

As Introduced

**130th General Assembly
Regular Session
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H. B. No. 337

Representative Terhar

**Cosponsors: Representatives Becker, Grossman, Lynch, Roegner,
Thompson, Beck, Brenner, Butler, Conditt, Henne, Adams, J., Duffey,
Retherford, McGregor, Rosenberger**

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A B I L L

To amend sections 118.27, 5705.13, and 5705.39, to 1
enact sections 117.54, 118.40, 171.20, 171.21, and 2
5705.413, and to repeal section 733.33 of the 3
Revised Code to revise budgeting requirements that 4
apply to local governments, mandate that certain 5
actuarial standards be applied in political 6
subdivisions that have independent retirement 7
systems, and authorize the Auditor of State to 8
impose sanctions on local governments that fail to 9
comply with budget, debt, or pension requirements 10
under state law. 11

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 118.27, 5705.13, and 5705.39 be 12
amended and sections 117.54, 118.40, 171.20, 171.21, and 5705.413 13
of the Revised Code be enacted to read as follows: 14

Sec. 117.54. If a county, township, or municipal corporation 15
fails to comply with section 133.03, 133.05, 133.07, 133.09, 16
5705.13, or 5705.39 of the Revised Code or with any provision of 17

Chapter 118. of the Revised Code, the auditor of state may notify 18
the director of budget and management. Upon receiving such a 19
notification, the director shall suspend the payment of all state 20
funding for that county, township, or municipal corporation, other 21
than benefit assistance to individuals, until subsequent 22
notification from the auditor to the director that the political 23
subdivision has achieved substantial compliance with such sections 24
and chapter. Upon receipt of the subsequent notification, the 25
director of budget and management shall release all funds withheld 26
from the political subdivision under this section. 27

As used in this section, "state funding" means any state 28
revenue transferred to a county, township, or municipal 29
corporation including, but not limited to, local government fund 30
allocations under section 5747.50 of the Revised Code, tangible 31
personal property tax replacement payments under section 5727.86 32
or 5751.22 of the Revised Code, and property tax reduction 33
reimbursement payments under section 321.24, 323.156, or 4503.068 34
of the Revised Code. "State funding" does not include any 35
appropriations for current expenses or any funds provided pursuant 36
to a contract, including those funds provided under Section 6 of 37
Article 15, Ohio Constitution. 38

Sec. 118.27. (A) A financial planning and supervision 39
commission with respect to a municipal corporation, county, or 40
township, and its functions under this chapter, shall continue in 41
existence until such time as a determination is made pursuant to 42
division (B) of this section ~~that~~ of one of the following: 43

(1) In the case of a village, the village has dissolved and 44
wound up its affairs in accordance with section 118.31, 703.20, or 45
703.201 and section 703.21 of the Revised Code. 46

(2) In the case of a township, the township has dissolved 47
pursuant to section 118.31 of the Revised Code and wound up its 48

affairs in accordance with sections 503.02 and 503.17 to 503.21 of 49
the Revised Code. 50

(3) In the case of a municipal corporation, county, or 51
township, the municipal corporation, county, or township has done 52
all of the following: 53

~~(1)~~(a) Planned, and is in the process of good faith 54
implementation of, an effective financial accounting and reporting 55
system in accordance with section 118.10 of the Revised Code, and 56
it is reasonably expected that such implementation will be 57
completed within two years; 58

~~(2)~~(b) Corrected and eliminated or has planned and is in the 59
process of good faith implementation of correcting and eliminating 60
all of the fiscal emergency conditions determined pursuant to 61
section 118.04 of the Revised Code, and no new fiscal emergency 62
conditions have occurred. The auditor of state shall monitor the 63
progress of the municipal corporation, county, or township in its 64
plan of good faith implementation of correcting and eliminating 65
all the fiscal emergency conditions. This monitoring is to secure 66
full implementation at the earliest time feasible but within two 67
years from such termination. If after a two-year period, the 68
municipal corporation, county, or township has failed to secure 69
full implementation, the auditor of state may redeclare the 70
municipal corporation, county, or township to be in a fiscal 71
emergency. 72

~~(3)~~(c) Met the objectives of the financial plan described in 73
section 118.06 of the Revised Code; 74

