STATEHOUSE REPORT

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House passes Transportation Budget with scope-of-work amendment

On Wednesday, March 1, the Ohio House of Representatives passed House Bill 23 (Rep. Jay Edwards), the state transportation budget, by a vote of 74 – 21. One of the provisions of the bill replaces county engineer "force account" monetary limits with a "scope of work" concept, similar to the approach used by the Ohio Department of Transportation. Under current law, the limits are $30,000 per mile for roads and $100,000 for bridges and culverts. The scope of work concept establishes limits based on the physical characteristics of projects. Projects that fall within the scope of work can be performed by the county engineer using county employees and equipment. Projects that fall outside the scope of work must be performed by private contractors.

CCAO is grateful to the House of Representatives for the inclusion of force account limits in the bill. It is expected that further work on this issue will occur in the Senate. The County Engineers Association has indicated that the provision related to culverts, in particular, needs further revision. CCAO recommends that members discuss these provisions with their county engineer to understand how they impact your county.

HB 23 establishes the following scope of work limits:

- Bridges:
  - Construct, replace, or widen any bridge or replace the superstructure of a bridge up to 60 feet from face of abutment to face of abutment;
  - Replace the concrete deck of a bridge up to 75 feet from face of abutment to face of abutment.
- Culverts:
  - Construct, replace, or lengthen any culvert under a roadway, including making any necessary modifications to wingwalls and the related roadway modifications, when the total span of the culvert does not exceed ten feet.
- Roads:
  - Construct, replace, or lengthen any pipe, including a multi-cell pipe, under a roadway, including making any necessary modifications to wingwalls and the related roadway modifications, when the total waterway opening for all the cells does not exceed 85 square feet;
  - Perform any full-width asphalt surface paving operation up to 400 feet per centerline mile;

- Widen an existing roadway up to 1,800 square yards per lane mile;
- Perform a chip-and-seal operation on a two-lane roadway up to 15,000 square yards per centerline mile per layer, excluding any noncontinuous turn lanes;
- Perform a partial or full-depth concrete pavement repair up to 120 square yards per lane mile. The length of the approach guardrails is not included in the approach work size limits.

The bill also allows a board of county commissioners to specify that the cost estimate for the project will be confidential and not published until after the bids are opened. In this case, the county may, but is not required, to accept bids that are more than 10% above estimate.

Another important part of the bill is the creation of the rural highway construction fund using $1.0 billion of the expected year-end state GRF surplus. Eighty percent of the fund must be for direct funding of rural highway projects approved under the ODOT TRAC process. The remaining 20% will be used to provide local matching funds that are necessary to receive approval for rural highway construction projects paid for using the Major/New Capacity Program.

TRAC funding under this provision means rural highway projects that are on federal or state highways in counties that do not contain a municipality with a population greater than 65,000 according to the most recent decennial census and have already received TRAC approval through a previous TRAC application and award process. *Federal Interstate routes are not eligible*. Eligible rural highway projects must prioritize adding capacity or reducing commute times to urban areas or other employment centers. Any such rural highway projects funded in this manner may not receive any additional funding through any other TRAC funding source for the project.

Other notable provisions of interest to counties include:

- A reduction in the additional registration fee of plug-in hybrid electric motor vehicles from $200 to $100. The Legislative Service Commission estimates this result in a loss of $1.2 million in FY 2024 and $2.7 million in FY 2025. Of that, 45% (or $540,000 in FY24 and $1.2 million in FY25) will be lost by local governments.
- Eliminates the authority of counties and townships to operate traffic cameras for the purposes of red-light enforcement and speeding limit enforcement (photo-monitoring devices and license plate readers may still be used for enforcement of criminal law).
- Requires counties and townships to allow aggregate mineral surface mining activities in any zoning district when those activities are added to an existing mineral mining operating permitted by the Ohio Department of Natural Resources.
- Allows political subdivisions (including counties) to make agreements to pay costs incurred by a Transportation Improvement District (TID), even if the subdivision is not a part of the TID (provided they benefit from the TID).
- Allows TIDs to enter into an agreement with the creator board of county commissioners and the boards of county commissioners in neighboring counties to exercise certain powers if the project in question is in the party counties and partially funded by federal funds.
  - This is functionally intended to allow the Lucas County TID to undertake improvements in Lucas, Ottawa, Sandusky, and Wood counties provided they win federal grants.
- Broadens the categories that subdivisions may use LGF reimbursements for traffic camera fines collected for school zone infractions for from just school safety purposes to include other public safety technology such as body cameras and license plate readers.

More information about the transportation budget can be found here.

