STATEHOUSE REPORT

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CCAO President Glenn Miller testifies as opponent on House Bill 1

House Bill 1 (Representative Adam Mathews) received its third hearing on Tuesday of this week. CCAO President and Henry County Commissioner Glenn Miller gave opponent testimony to the House Ways and Means Committee. President Miller provided the committee important context about how the changes to the property tax system proposed in the bill would affect county budgets and county services. His testimony recommended that the property tax provisions of HB 1 be removed from the bill so they can be considered separately as part of a study committee or similar process that allows more time for deliberation.

In particular, President Miller informed the committee that, generally, the board of county commissioners must adopt a resolution to allow access to the ballot for voted county levies. Additionally, he told the committee that the county budget commission has the authority to roll back millage rates if it determines that the funds are not required to provide the level of services. These two provisions of the Revised Code already provide proper oversight to ensure that county taxpayers are not subject to excessive and unnecessary property taxation. You can view President Miller's testimony to the committee on the Ohio Channel. His testimony begins at 1:14:00.

As a reminder, the bill contains the following provisions, with the Legislative Service Commission Fiscal analysis included as context:

- 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.
  - **LSC estimates** state revenue will decrease by $2.6 billion in FY 2024 and $1.9 billion in FY 2025. The FY 2024 figure is larger due to revised employer withholding tables.
  - **LSC estimates** that $43 million in FY 2024 and $31 million in FY 2025 will be lost from the Local Government Fund and the Public Library Fund.
- The Class 1 (Residential and Agricultural) property 10% property tax rollback (also called the Non-Business Credit) is eliminated.
  - **LSC estimates** the elimination of this rollback will save the state $1.3 billion per year.
- The statewide valuation assessment rate is decreased from 35% to 31.5%, with future years' rate attached to inflation.

    - **The combination** of the assessment rate decrease and the elimination of the property tax rollback, along with the functioning of tax reduction factors put in place by HB 920 in 1976 is estimated to increase property tax bills of Class I (residential and agriculture property) taxpayers by $929 million annually and decrease property tax bills of Class II (commercial and industrial property) by $157 million annually.
- The Owner-Occupancy 2.5% property tax credit is changed to a flat $125 credit per year.
    - **LSC estimates** that this will cost the state an additional $150 million to $180 million annually.
- 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).
    - **LSC estimates** that the combination of these two changes to the Homestead Exemption would cost the state $149 million annually.
- 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.
    - Since this is intent language with no mechanism, LSC did not analyze it. CCAO is concerned that this provision is vague and only extends to the upcoming biennium.

Other local government associations and entities providing opponent testimony were the Ohio Township Association, the Ohio Parks and Recreation Association, the Franklin County Auditor's Office, the Northeast Ohio Mayors & City Managers Association, the City of Cleveland, the Ohio Mayors Alliance, the Shaker Heights Board of Education, Cuyahoga County, and the Dayton Metropolitan Library.

HB 1 is scheduled to receive a fourth hearing next week in House Ways and Means on Tuesday at 2:30 p.m. The committee is expected to hear interested party testimony during the hearing.

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

Senate Transportation Committee accepts substitute Transportation Budget

Earlier this week, the Ohio Senate Transportation Committee accepted a substitute version of House Bill 23 (Representative Jay Edwards), the state transportation budget. The largest change was the removal of the $1 billion Rural Highway Fund, which was supported by expected year-end GRF surplus funds. The rationale offered by the Committee Chair, Senator Stephanie Kunze, was that the bill language limited the funds to about 12 projects around the state that were approved as part of the ODOT Transportation Review Advisory Council (often referred to as "TRAC") process. It is expected that this proposal will be discussed again as part of the operating budget (House Bill 33) process.

The substitute bill did not change the "scope of work" force account language added by the House, but it is widely expected that the Senate will make changes in the omnibus amendment that will be adopted next week. Written testimony offered by CCAO called for the existing monetary thresholds to be tripled. The committee is expected to report the bill on Wednesday, March 22, and a Senate floor vote is planned for Thursday, March 23. Conference committee with the House would then take place the week of March 27.

