

## OKLAHOMA STATE GOVERNMENT EXPENDITURES BY FUNCTIONAL CATEGORIES, FISCAL 1973

Jack L. Robinson, Robert L. Sandmeyer, Ansel M. Sharp, and Larkin Warner

Department of Economics, University of Oklahoma, Norman, Oklahoma, and  
Department of Economics, Oklahoma State University, Stillwater, Oklahoma

Oklahoma state government expenditures in the fiscal year ending June 30, 1973 are treated as external payments of government and are classified along functional, rather than agency, lines. Methodology used to accomplish this is reviewed, and results are compared with previously existing sources of government expenditures information.

It is axiomatic that citizens and public officials need information about government in order for government to operate efficiently and effectively within a democratic system. Financial and economic data are important informational components. This is a methodological report of a study undertaken to provide a better understanding of Oklahoma state government expenditures within a system of governmental functions using data for the fiscal year ending June 30, 1973 (1). First, existing sources of information about state government expenditures will be examined. Then the system developed to measure expenditures as external payments of state government within a functional taxonomy will be reviewed. Finally, brief comment will be made comparing the study's findings with data from existing sources.

### EXPENDITURES DATA SOURCES

Aside from this study, there are two existing sources the interested citizen can use to gain some understanding of the magnitude and character of Oklahoma state government expenditures. The U. S. Bureau of the Census publishes annually a document entitled *State Government Finances*. This data source reports information for all fifty states and provides a number of interstate comparisons of both expenditures and revenues. As in this study, it defines expenditures as external payments of government. Its major deficiency results from a publication lag; the latest publication, available in the fall of 1973, applies to Fiscal 1971. In addition, it uses a system of classifying expenditures which is rather different from the one with which Oklahoma policy-makers are familiar. While it provides a comprehensive measure of over-

all state expenditures, a review of its methodology, including internal Oklahoma worksheets graciously provided by the Census, indicates that its data are not readily reconcilable with the official Oklahoma state government expenditures figures reported in Schedule III of the Governor's budget document.

The second principal source of Oklahoma expenditures data is the Schedule III section at the back of the budget document which the Governor submits each year to the Legislature. This is the information on expenditures most familiar to Oklahoma policy-makers, and, in one form or another, is the source of most expenditures information reported by the state press. It is current in that the Schedule III report to be included in the Governor's budget document is available within about a month and a half after the close of the fiscal year. It uses a straightforward system of classifying agency expenditures into functions of government. It is an excellent report of transactions of state government as required by statute and as necessitated by the practice of fund accounting. However, it is not a comprehensive report of external payments of state government. Nor does it go as far as possible with respect to classifying expenditures themselves (rather than agencies and their expenditures) within a functional taxonomy. These features will become apparent in the following discussion of the methodology.

### METHODS

Data developed in this study build upon the same basic system of Division of the Budget records as is used by the Census and in Schedule III. It is emphasized at the outset that the study would have been

virtually impossible without the excellent cooperation received from personnel at the Division of the Budget. Their assistance was invaluable.

Key features of the study's methodology relate to (a) the identification and application of a functional taxonomy of expenditures, and (b) adjustments in expenditures as reported by the Division of the Budget to provide a comprehensive measure of expenditures as external payments of state government.

#### A functional classification system

The business of state government is carried on by organizational units which are frequently called agencies. For the purpose of reporting expenditures, it is common practice for states to group the total expenditures of these agencies into single functional categories, e.g. Education, Health Services, etc. This procedure is straightforward as long as an agency deals exclusively with the function under which it is classified. However, in some instances an agency will have responsibilities that cut across several functions, and its activities must be appropriately distributed for the purpose of reporting expenditures along functional lines. Therefore, in order to ob-

tain a reasonably accurate functional breakdown, it is necessary to combine expenditures from all funds by all agencies for each of the major purposes of state government.

