



**OKLAHOMA HOUSE OF
REPRESENTATIVES**

**APPROPRIATIONS
PROCESS**

*A Legislative Overview of
Appropriations, Budget Processes,
and State Revenue*

10th Edition

APPROPRIATIONS PROCESS

10th Edition

December, 2008

House Fiscal Division

Janice Buchanan

Director

Mark Tygret

Deputy Director

Marilyn Anderson

Judiciary & Public Safety

Nicole Barnes

Education

David Ligon

Human Services

Terry McKenna

General Government & Transportation

John McPhetridge

Retirement and State Employee Compensation

Mark Newman

Health

Mark Nichols

Natural Resources & Regulatory Services

Diane Thomas

Revenue and Taxation

Amanda McCarrell

Fiscal Assistant

Appropriations Process

INTRODUCTION

Overview

The budget process encompasses four major stages: executive preparation, legislative consideration, execution and audit.

In Oklahoma, legislators and their constituents alike face some of the same tasks in a daily routine. On any given day, a person may start out by dropping the kids off at school, head to the pharmacy to pick up a prescription, and on the way home in the afternoon, drive downtown to obtain a copy of his or her birth certificate. Though not every routine will be identical to this one, it is very common for most Oklahomans to visit at least one of these places every day, all of which involve state agency operations. In this case, the public schools are funded through the State Board of Education, citizens may receive stipends for prescriptions through the Oklahoma Health Care Authority as Medicaid recipients, and the Health Department is responsible for maintaining birth

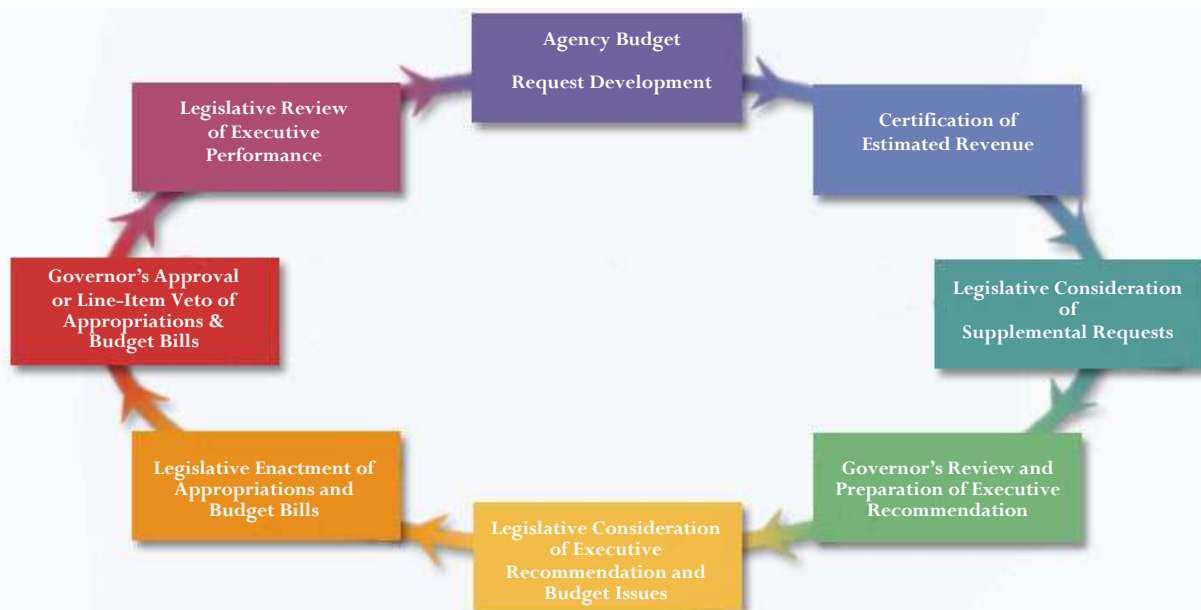
records. The operation of Oklahoma's state agencies, which would not be possible without the funding provided through the appropriations process, affects us all.

Though the Legislature will perform many functions over the course of a session, one of the most important of these is appropriating state revenue. As appropriations to all state agencies occur each fiscal year, so must the Legislature review sources of revenue, analyze agency budgets, negotiate budget changes, and draft appropriation measures, all to ensure agencies are able to deliver the goods and services within their purview to all Oklahomans. This appropriations process begins with the budget cycle.

The budgeting process in Oklahoma is characterized by several unique elements: the balanced budget amendment, appropriation of only 95 percent of estimated income, a limit on growth in appropriations authority, restriction on tax increases, a cash-flow system that does not rely on short-term borrowing, a budget stabilization fund, and limitations on the use of public debt.

The budget process or cycle encompasses four major stages: **executive preparation, legislative consideration, execution, and audit.** The four phases are both continuous and overlapping. A state agency is in different phases of each at any given time during the course of the calendar year.

Budget Cycle



Budget Cycle (cont).

By law, state agencies must submit a budget request by October 1 of each year.

Executive preparation includes state agency submission of budget requests, administrative reviews of the request document, and the transmission of the executive budget to the Legislature. By law, state agencies must submit a budget request to the Director of State Finance and the Legislature by October 1 of each year for the ensuing fiscal year. The Office of State Finance, in cooperation with the House and Senate, retains responsibility for developing such budget request forms.

