Fiscal Note & Local Impact Statement

123 rd General Assembly of Ohio

BILL: **Sub. H.B. 13** DATE: **December 3, 1999**

STATUS: **As Passed by the Senate** SPONSOR: **Rep. Mottley**

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

CONTENTS: **Requires LBO and certain agencies to perform business impact analyses during a one-year pilot project and declares an emergency**

State Fiscal Highlights

STATE FUND	FY 2000	FY 2001	FUTURE YEARS
General Revenue Fund – Pilot Project			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	$59,500 - $100,000 increase	$59,500 - $100,000 increase	- 0 -
General Revenue Fund – LSC			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential $23,750 - $30,625 increase	Potential $47,500 - $61,250 increase	Potential $47,500 - $61,250 increase
State Colleges and Universities			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Savings up to $1.1 million	Savings up to $1.1 million	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2000 is July 1, 1999 – June 30, 2000.

- The cost for the one-year pilot project will range from a minimum of $119,000 to a maximum of $200,000. This fiscal note assumes a period approximately corresponding to calendar year 2000. As the project will span one calendar year, but two fiscal years, the costs will be divided between FY 2000 and FY 2001.

- LBO will need three additional staff members to adequately perform the bill's requirements. The actual amount needed, which includes maintenance and equipment costs, will be approximately $119,000 for the pilot project year depending on the number of analyses requested. Costs to LBO will be incurred in the General Revenue Fund.

- For the Ohio Environmental Protection Agency and the Department of Development, additional costs should be minimal during the pilot program. Staff overtime, business identification, and mailing costs to affected parties will account for the majority of the additional costs to each agency. Costs would be incurred in the General Revenue Fund.

- The addition of a technological research staff person would add an additional $47,500 to $61,250 in salary, benefit, and equipment costs to LSC. Costs to LSC would be incurred in the General Revenue Fund.

- Potential savings for state supported colleges and universities of up to $1.1 million per fiscal year if they contract with the Wright Technology Network during this biennium.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill would require the Legislative Budget Office (LBO) to estimate the economic impact of proposed legislation on Ohio businesses. It would also require the Ohio Environmental Protection Agency and the Department of Development to estimate the economic impact of proposed rules on Ohio businesses. This task is limited to a one-year pilot project. This bill declares an emergency.

Costs to the Legislative Budget Office

LBO currently prepares fiscal notes and local impact statements that provide estimates of the effect of proposed legislation on state government and political subdivisions. LBO has 39 full-time positions: 28 full-time analysts, three full-time support staff, four information systems staff, one director, one assistant director and two division chiefs. LBO also has four part-time or seasonal positions: one part-time support staff and up to three student interns.

At most, LBO would be required to perform 18 economic impact analyses during the one-year pilot program. The agency estimates that it would need to hire three additional personnel to prepare the required business impact statements. LBO uses a mix of budget analysts and economists to prepare public sector analyses. Evaluating business impacts requires a different body of knowledge and a different approach to data gathering. LBO would need to hire a senior level analyst with experience evaluating business impacts. Since this is only a one-year project at this time, LBO could utilize student interns to assist the senior analyst. Depending on market availability, LBO might choose to employ a junior economist rather than the interns. Costs would be slightly higher. The following table shows the potential personnel costs using interns.

Position	Salary & Fringe	Number	Total
Upper-level Analyst	$67,000	1	$67,000
Student Intern	$15,600	2	$31,200
TOTAL		3	$98,200

LBO also estimates that maintenance and equipment expenses would total about $20,500. This amount will cover the purchase of computers for the new staff as well as the purchase of data and consultant hours. In addition, money for rent could be necessary if sufficient office space is not available.

Summary of Approximate Costs

The table below provides a summary of the costs that LBO would incur to implement the bill in a manner to properly assess the impacts of proposed legislation on Ohio businesses. These costs would be incurred in the General Revenue Fund.

