Ohio Legislative Service Commission

Terry Steele

Fiscal Note & Local Impact Statement

Bill: H.B. 5 of the 131st G.A.

Date: February 17, 2015

Status: As Introduced

Sponsor: Reps. Kunze and Koehler

Local Impact Statement Procedure Required: No

Contents: Authorizes the Auditor of State to conduct business case studies and to establish a shared equipment service agreement among political subdivisions

State Fiscal Highlights

- **LEAP Fund – Business case studies**. The cost of the business case studies under the bill would be paid out of the Leverage for Efficiency, Accountability, and Performance Fund (Fund 5JZ0), commonly referred to as the LEAP Fund. Under the bill, up to 50.0% of the money available may be used by the performance audit staff to produce these studies.
- **Shared Equipment Service Agreement Program**. The bill authorizes the Auditor of State to establish a Shared Equipment Service Agreement Program. The Auditor of State currently operates the ShareOhio portal in which political subdivisions can track heavy equipment. If the shared equipment program would be part of this ongoing initiative, any new cost as a result of the bill would presumably be quite minimal.

Local Fiscal Highlights

- **Business case studies – impact on operations**. The bill requires the Auditor of State to bear the cost of carrying out any requested business case study. The impact on governmental operations will depend on the extent of the findings in the business case study and the extent to which recommendations are implemented.
- **Shared Equipment**. Although the Shared Equipment Service Agreement Program under the bill is similar to the existing ShareOhio initiative, the bill specifies that the borrowing political subdivision is to assume any civil liability for injury, death, or loss resulting from the use of the borrowed equipment.

Detailed Fiscal Analysis

Overview

The bill has two primary components which apply to the Auditor of State's Office. First, the bill allows a state agency or political subdivision to request that the Auditor of State conduct a business case study on that entity. The bill requires the Auditor of State to pay the cost of these case studies out of money available in a state loan fund used to advance the cost of performance audits on behalf of state agencies and political subdivisions. Specifically, the performance audit staff would be responsible for producing these business case studies. The bill also authorizes the Auditor of State to establish a Shared Equipment Service Agreement Program. Each of these provisions is discussed in greater detail below.

Business case studies

The bill allows a state agency or political subdivision to request that the Auditor of State conduct a business case study to determine how the state agency or political subdivision may achieve greater efficiencies. The bill also requires that these studies be produced by the Auditor of State's staff responsible for conducting performance audits. Business case studies would be undertaken at the discretion of the Auditor of State, and as funds allow. Specifically, the bill requires the cost of these business case studies to be paid from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0). Up to 50.0% of the cash balance may be used to pay the costs of conducting business case studies, with the remainder to be used for performance audit costs of state agencies and political subdivisions.

The LEAP Fund was originally established in S.B. 4 of the 129th General Assembly. That bill requires the Auditor of State to conduct performance audits of at least four state agencies each biennium, as well as political subdivisions that request one. The LEAP Fund was capitalized with an initial transfer of $1.5 million. The amount in the fund is for loans to state agencies receiving a performance audit and to political subdivisions that request a performance audit from the Auditor of State. The February 16, 2015 cash balance in the LEAP Fund is approximately $1.2 million. With regard to its performance audit function, during FY 2014 the Auditor of State's Office issued 18 local government and school district performance audits as well as conducted the performance audit of the Department of Natural Resources.

H.B. 64, the main operating budget for FY 2016-FY 2017 pending in the House, appropriates $400,000 in each fiscal year from the LEAP Fund under appropriation item 070606, LEAP Revolving Loans, for performance audits. Under the H.B. 5 requirement that up to 50.0% of the amount may be used for business case studies, this means the Auditor of State could allocate up to $200,000 in each fiscal year for business case studies during the FY 2016-FY 2017 biennium.

Shared Equipment Service Agreement Program

The bill authorizes the Auditor of State to establish a Shared Equipment Service Agreement Program. Under the program, two political subdivisions may enter into an agreement whereby the lending political subdivision may lend its capital equipment to another political subdivision for temporary use in the performance of a governmental or proprietary function in the borrowing political subdivision's boundaries. The bill further specifies that the political subdivision borrowing the equipment under the program assumes any potential liability in a civil action for any damages, injury, death or loss to person or property resulting from the use of the equipment.

Currently, the Auditor of State operates the ShareOhio portal. This site, which was launched June 26, 2014, allows local government officials, at no cost, to enter their political subdivision's capital equipment into a database for the purposes of loaning to and borrowing from nearby entities. Presumably, the Shared Equipment Program established under the bill would be an extension of the current ShareOhio portal, and therefore result in no additional costs to the Auditor of State's Office. Political subdivisions participating in the program could potentially reduce expenses by borrowing equipment at a lower cost than if it had to purchase the equipment outright.

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