The Governor, with the assistance of the Office of State Fi-

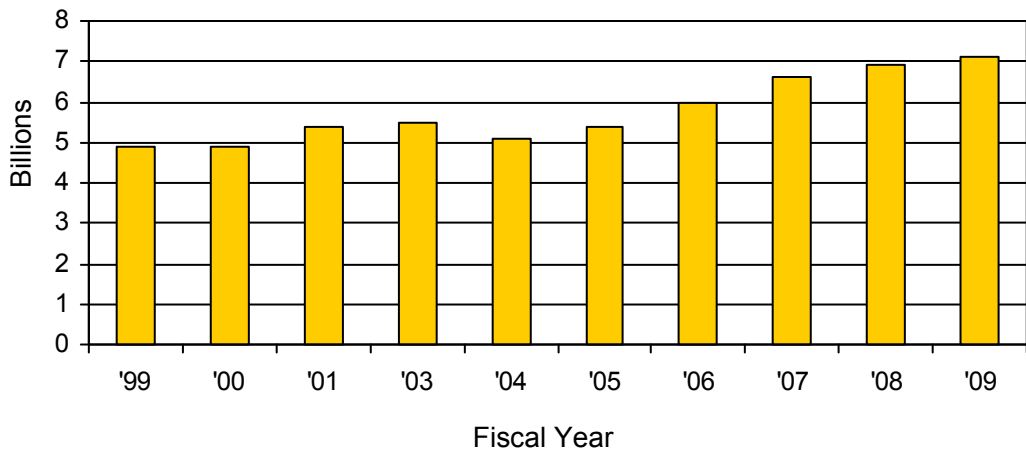
nance, prepares and submits the executive budget proposal to the Legislature at the beginning of each regular session. The major portions of this proposal are generally presented during the Governor’s State of the State address as Executive Budget Recommendations.

The Legislature considers the agency budget request and the executive budget simultaneously through budget hearings at the subcommittee level. **Legislative consideration** results in final passage of appropriations to and budget limits for state agen-

cies. State agencies then **execute** their approved budgets during the fiscal year. The approved budget becomes an important device to monitor agency spending activity. **Audit** and evaluation of agency spending is a review of whether state agencies allocated and spent their appropriations appropriately and executed their budget according to state law. The audit and evaluation may be performed by the State Auditor and Inspector, the Office of State Finance, and legislative subcommittees.

The legislative session begins on the first Monday in February and ends on the last Friday in May.

Ten Year Appropriation History



Appropriations subcommittees are required to evaluate and report on agency budget performance by March 1.

Process Issues—Legislative Oversight and Education First

Two important statutory changes made during the 2003 Session substantially impacted the **legislative consideration** stage of the budget process. **Section 41.29-1 of Title 62** requires the Appropriations Subcommittees to evaluate and report on agency budget performance by March 1

each fiscal year and before appropriations measures are passed by the Legislature. In addition, Section 41.47 of Title 62 created the Legislative Oversight Committee on State Budget Performance to monitor agency expenditures of appropriations.

Section 9.11 of Title 62, also known as the “Education First Act” directed the Legislature to pass the Common Education appropriation at least 25 days prior to the date by which schools must offer contracts to teachers for the upcoming school year, but no later than April 1.

Budgeting Method

The Legislature uses a variation of incremental budgeting. Previous years' appropriations are increased or decreased in increments from an agreed-on base level appropriation. The base level is a negotiated removal of one-time and capital expenditures, the addition of resources to annualize partial year funding from the prior year, or anyboard cuts to match estimated revenue in the upcoming fiscal year. Once a base level of appropriation is

determined, budgets are adjusted according to agency needs and state fiscal priorities.

In recent years, the state's budgeting method has evolved to include agency performance measures and accountability standards. Agency budgets are examined by subcommittees to determine if programs are operating effectively and as intended. A combination of program budget limits, performance outputs, and zero-based

accountability techniques are employed when conducting budget reviews and developing appropriation bills.

Oklahoma's budgeting method is unique in that our state is the only one in which the Legislature develops a budget entirely independently from the Governor's budget. This approach enables the Members of the House to tailor negotiating to their constituents' and the state's needs.

Agency budgets are examined yearly by Subcommittees.

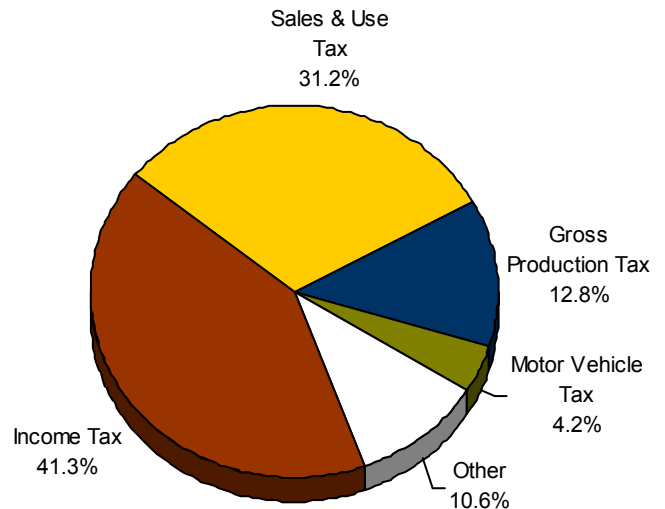
REVENUE SOURCES

Overview

Accounting for all sources of revenue is a function equally important to the legislative process as bill drafting, as legislators cannot make funding decisions until they have a clear picture of how much money will be available for appropriation. Most sources of funding must first be certified by the State Board of Equalization, then members of the House and Senate are able to negotiate how much will be allocated to each state agency. Some sources are unique, in that they are generated solely for use by one agency; others can be used for virtually any state government function. The more commonly appropriated funds are detailed in this section; other sources are detailed in Appendix I.

