



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 513 of the 129th G.A.](#)

Date: April 17, 2012

Status: As Introduced

Sponsor: Rep. Maag

Local Impact Statement Procedure Required: No

Contents: Authorizes the use of additional lease financing mechanisms and makes other changes

State Fiscal Highlights

- The bill provides for a variety of lease financing alternatives that may be used for construction and renovation of public facilities. Specifically, the bill modifies current law that affects the Department of Administration Services' authority to enter into lease purchase agreements. The bill also gives the agency new authority to finance the construction of facilities using the lease-leaseback financing mechanism. The fiscal impact of these changes will depend upon the terms of individual lease agreements.

Local Fiscal Highlights

- The bill also changes the arrangements under which county commissioners pay for the office space and utility expenses incurred by the board of health of the county's general health district. Specifically, the bill accomplishes this through a scheduled reduction of the proportion of office space and utility expenses that counties must pay on behalf of general health districts boards of health from 2014 through 2017.

Detailed Fiscal Analysis

Lease Financing Alternatives

The bill deals with a variety of lease financing techniques to provide for construction or renovation of new or existing facilities used for public purposes. First, the bill modifies existing law governing lease-purchase agreements that the Department of Administrative Services (DAS) may enter into by expressly allowing DAS to make such agreements with any person or political subdivision of the state, and by requiring that improvements under a lease-purchase agreement be for any public purpose or private use for the benefit of the state. Secondly, the bill establishes new law that grants DAS authority to enter into a lease-leaseback agreement under which the state leases real property to provide for the construction of buildings, structures, and other improvements for the use of the state under terms similar to those required for lease-purchase agreements. Specifically, the bill allows the State Architect's office within DAS to enter into a lease-purchase agreement providing for the construction, renovation and eventual acquisition of a building or improvements to a building for any state agency. However, all lease financing agreements are limited to two year renewable terms not to exceed thirty years in total duration. Finally, the bill specifies that ownership of the real property subject to these financing arrangements reverts to the state after the lease term ends.

The bill also authorizes the state and boards of county commissioners to enter into agreements for the sale and leaseback of state-owned buildings and county-owned buildings, respectively. The bill specifies that under such an agreement, the purchaser is obligated, immediately upon closing, to lease the building back to the state or county, and that the lessor is obligated to make improvements to the building including renovations, energy conservation measures, and other measures that are necessary to improve the functionality and reduce the operating costs of the building. Taken together, these changes give the state and counties with additional ways to finance the cost of public improvements through implementing long term leases. The fiscal effects will depend on the specifics of individual lease agreements.

Office Expenses for Local Health Districts

The bill requires a board of county commissioners to provide office space and utilities to the county's general health district board of health through FY 2013, and to provide payments in FY 2014 through FY 2017 based on specified decreasing proportions (80% in FY 2014, 60% in FY 2015, 40% in FY 2016, and 20% in FY 2017) of the estimated costs of office space and utilities, with no obligation to provide or make payments for office space and utilities after FY 2017. The bill also permits a board of county commissioners, in FY 2018 and thereafter, to provide office space and utilities to the general health district board of health, by contract or free of charge. This reduces costs for county commissioners since they will pay a decreasing portion of costs for

office space and utilities through FY 2017 and will not be required to pay any portion after that year. There will, however, be a subsequent increase in costs for local boards of health in a general health district.

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