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# STATEHOUSE REPORT

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Phone: 614-221-5627 • Fax: 614-221-6986 • [www.ccao.org](http://www.ccao.org)

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**FEBRUARY 27, 2015**

## **Clinton County home to Governor's State of State address**



Governor John Kasich gave his annual State of the State address before a joint session of the Ohio House and Senate held in Wilmington, a city in southwest Ohio that was hard-hit by the recession. It is also the home turf of new House Speaker Cliff Rosenberger (R-Wilmington). State of the State addresses are traditionally held in the State Capitol, but Governor Kasich has made a practice of moving his addresses out of Columbus. This speech was his first address from southwest Ohio.

Backed by an enormous Ohio flag, Mr. Kasich began his address by harkening to a campaign visit to the city in 2010, two years after DHL U.S. Express pulled the plug on its distribution hub, cutting more than 7,000 jobs out of the local economy.

"I saw the devastation this town had suffered," he said, recalling the families forced to seek help from a local food pantry. He told workers at the pantry during his visit that his mission was to help people get back on their feet, he said.

The recollections were a stage-setter for his arguments that his policies of income tax reductions and restrained government spending had Ohio on the upswing - and that the legislature should keep backing those efforts by supporting his budget priorities.

In regards to public assistance, the Governor said, "We want to get people back on their feet. We have a common sense approach. We want to begin to treat everybody in a holistic manner. ... We got somebody on public assistance and we're running them around."

The Governor explained that his Administration wants to help break down silos between assistance programs and help train individuals for jobs that exist in their communities, so that individuals have the satisfaction of getting up on their feet.

“Welfare must not be a way of life. It should be a way station to get you up on your feet... We all should love this. And, I think we all do. Even the — these folks that work in the social services jobs, they work hard. A lot of bureaucracy. It’s hard casework. They’re excited about this. That’s what I’m told.”

To watch the Governor’s address or read the transcript, go to:

<http://www.c-span.org/video/?324527-1/ohio-governor-john-kasich-r-state-state-address>

## **Department of Taxation releases detailed explanation of proposed phase out of tangible personal property (TPP) and public utility deregulation replacement payments (PUTP) to local governments**

As promised, the Ohio Department of Taxation has released a series of documents intended to help local government officials understand and anticipate the phase out of tangible personal property (TPP) tax and public utility tangible property (PUTP) deregulation replacement payments, as proposed as part of the state fiscal year 2016 – 2017 state budget ([HB 64](#)).

Estimates of the proposed changes to the TPP and PUTP deregulation reimbursements. [Click here](#) .

The Department of Taxation has also released a detailed background document explaining the history of the tax reform changes that resulted in the elimination of the tangible personal property tax and the public utility tangible property tax [click here](#).

Finally, the department has issued a Guide to Estimated Local Government Reimbursements for Tangible and Public Utility Personal Property Tax Losses under the Governor’s FY 16/17 Budget Proposal. [Guide to Proposed Local Government TPP & PUTP Reimbursements](#)

### **Brief Overview of Resumption of the Phase out of TPP and PUTP Reimbursement Payments**

Back in 1999 and 2000 the General Assembly eliminated certain local property taxes that were collected on electrical and natural gas public utility property. The General Assembly also created the kilowatt-hour (KWH) tax and the natural gas distribution tax (MCF) in part to make payments to local governments for lost property taxes. In 2005, the General Assembly eliminated the general tangible personal property tax and replaced it with the state commercial activity tax (CAT). For five years, the state fully reimbursed local governments and schools for lost TPP taxes. The original legislation (HB 66, 2005) called for a gradual phase out of TTP reimbursement payments over a 7 year time period.

Beginning in 2011 with the passage of the SFY 12/13 state budget, the governor proposed and the General Assembly adopted a plan calling for the accelerated phase out of TPP and PUTP property tax replacement payments by the state with a plan that reimbursed local governments based on a percentage of total tax receipts where each taxing district and purpose could lose up to 2% of total resources each year separately for TPP and PUTP reimbursement payments.

