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Bill Analysis
Legislative Service Commission

H.B. 145

125th General Assembly
(As Introduced)

Reps. Buehrer, Aslanides, Brinkman, C. Evans, Fessler, D. Evans, Schaffer, White, Gilb

BILL SUMMARY

- Enacts the "Electronic Government Services Act," which prohibits a government agency from providing electronic commerce services that are duplicative of or competing with the private sector, other than specified cable services, unless the government agency complies with procedures established in the act.

CONTENT AND OPERATION

Ban on government agencies competing with private enterprises in offering or expanding electronic commerce services

The bill enacts the Electronic Government Services Act (EGSA). (R.C. 1306.26(C).) Except as described below, the bill mandates that, if two or more competing private enterprises provide electronic commerce services, a government agency must not engage, through the expenditure of public moneys, in any activity to provide or offer those services or to expand similar services. Any provider of electronic commerce services that resides or does business in Ohio has standing to bring a cause of action for appropriate relief in a court of competent jurisdiction challenging the provision of those services by a government agency in a manner that is not in accordance with the bill's exception procedures described below.

Nothing in the bill, however, prohibits a government agency from providing electronic commerce services to the public in the absence of two or more competing private enterprises providing those services. (R.C. 1306.27.) Additionally, nothing in the bill applies to the installation, construction, expansion, maintenance, or operation of any physical infrastructure by a political subdivision that is a public cable service provider under the Cable Operations Law, whether on its own or in conjunction with other public cable service providers or private cable

service providers, for the sole purpose of providing cable service as provided by law (R.C. 1306.29(A)).

The bill defines "electronic commerce services" as services relating to commercial activity (the performance of services or provision of goods that normally can be obtained from a private enterprise) that are the same as, similar to, or overlap information technology-based services provided to the public by two or more competing private enterprises. Those services include services made in connection with a transaction completed over a computer network, such as the buying of goods or services over the Internet. (R.C. 1306.25(A) and (C).)

Under the bill, a "government agency" means (1) every organized body, office, agency, institution, or other entity established for the exercise of any function of state government other than the General Assembly, any legislative agency, the Supreme Court, any court or record, or any judicial agency; or any similar agency of any political subdivision of this state or (2) any entity that is not majority-owned as private property and is established by law or by order or action of any entity described in (1), or an officer of an entity described in (1) (R.C. 1306.25(E)). "Private enterprise" is defined as an individual, firm, partnership, joint venture, corporation, association, or other legal entity engaging in the private sector in the manufacturing, processing, sale, offering for sale, rental, leasing, delivery, dispensing, distributing, or advertising of goods or services for profit (R.C. 1306.25(G)).

Exception to the ban

Public hearing

The bill authorizes a government agency to provide duplicative or competing electronic commerce services under specified conditions. Before it does so, one condition is that it must hold a public hearing to allow public comment about its proposed electronic commerce services. (R.C. 1306.28(A) and (B)(1).)

The government agency must provide, in a specified format (see below), at least 30 days' public notice of the time and place of the public hearing in one or more newspapers of general circulation in the counties within its jurisdiction. During this 30-day period, the government agency also must make its proposal available for public inspection in a prominent public location those counties. (R.C. 1306.28(B)(2).)

"Factors" to be included in the public notice

The *public notice* must set forth all of the following (R.C. 1306.28(C)):

- The government agency's proposed findings of fact and conclusions of law describing the reasons why it believes it is necessary and in the public interest to provide duplicative or competing electronic commerce services and citing the legal authority that permits the government agency to do so.
- The initial and total lifecycle costs of those services, which include, but are not limited to, all technology, infrastructure, services, contracts, and "direct" or "indirect" personnel costs (see definitions below).
- The individual per taxpayer cost of those services on an annualized basis and their cost per user on an annualized basis.
- The government agency's reasons for believing that the cost benefits of providing those services require the expenditure of public moneys.
- An identification of unmet needs in the consumer marketplace that those services would fulfill.
- A description of how those services would differ from those provided by two or more competing private enterprises.
- An economic impact analysis demonstrating that the offering of those services by the government agency will not be anticompetitive in its effect on existing industry and will not adversely impact or distort the marketplace of two or more competing private enterprises providing the same or similar services.

The bill defines "direct costs" to mean all costs, whether capital costs, operating costs, or otherwise, that would be eliminated if the service or function to which the costs relate is discontinued, and "indirect costs" to mean all costs, whether capital costs, operating costs, or otherwise, that are not direct costs (R.C. 1306.25(B) and (F)). For purposes of the public notice's factors, certain indirect costs must be allocated in a specified manner (see "*Annual report of a government agency about its electronic commerce services*," below) (R.C. 1306.28(F)).

Review of public comments

Following the public hearing and after reviewing the comments of the public, if the head of a government agency decides to proceed with offering duplicative or competing electronic commerce services, the head must sign factual

and legal conclusions addressing the comments and each of the factors set forth in the public notice. The head of the government agency must then send a written notice to the Controlling Board (see "**Controlling Board approval**") that sets forth these conclusions and the agency's decision to proceed. (R.C. 1306.28(D)(1).)

Controlling Board approval

Finally, even after holding public hearings and reviewing public comments, a government agency may not offer duplicative or competing electronic commerce services without the approval of the Controlling Board. Additionally, following the Board's approval, the Board may continue to exercise oversight of its approval decision. (R.C. 1306.28(D)(2) and (3).)

Legal challenges

Any provider of electronic commerce services that resides or does business in Ohio has standing to bring a cause of action for appropriate relief in a court of competent jurisdiction challenging a government agency's provision of electronic commerce services not made in accordance with the procedures and requirements established in the bill (R.C. 1306.27(B)).

Annual report of a government agency about its electronic commerce services

Under the bill, any government agency providing electronic commerce services in a jurisdiction where a private enterprise provides the same services must prepare and publish an annual report about the services the government agency provides. The annual report must be substantially in accordance with full cost accounting and must disclose the amount, source, and cost of working capital utilized by the government agency for providing the services. (R.C. 1306.28(E).) "Full cost accounting" means accounting, in accordance with generally accepted accounting principles, for all direct costs and indirect costs (see their definitions under "**Factors to be included in the public notice**," above), including capital costs, that are incurred in the ownership, management, or operation of electronic commerce services (R.C. 1306.25(D)).

For purposes of providing the public notice of the public hearing and the annual report, a government agency, by any reasonable method consistent with applicable generally accepted accounting principles, must allocate indirect costs that support multiple electronic commerce services or functions among those services and functions in proportion to the relative burden each service or function places on the cost category (R.C. 1306.28(F)).

Relationship of the bill to the Uniform Electronic Transactions Act

The Uniform Electronic Transactions Act (UETA) authorizes state agencies to utilize electronic records and electronic signatures. Generally, state agencies must determine if, and the extent to which, they will (1) send and receive electronic records and electronic signatures to and from other persons and (2) otherwise create, generate, communicate, store, process, use, and rely upon electronic records and electronic signatures.

The bill makes a state agency's authority under the UETA subject, in addition to the UETA's restrictions, to the bill's provisions (R.C. 1306.20(A)).

Findings and intent of the General Assembly

The bill states that the General Assembly finds and declares that (1) the growth of private enterprise is essential to the health, welfare, and prosperity of Ohio and (2) government competes with the private sector when it provides goods and services to the public (R.C. 1306.26(A)). The bill further states that it is the General Assembly's intent and the purpose of the bill to (1) protect economic opportunities for private industry against unfair competition by government agencies and (2) enhance the efficient provision of public goods and services (R.C. 1306.26(B)).

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-26-03	p. 290

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