



**OHIO CONSTITUTIONAL MODERNIZATION COMMISSION**

**FINANCE, TAXATION, AND ECONOMIC DEVELOPMENT COMMITTEE**

---

**THURSDAY, MARCH 12, 2015**

**1:30 P.M.**

**STATEHOUSE ROOM 018**

**AGENDA**

- I. Call to Order
- II. Roll Call
- III. Approval of Minutes
  - Meeting of January 15, 2015
- IV. Presentation
  - Financial Transparency and Modernizing Article VIII
    - Seth Metcalf  
General Counsel  
Ohio Treasurer
  - State Debt Recommendations by the 1970s  
Ohio Constitutional Revisions Commission
    - Steven H. Steinglass  
Senior Policy Advisor
- V. Committee Discussion
  - Next steps regarding Article VIII
- VI. Adjourn



**JOSH MANDEL**  
STATE TREASURER OF OHIO

**Ohio Constitutional Modernization Commission  
Committee on Finance, Taxation, and Economic Development**

**Thursday, March 12, 2015**

**1:30 PM**

**Ohio Statehouse Room 018**

**Testimony of Seth Metcalf**

**Deputy Treasurer & Executive Counsel**

## **INTRODUCTION**

Chairman Cole and members of the Finance, Taxation, and Economic Development Committee - good afternoon. Thank you for the opportunity to appear before you on behalf of State Treasurer Josh Mandel. As you may recall, I provided testimony before this Committee on May 8, 2014 regarding the historical development of Article VIII of the Ohio Constitution and the Sinking Fund Commission, the current mechanisms for funding debt in this state and certain potentially obsolete sections of Article VIII. It is an honor to appear before this Committee for a second time.

Today, my testimony will address two topics. First, I would like to build upon my remarks from my last time before the Committee. Whereas on that occasion I focused more on the history of Article VIII and the Sinking Fund Commission, today I will address the continuing need to modernize Article VIII and highlight potential options to accomplish that goal. Second, I will provide a brief overview of OhioCheckbook.com as part of the ongoing Treasurer's Transparency Project.

Following each topic, I would like to provide an opportunity for questions, so that we may have a more focused discussion on each topic separately.

## **THE MODERNIZATION OF ARTICLE VIII**

As you know, Article VIII of the Ohio Constitution concerns the public debt of the state. At its core, Article VIII really serves two functions: first, it authorizes Ohio to incur debt with certain limitations, and second, it sets forth the mechanism by which Ohio issues and pays its debt. While this underlying framework has remained intact since its enactment in 1851, Article VIII has grown tremendously over that time—both in length and complexity.

As a result, Article VIII is by far the largest article in the Constitution, and, in fact, it now constitutes just under one-half of the entire Constitution. Unfortunately, with this growth has come a corresponding reduction in the transparency of the debt issuance process at the constitutional level. Perhaps even more troubling is the fact that as Article VIII has grown, the safeguards put in place by the framers of the Constitution have gradually been eroded. However, for as complicated and convoluted as Article VIII has become, the solutions are equally simple.

### **Article VIII's Fundamental Defects**

Article VIII has two fundamental defects. The first is the \$750,000 debt limitation that has existed since its birth. Section 1 of Article VIII permits Ohio to contract debts, but it expressly limits the amount of this debt to a total of \$750,000. To provide some context, in 1851, the state's general revenue expenditures totaled approximately \$1.64 million. For comparison's sake, in 2014, Ohio's general revenue expenditures totaled approximately \$28.9 billion. Given this growth in the Ohio economy since 1851, the \$750,000 debt limitation has become antiquated. Ohio needs the ability to borrow more than \$750,000.

That leads us to the second problem with Article VIII—the so-called “cure” for this disease, which has been applied in the form of inconsistent and highly complex amendments to Article VIII. In section 2 of Article VIII, the framers of the Constitution initially carved out an exception to the \$750,000 debt limitation, permitting the state to contract additional debt but only to “repel invasion, suppress insurrection, defend the State in war, or to redeem the present indebtedness of the State . . .” Rather than addressing the outdated \$750,000 debt limitation head-on, over the past 70 years, section 2 has instead been amended eighteen (18) times to provide specific exceptions to the debt limitation, becoming a cancerous growth on the Constitution. A strong case can be made that the cure has now become worse than the disease.

### **The Consequences of Repeatedly Amending Section 2 of Article VIII**

While the intentions behind these amendments were undoubtedly good, they have had significant consequences. As an initial matter, the amendments to section 2 have rendered the debt limitation in section 1 entirely meaningless. As of June 30, 2014, the state's total indebtedness was approximately \$10.93 billion. I don't highlight that figure to suggest that it is an unhealthy amount of debt; rather, it simply demonstrates how meaningless the \$750,000 debt limitation has become. The amendments have effectively removed any overall debt limit. The exceptions have swallowed the rule.

Another problem with the patchwork of exceptions is that they have made Article VIII nearly incomprehensible. The voluminous language obfuscates the fact that there is, for all intents and purposes, no longer an overall debt limitation. Exhibit 1 in your packet outlines in a chart form the debt authorizations that have been provided for in Article VIII. You can see from the chart

that, in addition to simply continuing to amend section 2 to permit the incurrence of debt in excess of \$750,000, there has also been a progression in how the state sought to limit these new debt issuances. In the earlier amendments, the authorization provided for a “maximum par.” Later amendments provided for a “maximum outstanding,” and then an “annual maximum.” Although these amendments illustrate a continuing effort to balance appropriate controls on the state’s debt with the state’s need for flexibility in its borrowing, they have also made Article VIII unintelligible. As a result, transparency has been limited and the people’s ability to effectively exercise their role as overseers of government action has been hampered.

The growth in exceptions has also further undercut another of the framers’ intended safeguards: the Commission of the Sinking Fund. Sections 7 through 11 of Article VIII created the Sinking Fund and the Commissioners of the Sinking Fund, and set forth their respective functions and responsibilities. As I discussed in my last testimony, all debts of the State of Ohio were originally to be paid from the Sinking Fund. The Commission of the Sinking Fund, which includes the five statewide executive officeholders, was then tasked with interpreting the legal authorization to issue debt for the State of Ohio, implementing it, ensuring repayment, and producing a biennial and semiannual report. However, many of the amendments to section 2, pursuant to which a significant amount of the state’s current outstanding debt has been issued, permit this check to be circumvented. Under those amendments, the responsibilities of the Commission of the Sinking Fund are delegated to either the General Assembly or the Ohio Public Facilities Commission, thereby transferring accountability of the state-wide executive officeholders from the Constitution to statute. The Commissioners of the Sinking Fund have not even met since March of 2008.

### **Potential Solutions to Address the Fundamental Defects in Article VIII**

If Article VIII is to include a meaningful overall debt limitation—consistent with the conservative approach to debt of the framers of the Ohio Constitution—this Commission can look to existing section 17 of Article VIII for guidance. Section 17 was enacted in 1999, and it prevents the state from issuing any debt if payment of debt service on direct obligations of the state would “exceed five percent of the total estimated revenues of the state for the General Revenue Fund and from net state lottery proceeds. . .”

Section 17 places a limitation on the annual debt service of the state. It does this on a percentage basis, which will allow it to remain effective regardless of future growth in the state’s economy. What it does not do, however, is limit the state’s total outstanding indebtedness. In recent times, Ohio has elected to pay its debt over relatively short periods of time—for the most part, over no more than twenty years. Not everyone takes this approach. The Ohio State University, for example, issued century bonds that will be paid off, as their name indicates, over a 100-year period. If the state were to adopt that approach in the future, the state’s overall debt load could increase significantly, with its annual debt obligations only increasing marginally. The 5% limitation in Section 17 is not effective in controlling that type of borrowing. For that reason, an overall debt limitation makes sense.

To make the debt limitation in section 17 meaningful again, it should be replaced with a percentage-based limitation, like the one in section 17. I am not here to suggest a particular percentage, but for comparison’s sake, in 1851, Article VIII’s \$750,000 cap represented 46 percent of the state’s general revenue expenditures at the time. Today’s debt of \$10.93 billion

represents approximately 38 percent of the state's general revenue expenditures. Regardless of where the percentage is fixed, it would be a far more meaningful limitation than the current \$750,000 cap.

A percentage-based limitation would also have the added benefit of rendering the numerous exceptions to the \$750,000 cap unnecessary. The length and complexity of Article VIII could be reduced significantly. As the 1970's Commission recognized, a provision would simply need to be added that assured the continued validity of all obligations issued under the current Article VIII.

If section 2 and its numerous amendments were excised, I would like to note that it would be worthwhile to at least maintain the titles of these sections in Article VIII for historical purposes. Section titles that should be retained include, for example, the authorization for the issuance of debt to raise funds to compensate veterans from World War II, the Korean War, and Vietnam. Ohio may no longer need to issue debt for those purposes, but there will be wars in the future, and Ohio would be well served to at least preserve these reminders of our historical tradition of taking care of our veterans.

The other safeguard that has gradually been lost—the role of the Sinking Fund Commission—could easily be restored as well. In our view, there is real merit to involving the five statewide executive officeholders in the debt issuance process. They provide another valuable check on the state's incurrence of debt. The easiest and most logical way of reinstating this safeguard is to replace all references to the Sinking Fund Commission—which uses the outdated phrase “sinking fund”—with references to the Ohio Public Facilities Commission—which is an active organization involved in the debt issuance process, of which all of the statewide executive officeholders are currently members.

### **Overview of Other Ideas to Modernize Article VIII**

Today, I wanted to address what, in the view of the Treasurer's office, are the fundamental defects in Article VIII. However, there are a number of other improvements that could be made to modernize and improve the functioning of Article VIII. Without delving into any of these ideas in great detail, I wanted to briefly touch on a few.

The two percentage-based debt limitations I've discussed—one for total indebtedness and the other for annual debt obligations—would apply only to direct obligations of the state and would not, however, apply to a borrowing such as a conduit issuance. A conduit issuance is not a direct obligation of the state and, therefore, does not deserve a constitutional limitation.

