



# OHIO LEGISLATIVE SERVICE COMMISSION

Russ Keller

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 460 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Reps. Patterson and Sheehy

**Local Impact Statement Procedure Required:** No

**Subject:** Property tax exemption for riparian buffer

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### State & Local Fiscal Highlights

- The bill increases GRF expenditures beginning in FY 2020 because it requires the Tax Commissioner to provide semiannual payments from the GRF to county auditors equal to the property tax revenue forgone in each county as a result of the riparian buffer exemption. The actual GRF revenue loss is dependent on the number of applications received for the property tax exemption authorized by the bill.
- Soil and Water Conservation Districts (SWCDs) could incur some additional administrative costs to help landowners create and maintain riparian buffers. SWCDs are both state and locally funded. State funding is provided by two line items within the Department of Agriculture's budget: (1) GRF line item 700509, Soil and Water District Support, and (2) Fund 5BV0 line item 700661, Soil and Water Districts. Combined appropriations for these line items are \$11.2 million in FY 2018 and \$11.3 million in FY 2019. SWCDs are required to match state assistance pursuant to a formula adopted by the Ohio Soil and Water Conservation Commission.

### Detailed Fiscal Analysis

H.B. 460 exempts from property taxation land in the western basin of Lake Erie that qualifies as a riparian buffer as defined by the bill. Under continuing law, Lake Erie's western basin is land in the following watersheds: St. Marys, Auglaize, Blanchard, Sandusky, Cedar-Portage, Lower Maumee, Upper Maumee, Tiffin, St. Joseph, Ottawa, and River Raisin; these watersheds are generally located in the northwestern part of Ohio (refer to map below).

The bill defines "riparian buffer" as a strip of land that borders a permanent body of water or a wetland and that consists entirely of trees that have been naturally regenerated, seeded, or planted or of perennial vegetation or both. The presence of invasive plants or noxious weeds disqualifies land for the exemption. The area comprising the riparian buffer must be at least 35 feet in width as measured from the top or crown of the bank or from the normal water level of the body of water or wetland. Land extending beyond 100 feet in width, so measured, does not qualify.

The owner of the land – or another eligible person holding certain kinds of ownership interest – must apply to the Director of Agriculture for the exemption. If the application is approved, the exemption would continue until the land no longer qualifies as a riparian buffer or until there is a change in ownership. The exemption would apply only if the land qualifies as a riparian buffer for the entire tax year.

The bill requires the Tax Commissioner to provide semiannual payments from the GRF to county auditors equal to the property tax revenue forgone in each county as a result of the riparian buffer exemption. The payments – made in February and August – would then be disbursed to taxing units in the amount of each unit's tax revenue losses. The amount of the payments would be computed on the basis of exemptions awarded in the preceding tax year. LSC assumes that exemptions would first be approved for tax year 2019, which would reduce GRF expenditures by an indeterminate amount beginning in the latter half of FY 2020.

### **Soil and Water Conservation Districts**

The bill requires Soil and Water Conservation Districts (SWCDs) to assist with the creation or maintenance of riparian buffers upon the request of a property owner throughout the state. As a result, this could increase administrative costs for SWCDs. The cost will ultimately depend on the number of property owners seeking to create or maintain riparian buffers. SWCDs are funded through a combination of local and state funds. Local funds typically come from counties, municipalities, and townships within the SWCD. SWCDs also raise smaller amounts from sales of trees, equipment rentals, fundraising events, and other services provided to the community.

On the state level, Ohio's 88 county SWCDs receive state funding from two line items within the Department of Agriculture's budget, one GRF and the other non-GRF. H.B. 49, the main operating budget act for the FY 2018-FY 2019 biennium, appropriated \$2.6 million in FY 2018 and \$3.3 million in FY 2019 under GRF line item 700509, Soil and Water District Support. Appropriations under Fund 5BV0 line item 700661, Soil and Water Districts, are \$8.6 million in FY 2018 and \$8.0 million in FY 2019. This appropriation is supported by the Soil and Water Districts Assistance Fund, which receives revenue from (1) a disposal fee of 12.5¢ per cubic yard or 25¢ per ton of construction and demolition debris, (2) 25¢ per ton of municipal solid waste, and (3) 50¢ per tire on the sale of new tires.

SWCDs are required to match state assistance pursuant to a formula adopted by the Ohio Soil and Water Conservation Commission. Under the current formula, the state provides a base distribution of \$15,000 to each SWCD regardless of the total local match revenue. The first \$20,000 of local match revenue is matched by the state at 200% in FY 2018. All funds above \$20,000 and below \$500,000 will be matched at a uniform match rate that is calculated on the remaining available state match funds. If an SWCD receives over \$500,000 in local funds, the state will match 60% of the amount that would otherwise have gone to that district under the match percentage determined by the formula.

# Western Lake Erie Basin Drainage

