January 31, 2014

Commissioners testify on severance tax proposal

County commissioners from counties affected by the Marcellus and Utica Shale Plays testified before the House Ways and Means Committee stressing the importance of providing revenue from the severance tax to their counties, to help them respond to the challenges of building the infrastructure needed to address the economic development needs of the oil and gas and ancillary industries that will be coming as the drilling activity increases.

In addition, they urged the Committee to assure that the overall Local Government Fund (LGF) not be reduced by the proposed tax package, including severance tax, income tax, and commercial activity tax (CAT) changes.

Commissioners testifying were Ginny Favede, Belmont County Commissioner and Secretary of the CCAO Board of Directors; Tuscarawas County Commissioners Chris Abbuhl and Belle Everett; Columbiana County Commissioner Tim Weigle; Monroe County Commissioner Carl Davis; and Carroll County Commissioner Robert Wirkner.

As introduced, HB 375 raises two major concerns for the counties and our local government partners. The first concern is that the overall impact of the legislation results in a decrease to the Local Government Fund (LGF). The LSC fiscal note states that the net effect of the tax credit created, the exemption of oil and gas from the CAT tax, and other provisions will result in the state losing “tens of millions”
in state revenues that are used to derive LGF funding. Any new tax proposals for the state should not result in a negative impact on local governments that are still struggling with the historic cuts at a time of increased demand for many government services.

The second concern, which our commissioners' testimony addressed extremely well, is that HB 375 does not provide any funding for the local governments within the areas of the state impacted by the expanded oil and gas activities to address the challenges that the extraction of a non-renewable resource presents to their citizens. A severance tax should inure some benefit to the areas of the state that bear the burdens associated with the removal of a natural resource and the demand for government services that logically result.

Commissioner Favede explained the need for revenue to pay for costly, substantial infrastructure improvements in Belmont County to support the increased oil and gas activity. "We need to help you understand that it is going to cost each of our counties money for infrastructure to accept new developments, rail spurS, water, sewer, wastewater treatment and road improvements. Money that we do not have," she said.

According to Favede, Belmont County has identified $28.8 million in real infrastructure needs with no oil and gas revenue stream to offset the costs at this point. She continued by outlining specific cost increases for the county and noted the engineer, recorder and probate court have all requested more employees to bear the additional workload and that the county also has seen an increase in general traffic violations and other crime.

Tuscarawas County Commissioner Chris Abuhl said Kinder Morgan was in the process of constructing a $500 million oil and gas processing plant in the county.

"With that type of investment and the jobs that it will create we want to make certain that we can meet the needs of that company," Abuhl said, noting the plant will require water and sewer upgrades costing about $3.5 million. "It would be very unfortunate if the county were unable to fund a water and sewer project that would enhance economic development in our county due to a lack of available funding."

Monroe County Commissioner Carl Davis outlined his county's additional costs for the sheriff's office, a new jail, and emergency responders. He also echoed other witnesses' requests for a share of the severance tax revenue.

While all of our commissioners indicated their genuine appreciation for the tremendous economic opportunities provided by the oil and gas industry, they asked that the legislators acknowledge the increase costs of hosting this business.

Ohio Township Association Executive Director Matt DeTemple also testified. He urged the members to raise the proposed severance tax rate and dismissed concerns that a steeper increase would drive the industry out of Ohio.
"That's nonsense. They are here because the oil and gas is here. The state has issued at least 1,048 horizontal drilling permits and thousands of acres have been leased, and JobsOhio estimates that $2.3 billion dollars has already been invested in 10 Ohio counties alone for Utica Shale development. These people aren't going anywhere, even if the severance tax is raised. But the oil and gas under Ohio won't be here forever. Ohio needs a reasonable severance tax that targets some of the revenue to townships and other local governments," DeTemple stated.

CCAO, the Ohio Municipal League, and the Ohio Township Association are working with Representatives Brian Hill (R-Zanesville) and Kirk Schuring (R-Canton) along with Jack Cera (D-Bellaire) to offer a proposal that will provide funding from the severance tax to support the critically necessary infrastructure development in the shale play counties.

A substitute bill is anticipated to be offered during the second week in February, and a House Floor vote on HB 375 is expected before the end of February.

