

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 a total of \$500,000 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 Department of Commerce requested the money, and the Controlling Board approved the transfer. Am. Sub. H.B. 192 provides the enabling legislation, as well as the mechanism for transferring any unencumbered or unallotted fiscal year 1998 amounts to fiscal year 1999 (Am. Sub. H.B. 215 originally appropriated \$250,000 in each fiscal year).

State Effects

The most obvious and quantifiable state fiscal effect is the transfer of a total of \$500,000 in fiscal year 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 administering 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 in the Fire Marshal's interest to limit borrowers engaging in this practice.

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