

Highways

The existence of an efficient, safe and well maintained state highway system is critical to the economic vitality and quality of life of all Oklahomans. Indeed, transportation has a fundamental impact on the daily lives of our citizens and communities in a way few other government services can match. Thus, the condition of our infrastructure is of utmost importance to our future.

We have a serious problem when it comes to maintaining and improving our system. One third of our highway system, nearly 3,800 miles, is currently inadequate to serve existing traffic requirements and must be improved. The inadequate conditions needing attention include critical interstate reconstruction and construction of new routes. An additional 2,000 miles will become inadequate to meet traffic demands forecasted in the future.

As the construction cost alone for the currently inadequate miles is approximately \$4.5 billion, the Department of Transportation developed a twenty year plan to achieve current and future improvements. However, current funding levels will not be adequate to provide financing for the costs of construction, maintenance and engineering for these improvements over a twenty year period. Despite this need for increased investment in our infrastructure, state financing for highways has declined over the past years. This budget provides increased funding of \$40.4 million for highways, from several sources, to begin to address some of the critical needs of Oklahoma's highways and interstates.

Department of Transportation	
Additional Funding	
Source	Funding (in millions)
Increased Motor Vehicle Collections	\$25.9
Additional Cash and Certified Funds	6.5
Use of Railroad Revolving Fund Cash	5.8
Comprehensive Maintenance Privatization	2.0
Excess Management	<u>0.2</u>
Total	\$40.4

\$25.9 million of this increase is funded by a 5% apportionment increase of Motor Vehicle Collections reallocated from general revenues. This funding roughly approximates the growth revenue for Motor Vehicle Collections. Additionally, cash from the State Transportation Fund (collections in excess of appropriations for FY-95, or the "5%" money) and changes in certified funds of \$6.5 million are earmarked for highways. Savings from elimination of excess departmental management of \$208,000 shall also be redirected back into highway projects.

\$5.8 million shall be repaid from the cash balance in the Railroad Maintenance Revolving Fund. From FY-80 to FY-82 the state appropriated a total of \$28.9 million from general revenue sources to maintain the viability of rail transportation in Oklahoma. These funds have been used to purchase segments of rail lines so railway use remained a choice for those needing to transport goods across the state. The Department of Transportation owns 682 miles of railway which is leased to short line operators. In addition, a Freight Car Tax provides funds for this effort.

DOT for the first time has the opportunity to undertake two rail construction projects which are truly intermodal in nature. State contributions from the Railroad Fund for a \$1.0 million project for the Tulsa Port Authority at Catoosa and a \$1.2 million project at the Port of Muskogee will enable each port to expand their existing rail service to

two carriers. The ports will derive economic benefits by increasing their rail capacity and injecting competition into their service.

Additional uses of the railroad cash exist for rail projects are being considered in the near future requiring funding of approximately \$4.3 million and \$2.7 million of the cash statutorily restricted for railroad passenger service. The cash balance in this fund now exceeds \$15 million; after deducting these uses of funds, \$5.8 million remains available in the fund. Accordingly, this budget recommends this remaining cash be appropriated to the Department of Transportation for use in addressing the critical needs of the state highway system.

This state will continue to examine which services must be provided by the public sector and which can be appropriately outsourced. The Department of Transportation has made advances in this area. Construction projects are handled entirely by private contractors and much of the special maintenance program is outsourced to the private sector. ODOT has begun to examine some of its routine maintenance activities and has privatized varying levels of several activities.

This budget contemplates that this effort is intensified by a coordinated, comprehensive effort across the entire maintenance function to achieve maximum privatization benefits. As functions and activities are privatized, state resources should be directed back into the system to make needed improvements. This recommendation includes \$2 million of increased

Teachers Retirement

savings to be directed back to infrastructure improvements which will be accomplished through an aggressive maintenance privatization effort.

drawing down the debt, however, we let it continue to grow."² The Teachers' Retirement System actuary provided the following information.

Current law establishes a funding schedule state employers are to follow for required contributions. The law's

Income & Shortfall		<u>1995</u>	Income Need Based on 40 Year Funding		<u>1995</u>
Employee Contributions		\$145.8	Actuarial Contributions (state + employer) Needed		\$358.9
Employer Contributions		43.7	40 Year Level Amortization		
State Dedicated Revenue		109.4	Employer Normal Cost		<u>55.2</u>
Federal Contributions		<u>8.2</u>	Total State & Employer Needed Contributions		414.1
Total Contributions		307.1			
Actual Investment Income		<u>203.6</u>	Expected Member Contributions		135.0
Total System Income		510.7			
Income Shortfall		<u>244.9</u>	Expected Investment Income (Assets at 8%)		<u>206.5</u>
Total FY 95 Income and Shortfall		<u>\$755.6</u>	Total Annualized Income Need - 40 Years		<u>\$755.6</u>

(Dollars in Millions)

The Governor's Commission on Government Performance highlighted this as a significant issue for the long term fiscal health of the state. The Commission stated, "we have knowingly made obligations in excess of our ability to pay".¹ The Commission went on to say: "When it comes to funding its pension systems, the state is behaving much like a consumer with a large credit card debt. We started out in the hole, with a teachers' system that was not funded properly from the beginning. Then we continued to buy benefits with the expectation of paying for them in the future. Rather than

funding schedule increases the employer contribution rate 1% per year until it reaches 18%. The increasing employer contribution rate and the employee's contribution rate, which in many instances is also a contractual obligation of the employer, are together eventually targeted to equal 25% of payroll by the year 2005.

The law provides for the employer to receive a credit against the required annual contribution for that portion of the gross production tax on natural gas and/or casinghead gas apportioned to the retirement system.

The net effect of this funding method is a budgetary environment

¹ Report of the Governor's Commission on Government Performance, "A Government As Good As Our People", State of Oklahoma, December 1995.

² Ibid.

where employer institutions and agencies do not know until after budget submission their real budgetary need for the next year's contribution to the Teachers' Retirement System. This current budgetary and funding environment is placing institutions and agencies in the difficult position of supporting what is best for the institution and the state versus what is needed to fund employee benefit promises - past, current and future.

A Cost of Living Adjustment (COLA) was last granted in 1994 with an Ad Hoc COLA that averaged 2.5%. Like other benefit improvements in prior years, it was not funded when granted. Current law restricts retirement systems from paying new COLA benefits until the system is at least 70% funded but that law can be changed. Past unfunded benefit improvements have helped to create a Teachers' Retirement system with a funding ratio of actuarial assets to actuarial accrued liability of only 38.4%. The actuarial accrued unfunded liability in 1995 was identified as \$4.661 billion dollars (PBO obligation of \$4.2 billion) and (assuming no further COLAs or other benefit improvements and the current funding schedule holds) will not stop growing until the year 2003 when it is estimated to reach \$5.7 billion dollars. At that time benefit payments are to exceed \$680 million dollars per year with employer and employee contributions expected to equal 21.5% of payroll.

The current situation requires attention if the state is to avoid a crisis. With that in mind the Governor proposes the following

actions to preserve and protect Oklahoma's economic vitality and the promise of a secure retirement to our educators.

