Fiscal Note & Local Impact Statement

123 rd General Assembly of Ohio

BILL:	**Am. H.B. 187**	DATE:	**April 28, 1999**
STATUS:	**As Passed by the House**	SPONSOR:	**Rep. Olman**

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

CONTENTS: **Creates limited home rule government townships with authority beyond that of limited self-government townships and makes other changes to the law governing townships**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
Limited Home Rule Government Townships			
Revenues	- 0 -	Potential gain	Potential gain
Expenditures	- 0 -	Potential increase	Potential increase
Townships			
Revenues	- 0 -		
Expenditures	- 0 -	Potential increase	Potential increase
Counties and Municipalities			
Revenues	- 0 -	Potential gain	Potential gain
Expenditures	- 0 -	Potential increase	Potential increase

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

- *Limited Home Rule (LHR) townships* could choose to incur increased debt service costs because the bill would increase allowable net-indebtedness, and exclude certain securities from the net-indebtedness calculation for LHR townships.

- *LHR townships* could incur increased costs and gain additional revenue by taking on the additional powers, beyond those of limited self-government townships, permitted by the bill.

- *Townships* could choose to incur increased debt service costs because the bill excludes debt issued for parks and fire services from the statutory net-indebtedness limitation.

- *Townships* could have lower annual debt service payments, but have overall higher debt service costs because the bill extends the length of time a township can issue debt for certain purposes.

- *Counties and municipalities* could incur additional court costs and gain court fee revenue in order to adjudicate and prosecute criminal violators of LHR townships' sewer regulations.

Detailed Fiscal Analysis

Provisions of the Bill

The bill creates the limited home rule government (LHR) township. The bill establishes procedures that a township must follow in order to become a LHR township. These procedures differ based upon a township's population in its unincorporated area (see ORC 504.01 in the bill for the specific procedures). Townships with populations under 5000 in the unincorporated area would not be eligible to become LHR townships. According to the Ohio Township Association, approximately 100 townships currently could become LHR townships under the bill.

Of those 100 townships, 8 are currently limited self-government townships that would automatically become LHR townships when the bill became effective. The eight townships that are currently limited self-government townships are Delhi, Sycamore, and Symmes in Hamilton county; Jackson, Perry, and Plain in Stark county; Washington in Montgomery county; and Hamilton in Warren county.

The bill gives LHR townships the same powers as limited self-government townships, but also permits LHR townships to take on authority beyond that of current limited self-government townships and beyond all other townships, as described in the "LHR township effects" section below.

LHR township effects

Under the bill, LHR townships would be able to incur net-indebtedness equal to five and one-half percent of tax valuation without a vote and up to ten and one-half percent with a vote. Currently any township can only incur net-indebtedness equal to five percent of tax valuation and no debt can be incurred without a vote. This change would allow townships that became LHR townships to incur five and one-half percent more voted debt and a half-percent more non-voted debt. The impact on any given township could vary based upon its tax valuation, how close it is to the state's indirect 10-mill limit on property tax levied, and other fiscal circumstances.

Ohio's eight limited self-government townships could be immediately affected on the bill's effective date because they would automatically become LHR townships. Table 1 below shows the changes in allowable net-indebtedness that would occur under the bill for those eight townships.

The bill also excludes certain securities from being included in the calculation of a LHR township's net-indebtedness (Sec. 133.09 (B) 1-6). Generally, securities that are not general obligations of the township and/or have a dedicated revenue source for payment are excluded from the net-indebtedness calculation. These changes would also allow LHR townships to incur more debt than under current law and could result in increased debt service costs.

Table 1: Changes in Allowable Net-indebtedness under the Bill for Current Limited Self-government Townships*

Township (County)	Current allowable voted net-indebtedness	Allowable non-voted net-indebtedness under the bill	Allowable voted net-indebtedness under the bill
Delhi (Hamilton)	$19,273,011	$21,200,313	$40,473,324
Hamilton (Warren)	$7,944,333	$8,738,767	$16,683,100
Jackson (Stark)	$46,309,565	$50,940,522	$97,250,087
Perry (Stark)	$24,157,111	$26,572,822	$50,729,933
Plain (Stark)	$40,369,540	$44,064,495	$84,776,036
Sycamore (Hamilton)	$24,535,384	$26,988,922	$51,524,305
Symmes (Hamilton)	19,478,121	21,425,933	$40,904,054
Washington (Montgomery)	$57,867,624	$63,654,056	$121,521,380

*Allowable net-indebtedness is obtained by calculating the total tax valuation of a township (including: the total taxable value of real property, personal property, public utility property and railroad property within the township) and then multiplying by the percentages listed in the analysis above.

