

**As Introduced**

**132nd General Assembly**

**Regular Session**

**2017-2018**

**H. B. No. 499**

**Representatives Rogers, Cera**

**Cosponsors: Representatives Ashford, Boggs, Hambley, Holmes, Lepore-Hagan,  
Miller, Patterson, Sheehy, Smith, K., Sweeney, West**

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**A BILL**

To amend sections 131.43, 131.44, and 164.01 and to 1  
enact section 164.18 of the Revised Code to 2  
create the Supplemental State Capital 3  
Improvements Pilot Program funded by a temporary 4  
transfer from the Budget Stabilization Fund and 5  
to make an appropriation. 6

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 131.43, 131.44, and 164.01 be 7  
amended and section 164.18 of the Revised Code be enacted to 8  
read as follows: 9

**Sec. 131.43.** There is hereby created in the state treasury 10  
the budget stabilization fund. It is the intent of the general 11  
assembly to maintain an amount of money in the budget 12  
stabilization fund that amounts to approximately eight and one- 13  
half per cent of the general revenue fund revenues for the 14  
preceding fiscal year. The governor shall include in the state 15  
budget the governor submits to the general assembly under 16  
section 107.03 of the Revised Code proposals for transfers 17  
between the general revenue fund and the budget stabilization 18

fund for the ensuing fiscal biennium. The balance in the fund 19  
may be combined with the balance in the general revenue fund for 20  
purposes of cash management. 21

During the five-year period immediately following the 22  
effective date of this amendment, fifty per cent of the 23  
investment earnings on money in the budget stabilization fund 24  
shall be transferred to the supplemental state capital 25  
improvements fund created under section 164.18 of the Revised 26  
Code. 27

**Sec. 131.44.** (A) As used in this section: 28

(1) "Surplus revenue" means the excess, if any, of the 29  
total fund balance over the required year-end balance. 30

(2) "Total fund balance" means the sum of the unencumbered 31  
balance in the general revenue fund on the last day of the 32  
preceding fiscal year plus the balance in the budget 33  
stabilization fund. 34

(3) "Required year-end balance" means the sum of the 35  
following: 36

(a) Eight and one-half per cent of the general revenue 37  
fund revenues for the preceding fiscal year; 38

(b) "Ending fund balance," which means one-half of one per 39  
cent of general revenue fund revenues for the preceding fiscal 40  
year; 41

(c) "Carryover balance," which means, with respect to a 42  
fiscal biennium, the excess, if any, of the estimated general 43  
revenue fund appropriation and transfer requirement for the 44  
second fiscal year of the biennium over the estimated general 45  
revenue fund revenue for that fiscal year; 46

(d) "Capital appropriation reserve," which means the amount, if any, of general revenue fund capital appropriations made for the current biennium that the director of budget and management has determined will be encumbered or disbursed;

(e) "Income tax reduction impact reserve," which means an amount equal to the reduction projected by the director of budget and management in income tax revenue in the current fiscal year attributable to the previous reduction in the income tax rate made by the tax commissioner pursuant to division (B) of section 5747.02 of the Revised Code.

(4) "Estimated general revenue fund appropriation and transfer requirement" means the most recent adjusted appropriations made by the general assembly from the general revenue fund and includes both of the following:

(a) Appropriations made and transfers of appropriations from the first fiscal year to the second fiscal year of the biennium in provisions of acts of the general assembly signed by the governor but not yet effective;

(b) Transfers of appropriations from the first fiscal year to the second fiscal year of the biennium approved by the controlling board.

(5) "Estimated general revenue fund revenue" means the most recent such estimate available to the director of budget and management.

(B) (1) Not later than the thirty-first day of July each year, the director of budget and management shall determine the surplus revenue that existed on the preceding thirtieth day of June and transfer from the general revenue fund, to the extent of the unobligated, unencumbered balance on the preceding

thirtieth day of June in excess of one-half of one per cent of 76  
the general revenue fund revenues in the preceding fiscal year, 77  
the following: 78

(a) First, to the budget stabilization fund, any amount 79  
necessary for the balance of the budget stabilization fund to 80  
equal eight and one-half per cent of the general revenue fund 81  
revenues of the preceding fiscal year~~r~~. Any money transferred by 82  
the director to the supplemental state capital improvements fund 83  
under section 164.18 of the Revised Code shall be counted as 84  
part of the balance of the budget stabilization fund for this 85  
purpose. 86

