



# OHIO TOWNSHIP ASSOCIATION

HEIDI M. FOUGHT, EXECUTIVE DIRECTOR  
6500 TAYLOR ROAD, SUITE A  
BLACKLICK, OH 43004  
PHONE: 614-863-0045 FAX: 614-863-9751  
OHIO-TOWNSHIPS.ORG

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The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the 2023 Local Impact Statement (LIS) Report. The LIS Report is an important educational resource for our members and the members of the General Assembly as it highlights the effect previously passed legislation will have on townships' budgets and keeps legislators and local officials aware of any unfunded mandates created in legislation.

The fiscal impact legislation may have on townships is often underestimated, but the Legislative Service Commission has done an excellent job of recognizing the impacts. A total of eight bills enacted in 2022 have a fiscal impact on local governments, according to the LIS Report.

Of those eight bills, two directly impact townships - HB 37 and HB 371. House Bills 37 and 371 mandate specific health insurance coverage, including those plans offered by local governments. While changes to the law may be necessary, townships generally need expendable income to address mandates such as these.

Six of the eight bills have varying levels of impact on the Local Government Fund (LGF). Most of these bills have great intentions, but all will unintentionally affect the state's Local Government Fund, from which all townships benefit. During the Great Depression, local governments experienced grave financial difficulties, and property tax delinquencies were high. In the 1930s, the Ohio Constitution was amended to reduce unvoted property tax millage, and the state's first sales tax was passed. The LGF was established at the same time. One of the purposes of the sales tax was to "support local government activities." The LGF initially received about 40% of the sales tax, beginning the "revenue sharing" principle between state and local governments. Today the LGF is funded at 1.66% of the state's GRF.

Monies 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 cannot compensate for the lost LGF revenue by passing other taxes, such as income or sales tax. Any lost LGF revenue will require additional property tax levies.

While the 2023 LIS Report is a helpful review of legislation passed in the previous year and its impact on local governments, it must give the complete picture. For example, House Bill 126 limits the filing of property tax complaints by persons or political subdivisions other than the owner. Additionally, the bill prohibits appeals of county Board of Revisions decisions by subdivisions unless they own the subject property. Both could result in lower taxable values and property tax revenues for townships. House Bill 140 modifies how information about proposed property tax levies is presented to voters in required ballot advertising and on the actual ballot. The changes will make it more difficult for townships to pass property tax levies.

Most township revenue comes from property tax and state/local tax sharing. It is important to note that many of these property tax levy funds are restricted by the Ohio Constitution and cannot be used for general purposes. Reduction in property valuations, permanent or temporary, or changes to levy law will cause a decrease in a vital revenue stream for townships.

House Bill 377 contains a provision that could save townships substantial money. Townships are not required to provide health care coverage to employees, but if they do, they must provide uniform coverage to township officers and full-time employees, including first responders. The bill increases the threshold number of hours affected township employees who are first responders are expected to work to qualify as full-time.

Although the actual impact these new laws will have on townships will be known once the laws are put into practice, the fiscal analyses provide a base for which townships can 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 compiling this data, as it is genuinely beneficial to legislators and local government groups.