Ohio Legislative Service Commission

Resolution Analysis

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S.J.R. 6[*]

130th General Assembly
(As Reported by H. Finance & Appropriations)

Sens. Bacon and Manning, Coley, Oelslager, Hughes, Jones, LaRose, Gardner, Sawyer, Skindell, Smith, Tavares, Peterson, Balderson, Beagle, Brown, Eklund, Faber, Hite, Lehner, Schaffer, Seitz, Turner, Uecker

RESOLUTION SUMMARY

- Proposes a constitutional amendment to permit the issuance of an additional $1.875 billion of general obligation bonds to fund public infrastructure capital improvements of local subdivisions.

CONTENT AND OPERATION

State bond authority for public infrastructure capital improvements

The constitutional amendment proposed by the resolution authorizes the General Assembly to provide by law for the issuance of additional general obligation bonds and other general obligations of the state to finance or assist in the financing of capital improvement projects of municipal corporations, counties, townships, or other governmental entities designated by law. The capital improvement projects 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 real property, interests in real property, facilities, and equipment related or incidental to them. The cost of acquisition, construction, reconstruction, expansion, improvement, planning, and equipping are specifically included.[1]

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

[1] Proposed Article VIII, Section 2s(A), Ohio Constitution.

The state is authorized to participate in these capital improvement projects by providing grants, loans, or contributions to the local subdivisions.[2]

Amount of obligations

The proposed constitutional amendment limits the bond issuing authority to not more than $1.875 billion. Not more than $175 million principal amount of state general obligations may be issued in each of the first five fiscal years of issuance and not more than $200 million principal amount of those obligations may be issued in each of the next five fiscal years of issuance. If annual limits are not reached, the amount not issued may be issued in a subsequent year and does not count towards that fiscal year's limit.[3]

No obligations may be issued, however, until all of the state infrastructure obligations authorized under Section 2p, Article VIII, of the Ohio Constitution have been issued.[4] Section 2p authorizes a total of $1.35 billion of general obligation bonds for public infrastructure capital improvements. The 2p bonds are issued by Ohio Public Facilities Commission. The proceeds of the 2p bonds are allocated among the state's district public works integrating committees by the Public Works Commission.[5]

Maturity of obligations

Each issue of general obligations must mature in not more than 30 years from the date of issuance. If the obligations are issued to retire or refund other obligations, the obligations must mature within 30 years from the date the debt being retired or refunded was originally issued.

If 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 are to 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 funds may not be used for any

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[2] Proposed Article VIII, Section 2s(E), Ohio Constitution.

[3] Proposed Article VIII, Section 2s(B), Ohio Constitution.

[4] Proposed Article VIII, Section 2s(B), Ohio Constitution.

[5] R.C. 151.01, 151.08, 164.03, and 164.08, not in the resolution.

purpose other than payment of principal of the notes or bonds for which the notes were issued.[6]

Debt service

With respect to the state general obligations authorized by the proposed constitutional amendment, the full faith and credit, revenue, and taxing power of the state are pledged to the timely payment of the principal of, and the premium, 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 general obligations authorized under the amendment.[7]

Tax exemption

As stated in the proposed constitutional amendment, the obligations, their transfer, and the interest or other income from the obligations, including any profit made on the sale, exchange, or other disposition of them, are at all times free from taxation within the state.[8]

Election and effective date

The resolution provides that the proposed constitutional amendment will be submitted to the electors at the special election to be held on May 6, 2014. If approved by a majority of the electors voting on the proposal, the constitutional amendment will take effect immediately.

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[6] Proposed Article VIII, Section 2s(C), Ohio Constitution.

[7] Proposed Article VIII, Section 2s(D), Ohio Constitution.

[8] Proposed Article VIII, Section 2s(F), Ohio Constitution.

HISTORY

ACTION	DATE
Introduced	12-18-13
Reported, S. Finance	01-14-14
Adopted Senate (31-0)	01-14-14
Reported, H. Finance & Appropriations	------

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