revenues in the event revenues do not meet the 100% estimate.

Certain statutory revolving funds are also included in the executive and legislative expenditure authority considered by the Equalization Board. Estimates for revolving funds are included for informational purposes. The Equalization Board does not have to approve them since they are not certified funds. Unlike certified funds, the Governor and Legislature can spend 100% of the revolving fund estimate. There are seven revolving fund estimates that are included in the executive and legislative expenditure authority. Revenues from four of the six funds are specifically dedicated to education purposes. Funds from the Tobacco Settlement Fund are directed for health services; the Judicial Fund is directed for district court operations; and the State Transportation Fund is directed to the Oklahoma Department of Transportation.

Cash Management

Another internal budget control is provided in Section 34.54 of Title 62 of the Oklahoma Statutes which creates the Cash Flow Reserve Fund (CFRF). The CFRF is used for two purposes: (1) to make allocations to agencies in July since the General Revenue Fund (GRF) for that year has no collections until the end of July, and (2) to ensure that each monthly allocation of revenue to agencies is equal to one-twelfth of the money appropriated by the Legislature. This second purpose is intended to protect State agencies from variation in monthly revenue collection patterns and in practice the CFRF is used to make up the difference between actual collections in a month and the required allocations for that month.

Money is deposited into the Cash Flow Reserve Fund for the next fiscal year from current year General Revenue Fund collections that are in excess of the amount appropriated from the fund. The limit on deposits into the Cash Flow Reserve Fund is 10% of the amount certified by the Board of Equalization as available for appropriation from the General Revenue Fund for the next fiscal year. General Revenue Fund collections that are in excess of the certified estimate cannot be used to make deposits to the Cash Flow Reserve Fund as those monies are directed elsewhere according to the State Constitution. Any excess General Revenue Fund collections for the current year after the Cash Flow Reserve Fund for the next year has been funded are carried forward as cash that is available for appropriation by the Legislature.

Budget Stabilization

A portion of the revenue collected in excess of 100% of the certified GRF estimate is deposited in the Constitutional Reserve Fund (CRF), known as the Rainy Day Fund, at the end of the fiscal year. Deposits into the CRF are limited to 15% of the certified actual collections to the GRF for the preceding fiscal year. The CRF can be accessed for three different and distinct purposes: emergencies, future year budget stabilization, and current year budget stabilization. Up to 25% of the fund may be appropriated upon a declaration of an emergency by the Governor with two-thirds legislative concurrence or three-fourths of both the House and

Senate. Up to three-eighths of the CRF may be appropriated to make up any decline in revenue certified as available for appropriation by the Board of Equalization from one year to the next. The amount can not exceed the decline in certified revenue. The final three-eighths of the CRF may be appropriated to address a current year revenue shortfall. To access this money, the BOE must determine that a revenue failure has occurred in the GRF and appropriations from the CRF for this purpose are limited to the amount of the shortfall. A Constitutional provision also exists to provide incentive payments of up to \$10 million to support retention of at-risk manufacturing entities under carefully limited circumstances.

Revenue Shortfalls

The Director of the Office of State Finance (OSF) is statutorily charged with making allotments to agencies to control expenditures. State law also requires the State's budget to remain in balance every fiscal year. Oklahoma is barred from expending more money than it collects in a given year.

To ensure that revenues are sufficient to meet the appropriations specified by the Legislature, OSF closely monitors collections throughout the year. The allocation of appropriated monies to agencies occurs on the Tuesday following the second Monday of every month during a fiscal year.

During times of economic recession state revenue collections can fall below the level of appropriations. Thus, limiting appropriations to only 95% of estimated collections is an insufficient measure to ensure the state maintains a balanced budget during times of severe economic distress.

Title 62, Section 34.49 of the Oklahoma Statutes reads, in part:

“At the end of any fiscal year, the entire amount appropriated to any agency must be allotted to the agency by the Director of the Office of State Finance, except where the estimated budget resources during any fiscal year are insufficient to pay all of the appropriations of the state in full for such year. The Director of the Office of State Finance shall not allot to any agency during any fiscal year, an amount which will be in excess of the amount of revenue collected and allocated to appropriations made to such agency. In the event of a failure of revenue, the Director of the Office of Finance shall control the allotment to prevent obligations being incurred in excess of the revenue to be collected. However, within each state fund where a revenue failure occurs, the Director of the Office of State Finance shall make all reductions apply to each state agency or special appropriation made by the State Legislature, in the ratio that its total appropriation for that fiscal year bears to the total of all appropriations for that fiscal year, as provided in Section 23, Article 10, of the Oklahoma Constitution.”

This directs the Office of State Finance to allocate all of the money appropriated to state agencies, unless revenue collections are less than the amount appropriated. When this occurs, OSF is required by this statute to reduce the allocations to agencies to no more than the amount of revenue collected. Further, the reduction in allocations is to be effected upon all agencies receiving money from the fund in which the failure occurs. Each agency receives a proportional share of the reduction based on their share of appropriations compared to the total appropriations from the fund.

Executive and Legislative Appropriations Process

Executive Budget

The Governor sets the tone for state budget recommendations with the submission of the Executive Budget on the first Monday in February of each regular legislative session. Section 34.37 of Title 62 requires the Governor to submit a balanced budget with detailed revenue and expenditure proposals to the presiding officer of each house. The Director of State Finance is required to prepare the document after reviewing state agency budgets, requests and developing recommendations. The proposals outlined in the Governor's Executive Budget Book serve as the Governor's fiscal and policy priorities for the year.

Legislative Process

The Legislature reviews the Executive Budget and works with the Governor throughout the session to enact a balanced budget. Establishing the state budget is the responsibility of the appropriations committees of the Senate and the House of Representatives. The committees of each house work through appropriation subcommittees which are categorized by specific budget areas such as general government, education, health, and safety and security. Subcommittees review agency budgets, requests for additional funding and the Governor's recommendations.

The General Appropriations (GA) Bill is a method to provide a base level of funding. This provision is a safeguard to ensure state government programs and services do not shut down in the event the Legislature and the Governor are unable to agree on a budget. Historically, general appropriation bills are passed in March or April of the regular legislative session.

Section 34.86 of Title 62, passed during the 2003 session, requires the Legislature to present an appropriation bill to fully fund common education to the Governor at least 25 days prior to April 10 (subsection E of Section 6-101 of Title 70) but not later than April 1. Adjustments to increase or decrease the amount may still be made by the Legislature.

Appropriation decisions for agencies are typically not finalized until April or May when the General Conference Committee on Appropriations, or GCCA, is convened. The primary difference between an appropriation subcommittee of the House or Senate and the GCCA is that the GCCA is comprised of both House and Senate members. Before beginning the GCCA process, the House and Senate agree to allocate a certain amount of available funding to each GCCA subcommittee. Before a formal appropriations bill is presented to either legislative body, the two houses must work together in GCCA, negotiate spending priorities and produce a unified budget together.

Appropriations bills may be written for individual agencies or groups of agencies that are within the same subject area such as education. In addition to appropriating funds for the coming fiscal year, appropriation bills also include agency spending limits, total personnel hiring limits, and the maximum salaries of directors.

If the bills are approved by a majority of both houses, the appropriation bill is sent to the Governor. All legislation, including appropriation bills become effective 90 days after the end of the legislative session or later if a later effective date is specified. Legislation may become effective earlier if passed with an emergency clause. For an emergency clause to be enacted, two-thirds of each body must approve the emergency clause through a separate vote on the bill.

Governor's Action

Section 11 of Article 6 provides the Governor five working days, excluding Sundays, to enact or veto all or part of an appropriations bill while the Legislature is in regular session. If the Governor does not sign or veto a bill within five days, a bill automatically becomes law. The Governor has 15 working days to sign or veto a bill after the regular session has adjourned. Any bill presented to the Governor within five days of the end of the regular legislative session must be acted upon within the 15 days also. In contrast to actions taken during session, if the Governor does not sign or veto a bill within the 15 working days after session, the bill fails to become law. This is also referred to as a pocket veto.

In addition to these powers, Section 12 of Article 6 of the Oklahoma Constitution gives the Governor the authority to disapprove an entire appropriations bill or any item or single appropriation within the bill. This line-item veto power is one manner by which the Governor exercises control of state budget appropriations.

Vetoes may be overridden by two-thirds majority of each house for bills with no emergency clause and by three-fourths majority of each house for bills with an emergency clause.

Funds Subject to Appropriation

The State Board of Equalization, in accordance with Section 23, Article X of the Oklahoma Constitution, annually certifies the following funds as available for appropriation. Each of these funds is identified in the accounting structure with a three-digit code. The first two digits uniquely identify the fund. The last digit represents the year the funds were collected (e.g. "190" would be the General Revenue Fund collected in FY-2010).

General Revenue Fund (Fund 19X):

Income to this fund is from state taxes, fees, regulatory functions, and income on money and property. Approximately one-half of all state revenue is deposited to this fund. Funds are appropriated for the operation of state government and other purposes specified by the Legislature. (Article 10, Section 2)

Council on Law Enforcement Education and Training (CLEET) Fund (Fund 58X): Income is derived from a penalty assessment fee. Any person penalized for violating Oklahoma law pays a penalty assessment. Income is dedicated to peace officer training. (Title 20, Section 1313.2; effective November 1, 1988)

Commissioners of the Land Office Fund (Fund 51X): This fund was created to receive revenue collected from surface leasing of lands managed by the Commissioners of the Land Office and 6 percent of the revenue generated from the Common School Fund, the Education Institutions Fund, the University of Oklahoma Fund, the University Preparatory School Fund, the Oklahoma State University Fund, the Public Building Fund, and the Greer 33 Fund. Funds are used for administrative costs of the Commissioners of the Land Office. Funds not used for administrative costs of the Commissioners of the Land Office are allocated to public schools. (Title 64, Section 1009; effective July 1, 1992)

Mineral Leasing Fund (Fund 55X): Income to this fund is from a share of lease sales and royalty payments on oil and gas production on federal lands within the state. Funds are used for the financial support of public schools. (Title 62, Section 41.8; effective 1920)

Special Occupational Health and Safety Fund (Fund 54X): Each insurance carrier writing Workers' Compensation Insurance in this state, the State Insurance Fund, and each self-insured employer authorized to make workers compensation payments directly to employees

pays a sum equal to three-fourths of 1 percent of the total workers compensation losses, excluding medical payments and temporary total disability compensation. Funds are used exclusively for the operation and administration of the Occupational Health and Safety Standards Act of 1970 and other necessary expenses of the Department of Labor. (Title 40, Section 417.1; effective July 1, 1986)

Public Building Fund (Fund 11X): Income to the fund is from portions of leases, sales, rentals and royalties of lands set aside for public building purposes by the state's Enabling Act (Section 33) and lands granted in lieu thereof, under the management of the Commissioners of the Land Office. Funds are appropriated for major maintenance and capital improvements of public facilities. (Title 64, Section 1079; effective 1910)

Oklahoma Education Lottery Trust Fund (Fund 38X): In November of 2004, voters passed State Question 706 which established this fund as one available for appropriation by the Legislature for the purposes of common education, higher education, and career technology education. Revenue deposited in the fund comes from net proceeds generated by the Oklahoma Lottery.

Agency Budgets

The state's budget cycle can be divided into three areas:

- Agency Budget Work Programs
- Agency Strategic Plans
- Agency Budget Request
- Financial Tools

The state's budget is prepared on a cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. In the State's Comprehensive Annual Financial Report (CAFR) encumbrances are recorded as: (1) expenditures for budgetary purposes if expected to be presented for payment by November 15, following the end of the fiscal year and, (2) reservations of fund balance for GAAP purposes.

