

LSC Greenbook

Analysis of the Enacted Budget

**Commissioners of
the Sinking Fund**

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August 2009

TABLE OF CONTENTS

| | |
|--|----------|
| OVERVIEW | 1 |
| Agency Overview..... | 1 |
| Appropriation Overview | 2 |
| Major Initiatives..... | 2 |
| ANALYSIS OF ENACTED BUDGET | 4 |
| Introduction | 4 |
| Highway Capital Improvement Bond Retirement Fund (155902)..... | 4 |
| Natural Resources Bond Retirement Fund (155903)..... | 5 |
| Conservation Projects Bond Service Fund (155904)..... | 5 |
| Third Frontier Research and Development Bond Retirement Fund (155905)..... | 5 |
| Coal Research and Development Bond Retirement Fund (155906)..... | 5 |
| State Capital Improvement Bond Retirement Fund (155907)..... | 6 |
| Common Schools Bond Retirement Fund (155908) | 6 |
| Higher Education Bond Retirement Fund (155909)..... | 6 |
| Job Ready Site Development Bond Retirement Fund (155912) | 6 |

ATTACHMENT:

Budget Spreadsheet By Line Item

Commissioners of the Sinking Fund

- Appropriations to the Commissioners support debt service payments and costs for Ohio's general obligation bonds.
- The budget reduces funding for debt service payments due to a plan to restructure the state's existing debt.

OVERVIEW

Agency 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's operating budget (090401). (Please see the Treasurer's Greenbook for details.)

The Commissioners of the Sinking Fund (CSF) 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 for business, and highways. The Sinking Fund is also required under the Ohio Constitution and Revised Code to prepare and publish a semi-annual report, which includes financial statements of the state's general obligation bonds, debt service requirements, and funding sources.

H.B. 1 appropriates \$711.9 million for FY 2010 and \$724.7 million for FY 2011. Total appropriations for FY 2010 are 13.1% lower than the actual expenditures for FY 2009. Total appropriations for FY 2011 are 1.8% higher than the appropriations for FY 2010. The decrease in the appropriations is due to a plan to restructure the state's existing debt. (See Major Initiatives for details.)

Appropriation Overview

The following table provides the appropriations by fund group for the Commissioners of the Sinking Fund for the FY 2010-FY 2011 biennium.

| Table 1. Agency Appropriations by Fund Group, FY 2010-FY 2011 | | | | | |
|--|----------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
| Fund Group | FY 2009* | FY 2010 | % change, FY 2009-FY 2010 | FY 2011 | % change, FY 2010-FY 2011 |
| Debt Service Fund | \$819,338,896 | \$711,930,400 | -13.1% | \$724,663,300 | 1.8% |
| TOTAL | \$819,338,896 | \$711,930,400 | -13.1% | \$724,663,300 | 1.8% |

*FY 2009 figures represent actual expenditures.

H.B. 1 appropriates \$711.9 million for FY 2010 and \$724.7 million for FY 2011. Total appropriations for FY 2010 are 13.1% lower than the actual expenditures for FY 2009. Total appropriations for FY 2011 are 1.8% higher than the appropriations for FY 2010. The decrease in the appropriations is due to a plan to restructure the state's existing debt. (See Major Initiatives for details.)

Major Initiatives

The appropriations include the necessary amounts for debt service payment in the FY 2010-FY 2011 biennium. The appropriations take into consideration a plan to restructure a portion of the state's debt. Under the plan, new refunding bonds will be issued in this biennium and the bond proceeds from the refunding bonds would be used in place of GRF funding to defray current costs of debt service. The effect would be to delay repayment of existing debt to future fiscal years while reducing the amount of debt service paid during the biennium.

According to the executive's estimates, the plan would reduce the GRF cash flow used to pay debt service in the FY 2010-FY 2011 biennium by approximately \$735.8 million. The plan would repay the new debt service from newly issued refunding bonds on a proportional basis in FY 2012 through FY 2021. The total costs to pay for all future debt service payments under the plan would be \$10 million in present value terms.

