STATEHOUSE REPORT

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HB 33, the state's main operating budget, heads to the Governor

Today, the Conference Committee on House Bill 33, the main operating budget, issued its report as a result of negotiations between the House and the Senate. Both chambers are expected to adopt the Conference Committee version of the bill later today and send the final budget to Governor Mike DeWine. The governor will likely issue vetoes over the weekend or early next week. CCAO will send a separate alert regarding governor's vetoes.

Key Budget Provisions

Indigent Defense: The budget appropriates $190.0 million in FY 2024 and $195.8 million in FY 2025 across the two appropriation line items that are used to reimburse counties; the $385.8 million over the biennium is an increase of about $67 million than has been provided during the current biennium. Based on reimbursement submissions for February 2023 through April 2023, CCAO estimates that this funding will result in a reimbursement rate of approximately 90%.

The budget also includes statutory language allowing the General Assembly to set reimbursement caps and, in temporary law, sets the reimbursement cap for the biennium at $75 per hour. A county may still set its rates above $75 per hour, but the difference will be solely the county's responsibility. This cap will help prevent rate changes in a handful of counties from adversely affecting reimbursement statewide.

Local Government Fund: The budget increases the share of state general fund tax revenue that is distributed through the Local Government Fund from 1.66% to 1.70%. With other tax changes made in the bill, it is likely that the total size of LGF, even with the percentage increase, will decrease.

The bill also includes two structural reforms to the LGF that CCAO supported: increasing the floor that a county undivided local government fund can receive from $750,000 to $850,000, helping to provide more resources to communities in small counties and requiring periodic review of the formulas used within counties if they utilize an alternate distribution mechanism to distribute local government funds to subdivisions. The county budget commission in each county that uses an alternative distribution method must review the method at least once every five years, starting in 2024, and give subdivisions the ability to provide feedback on the method.

Funding for County Jail Projects: The conference committee retained the $75 million dollars for jail construction and renovation from the Senate version of the budget. The funding will be distributed according to language the House added in their version of the budget. This language largely mirrors HB 101 from the 134th GA and creates a funding formula where counties are ranked according to property tax and sales tax values, and overall jail need.

Next Gen 9-1-1 and MARCS: The bill includes historic support for the roll-out and operations of the Next Generation 9-1-1 system, through $46.0 million to fund the infrastructure needed to connect all counties to the NG 9-1-1 system. Furthermore, the conference committee provided a source of ongoing revenue through a 40-cent monthly user fee on wireless devices, VoIP channels, and multiline telephone systems. The revenue from this user fee is expected to bring in over $100 million dollars of revenue each year, with at least $74 million dollars going to counties to operate Next Gen 9-1-1 systems locally. Additionally, the language allows DAS to move excess funding from the state 9-1-1 fund to local governments, which could result in additional revenue to counties.

The conference committee also allocated $10.5 million in each fiscal year to reduce the Multi-Agency Radio Communication System (MARCS) fees for local governments. This appropriation doubles the previous funding level for this purpose.

Other Budget Provisions

The following are other county-related provisions that are in the Senate version of the bill, with key language relating to changes the Senate made in comparison to the House underlined and italicized. Provisions are grouped roughly by subject area.

Health and Human Services

Children Services: The bill maintains an increase of $25 million in FY 24 and $35 million in FY 25 for the state child protection allocation earmark, which directly funds placement costs and administration for children services at the county level. However, the Senate bill decreases the line item that includes the state child protection allocation, which will result in cuts to other children services programs that are important to PCSAs. These programs and services could include Ohio START, Kinship Support Program, Kinship Guardianship Assistance Program, Ohio Bridges, prevention services, and efforts to grow the number of foster homes across the state.

Benefits Cliff Pilot Program: The bill includes a program called the Benefit Bridge Employer Pilot Program that provides grants to eligible employers to provide incentives to employees who are on certain public assistance programs.

SNAP Program Changes: The bill makes the following changes to the SNAP Program:

- Requires ODJFS to redesign its existing employment and training program in a manner that meets the needs of employers in the state.
- Creates the Employment Incentive Program and requires county JFS agencies to create individualized plans and incentives for adults who consistently increase their wages and who work at least 32 hours per week. Provides $1.5 million in funding for the program.
- Prohibits ODJFS from replacing the electronic EBT card of a household that requests four or more replacement cards within a twelve-month period unless certain requirements are met.

Child Care: The bill slightly increases the eligibility threshold to access publicly funded child care (PFCC) to 145% of the federal poverty line, with the threshold increased to 150% FPL for children with special needs. The level in current law is 142% FPL for all children.

Adult Protective Services: The bill increases the amount of funding for adult protective services administration and allocates $80,000 to each county for APS, an increase from the $65,000 allocation counties currently receive.

