

OKLAHOMA HOUSE OF REPRESENTATIVES
COMMITTEE REPORT

5/9/2017 5:32:44 PM

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

HB2387

By: Osborn (Leslie) et al of the House

David et al of the Senate

Title: Public finance; Oklahoma Public Finance Authorization Act of 2017; effective date.

Coauthored By:

Recommendation: **DO PASS AS AMENDED BY CS**

Amendments:

1. Committee Substitute Attached



Chr.
Representative Leslie Osborn

YEAS: 20

Biggs, Caldwell, Calvey, Cockroft, Dunnington, Henke, Kouplen, Loring, Martin, O'Donnell, Ortega, Osborn (L), Ownbey, Pfeiffer, Roberts (D), Russ, Sears, Stone, Virgin, Wallace

NAYS: 3

Bennett (J), Murphey, Proctor

CONSTITUTIONAL PRIVILEGE: 0

**OKLAHOMA STATE SENATE
JOINT
COMMITTEE REPORT**

May 9, 2017

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

HB 2387

By: Osborn (Leslie) of the House and David and Fields of the Senate

Title: Public finance; Oklahoma Public Finance Authorization Act of 2017; effective date.

Recommendation: **DO PASS AS AMENDED**

Aye: Bergstrom, Bice, Boggs, Daniels, Dossett, Dugger, Floyd, Fry, Griffin, Holt, Jech, Kidd, Leewright, Matthews, McCortney, Paxton, Pederson, Pemberton, Pittman, Pugh, Rader, Scott, Sharp, Shaw, Simpson, Smalley, Sparks, Stanislawski, Thompson, Fields, David

Nay: Allen, Brecheen, Dahm, Newberry

Pass:

Senator Kim David, Chair

Committee Substitute, motion by Senator DAVID - Adopted (Request No: 7816)

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR

HOUSE BILL NO. 2387

By: Osborn (Leslie) and Wallace
of the House

and

David and Fields of the
Senate

COMMITTEE SUBSTITUTE

An Act relating to the Office of Juvenile Affairs;
stating intent with regard to the Office of Juvenile
Affairs for certain modifications to assets; imposing
duty on the Office of Juvenile Affairs; authorizing
assistance by the Office of Management and Enterprise
Services and the Commissioners of the Land Office;
providing for options with respect to assets;
providing for selection of certain option; providing
remaining option not to be operative; prescribing
procedures for selection of best-value option;
requiring memorandum; providing for transmission of
memorandum to the Governor, the Speaker of the
Oklahoma House of Representatives and the President
Pro Tempore of the Oklahoma State Senate; providing
for transmission of memorandum to members of the
governing board of the Oklahoma Capitol Improvement
Authority based upon certain option selection;
providing for inoperability of provisions related to
issuance of obligations; authorizing Office of
Juvenile Affairs to sell certain property; requiring
fair market value for sale; providing for negotiation
of public-private partnership; requiring request for
proposal; requiring negotiation of lease and sublease
agreement; stating intent with respect to
appropriations; requiring development of certain
plans related to assets of the Office of Juvenile
Affairs; requiring report to the Governor, the

1 Speaker of the Oklahoma House of Representatives and
2 the President Pro Tempore of the Oklahoma State
3 Senate; imposing time limit for report; authorizing
4 Oklahoma Capitol Improvement Authority to issue
5 obligations; providing for approval process in order
6 to authorize issuance of obligations; authorizing
7 acquisition of real and personal property; providing
8 for net proceeds amount; authorizing holding of title
9 by the Oklahoma Capitol Improvement Authority;
10 providing for transfer of title to the Office of
11 Juvenile Affairs upon final redemption or defeasance;
12 authorizing borrowing of monies based upon certain
13 revenues; authorizing capitalization of interest;
14 stating legislative intent regarding appropriations;
15 authorizing payment of certain fees or costs;
16 providing exception; authorizing issuance of
17 obligations in series; authorizing professional
18 advisors; providing for competitive or negotiated
19 sale; providing for agreements related to liquidity;
20 providing for maturity and redemption; authorizing
21 certain use of interest; providing for exempt
22 treatment with respect to taxes; authorizing
23 investment of monies or funds; imposing standard for
24 investment; authorizing restrictions; providing for
applicability of certain statutory provisions related
to the Oklahoma Capitol Improvement Authority;
providing for codification; providing an effective
date; and declaring an emergency.

