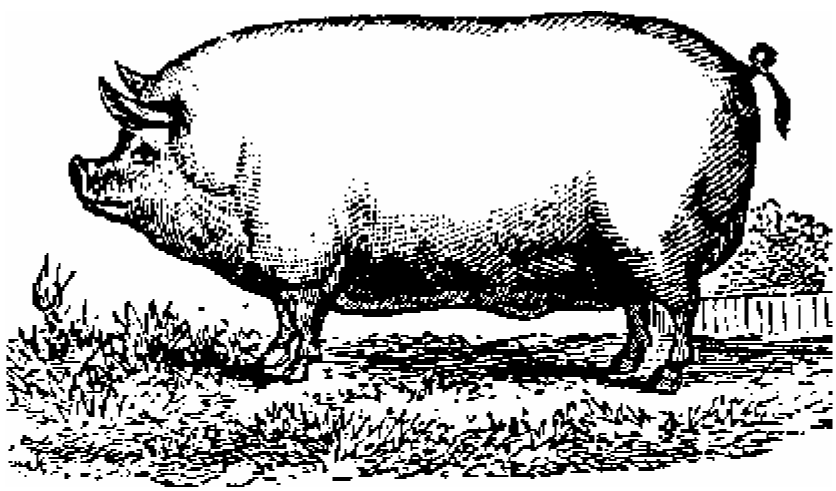
Citizens Against Government Waste and The Oklahoma Council of Public Affairs



2004 OKLAHOMA PIGLET BOOK

"The Book Oklahoma City Doesn't Want You to Read"

CITIZENS AGAINST GOVERNMENT WASTE

Citizens Against Government Waste (CAGW) is a private, nonprofit, nonpartisan organization dedicated to educating the American public about waste, mismanagement, and inefficiency in the federal government.

CAGW was founded in 1984 by J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of the Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government.

CAGW has more than one million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers more than $700 billion.

CAGW publishes a quarterly newsletter, *Government Waste Watch*, and produces special reports and monographs examining government waste and what citizens can do to stop it.

CAGW is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954 and is recognized as a publicly-supported organization described in Section 509(a)(1) and 170(b)(A)(vi) of the code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of CAGW through tax-deductible gifts.

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THE OKLAHOMA COUNCIL OF PUBLIC AFFAIRS

The Oklahoma Council of Public Affairs (OCPA) is a public policy research organization whose mission is to formulate and promote public policies consistent with the principles of free enterprise and limited government. OCPA was founded in 1993 by board chairman Dr. David R. Brown, a retired orthopedic surgeon who also serves as chairman of The Heritage Foundation, the nation's leading conservative think tank.

OCPA's staff and adjunct scholars are committed to delivering the highest quality and most reliable research on Oklahoma issues. Through a variety of publications, programs, and public forums, OCPA is helping to improve the quality of life for all Oklahomans by promoting sound solutions to state and local policy questions

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Introduction

Twenty years ago, President Reagan empanelled a team of 161 senior business executives and more than 2,000 private sector volunteers to undertake a comprehensive review of the federal government. The report of the President's Private Sector Survey on Cost Control, better known as the Grace Commission after the panel's chairman, the late J. Peter Grace, made 2,478 recommendations to eliminate waste, mismanagement and inefficiency in Washington, with three year savings of $424.4 billion. More importantly, Peter Grace joined with Pulitzer Prize–winning syndicated columnist Jack Anderson to form Citizens Against Government Waste (CAGW) to promote implementation of Grace Commission and other waste-cutting recommendations at every level of government. Since 1984, CAGW has helped taxpayers save more than $700 billion.

The Base Realignment and Closure Commission (BRAC) and the Chief Financial Officer's Act are two of the most prominent Grace Commission success stories. In 1988, Congress passed the first BRAC. After four base closure rounds in 1988, 1991, 1993 and 1995, the Pentagon has closed 97 major bases in the United States to save taxpayers $25 billion through fiscal 2003 and $3 billion per year thereafter. In 1990, Congress passed the Chief Financial Officer's Act, which mandated by law that federal agencies adhere to generally accepted accounting principles. This was an important first step toward eliminating the government's wasteful financial management habits at the expense of American taxpayers.

Following the Grace Commission's success, CAGW's most well-known publication is the *Congressional Pig Book*. Since 1991, CAGW has published this annual exposé of pork-barrel spending in the 13 federal appropriations bills. After 11 years of documenting pork, CAGW has compiled a database of 41,805 projects costing federal taxpayers $162 billion. The list of federal pork includes everything from building a canoe in Hawaii to a parking garage in Maine. The *2003 Pig Book* cites $22.5 billion in pork and 9,362 projects, both record numbers.

CAGW also produces *Prime Cuts*, a comprehensive look at the depth and breadth of waste throughout the federal government. Issues ranging from eliminating corporate welfare to unneeded defense systems are listed as potential cost savings. *Prime Cuts 2002* identified $159 billion in potential one-year savings and $1.2 trillion in five-year savings.

