STATEHOUSE REPORT

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In this week's issue:

Work continues on MCO proposal

The Senate proposal to give counties and transit authorities additional funding to help make up for the loss of Medicaid MCO sales tax revenue was not part of the omnibus budget correction amendment included in Senate Bill 8 this week.

The plan, shaped by Senator Matt Dolan (R-Chagrin Falls), would give counties and transit authorities a guaranteed addition of $50 million to be paid in January 2018. It also gives an opportunity for up to $30 million in August of 2018 if the state FY18 budget performs better than estimated. CCAO, the transit authorities and the Kasich Administration have all agreed to this proposal.

Representative Kirk Schuring (R-Canton) was quoted in a Cleveland Plain Dealer article as saying, "Their plan has merit, but we want to improve it."

CCAO Managing Director of Policy Cheryl Subler also provided comments on the issue saying, "We are hopeful that the legislature and administration will continue to recognize the impact of the lost revenue to counties and transit authorities, and look forward to resolution of this matter."

The $207 million in transition aid for counties and transit authorities that was included in HB 49 is separate from the senate proposal and has not changed. The first installment of those funds went out last month.

Senator Dolan has expressed frustration that the issue has not yet been resolved but promised, "We're not going to let this die."

CCAO members are encouraged to continue to have discussions with their legislators about the impact of the Medicaid MCO sales tax revenue stream and the need to address the shortfall this creates for important county services.

For more information please contact the CCAO policy staff at 614-221-5627.

Tax increment update

Last week's Statehouse Report highlighted a provision in the state budget that will change the increment that counties can use to levy permissive sales tax. The provision, which has a delayed implementation date of July 1, 2018, changes the increment allowed to 0.10 percent. This creates a challenge for counties who are looking to renew a levy at 0.25 because that increment will no longer be authorized. Also, any county or transit authority that is currently at 0.25, 0.75, or 1.25 will not be able to access the final increment of .05 percent once the language goes into effect.

CCAO is working with the Administration and the legislature and has proposed the following solution:

1. Leave in the law the authority to levy a 0.10 sales tax rate.

2. Allow existing sales tax levies to be renewed at the rate they were originally enacted **OR** simply reinstate the statutory authority to levy or renew a 0.25 increment.

3. Allow entities seeking to increase the sales tax rate up to statutory caps to have an alternative increment to the 0.10 percent.

If your county is planning to undertake a levy process in the near future, please reach out to CCAO staffer Brad Cole at 614-221-5627.

CCAO voices concerns about erosion of sales tax base in response to non-profit gym membership sales tax exemption bill

CCAO Managing Director of Research Brad Cole submitted written interested party testimony with concerns to the House Ways and Means Committee regarding legislation (HB 177) which would exempt memberships to non-profit gyms, recreational facilities and sports clubs from the sales and use tax.

Legislation identical to HB 177 had passed the Ohio House in the previous General Assembly but failed to pass the Ohio Senate. HB 177 is primarily supported by YMCA's, Jewish Community Centers and other non-profits with sports and exercise facilities. HB 177 is primarily opposed by for profit exercise centers which would be placed at a competitive disadvantage to the non-profit YMCA's.

In his testimony Cole said, "Any legislation that proposes to narrow the sales tax base tends to raise concerns about the impact of such sales tax exemptions to county sales tax collections, and to the Local Government Fund. The fiscal note indicates a state GRF revenue loss of $7.9 million in future years, a county/transit revenue loss of $2.0 million, and an impact of $300,000 on the two local government funds."

After noting the growing reliance of both state and county government on the sales tax, Cole concluded, "As Ohio pursues reform of Ohio's tax law, care must be taken to assure that the number one revenue source for the state GRF and county general funds remains broad based and capable of supporting state and county delivered services. CCAO recognizes our interdependence on a common revenue source and values the partnership counties have with the state in providing state authorized, county delivered services to Ohioans."

For additional information on this topic, contact CCAO staffer Brad Cole at 614-221-5627.

Ohio Pumblic Employees Retirement System outlines need for COLA reductions

Reductions to cost-of-living adjustments for members of the Ohio Public Employees Retirement System (OPERS) are necessary for several reasons, lawmakers were told Tuesday by Karen Carraher, executive director of OPERS. Carraher told members of the House Aging & Long Term Care Committee that a large source of the retirement system's unfunded liabilities are attributable to the retiree population, and adjustments to COLA are the only viable levers that can be used to bolster the fund. The current COLA cap of 3% is outpacing inflation. The original intent of COLA was to mitigate inflation, not fully offset rising prices.

The fund currently has about $100 billion in assets and $80 billion in liabilities, with a 19-year amortization period. Active member benefits were addressed through legislation (SB 343, 129th General Assembly) and that of the $5.3 billion in OPERS pension benefits paid in 2016, COLA accounted for $1.3 billion. The legislation reduced the fund's liability by $4.1 billion. To strengthen the fund it would require changing contribution rates, boosting investment earnings through a more aggressive approach that carries additional risk or a change in the plan design.

Trustees of OPERS last month voted to cap COLA at 2.25%. The board of Public Employee Retirees last month also unanimously voted to oppose the proposed change. However, legislation (HB 413) introduced last week would up the cap to 2.5%. The bill would also include a two-year delayed implementation for those who retired between 2010 and 2013. The legislation also includes an upward trigger to 3% subject to inflation and funding status.

For more information on OPERS matters please contact CCAO staffer Cheryl Subler at 614-220-7950.

Bills Introduced

SB 231 **OFFENDER DATABASE (**GARDNER, R.**)**
To provide for a violent offender database, require violent offenders to enroll in the database, and name those provisions of the act "Sierah's Law;" to modify the membership and duties of the Ex-Offender Reentry Coalition and eliminate its repeal; to require halfway houses to use the single validated risk assessment tool for adult offenders that the Department of Rehabilitation and Correction has developed; and to provide that the notice of release from prison of specified serious offense offenders that is given to sheriffs is to be the same as that provided to prosecuting attorneys and eliminate the notice to sheriffs regarding pardons, commutations, paroles, and transitional control transfers of offenders.

HB 415 **ROAD IMPROVEMENTS (**GREENSPAN, D.**,** RYAN, S.**)**
To allocate one-half of any surplus revenue to a new Local Government Road Improvement Fund, from which money will be distributed directly to local governments to fund road improvements.