

OKLAHOMA TAX COMMISSION

FISCAL IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT SECOND REGULAR SESSION, FIFTY-THIRD OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 20, 2012

BILL NUMBER: SB 747 STATUS AND DATE OF BILL: Engrossed 3/14/12

AUTHORS: House McNiel Senate Brinkley

TAX TYPE (S): Withholding and Sales SUBJECT: Other

PROPOSAL: Amendatory

SB 747 proposes to amend 62 O.S. § 891.8 which relates to the *Oklahoma Community Economic Development Pooled Finance Act* by increasing the amount of bonds that the Oklahoma Development Finance Authority can issue under the Economic Development Pool.

EFFECTIVE DATE: November 1, 2012

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 13: None

FY 14: None

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 13: -0-

Mar. 20, 2012
DATE

Rick Miller
DIVISION DIRECTOR

mck

3-20-2012
DATE

Reece Womack
REECE WOMACK, ECONOMIST

3.21.12
DATE

Dawn Cash
FOR THE COMMISSION

Under current law, the *Oklahoma Community Economic Development Pooled Finance Act* authorizes the Oklahoma Development Finance Authority (ODFA) to issue up to \$100 million in bonds to fund local economic development projects (Economic Development Pool) and \$100 million in bonds to fund local infrastructure projects (Infrastructure Pool). This measure proposes to amend 62 O.S. § 891.8 by increasing from \$100 million to \$200 million the amount of bonds the ODFA can issue under the Economic Development Pool.

Summary of current law:

Economic Development Pool-

- ODFA is authorized issue up to \$100 million in bonds to fund local economic development projects.
- Funding is provided to a local government entity or entities (including local trusts) for the benefit of a business entity for an authorized economic development project. Allocation of the funds requires that 65% of all proceeds are directed to rural areas and the remaining 35% are directed to all eligible projects/entities regardless of the population of the given area.
- The Act references "business entity" in Sections 8 A and C as being eligible for funding while referencing "for-profit business" in other instances. A "for-profit business" is defined as a business "with the goal or expectation of selling goods, services or other property at a price greater than the actual costs incurred by the business".
- The Act provides that state withholding taxes of the business receiving the funds can be used to make debt service payments. This includes withholding taxes attributable to new direct jobs or existing payroll. The Act gives the local government entity the authority to require state withholding taxes to be diverted away from state income tax collections into a fund to be used for debt service. It gives ODFA authority to set the duration of such diversion in order to market the bonds.
- It authorizes the local government entity or entities to dedicate new levies or existing levies for debt repayment, subject to a local vote.
- The Department of Commerce is directed to establish a priority listing of economic development projects based on criteria included in the Act. It appears that all projects will be included in the list and would be eligible for funding if monies are available (total funding capped at \$100 million).
- It mandates that businesses participating in the program can neither participate in the Quality Jobs Program nor can they claim Investment Tax Credits. It further provides that the Department of Commerce will analyze and rank all applicants such that the business activity of a qualifying applicant must be deemed to result in a positive net economic benefit.

Infrastructure Pool –

- ODFA is authorized to issue up to \$100 million in bonds to fund local infrastructure projects.
- Funding would be provided to a local government entity or entities (including local trusts) for each infrastructure project. Allocation of the funds requires that 65% of all proceeds are directed to rural areas and the remaining 35% are directed to all eligible projects/entities regardless of the population of the given area.
- The Act authorizes the local government entity or entities to dedicate new levies or existing levies for debt repayment, subject to a local vote.
- The Department of Commerce is directed to establish a priority listing of infrastructure projects based on criteria which mirror the federal Community Development Block Grant program. It appears that all projects will be included in the list and would be eligible for funding if monies are available (total funding capped at \$100 million).

OTC anticipates no fiscal impact would result from this proposal.