Oklahoma's fiscal year begins on July 1 and ends on June 30.

**Certified Revenue Funds
FY-09 Estimated**



Certification Process

As set forth in the Oklahoma Constitution, the state's annual budget must be balanced. Oklahoma's budget operates on a fiscal year basis.

Between 35 to 45 days prior to the start of the annual regular legislative session, the State Board of Equalization meets to "certify" all sources of the state's income for the next fiscal year. The Board of Equalization is composed of the Governor, Lieutenant Governor, Attorney General, State Treasurer, State Auditor and Inspector, State Superintendent of Public Instruction, and President of the Board of Agriculture.

The Board of Equalization is required to base its estimate of income on economic forecasts rather than averages of prior years' revenues. This methodology makes it possible to quickly adjust to volatile economic conditions. The Office of State Finance bases its recommendation to the Board of Equalization on Tax Commission and agency revenue projections and economic modeling.

The Board is constitutionally required to revise its estimate in February, at which time the Board will meet again to make adjustments to its estimates. However, any changes to this fiscal estimate certified after February may be made only as a re-

sult of changes in the law. Changes in economic conditions may not be considered. The final estimate usually occurs in June.

Under the State Constitution, only 95 percent of the state's certified estimate can be appropriated by the Legislature along with cash balances and prior year certified but un-appropriated funds.

Growth in all legislative appropriations authority available for the upcoming fiscal year is further limited under the Constitution to last year's appropriation level, plus 12 percent plus inflation. Any appropriations made in excess of actual revenues are considered null and void.

The State Board of Equalization certifies all sources of revenue 35 to 45 days prior to the legislative session.

Appropriations Sources

The **General Revenue Fund** is the primary state funding source for state government operations. This fund consists of revenue collected from taxes, fees, charges and investment income.

Other major sources of state revenue include:

State Transportation Fund – The depository for most of the state’s motor fuel taxes. This fund is restricted to authorization of expenditure to the Transportation Department.

Cash Flow Reserve Fund – As revenue collections tend to fluctuate above and below monthly expenditures, this reserve fund is used to stabilize cash flow. The fund minimizes the peaks and valleys of collections to match monthly expenditure requirements.

Tobacco Settlement Trust Fund – The trust fund principal consists of the portion of monies which are received by the State of Oklahoma on or after July 1, 2001, pursuant to any settlement with or judgment against any tobacco company or companies and any other monies that may be appropriated or otherwise directed to the trust fund by the Legislature. A minimum percentage of any settlement with or judgment against any tobacco company or companies which are received by the State of Oklahoma must be deposited into the

trust. The minimum percentage of payments increased from 50% in FY-02 to 75% in FY-07 in 5% increments.

The monies received by the State of Oklahoma pursuant to any settlement with or judgment against any tobacco company or companies not deposited into the trust fund are deposited into a special fund established by the Legislature solely for the purpose of receiving the payments. This special fund is subject to legislative appropriations.

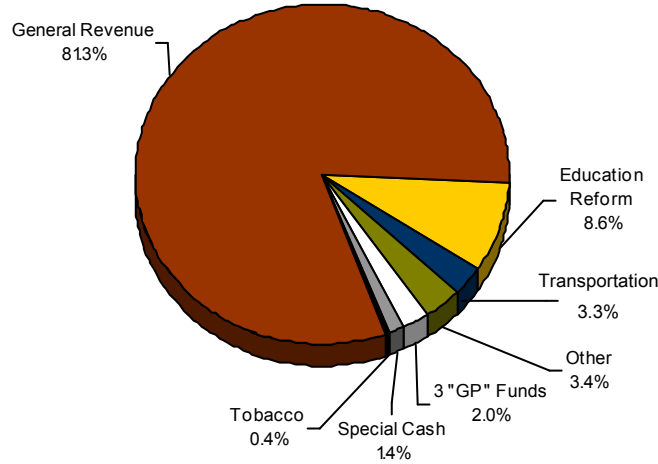
The Board of Investors of the Tobacco Settlement Endowment Trust Fund has the duty of investing monies in the trust fund, subject to restrictions and limitations provided by law for and in accordance with laws applicable to the

investment of monies in state retirement funds.

Oklahoma Education Lottery Trust Fund – The Education Lottery Act, approved in 2004, creates a Trust Fund into which all net Lottery proceeds are deposited. Appropriations from the fund are restricted to education entities, including Common Education, Higher Education, Career and Technology Education, the School for the Deaf and School for the Blind. Funds may be used only for specific purposes as set forth in the statutes and are not to supplant other sources of funding.

For more information on appropriations sources, please see Appendix.