Budget Work Programs

Oklahoma statutes provide the legal framework under which state agencies budget and expend funds in a responsible manner. Section 34.42 of Title 62 requires every agency to submit a balanced budget on the first day in June or soon thereafter. Funds must be budgeted by program category and must conform to program categories and expenditure limits placed in law.

Appropriation bills set maximum limits on the amount of state appropriated funds, revolving funds and federal funds that each program may budget and spend for the fiscal year. Maximum limits for personnel or full-time-equivalent (FTE) personnel, lease-purchase expenditures and director salaries are also defined in statute. Budget work programs must work within these parameters to provide a plan on how the agency will utilize all state, revolving and federal funds for the fiscal year.

Work programs are reviewed by the Budget Division of OSF and the approved work program serves as a basis for the subsequent allotment of funds. Certified funds such as the General Revenue Fund are allotted to agencies on a monthly basis and cash appropriations are appropriated in a lump sum. Budget Work Programs can be revised at any time during the

fiscal year if justified. Revisions can be incorporated within various expenditure, full-time-equivalent employee and transfer limits.

Agencies are allowed under law (Section 34.52 of Title 62) to transfer up to a maximum of 25% of funds between line-items. The Contingency Review Board can approve transfers between line-items up to 40%. All transfers are subject to review by the Joint Legislative Committee on Budget and Program Oversight to determine if the transfer meets legislative intent or subverts the intention and objectives of the Legislature.

Executive and legislative staff review agency budgets and expenditures throughout the year to ensure each agency is meeting program goals and stated legal expenditure limits.

Strategic Planning

Across the nation, states are in the process of implementing measures to improve efficiency and accountability in state government. Oklahoma is no different. Over the past several years, the Executive and Legislative branch have implemented measures designed to focus on meaningful performance data which can then be used to make better budgeting decisions.

Passed in 1999, the Oklahoma Program Performance Budgeting and Accountability Act required agencies to submit strategic plans defining their mission, vision, goals and performance measures. At the same time, state agency budget request forms were modified to incorporate program information and performance measures for every program category within an agency. Section 45.3 of Title 62 requires every agency to submit five year strategic plans on October 1 of every even numbered year.

Strategic planning helps focus agency leadership and staff on short-term and long-term goals and how to achieve those goals. Outcome measures required in strategic plans and agency budget requests focus agency leadership and staff on monitoring and improving performance. This information is a valuable tool for policymakers. This performance information is also used in routine and special performance evaluations and policy analysis conducted by agencies, the Office of State Finance, legislative staff, the Auditor and Inspector and outside consultants. Evaluating government programs and services using meaningful data allows elected officials to make better, more informed budgeting decisions.

Budget Request

Section 34.36 of Title 62 requires agencies to submit a "Budget Request" on October 1, of every year. The budget request serves as the financial plan to the agency's strategic plan. This document outlines program funding and performance information and includes a detailed listing of additional state funding requested by each agency.

The Budget Division has been working with select agencies over the past three years to refine and improve funding and performance measure information submitted in the Budget Request and Strategic Plan. There is particular emphasis on unit costs and program performance. Copies of each agency's budget request and strategic plan is submitted to the Office of State Finance, House and Senate staff and members of the Legislative Oversight Committee on State Budget and Performance.

This committee, established in Section 39.96 of Title 62, is required to review each agency's programs, funding and performance once every four years. Members are directed to utilize zero-base budgeting and performance base budgeting techniques.

Financial Tools

Comprehensive Annual Financial Report (CAFR)

The CAFR is the primary means of reporting the financial activities for all state agencies. Prepared by the Division of Central Accounting and Reporting and in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, this model provides a better picture of the state's financial status as a single, unified entity. Financial statements contained in the CAFR include a statement of net assets and liabilities, statement of activities outlining major state expenditures, statement of Revenues, Expenditures and Changes in Fund Balances. The CAFR is a valuable tool to use when reviewing and analyzing overall state budget revenue and expenditure trends.

Single Audit

The Single Audit is prepared by the Auditor & Inspector's Office to meet the requirements of the Single Audit Act. The federal funds expended by all State agencies (excluding higher education and civil emergency management) are included within the scope of the Single Audit. This report provides information on the type of federal funds available for state agencies such as block grants, entitlement programs, matching grants and reports federal fund expenditures for each agency. This report, required by the federal government ensures state agencies are properly expending and accounting for federal funds.

Performance Audits

Since FY-2002, the Office of the State Auditor and Inspector has been conducting performance audits, authorized by 74 O.S. Supp 2001, 213.2. A performance audit includes economy, efficiency, and program audits. Economy and efficiency audits determine whether the entity is utilizing its resources economically and efficiently. Auditors also determine the causes of inefficiencies or uneconomical practices. A program audit determines if a program is achieving the desired results or benefits established by the Legislature, or other authorizing body. Program audits also ascertain the effectiveness of organizations, programs, activities or functions.

In practice, performance audits determine if an agency is focusing resources on activities that maximize productivity or outcomes. In addition to identifying efficiencies, performance audits can also identify areas worthy of additional state investment. This is another important tool for policymakers to utilize when reviewing the efficiency and effectiveness of agency programs and expenditures.

Financial System

Daily, monthly and annual reports generated from the Office of State Finance financial systems provide quality agency budgeting and expenditure reports which allow policymakers to track funds by program and object code. Other essential financial reports include budget to actual reports, cash balance and receipts and disbursements for funds.

The Budget Request and Strategic Plan documents give policymakers the opportunity to review an agency's mission, goals and performance to ensure resources are allocated to specified statutory duties and responsibilities. Not only do these financial tools ensure agencies are spending money appropriately, but wisely. All of the financial tools mentioned can provide policymakers the opportunity to make informed fiscal policy recommendations based on quality financial and performance information.

Capital Budget

The Capital Budget Process

The State of Oklahoma's Capital Improvement Plan (CIP) and the Long-Range Capital Planning Commission were established in 1992. This provided the infrastructure for state and local governments to perform comprehensive capital plans. Capital projects are defined as one-time projects costing at least \$25 thousand with a useful life of at least five years.

The CIP development process begins early in the calendar year. July 1 is the official deadline for agencies, boards, commissions, trusts, colleges and universities to input their Capital Budget Requests into a web-based system hosted by the Office of State Finance. Once received, the Commission separates requests into two broad categories: self-funded and appropriation-funded. Generally, the Commission accepts an applicant's ranking of self-funded projects without further review.

Projects requiring an appropriation are evaluated according to a ranking process to permit the equitable allocation of limited state resources. The ranking system uses the following criteria:

- legal obligations;
- fiscal impact;
- urgency of maintenance needs;
- departmental priority;
- economic impact;
- impact on service to the public; and
- completion of prior phases.

For more information on the Capital Budget process please contact Tim Martin with the State Bond Advisor, 602-3100.

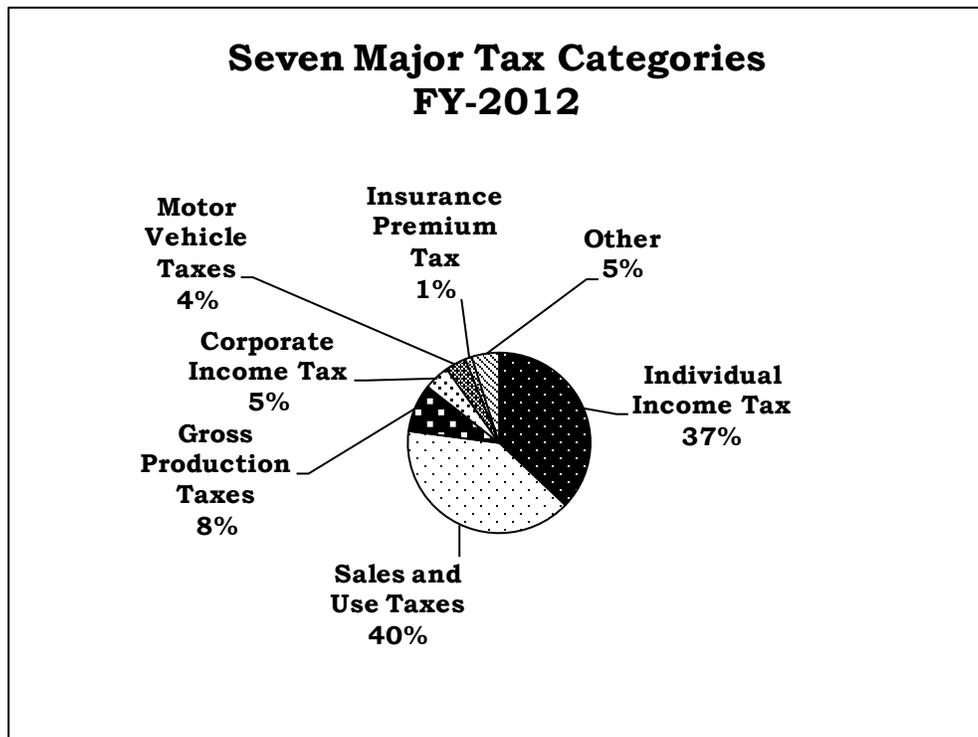
Oklahoma Revenues and Expenditures

Major Tax Sources

The single largest source of revenue collected by the state comes from taxes paid by Oklahoma citizens, businesses and others doing business in the state. Tax revenue accounted for approximately 50% of total state revenue collections in FY-2010. Most of the state's appropriated revenue is from general taxes. For FY-2010, tax revenue comprised 81% of total appropriated revenue.

Taxes such as income tax are compulsory payments and cannot legally be avoided. This is in contrast to fees, like fishing licenses, which are discretionary and voluntary to the extent one decides to utilize a state service.

The seven major tax categories for FY-2012 which provide approximately 88% of total state tax revenue are:



Income Taxes

Oklahoma's income tax laws date back to 1915 when an income tax was imposed on the net income of individuals residing in Oklahoma and upon the Oklahoma portion of nonresidents' income. The income tax was extended to corporations and banks in 1931.

The importance of the income tax to state revenues increased when voters approved the 1933 constitutional amendment prohibiting state taxation of property. While there have been numerous changes to the income tax law since its inception, today it is the single most important source of state revenue and represents approximately 41% of all state tax revenue in the General Revenue Fund.

Individual Income Tax: The Oklahoma individual income tax calculation employs rates from 0.5 percent to 5.50 percent and does not permit the deduction of federal income paid tax from net income. During the 2005 session, Senate Bill 435 eliminated the use of a second method of calculating income tax and modified the tax bracket for single and joint filers.

In 2006, the Legislature passed and the Governor approved the largest tax cut package in history. House Bill 1172 lowers the individual income tax rate and increases the standard deduction over several years. Currently, the individual income tax rate is 5.50% but decreases to 5.25% at a point determined by the Board of Equalization based on the amount of growth revenue for the coming fiscal year as required by statute.

The increase in the standard deduction is a gradual increase. By tax year 2011, the standard deduction became equal the federal standard deduction. The table below shows the individual income tax rates and corresponding standard deduction increase.

Standard Deduction

	Tax Rate	Married Filing Jointly	Head of Household	Single
2007	5.65%	5,500	4,125	2,750
2008	5.50%	6,500	4,875	3,250
2009	5.50%	8,500	6,375	4,250
2010	5.50%	11,400	8,350	5,700
2011*	5.50%	Match Federal Deduction		
*Based on the amount of growth revenue determined by the Board of Equalization.				

In addition, the apportionment of individual income tax receipts was changed by the 2006 Legislature. The following table shows those changes. (There is no change for FY-2012.)

