



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 661 of the 130th G.A.](#)

Date: December 4, 2014

Status: In House Finance and Appropriations

Sponsor: Rep. Stebelton

Local Impact Statement Procedure Required: Yes

Contents: Increases the compensation for the judiciary, the General Assembly, state and county elected officials, township trustees and fiscal officers, and members of boards of elections, and declares an emergency

Overview of the Fiscal Note and Accompanying Spreadsheet

This Fiscal Note summarizes the fiscal effects of the proposed pay raises and cost of living adjustments (COLA) for the state and local elected officials proposed under the bill. More detail concerning these fiscal effects can be found in the spreadsheet document accompanying this Fiscal Note. Within each tab of the spreadsheet, the potential increases listed for each type of official are shown on a year-over-year basis as well as the cumulative amounts over the specified time period. For county elected officials and members appointed to boards of elections, the tabs within the spreadsheet detail the potential fiscal effects of the proposed salary adjustments on a county-by-county basis, beginning in calendar year (CY) 2015 continuing through CY 2017. Since the pay for township trustees and township fiscal officers is based on township budget size, the tabs for those officials are presented on that basis. The figures in the spreadsheet reflect salary changes only. The calculations do not take into account any potential increases in fringe payroll costs that might occur as a result of these pay adjustments.

State Fiscal Highlights

- **Increased state costs.** The bill increases the salary for statewide elected officials and members of the General Assembly beginning January 1, 2017. Additionally, the bill increases the salary for the judiciary beginning January 1, 2015. The state costs for these increases span the last half of state FY 2015 and continue until the first half of FY 2024.
- **Statewide elected executive officers.** The bill reinstates a cost of living adjustment (COLA) based on the lesser of the increase in the Consumer Price Index (CPI) or 3.0% for the Governor, Lt. Governor, Secretary of State, Auditor of State, Treasurer of State, and Attorney General, commencing January 1, 2017 and continuing through CY 2023. Assuming the maximum 3.0% COLA, the state's cumulative additional GRF payroll cost for these elected officials would be approximately \$153,000 from CY 2017 through CY 2023.
- **General Assembly.** The bill provides for a similar annual COLA based on the lesser of the increase in the CPI or 3.0% for members of the General Assembly, also commencing January 1, 2017 and continuing through CY 2023. Assuming annual increases of 3.0%, the cumulative added GRF payroll cost for the House and Senate for CY 2017 through CY 2023 would be approximately \$1.9 million.
- **Judicial salary increases.** The bill increases the annual salaries of the justices and judges of the courts in each year starting with CY 2015 through CY 2023, with all of the additional cost to be paid by the state. By the close of CY 2023, the total amount expended annually on these judicial salaries will have increased from \$85.4 million in CY 2014 to \$120.3 million. The year-to-year increases will range from \$3.1 million to \$4.9 million. The bill also appropriates \$2,362,994 from the GRF to pay for the increases in judicial salaries and related personal services charges through the end of FY 2015.
- **Pay supplements for county prosecuting attorneys, sheriffs, and court clerks.** The state would incur additional GRF costs to cover pay supplements for county prosecuting attorneys, sheriffs, and common pleas court clerks beginning in CY 2017 and increasing by the lesser of 3.0% or the increase in CPI annually in perpetuity. The state appropriates GRF funding for these pay supplements under the Attorney General's and Judiciary/Supreme Court's budget. In CY 2017, the state could incur added costs of up to approximately \$414,000 to cover these additional expenses.
- **Increased fringe benefit costs.** This Fiscal Note does not take into account the added fringe benefit costs associated with the pay increases proposed under the bill. Fringe payroll costs include the employer's contributions to the Ohio Public Employees Retirement System, Medicare, and other various costs.
- **Ohio Public Officials Compensation Advisory Commission.** The bill creates the Commission to recommend salaries of elected officials in the form of pay schedules beginning in CY 2023. The state may incur minimal costs to reimburse Commission members for expenses incurred in performing their official duties.

