



STATEHOUSE REPORT

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Contact your Senators ASAP about replacement of lost MCO sales tax revenue

County officials and transit authorities must contact their senator(s) **ASAP** to personally discuss the need to find a solution that provides complete and permanent replacement of Medicaid Managed Care Organization (MCO) sales tax revenue.

When you talk to your senator(s):

- ✓ Stress the critical importance of this issue.
- ✓ Explain what budget cuts you anticipate having to impose if the lost revenue is not fully and permanently replaced.
- ✓ Mention Senator Matt Dolan's amendment to provide fiscal stability for the state's county partners (see below).
- ✓ Ask your senator(s) to continue moving towards complete and permanent replacement of these dollars for counties and transit authorities.

As you will recall, the transition from Ohio's Medicaid MCO sales tax system in the SFY 18/19 Executive Budget fully replaces lost revenue to the state through a new proposed franchise fee on MCO's, but only provides counties and transit authorities a one-time allocation.

"It's a big, huge blow. If we lose this, it's been a constant attack on local governments," said Senator Matt Dolan. "I'm for low taxes. I'm for low state taxes and low local taxes, but they can't be lowered anymore."

Counties are seeking parity, and urge a plan be adopted that provides equal treatment to the state, local governments and transit authorities.

Senator Dolan's amendment would reset the proposed franchise fee July 1, 2018, to keep the state, counties and transit authorities whole, and retain the Administration's one-time allocation for counties and transit authorities in the first year of the state budget.

Another possible solution CCAO has suggested is for the state to continue its current sales tax on Medicaid MCO's and expand it to the non-Medicaid MCO's. This plan would comply with federal law and be coupled with some tax relief to the non-Medicaid MCO's.

Additional background information on this issue is available [here](#). Call TODAY and ask the Senate to make this a top priority as they put their stamp on the state operating budget.

Where things stand today: County commissioners testified Wednesday in support of Senator Dolan's plan to alleviate the burden local entities face with the loss of the Medicaid managed care sales tax.

The tax on Medicaid managed care organizations will end July 1 as mandated by federal regulators. The current plan in the budget (HB 49) is to replace the state sales tax, which counties and transit authorities were able to piggyback taxes on, with a franchise fee on MCO's. But, counties and transit authorities would not benefit from the new, proposed franchise fee and would only receive a one-time payment based on need to alleviate some of their losses.

Sen. Matt Dolan (R-Chagrin Falls) has submitted an amendment that would increase the franchise fee on managed care plans in order to provide counties and transit authorities with the \$207 million per year they stand to lose with the elimination of the sales tax.

Sen. Dolan said local governments have lost a lot of revenue from different streams, and this would be one more.

"It's a big, huge blow. If we lose this, it's been a constant attack on local governments," he said. "I'm for low taxes. I'm for low state taxes and low local taxes, but they can't be lowered anymore."

The Kasich Administration has said counties have only been receiving the revenue from the sales tax since 2010, and that the state does not need to compensate the counties for a loss of temporary revenue.

The Dolan Amendment would provide roughly the same tax revenue to counties and transits than they received in the past. However, the Administration claims the proposal will result in a net tax increase. Again, CCAO is simply advocating for a similar revenue model that counties and transits operate with today.

The senator said he believes his proposal could pass muster with the federal government, but they won't know until they submit an application to the regulator.

Shelby County Commissioner Julie Ehemann, representing the County Commissioners Association of Ohio, said the recalculation of the rate would help the counties better work with the state to solve problems.

"Our counties serve in a partnership with the state providing necessary services such as public safety, elections, and child protection to our citizens," she said. "As agents of the state, our overriding concern as we look to the future is ensuring that we have stable revenue sources that enable us to realize the vision of that partnership."

Fairfield County Commissioner Steve Davis also said the current replacement plan would have a negative effect on county services such as the jail and efforts to handle the opiate crisis.

"The loss of the MCO tax revenue will crash our budget in Fairfield County," he said.

Lucas County Commissioner Pete Gerken said his county raised its sales tax and is tapped out on raising new revenue.

"We can't afford a loss of 10%, 11%," he said. "We're not asking for additional money. We're just asking for the money that is integral to our sector of northwest Ohio to be maintained."

What to expect this coming week: The sub-bill is being put together by the Senate this weekend with release slated for Monday, June 12th. The finance committee will hold more public testimony for the new language next week. We are watching for the release of hearing dates and will make those available as soon as possible. If you are able, consider coming to Columbus next week to attend these hearings. Finally, if you haven't personally called your Senator/s to discuss this issue please do so this weekend. Every Senator needs to hear from every one of their county commissioners/council members.

One last important note: It's imperative that our county presence be maintained as we move closer to conference committee. In the next two weeks, a multitude of issues will be demanding attention from the legislature. We can't let the MCO sales tax issue lose any ground. We need to continue to let the Senate know how important it is for them to address it.

County voices continue at the Statehouse

Commissioners and county officials continued to have an important presence in this week's Senate Finance Committee hearings. The testimony delivered by commissioners centered on county budget pressures and the affect the lost Medicaid MCO revenue will have on counties.

