# 132nd General Assembly

## Legislation

- **HB 49 - State Biennial Budget**
  {Pending in House Finance; Initial hearings in Senate Finance Subcommittees**}**
  - Changes to Local Government Funds (LGF) – Administration proposes a new distribution formula for LGF, so that over time 20 percent of the dollars are allocated based on jurisdictions' revenue capacity. This change would be implemented slowly as follows:
    - For CY 2018, 95 percent of CY 2017 LGF dollars will be distributed using current state formula as well as local county distribution formulas. The remaining 5 percent of CY 2017 LGF dollars and any new growth will be distributed based on New Method
    - For CY 2019, 90 percent of CY 2017 LGF dollars will be distributed using current state formula as well as local county distribution formulas. The remaining 10 percent of CY 2017 LGF dollars and any new growth will be distributed based on New Method
    - New Method -- The new pot of money will be distributed to the jurisdiction types as follows:
      - 37.3 percent counties
      - 47.7 percent cities
      - 3.7 percent villages with an income tax
      - 1.5 percent villages without an income tax
      - 9.8 percent townships
      - Within each of these types of jurisdictions, they would be rated based on their capacity to generate revenue. For counties, this would be a weighted determination based on 80 percent sales tax and 20 percent property tax. For cities and villages with an income tax, their allocation would be weighted on income tax. For villages without an income tax and townships, their allocation would be weighted on property tax.
      - Overall, the LGF line item proposes a 0.4 percent and 3.1 percent increase in SFY 2018 and 2019, respectively.
      - It appears that counties that raise taxes are rewarded and counties that choose not to are penalized.
    - Anticipate amendment by Representative Duffey to remove changes from the bill.
  - Elimination of Sales Tax on Medicaid Managed Care Organizations (MMCO)
    - State Replacement: The proposal would replace the existing sales tax on managed care organizations with a health insuring corporation assessment levied on a per member/per month basis. The premium on Medicaid recipients would range from $26 to $56 a month if their income reaches a certain level. For non-Medicaid individuals, the assessment would be $1-2 a month. In total, the statewide assessment would generate a little more money than the state had been receiving from the MMCO sales tax. In addition, the new health insuring corporation assessment revenue will go into a state non-GRF fund and, thus, will not help support the Local Government Fund.
    - Local Replacement: The proposal would provide counties and transit authorities with "one check" from the state this fall, to transition local jurisdictions from the MMCO sales tax revenues. Statewide $207 million is allocated in SFY 2018. These funds would be allocated based on two calculations:
      - Approximately $49 million – This would be used to cover the foregone revenue the last three months of CY 2017. County MMCO sales tax revenues for CY 2015 and CY 2016 would be averaged to determine a county's allocation for the last quarter of CY 2017. All counties and transit authorities will receive some funding.
      - Approximately $158 million – This would be allocated based on the following: (1) the county's reliance on MMCO sales tax when compared with its overall sales tax revenue; and (2) the county's sales tax capacity per capita. Thus, the formula based payment would

distribute more transitional support to counties and transit authorities where the managed care sales tax is a greater share of the total local sales tax receipts, and the sales tax capacity per capita is below the statewide average. A handful of counties will receive no funding under these calculations. Counties will be required to pass a resolution to spend these dollars out of a special fund, and the resolution must denote the purpose.

- County governments are asking for parity with the state, as the administration proposed a permanent, full reimbursement for itself. They believe the House is aware of the issue. The challenge is in the details, finding a viable solution that they can consider. The few ideas floated so far are probably not viable due to federal regulations; continuing to look at some new ideas.

- Indigent Defense Support Fund
  - Modifies existing law by specifying that the State Public Defender must use 83% (decreased from 88%) of the money in the Indigent Defense Support Fund for the purposes of reimbursing county governments for expenses incurred for indigent defense
  - State Representative and former Ottawa County Commissioner Steve Arndt, a member of the House Finance Committee, is having an amendment drafted to HB 49, the state biennial budget bill to address indigent defense funding. The amendment would require the state to reimburse counties for "at least 50%" of the costs and expenses for general cases, reimburse at 100% for capital cases, and adjust the budget general fund appropriation line items to provide the funding to meet the state's reimbursement obligations.

- Property Tax Exemptions
  Amends ORC 5715.27 regarding property tax exemptions to be filed with the county auditor of the county in which the property is listed for taxation by eliminating (d) - Property of the boards of trustees and of the housing commissions of the state universities, the northeastern Ohio universities college of medicine, and of the state to be exempted under section 3345.17 of the Revised Code.

