



December 29, 2014

GOVERNOR SIGNS BILLS; UNFINISHED ISSUES EXPECTED TO RESURFACE NEXT YEAR

The Ohio legislature has officially closed the books on the 130th General Assembly, bringing many changes to state and local government operations. Before the legislature officially concluded their work the week before the Holiday break, Governor Kasich signed several bills sent to him related to municipal government. Those bills included:

- HB5-Reps.Grossman/Henne, Municipal Income Tax Reform (signed 12/19/14)
- SB342- Sen. Seitz, Traffic Enforcement Cameras (signed 12/19/14)
- HB10- Rep. C. Hagan, Municipal/Twp. Fiscal Officers (signed 12/19/14)
- SB274- Sen. Hughes, Towing Motor Vehicle Law (signed 12/19/14)
- HB494-Rep.Schuring,Transportation Improvement Projects (signed 12/19/14)
- SB378- Sen. Coley, Underground Utility Facility Law (signed 12/19/14)

As with every legislative Session, there were a number of bills that did not make their way through the entire legislative process and thus did not reach the Governor's desk and on to enactment. Of those bills that were not passed this Session, several were bills that the league had been following. Even though the bills did not complete the process this term, we expect the issues will resurface next year, when the new legislature reconvenes. Issues and legislation we expect to be addressed again next year include HB 277, legislation that stalled in the Ohio Senate dealing with additional requirements to the current Type II Annexation procedure; HB 375, changes to Ohio's severance tax and SB 386, legislation permitting the use of fireworks in Ohio. We would also not be surprised to see the reintroduction of SB 282, legislation that would restrict municipalities from collecting municipal income tax from residents only.

OHIO HOUSE AND SENATE ANNOUNCE LEGISLATIVE SCHEDULE FOR FIRST HALF OF 2015

Last week the leaders of the Ohio House and Senate released the schedule for the first half of 2015. The list of committee dates, session dates, holidays and breaks can be found [HERE](#). A couple dates to point out in particular include January 12th Governor Kasich's Inauguration, January 27th when committee and session dates resume for the 131st General Assembly and February 2nd, the date that Governor Kasich is to unveil his FY 2016-17 State Budget proposal to the Ohio Legislature.

An additional date of importance in the New Year and with the new Ohio General Assembly is March 18th when the OML and our members will be hosting the 2015 Ohio Municipal League Legislative Reception. The reception with members of the Ohio House and Senate and their staff will be held in the Ohio Statehouse Atrium with registration beginning at 5:30 and the event running from 6-7pm. Registration information for the March 18th legislative reception can be found [HERE](#). This function is a terrific opportunity for municipal officials from across Ohio to interact with their members of the Ohio House or Senate, to share ideas and perspectives on issues important to cities and villages across the state and to reaffirm relationships that make our local and state leaders more informed and better able to serve.

We hope everyone has a safe and bright New Year.

December 12, 2014

MUNICIPAL TAX REFORM BILL SENT TO GOVERNOR

Am. Sub. HB5 cleared the final legislative hurdle this week when on Tuesday the Ohio House of Representatives voted 60-32 to support the changes made by the Ohio Senate, sending it to Governor Kasich for his approval. On Wednesday, OML Executive Director Sue Cave sent Governor Kasich a letter urging him to use his constitutionally provided authority and VETO this destructive and one-sided attempt at reforming certain provisions of the municipal income tax. A copy of the letter can be found [HERE](#).

As many of our members are well aware of the issues municipalities confronted as the bill worked its way through the two legislative bodies, we are disappointed to inform our members that many of our concerns were not addressed, with the legislature choosing to retain reform treatments that are projected to have deep and significant financial impacts on municipal budgets across the state. Below are a few of the top items that we anticipate will result in the most consequential impact on the ability of cities and villages to generate revenue in support of basic services. The list includes but, by no means is limited to:

All 600+ Ohio municipalities that have an income tax must provide businesses and individuals with a 5 year Net Operating Loss Carry Forward deferral plan. The bill does not afford municipalities with a cumbersome and difficult to implement 5 year, 50% phase-in proposal, affording municipalities some time to adjust to the significant revenue loss that those currently not providing a 5 year NOL carry forward are certain to be saddled with.

Employers will no longer be required to withhold tax revenue obligations for the first 20 days on “occasional entrant worker” employees, whose primary place of employment is outside of the boundaries where work is performed and clarifies that employees whose wages are withheld in a municipality where work was not performed, that those wages are refundable. The bill also excludes businesses located in unincorporated areas or townships from any withholding requirements for their employees, regardless of days spent in a municipality.

Applies the 20 free day occasional entrant provision to non employee compensation resulting in taxpayers with compensation other than qualifying wages now will receive the benefit of 20 free days of no municipal tax withholding in every city and village work is performed.

The language that was inserted by the Ohio House to liberalize the treatment of offsets and language allowing taxpayers to apply a “loss” in multiple municipalities remained as passed by the House.

Supplemental Executive Retirement Plans (SERPS) treatment that bars municipalities from taxing this “golden parachute” which is treated as a nonqualified deferred compensation plan allowing taxation at the state and federal levels was preserved by the Ohio Senate.

After a 5 year period, taxpayers will retain authority over tax administrator’s discretion in deciding the proper administrative procedures and factors to be considered, when submitting consolidated filings.

Changed the “written determination” language back to “assessment”, requiring certified mail be used for correspondences between municipal tax offices and taxpayers, for all assessments or written findings.

These are only a few examples of the changes made to the municipal income tax administration, via Am. Sub. HB5. The Legislative Service Commission (LSC) has compiled several documents that give a comprehensive analysis of all the changes made and new treatments initiated through HB5. The first document is the LSC Fiscal Note & Local Impact Statement, explaining to legislators how the potential revenue impact to Ohio municipalities could be in the millions of dollars, can be found at <http://www.lsc.state.oh.us/fiscal/fiscalnotes/130ga/hb0005sp.pdf> . A synopsis of the amendments adopted by the Ohio Senate Ways and Means Committee here <http://www.lsc.state.oh.us/synopsis130/h0005-130.pdf> , while the complete analysis for the total bill can be found here <http://www.lsc.state.oh.us/analyses130/h0005-rs-130.pdf> and the final version of the full text of the bill here <http://www.legislature.state.oh.us/bills.cfm?ID=130HB5>.

The legislation does not go into effect until January 1, 2016, with some estimated tax provisions beginning in 2015. Next year, the league will be sponsoring a number of training programs for municipal officials, including tax and finance staff, in an effort for local officials to become acquainted with the challenges presented in the new law and how municipalities can effectively administer the tax with the new restrictions.

OHIO LEGISLATURE SENDS BILL ESSENTIALLY BANNING RED LIGHT/SPEED ENFORCEMENT CAMERAS TO GOVERNOR

On Wednesday, the House of Representatives approved by a 54-31 vote SB 342, legislation introduced by Senator Bill Seitz (R-Cincinnati) requiring, among other things, Ohio municipalities who choose to employ the use of electronic photo monitoring devices to regulate red light and speed violations, must do so only if a uniform police officer is stationed at the location of the device to witness the violation and issue the citation, at the time of the infraction. The bill, as passed by the House, which is the final version that will be going to the Governor, can be found [HERE](http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_342) http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_342 and the bill analysis can be found [HERE](http://www.lsc.state.oh.us/analyses130/s0342-rh-130.pdf) <http://www.lsc.state.oh.us/analyses130/s0342-rh-130.pdf> .

The Senate concurred on the House changes Thursday and the bill is now before the Governor for his consideration. The league remains opposed to the legislation and have asked Governor Kasich to veto the bill. Our veto request can be found [HERE](#).

ANTI ANNEXATION BILL DOES NOT CLEAR SENATE COMMITTEE

Along with all of the other issues the league has been working on during the Lame Duck session, HB 277, legislation that would add additional and unnecessary obstacles to the current TYPE-II annexation procedures, came back to life and was back on the agenda of the Senate State Government Reform and Oversight Committee. The bill, which was amended by the committee and up for a possible vote, was scuttled at the end of the committee hearing. The league offered opponent testimony to committee members. Chairman Burke

indicated at the end of the committee hearing Wednesday night that the bill was not ready to be presented to the full Senate and that the issue will be addressed when the next General Assembly convenes in January.

The league would like to thank the municipal officials from across Ohio who have contacted their legislators and shared with them their concern for the bill and how it would adversely impact the rights of private property owners while hampering the ability for regions of the state to provide greater opportunities for economic development.

OHIO SENATE COMPLETES LEGISLATIVE WORK, HOUSE RETURNS NEXT WEEK FOR MORE GOOD-BYES

Thursday was the final session for the members of the Ohio Senate, as the final gavel did not come down from President Faber until almost 4am Friday morning. Senators and staff remained in the chambers through-out the evening as final touches were put on a statewide legislative redistricting plan. The Ohio House will be finishing their work with a few final committee hearings on Tuesday and the final House session on Wednesday.

There were some bills dealing with municipal issues that made it through the legislative process successfully, others did not while other concepts were amended or attempted to be added as riders to bills moving through the process. Once the House finishes their work next week and the final outcomes are known for the wide variety of issues presented this General Assembly, we will be doing a final legislative bulletin later next week to inform our members of the legislative resolution to bills concerning Ohio cities and villages. We will also alert our members to actions taken by the Governor.

Have a safe weekend~

December 3, 2014

OHIO SENATE PASSES MUNICIPAL TAX REFORM BILL

Am. Sub. HB5 continues its legislative journey through the Ohio Statehouse with the Senate Ways and Means Committee holding a hearing last night and again this morning. Today, the bill was officially approved by the committee through a party line vote, meaning all democratic members voted against the substitute version that included the amendments added by the Senate majority while all republican members of the committee supported the substitute bill and voted against amendments offered by their democratic counterparts which would have offered municipalities relief from the onerous reform treatments that will needlessly drain the fragile revenues of Ohio cities and villages.

We have provided a synopsis (www.omloho.org) that was distributed by the Chairman of the Senate Ways and Means Committee last night, highlighting what changes the accepted amendments will offer to the sub bill. Because the league was not provided with a copy of the senate version of the changes made to Am. Sub. HB5 until after the committee hearing had begun last night, we continue to review the language that has been added or altered in the bill and will be able to provide our members with greater detail to how the municipal income tax has been altered in upcoming legislative bulletins.

The lowlights of what the Senate has adopted as a substitute version that will be voted on by the full Senate later today and sent back to the Ohio House for their concurrence includes the 5 year Net Operating Loss Carry Forward mandate on all municipalities in Ohio; the prohibition on municipalities to collect back to the first day withholding tax obligations incurred by occasional entrant workers; the adoption of the new system for determining offsets and the ability of taxpayers to comingle all sources of income together to produce the most advantageous municipal tax exposure for the taxpayer while allowing double deductions; backdoors the implementation of the State's Bright Line Residency Test to be applied by municipalities to determine who qualifies as a municipal resident; the usurping of the Municipal Home Rule authority of the Ohio Constitution, surrendering to the state the administrative authority on how the municipal tax can be administered in the future and the expansion of certified mail requirements for routine correspondences from a local tax office to taxpayers.

The highlights that will benefit municipal revenues are the reinstatement of the Throwback provision, which is uniformly administered in current law. The bill passed by the House would have removed the Throwback provision. Also, a committee has been established and has until May 1, 2015 to determine the best procedure for requiring municipalities to annually report to Ohio's State Tax Commissioner revenues collected by resident and nonresident taxpayers.

As our municipal tax experts dig through this monstrous bill in the coming days, as stated above, we will provide greater and explanation on the changes made by the Senate and ultimately enacted by the Ohio legislature.

December 1, 2014,

HB 5 SCHEDULED FOR COMMITTEE VOTE WEDNESDAY

On Friday, the Ohio Senate Ways and Means Committee Chairman Bob Peterson released the committee schedule (below) for this week which includes two hearings for Am. Sub. HB 5. Please notice that the hearing schedule for Wednesday morning indicates that Am. Sub. HB 5 may be voted on by the committee. We anticipate the committee will move the bill this week, sending it to the full Ohio Senate for its consideration.

The hearing schedule for both days indicates the committee will receive testimony from opponents, proponents and interested parties of Am. Sub. HB 5. If you missed your opportunity two weeks ago, please consider drafting your remarks and share your concerns for what the Senate is considering changing in the administration of the municipal income tax and how it will affect your community. Testimony must be submitted to the Chairman's office the day before the hearing so if you want testify tomorrow, written material would need to be submitted by 5 pm today (Monday). If you can testify Wednesday morning, testimony must be submitted to the Chairman by 5 pm Tuesday. Testimony can be sent to Vanessa.burris@ohiosenate.gov or to kscarrett@omloho.org and we will make sure the testimony is delivered to the Chairman's office.

The league has yet to be provided with the changes to the bill language that the Senate will be adopting tomorrow and which will undoubtedly cause revenue loss to municipal budgets across Ohio. When we are provided with the changes being made by the Senate, we will be sure to alert our members.

OHIO SENATE WAYS AND MEANS COMMITTEE NOTICE

**Tuesday, December 2, 2014
4:30 PM**

**South Hearing Room
AGENDA**

S. B. No. 303 (Brown) Sales tax holiday-sales of Energy Star products 1st Hearing Sponsor

S. B. No. 259 (Skindell, Tavares) Same-sex married couples-file joint federal return-also file joint state return, 1st Hearing, Sponsor

Sub. H. B. No. 198 (Butler, Burkley) Tax increment financing-property owners notice/exclude parcels, 1st Hearing, Sponsor

S. B. No. 322 (Tavares) Property tax exemption-church day-care centers-under \$30,000 income 1st Hearing, Sponsor

Am. H. B. No. 494, Schuring, Counties-undertake regional transportation improvement projects/financing of, 2nd Hearing (Possible amendment/s) Proponent/Opponent/Interested Party

Am. Sub. H. B. No. 5 (Grossman, Henne) Municipal income tax; revisions 3rd Hearing (Possible amendment/s) Proponent/Opponent/Interested Party

Wednesday, December 3, 2014

8:30 AM

Finance Hearing Room

AGENDA

Am. H. B. No. 494* (Schuring) Counties-undertake regional transportation improvement projects/financing of, 3rd Hearing (Possible amendment/s) Proponent/Opponent/Interested Party

Am. Sub. H. B. No. 5* (Grossman, Henne)

Municipal income tax; revisions 4th Hearing (Possible amendment/s) Proponent/Opponent/ Interested Party

*** Possible Vote**

November 24, 2014

SENATE COMMITTEE HOLDS HEARINGS ON MUNI TAX REFORM BILL

Last week, the Senate Ways & Means Committee held hearings Tuesday and Wednesday on Am. Sub. HB5, the municipal income tax reform bill. Tuesday's hearing was held for opponent testimony on the bill while Wednesday's hearing was for All Parties, which included more opponent witnesses in addition to a few proponent business representatives. Copies of the testimony offered last week and the previous week can be found on the committee's website <http://www.ohiosenate.gov/committee/ways-and-means>.

The league would like to thank the municipal officials from across the state who took time out of their busy schedules to come to Columbus and share with legislators their city or village's story and how the reforms included in the bill before legislators would impact the ability to generate revenue and support basic services. Specifically, we want to thank Mayors John Cranley, Cincinnati; William Duncan, Oakwood; Kevin Hardman, Sharonville; Mike Barhorst, Sidney; and Angela Kuhn, Whitehouse; City Managers Tim Riordan, Dayton; Mark Schwieterman, Kettering; Gary Huff, Piqua; and Patrick Titterington, Troy; Tax Administrators Art Prieksa,

Akron; Tina Timberman, Athens; Rob Wright, Bowling Green; Mindy Frank and Kevin Robison, Columbus; and Clarence Coleman, Toledo; Finance Directors Dana Pinkert, Ashtabula and Tom Vanderhorst, Hamilton; Assistant Manager/Director of Economic Development Director Tom Franzen, Springfield and Upper Arlington Chief of Fire Services Jeff Young. Written testimony was also provided by Mayor Jim Nettis, Village of Orwell; Treasurer John Homlitas, Warren and Don Smith, Executive Director, Regional Income Tax Agency (RITA).

The Senate committee members were presented with the real world conditions of each municipality offering testimony. Senators heard the financial challenges currently being experienced, how certain treatments in the tax reform bill would negatively impact their community's already strained financial stability and what additional revenue hits would mean to their city or village's ability to be an attractive destination for economic activity while providing safety and infrastructure residents expect.

Chairman Peterson announced that the bill will not receive any action this week, since the legislature is basically idle for the Thanksgiving holiday. We expect that when the legislature returns to full action next week, the Senate Ways and Means Committee will hold a fifth hearing where amendments previously submitted will be debated, a substitute bill will be offered and the measure will be voted on by the committee. Once the bill is passed by the committee, the Ohio Senate will act quickly to move the bill to the floor where the new amended substitute version will be considered by the full membership of the upper chamber. When the Senate has made their final changes to the bill, it will be sent back to the Ohio House for their review of the Senate changes. If the House agrees with the changes that come back to them, the bill will then be sent to the Governor for his signature. If members of the Ohio House do not concur on the Senate changes, the bill will be sent to a conference committee to address the differences between the two chambers and work to resolve the conflicts so a bill can be sent to the Governor. If the differences between the Senate and House are not resolved before the General Assembly adjourns then the bill will "die" and would have to be reintroduced next year to start the legislative process over anew.

We will alert our members when the final committee notice is issued.

STATEWIDE POLITICAL RESEARCH ORGANIZATION ISSUES IMPACT REPORT ON HB5, OTHER STATE CUTS

Innovation Ohio, a statewide research and policy "think tank" issued an in depth report late last week, analyzing impact analysis reports prepared by cities and villages across Ohio in response to municipal tax reform proposals included in Am. Sub. HB5. The organization also identified the additional cuts to Ohio municipal revenues through the LGF, Estate Tax and other areas where policy choices made by the state continue to threaten the ability of municipalities to provide services that benefit every sector of the state.

HB5 Continues Assault on Local Services, Pushes Total Cut to Communities to \$495 Million a Year *IO Report Shows Cumulative Impact of HB5 and Previous 4 Years of Cuts to Local Communities*

Columbus - Innovation Ohio released a report today that shows the cumulative financial impact of House Bill 5, along with previous cuts to local communities passed in the last two state operating budgets. The report estimates that passage of House Bill 5 alone would cost communities \$82 million a year, and when combined with previous cuts, the total impact on local services approaches nearly half a billion dollars annually.

"Our state is only as strong as our schools and local communities," said Innovation Ohio President Keary McCarthy. "Taken in context with the last four years of significant funding cuts to local communities, passage of House Bill 5 could have serious impacts on services that keep our streets safe and our communities strong."

Over the last four years, the state has cut an estimated \$413 million each year for Ohio's cities and villages through reductions in Local Government Funding, reimbursement losses for TPP and KWH tax, and the elimination of the estate tax. Combined with an estimated \$82 million in annual revenue loss from House Bill 5, the total impact on municipal services is estimated at \$495 annually or nearly \$1 billion of a two-year budgetary period.

"Republican and Democratic leaders in the Dayton region stand united in our belief that continued cuts to local communities have seriously harmed our ability to provide essential services such as police and fire protection, road paving and infrastructure repair," said Dayton Mayor Nan Whaley. "Loss of these services impact the quality of life for our constituents and the ability of our small businesses to thrive."

The report shows the estimated impact of House Bill 5 for 187 municipalities that have provided impact assessments, along with the specific funding cuts from the estate tax elimination, cuts to the Local Government Fund, and TPP and KWH reimbursement losses. The report also shows these cumulative estimated losses as a percentage share of the municipal budget. For the cities of Dayton and Cincinnati, these cumulative losses represent nearly 10 percent of its overall budget.

"House Bill 5 needs to be amended to stop cutting resources for local governments," said Cincinnati Mayor John Cranley. "The death by a thousand cuts coming from Columbus must stop."

For the cities that did not report estimated impacts from HB5, Innovation Ohio calculated the revenue impact per capita for the cities for which estimates are available to the population of the state's remaining 429 communities that levy an income tax. Combined, we estimate the potential statewide impact of HB 5 on cities and villages that levy an income tax at over \$82 million each year.

"The state legislature's continued attempts to cut funding and hamstring communities is making it harder to keep our streets safe and our taxes low," said Marion Mayor Scott Schertzer. "Passing House Bill 5 without making reasonable changes that would limit the financial impact for communities would be yet another hit that everyday Ohioans will undoubtedly feel."

Read the report: "[House Bill 5: Impact Analysis](#)"

OHIO SENATE PASSES BILL RESTRICTING USE OF TRAFFIC CAMERA ENFORCEMENT DEVICES

On Wednesday, the Ohio Senate approved by a 24-9 vote SB 342, legislation sponsored by Sen. Bill Seitz (R-Cincinnati) which would require municipalities who wish to use automated electronic traffic enforcement devices (traffic cameras) to provide an extra layer of safety for the motoring public, only be permitted to use them if a uniformed police officer is present to witness the driving infraction and issue a citation, on the spot.

