



OCPA PROPOSED LIST OF BUDGET REFORMS

RECOMMENDATION	SAVINGS
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Non-Tax Increase Items

• Medicaid enrollment audits -- HB 1270	\$85.6 million	Annual
• HealthChoice enrollment audits	\$6.0 million	Annual
• HealthChoice select provider reform; capture savings, or equivalent amount, for General Revenue Fund	\$65.0 million	Annual
• 3-year moratorium on agency "swag," advertising, memberships, sponsorships, and non-critical travel	\$39.0 million	Annual
• End zero emission tax credit effective for any new projects or turbines; effective July 1, 2017	\$15.0 million	Annual
• Cap zero emission tax credit liability payout at \$12.5 million annually; effective July 1, 2017	\$52.5 million	Annual
• Cap ad valorem reimbursement for wind at \$12.5 million annually; effective July 1, 2017	\$17.5 million	Annual
• Repeal sales tax exemption on wind turbine sales; effective July 1, 2017	\$40.0 million	Annual
• Tobacco settlement reforms	\$57.0 million	Annual
• Consolidation of administrative and back office functions of higher education, bringing number of non-instructional workers in Oklahoma's public higher education system more in line with the national average (reduction of 33 percent)	\$124.5 million	Annual
• Increase efficiency of underperforming professors	\$182.3 million	Annual
• Eliminate sales tax exemption for state government agencies; excluding PreK-12th Grade public education -- (no funding required to cover the cost of the sales tax as this will require agencies to make the same cost benefit decisions as many non-profits and private sector business.)	\$95.0 million	Annual
• Career Tech, utilize building funds, and recurring surpluses in reserve funds	\$3.0 million	Annual
• Eliminate Hollywood Subsidy	\$5.0 million	Annual
• Eliminate cigarette sales and tobacco products sales rebate to tribal governments	\$60.0 million	Annual
• Annual CIRB Apportionment Reduction	\$30.0 million	Annual
• Surplus Cash Withdrawal from CIRB Fund	\$102.7 million	One-Time
• Revolving funds	\$50.0 million	One-Time
• Rainy Day Fund	\$150.0 million	One-Time
• Set dedicated funding at the Actuarially Determined Contribution for the Teacher Retirement System at \$300 million for FY 2018 only	\$15.0 million	One-Time
• 3-Year moratorium on Rural Economic Action Plan	\$9.6 million	Annual
• 3-Year Delay in ROADS Fund Increase	\$50.0 million	Annual
• 3-Year Moratorium On COGS Administrative Operational Grants	\$0.2 million	Annual
• 3-Year Moratorium On Tourism Country Advertising Grants	\$0.7 million	Annual
• Convert Horse Racing Commission to Non-Appropriated Agency	\$1.7 million	Annual
• Convert Spaceport Authority to Non-Appropriated Agency	\$0.3 million	Annual
• Convert OETA to Non-Appropriated Agency	\$2.8 million	Annual
• Convert JM Davis to Non-Appropriated Agency	\$0.2 million	Annual
• Consolidation of administrative and back office functions Oklahoma Conservation Commission reduce from 88 to 77	\$0.8 million	Annual
• Adjust horse racing gaming tax rate to Illinois Rate 34%	\$10.3 million	Annual
• Increase exclusivity fee for Class III gaming to 10%	\$10.4 million	Annual
• Increased 1017 Fund deposits, due to increase of exclusivity fee for Class III gaming - 10%	\$76.9 million	Annual

Total Non-Tax Increase items \$1,359.0 million

Tax Increase Items

• Gasoline/Diesel Tax	\$219.7 million	Annual
• \$0.67 Cigarette Tax Increase	\$80.8 million	Annual
• Wind Production Tax	\$36.6 million	Annual

Total Tax Increase items \$337.1 million

Grand Total \$1,696.2 million

For more information, visit www.ocpathink.org/budget-plan.

