County
Commissioners
Association of Ohio

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**MEMO**

**TO:** HOUSE FINANCE AND APPROPRIATIONS COMMITTEE

**FROM:** LARRY LONG, EXECUTIVE DIRECTOR

**RE:** HOUSE BILL 153—THE IMPACT OF THE STATE BUDGET ON COUNTY GOVERNMENT

Thank you for the opportunity to provide testimony on HB 153 and its impact on county government. Given the time constraints and the large number of witnesses that want to testify today, this testimony is an overview of major topics. We have attached to this memo a series of Exhibits that will provide more details on the issues and topics presented in this overview.

My testimony is divided into four sections: (1) Major Concerns; (2) Other Concerns; (3) Initiatives CCAO Supports; and (4) New Items Recommended for Inclusion in the Bill.

## Section 1: Major Concerns

### Local Government Funds

The Local Government Fund currently receives 3.68 percent of state GRF tax revenues. The state budget replaces the formula with an appropriation for the biennium. The budget utilizes the FY 2011 distribution and appropriates 75 percent of that amount to the political subdivisions in FY 2012 and 50 percent of that amount in FY 2013.

The Local Government Funding levels as proposed are as follows:

| | |
|---|---|
| FY 2010 | $641.7 |
| FY 2011(estimated) | $665 |
| FY 2012(proposed) | $526 (-21 percent from SFY 11) |
| FY 2013(proposed) | $339 (-36 percent from SFY 12) |

Compared to estimated funding levels in FY 2011 under the current formula, local governments will receive 49% less in FY 13. Due to the proposed change in the LGF formula, state GRF revenues should increase by $167 million in FY 2012 and $388 million in FY 2013 or a total of $555 million over the biennium.

At the end of the biennium, percentage of revenue based funding would resume in July 2013. The funding percentage would be based on a one time calculation of LGF deposits made during

FY 2013 divided into FY 2013 tax revenue to yield the new LGF funding percentage to be used beginning in FY 2014.

In addition to these reductions, beginning at the end of this calendar year the budget directs all dealers in intangibles tax revenues to the state general fund. This means that the 5/8ths share of revenue currently allocated to county undivided local government funds on a county-situs basis would be diverted to the state GRF. This is a loss of $11 million per year to county undivided LGF's.

For counties and other local governments which use calendar year budgeting, the proposed changes in the budget do not take effect until August 2011. When you convert the SFY figures into CY figures, the following impact occurs:

- **CY 2011 LGF funding is estimated to be 95% of the amount received in CY 2010 (a 5% reduction).**

- **CY 2012 distributions equal 69% of proposed CY 2011 distributions (a 31% reduction).**

- **The January-June 2013 distributions equal 67% of proposed January-June 2012 distributions (a 33% reduction).**

The Department of Taxation reports and estimates the following levels of funding for Local Government Fund distributions for CY 2009 through CY 2012 (excluding dealers in intangible tax distributions):

| | |
|---|---|
| CY 2009 (actual) | $641 million |
| CY 2010 (actual) | $650 million |
| CY 2011 (estimated) | $618 million |
| Cy 2012 (estimated) | $428 million |
| CY 2013 (no estimate for full year) | |

**Tangible Personal Property Tax (TPP) and Public Utility Reimbursements**

The proposed budget generally accelerates the phase out of reimbursements for lost tangible personal property taxes (TPP) and public utility tangible property (PUTP) taxes. TPP was phased out and eliminated under tax reform enacted in 2005 (HB 66). Laws providing for electric power deregulation and natural gas deregulation were adopted in 1999 and 2000, respectively. A portion of the kilowatt hour tax and all of the natural gas tax (MCF) were earmarked for schools and local governments for property taxes lost due to electricity and gas deregulation. Current law provides local governments with full reimbursement for lost TPP through June 2011 with phased down reimbursements continuing through 2018.

For counties, property tax levies are broken into five functional areas:

- Mental health/developmental disabilities levies
- Public health levies
- Senior services levies
- Children services levies

- Other levies that don't fit into any of the above categories including county inside property tax millage which is a major source of revenue to the county general fund

According to the Administration, the phase-out will be accelerated for programs with lesser relative reliance on these payments. However, counties that are heavily reliant on these replacement payments will experience a longer period of phase-out than under current law.

The reliance on these payments is determined by taking into account the total resources available to each of the five different functions within counties. Total resources for the four defined functions include total property tax receipts (including rollbacks/homestead) and total TPP and public utility reimbursements. For the fifth or "other" functional group, total resources include the funding streams above plus the county share of Local Government Fund allocations and permissive sales taxes levied under the base tax (this would include taxes levied under ORC 5739.021 but exclude taxes levied under ORC 5739.026).

Funding changes to county functions are measured on the basis of their reliance: County functions whose payments were 2% or less of the total resources are considered low reliance functions. For these counties, the reimbursements will be eliminated after June 30, 2011. If a county function has a reimbursement over 2% of total resources, then the annual reduction is limited to no more than 2% of base year (2010) total resources. The same methodology applies to both TPP and public utility replacement payments.

