

Local Impact Statement Report For bills enacted in 2023



**Legislative Service
Commission**

March 2024

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Introduction

R.C. 103.143 requires the Legislative Budget Office (LBO) within the Legislative Service Commission to determine whether a local impact statement (LIS) is required for each bill that is introduced and referred to committee. An LIS may be required when a bill could result in net additional costs beyond a minimal amount to school districts, counties, municipalities, or townships. An LIS is not required for budget bills or joint resolutions. It is also not required when the bill is permissive or when the bill's potential local costs are offset by additional revenues, offset by additional savings, or caused by a federal mandate. The LIS determination is based solely on the "As Introduced" version of the bill and does not change, even if provisions originally causing the LIS requirement are removed in subsequent or the enacted versions of the bill. Under the statute, LBO is also required to annually compile the final local impact statements completed for laws enacted in the preceding calendar year. The 2024 Report lists the 16 bills enacted in calendar year 2023 and contains the fiscal note for the one Senate bill that required an LIS.

The LIS requirement is met through the detailed analysis of local fiscal effects included in LBO's fiscal notes. Regardless of whether a bill requires an LIS, the fiscal note analyzes the bill's fiscal effects on both the state and local government. However, under R.C. 103.143, when a bill requiring an LIS is amended in a committee, the bill may be voted out of the committee by a simple majority vote with a revised LIS (a requirement fulfilled by preparing an updated fiscal note) or by a two-thirds vote without a revised LIS. Because various bills are exempted from the LIS requirement, some bills enacted in 2023 may have fiscal effects on local government in addition to any bills that required an LIS. For those who are interested in the local fiscal effects of all legislation enacted in 2023, please see the LBO fiscal notes for those laws, which are available on the General Assembly's website (legislature.ohio.gov) by clicking on *Legislation/Search Legislation*.

The Report contains comments from the County Commissioners Association of Ohio, the Ohio Municipal League, the Ohio Township Association, and the Ohio School Boards Association. LBO is required to circulate the draft Report to these associations for comment and to include their responses in the final Report. The final section of the Report is an appendix listing all ten House bills and six Senate bills enacted in 2023.

To view this report online, see the [2024 Local Impact Statement Report \(PDF\)](#), which is available on LSC's website: lsc.ohio.gov.

**LOCAL GOVERNMENT ASSOCIATION
COMMENTS**



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Cheryl Subler, Executive Director

The County Commissioners Association of Ohio (CCAO) thanks the staff of the Ohio Legislative Service Commission (LSC) for the opportunity to provide comments regarding the 2024 Local Impact Statement Report. This report is a valuable tool for state lawmakers and local government officials to track the impact of enacted legislation on local communities.

As noted in the report, not all bills are subject to the LIS requirement, thus the Local Impact Statement Report does not entirely capture the impact of state policy decisions on local governments. Primary among those exceptions is the state's biennial budget bill which, in addition to serving as an appropriation vehicle for state operations, also contains tax and other policy changes that significantly impact county revenues and expenditures. LSC already produces a Comparison Document with local government provisions (coded as LOC and including provisions from other state agencies' Comparison Document sections). CCAO encourages LSC to take the next step and produce an additional Greenbook with analysis of budgetary provisions that create an impact on local governments. Doing so will provide a great resource for the General Assembly and the public to understand the true picture of the impacts that tax and other policy changes have upon counties and other local governments.

This is especially the case since bills that do require the Local Impact Statement procedure are often incorporated into the budget as the budget process continues. Three bills from the current General Assembly are illustrative of this trend. First, House Bill 118 and Senate Bill 39 were companion bills that exempt certain baby products from the sales and use tax. In the LSC Fiscal Note for both bills, its estimated that counties and transit authorities would lose at least \$5.1 million in revenue in SFY 2025 and each year onward. Second, Senate Bill 71 placed new requirements on how county boards of elections must store and report data, with an estimated total cost to counties of \$2.3 million. These three bills all received a "Yes" Local Impact Statement but, once they were incorporated into the budget that requirement goes away, even though the policies (and accompanying lost revenue/increased costs) were enacted.

