

# Local Impact Statement Report For Bills Enacted in 2016



Ohio Legislative Service Commission

September 2017

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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 2017 Report covers the 137 bills enacted in calendar year 2016, nine 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 2016 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 2016, please see the LSC Fiscal Notes for those laws, which are available on the General Assembly's website ([www.legislature.ohio.gov](http://www.legislature.ohio.gov)) by clicking on *Legislation/Search Legislation*.

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 versions of the Fiscal Notes for the nine bills enacted in 2016 that required an LIS and became law. All 87 House bills and 50 Senate bills enacted in 2016 are listed in the appendix.

This Report may be viewed online at [www.lsc.ohio.gov](http://www.lsc.ohio.gov) by clicking on *General Reference*, and then *Local Impact Statement Report* under the *Publications by Title* heading.

**LOCAL GOVERNMENT ASSOCIATION  
COMMENTS**



**County  
Commissioners  
Association of Ohio**

*Serving Ohio Counties Since 1880*

Suzanne K. Dulaney, Esq., Executive Director

209 East State Street • Columbus, Ohio 43215-4309

Phone: 614-221-5627 • Fax: 614-221-6986

Toll Free: 888-757-1904 • www.ccao.org

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 noted in this 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.

Counties are uniquely tied to the state as the provider of state services at the local level on the state's behalf. Counties operate as local branches of state government, with most state programs and services being delegated to county government for implementation.

Critical to the success of this partnership and the counties ability to implement state programs is the fiscal health of the counties. The county general fund is the chief operating fund of the county, and its revenue stability is a key indicator of the financial health of the county. The county general fund supports the operation of the nine county elected officials; the county and common pleas courts; and major program areas including the administration of justice, economic and workforce development, child support and adult protective services, elections and other vital county services. Counties rely upon a combination of permissive sales taxes, property taxes, charges for fees and services, intergovernmental revenue (including the Local Government Fund) and investment income to pay for these services. Because all of these revenue sources are governed by statutory provisions, decisions of the General Assembly can greatly impact the counties' receipt of funds from these resources.

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 receive the true picture of the impacts that unfunded mandates and policy decisions have upon the counties and other local governments.

CCAO thanks the Legislative Service Commission for the opportunity to comment on this report and wishes to acknowledge the long standing professionalism and expertise of the LSC staff.



County Risk  
Sharing Authority

Fax: 614-220-0209  
www.corsa.org



Fax: 614-229-4588  
www.cebco.org



County Commissioners  
Association of Ohio  
Service Corporation

Fax: 614-221-6986  
www.ccao.org



# Ohio Municipal League

*Our Cities and Villages \* Bringing Ohio to Life*

## OHIO MUNICIPAL LEAGUE

The Ohio Municipal League has reviewed the draft of the Local Impact Statement Report for Bills Enacted in 2016 and would like to make the following comments.

The report provides helpful information to organization representing local governments, their respective members and the public: information that would otherwise be difficult to compile. Shows that numerous pieces of legislation have a potential negative impact on local government whose officials are already faced with declining revenues.

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

MATTHEW J. DeTEMPLE, Executive Director  
HEIDI M. FOUGHT, Director of Governmental Affairs  
6500 Taylor Road, Ste. A  
Blacklick, OH 43004  
Phone: (614) 863-0045 Fax: (614) 863-9751  
[www.ohiotownships.org](http://www.ohiotownships.org)

The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the proposed *2017 Local Impact Statement Report*. The LSC Local Impact Report helps educate our membership and the members of the General Assembly on the effect certain legislation will have on township budgets and keeps legislators and local officials aware of any unfunded mandate created in legislation proposed and passed by the General Assembly.

As we have stated in the past, 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. 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.

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 2017 report, there are nine bills with a local impact, potentially resulting in a loss of dollars for township governments. Of the nine pieces of legislation that will potentially result in a negative net effect, three will result in a loss of revenue or an increase of expenditures for townships.

There were two bills (SB 2 & SB 172) passed in 2016 with a direct impact on the Local Government Fund (LGF). While the intent of the legislation is noble, the bills will result in lower income and sales tax revenue collected by the state and lower LGF revenues. The LGF receives 1.66% of the general revenue fund tax receipts in total collected by the state. A reduction in income tax revenues directly impacts the LGF percentage. 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.

House Bill 116 requires public employee benefit plans to provide coverage for medication synchronization, if specified conditions are met, as of January 1, 2017. In the detailed analysis of HB 116, it is estimated that local governments could see an increase in costs, both for the plan and the administration of said plan. According to a recent survey by the National Business Group on Health, healthcare plans are expected to cost five percent more in 2018, to an average cost of more than \$14,000 per employee. Townships are experiencing these types of healthcare costs as well.

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



Ohio School Boards  
Association

TO: Nelson Fox, Fiscal Division Chief

FROM: Richard Lewis, Executive Director  
Damon Asbury, Director of Legislative Services

DATE: August 28, 2017

RE: **2017 FISCAL IMPACT STATEMENT REPORT**

The Ohio School Boards Association (OSBA) is pleased to take advantage of the opportunity to review the 2017 Local Impact Statement Report on bills enacted in 2016. The Legislative Services Commission (LSC) report to the Ohio General Assembly and to the general public on the fiscal impact of certain specific legislation is a valuable service.

The 2017 Local Impact Statement Report highlights nine bills enacted during 2016 that require local impact statements. Five of the nine bills have potentially negative fiscal impacts on the level of revenues available to support public school districts. These five bills are House Bill (HB) 390, HB 512, Senate Bill (SB) 2, SB 172 and SB 235.

OSBA does strongly believe and reiterates its longstanding desire to see even more bills subject to having fiscal impact statements prepared. This is particularly true for omnibus bills, such as the biennial budget bill and mid-year budget bills. We do, however, appreciate the opportunity to review and comment on these specific bills.

HB 390 exempts natural gas sold by a municipal gas utility from state and local sales taxes as well as use taxes. In addition, the exemption is retroactive going back 48 months. Based on the estimated tax liability of \$6.9 million, it is estimated that state revenues will be reduced by \$2.1 million. This results in a direct reduction of state revenues available for school funding purposes.

In addition, HB 390 doubles the total amount of motion picture tax credits from \$40 million to \$80 million over the biennium. This results in an annual revenue loss, mostly to the General Revenue Fund (GRF), of up to \$20 million. A portion of the tax credit would be counted against the Commercial Activities Tax, Financial Institutions Tax and the Personal Income Tax. This leads to a reduction in total tax revenue for the GRF, particularly for districts receiving tangible personal property tax replacement funds.

HB 512 addresses the quality of our water supply which is a critical factor in the health and well-being of our communities. This is particularly true for schools where our youngest and most vulnerable people spend a significant portion of their waking day.

*OSBA leads the way to educational excellence by serving Ohio's public school board members and the diverse districts they represent through superior service, unwavering advocacy and creative solutions.*

8050 North High Street  
Suite 100  
Columbus, Ohio 43235-6481

(614) 540-4000  
(800) 589-OSBA  
(614) 540-4100 [fax]

[www.ohioschoolboards.org](http://www.ohioschoolboards.org)

Many school districts will likely incur costs associated with EPA required testing for lead and copper in their water systems. Districts may also be required to conduct new or updated corrosion control studies and to identify and map water systems that have lead piping, solder fittings and fixtures within that system.

These new, critical testing and fixture replacement requirements will require large expenditures. Districts will be eligible for at least some level of financial assistance through the Ohio EPA and the Drinking Water Assistance Fund. However, it is expected that the costs will far exceed the available assistance.

SB 2 incorporates changes to the Internal Revenue Code into Ohio income tax law. The changes lead to a reduction in total tax revenues for the GRF and particularly for school districts that levy a school district income tax. While an accurate estimate of these losses is not available, it is estimated that these districts will lose hundreds of thousands of dollars in Fiscal Year (FY) 16 and FY 17 and tens of thousands in future years.

SB 172 reduces the sales and use tax base, and thus decreases sales tax revenues. State sales tax receipts are deposited in the GRF. Any reduction to the GRF tax receipts also reduces the amount of funding available for distribution to the Local Government Fund and Public Library Fund as these entities receive distributions from the GRF. While funding for school districts is not directly impacted, any reduction in GRF has implications for the total dollars available for state support for schools.

The bill also makes changes to the exemption status of certain fraternal organizations from real property taxation. The exemption will increase the fiscal cost to local political subdivisions, including schools. LSC has estimated the cost to political subdivisions across the state to be \$5.8 million annually.

SB 235 exempts small business investment companies from the Financial Institutions Tax (FIT). The exemption is applied retroactively to 2014. Companies that made FIT payments would now be eligible to receive refunds, which would reduce the level of total state revenues. However, the impact on school districts is indirect and of an unknown magnitude, but any reduction in GRF limits the dollars available for school funding.

A significant aspect of SB 235 is the tax exemption extended to properties defined as "newly developable property" or "redevelopment property." The exemption generally applies to parcels on which one or more commercial or industrial buildings or structures have not yet been issued a certificate of occupancy. The bill does require any legislative body, such as city or county governance authority, to notify the board of education of any traditional or joint vocational school district of any consideration of granting an exemption.

The exemption may be granted for six consecutive years, provided that the owner can demonstrate that there are no outstanding taxes, assessments, penalties or charges due or unpaid. These exemptions will affect revenues for school districts, counties, municipalities, townships and other political subdivisions beginning in FY 18.

Taken together, the tax exemptions and credits made available through these particular bills play an incessant drumbeat of lower and lower revenues available to support common schooling and other public purposes. Far too often it appears that the education of our young people, a task of paramount importance takes a back seat to tax exemptions and tax credits. When such bills are taken separately the total impact can be easily overlooked. Appropriate funding of education for our young people is an ongoing concern for boards of education and should be so for all Ohio citizens. We encourage our legislators to take the long view when examining such bills and provide ample opportunity for full discussion and debate on the merits.

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.

DA:mg

**FISCAL NOTES FOR BILLS ENACTED  
IN 2016 REQUIRING  
LOCAL IMPACT STATEMENTS**



# Ohio Legislative Service Commission

*Ruhaiza Ridzwan and other LSC staff*

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 116 of the 131st G.A.

**Date:** May 11, 2016

**Status:** As Enacted

**Sponsor:** Reps. Brown and Ginter

**Local Impact Statement Procedure Required:** Yes

**Contents:** Regarding insurance and Medicaid coverage of medication synchronization, professional discipline for actions involving dangerous drugs, consult agreements between pharmacists and physicians, pharmacists dispensing or selling drugs without a prescription, prescriptive authority of physician assistants, and acceptance of a certificate of need application for a new nursing home

### State Fiscal Highlights

- The bill's medication synchronization requirement for health insurers may increase or decrease the cost to the state to provide health benefits to employees and their dependents. Benefits and claims related to the state employee health benefit plan are paid out of the State Employee Health Benefit Fund (Fund 8080).
- The medication synchronization requirements under the bill may increase dispensing fee payments under the Medicaid Program. There could be up to one additional dispensing fee per year per maintenance medication per Medicaid patient.
- The bill requires the Director of the Ohio Department of Health (ODH) to review one certificate of need (CON) application for the establishment, development, and construction of a new nursing home if certain conditions are met. As a result, ODH could realize a minimal increase in administrative costs and a subsequent minimal gain in CON application revenues.
- The bill may negligibly increase administrative costs to the State Medical Board to review and approve certain applications regarding physician assistant's prescriptive authority.

### Local Fiscal Highlights

- The requirement related to health insurers may increase or decrease the costs to local governments to provide health benefits to employees and their dependents. Any political subdivision that already provides the required coverage would experience no effect on costs.

- If a county is providing nonemergency transportation to a Medicaid recipient to pick up their prescription drugs, the county could experience a decrease in costs assuming the Medicaid recipient would only need transportation to the pharmacy once a month.
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## Detailed Fiscal Analysis

### Health insurers

The bill requires health insurers that provide prescription drug coverage to provide coverage for "medication synchronization" if certain conditions are met. Under the bill, "medication synchronization" means "a pharmacy service that synchronizes the filling or refilling of prescriptions in a manner that allows the dispensed drugs to be obtained on the same date each month." Health insurers in this bill include health insuring corporations (HICs), sickness and accident insurers, multiple employer welfare arrangements, and public employee benefit plans. The bill applies to policies, contracts, and agreements that are created, delivered, issued, renewed, or modified on or after January 1, 2017.

The bill requires insurers to authorize coverage of a prescription drug subject to medication synchronization when the drug is dispensed in a quantity or amount that is less than a 30-day supply; this requirement applies only once for each prescription drug subject to medication synchronization for the same insured, unless the prescriber changes the dosage or frequency of administration of such prescription drug or prescribes a different drug. The bill requires insurers to apply a prorated daily cost-sharing rate for a supply of a drug that is dispensed in conjunction with medication synchronization at a network pharmacy. The bill prohibits a policy, contract, agreement, or plan from using payment structures that incorporate dispensing fees that are determined by calculating the days' supply of drugs dispensed. The bill specifies that dispensing fees must be determined exclusively on the total number of prescriptions that are filled or refilled. The bill specifies that the requirements do not apply to prescriptions for drugs that are Schedule II controlled substances, substances containing opiates, or benzodiazepines.

The bill specifies that an insurer is not required to provide to a network pharmacy or a pharmacist at a network pharmacy any monetary or other financial incentive for the purpose of encouraging the pharmacy or pharmacist to recommend medication synchronization to an insured.

The bill provides that a pharmacist may dispense a drug in a manner that varies from the prescription for the drug by dispensing a quantity or amount of the drug that is less than a 30-day supply, if the pharmacist's action is taken solely for the purpose of medication synchronization specified under this bill.

## **Fiscal effect**

The requirements under the bill may increase or decrease costs to the state employee health benefit plan and to local governments' health benefit plans. Any increase or decrease in insurance premiums to such plans would increase or decrease costs to the state or local governments, respectively, to provide health benefits to employees and their dependents. Benefits and claims related to the state employee health benefit plan are paid out of the State Employee Health Benefit Fund (Fund 8080).

Medication synchronization has been shown in some studies to result in greater patient compliance with prescription regimens, which has the potential to reduce medical complications from noncompliance, thereby reducing health insurance costs overall. LSC staff have not conducted a thorough review of these studies as of this writing, but at least one such study<sup>1</sup> combines medication synchronization with an appointment-based approach, and LSC staff are unsure to what extent the study identifies whether the improvements in compliance found are attributable to (1) medication synchronization, (2) the appointment-based approach, or (3) the two combined. The potential for cost savings from medication synchronization alone, therefore, may not be well established yet. Moreover, health insurers could implement these provisions voluntarily if they believed that cost savings are the likely result, and the bill makes these provisions a requirement. The bill's requirements also have the potential to increase insurers' costs, including administrative costs. Since the savings are available without the bill's requirements, its requirements therefore seem on balance to lead to any of the logical possibilities: (1) no change in health insurers' costs, (2) a decrease in their costs, or (3) an increase in their costs.

If some local government plans already provide coverage for medication synchronization, it would not affect their costs. LSC staff are unable to quantify the bill's fiscal impact on local governments due to lack of information related to medication synchronization under their employee health benefit plans, and lack of data on potential cost increases or decreases. Despite the uncertainties caused by data limitations, though, it is possible that the costs to local governments may exceed \$100,000 per year statewide.

## **Medicaid**

The bill requires the Medicaid Program, including Medicaid managed care organizations, to provide coverage for medication synchronization, if specified conditions are met.

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<sup>1</sup> The study referred to is "Adherence and Persistence Associated with an Appointment-Based Medication Synchronization Program," by David A. Holdford and Timothy J. Inocenzio, published in the November 1, 2013 edition of the *Journal of the American Pharmacists Association*.

### **Fiscal effect**

The medication synchronization requirements under the bill may increase dispensing fee payments under the Medicaid Program. According to the Ohio Department of Medicaid (ODM), there could be up to one additional dispensing fee per year per maintenance medication per Medicaid recipient. There are currently 2.98 million Medicaid recipients. The current dispensing fee is \$1.80 per claim under fee for service (FFS).

Furthermore, the bill could increase medication adherence, which might result in an increase in pharmacy costs but also a decrease in overall medical costs under the Medicaid Program.

Lastly, if a county is providing nonemergency transportation to a Medicaid recipient to pick up their prescription drugs, the county could experience a decrease in costs assuming the Medicaid recipient would only need transportation to the pharmacy once a month.

