OHIO LEGISLATIVE SERVICE COMMISSION

Nicholas J. Blaine

Fiscal Note & Local Impact Statement

Bill: H.J.R. 4 of the 132nd G.A.

Status: As Introduced

Sponsor: Rep. Schuring

Local Impact Statement Procedure Required: No

Subject: Issuance of bonds to pay unemployment benefits

State Fiscal Highlights

- The resolution proposes to submit for the state's voters' approval at the May 8, 2018 special election a constitutional amendment authorizing the issuance of general obligation bonds to pay unemployment benefits or to repay outstanding advances made by the federal government.
- Appropriations made to the Controlling Board under GRF line item 911441, Ballot Advertising Costs, are used to reimburse the Secretary of State for expenses incurred in advertising ballot issues statewide. The amounts of the reimbursements approved by the Controlling Board are transferred to the Statewide Ballot Advertising Fund (Fund 5FH0) under the Secretary of State's budget.

Detailed Fiscal Analysis

Bond authority to pay unemployment benefits or finance advances

The resolution proposes an amendment to the Ohio Constitution authorizing the General Assembly to enact laws for the issuance of bonds and other obligations of the state to:

- Pay unemployment benefits when the state's Unemployment Compensation Fund (UC Fund) is depleted; or
- Finance the cost of repaying outstanding advances made by the federal government to support Ohio's UC Fund.

The proposed amendment authorizes the General Assembly to determine the maturity dates and the principal amounts of any obligations issued, subject to constitutional limitations on the state's ability to issue obligations on which principal and interest exceed 5% of the estimated revenues from the General Revenue Fund and state lottery proceeds during the fiscal year in which the obligations are issued. The General Assembly will be required to provide appropriations of excises, taxes, and revenues pledged to debt service to continue the levy and to establish a bond retirement fund. Any amounts generated will be free from taxation within Ohio.

If approved, the issue will appear on the May 8, 2018 special election ballot.

Ballot advertising costs

If both houses of the General Assembly approve the resolution and the issue is placed on the statewide ballot, the Secretary of State will incur costs for ballot advertising under Section 1 of Article XVI of the Ohio Constitution. Section 1 requires that the ballot language, the explanations, and arguments, if any, be published once a week for three consecutive weeks preceding the election in at least one newspaper of general circulation in each county of the state where a newspaper is published.

The ballot advertising costs that the Secretary of State incurs are paid for on a reimbursement basis from GRF moneys appropriated to the Controlling Board, specifically GRF line item 911441, Ballot Advertising Costs. Once authorized, the reimbursable amounts are transferred by the Controlling Board to the Statewide Ballot Advertising Fund (Fund 5FH0) under the Secretary of State's budget. Ballot advertising expenses depend on the length of the ballot language. As a guide, the Secretary of State spent $447,473 in ballot advertising costs for statewide issues that appeared on the ballot during FY 2014.

Indirect fiscal effect

If the constitutional amendment is approved by voters, the General Assembly would be able to enact law and authorize the issuance of general obligation bonds to pay unemployment benefits or to repay outstanding advances made by the federal government. Therefore, voter approval of the proposed amendment would allow additional debt authorization and issuance of general obligation 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. In general, the cost of bond issuance will depend on the interest rates that will be paid on the bonds and the number of years over which they are paid off. In addition, debt service payments of bonds under the resolution are subject to the 5% debt limit, thereby debt service payments of such bonds will be added to the state's current debt service payments.

Ohio borrowed from the federal government to pay unemployment benefits in previous years and was charged interest on these loans. In addition, after taking out these loans, if a state does not repay the advances within two years as required, the basic penalty is a graduated loss of the federal tax credit for employers in the state. If approved, bonds could be issued instead if the Director of Budget and Management determines that the rate of interest charged by the federal government exceeds the rate the Treasurer of State would likely obtain for the bonds.

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