

The Ohio School Boards Association

The Legislative Budget Office's (LBO) local impact statements are valuable tools, which ensures a deliberative and impartial legislative process. The true measure of the local impact statement's importance to the legislative process is illustrated by the debates between legislators in committee and on the House or Senate floor of the General Assembly. As a result, the Ohio School Boards Association (OSBA) appreciates this opportunity to comment on LBO's 1999 Local Impact Statements Report.

There is no question that local impact statements provide Ohio's political subdivisions, such as school districts, with some protection from suffering tremendous revenue losses. There is, however, room to improve that fiscal protection for political subdivisions.

Although the task is difficult, the local impact statements must present a more precise financial picture of each bill's effect on political subdivisions. For instance, the Ohio Supreme Court noted in its 2000 DeRolph decision that "(LBO) did not do a detailed analysis to estimate what the cost of SB 55's increased graduation requirements would be throughout the state." The Court noted the lack of detailed analysis because SB 55 and HB 412 created a number of unfunded and underfunded mandates for school districts.

Furthermore, the local impact statement law restricts LBO's ability to further protect Ohio's political subdivisions. Within the local impact statement law, there is a loophole that contributes to the unintended fiscal consequences, unfunded mandates, or underfunded mandates, which may arise in a bill during the legislative process.

The loophole within the law refers to LBO's requirement to produce a local impact statement for a bill, if the legislative budget officer determines there is a fiscal impact at the bill's introduction. Once that determination is made, the bill may be amended during the legislative process, which may create a fiscal impact on political subdivisions. The closing of this loophole would go a long way toward informing policy makers about the unintended fiscal consequences, unfunded mandates, and underfunded mandates of amendments in a bill. As a result, OSBA joins the State and Local Government Commission (Commission) and its Mandate Task Force (Task Force) in urging the General Assembly to close this loophole in Section 103.143 of the Revised Code.

Subsection F of the current law also exempts LBO from having to create a local impact statement for biennial operating, budget correction, and capital appropriation bills. This exemption is to the detriment of political subdivisions. As the Commission stated in an earlier Local Impact Statements Report, "New unfunded mandates or reduced funding of mandated state programs are frequently included in these bills."

For instance, Am. Sub. HB 283 (123rd General Assembly) contained a provision to eliminate the personal property inventory tax without a revenue replacement mechanism for political subdivisions. The Ohio Supreme Court recognized the possible financial impact of this provision on school districts in its 2000 DeRolph opinion. The Court states, "Recent legislation has the potential to actually increase reliance on local property taxes beyond the level deemed unsatisfactory in DeRolph I. The phase-out of the inventory tax in Am. Sub. HB 283 will result

in significant revenue losses. Local taxpayers are bearing at least some of the brunt of this state policy change (through school district mileage increases) seems inescapable.” A local impact statement for Am. Sub. HB 283 would have brought attention to its potential to create significant revenue losses, the need for a revenue replacement mechanism, and the impact on local property taxes. As a result, OSBA joins the Commission and its Task Force in urging the General Assembly to repeal subsection F of Section 103.143 and amend the section to require local impact statements for all appropriation measures.

Bills with a negative impact on political subdivisions are less likely to survive the legislative process and reach the Governor’s desk as an enactment with an attached local impact statement documenting that negative impact. OSBA continues to support LBO in its effort to provide this very important legislative tool. We thank the Commission, its staff and the Task Force for their attention to unfunded mandates in the State. OSBA looks forward to addressing these concerns and others in our ongoing working relationship with the Commission, its staff and the Task Force.