Through grassroots efforts by the Council for Citizens Against Government Waste, CAGW's lobbying arm, the organization has helped to make generic drugs available to all seniors in Florida and fought against raising taxes in California. Local Taxpayer Action Network activists have successfully thwarted tax increases in Lubbock, Texas, and fought against excessive construction costs in Tampa, Florida.

While Congress and President Bush debate the budget at the federal level, the battle against wasteful spending has spread to the state legislatures. Since many states that recently enjoyed budget surpluses are now faced with deficits, CAGW has teamed up with state-based organizations to launch as series of state *Piglet Books*. Oklahoma's current fiscal crisis presented a timely opportunity to produce a *Piglet Book* in the Sooner State. According to Oklahoma Gov. Brad Henry, "it will be a challenge for the state to sustain the current budget levels, much less offset the impact of the budget cuts caused by the revenue declines of the past year and a half." Some legislators have indicated a desire for various tax increases, and Gov. Henry has indicated a willingness to consider them.

CAGW, with the help of the Oklahoma Council of Public Affairs, Inc. (OCPA) has compiled a list of questionable expenditures to educate the public, the media, and state representatives and senators about the available options. OCPA is an independent public policy organization – a think tank – which formulates and promotes public policy research and analysis consistent with the principles of free enterprise and limited government. Founded in 1993 by Dr. David Brown, a retired Oklahoma City orthopedic surgeon who also serves as board chairman of The Heritage Foundation, OCPA is now entering its 11th year in the idea business. Its 2002 *Oklahoma Policy Blueprint* was hailed by Nobel Prize-winning economist Milton Friedman as "thorough, well informed and highly sophisticated."

Modeled after CAGW's two most prominent publications, the *Oklahoma Piglet Book* combines the ridiculous examples of the *Pig Book* with the seriousness of *Prime Cuts* to illustrate that spending has not been cut to the bone and that the real culprit for Oklahoma's budgetary mess is runaway expenditures. Addressing government waste is important to ensure the wise expenditure of funds and government accountability.

Every dollar that goes to subsidize golf course improvements is a dollar that a struggling single mom could have used to buy new school clothes for her children. Every dollar that goes to subsidize a rooster show is a dollar that could have gone for groceries or new brakes for the car. Every dollar that goes to subsidize illegitimate births is a dollar that could have been used for the kids' dental work, new shoes, or antibiotics. Before hard-working Oklahoma families are asked to sacrifice one more dollar in taxes, the state legislature must take a good hard look at the budget and eliminate waste, fraud, and abuse.

Remind Me Again Why We Need You

The Employees Benefits Council (EBC) and the Oklahoma State Education Employees Group Insurance Board (OSEEGIB) are responsible for providing health insurance and ancillary benefit plans to public and education employees. As the following chart shows, the functions of these two state agencies overlap considerably.

Function	EBC	OSEEGIB
Select Alternative Health Plans	X	X
Conduct Annual Benefit Elections	X	X
Management of Health Plans and Assets		X
Administer Section 125 Plan Benefits and Assets	X	
Select Optional Employee Benefits	X	X
Management of Dental Plans and Assets		X
Management of Term Life Plan Benefits and Assets	X	X
Human Resource Management	X	X
Public Budget Management	X	X
Public Purchasing Management	X	X
Statutory Reporting Management		X
Financial Assets Management	X	X
Records Act Management	X	X

A Senate legislative committee examining state employee benefits in 2003 found that eliminating EBC and folding its non-duplicative functions into OSEEGIB would improve the services offered to state and education employees and save taxpayers more than $3.8 million annually.

Given the budget crunch and the duplicative functions of these entities, it would seem reasonable to eliminate EBC. State senators on that committee blocked the bill eliminating EBC and its redundancies. They provided no reasons for the negative vote. Conversely, nobody wanted to take credit for wasting more than $3.8 million so Oklahoma could have more state employees than it needs.

Just Passing Through

Ronald Reagan once said, “Government is like a big baby – an alimentary canal with a big appetite at one end and no sense of responsibility at the other.” Oklahoma state government is no exception. Every year taxpayer dollars are divided among lawmakers who then pass them through the “alimentary canal” to their districts. These "pass throughs" – yes, that's what they're actually called – are often buried in state agencies' budgets or general funding plans.

Many of the executive directors of the sub-state agencies that receive these appropriations told *The Daily Oklahoman* that legislators tell them how to spend the money. "Sometimes he (the legislator) tells us by phone, or sometimes he sends us a letter," said executive director Blaine Smith of the Association of South Central Oklahoma Governments. "Our role then is to make a contract (between the association and the recipient) dealing with where the money goes and how it will be used."[1]

Zack Taylor of the Association of Central Oklahoma Governments said his organization has a similar arrangement with funds received from the Oklahoma Department of Agriculture. Jerry Lasker of Tulsa's Indian Nation Council of Governments, Wes Bowman of the Southern Oklahoma Development Association, and Wayne Manley of the Central Oklahoma Economic Development District also said legislators direct expenditures of the appropriations.[2]

Not surprisingly, Sulphur, Oklahoma – the hometown of then-House Majority Leader and now Speaker Pro Tempore Danny Hilliard – was a big winner with $500,000 in projects funded in fiscal 2003.

