County Commissioners Association of Ohio

Serving Ohio Counties Since 1880

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On behalf of the County Commissioners Association of Ohio, thank you for this opportunity to provide comments regarding the 2016 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, which, in addition to serving as a vehicle for the state funding plan, also tends to contain tax policy changes that impact county revenues. In 2016, HB 49, the biennial budget bill, completely eliminated and did not provide a revenue replacement mechanism for the sales tax on Medicaid managed care organization services. Instead, the budget bill provided one-time transitional aid based upon reliance and tax capacity of the individual counties. This tax accounted for almost 8 percent of total county sales tax revenue in 2016, and its elimination reduced county sales tax revenues by $166 million annually.

Two of the six bills requiring a Local Impact Statement deserve separate mention here.

SB 9 now makes permanent the "sales tax holiday" for back-to-school clothing and school supplies. CCAO has traditionally opposed sales tax holiday legislation along with other proposed exemptions from the sales tax because enactment of an exemption could reasonably be expected to reduce county sales and use tax collections. For counties, a reduction in the sales tax base has s direct impact on revenue received, as the piggy back sales tax is now the primary source of revenue for counties. Furthermore, a tax policy change that affects the revenue flowing into the state's general revenue fund such as the sales tax holiday, and also the elimination of the sales tax on Medicaid managed care services, impacts the allocation of revenue deposited into the Local Government Fund (LGF). Because a fixed percentage of state general fund revenues are transferred to the LGF, any fluctuation in the state's general fund receipts has a corresponding impact upon 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.

Provisions in HB 69 authorized additional payments to the counties to help them transition from the loss of the Medicaid managed care sales tax. An initial distribution of $50 million was made with the potential to receive an additional $30 million from surplus revenue exceeding state expenditures, if any, during the state fiscal year from July 2017 through June 30 2018. State revenue receipts exceeded expenditures and as a result the counties received the additional $30 million. Through this legislation, the Legislature recognized it needed to provide additional support to its county partners and CCAO greatly appreciates the passage of this legislation.

It must be remembered that 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 all legislation enacted for its impact upon Ohio's local governments through the LIS process.

Only then will the General Assembly and the public fully appreciate the impacts that unfunded mandates and policy decisions have upon the counties and other local governments.

CCAO wishes to recognize the long-standing professionalism and expertise of the LSC staff and our excellent working relationship with the LSC.

Sincerely,

Suzanne

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CCAO Executive Director