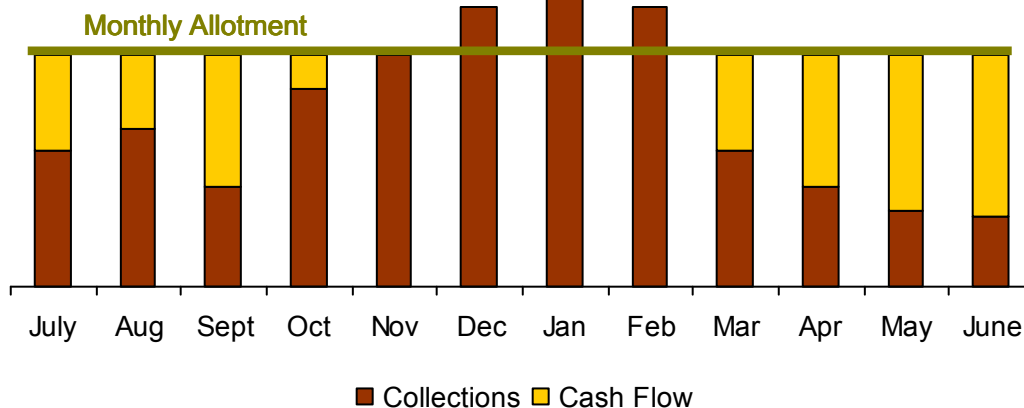
FY-09 Appropriations By Source



The General Revenue Fund will provide nearly 81% of the total appropriations for FY-08.

Appropriations are composed of the certified amounts for appropriation authority as well as cash on hand, unspent balances or idle funds.

Cash Flow Reserve Fund Illustration



Constitutional Reserve or “Rainy Day” Fund

During fiscal emergencies, up to one quarter of the Rainy Day Fund balance may be appropriated upon an emergency declaration.

The Rainy Day Fund may also be used for the purpose of budget stabilization in the event of a revenue shortfall or certification decrease from the previous year.

The state’s budget stabilization fund is known as the Constitutional Reserve Fund, commonly referred to as the “Rainy Day” Fund. The source of the fund is state income or revenues collected above the “certified” estimate during the year, commonly referred to as “100 percent monies.” The fund is capped at ten percent of the certification level for the preceding fiscal year. When 100 percent monies are generated at an amount greater than the fund cap, such excess monies represent **spillover funds**. Spillover funds are not subject to the appropriation limitations placed on Rainy Day Funds and are available for transfer through legislation.

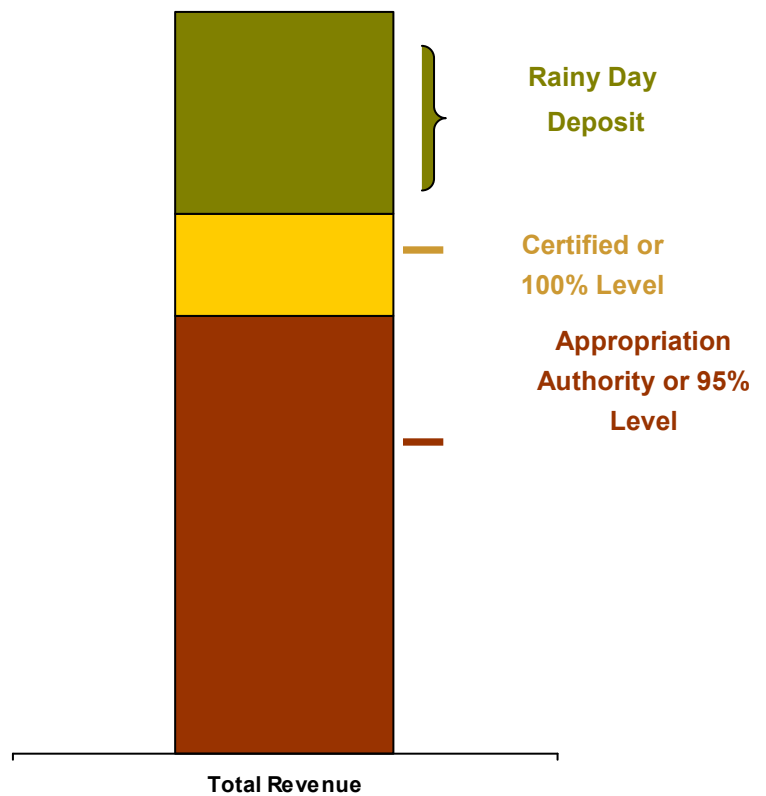
During **fiscal emergencies**, up to one-quarter of the Rainy Day Fund’s balance may be appropriated upon an emergency declaration by the Governor with concurrence of two-thirds of the House and Senate or by a joint declaration of an emergency by the Speaker of the House and the President Pro Tempore of the Senate with concurrence of three-fourths of the House and Senate.

The Rainy Day Fund may also be used for the purpose of **budget stabilization**. Sta-

bilization may take place under two scenarios. In the first scenario, up to three-eighths of the balance may be appropriated for the forthcoming fiscal year if the certification of the General Revenue Fund for said year is below the certification for the current fiscal year. The amount that can be appropriated is limited to the difference between the two certifications.

In the second possible scenario, up to three-eighths of the balance may be appropriated for the current fiscal year if a revenue shortfall has occurred with respect to the General Revenue Fund.

Rainy Day Fund Illustration



Revenue Shortfalls

In the case of a revenue shortage, the Oklahoma Constitution and state statutes contain provisions that automatically balance the budget. Statutes enable the Director of State Finance to reduce agency appropriations proportionally when revenue problems occur outside of the legislative session, unless the Legislature chooses to act. The Director has statutory authority to borrow monies from any treasury fund to temporarily solve cash-flow problems in general revenue. During

the revenue shortfalls of FY-02 and FY-03, both of these options were exercised. The statutes require the monies to be paid back by the end of the fiscal year. In some cases of revenue shortfalls, the Legislature has taken action to cut budgets.

As stated previously, the Legislature may access the Constitutional Reserve or “Rainy Day” Fund to address revenue shortfalls. As established in the Constitution, up to three-eighths of the fund may be used for the cur-

rent fiscal year in the event of a General Revenue Fund shortfall. Additionally, one fourth of the Rainy Day Fund may be used to offset revenue shortfalls if there is agreement between the Governor and the Legislature to regard the shortfall as a fiscal emergency.

