

STATE OF OKLAHOMA

2nd Session of the 60th Legislature (2026)

SENATE BILL 1399

By: Bergstrom

AS INTRODUCED

An Act relating to federal funds; creating the Federal Funds Oversight Act; providing short title; defining term; requiring state agencies and the Office of Management and Enterprise Services (OMES) to submit report; prescribing reporting requirement; requiring state agencies to leverage federal funds to offset state spending under certain circumstance; requiring certain employment practices in connection with federal funds; requiring state agencies to ensure that federal funding lapses will not lead to a budget deficit; requiring certain state agencies to provide OMES and the State Auditor and Inspector with access to information; requiring certain state agencies to report alleged improper payments; requiring certain state agencies to create a transparency portal; prescribing requirements for transparency portal; establishing the Do-Not-Pay Pilot Program; requiring OMES to enter certain memorandum of understanding; prescribing requirements of the program; authorizing OMES to promulgate rules; requiring entities that receive improper payments to be held liable under certain law; requiring OMES to provide certain notice; requiring the refusal of federal funds under certain circumstances; requiring OMES to review current federal funding; providing for noncodification; providing for codification; and providing an effective date.

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

SECTION 1. NEW LAW A new section of law not to be codified in the Oklahoma Statutes reads as follows:

1 This act shall be known and may be cited as the "Federal Funds
2 Oversight Act".

3 SECTION 2. NEW LAW A new section of law to be codified
4 in the Oklahoma Statutes as Section 77f of Title 74, unless there is
5 created a duplication in numbering, reads as follows:

6 A. As used in this section, "state agency" means any
7 department, board, commission, institution, public trust with the
8 state as beneficiary, agency, or entity of state government.

9 B. For fiscal year 2028 and subsequent fiscal years, prior to
10 accepting federal funding, the Office of Management and Enterprise
11 Services (OMES) and the state agency which will be charged with
12 accepting the federal funding shall electronically submit a report
13 to the Governor, the President Pro Tempore of the Senate, the
14 Speaker of the House of Representatives, the State Auditor and
15 Inspector, and the State Treasurer, which shall include:

16 1. A summary of the program accepting the federal funding,
17 including a citation to the statutory authority for the program;

18 2. The compelling reasons to accept the federal funding;

19 3. The performance metrics and achievable goals of the federal
20 funding;

21 4. The amount of new federal funding the agency anticipates
22 receiving;

23 5. The time frame for the receipt of funds and when the federal
24 funding ends;

1 6. The federal requirements and mandates attached to the
2 federal funding and the impacts on the program, state funding, and
3 goals of the program;

4 7. A fiscal note disclosing the total cost of federal funding,
5 including an analysis of the cost of the federal mandates for the
6 current fiscal year and subsequent four (4) fiscal years. The
7 fiscal note shall clearly delineate:

- 8 a. acquisition costs,
- 9 b. personnel costs,
- 10 c. maintenance costs,
- 11 d. advertising costs,
- 12 e. cost-per-person for which the federal funding will
13 assist, and
- 14 f. salvage costs, if any;

15 8. A statement as to whether the anticipated funding is
16 allocated through an existing or new federal program and, if an
17 existing program, the current amount of state dedicated funds
18 committed to the program;

19 9. A statement as to whether additional state employees are
20 necessary to oversee or administer the federal funds;

21 10. The requirements associated with spending the federal
22 funds, including any state match or cost share requirements,
23 percentage limitations, and time frames;

1 11. An analysis of internal controls used to prevent and
2 eliminate improper payments and fraud; and

3 12. The process by which the agency will operate and distribute
4 federal funds to meet performance metrics and goals.

5 C. State agencies receiving federal funds shall:

6 1. To the extent allowable under law, leverage the new federal
7 funding to offset existing state general fund obligations rather
8 than apply the federal funds to new or expanded programs;

9 2. Only hire new employees in connection with or as a result of
10 the new federal funding to limited-service employees whose
11 employment shall not last beyond the expenditure of the federal
12 funds;

13 3. Financially manage federal funding to ensure that the loss
14 of federal funding does not result in a budget deficit for the
15 program;

16 4. Provide complete access to information for OMES to provide a
17 quarterly update on federal funding and how it is meeting the
18 performance metrics and goals as stated in this section;

19 5. Provide complete access for the State Auditor and Inspector
20 to perform audits on the internal control processes of the agency;
21 and

22 6. Report alleged or potential improper payments or fraud to
23 the:

24 a. State Auditor and Inspector,

- b. Attorney General,
- c. United States Attorney, and
- d. The Office of the Inspector General of the United States.