MEDICAID ENROLLMENT AUDITS -- HB 1270**\$85.6 million Annual**

Most states, including Oklahoma, have programs to prevent fraud by providers who are reimbursed by Medicaid. Many states, however, lack robust procedures to verify that Medicaid enrollees are and remain legally eligible. A number of states, including Illinois and Pennsylvania, have implemented Medicaid enrollment audits and eligibility verification efforts to remove Medicaid participants who are no longer eligible. If Oklahoma applies these reforms, the state's share of the annual savings based on the experience of other states would be \$85.6 million.

HEALTHCHOICE ENROLLMENT AUDITS**\$6.0 million Annual**

Due to the generous benefit structure of Oklahoma's self-insured state and education employee health coverage plan, some participants do not withdraw when no longer eligible. If HealthChoice implemented robust procedures to verify that enrollees remain eligible and remove those that are not, the annual state savings would be \$6 million.

HEALTHCHOICE SELECT PROVIDER REFORM; CAPTURE SAVINGS, OR EQUIVALENT AMOUNT, FOR GENERAL REVENUE FUND**\$65.0 million Annual**

Following the example of Oklahoma County, other municipal governments, and private sector employers, lawmakers passed legislation in 2015 authorizing cost savings incentive programs that reward employees if they seek low cost providers. HealthChoice finally completely implemented the program recently and projected annual savings will be \$65 million.

3-YEAR MORATORIUM ON AGENCY "SWAG," ADVERTISING, MEMBERSHIPS, SPONSORSHIPS, AND NON-CRITICAL TRAVEL**\$39.0 million Annual**

State agencies spend more than \$39.8 million a year on advertising, memberships, sponsorships, project art, and non-critical travel. This includes funding for an organization that lobbied for Obamacare, the "Stimulus Package" and radical climate change policy initiatives. In previous tough years for state government, the state has placed a moratorium on non-essential spending like the requirement that projects contain artistic components. A 3-year moratorium on non-essential agency advertising (unless required as a condition of federal law), memberships, sponsorships, arts projects, and non-critical travel would save annually \$39 million.

END ZERO EMISSION TAX CREDIT EFFECTIVE FOR ANY NEW PROJECTS OR TURBINES; EFFECTIVE JULY 1, 2017**\$15.0 million Annual**

Ending the Zero Emission Tax Credit for any new projects or activity effective July 1, 2017 would conservatively save \$15 million per year.

CAP ZERO EMISSION TAX CREDIT LIABILITY PAYOUT AT \$12.5 MILLION ANNUALLY; EFFECTIVE JULY 1, 2017**\$52.5 million Annual**

Capping the annual payout of the zero emission tax credit existing liabilities at \$12.5 million would conservatively save the state \$52.5 million, since the total annual liability is conservatively estimated at \$65 million. This reform would save annually \$52.5 million.

CAP AD VALOREM REIMBURSEMENT FOR WIND AT \$12.5 MILLION ANNUALLY; EFFECTIVE JULY 1, 2017**\$17.5 million Annual**

Wind energy developers made multiple representations to lawmakers and the public when wind incentives were first adopted that the cost of the incentives would be very low. In fact, payment of the incentives has caused the state to borrow from other funds for 33 percent of the most recent fiscal year. Wind facilities were given a special carve-out to be added for the purposes of ad valorem reimbursement by state taxpayers and the wind projects increased significantly the amount state taxpayers are on the hook for ad valorem reimbursement for wind. Capping the ad valorem reimbursement for wind at \$12.5 million would conservatively save the state \$17.5 million, since the total annual ad valorem reimbursement for wind is approximately \$30 million. This reform would conservatively save annually \$17.5 million.