The functional classification system which is most widely used in Oklahoma is the one presented by the Division of the Budget in Schedule III of the Governor's budget document submitted to the Legislature each January. When referring to the Division of the Budget reports in the following discussion, this will mean Schedule III or the detailed expenditures data the Division uses to develop it.

The functional classification system used in the present study is a modification of the one used by the Division of the Budget. To facilitate the organization of the analysis of state expenditures, the Division of the Budget categories are grouped into three broad headings of expenditure: General Control, Human Resource Development, and Material Resource Development. Table 1 describes the relationship between the broad headings and the more specific categories used by the Division of the Budget. This table also includes a summary of the adjustments which were made in the Division of the Budget System to arrive at the classification system used in this study.

TABLE 1. *Functional classification systems: Division of the Budget and the study.*

Broad division	Division of Budget functional classification system	Adjustments in Division of Budget functional classification system <sup>a</sup>	Functional classification system categories <sup>b</sup>
General control	General government Legal and judiciary Public safety and defense Regulatory services	Less: Industrial development	General government Legal and judiciary Public safety and defense Regulatory services
Human resource development	Education Libraries and museums Health services Social services	"Libraries and museums" subsumed under "Education"	Education Health services Social services
Material resource development	Highways Natural resources	Change: "Highways" to "Transportation"  Add: Industrial development	Transportation Natural resources Industrial development
Other	Not included in Division of the Budget classification system	Add: "Expenditures not elsewhere classified" - includes expenditures that did not fit into the 10 main classification categories	Other expenditures not elsewhere classified

<sup>a</sup> Adjustments in Division of Budget made in the present study.

<sup>b</sup> Categories of the functional classification system used in the present study.

According to the *Procedures Manual* prepared by the Division of the Budget, there are 153 state agencies that do disburse funds through the Division of the Budget, and 25 agencies that do not. Each one of the 178 agencies was placed under one of the detailed categories listed in Table 1. In order to do this, it was necessary to determine the primary function of each agency. The basic source for this information is the *State Agency Program Catalogue* prepared by the Office of Community Affairs and Planning (OCAP). On occasion it was necessary to rely on statutes, agency reports, or interviews with agency personnel. To provide a further check on assignments of agencies to primary functional categories, a comparison was made with the detailed records used by the U. S. Bureau of the Census in preparing the Oklahoma section in *State Government Finances*.

Once all agencies had been initially placed within parts of the functional classification system, and once the economic adjustments to reported expenditures had been made, the most important aspect of the functional methodology was applied. The activities of the great bulk of state agencies fall only within one functional category. However, there is an important group of agencies which spend money for performing more than one governmental function. The uniform procedure followed in Schedule III is the classification of an agency within a single functional category, and the treatment of all the agency's expenditures as outlays within that single function. In contrast, the study's methodology involved getting into the fund accounting records of the Division of the Budget, and reclassifying agency expenditures from particular funds which clearly involved functions dif-

ferent from the principal category in which the agency had originally been placed. This latter approach is also used in the Census reports.

#### Adjustments in state expenditures data

In order to derive a set of expenditure figures that reflect the external payments of state government, it was necessary to make two kinds of adjustments to the Schedule III data. First, since certain expenditures are not included in Schedule III, it was necessary to add them to the reported expenditure of \$1,339,279,407. Second, some of the expenditures in Schedule III are overstated and they had to be reduced by the appropriate amounts. It is emphasized that throughout these adjustments, the methodology required continuously maintaining the ability to reconcile the study's data with Schedule III information as "control totals."

#### *Expenditures not included in Division of the Budget reports*

Total state expenditures reported by the Division of the Budget (\$1.3 billion) does not include (a) expenditures of agencies that do not report expenditures through the Division of the Budget, (b) expenditures of the Turnpike Authority, Grand River Dam Authority, and the Oklahoma Ordnance Works, (c) expenditures for auxiliary enterprises, and (d) certain types of interest payments. These are summarized in Table 2.