The SFY 12/13 state budget effectively eliminated reimbursement payments for most local government functions that had less than a 6% reliance on either TPP or PUTP reimbursement

payments. The SFY 12/13 budget eliminated reimbursement for each service classification at a rate of 2% per year for each of years 2011, 2012, and 2013. The SFY 14/15 state budget suspended this phase down in reimbursement payments for two years at the end of SFY 13. Any local government that was still receiving payments in SFY 2013 would generally continue to receive such payments in SFY 2015.

The new proposed SFY 16/17 state budget proposes to resume the accelerated phase out of reimbursement payments utilizing the same concept the state adopted in 2011 with the enactment of the SFY 12/13 state budget (HB 153).

### **FY 2016/2017 Phase Out Proposal**

The proposed state budget would phase out reimbursement payments to local government functions at a combined rate of 2 % a year for each county function. TPP and utility deregulation payments are combined into one payment for purposes of determining whether such payments represent more than 2% of total resources in any year. A district's combined utility deregulation and TPP reimbursement will be reduced by a maximum of 2% of its total resources per year, rather than having each type of reimbursement potentially decline by 2% of resources per year. Reimbursement payments are made in equal amounts twice per year in February and August.

County property tax levies are divided into seven service classifications based on the following functional categories:

- County aging
- County children services
- County health services
- County mental health and developmental disability services
- County operating or other category (general fund)
- County inside millage debt
- Special districts (catch all)

At the present time only six counties are receiving reimbursement payments for TPP taxes and 3 counties are receiving payments for PUTP taxes to support the general fund. Other counties saw their reimbursement payments for this purpose (general fund – other category) eliminated during the initial phase down in state payments during 2011 to 2013.

The Department of Taxation analysis indicates that 83 counties are currently receiving reimbursement payments in 2015 in one or more of the service classifications above and that number will decline to 70 counties in FY 2016 and 55 counties in FY 2017 under the proposed budget bill. The state is currently making reimbursement payments of \$641.7 million to schools and local governments in SFY 2015 of which \$509.5 million is paid to schools and \$132.2 is paid to other local governments. Over half of the “local government category” constitutes payments to counties at \$70.4 million in SFY 2015. The Department of Taxation estimates counties will experience elimination of approximately \$35.7 million in reimbursement payments in SFY 2016 and approximately \$52.6 million in SFY 2017.

Payments for inside millage debt levies are unchanged from current law under the proposed budget. County inside millage debt reimbursement payments will be eliminated for utility deregulation in 2017 and for tangible personal property in 2019.

For additional information on this topic, please contact CCAO staffer Brad Cole at [bcole@ccao.org](mailto:bcole@ccao.org)

## **ODOT Budget reported by House Finance after local residency quota and Eastern Corridor funding prohibitions removed from bill**

The Ohio House Finance and Appropriations Committee unanimously approved the transportation budget ([HB 53](#)) after the committee removed two controversial amendments that had been added earlier as part of a substitute bill.

The committee agreed to pull language from the transportation budget that would have prohibited state and local governments from imposing residency quotas on public construction projects.

Earlier in the week this resulted in an outpouring of opposition testimony mostly from Akron officials who are launching a major sewer construction project with local labor guarantees.

House Finance Chairman Representative Ryan Smith (R – Bidwell) said the debate over local hiring quotas for public construction projects might not be over. He dislikes local hiring quotas and suggested that the policy issue may be revisited when the legislature has more time to debate the issue.



Rep. Ryan Smith

A second amendment would have prohibited ODOT from spending any additional funds on the Eastern Corridor Project in Hamilton and Clermont counties. Instead of an outright prohibition, this provision was modified to require the ODOT director to make a final decision on whether or not to proceed with the Eastern Corridor Project by December 31, 2015, and if further funding is scrapped, any money previously pledged to the project must remain in Hamilton County to be dispersed through the Transportation Review Advisory Committee (TRAC) process. Opposition testimony to the Eastern Corridor funding prohibition was submitted by Hamilton County Commissioner Todd Portune ([click here](#) to view testimony) and by the Executive Director of Ohio – Kentucky – Indiana Regional Council of Governments. Legislators on the panel including Representatives Doug Green (R – Mt. Orab) and Denise Driehaus (D – Cincinnati) raised concerns about the wisdom of pulling funding for a long term project that had substantial support from federal, state and local governments and had been approved for funding by the state TRAC process.

