Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 225 of the 129th G.A.

Date: December 19, 2011

Status: As Enacted

Sponsor: Reps. Peterson and Landis

Local Impact Statement Procedure Required: No

Contents: Authorizes counties and townships to implement direct deposit payroll policies and makes other changes

State Fiscal Highlights

- **Ohio Business Gateway Steering Committee.** The bill expands the membership of the Ohio Business Gateway Steering Committee to include up to four representatives of the business community, an increase of two members when compared to current law. As a result, the Department of Taxation could incur some negligible new costs for reimbursing the additional members for their expenses.
- **State and County Investment Authority.** The bill requires a county investing authority to submit inventory and monthly portfolio reports, the production of which is required under current law, to the Treasurer of State. The bill requires the Treasurer to publish the reports on the Treasurer's web site. Currently, the authority is required to file the inventory and the monthly portfolio report with the board of county commissioners. This provision may increase the Treasurer of State's administrative costs relative to reporting.

Local Fiscal Highlights

- **Direct deposit of payroll.** The bill authorizes county auditors and boards of township trustees to adopt direct deposit payroll policies. This could reduce payroll processing costs for the political subdivisions that adopt direct deposit policies. Many counties already use direct deposit. The number of townships that have direct deposit policies is unknown.
- **County "rainy day" reserve funds.** The bill authorizes counties to increase the amount credited to "rainy day" reserve balance accounts to one-sixth of the expenditures made in the preceding fiscal year from the fund in which the reserve balance account was created. The bill also allows these reserve balances to be used to pay certain workers' compensation claims under specific circumstances. This could reduce the financial burden on other funds which now must be used to pay these costs.

- **Tax exemption applications for public land.** The bill authorizes county auditors to accept tax exemption applications for certain publicly owned land. Currently, this is the responsibility of the Tax Commissioner. This could result in a minimal increase in administrative duties for county auditors.
- **9-1-1 answering points.** The bill authorizes councils of governments to operate 9-1-1 answering points. For participating political subdivisions, the costs incurred and the savings derived will depend on the specific arrangements made for operating these facilities.
- **Electronic submissions of certain documents.** The bill authorizes counties to accept electronically submitted competitive sealed bids, and electronic submission of tax complaints. These provisions could reduce some administrative costs.
- **County quarterly spending plans.** The bill exempts a county's real estate assessment fund from being subject to county quarterly spending plan requirements. This would likely reduce some administrative costs for counties.
- **Joint county department of jobs and family services.** The bill permits Hocking, Ross, and Vinton counties to form a joint county department of job and family services as a pilot project. Presumably, the consolidation of these departments would result in some cost savings for these counties.

Detailed Fiscal Analysis

The bill provides various new authorities to local governments. Specifically, the bill authorizes county and township governments to adopt policies to pay employees via direct deposit. The bill also provides county and township employers the explicit authority to offer cafeteria-style benefits to their employees. In addition to these changes, the bill authorizes counties to increase the amount of money credited to "rainy day" reserve balance accounts and expands on two specific purposes for which these reserve balances may be used. There is also a provision that authorizes county auditors, rather than the tax commissioner, to review and approve property tax exemption applications for certain public property. The last of the changes affecting political subdivisions is a provision authorizing regional councils of governments to operate 9-1-1 answering points. Finally, on the state level, the bill expands the membership of the Ohio Business Gateway Steering Committee to include up to four representatives of the business community, an increase of two members when compared to current law. The fiscal effects of these changes are described in more detail below.

Direct deposit policies

The bill authorizes county and township governments to adopt policies to pay employees via direct deposit. An informal survey conducted on behalf of LSC by the County Auditors Association of Ohio in 2010 indicated that, of the 61 counties that responded, 55 already use direct deposit for their employees. The number of townships that have instituted direct payroll deposit policies is unknown. Although LSC does not have any specific savings estimates from counties that have direct deposit policies, we reviewed the state experience when it implemented a statewide direct deposit policy for state employees in 2002. At that time, the cost of issuing a paper check was ten cents per check and the cost of an electronic funds transfer was four cents per transaction, thus yielding savings of six cents per pay check issued to state employees. Assuming 26 pay periods in a year, the total savings was then assumed to be $1.56 per employee per year.

Rainy day reserve balances

The bill expands the reasons that rainy day balances can be established, their uses, and the amounts that could potentially be designated for these balances. Under the bill, a county, but no other political subdivision, is authorized to reserve in a rainy day account the greater of either 5% of the previous fiscal year's revenue to the fund in which the account is established, or one-sixth of the expenditures from the fund during the preceding fiscal year. Under current law, rainy day reserves for any political subdivision cannot exceed 5% of the revenue of the amount credited to the fund during the previous fiscal year. Also under current law, these rainy day balances may be used for three specific purposes: (1) to offset budget shortfalls, (2) to make payment of claims for a self-insurance benefit program, and (3) to make payments for claims under a retrospective rating workers' compensation policy. The bill allows for these balances to be used for the payment of deductibles under an individual or joint self-insurance program and for the payment of assessments and deductibles for several types of workers' compensation policies, as opposed to just the retrospective rating policy. This would allow counties to shift costs from accounts that must pay for these costs currently to the reserve accounts, freeing up balances in the former for other purposes. According to another survey distributed to county auditors in 2010, only seven counties, out of 46 respondents, reported maintaining a reserve balance account in their general fund. Of these, only three had a balance of 5% in these accounts.