For more information regarding the severance tax issue and HB 375, contact CCAO Staffer John Leutz at ileutz@ccao.org or (614) 220-7994.

DataOhio proponents hail gov transparency & accountability

An array of witnesses spoke in favor Tuesday of the DataOhio initiative, saying it’s time for state and local governments to use available advanced technology to promote transparency and accountability. The comments came during a meeting of the House Shared Services and Government Efficiency Subcommittee, which is tasked with hearing a package of bills sponsored by Reps Christina Hagan (R-Uniontown) and Mike Duffey (R-Worthington).

They include a measure to create open data standards for government entities by requiring them to establish online public databases (HB 323). In addition, a bill would create a board to oversee the initiative (HB 321), require the state auditor to adopt rules for uniform accounting system (HB 322), and create the Local Government Information Exchange Grant Program (HB 324).

David Landsbergen, professor, John Glenn School of Public Affairs at Ohio State University, gave proponent testimony for the bills. He addressed the definition of open data, stating that it is about “making it easier to get the public records that already belong to the public.”

He stated, “Data is now getting sexy. Ohio State is already moving forward in this area and is proposing a $52 million center for data analytics working with IBM. The Glenn School also has an Education Data Center and is developing new degree programs in data analytics.”

Landsbergen noted that open data can save money, “but at the local level, there is a lack of necessary computers, skills, and good Internet connections. We need to figure out what works and then adapt what works to the needs of Ohio,” he said.

Rep. Lundy asked, “Do you believe that this legislation will move us in the right direction in terms of transparency?” Landsbergen agreed with the major thrust of the bills but would suggest a few changes. “Local governments will need models and assistance to get going,” he said.

Lundy asked about a privacy filter and how they determine what goes online. Landsbergen suggested putting citizens on the boards that decide what data is available.
Rep. Slesnick questioned comparing government to a “business model. If you’re comparing this to a business it would be like saying that every business needs access to a Dun and Bradstreet. I think that would be a little bit rogue.” Landsbergen responded, “The government is not a business, but trusting government is very important, and you may not be able to put a dollar amount on that.”

Hudson Hollister, executive director, Data Transparency Coalition based in Washington, D.C., gave proponent testimony on the four bills. He stated, “Data transparency, boiled down, is a two-step process: standardization and publication. As long as data is not legally protected, it should be available to all.”

He said, ”Data transparency will strengthen democratic accountability, improve government management, and reduce compliance costs. Companies such as Streamlink Software, Teradata, PricewaterhouseCOopers, and RR Donnelly, and many others, have joined our coalition because they see business opportunities in data transparency. As government transforms disconnected documents into open data, the private sector can build products that create democratic accountability, improve government management, and automate compliance. These opportunities create new value.”

If you have questions about the DataOhio proposals, contact CCAO Staffer Cheryl Subler at csubler@ccao.org or at (614) 220-7980.

### County credit card legislation has sponsor testimony

Representative Tony Burkley (R-Payne), a former Paulding County Commissioner who also represents Defiance, Van Wert and part of Auglaize County, has sponsored HB 386 which expands the work related expenses that may be paid for by use of a county held credit card.

In sponsor testimony before the House State and Local Government Committee, Representative Burkley said that the existing county credit card law permits a county held credit card to be used for food, transportation, gasoline, vehicle repair, telephone, lodging, internet service provider expenses, and certain expenses of a public children services agency. Burkley noted that this bill would expand the list of permitted uses to include webinar expenses and expenses related to the purchase of automatic or electronic data processing or record-keeping equipment, software, or services.

The legislation is necessary because certain vendors require payment by credit card and will not accept county payment of expenses through a traditional county check. Existing statutory requirements that such credit card expenditures be authorized by a specific line item appropriation within the county budget and that such expenditures be estimated and approved on a monthly or other periodic basis remain unchanged by the bill. The legislation is supported by CCAO.

If you would like further information about this legislation, please contact CCAO Managing Director of Research Brad Cole at bcole@ccao.org.
Senator Kevin Bacon (R-Minerva Park), who represents a portion of Franklin County, provided sponsor testimony this week on SB 243 which exempts sales of school supplies, clothing, computers, and computer accessories from sales and use taxation during a three day period in August.

