STATE OF OKLAHOMA

2nd Session of the 49th Legislature (2004)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
HOUSE BILL 2332

By: Staggs of the House

and

Lawler of the Senate

COMMITTEE SUBSTITUTE

[ schools - public finance - automated recordkeeping - codification - effective date - emergency ]

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

SECTION 1. AMENDATORY 60 O.S. 2001, Section 177.2, is amended to read as follows:

Section 177.2 A. No public trust, school district or county shall issue any bonds, notes, ~~nonpayable warrants,~~ certificates of participation, certificates of indebtedness or any other evidence of indebtedness, excluding nonpayable warrants and agreements with a depository bank to honor payment of checks when there are insufficient funds, for the purpose of short-term cash management by any school district or county unless such school district or county shall have been approved for participation by the Oklahoma Commission on School and County Funds Management.

As used in this section, "short-term cash management" means any borrowing or any method employed by a school district or county to obtain funds in advance of the receipt of tax revenue, and shall include, but not be limited to, the issuance of certificates of indebtedness, certificates of participation, tax-anticipation notes, bonds, notes, or any other evidence of indebtedness. It shall not

include debt issued pursuant to a vote of the electors of the school district or county pursuant to the Constitution.

B. The Oklahoma Commission on School and County Funds Management, shall consist of the State Superintendent of Public Instruction, the Director of the Oklahoma Department of Career and Technology Education, and the State Bond Advisor. The Commission shall:

1. Receive requests of school districts and counties for authorization to participate in a short-term cash management program where the proceeds will be used to facilitate cash-flow management. The requests must be received by the Commission on or before April 1 in order for the school district or county to be considered for participation during the next fiscal year, unless such date is extended by the Commission;

2. Within five (5) business days of receiving a request, forward the request to the appropriate certifying authority. If the request and accompanying material meet the requirements of this act, the certifying authority must return the request and accompanying information to the Commission with a written review and comment within sixty (60) days of receipt of the request from the Commission. The certifying authority for school districts shall be the State Superintendent of Public Instruction and for technology center school districts, shall be the Director of the Oklahoma Department of Career and Technology Education and for counties, shall be the State Board of Equalization;

3. Approve or reject each request for participation, and forward notice of the decision of the Commission to the requesting school district or county and to the Office of the Governor. The Commission shall approve or reject a request within thirty (30) days following the date it receives the request and accompanying information with a written review and comment from a certifying authority;

4. Certify the need for funds generated by the proposed short-term cash management based on the financial projections of the school district or county, including the projected cash-flow shortfall, estimated income, and anticipated surplus balances on June 30 of the current fiscal year in the general and building funds of the school district or county. Accumulative cash-flow shortfall projections must be determined using the method specified by Section 148 of the Internal Revenue Code;

5. Establish reasonable limits for fees, commissions and other compensation paid to any person or firm involved with the proposed short-term cash management program;

6. Establish participation limitations for a school district or a county using the method specified in Section 148 of the Internal Revenue Code. No school district or county shall participate in a short-term cash management program in an amount which exceeds the determination of need pursuant to the accumulative cash-flow projections as specified in paragraph 4 of this subsection or forty percent (40%) of the approved annual budget of the school district or county, whichever is less;

7. Establish limitations which prohibit school districts and counties which are participating in a short-term cash management program from issuing nonpayable warrants if proceeds are available from the short-term cash management program;

8. Submit an annual report, by December 15 of each year, to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Governor, the State Auditor and Inspector and the Attorney General, detailing the participation of each school district and county for the prior fiscal year in the short-term cash management programs authorized by this act; and

9. Prescribe methods and procedures by which school districts or counties may request authorization to participate in short-term cash management programs.

C. School districts and counties desiring to participate in a short-term cash management program as provided in subsection A of this section shall file a request with the Commission on such forms as the Commission shall prescribe. Such request shall be accompanied by:

1. A resolution adopted by the board of education of the school district or by the county commissioners of a county. Such resolution shall state that the school district or county intends to and has need to participate in a short-term cash management program and that the board of education or county commission has authorized the submission of such request;

2. A letter signed by the underwriter of the short-term cash management program that specifies the name and address of all persons and firms receiving compensation, directly or indirectly, involved with the proposed short-term cash management program. All persons and firms designated shall not be paid out of school or county funds. For purposes of this paragraph, school or county funds shall not include the proceeds from certificates of indebtedness or certificates of participation generated from a short-term cash management program;

3. A verification from the Administrator of the Oklahoma Department of Securities that all persons receiving compensation, directly or indirectly, for providing advice to the school districts or counties concerning participation in the program or for endorsing participation in the program are appropriately registered with the Oklahoma Department of Securities as investment advisers or investment adviser representatives, as applicable, and that all persons receiving compensation, directly or indirectly, for the placement of the certificates of participation or like securities with investors are registered as broker-dealers or agents, as applicable;

4. The estimated income and expenditures of the school district or county for the year for which the school district or county wishes to participate in a short-term cash management program. The appropriate certifying authority shall develop and provide an income and expenditure disclosure form for use by a school district or county which desires to participate in a short-term cash management program which follows the applicable portions of the information return required by Section 148 of the Internal Revenue Code. The information supplied in the disclosure form must reflect the ability of the school district or county to pay off an amount equal to the district's or county's liability on the program from the income from the fiscal year of participation, prior to approval for participation by the Commission. If the Commission determines that a question exists concerning any information submitted pursuant to this subsection, the Commission may request any additional information from the school district or county that it deems necessary;

5. A copy of the most recent information return for a short-term cash management program filed with the Internal Revenue Service pursuant to Section 149(e) of the Internal Revenue Code;

6. An affidavit by all persons, firms, corporations or business enterprises of any kind which provide services for compensation on any financing to implement a short-term cash management program, which shall be signed under oath on a form approved by the Commission and which shall state that such persons, firms, corporations or business enterprises have not given any money or other thing of value, other than a bona fide campaign contribution, to any public official or to any public employee of a school district or county participating in such a cash management program. Any such person, firm, corporation or business enterprise shall also file a disclosure statement on a form approved by the Commission, which shall disclose all campaign contributions of any kind made to

any public official of a school district or county participating in such a short-term cash management program and shall also disclose the identity of any officer, director, agent or employee of such person, firm, corporation or business enterprise who is an officer or employee of a school or county participating in a short-term cash management program, or who is related to such officers or employees within the third degree of affinity or consanguinity;

7. A notarized sworn affidavit executed by each member of a board of education of a school district, the superintendent of schools and the treasurer of the school district or by each county commissioner of a county and the county treasurer, which states that the person or any member of the immediate family of the person has no direct or indirect financial interest in the short-term cash management program being requested. The affidavit shall be on a form prescribed by the Commission;

8. A summary report detailing all expenses incurred by a school district or county in participating in a short-term cash management program. The report shall be on a form prescribed by the Commission; and

9. Any application and other materials including any other necessary financial information, as may be required by the Commission.

D. If the information required to be submitted pursuant to this section meets all requirements established by the Commission and the Commission has approved such information and participation, and the participation is otherwise in accordance with law, the Oklahoma Commission on School and County Funds Management shall authorize the participation of the school district or county in the short-term cash management program. The Commission shall notify the school district or county in writing, whether the requirements of this section have been satisfied and approved.

E. School districts and counties participating in a short-term cash management program authorized by this section shall report to the Commission the probable income and expenses of anticipated investment income. The report shall not include probable income or expenses related to participation in a short-term cash management program.

F. The ability of a school district or county to issue general obligation bonds shall not be modified by this act.

G. The Office of the Attorney General shall provide legal assistance to the Oklahoma Commission on School and County Funds Management.

SECTION 2. AMENDATORY 62 O.S. 2001, Section 310.1, is amended to read as follows:

Section 310.1 A. Unless otherwise provided by ordinance, ~~municipal~~ officers, ~~municipal~~ boards, commissions and designated employees of cities and towns, hereinafter referred to as the purchasing officer, having authority to purchase or contract against all budget appropriation accounts as authorized by law shall submit all purchase orders and contracts prior to the time the commitment is made, to the officer charged with keeping the appropriation and expenditure records or clerk ~~of the municipality~~, who shall, if there be an unencumbered balance in the appropriation made for that purpose, so certify in the following form:

I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation.

Dated this _____ day of _____, ~~19~~ 20____.

_____

Encumbering Officer or Clerk of _____.

