



Ohio Legislative Service Commission

Bill Analysis

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H.B. 118

130th General Assembly
(As Introduced)

Reps. Roegner, Wachtmann, J. Adams, Blair, Hood, Lynch, Thompson, Terhar, Duffey

BILL SUMMARY

Proposed constitutional amendments

- Requires the ballot language and official explanation for a proposed constitutional amendment authorizing the state to issue bonds to include the following information:
 - The amount of the bonds authorized to be issued and the approximate date of issuance;
 - The estimated net average rate of interest and the estimated total maximum amount of debt service;
 - The estimated maximum per capita obligation resulting from the bonds, including debt service;
 - The maximum number of years over which the principal of the bonds may be paid; and
 - The amount of the state's outstanding debt, the service on that debt, and the per capita obligation resulting from that debt, including debt service.
- Requires the Director of Budget and Management to certify that information to the Ballot Board not later than 80 days before the election.
- Requires the committee interested in a petition proposing a constitutional amendment to submit its official explanation of the amendment to the Ballot Board, instead of to the Secretary of State, as under current law.

- Requires the Ballot Board to append the required debt information to the official explanation for any proposed constitutional amendment that authorizes the state to issue bonds.
- Requires the Ballot Board to prescribe the ballot language for constitutional amendments placed on the ballot by initiative petition, in accordance with the Ohio Constitution.
- Requires the Secretary of State to post the ballot language, explanations, and arguments for a proposed constitutional amendment authorizing the issuance of state bonds on the Secretary of State's official web site for 45 days prior to the election at which the proposed amendment is to appear on the ballot.
- Requires the Ballot Board to direct the boards of elections to post that information on each board's official web site, or if a board does not maintain a web site, on the state public notice web site, for 45 days prior to the election.

Local bond issues

- Requires the enabling legislation, ballot language, and notice of election for a ballot issue proposing to authorize a political subdivision to issue bonds to include the following information, in addition to the information required under continuing law:
 - The subdivision's current amount of outstanding debt;
 - The service on that debt;
 - The per capita obligation resulting from that debt, including debt service, as of the subdivision's most recent annual financial report;
 - The estimated total amount of debt service resulting from the bonds to be issued; and
 - The estimated per capita obligation resulting from the bonds to be issued, including debt service.
- Requires a board of elections to post the notice of election for a bond issue on its official web site, or if the board does not maintain a web site, on the state public notice web site, for 45 days prior to the election.

CONTENT AND OPERATION

Background

Ohio's state and local governments often issue bonds as a way of borrowing money. In certain circumstances, Ohio law requires the government to obtain the electors' permission before issuing bonds.

Because the Ohio Constitution limits the amount of money the state may borrow, a constitutional amendment sometimes is necessary to authorize the General Assembly to issue state bonds.¹

Similarly, the Revised Code limits the amount of general obligation debt that a political subdivision may incur. General obligation bonds, unlike other bonds, are backed by the full faith and credit of the issuer. As a result, general obligation debt is payable from any of the issuer's assets, such as its general fund, its tax revenues, and any other source of funds the entity might have. In order to issue general obligation bonds that exceed the political subdivision's debt limit, a subdivision must place an issue on the ballot seeking the voters' authorization to do so.

Political subdivisions may issue other types of bonds, such as revenue bonds, without the approval of the voters. The debt resulting from these bonds is payable only from certain assets. For example, a city might issue revenue bonds to raise money to build a community sports facility. The debt from those bonds would be payable only from the money the city receives from ticket sales and other sources related to the facility. If the revenue from the facility were not sufficient to pay the debt, the city would not be required to pay the debt out of its other funds.²

Proposed constitutional amendments

Explanation

Under the bill, when a proposed constitutional amendment authorizing the state to issue bonds is scheduled to appear on the ballot, the official explanation of the proposed amendment must include the following information:

- The amount of the bonds authorized to be issued and the approximate date of issuance;

¹ Ohio Const. Art. VIII.

² R.C. 133.01 and 133.04 through 133.07 (not in the bill).



- The estimated net average rate of interest and the estimated total maximum amount of debt service;
- The estimated maximum per capita obligation resulting from the bonds, including debt service;
- The maximum number of years over which the principal of the bonds may be paid; and
- The amount of the state's outstanding debt, the service on that debt, and the per capita obligation resulting from that debt, including debt service.