### **Department of Health**

The bill requires the Director of Health to accept for review one certificate of need (CON) application for the establishment, development, and construction of a new nursing home if certain conditions are met. One condition is that none of the beds are proposed to be certified for participation in the Medicaid Program. In reviewing the application, the Director must not deny an application on the grounds that the new nursing home is to have less than 50 beds or require the applicant to obtain a waiver of the minimum 50-bed requirement established in rules.

### **Fiscal effect**

The Ohio Department of Health (ODH) could experience a minimal increase in administrative costs to review the application; however, the CON program is fee-based. Therefore, ODH would receive a minimal gain in revenue from the application fee, which would be deposited into the Certificate of Need Fund (Fund 4710). CON fees are as follows: if the project does not involve a capital expenditure, the fee is \$5,000, and if the project involves a capital expenditure, the fee is the greater of \$5,000 or 1.5% of the capital cost of the project, up to \$20,000.

### **State Medical Board**

On application of an individual who received a license without having first obtained a master's or higher degree and is not authorized to exercise physician-delegated prescriptive authority, the bill requires the State Medical Board to grant the individual the authority to exercise physician-delegated prescriptive authority if the applicant meets certain requirements and had prescriptive authority while practicing as a physician assistant in another jurisdiction, in any of the armed forces of the United States or the National Guard of any state, or in the United States Public Health Service Commissioned Corps.

**Fiscal effect**

According to the Board, there would be a negligible increase in administrative costs to review and approve these applications.

**Other provisions**

The bill contains provisions related to professional discipline for actions involving dangerous drugs, consult agreements between pharmacists and physicians, and pharmacists dispensing or selling drugs without a prescription. These provisions would have no direct fiscal effects.

HB0116EN.docx/ts



# OHIO LEGISLATIVE SERVICE COMMISSION

*Maggie Wolniewicz and other LSC staff*

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 341 of the 131st G.A.

**Date:** December 8, 2016

**Status:** As Enacted

**Sponsor:** Reps. Young and Sweeney

**Local Impact Statement Procedure Required:** Yes

**Contents:** Towing law changes

### State Fiscal Highlights

- Potential negligible annual revenue gain in the form of state court costs collected from violators of the bill's failure to display prohibition and deposited into the state treasury.<sup>2</sup>

### Local Fiscal Highlights

- The cost of any additional work for clerks of courts of common pleas to issue additional certificates of title may be more or less offset by the collection of related fees.
- The bill's civil action and criminal penalty provisions are likely to generate additional cases for county and municipal judicial systems to dispose of. The costs of doing so will not be significant, and are likely to be offset to some degree by court costs, fees, and fines.

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### Detailed Fiscal Analysis

The bill makes various changes to the state's motor vehicle towing requirements and procedures, many of which primarily affect private towing and salvage companies and do not have any fiscal impact on governmental entities.

#### **Bureau of Motor Vehicles record search**

Under current law, a sheriff, chief of police, or an Ohio State Highway Patrol trooper may, under certain conditions, order a motor vehicle into storage. For each motor vehicle that is so ordered, current law requires that a sheriff or chief of police

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<sup>2</sup> The court costs are apportioned between the Victims of Crime/Reparations Fund (Fund 4020) and the Indigent Defense Support Fund (Fund 5DY0).

conduct a search of Bureau of Motor Vehicles (BMV) records to ascertain the identity of the owner and any lienholder of that motor vehicle. The bill changes the timeline for conducting a search of BMV records from "immediately" to "within five business days of the removal of the vehicle." Although this provision will not have a significant fiscal impact, it will give certain law enforcement agencies more flexibility generally in performing their duties and responsibilities by giving them more time in which to conduct the required search of BMV records.

## **Certificates of title**

### **Salvage certificate of title**

The bill allows the agent of a towing service, storage facility, or repair garage, under certain conditions, to file an affidavit with a clerk of court of common pleas to obtain a salvage certificate of title to a vehicle in its possession for purposes of disposing of the vehicle through a motor vehicle salvage dealer or a scrap metal processing facility. In order to be eligible for a salvage certificate of title, the towing service or storage facility must follow a specified process that in part involves confirming that the vehicle in question: (1) has a value of less than \$1,500 after reductions for repairs, towing, and up to 30 days of storage, (2) is inoperable, and (3) is impossible to restore for highway operation.

These changes may increase the workload for clerks of court, as they may have to issue salvage certificates of title for additional vehicles. The bill requires the payment of a \$4 fee to issue such a title, and requires it be deposited into the county certificate of title administration fund. The cost of any additional work for a clerk will likely be offset to some degree by the fees collected.

### **Unclaimed vehicle certificate of title**

Under current law, the owner of a repair garage or place of storage is permitted to file an affidavit with a clerk of court of common pleas to receive a certificate of title for certain vehicles that have been left unclaimed for more than 30 days. The bill changes the term "owner" to "agent" and specifies that an agent of a repair garage or place of storage is also permitted to file an affidavit seeking title of an unclaimed vehicle if the person who left the vehicle was not the owner or lienholder of that vehicle, provided that the appropriate notice is filed with the appropriate law enforcement agency. These changes may increase the workload for clerks of court, as they may have to issue certificates of title for additional vehicles that could be declared unclaimed.

Current law requires the owner of a repair garage or place of storage to pay the clerk of court, for deposit into the county general fund, the value of the motor vehicle for which the certificate of title is requested, less any towing or storage expenses the owner may have incurred. The cost of any additional work for a clerk will likely be offset by the revenue received for the value of the motor vehicle.

## **Recovery of a motor vehicle**

The bill permits an insurer responsible for paying towing or storage charges related to an insured motor vehicle that is in the possession of a towing service or storage facility to file a claim for the recovery of the motor vehicle on behalf of the vehicle owner within 30 days of receiving a bill for towing services and specifies that such action be filed in a municipal or county court with territorial jurisdiction over the location from which the vehicle was towed, notwithstanding the fact that cases may be outside of the court's jurisdiction due to the amount in controversy. In order to recover the vehicle, the bill requires an insurance company to pay the undisputed amount of the bill to the towing company and upon receipt, requires the towing service to release the vehicle within two days. If a towing service does not release the vehicle in that time, the court may impose a penalty of up to \$100 per day against a towing service for each day that the towing service maintains possession of the vehicle. The bill specifies that all such fines are to be paid to the clerk of courts.

The impact of this provision is uncertain; however, it is possible that it may result in additional filings thus requiring additional work on behalf of clerks of court and judges in municipal or county courts in which such actions are filed. Presumably, any additional filings would be at least partially offset by a filing fee. There may also be a no more than minimal annual increase in the amount of fine revenue collected by courts if towing services do not release a vehicle to an insurance company as required by the bill.

## **Criminal penalties for towing violations**

### **Monetary compensation for towing authority**

The bill prohibits towing services from offering or providing monetary compensation in exchange for the authorization to tow motor vehicles from specified locations and makes a violation of the prohibition a minor misdemeanor. Although unlikely, this provision may result in some increase, likely negligible, in the number of minor misdemeanor citations issued. Currently, unchanged by the bill, a minor misdemeanor is not subject to jail time but is punishable by a fine of up to \$150 that, for violation of state laws, is retained by the county. Any increase in fine revenue experienced by a given county will be negligible, at most.

### **Certificate of Public Convenience and Necessity**

Current law requires a towing service to obtain a valid Certificate of Public Convenience and Necessity issued by the Public Utilities Commission and display both the certificate number and business telephone number on the left and right sides of the towing vehicle. The bill creates a penalty for the failure to display such information and classifies a first offense as a minor misdemeanor subject to a fine of up to \$150. A second or subsequent violation is an unclassified misdemeanor subject to a mandatory \$500 fine, and the court is required to seize and impound all vehicles used to tow motor vehicles on behalf of the towing service until the required certificate is obtained.

The penalty for failure to display may increase the number of misdemeanor cases for municipal and county courts to adjudicate. Presumably, towing services, for the most part, are generally complying with current law's requirement to display a valid certificate number and will continue to do so. As such, any increase in costs associated with disposing of additional cases under the bill is likely to be relatively small for any given court. For those courts that do experience an increase in caseload as a result of the bill, the bill requires the owner of a towing service who permitted the violation to appear in the appropriate court to answer the charge. Under current Supreme Court Rule, a person who receives a citation for certain traffic violations is permitted to pay the amount of fines, fees, and court costs to the office of the clerk of the court in person or by mail thereby avoiding having to appear in court. As such, it may take more time to dispose of these cases than if the offender was permitted to settle the matter outside of court.

Any increase in criminal cases and subsequent convictions as a result of the bill may lead to a gain in related state and local revenues. The state revenues would be in the form of locally collected state court costs, in the amount of \$29 for a misdemeanor, that are forwarded for deposit in the state treasury and divided as follows: \$20 to the Indigent Defense Support Fund (Fund 5DY0) and \$9 to the Victims of Crime/Reparations Fund (Fund 4020). Counties and municipalities may gain revenues in the form of local court costs, fees, and fines. The amount of money that either the state or local governments may gain annually is likely to be negligible, as the number of affected cases is likely to be relatively small.

### **Civil penalties for towing violations**

Current law permits the owner of a vehicle that was towed in violation of the towing law to file a civil action against the towing service or storage facility and requires the court, if it is determined that a violation occurred, to impose specified penalties on the towing service or storage facility. The bill modifies those penalties by creating and distinguishing between "major violations" and "minor violations," and adding failure to display the Certificate of Public Convenience and Necessity number as a violation for which a civil action can be initiated. The bill specifies that if a vehicle owner brings an action for multiple violations, the court must consider each violation as a separate violation for purposes of awarding a civil penalty and determining the number of violations a towing service or storage facility has committed within the year.

This civil penalty modification may result in a relatively small increase in the number of civil actions filed against towing services and storage facilities but will not likely have a discernible impact on courts, as they are not expected to significantly increase workload. The costs associated with any new civil actions filed as a result of the bill may be at least partially offset by the fee that is required to accompany each filing. Additionally, civil actions alleging towing violations generally involve private parties, so it is unlikely that the state or a political subdivision would be a defendant in such an action and subsequently required to pay the imposed penalty. Civil actions

alleging towing violations fall under the subject matter jurisdiction of common pleas, municipal, and county courts.

### **Notification of the ability to file a civil action**

The bill requires a towing service, storage facility, or authorized entity, in specified circumstances, to notify the owner of the towed vehicle that they may file a civil action to dispute the legality of a tow. As mentioned above, current law already permits a vehicle owner to file a civil action in these circumstances. However, it is possible that the required notice may result in some increase in the number of civil actions filed by motor vehicle owners disputing the legality of a tow that otherwise may not have been filed. Any increase is uncertain but likely to be no more than minimal.

### **Judgment against a towing company or storage facility**

If a vehicle owner brings a civil action in a court of competent jurisdiction against a towing service or storage facility that commits a major or minor violation and the court issues a judgment against a towing service or storage facility, the bill requires the court to send a copy of that judgment to the Public Utilities Commission of Ohio (PUCO). The PUCO must provide a copy of that judgment upon request. As a result, affected local courts may incur negligible expenditures to provide the notice to the PUCO and the PUCO may incur negligible expenditures to comply with the bill's record-keeping policies.

## **Public Utilities Commission**

### **Towing and storage fee establishment and review**

The bill requires the PUCO to establish, within one year of the bill's effective date, the maximum fees that may be charged by a for-hire motor carrier engaged in the towing of motor vehicles or a storage facility that accepts such vehicles. The bill also requires PUCO to establish a process for reviewing towing and storage fees every five years to determine whether the fees are just, reasonable, and compensatory and authorizes PUCO to adjust those fees to an appropriate amount. Any additional costs that PUCO may incur to comply with the bill's provisions are likely to be absorbed utilizing existing resources. Any potential expenditure would be paid from the Public Utilities Transportation Safety Fund (Fund 5LT0).



notice of the civil forfeiture to persons with an interest in the property, and to argue the case before the court to prove the forfeited property is linked to criminal activity and subject to forfeiture despite no criminal conviction. The court must hear the case, render a decision, and, if necessary, issue a civil forfeiture order.

The bill eliminates the requirement that a prosecutor file a civil forfeiture action if a criminal forfeiture action has not begun, and specifies the circumstances in which a complaint for civil forfeiture may be filed, such as the death of the property owner or the inability to prosecute because the property owner is unavailable. These changes mean prosecutors and courts will experience some reduction in expenditures related to these required procedures. The magnitude of any savings in any given jurisdiction is difficult to measure and would vary every year because the forfeiture of property is not of a constant volume.

### **Forfeiture under federal law**

Under current law and practice, civil forfeiture also occurs through the U.S. Department of Justice's Equitable Sharing Program whereby property is seized by state and local law enforcement agencies participating in federal drug task forces and turned over to the federal government for forfeiture without a required criminal conviction. Under the Equitable Sharing Program, the state and local agencies that seized the property can receive up to 80% of the proceeds back from the federal government. The table below summarizes the Equitable Sharing payments of cash and sale proceeds to Ohio from federal fiscal years (FFY) 2011-2015. Total payments statewide ranged between \$7.6 million (FFY 2015) and \$13.3 million (FFY 2013), with local agencies receiving, on average, close to 80%. The remainder was paid to various state agencies, primarily the Ohio State Highway Patrol and secondarily the Bureau of Criminal Investigation.

<b>Justice Equitable Sharing Payments of Cash and Sale Proceeds to Ohio, FFYs 2011-2015</b>					
<b>Agency</b>	<b>FFY 2015</b>	<b>FFY 2014</b>	<b>FFY 2013</b>	<b>FFY 2012</b>	<b>FFY 2011</b>
State	\$1,855,579	\$2,122,889	\$1,502,098	\$3,009,552	\$2,472,607
Local	\$5,767,082	\$6,279,646	\$11,839,167	\$7,676,040	\$7,349,005
Total	\$7,622,661	\$8,402,535	\$13,341,265	\$10,685,592	\$9,821,612

The bill allows law enforcement agencies involved in federal task forces to use the forfeited funds for general operating expenses, for example, payroll costs, as well as to pay for training, weapons, and added protective gear.

The bill prohibits a law enforcement agency or prosecuting authority from directly or indirectly transferring any seized property to any federal law enforcement authority or other federal agency for the purpose of forfeiture under federal law unless the value of the seized property generally exceeds \$100,000, or the transfer is for federal criminal forfeiture proceedings as part of a federal criminal prosecution. If some portion of the property seized locally cannot be transferred to the Department of Justice for forfeiture, then the bill will result in a potentially significant reduction in civil

forfeitures that occur under federal law. The corresponding losses to prosecutors and state and local law enforcement agencies could reach into the millions of dollars annually statewide.

### **Criminal offense**

The bill creates the offense of "receiving proceeds of certain specified offenses subject to forfeiture proceedings," which prohibits any person from receiving, retaining, possessing, or disposing of proceeds knowing or having reasonable cause to believe that the proceeds were derived from the commission of a number of specified offenses. The penalty for violating the prohibition depends on the value of the proceeds involved as follows:

- If the value is less than \$1,000, then it is a first degree misdemeanor.
- If the value is \$1,000 or more and less than \$25,000, the offense is a felony of the fifth degree.
- If the value is \$25,000 or more and less than \$150,000, the offense is a felony of the fourth degree.
- If the value is \$150,000 or more, the offense is a felony of the third degree.

### **State fiscal effects**

As a result of violations of the prohibition, there may be an increase in the number of offenders sentenced to prison. Such an outcome may increase the Department of Rehabilitation and Correction's annual GRF-funded incarceration expenditures. The size of any such increase in institutional operating expenditures is uncertain as the potential number of violations statewide is unknown. As of November 2016, the annual cost of incarcerating an offender in prison was \$24,763.

Additional revenue, in the form of state court costs, may be collected locally and forwarded for deposit in the state treasury to the credit of the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020). The state court costs total \$60 and \$29 for a felony and misdemeanor, respectively. It is important to note that the likely amount of state court cost revenue collected from certain offenders can be problematic to estimate, especially in light of the fact that many are either indigent or unwilling to pay.

### **Local fiscal effects**

Any new criminal case created by the bill carries the potential to increase related county and municipal criminal justice system costs, for example, expenses related to investigating, prosecuting, adjudicating, and sanctioning the offender, as well as paying for defense counsel if the offender is indigent. Any resulting increase in a county's or municipality's criminal justice system expenditures is uncertain since there is no readily available data to suggest how many persons may be arrested, charged, and convicted of the offense.

Furthermore, the bill may also increase the amount of local court cost, fee, and fine revenue collected by counties and municipalities from convicted offenders. Again, the likely amount of revenue collected from certain offenders can be problematic to estimate, given the uncertain number of violations, and in light of the fact that many offenders are either indigent or unwilling to pay.

