STATEHOUSE REPORT

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Operating budget text released, testimony continues

The operating budget for the 136th General Assembly was formally introduced this week as House Bill 96 (Representative Brian Stewart). As hearings continue, *Statehouse Report* will cover different aspects of the budget each week. This week's issue covers indigent defense, Next Generation 9-1-1, the adult-use marijuana tax, and other provisions.

Indigent Defense

CCAO was pleased to see that the As Introduced version of HB 96 includes language and provides necessary funding to create a pilot program for state administered indigent defense in Allen, Putnam, and Hardin counties. The ultimate goal of this program would be to expand state administered indigent defense to other interested counties in future budgets. The creation of this pilot program is a CCAO budget priority, and we will look to protect this language and funding throughout the budget process.

CCAO is also in the process of determining a dollar amount to request for indigent defense reimbursement with the Office of the Public Defender (OPD). As stated in last week's issue, the Executive Budget essentially flat funds the current reimbursement amount and CCAO will be advocating for additional funding to increase the rate. Once we have determined the dollar amount and amendment sponsor, we will share that information with the membership.

Additionally, the budget includes a cap on reimbursement for county appointed counsel at $75 an hour for non-capital cases and $140 an hour for capital cases. The language would only allow OPD to reimburse counties up to these amounts, and the county would be responsible for the costs if they elect to pay appointed counsel at a rate above the cap. CCAO will work with the Ohio State Bar Association and other stakeholders to remove that language from the budget as it disproportionally impacts smaller counties who need to raise their appointed counsel rate to attract attorneys to their county.

Finally, the budget contains new language that OPD believes will assist with maintaining a consistent reimbursement rate throughout the fiscal year. The language in HB 96 requires counties to submit an estimated indigent defense budget for the upcoming biennium by July 1, 2026. This information will allow OPD to submit a request for funding to cover projected indigent defense budgets from counties and provide them with an accurate projected cost of the overall system. There is no penalty for an inaccurate estimation or for failing to provide an estimate to OPD by the designated date.

Next Generation 911

HB 96 removes language from the previous budget bill that would revert the monthly 9-1-1 access fee from $0.40 per month to $0.25 per month. The removal of this language is a CCAO priority, and we are pleased to see it included in the Governor's version of the budget.

However, the bill does not contain an increase in the monthly access fee. The fee increase in the previous budget was projected to provide approximately $100 million dollars a year in revenue and it is currently providing around $50 million dollars. CCAO is currently working with members of the House of Representatives to increase the monthly user fee $0.40 per month to $0.70 per month, which is projected to cover the $50 million dollar shortfall. The $0.70 per month figure is the official recommendation of the 9-1-1 Steering Committee, which Henry County Commissioner Glenn Miller and CCAO Managing Director of Policy Kyle Petty serve on.

Information about potential budget amendments for this and other CCAO requests will be forthcoming and we look forward to showing our support for this important CCAO budget priority.

Adult-Use Marijuana Changes

The governor's proposed budget includes language very similar to House Bill 86 (Representative Jeff LaRe) of the 135th General Assembly regarding modifications to the adult-use marijuana law. Of particular note for counties is the excise tax on adult-use products. The budget increases the rate from 10% to 15% and completely changes the distribution.

The budget proposal dedicates 25% of the revenue from the adult-use excise tax to county jails. While this is slightly less than the share proposed by HB 86 of the 135th GA, it is not subject to a cap, and it does not prescribe the use of a funding formula. Other county-related programs that receive funding from the tax structure include peace office training, substance abuse programs, and drug task forces.

The table below summarizes the changes between current law, the HB 86 proposal, and the budget proposal.

