

## COMMENTS FROM THE OHIO SCHOOL BOARDS ASSOCIATION

Since the enactment of Senate Bill 33 (120<sup>th</sup> General Assembly) in 1994, the Legislative Service Commission (LSC) has provided the Ohio School Boards Association (OSBA) an opportunity to make comments on the annual Local Impact Statements Report. On behalf of its 3,500 plus members, OSBA welcomes the opportunity to comment on the LSC's 2000 Local Impact Statements Report. OSBA strongly believes that the local impact statement is a useful and valuable tool for understanding the complete impact of proposed legislation. The local impact statement facilitates a deliberative and impartial legislative process, which ensures a full discussion of the issues.

The true measure of the local impact statement's value to the legislative process is the many references to them by legislators and concerned citizens during the debates in committee and on the House or Senate floor. There is no question that local impact statements provide Ohio's political subdivisions, such as school districts, with some insight into the potential fiscal implications of a particular bill. LSC's analyses of HB 589, SB 120, and SB 287 (123<sup>rd</sup> General Assembly) provided useful information for the debates on the three bills.

That insight provided political subdivisions with some protection from potential revenue losses as a result of the bills. Although the Legislative Service Commission is to be commended for their thorough analysis in the local impact statements, there is room for improvement to further protect the fiscal integrity of our political subdivisions in Ohio.

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 that the lack of detailed analysis of SB 55 and HB 412 created a number of unfunded and underfunded mandates for school districts.

This was also a problem with the recently enacted Senate Bill 181 (123<sup>rd</sup> General Assembly). SB 181 enacted and amended many provisions dealing with the issue of truancy. The *Columbus Dispatch* reported earlier this year that the implementation of Senate Bill 181 created a \$1 million unfunded mandate for a school district in the state. The fiscal impact statement for SB 181 failed to cover the potential impact of the bill on school district operations. Section 103.143 (B) provides LSC with the authority to collect information from front line entities with operational data.

The fiscal impact statement law (Section 103.143 of the Revised Code) can also be improved to protect the fiscal integrity of political subdivisions. The current law restricts LSC's ability to analyze the fiscal impact of bills determined not to have a fiscal impact in its introduced form. As a bill progresses through the legislative process, an approved amendment may create the potential for a fiscal impact to occur to a political subdivision.

In addition, subsection F of the current law also exempts LSC from having to create a local impact statement for biennial budget, capital appropriation, and budget correction bills. As the State and Local Government Commission stated in earlier Local Impact Statement Reports, “New unfunded mandates or reduced funding of mandated state programs are frequently included in these bills.”

For instance, Am. Sub. HB 283 (123<sup>rd</sup> 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 millage increases) seems inescapable.”

A local impact statement on Am. Sub. HB 283 would have brought attention to its potential to negatively impact school districts, the need for a revenue replacement mechanism for school districts, and the provision's impact on local property taxes. Governor Bob Taft recently attempted to address this issue in the executive version of HB 94 by proposing a \$10 million appropriation for FY 03. The \$10 million revenue replacement funds, however, were eliminated during the budget process. The Governor's efforts illustrate the difficulty of trying to correct a bill after its enactment

To address the above problems with the local impact statement law, OSBA continues to support the recommendations by the now defunct State and Local Government Commission (Commission). The Commission recommended that the General Assembly amend the local impact statement law to require impact statements throughout the process and to repeal the budget appropriation exceptions in the law.

In closing, OSBA appreciates this opportunity to comment on the 2000 Legislative Impact Statement report. Local impact statements provide full information on legislation that threatens the fiscal integrity of a political subdivision. The knowledge of negative fiscal consequences for a political subdivision makes it less likely the bill will survive the legislative process. Thus, OSBA continues to support LSC in its effort to provide this very important legislative tool to all Ohioans. OSBA looks forward to addressing the above concerns and others in our ongoing working relationship with the General Assembly to repeal or fund all state education mandates.