ENGROSSED HOUSE
BILL NO. 2796

By: Nations of the House

and

Garrison of the Senate

An Act relating to cities and towns; amending 11 O.S. 2001, Sections 17-204, as amended by Section 1, Chapter 98, O.S.L. 2002, 17-206, as last amended by Section 1, Chapter 440, O.S.L. 2002, 17-207, as amended by Section 3, Chapter 98, O.S.L. 2002, 17-209, as amended by Section 4, Chapter 98, O.S.L. 2002, 17-215, as amended by Section 7, Chapter 98, O.S.L. 2002 and 17-216, as amended by Section 8, Chapter 98, O.S.L. 2002 (11 O.S. Supp. 2005, Sections 17-204, 17-206, 17-207, 17-209, 17-215 and 17-216), which relate to the Municipal Budget Act; modifying certain definitions; adding certain alternative to budget format and content; clarifying certain accounting practice by municipalities; adding certain alternative for adoption of appropriation by a municipality; deleting reference to certain definition; modifying reference to certain terms; clarifying prohibition on certain revenues and balances; modifying source of certain appropriation; modifying reference to certain terms; deleting reference to certain term; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 11 O.S. 2001, Section 17-204, as amended by Section 1, Chapter 98, O.S.L. 2002 (11 O.S. Supp. 2005, Section 17-204), is amended to read as follows:

Section 17-204. As used in this act:

1. "Account" means an entity for recording specific revenues or expenditures, or for grouping related or similar classes of revenues and expenditures and recording them within a fund or department;

2. “Appropriated fund balance” means any fund balance appropriated for a fund for the budget year;

3. "Appropriation" means an authorization to expend or encumber ~~revenues and fund balance of a fund~~ income and revenue provided for a purpose;

4. "Budget" means a plan of financial operations for a fiscal year, including an estimate of proposed expenditures for given purposes and the proposed means for financing them;

5. "Budget summary" means a tabular listing of revenues by source and expenditures ~~by fund and by department within each fund~~ by purpose for the budget year;

6. "Budget year" means the fiscal year for which a budget is prepared or being prepared;

7. "Chief executive officer" means the mayor of an aldermanic city or a strong-mayor-council city, the mayor of a town, or the city manager or chief administrative officer as it may be defined by applicable law, charter or ordinance;

8. "Current year" means the year in which the budget is prepared and adopted, or the fiscal year immediately preceding the budget year;

9. "Deficit" means the excess of a fund's current liabilities and encumbrances over its current financial assets as reflected by its books of account;

10. "Department" means a functional unit within a fund which carries on a specific activity, such as a fire department or a police department within a general fund;

11. "Estimated revenue" means the amount of revenues estimated to be received during the budget year ~~in each fund for which a budget is prepared~~;

12. "Fiscal year" means the annual period for reporting fiscal operations which begins and ends on dates as the Legislature provides or as provided by law;

13. "Fund" means an independent fiscal and accounting entity with a self-balancing set of accounts to record cash and other

financial resources, together with all liabilities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives;

14. "Fund balance" means the excess of a fund's current financial assets over its current liabilities and encumbrances, as reflected by its books of account;

15. "Governing body" means the city council of a city, the board of trustees of a town, or the legislative body of a municipality as it may be defined by applicable law or charter provision;

16. "Immediate prior fiscal year" means the year preceding the current year;

17. "Income and revenue provided" means the amount estimated or actual income and revenue appropriated by the governing body of the municipality;

18. "Levy" means to impose ad valorem taxes or the total amount of ad valorem taxes for a purpose or entity;

~~18.~~ 19. "Operating reserve" means that portion of the fund balance of the municipality which has not been appropriated in a budget year for another purpose; ~~and~~

~~19.~~ 20. "Municipality" means any incorporated city or town; and

21. "Purpose" means the specific budget item for a contract or claim.

SECTION 2. AMENDATORY 11 O.S. 2001, Section 17-206, as last amended by Section 1, Chapter 440, O.S.L. 2002 (11 O.S. Supp. 2005, Section 17-206), is amended to read as follows:

Section 17-206. A. The municipal budget shall present a complete financial plan for the municipality and shall present information necessary and proper to disclose the financial position and condition of the municipality and the revenues and expenditures thereof~~, both past and anticipated~~.

B. Unless the budget is prepared in accordance with subsection E of this section, the budget shall contain the following contents:

1. The budget shall contain a budget summary~~.~~;

2. It shall also be accompanied by a budget message which shall explain the budget and describe its important features~~.~~;

3. The budget format shall be as provided by the governing body in consultation with the chief executive officer~~.~~; and

4. It shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

~~1. Actual~~

a. actual revenues and expenditures for the immediate prior fiscal year~~;~~,

~~2. Revenues~~

b. revenues and expenditures for the current fiscal year as shown by the budget for the current year as adopted or amended~~;~~, and

~~3. Estimates~~

c. estimates of revenues and expenditures for the budget year.

C. The estimate of revenues for any budget year shall include probable income by source which the municipality is legally empowered to collect or receive at the time the budget is adopted. The estimate shall be based on a review and analysis of past and anticipated revenues of the municipality. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the amount of tax which is available for appropriation, as finally determined by the county excise board, or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes. Included in the budget of revenues or expenditures for any fund may be amounts transferred from

or to another fund. Any such interfund transfer must be shown as a disbursement from the one fund and as a receipt to the other fund.

D. Encumbrances for funds whose sole purpose is to account for grants and capital projects and/or any unexpended appropriation balances may be considered nonfiscal and excluded from the budget by the governing body, but shall be reappropriated to the same funds, accounts and for the same purposes for the successive fiscal year, unless the grant, project or purpose is designated or declared closed or completed by the governing body.