Another benefit of having a Local Government Provisions Greenbook is that it may assist in catching errors or omissions that naturally occur during the busy budget process. For example, CCAO had two budget clean-up items that were priorities for the Association after the budget was enacted: increasing the reimbursement cap for capital case indigent defense services to match the rate required by the Capital Case Attorney Fee Council and removing a potential loophole that would have drastically decreased funding available for Next Generation 9-1-1. These two clean-up items may have been flagged earlier if they were included in a centralized Local Government Greenbook instead of solely in the Greenbooks for their respective state agencies.

Additionally, the local impact procedure for non-appropriations bills can be improved. R.C. 103.143 is the statutory authority for the local impact procedure. R.C. 103.143(C) requires that "[a]ny time a bill is amended, the legislative service commission shall, as soon as reasonably possible, revise the local impact statement to reflect changes made by amendment."



As noted in the statement's Introduction, LSC considers updating the comprehensive fiscal note as satisfying that requirement. While updating the overall fiscal note is certainly a sound procedure, the changes to the impact on local governments may get lost among other changes. CCAO recommends that fiscal notes for bills that will have an impact on local governments (regardless of if the official Local Impact Determination is a "Yes," as that may change depending on the content of amendments or substitute bills) have a specific section that highlights the fiscal effects the bill will have for local governments. This will allow the public and legislators to quickly see the local effects instead of requiring them to scan the fiscal analysis for certain key words.

One way to improve in this area is to expand an existing LSC practice. It is CCAO's understanding that part of the Fiscal Note procedure is that, when a bill with a "Yes" Local Impact Statement is amended in a House of Representatives Committee, the updated Fiscal Note must include a "Synopsis of Fiscal Effect Changes" at the end of the document. The "As Pending in House Committee" Fiscal Note for House Bill 7 of the 135th General Assembly is a good example of this practice. However, this procedure is not required in the same circumstances for bills in Senate committees and is not required for bills in House committees if the changes in the amendments or substitute bill would otherwise change the Local Impact Statement from "No" to "Yes." Making this practice universal across both chambers and all bills will increase transparency and provide members, the media, and the public with a more digestible analysis of the fiscal changes that have been made in the committee process.

Additionally, CCAO would like LSC to consider publicizing the rationale behind the local impact determination for individual bills. There are many different "No" determinations that LSC can provide for bills. The determination is made by LSC analysts and approved by division chiefs but is not always made clear in the fiscal note. These could be included in the dedicated local impact section proposed earlier in this statement. For example, one of the "No" determinations is "No - Minimal Cost." However, there is no explanation provided for what the "minimal cost" threshold is. Ohio's 88 counties differ substantially in their general fund budgets, ranging (based on their most recently completed fiscal audit) Cuyahoga County's \$556.3 million general fund to Morgan County's \$4.6 million general fund. A bill that creates a minimal cost for Cuyahoga County could impose significant financial strain on Morgan County. This dynamic is echoed among municipalities, townships, and school districts.

Finally, the Local Impact Statement Report itself can be improved. In its current form it is typically structured with a brief introduction, followed by comments from local government associations, then copies of the fiscal notes for enacted bills that required local impact statements. The Report is usually concluded with an appendix that lists all the enacted bills from the year the report is prepared for.

A simple aggregation of fiscal notes, while helpful, does not provide the level of detail that an annual report can offer. CCAO believes that the annual report is an opportunity for LSC to expand upon the local impact component of its fiscal analysis for the given bills, whether through annotation of the As Enacted fiscal note, an entirely new analysis, or another method.

Since the Local Impact Statement Report is prepared for legislation enacted in the prior year, it is likely that many provisions of the bills in question have taken effect. These reports also provide an opportunity for LSC to follow up and provide a brief overview of the actual fiscal effects the bills have created. As is common with policy making at all levels of government, the effects that a law has when actually put in place may outstrip initial estimates, or vice versa.

