

STATE OF OKLAHOMA

2nd Session of the 50th Legislature (2006)

COMMITTEE SUBSTITUTE
FOR
HOUSE JOINT
RESOLUTION NO. 1020

By: Miller (Ken)

COMMITTEE SUBSTITUTE

A Joint Resolution directing the Secretary of State to refer to the people for their approval or rejection a proposed amendment to Section 23 of Article X of the Constitution of the State of Oklahoma; modifying procedures governing appropriation process; requiring Annual Spending Limit; providing for annual adjustments; modifying procedures related to Constitutional Reserve Fund; providing for reduction of certain income tax rates based upon collections with respect to the General Revenue Fund; providing ballot title; and directing filing.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES AND THE SENATE OF THE 2ND SESSION OF THE 50TH OKLAHOMA LEGISLATURE:

SECTION 1. The Secretary of State shall refer to the people for their approval or rejection, as and in the manner provided by law, the following proposed amendment to Section 23 of Article X of the Constitution of the State of Oklahoma to read as follows:

Section 23. A. The state shall never create or authorize the creation of any debt or obligation, or fund or pay any deficit, against the state, or any department, institution or agency thereof, regardless of its form or the source of money from which it is to be paid, except as may be provided in this section and in Sections 24 and 25 of Article X of the Constitution of the State of Oklahoma.

B. To ensure a balanced annual budget and to limit the growth of revenue and expenditures, pursuant to the limitations contained in the foregoing, procedures are herewith established ~~as follows:~~

~~1.~~ for determining the amount of money available to the Legislature for appropriation each year and for protecting the taxpayers of the State of Oklahoma from unreasonable growth in the size of state government expenditures.

C. Not more than forty-five (45) days or less than thirty-five (35) days prior to the convening of each regular session of the Legislature, the State Board of Equalization shall certify the total amount of revenue which accrued during the last preceding fiscal year to the General Revenue Fund and to each Special Revenue Fund appropriated directly by the Legislature, and shall further certify ~~amounts available for appropriation which shall be based on a determination, in accordance with the procedure hereinafter provided,~~ an estimate of the revenues to be received by the state under the laws in effect at the time such determination is made, for the next ensuing fiscal year, showing separately the revenues to accrue to the credit of each such fund of the state appropriated directly by the Legislature.

D. The State Board of Equalization shall also certify annually a Spending Limit Adjustment equal to a percentage which shall be determined by the State Board using a methodology to calculate any annual increase or decrease in cost for delivery of government services which methodology shall be developed for the State Board by constructing a state government price index reflecting a proportional representation of state-provided goods and services in consultation with the comprehensive state universities' economics departments.

E. Amounts certified as available for appropriation from each fund, as hereinbefore provided, shall be ~~ninety-five percent (95%) of an itemized estimate made by the State Board of Equalization, which shall include all sources of revenue to each fund for the next ensuing fiscal year; provided, however, appropriated federal funds shall be certified for the full amount of the estimate. Said~~

~~estimate shall consider any increase or decline in revenues that would result from predictable changes in the economy~~ subject to the Annual Spending Limit.

F. The Annual Spending Limit shall be determined as follows:

1. The State Board of Equalization final certification of the revenues to accrue to the General Revenue Fund of the State Treasury for the fiscal year ending June 30, 2006, shall become the Annual Spending Limit Base Year;

2. The State Board of Equalization shall annually compute the increase or decrease in the cost for delivery of government services using the methodology described by subsection D of this section;

3. Each December, the State Board of Equalization shall multiply the Annual Spending Limit Base Year amount by the percentage determined pursuant to paragraph 2 of this subsection;
and

4. The result of the computation from paragraph 3 of this subsection shall be the total amount of revenue available for appropriation by the Legislature pursuant to Section 55 of Article V of the Oklahoma Constitution for the ensuing fiscal year.

