



**Proponent Testimony
Senate Bill 36
Senate Ways and Means Committee Hearing**

**Presented by: Frank Phelps, Past President, Ohio Cattlemen's Association
March 1, 2017**

Thank you Chairman Eklund, Ranking Member Williams and members of the Senate Ways and Means Committee for the opportunity to testify before you today in support of Senate Bill 36. My name is Frank Phelps and I serve as the immediate Past President of the Ohio Cattlemen's Association (OCA). Our farm, the O'Connor-Phelps Limousin Farm is located near Indian Lake in Logan County. It includes a 250 head seedstock operation that markets Limousin breeding stock, and feeds the balance of our calves in the farm's feedlot. We also raise 1,500 acres of corn and soybeans. In addition, I have served for over 25 years as a supervisor for the Logan County Soil and Water Conservation District, and have chaired the Indian Lake Watershed joint board since 1990.

The Ohio Cattlemen's Association is a membership organization that represents the business interests and way of life important to farm families that raise cattle. It serves as the voice of the state's beef cattle business including cattle breeders, producers and feeders. It is the beef industry's grassroots policy development organization. OCA strives to maintain profitability and growth of Ohio's beef industry, the value of which is \$1.4 billion, while providing consumers with safe and wholesome beef.

We appreciate the opportunity to testify on behalf of Ohio's beef industry regarding Senate Bill 36 that proposes changes to the Current Agricultural Use Value or (CAUV) program. We sincerely appreciate the leadership of Senator Hite, the primary sponsor of the bill, as well as the many co-sponsors, including some members of this committee.

Senate Bill 36 would remove non-farm factors from the CAUV calculation to ensure values are more accurately tied to the farm economy. The calculation currently includes consideration of equity build-up and market appreciation. Senate Bill 36 would also require that lands utilized for conservation practices or enrolled in federal conservation programs for at least three years must be valued at the minimum value. This change would better recognize the lack of income made on these properties and remove the disincentive to utilize conservation practices.

As this committee has heard in previous testimony, Ohio farmers experienced a 307 percent increase in property taxes between 2008 and 2014. And while farm income did increase significantly during 2010 and 2012, during that same time, taxes increased three times more than commodity prices.

The huge increase in property taxes is a very significant concern for beef producers across the state. A tax increase of 300 percent is extremely hard for any small business to manage in itself. Add to the tax burden the dramatic downturn in the cattle market that beef producers have experienced in the last two years and it greatly compounds the problem. It also leaves our members struggling with levies in their own individual school districts. Our association believes that if the tax burden was more manageable, and the non-agricultural factors were removed, rural districts would be able to support more levies.

We have also heard opponents discuss the fiscal analysis of this bill and voice concern that the proposed changes would cause a loss of funding and a tax shift onto residential property owners. However, in nearly all districts, residential property owners vastly outnumber the CAUV property holders. This means as CAUV rates go down, any resulting increase would be spread over a much larger group of people and the individual effect would be quite small. In urban and suburban areas with little or no agriculture property, there would not be a shift to residential and as a result, there would be no impact on these districts. The fiscal note prepared by LSC was also based on the assumption that all counties would automatically go to the new CAUV values at one time. This would not be the case, as changes would be phased in on the three-year rolling basis currently in use for property tax revaluations.

In summary, even with the changes being proposed in Senate Bill 36, CAUV taxes will continue to increase, but not as dramatically. Beef producers simply want to improve the accuracy in the formula and are not looking for a complete overhaul of the CAUV program.

Once again, thank you Mr. Chairman and members of the committee for this opportunity to present testimony on behalf of the Ohio Cattlemen's Association. I will be happy to answer any questions you may have.