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# Ohio Legislative Service Commission

*Tom Wert and other LSC staff*

## Fiscal Note & Local Impact Statement

**Bill:** H.B. 390 of the 131st G.A.

**Date:** May 25, 2016

**Status:** As Enacted

**Sponsor:** Reps. Schaffer and Retherford

**Local Impact Statement Procedure Required:** Yes

**Contents:** Changes to various state programs and appropriations

The bill makes various changes affecting the operation of state programs, including changes to various appropriation line items that are summarized immediately below. Following this section is a brief description and summary analysis of the bill's provisions, including the impact of the appropriation changes, organized by state agency. If a provision affects more than one agency, it is listed only under the agency primarily affected.

### Appropriation Changes

The tables below summarize the bill's changes to capital and GRF operating appropriations. As shown in Table 1, the bill increases GRF appropriations by a total of approximately \$22.1 million in FY 2017. In addition to the FY 2017 appropriation changes, the bill increases appropriations under GRF appropriation item 195453, Technology Programs and Grants, by \$250,000 in FY 2016, from almost \$14.6 million to just over \$14.8 million.

Table 1. GRF Appropriation Line Item (ALI) Adjustments Summary, FY 2017						
Agency	Fund	ALI	ALI Name	Current Amount	Proposed Amount	\$ Change
AUD	GRF	070409	School District Performance Audits	\$0	\$1,000,000	\$1,000,000
CLA	GRF	015403	Public Records Adjudication	\$0	\$500,000	\$500,000
CSR	GRF	874320	Maintenance and Equipment	\$1,161,098	\$1,411,098	\$250,000
EDU	GRF	200422	School Management Assistance	\$3,000,000	\$2,000,000	-\$1,000,000
DSA	GRF	195453	Technology Programs and Grants	\$14,577,641	\$15,527,641	\$950,000
JCO	GRF	018321	Operating Expenses	\$389,250	\$684,250	\$295,000
JFS	GRF	600466	Foster Care Administration	\$0	\$550,000	\$550,000
JFS	GRF	600548	Gallipolis Digital Works	\$0	\$100,000	\$100,000

<b>Table 1. GRF Appropriation Line Item (ALI) Adjustments Summary, FY 2017</b>						
<b>Agency</b>	<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>Current Amount</b>	<b>Proposed Amount</b>	<b>\$ Change</b>
DRC	GRF	501321	Institutional Operations	\$975,215,085	\$987,800,384	\$12,585,299
DRC	GRF	505321	Institution Medical Services	\$249,000,000	\$254,211,763	\$5,211,763
DRC	GRF	506321	Institution Education Services	\$30,454,204	\$30,666,114	\$211,910
OSB	GRF	226321	Operations	\$8,100,000	\$9,499,542	\$1,399,542
<b>Total</b>				<b>\$1,281,897,278</b>	<b>\$1,303,950,792</b>	<b>\$22,053,514</b>

The bill also establishes new capital appropriations and makes changes to capital appropriations in S.B. 310 of the 131st General Assembly. Overall, Table 2 shows the bill increases capital appropriations by \$13.6 million for the FY 2017-FY 2018 capital biennium. In addition to the bill's capital appropriation changes, the bill amends S.B. 260, the capital reappropriations act of the 131st General Assembly, these changes are also listed in Table 2. Overall, the bill decreases capital reappropriations by \$550,000. The decrease in the reappropriation for DNR appropriation item C725E2, Local Parks Projects, of \$100,000 is matched by the elimination of an earmark of the same amount for the Midtown Cleveland Mountain Bike Park.

<b>Table 2. Capital Appropriation Line Item (ALI) Adjustments Summary, FY 2017-FY 2018</b>						
<b>Agency</b>	<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>Current Amount</b>	<b>Proposed Amount</b>	<b>\$ Change</b>
<b>Capital Appropriations – S.B. 310 of the 131st General Assembly</b>						
ADJ	7026	C74540	Aerial Port of Embarkation/Debarcation	\$0	\$250,000	\$250,000
FCC	7021	C230X9	Lead Plumbing Fixture Replacement Assistance Grants	\$0	\$12,000,000	\$12,000,000
FCC	7030	C230EF	Dayton Aviation Heritage National Historic Park	\$0	\$1,000,000	\$1,000,000
FCC	7030	C230H2	Cozad Bates House	\$0	\$70,000	\$70,000
FCC	7030	C230Z8	Brooklyn John Frey Park	\$140,000	\$90,000	-\$50,000
FCC	7030	C230EG	Parma Heights Cassidy Theatre Cultural Center	\$0	\$50,000	\$50,000
MHA	7033	C58021	Providence House	\$0	\$100,000	\$100,000
CCC	7034	C37850	Junior League Non-profit Incubator Project	\$0	\$30,000	\$30,000
CLS	7034	C26074	CWRU Health Education Campus	\$1,000,000	\$0	-\$1,000,000
CLS	7034	C26076	Cleveland Sight Center	\$0	\$100,000	\$100,000
DHE	7034	C23561	Capital Improvements – Central State Campus Security and Lighting	\$0	\$1,979,700	\$1,979,700

<b>Table 2. Capital Appropriation Line Item (ALI) Adjustments Summary, FY 2017-FY 2018</b>						
<b>Agency</b>	<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>Current Amount</b>	<b>Proposed Amount</b>	<b>\$ Change</b>
DHE	7034	C23562	Capital Improvements – Central State Hallie Q. Brown Library Upgrades and Repairs (renamed)	\$6,000,000	\$4,020,300	-\$1,979,700
NTC	7034	C38216	Napoleon Senior Center	\$0	\$400,000	\$400,000
NTC	7034	C38217	Napoleon Civic Center	\$500,000	\$100,000	-\$400,000
OHU	7034	C30169	CWRU Health Education Campus	\$0	\$1,000,000	\$1,000,000
SCC	7034	C37727	Wilmington Air Park Aviation Infrastructure Improvements	\$3,000,000	\$0	-\$3,000,000
SOC	7034	C32216	Wilmington Air Park Aviation Infrastructure Improvements	\$0	\$3,000,000	\$3,000,000
<b>Capital Appropriations Total</b>				<b>\$10,640,000</b>	<b>\$24,190,000</b>	<b>\$13,550,000</b>
<b>Capital Reappropriations – S.B. 260 of the 131st General Assembly</b>						
FCC	7030	C23063	Redbrick Center for the Arts	\$200,000	\$0	-\$200,000
JTC	7034	C38616	Technology Belt Oil and Gas Learning Center	\$250,000	\$0	-\$250,000
DNR	7035	C725E2	Local Parks Projects	\$8,052,920	\$7,952,920	-\$100,000
<b>Capital Reappropriations Total</b>				<b>\$8,502,920</b>	<b>\$7,952,920</b>	<b>-\$550,000</b>

The bill also changes the names of certain capital appropriations in S.B. 310. These changes are summarized in the table immediately following. The amount appropriated for each of these line items remains unchanged by the bill.

<b>Table 3. S.B. 310 Capital Appropriation Name Changes</b>					
<b>Agency</b>	<b>Fund</b>	<b>ALI</b>	<b>Current ALI Name</b>	<b>Proposed ALI Name</b>	
FCC	7030	C230AN	Village of Millersport Corridor Improvements	Villages of Millersport and Buckeye Lake	
FCC	7030	C230DZ	Columbus Zoo – Japanese Macaque Exhibit	Columbus Zoo – Asia Quest	
CTI	7034	C38434	Sullivant Avenue Teen Tech Lounge and Career Laboratory	Boys and Girls Clubs of Columbus/ Sullivant Avenue Teen Tech Lounge	

## **Detailed Fiscal Analysis**

### **Department of Job and Family Services**

#### **Unemployment compensation changes**

##### **Repayment of unemployment compensation debt**

The bill effectively pays back Ohio's loan from the U.S. Department of Labor for the amounts advanced to the state for the purpose of paying unemployment compensation benefits. After the Director of Job and Family Services certifies the

amount that is owed,<sup>3</sup> the Director of Budget and Management is required to direct the Director of Commerce to transfer that amount as a loan from unclaimed funds to the Ohio Department of Job and Family Services (ODJFS); the Director of Job and Family Services will use this amount to repay the debt. Beginning January 1, 2017, employers will be subject to an increase in contribution rates, to be determined by the Directors of Job and Family Services and Budget and Management, in order to pay back the loaned amount from unclaimed funds. ODJFS could experience an increase in costs to administer the increase in contribution rates and the repayment of unclaimed funds.

By paying off the debt prior to November 10, 2016, Ohio will see its Federal Unemployment Tax Act (FUTA) taxes for calendar year 2017 revert back to the normal rate; ODJFS estimates FUTA taxes would be reduced by approximately \$500 million in 2017. The state has been paying the interest charges on the current unemployment compensation debt from the GRF. If the debt is paid off in November, the state could save approximately \$30 million in interest payments.

#### **Future unemployment compensation debts**

If the state takes a loan in the future to pay unemployment compensation benefits and fails to repay it within two years, the bill requires the Director of Job and Family Services to increase the contribution rates on employers, up to five-tenths of one percent, for the purpose of paying back the loan. Additionally, the Director will have to assess a surcharge on employers to cover the cost of any interest.

#### **Property conveyance**

The bill authorizes the Governor to execute the deed to a 200,000 square foot office building situated on nearly 1.2 acres at 145 South Front Street in Columbus (Franklin County). The bill requires the Director of Administrative Services to offer the property to the Columbus Downtown Development Corporation or other grantee through a real estate purchase agreement. The bill requires consideration for the conveyance to be at a price acceptable to the Directors of Administrative Services and Job and Family Services. In the event that the Columbus Downtown Development Corporation or other grantee does not complete the purchase of the real estate within the time period provided in the real estate purchase agreement, the bill allows the Director of Administrative Services to offer the real estate to an alternate grantee or grantees under the same terms. The bill requires the purchaser to pay all costs associated with the purchase, closing, and conveyance, including surveys, title evidence, title insurance, transfer costs and fees, recording costs and fees, taxes, and any other fees, assessments, and costs that may be imposed. Under the bill, proceeds of the sale must be deposited to the credit of the Unemployment Compensation Fund, Special Administrative Fund, (Fund 4A90), used by the Department of Job and Family Services.

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<sup>3</sup> About \$315 million as of May 19, 2016.

### **Foster care appropriation**

The bill appropriates \$550,000 in FY 2017 to new GRF line item 600466, Foster Care Administration, and requires the funding be used by the Department of Job and Family Services to plan the expansion of foster care services for individuals 18 to 21 years of age.

### **East Side Market**

The bill requires that the \$250,000 earmarked in GRF appropriation item 600546, Healthy Food Financing Initiatives, in each fiscal year for the East Side Market in Cleveland be provided instead to the Cleveland Community Development Corporation to be used to establish and operate a sustainable public market in the east side of Cleveland that will sell fresh produce and other healthy foods. Additionally, the bill reappropriates for the same purpose in FY 2017 any unexpended, unencumbered amount of the earmark not distributed in FY 2016.

### **Gallipolis Digital Works**

The bill appropriates \$100,000 in FY 2017 to GRF appropriation item 600548, Gallipolis Digital Works, in the Department of Job and Family Services budget to be allocated to the Gallipolis Digital Works Program.

### **Healthier Buckeye Grant Pilot Program**

The bill reappropriates the FY 2016 unexpended, unencumbered balance of appropriation item 600669, Healthier Buckeye Grant Pilot Program, to FY 2017. The reappropriated funds are to be used for the same purpose in FY 2017 as they were in FY 2016.

## **Controlling Board**

### **Emergency purposes/contingencies fund transfer**

The bill transfers \$25 million of the surplus GRF fund balance at the end of FY 2016 to the Controlling Board Emergency Purposes/Contingencies Fund (Fund 5KM0), the name of which is changed by the bill from the Controlling Board Emergency Purposes Fund. The Controlling Board uses this fund to provide disaster and emergency aid to state agencies and local governments. Under current law, the surplus GRF fund balance at the end of each fiscal year is transferred to the Budget Stabilization Fund (BSF) until the BSF reaches its target funding of 8.5% of GRF revenue, with any available additional amounts transferred to the Income Tax Reduction Fund.

## **Tax provisions**

### **Sales tax exemption for the sale of natural gas by a municipal gas company**

The bill exempts from state and local sales and use taxes natural gas sold to customers by a municipal gas utility. The exemption applies to sales occurring before or

after the bill's effective date. In practice, the retroactive provision would likely only apply to the previous 48 months of state and local sales tax collections.<sup>4</sup>

Estimated sales tax liability in the past 48 months would be about \$6.9 million and revenue foregone in the next 12 months could be \$2.1 million. The GRF would bear 96.64% of the state revenue loss in FY 2017 and the LGF and PLF receive 1.66% and 1.70%, respectively, of GRF taxes. The PLF share will revert to 1.66% beginning in FY 2018 under current law. Based on the state revenue losses above, the LGF and PLF would lose hundreds of thousands of dollars during the biennium. All 88 counties levy a local option sales tax, so the six counties with municipal gas utilities will lose revenues because of the bill. The revenue loss would total about \$1.1 million for the past 48 months and about \$0.3 million in the next 12 months. The fiscal estimates are based on U.S. Energy Information Administration (EIA) data. However, the actual revenue loss under the bill is dependent on future volumes of natural gas sold by the municipal gas utilities as well as the future prices at which it is sold. Of the six municipal gas utilities in Ohio, the two largest municipalities publicly disclosed they do not collect or pay sales tax on their natural gas sales. The revenue losses assumed by LSC to occur in FY 2016 or FY 2017 represent the past 48 months of sales tax collections. Because these amounts were largely (if not completely) uncollected by state and local authorities, those losses represent foregone revenue rather than refunds paid by the taxing authorities.

#### **Property tax abatement for metropolitan housing authority**

The bill permits, for a limited time, the abatement of unpaid property taxes, penalties, and interest owed on property owned by a metropolitan housing authority that would have been tax exempt except that certain tax-exemption procedures were not completed. In order to benefit from the abatement, the current owner of the applicable property must file an application with the Tax Commissioner no later than 12 months after the effective date of this provision. The bill specifies the required contents of the application and the qualifications under which the Tax Commissioner must approve the application. Although Ohio has 75 public housing authorities, LSC only researched parcels in Mahoning County owned by the Youngstown Metropolitan Housing Authority (YMHA). Based on the parcels owned, the bill could reduce up to \$2.3 million of YMHA's outstanding obligations. Please note that if other housing authorities would qualify for abatement described in this provision, there could be more revenue losses affecting other political subdivisions.

#### **Motion picture tax credit**

The bill increases the total amount of motion picture tax credits that may be awarded from \$40 million per fiscal biennium to \$40 million per fiscal year. This refundable credit may be claimed by motion picture companies against the commercial

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<sup>4</sup> See R.C. 5739.07, 5739.104, and 5739.16.

activities tax (CAT), financial institutions tax (FIT), or personal income tax (PIT). All FIT and PIT revenue as well as 75% of CAT revenue is deposited into the GRF.

The bill sets the credit value equal to 30% of all eligible expenditures. Under current law, the credit equals 35% of resident cast and crew wages plus 25% of all other eligible expenditures. Additionally, the bill removes the \$5 million cap on the credit value for a single production.

The bill makes the refundable motion picture tax credit transferrable. The Development Services Agency (DSA) must manage and verify the movement of tax credit certificates via information that must be submitted to DSA by the motion picture company. The motion picture company may not make more than one transfer, but the company may allocate the authority to claim a portion of the credit to more than one transferee. All the changes to the existing tax credit would be effective for tax credits issued on or after July 1, 2016.

The annual revenue loss, borne primarily by the GRF, would average up to \$20 million. After accounting for portions of the revenue loss that would be passed through to the local government funds, the GRF revenue loss would average up to \$19 million per year. The Local Government Fund (LGF) and Public Library Fund (PLF) receive 1.66% and 1.70%, respectively, of GRF taxes during FY 2016 and FY 2017. The PLF share will revert to 1.66% beginning in FY 2018 under current law. The two funds' combined average annual revenue loss could be up to \$1.0 million. Revenue loss from the CAT would affect the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081) which receive 20% and 5%, respectively, of CAT revenue.

### **Film and Multimedia Trainee Program**

Beginning in FY 2017, DSA must establish a program for the training of Ohio residents who are or wish to be employed in the film or multimedia industry. Doing so entails: (1) certifying individuals as film and multimedia trainees, (2) accepting applications from motion picture companies that intend to hire and provide on-the-job training to one or more certified film and multimedia trainees, and (3) authorizing a reimbursement payment to each motion picture company that must equal 50% of the salaries paid to film and multimedia trainees employed in the tax-credit eligible production.