Counties are closely tied to the state as the provider of state services at the local level on the state's behalf. Counties operate as local branches of state government, with most state programs and services being delegated to county government for implementation.

Counties rely upon a combination of permissive sales taxes, property taxes, charges for fees and services, intergovernmental revenue (including the Local Government Fund) and investment income to pay for these services. Because all these revenue sources are governed by statutory provisions, enacted legislation can significantly impact the counties' receipt of funds from these resources.

CCAO stresses the importance of reviewing local impacts on county operations and revenue streams. As counties work in partnership with the state to provide critical services to all Ohioans, a strong emphasis on limiting negative fiscal impacts to county government is critical.

CCAO again thanks the Legislative Service Commission for the opportunity to comment on this report and wishes to acknowledge the professionalism and expertise of the LSC staff.



March 07, 2024

Legislative Budget Office
Ohio Legislative Service Commission
77 S. High St., 8th Floor
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To Whom It May Concern:

Thank you for the opportunity to review the Local Impact Statement Report draft for legislation enacted in 2023.

The league appreciates the work done by the Legislative Service Commission in compiling this information as it provides important information and insight into the impacts state legislation has on local governments, and ultimately on Ohio's residents.

On behalf of the OML's 735 members, we would like to suggest a change for future reports and the development of future Local Government Impact Statements. The league believes that the current practice of producing an impact statement only when legislation is introduced does not provide an accurate reflection of a legislative proposal that has been altered through the amendment process. As in the past, changes from an original proposal can lead to an intended or unintended consequence to local governments. Therefore, we ask that when legislation is amended, through committee or floor action, that a separate impact statement be produced to accurately reflect the true impact of a proposal which is being considered in "real time."

Also, the league is concerned that state budget bills are not included in the Local Impact Statement Report. The league requests that the Legislature revise policy requirements to include state budget bills in the report. This inclusion would more comprehensively demonstrate the impact state legislation has on municipalities and local governments, in general.

Once again, thank you for the opportunity to comment on the resource and we look forward to working with you in the future.

Respectfully,

Kent Scarrett
Executive Director
Ohio Municipal League



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The Ohio Township Association (OTA) would like to thank the Legislative Service Commission (LSC) for the opportunity to comment on the 2024 Local Impact Statement (LIS) Report. The LIS report is an essential educational resource for our members and members of the General Assembly as it highlights the effect previously passed legislation will have on townships' budgets. It also keeps legislators and local officials aware of any unfunded mandates created in legislation.

The fiscal impact legislation may have on townships is often underestimated, but the Legislative Service Commission has recognized the impacts. According to the LIS Report, one bill enacted in 2023 had a fiscal impact on local governments and had a direct impact on townships: SB 10.

The Local Government Fund (LGF), from which townships receive revenue, is projected to see a reduction in funds from the enactment of SB 10. The estimated net loss is \$140,000 in FY 2024, totaling \$2.3 million through 2033. Monies from the LGF are used in every community across the state and, therefore, affect every resident in Ohio. For most townships, the LGF is the second highest source of revenue for townships behind property tax collection of inside and outside millage. Townships cannot compensate for the lost LGF revenue by passing other taxes, such as income or sales tax. Any lost LGF revenue will require additional property tax levies.

Additionally, state budget bills are exempt from local impact statement requirements and excluded from the report. The OTA encourages the General Assembly to revisit this policy and include budget bills in the LIS requirement to provide a more comprehensive look at how legislation affects local government in the future.

Although the actual impact these new laws will have on townships will only be known once they are implemented, the fiscal analyses provide a base for townships to determine how a new law may affect their budgets. The Ohio Township Association appreciates the opportunity to provide our input and thanks the Legislative Service Commission for all their hard work compiling the data, as it genuinely benefits legislators and local government groups.