Records show Sulphur received: $100,000 for renovation of an American Legion building; $100,000 for the chamber of commerce for construction of a community/tourist information center; $50,000 for renovations of the historical museum; $50,000 for construction of a baseball complex with a field, road, parking lot and rest rooms; and $50,000 for the city's Main Street project. The Murray County commissioners also received $150,000 to build a parking lot and addition to the county's Expo Center in Sulphur.[3]

In an article on the Rural Economic Action Plan (REAP), *The Daily Oklahoman* uncovered these questionable "pass throughs" of taxpayer dollars:

- $100,000 for a tourism center in Mannford;
- $75,000 for operations, training, and membership meetings for the Oklahoma Airport Owners Association;
- $56,100 for the Lawton Evening Optimist Association for partial construction of soccer fields;
- $50,000 for air conditioning and electric expenses for the Friends of Oklahoma Music;

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[1] Jack Money, "Lawmakers send money home amid budget cuts, critics see cash as legislative pork," *The Daily Oklahoman*, August 10, 2003, www.newsok.com.
[2] Ibid.
[3] Ibid.

- $32,252 toward Tinker Air Force Base's annual July Fourth celebration;
- $27,645 to the Oklahoma City University symphony orchestra;
- $25,000 to the Stroud Industrial Authority for golf course improvements;
- $23,037 to the University of Oklahoma's board of regents for efforts to promote increased global knowledge;
- $21,000 for the Oklahoma Shakespearean Festival;
- $10,000 to Red Earth Inc., for a film of the Indian festival;
- $8,500 for the city of Durant for a flag, pole and lights;
- $6,000 in supplies for the Western Oklahoma Poultry Club to host a rooster show in Hinton;
- $6,000 for air conditioner improvements for the Hinton American Legion;
- $5,250 for the Bryan County commissioners to purchase pagers;
- $5,000 for the Tulsa Powwow Club's festival;
- $4,700 in improvements for the USS Batfish memorial park in Muskogee;
- $4,000 to Skiatook Youth Football for field construction;
- $2,000 in operation expenses for the Turley Lions Club;
- $1,000 for street signs in Temple; and,
- $1,000 to the Eufaula Chamber of Commerce for Christmas lights

Free The Parks

The average citizen understands that operating a business that only receives 51 percent of its costs means that the business won't be around for very long, but that's how Oklahoma has been managing state parks.

With taxpayers paying for all losses, there is no incentive for park management to increase revenues. Legislators are assured that payments return to their districts each year. Last year more than $10 million of taxes went to finance state parks that couldn't pay their way. Are these "tourist attractions" worth it if attendance is poor and revenue cannot meet expenditures?

Only one of 37 state parks, Little Sahara, has higher revenue than expenditures. Instead of rewarding this park for making a profit, its income is diverted by legislators to failing parks in their districts.

The following list shows the self-sufficiency of each park in Oklahoma. The average is only 51 percent. If parks failing to earn at least 30 percent of their expenditures were turned back to local counties or municipalities, taxpayers could save more than $3 million each year.

Park	Projected Revenue FY-2003	Projected State Appropriation FY-2003	Projected Expenditures FY-2003	Level of Self-Sufficiency (percent)
1. Crowder Lake	$ -	$ 14,709	$ 14,709	0%
2. Hugo/Raymond/Clayton	-	85,512	85,512	0%
3. Beaver	10,000	76,364	86,364	12%
4. Boggy Depot	16,400	106,216	122,616	13%
5. Cherokee/Snowdale/Spavinaw	88,276	392,749	481,025	18%
6. Heavner-Runestone	26,760	101,572	128,332	21%
7. Twin Bridges/Spring River	83,882	313,084	396,966	21%
8. Walnut Creek	62,000	230,458	292,458	21%
9. Arrowhead	90,540	324,459	414,999	22%
10. Cherokee Landing/Adair	91,170	277,544	368,714	25%
11. Great Plains	52,109	140,148	192,257	27%
12. Natural Falls/Lake Eucha	106,875	286,018	392,893	27%
13. Osage Hills/Wah-Sha-She	197,273	496,246	693,519	28%
14. Fountainhead (Lake Eufaula)	166,005	411,317	577,322	29%
15. Roman Nose	148,000	335,506	483,506	31%
16. Honey Creek/Bernice	89,770	201,040	290,810	31%
17. Boiling Springs	117,000	257,581	374,581	31%
18. Red Rock	89,000	190,709	279,709	32%
19. Wister/Talimena	240,880	512,192	753,072	32%
20. Okmulgee/Dripping Springs	154,062	316,052	470,114	33%
21. Seqouyah/ Sequoyah Bay	352,033	683,218	1,035,251	34%
22. Great Salt Plains	115,350	221,530	336,880	34%
23. Black Mesa	46,355	87,239	133,594	35%
24. Foss	113,174	208,184	321,358	35%
25. McGee Creek	206,558	307,606	514,164	40%
26. Lake Thunderbird	489,667	692,825	1,182,492	41%
27. Sallisaw/Brushy Creek	138,835	172,746	311,581	45%
28. Fort Cobb	284,800	340,062	624,862	46%
29. Greenleaf	405,724	394,466	800,190	51%
30. Texoma	397,131	362,476	759,607	52%
31. Alabaster	170,000	148,810	318,810	53%
32. Tenkiller	578,291	460,488	1,038,779	56%
33. Lake Murray	838,745	427,621	1,266,366	66%
34. Keystone	646,782	194,899	841,681	77%

