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## **TREASURER OF STATE**

### **Pay for Success contracts**

- Eliminates the requirement that at least 75% of Pay for Success contracts include performance targets requiring greater improvement in the targeted area vs. other areas (based on scientifically valid regional or national data).
- Removes the requirement that the Treasurer of State (TOS) adopt rules establishing a process to determine whether the regional or national data used to determine the performance targets are scientifically valid.

### **State real property**

- Transfers, from the TOS to the Department of Administrative Services (DAS), the responsibility to develop and maintain a comprehensive and descriptive database of all real property under the custody and control of the state, and requires each state agency to collect and maintain information on its respective landholdings.
- Adds a member of the Senate and a member of the House to the Ohio Geographically Referenced Information Program Council, and removes the TOS.

### **Homeownership Savings Linked Deposit Program**

- Creates the Homeownership Savings Linked Deposit Program administered by the TOS.
- Authorizes eligible participants to receive above-market interest rates on savings accounts with financial institutions participating in the program for the purpose of making a down payment and paying closing costs associated with the future purchase of a primary residence.
- Authorizes an income tax deduction for amounts contributed to a homeownership savings linked deposit account by certain taxpayers, subject to annual and lifetime contribution limits.
- Authorizes, for account owners, an income tax deduction for interest earned on savings in, and employer contributions to, homeownership savings linked deposit accounts.
- Requires amounts withdrawn from a homeownership savings linked deposit account and not used to purchase a home for use as the account owner's primary residence to be added to the account owner's taxable income.
- Requires the TOS and the Tax Commissioner to issue a report regarding the efficacy of the program no later than January 31, 2027.

## **Pay for Success contracts**

(R.C. 113.60)

Continuing law requires the Treasurer of State (TOS) to specify performance targets to be met by a service provider under a Pay for Success contract. If scientifically valid regional or national data is available to compare the targeted area vs. other areas, the performance targets must require greater improvement within the targeted area vs. other areas.<sup>175</sup> The bill eliminates the requirement that at least 75% of Pay for Success contracts include performance targets requiring greater improvement in the targeted area vs. other areas. And, the bill removes the requirement that the TOS adopt rules establishing a process to determine whether the regional or national data is scientifically valid.<sup>176</sup>

## **State real property**

(R.C. 125.901 and 125.903)

The bill transfers, from the TOS to DAS, the responsibility to develop and maintain a comprehensive and descriptive database of all real property under the custody and control of the state. Under continuing law, the database must adequately describe, when known, the location, boundary, and acreage of the property, the use and name of the property, and the contact information and name of the state agency managing the property. Information in the database must be available to the public free of charge through a searchable internet website. The bill removes the requirement for the Treasurer to allow public comment on property owned by the state.

### **Ohio Geographically Referenced Information Program Council**

The bill requires each landholding state agency to collect and maintain a geographic information systems database of its landholdings, and to provide the database to the Ohio Geographically Referenced Information Program Council, a Council established by law within DAS to coordinate the property owned by the state. Current law requires the Council and the TOS to collect the information. The bill removes the TOS from the Council, and adds two new members: a member of the Senate, appointed by the Senate President, and a member of the House, appointed by the Speaker.

## **Homeownership Savings Linked Deposit Program**

(R.C. 135.98, 135.981, 135.982, 135.983, 135.984, 135.985, 135.986, 135.63, 135.78, 1733.04, 1733.24, 5747.01(A)(40) and (41), and 5747.84; Section 803.220)

### **Overview**

The bill creates a Homeownership Savings Linked Deposit Program through which “premium savings rate” accounts at “eligible savings institutions” are made available to “eligible

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<sup>175</sup> R.C. 113.61, not in the bill.

<sup>176</sup> R.C. 113.60.

participants” to be used for “eligible home costs” associated with the future purchase of a home. Under the bill, an “eligible participant” means an individual resident of Ohio who agrees to use amounts deposited to the savings account for “eligible home costs,” i.e., the down payment and closing costs associated with the purchase of a home. Account holders may also transfer funds from one homeownership savings linked deposit account to another homeownership savings linked deposit account at a different eligible savings institution.

Under the bill, the TOS must establish and adopt rules to administer the program. Under continuing law, the TOS administers several other linked deposit programs, such as the Ag-Link, Adoption Linked, and the Business Linked Deposit programs to provide certain eligible businesses and consumers, through participating financial institutions, low interest rate loans to be used for purposes specified in the programs.<sup>177</sup> Similarly, under the Homeownership Savings Linked Deposit Program created by the bill, the TOS is authorized to invest state funds in certificates of deposit or other financial instruments with an eligible savings institution and, in doing so, agree to receive a reduced rate of return on the investment. The eligible savings institution then must agree to pass on its interest rate savings to eligible participants in the form of a higher interest rate, referred to by the bill as a “premium savings rate,” on the Homeownership Savings Linked Deposit Accounts established at the savings institution by the participants.