Ohio School Boards
Association

TO: Jared Cape, Budget Analyst

FROM: Jennifer Hogue, Director of Legislative Services

DATE: March 8, 2024

RE: **2024 LOCAL IMPACT STATEMENT REPORT**

The Ohio School Boards Association (OSBA) is pleased to have the opportunity to review the 2024 Local Impact Statement Report on bills enacted in 2023. The Legislative Service Commission (LSC) report to the Ohio General Assembly and the public on the fiscal impact of certain specific bills is a valuable service.

OSBA strongly believes and reiterates its longstanding desire to see even more bills subject to having fiscal impact statements prepared. This is particularly true for omnibus bills, such as the biennial budget bill. Appropriate funding for the education of Ohio's public school students is an ongoing concern for boards of education and should be shared by all of Ohio's citizens.

Once again, OSBA wishes to express appreciation to the Legislative Service Commission for its hard work and diligence on this important task. We look forward to working with you now and in the future.

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OSBA leads the way to educational excellence by serving Ohio's public school board members and the diverse districts they represent through superior service, unwavering advocacy and creative solutions.

**FISCAL NOTES FOR BILLS ENACTED
IN 2023 REQUIRING
LOCAL IMPACT STATEMENTS**



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|--|---|
| <p>S.B. 10 135th General Assembly</p> | <h2 style="margin: 0;">Final Fiscal Note & Local Impact Statement</h2> <p style="margin: 0;">Click here for S.B. 10's Bill Analysis</p> |
|--|---|

Primary Sponsor: Sen. Blessing

Local Impact Statement Procedure Required: Yes

Russ Keller, Senior Economist

Highlights

| Fund | FY 2023 | FY 2024 | Future Years |
|--|---------|---------------------|---|
| State General Revenue Fund | | | |
| Revenues | \$0 | Loss of \$4 million | Net loss totaling \$66 million through FY 2033 |
| Local Government and Public Library funds (counties, municipalities, townships, and public libraries) | | | |
| Revenues | \$0 | Loss of \$140,000 | Net loss totaling \$2.3 million through FY 2033 |

Note: The fiscal year for the state, school districts, and certain other local governments runs from July 1 through June 30 and is designated by the calendar year in which it ends. For other local governments, the fiscal year is identical to the calendar year.

- The bill incorporates into Ohio income tax law changes made to the federal Internal Revenue Code (IRC) since February 17, 2022. Personal income tax (PIT) receipts will be affected beginning with tax year (TY) 2023, and the revenue effect will begin in FY 2024 when TY 2023 PIT returns are filed.
- The bill makes corrective amendments to H.B. 45 of the 134th General Assembly.
- The bill declares itself an emergency measure that will go into immediate effect.

Detailed Analysis

Conforming to federal income tax law

The bill incorporates into Ohio income tax law changes to the federal Internal Revenue Code (IRC) made since February 17, 2022, including those by two acts of U.S. Congress, the “Inflation Reduction Act of 2022” (IRA), and the “Consolidated Appropriations Act, 2023” (CAA 2023).

In general, Ohio tax law incorporates by reference parts of the IRC and other federal laws. Periodic amendments to federal law do not become part of Ohio law unless they are incorporated by an act of the General Assembly. Several provisions in IRA and CAA 2023 modified the definition of federal adjusted gross income (FAGI) and these actions materially affect the tax base for some Ohio taxpayers. FAGI is the starting point for determining Ohio adjusted gross income (FAGI with certain additions and deductions), Ohio taxable income, and other elements of the Ohio tax base.

The following are the most significant of the federal changes in the IRA affecting Ohio law:

- Extends limitations on excess business losses and excess farm losses from January 1, 2027, to January 1, 2029;
- Increases the current maximum deduction per square foot for energy efficient commercial buildings.

