STATE OF OKLAHOMA

1st Session of the 45th Legislature (1995)

2ND CONFERENCE COMMITTEE
SUBSTITUTE FOR ENGROSSED
SENATE BILL NO. 620 By: Haney of the Senate

and

Steidley, Holt and Davis
of the House

2ND CONFERENCE COMMITTEE SUBSTITUTE

An Act relating to public finance; amending 53 O.S. 1991, Section 1.14, which relates to the Oklahoma Image Book Fund; creating a revolving fund; amending Sections 1, 3, 4 and 5, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Sections 41.44, 41.46, 41.47 and 41.7c), which relate to program budgeting; making program budgeting a requirement for all agencies; modifying membership of the Joint Legislative Committee on Budget and Program Oversight; requiring certain vote for committee action; amending 62 O.S. 1991, Section 41.21, as last amended by Section 4, Chapter 277, O.S.L. 1994 (62 O.S. Supp. 1994, Section 41.21), which relates to claims for payment from state agencies; adding federal programs eligible for certain procedures; authorizing system for preaudit and settlement of claims for certain entities; imposing requirement related to interest income; prescribing procedure for payment of interest to United States Treasury; prescribing procedures for payments; amending 74 O.S. 1991, Section 450.1, as amended by Section 9, Chapter 279, O.S.L. 1994 (74 O.S. Supp. 1994, Section 450.1), which relates to the Legislative Service Bureau; modifying responsibilities of the Legislative Service Bureau; requiring certain services to be paid on a direct fee basis; directing the Office of State Finance to modify certain charges in a certain manner; directing transfer of money to the Special Cash Fund; repealing 62 O.S. 1991, Sections 41.7, as amended by Section 6, Chapter 279, O.S.L. 1994, 41.12, as amended by Section 7, Chapter 279, O.S.L. 1994, and Section 2, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Sections 41.7, 41.12 and 41.45), which relate to program transfers and budget work programs; providing for noncodification; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 53 O.S. 1991, Section 1.14, is amended to read as follows:

Section 1.14 There is hereby created in the State Treasury a revolving fund for the Oklahoma Historical Society to be designated the "Oklahoma Image Book Fund". ~~Said~~ The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies donated, contributed or otherwise received by the agency in connection with the development and marketing of the publication "Oklahoma Image Historical Photographic Exhibit". All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the Oklahoma Historical Society for the exclusive purpose of developing and marketing the publication "Oklahoma Image Historical Photographic Exhibit". Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed with the Director of State Finance as prescribed by law for approval and payment. ~~The funds shall be subject to legislative appropriations.~~

SECTION 2. AMENDATORY Section 1, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Section 41.44), is amended to read as follows:

Section 41.44 There is hereby established ~~a pilot~~ an initiative for ~~select~~ all departments, agencies, boards and commissions~~, hereinafter referred to as pilot agencies,~~ to prepare, submit and operate their budgetary system in a program format. The program budgeting ~~pilot~~ initiative shall be designed to better prioritize state funding needs, reduce program duplication and enhance budgeting information necessary to improve the efficiency of state operations. ~~The following pilot agencies are directed to participate in the program budgeting pilot:~~

~~1. Oklahoma Educational Television Authority;~~

~~2. Physician Manpower Training Commission;~~

~~3. Department of Vocational and Technical Education;~~

~~4. Department of Corrections;~~

~~5. Department of Public Safety;~~

~~6. Office of Personnel Management;~~

~~7. Office of State Finance;~~

~~8. Department of Central Services;~~

~~9. Water Resources Board;~~

~~10. Department of Commerce;~~

~~11. Department of Mental Health and Substance Abuse Services; and~~

~~12. Commission on Children and Youth.~~

SECTION 3. AMENDATORY Section 3, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Section 41.46), is amended to read as follows:

Section 41.46 The administrative head of any ~~pilot~~ agency or the request officer as defined in Section ~~5~~ 41.7c of this ~~act~~ title, may request that any current item of appropriation, appropriation allotment, program category or work program be transferred to any other program category within the same ~~pilot~~ agency. The administrative head shall make a request for program transfer to the Director of State Finance in writing and file a revised budget work program. Copies of the request for program transfer and budget work program revisions shall also be filed with the Joint Legislative Committee on Budget and Program Oversight as created by Section ~~4~~ 41.47 of this ~~act~~ title. The Director of State Finance shall approve the request for transfer unless both the ~~Chairman~~ Chair and Vice ~~Chairman~~ Chair of the Joint Legislative Committee on Budget and Program Oversight provide written notification to the Director of State Finance within twelve (12) calendar days of receipt of transfer request that the transfer subverts the intention and objectives of the Legislature in establishing the original appropriation, or unless the transfer does not meet the requirements of this section or Section 41.9 of this title. Notification of noncompliance with legislative intent shall be transmitted to the Director of State Finance within twelve (12) calendar days of receipt of the transfer request. The Director of State Finance shall give written notice of approval or disapproval of each program transfer to the ~~pilot~~ agency, the Governor and the ~~Chairman~~ Chair and Vice ~~Chairman~~ Chair of the Joint Legislative Committee on Budget and

Program Oversight within eighteen (18) calendar days of receiving the request.