G. Legislative appropriations for any fiscal year, except for special appropriations provided for in ~~paragraph 6, 7 or 8~~ subsection L or M of this section shall be limited to a sum not to exceed the total amount appropriated from all funds in the preceding fiscal year, plus twelve percent (12%), adjusted for inflation for the previous calendar year. Said limit shall be adjusted for funds not previously appropriated. The limit on the growth of appropriations shall be certified to by the State Board of Equalization Annual Spending Limit Base Year amount multiplied by the annual Spending Limit Adjustment or the amount certified by the State Board of Equalization pursuant to subsection C of this section, whichever is less.

~~2.~~ H. Such certification shall be filed with the Governor, the President and President Pro Tempore of the Senate, and the Speaker of the House of Representatives. The Legislature shall not pass or enact any bill, act or measure making an appropriation of money for any purpose until such certification is made and filed, unless the State Board of Equalization has failed to file said certification at the time of convening of said Legislature. In such event, it shall be the duty of the Legislature to make such certification pursuant to the provisions of this section.

I. All appropriations made in excess of such certification or the Annual Spending Limit shall be null and void; provided, however, that the Legislature may at any regular session or special session, called for that purpose, enact laws to provide for additional revenues pursuant to Section 33 of Article V of the Constitution of the State of Oklahoma or a reduction in revenues, other than ad valorem taxes, or transferring the existing revenues or unappropriated cash on hand from one fund to another, or making provisions for appropriating funds not previously appropriated directly by the Legislature. Whereupon, it shall be the duty of the State Board of Equalization to make a determination of the revenues that will accrue under such laws and ~~ninety-five percent (95%)~~ of the amount of any increase or decrease resulting, for any reason, from such changes in laws shall be added to or deducted from the amount previously certified available for appropriation from each respective fund, as the case may be. The State Board of Equalization shall file the amount of such adjusted certification, or additional certification for funds not previously appropriated directly by the Legislature, with the Governor, with the President and President Pro Tempore of the Senate, and the Speaker of the House of Representatives, and such adjusted amount shall be the maximum amount which can be appropriated for all purposes from any such fund for the fiscal year being certified.

~~3.~~ J. The State Board of Equalization shall meet within five (5) days after the monthly apportionment in February of each year, and at that time may adjust the certification, based upon the most current information available, and determine the amount of funds available for appropriation for that legislative session. ~~At said meeting the Board shall determine the limit on the growth of appropriations as provided for in this section.~~

~~4.~~ K. Surplus funds or monies shall be any amount accruing to the General Revenue Fund of the State of Oklahoma over and above ~~the itemized estimate made by the State Board of Equalization~~ either the Annual Spending Limit or the amount certified by the State Board of Equalization pursuant to subsection C of this section.

~~5.~~ ~~Beginning July 1, 1985, all~~ L. All such surplus funds or monies ~~accruing after said date~~ shall be placed in a Constitutional Reserve Fund by the State Treasurer ~~until such time that the amount of said Fund equals ten percent (10%) of the General Revenue Fund certification for the preceding fiscal year.~~ The Constitutional Reserve Fund shall consist of two accounts which shall be designated the Emergency Account and the Budget Stabilization Account. The Emergency Account shall consist of surplus revenues equal to five percent (5%) of the General Revenue Fund certification for the preceding fiscal year. Any interest income earned on the balance of the Constitutional Emergency Fund shall accrue to the account and shall be included in the account total. Appropriations made from said Fund shall be considered special appropriations and may only be made upon declaration by the Governor that emergency conditions exist, with concurrence of the Legislature by a two-thirds (2/3) vote of the Oklahoma House of Representatives and State Senate. For purposes of this subsection, "emergency" means an extraordinary event or occurrence that could not have been reasonably foreseen or prevented and that requires immediate expenditures to preserve the

health, safety, and general welfare of the people, but "emergency" shall not mean or include a revenue or budget shortfall.

