STATEHOUSE REPORT

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Counties testify before the 2020 tax commission

Highland County Commissioner, Shane Wilkin and Stark County Director of Management and Budget, Chris Nichols testified before the Ohio 2020 Tax Policy Study Commission this week. Both warned members of the commission that the elimination of the Medicaid managed care sales tax could have serious implications for county government. You can read their testimony here and here.

Mr. Wilkin said the looming fiscal hit equates to more than 8% of the county's current general revenue fund budget. That would come at a time when the county is currently spending more to care for children due to the state's heroin epidemic, he said.

Highland County Commissioner, Shane Wilkin testifies before the 2020 Tax Policy Study Commission.

Wilkin told the panel in testimony that "while sales tax dollars have no doubt seen an increase, they have been offset by reductions in other areas. Highland County is now in a situation where we live and die based on the monthly sales tax income. Of our 2016 GRF budget, sales tax represents 65%. When we look at a reduction in the Medicaid MCO sales tax, we look at a substantial reduction to our operating dollars."

Mr. Nichols struck a similar tone in his testimony, telling the panel that counties across the state are set to lose more than $146 million in revenue. Stark County, he said, is estimated to lose $1.9 million in revenue.

"Unlike state and federal governments, county governments cannot create or change major revenue streams through executive or legislation action," he said. "Most of our primary sources of revenue are completely dependent upon either the economy or the state legislature. Regardless of those variables, the county must continue to operate and the people's work must be done."

The testimony was well received by the panel and both Wilkin and Nichols answered questions from the legislators. Ohio Office of Budget and Management Director Tim Keen said the administration is exploring ways to mitigate the loss of revenue, stating "This is a matter that the administration is very aware of and will address in the budget proposal that is coming."

In an editorial this past week, the Cleveland Plain Dealer editorialized that any "Fix to Ohio's Medicaid Managed Care sales tax must hold counties, transit authorities harmless." You can read this editorial here.

For additional information regarding Medicaid MCO sales tax issue, contact Brad Cole or Kate Neithammer of the CCAO staff at bcole@ccao.org or kneithammer@ccao.org respectively.

Falling non-GRF receipts jeopardizing indigent defense reimbursement rate

Funding for indigent defense reimbursement comes in large part from non-GRF sources derived from the state-wide court cost for indigent defense, license suspension reinstatement fees, a surcharge on bail bonds and fines on DUI and financial responsibility violations that are deposited into the Indigent Defense Support Fund (IDSF). In fact, the FY 17 appropriation for reimbursement from the IDSF totals $39 million while the General Fund appropriation is only $25 million. These non-GRF revenues, along with case load, the general fund appropriation for reimbursement, and hourly/case rates paid to indigent council are key factors that impact the calculation for the county reimbursement rate. Of these factors, the non-GRF revenues and case load can only be anticipated based upon estimates and trends.

Given recent revenue trends which show that the receipts into the Indigent Defense Support Fund (5DY0) are declining faster than expected, the State Public Defender is concerned that the state will not be able to maintain 48% reimbursement to the counties for the remainder of FY 2017. While the IDSF needs to generate $3.4 million per month to meet revenue the revenue estimate that equates to the IDSF appropriation provided for reimbursement, recent months actual receipts are underperforming the estimate. Furthermore, the upcoming months, historically, are the lowest performing in the annual cycle and based upon the recent 3 year average the period of November through February has only generated $3.1 million per month.

Consequently, without a substantial improvement in November revenues or an influx of additional funding, the State Public Defender anticipates having to reduce the reimbursement rate for the remainder of the biennium to somewhere between 45 and 46 percent.

CCAO will keep counties apprised of the status of this situation and will be attempting to take steps during the lame duck session to work toward reducing the impact of a potential cut if one needs to be taken.

For more information regarding Indigent Defense issues, contact John Leutz of the CCAO staff at jleutz@ccao.org.

Lame duck legislation may include unemployment compensation bill

The joint legislative panel tasked with finding ways to overhaul the state's unemployment compensation system had its final meeting this week and is looking at the lame duck session for legislative action.

The testimony presented a broad array of suggestions that included providing beneficiaries with a single, lump sum payment. William Hanigan, the state's former director of workforce development, said the state should provide unemployed workers with a choice: remain on the current unemployment system with the requirement that they report monthly to their local One Stop Center or accept a lump sum payment of up to eight weeks of the average weekly benefit. Rep. Gary Scherer (R-Circleville) called the proposal "innovative thinking", however it was noted that the proposal would require the approval of the U.S. Department of Labor.

Business groups recommended the option to bond unemployment debt, stating that it would provide employers with more certainty. They also stressed the importance of creating a solvent system so that employers are no longer subject to the Federal Unemployment Tax Act penalty.

Tim Burga, president of the Ohio AFL-CIO, urged caution, saying “this issue is too important for all Ohioans to try and resolve during a 'Lame Duck' session.” He went on to request more time for collaboration between business and labor to try to reach a solution that creates long-term solvency.