

Byrd's Eye View

Making sense of the numbers



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OKLAHOMA AERONAUTICS COMMISSION: THE SKY'S THE LIMIT

Small agency. Small budget. Big fiscal impact. That's the short description of the [Oklahoma Aeronautics Commission](#) (OAC). The story of its history and economic impact on communities both urban and rural is much longer.



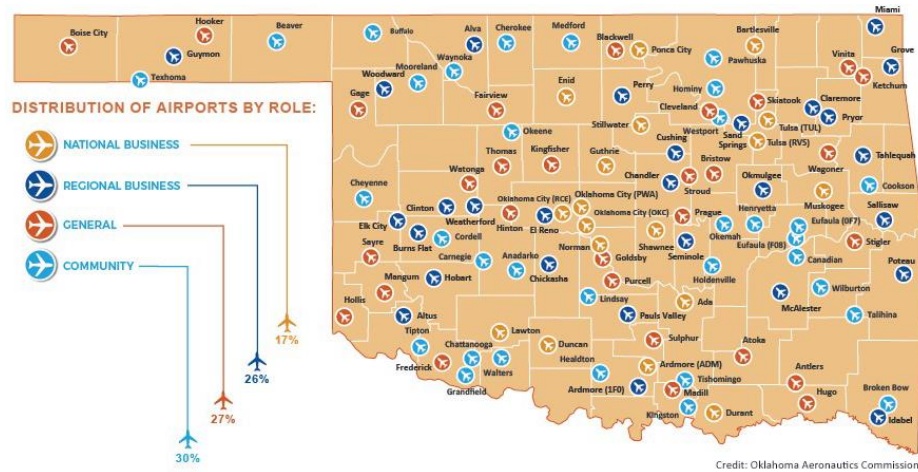
Created in 1963, the OAC replaced the Oklahoma Aviation Commission which came about in 1946. The new commission reportedly reflected a change in the state's focus to encompass aviation, aerospace, and airports.

Back in the 1940s, Oklahoma established itself as a premiere aviation destination.

Tinker Air Force base was built early in this decade. In 1946, two relocations followed the end of WWII when American Airlines moved its largest maintenance base from New York's LaGuardia Airfield to Tulsa and the Civil Aeronautics Administration's (now FAA) Standardization Center moved from Houston to Oklahoma City.

Today, OAC invests in Oklahoma communities and commerce through the Oklahoma Airport System and its 108 airports throughout the state. Of these airports, four are designated as commercial airports and 104 are regional general aviation airports.

The [impact](#) on Oklahoma's [economy](#) was measured in a report released in 2017. This snapshot of the aeronautics industry demonstrated it was the state's second largest industry.



Of the 108 airports, 43 have jet-capable runways and 94 percent of Oklahomans live within 25 miles of one of these airports.

Airport Jobs

The 2017 report points to airports employing more than 74,000 people generating \$3.644 billion in total annual payroll. When payroll is added to the almost \$7 billion in spending, the aeronautics industry reports total annual economic activity greater than \$10.6 billion.

Keep in mind, these figures don't include the military component, off-airport aviation/aerospace jobs, and jobs gaining efficiency from aviation.

Military Jobs

Not surprisingly, the economic impact of the Oklahoma Army Air Guard, and Vance, Tinker, and Altus Air Force Bases is significant. While Tinker remains the state's largest employer at 56,901 workers generating \$3.9 billion five years ago, the combined impact of all four military installations



Credit: Oklahoma Aeronautics Commission

provides about 70,000 jobs, annual payroll of almost \$4.7 billion, and total annual economic activity of nearly \$19.3 billion.

Off-Airport Aviation/Aerospace Jobs

Oklahoma has more than 1100 aviation and aerospace companies and 870 are not located within the fence of an airport or military base.

These aviation/aerospace developers, maintainers, and suppliers fall into two categories – Direct or Indirect/Induced – and are engaged in some facet of the aviation or aerospace industry.



