Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. S.J.R. 1 of the 128th G.A. **Date**: February 24, 2009

Status: As Passed by the Senate **Sponsor**: Sen. Grendell

Local Impact Statement Procedure Required: No — Not required for joint resolutions

Contents: To provide compensation to veterans of the Persian Gulf, Afghanistan, and Iraq conflicts

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -		
Expenditures	Potential transfers equal to the amount of new annual debt service		
Expenditures	Potential increase of approximately $300,000 in ballot advertising costs	- 0 -	
Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Fund			
Revenues	Potential gain equal to the amount of bonds issued		
Expenditures	Potential increase corresponding to the amount of veterans' benefits paid		
Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Bond Retirement Fund			
Revenues	Potential gain for program administration		
Expenditures	Potential increase corresponding to the amount of debt service owed; Potential increase in program administration costs		

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The resolution proposes to submit a constitutional amendment for voter approval at the general election to be held November 3, 2009. The resolution authorizes the Public Facilities Commission to issue bonds to pay for compensation to veterans of the Persian Gulf, Afghanistan, and Iraq conflicts. This amount is not to exceed $200 million, and no bonds may be issued after December 31, 2013. The bonds will carry a 15-year maturity. The resolution further provides that debt service on the bonds shall not be included in the calculation of total debt service required under division (A) of Section 17 of Article VIII of the Ohio Constitution.

- The Secretary of State's Office would be required to advertise the ballot issue statewide for the November 3, 2009 election. Based on costs for the ballot advertising costs for S.B. 16, on the ballot in November 2007, the ballot advertising costs could be approximately $300,000.

- The cost of the general obligation bonds issuance would depend on the interest rate that will be paid on the bonds and the number of years over which they are paid off. Interest rates vary with market conditions, so the interest rate that the state will pay is unknown at this time. If the resolution is approved and $200 million in bonds are issued at a 4% interest rate, it will increase debt service costs to the GRF by approximately $18 million per year. This figure applies if the maximum amount of the bond is issued. The annual debt service amount would decrease if the amount of the bond issued is lower.

- The resolution authorizes the Director of Budget and Management to transfer the amounts calculated to be the debt service on the bonds from the GRF to the bond retirement fund without appropriation.

- The resolution requires the Department of Veterans Services to adopt rules necessary to implement the payment program. This includes the hiring of counsel and any other employees necessary to implement the program. The resolution further authorizes transfers to the Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Bond Retirement Fund to pay any necessary program administration costs.

- The bill specifies that valid claims for compensation, which are made with time periods specified, will only be paid if adequate funds remain in the Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Fund.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Resolution content

The resolution proposes to submit a constitutional amendment for voter approval at the general election to be held November 3, 2009. The resolution would require that upon the request of the Department of Veterans Services, the Public Facilities Commission is to issue up to $200 million in general obligation bonds with a maximum of a 15-year maturity period. The purpose of the bonds would be to pay for compensation to veterans of the Persian Gulf, Afghanistan, and Iraq conflicts. No bonds may be issued after December 31, 2013. These bonds do not count toward the constitutional debt limit, and are backed by the full faith and credit of the state. The proceeds from the sale of these bonds would be deposited into the Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Fund. The Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Bond Retirement Fund would consist of the balance of proceeds of the sale of any obligations issued to refund or retire obligations previously issued. Additionally, the fund would consist of GRF transfers equal to the annual debt service calculated by the Office of Budget and Management, is not subject to legislative appropriation.

Ballot advertising costs

The state is required to bear all advertising costs for any statewide ballot issues. The Ohio Constitution requires that any law, or proposed law, or proposed amendment to the constitution, together with the arguments and explanations, not exceeding a total of 300 words for each, and also the arguments and explanations, not exceeding a total of 300 words against each, shall be published once a week for three consecutive weeks preceding the election, in at least one newspaper of general circulation in each county of the state, where a newspaper is published. Based upon ballot advertising costs associated with placing S.B. 16 of the 126th General Assembly on the ballot in November 2007, it could be assumed that ballot advertising costs for this resolution could be approximately $300,000.

Debt service

If voter approved, the provisions of the amendment would be self-executing. The cost of the general obligation bonds issuance would depend on the interest rate that will be paid on the bonds and the number of years over which they are paid off. Interest rates vary with market conditions, so the interest rate that the state will pay is unknown at this time. Assuming the maturity period of 15 years and an interest rate of 4%, the cost of paying off the bonds over 15 years is about nine cents per year for each dollar borrowed. The annual debt service payment would be approximately $18 million over 15 years. However, on December 9, 2008, the Ohio Treasurer of State's

Office indicated that given the estimated number of eligible veterans in Ohio, and based on the debt assumptions listed above, payments to veterans would total approximately $106 million. Assuming $106 million in payments to veterans, the annual debt service payment would be $9.5 million.

Debt service payments for the bonds would be paid from the newly created bond retirement fund via transfers from the GRF. The amount of these transfers need not be appropriated and the debt service on the bonds are not to be included in the calculation of total debt service required under division (A) of Section 17 of Article VIII of the Ohio Constitution.

The Department of Veterans Services would incur costs to implement the payment program. This would include the hiring of counsel and any other employees necessary to implement the program. It is not known how many additional employees will be necessary, nor if any additional office space or equipment will be needed. The resolution transfers whatever necessary funds are needed for program administration to the Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Bond Retirement Fund.

Eligibility

The resolution lays out the eligibility requirements for this new bond-financed program. In order to receive benefits, a person must meet the following criteria:

1. the person served in active duty in the United States Armed Forces, except active duty for training only, between August 2, 1990 and March 3, 1991;

2. at any time between October 7, 2001, and a date determined by the President as the end of U.S. involvement in Afghanistan; and

3. at any time between March 19, 2003, and a date determined by the President to be the end of the involvement in Iraq.

Other requirements include that the person be an Ohio resident at the start of active duty service and must currently be an Ohio resident. Additionally, the person must be honorably discharged from the U.S. Armed Forces, still serving in active duty, or remain in any reserve component of the U.S. Armed Forces or in the Ohio National Guard after serving on active duty.

The bill specifies that valid claims for compensation, which are made within time periods specified, will only be paid if adequate funds remain in the Persian Gulf, Afghanistan, and Iraq Conflicts Compensation Fund.

Compensation levels

Eligible individuals that served in the Persian Gulf, Afghanistan, or Iraq would receive monthly compensation of $100 up to $1,000. Those eligible who served elsewhere during the above-listed time periods would receive $50 per month up to $500. The resolution also provides an additional $5,000 death benefit, for which the families of those missing in action are also eligible.

In estimating the cost of the compensation program, the Treasurer of State's Office figured that there were approximately 206,000 individuals that could be eligible for these benefits. This figure is based on October 2007 data. The number of individuals has likely risen and will continue to rise until the conflicts cease. LSC has contacted the U.S. Department of Veterans Affairs regarding updated Ohio veterans' statistics. At this time, LSC is still waiting for a response.

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