Local Impact Statement Report

For Bills Enacted in 2013

Ohio Legislative Service Commission
September 2014

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Introduction

R.C. 103.143 requires the Legislative Service Commission (LSC) 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.

R.C. 103.143 also requires LSC to annually compile the final local impact statements completed for laws enacted in the preceding calendar year. The Report is to be completed by September 30 each year. This 2014 Report covers the 59 bills enacted in calendar year 2013, four of which required an LIS. The LIS requirement is met through the detailed analysis of local fiscal effects included in LSC'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, this Report does not include every bill enacted in 2013 that may have fiscal effects on local government. It should also be noted that Fiscal Notes in this Report were prepared for the General Assembly's deliberations on pending legislation. This means that cost estimates included in Fiscal Notes may differ from the actual costs of implementing these laws, as the estimates were made before the enacted legislation was implemented. For those who are interested in the local fiscal effects of all legislation enacted in 2013, please see the LSC Fiscal Notes for those laws, which are available on the LSC web site (*www.lsc.state.oh.us*) by clicking on *Bills/Resolutions & Related Documents*.

In addition to this introduction, 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. LSC is required to circulate the draft Report to these associations for comment and to include their responses in the final Report. The main section of the Report includes the final version of the Fiscal Notes for the four bills enacted in 2013 that required an LIS and became law. All 31 House bills and 28 Senate bills enacted in 2013 are listed in the appendix.

This Report may be viewed online at *www.lsc.state.oh.us* by clicking on *Publications*, and then *Local Impact Statement Report* under the *Staff Research Reports* heading.

LOCAL GOVERNMENT ASSOCIATION COMMENTS

On behalf of the County Commissioners Association of Ohio, thank you for seeking feedback on the 2014 *Local Impact Statement Report*. As you note in the report, various bills are exempted from the LIS requirement. Consequently, the *Local Impact Statement Report* does not accurately capture the impact of state policy decisions on local governments. Primary among those exemptions is the state's biennial budget bill.

In addition to serving as a vehicle for the state funding plan, the biennial budget contained sweeping policy changes, including an array of tax policy changes.

BUDGET IMPACTS

After years of challenges to the Local Government Fund (LGF) culminating in a 50% cut two years ago, this budget saw the LGF placed back on a percentage of tax receipts formula, albeit at a reduced percentage. Throughout the public budget testimony, it appeared that HB 59 would result in modest revenue gains over the biennium for local governments. However, one important component of receiving a percentage of state tax receipts is that the amount depends upon the overall amount to state taxes collected. Once the last minute tax policy changes were taken into account, the overall tax policy changes resulted in the LGF experiencing a 3.1% increase for the two-year average between SFY 2013-2015, and local governments seeing a 23.7% cut in CY 2013, and a 1.3% increase in CY 2014.

Some positive impacts for counties resulted from the budget bill. The reimbursement rate for indigent defense costs was increased from 35% to 40%. For the first time since 2005, the budget contained no proposed cuts in Job & Family Services programs, and $42 million was restored per year for county TANF programs aimed at helping people retain or obtain employment, combined with $7.2 million per year to help fund county JFS agencies as they transition to a new eligibility determination system.

ELECTION REFORMS

Senate Bill 10 modifies the election process in which the counties find themselves precariously positioned. County commissioners are delegated the responsibility to pay for elections. However, election ground rules are set at the federal and state level. Additionally, the board of county commissioners, which is the budgetary authority for most county operations, does not have control over appropriations to the boards of elections. Ohio law enables a board of elections to apply to the court of common pleas to fix the necessary and proper expenses of the board of elections pertaining to the conduct of elections.

Between federal and state legislative enactments changing election requirements, the cost of administering elections has increased substantially for counties. Of utmost concern to counties in the near future is the need to replace the aging voting equipment that was mandated as a result of HAVA.

ADDITIONAL TAX REFORMS

Senate Bill 28 incorporates changes to the Internal Revenue Code into Ohio law that negatively impact the tax base, thus reducing the amount of funding counties receive from the LGF. The LGF represents an important source of flexible funding to pay for various state-mandated programs and services counties are required to provide.

EROSION OF PROPERTY TAX BASE USED TO SUPPORT CRITICAL SERVICES

Several recent legislative enactments over the past decade have significantly impacted levy-funded programs and services. Combined with the recession which reduced property values, a once stable source of funding has experienced significant erosion. Tax abatements also have an impact. Senate Bill 112 provides another extension of the enterprise zone program, now through October 2015. The Fiscal Note indicates that a county would lose property tax revenues for any enterprise zone agreement created by a municipal corporation. CCAO has continually sought legislation that would require notification and consent of the board of county commissioners affected by either property tax abatement, such as an enterprise agreement, or tax increment financing that a township or municipal corporation grants within a county.

Furthermore, the elimination of the tangible personal property tax has significantly reduced the value that can be offered through an enterprise zone agreement. CCAO believes that the authority for counties to provide tax abatement is a valuable economic development tool and should be preserved under a revised statutory format that restores some relevance to the enterprise zone program.

CONCLUSION

Counties are uniquely tied to the state as the provider of state services at the local level on the state's behalf. The vitality and viability of this state/county partnership is directly impacted through all actions of the General Assembly. Therefore, CCAO urges the General Assembly to review **<u>all</u>** legislation enacted for its impact upon Ohio's local governments through the LIS process. Only then will the General Assembly and the public receive the true picture of the impacts that unfunded mandates and policy decisions have upon the counties and other local governments.

Again, CCAO 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. Thank you.

The Ohio Municipal League has reviewed the draft of the *Local Impact Statement Report* for bills enacted in 2013 and would like to make the following comments.

The report provides helpful information to organizations representing local governments, their respective members and the public: information that would otherwise be difficult to compile.

