Special Session Recap
Summary of Measures Enacted in the First and Second Extraordinary Sessions of the 56th Legislature

First Extraordinary Session
Convened September 25, 2017
Adjourned November 17, 2017

The Governor’s call for the First Extraordinary Session included addressing:

- the budget shortfall created by the loss of the cigarette fee revenue;
- long-term solutions to the state’s repeated budget shortfalls;
- consolidation and efficiencies in state government; and
- a pay increase for teachers.

On November 17, 2017, the Governor line-item vetoed the bulk of HB 1019X, the general appropriations bill that would have imposed $60 million in cuts to most state agencies to provide funding for the Oklahoma Health Care Authority (OHCA), the Department of Mental Health and Substance Abuse Services (ODMHSAS), the Department of Human Services (DHS) and the State Department of Health (OSDH).

Other measures enacted during the First Special Session include:

HB 1028X, part of the ongoing investigation into financial mismanagement at the OSDH, directs that the department submit a corrective action report to the Legislature by January 1, 2018, that provides for a 15 percent reduction in state appropriations by June 30, 2019.

HB 1058X states that it is the intent of the Legislature that DHS fund the following programs for the remainder of FY 2018 as initially budgeted: Advantage Home and Community-Based Waiver, Money Follows the Person, Homeward Bound Waiver, In-Home Supports, Personal Care, state-funded community residential and vocational services, Adult Day Services and the Senior Nutrition Program. It is also the intent of the Legislature that DHS set the rates for foster care, residential care, intensive in-home services, group home care and the adoption subsidy program for the remainder of FY 2018 that were in effect at the beginning of the year.

HB 1081X appropriates $23.3 million from the Constitutional Reserve Fund to the ODMHSAS.

HB 1085X increases the gross production tax rate on legacy wells currently taxed at 4 percent to 7 percent. The increased rate will take effect for production occurring on or after the first full month of the effective date of the act and is expected to increase collections by $51 million in FY 2018 and $101.5 million in FY 2019.

Second Extraordinary Session
Convened December 18, 2017
Adjourned April 19, 2018

Following the veto of HB 1019X, the Governor called a Second Special Session for the purpose of providing funding for the OHCA to avoid provider rate cuts. The original call was amended six times to include:

- providing additional funding for DHS and OHCA;
- providing a long-term revenue solution to the state’s repeated budget shortfalls;
- creating an office to expose waste, fraud and abuse of taxpayer dollars;
- giving the Governor the authority to appoint agency heads;
- providing a teacher pay raise; and
- providing supplemental funding for the Graduate Medical Education Program.

Below is a summary of measures enacted during the Second Special Session.

Education

HB 1023XX increases the minimum salary schedule for teachers; stipulates that teachers currently making above the minimum salary schedule will be included in the raise; and requires school districts to notify teachers if they intend to provide retirement benefits that would lower a teacher’s salary below the minimum.

HB 1026XX provides a pay raise of $1,250 for school support employees. The raise will be in addition to any other compensation and fringe benefits provided by the
district, or mandated by law or a collective bargaining agreement, unless their hours or duties are reduced proportionately.

**Health and Human Services**

**HB 1016XX** creates the State Health Care Enhancement Fund that will consist of monies received from the increased tobacco tax pursuant to HB 1010XX.

**HB 1021XX** states that it is the intent of the Legislature that DHS fund the following programs for the remainder of FY 2018 as initially budgeted: Advantage Home and Community-Based Waiver, Money Follows the Person, Homeward Bound Waiver, In-Home Supports, Personal Care, state-funded community residential and vocational services, Adult Day Services and Senior Nutrition Program. It is also the intent of the Legislature that DHS set the rates for foster care, residential care, intensive in-home services, group home care and the adoption subsidy program for the remainder of FY 2018 that were in effect at the beginning of the year.

Due to the recent loss of federal funding for the state’s medical schools, **HB 1022XX** appropriates $31.8 million to the OHCA to fund the Deans Graduate Medical Education Program for the fourth quarter of FY 2017 and $110 million to the OHCA to be distributed to Oklahoma State University and the University of Oklahoma for the benefit of the program in FY 2019.

**SB 1XX** appropriates $17.7 million to OHCA.

**SB 2XX** appropriates $26.5 million to DHS.

**Revenue and Taxation**

**HB 1010XX** creates new and modifies existing taxes. The measure establishes an additional tax on cigarettes equal to 50 mills per cigarette and taxes little cigars at the same rate as cigarettes. For a standard package of 20 cigarettes, the tax amounts to $1 per pack. Revenue from the new tax on cigarettes collected prior to July 1, 2019, will go to General Revenue Fund. Revenue collected on or after July 1, 2019, will go to the newly created State Health Care Enhancement Fund. The measure also:

- establishes an additional 3 cent per gallon tax on gasoline and 6 cent per gallon tax on diesel fuel purchased in the state. Revenue collected from the additional motor fuel taxes prior to July 1, 2019, will go to the General Revenue Fund. Revenue collected on or after July 1, 2019, will go to the Rebuilding Oklahoma Access and Driver Safety Fund;

- taxes all production of oil and gas from wells spudded prior to, and after the effective date of the act, at 5 percent for the first 36 months of production and 7 percent thereafter. In the event that State Question 795 is approved by voters, the statutory gross production tax rate for the initial 36-month production period will be reduced to 2 percent while the constitutional gross production tax rate at 5 percent for the initial 36 month production period is in effect (on April 23, 2018, the organizers of the petition announced they were withdrawing the petition);

- outlines the apportionment structure for gross production tax on oil and gas levied at the 5 percent rate; and

- creates the Oklahoma Occupancy Tax Act to establish a hotel occupancy tax equal to $5 per night for each calendar day a hotel room is rented or leased (the occupancy tax was later repealed by the passage of HB 1012XX).

