Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **Sub. H.B. 192 (LSC 122 0243-1)** DATE: **September 10, 1997**

STATUS: **In House Finance and Appropriations** SPONSOR: **Rep. Carey**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Creates a revolving loan program to provide money to small government fire departments for equipment and construction needs**

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	$250,000 increase*	$250,000 increase*	- 0 -
Small Government Fire Departments (Fund 5F1)			
Revenues	$250,000 gain	$250,000 gain plus potential gain from loans being repaid	Gain from loans being repaid
Expenditures	Potential $250,000 increase	$250,000 increase or more** plus potential increase if loans are repaid and new loans are made	Increase due to new loans being made
State Fire Marshal Fund (546)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Likely increase	Likely increase	Likely increase

***** $250,000 in each fiscal year was appropriated by Am. Sub. H.B. 215, the main operating budget act, in the Controlling Board.

****** It is unlikely that the entire $250,000 appropriation in fiscal year 1998 will be loaned to qualifying small governments. It will take the Fire Marshal time to establish rules for the program, small governments time to apply for loans, and the Fire Marshal time to evaluate and approve loans. Therefore, fiscal year 1998 expenditures will likely be less than $250,000 and fiscal year 1999 expenditures more than $250,000.

- This bill appropriates $250,000 in FY 1998 and $250,000 in fiscal year 1999 for a small government revolving loan program. After the initial $250,000 appropriation in each fiscal year, revenues will vary according to the loan repayment schedule. As loans are repaid, revenues will increase. Directly related to the revenue stream (or loan repayment schedule) are expenditures. As loans are repaid, new loans, or expenditures, will be completed.

- The small government fire department revolving loan program will likely produce additional administrative costs administered for the State Fire Marshal in the Department of Commerce.

Local Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
Certain Townships, Municipalities and Fire Districts			
Revenues	Potential gain from loans	Potential gain from loans	Potential gain from loans
Expenditures	- 0 -	Potential increase to repay loans	Potential increase to repay loans

- Municipalities and townships meeting population criteria established by this bill *could* benefit. It will depend upon whether or not these political subdivisions request a loan and if they then receive the loan.

Detailed Fiscal Analysis

The bill establishes a small government fire department revolving loan program to assist fire departments purchase equipment and construct or renovate buildings. "Small governments" are defined as follows:

- any municipality with a population of not more than 7,500;
- any township with a population of not more than 5,000; or
- any township located in a county with a population of not more than 100,000;
- and certain fire districts.

The revolving loan program will operate by awarding zero percent loans to townships and municipalities for a maximum maturity of twenty years. As the loans are repaid, the program will redistribute those funds as new loans to other municipalities and townships. The State Fire Marshal will operate the program and adopt rules for administering the program.

The bill establishes a new state special revenue fund in the Department of Commerce for the revolving loan program. Fund 5F1 would receive $250,000 in fiscal year 1998 and $250,000 in fiscal year 1999. Under this bill, the money would be transferred to Fund 5F1 from the Controlling Board upon application by the Department of Commerce and approval by the Controlling Board. The transfer from Controlling Board line item 911-436, Rural Fire Departments, will be made in accordance with temporary law established under Am. Sub. H.B. 215 of the 122nd General Assembly, the main appropriations act. Under this act, the money would be released only after legislation was passed, the money was requested by the Department of Commerce, and the transfer was approved by the Controlling Board. This bill, H.B. 192, provides the enabling legislation.

State Effects

The most obvious and quantifiable state fiscal effect is the transfer of $250,000 in fiscal years 1998 and 1999 from the GRF. The decrease of funds in the GRF may result in reduced fiscal year 1999 capital funds or fewer funds available for the income tax reduction fund. In addition, the State Fire Marshal (Fund 546) will likely incur at least marginal additional costs, primarily for administrating the revolving loan program.

Local Effects

Any municipality, township or fire district that receives a loan to buy equipment or renovate/construct buildings will benefit, primarily due to not having to pay interest. With any zero or significantly below-market interest rate loan, however, the borrower may want to extend repayment beyond a normal, fiscally-attainable period. This practice would allow the borrower to invest the principal in other interest-bearing accounts or to fund other projects or activities. Under this bill, the State Fire Marshal must adopt rules regarding the disbursement of these loans. To maintain a vibrant revolving loan program, it is the Fire Marshal's interest to limit borrowers' engaging in this practice.

❑ *LBO staff: Rick Graycarek, Budget/Policy Analyst*