An area that still needs to be addressed is the section of law that exempts LSC from having to update a local impact statement for the biennial budget, capital appropriation bill or any other budget corrections bill. The League would support legislation that would allow the General Assembly to include these bills that are now exempted in Division (F) of RC 103.143 from these local impact statements. OML also believes that local impact statements should be required at each phase of the legislative process. This is particularly important as substitute versions and amended substitute versions of bills are enacted. Legislation can have a huge fiscal impact upon local government and should be known to all as these bills progress through the legislature.

We are always optimistic that this document will gain a larger recognition with state decision makers as they consider imposing additional programs or duties on local government or reducing limiting funding.

The Ohio Municipal League commends the staff of the Legislative Service Commission for the time and effort they put into the individual statements and to this report.

OHIO TOWNSHIP ASSOCIATION

The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the proposed *Local Impact Statement Report* for bills enacted in 2013. The LSC *Local Impact Statement Report* helps educate members of the General Assembly and our membership on the effect certain legislation will have, and keeps legislators and local officials aware of any unfunded mandate created in legislation proposed and passed by the General Assembly.

The fiscal impact legislation may have on townships often is underestimated. Provisions established in legislation such as filing, notification and public hearing requirements could create significant costs for townships. The OTA is pleased that LSC takes such costs into consideration when determining local fiscal impact.

A bill is determined to have fiscal impact if its estimated annual cost is more than $1,000 for townships with a population of less than 5,000 or if its estimated annual cost is more than $5,000 for townships with a population of more than 5,000. Although $1,000 or $5,000 may not seem like a great deal of money when compared with the total budget of the township, the loss of such revenue may create a significant impact.

According to the *Report*, there are two bills with a local impact on townships. It is noted that the enactment of Am. Senate Bill 10 could cause a potential increase in costs to local boards of elections, and in turn, the political subdivisions that are billed for election expenses.

Am. Senate Bill 28 will reduce the Local Government Fund (LGF), of which townships receive revenue. Townships are funded primarily through property tax levies. Unlike counties that may levy both a property tax and sales tax and municipalities that may levy a property tax and income tax, townships may only levy one type of tax, the property tax. For most townships, the LGF is the second or third highest source of general fund revenue for townships. 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.

While the *Local Impact Statement Report* offers an analysis of legislation passed in 2013, it is not as inclusive as we would like. House Bill 59 was enacted in 2013 but because it is a budget bill, it is not subject to a local impact statement. 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.

Additionally, two pieces of legislation enacted did not require a local impact statement but ultimately do have a fiscal impact on some townships. In 2013, the General Assembly enacted HB 7 and SB 115, which address sweepstakes establishments. There are internet cafes or sweepstakes parlors in many townships across the state. Some townships have established regulations and fees as conditions for operating these businesses within their townships. Neither bill enacted provided specific authority to townships to charge operators of these establishments a fee, which results in a loss of revenue to the townships that were charging such a fee.

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 its 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.

Ohio School Boards Association

The Ohio School Boards Association (OSBA) appreciates the opportunity to review the 2014 *Local Impact Statement Report* on bills enacted in 2013 as prepared by the Legislative Service Commission (LSC) for members of the Ohio General Assembly and the general public. The document provides the reader with a concise summary and analysis of the fiscal impact of specific bills on public school districts and other local government agencies. The report provides a valuable understanding of the cost and programmatic implications of the selected bills.

The 2014 *Local Impact Statement Report* indicates that four bills enacted during 2013 required local impact statements. Three of the four bills have a potentially negative fiscal impact on certain local school districts. These bills are Sub. House Bill (HB) 167, Am. Senate Bill (SB) 28, and Am. Senate Bill (SB) 112.

The Ohio School Boards Association is very active throughout the legislative process and did register concerns with Sub. HB 167. While supportive of the general purposes of Sub. HB 167, we were concerned about the long-term implications of certain aspects of the bill in terms of governance as well as fiscal and administrative burden on the Columbus City Schools. Because the bill was developed in concert with the school district board of education, we chose not to oppose the bill.

At the same time, the OSBA Legislative Platform opposes legislation that weakens local control. We believe that certain elements of HB 167 do weaken local control — specifically, the required appointment of an independent external auditor, the diversion of locally generated tax revenues to charter/community schools and permitting the mayor to sponsor new charter/community schools.

OSBA did submit written, interested party testimony. We noted our concerns with impositions placed on the local board, through a requirement that the district employ and fund an auditor operation that would be monitored by external parties. The legislation does not provide any ability for the board of education to exercise any limitations on the cost of operations or staffing of the new office. While we understood the rationale for the office, we continue to have concerns with legislation that mandates how a board of education employs and directs staff. The legislation gives the Columbus

Board of Education only one of five votes in selecting the auditor, but the entire responsibility for funding the operations of the office. We believe that the board of education should have a majority vote in selecting this office. We also registered our concern with the directive to the board of education to place an operating levy on the ballot in a specified time frame, to support not only the schools within the district, but also to support charter/community schools, a number of which are performing unsuccessfully. In our view, any levy designed to support charter/community schools should stand on its own and not be comingled with support for the district-operated schools.

Finally, we expressed concern with the extension of authority to the mayor to serve as a sponsor of additional charter/community schools and allowing the mayor and city to receive sponsorship funds from the school district.

Our expressed concerns were also shared by the general public, in view of the fact that the levy went down to a resounding defeat. There were other factors involved to be sure, but the public rejected being told by "experts" and legislators when to put a levy on the ballot and what provisions to include in the programs to be funded by the levy. More time to engage the community to more fully understand the need and rationale for the levy would have been helpful.

While this bill was limited to the Columbus City School District, we have long-term concerns that similar directives re: governance, staffing and programs could be extended to other districts down the road. Ohio has a long and proud tradition of local control and we believe that Sub. HB 167 runs counter to that foundation.