35. Robbers Cave	1,048,504	182,149	1,230,653	85%
36. Beavers Bend/Hochatown	2,038,900	340,372	2,379,272	86%
37. Little Sahara	709,868	(98,190)	611,678	116%
Totals	**$ 10,410,719**	**$ 10,195,977**	**$ 20,606,696**	**51%**

Source: Oklahoma Office of State Finance

Governor Henry's Excellent Adventure

The average Oklahoma taxpayer who starts a new job doesn't get four vacations in the first nine months on the job. Not only did the state's highest elected official take four vacations in that period of time, he wasted valuable taxpayer resources in the process.

Immediately after the November 2002 election, Governor Henry took a family trip to Cancun, Mexico. In June 2003, after the legislative session, Gov. Henry, first lady Kim Henry and their three daughters visited Puerta Vallarta, Mexico. The governor and his wife headed south of the border again in July for their anniversary, this time to Cabo San Lucas in Mexico. The latest vacation trip by the governor was in August 2003 to go fishing in South America.

This absence record is even more shameful considering Oklahoma's struggling economy. To add insult to injury, the Governor chose not to spend his vacation time at one of Oklahoma's many resorts and parks. According to travel records with the Oklahoma Office of State Finance, the state picked up a $13,743 tab for security costs for the three vacations taken by Gov. Henry between June and August.

"Governor Henry would prefer not to be accompanied by security officers 24 hours a day, especially when he's spending personal time with his family or friends, but that is what state law requires, not just for this governor but for all state chief executives," said spokesman Paul Sund.[4] What Mr. Sund isn't telling you is that these expenses were mostly from travel costs for the governor's security team, which would have been a fraction of that amount if the governor had vacationed at one of Oklahoma's glorious resorts or parks, or, better yet, spent a little more time in his office.

FORE! Get it

Oklahoma taxpayers are forced to fund 11 golf courses that compete directly with privately operated courses. These state courses do not pay property taxes to support essential services such as local schools, firefighters and police, and they also have no incentive to make a profit.

Even if these courses made a profit they would not be paying income taxes to the state to help pay for the cost of services that every other taxpayer is financing. These state courses take customers away from private courses which would be generating tax

[4] Carmel Perez Snyder, "Henry Vacation Security Costs $13,743," *The Daily Oklahoman*, September 13, 2003.

dollars to provide support for essential local and state services. The following table highlights the taxpayer-financed losses that have been incurred recently at state-operated golf courses.

Fiscal Year	Revenues	Expenditures	Taxpayer's Subsidy
FY-2000	$5,240,262	$6,217,430	$977,168
FY-2001	$4,810,849	$6,238,437	$1,427,588
FY-2002	$4,831,764	$6,353,486	$1,023,245
FY-2003	$4,676,828	$5,628,553	$951,725
Total	$19,559,703.00	$24,437,906.00	$4,379,726

Source: Oklahoma Office of State Finance

For every round of golf played at state courses last year, Oklahoma taxpayers paid $6. This doesn't include the dollars for schools and services from the loss of ad valorem and income tax revenues that must be made up by Oklahoma taxpayers.

Close Enough for Government Work

Oklahoma's Department of Human Services (DHS) regularly trumpets its increases in child support collections. Forcing deadbeat dads to help pay their children's expenses is something everyone supports, and the fact that more money is available for needy children is certainly newsworthy.

Here is the rest of the story. If Oklahoma's efficiency at collecting on these deadbeats could merely match the 50-state average, DHS would have collected 44 percent more for Oklahoma children.[5] Instead of the $143 million in deadbeat dad collections in 2003, DHS would have secured $206 million, or an additional $63 million for Oklahoma children.

The Law Doesn't Apply to Us, We're Social Engineers

Oklahoma taxpayers, through the Medicaid program, pay for nearly 50 percent of all births in the state.[6] Medicaid requires that these births only be paid for when the mother and father's combined incomes are below a set poverty level. The system is supposed to be designed so only the needy have their births paid for by the taxpayer. However, if the father doesn't live with or hides his cohabitation with the mother, his income is not measured. Title 56-238.6B of the Oklahoma Statutes requires payment of the cost of the birth to be part of child support orders on these absentee fathers when Medicaid pays for the birth of their child.

DHS's Child Support Enforcement division has simply refused to follow the law and collect on these absentee fathers. At a meeting with legislators and representatives of

[5] 2004 Governor's Executive Budget Book, Oklahoma Office of State Finance.
[6] Ibid.

the Oklahoma Office of State Finance, DHS officials explained their failure to obey the law saying, "it would drive the fathers underground."[7] This thumbing of the nose at the law and Oklahoma taxpayers left more than $9 million in birthing costs uncollected last year. Recovered costs from these absentee fathers would have been available to needy Medicaid recipients.

