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H.B. 138
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 138's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Dovilla and Santucci

Local Impact Statement Procedure Required: No

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Highlights

- The bill authorizes a local government to create a tourism promotion district (TPD) and to levy within the district an assessment on hotels to pay for improvements that benefit those hotels and services designed to increase overnight stays.
- The bill authorizes the issuance of revenue bonds, backed by assessment revenue, to fund improvements to benefit the hotels.
- The fiscal effect on political subdivisions is permissive, as the bill requires the TPD to be created by the legislative body of a county, township, or municipal corporation. A TPD may extend beyond those boundaries with the consent of the relevant local government to which the district extends.

Detailed Analysis

The bill authorizes a county, township, or municipal corporation to create a tourism promotion district (TPD). Once created, special assessments can be levied against lodging businesses – a hotel with five or more rooms – within the district. Funds from the assessments must be used to fund supplemental services designed to increase overnight stays and improvements that benefit the lodging businesses in the districts.

The “supplemental” requirement means the services and improvements must be in addition to any services and improvements the county, township, or municipal corporation creating the district already provides. In other words, these assessments are not supposed to be used to fund existing services or improvements.

A TPD may be created by a municipal corporation in its territory, or by a township or county in its unincorporated territory. A TPD may extend beyond those boundaries with the consent of the relevant local government to which the district extends, but its territory must be

contiguous in any case. The term of a district must be for a specific term of years, initially three to five, unless revenue bonds are proposed, in which case the term equals the maturity of the bonds. TPDs may be renewed for a specific term, up to ten years, unless bonds are issued, in which case renewal districts also extend to the maturity of any bonds.

As part of creating a TPD, the local government may set the terms under which a special assessment (referred to as a “benefit assessment” in the bill) may be levied on hotels within the TPD. The assessments may be computed on any reasonable method based on benefit received by the lodging business, including a percentage of gross lodging business revenue or a fixed dollar amount per transaction. They may also differ by the type or class of lodging business involved as defined by the district plan.

If TPD benefit assessment funds are to be used to fund improvements, i.e., tangible property with a useful life of five or more years, the TPD district management association or a port authority that encompasses the entire territory of the TPD may issue revenue bonds backed by the benefit assessment revenue. Benefit assessments levied in two or more TPDs can be pledged to secure a single bond issuance, and the benefit assessment is the only permissible source with which to back the bonds.

Under the bill, any county, township, or municipal corporation that forms a TPD must contract with a nonprofit corporation to serve as the TPD’s district management association, which is authorized to select the specific supplemental services and improvements that will be funded with proceeds from the benefit assessment within the parameters established when the TPD was created. The bill requires a district management association to submit an annual report of its expenditures of benefit assessment revenue and other financial information to the Auditor of State and the local government that created the TPD.

Fiscal effect

The fiscal effect on political subdivisions is permissive, as the bill requires the TPD to be created by the legislative body of a county, township, or municipal corporation. A TPD may extend beyond those boundaries with the consent of the relevant local government to which the district extends.