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# 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](http://www.ccao.org)

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**December 4, 2015**

## **CCAO testifies against legislation to exempt employment services from sales tax**

CCAO Managing Director of Research Brad Cole testified in opposition to legislation ([HB 343](#)) which would exempt employment services and employment placement services from the sales and use tax. The testimony was presented to the House Economic and Workforce Development Committee which held a third hearing on the legislation this week. The committee is chaired by Representative Nan Baker (R-Westlake).

In his [testimony](#) Cole focused primarily on the fiscal impact of the legislation. A fiscal note prepared by the Legislative Service Commission projected the following revenue losses in SFY 17 should HB 343 become law:

- State General Revenue Fund - \$131 Million loss
- Counties and Transit Authorities - \$33 Million loss
- Local Government Fund and Public Library Fund - \$4.6 Million loss (amount includes impact on both state local government revenue sharing programs)

Cole explained that the state and counties share the same sales tax base. Any expansion or reduction in the sales tax base directly affects distributions to each of the 88 counties and 8 transit authorities that levy a permissive sales tax.

CCAO noted that the sales tax is the number one revenue source for the general fund for the majority of counties. Cole observed that county general funds have become more reliant on sales tax revenue within the past ten years. He attributed this trend to increased sales tax collections and the decline of most other county general fund revenue sources.

CCAO expressed support for broadening of the sales tax base and noted that this legislation would actually work to narrow the sales tax base, contrary to the longtime state tax policy objective of increasing state reliance on consumption (sales) taxes and reducing reliance on the state income tax.



Representative Nan Baker

CCAO discussed the importance of the state/county partnership when it comes to funding services. Cole said, "Many state mandated, county delivered programs are jointly funded with state and local resources. Obviously, there is a temptation for the state with jointly funded county programs to withdraw state funds whenever state resources become scarce."

CCAO also noted the importance of paying close attention to state revenue collections. Cole said, "The reason for this concern (about state revenues) is straightforward: history shows that when state revenues decline the state reduces revenue sharing with local governments as it endeavors to maintain a balanced budget."

Two other organizations testified against HB 343: Policy Matters Ohio and the Ohio Association of Foodbanks. Both organizations expressed concern about providing tax relief to temporary employment service firms which they claim encourages employers to hire temporary rather than permanent employees.

Based on comments of Chair Baker prior to the hearing, additional hearings are anticipated. For additional information on this issue, contact Brad Cole at [bcole@ccao.org](mailto:bcole@ccao.org)

## Funding yet to be secured for foster care bill

The House on Tuesday approved a [measure](#) to extend foster care and adoption assistance payments to age 21, however the proposal lacks a funding source to achieve that goal.

The bill's sponsor, Rep. Dorothy Pelanda (R-Marysville), has said it was necessary to remove any funding in the bill and simply set a July 1, 2017 deadline for finding financial backing in order to get the measure onto the floor and over to the Senate.

It took "an interesting journey, but I'm confident it was necessary to get the bill in proper working order for its vote today," she said.



The measure that requires individuals to meet work and education requirements in order to receive payments is a priority because it could put youth who've aged out of the foster care system on a path to a productive life and would result in a significant return on investment for the state, Rep. Pelanda added.

After a handful of hearings in three different committees, the bill ([House Bill 50](#)) was amended in the House Rules and Reference Committee last month to remove funding for the payments, which the Department of Job and Family Services estimated would be about \$550,000 initially.

While the chamber voted 91-2 to accept the proposal, Democrats took aim at the process by which the bill was considered and made it clear that without a focus on finding funding, it is an "empty promise."

Money for the initiative could come in the form of separate legislation or a mid-biennium review budget if one is proposed next year, Rep. Pelanda has said. Pushing the deadline back to the next biennium leaves the door open to funding in the next spending bill at the very least.

For further information, feel free to contact CCAO Staffer Cheryl Subler at 614-220-7980 or at [csubler@ccao.org](mailto:csubler@ccao.org).

## DataOhio Bill Update



Rep. Mike Duffey

On Wednesday the House Finance and Appropriations Committee had its opportunity to hear from one of the sponsors of HB 130 - DataOhio initiative. [HB 130](#) specifies requirements for posting public records online throughout the state. The bill was re-referred to the Finance Committee, after it passed out of the House State Government Committee earlier this year because it has an appropriation as part of the legislation.

