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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 785
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. T. Mathews and Hoops

Local Impact Statement Procedure Required: No

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Highlights

- The bill expands the authority of the Department of Administrative Services (DAS), state universities, and the Adjutant General (ADJ) to lease unproductive or unused state real property, including by authorizing enhanced lease agreements of up to 99 years with private entities.
- The bill provides state universities and the ADJ with greater flexibility, streamlined processes, and expanded development options, allowing them to more effectively manage their property portfolios. Potential revenue gains vary by university, from minimal to as high as \$10.0 million annually, depending on individual circumstances and the scale of development undertaken. The ADJ will likely see an indeterminate increase in revenue over time if enhanced lease agreements are used.
- Fiscal impacts for DAS appear to be absorbable, as the agency already administers leasing functions under existing law. Any additional administrative costs would depend on the number and complexity of negotiated agreements.

Detailed Analysis

Overview

The bill implements the Advancing Strategic State and Military Asset Efficiency and Transformation (ASSET) Act which authorizes the state to enter into an enhanced lease agreement with a private entity to use unproductive and unused state real property. The bill further empowers a board of trustees of a state university and the Adjutant General (ADJ) to lease land.

Department of Administrative Services

The bill may result in modest new administrative costs for the Department of Administrative Services (DAS) associated with reviewing, negotiating, and overseeing enhanced lease agreements for unproductive or unused state property. These costs will depend on the number and complexity of proposals and would generally involve staff time to conduct required reviews or coordinate with other state entities. Any revenues generated under an enhanced lease, whether cash payments or in-kind improvements, would be credited to the state agency or university which controls the property being leased. Because future market participation and project size are unknown, the amount of any revenue gain is indeterminate. As far as costs go, in most cases DAS's administrative expenses are likely absorbable within existing resources unless project volume increases substantially.

The bill allows DAS, with Controlling Board approval, to enter into enhanced lease agreements that authorize private entities to use certain unproductive or unused state real property for commercial activity, research intended to advance a state economic interest, or public-private partnership operations. These agreements may incorporate in-kind services such as infrastructure improvements, must specify lease value, and may have terms of up to 99 years. The bill also requires DAS to ensure that proposed uses do not interfere with core governmental or military functions on adjacent property and to include any necessary environmental, security, transparency, or fair market value assessments as part of the lease documentation. At the end of any lease term, improvements revert to the state at no cost.

In addition to agreements for DAS-controlled lands, the bill allows DAS to negotiate enhanced leases on behalf of a state university or the ADJ when requested. In these cases, DAS's role would be similar to its role in agreements involving other state property – coordinating reviews, ensuring statutory requirements are met, and preparing agreements for Controlling Board approval. These responsibilities would add to DAS's workload only when such entities seek DAS involvement.

Overall, the bill's fiscal effects for DAS stem from the additional review and negotiation workload generated by enhanced lease proposals and from any revenue or in-kind improvements that may result. Because activity under the bill is project driven and dependent on future proposals, the net fiscal effect is uncertain, but near-term impacts on DAS operations are likely to be limited.

State universities

According to responses received by the Inter-University Council of Ohio (IUC), the expanded leasing authority under the bill may allow state universities to reduce administrative timelines, respond more quickly to market opportunities, and structure real estate development agreements more effectively. Revenue expectations vary significantly by university. Some anticipate little or no change due to limited available land or strategic intent, while others anticipate potential new revenues up to \$10.0 million annually depending on market conditions, project scale, and institutional characteristics.

The bill revises and expands the authority of state university boards of trustees to lease land under their control that is not required for university purposes. Under continuing law, universities may lease certain land for defined development activities; the bill broadens the list of permissible purposes to include retail, residential, institutional, recreational, conservation, or

other types of facilities. The bill also integrates the universities into the enhanced lease framework by authorizing DAS to negotiate enhanced leases for university-controlled property at the request of a board of trustees.

Adjutant General

The bill revises and expands the authority of the ADJ to lease land under its control that is not required for use by the Ohio Organized Militia. The bill also authorizes DAS to enter into enhanced lease agreements on their behalf, which may lead to certain administrative efficiencies. This authority largely parallels the leasing provisions that apply to boards of trustees of state universities described above. The bill prohibits leasing arrangements that could interfere with essential military operations and requires that, as with other enhanced leases, any improvements constructed during the lease term become state property at the end of the agreement.

Any revenue from these leases must be deposited into the state treasury as an addition to the ADJ's appropriations. The leasing authority under the bill is permissive and does not obligate the Adjutant General to pursue specific agreements. Revenue expectations are indeterminate and will depend on market conditions, project scale, and future development improvements.