



The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the 2007 Local Impact Statement (LIS) Report. The LSC Local Impact Statement Report is an important educational resource for our members and the members of the General Assembly as it highlights the effect certain legislation will have on townships' budgets and keeps legislators and local officials aware of any unfunded mandates created in legislation.

The most notable piece of legislation passed in 2007 with a direct impact on local governments is Substitute H.B. 372. While the intent of the legislation is noble, as it exempts military retirement pay from the income tax, the bill will result in lower income tax revenue collected by the state and lower Local Government Fund (LGF) revenues. The Local Government Fund receives 3.68% of the general revenue fund tax receipts in total collected by the state. A reduction in income tax revenues directly impacts the LGF percentage.

Moneys 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 do not have the ability to make up the lost LGF revenue by passing other taxes such as the income or sales tax. Any lost LGF revenue will require additional property tax levies. In a time when it is increasingly difficult to pass levies, this could mean reductions in services provided by the township or financial troubles.

The fiscal impact legislation may have on townships often is underestimated but the Legislative Service Commission has done a nice job of recognizing the impacts on local governments, specifically townships. For example, at first glance you would not think that S.B. 16 (adult entertainment establishments) or S.B. 20 (increased adoption tax credit) would have a fiscal impact on townships. However, due to the state's potential expenditure increase (S.B. 16) and increased tax credit (S.B. 20) which would result in the use of or loss of moneys from the state's general fund, townships could potentially see a decrease in revenue collected through the LGF.

While the 2008 Local Impact Statement Report offers an analysis of legislation passed in 2007, it is not comprehensive. State budget bills are exempted from local impact statement requirements and, therefore, are not included in this report. The budget bill (H.B. 119) was passed in June of 2007 and includes several provisions with fiscal implications for townships. The OTA encourages the General Assembly to include budget bills in the LIS report in order to provide a more comprehensive look at how legislation passed affects local governments. A procedure should be established by which local governments can contest new laws that are not fully funded, yet give the General Assembly adequate time to modify or fund the mandates they impose.

Although the actual impact these new laws will have on townships will not be known until the laws are put into practice, the fiscal analyses provide a base for our 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 of their hard work in compiling this data, as it is truly beneficial to legislators and local government groups.