This legislation (or variations of this legislation) have been introduced several times over the past 20 years and is strongly supported by retail merchants who will benefit from the increase in sales tax activity relating to the promotion of the sales tax holiday. The tax exempt period would begin on the first Friday of August and would apply to the following items:

- Items of clothing up to $100 each. Clothing does not include accessories, sports equipment, or clothing that is rented or used in a trade or business.
- Items of school supplies up to $20 each. School supplies includes pens, pencils, notebooks, book bags, lunch boxes, and calculators.
- Personal computers up to $750 each. Electronic book readers and tablets qualify as personal computers, but cell phones, video game consoles, and digital media receivers do not.
- Computer accessories up to $750 each. An accessory does not include any system, device, or software that is designed or intended for recreational use.

The exemption would apply to the use tax as well as the sales tax such that if a sale subject to the exemption occurred outside Ohio, but was subsequently brought into Ohio, such items would be exempt from state and local use taxes as well.

State, county and transit authority sales and use taxes are administered and collected by the Ohio Department of Taxation and are distributed to all 88 counties and 8 transit authorities. The state sales and use tax law provides uniform definitions of taxable goods and services subject to the tax. Any new exemptions adopted by the legislature will affect sales and use tax collections for counties and transit authorities.

A study prepared by the University of Cincinnati with the support of the Ohio Council of Retail Merchants estimates that the sales tax holiday would save Ohio taxpayers $78 million dollars. The same study notes that sales activity related to the exempted items would be reduced in the months before and after the sales tax holiday. This study claims, however, that the sale of non-exempt items would increase so that “state sales tax revenue during the month of the holiday would not change by a statistically significant amount.”

At the present time there is no fiscal note on the impact on state and local sales and use tax collections if SB 243 is adopted. The Senate Ways and Means Committee will hold a second hearing on SB 243 on Tuesday, February 4.

If you would like further information about this legislation, please contact CCAO Managing Director of Research Brad Cole at bcole@ccao.org
Statehouse Etcetera

Task force to study soil & water funding. A Task Force has been established for the purpose of evaluating how “State Match” dollars for soil & water districts are allocated and what local dollars are considered to be eligible to pull down such state dollars. Attached to the Statehouse Report is an overview of the current “State Match” policies as well as a history of soil & water districts. The Task Force hopes to complete its work by early July, and ultimately, the Task Force’s recommendations may include proposed changes to policies, administrative rules, and statute. CCAO Staffer Cheryl Subler is representing the Association on the Task Force. If you are interested in learning more or have recommendations on how the “State Match” should be applied, please contact Subler at csubler@ccao.org.

Legislation of Interest

SB 268
DAY CARE (Cafaro, C.) To permit a type B family day-care home to have more than six children on the premises under certain circumstances. Am. 5104.01 and 5104.38 and to enact section 5104.023

HB 417
PIPEING MATERIALS (Thompson, A.) To ensure that all proven and acceptable piping materials be included in bids for water and wastewater utility service improvement projects. En. 153.75

HB 423
FOSTER CARE (Milkovich, Z., Wachtmann, L.) To extend the age for which a person is eligible for federal payments for foster care under Title IV-E to age twenty-one. Am. 5101.141 and to enact section 5101.1411

Upcoming Legislative Committee Calendar

Tuesday, February 4

Senate Energy & Natural Resources, (Chr. Balderson, T., 466-8076), South Hearing Rm., 9:15 am
SCR 25
GREEN BUILDINGS (Uecker, J.) To urge, for Ohio state agencies and other government entities, the use of green building rating systems, codes, or standards that are consistent with state energy efficiency and environmental performance objectives and policies that meet American National Standards Institute voluntary consensus standard procedures. --2nd Hearing-All testimony

Senate Insurance & Financial Institutions, (Chr. Hughes, J., 466-5981), Finance Hearing Rm., 10:00 am
HCR 40
RETIREMENT SYSTEMS (Schuring, K.) To acknowledge the Governmental Accounting Standards Board standards 67 and 68 and to pledge the General Assembly's continued support of Ohio's public employers and retirement systems in their mission to provide secure and sustainable retirement, disability, and survivor benefits to Ohio's public employees. --1st Hearing-Sponsor