(b) Then, to the income tax reduction fund, which is 87  
hereby created in the state treasury, an amount equal to the 88  
surplus revenue. 89

(2) Not later than the thirty-first day of July each year, 90  
the director shall determine the percentage that the balance in 91  
the income tax reduction fund is of the amount of revenue that 92  
the director estimates will be received from the tax levied 93  
under section 5747.02 of the Revised Code in the current fiscal 94  
year without regard to any reduction under division (B) of that 95  
section. If that percentage exceeds thirty-five one hundredths 96  
of one per cent, the director shall certify the percentage to 97  
the tax commissioner not later than the thirty-first day of 98  
July. 99

(C) The director of budget and management shall transfer 100  
money in the income tax reduction fund to the general revenue 101  
fund, the local government fund, and the public library fund as 102  
necessary to offset revenue reductions resulting from the 103  
reductions in taxes required under division (B) of section 104  
5747.02 of the Revised Code in the respective amounts and 105

percentages prescribed by division (A) of section 5747.03 and 106  
divisions (B) and (C) of section 131.51 of the Revised Code as 107  
if the amount transferred had been collected as taxes under 108  
Chapter 5747. of the Revised Code. If no reductions in taxes are 109  
made under that division that affect revenue received in the 110  
current fiscal year, the director shall not transfer money from 111  
the income tax reduction fund to the general revenue fund, the 112  
local government fund, and the public library fund. 113

**Sec. 164.01.** As used in this chapter: 114

(A) (1) "Capital improvement" or "capital improvement 115  
project" or "project" means the acquisition, construction, 116  
reconstruction, improvement, planning, and equipping of roads 117  
and bridges, appurtenances to roads and bridges to enhance the 118  
safety of animal-drawn vehicles, pedestrians, and bicycles, 119  
waste water treatment systems, water supply systems, solid waste 120  
disposal facilities, and storm water and sanitary collection, 121  
storage, and treatment facilities, including real property, 122  
interests in real property, facilities, and equipment related or 123  
incidental to those facilities. 124

(2) For purposes of section 164.18 of the Revised Code, 125  
"capital improvement project" also includes all of the 126  
following: 127

(a) The establishment, operation, maintenance, repair, and 128  
improvement of airports, landing fields, and other air 129  
navigation facilities; 130

(b) The improvement of railroad grade crossings, including 131  
the installation of warning signals or other protective devices; 132

(c) The preservation of facilities of historical interest 133  
or significance that are used for or in connection with cultural 134

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| <u>activities;</u>   | 135 |
| <u>(d) The acquisition, construction, improvement, or</u>        | 136 |
| <u>equipment of transit system facilities;</u>                   | 137 |
| <u>(e) The construction or improvement of dams;</u>              | 138 |
| <u>(f) The maintenance or improvement of waterways or</u>        | 139 |
| <u>shorelines;</u>   | 140 |
| <u>(g) The expansion of broadband in the state.</u>              | 141 |
| (B) "Local subdivision" means any county, municipal              | 142 |
| corporation, township, sanitary district, or regional water and  | 143 |
| sewer district.  | 144 |
| (C) "Bond proceedings" means the resolutions, orders,            | 145 |
| trust agreements, indentures, and other agreements, credit       | 146 |
| facilities and credit enhancement facilities, and amendments and | 147 |
| supplements to the foregoing, or any one or more or combination  | 148 |
| thereof, authorizing, awarding, or providing for the terms and   | 149 |
| conditions applicable to or providing for the security or        | 150 |
| liquidity of obligations, and the provisions contained in those  | 151 |
| obligations.   | 152 |
| (D) "Bond service charges" means principal, including any        | 153 |
| mandatory sinking fund or redemption requirements for retirement | 154 |
| of obligations, interest and other accreted amounts, and any     | 155 |
| redemption premium payable on obligations. If not prohibited by  | 156 |
| the applicable bond proceedings, bond service charges include    | 157 |
| costs of credit enhancement facilities that are related to, and  | 158 |
| represent or are intended to provide a source of payment of or   | 159 |
| limitation on, other bond service charges.                       | 160 |
| (E) "Bond service fund" means the fund, and any accounts         | 161 |
| in that fund, created by section 164.10 of the Revised Code,     | 162 |

including all moneys and investments, and earnings from 163  
investments, credited and to be credited to that fund and 164  
accounts as provided in the bond proceedings. 165