Local Fiscal Highlights

- **County elected officials.** The bill increases the pay for the following county elected officials in CYs 2015 and 2016 and provides for a COLA of the lesser of 3.0% or the CPI in CY 2017 and annually thereafter: (1) auditors, (2) treasurers, (3) sheriffs, (4) common pleas court clerks, (5) recorders, (6) commissioners, (7) prosecuting attorneys, (8) engineers, and (9) coroners. Overall, this could result in increases of up to \$868,000 in salary costs in CY 2015 and CY 2016. Assuming an annual increase of 3.0%, this could result in increases of up to \$10.0 million in CY 2017 when the majority of county elected officials would be eligible for the pay increases.
- **County classifications reduced from eight to six in CY 2016.** Salaries for county elected officials are determined by county population. Beginning in CY 2016, the number of county classes is reduced to six by eliminating classes 1 and 2, applicable to counties with the smallest populations. Smaller counties (classes 1 to 3) will incur a more sizeable jump in pay increases in percentage terms for their elected officials than larger counties.
- **Township trustees and township fiscal officers.** The bill increases the pay for township trustees and fiscal officers in CY 2015 and provides for a COLA of the lesser of 3.0% or the CPI in CY 2016 and annually thereafter. This will mean increases of up to \$3.5 million in CY 2016 and, assuming an annual increase of 3.0%, \$881,000 in CY 2017. There will likely be no cost for townships in CY 2015 for the pay increases since all township trustees and township fiscal officers are in mid-term.
- **Township classifications reduced from ten to eight in CY 2015.** Salaries for township trustees and township fiscal officers are determined by a township's budget size. Beginning in CY 2015, the number of budget classifications is reduced to eight by consolidating the first three budget classifications into one.
- **Boards of elections members.** The bill increases the annual compensation for members of county boards of elections by 5.0% in CYs 2015 and 2016, and provides for a COLA of the lesser of 3.0% or the CPI in CY 2017 and annually thereafter. This will mean increases of up to approximately \$217,000 in CY 2016 and just over \$310,000 in CY 2017 assuming an annual increase of 3.0%. There will be no cost in CY 2015 since all members are in mid-term.
- **Increased fringe benefit costs.** Local governments will incur additional costs to cover fringe benefits as a result of these pay increases. The calculations in this fiscal analysis do not take these added expenses into account.

Detailed Fiscal Analysis

Overview

This Fiscal Note discusses the impact of the proposed salary adjustments and cost of living adjustments (COLAs) on the state and then local government level for elected officials covered under the bill. Each section provides a summary statement of the estimated maximum additional cost for state or local government, including any particularities that might apply. For each office covered under the bill, the spreadsheet accompanying this fiscal note contains tabs that show current calendar year (CY) 2014 salaries, and the increases that occur in CYs for each office. The increases are shown on a year-over-year basis as well as a cumulative amount over the specified time period. Throughout, the calculations assume the maximum possible annual 3.0% COLA, even though the increase in the CPI may well be lower. The analysis takes into account that some elected officials are in mid-term and are barred from these increases until beginning a new term of office. Finally, the figures included in this analysis are salary only and do not take into account added fringe payroll costs that are likely to occur as a result of these pay adjustments.

State government

Statewide elected officers

The bill extends the current salary for statewide elected officials through CY 2016. Using their base salaries in CY 2016, the bill provides an annual COLA of the lesser of 3.0% or the CPI from CY 2017 through CY 2023. The CPI is calculated from the October 1 to September 29 period of the previous year. Since all statewide elected officials will be mid-term in CY 2017 when the COLA is instituted, the state will not incur additional expense until CY 2019 when statewide elected officials will begin a new term. Assuming a 3.0% increase each calendar year, then the state would incur a cumulative increase of up to \$153,000 in GRF costs for CY 2019 through CY 2023. However, as with the other COLAs included in the bill, the net fiscal effect will depend on the applicable CPI calculation. The CY 2014 salary for the Governor is \$148,304. The CY 2014 salary of the Lt. Governor is \$78,041, although the Lt. Governor may opt instead to receive the salary of any cabinet position to which he or she is appointed. For the Attorney General, Auditor of State, Secretary of State, their salaries are all \$109,553 in CY 2014.

General Assembly

Beginning January 1, 2017, the bill provides an annual COLA for Representatives and Senators based on the lesser of the increase in the CPI or 3.0% of their base salaries in CY 2016. Assuming a 3.0% increase each calendar year, then the state would incur cumulative additional GRF costs of up to \$1.9 million from CY 2017 through CY 2023. The CY 2014 salary for a member of the General Assembly is \$60,583. However,

members elected for leadership positions are paid more depending upon the position held. Additionally, General Assembly members who are mid-term at the beginning of CY 2017 cannot receive salary increases. Thus, the estimated additional payroll cost applies to all members of the House of Representatives and 16 Senators in CY 2017 and CY 2018 and applies to all members beginning CY 2019.

