

medical service districts are other providers of local services which operate with revenues derived from ad valorem taxes.

Public indebtedness is incurred when counties, cities, towns and school districts finance the construction of new buildings, the renovation of existing buildings, and special projects by selling municipal bonds either as general obligation bonds or revenue bonds. Each year, revenue must be generated by the political subdivision to service the debt through annual deposits into a sinking fund to accumulate revenue to retire the bonds. These annual deposits must be sufficient to pay the semi-annual and annual interest and principal payments.

General obligation bonds differ from revenue bonds by how income is generated to service the debt.

Definition: General Obligation Bond

The interest and principal on the bond are paid through an ad valorem tax levy or a special assessment.

Definition: Revenue Bond

The interest and principal on the bond are paid by the revenue earned from the project. An example is a public utility like a municipal water system. Water sold to customers pays for the cost of building the system. Another example is a county sales tax that is earmarked to pay for a new county jail or courthouse. The sales tax revenue services the bond payments.

General obligation bonds (GO) are backed by the full ad valorem taxing power of the political subdivision. An annual ad valorem tax is levied to service the debt on a GO bond. Both the capital improvement project and the amount of the bond must be approved at an election by the voters residing in the area impacted. A "super-majority" (60 percent) is required. Each year the county excise board determines the number of mills which are levied. Revenues from an annual levy are used to meet the annual interest payments and the required deposit into a sinking fund. Both the annual interest payment and sinking fund deposit along with the total net assessed valuation of the taxing jurisdiction are the factors which are considered by the county excise board when setting the annual levy. The sinking fund is given the same name as the capital improvement project.

An ad valorem tax can also be levied to service a general obligation limited tax bond or GOLTB. A GOLTB is similar to a general obligation bond, since it is backed by the taxing ability of the political subdivision. The difference is revenues from the project wherefore the bond was issued are also used to service the debt. An ad valorem tax need not be levied if sufficient revenue is available from the project. General obligation limited tax bonds can be issued by counties and cities to support industrial development.

By constitutional law, public indebtedness is tied to a political subdivision's net assessed valuation. For a political subdivision, total indebtedness is limited as follows:

1. **Counties.** Five percent of the total net assessed valuation of the whole county.
2. **Cities.** Five percent of the total net assessed valuation for the whole city, or up to 10 percent if approved by 3/5 of the voters, or greater than 10 percent if for constructing or purchasing public utilities.
3. **School Districts.** Five percent of the total net assessed valuation of the whole school district, or 10 percent if approved by 3/5 of the voters.

Ad Valorem Tax Levies

For all ad valorem taxes, the county excise board sets the levies within the levels authorized by law. For a sinking fund the levy cannot exceed the level needed for servicing the debt. The levies are set in number of mills and certified to the county assessor who computes the property taxes and prepares a tax roll. The tax roll shows the amount of taxes owed by each owner of real and personal property. The tax bills are prepared and sent by the county treasurer to the owners of taxable property. The county treasurer also collects the property taxes.

An overview is provided on the ad valorem taxes that are permitted in Oklahoma in the following table. The maximum number of mills that can be levied are itemized by use. The table is organized by county government, city government, school districts, and service districts.

County Government Levies

County General Fund

Up to 15 mills is guaranteed without a vote of the people. No less than 5 mills from the amount levied must be allocated to the common school districts within the county. The remainder is apportioned to the county by the county excise board. Cities and towns within the county may also receive a portion of the 10 mills available to the county although this seldom occurs. In practice, all 15 mills are usually levied. Ten mills of the total 15 mills are apportioned to the county general fund to support the services provided by county government.

Statutory law either allows or requires the county excise board to appropriate a portion of the 10 mills for the county general fund to various services and programs. Thus, some items are listed as mandatory and others as optional. Optional implies the appropriation is made at the discretion of the county excise board. The various services and programs are as follows:

1. County Audit — 1/10 mill, mandatory.
2. County Officers' Accounts — levels necessary to operate the offices.
3. County Extension Office Account—adequate funding, mandatory.
4. Free Fair Budget Account — up to 1/2 mill if the county population is more than 15,000, optional; up to 1 mill if the county population is less than 15,000, optional; 1/4 mill if the county population was greater than 55,000 in 1940, mandatory (excluding Oklahoma County and Tulsa County which receive money from the State for the state fairs).
5. Free Fair Improvement Budget Account — up to 1 mill, optional.
6. Free Fair Additional Improvement Budget Account — up to 1 mill, optional.
7. Highway Levy Budget Account — recommended by board of county commissioners, optional.
8. Library Budget Account — up to 1/2 mill, optional.
9. Public Health Budget Account — up to 1 mill, optional.
10. Tick Eradication Budget Account—recommended by the board of county commissioners, optional.
11. Bovine T. B. Budget Account — within limit of 5,000 dollars, optional.