The plan will restructure a portion of outstanding general obligation bonds issued by the Ohio Public Facilities Commission (OPFC) for the purposes of higher education facilities, common school facilities, and public infrastructure. It will also restructure outstanding lease rental debt issued by the Ohio Building Authority (OBA) for the purposes of the departments of Administrative Services, Rehabilitation and Corrections, and Youth Services. The debt restructuring plan also includes limitations on the term of maturities for new refunding bonds to ten years, the amounts of new debt issued, and the interest rates, to contain the state's overall GRF debt burden and to ensure that the plan achieves its near-term savings. The plan also maintains Ohio's

relatively rapid debt amortization; according to the executive's estimates, the plan's impact on the rate of amortization of the state's GRF-backed debt will be modest in the short-term and negligible over the medium-to-long term due to the restructuring's relatively small size and short repayment period.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the appropriations for each line item in CSF's budget. The following table shows the line items that are used to fund debt retirement of General Obligation bonds.

| Fund | | ALI and Name | FY 2010 | FY 2011 |
|--|--------|--|----------------------|----------------------|
| Debt Service Fund Group | | | | |
| 7070 | 155905 | Third Frontier Research and Development Bond Retirement Fund | \$20,948,300 | \$29,011,600 |
| 7072 | 155902 | Highway Capital Improvement Bond Retirement Fund | \$202,074,000 | \$203,434,200 |
| 7073 | 155903 | Natural Resources Bond Retirement Fund | \$26,334,400 | \$26,549,400 |
| 7074 | 155904 | Conservation Projects Bond Service Fund | \$20,711,100 | \$25,684,900 |
| 7076 | 155906 | Coal Research and Development Bond Retirement Fund | \$9,968,400 | \$10,947,000 |
| 7077 | 155907 | State Capital Improvement Bond Retirement Fund | \$148,331,900 | \$163,443,500 |
| 7078 | 155908 | Common Schools Bond Retirement Fund | \$192,559,200 | \$165,510,500 |
| 7079 | 155909 | Higher Education Bond Retirement Fund | \$85,317,700 | \$89,480,300 |
| 7090 | 155912 | Job Ready Site Development Bond Retirement Fund | \$5,685,400 | \$10,601,900 |
| Debt Service Fund Group Subtotal | | | \$711,930,400 | \$724,663,300 |
| Total Funding: General Obligation Debt Retirement Funds | | | \$711,930,400 | \$724,663,300 |

The appropriations provide continuing funding for the necessary amounts of debt service payments in this biennium and administrative expenses related to state general obligations administered by the Commissioners of the Sinking Fund. The budget appropriates additional amounts if it is determined that those amounts are needed to make debt service payments.

Highway Capital Improvement Bond Retirement Fund (155902)

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. 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. Funds to pay the debt service are transferred to this non-GRF account from the Highway Operating Fund (Fund 7002) in the Department of Transportation's budget.

Natural Resources Bond Retirement Fund (155903)

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 2l, Article VIII of the Ohio Constitution. 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 GRF line item 725903, Natural Resources General Obligation Debt Service, in the Department of Natural Resources' budget.

Conservation Projects Bond Service Fund (155904)

This line item pays debt service on bonds issued to provide moneys for conservation purposes. The bonds are issued under the authority of Sections 2o and 2q, Article VIII of the Ohio Constitution. 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 GRF line item 150904, Conservation General Obligation Debt Service, in the Public Works Commission's budget.

Third Frontier Research and Development Bond Retirement Fund (155905)

This line item pays debt service on bonds issued to provide funding for local government infrastructure, support research and development applicable to high tech business, and enhance business site development. The bonds are issued under the authority of Section 2p, Article VIII of the Ohio Constitution. Funds to pay the debt service are transferred to this non-GRF account from GRF line item 195905, Third Frontier Research & Development General Obligation Debt Service, in the Department of Development's budget.

Coal Research and Development Bond Retirement Fund (155906)

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, Article VIII of

the Ohio Constitution. 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 GRF line item 898901, Coal Research and Development General Obligation Debt Service, in the Air Quality Development Authority's budget.

