



Richard Bloedel

Resolution Analysis
Legislative Service Commission

S.J.R. 1*
123rd General Assembly
(As Reported by S. Finance)

Sens. Carnes, Cupp, White, Ray, Johnson, Gardner, Hottinger, Kearns, Fingerhut, Prentiss, Latell, Herington

RESOLUTION SUMMARY

- Proposes a constitutional amendment to authorize legislation providing for the issuance of general obligation bonds for the purpose of paying the costs of facilities for a system of common schools throughout the state and facilities for institutions of higher education.

CONTENT AND OPERATION

New bonding authority

(Section 2n of Article VIII, Ohio Constitution)

The state of Ohio cannot issue general obligation bonds--bonds that are backed by the pledge of the state's full faith and credit--except for purposes and in amounts specifically authorized by the Ohio Constitution. The authority to issue general obligations is provided in Article VIII of the Constitution. General obligations presently authorized by Article VIII include (1) up to \$1.2 billion for public infrastructure capital improvements, pursuant to Section 2m, (2) up to \$1.2 billion outstanding at any one time for highways, pursuant to Section 2m, (3) up to \$200 million outstanding at any one time for state and local park capital improvements, pursuant to Section 2l, (4) up to \$50 million outstanding at any one time for financing coal research, pursuant to Section 15, (5) unspecified amounts to repel invasion, suppress insurrection, or defend the state in war, pursuant to Section 2, and (6) up to \$750,000 at any one time to "supply casual deficits or

* *This analysis was prepared before the report of the Senate Finance Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

failures in revenues, or to meet expenses not otherwise provided for," pursuant to Section 1.

The resolution proposes to enact Section 2n of Article VIII of the Ohio Constitution to authorize the General Assembly to provide by law for the issuance of general obligation bonds for the purpose of paying the costs of (1) facilities for a system of common schools throughout the state and (2) facilities for state-supported and state-assisted institutions of higher education. The total principal amount of bonds issued is to be determined by the General Assembly.

Full faith and credit

The full faith and credit, revenue, and taxing power of the state is pledged to the payment of any obligations issued under the authority of Section 2n, and provision must be made or authorized for the timely payment of debt service through the establishment of bond retirement funds, the sufficiency and appropriation of the amounts pledged to debt service, and the continuation, collection, and application of sufficient taxes, excises, and revenues to the extent needed for debt service. No further act of appropriation is required for continuing the application of the excises, taxes, and revenues pledged to the payment of debt service. Revenue currently restricted primarily for highway-related purposes by Section 5a of Article XII of the Constitution is not available for the payment of debt service on the new obligations.

In the case of the issuance of bond anticipation notes, provision must be made by law or in the bond or note proceedings for the establishment and maintenance of special funds, into which must be paid the same amount, during the period the notes are outstanding, that would have been sufficient to pay the principal on those bonds during that period if the bonds had been issued without the prior issuance of anticipation notes. The special funds and investment income on them must be used solely for the payment of the principal of the notes or of the bonds anticipated.

Maturation period

Each issue of obligations under Section 2n must mature not later than December 31 of the 25th year after the year of issuance. Obligations issued to refund previously issued obligations must mature not later than December 31 of the 25th year after the year in which the original obligation to pay was issued or entered into.

Taxability

Obligations issued under Section 2n, their transfer, and the investment earnings on them, including profit made on their sale, exchange, or other disposition, are free from taxation within the state.

Effective date

The proposed constitutional amendment is to be submitted to the electors at the general election to be held on November 2, 1999. If approved by the electors, the constitutional amendment will take effect immediately.

HISTORY

| ACTION | DATE | JOURNAL ENTRY |
|----------------------|----------|---------------|
| Introduced | 01-20-99 | p. 74 |
| Reported, S. Finance | --- | --- |

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