According to Oklahoma Department of Health statistics, in 1971 29 percent of births by women under 21 were to unmarried women. By 1999 this number had risen to an astounding 71 percent as future parents learned how to let the taxpayers pay for their births by staying unmarried and hiding their cohabitation.[8]

This blatant abuse by DHS bureaucrats is rampant. A reporter for the The *Tulsa World* interviewed a Tulsa couple that had been advised by a DHS employee that if they divorced they could qualify for Medicaid.[9] Dr. Mickey Hepner, a professor at the University of Central Oklahoma, has produced research that shows that an unmarried Oklahoma woman who hides her cohabitation can more than double her welfare benefits. These are benefits that should go only to needy families, not to fund a social experiment by unelected bureaucrats.

Hidden Liabilities That Your Grandchildren Will Pay For

The framers of Oklahoma's constitution included a ban on most forms of state debt so that politicians could not bankrupt the state. However, elected officials have found a $7 billion loophole that will be passed on to Oklahomans' children and grandchildren. The constitutional debt exclusion doesn't apply to the unfunded liability that is accumulating in the state's pension funds.

The Oklahoma Teacher's Retirement System (OTRS) alone has accumulated unfunded debt in excess of $5.9 billion.[10] According to a study by OTRS's actuarial firm, this debt could bankrupt the system. The OTRS debt is considered an absolute obligation of the state, according to Attorney General's Opinion No. 96-21. Ultimately, the responsibility for this debt will fall on the shoulders of Oklahoma taxpayers.

The impact of OTRS's debt load is enormous. Retirement plans typically are financed by contributions from employers and employees. But in addition to those funding sources, OTRS received more than $140 million in 2002 from 3.54 percent of sales taxes, use taxes, individual income taxes, and corporate income taxes. This is money that should be spent on locking up prisoners, fixing roads and bridges, and other pressing current needs instead of paying off the OTRS debt.

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[7] Meeting with Sen. Kathleen Wilcoxson, Office of State Finance analyst Steve Anderson, Director of Child Support Enforcement Ray Weaver, and General Counsel for Child Support Enforcement Sandra Emerson during the 2002 Legislative Session.
[8] Oklahoma Department of Health, Fiscal Year 2002, www.health.state.ok.us/program/phs/index.html.
[9] Randy Krehbiel, "A price for marriage," *Tulsa World*, April 21, 2002, p. A1.
[10] 2003 Oklahoma Teacher's Retirement System Actuarial Report.

Oklahoma taxpayers have been the victims of politicians' profligacy since the inception of OTRS. When OTRS was formed in the 1930s, legislators chose to grant benefits to teachers who had not yet contributed a penny towards their retirement. Since that time, legislators have often either borrowed money from the OTRS, or granted increases in benefits with no money to fund them, knowing that the bill for these acts would not come due during their tenure. In effect, legislators are using a "credit card" and leaving the bill for future generations. When asked about the "ticking time bomb" that is the OTRS, more than one legislator has been known to quip, "Thank God for term limits."

Teachers and their labor unions are not exactly innocent victims of the legislators. When the Oklahoma Office of State Finance proposed reforming OTRS by converting OTRS to a defined contribution plan similar to the type of plan that many taxpayers have, the Oklahoma Education Association (OEA), the Oklahoma Retired Educators Association (OREA) and many of their members fought to stop the measure. This was despite the fact that the plan was designed to not alter the benefits for any retiree. This refusal to modernize OTRS cost Oklahoma taxpayers more than $140 million in 2002 and left a debt of more than $5.9 billion for future Oklahomans. The legacy of today's teachers may be a mountain of debt for tomorrow's taxpayers.

How to Buy Votes When You Don't Have Any Money

OEA, OREA and the state legislature didn't address the OTRS debt issue because each group has its own vested interest in retaining the existing system. OEA and OREA can lobby for benefit improvements for members even when no money is available by using the OTRS "credit card." Legislators can court teachers and retirees with extra retirement benefits during hard economic times by using our grandchildren's money to buy their votes through OTRS's archaic system. There is an old political rhyme that goes, "Don't tax you, don't tax me, tax the fellow behind the tree." In this case, the fellow behind the tree is someone's grandson or granddaughter, who will be paying off this credit card debt with their hard-earned money.

Not only are Oklahomans paying for vote-buying with tax dollars, Oklahoma's legislative leaders have found a creative way to get taxpayers to voluntarily help finance their OTRS debt-for-votes exchange. Many people thought that they were paying for books or teachers salaries when they paid $23 extra for the "Success Through Education" license plate. Instead, that $23 was doled out as follows: 5 percent went to the Education Reform Revolving Fund, 5 percent to the Higher Education Revolving Fund, 5 percent to the State Vocational-Technical Fund, and 85 percent to the Teachers' Retirement Benefit Fund.

The Oklahoma Public Employee Association (OPEA) has an arrangement with legislators similar to the one the OEA enjoys. Last year, at the height of the state budget crunch, OPEA and the legislature worked to pass a benefit increase for future state retirees. The sponsoring legislators, OPEA, and the Oklahoma Employees Public Retirement System (OPERS) were quick to pronounce that this increase had no cost to the state. What they didn't say is that the formula used to estimate the cost of these benefits does not take into account all the cost increases that likely will occur in the future. In fact, the history of these "no cost" benefit increases has been that they have typically exceeded the original estimates by tens of millions of dollars. The result is that future Oklahoma taxpayers will eventually pick up the cost of these "no cost" benefits.

