

Commissioners of the Sinking Fund

Senate Finance and Financial Institutions Committee

*Ruhaiza Ridzwan, Economist
Legislative Service Commission*

May 23, 2007

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LSC Redbook
for the
Commissioners of the Sinking Fund

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May 23, 2007

Commissioners of the Sinking Fund

- The Commissioners of the Sinking Fund receives its operating funds through a GRF line item in the Treasurer of State's budget.
- Appropriations to the Sinking Fund support debt service payments and other associated costs for Ohio's general obligation bonds.

OVERVIEW

The board of Commissioners of the Sinking Fund consists of five members. The Auditor of State serves as the president of the board and the Secretary of State serves as the secretary. The remaining three members are the Governor, the Treasurer of State, and the Attorney General. The Sinking Fund has an office in the Treasurer of State's office and receives its operating funds through a GRF line item in the Treasurer of State operating budget (ALI 090-401). (Please see the Treasurer's Redbook for details.)

The Commissioners of the Sinking Fund administer the debt service payments and administrative expenses related to state general obligation bonds issued for the following purposes: primary and secondary education facilities, higher education facilities, coal research and development, parks and natural resources capital improvements, conservation projects, local infrastructure projects, Third Frontier research and development, site development, and highways.

The Sinking Fund is also required under the Ohio Constitution and Revised Code to prepare and publish a semiannual report, which includes financial statements of the state's general obligation bonds, debt service requirements, and funding sources.

Summary of FYs 2008-2009 Budget Issues

The executive recommendation will provide continuing funding for debt service payments and administrative expenses related to state general obligations administered by the Commissioners of the Sinking Fund.

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series

General Obligations Debt Retirement

Purpose: The General Obligations Debt Retirement program series provides for debt service payments related to certain state general obligation bonds.

The following table shows the line items that are used to fund General Obligations Debt Retirement as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
Debt Service Fund				
DSF	155-902	Highway Capital Improvements Bond Retirement Fund	\$202,694,900	\$205,139,500
DSF	155-903	Natural Resources Bond Retirement Fund	\$24,713,800	\$25,723,000
DSF	155-904	Conservation Projects Bond Service Fund	\$14,847,200	\$19,779,200
DSF	155-905	Third Frontier Research and Development Retirement Fund	\$14,349,500	\$25,023,400
DSF	155-906	Coal Research/Development Bond Retirement Fund	\$7,232,400	\$8,192,500
DSF	155-907	State Capital Improvement Bond Retirement Fund	\$178,713,600	\$189,296,300
DSF	155-908	Common Schools Bond Retirement Fund	\$292,268,400	\$342,148,300
DSF	155-909	Higher Education Bond Retirement Fund	\$175,972,400	\$210,372,200
DSF	155-912	Job Ready Site Development Bond Retirement Fund	\$4,359,400	\$8,232,500
Debt Service Fund Subtotal			\$915,151,600	\$1,033,906,900
Total Funding: General Obligations Debt Retirement			\$915,151,600	\$1,033,906,900

General Obligations Debt Retirement

Program Description: The Commissioners of the Sinking Fund manage and pay debt service and other associated costs on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes.

Highway Capital Improvements Bond Retirement Fund

This line item finances the retirement of debt that has been issued for the purpose of paying costs of construction, reconstruction, or other improvements of highways, including those on the state highway system and urban extensions thereof, those within or leading to public parks or recreation areas, and those within or leading to municipal corporations. The debt is issued under the authority of Section 2m, Article VIII of the Ohio Constitution, approved by voters on November 7, 1995. Not more than \$220 million in bonds may be issued in any fiscal year and not more than \$1.2 billion principal amount may be outstanding at any time. Bond maturity cannot exceed 30 years. The issue has "rollover" authority, so additional bonds may be issued as other bonds are retired.

Funding Source: Gasoline Excise Tax

Line Item: 072 155-902

Implication of the Executive Recommendation: The recommended funding will allow for the continued payment of debt service on bonds.