The bill, which came out of the Senate State Government Reform and Oversight Committee the same day, is expected to be taken up quickly by the Ohio House of Representatives, before the end of the Lame Duck session, who earlier this year passed HB69 (Maag/Mallory), legislation that outright bans the use of these safety enforcement tools.

The league will report on the progress of this bill and the many others that are being considered before the Ohio General Assembly concludes the work before them in this Lamé Duck session and adjourns sometime in mid December. With the last minute legislating that always accompanies the end of a session or term, some bills near the end of their legislative journey become a “vehicle” (also known as a “Christmas Tree”) for other bills to be added to, through amendments or “riders”, cloaking the once stand alone bills into another bill heading to the Governor’s desk for final action. There is a bill that we are watching, HB 490, a left over Mid Biennial Review (MBR) bill introduced earlier this year dealing with changes to state agriculture policy. We will be watching closely if other legislation the league is working on is added to this or any other bill in the last legislative actions remaining for the 130th General Assembly.

November 14, 2014

HB5 MUNICIPAL TAX REFORM BILL SCHEDULED FOR OPPONENT AND ALL PARTIES TESTIMONY NEXT WEEK

Chairman Peterson has announced OPPONENT TESTIMONY hearing has been scheduled for Tuesday, November 18, 3:30pm in the South Hearing Room. Also, there will be an All Parties hearing the following day, Wednesday November 19 at 3:30 p.m. also in the South Senate Hearing Room.

We do not anticipate additional committee hearings for individuals opposed to the current version of the municipal tax reform bill so next week will be the only two opportunities left to voice objections with legislators, share alternative proposals that would offer greater balance to the reform measure or voice other concerns related to the challenges municipalities face when providing services with reduced resources.

Brevity is always appreciated by committee members so try and target remarks to roughly 5 minutes in length. The senators will be most interested in the areas of the bill that will have the greatest impact on your community, how the revenue generated by the municipal income tax is used, business activity that is supported by individual municipalities through financial incentives or other financial incentive packages used by the city or village to enhance employment growth opportunities and what any projected revenue loss will mean in real world terms such as projects, equipment or safety force personnel that the community could better invest those dollars towards rather than being lost through tax cuts for special taxpayers.

We highly encourage those that can to testify. Chairman Peterson asks that those providing testimony to send an electronic copy of the prepared testimony to his office 24 hours before the committee meeting, so that copies can be made and included in committee member folders prior to the hearing. You can also send it to OML Director of Communications Kent Scarrett at kscarrett@omloho.org and he will deliver it to the senator's office. Just to clarify, if testimony is being provided at Tuesday's hearing, a written copy must be submitted by 5pm Monday and 5pm Tuesday if testimony will be provided Wednesday.

MUNICIPAL TAX REFORM SPONSORS AND PROPONENTS TESTIFY BEFORE SENATE COMMITTEE

As we reported in last week’s legislative bulletin, Am.Sub.HB5 was moved from the Senate Finance committee to the Senate Ways and Means committee where Senator Bob Peterson became the new Chairman of the senate committee that generally is assigned bills that concern matters of taxation policy.

The first official action occurred Thursday under Chairman Peterson's leadership with sponsor and proponent hearings on the municipal tax reform bill. The testimony committee members were provided was delivered by

Reps. Cheryl Grossman and Mike Henne, who again explained how they perceive the goals of their legislation to bring business filers greater simplicity and ease of compliance when complying with municipal tax obligations. The sponsors "tag teamed" their testimony presentation, sharing with committee members how they anticipate some revenue loss by municipalities when conforming to the new state imposed treatments but the expected increase in economic development municipalities will experience by their reforms will offset the negative effects.

Much like the testimony members of the Senate Finance committee where presented with, proponents who provided testimony were led by past state of Ohio Tax Commissioner and leader of the Municipal Tax Reform Coalition Tom Zaino with other coalition representatives Chris Ferruso of the NFIB, Dan Navin with the Ohio Chamber of Commerce and Andrea Ashley with the General and Ohio Contractors Association. Again like the sponsors, the proponents presented identical testimony to what was presented to the finance committee members where advocates explained the complications with the current municipal tax that frustrates their members and expanded on the virtues of the reform treatments that they advocate will fix what ails Ohio's economic woes. Also providing testimony was Lisa Crosley, president of EnvironControl Systems and Albert Macre, a CPA with Macre & Co. Copies of the testimony provided can be accessed through the Senate committee website at <http://www.ohiosenate.gov/committee/ways-and-means>.

As you will notice throughout the testimony provided, sponsors and proponents continued their assault on the ability of municipalities to accurately apply revenue impact figures to areas in the reform bill and reiterated that because the proponents do not have full access to municipal taxpayer data, that municipal analysis of potential financial consequences of changes in current treatment cannot be verified and thus is merely speculation and should be discounted.

Committee members had numerous questions for the sponsors and proponents, asking primarily about the revenue impacts to municipalities and how already struggling communities will be able to weather the cuts, there was a particular emphasis placed upon the section of the legislation that deals with NOLs and the NOL Impact Review Study Committee. While proponents of the bill insisted the review committee should study the financial impacts to municipal budgets after the damage has been done and the treatments are enacted into Ohio law, many committee members questioned the logic of not providing time for greater study to a treatment or treatments that is understood will have significant consequences to municipal budgets before putting it into law.

Chairman Peterson has announced the committee will hold a opponent hearing next Tuesday, November 18th, 3:30 p.m. in the south senate hearing room, All Parties testimony the following day, Wednesday the 19th at 3:30 p.m. in the south hearing room with a vote by the committee and then to the full Senate the first week of December. If those that would like to provide opponent testimony but cannot attend the Tuesday hearing, committee members will receive opponent testimony as part of the All Parties testimony hearing Wednesday at 3:30 p.m.

This literally is it, the last chance for municipal officials to help educate policy makers on what the changes they are considering will mean to municipalities, Ohio residents and businesses across the state.

November 10, 2014

LEGISLATURE RETURNS WITH MUCH WORK AHEAD BUT LITTLE TIME

With the temperatures turning cooler and the election behind us, the Ohio legislature returns this week to the Statehouse to kick off the long awaited Lamé Duck session. With 29 new state representatives and 4 new state

senators having been elected for service in the next 131st General Assembly, the current membership of Ohio's legislature will be addressing many bills in roughly the next month that will address a wide range of issues, several of which will have an impact on local governments and municipalities in particular.

The list of legislative initiatives that will have an impact on Ohio cities and villages that we anticipate to be addressed before the year's end include:

- **Am. Sub. HB5 (Grossman/Henne) MUNICIPAL INCOME TAX REFORM.** Municipal Income Tax Reform bill that cleared the Ohio House of Representatives last October and has received two hearings in the Senate Finance committee. Although the bill was recently moved from the Senate Finance committee to the Senate Ways and Means committee, the legislation is expected to pass quickly in the Lamé Duck session. The bill is scheduled for a first hearing in the Senate Ways and Means committee this Thursday, November 14 in the South Senate Hearing Room for Sponsor and Proponent testimony only.

The OML supports the uniformity provisions included in the bill but strongly opposes HB5 due to reform treatments included in the current version that will cause significant revenue loss to all Ohio municipalities currently with an income tax. The league also opposes these poorly crafted reform measures based on the fact that the new treatments being proposed will complicate the procedures by which individuals file their municipal tax filings and will add unnecessary administrative burdens on businesses and their employees who have business activities in Ohio municipalities.

- Legislation to further regulate the use of traffic photo monitoring devices. There are currently two bills, both awaiting action in the Senate State Government Oversight and Reform committee that deal with varying degrees of regulating these safety related traffic controlling devices. We anticipate action to be taken on the subject before the legislature adjourns at the end of the year. The bills being considered are:

HB 69 (Maag/MalloryD.) TRAFFIC LAW PHOTO MONITORING DEVICES. To enact section 4511.095 and to repeal sections 4511.092 and 4511.094 of the Revised Code to prohibit the use of traffic law photo-monitoring devices by municipal corporations, counties, townships, and the State Highway Patrol to detect traffic signal light and speed limit violations, except in certain circumstances.

SB 342 (Seitz) TRAFFIC CAMERAS. To establish conditions for the use by local authorities of traffic law photo-monitoring devices to detect certain traffic law violations. Namely, the conditions are that a uniformed police officer would be required to be present and witness the enforcement violation and issue a citation at the time and location of the infraction.

- Legislation challenging the enforcement of local ordinances regarding concealed carry of firearms. **HB 203 (Johnson T.) CONCEALED CARRY LICENSE LAW.** To modify concealed handgun law; to permit investigators employed by the Attorney General to investigate Medicaid fraud to go armed in the same manner as sheriffs and regularly appointed police officers; to expand the locations at which a person has no duty to retreat before using force in self-defense; and to provide that the exercise of a constitutional or statutory right is not, in itself, the offense of disorderly conduct or

inducing panic and does not constitute reasonable, articulable suspicion of criminal activity. The bill is currently in the Senate Civil Justice Committee where it has received one hearing.

- Legislation further complicating the current TYPE-II Annexation procedure. **HB 277 (Stautberg) STATE-POLITICAL SUBDIVISION ANNEXATION.** To amend sections 709.02 and 709.023 of the Revised Code to require that the state or a political subdivision real estate owner be included in determining the number of owners needed to sign a petition for an expedited type-II annexation, unless the real estate is a road or road right-of-way, and to make other changes regarding that type of annexation. The bill has been assigned to the Senate State Government Oversight and Reform committee.
- Legislation to further regulate the maintenance of utilities in public right of ways. **SB 378 (Coley) UNDERGROUND UTILITY FACILITIES LAW.** To amend sections of the Revised Code regarding the enforcement of the law governing the protection of underground utility facilities.
- Legislation which is part of the administration's Mid Biennial Review (MBR) group of bills introduced earlier in the legislative session. Although the bill relates to issues dealing with agriculture, natural resources and environmental protection law, it is anticipated that the bill may become a "vehicle" for other issues to be amended into the bill which will then be enacted.

HB 490 (Hall/Thompson) To amend sections and to repeal sections of the Revised Code to revise certain laws governing agriculture, natural resources, and environmental protection. The bill is currently in the House Agriculture and Natural Resources committee.

The Lame Duck session is expected to be complete sometime in mid-December. We encourage our members to reach out to their state Senator or Representative and share their opinion with them if there is a bill on the above list that generates concerns about the potential impact on a communities finances or the ability to administratively operate in a manner reflective of your community's values.

September 25, 2014

DEPARTMENT OF TAXATION NOTIFICATION CONFUSES MUNICIPALITIES

Earlier this week, the Department of Taxation sent to municipal Auditors, Finance Directors, Treasurers and Township Fiscal Officers a directive from the Tax Analysis Division requesting municipalities provide enhanced taxpayer revenue breakdowns. This contact from Columbus has some of our members puzzled.

The communication, which a copy can be found [HERE](#), cites the statutorily authorized annual survey the Department of Taxation conducts on Ohio cities and villages to collect data pertaining to municipal income, lodging and admissions taxes, for their annual report. What caught our attention and the attention of the nearly 600 municipalities that received the directive is the part of the letter that references sub.HB5, the municipal

income tax reform bill. As our members will remember, the legislation has received two hearings in the Senate Finance Committee, and remains in that committee for further action once the General Assembly returns in mid-November for the Lamé Duck session.

The passage reads, *“In accordance with Substitute House Bill 5, we’ve expanded this data collection to determine the breakdown between revenues generated by business and by individual or personal income. In addition, we’ve asked for clarification on joint economic development distributions. Specifically, the exact name of the agreement, with whom it is contracted with and the distribution amounts for each.”*

Sub. HB5 has not been passed and enacted by the Ohio General Assembly so we are a bit puzzled by the “in accordance” directive by Ohio’s State Tax Commissioner to compel Ohio cities and villages to provide this enhanced data collection information. Furthermore, there is no legislative language in the current version of sub.HB5 that would require municipalities to collect this information and provide it to the Ohio Department of Taxation.

We just want to make sure our members are aware of this issue and are familiar with the facts.

SUB.HB5 TECHNICAL ISSUES ADDRESSED

On Monday, a meeting was convened by Chairman Oelslager and Senator Peterson with representatives from municipalities along with tax reform coalition members to discuss areas of sub.HB5 that have been identified as strictly technical issues and discrepancies in the as passed by the House version of the bill.

In addition to the representatives from municipalities and the reform coalition, those present for the review included a representative from Governor Kasich’s office, the Department of Taxation, the Senate Majority Caucus and Legislative Service Commission (LSC). The real purpose of the meeting was to go over the strictly technical errors that require corrective language and present the alternative, technical language to the LSC staff attorney who will be responsible for drafting the appropriate alternative language for the Senate to consider amending to the bill.

As part of the meeting, the significant policy issues which remain the focus of municipality’s opposition towards sub.HB5, currently before the Senate Finance committee, were not addressed. There was no discussion of when a future meeting would occur before the legislature returns to legislative activity in November, to discuss these serious and potentially financially devastating “reforms” to Ohio’s municipal income tax.

September 17, 2014

FINANCIAL STABILITY OF MUNICIPALITIES BROUGHT INTO QUESTION

As summer has almost officially ended and we roll into fall, that can only mean one thing: the General Elections are right around the corner following which the legislature will be to returning to the Ohio Statehouse to kick off

the Lame Duck session. And as our municipal leaders are keenly aware, there are some significant issues that will impact the operation of Ohio's municipalities waiting in the legislative wings.

With the anticipated return of the legislature to the Statehouse, there has been a good deal of discussion of the financial impacts realized on municipal and other local government budgets by the changes in state revenue sharing via cuts to the Local Government Fund, the Ohio Estate tax and other moves, reducing the amount of funding cities and villages can access to provide services.

In some quarters, the effects on municipal revenues have been significantly downplayed through rhetoric such as the cuts only represent less than 5% of the typical municipal operating budgets and that even with the cuts, cities and villages have been able to rebound from their economic losses, without state assistance. Other individuals and groups who have studied the consequences of the new state partnership by decreasing direct monetary support to local governments, have identified the challenges that the decreased revenues have presented to the ability of Ohio's service providing municipalities to continue the level of services previously available before the cuts began in 2011.

What have also been considered in studying local budgets are the financial condition cities and villages were in before the worldwide economic recession began impacting local revenues beginning in 2007 and how those communities have been able or not been able to rebound to a more stable financial footing with the effects of the state cuts being part of the equation. There have been those that have looked at the differences between 2011 general revenue levels and have compared those figures to 2012 revenue numbers, in the attempt to make the case that cities and villages have not been adversely impacted by the state funding changes and, the argument goes on, that budgets are better off with in spite of the state cuts. This is nothing more than an exercise in intellectual dishonesty.

The league staff has spoken with municipal officials about these projections and how they are contrary to the fiscal reality so many hometowns across the state are facing. An honest analysis of the financial stability and health of municipal budgets can be determined by identifying the Total Gross Municipal Income Tax Receipts for each year (2007 through 2013) and then subtracting the total refunds issued for each year (2007 through 2013). By doing this simple exercise, the product results in the Total Net Municipal Tax Receipts for each year (2007 through 2013). When this comparison method is used, the results generate a true and accurate reflection of municipal revenue levels and what impacts have been felt within the identified timeframe.

The majority of municipalities that we have seen figures from who have used this calculation method show that revenues have not yet returned to the 2007, pre-recession amounts and cities and villages continue to struggle to meet the funding realities for service demands of their business and resident constituents. Some municipalities have been able to "weather the storm" and have been successful in stabilizing their budgets without seeking additional tax revenues to meet those marks. Other municipalities have only been able to replenish their financial resources to adequate levels by raising the rates taxpayers pay while the majority of hometowns try and make do with depleted financial reserves and hope for better days.

This conversation is not occurring in a vacuum and we are aware of organizations that are proponents of subHB5, the deeply flawed municipal tax reform bill, whom are attempting to make the case that municipalities will and should weather the revenue cuts contained in the bill before the Ohio Senate since municipal revenues are so robust and there is plenty of fat that can be trimmed in budgets for the sake of good business practices, like having a lower or no municipal tax obligation.

We feel it is vitally important for municipal officials, if they haven't already done so, to pull out the revenue figures for the last seven budget years and determine your communities' financial condition as it currently is, compared to when revenues were stable and much more predictable. Legislators will need this accurate and unbiased analysis as they consider anymore changes to state law that would impede the ability of municipalities to continue to be the economic engine that the state depends upon.

If you have these figures and comparisons compiled showing the true reflection of the current financial stability of your community, please forward those on to the league so we can continue to provide the most accurate information to legislators and other statewide policy makers.

September 5, 2014

DEPARTMENT OF TAXATION RELEASES REVENUE DISTRIBUTION FIGURES

The Ohio Department of Taxation's Revenue Accounting Division recently released the updated 2015 Public Library Fund (PLF) and Local Government Fund (LGF) distribution amounts for Ohio's 88 counties and the political subdivisions that are included within them. The information is accessible through: <http://www.tax.ohio.gov/government/ohiodepartmentoftaxation.aspx>. There is an addition web address through the Department of Taxation that we would like to bring to your attention, if you are interested in looking at all of the revenue distribution sources available through the state and amounts that have been released by a particular tax or fund. That address can be found here: <http://www.tax.ohio.gov/Government/distributions.aspx>.

STATE FIRE MARSHAL BUREAU of UNDERGROUND STORAGE TANK REGULATION (BUSTR) OFFERING ZERO INTEREST LOANS

The Division of State Fire Marshal's Bureau of Underground Storage Tank Regulation (BUSTR) is offering zero interest loans to any political subdivision, including Community Improvement Corporations, for the purpose of beginning, continuing, or completing the removal, assessment, or corrective action related to underground storage tanks located within that political subdivision's geographic boundaries. Through the loan opportunity, a grant is available to assist with the implementation of the statewide emergency radio system, MARCS, with the grant being available to fire departments that serve 25,000 or less.

The link to the description of the loan and the application with deadline and other helpful information can be found at: <http://www.com.ohio.gov/fire/grants.aspx>.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) REQUESTS EMPLOYER INPUT

Below is a message from OPERS that we want to bring to your attention and encourage you to please respond to the important input request being made to employers regarding concerns that have been generated by the Governmental Accounting Standards Board (GASB) issuing of two exposure drafts affecting the financial reporting of other post-employment benefits (OPEB). These exposure drafts, as written, could have a serious negative financial impact on OPERS' participating employers. GASB is interested in hearing employer-specific concerns. Please be aware this may be your last chance to provide feedback directly to GASB for the purpose of shaping the proposed standards



Employer input requested on GASB exposure drafts impacting OPEB

What's happening?

In June, the Governmental Accounting Standards Board (GASB) issued two exposure drafts affecting the financial reporting of other post-employment benefits (OPEB). These exposure drafts, as written, could have a serious negative financial impact on OPERS' participating employers.

OPERS is not in favor of these proposed standards because we do not believe they assign the responsibility for the financial liability appropriately for Ohio employers. We are working to ensure all employers understand the impact of these proposed standards and how we can work together to share our concerns about the proposed standards.

About the exposure drafts

The two exposure drafts are revisions to GASB's OPEB Statements 43 and 45. GASB's perspective on the proposed statements is that they are intended to significantly improve financial reporting by state and local governments of other post-employment benefits (OPEB), such as retiree health insurance.

Similar to the new pension standards issued in 2012, these proposed OPEB standards would:

- Require state and local government employers to record a proportionate share of the health care unfunded liability in their financial statements, among other things.
- Standardize actuarial methods being used to calculate the health care liability.
- Provide additional guidance on setting the discount rate for projecting future health care liabilities.

As with the new pension standards, the proposed OPEB standards would represent a financial reporting impact only. The proposed standards do not have an impact on the funding of health care plans. One key difference between health care and pensions in Ohio is that health care is not a statutorily guaranteed benefit.

Employer Action Requested

By Aug. 29, 2014, OPERS is encouraging all employers to:

- Contact GASB directly with your input by creating an organization-specific letter. We have created a [sample letter for you](#). You'll see this letter details why OPERS is against the proposed standards as written. However, we know from past experience that GASB gave more credence to employer specific letters than to form letters. We strongly encourage employers to write a tailored letter when contacting GASB.

- The deadline for input to GASB is Aug. 29, 2014. Send your letters to GASB at:

director@gasb.org, or

Director of Research and Technical Activities
Project No. 34-1E
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

- If possible, please cc OPERS on your letter to GASB so that we can cite employer input in our testimony during the comment period Sept. 10, 11, and 12, 2014. Please send via email to:

nmikola@opers.org

Why this is important

Your input is vital. GASB is interested in hearing employer-specific concerns. Please be aware this may be your last chance to provide feedback directly to GASB for the purpose of shaping the proposed standards. Please review the available information via OPERS' website at www.opers.org and click on the Finance Section or you may want to read the exposure drafts in their entirety at www.GASB.org. OPERS will be adding education sessions on these new proposed standards in early August.

