



S.B. 139*

125th General Assembly

(As Reported by S. Finance and Financial Institutions)

Sen. Mumper

BILL SUMMARY

- Authorizes the Ohio Rail Development Commission to pledge specified moneys to secure Department of Development obligations issued for qualifying rail service projects.
- Permits the Commission to pledge nontax moneys in the Rail Development Fund and the Federal Rail Fund to guarantee the repayment of certain loans made or guaranteed by the federal government.

CONTENT AND OPERATION

Pledge of Rail Development Commission moneys to secure economic development bonds

(R.C. 4981.14)

Under continuing law, the Ohio Rail Development Commission is authorized to acquire, renovate, refund, operate, or construct rail service projects, and to make loans to qualifying subdivisions, local or regional transportation authorities, or other persons for the acquisition, renovation, refunding, or construction of rail service projects by such subdivisions, transportation authorities, and private corporations or organizations. The Commission may also issue revenue bonds to pay the cost of, or finance, these rail service projects and loans. "**Rail service project**" is defined as any project of an essential public nature that is considered a part of the rail service system. (R.C. 4981.11(H) and 4981.13, not in the bill.)

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

The bill permits the Commission to deposit money received from the repayment of loans, and from the sale, lease, or other disposition of property acquired or constructed from loans made by the Commission, in an account pledged to secure obligations issued under Chapter 166. of the Revised Code to pay the costs of property, facilities, or equipment that qualifies as rail service projects. Money in the account is also to be applied to the repayment of the obligations, without the need for appropriation. (Under Chapter 166., the Treasurer of State is authorized to issue bonds to finance various economic development programs administered by the Department of Development. One such financing program is the Ohio Enterprise Bond Fund.)

Relatedly, the bill permits the Commission to enter into agreements with the Treasurer of State, or a corporate trustee for such obligations, to (1) provide for the deposit and pledge of the money as specified in the agreement, (2) permit the withdrawal of money by the Treasurer of State or corporate trustee from the account as necessary for application to the payment of debt service on the obligations, and (3) permit the investment of the money, without regard to Chapter 131. (Revenues and Funds Law) or 135. (Uniform Depository Act), pending its application to the payment of debt service. In addition, the Commission may enter into agreements with persons to provide for the repayment of any amounts paid from a pledged account in connection with the obligations issued under Chapter 166.

Pledge of Commission moneys to provide loan guarantees

(R.C. 4981.09 and 4981.091)

Under continuing law, money deposited in the Rail Development Fund or the Federal Rail Fund is to be used for specified purposes, including to (1) acquire, rehabilitate, or develop rail property or service, (2) participate with the federal government or other governmental agencies in the acquisition of rail property, (3) promote, construct, and maintain passenger and freight rail transportation systems, and (4) pay the administrative costs of the Commission associated with conducting authorized rail programs. Neither fund, however, can be used to provide loan guarantees.

The bill provides an exception to this prohibition. Under the bill, the Commission may pledge moneys in either or both of the funds to guarantee the repayment of any loan for the acquisition, rehabilitation, or development of rail

property that is made or guaranteed by the federal government. Only moneys *not* raised by state taxation may be pledged for this purpose, however.¹

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	10-23-03	p. 1138
Reported, S. Finance & Financial Institutions	---	---

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¹ Presumably, these loan guarantees are authorized by Article VIII, Section 13 of the Ohio Constitution, which, among other things, permits the state to guarantee loans for the acquisition, construction, or equipment of property and facilities for "industry, commerce, distribution, and research." The obligation or pledging of moneys raised by taxation for the payment of such guarantees is expressly prohibited.