In total, after the repeal of the occupancy tax, the tax revisions are expected to increase state revenue collections by approximately $429 million in FY 2019.

**HB 1011XX** establishes a cap on the amount of itemized deductions allowed on a state income tax return. The cap is $17,000 per return and excludes any amount attributable to charitable contributions and medical expenses that are deductible for federal income tax purposes. The measure is expected to increase income tax collections by $84 million in FY 2019.

**HB 1012XX** repeals all provisions related to the enactment of the Oklahoma Occupancy Tax Act in HB 1010XX. The act created a hotel tax equal to $5 per day per room. The tax would have provided an additional $46 million in FY 2019 and $50 million in FY 2020 to the General Revenue Fund.

**HB 1015XX** affirms that existing motor fuel tax exemptions will apply to the additional taxes on gasoline and diesel fuel enacted in HB 1010XX.

**HB 1018XX** directs the Oklahoma Tax Commission (OTC) to impose a limit on the amount of cigarette excise tax stamps purchased by a wholesaler to no more than the monthly average amount of stamps sold to the wholesaler during the preceding calendar year, unless supporting documentation of greater probable sales can be provided. The purpose of the limit is to prevent hoarding of stamps in anticipation of the additional cigarette tax levy enacted in HB 1010XX.

**HB 1019XX** requires any remote seller, marketplace facilitator or referrer with aggregate sales in the state of at least $10,000 to do one of two things:

- file an election with the OTC to collect and remit sales and use tax due on tangible personal property sold in the state; or

- comply with notice and reporting requirements established in statute and any required by the OTC.

The measure also outlines the notice and reporting requirements, and establishes a noncompliance penalty.
that is the lesser of $20,000 or 20 percent of total sales in Oklahoma during the previous 12 months.

Lastly, the measure provides priority funding to the Education Reform Revolving Fund (1017 Fund) from use tax collections. For FY 2019, $19.6 million will be apportioned to the 1017 fund and for FY 2020 and each year thereafter, $20.5 million will be apportioned to the fund.

HB1034XX sets a $5 million annual cap for coal tax credits effective tax year 2018 and directs the OTC to use a percentage adjustment formula to determine a percentage by which the credits authorized are to be reduced to satisfy the $5 million annual cap. In the event that the total tax credits authorized exceed the annual cap, the commission will permit any excess, but must factor the excess into the percentage adjustment formula for subsequent years. Any credit that is unused, because of the cap, may be carried forward until it is fully used.

HB 1036XX sets a $2 million annual cap for the railroad rehabilitation tax credit effective tax year 2018 and directs the OTC to use a percentage adjustment formula to determine a percentage by which the credits authorized are to be reduced to satisfy the $2 million annual cap. In the event that the total authorized tax credits exceed the annual cap, the commission will permit any excess, but must factor the excess into the percentage adjustment formula for subsequent years.

State Government

HB 1020XX makes a midyear adjustment to general appropriations for state agencies by cutting approximately $44.7 million from the FY 2018 budget. The cuts are to be equally absorbed by appropriated agencies and averages .66 percent less than the original budget passed in the 2017 Regular Session.

HB 1024XX provides salary increases to state employees as follows:

<table>
<thead>
<tr>
<th>Current Salary</th>
<th>Increase</th>
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</thead>
<tbody>
<tr>
<td>$40,000 and under</td>
<td>$2,000</td>
</tr>
<tr>
<td>$40,001–$50,000</td>
<td>$1,500</td>
</tr>
<tr>
<td>$50,001–$60,000</td>
<td>$1,000</td>
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<tr>
<td>$60,001 and over</td>
<td>$750</td>
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</tbody>
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Transportation

HB 1014XX modifies the apportionment structure for various transportation funds to change the sources of revenue for the Rebuilding Oklahoma Access and Driver Safety (ROADS) Fund. Beginning FY 2020 and each fiscal year thereafter, the ROADS Fund will accept gasoline and diesel fuel tax revenue apportioned pursuant to HB 1010XX and motor vehicle collections currently apportioned to the General Revenue Fund until the ROADS Fund meets a $575 million fiscal year cap. When the cap is met, any excess apportionments to the ROADS Fund will be credited to the General Revenue Fund. The measure also redirects various apportionments that currently go to the State Transportation Fund to State Highway Construction and Maintenance Fund, which is limited to accepting $120 million each fiscal year.