Senate Session, (Chr. Faber, K., 466-4900), Senate Chamber, 1:30 pm
**Senate Ways & Means, (Chr. Schaffer, T., 466-5838), South Hearing Rm., 4:30 pm**

**SB 243**  
**SALES TAX HOLIDAY** *(Bacon, K.)* To provide a three-day sales tax ‘holiday’ each August during which sales of back-to-school clothing, school supplies, personal computers, and personal computer accessories are exempt from sales and use taxes. --2nd Hearing-All testimony

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**Wednesday, February 5**

**Senate Medicaid, Health & Human Services, (Chr. Jones, S., 466-9739), South Hearing Rm., 9:00 am**

**HB 95**  
**STILLBIRTH CERTIFICATES** *(Hill, B.)* To rename certificates recognizing the delivery of a stillborn infant as certificates of birth resulting in stillbirth. --7th Hearing-All testimony-Possible vote

**HB 170**  
**DRUG OVERDOSES** *(Johnson, T., Stinziano, M.)* To provide that a licensed health professional authorized to prescribe naloxone, if acting with reasonable care, may prescribe, administer, dispense, or furnish naloxone to a person who is, or a person who is in a position to assist a person who is, apparently experiencing or who is likely to experience an opioid-related overdose without being subject to administrative action or criminal prosecution, to provide that a person who is in a position to assist a person who is apparently experiencing or who is likely to experience an opioid-related overdose is not subject to actions of professional licensing boards, administrative action, or criminal prosecution for a drug offense or practicing medicine without a license if the person, acting in good faith, obtains naloxone or a naloxone prescription from a licensed health professional and administers it to a person for an opioid-related overdose, and to provide that peace officers and licensed emergency responders who are acting in good faith are not subject to administrative action or criminal prosecution for a drug offense or practicing medicine without a license for administering naloxone to a person who is apparently experiencing an opioid-related overdose. --4th Hearing-All testimony-Possible vote

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**House Ways & Means, (Chr. Beck, P., 644-6027), Rm. 116, 10:30 am**

**HB 375**  
**OIL & GAS SEVERANCE TAX** *(Huffman, M.)* To levy a severance tax on well owners of oil and gas severed from horizontal wells, to create a nonrefundable income tax credit for the amount of horizontal well severance tax paid, to repeal a cost recovery assessment imposed on oil and gas well owners, to reduce the severance tax rate on natural gas extracted from nonhorizontal wells, to exclude from the tax base of the commercial activity tax gross receipts from the sale of oil or natural gas severed through use of a horizontal well, and to make an appropriation. --6th Hearing-All testimony
Ohio Soil and Water Conservation Commission
State Matching Fund Policies

The historical approach of ODNR and the Ohio Soil and Water Conservation Commission of matching local funds with state dollars has proven very effective in allowing SWCD boards of supervisors and their local partners the flexibility to develop local plans and programs for the conservation of our natural resources. This approach has led Ohio to become one of the most respected and effective state/local partnerships in the United States. The Commission and ODNR want to continue that dynamic relationship, remain flexible and innovative, and at the same time protect the core responsibility they have to assist in the growth of Ohio’s conservation movement, fairly benefiting all SWCDs.

Background:
Beginning in 1959, the Ohio Soil and Water Conservation Committee (now the Ohio Soil and Water Conservation Commission) was given authority by the Ohio legislature to match local funds with state funds through ODNR to carry out local conservation programs. From 1959 to 1980, as then specified in Chapter 1515, they matched funds appropriated and received through the county's “inside millage” or from the county’s general fund.

As Ohio’s landscape changed and district programs and services grew, SWCDs led an effort to change Section 1515.14 to allow funds appropriated to SWCDs from municipalities and townships to also be matched. The ability to match municipal and township appropriations has created tremendous funding opportunities for SWCDs, especially those serving their county's urban conservation needs. At the same time, huge increases in municipal or township appropriations in one or more counties could potentially “break the bank” of available state matching funds, reducing overall match to the rest of Ohio’s SWCDs.

The OSWCC’s plan is to set policy that continues to stimulate local funding, including urban-related funding, for all SWCDs, but in ways that allow the state matching fund account to continue to fairly benefit all SWCDs.

