OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

**H.B. 264**
**133rd General Assembly**

# Fiscal Note & Local Impact Statement

Click here for H.B. 264's Bill Analysis

**Version:** As Reported by House State and Local Government

**Primary Sponsors:** Reps. Wilkin and O'Brien

**Local Impact Statement Procedure Required:** No

Jamie Doskocil, Fiscal Supervisor and other LBO staff

## Highlights

- The bill could result in an indirect fiscal effect on the Ohio Water Development Authority if additional loans are requested to be financed or refinanced by local governmental entities.
- Local government borrowers who refinance loans for public water and wastewater infrastructure projects could experience significant cost savings in terms of lower interest paid on existing and future loans.

## Detailed Analysis

Current law allows the Ohio Water Development Authority (OWDA)[1] to make loans and grants to persons and governmental agencies, but only for the acquisition or construction of water or wastewater facilities. Existing loans and grants cannot be refinanced under current law since the loans have been pledged to existing bonds. Consequently, OWDA's authority to issue revenue bonds is viewed as limited to the financing of loans and grants, not their refinancing. The bill provides greater flexibility for OWDA to issue revenue bonds for an additional purpose, which is paying any refinancing costs of improvements to environmental infrastructure. The bill also allows OWDA to use such bond proceeds to make loans for refinancing of such infrastructures. The refinancing of certain loans that were previously financed at a higher interest rate than what otherwise may be made available will be a cost savings for affected

[1] OWDA is a bond-issuing authority created by the state of Ohio to provide financial assistance for environmental projects from the sale of municipal revenue bonds through loans to local governments in Ohio and from issuance of industrial revenue bonds for qualified projects.

borrowers. The magnitude of any potential local savings will depend upon the terms of the loan participation agreements established. The debt service on loans in the hundreds of thousands of dollars range could realize significant cost savings if interest rates were to decrease by just a small increment. While the bill is permissive in nature, there would presumably be some cost to OWDA to renegotiate any future loans if requested to do so by the grantee.

According to OWDA staff, the bill could also result in driving some local entities to OWDA for financing of projects that were originally financed by debts entered into outside of OWDA. At this time, OWDA anticipates that if enacted, the bill will generate additional workload necessitating at least one additional staff person to assist in processing the new applications. This additional cost will be mitigated through loan fees, which will be adjusted accordingly. OWDA is a self-funded entity of the state.

In 2018, OWDA provided $943,669,918 in loans for 380 projects in 84 counties. Loans ranged from less than $10,000 to more than $111 million for one jurisdiction.[2]

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[2] A complete listing of the 2018 projects and applying communities can be found at https://www.owda.org/docs/documents/8//2018_Annual_Report_OWDA.pdf.