Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
77 South High Street, 9th Floor, Columbus, OH 43215-6136 ✧ Phone: (614) 466-3615
✧ *Internet Web Site:* http://www.lsc.state.oh.us/

BILL: **Am. Sub. H.B. 359** DATE: **May 29, 2008**

STATUS: **As Reported by Senate Ways & Means** SPONSOR: **Rep. Huffman**

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

CONTENTS: **Allows eligible counties to use surplus delinquent tax collections for nuisance abatement of foreclosed residential property and prosecution of certain violations of real estate law**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties – Delinquent Tax and Assessment Collection (DTAC) funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase for qualifying counties	Potential increase for qualifying counties	Potential increase for qualifying counties
Municipalities and Townships			
Revenues	Potential gain	Potential gain	Potential gain
Expenditures	Potential increase	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.

- The bill permits counties with populations of more than 100,000 to use up to $3 million annually in Delinquent Tax and Assessment Collection (DTAC) funds to assist municipalities and townships abate nuisance residential properties that are in foreclosure. Twenty-eight counties meet this criterion.

- The bill also permits eligible counties to use DTAC moneys to pay for the prosecution of certain violations of real estate law, such as mortgage fraud and other similar violations. This could potentially allow prosecutors to more aggressively pursue such violations.

- The bill requires county treasurers to apply the proceeds from the sale of foreclosed residential properties toward property taxes that remain a lien against the property. This would reduce what these proceeds would otherwise be used for. However, if a purchaser does not have to pay any unpaid taxes, such properties could be sold more quickly or at a higher price than if property taxes were still owed.

Detailed Fiscal Analysis

Background

This bill adds to the purposes for which qualifying counties may use excess Delinquent Tax and Assessment Collection (DTAC) funds. The bill permits counties with populations of 100,000 or more to spend up to $3 million in surplus DTAC moneys to (1) assist municipalities and townships with nuisance abatement of foreclosed residential property, and (2) provide additional funding for county prosecutors to pursue criminal and civil real estate transaction-related violations of the law. According to the June 2007 "Ohio County Indicators" report published by the Department of Development's Office of Strategic Research, 28 counties meet the population threshold in the bill. Of those, it is not clear how many of these counties maintain excess funds that could be used for the purposes described in the bill.

Eligible counties—use of DTAC funds

It would be difficult to predict how eligible counties might use these moneys. In some cases, counties might opt to help municipalities and townships raze nuisance property. In other cases, county officials might direct the additional DTAC resources toward prosecuting mortgage fraud and other related real estate violations. Treasurer's offices in nine counties provided LSC with information on their DTAC fund balances at the beginning of May 2008. This information is summarized in the following table.

County	DTAC Fund Balance
Allen	$367,132
Clark	$801,043
Cuyahoga*	$9,000,000
Fairfield	$488,687
Franklin	$9,881,914
Lorain	$565,576
Lucas	$1,399,343
Miami	$290,854
Montgomery*	$8,600,000

* Estimate provided by county.

Both Franklin and Cuyahoga counties indicated that they would use excess DTAC funds for nuisance abatement. However, it is not certain how many of the counties listed in the table or the other 19 eligible counties would use their DTAC funds to pursue criminal and civil real estate transaction-related violations of the law. Presumably, these decisions would depend on the extent to which county officials regard foreclosed nuisance properties or real estate law violations as problems in their communities.

County treasurer—property tax liens

The bill requires any sale proceeds to be applied to property taxes that are a lien on property when the deed is transferred. Since the lien attaches on January 1 for taxes that do not become payable until one year later, the bill would have the effect of generally requiring an additional year's taxes to be paid out of the sale proceeds. Ultimately, this provision does not alter the total proceeds gained from the sale of this property, therefore there is no revenue gained or lost due to this provision.

LSC fiscal staff: Terry Steele, Budget Analyst

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