STATEHOUSE REPORT

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

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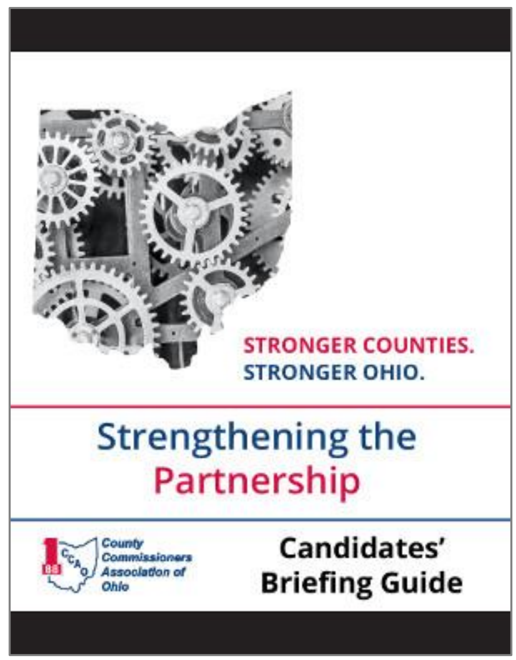
New Candidates' Briefing Guide

CCAO's 2016 Candidates' Briefing Guide was released this week. The guide, which is designed to educate candidates on county government and the policy issues that are important to counties, emphasizes the importance of strengthening the partnership between the state and counties to make a stronger Ohio.

The top policy issues included in this year's guide include:

- Replace revenue lost from the elimination of the Medicaid managed care sales tax
- Partner with counties to replace voting equipment
- Protect the county/state sales tax base
- Enhance the delivery of public safety services
- Address growing pressures caused by the opiate epidemic
- Modernize infrastructure funding



The guide also recommends partnership opportunities between the state and counties, notes recent successes and shares information on county revenue sources and the many important functions that counties perform.

Candidates received the guide this week and County Commissioners, Executives and Councilmembers should receive their copies early next week. You can view the document online here.

As a member of CCAO, you are our most powerful advocate. We hope this will provide a valuable tool that supports your advocacy efforts with current and future state lawmakers over the coming months.

Property tax proposal to freeze valuation for certain commercial/industrial property expected to be considered by House yet this year

A proposal, passed by the Ohio Senate, to freeze the valuation of commercial and industrial property until such property is issued an occupancy permit or other conditions are met is expected to be considered when the Ohio House returns in the coming weeks. CCAO, the County Auditors Association and other local government associations as well as school groups have been expressing objections to the proposal – Senate Bill 235, sponsored by Senators Bill Beagle (R-Tipp City) and Bill Coley (R-Liberty Township).

Under the bill, the exemption would apply to all "newly developable property" and "redevelopment property." "Newly developable property" is defined as real property on which no commercial or industrial operations are currently being conducted and on which construction of one or more commercial or industrial buildings is planned but for which a certificate of occupancy has not yet been issued.

"Redevelopment property" is similarly defined as property on which one or more commercial or industrial buildings are or were situated, no commercial or industrial operations are currently being conducted, and construction or reconstruction of new commercial or industrial buildings is planned but for which a certificate of occupancy has not been issued.

The triggering event for the exemption would be the filing of an application by the property owner with the county auditor in which the property owner declares:

- The property is newly developable property or redevelopment property.
- The property is zoned to permit construction or reconstruction of a new commercial or industrial structure.

Under the legislation, the exemption from increased property taxes would cease whenever one of the following "trigger" events occur:

- The owner obtains an occupancy permit for a commercial or industrial building or structure located on the property.
- The owner transfers title to the property to another person.

SB 235

Property tax proposal to freeze valuation for certain commercial/industrial property

Sponsors: Sen. Beagle
Sen. Coley

CCAO Position: OPPOSED

Status: House Rules Committee

Key Provisions:

- Freezes valuation for industrial and commercial property that has received infrastructure improvements but has not been developed vertically or received an occupancy permit.

CCAO Concerns:

- Legislation automatically provides favorable tax treatment if certain conditions are met, without input or control by local governments. In addition, the bill as drafted does not provide for a local agreement between the property owner and political subdivision, which would denote the percentage of tax valuation granted for a specific time period. Moreover, there is concern about how this tool works with other economic development incentives.

- The property is rezoned such that commercial or industrial buildings are not a permitted use.

- Any commercial or industrial operations are conducted on the property.

CCAO, the County Auditors Association of Ohio (CAAO), the Ohio Municipal League and the Ohio Township Association along with the school associations have raised the following concerns in conversations with legislators:

- No Local Control – exemptions would be granted as a matter of right with no local approval, no tax exemption agreement, no private sector commitment of investment or jobs, and no control over the level or duration of the exemption.

- No Local Opt-In or Opt-Out Option – there is no authority to exempt property already subject to enterprise zones, tax increment financing, community reinvestment areas, and other areas subject to different economic development incentives. Local governments will not have the option of determining whether this type of exemption makes sense for their community.