A \$25 million appropriation is in the legislation to compensate local governments for posting public records online. This appropriation has caused "anxiety" for some members of the committee. Bill joint-sponsor Rep. Mike Duffey (D-Worthington) told the panel the bill wouldn't require local governments to aggregate their information to be posted to a state-run website. "For that reason, there is a provision creating the Local

Government Information Exchange Grant Program that would provide \$10,000 to each municipality that opts into DataOhio," he said.

"It's going to be very difficult for them to say we don't have the money to do it," Rep. Duffey said, "adding that the average cost to prepare the information would be about \$1,000. The appropriation of \$12.5 million in the next two fiscal years would cover the cost of all 2,300 eligible entities in the state applying for the grant. However, there could be left over money because he doesn't expect full compliance."

Rep. Denise Driehaus (D-Cincinnati) said she and her caucus have pushed for additional money to be sent to local governments for years, but questioned whether the state should put funds toward DataOhio when there are other initiatives that are more pressing. "I'm anxious about the dollar amount given your testimony," she said. "We have other priorities at the state level and to allocate money that we don't anticipate they'll use; I'd hate for us to set aside a larger than needed amount and have it go unused for this purpose."

Rep. Duffey explained that the state has access to between \$50-75 million in unencumbered funds from the biennial budget. Some committee members were concerned that there won't be enough funding to support the bills that have come before and are still scheduled to come before the committee. Chairman Rep. Ryan Smith (R-Bidwell) assured members that the amount of funds available will not hinder their work. "This is not becoming law passing out of finance committee," he said. "There will be a lot of discussion before we make any decisions about which ones come to the floor for the final vote."

Members also questioned how standardizing the information could impact the accounting practices of local governments. "The Ohio Municipal League has supported the bill under the condition that a change will be made clarifying that entities are not required to adapt their charts of accounts, but must standardize their data posted to the website," Rep. Duffey said.

Eventually having statewide accounting standards could be beneficial, though, because that could lower the cost of software and auditing,” he added.

For further information, feel free to contact CCAO Staffer Cheryl Subler at 614-220-7980 or at [csubler@ccao.org](mailto:csubler@ccao.org).

## Bills Introduced



- HJR 5 WATER SEWER BONDS** ([Lepore-Hagan, M.](#), [Smith, K.](#)) Proposing to enact Section 2t of Article VIII of the Constitution of the State of Ohio to permit the issuance of general obligation bonds to fund sewer and water capital improvements.
- HB 402 VOTER REGISTRATION** ([Clyde, K.](#)) To modify the circumstances under which a voter registration may be canceled. Am. 3501.05 and 3503.21
- HB 403 CAPITAL IMPROVEMENTS** ([Dovilla, M.](#)) Relative to the financing of capital improvement projects in this state by another state or a political subdivision of another state. Am. 9.58, 9.581, 9.582, 9.583, and 9.584
- HB 404 SALES TAX REFUNDS** ([Schaffer, T.](#)) To allow vendors to deduct or apply for a refund of sales tax remitted for bad debts on private label credit cards used to make purchases from the vendor. Am. 5739.121

## Hearing Schedule



### Tuesday, December 8

House Local Government (Committee Record), (Chr. [Anielski, M.](#), 644-6041), Rm. 018, 9:00 am

- HB 387 SMALL CLAIMS COURTS** ([Terhar, L.](#), [Dever, J.](#)) To raise the maximum allowable limit of the monetary jurisdiction of small claims divisions of municipal courts. --1st Hearing-Sponsor
- HB 378 TRAFFIC ARRESTS** ([Hambley, S.](#), [Rezabek, J.](#)) To authorize law enforcement officers of township police districts and joint police districts, and township constables, serving specified small populations to make arrests for motor vehicle-related violations committed on an interstate highway in the same manner as township law enforcement officers serving larger populations. --1st Hearing-Sponsor
- HB 277 911 LEVIES** ([Brenner, A.](#)) To authorize a county, township, or municipal corporation to impose a 9-1-1 system levy in only the portion of the subdivision that would be served by the 9-1-1 system. --2nd Hearing-Proponent

House Community & Family Advancement Committee (Chr. [Dickerson, T.](#)) Rm 122, 9:00 am

