April 8, 2016

Property tax frozen in proposed development legislation

Does Ohio need additional authority that essentially freezes property taxes for certain commercial and industrial projects that have started but have not been finished? If so, how should the property tax relief be structured and authorized? Those are questions being considered by the Senate Ways & Means Committee as it considers Senate Bill 235, sponsored by Senators Beagle and Coley.

This week the Committee accepted a substitute bill for consideration. Sen. Beagle said the primary change relates to increased valuations. A higher market valuation was previously triggered by the commencement of “vertical construction,” but would now be triggered by the issuance of a certificate of occupancy, delaying the new valuation.

Andrea Ashley, vice president of government relations for Associated General Contractors of Ohio, gave proponent testimony, saying the bill bolsters local economic development by incentivizing business expansion, along with new construction and renovation of unused buildings.

“And encouraging investment on unproductive sites will ultimately increase the value of those sites, and thus their property taxes. Additionally, commercial activity taking place on formerly unproductive sites will increase economic activity and tax revenues that support our local communities,” Ashley said.

The committee also heard interested party testimony from Lindsey Gardiner, manager of government affairs for the Greater Ohio Policy Center (GOPC); Andrew Swary, executive vice president and general counsel of Finance Fund Capital Corporation; and Brad Cole, managing director of research for the County Commissioners’ Association of Ohio (CCAO).

While supporting the “overall principle” of the bill, Gardiner said the proposed statewide “automation” of tax incentives could have unintended consequences. She offered the following critiques:

SB235 will revoke local governments’ right to offer similar incentives under their own discretion, and thus remove their ability to manage this important aspect of economic development independent of the state.

The bill’s fiscal analysis in January stated, “exempting the increased value in property before its planned development or redevelopment for commercial or industrial purposes would temporarily reduce property tax revenue in affected political subdivisions.”
School districts are not included in the definition of “appropriate authority” regarding the approval process of the incentives, so revenue losses to schools would not be permissive.

“GOPC respectfully requests the sponsors of SB235 and members of the Senate Ways and Means Committee to further explore the potential impact of this legislation and consult with local governments and their economic development offices before moving this bill any further in the legislative process.”

Sen. Beagle interjected to clarify that sponsors of the bill “are not looking at reducing anyone’s taxes,” but rather deferring their commencement.

Swary explained his employer’s interested party status. “Although we have not had the opportunity to review substitute SB235 in detail or to consider its applicability and effects, as a nonprofit organization that connects public and private sources of capital to private businesses and developers operating in low-to moderate-income areas throughout Ohio, Finance Fund is keenly aware of the need for additional development tools and incentives. In our experience, real estate tax exemptions and abatements are often critical in enabling difficult commercial and industrial projects to be completed in distressed and underserved communities.”

Sen. Tavares asked whether the bill might be seen as taking a “tool” away from local governments. Swary did not have an answer.

Cole said in his testimony that CCAO had held a conference call with development professionals in several counties to discuss the dash-five version of the bill. He listed the following as primary points of concern from the call:

CCAO supports retention of the concept of local control where local officials grant property tax exemptions to entities and developers doing business or proposing to do business within each community.

Establish limits on the duration of the exemption and permit local authorities to modify the level of exemption in order to permit property tax growth for benefiting taxing districts.

“Planned” commercial or industrial development must be better defined.

Exemptions must be critical to making the project happen within a specified period of time.

Existing Tax Increment Financing (TIF) projects may be adversely affected by the tax exemption provided by SB235.

Beagle asked why local control would be “critical” in this case, and Cole said government subdivisions have the power of a claw-back if projects don’t proceed as planned. “You’re going to get something for the exemption.”

Tavares wondered whether there might be a hold-harmless provision or exclusion for TIFs, which Cole supported.

Beagle acknowledged that the TIF question was something to consider going forward.
Members also received written interested party testimony from REDI Cincinnati and written opponent testimony from the Ohio Association of School Business Officials (OASBO), Buckeye Association of School Administrators (BASA), and Ohio School Boards Association (OSBA).

CAUV legislation has first hearing in the Senate

Both House and Senate Agriculture Committee Chairmen introduced legislation late last year to revise the Current Agricultural Use Value (CAUV) formula, HB 398 (Rep. Brian Hill) and SB 246 (Sen. Cliff Hite). The Senate version had its first hearing this week in Senate Ways and Means Committee.

