



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [S.B. 125 of the 129th G.A.](#)

Date: May 18, 2011

Status: As Introduced

Sponsor: Sens. Seitz and Turner

Local Impact Statement Procedure Required: No

Contents: Authorizes political subdivisions to perform shared services and authorizes regional councils of governments to enter into unit price contracts for construction under certain conditions

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- The bill authorizes political subdivisions to enter into agreements to perform various services for one another. Current law allows these agreements for the provision of police, fire, and EMS services among political subdivisions. The bill expands the scope of this authority to include other services such as garbage collection and snow removal. The potential for cost savings will be a major incentive for political subdivisions to enter into these agreements.
- Under certain circumstances, the bill authorizes regional councils of government to enter into unit price contracts for construction projects on behalf of their member political subdivisions. By acquiring goods and services by unit price, political subdivisions that belong to these purchasing consortia could save on the cost of commonly used building supplies and services.

Detailed Fiscal Analysis

Overview

The bill expands the authority for political subdivisions to enter into agreements to provide a variety of services for one another in addition to the services specified in current law. Although the bill expands the authority to enter into shared services agreements, the bill also prohibits any political subdivision from entering into any agreement under the bill to levy any tax or to exercise, with regard to public moneys, any investment powers, perform any investment functions, or render any investment service on behalf of a contracting subdivision. Additionally, under certain conditions the bill permits regional councils of government to enter into unit price contracts for construction supplies and services on behalf of their members. The fiscal effects of the bill are described in more detail below.

Local government shared services

Under current law, political subdivisions are granted the authority to contract with other political subdivisions for public services such as police, fire, and EMS services, as well as other certain functions specified in law. However, current law does not extend this authority to garbage collection, snow removal, and other such services. The bill would give political subdivisions the authority to do so. A December 2009 study conducted by Wright State University on service delivery collaboration among state and local governments found widespread use of joint service contracts.¹ Of the 400 political subdivisions in Ohio that responded to a survey undertaken by the authors, most indicated that they were involved in some form of shared services agreement for fire, police, dispatch, economic development, planning, and other various functions.

The following is an example to illustrate how a shared services agreement could benefit participating jurisdictions. City A pays approximately \$1.0 million each year to a private contractor for garbage collection. City B pays \$1.5 million each year to a private contractor for snow removal services. City C, a more populous city which borders both of these political subdivisions, provides both of these services for its residents. Under the bill, all three cities could enter a service contract whereby City C extends its garbage collection and snow removal services to Cities A and B at a lower overall cost to those cities.

¹ Dustin, J. et. al., "Collaborative Local Government in the State of Ohio," December 8, 2009, <http://www.cpmra.muohio.edu/otaohio/commission/ota/Documents/WorkDocs/Wright%20State%20Report.pdf>.

Regional councils of governments – unit price contracts

The bill also authorizes a regional council of governments to enter into unit price contracts related to buildings or structures on behalf of its member political subdivisions under certain conditions. This authority would likely be used primarily by education service centers and joint school districts purchasing consortia to acquire industrial equipment, roofing supplies, and other widely used construction materials, as well as services such as debris removal. By pooling purchases of construction materials and services, these jurisdictions would presumably be able to acquire these items at lower cost than they can under current guidelines.

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