

OMAC MuniNews

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News & Views About the Ohio Municipal Finance Industry

June 1999

www.ohiomac.com

*f*rom the Director



KEN
GURNEY

The feature article appearing in our previous newsletter, *Year 2000 The Millennium Bug*, has resulted in numerous questions being asked as to whether OMAC will be able to provide the products and services we currently offer after December 31, 1999. In other words – *Is OMAC Year 2000 Compliant?*

Both our IBM midrange computer and our PC's are "Year 2000 Ready" according to the IBM definition. i.e., our equipment, when used in accordance with the hardware's associated documentation, is capable of correctly processing, providing and receiving data in the 21st century, provided all other products used with the hardware properly exchange accurate date data with it.

Most of OMAC's files, and the programs which access them, were initially designed to process data containing years beyond 1999; and those that did not have been redesigned or rewritten. OMAC is currently testing these procedures, and as we anticipate this process being completed by September 1, we are confident that the arrival of the new millennium will create no interruptions in the product and services OMAC provides.

Ohio School Finance Litigation

By Jonathan Buchter

The Ohio Constitution gives responsibility to the State for providing a "thorough and efficient system of common schools throughout the State." Pursuant to that constitutional mandate, the General Assembly has established a system of 611 local, city and exempted village school districts which provide education.

In 1991 a coalition representing many school districts filed a lawsuit attacking both the equity and the adequacy of the State's funding of schools and alleging that funding did not meet the constitutional requirement of a "thorough and efficient system of common schools." That lawsuit, filed in the Perry County Court of Common Pleas, wound its way to the Ohio Supreme Court and resulted in a March 1997 decision in which the Court declared the then current system of funding education to be unconstitutional and ordered a "complete systematic overhaul." The Court "stayed" its judgment for one year to give the General Assembly time to react to the decision and to cure the infirmities which the Court identified.

The Ohio litigation is not unlike litigation in many other states in which plaintiffs have alleged that systems of school finance in those states are unconstitutional. The pattern in those decisions has generally been for the courts to declare the then current system

unconstitutional, provide some hints as to why they think so, but not prescribe specific remedies. The remedies are left to the legislatures which craft solutions that are often brought back to the courts for constitutional testing. The effect of this method of solving the problem has been to "ping pong" the issue back and forth between the judicial and the legislative branches of government until a constitutional solution is found. In some states this has resulted in more than 10 different solutions and judicial decisions evaluating each of those solutions.

While school funding in Ohio has always been an unsettled issue, the effect of the Supreme Court's decision has been both to provoke action — by inducing the General Assembly to enact changes to the scheme of school finance — and to provoke inaction — by making it less likely that changes will be made to any new programs until such time as courts have evaluated the most recent solution.

The second round of decisions and appeals is now underway. In February the Perry County Court of Common Pleas found the solutions crafted by the General Assembly over the last two years insufficient and thus unconstitutional and ordered the State Superintendent of Public Instruction and the State Board of Education to develop

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School Finance

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proposals for remedying the deficiencies. Its decision has been "stayed" (except for the requirement of a development of proposals) while it is being appealed to the Ohio Supreme Court. Normal scheduling suggests the Supreme Court will hear oral argument on the question in the fall and render a decision sometime late in the winter or early spring.

Throughout this litigation, the Ohio courts have not called into question the ability of school districts to issue or repay debt, although they have struck down, prospectively, certain cash flow borrowing options. The bond market, the rating agencies and the municipal bond insurance companies have confronted this uncertainty in other states. While they generally monitor the situation

closely, none has yet to react negatively to the uncertainty.

Jonathan Buchter is a partner in the law firm of Squire, Sanders & Dempsey L.L.P., resident in its Cleveland office. He is one of the authors of Ohio School Law and represents many Ohio School Districts in a variety of matters.

EMPLOYEE SPOTLIGHT



Name: Lorrie Peters

Length of Service: 22 years

Main Duties with OMAC: Coordinates daily office functions and procedures, including computer maintenance and running of programs. Also responsible for accounts receivable and updating of Internet site.