Transfers shall be subject to the following limitations:

1. The amount to be transferred, together with all previous transfers, shall not exceed twenty-five percent (25%) of the total appropriation of the least of the items of appropriation, appropriation allotment or work program involved in the transfer; and

2. If the amount to be transferred, and all previous transfers, is greater than twenty-five percent (25%) of the least items of appropriation, appropriation allotment or work program involved in the transfer request, upon written application to the Director of State Finance, and the ~~Chairman~~ Chair and Vice ~~Chairman~~ Chair of the Joint Legislative Committee on Budget and Program Oversight and with written approval by the Contingency Review Board an additional fifteen percent (15%) may be transferred.

SECTION 4. AMENDATORY Section 4, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Section 41.47), is amended to read as follows:

Section 41.47 A. There is hereby established the Joint Legislative Committee on Budget and Program Oversight. The purposes of this committee shall include oversight of the implementation of a system of program budgeting for state agencies. Where appropriate, the Joint Committee shall also develop a process to link expenditures for program categories to corresponding program outcome measures.

B. The Joint Committee's duties shall also include:

1. Development of agency budget request forms and instructions in conjunction with the Office of State Finance;

2. Directing studies to aid in the development of legislative and procedural changes to further improve the budgetary, financial, accounting, reporting, personnel, and purchasing processes and systems of the state;

3. Direction of program evaluation and management studies;

4. Oversight and reporting on executive branch compliance with the legislative intent of appropriation measures. Such oversight and reporting duties may include:

a. agency reorganization actions,

b. executive orders calling for reduction of full-time-equivalents or hiring freezes, and

c. transfer of funds by the executive branch; and

5. The development of revenue and expenditure estimates and analyses.

C. Any reference in the Oklahoma Statutes to the Joint Committee on Fiscal Operations shall be a reference to the Joint Legislative Committee on Budget and Program Oversight.

D. The Joint Committee shall be composed of the following members:

1. Seven (7) members of the Senate as appointed by the President Pro Tempore of the Senate; and

2. ~~Seven (7)~~ Thirteen (13) members of the House of Representatives as appointed by the Speaker of the House of Representatives. A majority vote of the members appointed by each appointing authority shall be required for any action.

Members of the Joint Committee shall be appointed for each Legislature at the time the Legislature convenes by the respective presiding officers of the two houses of the Legislature and shall serve for two (2) years. The ~~chairmanship~~ Chair and ~~vice-chairmanship~~ Vice Chair of the Joint Committee shall rotate every two (2) years between the Senate and the House of Representatives beginning with a Senate member serving as ~~chairman~~ Chair in 1995. The Joint Committee shall meet at least four (4) times per year and at other times as called by the ~~Chairman~~ Chair. The Joint Legislative Committee on Budget and Program Oversight shall function as a committee of the Legislature when the Legislature is in session and is not in session. Each member of the Joint Committee shall serve until a successor is appointed.

~~D.~~ E. The Joint Committee shall be staffed jointly by the staff of the fiscal divisions of the Senate and the House of Representatives.

~~E.~~ F. The Joint Committee may make use of all available teleconferencing technology to facilitate meetings of the Joint Committee when the Legislature is not in session. The Committee shall take any appropriate action to make such teleconferenced meetings comply with the provisions of the Oklahoma Open Meeting Act, Section 301 et seq. of Title 25 of the Oklahoma Statutes.

~~F.~~ G. The Joint Committee shall periodically meet in different geographical regions of the state to enhance the Joint Committee's understanding of local conditions and to help educate the public as to the fiscal condition of the state.

SECTION 5. AMENDATORY Section 5, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Section 41.7c), is amended to read as follows:

Section 41.7c A. On or before the first day of June in each year, or as soon thereafter as possible, ~~the pilot~~ all agencies shall be required to file budget work programs with the Director of the Office of State Finance. Copies of all ~~pilot~~ agency budget work programs shall also be made available electronically to the staff of the Joint Legislative Committee on Budget and Program Oversight.

