

Local Government Provisions

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- Continues "freeze level" funding of local government funds
- Creates the Local Government and Library Financing and Support Committee
- Changes to tax increment financing districts

OVERVIEW

This section addresses various budget and policy issues applicable to local government entities. Typically, these provisions do not neatly fit with the law and funding changes affecting state agencies that are described in the other sections of this analysis. The items are organized alphabetically, by subject title, with a brief summary of their fiscal impact on the applicable political subdivisions.

NOTABLE PROVISIONS

Estate Tax Changes and Real Estate Assessment Funds

(R.C. 325.31, 5731.01, and 5731.41)

Counties, Cities, Villages, and Townships

The bill updates the state estate tax law to incorporate changes in the federal estate tax law and eliminates the deduction for family-owned business. Additionally, the bill authorizes county auditors to expend moneys in real estate assessment funds to defray costs incurred in enforcing estate taxes. The changes in estate tax law will result in a decrease in estate tax collections by an estimated \$2 million in FY 2006 and \$8 million in FY 2007. There could be some potential savings to county treasuries by permitting county auditors to use real estate assessment funds to defray costs of enforcing estate taxes. However, these savings may potentially be offset by cost increases occurring in the real estate assessment fund.

Fee Increases for Birth Certificates, Death Certificates, and Divorce or Dissolution of Marriage Decrees

(R.C. 3705.24 and 3705.242)

Counties

This permanent law provision increases the fees charged for birth and death certificates by \$1.50 and the fees for divorce and dissolution of marriage filings by \$5.50. For birth and death certificates, local health districts may retain up to 3% of the fee increase. For divorce and dissolution filings, the county clerk of courts may retain up to 3% of the new fee. All additional revenue from the fees is to be credited to the Family Violence Prevention Fund created by the bill and used by the Director of Public Safety for grants to family violence shelters. This provision will result in an increase in revenue for counties that retain their portion of the fee increase.

Law Library Associations and Associated County Financial Obligations

(R.C. 3375.48, 3375.49, 3375.54, 3375.55, and Section 503.06 of the bill)

Counties

This provision transfers the power to fix the compensation of a librarian and assistant librarian for a law library association from the judges of the court of common pleas to the association's board of trustees. Apportionments for the payment of these employees, as well as costs for any furniture or fixtures, will be on a graduated scale from calendar years 2007-2009. Beginning in FY 2010, the association's board of trustees must assume all costs from the board of county commissioners. Previously, all costs for such libraries were paid from the county treasury. This provision will gradually decrease costs for counties until the association's board of trustees assumes full financial responsibility in FY 2010. However, counties will continue to provide office space and utilities.

This provision also creates the Task Force on Law Library Associations, which must study the structure, funding, and administration of the associations' law libraries and by June 30, 2006 report its findings and recommendations to the Speaker and Minority Leader of the House of Representatives, the President and Minority Leader of the Senate, and the Chief Justice of the Supreme Court. After submitting this report, the task force will cease to exist. The fiscal impact of this change is that the recommendations of the task force that are adopted could reduce costs for counties as they continue to pay on a graduated scale.

Levy Lodging Tax to Finance Convention Centers

(R.C. 5739.09 and Section 307.695 of the bill)

Counties

This provision provides that a board of county commissioners of a county, with a population of 1,200,000 or more, where a lodging tax is already in effect, may adopt a resolution to levy an additional lodging tax up to 3% to make payments on bonds and notes issued by or for the benefit of a convention and visitors' bureau or a community improvement corporation to construct and equip a convention center in the county. The provision also allows certain convention facilities' authorities in Appalachian counties with populations less than 80,000 to levy a lodging tax at any rate up to 3%, which may result in an increase in lodging tax revenues in some counties. Some counties may also experience an increase in expenditures for financing the building and equipping of convention centers.

Local Government Fund Adjustments

(Sections 557.12, 557.12.01, and Section 209.78 of the bill)

Cities, Villages, and Townships

This provision continues the FY 2005 local government fund distribution "freeze" provisions through FYs 2006-2007, providing that subdivision FY 2005 proportionate shares of the county undivided local government fund and county undivided local government revenue assistance fund cannot be reduced. The local government funds - Local Government Revenue Assistance Fund (Fund 064), Library and Local Government Support Fund (Fund 065), and Local Government Fund (Fund 069) will

all be funded at the current "freeze" levels set forth in H.B. 95 of the 125th General Assembly. The freezing of local government funds will not result in a decrease of revenue with respect to the amount of funding received. However, local governments will experience a loss of revenue with respect to statutory distribution percentages. The provision also requires cities with populations over 100,000 and counties to submit a report by October 1, 2005, to the Auditor of State describing efforts to reduce costs by consolidating services and engaging in regional cooperation. For more detail regarding this provision, consult the "Tax Provisions" section of this publication.

