Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

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

Date: May 12, 2016

Status: In Senate Government Oversight & Reform

Sponsor: Reps. Kunze and Koehler

Local Impact Statement Procedure Required: No

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

State Fiscal Highlights

- **LEAP Fund – feasibility studies**. The cost of the feasibility 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

- **Feasibility studies – impact on operations**. The bill requires the Auditor of State to bear the cost of carrying out any requested feasibility study. The impact on governmental operations will depend on the extent of the findings in the feasibility 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 feasibility study to determine how greater efficiencies may be achieved through the sharing of services and facilities. The bill requires the Auditor of State to pay the cost of these feasibility studies out of money available in the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund. Loans from that source are used to advance the cost of performance audits on behalf of state agencies and political subdivisions. The Auditor of State's performance audit staff would be responsible for producing the feasibility studies under the bill. 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.

Feasibility studies

The bill allows a state agency or political subdivision to request that the Auditor of State conduct a feasibility study to determine how the state agency or political subdivision may achieve greater efficiencies through the sharing of services and facilities. The request must include the state agencies or political subdivisions that may be included in the proposed plan for sharing of services or facilities. The bill requires the Auditor of State to notify those political subdivisions or state agencies identified in the request. The bill also provides a potential opt-out provision for agencies or political subdivisions named in the request. The bill also requires that these studies be produced by the Auditor of State's staff responsible for conducting performance audits. Feasibility studies would be undertaken at the discretion of the Auditor of State, and as funds allow.

Specifically, the bill requires the cost of these feasibility 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 these studies, with the remainder to be used for performance audit costs of state agencies and political subdivisions. The bill also includes provisions that specify that the Auditor of State must notify all applicable state agencies and local governments before beginning a case study and also conduct a public hearing on the findings of the completed study within 180 days.

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

May 11, 2016 cash balance in the LEAP Fund is nearly $1.3 million. With regard to its performance audit function, during FY 2015 the Auditor of State's Office issued 26 state agency, local government, and school district performance audits.

H.B. 64, the main operating budget for the FY 2016-FY 2017 biennium, 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 feasibility 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 or political subdivisions and state agencies may enter into an agreement whereby the lending agency, or political subdivision may lend its capital equipment to another political subdivision or agency for temporary use in the performance of a governmental or proprietary function in the borrowing agency's or political subdivision's boundaries. The bill further specifies that the entity 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.

A similar such program, the ShareOhio portal operated by the Auditor of State, is already in place. 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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