~~6. Up to three eighths (3/8) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated for the forthcoming fiscal year, when the certification by the State Board of Equalization for said forthcoming fiscal year General Revenue Fund is less than that of the current fiscal year certification. In no event shall the amount of monies appropriated from the Constitutional Reserve Fund be in excess of the difference between the two said certifications.~~

~~7. Up to three eighths (3/8) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated for the current fiscal year if the State Board of Equalization determines that a revenue failure has occurred with respect to the General Revenue Fund of the State Treasury. In no event shall the amount of monies appropriated from the Constitutional Reserve Fund pursuant to this paragraph be in excess of the amount of the projected revenue failure in the General Revenue Fund, which total amount shall be computed by the State Board of Equalization, for the entire fiscal year. Monies appropriated to any state governmental entity from the Constitutional Reserve Fund pursuant to this paragraph may only be made in order to ensure that the monies actually received by the entity for the then current fiscal year are equal to or less than, but not in excess of, the total appropriation amount for such entity in effect at the beginning of the then current fiscal year.~~

~~8. Up to one quarter (1/4) of the balance at the beginning of the current fiscal year in the Constitutional Reserve Fund may be appropriated, upon a declaration by the Governor that emergency conditions exist, with concurrence of the Legislature by a two-thirds (2/3) vote of the House of Representatives and Senate for the appropriation; or said one-quarter (1/4) could be appropriated~~

~~upon a joint declaration of emergency conditions by the Speaker of the House of Representatives and the President Pro Tempore of the Senate, with a concurrence of a three-fourths (3/4) vote of the House of Representatives and Senate.~~

9. M. Surplus monies, if any, remaining after the deposit to the Emergency Account of the Constitutional Reserve Fund, shall be deposited into the Budget Stabilization Account of the Constitutional Reserve Fund until the Budget Stabilization Account balance equals fifteen percent (15%) of the General Revenue Fund certification for the preceding fiscal year. Any interest income earned on the balance of the Budget Stabilization Account shall accrue to that account and shall be included in the account total. If monies actually received by the state during the current fiscal year are less than the total appropriated by the Legislature for such fiscal year, the State Board of Equalization shall determine that a revenue failure has occurred with respect to the General Revenue Fund of the State Treasury. If the State Board of Equalization determines that a revenue failure has occurred, monies may be transferred to the General Revenue Fund from the Budget Stabilization Account of the Constitutional Reserve Fund in an amount which is not greater than thirty-five percent (35%) of the total amount in the Budget Stabilization Account at the beginning of the fiscal year or fifty percent (50%) of the amount of the revenue failure, whichever is less. Appropriations made from the Budget Stabilization Account shall be considered special appropriations.

N. Any funds or monies accruing to the Budget Stabilization Account greater than an amount equal to fifteen percent (15%) of the General Revenue Fund certification for the preceding fiscal year shall, during the fiscal year in which such revenue is available, be refunded to the taxpayers of the State of Oklahoma pursuant to procedures to be authorized by law, including, but not limited to,

direct rebates to persons who have filed state income tax returns for the relevant taxable year.

O. That portion of every appropriation, at the end of each fiscal year, in excess of actual revenues collected and allocated thereto, as hereinafter provided, shall be null and void. Revenues deposited in the State Treasury to the credit of the General Revenue Fund or of any special fund (which derives its revenue in whole or in part from state taxes or fees) shall, except as to principal and interest on the public debt, be allocated monthly to each department, institution, board, commission or special appropriation on a percentage basis, in that ratio that the total appropriation for such department, institution, board, commission or special appropriation from each fund for that fiscal year bears to the total of all appropriations from each fund for that fiscal year, and no warrant shall be issued in excess of said allocation. Any department, institution or agency of the state operating on revenues derived from any law or laws which allocate the revenues thereof to such department, institution or agency shall not incur obligations in excess of the unencumbered balance of cash on hand.

P. Nothing in this section shall prevent, under such conditions and limitations as shall be prescribed by law, the governing board of an institution of higher education within The Oklahoma State System of Higher Education from contracting with a president of such institution of higher education for periods extending more than one (1) year, but not to exceed three (3) years beyond the fiscal year in which the contract is signed.

