County Commissioners Association of Ohio

Serving Ohio Counties Since 1880

Suzanne K. Dulaney, Esq., Executive Director

209 East State Street • Columbus, Ohio 43215-4309
Phone: 614-221-5627 • Fax: 614-221-6986
Toll Free: 888-757-1904 • www.ccao.org

Senate Ways & Means Committee
Testimony on Tax Provisions in HB 64
May 13, 2015

Chairman Peterson, Vice-Chairman Beagle, Ranking Minority Member Tavares, and members of the committee, my name is Suzanne Dulaney, CCAO Executive Director. On behalf of the County Commissioners Association of Ohio, I'd like to take this opportunity to express our views on the tax provisions under discussion as part of the biennial budget bill.

LGF Revenue

As you examine the various tax reform proposals in HB 64, CCAO believes the Local Government Fund should be stabilized, particularly as state revenues rebound. If the tax reforms are enacted as originally proposed in HB 64, LGF revenue would increase 5.3 percent and 4.1 percent in FY 16 and FY 17, respectively. This represents maintaining the percentage of state GRF to the LGF at 1.66%. This occurs only if the revenue enhancement provisions are adopted along with the tax cut provisions. If the will of the Senate is to modify the tax provisions, we ask that steps are taken to protect the local government distributions and the services they support should the overall impact of the tax reforms negatively impact the LGF.

Sales Tax

As counties experienced significant declines in many revenue streams during the recession, including LGF, TPP reimbursements, interest income, conveyance fees, and property values, counties have become more and more reliant upon sales tax as a means to fund state mandates and services supported by the county general fund.

As part of a continuing effort to provide stable revenues to counties, enhance county fiscal security, and generate revenue in a fair and equitable manner from all segments of our evolving economy, CCAO supports the broadening of the state's sales and use tax base to include additional services and Internet, catalog, and telephone sales.

Another increase in the state sales tax rate included in HB 64 does begin to raise concerns about both the state and counties becoming more reliant on the same source and its impact on influencing purchasing decisions in boarder counties. CCAO has long supported increased flexibility for counties to levy permissive taxes to fund needed services in the face of declining state support. We should carefully evaluate our sales tax rates with our neighboring states and the impact it has on consumers and merchants alike.

CCAO also seeks support for an amendment to remove an antiquated requirement in ORC 5739.212 which states that counties must reimburse vendors for the cost of adjusting cash registers when sales tax rates are increased. The state has no similar obligation.

TPP & Public Utility Reimbursements

Under the 2012-2013 state budget, the phase down in the reimbursement schedule to local governments for lost TPP and PUPT was accelerated using a complex formula that attempted to recognize the relative importance of the reimbursement on the operation of the local government or levy funded service function such as mental health and addiction, developmental disabilities, child protective services, and senior citizen programs. The 2014-2015 state budget suspended the accelerated phase down formula.

The as introduced version of HB 64 would trigger another biennium of accelerated phase down for counties still receiving inside mills and negatively impact our levy funded social service programs. It is important to note that the impact would be felt in the current county calendar year, making planning for the cuts particularly difficult for 2015.

While only six counties still receive TPP reimbursements and only three counties receive PUPT reimbursements, continuation of the current suspension of phased-out reimbursement is impactful to these counties. Under HB 64, seven of the nine counties would see reimbursements cease in August of this year. The counties impacted include: Adams, Gallia, Henry, Monroe, Morgan, Pike, Shelby, Union and Washington.

Social service programs that the county administers on behalf of the state are funded with direct federal and state allocations, coupled with property tax levies where applicable. Options available to plan for reductions in state TPP reimbursements are limited. For example, children service levies received approximately $12.4 million in TPP reimbursements in 2014. That is slated to drop to around $5.3 million in 2016 and then $2 million in 2017.

We would like to work with you to mitigate the negative impact this provision would have on services counties provide on your behalf.

Severance Tax

As you have heard from previous testimony, CCAO supports raising the severance tax on oil and natural gas to a rate reasonably similar to the severance tax rates by other oil producing states, with significant revenue to be returned to local governments with special emphasis to impacted counties. We have a joint proposal along with OML and OTA, as well as some suggested procedural changes from the as introduced version.

In conclusion, counties operate as local branches of state government, with most state programs and service being delegated to county government for implementation. Our success for the citizens of Ohio relies upon a strong state and county partnership. Thank you for the opportunity to testify on these provisions of HB 64. I would be happy to answer any questions that you may have.