The City of Columbus and the Columbus City School District, like any other school district, faces unique challenges and opportunities. The Columbus Plan may be the best path for Columbus. However, It should not be regarded as the best or only path for educational improvement in other districts across the state and not as a strategy for all.

The second bill, Am. SB 28 contains provisions that will substantially reduce the revenues accruing to those 147 Ohio school districts that levy a school district income tax. LSC estimates suggest losses of up to $2.3 million through 2015. While this is a relatively small sum in the overall scheme of school funding, this is a likely to disproportionately impact a small number of districts, thereby resulting in a more significant impact on those districts. OSBA believes that changes to tax policy such as those outlined in Am. SB 28 should be viewed in a larger context, namely how such changes affect the tax-sharing balance between and among taxpayer classes.

The bill to extend the time for enterprise zone agreements, Am. SB 112, has no definitive estimate of fiscal impact, except that loss of revenues are possible in the communities included in the enterprise zone. For this reason we hope that local officials will involve school officials in these discussions.

OSBA finds the fiscal impact statements to be useful and continues to support legislation requiring the General Assembly to consider the local impact of all bills prior to being enacted. This would include the biennial budget, capital appropriations bill, mid-biennium budget reviews, and any budget corrections bill which are now exempted from such local impact statements.

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.

FISCAL NOTES FOR BILLS ENACTED
IN 2013 REQUIRING
LOCAL IMPACT STATEMENTS

Ohio Legislative Service Commission

Michele Perch

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 167 of the 130th G.A.

Date: June 27, 2013

Status: As Enacted

Sponsor: Reps. Grossman and Heard

Local Impact Statement Procedure Required: Yes

Contents: Revises the laws regarding internal auditing, levies, and the management of district and community schools in the Columbus City School District

State Fiscal Highlights

- The Ohio Department of Education (ODE) may incur minimal administrative costs to enter into a sponsor agreement with the mayor of Columbus. However, these costs will likely be absorbed within ODE's existing resources.

Local Fiscal Highlights

- The bill requires the Columbus City School District to request voter approval for the creation of an independent auditor position. If approved, the district's expenditures will increase to support the operations of the auditor and to provide compensation to the auditor and any additional personnel hired to support the auditor.
- The bill authorizes and requires the Columbus City School District to levy a tax for the current expenses of the district and certain community schools. If a levy is passed, district schools and partnering community schools will experience revenue gains each year for as long as the levy is in effect.
- The Columbus City School District will incur elections-related costs for both ballot questions under the bill. These costs include ballot advertising and holding elections. Costs will depend on the ballot advertising procedures that apply and whether the ballot issues appear on the general election or special election ballot.
- The bill authorizes the mayor of Columbus to sponsor community schools located in the district. To cover the costs of sponsorship, community school sponsors are permitted under continuing law to receive sponsorship fees from each sponsored school equal to 3% of each school's operating revenues.
- Columbus City Council may incur administrative expenses for establishing standards for community schools sponsored by the mayor.

Detailed Fiscal Analysis

The bill revises the laws pertaining to the management of district schools and community schools located in a school district with an average daily membership (ADM) greater than 60,000 and located in a city with a population greater than 700,000. Specifically, the bill addresses laws governing internal auditing, levies, and the oversight of community schools. As of this writing, the only school district in Ohio that meets the ADM and population requirements described above is the Columbus City School District. For simplicity, this Fiscal Note assumes that the laws modified by the bill affect only the Columbus City School District. Provisions of the bill with a possible fiscal effect are discussed below. For a complete description of the bill's provisions, please see the LSC Bill Analysis.

Independent auditor

The bill requires the Columbus City School District Board of Education to request voter approval on the general election ballot to hire an independent auditor, who would be responsible for all internal auditing functions of the district. A selection committee, which is charged with choosing the auditor, is responsible for recommending the auditor's compensation to the Board of Education. (The selection committee itself serves without compensation.) If the position is approved, the Board of Education must execute a written contract of employment for the auditor and appropriate funds to support the operations and functions of the auditor. Among other tasks, the bill requires the auditor to recommend to the Board the employment of personnel necessary to carry out the activities of the auditor and to propose a budget for the activities of the auditor and associated staff. If sufficient funds are available, the bill also permits the auditor to obtain the services of certified public accountants, qualified management consultants, or other experts. Under the bill, the auditor serves a five-year term, which may be renewed by the selection committee.

Ultimately, the auditor's budget will be determined by the Columbus Board of Education. Expenses will include the auditor's compensation outlined in the employment contract, compensation for any additional hires recommended by the auditor, and other operating expenses for the functions of the auditor and the auditor's staff. If approved, the auditor position will presumably be filled by March 31, 2014. Most of the expenses related to this provision will begin on that date and continue for the duration of the auditor's term.

Current expense levy

The bill requires the Columbus Board of Education to propose a levy for the current expenses of the school district, a portion of which will be shared with certain partnering community schools. The bill requires the district to create a "Partnering Community Schools Fund" for the deposit of levy funds that are to be directed to partnering community schools. The Board may distribute all or a portion of the funds in the Partnering Community Schools Fund to those schools, and must distribute funds at least three times per fiscal year. Funds distributed to partnering community schools are subject to audit by the independent auditor. If a shared levy is approved, partnering community schools will receive funds in proportion to their enrollment of "resident" students, which are those students who are entitled to attend a Columbus City School District school. The bill also specifies that if a shared levy is approved, partnering community schools must receive a portion of state reimbursements for property tax rollbacks and the homestead exemption. Under current law, the Cleveland Municipal School District (CMSD) is the only district in the state specifically authorized to propose a levy in which revenues are shared with community schools.[1] On November 6, 2012, CMSD voters approved a four-year, 15 mill levy; one mill generating over $5 million is directed to community schools.