Other amendments adopted by the Finance Committee include:

- Creates a six member Joint Legislative Task Force on Department of Transportation Funding. The panel would be required to study whether the state gas tax is sufficient to meet the agency's funding needs and would issue recommendations by December 15, 2016.

- Authorizes the percentage of total project costs that a Transportation Improvement District (TID) can receive from ODOT to be increased from 10% to 25% for a total of up to \$250,000. This amendment similarly increases the state share to 25% when multiple TIDS apply for state funds
- Maintains the eight hours of actual driver training instruction required by existing law. The administration supports adding an additional two hours
- Requires the Registrar of Motor Vehicles to establish a program permitting payment by financial transaction devices (credit cards) not later July 1, 2016. Requires BMV to adopt rules for implementing this requirement and permits deputy registrars to pass on the cost of credit cards through convenience fees.

An amendment to appropriate an additional \$9.45 million for public transit offered by Representative Dan Ramos (D – Lorain) was tabled following some discussion of the lack of state funding for public transit in Ohio. Chairman Smith said that the fact that public transit receives much of its funding from the federal government makes this an issue that is better suited for deliberation by the transportation funding study committee.

The transportation budget is expected to go before the full House on Tuesday, March 3<sup>rd</sup>. For additional information on HB 53, please contact CCAO Staffer Brad Cole at [bcole@ccao.org](mailto:bcole@ccao.org)

## BWC Administrator Testifies on Worker’s Comp PTSD Bill (SB 5)

Ohio Bureau of Workers’ Compensation Administrator and CEO, Stephen Buehrer, testified in Senate Transportation, Commerce and Labor Committee this week on Senate Bill 5, legislation to make first responders with post-traumatic stress disorder (PTSD) arising from employment without a physical injury eligible for workers’ compensation. Administrator Buehrer started off by stating that the committee had heard testimony stating up until 2013, BWC was covering mental health treatment for all employees and this was not true. Administrator Buehrer also presented to the committee what he described conservative, actuarial and data analysis which estimates that SB 5 could cost over \$182 million a year for employers, with the bulk falling on

## Severance Tax Proposal

The severance tax provisions of the governors proposed budget will be heard by the House Ways and Means Committee on Tuesday, March 3 after session.

CCAO is particularly concerned with the significant portion of the tax which would be allocated to providing tax relief. CCAO believes that at least the majority of the severance tax ought to be used to support development of the infrastructure needs in the shale play areas and also to help the local governments be able to meet their additional costs to deliver additional public safety and administrative costs association with the exploration and development of the gas and oil natural resources.

CCAO's policy on severance tax includes the following major points:

- The tax should be levied on both vertical and horizontal wells.
- Majority of revenue should be allocated to impacted counties.
- Revenue from increased severance taxes on oil and gas companies should be used minimally to subsidize any form of tax cuts.
- LGF should be held harmless for any tax credit given to owners or developers of the oil and gas resources.
- Some revenue should be used to restore local government funding cuts or to provide property tax relief.

Please contact CCAO staffer John Leutz at [jleutz@ccao.org](mailto:jleutz@ccao.org), (614) 220-7994, or (888) 757-1904 ext 305, if you would like to come to Columbus and testify.

public employers. Today, all public entities combined pay approximately \$190 million in total annual premium. Thus, the bill could double public employer rates. The Administrator cautioned that, “the cost could be even higher than our conservative estimate because we used 18% of covered parties experiencing PTSD while testimony last week has shown up to 36% reported PTSD cases in other states.” To read the testimony in its entirety, click [here](#).