Property tax exemption applications

The bill authorizes county auditors to review and approve property tax exemption applications for certain public property. Under current law, such applications are filed with the Tax Commissioner. County auditors taking on this responsibility could incur some small increase in administrative costs for handling these applications.

Regional council of governments to operate a 9-1-1 answering point

The bill adds the operation of a 9-1-1 answering point to the list of activities that a regional council of governments is authorized to engage in. Under current law, these councils are authorized to study governmental problems, promote cooperative arrangements and coordinate action among its members, make recommendations for review and action to member governments, and promote cooperative agreements and contracts among its members or other governmental agencies. The costs incurred and the savings derived from exercising this authority will depend on the specific arrangements made for running these 9-1-1 operating centers.

Cafeteria benefit plans for local governments

The bill provides explicit permissive authority to county and township employers to provide "cafeteria-style" benefits and other health and wellness benefits to employees. Cafeteria plans are a pick and choose type of benefit package provided for in federal law that are comprised of various pretax benefits, such as health insurance, group life insurance, adoption benefits, dependent care assistance, flexible spending accounts, and so forth. Health and wellness benefits can include discounted gym memberships, access to nutritionists, programs to encourage healthy eating, etc. Many counties and townships already offer these sorts of benefits to employees. Although the bulk of any new costs associated with adopting new employee benefits under the bill will be borne by the respective employer, employees frequently are required to pay for a portion of these expenses through payroll deductions, which are authorized under the bill.

Ohio Business Gateway Steering Committee membership

The bill expands the membership of the Ohio Business Gateway Steering Committee to include up to four representatives of the business community, an increase of two members when compared to current law. Under current law, the committee is composed of 15 members, plus the director or other highest officer of each state agency that has tax reporting forms or other tax documents filed with it. Committee members are reimbursed for actual and necessary expenses, but are provided with no other compensation. Increasing the membership of the Committee by two could result in a minor increase in reimbursement expenses paid by the Department of Taxation, the agency which provides administrative support to the Committee.

Electronic submission of certain documents

The bill authorizes counties to use an electronic system for the submission of competitive sealed bids for county contracts. Assuming counties using this authority would have the necessary capabilities of implementing such a system, this provision could reduce some administrative costs associated with the competitive sealed bid process for awarding contracts. The bill also permits county boards of revision to accept electronic submissions of tax complaints. This provision would likely decrease some administrative costs associated with the submission and processing of tax complaints.

Intergovernmental shared services

The bill specifies that written authority of a county elected officer is needed in order for a county to enter into intergovernmental shared service agreements. This provision appears to have no direct fiscal effect; however, as a result of this provision it is possible that a county may not receive the necessary written authority to enter into a shared services contract which could be more cost effective for the county.

County quarterly spending plans

The bill exempts spending from a county's real estate assessment fund from being subject to county quarterly spending plan requirements. Under current law, a county that adopts quarterly spending plans must set forth a separate quarterly schedule of revenues and expenses and expenditures of appropriations for particular funds. Exempting the real estate assessment fund from this would likely reduce some administrative costs for counties associated with developing these spending plans.

New community authority

The bill changes the effective date for the new community authority law. Currently, the new community authority law pertains to those new communities established between July 7, 2010 and January 1, 2012. The bill changes the effective date to new communities established within three years of the effective date of this act. The bill also establishes the definition of "proximate city" and makes changes to the procedure for calculating the total acreage of the new community. The bill also makes changes to vested property located within a new community. Overall, the changes in the bill do not appear to have any fiscal impact on the state or political subdivisions.

State and county investment authority

The bill requires a county investing authority to submit inventory and monthly portfolio reports, the production of which is required under current law, to the Treasurer of State. The bill requires the Treasurer to publish the reports on the Treasurer's web site. Currently, a county investing authority is required to file the inventory and the monthly portfolio report with the board of county commissioners.

The bill also modifies county investment authority to invest its interim and inactive funds. The bill allows the county investment authority to invest up to 25% of the county's total average portfolio in securities that mature more than ten years from the date of settlement, upon a majority affirmative vote of the county investment advisory committee. The bill then revises the Treasurer's authority to invest interim funds of the state in obligations issued by political subdivisions in Ohio. Under existing law, the Treasurer's authority to invest interim funds of the state is limited to anticipation notes issued by boards of education. The bill expands the Treasurer's authority to invest such funds to obligations issued by counties, townships, municipal corporations, or boards of education, when the obligations mature within one year.

The bill may increase the Treasurer's administrative costs related to the reporting requirements. It would also increase political subdivisions' administrative costs to comply with the requirements. The provisions regarding the Treasurer and county investment authority would have no direct fiscal impact on the state or political subdivisions.

County department of job and family services pilot project

The bill permits Hocking, Ross, and Vinton counties to form a joint county department of job and family services as a pilot project. The bill specifies that the participating counties must enter into an agreement as to the allocation of costs, payments for operating the department, as well as the composition of the board, employees and department operation. Such a project could result in lower operational costs for the participating counties, the extent of which would depend on the agreed upon operating arrangement.

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