Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 76
123rd General Assembly
(As Introduced)

Reps. **Brading, Terwilleger, Olman, Taylor, Schuler, Logan, Sulzer, Mottley, Opfer**

BILL SUMMARY

- Exempts up to 75% of the principal amount of securities issued for permanent improvements from the debt limit calculation for a county, township, or municipal corporation if service payments for those improvements are collected under a tax increment financing agreement.

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.

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.

Exemption for debt backed by payments in lieu of taxes

(sec. 133.04(B)(8))

The bill provides for an additional exclusion from the calculation of a county, township, or municipal corporation's net indebtedness: not more the 75% of the principal amount of certain securities issued to pay costs of permanent improvements. The excluded percentage cannot exceed the percentage of the debt charges on those securities that the subdivision's fiscal officer estimates can be paid from service payments made in lieu of real property taxes under a tax increment financing agreement, where the payments are pledged, covenanted to be charged and collected, or appropriated to pay debt charges on those securities.[*]

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	01-22-99	p. 114

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[*] *Tax increment financing agreements provide funding for public infrastructure improvements. Under these agreements, property is exempted from taxation, but owners may be required to make annual service payments in lieu of some or all of the exempted taxes. The payments are used to retire debt related to the improvements.*