Natural Resources Bond Retirement Fund

This line item pays debt service on bonds issued to finance capital improvements related to: state and local parks and land and water recreation facilities; soil and water restoration and protection; land management, including preservation of natural areas and reforestation; water management, including dam safety; stream and lake management; and other projects that enhance the use and enjoyment of Ohio's natural resources. The bonds are issued under the authority of Section 21, Article VIII of the Ohio Constitution, approved by voters on November 2, 1993. Not more than \$50 million in bonds may be issued within any single calendar year, and no more than \$200 million may be outstanding at any one time. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

Funding Source: GRF

Line Item: 073 155-903

Implication of the Executive Recommendation: The recommended funding will allow for the continued payment of debt service on bonds.

Conservation Projects Bond Service Fund

This line item pays debt service on bonds issued to provide moneys for conservation purposes. The bonds are issued under the authority of Section 2o, Article VIII of the Ohio Constitution, approved by voters on November 7, 2000. It was implemented under Am. Sub. H.B. 3 of the 124th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

Funding Source: GRF

Line Item: 155-904

Implication of the Executive Recommendation: The recommended funding will allow for the continued payment of debt service on bonds.

Third Frontier Research and Development Retirement Fund

This line item pays debt service on bonds issued to provide monies for Third Frontier Research and Development purposes. The bonds are issued under the authority of Section 2p of Article VIII of the Ohio Constitution, approved by voters on November 8, 2005. It was implemented under S.B. 236 of the 126th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF. The corresponding GRF line item, 195-905 Third Frontier Research & Development General Obligation Debt Service is in the Department of Development's budget.

Funding Source: GRF

Line Item: 070 155-905

Implication of the Executive Recommendation: The recommended funding will allow for the continued payment of debt service on bonds.

Coal Research and Development Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for financial assistance for research and development of coal technology that will encourage the use of Ohio coal. The bonds were issued under the authority of Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985. Not more than \$100 million in bonds may be outstanding in any single calendar year. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

Funding Source: GRF

Line Item: 076 155-906

Implication of the Executive Recommendation: The recommended funding will allow for the continued payment of debt service on bonds.

State Capital Improvements Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for local infrastructure projects financed by the Public Works Commission. Formerly, this money has come from a line item in the Treasurer of State's budget. Now funding comes from GRF line item 150-907 under the budget for the Public Works Commission.

Funding Source: GRF

Line Item: 077 155-907

Implication of the Executive Recommendation: The recommended funding will allow for the payment of debt service on bonds.

Common Schools Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for common schools. The corresponding GRF line item 230-908 is in the School Facilities Commission's budget.

Funding Source: GRF

Line Item: 078 155-908

Implication of the Executive Recommendation: The recommended funding will allow for the payment of debt service on bonds.

Higher Education Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for higher education. The corresponding GRF line item 235-909 is in the budget for the Board of Regents.

Funding Source: GRF and proceeds from the issuance of debt

Line Item: 079 155-909

Implication of the Executive Recommendation: The recommended funding will allow for the payment of debt service on bonds.

Job Ready Site Development Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for Third Frontier Job Ready Site Development purposes. The bonds are issued under the authority of Section 2p of Article VIII of the Ohio Constitution, approved by voters on November 8, 2005. It was implemented under S.B. 236 of the 126th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF. This line item pays debt service on bonds issued to provide moneys to improve local government infrastructure, support research and development applicable to high-tech business, and enhance business site development. The corresponding GRF line item 195-912, Job Ready Site Development General Obligation Debt Service is in the Department of Development's budget.

Funding Source: GRF

Line Item: 090 155-912

Implication of the Executive Recommendation: The recommended funding will allow for the payment of debt service on bonds.

Temporary Law Provisions

Designates appropriation items in the Commissioners of Sinking Fund section for the purpose of paying debt service and financing costs on bonds or notes of the state issued under the Ohio Constitution and acts of the General Assembly. Appropriates additional amounts, if necessary, for the purpose of paying bonds or other instruments of indebtedness.

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Debt Service Fund Group

070 155-905 Third Frontier Research and Development Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$0	\$0	\$0	\$14,127,655	\$14,349,500	\$25,023,400
			N/A	1.6%	74.4%

Source: DSF: GRF

Legal Basis: Section 4 of Am. Sub. S.B. 236 of the 126th G.A. (originally authorized by Article VIII, Section 2p of the Ohio Constitution, approved by voters on November 8, 2005.)