Judges

Beginning with CY 2015, the bill increases the annual salaries of the Ohio Supreme Court justices and judges of the courts of appeals, courts of common pleas, municipal courts, and county courts. It raises the salaries in CYs 2015 through 2018 by 5% over the preceding calendar year and then from CYs 2019 through 2023 applies a COLA of no more than 3.0% to the preceding year's salary. The state will pay for all of the increases, as the local shares of judicial salaries will be held at their current levels.

The total amount that the state will expend on judicial salaries in CY 2014 will be around \$85.4 million. By the close of CY 2023 the total amount expended by the state on judicial salaries will have increased to around \$120.3 million. The year-to-year increases over that period of time will range between \$3.1 million and \$4.9 million. The bill also appropriates \$2,362,994 from the GRF to pay for the increases in judicial salaries and related personal services charges through the end of FY 2015.

State pay supplements for county elected officials

County elected sheriffs, prosecuting attorneys, and common pleas court clerks receive pay supplements from the state. Counties are reimbursed by the state for one-eighth of the county sheriff's salary. The state also reimburses counties with a population under 70,000 for a portion of the county prosecutor's salary if the county prosecutor does not maintain a private practice while holding elected office. However, by law, counties only receive state reimbursement for county sheriffs and prosecutors if adequate funds have been appropriated by the General Assembly. Additionally, the state pays one-eighth of the county-paid compensation for common pleas court clerks also serving as the clerk of the court of appeals. Since the bill increases the salaries of sheriffs, prosecuting attorneys, and clerks of court, the state will incur additional costs for these supplements beginning in CY 2017 when these elected officials begin a new term. In CY 2017, the state could incur additional GRF expenses of up to \$414,000 for these supplements assuming the maximum 3.0% COLA. The Attorney General reimburses county sheriffs and prosecutors under the biennial main operating budget act through GRF line item 055411, County Sheriffs' Pay Supplement and GRF line item 055415, County Prosecutors' Pay Supplement in the Attorney General's budget. The Judiciary/Supreme Court reimburses common pleas court clerks through GRF line item 005321, Operating Expenses – Judiciary/Supreme Court.

Ohio Public Officials Compensation Advisory Commission

The bill creates the Ohio Public Officials Compensation Advisory Commission that is to recommend the salaries of all state and local elected officials. The Commission is composed of nine members appointed by various elected officials. Specifically, the Commission is to recommend salaries of elected officials in the form of pay schedules by resolution to be approved by the General Assembly. The Commission is to begin this process beginning in CY 2023 and continuing every year thereafter. The state may incur minimal costs to reimburse Commission members for actual and necessary expenses incurred in the performance of official duties. Additionally, the bill requires that the Legislative Service Commission (LSC) provides resources such as facility space and staff support. The costs to provide these resources would likely be absorbed under LSC's budget.

Local government

County elected officials

In CYs 2015 and 2016, the bill increases the pay for the following county elected officials (1) auditors, (2) treasurers, (3) sheriffs, (4) common pleas court clerks, (5) recorders, (6) commissioners, (7) prosecuting attorneys, (8) engineers, and (9) coroners. In addition to these salary increases, in CY 2017 and each calendar year thereafter, it reinstates an annual COLA of the lesser of 3.0% or the increase in the CPI calculated from the October 1 to September 29 period of the previous year. In total, this will mean increases of up to \$868,000 in county costs statewide for CY 2015 and CY 2016. (The county fiscal year corresponds to the calendar year.) Additionally, counties could incur an added cost of up to \$10.0 million in CY 2017 to cover the COLA, once again assuming the maximum 3.0% increase. The increased cost in CY 2017 reflects the increase in the number of county elected officials that will then be eligible for the pay increases.

Pay schedules for county elected officials based on population classifications

Salaries for most county elected officials are based on population classifications established in the Revised Code. Currently, there are eight such classifications. The bill reduces this number to six starting in CY 2016 by consolidating the smaller population classes (Classes 1 to 3) into one larger grouping, as follows. Fiscally, the significance of this change is that smaller counties (those in Classes 1 to 3) will incur a more sizeable jump in pay increases in percentage terms for their elected officials than their larger counterparts when the new population classifications take effect in CY 2016.