The levy required under the bill establishes a new potential revenue source for community schools in Columbus. Under current law, community schools only receive funding through deductions from school districts' state aid (at least $5,704 per pupil) and public and private grants. If a levy for the district and partnering community schools is approved, the district also will experience a gain in revenues. The amount of the revenue gain will depend on the number of mills levied and the taxable property value of the district. Partnering community schools' revenues will also depend on how much the district chooses to distribute from the Partnering Community Schools Fund in each year. In tax year 2012, the taxable value of the Columbus City School District is approximately $9.0 billion. One mill will generate about $9.0 million for the district and partnering community schools.

Cost of ballot issues

Election expenses

The allocation of costs for holding elections on (1) the ballot issue concerning the hiring of an independent auditor as required by the bill, or (2) the operating levy permitted under the bill are handled differently under current law, depending on whether the measures appear on a general election ballot or on a special election ballot. Under the bill, the question concerning the position of independent auditor must be submitted to the voters at the general election occurring at least 90 days after the bill's (immediate) effective date. The operating levy question, however, may be placed on either the next special election or next general election ballot, whichever comes first. If either question is placed on the general election ballot, then the Columbus City School District will only be responsible for the cost of printing ballots and ballot advertising costs. If the levy question appears on a special election ballot, then the Columbus City School District will incur the entire cost of conducting the special election, including poll worker salaries, voting machine preparation, ballot printing, ballot advertising, and other related expenses. Based on recent elections, the Secretary of State has estimated

[1] Sub. H.B. 525 of the 129th General Assembly.

that precinct operating costs for special elections can range from $800 to $1,500 per precinct, depending on the location and number of voters in those precincts.

Ballot advertising costs

Apart from the cost of holding an election, the Columbus City School District will incur ballot advertising costs for both ballot questions provided for under the bill. Under the bill, however, the ballot advertising procedures and costs could vary. The ballot question on creating the independent auditor position must be advertised in a newspaper of general circulation for at least two consecutive weeks, either in full length or in abbreviated form under Section 7.16 of the Revised Code. The abbreviated process requires the first publication to be in full, but allows for subsequent publications to be in shorter form. The publication and ballot advertising for the levy question must appear for at least two consecutive weeks, but the language may not be in abbreviated form.

Ultimately, the ballot advertising costs for both measures will depend on the length of the issue that will appear on the ballot, whether or not the Columbus City School District opts to use the abbreviated publication process for the ballot question on the independent auditor, and the advertising rate charged by the newspaper of general circulation within the school district. *The Columbus Dispatch's* political advertising rate is $6.13 per line, per day, on publications appearing Monday through Saturday, and $6.94 per line, per day, on publications appearing on Sunday.

Sponsorship of community schools

The bill permits the mayor of Columbus to sponsor any start-up community school located in the Columbus City School District, as long as city council approves the mayor to act as a sponsor and establishes standards with which partnering community schools must comply. The mayor must also enter into a sponsor agreement with the Ohio Department of Education (ODE). Under current law, any sponsor may collect a fee from its sponsored schools to cover the costs associated with sponsorship. The amount of this fee may equal up to 3% of each school's state operating revenue. Like any other sponsor under continuing law, the mayor's office will be permitted to receive this sponsorship fee under the bill.

The Columbus City Council may incur administrative expenses for establishing standards for community schools sponsored by the mayor. In addition, ODE may experience a minimal administrative burden for entering into a sponsor agreement with the mayor. However, any costs incurred will likely be absorbed within ODE's existing resources.

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Ohio Legislative Service Commission

Terry Steele

Fiscal Note & Local Impact Statement

Bill: Am. S.B. 10 of the 130th G.A. **Date**: March 20, 2013

Status: As Enacted **Sponsor**: Sens. Coley and Smith

Local Impact Statement Procedure Required: Yes

Contents: Revises the law regarding polling places and certain voting procedures

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- **In-Person Absent Voting Locations**. The bill requires county boards of elections to permit all individuals that are in line at an in-person absent voting location at the location closing time to cast their ballots. As a result, largely depending on county voting population and type of election, this could increase costs for certain boards of elections. Any additional expense would be paid from county general funds.
- **Voting Time Limit**. The bill increases the time an individual is allowed to occupy a voting machine from five to ten minutes in certain cases. This may result in longer lines, which in conjunction with the requirement of allowing all individuals in line at the time of closing to vote, could also increase costs for boards of elections in particular circumstances.

Detailed Fiscal Analysis

Overview

The bill revises several provisions of election law that pertain to polling place hours of operation, access, and the use of voting machines, particularly by individuals that are disabled or illiterate. Of these provisions, those dealing with in-person voting location hours of operation and voting time limits could possibly increase costs for boards of elections. These additional costs would be borne by the applicable county's general fund. Otherwise, the remaining provisions of the bill do not appear to have a direct fiscal impact.

In-person absent voting locations

Under the bill, electors who are waiting in line at the time of the close of early absent voting on a particular day must be permitted to cast their ballots before the in-person absent voting location closes. While it is not likely that many polling locations would need to be open for an extended period of time, it is possible in some circumstances, most likely in busier locations, that in-person polling locations could be open for extended periods after official operating hours.

LSC surveyed several larger counties to determine their early voting costs during the 2008 and 2010 general elections. Responses from Cuyahoga County and Montgomery County provided estimates as to the hourly rate of conducting early voting. Both counties provided general estimates of the hourly cost for operating early voting that extended beyond each county's regular operating hours. These costs encompass overtime pay and other overhead expenses incurred for keeping early absent voting locations open. Montgomery County reported total overtime costs of $750 per hour for the 2008 general election. Cuyahoga County indicated that the county's cost per hour for extended voting hours was $1,056 for the 2008 general election, including all overtime, overhead, and other personnel costs. In contrast, the county's cost for extended voting during the 2010 general election was in the range of $400 per hour, for a total early voting cost of just over $10,000. During the 2008 general election, Cuyahoga processed ballots for 21,860 early voters. There were 1,431 such ballots processed during the 2010 general election.

