



# Ohio Legislative Service Commission

## Resolution Analysis

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### H.J.R. 5

131st General Assembly  
(As Introduced)

**Reps.** Lepore-Hagan and K. Smith, Antonio, Celebrezze, Clyde, Driehaus, Fedor, Howse, Ramos, Sheehy, Strahorn, Sykes

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## RESOLUTION SUMMARY

- Proposes a constitutional amendment to permit the issuance of additional general obligation bonds to fund sewer and water capital improvements of local subdivisions.

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## CONTENT AND OPERATION

### State bond authority for sewer and water capital improvements

The constitutional amendment proposed by the resolution authorizes the General Assembly to provide by law for the issuance of additional general obligation bonds and other general obligations of the state to finance or assist in the financing of sewer and water capital improvement projects of municipal corporations, counties, townships, or other governmental entities designated by law. The projects are limited to waste water treatment systems, water supply systems, and storm water and sanitary collection, storage, and treatment facilities, including real property, interests in real property, facilities, and equipment related or incidental to them. The cost of acquisition, construction, reconstruction, expansion, improvement, planning, and equipping are specifically included.<sup>1</sup>

The state is authorized to participate in these sewer and water capital improvement projects by providing grants to the local subdivisions.<sup>2</sup>

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<sup>1</sup> Proposed Article VIII, Section 2t(A), Ohio Constitution.

<sup>2</sup> Proposed Article VIII, Section 2t(E), Ohio Constitution.

## **Amount of obligations**

The proposed constitutional amendment limits the bond issuing authority to not more than \$1 billion. Not more than \$100 million principal amount of state general obligations may be issued in any one fiscal year. If annual limits are not reached, the amount not issued may be issued in a subsequent year and does not count towards that fiscal year's limit.<sup>3</sup>

## **Maturity of obligations**

Each issue of general obligations must mature in not more than 20 years from the date of issuance. If the obligations are issued to retire or refund other obligations, the obligations must mature within 20 years from the date the debt being retired or refunded was originally issued.

If general obligations are issued as notes in anticipation of the issuance of bonds, the General Assembly must provide for the establishment and maintenance, during the period in which the notes are outstanding, of 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 may not be used for any purpose other than payment of principal of the notes or bonds for which the notes were issued.<sup>4</sup>

## **Debt service**

With respect to the state general obligations authorized by the proposed constitutional amendment, the full faith and credit, revenue, and taxing power of the state are pledged to the timely payment of the principal of, and the premium, interest, and other accreted amounts payable on, the obligations (known as "debt service"). Accordingly, the General Assembly is required to provide by law for the sufficiency and appropriation of excises, taxes, and revenues pledged or committed to debt service and for covenants to continue the levy, collection, and application of sufficient excises, taxes, and revenues to the extent needed for purposes of paying debt service. The General Assembly is also required to establish a bond retirement fund. No further act of appropriation is necessary for these purposes.

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<sup>3</sup> Proposed Article VIII, Section 2t(B), Ohio Constitution.

<sup>4</sup> Proposed Article VIII, Section 2t(C), Ohio Constitution.



Fees and taxes received in connection with the use of public highways by motor vehicles may not be pledged to the payment of debt service on the general obligations authorized under the amendment.<sup>5</sup>

### **Tax exemption**

As stated in the proposed constitutional amendment, the obligations, their transfer, and the interest or other income from the obligations, including any profit made on the sale, exchange, or other disposition of them, are at all times free from taxation within the state.<sup>6</sup>

### **Election and effective date**

The resolution provides that the proposed constitutional amendment will be submitted to the electors at the special election to be held on March 15, 2016.<sup>7</sup> If approved by a majority of the electors voting on the proposal, the constitutional amendment will take effect immediately.

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## **HISTORY**

<b>ACTION</b>	<b>DATE</b>
Introduced	12-01-15

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<sup>5</sup> Proposed Article VIII, Section 2t(D), Ohio Constitution.

<sup>6</sup> Proposed Article VIII, Section 2t(F), Ohio Constitution.

<sup>7</sup> An amendment would be required to change the election date.