[Click here to view the sample letter](#)

For a current listing of OPERS Board of Trustees, please visit the website at www.opers.org

August 15, 2014

**OHIO BUREAU OF WORKERS' COMPENSATION (BWC) ANNOUNCES
SECOND \$1 BILLION REBATE**

Below is a press release issued at a press conference held by Governor Kasich and BWC chief Steve Buehrer Wednesday, announcing a one-time rebate of \$1 billion for private employers and private taxing districts who pay into Ohio's workers' compensation system. Attached [HERE](#) is a document from BWC explaining in greater detail the proposal and the initiative by BWC to offer additional safety related training grants.



Governor **John R. Kasich**
Administrator/CEO **Stephen Buehrer**

NEWS RELEASE

August 13, 2014

KASICH PROPOSES "ANOTHER BILLION BACK" FOR WORKERS' COMP CUSTOMERS
Strong Investment Returns & Good Management Fuel Another \$1 Billion Rebate and Major
New Investments in Workplace Safety

COLUMBUS – Governor John R. Kasich today joined Ohio Bureau of Workers' Compensation (BWC) Administrator/CEO Steve Buehrer to announce a \$1 billion rebate to Ohio's private and public sector workers' compensation customers, as well as a major new investment in worker safety research and training. Dubbed "*Another Billion Back*," the rebate comes on the heels of last year's \$1 billion rebate for workers' comp customers. Both rebates were made possible by strong investment returns in the workers' compensation fund.

Kasich made the announcement at Portfolio Creative, a Columbus company that recruits and staffs talent in all areas of design, marketing, communications and advertising. They are one of approximately 184,000 private and 3,800 public employers likely to receive a rebate.

“Sound fiscal management and a well-executed investment strategy continue to put BWC in a position where it can return money to its customers—Ohio’s employers—but also to workers in the form of initiatives that help them stay safe on the job,” said Kasich. Ohio continues its effort to transform the workers’ comp system to be a better partner with employers and workers to help them succeed and stay safe, and the ability to make these types of significant rebates is part of that effort.”

BWC’s preliminary annualized return of investments was 8.9 percent over the last three fiscal years, including 13.3 percent in 2014. The State Insurance Fund net assets stand at \$7.7 billion and its funding ratio far exceeds target guidelines set by the BWC Board of Directors. If approved by the BWC Board of Directors, eligible private and public employers would receive a rebate equal to 60 percent of premiums paid during the July 1, 2012 through June 30, 2013 policy year (calendar year 2012 for public employers). The proposal will be presented to the board at its August meeting, and if approved in its September meeting, BWC could begin issuing checks as early as October*.

Another Billion Back seeks to build on last year’s \$15 million investment in safety intervention grants with several initiatives that will ultimately enhance the safety, health and wellness of Ohio’s workforce. Additionally, special safety training is proposed to reduce injuries among firefighters, whom frequently have very high workers’ comp rates due to the dangerous and risky nature of their work.

“BWC’s Division of Safety and Hygiene is a national leader in promoting safe and healthy workplaces,” said Buehrer “Our safety services provide a superior return-on-investment. We want to encourage more and more employers to put safety education resources to work to keep their workers safe and reduce their workers’ comp costs. Our new safety initiatives will make these efforts more effective and accessible for employers.”

Buehrer added that BWC is also embarking on a safety campaign themed *Better Business Starts with Safety, Safety Starts at BWC* to reach Ohio employers and encourage them to take advantage of BWC’s safety services before experiencing a workplace injury or illness. A [microsite](#) allows employers to compare injury rates and costs within and across industry sectors. It also links employers directly to BWC safety consultants, who can survey their workplace and advise them on preventing occupational injuries and illnesses in their workplaces. The campaign is a result of the safety commitment made as part of last year’s *Billion Back* initiative, which also tripled safety grant funding to \$15 million for each of fiscal years 2014 and 2015.

Another Billion Back is an example of BWC’s work over the last four years to be a better partner in improving Ohio’s business environment and helping encourage the state’s economic revival. Sound financial and operational management has also allowed BWC to:

- Reduce average base rates for Ohio’s private employers, bringing combined four-year collections down \$409 million.
- Reduce average rates for public employers by an estimated \$70 million, placing them at their lowest levels in at least 30 years.
- Commit \$1.2 billion in transition credits to Ohio employers as part of the conversion to prospective billing.
- Expand safety funding, which resulted in allowed claims dropping below 100,000 for the first time.

**Eligible employers must be in good standing and have paid their January 1 to June 30 premiums.*

July 24, 2014

OML HOLDS ANNUAL INCOME TAX CONFERENCE IN DUBLIN

Municipal officials from across the state descended upon the city of Dublin two weeks ago to once again participate in OML's annual Income Tax Conference. The two day conference which focused largely on many aspects of sub.HB5, the municipal tax uniformity bill currently being considered by the Senate Finance committee, was attended by nearly 200 municipal tax and finance officials.

Attendees were presented with a wide range of topics which experts in varying fields of municipal government anticipate to be impacted by changes included in the current version of the bill. Such areas that were addressed included how the issue of the Ohio Constitution *Home Rule provision* may come into play concerning the significant changes being proposed to the administration of the local tax, perspectives by Certified Public Accountant (CPA's) who serve in leadership roles in different municipalities and concerns they have and the concerns they have heard from clients, and technical and policy changes that may be experienced by cities and villages when it is time to implement whatever law is passed affecting already financially strapped communities.

Our local officials at the conference were also presented with timely information from a statewide economic development firm that specializes in working with national and international clients to identify best markets for new business growth and the factors considered by business decision makers when determining a host community to develop or expand their commercial operations. The sponsors of HB5 have always represented that the municipal tax of a city or village is one of the "Top 3" factors a business considers when determining a site selection. The information that we have understood to be true and what was presented at our Tax conference completely contradicts that claim. Other workshops part of the conference concentrated on different auditing and enforcement procedures and in-depth explanations of various filing forms and methods.

The municipal league would like to extend a sincere thank you to all of the presenters who took time out of their busy schedules to join our attendees at the tax conference and for sharing with them the very timely and expert information. We also want to thank the vendors who participated in the exhibit show for joining us again this year. We hope it was another great opportunity for them to be with current clients and to introduce their services to new officials. And finally, the conference wouldn't occur without our dedicated and passionate local officials who attended the two day program to learn the newest state and local tax information, to share "best practices" with other communities in administering the tax and to remain current on efficiencies and client service that will maximize the ability of cities and villages across the state to deliver the level service residents and businesses expect.

Thank you to everyone who was part and we will see everyone again next year!

HB5 PROPONENT WITNESS SUGGESTS MUNICIPALITIES "TWEAK" TAX RATES TO MAKE UP REVENUE SHORTFALLS

As we had previously alerted our members and legislative bulletin subscribers, because we know there are a large number of individuals who were unable to attend the May 27th Sponsor's Hearing in the Senate Finance committee for sub.HB5, nor the hearing held June 3rd for proponents of the bill, before the legislature recessed, we have been requested to share what information was presented to the committee on this critical legislation.

To that end, we will be featuring segments of the testimony provided to the Senate Finance committee members by the sponsors and the bill supporters, beginning today. We are providing our members with this information that was presented through testimony so that some of the more “troubling” information presented as representing the truth can be identified and where we feel needed, any clarifications can be made for our members in an attempt to minimize the blatant or mistaken misrepresentations to what the effects of the bill will be and to “set the record straight”.

We would like to start this exercise in sharing a little greater detail of testimony that our members may not be aware of with information that was presented through Proponent testimony on June 3rd. The witness was Mr. Tom Zaino, past state Tax Commissioner for the state of Ohio, managing member of the law firm Zaino, Hall & Farrin LLC, chief architect of HB5 and lead representative for the Ohio Society of Certified Public Accountants (OSCPA). Following Mr. Zaino’s prepared testimony, we was presented with questions from many members of the legislative committee. One question that we felt was especially pertinent came from Senator Shirley Smith (D-Cleveland) who asked the question everyone seems to have as their top concern:

How will municipalities retain the revenue needed to provide services once the changes are made in the bill that will obviously significantly reduce municipal revenues?

Mr. Zaino's response:

"Mr. Chairman, Senator Smith, my advice would be to the cities to keep doing what they are doing. And the reason I say that, Senator, is because you know the beauty we have in Ohio possibly also a cost but also a benefit is home rule. And under home rule and under this bill, nothing in this bill prevents a city from raising the revenue that it needs. There's nothing that stands in the way of them doing that because there's nothing that stands in the way of a city official going to their citizens and saying, hey, we need more money because we need more firemen and we need more police power. Nothing prevents that. They can go to the voters to do that...they can go to their voters...so in other words, raise their rate. If they in fact first of all have a loss (inaudible). Then the second piece is the other thing the law also allows and many cities do this is they don't provide full credit and that would not need to go to the voters."

Speaking through the committee chairman which is standard committee protocol, Senator Smith followed- up with the question:

"Mr. Chairman, I just want some clarity. You're saying that the cities could go to the people that live in those cities and ask them to raise the taxes? Is that what you are saying?"

Speaking through the chair and in response to the Senator, Mr. Zaino responded:

"Mr. Chairman, Senator Smith, I am saying that, if this bill were to impact actual revenues in the city, the city leaders could go and say we're not raising taxes, we're gonna...we want to raise the same amount of taxes we raised last year, so we have to tweak the rate, yes."

So, the lead spokesman and drafter of the dramatic changes included in sub.HB5 advocates that the 592 municipalities who will experience revenue loss by the changes he is seeking merely need to “tweak” their tax rates to make-up for any budget shortfalls.

TAX OFFICIALS CONTINUE MEETINGS TO DIGEST AND IDENTIFY UNFORSEEN CONSEQUENCES TO SUB.HB5

Although the legislature is on their summer recess and will not be at the Ohio Statehouse holding session or committee hearings until sometime later this fall, we want to share with our members that work continues unabated on many levels concerning sub.HB5.

Recently, a group of tax administration officials participated in a meeting with representatives of the municipal tax reform coalition who are responsible for drafting the significant municipal tax administration changes being proposed in sub.HB5, to identify “drafting & technical” errors that are problematic through-out the legislation passed by the Ohio House of Representatives, and to work on clean-up language to resolve the language conflicts. The group has two additional meetings scheduled.

As a result of the first meeting, what municipal officials thought were “errors” in drafting have been clarified by the individual writing the bill as actually reflecting the intended method of change the reform coalition is seeking, even though the degree of financial impact to municipalities will be even greater than first projected by municipal tax officials who have been studying sub.HB5. These new issues and what before were considered to be significant “unintended consequences” are being identified by our municipal tax experts.

In the very near future and through our legislative bulletin, we will share with our members the first very large “loop hole” identified that has been incorporated in the *as passed by the House* version of HB5. As these discussions progress and what we once thought were innocent technical drafting errors are determined to be intentional “loopholes” affording greater tax avoidance to certain municipal filers, we will make these areas are known to our members and the members of the Ohio Senate.

In the meantime, attached [HERE](#) is a document we have previously assembled and distributed to league members and members of the legislature, identifying the areas of subHB5 municipalities have “common ground” with the admonition that the *list does not include all details or technical components including serious drafting errors that remain in the as “passed by the House” version of the bill, requiring legislative action* before those areas are fully embraced by municipalities. The document also lists the seven areas of sub.HB5 that we fully oppose and our justification for our position.

July 2, 2014

HB5 INTERESTED PARTIES MEET FOR PRELIMINARY DISCUSSION

On Monday, Chairman of the Senate Finance Committee Senator Scott Oelslager (R-Canton) and Senator Bob Peterson (R-Washington Courthouse) held a preliminary interested party to discuss sub.HB5, the municipal income tax uniformity bill. We want to thank Chairman Oelslager and Senator Peterson for convening this meeting and beginning the discussion, on the Senate side, concerning what areas of the bill need improvement and what areas of the legislation there are agreements reached.

The meeting was limited to roughly a dozen municipal officials from across the state who had previously participated in interested party meetings that occurred in the Ohio House along with representatives of various

organizations that make-up the business-backed municipal tax reform coalition. During the nearly two hours of discussion, municipal officials reiterated the areas of the bill that are acceptable (with the caveat that technical corrections and drafting errors that are contained in the language we support need to be addressed and fixed before the finished product could be considered) and the seven points we have identified that will have the greatest impact on municipal revenues and are the source of our greatest opposition. The document that was distributed during the meeting and used to identify our positions is [HERE](#).

Following the explanation of concerns held by municipal representatives, the reform coalition then presented the issues that they would like to have reinserted to the bill that were taken out by the Ohio House (example: applying the State of Ohio's Bright Line Residency Test to determine municipal residency) and other issues that were not part of any draft that they would like the Senate to add (example: setting an arbitrary threshold for taxpayers before municipalities can require a Net Profit filings).

The meeting concluded with the suggestion that future interested party meetings should and most probably will take place as the summer goes on, in anticipation of the legislatures return to the Statehouse sometime in the Fall. In the meantime, there are a number of things our municipal officials can do to help communicate your concern for what is being proposed in the current version of sub.HB5 with Senators as they are back in their districts over the summer break. The following are a few suggestions:

- When you see your Senator at a parade, cook-out, town hall meeting or just around your city or village, don't hesitate to ask them if you could **have a word with them** briefly about components of the bill that will challenge your communities ability to continue to support basic municipal services at the current levels.
- Ask area business leaders who value the relationship they have with their hometown and who may have concerns with the effects sub.HB5 would have on their host community to continue to provide the services and workforce sufficient to continue the productive operation of their operation to **write a letter supporting your communities operations** and the need to preserve the fiscal integrity of the municipality so businesses can continue to compete. The letters can be to your particular Senator but the league would also like a copy of any letter of this type so we can keep track of the information provided to members of the Senate.
- Reach-out to business owners who have moved to your community because of an incentive package or other strategies that were used by the municipality to secure the new or existing business location/operation and ask them to **write a letter to the Senate member** (with a copy to the league) to share with them the importance of preserving the financial integrity of municipalities for the state of Ohio's own economic development benefit.
- Reach-out to Mayors or City Managers in your area and discuss the potential of joining forces to examine the financial impacts the various treatments we have identified in sub.HB5 will have on your cities or villages and **communicate those concerns jointly to your member of the Ohio Senate**. There truly is strength in numbers and collaborations are important on such important issues as what is being proposed in sub.HB5.
- Contact your local newspaper Editor and ask to have **a meeting with the Editorial Board** to discuss the effects the legislation will have on your municipality's ability to support the level of services currently being provided to residents and the businesses that employ them.

It is very important that municipal officials across the state stay vigilant in sharing their opposition to what is contained in sub.HB5 and passed by the Ohio House of Representatives. The members of the Senate will be

deciding what their position will be on the bill over their break and through their contact with those for or against the bill while they are away from Columbus. When the legislature returns after the summer, we expect the bill to move through the remaining legislative process very quickly so the time to speak-up and act is now.

CINCINNATI, CLEVELAND, ATLANTA SCORE HIGH MARKS AS MOST TAX-FRIENDLY LARGE CITIES FOR BUSINESS: KPMG REPORT

In our effort to share good news about state and national recognition Ohio cities and villages continue to receive, we want to bring to our member's attention an article that was published Monday recognizing two Ohio cities that were recently identified for their outstanding business-fostering tax practices.

The article, that can be found [HERE](#), announces the results of a KPMG International *2014 Competitive Alternatives: Focus on Tax* study that identified Cincinnati and Cleveland as the 11th and 12th most favorable tax structures for businesses among U.S. cities/locations with populations exceeding 2 million. The study is a global comparison of the total tax burden that companies in 107 cities throughout 10 countries may face, including corporate income taxes, capital taxes, sales taxes, property taxes, miscellaneous local business taxes and statutory labor costs.

Great job to these two municipalities for being leaders in Ohio's economic development vitality and this should be further evidence to dispel the misconceptions being advanced by special interest groups seeking tax cuts disguised as "tax reform" for certain individuals on the backs of service providing, municipal budgets throughout the state.

GENERAL ASSEMBLY RELEASES SECOND HALF OF 2014 LEGISLATIVE SESSION SCHEDULE

Last week, legislative leaders released the legislative calendar for the remaining half of 2014. The announced dates for session and committee hearings are:

September-Senate has tentative committee hearings dates set for 9/23, 24, 25 and session, if needed on the 30th. The House has six session dates listed on an *if needed* basis.

October- Senate has session dates, *if needed*, for the 1st and 2nd.

November (Lame Duck season) - Senate has session dates scheduled for the 10/12, 13, 18, 19, 20, 25th. House will be in session on the 12th and 19th and then *if needed* on the 18th and 20th.

December- Senate will be in session 12/ 2, 3, 4, 9, 10, 11, 16, 17 and 18th while the House will hold session on the 3rd, 10th and 17th with *if needed* session dates of the 2, 4, 9, 11, 16 and 18th.

Upcoming bulletins

The league will continue to produce our legislative bulletin through-out the summer, on a somewhat irregular basis. If there is legislative activity that takes place during the summer, we will be sure to share that information with our members.

Because we know many of our members were unable to attend the May 27th Sponsor's Hearing in the Senate Finance committee for sub.HB5 hearing, nor the hearing held June 3rd for the proponents of the bill, before the legislature recessed, we have been requested by many of our members and feel it is important to share what information was presented to the committee with our league members. So, in upcoming bulletins we will be

featuring segments of the testimony that was provided to the Senate Finance committee members by the sponsors and the bill supporters. We are providing our members with this information that was presented through testimony so that inconsistencies with the truth can be identified and clarifications can be made to what the bill will actually do and the potentially devastating effects those changes included in the current version of the legislation will have on 592 of Ohio's municipalities.

We hope everyone has very safe and happy Fourth of July celebrations.

June 6, 2014

SENATORS HEAR FROM PROPONENTS OF MUNI TAX UNIFORMITY BILL

As we alerted our members last week, on Tuesday the Senate Finance committee held a second hearing on sub. HB5 for proponents only.

The testimony delivered to the finance committee was presented by four coalition members: Tom Zaino representing the OSCPA's and overall spokesman for the reform coalition, Dan Navin from the Ohio Chamber, Chris Ferruso from NFIB-Ohio and Andrea Ashley from Associated General Contractors of Ohio. Copies of the witness's testimony can be viewed or downloaded from the Senate Finance committee website at www.ohiosenate.gov/committee/finance, under the committee documents banner. Also included in the documents on the committee's website is a reform coalition produced comparison document of sub.HB5 that was submitted to the committee as part of the testimony delivered by Mr. Zaino. We encourage our members to read that document very closely and be aware of the areas covered in the list of issues addressed, some of which are not currently part of subHB5 or accurately represented to reflect what the bill language actually would do.

The information presented Tuesday was much like the testimony delivered to the House Ways and Means committee last year, pointing out that Ohio is the only state to allow municipalities to impose a local income tax; municipalities can have their own rules and regulations to administer the tax; the municipal tax is a repellent to current and future businesses, big and small; sub.HB5 will bring greater simplicity to the administration of the tax which will greatly increase compliance; and that the bill is a product of great compromise by the coalition and will have a negligible impact of municipal revenues.

It was pretty disappointing that one member of the coalition who provided testimony found it useful to attack the league and the efforts of the municipal representatives from across the state who have been working as a coalition to address the municipal tax concerns presented by business interests. The efforts of the municipal tax, finance and policy experts who worked all last year, assuming we were working in good faith with proponents of the treatment changes included in the bill, in an effort to try and achieve a degree of balance to the solutions impactful to municipal budgets, were chastised and characterized as "meaningless" and "not serious". More of the same.

The best part of the hearing, as usual, was the question and answer portion. Again, the overwhelming majority of questions posed by Senators to the coalition representatives were centered around the impact the changes they are advocating for would have on municipal revenues. In response to one Senator's direct question about the fiscal impacts and what the witnesses would suggest municipalities do to address the shortfalls that will result if the bill were to pass, the witness, Mr. Zaino responded through the Chairman and to committee members that municipalities should do what they currently do and raise their taxes. The former state tax commissioner said Ohio cities and villages can merely go through the ballot box and "tweak their rates" or reduce their credits, at

which point more than one committee member expressed a moment of recoil and bewilderment to what they just heard.

Another member of the senate committee made especially direct points through his line of questioning when he asked the witnesses to explain to him how many businesses will actually be impacted from the changes in the bill, highlighting that very few businesses have multiple filings and experience the difficulties being portrayed, noting "the fact that you don't like the law is not a good reason to change it". The witnesses were unable to provide the senator with any guess of what percentage of Ohio businesses would benefit by the changes they seek.

There were many more questions asked but the ending take away came from the ranking minority member and was reinforced by a majority party committee member following the committee hearing that it is imperative that the leadership of the Senate and Finance committee convene working interested party meetings during the summer so that the issues included in the bill can be identified and some serious ground work be done before the General Assembly returns in November which Sen. Sawyer anticipates will be a "lightning fast" lame duck session.

