STATEHOUSE REPORT

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Lead entity recommendation deadline approaching for Development grants

This Monday, the Department of Development held a webinar touching on multiple economic development grants that will be available later this year. A copy of the presentation is available. A key deadline is approaching for two of these grants, the Building Demolition and Site Revitalization Program and the Brownfield Remediation Program.

Both programs require the designation of a lead entity to coordinate and submit grant applications. If your county has a population of greater than 100,000 and has a land bank, the land bank is the lead entity, and no further action is required at this stage.

However, if your county has a population of less than 100,000 or your county does not have a land bank, then the board of county commissioners is required to make a recommendation to the Department of Development regarding what should be selected as the lead entity. These recommendations must be submitted by ***September 25***.

More information about these programs, as well as the Lead Safe Ohio program, can be found in the September 8 issue of *Statehouse Report*.

ESINet Committee passes motion to restore counties to 97% of 9-1-1 fee collections for the rest of 2023

As noted in the NG 9-1-1 Issue Spotlight, the Next Generation 9-1-1 (NG 9-1-1) language contained in HB 33 invertedly reduced the amount of state 9-1-1 funding that will go to counties from October through December. Today, counties receive 97% of state collected 9-1-1 fee revenue. That percentage will be reduced to 72% in October pursuant to the new budget language. The percentage reduction was supposed to coincide with the user fee increase from 25 cents to 40 cents, but that fee increase will not occur until January 1, 2024. That being said, CCAO in partnership with the Department of Administrative Services (DAS), which houses the 9-1-1 program, acted quickly to resolve this issue.

At the Emergency Services Internet Protocol Network (ESINet) Committee this week, CCAO President Glenn Miller was asked to make the following motion:

> *"Motion to allow the 9-1-1 Program Office to transfer funds from the NG 9-1-1 Fund (Fund 7093) to the Government Assistance Fund (Fund 7094) to cover the three-month decrease in funds for the local agencies due to the new percentages of disbursements under HB33 going into effect October 3, 2023, and the new fees under HB33 not going into effect until January 1, 2024. The Ohio Department of Taxation will send the additional funds out to the local agencies once they receive the funds from Fund 7093."*

The motion was unanimously approved. As a result, counties will receive an initial check from the state for the 72% allocation. They will then receive another check to make up the additional 25%, restoring the total county share of state-collected 9-1-1 fees to 97% for the payments occurring in October, November, and December. This transfer was possible through language contained in HB 33 that allowed for DAS to move money between their 9-1-1 share to the county share and we are thankful for the legislature for including that language and for DAS' continued partnership with counties to support 9-1-1 operations.

House Bill 187, property tax valuation measure, favorably reported; Senate version gets first hearing

On Tuesday, House Bill 187 (Representative Thomas Hall and Representative Adam Bird) received its fifth hearing in the House Ways and Means Committee, during which it was favorably reported by a vote of 13-3.

The bill alters the information that the Department of Taxation must use to conduct property tax sales-assessment ratio studies, which are used to determine property valuations. The bill includes a sunset provision that will eliminate the bill's provisions regarding how these studies are conducted after tax year 2025. The table below summarizes the bill's provisions and how they compare to current law.

Summary of Property Tax Sales-Assessment Ratio Study Changes in House Bill 187		
Factor	**Current Practice**	**House Bill 187**
Sample Size	A representative sampling of the previous three years of sales.	All sales made during the last three years.
Sample Weighting	May give different weight to sales from different years.	Equal weight for each year.
Actual Value Appraisals	Taxation may conduct actual appraisals if there are insufficient sales to constitute a representative sample.	Taxation may require the county auditor to conduct actual appraisals if the number of sales of similar properties during the previous three years is less than 5% of all such properties in the county.

Summary of Property Tax Sales-Assessment Ratio Study Changes in House Bill 187		
Factor	**Current Practice**	**House Bill 187**
Consideration of Economic Conditions	No provision.	Requires consideration of "current" economic conditions.

During the hearing, the bill received two amendments. The key amendment for counties changes the final authority regarding property tax equalization from the state Tax Commissioner to the county auditor. Under the bill, the Tax Commissioner must make recommendations to the county auditor, but the final decision rests with each county auditor. If the county auditor opts to disregard the Tax Commissioner's recommendations, the Commissioner may appeal to the board of tax appeals. Please note that this provision of the bill is not subject to the sunset after TY 2025.

The second amendment allows municipalities and community improvement corporations to apply, within 12 months of the bill's effective date, to apply for property tax exemptions and delinquent tax abatements if the property meets certain requirements.

Additionally, on Wednesday, Senate Bill 153 (Senator George Lang and Senator Terry Johnson) received its first hearing in Senate Ways & Means. The bill is the Senate's version of a property tax assessment measure, although it makes slightly different changes to the Revised Code and does not include provisions relating to the two HB 187 amendments added this week.