## Statehouse Etcetera



**CCAO REGIONAL LEGISLATIVE BRIEFINGS** – The schedule and locations for these events can be viewed on the front page of the [CCAO website](#) – Details about the event were sent two weeks ago in an email. Please consider attending, invite your key staff and department heads, and also invite your other county elected officials to attend. **RSVP ASAP** to Amanda Jones at [ajones@ccao.org](mailto:ajones@ccao.org) or 614-220-7985.

## Bills Introduced



- [SB 69](#) SOCIAL SECURITY NUMBERS (Tavares, C.)** To restrict a person’s ability to require, solicit, mail, and publicly display social security numbers. Am. 4112.01, 4112.02, 4112.05, 4112.08, 4112.14, 4112.15, and 4112.99
- [SB 70](#) ELECTRONIC ACCOUNTS (Tavares, C., Thomas, C.)** To prohibit employers, employment agencies, personnel placement services, and labor organizations from requiring an applicant or employee to provide access to private electronic accounts of the applicant or employee. Am. 4112.02, 4112.05, 4112.08, 4112.14, 4112.15, and 4112.99
- [SB 72](#) MEDICAID PAYMENTS (Tavares, C.)** To specify that the Ohio prompt payment law applies to payment of claims by Medicaid managed care organizations. Am. 3901.38, 3901.383, and 3901.3814 and to repeal section 5167.25
- [SB 75](#) AGRITOURISM (Jones, S., Peterson, B.)** To limit the authority of a board of county commissioners or board of township trustees to prohibit agritourism through zoning, to apply current agricultural use valuation to land used for agritourism for property tax purposes, and to establish immunity in a civil action for agritourism providers. Am. 303.21, 519.21, and 5713.30 and to enact section 901.80
- [SB 83](#) ADDRESS CONFIDENTIALITY (Williams, S.)** To establish an address confidentiality program for individuals who reasonable believe that they are in danger of being threatened or physically harmed by another person, to exclude the residential and familial information of a federal law enforcement officer from the definition of a public record, to include federal law enforcement officers among the protected individuals who are authorized to request a public office other than the county auditor to redact the person’s address from any record made available to the general public on the internet, and to include those officers among the protected individuals who may request the county auditor to replace the person’s name with the person’s initials on the general tax list and duplicate. Am. 149.43, 149.45, 319.28, 319.54, 2903.213, 2903.214, 3113.31, 3503.15, and 3509.03 and to enact sections 111.31, 111.32, 111.321, 111.33, 111.34, 111.35, 111.36, 111.37, 111.38, 111.39, 111.40, 2901.44, and 3503.151
- [HB 80](#) AGRITOURISM (Burkley, T.)** To limit the authority of a board of county commissioners or

board of township trustees to prohibit agritourism through zoning, to apply current agricultural use valuation to land used for agritourism for property tax purposes, and to establish immunity in a civil action for agritourism providers. Am. 303.21, 519.21, and 5713.30 and to enact section 901.80.

**HB 81** **SPECIAL ELECTIONS** ([Hambley, S.](#)) To eliminate the ability to conduct special elections in February and to require a political subdivision to prepay sixty-five per cent of the estimated cost of a special election. Am. 3501.01, 3501.17, 5705.194, 5739.021, and 5739.026.

**HB 82** **PRIVATE PRISONS** ([Hambley, S.](#)) To permit a county, a group of counties, or a group of counties and municipalities to contract for the private operation and management of a correctional facility that houses felon inmates. Am. 9.06, 307.93, 341.35, and 753.03.

## Hearing schedule



### Tuesday, March 3

**House Insurance** ([Committee Record](#)), (Chr. [Hackett, B.](#), 466-1470), Rm. 121, 9:00 am

**HB 51** **INDUSTRIAL COMMISSION BUDGET** ([Hackett, B.](#)) To make appropriations for the Industrial Commission for the biennium beginning July 1, 2015 and ending June 30, 2017, and to provide authorization and conditions for the operations of Commission programs. --**1st Hearing-Industrial Commission testimony**

**HB 52** **BWC BUDGET** ([Hackett, B.](#)) To make changes to the Workers' Compensation Law, to make appropriations for the Bureau of Workers' Compensation for the biennium beginning July 1, 2015 and ending June 30, 2017, and to provide authorization and conditions for the operation of the Bureau's programs. --**1st Hearing-BWC testimony**