B. The required instructions, content and format of budget work programs shall be developed ~~cooperatively~~ by the ~~staff of the Joint Legislative Committee on Budget and Program Oversight and the~~ staff of the Budget Division of the Office of State Finance. The work programs shall include a description of all funds available to the ~~pilot~~ agency for expenditure and setting out allotments requested by the ~~pilot~~ agency by quarter and the entire fiscal year. The work program shall be accompanied by an organizational chart of the ~~pilot~~ agency, a statement of agency mission and program objectives. The work program shall show budgeted spending by major program category at the activity level and may identify budgeted spending by subprogram category at the subactivity level. Major program categories identified in the budget work program shall conform to the major program categories ~~set out in the pilot agency's appropriation bill~~ as provided by law. Budget work programs shall be signed by the executive

officer of each ~~pilot~~ agency. Such program and allotment requests may be made by the "request officer" who shall be designated by each ~~pilot~~ agency for that purpose. Executive officers of ~~pilot~~ agencies shall cooperate with the Office of State Finance staff and Joint Committee staff in developing program budgeting categories. All funds available or expected to be made available to any ~~pilot~~ agency, including nonfiscal appropriations, shall not be available for expenditure until the request officer of the ~~pilot~~ agency has complied with the applicable provisions of Sections 41.1 through 41.41 of ~~Title 62 of the Oklahoma Statutes~~ this title and has received approval of such request for funds from the Director of State Finance.

SECTION 6. AMENDATORY 62 O.S. 1991, Section 41.21, as last amended by Section 4, Chapter 277, O.S.L. 1994 (62 O.S. Supp. 1994, Section 41.21), is amended to read as follows:

Section 41.21 A. Except as otherwise provided by subsections B, C, D, E ~~and~~, F, G and H of this section, procedures for effecting payment of claims or payrolls shall include the following:

1. All claims and payrolls which are to be used to authorize the payment of money from the State Treasury, shall be filed with the Director of State Finance for audit and settlement prior to being filed for payment with the State Treasurer. The Director of State Finance may, at his or her discretion, establish a procedure to permit consolidated payment to vendors for claims involving more than one agency of the state when audit and settlement of such claims, as hereinafter provided, can in all respects be accomplished;

2. The Division of Central Accounting and Reporting shall preaudit all claims against contracts, purchase orders and other commitments before entering such claims against the appropriation allotment accounts; and

3. After claims and/or payrolls have been properly audited and recorded against the respective appropriation allotment accounts, the Division of Central Accounting and Reporting shall certify such claims and/or payrolls to the State Treasurer for

payment. It shall be the responsibility of the Division of Central Accounting and Reporting to determine:

a. that all legal requirements concerning the expenditure of monies involved in each claim or payroll have been complied with, and

b. that funds have been properly and legally allotted for the payment of the claim or payroll and that a sufficient balance exists for the payment of same.

Sufficient space shall be provided on each claim and/or payroll for the Director of State Finance to indicate that the claim or payroll has been approved for payment by the Division of Central Accounting and Reporting. The Director of State Finance shall authorize bonded employees in the Division of Central Accounting and Reporting to execute the signed approval of each claim or payroll which shall be certified to the State Treasurer for payment.

B. Notwithstanding the provisions of subsection A of this section, the Department of Human Services is authorized to establish an encumbrance and preaudit system for settlement of claims relating to public assistance, social service benefits and medical benefits to or for persons eligible under applicable federal laws and regulations, Oklahoma Statutes, and policies established by the Oklahoma Commission for Human Services. The following programs shall be eligible for this procedure:

1. Aid to Families with Dependent Children;

2. Aid to Aged, Blind and Disabled;

3. Medical Assistance;

4. Day Care;

5. Refugee Resettlement;

6. Low Income Heating and Energy Assistance;

7. General Assistance;

8. Crippled Children;

9. Social Services under Title XX of the U.S. Social Security Act, 42 U.S.C., Section 301 et seq.;

10. Adoption Subsidies;

11. Foster Care;

12. Medical Examination;

13. Area Agencies on Aging;

14. Any contract for service for which the Department of Central Services has approved as qualifying for a fixed and uniform rate pursuant to Section 85.7 of Title 74 of the Oklahoma Statutes;

15. Sheltered Workshops;

16. Contracted Group Homes;

17. Rehabilitative Client Interpreters;

18. Rehabilitative Client Drivers; and

19. Maternal and Child Health Services Block Grant.

The Department of Human Services shall provide to the Director of State Finance, for approval prior to inclusion in this procedure, detailed listings of the type of payments to be made for each of these programs. The Department of Human Services shall provide the Director of State Finance a daily report of the dollar amount of claims settled and checks or warrants written, the dollar amount of checks or warrants canceled, and the dollar amount of checks or warrants canceled by statutes.