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 2-7-618 of Title 10A, unless
there is created a duplication in numbering, reads as follows:

A. It is the intent of the State of Oklahoma for the Office of
Juvenile Affairs (OJA) to plan, develop, redevelop and occupy campus
modifications to serve Oklahoma youth in need of secure care and
specialty residential services. In furtherance of this intent, OJA

1 shall plan and execute a construction strategy through a best-value
2 analysis of two financing sources. The Oklahoma Office of
3 Management and Enterprise Services (OMES) and the Commissioners of
4 the Land Office (CLO) are authorized to assist OJA in assessing the
5 best option and proceeding with necessary steps. OJA is authorized
6 to pursue one of these two options based upon the input from the OJA
7 governing board, OMES and the CLO.

8 B. The option that is determined to be best-value for the State
9 of Oklahoma pursuant to subsection C of this section will be
10 selected and the authorization for the other financing strategy
11 shall not be operative.

12 C. Not later than March 31, 2018, or one hundred eighty (180)
13 days from such date if the provisions of this act become effective
14 as law later than July 1, 2017, pursuant to recommendations for the
15 best-value option agreed upon by a majority vote of the governing
16 board of OJA, a majority vote of the Commissioners of the Land
17 Office and the agreement of the Director of the Office of Management
18 and Enterprise Services, a memorandum reflecting the decision of the
19 participating agencies shall be transmitted to the Governor, the
20 Speaker of the Oklahoma House of Representatives and the President
21 Pro Tempore of the Oklahoma State Senate. If the best-value option
22 selected is for the issuance of obligations by the Oklahoma Capitol
23 Improvement Authority pursuant to the provisions of Section 4 of
24 this act, a copy of the signed and executed memorandum shall be

1 transmitted to the members of the governing board of the Oklahoma
2 Capitol Improvement Authority. If the best-value option selected
3 does not require the issuance of obligations by the Oklahoma Capitol
4 Improvement Authority, the provisions of Section 4 of this act shall
5 not be operative and the Oklahoma Capitol Improvement Authority
6 shall not have the power or legal authority to issue any obligations
7 pursuant to the provisions of Section 4 of this act.

8 SECTION 2. NEW LAW A new section of law to be codified
9 in the Oklahoma Statutes as Section 2-7-619 of Title 10A, unless
10 there is created a duplication in numbering, reads as follows:

11 If the best-value option for the state is to enter into an
12 agreement with CLO and a public/private partnership for the
13 development of the designated campus then OJA is authorized to sell
14 a to-be-determined amount of property on the OJA campus of the
15 Central Oklahoma Juvenile Center to the CLO. The amount of property
16 to be transferred will be determined by the footprint of the
17 proposed construction/refurbishment. In exchange for the property,
18 OJA will receive from the CLO fair market value for the land. The
19 CLO, on behalf of OJA, will negotiate a public/private partnership
20 for the construction of juvenile justice assets. The CLO will
21 develop a Request For Proposal (RFP) to select a private development
22 company to construct the necessary facilities for the operation of a
23 juvenile justice secure care facility. OMES will negotiate on
24 behalf of OJA the necessary lease and sublease terms for the

1 continued operation of the facility for up to twenty-five (25)
2 years. It is the intent of the Legislature to make appropriations
3 as required in order for the Office of Juvenile Affairs to make
4 required lease and sublease payments related to real property or
5 improvements or both, as provided by this act.

6 SECTION 3. NEW LAW A new section of law to be codified
7 in the Oklahoma Statutes as Section 2-7-620 of Title 10A, unless
8 there is created a duplication in numbering, reads as follows:

9 Concurrent with the OJA campus consolidation process as
10 contemplated by this act, OJA is directed to develop, in
11 collaboration with other executive branch agencies and such other
12 entities as OJA deems necessary in furtherance of the requirements
13 of this act, plans for the repurposing of the Southwest Oklahoma
14 Juvenile Center and the Oklahoma Juvenile Center for Girls campuses.
15 The agency shall provide a report to the Governor, the Speaker of
16 the Oklahoma House of Representatives and the President Pro Tempore
17 of the State Senate on recommendations for future use of those
18 facilities not later than March 31, 2018, or one hundred eighty
19 (180) days from such date if the provisions of this act become
20 effective as law later than July 1, 2017.