1. Establish a joint executive and

Year	Benefit	Estimated Cost (Millions)
1980	Formula Change	\$330.0
	COLAs - 1980,1981&1982	216.0
	Deposit Guarantees	3.0
	Eligibility Changes	15.0
1982	Age and Salary Cap Changes	230.0
	Active Member Death Benefit	27.0
	COLA	160.8
	Purchase of Service Credits	50.0
1985	Rule of 80 & FAS to Highest 3 Years	400.0
	Increase in Retiree FAS Computation	80.2
	COLA - 7/1/86	70.4
	Special Retirees Benefit	9.0
	Past Service Credit Purchase	194.5
1986	Past Service Credits Purchase	40.0
1987	Increase Salary Caps	521.6
	COLA - Effective 7/1/87	201.3
	COLA - Effective 7/1/88	120.1
	Increased Death Benefit	11.9
	Past Service Credit Purchase	36.1
1988	Group Health Plan Transfer Costs	39.6
	\$75 Per Month Premium Supplement	320.0
1990	COLA	92.0
1992	Salary Cap Adjustments	261.3
1994	COLA	64.2
	Joint Survivor Benefit Increase	8.4
1995	SB 527	(21.4)
	Net Improvement Cost Since 1980	\$3,481.0

legislative bi-partisan commission to study the Teachers' Retirement System's current financial condition, funding alternatives, institutional and employee needs and concerns, system alternatives, and other public or private system approaches to retirement funding problems. Alternatives to be examined for solving the problem include the issuance of debt, asset sales, modification of future benefits, restructuring the plan to a defined

contribution approach rather than the current defined benefit, and privatization of plan management and benefit responsibility. The joint commission is expected to produce a report to the Governor and Legislature by the end of November, 1996. The Office of State Finance is requesting a \$500,000 appropriation to fund and support this commission.

2. The estimated increase in required contribution growth due to the 1% rate increase and the declining support of the gas tax is \$66.7 million. Using the existing method of offset carry forward credits, the net employer effect is estimated to be \$55.1 million. To support this increased funding we have identified additional appropriations as follows:

Agency	Increase
Higher Education	\$11,228
Votech, Area Schools	2,426
Other Agencies	1,246
Common Education	<u>40,245</u>
	\$55,145

Higher Education & Vocational-Technical Education

The following table summarizes the increased appropriations recommended in this budget for higher education and vo-tech. These additional funds are being appropriated to help maintain the quality post-secondary education currently found in the state and to help the systems prepare for the future. With these funds come the challenge to

become a world-class system that will provide the state with excellence for the next century. These spending increases amount to \$56.6 million for higher education and \$8.1 million for vo-tech. The material immediately following the table discusses each of the items in more detail.

Higher Education

Appropriated Funds:	(\$000'S)
Teachers' Retirement	11,479
New Facilities Operations	4,700
Okla. Higher Learning Access Program	2,000
Great Expectations Program	1,200
National Guard Fee Waiver Scholarship	1,000
Debt Service for OSU Agric. Proc. Center	665
Int'l Learning Exchange Prog./OneNet	<u>100</u>
Subtotal	21,144
Add'l Funding for Operations	<u>22,300</u>
Total from Appropriated Funds	<u>43,444</u>
Other Revenue Sources:	
Add'l Revenue from Remedial Course Fees	4,435
Add'l Revenue from Contributions	<u>8,731</u>
Total from Other Revenue	<u>13,166</u>
Grand Total	56,610

Vocational-Technical Education

TIP - Training for Industry Program	4,050
Teachers' Retirement	2,812
Tahlequah AVTS	500
Add'l Funding for Vo-Tech Programs	500
Delaware County Vo-Tech Site	<u>197</u>
Total	8,059

Additional Funding for Operations

This budget includes \$22.3 million in additional funding for higher education operations. Under this proposal, Higher Education funding will increase 10% or \$56.6 million. Counting only the increased appropriations of \$43.4 million, this is the largest change in Higher Education funding since FY-92. The Regents can use these funds to address the items included in their request for additional appropriations. These include institutions' mandatory costs, institutions' priorities, higher education centers, new Tulsa Jr. College campus operations, teacher education, Oklahoma Tuition Aid Grant Program, Baccalaureate Scholarships, Section 13 Offset Program, and Research Match (EPSCoR).

Teachers' Retirement

For FY-97, \$11.5 million and \$2.8 million have been added to meet the additional needs of teachers' retirement system contributions for higher education and vo-tech, respectively. A more detailed explanation of the teachers retirement system problem can be found on page 41.

Tax Credit to Increase Contributions

Since there are only limited state funds available, this budget includes a recommendation to leverage the value of individual contributions to Oklahoma's public colleges and universities by providing for a sales tax rebate on state sales taxes equal to the lesser of 1/2 of the contribution

or 1/2 of state sales tax paid. Only cash contributions by individuals would qualify for the credit.

By providing for refunds to be based on state sales tax paid, the contributor will not have to pay income tax on these refunds or lose the deductibility of a contribution for income tax purposes. As a result of the interaction of the tax benefits, the after-tax cost of a \$100 contribution currently would be the same as for a \$394 contribution under the new system - for a typical upper middle income contributor. Estimates indicate that approximately \$17.5 million is currently being received by institutions from in-state individuals. A 50 percent increase in these contributions during the first year of this rebate would generate \$8.7 million in additional revenue for Oklahoma's public higher education institutions.

However, knowledgeable observers indicate that, as a result of this sales tax credit, the program is likely to grow substantially in the second and third years of its existence. This growth would provide higher education with a funding source larger than would be possible by an appropriation corresponding to the expected lost revenue.

An additional benefit of the tax credit proposals is that it provides a platform for the state's smaller colleges and universities to begin, or greatly expand, a small donor program. Gifts from individual donors not only provide financial support for our colleges but also strengthen the bonds of the college with its alumni.

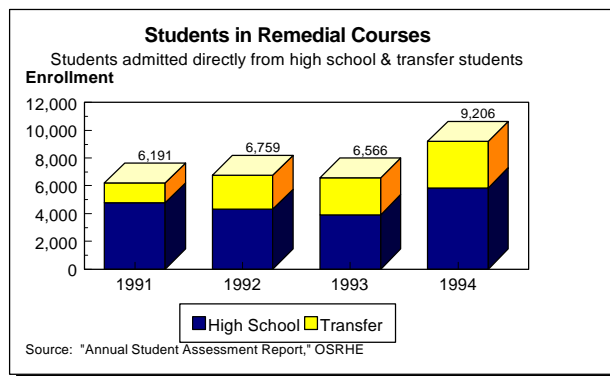
New Facilities Operations

The capital bond issue passed in 1992 provided funds for new construction, renovation, and equipment at colleges and universities. However, it did not provide funding for the operational costs of these new facilities. Institutions with these new facilities coming on line have submitted estimates of their funding requirements to operate the facilities based on standards for Oklahoma compiled by the Building Owners and Managers Association International (BOMA). These estimates include costs for cleaning expenses, repair and maintenance expenses, utilities, roads, grounds, security, and building insurance. The budget includes \$4.7 million to cover these additional operating costs at the 64 facilities across the state.

Remedial Course Fee Increase

The state is currently faced with the problem of slightly more than one-third (36 percent) of higher education students requiring remediation. In Fall 1994, 42 percent of first-time freshmen (5,855 students) who enrolled directly

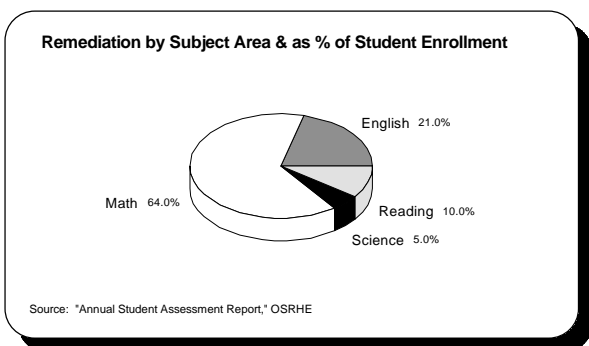
from high school were enrolled in remedial courses. The total cost of these courses is estimated at \$20.5 million, with the state tax payers picking up 63 percent of this amount, and the student through tuition and



fees covering the remaining 37 percent. This budget includes the recommendation that the State Regents increase the remedial course fee to reduce the state's burden of these costs and to send the message that students must become better prepared for college. Approximately 25 percent of the remedial course enrollments are returning adult students to whom the recommended increase in fees would not apply. As recommended, the fee increase would generate approximately \$4.4 million additional revenues for higher education, and would reduce the state's share of these costs to 41 percent.