Providing sewer and water service. The bill permits LHR townships supply sewer service. LHR townships could incur additional debt and generate offsetting fee and other revenue by exercising this authority. Under current law, a limited self-government township is only allowed to supply water service. In order to provide sewer services, the bill permits LHR townships to:

- Contract with a county or regional sewer and/or water district for service
- Build and maintain sewer facilities
- Impose criminal fines for violation of sewer regulations
- Issue special assessments to pay for the cost of sewer service provision

The bill also permits LHR townships to issue general obligation debt in order to build and maintain water and sewer facilities. Choosing to use such authority could result in increased debt service and other debt issuance costs. Issuing general obligation debt for water and sewer service projects, as opposed to other types of debt, could result in lower interest charges, reducing overall debt service costs for such projects.

Under the bill, LHR townships are permitted to adopt a general plan for supplying water and or sewer service only if:

1. The LHR township notifies the board of county commissioners, the legislative authority of a municipal corporation, or governing board of a regional water and sewer district when the territory in the township's proposal overlaps that of a county, municipal, or regional water and/or sewer district.

2. The county commissioners, the legislative authority of a municipal corporation and/or the governing board of the affected regional water and sewer district **do not** object to the proposal.

The bill sets forth certain criteria upon which the county commissioners, the legislative authority of a municipal corporation, and/or governing board can object to the LHR township's plan (Sec. 504.19). If one of these entities object, the parties are required to go to non-binding mediation. If mediation fails, LHR township may appeal in court. LHR townships choosing to pursue mediation and/or to litigate such disputes could have increased legal costs.

Contracting for engineering services. The bill allows LHR townships to contract independently for services normally provided by the county engineer, but only on a project-by-project basis. The county engineer is still required to review the contractor's plans and assist with the supervision of any such projects.

Township effects

The bill changes townships' authority to issue debt for various activities, which could result in townships incurring additional debt service costs. The specific changes are listed in the Table 2 below. The most fiscally significant change is that debt issued for parks and fire services would be excluded from the calculation of a township's net-indebtedness.

Most of the changes described in Table 2 permit townships to extend the length of time debt can be issued for certain purposes. Such changes could result in higher overall debt service expenditures for townships, but lower annual debt service costs in these cases. In these cases, any debt issued would still count toward a township's total net-indebtedness, thereby limiting the amount of additional debt costs that could be incurred.

Under existing law, a township's debt limit is equal to five percent of its tax valuation. For all of the changes described in Table 2, no debt can be incurred without a vote of township residents. The impact on any given township could also vary based upon the amount of net-indebtedness it is permitted to incur, how close it is to the state's indirect 10-mill limit on property tax levied, and other fiscal circumstances that could limit its ability to issue debt.

Table 2: Changes to Restrictions on Township Debt

H.B. 187	Current Law
1. Debt issued for acquiring parkland would have to be repaid within 30 years. Debt for park materials would have to be repaid within 10 years. This debt would not be counted when calculating net-indebtedness.	1. Debt for acquiring parkland and materials must be repaid within four years and is counted toward net-indebtedness. Twenty-five percent of the purchase price must be paid in cash at the time of purchase.
2. Debt issued to contract "for any lawful township purpose" would have to be repaid within 10 to 50 years, depending upon the specific purpose for which it was issued. *	2. Debt issued "for any lawful township purpose" must be repaid within 9 years and 10 percent of the purchase price must be paid in cash at the time of purchase. *
3. Debt issued for projects related to energy conservation would have to be repaid within 10 years.	3. Debt issued for projects related to energy conservation must be repaid within 5 years (10 years for cogeneration systems) and ten percent of the purchase price must be paid within two years of purchase.
4. Debt issued for purposes relating to provision of fire service would have to be repaid within 10 to 40 years depending upon the specific purpose for which it was issued. Debt for these purposes would not be counted when calculating net-indebtedness.	4. Debt issued for purposes relating to provision of fire service must be repaid within 9 years and 11 percent of the purchase price must be paid in cash at the time of purchase. Debt issued for these purposes does count when calculating net-indebtedness.
5. Townships can issue general obligation debt to purchase property for a community improvement corporation. It must be repaid within 30 years.	5. Townships are *not* given authority to issue debt to purchase property for a community improvement corporation.
6. Townships can make purchases or issue general obligation debt for vehicles, equipment, and machinery for use in road construction and maintenance. It must be repaid within 20 years.	6. Townships can enter into lease-purchase agreements for vehicles, equipment, and machinery for use in road construction and maintenance. Townships are *not* given authority to issue general obligation debt for road construction and maintenance purposes.

* Debt issued for these purposes could not exceed 10 percent of a township's total revenue.

County and municipal effects

Counties would have increased costs to notify townships about public meetings at which changes to the general subdivision and plat rules are to be considered by the county commissioners or the county planning commission.

Counties would have decreased costs for notifying affected townships about meetings of the county commissioners or county planning commission to approve subdivision plats. The bill requires such notifications be sent via regular mail instead of by certified mail, as is required by current law.

Counties and municipalities could incur additional court costs in order to prosecute and adjudicate criminal violators of LHR townships' water and sewer regulations.

❑ *LBO staff: Alexander C. Heckman, Budget/Policy Analyst*

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