The bill defines "outstanding debt" as the total obligation of the state, including general obligation bonds, revenue bonds, and all other securities.

Under the bill, the Director of Budget and Management must certify that information to the Ballot Board not later than 80 days before the election. The Director must use the most recently available population totals from the United States Census Bureau in calculating the per capita obligation amounts.

Continuing law requires the Ballot Board to prepare an explanation of each constitutional amendment proposed by the General Assembly. The explanation may include the purpose and effects of the proposed amendment.³

For a constitutional amendment proposed by initiative petition, continuing law allows the committee named in the petition to prepare the explanation. The bill requires the committee then to submit its explanation to the Ballot Board, instead of to the Secretary of State, as under current law. If the committee does not submit an explanation, under continuing law, the Ballot Board must prepare one.

After the Ballot Board receives or prepares the explanation of an initiated constitutional amendment proposal that authorizes the state to issue bonds, the bill requires the Board to append the information listed above to the explanation. The appended information does not apply toward the explanation's three-hundred-word limit.⁴

Ballot language

Further, under the bill, the ballot language for a proposed constitutional amendment authorizing the state to issue bonds must include the following language:

³ R.C. 3505.062(C).

⁴ R.C. 3519.03.



Currently, the State of Ohio's outstanding debt totals _____ (amount of outstanding debt); the debt service is in the amount of _____ (amount of debt service); and the outstanding debt per capita, including debt service, amounts to _____ (per capita obligation).

The proposed authorization to issue bonds will result in a maximum additional debt of _____ (principal amount of the authorized bond issue); estimated maximum debt service in the amount of _____ (estimated maximum debt service); and an estimated maximum per capita burden, including debt service, in the amount of _____ (estimated maximum per capita obligation).

Under continuing law, the Ballot Board must prescribe the ballot language for proposed constitutional amendments. The language must properly identify the substance of the proposal to be voted upon.

The existing statute requires the Ballot Board to prescribe the ballot language for constitutional amendments proposed by the General Assembly. However, the Ohio Constitution requires the Ballot Board also to prescribe the ballot language for constitutional amendments placed on the ballot by initiative petition. The bill amends the statute to reflect this requirement.⁵

Publication of ballot language, explanation, and arguments

The bill requires the Secretary of State to post the ballot language, explanation, and arguments for a proposed constitutional amendment authorizing the state to issue bonds on the Secretary of State's official web site for 45 days prior to the election at which the proposed amendment is to appear on the ballot.

The Ballot Board also must direct the boards of elections to post that information on each board's official web site for 45 days prior to the election. If a board of elections does not maintain a web site, the board must post the information on the state public notice web site.⁶

Under continuing law, each proposed constitutional amendment, along with its ballot language, explanation, and arguments, must be published once a week for three

⁵ R.C. 3505.062(B); Ohio Const. Art. II, Sec. 1g and Art. XVI, Sec. 1.

⁶ R.C. 3505.062(H).



consecutive weeks preceding the election in at least one newspaper of general circulation in each county of the state where a newspaper is published.⁷

Local bond issues

Enabling legislation

The bill adds to the information that must appear on the ballot when a political subdivision asks the voters to approve a bond issue. Under the bill, the following items must be included in the legislation that instructs the board of elections to place the issue on the ballot:

- The subdivision's current amount of outstanding debt;
- The service on that debt;
- The per capita obligation resulting from that debt, including debt service, as of the subdivision's most recent annual financial report;
- The estimated total amount of debt service resulting from the bonds to be issued; and
- The estimated per capita obligation resulting from the bonds to be issued, including debt service.

Under continuing law, the legislation must state:

- The necessity and purpose of the bond issue;
- The amount of the bonds to be issued and the approximate date of issuance;
- The estimated net average rate of interest;
- The maximum number of years over which the principal of the bonds may be paid; and
- The necessity of levying a tax outside the tax limitation to pay the debt charges on the bonds and any anticipatory securities.

The bill defines "outstanding debt" to mean the total obligation of the political subdivision, including general obligation bonds, revenue bonds, and all other securities.

⁷ R.C. 3505.062(G); Ohio Const. Art. II, Sec. 1g and Art. XVI, Sec. 1.