REPEAL SALES TAX EXEMPTION ON WIND TURBINE SALES; EFFECTIVE JULY 1, 2017**\$40.0 million Annual**

The Oklahoma Incentive Review Commission has noted that Oklahoma has already exceeded its renewable energy goals. The Commission also found "that a significant portion of the expected new development in wind facilities is to provide energy for transmission to users in other states. In this case, there is no real benefit for Oklahoma consumers in subsidizing the generation of this electricity." Given these findings and the substantial amount that taxpayers are on the hook for wind tax credits, it makes sense to repeal this sales tax exemption to help balance the state budget. FERC interconnect filings show that as many as 3,152 new turbines are planned for Oklahoma. Since the total liability is estimated at \$284 million for 2017, repealing this sales tax exemption would conservatively save the state \$40 million.

TOBACCO SETTLEMENT REFORMS**\$57.0 million Annual****(Does nothing to take away from any existing TSET programs, grant commitments or the current endowment)**

This reform would require a vote of the people at a special election. All future payments to the Tobacco Settlement Endowment Trust from the Master Settlement agreement would be directed to a rural healthcare infrastructure fund. This fund would be used for the cost of health care reimbursement to rural areas that struggle with revenue stream diversity for their hospitals and have suffered actual dollar losses. The fund would also be used to fund the Physician Manpower Training Commission and shore up nursing home provider rates. This would not change any of TSET's current activity and would allow them to keep their existing endowment, earnings and current commitments. Annual settlement payments to the endowment are approximately \$57 million. Shifting those funds to these new initiatives will allow for replacing funds that will be cut from the unsustainable Medicaid budget to prevent unwarranted tax increases on Oklahomans. This reform will annually save \$57 million.

CONSOLIDATION OF ADMINISTRATIVE AND BACK OFFICE FUNCTIONS OF HIGHER EDUCATION, BRINGING NUMBER OF NON-INSTRUCTIONAL WORKERS IN OKLAHOMA'S PUBLIC HIGHER EDUCATION SYSTEM MORE IN LINE WITH THE NATIONAL AVERAGE (REDUCTION OF 33 PERCENT)**\$124.5 million Annual**

Former Rep. David Dank was most known for his work to highlight the vast administrative growth in higher education. He regularly noted that Oklahoma has 52 higher education centers and a number of state colleges and universities far higher than many other states. Oklahoma's higher education non-teaching overhead (as a percentage of the private-sector workforce) is an astonishing 70 percent greater than the national average. If Oklahoma eliminated non-instructional higher education positions to reach the national average, it would result in elimination of 12,000 positions and save \$374 million in wages and salaries. By cutting 33 percent of this total number and consolidating back office functions, eliminating non-essential administration such as the numerous former politicians and political staffers who have made their way to higher education, the state would save annually \$124.5 million.

INCREASE EFFICIENCY OF UNDERPERFORMING PROFESSORS**\$182.3 million Annual**

An examination of the teaching faculty at the University of Oklahoma (OU) and Oklahoma State University (OSU) suggests that a small proportion of professors seem to do most of the work. Large numbers of faculty carry modest teaching loads, yet also have modest research accomplishments. If the bottom 80 percent of the faculty taught as much as the top 20 percent, universities could operate with fewer faculty members and reduce costs dramatically.

ELIMINATE SALES TAX EXEMPTION FOR STATE GOVERNMENT AGENCIES; EXCLUDING PREK-12TH GRADE PUBLIC EDUCATION**\$95.0 million Annual**

No additional funding to agencies is required to cover the cost of the sales tax. This will require agencies to make the same cost-benefit decisions as many non-profits and private sector business.

CAREER TECH, UTILIZE BUILDING FUNDS, AND RECURRING SURPLUSES IN RESERVE FUNDS**\$3.0 million Annual**

Oklahoma spends over half a billion dollars every year through the State Department of Career and Technology Education, or Career Tech. As with many state agencies, appropriations by the legislature make up just a small share of this expenditure.

