Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 289 of the 130th G.A.

Date: February 19, 2014

Status: As Reported by House State and Local Government

Sponsor: Rep. Schuring

Local Impact Statement Procedure Required: No

Contents: Makes various changes to law governing joint economic development zones

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- The bill requires a new or substantially amended joint economic development zone (JEDZ) to have an economic development plan with a schedule for its implementation, and to create a review council.
- The council is to publish a report annually stating whether the JEDZ has complied with its plan and schedule.
- Two or more business owners or employees subject to municipal income tax in the JEDZ may seek elimination of that tax if the council finds noncompliance with the plan and schedule.
- The bill phases out JEDZs after 2014. Some existing JEDZs may continue to function for years.
- The bill makes various other changes that appear to have no direct fiscal effect.

Detailed Fiscal Analysis

The bill specifies that to create a new joint economic development zone (JEDZ), or to (1) increase the rate of municipal income tax within the zone, (2) change the purposes for which the municipal income tax revenue may be used, (3) add contracting parties, or (4) change the area included in the zone, a JEDZ must include in its contract an economic development plan and schedule, and provide for creation of a joint economic development review council (JEDRC). The schedule is to include implementation or provision of any new, expanded, or additional services, facilities, or improvements. Fifty percent or more of revenue from the municipal income tax in a JEDZ organized under R.C. 715.691 (between municipal corporations or may include one or more townships and one or more municipal corporations) is to be used solely for implementing the economic development plan.

The JEDRC is separate from the board of directors required in current law for JEDZs created under R.C. 715.691. The JEDRC has various responsibilities, one of which is to issue an annual report including a determination whether the JEDZ has or has not complied with its economic development plan and schedule. If the JEDZ has not complied, two or more business owners or employees in the zone subject to municipal income tax by the zone may jointly bring an action in a court of common pleas to suspend the municipal income tax. If the zone is organized under R.C. 715.69 (between municipal corporations only), the court is to determine whether to terminate the contract that established the zone. Any suspension of the income tax or termination of the contract is to be done so as to avoid violating the terms of bonds or other encumbrances.

Expenses of the JEDRC are to be paid by the contracting parties, and are limited to no more than $10,000 per year. The bill does not specify whether members of the JEDRC are to be compensated.

The bill provides for phasing out JEDZs. No new JEDZ may be created after 2014. No JEDZ contract may be substantially amended or renewed after 2014. However, no limit is specified in statute on the term of a JEDZ contract, hence some existing JEDZs may continue in operation for a long time.

Potential direct fiscal effects of the bill could include increases in costs of operating some JEDZs, and increases in court costs for courts of common pleas hearing actions based on the bill. Court actions or expiration of JEDZ contracts could result in elimination of the municipal income tax in some JEDZs, reducing revenue of the zones and contracting parties. The risk of loss of municipal income tax revenue might spur additional efforts to accomplish the economic development plan within the schedule.

Further details on provisions of the bill are in the LSC Bill Analysis.

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