STRONGER COUNTIES. STRONGER OHIO.
209 East State Street, Columbus, Ohio 43215-4309
Phone: 614-221-5627 • Fax: 614-221-6986
Toll Free: 888-757-1904 • www.ccao.org

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.