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

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Introduction

Chairman Cole, Vice Chair Bell and members of the Finance, Taxation and Economic Development Committee, good morning and thank you for the opportunity to provide this testimony based on my experience with the debt provisions of Article VIII of the Ohio Constitution. As Director of the Office of Budget and Management (OBM), I work regularly with the Constitutional provisions subject to the jurisdiction of this Committee and certainly appreciate the work you are doing to review these important provisions.

History

I would like to start with a brief history of Article VIII as that history provides a helpful backdrop and context for my remarks. The State's earliest debt was issued by the Ohio Canal Commission back in 1825 to finance the Ohio and Erie and Miami and Erie canals. In 1837, the Ohio General Assembly passed the Ohio Loan Law intended to assist in the building of additional canals, by loaning up to one-third of the cost of construction to businesses within the State provided those businesses were able to raise the remaining costs. In practice, however, most of the loans went to railroad companies and spurred significant railroad growth in the State which ironically competed with the canal business. While the canal debt and railroad loans certainly improved the State's transportation infrastructure, they over-extended the State's treasury and the State had to borrow money to meet its expenses. By 1839, Ohio had a deficit of more than one-quarter of a million dollars and the Ohio Loan Law was repealed the next year. Following necessary reforms of the State's taxation and tax collection system in 1846, the State was able to refinance its debt and began making its debt service payments.

Given that context, it is easy to understand why the incurrence of debt and the State's ability to afford repayment of its debt were of great concern to the Constitutional Convention of 1850-1851. As you are undoubtedly aware, Section 1 of Article VIII limits debt not expressly authorized by the voters to $750,000. Section 2 (and selected other sections of Article VIII) expressly authorize the purposes and amounts for which debt of the State may be issued, while Section 3 prohibits any other debt except that which has been expressly authorized. Section 4 prohibits the State from lending its aid and credit, and Section 5 prohibits the State from assuming the debts of any subdivision or corporation. The State's challenging financial history at the time of enactment of Article VIII explains our State's conservative approach to debt, debt authorization, and debt repayment.

Ohio Debt Overview - Present Day

At this time, I would direct your attention to Exhibit 1 – a summary of debt authorization provisions of Article VIII and the amounts issued and outstanding under those provisions for debt that is backed by State of Ohio revenue (i.e., payable from the state treasury). By 22 constitutional amendments approved from 1921 to present, Ohio voters have expressly authorized the incurrence of State debt for specific categories of capital facilities, to support research and development activities, and provide bonuses for our war veterans. Currently, general obligation debt of the State is authorized to be incurred for: highways; K-12 and higher education facilities; local public works infrastructure; natural resources, parks and conservation; and third frontier and coal research and development. Non-general obligation lease-appropriation debt is authorized to provide facilities for housing branches and agencies of State government and their functions, including State office buildings, correctional and juvenile detention facilities, and cultural, historical and sports facilities; mental health and developmental disability facilities; and parks and recreational facilities.

The below table summarizes the State's outstanding debt and debt service paid from the General Revenue Fund (GRF) as of the end of fiscal year 2015 (June 30, 2015). The State currently has $9.35 billion in outstanding GRF debt and paid $1.28 billion in debt service from the GRF in fiscal year 2015. Fiscal year 2015 GRF debt service represents approximately 3.9% of fiscal year 2015 GRF revenue plus lottery profits.

$ in Billions	GRF Debt	GRF Debt Service	GRF Debt Service % of GRF Revenue & Lottery
	$9.35	$1.28	3.9%

With respect to the issuance of debt backed by State revenues, two entities carry out the issuance functions as directed by the Ohio General Assembly under law – the Ohio Public Facilities Commission and the Treasurer of State. Management and certain reporting of the State's debt are housed in the Office of Budget and Management, while payment functions and other reporting requirements are housed in the Treasurer's office. As you are aware from prior testimony of the Treasurer of State's office, the Sinking

Fund Commission has not been an active issuer of State debt since 2001 and its constitutional reporting duties set forth in Sections 7 through 11 of Article VIII are performed by the Treasurer. However, the Sinking Fund Commission still technically exists and periodically must approve the reporting work done on its behalf by the Treasurer's office.