Oklahoma Higher Learning Access Program

The Oklahoma Higher Learning Access Program (OHLAP) was created by SB 156 of the 1992 legislative session. This program is designed to help provide access to postsecondary education for students



with financial need who have demonstrated a level of academic achievement in high school. These students must take an expanded 17 unit core curriculum in high school and achieve a 2.5 GPA in both the core curriculum and other high school work. The students must also agree to refrain from substance abuse and criminal or delinquent acts. The first students eligible to participate in the program are the high school graduation classes of 1996. To date, over 1,600 students from this class have joined the program.

Concerns over whether this program would be adequately funded may have contributed to the decline in participation which has resulted for the subsequent years. With the recent increased program promotion and proper funding, participation levels are expected to rise. If all the initial participants complete the program requirements, first year costs are estimated to reach \$2.2 million. An appropriation was made in FY-96 for \$200,000, and this budget includes a recommendation for the remaining \$2 million.

Great Expectations Program

If America is to have an orderly society and compete effectively in the world, rapid changes must take place in how we educate children, especially the economically and socially disadvantaged children in our inner-city and rural areas. Great Expectations trains both teachers and administrators in its methodology.

This budget includes \$1.2 million to expand the Great Expectations Program as a vehicle for education

reform. Currently being offered at Northeastern State University, this program is founded on the fundamental belief that education is the key to solving the problems of our society, that teachers want to become better instructors and that students want to learn. The program begins with a summer session that is reinforced with on-site visits, training at regional centers and retreats. Each participating teacher has a mentor teacher, and upon completion, may become a mentor herself.

One of the primary strengths of the program is that it has been driven by teacher involvement. Schools would need to apply to the program and be prepared to pay 10% of the cost from their own funds. A limited number of schools would be selected to participate each year. School selection is not an arbitrary matter. The selection committee would look at the potential of the principal, support of the superintendent and the school board. The cost to support each school is \$15,000. These funds would provide payment of Summer Institute enrollments, substitutes for teachers attending training, books and supplies unique to the program and travel to off-site training.

Oklahoma National Guard Scholarships

The Oklahoma National Guard Scholarship Program was implemented in the 1995 fall semester as an incentive for National Guard members to earn baccalaureate degrees at Oklahoma public colleges and universities. This encourages young men and women to join the

Oklahoma National Guard and to become skilled, productive citizens. The scholarship is in the form of general enrollment fee waivers granted by institutions. Fall 1995 enrollment included 1,259 guard members. The budget includes \$1 million to help cover the costs of these scholarships for FY-97.

Debt Service for OSU Agriculture Processing Center

The Food and Agricultural Products Research and Technology Center (FAPRTC) at Oklahoma State University will provide extension, research, and educational services to the food and agricultural products industry of Oklahoma. This facility was built using funds from the 1992 capital bond issue; however, these funds did not cover the equipment needs for the center. Last session, SB 538 allowed for the issuance of short-term bonds in the amount of \$2,125,000 to provide funding for equipment and furnishings for the FAPRTC. This bill also created an obligation to retire this debt. An amount of \$107 thousand has been included for the FY-96 supplemental appropriation with a total of \$558 thousand to cover the additional debt service costs in FY-97. A more detailed description of the debt service costs included in this budget can be found on page 63.

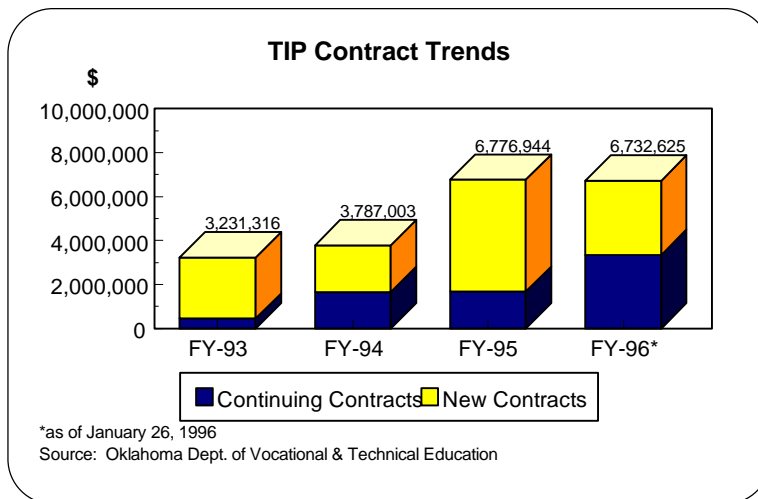
International Learning Exchange Program/ONENET

This budget includes \$100,000 in one-time funding to provide the necessary satellite connections at

OSU to enable common education to connect to OneNet and implement the International Learning Exchange Program. A more detailed explanation of this program is included on page 63.

TIP - Training for Industry Program

Customized training for new and expanding industries - Training for Industry Programs (TIP) - is an integral component of Oklahoma's overall economic development efforts to stimulate job growth and opportunities. Vo-Tech provided customized TIP training to 9,381 individuals in FY-95, and has 85 companies and locations with active TIP contracts as of January, 1996. As shown in the graph, the number and amount of these contracts has continued to grow over the past few years. In order to meet these existing outstanding contract needs, \$1.8 million has been included in this budget as a supplemental appropriation for FY-96. This amount will become part of the base for FY-97 and an additional \$450,000, providing a total of \$4.05 million additional funds for this program. This funding will allow the agency to continue to make training commitments to all eligible new and expanding firms and attract new jobs to Oklahoma.



Funding for AVTS at Tahlequah

In 1994, \$1,000,000 was provided in SB 900 to relocate the Capital Indian AVTS campus at Tahlequah. The land for the new area school was donated to the school board. Construction costs are estimated at \$3.6 million. This budget includes \$500,000 to the Oklahoma Department of Vocational and Technical Education for this facility. The remaining \$2.1 million is expected to come from local and federal sources. State funding is normally provided for construction of newly created area school campuses.

Additional Funding for Vo-Tech Programs

This budget includes \$500,000 in additional funding for vocational and technical education programs. This increase would provide funding for

such areas as economical and workforce development, modernization and retooling, and inmate training. This is the largest change in Vo-Tech funding since FY-92.

Delaware County Vo-Tech Site

To expand service in northeast Oklahoma, a vo-tech site was selected in Kansas, Oklahoma, located in Delaware county. Local funds are not sufficient to start school operations and the state contribution has only been partially allocated. Without state funding, full start-up of this site will have to be postponed. To allow this site to begin operating, \$197,249 has been included in this budget. This will allow several hundred citizens of this district to now be served through full and part-time secondary and postsecondary classes, as well as business and industry services.

EDUCATION

The following table summarizes the increased appropriations recommended by this budget. Each of the items is discussed in more detail in the material immediately following the table.

Elementary and Secondary Education and Other Education:	
<u>Elementary and Secondary Education - (K-12)</u>	
1. Mid-term Funding and Permanent Fix	\$47,521
2. Office of Accountability / Secretary of Ed.	200
3. Teacher's Retirement System Contribution	40,245
4. Teacher's Retirement (operating expenses)	390
5. International Learning Exchange (One-Net)	2,000
6. OneNet and Library Media Telecomm. Fundin	300
7. Union School District Funding - Cont.Fund	518
8. Adult Basic Education Funding	148
9. Increased Testing Costs	1,456
10. Master's Degree Tuition Rebate Program.	500
11. Outstanding Schools & Teachers Bonus	10,919
12. Eliminate Department Vacancies	(1,214)
13. RESC Consolidation	(5,268)
14. Increase in State-Aid from RESC	3,161
15. Create a 1017 revolving fund	0
Sub-total: Elementary and Secondary	\$100,876
<u>16. Department of Libraries:</u>	
OneNet Funding	120
Sub-total: Department of Libraries	\$120
<u>17. Commission for Teachers Preparation:</u>	
Teacher Preparation Commission Funding	1,000
Professional Dev. Enhancement Models	800
Sub-total: Comm. for Teachers Prep.	\$1,800
<u>18. Oklahoma School of Science and Mathematics:</u>	
SB 538 Debt Service	276
Teacher's Retirement System Contribution	40
Sub-total: Sch of Science and Mathematics	316
<u>19. Board of Private Vocational Schools:</u>	
Replacement of Carryover Reductions	6
Teacher's Retirement System Contribution	2
Sub-total: Bd. of Pri. Voc. Schools	8

twice during the school year, once at the beginning of the year and once in the third or fourth quarter of the year. Basic funding levels are established through the State-Aid formula which provides funding to school districts based on the weighted daily membership from prior school years.