For example, the following table provided by the Ohio Department of Taxation shows how the process will work in Guernsey County.

## TPP Example

| Category | [illegible] 2010 Payments | Total Resources | Reliance Rate |
|---|---|---|---|
| Mental Health | $489,829 | $2,692,344 | 18.19% |
| Public Health | $81,638 | $372,806 | 21.90% |
| Senior Serv. | $81,638 | $496,198 | 16.45% |
| Children's Serv. | $163,276 | $1,082,256 | 15.09% |
| Other | $220,423 | $7,264,643 | 3.03% |

| [illegible] | 2% of Resources | 2011 Payment | 2012 Payment |
|---|---|---|---|
| Mental Health | $53,847 | $435,982 | $382,135 |
| Public Health | $7,442 | $74,196 | $66,754 |
| Senior Serv. | $9,924 | $71,714 | $61,790 |
| Children's Serv. | $21,645 | $141,631 | $119,986 |
| Other | $145,293 | $75,131 | 0 |

The total estimated combined budgetary savings from the proposal to change the schedule for phase out of TPP and public utility replacement payments for local governments and schools is **$587 million in FY 2012 and $845 million in FY 2013.**

The actual impact on counties also is very significant. While it is always hard to compare tax years and state fiscal years, in TY 2010 counties received approximately **$301 million** in reimbursements from both sources. Under the budget, this amount would be reduced to **$165 million in FY 12 and $110 million in FY 13**

Having explained the proposals for the LGF as well as the TPP and Public Utility Tax Reimbursements, CCAO is concerned about the massive amount of local government revenue that is being used to help balance the state budget.

Given that the general magnitude of the budget hole was around 17%, we believe that a **disproportionate share** of the budget balancing burden falls on counties and other local units of government. We ask for your consideration and help to moderate the magnitude of the cuts proposed by the Administration.

## Section 2: Other Concerns

**Following are additional concerns with the budget. For a more detailed explanation of each issue refer to Exhibit 2.**

- **TANF and Child Care Funding Reductions**
- **Reduction of Adoption Assistance Subsidy Transferring Funding to Counties**
- **Reduced Funding for Child Support Enforcement Agencies**
- **Increased Appropriation in County Funding for Medically Handicapped Children**
- **Elimination of Kinship Permanency Funding**
- **State Health Pool for Local Governments**
- **Funding Reduction for OSU Extension**
- **Funding Reduction for Soil and Water Conservation Districts and Elimination of Fees From Current Budget to Increase Local Subsidies**
- **Sentencing Reform Proposals**
- **Adult Patrol Authority Pre-sentence Reporting Transfer to Courts**

## Section 3: Initiatives CCAO Supports

The budget includes a number of proposals and tools CCAO supports that will help fill the void that is left as a result of the significant cuts in revenue counties will experience under this budget. CCAO appreciates the consideration the Administration gave to the many proposals we submitted to them, and earlier this year to this Committee. The list of recommendations is again included as Exhibit 1 at the end of this testimony. These new tools will reduce or eliminate some unfunded mandates, increase revenue for counties, and help counties better manage and be more efficient in the delivery of services. These provisions of the bill, however, do not offset the revenue losses to counties and the diversion of current county government revenue to the state general fund.

Following are items from our list and other proposals that the Administration has included in the bill which CCAO supports:

## REVENUE AND UNFUNDED MANDATE RELIEF

- **Casino Revenue**
- **Managed Care Revenue**
- **Pension Contributions Savings**
- **Office Space for General Health Districts**
- **Reduction in the County Mandated Share of Welfare**
- **County Coroner Civil Witness Fees**

## TOOLS

- **Furloughs**
- **Modified Work Week Schedule**
- **County Centralized Services**
- **Political Subdivision Shared Services**
- **Public Notice Reform**
- **Commercial Advertising**
- **Quarterly Spending Plans**
- **Prevailing Wage for Buildings**
- **Public Construction Reform**
- **Court Reporter Fees**

**For a more detailed explanation of these issues refer to Exhibit 3.**

## Section 4: New Items Recommended for Inclusion in the Bill

As you may recall, last month I provided testimony and shared a list of 50-plus items for the General Assembly and Administration to consider to assist counties in light of anticipated budget cuts.

As you can see from the previous section, several items were included in the bill. We greatly appreciate the mandate relief and new tools provided in the bill to help counties modernize and change how they do business. Yet, there still is more work to be done. Some of the proposals that have the greatest impact in managing the budget at the county level by county commissioners have not been included by the Administration.

