



**Am. H.B. 76**

123rd General Assembly  
(As Passed by the General Assembly)

**Reps. Brading, Terwilleger, Olman, Taylor, Schuler, Logan, Sulzer, Mottley, Opfer, Hartnett, Haines, Austria, Britton, Barrett**

**Sen. Blessing**

**Effective date: \***

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**ACT SUMMARY**

- Excludes a portion of the principal amount of securities issued for permanent improvements from the debt limit calculation for a county, township, or municipal corporation equal to the percentage of service payments for those improvements that is pledged to paying the debt charges on those securities.

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**CONTENT AND OPERATION**

**Subdivision debt limits**

(sec. 133.04)

The Uniform Public Securities Law limits the total amount of net indebtedness counties, townships, and municipal corporations may accumulate. "Net indebtedness" generally is determined by calculating the principal amount of the political subdivision's outstanding securities less the amount held in a bond retirement fund. But certain types of indebtedness are excluded from this calculation. The list of exclusions includes, for example, securities issued in anticipation of a tax levy or collection of special assessments, and securities issued to pay for permanent improvements to the extent they are issued in anticipation of federal or state grants for those permanent improvements.

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\* *The Legislative Service Commission had not received formal notification of the effective date at the time this analysis was prepared.*

Debt limits are expressed in terms of a percentage of the taxable property valuation of a subdivision. Thus, the limits reflect the capacity of a subdivision to raise property taxes, if necessary, to cover its debts and avoid default.

**Exclusion for debt backed by service payments in lieu of taxes**

(sec. 133.04(B)(8))

The act provides for an additional exclusion from the calculation of a county, township, or municipal corporation's net indebtedness for certain general obligation securities issued to pay for permanent improvements. The exclusion is the percentage of the principal amount of the securities equal to the percentage of the annual debt charges that can be paid from payments in lieu of taxes (generally called "service payments") pledged or covenanted to paying the debt (as set forth in the resolution or ordinance that authorizes the payments in lieu of taxes). The subdivision's fiscal officer must estimate this percentage. The total amount excluded, however, may not exceed the lesser of (1) \$30 million, or (2) .5% of the subdivision's tax valuation, in the case of a county or township, or 1.1% of the subdivision's tax valuation, in the case of a municipal corporation.\*

Service payments in lieu of taxes arise from arrangements between subdivisions and property owners whereby real property is exempted from taxation, but the property owner agrees to pay some or all of what would have been paid as taxes directly to the subdivision. The subdivision uses the payments to finance public infrastructure, often by repaying debt that was issued to pay for the infrastructure costs (although a municipal corporation acting under section 5709.41 may use the money for any purpose). The arrangements covered by the act are the tax increment financing arrangements of municipal corporations, townships, and counties (secs. 5709.40, 5709.41, 5709.73, and 5709.78), and community urban redevelopment corporation agreements of municipal corporations (secs. 1728.10 and 1728.111).

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\* "Tax valuation" is the aggregate of the subdivision's valuations of property subject to property taxation on the real property, personal property, and public utility property tax lists and duplicates most recently certified for collection.

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## HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	01-22-99	p. 114
Reported, H. Ways & Means	04-27-99	pp. 472-474
Passed House (94-2)	05-11-99	p. 621
Reported, S. Ways & Means	06-09-99	pp. 547-548
Passed Senate (33-0)	06-15-99	p. 600

99-HB76.123/rss

