

1 **SENATE FLOOR VERSION**

2 April 1, 2014

3 **AS AMENDED**

4 ENGROSSED HOUSE

5 BILL NO. 2629

6 By: McDaniel (Randy) of the
7 House

8 and

9 Brinkley of the Senate

10 **[public finance - Governmental Accounting Standards
11 Board - Oklahoma Constitution - financial disclosure
12 documents - codification - effective date]**

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

14 SECTION 1. NEW LAW A new section of law to be codified
15 in the Oklahoma Statutes as Section 600 of Title 62, unless there is
16 created a duplication in numbering, reads as follows:

17 A. The Legislature finds that recent actions by the
18 Governmental Accounting Standards Board (GASB) have important
19 consequences for political subdivisions in the State of Oklahoma.

20 B. The proposed GASB Statement Nos. 67 and 68 regarding the
21 accounting practices of the political subdivisions would require
22 those units of local government to make disclosures related to
23 certain pension benefit obligations which are already reflected in
24 the liabilities of the Oklahoma Firefighters Pension and Retirement

1 System, the Oklahoma Police Pension and Retirement System, the
2 Teachers' Retirement System and the Oklahoma Public Employees
3 Retirement System.

4 C. The Legislature finds that Section 26 of Article X of the
5 Oklahoma Constitution limits the general obligation debt of its
6 counties, cities, towns and school districts and that those
7 political subdivisions cannot legally incur general obligation debt
8 except through the methods provided by the Oklahoma Constitution.

9 D. The Legislature finds that there are potentially
10 inconsistent requirements if the political subdivisions follow the
11 recommendations contained in GASB Statement Nos. 67 and 68 because
12 the disclosures required in such GASB Statements could cause third
13 parties, relying on the information in the required disclosures, to
14 reach conclusions about the financial condition of the political
15 subdivisions that would be inconsistent with the provisions of the
16 Oklahoma Constitution which limit the total amount of general
17 obligation debt such subdivisions may incur and the method by which
18 such debt is undertaken.

19 E. The Legislature finds that the following language might be
20 of assistance to counties, cities, towns and school districts with
21 regard to the issue of compliance with the provisions of GASB
22 Statement Nos. 67 and 68 and the requirements imposed by Section 26
23 of Article X of the Oklahoma Constitution:

24

1 THE OKLAHOMA CONSTITUTION RESTRICTS THE TOTAL AMOUNT OF DEBT
2 THAT A COUNTY, CITY, TOWN OR LOCAL SCHOOL DISTRICT MAY INCUR. THIS
3 RESTRICTION IS CONTAINED IN SECTION 26 OF ARTICLE X OF THE OKLAHOMA
4 CONSTITUTION.

5 THE TOTAL AMOUNT OF GENERAL OBLIGATION DEBT IS LIMITED TO A
6 MAXIMUM OF EITHER FIVE PERCENT (5%) (FOR COUNTIES) OR TEN PERCENT
7 (10%) (FOR CITIES, TOWNS AND LOCAL SCHOOL DISTRICTS) OF THE NET
8 ASSESSED VALUATION FOR ALL TAXABLE PROPERTY LOCATED WITHIN THE
9 APPLICABLE POLITICAL SUBDIVISION.

10 THIS CONSTITUTIONAL LIMIT IS UPON THE TOTAL PRINCIPAL AMOUNT OF
11 DEBT OUTSTANDING.

12 INDEBTEDNESS WHICH IS A LEGALLY ENFORCEABLE OBLIGATION OF THE
13 APPLICABLE POLITICAL SUBDIVISION MUST BE APPROVED BY A THREE-FIFTHS
14 (3/5) VOTE OF THE VOTERS OF THE JURISDICTION.

15 NO POLITICAL SUBDIVISION IS AUTHORIZED UNDER THE OKLAHOMA
16 CONSTITUTION OR OKLAHOMA STATUTES TO INCUR ANY OTHER FORM OF GENERAL
17 OBLIGATION DEBT OR ANY AMOUNT OF GENERAL OBLIGATION DEBT THAN THE
18 METHOD PRESCRIBED BY LAW.

19 F. The Legislature finds that the political subdivisions of the
20 State of Oklahoma may need to include information in their periodic
21 financial reports to clarify the effect of the Oklahoma Constitution
22 as it relates to information which may be required in order for the
23 financial reports of the political subdivisions to be in compliance
24 with the standards of GASB Statement Nos. 67 and 68.

1 G. The Legislature encourages the governing boards of each of
2 its political subdivisions to take such steps as may be required to
3 ensure that the citizens of those respective subdivisions, the
4 professional advisors for the respective subdivisions and third
5 parties are readily able to determine with accuracy the amount of
6 debt for which the political subdivision is legally obligated under
7 the laws of the State of Oklahoma and to clearly distinguish such
8 obligations from any other information that may be contained in the
9 financial reports of such political subdivision.

10 SECTION 2. This act shall become effective November 1, 2014.

11 COMMITTEE REPORT BY: COMMITTEE ON PENSIONS
12 April 1, 2014 - DO PASS AS AMENDED
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