Exhibit 1 is the original list of items, and I strongly encourage the Committee to continue building on the work by the Administration in this realm. Specifically, we encourage the Committee to give particular consideration to the following additional initiatives that will help counties during these tough budget times and are needed in the longer term to assure that commissioners can balance county budgets and contain the rate in the growth of county budgets in the future:

- **Public Defender System Reform**
- **Limitations on Salary Appropriations for Selected County Entities**
- **Health and Wellness Plans**
- **Eliminate the Outdated Unfunded Mandate for TB Detention and Treatment**
- **Civil Service/ Benefit Reform**
- **Use of Special Revenue Funds**
- **Indirect Cost Allocation**
- **Transfers to GRF for Insurance Costs**
- **Cost Allocation of Township Required Services**
- **Data Board/ IT Department**
- **Workers Compensation Group Rating Enhancements**

**A more detailed explanation of these issues is included as Exhibit 4**

Thank you for the opportunity to testify and to express our concerns. Counties realize that they must absorb a fair share of the cuts necessary to balance this state budget. The problem is that we feel that a disproportionate degree of the burden is placed on local governments through the reductions to TPP and Utility Tax reimbursements and the Local Government Fund proposals. The bottom line is really very simple. Even given the significant changes proposed by the Administration in this budget, many of the system reforms like collective bargaining, prevailing wage, construction contract, and shared service models should result in long term budget stabilization and will help to contain the growth in expenditures and taxes. In the short run, however, and especially during this two year budget cycle, the ledger sheet simply does not balance.

In closing we ask for consideration of two approaches to help county government. First, look for ways to moderate the level of cuts that are being imposed on counties under the Local Government Fund and the TPP as well as the Public Utility Tax Reimbursement proposals. Second, give county commissioners the tools they need to be able to get the job done in the wake of these budget cuts and with constrained revenue in the future.

EXHIBIT 1

# COUNTY COMMISSIONERS ASSOCIATION OF OHIO's PROPOSALS TO ADDRESS STATE AND COUNTY BUDGET CHALLENGES

| ELIMINATION OR MODIFICATION OF UNFUNDED MANDATES | COUNTY COMMISSIONERS MANAGEMENT IMPROVEMENT, EFFICIENCY AND COST ALLOCATION INITIATIVES | COUNTY GOVERNMENT REVENUE FLEXIBILITY AND FEES | COUNTY GOVERNMENT STRUCTURAL CHANGES AND GOVERNANCE REFORM |
|---|---|---|---|
| **Unfunded Mandates (7, 8)**<br>• Require fiscal impact statements on all legislation prior to vote<br><br>**Public Defender (7 ,25, 38)**<br><br>**Elections (7, 8)**<br><br>**Health Department Office Space (7)**<br><br>**Medically Handicapped Children (8)**<br><br>**TB Detention and Treatment (8)**<br><br>**Veterans Service Commission Budget and Administration (16)**<br><br>**Mandated Share of Human Services (16)**<br><br>**Sentencing Reform (25, 27)**<br><br>**Newspaper Advertising Reform (9, 33)** | **Reform of Major Operating Systems**<br>• Collective Bargaining Reform (11)<br>• Civil Service/Benefit Reform (11, 12)<br>• Prevailing Wage Law (20)<br>• Contract Reform (10)<br><br>**Commissioners Budget Management Initiatives**<br>• Use of Special Revenue Funds (30)<br>• Quarterly Budget Allotments (30)<br>• Indirect Cost Allocation (31)<br>• Transfers to GRF for Insurance Costs (31)<br>• Allocation of Township Required Services (8)<br><br>**Shared Services (8)**<br><br>**E-Commerce Efficiencies (9)**<br><br>**Data Board/ IT Department (10)**<br><br>**Force Account for Road Projects (19)**<br><br>**Jail Medical Cost (Multi-County) (26)**<br><br>**Recovery of Collectibles from Income Tax Refunds (33)**<br><br>**Workers Compensation Group Rating Enhancements (12)** | **User Fees**<br>• Coroner Civil Testimony Fee (32)<br>• Weights & Measures Fees (6, 22)<br>• Auto Title Fees (22)<br>• Other Misc. Fees (22, 32)<br><br>**9-1-1 Fee and System Reform (27)**<br><br>**Court Fees/Fines**<br>• Local Court Filing Fees (28)<br>• Clerk of Court Docketing Fee (30)<br>• Distribution of Fine and Cost Revenue (28)<br><br>**Real Estate Settlement Fees (22, 30)**<br><br>**Development Impact Fees (18, 30)**<br><br>**Tax Abatement Approval (18)**<br><br>**Combined Agriculture Property Tax Levy (6)**<br><br>**Stumpage Revenue/State Forests (6)**<br><br>**ADDITIONAL REVENUE OPTIONS TO SUSTAIN COUNTY GOVERNMENT**<br><br>**Additional County Permissive Sales and Use Tax Authority (31)**<br><br>**Additional County Permissive Motor Vehicle License Tax Authority (23, 31)**<br><br>**Sales & Use Tax Base Broadening (31)**<br><br>**Lodging Tax Redirection to General Fund (34)** | **New Alternative Form of County Government (24)**<br><br>**Multi-County/Regional Service Delivery Models, including but not limited to:**<br>• Coroner (8)<br>• Dog Warden (8)<br><br>**Place Tax Map Office Under Auditor and Fund with REA (33)**<br><br>**Remove Requirement that County Engineer Be Registered Surveyor (9)**<br><br>**Reform of Misdemeanant Court System (25)** |

**Numbers beside each issue in Table refer to the page number of the 2011-2012 Legislative Program of the County Commissioners Association of Ohio for the 129th General Assembly. (2-01-2011)**

## EXHIBIT 2

## Other Concerns

- **TANF and Child Care Funding Reductions**

  The TANF spending plan as proposed in the executive budget includes a reduction in county TANF allocations by $80M in each state fiscal year. Cuts of this magnitude will mean Ohio will spend less money in its welfare-to-work program than at any time in the past twenty years. Benefits like work and training programs will continue to fall by the wayside as counties streamline staff and processes to ensure the timely and accurate administration of the public assistance benefits they must provide.