~~(4)~~(d) The municipal corporation, county, or township 75
prepares a financial forecast for a five-year period in accordance 76
with the standards issued by the auditor of state. An opinion must 77
be rendered by the auditor of state that the financial forecast is 78
considered to be nonadverse. 79

(B) The determination that ~~all of such~~ the conditions for the 80
termination of the existence of the commission and its functions 81
exist may be made either by the auditor of state or by the 82
commission and shall be certified to the commission, the auditor 83
of state, the governor, and the budget commission, whereupon such 84
commission and its functions under this chapter shall terminate. 85
Such determination shall be made by the auditor of state upon the 86
filing with the auditor of state of a written request for such 87
determination by the municipal corporation, county, or township, 88
the governor, or the commission, or may be made by the auditor of 89
state upon the auditor of state's own initiative. 90

(C) The commission shall prepare and submit with such 91
certification a final report of its activities, in such form as is 92
appropriate for the purpose of providing a record of its 93
activities and assisting other commissions created under this 94
chapter in the conduct of their functions. All of the books and 95
records of the commission shall be delivered to the auditor of 96
state for retention and safekeeping. 97

(D) Upon receipt of the certification provided for in 98
division (B) of this section, the director shall follow the 99
procedures set forth in section 126.29 of the Revised Code. 100

(E) If, at the time of termination of the commission, an 101
effective financial accounting and reporting system has not been 102
fully implemented, the auditor of state shall monitor the progress 103
of implementation and shall exercise authority under Chapter 117. 104
and section 118.10 of the Revised Code to secure full 105
implementation at the earliest time feasible but within two years 106
from such termination. 107

Sec. 118.40. Any municipal corporation, county, or township 108
that is declared to be under a fiscal watch or fiscal emergency 109
shall notify the auditor of state before selling or encumbering 110

any real or tangible personal property fully or partially owned by 111
the county, township, or municipal corporation for consideration 112
greater than five hundred thousand dollars. The auditor may issue 113
an order prohibiting the sale or encumbrance of the property if 114
the auditor determines that the sale or encumbrance is not in the 115
best long-term financial interest of the political subdivision. 116
The auditor shall not issue such an order respecting a sale or 117
encumbrance of property approved by vote of a financial planning 118
and supervision commission established pursuant to section 118.05 119
of the Revised Code. An order by the auditor prohibiting a sale or 120
encumbrance of property by a political subdivision under a fiscal 121
emergency may be overruled by majority vote of a financial 122
planning and supervision commission. An order by the auditor 123
prohibiting the sale or encumbrance of property by a subdivision 124
under fiscal watch is final and may not be appealed. 125

Sec. 171.20. (A) As used in this section and section 171.21 126
of the Revised Code, "political subdivision" means a county, 127
township, municipal corporation, or any other body corporate and 128
politic that is responsible for government activities in a 129
geographic area smaller than that of the state. 130

(B) The governing authority of a retirement system of a 131
political subdivision shall have prepared annually by or under the 132
supervision of an actuary an actuarial valuation of the pension 133
assets, liabilities, and funding requirements of the retirement 134
system. The actuary shall complete the valuation in accordance 135
with actuarial standards of practice promulgated by the actuarial 136
standards board of the American academy of actuaries and prepare a 137
report of the valuation. The report shall include all of the 138
following: 139

(1) A summary of the benefit provisions evaluated; 140

(2) A summary of the census data and financial information 141

<u>used in the valuation;</u>	142
<u>(3) A description of the actuarial assumptions, actuarial cost method, and asset valuation method used in the valuation, including a statement of the assumed rate of payroll growth and assumed rate of growth or decline in the number of members contributing to the retirement system;</u>	143 144 145 146 147
<u>(4) A summary of findings that includes a statement of the actuarial accrued pension liabilities and unfunded actuarial accrued pension liabilities;</u>	148 149 150
<u>(5) A schedule showing the effect of any changes in the benefit provisions, actuarial assumptions, or cost methods since the last annual actuarial valuation;</u>	151 152 153
<u>(6) A statement of whether contributions to the retirement system are expected to be sufficient to satisfy the funding objectives established by the board.</u>	154 155 156
<u>(C) The governing authority shall submit the report to the Ohio retirement study council and the auditor of state not later than the first day of September following the year for which the valuation was made.</u>	157 158 159 160
Sec. 171.21. <u>(A) The governing authority of a retirement system of a political subdivision shall establish a period of not more than thirty years to amortize the retirement system's unfunded actuarial accrued pension liability. If in any year the period necessary to amortize the unfunded actuarial accrued pension liability exceeds thirty years, as determined by the annual actuarial valuation required by section 171.20 of the Revised Code, the governing authority, not later than one hundred eighty days after receipt of the valuation, shall prepare and submit to the Ohio retirement study council and the auditor of state a report that includes the following information:</u>	161 162 163 164 165 166 167 168 169 170 171