(F) "Cost of capital improvement projects" means the costs 166  
of acquiring, constructing, reconstructing, expanding, 167  
improving, and engineering capital improvement projects, and 168  
related financing costs. 169

(G) "Credit enhancement facilities" means letters of 170  
credit, lines of credit, stand-by, contingent, or firm 171  
securities purchase agreements, interest rate hedges including, 172  
without limitation, interest rate swaps, insurance or surety 173  
arrangements, reserve or guarantee funds, and guarantees, and 174  
other arrangements that provide for contingent or direct payment 175  
of bond service charges, for security or additional security in 176  
the event of nonpayment or default in respect of obligations, or 177  
for making or providing funds for making payment of bond service 178  
charges to, and at the option and on demand of, holders of 179  
obligations or at the option of the issuer under put or similar 180  
arrangements, or for otherwise supporting the credit or 181  
liquidity of obligations, and includes credit, reimbursement, 182  
marketing, remarketing, indexing, carrying, purchase, and 183  
subrogation agreements, and other agreements and arrangements 184  
for reimbursement of the person providing the credit enhancement 185  
facility and the security for that reimbursement. As used in 186  
this division, obligations include debt obligations of local 187  
subdivisions. 188

(H) "Financing costs" means all costs and expenses 189  
relating to the authorization, issuance, sale, delivery, 190  
authentication, deposit, custody, clearing, registration, 191  
transfer, exchange, fractionalization, replacement, and 192

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| servicing of obligations, including, without limitation, costs   | 193 |
| and expenses for or relating to, or payment obligations under,   | 194 |
| publication and printing, postage and express delivery, official | 195 |
| statements, offering circulars, and informational statements,    | 196 |
| travel and transportation, paying agents, bond registrars,       | 197 |
| authenticating agents, remarketing agents, custodians, clearing  | 198 |
| agencies or corporations, securities depositories, financial     | 199 |
| advisory services, certifications, audits, federal or state      | 200 |
| regulatory agencies, accounting services, legal services and     | 201 |
| obtaining approving legal opinions and other legal opinions,     | 202 |
| credit ratings, original issue discount, credit facilities, and  | 203 |
| credit enhancement facilities. Financing costs may be paid from  | 204 |
| any moneys lawfully available for the purpose, including, unless | 205 |
| otherwise provided in the bond proceedings, from the proceeds of | 206 |
| the obligations to which they relate and from the same sources   | 207 |
| from which bond service charges on the obligations are paid and  | 208 |
| as though bond service charges.                                  | 209 |
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| (I) "Issuer" means the treasurer of state, or the officer        | 210 |
| who by law performs the functions of that officer.               | 211 |
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| (J) "Obligations" means bonds, notes, or other evidences         | 212 |
| of obligation of the state, including any interest coupons       | 213 |
| pertaining thereto, issued pursuant to sections 164.09 to 164.12 | 214 |
| of the Revised Code.   | 215 |
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| (K) "Special funds" or "funds" means, except where the           | 216 |
| context does not permit, the bond service fund, and any other    | 217 |
| funds, including reserve funds, created under the bond           | 218 |
| proceedings and stated to be special funds in those proceedings, | 219 |
| including all moneys and investments, and earnings from          | 220 |
| investments, credited and to be credited to the particular fund. | 221 |
| Special funds do not include the state capital improvements fund | 222 |



created by section 164.08 of the Revised Code or, if so provided 223  
in the bond proceedings, a rebate fund or account established 224  
for purposes of federal tax laws. 225

(L) "Net proceeds" means amounts received from the sale of 226  
obligations pursuant to this chapter, excluding amounts used to 227  
refund or retire outstanding obligations, and does not include 228  
amounts required to be deposited in special funds pursuant to 229  
the applicable bond proceedings, or financing costs paid from 230  
such amounts received. 231

(M) "Local debt support and credit enhancements" means a 232  
full or partial pledge of support for any local bond issue, the 233  
payment of all or a part of the premium for bond insurance 234  
obtained from a private insurer, the subsidization of the 235  
interest rate on a loan obtained by the subdivision, or a source 236  
of revenue pledged in support of revenue bonds issued by a 237  
subdivision. 238

(N) "Principal amount" refers to the aggregate of the 239  
amount as stated or provided for in the bond proceedings 240  
authorizing the obligations as the amount on which interest or 241  
interest equivalent is initially calculated. 242