  CCAO supports revisiting the TANF spending plan on an annual basis this biennium to support appropriate, data-driven funding.

- **Reduction of Adoption Assistance Subsidy Transferring Funding to Counties**

  Currently, each county JFS or public children service agency (PCSA) holds a contract with each adoptive family whose adoptions qualified for Adoption Assistance. To qualify the family must adopt a child with special needs, and the monthly stipend is to be negotiated based on the needs of the child and circumstances of the family. Over the past three budgets, we have seen a continued cost shift of this obligation from the state to the county:

| State Fiscal Year | State Contribution |
|---|---|
| 08-09 | $300 |
| 10-11 | $250 |
| 12-13 | Proposed: $230 |

  Adoption Assistance contracts currently present liability issues for counties. IV-E AA contracts are between the county and family, and federal guidelines prohibit the state and county from lowering the subsidy amount without the consent of the adoptive parent. The federal government does reimburse 63% of the state and counties' shares of these payments. Statewide, the average payment is $465.

- **Reduced Funding for Child Support Enforcement Agencies**

  Child Support Enforcement Agencies (CSEA's) are facing a funding crisis which, if not addressed, may have far reaching impacts on both the state's and counties' budgets. While the inability to match federal incentive dollars for federal funding is not new – CSEA's have faced this hurdle before – it was done with considerably more investment from the state. (The state provided $18M more dollars per state fiscal year when matching incentive dollars was not allowed per federal law.)

  Now there is a deficit of approximately $15M in state funds for child support, meaning with the loss of federal match for state and local funds, $45M. Counties have been supplementing their local CSEA's with county general fund dollars, but with the disproportionate cuts counties are set to take through LGF as well as TPP and Utility

Tax reimbursements, it is unlikely many will be able to continue to backfill CSEA operations.

Indirect effects of underfunding child support enforcement include: reduced contracts with courts and law enforcement, impacting their bottom line as well; families staying on public assistance longer; and less money than appropriated being collected to fund line 658, Child Support Collections.

- **<u>Increased Appropriation in County Funding for Medically Handicapped Children</u>**

The bluebook released by the Administration indicated an increase in the money spent out of the 1/10 mil counties must set aside for treatment of BCMH enrollees, and attributed this increase to the new ability of the Department of Health to bill counties for diagnostic services as well.

However, HB 153 does not contain the language expanding the usage of county assessments for diagnostic services. As such, we are seeking a decrease in the appropriation amount of this line item. While the scope of the funding obligation will not increase in the line item without the language change, we would like the appropriation to remain at current and realistic spending levels as to not inadvertently misguide future conversations in this subject area.

The State has reduced their GRF contribution to the program by 14%.

- **<u>Elimination of Kinship Permanency Funding</u>**

CCAO supports the efforts to restore the Kinship Permanency Incentive program through the other children services programming and tax credits identified by PCSAO that do not provide the same level of outcomes as KPI. The better outcomes of children who are placed in the care of kin for less cost to state and local officials is truly a win-win.

- **<u>State Health Pool for Local Governments</u>**

The bill provides that political subdivisions, school districts, and institutions of higher education shall participate in a state purchasing pool for employee health care benefits or risk losing all state aid. That is, if the state establishes a purchasing program subsequent to findings and recommendations of viability by an outside consultant.

One exception to the above is if the Director of the Department of Administrative Services (DAS) grants an exception to an entity listed above that provides benefits through a plan offered by a consortium of two or more entities, or a consortium of one or more entities and one or more other political subdivisions, representing 2,500 or more employees. Another exception appears to be for self-insured plans established under Section 9.833 of the Revised Code that have been approved by the Director of DAS.

DAS is required to submit a feasibility report to the General Assembly within 12 months after the effective date of House Bill 153. Health care census date shall be collected, and a review done to determine the viability for health care pooling on a regional basis.

While we laud the effort by the Administration to include a state purchasing program for local entities, we have a few questions and concerns with the language included in HB 153. These include the following:

- We are concerned about the requirement to get DAS' permission or approval to continue self-insured programs as well as other consortiums. We would prefer that a state program be truly voluntary.

- Also, there are five counties currently in a consortium that does not reach the 2,500 and they expressed concern that this language would force them to add more jurisdictions to their program, which may not be advantageous to their program.

