Ralph D. Clark *Legislative Service Commission*

H.J.R. 8

126th General Assembly
(As Introduced)

Reps. **Redfern, Allen, Barrett, Beatty, Boccieri, Book, Brown, Carano, Cassell, Chandler, DeBose, DeGeeter, Distel, Domenick, Driehaus, Fende, Garrison, Hartnett, Harwood, Healy, Key, Koziura, Mason, Miller, Mitchell, Otterman, S. Patton, Perry, Sayre, Skindell, S. Smith, D. Stewart, Strahorn, Sykes, Ujvagi, Williams, Woodard, Yates, Yuko, Brinkman, Hood**

RESOLUTION SUMMARY

- Proposes to amend the Ohio Constitution to authorize the issuance of general obligations of the state to finance local government public infrastructure capital improvements.

CONTENT AND OPERATION

Public infrastructure capital improvements

In 1987 and 1995, the Ohio Constitution was amended to authorize the issuance of general obligations of the state to finance or assist in the financing of the cost of public infrastructure capital improvements of municipal corporations, counties, townships, and other governmental entities (Sections 2k and 2m, Article VIII, Ohio Constitution). The resolution proposes to amend the Ohio Constitution to authorize another issuance of general obligations of the state to finance or assist in the financing of the cost of public infrastructure capital improvements of municipal corporations, counties, townships, and other governmental entities designated by statute.

Declaration of purpose

(Section 2p, Article VIII--divisions (A) and (F))

The proposed amendment declares the improvements to be necessary to preserve and expand the public capital infrastructure of those governmental entities, ensure the public health, safety, and welfare, create and preserve jobs, enhance employment opportunities, and improve the economic welfare of the people of Ohio. The authorizations in the proposed amendment are also declared to be in addition to and not a limitation on the General Assembly's other authority under the constitution and not to impair any laws previously enacted by the General Assembly.

Amount and use of infrastructure obligations

(Section 2p, Article VIII--divisions (A), (B), and (C))

Under the proposed amendment, not more than $120 million principal amount of infrastructure obligations, plus the principal amount of obligations that in any prior fiscal year could have been but were not issued within the fiscal year limit, may be issued in each of the first five fiscal years of the issuance. In addition, not more than $150 million principal amount of infrastructure obligations, plus the principal amount of obligations that in any prior fiscal year could have been but were not issued within the fiscal year limit, may be issued in each of the next five fiscal years. The aggregate total principal amount of infrastructure obligations authorized and issued under the proposed amendment cannot exceed $1.35 billion. Furthermore, no obligations may be issued until not more than $500,000 of infrastructure obligations remain to be issued under Section 2m of Article VIII, which authorizes the issuance of up to $1.2 billion in general obligations for public infrastructure capital improvements.

The public infrastructure capital improvements that may be financed by these obligations are limited to roads and bridges, waste water treatment systems, water supply systems, solid waste disposal facilities, and storm water and sanitary collection, storage, and treatment facilities, including the costs of real property, interests in real property, facilities, and equipment related or incidental to the improvements, as well as acquisition, construction, reconstruction, expansion, improvement, planning, and equipping costs.

The entire proceeds of the infrastructure obligations must be used for public infrastructure capital improvements of municipalities, counties, townships, or other governmental entities, except that the General Assembly may enact laws providing for the state to be reasonably compensated from the proceeds for planning, financial management, or administrative services performed in relation to the issuance of the obligations. The state may participate in any public infrastructure capital improvement with municipalities, counties, townships, or other governmental entities designated by law. Participation may be by grants, loans, or contributions to these governmental entities for the capital improvement.

The proposed amendment also requires the General Assembly to provide for the use, to the extent practicable, of Ohio products, materials, services, and labor in the making of any project financed, in whole or in part, under the provisions of the amendment.

Maturity of obligations

(Section 2p, Article VIII--division (D)(1))

Each issue of state general obligations for public infrastructure capital improvements must mature not later than 30 years from the date of issuance or, if issued to retire or refund other obligations, within 30 years from the date the debt being retired or refunded was originally issued.

If state general obligations are issued as notes in anticipation of the issuance of bonds, the General Assembly must provide for the establishment and maintenance, during the period in which the notes are outstanding, of one or more special funds into which must be paid, from sources authorized for payment of the bonds, amounts that would have been sufficient, if bonds maturing within the permitted period of years had been issued without the prior issuance of notes, to pay the principal that would have been payable on the bonds during that period. The special fund or funds may not be used for any purpose other than payment of principal of the notes or bonds for which anticipation notes were issued.

The proposed amendment specifies that obligations issued to retire or refund obligations previously issued under the amendment or under the state's existing constitutional authority to issue obligations for public infrastructure capital improvements (Sections 2k and 2m, Article VIII, Ohio Constitution) are not to be counted against the fiscal year or total issuance limitations applicable to those issuances.

Debt service

(Section 2p, Article VIII--division (D)(2) and (3))

With respect to the state general obligations authorized by the proposed amendment, the full faith and credit, revenue, and taxing power of the state are pledged to the timely payment of the principal and premium of, and the interest and other accreted amounts payable on, the obligations (known as "debt service"). Accordingly, the General Assembly is required to provide by law for the sufficiency and appropriation of excises, taxes, and revenues pledged or committed to debt service and for covenants to continue the levy, collection, and application of sufficient excises, taxes, and revenues to the extent needed for purposes of paying debt service. The General Assembly is also required to establish a bond retirement fund. No further act of appropriation is necessary for these purposes.

Fees and taxes received in connection with the use of public highways by motor vehicles may not be pledged to the payment of debt service on the state general obligations authorized under the amendment.

Tax exemption

(Section 2p, Article VIII--division (D)(4))

Obligations issued under the proposed amendment, their transfer, and the interest, interest equivalent, and other income and accreted amounts from them, including any profit made on their sale, exchange, or other disposition, are at all times free from taxation within the state.

Existing constitutional provisions not to apply

(Section 2p, Article VIII--divisions (D)(2) and (3))

The state general obligations issued under the amendment, the provision for the payment of debt service, and the repayment by governmental entities of any loans made under the amendment are not subject to the following:

- Section 5, Article XII, Ohio Constitution--Specifies that every tax shall state its object to which only it shall apply.

- Section 6, Article XII, Ohio Constitution--Specifies that the state may not contract debts for purposes of internal improvements.

- Section 11, Article XII, Ohio Constitution--Specifies that no bonded indebtedness may be incurred unless provision is made for annual tax levies to pay interest on the bonds and to provide a sinking fund for their final redemption.

Implementation by the General Assembly

(Section 2p, Article VIII--division (E))

The proposed amendment is to be implemented in the manner and to the extent provided by the General Assembly by law, including provision for the procedure for incurring and issuing obligations, separately or in combination with other obligations, and refunding, retiring, and evidencing obligations.

Submission to the voters

If approved by three-fifths of the members of both houses of the General Assembly, the proposed amendment will be submitted to the voters at the

November 8, 2005, general election. If adopted by a majority of the voters voting upon it at that election, the amendment will take effect immediately.

HISTORY

ACTION	DATE
Introduced	05-26-05

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