Issue Spotlight: Property Taxation Basics

In the prior Issue Spotlight, we discussed changes to the fee structure, fee distribution, county plans, and county planning committees regarding Next Generation 9-1-1. The next several weeks will focus on property taxation issues. With property values across the state increasing due to sexennial reappraisals and triennial updates, along with the recent creation of the Joint Committee on Property Tax Review and Reform, the General Assembly is poised to pursue property tax reform during the remainder of its 135th session.

This week's Issue Spotlight will define key terms and derivatives that are helpful to know as the legislature approaches reform: property value, millage, and levies.

Property Value

Property taxation's foundational piece of information is each property's value. There are two types of value: Appraised Value and Taxable (or Assessed) Value.

The appraised value is an estimate based on what a given property would sell for if placed on the open market. Appraisals are conducted by the county auditor in a six-year cycle and requires a site visit. Updates to appraisals are conducted at the midpoint of the six-year cycle and do not require site visits.

The taxable value of a property is equal to 35% of the appraised value. Property tax levies are applied to the taxable value. This generally means that 65% of the appraised value of one's property is exempt from taxation.

Millage

"Millage" is derived from the Latin for "thousandth," *millesimum*. In Ohio, millage is taken relative to a dollar, so one mill is $0.001. Ten mills equal a penny, one hundred mills equal a dime, and a thousand mills equals a dollar.

Ohio law recognizes two types of mills: inside millage and outside millage. These draw their name from Ohio's constitutional prohibition on the levying of property taxes greater than 1% of the value unless otherwise approved by the electorate. A 1% tax is equal to a tax on $0.01 of each dollar of the property's value. Given the table above, that means that up to 10 mills can be levied on a property without the need of approval by the voters.

These ten mills are referred to as "inside" millage because they are "inside" the constitutional limitation. Inside mills are shared among the applicable local governments; each government does not have its own discrete ten mills. Inside millage generally accounts for a relatively small portion of an individual property's total tax bill.

Any millage levied above the ten-mill limitation is called "outside" millage and must be approved by voters. Outside mills typically account for the majority of a tax bill for a given property.

Levies

Property tax levies is the formal name for any taxation of property. Generally, they can be broken into inside millage levies (do not require a vote), fixed-rate levies (require a vote as they increase outside millage to raise a variable amount based on values), and fixed-sum levies (require a vote as they increase outside millage to raise a set amount based on an obligation).

Fixed-sum levies are generally school district emergency levies or bond levies.

Fixed-rate property tax levies are one of three classifications: additional, renewal, or replacement.

- **New or Additional Levy** - A ballot issue which proposes new or additional millage for a specific purpose or purposes and which constitutes an increase in taxes. A new or additional levy is collected at the number of mills proposed on the ballot during the first year after the application of tax reduction factors to the millage in first and subsequent years resulting in a lower effective millage rate.

- **Renewal Levy** - A ballot issue that represents a continuation of a previously approved levy that is set to expire. <u>*A levy is renewed at the current effective millage rate after*</u>

the application of tax reduction factors on the original millage passed by the voters. Renewal levies that are approved continue to be affected by tax reduction factors applied to the renewed millage. A renewal levy may be submitted to the voters along with either an increase or a decrease as one ballot question. A renewal levy is not a tax increase, unless combined with an increase.

- **Replacement Levy** - A ballot issue that would take the place of a tax levy which was previously approved by the voters. A levy that is replaced is at the millage rate when the levy was originally approved by the voters, not at the current effective millage rate, which has been reduced due to the previous application of tax reductions factors. A replacement levy may be submitted to the voters with either an increase or a decrease as one ballot question. A replacement levy is a tax increase.

For more information, please consult CCAO Handbook Chapter 14, Local Property Taxes.

With these key terms defined, next week's Issue Spotlight will turn to a focus on how the property tax system functions, including information on property tax reduction factors, the role of the county budget commission, challenges to appraised values, and what counties should know as the Joint Committee on Property Tax Review and Reform begins its work in October.

CCAO offers preview of fall advocacy efforts

This fall will feature several important advocacy efforts for CCAO and our membership. These topics will be discussed in greater detail as they arise, but for now CCAO is giving members a preview of what will likely require outreach from members to their legislators.

They are discussed in no particular order.