Individual Income Tax Apportionments FY-2007 to FY-2011					
	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>	<u>FY-2011</u>
General Revenue	86.16%	85.66%	85.66%	85.66%	85.66%
1017 Fund	8.34%	8.34%	8.34%	8.34%	8.34%
Teachers' Retirement Fund	4.50%	5.00%	5.00%	5.00%	5.00%
Ad Valorem Reimbursement Fund	1.00%	1.00%	1.00%	1.00%	1.00%

Corporate Income Tax: Like current individual income tax rates, corporate income tax rates were progressive when implemented in 1931 and remained that way until 1935 when a flat, six percent rate was established. The rate was decreased to four percent in 1947. The rate has since been increased to its original and current level of six percent.

The corporate income tax rate is applied to all taxable income. Manufacturers' exemptions and some targeted credits and incentive payments frequently are used as economic development tools which reduce a company's income tax liability. The largest of these targeted incentive programs is the "Quality Jobs" program.

While revenue from the corporate income tax is important to the overall revenue picture, it provides only about 4% to 5% of total tax revenue. That is because corporations subject to the corporate income tax have become, over time, a smaller part of the overall economy. This is due, in part, to the fact that many businesses now organize as subchapter S corporations or limited liability organizations.

Under those classifications, all income immediately goes to the partners or shareholders, and as a result, the companies pay no corporate income tax. The partners or shareholders, however, are taxed on that income, as well as income from other sources, under the individual income tax, rather than under the corporate income tax. Additionally, some businesses may be subject to some other form of taxation, such as the bank privilege tax or the insurance premium tax. Legislation in 2004 changed the apportionment of corporate income tax revenue. The table below shows the change in apportionment. (There is no change for FY-2012.)

Corporate Income Tax Apportionments FY-2007 to FY-2011					
	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011
General Revenue	78.00%	77.50%	77.50%	77.50%	77.50%
1017 Fund	16.50%	16.50%	16.50%	16.50%	16.50%
Teachers' Retirement Fund	4.50%	5.00%	5.00%	5.00%	5.00%
Ad Valorem Reimbursement Fund	1.00%	1.00%	1.00%	1.00%	1.00%

State Sales and Use Taxes

The State sales and use tax has varied considerably in both rate and purpose since its initial imposition in 1933 when a temporary one percent tax was dedicated to public schools. Two years later, the tax was renewed, but the revenue from the tax was apportioned to the General Revenue Fund. In 1939, the rate was increased to two percent with 97 percent of the revenue apportioned to the State Assistance Fund or welfare programs administered by what is now the Department of Human Services.

The revenue continued to be dedicated in this manner until the 1980s, when all collections were apportioned to the General Revenue Fund. Since then, the General Revenue Fund has been the primary source of state funds for the Department of Human Services.

When Oklahoma faced a state funding crisis brought on by the decline of the petroleum industry in the 1980s, the state sales tax was increased incrementally to four percent. In 1990, the "Education Reform Act", also known as House Bill 1017, was passed, increasing the sales and use taxes to the current 4.5 percent level.

The sales and use taxes are imposed on sales of tangible personal property and on the furnishing of some services, such as transportation, meals and lodging, as well as telecommunication services. Most services, however, are not subject to the sales and use taxes. Exemptions are also allowed when the product or service is subject to another tax, such as the motor fuels tax. Other specific exemptions are made for governmental and nonprofit entities, agriculture and to certain areas targeted to encourage economic development. The value of some of the large exemptions from the sales and use tax include an exemption on sales to manufacturers equal to \$1.6 billion in sales tax revenue and sales for resale which total \$1.5 billion in sales tax revenue. During the 2005 legislative session, the apportionment for sales and use tax revenue changed. Now, for each fiscal year the apportionment for use tax is the same as the apportionment for sales tax. The table below shows the change in apportionment. (There is no change for FY-2012.)

Sales Tax and Use Tax Apportionment FY-2007 to FY-2011					
	<u>FY-2007</u>	<u>FY-2008</u>	<u>FY-2009</u>	<u>FY-2010</u>	<u>FY-2011</u>
General Revenue	85.04%	83.61%	83.61%	83.61%	83.61%
1017 Fund	10.46%	10.46%	10.46%	10.46%	10.46%
Teachers' Retirement Fund	4.50%	5.00%	5.00%	5.00%	5.00%
Remaining 0.93% to:					
36%-Ok Tourism Promotion Revolving Fund					
64%-Ok Tourism Capital Revolving Fund					

Motor Vehicle Taxes

Motor vehicle taxes and fees have a long history in Oklahoma. Oklahoma City was the birthplace of the parking meter in 1913 and it was here that “horseless carriages” were tagged before it was required by the State.

Oklahoma’s modern day motor vehicle taxes are comprised of a broad category of taxes and fees imposed on the purchase and use of motor vehicles, including an excise tax levied on the purchase of cars, trucks, buses, boats and motors, as well as annual registration fees.

Motor vehicle registration fees, commonly called tag fees, are paid annually in lieu of ad valorem or personal property taxes. Voter’s passage of State Question 691 in 2000 tied the cost of registration fees to the age of the vehicle:

- Years 1 – 4: \$91 annually
- Years 5 – 8: \$81 annually
- Years 9 – 12: \$61 annually
- Years 13 – 16: \$41 annually
- Years 17 and beyond: \$21 annually

The question also changed the calculation of the motor vehicle excise tax, which is paid in lieu of state and local sales taxes. Previously, the tax was assessed at 3.25 percent of the factory delivered price and depreciated at a rate of 35 percent annually. The state question’s approval left the rate the same, but assessed it against the actual sales price of the vehicle, which is usually lower than the factory delivered price of a new vehicle.

Motor vehicle taxes are collected by independent businesses operating as motor license agents or tag agents. The only exception to this is the taxes and fees imposed on trucks and trailers used in interstate commerce, which are collected by the Oklahoma Tax Commission. The chart below shows how motor vehicle taxes and fees are apportioned for 2011.

Motor Vehicle Tax Apportionment	
General Revenue Fund	29.84%
State Transportation Fund	0.31%
Counties	29.28%
Cities and Towns	3.10%
School Districts	36.20%
Law Enforcement Retirement	1.24%
Wildlife Conservation	.03%

Motor Fuel Taxes

In 1910, local roadways were maintained by requiring able bodied males to provide four days of labor per year – less if they brought their own horse. By 1916, a two mill tax was levied in townships to supplement the work requirement but both were completely abolished by 1933.

The first gasoline tax become effective in 1923 and was used for the construction and maintenance of roads and bridges. Prior to that time, local governments were responsible for roads and bridges which were supported through ad valorem taxes at the local level.

Motor fuel taxes in Oklahoma are a form of selective sales tax and include the gasoline tax and diesel excise tax, the motor fuel importer use tax and the special fuel use tax. The taxes are levied on the quantity or volume of fuel sold, rather than the price. The state gasoline tax is 16 cents per gallon, plus a 1 cent per gallon special assessment. The state tax on diesel fuel is 13 cents per gallon, plus a 1 cent per gallon assessment.

There are some major exemptions to the payment of motor fuel taxes. All government entities are exempt and the tax paid on diesel fuel used off-road and for agricultural purposes may be refunded upon application to the Oklahoma Tax Commission.

Fuel used by all recognized Indian tribes for tribal governmental purposes may be exempt. Tribes may request a refund for taxes paid on motor fuel used for tribal purposes, or in the alternative, they may enter into a compact with the State to receive a portion of the motor fuels tax collections. If they compact with the State, the tribes must agree not to challenge the constitutionality of the motor fuel tax code. The law permitting the sharing of motor fuels revenue went into effect in 1996.

Motor fuels tax revenue supports road and bridge building, plus maintenance, for both state and local governments. A 1 cent per gallon special assessment provides for environmental cleanup of leaking petroleum storage tanks. Almost one-third of the total motor fuel revenue is apportioned for local uses with the remainder used for state purposes. According to state statute, motor fuel taxes, like sales taxes, are assessed on the consumer when they purchase fuel. This tax incidence was defined by statute during the 1996 legislative session as the result of a court ruling that required whoever actually paid the tax be specified in the statutes. Yet while the statutes identify the consumer as paying the tax, it is technically collected and remitted at the terminal rack or refinery level. The following chart shows the FY-2012 apportionment of gasoline and diesel taxes, after mandated apportionments to the Public Transit Revolving Fund, the Oklahoma Tourism and Passenger Rail Revolving Fund and the first \$333,333 each month to the State Transportation Fund:

Motor Fuels Tax Apportionment		
	<u>Gasoline</u>	<u>Diesel</u>
	<u>Tax</u>	<u>Tax</u>
High Priority State		
Bridge Fund	1.63%	1.39%
State Transportation Fund	63.75%	64.34%
Counties for Highways	30.13%	30.43%
Cities and Towns	1.88%	-
County Bridges and Roads	2.63%	3.85%

Gross Production Taxes

Gross production or severance taxes are imposed on the removal of natural products, such as natural gas and oil, from land or water and are determined by the value and quantity of the products removed. Gross production taxes placed on the extraction of oil and gas were separated from the ad valorem property tax in 1910. For the first 20 years of statehood, oil and gas gross production and the ad valorem property tax were the major sources of state revenue.

While the ad valorem property tax became strictly a local tax in the 1930s, the oil and gas gross production tax have continued to be an important source of revenue for state government, schools and road building and maintenance.

Oil and natural gas have a three-tiered tax rate structure that specifies a certain tax rate based on the current price of oil or natural gas. For natural gas, if the price per thousand cubic feet (MCF) is equal to or greater than \$2.10, the tax rate is 7%. If the price is less than \$2.10 and equal to or greater than \$1.75 per MCF, then the rate is 4% and any price lower than \$1.75 results in a tax rate of 1%. For oil, the price must be greater than \$17 per barrel for the tax rate to be 7%. If the price is between \$17 and \$14 per barrel, the tax rate is 4%, and a price below \$14 per barrel yields a 1% tax rate. The charts below show the apportionment for the revenue from gross production tax on oil and natural gas.

During the 2006 Legislative Session, The Rural Economic Access Plan (REAP Fund) apportionment from the Gross Production tax on oil was divided between three new funds. Each of the three funds receives 33.33% of the 4.28% apportioned to the REAP Fund. The table below shows the apportionments to all funds from the Gross Production tax on oil. A cap of \$150 million applies to six of the funds receiving Gross Production oil revenue (identified by an asterisk in the apportionment chart that follows). Oil revenue collected above the \$150 million cap that would have been apportioned to those funds is deposited into the General Revenue Fund. Tables below show gross production taxes apportionment for FY-2012.