Other bond issuers in the State you may be familiar with, such as the Ohio Water Development Authority (OWDA), the Ohio Turnpike and Infrastructure Commission (OTIC), the Ohio Housing Finance Authority (OHFA), and the Ohio Air Quality Development Authority (OAQDA), issue bonds backed by or payable from dedicated revenue streams with no recourse to revenue of the State.

Possible Modifications to Article VIII

Prior to discussing potential modifications to Article VIII, I want to emphasize that Article VIII and its framework for authorizing debt of the State has served the State exceptionally well for more than 150 years. The process of asking voters to review and approve bond authorizations sets an appropriately high bar for committing the tax resources of the State over the long term. Ohio's long tradition of requiring voter approval ensures that debt is proposed only for essential needs, and those needs must be explained and presented to voters for their careful consideration. The voters have proven themselves to be worthy arbiters, having approved 26 and rejected 17 Article VIII debt related ballot issues since 1900. Thus, I would propose to the Committee that Article VIII works as intended and that wholesale reform is not warranted. One compelling piece of evidence of the State's favorable debt position under Article VIII is the credit agencies ratings which emphasize Ohio's conservative debt practices and that existing debt of the State is both ‘moderate’ and ‘affordable.’ Ohio’s credit rating is in the second highest possible category of ‘AA+’, which keeps the interest rates paid on State bonds very low.

In terms of specific opportunities to update Article VIII, I’d like to address the suggestion that Ohio needs to modernize the $750,000 debt limitation of Section 1 because the 5.0% annual debt service limitation set forth in Section 17 of Article VIII is insufficient. This suggestion pre-supposes that our existing 5.0% debt service limitation could be thwarted by back-loading debt or substantially extending its amortization period (e.g., issuing 100-year debt). With respect to extremely long amortization periods, a review of Exhibit 1 shows that Ohio’s debt authorizations include maximum terms that range from 10 to 30 years, and in practice our bond issuances have consistently been amortized over periods shorter than those maximums. In addition, Section 17 itself requires that the numerator of the 5.0% annual debt service limitation be the highest debt service in any future fiscal year, thus capturing any debt service peaks that may occur due to back-loading. For these reasons, the 5.0% debt service limitation has been and remains an effective limitation on both the amount of State debt and debt service. In fact, the 5.0% threshold is a key factor in why the credit rating agencies and investors take comfort that Ohio’s debt burden is and will remain ‘moderate’ and ‘affordable.’ Moreover, Section 1 of Article VIII is critical because the $750,000 limit, when considered in conjunction with other key Constitutional provisions, forms the basis of Ohio’s balanced budget requirement.

There are, however, opportunities for improving the administrative efficiency and cost-effectiveness of State debt. As you are aware, the security backing the State’s debt affects its credit quality and thus the level of interest rates the State pays to investors. The State's general obligation debt carries our highest credit rating, currently 'AA+', and prices extremely well in terms of achieving low interest rates in the municipal bond market. Since 1973, Constitutional amendments authorizing new State debt have generally provided for general obligation security. However, the State still issues several categories of lease-appropriation debt under Section 2i which was approved by the voters in 1968. While this debt is functionally no different from the State's perspective, the subject-to-appropriation requirement lowers its credit rating to 'AA' and as a result the State pays a higher rate of interest, typically ranging from 0.1% to 0.3%, versus its general obligation counterpart. Thus, I would suggest that the lease-appropriation debt authorization provisions of Section 2i for housing branches and agencies of State government and for mental health, developmental disabilities, and parks and recreation facilities, be replaced with a general obligation authorization for those purposes. For each $100 million of debt issued over 20 years, this change to general obligation security would save State taxpayers $1.5 to 4.0 million over the life of the debt.

Another opportunity to reflect modern practice and to improve efficiency involves the Commissioners of the Sinking Fund provided for in Sections 7 through 11 of Article VIII. The Commissioners of the Sinking Fund – originally consisting of the Attorney General, Auditor and Secretary of State -- were established in 1851 to administer the 'sinking fund' to pay-off or 'sink' the State's then existing canal and railroad debt and to report their activities and progress to the Governor and General Assembly. Over the years, the duties of the Commissioners of the Sinking Fund expanded to include administering and issuing many types of State debt, and in 1947 the Governor and Treasurer were added as members. Beginning in the late 1950's, new State bond programs utilized dedicated bond service funds separate from the sinking fund with debt service payments effectuated by the Treasurer and OBM. In 2001, the General Assembly transferred bond issuance authority from the Commissioners of the Sinking Fund to the Ohio Public Facilities Commission. As a result of these changes, all of the functions historically performed by the Commissioners of the Sinking Fund are now performed by other State entities. Thus, the Sinking Fund provisions of Article VIII are viable candidates for repeal. If this committee recommends their repeal, it should consider replacing them with a provision that assigns necessary ongoing debt reporting functions to the Treasurer of State.