The Constitution provides that in the event of a revenue shortfall, the Legislature must reduce appropriations to match revenue inclusive of any Constitutional Reserve Fund appropriation.

In the event of a revenue shortfall, the Legislature must reduce agency appropriations.

Limitations on the Legislature’s Authority to Increase Taxes

In 1992 the people voted to accept an initiative petition amending the Constitution to restrict “revenue raising” bills (State Question 640). Under the amendment, a “revenue raising” bill can be adopted by a supermajority vote of 75 percent in both houses of the Legislature.

The bill cannot be effective until 90 days after it has been acted on by the Governor.

“Revenue raising” bills also can be adopted with less than a 75 percent majority vote from each House of the Legislature. Any “revenue raising” measure must initiate within the House of Rep-

resentatives. These bills also must be submitted to a vote of the people for approval before they can go into effect. The Constitution requires the vote to occur at the next general election (November of even-numbered years) after the bills have been approved by the Governor.

In 1992, the people voted to accept an initiative petition amending the Constitution to restrict revenue raising bills.

Bonds

Bonds are generally issued by the State of Oklahoma as a means of raising capital to build or improve infrastructure. Similar to a loan, the bonds represent a promise to pay off the debt at a later date, plus interest. Under the Constitution, bonds are the only means by which the state may enter into

debt. Typically, the state has issued two types of bonds: general obligation bonds and revenue bonds.

General Obligation bonds are backed by a dedicated tax source and require a vote of the people before issuance. **Revenue**

bonds, on the other hand, are supported by a revenue stream originating from a project(s) funded by the bonds.

For more information on bonds, please see Appendix.

Bonds are generally issued by the State as a means of raising capital to build or improve infrastructure.

APPROPRIATION OF REVENUE

Overview

The Appropriations and Budget (A&B) Committee serves as the coordinating committee for the development and implementation of House fiscal and budget policy.

The A&B Committee works in conjunction with its seven subcommittees to divide appropriations authority among the various state agencies. The Committee

also assesses legislation within the seventeen additional standing committees for policy changes and potential impact on the state budget.

Committee Structure

The House Appropriations and Budget Committee is divided into seven subcommittees. All fiscal and budgetary issues are handled by the A&B Committee and its seven subcommittees and non-fiscal policy issues are handled by standing committees. Each A&B subcommittee is assigned state agencies based upon functions of the state government. Subcommittees include **Education, Judiciary and Public Safety, General Government and Transportation, Health, Human Services, Natural Resources and Regulatory Services, and Revenue and Taxation.**

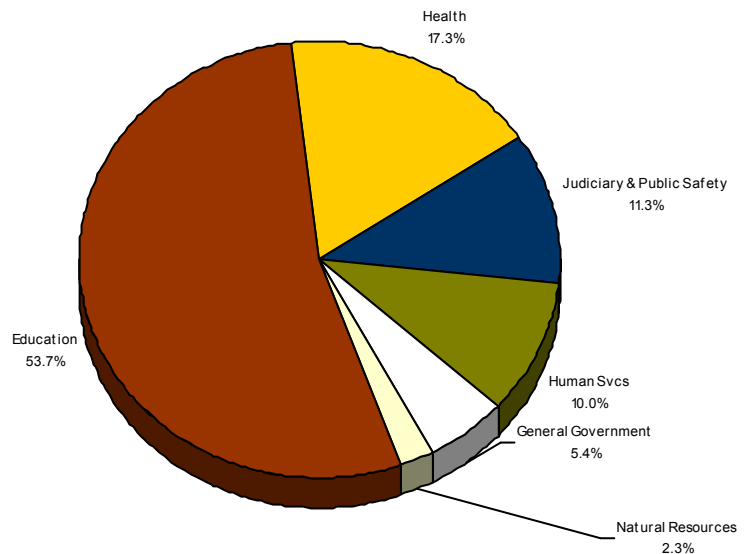
The members of the subcommittees are responsible for various functions throughout the year, including reviewing current-year agency appropriations during the interim, examining agency and Executive budget requests throughout session, and implementing funding changes through appropriation measures. The role and function of the subcommittee in the appropriations proc-

ess is extremely important because most budget and appropriation issues include policy and policy implementation issues.

For a committee structure organizational chart, please see Appendix.

The A&B Committee coordinates and develops House fiscal and budget policy.

**Distribution of FY-09 Appropriations
By Subcommittee**



Fiscal Staff

The Appropriation and Budget Committee is staffed by the House Fiscal Division. The Fiscal Division consists of professional, non-partisan employees of the House of Representatives, each of which assigned to a subcommittee and is an expert in his or her own specific area.

Each fiscal analyst is responsible for monitoring state agency budgets, reviewing past and current appropriations, and analyzing agency budget requests for the upcoming fiscal year. In addition to their fiscal knowledge, analysts are well-versed in the various policy issues that may impact an

agency's operations.

Fiscal staff are also responsible for drafting appropriation bills and providing fiscal impact statements for legislation considered by the House of Representatives.

The Fiscal Division consists of professional, non-partisan employees, each of which is an expert in his or her own specific policy area.

General Appropriations Bill

The "General Appropriations" (GA) bill was used in the early years of statehood and has been in common use since the early 1990s. The bill primarily is used to provide base-level funding to all agencies for a fiscal year to prevent a shutdown of services if budget negotiations stall or fail.