Here are some highlights:

Commissioner Steve Davis (Fairfield)

"In Fairfield County, annual sales tax revenue is \$22 Million of a \$46 Million general fund budget. The lion's share of the budget is for public safety. The MCO sales tax loss for Fairfield County is approximately \$1.5 Million annually. To put this figure in perspective, \$1.5 Million keeps 19 Deputies protecting our citizens for one year. Further, Fairfield County has a general fund carryover balance of approximately \$10 Million. Given this,



the MCO sales tax loss causes the county general fund to crash in five years.” See full testimony [here](#)



Commissioner Denise Driehaus (Hamilton)

“Hamilton County has been particularly hard hit by the statewide heroin epidemic and the challenges of this public health crisis. Lives have been lost, families have been devastated and communities have been destabilized. At the same time, the epidemic has put a strain on many of our systems of government from law enforcement, courts and the jail, to recovery services and child welfare.” Read full testimony [here](#)

Commissioner Julie Ehemann (Shelby)

“The proposed Executive budget assumes that this one-time payment will allow Counties to wean themselves off of this income. I must say that for many counties, Shelby County included, it will do no such thing. In fact, Shelby County’s 2017 General Fund budget is currently \$176,000 LESS than the budget passed in 2002. To assume that this revenue has been supplemental ignores the facts.” Read full testimony [here](#)



Commissioner Pete Gerken (Lucas)



“While counties face the prospect of losing Medicaid managed care sales tax revenues, receipts in other areas are suffering as well. During the first quarter of 2017, area consumer spending has been flat and new car sales are down 6.25% from the same period last year. If the shortfalls resulting from these cuts to our sales tax revenue are not replaced, Lucas County will not be able to make the investments that will continue to bolster the renaissance our community is currently enjoying.” Read full testimony [here](#)

Commissioner Shayne Thomas (Seneca) speaking about wind setbacks:

“In my county, we look forward to the future development of a wind farm by Apex Clean Energy: a planned 200-megawatt Republic Wind facility in a rural portion of Seneca County. This would generate enough energy to power 57,000 homes and represent a large investment in our tax base. It would create hundreds of jobs during construction and infuse millions of dollars in into the county.” Read full testimony [here](#)



Commissioner Doug Weisenauer (Crawford)



“As a Crawford County Commissioner I was advised our funding reduction would be approximately \$700,000 per year in sales tax revenue. This is approximately 12% of our budget. This would return Crawford County to a level that was last seen in 2004 and 2005, far earlier than the Medicaid tax went into effect. I am personally offended, when I am told that the local governments have been “enjoying “ this tax for the past 6 years and can quickly learn to live without it.” Read full testimony [here](#)

Commissioner Tom Whiston (Morrow)

“Counties have seen a 20% jump in child placement costs since 2010 with no new investment from the state. The children who are entering our care have experienced a higher level of trauma, leading to more intensive needs and longer placements. Finally, opiate cases also tend to be extremely traumatic for our child protective caseworkers and we are now facing a workforce shortage due to higher than normal turnover, placing even more pressure on this system.” Read full testimony [here](#)



Athens County Auditor Jill Thompson

“This is not a plea from one county official, from one county officials’ association, but rather a plea from us; the grassroots of Ohio. In 2016, the MCO sales tax generated \$209 million, or 8.2 percent of all county and transit authority sales tax collections.”
Read full testimony [here](#)



Cuyahoga County Treasurer Chris Murray speaking about an amendment to allow counties to invest up to 40% of their inactive funds in commercial paper:



“What does this change mean for counties? Based on the recommended changes before you, and given the current interest rate environment and economic conditions facing governmental entities, Cuyahoga County could earn an additional \$2 million to \$3 million in interest earnings alone without substantial risk of public dollars. This represents an approximately half a percent increase in earnings for Cuyahoga County. My assumption is that other counties in Ohio will see increased returns with minimal risk as well if they take advantage of this proposed new legislation.”

We were also joined by Muskingum County Commissioner Mollie Crooks, Brown County Commissioner Daryll Gray and Montgomery County Commissioners Judy Dodge and Dan Foley. Their presence in committee and spontaneous conversations with legislators in the statehouse halls were invaluable!

Contact [Kate Neithammer](#) at 614-220-7996 if you have any questions.

State tax revenue continues to decline; however, state budget office sees state ending year in black

Tax revenue fell below estimates for the ninth straight month in May and now stands \$840.7 million in arrears compared to original budget planning numbers, the Office of Budget and Management reported this past week.

Actual state general revenue fund tax receipts year to date have come in at \$19.7 billion, or 4.1% less than the original \$20.5 billion estimate.

Preliminary revenue [data](#) show lagging personal income tax receipts continue to be the main culprit, as the category came in \$88.7 million, or nearly 14%, behind schedule. Sales and use tax revenue also lagged estimates by \$8.2 million, or about 1%.

State coffers gained some of that underage back in other taxes collected in May, most notably the commercial activity tax, which was almost \$27 million (10.6%) above estimates for the month. However, total tax intake for May was \$67 million, or 3.3%, less than OBM anticipated when planning for state budget expenditures several months ago.

