

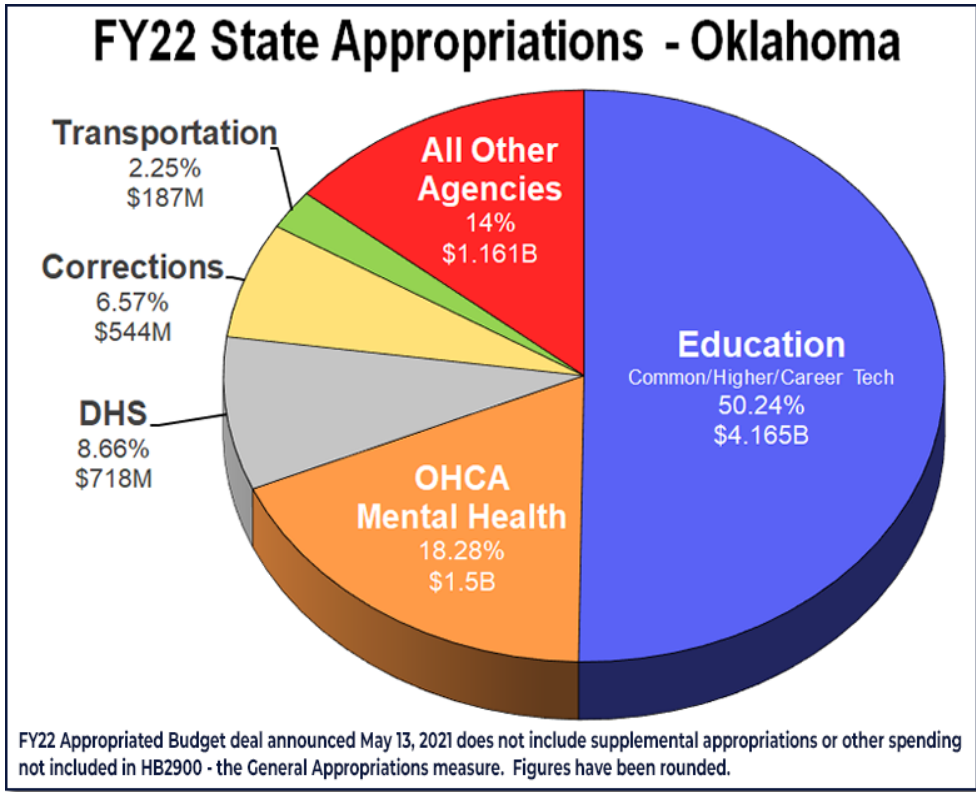


State Auditor & Inspector Cindy Byrd

May 2021

FY22 – A Record Budget No Matter How You Figure It

During the final days of the legislative session, the Oklahoma Legislature passed, and the Governor signed, the FY2022 budget bill for the state. In announcing the budget deal on May 13, 2021, the estimated budget, not including supplemental appropriations, totaled almost \$8.3 billion.



Under the deal, Education spending amounted to \$4.165 billion or 50.24% of all state spending next fiscal year including \$3.164 for common education.

The Oklahoma Health Care Authority and the Oklahoma Department of

Mental Health and Substance Abuse Services appropriation reached \$1.5 billion or 18.28% of state dollars.

DHS, Corrections, and Transportation receive \$1.45 billion in state funds which leaves \$1.61 billion or 14% for all other agencies.

The actual funds available and appropriated funds may appear a little murky with so many figures being tossed around.

State Senate Appropriations Chair Roger Thompson highlighted an \$8.8 billion budget when presenting HB2900 to his Senate colleagues.

In signing the bill, Governor Kevin Stitt touted HB2900 authorized \$9.06 billion in spending for FY22.

All three figures are correct, depending on which additional state funds or supplemental spending you're including in the number.

Working from Senator Thompson's number, lawmakers approved an \$8.8 billion dollar budget for FY22 representing a \$1.1 billion increase over FY21 and about \$800 million more than in FY20.

