

State Constitutional Debt Limitation: A Wide Range of Options

Presentation to

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

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- I. Ban on Debt (or very low limit limit)
 - A. Exceptions for emergencies, short-term debt
 - B. Results in constitutional amendments authorizing specific bond issues
 - C. Usually does not apply to revenue bonds or other non-guaranteed debts
 - D. Examples: Alabama, Arizona, Indiana, Iowa
- II. No Constitutional Limit or Specially Mandate Procedure
 - A. Treated as ordinary legislation, subject to statutory rules and procedures
 - B. Vermont
- III. Legislative Supermajority (but no limit, and no voter approval requirement)
 - A. Delaware (75% vote in each house)
 - B. Usual exceptions for emergencies, short-term
- IV. Legislative approval (no special vote) plus voter approval (simple majority)
 - A. Usual exceptions
 - B. Typically does not apply to revenue bonds and nonguaranteed debts
 - C. Many states: Alaska, California, New Jersey, New York
- V. Legislative approval (supermajority) plus voter approval
 - A. Michigan (2/3 of each house)
 - B. Usual exceptions
- VI. Flexible Limit (Carrying Capacity)
 - A. Debt Service as a Percentage of Revenues
 - (1) Hawaii: Debt service capped at 18.5% of rolling three-year average of state general fund revenues
 - (2) Georgia: Debt service capped at 10% of prior year's total treasury receipts
 - (3) South Carolina: Debt service limited to 5% of general fund revenue (which legislature may, by a 2/3 vote, lower to 4% or raise to 7%)

(4) Texas: Debt service limited to 5% of rolling three-year average of general fund revenues

(5) Virginia: Outstanding GO debt limited to 115% of rolling three-year average of income and sales tax revenue

B. Total Debt as a Percentage of Tax Base

(1) Nevada: Total state indebtedness limited to 2% of state assessed valuation

(2) New Mexico: Total state indebtedness limited to 1% of assessed valuation in the state.

(3) Wisconsin: Total general obligation debt limited to 5% of market value of property in the state

VII. Alternative Limits: Carrying Capacity, and Voter Approval Beyond That

A. Pennsylvania

(1) Debt for capital projects may be, incurred without voter approval, if total debt does not exceed 175% of five-year rolling average of state revenues

(2) Or with voter approval

B. Washington

(1) Debt service limited to 9% of rolling three-year average of state general revenues

(2) Or with voter approval