How to Make Money When the Market Has Gone South

Anyone would love to have had a guaranteed 7.5 percent return on investments during the last five years, or if greater, the market performance of a professionally managed portfolio. Instead, many Oklahoma taxpayers saw their 401(k) retirement portfolios shrink by more than 20 percent during the recent recession. Not only did average citizens fail to get the 7.5 percent or greater deal, they have unwittingly been the financiers of just such an investment vehicle for firefighters and police retirees.

When Oklahomans purchase any kind of insurance, part of the cost is a tax charged by the state to insurance companies called the insurance premium tax. Oklahomans may wonder where this tax money is spent. It isn't being spent regulating the insurance industry or to help the poor afford insurance. In 2002, $75.5 million of it went to fund retirement benefits like the guaranteed return option described above (among others) for police and firefighters.

Even After You Throw Them Out You End Up Paying Them

Oklahoma legislators have their own retirement system within OPERS that is especially rich in benefits. For every year of elected service a legislator receives 4 percent of his or her salary in retirement benefits. The cumulative effect can be astounding for what most taxpayers consider a part-time job.

Senator Gene Stipe (D-McAlester), who resigned and pleaded guilty this year to violating federal election laws and covering up those illegal actions, is a particularly troubling example. Incredibly, being forced to resign could raise his annual pay from the legislative base salary of $38,400 per year to more than $81,000 in annual retirement payments he is entitled to under OPERS.

What Schoolchildren Really Need Is a New Office Building

The Commissioners of the Land Office (CLO) is a state agency whose mission is to generate maximum earnings for public education through the management of state-owned lands and minerals and the investment of the state's permanent education fund. The public elementary and secondary school systems are the largest beneficiaries of these funds. According to the Oklahoma Office of State Finance, CLO improperly set aside $2.7 million in order to finance the construction of its new office building at a time when schools had to struggle to pay for basic services.[11]

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[11] 2003 Governor's Executive Budget Book, Oklahoma Office of State Finance.

How Politicians Fund the Groups That Feed Them

An Aug. 27, 2003 press release from state Rep. Thad Balkman (R-Norman) pointed out that "During the 46th Oklahoma Legislature in 1997, HB 2017 was signed into law giving the Oklahoma Commission for Teacher Preparation (OCTP) statutory authority to establish Professional Development Institutes (PDIs) in reading, mentoring, science, and mathematics. Records show the Oklahoma Education Association (OEA) was awarded vendor contracts for more than $540,000 in 2002 and more than $360,000 in 2003 for mentoring and mathematics PDIs."

Filings with the State Ethics Commission show OEA making more than $42,000 in contributions to state politicians for the year ending December 31, 2002. Not coincidentally, service-type businesses like PDIs would expect to make a profit of at least 10 percent after covering all costs. If this percentage is applied to the $540,000 in vendor contracts awarded the OEA in 2002, OEA made a $12,000 profit on its $42,000 in contributions to union-friendly candidates.

Squander Our Money But At Least Do No Harm

Taxpayer money poorly spent is disconcerting enough, but taxpayer funds spent to put a drug user in charge of troubled children is an outrage. Theotis Leon Payne, Sr. is a contractor with the Oklahoma City Public Schools who has operated Dunjee Academy since 1997, serving about 30 students in grades six through twelve each semester. Typically, the students have had academic, behavior, or truancy problems and are considered high risk by the school district.

Mr. Payne was arrested on September 25, 2003 on complaints of possession of a controlled and deadly substance, possession of drug paraphernalia and defrauding an innkeeper. He previously has been arrested for other charges dating back to 1977, including driving under the influence of alcohol, marijuana possession, resisting arrest, disorderly conduct, attempting to elude police, child beating, and bogus checks. He pleaded guilty in September 2001 to a misdemeanor drunken driving charge and was given a one-year suspended sentence, told to spend two consecutive weekends in jail and ordered to participate in a drug and alcohol program.[12]

These "achievements" entitled Mr. Payne to $190,000 in Oklahoma tax dollars last fiscal year. Dunjee Academy received a $140,000 grant from the Oklahoma City Public Schools for operations. Making this a double walk of shame is that the Oklahoma Department of Health (ODH) contributed another $50,000 of Oklahoma taxpayers' money to Dunjee and Mr. Payne. This was despite a warning to ODH and the legislature from the Oklahoma Office of State Finance that Dunjee Academy was a questionable expenditure.[13]

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[12] Michael Bratcher, "Board member urges cutting ties to school," *The Daily Oklahoman*, September 26, 2003.

[13] 2003 Governor's Executive Budget Book, Oklahoma Office of State Finance.

Are You Really Necessary If We Can Get By Without You?

