



STATEHOUSE REPORT

Published by: County Commissioners Association of Ohio

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

June 24, 2016

Summer 2016 Legislative Talking Points

Summer affords many opportunities to interact with legislators in your district. As you interact with your legislators, please continue to raise the following issues that are critically important to our counties. Remember that YOU are CCAO's #1 legislative advocate!

Funding to Replace Voting Equipment – Counties are seeking state support to help replace aging voting equipment. Since the Help America Vote Act (HAVA), conducting elections is not what it used to be. Both federal and state laws as well as state directives have changed how counties administer elections for all levels of government.

Most voting equipment is reaching the end of its useful life and will need to be replaced prior to the 2020 presidential election. When the current voting machines were purchased, the predicted lifespan was 10-15 years. We're nearing the end of that period.

CCAO and the Ohio Association of Elections Officials (OAEO) have been working with the Secretary of State to develop a state-county partnership proposal similar to the program in the state budget (HB 64) to purchase electronic poll books. CCAO is asking the General Assembly and Administration to make this a funding priority later this year, and the next few years, for a graduated implementation strategy prior to the 2020 election.

What to tell your state legislators . . . about replacing voting equipment:

- Remind them that your current voting equipment is reaching the end of its useful life and needs to be replaced with new voting technology.
- Outline and explain the continuing expenses counties must incur to insure the proper functioning of this equipment which include maintenance contracts, a climate-controlled environment for their storage, and proper technology upgrades.
- Ask that the successful electronic pollbook funding model also be used for voting equipment.
- Request that the legislature make planning for the replacement of voting equipment one of their priorities when they come back this fall.

Medicaid Managed Care Organization Sales Tax – Federal law permits states to impose taxes on a number of types of health care items and services without affecting federal Medicaid matching dollars. Since 2009, Ohio has levied state and local sales taxes upon services purchased by Medicaid MCO's, but has not levied the same tax on services of other (non-Medicaid) MCO's. The Center for Medicare and Medicaid Services (CMS) has expressed concern that Ohio's sales tax is not in compliance with federal guidelines regarding health care related taxes because it does not apply to all health care services providers. CMS has advised Ohio that it has until the end of the current state budget period (June 30, 2017) to devise another tax policy that complies with federal rules.

Given that the county portion of Medicaid MCO taxes represents 7.5 percent or \$145 million of all sales taxes collected by the state on behalf of counties during SFY 2015, it is essential that any solution to the MCO sales tax issue at a minimum address the significant fiscal problem for counties relative to the Medicaid MCO sales tax. While the statewide average revenue reliance is 7.5 percent, the Department of Taxation estimates that over 25 counties have more than a 10 percent reliance and one county has over a 25 percent reliance on Medicaid MCO sales tax as a percentage of total sales tax collections. Clearly, Ohio's solution to this problem must protect counties from the potential revenue losses associated with revisions to Ohio's sales tax law.

Be sure and say THANKS for providing:

- Additional funding to reimburse counties for indigent defense. An additional \$12 million per year, along with an additional \$1.5 million per year for death penalty cases was appropriated.
- \$12.75 million for the purchase of electronic poll books, as well as eliminating the February special election and requiring pre-payment for the county to conduct other special elections.
- \$20 million for the Local Government Safety Capital Fund to assist local governments with public safety.

Preserve County/State Sales Tax Base – The sales and use tax is the #1 revenue source for county general funds, and counties have become more reliant on this vital revenue stream. CCAO opposes HB 343 that would exempt employment services from sales and use tax, causing a revenue loss of \$41.5 million to counties and transit authorities; Local Government Fund (LGF) and Public Library Fund (PLF) revenue loss would be \$5.6 million. In addition, several other bills are pending that would exempt items from sales tax. CCAO urges the General Assembly and Administration to preserve Ohio's sales tax base.

Opiate Epidemic – More help is needed in responding to Ohio's opiate epidemic, as it impacts many individuals, families, workplaces and communities. Counties are struggling – in particular with the impact on the child protective system and justice and public safety services. Comprehensive strategies and adequate resources are needed as we continue the fight against this epidemic.

Infrastructure Funding – Addressing Ohio's aging infrastructure (roads, bridges, and public utilities) requires a strong partnership between the state and local officials. Projected costs to repair, replace or install necessary infrastructure far exceeds the current financial capability of our counties. Counties ask the state to pass HB 528 which will authorize additional local permissive motor vehicle license fees and allocate additional public works bonding capacity to provide grants and additional funds for water and sewer projects.