Adult-Use Marijuana Excise Tax Distribution Structures		
Current Law (10%)	HB 86 of the 135th GA (15%)	House Bill 96 (15%)
36% for the Cannabis Social Equity and Jobs Fund	28% (capped at $80 million) for county jails, distributed through the funding formula in H.B. 110. Sunsets after 10 years.	25% for county jails.
36% for payments to municipalities and townships with dispensaries.	16% (capped at $45 million) for peace officer training. Increases to 19% (capped at $55 million) after five years.	16% for peace officer training, including construction, renovation, or improvement of facilities.
25% for the substance abuse and addiction services and research.	14% (capped at $40 million) for law enforcement continuing education.	14% (capped at $40 million) for training of peace officers as required by R.C. 109.803.
3% for the administration of the tax and for the Division of Cannabis Control.	9% (capped at $25 million) for substance abuse treatment, prevention, and education. Increases to 11% (capped at $30 million) after five years.	14% for substance abuse treatment, prevention, and recovery, as well as administration of the 9-8-8 crisis hotline.
	9% (capped at $25 million) for the 9-8-8 suicide prevention hotline.	8% for safe driver programs.
	5% (capped at $15 million) for marijuana possession expungement. Sunsets after five years.	5% (capped at $14,250,000) for local drug task forces.
	5% (capped at $15 million) for safe driving programs.	5% (capped at $14,250,000) for expungement requests. Sunsets after SFY 2030.
	4% (capped at $13 million) for the Ohio Investigative Unit.	4% for the Ohio Investigative Unit.
	3% (capped at $8 million) for the Division of Marijuana Control.	4% for poison control programs and laboratory testing.
	2% (capped at $5 million) for poison control centers.	2.5% for administration of the tax and regulating adult-use marijuana.
	Any revenue generated above the caps is deposited to the state GRF (this includes the missing 5%).	Any revenue generated above the caps is deposited to the state GRF (this includes the missing 2.5%).

Housing Investment Opportunity Program

The budget allocates $100 million in SFY 2026 for a new housing support program, Ohio Housing Investment Opportunity (OHIO) Program. The program will award grants and loans to local governments, or their designees, in rural and border counties. Funds from the program can be used for site acquisition, demolition, remediation, wetland mitigation, or extension/enhancement of sewer, water, gas, and electricity services. Priority will be given to sites designated for housing development that previously received funding from the Brownfield Remediation or Building Demolition grant programs.

The bill does not make clear who local governments may make their designee.

The funding for the program comes from a transfer of unused Expanded Sales Tax Holiday reimbursement dollars.

Psychotropic Drugs

The budget increases the earmark for psychotropic drug reimbursement for county jails from $5 million per year to $5,250,000 per year. The reimbursement program is funded out of the Department of Behavioral Health's budget.

Sales Tax Holiday

In last week's *Statehouse Report*, we reported that the Governor's budget proposal eliminated the Expanded Sales Tax Holiday. This was based on a quote from the Governor's press conference announcing the budget. After reviewing the bill language, however, the Expanded Sales Tax Holiday is not repealed. We apologize for the confusion.

Next week's *Statehouse Report* will primarily cover human services provisions of the budget. This includes child welfare, public assistance, child care, behavioral health, and aging.

A comprehensive overview of budget provisions, updated weekly, can be found in CCAO's Bill Tracker.

Dueling energy bills take different approaches to taxation

In the lead up to the 136th General Assembly, it became apparent that both chambers would tackle energy issues early. Each chamber introduced an energy policy bill in their initial wave of bill introductions. House Bill 15 (Representative Roy Klopfenstein) is the House's proposal and Senate Bill 2 (Senator Bill Reineke) is the Senate's. The bills cover a wide range of energy law issues, but this article will only discuss those pertaining to taxation.

Under current law, tangible personal property (TPP) of public utilities is subject to taxation. The utilities subject to this taxation are electric, rural electric, energy, natural gas, pipeline, waterworks, water transportation, and heating companies. The assessment rate for public utility tangible personal property varies by utility type and property type. For example, for electric companies, transmission and distribution of property and energy conversion equipment is assessed at 85% of true value and all other property is assessed at 24% of the true value, while for rural electric companies the transmission and distribution property is assessed at 50% of its true value and all other property is assessed at 25%.

More information about the current public utility tangible personal property tax as it currently stands is available in the Department of Taxation's Annual Report (pages 132-134).