Purpose: This line item pays debt service on bonds issued to pay costs of research and development projects for the Third Frontier Research and Development purposes. Funds to pay the debt service are transferred to this non-GRF account from the GRF. The corresponding GRF line item, 195-905 Third Frontier Research & Development General Obligation Debt Service is in the Department of Development's budget.

071 155-901 Highway Obligation Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$35,593,610	\$10,511,935	\$0	\$0	\$0	\$0
	-70.5%				

Source: DSF: Gasoline Excise Tax; appropriations made under the Department of Transportation

Legal Basis: Discontinued line item (originally authorized by Article VIII, Section 2i of the Ohio Constitution, approved by voters on November 5, 1968; replaced line item 155-900, Highway Obligations Bond Retirement (Fund 071), in FY 2002)

Purpose: This debt had been issued for the construction and improvement of state highways and their urban extensions, and capital improvements on structures of, or relating to highway transportation or highway research and development. The debt service for this issue was paid by highway funds. No more than \$100 million could be issued in a single calendar year, and no more than \$500 million could be outstanding at any time. Bond maturity could not exceed 30 years.

072 155-902 Highway Capital Improvement Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$149,491,931	\$168,409,198	\$181,163,642	\$198,718,747	\$202,694,900	\$205,139,500
	12.7%	7.6%	9.7%	2.0%	1.2%

Source: DSF: Gasoline Excise Tax; appropriations made under the Department of Transportation

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A. (originally authorized by Article VIII, Section 2m of the Ohio Constitution, approved by voters on November 7, 1995; replaced line item 155-900, Highway Capital Improvement Bond Retirement (Fund 072), in FY 2002)

Purpose: Highway Capital Improvements Bonds are issued for the purpose of paying costs of construction, reconstruction, or other improvements of highways, including those on the state highway system and urban extensions thereof, those within or leading to public parks or recreation areas, and those within or leading to municipal corporations. Bond maturity cannot exceed 30 years. Not more than \$220 million in bonds may be issued in any fiscal year and not more than \$1.2 billion principal amount may be outstanding at any time. As the bonds are retired, additional obligations may be issued.

073 155-903 Natural Resources Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$21,617,256	\$23,406,932	\$25,373,565	\$21,728,300	\$24,713,800	\$25,723,000
	8.3%	8.4%	-14.4%	13.7%	4.1%

Source: DSF: GRF transfers

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A. (originally authorized by Article VIII, Section 2l of the Ohio Constitution, approved by voters on November 2, 1993; replaced line item 155-900, Natural Resources Bond Retirement (Fund 073), in FY 2002)

Purpose: This line item pays debt service on bonds issued to finance capital improvements related to: state and local parks and land and water recreation facilities; soil and water restoration and protection; land management, including preservation of natural areas and reforestation; water management, including dam safety; stream and lake management; flood control and flood damage control; fish and wildlife resource management; and other projects that enhance the use and enjoyment of Ohio's natural resources. Not more than \$50 million in bonds may be issued within any single calendar year, and no more than \$200 million may be outstanding at any one time.

074 155-904 Conservation Projects Bond Service Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$4,717,100	\$10,160,257	\$9,916,551	\$14,127,655	\$14,847,200	\$19,779,200
	115.4%	-2.4%	42.5%	5.1%	33.2%

Source: DSF: GRF

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 3 of the 124th G.A.; replaced line item 725-904, Conservation General Obligation Debt Service, under the Department of Natural Resources, in FY 2002)

Purpose: This line item pays the debt service on bonds issued to finance the Clean Ohio Conservation Fund projects: acquisition of land or land rights for parks, forests, wetlands, endangered plant or animal habitat, and connecting corridors for natural areas; projects for construction or enhancement of facilities that are necessary to make open space areas accessible to the public; projects that protect or enhance riparian corridors and watersheds; and projects which construct or enhance recreational trails.

076 155-906 Coal Research and Development Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$7,217,343	\$9,031,125	\$7,053,193	\$6,975,701	\$7,232,400	\$8,192,500
	25.1%	-21.9%	-1.1%	3.7%	13.3%

Source: DSF: GRF transfers

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A. (originally authorized by Article VIII, Section 15 of the Ohio Constitution, approved by voters on November 5, 1985; replaced line item 155-900, Coal Research/Development Bond Retirement (Fund 076), in FY 2002)

Purpose: This line item pays debt service on bonds issued to provide moneys for financial assistance for research and development of coal technology that will encourage the use of Ohio coal. Not more than \$100 million in bonds may be outstanding in any single calendar year.