Gross Production Tax – Oil Apportionment

*Common Education Technology Fund	25.72%
*OK Student Aid Revolving Fund	25.72%
*Higher Education Capital Fund	25.72%
County Highways	7.14%
School Districts	7.14%
County Roads and Bridges	3.745%
Statewide Circuit Engineering Dist. Fund	0.535%
REAP Fund	4.28%
*Tourism Capital Expenditure Fund	33.33%
*Conservation Commission Fund	33.33%
*Community Water Revolving Fund	33.33%
* Indicates capped funds	

Gross Production Tax – Natural Gas Apportionment

General Revenue Fund	85.72%
County Highways	7.14%
School Districts	7.14%

FY-2012 Executive Budget

Constitutional Reserve "Rainy Day" Fund (CRF) History					
Description	FY-92	FY-93	FY-94	FY-95	FY-96
Beginning RDF Balance	196,861,899	135,008,898	91,140,995	45,574,052	45,574,052
Adjustments to the Balance	25,176	0	3,555	0	12,909
Appropriations	(61,878,177)	(43,867,903)	(45,570,498)	0	(22,688,345)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	98,430,950	67,504,449	45,570,498	22,787,026	22,787,026
End of FY Deposit	0	0	0	0	91,402,205
Ending Balance	135,008,898	91,140,995	45,574,052	45,574,052	114,300,821
Description	FY-97	FY-98	FY-99	FY-00	FY-01
Beginning RDF Balance	114,300,821	308,906,533	297,360,609	149,858,523	157,542,574
Adjustments to the Balance	388,745	0	1,119,324	28,700	9,826
Appropriations	(52,825,496)	(154,444,000)	(148,621,410)	(74,929,261)	(78,771,287)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	57,150,411	154,453,266	148,680,304	74,929,262	78,771,287
End of FY Deposit	247,042,463	142,898,076	0	82,584,612	261,904,617
Ending Balance	308,906,533	297,360,609	149,858,523	157,542,574	340,685,730
Description	FY-02	FY-03	FY-04	FY-05	FY-06
Beginning RDF Balance	340,685,730	72,398,995	136,333	217,501,299	461,316,574
Adjustments to the Balance	299,087	0	0	0	268,565
Appropriations	(268,585,822)	(72,262,663)	0	0	0
-Budget Stabilization					
1)Current Fiscal Year	98,242,957	36,199,498	68,167	-	-
2)Next Fiscal Year	-	-	-	-	-
-Emergency	170,342,865	36,199,498	68,167	54,375,325	115,329,143
End of FY Deposit	0	0	217,364,966	243,815,275	34,105,029
Ending Balance	72,398,995	136,333	217,501,299	461,316,574	495,690,168
Description	FY-07	FY-08	FY-09	FY-10	FY-11
Beginning RDF Balance	495,690,168	571,598,627	596,573,270	596,573,270	249,143,318
Adjustments to the Balance	0	0	0	0	0
Appropriations	0	0	0	(347,429,952)	(249,143,316)
-Budget Stabilization					
1)Current Fiscal Year	-	-	-	223,714,976	149,143,316
2)Next Fiscal Year	-	-	-	123,714,976	100,000,000
-Emergency	123,922,542	142,899,657	149,143,317	149,143,317	62,285,829
End of FY Deposit	75,908,459	24,974,643	0	0	0
Ending Balance	571,598,627	596,573,270	596,573,270	249,143,318	2

FY-2012 EXECUTIVE BUDGET

Agency/Cabinet Name	FY-2009 Appropriation	Percent Change	Percent of Total	FY-2010 Appropriation After Shortfall	Percent Change	Percent of Total	FY-2011 Appropriation	Percent Change	Percent of Total
SUMMARY BY CABINET									
Governor	\$2,661,981	0.00%	0.04%	\$2,289,974	-13.97%	0.04%	\$2,129,671	-7.00%	0.03%
Lieutenant Governor	659,597	-4.85%	0.01%	567,421	-13.97%	0.01%	527,699	-7.00%	0.01%
Agriculture	44,833,147	4.59%	0.62%	39,495,727	-11.91%	0.65%	36,152,328	-8.47%	0.57%
Commerce & Tourism	94,868,925	2.11%	1.32%	102,105,379	7.63%	1.68%	79,220,298	-22.41%	1.25%
Education	3,760,744,494	1.11%	52.29%	3,346,034,316	-11.03%	55.12%	3,344,808,681	-0.04%	52.82%
Energy	13,429,003	1.55%	0.19%	11,607,203	-13.57%	0.19%	10,944,695	-5.71%	0.17%
Environment	16,529,620	0.00%	0.23%	16,635,861	0.64%	0.27%	13,825,424	-16.89%	0.22%
Finance & Revenue	92,503,091	2.21%	1.29%	84,367,917	-8.79%	1.39%	86,322,407	2.32%	1.36%
Health	1,126,729,503	7.00%	15.66%	801,765,112	-28.84%	13.21%	945,058,437	17.87%	14.92%
Human Resources & Admin	27,598,398	-1.34%	0.38%	24,238,727	-12.17%	0.40%	23,121,506	-4.61%	0.37%
Human Services	757,921,731	0.86%	10.54%	594,670,192	-21.54%	9.80%	652,525,652	9.73%	10.30%
Military	13,132,301	-3.83%	0.18%	11,332,689	-13.70%	0.19%	10,787,365	-4.81%	0.17%
Safety & Security	717,966,959	4.20%	9.98%	659,861,621	-8.09%	10.87%	649,920,068	-1.51%	10.26%
Science & Technology Dev.	22,456,507	0.00%	0.31%	20,374,572	-9.27%	0.34%	19,152,096	-6.00%	0.30%
Secretary of State	8,138,194	-10.75%	0.11%	7,056,698	-13.29%	0.12%	9,128,114	29.35%	0.14%
Transportation	208,221,788	-4.66%	2.89%	193,541,937	-7.05%	3.19%	115,195,299	-40.48%	1.82%
Veterans	40,282,600	0.00%	0.56%	37,261,401	-7.50%	0.61%	35,957,256	-3.50%	0.57%
Total Executive Branch	6,948,677,839	2.12%	96.61%	5,953,206,747	-14.33%	98.07%	6,034,776,996	1.37%	95.30%
The Legislature	39,412,908	1.68%	0.55%	34,413,321	-12.69%	0.57%	32,004,383	-7.00%	0.51%
The Judiciary	86,049,176	0.26%	1.20%	76,786,626	-10.76%	1.26%	80,828,193	5.26%	1.28%
Total Legis. & Judic.	125,462,084	0.70%	1.74%	111,199,947	-11.37%	1.83%	112,832,576	1.47%	1.78%
Total Excl. Sups./Ret.	7,074,139,923	2.10%	98.35%	6,064,406,694	-14.27%	99.91%	6,147,609,572	1.37%	97.08%
Supplementals & Emerg. Fd. (I)	118,623,566	2.21%	1.65%	5,750,000	-95.15%	0.09%	185,022,235	3117.78%	2.92%
Total	\$7,192,763,489	2.10%	100.00%	\$6,070,156,694	-15.6%	100.00%	\$6,332,631,807	4.3%	100.00%
GOV. AND LT. GOV.									
Governor	2,661,981	0.00%	0.04%	\$2,289,974	-13.97%	0.04%	\$2,129,671	-7.00%	0.03%
Lieutenant Governor	659,597	-4.85%	0.01%	567,421	-13.97%	0.01%	527,699	-7.00%	0.01%
AGRICULTURE									
Agriculture	34,540,185	2.56%	0.48%	30,641,202	-11.29%	0.50%	26,306,894	-14.15%	0.42%
Conservation Commission	10,292,962	12.04%	0.14%	8,854,526	-13.97%	0.15%	9,845,434	11.19%	0.16%
TOTAL AGRICULTURE	44,833,147	4.59%	0.62%	39,495,727	-11.91%	0.65%	36,152,328	-8.47%	0.57%
COMMERCE AND TOURISM									
Commerce, Dept. of (b)	30,934,772	10.07%	0.43%	46,785,006	51.24%	0.77%	26,905,919	-42.49%	0.42%
REAP - local gov'ts thru commerce	15,500,000	0.00%	0.22%	13,333,875	-13.98%	0.22%	12,400,504	-7.00%	0.20%
J. M. Davis Memorial Commission	385,403	-28.02%	0.01%	331,546	-13.97%	0.01%	306,677	-7.50%	0.00%
Historical Society	14,967,451	1.91%	0.21%	13,184,058	-11.92%	0.22%	12,913,636	-2.05%	0.20%
Labor Department	3,760,284	0.00%	0.05%	3,404,418	-9.46%	0.06%	3,166,110	-7.00%	0.05%
Scenic Rivers Commission	345,322	0.00%	0.00%	297,058	-13.98%	0.00%	279,239	-6.00%	0.00%
Tourism & Recreation (j)	28,041,991	0.77%	0.39%	23,966,199	-14.53%	0.39%	22,503,229	-6.10%	0.36%
Will Rogers Memorial Comm.	933,702	-13.84%	0.01%	803,218	-13.97%	0.01%	744,984	-7.25%	0.01%
TOTAL COMMERCE & TOURISM	94,868,925	2.11%	1.32%	102,105,379	7.63%	1.68%	79,220,298	-22.41%	1.25%

FY-2012 EXECUTIVE BUDGET

Agency/Cabinet Name	FY-2009 Appropriation	Percent Change	Percent of Total	FY-2010 Appropriation	Percent Change	Percent of Total	FY-2011 Appropriation	Percent Change	Percent of Total
EDUCATION									
Arts Council	5,150,967	0.00%	0.07%	4,763,987	-7.51%	0.08%	4,406,689	-7.50%	0.07%
Career. & Techn Education (e)	158,269,736	2.20%	2.20%	146,217,612	-7.61%	2.41%	141,977,302	-2.90%	2.24%
Education, Dept. of (c)	2,531,702,553	2.08%	35.20%	2,231,731,157	-11.85%	36.77%	2,236,034,551	0.19%	35.31%
Educational TV Authority	8,394,383	0.00%	0.12%	4,468,472	-46.77%	0.07%	4,200,360	-6.00%	0.07%
Higher Educ., Regents for (d)	1,039,886,280	-1.33%	14.46%	943,352,816	-9.28%	15.54%	943,666,030	0.03%	14.90%
OSU Medical Authority			0.00%						
Department of Libraries	7,294,856	0.00%	0.10%	6,747,468	-7.50%	0.11%	6,342,616	-6.00%	0.10%
School of Science & Math	7,985,737	5.27%	0.11%	6,980,701	-12.59%	0.12%	6,540,080	-6.31%	0.10%
Teacher Preparation Comm.	2,059,982	0.00%	0.03%	1,772,104	-13.97%	0.03%	1,641,053	-7.40%	0.03%
TOTAL EDUCATION	3,760,744,494	1.11%	52.29%	3,346,034,316	-11.03%	55.12%	3,344,808,681	-0.04%	52.82%
ENERGY									
Corporation Commission (f)	12,415,417	1.68%	0.17%	10,735,265	-13.53%	0.18%	10,133,793	-5.60%	0.16%
Mines, Department of	1,013,586	0.00%	0.01%	871,938	-13.97%	0.01%	810,902	-7.00%	0.01%
TOTAL ENERGY	13,429,003	1.55%	0.19%	11,607,203	-13.57%	0.19%	10,944,695	-5.71%	0.17%
ENVIRONMENT									
Environmental Quality, Dept. of	9,728,096	0.00%	0.14%	8,599,847	-11.60%	0.14%	8,126,853	-5.50%	0.13%
Water Resources Board	4,601,524	0.00%	0.06%	8,036,014	74.64%	0.13%	5,698,571	-29.09%	0.09%
TOTAL ENVIRONMENT	16,529,620	0.00%	0.23%	16,635,861	0.64%	0.27%	13,825,424	-16.89%	0.22%
FINANCE & REVENUE									
Auditor & Inspector (g)	6,315,269	0.00%	0.09%	5,432,706	-13.98%	0.09%	5,152,673	-5.15%	0.08%
Bond Advisor, State	186,419	0.00%	0.00%	160,373	-13.97%	0.00%	155,556	-3.00%	0.00%
Consumer Credit Commission	669,042	0.00%	0.01%	575,546	-13.97%	0.01%	535,255	-7.00%	0.01%
Finance, Office of State	23,081,434	0.00%	0.32%	22,175,325	-3.93%	0.37%	20,623,054	-7.00%	0.33%
Insurance Department (a)	2,515,943	0.00%	0.03%	2,164,345	-13.97%	0.04%	2,012,836	-7.00%	0.03%
Land Office Commission	4,864,881	0.00%	0.07%	5,004,880	2.88%	0.08%	7,109,000	42.04%	0.11%
Tax Commission	50,201,340	4.15%	0.70%	42,830,937	-14.68%	0.71%	46,830,944	-9.34%	0.74%
Treasurer	4,668,763	0.00%	0.06%	6,023,806	29.02%	0.10%	3,903,089	-35.21%	0.06%
TOTAL FINANCE & REVENUE	92,503,091	2.21%	1.29%	84,367,917	-8.79%	1.39%	86,322,407	2.32%	1.36%
HEALTH									
Health Department	75,028,113	1.68%	1.04%	67,553,002	-9.96%	1.11%	61,547,757	-8.89%	0.97%
Health Care Authority	842,122,261	9.12%	11.71%	549,272,707	-34.78%	9.05%	699,875,770	27.42%	11.05%
Mental Health Department	209,579,129	0.99%	2.91%	184,939,403	-11.76%	3.05%	183,634,910	-0.71%	2.90%
TOTAL HEALTH	1,126,729,503	7.00%	15.66%	801,765,112	-28.84%	13.21%	945,058,437	17.87%	14.92%
HUMAN RESOURCES & ADMIN.									
Central Services, Dept. of	18,713,175	-1.79%	0.26%	16,552,199	-11.55%	0.27%	15,973,031	-3.50%	0.25%
Horse Racing Commission	2,669,568	0.00%	0.04%	2,296,501	-13.97%	0.04%	2,135,741	-7.00%	0.03%
Human Rights Commission	710,226	0.00%	0.01%	614,252	-13.51%	0.01%	571,258	-7.00%	0.01%
Merit Protection Commission	613,684	-5.40%	0.01%	567,654	-7.50%	0.01%	527,921	-7.00%	0.01%
Personnel Management	4,891,745	0.00%	0.07%	4,208,121	-13.98%	0.07%	3,913,555	-7.00%	0.06%
TOTAL HUMAN RES & ADMIN	27,598,398	-1.34%	0.38%	24,238,727	-12.17%	0.40%	23,121,506	-4.61%	0.37%
HUMAN SERVICES									