House Bill 1, tax structure change bill, receives first hearing

On Tuesday, House Bill 1 (Representative Adam Mathews) received sponsor testimony in front of the House Ways and Means Committee. As a reminder, the bill generally makes the following changes:

- Beginning in Tax Year 2023, eliminates all but one income tax bracket so Ohioans will pay no income tax on their first $26,050 of income and then pay the sum of $360.69 plus 2.75% of their taxable income above $26,050.
- The Class 1 (Residential and Agricultural) property 10% property tax rollback (also called the Non-Business Credit) is eliminated.
- The Owner-Occupancy 2.5% property tax credit is changed to a flat $125 credit per year.
- The Homestead Exemption credit for individuals who are disabled or over the age of 65 and have incomes below a statutory threshold is indexed to inflation and, for those eligible individuals who have owned their homes for at least 20 years, increases from $25,000 to $50,000 (also indexed to inflation).
- The statewide valuation assessment rate is decreased from 35% to 31.5%, with future years' rate attached to inflation.
- The bill contains intent language to reimburse local governments adversely affected by the changes made under the bill. The reimbursement applies to state fiscal years 2024 and 2025.

According to the Department of Taxation, the change to the flat 2.75% marginal tax rate would cost the state about $2 billion in lost revenue annually. The elimination of the 10% property tax rollback would offset some of this loss by saving the state about $1.2 billion per year. This property tax rollback consists of the state paying a portion of Class 1 taxpayers' property tax bills for them; this means that upon its elimination, these taxpayers will see their tax bills increase. The change in the statewide assessment rate from 35% to 31.5% is intended to provide relief to those taxpayers to keep their tax bills roughly what they have been paying with the rollback in place.

During testimony, many questions centered on the topic of the effect the property tax changes would have on local governments that rely on levies for their operations. Unsurprisingly, the majority of these political subdivisions are school districts. County entities, however, are the second largest beneficiaries of the non-business tax credit, totaling more than $198.0 million a year in revenue from the rollback. The following table shows the revenue received by various political subdivision types from the 10% property tax rollback in Tax Year 2022.

Subdivision Entity Type	Non-Business Credit (millions)	Share of Total
School Districts (traditional and JVSD)	$804.8	65.9%
Counties	$198.0	16.2%
Townships	$83.3	6.8%
Municipalities	$82.3	6.7%
Special Districts	$53.0	4.3%
Total	**$1,221.4**	**100%**

During the hearing, Rep. Mathews indicated eagerness to work with the committee and local government associations on improving the bill. This echoed what Rep. Mathews and Representative Bob Peterson said when they attended the February 27 CCAO Board of Directors meeting to discuss the bill. Among the ideas that Rep. Mathews mentioned to help local governments was an elimination of unfunded mandates. While the Association has not taken a position on HB 1, eliminating unfunded state mandates is a long-standing priority of the Association and we are glad to see the notion getting attention.

In order to be a helpful partner, CCAO agreed to compile a list of unfunded mandates that the Association would like to see eliminated. If you have any specific unfunded mandates that are negatively impacting your county general revenue fund, please share them with either CCAO Managing Director of Policy Kyle Petty at kpetty@ccao.org or Research Analyst Nick Ciolli at nciolli@ccao.org.

HB 1 is scheduled to receive its second hearing next week in House Ways and Means on Tuesday at 2:30 p.m. The Legislative Service Commission is required to produce a fiscal analysis of all non-budget bills before the bill receives its second hearing, so the HB 1 Fiscal Note should be available by Tuesday afternoon.

For further information on HB 1, contact CCAO Senior Policy Analyst Jon Honeck at 614-220-7982 or at jhoneck@ccao.org.

CCAO provides proponent testimony for joint purchasing bill

Senate Bill 23 (Senator George Lang) received its second hearing in the Senate Government Oversight Committee this week and received proponent testimony from a number of parties, including CCAO. Generally, the bill clarifies that governments can use joint purchasing authority for construction contracts.

In written testimony, Senior Policy Analyst Jon Honeck informed the committee of CCAO's support for measures that increase the administrative efficiency and flexibility of county government. He highlighted how the bill would help counties in circumstances where townships and villages which to partner with the county on a construction contract to secure lower costs and more bids than would otherwise have been received.

Other entities providing proponent testimony for the bill were Americans For Prosperity, the American Council of Engineering Companies of Ohio, the National Cooperative Procurement Partners, and a number of industry organizations.