The appropriated budget doesn't include funds from the federal CARES Act, American Rescue Plan Act or federal Medicare, Transportation, or Education funding which will add billions more in available state revenues.

Senate Thompson said, "This is not a partisan budget. This is an Oklahoma budget." Thompson added, "All of these dollars are built on reoccurring dollars in the State of Oklahoma."



State Senator Roger Thompson presents HB2900 on the floor of the Senate prior to passage.

Among the budget highlights he included in his closing debate were:

- \$3.164 billion in common education spending - \$209 million more for a 5.7% increase
- Textbook funding increased to \$60 million
- \$25.86 million to restore HB1017 threshold
- \$20 million more for county roads and bridges above the \$120 million cap
- \$2 million to the Aeronautics Commission – the state's #2 economic generator for jobs
- \$12.5 million to fund SQ781 (calculated savings from criminal justice reform)
- Funding for the first Children's Behavioral Health Hospital at OU Medical Center
- \$1.6 million for a new weather radar system for Southern Oklahoma
- \$30 million for the Oklahoma Film Act that has stimulated over \$200 million into the state's economy
- Funds Oklahoma Highway Patrol Academy
- Funds supercenters for Real ID and driver licenses
- \$133 million payback to state pension plans from the FY21 budget

- \$180 million payback to transportation
- \$800 million deposit to the state's Rainy-Day Fund

The budget also includes a cut in the state's corporate tax rate from 6% to 4% and a cut in the individual tax rate from 5% to 4.75%.

In the interest of full disclosure, HB2900 also appropriated \$4.3 million to the State Auditor's Office. The appropriated funding accounts for about 29% of the agency's annual budget.

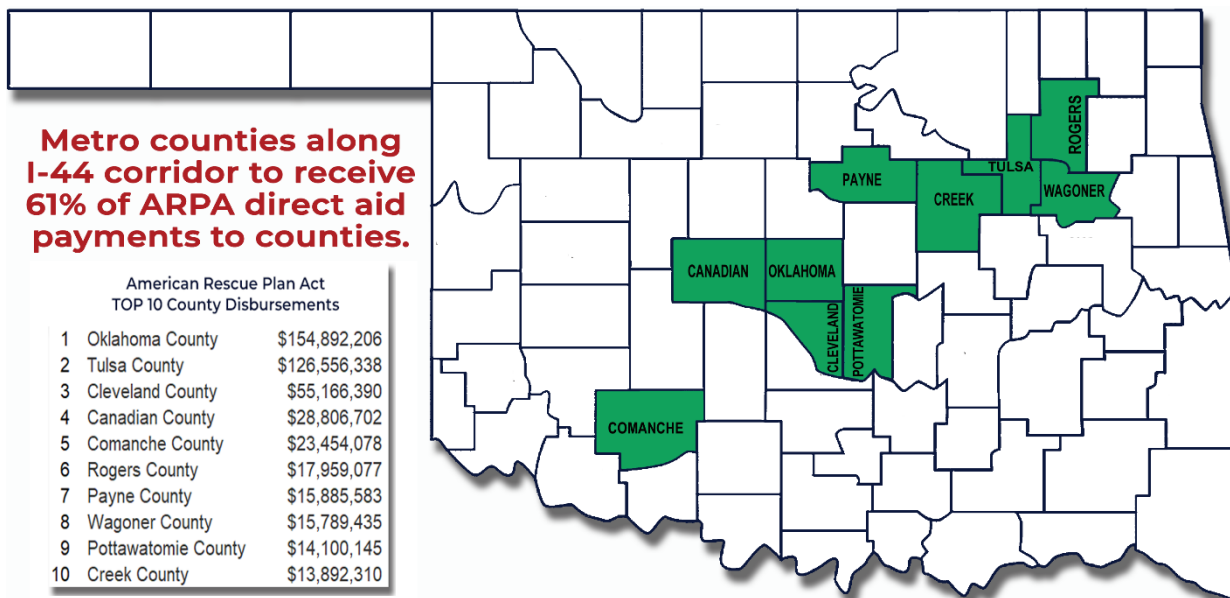
ARPA Funds Heading to Counties

When President Biden signed the American Rescue Plan Act (ARPA) on March 11, 2021, he approved \$65.1 billion in direct aid to counties based on each county's share of the U.S. population. The measure also sends an additional \$1.5 billion for public land counties.