~~10.~~ Q. The Legislature shall provide a method whereby appropriations shall be divided and set up on a monthly, quarterly or semiannual basis within each fiscal year to prevent obligations being incurred in excess of the revenue to be collected, and notwithstanding other provisions of this Constitution, the Legislature shall provide that all appropriations shall be reduced

to bring them within revenues actually collected, but all such reductions shall apply to each department, institution, board, commission or special appropriation made by the State Legislature in the ratio that its total appropriation for that fiscal year bears to the total of all appropriations from that fund for that fiscal year; provided, however, that the Governor may in his discretion issue deficiency certificates to the State Treasurer for the benefit of any department, institution or agency of the state, if the amount of such deficiency certificates be within the limit of the current appropriation for that department, institution or agency, whereupon the State Treasurer shall issue warrants to the extent of such certificates for the payment of such claims as may be authorized by the Governor, and such warrants shall become a part of the public debt and shall be paid out of any money appropriated by the Legislature and made lawfully available therefor; provided further, that in no event shall said deficiency certificates exceed in the aggregate the sum of Five Hundred Thousand Dollars (\$500,000.00) in any fiscal year.

R. Effective January 1, 2007, the rate of income tax imposed on the highest amount of the income remainders as prescribed by subdivision (d) of division (8) of subparagraphs a and b of paragraph 1 of subsection A of Section 2355 of Title 68 of the Oklahoma Statutes shall be reduced by one-tenth of one percent (1/10 of 1%) at the beginning of each taxable year if the actual collections to the General Revenue Fund of the State Treasury for the fiscal year ending on June 30 immediately prior to such January 1 date exceeded the actual collections to the General Revenue Fund of the State Treasury for the prior fiscal year by Seventy-five Million Dollars (\$75,000,000.00). Such income tax rates shall be reduced by additional increments of one-tenth of one percent (1/10 of 1%) for each additional increment of Seventy-five Million Dollars (\$75,000,000.00) in actual collections to the General Revenue Fund

in excess of the actual collections for the preceding fiscal year.
No fractional portion of the increment shall be considered for
purposes of the reduction in such income tax rates and the
reduction, if any, shall be based upon whole increments of Seventy-
five Million Dollars (\$75,000,000.00).

SECTION 2. The Ballot Title for the proposed Constitutional amendment as set forth in SECTION 1 of this resolution shall be in the following form:

BALLOT TITLE

Legislative Referendum No. _____ State Question No. _____

THE GIST OF THE PROPOSITION IS AS FOLLOWS:

This measure amends the Oklahoma Constitution. It would change the method for the state budget. The State Board of Equalization estimates tax money to be collected each year. The Legislature can spend ninety-five percent (95%) of this estimate. The spending limit would change. The new limit would be based upon revenue used to prepare the budget in one year. Each year the spending limit could be adjusted based on a formula. The State Board would estimate tax money expected to be collected. The Legislature would prepare a budget based on the lower of this estimate or the annual spending limit. New accounts would be made inside the Constitutional Reserve Fund. The way in which money is spent from this Fund would change. Money could be spent for emergencies. Money could be spent to prevent revenue failure. Individual income tax rates could be reduced. Rates would decrease one-tenth of one percent (1/10 of 1%) each year that collections for the General Revenue Fund were Seventy-five Million Dollars (\$75,000,000.00) more than collections to that fund the prior year. This change would become effective January 1, 2007.

SHALL THE PROPOSAL BE APPROVED?

FOR THE PROPOSAL — YES _____

AGAINST THE PROPOSAL - NO _____

SECTION 3. The Chief Clerk of the House of Representatives, immediately after the passage of this resolution, shall prepare and file one copy thereof, including the Ballot Title set forth in SECTION 2 hereof, with the Secretary of State and one copy with the Attorney General.

50-2-9746 MAH 03/09/06