FY-2012 EXECUTIVE BUDGET

Agency/Cabinet Name	FY-2009 Appropriation	Percent Change	Percent of Total	FY-2010 Appropriation	Percent Change	Percent of Total	FY-2011 Appropriation	Percent Change	Percent of Total
Children & Youth Commission	2,608,473	11.74%	0.04%	2,294,215	-12.05%	0.04%	2,156,561	-6.00%	0.03%
Disability Concerns	412,769	0.00%	0.01%	363,314	-11.98%	0.01%	341,513	-6.00%	0.01%
Human Services Dept. (h)	559,107,190	0.36%	7.77%	420,904,729	-24.72%	6.93%	500,110,884	18.82%	7.90%
Indian Affairs	258,466	0.00%	0.00%	222,344	-13.98%	0.00%	206,781	-7.00%	0.00%
J.D. McCarty Center	4,452,961	0.00%	0.06%	3,782,680	-15.05%	0.06%	3,664,060	-3.14%	0.06%
Office of Juvenile Affairs	112,254,258	1.99%	1.56%	103,463,169	-7.83%	1.70%	97,663,872	-5.61%	1.54%
Phys. Manpower Trng. Comm.	5,523,502	0.00%	0.08%	4,781,592	-13.43%	0.08%	3,740,287	-21.78%	0.06%
Rehabilitation Svcs., Dept.of	30,053,770	1.96%	0.42%	28,169,735	-6.27%	0.46%	30,453,770	8.11%	0.48%
University Hospitals Authority	43,250,342	3.31%	0.60%	30,688,414	-29.04%	0.51%	14,187,924	-53.77%	0.22%
TOTAL HUMAN SERVICES	757,921,731	0.86%	10.54%	594,670,192	-21.54%	9.80%	652,525,652	9.73%	10.30%
MILITARY AFFAIRS									
Military Department	13,132,301	-3.83%	0.18%	11,332,689	-13.70%	0.19%	10,787,365	-4.81%	0.17%
TOTAL MILITARY AFFAIRS	13,132,301	-3.83%	0.18%	11,332,689	-13.70%	0.19%	10,787,365	-4.81%	0.17%
SAFETY AND SECURITY									
A.B.L.E. Commission	3,925,266	0.00%	0.05%	3,630,866	-7.50%	0.06%	3,376,703	-7.00%	0.05%
Attorney General	14,781,704	6.00%	0.21%	12,693,072	-14.13%	0.21%	12,704,552	0.09%	0.20%
Corrections Department	503,000,000	5.33%	6.99%	469,025,000	-6.75%	7.73%	462,141,777	-1.47%	7.30%
District Attorneys Council	42,820,210	7.26%	0.60%	36,836,083	-13.98%	0.61%	34,257,560	-7.00%	0.54%
Emergency Management	1,156,604	38.25%	0.02%	729,203	-36.95%	0.01%	692,744	-5.00%	0.01%
Fire Marshal	2,270,855	0.00%	0.03%	2,077,421	-8.52%	0.03%	1,932,004	-7.00%	0.03%
Indigent Defense System (i)	16,734,008	2.64%	0.23%	14,554,959	-13.02%	0.24%	15,153,971	4.12%	0.24%
Investigation, Bureau of	17,316,450	0.00%	0.24%	15,824,005	-8.62%	0.26%	14,716,322	-7.00%	0.23%
Law Enf. Educ. & Training	4,614,370	4.63%	0.06%	4,341,699	-5.91%	0.07%	3,917,618	-9.77%	0.06%
Medicolegal Investigations Board	4,825,625	0.00%	0.07%	4,347,448	-9.91%	0.07%	4,794,164	10.28%	0.08%
Narc. & Dang. Drugs Control	6,773,895	0.00%	0.09%	5,928,495	-12.48%	0.10%	5,466,418	-7.79%	0.09%
Pardon & Parole Board	2,577,581	0.00%	0.04%	2,334,164	-9.44%	0.04%	2,334,162	0.00%	0.04%
Public Safety Department	97,170,391	-1.22%	1.35%	87,539,208	-9.91%	1.44%	88,432,073	1.02%	1.40%
TOTAL SAFETY & SECURITY	717,966,959	4.20%	9.98%	659,861,621	-8.09%	10.87%	649,920,068	-1.51%	10.26%
SCIENCE & TECH.DEVELOP.									
Center for Adv. /Sc. & Tech.	22,456,507	0.00%	0.31%	20,374,572	-9.27%	0.34%	19,152,096	-6.00%	0.30%
TOTAL SCIENCE & TECH.DEV.	22,456,507	0.00%	0.31%	20,374,572	-9.27%	0.34%	19,152,096	-6.00%	0.30%
SECRETARY OF STATE									
Secretary of State	380,517	-28.27%	0.01%	327,339	-13.98%	0.01%	304,426	-7.00%	0.00%
Election Board	6,805,988	-12.59%	0.09%	5,906,804	-13.21%	0.10%	8,047,225	36.24%	0.13%
Ethics Commission, Okla.	667,960	28.96%	0.01%	574,614	-13.97%	0.01%	545,882	-5.00%	0.01%
Council on Jud Complaints	283,729	0.00%	0.00%	247,941	-12.61%	0.00%	230,581	-7.00%	0.00%
TOTAL SECRETARY OF STATE	8,138,194	-10.75%	0.11%	7,056,698	-13.29%	0.12%	9,128,114	29.35%	0.14%
TRANSPORTATION									
Space Industry Development	530,340	0.00%	0.01%	456,221	-13.98%	0.01%	424,289	-7.00%	0.01%
Transportation Department (k)	207,691,448	-4.67%	2.89%	193,085,716	-7.03%	3.18%	114,771,010	-40.56%	1.81%
TOTAL TRANSPORTATION	208,221,788	-4.66%	2.89%	193,541,937	-7.05%	3.19%	115,195,299	-40.48%	1.82%
VETERANS									
Veterans Affairs Department	40,282,600	0.00%	0.56%	37,261,401	-7.50%	0.61%	35,957,256	-3.50%	0.57%

FY-2012 EXECUTIVE BUDGET

Agency/Cabinet Name	FY-2009 Appropriation	Percent Change	Percent of Total	FY-2010 Appropriation	Percent Change	Percent of Total	FY-2011 Appropriation	Percent Change	Percent of Total
TOTAL EXECUTIVE BRANCH	6,948,677,839	2.12%	96.61%	5,953,206,747	-14.33%	98.07%	6,034,776,996	1.37%	95.30%

FY-2012 EXECUTIVE BUDGET

Agency/Cabinet Name	FY-2009 Appropriation	Percent Change	Percent of Total	FY-2010 Appropriation	Percent Change	Percent of Total	FY-2011 Appropriation	Percent Change	Percent of Total
LEGISLATURE									
House of Representatives	19,176,434	0.00%	0.27%	16,496,531	-13.97%	0.27%	15,341,770	-7.00%	0.24%
Legislative Service Bureau	5,537,349	13.30%	0.08%	5,271,869	-4.79%	0.09%	4,902,835	-7.00%	0.08%
Senate	14,699,125	0.00%	0.20%	12,644,920	-13.98%	0.21%	11,759,778	-7.00%	0.19%
TOTAL LEGISLATURE	39,412,908	1.68%	0.55%	34,413,321	-12.69%	0.57%	32,004,383	-7.00%	0.51%
JUDICIARY									
Court of Criminal Appeals	3,474,527	-0.43%	0.05%	3,056,707	-12.03%	0.05%	3,455,575	13.05%	0.05%
District Courts	58,067,785	0.68%	0.81%	52,502,812	-9.58%	0.86%	57,641,865	9.79%	0.91%
Supreme Court	19,247,063	-0.89%	0.27%	16,550,345	-14.01%	0.27%	15,381,358	-7.06%	0.24%
Workers' Compensation Court	5,259,801	0.34%	0.07%	4,676,763	-11.08%	0.08%	4,349,395	-7.00%	0.07%
TOTAL JUDICIARY	86,049,176	0.26%	1.20%	76,786,626	-10.76%	1.26%	80,828,193	5.26%	1.28%
TOTAL EXCL. SUPPS./ & RETIREMENT SYSTEMS	7,074,139,923	2.10%	98.35%	6,064,406,694	-14.27%	99.91%	6,147,609,572	1.37%	97.08%

FY-2012 EXECUTIVE BUDGET

**SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
ALLOCATIONS (2010-2011)**

<u>Regents' Allocation</u>	ORIGINAL ALLOCATION	% OF ORIGINAL ALLOCATION
University of Oklahoma	\$142,012,266	13.39%
OU Law Center	6,215,619	0.59%
OU Health Sciences Center	96,749,253	9.12%
OU Tulsa	8,588,943	0.81%
Oklahoma State University	127,388,945	12.01%
OSU Agriculture Experiment Station	27,746,349	2.62%
OSU Agriculture Extension Division	30,326,699	2.86%
OSU Technical Branch, Okmulgee	15,055,628	1.42%
OSU College of Veterinary Medicine	11,330,886	1.07%
OSU, Oklahoma City	11,593,100	1.09%
OSU Center for Health Sciences	14,711,159	1.39%
OSU Tulsa	11,835,146	1.12%
University of Central Oklahoma	55,329,511	5.22%
East Central University	18,325,475	1.73%
Northeastern State University	38,566,710	3.64%
Statewide Literacy Program - NSU	71,932	0.01%
Northwestern Oklahoma State University	10,606,640	1.00%
Southeastern Oklahoma State University	19,614,862	1.85%
Southwestern Oklahoma State University	23,729,928	2.24%
Cameron University	22,659,853	2.14%
Langston University - Campus	19,492,644	1.84%
Langston - Endowment	1,747,596	0.16%
Oklahoma Panhandle State University	7,547,421	0.71%
University of Science & Arts of Oklahoma	7,744,807	0.73%
University of Science & Arts - Jane Brooks	26,559	0.00%
Rogers State University	14,531,996	1.37%
Carl Albert State College	6,679,880	0.63%
Connors State College	7,091,858	0.67%
Eastern Oklahoma State College	6,785,667	0.64%
Murray State College	5,990,093	0.56%
Northeastern Oklahoma A&M College	9,312,967	0.88%
Northern Oklahoma College	10,433,464	0.98%
Oklahoma City Community College	25,901,565	2.44%
Redlands Community College	6,663,067	0.63%
Rose State College	21,720,552	2.05%
Seminole State College	6,231,857	0.59%
Tulsa Community College	37,759,863	3.56%
Western Oklahoma State College	5,973,354	0.56%
Ardmore Higher Education Program	680,063	0.06%
Ponca City Learning Site	687,599	0.06%
OSF CORE Assessment Fees	146,915	0.01%
Section 13 Offsets	9,859,132	0.93%
Entry-Yr Tchr Prog Funds	1,844,051	0.17%