Finally, I understand there has been some discussion in this committee regarding the repeal or removal of inactive bond issuance sections. While I have no concern with these sections remaining in the Constitution, I understand that some view elimination of inactive sections as helpful cleanup and there is precedent for such repeal as Section 2a authorizing compensation payments to World War I veterans was repealed in 1953. Moreover, the Ohio Constitutional Revision Commission (OCRC) in 1972 recommended the repeal or modification of additional sections within Article VIII, though only Section 12 providing for a Superintendent of Public Works was later repealed. Current sections that are candidates for repeal include 2b, 2c, 2d, 2e, 2f, 2g, 2h, 2j, and 2k (see Exhibit 1 for a summary of these provisions). Repeal of these sections would shorten the length Article VIII by 40%, though there would need to be new language added confirming the continuing validity of obligations issued under those sections.

Closing

In summary, the central concepts of Article VIII have served our state well for more than

150 years. While some work can and should be done to modernize it, I believe there should be a high threshold for amendments to the debt provisions of Article VIII and that voters should continue to be the final arbiters of the purposes and amounts for which long-term debt of the State may be issued.

To facilitate your review and consideration of the observations offered in this testimony, I have included as Exhibit 2 draft language that would effectuate the potential changes noted in this testimony. Thank you for the opportunity to present to you today. As you develop specific proposals with respect to the modernization of Article VIII, OBM will be sure to review those proposals and provide feedback. Thank you again. I would be happy to answer any questions at this time.

Exhibit I: Article VIII Section 2: Public Debt Backed by State Revenue ($ in Millions)