This funding is based upon historical student populations, and other "formula" factors, none of which address the needs of districts with increasing student population. Because of this, districts experiencing growth are underfunded and those experiencing a decline are overfunded. The mid-term supplement is intended to provide funding for districts experiencing growth when the State-Aid funding is inadequate. However, mid-term funding is typically not appropriated until April or May and is not distributed to the State Department of Education until even later.

By this time, the school year for which this funding is intended is virtually over, thus relegating the mid-term to the status of reimbursement funding and placing a severe financial burden on those districts experiencing rapid growth. For FY-95, last school year, a mid-term funding adjustment was not provided to growing districts, placing them under an even heavier financial burden and making it much more difficult to hire additional teachers and purchase additional textbooks and supplies.

1. Mid-term Funding & Permanent Fix

In recent years, Oklahoma common schools have been funded

Oklahoma must take responsibility to provide funding in a timely manner to schools for the students they are required to educate. As growth will inevitably continue to be an annual requirement, we must identify a funding source consisting of ongoing revenues and not rely on one-time funding sources such as the rainy day fund when addressing the

than 1 1/2%. Funds provided for FY-95 and FY-96 total \$25.4 million. This budget also proposes a permanent solution for FY 97 to tie funding directly to students at a 0% threshold of \$22.1 million. This would fund all growth in the growing school districts.

2. Office of Accountability / Secretary of Education

The Secretary of Education for Oklahoma is a very prominent Cabinet position and should be in a position of strength. Funding for the Secretary of Education should not rely on the Office of the Governor, but rather from a line-item in the Education appropriation bill. This budget includes \$412,959 for the Office of Accountability (\$200,000 of new monies for the Secretary of Education and staff, \$212,959 for the Office of Accountability) to staff and operate an independent office. The position of Secretary of Education needs to be strengthened as recommended by the Governor's Performance Team.

Fiscal Year	Amount Appropriated in millions
1979-80	2.7
1980-81	3.0
1981-82	7.0
1982-83	11.1
1983-84	16.3
1984-85	9.5
1985-86	10.0
1986-87	0.0
1987-88	11.3
1988-89	16.9
1989-90	10.1
1990-91	6.9
1991-92	6.9
1992-93	6.9
1993-94	5.5
1994-95	0.0

fiscal needs of growing districts. Growth funding should be considered during the normal appropriation process so that our schools will not be forced to play fiscal catch up. State Aid funding formulas should be adjusted to include changes in enrollment as they occur and not on a retroactive basis. This budget includes supplemental funding for mid-terms for both FY-95 growth and an estimate for FY-96 growth using the current 1 1/2% threshold to provide funding for all growth greater

3. & 4 Teacher's Retirement

The Oklahoma Teachers' Retirement System (OTRS) is operating with a large unfunded liability. That liability must be addressed in a meaningful manner immediately in order to prevent a worsening of the situation. Therefore, this budget includes funding to begin addressing that shortage. A more detailed explanation of the dilemma of the retirement systems is on page 41.

5. International Learning Exchange (One-Net)

The concept of the International Learning Exchange (ILE) is to challenge all Oklahoma high schools to develop projects that will lead to interaction with foreign countries using satellite links to promote creative classrooms. This budget includes \$2 million to be equally awarded to the 10 top projects for purchase of equipment and to make the necessary hookups to successfully implement their proposals. See page 63.

6. OneNet and Library Media Telecomm. Funding

This budget includes \$300,000 as a first phase of implementation of the program which will provide necessary resources for electronic and on-line information access for K-12 schools to connect to the OneNet and other on-line services including Oklahoma Library Technology Network union catalog (OLTNcat). Funding will provide equipment, software and access to phone service as well as training for educators in the schools.

As most academic libraries already have on-line capability, this endeavor will allow many more K-12 school libraries to access on-line services that are the conduits for sharing statewide educational resources. See page 63.

7. Union School District Funding

An appropriation of \$518,000 is recommended for the Union School District. This funding will serve to offset the Ad Valorem taxes for school year 1996-97 which were lost as a result of H.B. 1239 enacted

during the 1995 legislative session. This bill allows the statute of limitations to be rolled back to January 1, 1987, and allows any person to file a claim for a refund if there was an error in taxes collected on property constitutionally exempt in counties with a population in excess of 500,000. In 1993, the Ford Glass Co. realized that for several years they were paying double taxes on property that was previously declared tax exempt. The district would receive approximately \$105,000 less for five consecutive years in Ad Valorem taxes, thus reducing the state aid the district would receive. These funds would be placed in a contingency fund pending settlement of the issue and would be paid to the Union School District if they wind up losing the funds. Funding is one-time replacement of lost revenue.

8. Adult Basic Education Funding

Adult Basic Education matching funds are mandated under federal regulations. Without the matching funds, many millions of dollars could be lost to the state. Therefore, this budget includes \$147,914 in additional funding for the State Department of Education to meet this need. This additional funding will establish more adult education classes and help those adults to become literate.

9. Increased Testing Costs

This budget includes an additional \$1,456,000 for the State Department of Education to cover increased testing costs. Test legislation requires a Criterion Reference Test to assess

the core curriculum required in H.B. 1017. This test is given to students in grades 5, 8, and 11 plus retakes for grades 6 and 9. The funding of this item will ensure continued compliance and will provide for the continuation of the test into the fourth year. In addition, these funds will provide for the continuation of the norm reference test into its third year. This test is administered to all students in grades 3 and 7, and the additional funding will cover the increased cost of the contract.

10. Master's Degree Tuition Rebate Program

In pursuit of excellence in education, Oklahoma should provide additional incentives to teachers who seek to obtain further expertise in their specific field of teaching. The fundamental teaching skills which are critical to the success of any teacher are obtained in undergraduate programs. To achieve further success in the classroom, teachers must be encouraged to seek advanced coursework in their fields in order to expand the academic knowledge of the subjects they are conveying to their students. Under this program, elementary and secondary school teachers will receive a rebate of \$25 per credit hour on their tax returns for college coursework begun after June 1, 1996, which leads to a master's degree. By providing a rebate instead of a tax credit, the full value of this benefit will be preserved for all participants regardless of their tax liability.

This program will apply to both public and private school teachers who must be teaching school during the tax year in which they successfully completed the college courses, and still teaching at the time they prepare their tax return. Degrees must be sought in the participant's field of teaching and may be completed at a public or private Oklahoma college; studies in administration or educational methods will not qualify for this program. The FY 97 revenue loss to the state is estimated to be \$0.5 million, the annualized revenue loss being in the same amount.

11. Outstanding Schools and Teachers' Bonus

Every person is ultimately held accountable for their actions or lack thereof, so too the schools of Oklahoma must be held accountable for success of the students it serves. Schools must provide the youth of Oklahoma the educational tools and skills they require to effectively compete in the shrinking economic world market.

The State Department of Education can and often does apply sanctions and levies penalties on those public schools who have failed to provide their boys and girls with an opportunity for a quality education.

The State Department of Education identifies and tracks the schools that are at-risk. We also need to recognize and reward those schools and their dedicated administrators, teachers and counselors who are making positive and lasting

educational contributions to the students placed in their charge.

