



H.B. 560

124th General Assembly
(As Introduced)

Reps. McGregor, Peterson

BILL SUMMARY

- Prescribes a new formula to provide tax equity funding to county MRDD boards for adult services.
- The formula is designed to ensure that county MRDD boards with less-than-average property tax yields from at-least-average taxing effort receive the same amount for adult services funding as boards with average tax yields.

CONTENT AND OPERATION

New equity funding formula for adult MRDD services

(R.C. 5126.053 and 5126.18)

The bill prescribes a new formula for computing equity funding for adult services provided by county boards of mental retardation and developmental disabilities. (The existing formula is described below, under "*Current equity funding formula.*") The formula results from deliberations by the Joint Council on Mental Retardation and Developmental Disabilities, which was required by Am. Sub. H.B. 405 to establish a new methodology for equalizing adult MRDD services funding (see Sections 7 and 8 of that act).

Basic operation of new formula

(R.C. 5126.18(A), (C), (D), and (G))

The new formula is designed to provide supplemental funding to county MRDD boards that raise less-than-average amounts of funding from local property taxes for a given tax rate (adjusted for adult enrollment). To the extent the formula is fully funded, it would ensure that each county board has available the same amount per adult enrollee as it would raise locally if it levied the statewide

average millage for adult services funding.¹ In other words, the formula ensures that each county board's tax yield per mill of property tax is at least equal to the statewide average yield per mill (again, adjusted for adult enrollment).

If the formula is not fully funded (i.e., appropriations are less than the total amount required to raise all county boards' tax yields up to the statewide average tax yield), equity payments computed under the formula are prorated in proportion to the appropriations actually made as compared to the appropriations required to fully fund the formula (this proportion is the "funding percentage"). For example, if fully funding the formula requires an appropriation of \$40 million, but the available appropriation is \$20 million, each payment is reduced by one-half of the computed amount.

Funding under the formula is to be computed and paid annually by the Department of Mental Retardation and Developmental Disabilities, not later than September 30. Equity payments are to be used solely for paying the nonfederal share of Medicaid expenditures that county boards are required to pay under existing law.

Required local effort

(R.C. 5126.18(E) and (F))

The amount of a county MRDD board's equity payment is contingent on the board's local tax effort for adult services, which measures the effective property tax rate a board devotes to adult services funding (see footnote 1). If a board's local tax effort is at least equal to the statewide average millage, and the formula is fully funded, then the board receives the full amount computed for it under the formula. If its local tax effort is less than the statewide average tax effort, then its payment is prorated accordingly. For example, if a county board's local tax effort is 75% of the statewide average millage, then it receives 75% of the payment computed for it under the formula.

If the formula is not fully funded, then the required statewide average millage is scaled down in proportion to the funding gap. For example, if the statewide average millage for adult services is 1.5 mills, but the appropriation is only one-half of the amount of the equity payment computed under the formula,

¹ *Since MRDD levies are not levied specifically for adult services, the property tax rate for adult services is derived by computing the amount of local money spent for adult services, and converting that amount into an equivalent property tax millage rate (in the bill's terms, the "local tax effort for adult services"). The statewide average millage is derived similarly, but on an aggregate basis. Federal and state funding received by county boards is disregarded.*

then the required local tax rate is only 0.75 mills. (In the bill's terms, this scaled-down rate is the "funding-adjusted required millage.") Thus, a county board's local tax effort must equal this scaled-down rate, or its equity funding payment is prorated on the basis of how far shy of the scaled-down rate the board's local tax effort is.

Request for exemption from funding reduction

(R.C. 5126.18(E) and (F))

If a county board's equity payment is reduced because its local tax effort is less than the required statewide average millage, the Department must notify the board of the reduction by July 15, and advise the board that it may request to be exempted from the payment reduction. The exemption request must be filed within 21 days after the notice is issued. In its request, the board may present evidence of its attempts to obtain passage of tax levies or of any other "extenuating circumstances" the board considers relevant. The board is entitled to a hearing before the Director on the exemption request in order to present pertinent evidence. The Director must conduct such a hearing unless the Director grants the exemption on the basis of the evidence presented with the board's exemption request. Whether or not a hearing is held, the Director must decide on the exemption request by August 31. The Director may grant the exemption request, in whole or in part, if the Director finds that the county board "has made good faith efforts" to obtain passage of levies, or that there are other extenuating circumstances.

If the Director denies a board's exemption request, then an amount equal to the board's reduction in payment is then apportioned among all other county boards' equity payments in proportion to each board's computed payment.

"Adult services"

(R.C. 5126.18(A)(2))

For the purpose of measuring a county board's adult enrollment, the bill defines "adult services" as assessment, home service, adult program, community employment, and retirement services provided to an individual who is at least 22 years old and who is considered to be mentally retarded or developmentally disabled. "Adult services enrollment" excludes those individuals if the services are provided solely through service support administration or family support services.

Technical and conforming changes

The bill consolidates the three code sections currently dealing with MRDD tax equity funding (R.C. 5126.16, 5126.17, and 5126.18) into a single section-- R.C. 5126.18. Accordingly, the definition of "effective tax rate" in R.C. 5126.053, currently made by cross-reference to R.C. 5126.16, is recited in R.C. 5126.053.

Current equity funding formula

The current MRDD tax equity formula is designed to provide funding to county MRDD boards with below-average taxable property tax wealth (adjusted for enrollment). The further a county board's enrollment-adjusted property wealth is below the statewide average, the greater the payment. The formula also incorporates a tax "effort" component: the payment is reduced for boards having effective property tax rates below one mill. The payment decreases in proportion to how far below one mill the board's effective tax rate is.

Unlike the bill's tax equity formula, the current formula measures enrollment by including both adult and infant enrollees. Equity payments must be used to pay for developing and implementing early intervention services for individuals enrolled as infants (under three years old on September 30) and adults (16 years of age or older).

HISTORY

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Introduced	04-22-02	p. 1657

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