Provided, in instances where it is impossible to ascertain the exact amount of expenditures to be made at the time of recording the

encumbrance, an estimated amount may be used and the encumbrance made in like manner as set forth above. Provided, no purchase order or contract shall be valid unless signed and approved by the purchasing officer and certified as above set forth by the officer or clerk charged with keeping the appropriation and expenditure records. The clerk or encumbering officer shall retain and file one copy of the purchase order.

B. After satisfactory delivery of the merchandise or completion of the contract, the supplier shall deliver an invoice. Such invoice shall state the supplier's name and address and must be sufficiently itemized to clearly describe each item purchased, its unit price, where applicable, the number or volume of each item purchased, its total price, the total of the purchase and the date of the purchase. The appropriate ~~municipal~~ officer shall attach the itemized invoice together with delivery tickets, freight tickets or other supporting information to the original of the purchase order and, after approving and signing said original copy of the purchase order, shall submit the invoices, the purchase order and other supporting data for consideration for payment by the governing board. All invoices submitted shall be examined by the governing board to determine their legality. The governing board shall approve such invoices for payment in the amount the board determines just and correct.

C. As an alternative to the provisions of subsection B of this section, the governing body ~~of a municipality~~ may elect to pay claims and invoices pursuant to the provisions of subsection A of Section 17-102 of Title 11 of the Oklahoma Statutes, which provides for the adoption of ~~a municipal~~ <u>an</u> ordinance to ensure adequate internal controls against unauthorized or illegal payment of invoices. The ~~municipal~~ governing body may also authorize the chief executive officer or designee to approve payment of such invoices.

In absence of such authority, the governing board shall approve payment.

SECTION 3. AMENDATORY 62 O.S. 2001, Section 310.4, is amended to read as follows:

Section 310.4 All unencumbered balances, if any, as shown by the officer charged with keeping the appropriation and expenditure records of the county ~~or municipality~~, city, or town on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next. Said officer charged with keeping the appropriation and expenditure records of the county ~~or municipality~~, city, or town shall at any time during the month of July advertise in a newspaper of general circulation in the county and shall cause to be published for two (2) consecutive times if in a daily newspaper and once if in a weekly newspaper, notice in the following form:

PUBLIC NOTICE

All persons having an indebtedness or claim against _____

_____

County ~~or Municipality~~, City, or Town

are hereby notified that all invoices and documentation pertaining to said purchase order or contract must be recorded in the office of _____ Clerk on or before September 30, ~~19~~ 20___, covering all debts now unpaid and incurred during the period beginning on July 1, ~~19~~ 20___, and ending on June 30, ~~19~~ 20___, or said account shall be void and forever barred.

_____

Clerk or Encumbering Officer

Provided ~~further that the provisions of~~ this act shall not be so construed to allow the incurring of a new indebtedness ~~during the months of July, August and September~~ after June 30 chargeable to the appropriation account of the immediately preceding fiscal year.

SECTION 4. AMENDATORY 62 O.S. 2001, Section 471, is amended to read as follows:

Section 471. A. Except as provided in Section 17-102 of Title 11 of the Oklahoma Statutes and subsection B of this section, all public funds of any county or of any subdivision thereof shall be disbursed only in the payment of legal warrants, bonds and interest coupons. Counties may implement a direct deposit system to have warrants transferred electronically to a financial institution. The State Auditor and Inspector shall promulgate rules as necessary for the implementation and administration of a direct deposit system.

B. Any board of ~~education of a school district of this state or any board of~~ county commissioners of a county of this state may issue a negotiable instrument which will serve as both a warrant on the treasury and a check ordering payment of the warranted amount of money from the account of the treasury. This instrument shall be prepared and issued in accordance with procedures and requirements provided by law for a warrant and a check and~~, if issued by a school district, shall be signed by the clerk, treasurer and president of the board of education of the school district, or if issued by a county,~~ shall be signed by the chair of the board of county commissioners, the county clerk and the county treasurer. Printing on the instrument shall indicate that the instrument is a "warrant" of the ~~school district or~~ county and a "check" drawn on the account of the ~~school district or~~ county. The provisions of Sections 601 through 606 of this title shall apply to instruments authorized by this subsection.

SECTION 5. AMENDATORY 62 O.S. 2001, Section 472, is amended to read as follows:

Section 472. It is hereby made the duty of every officer authorized to allow, issue, draw or attest any warrant or certificate of indebtedness against the public funds of any county, city, town, township, ~~board of education, school district~~ or any

other subdivision of the county, to issue, draw and record all warrants, bonds and interest coupons, in ~~the~~ an orderly numerical ~~order issued on each fund, beginning with number one and issuing the same consecutively during the fiscal year. At the beginning of each fiscal year a new series shall be commenced, and said series~~ system established by the county, city, town, or township. The items shall be designated by writing the fiscal year on the warrant or certificate of indebtedness for which the levy to pay the same has been made.

SECTION 6. AMENDATORY 62 O.S. 2001, Section 474, is amended to read as follows:

Section 474. Each and every warrant or certificate of indebtedness must be drawn against a specific appropriation or specific amount authorized by a bond issue for such purpose. As soon as said warrant, certificate of indebtedness or a bond is issued, the same shall be at once signed and ~~forthwith~~ delivered by the clerk to the treasurer of the county ~~or subdivision thereof~~, city, or town, excluding a school district treasurer, issuing the same for registration.

SECTION 7. AMENDATORY 62 O.S. 2001, Section 475, is amended to read as follows:

Section 475. It is hereby made the duty of the treasurer of the county, city, or town ~~or school district~~ to whom a warrant, certificate of indebtedness or bond is directed for payment, to register the same by entering the number, the date, the name of the payee, the fund upon which it is drawn and the amount, and by writing on the warrant or evidence of indebtedness, the date of registration, his name and official title. All warrants, certificates of indebtedness or bonds, shall be registered in the ~~numerical~~ order in which they have been issued, and when so registered shall be returned to the clerk of the county, city or town ~~or the encumbrance clerk of the school district. Provided,~~

~~however, that after registration of dependent school district warrants, the county treasurer is authorized to deliver the same to any member of the governing body of the school district issuing such warrants or to any person authorized in writing by the governing body to receive the same~~. No warrant, certificate of indebtedness or bond shall be a valid charge until registered by the treasurer of the municipality issuing the same as herein provided. Nothing herein shall prevent the appointment and compensation from time to time by the governing body of any county, city, or town ~~or school district~~ of a registrar or transfer agent to effect the transfer of ownership or change of payee of any certificate of indebtedness or bonds issued by such county, city, or town ~~or school district~~ and to maintain books and records relating thereto. Nothing in this section shall prohibit any governing board from using automated recordkeeping procedures or methods and recording different information in lieu of the information specified in this section, provided the information required in this section can be accessed. Warrants and all evidences of indebtedness shall draw a rate of interest to be fixed by the governing board not to exceed the maximum rate provided by Section 498.1 of this title from and after its registration by the treasurer, unless there is cash on hand to pay the same when presented for registration and then the treasurer shall make the same "payable" after registering the same, and no interest shall be computed or allowed thereon when paid. When the treasurer has money on hand to pay warrants duly registered, the treasurer shall ~~publish notice thereof in one issue of a newspaper, or by posting~~ post five notices in public places, and interest shall cease on the warrants after thirty (30) days from the date of the ~~publication or~~ posting of said notice.

SECTION 8. AMENDATORY 62 O.S. 2001, Section 477, is amended to read as follows:

Section 477. It shall be unlawful for any officer to issue, approve, sign or attest any warrant or certificate of indebtedness in any form in excess of the estimate of expenses made and approved for the current fiscal year or authorized for such a purpose by a bond issue, and any such warrant or certificate of indebtedness issued, approved or attested in excess of the estimate made and approved or authorized by a bond issue, shall not be a charge against the ~~municipality or school district~~ city or town upon which it is issued, but may be collected by civil action from any officer issuing, drawing, approving, signing or attesting the same, or from either or all of them, or from their bondsmen.

SECTION 9. AMENDATORY 62 O.S. 2001, Section 478, is amended to read as follows:

Section 478. Any treasurer, excluding a school district treasurer, who shall register or pay a warrant, or certificate of indebtedness, issued in excess of the estimate made and approved by the excise board for the current fiscal year, or in excess of a bond issue for such purpose, shall be guilty of a misdemeanor and upon conviction, shall be punished by a fine of not less than One Thousand Dollars ($1,000.00) or by imprisonment in the county jail not exceeding one (1) year, or by both such fine and imprisonment.