It should also be noted that three counties (Franklin, Delaware, and Lucas) operated alternate sites for early voting purposes. Typically, early voting is done at the county board of elections. However, if a county decides to operate an alternate location, the costs of remaining open for a longer period of time could be greater than if early voting was held at the county board of elections. Concurrently, it is also possible that operating an alternative site may allow for more voters to cast their vote, thereby reducing lines and the likelihood of having to operate extended hours. Therefore, the overall cost increase associated with extended polling location hours will hinge on the type of election being held, and how many individuals are in line at the time a polling location closes, and the type of early voting location. It is likely that counties with larger populations would most likely be affected, but the frequency with which early voting locations would remain open beyond official hours will depend on voter interest and the candidates and issues on the ballot. Any additional cost incurred by boards of elections would be paid from the county general fund.

Voting time

The bill also increases from five minutes to ten minutes the maximum time a voter may occupy a voting compartment or use a voting machine when all voting machines are in use. The time limit is waived for voters who are disabled and require accommodation under the Americans with Disabilities Act (ADA) of 1990. Much as above, depending on the circumstances, this provision could potentially increase waiting times and cause voting lines to be longer in certain circumstances.

Disabled voters and polling place access

The bill contains several other provisions relating to accessibility of polling places for disabled voters and for providing voting assistance to disabled and illiterate voters. The bill removes Revised Code specifications for polling location entrance ramp dimensions, replacing these standards with those as required under the ADA of 1990, as the latter have superceded the previous Revised Code requirements. The bill also permits disabled individuals who cannot access a polling location to vote in their vehicles under certain circumstances. Finally, the bill creates an exception to the 100 foot rule for news journalists. The 100 foot rule was previously not enforced against journalists. These provisions appear to have no direct fiscal effect.

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Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: Am. S.B. 28 of the 130th G.A.

Date: March 20, 2013

Status: As Enacted

Sponsor: Sen. Obhof

Local Impact Statement Procedure Required: Yes

Contents: Incorporates changes to the Internal Revenue Code into Ohio law, allows a distribution center to qualify for the commercial activity tax exclusion for receipts from sales to qualified distribution centers if it does not currently meet the exclusion requirements but expects to meet those requirements within three years, and declares an emergency

State Fiscal Highlights

STATE FUND	FY 2013	FY 2014	FUTURE YEARS
General Revenue Fund			
Revenues	Loss of $23.6 million or more	Loss of $55.3 million or more	Annual loss up to $34.6 million
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2013 is July 1, 2012 – June 30, 2013.

- Incorporating changes to the Internal Revenue Code (IRC) into Ohio law will reduce Federal Adjusted Gross Income (FAGI) for Ohio taxpayers, and reduce Ohio revenues because FAGI serves as the starting point for determining Ohio Taxable Income. GRF revenue losses would be $23.6 million or more in FY 2013, $55.3 million or more in FY 2014. Annual losses in future years may be up to $34.6 million.
- Allowing a distribution center to qualify for the commercial activity tax (CAT) exclusion for receipts from sales to qualified distribution centers (QDC) if it does not currently meet the exclusion requirements but expects to meet those requirements within three years will potentially affect CAT revenues. The fiscal effect of this provision cannot be determined, though it may result in a CAT revenue loss if it increases the number of QDCs or lowers the total amount of taxable gross receipts.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2013	FY 2014	FUTURE YEARS
Counties, municipalities, townships, and public libraries (LGF and PLF)			
Revenues	- 0 -	Loss of $1.9 million or more	Loss up to $1.2 million
Expenditures	- 0 -	- 0 -	- 0 -
School districts that levy a school district income tax (SDIT)			
Revenues	Potential loss up to $0.5 million	Potential loss up to $1.1 million	Potential loss up to $0.7 million
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The reductions to FAGI would reduce Local Government Fund (LGF) and Public Library Fund (PLF) revenues by $1.9 million or more in FY 2014, and future year losses may be up to $1.2 million.
- The reductions to FAGI will reduce the tax base for the majority of the Ohio school districts that levy a school district income tax (SDIT). As of January 2013, 147 school districts levy an SDIT where Ohio taxable income serves as the base, and approximately 8.5% of Ohio's taxable income is attributable to one of these 147 school districts. Potential SDIT revenue losses would be up to $0.5 million in FY 2013, up to $1.1 million in FY 2014, and up to $0.7 million in future years. Revenue estimates assume taxpayers affected by the changes to IRC are uniformly distributed across Ohio's taxing jurisdictions.

Detailed Fiscal Analysis

The bill incorporates changes to the Internal Revenue Code (IRC) since December 20, 2012 into Ohio income tax law. 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 changes have been made to the IRC since the last time Ohio conformed to federal income tax law (Am. Sub. H.B. 472 of the 129th General Assembly), and some of the changes are estimated to have materially changed Federal Adjusted Gross Income (FAGI). Ohio's income tax returns start with FAGI, and the reduction in FAGI affects Ohio Taxable Income (OTI).

The latest assorted federal changes being incorporated are those enacted by H.R. 8, the "American Taxpayer Relief Act of 2012," which took effect January 2, 2013. Most of the foregoing provisions are extensions of pre-2013 federal provisions. Many of them are extended only for a limited period of time (i.e., through December 31, 2013). The principal amendments to federal law the bill incorporates are the following income tax provisions:

- Elementary and Secondary School Teacher Deduction;
- Qualified Tuition Expenses Deduction;

- Exclusion of IRA Distributions for Charitable Purposes;
- Increased Depreciation for Certain Qualified Leasehold Improvements, Restaurant Property, and Retail Improvement Property;
- Bonus Depreciation Deductions and Enhanced Expensing (Ohio departs from federal income tax law and generally requires taxpayers to spread the immediate tax reductions from Bonus Depreciation and Enhanced Expensing in equal parts across three to six years);
- Exclusion of 100% of Gain on Certain Small Business Stock;
- Exclusion of Discharge of Principal Residence Indebtedness for Individuals;
- Parity for Exclusion for Employer-Provided Mass Transit and Parking Benefits;
- Permanent Exclusion for Employer-Provided Educational Assistance;
- Permanent Exclusion of National Health Service Corps and Armed Forces Scholarships; and
- Permanent Exclusion for Paid Interest on Qualified Education Loans.