Year to year comparison of actual year to date state sales tax collections in SFY 16 and SFY 17 show an increase of \$190 million or 2.0% on revenues of \$9.68 billion in SFY 17.

A year to year comparison of actual year to date personal income tax collections in SFY 16 and SFY 17 show a decline of \$205 million or 2.9 % on revenues of \$6.81 billion in SFY 17.

Utilizing data from SFY 17, state sales and use tax and personal income tax together accounted for 84% of state GRF tax receipts during the current state fiscal year. State sales tax alone accounts for approximately 49% of total tax receipts.

OBM Director Tim Keen and legislative leaders have revised revenue estimates downward for the forthcoming 2018 – 2019 biennial budget as the pattern of lagging revenues became an established trend over the past year. It is anticipated by legislative leaders that plummeting personal income tax collections may force the conference committee to make even larger downward appropriation adjustments later this month as they craft the next state budget. Director Keen noted that sales tax receipts could be affected by a variety of factors, including price deflation, a shift from purchases of goods to services and a shift in buying patterns from brick-and-mortar stores toward online retailers, which aren't necessarily taxed.

Regarding the personal income tax, Keen said withholding has been below estimates and he attributed that to weakness in manufacturing over the past few years. He has dismissed criticism that the weakness in personal income tax collections is attributable to small business income tax reductions adopted in recent years.

State budget analysts still see the state ending FY 2017 in the black. That's because spending on state programs, especially Ohio's share of Medicaid, has significantly lagged projections for the year.

OBM's monthly financial report issued in May showed General Revenue Fund underspending at about \$1.17 billion, with Medicaid accounting for more than \$872 million of the total. Final projections will be provided to budget conferees in time for beginning deliberations following passage of the state budget by the Ohio Senate. The latest revenue numbers come a few days ahead of the Senate's unveiling of its first round of changes to the biennial budget measure ([HB 49](#)). Senate leadership has already signaled that the chamber will cut spending in the budget well below what was approved in the House.

Another great week with lots of county faces at the Statehouse



Commissioners Gray (Brown) and Driehaus (Hamilton) with Linda Gallagher, Hamilton County Mental Health & Recovery Services Board



Commissioners Crooks (Muskingum) and Ehemann (Shelby)



Commissioner Gray (Brown) and Senator Uecker



Commissioners Whiston (Morrow), Ehemann (Shelby) and Gerken (Lucas)



Commissioners Bornhorst and Ehemann (Shelby)



Commissioner Gray (Brown), Auditor Jill Thompson (Athens), Senator Uecker and Engineer David Dhume (Madison)



Commissioner Davis (Fairfield)



Commissioner Whiston (Morrow)

Estimate on voting equipment needs: DUE JUNE 13

CCAO and the Ohio Association of Election Officials need your help quantifying the statewide cost of upgrading Ohio's voting equipment prior to the next presidential election in 2020. The due date outlined in the [Secretary of State's Advisory 2017-04](#) and [Statement of Need](#) is Tuesday, June 13. It is imperative that all counties respond. [Read more...](#)

Bills Introduced



HB 256

REGIONAL AIRPORTS (BUTLER, J., [ZELTWANGER, P.](#))

To create the Major Air Hub Council, to require the Council to construct two commercial service airports, one in Fayette County and one in Portage County, and to create the Southern Ohio Airport Authority and the Northern Ohio Airport Authority to operate the airports.

HB 262

STATE BUDGET (BUTLER, J., [ROMANCHUK, M.](#))

To provide for the preparation of a state biennial budget independent of that submitted by the Governor and to authorize the Legislative Service Commission, upon the request of the Speaker of the House of Representatives or the President of the Senate, to arrange for an independent actuarial review of a proposed bill, specified analyses of economic policy initiatives and state benchmarking data, and a study of the state's long-range financial outlook.

Hearing Schedule



Tuesday, June 13

House Financial Institutions, Housing & Urban Development

(Chr. [Dever, J.](#), (614) 466-8120), Rm. 116, 12:45 pm

HB 251

SUBDIVISION INVESTMENTS ([GREENSPAN, D.](#))

--1st Hearing-Sponsor

HB 10

CROWDFUNDING ([ARNDT, S.](#))

--2nd Hearing-All testimony-Possible substitute

Wednesday, June 14

Senate Ways & Means

(Chr. [Eklund, J.](#), (614) 644-7718), South Hearing Rm., 9:00 am

HB 124

TAX LEVIES ([BRENNER, A.](#), [CARFAGNA, R.](#))

--2nd Hearing-All testimony-Possible amendments

SB 123

PROPERTY TAX COMPLAINTS ([COLEY, B.](#))

--2nd Hearing-Proponent

Thursday, June 15

Senate Rules & Reference (Testimony & Documents)

(Chr. [Obhof, L.](#), (614) 466-7505), Majority Conf. Rm., 10:00 am

Senate Session

(Chr. [Obhof, L.](#), (614) 466-4900), Senate Chamber, 11:00 am

