# *Fiscal Note & Local Impact Statement*

*122 nd General Assembly of Ohio*

BILL: **H.B. 729** DATE: **November 5, 1998**

STATUS: **As Introduced** SPONSOR: **Rep. Jacobson**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Creates the Lobbying Regulatory Council; revises the Ethics and Lobbying Laws**

## *State Fiscal Highlights*

| STATE FUND | FY 1998 | FY 1999 | FUTURE YEARS |
|---|---|---|---|
| **General Revenue Fund** | | | |
| Revenues | - 0 - | Potential gain of $1,250 to $112,500 or more | Potential gain of $1,250 to $112,500 or more |
| Expenditures | - 0 - | Potential $5,000 or more increase | Minimal increase |
| | | | |

Ohio Ethics Commission (OEC)

- The OEC could gain between $1,250 to $112,500 in revenue from additional financial disclosure filing fees paid by public officials and employees.
- The OEC could have additional costs to issue more advisory opinions and to process additional financial information from lobbyists.
- The OEC could have a one time additional cost to print new public education materials and disclosure forms that reflect changes made in the bill.
- There could be new costs to the OEC and the Ohio Legislative Inspector General (OLIG) to investigate alleged violators of a fourth degree misdemeanor created by the bill.

Legislative Inspector General

- The OLIG could have additional costs to investigate violations of any regulations promulgated by the Lobbying Regulatory Council (LRC) created under the bill.
- OLIG could have reduced costs as lobbyists would be required to file expenditure statements two times, instead of three times per year.

Lobbying Regulatory Council

- The state would have new costs of $5,000 or less to reimburse LRC members.

## *Local Fiscal Highlights*

| LOCAL GOVERNMENT | FY 1998 | FY 1999 | FUTURE YEARS |
|---|---|---|---|
| **Counties** | | | |
| Revenues | - 0 - | Potential increase | Potential increase |
| Expenditures | - 0 - | Potential minimal increase | Potential minimal increase |
| **Municipalities** | | | |
| Revenues | - 0 - | - 0 - | - 0 - |
| Expenditures | - 0 - | Potential minimal increase | Potential minimal increase |

- Counties and municipalities could incur increased costs to prosecute alleged violators of a fourth degree misdemeanor created by the bill. Counties could also receive additional fine revenue paid by violators.

- Any fiscal impact could affect Franklin county and the City of Columbus more than any other local governments.

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## *Detailed Fiscal Analysis*

### State Impact

The bill makes numerous changes in the Ohio Ethics and Lobbying Law that would affect the standards and reporting requirements that must be adhered to by lobbyists, elected officials, and public employees. While the bill's impact would be widespread, the fiscal impact on the state would largely fall on two agencies, The Ohio Ethics Commission (OEC) and the Office of the Legislative Inspector General (OLIG).

### *Ohio Ethics Commission*

The Ohio Ethics Commission (OEC) could have additional costs to print new forms, educational materials, and to issue additional advisory opinions in order to address the substantive changes made in the Lobbying and Ethics Laws.

<u>Additional financial disclosure filings</u>

The bill also expands the number of public officials that must file financial disclosure forms annually to include:

1. Persons holding positions in the Governor's Office who filed financial disclosures voluntarily in 1996 or 1997.

2. Any public official or employee "...who holds a position substantially similar to the position..." of a pubic official or employee required by law to file in 1996 or 1997.

Additional filing costs and revenues

The above language would expand the number of public employees, officials, and candidates for public office required to file financial disclosure forms. As a result, the OEC could have additional costs to print and process additional financial disclosure forms. It is not exactly clear from the bill's language how many additional filers would be added by the above provisions, but the Ohio Ethics Commission estimates that the number of additional filers could range from about 50 to as many as 4,500.

*Offsetting revenues*

The additional financial disclosure filings required by the bill could also increase revenue going to the OEC, at least offsetting additional costs. Under current law, a fee between $5 and $50 must accompany financial disclosure filings. The fee amount depends upon the position or office of the filer. The vast majority of additional filers required under the above provisions would be state officials or employees who must pay a filing fee of twenty-five dollars. The OEC would receive additional revenue amounts between $1,250 to $112,500 or more, assuming the average filing fee paid is $25 dollars and that there are between 50 and 4,500 new filers.

New misdemeanor costs

The bill creates a new fourth degree misdemeanor for individuals who violate of the new ORC section 102.32 created by the bill which creates new financial disclosure requirements for executive agency officials and lobbyists. The OEC and the OLIG could incur additional costs to investigate alleged violators of the new fourth degree misdemeanor created by the bill.

## *Office of the Legislative Inspector General*

OLIG gains more authority

The bill gives statutory power for administering the filing requirements and investigating violations of the legislative and lobbying codes of ethics to the Office of the Legislative Inspector General (OLIG). Practically, this change does not alter the current responsibilities of the OLIG or costs associated with those responsibilities.

Potential cost increases to OLIG

Under the bill, the OLIG is required to investigate any matter referred to it by any legislative committee. This could expand the number of preliminary investigations undertaken by the OLIG.

The bill requires lobbyists and lobbying firms to include additional information in their statements of expenditures. Lobbyists must report compensation for lobbying activities received from various sources within five pay ranges set forth in the bill. The OLIG could have minimal additional costs to redesign, print, and process new disclosure forms to obtain the additional information from lobbyists.

Minimal lobbyist filing cost reduction

The bill reduces the number of times lobbyists and lobbying firms must file expenditure statements with the OLIG from three to two times per year. This provision could mean reduced costs for the OLIG because it would not have to process statements of expenditures as frequently.

Potential revenue increase from fines

Under the bill, lobbyists who are ten or more days late in registering as lobbyists in two consecutive reporting periods are prohibited from registering as lobbyists for six months. Lobbyists who file late registration or amended registration statements would be fined $25 per day up to a maximum of $250 by the OLIG. Any fine money collected would go to the OLIG.

## *Lobbying Regulatory Council*

The bill creates the Lobbying Regulatory Council (LRC) and gives it the authority to create and administer a code of ethics for lobbyists. The LRC would be composed of nine members. LRC members must be reimbursed for necessary and actual expenses incurred performing their duties, but would receive no compensation.

Reimbursement for LRC members

Assuming the LRC met once a month, LBO estimates that the cost of reimbursing the Council members would be about $5,000 per year or less, or about $46 per member per month. However, the actual cost could be significantly less than $5,000 because at least six of Council members must be registered lobbyists who likely would live in Central Ohio and would have relatively minimal travel costs. The section of the bill creating the LRC is repealed December 31, 2001, meaning that without further legislative action the costs associated with the LRC would be eliminated.

Continuing education for lobbyists

The General Revenue Fund could gain revenue from civil fines imposed by the LRC on lobbyists who do not complete annual education requirements as required in the bill. The bill requires lobbyists to complete five hours of continuing education credits each year and charges the LRC with approving programs lobbyists can attend in order to meet the education requirement. The bill allows the LRC to fine lobbyists who fail to obtain the continuing education credits required in the bill up to $1,000 for each credit hour not earned.

Potential additional investigation costs

The OLIG would be responsible for investigating any violations of the ethics code created by the LRC. The OLIG would incur additional costs to conduct such investigations.

## Local Impact

The fiscal impact of the bill on local governments could be minimal. Counties and municipalities could incur increased costs to prosecute alleged violators of the fourth degree misdemeanor created by the bill. Counties could also receive additional fine revenue paid by violators. Any fiscal impact could affect Franklin county and the City of Columbus more than any other local governments, as most violations of the misdemeanor would likely occur in Franklin county and Columbus.

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