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February 8, 2017

**AS AMENDED**

SENATE BILL NO. 638

By: Treat and Newberry

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[ public finance - State Debt Affordability Study Act
- state debt affordability - noncodification -
codification - 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:

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

B. The study shall be used to determine Oklahoma's debt position relative to its benchmark debt ratio of debt service as a percentage of revenues. The study shall incorporate information available in other sources, including, but not limited to, the State

1 Bond Advisor's Annual Report and the Bonded Indebtedness Report into  
2 an analysis of Oklahoma's debt position.

3 C. The study shall include the net tax-supported and net  
4 revenue-supported debt of this State for the most recently concluded  
5 fiscal year. It shall also include the debt for the most recently  
6 concluded fiscal year of state major component units and agencies  
7 for which the state may hold ultimate financial responsibility.  
8 These include, but are not limited to, the Oklahoma Housing Finance  
9 Agency, the Oklahoma Turnpike Authority, and the Oklahoma Municipal  
10 Power Authority.

11 D. The study shall include the following:

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

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

19 3. An identification and calculation of relevant metrics  
20 including, but not limited to, debt service as a percentage of  
21 revenues, total debt as a percentage of state personal income, and  
22 total debt per capita;

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

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

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

13       7. Any recommendations resulting from the issues addressed by  
14 the study.

15       D. In preparing any authorization of new debt, the debt-issuing  
16 entity, Legislature, and Governor shall take the study's  
17 recommendations and estimates into consideration. In addition, the  
18 study's recommendations and estimates shall be taken into  
19 consideration by the Legislature and Governor during capital  
20 planning and budgeting processes.

21       E. A copy of the study shall be presented to the Legislature  
22 and Governor on or before December 15 of each year.

23       F. The study's recommendations and estimates shall be advisory  
24 and not binding.

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

COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS  
February 8, 2017 - DO PASS AS AMENDED