- Appointment of Coroner and Engineer
  Board of County Commissioners may submit a resolution to the electors of any county to authorize the board to appoint, instead of electing, the county coroner and/or county engineer.

- Proposal to Limit BOR/BTA Value Change
  - Proposal stipulates that, in a tax valuation complaint initiated by a person other than the property owner, the assessed value of the property may not be increased beyond the median assessed value of a reasonable number of comparable parcels. Places limits on how much the BOR can change value when a complaint is filed by a school board.
  - The County BOR is charged with the investigation of complaints and the determination of value. To limit them to a specific amount of change just because the BOE happened to file the complaint is designed to benefit those who do not want to pay their fair share of the real property tax burden. Concerned this is an initial salvo that can undermine the authority of the County Auditor to determine the fair market value of every parcel of property within the county. If the BOE can submit evidence and information that convinces the BOR to modify the value as determined by the County Auditor when acting as the assessor real property, then that value should change to whatever the BOR determines it to be.
  - Further concern that proposal will find its way into the biennial budget bill.

❖ **HB 26 – Transportation Budget**
{Signed by Governor; some provisions line-item vetoed, eff. 90 days**}**

- Property Tax Administration Fund (ORC 5703.80)
  The bill suspends, for the FY 2018-FY 2019 biennium, additional funding for the Property Tax Administration Fund, which is used to defray the Department of Taxation's expenses in performing its property tax administration duties. Those duties include overseeing and directing county-level

assessment duties, assessing public utility property, and making tax exemption determinations. The bill also permanently limits the amount of such funding in future years (FY 2020 and thereafter) to the estimated costs of the Department's property tax administration duties. Currently, funding is based on a fixed percentage of property taxes charged. The percentage in future years will be limited to no more than 0.25% of taxes on real property (the current fixed percentage is 0.48%) and 0.45% of taxes on public utility tangible personal property (currently 0.951%), even if the estimated costs would require greater percentages.

The Property Tax Administration Fund receives transfers from the GRF, but the GRF is reimbursed for the transfers by local taxing units through a reduction of their own reimbursements for the 10% reduction in nonbusiness property taxes, except to the extent that a taxing unit's reimbursement is less than its share of the PTAF; in that case, the GRF covers the shortfall. Under the bill, the transfers from the GRF are suspended during the FY 2018-FY 2019 biennium.

- Provides an $8,000 stipend for clerks of courts who serve as full authority deputy registrars; Tom is working on extending this to the four County Auditors who serve as deputy registrars. Eliminated in substitute bill.
- Permits county commissioners to levy a $5 motor vehicle license fee for transportation

❖ **HB 3 – Improve Transparency of Public Data**

{Referred to House Finance**}**

- Require Auditor of State to adopt rules regarding a uniform accounting system for public offices, to establish an online catalog of public data at data.Ohio.gov, to establish the Local Government Information Exchange Grant Program, and to make appropriations.
- Very similar, if not identical, to the previous Data Ohio Bill, HB 130 from the 131st General Assembly.

❖ **HB 24 – Modify Veterans Organization Property Tax Exemption**

{Referred to House Ways & Means}

- Amend ORC 5709.17 to modify the existing tax exemption for veterans organizations' property to include property of certain veterans organizations exempt from federal taxation under section 501(c)(4) of the Internal Revenue Code and to exclude property that is not used primarily for meetings, administration, and the provision of programs and services to past and present members of the United States armed forces.

❖ **HB 34 – Deliver Notices by Ordinary Mail or Electronically**

**{**Passed House; Pending in Senate Government Oversight & Reform}

- Authorize state agencies, local governments, and certain boards, commissions, and officers to deliver particular types of notices by ordinary mail and other mode of Internet communication. The bill lists 29 situations where the alternative notification procedure may be used.
- Could reduce mailing costs for the affected jurisdictions; savings will depend on the circumstances where these alternative notification options are used. As a point of comparison, the certified mail rate established by the U.S. Postal Service for 2017 ranges from $4.61 to $6.59 for a one ounce certified letter.
- Moving forward possible amendments to add CAUV notice of failure to file initial (new owners of CAUV land) or renewal applications, CAUV notice of incomplete or incorrect initial application and Agricultural District denial of application & failure to file renewal application. Also possible change to required notices may be sent by ordinary mail or Internet communication, rather than both.

❖ **HB 70 – Fuel Tax Transparency**

{Pending in House Government Accountability and Oversight, First Hearing}

- Require stickers be placed on retail service station pumps displaying the rates of federal and state taxes applicable to gasoline and diesel fuel

- The director of agriculture shall design and cause to be produced a sticker that displays the rate of federal and state motor fuel tax and shall distribute the stickers to each county auditor or municipal sealer. The director shall not charge a county auditor, municipal sealer, or any person for the creation or delivery of a fuel tax sticker under this section.
- Each county auditor or municipal sealer shall affix fuel tax stickers received from the director of agriculture on each retail pump the auditor or sealer is required to inspect under the authority of section 1327.52 of the Revised Code.