Please click [here](#) for a printable version of CCAO Legislative Talking Points. If you would like more information about the issues listed above or any additional concerns, please contact the CCAO Policy Team at **614-221-5627** or visit the CCAO website at www.ccao.org.

Director Keen addresses Medicaid managed care sales tax

Tim Keen, Director of Ohio's Office of Budget and Management, spoke to the CCAO Board of Directors today to update them on the Medicaid managed care organization (MCO) sales tax. CCAO released an informative summary on the tax that you can read [here](#).



Director, Tim Keen

Director Keen shared two [documents](#) that lay out the impact this issue may cause to tax revenue, including a list of total Medicaid MCO sales tax collections by county.

While in the past this issue has come up and then lost momentum, Director Keen referenced a report released by the U.S. Inspector General that states these taxes are outside of the law and calls for the Centers for Medicare and Medicaid Services to stop it. This report adds a new level of focus that is not likely to go away.

Keen informed the board that Ohio will stop collecting the tax on July 1, 2017. Because the state distributes the county sales tax in arrears, counties will see a 3 month loss in 2017, but will see a full loss in 2018 and thereafter. He went on to say that the state is looking at several solutions, noting, "We understand this has a significant effect on counties."

If you have questions on the Medicaid MCO sales tax, please contact CCAO staffers [Brad Cole](#) at 614-220-7981 or [Kate Neithammer](#) at 614-220-7996.

Business group outlines policy preferences to 2020 Tax Policy Study Commission

In a joint presentation before the 2020 Tax Policy Study Commission, business representatives of the Ohio Chamber of Commerce outlined a series of preferences regarding how the legislature should reform Ohio's tax laws going forward. The [joint testimony](#) includes the following major points:

- Ohio's tax structure, in the opinion of the Ohio Chamber, is now "relatively competitive" with other states after repealing the corporate franchise tax and the tangible personal property tax and replacing these two taxes with the Commercial Activity Tax (CAT).
- Ohio's sales tax base should not be broadened to include services and so called business inputs that will drive up the cost of doing business in Ohio. The business group considers taxes on "business inputs" to be a form of pyramiding that will make Ohio uncompetitive with other states

- The business group considers Ohio's municipal income tax system to be "anticompetitive" and essentially the most burdensome local income tax system in the country. The chamber favors the adoption of centralized reporting and collection of municipal income taxes.
- The Commercial Activity Tax should retain its low rate and broad base and the legislature should resist the temptation to establish variable rates of the CAT. Exemptions to the CAT should only address constitutional or competitiveness issues.
- The Chamber believes that the Pass Through Entity Tax which applies to out of state owners of businesses operating in Ohio needs to be revised to better accommodate corporations operating in Ohio so that they can seek a refund of this tax the same as individual taxpayers subject to this tax.
- The Ohio Chamber opposes significant increases in the severance tax on the oil and gas industry in Ohio
- The Chamber favors repeal of the sales tax on employment services and this initiative remains a top priority of this group. CCAO strongly opposes repeal of the sales tax on employment services as proposed by HB 343.
- The sales tax on electronic information services should undergo intensive review by a group of individuals including the business community, the legislature and the Ohio Department of Taxation to determine what types of electronic information services should be taxable
- One of the more interesting points the Ohio Chamber makes in their testimony is that while they support continued reductions in the state personal income tax, they essentially do not want to see any business taxes increased to help pay for these personal income tax reductions. This raises the question of where would the additional revenue come from to help pay for the personal income tax reductions, or would such cost savings come from cuts to state services to free up the revenue to pay for additional income tax cuts which remain a priority of the administration.

For additional information on this topic, contact CCAO staffer Brad Cole at bcole@ccao.org.

Statehouse, Etc.



Kasich appoints Petricoff to PUCO Seat. Governor Kasich chose longtime energy attorney M. Howard Petricoff to the open seat on the Public Utilities Commission of Ohio (PUCO). His term begins today and runs until April 10, 2020.

Mr. Petricoff's appointment, which is subject to Senate approval, marks the first time in more than a year that a Democrat has sat on the panel, which by law must have no more than three members from either political party. The panel currently consists of two Republicans and two independents.

Hearing Schedule



Monday, June 27

Joint Committee on Agency Rule Review (Committee Record), (Chr. Uecker, J., 466-4086), Senate Finance Hearing Rm., 1:30 pm

Wednesday, June 29

Joint Legislative Committee on Multi-System Youth, (Chr. Gardner, R., 466-8060), Senate Finance Hearing Rm., 10:00 am

The report of recommendations is scheduled for adoption by the committee. Following the committee hearing, a press conference will be held in the Harding Room of the Statehouse featuring youth and families impacted by the recommendations.