HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 2642 By: Denney of the House

and

Halligan of the Senate

COMMITTEE SUBSTITUTE

An Act relating to schools; amending 68 O.S. 2011, Section 2352, as last amended by Section 1, Chapter 253, O.S.L. 2013 (68 O.S. Supp. 2013, Section 2352), which relates to distribution of revenues; making distribution of revenues subject to certain apportionment; creating the Securing Educational Excellence Fund; stating source of funds; stating purpose of funds; requiring expenditures to be made upon warrants; requiring the apportionment of certain monies to the Securing Educational Excellence Fund; specifying certain amounts; requiring additional incremental amounts; requiring apportionments to be divided in a certain manner; requiring apportionments to be made until certain amount is reached; prohibiting the supplanting or replacement of existing state funds; directing the State Board of Equalization to examine and investigate expenditures and issue findings and a report; providing for supplanted amount to be specified by the Board; requiring the Legislature to replenish the state funding under certain circumstances; providing for a reduction in apportionments under certain circumstances; stating use of monies in the Fund; providing for codification; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 68 O.S. 2011, Section 2352, as last amended by Section 1, Chapter 253, O.S.L. 2013 (68 O.S. Supp. 2013, Section 2352), is amended to read as follows:

Section 2352. It is hereby declared to be the purpose of Section 2351 et seq. of this title to provide revenue for general governmental functions of state government; and, for that purpose and to that end, it is expressly declared that the revenue derived herefrom and penalties and interest thereon, subject to the apportionment requirements for the Rebuilding Oklahoma Access and Driver Safety Fund, the Oklahoma Tourism and Passenger Rail Revolving Fund and the Public Transit Revolving Fund to be derived from income tax revenue that would otherwise be apportioned to the General Revenue Fund as provided by Section 1521 of Title 69 of the Oklahoma Statutes, subject to the apportionment requirements for the Oklahoma Tax Commission and Office of Management and Enterprise Services Joint Computer Enhancement Fund provided by Section 265 of this title, ~~and~~ subject to the apportionment requirements for the Oklahoma State Capitol Building Repair and Restoration Fund provided by Section ~~4~~ 19 of ~~this act~~ Title 73 of the Oklahoma Statutes and subject to the apportionment requirements for the Securing Educational Excellence Fund provided by Section 2 of this act, shall be distributed as follows:

1. For the fiscal year beginning July 1, 2002, the first Five Million Eight Hundred Thousand Dollars ($5,800,000.00) of revenue derived pursuant to the provisions of subsections A, B and E of Section 2355 of this title shall be apportioned to the Education Reform Revolving Fund. The remainder of such revenue for the fiscal year beginning July 1, 2002, and all such revenue for each fiscal year thereafter shall be apportioned monthly as follows:

a. (1) the following amounts shall be paid to the State Treasurer to be placed to the credit of the General Revenue Fund of the state for such fiscal year for the support of the state government to be paid out only pursuant to appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	87.12%
FY 2005	86.91%
FY 2006	86.66%
FY 2007	86.16%
FY 2008 and each fiscal year thereafter	85.66%

(2) in the event that additional monies are necessary pursuant to paragraph 3 of this section, such additional monies shall be deducted in the proportion determined by the State Board of

Equalization pursuant to paragraph 3 of Section 2355.1B of this title from the monies apportioned to the General Revenue Fund,

b. for FY 2003 and each fiscal year thereafter, eight and thirty-four one-hundredths percent (8.34%) shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund,

c. the following amounts shall be paid to the State Treasurer to be placed to the credit of the Teachers' Retirement System Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%
FY 2007	4.5%
FY 2008 and each fiscal year thereafter	5.0%

d. for FY 2003 and each fiscal year thereafter, one percent (1%) shall be placed to the credit of the Ad Valorem Reimbursement Fund;