*Agencies not reporting expenditures through Division of the Budget.* In order to obtain the expenditures of the 25 agencies that do not disburse funds through the Division of the Budget (2), it was necessary to

TABLE 2. *Additions to total state expenditures reported in Schedule III*

Total state expenditures: Schedule III		\$1,339,279,407
PLUS:		
Agencies not reporting expenditures through budget	\$ 1,028,820	
Turnpike Authority, GRDA, Oklahoma Ordnance Works	46,495,531	
Auxiliary enterprises	73,104,006	
Interest	4,940,569	
Total additions		<u>125,568,926</u>
TOTAL (Schedule III plus additions)		<u>\$1,464,848,333</u>

contact each agency by mail and ask them to supply this information. All but four of the agencies surveyed supplied the information which was requested. Total expenditures for these agencies in Fiscal 1973 amounted to \$1,028,820.

In addition to these twenty-one state agencies, expenditures data were obtained from the Turnpike Authority, Grand River Dam Authority, and the Oklahoma Ordnance Works Authority. Expenditures on the quasi-public institutions were \$46,495,531 in Fiscal 1973. The sum of these two figures, \$47,524,351, was added to the expenditures reported by the Division of the Budget.

*Auxiliary enterprises of colleges and universities.* Universities and colleges operate auxiliary enterprises such as dormitories, cafeterias, and bookstores. Expenditures on auxiliary enterprises are financed mainly through charges for services and, in the past, they have not been made through the Division of the Budget. As a result, these expenditures do not appear as part of the total expenditures of the state recorded in the annual Budget document.

Since the latest data that were available on auxiliary enterprises expenditures was for Fiscal 1972, it was necessary to estimate Fiscal 1973 expenditures. They amounted to \$73,104,006. This figure was then added to the expenditures reported by the Division of the Budget.

*Interest.* In reporting state expenditures, the Division of the Budget has included

only a portion of the interest payments made in Fiscal 1973. They have omitted the interest paid on revenue bonds which were issued to construct revenue-generating buildings on university and college campuses throughout the State. The State Treasurer's office reported that interest on this type of debt amounted to \$4,940,569 in Fiscal 1973. Therefore, this amount was included as part of total state expenditures in the present study.

*Reported agency expenditures:  
economic adjustments*

The accounting system used by the Division of the Budget, while necessary to ensure proper budgetary control of state funds, results in some overstatement of the economic impact of state government expenditures. Therefore, it is necessary to modify the expenditures data reported by the Division of the Budget in order to make them more meaningful within the economic context of reflecting actual resources absorbed as a result of state government activities. Adjustments are necessary with respect to the following classes of reported expenditures: payment of principal on debt; refunds of overpayment of taxes, licenses, fees, unspent balances and other charges; state taxes remitted to the Oklahoma Tax Commission; payments to other state agencies for the transfer of federal funds; intra-agency payments; inter-agency payments; Industrial Finance Authority loans; other deductions. These are summarized in Table 3.

TABLE 3. *Deductions from expenditures*

Total expenditures: Table 2		\$1,464,848,333
LESS:		
Principal payments	\$ 4,901,439	
Refund of overpayment taxes, licenses, etc.	957,582	
State taxes remitted to tax commission	99,562	
Payments to other state agencies for transfer of federal funds	3,821,376	
Intra-agency payments	3,415,769	
Inter-agency payments	15,116,183	
Loans-OIFA	1,183,515	
Deductions due to differences in reporting retirement and insurance expenditures	69,987,613	
Other deductions	22,823,164	
Total deductions		122,306,203
<b>TOTAL ADJUSTED EXPENDITURES</b>		<b>\$1,342,542,130</b>

*Payment of principal on debt.* If the State of Oklahoma issues debt during Fiscal 1973 and uses the proceeds to purchase goods and services, such a transaction should be counted as an expenditure during the fiscal year. Likewise, it would be incorrect to count the repayment of this debt in a future time period as an expenditure during that period. Principal payments amounting to \$4,901,439 in Fiscal 1973 were deducted from reported expenditures because the associated purchase of goods and services had been counted in previous years. Interest on debt is not subtracted because it reflects a true current cost associated with the state's use of other people's money.