ECONOMIC DEVELOPMENT CONTINUES TO BE CENTERPIECE FOR OHIO MUNICIPALITIES

Businesses, corporations, "job producers" of every variety don't move to or expand in "Ohio"; businesses of every shape, size and degree locate in communities, in a city or a village or even, in some cases, a township. These communities that host business activity and generate the tax base that allows the state government to function, creates and sustains a regulatory, taxation and infrastructure system that allows for the free and unimpeded activities of commerce to thrive.

Every day it seems there is more and more good news coming from Ohio cities and villages, large and small about businesses being retained or expanding, creating more jobs and about the competition nationally for new factories or business locations and the success Ohio municipalities are enjoying in securing these drivers of economic development to their regions and the entire state.

We think it is important to share with our members and the members of Ohio's General Assembly who may have missed news stories like these, sharing the successes municipalities are having and the drive our community leaders bring to the forefront to offer greater opportunities for resident and area citizens alike. There are several news articles that have appeared recently that we want to bring to your attention.

The first article is the most dated, appearing in the Dayton Daily May 7, 2013 entitled "Ohio biggest gainer in CEO business-climate survey" and can be found [HERE](#). The article highlights the results of the Chief Executive magazine's 2013 Best & Worst States Survey on business climate which identified Ohio as the biggest gainer among the 50 states. The survey measures the sentiments of CEO's, of which 736 participated in the survey, ranging on several issues including tax policy and quality of life and infrastructure. The article quotes Don Taylor, CEO of Fairlawn, Ohio-based Welty Building Company who says, "Ohio is doing some amazing things to attract and support a pro-business environment."

The second article is from Site Selection Magazine and the awarding of their annual Governor's Cup award. The article can be found [HERE](#). For the second year in a row, Ohio was awarded second place with 480 new and expanded corporate facilities. Ohio was also selected as the regional leader according to the traditional, total new projects measure and per capita. In the magazine's national ranking of Top Micropolitians (cities with a population between 10,000 and 50,000) the city of Wooster was awarded the top national ranking among the nation's 576 micropolitan areas with the cities of Findlay, Fremont, Tiffin, and Wilmington Ohio all being ranked in the top 10 of the list. It is a great distinction for Ohio and Ohio cities and villages that five municipalities were included in this prestigious top 10 list.

A third article that can be found [HERE](#) is from Monday's Dayton Daily entitled "Recent deals cement growing Cincinnati-Dayton relationship". As reported in the article, Cincinnati-Dayton is winning Ohio's biggest job

creation announcements of 2014 through the recent announcements such as: General Electric and their plans to open a U.S. Global Operations Center creating an estimated 1,400 jobs with a total of 2,000 total, Proctor and Gamble's May 15 announcement of plans to create 800 new jobs through the new construction of a 2 million-square-foot distribution center and another 800 jobs by the recent announcement made by Fuyao. The article reports that major business players in the region are taking note of the cooperative efforts and critical mass that a Cincinnati-Dayton metroplex could create, with expected steady growth in population expected in the region.

The second critical component to the Dayton Daily article highlights the fact that the Federal government announced in late May that the Cincinnati-Dayton region is one of 12 sites nationally to win the coveted "Manufacturing Communities" designation, worth potentially millions of dollars in assistance to the local aerospace industry. The designation is so crucial because it entitles the awardees with preferred treatment for Federal grants and is a real draw for industries to locate and operate in that region. One significant factor in the manufacturing community status being awarded is that Cincinnati and Dayton jointly applied for the status which is the first public-private partnership that can be recalled between the two cities on economic development.

The fourth and fifth articles appeared in this Thursday's Cleveland Plain Dealer entitled "Economic Development blooms in Brunswick" and "New construction projects beginning to sprout in Northeast Ohio". The articles can be found [HERE](#). The article, among other things, shares with readers that Cleveland and the NE area is "booming" with new economic development projects and investments highlighting that the city of Cleveland is enjoying a resurgence with the construction of new hotels, the revitalization of the Ameritrust Rotunda and the first office tower in twenty years has been built with 91% of the office spaces being leased. The article goes on to state that a recent report shows that over \$7 billion has been invested through major capital improvements by corporations between 2009-2014 and the Cleveland alone has seen \$2.5 billion invested, or announcements including investment targets for downtown projects.

Good things, really good things are happening within Ohio's municipal borders and we implore state policy makers to support Ohio municipalities through smart legislative changes and not impede cities and villages ability to continue to offer a strong, safe and vibrant place for businesses and the workers that move the economic development needle to continue to be the driving force behind the state's economic recovery.

CONFERENCE COMMITTEE REMOVES MUNI TAX RESIDENT/NONRESIDENT DATA COLLECTION FROM AM. SUB. HB483

The Ohio legislature put the finishing touches to Am. Sub. HB483, which is the main, general government MBR bill that we have been reporting to our members about and the legislation that was amended in the Ohio Senate to include the mandate that municipalities that impose an income tax report annually to the state tax commissioner revenue received through resident and nonresident withholding.

We are very happy to report that the conference committee that was assembled to resolve the differences between the House and Senate versions of the bill ~~deleted~~ the provision from the bill requiring the enhanced data collection. Both legislative chambers acted Wednesday to accept the official conference committee report that finalizes the provisions of the bill that will now be sent to the Governor, for his signature.

We appreciate very much the members of the Am. Sub. HB483 conference committee, the leadership of the Ohio Senate and House and the entire legislature for their careful consideration of the objections raised by municipal officials across the state and for their support to have the unvetted language removed.

We are certain that this issue will be part to the discussions that are ongoing at the Statehouse surrounding municipal tax uniformity and reform changes. The league will remain engaged with legislators to discuss the best course forward to addressing this and the other issues that remain unresolved.

AS LEGISLATURE RECESS FOR SUMMER, MANY MUNICIPAL BILLS REMAIN IN THE WINGS

There are a number of bills that have been introduced in the 130th General Assembly that continue to make their way through the legislative process which will have a direct impact on Ohio municipalities. Below is a list of some of the bills that we remain most interested in and continue to chart their progress through the Statehouse. Some of these bills may not be addressed when the legislature returns while others have a good chance of being passed and enacted before the General Assembly ends their legislative work at the end of the year.

SB 282- Municipal Taxation (K. Jordan) which will prohibit municipal corporations from levying an income tax on nonresidents' compensation for personal services or net profits from a sole proprietorship. The bill has been assigned to the Senate Ways and Means committee where it has yet to receive a hearing.

HB 277-Annexation (Stautberg) which requires that the state or a political subdivision real estate owner be included in determining the number of owners needed to sign a petition for an expedited type-II annexation was passed by the Ohio House May 15th by a vote of 88-2 and has been referred to the Senate State Government Oversight & Reform committee. There have been no hearings in the Senate.

SB 342-Photo Monitoring (Seitz) which will establish conditions for the use by local authorities of traffic law photo-monitoring devices to detect certain traffic law violations. Those conditions are that a uniform police officer must be present at camera locations to witness and issue citations. This bill joins HB 69 (Maag, Mallory) which will prohibit the use of traffic law photo-monitoring devices by municipal corporations, counties, townships, and the State Highway Patrol to detect traffic signal light and speed limit violations, except in certain circumstances, in the Senate State Government Oversight & Reform committee where it, SB 342, has received two hearings.

HB 321, 322, 323 and 324 which comprise the DATAOHIO initiative package (Duffey) of bills were passed by the House State and Local Government committee May 27th and currently reside in the House Rules committee, waiting to be considered for a vote by the full House.

SB 6 (Schaffer) & HB10-Fiscal Continuing Education (C.Hagan) bills will establish education programs and continuing education requirements for the fiscal officers of townships and municipal corporations, establishes procedures for removing those fiscal officers, county treasurers, and county auditors from office, and to create fiscal accountability requirements for public schools, counties, municipal corporations, and townships. HB 10 was aligned with SB6 and was passed by the Ohio House June 4th, 80-6 and is awaiting committee assignment in the Ohio Senate.

HB 337-Local Government Budgets (Terhar) revises budgeting requirements that apply to local governments, mandates that certain actuarial standards be applied in political subdivisions that have independent retirement systems, and authorizes the Auditor of State to impose sanctions on local governments that fail to comply with budget, debt, or pension requirements under state law. The bill has received four hearings in the House State and Local Government committee.

SB 252- Worker's Compensation (Patton) which will allow peace officers and firefighters diagnosed with post-traumatic stress disorder arising from employment without an accompanying physical injury eligible for compensation and benefits under Ohio's Workers' Compensation Law. The bill was voted out by the Senate Finance committee June 4th and passed by the Ohio Senate the same day with a vote of 29-1. The bill is awaiting committee assignment in the Ohio House.

HB 375- Oil & Gas Severance Tax (Huffman) which will levy a severance tax on well owners of oil and gas severed from horizontal wells, to create a nonrefundable income tax credit for the amount of horizontal well severance tax paid, to repeal a cost recovery assessment imposed on oil and gas well owners was passed by the Ohio House May 14th by a vote of 55-35 and has been assigned to the Senate Ways and Means committee where it has received one hearing.

LEGISLATURE ADJOURNS BUT MUCH WORK REMAINS THIS SUMMER

On Wednesday, the House and Senate finished their legislative work for the time being and have adjourned for the summer. It is expected that the legislature will return in late September for a week or two of session dates and committee hearings before breaking again until after the November elections have taken place. This summer is a great opportunity for municipal officials from across Ohio to interact with their House and Senate members to share with them concerns that may be facing their particular community or issues that the General Assembly may be dealing with that, such as sub.HB5, will have a adverse impact to the ability of municipalities to generate revenue sufficient to safely provide vital services to Ohio taxpayers. Please reach out to your state officials when you see them and share with them the best information possible regarding the needs and issues facing your communities.

May 30, 2014

MUNICIPAL INCOME TAX UNIFORMITY BILL RECEIVES FIRST SENATE HEARING

The Ohio Senate Finance committee held a first hearing this week on sub. HB5. A copy of the sponsor's testimony can be found [HERE](#). The League would like to thank the municipal officials from across the state that joined us at the Statehouse Tuesday to hear the information presented to committee. This sponsor testimony mirrored closely the testimony provided by Reps. Grossman and Henne when they gave sponsor testimony before the House Ways and Means Committee last year. Both sponsors shared with committee members the difficulties businesses have claimed as experiencing when working with communities that have an income tax.

The testimony, which lasted over an hour, included numerous questions from committee members, on both side of the partisan isle, as they grappled with the inconsistent treatments presented in the bill and many of the recommended changes to local tax policy. These changes were portrayed by the sponsors as offering greater uniformity and simplicity to the municipal tax, compared to the current system. Through the questions asked, the bill sponsors general responses focused on the "panacea" their legislation will bring to current and future business activity in Ohio while the greatest emphasis by committee members seemed to focus on the impact many of the treatments being offered for change will have on municipal budgets, already severely challenged by changes in state funding policies. There was also a consistency in some of the committee questions relating to the lack of simplicity that many of the proposals in the substitute version would enact. Committee members asked for greater explanations for the reasoning behind changes to the Net Operating Loss practices, occasional entrant treatment, "throwback" provision, and the justification for the changes to consolidated returns and creation of an alternative apportionment method. The sponsors did their best to provide the Senate members with details sufficient to address their concerns but also alluded to future testimony by proponents of their bill who may be able to provide greater insight.

Chairman Oelslager has scheduled a second hearing for Tuesday, June 3rd, 2:30pm, again in the Senate Finance Hearing Room. The second hearing is scheduled for *Proponent testimony only*. The Senate will be adjourning for the summer after next week so the next official legislative action after the proceedings on Tuesday, where supporters of the bill will have their opportunity to expand on the virtues of sub.HB5, will not occur until the General Assembly returns to Columbus after the General Elections in November. As we have shared with our members previously, when the legislature returns after the November election, this remaining time until the 130th General Assembly ends their work on December 31st is called the “Lame Duck” session. It is shorter and faster than normal legislative proceedings, as the legislature speeds things up to finish the work at hand before any bills not resolved would be required to be reintroduced in the 131st GA, the following year.

We encourage any municipal official who is concerned with the effects many of the proposed changes will have on their ability to generate revenue at their current levels, to join us at the Statehouse Tuesday. The hearing Tuesday for proponents of the bill will be a great opportunity to hear firsthand from businesses negatively impacted by current municipal income tax practices and the solutions they support to address their concerns.

RESIDENT/NONRESIDENT DATA COLLECTION MANDATE; CONFERENCE COMMITTEE MEMBERS ANNOUNCED FOR HB483/MBR

As we had anticipated, the Ohio House of Representatives received back from the Ohio Senate the amended version of the general government operations MBR bill, Am.Sub. HB483, and they found enough objections with the changes made to decline to concur on the newest version and voted to send the bill to a conference committee, where legislators from both Chambers can work to resolve the differences in policy. The members as announced are: Reps. Ron Amstutz (R-Wooster), Lynn Wachtmann (R-Napoleon) and Denise Driehaus (D-Cincinnati), and Sens. Scott Oelslager (R-Canton), Bill Coley (R-West Chester) and Mike Skindell (D-Lakewood). The meeting time or date for the conference committee has not been announced yet but we will alert our members when that information becomes available.

The league has been in contact with legislators throughout the week about the concerns we have to language that was amended to am. sub. HB483/ general government operations MBR bill that will require municipalities to separate revenue received through municipal tax withholdings by resident versus nonresident and to report those statistics annually to the state tax commissioner. We are working with several legislative leaders to craft alternative language that tries to address all parties concerns.

BILL PROHIBITING RED LIGHT CAMERA USE RECEIVES SECOND SENATE HEARING WITH AMENDEMENTS

On Wednesday, the Senate State Government Oversight & Reform committee held a second hearing on SB 342, Sen. Bill Seitz’s (R-Cincinnati) bill recently introduced which will establish conditions for the use by local authorities of traffic law photo-monitoring devices to detect certain traffic law violations. In general, the major component of the legislation would authorize municipalities to use the cameras as long as police officers are present to issue citations. The hearing was for all interested parties to testify and the bill was also scheduled for a possible vote by the full committee. Instead of the committee considering the bill for passage, Chairman Burke did accept an omnibus amendment from Sen. Seitz that will provide for appeals through county courts;

allow for tickets to be paid without admitting guilt; provides for assertions of testimonial privilege; limits the costs of the civil penalties and clarifies that officers are required to be present at the intersections where cameras are located with “legitimate” police or sheriff personnel. Even with the amendments OML still opposes the proposed legislation.

Although the hearing was for all parties to testify, the witnesses that presented testimony to the committee members were all opponents of the bill and the veiled attempt to prohibit municipalities from using the best and most efficient traffic safety technology available. We want to thank the municipal officials and private citizens from across the state who sacrificed their time and resources to present their opposition testimony to this important bill. As a side note, no committee hearing for the Senate Government Oversight and Reform committee has been scheduled yet. We will let all know if a hearing on SB 342 will take place.

May 23, 2014

MUNICIPAL TAX REFORM BILL SCHEDULED FOR FIRST SENATE HEARING

The Senate Finance committee has scheduled a first hearing for sub.HB5, the municipal income tax reform bill for Tuesday, May 27, at 2:30pm. The hearing will be for sponsor testimony only and will be held in the Ohio Senate Finance committee hearing room.

We encourage any municipal official who is interested in the bill or concerned with the effects many of the proposed changes will have on their ability to generate revenue at their current levels, to join us at the Statehouse Tuesday. The hearing will be a good opportunity to witness the information provided to the committee members and any justification for why the municipal solutions that have been presented are insufficient to achieve greater uniformity and simplicity in a balanced manner

MUNICIPAL INCOME TAX MANDATE INCLUDED IN MBR PASSED BY OHIO SENATE

The Ohio Senate this week acted quickly on several key pieces of legislation, several of which will have a direct impact on Ohio municipalities. The most significant bill that will have an impact on the 592 Ohio cities and villages that have employed the municipal income tax to sustain the ability to generate revenue to support the continuation of basic services for residents and businesses will feel the effects of a few lines added to a massive omnibus amendment that included over 120 different changes to current state policy and areas that the state has legislative influence over. The few lines that were added and previously unseen by municipal officials will mandate that Ohio cities and villages that have a municipal income tax ordinance to report annually the breakdown of municipal revenue generated by resident versus nonresident taxpayers to Ohio's tax commissioner. The actual amendment language mandating the data collection on businesses and municipalities can be found [HERE](#).

There are many concerns that the league and our members have shared with us on what the intended and unintended consequences of such a proposal would mean to municipalities, individual taxpayers and businesses across the state.

The most far reaching concern with how this proposal would be instituted is that Ohio municipalities currently do not separate revenue received by resident versus nonresident wages earned. Revenue is received by resident and nonresident taxpayers who have a statutory obligation to adhere to a municipality's income tax guidelines and these filings are not separated by the local tax office or by the employers who submit the necessary withholding for the correct employees. In addition to this universal problem with such a data collection proposal, if such a policy were to be mandated on businesses and municipalities, the 592 Ohio cities and villages that have a local income tax would be required to compel mandatory filing for all taxpayers, regardless if the business, worker or resident experienced a tax obligation to a municipality where they work or live. This mandate on all municipal taxpayers would be necessary so that the most accurate statistical revenue information could be provided to the state tax commissioner. It is important to note that not all municipalities require mandatory filing so this new mandate would be an increased tax exposure and burden unnecessarily placed upon literally millions of unsuspecting Ohio taxpayers.

Additionally, municipalities that have a local income tax would be required to report total revenue for residents vs. nonresidents for all tax collected from all withholding accounts including all individual filers. Also, current software used by municipalities to administer their tax would be unable to accommodate the new state mandate, requiring new software systems to be updated or purchased.

Not only would this new proposal be significantly burdensome mandate for municipalities that have already seen reductions in staffing and funding but also this unnecessary burden will additionally fall upon Ohio businesses because cities will have to amend their Ordinances to require that businesses remit withholding with a breakdown between resident and non-resident for each municipality they withhold for.

The Senate passed HB 483 by a vote of 24-8 and the bill has been sent back to the Ohio House of Representatives for their consideration of the amendments made by the Senate. It is expected that the Ohio House will not concur with the changes made in the Ohio Senate and the bill will then be assigned to a conference committee consisting of selected members of the Ohio House and Senate. From what we have heard and what is being reported, the conference committee could convene as soon as next week, if the Ohio House moves not to adopt Senate changes. The legislators who will be selected to serve on the HB483 conference committee have not been announced yet.

It is imperative that municipal officials contact their members of the Ohio Senate and the Ohio House to alert them of the change made to the administration of their municipal income tax and any concerns there may be with the unvetted mandate on business and municipalities across the state.

LEGISLATION INTRODUCED WOULD REQUIRE POLICE OFFICER TO BE PRESENT AT RED LIGHT CAMERA LOCATIONS

On Tuesday, Senator Bill Seitz (R-Cincinnati) introduced SB342 legislation that would establish conditions for the use by local authorities of traffic law photo-monitoring devices to detect certain traffic law violations. Specifically, the conditions the bill stipulates for use of traffic photo devices (also known as Red Light Enforcement cameras) will require municipalities who employ traffic safety devices to station a uniform police officer at the intersection where the cameras operate, so that the officer will have to visually witness the infraction taking place and then personally issue the appropriate citation.

SB 342 has been assigned to the Ohio Senate State Government Oversight & Reform Committee where on Wednesday, the day after its introduction, the bill received its first, Sponsor testimony only hearing. Sen. Seitz's

bill joins another bill, HB69 which was passed earlier this year by the Ohio House which remains in the same Senate committee, that would ban the use of such traffic safety control devices. Although the bills language differ from each other, the practical effect on SB 342 is a thinly veiled attempt to produce the same outcome as HB69; to restrict the use traffic control monitoring devices by municipalities.

There is a growing body of statistical information that is being produced on the health and safety benefits experienced by municipalities across the state that are using the traffic monitoring devices. Since traffic safety cameras were first installed in Toledo more than 10 years ago, traffic safety advocates from across the state have voiced their support for Ohio's traffic safety camera program, which has effectively reduced crashes across the state:

- **Columbus:** 74% reduction in right-angle crashes and 25% reduction in rear-end crashes (*Columbus Dispatch*, January 18, 2012)
- **West Carrollton:** 55% reduction in crashes (West Carrollton Police Department, Sept. 2013)
- **Parma Heights:** 54% reduction in crashes (Parma Heights Police Department, Sept. 2013)
- **Springfield:** 47% reduction in crashes (*Dayton Daily News*, October 13, 2011)
- **Toledo:** 39% reduction in fatal red light running crashes (*Insurance Institute for Highway Safety*, 2011)
- **Dayton:** 35% reduction in red light running crashes (*Dayton Daily News*, September 15, 2012)

These examples serve only as a sampling to the benefits Ohio motorists are receiving by the use of the red light cameras in the communities where they are located. We are hopeful that the facts surrounding the advantages to employing technology brings to taxpayers are appreciated and that a reasonable accommodation can be made to insure best practices become standardized so inefficiencies in some of the systems being used now can be mitigated.

