



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 53 of the 128th G.A.

Date: March 10, 2009

Status: As Introduced

Sponsor: Sen. D. Miller

Local Impact Statement Procedure Required: Yes

Contents: Requires the implementation of a residential foreclosure tracking and reporting system

State Fiscal Highlights

| STATE FUND | FY 2010 | FY 2011 | FUTURE YEARS |
|--|---|---|---|
| Unspecified State Fund – Department of Commerce | | | |
| Revenues | - 0 - | - 0 - | - 0 - |
| Expenditures | Increase for development of foreclosure tracking database | Potential minimal increase for database maintenance | Potential minimal increase for database maintenance |

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- There are likely to be new costs for the Department of Commerce to develop and implement a residential foreclosure tracking database to track foreclosure filings and properties sold at sheriff's sales.

Local Fiscal Highlights

| LOCAL GOVERNMENT | FY 2010 | FY 2011 | FUTURE YEARS |
|------------------------|---|---|---|
| Clerks of Court | | | |
| Revenues | - 0 - | - 0 - | - 0 - |
| Expenditures | Increase in the tens of thousands of dollars per county | Increase in the tens of thousands of dollars per county | Increase in the tens of thousands of dollars per county |

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Based on the input from ten clerks of court offices, there appear to be new staff needed to compile, keep track of, and transmit information to the Department of Commerce for inclusion into the foreclosure tracking database. Staffing needs vary by county from one part-time employee to two full-time employees, the cost of which are estimated to be anywhere from \$14,500 to \$60,000 annually.
- Information technology costs to upgrade clerks of court software systems to include a unique tracking number for foreclosed properties and track property types are reported to be between \$2,000 and \$20,000.

Detailed Fiscal Analysis

Overview

The bill requires the establishment of a residential foreclosure tracking system and annual report to be prepared on the residential foreclosure filings and sales in each county. The Department of Commerce is required to develop the database to keep track of (1) the number of residential foreclosure filings made by mortgage holders, (2) the number of residential properties for which a court of common pleas has confirmed a sale by a county sheriff pursuant to an order of sale, and (3) the type of each residential property reported.

The system's tracking capabilities would be based on a unique tracking number that a clerk of court assigns to a residential property at the time a mortgage holder files for a foreclosure action (tax foreclosure filings would not be tracked). The bill requires clerks of court to make quarterly reports to the Department of Commerce detailing where a foreclosure filing is made or where a sale of a foreclosed home is confirmed. The reports must provide the number of residential foreclosure filings, the number of sales of foreclosed homes, and any other information the Director of Commerce requires.

Based on the quarterly reports submitted by clerks of court, the Director of Commerce is to prepare an annual report and publish the report on-line. The report must include data on the entire state as well as each county, including the number of foreclosure filings, the number of properties sold at sheriff's sales, and the types of residential properties subject to foreclosure filings and sales.

Fiscal Effects

The Department of Commerce will incur costs in order to develop the database; however, it is unclear what the extent of those costs will be or what fund would be used to pay for these costs. At the county level, clerks of courts will incur staffing and information technology costs in order to comply with the bill, most likely in the tens of thousands of dollars per county. LSC worked with the Ohio Clerk of Courts Association to survey members about these costs. To date, ten counties have responded: Auglaize, Butler, Franklin, Fulton, Huron, Medina, Montgomery, Ottawa, Vinton, and Warren. All reported that the bill would cause new staffing and information technology costs. Their estimates are summarized below.

Staffing

Clerks of court reported that new staff will be needed to research foreclosure filings to determine the type of property, keep track of those filings to determine when a sale confirmation has occurred, enter data into their information technology systems, and transmit the information to the Department of Commerce on a quarterly basis.

Additional staffing needs will depend on whether the type of residential property is reported by the plaintiff, or if the clerk's office will have to search county recorder, county auditor, or other title records to obtain this information. According to the responses received from the ten counties, the minimum staffing needs varied between one part-time employee to two full-time employees at a cost of anywhere between \$14,500 and \$60,000 per year. Some clerks of court reported that these new costs would be a hardship to absorb given situations where the clerk's office is already understaffed or under a hiring freeze or similar budgetary conditions.

Information Technology Upgrades

Currently, most of the clerks of court do not use any form of tracking code presently other than the case category indicator that is part of the civil case number to identify foreclosure cases or properties involved in a foreclosure action. In addition, the counties reported that no system is presently in use for collecting information on foreclosed properties sold at sheriff's sales or the type of property being foreclosed upon. As a result, information technology and case management systems will require modifications in order to create a unique tracking number and reporting mechanism for property types that can be used for the Department of Commerce's database. The clerks of court responding to the survey estimated the cost of these modifications to be in the \$2,000 to \$20,000 range. Some counties indicated that internal programmers could perform this task while others would have to rely on the clerk's software vendor.