The substitute bill creates three new line items for the distribution of motor fuel tax revenue to counties, townships, and municipalities. The underlying formula is not altered. It also provides $10 million to the Ohio Public Works Commission for local projects to repair road slips, an increase from the current budget's funding level of $2 million. For projects involving a Regional Transportation Improvement Project (RTIP), the bill allows the RTIP to enter into a memorandum of understanding with ODOT for improvements on a regional highway. Also, the Senate modified language regarding the use of township or county traffic cameras so that the prohibition only applies to handheld cameras.

CCAO remains concerned about a provision added by the House that requires a county or township to allow aggregate mineral surface mining activities in any zoning district as either a permitted use, or a conditional use, through the board of zoning appeals when those activities are to be added to an existing mineral mining operation as authorized by a permit issued by ODNR.

Members with questions should contact Senior Policy Analyst Jon Honeck, jhoneck@ccao.org, 614-220-7982.

House Finance Subcommittee on Health and Human Services hears testimony on proposed new Department of Children and Youth

On Tuesday, the House Finance Subcommittee on Health and Human Services heard testimony on the proposal to create a new agency, the Department of Children and Youth, from Kara Wente, Director of the Governor's Office of Childrens' Initiatives.

Director Wente explained that the goal of the new department is to streamline and integrate the programs directly serving Ohio's children and create a single point of accountability. The department would operate programs and services currently housed in six agencies: the Ohio Department of Job and Family Services, the Ohio Department of Health, Ohio Department of Development Disabilities, Ohio Department of Education, Ohio Department of Mental Health and Addiction Services, and the Ohio Department of Development. These programs include services related to services related to adoption, child care, foster care, child welfare, early childhood education, early intervention, foster care, home visiting, infant vitality, early childhood mental consultation, and preschool special education.

Director Wente clarified that while the primary focus would be on children 13 and under, the department would serve youth through age 21 through the foster care program.

House Bill 33 in its current form would create the department on July 1, 2023, but sets January 1, 2025, as the deadline to complete the transition. The administration would transition staff from the six agencies where the programs are currently administered. They do not anticipate needing additional staff. The legislative language does not require any restructuring at the county level for the delivery of these programs.

If you have questions about the proposal to create the new Department of Children and Youth, please contact Rachel Massoud Reedy at rreedy@ccao.org or 614-220-7996.

Legislative Activity

Committee Hearings

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

Senate General Government

- [Senate Bill 71] (Senator Theresa Gavarone): To establish the Office of Data Analytics and Archives in the Office of the Secretary of State and to modify requirements for the Statewide Voter Registration Database and other election records.
    - Second hearing; proponent testimony from the Ohio Secretary of State and the America First Policy Institute

House Civil Justice

- House Bill 64 (Representative Darrell Kick and Representative Rodney Creech): To modify the law regarding eminent domain.
    - Second hearing; proponent testimony from the Ohio Farm Bureau Federation, the Ohio Dairy Producers Association, and the Ohio Council of Retail Merchants

House Economic & Workforce Development

- House Bill 3 (Representative Gail Pavliga and Representative Lauren McNally): To formally state the General Assembly's intention to authorize an affordable housing tax credit.
    - Substitute bill adopted
    - Second hearing; proponent testimony from multiple witnesses, including the Ohio Chamber of Commerce and the Coalition on Homelessness and Housing in Ohio, as well as interested party testimony from the Ohio Housing Finance Agency.

House Ways & Means

- House Bill 57 (Representative Thomas Hall and Representative Steve Demetriou): To index the homestead exemption amounts to inflation.
    - First hearing; sponsor testimony
- House Bill 60 (Representative Dan Troy): To increase the amount of and expand the income qualifications for the homestead exemption.
    - First hearing, sponsor testimony

Bill Introductions

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

- House Bill 115 (Representative Jessica Miranda and Representative Juanita Brent): To address wage disparities in public and private employment.
- House Bill 118 (Representative Nick Santucci and Representative Melanie Miller): To exempt certain baby produces from the sales and use tax.
- Senate Bill 84 (Senator Catherine Ingram): To require training on emotional intelligence for peace officers.
- Senate Bill 85 (Senator Catherine Ingram): To expand eligibility for county sewer discounted rates or charges.
- House Concurrent Resolution 6 (Representative Angela King and Representative Phil Plummer): To urge Congress to repeal the Windfall Elimination Provision.