Sen. Hite told committee members that his bill is aimed at tackling the complaint he hears the most about from rural constituents. He said legislators representing rural districts are bombarded with complaints from constituents who believe the CAUV formula is inaccurate. He said the bill would improve the accuracy of farmland property valuation by prohibiting the use of some non-agricultural factors in the formula.

"Currently, the formula attempts to account for a theoretical percentage of equity buildup achieved over time by farmers who take out loans to finance the purchase of farmland," Sen. Hite said. "Similarly, the appreciation factor serves as a built in assumption that demand for farmland will always increase at a predetermined rate." He said those factors "arbitrarily inflate" the value of farmland and have "no bearing" on the land's ability to produce income. The legislation would also remove disincentives to conservation practices, he said, by modifying the formula so that it no longer assumes production is continuing when farmers remove the land from production in order to take steps to protect water and soil quality.

The Legislative Service Commission released its fiscal note and local impact statement for the bill. The fiscal note indicated that lower tax values on land enrolled in CAUV would result in revenue losses for schools and other units of local government. Lower values due to changes in the capitalization formula would cause net losses estimated at up to $14 million for schools and up to $16 million for other units of local government.

He said he is "open to compromise" on the bill moving forward. He said the measure is comparable to a bill HB 398 currently moving through the House. "Farmland taxes have been increasing at intimidating rates for the last several years," Sen. Hite said. "...The factors this bill will address have artificially inflated the taxes our farmers are paying. Supporting this legislation will ensure
the formula sticks to valuing farmland based solely on agricultural production taking place, as the constitution stipulates.”

CCAO is currently monitoring the legislation and is working with the sponsors and other interested parties. For additional information on agriculture issues, please contact CCAO staffer Brian Mead at bmead@ccao.org or 614-220-7982.

Healthy Ohio Waiver

In the last biennial budget bill (HB 64) the legislature passed a proposal to require adults covered under the Medicaid Families and Children Program to pay into a health savings account in order to receive coverage. Under the proposal, all non-disabled adults over age 18 with incomes up to 138% of the poverty level will be required to enroll in “Healthy Ohio” where they will receive a Buckeye Account. They will pay 2% of their income, up to $99 a year, into the account.

The goal is to have Medicaid recipients participate in cost-sharing for their coverage which will help them to be more informed consumers of healthcare, but many groups are saying this will end up restricting Medicaid coverage for a large portion of low income adults. Technically the federal government doesn’t allow states to do this so Ohio has applied for a waiver from the U.S. Centers for Medicaid and Medicare Services (CMS) that would permit this new approach. CMS will be taking public comments on the waiver from April 15 to May 13. The first public hearing is set for 2 p.m. on April 21 at the Medical Care Advisory Committee at 50 W. Town St. in Columbus.

If approved, the waiver would allow Ohio to prohibit a Healthy Ohio participant from receiving benefits until after they have made the first contribution into the Buckeye Account and to deny services for people who fail to make payments. In the waiver request The Ohio Department of Medicaid (ODM) stated, "The Healthy Ohio Program not only ensures the long-term stability of Medicaid expansion in the state, but also introduces several key enhancements that will empower members to become active participants in their healthcare". ODM goes on to say that the program will function as a bridge from Medicaid coverage to private market coverage, and will connect members to job training and employment opportunities.

If you would like to know more about the Healthy Ohio waiver please contact CCAO policy analyst Kate Neithammer at 614-220-7996 or kneithammer@ccao.org.

Statehouse, Etc.

March casino revenues up slightly over February numbers – the casinos reported a slight increase of a little more than $1.6 million from their February receipts. In total, the state's four casinos pulled in $73.71 million in March, up from $72.1 million from February. So far in 2016, the casinos have taken in $211.34 million which is about $6.15 million more than through the first three months of 2015. Ohio's seven racinos also saw an increase in revenue from their video lottery terminals, according to the Ohio Lottery Commission. Every location reported an increase and the statewide total up more than $6.3 million to $78.62 million in March.
Senator Joe Uecker named chair of Senate State and Local Government Committee - Senate President Keith Faber announced several changes to standing committee rosters on Monday, in part to accommodate the appointment of Sen. Bob Hackett and adjust for recent changes in majority caucus leadership. One of the changes involved the naming of Senator Uecker as chair of the State and Local Government Committee. Uecker, a long time member of the committee, replaced Senator Frank LaRose as chair. LaRose moved over to chair the Transportation, Commerce and Labor Committee.