ELIMINATE HOLLYWOOD SUBSIDY**\$5.0 million Annual**

The state of Oklahoma pays a subsidy for films made in Oklahoma. It's absurd to ask Oklahomans to subsidize Hollywood while threatening Oklahomans with tax increases. This program is capped at \$5 million a year so savings from this reform would save annually \$5 million.

ELIMINATE CIGARETTE SALES AND TOBACCO PRODUCTS SALES REBATE TO TRIBAL GOVERNMENTS**\$60.0 million Annual**

According to Oklahoma Tax Commission records and a recent *Tulsa World* article, the State of Oklahoma provides tribal governments 50-cents on the dollar rebates for the cigarette and tobacco taxes they collect. It is unjust for taxpayers to pay for the sale of cigarettes or tobacco products. This reform would conservatively save the state \$60 million, which includes current sales and our proposed 67-cent cigarette tax.

ANNUAL CIRB APPORTIONMENT REDUCTION**\$30.0 million Annual**

In 2006, the Legislature created the County Improvements for Roads and Bridges revolving fund. Due to the timing and nature of county roads projects, this fund carries large balances throughout an entire year and the monies that accumulate to the fund are far more than actual needs and expenditures. The Legislature should reduce the apportionment to the fund in order to save \$30 million per year.

SURPLUS CASH WITHDRAWAL FROM CIRB FUND**\$102.7 million One-time**

Due to the timing and nature of county roads projects, this fund carries large balances throughout an entire year and the monies that accumulate to the fund are far more than actual needs and expenditures. The CIRB Fund has a cash balance that can be accessed in order to balance the current budget.

REVOLVING FUNDS**\$50.0 million One-time**

Access surplus amounts in agency revolving funds.

RAINY DAY FUND**\$150.0 million One-time**

Appropriate from the Constitutional Reserve Fund, which is designed to help balance the budget when there is a shortfall.

SET DEDICATED FUNDING AT THE ACTUARIALLY DETERMINED CONTRIBUTION FOR THE TEACHER RETIREMENT SYSTEM AT \$300 MILLION FOR FY 2018 ONLY**\$15.0 million One-time**

The Legislature wisely has been contributing more than the minimum required amount to the Teacher Retirement System, but can ease the strain of the current shortfall by reducing that payment to the minimum for just the current year.

3-YEAR MORATORIUM ON RURAL ECONOMIC ACTION PLAN**\$9.6 million Annual**

Oklahoma directs extra funding to communities through REAP but should put the program on hold to save \$9.6 million per year for three years. With OCPA's proposal to provide nearly \$100 million in additional take-home pay for teachers, this will more than offset the temporary reduction in REAP (REAP funds include non-essential projects) and will result in greater stimulation in the local economy given the 42,000 public school teachers across the state.

3-YEAR DELAY IN ROADS FUND INCREASE**\$50.0 million Annual**

Another special fund, the ROADS fund has a mandated annual increase, but the legislature can delay those increases for three years to save \$50 million per year.

3-YEAR MORATORIUM ON COGS ADMINISTRATIVE OPERATIONAL GRANTS**\$0.2 million Annual**

The legislature can delay these grants for three years to save \$200,000 per year.

3-YEAR MORATORIUM ON TOURISM COUNTRY ADVERTISING GRANTS**\$0.7 million Annual**

The legislature can delay these grants for three years to save \$700,000 per year.

CONVERT HORSE RACING COMMISSION TO NON-APPROPRIATED AGENCY**\$1.7 million Annual**

Because this agency has other sources of funds in addition to legislative appropriations, it can continue to operate even if the legislature eliminates the appropriation, as it has done recently for other state agencies. The Oklahoma Lottery Commission, which regulates state gambling activity, acts completely without the subsidization by general Oklahoma taxpayers. The Oklahoma Horse Racing Commission should raise fees on this portion of the gambling industry in order to pay for its non-core government function.