2. Beginning July 1, 2003, for any period of time as certified by the Oklahoma Development Finance Authority and the Oklahoma Department of Commerce to be necessary for the repayment of obligations issued by the Oklahoma Development Finance Authority

pursuant to Section 3654 of this title if the other sources of revenue paid to or apportioned to the Quality Jobs Program Incentive Leverage Fund are not adequate, including the proceeds from payment pursuant to the guaranty required by subsection M of Section 3654 of this title, an amount certified by the Oklahoma Development Finance Authority to the Oklahoma Tax Commission shall be apportioned to the Quality Jobs Program Incentive Leverage Fund before any other apportionments are made as otherwise authorized by this paragraph. The Oklahoma Development Finance Authority shall certify to the Oklahoma Tax Commission the time as of which the revenue authorized for apportionment pursuant to this paragraph is no longer required. After the certification, the revenue derived from the income tax shall be apportioned in the manner otherwise provided by this section. Except as otherwise provided by this paragraph, for the fiscal year beginning July 1, 2002, the first Forty-One Million One Hundred Ninety Thousand Eight Hundred Dollars ($41,190,800.00) of revenue derived pursuant to the provisions of subsections D and E of Section 2355 of this title shall be apportioned to the Education Reform Revolving Fund. The remainder of such revenue for the fiscal year beginning July 1, 2002, and all such revenue for each fiscal year thereafter, subject to the apportionment requirements for the Oklahoma Tax Commission and Office of Management and Enterprise Services Joint Computer Enhancement Fund provided by Section 265 of this title, shall be apportioned monthly as follows:

a. the following amounts shall be paid to the State Treasurer to be placed to the credit of the General Revenue Fund of the state for such fiscal year for the support of the state government to be paid out only pursuant to appropriation by the Legislature:

Fiscal Year	Amount
FY 2003 and FY 2004	78.96%
FY 2005	78.75%
FY 2006	78.50%
FY 2007	78.0%
FY 2008 and each fiscal year thereafter	77.50%

b. for FY 2003 and each fiscal year thereafter, sixteen and five-tenths percent (16.5%) shall be paid to the State Treasurer to be placed to the credit of the Education Reform Revolving Fund of the State Department of Education,

c. the following amounts shall be paid to the State Treasurer to be placed to the credit of the Teachers' Retirement System Dedicated Revenue Revolving Fund:

Fiscal Year	Amount
FY 2003 and FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.0%

FY 2007 4.5%

FY 2008 and each fiscal year thereafter 5.0%

d. for FY 2003 and each fiscal year thereafter, one percent (1%) shall be placed to the credit of the Ad Valorem Reimbursement Fund; and

3. During the first fiscal year after the State Board of Equalization has made a determination as provided in Section 2355.1B of this title, regarding a baseline amount of revenue apportioned pursuant to subparagraph c of paragraph 1 of this section, and for each fiscal year thereafter, in no event shall monies apportioned pursuant to subparagraph c of paragraph 1 of this section, paragraph 3 of Section 1353 of this title and paragraph 3 of Section 1403 of this title be less than such baseline amount.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 18-501 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. There is hereby created in the State Treasury a fund for the State Board of Education to be designated the "Securing Educational Excellence Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the State Board of Education from appropriations and transfers made by the Legislature to the fund. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the State Board of Education for the purpose set forth in this section. Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of the Office of Management and Enterprise Services for approval and payment.

B. There shall be apportioned to the Securing Educational Excellence Fund from the monies that would otherwise be apportioned to the General Revenue Fund by Section 2352 of Title 68 of the Oklahoma Statutes from the revenues derived pursuant to subsections A, B and E of Section 2355 of Title 68 of the Oklahoma Statutes amounts as follows:

