Fiscal Note & Local Impact Statement

123 rd General Assembly of Ohio

BILL: **H.B. 76**

DATE: **March 25, 1999**

STATUS: **As Introduced**

SPONSOR: **Rep. Brading**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **Exempts from the calculation of a subdivision's debt limit certain securities issued for permanent improvements**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
Counties			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase in debt service	Potential increase in debt service
Other Local Governments			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase in debt service	Potential increase in debt service

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Exempting certain securities from the calculation of a subdivision's debt limit would increase debt capacity.
- Additional debt issuance would increase debt service payments.

Detailed Fiscal Analysis

Subdivisions can issue general obligation debt to pay the costs of permanent improvements in tax increment financing (TIF) districts. New construction located in these districts is granted a reduction of taxes if an agreement for tax redirection is signed. Under this agreement a special fund is created where all "payments in lieu of taxes" are deposited. These payments in lieu of taxes are pledged or appropriated for debt service payment on debt issued for permanent improvements in TIF districts.

This proposal would remove not more than seventy-five per cent of the principal amount of these securities from the calculation of a subdivision's debt limit. The extent to which a percentage of the principal amount of the securities would be excluded from debt limit calculations is dependent upon the ability of payments received under the in lieu of taxes agreement to meet total debt service obligations.

Bond issuance in TIF districts can entail a certain degree of risk. If development fails to reach the levels expected or fails to occur at all, retirement of the bonds would prove difficult. Although this would have no direct fiscal effect, increasing debt capacity may influence future decisions regarding the issuance of debt. Increasing the total amount of debt issued would subsequently increase the total amount of debt service payments. Since borrowing represents long term commitments of future revenues, there is a certain amount of risk inherent to increased activity in this area.

❑ *LBO staff: Allan Lundell, Economist*

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