STATEHOUSE REPORT

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Analysis of House of Representatives Substitute Operating Budget (HB 33)

This week, the House adopted its substitute bill for House Bill 33 (referred throughout as the "Substitute Bill"), the state's main operating budget. The following county-related changes were adopted into the bill.

Top Priorities

Going into this budget cycle, CCAO has three top budget priorities: a restoration of the Local Government Fund (LGF), continued funding for county jail projects, and maintaining full state reimbursement for indigent defense costs.

Indigent Defense: The House's proposal cuts funding for indigent defense reimbursement by $48 million over the biennium from the governor's proposed funding amount. The House funding amount of $145 million in each fiscal year will not be sufficient to fully reimburse counties. The Ohio Public Defender estimates this puts the reimbursement level at 78%, all factors remaining the same.

CCAO supports restoring the governor's proposed level of funding and adding an additional $40 million over the biennium to fully fund reimbursement. CCAO is focusing on first restoring the $48 million included in the executive budget. Additionally, CCAO supports an option to allow additional counties to contract with the state public defender for the provision of indigent defense services within the county. This provision is not in the House Substitute Bill.

CCAO also supports the House including a cap on the state reimbursement rate at $75 per hour for the next two years to address the concern with the rising rates.

Local Government Fund: The share of state general fund tax revenue that is distributed to the Local Government Fund is currently 1.66%; the Executive Budget increased that percentage to 1.70%. The percentage remains unchanged in the House Substitute Bill.

The Substitute Bill also includes language requiring that, if a county uses an alternative method of apportioning the county undivided LGF, the method of apportioning must be reviewed by the county budget commission at least once every five years at a public hearing. CCAO supported this change.

Another change to the LGF includes a revision to the minimum amount a county undivided LGF can receive. Under current law, a county undivided LGF receives either the calculated amount or, if the calculated amount is less than $750,000, the lesser of $750,000 or the amount received in 2013. CCAO advocated to increase the dollar amount to $850,000 and to switch the "lesser of" language to "greater of." The change to $850,000 was included in the Substitute Bill but the "lesser of" language remains.

Not changing the "lesser of" language will have the effect of reducing LGF distributions to 19 counties than under the current floor.

Funding for County Jail Projects: The House Substitute Bill increases the amount of funding support for local jail projects from $25 million in each fiscal year to $100 million in each fiscal year. It also adopts a new financing system for the state to aid counties in constructing or renovating jails by largely incorporating the proposals in House Bill 101 of the 134th General Assembly.

Other Budget Provisions

The following are county-related provisions that were either amended, added, removed, or unchanged in the House Substitute Bill. Underlines are added to draw attention to the outcome of the House Substitute Bill. They are presented in no particular order.

Competitive Bidding Thresholds: The House Substitute Bill adds provisions increasing the statutory competitive bidding threshold to $75,000 through CY 2024, with the threshold increasing by 3% annually thereafter. It further increases the allowable difference between a public improvement project's estimated cost and the contract price from 10% to 20%.

Brownfield Remediation and Demolition and Site Revitalization Grants: The House Substitute Bill adds funding for Brownfield Remediation grants and Demolition and Site Revitalization grants. The former is funded at $175 million in each fiscal year and the latter is funded at $150 million in only FY 2024.

Water and Sewer Quality Program: The House Substitute Bill adds funding for Water and Sewer Quality grants. It is funded at $160 million in FY 2024.

Broadband: In FY 2024, the Department of Development budget includes several broadband deployment appropriations: $105 million in federal funds for the Broadband Equity, Access and Deployment Program, and a $267 million appropriation from the ARPA Capital Projects fund. In FY 2025, $30 million will be made available from the Broadband Digital Equity Act Program. There is no change to these provisions in the House Substitute Bill.

Child Care: The governor proposed an eligibility increase of up to 160% of the federal poverty level to access publicly funded child care (PFCC). The current eligibility is up to 142% of the FPL. There is no change to the provision in the House Substitute Bill.

Children Services: The executive budget proposes an increase of $25 million in FY 2024 and $35 million in FY 2025 for the state child protection allocation, which directly funds placement costs and administration for children services at the county level. There is no change to the provision in the House Substitute Bill. The line item that includes the state child protection allocation was cut, and this will result in cuts to other children services programs that are important to PCSAs.

Senior Services: There is no change to the amount of funding for the Healthy Aging Grants ($40 million) but <u>the governing language was amended</u> to specify that grants must be provided to the board of county commissioners (or county executive and county council for Cuyahoga and Summit counties) instead of "local partners."