SECTION 10. AMENDATORY 62 O.S. 2001, Section 479, is amended to read as follows:

Section 479. A. It shall be unlawful for the board of county commissioners, the county purchasing agent, the city council or the commissioners of any city, the trustees of any town, township board, ~~school district board of education~~ or any member or members of the aforesaid commissioners, or of any of the above-named boards, to willfully or knowingly make any contract for, incur, acknowledge, approve, allow or authorize any indebtedness against their respective ~~municipality,~~ city, town or county ~~or school district~~ or authorize it to be done by others, in excess of the estimate made

and approved by the excise board for such purpose for the current fiscal year, or in excess of the specific amount authorized for such purpose by a bond issue.

B. Any such indebtedness, contracted, incurred, acknowledged, approved, allowed or authorized in excess of the estimate made and approved for such purposes for the current fiscal year or in excess of the specific amount authorized for such purpose by a bond issue, shall not be a charge against the ~~municipality~~ city, town or county ~~or school district~~ whose officer or officers contracted, incurred, acknowledged, approved, allowed or authorized or attested the evidence of said indebtedness, but may be collected by civil action from any official willfully or knowingly contracting, incurring, acknowledging, approving or authorizing or attesting to the indebtedness, or from the bondsmen of the official.

SECTION 11. AMENDATORY 62 O.S. 2001, Section 482, is amended to read as follows:

Section 482. From and after the passage of this act, without regard to the time when funds may be collected and are available to pay the same, any and all warrants issued in payment of obligations of counties, townships, ~~school districts,~~ cities, towns and other municipal subdivisions or corporations of this state, shall as to time of payment, become due one (1) year after the close of the fiscal year for which the same was issued, and action thereon may be commenced in any court of competent jurisdiction to enforce the liability evidenced thereby. Unless action be commenced by the filing of suit thereon and service of summons by the aforesaid due date, the same shall be forever thereafter barred, and it shall not be necessary that such lapse of time be asserted as a defense in any such action in order that the defendant be relieved of liability thereon.

SECTION 12. AMENDATORY 62 O.S. 2001, Section 485, is amended to read as follows:

Section 485. It shall be unlawful for the governing board of any city~~,~~ or town ~~or school district (dependent or independent)~~ to issue any warrant or certificate of indebtedness, in any form, in payment of, or representing or acknowledging any account, claim or indebtedness against such city~~,~~ or town, ~~or school district,~~ or to make any contracts for, or incur any indebtedness against such city~~,~~ or town, ~~or school district~~ in excess of the amount then unexpended and unencumbered of the sum appropriated for the specific item of estimated needs for such purpose theretofore made, submitted, and approved, or authorized for such purpose by a bond issue. All warrants upon the lawful treasurer, for a city~~,~~ or town~~, or school district~~ purpose, shall be issued upon the order of the governing board thereof, drawn by its clerk, signed by the chairman or lawfully designated presiding officer thereof, and the clerk. Each warrant shall be coded in such manner as may be necessary to designate the fund and appropriation upon which it is drawn. The signatures of the presiding officer and clerk shall be deemed as notification to the public that the warrant is for the purpose and within the amount of the appropriation charged.

SECTION 13. AMENDATORY 62 O.S. 2001, Section 551, is amended to read as follows:

Section 551. It shall be the duty of the State Treasurer and each county, city, or town ~~or school district~~ treasurer~~, and the treasurer of every board of education in this state,~~ to pay on presentation any check, warrant or order properly drawn on any funds in his custody by virtue of his office, when there is cash sufficient in such fund to do so and when any check, warrant or order is paid, such treasurer shall maintain evidence such check or warrant has been processed and paid.

SECTION 14. AMENDATORY 62 O.S. 2001, Section 555, is amended to read as follows:

Section 555. A. The clerk of any municipal subdivision, county, city, town, or school district, is hereby authorized and empowered to issue a second or duplicate check, warrant or voucher in lieu of any check, warrant or voucher that has been issued and subsequently lost or destroyed. Except as provided in ~~subsection~~ subsections B and C of this section or unless the treasurer of any municipal subdivision, county, city, town or school district has evidence that a stop-payment order has been issued, no second or duplicate check, warrant or voucher shall be issued until an affidavit setting forth the facts as to the loss or destruction of the original check, warrant or voucher has been filed with the clerk, together with an indemnifying bond running to the treasurer of the municipal subdivision, county, city, town or school district, or to the Treasurer of the State of Oklahoma, in double the amount of such lost or destroyed check, warrant or voucher. The conditions of such bond shall be to indemnify and protect the municipal subdivision, county, city, town or school district, or to the Treasurer of the State of Oklahoma, from any loss or harm occasioned or sustained on account of the issue of such second or duplicate check, warrant or voucher. The bond shall be satisfactory to the treasurer of such municipal subdivision, county, city, town or school district, or to the Treasurer of the State of Oklahoma, who shall, upon being satisfied as to the sufficiency of the bond, endorse approval thereon. The clerk and treasurer shall make such records in their respective offices as will, as nearly as possible, preclude any loss being sustained by the municipal subdivision, county, city, town or school district, or to the Treasurer of the State of Oklahoma, on account of the issue of any second or duplicate check, warrant or voucher. Warrants issued by the State Treasurer against claims submitted through the Director of State Finance in payment of obligations of the state which may

subsequently be lost or destroyed will be governed by the provisions of Section 34 of Title 74 of the Oklahoma Statutes.

B. ~~If~~ For items under One Thousand Dollars ($1,000.00) that have been approved by a board of education of a school district ~~approves~~, an alternate warrant or check with a new number may be issued by a school district for a lost or destroyed warrant or check, upon affidavit of the payee as set forth in subsection A of this section which may be faxed, and upon the treasurer stopping payment on the ~~original warrant, and if such warrant also serves as a check, upon stopping payment of the~~ warrant or check by the payor bank.

C. Upon approval of the board of education of a school district, for items over One Thousand Dollars ($1,000.00), an alternate warrant or check with a new number may be issued by a school district for a lost or destroyed warrant or check, upon affidavit of the payee as set forth in subsection A of this section.

SECTION 15. AMENDATORY 68 O.S. 2001, Section 3002, as last amended by Section 1, Chapter 44, O.S.L. 2003 (68 O.S. Supp. 2003, Section 3002), is amended to read as follows:

Section 3002. A. ~~Each~~ Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to September 1 of each year, ~~meet on the first Monday in August of each year, and they shall, respectively,~~ make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, ~~and prior to September 1,~~ and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of

estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

B. Each municipality that does not prepare an annual audit pursuant to Section 17-105 of Title 11 of the Oklahoma Statutes shall make a financial statement as required by this section. Every municipality shall adopt a budget, which shall contain estimates of expenditures and revenues, including probable income by source, for the budget year; provided, that all municipalities may use estimated fund balances if final certified fund balances are not available. The budget shall be in a format similar to the estimate of needs or, at the municipality's discretion, to Sections 17-207 and 17-212 through 17-214 of Title 11 of the Oklahoma Statutes. This section shall not apply to any municipality that has opted to prepare a budget pursuant to the Municipal Budget Act.

C. Each budget and each financial statement and estimate of needs for each county, city, incorporated town, or school district, as prepared in accordance with this section, shall be published in one issue in some legally qualified newspaper published in such political subdivision. If there be no such newspaper published in such political subdivision, such statement and estimate shall be so published in some legally qualified newspaper of general circulation therein; and such publication shall be made, in each instance, by the board or authority making the estimate.

D. The financial statements and estimates of all counties shall be filed with the county excise board on or before August 17 of each year; and the financial statements and budgets of all incorporated towns shall be filed with the county excise board on or before August 22 of each year; and the financial statements and budgets of all cities shall be filed with the county excise board on or before August 27 of each year; and the financial statements and estimates of all school districts shall be filed with the county excise board on or before September 1 of each year. Said financial statements and estimates shall have attached thereto an affidavit showing the publication thereof as required herein, or they may be filed and the said affidavit attached thereto at any time within five (5) days after the filing thereof.

SECTION 16. AMENDATORY 68 O.S. 2001, Section 3004, is amended to read as follows:

Section 3004. Each officer, board or commission of any county, city, school district or town, and all employees charged with the management or control, of any department or institution of either thereof shall on or before ~~the first Monday in July~~ September 1 of each year, make and file with the board or commission charged with the duty of reporting to the excise board, a report in writing showing, by classes, the earnings and cost of maintaining their respective offices or departments for the previous fiscal year, together with an itemized statement and estimate of the probable need thereof for the current or ensuing fiscal year. Provided, that the report relative to the construction and repair of bridges shall be made by the county commissioners and county surveyors, conjointly, and shall be itemized so as to show the location of each proposed new bridge and the estimated cost thereof, and provided further, that the report relative to the probable needs of the courts of record shall be made by the court clerk and district

attorney, conjointly, and shall be itemized so as to show separately the respective needs of each court.

