Bill Analysis

Peter A. Cooper *Legislative Service Commission*

Am. H.B. 76

123rd General Assembly
(As Reported by H. Ways & Means)

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

BILL SUMMARY

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

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 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 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 either (1) $30 million, or (2) 1/2% of the subdivision's taxable property value in the case of a county or township or 1.1% in the case of a municipal corporation, whichever is less.

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 bill 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).

HISTORY

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