Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **S.B. 276** DATE: **May 14, 2008**

STATUS: **As Reported by Senate State & Local Govt. & Veterans Affairs** SPONSOR: **Sen. Stivers**

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

CONTENTS: **To authorize counties, municipal corporations, or townships to issue public obligations for conservation and revitalization purposes**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties, Municipalities, and Townships			
Revenues	Potential gain in bond proceeds	Potential gain in bond proceeds	Potential gain in bond proceeds
Expenditures	Potential increase in debt service costs	Potential increase in debt service costs	Potential increase in debt service costs
	Potential minimal increase in election costs	Potential minimal increase in election costs	Potential minimal increase in election costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- ***New debt authorization*.** The bill authorizes counties, municipal corporations, or townships to issue bonds to provide, or assist in providing, grants, loans, loan guarantees, or contributions for conservation and revitalization purposes. Current law limits the debt that these political subdivisions may issue according to a formula based on taxable property value.

- ***Debt service*.** The amount of annual debt service will depend on the interest rate and maturity date of the bonds. Assuming a maturity period of 15 years and an interest rate of 4%, the cost of paying off the bonds would be about nine cents per year for each dollar borrowed.

- ***Election and ballot advertising costs*.** If subdivisions opt to submit new bond programs for voter approval, counties would incur minimal costs for putting these issues on the ballot. There would also be some minimal ballot advertising costs.

Detailed Fiscal Analysis

New bond authorization for political subdivisions

The bill authorizes counties, municipal corporations, or townships to issue bonds to provide, or assist in providing, grants, loans, loan guarantees, or contributions for conservation and revitalization purposes similar to initiatives administered by the state under the four-year, $400 million Clean Ohio Program approved by voters in 2000. The funds available under that program are almost fully committed. Under this bill, if voter approved, an eligible political subdivision would have the authority to enact ordinances providing for the issuance of general obligation bonds that would support grant and loan programs geared toward urban revitalization, preserving green space, and creating recreational space.

Cost of debt

The cost of the general obligation bonds issued would depend on the interest rate that will be paid on the bonds and the number of years over which they are paid off. Assuming a maturity period of 15 years and an interest rate of 4%, the cost of paying off the bonds over 15 years is about nine cents per year for each dollar borrowed.

Limits on net indebtedness

Current law, unchanged by the bill, limits the amount that political subdivisions may issue based upon the percentage of taxable property value. Municipal corporations and home-rule townships can issue up to 10.5% if the debt is voter approved, or up to 5.5% if the debt is not voter approved. Nonhome-rule townships can issue up to 5% of voter-approved debt. Counties may issue between 3% and $6 million plus 2.5% of the taxable value greater than $300 million if the debt is voter approved, but only up to 1% if the debt is not voter approved. This means that counties, municipalities, or townships would have to design grant, loan, and loan guarantee programs that fit within these limits, and would have to choose, for example, whether to fund multiple projects at smaller amounts, or fewer projects at larger amounts.

Election costs

Counties would experience a minimal increase in election costs for putting a county, municipal, or township bond issue on the ballot as well as a minimal increase in costs for the required issue advertisements. Generally, political subdivisions are required to advertise ballot issues for two consecutive weeks in a newspaper of general circulation and, if applicable, on the political subdivision's web site.

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