					Authorizations and Limitations						Bonds			
Article	Purpose/Title	Date Adopted	Description	Security / Source of Funds	Authorization Amount	Maximum Outstanding	Annual Issuance Limit	Maximum Term	Expiration	Sec. 17 5.0% Debt Svc. Limit	Issuance Amount	Final Maturity	Debt Outstanding 6/30/15	Status
§2	State May Incur Debts for Defense or to Retire Outstanding Debts	1851	The State may contract debts to repel invasion, suppress insurrection, defend the State in war, or to redeem the present outstanding indebtedness of the State	N/A										
§2a	World War I Veterans' Bonuses	1921	World War I Veterans' Bonus Bonds (Repealed)	G.O. / GRF	$25	-	-	10 yrs	Apr 1, 1923	-			$0	Repealed 1953
§2b	World War II Veterans' Bonuses	1947	Compensation to State citizens that served in the U.S. Armed Forces during World War II, or to their eligible survivors.	G.O. / GRF	$300	-	-	15 yrs	Apr 1, 1951	-	$213	Apr 1964	$0	Inactive
§2c	State Highway/Major Thoroughfare Construction	1953	Rights-of-way acquisition and construction and reconstruction of highways on the state highway system.	Revenue / Hwy User Receipts	$500	-	$125		Mar 31, 1962	-	$500	Sep 1972	$0	Inactive
§2d	Korean War Veterans' Bonuses	1956	Payment of bonuses to persons serving in the U.S. Armed Forces between June 25, 1950 and July 19, 1953.	G.O. / GRF (Prop Tax Levy)	$90	-	-	15 yrs	Apr 1, 1959	-	$60	Nov 1972	$0	Inactive
§2e	Capital Improvement Construction Bonds	1955	Finance buildings and structures, for the State's penal, correctional, mental and welfare institutions	G.O. / GRF Cigarette Tax	$75	-	$30 M (total §2e)	20 yrs	Dec 31, 1964	-	$75	Jun 1977	$0	Inactive
§2e	Capital Improvement Construction Bonds	1955	Finance buildings and structures for the universities and colleges, classroom facilities leased or sold by State to public school districts, and state offices	G.O. / GRF Cigarette Tax	$75	-	$30 M (total §2e)	20 yrs	Dec 31, 1964	-	$75	Jun 1977	$0	Inactive
§2f	School Classrooms, Universities, Recreation and Conservation, and State Buildings	1963	Finance land acquisition and building construction for community colleges, municipal universities and university branches, and for state functions, activities, offices, and institutions, and the construction of classroom facilities	G.O. / GRF Cigarette Tax	$250	-	$100	30 yrs	Dec 31, 1972	-	$250	Apr 1975	$0	Inactive
§2g	Highway Construction	1964	Finance the acquisition of rights-of-way, and the construction/reconstruction of highways on the state highway system, and urban extensions thereof.	G.O. / Hwy User Receipts	$500	-	-	-	-	-	$500	Oct 1989	$0	Inactive
§2h	State Development Bonds	1965	Finance projects for buildings/structures of the State including for water control and development, conservation and recreation, state-supported higher education, and political subdivisions for water, sewer, airports, historical or educational facilities	G.O. / GRF	$290	-	$20 M (annual debt service limit)	30 yrs	Dec 31, 1970	-	$290	Aug 1995	$0	Inactive
§2i	Highway Capital Improvement Bonds	1968	Finance the construction, reconstruction or improvements for the state highway system and for highway-related land acquisition, highway transportation R&D, and matching funds for joint projects with other governmental units.	G.O. / Hwy User Receipts	$1,745	$500	$100	30 yrs	Dec 31, 1996	No	$1,745	May 2005	$0	Succeeded (2m)
§2i	State Capital Improvement Bonds	1968	Finance various purposes and projects including water pollution and control, higher education technical and vocational education, juvenile corrections, parks and recreation, mental health, police and fire, airports, and state buildings.	G.O. / GRF	$259	-	-	30 yrs	-	-	$259	Jun 1995	$0	Inactive
§2i	State Lease Revenue Bonds	1968	Finance capital improvements for mental health, parks and recreation, state-supported higher education, water pollution control and abatement, water mgt, and housing branches and agencies of state government.	Revenue/GRF	-	-	-	-	-	Yes (GRF)	$11,280	Apr 2035	$1,678	Active
§2i	State Lease Revenue Bonds	1968	Finance capital improvements for mental health, parks and recreation, state-supported higher education, water pollution control and abatement, water mgt, and housing branches and agencies of state government.	Revenue/ Hwy User Receipts	-	-	-	-	-	-	$380	Apr 2030	$96	Active
§2j	Vietnam Conflict Veterans' Compensation	1973	Finance compensation to those Ohioans who served in the military during the Vietnam Conflict.	G.O. / GRF	$300	-	-	15 yrs	Apr 1, 1977	-	$185	Oct 1989	$0	Inactive
§2k	Local Government Public Infrastructure Capital Improvements	1987	Finance public infrastructure capital improvements of municipal corporation, counties, townships, and other governmental entities .	G.O. / GRF	$1,200	-	$120	30 yrs	-	Yes	$1,199	Aug 2017	Fn[1]	Succeeded (2m)
§2l	Parks, Recreation, and Natural Resources Capital Improvements	1993	Finance capital improvements for state and local parks and land and water recreation facilities; soil and water restoration and protection, land management and water management, including dam safety, flood control, fish and wildlife.	G.O. / GRF	-	$200	$50	25 yrs	-	Yes	$418	Apr 2029	$167	Active
§2m	Local Government Public Infrastructure Capital Improvements	1995	Finance public infrastructure capital improvements of municipal corporations, counties, townships, and other governmental entities.	G.O. / GRF	$1,200	-	$120	30 yrs	-	Yes	$1,200	Sep 2027	Fn[1]	Succeeded (2p)
§2m	Highway Capital Improvement Bonds	1995	Finance highway capital improvements	G.O. / Hwy User Receipts	-	$1,200	$220	30 yrs	-	No	$2,693	May 2029	$759	Active
§2n	Facilities for System of Common Schools	1999	Finance facilities for a system of common schools throughout the state.	G.O. / GRF	-	-	-	25 yrs	-	Yes	$4,470	Jun 2033	$3,004	Active
§2n	Facilities for State-Supported and State-Assisted Higher Education Institutions	2000	Finance facilities for state-supported and state-assisted institutions of higher education.	G.O. / GRF	-	-	-	25 yrs	-	Yes	$2,920	May 2034	$1,920	Active
§2o	Environmental Conservation Bonds	2000	Finance conservation projects including preservation of natural areas, open spaces, farmlands, lands devoted to agriculture, and state and local park and recreation facilities.	G.O. / GRF	-	$200	$50	25 yrs	-	Yes	$200	Sep 2022	Fn[2]	Succeeded (2q)
§2o	Environmental Revitalization Bonds	2000	Finance environmental revitalization purposes including providing for and environmentally safe and productive development and use or reuse of publicly and privately owned lands.	Revenue / Net Liquor Profit	-	$200	$50	25 yrs	-	No	$200	N.A. (defeased by JobsOhio)	$0	Succeeded (2q)
§2p	Local Government Public Infrastructure Capital Improvements	2005	Finance public infrastructure capital improvements of municipal corporations, counties, townships, and other governmental entities.	G.O. / GRF	$1,350	-	$120M (1-5 yrs); $150M (6-10 yrs)	30 yrs	-	Yes	$1,050	Mar 2034	$1,782	Active
§2p	Issuance of Third Frontier Bonds for Economic Purposes	2005/ 2010	Finance research and development projects in support of Ohio industry, commerce, and business.	G.O. / GRF	$1,200	-	$450M (2006-11); $225M (2012); $175M (2013+)	20 yrs	-	No (Exempt)	$661	Nov 2023	$413	Active

