

Summary of Testimony in Consideration of HB 580 Before the Ohio House Federalism and Interstate Relations Committee on June 26, 2018

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Overview

Thank you, Madam Chairman and members of the Committee for providing the opportunity to offer testimony in consideration of House Bill 580.

HB 580 would ensure accountability for external funding and the attendant obligations. It would ensure that elected officials, rather than state bureaucrats, control state obligations and policy.

The federal administrative state imposes a heavy burden on the states. Federal bureaucrats craft grant programs for state and local government that come with strings attached—financial and policy obligations—that put the state on the hook, sometimes for years. Often, these grants are accepted without the Governor or the legislature having a say, or even real notice, as to the state’s commitments. Authorizing the Governor to prohibit grants will put the state’s elected officials at the federal bargaining table—strengthening their hand to negotiate better terms on behalf of their citizens.

With Congress passing the second largest budget in history this year, there’s no better time for state legislatures to impose some accountability and transparency on the process of taking and spending federal money. While many of these programs will provide the state with financing and be beneficial to the state, some will not. This legislation establishes a process to vet federal grants and ensure that the conditions and costs of such grants are aligned with the state’s interests.

Summary of HB 580

The proposed legislation requires the applicant agency to provide a fiscal note and a cost-benefit analysis. This includes a review of policy mandates and their effect on state and local authorities and on small businesses. These reports would be submitted to the state’s Office of Management and Budget (OMB) for compliance and accuracy. The applicant agency would be required to submit any additional reports or data requested by OMB.

The analysis would clarify whether the benefits of the grant outweigh the costs, and it would serve as a heads-up to state legislators as to the possible need for future state

appropriations once the federal funding dries out. In this regard, the Mercatus Center at George Mason University has found that “federal grants result in permanently larger state government spending that must be financed by permanently higher levels of state taxation.”¹ Specifically, every additional dollar in federal grants stimulates a permanent increase in state and local taxes or revenues of 33–42 cents.

The proposed legislation requires a major grant application (those over \$1 million), along with the required analyses, be approved by the Governor prior to submission to the grant-making entity. The Governor would also have the authority to prohibit minor grants (those under \$1 million).

It’s important for state law to require the Governor’s signature on grants for three reasons. First, many federal laws authorizing grants to states don’t require it; those grants are an agreement strictly between the state agency and its federal counterpart. Second, in any event, a state should not substitute a federal requirement for the Governor’s consent for a state requirement: federal laws can be changed, federal agencies often engage in the ambiguous practice of waiving requirements, and most of all accountability to a state’s citizens and legislature can only be created through state law. Third, by requiring the Governor’s signature, the law counteracts the tendencies of state agencies to be more responsive to federal agencies than to the Governor and legislature.

The last requirement of the bill is that all accepted grant applications and related analyses be recorded on a public database. While many states have taken steps to formalize the regulatory process and establish a single database for state regulations, there tends not to be a similar system for federal grants. If the state wants to cut federal strings that hamper economic prosperity and state sovereignty, taxpayers and legislators need to know what the state has committed to and at what cost. Without a single repository of such information, such information is difficult to track.

In closing, I would like to thank the members of the committee for their consideration of this testimony and look forward to presenting before the committee on June 26.

¹ See: https://www.mercatus.org/system/files/Do-Intergovernmental-Grants-Create-Ratchets.WP_.Corrected.10.4.10.pdf