

# ***Fiscal Note & Local Impact Statement***

*123<sup>rd</sup> General Assembly of Ohio*

BILL: **H.B. 303**

DATE: **June 2, 1999**

STATUS: **As Introduced**

SPONSOR: **Rep. Buchy**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **Creates the Local Government Mandates Commission and exempts political subdivisions, courts, and institutions of higher education from unfunded mandate requirements under certain conditions**

## ***State Fiscal Highlights***

<b>STATE FUND</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FUTURE YEARS</b>
<b>General Revenue Fund and Other State Funds</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential \$12,250 to \$43,500 or more increase	Potential \$24,500 to \$87,000 or more increase	Potential \$24,500 to \$87,000 or more increase
<b>Institutions of higher education and courts</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

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

- Local Government Mandates Commission member reimbursement costs for the state could be about \$12,000 per year through the year 2002.
- Assuming about 25 bills per year are reviewed, the total cost per year for notification and advertising for the State and Local Government Commission could range from \$12,500 to \$75,000. The total cost per bill that is found to be an unfunded mandate could be between \$500 and a few thousand dollars, depending on the cost of newspaper advertisements and the number of parties that SLG must notify.
- Institutions of higher education and courts could incur minimal costs to provide documentation as to the costs of an alleged unfunded mandate to LGMC. The bill defines "institution of higher education" to mean all state universities or colleges and other institutions for education, including technical education, beyond the high school, which receive state support or assistance for their expenses of operation. It defines "court" to mean any court in the state inferior to the Supreme Court.
- The bill's provisions could make it more difficult to pass unfunded mandates, potentially creating future costs or revenue losses for the state.



## ***Local Fiscal Highlights***

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
<b>Political subdivisions and local courts</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Requesting political subdivisions and courts could incur minimal costs to provide documentation as to the costs of an alleged unfunded mandate to LGMC.
- The bill defines "political subdivision" to mean a county, municipal corporation, township, school district, or other body corporate and politic responsible for governmental or other public activities in a geographical area smaller than that of the state. It defines "court" to mean any court in the state inferior to the Supreme Court.
- The bill's provisions could make it more difficult to pass unfunded mandates, potentially creating future savings or revenue gains for political subdivisions.

---

## ***Detailed Fiscal Analysis***

The bill creates the Local Government Mandates Commission (hereafter the Commission), consisting of eleven members. Commission members must be reimbursed for reasonable expenses incurred in the performance of their duties. The Commission membership must include one business representative, one college professor, the Lieutenant Governor, Executive Director of the State and Local Government Commission (SLG), Director of Budget and Management, the Auditor of State, and four members of the General Assembly who are also on SLG. Costs associated with the Commission would be eliminated December 31, 2002 when the Commission sunsets.

At the request of a political subdivision, court public college and university, the Commission must hold a hearing on any legislation passed by the General Assembly or any rule passed by a state entity to determine if it creates an “unfunded mandate.” This request begins a process that is illustrated in the attached flow chart. Political subdivisions must implement the rule or statute in question throughout this process.

The bill requires the Commission hold a public hearing to determine if the legislation or rule in question is an unfunded mandate or requires the political subdivision to make an *additional direct expenditure* of funds that is not paid with state funds or a local non-tax revenue source. The hearing must be publicized in at least five major newspapers. The Commission must also notify the requesting local government about the hearing and can require the requesting local government to provide documentation supporting its claim that the rule or statute is an unfunded mandate. A rule or statute would not be considered to create an unfunded mandate if it:

- Was adopted prior to HB 303
- Is required to comply with federal law, the Ohio Constitution, or existing state rules or statutes
- Imposes the same requirements on both the public and private sector
- Revises a prior rule or statute without adding new costs
- It was passed with by the General Assembly with a three-fifths majority

The Commission, by majority vote, must make a determination within 60 days after the hearing and must send copies of the determination to the requesting political subdivision and any interested parties that intervened in the hearing. The Commission may use the State and Local Government Commission staff for research and support services. The Governor and the Clerks of both houses of the General Assembly must be notified if the Commission determines that the bill creates an unfunded mandate.

If the Commission determines that the rule or statute creates an unfunded mandate, the Commission must make another determination within 30 days after the enactment of the next main appropriations act passed by the General Assembly. The Commission must determine if the operating budget bill did any of the following in regard to the unfunded mandate:

- Repealed it
- Funded it or provided a non-tax funding source
- Revised it so that costs are removed

For this second determination, notification again must be sent to the requesting political subdivision, any interested parties that intervened in the hearing, the Governor, and the Clerks of both houses of the General Assembly. The Commission must also publish the determination in at least five major newspapers. Affected local governments can choose to not follow the mandate if the Commission determines that the unfunded mandate still exists *and* the General Assembly does not, by majority vote, pass a resolution requiring the mandate to be followed.

### **Fiscal effects**

*Local Government Mandates Commission (LGMC).* LGMC member reimbursement costs for the state could be about \$36,000 or less through the year 2002 or about \$12,000 per year, assuming the Commission met an average of 25 times per year, the average reimbursement cost was \$45 and the Commission began meeting in the year 2000.

*Costs for State and Local Government Commission (SLG).* The total cost per bill that is found to be an unfunded mandate could be between \$500 and a few thousand dollars, depending on the cost of newspaper advertisements and the number of parties that SLG must notify. The initial hearing notification costs, including newspaper advertising, could be about \$250, assuming the average cost of advertising in five newspapers is about \$50 per advertisement. The cost of notification after each determination on an alleged unfunded mandate could range from minimal to thousands of dollars, depending upon the number of interested parties that participate. Advertising the second determination regarding the operating budget bill in five newspapers could range from \$250 to \$500 or more for newspaper, depending upon the length of the document reporting the determination.

Requesting local governments could incur minimal costs to provide documentation as to the costs of an alleged unfunded mandate to LGMC.

The bill's provisions could make it more difficult to pass unfunded mandates, potentially creating future savings or revenue gains for political subdivisions and future costs or revenue losses for the state.

□ LBO staff: Alexander C. Heckman, Budget/Policy Analyst

\\budget\_office\isis\_vol1.lbo\fn123\HB303IN.DOC

# ***HB 303 Unfunded Mandate Review Process***

