



**S.B. 125\***

126th General Assembly

(As Reported by H. Local and Municipal Government and Urban Revitalization)

Sens. Schuring, Amstutz, Carey, Niehaus, Dann, Hagan

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**BILL SUMMARY**

- Authorizes the board of trustees of a detention facility district to enter into agreements with the boards of county commissioners of the participating counties to provide for the financing of district permanent improvements.
- Authorizes detention facility districts having those agreements (through their taxing authority--the joint board of county commissioners) to issue securities, or to obtain loans from a financial institution, to finance construction, acquisition, and other means of providing detention facilities.
- Provides for the repayment of the associated debt by the participating counties through county tax levies authorized by current law, other lawful sources of county funds, rents or other charges levied for the use of a facility, or a combination of these means.
- Limits the annual debt service with respect to the securities to 3% of the detention facility district's annual operating expenses.

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**CONTENT AND OPERATION**

**Borrowing authority of detention facility districts**

Under current law, the taxing authority of a detention facility district or combined district may borrow money for capital facilities by issuing general

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\* This analysis was prepared before the report of the House Local and Municipal Government and Urban Revitalization Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

obligation bonds approved by the voters throughout the district--the bonds to be repaid from a property tax levied throughout the district. District facilities also can be financed with voter-approved bonds issued by any of the participating counties. Detention facility districts are governed by a board of trustees, but the taxing authority for a district is the joint board of county commissioners of the participating counties. (R.C. 2151.655 and R.C. Chapter 133.)

The bill generally authorizes a detention facility district to borrow against revenue it receives from participating counties under agreements authorized by the bill. The borrowing would be in the form of either bonds ("self-supporting securities") issued without voter approval or a loan from a financial institution.<sup>1</sup> More specifically, the bill authorizes the joint board of county commissioners to issue self-supporting securities or to obtain loans from a financial institution to pay the cost of permanent improvements of the detention facility district and associated financing and planning costs. (R.C. 133.152(A) and 2151.655(C).)

**Agreements required to exercise new borrowing authority**

In order to issue the securities or obtain a loan, the bill requires the board of trustees of a detention facility district to enter into an agreement with all of the boards of county commissioners of the counties that make up the district. The agreement must provide that each county will make payments for its share of the costs to the district for a specified number of years. The payments may be made from county property taxes levied for general permanent improvements or specifically for detention facility district permanent improvements, or from any other county money that may lawfully be used to pay for district permanent improvements. Each county's payments must be prescribed in the agreement and be based on any method mutually agreeable to the district's board of trustees and the boards of county commissioners, including potentially an allocation in proportion to each county's taxable property value or the number of juveniles from each county housed in district facilities. If self-supporting securities are issued, the agreement must last as long as the securities remain outstanding. If a loan is obtained from a financial institution, it must be repaid from the amounts paid to the district under the agreement by the boards of county commissioners constituting the joint board of county commissioners. (R.C. 2151.655(C) and R.C. 5705.19(F) and (R)--not in the bill.)

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<sup>1</sup> *The revenue or self-supporting bonds contemplated by the bill are somewhat similar to the self-supporting bonds counties and townships may issue under current law when they act jointly to assist each other to finance permanent improvements (R.C. 133.151--not in the bill).*

After an agreement is made, it may be amended if the changes are agreed to by the district's board of trustees and the boards of county commissioners of the counties that make up the district. The bill also permits more than one agreement at the same time in a district. And, if a county withdraws from the district before the term of an agreement ends, the county must continue making its payments under the agreement until any debt charges or loan repayments for which the payments are pledged are paid in full, unless the board of trustees allows otherwise. (R.C. 2151.655(C)(1).)

### **Self-supporting securities**

#### **Nature and conditions**

The self-supporting securities that may be issued under the bill are not general obligations of the detention facility district or of the counties composing the district. They must be secured by a pledge of and a lien on the payments due from counties under the agreement mentioned above or the revenue, if any, of the district derived from ownership or operation of the district's permanent improvements, including rates, charges, or rents. If any rates, charges, or rents are levied, the securities must be further secured by covenants of the joint board of county commissioners to maintain sufficient rates, charges, or rents to pay debt charges on the securities to the extent those debt charges are not payable from other funds of the district or to the extent other funds of the district are not pledged to the payment of the debt charges. And, the bill provides that if securities are issued to fund or refund any self-supporting securities issued under it, the self-supporting securities must be secured by a pledge of and lien on the proceeds of the funding or refunding securities. (R.C. 133.152(B).)

The principal amount of the securities, and their interest expense, which is outstanding at any time cannot cause the annual debt charges to exceed 3% of the detention facility district's annual operating expenses (R.C. 133.152(A)).

#### **Issuance, maturity, form, sale, and tax-exempt status**

A joint board of county commissioners issuing self-supporting securities under the bill must do so by resolution. The resolution must set forth the terms and the date of the securities, the amount to be issued, and the maximum rate of interest. The securities must mature within the maximum time specified for general obligations under the existing Uniform Public Securities Law (R.C. 133.20--not in the bill) and must be executed in the manner provided by the resolution. (R.C. 133.152(C).)

The securities also must (1) be negotiable and (2) bear interest at the rate or rates, be in the denominations and in the form, carry the registration privileges, be

payable in the medium of payment at the place or places, and be subject to the terms of redemption that the joint board of county commissioners may authorize. They may be sold at public or private sale. Finally, the securities, their transfer, and any income from them, including any profit made on their sale, are tax-exempt in Ohio. (R.C. 133.152(D).)

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## HISTORY

ACTION	DATE
Introduced	04-13-05
Reported, S. State and Local Gov't & Veterans Affairs	06-08-05
Passed Senate (31-0)	06-08-05
Reported, H. Local & Municipal Gov't & Urban Revitalization	---

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