STATEHOUSE REPORT

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Update on Local Government Fund changes

With the passage of the state budget bill (House Bill 33) the Local Government Fund (LGF) will be reset in a couple ways.

First, the percentage of revenues from the state general fund taxes allocated to the Local Government Fund will change from 1.66% to 1.70%. This will be reflected in the July 10th payment.

Second, counties that have been subject for more than the last decade to a minimum floor of the lesser of $750,000 or the amount received in FY 2013 will receive $850,000 a year in their County Undivided Local Government Fund going forward. These dollars are distributed to townships and municipalities along with the county general fund in each impacted county. This increase will not be reflected in the July distribution due to the quick turn-around time from the adoption of the state budget, but the August 10th payment will include the newer level going forward plus what would have been received in July. Thus, the August payment will be slightly inflated.

CCAO also is working with the Ohio Department of Taxation to understand how tax reforms included in the state budget will impact state revenues, and therefore, alter the LGF. One tax change – the new extended sales tax holiday beginning August 2024, includes a requirement that the foregone sales tax revenue to counties, transit authorities, the Local Government Fund, the Library Fund, and the state general fund be reimbursed. Under the previous School Sales Tax Holiday, counties and the LGF along with the other entities were not made whole. Commercial Activity Tax revenues are not expected to be impacted until 2024. New income tax withholding tables are not expected to be released until later this fall, when they will start to impact the LGF. The full impact of the income tax rate reduction will not be felt until 2024.

Governor issues budget vetoes

On Monday night, Governor Mike DeWine issued his veto message to House Bill 33, the state's main operating budget. Governor DeWine used his line-item veto authority to strike 44 provisions of the bill. If the General Assembly wishes to keep any vetoed provision a part of the bill, the House of Representatives and Senate each must overrule the veto by a two-thirds majority.

Only a handful of Governor DeWine's vetoes pertain to county-related issues. The number next to each issue is the item number in the governor's complete veto message document. The county-related vetoes are as follows:

- **Expanded Sales Tax Holiday (#26):** The budget expands the state's annual sales tax holiday in August to fourteen days in 2024 and allows for the Tax Commissioner, the Director of Budget and Management, and CCAO to set the length of time for future holidays. Governor DeWine's veto is solely on the length of time for the holiday in 2024; rather than requiring it be fourteen days long, Tax, OBM, and CCAO are to determine the length in the same manner as in future years. The veto will help ensure that the first expanded sales tax holiday is able to be fully reimbursed by allowing its length to be determined closer to the event itself.
- **Driver's License Reinstatement Fee for Noncompliance (#5)**: The budget reduces driver's license reinstatement fees for driving without insurance from a tiered system based on the number of offenses to a flat $40. A portion of the revenue generated from these fees is used to fund reimbursement to counties for indigent defense. Governor DeWine's veto will keep the fees at a tiered system and prevent a decrease in indigent defense reimbursement funding.

You can view the Governor's full veto message here.

For a brief overview of county-related provisions in the budget, please view the June 30 edition of Statehouse Report. CCAO will publish a comprehensive County Advisory Bulletin on the budget later in the summer with more in-depth analysis. If you have any questions about budget provisions or vetoes, please contact a member of the CCAO Policy Team.