



---

# 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)

---

**May 26, 2017**

## **Senate Finance Committee meeting dates**

The full finance committee will meet the next two weeks to hear public testimony before they release their version of the state budget. It's extremely important that counties have a presence at the statehouse during this time to show how serious the implications of this budget are for county government. It really makes a difference when state legislators see their counties participating in these important conversations, so please keep up the one-on-one conversations with your legislators. And if you are able, we encourage you to spend some time in Columbus in the next couple of weeks – either to testify or just attend committee meetings and session. Give CCAO policy staff a call and we can help you with all of the logistics 614-221-5627.

Finance Committee Meeting Dates:

- May 31<sup>st</sup> at 2:30pm
- June 1<sup>st</sup> at 11am
- June 6<sup>th</sup> at 11am
- June 7<sup>th</sup> at 11am

## **Discussion of possible compromise in addressing MCO sales tax**

Counties and transit authorities along with our partners in providing local services have been advocating for parity with the state relative to how the proposed Executive state budget addressed the future elimination of the sales tax on Medicaid MCO's. The

proposed Executive budget recommended that the state move from a sales tax on Medicaid MCO's to levying a tiered franchise fee on Medicaid and non-Medicaid Health Insuring Corporations (HIC's). However, the proposed franchise fee rates only addressed the state's foregone revenue and did not remedy the loss of revenue for counties and transits on a long-term basis.

Discussions with key house members - including Rep Bill Seitz (R-Cincinnati), House Finance Chair Ryan Smith (R-Bidwell), Rep Jay Edwards (R-Nelsonville) and Rep Dave Greenspan (R-Westlake), the Administration, Senator Matt Dolan (R-Chagrin Falls), transits and CCAO occurred last week in an effort to try to get everyone around the table to help resolve the counties and transit authorities' precarious financial situation.

The meeting began with Rep Seitz recognizing that two proposals had been put on the table. These included: 1) resetting the proposed HIC franchise fee rate to generate revenue to address the foregone sales tax revenue for the state, counties and transits; and 2) expanding the current application of the sales tax on the Medicaid MCO's to include the non-Medicaid MCO's, coupled with some tax relief to the non-Medicaid MCO's in order to reflect the tiered approach the Administration's proposed franchise fee would apply to non-Medicaid MCO's.

While option 2 listed above would be the simplest and ideal method for generating and administering revenue to counties and transits, option 1 has been the focus of the discussions given that its "fee structure" is consistent with the federal approval the Administration received last fall for applying a franchise fee to HIC's. Option 1 would build upon what the federal Centers for Medicare & Medicaid Services (CMS) approved via a waiver to the State of Ohio and what some believe would be strategically easier to manage through additional CMS approval.

The proposal that Representative Seitz is advocating for would do the following:

- Retain the \$207 million formula aid/transitional aid for SFY 18 recommended by the Administration which would be distributed to counties and transit authorities based on a formula that the state Office of Budget and Management crafted that considers a jurisdiction's reliance on Medicaid MCO sales tax revenue.
- In new language for the bill, instruct the Administration to work with CMS in seeking approval to allow for the proposed state franchise fee to be reset at a rate to generate approximately \$207 million for SFY 19. Counties and transits would receive approximately the amount of revenue generated in calendar year 2016 for a six-year period with no inflationary growth, and they would be subject to the same volatility that the state also could experience with the franchise fee should performance drop.
- Assuming federal approval is granted, start the new franchise fee rate on July 1, 2018. The county and transit fee revenue would be distributed to those entities

proportionally as those jurisdictions generated sales tax in the past, and would not be based on the Administration's past concept of sales tax reliance.

Representative Seitz acknowledges that his proposal does not fully address everything counties and transit officials are seeking, particularly permanent replacement, but he acknowledges that he has some sensitivity to the Administration's viewpoint. On the other hand, he acknowledges that the Administration left counties hanging when they crafted their franchise fee rates last fall and that the state should do better by their county partners than the proposed one-time formula/transition aid. And, subsequent policy discussions could occur down the road regarding revenue-generating mechanisms in light of the franchise fee lapsing.

During the last couple days, staff with the Governor's Office has reached out to CCAO's consultant on Medicaid to explore crafting language that would outline the process by which the Ohio Department of Medicaid would approach CMS to seek authorization to reset the proposed HIC franchise fee. This is a positive development, as the Administration had been slow to engage since they liked their original proposal in the Executive Budget.

In addition, Senator Dolan has taken the lead in the Senate on this very serious, complex issue. Senator Dolan was at last week's interested party meeting, and he has been talking with the various parties about how this can be resolved.

Yet, there is still much work to be done. Counties and our partners need to continue to talk one-on-one with lawmakers about the impact the loss of Medicaid MCO sales tax revenue will have on your county. In addition, CCAO is asking individuals to come to Senate Finance Committee hearings over the next two weeks, as outlined in the above story. Helping state officials understand the effect of the tax policy change on your county can translate into how state officials will prioritize addressing this matter in their state budget. As budget officials at the local level, you understand that budgets are a reflection of setting priorities. Please help your state officials understand why they should prioritize addressing the shortfall to counties.