STATE BUDGET INFORMATION

FY-2012 EXECUTIVE BUDGET

**SUMMARY OF OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
ALLOCATIONS (2010-2011)**

<u>Regents' Allocation</u>	ORIGINAL ALLOCATION	% OF ORIGINAL ALLOCATION
State Regents' Budget/Regents' IT/MTRC	11,180,940	1.05%
OneNet (includes Higher Ed User Fees)	3,089,398	0.29%
Internet II / National Lambda Rail	1,502,158	0.14%
Scholar-Leadership Enrichment Program	300,463	0.03%
Economic Development Incentives	434,219	0.04%
Regional University Scholarships	1,035,823	0.10%
Prospective Teacher Scholarships	98,228	0.01%
Chiropractic Scholarships	39,291	0.00%
National Guard Waiver Program	2,009,372	0.19%
Tulsa Reconciliation Scholarships	49,114	0.00%
Concurrent Enrollment Waiver Program	2,455,710	0.23%
Teacher Shortage Incentive Program	395,558	0.04%
Brain Gain 2010	2,184,291	0.21%
Student Preparation Program	1,153,899	0.11%
Summer Academies Program	589,370	0.06%
Oklahoma Tuition Aid Grants	18,927,327	1.78%
Academic Scholars Program	8,049,149	0.76%
Endowed Chairs Program	12,179,798	1.15%
Academic Library Databases	402,736	0.04%
Master Lease Program	125,000	0.01%
OCIA Debt Service	19,601,613	1.85%
EPSCoR	3,388,534	0.32%
Quartz Mountain	1,177,794	0.11%
OHLAP	57,000,000	5.38%
George & Donna Nigh Scholarship	68,760	0.01%
Oklahoma Tuition Equalization Program	3,578,751	0.34%
Capital and One-Time Allocations	938,718	0.09%
Office of Accountability	701,986	0.07%
Adult Degree Completion Program	<u>491,142</u>	<u>0.05%</u>
TOTAL ALLOCATIONS OF APPROPRIATIONS *	\$1,060,461,016	100.00%

* Includes \$48,767,705 from the Higher Education Capital Revolving Fund, \$48,767,705 from the Student Aid Revolving Fund, \$24,313,330 from the Lottery Trust Fund, \$57,000,000 designated General Revenue for OK Promise, and \$65,000,000 from the Special Cash Fund and \$59,794,986 in ARRA Stimulus Funds.

FY-2012 EXECUTIVE BUDGET

FY-2011 Nonappropriated Agency Budgets and FTE

<u>Agency Number and Name</u>	<u>FY-2011 Budget</u>	<u>FY-2011 Actual FTE</u>
Accountancy Board	\$2,713,582.00	9
Abstractors Board	\$311,151.00	0
Boll Weevil Eradication Organization	\$1,044,737.00	11.7
Architects Board	\$553,104.00	3
Aeronautics Commission	\$9,244,578.00	11.2
Banking Department	\$6,439,500.00	39.8
Tobacco Board of Directors	\$25,044,071.00	7.6
Podiatry Board	\$15,200.00	0
Chiropractic Board	\$253,444.56	2.9
Construction Industry Board	\$3,330,471.00	29.4
Cosmetology Board	\$1,004,906.91	12
Dental Board	\$581,984.95	4
Funeral Board	\$375,361.00	3
Employment Security Commission	\$128,687,646.00	765.4
Interstate Oil Compact Commission	\$1,153,346.00	2.9
Firefighters Pension and Retirement Board	\$11,691,522.00	9.1
Department of Wildlife Conservation	\$52,509,759.00	348.1
Perfusionists Board	\$7,320.00	0
Industrial Finance Authority	\$7,002,891.75	0
Law Enforcement Retirement System	\$5,017,744.00	5
Lottery Commission	\$191,528,138.00	42.4
Liquefied Petroleum Gas Board	\$670,074.00	8.7
Common Marginally Producing Oil & Gas Wells	\$725,404.00	4
Alcohol & Drug Counselors	\$164,023.68	1.7
Medical Licensure Board	\$3,382,192.34	22.1
Motor Vehicle Commission	\$406,350.00	3.5
Nursing Home Administrators Board	\$301,528.00	2
Nursing Board	\$3,462,138.00	25
Public Employees Retirement System	\$8,470,932.00	53.9
State & Ed. Employees Group Insur. Board	\$42,535,177.00	159.6
Optometry Board	\$241,825.00	2
Osteopathic Examiners	\$601,072.00	5.5
Peanut Commission	\$171,150.00	1
Police Pension & Retirement Board	\$3,047,344.00	11
Pharmacy Board	\$3,591,281.00	9
Engineers and Land Surveyors	\$1,276,494.00	9.5
Psychologists Board	\$243,789.69	2
Real Estate Commission	\$2,262,934.00	17.2
Foresters Board	\$3,160.00	11.7
Social Workers Board	\$208,322.04	1.3
Securities Commission	\$6,368,152.00	26.3
Speech Pathology	\$174,517.00	2
Teachers' Retirement System	\$286,485,567.00	41.8
Used Motor Vehicle	\$917,440.01	9.1
Board of Tests for Alcohol/Drug Intulence	\$518,200.00	5
Veterinary Board	\$945,715.86	3.9
Employees Benefits Council	\$4,804,226.00	32.6
Wheat Commission	\$242,500.00	3.7

FY-2012 EXECUTIVE BUDGET

Total:

\$820,731,966.79

1781.6

Appendix

**Budget and Fiscal/Research Staff
State Organization Chart
State Agencies listed by Cabinet
Glossary**

Office of State Finance

Please direct all press inquiries to (405) 521-3277.

<u>If you have questions about this function of government</u>	<u>Then please contact:</u>
The Oklahoma Economy	Preston Doerflinger (405)521-3277 preston.doerflinger@osf.ok.gov
The Oklahoma State Budget and Budget Process	Brandy Manek (405) 521-3786 brandy.manek@osf.ok.gov
State Revenue, Taxes	Shelly Paulk (405) 522-2603 shelly.paulk@osf.ok.gov
Agriculture, Energy and Environment.....	Lia Tepker (405) 522-5743 lia.tepker@osf.ok.gov
Education, Science and Technology Development	Jill Geiger (405) 521-6176 jill.geiger@osf.ok.gov
Governor, Lieutenant Governor, Finance and Revenue, Legislature, Secretary of State, Transportation.....	Larry Asberry, Jr. (405) 522-0677 larry.asberry@osf.ok.gov
Health and Veterans Affairs.....	Rich Edwards (405) 522-4305 rich.edwards@osf.ok.gov
Human Resources and Administration	Larry Asberry, Jr. (405) 522-0677 larry.asberry@osf.ok.gov
Military Affairs, Safety and Security, Judiciary	Chris Sherman (405) 521-3097 chris.sherman@osf.ok.gov
Human Services.....	Erik Paulson (405) 522-0924 erik.paulson@osf.ok.gov
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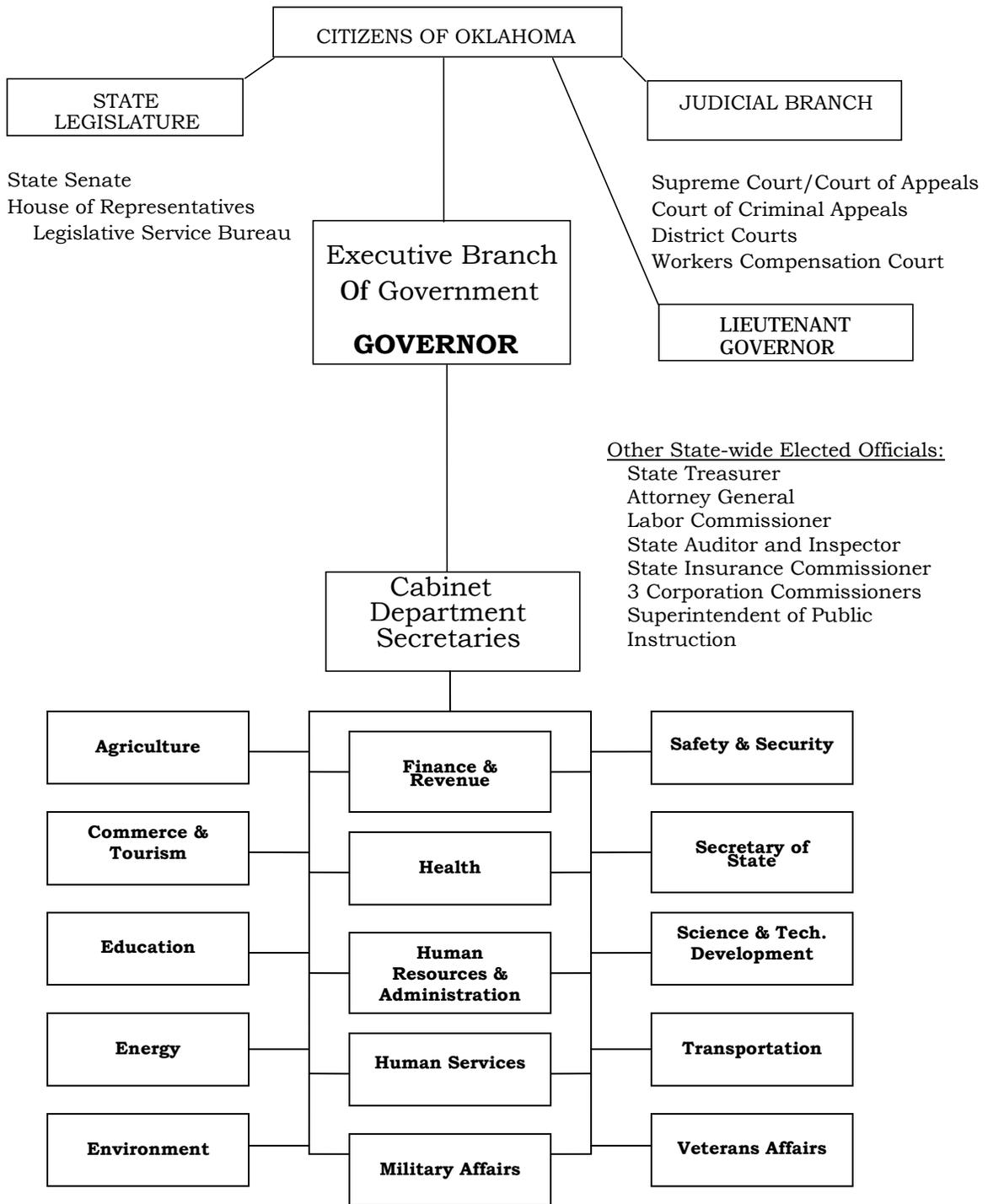
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The Cabinet Secretaries are appointed by the Governor with the approval of the Senate. Many of the secretaries are also heads of Executive Branch agencies. Most state agencies have a controlling board or commission which appoints a chief operating officer. Most board and commission members are appointed by the Governor, some requiring Senate approval. Some agencies do not have a controlling board, and most of those agency heads are appointed by the Governor with Senate approval. More information on the appointment process is included in the Executive-Historical document. State agencies are assigned to a cabinet department by the Governor. The specific agency assignments to each cabinet are shown on the next page.