**Senate Transportation, Commerce & Labor** ([Committee Record](#)), (Chr. [Manning, G.](#), 644-7613), Finance Hearing Rm., 10:15 am

**HB 53** **TRANSPORTATION BUDGET** ([Grossman, C.](#)) To make appropriations for programs related to transportation and public safety for the biennium beginning July 1, 2015, and ending June 30, 2017, and to provide authorization and conditions for the operation of those programs. --**Informal hearing-Pending referral-Testimony from ODOT Director Wray, OPWC Director Miller and OTIC Director Cole**

**House Session**, (Chr. [Rosenberger, C.](#), 466-3357), House Chamber, 11:00 am

**House Finance: Health & Human Services Sub.** ([Committee Record](#)), (Chr. [Sprague, R.](#), 466-3819), Rm. 313, 12:00 pm or after session

- Budget testimony from Department of Job & Family Services

**House Finance: Transportation Sub.** ([Committee Record](#)), (Chr. [Grossman, C.](#), 466-9690), Rm. 311, 1:30 pm

- Budget presentations: Department of Public Safety & Motor Vehicle Collision Repair Board

**House Energy & Natural Resources** ([Committee Record](#)), (Chr. [Landis, A.](#), 466-8035), Rm. 017, 1:30 pm or after session

**HB 8** **OIL & GAS LAW** ([Hagan, C.](#), [Ginter, T.](#)) To revise provisions in the Oil and Gas Law governing unit operation, including requiring unit operation of land for which the Department of Transportation owns the mineral rights, and to specify that the discounted cash flow formula used to value certain producing oil and gas reserves for property tax purposes is the only method for valuing all oil and gas reserves. --**3rd Hearing-All testimony-Possible amendments & vote**

**House Ways & Means** ([Committee Record](#)), (Chr. [McClain, J.](#), 644-6265), Rm. 121, 1:30 pm or after session

- Budget testimony on the severance tax proposal

**House Judiciary** ([Committee Record](#)), (Chr. [Butler, J.](#), 644-6008), Rm. 116, 3:30 pm

**HB 24** **ADULT PROTECTIVE SERVICES** ([Retherford, W.](#), [Dovilla, M.](#)) To revise the laws governing the provision of adult protective services. --**2nd Hearing-Proponent**

**House Finance: Agriculture, Development & Natural Resources Sub.** (Committee Record), (Chr. **Thompson, A.**, 644-8728), Rm. 113, 6:00 pm

- Budget presentations: Department of Commerce, Liquor Control Commission, Development Services Agency, Board of Embalmers & Funeral Directors, Ohio EPA

## **Wednesday, March 4**

**Senate Health & Human Services** (Committee Record), (Chr. **Jones, S.**, 466-9737), North Hearing Rm., 8:45 am  
**SB 30**

**FAMILY STABILITY** (**Tavares, C.**) To create the Ohio Family Stability Commission. --**2nd Hearing-All testimony-Possible vote**

**Senate Transportation, Commerce & Labor** (Committee Record), (Chr. **Manning, G.**, 644-7613), North Hearing Rm., 10:15 am

**HB 53**

**TRANSPORTATION BUDGET** (**Grossman, C.**) To make appropriations for programs related to transportation and public safety for the biennium beginning July 1, 2015, and ending June 30, 2017, and to provide authorization and conditions for the operation of those programs. --**Informal hearing-Pending referral-Proponent**

**Senate Session**, (Chr. **Faber, K.**, 466-4900), Senate Chamber, 1:30 pm

**House Session**, (Chr. **Rosenberger, C.**, 466-3357), House Chamber, 1:30 pm

**House State Government** (Committee Record), (Chr. **Maag, R.**, 644-6023), Rm. 121, 3:00 pm )

**HB 46**

**GOVERNMENT SPENDING** (**Dovilla, M.**, **Dever, J.**) To require the Treasurer of State to establish the Ohio State Government Expenditure database. --**2nd Hearing-Proponent**