077 155-907 State Capital Improvement Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$139,327,537	\$151,887,149	\$157,571,484	\$174,921,265	\$178,713,600	\$189,296,300
	9.0%	3.7%	11.0%	2.2%	5.9%

Source: DSF: GRF

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 640 of the 123rd G.A.; replaced line item 155-900, State Capital Improvement Bond (Fund 077), in FY 2002)

Purpose: This line item pays debt service on bonds issued to provide moneys for local infrastructure projects. In the past, this money has been a line item in the Treasurer of State's budget (line item 090-900, State Capital Improvement Bond Service Fund). The GRF counterpart for this line item is in the budget for the Public Works Commission (line item 150-907, State Capital Improvement G.O. Debt Service).

078 155-908 Common Schools Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$108,297,519	\$163,216,965	\$188,885,689	\$231,683,865	\$292,268,400	\$342,148,300
	50.7%	15.7%	22.7%	26.1%	17.1%

Source: DSF: GRF

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A.(originally established by Am. Sub. H.B. 640 of the 123rd G.A.; replaced line item 155-900, Common Schools Capital Facility Bond (Fund 078), in FY 2002)

Purpose: State Issue 1 in November 2000 created general obligation bonds for education. This line item pays debt service on bonds issued to provide moneys for common schools. The corresponding GRF appropriation (line item 230-908, Common Schools G.O. Debt Service) is in the School Facilities Commission's budget.

079 155-909 Higher Education Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$91,220,421	\$124,796,702	\$134,230,210	\$154,365,312	\$175,972,400	\$210,372,200
	36.8%	7.6%	15.0%	14.0%	19.5%

Source: DSF: GRF

Legal Basis: Section 209.99 of Am. Sub. H.B. 66 of the 126th G.A.(originally established by Am. Sub. H.B. 640 of the 123rd G.A.; replaced line item 155-900, Higher Education Capital Facility Bond (Fund 079), in FY 2002)

Purpose: State Issue 1 in November 2000 created general obligation bonds for education. This line item pays debt service on bonds issued to provide moneys for higher education. The corresponding GRF appropriation (line item 235-909, Higher Education General Obligation Debt Service) is in the Board of Regents' budget.

090 155-912 Job Ready Site Development Bond Retirement Fund

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
\$0	\$0	\$0	\$3,442,005	\$4,359,400	\$8,232,500
			N/A	26.7%	88.8%

Source: DSF: GRF

Legal Basis: Section 4 of Am. Sub. S.B. 236 of the 126th G.A. (originally authorized by Article VIII, Section 2p of the Ohio Constitution, approved by voters on November 8, 2005).

