

BILL SUMMARY
1st Session of the 52nd Legislature

Bill No.:	HB 2067
Version:	CCS (7950)
Author:	Representative McNeil
Date:	May 11, 2009
Impact:	No state impact

Bill Summary

Research Analyst: Jonathan S. Small II and Arnella Karges

The Conference Committee Substitute (CCS) creates the Oklahoma Community Economic Development Pooled Finance Act. The measure creates a program within the Oklahoma Development Finance Authority (ODFA) that authorizes the ODFA to issue a maximum (for each program) of \$100 million in bonds for joint local government projects. The two programs created are the Economic Development Pool and the Infrastructure Pool. Provisions of the CCS include:

- authorizes one or more local government entities or local government entities and for-profit businesses (to “pool”) to have bonds issued through the ODFA for various economic development or infrastructure projects;
- limits bonds issued for communities under 300,000 to equal 65% of the net proceeds, and limits bonds issued for communities of any population to equal the remaining 35% of the net proceeds;
- requires approval of proposals pursuant to a rating system conducted by the Department of Commerce, requiring qualifying businesses to get a letter of determination from the Department noting that businesses’ activity will result in a positive net benefit;
- authorizes local government entities to approve measures to allow capture of various incentive payments to go towards repayment of bonds; and
- requires municipal approval by a vote of the people of pooled financing proposals allowed by this measure.

Fiscal Summary

Fiscal Analyst: Mark Nichols

The committee substitute for HB 2067 creates the Oklahoma Community Economic Development Pooled Finance Act. The Oklahoma Development Finance Authority will sell bonds to provide resources to local government entities to finance eligible economic development projects. Local government entities shall be required to be financially responsible for the repayment of the debt issued by the Oklahoma Development Finance Authority, and obligations made this way will not be debt of the state of Oklahoma. Repayment by local government entities to the Oklahoma Development Finance Authority shall consist of authorized revenue sources including, but not limited to, municipal and county sales taxes levied by the local government entities or which are available for use by such entities.

The measure also creates the Community Economic Development Pooled Finance Revolving Fund. This fund will consist of money received by the Oklahoma Development Finance

Authority from revenues derived from levies imposed by counties, cities or towns and will be used by the ODFA to pay interest, principal and other costs of borrowing.

The Conference Committee Substitute for this measure adds a section of law requiring the Department of Commerce to study an application and then send a determination letter to the Tax Commission confirming that the proposed project will have a positive net benefit. If such proposed project will not have a positive net benefit, the Oklahoma Development Finance Authority will not allow a business entity to use captured withholding tax for the project.

Fiscal Analysis

The provisions of the measure create no indebtedness or burden on the state of Oklahoma, all debts will be the responsibility of the local entity utilizing the bond process.

The provisions of the measure indicate that if a for-profit business is a recipient of infrastructure or other revenue under the measure, the local entity can use some level of withholding taxes to help pay off the obligations of the local entity. The CCS for the measure ensures that any withholding taxes used would be on projects that the Department of Commerce has concluded would have a positive net benefit and therefore the state should realize no negative impact.

The Department of Commerce states that, although the study prior to the determination letter will take time; the Department will be able to fulfill the provisions of the measure with existing staff.

Long Term Fiscal Considerations

None

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director