Remember, don’t forget to register for the annual OHIO COUNCIL OF COUNTY OFFICIALS LEGISLATIVE RECEPTION, Wednesday, April 13, 2016 - Statehouse Atrium - Columbus • Online registration

Bills Introduced

**SB 304**  
**PUBLIC EMPLOYEE INDEMNIFICATION** *(Williams, S.)* To grant a cause of action to an employee or injured person against a political subdivision that refuses to perform its statutory duty to indemnify an employee in the amount of a judgment for certain damages if specified conditions apply. Am. 940.07 and 2744.07.

**SB 305**  
**TAX CERTIFICATE SALES** *(Williams, S.)* To prohibit the sale of tax certificates for parcels owned by a person sixty-five years of age or older and that include the primary residence of the owner. Am. 5721.06, 5721.31, and 5721.34.

**SB 307**  
**FAMILY LEAVE** *(Cafaro, C.)* To establish family and medical leave insurance benefits to provide paid leave to allow an individual to address the individual's own serious health condition, to care for a family member, or to bond with a new child and to exempt those benefits from personal income tax.

**HB 504**  
**PUBLIC RECORDS** *(Schuring, K.)* To generally protect a private, nonprofit institution of higher education from liability for a breach of confidentiality or other claim that arises from the institution's disclosure of public records.

**HB 506**  
**JOBSOHIO** *(Johnson, G., Smith, K.)* To allow the Auditor of State to conduct full audits of JobsOhio, to require all nonprofit economic development corporations that receive public funds to make annual disclosures related to both their public and private funds, and to require that JobsOhio submit a quarterly progress report detailing all of its active projects. Am. 117.01 and 187.03 and to enact section 187.14

**HB 508**  
**LOCAL GOVERNMENT FUNDS** *(Smith, K., Boggs, K.)* To make supplemental appropriations to the Auditor of State for purposes of distributing these funds to political subdivisions in fiscal caution, watch, or emergency.

**HB 509**  
**VILLAGE OPERATIONS** *(Scherer, G.)* To allow electors of a village to petition the board of elections, as an alternative to the legislative authority, for the dissolution of the village, to provide for the timely transfer of village property and services with the assistance of the Auditor of State, to require the Auditor of State to perform and complete an audit or agreed-upon procedures before transferring any cash balances to a township following a village dissolution, and to modify the deadline to file a county charter petition with the board of county commissioners. Am. 307.94, 703.20, and 703.21
HB 511 FAMILY LEAVE (Kuhns, C., Boyd, J.) To establish family and medical leave insurance benefits to provide paid leave to allow an individual to address the individual's own serious health condition, to care for a family member, or to bond with a new child and to exempt those benefits from personal income tax. Am. 4117.10, 4745.01, and 5747.01 and to enact sections 4143.01, 4143.02, 4143.03, 4143.04, 4143.05, 4143.06, 4143.07, 4143.08, 4143.09, 4143.10, 4143.11, 4143.12, 4143.13, 4143.14, and 4143.99

HB 512 WATER SYSTEMS (Ginter, T.) To establish requirements governing lead and copper testing for community and nontransient noncommunity water systems, to revise the law governing lead contamination from plumbing fixtures, to make appropriations to the Facilities Construction Commission for purposes of providing grants for lead fixture replacement in eligible schools, and to revise the laws governing the Water Pollution Control Loan and Drinking Water Assistance Funds. Am. 6109.01, 6109.10, 6109.22, and 6111.036 and to enact section 6109.121

Hearing Schedule

Tuesday, April 12

House Local Government (Chr. Anielski, M., 644-6041), Rm. 018, 9:00 am

HB 302 ANNEXATION (Henne, M., Butler, J.) To provide that, beginning five years after a type-II annexation is approved, the annexed territory is subject to a fire, police, or EMS tax levy only if the levy is imposed by the subdivision that provides the fire, police, or EMS service to the territory. --3rd Hearing-Opponent

HB 413 EXECUTIVE SESSION (Brinkman, T.) To add to the purposes for which a board of township trustees may go into executive session, to permit a township to charge for recycling services, to reduce the population threshold for a township to adopt a limited home rule form of government, to authorize a township to purchase, lease, or provide underwater rescue and recovery equipment for fire and rescue purposes, to authorize boards of township trustees to pay for group life insurance for any employee, to make other changes to the township laws, to allow taxing units to use the proceeds of a fire, police, or emergency services tax levy to pay costs related to the service for which the tax is levied, and to expand the public infrastructure improvements townships, municipal corporations, and counties may pay for using money from their public improvement tax increment equivalent funds. --4th Hearing-All testimony-Possible amendments & vote