SECTION 17. AMENDATORY 68 O.S. 2001, Section 3020, is amended to read as follows:

Section 3020. A. The excise boards of the various counties in the state may convene at any time after the beginning of any fiscal year, upon call of the chairman of the board, for the purpose of approving temporary appropriations for the counties, cities, school districts and other municipal subdivisions of the state. Whenever the governing board of any such county, city, school district or other municipal subdivision of the state shall present to the excise board of such county or of the county in which any such city, school district or other municipal subdivision is located in whole or in part, a verified application showing that the needs of such county, city, school district or other municipal subdivision so require, such excise board may make temporary appropriations for lawful current expenses of such county, city, school district or other municipal subdivision. ~~School districts shall cause the application for the temporary appropriation to be published at least one time in a newspaper of general circulation in the county, at least three (3) days prior to the date on which the excise board shall consider the application for temporary appropriations. No appropriations to school districts shall be made and considered by the excise board in the absence of proper publication as required hereby.~~

B. Warrants <u>or checks</u> may be drawn against such temporary appropriations pending action by the excise board upon the annual estimate of needs and budget of such county, city, school district or other municipal subdivision for such fiscal year. The amount which may be appropriated by such temporary appropriations shall in no event exceed the entire amount which the governing board, making the application, estimates will be available for the entire fiscal year for each purpose for which a temporary appropriation is

requested; provided, however, the limitation on appropriations and any requirement for request or approval of temporary appropriations shall not apply to any city or town if the revenue from the ad valorem tax to the municipal general fund amounted to less than five percent (5%) of the total revenues accruing to the municipal general fund during the prior fiscal year. Such cities and towns may pay for lawful current expenditures pursuant to the estimate of needs as filed by the city or town and pending final action of the excise board.

C. Any such temporary appropriations so approved by the excise board of any county shall, when the annual budget for such county, city, school district or other municipal subdivision is finally approved, be merged in the annual appropriations for the same purposes and any warrant which has been, in the meantime, drawn against such temporary appropriations shall be charged against the final approved annual appropriations of such county, city, school district or other municipal subdivision for the said current fiscal year.

SECTION 18. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-115b of Title 70, unless there is created a duplication in numbering, reads as follows:

Upon the expiration of the term of office, the treasurer shall deliver check or warrant registers to the succeeding treasurer, and each successor in office shall act as though check or warrant entries were registered by the successor, who shall continue registration of all district checks or warrants. If a check or warrant cannot be paid for want of sufficient funds, a district may enter into an agreement not to extend beyond the current fiscal year with the depository bank to honor payment of these checks at an annual rate of interest as negotiated by the district and depository bank, which shall not exceed a rate equal to five percent (5%) above the average United States Treasury Bill rate of the preceding

calendar year as determined by the State Treasurer on the first regular business day of each year.

SECTION 19. AMENDATORY 70 O.S. 2001, Section 5-129, as last amended by Section 2, Chapter 290, O.S.L. 2003 (70 O.S. Supp. 2003, Section 5-129), is amended to read as follows:

Section 5-129. A. The board of education of each school district shall exercise control over all funds and revenues on hand or hereafter received or collected, as herein provided, from student or other extracurricular activities or other revenue-generating sources listed in subsection B of this section that are conducted in the school district. Such funds shall be deposited to the credit of the account maintained for the benefit of the particular activity within the school activity fund. Deposits of funds subject to the requirements of this section shall be made ~~daily~~ by the end of the next business day; however, if the deposit for a day totals less than One Hundred Dollars ($100.00), a school district may accumulate monies required to be deposited into the fund on a daily basis until the total accumulated balance of deposits equals or exceeds One Hundred Dollars ($100.00). Provided, a school district shall deposit accumulated monies into the fund not less than one (1) time per week, regardless of whether the monies total One Hundred Dollars ($100.00). Disbursements from each of the activity accounts shall be by check countersigned by the school activity fund custodian and shall not be used for any purpose other than that for which the account was originally created. The board of education, at the beginning of each fiscal year and as needed during each fiscal year, shall approve all school activity fund subaccounts, all subaccount fund-raising activities and all purposes for which the monies collected in each subaccount can be expended. Provided, the board of education may direct by written resolution that any balance in excess of the amount needed to fulfill the function or purpose for

which an account was established may be transferred to another account by the custodian.

B. The board of education of each school district may designate that any of the following revenue be deposited for the use of specific school activity accounts, or to a general activity fund within the school activity fund:

1. Admissions to athletic contests, school or class plays, carnivals, parties, dances and promenades;

2. Sale of student activity tickets;

3. Concession sales, including funds received from vending concession contracts and school picture contracts approved by the district board of education, and cafeteria or luncheon collections;

4. Dues, fees and donations to student clubs or other organizations, provided that membership in such clubs or organizations shall not be mandatory;

5. Income or revenue resulting from the operation of student organizations or club projects, provided, such revenue is not derived from the lease, rental or sale of property, supplies, products or other assets belonging to the school district. When approved by the board of education, student organizations or club projects may include fund-raising activities, the revenues from which may be used for the purpose of purchasing goods or services otherwise considered to be general fund expenditures;

6. Deposits for or collections for the purchase of class pictures, rings, pins, announcements, calling cards, annuals, banquets, student insurance and other such personal items; provided the cost of such items shall not be charged against other school funds; and

7. Other income collected for use by school personnel and other school related adult functions.

~~All other income, revenue, deposits or collections of any nature, including, but not limited to, Indian education support~~

~~funds, laboratory fees, fees for the use of equipment owned or rented by the school district, deposits or assessments for breakage or supplies used in instructional courses, sale, exchange, lease, or rent of property, supplies or products originally acquired from funds belonging to the school district or through the management, use or production of property belonging to the school district, shall be deposited in accordance with the provisions of Section 335 of Title 62 of the Oklahoma Statutes.~~

C. The board of education of such district may establish petty cash accounts to be used only for the purpose of making small cash expenditures, such as postage, freight or express charges; provided, no single expenditure from a petty cash account shall be made in excess of Seventy-five Dollars ($75.00), and the total expenditures during any one (1) fiscal year shall not exceed Two Thousand Five Hundred Dollars ($2,500.00) per school building. The school activity fund custodian shall initiate petty cash accounts by filing a claim against the general fund of the school district for the authorized amount of each petty cash account which shall not exceed Two Hundred Dollars ($200.00) per school building. The general fund warrants issued in payment of said claim shall be deposited in a "Petty Cash Account" in the school activity fund.

All disbursements from the petty cash accounts shall be made in the same manner as other disbursements from the school activity fund, except no disbursement shall be made from a petty cash account unless a prenumbered, dated receipt be obtained and signed by the person receiving payment. A school board may designate a petty cash custodian to countersign petty cash checks in place of the activity fund custodian. The school activity fund custodian shall file claims against the general fund of the school district for reimbursement of a petty cash account whenever the need shall arise. Such claims shall be itemized in the same manner as other claims filed against the general fund and shall have attached thereto the

receipts covering each of the expenditures claimed for reimbursement. The total of a petty cash account balance and the receipts on hand awaiting reimbursement should equal at all times the authorized amount of a petty cash account.

None of the provisions pertaining to a petty cash account shall be construed to authorize the use of one (1) fiscal year's fund to pay obligations of another fiscal year. Any remaining balance in each petty cash account shall be transferred to the general fund on or before June 30 of each year.

D. The State Board of Education shall adopt appropriate rules and regulations and design standard forms for the proper conduct of the various school activity accounts.

E. The school activity fund custodian and the petty cash custodian shall be appointed by the board of education of the school district. The school activity fund custodian and the petty cash custodian shall give a surety bond in an amount determined by the board of education, but not less than One Thousand Dollars ($1,000.00). The premium of the surety bond shall be paid from the school activity fund.

F. The local board of education is hereby authorized to invest activity funds as it determines appropriate. Upon direction of the local board of education, the custodian of the activity fund shall invest activity funds in any or all of the investments permitted and listed in Section 5-115 of this title.