An important consideration for this Committee should be the extent to which the Constitution permits the General Assembly to incur debt for generic purposes. The 1851 Constitution delegated this discretion to the General Assembly. However, a good case can be made for limiting the incurrence of such debt only for the purpose of “permanent improvements.” This would increase transparency and prevent the General Assembly from simply appropriating funds for generic purposes. However, to be consistent with Ohio's history, exceptions should be identified for veterans bonds and economic development purposes or other “non-permanent improvements” based on, perhaps, a super-majority vote of the General Assembly.

A single section of Article VIII should generally permit conduit issuances that are not direct obligations of the state. As such, neither the overall debt limitation nor the annual debt service limitation would apply. This would condense sections 13, 14, and 16 into a single section, further simplifying Article VIII.

Finally, given the fact that the administrative functions of the Sinking Fund Commission, including the financial reporting regarding state debt, have already been transitioned to the Treasurer's office, it would make sense for the Constitution to formally recognize that the Treasurer's office administers those duties.

### **Conclusion**

As originally adopted in 1851, Article VIII reflected the framers' conservative and cautious approach to debt. The original drafters included specific safeguards to ensure fiscal responsibility—namely, an overall debt limitation and the involvement of the five statewide executive officeholders in the debt issuance process. Over time, in attempting to work around section 1's outdated \$750,000 debt limitation, these safeguards were unknowingly abandoned. The problem with section 1 is not that it imposes an overall debt limitation. Rather, the problem with section 1 is that it contains a debt limitation that is a fixed number that has not grown with Ohio's economy. That defect can easily be remedied by reinstating a meaningful limitation, such as in a percentage form. This simple fix, coupled with updating the name from the "Sinking Fund Commission" to the "Ohio Public Facilities Commission," would result in a more streamlined, transparent, and effective Constitutional governance of state borrowing.

Thank you for the opportunity to present to the Committee today. At this time, I would be happy to answer any questions on this section of my testimony.

##

## **TRANSPARENCY AND OHIOCHECKBOOK.COM**

Now I would like to provide the Committee with a brief overview of the Treasurer's Transparency Project and the new initiative that Treasurer Mandel recently undertook to display the State of Ohio's checkbook online.

As one of the first initiatives of his administration, Treasurer Mandel launched the Treasurer's Transparency Project in 2011 to shine sunshine on the inter-workings of state government. By leveraging advancements in technology, the Transparency Project allows taxpayers and citizens enhanced visibility and greater access into how their tax dollars are being spent.

This project has evolved over the years. Currently, the Treasurer's office maintains searchable databases displaying salaries of state and education employees, interactive state property maps, and county investment reports. The State Library of Ohio recently partnered with our office to present an online compilation of the state's Annual Reports published by the Treasurer's office since the early 1800s.

In December 2014, Treasurer Mandel launched OhioCheckbook.com, a cutting-edge website that sets a new national standard for transparency. This website takes all state spending, from a multi-million dollar road expenditure to a two dollar office supply expense, and places it all online for the first time in Ohio history.

OhioCheckbook.com includes more than \$408 billion in state spending spanning seven fiscal years. It displays more than 112 million individual transactions, and approximately 3.9 billion unique pieces of information. We believe that our initiative sets a new national standard for transparency because of the level of financial data provided, and because it is built to be user-friendly and intuitive.

Instead of just displaying rows and columns of data, OhioCheckbook.com features a powerful "Google-style" contextual search engine. It presents spending information through fully interactive charts that allow users to drill down and compare state expenses like never before.

If you find an expense that is interesting, we have fully integrated the website with social media networks, empowering users to share charts and checks, as well as with the capability to contact agency fiscal officers with questions.

The reason I mention this initiative today is because as we talk about modernizing our Constitution, we should also acknowledge changes being made inside of our government. We believe that this initiative places Ohio as the leader of the national movement toward a more open and responsive government.

I have included a presentation packet previewing OhioCheckbook.com and its various features. Our office would gladly schedule demonstrations with the members at your convenience.

Thank you again for the opportunity to present to the Committee today. At this time, I would be happy to answer any questions on this section of my testimony.

#####



**Exhibit 1**

			Limitations		
			Maximum Par Amount	Maximum Outstanding	Annual Maximum
Purpose	Const. Ref.	Adopted Date			
WWII	VIII.2( b )	4-Nov-47	\$ 300,000,000	N/A	N/A
State Highway	VIII.2( c )	3-Nov-53	\$ 500,000,000	N/A	\$ 125,000,000
Korean Conflict	VIII.2( d )	6-Nov-56	\$ 90,000,000	N/A	N/A
Capital Improvement	VIII.2( e )	8-Nov-55	\$ 150,000,000	N/A	\$ 30,000,000
Improvement	VIII.2( f )	5-Nov-63	\$ 250,000,000	N/A	\$ 100,000,000
Highway Improvement	VIII.2( g )	5-May-64	\$ 500,000,000	N/A	N/A
Development	VIII.2( h )	4-May-65	N/A	N/A	\$20M MADS
Highway Obligation, Mental Health, Parks & Rec., Housing State Gov't.	VIII.2( i )	5-Nov-68	\$ 250,000,000	\$ 500,000,000	\$ 100,000,000
Vietnam Conflict	VIII.2( j )	1-Jan-74	\$ 300,000,000	N/A	N/A
Public Infrastructure	VIII.2( k )	3-Nov-87	\$ 1,200,000,000	N/A	\$ 120,000,000
Natural Resources	VIII.2( l )	6-Jun-93	N/A	\$ 200,000,000	\$ 50,000,000
Public Infrastructure, Highway Capital Improvement	VIII.2( m )	7-Nov-95	\$ 1,200,000,000	\$ 1,200,000,000	\$120,000,000(I)/\$220,000,000(H)
Higher Education, K-12	VIII.2( n )	2-Nov-99	N/A	Section 17, 5% limit	Section 17, 5% limit
Conservation	VIII.2( o )	7-Nov-00	N/A	\$ 200,000,000	\$ 50,000,000
Infrastructure, R&D, Site Development	VIII.2( p )	8-Nov-05	\$1.35B(I)/&1.2B(R&D)	N/A	\$120M(I)/\$150M(I)/\$400M(R&D)/\$225(R&D)/\$175(R&D)
Conservation	VIII.2( q )	4-Nov-08	N/A	\$ 200,000,000	\$ 50,000,000
Persian Gulf Veterans	VIII.2( r )	3-Nov-09	\$ 200,000,000	N/A	N/A
Public Infrastructure	VIII.2(s)	6-May-14	\$1.875B	N/A	N/A
Economic Development	VIII.13	5-Nov-74	N/A	N/A	N/A
Sanitary/Welfare Housing	VIII.14	2-Nov-82	N/A	N/A	N/A
Coal Development	VIII.15	5-Nov-85	N/A	\$ 100,000,000.00	N/A
Single Family Housing	VIII.16	6-Nov-90	N/A	N/A	N/A
5% Limitation	VIII.17	2-Nov-99	Direct obligations of the state may not be issued if the amount required to be applied in any future fiscal year for debt service on existing obligations exceeds 5% of the total estimated revenue of the state for the GRF and from lottery proceeds during the fiscal year in which the obligations are to be issued.		

ANNUAL REPORT

OF

THE TREASURER OF STATE,

TO THE

FIFTIETH GENERAL ASSEMBLY

OF THE

STATE OF OHIO:

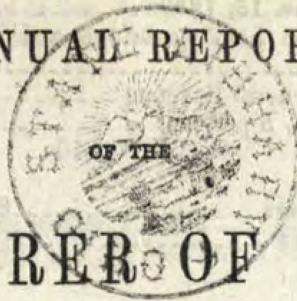
[BEING THE FIRST SESSION UNDER THE NEW CONSTITUTION.]

FOR THE YEAR 1851.

---

COLUMBUS:  
PRINTED BY S. MEDARY.  
1852.

# ANNUAL REPORT



# TREASURER OF STATE.

TREASURER'S OFFICE, OHIO,  
COLUMBUS, *January 1, 1852.*

To His Excellency, REUBEN WOOD,  
*Governor of the State of Ohio:*

The Treasurer of State, in compliance with the duties assigned him by the constitution and laws, submits the following report of the receipts and disbursements of the public moneys during the year ending November 15, 1851 :

### *General Revenue.*

Amount received from county treasurers .....	\$1,368,984 50 1
Amount of taxes paid through Auditor of State's office .....	59,335 38 4
Amount received from Richard Howe .....	50 00 0
Amount received from David Chambers .....	231 00 0
Amount received from William L. Perkins .....	374 51 0
	<hr/>
	\$1,428,975 39 5

From which deduct the following amounts, viz :

Amount of over draft, Nov. 15, 1850 .....	\$82,823 52 7
Amount of bills redeemed .....	455,495 60 7
Amount transferred to Canal Fund .....	825,000 00 0
Amount transferred to Sinking Fund .....	131,000 00 0
Amount transferred to Common School Fund ..	170,000 00 0
	<hr/>
	1,624,509 37 4
Over draft, November 15, 1851 .....	\$195,533 97 9

SHINING SUNLIGHT ON SPENDING  
**OHIOCHECKBOOK.COM**

JOSH MANDEL  TRANSPARENCY  
TREASURER OF OHIO

**\$408**  
**BILLION**  
IN SPENDING

**112**  
**MILLION**  
TRANSACTIONS

**3.9**  
**BILLION**  
PIECES OF SPENDING  
INFORMATION

Navigate: ?

State of Ohio

Fiscal Year: ?

2014

(7/1/2013 - 6/30/2014)

Need Help  
Getting Started?



Search the Checkbook Now!

