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S.J.R. 2
134th General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsors: Sens. Gavarone and Yuko

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SUMMARY

- Authorizes the issuance of \$1 billion in clean-water improvement bonds.
- Limits the annual issuance of clean-water bonds to \$100 million plus any unused allotment from previous years.
- Specifies the date of maturity of the bonds to be 20 years from the date of issuance.
- Requires at least 50% of the funds raised to be distributed to counties in the western Lake Erie basin; requires remaining funds to be distributed according to a watershed's proportion of phosphorous loading compared to the total amount of phosphorous loading in the watersheds of Ohio.

DETAILED ANALYSIS

Overview

The resolution authorizes, via enactment of Section 2t. of Article VIII of the Ohio Constitution, the issuance of bonds or other obligations of the state for the purpose of financing clean water improvements for certain local governments. "Clean water improvements" includes:

- Water treatment systems;
- Waste water treatment systems;
- Water quality research;
- Reducing open lake disposal of dredged material into Lake Erie and other bodies of water;
- Supporting agricultural best management practices, including water resource management, watershed restoration, and soil and water conservation;

- Any other sewer and water capital improvements.

The resolution declares that such clean water improvements are necessary to:

- Preserve and expand the public capital infrastructure of Ohio political subdivisions;
- Ensure the public health, safety, and welfare;
- Improve water quality and protect natural resources;
- Create and preserve jobs;
- Enhance employment opportunities;
- Improve the economic welfare of the people of Ohio.

The state may participate in any clean water improvements authorized by the resolution with municipal corporations, counties, townships, or other governmental entities as designated by law. Such participation is to be in the form of grants made to the local governments for clean water improvements. The entire proceeds of the obligations are to be used for clean water improvements, except to the extent necessary to reasonably compensate the state for planning, financial management, or administrative services performed in relation to the issuance of the clean-water bonds.¹

Principal limitation

The total amount of principal authorized to be issued is \$1 billion. This is the amount that the state is essentially authorized to “borrow” for clean water improvements and does not include the associated interest payments. However, the entire \$1 billion cannot necessarily all be issued at the same time. Each year, the state may issue bonds with a principal amount equal to the sum of:

- Up to \$100 million;
- Any unused allocation from previous years.²

Bond-anticipation notes

The resolution provides for the issuance of short-term debt that can be issued prior to the issuance of the authorized long-term, clean-water bonds. Referred to as “bond-anticipation notes,” this sort of short-term debt is generally issued when the timing for a project is out of sync with the timing of the issuance of bonds. To provide an illustrative example, if a local government was going to issue bonds for a roads project, and the project needed to be started during the summer, but the bonds that were going to be issued to pay for the project could not be issued until winter for legal or other administrative reasons, then the local government would issue these short-term notes so that the roads project could begin on time.

¹ Ohio Constitution, Article VIII, Section 2t(A), (B), and (F).

² Ohio Const., art.VIII, sec. 2t(C)(1).

Accordingly, the resolution requires that, if bond-anticipation notes are issued, the General Assembly must provide in law for the establishment and maintenance of a fund or funds during the period in which the bond-anticipation notes are outstanding. The fund or funds are to be funded from the sources that are to be used for the payment of the clean-water bonds. The amount of the funding is to be the amount that would have been needed to pay the principal that would have been payable on the clean-water bonds during the duration of the bond-anticipation notes. Such fund or funds are to be used solely for the payment of the principal of the bond-anticipation notes.³

Allocation of funds

The resolution prescribes how the proceeds from clean-water bonds are to be allocated amongst Ohio's various watersheds. First, a minimum of 50% is to be distributed to the counties of the western Lake Erie basin. The remaining amount is to be allocated according to a watershed's proportion of phosphorous loading compared to the total amount of phosphorous loading in Ohio watersheds as determined by scientific assessments.⁴

Maturation date

The bonds authorized by the resolution are to have a maturation date of not more than 20 years from the date of issuance. However, if the bonds are issued to retire or refund other obligations of the state (such as the short-term, bond-anticipation notes discussed above), then the maturation date is to be no more than 20 years from the date that other obligation was issued.⁵

General obligations

The resolution stipulates that the clean-water bonds are to be general obligations of the state, meaning that the full faith and credit, revenue, and taxing power of the state is to be used to pay the principal, interest, and all other costs of the bonds as they become due. If the resolution is passed by voters, the General Assembly would then be required to appropriate funds necessary to pay these amounts. Note that because these are general obligation bonds, there is no dedicated payment source for the bonds. As such, these amounts would be paid from the General Revenue Fund. Such appropriations would not be subject to the two-year limit prescribed in the constitution, meaning the funds would only have to be appropriated once and then never have to be re-appropriated. The clean-water bonds would be exempt from constitutional provisions related to the levying of taxes, the prohibition of debt for internal improvements, and the prohibition of the issuance of bonds without a dedicated source of

³ Ohio Const., art.VIII, sec. 2t(D).

⁴ Ohio Const., art.VIII, sec. 2t(C)(2).

⁵ Ohio Const., art.VIII, sec. 2t(D).

income to pay the associated interest. Money generated by motor vehicle license fees or the fuel tax are not to be used to pay costs associated with the clean-water bonds.⁶

Tax free

As is usually the case with state or local government bonds, interest or other income paid to the purchaser of the bonds is to be free from Ohio taxation.⁷

Miscellaneous provisions

The resolution specifies that it is to otherwise be implemented in the manner and to the extent provided by law by the General Assembly, including provision for the procedure for incurring and issuing obligations, separately or in combination with other obligations, and refunding, retiring, and evidencing obligations, and provision for the use, to the extent practicable, of Ohio products, materials, services, and labor in the making of any project financed, in whole or in part, under the amendment.

The powers and authority granted or confirmed by and under, and the determinations in, the resolution are independent of, in addition to, and not to be construed as being in derogation of or a limitation on, powers, authority, determinations, or confirmations under laws or under other provisions of the Ohio Constitution and are not to be construed as impairing any previously adopted provisions of the Ohio Constitution or any law previously enacted by the General Assembly or by a local public agency.

Finally, if adopted by voters, the resolution would have an immediate effective date.⁸

HISTORY

Action	Date
Introduced	03-30-21

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⁶ Ohio Const., art.VIII, sec. 2t(E).

⁷ Ohio Const., art.VIII, sec. 2t(G).

⁸ Ohio Const., art.VIII, sec. 2t(H) and (I).