For Oklahoma's 77 counties, that direct aid amounts to \$767,430,155 that doesn't flow through the legislative appropriations process or trickle down as pass-through funding from a state agency like the Oklahoma Department of Transportation.

The funding comes with restrictions for its use. Responding or mitigating the COVID-19 health emergency or its negative economic impacts is sighted as allowable under ARPA.

The National Association of Counties (NACo) states this provision includes "assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality" although other activities may also be permissible.



The Top 10 county recipients in the state will share about 61% of all funds coming to Oklahoma. The funding roughly follows the major metropolitan areas along I-44 stretching from Lawton to Claremore.

Oklahoma County leads the list with \$154.89 million followed by Tulsa County at \$126.56 million. The amount of aid drops significantly from Cleveland County at \$55.17 million to Creek County at \$13.89 million.

The opportunity to utilize this boost in funding expires on December 31, 2024. This period enables a board of county commissioners to take some time to consider how best to use these funds on behalf of its residents and to ensure its use follows federal guidelines. That's important because the funds come with a warning that if a county fails to comply with the federal law and related guidelines county shall be required to repay the federal Treasury.

SAI has already been part of the conversation with county clerks, county commissioners, and other county officials as our County Management Services Unit works to help counties do things right. The use of these funds will likely vary as much from one county to another as there are counties in Oklahoma.



Troy Cole, Logan County Clerk, County Clerks & Deputies Association of Oklahoma President

Perhaps the biggest question for counties is whether an applicable use of these funds will be permitted for infrastructure improvement – one of the biggest roles of county government in Oklahoma.

“This is a tremendous amount of money coming directly to county government,” said Logan County Clerk and *County Clerks and Deputies Association of Oklahoma* President Troy Cole. “Along with these funds comes a huge amount of responsibility and all 77 counties will rise to meet this challenge to ensure the money is spent according to federal guidelines.”

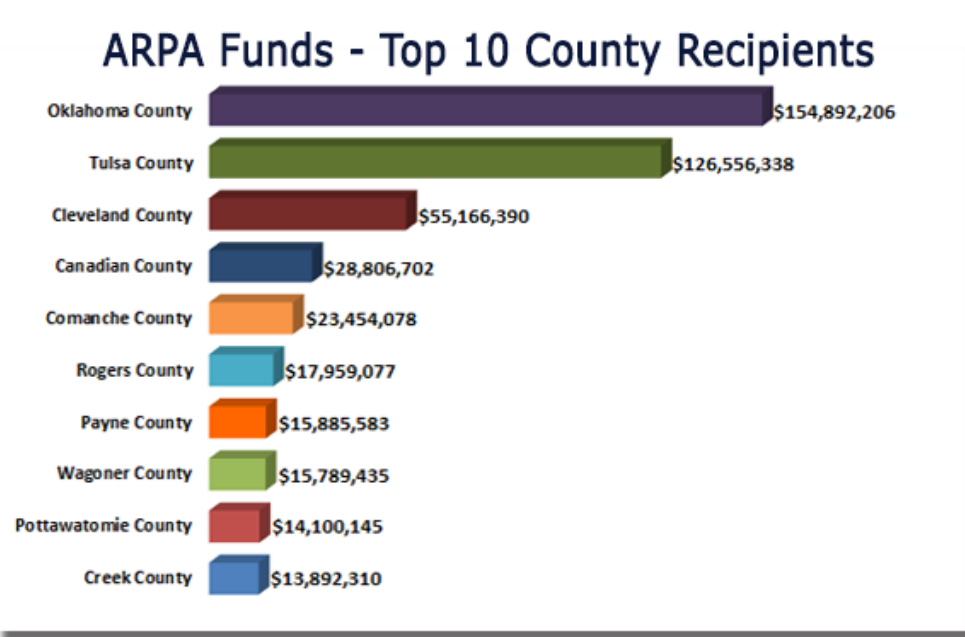
The role of county government varies from one state to the next. Oklahoma’s 77 county governments are a microcosm of the state system with county officials performing a similar role at the local level as their counterparts with the state.