## **Commissioners testify before the Senate on CCAO priorities**

As the subcommittees in the Senate continue to work through the state budget, we've had a great showing of commissioners come in to testify before them. This week:

Wayne County Commissioner Ron Amstutz spoke to the senate subcommittee about the Medicaid MCO sales tax loss for counties and transit authorities. He described the revenue numbers that his county has experienced over the last nine years and asked the committee members to find a path forward that keeps both state and county parties whole as we absorb this new tax policy. You can read his full testimony [here](#).





Commissioner Julie Ehemann from Shelby County testified this week on CCAO's agriculture priorities and the impact that the loss of Medicaid MCO sales tax will have on Shelby County Soil and Water Conservation District and expressed how non-mandated entities such as these would be the first to suffer if the Medicaid MCO sales tax revenue is not replaced. You can read her full testimony [here](#).

Commissioner Kerry Metzger from Tuscarawas County testified on the need to forge a state/county partnership to replace election equipment. He asked the senate to provide seed money in this year's operating budget that could be blended with capital dollars next year, as well as a description of what the state/county purchasing partnership will look like in the future so that counties will have some idea of what to plan for. You can read his full election testimony [here](#). Commissioner Metzger also testified on indigent defense funding and the importance of a 50/50 state county partnership. You can read that testimony [here](#).



Erie County Commissioner Matt Old also testified about the challenges that indigent defense causes for county budgets. He spoke to the committee about how the executive budget bill actually provided less funding than what was appropriated for the current biennium, and he shared what the reimbursement should have been for his county for 2012 through 2016. You can read his full testimony [here](#).

CCAO also would like to thank Brown County Commissioner Daryll Gray, Delaware County Commissioner Gary Merrell, and Mahoning County Commissioner Carol Rimedio-Righetti for attending the Senate Finance Sub-Committee hearing. In addition, Commissioner Gray submitted written testimony. Over the next few weeks, CCAO is urging more commissioners, county council members and county executives to continue your one-on-one discussions with legislators and to spend some time in Columbus at the statehouse as the Senate crafts its state budget proposal.



Commissioners Ehemann, Amstutz, Gray, and Metzger (pictured above)

## **Sales tax holiday legislation for back to school supplies and clothing sent to governor**

The Ohio House overwhelmingly approved legislation ([SB 9](#)) sponsored by Senator Kevin Bacon (R-Minerva) to provide consumers with a sales tax holiday coinciding with the first weekend in August (August 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup>). The legislation includes an emergency clause which requires a separate vote in each chamber of the General Assembly so that the bill may go into immediate effect upon signature of the governor. The vote on the bill was 91-1, and the vote on the emergency clause was 90-2.

The House passed legislation was sent to the Ohio Senate for concurrence on House amendments. The Senate approved the bill and the emergency clause by votes of 30-1.

The legislation applies to the following items:

- An item of clothing covered by the bill, the price of which is seventy-five dollars or less
- An item of school supplies listed in the bill, the price of which is twenty dollars or less
- An item of school instructional material specified in the bill, the price of which is twenty dollars or less

The Legislative Service Commission estimated the loss to the state general revenue fund at \$14.7 million and the loss to the local government fund (LGF) and the public library fund (PLF) at approximately \$0.5 million per year. Separately, counties and transit authorities would experience a reduction of approximately \$3.7 million in SFY 18.

Using state data from the sales tax holidays conducted in 2015 and 2016, “An Analysis of Ohio’s 2016 Sales Tax Holiday” prepared by the Economics Center for the University of Cincinnati suggests the impact of the sales tax holiday in 2016 as having a more muted impact in terms of lost sales tax revenues than the LSC fiscal note. The Economics Center estimated state sales tax revenue losses at about \$2 million and forgone county/transit losses at about \$0.5 million for the sales tax holiday in 2016. The University of Cincinnati study suggests that the sales tax holiday generated more total non-exempt consumer spending in 2015, but this additional spending did not occur in 2016 in response to the second sales tax holiday.

Legislators have used the more optimistic analysis of the University of Cincinnati study to justify support for another sales tax holiday and in effect to discount the analysis prepared by the Legislative Service Commission. The University of Cincinnati study and various updates to their research has been funded by the Ohio Council of Retail Merchants which is the primary backer of the sales tax holiday concept within Ohio.

Representative John Patterson (D-Jefferson) offered an amendment to hold local governments harmless from revenue losses caused by the legislation, but the amendment was tabled on a 59-31 vote.

Similar to bills passed in 2015 and 2016, the latest sales tax holiday legislation is for the current year only, and therefore any future sales tax holidays will require additional legislation in 2018 or a subsequent year.

For additional information on this issue, contact Brad Cole of the CCAO staff at [bcole@ccao.org](mailto:bcole@ccao.org)

## Bills Introduced



### SB 157

#### **UTILITY RESELLING** ([BACON, K.](#))

To regulate the reselling of public utility service.