Although the bill does not include a funding source or an appropriation for the training program, DSA currently funds the costs of administering the Motion Picture Tax Credit Program through the Business Assistance Fund (Fund 4510). DSA is authorized under current law to set "a reasonable application fee" by rule to cover the program's operating costs.<sup>5</sup> DSA would presumably be permitted to add or change program fees to cover the new training program.

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<sup>5</sup> R.C. 122.85(G).

## **Review of Job Retention Tax Credit applications**

The bill makes changes to the process by which the Tax Credit Authority under the Development Services Agency (DSA) reviews applications and makes awards for Job Retention Tax Credits (JRTCs) to qualifying businesses. Under continuing law, the Tax Credit Authority must forward copies of an application for these credits to the Office of Budget and Management, the Department of Taxation, and, when the application involves an insurance company, the Department of Insurance. The applications are also forwarded to DSA. The Director of Budget and Management, the Tax Commissioner, and, where applicable, the Superintendent of Insurance are to review the applications and submit summaries of their "determinations and recommendations" to the Tax Credit Authority.

The bill revises the application review process undertaken by the Director of Budget and Management, the Tax Commissioner, and the Superintendent of Insurance by requiring them to submit only their determinations to the Tax Credit Authority. Left unchanged, however, is the requirement that the Director of Development Services submit determinations and recommendations on JRTC applications to the Authority. These administrative changes do not appear to have any direct fiscal effect.

## **Repeal of Utilities Service Tax**

The bill repeals the authority of counties to levy a tax on utility services purchased by consumers in the county. Currently, the excise tax can be levied pursuant to a resolution adopted by the Board of County Commissioners. With some enumerated exceptions, the tax applies to all charges for utility service. The excise tax rate cannot exceed 2% of utility service charges.

The utilities service tax was enacted in 1967. According to the County Commissioners Association of Ohio, no county has ever utilized this tax. Therefore, the repeal in this bill has no fiscal effect.

## **Department of Administrative Services**

### **Cash transfers to the Professions Licensing System Fund (Fund 5JQ0)**

The bill amends Section 207.190 of Am. Sub. H.B. 64 of the 131st General Assembly to increase the amount of cash the Director of Budget and Management is authorized to transfer from the Occupational Licensing and Regulatory Fund (Fund 4K90), the State Medical Board Operating Fund (Fund 5C60), and the Casino Control Commission – Operating Fund (Fund 5HS0) to the Professions Licensing System Fund (Fund 5JQ0) by \$16.8 million, from just over \$6.0 million to approximately \$22.8 million over the FY 2016-FY 2017 biennium. Continuing law requires the amount transferred from each fund to be in proportion to the number of current licenses issued by the licensing boards and commissions that use each fund, and for the Casino Control Commission, the number of current and anticipated licenses. Continuing law also requires the transferred amount to be used by the Director of Administrative Services for the initial acquisition and development of the Professions

Licensing System, a replacement for the state's current e-licensing system used to manage the issuance and renewal of various professional licenses.

### **Salary schedules for exempt employees**

Under current law, most exempt state employees are paid under pay schedules E-1, E-2, or "E-1 for step 8 only." The bill phases out pay schedule "E-1 for step 8 only" beginning with the first day of the pay period that includes July 1, 2016. It does so by splitting schedule E-1 pay grades 12-16 step 7 into schedule E-1 pay grades 12-16 step 7 and step 8. Employees currently paid according to schedule "E-1 for step 8 only" whose performance is graded satisfactory would be moved to the new schedule E-1 step 8. Without satisfactory performance, they would remain at their base rate of pay as of the last pay period before the one that includes July 1, 2017 until their performance is determined to be satisfactory. For employees paid according to schedule "E-1 for step 8 only" in pay grades 17-18, they would remain at their base rate of pay until successive general wage increases lift the hourly rate for schedule E-1 step 6 above their current rate, at which time those employees would be moved to schedule E-1 step 6. In total, fewer than 200 employees would be affected by these changes. Assuming all of those employees are currently considered to be performing satisfactorily, increased annual payroll costs to the state from moving those employees from schedule "E-1 for step 8 only" to the new schedule E-1 step 8 would total approximately \$500,000 after the changes take effect at the beginning of FY 2017.

## **Ohio Environmental Protection Agency**

### **Alternative Fuel Vehicle Conversion Program**

The bill creates an alternative fuel vehicle conversion program to be administered by the Director of Environmental Protection. Under the program, the Director is permitted to make grants to a person that purchases one or more new alternative fuel vehicles or converts one or two traditional fuel vehicles into alternative fuel vehicles. Related temporary law requires the Director of Budget and Management, in consultation with the Director of Development Services, to make at least \$5 million available in FY 2017 for this program from the Alternative Fuel Transportation Fund (Fund 5CG0), used by the Development Services Agency.

## **Department of Education**

### **College Credit Plus earmark**

The bill increases an earmark from GRF line item 200550, Foundation Funding, supporting payments for the College Credit Plus (CCP) Program for home-instructed students by \$1.0 million in each fiscal year, from \$500,000 to \$1.5 million. However, the bill maintains the overall amount currently appropriated in item 200550 each fiscal year. CCP allows qualified Ohio students to take college courses at state expense for both college and high school credit.

### **State operating funding for educational service centers**

The bill increases an earmark from GRF line item 200550, Foundation Funding, providing per-pupil state operating funding for educational service centers (ESCs) by \$3.65 million in FY 2016, from \$37.95 million to \$41.6 million, and by \$200,000 in FY 2017, from \$41.4 million to \$41.6 million. However, the bill maintains the overall amount currently appropriated in item 200550 each fiscal year.

The additional funding is in response to the Cleveland Municipal School District and Akron City School District entering into an agreement with the Cuyahoga County ESC to provide services for the districts beginning in FY 2016. Since state operating funding for ESCs is based on a per-pupil amount for each student of the ESC's member districts and the calculated state subsidy payments currently must be prorated to avoid exceeding the amount appropriated, the addition of the two urban districts lowered the prorated per-pupil funding amount for all ESCs. The increase in the earmarked appropriation for ESCs provides per-pupil funding of about \$27, an amount that is roughly flat with the prorated per-pupil amount in FY 2015.

In addition, the bill aligns the per-pupil amounts more closely to the prorated levels in recent years by decreasing those amounts to \$27 in FY 2016 and to \$25 in FY 2017, though ESCs determined to be "high performing" by the State Board of Education will continue to receive \$27 per pupil that year. As a result, ESCs that are not determined to be "high performing" would lose funding of \$2 per pupil under the bill from FY 2016 to FY 2017. Currently, the per-pupil state funding for all ESCs, before proration, is set at \$33 in FY 2016 and either \$35 (for "high performing" ESCs) or \$33 (for all other ESCs) in FY 2017. Designations of "high performing" ESCs have yet to be made.

### **Ohio School for the Blind**

The bill increases Ohio School for the Blind (OSB) GRF line item 226321, Operations, by \$1.4 million in FY 2017. The additional GRF funds will be used to support payroll-related costs that were formerly paid by a federal grant for special education outreach.

## **Auditor of State**

The bill establishes GRF appropriation item 070409, School District Performance Audits, and appropriates \$1.0 million in FY 2017 to be used by the Auditor of State for expenses incurred by the Auditor of State in conducting performance audits of school districts under fiscal watch, fiscal caution, and fiscal emergency under section 3316.042 of the Revised Code. The bill alters the procedures for determining what school districts are selected for performance audits by (1) requiring that the Department of Education and the Office of Budget and Management be consulted in the selection process, and (2) specifying that priority be given to school districts with fiscal conditions that could lead to fiscal watch or fiscal emergency.

Currently, performance audit costs for school districts in fiscal caution, fiscal watch, or fiscal emergency are paid from GRF appropriation item 200422, School Management Assistance, used by the Department of Education. Since the bill requires these expenses to be paid from the Auditor of State's budget, the bill reduces funding under appropriation item 200422 by \$1.0 million, from \$3.0 million to \$2.0 million in FY 2017.

## **Department of Rehabilitation and Correction**

### **FY 2017 GRF appropriation changes**

The bill increases the amount appropriated for certain GRF appropriation items that will be used by the Department of Rehabilitation and Correction in FY 2017 by a total of \$18,008,972 as follows:

- Increases appropriation item 501321, Institutional Operations, by \$12,585,299, from \$975,215,085 to \$987,800,384;
- Increases appropriation item 505321, Institution Medical Services, by \$5,211,763, from \$249,000,000 to \$254,211,763; and
- Increases appropriation item 506321, Institution Education Services, by \$211,910, from \$30,454,204 to \$30,666,114.

Of the total appropriation increase of just over \$18.0 million, about \$14.7 million will be directed to institutional operations and medical-related services to accommodate an increase in the security Level 3 population.<sup>6</sup> This will require hiring additional staff and opening new beds within certain institutions. Another \$2.1 million will be used to fund the Treatment Transfer Program, which is a community-based substance use disorder treatment program providing services to offenders who are transferred to participating halfway houses. The remaining \$1.2 million will be used to pay various administrative expenses.

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<sup>6</sup> Ohio has a five-tier classification system: Levels 1, 2, 3, 4, and 5. Level 1 represents the lowest or minimum level of supervision and Level 5 involves the highest level of security for the most dangerous inmates. Level 3, sometimes referred to as "close security," is designed for inmates who are more likely to, or have previously, engaged in disruptive behavior.

## **Correctional Institution Inspection Committee**

The bill modifies the powers of the Correctional Institution Inspection Committee (CIIC) by removing explicit authority to hire a director. Instead, the bill states that CIIC may hire professional, technical, and clerical employees as necessary. These changes have no direct fiscal effect.

## **Judiciary/Supreme Court**

### **Court of Claims – Public Records Adjudication**

The bill creates new GRF line item 015403, Public Records Adjudication, with an appropriation of \$500,000 in FY 2017. Related temporary law requires the Court of Claims to use this appropriation for costs it incurs in performing its duties and responsibilities as directed by S.B. 321 of the 131st General Assembly, which creates a procedure within the Court to hear complaints alleging a denial of access to public records.

### **Capital Case Attorney Fee Council**

The bill creates the Capital Case Attorney Fee Council, which replaces the Supreme Court of Ohio as the entity that sets the rate of compensation for counsel selected by indigent persons or appointed by the courts in capital cases. The five members comprising the Council, all sitting state appellate court judges, are to be appointed by the Chief Justice of the Supreme Court. Members will receive no additional compensation for their service, but may be reimbursed for expenses reasonably incurred in service to the Council, to be paid by the Supreme Court. The Supreme Court is also required to provide administrative support to the Council, which is required to meet not less than annually. The costs for the Supreme Court to support the Council's operations will be minimal at most annually.

## **Judicial Conference of Ohio**

### **FY 2017 GRF appropriation changes**

The bill increases GRF appropriation item 018321, Operating Expenses, by \$295,000 in FY 2017, from \$389,250 to \$684,250. The Judicial Conference of Ohio's expenses are paid from this item and non-GRF appropriation item 018601, Ohio Jury Instructions. H.B. 64 reduced funding for GRF item 018321 by 11.4% from FY 2015 to FY 2016 and an additional 48.0% from FY 2016 to FY 2017. After the appropriation increase in this bill, the reduction from FY 2016 to FY 2017 is 8.7%.

### **Ohio Jury Instructions Fund**

The Ohio Jury Instructions Fund (Fund 4030) and related non-GRF appropriation item 018601, Ohio Jury Instructions, is used by the Conference in conjunction with GRF item 018321 to pay the Conference's expenses. The fund receives revenues from royalties, member dues, and meeting registration fees. H.B. 64 reduced appropriation item 018601 by 33.9% from FY 2015 to FY 2016 and an additional 50% from FY 2016 to FY 2017. The bill appropriates any cash accruing to the fund in excess of the amounts

already appropriated in H.B. 64. The bill also prohibits the Director of Budget and Management or the Controlling Board from transferring cash from the fund to any other fund.

### **Sunset Review Law**

The bill exempts the Judicial Conference from review by the Sunset Review Committee during the 131st General Assembly and renews it to operate until the end of December 31, 2020.

## **Facilities Construction Commission**

### **Grants for replacement of plumbing fixtures containing lead**

The bill appropriates \$12 million in capital funding from the Public School Building Fund (Fund 7021) to the Facilities Construction Commission to provide grants to eligible public and chartered nonpublic schools (schools housed in buildings constructed before 1990) for the reimbursement of up to \$15,000 per school toward costs incurred on or after January 1, 2016 associated with replacing drinking fountains, water coolers, plumbing fixtures, and limited connected piping that are found to be a cause of lead above the federal action level in drinking water. The money may also be used to reimburse eligible public and chartered nonpublic schools for the cost of drinking water assessments performed by a commercial laboratory certified by the Ohio Environmental Protection Agency to perform chemical analysis on public drinking water that follow testing protocols consistent with U.S. EPA guidelines. To help support the grant program, the bill authorizes the transfer of up to \$2 million over the FY 2017-FY 2018 capital biennium from the Ohio Water Development Authority to Fund 7021.

## **Capitol Square Review and Advisory Board**

The bill increases Capitol Square Review and Advisory Board (CSRAB) GRF line item 874320, Maintenance and Equipment, by \$250,000 in FY 2017 and earmarks \$50,000 of this amount for a display inside the Statehouse of historically significant United States, Ohio, and Ohio military flags. The bill requires the members of CSRAB to approve of the use of the earmark. In addition, CSRAB must consult with the Ohio History Connection regarding the display.

## **Department of Health**

### **Aligning planning and assessment**

The bill requires, not later than July 1, 2017, each board of health and tax-exempt hospital (includes nonprofit or government-owned hospitals) to submit to the Ohio Department of Health (ODH) any existing plans regarding improving community health, hospital implementation strategies, and assessments of community health for the most recent assessment and planning period. Additionally, beginning January 1, 2020, each board of health and tax-exempt hospital is required to complete these assessments and plans in alignment on a three-year interval established by ODH. ODH is required under the bill to provide guidance regarding submitting plans and

assessments and must provide an online repository for the plans and assessments. Local boards of health currently do some level of assessment regarding public/community health, so there would be no fiscal increase unless additional assessment was necessary. Government-owned hospitals currently conduct assessments as well. However, depending on how often these assessments are currently completed, there might be costs to align to the new timelines specified by the bill. ODH may experience an increase in costs to develop and maintain an online repository of such plans and assessments.

### **Nonprofit hospital schedule H submission**

The bill also requires tax-exempt hospitals to submit information to ODH, not later than July 1, 2017, and annually thereafter. If the hospital is not a government-owned hospital, the hospital must submit a copy of the hospital's schedule H (form 990) submitted to the Internal Revenue Service (IRS) for the preceding year, along with certain related documents. Subsequent filings must be submitted to ODH not later than 30 days after filing with the IRS. If the hospital is a government-owned hospital, the hospital is to submit equivalent information under the same schedule. ODH is required to provide an online repository for schedule H and equivalent information submitted by tax-exempt hospitals. Government-owned hospitals may experience a minimal increase in administrative costs to submit the required information to ODH. ODH may experience an increase in costs to develop and maintain an online repository for the abovementioned information.

### **Certificate of need reviewable activity**

The bill adds to the list of reviewable activities related to a certificate of need (CON) any failure to conduct a reviewable activity in substantial accordance with the approved application for which a certificate of need was granted, including a change in the site, if the failure occurs within five years after implementation of the reviewable activity for which the certificate was granted. ODH may realize an increase in administrative costs for additional reviewability rulings. However, costs associated with the CON program are paid for with application fees.

## **Development Services Agency**

### **Earmark for Connect Ohio**

The bill increases appropriations to a line item under the budget of the Development Services Agency (DSA) and earmarks the increased amount for Connect Ohio to provide broadband mapping and technology research and assistance. The earmarked amount for Connect Ohio comes to \$250,000 in FY 2016 and \$950,000 in FY 2017, for a total of \$1.2 million over the biennium under GRF line item 195453, Technology Programs and Grants.

## **Adjutant General**

The bill creates new capital appropriation item C74540, Aerial Port of Embarkation/Debarcation, with an appropriation of \$250,000, and earmarks that money to acquire a cargo facility, tarmac, and the surrounding property from the Western Reserve Port Authority.