Family: Married

Interests: Enjoys needlepoint, reading and bowling.

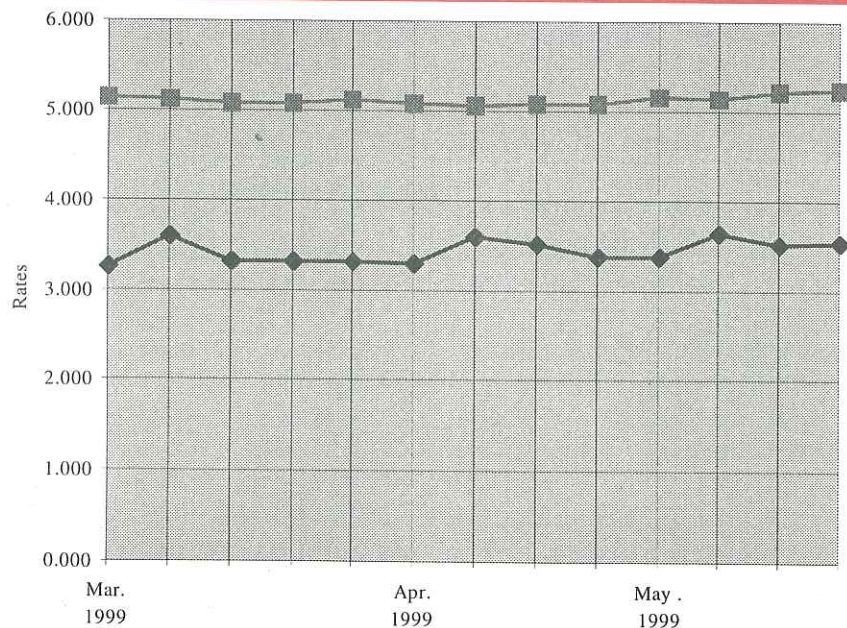
MARKET UPDATE

General Obligation

Note and Bond Interest Rates for March thru May 1999

This graph compares Ohio short-term note coupon rates with the Bond Buyer's 20 year bond index. The short-term rates represent actual rates reported to OMAC by Ohio purchasers and reported on OMAC's weekly calendar.

NOTE: Actual rates paid may vary due to the inclusion of various issuing expenses.



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The following is a sampling of legislation currently before the state legislature. For a complete text and listing of the legislation, go to: www.legislature.state.oh.us

HB5 (MEAD) Electric Deregulation - Declares that the restructuring of the electric power industry is a state issue.

Status: 01/20/1999 (HJ 6, P84) Introduced
01/20/1999 (HJ6, P100) Referred to House Public Utilities.

HB76 (BRADING) To exempt from the calculation of a subdivision's debt limit a specific portion of the principal amount of securities issued for permanent improvements if payments in lieu of taxes are pledged to repay those securities.

Status: 01/20/1999 (HJ7, P114) Introduced
02/02/1999 (HJ9, P155) Referred to House Ways and Means
05/11/1999 Passed House (94 to 2)

HB150 (MOTTLEY) To exempt from subdivision debt limits certain securities issued to finance the construction of a performing arts center.

Status: 02/08/1999 (HJ10, P170) Introduced
02/10/1999 (HJ12, P187) Referred to House Ways and Means

HB187 (OLMAN) To allow "limited homerule government" townships to issue securities or change the provisions for issuing debt, changes the composition and voting practices of county planning commissions, and changes the subdivision law to give townships notice of proposed changes.

Status: 02/16/1999 (HJ13, P200) Introduced
02/17/1999 Referred to House Local Gov. & Township
03/30/1999 Committee recommends (18 to 0)
04/14/1999 House passes (91 to 7)
05/25/1999 Senate passes (33 to 0)
05/26/1999 House concurs with senate (97 to 0)

HB22 (MOTTLEY) Permits school boards to levy with voter approval a property tax of up to five mills that would not be subject to limits on revenue growth.

