



Max Gakh

S.J.R. 4
127th General Assembly
(As Introduced)

Sen. Schuring

RESOLUTION SUMMARY

- Proposes a constitutional amendment that requires certain percentages of revenue from specific tax sources to be used only for primary, secondary, and higher education purposes.
- Requires net lottery proceeds to be used only for primary and secondary education purposes.
- Requires the creation of the Education Fund in the state treasury to receive the tax revenue and net lottery proceeds for appropriation and expenditure consistent with the purposes for which those amounts may be used.
- Requires the General Assembly to create an Education Stabilization Fund to stabilize the education budget from cyclical changes in state revenue and expenditure.

CONTENT AND OPERATION

Use of tax revenue for primary, secondary, and higher education purposes

(Article VI, Section 2a)

The resolution proposes a constitutional amendment that mandates the following percentages of revenue generated from the specified tax sources be credited to the Education Fund (discussed below) for purposes of funding primary, secondary, and higher education: (1) 59.6% of the revenue generated from state taxes levied on or measured by the income of individuals, estates, and trusts, (2) 71.2% of the revenue generated from the state excise tax on retail sales or use, storage, or consumption of tangible personal property or services, and (3) the percentage of revenue from any tax that, as of November 4, 2008, the General

Assembly has designated by law for distribution to school districts as reimbursement for elimination of the taxation of tangible personal property. Item (3) refers to the current Commercial Activity Tax (CAT) and the Kilowatt-Hour Tax; a percentage of each is earmarked under current law for school district property tax reimbursement (70% of the CAT and 25.4% of the Kilowatt-Hour Tax). With respect to item (3), the constitutional amendment would ensure that the CAT and Kilowatt-Hour Tax earmark percentages could only be reduced by another constitutional amendment.¹

Use of lottery proceeds for primary and secondary education purposes

(Article VI, Section 2a and Article XV, Section 6)

The Ohio Constitution prohibits lotteries and the sale of lottery tickets, unless the lotteries are conducted by a state agency pursuant to authorization by the General Assembly. Current law provides that all net proceeds of any such lottery must be paid into a separate state fund (the Lottery Profits Education Fund) and the money credited to this state fund may be appropriated by the General Assembly only to support elementary, secondary, vocational, and special education programs.

The proposed amendment changes where the lottery proceeds are credited and how they may be expended. It requires that all net proceeds of any state lottery must be credited to the Education Fund (discussed below) and must be used only for primary and secondary education.

Creation of Education Fund and Education Stabilization Fund

(Article VI, Section 2a)

The constitutional amendment creates the Education Fund in the state treasury and requires that the tax revenue and net lottery proceeds discussed above be credited to that fund. The tax revenue credited to the fund may then be appropriated and expended only for the purposes of primary, secondary, and higher education. The net lottery proceeds credited to the fund may only be appropriated and expended for primary and secondary education. The amendment also requires the General Assembly to enact laws creating in the state treasury an Education Stabilization Fund to be used to stabilize the education budget against cyclical changes in revenue and expenditure.

¹ R.C. 5751.20 and 5727.84 (not in the bill).

Education Fund and Education Stabilization Fund considered general revenue

(Article VI, Section 2a)

The constitutional amendment provides that money credited to the Education Fund and the Education Stabilization Fund be considered revenue for the General Revenue Fund (GRF) for purposes of Article VIII, Section 17 of the Ohio Constitution. That section, with certain exemptions and subject to waiver by the General Assembly, prohibits the state from issuing direct obligations if the total amount of debt service payment that must be paid on all outstanding direct obligations in any future fiscal year would exceed 5% of the total estimated GRF and net state lottery proceeds revenue during the fiscal year of issuance.

Effective date

The constitutional amendment, if adopted by a majority of the electors voting on the amendment at the November 4, 2008 general election, would become effective on July 1, 2009.

HISTORY

ACTION	DATE
Introduced	12-04-07

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