Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Sub. H.B. 458** DATE: **December 10, 2008**

STATUS: **As Reported by Senate Ways & Means** SPONSOR: **Rep. Uecker**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **To authorize counties and townships to use general levy moneys for certain road and bridge expenses and clarify laws concerning township health care coverage**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT		FY 2009 - FUTURE YEARS
Counties and Townships		
Revenues	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase in county and township general fund expenditures for road and bridge construction
	- 0 -	Potential decrease in health care premium costs for some townships

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

- ***County and township road and bridge construction and repair*.** The bill permits counties and townships to use a portion of general revenue funds for road and bridge construction, reconstruction, resurfacing, and repair, in addition to gas tax, motor vehicle license tax, and other moneys designated for these purposes. If counties or townships exercise this option, the share of project costs borne by county or township general funds could increase.

- ***Township health care coverage*.** The bill clarifies language allowing townships to reimburse officers and employees for the share of premium costs in cases where these persons are covered under a spouse's health plan. This arrangement is advantageous because the township's share of premium cost under a spouse's family plan would in most cases be less costly than the township's share of premium for providing individual coverage to an officer or employee.

Detailed Fiscal Analysis

Tax Provisions

Charitable Exemptions

H.B. 562, which became law earlier this year, changed R.C. 5709.121 to create an exemption from real property taxes for property meeting very specific requirements, for a certain type of nonprofit organization the primary purpose of which is to assist in the development and revitalization of downtown urban areas. The intent was to expand an existing tax exemption to include this type of organization, but instead the new language defined a charitable institution as only this type of institution for purposes of this section of code. H.B. 458 again allows institutions that received a tax exemption prior to H.B. 562 to continue to receive this tax exemption. This provision might reasonably be deemed to have no fiscal effect, since it only extends the charitable exemption to institutions that lost this exemption for a few months this year under H.B. 562. These institutions likely paid no real property taxes on such property during the brief period when the exemption was lost.

Federal tax exemption

This provision conforms statutory cross-references in Ohio's tax code to the federal Internal Revenue Code, which changes from time to time. By doing so, it keeps existing provisions of Ohio law pertaining to the Ohio personal income tax in place. From that perspective, this provision might reasonably be considered to have no fiscal effect.

Construction and repair of county and township roads and bridges

Under current law and a 1981 opinion issued by the Attorney General's office, counties and townships may only use gas tax, motor vehicle license tax, and revenues derived from voted levies to construct, repair, or resurface roads and bridges. The bill modifies this restriction by allowing counties and townships to use a portion of general fund moneys for current expenses related to these purposes.

Counties and townships primarily use funds received from license plate fees and gas tax revenues to pay for road and bridge projects. LSC reviewed county engineers' FY 2007 budgets in five counties (Allen, Cuyahoga, Franklin, Hamilton, and Lucas) and found that these two sources of funding accounted for approximately 80% of the money used to fund road and bridge construction projects. The remaining portion of the funding primarily came from voted levies. It should be noted, however, that these proportions vary significantly between large and small counties and townships. Overall, the result of this change may be that counties or townships expand the scope of improvements they undertake or increase the number of projects they can budget for with this additional source of funding.

Township health benefits

The bill clarifies existing law regarding health benefits provided to township officers and employees and the circumstances under which they may be reimbursed for certain costs incurred for health insurance coverage. One change the bill makes that appears to have some fiscal effect concerns premium reimbursements made in situations where an officer or employee is covered under a spouse's health plan. The Auditor of State's office has determined this practice to be impermissible and has sought findings of recovery against townships that have offered this option. As a result, some townships have ceased this practice and have incurred higher premium costs for providing individual health care coverage to these officers and employees.

Under the bill, townships would regain the authority to make these reimbursements. This often results in reduced costs, since the portion of premium for a township officer or employee covered under a spouse's family health plan usually costs less than covering the officer or employee under an individual plan. If those townships that have ceased to provide this reimbursement were again permitted to do so, there could be some savings in health care costs.

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