ANTI-ANNEXATION BILL ASSIGNED TO SENATE STATE GOVERNMENT OVERSIGHT & REFORM COMMITTEE

As we reported last week, the Ohio House passed on to the Ohio Senate HB 277, legislation that would dramatically impede the ability of land owners to manage the future of their private property and interfere with the most widely used TYPE-II Annexation procedure available to municipalities to provide greater economic development opportunities for their residents and geographic regions of Ohio.

If you are interested in contacting the members of the Senate State Government Oversight & Reform committee, to share concerns there may be for the anti annexation bill or the anti-red light traffic monitoring camera bills presently before the committee, the members include: Chairman Dave Burke (R-Marysville); Vice chairman Joe Uecker (R-Portsmouth); Ranking Minority member Shirley Smith (D-Cleveland); Republican Senators: Kevin Bacon, Frank LaRose, Bill Coley, Larry Obhof, Chris Widener, Bill Seitz; Democrat Senators: Edna Brown and Michael Skindell.

JEDZ BILL PASSES SENATE, AWAITS HOUSE ACTION BEFORE GOING TO GOVERNOR

In addition to the other bills that will have an impact on municipalities that were acted on this week, the Senate Finance committee on Tuesday favorably approved HB289, legislation introduced by Rep. Kirk Schuring (R-Canton) that would curtail the availability of townships and municipalities to enter into JEDZ agreements. On Wednesday, the full Senate approved the measure and it has been delivered back to the Ohio House for their consideration of changes made by the Senate. As we previously reported, the changes include:

*Elimination of the JEDZ process as of 12/31/14

*Inability to “substantially” amend JEDZ contracts after 12/31/14

*Requiring the creation of an economic development review council to approve an economic development plan of the contracting parties of a JEDZ prior to the contracting parties passing resolutions/ordinances creating the JEDZ

*Make-up of the economic development council.

*Removes 715.691 from the revised code and replaces it with a new section, 715.84. The new section is identical to 715.691 but changes the name from Joint Economic Development Zones to Municipal Utility District. The -10 version also removes the stipulations created in HB 289 regarding newly created JEDZ’s under 715.691. The reason for the removal is that they are no longer relevant due to the elimination of that section. In summary, the current version eliminates section 715.691 and replaces it with 715.84. This will allow municipalities to continue to join together to share utilities and revenues under Municipal Utility Districts.

Also amended to the bill by the Senate Finance committee was an “emergency clause” that, upon the Governor’s signature to the bill, the new standards will become immediately enacted and in effect, without delay. We will be sure to report when the House considers the version passed by the Senate and action taken by the Governor.

May 16, 2014

SEVERANCE TAX BILL HEADS TO THE SENATE

Earlier this week the Ohio House of Representatives voted to send HB375 (Huffman) to the Ohio Senate for its consideration by a vote of 55-35. The bill has yet to be assigned to a Senate committee and no timeframe has been given yet as to when the Senate plans on moving the bill. We will inform you of committee and timeframe when that information becomes available. Below is a list of items contained in the bill as well as short list of potential items the League and the other local government groups will be requesting when hearings commence.

The League would like to thank Rep. Brian Hill and Rep. Jack Cera for working with the local government groups in trying to improve the bill on behalf of local government.

Items currently included in the bill dealing with local government:

Disbursement:

The first \$21 million in revenue goes to fund the Ohio Department of Natural Resources in the following manner:

- \$15 million for the department’s regulatory functions
- \$3 million for the department’s idle and orphan well program
- \$3 million for the department’s geological mapping program

Seventeen point five percent (17.5%) of the total severance tax revenue will be distributed to local governments in the following manner:

- Hold the Local Government and the Public Library Funds harmless.

Of the remainder:

- The money is distributed to counties in proportion to the statewide share of oil and gas revenue they produce.
- 20% goes to counties; budget commission will decide, must be used on capital.
- 5% goes toward a township road maintenance fund.
- 75% goes toward the Ohio Shale Gas Infrastructure Development Fund, with the Ohio Shale Gas Regional Commission making awards. (of this 85% goes to infrastructure projects and 15% goes to a legacy fund)
- PWC will manage application and award the grants.
- The Ohio Shale Gas Regional Commission is made up of 3 county commissioners, 3 township trustees, 3 municipal leaders, 1 economic development leader and 1 representative of the oil and gas industry.
- The balance will provide annual income tax relief to Ohioans through the Ohio Income Tax Reduction Fund.

Amendments for which the three local organizations are seeking support:

- 1) Increase the local government disbursement from 17.5%. There needs to be enough money available to local governments to address the concerns that the Shale Boom is creating.
- 2) Hold harmless provision that reimburses the loss to LGF / PLF directly off the top of revenue received from increased severance tax - similar to ODNR disbursement - rather than out of local government disbursement.
- 3) Use each county's undivided local government fund formula, as opposed to the county budget commission, to dispense the 20% each county receives.

HB 289 (SCHURING) JEDZ BILL CONTINUES TO BE HEARD IN THE SENATE

Rep. Kirk Schuring presented his latest version of the bill to the Senate Finance Committee this week. A copy of the bill can be found [HERE](#). The main features in the latest version of HB289 or the (-10) version are:

- 1.) Elimination of the JEDZ process as of 12/31/14
- 2.) Inability to "substantially" amend JEDZ contracts after 12/31/14
- 3.) Requiring the creation of an economic development review council to approve an economic development plan of the contracting parties of a JEDZ prior to the contracting parties passing resolutions/ordinances creating the JEDZ
- 4.) Make-up of the economic development council.
- 5.) The -10 version of Sub HB 289 removes 715.691 from the revised code and replaces it with a new section, 715.84. The new section is identical to 715.691 but changes the name from Joint Economic Development Zones to Municipal Utility District. The -10 version also removes the stipulations created in HB 289 regarding newly created JEDZ's under 715.691. The reason for the removal is that they are no longer relevant due to the elimination of that section. In summary, the -10 version eliminates section 715.691 and replaces it with 715.84. This will allow municipalities to continue to join together to share utilities and revenues under Municipal Utility Districts.

ANNEXATION ALERT

Anti-Annexation HB 277 (Rep. Stautberg), which was passed out of the House Committee February 26, of this year, has been languishing in Rules Committee. That is, until Wednesday when it showed up on the House floor for a vote. This is the bill that includes political subdivision property owners in the definition of owners that must be counted to make the petition 100 %. The bill was amended on the House floor prior to passage to make

it more troublesome than the original version. HB 277 now proposes to make not only the expedited Type II annexation procedure more difficult but may also impact negatively the expedited Type I procedure. It is clear that the townships are continuing their efforts to stop annexations. Attached HERE is a copy of the amended bill. It would not be surprising if the Senate begins consideration soon. Please let your State Senator know of your objection to this proposal.

HB 459 & SB 287

The League provided testimony this week at the House Finance Committee in support of HB 459. This testimony was given in conjunction with testimony provided by officials in Nelsonville and Delaware City. This bill provides expanded investment authority for interim and inactive funds to both the state, municipalities, and political subdivisions. SB 287, an OML supported bill which is the same as HB 459, was passed by the Senate as well this week. SB 287 is expected to receive hearings in the House soon

May 9, 2014

The Ohio General Assembly spent the early part of the week focusing on the primary election. Many members had major primary challenges and many issues were on the ballot, both locally and statewide. The Municipal League actively supported State Issue 1, which expanded the ability of local governments to issue bonds. That issue passed overwhelmingly, showing once again that the people of Ohio are willing to invest in critical infrastructure.

As we have suggested previously, during the summer months, when your elected officials are in your communities contacting you and the rest of their constituents, asking for advice on what actions should be taken when they return to the Statehouse, please take that opportunity to share with them the need for cities and villages to be able to raise revenue on the local level and to protect the integrity of the municipal income tax.

MID BIENNIAL REVIEW BEGINS HEARINGS IN SENATE

This week the Senate continued hearings on the Mid Biennial Review bills passed by the House of Representatives several weeks ago. The League maintained a presence at these hearings and continued to voice the concerns of Ohio's cities and villages.

The following MBR bills were examined by Senate Committees this week:

- HB 483** ■ **MBR APPROPRIATIONS** (Amstutz, R.) --2nd Hearing-Proponent
- HB 484** ■ **MBR HIGHER EDUCATION** (Rosenberger, C., Brown, T.) --2nd Hearing-Proponent
- HB 492** ■ **MBR TAX ADMINISTRATION** (Scherer, G.) --2nd Hearing-Proponent
- HB 487** ■ **MBR EDUCATION** (Brenner, A.) --1st Hearing-All testimony (Pending referral)
- HB 490** ■ **MBR ENVIRONMENT** (Hall, D., Thompson, A.) --4th Hearing-Proponent
- HB 490** ■ **MBR ENVIRONMENT** (Hall, D., Thompson, A.) --4th Hearing-Proponent
- HB 486** ■ **MBR WORKFORCE** (Baker, N., Stebelton, G.) --1st Hearing-Sponsor

Meanwhile, the House continued holding hearings this week regarding the following:

CALL FOR WITNESSES FOR EXPANDED INVESTMENT AUTHORITY

The OML is currently seeking members who would like to testify on HB 459 / SB 287. This bill would expand authority of cities to invest interim and inactive funds. The bill would expand allowable investments to municipal bonds. Written testimony is preferred but oral testimony will be taken on Wednesday May 14th. If you would like to submit written testimony or testify for about this bill, please contact legislative advocate Josh Brown: (614) 221-4349 jbrown@omloho.org

OIL AND GAS SEVERANCE TAX BILL – HB 375

The House Ways and Means committee held an 8th hearing on [HB 375](#) Wednesday, with another substitute version of the proposal expected to be presented for the committee's consideration. The league has been working closely with legislators and other local government organizations to address concerns we have with the degree of support local governments can expect to receive through the legislation who are being negatively impacted by the increase in demand for services, as a result of the expanded drilling activities in the Ohio Shale regions.

We are hopeful that there will be a greater consideration given for a fair distribution of new revenue generated by the revised Severance tax to these impacted local governments, as they work to insure the health and safety of existing residents and the new activities that accompany new opportunities.

The following provisions are what the Committee is discussing at this time:

Rate:

- Rate of 2.5% for horizontal drillers. (Up from 2.25% in sub-bill)
- Rate of 10 cents a barrel of oil and 11/2 cents per MCF of natural gas for vertical drillers. (Revert to introduced language)
- Cost recovery – a blanket \$10M exemption for horizontal wells (no cost recovery for vertical wells) will replace the time period currently in the sub-bill.
- Gross Receipts – compromise language.
- Affiliate Language – compromise language.

Credits/Exemptions: (Unchanged from Current Bill)

- Gross receipts related to oil and gas revenue from taxpayers who have both an income and severance tax liability are exempt from the Commercial Activities Tax.
- Ohio resident landowners are eligible for a income tax credit for their severance tax liability up to 12.5% of the total severance tax due attributable to their lands.

Disbursement:

- The first \$21 million in revenue goes to fund the Ohio Department of Natural Resources in the following manner: **(Unchanged)**
 - \$15 million for the department's regulatory functions

- \$3 million for the department's idle and orphan well program
- \$3 million for the department's geological mapping program
- Fifteen percent of the total severance tax revenue will be distributed to local governments in the following manner:
 - Hold the Local Government and the Public Library Funds harmless.
 - Of the remainder:
 - The money is distributed to counties in proportion to the statewide share of oil and gas revenue they produce.
 - 20% goes to counties; budget commission will decide must be used on capital.
 - 5% goes toward a township road maintenance fund.
 - 75% goes toward the Ohio Shale Gas Infrastructure Development Fund, with the Ohio Shale Gas Regional Commission making awards. (of this 85% goes to infrastructure projects and 15% goes to a legacy fund)
 - PWC will manage application and award the grants.
 - The Ohio Shale Gas Regional Commission is made up of 3 county commissioners, 3 township trustees, 3 municipal leaders, 1 economic development leader and 1 representative of the oil and gas industry.
- The balance will provide annual income tax relief to Ohioans through the Ohio Income Tax Reduction Fund. **(Unchanged)**

Other:

- Compromise language from Ohio Environmental Council and OOGA creating the Idle and Orphan Well Program which identifies, locates and plugs wells throughout the state. They would have to create and maintain a statewide inventory of such wells, provide annual reports and seek cost recovery of plugging the wells.

DATAOHIO INITIATIVE

On Tuesday, the House State and Local Government Committee will continue to hold hearings on the DataOhio Initiative, which is a series of four bills proposed by Representatives Mike Duffey and Christina Hagan that would create new optional standards for local government accounting and offer grants for meeting certain accounting reporting requirements. The Committee is expected to take up several amendments.

The League has continued to stress the importance of not adding additional burdens to already heavily burdened local communities. We have been in consistent communications with the bill sponsors about our concerns.

May 2, 2014

LEGISLATURE RETURNS FOR MAY PUSH BEFORE SUMMER RECESS

The Ohio General Assembly returns to a degree of full force next week, coming off a partial spring recess for some legislators. As you will remember, before recessing for the last two weeks, the Ohio House moved to the Senate the majority of bills that comprise the Mid Biennial Review (MBR) or the off budget year state policy changes legislative leaders determine need addressed. From the announced committee hearings schedule for next

week below, the Senate will be giving their full attention to the MBR bills sent to them by the Ohio House where most of the bills have been assigned and will be heard by the Senate Finance Committee. One bill that was not advanced before the spring recess was HB 375, legislation that addresses changes to Ohio's Severance tax. The House Ways and Means committee will be holding an 8th hearing on the bill Wednesday, with another substitute version of the proposal expected to be presented for the committee's consideration. The league has been working closely with legislators and other local government organizations to address concerns we have with the degree of support local governments can expect to receive through the legislation who are being negatively impacted by the increase in demand for services, as a result of the expanded drilling activities in the Ohio Shale regions. We are hopeful that there will be a greater consideration given for a fair distribution of new revenue generated by the revised Severance tax to these impacted local governments, as they work to insure the health and safety of existing residents and the new activities that accompany new opportunities.

We continue to follow the progress of many bills making their way through the legislative process that affect municipalities, but none of those will be receiving committee action in the coming week. The legislature will be working hard throughout the month of May, with a special concentration on completing the MBR bills. The members of the General Assembly have their eye towards recessing at the beginning of June for the summer, returning to their hometowns and districts. Since this is an election year, excluding those prevented from running for re-election due to term limits, the full membership of the Ohio House will be campaigning to retain their seats in November while half of Ohio's State Senators will be working to return to the Statehouse January 6, 2015, when the new 131st General Assembly convenes. As we have suggested previously, during the summer months, when your elected officials are in your communities contacting you and the rest of their constituents, asking for advice on what actions should be taken when they return to the Statehouse, please take that opportunity to share with them the need for cities and villages to be able to raise revenue on the local level and to protect the integrity of the municipal income tax.

INFORMATION ON IRS PROGRAMS AND RESOURCES FOR MUNICIPAL GOVERNMENTS

We want to bring to our member's attention a quarterly newsletter that the Internal Revenue Service (IRS) puts together, containing timely and useful information concerning issues that affect municipalities. A link to the spring issue of the IRS's Municipal Digest (Pub. 5116), in PDF format is www.irs.gov :
<http://www.irs.gov/pub/irs-pdf/p5116.pdf>

Topics covered in this issue include:

- IRS disaster assistance program
- 2014 Dirty Dozen tax scams
- Taxpayer Advocate Service and Low Income Taxpayer Clinics
- Tax assistance for employees
- Reporting a name change
- Online tax statistics by county and zip code

We encourage those interested in the publication to take a look at the variety of topics covered and any of the articles can be used on your web site or as part of your own community's newsletters or publications. Below is the committee schedule for next week. If there are any changes to the announced agenda, we will notify our members.

Have a great weekend.~

April 11, 2014

MID BIENNIAL REVIEW BILLS SENT TO SENATE

The majority of work that took place in the Ohio House of Representatives this week centered around various committees putting the finishing touches to 9 of the 14 Mid Biennial Review (MBR) bills recently unveiled by the administration, before adjourning for a two week Spring Break recess. The House collectively moved the bills from their assigned committees and to the House floor Wednesday, some by party line vote and some unanimously. Below is the list of the MBR bills sent to the Ohio Senate.

HB483 MBR-OPERATION OF STATE PROGRAMS (AMSTUTZ) To make operating and other appropriations and to provide authorization and conditions for the operation of state programs.

HB369 MBR-MEDICAID-OPIOID ADDICTIONS (SPRAGUE) To require the Medicaid program and health insurers to cover certain services for recipients with opioid addictions.

HB484 MBR-HIGHER EDUCATION (ROSENBERGER, BROWN) With respect to the coordination and administration of higher education programs.

HB485 MBR-OFFICE OF HUMAN SERVICES INNOVATION (SMITH, JOHNSON T.) To establish the Office of Human Services Innovation in the Department of Job and Family Services.

HB486 MBR-WORKFORCE AND ECONOMIC DEVELOPMENT PROGRAMS (BAKER, STEBELTON) Regarding various workforce development and economic development programs.

HB487 MBR-K-12 EDUCATION PROGRAMS (BRENNER) With regard to education provisions for students in grades kindergarten through twelve.

HB488 MBR-HIGHER EDUCATION-MILITARY VETERANS (DOVILLA, LANDIS) To require state institutions of higher education to award credit for military training, and to make other changes regarding state support and benefits for veterans and their spouses.

HB492 MBR-TAXATION (SCHERER) To provide authorization and conditions for the levy and administration of taxes in this state.

HB493 MBR-WORKERS' COMPENSATION (SEARS, HENNE) To make changes to Ohio's Workers' Compensation Law and to make an appropriation.

Following the break and through next month, the Senate will turn their attention to what the House has sent for their consideration and make whatever changes they deem appropriate. It is expected that the Senate will work

on the bills with an eye toward getting as much done on the proposals before adjourning at the end of May and returning to their districts for the summer recess.

JEDZ BILL CONTINUES TO EVOLVE WHILE RECEIVING THIRD SENATE HEARING

On Tuesday, the Senate Finance Committee held a third hearing on sub.HB 289, legislation introduced by Rep. Kirk Schuring (R-Canton) that would modify Ohio's Joint Economic Development Zone (JEDZ) law.

As we have previously reported, the current version of the bill will prohibit the renewal of a JEDZ contracts after December 31, 2014 and terminates, on January 1, 2015, the authority of municipal corporations, or of municipal corporations and townships, to create new or to substantially amend existing joint economic development zones (JEDZs), in addition to other changes. The bill's analysis can be found [HERE](#).

The bill's sponsor presented testimony to finance committee members to share with them the most current status of different language proposals being considered, as another substitute version of the bill continues to evolve. Rep. Schuring explained the new proposals being explored, which are being vetted by the league and various stakeholders of the bill, as including new language that would delete a provision stipulating that adding a contracting party to an existing JEDZ agreement constitutes a "substantial amendment", language maintaining that no substantial amendment may be made after December 31st and the removal of the prohibition on renewing an existing JEDZ contract after that same date.

As part of prepared testimony, the senate committee heard from the Ohio Township Association (OTA) who shared with Senators concerns and issues they have identified with the current version of the substitute bill. Other witnesses included various township officials from around the state who shared with committee members present the impact the proposed changes in the bill would have to current and future joint economic development projects in their communities.

The Senate Finance Committee will not be meeting the next two weeks, as the Ohio legislature will be away from Columbus on a Spring Break recess, so there will not be another hearing on the bill at least until May. The league appreciates the time and energy that has been dedicated by Rep. Schuring to work with municipalities that have identified concerns with aspects of the bill and his willingness to address those concerns. We will be sure to keep our membership aware of the continued work being put towards addressing the concerns that exist with the current JEDZ program and the progress of sub. HB 289.

GENERAL ASSEMBLY PREPARES TO RECESS FOR SPRING BREAK

As mentioned above, the Ohio General Assembly will be away from the Statehouse beginning next week, hopefully enjoying spring weather and blue skies while they take a two week recess. The Ohio House of Representatives schedule indicates that the lower chamber will hold floor sessions every Wednesday of May, with every Tuesday listed as being in session on a "if needed" basis. Currently, the Ohio Senate has scheduled session dates for May 7, 13, 21 and 28th with "if needed" dates listed as June 3, 4, 10 and 11th. Even though the session dates are getting fewer as we near the summer, committee meetings will continue to take place during the

week so bills will continue to receive attention and an opportunity to be properly vetted in anticipation of the conclusion of the 130th General Assembly and the year's end. The second half of the 2014 legislative schedule has not been released yet, but it is anticipated legislators will break for the summer, returning sometime in the Fall.

Since the General Assembly will be away from the Statehouse on their two week recess, unless there is something unexpected that takes place next week, the league will not be sending out a legislative bulletin next Friday, April 18th. We will resume the bulletin Friday, April 25th, with a rundown of the committee schedule for the first week of May and any information that may have developed while the legislature was away.