Local Government and Library Financing and Support Committee

(Section 503.12 of the bill)

Cities, Villages, Libraries, and Townships

This provision creates the Local Government and Library Financing and Support Committee. The Committee consists of ten legislative members and one nonvoting member appointed by each of the following: the Ohio Library Council, the County Commissioners Association, the Ohio Municipal League, the Ohio Township Association, and the Ohio Parks and Recreation Association, to study potential sources of state funding for the Local Government Fund, the Library and Local Government Support Fund, and the Local Government Revenue Assistance Fund. The Committee must report its recommendations and suggested implementing legislation to the Governor and General Assembly, due by June 1, 2006, at which time, the Committee will cease to exist. Some political subdivisions and libraries could experience revenue gains dependent upon the findings of the Committee.

Participation of Local Agencies in Self-Insurance Plans

(R.C. 9.833, 2744.08, and 2744.082)

Counties, Cities, Villages, and Townships

This provision permits agencies and instrumentalities of political subdivisions to establish and participate in individual and joint self-insurance programs to provide health care benefits to officers and employees of the agency or instrumentality. It also permits political subdivisions to require payment of deductibles under their liability insurance or self-insurance programs from accounts or funds in its treasury from which a loss was directly attributable. The provision also provides a procedure for the transfer of the deductible amount, plus the cost of the liability insurance or self-insurance program from the appropriate funds or accounts to the general revenue fund of the political subdivision. The direct fiscal effects of this provision are uncertain. Potentially, insurance rates could decline, but these could be offset by increased administrative costs for such self-insured plans. The overall impact would depend on the level of coverage included and administrative overhead.

Phase Out Taxation of Fixtures and Furniture

(R.C. 5711.22, 5751.20, 5751.21, and 5751.22)

Counties, Cities, Townships, Villages, and School Districts

This provision phases out the taxation of business tangible personal property that the enacted bill does not already propose a phase-out for, such as business fixtures and furniture, over five years, beginning in CY 2006. Accordingly, all forms of tangible personal property would become exempted

under the bill except public utility property and business property used incidentally to supply electricity to others. The provision compensates school districts and other local taxing units for the phased-out taxes from furniture and fixtures through transfers of \$10,010,000 in FY 2006 and \$70,210,000 in FY 2007 from the GRF to appropriation item 200-900, School District Property Tax Replacement - Business (Fund 047) and \$4,290,000 in FY 2006 and \$30,090,000 in FY 2007 from the GRF to appropriation item 110-900, Local Government Property Tax Replacement - Business (Fund 081).

Purchase of Electronic Indigent Drivers Alcohol Treatment Fund Money

(R.C. 4511.191)

Counties and Cities

The provision permits a county, juvenile, or municipal court judge to use money in that court's indigent drivers alcohol treatment fund to pay the cost of electronic continuous alcohol monitoring devices or the cost of the continued use of such devices. This provision gives a county, juvenile, or municipal court judge greater flexibility in the use of available indigent drivers alcohol treatment fund money. Currently, the practical fiscal effect of this provision in any given local jurisdiction is uncertain.

Services from Free Public Libraries

(R.C. 3375.40)

Libraries

This provision permits the boards of trustees of school district public libraries, county free public libraries, township free public libraries, municipal free public libraries, county library districts, and regional library districts to assess fees for services other than the circulation of printed materials. This would increase revenue for these entities. Any such revenue increases will be dependent upon the amount and type of fees imposed.

Spending Authority and Health Benefits for County Boards of Elections

(R.C. 3501.141, and 3501.17)

Counties

This permanent law provision limits the authority of county boards of elections to contract, purchase, or procure and pay all or any part of group insurance policies to circumstances in which the board of county commissioners, by resolution, denies coverage to full-time employees of the board of elections and subjects that authority to the approval of the board of county commissioners. It also forbids boards of elections from applying to the court of common pleas within the county for the needed appropriation, and specifies that boards of county elections may only transfer funds as provided in sections 5705.14 to 5705.16 of the Revised Code. As a result of this provision, boards of county elections may experience increased costs if a board of county commissioners denies medical coverage to full-time board of elections employees. By prohibiting the county boards of elections from seeking funds elsewhere, this will presumably force them to reduce operating costs in other areas if they wish to provide health care benefits to their full-time staff.

Sunset of Tax Increment Financing Agreements

(R.C. 5709.40, 5709.73, and 5709.78)

Counties, Cities, Townships

This eliminates provisions in the bill that would have sunsetted the ability of incentive districts to offer tax exemptions. Sunsetting tax increment financing agreements may have generated additional revenue for political subdivisions for any such public improvements that would be have been made after the beginning of FY 2006 that would otherwise have been given a tax exemption. This item is discussed in detail in the "Tax Provisions" section of this analysis.

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