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Sponsor Testimony – H.B. 103
House State and Local Government Committee
March 15, 2017

Chair Anielski, Vice Chair Hambley, Ranking Member Bishoff, members of the House State and Local Government Committee: thank you for the opportunity to present sponsor testimony on House Bill 103. This legislation updates the statute governing the Financial Planning and Supervision Commission of an entity in fiscal emergency. In the unfortunate case where the Auditor of State declares a political subdivision in fiscal emergency, Ohio law triggers immediate actions to help put their financial house back in order. A major part of this is the appointment of a Financial Planning and Supervision Commission to oversee the process. This commission has the power to approve or reject the recovery plan that entity's governing body (i.e. city council, board of county commissioners, board of township trustees) proposes.

This legislation will increase independence and accountability on the Financial Planning and Supervision Commission, ensuring the entity in fiscal emergency will craft a sound recovery plan. Current law gives the local entity the ability to appoint five of the seven members of the Commission, increasing the likelihood that the Commission will serve as a rubber stamp rather than a true oversight board. Many local governments use their appointing power appropriately, however there have been cases when this power has been abused to “stack the deck” with favorable appointees. This has resulted in the commission failing to adopt or act on a recovery plan.

This proposal will change the composition of the Financial Planning and Supervision Commission by reducing the number of local government appointees from five to three. It would affect counties, municipalities, villages and townships. The model is based off of the same composition for school districts in fiscal emergency, a structure that has proven very effective in getting districts out of fiscal emergency in a timely fashion. The changes in the commission structure for each political subdivision are detailed below:

Financial Planning and Supervision Structure under Current Law

Municipalities	Townships	Counties
The Treasurer of State The Director of the Office of Budget and Management The Mayor Council President Three Governor’s Appointees from a list of five nominees made by the Mayor and Council President	The Treasurer of State The Director of the Office of Budget and Management One Township Trustee County Auditor Three Governor’s Appointees from a list of five nominees made by the Board of Township Trustees	The Treasurer of State The Director of the Office of Budget and Management One County Commissioner County Auditor Three Governor’s Appointees from a list of five nominees made by the Board of County Commissioners

Financial Planning and Supervision Structure Proposed under H.B. 103

Municipalities	Townships	Counties
The Treasurer of State The Director of the Office of Budget and Management The Mayor County Auditor Council President One Governor’s Appointee One Mayor’s Appointee	The Treasurer of State The Director of the Office of Budget and Management One Township Trustee County Auditor One Governor’s Appointee Two Appointees of the Township Trustees	The Treasurer of State The Director of the Office of Budget and Management One County Commissioner County Auditor One Governor’s Appointee Two Appointees of the County Commissioners

Of note: for chartered counties, the County Executive will serve in place of the ex-officio County Commissioner; and the County Executive and County Council shall each have one appointment of at-large members.

In addition to the change in the Commission structure, this legislation includes three additional provisions. The first is to make permanent the provision to escalate a local government from Fiscal Watch to Fiscal Emergency when they fail to implement their submitted financial recovery plan. Current law includes this provision, but it will sunset at the end of 2017. We are simply seeking to make this permanent.

Second, this bill will expand what can be included in the content of a financial recovery plan through the use of funds with self-imposed restrictions. Failure to do so would result in enforcement of the 85% expenditures rule already in place.

Finally, this bill proposes to grant additional power to the Financial Planning and Supervision Commission. They will be able to approve or disapprove of financial information submitted by the local government, and the will be able to compel the production of timely, accurate financial data to the Financial Supervisor. Failure to do so would also result in enforcement of the 85% expenditures rule already in place.

Chair Anielski, members of the committee, I would be happy to answer any questions at this time.