## **Ohio Turnpike and Infrastructure Commission**

The Ohio Turnpike and Infrastructure Commission is responsible for the operation and maintenance of the Ohio Turnpike. The Commission consists of ten members, the membership of which is set forth under section 5537.02 of the Revised Code. Two of these members are the Director of Transportation and the Director of Budget and Management, who each serve ex officio without compensation. The bill amends section 5537.02 to allow the directors of these agencies to appoint designees in their place on the Commission. This provision has no fiscal effect.

## **Department of Veterinary Medicine**

The bill restores a requirement that candidates for veterinary licensure take and pass a national examination before they are issued a license by the Veterinary Medical Licensing Board. This requirement was inadvertently removed among other changes intended to streamline the licensure process that were included in H.B. 64. The changes related to the examination sought only to remove a requirement that candidates for licensure be approved by the Veterinary Medical Licensing Board before taking the examination. There was no intent to remove the requirement to take and pass the examination itself as part of the streamlining.

## **Library board property tax bonds**

The bill amends requirements for a library board that issues library facilities notes for the purposes of paying the costs of financing certain facilities or property, or to refund its refunded obligations. Under current law unchanged by the bill, the projected annual note service charges on the notes, or on the notes being anticipated by anticipation notes, must not exceed the sum of 30% of the average of the Public Library Fund allocations for two calendar years prior to such issuance. The bill provides that in addition the projected service charges may include the portion of proceeds from a tax levied under R.C. 5705.23 that is covenanted to pay note service charges. Under that section, anticipatory notes may be issued with principal amount of up to 50% of total estimated property tax proceeds over a ten-year period. The bill specifies that a library property tax levy that is either pledged, or that a board has covenanted to appropriate annually, to pay the note service charges and projected note service charges must not be repealed while those notes are outstanding. If such a tax is reduced while those notes are outstanding, the taxing authority to whose jurisdiction the board is subject must continue to levy and collect the tax under the authority of the original election authorizing the tax at a rate in each year that the board of library trustees reasonably estimates will produce an amount equal to the note service charges on the notes for that year.

## **Legislative intent concerning capital appropriations and reappropriations**

The bill includes a statement of legislative intent that capital appropriations and reappropriations made in bills of the 131st General Assembly are for capital construction projects that are ready to begin construction or for projects that will be completed within the applicable two-year fiscal biennium. Further, the bill states that it is the intent of the General Assembly for those projects that are neither started nor completed within the biennium to be allowed to lapse and not be reappropriated. Lastly, the provision specifies that the General Assembly recognizes that there are times when extraordinary circumstances prevent construction projects from progressing as originally conceived, but reappropriations for these projects will be the exception, not the default.

## **Foreclosure actions**

The bill makes changes relative to judicial foreclosure actions, including: (1) authorizing a municipal corporation to file for summary foreclosure on vacant and abandoned residential properties, (2) permitting an expedited foreclosure action against residential property that is "vacant and abandoned," (3) increasing the time within which an action to enforce an obligation to pay a note secured by a mortgage, (4) creating an official sheriff sale website to be operated by a vendor selected through a competitive sealed proposal process overseen by the Department of Administrative Services (DAS), and (5) requiring the Attorney General to oversee a database where data about judicial sales or execution sales of residential property would be collected.

### **State fiscal effects**

DAS will incur some costs for soliciting competitive sealed proposals for the Official Public Sheriff Sale Website in order to carry out judgment sales of residential properties.

Costs for the Attorney General to develop and administer the database would likely range from thousands to potentially hundreds of thousands of dollars. These costs would likely be paid from the General Reimbursement Fund (Fund 1060).

### **Local fiscal effects**

The bill creates an expedited process for foreclosure actions in the courts of common pleas when a property is deemed to be vacant and abandoned. The court systems should be able to handle any new cases without discernible additional ongoing costs.

Courts of common pleas are permitted to assess court costs not to exceed \$50 for certain actions in an expedited foreclosure process. The number of cases in which this cost would be assessed is not known, but additional revenue is expected to be minimal.

Courts of common pleas and certain municipal courts<sup>7</sup> have already been handling a significant rise in foreclosure activity in recent years; common pleas courts and certain municipal courts should be able to accommodate any municipality-initiated filings with existing budgetary resources and staff. For each such filing the court would collect the applicable filing fee from the municipal corporation.

County sheriffs' departments generally will likely be able to incorporate any additional work created by the bill into their ongoing operations without any significant increase in annual operating expenses. Additional property sales generate fee revenue for county sheriffs, recorders, and auditors. A judgment creditor is permitted in a foreclosure action to file a motion requesting that a private selling officer conduct a foreclosure sale rather than a county sheriff. To the extent that private selling officers are requested and approved to conduct the sales, costs for county sheriffs could be reduced substantially.

Some municipal corporations will take advantage of the bill's foreclosure procedures, and could, in certain situations, opt to hire staff and/or contractors to more promptly move on larger numbers of properties.

### **Unit operation of a pool for development of oil and gas resources**

The bill applies a timeline by which the Chief of the Division of Oil and Gas Resources must act on particular applications for unitization. Specifically, the bill requires that, for an application for unit operation that encompasses a unit area for which all or part of the mineral rights are owned by the Department of Transportation, and on which the Chief of the Division of Oil and Gas Resources Management has held a hearing before the effective date of the bill, that the Chief issue an order denying or providing for the unit operation of that pool or part of a pool not later than 45 days after the bill's effective date. Because the timeline applies to only a small number of unitization applications it is unlikely to result in any fiscal effect.

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<sup>7</sup> The Environmental Division of the Franklin County Municipal Court, the Cleveland Municipal Housing Court, and the Toledo Municipal Housing Court.



# Ohio Legislative Service Commission

*Robert Meeker*

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## Fiscal Note & Local Impact Statement

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**Bill:** H.B. 512 of the 131st G.A.

**Date:** June 25, 2016

**Status:** As Enacted

**Sponsor:** Rep. Ginter

**Local Impact Statement Procedure Required:** Yes

**Contents:** Safe drinking water and water pollution control laws

### State Fiscal Highlights

- It appears that the costs to the Ohio Environmental Protection Agency (Ohio EPA) to adopt and enforce rules related to lead and copper sampling and disclosure requirements, including notification, water system mapping, and corrosion control generally will be covered with existing resources and not require significant additional funding.
- The bill requires the Director of the Ohio EPA to provide financial assistance (below-market interest rate loans) from the Drinking Water Assistance Fund to certain public water systems for the purpose of fulfilling mapping and corrosion control requirements. The number, conditions, and magnitude of the loans that are likely to be awarded annually is unknown. The fund is held in trust by the Ohio Water Development Authority.
- The bill's changes to the Water Pollution Control Fund are likely to result in more public entities, including state agencies, applying for and being awarded below-market interest rate loans for wastewater projects. The number, conditions, and magnitude of the loans that are likely to be awarded annually is unknown. The fund is held in trust by the Ohio Water Development Authority.
- Violations of the bill's (1) prohibitions against using certain plumbing supplies and materials, and (2) various notification and action requirements imposed upon certain public water systems may generate money from civil and administrative penalties, respectively. The money will be deposited into the state's existing Drinking Water Protection Fund (Fund 4K50). The amount of money that may be generated for Fund 4K50 will be intermittent and unpredictable.

## Local Fiscal Highlights

- The bill requires certain public water systems to complete increased drinking water testing, consumer notifications of testing results, possible additional corrosion control treatment studies, and system mapping. The compliance costs for these systems are uncertain. Systems that fail to take certain required notifications and actions will be subject to Ohio EPA-imposed administrative penalties with the amounts set according to the amount of people served by the system.
  - The bill requires the Director of the Ohio EPA to provide financial assistance (below-market interest rate loans) from the Drinking Water Assistance Fund to certain public water systems, including those owned or operated by villages, cities, counties, and water districts, for the purpose of fulfilling mapping and corrosion control requirements. The number, conditions, and magnitude of the loans that are likely to be awarded annually is unknown.
  - The bill's changes to the Water Pollution Control Fund are likely to result in more local public entities (villages, cities, counties, and sewer districts) applying for and being awarded below-market interest rate loans for wastewater projects. The number, conditions, and magnitude of the loans that are likely to be awarded annually is unknown.
  - Prosecution of criminal violations of the bill's lead contamination of drinking water from plumbing prohibitions may create minimal additional work for county and municipal criminal justice systems. The amount of money that may be generated from court costs, fees, and fines collected from violators and deposited in the general fund of the county or municipality with jurisdiction over these matters will be intermittent and unpredictable.
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## Detailed Fiscal Analysis

### Types of water systems

A public water system is defined as a system that provides water for human consumption to at least 15 service connections or serves an average of at least 25 people for at least 60 days each year. Public water systems range in size from large municipalities to schools, churches, and restaurants relying on a single well. The table below summarizes basic information on the three types of public water systems regulated by the Ohio Environmental Protection Agency (Ohio EPA). The bill's requirements affect two of those system types: community water systems and nontransient noncommunity water systems.

<b>Types of Public Water Systems</b>			
<b>Type</b>	<b>Definition</b>	<b>Examples</b>	<b>Number of Systems</b>
<b>Community water systems</b>	Serves at least 15 service connections used by year-round residents or regularly serves at least 25 year-round residents	Cities, mobile home parks, and nursing homes	1,371
<b>Nontransient noncommunity systems</b>	Serves at least 25 of the same persons over six months per year	Certain schools, hospitals, and factories	749
<b>Transient noncommunity systems</b>	Serves at least 25 different persons over 60 days per year	Campgrounds, restaurants, and gas stations	3,055

### **Lead and copper sampling and disclosure requirements**

The bill requires the Director of the Ohio EPA to adopt rules, not later than 120 days after its effective date, governing community and nontransient noncommunity water systems, including rules requiring such systems to conduct tests for lead and copper and provide collected samples to a certified laboratory for analysis.

Under current rules, these systems are already required to adhere to a regime of lead and copper testing rules. New rules may change the frequency and/or volume of testing and may create additional costs for certain public water systems. A nontransient noncommunity water system may be required by the Ohio EPA to collect additional samples for testing from buildings identified on a newly required system map when that system is a school or child day-care center.

#### **Corrosion control**

The bill authorizes the Director of the Ohio EPA to establish corrosion control requirements for a community or nontransient noncommunity water system to require the owner or operator of those systems to conduct a new or updated corrosion control treatment study and to submit a new or updated corrosion control treatment plan in certain circumstances. When a corrosion control treatment study is required, such a system must complete the study and submit a plan even if sampling shows that the system does not exceed the lead action level. Ohio EPA estimates that a corrosion control study can cost from \$5,000 to \$10,000 for a smaller system and tens of thousands of dollars for a larger system. The bill requires the Director of the Ohio EPA to provide financial assistance from the Drinking Water Assistance Fund to these systems for the purpose of fulfilling corrosion control requirements.

Under current rules, small (serving up to 3,300 people) and medium (serving more than 3,300 and up to 50,000 people) systems may not be required to submit a corrosion control treatment study following a test result outside of the acceptable range for lead, copper, pH, or other corrosion indicators, but to begin treatment immediately. The bill requires all community and nontransient noncommunity water systems to submit a study in this case to the Ohio EPA regardless of size and circumstance.

## **Notification requirements and penalties**

A laboratory that receives a lead or copper tap water sample from a community or nontransient noncommunity water system is required to complete an analysis within 30 business days of receiving the sample and notify the system and the Ohio EPA by the end of the next business day following the day the analysis is complete.

The system is required to notify the owner and persons served at the place the sample was taken of the results within two business days and, if results show the system exceeds the limit, the system must notify all consumers within two business days. Not later than five business days after the receipt of the results, the system must notify the Ohio EPA that all of the above notifications have been completed. If the system fails to notify consumers properly, the Ohio EPA is required to notify all of the system's water consumers beginning ten days from the receipt of the results from the testing laboratory.

The bill requires the Director of the Ohio EPA to adopt rules establishing administrative penalties applicable to the owner or operator of a community or nontransient noncommunity water system for certain notification violations to be paid into the state treasury to the credit of the state's existing Drinking Water Protection Fund (Fund 4K50) as follows:

- If a system fails to notify owners and/or residents of individual tap sample results, the system may be assessed an administrative penalty that, depending on the number of people served by the system, is between \$25 and \$100 per day for each day that the system failed to provide the notice.
- If a system fails to notify consumers of test results when the system drinking water is found to exceed allowable lead and/or copper levels, the system may be assessed an administrative penalty that, depending on the number of people served by the system, is between \$250 and \$1,000 per day for each day that the system failed to provide the notice.

## **Water system mapping**

Community water systems are required to identify and map areas of the system that may contain lead service lines or to contain buildings with lead piping, solder, or fixtures. Nontransient noncommunity systems are required to identify and map areas of the system with lead piping, solder, or fixtures in buildings served by the system. The systems must submit a report to the Ohio EPA which includes the map and a list of sampling locations including contact information for the owner and occupant at each sampling site. The systems are required to update and resubmit the map and/or report every five years. System mapping costs are unknown, but the bill does require the Director of the Ohio EPA to provide financial assistance from the Drinking Water Assistance Fund to community and nontransient noncommunity water systems for the purpose of fulfilling the mapping requirement.

## **Drinking Water Assistance Fund**

The bill requires the Director of the Ohio EPA to provide financial assistance from the Drinking Water Assistance Fund to community and nontransient noncommunity water systems for the purpose of fulfilling mapping and corrosion control requirements and revises, in part, two of the uses of the existing Water Supply Revolving Loan Account in the fund. The fund includes the Water Supply Revolving Loan Account, the Source Water Assessment and Protection Program, and technical assistance through the Rural Community Assistance Program.

Presumably, as a result of the bill, certain public water systems will apply for and be awarded program loans to assist with the costs of complying with the mapping and corrosion control requirements. The number, conditions, and magnitude of the loans that are likely to be awarded annually is unknown.

As noted, the fund is used in part for the Water Supply Revolving Loan Account Program, which provides financing (below-market interest rate loans) for the planning, design, and/or construction for drinking water infrastructure improvements that achieve and maintain compliance with federal safe drinking water requirements. The standard below-market interest rate is established monthly, and is 1.25% below the general obligation bond index rate. The program also offers a small community interest rate, as well as three different tiers of disadvantaged community rates. Limited principal forgiveness is available through the Disadvantaged Community Loan Program. There are currently no minimum loan amounts; the maximum amount is established each year (for project year 2016 it is \$40 million). Approximately \$150 million can be loaned out each year.

The fund consists of federal grants, revenue bonds, and loan repayments held in trust by the Ohio Water Development Authority (OWDA). It is a trust fund that is not part of the state treasury, and is not subject to the General Assembly's appropriation. The program is jointly administered by the Ohio EPA and OWDA.

## **Water Pollution Control Loan Fund**

The bill: (1) expands the list of allowable purposes of the Water Pollution Control Fund (including principal forgiveness), (2) adds state agencies to the types of entities that may receive money from the fund for the construction of publicly owned wastewater treatment works, (3) revises requirements governing the administration of money in the fund, (4) increases the amortization schedule limit for loans to 30 years from 20 years, (5) authorizes, to the extent allowed by the federal Water Pollution Control Act, the repayment period to extend up to 45 years under specified circumstances, and (6) removes certain determinations that the Director of the Ohio EPA is required to make under current law.

Presumably, as a result of the bill, more public entities, including state agencies, will apply for and be awarded loans for wastewater projects. The number, conditions, and magnitude of the loans that are likely to be awarded annually is unknown.

Under current law, the fund is used to make below-market interest rate loans to public entities (villages, cities, counties, and sewer districts) for planning, design, and construction of wastewater treatment facilities and sewer systems. Also available is a small community interest rate, as well as hardship interest rates of 0% and 1%. There are currently no minimum or maximum loan amounts. Approximately \$500 million is loaned out each year.

The fund consists of federal grants, revenue bonds, and loan repayments held in trust by OWDA. It is a trust fund that is not part of the state treasury, and is not subject to the General Assembly's appropriation. The program is jointly administered by the Ohio EPA and OWDA.

### **Lead contamination of drinking water through plumbing**

The bill: (1) revises current law to prohibit certain plumbing supplies and materials that are not lead free in circumstances providing water for human consumption including sale or introduction into commerce, (2) expands the list of plumbing supplies and materials to which the prohibition applies, (3) establishes exemptions, and (4) revises the definition of "lead free." These provisions more or less bring state law into line with current practices that comply with the federal Safe Drinking Water Act (SDWA).

Under current law, unchanged by the bill, a person violating any of these prohibitions could be subject to a civil and/or criminal penalty, as described in more detail below. The likely number of these violations is expected to be relatively small, as the prohibitions more or less reflect current practices, and to the degree that this is not the case, individuals generally will comply through awareness and regulatory enforcement.

