



OHIO LEGISLATIVE SERVICE COMMISSION

Resolution Analysis

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H.J.R. 13

131st General Assembly
(As Introduced)

Reps. Amstutz, Curtin

RESOLUTION SUMMARY

- Proposes a constitutional amendment to do the following:
 - Permit the issuance of general obligation bonds to fund facilities for mental health and developmental disabilities, parks and recreation, and housing state agencies.
 - Repeal obsolete bond-authorizing provisions.
 - Protect the holders of any outstanding bonds or obligations issued under the authority of any sections of Article VIII that are later repealed.
 - Repeal obsolete sinking fund provisions and the Sinking Fund Commission.

CONTENT AND OPERATION

Ohio Constitutional Modernization Commission recommendations

The resolution proposes an amendment to the Ohio Constitution recommended by the Ohio Constitutional Modernization Commission relative to state bonding authority. If adopted, the amendment would provide for the issuance of general obligation debt to pay for facilities for mental health and developmental disabilities, parks and recreation, and housing state agencies. The amendment would also eliminate various obsolete debt-related constitutional provisions and protect outstanding debt issued under any repealed provisions.

General obligations to fund certain facilities

The proposed amendment authorizes the General Assembly to provide by law for the issuance of general obligation bonds and other general obligations of the state for either of the following:¹

- Paying the costs of facilities for mental health and developmental disabilities (formerly referred to as "mental hygiene and retardation"), parks and recreation, and housing of branches and agencies of state government;
- Refunding revenue obligations previously issued under Article VIII, Sec. 2i, Ohio Constitution, for the same purposes (the authority to issue revenue obligations under that section of the Ohio Constitution will remain in effect regardless of whether the amendment proposed by this resolution is adopted).

The "costs of facilities" include the costs of acquisition, construction, improvement, expansion, planning, and equipping.²

Amount of obligations

The proposed amendment provides that the total principal amount of general obligations issued is to be determined by the General Assembly.³ That determination, however, is subject to the requirements of existing Article VIII, Sec. 17, Ohio Constitution. That section provides, with certain exceptions, that direct obligations cannot be issued if the amount required in any future fiscal year for debt service on outstanding direct obligations would exceed 5% of the sum of (1) total estimated state revenues for the General Revenue Fund and (2) net state lottery proceeds for that fiscal year.⁴

Maturity of obligations

Each general obligation issued must mature not later than December 31, of the 25th calendar year after the date of issuance. Each general obligation issued to refund

¹ Proposed Article VIII, Section 2t(A), Ohio Constitution.

² Proposed Article VIII, Section 2t(G)(1), Ohio Constitution.

³ Proposed Article VIII, Section 2t(E), Ohio Constitution.

⁴ Article VIII, Section 17, Ohio Constitution (not in resolution). The limit can be waived for obligations by a three-fifths vote of the members of each House of the General Assembly. Further, the limit does not apply to debts contracted to repel invasion, suppress insurrection, or defend the state in war.



revenue obligations previously issued under Article VIII, Section 2i, Ohio Constitution must mature not later than December 31, of the 25th calendar year after the debt being retired was originally contracted.

If obligations are issued as notes in anticipation of the issuance of bonds, the General Assembly must provide, during the period the notes are outstanding, one or more special funds into which are to be paid, from sources authorized for payment of the bonds, amounts that would have been sufficient, if bonds maturing within the permitted period of years had been issued without the prior issuance of notes, to pay the principal that would have been payable on the bonds during that period. The special funds, and any investment income from the funds, may not be used for any purpose other than payment of principal of the notes or bonds for which the notes were issued.⁵

Debt service

The proposed amendment provides that the full faith and credit, revenue, and taxing power of the state are pledged to the timely payment of the principal and interest, and other accreted amounts payable on, the obligations (known as "debt service"). Accordingly, the General Assembly is required to implement the amendment's provisions by law and to provide by law for the sufficiency and appropriation of excises, taxes, and revenues for debt service and for covenants to continue the levy, collections, and applications of sufficient excises, taxes, and revenues to the extent needed for purposes of paying debt service. The General Assembly is also required to provide for bond retirement. No further act of appropriation is necessary for these purposes.⁶

Tax exemption

The obligations, their transfer, and the interest or other income from the obligations, including any profit made on their sale, exchange, or other disposition, are at all times to be free from taxation within the state.⁷

⁵ Proposed Article VIII, Section 2t(B), Ohio Constitution.

⁶ Proposed Article VIII, Sections 2t(C), (E), and (G)(2), Ohio Constitution.

⁷ Proposed Article VIII, Section 2t(D), Ohio Constitution.



Obsolete provisions repealed

Bond-authorizing provisions

The proposed amendment repeals bond-authorizing provisions that are obsolete for the reason that all involve bonds that have been fully issued and paid off, or for which bonding authority has lapsed due to the passage of time.⁸

Obsolete sinking fund provisions

The proposed amendment repeals obsolete provisions concerning the sinking fund and the Sinking Fund Commission for the reason that the state no longer utilizes a fund identified as "the Sinking Fund," and the duties of the Sinking Fund Commission are being performed by other state officers and agencies. The proposed amendment repeals also provisions that create the sinking fund, list the members of the Commission, and outline the duties of the Commission.⁹

Continued security of obligations

The proposed amendment requires that any debt or obligation issued by the state under the authority of any section of Article VIII that is later repealed remains in full force and effect and continues to be secured in accordance with the original terms of the debt or obligation.¹⁰

Election and effective date

The resolution provides that the proposed amendment is to be submitted to the electors at the general election to be held on November 7, 2017. If approved by a majority of the electors voting on the proposal, the amendment will take effect immediately.

HISTORY

ACTION	DATE
Introduced	12-01-16

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⁸ Article VIII, Sections 2b to 2h, 2j, and 2k, Ohio Constitution.

⁹ Article VIII, Sections 2 and 7 to 11, Ohio Constitution.

¹⁰ Proposed Article VIII, Section 18, Ohio Constitution.