State Capital Improvement Bond Retirement Fund (155907)

This line item pays debt service on bonds issued to provide moneys for local infrastructure projects financed by the Public Works Commission under the authority of Sections 2m and 2p, Article VIII of the Ohio Constitution. Funding comes from GRF line item 150907, State Capital Improvements General Obligation Debt Service, under the budget for the Public Works Commission.

Common Schools Bond Retirement Fund (155908)

This line item pays debt service on bonds issued to provide moneys for common schools. The bonds are issued under the authority of Section 2n, Article VIII of the Ohio Constitution. Funding comes from GRF line item 230908, Common Schools General Obligation Debt Service, in the School Facilities Commission's budget.

Higher Education Bond Retirement Fund (155909)

This line item pays debt service on bonds issued to provide moneys for higher education. The bonds are issued under the authority of Section 2n, Article VIII of the Ohio Constitution. Funds to pay the debt service are transferred to this non-GRF account from GRF line item 235909, Higher Education General Obligation Debt Service, in the budget for the Board of Regents.

Job Ready Site Development Bond Retirement Fund (155912)

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, Article VIII of the Ohio Constitution. Funds to pay the debt service are transferred to this non-GRF account from GRF line item 195912, Job Ready Site Development General Obligation Debt Service, in the Department of Development's budget.

FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

| Line Item Detail by Agency | | | FY 2008 | FY 2009 | FY 2010 Appropriations | % Change FY09 - FY10 | FY 2011 Appropriations | % Change FY10 - FY11 |
|---|--------|--|-------------------------|-----------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Report For: Main Operating Appropriations Bill | | | Version: Enacted | | | | | |
| CSF Commissioners of Sinking Fund | | | | | | | | |
| 7070 | 155905 | Third Frontier Research and Development Bond Retirement Fund | \$ 11,749,792 | \$ 17,126,282 | \$ 20,948,300 | 22.32% | \$ 29,011,600 | 38.49% |
| 7072 | 155902 | Highway Capital Improvement Bond Retirement Fund | \$ 206,078,646 | \$ 197,559,258 | \$ 202,074,000 | 2.29% | \$ 203,434,200 | 0.67% |
| 7073 | 155903 | Natural Resources Bond Retirement Fund | \$ 22,740,318 | \$ 25,277,966 | \$ 26,334,400 | 4.18% | \$ 26,549,400 | 0.82% |
| 7074 | 155904 | Conservation Projects Bond Service Fund | \$ 15,705,563 | \$ 18,503,597 | \$ 20,711,100 | 11.93% | \$ 25,684,900 | 24.02% |
| 7076 | 155906 | Coal Research and Development Bond Retirement Fund | \$ 7,132,604 | \$ 8,172,569 | \$ 9,968,400 | 21.97% | \$ 10,947,000 | 9.82% |
| 7077 | 155907 | State Capital Improvement Bond Retirement Fund | \$ 177,931,614 | \$ 186,111,452 | \$ 148,331,900 | -20.30% | \$ 163,443,500 | 10.19% |
| 7078 | 155908 | Common Schools Bond Retirement Fund | \$ 265,094,567 | \$ 205,160,043 | \$ 192,559,200 | -6.14% | \$ 165,510,500 | -14.05% |
| 7079 | 155909 | Higher Education Bond Retirement Fund | \$ 160,613,532 | \$ 157,834,419 | \$ 85,317,700 | -45.94% | \$ 89,480,300 | 4.88% |
| 7090 | 155912 | Job Ready Site Development Bond Retirement Fund | \$ 3,585,493 | \$ 3,593,311 | \$ 5,685,400 | 58.22% | \$ 10,601,900 | 86.48% |
| Debt Service Fund Group Total | | | \$ 870,632,129 | \$ 819,338,896 | \$ 711,930,400 | -13.11% | \$ 724,663,300 | 1.79% |
| Commissioners of Sinking Fund Total | | | \$ 870,632,129 | \$ 819,338,896 | \$ 711,930,400 | -13.11% | \$ 724,663,300 | 1.79% |