Senate Insurance (Chr. Hottinger, J., 466-5838), South Hearing Rm., 10:30 am

SB 27 FIREFIGHTER CANCER (Patton, T.) To provide that a firefighter who is disabled as a result of specified types of cancer is presumed for purposes of the laws governing workers’ compensation and the Ohio Police and Fire Pension Fund to have incurred the cancer while performing official duties as a firefighter. --5th Hearing-All testimony-Possible amendments & vote

HB 207 WORKERS COMPENSATION (Henne, M., McColley, R.) To allow a state fund employer to have a workers’ compensation claim that is likely to be subrogated by a third party paid from the surplus fund account in the state insurance fund rather than charged to the employer's experience --3rd Hearing-Opponent

House Session, (Chr. Rosenberger, C., 466-3357), House Chamber, 11:00 am
Senate Agriculture (Chr. Hite, C., 466-8150), North Hearing Rm., 11:15 am

HB 178  WINE SALES (Manning, N.) To establish the F-10 liquor permit to authorize certain A-2 permit holders to sell Ohio wines at farmers markets. --1st Hearing-Sponsor
Possible amendments

HB 342  WINERY PERMITS (Young, R.) To create the Ohio Farm Winery Permit. --1st Hearing-Sponsor

HB 60  COMPANION ANIMAL ABUSE (Hall, D., Patmon, B.) To revise provisions and penalties regarding treatment of companion animals, to revise the definition of "companion animal" in the Offenses Relating to Domestic Animals Law, and to provide a state collaborative effort to assist veterinarians in identifying clients who may use their animals to secure opioids for abuse. --2nd Hearing-Proponent

House Finance (Chr. Smith, R., 466-1366), Rm. 313, 1:00 pm

SB 264  TAX HOLIDAY (Bacon, K.) To provide for a three-day sales tax "holiday" in August 2016 during which sales of back-to-school clothing and school supplies are exempt from sales and use taxes. --1st Hearing-Sponsor

HB 130  DATA OHIO BOARD (Hagan, C., Duffy, M.) To create the DataOhio Board, to specify requirements for posting public records online, to require the Auditor of State to adopt rules regarding a uniform accounting system for public offices, to establish an online catalog of public data at data.ohio.gov, to establish the Local Government Information Exchange Grant Program, and to make an appropriation. --2nd Hearing-Proponent-Possible amendments

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

Senate Finance (Chr. Oelslager, S., 466-0626), Finance Hearing Rm., 2:30 pm or after session
1st Hearing-All testimony-Pending introduction & referral of capital appropriations bill.

House Ways & Means (Committee Record), (Chr. McClain, J., 644-6265), Rm. 121, 3:00 pm

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. --1st Hearing-Sponsor

SB 172  BULLION TAXES (Jordan, K.) To exempt from sales and use taxes the sale or use of investment metal bullion and coins. --2nd Hearing-Proponent

HB 466  TAX EXEMPTION (Smith, R.) To specifically exempt digital advertising services from sales and use tax. --1st Hearing-Sponsor & proponent

Senate Energy & Natural Resources (Chr. Balderson, T., 466-8076), North Hearing Rm., 4:00 pm or after session

SB 269  WATER SYSTEMS (Schiavoni, J.) To require a public water system to provide notice of lead contamination not later than thirty days after becoming aware that lead contamination may affect the system's drinking water, to require the Director of Environmental Protection to provide the notice if the public water system fails to provide it, to require employees of the Environmental Protection Agency to provide continuing assistance to a public water system that fails to provide the required notice of lead contamination, and to require the Director to adopt rules that increase the monitoring frequency for lead and copper under specified circumstances. --1st Hearing-Sponsor

SB 118  HOUSEHOLD SEWAGE SYSTEMS (Eklund, J.) To authorize a board of county commissioners or municipal legislative authority to elect to withdraw the county or municipal corporation from the application of any rule adopted after January 1, 2014, by the Department of Health governing the design of household sewage treatment systems. --2nd Hearing-Proponent
SB 185  IMPROVEMENT DISTRICTS (Seitz, B.) To revise the law governing special improvement districts created for the purpose of developing and implementing plans for special energy improvement projects. --4th Hearing-All testimony-Possible vote