The GA bill is provided for in the Oklahoma Constitution and has an automatic emergency clause, enabling it to take effect upon signature of the Governor.

The GA bill requires only 51 votes with an emergency clause while other measures with emer-

gency clauses require a two-thirds majority vote.

If the Legislature does not approve a GA bill, funds are appropriated to agencies in individual agency bills prior to the end of session. More information on such bills can be found on page 10.

The "GA" bill is used to provide base level funding to all agencies for a fiscal year.

Reconciliation Bills

In most cases, any adjustments to the GA bill or final budgets are included in reconciliation bills. Reconciliation bills are individual agency bills. Generally, each contains appropriations (line

items) for specific programs, expenditure and budget limits, full-time equivalent employee (FTE) limits, director salary limits, and other expressions of legislative intent related to fiscal matters.

These bills may or may not contain emergency clauses and are effective on a specified date after the Governor signs the bills.

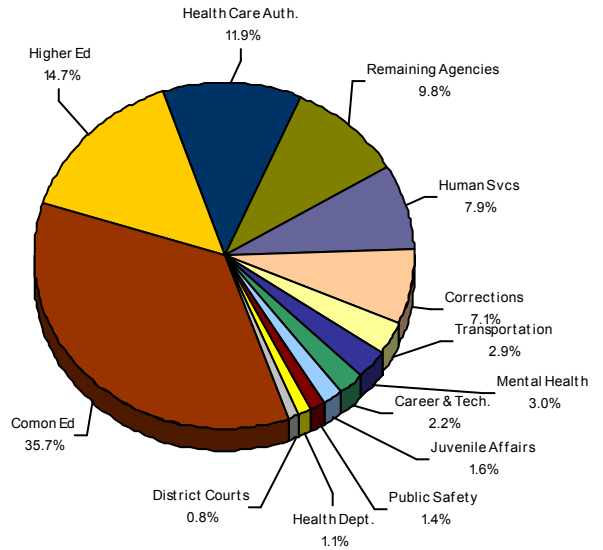
Single Agency Bills

Final agency budget adjustments are made in reconciliation bills.

Twelve largest agencies represent 90.2% of the total FY-09 appropriation.

For FY-03 and FY-04, the Legislature used single agency bills to appropriate state tax dollars and express intent as to how these funds should be spent. Each state agency is generally assigned one appropriation bill containing the agency's total appropriation level, spending limits, applicable salary and FTE limits and any specific legislative directive with regard to expenditure of appropriations. Currently there are 84 appropriated state agencies for which the Legislature may pass a separate appropriation bill. These bills generally contain an emergency clause when a General Appropriation Bill is not employed or when using only single agency appropriation bills to construct the state budget.

Distribution of FY-09 Appropriations Twelve Largest Agencies



General Conference Committee on Appropriations (GCCA)

Final appropriations recommendations are made to the full GCCA.

Generally, in the last eight weeks of session, the House and Senate Leadership select members to serve on the General Conference Committee on Appropriations (GCCA).

GCCA is divided into subcommittees similar to those created for the Appropriations and Budget Committee. The subcommittee members are responsible for recommending final appropriations and budgets to the

full GCCA. In turn, the GCCA makes a final budget recommendation to the Legislature in the form of reconciliation bills or single agency bills.

Gubernatorial Action

Once a bill passes the Legislature, it is sent to the Governor. During the Legislative session, the Governor has five days to take action on a bill. Otherwise, the bill becomes effective without his signature. The Governor can take one of two actions- approve or veto the bill.

If the Governor signs the bill, the appropriations become effective. All appropriation bills have a section that determines when the appropriations become effective.

Most reconciliation bills have an effective date of 90 days after the Sine Die adjournment of the Legislature on September 1. Other times a bill may contain an emergency clause.

An emergency clause means the bill may become effective upon the Governor's signature. Most appropriation bills with emergency clauses also have an effective date of July 1. This date prevents agencies from receiving their appropriations prior to the beginning of the fiscal year. Typically, the Legislature separately votes on emergency sections which require a two-thirds majority to pass. Bills without emergencies require a simple majority of the House membership (51).

If the Governor elects to veto the bill, he can exercise two types of veto authority. First, the Governor can choose to veto line items. In this case, the veto can remove only specific expenditure items. Line item veto authority can be

employed only with regard to appropriation bills. Second, the Governor can veto the entire bill.

A full veto can be accomplished two ways. The Governor may return a bill to the Legislature within five days (Sundays excepted) with a veto message. Or, if the Sine Die adjournment of the Legislature prevents the return of the bill within five days, the Governor can take no action for 15 days and the bill becomes "pocket vetoed".

Vetoes can be overridden by a two-thirds majority vote of the House membership. Bills with an emergency clause require a three-fourths majority to be overridden. Pocket vetoes cannot be overridden.

An emergency clause allows a bill to take effect upon signature of the Governor.

INTERIM REVIEW AND PREPARATION

Overview

When the Legislative session comes to a close, staff prepares to end one budget cycle and begins preparation for the next. During the interim, staff performs many general activities such as conducting fiscal research and responding to legislative requests; however, formal budget activities continue throughout the interim.

During the interim, the Contingency Review Board may meet to discuss agency budget issues.

Interim Studies

During session, it is sometimes impractical for members to study and investigate certain issues due to the responsibilities and time constraints of session. The interim is an ideal time to delve more deeply into such issues. Often, members request approval for interim studies from the Speaker of the House. Once assigned to a committee or subcommittee, these studies address issues of interest from the previous session. In many instances interim studies proactively focus on issues likely to be of consequence in the upcoming session.