C. Notwithstanding the provisions of subsection A of this section, the State Department of Rehabilitation Services is authorized to establish an encumbrance and preaudit system for settlement of claims relating to social service benefits and medical benefits to or for persons eligible under applicable federal laws and regulations, Oklahoma Statutes, and policies established by the Commission for Rehabilitation Services for the following programs:

1. Vocational and other rehabilitation;

2. Educational services;

3. Disability Determination Services; and

4. Visual Services.

The State Department of Rehabilitation Services shall provide to the Director of State Finance, for approval prior to inclusion in this procedure, detailed listings of the type of payments to be made for each of these programs. The State Department of Rehabilitation Services shall provide the Director of State

Finance a daily report of the dollar amount of claims settled and checks or warrants written, the dollar amount of checks or warrants canceled, and the dollar amount of checks or warrants canceled by statutes.

D. Provisions of subsection A of this section notwithstanding, the Oklahoma State Regents for Higher Education and the Director of State Finance shall jointly establish a system for the settlement of claims, excepting payroll, by entities of The Oklahoma State System of Higher Education. The settlement system shall include policy, procedures, and performance criteria for participation. The State Regents are authorized to approve or disapprove the participation of any institution or other entity of the State System in the claims settlement system.

E. Notwithstanding the provisions of subsection A of this section, agencies administering certain major federal assistance programs are authorized to establish a preaudit and settlement system for claims and/or payments relating to the purposes of the stated federal assistance programs. The State Treasurer shall promulgate rules and regulations for the state in accordance with Federal Banking and National Automated Clearing House Association standards and agencies shall be required to utilize automated clearing house procedures and regulations established by the State Treasurer provided that no individual or entity shall be required to have a bank account unless required by federal law or federal regulation. Agencies shall be further required to present these transactions to the Office of State Finance in a summarized format and shall include any accounting information necessary as determined by the Director of State Finance including, but not limited to, information related to Public Law 101-453 the Cash Management Improvement Act, 31 U.S.C., Sections 3335, 6501 and 6503. Expenditures for administration of the stated federal assistance programs shall not be eligible for these procedures. The following programs shall be eligible for this procedure:

1. National School Lunch Program;

2. Job Training Partnership Act, 29 U.S.C., Section 1501 et seq.;

3. Chapter 1 Programs - Local Education Agencies;

4. Pell Grant Program;

5. School Breakfast Program;

6. Federal, State and Local Partnerships for Educational Improvement;

7. Unemployment Trust Fund;

8. Special Education State Grants;

9. Alcohol and Drug Abuse and Mental Health Services Block Grant;

10. Child and Adult Care Food Program;

11. Special Supplemental Food Program for Women, Infants and Children;

12. Community Development Block Grant;

13. Community Services Block Grant;

14. Vocational Education - Basic Grants to States;

15. Capitalization Grants for State Revolving Funds;

16. Highway Planning and Construction (contractor estimates and right-of-way payments);

17. Special Milk Program;

18. Summer Food Service;

19. U.S. Departments of Health and Human Services, Housing and Urban Development, Education, and the Bureau of Indian Affairs grant awards administered by the Oklahoma Department of Education and ultimately received by eligible subrecipients;

20. Home Investment Partnership Program;

21. Emergency Shelter Grant Program;

22. Rental Rehabilitation;

23. Emergency Homeless Program;

24. Weatherization;

25. Employment Service;

26. Veterans State Nursing Home Care;

27. Cooperative Extension Service; ~~and~~

28. Rehabilitative Services-Base Support;

29. Medical Assistance;

30. Social Security Disability Insurance;

31. Food Stamps;

32. Payments to States for Child Care Assistance;

33. Drug Free Schools and Communities - State Grants;

34. Drug Control and System Improvement - Formula Grant; and

35. Disaster Assistance.

The Director of State Finance shall establish a disbursing fund which shall receive all federal, state matching and other funds which make up the total funding sources for each of the above federal programs.

F. Notwithstanding the provisions of subsection A of this section, the Director of State Finance shall be authorized to process payments for federal tax withholding without claim forms. The Director of State Finance shall establish a separate fund for the purpose of accumulating federal income tax withholding from payrolls and remitting same to the United States Treasury.