Purpose:
Clarify and communicate the Commission’s policy on the matchability of local funds provided to a Soil and Water Conservation District to carry out the mission and goals of the SWCD as directed by the board of supervisors.

Guiding Principles:
- Develop, communicate and implement a policy that is within the authorities of the Ohio Revised Code
- Set policies reflective of and responsive to districts’ changing needs
- Maintain an equitable distribution of state matching funds that support a strong statewide program

Match Policy
The Ohio Soil and Water Conservation Commission will authorize state match of funds received only in accordance with ORC Sections 1515.10 and 1515.14. (See attachment)
  o Funds received and appropriated from the county general fund or from the county's first ten mills of property tax (the "inside" millage)
  o Funds appropriated by a municipality or township
  o Funds received from a special property tax levy for operations of an SWCD

Limitations and exceptions to the above categories:
• Funds appropriated to a district from the above sources to implement capital improvements will be matched only up to eight thousand dollars per year. (See attached previously released full policy on this matter.)
• Funds received from a special property tax levy for SWCD operations will be matched only to an extent which does not exceed the next highest district matchable total in the state.

The Commission's policy is also to not match the following potential sources of SWCD support. (Many of these items cannot legally be matched, and others have been prohibited by longstanding policy.)

Funds received from assessments for agricultural ditch maintenance programs
Funds received from assessments or fees for urban storm water maintenance programs
Funds received from stormwater utilities
Fees collected, receipted and deposited by an SWCD
Funds used for cost-share payments
Funds received from insurance payments/settlements
Funds received from rental of district-owned buildings or property
County engineer appropriations/grants/transfers
Health department appropriations/grants/transfers
County, municipal or township appropriations granted by an SWCD to another agency or group
Funds transferred from the District Fund into an SWCD's Special Fund
Funds received from sale of equipment or property

Ohio Revised Code Section 1515.10
The board of county commissioners of each county in which there is a soil and water conservation district may levy a tax within the ten-mill limitation and may appropriate money from the proceeds of such levy or from the general fund of the county, which money shall be held in a special fund for the credit of the district, to be expended for the purposes prescribed in section 1515.09 of the Revised Code, for construction and maintenance of improvements by the district, and for other expenses incurred in carrying out the program of the district upon the written order of the fiscal agent for the district after authorization by a majority of the supervisors of the district.

Ohio Revised Code Section 1515.14
Within the limits of funds appropriated to the department of natural resources, there shall be paid in each calendar year to each local soil and water conservation district an amount not to exceed one dollar for each one dollar received in accordance with section 1515.10 of the Revised Code or received from an appropriation by a municipal corporation or a township to a maximum of eight thousand dollars, provided that the Ohio soil and water conservation commission may approve payment to a district in an amount in excess of eight thousand dollars in any calendar year upon receipt of a request and justification from the district. The county auditor shall credit such payments to the special fund established pursuant to section 1515.10 of the Revised Code for the local soil and water conservation district. The department may make advances at least quarterly to each district on the basis of the estimated contribution of the state to each district. Moneys received by each district shall be expended for the purposes of the district.
Ohio Soil and Water Conservation Commission (OSWCC)  
Policy for Matching Local Appropriations of  
Soil and Water Conservation Districts (SWCDs)  

History

This document provides background and historical perspective on the OSWCC’s policy for matching local appropriations of SWCDs (match policy).

Background
State match policy evolved over the past 56 years to meet the needs of SWCDs and support a strong statewide district delivery system. The Commission and Division attempted to distribute the state funds appropriated by the legislature equitably to support state and local priorities. The goal of one to one match has resulted in a sustainable funding model that is one of the most successful in the nation.

A history of state and local appropriations is attached. As you can see on this attachment, local funding for SWCSs effectively increased each year for 50 years until 2010, and state funds grew steadily, with some backsliding in 1981, 1983, 2002, 2009 and 2010.

There are some significant historical highlights in this data. For example, in years 1960, 1961, 1995, 1998, 2000, 2000 and 2008 the goal of one to one match was very nearly met. Other years, match percentages dropped, such as 1965 and 1971 (~64% match rate) and in the early 1980’s when match rates fell into the 40% range for the first time. In 1983, during the last significant recession, district appropriations rose by 15.68% while state funds went down by 9.09%.