D. An agency shall establish a transparency portal on the publicly accessible website of the agency. The transparency portal shall provide current information about expenditures of federal funding that is updated from the close of the prior business day.

The transparency portal shall include:

1. The eligible entities that received a portion of the federal funding;
2. The amount of federal funding each eligible entity received;
3. The total dollar amount of federal funding disbursed;
4. The amount of federal funding that remains not disbursed;
5. How the agency is meeting the performance metrics and goals provided for in this section;
6. An analysis and summary of improper payments under the Improper Payments Elimination and Recovery Act of 2010 for federal and state funds; and
7. Any documents submitted to an agency by eligible entities pertaining to federal funding.

E. After the final disbursement of federal funding received by an agency, the agency shall electronically submit a report to the Governor, the President Pro Tempore of the Senate, the Speaker of

1 the House of Representatives, the State Auditor and Inspector, and
2 the State Treasurer on all of the following:

3 1. The final disbursement of the federal funding;

4 2. The use of the Do-Not-Pay Pilot Program established pursuant
5 to subsection F of this section;

6 3. The number of entities that were eligible and ineligible to
7 receive the federal funding;

8 4. The savings to this state as a result of the identification
9 of entities that are ineligible to receive money from the federal
10 funding;

11 5. The results of the single audits of the program and how the
12 agency addressed the findings of each single audit;

13 6. The results of any other federal or state audit and how the
14 agency addressed the findings of each audit;

15 7. The total amount of federal funding received in each county
16 of this state; and

17 8. The total improper payments under the Improper Payments
18 Elimination and Recovery Act of 2010 for federal and state funding.

19 F. There is hereby established the Do-Not-Pay Pilot Program in
20 the Office of Management and Enterprise Services. As part of the
21 program, OMES shall enter a memorandum of understanding with the
22 United States Department of the Treasury that satisfies the
23 requirements of this section. Before issuing a reimbursement for
24 eligible expenses under this section to an entity, OMES shall

1 utilize the Do-Not-Pay Pilot Program to ensure that the entity is
2 eligible to receive the reimbursement. OMES may promulgate rules to
3 effectuate the provisions of this subsection.

4 G. 1. An eligible entity that receives money from the fund and
5 makes improper payments shall be held liable by this state under the
6 Improper Payments Elimination and Recovery Act of 2010 for the total
7 amount of any disallowance of federal funds as a result of the
8 improper payments.

9 2. An eligible entity that misuses federal funds may be subject
10 to civil action.

11 3. OMES shall provide notice of the penalties specified under
12 paragraphs 1 and 2 of this subsection to each eligible entity that
13 receives federal funding.

14 H. 1. If acceptance by a state agency of federal funding is
15 expected to cause a reduction in certified funds of the General
16 Revenue Fund of this state within five (5) fiscal years, the
17 Governor and the agency shall not accept the federal funding.

18 2. The Governor, State Department of Education, and school
19 districts shall not accept federal funding that mandates a public
20 school in this state to teach a specific program, topic, subject,
21 curriculum, or standard.

22 3. If federal funding requirements and mandates by an agency
23 contradict state law, the Governor and state agency shall not accept
24 the federal funding.

1 4. If federal funding requirements and mandates by a state
2 agency prohibit or hinder the agency from enforcement of internal
3 controls to prevent fraud and improper payments, the Governor and
4 agency shall not accept the federal funding.

5 5. If federal funding requires an agency to establish a new
6 program, the Governor and state agency shall not accept the federal
7 funding.

8 I. OMES shall review federal funding received by state agencies
9 and shall identify the following:

10 1. Mandates and requirements;

11 2. Cost of the mandates and requirements identified in
12 paragraph 1 of this subsection, including:

- 13 a. the costs in the prior five (5) fiscal years,
14 b. the costs in the current fiscal year, and
15 c. the estimated costs over the next four (4) fiscal
16 years;

17 3. Improper payments for each federal program, including:

- 18 a. the total amount of federal and state improper
19 payments over the prior five (5) fiscal years,
20 b. the estimated improper payments for the current fiscal
21 year,
22 c. the estimated improper payments for the next four (4)
23 fiscal years,
24

- 1 d. the improper payment error rate under subparagraphs a,
2 b, and c of this paragraph, and
3 e. the reasons for the improper payments; and

4 4. If a state agency that accepts the federal funding has met
5 the federal requirements and performance measures of the federal
6 government.

7 SECTION 3. This act shall become effective November 1, 2026.

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