



Ohio Legislative Service Commission

Philip A. Cummins

Fiscal Note & Local Impact Statement

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

Date: May 21, 2014

Status: As Reported by Senate Finance

Sponsor: Rep. Schuring

Local Impact Statement Procedure Required: No

Contents: Makes various changes to law governing joint economic development zones and declares an emergency

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- The bill creates municipal utility districts (MUDs), and converts to MUDs those joint economic development zone (JEDZ) that were organized under R.C. 715.69.
- The bill requires a new or substantially amended JEDZ created under R.C. 715.691 to have an economic development plan with a schedule for its implementation, and to create a review council to approve the plan.
- Review council expenses are limited to \$10,000 in any year.
- Creation of a new JEDZ and substantial amendment of an existing JEDZ contract are not allowed after 2014, possibly resulting in loss of income tax revenue to municipal corporations and townships.
- Renewal of JEDZ contracts is not limited by a sunset provision. Some JEDZs existing at the end of 2014 may continue to function for years.
- The bill makes various other changes that appear to have no direct fiscal effect.

Detailed Fiscal Analysis

H.B. 289 changes law pertaining to joint economic development zones (JEDZs), which are created under R.C. 715.69 and R.C. 715.691. The former pertains to municipal-only JEDZs and is repealed, but municipal corporations could instead create municipal utility districts (MUDs) under R.C. 715.84, newly enacted by the bill. R.C. 715.691 pertains to JEDZs which may include one or more townships and one or more municipal corporations, or may be between municipal corporations, and is amended by the bill.

MUDs created under the bill would be substantially similar to JEDZs organized between municipal corporations under R.C. 715.69 in current law. The bill specifies that the purpose of a MUD would be to facilitate "new or expanded growth for commercial or economic development." Existing JEDZs created under R.C. 715.69 would become MUDs under the bill without any action on the part of the contracting parties. No sunset provisions apply to MUDs.

The bill amends R.C. 715.691 to specify that to create a new JEDZ approved by voters or to substantially amend the contract for a JEDZ created under that section, 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). Substantial amendment is defined as (1) an increase in the rate of municipal income tax within the zone, (2) a change in the purposes for which the municipal income tax revenue may be used, or (3) a change in the area included in the zone. The schedule is to include any new, expanded, or additional services, facilities, or improvements. At least 50% of revenue from the municipal income tax is to be used solely for the changes specified in the economic development plan until they are completed.

The JEDRC is responsible for approving the JEDZ's economic development plan, after which the JEDRC is dissolved. Expenses of the JEDRC are to be paid by the contracting parties, and are limited to no more than \$10,000 in any year. The bill does not specify whether members of the JEDRC are to be compensated. The JEDRC is separate from the board of directors required in current law for JEDZs created under R.C. 715.691.

The bill provides for a limited phasing out of JEDZs. No new JEDZ could be created after 2014. No JEDZ contract could be substantially amended after 2014. However, the bill does not preclude renewal of JEDZ contracts, and some existing JEDZs could continue in operation for a long time.

Potential direct fiscal effects of the bill could include increases in costs of operating some JEDZs, related to creation, approval, and implementation of the economic development plan. The requirement that 50% or more of income tax revenue be used to accomplish the objectives of the economic development plan may divert funding from other uses to which it might be put. 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 bill contains an emergency clause so will go into effect immediately on passage and the Governor's action.

HB0289SR.docx/th