The most significant changes in the CAA 2023 affecting Ohio law involve the tax treatment of retirement distributions and contributions. Below are some examples of incorporated provisions:

- Increases the age of the required beginning date for mandatory retirement account distributions from 72 to 73 in 2023, and then to age 75 in 2033.
- Authorizes tax-free rollovers of up to \$35,000 from 529 education savings plans to Roth individual retirement accounts.
- Authorizes up to \$1,000 withdrawals from tax-preferred retirement plans for certain emergency expenses without triggering the standard 10% penalty. (This penalty increases a taxpayer’s FAGI.)
- Requires automatic enrollment and yearly escalation of employee contributions into retirement plans started after December 29, 2022.

Fiscal effect

The Joint Committee on Taxation (JCT) separately estimated both federal bills’ impact on federal tax revenues. Their projections served as the basis for estimating the overall income gains and losses attributable to the respective provisions. LBO staff assume Ohio taxpayers would claim 3.5% of this U.S. income total. Under this scenario, S.B. 10 would reduce FY 2024 personal income tax (PIT) receipts by more than \$4 million, and over the following nine years, the net PIT revenue effect would be losses totaling \$68 million. The GRF would bear 96.68% of any PIT revenue loss starting in FY 2024 under current law, while the Local Government Fund and Public Library Fund would each bear 1.66% of any such revenue loss.

Corrective amendments to H.B. 45

The bill makes three corrective amendments to provisions in H.B. 45 of the 134th General Assembly, which do not have a fiscal effect. One provision changes the name of DPF Fund 5CV3 line item 6006A6 from “Legal Services for Ukrainian Refugees” to “Legal Services for Ukrainian Arrivals.” Another provision removes a requirement that performing arts organizations and cultural arts museums must undergo an annual, independent audit in order to qualify for a recently enacted temporary economic relief grant program administered by the Department of Development (DEV). H.B. 45 appropriated \$50 million in FY 2023 for this purpose; this provision may affect which organizations receive a grant, but is not expected to affect the amount expended from Fund 5CV3 line item 1956E9, ARPA Arts Grant Program. Similarly, the third provision removes December 31, 2021, as the date by which an eligible household’s rent and utility arrearages must have been incurred in order to qualify for assistance under the Emergency Rental Assistance Program administered by DEV. This federal funding is provided under Fund 5CV2 appropriation item 195559, Rent and Utility Assistance; H.B. 45 appropriated \$161 million in FY 2023 for this purpose. This provision of the bill may affect amounts going to specific households under the program, but is not expected to affect overall expenditures from Fund 5CV2.

Appendix

All House Bills Enacted in 2023

| House Bill | LIS Required? | Subject |
|------------|---------------|--|
| 23* | No | Enacts the FY 2024-FY 2025 transportation budget |
| 31* | No | Enacts the FY 2024-FY 2025 workers' compensation budget |
| 32* | No | Enacts the FY 2024-FY 2025 Industrial Commission budget |
| 33* | No | Enacts the FY 2024-FY 2025 main operating budget |
| 35 | No | Eliminates the limitation period for certain sexual abuse claims |
| 52 | No | Revises changes to laws governing professions under H.B. 509 of the 134 th General Assembly |
| 61 | No | Designates James A. Garfield Day |
| 68** | No | Enacts the Ohio Saving Adolescents from Experimentation (SAFE) Act |
| 191 | No | Revises the law regarding bail |
| 201 | No | Prohibits sale restrictions on motor vehicles based on power source |

*Not required for budget bills

**Vetoed by the Governor and overridden by the General Assembly

All Senate Bills Enacted in 2023

| Senate Bill | LIS Required? | Subject |
|-------------|---------------|---|
| 10 | Yes | Incorporates changes in the Internal Revenue Code into Ohio law |
| 16 | No | Revises law concerning immunity from liability for donations of perishable food |
| 21 | No | Alters law governing venue for appeal from an agency order |
| 34 | No | Designates July as Sarcoma Awareness Month and names it Hank's Law |
| 43 | No | Modifies homestead exemption for surviving spouse of a disabled veteran |
| 91 | No | Alters procedures for reporting fraud, waste, and abuse of public funds |