



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 312 of the 132nd G.A.

Status: As Reported by Senate Government Oversight & Reform

Sponsor: Reps. Schuring and Greenspan

Local Impact Statement Procedure Required: No

Subject: Makes changes regarding the use of credit and debit cards by political subdivisions, abates property taxes for certain properties subject to a submerged land lease, and makes other changes

Local Fiscal Highlights

- **Credit card usage policies.** The bill requires political subdivisions to adopt formal credit card usage policies and establishes reporting requirements related to these types of accounts. Collectively, these provisions could result in some additional administrative costs for the entities affected.
- **Property tax abatement.** The bill abates property taxes for certain property subject to a submerged land lease and held by a municipal corporation. For those taxing jurisdictions affected by this provision, the local authorities will lose revenue by an indeterminate amount.

Detailed Fiscal Analysis

Overview

The bill establishes general procedures political subdivisions must follow when using credit cards. These changes apply to all political subdivisions except for counties. However, counties are subject to the bill's prohibition against the use of debit cards except for law enforcement purposes or for receiving grant money. And, like other political subdivisions under the bill, counties must annually provide the Auditor of State with a report of credit card rewards they received under the credit card accounts they hold. Overall, the provisions of the bill would appear to impose only minimal additional costs to political subdivisions, chiefly because of the new compliance and reporting requirements.

Use of credit cards by all political subdivisions

The bill requires all political subdivisions to adopt a policy before first holding a credit card. Likewise, political subdivisions that hold a credit card on the bill's effective date must adopt a policy not later than three months after the effective date. The bill also requires the legislative authority of all political subdivisions to conduct a periodic review (semiannually for townships and library districts, and quarterly for other

political subdivisions) of the number of credit cards that have been issued, the number of active cards issued, the cards' expiration dates, review of itemized receipts, and the cards' credit limits. Additionally, the bill requires all political subdivisions to report to the Auditor of State any amount of money or rewards the political subdivision derives from the use of a credit card rewards program. Taken together, the periodic review of credit card accounts and the adoption of formal credit card usage policies might lead to an increase in administrative expenses for political subdivisions. These costs could vary by the size of the entity affected and how extensively they use credit cards in their operations.

Role of the credit card compliance officer

The bill requires a political subdivision to appoint a compliance officer if the political subdivision's fiscal officer does not retain general possession and control of all credit cards or if the name of the political subdivision does not appear on each credit card or check. The bill further specifies that a school district superintendent or chief administrator of an Information Technology Center (ITC), community school, STEM school, or boarding school may serve as compliance officer as well. Except for compliance officers designated by a municipality or a library district, the compliance officer may not use a credit card and may not authorize an officer or employee to use a credit card. In the case of townships and municipal corporations, only limited home rule townships and municipal corporations having the authority to operate a mayor's court are subject to the compliance officer requirement. In all other townships and municipal corporations whose fiscal officer does not retain possession and control of credit cards, the fiscal officer must present monthly reports of the credit card transaction details from the previous month.

The bill also establishes liability against employees authorized to use credit cards when they do not produce itemized receipts to confirm the amounts charged. In cases where the receipts are not provided as required, then the officer or employee is liable in person and upon any official bond to the political subdivision to reimburse the treasury for the amount not accounted for.

Criminal penalty for misuse of credit cards

Finally, the bill establishes a first degree misdemeanor penalty if a political subdivision employee knowingly uses a credit card for expenses that are not authorized by a legislative authority. The maximum possible penalty for a first degree misdemeanor conviction is a fine of up to \$1,000 and a jail stay of up to 180 days.

Property tax exemption for submerged land lease on Lake Erie

The bill abates property taxes for certain property subject to a submerged land lease and held by a municipal corporation. In order to qualify for the exemption, property must be (1) leased by the state under section 1506.11 of the Revised Code, the lease of which has been assigned to a municipal corporation as lessee, and (2) used exclusively for a public purpose.

For those taxing jurisdictions affected by this provision, the local authorities will lose revenue by an indeterminate amount. Granting the exemption will reduce the amount of taxes charged by the local authorities, but actual collections may not decrease depending on collections received from the applicable municipal corporation. The narrowly drawn criteria that determine eligibility for the exemption imply that few parcels statewide would qualify for the exemption, and possibly only one. In order to qualify for the exemption, the lessee municipal corporation must submit an application for the exemption to the Tax Commissioner by December 31, 2018.

Other provisions

The bill modifies the procedure for filling vacancies on a financial planning and supervision commission for various political subdivisions that fall into fiscal emergency. There does not appear to be any fiscal impact to these provisions. The bill also specifies that the Director of Budget and Management or the Auditor of State be responsible for producing required interim reports of the commission. This may result in some minimal cost increases to the Auditor of State or Office of Budget and Management for producing these interim reports rather than the commission.