(1) The number of years needed to amortize the unfunded actuarial accrued pension liability as determined by the annual actuarial valuation; 172
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(2) A plan approved by the governing authority that indicates how the governing authority will reduce the amortization period of unfunded actuarial accrued pension liability to not more than thirty years. 175
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(B) The council shall determine whether the plan is reasonable in comparison to plans established by the other retirement systems. The auditor of state shall determine whether the plan is fiscally reasonable with respect to any other financial obligations of the political subdivision. The legislative authority of the political subdivision shall adopt a plan only if the plan is approved by both the council and the auditor of state. 179
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(C) No political subdivision shall fail to substantially comply with a plan adopted pursuant to division (B) of this section. 187
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(D) If a political subdivision fails to adopt a plan as required under division (B) of this section, or fails to substantially comply with an approved plan, upon certification of the auditor of state, the auditor of state shall notify the office of budget and management and all state funding, as defined in section 117.54 of the Revised Code, for that political subdivision other than benefit assistance to individuals shall be withheld until subsequent notification from the auditor of state to the office of budget and management that a plan has been adopted or substantial compliance with the plan has been achieved, as the case may be. Upon receipt of the subsequent notification, the office of budget and management shall release all funds withheld from the political subdivision under this section. 190
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(E) Division (D) of this section does not apply to a 203
political subdivision in which all of the following apply: 204

(1) The legislative authority of the political subdivision 205
adopts an approved plan in accordance with this section. 206

(2) The adopted plan becomes the subject of a resolution for 207
a referendum vote on the plan. 208

(3) A majority of the electors voting on the question 209
disapprove the plan. 210

Sec. 5705.13. (A) A taxing authority of a subdivision, by 211
resolution or ordinance, may establish reserve balance accounts to 212
accumulate currently available resources for the following 213
purposes: 214

(1) To stabilize subdivision budgets against cyclical changes 215
in revenues and expenditures; 216

(2) Except as otherwise provided by this section, to provide 217
for the payment of claims and deductibles under an individual or 218
joint self-insurance program for the subdivision, if the 219
subdivision is permitted by law to establish such a program; 220

(3) To provide for the payment of claims, assessments, and 221
deductibles under a self-insurance program, individual 222
retrospective ratings plan, group rating plan, group retrospective 223
rating plan, medical only program, deductible plan, or large 224
deductible plan for workers' compensation. 225

The ordinance or resolution establishing a reserve balance 226
account shall state the purpose for which the account is 227
established, the fund in which the account is to be established, 228
and the total amount of money to be reserved in the account. 229

Not more than one reserve balance account may be established 230
for each of the purposes permitted under divisions (A)(2) and (3) 231
of this section. Money to the credit of a reserve balance account 232

may be expended only for the purpose for which the account was 233
established. 234

A reserve balance account established for the purpose 235
described in division (A)(1) of this section may be established in 236
the general fund or in one or more special funds for operating 237
purposes of the subdivision. The amount of money to be reserved in 238
such an account in any fiscal year shall not exceed five per cent 239
of the revenue credited in the preceding fiscal year to the fund 240
in which the account is established, or, in the case of a reserve 241
balance account of a county or of a township, the greater of that 242
amount or one-sixth of the expenditures during the preceding 243
fiscal year from the fund in which the account is established. 244

Subject It is the intent of the general assembly that each county, 245
township, and municipal corporation maintain a reserve account in 246
its general fund for the purpose described in division (A)(1) of 247
this section and that the reserve account consist of an amount of 248
money equal to approximately five per cent of the revenue credited 249
to the general fund in the preceding fiscal year. 250

Subject to division (G) of section 5705.29 of the Revised 251
Code, any reserve balance in an account established under division 252
(A)(1) of this section shall not be considered part of the 253
unencumbered balance or revenue of the subdivision under division 254
(A) of section 5705.35 or division (A)(1) of section 5705.36 of 255
the Revised Code. 256