Senior Services: The bill includes a one-time ARPA appropriation of $40 million for Healthy Aging grants to help seniors stay in their homes as long as possible. These funds will flow through the boards of county commissioners (or, in Cuyahoga County and Summit County, the county executive and county council) to utilize.

Criminal Justice Services: Criminal justice services is funded at $30 million per year. This includes psychotropic drug and medication assisted treatment reimbursement programs for county jails and funding for forensic center services.

ADAMHS Boards: The bill allows an ADAMHS Board to be comprised of 18, 15, 14, 12, or 9 members, instead of only 18 or 14. County commissioners receive 2/3 of the board appointments and OMHAS the remaining 1/3. The six categorical appointments currently required for ADAMHS Boards are unchanged. The bill requires a board of county commissioner's comprehensive plan for withdrawal from a joint-county ADAMHS district to include additional information about the new district and its continuation of services and requires the OMHAS Director to approve the comprehensive plan within one year from the date the board adopts the resolution to withdraw. These provisions are similar to those in Senate Bill 105.

Pediatric Behavioral Health Services: The bill includes $48.8 million in ARPA funding to be used to support pediatric behavioral health workforce development, to support infrastructure improvements at health care facilities to improve access to pediatric behavioral health services, and to improve integration of behavioral health and primary care services.

Outpatient Competency Restoration Treatment in a Jail: The bill allows a court that orders a defendant to undergo outpatient competency restoration treatment to commit the defendant to undergo the treatment at a jail, in addition to OMHAS, a facility certified by OMHAS, a public or community mental health facility, or a psychiatrist or other mental health care professional, if the jail contracts with one of those entities or professionals.

Children with Medical Handicaps: The bill expands the Children with Medical Handicaps (BCMH) program to cover young adults aged 24 and 25 and provides $500,000 in each fiscal year to aid in the cost of that expansion. BCMH is also renamed in this budget to the Program for Children and Youth with Special Health Care Needs.

Medicaid Work Requirements: The bill requires ODM to apply for a new Medicaid work requirement waiver between February 1, 2025 and March 1, 2025.

Meaningful Employment of Medicaid Recipients: ODM, in collaboration with ODJFS, is required to establish a program to assist individuals enrolled in the Medicaid program secure meaningful employment.

County Boards of Developmental Disabilities Membership: Beginning on July 1, 2025, the board of county commissioners must appoint at least one individual with developmental disabilities and one individual who is a family member of an individual with developmental disabilities to serve on a county board of developmental disabilities. The bill specifies that if a senior probate judge appoints a person with developmental disabilities, that satisfies the board of county commissioners' requirement to make the appointment.

Department of Children and Youth: The bill creates a new Department of Children and Youth, which will be fully operational by January 1, 2025. The department would operate programs and services currently housed in six agencies including 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.

Economic Development

State Grant Programs: The bill funds new rounds of state grant programs established in the prior operating budget. These programs are:

- Brownfield Remediation ($175 million in each fiscal year)
- Demolition and Site Revitalization ($150 million in FY 2024)
- Water and Sewer Quality ($124 million in FY 2024)

Additionally, language was added requiring all counties to have a lead entity when applying to receive grants under each program. For counties with a population of 100,000 or more, the lead entity will be the land reutilization corporation (typically the county land bank) or in the instance of the county not having a land bank, the lead entity will be selected by the Director of Development from a list of recommendations made by the board of county commissioners. For counties with a population less than 100,000 the lead entity will be selected by the Director of Development from a list of recommendations made by the board of county commissioners.

Broadband: The Department of Development's budget includes an FY 2024 appropriation of $105 million in federal funds for the Broadband Equity, Access and Deployment Program and a FY 2025 appropriation of $30 million will be made available from the Broadband Digital Equity Act Program.

Broadband Pole Replacement and Undergrounding Program: The bill appropriates $50 million in FY 2024 to support the Broadband Pole Replacement and Undergrounding Program, with any remainder carrying over to FY 2025. The program is intended to reimburse providers of qualifying broadband service for pole replacements, installations, and undergrounding to accommodate increased broadband infrastructure.

All Ohio Future Fund: The All Ohio Future Fund, a program intended to help prepare the physical and human infrastructure needed to attract economic development projects to all corners of Ohio, is funded at $667 million over the biennium.

Connect4Ohio Program: Establishes the Connect4Ohio program in the Ohio Department of Transportation with an appropriation of $500 million in FY 2024. Priority projects are unfunded projects included in the Transportation Review Advisory Council (TRAC) document published March 2023 that complete existing corridor projects or eliminate traffic impediments. Funds may be used as match for TRAC projects or to provide 100% of project cost when appropriate, particularly for projects that are located in a rural county or extend between two rural counties. "Rural county" is defined as a county that does not contain a municipal corporation with a population greater than 55,000 residents according to the most recent decennial census.