G. Notwithstanding the provisions of subsection A of this section, the Department of Education and the State Department of Vocational and Technical Education are authorized to establish a preaudit and settlement system for claims and/or payments of state funded assistance to school districts and institutions within the Oklahoma State System of Higher Education. Said payment system shall be neutral as to interest income to the state and the school districts.

H. Notwithstanding the provisions of subsection A of this section, the Director of State Finance shall be authorized to process, without claim forms, interest payments to the U.S. Treasury as required by Public Law 191-453, the Cash Management Improvement Act, 31 U.S.C., Sections 3335, 6501 and 6503. Agencies and entities defined as a component unit of the state for financial reporting purposes are responsible for the accrual of such interest liability of the state and shall provide payment to the Office of State Finance in the amount and method prescribed by the Office of State Finance. Any liability of the U.S. Treasury as determined by Public Law 191-453, the Cash Management Improvement Act, 31 U.S.C., Sections 3335, 6501 and 6503 shall be deposited in the State Treasury and transferred by the Director of

State Finance to the General Revenue Fund of the state subsequent to final determination and necessary audit resolution.

I. The State Treasurer shall write checks or warrants in payment of claims and payrolls certified to him or her for payment by the Division of Central Accounting and Reporting or the Department of Human Services or institutions within The Oklahoma State System of Higher Education. The State Treasurer, at his or her discretion and within such limitations as he or she may prescribe, may authorize the Director of State Finance, the Department of Human Services, or an institution within The Oklahoma State System of Higher Education to write the checks or warrants for payment of claims and payrolls that have been certified by the respective agency. The Director of State Finance, the Department of Human Services, and The Oklahoma State System of Higher Education institutions shall provide the State Treasurer a register of each payment for each check or warrant written. Provided, in lieu of checks or warrants:

1. The Director of State Finance may, with the concurrence of the State Treasurer, establish a procedure to effect the settlement of interagency claims by transfer entry; and

2. At the discretion of the State Treasurer, payment of claims and payrolls may be made by the electronic transfer of funds.

Such optional settlement modes may be implemented when the authorized officer or officers of the state are satisfied such modes will substantially operate to the benefit of the state and without sacrifice to the security and integrity of the monies and records of the state.

~~H.~~ J. The Director of State Finance is authorized to use a numeric or alphanumeric designation to cross-reference claims or payrolls to check warrant numbers, transfer entry or optional settlement mode used in the payment thereof.

SECTION 7. AMENDATORY 74 O.S. 1994, Section 450.1, as amended by Section 9, Chapter 279, O.S.L. 1994 (74 O.S. Supp. 1994, Section 450.1), is amended to read as follows:

Section 450.1 A. The Legislative Fiscal Office and Joint Bill Processing Department are hereby abolished.

B. There is hereby created the Legislative Service Bureau which shall serve both the House of Representatives and the Senate. The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall employ a Director of the Legislative Service Bureau, who shall employ such personnel as necessary to implement the responsibilities imposed upon the Bureau by the Legislature by concurrent resolution.

C. 1. The Legislative Service Bureau shall be responsible for

~~other fiscal~~ such services as directed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate; and

any area of production of proposed legislation as directed by the Speaker of the House of Representatives and President Pro Tempore of the Senate.

2. The Legislative Service Bureau shall be a clearinghouse for the Legislature for all budgetary forms, research reports and information.

3. Any reference in the Oklahoma Statutes to the Legislative Fiscal Office or the Joint Bill Processing Department shall be a reference to the Legislative Service Bureau.

SECTION 8. For the fiscal year ending June 30, 1996, the State Treasurer shall, to the extent possible, pay for services rendered by financial institutions on a direct fee basis.

SECTION 9. The Office of State Finance is directed to modify their data processing charges so that the charges more accurately represent a full-cost allocation based on the utilization by each agency.

SECTION 10. On the effective date of this section the State Treasurer shall transfer the amount of One Hundred Fifty-seven Thousand One Hundred Eighty-eight Dollars ($157,188.00) to the Special Cash Fund from unallocated funds of the pool designated as the Non-state Agency Fund.

SECTION 11. NONCODIFICATION The provisions of Sections 8, 9 and 10 of this act shall not be codified in the Oklahoma Statutes.

SECTION 12. REPEALER 62 O.S. 1991, Sections 41.7, as amended by Section 6, Chapter 279, O.S.L. 1994, 41.12, as amended by Section 7, Chapter 279, O.S.L. 1994, and Section 2, Chapter 279, O.S.L. 1994 (62 O.S. Supp. 1994, Sections 41.7, 41.12 and 41.45), are hereby repealed.

SECTION 13. This act shall become effective July 1, 1995.

SECTION 14. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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