Credit: Oklahoma Aeronautics Commission

Together, the direct or indirect/induced companies employ about 59,000 workers and generate annual payroll of \$3.4 billion while spending about \$10.5 billion. The total economic activity for this part of the industry totals \$13.9 billion.

Public Investment in Airports

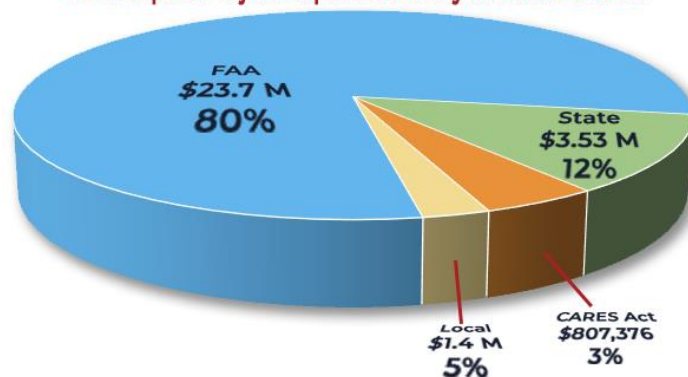
Other than a \$2 million appropriation for FY22, it's been decades since OAC has received appropriated funds for its annual budget.

The agency is largely funded through a 3.25% state excise tax on the sale of new or used airplanes. Additional revenues come from federal grants, aircraft registration fees, aviation fuel tax, license plates, and other miscellaneous receipts.

The OAC reports FY21 receipts of \$6.361 million. Of these revenues, the agency reports, on average, 81% is spent on airport infrastructure projects across the state.

Over the last two decades, OAC reports investing \$274 million in federal funds and \$76.5 million in state funds.

FY21 Airport Project Expenditures by Revenue Source



The airport sponsor, usually the municipality where the airport is located, are required to contribute a local match for an infrastructure project. The local match is five percent for state funds and ten percent for federal funds. The OAC may pay half the sponsor's federal match.

In FY21, 57 airport construction projects were underway at 48 general aviation and commercial airports. Municipalities used FY20 CARES Act funding to cover all or part of the local match on 51 of the projects. Runways, taxiways, aprons, and lighting figured heavily among the various projects.

Education

A thriving aeronautics industry requires a workforce with the training and skills to keep the planes operational and an airport responding to the needs of its patrons.

To that end, Oklahoma is number one in the nation teaching the Aircraft Owners Pilots Association (AOPA) curriculum *You Can Fly*. The four-year program is offered at no cost to school districts committed to providing high quality aviation STEM pathways for students.

Five years ago, Ada Public Schools was the first district in the state to offer the new curriculum. Today, 15 Oklahoma school districts offer the course.



Paula Kedy, Oklahoma Aeronautics Commission

OAC Aerospace and Aviation Education Coordinator Paula Kedy was instrumental in getting the curriculum introduced in Ada while serving as the district's Director of Academics & Instruction.

Kedy said about school districts looking at creating aerospace STEM pathways for students, "It is critical that schools begin offering course work that leads students to strong post-secondary programs and to careers in Oklahoma's second largest industry."

Kedy points to Tinker Air Force Base, the American Airlines Maintenance facility, Boeing, and other large companies requiring a continuous source of skilled aerospace engineers and airframe and overhaul mechanics.

To encourage young people to pursue careers in the aviation and aerospace industry, OAC awards [Aviation Education Program grants](#) and contracts to various entities across the state.

In FY21, 38 grants totaling \$335,400 were awarded to public and private sector schools and organizations including 12 elementary or secondary schools, five career-technology centers or foundation, and five universities. The grants ranged from \$1,100 to \$46,000.

Economic Development

OAC reports that many of our state's largest employers heavily considered local airport availability during the site selection process. The agency points to Michelin in Ardmore, Seaboard Farms in Guymon, and Conoco-Phillips in Bartlesville citing immediate and ready access to their sites in those communities as significant reason they chose to locate or stay in those communities.