Excessive administrative costs shortchange Oklahoma public schools and waste taxpayer dollars. According to the Oklahoma Office of State Finance, if Oklahoma school administrative costs were brought in line with the national average, $55.7 million could be saved annually.[14] A large part of these excessive administration costs lay in the large number of highly paid school superintendents in Oklahoma.

Recently, Sulphur school board members were caught off guard by the local public school district's financial situation. They thought they had started the new school year with a $500,000 carryover. Apparently, this money never existed and led to the resignation of the business manager and the superintendent. Instead, the district had about $16,000 in carryover funds and needed the help of a local bank to pay teachers. A junior high principal took over as superintendent with no additional pay and worked with school staff and school board members to help right the financial ship.[15]

The CareerTech System is More than Just Welding Classes

Finding waste in Oklahoma's cash-laden CareerTech system is about as difficult as hitting the ground with your hat. Indeed, if CAGW and OCPA had sufficient time and resources, an entire *Piglet Book* could be devoted solely to CareerTech.

A state audit of the Kiamichi Technology Center released in February 2003 by Oklahoma State Auditor and Inspector Jeff McMahan found that a school bus mechanic and custodian used state equipment for personal business. The Kiamichi center made improper loans to the custodian as advance payments for work he performed for the center through private companies he owned. Assistant Director Warner Baxter used another employee's company and some students to complete a project involving the construction of the assistant director's home. The former director of Kiamichi's Poteau campus, Joe Smith, appeared to use split purchase orders on a painting project to avoid taking required bids on a project that cost more than $25,000.

Recently, auditors have been back to the Poteau campus investigating additional allegations at the request of local District Attorney Rob Wallace. Mr. Wallace asked the auditor to look into allegations of irregularities in the expense/travel account of Kiamichi Technology Center employee Chad Hull.[16]

At Burns Flat's Western Technology Center, state auditors found that the board's president made a $12,000 commission from an indirect land sale to build a Weatherford branch campus. Auditors also found that vendors paid for an annual Las Vegas trip for board members and administrators.

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[14] Ibid.

[15] Unsigned editorial, "Sulphur's show of support," *The Daily Oklahoman,* October 6, 2003.

[16] Mick Hinton and Randy Ellis, "Grand jury investigates tech center," *The Daily Oklahoman,* October 12, 2003.

At Stillwater's Meridian Technology Center, the auditors found that the governing board bought $35,000 worth of photos taken by the superintendent's daughter. Two board members and the superintendent stayed in a $475-a-night hotel at a convention.

At the Tulsa Technology Center, the former state CareerTech Board found that each program cost about $100,000 more than the state average.[17]

These anecdotes show taxpayers that there are some things that aren't taught in schools, such as preventing government waste.

Never Take No As an Answer from the Voters

Norman voters were recently asked to reconsider a school bond issue nearly identical to one that they voted down only eight months before. Re-voting on something they had just defeated wasn't the only surprise for Norman voters. They and their fellow Oklahoma taxpayers were the financiers of the school district's refusal to take no for an answer.

After the first election, the Norman Public Schools Bond Issue/ Finance Task Force studied the bond and urged the school board to put the issue up for a vote again. The district used school funds to pay $1,646 for printing 20,000 four-page, color newsletters outlining the bond issue that were sent out with students urging parents to vote. Cleveland County Election Board Secretary Paula Roberts pointed out that Norman Public Schools would have to pay most of the $20,000 election cost because the bond issue proposition is the only item on the majority of the ballots.[18]

The OHP Diet Plan for Taxpayers

When Oklahoma legislative leaders in 2003 pushed through a $2 increase in the car tag fee, it was heralded as giving up very little to gain additional security from our state law enforcement agencies. In particular, the Oklahoma Highway Patrol (OHP) was cited as needing $2 million for new vehicles and more troopers to perform its mission. An editorial in the *Duncan Banner* praising the local legislator that sponsored the tax opined that for "less than the cost of a Big Mac" this needed money was made available to OHP.

The following chart from the Oklahoma Office of State Finance shows the comparison between some surrounding states in key categories of security coverage by OHP before the $2 increase. Clearly, the state's security was not out of line and was in some cases greater than its neighbors.

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[17] Ibid.
[18] Bobby Anderson, "Group urges rejection of bond," *The Daily Oklahoman,* October 6, 2003.

State	Registered Vehicles per Trooper	Crashes per Trooper	Square Miles per Trooper	Population per Trooper
Arkansas	5,247	49	142	6,916
Kansas	5,015	21	175	5,753
Missouri	5,993	58	95	7,512
Texas	9,623	42	168	12,427
Average	**6,470**	**43**	**145**	**8,152**
Oklahoma	4,426	33	168	4,924

So what did Oklahoma taxpayers get for their two dollars? OHP has purchased large SUVs as part of its highway fleet. A conservative estimate of the cost (4 cents per mile more than standard patrol vehicles) to operate these SUVs means every 50 miles a taxpayer's "Big Mac" gets eaten. The Oklahoma taxpayer misses a meal, Oklahoma troopers get SUVs and citizens are not necessarily more secure.