House Bill 15

HB 15 makes two main changes to public utility TPP taxation. First, it fully exempts property used for electric generation from taxation; and second, it increases the assessment rate on property used for electric transmission and distribution.

Under current law, property used for generation is classified in the "all other property" category of property type, meaning for electric companies it is typically assessed at 24% of its true value. HB 15 does not change the 24% assessment rate for "other property" except for that property which is used to generate electricity.

For transmission and distribution property, the bill increases the assessment rate for electric companies to 89%, up from 85%. For other energy companies, defined as companies that generate electricity through wind turbines, solar panels, other renewable energy sources, clean coal, or a combination of, and with a nameplate capacity of greater than 250 kilowatts, its non-generation property will also be assessed at 89%. Rural electric company assessment rates are not changed by the bill.

The Legislative Service Commission estimates that, in the near-term, the changes will be close to revenue neutral at the statewide level. However, it acknowledges that the impact will vary at the local level based on how each individual taxing district's base is composed. Taxing districts with generation property will see revenues decreased while those with transmission property will generally see revenue increased.

The bill does not include a mechanism to offset any revenue losses incurred by local governments for the full exemption of electric generation TPP.

Senate Bill 2

SB 2 makes one change to public utility TPP taxation. Beginning December 31 of the year the bill would become effective, it fully exempts any new TPP put into service that is used for electricity generation. It does not exempt any currently-used TPP and it makes no changes to assessment rates of transmission and distribution TPP. The exemption applies to electric companies, rural electric companies, and other energy companies (using the same definition as HB 15).

The Legislative Service Commission's fiscal analysis for SB 2 is not yet available.

Comparison

The table below summarizes the public utility TPP taxation changes made in House Bill 15 and Senate Bill 2.

Assessment Rates of Public Utility TPP under Current Law, HB 15, and SB 2			
Property Assessment Type	**Current Law**	**House Bill 15**	**Senate Bill 2**
Electric Company			
Generation TPP, Existing TPP	24%	0%	24%
Generation TPP, New TPP	24%	0%	0%
Distribution & Transmission TPP	85%	89%	85%
Other Energy Company			

Assessment Rates of Public Utility TPP under Current Law, HB 15, and SB 2			
Property Assessment Type	Current Law	House Bill 15	Senate Bill 2
Generation TPP, Existing TPP	24%	0%	24%
Generation TPP, New TPP	24%	0%	0%
Distribution & Transmission TPP	85%	89%	85%
Rural Electric Company			
Generation TPP, Existing TPP	25%	25%	25%
Generation TPP, New TPP	25%	25%	0%
Distribution & Transmission TPP	50%	50%	50%

If you have questions about how the pending energy bills may affect your county, please contact Research Analyst Nick Ciolli at nciolli@ccao.org or Managing Director of Policy Kyle Petty at kpetty@ccao.org.

Public Works reauthorization on May ballot as Issue 2

Earlier this week, the Ohio Ballot Board certified the Ohio Public Works renewal for the May 6 ballot as Issue 2. The CCAO Board of Directors unanimously endorsed the renewal at its January meeting. Issue 2 will allow the issuance of general obligation bonds up to $250 million per year over 10 years to fund local infrastructure improvements across Ohio and will create an estimated 35,000 construction jobs. Issue 2 relies on existing state revenues and does not raise taxes.

Since Ohio voters first approved the program in 1987, it has provided funding for more than 19,000 critical infrastructure projects and upgrades to local roads and bridges, wastewater treatment systems, water supply systems, solid waste disposal facilities and storm water and sanitary collection, storage, and treatment facilities across all 88 counties. In the current 10-year cycle, $2.3 billion has been awarded to 1,084 local governments for 4,490 projects benefiting cities, counties, townships and other subdivisions across the state.

CCAO to host legislative reception in Statehouse Atrium on February 25

As a part of this year's New Member Training event, CCAO is hosting a reception in the Statehouse Atrium on Tuesday, February 25, from 5:00 to 7:00 p.m. ***Registration is not required*** for the reception, but we do ask that if you plan on attending the reception, please RSVP to CCAO Board's Liaison and Events Manager Robin Garrett at rgarrett@ccao.org.