CONVERT SPACEPORT AUTHORITY TO NON-APPROPRIATED AGENCY**\$0.3 million Annual**

Attempts at space travel are not a core function of government and should not be subsidized by state taxpayers. The space port should operate entirely on fees as it is a intensely non-core function of government. Because this agency has other sources of funds in addition to legislative appropriations, it can continue to operate even if the legislature eliminates the appropriation, as it has done recently for other state agencies.

CONVERT OETA TO NON-APPROPRIATED AGENCY**\$2.8 million Annual**

Because this agency has other sources of funds in addition to legislative appropriations, it can continue to operate even if the legislature eliminates the appropriation, as it has done recently for other state agencies.

CONVERT JM DAVIS TO NON-APPROPRIATED AGENCY**\$0.2 million Annual**

The JM Davis Museum is an intensely local attraction that should be entirely funded by local funding and tourist visits. Because this agency has other sources of funds in addition to legislative appropriations, it can continue to operate even if the legislature eliminates the appropriation, as it has done recently for other state agencies.

CONSOLIDATION OF ADMINISTRATIVE AND BACK OFFICE FUNCTIONS OKLAHOMA CONSERVATION COMMISSION REDUCE FROM 88 TO 77**\$0.8 million Annual****ADJUST HORSE RACING GAMING TAX RATE TO ILLINOIS RATE 34%****\$10.3 million Annual**

Oklahoma's rate would be more in line with neighboring states. These revenues will be applied to pay for OCPA's recommended \$1,000 teacher pay raise and personal elimination of income tax for teachers.

INCREASE EXCLUSIVITY FEE FOR CLASS III GAMING TO 10%**\$10.4 million Annual**

In 2004, Oklahomans took the extraordinary step to expand gaming and horse racing, in order to provide more revenue for education, specifically teacher salary increases. Over time, the cooperative agreements for these industries have yet to be modernized to reflect the success and growth of these industries keeping in parity with other states. Just as the Legislature is modernizing the operation of the Lottery in order to generate more revenue for education, gaming and pari mutuel (racino) cooperative agreements can be modernized to boost education. With just a small adjustment in the effective rate for gaming and pari mutuel revenues, Oklahoma can continue the initial effort and impact of gaming and pari mutuel authorization and provide pay raises for Oklahoma public school classroom teachers. These revenues will be applied to pay for OCPA's recommended \$1,000 teacher pay raise and personal elimination of income tax for teachers.

INCREASED 1017 FUND DEPOSITS, DUE TO INCREASE OF EXCLUSIVITY FEE FOR CLASS III GAMING - 10%**\$76.9 million Annual**

A large percentage of exclusivity fee revenues for Class III gaming are currently deposited in the state's 1017 Fund, which is used for public education expenditures. Increasing the exclusivity fee to a small amount of 10% would result in a projected increase of \$76.9 million in the amount deposited from these fees into the 1017 Fund. This amount is also higher than the \$52 million typically projected as the cost of a \$1,000 pay raise for all classroom public school teachers in Oklahoma. These revenues will be applied to pay for OCPA's recommended \$1,000 teacher pay raise and personal elimination of income tax for teachers.

GASOLINE/DIESEL TAX**\$219.7 million Annual**

Most importantly, lawmakers should first work to find and eliminate every single inefficiency in government. However, to the extent tax increases are utilized to balance this budget, lawmakers should look at consumption and export taxes instead of taxing work and capital investment. Estimates from state agency officials show that 40% of driving on Oklahoma roads is by out-of-state residents, including significant business and commerce travel. Raising the gas tax as recommended by Governor Fallin distributes the burden to out-of-state residents who are using Oklahoma roads.

\$0.67 CIGARETTE TAX INCREASE**\$80.8 million Annual****WIND PRODUCTION TAX****\$36.6 million Annual**

Given Oklahomans are on the hook for hundreds of millions of dollars for wind credits, we recommend adopting the Governor's proposal of taxing the production of wind energy at \$0.005 per kWh produced.