



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 225 of the 129th G.A.](#)

Date: June 7, 2011

Status: As Introduced

Sponsor: Reps. Peterson and Landis

Local Impact Statement Procedure Required: No

Contents: Authorizes counties and townships to implement direct deposit payroll policies, authorizes county auditors to accept certain tax exemption applications for publicly owned land, and makes other changes.

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- 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.
- 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 expands on two existing purposes for which reserve balances may be used, generally for self-insured claims and workers' compensation claims under retrospective ratings plans. This could reduce the financial burden on other funds which now must be used to pay these costs.
- 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.

Detailed Fiscal Analysis

The bill authorizes county and township governments to adopt a policy to pay employees via direct deposit. The bill also 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. Finally, the bill authorizes county auditors, rather than the Tax Commissioner, to review and approve property tax exemption applications for certain public property. Overall, the direct deposit provision could yield payroll processing savings for counties and townships. The expanded reserve balance provision could give counties more flexibility in the way they handle insurance claims costs. Finally, the provision authorizing county auditors to assume the review of certain types of tax exemption applications may increase administrative costs to a small degree. Presumably, however, county auditors would not take on this responsibility if it were prohibitively expensive. The fiscal effect of these changes is described in more detail below.

Direct deposit

The bill authorizes county and township governments to adopt a policy 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.