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Office

H.B. 505
(1_136_1527-4)
136th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 505's Bill Analysis](#)

Version: In House Technology and Innovation

Primary Sponsors: Reps. Odioso and Abrams

Local Impact Statement Procedure Required: No

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Highlights

- The bill establishes a regulatory framework for crowdfunding platforms, to be implemented and enforced by the Office of the Attorney General.
- The bill prescribes an annual \$5,000 application and renewal fee to be credited to the Charitable Law Fund (Fund 4180).
- The costs for the Attorney General's Charitable Law Section to regulate, investigate, and enforce violations of the bill's terms of service will depend on the number of complaints reported, the investigations conducted, and the enforcement actions pursued. To some degree, any related increase in operating costs might be offset by the application fees and collection of administrative and civil penalties credited to the Charitable Law Fund (Fund 4180).

Detailed Analysis

The bill regulates certain crowdfunding practices. It requires a crowdfunding platform to include in its terms of service prohibitions against using donated funds to promote or support acts of violence or for any unlawful purpose. The platform must also comply with specified recordkeeping and reporting requirements and register annually with the Attorney General. If a violation of the bill's terms of service requirements occurs, the platform must terminate the crowdfunding campaign. The organizer or beneficiary of a terminated campaign is required to return any withdrawn funds to the payment service provider, and the platform must use commercially reasonable efforts to facilitate the refund.

Crowdfunding platforms registration and reporting requirements

The bill establishes a \$5,000 annual registration fee for entities operating as crowdfunding platforms. Applicants must submit a written, sworn application on a form prescribed by the Attorney General. Registrations expire March 31 each year and may be renewed for additional one-year periods upon payment of the same fee.

On or before January 31 each year (beginning in the second calendar year following the effective date of the bill) every crowdfunding platform operating in the state is required to submit to the Attorney General's Charitable Law Section a report that contains specified information for the campaigns executed during the prior calendar year (e.g., number of campaigns, amounts collected and withdrawn, refunds, etc.).

The Attorney General will incur administrative costs to adopt rules, process applications, and oversee registration. These costs may be offset, in whole or in part, by the annual \$5,000 application and renewal fees credited to the Charitable Law Fund (Fund 4180).

Enforcement of terms of service

The bill permits the Attorney General to conduct an investigation if, based on complaints or the Attorney General's own inquiries, has reasonable cause to believe that a crowdfunding platform has violated the terms of service requirements of the bill. The Attorney General is required to impose on a crowdfunding platform an administrative penalty of \$10,000 for each violation. The Office may also bring a civil action in a court of common pleas for appropriate relief including a temporary restraining order and preliminary or permanent injunction, for violations. If a crowdfunding platform has violated the terms of service requirements more than once in a two-year period, the Attorney General may seek a civil penalty of \$10,000 per violation in addition to administrative penalties. Any administrative or civil penalty collected under the bill will be credited to the Charitable Law Fund (Fund 4180).

While the number of new civil actions that may result from the bill is uncertain, it is not expected to be significant for any single jurisdiction. The effect on the daily operations and related operating expenses of the courts of common pleas will depend on the frequency with which such actions are filed and the legal complexity of the matters involved, but likely to be absorbed by existing staff and resources. Overall, the magnitude of work for the Attorney General would depend on the number of complaints reported, investigations performed, and the enforcement actions taken. Costs may be offset, to some degree, by the collection of any penalties collected and credited to the Charitable Law Fund (Fund 4180). According to the Attorney General's Office, the timing and magnitude of this revenue stream are expected to be sporadic and unpredictable.

Synopsis of Fiscal Effect Changes

The substitute bill (I_136_1527-4), as compared to the As Introduced version of the bill, changes some of the regulatory enforcement oversight of crowdfunding platforms by removing aspects that would have required participation by the Department of Commerce and the deposit of certain donor funds to the Unclaimed Funds Trust Fund (Fund 5430). As such, there is no fiscal impact to the Department under the bill.

Under the substitute bill, crowdfunding platforms are required to register with and report to the Attorney General. Investigative and enforcement duties largely remain unchanged. However, any additional administrative costs incurred by the Attorney General may be offset, in whole or in part, by the annual \$5,000 application and renewal fees credited to the Charitable Law Fund (Fund 4180) authorized under the substitute bill.