The Tax Foundation, an independent tax policy nonprofit, reports that \$2 billion in ARPA funds are going to nonexistent county governments in other states.

By providing a one-size-fits-all spending formula, the Tax Foundation notes there is “wide diversity in the distribution of government authority” as it relates to “which level of government pays for schools, roads, public safety, and other major expenditures.”

Connecticut, Rhode Island, Massachusetts, and Vermont, for example, have little to no county-level government providing services like Oklahoma. Regardless, ARPA funds are being distributed to counties in these states despite an inability to even certify the funds let alone spend the money.

In some instances, ARPA funds far outpace local county budgets. Norfolk County in Massachusetts budgeted \$19.5 million in projected FY21 revenues. Even though most governmental



functions are carried out by cities and towns, Norfolk County will receive \$137 million in Fiscal Recovery Funds under ARPA. The Tax Foundation points out that’s “seven times its annual budget.”

While program eligibility requirements might limit how counties in our state utilize these federal funds, there is a government structure in place to receive the funds and to establish the proper framework to deliver these government services.

Cities and Towns to Benefit from ARPA Funding

Across Oklahoma, 588 of 589 cities and towns identified by the US Treasury will receive a share of the \$540.75 million in American Rescue Plan Act (ARPA) funds flowing into the state.

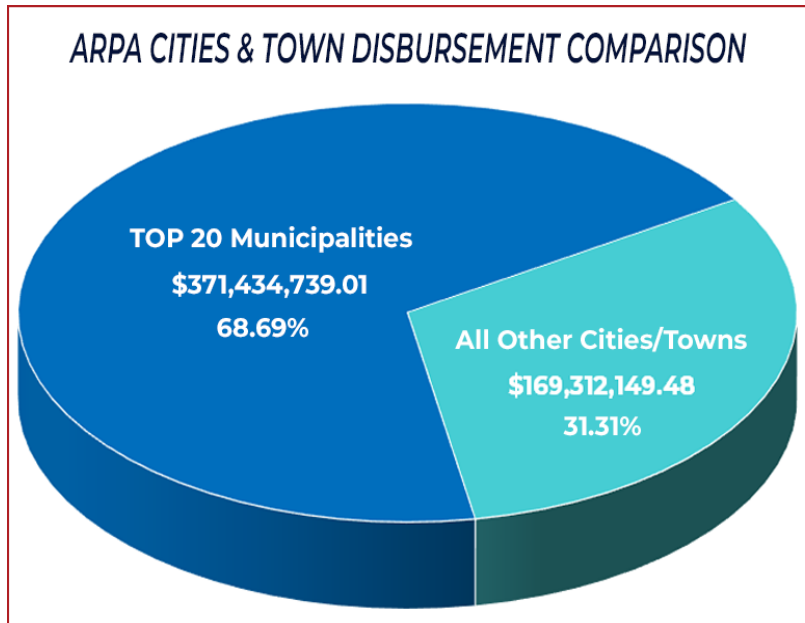
The money is part of the \$65.1 billion set aside for local government which includes municipalities and counties.

The disbursements range from \$124.95 million for Oklahoma City to \$321.42 for Lotsee, a small town located in Tulsa County with a population of six residents.