- Should the language remain in the bill that the DAS Director must approve entities not participating, we would like to see more evaluation criteria outlined in the statute, so that benchmarks are known in advance.

- In addition, we would like to clarify language requiring the DAS Director to develop plan designs and establish premiums for employers and employees. We do not understand if such applies only to the state program or also to local self-insured plans as well as consortiums outside the state program.

- We would like assurance that "mandatory" participation, practically speaking due to the potential loss of state aid, would not result in a higher cost to local jurisdictions for the same or similar health benefits they currently provide. We are receiving questions from our members as to whether their participation in a state plan will result in a better purchase deal. While the goal is to get a better bang for the buck and be more efficient, we have members asking for an escape door if, in the end, such does not materialize.

  These are just a few questions, and we would like to continue exploring options on how to help leverage counties' purchasing power to obtain quality health benefits for employees at a cost effective price. County employees are the counties' most valuable asset in providing services.

  Along these lines, CCAO also asks that any proposal include language giving counties authority to provide wellness programming to their employees. Such programs are not only of personal benefit to participating employees, but are also industry recognized to lower claims and costs for health care.

- **<u>Funding Reduction for OSU Extension</u>**

  OSU Extension is scheduled to be cut approximately 10% from FY11 to FY12 and then flat funded in FY13, from $22.4 million in FY11 to $20.2 million in FY12 and FY13.

- **<u>Funding Reduction for Soil and Water Conservation Districts and elimination of Fees From Current Budget to Increase Local Subsidies</u>**

  The state GRF appropriation of $2.9 million was removed in its entirety. However, a second line for SWCDs represents fees gathered through the Municipal Solid Waste Fee (.25/ton), Construction and Demolition Debris (.25/ton). ODNR also is requesting continuation (reauthorization) of the Scrap Tire fee at .50 cents per tire. This will give the line item, which is the soil and water match fund, approximately $7.8 million dollars. Cumulative numbers show approximately a 40% decrease in funding. Under existing law, there is a fourth 25¢ per-ton fee on the transfer or disposal of solid waste the proceeds of which must be credited to the Soil and Water Conservation District Assistance Fund. That fee expires on June 30, 2012 and CCAO believes it should be continued

- **Sentencing Reform Proposals**

Sentencing reform and the "justice reinvestment" initiatives proposed in SB 10/HB 86 have been incorporated into the budget bill. There is a strong suggestion that the inability of common pleas judges to sentence certain felony 4 and felony 5 offenders to prison will result in increases to the county jail populations. Since felons are the state's responsibility this would lead to a cost shift to the counties for the portion of these offenders' sentences served in the county jails.

The theory behind the "justice reinvestment" concept is that recidivism among many felony offenders can be reduced more effectively through a spectrum of local community sanctions rather than by placing these offenders in the state's prison system. Prison population can be reduced and public safety enhanced through the funding of these new evidenced based local community sanctions that will provide rehabilitative and restorative programming targeted to specific offender types. Proponents suggest that the state can save an estimated $62 Million over a four year period by investing $20 Million of these savings over that same period to support additional funding for local community sanctions and the establishment and implementation of statewide standards for the operation of probation departments.

The budget increases the funding levels of current Community Corrections Act line-items to carry out the "reinvestment" efforts. CCAO is concerned that there has been no plan detailed which describes the elements of programming that will be required to make "justice reinvestment" successful. It is unknown whether the dollars being allocated will be adequate to accomplish the goals being sought to achieve. Should more money be required to successfully accomplish the goals counties are fearful that they will be relied upon to provide the necessary funding.

- **Adult Patrol Authority Pre-sentence Reporting Transfer to Courts**

The Department of Rehabilitation and Correction's decision to eliminate, as of July 16 of this year, its Adult Parole Authority [APA] staff which has been conducting presentence investigation and report writing for common pleas courts across the state is a very significant concern. Originally 25 counties, mostly in rural Ohio, were identified as receiving this state support to their common pleas courts. Now, however, at least 48 counties appear to be effected. DRC is working with the common pleas judges to develop a grant program that will allow judges who will find themselves without presentence investigation services to hire new county staff to replace the APA staff. The expectation is that courts will use the DRC grant funding to pay the salaries and benefits for the new employees hired to perform this task.

Viewed as a cost savings measure by DRC, counties are concerned that this is really a cost shifting activity. DRC claims that it will be able to save about $8 Million over the biennium by making this change, but they are indicating that approximately $1.3 Million per year in grant funding in each year of the biennium. After FY 2013 there are no assurances that this grant funding will continue. If that is the case then counties will be obligated to absorb the increased costs associated with this change.

# EXHIBIT 3

## Initiatives CCAO Supports

### REVENUE AND UNFUNDED MANDATE RELIEF

- **Casino Revenue**

  According to the Ohio Constitution, counties are to receive a portion of casino taxes. According to the Blue Book, the county line item anticipates $5,778,617 in FY 12 and $138,882,294 in FY 13, due to the temporary casino in Cleveland as well as the Toledo facility. We are cautious of these estimates due to discussions about allowing VLT's at racetracks and indications that the number of gaming seats will be significantly below what the proponents of the casinos proposed. Such could drive down the anticipated casino revenues.

