County Commissioners Association of Ohio

Serving Ohio Counties Since 1880

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Before the Ohio House Finance Committee

Testimony on HB 49 – the state biennial budget bill

Honorable Julie Ehemann, Shelby County Commissioner

Good Morning, Chairman Smith, Vice Chair Ryan, Ranking Member Cera and members of the House Finance Committee. My name is Julie Ehemann. I am a Shelby County Commissioner and currently serve as the Second Vice President of the County Commissioners Association of Ohio. Thank you for allowing me the opportunity to testify today on House Bill 49. I would like to address three critical issues which CCAO believes compromises our counties' revenue stability: the loss of the county revenue from the Medicaid Managed Care Organization sales tax, proposed changes in the distribution of the Local Government Fund, and indigent defense reimbursement.

Before we get into the body of our testimony, I want to highlight the issue of revenue stability and its importance to the work we accomplish together as partners. Despite being seven years into an economic recovery, many counties are still working to regain their financial footing due to revenue losses attributable to declines in investment income and property tax revenue; cuts in local government funds; and reduced reimbursement for discontinued tangible personal property and public utility personal property taxes. As your agents, our overriding concern as we look to the future, is ensuring that we have stable revenue sources that enable us to realize the vision of our partnership. With that said, I will briefly share some thoughts on how the three issues mentioned above that are contained in the Governor's budget as introduced impact that vision.

Medicaid Managed Care Organization (MCO) sales tax loss for counties and transit authorities

In response to a directive from the federal Center for Medicare and Medicaid Services (CMS) that Ohio must discontinue the collection of state and local sales taxes on the premiums of Medicaid MCO's, the Administration has proposed a plan to fully replace the lost MCO sales tax revenue to the state for this budget cycle, while providing counties a one-time allocation that ranges from approximately 3 months to a year or more of the forgone revenue. The Administration has proposed a tax on Medicaid MCO's and non-Medicaid MCO's to generate $858 million annually for state purposes while allocating $207 million in one-time funding for counties and transit authorities. CCAO asks the legislature to consider the following issues:

- Ohio should develop a plan that provides **equal treatment for the state and counties/transit authorities** in the SFY 2018/2019 state budget and offers a long term solution for everyone who is affected. The goal should be full, permanent replacement of lost sales tax dollars

- Permissive sales tax revenue represents over 50 percent of general fund revenue for the majority of counties. The majority of this revenue is used to administer important services like **public safety and child protection**

- In 2016, the Medicaid MCO sales tax represented **$209 million**, or **8.2** percent of all county and transit authority sales tax collections.

- As the administrative arm of the state, counties need **fiscal stability** in order to provide state mandated services to the citizens of Ohio. We are the state's partner and we serve your constituents.

- Over half of Ohio's counties are currently at the maximum sales tax rate allowed by law and thus have limited options for increasing local resources to make up for lost Medicaid MCO sales tax dollars.

Distributing a portion of the Local Government Fund (LGF) based upon capacity

The Administration proposes a new distribution formula for the Local Government Funds, so that over time 20 percent of the dollars are allocated based on each jurisdiction's revenue capacity. The remaining 80 percent of revenue would be distributed through existing state and local formulas.

The 20 percent share would be distributed directly by the state to local governments based on the following historical fixed percentages:

- 37.3 percent counties
- 47.7 percent cities
- 3.7 percent villages with an income tax
- 1.5 percent to villages without an income tax
- 9.8 percent townships

In the case of counties, the capacity driven component of this new formula would distribute revenue to counties based on 80 percent sales tax capacity and 20 percent property tax capacity.

CCAO opposes the new formula for the following reasons:

- The new formula appears to acknowledge local jurisdictions should receive additional funding support, but rather than substantially increasing the percentage of state revenues going into the LGF, this proposal heavily redistributes funds among types of jurisdictions.

- Counties are seeking revenue stability and predictability with this operating budget. Changing the composition of the LGF distribution undermines this goal.

For these reasons CCAO recommends that the capacity driven formula be removed and that LGF revenues be distributed on the basis of the state and local LGF formulas that are currently in place.

Indigent Defense Reimbursement

Since 1979 the counties have been carrying more than their 50% share of the burden. The reimbursement rate has averaged 35% over the last ten years and hit its record low of 26.1% in FY 09.

We appreciate the strong bipartisan support of the House during the last General Assembly to increase county reimbursement funding to a level that, at the time, was thought to provide 50% reimbursement. However, due to extraordinary circumstances, this goal was unable to be obtained. We seek your continued support to achieve this goal this Session during the deliberations on HB 49.

We ask for your support for an amendment that will be offered by Representative Arndt (HC0492) to HB 49 that will:

- Eliminate the concept of “proportional reduction” and require the state to reimburse the counties for at least 50% of their indigent defense costs.

- Require counties to be reimbursed for all of their costs in capital cases.

- Appropriate an additional $14.1 million in FY 18 and $15.9 million in FY 19 to fund these provisions.

Again, thank you for allowing me to raise these three important budget issues which CCAO believes will have significant impact on our members’ ability to maintain a sound fiscal stability. I would be happy to answer any questions that you may have.