ARPA: TOP 20 Municipal Disbursements		
1	Oklahoma City	\$124,945,608.92
2	Tulsa	\$88,310,150.47
3	Norman	\$22,699,804.79
4	Lawton	\$17,763,296.91
5	Broken Arrow	\$17,709,717.41
6	Edmond	\$12,075,863.10
7	Enid	\$11,318,630.43
8	Midwest City	\$10,069,197.77
9	Moore	\$8,495,005.36
10	Stillwater	\$8,083,459.55
11	Shawnee	\$7,966,784.66
12	Muskogee	\$5,964,361.80
13	Owasso	\$5,939,291.33
14	Bartlesville	\$5,808,635.60
15	Yukon	\$4,513,327.86
16	Bixby	\$4,490,828.72
17	Ardmore	\$3,969,170.04
18	Jenks	\$3,819,550.75
19	Ponca City	\$3,802,354.98
20	Mustang	\$3,689,698.56

Of the 589 cities and towns listed, only Carlton Landing, a master-planned resort town located on Lake Eufaula in Pittsburg County with 56 residents, was excluded from receiving stimulus funds.

The funds will first flow to the State before being passed on to cities and towns. ARPA includes a provision prohibiting states from interfering with distribution of the funds.



Oklahoma City will receive more than \$124.945 million or 23.1% of all funds sent to Oklahoma. Tulsa is second at \$88.31 million or 16.3%. The top 20 cities to receive funding will share in 68.69% of all funds or about \$371.43 million.

As with counties, municipalities have until December 31, 2024, to encumber the funds in

response to the COVID-19 public health emergency.

It appears municipalities in the state have a clearer path to being able to use ARPA funds than its 77 counties. Despite some flexibility for cities or towns, an eligible project must connect to COVID-19 and its four categories of economic impact:

- To respond to the public health emergency or its negative economic impacts
- To provide premium pay to eligible essential workers
- To restore government services or personnel from a COVID-19 loss of revenue
- To make investments in water, sewer, or broadband infrastructure

US Treasury has released an Interim Final Rule providing guidance on eligible uses of ARPA funds.

Municipalities may consider programs to promote health or improve access to housing of its most disadvantaged residents or low-income or minority neighborhoods.

Small businesses employ half of the nation's workforce so loans or grants to help shuttered business remain open or diminish the costs of being closed are eligible uses of the funds.

Cities could establish grants to provide premium pay to eligible essential workers at heightened risk due to COVID-19 in healthcare, farming, food production facilities, grocery stores, restaurants, sanitation, childcare, education, and human services staff.

And, the money can be used by municipalities to reduce the impact of budget shortfalls to avoid cuts to government services or restore a public workforce to pre-pandemic levels.

Electronic Titles & Liens Coming July 2022

Beginning July 1, 2022, Oklahoma will join 24 other states to provide residents digital titles and liens for vehicles, boats, trailers, and farm equipment.

The measure, by State Senator Rob Standridge, (R-Norman), and Representative Mike Osburn, (R-Edmond), directs the Oklahoma Tax Commission (OTC) to create a program for the filing and storage of motor vehicle certificates of title and allows a lienholder to perfect, assign, and release a lien on a motor vehicle digitally instead of maintaining paper documents.



“The pandemic has shown us how much business can be done electronically but one item that slows the process down and adds cost is how we handle titles in Oklahoma,” Sen. Standridge said. “By allowing this digital transformation, we’re making the process more convenient for consumers and businesses, saving time and money.”

Rather than reinventing the wheel, the measure requires OTC to use vendors with a track record for electronic titling and software development to manage the program and permit digital signatures.

So, if you buy a car and finance the purchase, an e-title is created. When the loan is paid off, the lienholder will complete the electronic lien release process online.

“Allowing vehicle titles to be electronically filed and stored brings our state into the modern age and saves the state a great deal on administrative costs,” Rep. Osburn said. “I’m glad to see another step toward progress signed into law.”

Texas, Louisiana, Colorado, and Kansas are currently processing e-titles.

Mobile Wellness Units Spread Out Across the State

The Oklahoma State Department of Health is expanding its outreach to more underserved areas of Oklahoma.

The agency utilized some of its COVID-19 funding to purchase and equip mobile wellness units and vans to provide full clinic services for women's exams, well-checks, and other public health programs.