- **Managed Care Revenue**

  In addition, it is our understanding that HB 153 expands the Medicaid managed care sales tax to apply to prescription drugs. This base broadening will benefit counties by increasing the revenue received from the permissive sales and use tax.

- **Pension Contributions Savings**

  HB 153 provides that employee contribution rates will increase 2 percentage points while employer contribution rates will decrease 2 percentage points. CCAO supports this proposal. In addition, this is one of the few proposals that will provide an immediate, positive revenue impact for counties.

- **Office Space for General Health Districts**

  The bill provides eventual relief to boards of county commissioners from providing office space and utilities to a general health district. Despite the statute providing that commissioners "may" furnish such items, the Attorney General has opined that a board of county commissioners is required to do so.

  After fiscal year 2011, the bill requires the board to make decreasing payments for office space and utilities for the board of health, based upon a written estimate of their total cost, until fiscal year 2016, at which time the board no longer has the duty to provide or pay for the office space and utilities.

  After fiscal year 2015, the commissioners and the board of health may enter into a contract for the commissioners to provide office space and utilities. The term of the contract cannot exceed four years and may be renewed for additional periods not to exceed four years.

  If at any time the board of health rents, leases, lease-purchases, or otherwise acquires office space, the commissioners have no further obligation to provide office space or utilities, unless a contract has been entered into or the commissioners chose to exercise its option to provide free space and utilities.

- **Reduction in the County Mandated Share of Welfare**

  The bill provides for a reduction in the amount of revenue the county must appropriate to the county department of job and family services. Under current law the county share is determined by a complex formula, however this formula allows the required contributions from the county general fund to increase by up to 10% percent per year. Under the bill, this will be reduced to an amount not to exceed 5% of the previous year's contribution.

## TOOLS

- **Furloughs**

  The bill continues through FY 2013, the automatic authority that county appointing authorities have to establish a mandatory cost savings program (non-voluntary furlough) for up to 80 hours during a state fiscal year for non-bargaining employees.

  Beginning in FY 2014, appointing authorities can utilize non-voluntary furloughs if one of the following occurs: 1) demonstration of a lack of funds; 2) demonstration of reasons of economy; or 3) the jurisdiction has been placed in fiscal watch or fiscal emergency by the Auditor of State.

- **Modified Work Week Schedule**

  The bill also authorizes counties to institute a modified work week schedule program. The structure of the program is similar to that of a mandatory cost savings (furlough) program in the following ways: 1) applies to non-bargaining employees; 2) the authority to institute such program is automatic in FY 2012-2013; and 3) beginning in SFY 2014, an appointing authority must demonstrate one of the following: a) demonstration of a lack of funds; b) demonstration of reasons of economy; or c) the jurisdiction has been placed in fiscal watch or fiscal emergency by the Auditor of State.

  A modified work week schedule program can provide for a reduction from the usual number of hours worked during a week by employees immediately before the establishment of the program. The bill allows the reduction in hours to include any number of hours so long as the reduction is not more than 50% of the usual hours worked. The program can be administered differently among employees based on classifications, appointment categories, or other relevant distinctions.

- **County Centralized Services**

  The bill authorizes a board of county commissioners to adopt a resolution establishing centralized purchasing, printing, transportation, vehicle maintenance, information technology, human resources, revenue collection, and mail operation services for a county office. The bill defines "county office" as the offices of the county commissioners, county auditor, county treasurer, county engineer, county recorder, county prosecuting attorney, county sheriff, county coroner, county park district, clerk of the juvenile court, clerks of court for all divisions of the courts of common pleas, including the clerk of the court of common pleas, clerk of a county-operated municipal court, and clerk of a county court, and any agency or department under the authority of, or receiving funding in whole or in part from, any of those county offices.

The county commissioners' resolution must specify all of the following:

(1) Which county offices are required to use the centralized services;

(2) If not all of the centralized services, which centralized service each county office must use;

(3) A list of rates and charges the county office must pay for the centralized services;

(4) The date upon which each county office specified in the resolution must begin using the centralized services.

Not later than ten days after the resolution is adopted, the clerk of the board of county commissioners must send a copy of the resolution to each county office that is specified in the resolution.

- **Political Subdivision Shared Services**

The bill authorizes political subdivisions to enter into agreements with other political subdivisions under which a contracting political subdivision agrees to exercise any power, perform any function, or render any service for another contracting recipient subdivision that the contracting recipient political subdivision is otherwise legally authorized to exercise, perform, or render. The respective legislative authorities of the contracting political subdivisions must approve the subdivisions' participation in the agreement.

If the agreement does not determine the officer, office, department, agency, or other authority by which the powers and duties of a contracting political subdivision are to be exercised or performed, the legislative authority of the contracting political subdivision must determine and assign the powers and duties.