#### **Civil penalty**

Under current law and the bill, a person violating any of these prohibitions is required to pay a civil penalty of up to \$25,000 for each violation, to be paid into the state treasury to the credit of the Drinking Water Protection Fund (Fund 4K50). The Attorney General is required, upon request of the Director of the Ohio EPA, to bring a civil action for such a penalty in the appropriate court of common pleas. This may create minimal additional work for the Attorney General and courts of common pleas. The amount of money that may be generated for Fund 4K50 will be intermittent and unpredictable.

#### **Criminal penalty**

Under both current law and the bill, a person can be criminally prosecuted as follows:

- For certain reckless violations, the offense is an unclassified misdemeanor, which carries a fine of not more than \$10,000, imprisonment for not more than four years, or both. Each day of violation constitutes a separate offense.

- For certain reckless or knowing violations, the offense is an unclassified felony, which carries a fine of not more than \$25,000, imprisonment for not more than four years, or both. Each day of violation constitutes a separate offense.

Prosecution of criminal violations of these prohibitions may create minimal additional work for county and municipal criminal justice systems. The amount of money that may be generated from court costs, fees, and fines collected from violators and deposited in the general fund of the county or municipality with jurisdiction over these matters will be intermittent and unpredictable. Very few offenders are likely to be sentenced to a prison term in any given year.

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# Ohio Legislative Service Commission

Russ Keller

## Fiscal Note & Local Impact Statement

**Bill:** S.B. 2 of the 131st G.A. **Date:** January 27, 2016  
**Status:** As Enacted **Sponsor:** Sen. Peterson

**Local Impact Statement Procedure Required:** Yes

**Contents:** To expressly incorporate recent changes in the Internal Revenue Code into Ohio law, and to declare an emergency

### State Fiscal Highlights

STATE FUND	FY 2016	FY 2017	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	Loss of millions of dollars	Loss of millions of dollars	Loss of millions of dollars
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2016 is July 1, 2015 – June 30, 2016.

- Incorporating changes to the Internal Revenue Code (IRC) into Ohio law will reduce Ohio Adjusted Gross Income (OAGI) for Ohio taxpayers, and reduce Ohio revenues because OAGI serves as the starting point for determining Ohio taxable income. GRF revenue losses would be millions of dollars per year beginning in FY 2016. Annual losses in future years are dependent on the amount of bonus depreciation deductions and enhanced expensing occurring in calendar year 2015 and thereafter.

### Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2016	FY 2017	FUTURE YEARS
<b>Counties, municipalities, townships, and public libraries (LGF and PLF)</b>			
Revenues	Loss of \$1 million or more	Loss of \$1 million or more	Loss of \$100,000 or more
Expenditures	- 0 -	- 0 -	- 0 -
<b>School districts that levy a school district income tax (SDIT)</b>			
Revenues	Loss up to hundreds of thousands	Loss up to hundreds of thousands	Loss up to tens of thousands
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.

- All income tax revenues are deposited into the GRF, the Local Government Fund (LGF) and Public Library Fund (PLF). Permanent law requires that each receive 1.66% of GRF receipts, but a temporary provision of Am. Sub. H.B. 64 of the 131st General Assembly increased the PLF share to 1.70% for FY 2016 and FY 2017.

Conforming to the federal definition of income will reduce combined revenue to the LGF and PLF by up to \$1 million or more in FY 2016 and FY 2017.

- The reduction in Ohio taxable income under the bill would reduce school district income tax revenues to those districts that use Ohio taxable income as the basis for calculation of taxes owed. Taxpayers living in these school districts have approximately 8.6% of Ohio taxable income. If tax returns from these areas claimed 8.6% of the marginal increase in this deduction, aggregate school district income tax (SDIT) revenues would be reduced by hundreds of thousands of dollars in FY 2016 and FY 2017.

## Detailed Fiscal Analysis

The bill incorporates changes to the Internal Revenue Code (IRC) since April 1, 2015 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. H.B. 19 of the 131st 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. 2029, the "Protecting Americans from Tax Hikes Act of 2015," which took effect December 18, 2015. The foregoing provisions are extensions of previous federal provisions. Many are extended permanently whereas others are extended through December 31, 2019, and some provisions are extended through December 31, 2016. The principal amendments to federal law that Sub. S.B. 2 incorporates are the income tax provisions identified in Table 1.

<b>Table 1. Principal FAGI determinants extended by H.R. 2029 of the 114th U.S. Congress</b>
<b>Permanent extensions</b>
Elementary and secondary school teacher deduction for classroom expenses
Exclusion of Individual Retirement Arrangement (IRA) distributions for charitable purposes
Depreciation cost recovery period adjustments for certain leasehold improvement property, restaurant property, and retail improvement property
Exclusion of 100% of gain on certain small business stock
Parity for exclusion for employer-provided mass transit and parking benefits
Basis adjustment to stock of S corporations making charitable contributions of property

<b>Table 1. Principal FAGI determinants extended by H.R. 2029 of the 114th U.S. Congress</b>
<b>Extended through December 31, 2019</b>
Bonus depreciation deductions and enhanced expensing <sup>8</sup>
<b>Extended through December 31, 2016</b>
Qualified tuition expenses deduction
Depreciation cost recovery period adjustments for race horses and motor sports entertainment complexes
Exclusion of discharge of principal residence indebtedness for individuals
Depreciation allowance for second generation biofuel plant property
Deduction for energy efficient commercial buildings
Election to expense advanced mine safety equipment
Special expensing rules for certain film and television productions
Income adjustments for businesses in a designated empowerment zone

Some of the larger individual income tax effects are explained in further detail below:

H.R. 2029 permits taxpayers who have mortgage debt cancelled or forgiven after 2014 to avoid paying taxes on that amount as taxable income. Under this provision, up to \$2 million of forgiven debt is eligible to be excluded from income (\$1 million if married filing separately) through tax year (TY) 2016. This provision was originally created in the Mortgage Debt Relief Act of 2007 to shield taxpayers from having to pay taxes on cancelled mortgage debt stemming from mortgage loan modifications. Enacting conformity for this provision would reduce state revenues by \$9 million to \$15 million per year in FY 2016 and FY 2017.

H.R. 2029 extends the ability to deduct the cost of mortgage insurance on a qualified personal residence. The deduction is phased out ratably by 10% for each \$1,000 by which the taxpayer's AGI exceeds \$100,000. Thus, the deduction is unavailable for a taxpayer with an AGI in excess of \$110,000. The bill extends this provision for two additional years, through TY 2016. Enacting conformity for this provision would reduce state revenues by \$4 million to \$7 million per year in FY 2016 and FY 2017.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) created an above-the-line tax deduction for qualified higher education expenses. The maximum deduction was \$4,000 for taxpayers with AGI of \$65,000 or less (\$130,000 for joint returns) or \$2,000 for taxpayers with AGI of \$80,000 or less (\$160,000 for joint returns). H.R. 2029 extends the deduction to the end of TY 2016. Enacting conformity for this provision would reduce state revenues by \$3 million to \$5 million per year in FY 2016 and FY 2017.

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<sup>8</sup> 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 six years.

H.R. 2029 permanently extends the provision that permits an IRA owner who is age 70½ or older generally to exclude from gross income up to \$100,000 per year in distributions made directly from the IRA to certain public charities. Enacting conformity for this provision would reduce state revenues by several million dollars per year.

H.R. 2029 permanently extends the \$250 above-the-line tax deduction for teachers and other school professionals for expenses paid or incurred for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and service), other equipment, and supplementary materials used by the educator in the classroom. Enacting conformity for this provision would reduce state revenues by approximately \$1 million per year.

The business tax provisions are not addressed in such detail because IRS statistics are less discrete about the business income and deductions incurred by sole proprietors, partnerships, and S corporations. The business tax extenders concerning bonus depreciation will differ from the individual income tax provisions 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 five-year federal extension because of the add-back and expensing formula specified in the Revised Code.

### **Temporary earned income credit provisions made permanent**

The American Taxpayer Relief Act of 2012 temporarily extended through December 31, 2017 certain earned income tax credit (EITC) provisions originally authorized by the American Recovery and Reinvestment Act of 2009. The Protecting Americans from Tax Hikes Act of 2015 made these changes permanent, which will affect GRF receipts beginning in FY 2019. The now permanent provisions are those authorizing an EITC rate of 45% for taxpayers with three or more qualifying children as well as an increased EITC value for married couples filing joint returns.

Although not a factor in determining FAGI, the federal EITC can affect the state income tax liability of an Ohio taxpayer. Since TY 2013, a nonrefundable earned income credit is available for Ohio taxpayers who are eligible for the federal EITC on their federal tax returns. The Ohio earned income credit is equal to 10% of the taxpayer's federal EITC. Because these federal changes were made permanent, the personal income tax will forego between \$1 million and \$10 million of additional revenue in future years.

### **Local taxing jurisdictions**

All personal income tax (PIT) revenues are deposited into the GRF, the Local Government Fund (LGF) and Public Library Fund (PLF). Permanent law requires that each receive 1.66% of GRF receipts, but a temporary provision of Am. Sub. H.B. 64 of

the 131st General Assembly increased the PLF share to 1.70% for FY 2016 and FY 2017. Sub. S.B. 2 reduces the LGF and PLF each by hundreds of thousands of dollars.

School district income taxes (SDIT) are based on either Ohio taxable income of taxpayers residing in the school district or on 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 Ohio taxable income serves as the starting point for calculation of school district income taxes, conforming to the federal definition of income will reduce school district income tax revenues. LSC does not have an estimate of the amount of this reduction. As of January 2016, 144 school districts levied an income tax from the "traditional" tax base rather than the earned income tax base. During FY 2015, these school districts raised \$300.1 million through school district income taxes. The local revenue reduction amount caused by Sub. S.B. 2 for each respective school district depends on the number (if any) of taxpayers living in that district who utilize the benefits conferred by Sub. S.B. 2. Taxpayers living in school districts with the "traditional" tax base have approximately 8.6% of Ohio taxable income. If tax returns from these areas claimed 8.6% of the income reductions granted by Sub. S.B. 2, aggregate SDIT revenues would be reduced by several million dollars per year, beginning in FY 2016.

### **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

*Shannon Pleiman and other LSC staff*

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## Fiscal Note & Local Impact Statement

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**Bill:** S.B. 75 of the 131st G.A.

**Date:** May 4, 2016

**Status:** As Enacted

**Sponsor:** Sens. Jones and Peterson

**Local Impact Statement Procedure Required:** Yes

**Contents:** Defines agritourism and establishes immunity in a civil action for agritourism providers

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

- The bill establishes a civil immunity for agritourism providers. This might reduce the filing of civil actions in local courts or cause cases that are filed to be handled more promptly. Either outcome could result in savings from a decrease in judicial dockets and the workload of court personnel. Overall, the probable impact on courts will not be significant, and consequently, any savings would be no more than minimal.
- The bill explicitly allows land that otherwise qualifies for current agricultural use valuation (CAUV) tax treatment to remain eligible for that tax valuation method if used for agritourism.

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## Detailed Fiscal Analysis

### Overview

The bill defines "agritourism" as agriculturally related educational, entertainment, historical, cultural, or recreational activities, including you-pick operations or farm markets, that take place on a farm and that the public can participate in. The bill also defines the circumstances under which an agritourism business operator is immune from civil liability in cases where a participant is injured during an agritourism activity. This could reduce the volume of civil cases or cause the cases to be handled more quickly, in either case reducing costs incurred by courts for handling this type of litigation.

In addition to the change in civil immunity, the bill prohibits boards of county commissioners and township trustees from preventing agritourism business through zoning, but does allow local regulation pertaining to size of structure, size of parking areas, setback building lines, and egress or ingress if necessary to protect public health and safety. The bill adds that an applicable zoning authority does not have the power to prohibit the use of any land for agricultural purposes or the construction or use of buildings or structures incident to the use for agricultural purposes of the land on which the buildings or structures are located, including buildings or structures that are used primarily for vinting and selling wine and that are located on land any part of which is used for viticulture. There does not appear to be any fiscal effect related to this part of the bill. The fiscal effects regarding the civil immunity provisions applying to agritourism operators are described in more detail below.

### **Immunity for agritourism providers**

The bill gives agritourism providers immunity from civil liability for any harm a participant sustains during an agritourism activity if the participant is harmed as a result of a risk inherent in the activity. This most likely would have two effects, either (1) reducing the number of civil actions alleging damages, or (2) leading to quicker adjudication of such cases than currently would be the norm. Either outcome would potentially yield some minimal savings for the courts involved by decreasing judicial dockets and reducing workload for personnel. If the number of civil actions filed were curtailed, then the courts would incur a loss in court cost and filing fee revenue. However, the savings realized by those courts in terms of their personal and related administrative costs associated with the processing of cases would likely offset any possible loss of court cost and filing fee revenues.

### **Current agricultural use valuation for land used for agritourism**

The bill states that agritourism on land that otherwise meets the definition of "land devoted exclusively to agricultural use" does not disqualify the land for valuation on a CAUV basis under the provisions of property tax law. This addition to law governing CAUV may provide greater clarity regarding this aspect of the law but does not appear to have any fiscal effect.

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- The bill reduces revenue from permissive local county and transit authority sales taxes. Those taxes share the same base as the state sales and use tax.
  - Receipts from the state sales tax are deposited in the GRF. A share of GRF tax revenues is distributed under permanent law to the LGF and PLF. Thus, any reduction to GRF tax receipts would also reduce the amount distributed to the LGF and PLF.
  - The bill clarifies certain requirements in current law for municipal income tax withholding remittances in section 718.03 of the Revised Code. This provision has no fiscal effect.
  - Changes to exemption from real property taxation of property of fraternal organizations in the bill may make this tax exemption available on more parcels. This expansion might increase the fiscal cost (relative to current law) to political subdivisions.
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## Detailed Fiscal Analysis

### Sales tax exemption for investment metal bullion and coins

S.B. 172 exempts sales of investment metal bullion and investment coins from the sales and use tax. Those sales were made exempt by H.B. 111 of the 118th General Assembly on July 1, 1989. Subsequently, H.B. 66 of the 126th General Assembly reinstated the sales and use tax on these items on July 1, 2005. Thus, S.B. 172 would return the taxation of investment metal bullion and coins to Ohio law prior to H.B. 66. The bill defines investment metal bullion as any bullion described in section 408(m)(3)(B) of the Internal Revenue Code, regardless of whether that bullion is in the physical possession of a trustee; and investment coin as any coin composed primarily of gold, silver, platinum, or palladium. The amendment specifies the sales tax exemption applies the first day of January, April, July, or October that begins at least 60 days after the effective date of the bill.

Using data from the Economic Census, nationwide sales of coins, medals, and other numismatic items at jewelry stores, art stores, used merchandise stores, and miscellaneous store retailers were about \$3.36 billion in 2012.<sup>9, 10</sup> Assuming Ohio sales at

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<sup>9</sup> The U.S. Census Bureau has not yet released detailed state data on retail sales of coins and numismatic items for the 2012 Economic Census. The U.S. Census estimated sales of numismatic items in Ohio were about 3.4% of nationwide sales in 2007. To the extent the sales shares attributable to Ohio in the latest survey would differ markedly from that of the 2007 Economic Census, it is possible that the fiscal impact of the bill would be different than the estimates in this Fiscal Note. An official at the Census Bureau stated that state level product line data are scheduled to be released starting in January 2016.

between 3% and 4% of nationwide sales, taxable sales in Ohio may have been between \$101 million and \$135 million that year. Like most commodities, the prices of precious metal bullion and coins depend on supply and demand of each metal, monetary conditions, inflation levels, or the expectation of future inflation and, as a result, prices could be very volatile. The taxable base (and consequently tax receipts) for sales of investment metal bullion and coins will rise and fall with those conditions. Prices of various metals, particularly gold and silver, have varied over the years.<sup>11</sup> Price data from various sources suggest most prices have fallen since 2012, and, based on most recent prices, annual Ohio taxable sales may be between \$74 million and \$99 million. Associated tax revenue from the state sales and use tax on those sales would be between \$4.3 million and \$5.7 million. Accordingly, the yearly revenue loss from the bill may be within the same range, based on recent precious metal prices.

Receipts from the state sales and use tax are deposited into the GRF. Under permanent law, a portion of GRF tax receipts is subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). For the current biennium, the LGF and the PLF are receiving 1.66% and 1.70% of GRF tax revenue, respectively. Thus, the potential revenue loss to those local funds would total about \$0.2 million, and the potential revenue loss to the GRF would be up to \$5.5 million per year.

