Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

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

Date: January 18, 2012

Status: As Passed by the House

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
Facilities Establishment Fund (Fund 7037)			
Revenues	- 0 -	- 0 -	- 0 -
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 authorizes grants from the Facilities Establishment Fund (Fund 7037) 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 (or FY 2016, depending on when the bill was enacted).

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.

An employer required to deduct and withhold income tax from employee compensation may apply to the Director for a grant from the Facilities Establishment Fund (Fund 7037). 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 not have been employed by the employer within 60 days of the move, be employed at the facility for at least a year, and must 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. Grants are to be from Fund 7037, a non-GRF fund.

H.B. 153 (the operating budget for FY 2012 and FY 2013) appropriates $50 million each year to appropriation item 195615, Facilities Establishment. This line item funds state assistance to firms for various business developments. The bill creates a new use for Fund 7037 and potentially increases expenditures from the fund, starting in FY 2013 due to the 12-month employment requirement. If the unencumbered balance in Fund 7037 is not sufficient to fund a grant for qualified employers, the Director of Development is to forward the application to the director or the chief executive officer of any entity authorized or charged by law to perform job creation and other economic development functions for Ohio who is to authorize the award of the grant from funds available to the entity that may be used for such purposes.

Appropriation item 195615, Facilities Establishment, is supported by the Facilities Establishment Fund which relies on the proceeds of bonds that are backed by liquor profits. Transfers from the Facilities Establishment Fund Group are also used to capitalize various other programs, including, the Capital Access Loan Program, the Innovation Ohio Loan Program, and research and development projects.

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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