### **Eligible savings institutions and eligible participants**

The bill defines “eligible savings institution” as a financial institution that is eligible to offer accounts to Ohio residents for the purpose of saving for eligible home costs, agrees to participate in the program, and is either a public depository eligible to accept state funds under the Uniform Depository Act (banks, federal savings associations, savings and loan associations, or savings banks) or a credit union. The bill specifies that the savings institution must comply with Ohio’s Uniform Depository Act. Once the savings institution is eligible for the program, it can accept and review applications for homeownership savings linked deposit accounts from eligible participants.

An eligible participant must certify on the application that they reside in Ohio, that the funds in the account will be used exclusively for eligible home costs, and that they agree to hold only one account under the program per program period. The program period is five years from the date the participant opens an account with the savings institution. A person who makes a false statement on the application is guilty of falsification, a first degree misdemeanor.<sup>178</sup>

The savings institution may then forward to the TOS a homeownership savings linked deposit package, which includes a certification by the savings institution that each applicant included in the package is eligible to participate in the program. The bill prohibits any fees

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<sup>177</sup> R.C. 135.71 to 135.76 (Ag-Link Deposit Program), 135.79 to 135.796 (Adoption Linked Deposit Program), and 135.77 to 135.774 (Business Linked Deposit Program), not in the bill.

<sup>178</sup> R.C. 2921.13, not in the bill.

charged to any party for the preparation, processing, or reporting of any application to a savings institution related to participation in the program.

### **Treasurer of State**

The TOS may accept or reject a homeownership savings linked deposit package, or any portion of it, based on the TOS's evaluation of the amount of state funds to be deposited with the savings institution. Under continuing law, the TOS can invest in linked deposits provided that, at the time of placement, the combined amount of the investments in all the linked deposit programs are not more than 12% of the state's total average investment portfolio. If the TOS accepts the homeownership savings linked deposit package, or any portion of it, the TOS may place, purchase, or designate a linked deposit with the savings institution at the discount interest rate, and in accordance with the deposit agreement and any additional procedures established by the TOS.

### **Deposit agreement**

The savings institution and the TOS must enter into a deposit agreement, which includes the requirements necessary to carry out the purposes of the program, including details relating to the maturity period of the linked deposit (which cannot exceed five years), the times the interest must be paid, and any other information, terms, or conditions the Treasurer requires.

### **Premium savings rate account**

Upon the TOS's placement, purchase, or designation of the linked deposit, the savings institution must offer and place the premium savings rate on the participant's account. Unless otherwise specified in the deposit agreement, the premium savings rate must be at a rate equal to or exceeding the present savings rate applicable to each specific participant in the accepted package plus the difference between the prevailing interest rate and the discount interest rate at which the linked deposits were placed, made, or designated. The rate will only apply to the account for the duration of the program period as designated in the agreement. After that, the savings account is no longer a part of the program and the savings institution can apply a market interest rate to the savings account. The bill does not prohibit participants from reapplying for the program at the same savings institution or another savings institution, so long as the participant only has one account enrolled in the program at any time.

At the conclusion of the program period and at the time of maturity, the savings institution must provide a certificate of compliance to the TOS in the form and manner prescribed by the TOS and must return the amount of the corresponding linked deposit to the TOS in a timely manner.

## **Early withdrawal**

If a savings institution changes the terms of a participant's account, the amount of the linked deposit associated with the account plus applicable interest must be returned to the TOS in a timely manner, and without early withdrawal penalties.<sup>179</sup>

## **Income tax deduction and addition**

The bill authorizes two income tax deductions related to homeownership savings linked deposit accounts. The first is for certain taxpayers who contribute to an account. The deduction is for up to \$10,000 per year per account for couples filing joint returns and \$5,000 per year per account for individual filers, with a lifetime maximum per contributor, per account of \$25,000. Only contributors who are the account owner, or the owner's parent, spouse, sibling, stepparent, or grandparent are eligible to take the deduction.

The second deduction may be taken by account owners, and is for interest earned on deposits in, and employer contributions to, homeownership savings linked deposit accounts.

In addition to the deductions, the bill requires a taxpayer to add to the owner's taxable income amounts withdrawn from a homeownership savings linked deposit account and not used for eligible expenses, for the taxable year in which the amount is withdrawn. Eligible expenses are home purchase costs for the account owner's primary residence and account fees. The addition is to the account owner's income regardless of who originally contributed the withdrawn amount to the account.

The deductions and addition apply to taxable years beginning in or after 2024. The bill allows the Tax Commissioner to adopt rules to administer the deductions and provides that any such rules are not subject to provisions of continuing law requiring two regulatory restrictions to be repealed for every one enacted.

## **Legal immunity**

The bill specifies that the state and the TOS are not liable to any savings institution or any eligible participant for the terms associated with a homeownership savings linked deposit account. Any misuse or misconduct on the part of a savings institution or an eligible participant does not affect the deposit agreement between the savings institution and the TOS.

## **Report**

The bill requires the TOS and the Tax Commissioner to issue a report regarding the efficacy of the Homeownership Savings Linked Deposit Program no later than January 31, 2027. The report must contain information on the number of accounts created, the number of participating savings institutions, the total amount contributed into the accounts, the total tax deductions claimed for the accounts, the average yield on the accounts, and any other information the TOS and Commissioner deem relevant. The report must be delivered to the Governor, the Speaker of the House, and the Senate President.

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<sup>179</sup> R.C. 135.985(B).