

Fiscal Note & Local Impact Statement

127th 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: **S.B. 277** DATE: **May 6, 2008**
STATUS: **As Introduced** SPONSOR: **Sen. Stivers**
LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**
CONTENTS: **Foreclosure action to abate nuisance properties**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008 – FUTURE YEARS
Cities of Cleveland, Columbus, and Toledo (municipal courts with environmental or housing divisions)	
Revenues	- 0 -
Expenditures	Potential, likely no more than minimal, annual increase in court operating costs
Counties, Municipalities, Townships, School Districts, and Other Taxing Authorities	
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.

- **Cleveland, Columbus, and Toledo municipal courts.** The bill does not apply to all of the local courts within the state, but is instead confined to the three municipal courts with environmental or housing divisions as follows: (1) the Cleveland Housing Court, (2) the Toledo Municipal Court Housing and Environmental Division, and (3) the Franklin County Municipal Court Environmental Division. While the bill proposes an alternative measure that, theoretically at least, could expedite a foreclosure action on a nuisance property, it does not appear, by most accounts at this time, that it will trigger an onset of a significant number of new nuisance abatement cases to be adjudicated by the environmental and housing divisions of these three municipal courts. From a fiscal perspective, the bill may increase the workload and related operating expenses of the environmental and housing divisions of these three municipal courts, but the annual magnitude of any such increase is likely to be no more than minimal.
- **Local taxing authorities.** Theoretically, the bill requires a local taxing authority to take some responsive action in order to preserve any financial claims on a nuisance property (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

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

- Provides that a municipal corporation has a cause of action to foreclose liens upon a nuisance property located within the municipal corporation.
- Provides that the environmental or housing division of a municipal court has jurisdiction over actions regarding a nuisance property and can, in certain specified cases, initiate a foreclosure action on that property.
- Allows the municipal corporation to notify the appropriate taxing authority of the foreclosure action initiated against a nuisance property located within that municipal corporation.
- Allows the taxing authority to release any claims on distributions of delinquent or unpaid taxes and assessments charged against the nuisance property in that taxing unit's territory.

Municipal courts with environmental and housing divisions

The bill does not apply to all of the local courts within the state, but is instead confined to the three municipal courts with environmental or housing divisions as follows: (1) the Cleveland Housing Court, (2) the Toledo Municipal Court Housing and Environmental Division, and (3) the Franklin County Municipal Court Environmental Division. It appears that the intent of the bill is to enable the environmental or housing divisions of these three municipal courts, also referred to as specialty courts, to more easily take action on an identified nuisance property. It essentially grants these specialty courts the authority to marshal liens, even if they do not have their own lien on the property.

The environmental and housing divisions of these three municipal courts are sited in areas of the state that currently have a high number of nuisance properties, 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 nuisance property into a functional property.

The environmental and housing divisions of these three municipal courts currently work with nuisance abatement cases on a daily basis. So, while the bill proposes an alternative measure that, theoretically at least, could expedite a foreclosure action on a nuisance property, it does not appear, by most accounts at this time, that it will trigger an onset of a significant number of new nuisance abatement cases to be adjudicated by the environmental and housing divisions of these three municipal courts. 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: (1) complement current nuisance abatement legal procedures, and (2) not create more work for the specialty courts than already exists under current law and court procedures.

From a fiscal perspective, the bill may increase the workload and related operating expenses of the environmental and housing divisions of these three municipal courts, but the annual magnitude of any such increase is likely to be no more than minimal.

Local taxing authorities and municipal corporations

The bill allows for the notification of a local taxing authority, for example, a county auditor or treasurer, of each taxing unit in which the nuisance property 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 nuisance property 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 nuisance property, 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 nuisance property.

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. 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 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 nuisance property and this may, though is not likely to, increase workload, and by extension, expenditures. Conversely, should a foreclosure action on a nuisance property be fully realized, and assuming the local taxing authority has satisfactorily preserved its claims on that property, it stands to reason that the taxing authority could receive moneys for the delinquent or unpaid taxes and assessments on that property. 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

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