❖ **HB 82 – Adjust Fees for Collecting Property Taxes**
{Referred to House Government Accountability & Oversight}
Amend ORC 321.26 to adjust fees allowed to county treasurers for collecting property tax; same bill as introduced last session.

❖ **SB 9/HB 89 -- Sales Tax Holiday**
**{**Senate Bill Passed Senate, Reported Out House Ways & Means} {House Bill Referred to House Ways & Means}

- Provide for a three-day sales tax "holiday" in August 2017 during which sales of clothing and school supplies are exempt from sales and use taxes.
- Estimated to reduce state revenue from the sales and use tax by up to $15.2 million in FY 2018. The GRF would receive 96.68% of the revenue from the state sales and use tax, while 1.66% of the receipts are transferred to the Local Government Fund and an identical share to the Public Library Fund. Sales tax revenue to the GRF would decline by up to $14.7 million in FY 2018, and distributions to the LGF and PLF would be reduced by a total of about $0.5 million.
- The potential revenue loss to local governments from local sales taxes (approximately 24.5% of state sales tax revenues) would be up to $3.7 million. Total revenue reductions for local governments, including reduced LGF and PLF distributions, may be up to $4.2 million.

❖ **SB 36 – Specify How Value of Agricultural Land is Computed**
{Pending in Senate Ways & Means}

- Require that the computation of the capitalization rate for the purposes of determining CAUV of agricultural land be computed using a method that excludes appreciation and equity buildup and to stipulate that CAUV land used for a conservation practice or enrolled in a federal land retirement or conservation program for at least three years must be valued at the lowest of the values assigned on the basis of soil type.
- Fiscal Note: Lower tax values on land enrolled in CAUV would cause annual net losses estimated at up to $17 million for schools and up to $18 million for other units of local government.
- Fiscal Note: Lower values due to reductions for land used for a conservation practice or in a conservation program would cause annual net losses estimated at $1 million or more for schools and $1 million or more for other local governments.
- Fiscal Note: For property taxes subject to tax reduction factors, revenue losses would be partly offset by higher effective tax rates on residential property owners and also on farmers. Effective rates can rise no higher than voted (gross) millage rates.
- Fiscal Note: For property taxes intended to raise fixed sums of money, revenue losses would be offset by higher tax rates on farmers and homeowners, and also on Class II and public utility property subject to those levies.
- May be included in biennial budget bill, HB 49

❖ **HB103/SB 88 – Modify Financial Planning & Supervision Commission Laws**
{House Bill Passed House; Senate Bill Passed Senate}

- Modify the composition and powers of the financial planning and supervision commission of a political subdivision that is in a state of fiscal emergency and to clarify the duties of that political subdivision.

- Streamline the process of removing a county, village, municipality or township from a state of financial emergency. Under the current system, a Financial Planning and Supervision Commission is automatically established for a specific government entity when that entity is declared to be in a state of financial emergency by the state auditor; local governments have the power to appoint five out of the seven members on that committee.
- Under the bills, the number of locally appointed members would be reduced from five to three, allowing the commission to serve as a "true oversight board" rather than a "rubber stamp," and prevent the local governments from "stacking the deck" in favor of themselves.
- Bills would 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; expand what can be included in the content of a financial recovery plan through the use of funds with self-imposed restrictions; grant additional power to the Financial Planning and Supervision Commission to approve or disapprove of financial information submitted by the local government, and will be able to compel the production of timely, accurate financial data to the Financial Supervisor.
- 23 government entities are currently under fiscal emergency, and one is under fiscal watch.

❖ **HB 118 – Prohibit Dismissing BOR Complaint if it Fails to Identify Owner**

{Pending in House Ways & Means}

- Codifies Ohio Supreme Court rulings that a property valuation complaint cannot be dismissed based on the misidentification of the property owner.
- Navratil Development case concerned an incorrect name as the property owner in the BOR complaint. The court held, "it is not a jurisdictional requirement to correctly name the owner of the subject property in a valuation complaint" and "the substitution of a proper party is typically permitted when there has been a misnomer in the pleadings and the substitution has caused no prejudice".

❖ **SB 123 – Limit Right to Initiate Property Tax Complaints**

{Introduced on April 5th}

Same bill as last session to limit the right to initiate most types of property tax complaints to the property owner and the county recorder of the county in which the property is located.