RECLAIM Ohio: The Executive Budget proposal funded RECLAIM Ohio at $205.3 million in FY 2024 and $206.1 in FY 2025. <u>The House Substitute Bill decreases</u> the funding to $195.0 million in FY 2024 and $196.0 million in FY 2025.

Medicaid Bold Beginning: The Department of Medicaid's proposed budget includes funding to extend Medicaid coverage for children and pregnant women at up to 300% of the federal poverty level, potentially covering an additional 30,000 children and 3,500 pregnant mothers. <u>This is maintained in the House substitute bill.</u>

Mental Health Services: The governor's proposal made a number of investments in the mental health field. It calls for about $46.5 million over the biennium to support the new 988 Suicide and Crisis Lifeline network with the goal of increasing the number of call centers that have response rates of at least 90% and that have an answer speed of less than 60 seconds. The budget also calls for $20 million in allocations to county ADAMH boards to fund local projects in prevention, early intervention, and suicide prevention. Finally, the budget allocates $16 million to the state's forensic centers to hire and retain Forensic Evaluators to help ensure the services that forensic evaluation centers provide to localities continues to be provided in a timely manner.

<u>The only change in these provisions is changing the source of funding for the 988 Suicide and Crisis Lifeline is changed from the GRF to a dedicated purpose fund.</u>

Property Tax Changes: <u>The House Substitute Bill makes a number of property tax changes</u>. First, it adjusts the amount of the homestead exemption to inflation, generally beginning in 2023. This will increase state GRF spending to reimburse local governments for the cost of the exemptions.

Second, the bill allows the second and third publication of a notice of impending property tax foreclosure to be made online.

Third, the bill eliminates the authority of local governments to levy replacement property tax levies after January 1, 2025. CCAO analysis of recent elections finds that counties do not generally utilize replacement property tax levies, so the effect of this provision may be minimal on counties.

Fourth, the bill generally exempts from property tax the value of unimproved land in a subdivision for residential development. The exemption is valid for eight years, when construction begins, or the land is sold, whichever occurs first.

Fifth, the bill prohibits electric utilities from requesting (and the Tax Commissioner from approving) a reduction in a power plant's tangible personal property taxable value of more than 7.5% compared to the prior year.

Housing: The governor's proposal included two tax credits to help increase the supply of affordable housing in the state. The first was a tax credit for the development and rehabilitation of multi-family rental housing units. Administered by the Ohio Housing Finance Agency, this program would reserve up to $100 million per year for four years to developers of qualifying projects. <u>The House Substitute Bill generally limited</u> the amount of credits reserved to $500 million.

The second was a tax credit of up to $50 million per year for four years to developers of qualifying single-family housing units. The House Substitute Bill removes this tax credit.

The House Substitute Bill added a provision that limits allocation of federal low-income housing tax credits and other assistance from the Ohio Housing Finance Agency to projects that the board of county commissioners in the county where the project is located pass a resolution supporting the project. The board of county commissioners must "consult with" the board(s) of township trustees and the legislative authority of any municipality where the project is located and conduct at least one public hearing on the resolution with the availability of public comment.

All Ohio Future Fund: The Executive Budget included a variety of provisions relating to the All Ohio Future Fund (AOFF), with the purpose of preparing economic development sites across the state, efforts to attract business, workforce, and residents to Ohio, and to expand business, workforce, community development, and economic development opportunities across the state. The Executive Budget allocated $2.5 billion over the biennium in support of the AOFF.

The House Substitute Bill made several changes to the AOFF. In lieu of enumerating them all in this report, the changes generally pertain to provisions in the AOFF related to the Public Utilities Commission of Ohio and the law governing usage of funds generated from gas and oil leasing agreements on state land. The key change is that the House Substitute Bill reduces the allocation from $2.5 billion over the biennium to $500 million over the biennium.

Next Gen 9-1-1 and MARCS: The executive budget provided funding for the implementation of Next Gen 9-1-1 and support for the Multi-Agency Radio Communication System through appropriations of $46.0 million for NG 9-1-1 and $50.0 million for MARCS adoption over the biennium. The only change to these provisions in the House Substitute Bill is the funding source for the NG 9-1-1 implementation from the GRF to a dedicated purpose fund. The appropriation amount was not changed.