Annual Costs

Staff	$98,200
Maintenance	$20,500
Total	Up to $118,700 or more*

*Depending on the number of analyses requested.

Costs to Rule Filing Agencies

This bill would also require the Environmental Protection Agency (EPA) and the Department of Development to estimate the impact of its proposed rules on Ohio businesses during the one-year pilot program. The Joint Committee on Agency Rule Review (JCARR) receives between 500 to 1000 rule filings from all state agencies each week and reports that the EPA is one of its largest rule-filing agencies. The number of rules filed by each agency varies greatly from year to year.

Not every filing would require an analysis. The bill specifically excludes from this requirement any rule that would be exempt from cyclical review and any rules that are adopted under the emergency rule-making procedure. A state rule that is substantially and procedurally identical to a federal law or rule in order to continue a federally funded program in the state would also be exempt from this requirement. Rule-making agencies may also petition JCARR to exempt a rule from this requirement. With these exemptions, officials with the EPA have estimated that very few of its rules will require an economic impact analyses. The Department of Development files a total of 15 to 20 rules per year, and many would not require an economic impact statement.

Two provisions of this bill will require additional costs that could be significant in the long run. The first provision requires the completion of economic analyses on businesses for proposed rules. EPA officials have determined that it is not cost-effective to hire additional staff at this time, as currently the program will only last one year. If the program is continued past the pilot program, additional staff members will most likely need to be added. The agency will most likely need to hire economists who are trained in evaluating business impacts. For the pilot program, the agency will reallocate resources on a short-term basis to complete the required analyses. The second provision of the bill requires each agency to send an invitation to comment on any potential economic impact as well as a copy of an amplified public notice to each leading individual with an Ohio business that may be significantly affected by a rule if it were to be adopted. The EPA currently sends notices to any interested parties including many Ohio businesses that ask to be part of their mailing list. The second provision will add additional parties to the mailing list, increasing the agency's mailing-associated costs. The agency may also need to purchase outside data to identify potential stakeholders.

As the Department of Development files so few rules, this bill will not have a major impact on the department. Current staff should be able to complete the impact statements during the pilot project. Most of the costs to the department will be to establish a mailing list and to send out public notices to affected parties.

Costs to the Legislative Service Commission

This bill also allows the Legislative Service Commission (LSC) to employ a professional staff member to conduct ongoing research on technological advancements and relevant technological issues. If LSC is unable to complete this task given its current staffing levels, the addition of another staff person would cost between $42,500 and $56,250 in salary and benefits per year and an additional $5000 for equipment and supplies.

Department of Development

A provision of the bill stipulates the Wright Technology Network, located in Kettering, is exempt from any matching contribution requirement for grants received from the Thomas Edison Program, 195-401, during the 1999-2001 biennium. The bill notwithstands requirements in ORC Section 122.33 (C)(3), which requires a matching contribution of any enterprise, nonprofit organization or university contracting with an Edison Center. This ORC section stipulates that the university contribution shall not originate from any appropriated general revenue funds.

Similar language was inserted in the FY 1998-1999 budget bill. Am. Sub. H.B. 215 of the 122nd General Assembly waived any local matching requirement for the Wright Technology Network during the 1997-1999 biennium, but did not state the total grant to be allocated.

The current budget bill (Am. Sub. H.B. 283) earmarks $1,100,000 per fiscal year for the Wright Technology Network. Although this earmark exists, the Controlling Board (on 6/21/1999) approved only $679,000 per fiscal year for this biennium. All Edison Centers are scheduled to receive a grant 3% lower than the previous fiscal year. The Department reported they would seek Controlling Board approval for the remaining $421,000 per fiscal year in the near future. The following shows previous Thomas Edison Program grants to the Wright Technology Network:

Fiscal Year	Grant Amount
FY 1997	$700,000
FY 1998	$700,000
FY 1999	$700,000
FY 2000	$679,000 (or a 3% decrease)
FY 2001	$679,000

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