- **Public Notice Reform**

The bill requires the Office of Information Technology in the Department of Administrative Services to establish, operate, and maintain a state public notice web site where all state agencies and political subdivisions may publish notices required by statute or rule. If the statute or rule requires newspaper notice, the agency or subdivision may choose instead to publish the notice on the state public notice web site at no additional cost. Publication of a notice on the web site is in lieu of newspaper publication that is otherwise required.

However, an agency or political subdivision that publishes a notice on the web site also must publish an abbreviated notice in a newspaper of general circulation providing a brief summary of the complete notice, a reference to the web site address for the state public notice web site where the complete notice may be found, and a telephone number to call for more information.

- **Commercial Advertising**

The bill authorizes political subdivisions to adopt resolutions to authorize placing commercial advertising on their web sites. The resolutions must include: (1) a specification of the state agency or political subdivision office, and of the officials or employees therein, who are authorized to place commercial advertisements on the web site, (2) criteria for choosing the advertisers and types of advertisements that may be placed on the web site, (3) requirements and procedures for making requests for proposals for placing commercial advertising on the web site, and (4) any other requirements or limitations necessary to authorize commercial advertising on the web site.

Current law places restrictions on a political subdivision's use of public funds to distribute or otherwise communicate certain types of information to the public. Among the types of information that cannot be distributed with the use of public funds are any that contain defamatory, libelous, or obscene matter; any that promote alcoholic beverages, tobacco products, or illegal products or services; any that promote illegal discrimination, or any that supports or opposes any labor organization, candidate, or levy or bond issue.

Current law does not prohibit or restrict a political subdivision from sponsoring, participating in, or doing charitable or public service advertising "that is not commercial in nature." The bill modifies this provision by allowing commercial advertising if it complies with the bill and therefore is posted on the political subdivision's web site.

The bill states that a state agency or political subdivision web site on which commercial advertising is placed must be used exclusively to provide information from the state agency or political subdivision office to the public and must not be used as a public forum.

- **Quarterly Spending Plans**

The bill authorizes a board of county commissioners to adopt a quarterly spending plan for any county fund when an office has spent or encumbered more than 60 percent of the amount appropriated for personal services and payroll during the first half of a fiscal year. Such authority applies for that current fiscal year as well as thereafter.

Under today's statutes, a board of county commissioners can choose to do a quarterly spending plan, but must institute it for ALL county funds. This enables a board to strategically focus on just those funds in which there may be a concern relative to the rate of spending.

The bill also requires a board of county commissioners prior to adopting a quarterly spending plan to provide notice at least 30 days in advance to the impacted office. Such office may meet with the board at any regular session to comment on the notice or to express concerns or ask questions about the proposed spending plan.

- **Prevailing Wage for Buildings**

  HB 153 removes from Prevailing Wage certain construction projects, i.e., buildings that cost $5 million or less.

  Currently, any new construction on public improvements that costs $78,258 or less is exempt from the Prevailing Wage (the statutory baseline threshold of $50,000 as adjusted pursuant to that Law). Reconstruction costing $23,447 or less is similarly exempt (the statutory baseline threshold of $15,000 as adjusted pursuant to that Law).

  Construction on public improvements that involve roads, streets, alleys, sewers, ditches, and other works connected to road or bridge construction will continue to be subject to the current thresholds, adjusted biennially by the Director of Commerce. All other construction on public improvements will be subject to the new thresholds, which also must be adjusted biennially by the Director.

- **Public Construction Reform**

  As was the case during the last session of the general assembly, CCAO is supportive of the provisions in the bill relating to public construction reform. We believe that the options provided for in the bill will give counties additional flexibility which can result in cost saving on construction projects.

  The bill eliminates the requirement that the multiple-prime contracting method be used when undertaking a public improvement project. Under the budget, a public authority may choose to use multiple-prime contracting on any project or may choose to use one of several alternative methods of construction delivery created by the bill.

- **Court Reporter Fees**

  The budget bill makes numerous reforms to court reporter fees. The bill requires all civil and criminal actions in the court of common pleas to be recorded. The legislation requires a reporter to provide transcripts of an electronic recording upon request by the court or either party to the action under the same procedure as the furnishing of transcripts of notes and provides that copies of transcripts be provided at cost and electronic copies be provided free of charge. Finally, the language mandates that transcripts requested by an indigent defendant in a criminal case be paid from the county treasury and taxed and collected as costs.

# EXHIBIT 4

## New Items Recommended for Inclusion in the Bill

- **Public Defender System Reform**

  This issue remains one of the top priorities of CCAO. Counties continue to be unduly burdened with financing the state's Constitutional obligation to provide indigent defense. The state should assume full responsibility for its obligation.

  Over the last six years an additional state-wide court cost, the DUI surcharge, increases to the original state-wide court cost, and license reinstatement fees were enacted and the Indigent Defense Support Fund was created by the General Assembly in order to provide additional non-GRF revenue sources dedicated to increase the reimbursement percentage to the counties. In SFY 2010, the first full year of the Indigent Defense Support Fund, deposits totaled $21.8 Million. For SFYs 2012 and 2013 this Fund is expected to receive $42.1 Million and $43.1 Million respectively which is a doubling of receipts in just two years.