But 2009 and early 2010 were different and may very well have marked a long-term change in funding patterns. Total aggregate, local appropriations fell for the first time since 1960 as districts received 5.72% less than in the 2008-2009 timeframe. The other pressure on local SWCD programs, which has accelerated over the past few years, is that five to ten local districts budgets are being “zeroed out”. In some cases, it is not a gradual reduction or phase out, but rather an abrupt and complete non-funding of the SWCD. In 2011, cuts to the local government fund stressed counties, municipalities and townships, but district appropriations stayed level. This lower level of local government funds may have impact in later years.

Historical Match Policy
Match policies have included the following approaches:

1960s
A basic match program was established by the State legislature which gave districts state funding so supervisors would no longer have to use personal funds to pay for postage and other essentials. The funds that remained were distributed to districts as evenly as possible to match local appropriations and contributions at a 1 to 1 level until all funds were exhausted.

1970s
State funding grew dramatically but not at the rate of local funding. The Commission generally gave every district a $200 flat rate (i.e., no local appropriation was required) and then matched local funds 1 to 1, as evenly as possible amongst the 88 districts, until all the funds were exhausted, around $8,000 to 12,000 per district. Local contributions above this amount went unmatched by state funds. E.g., at one point during this period, Henry SWCD received $120,000 from their county commissioners but only received a state match amount of 12,000.

1980's
The formula was changed so all local funds were matched by state funds to some extent. At first it began with a variable scaled where the first so many thousand dollars locally were matched at a high level by state funds and the rate declined with every local $10,000-$15,000 increment of local appropriation upward. Gradually, as state funds increased, districts received higher match amounts on all levels.

1990s
A uniform match approach was adopted where the first dollar received by a district was matched at the same level as the last. The flat rate was increased to 10,000 but was prorated based on the overall ratio of state to local appropriations. If the state appropriation provided enough funds to match districts' local appropriations at 76% then SWCDs received 76% of the flat rate ($7,600) and 76 for each dollar appropriated locally. This formula provided for a higher level of state match for those SWCDs with lower local appropriations and a slightly lower match for the SWCDs with higher amounts of local appropriation.

In addition, a law change allowed the commission to match funds appropriated by the municipalities and townships, not just the county commissioners.

In 1994, for the first time, the commission offered support through special grants to districts that were faced with financial hardship, mostly due to reorganization of our sister agency, Natural Resources Conservation Service (NRCS). Districts were eligible for this assistance for up to seven years to allow them to maintain a base program ($40,000 combined local and state appropriation). The assistance declined 10% each year, ending in the seventh year. Total state funds used for these supplements generally ranged from $8,000 to $80,000 annually the Commission to provide a base level of funding ($40,000 combined local and state fund) and continue SWCD program in all 88 counties.

2000
Match policy remained similar to the 1990s. Two policy modifications made by the commission to assist districts were implemented. In 2006 (State Fiscal Year 2007), the Commission authorized the Program Assistance Grants to help districts that experience deep cuts in local appropriations or have steadily declining or stagnant budgets. This grant was similar to the program implemented in 1994.

The other match policy change was to limit matching local appropriations over $500,000. Local appropriations received over $500,000 are matched at 60% of the overall match rate. Additional reductions are applied at each additional $100,000 of local appropriation. These limits were put in place to help maintain a level of equality in the availability of state match funds for all 88
SWCDs. For state fiscal year 2010, this resulted in an overall state match rate of 77.38%. The formula for state fiscal year 2101 was:

\[ \$7,272.20 \text{ (flat rate)} + 0.727328878^* \text{ local appropriation} \]

Until 2008, state match funds came from the State’s general fund. Faced with dwindling tax revenues due to the recession, districts were looking at a large reduction in General Revenue Funds. Working with the administration and legislature, funds were added over the next couple of biennium’s replacing 6.9 million of GRF with tipping fees on construction and demolition debris, municipal solid waste, and in 2010 a 50 cent fee, per new tire, was added.

2010

In 2011 the Commission changed the match policy to a $15,000 flat rate, 1 to 1 match on the first $15,000 of local appropriations and the rest subject to the formula. The formula for 2013 is:

$15,000 flat rate, 100% match on first $15,000 local apprn; 0.067967831738719 on balance of state funds.