E. As an alternative to the budget format and content described in subsections B, C, and D of this section, the municipality may prepare its budget in a program or purpose format for the municipality as a whole without regard to fund accounting. Such budget shall be subject to all other requirements of the Municipal Budget Act, except those requirements specifically related to fund accounting.

SECTION 3. AMENDATORY 11 O.S. 2001, Section 17-207, as amended by Section 3, Chapter 98, O.S.L. 2002 (11 O.S. Supp. 2005, Section 17-207), is amended to read as follows:

Section 17-207. Any monies received or expended by a municipality must be accounted for by fund and account, regardless of the format of the budget. Each municipality shall adopt an appropriation for the general fund and for all other funds established by the governing body pursuant to the provisions of Section 17-212 of this title, or as an alternative, for each purpose as established by the governing body. The municipal governing body shall determine the needs of the municipality for sinking fund purposes, pursuant to the provisions of Section 431 of Title 62 of the Oklahoma Statutes, Section 3017 of Title 68 of the Oklahoma Statutes, and Section 28 of Article 10 of the Oklahoma Constitution, and include these requirements in the debt service ~~fund~~ budget for the budget year.

SECTION 4. AMENDATORY 11 O.S. 2001, Section 17-209, as amended by Section 4, Chapter 98, O.S.L. 2002 (11 O.S. Supp. 2005, Section 17-209), is amended to read as follows:

Section 17-209. A. After the hearing and at least seven (7) days prior to the beginning of the budget year, the governing body shall adopt the budget by resolution, or as any charter may require~~, at the level of classification as defined in Section 17-213 of this title~~. The governing body may add or increase items or delete or decrease items in the budget. In all cases the ~~proposed expenditures~~ appropriations shall not exceed the income and revenue provided by the governing body from estimated revenues and appropriated fund balance ~~for any fund~~.

B. The adopted budget shall be transmitted to the State Auditor and Inspector within thirty (30) days after the beginning of the fiscal year of the municipality and one copy shall be kept on file in the office of the municipal clerk. A copy of the municipality's sinking fund requirements shall be filed with the excise board of the county or counties in which the municipality is located.

C. The adopted budget shall be in effect on and after the first day of the fiscal year to which it applies. The budget as adopted and filed with the State Auditor and Inspector shall constitute an appropriation for each ~~fund~~ purpose as defined by the governing body, and the appropriation thus made shall not be used for any other purpose except as provided by law.

D. At the time required by law, the county excise board shall levy the taxes necessary for the municipality's sinking fund for the budget year pursuant to Section 431 of Title 62 of the Oklahoma Statutes.

SECTION 5. AMENDATORY 11 O.S. 2001, Section 17-215, as amended by Section 7, Chapter 98, O.S.L. 2002 (11 O.S. Supp. 2005, Section 17-215), is amended to read as follows:

Section 17-215. A. The chief executive officer, or designee, as authorized by the governing body, may transfer any unexpended and unencumbered appropriation or any portion thereof from one ~~department to another within the same fund~~ purpose to another; except that no appropriation for debt service or other appropriation required by law or ordinance may be reduced below the minimums required.

B. Any fund balance in an ~~enterprise~~ unrestricted fund of the municipality may be transferred to another fund of the municipality as authorized by the governing body. Other interfund transfers may be made only as adopted or amended according to Section 17-206 or 17-216 of this title.

C. Whenever the necessity for maintaining any fund of a municipality has ceased to exist and a balance remains in the fund, the governing body may authorize the transfer of the balance to the general fund or any other designated fund, unless otherwise provided by law.

D. No encumbrance or expenditure may be authorized or made by any officer or employee which exceeds the available appropriation for each ~~department within a fund~~ purpose as defined by the governing body.

SECTION 6. AMENDATORY 11 O.S. 2001, Section 17-216, as amended by Section 8, Chapter 98, O.S.L. 2002 (11 O.S. Supp. 2005, Section 17-216), is amended to read as follows:

Section 17-216. A. The governing body may amend the budget to make supplemental appropriations to any ~~fund~~ purpose up to the amount of additional income and revenues which are available and provided for current ~~expenses for the fund~~ expenditures due to:

1. Revenues received or to be received from sources not anticipated in the budget for that year;

2. Revenues received or to be received from anticipated sources but in excess of the budget estimates therefor; or

3. Unexpended and unencumbered fund balances on hand at the end of the preceding fiscal year which had not been anticipated or appropriated in the budget. Any appropriation authorizing the creating of an indebtedness shall be governed by the applicable provisions of Section 26 of Article 10 of the Oklahoma Constitution.

B. If at any time during the budget year it appears probable that revenues available will be insufficient to meet the amount appropriated, or that due to unforeseen emergencies there is temporarily insufficient money ~~in a particular fund~~ to meet the requirements of appropriation ~~for the fund~~, the governing body shall take action as it deems necessary. For that purpose, it may amend the budget to reduce one or more appropriations or it may amend the budget to transfer money from one ~~fund~~ purpose to another ~~fund~~ purpose, but no appropriation for debt service may be reduced and no appropriation may be reduced by more than the amount of the unencumbered and unexpended balance thereof. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law.

C. A budget amendment as provided in this section authorizing supplemental appropriations or a decrease in the total appropriation of funds shall be adopted at a meeting of the governing body and filed with the municipal clerk and the State Auditor and Inspector.

SECTION 7. This act shall become effective July 1, 2006.

SECTION 8. 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.

Passed the House of Representatives the 9th day of March, 2006.

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Presiding Officer of the House of Representatives

Passed the Senate the ____ day of _____, 2006.

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Presiding Officer of the Senate