Exhibit I: Article VIII Section 2: Public Debt Backed by State Revenue ($ in Millions)

Article	Purpose/Title	Date Adopted	Description	Security / Source of Funds	Authorizations and Limitations: Authorization Amount	Maximum Outstanding	Annual Issuance Limit	Maximum Term	Expiration	Sec. 17 5.0% Debt Svc. Limit	Bonds: Issuance Amount	Final Maturity	Debt Outstanding 6/30/15	Status
§2p	Issuance of Site Development Bonds for Economic Purposes	2005	Finance the development of sites and facilities in Ohio for and in support of industry, commerce, distribution, and research and development purposes.	G.O. / GRF	$150	-	$30M (1-3 yrs); $15M (4-7 yrs)	20 yrs	-	No (Exempt)	$150	Nov 2022	$89	Active
§2q	Environmental Conservation Bonds	2008	Finance conservation projects including preservation of natural areas, open spaces, farmlands, lands devoted to agriculture, and state and local park and recreation facilities.	G.O. / GRF	-	$200	$50	25 yrs	-	Yes	$150	Mar 2028	$204	Active
§2q	Environmental Revitalization Bonds	2008	Finance environmental revitalization purposes including providing for and environmentally safe and productive development and use or reuse of publicly and privately owned lands.	Revenue / Liquor Profit	-	$200	$50	25 yrs	-	No	$115 M	N.A. (defeased by JobsOhio)	$0	Active
§2r	Persian Gulf, Afghanistan, and Iraq Conflicts Veterans' Compensation	2009	Provide compensation to veterans who have served in active duty in the U.S. armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts,	G.O. / GRF	$200	-	-	15 yrs	Dec 31, 2013	No (Exempt)	$84	Oct 2026	$66	Inactive
§2s	Local Government Public Infrastructure Capital Improvements	2014	Finance public infrastructure capital improvements of municipal corporations, counties, townships, and other governmental entities.	G.O. / GRF	$1,875	-	$175M (1-5 yrs); $200M (6-10 yrs)	30 yrs	-	Yes	-	-	-	Active
§13	Economic Development	1965/1974	For economic development, to control air, water or thermal pollution, or to dispose of solid waste, allows public and non-profit entities to borrow money and issue bonds or guarantee loans for property, structures, equipment and facilities within the state of Ohio for industry, commerce, distribution, and research.	Revenue / Liquor Profit	-	-	-	-	-	No	$629.7 M	N.A. (defeased by JobsOhio)	$0	Active
§15	Development of Clean Coal Technology	1985	Proceeds of Coal Research and Development Bonds provide financial assistance for research and development of technology that encourages the use of Ohio coal.	G.O. / GRF	-	$100	-		-	Yes	$222	Feb 2024	$30	Active

1. Debt Outstanding 6/30/15 includes debt outstanding for 2p and all prior authorizations (2k and 2m) for Local Government Public Infrastructure Capital Improvements bonds.
2. Debt Outstanding 6/30/15 includes debt outstanding for 2q and all prior authorizations (2o) for Environmental Conservation Bonds.