Purpose: This line item pays debt service on bonds issued to provide monies for the Third Frontier Job Ready Site Development purposes. The bonds are issued under the authority of Section 2p of Article VIII of the Ohio Constitution, approved by voters on November 8, 2005. It was implemented under SB 236 of the 126th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF. This line item pays debt service on bonds issued to provide moneys to improve local government infrastructure, support research and development applicable to high-tech business, and enhance business site development. The corresponding GRF line item 195-192, Job Ready Site Development General Obligation Debt Service, in the Department of Development's budget.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>Estimated 2007</i>	<i>As Introduced 2008</i>	<i>House Passed 2008</i>	<i>% Change Est. 2007 to House 2008</i>	<i>As Introduced 2009</i>	<i>House Passed 2009</i>	<i>% Change House 2008 to House 2009</i>
CSF Sinking Fund, Commissioners of									
070	155-905	Third Frontier Research and Development Bond Retirement Fund	\$14,127,655	\$ 14,349,500	\$ 14,349,500	1.6%	\$ 25,023,400	\$ 25,023,400	74.4%
072	155-902	Highway Capital Improvement Bond Retirement Fund	\$198,718,747	\$ 202,694,900	\$ 202,694,900	2.0%	\$ 205,139,500	\$ 205,139,500	1.2%
073	155-903	Natural Resources Bond Retirement Fund	\$21,728,300	\$ 24,713,800	\$ 24,713,800	13.7%	\$ 25,723,000	\$ 25,723,000	4.1%
074	155-904	Conservation Projects Bond Service Fund	\$14,127,655	\$ 14,847,200	\$ 14,847,200	5.1%	\$ 19,779,200	\$ 19,779,200	33.2%
076	155-906	Coal Research and Development Bond Retirement Fund	\$6,975,701	\$ 7,232,400	\$ 7,232,400	3.7%	\$ 8,192,500	\$ 8,192,500	13.3%
077	155-907	State Capital Improvement Bond Retirement Fund	\$174,921,265	\$ 178,713,600	\$ 178,713,600	2.2%	\$ 189,296,300	\$ 189,296,300	5.9%
078	155-908	Common Schools Bond Retirement Fund	\$231,683,865	\$ 292,268,400	\$ 292,268,400	26.1%	\$ 342,148,300	\$ 342,148,300	17.1%
079	155-909	Higher Education Bond Retirement Fund	\$154,365,312	\$ 175,972,400	\$ 175,972,400	14.0%	\$ 210,372,200	\$ 210,372,200	19.5%
090	155-912	Job Ready Site Development Bond Retirement Fund	\$3,442,005	\$ 4,359,400	\$ 4,359,400	26.7%	\$ 8,232,500	\$ 8,232,500	88.8%
Debt Service Fund Group Total			\$ 820,090,505	\$ 915,151,600	\$ 915,151,600	11.6%	\$ 1,033,906,900	\$ 1,033,906,900	13.0%
Total All Budget Fund Groups			\$ 820,090,505	\$ 915,151,600	\$ 915,151,600	11.6%	\$ 1,033,906,900	\$ 1,033,906,900	13.0%

As Introduced (Executive)

As Passed by the House

1 (CD-540-OBM) Lottery Funds**R.C. 3770.06**

Eliminates the requirement that the Director of Budget and Management transfer the first \$10 million of any money transferred to the Lottery Profits Education Fund (LPEF) from the State Lottery Fund in each fiscal year to the School Building Program Bond Service Fund.

Requires the State Treasurer, within 60 days after the end of a fiscal year, to certify to OBM whether the actuarial amount of the Deferred Prizes Trust Fund (DPTF) is sufficient to pay for all outstanding annuity prize liabilities.

Fiscal effect: Revenue gain to the Lottery Profit Education Fund (LPEF).

R.C. 3770.06

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

2 (CD-373-CSF) Bond Trustees Place of Business

R.C. 151.40, 164.09, 166.08, 1555.08, 1557.03,
3318.26, 5528.54, 5531.10

Modifies the requirement regarding trust agreements between the state and a corporate trustee to secure obligations for various state-issued bonds by replacing the requirement that the trustee's principal place of business be in Ohio with a requirement that the trustee have a place of business in Ohio.

Fiscal effect: None

R.C. 151.40, 164.09, 166.08, 1555.08, 1557.03,
3318.26, 5528.54, 5531.10

Same as the Executive.

Fiscal effect: Same as the Executive.

3 (CD-364-CSF) Debt Service Cost

Sections: 397.10, 518.06

Specifies that certain appropriation items of the Commissioners of the Sinking Fund be used for the purpose of paying debt service and financing costs on state bonds or notes issued pursuant to the Ohio Constitution and acts of the General Assembly. Appropriates additional amounts, if necessary, to fully fund debt service and financing costs.

Fiscal effect: None.

Sections: 397.10, 518.06

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

4 (CD-590-CSF) Lease Payments to OPFC, OBA, and Treasurer of State**Section: 518.09**

Appropriates additional amounts, if necessary, for the purpose of making lease payments pursuant to leases and agreements relating to bonds and notes issued by the Ohio Building Authority or the Treasurer of State, or previously, by the Ohio Public Facilities Commission, pursuant to the Ohio Constitution and acts of the General Assembly.

Fiscal effect: May require additional appropriation from the GRF and other state revenue if the amounts appropriated are insufficient to pay the state lease rental payments.

Section: 518.09

Same as the Executive.

Fiscal effect: Same as the Executive.