Status: 01/20/1999 (HJ6, P88) Introduced
01/20/1999 (HJ6, P102) Referred to House Ways and Means

HB82 (HAINES) Create pilot program for three school districts that provides state funding for the total costs of instruction and instructional materials and establishes one collective bargaining unit for all teachers in the participating districts.

Status: 01/28/1999 (HJ8, P116) Introduced
02/02/1999 (HJ9, P155) Referred to House Education

HB156 (JACOBSON) To prohibit elected officers and candidates for an elective office of any political subdivision from soliciting contributions from certain employees of the political subdivision.

Status: 02/08/1999 (HJ10, P171) Introduced
02/10/1999 (HJ12, P188) Referred to House Technology/Elections

SB23 (HAGAN) To limit the extent to which property may be exempted from taxation if the exemption is granted to a business that has relocated from one political subdivision to another.

Status: 01/20/1999 (SJ7, P29) Introduced
02/02/1999 (SJ11, P91) Referred to Senate Ways and Means

SB46 (SCHAFRATH) To prohibit a political subdivision from requiring its employees to reside in any specific area of this state.

Status: 02/02/1999 (SJ11, P95) Introduced
02/10/1999 (SJ14, P120) Referred to Senate State/Local Gov. & Vet. Affairs



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CALENDAR

Issuer Conferences & Outings for 1999

NAME	EVENT	DATE	LOCATION
GFOA	Ohio Golf Outing	July 12	Sawmill Creek Resort - Huron, Ohio
	Ohio GFOA Summer Seminar	July 13	Sawmill Creek Resort - Huron, Ohio
	National Certification Exam	September 14	Wyndham Hotel - Cleveland, Ohio
	Annual Fall Conference	September 15-17	Wyndham Hotel - Cleveland, Ohio
MFOA	Annual Conference	September 15-17	Hyatt Regency Hotel - Cincinnati, Ohio
(OML)	Northeast Golf Outing	August 4	Ridgewood Golf Course - Parma, Ohio
	North-Central Golf Outing	August 25	Woussickett Golf Course - Sandusky, Ohio
CCAO	Conference	June 13 - 15	Renaissance Hotel - Cleveland, Ohio
	Conference	Nov. 28 - Dec. 1	Hyatt Regency Hotel - Columbus, Ohio
OSBA	Conference	November 7-10	Columbus Convention Center
NACO	National Conference	July 16 - 20	St. Louis County - St. Louis, Missouri
OPFOTP	Ohio Public Finance		
	Officers Training Program	June 14 - 18	Holiday Inn - Hudson, Ohio
	CMFA Maintenance Program	June 17 - 18	Holiday Inn - Hudson, Ohio
	Golf Outing	June 16	Boston Hills Golf Course - Hudson, Ohio
OMTA	Annual Conference	October 6 - 8	Radisson (formerly Marriott) - Sharonville, Ohio
CAAO	Summer Conference	June 21 - 24	Canton Hilton - Canton, Ohio
	Winter Conference	December 7 - 9	Crown Plaza - Columbus, Ohio
OASBA	1 ST Annual Golf Outing	August 2	Bent Tree Golf Club - Sunbury, Ohio Info call James Rowan (513) 523-4716

CCAOCounty Commissioners Association of Ohio(614) 221-5627
 GFOAGovernment Finance Officers Association(614) 221-1900
 MFOAMunicipal Finance Officers Association of Ohio(614) 221-4349
 NACONational Association of Counties(614) 221-5627
 OASBOOhio Association of School Business Officials(614) 891-2215
 OMCAOhio Municipal Clerks Association(614) 221-4349
 OSBAOhio School Boards Association(614) 891-6466
 OMTAOhio Municipal Treasurers Association(330) 375-2330
 CAAOCounty Auditor's Association of Ohio(614) 228-2226
 OPFOTPOhio Public Finance Officers Training Program(330) 672-7148
 BMABond Market Association(212) 440-9419

**If you would like
 your event highlighted,
 contact Chris Scott at
 1-800-969-6622,
 or by email at
 Chris@ohiomac.com**