Fiscal effect

Many of the extensions authorized by H.R. 8 that have a state fiscal effect were scheduled to sunset December 31, 2013. Their primary fiscal effect will be on taxes filed for TY 2012 and TY 2013, which corresponds to filing periods in FY 2013 and FY 2014. Ohio's dependent care credit is identified separately because it is the only provision that is not an income exclusion; all other provisions affect FAGI. The amount of Ohio's credit is dependent on the federal dependent care credit. H.R. 8 made permanent the previous expansion of the federal dependent care credit. Table 1 summarizes the tax extensions contained in the American Taxpayer Relief Act of 2012, and their state revenue effects by fiscal year.

Table 1. State Fiscal Effect of IRC Extensions Contained in H.R. 8 and Expiring Deductions (amounts in millions)			
Type of IRC Extension	**FY 2013**	**FY 2014**	**Future Years**
Permanent Extension of Income Exclusions	($1.8)	($9.1)	($9.6)
Permanent Extension of Dependent Care Credit Expansion	0	($8.8)	($9.0)
Temporary Individual Tax Provisions	($9.3)	($10.1)	0
Temporary Business, Non-Bonus Depreciation Tax Provisions	($2.0)	($1.0)	($0.4)
Temporary Business, Bonus Depreciation & Section 179 Tax Provisions	($10.5)	($28.3)	($16.8)
Total	**($23.6)**	**($57.3)**	**($35.8)**

The Joint Committee on Taxation (JCT) estimated the federal revenue effects of the IRC extensions contained in H.R. 8, and these estimates served as the basis for the Ohio fiscal effect in Table 1. All of the federal tax provisions were converted into a taxable income base using the appropriate federal tax rates. Ohio was assumed to have 4% of that tax base because Ohio's share of the nation's income is approximately 4%. Not all of the Ohio-sourced income affected by H.R. 8 will be subject to the personal income tax (PIT) – some will be income to entities taxed under the Commercial Activity Tax, the Financial Institutions Tax, and other state taxes. All individual tax extension provisions are assumed to have an impact on PIT, but only a fraction – 15% or less depending on the provision – of the business tax extenders are likely to impact PIT revenues (*reflecting the fact that many businesses file PIT returns as pass-through entities).*[2] Appropriate PIT rates were applied to all of the relevant Ohio-sourced income to determine the state fiscal effect in Table 1.

The business tax extenders concerning bonus depreciation required a separate methodology because the Revised Code spreads the state revenue impact over a period that can be as long as six years. The fiscal effect for the bonus depreciation provisions will continue beyond its two-year extension because of the add-back and expensing formula specified in the Revised Code. The bonus depreciation amounts apply to property placed into service after December 31, 2012, so much of the fiscal effect is centered in FY 2014, but the increased Section 179 expensing applies to the tax year beginning after December 31, 2011, so some fiscal effect will be reflected in FY 2013.

Finally, the extent of revenue losses identified in Table 1 is dependent on taxpayer behavior. The largest fiscal effect is attributed to bonus depreciation, and it is very difficult to predict behavioral responses to that type of incentive. If taxpayer behavior differs from that predicted by JCT, revenue losses could substantially differ from estimates.

Local Government Fund and Public Library Fund

Receipts from the personal income tax are deposited into the GRF. Under permanent law, a portion of GRF tax receipts are subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). Am. Sub. H.B. 153 (the operating budget act for FYs 2012 and 2013) fixed the LGF and PLF transfer amounts at predetermined levels so that any increase (or decrease) in tax receipts during the biennium will affect the GRF only. For FY 2014 and subsequent years, transfers to the LGF and PLF will resume based on a fixed percentage, but the applicable percentage is not yet known. The Tax Commissioner will determine, by July 5, 2013, the ratio of FY 2013 transfers to the respective funds to total FY 2013 GRF tax revenues. Subsequent transfers to the LGF and PLF will be based on those respective ratios. At this time, LGF and PLF shares of total GRF tax receipts are estimated at 1.69% and 1.67%, respectively, during the FY 2014-FY 2015 biennium. The revenue loss to the local government funds due to S.B. 28 is likely to be $1.9 million or more in FY 2014, and future year losses would be up to $1.2 million.

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[2] Pass-through entities include partnerships, S corporations, joint ventures, limited liability companies, and any other business entity that is not a trust or corporation and has not elected to be classified as a C corporation.

School district income tax

School district income taxes (SDIT) are based on either the Ohio Taxable Income of taxpayers residing in the school district or the portion of that income that is earned income, generally limited to wages and self-employment income. School boards and voters of individual school districts choose whether to enact income taxes in their districts and which of these two tax bases to use. For school districts in which OTI serves as the starting point for the calculation of school district income taxes, the reduction in FAGI will reduce OTI and the school district income tax revenues derived from Ohio taxable income. As of January 2013, 147 school districts levy an SDIT where OTI serves as the tax base, and approximately 8.5% of Ohio's taxable income is attributable to taxpayers in one of these 147 school districts. The amount of the local revenue reduction for each respective school district depends on the number (if any) of taxpayers in that district that are impacted by the IRC changes recognized for conformity by S.B. 28. Potential statewide revenue losses would be up to $0.5 million in FY 2013, up to $1.1 million in FY 2014, and up to $0.7 million in future years. These revenue estimates assume taxpayers affected by the changes to IRC are uniformly distributed across Ohio's taxing jurisdictions.