  While the budget indicates the current reimbursement rate of 35% will continue through the SFY 2012/2013 biennium, this rate is being maintained without the help of state GRF revenues. Over the last six years the GRF appropriations have decreased from $31.0 Million in SFY 2006, to $12.6 Million in FY 2011. The proposed budget reduces the state GRF contribution towards reimbursement to $3.0 million and $3.6 million respectively for SFYs 2012 and 2013. This is a 75% cut in GRF funding, and another significantly disproportionate cut in GRF funding to the counties.

- **Limitations on Salary Appropriations for Selected County Entities**

  Most county officials can be constrained in the level of salary increases that they can grant to employees based on the aggregate appropriations specified in the county commissioners' appropriation resolution. This general rule, however, does not apply to employees of the Courts, the Prosecutor, the Veterans Service Commission, and the Board of Elections. In the case of these officials or entities the General Assembly has granted extraordinary powers for legal actions to be taken against the commissioners for salary increases that often exceed what is being provided for other county employees. CCAO proposes that these extraordinary powers be limited so that these officials and entities may not mandate or require aggregate salary appropriations that exceed what the county commissioners generally grant to other county officials, agencies and entities.

- **Health and Wellness Plans**

  Currently, boards of county commissioners do not have the express authority in statute to offer health and wellness benefit programs, including through cafeteria plans. While some counties have done so, some county prosecutors have opined their commissioners many not unless expressly permitted to in statute.

  CCAO believes any conversation that takes place about reducing public employee health care costs need to include wellness. Counties and their employees should have the option to elect to invest in their most valuable asset - the long-term wellness of county employees.

- **Eliminate Outdated Unfunded Mandate for TB Detention and Treatment**

  Currently, boards of county commissioners are the payor of last resort for tuberculosis treatment, including investigations, medical care, and detention. Counties used to receive a small amount of funds from the Department of Health to offset incurred costs, but this funding was zeroed out in SFY05.

  Counties should not be required to foot the bill for uninsured tuberculosis treatment – county commissioners believe this outdated mandate should be funded by the state, or the responsibility for this antiquated statute should fall in a more logical place other than on the general fund, as is largely the case.

- **Civil Service/ Benefit Reform**

  CCAO is seeking a reduction in the amount of vacation leave that an employee can carry from year to year. Currently, staff carry up to 3 years of vacation leave time. CCAO is seeking to reduce this to 1 year. However, we also are asking that this provision's effective date be delayed until December 31, 2013, so as to enable staff to spend down their accrued time.

- **Use of Special Revenue Funds**

  Commissioners would like to emulate one of the state's strategies during times of fiscal challenges, and that is to have the authority to transfer moneys from special funds to the general fund to help balance the overall budget. Criteria would be established as to when such authority could be used as well as to prescribe that adequate funds must remain in a special fund to meet the current year's obligations.

- **Indirect Cost Allocation**

  Commissioners seek the ability to develop and implement a cost allocation plan for direct and indirect costs administrative expenses associated with any special revenue fund, enterprise fund, or internal service fund.

  Under our proposal, any board of county commissioners that adopts a cost allocation plan for a public children services agency, a board of developmental disabilities, and alcohol, drug addiction and mental health service district, an alcohol and drug addiction service board, or a community mental health board must implement the plan for at least 3 years and must credit any interest earned on those agencies' funds to the agencies' credit.

- **Transfers to GRF for Insurance Costs**

  We would like to include in the statute the ability for political subdivisions to allocate costs of insurance or a self-insurance program based on a combination of relative exposure and loss experience. Currently, the statute provides that allocation can be based on one of those conditions, and we would like to allow a combination of those factors.

In addition we are seeking authority for all related funding sources to be cost allocated for a joint self-insurance pool's expenses, and to grant the ability for those costs to simply be transferred from the special funds.

- **Cost Allocation of Township Required Services**

  Commissioners seek permissive authority to charge townships and libraries for statutorily mandated services provided by counties. This specifically relates to services provided by prosecutors and engineers.

- **Data Board/ IT Department**

  Commissioners are interested in centralizing back office functions, including IT. Currently, some counties have a data processing board while other counties do not. Commissioners also have heard some concerns from counties with a data processing board as to who should be in charge and administer the board's operations. Therefore, we propose allowing IT to be centralized in those counties which have a data processing board, provided there is a vote of the board's membership as to who are the president and administrator of the board. In counties without a data processing board, the IT operations would be centralized under the board of county commissioners.

- **Workers Compensation Group Rating Enhancements**

  We are communicating with the Bureau of Workers Compensation on various ways to provide enhancements to the group rating programs as well as other changes. We will continue to work with them on several of these ideas, including allowing the association to manage the finances relating to assessments and refunds. In addition, we seek the ability for public employers who elect to be self-insured to purchase aggregate stop loss coverage in order to help manage the financial risk.