Have a great weekend~

April 4, 2014

SENATE ADVANCES NEW REMOVAL PROCESS FOR LOCAL OFFICIALS BILL

The Ohio Senate advanced legislation by a vote of the 32-0 which the league has been following closely since the beginning of the 130th General Assembly. On Wednesday, the upper chamber sent SB 6, Sen. Tim Schaffer's (R-Lancaster) bill dealing with the removal and enhanced educational requirements for county, township, municipal, and public schools fiscal officers. Specifically, the legislation approved this week will affect municipalities by:

- Establishing procedures for removing county auditors, county treasurers, township fiscal officers, and fiscal officers of non-chartered municipal corporations for purposely, knowingly, or recklessly failing to perform a duty expressly imposed by law with respect to the office or purposely, knowingly, or recklessly committing any act expressly prohibited by law with respect to the office (R.C. 319.26, 321.37, 507.13, and 733.78).
- Declares that if a municipal corporation's charter establishes a procedure for removal of officers that conflicts with the bill's removal procedure, the procedure in the charter prevails (R.C. 733.78(F)).
- Unless otherwise provided by law, prohibits any individual removed from office under the bill's procedures from holding another public office for four years, and specifies that such an individual is not entitled to hold another public office until repayment or restitution required by the court is satisfied (R.C. 319.26(D), 321.37(D), 507.13(D), 733.78(E), and 2921.44(G)).
- Except as otherwise provided by law, bars a public servant who is a fiscal officer, including a school fiscal officer, and who is convicted of or pleads guilty to dereliction of duty from holding any public office, employment, or position of trust in Ohio for four years, and specifies that such a public servant is not entitled to hold another public office until repayment or restitution by the court is satisfied (R.C. 2921.44).
- Establishes initial education programs, taken before assuming office or during the first year of a term, and continuing education requirements, taken after assuming office, for township fiscal officers, city auditors, city treasurers, village fiscal officers, village clerk-treasurers, and similar fiscal officers designated by the charter of a chartered municipal corporation (R.C. 507.12 and 733.81).

We expect the Ohio House to take up SB 6 in short order. We will keep our members informed of any action taken by the House.

OHIO HOUSE ADVANCES BLIGHTED PROPERTY BILL

Another bill was advanced with bipartisan support this week in the Ohio General Assembly. HB 223 introduced by Rep. Cheryl Grossman (R-Grove City) and Mike Curtain (D-Columbus) was passed by an 87-0 vote and sent to the Ohio Senate to begin the committee process there.

The legislation addresses an issue that has been vexing to local governments across the state when trying to address property that has been abandoned and vacant for long periods of time, creating many difficult issues locally. The bipartisan bill creates a five-year pilot program relating to unoccupied, blighted parcels of property that terminates on December 31, 2019, for Cuyahoga, Franklin and Lucas counties. The pilot project is based on recommendations from the Cleveland Federal Reserve and is targeted directly for properties located in Columbus, Cleveland and Toledo.

Often referred to as "zombie properties", the goal of the bill is to expedite the procedure for clearing the way for these blighted properties to be eligible for a sheriff's sale so that new ownership can be established and remediation or removal can take place. A copy of the bill's analysis can be found [HERE](#) providing greater detail of what is included in the proposal. The bill received several amendments on the House floor clarifying that the court will use certain criteria in the Ohio Revised Code to determine if a property is truly vacant and abandoned and altering penalties for a person who knowingly damages a property once it goes into foreclosure.

HB 223 offers a fresh approach through the new pilot project for these three cities to address nuisance properties that have kept property values critically low and neighborhoods caught in a cycle difficult to escape by allowing the free market system to work, without government financing. We encourage the Ohio Senate to take the measure up quickly to offer another tool for communities to recover wasted and dangerous space.

RALLY AND TESTIMONY PRESENTED TO HOUSE FINANCE COMMITTEE ASKING FOR LGF RESTORATION

On Wednesday, local government officials rallied at the Statehouse before the House Finance and Appropriations Committee held a fifth hearing on HB 483, the Mid Biennial Review (MBR) bill dealing with the operation and appropriations for state run programs. The officials from across the state came to Columbus to share with the media how their communities have experienced negative fiscal issues as a result of the Local Government Fund (LGF) being cut by half, lost revenue as a result of the elimination of Ohio's Estate Tax and other changes in state policy previously enacted by the Ohio legislature.

The assembled officials then presented testimony before the House Finance and Appropriations committee, sharing with members present the conditions their municipalities are facing due to the struggling economic recovery and the demands placed upon services as a result of the unusually severe winter weather and how the state/local revenue sharing system that began in 1935 should be replenished so that service delivery can remain secure and the demand for tax increases on the local level can be relieved.

"JEDZ" BILL UP FOR THIRD HEARING IN SENATE FINANCE COMMITTEE

The Senate Finance Committee will be holding a third hearing next week on sub.HB 289, legislation introduced by Rep. Kirk Schuring (R-Canton) that would modify Ohio's Joint Economic Development Zone (JEDZ) law. The Senate Finance committee will meet Tuesday, April 8th, 2:30 pm in the Senate Finance Hearing Room to receive all testimony of the proposal.

As we have reported, the current version of the bill will prohibit the renewal of a JEDZ contracts after December 31, 2014 and terminates, on January 1, 2015, the authority of municipal corporations, or of municipal corporations and townships, to create new or to substantially amend existing joint economic development zones (JEDZs), in addition to other changes. The bill's analysis can be found [HERE](#).

The league and other interested parties continue to discuss alternative proposals being considered by the bill sponsor. We will keep our members informed of any changes to the language that may affect the future of these economic development opportunities for local governments.

SENATE SENDS & GOVERNOR SIGNS CAPITAL BILL WHILE MBR BILLS CONTINUE TO RECEIVE HEARINGS IN OHIO HOUSE

As expected, the Ohio Senate made short work of HB 497, the \$2.4 billion capital appropriations measure for the 2015-2016 fiscal biennium. Although not passed unanimously, the bill did pass with a 30-1 vote and was signed into law by Governor Kasich Tuesday.

The bill, which was largely kept as passed by the Ohio House, appropriates: \$675 million for local school construction projects, \$574.3 million for maintenance and renovations at state-owned facilities, \$454.5 million for Ohio's public colleges and universities, \$369 million for local infrastructure projects, \$100 million for the Clean Ohio program and \$160 million for "community projects." It is the first time in six years that local projects are included in the capital measure. A complete list of the projects funded through the enacted Capital bill can be found [HERE](#).

On the MBR front, the House continues to deliberate on the group of bills introduced that all generally fall under the Mid Biennial Review (MBR) package. On Wednesday, the House Ways and Means committee amended and then passed out HB 492, the piece of the MBR proposal dealing with state tax issues. The committee adopted an omnibus amendment that committee Vice-Chairman Rep. Gary Scherer (R-Chillicothe) explained as leaving in place only the "mundane issues" in order to be able to move the proposal expeditiously. Rep. Scherer explained the omnibus amendment will remove the proposed motor fuel excise tax payments and reports from the last day of the month to the 23rd of the month and maintains the current due date of the last day of the month; authorizes vendors and others required to hold a sales tax license whose business and home address is the same to apply to the tax commissioner to keep the address confidential; ensures that a Petroleum Activities Tax (PAT) taxpayer may claim on its first PAT filing on November 10, 2014 the Job Retention and Job Creation Tax Credits; requires the tax commissioner, each month, to prepare a list of suppliers holding a license to distribute, import, or cause the importation of motor fuel for consumption. The list will contain the names and addresses of all suppliers and each supplier's state tax account number the PAT. The list will be open to public inspection and may be posted on the Department of Taxation's website; clarifies the administration of tobacco tax stamps are moved from the treasurer of state to the duties of the tax commissioner but not an agent of the commissioner; removes language regarding exporters and transporters surety bonds and maintains current law for reporting and licensure requirements and surety bonds for exporters and transporters.

OPERS' LATEST INSTALLMENT OF *OPERS*Source, YOUR SOURCE FOR OPERS INFORMATION.

Recently, officials from the Ohio Public Employee Retirement System (OPERS) sent out to all of their pension payment plan stakeholder representatives the latest installment of *OPERSource*, your Source for OPERS information. The publication can be found [HERE](#). This regular publication is a resource to help answer questions regarding OPERS and public pensions.

This issue focuses on the new online retirement tool offered by OPERS as part of our “Learn, Plan, Act” initiative and also discusses a recent report from the National Institute on Retirement Security (NIRS) comparing states regarding preparedness for challenges facing future retirees.

We want to share this information with our members who may not have received the publication. Municipal officials with questions regarding the information can contact Carol Nolan Drake, Chief External Affairs Officer, Ohio PERS at cdrake@opers.org.

Below is the committee schedule for next week. If there are any additions or changes to bills affecting local governments, we will be sure to alert our members.

Have a great weekend~

March 28, 2014

**LEGISLATION MAKING SUBSTANTIAL CHANGES TO OHIO’S JEDZ LAW
HEARD IN OHIO SEANTE**

The Senate Finance Committee held a second hearing this week on sub.HB 289, legislation introduced by Rep. Kirk Schuring (R-Canton) that would modify Ohio's Joint Economic Development Zone law.

The bill, which passed the Ohio House February 26, with a vote of 83-7, went through several modifications in the Ohio House before reaching the substitute version now before the Ohio Senate. We have attached a Legislative Service Commission (LSC) comparative analysis (www.omlohio.org) listing the changes that have taken place in the language proposals. Specifically, the latest version of the bill would make the following changes to Ohio’s current JEDZ law:

*Prohibits the renewal of a JEDZ contract after December 31, 2014 and terminates, on January 1, 2015, the authority of municipal corporations, or of municipal corporations and townships, to create new or to substantially amend existing joint economic development zones (JEDZs).

*Requires subdivisions that enter into or substantially amend a JEDZ contract between the bill's effective date and December 31, 2014, to create and include an economic development plan for the zone and a schedule for implementation of new or expanded services, facilities, or improvements.

*Specifies that a least half of new revenue generated in the JEDZ be used only for new or expanded services, facilities or improvements until they've been completed under the economic development plan

*Establishes a joint economic development review council and requires the council to hold at least three public meetings each year, to prepare a report evaluating the JEDZ's effectiveness and to approve the plan. The bill further requires the council to submit the report to each subdivision participating in the JEDZ. Furthermore, sub. HB 289 requires that the council be composed of the county auditor, owners of the four businesses that

employ the most persons within the JEDZ, a person affiliated with an economic development organization, and a member of the public.

*Authorizes two or more employers or employees in the JEDZ to bring civil action for termination or suspension of the income tax if the council rules the JEDZ is not in compliance with its plan or implementation schedule.

*Requires subdivisions participating in an alternative JEDZ to phase out the income tax as quickly as possible if the court determines that the tax is not in the best interests of the JEDZ and requires subdivisions participating in a municipal-only JEDZ to implement a plan to terminate the JEDZ contract as expediently as possible if the court determines that continuation of the contract is not in the best interests of the JEDZ.

Sub.HB 289 is not scheduled for a third hearing next week but we expect the Senate Finance Committee to take up the bill the week of April 7th, before the legislature adjourns for Spring Break.

If your municipality has concerns with the direction the legislation is going and the changes being considered that may affect current economic development contracts in your communities to please share those concerns with your state Senator as soon as possible so unintended consequences can be identified and addressed before the committee acts to advance the bill. The league would also very much appreciate receiving a copy of any correspondence that may be sent to legislators or the Governor on this or any other legislative matter.

CAPITAL BUDGET “MOVING” WHILE MBR BILLS RECEIVE COMMITTEE VETTING

As expected, the Ohio House of Representatives made quick work of HB 497, the administration’s \$2.4 billion capital appropriations package that had the benefit of receiving intense scrutiny and collaboration in constructing the legislative package before its introduction last week.

The bill was passed by the Ohio House Wednesday by a vote of 88-2, and is now before the Senate Finance committee where swift action is expected next week. Generally, the bill would provide: \$675 million for local school construction projects, \$574.3 million for maintenance and renovations at state-owned facilities, \$454.5 million for Ohio's public colleges and universities, \$369 million for local infrastructure projects, \$100 million for the Clean Ohio program and \$160 million for "community projects."

Although the Capital bill is enjoying great affection by members of the General Assembly, the feelings are not quite as intense for some components of the Mid Biennial Review (MBR) package of bills that are being reviewed in Ohio House committees. The legislation we have been following closely in regard to the spring budget proposals are HB 375, the severance tax legislation and HB 492, the MBR bill covering many of the proposed changes in state tax policy.

The House Ways and Means committee, where both bills continue to receive a great amount of attention, will continue to work through alternative proposals and hear from groups that have concerns for treatment changes that will affect their industries. There is no time table set yet for when the issues can be resolved that remain in the bills but we will be following the procedures closely as we work with other interested parties to craft solutions in a balanced and equitable manner for Ohio municipalities.

†OSU'S JOHN GLENN SCHOOL OF PUBLIC AFFAIRS REQUESTS SURVEY PARTICIPATION

The John Glenn School of Public Affairs is conducting an online survey about public data. The information regarding the survey including the introduction letter from Survey Director David Landsbergen and link to the survey which should take roughly 5-14 minutes to complete, can be found (www.omlohio.org). The survey will close Wednesday, April 16.

Below is the committee schedule for next week. If there are any changes, we will notify our members. As a reminder the Ohio Association of Public Safety Directors Annual Conference will be held May 2nd at the CCAO Conference Room. Please remember you must be a member to attend. Membership form, Agenda & Conference Registration can be found (www.omlohio.org) Have a great weekend. ~

March 21, 2014

ISSUE 1 REAUTHORIZATION RESOLUTIONS REQUESTED

We want to remind our members of the upcoming May 6th primary ballot activity surrounding the reauthorization of the State Capital Improvements Program or Issue 1 Public Works renewal campaign. There has been a great deal of statewide, bipartisan support for the reauthorization request to Ohio voters to support the renewal of this critical source of funding for community public works and infrastructure projects. We have attached a sample Resolution (www.omlohio.org) that many municipalities across Ohio have found useful as a template for the opportunity for their community to publically and in a unified manner express support for the reauthorization of the improvements program and to encourage the members of their communities to also come out to the polls to show their support for the measure.

We encourage our members to please consider offering a Resolution in support of the Issue 1 reauthorization initiative so that this important partnership with the state and local governments can continue to benefit all Ohioans.

BUDGET WEEK INCLUDES UNVEILING AND DISSECTING

This week at the Ohio Statehouse was predominately spent unveiling a new budget bill and dissecting another budget document into smaller, legislatively bite sized issue pieces to ease legislator consumption and digestion of some meaty topics.

On Tuesday, House Finance and Appropriations committee Chairman Ron Amstutz (R-Wooster) unveiled what has been referred to as the first normal capital budget in six years, the long awaited \$2.4 billion bricks-and-mortar package that is the capital budget bill was introduced as HB 497. The bill sure to be on the legislative "fast track", includes funding for K-12 and higher education building projects, the Public Works Commission, state parks and prisons, the Clean Ohio program and community projects. Specifically, bill includes:

- \$675 million for local school construction projects overseen by the Ohio School Facilities Commission.
- \$574.3 million for maintenance and renovations at state-owned facilities including state parks, prisons, mental health facilities and other public buildings.
- \$454.5 million for Ohio's 37 public colleges and universities.
- \$369 million for local infrastructure projects administered by the Ohio Public Works Commission.

- \$100 million for the Clean Ohio program for outdoor recreation projects and the preservation of open spaces and farmlands.
- \$160 million for "community projects."

During testimony by the Director of the Office of Budget and Management, details were not provided to what is included in the "community projects" category but instead provided a comprehensive line-item document that includes all projects by county that can be found [HERE](http://www.media.obm.ohio.gov/obm/budget/documents/capital/fy-15-16/CountyReport.pdf)

(<http://www.media.obm.ohio.gov/obm/budget/documents/capital/fy-15-16/CountyReport.pdf>).

Administrative officials shared with committee members that the goal is to see the bill passed with the Governor's signature by April 2 so it can go into effect by July 1, preventing an interruption in the funding of ongoing projects.

MBR

The House also acted this week to separate the topics included in the recently introduced HB472, the legislative vehicle for Governor Kasich's mid-biennium review (MBR) proposal. On Tuesday afternoon, House leadership announced the 14 separate bills that will collectively make up the mid budget review package including previously introduced and heard bills HB369 (Sprague) and HB375 (Huffman) and newly introduced bills HB483-HB493.

Below are the bills that have been created to address the MBR issues along with the committees they have been assigned to:

- HB369 (Sprague) – Mental health/drug addiction components - House Finance and Appropriations Committee.
- HB375 (Huffman) – Severance tax - House Ways and Means Committee.
- HB472 (McClain) – Tax reform - House Ways and Means Committee.
- HB483 (Amstutz) – Appropriation changes and minor policy changes - House Finance and Appropriations Committee.
- HB484 (Rosenberger-Brown) – Higher education reform - House Finance and Appropriations Subcommittee on Higher Education.
- HB485 (Smith-Johnson) – Creation of the Office of Human Services Innovation - House Health and Aging Committee.
- HB486 (Baker-Stebelton) – Workforce development reforms - House Economic Development and Regulatory Reform Committee.
- HB487 (Brenner) – Education reform - House Education Committee.
- HB488 (Dovilla-Landis) – Veterans issues - House Veterans Affairs Committee.
- HB489 (Blair) – Lease-leaseback provision - House State and Local Government Committee.
- HB490 (Hall-Thompson) – ODNR/ODAg/EPA reforms - House Agriculture and Natural Resources Committee.
- HB491 (Buchy-Blessing) – Lottery/casino changes - House Policy and Legislative Oversight Committee.
- HB492 (Scherer) - Tax corrective changes - House Ways and Means Committee.
- HB493 (Sears-Henne) – BWC reforms - House Insurance Committee.

We will be sure to keep our members up to date on the progression of these bills with special emphasis and awareness to the tax provisions contained in HBs 472 and 492 as they relate to proposals to current tax policies.

Below is a list of committee meeting announcements for next week. If there are any additions or changes to the line-up, we will alert our members to the changes. Have a happy first weekend of Spring!~

March 14, 2014

MID BIENNIAL REVIEW (MBR) BILL INTRODUCED IN OHIO HOUSE

On Tuesday, the long awaited Mid Biennial Review (MBR) bill was introduced to the Ohio House of Representatives. House Ways and Means committee chairman Rep. Jeff McClain (R- Upper Sandusky) introduced HB 472 to the members of his committee, where the legislation has been assigned. Reports from Speaker Batchelder's office indicate that the current 1,620 page piece of legislation, which includes various legislative topics such as changes in the state's debt servicing limits, state prison operations to tobacco cessation programs, may be divided into ten separate bills and assigned to committees that would be better suited to examine the proposed changes being considered. There is very little in the way of language in the bill, as it is currently drafted, that would affect municipalities but additions are always possible, as the bill (or bills) move through the legislative process.

As is the case in all budget bills introduced to the General Assembly, the process starts with the Governor's proposals for shaping new or existing state policy and then those recommendations are drafted as a House bill, where the legislative process begins. The House will deliberate on the Governor's suggestions and will send the bill or bills through the committee process to address their recommendations for changes, then to the House floor, then to the Senate where they will have their committee process and pass whatever they feel is right for the state. HB 472 will then be sent back to the House for their approval of Senate changes (or not, then it would go to a conference committee to address the differences) and then back to the Governor for his signature on what started as his plan.

As expected, the major policy proposals included in the MBR contain an increase from 0.26% to 0.30% in the Commercial Activity Tax, a 60-cent per-pack hike in cigarette taxes, and a 2.75% tax rate on oil and gas producers' gross receipts.

Revenue generated would be used to mostly offset the across-the-board personal income tax cuts in the bill. All told, the package would reduce income taxes by \$2.639 billion and raise others by a total of \$2.465 billion through Fiscal Year 2017. In testimony presented to the House Ways and Means committee this week, administration officials estimated the impact of the tax changes in the current biennium, ending June 30, 2015, would equate to a \$91 million overall tax cut.

The administration also proposes increasing the Earned Income Tax Credit from 5% to 15% of the federal credit, and increasing the personal income tax exemption from \$1,700 to \$2,700 for Ohioans earning less than \$40,000 annually, and from \$1,700 to \$2,200 for those with annual incomes of \$40,000-\$80,000.

League staff is reviewing the bill to determine what areas will have an impact on local governments and when that analysis is complete, we will get the information to our members.

AN IMPORTANT MESSAGE FROM ODOT CONCERNING MUNICIPAL ROAD SALT REPLENISHMENT PROGRAM

There is no doubt that it has been a challenging winter season for all of us. We understand that the limited availability of salt due to abnormally harsh winter weather and low temperatures throughout the Midwest and East coast left most of us in a less than desirable position in effectively serving our respective communities. While we know winter is not yet over, we need to move forward in the preparation of replenishing salt inventories this summer as well as the preparation of our 2014-15 winter season salt contract. To that end, the Ohio Department of Transportation is preparing to issue two separate salt contracts for the upcoming 2014 summer and 2014-15 winter seasons and accordingly are sending this notice in order to solicit your tonnage requirements for these contracts. You may choose to participate in either or both of these contracts, however we are requiring that you submit your tonnage requirements for both contracts at the same time, due to us no later than **Tuesday April 8th**. We know this is sooner than we typically solicit for the salt contract(s), but it is crucial that we be proactive in procuring additional salt as soon as possible ahead of other states.

