

BILL SUMMARY
2nd Session of the 52nd Legislature

Bill No.:	HB 2614
Version:	As Introduced
Author:	Rep. Liebmann
Date:	January 25, 2010
Impact:	

**Estimated Average Annual Lease
Payments per Series: \$180,000**

**Estimated Maximum Annual
Cumulative Lease Payments: \$2.7 Million**

Bill Summary

Research Analyst: Dusty Darr

This measure authorizes the Oklahoma Capitol Improvement Authority to issue certain obligations to provide funding for deferred maintenance costs and funding for annual maintenance costs for assets owned by or under the control or responsibility of the Department of Central Services.

Fiscal Summary

Fiscal Analyst: Mark Tygret

HB 2614, as introduced, authorizes the Oklahoma Capitol Improvement Authority (OCIA) to issue obligations benefiting the Department of Central Services (DCS) for funding deferred maintenance projects and for annual maintenance costs for state assets under the responsibility of DCS.

Obligations are to be issued to provide net proceeds not to exceed \$2.0 million each fiscal year beginning in FY-11 and ending in FY-25. DCS is to use the proceeds to pay for expenses of the deferred maintenance of assets. The maximum balance of net proceeds as of the end of each fiscal year may not exceed \$4.0 million exclusive of any accrued interest. The measure creates the Deferred Maintenance Revolving Fund within DCS to which net proceeds from bond issuances will be deposited.

Fiscal Analysis

The measure authorizes an annual issuance of obligations that will net \$2.0 million in each of fifteen series (FY-11 – FY-25), for a total issuance of \$50.0 million in net proceeds. Each series will have a maximum duration of fifteen (15) years from the first principal maturity date.

While actual lease payments and debt service requirements will depend on market conditions at the time of the issuance of each series, a general estimate of average annual principal and interest payments can be made based on current municipal bond market yields. Assuming an annual principal amount of \$2,020,000 (one percent cost of issuance to result in net proceeds of \$2,000,000) and applying the current AA rated fifteen year yield of approximately 4.0 percent,

the average annual lease payments and issuance costs are approximately \$180,000 for each series. The issuance of fifteen annual series would result in a maximum annual lease payment and debt service requirement of approximately \$2,700,000, with annual requirements decreasing after all series have been issued as bond series are retired.

Long Term Fiscal Considerations

Authorization of the series of obligations will provide DCS with resources to address a portion of the deferred maintenance backlog for state assets.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director