The taxing authority of the subdivision must use the most recently available population totals from the United States Census Bureau in calculating the per capita obligation amounts.⁸

Ballot language

The bill also modifies the required ballot language for local bond issues. The ballot language generally must be as follows (the added language is shown in italics):⁹

Shall bonds be issued by the _____ (name of subdivision) for the purpose of _____ (purpose of the bond issue) in the principal amount of _____ (principal amount of the bond issue), to be repaid annually over a maximum period of _____ (the maximum number of years over which the principal of the bonds may be paid) years, and an annual levy of property taxes be made outside the _____ (as applicable, "ten-mill" or "charter tax") limitation, estimated by the county auditor to average over the repayment period of the bond issue _____ (number of mills) mills for each one dollar of tax valuation, which amounts to _____ (rate expressed in cents or dollars and cents) for each \$100 of tax valuation, commencing in _____ (first year the tax will be levied), first due in calendar year _____ (first calendar year in which the tax shall be due), to pay the annual debt charges on the bonds, and to pay debt charges on any notes issued in anticipation of those bonds?

Currently, _____'s (name of subdivision) outstanding debt totals _____ (amount of outstanding debt); the debt service is in the amount of _____ (amount of debt service); and the outstanding debt per capita, including debt service, amounts to _____ (per capita obligation).

The proposed issuance of bonds will result in an additional debt of _____ (principal amount of the bond issue); estimated debt service in the amount of _____ (estimated debt service); and an estimated per capita burden, including debt

⁸ R.C. 133.18(B), 5705.218(A), and 5748.08(A).

⁹ R.C. 133.18(F)(1)(a).



service, in the amount of _____ (estimated per capita obligation).

Under continuing law, in several instances, the required ballot language differs somewhat to accommodate the nature of the bond issue and any accompanying tax levy. For example, the ballot language for school district bonds issued for the purpose of participating in the State of Ohio Classroom Facilities Assistance Program refers specifically to that program. The bill does not change this language. In each such case, the bill adds the two italicized sentences to the required language.¹⁰

Notice of election

Similarly, the bill adds to the information that must be included in the notice of an election concerning a local bond issue. Under the bill, that notice must include the following:

- The subdivision's current amount of outstanding debt;
- The service on that debt;
- The per capita obligation resulting from that debt, including debt service, as of the subdivision's most recent annual financial report;
- The estimated total amount of debt service resulting from the bonds to be issued; and
- The estimated per capita obligation resulting from the bonds to be issued, including debt service.

Continuing law generally requires the notice to state:

- The principal amount of the proposed bond issue;
- The stated purpose for which the bonds are to be issued;
- The maximum number of years over which the principal of the bonds may be paid;
- The estimated additional average annual property tax levy, expressed in cents or dollars and cents for each \$100 of tax valuation and in mills for each \$1 of tax valuation, to be levied outside the tax limitation, as estimated and certified to the taxing authority by the county auditor; and

¹⁰ R.C. 133.18(F)(1)(b), 3318.06, 3318.062, 3318.45, 5705.218(D), and 5748.08(D).



- The first calendar year in which the tax is expected to be due.

The bill requires a board of elections to post that notice on its official web site, or if the board does not maintain a web site, on the state public notice web site, for 45 days prior to the election.

Under continuing law, except in the case of county agricultural society bonds, the board must publish the notice of the election once in a newspaper of general circulation in the subdivision, no later than ten days prior to the election.

For certain school district bonds for permanent improvements, the board currently must post notice of the election on its web site for 30 days prior to the election. Under continuing law, the notice for those bond issues also must include additional information concerning the taxes to be levied as a result of the bonds.¹¹

County agricultural society bonds

Under the bill, if a county proposes to issue bonds for the benefit of a county agricultural society, the county must follow the above requirements for content of the enabling legislation and ballot language and for the content and online publication of the election notice.

However, under continuing law, the board of elections must give 15 days' notice of the election by publishing the notice in a newspaper of general circulation in the county once a week for two consecutive weeks, or by using the Revised Code's abbreviated publication procedure.

Existing law does not appear to specify the required content of the enabling legislation or the ballot language for this type of bond issue. Currently, the notice of the election must state only the amount of the bonds to be issued, the purpose for which they are to be issued, and the time and place of the election.¹²

HISTORY

| ACTION | DATE |
|---------------|-------------|
| Introduced | 04-10-13 |

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¹¹ R.C. 133.18(E), 5705.218(C), and 5758.08(C).

¹² R.C. 7.16 (not in the bill), 1711.18, and 1711.30.