The summer fill up contract (418-15) will be issued for bid sometime around April 15th and is structured to be effective from the date of award (estimated to be around May 8th) to October 31, 2014. The salt companies will have the entire contract duration to deliver your requested tonnage. Any tonnage you request for this summer contract shall be 100% guaranteed only withstanding if the salt company delivers it within the contract duration. You will not be required to purchase 100% of your requested tonnage if the vendor fails to deliver it before October 31, 2014.

We understand that it is possible that we may not receive bids for every county on this summer fill contract. Therefore, Political Subdivisions that reside within a county that do not receive any bids will be afforded the opportunity to alter their requested tonnage on the 2014-15 winter season section of the participation agreement to request additional tonnage, if necessary. After the summer contract bid opening on May 6th, we will send out an email notice to all of those who did not receive bids in their county and provide you a deadline (a little over two weeks) in which to submit to us your revised tonnage requirements for the 2014-15 winter season. Please note: The ability to alter winter season tonnage will only be given to those who did not receive bids in their county or those counties in which ODOT chooses not to award. Like the winter season contract, Political Subdivisions within counties awarded by the Department will not have the ability to withdraw their request from the Summer season contract for any reason.

The winter season salt contract (018-15) will be changing slightly in that the minimum and maximum tonnages you are obligated, or able, to purchase is being changed from the usual 80/120% to 90/110%. This contract will be effective November 1st, 2014 through May 31st, 2015. We are anticipating issuing this contract out to bid around May 28th.

We have attached the Participation agreement which covers both of these contracts, and again we are asking that you submit to us your completed and signed Participation agreement along with the Resolution/Ordinance adopted by your legislative body (city council, trustees, school board, etc.) no later than **Tuesday April 8th**. We are only accepting completed documentation by Mail or Email. We cannot accept faxes this year. Please feel free to contact either Jim Schurch (614) 644-7870 or myself with any questions you may have about this process. If needed, you may send your tonnage requirements and follow with the resolution, when available.

Thank you,

Austin Price
Lead Procurement Coordinator
Ohio Department of Transportation

Office of Contract Sales, Mail Stop 4110
1980 West Broad St.
Columbus, OH 43223
614-752-9017

Below is a list of committee hearings that have been announced, so far. The Ohio Senate will not be holding Session next week so the main legislative activity will be from the Ohio House. Currently, the committee schedule appears pretty light but if additions to the schedule are made, we will be sure to notify our members. Have a great weekend.~

March 7, 2014

LEGISLATURE RECESSES FOR THE WEEK RETURNING NEXT WEEK

The Ohio General Assembly took a small break from their legislative activities this week at the Statehouse so there are no committee or session activities to report. The legislature will be back in full force next week with, among other things, action still pending by the Ohio House of Representatives on the anti-annexation legislation, HB277, which would expand the number of property owner interests to be included in the most commonly used TYPE-II 100% agreed to annexation procedure. The House State and Local Government committee favorably approved the bill last week and the proposal is now waiting consideration by the full House membership. If the legislation is added to the House session calendar for vote, we will alert our members.

STRONG OHIO COMMUNITIES COMMITTEE WILL PROMOTE ISSUE 1 PUBLIC WORKS RENEWAL

Columbus – A bipartisan, statewide citizen’s committee – Strong Ohio Communities – will run a statewide campaign between now and the primary election to secure voter approval of state Issue 1, renewal of the public works bond issue that has served Ohio communities successfully for 27 years.

Issue 1, placed on the ballot with nearly unanimous legislative support, will authorize up to \$1.875 billion in bonds over ten years for local community road, bridge, sewer, water and other infrastructure projects. First approved in 1987, the program has twice been renewed by voters overwhelmingly, in 1995 and 2005.

Honorary chairs of the Strong Ohio Communities Committee will be Tim Burga, president of the Ohio AFL-CIO; Andrew Doehrel, president of the Ohio Chamber of Commerce; Michael B. Coleman, Mayor of Columbus; and Greg Hartmann, Hamilton County Commissioner.

Burga said, “The Ohio AFL-CIO supports Issue 1 because of the 35,000 jobs it will create, and the benefit it will provide our members across the state in terms of new and improved basic infrastructure. Leaders of both political parties and business and labor all agree: Issue 1 benefits all Ohioans and deserves passage on May 6.”

“More than 11,500 projects have been completed in the 27 years the Issue 1 capital improvements program has been in place. With passage of Issue 1, thousands more will be added,” Doehrel said. “And because repayment of Issue 1 bonds is already built into state budget planning, Issue 1 won’t raise taxes a dime.”

Coleman added, “Ohio’s public works bond issues, approved under governors of both parties, provide state help to local communities for capital improvements that improve safety and reduce maintenance costs. The program has stood the test of time, and approval will be a major benefit to communities in all 88 counties of Ohio.”

Hartmann concluded, “As a local officeholder, I know how tough it is to find money for infrastructure repair and replacement. The Issue 1 public works program is a crown jewel in the state’s support for local governments. Without this state help, many of these projects would face long delays, or never be done at all.”

Aside from the four co-chairs, another several dozen Strong Ohio Communities members will be announced as the campaign unfolds, together with campaign chairmen in each of Ohio’s 88 counties.

Issue 1 funds will pay up to 90 percent of the cost of repair and replacement projects, and up to 50 percent of new projects that independent panel’s judge to be essential to public health, welfare and quality of life. A per capita allocation system assures that even the smallest Ohio communities share in the benefits of the program.

Ben Kaiser will manage the operations of the Strong Ohio Communities Committee. Strong Ohio Communities will raise money for television ads and other campaign activities necessary to tell the story of the Issue 1 program. It will also operate a website, www.strong-ohio.com, where voters can research facts about the issue, and access a listing of all 11,500 projects completed in the last three decades.

For more information, Contact Strong Ohio Communities at 614-470-4313) or through info@strong-ohio.com.

February 28, 2014

OHIO HOUSE STATE & LOCAL GOVERNMENT COMMITTEE PASSES ANTI-ANNEXATION BILL/SUBCOMMITTEE HEARS MUNICIPAL CONCERNS WITH DATAOHIO INITIATIVE PACKAGE

The House State and Local Government committee favorably approved HB 277, legislation that would expand the number of property owner interests to be included in a TYPE-II Annexation procedure, and would make other changes to the most widely used annexation procedure for property owners. Although the committee moved the bill on to the full House for their consideration, the bill was not placed on the House floor calendar this week and so there was not a vote taken, yet, by the full membership. Next week, the House is not meeting for a voting session so we will alert our members when the issue is placed on the calendar for a vote.

On the same annexation legislative topic, Representatives Mike Henne (R-Clayton) and Jim Butler (R-Oakwood) introduced HB 461, legislation that would provide that, beginning five years after a type-II annexation is approved, the annexed territory is subject to a fire, police, or EMS tax levy only if the levy is imposed by the subdivision that provides the fire, police, or EMS service to the territory. Although the bill has not been officially assigned to a committee, we expect it will go to the House State and Local Government Committee.

The House Shared Services & Government Efficiency subcommittee met this week to take additional testimony on four related 'DataOhio' initiative bills designed to create open data standards and increase accountability among Ohio's local governments. The package of legislation introduced by [Rep. Mike Duffey](#) (R-Worthington) and [Rep. Christina Hagan](#) (R-Uniontown) would: establish a board to oversee the initiative (HB 321); require the state auditor to adopt rules for uniform accounting system (HB 322); create open data standards for government entities by requiring them to establish online public databases (HB 323); and create the Local Government Information Exchange Grant Program (HB 324).

On Tuesday, OML Executive Director Sue Cave testified before the subcommittee as an interested party to the proposals and offered the insights that some of our municipal officials have expressed to the league. Sue’s testimony can be found (www.omloho.org)

Subcommittee committee Chairman Rep. Ron Maag (R-Loveland) did not indicate when future hearings would be held on the DataOhio package of bills but when the issue is taken up again, we will inform our members.

HOUSE WAYS AND MEANS COMMITTEE CONTINUES WORK ON CHANGES TO SEVERANCE TAX PROPOSAL

The House Ways and Means Committee continued discussions this week on HB 375, legislation introduced by Rep. Matt Huffman that would levy a severance tax on well owners of oil and gas severed from horizontal wells. Committee members continue to consider changes to the proposed increase in Ohio's current severance tax, while specifically much of the attention in Wednesday's hearing centered on work Rep. Brian Hill (R- Zanesville) has been doing to try and secure additional funding for local governments impacted by the increase activity associated with drilling and well development in the shale areas of the state. The league has partnered with the Ohio County Commissioners Association of Ohio (CCAO) and the Ohio Township Association (OTA) to advocate for additional, new revenue generated by the expand severance tax to be directed to communities already struggling to meet the service demands for their constituents.

The House Ways and Means committee is not scheduled to meet next week but Chairman McClain has indicated there may be multiple hearings on HB 375 the week of March 10th, when the legislature returns to a full legislative schedule. We will alert our members on how the discussions progress.

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"More than 11,500 projects have been completed in the 27 years the Issue 1 capital improvements program has been in place. With passage of Issue 1, thousands more will be added," Doehrel said. "And because repayment of Issue 1 bonds is already built into state budget planning, Issue 1 won't raise taxes a dime."

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program has stood the test of time, and approval will be a major benefit to communities in all 88 counties of Ohio.”

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For more information, Contact Strong Ohio Communities at 614-470-4313) or through info@strong-ohio.com.

There are no committee hearings or sessions scheduled for next week. The legislature will return to “full force” the week of March 10th. Have a safe weekend.~

February 21, 2014

ANTI-ANNEXATION BILL UP FOR POSSIBLE VOTE IN HOUSE STATE AND LOCAL GOVERNMENT COMMITTEE, NEXT WEEK

The House State and Local Government Committee has released the committee hearing schedule for next week and lists on the agenda HB 277, legislation introduced last year by Rep. Peter Stautberg (R- Cincinnati), which would expand the number of property owner interests to be included in a TYPE-II Annexation procedure, and would make other changes to the most widely used annexation procedure for property owners, as being up for a 4th hearing.

Chairman Blair has announced that the bill will receive all testimony with the possibility of the committee accepting amendments and possibly taking a vote on the bill when the committee meets Tuesday, February, 25, at 1pm in hearing room #121. Although the league has recently met with the bill sponsor about the proposal, we are unaware of how the possible amendments would change the bill.

We encourage all municipal officials concerned with the movement by the Ohio House of Representatives to again deconstruct the most widely used annexation procedure available for municipalities to promote economic development in Ohio to attend the hearing and share with committee members the need to not interfere with a procedure that works for bringing more jobs to their districts.

SENATE COMMITTEE HEARS BILL TO BAN RED LIGHT CAMERAS IN MUNICIPALITIES

The Senate State Government Oversight and Reform met Wednesday to take-up HB 69, legislation introduced by Reps. Ron Maag and Dale Mallory that would ban municipalities from using unmanned photo monitoring devices to ticket vehicles for traffic light and speed limit violations. The senate committee heard Opponent testimony on the measure and drew municipal officials from across the state, including representatives from various municipal police departments, to share with legislators the positive aspects using such electronic monitoring systems have brought to their communities. Also testifying in opposition to the current version of the bill, OML Executive Director Sue Cave (testimony can be found www.omloho.org) shared with committee members the need to consider the a more regulatory approach, incorporating what many consider to be “best practices” in using the technology available to offer greater safety to those on our roads.

The committee Chairman expressed a willingness to consider alternative approaches to addressing the issues addressed in the bill and that there needs to be a degree of attention given to the constitutional issues presented in the bill, as it is currently drafted.

We look forward to working with Chairman Burke and the other members of the Senate as we work to craft solutions to inconsistencies in the current use of the traffic monitoring system.

ANOTHER BILL INTRODUCED TO RESTRICT MUNICIPAL INCOME TAX; HOUSE WAYS AND MEANS COMMITTEE CHANGES

Although there has not been a great degree of legislative activity surrounding the progression of sub.HB5, the bill currently in the Senate Finance committee to reform the current municipal income tax structure, HB5 is not the only bill that would challenge the ability of municipalities to maintain the level of services they are able to provide to their residents and business constituents. This week, Sen. Kris Jordan (R-Delaware) introduced SB 282 which will prohibit municipal corporations from levying an income tax on nonresidents' compensation for personal services or net profits from a sole proprietorship. A link to the bill can be found [HERE. http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_282](http://www.legislature.state.oh.us/bills.cfm?ID=130_SB_282). The bill has not been assigned to a committee yet, but we expect it to be assigned to the Senate Ways and Means committee, whose Chairman, Sen. Tim Schaffer, is the bill's only co-sponsor. We will be sure to keep our members informed on the progress of the bill.

Speaker William Batchelder made some internal changes this week to the make-up of the House Ways and Means Committee with the appointment of Rep. McClain as the new Chairman of the committee. Rep. Gary Scherer (R-Chillicothe), who was also previously of the committee with Rep. McClain will now serve as Vice Chairman of the House committee.

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Have a safe and happy weekend.~

February 14, 2014

OHIO HOUSE CONTINUES REVISIONS TO SEVERANCE TAX PROPOSAL

The House Ways and Means Committee continued its revisions Tuesday to HB 375, legislation introduced by Rep. Matt Huffman that would levy a severance tax on well owners of oil and gas severed from horizontal wells. Committee members were presented with a substitute bill that includes a slight increase to the tax rate, the removal of industry tax credits, earmarking of revenues for local governments and creation of a board to distribute local government funds.

Specifically, new language that will directly impact Ohio municipalities through the substitute language would direct 10% of the total severance tax revenue to local governments including funds to hold the Local Government and the Public Library Funds harmless for lost revenue. Of the remaining funds for local governments, 50 percent will be proportionally allocated to counties where active oil and gas development is occurring. The county budget commissions will decide how to appropriate the money to mitigate or minimize the short-term impacts of development. Another 50 percent of the remaining funds will be allocated to the nine-member Ohio Shale Gas Regional Commission, created by the bill. There remain concerns with the make-up of the board but as with many components of the legislation, conversations continue to craft a balanced outcome.

Additional changes being proposed to the severance tax expansion include:

*Setting the tax rate for horizontal wells at 1 percent of total gross receipts for the first two years, 2.25 percent of total gross receipts for years two through 20, and 1 percent of total gross receipts after 20 years.

*Setting the tax rate for vertical wells at no tax for the first three years, 0.25 percent for years three through 20, and 0.1 percent of total gross receipts over 20 years.

*Gross receipts will be based on the total receipts received by a severer at the point of first sale.

*Gross receipts related to oil and gas revenue from taxpayers who have both an income and severance tax liability will be exempt from the Commercial Activities Tax (CAT).

*Ohio resident landowners will be eligible for an income tax credit for their severance tax liability up to 12.5 percent of the total severance tax due attributable to their lands.

*The first \$21 million in revenue will go to fund ODNR, including \$15 million for regulatory functions; \$3 million for ODNR's idle and orphan well program; and \$3 million for the department's geological mapping program.

*The balance will provide annual income tax relief to Ohioans through the Ohio Income Tax Reduction Fund.

Senate leadership has indicated that the severance tax issue may be included in the upcoming Mid Biennial Review (MBR) bill that is currently being constructed, so we expect additional changes and tweaks to be made to this far reaching issue.

SENATE COMMITTEE TO HEAR BILL BANNING RED LIGHT CAMERAS

The Senate State Government Oversight and Reform committee will be holding a third hearing on HB69, legislation passed by the Ohio House that would prohibit the use of traffic law photo-monitoring devices by municipal corporations, counties, townships, and the State Highway Patrol to detect traffic signal light and speed limit violations. The Senate Oversight committee will be meeting Wednesday, February 19, at 3:15pm in Senate's South Hearing Room, located on the second floor of the Ohio Senate Annex building/Statehouse.

The legislation, passed by the Ohio House last June, received its last committee hearing in the Senate in November and is joined by SB 196, legislation introduced by Sen. Tom Patton that would prohibit the use of traffic law photo-monitoring devices by municipal corporations to detect signal light violations unless the municipal corporation is authorized to establish a mayor's court.

If your community will be effected by current proposals being made at the Statehouse to limit the availability of traffic light photo monitoring technology to municipalities, please consider attending the hearing Wednesday afternoon and share with committee members the need to put in place a system of "best practices" and to not throw-out a good, safety-providing resource for local governments, based on a few bad experiences.

For those of us that are following the activities of sub.HB5, the municipal tax uniformity bill passed by the Ohio House last November and in dire need of major revisions by the Ohio Senate, there has not been any committee activity to report on but conversations about what the House passed continue. League staff continues to meet with members of the Senate, including members of leadership, to impress upon them that municipalities also seek greater uniformity to the current local tax system, but we are interested in changes that represent balance and not changes that include disproportionate tax breaks for certain taxpayers.

We hope everyone has a happy President's Day.

February 7, 2014

HOUSE SUBCOMMITTEE BEGINS HEARINGS ON DATAOHIO INITIATIVE

Recently an Ohio House subcommittee has been holding hearings on four bills, introduced by Reps. Mike Duffey (R-Worthington) and Christine Hagan (R- Alliance) collectively referred to as the “DataOhio Initiative.” These bills are intended to, “modernize and increase transparency” among local governments.

Several private companies and their trade group (the Data Transparency Coalition) have testified about what they can achieve if this information is available in this format. Others, such as the Buckeye Institute, have testified that this will help root out corruption in local government. One strong force behind the legislation is The Ohio State University’s John Glenn Institute, which wants to use the information to conduct research.

What the Bill Does

The Ohio House Majority Republican Caucus describes the bill as:

- Requiring state and local public agencies in Ohio to adhere to an open data standard, which will make information easier to access and search (House Bill 321, link to analysis [HERE](#))
- Providing a uniform chart of accounts—which is a method of accounting that provides transparency, uniformity, accountability and comparability of financial information—for state and local government in Ohio (House Bill 322, link to analysis [HERE](#))
- Compelling Ohio to establish an online catalog (data.ohio.gov) to provide descriptions of datasets, tutorials and tools, similar to those already used by the federal government as well as nine other states (House Bill 323, link to analysis [HERE](#))
- Providing \$10,000 grants to local governments as an incentive to provide budgetary, staffing and compensation information online in an open data format that utilizes uniform accounting (House Bill 324, link to analysis [HERE](#))

The DataOhio Initiative would be advised by a 13-member board consisting of designees from all five statewide officeholders, the majority and minority legislative leaders, three local government representatives, and one designee from Ohio’s public universities. The board would advise the Legislature on improvements that could be made to further the initiative and increase open data availability.

Consideration is being given to the idea of merging the four bills into one piece of legislation but as Chairman Maag has stated that, the path forward for these bills is still being developed. We will be tracking the progress and developments to the initiatives as the subcommittee continues to determine the best path forward and future hearings.

Our Concerns

We are concerned that this is a **slippery slope**—local governments cannot afford the sort of onerous reporting requirements that (for example) the local school districts undergo. This bill may open the door to extraordinary costs being imposed on local communities with little gain. Whether this bill itself takes the state in that direction or not, future General Assemblies may see it as a launching pad to more and more reporting requirements and mandates.

Next, since most of this information is already available, we are concerned this is an effort to simply place the burden for accumulating this information on local governments with no compensation. Certainly, local governments should be compensated when this information is used for commercial purposes (which are already the case for ordinary public records requests). This legislation may be a way around that.

Further, this legislation does not make any new information available. Efforts to root out corruption are not stifled without the bill and not necessarily made any easier with it. It is hard to imagine that one could tell that corrupt activity is going on merely by looking at basic accounting data on a uniform basis. In fact, if anything, such attempts could lead to the same type of “fishing expeditions” discouraged by Ohio policy and Ohio’s public records code.

Lastly, the Ohio Auditor of State already has an ORC mandated policy that accomplishes every goal Data Ohio sets out to accomplish. Each local government entity is required to file a financial report with the Ohio Auditor of State under ORC 117.38. If any entity need help filing these reports, they can contact the Auditor’s Local Government Services division. The website on this program is here:
<https://ohioauditor.gov/references/shells/gasb34ocboa.html>

ORC 117.38 Annual reports.

Each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The report shall contain the following:

- (A) Amount of collections and receipts, and accounts due from each source;
- (B) Amount of expenditures for each purpose;
- (C) Income of each public service industry owned or operated by a municipal corporation, and the cost of such ownership or operation;
- (D) Amount of public debt of each taxing district, the purpose for which each item of such debt was created, and the provision made for the payment thereof. The substance of the report shall be published at the expense of the state in an annual volume of statistics, which shall be submitted to the governor. The auditor of state shall transmit the report to the general assembly at its next session.

Any public office, other than a state agency, that does not file its financial report at the time required by this section shall pay to the auditor of state twenty-five dollars for each day the report remains unfiled after the filing date; provided, that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The auditor of state may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report. All sums collected from such penalties shall be placed in the public audit expense fund—local government. If the auditor of state fails to receive payment for penalties not paid within one year from the required filing date, the auditor may recover the penalties through the process in division (D) of section 117.13 of the Revised Code.