Legislative Activity

Committee Hearings

The following committees held hearings this week regarding bills that may interest counties.

House Children and Human Services

- House Bill 41 (Representatives Andrea White and Bill Roemer): To establish certain child care grant programs, including those related to child care capacity and learning labs, and to make an appropriation.
    - First hearing, sponsor testimony

House Energy
- House Bill 15 (Representative Roy Klopfenstein): To amend the competitive retail electric service law, make changes regarding electric company property taxation, and repeal parts of H.B. 6 of the 133rd General Assembly.
    - Second hearing, proponent testimony from 24 witnesses, including the Ohio Farm Bureau, the Ohio Manufacturers Association, and Ohio Oil and Gas Association, and interested party testimony from four witnesses, including the Buckeye Institute and the Ohio Association of School Business Officials.

House Local Government
- Informational presentation from the Ohio Township Association

House Ways and Means
- House Bill 22 (Representatives Brian Lorenz and David Thomas): To authorize a full homestead exemption for surviving spouses of members of the uniformed services killed in the line of duty.
    - First hearing, sponsor testimony

Senate Armed Services, Veterans Affairs, and Public Safety
- Senate Bill 26 (Senator Terry Johnson): To create the Joint Law Enforcement Oversight Committee and to make an appropriation.
    - Second hearing, proponent testimony from a private individual.

Senate Local Government
- Senate Bill 29 (Senators Lou Blessing, III, and Catherine Ingram): To allow two or more municipalities to create a joint economic development district without involving a township.
    - First hearing, sponsor testimony
- Senate Bill 42 (Senators Michelle Reynolds and Hearcel Craig): To authorize local governments to create residential stability zones where homeowners may qualify for a partial property tax exemption.
    - First hearing, sponsor testimony
- Senate Bill 45 (Senator Catherine Ingram): To expand eligibility for county sewer discounted rates or charges.
    - First hearing, sponsor testimony

Senate Energy
- Senate Bill 2 (Senator Bill Reineke): To provide increased power generation and improved affordability and reliability for Ohio's electric grid.
    - First hearing, sponsor testimony

Senate Financial Institutions, Insurance, and Technology

- Senate Bill 51 (Senator Tim Schaffer): To establish legislative oversight of executive action regarding voluntary federal unemployment compensation programs.
    - First hearing, sponsor testimony

Senate Ways and Means

- Senate Bill 43 (Senators Sandra O'Brien and George Lang): To repeal the authorization of a special county lodging tax.
    - First hearing, sponsor testimony.
- Senate Bill 59 (Senators Al Cutrona and Tim Schaffer): To exempt from the sales and use tax the sale of certain firearms and ammunition and to authorize refundable tax credits for small arms and ammunition manufacturing projects.
    - First hearing, sponsor testimony.

Introduction of Bills

The following bill(s) that may be of interest to counties were introduced this week:

- House Bill 73 (Representatives Kevin Miller and Thomas Hall): To establish a deferred retirement option plan for law enforcement officers in the Public Employees Retirement System.
- House Bill 86 (Representative Steve Demetriou): To make changes to the law relating to tax foreclosures and county land reutilization corporations.
- House Bill 89 (Representative Jean Schmidt): To authorize a temporary property tax reduction.
- House Bill 92 (Representatives Mark Johnson and Riordan McClain): Regarding limitations on recovery and lien imposition by municipalities against property owners of non-owner-occupied properties for unpaid water, sewer, and disposal services rates and charges.
- Senate Bill 88 (Senator Terry Johnson): To modify the law that prohibits certain governments, businesses, and individuals from acquiring certain real property and to name this act the Ohio Property Protection Act.
- Senate Bill 92 (Senator Tom Patton): To authorize a total property tax exemption for the homesteads of totally disabled veterans and their surviving spouses.
- Senate Bill 93 (Senator Andrew Brenner): To declare the General Assembly's intent to establish a new school financing system that provides a statewide per-pupil funding payment to public and chartered nonpublic schools based on a single statewide property tax and increased state sales tax.
- Senate Bill 101 (Senator Louis Blessing III): To make changes to the law relating to tax foreclosures and county land reutilization corporations.
- Senate Bill 102 (Senator Tom Patton): To require certain liens filed with the county recorder to set forth the last known address of the lien debtor and to require a memorandum of trust or other qualifying instrument concerning real property to be recorded.

