OHIO LEGISLATIVE SERVICE COMMISSION

www.lsc.ohio.gov

Office of Research and Drafting

Legislative Budget Office

S.J.R. 4
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.J.R. 4's Bill Analysis

Version: As Passed by the Senate

Primary Sponsors: Sens. Chavez and Craig

Local Impact Statement Procedure Required: No

Ruhaiza Ridzwan, Senior Economist, and other LBO staff

Highlights

- The resolution proposes to submit a constitutional amendment for the state's voter approval at the special election to be held on May 6, 2025, authorizing the state to issue up to $2.50 billion in additional general obligation (GO) bonds to fund public infrastructure capital improvements under the ongoing State Capital Improvement Program (SCIP) overseen by the Public Works Commission (PWC).
- The Secretary of State's Office will incur advertising costs if the issue is placed on the statewide ballot. These advertising costs are paid out of the Statewide Ballot Advertising Fund (Fund 5FH0).

Detailed Analysis

Resolution

The resolution proposes to submit a constitutional amendment on the ballot of the statewide special election to be held on May 6, 2025. The resolution proposes to enact Section 2t of Article VIII of the Ohio Constitution to authorize the General Assembly to permit the issuance of up to $2.50 billion in general obligation (GO) bonds for the purpose of financing or assisting in the financing of the cost of public infrastructure capital improvements of municipal corporations, counties, townships, and other governmental entities. The resolution specifies that debt service payments related to the new bonds are backed by the state's full faith and credit, revenue, and taxing power. Thus, these bonds are included in the total debt service of the state and subject to the state 5% debt limit.[1]

Under the proposed amendment, the state may issue up to $250 million principal amount of infrastructure GO bonds in each of the ten fiscal years with a maximum maturity period of 30 years for each issuance. The state may also issue the principal amount of those obligations that in any prior fiscal year could have been but were not issued within the fiscal year limits. The proposed amendment specifies that no obligations may be issued pursuant to Section 2t until all infrastructure obligations authorized under Section 2s of Article VIII of the Ohio Constitution have been issued. On May 6, 2014, Ohio voters approved a constitutional amendment (under Section 2s) authorizing the state to issue up to $1.875 billion in GO bonds for public infrastructure capital improvement purposes. The authority under Section 2s is expected to be exhausted in FY 2026.

Fiscal effect

The resolution would have a direct fiscal impact on the state, but not on local governments.

Ballot advertising costs

If the proposed amendment is placed on the May 6, 2025 statewide ballot, the state would be required to pay the ballot advertising costs. The costs for ballot advertising, including explanations and arguments for and against a statewide ballot issue, are paid for under the Secretary of State's budget, specifically Statewide Ballot Advertising Fund (Fund 5FH0) line item 050621, Statewide Ballot Advertising. Fund 5FH0 receives cash transfers from the Controlling Board Emergency Purposes/Contingencies Fund (Fund 5KM0). The actual advertising cost for placing the proposed constitutional amendment on the statewide ballot depends on the length of the ballot measure, which is required to be included in printed advertising. Ballot advertising costs for recent statewide issues were as follows. In FY 2024, the Secretary of State paid approximately nearly $380,000 in statewide ballot advertising costs related to both State Issue 1 and State Issue 2, which appeared on the November 7, 2023 ballot. On September 9, 2024, the Controlling Board authorized a transfer to Fund 5FH0 of nearly $405,000, the estimated amount needed to cover statewide ballot advertising costs related to State Issue 1, the proposed redistricting measure which appeared on the November 5, 2024 ballot.

Indirect fiscal effect

Debt service

If the constitutional amendment is approved by voters, the General Assembly would be able to enact law and authorize the issuance of up to $2.50 billion in GO bonds to finance or assist in financing the cost of projects for local government public infrastructure capital improvements. Therefore, voter approval of the proposed amendment would allow additional debt

[1] Ohio Constitution, Article VIII, Section 17, approved by Ohio voters in November 1999, established an annual debt service "cap" applicable to future issuances of state direct obligations payable from the state GRF or net lottery proceeds. Generally, new obligations subject to the cap may not be issued if debt service for any future fiscal year on the new and the then outstanding obligations subject to the cap would exceed 5% of the total estimated GRF revenues plus net lottery proceeds for the fiscal year of the issuance.

authorization and issuance of GO bonds for such purposes in the future. The fiscal impact to the state will depend on the timing of bond issuance and the interest rate that will be paid on each bond; the timing of benefits to local governments will also depend on the timing of bond issuance. In addition, the debt service payments will be spread over the entire lifetime of the bonds.

Interest rates vary with market conditions, so the interest rate that the state will pay is undetermined at this time. Assuming the state issued $250 million of such bonds per fiscal year, in FY 2027 through FY 2036, with a maturity period of 20 years and an interest rate of 4.5%, the estimated total cost of debt service payments would be approximately $3.84 billion, spread over 30 years; debt service payments would range between $19.2 million and $192.2 million per fiscal year. Actual debt service payments may be higher or lower depending on market interest rates at the time the bonds are issued and the number of years over which they are to be paid off. Funding for debt service payments on bonds issued to fund public infrastructure capital improvements comes from the GRF. Thus, the estimated debt service payments for bonds under this resolution will be added to the state's current debt service payments. As a result, it may reduce the availability of state revenue for other state programs in future years.

State Capital Improvement Program

Bond proceeds from bonds under this resolution would provide continuing funding for the State Capital Improvement Program (SCIP), administered by the Public Works Commission (PWC). SCIP provides grants and loans for many types of infrastructure projects, including (1) roads, (2) bridges, (3) culverts, (4) wastewater systems, (5) water supply systems, (6) solid waste disposal facilities, and (7) storm water collection systems to eligible counties, cities, villages, townships, and water, sewer, or sanitary (WSS) districts. In addition, a portion of SCIP funding is set aside for small governments (i.e., villages and townships with less than 5,000 in population) and for emergency infrastructure projects. As projects are approved, grants and loans will be awarded resulting in a revenue gain to applicable political subdivisions.

FNSJR0004PS-135/zg