

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

HOUSE BILL 1533

By: Montgomery

AS INTRODUCED

An Act relating to public finance; requiring debt affordability study; prescribing requirements for study; prescribing required content and analysis; requiring Governor, Legislature and certain state governmental entities to consider results of study; requiring annual presentation of findings; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 34.200-1 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. The State Bond Advisor in cooperation with the Office of Management and Enterprise Services shall produce a written debt affordability study (hereafter "study") to be presented to the Legislature and Governor.

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

1 information available in other sources, such as the Annual
2 Report of the Oklahoma State Bond Advisor and the Bonded
3 Indebtedness Report, into an analysis of Oklahoma's debt
4 position.

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

14 D. The study shall include the following:

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

19 2. A discussion of Oklahoma's unfunded pension liabilities
20 and the impact of these liabilities on the state's ability to
21 borrow and cost of debt;

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

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

6 5. A sensitivity analysis to understand the effects of
7 uncertain conditions. This sensitivity analysis may include
8 analysis on the impact of debt ratios of revenues being above or
9 below expectations or interest rates increasing or decreasing
10 from positions at time of publication;

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

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

23 E. The State Bond Advisor and the Office of Management and
24 Enterprise Services shall report the results of the study to the

1 Legislature, by transmitting a copy to the Speaker of the House
2 of Representatives, the President Pro Tempore of the State
3 Senate, and to the Governor on or before December 15 of each
4 year.

5 F. The study's recommendations and estimates shall be
6 advisory and not binding.

7 SECTION 2. This act shall become effective November 1,
8 2017.

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