G. The board of education of a school district may establish, by board resolution, a general fund refund subaccount within the school activity fund. The balance in the subaccount shall be determined by need, and it shall be funded by refunds and reimbursements received, including but not limited to, rental income, reimbursements for lost and damaged textbooks, summer school and adult tuition, overpayments and tax refunds, as well as transfers, by treasurer's check, from the school district general

fund. The subaccount may be expended only for the refund of revenues previously received and deposited either into the subaccount or directly into the general fund. Any remaining balance in the refund subaccount shall be transferred to the school district general fund on or before June 30 of each year.

H. The board of education of a school district may authorize the custodian of the school activity funds to provide cash advances to the sponsors for travel expenses on behalf of school district students and sponsors of certain school activities. The cash advances may only come from the school activity fund subaccount directly involved in the travel of such students or sponsor and only if the travel is one of the stated functions or purposes for the establishment of the subaccount. Receipts for all expenditures of the cash advances shall be kept and turned in to the custodian of the school activity fund following said trip.

I. Any invoice submitted to a school district which is to be paid from a school activity fund and is for payment of an authorized expenditure in an amount equal to or greater than the threshold amount stated in Section 310.9 of Title 62 and Section 3109 of Title 74 of the Oklahoma Statutes shall conform to the requirements set forth in these sections.

SECTION 20. AMENDATORY 70 O.S. 2001, Section 5-134.1, as amended by Section 1, Chapter 95, O.S.L. 2003 (70 O.S. Supp. 2003, Section 5-134.1), is amended to read as follows:

Section 5-134.1 A. No later than ~~July 31~~ <u>September 1</u> each district board of education shall prepare a statement of actual income and expenditures of the district for the fiscal year that ended on the preceding June 30. The board shall post a copy of the income and expenditures statement in the administrative office of the board in an area accessible to the public and in at least one public library within the district within five (5) days after the statement is prepared. The statement of expenditures shall include

functional categories as defined in rules promulgated by the State Board of Education to implement the Oklahoma Cost Accounting System pursuant to Section 5-135 of this title. ~~The statement of expenditures shall specifically include a detailed account of expenditures of the funds generated by and allocated to the school district through the economically disadvantaged weight in the State Aid Formula pursuant to the Oklahoma Cost Accounting System, for all school districts with an average daily membership (ADM) greater than ten thousand (10,000).~~

B. No later than ~~July 31~~ September 1 each year, every school district shall transmit a copy of the income and expenditures data required pursuant to subsection A of this section to the State Department of Education. The Department shall post the income and expenditure data on the Internet website for the Department in a form that is accessible to the public.

C. No later than September 1 the State Department of Education shall provide each school district an estimate of the district's allocation of State Aid for the current fiscal year.

D. No later than fifteen (15) days prior to adoption of a final budget for the district as provided in subsection E of this section, the board shall conduct a public hearing for the purpose of taking public comment on financial matters, including past and future expenditures, of the district at a regularly scheduled board meeting or at a special board meeting called for that purpose.

E. ~~No later than forty-five (45) days after the estimate of needs for the district, filed pursuant to Section 3002 of Title 68 of the Oklahoma Statutes, is approved by the county excise board, the board shall adopt a final budget for the current fiscal year.~~ The board shall adopt a final budget for the current fiscal year no later than forty-five (45) days or the second regularly scheduled board meeting after the school district has received notification from the county excise board that the estimate of needs has been

approved. The final budget shall include functional categories as defined in rules promulgated by the State Board of Education to implement the Oklahoma Cost Accounting System pursuant to Section 5-135 of this title.

F. The final budget may be revised upon approval of the district board of education in open meeting.

SECTION 21. AMENDATORY 70 O.S. 2001, Section 5-135, is amended to read as follows:

Section 5-135. A. The board of education of each school district shall use the following system of initiating, recording and paying for all purchases, salaries, wages or contractual obligations due from any of the funds under the control of such board of education. However, a school district board of education may use the procedures outlined in Section 304.1 of Title 62 of the Oklahoma Statutes for the payment of salaries and wages only if the board so votes. The provisions contained herein shall not apply to the sinking fund and school activity fund.

B. The encumbrance clerk and treasurer of the school district shall each enter the authorized amounts in the various appropriation accounts of the funds to which this system is applied. The authorized amounts of appropriations shall be the general fund and building fund appropriations approved by the county excise board and such additional amounts as may be applied in the manner provided by law, the amount received for deposit in a special cash fund where such special cash fund is authorized by law or required by the person or agency providing such funds, or the amount of the net proceeds realized from the sale of bonds of the school district and any other income due such fund.

C. It shall be the duty and responsibility of the board of education of the school district to prescribe and administer adequate business procedures and controls governing the purchase or confirmation of purchase and delivery of goods or services. The

procedures may include delivery of an acceptable invoice by document, facsimile, electronic or other standard form that includes the information required by the district. Such procedures shall include the designation of authorized persons to purchase goods or services for the district and the method of determining the school employee receiving delivery of each purchase.

D. Prior to the issuance of a purchase order, the encumbrance clerk must first determine that the encumbrance will not exceed the balance of the appropriation to be charged. The encumbrance clerk shall charge the appropriate appropriation accounts and credit the affected encumbrances outstanding accounts with the encumbrances. A copy of the encumbrance or purchase order may be used as the authority for the designated school personnel to complete the purchasing process. Encumbrances must be submitted to the board of education in the order of their issuance on a monthly basis, subject to a monthly business cycle cut-off date determined by the board of education. Approved encumbrances shall be listed in the minutes by the minute clerk.

E. After satisfactory receipt of the goods or services, the employee designated by the board of education to be responsible for the transaction shall certify the bill to the encumbrance clerk for payment. The encumbrance clerk, however, shall not pay any bill unless it is, or is properly supported by, an itemized invoice clearly describing each item purchased, the quantity of each item, its unit price, and its total cost. The bill and/or invoice shall be filed in the encumbrance clerk's official records. If a district has the ability to electronically utilize evaluated receipt settlement (ERS), the district may remit to vendors on that basis if the requirements of this subsection are fulfilled. In the event a district is establishing electronic data interchange, electronic entries will suffice in lieu of paper documents. In order for a

district to be authorized to utilize an evaluated receipt settlement system:

1. The ERS must have received the prior approval of the State Auditor and Inspector as conforming to industry standards governing ERS systems;

2. The ERS must result in payment by the district from vendor receipts that have been matched to the purchase order date;

3. The ERS may only be used when there is an agreement between the district and the vendor for use of an ERS; and

4. The ERS must be included in the district's journal ledger/accounts payable/purchase order software.

F. The encumbrance clerk shall debit the encumbrances outstanding account and credit the accounts payable account for the amount of the approved bill. The board of education shall determine the extent such costs may fluctuate without additional board action. Minor adjustments not requiring additional board approval shall be referenced to the original encumbrance.

G. After ascertaining that proper accounting of the purchase has been made and that the files contain sufficient information to justify the expenditure of public funds, the encumbrance clerk shall pay the approved bill by issuing a warrant or check against the designated fund, except as otherwise provided in subsection I of this section. The warrants or checks so issued shall be ~~consecutively numbered in the order of their issuance~~ recorded in an orderly numerical system established by the district. The encumbrance clerk shall charge the warrant or checks against the accounts payable account and credit it to the warrants or checks issued account. Provided, if payment is to be made immediately and the board of education deems it advisable, the postings to the accounts payable account may be omitted and the payment of the approved bill may be credited directly to the warrants or checks issued account. The warrant or check shall show on its face the

name of the school district, the date of issue, the payee, the amount, the expenditure classification code, and such other information as may be necessary or desirable. The president and clerk of the board of education shall each sign the warrant or check, thereby denoting to the public that the warrant or check is for the purpose and within the amount of the appropriation charged.

H. The ~~warrant shall then be delivered to the~~ treasurer ~~of the school district who~~ shall register the ~~same~~ warrant or check in the warrant or check register, charging the appropriation account and crediting the warrants or checks outstanding account of the designated fund. Provided, no warrant or check shall be registered in excess of the appropriation account's balance. All warrants or checks shall be registered in the order of their issuance ~~number~~. Voided warrants or checks shall be registered and filed with the treasurer. ~~The warrants against each fund shall be payable in the order of their issue.~~ The treasurer shall sign each warrant or check through individual signature or approved facsimile showing its registration date and stating whether the warrant is payable or nonpayable. When ~~funds become available, nonpayable warrants shall be called in the same manner as that now provided by law. When a properly payable warrant is presented to the treasurer, the treasurer shall issue a check in payment thereof. The payment shall be charged to the warrants payable account and credited to the cash account of the fund involved~~ a warrant or check is paid, the treasurer shall maintain evidence the warrant or check has been processed and paid. Nothing in this subsection shall prohibit any governing board from using automated recordkeeping procedures, provided the information required in this subsection can be accessed.