Commercial activity tax

Under the bill, an operator of a distribution center may attain a "qualifying certificate" from the Tax Commissioner to become a qualified distribution center (QDC) for purposes of the commercial activity tax (CAT) if the operator, which does not currently qualify to be a QDC for an entire qualifying period under existing law, demonstrates its business operations have changed or will change such that the distribution center will qualify as a QDC within 36 months after the date the operator first applies for a certificate. The provision also creates a penalty of $500,000, if during a year, an operator of a QDC fails to meet the requirements of QDC provisions in current law for that year. LSC does not possess the information necessary to estimate or foretell future business operations of existing or potential CAT taxpayers; thus, the fiscal effect of this provision cannot be determined, though it may result in a CAT revenue loss if it increases the number of QDCs or lowers the total amount of taxable gross receipts.

A share of CAT receipts is distributed to the GRF, and the remaining portion of receipts is earmarked for school districts and other local governments. Under current law, 50% of CAT receipts are distributed to the GRF, 35% to the School District Tangible Property Tax Replacement Fund (Fund 7047) and 15% to the Local Government Tangible Property Tax Replacement Fund (Fund 7081). CAT receipts that are deposited into Fund 7047 and Fund 7081 are used to reimburse school districts and other units of local government for lost revenues from the phase-out and reductions in tangible personal property taxes enacted by H.B. 66 of the 126th General Assembly. If CAT receipts are insufficient for the reimbursements, current law requires a GRF subsidy to the two replacement funds.

Emergency clause

The bill includes an emergency provision which makes its provisions effective as soon as signed into law.

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Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: Am. S.B. 112 of the 130th G.A.

Date: June 27, 2013

Status: As Enacted

Sponsor: Sen. Beagle

Local Impact Statement Procedure Required: Yes

Contents: To extend the time during which local governments may enter into enterprise zone agreements by two years to October 15, 2015, and to create an enterprise zone program review council

State Fiscal Highlights

- Creates an enterprise zone program review council for the purpose of evaluating and making recommendations with respect to the enterprise zone program. Made up of six legislators, the bill provides no specific funding for the council.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2013	FY 2014	FUTURE YEARS
Counties and School Districts			
Revenues	Potential loss	Potential loss	Potential loss
Expenditures	- 0 -	- 0 -	- 0 -
Municipalities and Other Local Governments			
Revenues	Potential loss, but revenue loss is permissive	Potential loss, but revenue loss is permissive	Potential loss, but revenue loss is permissive
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- A county may lose property tax revenues for multiple years from an enterprise zone (EZ) agreement that is either created or extended to October 15, 2015 by the legislative authority of a municipal corporation located within the county, using the authorization provided by S.B. 112.
- School districts may lose property tax revenues for up to ten years for those EZ agreements where their approval is not required.
- Municipalities and other local governments (including counties, when applicable) that create or extend an EZ agreement under the bill may lose revenue over multiple years, but their revenue loss would be permissive.

Detailed Fiscal Analysis

S.B. 112 extends the time during which local governments may enter enterprise zone (EZ) agreements from October 15, 2013 to October 15, 2015.

Under continuing law, counties and municipal corporations may designate areas within the county or municipal corporation as "enterprise zones." After designating an area as an enterprise zone, the county or municipal corporation must petition the Director of Development Services for certification of the designated enterprise zone. If the Director certifies a designated enterprise zone, the county or municipal corporation may then enter into enterprise zone agreements with businesses for the purpose of fostering economic development in the enterprise zone. Under an enterprise zone agreement, the business agrees to establish or expand within the enterprise zone or to relocate its operations to the zone in exchange for property tax exemptions and other incentives.

S.B. 112 creates an enterprise zone program review council for the purpose of evaluating and making recommendations with respect to the enterprise zone program. The council will consist of two members of the House of Representatives appointed by the Speaker of the House of Representatives, one member of the House of Representatives appointed by the Minority Leader of the House of Representatives, two members of the Senate appointed by the President of the Senate, and one member of the Senate appointed by the Minority Leader of the Senate.

The council must "review the positive and negative impacts of the enterprise zone program and evaluate its overall effectiveness in terms of achieving the initial goals of the program as well as generating a positive return on investment for participating political subdivisions."

The council must compile a report that makes recommendations as to whether to continue the enterprise zone program and, if so, whether any changes should be made to the program. The report must be delivered to the Governor, the Speaker and Minority Leader of the House of Representatives, and the President and Minority Leader of the Senate on or before August 31, 2015. Upon delivery of the report, the council will dissolve.

Fiscal effect

Enterprise zone agreements authorize real and tangible personal property tax exemptions for those areas designated by the local legislative authority, and the agreements can be up to ten years or more.[3] Thus, the revenue loss to local governments or municipalities that grant an exemption is permissive. However, counties would lose

[3] If the EZ agreement is in excess of ten years, the agreement requires approval by the school district(s) that have property within the enterprise zone. Under these circumstances, the agreement can be up to 15 years.

property tax revenues for any EZ that is either created or extended by a municipal legislative authority using the authorization provided in the bill. School districts would lose revenues only on EZ agreements for which their approval is not required. (Under current law, school districts must approve agreements that exceed certain thresholds.)

The bill does not appropriate funds for the enterprise zone program review council.