FY-2012 Executive Budget

Cabinet/Agency	FY-2007	FY-2008	FY-2009	FY-2010	FY-2011
	Actual FTE	Actual FTE	Actual FTE	Actual FTE	Actual YTD FTE
Governor	32.50	32.90	31.80	28.20	25.40
Lieutenant Governor	6.50	7.20	7.20	7.80	8.10
Agriculture	538.80	541.00	540.00	532.00	520.10
Commerce and Tourism	2175.00	2122.60	2072.70	2116.50	2025.40
Education (excluding Higher Education)	1026.40	1011.10	1080.40	998.90	902.50
Energy	1011.70	1023.50	1021.90	911.20	956.80
Environment	997.70	1011.80	1030.10	1032.80	1072.00
Finance and Revenue	2042.70	2030.20	1990.10	1937.70	1845.80
Health	4840.30	4720.10	4823.50	4769.00	4352.50
Human Resources and Administration	756.40	765.70	771.70	764.90	712.50
Human Services	10203.90	10034.60	10226.30	10358.70	9604.40
Military	305.50	313.40	368.70	383.90	343.70
Safety and Security	8290.50	8550.00	8694.00	8421.50	7741.20
Science & Technology	23.00	23.30	25.70	23.40	18.10
Secretary of State	64.80	64.40	65.10	59.80	59.70
Transportation	3009.70	3081.00	3059.30	3093.70	2989.10
Veterans Affairs	1817.20	1854.80	1828.60	1932.60	1936.50
	37142.60	37187.60	37637.50	37372.60	35113.80
Regents	323.30	315.10	321.60	311.80	304.70
Higher Education	31074.60	32036.10	32237.50	33318.10	33121.90
	31397.90	32351.20	32559.10	33629.90	33426.60
Total Executive Branch	68540.50	69538.80	70196.60	71002.50	68540.40
Legislature	468.10	505.20	479.90	454.40	398.80
Judiciary	900.30	915.70	911.40	910.60	901.70
	1368.40	1420.90	1391.30	1365.00	1300.50
GRAND TOTAL	69908.90	70959.70	71587.90	72367.50	69840.90
Total Excluding Higher Ed	38834.30	38608.50	39028.80	38737.60	36414.30
305 Governor	32.50	32.90	31.80	28.20	25.40
440 Lieutenant Governor	6.50	7.20	7.60	7.80	8.10
Agriculture					
40 Agriculture, Department of	454.90	456.10	448.60	447.20	431.10
39 Boll Weevil Eradication	23.50	16.50	15.80	12.60	11.70
645 Conservation Commission	56.30	62.40	69.50	67.20	72.60
535 Peanut Commission	0.00	1.00	1.00	1.00	1.00
875 Wheat Commission	4.10	5.00	5.00	4.00	3.70
Total	538.80	541.00	539.90	532.00	520.10

FY-2012 Executive Budget

Cabinet/Agency	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual	FY-2011 Actual YTD
Commerce and Tourism					
7 Centennial Commission	7.10	7.00	0.00	0.00	0.00
160 Commerce, Department of	152.40	153.50	154.10	156.30	144.30
290 Employment Security Commission, OK	739.20	696.60	676.40	756.60	765.40
350 Historical Society, Oklahoma	163.70	169.60	167.60	172.70	151.40
922 Housing Finance Authority	111.50	110.80	110.20	115.30	118.20
370 Industrial Finance Authority	6.80	6.80	6.90	6.90	5.90
204 J.M. Davis Memorial Commission	5.90	6.50	5.80	6.60	6.00
405 Labor Department	97.90	95.20	94.80	91.70	87.50
981 Municipal Power Authority	49.10	52.30	55.60	47.20	57.20
568 Scenic Rivers Commission	12.80	13.50	14.90	14.40	14.30
566 Tourism & Recreation, Department of	817.40	798.70	775.70	738.90	665.60
880 Will Rogers Memorial Commission	11.20	12.10	10.80	9.90	9.40
Total	2175.00	2122.60	2072.80	2116.50	2025.20
Education (Excl. Higher Education)					
55 Arts Council, State	16.20	15.30	15.10	16.00	13.50
800 Career & Technology Education	359.60	338.00	329.60	323.90	293.20
265 Education, State Department of	372.50	374.90	448.50	374.40	348.60
266 Educational Television Authority	67.20	71.20	71.50	72.80	66.40
430 Libraries, Department of	62.60	59.10	56.60	55.90	52.20
563 Private Vocational Schools Board	2.60	2.90	2.50	2.50	1.50
629 School of Science & Mathematics	73.10	72.10	73.80	75.70	59.90
618 Student Loan Authority	63.40	67.50	72.20	67.50	57.00
269 Teacher Preparation, OK Commission	9.20	10.20	10.40	10.20	10.20
Total	1026.40	1011.20	1080.20	998.90	902.50
Energy					
185 Corporation Commission	473.40	480.30	476.90	451.10	428.30
980 Grand River Dam Authority (GRDA)	487.20	491.40	493.20	410.00	480.60
307 Interstate Oil Compact Commission	2.00	2.20	2.00	3.00	2.90
445 Liquefied Petroleum Gas Board	9.10	9.70	10.60	9.20	8.70
446 Marginally Producing Oil & Gas Wells	4.60	4.70	4.50	4.00	4.00
125 Mines, Department of	35.40	35.10	34.60	34.00	32.20
Total	1011.70	1023.40	1021.80	911.30	956.70
Environment					
292 Dept. of Environmental Quality (DEQ)	565.10	573.60	586.30	586.00	639.80
835 Water Resources Board	94.40	96.00	94.70	94.20	84.10
320 Wildlife Conservation Commission	338.20	342.30	349.10	352.60	348.10
Total	997.70	1011.90	1030.10	1032.80	1072.00
Finance and Revenue					
300 Auditor & Inspector	149.20	135.20	124.60	117.80	117.10
65 Banking Department, State	39.30	38.40	38.50	39.80	39.80
390 CompSource	363.70	373.50	368.30	357.50	352.70
90 Finance, Office of State	148.50	155.50	155.30	170.60	176.20
315 Firefighters Pension & Retirement	9.20	8.90	9.10	9.00	9.10
385 Insurance Commissioner	135.10	139.60	121.90	126.30	127.00
410 Land Office, Commissioners of the	54.90	55.70	55.80	50.90	56.80
416 Law Enforcement Retirement	4.80	5.20	6.00	6.00	5.00
435 Lottery Commission	41.00	41.00	38.60	40.70	42.40
557 Police Pension & Retirement Board	10.30	11.10	11.80	10.80	11.00
515 Public Employees Retirement System	51.60	52.30	50.30	51.40	53.90
695 Tax Commission	917.60	903.00	900.20	852.60	755.80
715 Teachers Retirement System	49.40	49.30	48.00	44.60	41.80
740 Treasurer	68.10	61.50	61.70	59.60	57.20
Total	2042.70	2030.20	1990.10	1937.60	1845.80

FY-2012 Executive Budget

Cabinet/Agency	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual	FY-2011 Actual YTD
Health					
807 Health Care Authority	385.90	410.80	434.50	449.70	439.20
340 Health, Department of	2336.70	2350.20	2253.90	2206.10	2085.60
452 Mental Health & Substance Abuse, Dept. of	2078.20	1919.90	2098.10	2074.00	1787.60
509 Nursing Homes, State Board of	2.00	3.10	3.40	2.80	2.00
92 Tobacco Settlement Trust Board	4.00	5.40	6.00	7.00	7.60
753 Uniform Building Code Commission	0.00	0.00	0.00	0.00	1.00
170 Construction Industries Board	33.50	30.60	27.60	29.40	29.40
Total	4840.30	4720.00	4823.50	4769.00	4352.40
Human Resources and Administration					
582 Bond Advisor, State	3.00	3.00	3.00	2.00	2.00
580 Central Services, Dept. of	234.20	239.30	244.40	243.70	219.50
635 Consumer Credit Commission	15.60	15.40	16.40	17.40	15.50
353 Horse Racing Commission	42.10	42.10	41.50	40.00	38.30
355 Human Rights Commission	16.50	14.90	14.00	14.00	12.40
298 Merit Protection Commission	6.50	7.50	7.20	6.40	6.30
548 Personnel Management, Office of	69.10	67.80	65.10	63.90	54.10
630 Securities Commission	26.10	25.70	25.80	25.80	26.30
Sub-total	413.10	415.70	417.40	413.20	371.90
Appropriated					
20 Accountancy, OK State Board of	8.30	7.20	9.00	8.20	9.00
145 Chiropractic Examiners Board	2.30	2.60	2.90	2.90	2.90
190 Cosmetology, State Board of	13.40	11.40	12.00	12.10	12.00
215 Dentists, Bd. of Governors of Registered	4.00	4.00	4.00	4.00	4.00
815 Employees Benefit Council	30.10	33.10	33.90	36.20	32.60
285 Funeral Board	3.30	3.20	2.60	2.30	3.00
45 Licensed & Landscape Architects, Bd. of Gov.	3.00	3.00	3.00	3.00	3.00
622 Licensed Social Workers, State Board	0.80	1.20	1.30	1.50	1.30
450 Medical Licensure & Supervision, Board of	22.60	23.00	22.00	20.50	22.10
475 Motor Vehicle Commission, Oklahoma	4.10	3.80	3.60	3.50	3.50
510 Nurse Registration & Education Board	23.50	23.90	23.70	26.00	25.00
516 OK State & Education Employees Grp.Ins.Bd.	172.30	176.00	175.40	171.80	159.60
520 Optometry, Board of Examiners in	2.30	2.60	2.90	2.30	2.00
525 Osteopathic Examiners Board	5.00	4.90	5.80	5.40	5.50
560 Pharmacy, Board of	8.00	8.80	9.20	8.90	9.00
570 Professional Engineers & Land Surveyors	8.50	8.50	9.50	8.50	9.50
575 Psychologist Examiners Board	2.00	2.00	2.00	2.00	2.00
588 Real Estate Commission, Oklahoma	15.70	16.40	17.50	17.50	17.20
632 Speech Pathology & Audiology Board	1.70	1.90	2.00	2.00	2.00
755 Used Motor Vehicle & Parts Commission	9.40	9.10	8.90	9.40	9.10
790 Veterinary Medical Examiners, Board of	3.00	3.10	3.10	3.60	3.90
Sub-total	343.30	349.70	354.30	351.60	342.50
Total	756.40	765.40	771.70	764.80	714.40
Human Services					
127 Children & Youth, Commission on	26.60	27.00	26.80	27.10	27.30
326 Handicapped Concerns, Office of	7.80	7.90	8.00	7.80	6.20
830 Human Services Department	8062.10	7886.00	8082.50	8184.60	7546.40
360 Indian Affairs Commission	2.30	3.00	3.50	2.50	2.00
670 J.D. McCarty Ctr. for Handicapped Concerns	202.00	207.20	214.90	214.80	236.20
400 Juvenile Affairs, Office of	1003.00	997.40	998.40	979.60	771.30
619 Physician Manpower Training Commission	5.80	5.80	6.00	6.00	6.00
805 Rehabilitative Services, OK Dept. of	889.30	894.10	879.10	929.20	1000.90
825 University Hospitals Authority	5.00	6.10	7.00	7.00	8.00
Total	10203.90	10034.50	10226.20	10358.60	9604.30

