Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
77 South High Street, 9th Floor, Columbus, OH 43215-6136 ✧ Phone: (614) 466-3615
✧ *Internet Web Site:* http://www.lsc.state.oh.us/

BILL:	**Sub. S.B. 277**	DATE:	**December 17, 2008**
STATUS:	**As Passed by the House**	SPONSOR:	**Sen. Stivers**
LOCAL IMPACT STATEMENT REQUIRED:	**No — Permissive**		
CONTENTS:	**Foreclosure action to abate blighted parcels**		

State Fiscal Highlights

- ***State taxing authorities.*** Theoretically, the bill requires a state taxing authority within Franklin County to take some responsive action in order to preserve any financial claims on a blighted parcel (delinquent or unpaid taxes and assessments) and this may, though is not likely to, increase workload, and by extension, expenditures of that taxing authority. Because of the permissive nature of the notification procedure, LSC fiscal staff cannot predict with a high degree of certainty the potential fiscal impact on any affected taxing authorities.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2009 – FUTURE YEARS
Franklin County Municipal Court Environmental Division	
Revenues	- 0 -
Expenditures	Potential, likely no more than minimal, annual increase in court operating costs
Local Taxing Authorities within Franklin County	
Revenues	Potential gain in delinquent or unpaid taxes and assessments
Expenditures	Potential increase to collect moneys owed

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

- ***Franklin County Municipal Court Environmental Division.*** The bill does not apply to all of the local courts within the state, but will instead be confined to the Franklin County Municipal Court Environmental Division. While the bill proposes an alterative measure that, theoretically at least, could expedite a foreclosure action on a blighted parcel, it does not appear that it will trigger an onset of a significant number of new blighted parcel cases to be adjudicated by the Franklin County Municipal Court Environmental Division. From a fiscal perspective, the bill may increase the workload and related operating expenses of that court's environmental division, but the annual magnitude of any such increase is likely to be no more than minimal.

- ***Local taxing authorities located within Franklin County.*** Theoretically, the bill requires a local taxing authority within Franklin County to take some responsive action in order to preserve any financial claims on a blighted parcel (delinquent or unpaid taxes and assessments) and this may, though is not likely to, increase workload, and by extension, expenditures. Because of the permissive nature of the notification procedure, LSC fiscal staff cannot predict with a high degree of certainty the potential fiscal impact on local taxing authorities.

Detailed Fiscal Analysis

Overview

For the purposes of this fiscal analysis, the bill most notably:

- Creates a new cause of action in the environmental division of a municipal court, where established, to abate blighted parcels.
- Provides generally that a municipal corporation within the jurisdiction of the environmental division of a municipal court has a cause of action to foreclose any existing liens upon a blighted parcel in the municipal corporation.
- Allows the municipal corporation noted in the immediately preceding dot point to notify the appropriate taxing authority of each taxing unit in which the blighted parcel is located of the foreclosure action and provides the requirements for the notice and the procedure for submitting a response.
- Provides the manner in which a taxing authority's claim on delinquent or unpaid taxes and assessments charged against the blighted parcel are preserved or extinguished.

Municipal court with an environmental division

The bill does not apply to all of the local courts within the state, but will instead be confined to the jurisdiction of the environmental division of a municipal court, where established.

It appears that the intent of the bill is to enable the environmental division of a municipal court, also referred to as a specialty court, to more easily take action on an identified blighted parcel. It essentially grants the environmental division of a municipal court the authority to marshal liens, even if they do not have their own lien on the parcel.

Currently, Ohio has only one municipal court with an environmental division – the Franklin County Municipal Court Environmental Division – which is located in an area of the state that currently has a high number of blighted parcels, relatively speaking. Bearing this fact in mind, LSC fiscal staff spoke with staff of the Columbus City Attorney's Office and was informed that the bill will not fundamentally expedite a foreclosure process – although, this is clearly a potential impact of the bill – so much as it is to operate as a catalyst and expedite the restoration of a blighted parcel into a functional parcel.

The environmental division of the Franklin County Municipal Court currently works with blighted parcel cases on a daily basis. So, while the bill proposes an alternative measure that, theoretically at least, could expedite a foreclosure action on a blighted parcel, it does not appear that it will trigger an onset of a significant number of new blighted parcel cases to be adjudicated by the Franklin County Municipal Court Environmental Division. Based on conversations with members of the Judicial Conference of Ohio, as well as an official with the Franklin County Municipal Court Environmental Division, LSC fiscal staff has determined that the bill will generally: (1) complement current nuisance abatement legal procedures, and (2) not create more work for the court than already exists under current law, rules, and procedures.

From a fiscal perspective, the bill may increase the workload and related operating expenses of the Franklin County Municipal Court Environmental Division, but the annual magnitude of any such increase is likely to be no more than minimal.

Taxing authorities and municipal corporations

The bill allows for the notification of a taxing authority, for example, a county auditor or treasurer, of each taxing unit in which the blighted parcel is located that the municipal corporation is proceeding with a foreclosure action. If the municipal corporation opts not to send notification, it is assumed that any claims a taxing authority may have on a blighted parcel are preserved. However, if notification is in fact sent, and the taxing authority intends to preserve its claim of any delinquent or unpaid taxes and assessments filed as liens against the blighted parcel, it must respond to the notification within a specified time. Failure to respond in a timely fashion effectively extinguishes any claims held by the taxing authority against the blighted parcel.

Because of the permissive nature of the notification procedure, LSC fiscal staff cannot predict with a high degree of certainty the potential fiscal impact on state or local taxing authorities. If, for example, a municipal corporation chooses to send notification, this action could arguably create more work for the municipal corporation's staff, though that scenario appears unlikely, as the bill, again, will probably not generate many new cases.

In addition, it appears that state and local taxing authorities may arguably experience both an increase in revenues and expenditures as a result of the bill. Theoretically, the bill requires the taxing authority to take some responsive action in order to preserve any financial claims on a blighted parcel and this may, though is not likely to, increase workload, and by extension, expenditures. Conversely, should a foreclosure action on a blighted parcel be fully realized, and assuming the state or local taxing authority has satisfactorily preserved its claims on that parcel, it stands to reason that the taxing authority could receive moneys for the delinquent or unpaid taxes and assessments on that parcel. This could theoretically result in an increase in revenues, though this scenario is arguably unlikely, as the bill, again, will probably not generate many new cases.

LSC fiscal staff: Jeffrey R. Kasler, Budget Analyst

SB0277HP.doc/cm