



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 371 of the 129th G.A.

Date: December 8, 2011

Status: As Passed by the House

Sponsor: Reps. Amstutz and Weddington

Local Impact Statement Procedure Required: No

Contents: Makes changes to the Local Government Innovation Program

State Fiscal Highlights

- The bill changes the appropriations to Fund 5KN0 line item 195640, Local Government Innovation, under the Department of Development (DOD), from \$45 million in FY 2013 to \$175,000 in FY 2012 and \$44,825,000 in FY 2013. The bill requires cash transfers of the respective amounts in each fiscal year from the GRF to Fund 5KN0 to support the appropriations, and requires \$175,000 in each fiscal year to be used for administrative costs.
- The bill adds a requirement that principal and interest repayments on loans issued under the Local Government Innovation Program be deposited into the Local Government Innovation Fund (Fund 5KN0).
- The bill eliminates the requirement that Public Works Integrating Committees review applications for Local Government Innovation Fund awards. As the program is not yet operational, any costs that these committees would have borne will be avoided.

Local Fiscal Highlights

- The amount available for awards to political subdivisions is slightly reduced in FY 2013, from \$44,825,000 to \$44,650,000, as a result of the changes in the allocations for administrative costs described above.
- The bill replaces the award limitations on individual political subdivisions in current law (up to \$100,000 for individual political subdivisions and up to \$500,000 for individual innovation projects) with limits of up to \$100,000 in grants and \$100,000 in loans per political subdivision.
- The bill limits the amount that a qualified group of political subdivisions may be awarded from the Local Government Innovation Fund at \$500,000, and specifies that for such groups, the average amount awarded per political subdivision cannot exceed \$100,000.

- The bill changes the population thresholds for the distribution of awards so that at least 30% of awards must now be issued to noncounty subdivisions with populations of at least 20,000 (instead of 50,000) or counties with populations of at least 235,000 (instead of 130,000), and another 30% must be issued to noncounty subdivisions or counties, respectively, with populations at or above those levels.
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Detailed Fiscal Analysis

The bill makes changes to the law regarding the Local Government Innovation Program, which was originally established in H.B. 153, the FY 2012-FY 2013 biennial operating budget. That act established the Local Government Innovation Fund (Fund 5KN0) under the Department of Development (DOD) to provide loans and grants to eligible political subdivisions for certain collaborative innovation projects approved by the Local Government Innovation Council. Certain changes in the bill, such as adopting a general definition of "political subdivision" as opposed to enumerating all eligible entities, an alteration to the Council's membership, and certain other administrative changes, do not have any direct fiscal effect. However, the provisions of the bill that are described below do have a fiscal effect.

Appropriations changes and GRF cash transfer

While H.B. 153 included an appropriation of \$45 million in FY 2013 for the program, it did not specify a funding source with which to capitalize Fund 5KN0. This bill does so by requiring cash transfers of \$175,000 in FY 2012 and \$44,825,000 in FY 2013 from the GRF to Fund 5KN0. In addition, the bill specifies that any repayments of principal and interest on loans issued under the program are to be deposited into Fund 5KN0.

The bill also amends the appropriations accordingly, so that the program is funded at \$175,000 in FY 2012 and \$44,825,000 in FY 2013, for a total of \$45 million over the biennium, in line item 195640, Local Government Innovation. Additionally, the bill requires that the entire \$175,000 appropriation in FY 2012 and \$175,000 of the FY 2013 appropriation be used for administrative costs by the Department of Development. This effectively reduces the amount that will be available for awards in FY 2013 from \$44,825,000 to \$44,650,000.

Changes to award amount limits

Currently, the law establishing the Local Government Innovation Program limits the amount of a grant that an individual political subdivision may receive at \$100,000, and caps the total amount a qualified innovation project may receive at \$500,000. The bill removes the cap of \$500,000 per project and replaces the \$100,000 cap on the amount an individual political subdivision may receive with a cap of \$100,000 in grants and \$100,000 in loans, for a total of up to \$200,000 per individual political subdivision.

The bill also adds limitations for projects involving qualified groups of political subdivisions. Under the bill, for such projects, the total amount awarded per project cannot exceed \$500,000, and the average amount per political subdivision cannot exceed \$100,000. Under this structure, for example, a group of five local governments could apply for awards totaling up to \$500,000, which would result in an average cost of \$100,000 per government. However, a group of four local governments could only apply for awards totaling up to \$400,000, and so on. Groups of more than five local governments would still be limited to the \$500,000 cap.

Changes to population thresholds

The original language establishing the program required at least 30% of all awards to be issued to noncounty political subdivisions with populations of under 50,000 or counties with populations of under 130,000, and another 30% of all awards to be issued to noncounty subdivisions or counties, respectively, with populations at or above those levels. The bill changes these thresholds to political subdivisions with populations of 20,000 and counties with populations of 235,000. This could have the effect of changing how awards under the program will be distributed geographically.

Local support requirement

Under H.B. 153, political subdivisions seeking awards from the Local Government Innovation Fund would be required to submit proposals to their respective Public Works Integrating Committees, which would in turn submit them with comments to DOD. The Department would then pass the submissions to the Local Government Innovation Council. The bill eliminates this procedure, and instead requires that the Council develop and implement a means of ensuring local support for each grant or loan application submitted to DOD. As a result, Public Works Integrating Committees will no longer have a role in the Local Government Innovation Program and thus will not incur costs to review and submit applications to DOD as they would have under the administrative process outlined in H.B. 153.