State Health Commissioner Dr. Lance Frye noted the pandemic accelerated and expanded this initiative to better provide health services to underserved populations.

"More than ever, we recognize the barriers many Oklahomans face with transportation, time, and technology when it comes to seeking public health services," Frye said. "By mobilizing public health services, we can reduce or remove some of the major barriers that create health disparities in our communities. We can be where the people are, wherever and whenever we need to be."

OSDH began utilizing its wellness vans in December to expedite vaccine response and help deploy Oklahoma National Guard strike teams and other community-based clinics.

"Mobile units have proven to be an effective method of reaching people where they live, work, and play," said Assistant Deputy Health Commissioner Mendy Spohn. "Deployment of these mobile units allow public health services to be provided in a wide variety of settings, including neighborhoods, community events, and festivals. We have already started using them for sports physicals in areas where it is difficult for student athletes to get them and are currently planning ways to expand the scope of services to include chronic health screenings and well-checks."

The mobile units will be located within the state's nine Public Health Districts.

Another Major Capitol Project is Nearing Completion



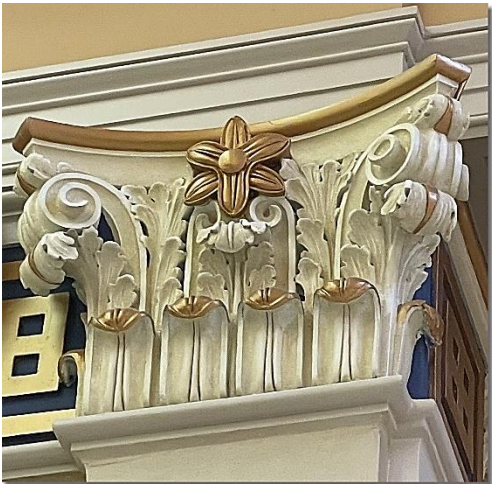
That Grand Staircase, which begins at the plaza on the South side of the Capitol Building, once took visitors through the front doors on the second floor and continued skyward to the fourth-floor rotunda.

Over the years, many brides have been photographed on the staircase with the train of their gown cascading over the steps.

Those marble steps will soon gleam from a high polish like the rest of the building's floors and stairways.

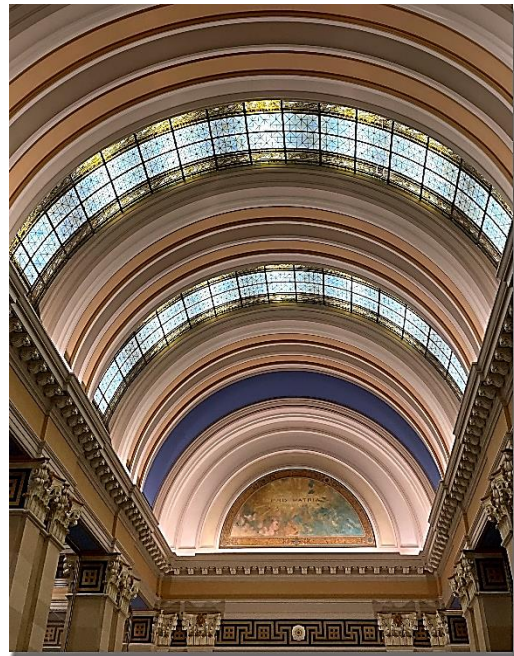
The columns have been painted with the tricolor stonework pattern found on walls of the building's hallways. The molding atop the columns has been restored, painted, and accented to reflect other completed work around the building.

Meanwhile, work continues on second floor restoration projects for the Hall of Governors and new space to relocate the Betty Price Art



Gallery from the first floor. Other projects include finishing the House and

Senate Chambers on the fourth floor, and the new State Capitol Museum to be located on the ground floor.



The museum, when completed, will feature exhibits from the Oklahoma History Center to tell the rich history of the state capitol building and our state's political process.

All remaining projects should be completed in January 2022.