



# OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

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## Fiscal Note & Local Impact Statement

**Bill:** H.J.R. 16 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Reps. Arndt and Patterson

**Local Impact Statement Procedure Required:** No

**Subject:** Proposes a statewide ballot issue related to the funding of clean water improvements

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### State Fiscal Highlights

- The resolution proposes to submit for voter approval, at the November 6, 2018 general election, a constitutional amendment authorizing the issuance of up to \$1.0 billion in general obligation bonds to pay for clean water improvements.
- The state will incur ballot advertising costs related to this proposed ballot issue. These costs are paid for through the Statewide Ballot Advertising Fund (Fund 5FH0) under the Secretary of State's budget. Fund 5FH0 is supported by cash transfers from the Emergency Purposes/Contingencies Fund (Fund 5KM0) that are approved by the Controlling Board.

### Detailed Fiscal Analysis

#### Authority to issue bonds for clean water improvements

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 the costs of clean water improvements. The resolution defines these clean water improvements as (1) water treatment systems, (2) waste water treatment systems, (3) water quality research, (4) reducing open lake disposal of dredged material into Lake Erie and other bodies of water, (5) supporting agricultural best management practices including water resource management, (6) watershed restoration, (7) soil and water conservation, and (8) any other sewer and water capital improvements. The proposed amendment authorizes the General Assembly to provide for the issuance of bonds and other obligations of the state to finance or assist in financing the cost of clean water improvements of municipal corporations, counties, townships, and other governmental entities as designated by law. Interest and other income including the profit made on the sale, exchange, or other disposition of the obligations would be free from taxation within the state. If approved by both houses of the General Assembly, the issue will appear on the November 6, 2018 general election ballot for voter consideration.

## **Bond limitations and allocation of proceeds**

The proposed amendment limits the amount of obligations that may be issued for the purposes described above to \$1.0 billion. Additionally, not more than \$100.0 million principal amount of the obligations may be issued in any one fiscal year unless in any prior fiscal year, less than \$100.0 million was issued. In this case, the remaining balance of unissued obligations from prior fiscal years may also be issued. Under the amendment, allocation of the proceeds of the obligations issued would be determined according to a watershed's proportion of phosphorus loading compared to the total amount of phosphorus loading in the watersheds of the state as determined by scientific assessments. However, the amendment requires that a minimum of 50% of the proceeds be allocated to the various counties of the Western Lake Erie Basin. Additionally, the General Assembly may authorize by law a reasonable amount of the proceeds to be used for planning, financial management, or administrative services performed in relation to the issuance of the obligations.

## **Repayment**

Obligations issued under the proposed amendment must mature within 20 years, or if issued to retire or refund other obligations, within the number of years from the date the debt being retired or refunded was originally issued. Under the resolution, the full faith and credit of the state are pledged to the repayment of obligations and to the payment of premiums and interest and other accreted amounts on outstanding obligations as they become due.

## **Ballot advertising**

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 Secretary of State is responsible for arranging this advertising.

The ballot advertising costs that the Secretary of State incurs are paid for on a reimbursement basis from the Emergency Purposes/Contingencies Fund (Fund 5KM0) under the purview of the Controlling Board. Once approved by the Controlling Board, the reimbursable amounts are transferred 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. Most recently, the Controlling Board approved a transfer of \$420,650 to cover ballot advertising costs associated with State Issue 1, which appeared on the May 8, 2018 statewide ballot and proposed a new process for congressional redistricting.

## **Indirect fiscal effects**

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 the costs of clean water improvements. 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.

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