*Refunds of overpayment of taxes, licenses, and fees.* The Wildlife Commission sells hunting and fishing licenses to dealers for cash. When a dealer has not sold all of his licenses by the end of the year, he returns them to the Commission and receives a refund. Such a transaction should not be counted as an expenditure; therefore, all outlays of this type must be deducted from expenditures reported by the Division of the Budget. These deductions amounted to \$957,582 in Fiscal 1973.

*State taxes remitted to the Tax Commission.* This class of expenditure occurs, for example, when the state hospital at Norman operates a canteen and collects sales taxes on goods sold. This money is sent to the Oklahoma Tax Commission and is recorded as an expenditure by the remitting agency. The agency is merely acting as a collecting agent for another unit of state government, and this kind of transaction should not be counted as an expenditure. Whenever an expenditure such as this appeared, it was deducted from the agency total. The sum of these deductions was \$99,562 in Fiscal 1973.

*Payments to other state agencies for transfer of federal funds.* This type of transaction is similar to the one discussed in the preceding section. For example, the Oklahoma Crime Commission receives federal dollars which it disburses to other state agencies for various crime prevention programs. Under the system used by the Division of the Budget, this expenditure is recorded twice, once by the Crime Commission and again by the recipient agency. To avoid double counting, all payments to

other state agencies for transfer of federal funds should be subtracted from the reported total expenditures of the agency transferring the funds. Payments to other state agencies for the transfer of federal funds were \$3,821,376 in Fiscal 1973.

*Intra-agency payments.* Intra-agency payments are transactions transferring funds among accounts within the same agency. An agency's expenditures are overstated if intra-agency payments are included in state totals. Therefore, all intra-agency payments were deducted from total reported expenditures of each agency. The total amount of intra-agency payments deducted from Schedule III expenditures was \$3,415,769.

*Inter-agency payments.* If Agency A makes a \$50,000 payment to Agency B, this should not be counted as an expenditure for both agencies. However, a question arises as to which agency the expenditure is to be assigned. In the case of state taxes remitted to the Tax Commission and payments to other state agencies for transfer of federal funds, the above discussion indicates these expenditures are not attributed to the originating agency because it was merely serving as a conduit for the transfer of funds. In other instances, inter-agency payments are similar to what a private sector firm would view as necessary costs of running a business. As a general rule, inter-agency payments were deducted from the expenditures of the unit receiving the payment. The total of these inter-agency payments amounted to \$15,116,183 in Fiscal 1973. This amount was subtracted from state expenditures recorded in Schedule III.

*Industrial Finance Authority loans.* The Oklahoma Industrial Finance Authority issues bonds backed by the full faith and credit of the state. The proceeds of the bonds are used to set up a revolving fund from which loans are made to community industrial development agencies in Oklahoma. These loans are reported by the Division of the Budget as expenditures of the Oklahoma Industrial Finance Authority. Since loans should not be counted as expenditures, the total amount of OIFA loans, \$1,183,515, was subtracted from total state expenditures reported in Schedule III.

*Other deductions.* Further deductions were made from Schedule III expenditures because of the way retirement and insurance expenditures are handled by the Divi-

sion of the Budget. A brief discussion of the problems associated with recording these types of expenditures will help in explaining why such adjustments were necessary.

State government in Oklahoma either operates or participates in several retirement and insurance programs. Some of the programs are especially for state employees, while others have broader coverage. Functions of these include the provision of hospitalization and life insurance, temporary income for the unemployed, payments to workers injured on the job, and income to retired persons and their survivors.

Within the main framework of the examination of state expenditures by functional categories, expenditures for insurance and retirement are simply the costs to the agency, or to state government as a whole through dedicated revenues or appropriations, of contributing whatever is required to fund and maintain the programs. For example, within the Transportation function, there is an expenditure which reflects what the Highway Department paid into the Public Employees Retirement System. This is a useful definition of expenditure from a managerial point of view because it reflects government costs clearly related to performing a particular function during a given year (3).

