



OHIO TOWNSHIP ASSOCIATION

The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the *2021 Local Impact Statement (LIS) Report*. The LIS Report is an important educational resource for our members and the members of the General Assembly, as it highlights the effect certain legislation passed the previous year may have on townships' budgets. It also keeps legislators and local officials aware of any unfunded mandates created in legislation.

While its often difficult to estimate the exact fiscal impact that legislation will have on townships, LSC does a wonderful job of recognizing the impacts. A total of fifteen bills enacted in 2020 have a fiscal impact on local governments, according to the LIS Report. Of those fifteen bills, nine have a direct impact to townships: HB 18, HB 150, HB 308, HB 340, HB 388, HB 450, HB 665, SB 39, and SB 252.

House Bill 18, House Bill 150, and Senate Bill 39 all have varying levels of impact on the Local Government Fund. HB 18 exempts military disability severance pay from the personal income tax, with LSC estimating losses between \$1.0 and \$1.5 million during the FY 2020-FY 2021 biennium and minimal (if any) fiscal effects in prospective years. The state's GRF would bear most of this loss, while the LGF will bear 1.68 percent. HB 150 eliminates the first \$1 million of tax liability, for purposes of the financial institutions tax (FIT), of new banks for three years and creates a new commercial activity tax (CAT) exclusion for the amount of the principal balance of a mortgage loan in case of gross receipts from the sale or transfer of a mortgage-backed security or mortgage loan by a registered mortgage lender. Both of these provisions have uncertain fiscal impacts, but potential losses will impact the LGF and/or the Local Government Tangible Property Tax Replacement Fund. Finally, SB 39 authorizes a transformational mixed-use development tax credit and a campaign contribution tax credit, both of which would reduce the state's GRF and the LGF. The transformational mixed-use development tax credit is capped at \$100 million per year, while the campaign contribution tax credit is expected to reduce the GRF by \$3.2 million per year and the LGF and PLF by a combined \$0.1 million per year. While the known losses of these changes are relatively modest, the LGF is the second highest source of revenue behind property tax collection for most townships. Any decrease in LGF support increases the strain on township revenues as levies are increasingly difficult to pass.

House Bill 308 creates the State Post-Traumatic Stress Fund to pay for compensation and benefits to a public safety officer disabled by post-traumatic stress disorder (PTSD) in the course of their employment but without an accompanying physical injury. The bill has no immediate cost, as the parameters of a potential program are still under consideration. However, the OTA remains concerned with potential cost implications should local governments be mandated to absorb the costs of new coverage.

House Bill 340 makes numerous changes to laws governing water and drainage improvements undertaken by soil and water conservation districts (SWCDs) and counties. The most significant fiscal effect is the potential loss of property tax revenue stemming from a provision increasing from 4 feet to 10 feet the width of sod or seeded strips used for an improvement's erosion and sediment control which is removed from the property's taxable value. LSC notes that the magnitude of such losses appears indeterminate. However, since townships are heavily reliant on property taxes, losses may be significant for certain jurisdictions. Similarly, one provision of House Bill 665 amends a property tax exemption for county fairgrounds owned by an agricultural society by extending the tax exemption to other property owned by such an agricultural society and used in furtherance of the agricultural society's purposes. This change may result in the tax exemption of real property that is currently taxable, resulting in a revenue loss for applicable townships.

House Bill 388 makes changes to prohibit "surprise billing" for healthcare costs. As LSC states, the additional requirements imposed on health insurers, especially the required payments and the prohibition against increasing cost sharing by covered individuals, are likely to increase health insurers' costs and, by extension,

health insurance premiums. As an employer, townships are likely to experience higher costs to provide healthcare to their employees. As a provider, increased costs for certain health-related services, such as EMS, may also be realized. LSC notes that the magnitude of the impact to health insurance premiums is not known due to lack of information on health benefit arrangements. Similarly, SB 252 prohibits a health plan issuer that covers the treatment of stage four advanced metastatic cancer from making coverage of a drug that is prescribed to treat such cancer or associated conditions dependent upon a covered person demonstrating a failure to successfully respond to a different drug, or “fail first” drug coverage. The provision is likely to increase the utilization of more expensive prescription drugs and increase the cost of providing health benefits, but the extent of this is unknown.

House Bill 450 requires fiscal officers to provide a certificate of transition when leaving office. LSC states that the cost to prepare the certificates are unknown, but there may be some administrative costs in fulfilling this task. The bill also provides greater discretion to the Auditor of State to perform agreed-upon procedure audits for political subdivisions, which may result in cost savings. LSC notes that agreed-upon procedure audits cost up to 50 percent less than traditional financial audits.

While the LIS Report is a helpful review of legislation passed in the previous year and its impact to local governments, it does not give the full picture, as budget bills are not required to have a LIS and are not included in the report. The OTA encourages the General Assembly to consider including budget bills in these processes to give a more comprehensive look at local impact.

Although the true impact of these new laws will not be known until they are implemented, the fiscal analyses provide a base for which townships can determine how a new law may affect their budgets. The OTA appreciates the opportunity to comment and thanks LSC for all their hard work in compiling this data, as it is truly beneficial to legislators and local government groups.