21 SECTION 4. NEW LAW A new section of law to be codified
22 in the Oklahoma Statutes as Section 701 of Title 73, unless there is
23 created a duplication in numbering, reads as follows:

1 A. In addition to any other authorization provided by law, but
2 subject to the approval process prescribed by Section 1 of this act
3 and the delivery of a memorandum as described by subsection C of
4 Section 1 of this act authorizing the issuance of obligations, the
5 Oklahoma Capitol Improvement Authority is authorized to issue
6 obligations to acquire real property, together with improvements
7 located thereon, and personal property to construct improvements to
8 real property and to provide funding for repairs, refurbishments and
9 improvements to real and personal property of the Office of Juvenile
10 Affairs sufficient to generate net proceeds in the amount of Forty-
11 five Million Dollars (\$45,000,000.00).

12 B. The Authority may hold title to the property and
13 improvements until such time as any obligations issued for this
14 purpose are retired or defeased and may lease the property and
15 improvements to the Office of Juvenile Affairs. Upon final
16 redemption or defeasance of the obligations created pursuant to this
17 section, title to the property and improvements shall be transferred
18 from the Oklahoma Capitol Improvement Authority to the Office of
19 Juvenile Affairs.

20 C. For the purposes of paying the costs for construction of the
21 real property and improvements, and providing funding for the
22 project authorized in subsection A of this section, and for the
23 purpose authorized in subsection D of this section, the Authority is
24 hereby authorized to borrow monies on the credit of the income and

1 revenues to be derived from the leasing of such property and
2 improvements and, in anticipation of the collection of such income
3 and revenues, to issue negotiable obligations in a total amount
4 sufficient to generate net proceeds of Forty-five Million Dollars
5 (\$45,000,000.00) whether issued in one or more series. The
6 Authority is authorized to capitalize interest on the obligations
7 issued pursuant to this section for a period of not to exceed one
8 (1) year from the date of issuance. For subsequent fiscal years, it
9 is the intent of the Legislature to appropriate to the Office of
10 Juvenile Affairs sufficient monies to make rental payments for the
11 purpose of retiring the obligations created pursuant to this
12 section. To the extent funds are available from the proceeds of the
13 borrowing authorized by this subsection, the Oklahoma Capitol
14 Improvement Authority shall provide for the payment of professional
15 fees and associated costs related to the project authorized in
16 subsection A of this section; provided, that no such fees or costs
17 may be paid if such payments would jeopardize the tax-advantaged
18 status of the bonds under federal law.

19 D. The Authority may issue obligations in one or more series
20 and in conjunction with other issues of the Authority. The
21 Authority is authorized to hire bond counsel, financial consultants,
22 and such other professionals as it may deem necessary to provide for
23 the efficient sale of the obligations and may utilize a portion of
24 the proceeds of any borrowing to create such reserves as may be

1 deemed necessary and to pay costs associated with the issuance and
2 administration of such obligations.

3 E. The obligations authorized under this section may be sold at
4 either competitive or negotiated sale, as determined by the
5 Authority, and in such form and at such prices as may be authorized
6 by the Authority. The Authority may enter into agreements with such
7 credit enhancers and liquidity providers as may be determined
8 necessary to efficiently market the obligations. The obligations
9 may mature and have such provisions for redemption as shall be
10 determined by the Authority, but in no event shall the final
11 maturity of such obligations occur later than twenty-five (25) years
12 from the first principal maturity date.

13 F. Any interest earnings on funds or accounts created for the
14 purposes of this section may be utilized as partial payment of the
15 annual debt service or for the purposes directed by the Authority.

16 G. The obligations issued under this section, the transfer
17 thereof and the interest earned on such obligations, including any
18 profit derived from the sale thereof, shall not be subject to
19 taxation of any kind by the State of Oklahoma, or by any county,
20 municipality or political subdivision therein.

21 H. The Authority may direct the investment of all monies in any
22 funds or accounts created in connection with the offering of the
23 obligations authorized under this section. Such investments shall
24 be made in a manner consistent with the investment guidelines of the

1 State Treasurer. The Authority may place additional restrictions on
2 the investment of such monies if necessary to enhance the
3 marketability of the obligations.

4 I. Insofar as they are not in conflict with the provisions of
5 this section, the provisions of Section 151 et seq. of Title 73 of
6 the Oklahoma Statutes shall apply to this section.

7 SECTION 5. This act shall become effective July 1, 2017.

8 SECTION 6. It being immediately necessary for the preservation
9 of the public peace, health or safety, an emergency is hereby
10 declared to exist, by reason whereof this act shall take effect and
11 be in full force from and after its passage and approval.

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13 56-1-7885 JM 05/09/17
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