This approach differs from that used by the Division of the Budget in recording expenditures on retirement and insurance. In fact, retirement and insurance expenditures are not handled consistently in the final computation of state government expenditures as it appears in Schedule III of the Governor's budget document submitted to the Legislature. For example, expenditures for the Oklahoma State Teachers Retirement System are treated in the same way as they are in the main body of this report, i.e. they are the appropriated and dedicated revenues which the state paid into the system. However, expenditures for the State Public Employees Retirement System are treated entirely differently, and include disbursements for savings and portfolio management associated with the trust fund.

As a result of the differing approaches discussed above, expenditures recorded in Schedule III of the budget document were reduced by \$69,987,613.

Two additional adjustments resulted in deductions of \$22,823,164 from Schedule III expenditures. The Division of the Budget reported that the Department of Institutions, Social and Rehabilitative Services disbursed \$29,489,755 from the Medicare revolving fund. This figure included \$19,823,164 of intra-agency payments and refunds made to the federal government which had to be deducted. Finally, the \$3 million of gasoline tax revenues apportioned to the Oklahoma Turnpike Authority had to be subtracted from Schedule III expenditures since it was included in this study under Turnpike Authority expenditures.

## COMPARISON OF RESULTS

The preceding methodological discussion has indicated major differences in approach between this study and the report of state expenditures appearing in Schedule III of the Governor's budget document. These differences relate to two general features: (a) how to classify expenditures in order to illustrate accurately the way in which expenditures fall into different functional classifications of state government activity, and (b) what data to include and what to exclude in identifying economically relevant state expenditures. The problem of determining what functional classification system to use was also discussed, with emphasis on the desirability of using the state's own system.

Table 4 reports the study's principal finding with respect to Oklahoma state government expenditures by functions during Fiscal 1973. Since the development of these expenditures figures required a substantial amount of analysis and data processing, the question arises as to how significant is their informational content relative to what can be obtained from already existing state expenditures reports.

Little comment is required with respect to a comparison with the U. S. Bureau of the Census' *State Government Finances* source. The Bureau's report on Fiscal 1973 expenditures will probably not be available until 1975, so no comparison can be made at this time. Moreover, the functional classification system used in *State Government Finances* is substantially different from the one used in this study. It is likely, however, that the study's estimates of expenditures

TABLE 4. Summary of state expenditures by function, Oklahoma, year ending June 30, 1973. Grand total: \$1,342,542,131.15

General Control	\$85,631,215.55	Payments to local governments for general purposes	6,076,738.30
General Government	27,409,644.67	Interest on general obligation bonds	6,033,942.07
(a) Executive	4,053,067.64	Other, including adjustment for unidentified interagency payments	- 37,780.63
(b) Legislative	3,535,381.15		
(c) Financial administration	11,188,966.31		
(d) Buildings and general government services	8,632,229.57		
Legal and judiciary	10,154,399.02		
Public safety and defense	43,621,659.67		
(a) Police	22,301,748.48		
(b) Corrections	13,565,823.05		
(c) Defense	3,003,378.13		
(d) Fire protection	4,750,710.01		
Regulatory services	4,445,512.19		
Human Resource Development	\$957,769,508.12		
Education	543,762,855.24		
(a) Higher education institutions	249,960,248.80		
(1) Universities	123,476,841.54		
(2) Colleges	29,085,996.95		
(3) Junior colleges	13,299,370.16		
(4) Post-secondary vocational-technical	5,122,258.96		
(5) Auxiliary enterprises	73,104,006.49		
(6) Higher education, not elsewhere classified	5,871,774.70		
(b) Elementary and secondary	241,210,028.33		
(c) Vocational-technical	18,340,559.17		
(d) Vocation-rehabilitation	10,718,992.79		
(e) Libraries, museums, and culture	3,691,016.51		
(f) Education, not elsewhere classified	19,842,009.64		
Health services	199,262,776.51		
(a) Health and health policies	162,865,824.63		
(b) Mental health and mental hospitals	36,396,951.88		
Social services	214,743,876.37		
(a) Public welfare	179,335,509.15		
(b) Employment security	27,574,184.19		
(c) Other social services	7,834,183.03		
Material Resource Development	\$287,068,507.74		
Transportation	245,977,289.05		
(a) Highways	245,628,654.83		
(b) Air transport	330,154.26		
(c) Railways	8,479.96		
(d) Water transport	10,000.00		
Natural resources	37,007,750.94		
(a) Natural resources and environmental quality	9,328,281.60		
(1) Land	7,053,918.61		
(2) Water	2,110,890.89		
(3) Air	70,869.54		
(4) Environmental control coordination	92,602.56		
(b) Recreation	15,491,868.42		
(c) Multi-purpose river development	12,187,600.92		
Industrial development	4,083,467.75		
Other expenditures not elsewhere classified	12,072,899.74		

