

1 ENGROSSED SENATE
2 BILL NO. 638

By: Treat and Newberry of the
Senate

3 and

4 Montgomery of the House
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6

7 An Act relating to public finance; creating State
8 Debt Affordability Study Act; requiring State Bond
9 Advisor and Office of Management and Enterprise
10 Services to produce specified report on state debt
11 affordability; setting out purpose for study and
12 requiring use of certain information; providing for
13 inclusion of specified components; requiring
14 consideration of recommendations and estimates from
15 study in certain circumstances; establishing annual
16 date for presentation of study; providing for
17 advisory nature of recommendations and estimates;
18 providing for noncodification; providing for
19 codification; and providing an effective date.
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BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law not to be
codified in the Oklahoma Statutes reads as follows:

This act shall be known and may be cited as the "State Debt
Affordability Study Act".

SECTION 2. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 45A of Title 62, unless there
is created a duplication in numbering, reads as follows:

1 A. The State Bond Advisor and the Office of Management and
2 Enterprise Services shall jointly produce an annual written debt
3 affordability study.

4 B. The study shall be used to determine Oklahoma's debt
5 position relative to its benchmark debt ratio of debt service as a
6 percentage of revenues. The study shall incorporate information
7 available in other sources, including, but not limited to, the State
8 Bond Advisor's Annual Report and the Bonded Indebtedness Report into
9 an analysis of Oklahoma's debt position.

10 C. The study shall include the net tax-supported and net
11 revenue-supported debt of this State for the most recently concluded
12 fiscal year. It shall also include the debt for the most recently
13 concluded fiscal year of state major component units and agencies
14 for which the state may hold ultimate financial responsibility.
15 These include, but are not limited to, the Oklahoma Housing Finance
16 Agency, the Oklahoma Turnpike Authority, and the Oklahoma Municipal
17 Power Authority.

18 D. The study shall include the following:

19 1. Projections of debt service, future debt issuance, and debt
20 to capacity (such as debt service as a percentage of revenues).
21 Each projection shall extend at least five (5) years from the fiscal
22 year of the study's publication;

1 2. A discussion of Oklahoma's unfunded pension liabilities and
2 the impact of these liabilities on the State's ability to borrow and
3 the cost of debt;

4 3. An identification and calculation of relevant metrics
5 including, but not limited to, debt service as a percentage of
6 revenues, total debt as a percentage of state personal income, and
7 total debt per capita;

8 4. A comparison of debt metrics to a select group of at least
9 ten (10) other states so that Oklahoma may be able to measure and
10 contextualize its debt relative to its peers;

11 5. A sensitivity analysis to understand the effects of
12 uncertain conditions including, but not limited to, analysis of the
13 impact of revenue and interest rate volatility on debt ratios;

14 6. An estimate of available debt capacity the state may issue
15 over the next five (5) years without causing the benchmark debt
16 ratio of debt service as a percentage of revenues to exceed five
17 percent (5%). This estimate shall be based on the State's net tax-
18 supported debt and the debt of the relevant State units and
19 agencies; and

20 7. Any recommendations resulting from the issues addressed by
21 the study.

22 E. In preparing any authorization of new debt, the debt-issuing
23 entity, Legislature, and Governor shall take the study's
24 recommendations and estimates into consideration. In addition, the

1 study's recommendations and estimates shall be taken into
2 consideration by the Legislature and Governor during capital
3 planning and budgeting processes.

4 F. A copy of the study shall be presented to the Legislature
5 and Governor on or before January 15 of each year.

6 G. The study's recommendations and estimates shall be advisory
7 and not binding.

8 SECTION 3. This act shall become effective November 1, 2017.

9 Passed the Senate the 21st day of March, 2017.

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Presiding Officer of the Senate

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13 Passed the House of Representatives the ____ day of _____,
14 2017.

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Presiding Officer of the House
of Representatives

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