County Airport Improvements: The bill appropriates $10 million in each fiscal year for the Ohio Airport Grant Program. These funds will be used for capital improvement grants to publicly owned airports that do not receive FAA passenger or air cargo entitlements.

Taxation and Finance

Competitive Bidding Thresholds: The bill increases the statutory competitive bidding threshold for local governments 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%. These do not apply to state contracts.

County Credit Card Usage: Changes county credit card law to allow their use for any work-related expenses that serve a public purpose.

Expanded Sales Tax Holiday: The Senate bill creates an expanded sales tax holiday in August 2024, creates a new fund, the Expanded Sales Tax Holiday Fund, and transfers $741 million into the new fund.

The holiday will begin on August 1, 2024, and last at least 14 consecutive days (the exact length is to be decided upon by the Tax Commissioner and the Director of Budget and Management, in consultation with CCAO, after reviewing funding available). During the expanded holiday, all items of tangible personal property priced at $500 or less are exempted from state and local sales taxes (motor vehicles, watercraft, alcohol, marijuana, and tobacco and vapor products will still be subject to applicable taxes). The holiday will not affect the tax status of any services.

After the conclusion of the holiday, the Tax Commissioner will calculate estimates of the sales tax receipts foregone by the General Revenue Fund, the Local Government Fund, the Public Library Fund, and the Permissive Tax Distribution Fund (the fund through which county and transit authority sales tax revenue flows) and certify these estimates to the OBM Director. OBM then transfers, from a newly created Expanded Sales Tax Holiday Fund, the amounts to each fund.

In subsequent years, if the Expanded Sales Tax Holiday Fund has a balance of at least $60 million from year-end budget surplus revenue, an expanded tax holiday must be held "on and around" the first full weekend in August of the next state fiscal year. The expanded holiday in these subsequent years must be at least three days in length (with the length set in the same manner as any additional days in the August 2024 expanded holiday). The state GRF, LGF, PLF, and Permissive Tax Distribution Fund will be reimbursed in the same manner as the August 2024 expanded holiday. If the $60 million balance is not achieved, the state will continue to hold the "back to school" sales tax holiday under current law.

Property Tax Changes: The bill makes several changes to property tax. These include:
- Adjusting the homestead exemption amount with inflation.
- Creating a standardized methodology for the valuation of federally-subsidized residential rental properties using an income valuation method. The owners of such properties will be required to file a report with the county auditor stating the operating income and expenses of the property when the property is placed in service and during each reappraisal or update year. The Tax Department must develop administrative rules to implement this section, including a uniform capitalization rate. The new rules must have a minimum valuation of $5,000 multiplied by the number of dwelling units or 150% of the property's unimproved land value.

Other changes in the bill pertaining to property tax law include:
- Allowing the second and third publication of impending property tax foreclosures to be made online.

- Exempting the increased value of land in a subdivision for residential development that is due to improvements and preventing the continuation of CAUV if the property is no longer used for agricultural purposes (these provisions are similar to that of House Bill 149 of the 133rd General Assembly).
- Establishes a Joint Committee on Property Tax Review and Reform to study the history and purpose of all aspects of Ohio's property tax law, including the forms of levies, exemptions, and local subdivision budgeting. The committee will have 5 House members and 5 Senate members. The committee must submit a report to the General Assembly no later than December 31, 2024.

Lodging Tax Changes: The bill makes several small changes to lodging taxation law provisions. These include:

- Allowing 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 by limiting the sports facilities that may receive funding from the tax to just those intended to house a Major League Soccer team. It also permits the same county to repurpose a portion of its revenue from existing lodging taxes for the same purpose.
- Allowing 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).
- Allowing 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.

Sales Tax Exemptions: The bill exempts from the sales tax child diapers, reams, wipes, car seats, cribs, and strollers. LSC estimates the state GRF loss will be $10.7 million in FY 2024 and $16.0 million in FY 2025, with accompanying revenue loss to the LGF and counties.

Qualified Renewable Energy Project Tax Exemption (PILOTs) - Extends the renewable energy PILOT payment program to the later of 2029 or to the calendar year in which the US Secretary of the Treasury determines that there has been a 75% or greater reduction in annual greenhouse gas emissions from energy production in the United States as measured from a 2022 baseline. The bill also requires projects with at least 20 megawatts to comply with certain federal wage and apprenticeship requirements and changes the requirements for Ohio-domiciled full time equivalent employees.

Agriculture and Water

H2Ohio: The bill allocates $270 million over the biennium, down from $307 million in the executive version, and eliminates the $4 million earmark 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 bill halves the funding available to reimburse county and independent agricultural fairs for expenses incurred related to youth activities (this returns the appropriate item to the Executive level of funding) and appropriates $10 million to be used primarily for making grants to county and independent fairs to increase fair access.

