



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 103 of the 132nd G.A.

**Status:** As Passed by the House

**Sponsor:** Rep. Reineke

**Local Impact Statement Procedure Required:** No

**Subject:** Alters the membership of a financial planning and supervision commission, and makes other changes to financial recovery plans

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### State and Local Fiscal Highlights

- The bill makes modifications and in some cases additions to the membership of a Financial Planning and Supervision Commission. These changes may result in some minimal administrative costs for having additional members.
- The bill makes several different changes to the requirements of financial plans that apply to local government in fiscal emergency. Some of these changes impose additional expenditure limitations for failure to comply with the financial plan and the new changes included in the bill.
- The bill makes permanent changes to the fiscal watch process included in H.B. 64 of the 131st General Assembly and that were set to expire on September 29, 2017. The changes included (1) reducing from 120 to 90 the number of days an entity has to submit a financial recovery plan to the Auditor of State, and (2) altering conditions for determining that an entity must be moved from fiscal watch to fiscal emergency.
- As of this writing, there are 23 local governments in fiscal emergency and one local government in fiscal watch.

### Detailed Fiscal Analysis

#### Overview

Overall, the various provisions of the bill do not appear to have any significant fiscal impact on political subdivisions. There could be some minimal administrative costs associated with adding three additional members to a Financial Planning and Supervision Commission. However, the other modifications to membership and the changes to the financial plan requirements do not appear to result in any increased costs. In some cases, there could be additional expenditure limitations to other funds of a local government in fiscal emergency. As of this writing, there are 23 local governments in fiscal emergency and one local government in fiscal watch. Details about the specific provisions are provided below.

## **Membership and appointing authorities**

Under current law, the Auditor of State determines that a fiscal emergency exists in a municipal corporation, county, or township because one or more statutory fiscal emergency conditions exist. This triggers the formation of a Financial Planning and Supervision Commission to assist the local government with its financial recovery. The membership of a Financial Planning and Supervision Commission is based upon the population of the local government that is under a fiscal emergency. A Commission is composed of four core voting members. For local governments with populations of 1,000 or more, three additional members are appointed. The bill alters who makes appointments, and in some cases, the Commission membership. The bill also requires the appointment of three additional members in some cases, and makes other modifications to the qualifications of appointment members.

## **Financial plan requirements**

### **For omissions in the plans**

Under current law, a local government under a fiscal emergency must submit a detailed financial plan to the Financial Planning and Supervision Commission for its approval. The financial plan must identify actions to be taken to eliminate the fiscal emergency conditions. The Commission is required to ensure that the local government properly implements the financial plan. The bill adds two other measures that must be addressed in the financial plan. These are to:

1. Include a description of the source and amount of all funds available to the local government, including funds upon which the local government has previously placed restrictions;
2. Provide for the use of all funds available to the local government, including funds upon which restrictions previously had been placed by the local government, but excluding funds upon which restrictions have been placed by the Revised Code or Ohio Constitution.

Currently, if a local government under fiscal emergency fails to submit a financial plan or a segment of a plan, its expenditures in any month cannot exceed 85% of expenditures from its general fund for that month in the previous fiscal year. The bill adds that this limitation applies to all of the local government's funds, not only expenditures from the general fund. Additionally, the bill applies this same expenditure limitation if the Commission finds that the local government failed to comply with the financial plan requirements listed above. The Commission can then prohibit expenditures from the local government's general fund and all funds in any month from exceeding 85% of expenditures from the general fund and all funds for that month in a previous fiscal year. The Commission may authorize a higher percent for any month if the local government justifies the need.

### **For failure to provide accurate information**

Current law requires a local government under fiscal emergency to cooperate with the Financial Planning and Supervision Commission by providing all information and reports the Commission requests. The bill requires that these reports be accurate and provided by the local government within 30 days of being requested. The bill also requires that the Commission review and approve the information and reports submitted to it or to the financial supervisor. If the Commission determines that a local government has not promptly provided accurate information and reports, the Commission may impose the same expenditure limitations listed above. The bill also applies these expenditure limitations to noncompliance for expenditure limitations imposed by the Commission's financial plan.

### **Continuance of fiscal watch law**

H.B. 64 of the 131st General Assembly made modifications to what a local government must do when placed under fiscal watch. These changes included reducing from 120 days to 90 days the amount of time a local government has to submit a financial recovery plan to the Auditor of State and included additional conditions in which the Auditor of State must move a local government from fiscal watch to fiscal emergency. These provisions were scheduled to expire on September 29, 2017. The bill continues these provisions in perpetuity.