CCAO supplies sample resolutions to support operating budget

The 135th General Assembly began to ramp up their legislative activity during the last couple of weeks. The main focus of the legislature and your CCAO policy team will be the main operating budget for this general assembly. CCAO was pleased to see Governor DeWine include many of our budget priorities in his executive budget. If you are interested in a comprehensive list of relevant items in the budget, please click here. It now falls on us at CCAO to advocate, protect, and potentially grow some of the items that the Governor included in his budget.

While policy team will be focusing on advocacy efforts on CCAO's budget priorities at the statehouse, it is imperative that you also contact your respective legislators in the county. That being said, advocacy at the county level can take multiple forms. Sometimes, a simple text message or phone call is the best form of communication. Additionally, if you would like to adopt a resolution at one of your board meetings in support of the budget, we have included three template resolutions for your review. If there are other provisions in the operating budget that you would like to highlight in a resolution, please do not hesitate to reach out to the policy team for assistance in drafting the resolution.

The members at CCAO are vital to our advocacy efforts. It is important to remember that state legislators often want to be helpful to their county officials. However, they will not know an issue is important to you, unless you contact them. The policy team at CCAO is available to assist your advocacy efforts in any way possible. Please do not hesitate to contact us if you need anything else or have any questions.

Sample Resolution, General Budget Overview

Sample Resolution, County Jail Project Funding

Sample Resolution, Indigent Defense Funding

DAS provides flyers on MARCS and Next Generation 9-1-1 budget asks

This week, the Department of Administrative Services (DAS) released two flyers, each highlighting one of its main budget asks. One focuses on the Multi-Agency Radio Communication System (MARCS) and the other on the Next Generation 9-1-1 system.

The MARCS flyer discusses the importance of the system to public safety, connecting more than 140,000 individual radios from more than 3,000 public service agencies statewide. This connectivity helps facilitate communication in an emergency. DAS' budget ask regarding MARCS is an appropriation increase to fully cover the subscription fees for agencies to join the system, with the hope that removing this barrier-to-entry will result in more public safety agencies participating.

The Next-Gen 9-1-1 flyer discusses the enhanced features that NG 9-1-1 offers, such as greatly enhanced location tracking (owing to the use of GPS instead of phone signal triangulation), the ease of transferring calls between jurisdictions, and improved text-to-9-1-1 services. DAS' budget includes funding for "last mile" costs associated with NG 9-1-1, helping to get every 9-1-1 center onto the system.

CCAO is supportive of both these budget provisions and recommends our members utilize these flyers in their engagement with legislators to ensure that these important programs retain the funding that Governor Mike DeWine's proposed budget asks for.

If you have questions regarding MARCS or Next Generation 9-1-1, please contact Managing Director of Policy Kyle Petty at kpetty@ccao.org.

Legislative Activity

Committee Hearings

The House held hearings in Finance Committee and the Finance subcommittees concerning the operating budget and the transportation budget. See the above article for more information on the transportation budget. Additionally, the Senate Transportation Committee heard informal testimony on the transportation budget.

Several bills of interest to counties received hearings this week across different committees.

Senate Ways and Means Committee

- Senate Bill 39 (Senator Tim Schaffer): Exempts children's diapers, car seats, strollers, cribs, and baby monitors from the sales and use tax.
  - Fourth hearing; Proponent testimony from Licking County Health Commissioner.
- Senate Bill 43 (Senator Andrew Brenner): Modifies the homestead exemption for surviving spouses of disabled veterans.
  - Third hearing; no additional testimony.
- Senate Bill 52 (Senator Theresa Gavarone): To exempt sales of United States and Ohio flags from the sales and use tax.
  - Third hearing; no additional testimony.

Senate Transportation Committee

- Senate Bill 15 (Senator Frank Hoagland): Allow retired military veterans to apply for permanent motor vehicle registration.
  - First hearing; Sponsor testimony
  - This bill would waive standard motor vehicle registration fees and taxes for retired veterans after their first registration, costing counties revenue from registration fees.
- Senate Bill 48 (Senator Stephen Huffman): To reduce the tax rate on certain motor fuel.
  - First hearing; Sponsor testimony
  - This bill would reduce the motor vehicle fuel tax on diesel fuel to bring it to the same level as regular gasoline ($0.385 per gallon).

Bill Introductions

The following bills that may be of interest to counties were introduced:

- House Bill 69 (Representative Brian Stewart and Representative Bernard Willis): To require county veterans service commissions to include two members who served in the military after September 11, 2001, and to require one member of the commission be appointed by the board of county commissioners.

Upcoming Committee Hearings

The following legislative committees are hearing testimony regarding bills that may be of interest to counties:

House Civil Justice Committee *(March 7 at 1:00 p.m.)*

- House Bill 64 (Representative Darrell Kick and Representative Rodney Creech): To modify eminent domain law.