

League of Women Voters of Oklahoma Fiscal Policy Restudy

Constitutional Framework

The Oklahoma Constitution **1** sets out the state's powers and duties, including methods of raising revenue, making assessments and passing a budget. The Constitution can be amended only by a vote of the people.

Proposals to amend the Constitution can arise from a vote of the Legislature (legislatively referred constitutional amendment) or by a citizens' petition process (citizen initiated constitutional amendment).

There are two Articles (Article 5 and Article 10) in the Oklahoma Constitution that deal with fiscal policy and the powers of the Legislature to raise revenue and set the budget.

Article 5 of the Oklahoma Constitution is entitled **Legislative Department***. Two of the relevant sections are noted below:

Section 1 sets forth the powers of the Legislature. The state's legislative authority is vested with the legislature. The most important among these powers are the powers to **levy** and collect taxes, and to borrow money.

Section 33 sets forth the rules for legislation that would raise revenue (taxes), which must originate in the House of Representative. This Section was amended by **State Question 640** in 1992. This citizen initiated constitutional amendment limits the Legislature's ability to raise taxes. Under SQ 640, a revenue bill can only become law if: (1) it is approved by a 3/4th vote of both legislative chambers and is signed by the Governor; or (2) it is referred by the legislature to a vote of the people at the next general election and receives majority approval.**2**

Article 10 is entitled **Revenue and Taxation** and sets out the **fiscal year** for the state, the framework for taxes, **assessments**, exemptions and the uses to which state revenues may be applied. The following are sections of interest:

Section 1: Sets the fiscal year, July 1 to June 30.

Section 2: Authorizes the Legislature to set tax to defray state expenses.

Section 3: Authorizes the Legislature to set tax to pay deficiency.

Section 4: Authorizes the Legislature to set levy to pay state debt.

Section 5: States simply that "The power of taxation shall never be surrendered, suspended, or contracted away. Taxes shall be uniform upon the same class of subjects."

* Words or phrases in **bold italics** are defined in the glossary

Section 6: Exempts, among other items, the property of “free public libraries, free museums, public cemeteries, property used exclusively for nonprofit schools and colleges, and all property used exclusively for religious and charitable purposes” from taxation.

Section 6A(v2): Exempts intangible personal property from *ad valorem* or other property tax (amendment passed in 2012)

Section 6B: Gives new-to-state or expanding-within-state manufacturing facilities a *tax exemption*.

Section 6C: Gives the legislature the power to allow municipalities to create *enterprise areas* or to use other measures to develop the economy.

Section 7: Authorizes local and county entities to levy and collect assessments for local improvements.

Section 8: Sets method of valuation of property for taxation and exemptions for certain individuals; sets limits on annual percentage increase of fair cash value; sets maximum millage rate; limits fair cash value on homestead

Section 9: Sets the amount of the ad valorem (property) tax, and states that “No ad valorem tax shall be levied for State purposes, nor shall any part of the proceeds of any ad valorem tax levy upon any kind of property in this State be used for State purposes.” This section also allows counties to set ad valorem tax levies for department of health, vocational and technical schools, emergency medical services, and solid waste management services

Section 10: Permits an increase in the tax rate for the construction of public buildings or for building fund for school districts; allows tax levy for county or city-county libraries, municipally owned hospitals,

Section 19: States that no tax collected for “one purpose shall ever be devoted to another purpose.”

Section 20: Specifies that the state shall not collect taxes for county, city, town or municipal purposes, but may confer power to collect taxes to those bodies.

Section 21: State Board of Equalization. Sets membership of the State Board of Equalization.

Section 23: Requires a balanced budget and sets methods for achieving it. Also establishes a *Constitutional Reserve Fund (“Rainy Day Fund”)* and specifies how it may be spent.

Section 30: Sets system of accounting.

Sections 31 to 43: Set levels of indebtedness and sources of payment for capital improvements, industrial finance authority and for other state institutions.

* Red numbers indicate citations to be found in the endnotes after each section of this paper.

Note: The Oklahoma Constitution does not allow municipalities to receive ad valorem levies for operations. A 2010 Task Force on Municipal Finance ³ recommended a constitutional amendment that would give municipalities this right, thus providing them more diversified revenue sources.

END NOTES: CONSTITUTIONAL FRAMEWORK

1. The Oklahoma Constitution may be found at http://www.oklegislature.gov/ok_constitution.html
2. Oklahoma Policy Institute <http://okpolicy.org/state-question-640>
3. Report Task Force on Municipal Finance <http://www.okhouse.gov/Documents/MunicipalFinanceTaskForceReport.pdf>