### SB 158

#### **ELDER FRAUD** ([WILSON, S.](#))

To develop best practices and educational opportunities to combat elder fraud and exploitation and to fine and require full restitution from offenders who are found guilty of certain fraud-related crimes against the elderly.

### HB 237

#### **ELECTIONS** ([PELANDA, D.](#))

To require a political subdivision with territory in more than one county that places an issue on the ballot to notify the board of elections of every county in which the political subdivision has territory, to require the Secretary of State to establish a database to facilitate communication between the boards of elections and the Secretary concerning local elections, and to make an appropriation.

### HB 238

#### **VETERANS WAIVER** ([RETFERFORD, W.](#), [BRENNER, A.](#))

To establish the Veterans Fee Waiver Program.

### HB 243

#### **HEATING FUELS** ([PATTERSON, J.](#), [CERA, J.](#))

To exempt from sales and use taxation the bulk sale of firewood and certain other heating fuels, and to reimburse the Local Government Fund and Public Library Fund and county and transit sales tax collections for the resulting revenue losses.

## HB 245

### **CALL CENTERS** ([BOCCIERI, J.](#), [LEPORE-HAGAN, M.](#))

To enact the Consumer Protection Call Center Act of 2017 to require the Department of Job and Family Services to compile a list of all employers that relocate a call center to a foreign country and to disqualify employers on that list from state grants, loans, and other benefits.

## Hearing Schedule



Tuesday, May 30

### Senate Finance

(Chr. [Oelslager, S.](#), (614) 466-0626), Finance Hearing Rm., 2:30 pm

#### HB 49

### **BIENNIAL BUDGET** ([SMITH, R.](#))

--1st Hearing-Subcommittee reports

### Senate Insurance & Financial Institutions

(Chr. [Hottinger, J.](#), (614) 466-5838), Finance Hearing Rm., 4:30 pm

#### HB 27

### **BWC BUDGET** ([BRINKMAN, T.](#))

--1st Hearing-Sponsor & proponent

Wednesday, May 31

### House Higher Education & Workforce Development

(Chr. [Duffey, M.](#), (614) 644-6030), Rm. 115, 11:00 am

#### HB 203

### **SUMMER JOBS** ([BARNES, J.](#))

--1st Hearing-Sponsor

#### HB 217

### **COLLEGE ADMISSIONS** ([BRENNER, A.](#))

--1st Hearing-Sponsor

### House State & Local Government (Testimony & Documents)

(Chr. [Anielski, M.](#), (614) 644-6041), Rm. 122, 12:00 pm [Add to Calendar](#)

#### SB 37

### **POLICE CHIEF TRAINING** ([HITE, C.](#))

--3rd Hearing-All testimony

**HB 146**

**DEATH CERTIFICATES** (HOUSEHOLDER, L.)

--3rd Hearing-All testimony

**HB 229**

**House Government Accountability & Oversight**

(Chr. Blessing, L., (614) 466-9091), Rm. 114, 12:30 pm

**HB 218**

**PARK DISTRICTS** (SEITZ, B.)

--1st Hearing-Sponsor

**HB 145**

**CONFIDENTIAL TREATMENT** (HUFFMAN, S., SPRAGUE, R.)

--2nd Hearing-All testimony-Possible amendments & vote

**House Public Utilities**

(Chr. Seitz, B., (614) 466-8258), Rm. 313, 1:00 pm

**HB 220**

**COMMUNITY SCHOOLS** (LELAND, D.)

--1st Hearing-Sponsor

**CANCELED**

**Senate Session**

**CANCELED**

**House Session**

**House Civil Justice**

(Chr. Butler, J., (614) 644-6008), Rm. 017, 2:00 pm

**HB 147**

**HUMANE SOCIETIES** (HAMBLEY, S.)

--2nd Hearing-All testimony

**HB 174**

**FRANKLIN COUNTY COURT** (HUGHES, J., LANESE, L.)

--2nd Hearing-Proponent & Interested party

**HB 223**

**Senate Finance**

(Chr. Oelslager, S., (614) 466-0626), Finance Hearing Rm., 2:30 pm

**HB 49**

**BIENNIAL BUDGET** ([SMITH, R.](#))

--2nd Hearing-Public testimony

**Thursday, June 1**

**Senate Public Utilities**

(Chr. [Beagle, B.](#), (614) 466-6247), Finance Hearing Rm., 9:00 am

**SB 155**

**SECURITY RESOURCES** ([TERHAR, L.](#), [PETERSON, B.](#))

--1st Hearing-Sponsor

**SB 128**

**NUCLEAR ENERGY** ([EKLUND, J.](#), [LAROSE, F.](#))

--3rd Hearing-Proponent & opponent

**CANCELED**

**Senate Session**

**CANCELED**

**Senate Rules & Reference**

**Senate Finance**

(Chr. [Oelslager, S.](#), (614) 466-0626), Finance Hearing Rm., 11:00 am