At any time, a taxing authority of a subdivision, by 257
resolution or ordinance, may reduce or eliminate the reserve 258
balance in a reserve balance account established for the purpose 259
described in division (A)(1) of this section. 260

A reserve balance account established for the purpose 261
described in division (A)(2) or (3) of this section shall be 262
established in the general fund of the subdivision or by the 263
establishment of a separate internal service fund established to 264

account for the operation of an individual or joint self-insurance 265
program described in division (A)(2) of this section or a workers' 266
compensation program or plan described in division (A)(3) of this 267
section, and shall be based on sound actuarial principles. The 268
total amount of money in a reserve balance account for 269
self-insurance may be expressed in dollars or as the amount 270
determined to represent an adequate reserve according to sound 271
actuarial principles. 272

A taxing authority of a subdivision, by resolution or 273
ordinance, may rescind a reserve balance account established under 274
this division. If a reserve balance account is rescinded, money 275
that has accumulated in the account shall be transferred to the 276
fund or funds from which the money originally was transferred. 277

(B) A taxing authority of a subdivision, by resolution or 278
ordinance, may establish a special revenue fund for the purpose of 279
accumulating resources for the payment of accumulated sick leave 280
and vacation leave, and for payments in lieu of taking 281
compensatory time off, upon the termination of employment or the 282
retirement of officers and employees of the subdivision. The 283
special revenue fund may also accumulate resources for payment of 284
salaries during any fiscal year when the number of pay periods 285
exceeds the usual and customary number of pay periods. 286

Notwithstanding sections 5705.14, 5705.15, and 5705.16 of the 287
Revised Code, the taxing authority, by resolution or ordinance, 288
may transfer money to the special revenue fund from any other fund 289
of the subdivision from which such payments may lawfully be made. 290
The taxing authority, by resolution or ordinance, may rescind a 291
special revenue fund established under this division. If a special 292
revenue fund is rescinded, money that has accumulated in the fund 293
shall be transferred to the fund or funds from which the money 294
originally was transferred. 295

(C) A taxing authority of a subdivision, by resolution or 296

ordinance, may establish a capital projects fund for the purpose 297
of accumulating resources for the acquisition, construction, or 298
improvement of fixed assets of the subdivision. For the purposes 299
of this section, "fixed assets" includes motor vehicles. More than 300
one capital projects fund may be established and may exist at any 301
time. The ordinance or resolution shall identify the source of the 302
money to be used to acquire, construct, or improve the fixed 303
assets identified in the resolution or ordinance, the amount of 304
money to be accumulated for that purpose, the period of time over 305
which that amount is to be accumulated, and the fixed assets that 306
the taxing authority intends to acquire, construct, or improve 307
with the money to be accumulated in the fund. 308

A taxing authority of a subdivision shall not accumulate 309
money in a capital projects fund for more than ten years after the 310
resolution or ordinance establishing the fund is adopted. If the 311
subdivision has not entered into a contract for the acquisition, 312
construction, or improvement of fixed assets for which money was 313
accumulated in such a fund before the end of that ten-year period, 314
the fiscal officer of the subdivision shall transfer all money in 315
the fund to the fund or funds from which that money originally was 316
transferred or the fund that originally was intended to receive 317
the money. 318

A taxing authority of a subdivision, by resolution or 319
ordinance, may rescind a capital projects fund. If a capital 320
projects fund is rescinded, money that has accumulated in the fund 321
shall be transferred to the fund or funds from which the money 322
originally was transferred. 323

Notwithstanding sections 5705.14, 5705.15, and 5705.16 of the 324
Revised Code, the taxing authority of a subdivision, by resolution 325
or ordinance, may transfer money to the capital projects fund from 326
any other fund of the subdivision that may lawfully be used for 327
the purpose of acquiring, constructing, or improving the fixed 328

assets identified in the resolution or ordinance. 329

Sec. 5705.39. The total appropriations from each fund shall 330
not exceed the total of the estimated revenue available for 331
expenditure therefrom, as certified by the budget commission, or 332
in case of appeal, by the board of tax appeals. No appropriation 333
measure shall become effective until the county auditor files with 334
the appropriating authority a certificate that the total 335
appropriations from each fund, taken together with all other 336
outstanding appropriations, do not exceed such official estimate 337
or amended official estimate. When the appropriation does not 338
exceed such official estimate, the county auditor shall give such 339
certificate forthwith upon receiving from the appropriating 340
authority a certified copy of the appropriation measure. 341
Appropriations shall be made from each fund only for the purposes 342
for which such fund is established. 343

