

By the Committee on Finance and Taxation; and Senator Carlton

314-1924-01

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A bill to be entitled

An act relating to state debt; creating s. 215.98, F.S.; providing a declaration of public policy; requiring the Division of Bond Finance of the State Board of Administration to conduct an annual debt-affordability analysis; requiring a report; specifying report requirements; amending s. 11.90, F.S.; providing additional powers and duties of the Legislative Budget Commission relating to the state's debt; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 215.98, Florida Statutes, is created to read:

215.98 State debt fiscal responsibility.--

(1) It is the public policy of this state to encourage fiscal responsibility on matters pertaining to state debt. In an effort to finance essential capital projects for the benefit of residents at favorable interest rates, the state must continue to maintain its excellent credit standing with investors. Authorizations of state debt must take into account the ability of the state to meet its total debt service requirements in light of other demands on the state's fiscal resources. The Legislature declares that it is the policy of this state to exercise prudence in undertaking the authorization and issuance of debt. In order to implement this policy, the Legislature intends to authorize the issuance of additional state tax-supported debt only when such authorization would not cause the ratio of

1 debt-service-to-revenue available to pay debt service on
2 tax-supported debt to exceed 6 percent. If the 6-percent
3 target debt ratio will be exceeded, the authorization of such
4 additional debt must be accompanied by a legislative statement
5 of determination that such authorization and issuance is in
6 the best interest of the state and should be implemented. The
7 Legislature shall not authorize the issuance of additional
8 state tax-supported debt if such authorization would cause the
9 designated benchmark debt ratio of debt-service-to-revenues
10 available to pay debt service to exceed 6.5 percent unless the
11 Legislature determines that such additional debt is necessary
12 to address a critical state emergency.

13 (2) The Division of Bond Finance shall conduct a
14 debt-affordability analysis each year. Proposed capital
15 projects that require funding by the issuance of additional
16 state debt shall be evaluated on the basis of the analysis to
17 assist the Governor and the Legislature in setting priorities
18 among capital projects and related appropriations.

19 (a) The Division of Bond Finance shall annually
20 prepare a debt-affordability report, to be presented to the
21 governing board of the Division of Bond Finance, the President
22 of the Senate, the Speaker of the House of Representatives,
23 and the chair of each appropriations committee by December 15
24 of each year for purposes of providing a framework within
25 which the Legislature can evaluate and establish priorities
26 for bills that propose the authorization of additional state
27 debt during the next budget year.

28 (b) The report shall include, but not be limited to:

29 1. A listing of state debt outstanding, other debt
30 secured by state revenues, and other contingent debt.

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1 2. An estimate of revenues available for the next 10
2 fiscal years to pay debt service, including general revenues
3 plus any revenues specifically pledged to pay debt service.

4 3. An estimate of additional debt issuance for the
5 next 10 fiscal years for the state's existing borrowing
6 programs.

7 4. A schedule of the annual debt service requirements,
8 including principal and interest allocation, on the
9 outstanding state debt and an estimate of the annual debt
10 service requirements on the debt included in subparagraph 3.
11 for each of the next 10 fiscal years.

12 5. An overview of the state's general obligation
13 credit rating.

14 6. Identification and calculation of pertinent debt
15 ratios, including, but not limited to,
16 debt-service-to-revenues available to pay debt service,
17 debt-to-personal-income, and debt-per-capita for the state's
18 net tax-supported debt.

19 7. The estimated debt capacity available over the next
20 10 fiscal years without the benchmark debt ratio of
21 debt-service-to-revenue exceeding 6 percent.

22 8. A comparison of the debt ratios prepared for
23 subparagraph 6., with the comparable debt ratios for the 10
24 most populous states.

25 (c) The Division of Bond Finance shall prepare an
26 update of the report set forth above upon completion of the
27 revenue estimates prepared in connection with the legislative
28 session.

29 (d) Any entity issuing debt secured by state revenues
30 shall provide the information necessary to prepare the debt
31 affordability report.

1 (3) Failure to comply with this section shall not
2 affect the validity of any debt or the authorization of such
3 debt.

4 Section 2. Subsection (6) is added to section 11.90,
5 Florida Statutes, to read:

6 11.90 Legislative Budgeting Commission.--

7 (6) The commission shall have the power and duty to:

8 (a) Annually review the amount of state debt
9 outstanding and submit to the President of the Senate and the
10 Speaker of the House of Representatives an estimate of the
11 maximum amount of additional state tax-supported debt that
12 prudently may be authorized during the current fiscal year.
13 The estimate shall be advisory and shall in no way bind the
14 Legislature.

15 (b) Promptly after receiving the report required by s.
16 215.98(2)(c), the commission shall submit to the President of
17 the Senate and the Speaker of the House of Representatives the
18 commission's estimate of tax-supported debt that prudently may
19 be authorized for the next fiscal year, together with a report
20 explaining the basis for the estimate.

21 Section 3. This act shall take effect July 1, 2001.
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STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
COMMITTEE SUBSTITUTE FOR
SB 1100

- 1) Requires the Division of Bond Finance to conduct an annual debt affordability analysis for purposes of evaluating proposed capital projects that require new state debt and assisting the Governor and the Legislature in setting priorities among capital projects and appropriations.
- 2) Requires the Division to prepare and submit a report to the Division of Bond Finance, the President of the Senate, the Speaker of the House of Representatives, and the chair of each appropriations committee.
- 3) Requires the Legislative Budget Commission to annually review the state's tax-supported debt and estimate the maximum amount of new tax-supported debt that prudently may be authorized.