The 2017 study asked employers to rate from 1 to 10 the relative importance of various factors to the location of business in Oklahoma. Not surprisingly, labor and a trained workforce were rated 7.7 out of 10 by businesses completing the survey.



Highway access (7.6) and reasonable tax rates or tax incentives (7.4) were second and third.

Tied for fourth at 7.2 out of 10 were a scheduled commercial service airport and a general aviation airport.

The study determined that many state employers have customers or suppliers from outside the state who fly in to do business with them. Similarly, employers who need to travel to other company locations also use the local airport. The market area for Oklahoma businesses is expanded with air transportation.

Air Travelers – General and Commercial

OAC determined that about 440,000 visitors fly into Oklahoma each year on general aviation aircraft. Whether it's business, personal, or leisure – these travelers often need ground transportation, lodging, meals, and other things that generate sales tax to the state and local community.

OAC estimates the total economic impact is \$253.2 million annually.

As for commercial travelers, records show 2.9 million boarding passengers in 2016. Of these, 1.2 million are estimated to be visitors to the Sooner state. That translates into almost 22,000 direct/indirect jobs and total economic activity of \$2.2 billion.

The OAC is planning another economic impact study for 2023. It is anticipated that Oklahoma's aeronautics industry will maintain its number two status behind oil and gas production and ahead of agriculture on the state's list of largest industries.

AUDITOR'S CORNER: WHEN TRUST IS LOST



We are the finders of fact and, for those audits that grab the headlines (and really, all other audits), that's our primary role.

A performance audit focused on the effective and efficient delivery of government services, or a forensic audit focused on alleged fraud, malfeasance, or embezzlement of taxpayer dollars – our role is to identify the facts and information needed to detect the risk or the loss and to make recommendations to improve how public assets are protected.

Forensic audits, unfortunately, are reactive by nature. They begin, or are requested, after an alleged crime has already occurred or funds have been wasted, misspent, or stolen.

Audits are a moment in time that often point to the dark side of human nature and greed. Most people who embezzle public funds didn't set out to do that. A personal or financial crisis is typically the impetus for the first theft. There is usually intent to put it back on the next payday only the crisis deepens, and the lack of internal controls provides an ongoing opportunity to dip into the public trough again, and again.

After a while, the amount taken is too large to put back, so steps must be taken to hide the theft. Computer records are adjusted, receipts are tampered with, false financial reports are generated, and other records are altered.

The pressure to keep someone else from finding out is enormous. It interrupts sleep patterns, eating habits, and relationships.

Of course, there are fraudsters who specifically set out to improperly obtain public funds. They devise an elaborate scheme to misdirect while embezzling as much as they can.

Here's the thing – there is an end date. Frankly, you are going to get caught – and that's where my office steps in.

In the Town of Tryon, three individuals have been charged with embezzlement and conspiracy for allegedly misappropriating more than

\$80,000 from the Town. The Town board requested the forensic audit when it discovered its bank account was overdrawn by \$8,000.

The schemes of writing excess payroll checks, misusing the Town credit card, and the direct theft of funds occurred over a six-year period. Proper oversight by the Town board would likely have caught the alleged crooks much sooner and before its bank account was wiped out.

Similarly, Stillwater Public Schools Nutrition Services discovered an employee had apparently been misreporting cash collected from several school sites and then pocketing the “excess” money. The alleged embezzlement was discovered when the employee was on administrative leave and her supervisor discovered discrepancies on five daily deposits she couldn’t reconcile.



A review by the district’s chief financial officer confirmed the employee’s deposits did not match the daily cash receipts prepared by each school site.

The forensic audit identified the employee appeared to have misappropriated more than \$216,000 from 2013-2019.

This audit is now in the hands of the Payne County District Attorney.

We simply must be able to trust one another – don’t we? There must be some level of confidence in the people we elect to office and the employees we put in charge of protecting tax dollars. The two are synonymous.