As corporations reward their employees who successfully outproduce and outsell their competitors, we too want to create a healthy, competitive environment among all public schools. The product is deliverance of education, our customers are the students, parents and communities. Each school will be challenged to exceed the criteria as established by the Office of Accountability. All schools will be ranked from top to bottom, and only the top 20 percent in terms of improvement will receive cash rewards.

Two or three data points will be used to analyze the selected criteria for the ultimate selections of the 20 percent of schools which improved the most every two or three years.

The cash bonuses will be divided into two categories: top 4 percent of

Number of teachers	43,163
Teachers w/<15 years experience	22,930
Teachers w/>15 years experience	20,233
Basic bonus, inexperienced teacher	\$500
Basic bonus, experienced teacher	\$1,000
Major bonus, inexperienced teacher	\$2,000
Major bonus, experienced teacher	\$4,000
% to get bonus	20%
% to get major bonus	4%
% to get minor bonus	16%
Cost of program	\$10,919 M

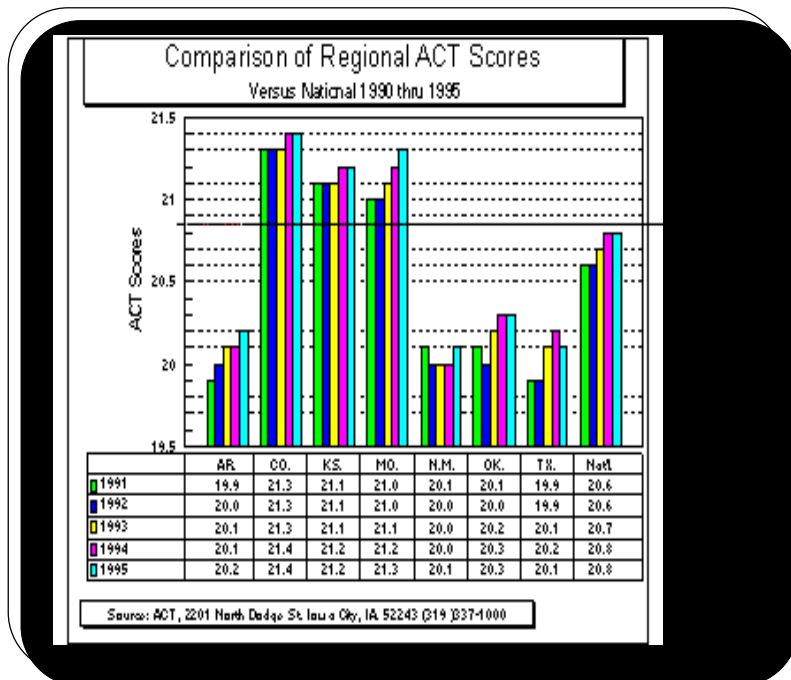
Additionally, these bonuses would not be subject to calculations of final benefits for retirement purposes.

the selected schools will receive a major bonus; the remaining 16 percent will receive a minor bonus.

The cost of the plan \$10.9 million, to be appropriated each year and placed into a trust fund for biennial distribution, except for the first year.

12. Eliminate Funded Vacancies

The Department of Education has 41 funded positions, which are currently vacant. The positions, 37 of which are funded with state appropriations, have been vacant for an extended period of time. Therefore, it is recommended that the state appropriated funds and FTE authorization be removed. This will reduce the appropriation for the State Department by \$1.214 million.



13. RESC Consolidation & 14. Increase in State-Aid from RESC

The 21 Regional Education Service Centers (RESC's) are one service that Oklahoma provides to its local schools that other states do not provide. The functions performed by the RESC's (student appraisal screenings, individualized learning plans for those students, and training and staff development services) are not mandated by federal law to be performed by the state. (Federal law puts the responsibility for providing the services at the local school level.)

This budget recommends removing the \$5.268 million appropriated for the RESC's and reallocate \$3.161 million to local schools through the State Aid Formula for the purchase of psychometric and assessment services. The functions provided by the State RESC's could be performed more efficiently (i.e., cheaper), and more effectively for children by cooperatives of local schools, with a circuit rider type of arrangement.

15. Create a 1017 revolving fund

The Education Reform and Revenue Act, HB 1017, requires that all revenue increases that were the result of income tax, sales and use tax rate changes contained in that legislation are to be dedicated to the education reforms mandated by that legislation.

The revenue generated by HB 1017 has been treated as a subset of the state's General Revenue Fund (GRF). The Constitution of

Oklahoma states that appropriations authority from the certified funds, of which the GRF is

one, is limited to 95% of the fiscal year estimate. Consequently, only 95% of the fiscal year estimate for the HB 1017 revenue can be appropriated each year.

Creating a separate revolving fund for HB 1017 revenue and directly apportioning the revenue into this revolving fund will permit the full use of the revenue as it is actually received by the state. The FY-97 estimate for HB 1017 revenue is \$291.9 million; however, the appropriations authority is \$277.3 million - a difference of \$14.6 million. This new revolving fund will permit immediate access to the full amount of revenue, including 5% of the estimate that can not be appropriated currently.

16. Department of Libraries

This budget includes a \$120,000 increase in funding for the Department of Libraries. Funding will be provided to the approximately 100 public libraries not within a local phone call to a OneNet hubsite. This will allow them, regardless of location, to have dial-up access to the Internet. The OneNet hubsites provide coverage for approximately 80% of Oklahoma, but the remaining 20% will have to pay long-distance charges to access the Internet. Many of these libraries will not be able to provide this access if a long-distance telephone charge is required. This funding will allow all citizens served by public libraries to have access to the Internet.

17. Commission for Teachers

Preparation:

Teacher Preparation Commission Funding

This budget includes \$1 million in additional funding for the Commission for Teacher Preparation. This funding will help the state to ensure that all prospective teachers are assessed based on competencies in general education, professional education, and subject matter. These competencies will be developed by the Commission in conjunction with the State Department of Education, Oklahoma Department of Vocational-Technical Education, and the Oklahoma State Regents for Higher Education.

The current state assessment system for teachers and administrators has not been redesigned since its inception. H.B. 1549 requires that a new competency based state assessment for teacher and administrator preparation be developed and implemented by July 1, 1997. The benefactors of the new assessment system will be the thousands of students who receive their education in an Oklahoma public school.

Professional Development Enhancement Models

A recommended \$800,000 increase for the Commission for Teacher Preparation is included in this budget to provide for professional development enhancement models. This funding will allow the commission to fund a minimum of six

competitive grants; two in the teaching of the core curriculum, two in the area of the appropriate instructional use of technology in the classroom, and two for the mentor training.

Student learning is greatly impacted by the quality of teaching within the classroom. This funding will allow the enhancement of in-service professional needs through collaboration between higher education, school administrators and mentor teachers to assure that residency teachers are taken from a level of novice to an accomplished professional.

Instruction will be provided through professional development institutes competitively bid nationwide.

18. Oklahoma School of Science and Mathematics:

During the last session, SB 538 was passed which allowed for the issuance of short-term bonds in the amount of \$6 million to provide the funding for the construction and maintenance of a student housing facility for the School of Science and Math.

This bill also committed an appropriation be made each year to cover the cost of retiring this debt. An amount of \$66 thousand has been included for required FY-96 payment on and a total of \$342 thousand to cover the additional debt service costs in FY-97. A more detailed description of the debt service costs included in this budget can be found on page 63. A more detailed explanation of the dilemma of the retirement systems is on page 41.