- **Indigent Defense Task Force**
    - Created in House Bill 150 of the 134th General Assembly, the task force will be made up of 17 members, one of who will be appointed by the CCAO President.
    - The task force is intended to study the indigent defense system and make recommendations regarding reforms to the delivery system, funding mechanisms, and more.
    - It must complete its work by April 3, 2024.
- **Joint Committee on Property Tax Review and Reform**
    - Created in the state budget, the joint committee will be made up of five members of the House and five of the Senate; no appointments have yet been made.
    - The committee will review the history and purpose of all aspects of the state's property tax law and make recommendations regarding reforms.
    - CCAO anticipates key issues of focus will be property valuations, revenue growth from inside millage, the elimination of replacement levies, and curtailing governmental property tax assessment challenges.
- **County Omnibus Bill**

    - CCAO is working with Representative Brian Stewart and Senator Jerry Circino on an omnibus bill to make non-controversial revisions to county law that are not large enough to warrant a standalone bill.
    - Proposed topics came from the CCAO Legislative Platform, discussions with the CCAO General Government & Operations Committee, and feedback from the other county elected official associations and OCCO.
    - Bill will likely be introduced in the first two weeks of October.
- Budget Language Cleanup
    - CCAO is working with the General Assembly to fix errors in budget language.
    - One fix is to increase the temporary indigent defense reimbursement rate cap as it pertains to capital cases from $70 to $140 an hour (in line with the Capital Case Attorney Fee Council's recommendation).
    - Another fix is to route the reimbursement for electronic pollbook acquisition from the county board of elections to the county general fund.
- Capital Budget
    - Discussions regarding the 135th General Assembly's capital budget have begun and CCAO expects the process to complete in April.
    - While April is several months away, it is important to communicate with your legislators and the executive branch regarding capital needs in your county, particularly jail-related capital needs.

Legislative Activity

Committee Hearings

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

House Ways and Means

- House Bill 186 (Representative Darnell Brewer and Representative Sean Brennan): To exempt from sales and use tax sales of firearm safety devices.
    - First hearing, sponsor testimony
- House Bill 189 (Representative Al Cutrona): To exempt from the sales and use tax the sale of certain firearms and ammunition and to authorize nonrefundable tax credits for small arms and ammunition manufacturers.
    - First hearing, sponsor testimony

Senate Ways and Means

- House Bill 66 (Representative Thomas Hall and Representative Reggie Stoltzfus): Regards the deduction and recovery of bad debts for cigarette and tobacco and vapor products taxes.
    - First hearing, sponsor testimony
- Senate Bill 134 (Senator Frank Hoagland): To extend the homestead property tax exemption to certain disabled veterans.
    - First hearing, sponsor testimony
- Senate Bill 136 (Senator Hearcel Craig): To reduce property taxes on qualifying owner-occupied homes and to name this act the Property Tax Relief and Local Government Support Act.

- First hearing, sponsor testimony

House Public Utilities

- House Bill 197 (Representative James Hoops and Representative Sharon Ray): To establish the community solar pilot program and the solar development program.
    - Second hearing, heard proponent testimony from Clean Capital, the Coalition for Community Solar Access, the Citizens Utility Board of Ohio, and more than 60 other witnesses.

Senate General Government

- Senate Bill 158 (Senator Jerry Cirino): Regarding the disbursement of municipal funds by residents and to declare an emergency.
    - First hearing, sponsor testimony

Senate Selection Committee on Housing

- Heard invited testimony from:
    - Ohio Manufactured Homes Association
    - Ohio Real Estate Investors Association
    - St. Mary Development Corporation
    - County Auditors Association of Ohio

Introduction of Bills

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

- House Bill 274 (Representative Adam Mathews and Representative Richard Dell'Aquila): To authorize an enhanced property tax homestead exemption for certain long-term homeowners.
- Senate Bill 158 (Senator Jerry Cirino): Regarding the disbursement of municipal funds by residents and to declare an emergency.

Upcoming Committee Hearings

The following committees are currently scheduled to meet and discuss bills that may interest counties. Other committees will likely meet as well, but as of press time for the *Statehouse Report,* they have not released agendas. Please note that these schedules are subject to change.

If you would like to testify on any bill, please visit the committee page and contact the committee chair's office for instructions on submitting testimony.

Tuesday, September 26

Senate Local Government (11:30 a.m.)

- House Bill 101 (Representative Adam Bird and Representative Jean Schmidt): To modify the law regarding village dissolution.
    - Third hearing, opponent testimony

House Ways and Means (2:30 p.m.)

- House Bill 186 (Representative Darnell Brewer and Representative Sean Brennan): To exempt from sales and use tax sales of firearm safety devices.
  - Second hearing, proponent testimony
- House Bill 189 (Representative Al Cutrona): To exempt from the sales and use tax the sale of certain firearms and ammunition and to authorize nonrefundable tax credits for small arms and ammunition manufacturers.
  - Second hearing, proponent testimony

Wednesday, September 27

House Health Provider Services (12:00 p.m.)

- House Bill 236 (Representative Beth Lear and Representative Melanie Miller): To prohibit a congregate care setting from denying a patient or resident access to an advocate.
  - First hearing, sponsor testimony