A board of county commissioners, board of township trustees, 344
or legislative authority of a municipal corporation may establish 345
limits on the negative cash balance of the general fund of the 346
county, township, or municipal corporation, but in no case shall 347
the negative cash balance of the general fund of a county, 348
township, or municipal corporation exceed ten per cent of the 349
total revenue of the general fund in the preceding fiscal year. 350

Sec. 5705.413. (A) As used in this section, "expenditures and 351
incurred obligations" includes all moneys expended or obligated 352
pursuant to appropriations by the legislative authority of a 353
county, township, or municipal corporation. 354

(B)(1) The fiscal officer of a municipal corporation shall 355
furnish a monthly statement to the chief executive officer and the 356
legislative authority of the municipal corporation showing the 357
condition of the general fund. The statements shall provide a 358

summary of the status of appropriations to enable the chief 359
executive officer and the legislative authority to exercise and 360
maintain effective supervision and control over the expenditures 361
of the municipal corporation. Upon the request of the chief 362
executive officer or the legislative authority, the fiscal officer 363
also shall furnish statements showing the condition of any other 364
fund. 365

(2) If the chief executive officer or the legislative 366
authority ascertains that the available revenue receipts and 367
balances for the general fund for the current fiscal year will in 368
all probability be less than the appropriations for the year, the 369
chief executive officer or the legislative authority shall take 370
such actions as will prevent the expenditures and incurred 371
obligations of the municipal corporation from exceeding such 372
revenue receipts and balances. 373

(3) If the chief executive officer or the legislative 374
authority ascertains that the available revenue receipts and 375
balances for any fund other than the general fund for the current 376
fiscal year will in all probability be less than the 377
appropriations from that fund for the year, the chief executive 378
officer or the legislative authority shall take such actions as 379
will prevent the expenditures and incurred obligations of the 380
municipal corporation from exceeding such revenue receipts and 381
balances. 382

(4) If the chief executive officer or the legislative 383
authority determines that the available revenue receipts and 384
balances in any fund or across all funds will likely be less than 385
the appropriations for the year, the chief executive officer or 386
the legislative authority may issue orders or pass an ordinance or 387
resolution to reduce expenditures or implement personnel actions 388
including, but not limited to, mandatory cost savings days similar 389
to those described in section 124.392 of the Revised Code. 390

(5) The requirements and authorizations imposed on the chief executive officer by division (B) of this section are subject to any limitations on the scope of the officer's authority pursuant to the municipal charter, if any, and ordinances. No order may be issued by an officer pursuant to division (B) of this section except in accordance with the authority granted to the officer by a municipal charter or ordinances. 391
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(C)(1) The fiscal officer of a county or township shall furnish a monthly statement to the board of county commissioners or board of township trustees showing the condition of the county or township general fund. The statements shall provide a summary of the status of appropriations to enable the board to exercise and maintain effective supervision and control over the expenditures of the county or township. Upon the request of the board of county commissioners or board of township trustees, the fiscal officer also shall furnish statements showing the condition of any other fund. 398
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(2) If the board of county commissioners or board of township trustees ascertains that the available revenue receipts and balances for the general fund for the current fiscal year will in all probability be less than the appropriations for the year, the board shall take such actions as will prevent the expenditures and incurred obligations of the county or township from exceeding such revenue receipts and balances. 408
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(3) If the board of county commissioners or board of township trustees ascertains that the available revenue receipts and balances for any fund other than the general fund for the current fiscal year will in all probability be less than the appropriations from that fund for the year, the board shall take such actions as will prevent the expenditures and incurred obligations of the county or township from exceeding such revenue receipts and balances. 415
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(4) If the board of county commissioners or board of township trustees determines that the available revenue receipts and balances in any fund or across all funds will likely be less than the appropriations for the year, the board may pass an ordinance or resolution to reduce expenditures or implement personnel actions including, but not limited to, mandatory cost savings days similar to those described in section 124.392 of the Revised Code.

Section 2. That existing sections 118.27, 5705.13, and 5705.39 and section 733.33 of the Revised Code are hereby repealed.