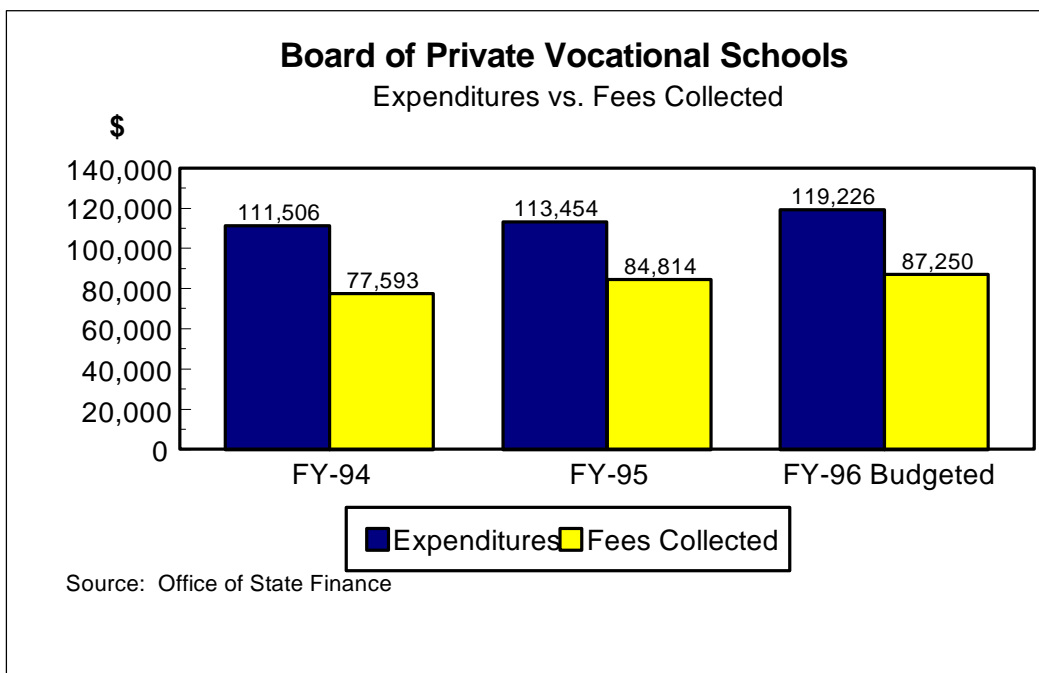
19. Board of Private Vocational Schools

This budget includes an increase of \$6,000 for the Board of Private Vocational Schools. This increase is contingent upon a fee increase for this agency. The Board of Private Vocational Schools charges fees to registrants and when collected, these fees are deposited into General Revenue, from which the agency receives an annual appropriation. The private schools, which are the beneficiaries of this regulatory organization, gain credibility in the public's eyes due to the oversight of this Board, and should fully pay for the cost of this regulation.

In addition, there have been no fee increases since 1984 for currently operating schools. All fees raised since 1984 were levied on new schools.

For FY-95, the agency brought in \$84,814 in fees and incurred expenditures of \$113,454, covering only 75% of its operating costs.

Based on the proposal, the fee would change from a flat \$375 to one based on a percentage of tuition revenue, with a minimum of \$300 and a cap of \$3,000. In addition, the branch school registration amount would be increased from \$250 to \$300, the delinquent school renewal charge would increase to \$150, the catalog change fee would increase to \$25, and the change of location fee would become \$50. Finally, the proposal would add a fee for registration of instructors at \$10 each. These changes would generate an estimated additional \$36,950 in revenue, and would be sufficient to cover the operational costs of this agency. A more detailed explanation of the dilemma of the retirement systems is on page 41.



Health, Welfare and Low Income

Welfare Reform

The Governor endorses a series of Welfare Reform proposals designed to move people from dependency to work and from poverty to self-sufficiency. The Oklahoma Works Initiative will end the Aid to Families with Dependent Children (AFDC) as an entitlement and replace it with a program to help families in temporary need of assistance through paid work. In other words, there will be no cash benefits without work.

Under the Governor's proposal, the Department of Human Services is required to implement changes that result in a Pay for Performance Plan under which recipients receive cash and food stamps at the rate of the Federal minimum wage only after work has been accomplished.

The Pay for Performance Plan is scheduled to take effect during FY-97. Also during that year, the Department of Human Services, will be directed to craft a program for full implementation of the Oklahoma Works Initiative during FY-98. This program will complete the transformation process of our current system into a "Self Sufficiency Ladder" which all recipients move through to a system resulting in unsubsidized employment in the private sector.

The Guiding Principles of the Oklahoma Works Initiative are:

1. We should assume everyone is able to work, or if not, at least

capable of making a contribution to society through work activity within their abilities.

2. Families are society's way of nurturing and protecting children. Both parents, whether or not living with their children, are assumed equally responsible for their care. All policies must be judged by how well they strengthen the responsibility of parents to care for their children.

3. The benchmark for determining the new system's fairness is by comparison with low-income families who work for a living, not by comparison with those receiving various government benefit packages whether inside or outside the Aid to Families with Dependent Children (AFDC) system.

4. The culture of entitlement has undermined the status and dignity once attached to work and self-sufficiency. The system of rewards of the Oklahoma Works Initiative will reinforce productive behavior.

5. Individuals are part of various communities of people and places. We should pay attention to how communities affect families, and how they can support individual efforts to achieve self-sufficiency.

6. The new system should provide only as much service as an eligible individual asks for, rather than with any and all available services. Many

individuals will do better with just a light touch.

7. We should reassess government's traditional role in managing programs and look to other alternatives using market and performance mechanisms to achieve our objectives.

AFDC Savings

Due to the drop from a high point in March, 1993, of 47,699 cases to 41,744 cases in November, 1995, even if we assume no further drop in caseloads, a significant savings of state dollars in the Aid to Families with Dependent Children (AFDC) program can be realized. If cash payment levels remain the same as they are this fiscal year, \$307 per month for a family of three, or an average monthly payment per case of \$266 dollars, the total yearly expenditures in both state and federal dollars will be \$133,247,000. This represents a total reduction of \$16,674,000 from what is budgeted for AFDC in FY-96. The savings in state dollars from this total is approximately \$5 million. In addition, a small amount of savings has been assumed due to the implementation of the statewide Pay for Performance plan during the last quarter of FY-97.

Outsourcing of Child Support Enforcement

Child support collections in Oklahoma for FY-95 totaled more than \$69.9 million amounting to a monthly average caseload of about 129,000 cases (Department of Human Services Press Release, 1/5/96).

While this is a significant increase from recent years, a 62% increase from FY-91, it does not reflect the amount of child support owed that continues to go uncollected. According to a recent federal report, there is approximately \$122 million in both current and prior years' child support payments owed to Oklahoma children.

It is the responsibility of both parents, whether or not they live with their children, to provide for them. Being a non-custodial parent does not mean relinquishing parental responsibilities. Furthermore, a single parent household often finds it difficult to survive on one income alone. It can be devastating for a single parent and their children when they do not receive their child support payments. Unfortunately, lack of a child support payment may lead a single parent to turn to AFDC for assistance. Fortunately, an increase in child support collections results in a decrease in the number of AFDC cases. In addition, the successful collection of child support can keep many families away from public assistance.

In line with a philosophy supporting government as a buyer of services, the Governor proposes outsourcing child support enforcement functions. We need to begin the planning process now for successful outsourcing of child support enforcement activities to reap the benefits of further increasing collections in future years.

Other DHS Adjustments

Annualization of the change in the Federal Medical Assistance match

from 70.05% to 69.89% which will provide a base appropriation equal to the FY-96 level of services and eligibility, \$162,000; funding for Ombudsman/Advocate Defender responsibilities pursuant to HB 1602 which requires the establishment of a system for receiving and investigating grievances related to abuse or neglect of developmentally disabled patients in day treatment programs, \$42,000; funding for Contract Emergency Foster Care will provide young children ages birth to ten with a substitute family home placement which is supported by the contractor; service delivery meets the child's total care needs for a time-limited interim period following the child's removal from the home, \$70,000; funding for additional Social Workers - Child Welfare - funding to help address the number of child abuse and neglect referrals received and the subsequent number of children entering the DHS system in need of services, \$860,000; funding for one employee position to manage the Department's Robert Wood Johnson initiative in Long Term Care which will allow the agency to transition to managed long term care, \$38,000.