SEARCH

Advanced Search

GOOGLE-STYLE CONTEXTUAL SEARCH

Agency (148)

Select

Expense Type (1170)

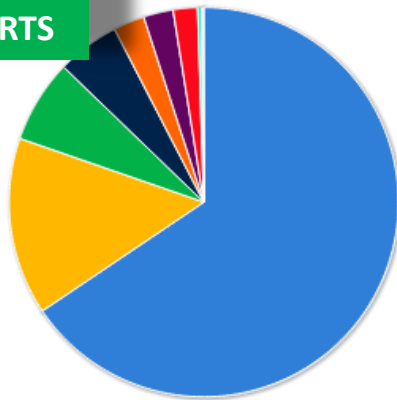
Select

Advanced Filters

COMPARE TOOLS

2014 State Spending

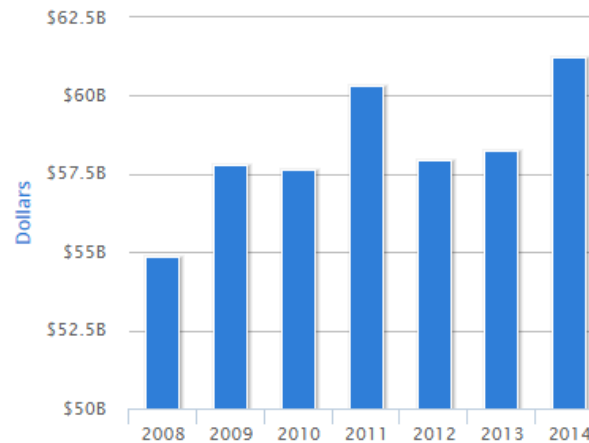
\$61,221,528,006.25 total



Expense Categories

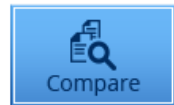
INTERACTIVE CHARTS

Year to Year State Spending



Fiscal Year

What is this? ?



Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?



Drop us a note.

View By:

Redraw

Share Print to PDF

Redraw

Share Print to PDF

CHECKBOOK-STYLE LEDGER

Largest Expense Types of 2014

Export

Expense Type	Amount
Medical Services Providers	\$16,646,041,478.56
Local Assistance - Subsidies & Shared ...	\$12,342,059,890.58
Distribution of Locally Assessed Taxes	\$2,531,491,236.83
Base Salaries & Wages	\$2,319,266,357.93
State Assistance - Educational Instituti...	\$2,060,382,179.98
Services for Individuals Receiving Assis...	\$1,808,703,705.98

Highest Paid Companies of 2014

Export

Paid To	State	Amount
UNITEDHEALTH GROUP	CT	\$313,464,894.82
SHELLY & SANDS INC	OH	\$224,920,665.20
KOKOSING CONSTRUCTION CO INC	OH	\$189,012,148.71
OHIO POWER COMPANY	OH	\$171,539,652.82
MEDICAL MUTUAL OF OHIO	OH	\$157,899,582.74
SHELLY COMPANY	OH	\$145,745,807.24

Navigate: ?

State of Ohio

Need Help Getting Started?



Search the Checkbook Now!

SEARCH

Advanced Search

Fiscal Year: ?

2014

(7/1/2013 - 6/30/2014)

Expense Type (113)

Subsidies & Shared Revenue

Agency (87)

Select

Advanced Filters

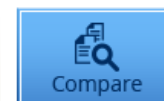
Selected Expenditures »

State of Ohio » 2014 » Subsidies & Shared Revenue »

View By: Agency

\$1,336,835,594.03 of \$40,142,620,037.91 total

What is this? ?



Popular Searches

Glossary

State Budgets

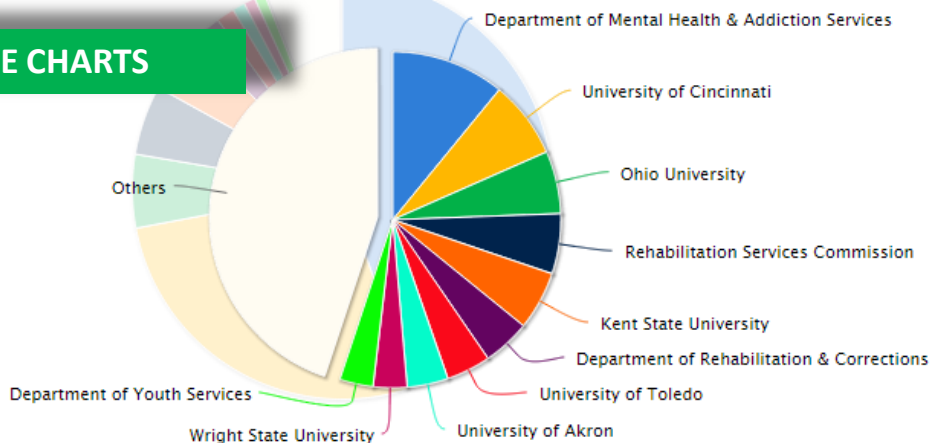
State Contracts

FAQ

How Are We Doing?

Drop us a note.

INTERACTIVE CHARTS



Redraw



Year to Year ?

Share

Print to PDF

EXPORT TO EXCEL & PDF

View, sort and click the summary below ?

View Transactions | Export Summary

Name	Code	Amount
Department of Medicaid	MCD	\$17,911,792,563.16
Department of Education	EDU	\$11,000,648,330.51
Department of Job & Family Services	JFS	\$2,278,035,205.56

Navigate: ?

State of Ohio ▼

Fiscal Year: ?

2014 ▼

(7/1/2013 - 6/30/2014)

Need Help  
Getting Started?



Search the Checkbook Now!

SEARCH

Advanced Search

Agency (148)

Select ▼

Expense Type (1170)

Select ▼

Advanced Filters

Choose an **Agency Type**, or **Agency** to Narrow Your Search.

Entity Type ▼

(4)

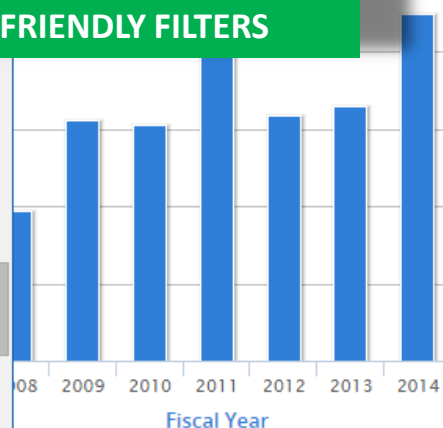
Entity ▼

**USER-FRIENDLY FILTERS**

- Consumers' Counsel, Office of the Ohio
- Counselor & Social Workers Board
- Court of Claims
- Cuyahoga Community College
- Dental Board
- Department of Administrative Services
- Department of Aging
- Department of Agriculture
- Department of Alcohol & Drug Addictio...
- Department of Commerce
- Department of Developmental Disabilit...
- Department of Education
- Department of Health
- Department of Insurance
- Department of Job & Family Services
- Department of Medicaid
- Department of Mental Health & Addicti...
- Department of Natural Resources
- Department of Public Safety

Year to Year State Spending

\$62.5B



Share Print to PDF

What is this? ?



Compare

Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?



Drop us a note.

View By: ▼

Redraw

Largest Expense Types of 2014

Expense Type	Amount
Medical Services Providers	
Local Assistance - Subsidies & Shared ...	
Distribution of Locally Assessed Taxes	
Base Salaries & Wages	
State Assistance - Educational Instituti...	\$2,060,382,179.98
Services for Individuals Receiving Assis...	\$1,808,703,705.98

Largest Companies of 2014

Export

Company Name	State	Amount
GROUP	CT	\$313,464,894.82
INC	OH	\$224,920,665.20
STRUCTION CO INC	OH	\$189,012,148.71
MPANY	OH	\$171,539,652.82
MEDICAL MUTUAL OF OHIO	OH	\$157,899,582.74
SHELLY COMPANY	OH	\$145,745,807.24

Navigate: ?

State of Ohio ▼

Fiscal Year: ?

2014 ▼

(7/1/2013 - 6/30/2014)

Need Help  
Getting Started?

Agency (148)

Select ▼



devel

SEARCH

Advanced Search

Agencies

- Development Services Agency
- Air Quality Development Authority
- Department of Developmental Disabilities
- Southern Ohio Agricultural & Community Development Foundation

Expense Types

- Development Grants - DEV (Expense Code)
- Development Energy Grants (Expense Code)
- Development Grants (ISTV) (Expense Code)

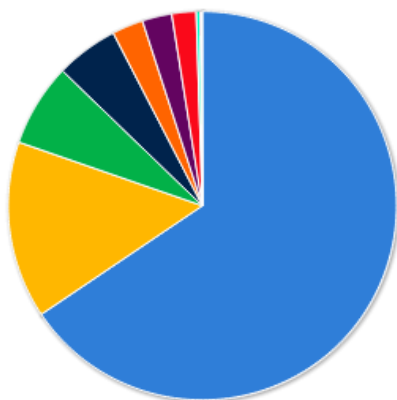
Funds

- IT Development (5LJ0)
- Job Development Initiatives (5AD0)
- Rail Development (4N40)

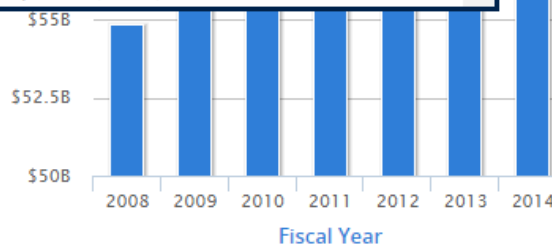
GOOGLE-STYLE CONTEXTUAL SEARCH

2014 State Spending

\$61,221,528,006.25 total



Expense Categories



Fiscal Year

View By: ▼

Redraw

Share

Print to PDF

Redraw

Share

Print to PDF

Largest Expense Types of 2014

Export

Expense Type	Amount
Medical Services Providers	\$16,646,041,478.56
Local Assistance - Subsidies & Shared ...	\$12,342,059,890.58
Distribution of Locally Assessed Taxes	\$2,531,491,236.83
Base Salaries & Wages	\$2,319,266,357.93
State Assistance - Educational Instituti...	\$2,060,382,179.98
Services for Individuals Receiving Assis...	\$1,808,703,705.98

Highest Paid Companies of 2014

Export

Paid To	State	Amount
UNITEDHEALTH GROUP	CT	\$313,464,894.82
SHELLY & SANDS INC	OH	\$224,920,665.20
KOKOSING CONSTRUCTION CO INC	OH	\$189,012,148.71
OHIO POWER COMPANY	OH	\$171,539,652.82
MEDICAL MUTUAL OF OHIO	OH	\$157,899,582.74
SHELLY COMPANY	OH	\$145,745,807.24

Compare

Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?