Permissive local county and transit authority sales taxes share the same tax base as the state sales tax, and are approximately 24.5% of state sales tax revenues. Thus, the annual revenue loss to local governments from county and transit authority sales and use taxes would be between \$1.0 million and \$1.4 million.

Any price increase from current levels in the precious metal markets would likely increase revenue losses to the state and local governments. Alternatively, any price declines would reduce estimated revenue losses. Also, an unknown share of sales of investment bullion and investment coins occur through remote sales (catalogs, telephone, and Internet sales), and that share may be growing. A portion of those remote purchases likely escape sales and use taxes already. For such sales, the bill would not result in a revenue loss. For this reason, it is possible the Fiscal Note may overstate the potential revenue loss from the bill.

### **Municipal income tax withholding remittances**

The bill clarifies certain requirements in current law for municipal income tax withholding remittances in section 718.03 of the Revised Code. For employers withholding more than \$2,399 in a preceding calendar year, income tax payments must

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<sup>10</sup> The Professional Numismatists Guild estimated the annual U.S. coin business at \$5 billion in 2014, excluding bullion items or modern coin sold directly by the United States Mint. <http://www.coinworld.com/news/u-s-coin-market-near-5-billion-dollars-in-2014.html>.

<sup>11</sup> For example, gold prices tripled between 2005 and 2012, but then have decreased about 25% since that year. Silver prices tripled between 2006 and 2011, and have fallen almost 50% from that peak.

be made to the tax administrator of municipalities no later than 15 days after the last day of each month, instead of so as to be received by the tax administrator no later than 15 days after the last day of each month. For employers remitting quarterly, income tax payments shall be made no later than the last day of the month following the last day of each calendar quarter, instead of the 15th day of that month. The amendment specifies that payments shall be considered to be made on the date of the timestamp assigned by the first electronic system receiving that payment. This provision has no fiscal effect.

### **Real property taxation of fraternal organizations**

The bill amends division (D) of Revised Code section 5709.17, changing language that exempts from property taxation real property of a fraternal organization "that has been operating in this state with a state governing body for at least eighty-five years" and that meets other criteria unchanged in current law. Instead, the exemption would be for real property of a fraternal organization "that operates under a state governing body that has been operating in this state for at least eighty-five years."

When division (D) was added to Revised Code section 5709.17 by H.B. 59 of the 130th General Assembly, it specified that the fraternal organization needed to have been operating in Ohio for at least 100 years to qualify for the exemption. LSC estimated the cost to political subdivisions at \$4.8 million per year but cautioned that the estimate was based on old information and could substantially understate the current cost. The 100-year requirement was changed to 85 years by H.B. 483 of the 130th General Assembly, and LSC estimated this change to cost political subdivisions very roughly \$1 million per year. H.B. 64 of the 131st General Assembly broadened the uses of the property that would qualify for tax-exempt status. LSC noted that the change might increase the real property tax revenue loss to school districts and other units of local government but did not quantify any additional loss. With the passage of time and increases in property values and effective tax rates, amounts of tax revenue losses would tend to rise. The changes to division (D) of Revised Code section 5709.17 made by the bill may make this tax exemption available on more parcels. If so, this expansion might increase the fiscal cost (relative to current law) to political subdivisions.



# OHIO LEGISLATIVE SERVICE COMMISSION

*Russ Keller and other LSC staff*

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## Fiscal Note & Local Impact Statement

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**Bill:** S.B. 235 of the 131st G.A.

**Date:** December 27, 2016

**Status:** As Enacted (Certain items vetoed)

**Sponsor:** Sens. Beagle and Coley

**Local Impact Statement Procedure Required:** Yes

**Contents:** Changes to various state programs

The bill makes various changes affecting the operation of state programs. Major headings include (1) Tax Provisions, (2) Unemployment Compensation Law, (3) the Department of Commerce, and (4) Local Government Provisions. If a provision affects more than one agency, it is listed only under the agency primarily affected.

Certain provisions of S.B. 235 were vetoed by the Governor. Specifically, the Governor vetoed two sales and use tax exemptions and an appropriation within the Development Services Agency (DSA). One sales tax provision provided a new exemption for the sale of digital audio works from a jukebox, arcade machine, or similar amusement or entertainment device. The other vetoed sales tax provision expanded the scope of the existing exemption for tangible personal property used in producing oil and natural gas. Within the DSA budget, the Governor vetoed a provision that reappropriated the unencumbered, unexpended balance of a GRF-funded grant for a major sports event.

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## Detailed Fiscal Analysis

### Tax provisions

The provisions begin with those that potentially may affect GRF revenue. One of these tax provisions seems likely to reduce GRF revenue, but LSC does not have an estimate of the magnitude of the revenue loss. The other tax provisions affect local government tax sources, including property taxes and municipal income taxes.

### Financial institutions tax

The bill exempts small business investment companies (SBICs) from the financial institutions tax (FIT). SBICs are privately owned and managed investment funds licensed under federal law. An SBIC uses its own capital and, in most cases, securities guaranteed by the United States Small Business Administration (SBA) to lend to and make equity investments in qualifying small businesses.

The exemption in S.B. 235 applies both retrospectively back to January 1, 2014, when the FIT was enacted, and prospectively. This implies SBICs that previously paid the FIT would be eligible to receive refunds. Any financial institution that is subject to the FIT is exempted from the commercial activity tax (CAT), which is a general tax on the gross receipts of all businesses not expressly exempted from that tax. Thus, by operation of law, SBICs would become subject to the CAT at a rate of 0.26% of taxable gross receipts, if they are exempted from the FIT. However, SBICs are structured in such a way that the bulk of their income is investment income distributed to partners. Investment income generally is not subject to the CAT. SBICs may also have some income as management fees but, to be taxable under the CAT, fees received would have to be at least \$150,000 per year. No information is publicly available on potential fee revenue to SBICs.

The exemption from the FIT will reduce revenues to the GRF by an uncertain amount. Assuming SBICs have paid the FIT tax for tax year (TY) 2014, TY 2015, and TY 2016, amounts refunded may be several millions of dollars. The exemption will also result in foregone GRF revenue in future years, depending on the level of equity capital of SBICs. Assuming gross receipts from SBICs are taxable under the CAT, revenue from this tax is likely to be relatively small, as most of the income to SBICs is typically excluded from the CAT tax base. Thus, on balance, the bill's provision would result in a net reduction of GRF revenues of unknown magnitude.

### **Sales tax exemption certificate**

The bill requires purchasers of employment services to provide an exemption certificate to the service provider if the transaction is not subject to sales and use tax. This provision will have no fiscal effect.

### **Catalytic historic rehabilitation tax credits**

The bill authorizes historic rehabilitation tax credits for certain prior applicants for the current biennium. It also provides that the Director of the Development Services Agency (DSA) must not approve an application for a rehabilitation tax credit certificate for a catalytic project during the state fiscal biennium beginning July 1, 2017, and any biennium thereafter.

H.B. 483 of the 130th General Assembly authorized the Director of DSA to issue one "catalytic" rehabilitation tax credit of up to \$25 million per biennium to a large-scale rehabilitation project that will foster significant economic development. Current law also requires DSA not to approve more than \$60 million of rehabilitation tax credits per fiscal year,<sup>12</sup> but the Director may reallocate unused tax credits from a prior fiscal year for new applicants and such reallocated credits do not apply toward the yearly dollar limit above.

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<sup>12</sup> The Ohio Historic Preservation Tax Credit Program, which is administered by DSA, provides a state tax credit up to 25% of qualified rehabilitation expenditures incurred during rehabilitation projects.

S.B. 235 requires DSA to approve as eligible to receive a rehabilitation tax credit certificate, the catalytic project of each person that applied for but was not approved for a catalytic rehabilitation tax credit for the fiscal year 2016-2017 biennium, or received a tax credit for less than 25% of the qualified rehabilitation expenditures. The amount of credit awarded to these prior applicants would be equal to the lesser of 25% of the qualified rehabilitation expenditures, \$25 million, or one-half of the maximum amount of credit that could have been claimed by the owners of "uncompleted projects"<sup>13</sup> had DSA issued rehabilitation tax credit certificates to each such owner based on qualified rehabilitation expenditures paid or incurred. Though a credit awarded under this provision is not subject to the limitation on the number of tax credit certificates issued during a biennium, S.B. 235 specifies that the amount of tax credits awarded is part of tax credits approved for purposes of the \$60 million fiscal year limit.

The discontinuation of the approval of catalytic tax credits during the state fiscal biennium starting July 1, 2017 or during any state fiscal biennium thereafter has no fiscal effect. Requiring DSA to authorize tax credits for certain prior applicants of uncompleted projects may result in GRF losses only if DSA was not planning to authorize all available tax credits under existing law. However, assuming the \$60 million limit per year in existing law would be reached with or without the credits authorized under this provision of the bill, the provision would have no overall fiscal impact on the GRF, except for the timing of credit claims on a particular fiscal year.

### **Motion picture tax credit**

The bill authorizes a television program produced in Ohio during the first six months of calendar year 2017 to be a tax credit-eligible production for FY 2018 even though the production commenced before the start of that fiscal year. A credit awarded under this provision must not exceed \$12 million and cannot be claimed before July 1, 2017.

The Ohio Motion Picture Tax Credit provides a refundable tax credit against the CAT, FIT, or personal income tax for motion pictures produced in Ohio. Continuing law caps the amount of allowable tax credits at \$40 million per fiscal year. The bill's provision does not have a fiscal effect because the provision counts credits awarded under its authority against the FY 2018 cap.

### **Tax exemption for the increased value of property**

S.B. 235 applies to real property that meets the bill's definition of "newly developable property" or "redevelopment property." In both instances, the exemption generally applies to parcels on which one or more commercial or industrial buildings or structures have not yet been issued their certificates of occupancy or otherwise used for

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<sup>13</sup> "Uncompleted projects" means an historic building, the rehabilitation of which the Director of Development Services approved under former section 149.311 of the Revised Code as it existed on April 2007, presumably during the application period in FY 2008, but the owners of which were not awarded a rehabilitation tax credit certificate.

commercial, agricultural, or industrial operations. Please refer to the LSC Bill Analysis for the additional details of S.B. 235 and how the term "newly developable property" differs from that of "redevelopment property." The bill requires a legislative body, before adopting an ordinance or resolution granting a property tax exemption, to notify the board of education of any traditional or joint vocational school district and, if the legislative body is a board of township trustees or board of county commissioners, to notify the board of county commissioners or board of township trustees, respectively, in which the parcel is located.

A large number of parcels could be eligible based on the bill's criteria for receiving the exemption. However, eligibility is restricted to those properties for which there are no outstanding real property taxes, assessments, penalties, or charges that are due and unpaid. Therefore, a property owner must obtain a certificate from the county treasurer to prove this condition has been met. Moreover, to be eligible, an owner must file a written declaration with the county auditor of the county in which the property is located attesting to each of the following:

1. That the property is newly developable property or redevelopment property;
2. If the property is newly developable property, that the property's zoning regulations will permit construction of a new commercial or industrial building or structure;
3. If the property is redevelopment property, that the property's zoning regulations will permit construction or reconstruction of a new commercial or industrial building or structure.

Based on these parameters, it is conceivable that substantial amounts of newly developable property and redevelopment property in Ohio that is not already under another more beneficial tax incentive agreement (e.g., tax increment financing or Community Reinvestment Area) could benefit from this exemption if the property owner successfully gains the approval of a legislative body of the local subdivision.<sup>14</sup> S.B. 235 requires the legislative body of a political subdivision receiving the property owner's declaration to determine whether the subject of the application is a public purpose that merits a property tax exemption.

If the parcel owner meets all of these above listed conditions, the owner will not pay taxes on their increase in value until a certificate of occupancy is issued to the property owner.<sup>15</sup> This property tax exemption on the increased value can continue for

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<sup>14</sup> If the property currently benefits from a tax increment financing (TIF) district, the parcel owner must direct their application to the corporation, township, or county that authorized that TIF exemption.

<sup>15</sup> The tax exemption ceases if the owner transfers title to the property to another person, but it appears that the new owner could seek an exemption for the property if the zoning remains the

six consecutive years. The bill includes provisions for a recoupment charge in specified circumstances.<sup>16</sup> The recoupment charge would be the amount of the reduction in property taxes charged due to the exemption in the three most recent years.

The exemption would cause temporary revenue losses – albeit permissible for the jurisdiction that grants the exemption – from tax levies within the Ohio Constitution's 1% limitation (i.e., unvoted levies or inside millage). These types of levies are not subject to tax reduction factors, so the effective tax rates are not lowered in response to the growth in property values (or raised in response to decreases in value). Therefore, exempting (albeit temporarily) the increased value of certain types of property reduces the tax base for entities benefitting from inside millage levies. The magnitude of this local revenue loss depends on a variety of factors, including the incidence of commercial and industrial construction as well as the increased value of affected property. The bill makes the tax exemption available for tax year 2017 and every year thereafter, affecting revenues for school districts, counties, municipalities, townships, and other political subdivisions beginning in FY 2018.

### **Impact of net operating loss carryforwards**

The bill modifies the formula that a municipal corporation must use to report the financial impact of the requirement in existing law that the municipal corporation allow net operating loss (NOL) carryforwards. All reports are submitted to the Municipal Income Tax Net Operating Loss Review Committee, which is codified by the bill.<sup>17</sup> When estimating financial impacts, the municipal corporation must use a microsimulation model adopted by the Committee on May 5, 2016, and apply the model to taxable years ending in 2018 and 2019. The Committee is to issue a written report on or before May 1, 2022, after which it ceases to exist. This provision is likely to have a minimal fiscal effect on municipalities.

H.B. 5 of the 130th General Assembly revised the laws governing the Ohio municipal income tax. It requires all municipal corporations to allow NOLs to be carried forward for five years, for NOLs incurred in taxable years beginning after 2016. Though most municipalities allowed NOLs with varying carryforwards, a number of municipalities disallowed net operating losses. Those municipalities would experience reduced tax revenue from the NOL provision, with the amount of the loss dependent on the extent of the resulting reduction in municipal taxable income from businesses and

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same and the new owner has not yet obtained a certificate of occupancy for the building or structure nor conducted any commercial, agricultural, or industrial operations.

<sup>16</sup> The recoupment charge is triggered if (1) the owner transfers title to the property without making any improvements, or (2) commercial, agricultural, or industrial operations commence on the property before the owner obtains a certificate of occupancy.

<sup>17</sup> The Committee was originally established in an uncodified section of H.B. 5 of the 130th General Assembly. In addition to codifying the Committee, this bill repeals that section of H.B. 5.

individuals. H.B. 5 created a committee to study and quantify the potential fiscal impact of the five-year NOL carryforward requirement included in H.B. 5. The Committee was to analyze revenue data, and municipalities that levy an income tax were required to provide specified information about revenue losses from NOLs to the Committee. The Committee must report its findings on the revenue effect of the NOL provision, including recommendations to address revenue shortfalls.

### **Downtown redevelopment district**

The bill deletes language prohibiting a downtown redevelopment district (DRD) from including a parcel that "has been" tax-exempt as part of a municipal tax increment financing (TIF) district.<sup>18</sup> The prohibition is retained for a parcel in a TIF district on the effective date of the ordinance creating the DRD. Thus, a parcel that was part of a TIF in the past but not currently may be included in a DRD. The fiscal effect of this change will likely be inclusion of such a parcel or parcels in one or more DRDs in the state. This would allow service payments in lieu of property taxes (PILOTs), rather than tax payments, for some portion of the taxes otherwise due on these parcels.

Under the DRD law, municipal corporations may redevelop commercial and mixed-use commercial and residential areas of no more than ten acres. PILOTs from DRDs may be applied to more uses than TIF funds, including awarding grants and loans to owners of historic and other properties in the district. Creation of DRDs may result in loss of tax revenues for some units of local government.

### **Unemployment Compensation Law**

S.B. 235 modifies Unemployment Compensation Law to increase the taxable wage base from \$9,000 to \$9,500 and freezes the maximum weekly benefit amount (MWBA) to claimants for calendar years (CY) 2018 and 2019 at the 2017 level. In 2020, the taxable wage base would decrease back to \$9,000 and the MWBA would be unfrozen. In doing so, the bill decreases benefits disbursed to claimants from the Unemployment Compensation Fund (the Fund) and increases contributions from employers to the Fund during CY 2018 and CY 2019. As public employers, the state and local governments reimburse the Fund for any benefits paid to their workers. The bill's provision, therefore, would likely reduce the governments' expenditures for these reimbursements.

