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H.B. 665
133rd General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by House Agriculture and Rural Development

Primary Sponsors: Reps. Jones and Wilkin

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill increases, from \$800 to \$1,600, the maximum amount that a county treasurer must annually transfer to a county or independent agricultural society. If every agricultural society (94 total currently) in the state is currently receiving the \$800 maximum under current law and then receives the new maximum of \$1,600 under the bill, it will increase payments from counties to agricultural societies by over \$75,000 in total statewide.
- The bill changes several cap amounts the board of county commissioners must annually reimburse or appropriate both county and independent agricultural societies. This could allow counties to appropriate more funds to agricultural societies.
- If an agricultural society and the Ohio Expositions Commission (EXP) have to cancel their annual fairs due to unfavorable weather or other unavoidable causes but still conduct live horse racing, the bill requires the Department of Agriculture to make payments to agricultural societies and EXP from the Ohio Fairs Fund (Fund 7083) according to current law. In FY 2019, these payments amounted to just under \$800,000.
- Expanded tax exemption for certain property of an agricultural society may reduce local government property tax revenue.
- Regional water and sewer district revenue may be reduced by a prohibition on charging assessments or other charges to exempt county agricultural society property.

Detailed Analysis

County payments to agricultural societies

The bill makes several adjustments to the payments a county must transfer to both county and independent agricultural societies. First, the bill increases, from \$800 to \$1,600, the

maximum amount that a county treasurer must annually transfer to a county or independent agricultural society operating within the county if all of the following occur: (1) the agricultural society held an annual fair, (2) the agricultural society has made an annual report to the Director of Agriculture concerning the fair, and (3) the Director presents a certificate to the county auditor indicating that the agricultural society has complied with applicable laws of Ohio. The amount transferred cannot exceed the amount paid in regular class premiums (cash awards to contestants exhibiting grains, fruit, vegetables, livestock, etc.) paid by the agricultural society. Currently, there are 87 county fairs and seven independent fairs scheduled for the 2020 season. If every agricultural society in the state is currently receiving the \$800 maximum under current law and then receives the new maximum of \$1,600 under the bill, it will increase payments from counties to agricultural societies by \$75,200 (94 societies x \$800 difference of the maximum payment under the bill and current law) in aggregate statewide, effectively doubling the amount.

Second, the bill changes several cap amounts the board of county commissioners must annually reimburse or appropriate agricultural societies that could potentially affect the costs for counties. It removes the \$500 cap on the annual amount the board must reimburse an agricultural society for junior club expenses but retains the \$100 minimum. Additionally, the bill removes the \$2,000 cap but retains \$1,500 minimum on the amount a board must annually appropriate to a county agricultural society if the agricultural society (1) owns or leases real estate used as a fairground, (2) has control and management of the lands and buildings on the fairground, and (3) requests an appropriation from the board. Lastly, the bill changes the amount a board must annually appropriate to an independent agricultural society to encourage agricultural fairs, from \$500 to \$2,000 to at least \$1,500, if: (1) there was no county agricultural society or annual county fair in the county and (2) the agricultural society requests an appropriation from the board.

Department of Agriculture payments to agricultural societies and Ohio Expositions Commission

The bill specifies that if an agricultural society or the Ohio Expositions Commission (EXP) cancels its annual fair due to unfavorable weather or other unavoidable causes but still holds live horse racing, the Department of Agriculture (AGR) must make payments from the Ohio Fairs Fund (Fund 7083) to the agricultural society or EXP prescribed by the law. Currently and unchanged by the bill, payments from Fund 7083 are distributed as follows: (1) 12% of the fund balance is distributed to agricultural societies that hold annual fairs to be used for general operations, (2) each agricultural society that conducts horse races at its annual fair receives \$4,000 to be used for purse money, and \$1,000 for racetrack maintenance and other expenses necessary for conducting horse races, and (3) \$120,000 for EXP to conduct stakes races. Any shortfall of revenue is to be prorated and any excess revenue is to be distributed to agricultural societies conducting stakes races and to EXP. In FY 2019, these payments amounted to \$798,242.

Fund 7083 receives its revenue from 0.5% of pari-mutuel wagers on racing, or a lesser amount on a prorated basis if sufficient funds from the tax are not available, plus 0.25% of the amount of exotic racing wagers. As of May 2020, the current cash balance of Fund 7083 is \$878,000.

Property tax exemption and water and sewer assessments

The bill amends a property tax exemption for county fairgrounds owned by an agricultural society, extending the tax exemption also to other property owned by such an agricultural society and used in furtherance of the agricultural society's purposes. This change may result in tax exemption of real property that is currently taxable, resulting in revenue losses for units of local government.

Additionally, the bill prohibits regional water and sewer districts from charging water or sewer assessments or other charges (except for water and sewer usage charges, which may continue to be billed) against agricultural society property that is exempt from real property taxation. Regional water and sewer districts may charge assessments or other amounts against a property within the district that is deemed to benefit from the district's project. As a result, regional water and sewer districts will lose revenue or have to increase assessments or charges on other property owners that benefit from the district's project in order to pay for the cost of the project.

Debt authorization

The bill expands the total amount of debt that an agricultural society can incur by allowing the total annual payments for debt obligation incurred by a county agricultural society to not exceed 25% of its prior three-year average of annual revenues. Under current law, the *total net indebtedness* of an agricultural society cannot exceed an amount equal to 25% of the agricultural society's annual revenues. Thus, this provision may increase the amount of debt an agricultural society may incur.

Standards and guidelines for amusement and water parks

Lastly, the bill allows amusement parks and water parks in the state to open and begin operation on the bill's effective date (90 days after the bill is signed into law) until December 1, 2020, notwithstanding an executive order regarding mass gatherings or any law governing the Ohio Department of Health's (ODH) power to issue orders to stop the spread of infectious diseases. Further, it requires AGR, in consultation with ODH, to establish standards and guidelines to limit the spread of infectious disease at those amusement parks and water parks. It is unclear what effect this will have on AGR and ODH since these parks are allowed to open beginning June 19, 2020. If AGR and ODH are still required to develop standards and guidelines they may realize an increase in administrative time to develop the required standards and guidelines. Under current law, AGR and local boards of health (with oversight of ODH) regulate these types of parks. Additionally, there may be costs to local boards of health to ensure compliance with the standards and guidelines established and possibly to investigate complaints or provide educational assistance.