- “Planned” development is undefined – the bill speaks to planned commercial or industrial development or redevelopment but does not define what this means.

The property tax exemption can continue for up to ten years before the value of the property would be reset for property tax purposes. After reset, the valuation is frozen for another ten years until a “trigger” event occurs. This pattern is repeated thereafter.

A Legislative Service Commission fiscal note indicates the magnitude of the revenue loss is “indeterminate;” however, the fiscal note adds that this bill will reduce property tax revenue for counties, schools, municipal corporations and townships on inside millage for as long as such properties are not completely developed or redeveloped, up to the ten year reset point. Revenue generated for the ten inside mills goes up or down depending on the valuation of the property. Property tax reduction factors do not apply to inside millage which allows voted levies to receive adjustments in effective millage as the property tax valuation changes over time.

CCAO will be working with other interested parties to communicate our concerns to House members. The bill has not been assigned to a House committee yet. The bill passed out of the Ohio Senate earlier this spring on a vote of 22-11. If you have questions about SB 235, please contact CCAO Staffers Brad Cole or Cheryl Subler at 614-221-5627 or at bcole@ccao.org or csubler@ccao.org, respectively.

Senate President discusses his chamber’s priorities for lame duck session

Noting that the Senate Republicans will caucus after the November election to determine what their priorities will be for the few weeks of session before the end of the year, Senate President Keith Faber said this week that there are a few things he expects the Senate to act on.

Clean energy standards will be one of those things. Governor Kasich has called for the resumption of the standards, which are frozen through the end of the year. A pending but not-yet-introduced substitute bill (SB 320) - one of three legislative bills on the subject - would resume the benchmarks, but eliminate penalties associated with them until 2020. "We're going to have to have that conversation," Sen. Faber said. "Whether we can get agreement on it or not, I don't know."

Senate President
Keith Faber

Faber said he also expects some recommendations from the Joint Legislative Ethics Committee on updates and tweaks to the state's ethics laws. Personally, there are three measures the Senate has passed which he sponsored that he hopes the House will pass. Those include legislation to provide a process for sunset review of state agencies (SB 329), a resolution to create an outside commission to handle pay raises for elected officials (SJR 1) and so-called "education deregulation" bill to exempt high-performing schools from some state mandates (SB 3).

The opioid abuse epidemic may receive some attention. The Senate has passed SB 319, the opioid mid-biennium review bill, and that bill is pending in the House. The Senate is also expected to move SB 237 which would change the amount of fentanyl needed to constitute a "bulk amount" under the state's drug laws. The broader issue, though, is not something that can be fixed with one bill, he said, encouraging parents to talk to their children and urge them never to start using drugs. "We've done a lot on the heroin and opiate issue and, candidly, I'm not sure there's a legislative silver bullet," he said.

Retirement Study Council recommends amendments to pension plan bill

HB 520, an omnibus bill making a number of changes to the state's pension plans, received the recommendation of the Ohio Retirement Study Council (ORSC) Thursday. Representative Kirk Schuring (R-Canton), who is the sponsor of HB 520, said the bill would likely be heard in the House Health and Aging Committee on Nov. 10.

The bill contains a number of changes to the various funds including a major amendment that deals with the transfer of credit between the Ohio Police & Fire Pension Fund (OP&F) and the Ohio Public Employees Retirement System (OPERS). Currently, an employee who starts a career in law enforcement contributing to OP&F and then changes jobs to one that contributes to OPERS or another plan would not be able to transfer credit between the two, as is normal for the non-law enforcement plans. The amendment would remove the active service requirement, which currently mandates that those who receive benefits through OP&F must retire as active service members. That prevents people who serve, for example, 20 years in law enforcement and contribute to OP&F but spend the last five years in a different position contributing to OPERS, such as gaming agents or law enforcement at airports, from receiving their benefits.

Another amendment would create a formula for the employer contribution rate designed to mitigate the effects of the alternative retirement plan. The General Assembly froze the rates after an ORSC report in December 2014 criticizing the formula. The new rate formula created under the amendment would be calculated based on transparent information included in the systems' financial reports. The ORSC's actuary said the new formula is unnecessarily

The Council also received a report on the plans' investment performance from consulting firm RVK. Jim Voytko, president of RVK, cited concerns with the high expected rates of return for the plans. While Ohio's plans have performed well, outperforming many other similar plans and seeing returns on par with those of top endowments, the high anticipated rates of return can affect contribution rates. There has to be a balancing of contributions with expected investment income. The stream of income from contributions has to be sufficient to make up for any investment returns that come in under expectations, and high expectations can make the plans have contribution levels that are insufficient, Mr. Voytko said.

For the first half of 2016, OP&F led the way with returns of 4.5%, though that trailed its high benchmark of 6.1%. OPERS defined benefit fund had returns of 4.2% and the School Employees Retirement System saw returns of 3.1%, both above their benchmarks. The State Teachers Retirement System had returns of 2% and the Highway Patrol Retirement System had returns of 1.7%, both trailing their benchmarks.