Upcoming Committee Hearings

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

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

Tuesday, February 18

House Finance (9:00 a.m.)

- SUBSTITUTE TRANSPORTATION BUDGET ADOPTION
    - No testimony

House Children and Human Services (9:30 a.m.)

- Budget testimony from the Department of Job and Family Services and the Department of Aging.

Senate Energy (11:00 a.m.)

- Senate Bill 2 (Senator Bill Reineke): To provide increased power generation and improved affordability and reliability for Ohio's electric grid.
    - Second hearing, proponent testimony and interested party testimony

Senate Ways and Means (11:00 a.m.)

- Senate Bill 66 (Senators Sandra O'Brien and George Lang): To include emergency levies, substitute levies, all inside millage, and school district income taxes in the calculation of a school district's effective millage floor.
    - First hearing, sponsor testimony.
- Senate Bill 81 (Senator Tom Patton): To authorize a property tax freeze for certain owner-occupied homes.
    - First hearing, sponsor testimony.
- Senate Bill 92 (Senator Tom Patton): To authorize a total property tax exemption for the homesteads of totally disabled veterans and their surviving spouses.
    - First hearing, sponsor testimony.

Senate Finance (2:00 p.m.)

- Senate Bill 32 (Senators Michelle Reynolds and Tim Schaffer): To establish the Child Care Cred Program and to make an appropriation.
    - First hearing, sponsor testimony.

Senate General Government (2:00 p.m.)

- Senate Bill 56 (Senator Stephen Huffman): To consolidate the administration of the marijuana control program, revise the medical and adult-use marijuana laws, and to levy taxes on marijuana.
    - Second hearing, all testimony.

House Community Revitalization (3:15 p.m.)

- House Bill 58 (Representatives Justin Pizzulli and Dontavious Jarrells): To create a certificate of need program for recovery housing residences.
    - First hearing, sponsor testimony

Wednesday, February 19

Senate General Government (9:00 a.m.)

- Senate Bill 56 (Senator Stephen Huffman): To consolidate the administration of the marijuana control program, revise the medical and adult-use marijuana laws, and to levy taxes on marijuana.
    - Second hearing, all testimony.

House Public Safety (9:30 a.m.)

- Budget testimony from the Department of Public Safety and the State Highway Patrol.

House Development (9:30 a.m.)

- Budget testimony from, among others, the Ohio Ethics Commission and the State Employment Relations Board.

House Finance (10:30 a.m.)

- House Bill 54 (Representative Brian Stewart): Transportation Budget
    - Second hearing, all testimony

House Ways and Means (11:30 a.m.)

- Budget testimony from the Department of Taxation and the Office of Budget and Management
- House Bill 61 (Representatives David Thomas and Jack Daniels): To modify the amount of the homestead exemptions and owner-occupancy property tax credit.
    - First hearing, sponsor testimony

Senate Local Government (2:30 p.m.)

- Senate Bill 101 (Senator Lou Blessing, III): To require certain liens filed with the county recorder to set forth the last known address of the lien debtor and to require a memorandum of trust or other qualifying instrument concerning real property to be recorded.
    - First hearing, sponsor testimony
- Senate Bill 29 (Senators Lou Blessing, III, and Catherine Ingram): To allow two or more municipalities to create a joint economic development district without involving a township.
    - Second hearing, proponent testimony

Thursday, February 20

House Agriculture (9:00 a.m.)

- Budget testimony from the Department of Agriculture and the Department of Commerce.