will match fairly well with that of the Census when adjustments are made for differences in functional definitions. Both approaches are similar with respect to definitions of what to include and exclude, and with respect to the classification of spending along functional rather than strict agency-by-agency lines.

A much more important comparison is to be made with expenditures data which are already available for Fiscal 1973, and which will appear as Schedule III in the Governor's budget document. When the study's total expenditure figure was finally determined in late August of 1973, it came as a major surprise to the investigators that their figure was scarcely different from that of Schedule III. Building from the same Division of Budget data base, but using substantially different methodology, the study's total was \$1,342,542,131 as compared with Schedule III's \$1,339,279,407, a difference of only 0.24 percent (Table 5). Although the totals are virtually the same, their internal composition and distribution among functions are substantially different. Two techniques borrowed from the field of demography are used to illustrate these differences.

The first major difference results from the inclusion in one, and exclusion from the other, of certain expenditures data. The study's total figure includes \$125,568,927 of expenditures which are not included in Schedule III. At the same time, Schedule III includes \$122,306,202 of expenditure data not included in the study's total. Summing these two figures gives an indicator of the gross difference between the composition of the two distributions of \$247,875,129. When this figure is divided by the total of either distribution and multiplied by 100, the result is called an Index of Gross Shift (4, pp. 353-356). This index is 18.46 when calculated with the study's total, and is 18.51 using Schedule III's total. In other words, viewing the two totals, about one out of five dollars is not common to both.

TABLE 5. Comparison of study results with Schedule III state expenditures from Governor's budget document, Oklahoma, Fiscal 1973.

Division of the budget functional classification system	Per- centage of total expendi- tures		State expenditures study functional classification system	Per- centage of total expendi- tures	
	Expenditures			Expenditures	
General government	\$ 37,025,611	2.77	General government	\$ 27,409,644.67	2.04
Legal and judiciary	10,086,923	0.75	Legal and judiciary	10,154,399.02	0.76
Public safety and defense	38,599,018	2.88	Public safety and defense	43,621,659.67	3.25
Regulatory services	12,641,558	0.94	Regulatory services	4,445,512.19	0.33
Education	471,402,204	35.20	Education	543,762,855.24	40.50
Libraries & museums	3,141,113	0.24	(Libraries & museums)	—0—	—0— <sup>a</sup>
Health services	37,744,984	2.82	Health services	199,262,776.51	14.84
Social services	468,898,572	35.01	Social services	214,743,876.37	16.00
Highways	217,875,449	16.26	Transportation	245,977,289.05	18.32
Natural resources	23,773,960	1.78	Natural resources	37,007,750.94	2.76
(Industrial development)	—0—	—0— <sup>b</sup>	Industrial development	4,083,467.75	0.30
Other <sup>c</sup>	18,090,015	1.35	Other expenditures not elsewhere classified	12,072,899.74	0.90
<b>TOTAL</b>	<b>\$1,339,279,407</b>	<b>100.00</b>		<b>\$1,342,542,131.15</b>	<b>100.00</b>

<sup>a</sup> Classified under Education

<sup>b</sup> Classified under General government and other

<sup>c</sup> Includes sinking fund payments on bonded debt and other local apportionments.