Every county agency, board, or commission shall provide to the county auditor, not later than the first day of March each year unless a later date is authorized by the county auditor, all information determined by the county auditor to be necessary for the preparation of the report required by this section.

Effective Date: 08-12-1998; 2008 HB562 06-24-2008

We are very interested in receiving feedback from our municipal officials, who can share with us their impression of the DataOhio initiative, with any positive or negative aspects to the proposal that should be considered. Your input will help us gain a better understanding of how these ideas may be successfully implemented.

Activity around the Statehouse was rather light this week but we do not see that as a trend that will be developing. The legislature has many important issues they will be addressing in the next several months and many of these will certainly include legislation affecting cities and villages. When bills do start “moving” in the General Assembly that will directly impact the operation of municipal government, the league will be reaching out to our members asking for your time and expertise, in order to educate lawmakers on what the real world effects will be to critical decisions they will be making.

Now more than ever, legislators want and need the input from local officials who are on the front lines of service delivery to businesses and work forces critical to the state’s continued economic recovery. So when the “Call for Testimony” is made, we hope Ohio’s local leaders accept our invitation and help us craft solutions to the state’s most pressing issues.

Below is the committee schedule for next week. Chairman Beck of the House Ways and Means committee cancelled the committee hearing Wednesday because of the dangerous weather conditions so there was not a hearing on HB 375, the severance tax bill that we have been following closely. The House Ways and Means committee has scheduled two hearings next week on the bill. Discussions continue on changes to the bill with various proposals being considered that may offer some relief to communities impacted by the increased demand for services related to drilling activities. We will alert our members when any agreements have been reached.

January 31, 2014

SEVERANCE TAX HEARINGS WHILE LOCAL GOVERNMENTS LOBBY FOR RELIEF

This week, the House Ways and Means Committee held a fifth hearing on HB 375 legislation introduced by Rep. Matt Huffman (R-Lima) that would levy a severance tax on well owners of oil and gas severed from horizontal wells, while creating a nonrefundable income tax credit for the amount of horizontal well severance tax paid; repealing a cost recovery assessment imposed on oil and gas well owners; reducing the severance tax rate on natural gas extracted from non-horizontal wells; and excluding from the tax base of the commercial activity tax (CAT) gross receipts from the sale of oil or natural gas severed through use of a horizontal well.

As we have reported in previous bulletins, the current language before the committee includes a personal income tax reduction and CAT exemption, both of which would reduce revenue coming into the state general revenue fund and thus reducing the amount of revenue available to the remaining Local Government Fund (LGF) distribution formula. In addition to this issue, there also remains a great deal of concern surrounding the omission

language that would direct a small percentage of resources generated by the new tax to assist communities impacted by the increase in demand for services, generated by the significant and anticipated up-tick in drilling activity. Wednesday's House Ways and Means Committee, like last week's hearing, hosted a number of local officials from areas of Ohio that are in the shale drilling region, asking legislators for relief from the fiscal challenges they are under from this growing industry.

A sixth hearing is scheduled for *Wed., Feb. 5, 2014, 10:30 AM, Hearing Room 116* which will again be an opportunity for municipal officials from impacted communities to share any concerns with committee members on how a greater partnership can be developed between the state and their local partners to address issue critical to all of Ohio.

“PREDATORY” TOW TRUCK LEGISLATION RECEIVES SECOND HEARING

The House Commerce, Labor and Technology Committee held a second hearing this week on HB 382, legislation introduced in December of last year by [Reps. Mike Duffey \(R-Worthington\)](#) and [Heather Bishoff \(D-Blacklick\)](#) which will revise the procedures and penalties governing the nonconsensual towing of motor vehicles and to require the Public Utilities Commission to adopt certain rules regarding a for-hire motor carrier engaged in the towing of motor vehicles. The sponsor's of the bill have stated that the proposal is motivated to address “predatory” tactics in the towing industry that they feel are “rampant” in parts of the state. The legislation in its current form would:

- *Make explicitly illegal any and all bogus “administrative” charges or other fees not explicitly authorized in the Ohio Revised Code.

- *Require signage at tow-away zones to clearly explain what qualifies as an “authorized vehicle,” including the purpose and hours for which vehicles may park.

- *Provide a 24-hour “grace period” for supplemental storage fees, also known as overnight fees.

- *Requiring that towed vehicles travel no further than 15 miles if possible or 25 miles maximum.

- *Require tow trucks to accept major credit cards for payment, both onsite at the towing spot if caught in progress and at the storage facility once the tow has been completed.

- *Prior to towing, a tow truck service must take at least one photograph of the vehicle showing it is parked illegally, and shall record the time and date of the photograph.

- *“Stop, Drop and Pay Half,” which requires the tow truck operator to actively notify the vehicle owner of their existing legal right to pay half of the normal tow charge for release if caught in the process.

- *Tow trucks will be required to display business phone numbers on both sides of their trucks.

- *The Public Utilities Commission of Ohio (PUCO) will be provided rule-making authority to aid in the enforcement and implementation of the provisions in this bill.

The introduction of the bill has generated a significant interest from tow truck industry representatives, citizens who have had experiences with towing situations and from local governments. For municipalities specifically, concerns with the bill relate to how the legislation may affect a recent Ohio Supreme Court decision striking down a section of Ohio towing law which was passed in 2003 by the Ohio General Assembly, putting PUCO in charge

of regulating towing companies as for-hire motor carriers. In a unanimous decision handed down by the Ohio Supreme Court last week, a majority of justices upheld as constitutional the first sentence of R.C. 4921.25, which gives the Public Utilities Commission of Ohio (PUCO) the authority to regulate towing companies. However, the Court severed the statute's second sentence, finding a violation of home rule, which states that towing companies are not subject to municipal ordinances, rules or resolutions that provide for the licensing, registration or regulation of those companies. Specifically, the majority of the court determined, "R.C. 4921.25 is a general law that will prevail over conflicting municipal ordinances, but the second sentence of the statute purporting to limit municipal home-rule authority violates Article XVIII, Section 3 of the Ohio Constitution." Justice Judith Ann Lanzinger, who wrote the opinion for the majority, said "It is enough to say that municipalities may supplement state law in these unregulated areas, areas in which the PUCO has not regulated 'for-hire motor carriers,' provided that the city ordinances do not conflict with general laws." She explained that the General Assembly may not enact laws that prohibit the municipal home-rule authority granted in the Ohio Constitution.

We will be watching this bill closely as the committee continues to address the issue of tow truck operations and will alert our members to any new developments.

If there are any additions we will alert our members. Have a great weekend.

CRACKING THE NUT - CHANGING DIFFICULT AND RESTRICTIVE TERMS OF UNION CONTRACTS

The Ohio Association of Public Safety Directors (www.oapsd.org) is sponsoring an event on February 28 that will address how public employers can prepare for and work to modify terms of unions contracts. This session will: 1) Identify specific restrictive contract provisions, 2) Prepare support/justification for modifications, 3) Include examples of successfully changed contract provisions, and 4) Provide specific resources, research to support proposals for modifications. Contract provisions to be addressed will include: health/medical insurance, manning/manpower provisions, drug testing, discipline, and past practice provisions. This session is designed for those who negotiate and/or administer union contracts.

Date: February 28, 2014

Time: 8:30-9:00am registration, Session from 9:00-12:00

Place: Cuyahoga Valley National Park, Hines Hill Conference Center, 1403 West Hines Hill Road Peninsula, OH 44264

Costs: \$20 per person - pay at the door, make checks payable to "Ohio Association of Public Safety Directors"

The primary speakers will be Jonathan Downes & Patrick Hoban

Register by emailing: jbrown@omloho.org

Flyer for this conference can be found at www.oapsd.org

January 24, 2014

LOCAL OFFICIALS SHARE CONCERNS WITH LEGISLATORS REGARDING SEVERANCE TAX

This week, the House Ways and Means Committee held a fourth hearing on HB 375 legislation introduced by Rep. Matt Huffman (R-Lima) that would levy a severance tax on well owners of oil and gas severed from horizontal wells, while creating a nonrefundable income tax credit for the amount of horizontal well severance

tax paid; repealing a cost recovery assessment imposed on oil and gas well owners; reducing the severance tax rate on natural gas extracted from nonhorizontal wells; and excluding from the tax base of the commercial activity tax (CAT) gross receipts from the sale of oil or natural gas severed through use of a horizontal well.

The House Ways and Means Committee will hold a fifth hearing on HB 375 Wednesday, January 29 at 3pm in hearing room # 116. We very much encourage Mayors, members of Council, Finance Directors or any local official concerned about the effect this bill will have on the Local Government Fund (LGF) or what increased drilling activity will have to their region of the state, to join us Wednesday in the House Ways and Means Committee to continue to try and reach a legislative solution to these critical concerns.

As currently written, the language before the committee includes a personal income tax reduction and CAT exemption, both of which would reduce revenue coming into the state general revenue fund and thus reducing the amount of revenue available to the remaining Local Government Fund (LGF) distribution formula. Wednesday's House Ways and Means Committee hearing hosted a number of local officials from areas of Ohio that are in the shale drilling region, concentrated mainly in eastern and southeastern Ohio.

We want to thank Cambridge Mayor Tom Orr for coming to the Statehouse to share with committee members his communities concern for the current lack of assistance for communities impacted by the increase in demand for service generated by the increase in drilling activity. Mayor Orr impressed upon committee members present that local governments like Cambridge are asking that a portion of revenue generated by the new severance tax be diverted to assist with impact related expenses. Already challenged to meet existing service requirements with reduced revenues, local governments in the shale region of Ohio are fearful of the effects to their budgets due to the the uptick in usage of water, roads, safety forces and other infrastructure issues. The mayor and other effected community leaders are asking for some relief so that detrimental effects can be managed responsibly. Mayor Orr's testimony can be found (Omloho.org) .

NEW COUNCIL SEMINARS BEGIN IN MARCH

New Council Seminar Information will be mailed out beginning next week. The dates are March 1st, 22nd and 29th. The dates and locations are on our website feel free to download a registration form for anyone who want to attend (Omloho.org)

January 17, 2014

STATE CAPITAL IMPROVEMENT PROGRAM (SCIP) REAUTHORIZATION ADVANCES TO OHIO HOUSE

The Ohio General Assembly continued its "fast tracking" process of the two separate legislative resolutions that would enable Ohio voters to reauthorize the state to issue tax-exempt bonds to assist local governments in maintaining vital infrastructure such as roads, bridges, storm sewer and wastewater systems. On Tuesday, the Ohio Senate unanimously passed SJR6 sponsored by Sens. Kevin Bacon (R-Columbus) and Gayle Manning (R-N. Ridgeville), which is the upper-chambers version of the reauthorization of the State Capital Improvement Program (SCIP). While the Senate has been working on their initiative, the Ohio House has simultaneously been considering HJR9 sponsored by Reps. Stephanie Kunze (R-Hilliard) and Tim Brown (R-Bowling Green) that too would allow voters in May to consider the \$1.875 billion dollar, 10-year funding system. It is expected that SJR6 will be taken up by the Ohio House next week and sent on to the Governor for his approval in time for the May ballot.

On Wednesday, officials representing local government associations including the Ohio Municipal League were pleased to join Governor Kasich, Senate President Keith Faber and Ohio House Speaker William Batchelder at

a press conference to announce the legislative action underway to renew one of the most important state-local funding partnership that was first initiated in 1987 and has been renewed two times since. The 2014 reauthorization proposal included in SJR 6 is especially important since the Governor and legislative leaders are proposing to increase the amount of revenue available for local projects that qualify for the next 10 year cycle. During the current funding cycle that will be expiring soon, SCIP provided \$120 million annually for the first five years and \$150 million for the remaining five year term. The reauthorized language being proposed would have a 39% increase in project funding by providing \$175 million annually for the first five years and \$200 million thereafter.

LOCAL GOVERNMENT FUND THREATENED BY PROPOSED SEVERANCE TAX PROPOSAL

Hearings continue in the House Ways and Means Committee on HB 375, legislation introduced by Rep. Matt Huffman (R-Lima) that would make changes to the state's oil and gas severance tax. The bill would replace the current severance tax with a new tax structure that creates a distinction between horizontal wells and non-horizontal wells. The legislation, as currently drafted, states that beginning April 1, 2014, the owner of a horizontal well must pay a 1% rate on the owner's net proceeds from the sale of oil and gas. After 20 calendar quarters, the 1% rate raises to 2% of the owner's net proceeds unless the horizontal well does not meet predetermined benchmarks. HB 375 currently stipulates that a portion of the revenue will be used to partially offset revenue losses to two Ohio Department of Natural Resources (ODNR) funds, with the remaining revenue to be used to fund a Personal Income Tax (PIT) cut. Owners of horizontal wells will also be afforded the opportunity to deduct any severance tax payments from their Commercial Activities Tax (CAT) obligations, also reducing revenues going to the state General Revenue Fund (GRF). The fiscal note for HB 375 produced by the nonpartisan Legislative Service Commission (LSC) which can be found (www.omlohoio.org) states, "Although the GRF revenue loss will likely be less than \$10 million in FY 2015, the annual revenue loss could be up to tens of millions of dollars in future years. These GRF losses will be accompanied by corresponding losses to the LGF."

Since all personal income tax revenues and half of CAT receipts are deposited into the state GRF (of which the LGF receives 1.66%), the creation of the PIT credit for severance taxes paid from horizontal wells and the CAT exclusion will reduce the distribution amounts local governments receive through the already slashed Local Government Fund (LGF).

In a letter (www.omlohoio.org) sent this week to members of the House Ways and Means Committee, OML has joined with the Ohio County Commissioners Association (CCAO) and the Ohio Township Association (OTA) to express our shared concern for the current language contained in HB 375 and the detrimental effects it would have to Ohio's local governments. There have been meetings legislative leaders that have taken place to discuss alternative language that may offer relief to impacted communities. We are hopeful those conversations and considerations continue.

The true impacts are yet to be determined but the projections have been made and communities across the state cannot afford addition revenue being depleted from the remaining Local Government Fund. We do want to acknowledge the point that in the severance tax package first proposed by Governor Kasich, there was some revenue targeted to support local communities impacted by the increase in oil and gas drilling activities and the stress that these increases in demand for services has had on municipal budgets. We are hopeful that while the members of the Ohio House continue to consider changes to the introduced version of HB 375, there will be a recognition of the contributions made by cities in villages located in areas of the state that have been impacted by the new drilling activities and that revenues will be shared with the state's local partners so that the true economic development opportunities can be realized from this growing industry.

OHIO ASSOCIATION OF PUBLIC SAFETY DIRECTORS SPONSOR SEMINAR ON UNION CONTRACTS

The Ohio Association of Public Safety Directors (www.oapsd.org) is sponsoring an event on February 28, 9am-12:00 at the Cuyahoga Valley National Park, Hines Hill Conference Center, 1403 West Hines Hill Road Peninsula, OH 44264, that will address how public employers can prepare for and work to modify terms of unions contracts. A flyer with more information for this event can be found on our website at www.omloho.org.

This seminar will: 1.) Identify specific restrictive contract provisions, 2.) Prepare support/justification for modifications, 3.) Include examples of successfully changed contract provisions, and 4.) Provide specific resources, research to support proposals for modifications. Contract provisions to be addressed will include: health/medical insurance, manning/manpower provisions, drug testing, discipline, and past practice provisions. This session is designed for those who negotiate and/or administer union contracts. Registration for the event can be completed by emailing OML Legislative Advocate, Josh Brown at jbrown@omloho.org or the day of the conference beginning at 8:30am. The cost for attending the seminar is \$20.

Below is the list of committees scheduled to meet next week. The Senate Finance Committee which has been assigned subHB5 is not scheduled to meet next week. If there are any additions to the schedule, we will notify our members.

January 10, 2014

OHIO LEGISLATORS RETURN TO STATEHOUSE TO BEGIN NEW YEAR

The General Assembly has returned to full speed this week, coming off the Holiday break and back to business. Hopefully, some of you had an opportunity to talk to your legislators when they were back in their districts and are keeping those lines of communication open. The new year has a full agenda of issues for legislators to address before the 130th General Assembly ends at the end of 2014 and the 131st G.A. begins, with fresh faces and fresh ideas. Whatever legislation is not completed by the time the Ohio legislature *sine dies* in December and ends the session, will not carry on and will have to be reintroduced in 2015, in the 131st assembly. The first half of the 2014 legislative schedule can be found [HERE \(Omloho.org\)](http://www.omloho.org). It is expected that at the end of May, the legislature will adjourn for summer recess and returning after the November elections. The second half of the year's schedule has not been released yet.

During the first five months of the new year, there are a number of significant issues Reps and Senators will be working through such as:

- State Capital Improvement Program reauthorization (SJR6 (Bacon-Manning) & HJR9 (Kunze), enabling legislation to place a 10-year extension of the 1987 SCIP, on the May ballot. The twice renewed bonding issue is vital in assisting communities finance major infrastructure projects. On January 8, OML Executive Director Sue Cave provided proponent testimony before the Senate Finance Committee, in support of SJR6 which can be found ([Omloho.org](http://www.omloho.org))
- Capital Bill (expected to be introduced in mid February that mainly focuses on providing funding for statewide state infrastructure projects.)
- Mid Biennial Review bill (the off-operating budget year bill that can address a wide range of state policy issues.)
- Severance tax legislation (HB375, Huffman, to levy a severance tax on well owners of oil and gas severed from horizontal wells and other provisions; currently in the House Ways and Means Committee.)

- Elections reform bills (SB 238, eliminating the “Golden Week” statute and SB 205, dealing with counties mailing absentee ballots.)
- Medicaid related bills (additional oversight and administrative changes to the newly expanded state-federal program.)
- Drug prevention and abuse bills (several bills are moving through the General Assembly addressing prescription-drug and heroin specific related concerns)

In addition to the bills listed above that have a higher state priority attached to them and are more likely to be the legislature’s focus in the first 5 months of 2014, there remain the bills we have been reporting on that will directly affect municipalities.

The Senate Finance Committee will have the reauthorization resolution (SJR6) up for a vote next week. We expect sub.HB5, the municipal income tax uniformity bill to begin receiving hearings in the following weeks. We want to thank those cities and villages who have passed resolutions expressing their opposition to the version of the bill passed by the Ohio House and for sharing with Senators what the effects to their revenues will be if the bill, in its current form, is adopted by the Ohio Senate. The final push to get the legislation fixed is in the Senate so we appreciate all of the municipal officials who testified in opposition to the bill in the House and hope you will be ready to help educate the members of the Senate Finance Committee when they have the bill up for consideration. For those officials concerned about the revenue loss the bill would cause to their community but did not have an opportunity to share your information and opposition with the House Ways and Means Committee, that time will permit you to join us in the Senate Finance Committee, when the hearings are confirmed, to hopefully help us fix this dangerous overreach into the revenues of Ohio municipalities.

The anti-annexation bill (HB277) and JEDD/JEDZ bills (HB289, HB358) remain in the House State and Local Government Committee, while the red light camera bills (HB69, SB196) remain in the Senate State Government & Oversight Committee. We anticipate all of these bills getting back on the committee schedules and work continuing by legislators to address the concerns raised through all of proposals. We will alert our members when these bills are back up for hearings.

The [Ohio Historical Society—Local Government Records Program \(OHS-LGRP\)](#) hosting “Just the Basics” webinar

The [Ohio Historical Society—Local Government Records Program \(OHS-LGRP\)](#) is hosting a [“Just the Basics” webinar on Tuesday, February 4th at 2 pm](#) about public record keeping in Ohio, including the RC forms, which must be filed with the OHS-LGRP. The webinar is \$20 and the OHS encourages multiple people to watch on the same computer or for the presentation to be projected. Attached is a flyer about the webinar. Municipalities can register by sending the registration form (via email, mail, or fax) to Elizabeth Schultz, Government Records Archivist, Ohio Historical Society, 800 E. 17th Ave., Columbus, OH 43211. Elizabeth can be contacted by phone at 614.297.2572 or e-mail at eschultz@ohiohistory.org. Registrants can indicate they would like to be invoiced or they can mail the form with a check. There is also [online registration](#) HERE. Only credit cards can be accepted for online registration.

The Historical Society recognizes that most municipalities in Ohio that are doing a really great job with their record keeping requirements and procedures, but the OHS knows that there are still many municipalities that are not filing RC forms or may be using very outdated versions. The law concerning some of our procedures changed in 2011 and the changes are very beneficial to local governments. It has, however, become clear to us while we are reviewing RC forms that there are a lot of municipalities that are unaware of the changes made to benefit them. This webinar gives a really

nice overview of the Public Records Law, local records commissions, basic records management concepts, the RC forms—procedures and policies including the changes due to the [129th General Assembly's HB 153](#), media decisions, and storage concerns. E encourage municipalities to participate in the webinar with they are interested in learning more about the procedures.