I. ~~In lieu of issuing such warrant as provided for in subsection G of this section, the treasurer of any school district may, upon notification from the encumbrance clerk that the bill is~~

~~approved for payment, enter the warrant on the warrant register and record payment of the warrant by check, wire transfer, direct payroll deposit, or other instrument or method of disbursement through the Federal Reserve System~~ Any board of education of a school district of this state may make a payment which would otherwise be made by warrant or check, by disbursement through an Automated Clearing House, bank account debit system, wire transfer through the Federal Reserve System, or any other automated payment system operated by a financial institution insured by the Federal Deposit Insurance Corporation. The internal controls over such payment system shall be reviewed and approved by the independent auditor of the district during the annual audit. The provisions of Sections 601 through 606 of Title 62 of the Oklahoma Statutes shall apply to instruments or payment authorized by this subsection.

J. School districts complying with the provisions of this act shall use only those forms and accounting systems approved by the State Board of Education. Such forms and systems shall be considered in substantial compliance with this act if they are sufficient to convey the meaning and sequence of transactions contained herein. Provided, nothing contained herein shall be construed to limit or prevent the use of additional or subsidiary accounts, forms, or files which may be deemed necessary or advisable by the board of education of the district or the State Board of Education.

K. Any school district desiring to utilize the services of a data processing center to furnish any or all of the records herein required may do so if the center and its system complies with this act and the rules and regulations of the State Board of Education. Such center shall furnish an honesty bond in an amount to be set by the board of education but not less than Ten Thousand Dollars ($10,000.00).

L. The State Board of Education shall notify the board of education of the school district of the tentative amount said district is to receive from state and federal aid funds or allocations, and the board of education of the school district may include such tentative estimate as an item of probable income in the preparation of the school district's Estimate of Needs and Financial Statement; provided, no such federal aid estimate shall be used in any way to reduce the State Foundation Aid or Incentive Aid for such school district or sustain a protest for the reduction of a tax levy.

SECTION 22. AMENDATORY 70 O.S. 2001, Section 15-106.1, is amended to read as follows:

Section 15-106.1 Any school district may become indebted for the purpose of purchasing equipment and may issue its bonds, as provided for by law, in any amount not exceeding, with existing indebtedness, ten percent (10%) of the valuation of the taxable property within the school district, as shown by the last incurring of indebtedness. The bonds shall be made to mature within a period not to exceed five (5) years from their date. It is hereby declared that the use of the word "equipment" in Section 26, Article X of the Oklahoma Constitution was intended to include: library books, textbooks, school-owned uniforms, computer software, district software licenses <u>and web-based software subscriptions</u> with a term of more than one (1) year but not more than five (5) years, the acquisition of telecommunications devices and components to be used to enhance classroom instruction and maintenance/service contracts which are included as a part of the equipment purchase price. <u>This provision shall not restrict a school district from issuing bonds with a maturity of greater than five (5) years for the purchase of equipment not listed in this section. If the maturity of the bond is greater than five (5) years, the maturity of the bond shall not</u>

exceed the effective life of any equipment purchased with the proceeds.

SECTION 23. AMENDATORY 70 O.S. 2001, Section 18-200.1, as last amended by Section 31, Chapter 415, O.S.L. 2003 (70 O.S. Supp. 2003, Section 18-200.1), is amended to read as follows:

Section 18-200.1 A. Beginning with the 1997-98 school year, and each school year thereafter, each school district shall have its initial allocation of State Aid calculated based on the state dedicated revenues actually collected during the preceding fiscal year, the adjusted assessed valuation of the preceding year and the highest weighted average daily membership for the school district of the two (2) preceding school years. Each school district shall submit the following data based on the first nine (9) weeks, to be used in the calculation of the average daily membership of the school district:

1. Student enrollment by grade level;

2. Pupil category counts; and

3. Transportation supplement data.

On or before December 30, the State Department of Education shall determine each school district's current year allocation pursuant to subsection D of this section. The State Department of Education shall complete an audit, using procedures established by the Department, of the student enrollment by grade level data, pupil category counts and transportation supplement data to be used in the State Aid Formula pursuant to subsection D of this section by December 1 and by January 15 shall notify each school district of the district's final State Aid allocation for the current school year. The January payment of State Aid and each subsequent payment for the remainder of the school year shall be based on the final State Aid allocation as calculated in subsection D of this section. Except for reductions made due to the assessment of penalties by the State Department of Education according to law, the January payment

of State Aid and each subsequent payment for the remainder of the school year shall not decrease by an amount more than the amount that the current chargeable revenue increases for that district.

B. The State Department of Education shall retain not less than one and one-half percent (1 1/2%) of the total funds appropriated for financial support of schools, to be used to make midyear adjustments in State Aid and which shall be reflected in the final allocations. If the amount of appropriated funds, including the one and one-half percent (1 1/2%) retained, remaining after January 1 of each year is not sufficient to fully fund the final allocations, the Department shall recalculate each school district’s remaining allocation pursuant to subsection D of this section using the reduced amount of appropriated funds.

C. On and after July 1, 1997, the amount of State Aid each district shall receive shall be the sum of the Foundation Aid, the Salary Incentive Aid and the Transportation Supplement, as adjusted pursuant to the provisions of subsection G of this section and Section 18-112.2 of this title; provided, no district having per pupil revenue in excess of three hundred percent (300%) of the average per pupil revenue of all districts shall receive any State Aid or Supplement in State Aid.

The July calculation of per pupil revenue shall be determined by dividing the district's second preceding year's total weighted average daily membership (ADM) into the district's second preceding year's total revenues excluding federal revenue, insurance loss payments, reimbursements, recovery of overpayments and refunds, unused reserves, prior expenditures recovered, prior year surpluses, and less the amount of any transfer fees paid in that year.

The December calculation of per pupil revenue shall be determined by dividing the district's preceding year's total weighted average daily membership (ADM) into the district's preceding year's total revenues excluding federal revenue, insurance

loss payments, reimbursements, recovery of overpayments and refunds, unused reserves, prior expenditures recovered, prior year surpluses, and less the amount of any transfer fees paid in that year.

D. For the 1997-98 school year, and each school year thereafter, Foundation Aid, the Transportation Supplement and Salary Incentive Aid shall be calculated as follows:

1. Foundation Aid shall be determined by subtracting the amount of the Foundation Program Income from the cost of the Foundation Program and adding to this difference the Transportation Supplement.

a. The Foundation Program shall be a district's highest weighted average daily membership based on the first nine (9) weeks of the current school year, the preceding school year or the second preceding school year of a school district, as determined by the provisions of subsection A of Section 18-201.1 of this title and paragraphs 1, 2, 3 and 4 of subsection B of Section 18-201.1 of this title, multiplied by the Base Foundation Support Level.

b. The Foundation Program Income shall be the sum of the following:

(1) The adjusted assessed valuation of the current school year of the school district, minus the previous year protested ad valorem tax revenues held as prescribed in Section 2884 of Title 68 of the Oklahoma Statutes, multiplied by the mills levied pursuant to subsection (c) of Section 9 of Article X of the Oklahoma Constitution, if applicable, as adjusted in subsection (c) of Section 8A of Article X of the Oklahoma Constitution. For purposes of this subsection, the "adjusted assessed valuation of the current school year" shall be the adjusted assessed

valuation on which tax revenues are collected during the current school year, and

(2) Seventy-five percent (75%) of the amount received by the school district from the proceeds of the county levy during the preceding fiscal year, as levied pursuant to subsection (b) of Section 9 of Article X of the Oklahoma Constitution, and

(3) Motor Vehicle Collections, and

(4) Gross Production Tax, and

(5) State Apportionment, and

(6) R.E.A. Tax.

The items listed in divisions (3), (4), (5), and (6) of this subparagraph shall consist of the amounts actually collected from such sources during the preceding fiscal year calculated on a per capita basis on the unit provided for by law for the distribution of each such revenue.