The Contingency Review Board has statutory authority to allow agencies to increase spending limits.

Contingency Review Board

The Contingency Review Board (CRB) consists of the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The CRB has statutory authority to allow agencies to increase spending and FTE limits, which they may need to do if unanticipated funding sources become available to the agency. Typically, the CRB will meet only to address emergency situations or issues unforeseen during the regular legislative session. A recent Oklahoma Supreme Court opinion limits the CRB's ability to administer funds previously appropriated by enacted legislation to executive entities. The decision does not appear to prevent the CRB from performing its original purpose: dealing with unexpected personnel and expenditure needs of various agencies when the Legislature is not in session.

Agency Budget Submission

By law, state agencies must submit their budget request documents each year by October 1. Included in these submissions are the agency's budget request for the ensuing fiscal year, as well as any request for a supplemental appropriation for the current fiscal year. **Budget Requests** include budget analysis of existing and proposed programs utilizing zero-based budgeting techniques, actual program expenditure for current and prior fiscal years, estimated revenues from all sources to be received by the agency during the ensuing fiscal year and a wide variety of performance measures. **Supplemental Appropriation Requests** are made to address what agencies believe to be unanticipated or emergency needs. During the next legislative session, if funds are available, the legislature will usually consider supplemental appropriations for items deemed to be unanticipated emergencies.

Budget Hearings

Agencies are assigned to specific legislative subcommittees whose focus is a subject area associated with the agency. Often prior to session, subcommittees will meet, and the agency presents its Budget Request. The subcommittee uses the agency presentation along with a question and answer session to assesses the budgetary needs of the agency. If needed additional budget hearings may be scheduled with the respective agency during the legislative session.

CONCLUSION

We hope this document has been useful in guiding you through the Appropriations process. Members of the Appropriations and Budget Committee play a vital

role in the Legislature, as they are responsible for all functions related to the funding of state government, which ultimately impacts the daily lives of all Oklaho-

mans. The Fiscal Staff supports this process and remains at the disposal of each House member to provide assistance with any fiscal issue.

APPENDIX

APPROPRIATION SOURCES (cont.)

Other Funding Sources

Some agencies have at their disposal funds that are generated by the agency, normally deposited in a revolving fund, funds that are appropriated under special circumstances, such as the “Rainy Day Fund”, block grants or other federal funds, or funds generated by the issuance of bonds. Though these sources are not examined as often as other appropriation sources, it is extremely important to monitor these funds for expenditure trends, in addition to simply accounting for all sources of revenue available to the state. Federal funds, coupled with agency carryover and other sources of revenue comprise over half of

agency revenues. Maintaining a degree of oversight over such funds is vital to measuring agency performance and gauging future funding needs.

State agencies that collect monies from fees, fines, forfeitures and assessments often use revolving funds to supplement the agency’s budget. Revolving funds generally are created by law as agency programs are established. The laws governing collections and expenditures of agency revolving funds often contain unobligated cash at the end of each fiscal year. The revolving fund cash may be considered and applied to the agency’s up-

coming budget or transferred to another area of the state budget where more pressing needs exist.

Many state agencies receive federal funds in the form of program-specific grants or broad based block grants. The Legislature reviews block grant plans once a year and addresses federal grant funds as issues arise. The level of federal funding for an agency is a key factor in determining the need for additional state funds, particularly for programs that receive a substantial federal match, such as Medicaid.

BONDS (cont.)

Outstanding Obligations

Oklahoma voters approved the issuance of general obligation bonds in 1992 for the purpose of making improvement to Higher Education and state facilities. The obligations were subsequently refinanced through an issuance in 2003 which took advantage of favorable interest rates. The bonds are secured by the full faith and credit of the State and are specifically secured by a pledge of a portion of the state’s cigarette excise tax.

The Oklahoma Capitol Improvement Authority (OCIA) currently has over twenty-

five series of lease-revenue bonds outstanding with a total principal amount in excess of \$1.0 billion, including those issues on behalf of the Higher Education system and nearly \$200 million in transportation obligations issued as part of the Capital Improvement Program project authorized by the Legislature in 1998. Other outstanding series constitute obligations for various state facilities and the refunding of previously issued series.

Other obligations, in the form of revenue bonds, are periodically issued by state enti-

ties, including the Oklahoma Turnpike Authority, the Oklahoma Finance Authority, the Oklahoma Development Finance Authority, and the Oklahoma Water Resources Board.

The most recent lease-revenue bond authorization, approved in 2008, included OCIA issuances for road and bridge improvements, Higher Education endowed chairs, and other capital improvements to local and state assets. Bond obligations totaled \$475 million.

GARVEE Bonds

In 2000, the Oklahoma Department of Transportation was granted authority to issue Grant Anticipation Notes for Projects of “economic significance”. Use of these instruments requires unanimous approval of the

Contingency Review Board. These notes, also known as Grants Anticipation Vehicles or GARVEEs, allow the Department of Transportation to borrow against future federal highway construction revenues. To date,

the Department has issued the first series of bonds totaling \$50 million, with another \$100 million approved and pending sales.

Capital Bond Funds

In 1998, the Oklahoma Legislature authorized the issuance of \$325.6 million in bonds for a two phase capital improvement program. The first phase included expenditure

of \$158.1 million in funds for statewide improvements to Higher Education and other state facilities. In 2003, the second phase of the program, consisting of \$157.7 million in

bonds for regional projects across the state, was declared invalid by the Oklahoma Supreme Court, preempting the issuance of bonds.