- HB 286 RELIGIOUS** ([Vitale](#)) Not required to solemnize marriages-if object for religious reason—1<sup>st</sup> Hearing Sponsor
- HB 298 DRUG TESTING** ([Shaffer, Maag](#)) Unemployment benefits and Ohio Works First pilot. --2nd Hearing-Proponent

Senate Finance (Committee Record), (Chr. [Oelslager, S.](#), 466-0626), Finance Hearing Rm., 10:00 am

- SB 140 CASINO CREDITS** ([Coley, B.](#)) To require the Ohio Casino Control Commission and the State Lottery Commission to adopt rules to limit the amount of promotional gaming credits at casinos and video lottery terminal facilities and to permit the credits only under circumstances specified in the rules. --1st Hearing-Sponsor
- HB 340 INNOVATION COUNCIL** ([Amstutz, R.](#)) To extend the operation of the Local Government Innovation Council until December 31, 2019, to modify political subdivision eligibility for the Local Government Safety Capital Grant Program, and to declare an emergency. --2nd Hearing-All testimony-Possible

## amendments & vote

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

House Agriculture & Rural Development ([Committee Record](#)), (Chr. [Hill, B.](#), 644-6014), Rm. 116, 1:00 pm or after session

[SB 209](#) **RURAL JOBS** ([Hite, C.](#)) To enact the "Ohio Rural Jobs Act" which authorizes a nonrefundable tax credit for insurance companies that invest in rural business growth funds, which are certified to provide capital to rural and agricultural businesses. --2nd Hearing-Proponent

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

[HB 291](#) **JUDGMENT HEARINGS** ([Young, R.](#), [Dever, J.](#)) To require notice and an opportunity for a hearing to a defendant before entry of judgment pursuant to a confession of judgment. --5th Hearing-All testimony-Possible amendments & vote

[HB 347](#) **CIVIL FORFEITURES** ([McColley, R.](#), [Brinkman, T.](#)) To eliminate civil asset forfeiture proceedings and to modify the law governing criminal asset forfeitures. --6th Hearing-All testimony-Possible amendments & vote

[SB 97](#) **FIREARM PENALTIES** ([Hughes, J.](#), [LaRose, F.](#)) To increase by 50% the mandatory prison term for an offender who is convicted of a firearm specification and previously has been convicted of a firearm specification; to prohibit violent career criminals from knowingly acquiring, having, carrying, or using any firearm or dangerous ordnance; to require a mandatory prison term for a violent career criminal convicted of committing a violent felony offense while armed with a firearm; to correct a provision regarding delinquent child dispositions for specifications; to provide certain prisoners credit for time spend in jail in determining eligibility to apply for judicial release; and to specify that no presentence investigation report is required for shock probation to be granted to an offender convicted of an offense before July 1, 1996. --5th Hearing-All testimony-Possible amendments & vote

[HB 126](#) **NUISANCE LAW** ([Kunze, S.](#), [Leland, D.](#)) To expand nuisance law to include any real property on which an offense of violence has occurred or is occurring --2nd Hearing-Proponent

## Wednesday, December 9

Senate Government Oversight & Reform ([Committee Record](#)), (Chr. [Coley, B.](#), 466-8072), South Hearing Rm., 8:45 am

[HB 5](#) **BUSINESS CASE STUDIES** ([Kunze, S.](#), [Koehler, K.](#)) To allow the Auditor of State to conduct business case studies regarding the efficiency of local public offices and state agencies, to authorize the Auditor of State to establish a shared equipment service agreement program among political subdivisions, and to specify that a political subdivision that uses the loaned equipment has potential liability for its use under the Political Subdivision Tort Liability Law. --3rd Hearing-All testimony-Possible amendments & vote

House Economic & Workforce Development ([Committee Record](#)), (Chr. [Baker, N.](#), 466-0961), Rm. 114, 9:00 am

[HB 343](#) **TAX EXEMPTION** ([Young, R.](#), [Romanchuk, M.](#)) To exempt employment services and employment placement services from sales and use tax. --4th Hearing-All testimony

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

[SB 205](#) **DWELLING EGRESS** ([Beagle, B.](#), [Lehner, P.](#)) To require a separate, exterior means of egress for dwelling areas above the second story of certain residential rental properties and to provide a qualified immunity to landlords who in good faith comply with the requirement. --1st Hearing-Sponsor

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

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