2. The Transportation Supplement shall be equal to the average daily haul times the per capita allowance times the appropriate transportation factor.

a. The average daily haul shall be the number of children in a district who are legally transported and who live one and one-half (1 1/2) miles or more from school.

b. The per capita allowance shall be determined using the following chart:

| DENSITY FIGURE | PER CAPITA ALLOWANCE | DENSITY FIGURE | PER CAPITA ALLOWANCE |
|---|---|---|---|
| .3000 - .3083 | $167.00 | .9334 - .9599 | $99.00 |
| .3084 - .3249 | $165.00 | .9600 - .9866 | $97.00 |
| .3250 - .3416 | $163.00 | .9867 - 1.1071 | $95.00 |
| .3417 - .3583 | $161.00 | 1.1072 - 1.3214 | $92.00 |
| .3584 - .3749 | $158.00 | 1.3215 - 1.5357 | $90.00 |

| | | | |
|---|---|---|---|
| .3750 - .3916 | $156.00 | 1.5358 - 1.7499 | $88.00 |
| .3917 - .4083 | $154.00 | 1.7500 - 1.9642 | $86.00 |
| .4084 - .4249 | $152.00 | 1.9643 - 2.1785 | $84.00 |
| .4250 - .4416 | $150.00 | 2.1786 - 2.3928 | $81.00 |
| .4417 - .4583 | $147.00 | 2.3929 - 2.6249 | $79.00 |
| .4584 - .4749 | $145.00 | 2.6250 - 2.8749 | $77.00 |
| .4750 - .4916 | $143.00 | 2.8750 - 3.1249 | $75.00 |
| .4917 - .5083 | $141.00 | 3.1250 - 3.3749 | $73.00 |
| .5084 - .5249 | $139.00 | 3.3750 - 3.6666 | $70.00 |
| .5250 - .5416 | $136.00 | 3.6667 - 3.9999 | $68.00 |
| .5417 - .5583 | $134.00 | 4.0000 - 4.3333 | $66.00 |
| .5584 - .5749 | $132.00 | 4.3334 - 4.6666 | $64.00 |
| .5750 - .5916 | $130.00 | 4.6667 - 4.9999 | $62.00 |
| .5917 - .6133 | $128.00 | 5.0000 - 5.5000 | $59.00 |
| .6134 - .6399 | $125.00 | 5.5001 - 6.0000 | $57.00 |
| .6400 - .6666 | $123.00 | 6.0001 - 6.5000 | $55.00 |
| .6667 - .6933 | $121.00 | 6.5001 - 7.0000 | $53.00 |
| .6934 - .7199 | $119.00 | 7.0001 - 7.3333 | $51.00 |
| .7200 - .7466 | $117.00 | 7.3334 - 7.6667 | $48.00 |
| .7467 - .7733 | $114.00 | 7.6668 - 8.0000 | $46.00 |
| .7734 - .7999 | $112.00 | 8.0001 - 8.3333 | $44.00 |
| .8000 - .8266 | $110.00 | 8.3334 - 8.6667 | $42.00 |
| .8267 - .8533 | $108.00 | 8.6668 - 9.0000 | $40.00 |
| .8534 - .8799 | $106.00 | 9.0001 - 9.3333 | $37.00 |
| .8800 - .9066 | $103.00 | 9.3334 - 9.6667 | $35.00 |
| .9067 - .9333 | $101.00 | 9.6668 or more | $33.00 |

c. The formula transportation factor shall be 1.39.

3. Salary Incentive Aid shall be determined as follows:

a. Multiply the Incentive Aid guarantee by the district's highest weighted average daily membership based on the first nine (9) weeks of the current school year, the preceding school year or the second preceding school

year of a school district, as determined by the provisions of subsection A of Section 18-201.1 of this title and paragraphs 1, 2, 3 and 4 of subsection B of Section 18-201.1 of this title.

b. Divide the district's adjusted assessed valuation of the current school year minus the previous year's protested ad valorem tax revenues held as prescribed in Section 2884 of Title 68 of the Oklahoma Statutes, by one thousand (1,000) and subtract the quotient from the product of subparagraph a of this paragraph. The remainder shall not be less than zero (0).

c. Multiply the number of mills levied for general fund purposes above the fifteen (15) mills required to support Foundation Aid pursuant to division (1) of subparagraph b of paragraph 1 of this subsection, not including the county four-mill levy, by the remainder of subparagraph b of this paragraph. The product shall be the Salary Incentive Aid of the district.

E. By June 30, 1998, the State Department of Education shall develop and the Department and all school districts shall have implemented a student identification system which is consistent with the provisions of subsections C and D of Section 3111 of Title 74 of the Oklahoma Statutes. The student identification system shall be used specifically for the purpose of reporting enrollment data by school sites and by school districts, the administration of the Oklahoma School Testing Program Act, the collection of appropriate and necessary data pursuant to the Oklahoma Educational Indicators Program, determining student enrollment, establishing a student mobility rate, allocation of the State Aid Formula and mid-year adjustments in funding for student growth. This enrollment data shall be submitted to the State Department of Education in accordance with rules promulgated by the State Board of Education.

Funding for the development, implementation, personnel training and maintenance of the student identification system shall be set out in a separate line item in the allocation section of the appropriation bill for the State Board of Education for each year.

F. 1. In the event that ad valorem taxes of a school district are determined to be uncollectible because of bankruptcy, clerical error, or a successful tax protest, and the amount of such taxes deemed uncollectible exceeds Fifty Thousand Dollars ($50,000.00) or an amount greater than twenty-five percent (25%) of ad valorem taxes per tax year, or the valuation of a district is lowered by order of the State Board of Equalization, the school district's State Aid, for the school year that such ad valorem taxes are calculated in the State Aid Formula, shall be determined by subtracting the net assessed valuation of the property upon which taxes were deemed uncollectible from the assessed valuation of the school district and the state. Upon request of the local board of education, it shall be the duty of the county assessor to certify to the Director of Finance of the State Department of Education the net assessed valuation of the property upon which taxes were determined uncollectible.

2. In the event that the amount of funds a school district receives for reimbursement from the Ad Valorem Reimbursement Fund is less than the amount of funds claimed for reimbursement by the school district due to insufficiency of funds as provided in Section 193 of Title 62 of the Oklahoma Statutes, then the school district's assessed valuation for the school year that such ad valorem reimbursement is calculated in the State Aid Formula shall be adjusted accordingly.

G. 1. Notwithstanding the provisions of Section 18-112.2 of this title, a school district shall have its State Aid reduced by an amount equal to the amount of carryover in the general fund of the

district as of June 30 of the preceding fiscal year, that is in excess of the following standards:

| Total Amount of General Fund Collections, Excluding Previous Year Cash Surplus as of June 30 | Amount of General Fund Balance Allowable |
|---|---|
| Less than $1,000,000 | 40% |
| $1,000,000 - $2,999,999 | 35% |
| $3,000,000 - $3,999,999 | 30% |
| $4,000,000 - $4,999,999 | 25% |
| $5,000,000 - $5,999,999 | 20% |
| $6,000,000 - $7,999,999 | 16% |
| $8,000,000 - $9,999,999 | 16% |
| $10,000,000 - $11,999,999 | 15% |
| $12,000,000 – $13,999,999 | 14% |
| $14,000,000 - $15,999,999 | 13% |
| $16,000,000 - $17,999,999 | 12% |
| $18,000,000 - $19,999,999 | 11% |
| $20,000,000 - $21,999,999 | 10% |
| $22,000,000 – $23,999,999 | 9% |
| More than $24,000,000 | 8% |

2. By February 1 the State Department of Education shall send by certified mail, with return receipt requested, to each School District Superintendent, Auditor and Regional Accreditation Officer a notice of and calculation sheet reflecting the general fund balance penalty to be assessed against that school district. Calculation of the general fund balance penalty shall not include federal revenue. Within thirty (30) days of receipt of this written notice the school district shall submit to the Department a written reply either accepting or protesting the penalty to be assessed against the district. If protesting, the school district shall submit with its reply the reasons for rejecting the calculations and

documentation supporting those reasons. The Department shall review all school district penalty protest documentation and notify each district by March 15 of its finding and the final penalty to be assessed to each district. General fund balance penalties shall be assessed to all school districts by April 1.

3. Any school district which receives proceeds from a tax settlement or a Federal Emergency Management Agency settlement during the last two (2) months of the preceding fiscal year shall be exempt from the penalties assessed in this subsection, if the penalty would occur solely as a result of receiving funds from the tax settlement.

4. Any school district which receives an increase in State Aid because of a change in Foundation and/or Salary Incentive Aid factors during the last two (2) months of the preceding fiscal year shall be exempt from the penalties assessed in this subsection, if the penalty would occur solely as a result of receiving funds from the increase in State Aid.