Low Cost Doesn't Matter If It's Someone Else's Money

Oklahoma taxpayers have every right to expect that state agencies will use their money as efficiently as possible. An example of the stewardship that is instead being practiced is the Office of Juvenile Affairs (OJA) offenders incarceration programs. The following chart highlights the cost difference between the three state-owned facilities and the one private facility for the 2003 fiscal year.

Facility	Cost per bed per day
SOJC	$201.11
COJC	$196.62
LERC	$189.81
UCJC (private company)	$132.45

Source: 2003 Governor's Executive Budget Book, Oklahoma Office of State Finance

What makes these differences in cost even more astounding is that the state-owned facilities do not include any indirect costs in their per bed per day totals, while the UCJC does include such costs. Indirect costs can run as high as 25 percent of total costs. When legislators asked for budget cuts from the agency, incredibly, OJA chose the privately run facility. Moving all juvenile offenders to privately run facilities would have saved Oklahoma taxpayers a minimum of $13 million annually. Instead, OJA chose to avoid a fight with the state employees unions and the legislators that carry water for them. It's easy to make that kind of choice with someone else's money

Can We Really Afford All This Bureaucratic Overhead?

The results of a census taken on March 12, 2002 were released by the U.S. Census Bureau on November 12, 2003. For each state, the number of state government, local government, and combined state and local government full-time-equivalent (FTE) civilian employees was reported.[19]

Oklahoma had 204,348 combined FTE state and local government employees, of which 66,341 were FTE state government employees and 138,007 were FTE local government employees. For comparison, two states have populations very near that of the 3,493,714 found in Oklahoma. Remarkably, Connecticut (population 3,460,503) manages to function with a combined FTE state and local government employee level of 180,637 – that's 23,711, or 10.6 percent fewer bureaucrats than Oklahoma.

Oregon (population 3,521,515) manages to function with a combined FTE state and local employee level of 183,390 – that's 20,958, or 10.3 percent, fewer bureaucrats than in Oklahoma.

Indeed, the national average is 540.6 FTE state and local government employees per 10,000 population. If Oklahoma were at the national average, the state would have 15,481, or 7.5 percent fewer bureaucrats.

This excess costs Oklahoma taxpayers. The Census Bureau collected and reported the gross monthly payroll amounts for the pay period that included March 12, 2002. Oklahoma had a FTE state and local government employee payroll of $536,728,722 for the month of March 2002. If 15,481 of Oklahoma's employees are excess employees (as the national average might suggest), the cost to Oklahoma taxpayers for these excess employees would be $40,661,506 for the month of March, 2002. If 20,958 are excess employees (as the Oregon comparison suggests), the cost to the taxpayers for these excess employees would be $55,047,079 for the month of March, 2002. If 23,711 are excess employees (as the Connecticut comparison suggests), the cost to the taxpayers for these excess employees would be $62,277,889 for the month of March, 2002.

The exclusion of the employer share of fringe benefits such as retirement, Social Security, health and life insurance, and the value of living quarters and subsistence allowances furnished to employees results in an understatement of the actual cost of the excess employees to the taxpayers. For example, an employee working at a regional state university making $25,000 per year actually costs the university an additional $8,923 per year (35.7 percent) due to fringe benefits paid by the employer. At the same university, an employee making $60,000 per year actually costs the university an additional $18,938 per year (31.6 percent) per year due to benefits paid by the employer. Estimating conservatively, these benefits would increase the above monthly cost to the government by at least 25 percent.

The salary costs of surplus employees reported above are based on the average monthly salary for the month of March, 2002. These average salaries might not convert

[19] U.S. Census Bureau, *Government Finance and Employment Classification Manual*, http://www.census.gov/govs/www/class.html.

to accurate annual earning rates because some employees, especially those employed in education, are paid only during 9 or 10 months per year. However, by increasing the monthly costs by 25 percent to account for fringe benefit costs and multiplying the result by 10 months, a very conservative estimated range of annual costs to the Oklahoma taxpayers for excess FTE state and local government employees would be $508,268,825 to $778,473,613.

Conclusion

While state's problems are not unique, government waste, inefficiency and mismanagement are marbled throughout the Oklahoma state budget. Initial solutions in many states to deficit and debt problems have been to raise taxes. But instead of burdening Oklahomans with even more taxes, the state should be eliminating government waste.

The first step Oklahoma should take is to cut the waste identified in this report, from subsidized golf courses to excessive administrative costs for state agencies.

Second, Oklahoma needs to establish a state Grace Commission to analyze every nook and cranny of the Oklahoma budget to cut waste. With private sector expertise and the help of nonprofit organizations like OCPA, such a commission would scrutinize all expenditures to ensure that every tax dollar is accountable and follow up to make sure that the waste is eliminated.

Finally, Oklahoma should adopt a Colorado-style Taxpayer's Bill of Rights. (TABOR). This constitutional amendment limits the amount of revenue growth the state can retain and spend to the sum of inflation and population growth. Revenue growth above that limit must be returned to taxpayers.

Oklahoma's problems are not insurmountable. With the right leadership in Oklahoma City and the support of Oklahomans, change can be made. The question remains whether the politicians will have the resolve to sacrifice some of their goodies or if the taxpayers of Oklahoma will be asked to sacrifice more of their hard-earned money.