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Appendix

All House Bills Enacted in 2013

House Bill	LIS Required?	Subject
1	No	Requires county One-Stops to use OhioMeansJobs as their job placement system and renames county One-Stops as OhioMeansJobs sites
2	No	Requires claimants of unemployment compensation to register with OhioMeansJobs
3	No	Specifies licensing and continuing education requirements for insurance agents involved in selling, soliciting, or negotiating sickness and accident insurance through a health benefit exchange, alters cost-sharing requirements imposed on health insuring corporations, and makes other changes
7	No	Modifies the law pertaining to schemes of chance and sweepstakes terminal devices
12	No	Allows the Board of Building Standards to establish rules to eliminate the requirement for certain boilers and steam engines to be operated by licensed boiler operators or steam engineers
14	No	Requires the release of student records under certain conditions
23	No	Creates the "Ovarian Cancer Awareness" license plate and makes corrections to certain memorial highway designations
29	No	Establishes conditions for watercraft safety inspections and declares an emergency
33*	No	Makes appropriations for the Ohio Industrial Commission for the FY 2014-FY 2015 biennium
34*	No	Makes appropriations for the Bureau of Workers' Compensation for the FY 2014-FY 2015 biennium
37	No	Creates the SharedWork Ohio Program and makes other changes to unemployment law
51*	No	Authorizes the Ohio Turnpike Commission the Ohio Turnpike and Infrastructure Commission to issue bonds for eligible highway infrastructure projects, and makes transportation and public works appropriations for the FY 2014-FY 2015 biennium
59*	No	Makes operating appropriations for the FY 2014-FY 2015 biennium
67	No	Delays determinations by the Public Employees Retirement System of eligibility for retirement system membership and declares an emergency
72	No	Modernizes the county recorders law and modifies recent amendments to tax related law
77	No	Designates October as "Manufacturing Month"
83	No	Implements changes to the State Board of Psychology
97	No	Designates October as "Dyslexia Awareness Month"
98	No	Revises licensing procedures for military service members and veterans, and declares an emergency
110	No	Creates various special license plates
112	No	Allows contributions of income tax refunds to the Ohio Breast Cancer and Cervical Cancer Project and sets requirements for participation in the income tax refund contribution system
126	No	Modifies the law pertaining to durable power of attorney for health care
127	No	Designates March as "Career-Technical Education and Skilled Workforce Development Month"
138	No	Modifies the law governing the Board of Tax Appeals
141	No	Abolishes the Fostoria Municipal Court and the Tiffin Municipal Court, creates the Tiffin-Fostoria Municipal Court, and declares an emergency
142	No	Makes changes to the law governing child abuse and neglect prevention advisory board allocation plans and fiscal operations

House Bill	LIS Required?	Subject
147	No	Requires a surgeon performing a mastectomy in a hospital to guide the patient and provide referrals
149	No	Designates September 10 as "Suicide Prevention Day"
167	Yes	Revises the laws regarding internal auditing, levies, and the management of district and community schools in the Columbus City School District
177	No	Prohibits the manufacture, import, or sale of a counterfeit or nonfunctional motor vehicle air bag and increases certain penalties
311	No	Modifies and corrects recent amendments to tax laws

* Not required for budget bills

All Senate Bills Enacted in 2013

Senate Bill	LIS Required?	Subject
1	No	Creates the OhioMeansJobs Workforce Development Revolving Loan Program and makes an appropriation
4	No	Modifies the law pertaining to newborn screening for critical congenital heart defects
7	No	Makes changes to reporting of court-ordered treatment to local law enforcement
9	No	Makes changes to the procedure for submission and review of a health insuring corporation's solicitation document, and suspends the enforcement of the Ohio Open Enrollment Program, the Ohio Health Reinsurance Program, and the option for conversion of health insurance contracts or policies under certain circumstances during the period beginning January 1, 2014 and expiring January 1, 2018
10	Yes	Revises the law regarding polling places and certain voting procedures
21	No	Revises the requirements of the Third Grade Reading Guarantee, revises the laws regarding facilities of a college-preparatory boarding school, and declares an emergency
23	No	Modifies the law pertaining to access of adoption records
24	No	Designates October 15 as "Pregnancy and Infant Loss Remembrance Day"
26	No	Corrects a statutory cross reference in law regarding concussion and head injury protocol for youth sports organizations and declares an emergency
28	Yes	Incorporates changes to the Internal Revenue Code into Ohio law, allows a distribution center to qualify for the commercial activity tax exclusion for receipts from sales to qualified distribution centers under certain conditions, and declares an emergency
33	No	Designates the Adena Pipe as the official artifact of the state
38	No	Designates the first full week of October as "Nonviolence Week"
47	No	Revises various provisions of the Elections Law
48	No	Creates the A-1c liquor permit for beer manufacturers that produce beer below specified quantities and makes other changes to the Liquor Control Law
57	No	Establishes the Lorain County Pilot Project regarding the administration of naloxone
64	No	Modifies the law pertaining to criminal child enticement, and declares an emergency
66	No	Revises the Agricultural Commodity Handlers Law
67	No	Authorizes the use of agreed upon audit procedures for certain political subdivisions and makes other changes
68	No	Makes various changes to the laws governing suspended public officials, architects and landscape architects, and declares an emergency
94	No	Designates the first week of October as "Forest Products Awareness Week"
109	No	Makes revisions to the Elections Law
112	Yes	Extends the time during which local governments may enter into enterprise zone agreements by two years to October 15, 2015, and creates an enterprise zone program review council
115	No	Establishes a moratorium on new sweepstakes establishments and declares an emergency
137	No	Requires motor vehicle operators to move over or slow down and approach with caution when approaching certain stationary vehicles on the side of a highway and declares an emergency
193	No	Revises the process for determining political party status and establishing new political parties
200	No	Modifies the law pertaining to the Statewide Voter Registration Database

Senate Bill	LIS Required?	Subject
201	No	Conveys state-owned property to Step by Step Academy, Inc., and declares an emergency
206	No	Requires implementation of certain Medicaid revisions, reforms, and program oversight functions, permits a board of county commissioners to establish a county Healthier Buckeye council, and makes an appropriation

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