GRF Debt Outstanding	$9,355
Non-GRF Debt Outstanding	$854

Exhibit 2

§ 8.02t Issuance of general obligations for facilities for mental health and developmental disabilities, parks and recreation, and housing of branches and agencies of state government; provision for annual reporting of direct obligations by treasurer of state; repeal of obsolete sections for which issuance authority exhausted.

(A)(1) The General Assembly may provide by law, subject to the limitations of and in accordance with this section, for the issuance of bonds and other obligations of the state for the purpose of paying costs for facilities for mental health and developmental disabilities, parks and recreation, and housing of branches and agencies of state government, and to refund obligations previously issued under the authority of the fifth paragraph of Section 2i of this Article VIII for those purposes (which Section 2i referred to "mental health and developmental disabilities" as "mental hygiene and retardation"). As used in this section, "costs" includes, without limitation, the costs of acquisition, construction, improvement, expansion, planning, and equipping.

(2) Each obligation issued under this division (A) shall mature no later than the thirty-first day of December of the twenty-fifth calendar year after its issuance except that obligations issued to refund other obligations shall mature not later than the thirty-first day of December of the twenty-fifth calendar year after the year in which the original obligation to pay was issued or entered into.

(3) Obligations issued under division (A) of this section are general obligations of the state. The full faith and credit, revenue, and taxing power of the state shall be pledged to the payment of debt service on those outstanding obligations as it becomes due, and bond retirement fund provisions shall be made for payment of that debt service. Provision shall be made by law for the sufficiency and appropriation, for purposes of paying debt service, of excises, taxes, and revenues so pledged or committed to debt service, and for covenants to continue the levy, collection, and application of sufficient excises, taxes, and revenues to the extent needed for that purpose. Notwithstanding Section 22 of Article II of the Ohio Constitution, no further act of appropriation shall be necessary for that purpose. Those obligations and the provisions for the payment of debt service on them are not subject to Sections 5, 6, and 11 of Article XII of the Ohio Constitution. Moneys referred to in Section 5a of Article XII of the Ohio Constitution may not be pledged or used for the payment of that debt service.

In the case of the issuance of any of those obligations as bond anticipation notes, provision shall be made by law or in the bond or note proceedings for the establishment and the maintenance, during the period the notes are outstanding, of special funds into which there shall be paid, from the sources authorized for payment of the bonds anticipated, the amount that would have been sufficient to pay the principal that would have been payable on those bonds during that period if bonds maturing serially in each year over the maximum period of maturity referred to in division (B) of this section had been issued without the prior issuance of the notes. Those special funds and investment income on them shall be used solely for the payment of principal of those notes or of the bonds anticipated.

(B) As used in this section, "debt service" means principal and interest and other accreted amounts payable on the obligations referred to.

(C) Obligations issued under, or pursuant to, this section, their transfer, and the principal interest, interest equivalent, and other income or accreted amounts on them, including any profit made on their sale, exchange, or other disposition, shall at all times be free from taxation within the state.

(D) This section shall be implemented in the manner and to the extent provided by the General Assembly by law, including provision for the procedure for incurring, refunding, retiring, and evidencing obligations referred to in this section. The total principal amount of obligations issued under division (A) shall be as determined by the General Assembly, subject to the limitation provided for in Section 17 of this article.

(E) The Treasurer of State shall annually make a full and detailed report to the Governor and the General Assembly of the authorized, issued, matured and outstanding direct obligations of the state as defined in division (E)(3) of that Section 17.

(F) The authorizations in this section are in addition to, cumulative with, and not a limitation upon, authorizations contained in other sections of this article; are in addition to, cumulative with and not a limitation upon the authority of the General Assembly under other provisions of this Constitution; and do not impair any law previously enacted by the General Assembly.

(G) Sections 2b, 2c, 2d, 2e, 2f, 2g, 2h, 2j, 2k, 7, 8, 9, 10, and 11 of this Article VIII are hereby repealed. All obligations issued or entered into and outstanding under any section of Article VIII repealed by this division after such obligation was incurred shall, nevertheless, remain in full force and effect and continue to be secured in accordance with their original terms.