We can never afford to let tax dollars be wasted. They’re too few and too hard to come by.

Board members and public employees enjoy public trust so long as they are accountable and transparent. Oversight and policies to safeguard public assets must be implemented and maintained.

When public trust is lost – it’s a heck of a long road back.

FY23 State Budget Break Down

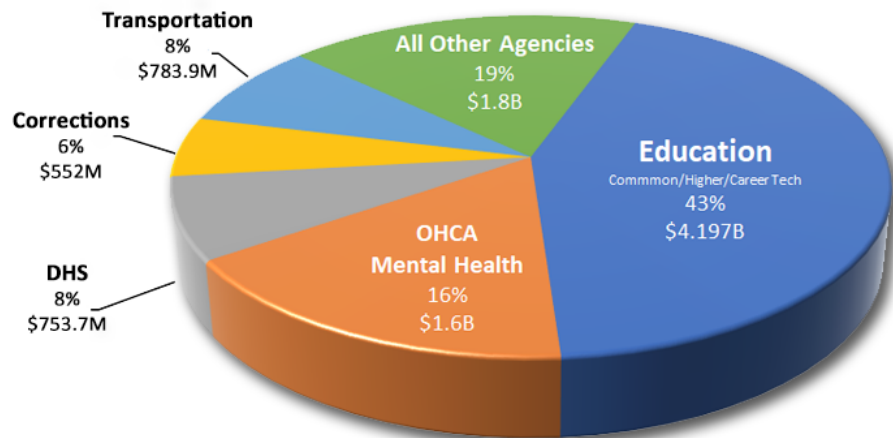
The Oklahoma legislature approved a \$9.7 billion budget for fiscal year 2023 (FY23) which begins July 1, 2022. In all, the FY23 appropriations

represent a 9.7 percent increase over FY22 or more than \$858.8 million than the previous fiscal year.

House Appropriations and Budget Chair, Rep. Kevin Wallace (R-Wellston), said the measure “generously funds public services important to all Oklahomans, including education, health and mental health care, transportation, law enforcement and public safety and many other areas as well as record amounts of investments in economic development.”

As in previous years, the largest percentage of the FY23 budget is education funding. Nearly \$4.2 billion will go to common education, higher education, and career technology education.

FY23 State Appropriations - Oklahoma



Figures are rounded up in some cases and are based on the OK House of Representatives summary following passage of SB1040, the FY23 General Appropriations bill.

The \$3.181 billion in funding for K-12 schools includes a 0.54 percent increase over FY22. Higher Education received an increase of 7.45 percent (\$60.585 million) over the previous year.

In FY22, total Education funding amounted to 47 percent of all state appropriations. In FY23, total Education spending represents 43 percent of state appropriations.

The figures represented in the chart show the Oklahoma Health Care Authority received a 5.73 percent increase in funding and the Department of Mental Health & Substance Abuse Services received an increase of 5.78 percent.

The Oklahoma Department of Human Services received a 5.03 percent increase in state appropriations. The Department of Corrections was appropriated 1.43 percent more than in FY22 and the Department of Transportation received a 2.89 percent bump for the next fiscal year.

Other highlights include a 25.87 percent increase to the Office of the Attorney General which includes \$5.3 million for human trafficking interdiction efforts.

The general appropriations bill also reflects ongoing support for the state's 2nd leading industry as the Oklahoma Aeronautics Commission (OAC)

received a 100% increase in state appropriations from \$2 million in FY22 to \$4 million in FY23.

As noted in the article "*Oklahoma Aeronautics Commission: The Sky's the Limit*," the OAC's annual budget is primarily funded by a 3.25% state excise tax charged on the sale of new and used airplanes along with federal grants, aircraft registration fees, aviation fuel tax, license plates, and other miscellaneous receipts.

According to the House news release on the FY23 budget, about one-third of the total state operating budget comes from appropriated tax dollars.

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