Table 1. Population Classifications Used to Determine County Elected Officials' Salaries			
Current		Proposed Under H.B. 661	
Class	Population	Class	Population
1	1-20,000	1	1-55,000
2	20,001-35,000	2	55,001-95,000
3	35,001-55,000	3	95,001-200,000
4	55,001-95,000	4	200,001-400,000
5	95,001-200,000	5	400,001-1,000,000
6	200,001-400,000	6	1,000,001 or more
7	400,001-1,000,000		
8	1,000,001 or more		

Pay schedules for elected officials with and without private practice

Although all elected officials are paid salaries according to schedules determined by county population size, in certain cases these schedules differ according to whether these officials work full-time in their capacity as an elected official or maintain outside practices. This is the case for engineers, and prosecuting attorneys. Specifically, those who do not maintain private practices while holding their elected offices receive higher salaries than those who do maintain private practices while in office. However, there is a particular exception for coroners. Under current law, only coroners elected in counties of 175,001 or more have the option to take the higher rate of pay. The calculations in this Fiscal Note assume that all office holders work exclusively for the county during their terms of office and are thus eligible for the higher salaries. Consequently, the impact of the pay increase provided under the bill will be overstated to a certain degree.

Townships

The bill increases the compensation of township trustees and fiscal officers in CY 2015 and reinstates an annual COLA on salary for CY 2016. Township trustees are paid for each day of service capped at 200 days. Township fiscal officers are paid an annual salary. Township fiscal officers and one township trustee begin new terms in CY 2016. The other two township trustees begin new terms in CY 2018. Thus, there will likely be no cost to townships in CY 2015. Assuming that township trustees have a maximum 200 days of service each calendar year, then townships could incur new expenses up to \$3.5 million in CY 2016 and an added cost of \$881,000 in CY 2017 to cover the COLA (assuming a 3.0% increase).

Pay schedules for township trustees and fiscal officers

Salaries for township trustees and township fiscal officers are based on budget size as set out in the Revised Code. There are 1,308 townships statewide. Currently, there are ten budget classifications that determine township trustees and fiscal officers'

salary. The bill reduces this number to eight starting in CY 2015 by consolidating the three smallest budget classifications into one larger grouping, as follows. Fiscally, the significance of this change is that smaller townships will incur a more sizeable jump in pay increases in percentage terms for their elected officials than their larger counterparts when the new population classifications take effect in CY 2015.

Table 2. Budget Classifications Used to Determine Township Trustees and Fiscal Officers' Salaries			
Current Budget Classification		Proposed Under H.B. 661	
1	\$50,000 or less	1	\$250,000 or less
2	\$50,000.01-\$100,000	2	\$250,000.01-\$500,000
3	\$100,000.01-\$250,000	3	\$500,000.01-\$750,000
4	\$250,000.01-\$500,000	4	\$750,000.01-\$1.5 million
5	\$500,000.01-\$750,000	5	\$1,500,000.01-\$3.5 million
6	\$750,000.01-\$1.5 million	6	\$3,500,000.01-\$6.0 million
7	\$1,500,000.01-\$3.5 million	7	\$6,000,000.01-\$10.0 million
8	\$3,500,000.01-\$6.0 million	8	More than \$10.0 million
9	\$6,000,000.01-\$10.0 million		
10	More than \$10.0 million		

We know that there are 1,129 townships in budget classifications of \$100,000 and greater. For the data presented in the spreadsheet accompanying this Fiscal Note, we assumed that the remaining townships (179) are split among the two smallest current budget classifications.

Boards of elections

Annual compensation for members of county boards of elections is based on the population of the county that the member serves. Compensation is scaled up according to each thousand increase in population increments. Currently, a member of a board of elections is paid \$92.89 for each full 1,000 of the first 100,000 in population, \$44.26 for each full 1,000 of the second 100,000 in population, \$24.04 for each full 1,000 of the third 100,000 in population, and \$7.37 for each full 1,000 above 300,000 in population. Additionally, there is a minimum and maximum annual compensation a member can earn. The bill increases a member's annual compensation by 5% over the previous preceding year in CYs 2015 and 2016. In CY 2017, the bill provides an annual COLA of the lesser of 3.0% or the increase in the CPI. The bill also increases the minimum and maximum annual compensation a member can earn. Two members are eligible for the increase in CY 2016 and the other two members are eligible in CY 2017. This means that counties may incur new expenses up to \$217,000 in CY 2016 and \$310,000 in CY 2016, assuming the maximum 3.0% increase.