Drop us a note.

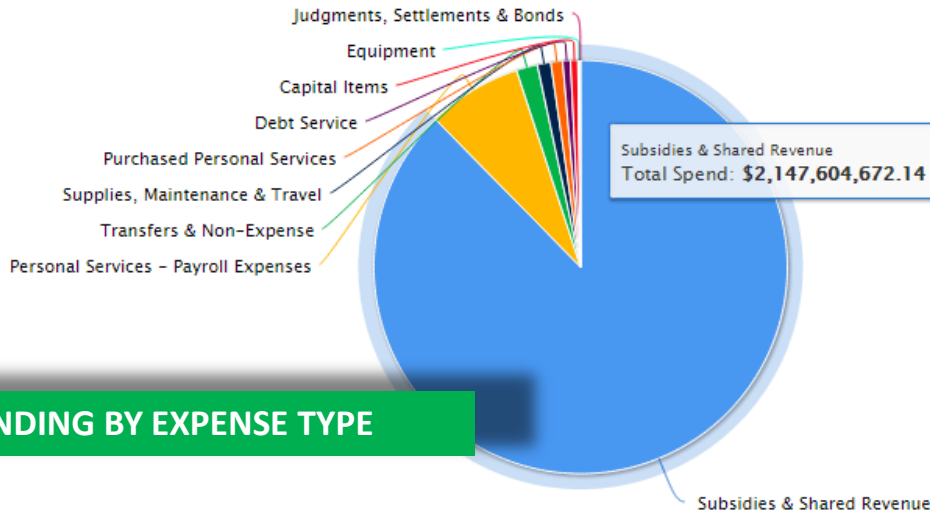


Selected Expenditures »

State of Ohio » 2014 » Agency » Department of Developmental Disabilities »

View By: Expense Type - Category

\$2,450,432,625.52 total



**VIEW SPENDING BY EXPENSE TYPE**

What is this?



Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?



Drop us a note.

View, sort and click the summary below

View Transactions | Export Summary

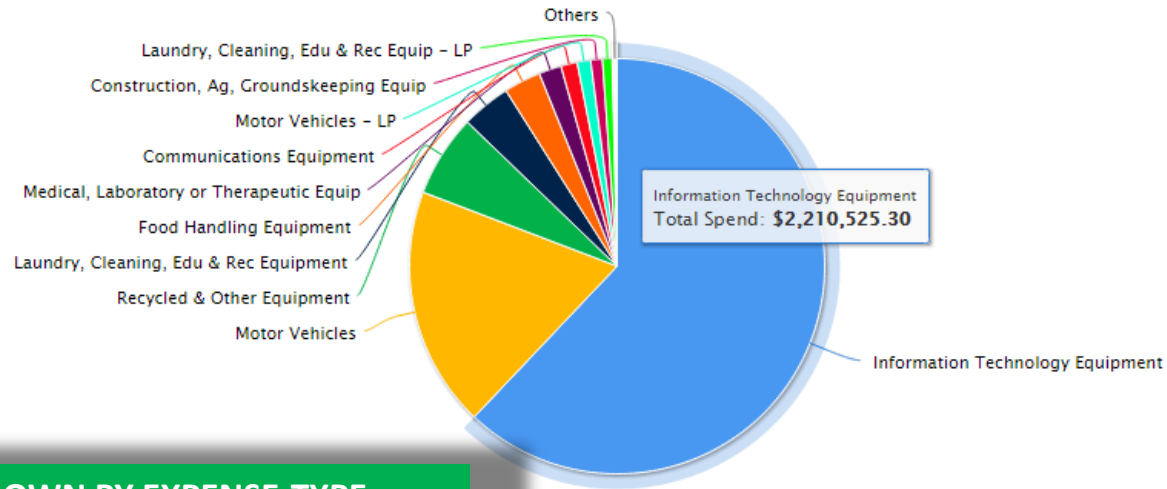
Name	Code	Amount
Subsidies & Shared Revenue	550	\$2,147,604,672.14
Personal Services - Payroll Expenses	500	\$180,110,382.16
Transfers & Non-Expense	595	\$40,583,748.53
Supplies, Maintenance & Travel	520	\$25,825,346.02
Purchased Personal Services	510	\$22,465,760.04
Debt Service	591	\$15,132,900.38
Capital Items	570	\$14,035,440.81
Equipment	530	\$3,560,289.07
Judgments, Settlements & Bonds	590	\$1,114,086.37

## Selected Expenditures »

State of Ohio » 2014 » Agency » Department of Developmental Disabilities » Equipment »

View By: Expense Type - Category

\$3,547,223.57 of \$3,560,289.07 total



**DRILL DOWN BY EXPENSE-TYPE**

Redraw



Year to Year



Share

Print to PDF

View, sort and click the summary below

View Transactions | Export Summary

Name	Code	Amount
Information Technology Equipment	5371	\$2,210,525.30
Motor Vehicles	5321	\$666,356.71
Recycled & Other Equipment	5391	\$227,750.49
Laundry, Cleaning, Edu & Rec Equipment	5361	\$135,621.49
Food Handling Equipment	5301	\$103,070.12
Medical, Laboratory or Therapeutic Equip	5351	\$61,813.52
Communications Equipment	5341	\$45,371.07
Motor Vehicles - LP	5320	\$37,579.50
Construction, Ag, Groundskeeping Equip	5331	\$32,448.37
Laundry, Cleaning, Edu & Rec Equip - LP	5360	\$26,687.00
Office Equipment	5311	\$12,406.50
Copying & Printing Equipment	5381	\$659.00

What is this?



Compare

Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?



Drop us a note.



# 35 PIECES OF SPENDING DATA PER TRANSACTION

Department of Developmental Disabilities 6/24/2014 Check# 0027119678

Pay to the order of  
DELL MARKETING LP

Seven Thousand Eight Hundred Seventy One Dollars and Nineteen Cents \$7,871.19

Memo  
IT Permanent Software License

[Department of Developmental Disabilities > 2014 > Equipment > Information Technology Equipment > IT Permanent Software License > Medicaid Waiver Program Support > Program Support > Medicaid Waiver](#)

### Who's getting paid? Where's the money coming from?

This \$7,871.19 payment for [IT Permanent Software License](#) is part of a larger check total of \$10,304.15 from the [Department of Developmental Disabilities](#). If you would like to see a list of the other payments included in Voucher ID 01014908, [click here](#).

Paid By: [Department of Developmental Disabilities](#)  
Payment Amount: \$7,871.19  
Voucher ID: (DMR01) 01014908  
Check Number: 0027119678  
Payment Date: 6/24/2014  
Expense Type: [IT Permanent Software License](#)

Paid To: [DELL MARKETING LP](#)  
Vendor City: ROUND ROCK  
Vendor State: TX  
Vendor Zip: 78664

For questions regarding this payment, contact:

**Department of Developmental Disabilities**  
Email: [ann.rengert@dodd.ohio.gov](mailto:ann.rengert@dodd.ohio.gov)  
Phone: (614) 466-5214  
Mail: 30 East Broad Street, 13th Floor  
Columbus, Ohio 43215

*This is not an image of a real check. This check is an illustration of payments made using public funds.*

View List

Start Over

Share

Print to PDF

View, sort and click the checkbook below

Export

25 50 100

Date	Paid From			
06/24/2014	Department of Developmental Disabilities			
06/24/2014	Department of Developmental Disabilities	DELL MARKETING LP		01014908
06/20/2014	Department of Developmental Disabilities	BROWN ENTERPRISE SOLUTIONS		01014908
06/20/2014	Department of Developmental Disabilities	BROWN ENTERPRISE SOLUTIONS		01014908
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$2,257.20
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60
06/20/2014	Department of Developmental Disabilities	IMMIX TECHNOLOGY	01014621	\$501.60

## SOCIAL MEDIA SHARING

- @ Email a Friend
- Facebook
- LinkedIn
- Twitter
- Google+
- Pinterest

Navigate: ?

State of Ohio

Need Help  
Getting Started?



Search the Checkbook Now!

SEARCH

Advanced  
Search

Fiscal Year: ?

2014

(7/1/2013 - 6/30/2014)

Agency (31)

Department of Developmental Disa...

Expense Type (50)

Information Technology Equipment

Advanced  
Filters

### Selected Expenditures »

State of Ohio » 2014 » Agency » Department of Developmental Disabilities » Information Technology Equipment »

There are **79** transactions  
available to view

Interval: Years

What is this? ?



Compare

Popular Searches

Glossary

State Budgets

State Contracts

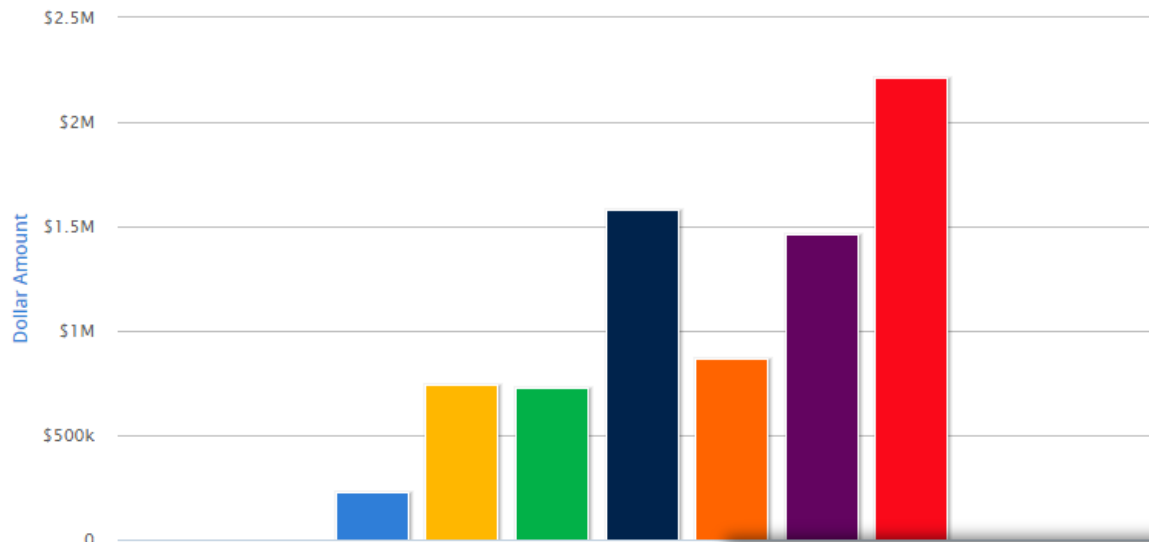
FAQ

How Are  
We Doing?



Drop us  
a note.

Year to Year: \$7,819,326.93 total



FY2008 - FY2014

Fiscal Years

**YEAR-TO-YEAR SPENDING COMPARISON**

2008 2009 2010 2011 2012 2013 2014

Redraw



Year to Year ?

Share



Print to PDF



Navigate: ?

State of Ohio ▼

Need Help  
Getting Started?



Search the Checkbook Now!

SEARCH

Advanced  
Search

Fiscal Year: ?

2014 ▼

(7/1/2013 - 6/30/2014)

Agency (31)

Department of Developmental Disa... ⊗

Expense Type (50)

Information Technology Equipment ⊗

← Advanced  
Filters

Comparing Agencies »

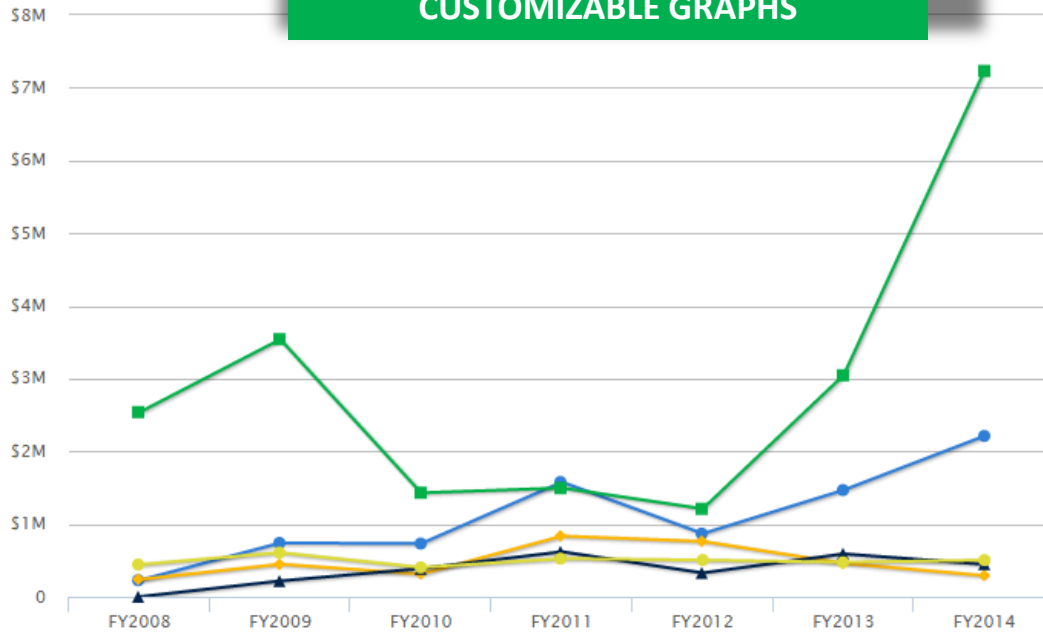
State of Ohio » 2014 » Agency » Equipment » Information Technology Equipment »

- ◆ Department of Developmental Disabilities
- ◆ Department of Insurance
- ◆ Department of Taxation
- ◆ Department of Veterans Service
- ◆ Average

View By:

Years ▼

**CUSTOMIZABLE GRAPHS**



What is this? ?

Edit Compare

Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are  
We Doing?



Drop us  
a note.

Redraw



\$ %

Vs. Average

Year to Year ?

Share

Print to PDF

Navigate: ?

State of Ohio

Fiscal Year: ?

2014

(7/1/2013 - 6/30/2014)

Need Help  
Getting Started?



Search the Checkbook Now!

SEARCH

Advanced  
Search

Agency (148)

Select

Expense Type (1170)

Select

Advanced  
Filters

## USER HELP TOOLS

### Popular Searches



Travel



Food



Lottery Prizes



Capital Items



Prisons



Payroll Expenses



Roads &  
Highways



Sick Leave



Liquor Control  
Commission



Medicaid



Parks



Hotels



State Debt  
Payments



Office Equipment



Development



Economic  
Development  
Reports

What is this? ?



Compare

Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are  
We Doing?



Drop us  
a note.





Acronym Agencies Expense Type Categories Fiscal Terms Website Terms & Tools Close X

ABCDEFGHIJKLMNOPQRSTUVWXYZ [SHOW ALL](#)

from bond sales.

## GLOSSARY OF TERMS

### **Capital Expenditure:**

Funds spent by state agencies from capital budget appropriations for the acquisition of a long-term asset.

### **Capital Reappropriation:**

An appropriation of the unexpended balances of an appropriation for a capital project that was not completed during the biennium for which the appropriation (or subsequent reappropriation) was previously made.

### **Cash:**

Actual balance of moneys available to support disbursements and appropriations. All state special revenue funds (revenue generated by the agency), federal special revenue funds, and bond funds must have an available cash balance to support disbursements. Agencies that receive a General Revenue Fund appropriation are not required to monitor cash balances for disbursements.

### **Central Accounting System:**

A computerized accounting system for budgetary and revenue reporting and control of the spending of state agencies; was replaced in July 2007 by OAKS.

### **Controlling Board:**

A mechanism for handling certain limited day-to-day adjustments to the state budget. Provides legislative oversight of various activities of the executive branch and carries out responsibilities delegated to it by the legislature.

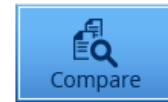
### **Cooperative Purchasing:**

Offers Ohio counties, townships, municipalities, school districts, public libraries, regional transit authorities, park districts, and others the benefits and cost savings of buying goods and services through state contracts.

Advanced Search

Advanced Filters

What is this?



Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?



Drop us a note.

FAQ

FREQUENTLY ASKED QUESTIONS

Close X

What is Ohio's Online Checkbook?

OhioCheckbook.com is a first-of-its-kind government transparency website that shows taxpayers exactly how their tax money is being spent. This initiative sets a new national standard for transparency in state government.

Has this information been placed online ever before?

No. This is the first time in Ohio history that all state expenditures have been posted online for citizens to search, download, compare and analyze.

What is the Treasurer's Transparency Project?

The [Treasurer's Transparency Project](#) is designed to make government more open and accountable to taxpayers by allowing Ohioans to follow their tax dollars and see how public money is being spent. The goal of this project is to shine a light on the true costs of government, so that taxpayers and their elected representatives can make more informed decisions on state spending. In addition to Ohio's Online Checkbook, the Treasurer's office has also put online a [Government Employee Salary Database](#), [Interactive State Property Map](#), [County Investment Reports](#), and the [Daily Ledger Report of State Funds](#).

Why did the Treasurer's Office create the online checkbook?

Treasurer Mandel believes that Ohioans have the right to know how their tax dollars are being spent. He's spearheading this effort in order to empower citizens to hold politicians and bureaucrats accountable for government spending. By shining sunlight on state spending and decisions made deep in the bureaucracy, the online checkbook enables taxpayers to help root out waste, fraud and abuse.

What can I do with the information I find on the online checkbook?

If you find something interesting that you want to share or inquire more about, you can click the "Share" button while viewing any table or graph to share on your Facebook or Twitter accounts or to send an email. Each transaction also has contact information for the

Advanced Search

Advanced Filters

What is this?

Compare

Popular Searches

Glossary

State Budgets

State Contracts

FAQ

How Are We Doing?

Drop us a note.

SHINING SUNLIGHT ON SPENDING  
**OHIOCHECKBOOK.COM**

**JOSH MANDEL**  
TREASURER OF OHIO



**TRANSPARENCY**

**CONTACT US FOR A DEMO**  
MICAH DERRY, LEGISLATIVE LIAISON  
614-728-0449  
MICAH.DERRY@TOS.OHIO.GOV



---

## OHIO CONSTITUTIONAL MODERNIZATION COMMISSION

---

### MEMORANDUM

**TO:** Chairman Douglas Cole and Members of the Finance, Taxation, and Economic Development Committee

**CC:** Steven C. Hollon, Executive Director

**FROM:** Steven H. Steinglass, Senior Policy Advisor

**DATE:** March 4, 2015

**RE:** Article VIII State Debt Recommendations of the 1970s Ohio Constitutional Revision Commission

---

Members of the committee have expressed interest in obtaining more information about the Article VIII recommendations of the 1970s Ohio Constitutional Revision Commission (OCRC) concerning state debt. This memorandum reviews the work of the 1970s Commission on state debt, the rationale for the OCRC's approach, and provides a possible explanation for its overwhelming rejection by the voters. Attached to this memorandum are portions of the 1970s OCRC's Final Report on State Debt.

### **The Recommendations of the 1970s Ohio Constitutional Revision Commission**

#### *Options Identified by the 1970s Commission*

In its Final Report, the OCRC identified the following alternative approaches to the question of how the state incurred debt to support infrastructure and other public improvements.

1. Maintaining the present debt limit, and the present method for incurring additional debt.
2. Maintaining the present debt limit, and requiring only a referendum instead of a constitutional amendment to incur additional debt.
3. Increasing the present debt limit to some higher amount, and either permitting the legislature to incur debt within this limit or requiring referendum approval within this limit.
4. Omitting any constitutional debt limit.

5. Creating a flexible debt limit, within which the General Assembly may incur debt for capital improvement purposes without voter approval, and providing that debt outside the constitutional formula should be subject to referendum.

Ohio Constitutional Revision Commission, Recommendations for Amendments to the Ohio Constitution, Part 2, State Debt, December 31, 1972, pp. 15-21, and pp. 151-57 of Appendix B of the Final Report (provided as Attachment A).

### *OCRC Review and Recommendations*

Looking at the period from 1953 to 1968, the OCRC concluded that Ohio's post-war debt had not been excessive, noting that Ohio ranked 23<sup>rd</sup> among the states in the amount of general obligation debt, 26<sup>th</sup> in the amount of non-guaranteed debt, and 25<sup>th</sup> in total debt. Nonetheless, the OCRC reached the following conclusion:

[T]he state's present \$750,000 debt limit is illusory, and . . . the present method of incurring additional debt, through referenda resulting in constitutional amendments, is certainly unnecessarily cumbersome and potentially ineffective as a device to control state debt.

at p. 17.

As the Final Report makes clear, the OCRC was willing to remove the voters from playing a direct role in the process of determining when the state could incur debt and how much debt it could incur. The OCRC considered and rejected the use of a higher debt limit, since it did not believe a higher limit would stand the test of time. It also considered maintaining the current \$750,000 debt limit and using referenda for approving particular bond issues; but it rejected this approach because of doubts about its effectiveness in limiting borrowing and concerns that it would encourage revenue bond financing in situations where such financing could be inappropriate. The OCRC was also reluctant to shift responsibility away from elected representatives.

Ultimately, the OCRC recommended the repeal of the \$750,000 debt limitation and the adoption of a formula-driven process, which (along with a super-majority voting requirement in the General Assembly) was designed to authorize appropriate debt while protecting the fiscal integrity of the state.

Specifically, the OCRC recommended the repeal of the \$750,000 debt ceiling in Article VIII, Section 1, and the delegation of that power to the General Assembly subject to a 3/5 required vote in each house. This, of course, is the same supermajority that is needed for the General Assembly to propose constitutional amendments. In place of the debt limitation, the OCRC recommended a *constitutional debt formula* based on a moving average of state revenues by which the state by a 3/5 vote of the General Assembly could incur debt for capital improvements. The formula would limit the amount of money that could be spent to repay such debt to 6 percent of the average of the revenues of the state for the then preceding two fiscal years.<sup>1</sup> For a

Summary of Recommendations on State Debt, see Ohio Constitutional Revision Commission, Recommendations for Amendments to the Ohio Constitution, Part 2, State Debt, December 31, 1972, pp. 11-13 (provided as Attachment B).

### *Rejection by the Voters*

This proposal went to the voters in an omnibus proposal with other Article VIII revisions, including the repeal of eight obsolete provisions that authorized bonds that had been retired and the repeal of most of the provisions concerning the sinking fund. The voters overwhelmingly rejected these proposed changes in Article VIII in November 8, 1977, with only 27.5 percent of those voting approving the proposal. The vote was 1,129,165 in favor and 2,284,178 opposed.

The OCRC also recommended revisions of the indirect debt limitation applicable to political subdivisions, but these revisions to Article XII, Sections 7 and 11, were rejected by the voters on June 8, 1976 by a vote of 675,017 in favor and 890,896 opposed.

These two rejections were two of the four OCRC recommendations that made it to the ballot only to be rejected by the voters. [Note: 16 other OCRC recommendations were approved by the General Assembly and then by the voters.]

### **Why the Voters Rejected the 1970s Recommendations on State Debt**

#### *State Debt, Ohio Voters, and the Second Half of the 1970s*

From 1913 to 2014, the voters approved 29 of 45 proposed amendments to Article VIII, but the pattern of approvals was not constant over the years.

#### *The Mood of the Voters—A Partial Explanation*

It is difficult to say precisely why the voters rejected the proposed amendment on state debt in November 1977, although the mood of the voters (as illustrated by their votes on other non-commission proposals to amend Article VIII) no doubt provides a partial explanation.

Attachments

---

## Endnotes

<sup>1</sup> Interestingly, in 1999 the voters approved an amendment that uses a constitutional debt formula, *see* Article VIII, Section 17, but the new formula, which remains in effect, uses a 5 percent cap. This limitation on debt, which is in addition to others in Article VIII, is described on the website of the Ohio Office of Budget and Management and reads as follows:

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of state direct obligations payable from the general revenue fund (GRF) or net State lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed 5 percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the state include general obligation and special obligation bonds that are paid from the state's GRF, but exclude (i) general obligation debt for Third Frontier Research and Development, development of sites and facilities, and veterans compensation, and (ii) general obligation debt payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the governor has designated the OBM Director as the State official responsible for making the 5 percent determinations and certifications. Application of the 5 percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly and may be changed by future constitutional amendments.

For items of interest include the following:

- Between 1913 and 1974, the voters approved 17 of 18 proposed amendments to Article VIII
- Between 1975 and 1980, the voters rejected all 11 of the proposed amendments to Article VIII
- In 1985, the voters approved one amendment to Article VIII and rejected one amendment.
- Between 1985 and 2014, the voters approved 12 of the 14 proposed amendments to Article VIII

Thus, for whatever reason, Ohio voters were not inclined to approve amendments to Article VIII during the last half of the 1970s, the period when the state debt recommendations of the 1970s OCRC went to the ballot.

## Summary of Recommendations

### PART 2 STATE DEBT

The Commission recommends to the General Assembly the following amendments to the Constitution of the State of Ohio:

Article VIII	Section 1	Repeal and Enact a New Section
	Section 2	Repeal and Enact a New Section
	Section 2b	Repeal
	Section 2c	Repeal
	Section 2d	Repeal
	Section 2e	Repeal
	Section 2f	Repeal
	Section 2g	Repeal
	Section 2h	Repeal
	Section 2i	Repeal
	Section 3	Repeal and Enact a New Section
	Section 4	Repeal and Enact a New Section
	Section 6	Repeal
Section 7	Repeal	
Section 8	Repeal	
Section 9	Repeal	
Section 10	Repeal	
Section 11	Repeal	
Section 12	Repeal	
Section 13	Amend, including changing the section number from 13 to 6	
Article XII	Section 6	Repeal

The recommendations in this report concern primarily the general obligation debt of the state, also called the guaranteed debt. General obligation debt, as defined in the Commission's proposal, is debt to the repayment of which the faith, credit, and taxing power of the state are pledged.

Mr. Nolan W. Carson, of Cincinnati, is chairman of the Commission's Committee on Finance and Taxation, which prepared these recommendations. The committee has been meeting on a monthly basis since April, 1971, and, in preparing the recommendations, consulted many experts familiar with Ohio's bonded debt, including its development and structure. The committee studied Ohio cases involving questions of state debt, and studied the evolution of the constitutional provisions presently governing Ohio's bonded indebtedness. In addition, the committee surveyed the constitutions of sister states and the works of leading writers on the theory of constitutional provisions on state debt. Attorneys who are noted for their expertise in the fields of state and local debt in Ohio contributed generously of their time during consideration of technical details.

Before its proposals were put into final form, the committee distributed them to interested individuals and groups, and held public hearings to receive their opinions. The committee's final proposals were then



presented to the Commission, which held public hearings on them and, after making minor changes, adopted them as its recommendations to the General Assembly on Article VIII of the Ohio Constitution.

In more detail, the recommendations would do the following:

- • • Establish a constitutional debt formula, based on a moving average of state revenues, by which the state, by a three-fifths (3/5) vote of the General Assembly, could incur debt for capital improvement purposes. The proposed formula would in effect limit the amount of money which could be spent to repay such debt to six per cent (6%) of the base, which is the average of the revenues of the state, as defined in the Constitution, for the then preceding two fiscal years. The proposed formula would also limit the amount of the principal of new debt which could be issued in any fiscal year to eight per cent (8%) of the base, and require that a specific part of the total be repaid every fiscal year.
- • • Continue the authority of the state to contract debt outside the debt limit to repel invasion, suppress insurrection, and defend the state in war.
- • • Authorize short-term borrowing by the state to meet appropriations and require that money borrowed for this purpose be repaid within the fiscal year in which it is borrowed.
- • • Require voter approval in a referendum for incurring debt outside the debt limit or for purposes other than capital improvements.
- • • Require the General Assembly to prescribe the methods and procedures for evidencing, refunding, and retiring state debt, and to provide for its full and timely payment.
- • • Require the General Assembly to perform certain functions of a technical nature in connection with the state's bonded debt, and impose certain duties on the Treasurer of State in regard to it.
- • • Permit that state debt be contracted, and the credit of the state be extended, only for a public purpose declared by the General Assembly in the law authorizing such debt or use of credit.
- • • Continue the authority of the state to issue revenue bonds in the manner and for the purposes enumerated in present Section 2i of Article VIII.
- • • Continue to prohibit local governmental entities in this state from becoming stockholders in, raise money for, or lending credit to, a joint stock company, corporation or association unless permitted to do so by law.
- • • Expand the purposes for which the state may issue industrial development bonds, to include situations in which the issuance of such bonds helps to *preserve existing jobs* in Ohio. Also, the present prohibition against the issuance of such bonds for public utilities would be modified to the extent of permitting issuance of such bonds for public utilities for the purpose of financing facilities used primarily for pollution control.
- • • Repeal unnecessary provisions relating to the Sinking Fund and the Commissioners of the Sinking Fund.

- • • Repeal the provision relating to the Superintendent of Public Works.
- • • Repeal specific debt-authorizing sections, many of which are now obsolete.
- • • Establish a schedule which would assure a smooth transition from present sections of Article VIII to those proposed in this report, including a provision which will assure the continued validity of all obligations of the state outstanding on the date of the adoption of this amendment, and a provision which will include all general obligation debt outstanding on the date of the adoption of this amendment for purposes of calculating the state's general obligation debt limit under the formula proposed in this report.

Finally, it must be noted that the Commission does not recommend any change in the present prohibition against the assumption by the state of the debts of local political subdivisions.

## STATE DEBT INTRODUCTION

The questions of public debt are concerned with how much debt may be incurred, for what purposes, and how it should be repaid. These are not just questions of finance. Rather, the quantitative answers reflect important policy determinations that greatly affect all citizens of the State of Ohio.

In contrast to the federal government, the bonded debt of this state is not and cannot now be used for operating deficits, but is reserved primarily for capital improvements—roads, hospitals, schools and similar public facilities which benefit our citizens generally for many future decades. Clearly, there are occasions when it is not feasible to finance urgently needed facilities solely from current revenues. The structuring of debt thus becomes the decision-making process for determining how the burden of paying for these needed facilities should be allocated between present and future taxpayers who will benefit from them.

If the debt is too severely limited, our proper public purposes will have been jeopardized. If the debt becomes excessively great—or the repayment thereof is not completed within the useful life of the facilities financed thereby—future taxpayers will be unfairly burdened with paying for facilities benefiting earlier taxpayers who did not carry their fair share of the repayment burden.

Since these are complex matters and it is impossible to fully anticipate future needs, several knowledgeable observers have argued that the Constitution should not include any debt limit and that the responsibility for such matters should be left solely to the collective judgment of the Legislature—to our elected representatives in the General Assembly. ~~The~~ <sup>Eleven</sup> states have adopted this approach. The Commission has, however, concluded that, in view of its history and culture, Ohioans will not accept the principle of delegating this responsibility entirely to the General Assembly. The Commission has also concluded that constitutionally determined debt limits—however defined—may well be regarded as future authorizations to incur debt. The above observations thus have led to the recognition by the Commission that any constitutionally defined debt limit should receive the most careful consideration. It has further concluded that such a limit should have both flexibility and a direct relationship to ability to repay. Flexibility is an important concept since any fixed limit, however reasonable today, cannot anticipate the future; and “ability to repay” is a well-recognized principle of finance as a basic criterion for determining appropriate levels of borrowing.

These are the principles that have guided the Commission in the development of the debt limit proposed in this report—a limitation that is not so restrictive that it will thwart our proper purposes, and yet not so permissive as to lead to future excesses.

A notable by-product of the Commission’s recommendations—resulting principally from the removal of provisions authorizing the issuance of general obligation debt in specific amounts or to specific limits—is a reduction of approximately 85% in the length of Article VIII, from an estimated 11,200 words to 1,672 words.

The provisions of Article VIII of the Ohio Constitution of 1851, many of which have survived with little or no change since their adoption, are largely the result of an attempt by the Constitutional Convention of 1850-1851 to remedy by constitutional means the fiscal problems caused by the

involvement of the state and its political subdivisions in the building of canals, railroads, and turnpikes during the period 1820 to 1850. The principal reasons for calling the Convention were to forestall repudiation of the state debt and to work out a constitutional framework for its repayment.<sup>1</sup> The latter object was "the main principle" behind Article VIII.<sup>2</sup> The provisions of this article, and its companion Article XII, were legislative in character and were deliberately designed to severely restrict the power of the General Assembly in fiscal matters. These characteristics are a hallmark of state constitutions written during this era of American history, and the shortcomings of this approach to constitution-making became evident within a few years. As one observer remarked in 1875: "The spirit of these enactments, however harsh, may be justifiable in view of the recklessness and extravagance of the past; but let us understand that we are doing penance, and not pretend to say that such is a normal one for a healthy commonwealth,"<sup>3</sup> and in what Benjamin U. Ratchford, the leading student of American state debts,<sup>4</sup> was to call a pioneering work,<sup>5</sup> Horace Secrist wrote in 1914:

"If the purpose of the restrictions on the financial powers of the states was to prohibit the use of credit, they have served it well. If the restrictions were intended to take the states out of the industrial field they have been as equally successful. That the purpose in mind was often of this double character, there can be no doubt, but that such was in every case a policy of wisdom may be questioned. State borrowing is in essence a question of political and financial expediency, and its use or non-use should be judged by political standards and by the rules of finance. At any time, given the needs for public revenues, there are two sources open for their acquisition, *viz.*, direct taxation and public borrowing. The method used will be governed largely by the purposes for which the money is to be expended. If the amount is large, and the expenditure of a non-recurrent nature, and such that taxation cannot or ought not to be adjusted to raise the money, then public credit should be utilized. The duration of loans should be determined by the benefits accruing from the expenditures, and the rule of equality between the present and the future become the guide. Even with the most restricted state policy public borrowing remains a valid instrument of public financing. Borrowing, far from always being an evil, is frequently a public good, providing it is not used as a cloak for perpetual debt."

\* \* \*

"The state is an organism, and its essential nature like that of life in general is dynamic, and no cut-and-dried field of endeavor can be mapped out as good for this and all future times. If this is true, then the above limitations for the most part are inappropriate, when made a part of constitutions, since financial expedients cannot readily be adjusted to a changing political philosophy. The state should and does conserve the interests of the people in perpetuity, and a philosophy of a rigid character should never control its policy or hamper its use of borrowed funds if they are necessary for its operation."<sup>6</sup>

The Commission believes that, within reasonable constitutional limits, the determination of matters concerning the state debt and the extension of the credit of the state is, and should clearly be recognized as, a legislative responsibility. The people of Ohio, in a series of amendments to Article VIII proposed by the General Assembly and adopted by substantial margins during the last 25 years, have shown a willingness to accept

legislative recommendations in fiscal matters, including recommendations which have established the principle of borrowing as an instrument of public finance in the Constitution. At the end of fiscal 1972, the state's bonded indebtedness, incurred under this series of amendments, totaled \$1,237,090,000, broken down as follows:

Section of Art. VIII	Year Passed	Favorable Vote	Purpose	Amount Authorized <sup>(a)</sup>	Amount Issued <sup>(a)</sup>	Amount Outstanding 6/30/72 <sup>(b)</sup>
2(c)	1953	60%	Major Thoroughfare Construction	\$500	\$500	\$ 16.3
2(d)	1956	71%	Korean Conflict Bonus	90	60 (tot.)	2.4
2(e)	1955	56%	Capital Improvements Construction	150	150	13.9
2(f)	1963	60%	Public Works	250	250	248.1
2(g)	1964	65%	Highways	500	500	302.9
2(h)	1965	57%	Development	290	290	253.2
2(i)	1968	53%	Highway Obligations	500 <sup>(c)</sup>	225 <sup>(c)</sup>	220.6
2(i)			Public Improvements	259 <sup>(c)</sup>	185 <sup>(c)</sup>	179.6

During the 15-year period 1953-1968, the voters of Ohio approved capital improvement debt averaging \$163,000,000 per year in authorization. There is, to the knowledge of the Commission, no "ideal" or "proper" level of state debt. However, the Commission concludes that Ohio's post-war debt has not been excessive in comparison to the debt of other states. For example, according to statistics computed from information published by the Bureau of the Census, at the end of fiscal 1970, on a *per capita* basis, Ohio ranked 23rd among the states in the amount of general obligation debt, 26th in the amount of non-guaranteed debt, and 25th in total debt.<sup>7</sup>

However, the Commission concludes, considering Ohio's post-war borrowing pattern, that the state's present \$750,000 debt limit is illusory, and that the present method of incurring additional debt, through referenda resulting in constitutional amendments, is certainly unnecessarily cumbersome and potentially ineffective as a device to control state debt. For these reasons, the Commission recommends that both the \$750,000 unvoted general obligation debt limit and the method for incurring additional guaranteed debt be ~~changed.~~ *changed.*

At the present time, Ohio is one of 16 states requiring constitutional amendment to incur guaranteed debt for capital improvement purposes.<sup>8</sup> Twenty-one states require referenda for this purpose,<sup>9</sup> and eleven states have no constitutional debt limit whatever.<sup>10</sup> In addition, the Constitutions of Hawaii<sup>11</sup> and Pennsylvania<sup>12</sup> contain formulas fixing these states' general obligation debt limits at a multiple of general fund revenues or

(a) Dollar amounts in millions.

(b) Dollar amounts in millions, rounded to nearest tenth. Columns may not total due to rounding.

(c) As of June 30, 1972—and with the exception of the Korean Conflict Compensation Fund authorized by Section 2(d) of Article VIII, under which no more bonds will be issued—all remaining constitutional authority to issue general obligation bonds was under Section 2(i). This authority consisted of \$274 million for highways—if highway authority is looked upon as a "once only" authority, which it is not—and \$74 million for nonhighway public improvements. To the extent that such authority was not used prior to repeal, it would cease upon the repeal of Section 2(i) as proposed by the Commission.

Sources: Office of the Commissioners of the Sinking Fund.  
Office of the Secretary of State.

annual tax revenues, respectively, while the Constitution of the Commonwealth of Puerto Rico limits debt service payments to a maximum percentage of the average of a two-year revenue base.<sup>13</sup>

In its study, the Commission considered the following constitutional alternatives on the question of a state debt limitation:

1. Maintaining the present debt limit, and the present method for incurring additional debt.
2. Maintaining the present debt limit, and requiring only a referendum instead of a constitutional amendment to incur additional debt.
3. Increasing the present debt limit to some higher amount, and either permitting the legislature to incur debt within this limit or requiring referendum approval within this limit.
4. Omitting any constitutional debt limit.
5. Creating a flexible debt limit, within which the General Assembly may incur debt for capital improvement purposes without voter approval, and providing that debt outside the constitutional formula should be subject to referendum.

The Commission rejected the possibility of recommending an increase in the present fixed dollar limit to a higher amount, because it concluded that any dollar amount fixed in the Constitution is as likely to be as inappropriate in the future as the present one is now, since it is impossible to make any reasonably accurate long-range economic forecast or to predict the demands by citizens for governmental services—demands which have been rapidly changing during the 20th century.

The Commission also rejected the possibility of recommending that the present debt limit be maintained, and that there be a change in the method of incurring debt from requiring a constitutional amendment to requiring a simple referendum, as was done in the Michigan Constitution of 1963.<sup>14</sup> The Commission chose not to recommend such a proposal, first because there is doubt of the effectiveness of a referendum requirement as an instrument for limiting state debt and, more importantly, because it shares the view expressed by many informed observers that a referendum requirement has a tendency to encourage revenue bond financing in situations in which such financing may be inappropriate, and to shift responsibility for extremely complex fiscal decisions away from elected representatives. A. James Heins, a leading contemporary writer on state constitutional debt restrictions, writes:

“Others have proposed that states generally adopt the referendum requirement now present in twenty state constitutions. Such action would permit the assumption of present nonguaranteed debt in those states where a pledge of the state’s credit is now impossible without constitutional amendment. It would also permit future borrowing with general obligations, but keep the reins in the hands of the electorate, hopefully forestalling the possibility of a runaway state debt. While the proposal would improve the options available in some states, it would not change the position of states currently having referendum provisions in their constitutions. This latter group of states has relatively as large a debt as states currently unrestricted. A referendum provision does not forestall rapid increases in state debt, because nonguaranteed borrowing is available without resort to a referendum. In Kentucky, a referendum state, the Legislative Research Commission had this to say: ‘The constitutional arrangement for general obligation bonds \*\*\*, designed as a directive and safe-

guard, has served as an effective deterrent. Administrative officials do not relish a statewide drive to gain acceptance of a debt proposal. However, through its corporate agencies the state has employed revenue bonds, which are exempt from the constitutional provisions.' In other words, a referendum provision deters rapid increases in full-faith and credit debt because of the difficulty and cost of holding a referendum, but it does not prevent expensive increases in total debt of which nonguaranteed debt is a part. If a state legislature wishes to borrow without troubling with a referendum, it is generally free to do so through one of the nonguaranteed methods. The cost of referendum and legislative desire to avoid them should not be the deciding factors in the type of obligation selected for issuance by a state. The public should elect responsible officials. If it does not do so, a referendum requirement in a state constitution is not going to protect the public from improper management of state debt."<sup>15</sup>

The National Municipal League, in the sixth edition of its *Model State Constitution*, which is the result of the League's State Constitutional Studies Project, in progress since 1957, also questions the effectiveness of the referendum as an instrument for governing basic debt authority:

"Prior *Models*, and nearly half of existing state constitutions, require that debt authorized by law cannot take effect until approved by referendum of the state's voters. The popular referendum requirement has not proved to be much of a restriction upon the creation of debt, however, since voters are asked to pass judgment with limited or no knowledge of the complex fiscal and general policy issues that prompted the legislature and the governor to seek the new debt."

"Certainly the referendum is not consonant with the fixing of responsibility for policy development in the people's elected representatives. Many believe referenda on debt merely produce legislative irresponsibility, with law-making bodies 'passing the buck' to a bewildered electorate."<sup>16</sup>

Although there is no evidence that the voters of Ohio have ever been deliberately misled in regard to the content and intent of any constitutional amendment under which they have authorized the issuance of additional guaranteed state debt, the Commission believes that the mere scope and complexity of many such amendments make it nearly impossible, in the best of faith, to adequately inform the voters on the issues on which they are being asked to vote, or for the voters to comprehend the issues.

The most complex amendment of this nature now in the Ohio Constitution is Section 2i of Article VIII, adopted in 1968. It provides authority for general obligation debt of up to \$759,000,000, subject to certain limitations. These include:

1. That the purpose of the debt be for capital improvements for highways, water pollution control, water management, higher education, technical education, vocational education, juvenile correction, parks and recreation, research and development facilities for highway improvements, mental hygiene and retardation, police and fire training, airports, and other state buildings and structures.
2. That not more than \$100,000,000 principal amount be issued in any one year for highway improvements and related purposes, and that not more than \$500,000,000 be outstanding at any one time for these purposes.

3. That not more than \$259,000,000 be issued for the other purposes stated; of this amount \$120,000,000 must be used for water pollution control, \$100,000,000 for higher education, vocational education, and juvenile correction, \$20,000,000 for parks and recreation, and \$19,000,000 for airports, state buildings, and police and fire training facilities. (It is important to note that, unlike the provision for highway bonds, these amounts are limits on the authority to issue bonds. Thus, when any one of these purposes has reached its constitutional limit, the General Assembly has no more bonding authority. With highways, on the other hand, the General Assembly can authorize more than \$500,000,000, provided it does not have more than \$500,000,000 outstanding at any time.)
4. That any bond issue be repaid within 30 years.

Section 2i also contains general instructions concerning funding of payment of bonds. It also authorizes the issuance of "hybrid" revenue bonds for a number of purposes, without regard to the dollar limitation referred to above. The purposes for which Section 2i authorizes issuance of such bonds are mental hygiene and retardation, parks and recreation, state-supported and state-assisted institutions of higher education, including technical education, water pollution control and abatement and water management, and housing of branches and agencies of state government. One recent study of the Ohio Constitution concludes as follows in regard to this section:

"Thus, the voters have given the legislature virtually unlimited authority to issue bonds for highway improvements, and a substantial authority \*\*\* for other improvements. There is no termination date in this section for the cessation of the authority. The effect is to nullify the \$750,000 borrowing limitation of Article VIII, Section 1."<sup>17</sup>

This section is a prime example of the debt-authorizing constitutional amendment which, by its very scope, must be over-simplified in the manner in which it is presented to the voter in public information campaigns and on the ballot. Such complexity and over-simplification, combined with the fact that the individual voter must decide whether to accept or reject such an amendment as a "package," in the Commission's view, effectively deprives the electorate of much truly meaningful control over the size of the state's guaranteed and nonguaranteed debt, as well as the purposes for which such debt is incurred, the referendum notwithstanding. The Commission also views a requirement for more frequent and more limited referenda on "ordinary" capital expenditures of the state as impractical and likely to have an unfavorable effect on capital planning and budgeting.

Another alternative rejected by the Commission was that of recommending that the Constitution prescribe no state debt limit at all. As previously indicated, eleven states now have constitutions which fall in this category. Illinois recently adopted such a constitution, in 1970.<sup>18</sup> However, it is the position of the Commission that the Ohio Constitution should contain a debt limit. Also, whatever the merits of the abolition of a state debt limit may be, in the view of the Commission such a proposal would represent too much of a departure from the present method of incurring debt to be acceptable to the people of this state.

The remaining alternative, a basic state general obligation debt limit expressed in a formula based on a moving average of state revenues, which is recommended in this report, seems to this Commission to offer the best solution to the need for modernizing the mechanism by which



the state incurs general obligation or guaranteed debt, while at the same time recognizing the historical preference of the people of Ohio for some amount of constitutional control in fiscal matters.

The concept of a constitutional state debt formula is not novel. Benjamin U. Ratchford advocated such an approach to debt limitation in *American State Debts*, a classic study on the subject published in 1941.<sup>19</sup> Under his proposal, the basic state debt limit would be as follows: the legislature could authorize borrowing so long as the net debt incurred under such authorization did not exceed 100% of the average revenue receipts of the state for the preceding five years. The electorate could, by a referendum vote, authorize borrowing of a similar amount. The normal or basic limit for the debt would thus be an amount equal to twice the average revenue receipts, as defined above, for the preceding five years; it would be a moving limit to be computed each year. Ratchford advocated keeping the voted and nonvoted parts of the limit separate to show (1) the part of the debt authorized by the legislature and by the people and (2) the amount of additional indebtedness which each might authorize. Also, in his proposal, revenue receipts would be defined as (1) net collections from taxes and license and registration fees levied by law; (2) donations and grants from the federal government; and (3) net receipts from state investments and enterprises. While admonishing that "there is no magic in debt limitations, and we should not expect to solve all problems by writing a formula in the constitution,"<sup>20</sup> Ratchford nevertheless strongly advocated the adoption of the formula approach to the limitation of state debt, and evaluated his proposal as follows:

"The \*\*\* plan would allow a reasonable and prudent use of the state's credit but would prevent excessive borrowing. Borrowing could be authorized without undue delay, and the debt limit would rise with the increase of state revenues. If the state desired to make heavy outlays, it could, by increasing revenues, pay for a part of the outlays and at the same time raise the debt limit. Large revenues collected to retire a debt would increase the future margin of borrowing both by reducing the existing debt and by raising the debt limit. In emergencies the legislature could invoke additional borrowing power to a limited extent. These provisions would allow all the borrowing that is desirable under normal conditions. If an emergency should arise to make further borrowing necessary, the people always have the privilege of amending the constitution."<sup>21</sup>

In 1958, Ratchford commented that "there does not seem to have been any basic changes in the methods of limiting debts in recent years. Several proposals, originally advanced more than 20 years ago, have made little or no progress. One of these was to limit debts in terms of average revenue receipts. Apparently no state has tried any version of this idea."<sup>21</sup> Two states and the Commonwealth of Puerto Rico have, since that time, adopted constitutional debt limit formulas. While these formulas are alike to the extent of being based on a moving average of revenues, they vary in their particular details, each reflecting the constitutional history and the fiscal situation of the jurisdiction in which each was adopted. The constitutional state debt formula proposed by the Commission in this report fits the same pattern. This formula, which is the cornerstone of the Commission's recommendations for a revised Article VIII, and the other recommendations of the Commission relating to this article, are examined in detail in the remainder of this report.