Medicaid Cost Associated with the Managed Care Transition (Transition Bubble)

The Medicaid "transition bubble" is a moving target figure which represents the additional cost involved when each segment of the Medicaid population is transitioned into managed care. Under the fee-for-service payment system, there is generally a three month lag from

the time a covered service is rendered to the time the claim for that service is processed through the system and paid. When a segment of the Medicaid population transitions onto managed care, the capitated premium payments are made "up front" each month on the same segment of the Medicaid population for whom fee-for-service claims are still being processed.

Medicaid Inflationary and COLA Adjustments

The Governor is proposing an increase of \$6,854,000. These increases are based on Oklahoma's Approved State Plan which is requires us to take into account certain inflationary an cost of living adjustments in some of the Medicaid programs. This increase is for the following items:

- Hospitals - \$2,082,000
- Nursing Facilities - \$2,711,000
- Pediatric - Nursing Facilities - \$222,000
- Vendor Drugs - \$832,000
- ICF/MR Private Facilities - \$420,000
- Physicians - \$490,000
- Dental Services - \$97,000
- Total - \$6,854,000**

Medicaid Administrative Costs

Oklahoma's Medicaid administrative costs as a percent of total Medicaid payments are over 8%. The is more than twice the average of administrative costs of the states in the Southern Legislative Conference, 3.6%. Even with an adjustment in the percentage calculation which moves two significant areas of expenditure

into the Medicaid program category to make our administrative expenditures more comparable to other states, we are still well above the average at over 6%. The two programs for which adjustments were made are case management activities for the Division of Developmental Disabilities and Non Technical Medical Care.

Oklahoma spent \$32,835,000 in adjusted state dollars for Medicaid administration in FY-95. If we were spending at the average for states in the Southern Legislative Conference, we would have spent \$18,266,000.

In addition, these administrative dollars are currently spread across several state agencies. A more streamlined and efficient process which saves both state and federal dollars is proposed.

All state Medicaid administrative dollars will be transferred to the Health Care Authority as of January 1, 1997.

Planning for the transition and reduction will take place during the remainder of FY-96, and the first half of FY-97. A reduction in state dollars which would bring us to the average of administrative spending among members of the Southern Legislative Conference is being made for one-half of the year. An additional \$1.5 million in savings becomes available by moving the case management of Developmental Disabilities and Non Technical Medical Care to Medicaid out of administration and into programs where they can earn a 70% match. The net results of this consolidation and reduction are shown in the table below:

<u>Agency</u>	<u>Proposed Transfers/Reductions</u>
Department of Human Services	(\$26,465,000)
Health Care Authority	19,878,000
Department of Health	(267,000)
Department of Mental Health	(170,000)
Office of Juvenile Affairs	(261,000)
Total	(\$7,285,000)
Other Savings*	(1,532,000)
Net Reduction/Savings	(\$8,817,000)

*Savings from making DDSD Case Mgt & NTMC Case Mgt 70% matchable program for one-half year.

Because this consolidation will require adequate planning, the downsizing of the Medicaid administrative function and the probable displacement of state workers, an additional \$6 million has been made available to provide for planning, severance pay, training and employment placement services.

Additional Medicaid Savings

Oklahoma's pharmaceutical dispensing fees are higher than many states.³ In August of 1995, the Health Care Authority lowered the dispensing fee from a maximum of \$5.10 to a maximum of \$4.15. This change will be effective for nine months of FY-96, and is expected to yield a savings of \$701,000 for the current year. An additional \$.95 reduction would take Oklahoma's dispensing fee down to \$3.20 which would put us in the range of the lowest paying states. These states are: New York, Ohio, Pennsylvania, Rhode Island and West Virginia.

Potential savings in state dollars for FY-97: \$935,000

Additional savings annualization of FY-96 change implemented in FY-97: \$234,000

The remaining \$3,953,000 in Medicaid savings is a result of reduced expenses due to the phase-in of managed care and the offsetting affect of additional premium taxes which are being transferred back to the Health Care Authority due to last session's Senate Bill 370.

Health Department - nurses salaries

The Health Department will receive \$1,268,000 to fund salary increases for Public Health Nurses I-III so that their wages become competitive to those wages in other state agencies and in the private sector. By offering adequate salaries, the agency will be able to recruit and retain qualified nurses.

Health Department - varicella vaccine

The Health Department will also receive \$202,000 in appropriations to provide the varicella (chickenpox) vaccine to children. The agency receives federal funding to administer vaccines to 78% of the children. Another 11% of the children are provided for through private pay or covered by insurance. Additional state funding will take care of 11% of the population that are underinsured or that do not qualify for Medicaid but cannot afford insurance.

For an explanation of the Health Department transfer of Medicaid administrative costs see page 60.

³ National Pharmaceutical Council. Pharmaceutical Benefits Under State Assistance Programs, September, 1994.

Senate Bill 538 Bond Debt Payments

Senate Bill 538 required Oklahoma Capital Improvement Authority (OCIA) to sell a revenue bond issue that totaled \$33.5 million. The funds went to four agencies: the Department of Central Services (DCS) for the renovation of capitol complex buildings and the removal of asbestos; the Oklahoma State University Food Processing Plant for equipment; the School of Science & Mathematics for completion of the school's facilities; and the Department of Tourism and Recreation for park and lodge facility improvement. The bonds were sold and the projects are underway. The agencies will not have sufficient income from the facilities to repay those bonds from fees. Therefore, the legislature will need to provide appropriations for the initial payments of these bonds.

In order to fulfill the obligation of the sale of revenue bonds resulting from the passage of SB538, it is necessary to make two appropriations to each of the benefactor agencies. This commitment consists of three elements: first, the need for an immediate appropriation to meet the first payment of interest; second, the amount necessary to make the first principle and interest payment due in December; and finally, to appropriate funds to meet the monthly sinking fund deposits required by the terms of the bond. Those elements are detailed as follows:

Department	Supplemental for payment 6/1/96	Principle & interest payment 12/1/96	Monthly Sinking Deposit
Department of Central Services	\$329,745	\$962,631	\$756,178
School of Science & Mathematics	\$65,640	\$191,624	\$150,527
OSU Food Processing	\$107,128	\$312,741	\$245,668
Tourism & Recreation	\$299,856	\$875,375	\$687,636
Total	\$802,370	\$2,342,370	\$1,840,008

After this initial appropriation, the annual debt service needs will decrease by approximately \$1.8 million dollars for FY-98.

Telecommunications Network Expansion

This budget recommends that the OneNet Statewide Telecommunications Network be expanded, using the remainder of the 1992 Capital Bond Issue of \$5,776,000 which will add twenty-eight new sites at an average cost of \$202,000 per site. The expansion will provide access for state, and local government, as well as all levels of education located within the counties. The expansion will lower the cost of telecommunication services and instructional education in many rural areas. In addition, \$120,000 will be appropriated to the Department of Libraries for telecommunications access to the One-Net System.

International Learning Exchange

This budget includes \$2,375,000 for an International Learning Exchange for ten selected schools within the State of Oklahoma with a funding allocation of \$2,000,000 to the State Department of Education for equipment installation, \$275,000 to the Office of State Finance and \$100,000 to Oklahoma State University for implementation. This program will allow Oklahoma students an opportunity to participate with foreign countries using telecommunications technology to promote cultural sharing and creative classroom participation.

Corporation Commission

This budget proposes to appropriate \$500,000 in FY-96 supplemental funding to the Corporation Commission. The Commission will also receive an additional \$1,000,000 in FY-97 to address funding problems caused by unexpected revenue shortfalls. Increased agency funding will allow the oil and gas industry to continue producing without interruption or impediment due to lack of state service.

Office of Personnel Management

The Office of Personnel Management (OPM) was mandated by HB 2331 to operate a program called the 'Agency Service Unit'. This program allows OPM to provide personnel services such as payroll and affirmative action for the small agencies that do not have full-time

personnel managers. However, OPM did not receive funding to operate the program. In FY-97 OPM will be appropriated \$73,000 to replace carryover funds used to operate the program in FY-96.