Sec. 164.18. There is hereby created the supplemental 243  
state capital improvements pilot program to provide additional 244  
infrastructure funding to local subdivisions while also 245  
maintaining the integrity of the budget stabilization fund 246  
created in section 131.43 of the Revised Code. Under the 247  
program, the director of the Ohio public works commission shall 248  
approve requests for financial assistance submitted by district 249  
public works integrating committees and enter into agreements 250  
with one or more local subdivisions to provide low-interest or 251  
interest-free loans and grants for capital improvement projects 252

in the same manner as otherwise provided under this chapter, 253  
with the following exceptions: 254

(A) (1) The loans and grants shall be made from the 255  
supplemental state capital improvements fund, which is hereby 256  
created in the state treasury. Money in the fund shall be used 257  
solely for the purposes identified in this section. The fund 258  
shall consist of all of the following: 259

(a) Money the director of the Ohio public works commission 260  
requests the director of budget and management to transfer from 261  
the budget stabilization fund, as that money is needed for 262  
purposes of the program; provided, however, that not more than 263  
two hundred million dollars may be transferred to the 264  
supplemental state capital improvements fund in any one fiscal 265  
year. 266

(b) Investment earnings on money in the budget 267  
stabilization fund, as provided in section 131.43 of the Revised 268  
Code; 269

(c) All repayments of loans made to local subdivisions 270  
under the program. 271

(2) There is hereby created the grant account of the 272  
supplemental state capital improvements fund. All investment 273  
earnings on money in the supplemental state capital improvements 274  
fund, and all money described in division (A) (1) (b) of this 275  
section, shall be credited to the grant account. Money in the 276  
grant account shall be used only to provide grants under the 277  
program. 278

(B) The director of the Ohio public works commission shall 279  
adopt any rules needed to implement the provisions of this 280  
section. The rules shall be adopted under Chapter 119. of the 281

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| <u>Revised Code.</u>  | 282 |
| <u>(C) The program shall terminate five years after the</u>             | 283 |
| <u>effective date of this section. All money remaining in the</u>       | 284 |
| <u>supplemental state capital improvements fund, and all loan</u>       | 285 |
| <u>repayments received after that date, shall be transferred by the</u> | 286 |
| <u>director of budget and management to the budget stabilization</u>    | 287 |
| <u>fund.</u>  | 288 |
| <b>Section 2.</b> That existing sections 131.43, 131.44, and            | 289 |
| 164.01 of the Revised Code are hereby repealed.                         | 290 |
| <b>Section 3.</b> (A) On July 1 of each fiscal year of the              | 291 |
| biennium ending June 30, 2019, or as soon as possible                   | 292 |
| thereafter, the Director of Budget and Management shall transfer        | 293 |
| cash from the Budget Stabilization Fund to the Supplemental             | 294 |
| State Capital Improvements Fund. The amount transferred in each         | 295 |
| fiscal year shall be the sum of the following:                          | 296 |
| (1) An amount to be used for loans in that fiscal year                  | 297 |
| under the Supplemental State Capital Improvements Pilot Program,        | 298 |
| as authorized in division (A)(1)(a) of section 164.18 of the            | 299 |
| Revised Code. The Director of the Ohio Public Works Commission          | 300 |
| shall determine an annual amount to request for loans based on          | 301 |
| program funding need, and shall certify the amount for approval         | 302 |
| by the Director of Budget and Management. In each fiscal year,          | 303 |
| the Director of Budget and Management may approve all or a              | 304 |
| portion of the certified amount, with consideration given to the        | 305 |
| cash balance and financial condition of the Budget Stabilization        | 306 |
| Fund.   | 307 |
| (2) Fifty per cent of the investment earnings on money in               | 308 |
| the Budget Stabilization Fund that was earned in the prior              | 309 |
| fiscal year, to be used for grants under the Supplemental State         | 310 |

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| Capital Improvements Pilot Program, as authorized in section      | 311 |
| 131.43 of the Revised Code.                                       | 312 |
| (B) The amounts transferred under division (A) of this            | 313 |
| section, plus any amount received in loan repayments under the    | 314 |
| program in that fiscal year, as described in division (A) (1) (c) | 315 |
| of section 164.18 of the Revised Code, shall be used by the       | 316 |
| Director of the Ohio Public Works Commission to fund the          | 317 |
| Supplemental State Capital Improvements Pilot Program, and are    | 318 |
| hereby appropriated.  | 319 |