House Community & Family Advancement (Chr. Derickson, T., 644-5094), Rm. 114, 4:00 pm
HB 298  DRUG TESTING (Schaffer, T., Maag, R.) To require applicants for unemployment benefits to submit to a drug test under certain circumstances, to require the director of Job & Family Services to operate an Ohio Works First drug testing pilot program and to make an appropriation. --3rd Hearing-Opponent

Wednesday, April 13

Senate Government Oversight & Reform (Chr. Coley, B., 466-8072), South Hearing Rm., 8:45 am
HB 134  BLIGHTED PROPERTY FORECLOSURES (Grossman, C., Curtin, M.) To establish summary actions to foreclose mortgages on vacant and abandoned residential properties, to expedite the foreclosure and transfer of unoccupied, blighted parcels, to make other changes relative to residential foreclosure actions, and to terminate certain provisions of this act on December 31, 2019, by repealing sections 3767.51, 3767.52, 3767.53, 3767.54, 3767.55, and 3767.56 of the Revised Code on that date. --1st Hearing-Sponsor

SB 236  CIVIL ASSET FORFEITURE (Jordan, K.) To eliminate civil asset forfeiture proceedings and to modify the law governing criminal asset forfeitures. --3rd Hearing-Opponent

Senate Health & Human Services (Committee Record), (Chr. Jones, S., 466-9737), North Hearing Rm., 9:00 am
SB 114  WATER QUALITY (Skindell, M.) To establish requirements and procedures pertaining to levels of microcystin in public water systems. --1st Hearing-Sponsor

SB 245  MALNUTRITION (Manning, G.) To create the Malnutrition Prevention Commission to study malnutrition among older adults. --2nd Hearing-All testimony

SB 225  AWARENESS DAY (Bacon, K.) To designate the first day of June as "Hypoparathyroidism Awareness Day." --2nd Hearing-All testimony

HB 352  MONTH DESIGNATION (Johnson, T.) To designate April as "Osteopathic Medicine Recognition Month." --2nd Hearing-All testimony

House Financial Institutions, Housing & Urban Development (Chr. Terhar, L., 466-8258), Rm. 113, 9:30 am
HB 463  MORTGAGE FORECLOSURES (Dever, J.) To establish expedited actions to foreclose mortgages on vacant and abandoned residential properties, to permit private selling officers to conduct judicial and execution sales of real property, to state the intent of the General Assembly regarding mortgage foreclosure actions, to revise the Commercial Paper Law relating to mortgages and lost instruments, and to make other changes relative to foreclosure actions. --1st Hearing-Sponsor

Senate Ways & Means (Chr. Peterson, B., 466-8156), South Hearing Rm., 9:30 am
HB 166  TAX LAWS (Green, D.) To extend the deadline for filing an application for the homestead exemption or 2 1/2% property tax rollback to the end of the tax year, to require that auditors certify Local Government Fund allocations to subdivisions by regular or electronic, rather than certified mail, to require that notices of appeal from a decision of the Board of Tax Appeals originating with a county board of revision be filed with that board and the county auditor, to clarify the effect of certain certifications related to the repealed personal property tax, and to repeal laws requiring county auditors to issue permits for traveling shows, issue licenses for new merchandise public
auctions, certify the annual state tax interest rate to local courts. --1st Hearing-

**HCR 7**
**MUNICIPAL BONDS** *(Sprague, R.)* To urge the President of the United States to preserve the tax-exempt status of municipal bonds. --1st Hearing-Sponsor

**SB 246**
**AGRICULTURAL LAND** *(Hite, C.)* To require that the computation of the capitalization rate for the purposes of determining CAUV of agricultural land be computed using a method that excludes appreciation and equity buildup and to stipulate that CAUV land used for a conservation practice or enrolled in a federal land retirement or conservation program for at least three years must be valued at the lowest of the values assigned on the basis of soil type. --2nd Hearing-Proponent

**SB 235**
**PROPERTY TAXES** *(Beagle, B., Coley, B.)* To exempt from property tax the increased value of property on which industrial or commercial development is planned until construction of new commercial or industrial facilities at the property commences. --4th Hearing-All testimony-Possible amendments & vote

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

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

**Senate Finance (Committee Record)**, (Chr. Oelslager, S., 466-0626), Finance Hearing Rm., 2:30 pm or after session

2nd Hearing-All testimony-Pending introduction & referral of capital appropriations bill.