1. For the following fiscal years:

a. for the fiscal year beginning July 1, 2014, the first Fifty-seven Million Five Hundred Thousand Dollars ($57,500,000.00),

b. for the fiscal year beginning July 1, 2015, the first One Hundred Fifteen Million Dollars ($115,000,000.00),

c. for the fiscal year beginning July 1, 2016, the first One Hundred Seventy-two Million Five Hundred Thousand Dollars ($172,500,000.00),

d. for the fiscal year beginning July 1, 2017, the first Two Hundred Thirty Million Dollars ($230,000,000.00),

e. for the fiscal year beginning July 1, 2018, the first Two Hundred Eighty-seven Million Five Hundred Thousand Dollars ($287,500,000.00),

f. for the fiscal year beginning July 1, 2019, the first Three Hundred Forty-five Million Dollars ($345,000,000.00),

g. for the fiscal year beginning July 1, 2020, the first Four Hundred Two Million Five Hundred Thousand Dollars ($402,500,000.00,

h. for the fiscal year beginning July 1, 2021, the first Four Hundred Sixty Million Dollars ($460,000,000.00),

i. for the fiscal year beginning July 1, 2022, the first Five Hundred Seventeen Million Five Hundred Thousand Dollars ($517,500,000.00), and

j. for the fiscal year beginning July 1, 2023, the first Five Hundred Seventy-five Million Dollars ($575,000,000.00);

2. For each fiscal year after the first fiscal year in which the total apportionment to the Securing Educational Excellence Fund equals Five Hundred Seventy-five Million Dollars ($575,000,000.00) as provided for in paragraph 1 of this subsection, the first Five Hundred Seventy-five Million Dollars ($575,000,000.00) collected pursuant to subsections A, B and E of Section 2355 of Title 68 of the Oklahoma Statutes and apportioned pursuant to Section 2352 of

Title 68 of the Oklahoma Statutes that would otherwise be apportioned to the General Revenue Fund shall be apportioned to the Securing Educational Excellence Fund; and

3. All amounts apportioned pursuant to paragraphs 1 and 2 of this subsection shall be divided into twelve equal amounts to be apportioned each month during the fiscal year.

C. The apportionments of revenues required in paragraph 1 of subsection B of this section shall be made until the total annual apportionment to the Securing Educational Excellence Fund equals Five Hundred Seventy-five Million Dollars ($575,000,000.00). After such annual apportionment level is reached, the apportionment to the Securing Educational Excellence Fund shall be governed by the provisions of paragraph 2 of subsection B of this section.

D. The monies apportioned to the Securing Educational Excellence Fund shall not be used to supplant or replace existing state funds used for common education purposes.

E. In order to ensure that the monies from the Securing Educational Excellence Fund are used to enhance and not supplant state funding for the State Board of Education, the State Board of Equalization shall examine and investigate expenditures from the fund each year. At the meeting of the State Board of Equalization held within five (5) days after the monthly apportionment in February of each year, the State Board of Equalization shall issue a finding and report which shall state whether expenditures from the

Securing Educational Excellence Fund were used to enhance or supplant state funding for the Department of Education. If the State Board of Equalization finds that state funding for the State Board of Education was supplanted by funds from the Securing Educational Excellence Fund, the Board of Equalization shall specify the amount by which such funding was supplanted. In this event, the Legislature shall not make any appropriations for the ensuing fiscal year until an appropriation in that amount is made to replenish state funding for the State Board of Education.

F. In the event that the Director of the Office of Management and Enterprise Services declares a General Revenue Fund revenue failure pursuant to Section 34.49 of Title 62 of the Oklahoma Statutes, and agency allocations are reduced pursuant to the provisions of Section 34.49 of Title 62 of the Oklahoma Statutes, the amounts that would otherwise be apportioned to the Securing Educational Excellence Fund by subparagraphs a and b of paragraph 1 of subsection B of this section shall be reduced by a percentage equal to that required of the General Revenue Fund appropriations to state agencies. The reductions shall occur during the entire fiscal year and for any month during which reductions are required by the Director of the Office of Management and Enterprise Services and by the same percentage as that required of the agencies for General Revenue Fund appropriations.

G. The State Board of Education shall use the monies in the Securing Educational Excellence Fund to increase the per pupil expenditure by distributing the funds for the financial support of public schools.

SECTION 3. This act shall become effective July 1, 2014.

SECTION 4. 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.

COMMITTEE REPORT BY: COMMITTEE ON COMMON EDUCATION, dated 02/11/2014 - DO PASS, As Amended and Coauthored.