FY-2012 Executive Budget

Cabinet/Agency	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual	FY-2011 Actual YTD
Military					
25 Military Department	305.50	313.40	368.70	383.90	343.70
Safety and Security					
30 A.B.L.E. Commission	45.30	44.40	42.30	45.00	41.40
49 Attorney General	172.80	174.50	174.30	161.30	149.10
772 Chem. Tests for Alcohol & Drug Infl.	5.40	6.00	6.50	6.80	5.00
131 Corrections Department	4761.30	4916.60	5032.30	4739.20	4195.10
415 Council on Law Enforcement Educ.&Trng.	33.00	43.70	44.20	46.40	43.00
220 District Attorney's Council	1140.80	1144.40	1139.80	1151.20	1125.40
309 Emergency Mgt., Dept. of	26.60	28.00	27.50	25.30	25.10
47 Indigent Defense System	122.90	122.80	125.90	122.50	113.20
308 Investigation, Okla. State Bureau of (OSBI)	286.30	302.40	314.70	322.20	328.80
448 Licensed Alcohol & Drug Counselors, Board of	1.90	1.50	1.40	1.80	1.70
342 Medicolegal Invest. Bd.	69.30	70.60	72.10	75.20	72.60
477 Narcotics & Dangerous Drugs Control	94.30	109.30	116.30	117.20	116.60
306 Pardon and Parole Board	41.80	41.40	41.60	40.10	36.60
585 Public Safety, Department of	1457.40	1513.90	1525.00	1539.20	1461.90
310 State Fire Marshal, Office of	31.40	30.50	30.10	28.00	25.80
Total	8290.50	8550.00	8694.00	8421.40	7741.30
Science and Technology					
628 Cent.f/t Adv.of Science & Technology	23.00	23.30	25.70	23.40	18.10
Secretary of State					
678 Council on Judicial Complaints	2.00	2.00	2.00	2.00	2.00
270 Election Board, State	23.10	22.60	24.60	19.10	22.20
296 Ethics Commission	6.90	6.30	7.10	7.00	5.20
625 Secretary of State	32.80	33.50	31.50	31.70	30.30
Total	64.80	64.40	65.20	59.80	59.70
Transportation					
60 Aeronautics Commission, OK	9.70	11.20	12.00	11.60	11.20
346 Space Industry Development Authority	3.00	3.80	4.00	3.90	3.00
345 Transportation	2446.30	2493.10	2472.40	2502.10	2405.80
978 Turnpike Authority	550.70	572.90	570.90	576.00	569.10
Total	3009.70	3081.00	3059.30	3093.60	2989.10
Veterans Affairs					
650 Veterans Affairs	1817.20	1854.80	1828.60	1932.60	1936.50
Legislature					
422 House of Representatives	251.40	279.70	272.90	254.90	243.70
423 Legislative Service Bureau	27.70	26.00	20.10	12.40	8.60
421 Senate	189.00	199.50	186.90	187.10	146.60
Total	468.10	505.20	479.90	454.40	398.90
Judiciary					
199 Criminal Appeals, Court of	30.80	31.90	31.60	30.70	27.80
219 District Courts	628.70	638.90	630.50	626.40	626.00
369 Workers' Compensation Court	83.10	82.20	81.60	77.10	71.50
677 Supreme Court/Court of Appeals	157.70	162.70	167.70	176.30	176.40
Total	900.30	915.70	911.40	910.50	901.70
State Regents					
620 Quartz Mountain Conference Center	12.90	14.00	15.00	15.20	18.90
605 Regents For Higher Education	303.20	294.60	300.30	291.00	279.30
610 Regenional Unviversity System of Oklahoma	7.20	6.50	6.30	5.60	6.50
Total	323.30	315.10	321.60	311.80	304.70

APPENDIX

D-8

FY-2012 Executive Budget

Cabinet/Agency	FY-2007 Actual	FY-2008 Actual	FY-2009 Actual	FY-2010 Actual	FY-2011 Actual YTD
Colleges and Universities					
10 Oklahoma State University	7783.40	7980.10	8246.40	8276.90	8274.30
100 Cameron University	678.40	627.80	592.30	631.20	598.40
108 Carl Albert J.C.	276.60	279.30	245.20	765.90	246.40
165 Conners State College	176.60	175.80	160.70	173.70	213.10
230 East Central Oklahoma State Univ.	553.10	561.80	524.00	553.60	555.50
240 Eastern Oklahoma State College	220.60	231.30	204.40	229.60	231.20
420 Langston University	459.10	452.50	432.00	474.30	456.80
470 Murray State College	177.40	177.40	171.00	176.60	164.40
480 Northeastern A & M College	285.70	283.00	259.60	288.60	265.30
485 Northeastern Oklahoma State Univ.	1074.30	1156.70	1138.20	1133.10	1161.00
490 Northern Oklahoma College	321.30	337.30	304.10	330.80	319.30
505 Northwestern Oklahoma State Univ.	300.80	304.50	285.30	307.90	296.40
530 Oklahoma Panhandle State University	169.10	160.20	154.00	165.50	160.00
241 Redland Community College	191.90	190.90	191.50	190.40	192.70
461 Rogers State Univ.(Claremore J.C.)	366.50	380.40	382.70	405.00	426.00
531 Rose State College	574.80	569.00	501.00	533.70	603.00
606 Ardmore Higher EducationCenter		12.60	12.80	13.80	13.70
623 Seminole J.C.	167.70	169.40	170.60	172.90	173.10
633 South Oklahoma City J.C.	580.60	636.00	618.70	742.00	816.80
660 Southeastern Oklahoma State Univ.	568.40	538.10	517.60	532.00	523.10
665 Southwestern Oklahoma State Univ.	731.10	737.90	714.80	745.20	731.10
750 Tulsa J.C.	1253.60	1296.10	1270.00	1320.00	1340.20
120 University of Central Oklahoma	1344.40	1396.90	1476.80	1470.10	1514.90
150 Univ. of Science and Arts of Okla	175.80	175.40	173.10	176.40	185.10
41 Western Oklahoma State College	162.90	163.40	152.60	159.90	152.30
760 University of Oklahoma	6962.70	7352.70	7576.00	7409.60	7456.20
770 Okla. University Health Science Ctr.	5169.10	5329.50	5385.30	5547.70	5635.30
771 OU Health Science Ctr.Prof.Prac.Plan	348.70	359.80	376.80	391.70	416.40
	31074.60	32035.80	32237.50	33318.10	33122.00
Total	69908.90	70959.00	71587.60	72367.00	69842.60

GLOSSARY

Actuarial Accrued Liability (re: retirement): That portion, as determined by a particular cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by Normal Cost contributions.

Actuarial Assumptions (re: retirement): Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants and other relevant items.

Annualization: The computation of costs or revenues for a full year. Usually applied when calculating the full year impact/cost of a program that was funded for a partial year in a previous budget.

Appropriation: Legal authorization granted by the Legislature to make expenditures or incur obligations that may be limited by fund, agency, department, program, object, character, time period or amount. Unexpended appropriations lapse back to the original fund after the lapse (expiration) date.

Appropriations Base: An agency's previous year appropriation reduced by one-time appropriations.

Board of Equalization: A Constitutional body, the State Board of Equalization is made up of the Governor, Lieutenant Governor, State Treasurer, State Auditor and Inspector, Attorney General, Superintendent of Public Instruction, and President of the State Board of Agriculture. The Board annually certifies the amount of state funds available for appropriation. The Board also has duties regarding the equalization of ad valorem taxes among the counties.

Budgeted Vacancy: A vacant employee position which is funded in an agency's current budget (in most instances, the vacancy has remained unfilled for an extended period of time).

Budget Request: A detailed outline of an agency's financial needs for the next fiscal year.

Budget Work Program: An outline of detailed planned expenditures for the ensuing or current fiscal year, which takes into consideration funds appropriated by the Legislature and other funds available to the agency, and any expenditure limitations or directives expressed in legislation.

Capital Expenditure / Outlay: Expenditures made for securing capital assets. Capital assets are significant, tangible assets with a value greater than \$25 thousand that have a life greater than one year and will be used in providing services.

Carryover: This term refers to unobligated monies an agency has available to fund its operations in succeeding fiscal years. Generally, carryover monies are considered non-recurring in nature.

GLOSSARY

Cash-flow Reserve Fund: This fund was established as a fiscal management tool. General Revenue Fund cash is set aside in this fund at the end of each fiscal year. Monies in this fund are used to make cash available for the July allocation of General Revenue funds to state agencies and to provide for monthly cash allocations in those months in which receipts are below needed levels. The use of this fund eliminates the need for "seasonal borrowing."

Constitutional Reserve Fund (CRF): Designed to cushion against economic emergencies, this fund, popularly known as the "Rainy Day Fund," was established by constitutional amendment in 1985. All General Revenue Fund receipts collected in excess of the certified estimate are deposited in this fund until the fund is equal to 10% of the certified General Revenue Funds from the preceding fiscal year. Up to three-eighths (3/8) of the balance may be appropriated only in the event that the up-coming year's General Revenue certification is lower than the preceding year's. Up to \$10 million may be expended for incentives to support retention of at-risk manufacturing establishments under certain conditions and after unanimous finding by the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate. Up to three-eighths (3/8) of the balance may be appropriated in the event of a revenue failure, declared by the State Board of Equalization. Up to one-fourth (1/4) of the balance may be appropriated upon the declaration of an emergency by the Governor and approval by 2/3 of both legislative houses; or, absent a gubernatorial declaration of emergency, approval by 3/4 of both houses.

Expenditure: The disbursement of monies from a state fund for the purchase of goods and services.

Fiscal Year: The 12-month period beginning July 1 and ending June 30 used by the state government for accounting purposes. Fiscal year designation depends on the year in which it ends [e.g., fiscal year 2011 (FY-2011) runs from July 1, 2010 to June 30, 2011].

Fund: A legal accounting entity with a self-balancing set of accounts. Expenditures from a fund may be restricted to specified purposes.

General Revenue Fund: Established by Article 10, Section 2 of the State Constitution, this fund is the principal funding source for state government operations. State taxes, fees and charges, and proceeds from investments make up the revenue to the General Revenue Fund. The fund's resources can be used for any purpose specified by Legislative appropriation. All monies collected that are not dedicated to another fund are deposited in the General Revenue Fund.

Nonappropriated Funds: A term sometimes used to refer to agency revolving funds. Since such funds have statutorily established revenue sources and uses, there is no need for them to be appropriated annually. Nonappropriated funds are also called "continuing appropriations." The terms have the same meaning.

GLOSSARY

One-time: Budget items that receive funding for one fiscal year (for example, funding for a feasibility study, funding for the replacement of major equipment items, funding for the purchase of furniture for a new facility, etc.).

Program Budgeting: A tool to organize budget data by program, rather than item of expenditure or organizational location (generally an agency or division). Program budgeting seeks to link the expenditure of resources with the original mission or purpose of the appropriation of tax dollars.

Rainy Day Fund: See Constitutional Reserve Fund.

Revolving Fund: A fund created statutorily or by inference to finance and account for a particular department or division. Fees received, transfers of appropriations, or other fund transfers support expenditures paid from revolving funds. Revolving funds are continuing funds and are not subject to fiscal year limitations. Agencies generally may exercise greater control over the expenditure of revolving funds than they may over appropriated dollars.

Supplemental Appropriation: This refers to a subsequent appropriation made to an agency in addition to the agency's initial annual appropriation. Supplemental appropriations are to deal with current year funding issues and may be made for a variety of reasons such as to offset a revenue shortfall or to offset insufficient funds to operate a program effectively. Some observers view supplemental appropriations as a sign of inept management or a means of subverting the State's balanced budget restrictions.

Unfunded Liability (re: retirement): The excess of the Actuarial Accrued Liability (that portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs) over the Actuarial Value of Assets (the value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation).