

# Commissioners of the Sinking Fund

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- The Commissioners of the Sinking Fund receives its operating funds through a GRF line item in the Treasurer of State's budget.
- Appropriations to the Sinking Fund support debt service payments and other associated costs for Ohio's general obligation bonds.

## OVERVIEW

### Duties and Responsibilities

The board of Commissioners of the Sinking Fund consists of five members. The Auditor of State serves as the president of the board and the Secretary of State serves as the secretary. The remaining three members are the Governor, the Treasurer of State, and the Attorney General. The Sinking Fund has an office in the Treasurer of State's office and receives its operating funds through a GRF line item in the Treasurer of State operating budget (ALI 090-401).

The Commissioners of the Sinking Fund administer the debt service payments and administrative expenses related to state general obligation bonds issued for the following purposes: primary and secondary education facilities, higher education facilities, coal research and development, parks and natural resources capital improvements, conservation projects, local infrastructure projects, Third Frontier research and development, site development, and highways.

The Sinking Fund is also required under the Ohio Constitution and Revised Code to prepare and publish a semiannual report, which includes financial statements of the state's general obligation bonds, debt service requirements, and funding sources.

### Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2008	2009	2008	2009	
0	\$915.2 million	\$1.03 billion	\$0	\$0	Am. Sub. H. B. 119

\*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2007.

### Appropriations

In FY 2008 and FY 2009, the appropriations for the Sinking Fund are \$915,151,600 and \$1,033,906,900, respectively. Appropriations in FY 2008 are \$95,061,095 more than FY 2007 adjusted appropriations, an 11.59% increase. Appropriations for FY 2009 are \$118,755,300 higher than FY 2008 appropriations, a 12.98% increase. The appropriations will provide continuing funding for debt service payments and administrative expenses related to state general obligations administered by the Commissioners of the Sinking Fund.

## Summary of FYs 2008 - 2009 Budget Issues

### Bond Trustees Place of Business

The enacted Am. Sub. H.B. 119 modifies the requirement regarding trust agreements between the state and a corporate trustee to secure obligations for various state-issued bonds by replacing the requirement that the trustee's principal place of business must be in Ohio with a requirement that the trustee have a place of business in Ohio.

## ANALYSIS OF THE BUDGET

### Single Program Series

### General Obligations Debt Retirement

**Purpose:** The General Obligations Debt Retirement program series provides for debt service payments related to certain state general obligation bonds.

The following table shows the line items that are used to fund General Obligations Debt Retirement.

Fund	ALI	Title	FY 2008	FY 2009
<b>Debt Service Fund</b>				
DSF	155-902	Highway Capital Improvements Bond Retirement Fund	\$202,694,900	\$205,139,500
DSF	155-903	Natural Resources Bond Retirement Fund	\$24,713,800	\$25,723,000
DSF	155-904	Conservation Projects Bond Service Fund	\$14,847,200	\$19,779,200
DSF	155-905	Third Frontier Research and Development Retirement Fund	\$14,349,500	\$25,023,400
DSF	155-906	Coal Research/Development Bond Retirement Fund	\$7,232,400	\$8,192,500
DSF	155-907	State Capital Improvement Bond Retirement Fund	\$178,713,600	\$189,296,300
DSF	155-908	Common Schools Bond Retirement Fund	\$292,268,400	\$342,148,300
DSF	155-909	Higher Education Bond Retirement Fund	\$175,972,400	\$210,372,200
DSF	155-912	Job Ready Site Development Bond Retirement Fund	\$4,359,400	\$8,232,500
<b>Debt Service Fund Subtotal</b>			<b>\$915,151,600</b>	<b>\$1,033,906,900</b>
<b>Total Funding: General Obligations Debt Retirement</b>			<b>\$915,151,600</b>	<b>\$1,033,906,900</b>

### General Obligations Debt Retirement

**Program Description:** The Commissioners of the Sinking Fund manage and pay debt service and other associated costs on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes.

#### Highway Capital Improvements Bond Retirement Fund

This line item finances the retirement of debt that has been issued for the purpose of paying costs of construction, reconstruction, or other improvements of highways, including those on the state highway system and urban extensions thereof, those within or leading to public parks or recreation areas, and those within or leading to municipal corporations. The debt is issued under the authority of Section 2m, Article VIII of the Ohio Constitution, approved by voters on November 7, 1995. Not more than \$220 million in bonds may be issued in any fiscal year and not more than \$1.2 billion principal amount may be outstanding at any time. Bond maturity cannot exceed 30 years. The issue has "rollover" authority, so additional bonds may be issued as other bonds are retired.

**Funding Source:** Gasoline Excise Tax

*Implication of the Budget:* The appropriations will allow for the continued payment of debt service on bonds.

### **Natural Resources Bond Retirement Fund**

This line item pays debt service on bonds issued to finance capital improvements related to: state and local parks and land and water recreation facilities; soil and water restoration and protection; land management, including preservation of natural areas and reforestation; water management, including dam safety; stream and lake management; and other projects that enhance the use and enjoyment of Ohio's natural resources. The bonds are issued under the authority of Section 21, Article VIII of the Ohio Constitution, approved by voters on November 2, 1993. Not more than \$50 million in bonds may be issued within any single calendar year, and no more than \$200 million may be outstanding at any one time. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the continued payment of debt service on bonds.

### **Conservation Projects Bond Service Fund**

This line item pays debt service on bonds issued to provide moneys for conservation purposes. The bonds are issued under the authority of Section 20, Article VIII of the Ohio Constitution, approved by voters on November 7, 2000. It was implemented under Am. Sub. H.B. 3 of the 124th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the continued payment of debt service on bonds.

### **Third Frontier Research and Development Retirement Fund**

This line item pays debt service on bonds issued to provide moneys for Third Frontier Research and Development purposes. The bonds are issued under the authority of Section 2p of Article VIII of the Ohio Constitution, approved by voters on November 8, 2005. It was implemented under S.B. 236 of the 126th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF. The corresponding GRF line item, 195-905 Third Frontier Research & Development General Obligation Debt Service is in the Department of Development's budget.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the continued payment of debt service on bonds.

### **Coal Research and Development Bond Retirement Fund**

This line item pays debt service on bonds issued to provide moneys for financial assistance for research and development of coal technology that will encourage the use of Ohio coal. The bonds were issued under the authority of Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985. Not more than \$100 million in bonds may be outstanding in any single calendar year. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the continued payment of debt service on bonds.

### **State Capital Improvements Bond Retirement Fund**

This line item pays debt service on bonds issued to provide moneys for local infrastructure projects financed by the Public Works Commission. Formerly, this money has come from a line item in the Treasurer of State's budget. Now funding comes from GRF line item 150-907 under the budget for the Public Works Commission.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the payment of debt service on bonds.

### **Common Schools Bond Retirement Fund**

This line item pays debt service on bonds issued to provide moneys for common schools. The corresponding GRF line item 230-908 is in the School Facilities Commission's budget.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the payment of debt service on bonds.

### **Higher Education Bond Retirement Fund**

This line item pays debt service on bonds issued to provide moneys for higher education. The corresponding GRF line item 235-909 is in the budget for the Board of Regents.

*Funding Source:* GRF and proceeds from the issuance of debt

*Implication of the Budget:* The appropriations will allow for the payment of debt service on bonds.

### **Job Ready Site Development Bond Retirement Fund**

This line item pays debt service on bonds issued to provide moneys for Third Frontier Job Ready Site Development purposes. The bonds are issued under the authority of Section 2p of Article VIII of the Ohio Constitution, approved by voters on November 8, 2005. It was implemented under S.B. 236 of the 126th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF. This line item pays debt service on bonds issued to provide moneys to improve local government infrastructure, support research and development applicable to high-tech business, and enhance business site development. The corresponding GRF line item 195-912, Job Ready Site Development General Obligation Debt Service is in the Department of Development's budget.

*Funding Source:* GRF

*Implication of the Budget:* The appropriations will allow for the payment of debt service on bonds.

**FY 2008 - 2009 Final Appropriation Amounts**

**All Fund Groups**

<i>Line Item Detail by Agency</i>			<i>FY 2005:</i>	<i>FY 2006:</i>	<i>FY 2007 Adj. Appropriations:</i>	<i>FY 2008 Appropriations:</i>	<i>% Change 2007 to 2008:</i>	<i>FY 2009 Appropriations:</i>	<i>% Change 2008 to 2009:</i>
<b>Report For: Main Operating Appropriations Bill</b>					<b>Version: Enacted</b>				
<b>CSF Sinking Fund, Commissioners of</b>									
070	155-905	Third Frontier Research and Development Bond Retirement Fund	----	----	\$ 14,127,655	\$ 14,349,500	1.57%	\$ 25,023,400	74.39%
071	155-901	Highway Obligation Bond Retirement Fund	\$ 10,511,935	----	\$ 0	\$ 0	N/A	\$ 0	N/A
072	155-902	Highway Capital Improvement Bond Retirement Fund	\$ 168,409,198	\$ 181,163,642	\$ 198,718,747	\$ 202,694,900	2.00%	\$ 205,139,500	1.21%
073	155-903	Natural Resources Bond Retirement Fund	\$ 23,406,932	\$ 25,373,565	\$ 21,728,300	\$ 24,713,800	13.74%	\$ 25,723,000	4.08%
074	155-904	Conservation Projects Bond Service Fund	\$ 10,160,257	\$ 9,916,551	\$ 14,127,655	\$ 14,847,200	5.09%	\$ 19,779,200	33.22%
076	155-906	Coal Research and Development Bond Retirement Fund	\$ 9,031,125	\$ 7,053,193	\$ 6,975,701	\$ 7,232,400	3.68%	\$ 8,192,500	13.27%
077	155-907	State Capital Improvement Bond Retirement Fund	\$ 151,887,149	\$ 157,571,484	\$ 174,921,265	\$ 178,713,600	2.17%	\$ 189,296,300	5.92%
078	155-908	Common Schools Bond Retirement Fund	\$ 163,216,965	\$ 188,885,689	\$ 231,683,865	\$ 292,268,400	26.15%	\$ 342,148,300	17.07%
079	155-909	Higher Education Bond Retirement Fund	\$ 124,796,702	\$ 134,230,210	\$ 154,365,312	\$ 175,972,400	14.00%	\$ 210,372,200	19.55%
090	155-912	Job Ready Site Development Bond Retirement Fund	----	----	\$ 3,442,005	\$ 4,359,400	26.65%	\$ 8,232,500	88.84%
<b>Debt Service Fund Group Total</b>			<b>\$ 661,420,263</b>	<b>\$ 704,194,334</b>	<b>\$ 820,090,505</b>	<b>\$ 915,151,600</b>	<b>11.59%</b>	<b>\$ 1,033,906,900</b>	<b>12.98%</b>
<b>Sinking Fund, Commissioners of Total</b>			<b>\$ 661,420,263</b>	<b>\$ 704,194,334</b>	<b>\$ 820,090,505</b>	<b>\$ 915,151,600</b>	<b>11.59%</b>	<b>\$ 1,033,906,900</b>	<b>12.98%</b>