### **Department of Commerce**

#### **Oversight of rock climbing facilities – insurance certification**

The bill excludes certain "manufactured rock climbing walls in climbing facilities" from inspection by the Department of Agriculture's (AGR) Division of Amusement Ride Safety. Climbing walls that will continue to be inspected by AGR are in climbing facilities that are located in amusement parks, carnivals, or public land. The

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<sup>18</sup> R.C. 5709.45.

Division is entirely funded through the Amusement Ride Inspection Fund (Fund 5780), which consists of the proceeds from permit fees and fines.

The bill declares that the General Assembly finds that defining the duties and responsibilities of climbing facility operators and climbers is in the public interest. Consequently, the bill requires a climbing facility operator that does not fall under the inspection of AGR to maintain liability insurance and file a certificate proving such coverage with the Department of Commerce. It additionally requires the climbing facility operator to comply with all manufacturer instructions and requirements regarding the manufactured climbing wall, including the inspection of the wall. As a result, the bill places the burden of maintenance and inspections on climbing facility operators while also exempting them from liability for injuries under specified circumstances. The rock climbing facility exemptions in the bill will have little, if any, direct fiscal effect on state and local governments.

### **Ohio Pawnbroker's Law**

The bill makes various changes to the Ohio Pawnbroker's Law that do not have a significant fiscal effect on state and local government. The changes made by the bill include modifying the minimum amount of liquid assets held by a pawnbroker, the maximum percent of interest charged for any loans issued, and the number of continuing education hours and standards required for pawnbroker employees. The Consumer Finance section of the Division of Financial Institutions within the Department of Commerce enforces the Ohio Pawnbroker's Law. A pawnbroker license has an initial investigation fee of \$200 and a biennial license fee of \$800. Fifty percent of the licensing fee is used by the state and the other 50% is distributed to the municipal corporation or county in which the office of the licensee is located. The fees are deposited into the Consumer Finance Fund (Fund 5530). In FY 2016, approximately \$164,000 was deposited into Fund 5530 from pawnbroker license fees.

## **Local government provisions**

### **Hospital board meetings**

The bill allows boards of county hospital trustees, boards of governors of municipal hospitals, and boards of hospital commissioners to conduct meetings by communications equipment such as teleconference or video conference. The bill requires the boards to adopt rules designating the communications equipment that is authorized for use and rules to establish procedures and guidelines for using authorized communications equipment. Public hospitals could realize a minimal increase in costs to adopt the specified rules.

### **Pilot water and sewer program**

The bill authorizes the legislative authority of a municipal corporation in Stark County, in FY 2017-FY 2018, to conduct a pilot program using up to 5% of the aggregate total of funds deposited into water-works or sewer funds for extending water and sewer systems if (1) the water or sewerage system is being extended to areas for

economic development purposes, and (2) the areas into which the system is being extended are the subject of a cooperative economic development agreement. This would allow the municipal corporation to use additional sources of revenue to fund work on any such qualifying project.

### **Animal owners' liability**

The bill applies the law governing animals running at large to all poultry rather than only to geese. Under current law, an owner or keeper of horses, mules, cattle, sheep, goats, swine, llamas, alpacas, or geese can be held both criminally and civilly responsible for permitting an animal to run at large. Under the bill, a violation of the criminal prohibition remains a misdemeanor of the fourth degree.

This change may result in an increase, expected to be negligible, in locally collected state court costs credited to the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020). Similarly, local criminal and civil justice system costs may rise by a minimal amount, offset to some degree by court fees and fines. County, municipal, and township law enforcement entities may recover from the owner or keeper some or all of the expenses incurred in the taking and keeping of poultry found running at large.

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## Appendix

### All House Bills Enacted in 2016

House Bill	LIS Required?	Subject
5	No	Authorizes the Auditor of State to conduct feasibility studies and to establish a shared equipment service agreement among political subdivisions
9	No	Revises the law regarding malfunctioning traffic control signals
17	No	Establishes civil immunity for architects, contractors, engineers, surveyors, and tradespersons providing volunteer services during a declared emergency
18	No	Prohibits manufactured home park operators, landlords, and neighborhood and condominium associations from prohibiting the display of service flags
37	No	Exempts persons in markets from the Open Container Law under certain conditions and allows for the sale of higher alcohol content beer
50	No	Extends the age for which a person is eligible for federal foster care and adoption assistance payments to age 21, and requires that a guardian receive the Ohio guardianship guide
60	No	Establishes a new prohibition against causing serious physical harm to a companion animal and makes other changes
89	No	Revises the Medicaid School Program
98	No	Designates May 14 as "Childhood Apraxia of Speech Awareness Day"
110	No	Enhances penalties for failure to stop after an accident, and modifies requirements associated with the administration of naloxone
113	No	Makes changes to a variety of education laws
116	Yes	Makes changes regarding insurance and Medicaid coverage of medication synchronization, and makes other changes related to physicians, pharmacists dispensing drugs
121	No	Designates the last week of July as "Service Dog Awareness Week"
123	No	Makes changes to the notification of alibi defense and waiver of presentence investigation report
151	No	Modifies offenses of menacing by stalking and telecommunications harassment
154	No	Modifies the law for passing bicycles, and procedures for operating a motor vehicle when a traffic signal is malfunctioning
158	No	Replaces provisions containing the term "mental retardation" and its derivatives with corresponding provisions containing the term "intellectual disability"
164	No	Modifies the Conviction Record Sealing Law
166	No	Extends the deadline to file an application for the homestead exemption and makes other various changes affecting local governments
167	No	Revises the term of Legislative Service Commission members
171	No	Decreases the minimum amounts of heroin necessary to classify an offender as a major drug offender
173	No	Authorizes county recorders to issue veteran identification cards
178	No	Allows the sale of wine at certain farmers markets
180	No	Prohibits a public authority from using residency requirements or residency-based bid preferences in public improvements contracts
182	No	Revises the law governing joint economic development districts, enterprise zones, and Ohio's New Markets Tax Credit program, provides a property tax exemption, and makes other changes
185	No	Prohibits damage by fire or explosion to a structure that is not occupied without requiring proof that the owner did not consent, creates an affirmative defense that the owner consented to the damage, and establishes a penalty

House Bill	LIS Required?	Subject
187	No	Providing stabilization to an injured animal
200	No	Revises the law pertaining to procuring, storing, and accessing epinephrine autoinjectors for which there are no patient-specific prescriptions
207	No	Allows a state fund employer to have a workers' compensation claim that is likely to be subrogated paid from the Surplus Fund Account within the State Insurance Fund
216	No	Revises the law governing advanced practice registered nurses
219	No	Designates January as "Thyroid Health Awareness Month"
229	No	Allows for the establishment and operation of family trust companies
230	No	Modifies the practices of chemical dependency counseling and prevention services
233	No	Authorizes municipal corporations to create downtown redevelopment districts and innovation districts, and amends the law governing certain taxes and tax credits
236	No	Requires professional engineers and surveyors to complete continuing professional development hours in ethics
240	No	Makes changes to the law governing coroners
242	No	Designates the fourth Sunday of July as Blue Star Mothers and Families Day
243	No	Makes changes governing the Architects Board and the Landscape Architects Board regarding continuing education requirements
260	No	Designates the first week of December as "Crohn's and Colitis Awareness Week"
276	No	Authorizes chiropractors to engage in certain activities involving nutrition-related items and therapies, nonprescription drugs, and medical goods and devices
277	No	Authorizes a territory to impose a 9-1-1 system levy in only the portion of the political subdivision that would be served by the 9-1-1 system, and declares an emergency
285	No	Authorizes pharmacists to convert prescriptions authorizing refills under certain circumstances
290	No	Permits a patient with a terminal condition to be treated with a drug, product, or device not approved by the United States Food and Drug Administration
294	No	Requires the Department of Health to ensure that state funds and certain federal funds are not used either to perform or promote nontherapeutic abortions, or to contract or affiliate with any entity that performs or promotes nontherapeutic abortions, and allocates funding to the Ohio Association of Community Health Centers
299	No	Permits the custodian of a qualified child to apply for the Autism Scholarship Program and revises testing and graduation requirements for certain nonpublic students
300	No	Modifies the law governing the termination or modification of a lifetime driver's license suspension or class two suspension that exceeds 15 years
303	No	Establishes the D.O.L.L.A.R. Deed Program
305	No	Includes certain nonteaching employees of the University of Akron as members in PERS and retroactively extends eligibility for benefits from the Volunteer Peace Officers' Dependents Fund
317	No	Modifies the Security Freeze Law
341	Yes	Makes changes to the towing law
342	No	Creates the Ohio Farm Winery Liquor Permit and makes changes to the D5I liquor permit
347	Yes	Modifies the Forfeiture Law
351	No	Increases the amount of spirituous liquor that an A-3a liquor permit holder may annually manufacture
352	No	Designates April as "Osteopathic Medicine Recognition Month"
359	No	Creates an address confidentiality program

House Bill	LIS Required?	Subject
378	No	Township officer arrest authority on National Highway System roadways
384	No	Authorizes the Auditor of State to conduct performance audits of institutions of higher education, makes an appropriation, and makes various other tax policy and higher education-related changes
387	No	Revises the monetary limit on jurisdiction of small claims divisions
388	No	Requires ignition interlock devices for certain OVI offenders
390	Yes	Makes changes to various state programs and appropriations
391	No	Establishes the SmartOhio Financial Literacy Pilot Program at the University of Cincinnati, provides funds for the Ohio Youth Entrepreneur Program at Youngstown State University, and establishes the Task Force for Creating Opportunities for Shared Governance on Co-Located Campuses, and makes an appropriation
410	Yes	Revises the law pertaining to habitual truancy and compulsory school attendance; Ohio National Guard Scholarship liability for recipients that enlist in the active duty component of the U.S. Armed Forces
413	No	Revises various township laws
429	No	Requires an automotive technician or a motor vehicle technician to be an eligible employee under the Ohio Incumbent Workforce Training Voucher Program, defines autocycles under the Motor Vehicle Law, and revises the definition of treatment under the Solid, Hazardous, and Infectious Waste Law
431	No	Designates February 17 as "Annie Glenn Communication Disorders Awareness Day"
432	No	Revises the law pertaining to decedent's estates, the Franklin County Guardianship Program, and access to digital assets
434	No	Designates May as "Fibromuscular Dysplasia Awareness Month"
436	No	Revises driving privileges for second time OVI offenders
438	No	Modifies laws related to primary and secondary education
440	No	Designates the Saturday before Thanksgiving as "Ohio Survivors of Suicide Loss Day"
444	No	Allows certain liquor permit holders to provide up to four free tasting samples
451	No	Provides forfeiture of statutory priority to make life-sustaining treatment decisions
455	No	Designates various memorial highways and license plates, and makes other changes to the transportation law
463	No	Requires health insurance policies to include coverage for autism spectrum disorder treatment and makes other related changes
466	No	Exempts from the sales and use tax digital advertising services and certain taxable electronic services that might be provided incidentally to digital advertising services
470	No	Provides an exemption from certain certificate of need requirements and the designation of a lay person to provide aftercare to a hospital inpatient
471	No	Authorizes certain land conveyances, implements the recommendations of the Sunset Review Committee, and makes other changes
476	No	Prohibits state agencies from entering contracts with companies involved in a boycott and increases state and county investment capacity in foreign debt interests
483	No	Modifies programs administered by the Department of Developmental Disabilities, allows an income tax deduction for contributions to ABLE savings accounts, authorizes residents of other states to open accounts under Ohio's disability savings account program, and makes an appropriation
493	No	Makes changes to the child abuse and neglect reporting law
505	No	Amends the Pure Food and Drug Law, and Pharmacy Law
512	Yes	Modifies the safe drinking water and water pollution control laws
520	No	Revises the law governing the state's public retirement systems

House Bill	LIS Required?	Subject
523	No	Authorizes the use of marijuana for medical purposes and establishes the Medical Marijuana Control Program
532	No	Creates specific real estate broker license types, updates continuing education requirements, and makes other related changes to the Ohio Real Estate Brokers and Salesperson Law
554*	No	Revises the requirements for renewable energy, energy efficiency savings, and peak demand reduction and revises provisions governing which customers can opt out of related programs
580	No	Designates November as "One Health Awareness Month," May 15 as "All for the Kids Awareness Day," May 1 as "Fanconi Anemia Awareness Day," and creates the Malnutrition Prevention Commission

\*Vetoed by Governor

## All Senate Bills Enacted in 2016

Senate Bill	LIS Required?	Subject
2	Yes	Incorporates recent changes in the Internal Revenue Code into Ohio law, and declares an emergency
3	No	Changes the duration and administration of various assessments, exempts qualified school districts from state requirements, and makes changes to a variety of other education laws
27	No	Provides that a firefighter who is disabled as a result of specific types of cancer is presumed to have incurred the cancer while performing his or her official duties
30	No	Creates the Ohio Family Stability Commission
60	No	Designates a portion of Interstate 670 as the Dana G. 'Buck' Rinehart Memorial Highway
61	No	Limits to whom a death certificate containing the decedent's Social Security number may be issued in the first five years after the decedent's death
63	No	Requires the Secretary of State to establish a secure online process for voter registration and makes other related changes
75	Yes	Defines agritourism and establishes immunity in a civil action for agritourism providers
97	No	Revises firearm specifications and terms of incarceration
123	No	Allows emergency personnel to report failure to yield the right of way to a public safety vehicle
124	No	Designates May as "Asthma Awareness Month" and May 5 as "Childhood Asthma Awareness Day"
127	No	Prohibits the performance of an abortion on a pregnant woman when the probable post-fertilization age of the unborn child is 20 weeks or greater
128	No	Designates May 30 as "Bartter Syndrome Awareness Day"
129	No	Specifies that health insurers that require a prior authorization to comply with prior authorization requirements and delays the effective date of certain community mental health and addiction services laws
133	No	Designates June as "Scleroderma Awareness Month"
139	No	Modifies postconviction relief proceedings in death penalty cases
159	No	Creates 20 special license plates
171	No	Enacts the Uniform Interstate Depositions and Discovery Act
172	Yes	Exempts investment bullion and coins from sales tax
181	No	Prescribes the fiduciary duties of corporate and limited liability company officers and makes other modifications to the LLC
182	No	Designates various memorial highways and bridges
188	No	Designates April as "Genocide Awareness Month"
199	No	Modifies the Conceal Handgun Law
204	No	Modifies the law related to driver's license suspensions for drug-related offenses
207	No	Designates various memorial highways and license plates
213	No	Includes "boutique services" among the list of activities regulated by the State Board of Cosmetology and makes other changes
215	No	Provides civil immunity for forcible entry of a motor vehicle to remove a minor or an animal in danger
220	No	Authorizes the Ohio Public Employees Deferred Compensation Board and local governments to establish designated Roth account features and other tax-deferred or nontax-deferred features permitted for government-deferred compensation plans
225	No	Designates the first day of June as "Hypoparathyroidism Awareness Day"
227	No	Makes various modifications to the Attorney General duties and functions

<b>Senate Bill</b>	<b>LIS Required?</b>	<b>Subject</b>
232	No	Modifies procedures for transfers on death affidavit or deeds, and inheritance and beneficial rights
235**	Yes	Makes changes to various state programs
239	No	Designates August 7 as "Ohio Purple Heart Day"
242	No	Modifies the law pertaining to motor vehicle franchise agreements
252	No	Addresses sudden cardiac arrest in youth athletic activities
257	No	Creates a presumption of validity of recorded real property instruments and permits qualifying property owners to opt out of a proposed tax increment financing incentive district
260***	No	Makes capital reappropriations and a new capital appropriation for the FY 2017-FY 2018 biennium
264	No	Creates a three-day sales tax holiday in August 2016 for sales of specified clothing and school supplies
273	No	Regulates frequency and composition of corporate governance reporting requirements for insurers
291	No	Designates September as "Pain Awareness Month"
293	No	Modifies the law governing the organization and administration of the Department of Natural Resources
296*	No	Regulates keeping the polls open after closing time
310***	No	Makes capital appropriations
311	No	Requires the Ohio Department of Health to prepare an influenza vaccine information sheet pertaining to older adults
315***	No	Makes supplemental transportation appropriations
319	No	Revises drug law regulations, practice of pharmacy, provision of addiction services
321	No	Modifies court of claims procedures to hear denials of access to public records
329*	No	Revises the sunset review law
331	No	Requires the Department of Agriculture to license and regulate pet stores, provides additional appropriations for this purpose, and makes other various changes
332	No	Provides for the implementation of certain recommendations made by the Commission on Infant Mortality

\*Vetoed by the Governor

\*\*Partial veto of provisions by the Governor

\*\*\*Not required for budget bills

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