Additionally, there is no change in the user fee that supports operations of NG 9-1-1. The Substitute Bill allows counties that currently levy a property tax to fund 9-1-1 systems to replace the property tax with a monthly charge on wireless subscribers, subject to voter approval. The county charge is extended to voice over internet protocol (VoIP) services, which are not taxed by the state. This applies to 22 counties that currently levy a property tax for such purpose.

Soil and Water District Match Increase: The executive budget increased the two appropriation items in the Department of Agriculture's budget that provide funding to county soil and water districts by a total of $8.2 million over the biennium. The House Substitute Bill reduces the increase to $7.2 million over the biennium. ***However***, earmark language in the appropriation line item refers to the larger appropriation amount in the Executive Budget. CCAO is seeking clarification regarding the line item.

Farmland Preservation: The Executive Budget provided an increase to the Farmland Preservation appropriation item in the Department of Agriculture's budget to a level of about $4.0 million each year. This item is used to secure perpetual easements on productive farmland to keep the parcel in agricultural production forever. The House Substitute Bill reduces the appropriation to $524,000 and $550,000 in the two fiscal years (roughly in line with the FY 2023 appropriation). ***However***, earmark language in the appropriation line item refers to the larger appropriation amount in the Executive Budget. CCAO is seeking clarification regarding the line item.

OSU Extension: The executive budget maintained support for OSU Extension by giving each of Extension's three appropriation items a 3% increase in each fiscal year. The House Substitute Bill makes a very marginal reduction in the appropriation items to change the appropriation amounts to round numbers.

H2Ohio: The House Substitute Bill fully funds H2Ohio at the Governor's requested amount of $307 million over the biennium. The bill also maintains funding for the newly created H2Ohio Rivers Initiative at $58.8 million. The bill also adds $4 million over the biennium for the creation of a water quality pilot program focused on the reduction of phosphorus levels within legacy phosphorus fields across the state.

County Agricultural Societies: The House Substitute Bill doubles the funding reimbursement for expenses incurred by county and independent agricultural fairs for youth activities.

Presidential Primary Election Date: The House Substitute Bill adds a provision to require presidential primary elections to be held on the first Tuesday after the first Monday of May, rather than the third Tuesday after the first Monday of March. This will place the presidential primary election on the same day as the other primary elections in Ohio. This is also identical to the provisions of House Bill 21 (Representative Dan Troy) and Senate Bill 55 (Senator Bill DeMora).

Public Inspection of Ballot Box Surveillance Footage: The House Substitute Bill removes a provision in current law that requires recordings of video surveillance of secure ballot drop boxes to be provided for public inspection "immediately upon request." The bill instead requires that recordings be made available upon request in accordance with the procedures of the Public Records Act.

County Election Official Training: The proposed budget maintains an appropriation item created by the Controlling Board in 2021 that the Secretary of State uses to help support training provided to county election officials. The budget provides the item with a modest increase in each year of the biennium. There is no change to the provision in the House Substitute Bill.

Lodging Tax Changes: The House Substitute Bill adds a number of provisions pertaining to lodging taxes. First, it allows a county within a specific population range (tailored to apply to Hamilton County) to levy an additional 1% lodging to tax to fund the acquisition, construction, renovation, expansion, maintenance, operation, or promotion of a convention, entertainment, or sports facility. It also permits the same county to repurpose a portion of its revenue from existing lodging taxes for the same purpose.

Second, it allows a county to use a portion of the revenue from its 3% lodging tax to fund public safety services in a municipality or township designated as a resort area (this functionally only applies to counties with Lake Erie islands as they are the only currently designated resort areas in the state).

Third, it allows a county with a population greater than 800,000 that levies a lodging tax, or a municipality in such a county that levies a lodging tax, to exempt wholly or partially from the lodging tax a hotel that has been designated as the "headquarters hotel" for a convention center. It allows the exempting government to require payments in lieu of taxes from the headquarters hotel equal to the amount of tax foregone, which must be used to finance facilities associated with the headquarters hotel.

County Credit Card Usage: The House Substitute Bill adds a provision permitting the county to use its credit card to pay any fees or charges related to state-issued licenses and certificates.

County Recorder Technology Fund: The House Substitute Bill extends the dates that apply to county recorder technology fund from expiring on January 1, 2025, to January 1, 2030, and extends the period through which the county recorder may submit a second proposal for additional funding to the fund from October 1, 2023, to October 1, 2028.

State County Sheriff and Prosecutor Pay Supplement: The House Substitute Bill makes marginal decreases to the appropriation items supplying the supplements to the pay of county sheriffs and county prosecutors. The changes bring the appropriations to round numbers.