HB 2331 also mandated another program for OPM called the 'Mentor Program' which allows individuals interested in a career in state government to rotate through several state agencies so that they may get exposure to how state government operates. OPM did not receive any funding for this program. In FY-97, OPM will be appropriated \$35,000 to replace carryover funds used to operate the program in FY-96.

Office of State Finance

The Office of State Finance (OSF) will receive a one time appropriation of \$500,000 to support the proposed joint committee to recommend solutions to problems facing the Teachers' Retirement System. It is expected this committee will investigate the technical aspects of selling state assets such as the State Insurance Fund and the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB), issuing bonds to fund the Teachers' Retirement System debt, and transitioning to a defined contribution system. A separate committee will study the current ADPICS purchasing system to determine the feasibility of expanding or replacing the existing system to facilitate electronic commerce.

An additional \$56,000 will be provided for one new budget analyst position. To more appropriately place

funding for the state's annual organizational "dues," funding previously included in the annual OSF appropriation for intergovernmental assessments is transferred to the appropriations of the Legislative Service Bureau (\$405,000) and the State Supreme Court (\$81,000).

Tax Commission

The Tax Commission will receive \$200,000 for programming and policy changes needed to implement the Governor's tax cut proposals.

Governor

The Governor's Office will receive \$23,000 in appropriations for the Governor's mansion. This amount will include funds to adequately operate the mansion and provide hospitality to a growing number of economic development prospects.

Secretary of State

The Secretary of State's office will use \$47,000 of revolving funds to fund the mandates of the Uniform Partnership Act. The act states that general business partnerships be filed with the Secretary of State instead of with counties. \$93,000 of revolving funds will be used to automate records. One-time appropriated funds of \$20,000 will be used to convert administrative rules submitted by agencies into the standard software used by the Office of Administrative Rules. Production of an index for the Administrative Code will require \$100,000 of one-time appropriations.

A program called 'First-Stop Shop' will be implemented using \$20,000 of revolving funds. This

program will allow new businesses to submit the documents which they are required to file with various state agencies to the first agency with which they make contact. Telecommunications cabling for the Central Filing System and the Office of Administrative Rules which make the Agricultural Liens and Administrative Code available over the Internet will require \$4,000 of appropriated funds and \$3,000 of revolving funds. \$5,000 of revolving funds will be used to publish and mail a quarterly newsletter.

The Office of Volunteerism and \$119,000 will be transferred to the Office of Civil Emergency Management from the Secretary of State's office.

Indian Affairs

The Office of Indian Affairs will receive \$15,000 to fund a temporary position for a Typist Clerk III and costs involved with the development of the 'State of Oklahoma Tribal Summit to be held in January or February of 1997 and the 'Governor's Interstate Indian Council Conference' to be held in August, 1996.

State Treasurer

The State Treasurer will receive \$70,000 to replace carryover funds used for FY-96 operations. Most of the agency's carryover funds budgeted for FY-96 are being used for one-time purposes, however, due to an agency budgeting error, \$70,000 of carryover funds are being used for ongoing expenses.

Other Spending Items

Historical Society

Washita Battlefield

This proposal is to appropriate \$250,000 to the Historical Society for the purpose of purchasing lands in western Oklahoma associated with the Black Kettle Massacre. The appropriation will be used as matching funds with ISTEPA or foundation funds to finance the purchase.

This site is of great significance. The Battle of the Washita which initiated the Plains' War took place on this historical site. A historical treasure may be lost if the land is not preserved. Our congressional delegation is seeking authorization for the battlefield to receive national park status. The land will then be placed under federal government control. The National Park Service estimates over 100,000 travelers will visit this park due to its proximity; the battlefield is located within 30 miles of I-35.

Honey Springs Battlefield

This proposal is to appropriate \$47,000 to the Historical Society to fund a position to prepare this site for operation by the National Park Service. This employee will work to expedite the construction of trails and an interpretive center on the Honey Springs battlefield site. Devolution of the site to the National Park Service will be included in the Historical Society's development plans. This site should support itself with revenues generated by entrance fees.

The National Park Service estimates visitation at 100,000 per year once the site is fully developed.

Department of Mines

Coal mining in the state has been on the decline since the early 1980's and no longer requires the number of regulatory personnel it did in the early and mid eighties. Mine inspections have decreased by over 43% since FY-88, while the total cost of salaries and benefits for coal division employees has continued to grow. Revenues from fees, fines and permits support non-coal mining regulatory costs; however, the regulation of coal mining requires supplemental financial support from the General Revenue Fund. This budget provides adequate funding to support the regulation of all mining activities in the state and recommends an appropriation reduction of \$157,000 for the Department of Mines; this reduction will move the agency to an appropriate staffing level commensurate with current workload.

Department of Tourism and Recreation

Tourism Brochures

The department will receive additional funding to meet the demand for travel literature.

Traveler Response Information Program (TRIP)

The state of Oklahoma enjoys a geographically advantageous position in the United States. It is not only a

destination for many travelers but also provides an oasis for people on their way elsewhere. Beautiful lakes, parks, wildlife and mountains draw millions of visitors each year; but the state can easily absorb far more. The problem is that many citizens, both of Oklahoma and other states, do not know about the attractions Oklahoma has to offer. Currently a traveler may decide to push on through the state once he or she finds out that their chosen site is booked. Another traveler may pass through the state only stopping for gas, food and not knowing about attractions that may be of interest. Missed opportunities due to a lack of traveler knowledge are keeping the state from reaching its full tourist potential. A comprehensive database of Oklahoma tourist attractions does not exist and is important in meeting not only out-of-state travelers' needs but also the needs of Oklahomans.

As envisioned, the Traveler Response Information Program (TRIP) within the Department of Tourism and Recreation would be an automated, up-to-date database of attractions and accommodations in Oklahoma. The traveler counseling service would direct a traveler to any number of similar locations within a reasonable drive from his or her original destination. This service, if marketed appropriately, would also encourage travelers to get off the road and layover at one of the many attractions within 30 miles of the interstate highways.

Recommended first year funding of \$200,000 will require additional funding in FY-98 to purchase hardware and software. The annual

cost of maintenance and operation of the system is estimated to be \$550,000.

Most information could be transmitted via mail, fax and E-mail if not handled by phone. Specific information would be delivered immediately over the phone; general information and pamphlets would be mailed by one of the previously mentioned methods.

The state of Michigan experienced a 20% increase in responses; a similar increase in Oklahoma would generate an additional \$21.7 million in the economy and over \$1 million in additional state tax revenue.

Tourism Welcome Centers Furnishing

Two new welcome centers were built last year. The department will furnish these new centers with \$100,000 in additional funding.

Lake Murray Environmental Issues

The retention lagoon system, operated by the Department of Tourism, at Lake Murray is discharging sewage. A supplemental appropriation of \$350,000 will finance the storage and disposal of this environmental hazard.

Department of Veterans Affairs

The Oklahoma Department of Veterans Affairs operations will expand this year when the Norman Center comes on-line together with several smaller facilities. The operational recommendations include an additional \$2.58 million, which is offset by increases in revolving and

federal funds. The new Norman center will be opened in FY-96 and \$841,000 is recommended to staff the additional beds in that center, with \$420,000 to be offset by increased collections.

To provide a comprehensive management plan, the Department of Veterans Affairs requested the State Auditor and Inspector to undertake an agency-wide performance audit. The State Auditor and Inspector's staff identified \$2.1 million and 70 additional nursing positions needed to enhance patient care. However, the report outlined more than \$1.6 million in operational savings to offset the identified needs. Department management is encouraged to implement all of the savings identified in the audit. Successful completion will make Oklahoma the benchmark in the provision of services to veterans.

State Banking Department

The Banking Commissioner is attempting to increase the professionalism of bank examiners and retain their services. It is recommended that the Banking Department be appropriated an additional \$62,000 for these purposes.