The second major source of difference between the study's results and the Schedule III report relates to the way in which data are reported within functional classes of expenditures. The study's classification system uses virtually the same terms as Schedule III, and it is possible to look at contrasts between ways in which total expenditures are allocated among functions. In Table 6, the percentage breakdowns of expenditures by functional categories is compared by subtracting, for each category, the study's share from the share reported in Schedule III. Of course the algebraic sum of these differences is zero. When the differences are summed without regard to sign, and divided by 2, the result is a measure that demographers call an Index of Dissimilarity (4, pp. 232-233). If the two sets of percentage shares were identical, the Index of Dissimilarity would be zero; if they were totally different, the Index would be 100.00. The value of the Index comparing the two distributions in Table 6 is 21.04. This can be interpreted as implying that the difference in functional allocations between the study and Schedule III lies about one-fifth of the way along a continuum beginning with total similarity and ending with total dissimilarity.

TABLE 6. Index of dissimilarity, Schedule III compared with expenditures study

	Schedule III	Expendi- tures study	Difference
	%	%	%
General government	2.77	2.04	+ 0.73
Legal and judiciary	0.75	0.76	- 0.01
Public safety and defense	2.88	3.25	- 0.37
Regulatory services	0.94	0.33	+ 0.61
Education	35.20	40.50	- 5.30
Libraries and museums	0.24	—	+ 0.24
Health services	2.82	14.84	-12.02
Social services	35.01	16.00	+19.01
Highways			
Transportation	16.26	18.32	- 2.06
Natural resources	1.78	2.76	- 0.98
Industrial development	—	0.30	- 0.30
Other	1.35	0.90	+ 0.45
Total	100.00	100.00	00.0
Sum without regard to sign			42.08
Index of Dissimilarity, I.D. = $\frac{1}{2} \sum  r_i - c_i $			= 21.04

In conclusion, it must be emphasized that the contrasts between the study's expenditures data and that of Schedule III do not imply that either set of figures is the "correct" one. The fund accounting records of the Division of the Budget are kept with the primary purpose of assuring the financial integrity of state agencies within



the requirements of state law. Although the investigators in this study are economists rather than accountants, they were impressed with the thoroughness of the state's record keeping system. Hence, with the exception of excluded agencies, the Schedule III system is the correct one with respect to its purpose. The study's purpose was a different one, and it is hoped that the expenditures data developed therein shed substantial light on the total external payments of government within a truly functional system of classifying expenditures.

#### ACKNOWLEDGMENT

This project was sponsored by The Kerr Foundation, Inc.

#### NOTES AND REFERENCES

1. An educational brochure reporting the results of this study and a complete methodological appendix are available from The Kerr Foundation, Inc., 1208 Fidelity Plaza, Oklahoma City, Okla. 73102.
2. Senate Bill 115 passed by the 1973 Legislature required that these 25 agencies disburse funds through the Division of the Budget beginning July 1, 1973.
3. When a retirement or insurance program uses a trust fund, an alternative approach to defining expenditures appears. Expenditures can be viewed as that which is paid out of a fund in the form of benefits and withdrawals plus the cost of administering the program. These two alternative methods of recording expenditures on retirement and insurance are discussed in the Technical Appendix, which is available upon request from The Kerr Foundation, Inc., 1208 Fidelity Plaza, Oklahoma City, Okla. 73102.
4. H. S. SHRYOCK, J. S. SIEGEL, and ASSOCIATES, *The Methods and Materials of Demography*, U. S. Dept. Commerce, U. S. Govt. Printing Office, Washington, D. C., 1971.