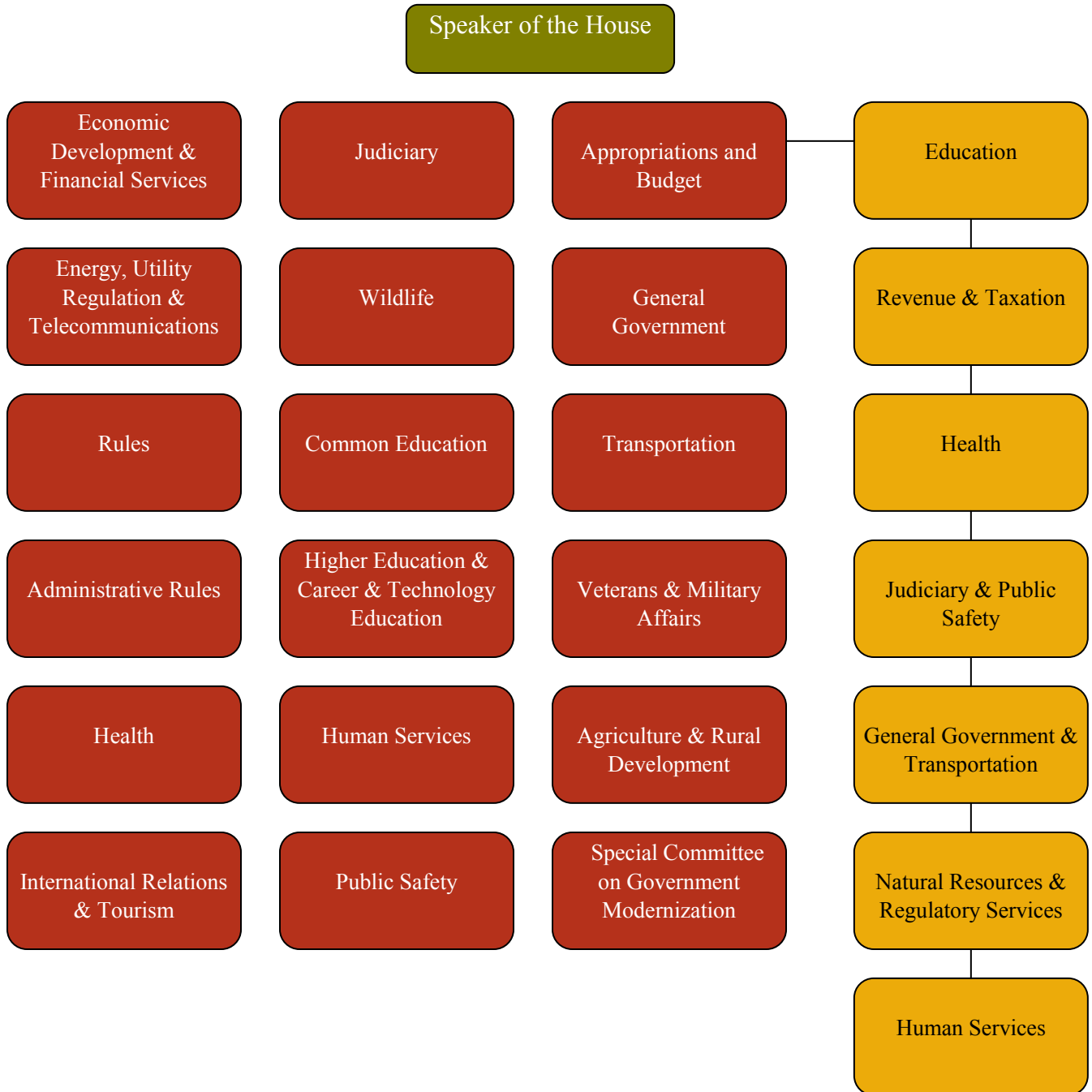
Oklahoma Higher Education Promise of Excellence Act of 2005

In the 2005 session, the Legislature approved a \$475 million bond issue on behalf of the state's colleges and higher education institu-

tions for capital improvements. As revenue bonds, multiple sources of revenue could be used for payment of debt service on the

bonds, including Education Lottery funds earmarked for Higher Education.

COMMITTEE STRUCTURE (cont.)



INDEX

Appropriations-	
Bills.....	9-10
Committee.....	8
Sources.....	5
Staff.....	9
Supplementals.....	12
Bills-	
General Appropriations.....	9
Reconciliation.....	9
Single-Agency.....	10
Board of Equalization.....	4
Bonds-	
Capital.....	15
General Obligation.....	7
Higher Education.....	15
Revenue.....	7
Budget-	
Audit.....	2
Cycle.....	1-2
Execution.....	2
Method.....	3
Stabilization.....	6
Cash Flow Reserve Fund.....	5
Certification Process.....	4
Committee Structure.....	8
Contingency Review Board.....	12
Constitutional Reserve (“Rainy Day”) Fund.....	6
Executive Preparation.....	2
Fiscal-	
Analysts.....	9
Emergencies.....	6
General Conference Committee on Appropriations (GCCA).....	10
General Revenue Fund.....	5
Gubernatorial Action.....	11
Interim Activities.....	12
Legislative Consideration.....	2
Oklahoma Education Lottery Trust Fund.....	5
Revenue Shortfall.....	7
Revenue Sources.....	4
State Transportation Fund.....	5
Tobacco Settlement Trust Fund.....	5