5. If a school district does not receive Foundation and/or Salary Incentive Aid during the preceding fiscal year, the State Board of Education may waive the penalty assessed in this subsection if the penalty would result in a loss of more than forty percent (40%) of the remaining State Aid to be allocated to the school district between April 1 and the remainder of the school year and if the Board determines the penalty will cause the school district not to meet remaining financial obligations.

6. Any school district which receives gross production revenue apportionment during the 2002-2003 school year that is greater than the gross production revenue apportionment of the preceding school year shall be exempt from the penalty assessed in this subsection, if the penalty would occur solely as a result of the gross production revenue apportionment, as determined by the State Board of Education.

7. For purposes of calculating the general fund balance penalty, the terms "carryover" and "general fund balance" shall not include federal revenue.

H. In order to provide startup funds for the implementation of early childhood programs, State Aid may be advanced to school districts that initially start early childhood instruction at a school site. School districts that desire such advanced funding shall make application to the State Department of Education no later than September 15 of each year and advanced funding shall be awarded to the approved districts no later than October 30. The advanced funding shall not exceed the per pupil amount of State Aid as calculated in subsection D of this section per anticipated Head Start eligible student. The total amount of advanced funding shall be proportionately reduced from the monthly payments of the district's State Aid payments during the last six (6) months of the same fiscal year.

I. 1. Beginning July 1, 1996, the Oklahoma Tax Commission, notwithstanding any provision of law to the contrary, shall report monthly to the Oklahoma State Department of Education the monthly apportionment of the following information:

a. the assessed valuation of property,

b. motor vehicle collections,

c. R.E.A. tax collected, and

d. gross productions tax collected.

2. Beginning July 1, 1997, the State Auditor and Inspector's Office, notwithstanding any provision of law to the contrary, shall report monthly to the Oklahoma State Department of Education the monthly apportionment of the proceeds of the county levy.

3. Beginning July 1, 1996, the Commissioners of the Land Office, notwithstanding any provision of law to the contrary, shall report monthly to the State Department of Education the monthly apportionment of state apportionment.

4. Beginning July 1, 1997, the county treasurers' offices, notwithstanding any provision of law to the contrary, shall report monthly to the Oklahoma State Department of Education the ad valorem tax protest amounts for each county.

5. The information reported by the Tax Commission, the State Auditor and Inspector's Office, the county treasurers' offices and the Commissioners of the Land Office, pursuant to this subsection shall be reported by school district on forms developed by the State Department of Education.

SECTION 24. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-181 of Title 70, unless there is created a duplication in numbering, reads as follows:

The treasurer of a school district to whom a certificate of indebtedness or bond is directed for payment shall register the certificate of indebtedness or bond by entering the number, the date, the name of the payee, the fund upon which it is drawn and the amount and shall write on the certificate or bond the date of registration and the name of the treasurer. Certificates of indebtedness or bonds shall be registered in the numerical order in which they are issued and, after registration, shall be given to the encumbrance clerk. No certificate of indebtedness or bond shall be a valid charge until registration by the treasurer. A board of education may contract for and pay a registrar or transfer agent to transfer ownership or change of payee of any certificate of indebtedness or bond issued by the school district and to maintain relevant books and records. The treasurer shall record payment of certificates of indebtedness or bonds and mark “paid” on the face of paid certificates of indebtedness or bonds.

SECTION 25. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-182 of Title 70, unless there is created a duplication in numbering, reads as follows:

It shall be unlawful for any school district officer to issue, approve, sign, or attest any check, warrant or certificate of indebtedness in any form in excess of the estimate of expenses made and approved for the current fiscal year or authorized for such a purpose by a bond issue and any such check, warrant or certificate of indebtedness issued, approved, or authorized by a bond issue shall not be a charge against the school district upon which it is issued, but may be collected by civil action from any officer issuing, drawing, approving, signing, or attesting the same, or from either or all of them, or from their bondsmen.

SECTION 26. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-183 of Title 70, unless there is created a duplication in numbering, reads as follows:

Any treasurer who shall willfully or knowingly register or pay a warrant, check or certificate of indebtedness, issued in excess of the estimate made and approved by the excise board for the current fiscal year or in excess of a bond issue for such purpose, shall be guilty of a misdemeanor and, upon conviction, shall be punished by a fine of not less than One Thousand Dollars ($1,000.00) or by imprisonment in the county jail not exceeding one (1) year or by both the fine and imprisonment.

SECTION 27. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-184 of Title 70, unless there is created a duplication in numbering, reads as follows:

Any school district officer willfully or knowingly contracting, incurring, acknowledging, authorizing, allowing, or approving any indebtedness or any officer issuing, drawing, or attesting any check, warrant or certificate of indebtedness in excess of the estimate made and approved by the excise board for such purpose for the current fiscal year or in excess of the specific amount authorized for such purpose by a bond issue, shall be deemed guilty of a misdemeanor and, upon conviction, shall be punished by a fine

of not less than One Thousand Dollars ($1,000.00) or by imprisonment in the county jail for not to exceed one (1) year or by both the fine and imprisonment, and shall forfeit and be removed from office pursuant to state law.

SECTION 28. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-185 of Title 70, unless there is created a duplication in numbering, reads as follows:

Without regard to the time when funds may be collected and are available to pay a check or warrant issued by a school district, any school district check or warrant shall be due one (1) year after the close of the fiscal year for which the check or warrant was issued and action may be commenced in any court of competent jurisdiction to enforce the liability evidenced by the check or warrant. Any action to enforce the liability evidenced by the check or warrant shall thereafter be barred, and the lapse of time need not be asserted as defense in any action for the school district to be relieved of liability.

SECTION 29. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-186 of Title 70, unless there is created a duplication in numbering, reads as follows:

It shall be unlawful for the governing board of education to issue any check, warrant or certificate of indebtedness, in any form, in payment of, or representing or acknowledging any account, claim, or indebtedness against the school district, or to make any contracts for, or incur any indebtedness against the school district in excess of the amount then unexpended and unencumbered of the sum appropriated for the specific item of estimated needs for such purpose theretofore made, submitted, and approved, or authorized for such purpose by a bond issue. The signature of the board president and clerk shall be notification to the public that the check or warrant is for the purpose and within the amount of the appropriation charged.

SECTION 30. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-187 of Title 70, unless there is created a duplication in numbering, reads as follows:

All unencumbered balances, if any, as shown by the officer charged with keeping the appropriation and expenditure records of the school district on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30. If a date earlier than September 30 is established, the encumbrance clerk shall publish, on the district's web site for two consecutive times if also published in a daily newspaper and once if published in a weekly newspaper of general circulation in the school district, notice of the date set by the board of education for the submission of all claims against unencumbered balances of the prior fiscal year in the following form:

PUBLIC NOTICE

All having a claim against the ____ Public School District are notified that all invoices and required documentation pertaining to an approved purchase order for services rendered or goods or materials delivered pursuant to that purchase order must be recorded with the encumbrance clerk of the district on or before the ____ day of _____, 20__, covering all debts now unpaid and incurred during the period of the prior fiscal year beginning on July 1, 20__, and ending on June 30 20___, or the claim upon which the invoice or purchase order is based shall be void and forever barred.

_____

District Encumbrance Clerk

This section shall not permit the incurring of new indebtedness chargeable to the appropriation account of the immediately preceding fiscal year.

SECTION 31. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 5-188 of Title 70, unless there is created a duplication in numbering, reads as follows:

Provided all fund balances reserved for unencumbered balance of appropriations for the prior fiscal year on hand at the close of day set by the board of education in the current fiscal year, but in no event later than September 30, may be appropriated by supplemental appropriation to current expense purposes in the current fiscal year in the manner now provided by law. In the event of the recording of an estimated encumbrance or in the event of an increase in the cost of supplies, equipment, material, or services, these underestimations may be provided for during the time period set by the board by the cancellation of appropriations made by the county excise board prior to June 30, subject to the approval of both the governing board and the officer in charge of the department or appropriation account only in instances as set forth and only in amounts sufficient to pay the increased encumbrances, and by reapportionment to the appropriation accounts in which an underestimated encumbrance was made, all in the manner as now provided by law for the making of supplemental appropriations.

SECTION 32. REPEALER 70 O.S. 2001, Section 5-115a, is hereby repealed.

SECTION 33. REPEALER 70 O.S. 2001, Section 24-108, is hereby repealed.

SECTION 34. This act shall become effective July 1, 2004.

SECTION 35. 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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