Ohio Legislative Service Commission

Jean J. Botomogno

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 18 of the 129th G.A.

Date: April 18, 2012

Status: As Enacted

Sponsor: Rep. Baker

Local Impact Statement Procedure Required: Yes

Contents: Authorizes state grants to a business that moves into a vacant facility and increases payroll

State Fiscal Highlights

STATE FUND	FY 2012	FY 2013	FUTURE YEARS
Vacant Facilities Grant Fund			
Revenues	- 0 -	Gain up to $2 million	Potential gain
Expenditures	- 0 -	Potential increase	Potential increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2012 is July 1, 2011 – June 30, 2012.

- The bill creates the Vacant Facilities Grant Fund in the state treasury funded by cash transfers from other funds used by the Department of Development, up to $2 million in FY 2013.
- The bill authorizes grants from the Vacant Facilities Grant Fund to an employer that increases payroll and moves operations into a previously vacant facility. The grants are authorized for a three-year period, which would prevent expenditure increases after FY 2017.

Local Fiscal Highlights

- The bill has no direct local fiscal impact.

Detailed Fiscal Analysis

Under current law, an employer is generally required to deduct and withhold state and school district income taxes from an employee's compensation, and remit to the state amounts withheld from the employee's pay. The bill authorizes the Director of Development to provide grants to employers that hire new employees and increase payroll, and move operations into a previously vacant facility. The grants are to be from a newly created fund in the state treasury, the Vacant Facilities Grant Fund.

An employer required to deduct and withhold income tax from employee compensation may apply to the Director for a grant from the new fund. To be eligible for a grant, the bill requires that the employer occupies under a lease or purchases a vacant commercial space at which the employer would employ at least 50 employees, or where at least 50% of its employees who are employed in this state are located. At least 75% of the square footage of the building or the business park must have been unoccupied and available for use for the 12 months immediately preceding the lease or purchase. In addition, qualifying employees used by the employer to qualify for the grant must (1) not have been employed by the employer within 60 days of the move, (2) be employed at the facility for at least a year working at least 40 hours a week for a wage equal to or more than the Ohio minimum wage, and (3) increase the employer's payroll above the total payroll of the employer on the date the employer purchases or enters into a lease for the vacant commercial space. The amount of the grant is $500 for each eligible employee. The bill requires the Director to prescribe the application materials and explanations, and no grant application may be received three years or later after the effective date of the bill.

On July 1, 2012, or as soon as possible thereafter, the bill requires the Director of Budget and Management, in consultation with the Director of Development, to identify within the Department of Development's budget up to $2 million in unexpended, unencumbered cash and transfer those amounts to the Vacant Facilities Grant Fund. The bill appropriates those amounts for FY 2013. After FY 2013, revenue to the fund, as well as expenditures for grants, would depend on future appropriations by the General Assembly.

The bill has no direct local fiscal impact, though the introduced bill did.

Indirect fiscal effect

Firms decide to relocate for various business reasons. For example, a firm seeking to decrease their lease or rental costs may move into a vacant, cheaper commercial space, but this may not necessarily result in new job creation if an increase in payroll is due to otherwise rising wages at the firm. The grant may induce some existing businesses to move into new facilities, and, potentially, income tax receipts might increase. The bill may be revenue neutral in cases it was responsible for the increase in payrolls. However, relocations or expansions due to the grant would be difficult to ascertain because they cannot be distinguished from those that would have occurred anyway for other normal business reasons, and in the latter case the resulting tax revenue would not be attributable to the bill so the expenditure increase in the bill would not be offset by new revenue from the bill.

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