Soil and Water District Match Increase: The two appropriation items in the Department of Agriculture's budget that provide funding to county soil and water districts are funded at a level estimated to make the match rate 83%.

Justice and Public Safety

RECLAIM Ohio: The bill funds the RECLAIM Ohio program at $195.0 million in FY 2024 and $196.0 million in FY 2025.

Elections and General Government

August Special Election Funding: The bill appropriates $16 million to pay for costs associated with conducting a special election on August 8, 2023. As a note, R.C. 3501.17(F) requires the state to fully reimburse the cost of a statewide special election. If the $16 million dollars is insufficient to conduct the August special election, the state will have to transfer money to this fund and counties will be fully reimbursed.

Electronic Pollbooks: The bill makes small changes to reimbursement for e-pollbooks. First, it allows for reimbursement for leasing e-pollbooks instead of just reimbursement for purchases, and second it specifies that reimbursement for acquired e-pollbooks and ancillary equipment must be paid to the county board of election. CCAO was informed by legislators that they support returning the funding to the county general revenue fund, but this amendment was invertedly not included in the final version of the budget. They have committed to fix this issue in a cleanup bill when they return from summer recess.

Election Data Requirements: County boards of elections must create daily archives of voter registration databases and send them to the Secretary of State everyday between the 46th day before the election to the 81st day after the election, requires uniform fields for each registered elector in the Statewide Voter Registration Database, and requires the boards of elections to preserve all used and unused ballots from non-federal elections for at least 81 days after the election. The bill appropriates $2.3 million for grants to county boards of elections to comply with these new requirements.

Ballot Box Recording Availability: The bill increases the timespan within which a county board of elections must make each day's recordings of secure ballot drop boxes available online from within 24 hours of the video's end to 72 hours. It also removes the requirement that video recordings must be made available immediately upon request and instead requires that such recordings be made available in accordance with procedures under the Public Records Act.

County Election Official Training: The bill provides a modest increase to the appropriation item created by the Controlling Board in 2021 that the Secretary of State uses to help support training provided to county election officials.

County Recorder Technology Fund: The budget 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.

County auditors testify in opposition to HB 187

The House Ways and Means Committee heard opposition testimony on House Bill 187 (Representative Thomas Hall and Representative Adam Bird), a bill to change the methodology used by the Tax Commissioner to determine property tax valuation. During this process, county auditors submit sales data to the Tax Commissioner for review to ensure that the methodology reflects the state constitutional requirement to value property at its fair market level. The bill directs the Tax Commissioner to use three years of data when analyzing sales ratios for appraisals, and to give equal weight to each year.

Matt Nolan, Warren County Auditor, spoke on behalf of the County Auditors Association of Ohio (CAAO). Auditor Nolan stated that "Abandoning the well-established standards of mass appraisal and replacing them with the provisions of H.B. 187 would create significant discrepancies in equity and diminish the trust that our residents have in the valuation process." He went on to state that the 20-mill floor for school districts, and not the valuation increase, leads to the largest percentage increase in taxes for most Ohioans, and described several examples in Warren County. He also said that the diminishment of the property tax base as a whole through various abatements and exemptions is partly responsible for the increasing property tax burden on residents who remained subject to the tax.

Jennifer Widmer, Ottawa County Auditor, described current best practices according to the International Association of Assessing Officers and stated that: "The most accurate indicator of value on January 1st of any given year is the sales that occurred closest to that date, not ones that occurred two or three years prior." She also described the impact of the ten inside mills and 20-mill floor on the city of Port Clinton, and raised the question of what will happen in an economically depressed year when the auditor needs to average two higher years into the values.

Michael Stinziano, Franklin County Auditor, stated that 'Artificially lowering taxable property values in the current cycle does not obtain a similar amount of tax relief and would undermine the core basis of property taxation – that a property should be taxed on its actual value." Auditor Stinziano pointed out that under HB 920, tax liability is driven less by individual value change and more by how much a property changes compared to other property in the same taxing district. He provided examples of the impact of the proposed legislation using taxing districts in Franklin County. These simulations found that a house that increases less than average would pay more in taxes than under current law.

Legislative Activity

Committee Hearings

The following committees also held hearings that included bills which may be of interest to counties:

Senate State and Local Government

- Senate Bill 85 (Senator Catherine Ingram): To expand eligibility for county sewer discounted rates or charges.
    - First hearing, sponsor testimony
- House Bill 101 (Representative Adam Bird and Representative Jean Schmidt): To modify the law regarding village dissolution.
    - First hearing, sponsor testimony

Introduction of Bills

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

- House Bill 231 (Representative Gail Pavliga and Representative Adam Miller): To establish a 9-8-8 suicide prevention and mental health crisis telephone line.