



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [Am. S.B. 270 of the 128th G.A.](#)

**Date:** June 11, 2010

**Status:** As Enacted

**Sponsor:** Sens. Hughes and R. Miller

**Local Impact Statement Procedure Required:** No — Permissive

**Contents:** Creates a pilot program for permitting certain dam construction projects and authorizes the Franklin Park Conservatory to issue revenue bonds and maintain lines of credit

### State Fiscal Highlights

- The bill creates a dam construction permit pilot program that allows the Department of Natural Resources (DNR) to use an alternative way of calculating and thus increasing the permit fee required for dam construction projects meeting certain criteria. The alternative fee collected would be deposited into the Dam Safety Fund (Fund 6150).
- The bill also alters the terms of surety bonds required for eligible dam projects. The effect of this change is to allow for surety bonds in amounts lower than required under current law, which sets the amount at 50% of the estimated project cost. These amounts are held in trust by the Treasurer of State.
- The upground reservoir to be built by the city of Columbus currently meets these eligibility criteria.

### Local Fiscal Highlights

- The bill authorizes the joint recreation district that oversees the Franklin Park Conservatory to pay for planned improvements by issuing revenue bonds, maintaining lines of credit, and entering into lease purchase agreements.
- If the joint recreation district issued between \$60 million and \$80 million of revenue bonds in FY 2011, assuming a maturity of 30 years and an interest rate of 5.25%, the estimated cost of debt service payments for the bonds over that period is between approximately \$4.0 million and \$5.4 million per year. The total cost of the revenue bonds over 30 years would thus be approximately \$120.5 million to \$160.6 million.

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## Detailed Fiscal Analysis

### Dam construction pilot program

The bill authorizes a temporary pilot program for issuing state permits for an eligible proposed upground reservoir construction project that has an estimated construction cost exceeding \$40 million. Currently, the proposed city of Columbus upground reservoir is the only project that fits these criteria. The estimated construction cost for this project is between \$90 million and \$100 million.

#### Permit filing fee

Under existing law, the Department of Natural Resources (DNR) is responsible for issuing dam construction permits through the Division of Soil and Water Resources. An application for a permit must be accompanied by a filing fee based on a project's estimated cost. Current statute requires the Division to charge a fee of 4% for the first \$100,000 of estimated cost, 3% for the next \$400,000, 2% for the next \$500,000, and 0.5% for all costs exceeding \$1 million, with an additional fee specified if the actual construction cost exceeds the estimated cost filed with the Division. No fee may be less than \$1,000 or more than \$100,000, and all fees are deposited into the Dam Safety Fund (Fund 6150). However, under the bill, the Chief of the Division of Soil and Water Resources would determine the filing fee for an eligible pilot project, with a maximum amount of 1% of the total cost estimate filed with the Division. For the city of Columbus upground reservoir, the maximum amount that could be collected would be between \$900,000 and \$1 million.

#### Surety bond requirements

Currently, a person or agency applying for a dam construction permit must also file a surety bond with the Division in an amount equal to 50% of the estimated project cost, which is held by the Treasurer of State. The bill allows an eligible pilot project to file a surety bond that is less than this amount if the applicant demonstrates that there will be lower costs to mitigate any potential failure of the project. The bill also permits an eligible pilot project to submit an incremental surety bond or other incremental security amounts during the project's construction period if such amounts would be sufficient to mitigate potential failure during different phases of construction. Under existing statute, the city of Columbus project would require a surety bond of between \$45 million and \$50 million. However, under the bill, the actual surety bond would be less than that. According to DNR, this amount could be approximately \$1 million.

#### Administrative costs

Current administrative costs for the Dam Safety Program, including the costs of administering permits, inspections, and other oversight functions, are paid out of the Dam Safety Fund (Fund 6150). The bill does not make any changes to the Dam Safety Program, but does require the Chief of the Division of Soil and Water Resources to

submit a report on the efficacy of the pilot project to the General Assembly within 30 days of the issuance of the project's construction permit. Presumably, the costs to the Division associated with approving a project under the bill and issuing the report would be payable from current resources, or would be offset by the permit fees paid by the eligible project sponsor.

### **Franklin Park Conservatory improvements**

The bill allows the Franklin Park Conservatory to complete a three-phase master plan to expand and improve the buildings and grounds using financing tools not available to it under current law. Specifically, the bill allows the joint recreation district that oversees the Conservatory to issue revenue bonds, secure lines of credit from financial institutions, and enter into lease purchase agreements.

Although the first phase of the master plan has begun and the funding for its completion has been secured, the Conservatory does not currently have adequate funding to finance the final two phases, which includes some construction, expansion, and restoration work. Overall, the Conservatory estimates that these projects will cost \$60 million to \$80 million. Current revenue streams, including admission fees, sales, public and private donations, and when applicable, state or county funding, are sufficient to pay all debt service and bond principal retirement costs that would be incurred by issuing bonds.

The bill would allow the joint recreation district to issue revenue bonds with a maximum 30-year maturity period to make various improvements. The cost of this debt issuance will depend primarily on the interest rates that will be paid on the bonds and the number of years over which they are paid off. If the joint recreation district issued between \$60 million and \$80 million of revenue bonds in FY 2011, assuming a maturity of 30 years and an interest rate of 5.25%, the estimated cost of debt service payments for such bonds over the 30-year maturity period is between approximately \$4.0 million and \$5.4 million per year. These debt service payments will be spread over the entire lifetime of the bonds. The total cost of the \$60 million and \$80 million revenue bonds would be approximately \$120.5 million and \$160.6 million, respectively. The actual debt service might be more or less than the estimated debt service due to fluctuations in interest rates, amount of bonds issued at any one time, and the timing of the issuance.