



Ohio Municipal League

Our Cities and Villages ★ Bringing Ohio to Life

June 4, 2015

Honorable Scott Oelslager
Chairman
Ohio Senate Finance Committee

Chairman Oelslager and members of the Senate Finance Committee, I am providing written testimony for your consideration concerning sub.HB 64, the state two year operating budget proposal before you.

The league has been tracking several issues that were included in the legislation approved by the Ohio House several months ago and obviously it remains to be seen if those items will garner the support of members of this committee and may survive in what the Senate deems appropriate to be included in the bill returned to the Ohio House. Although our list of issues currently included in the proposed spending plan may not be as extensive as other associations that have a statewide membership, the need for a greater and renewed investment by the state in our cities and villages is greater than ever.

During meetings with some legislators and forums where various legislators have made public remarks about their perceptions concerning the condition of current municipal finances, it has been shared that some members of the legislature are under the false impression that municipal revenue figures across the board are back to or even higher than revenue collection amounts before the 2008 economic recession or the significant cuts in state financial assistance that took place in HB 153, the FY 2010-11 state budget, with the LGF and Estate tax. It is our experience in working with and talking to our municipal officials across the state, as a whole, that revenue collections remain below amounts collected in 2008, comparing figures from seven years ago when the state's economy was strong and funding to local governments was maintaining the support needed to those that deliver services residents and businesses depend upon every day. Accompanying my testimony is "Attachment A", a brief chart that shows a sampling of varying municipal revenue collection figures through the seven year period. In many cases, if a municipality has recovered financially during the time period of 2008 to the present, there most often was an increase in tax rate, credit reduction or some other

revenue enhancement mechanism used to generate the additional revenue needed to stabilize the operating budgets.

It is generally accurate that many municipalities who administer their own income tax have seen an increase in tax collection totals during the past year. It is important to consider that this increase in tax revenue reflects a re-adjustment to previous collection levels before the 2008 recession when every municipality experienced significant decreases in revenues amounts, much like the financial crisis the State of Ohio faced with the projected \$8 billion dollar deficit. As part of the state's recovery plan, it was decided that all state entities including local governments should play a significant role in the state's recovery of its financial stability and that revenue sharing levels through the Local Government Fund should be cut by half and that the Ohio Estate tax will be eliminated. Both of these policy decisions by the state had and continue to have a tremendous financial impact on Ohio's municipalities and their ability to deliver the package of services expected within the severely constrained funding levels while not relying on taxpayers to always make up the differences.

Municipal officials are proud of the role they played to stabilize the state's financial solvency when they were called upon to do so. Now that the state is experiencing robust tax collections and stabilization efforts have been successful, we are asking that more of the excess state revenue, projected by some to be in excess of \$600 million from what the Ohio House had remaining in state reserves available for the Senate, to be directed to the Local Government Fund (LGF) in an effort to return dollars to where they will immediately benefit Ohio's future success in a sustained economic recovery. Although returning state financial assistance to local service providers through grants and other state controlled schemes is a good first step, the current funding levels for current and proposed future grant programs for local governments is not adequate to meet the needs cities and villages are experiencing when addressing public safety, infrastructure and environmental responsibilities and demands.

Instead of the state coming up with new ways to de-incentivize municipalities from exercising powers granted to them through the Ohio Constitution by maneuvers to withhold remaining LGF distributions, we are hopeful that as we move forward, there will be a greater opportunity for the state and municipal governments to address shared concerns in more of a spirit of collaboration and cooperation and less of an adversarial manner.

In addition to our request that additional state revenue being returned to the Local Government Fund, there are several items that the Ohio House included in their two year state budget package that would affect Ohio cities and villages, which we would like to bring to your attention. Those items include:

- Our request that language be retained creating the Local Government Safety Grant Program and appropriation of \$20 million over the biennium to provide grants up to \$100,000 maximum per community to help local governments pay for public safety capital costs.
- Our request that the language be removed tying the use of red light cameras to the Local Government Fund (LGF). The league strongly opposes the language in the current version of the budget bill mandating that Ohio cities and villages who continue to operate and receive revenue from red light cameras to annually report revenue amounts collected via the use of cameras to the state Auditor so that those communities LGF distribution amounts can be reduced equal to the revenue generated. Municipalities that fail to comply with the reporting requirement will forfeit all Local Government Fund (LGF) distribution revenue for the year. We feel that this punitive language is meant to dissuade municipalities from exercising rights provided to them via articles of the Ohio Constitution, to exercise practices of self governance through authority granted in provisions of Home Rule. We feel this is would be a reckless precedent by the state and would demonstrate an overreach that will have detrimental consequences in the future for all of Ohio's local governments and the constituencies they serve.
- Retain the extension of the Enterprise Zone Agreements through 2017. There are 364 active EZs currently in the state and this is a program that has widespread support.
- Remove language inserted concerning 9-1-1 Public Safety Answering Points (PSAPs) as the language is redundant from changes made in actions taken by a previous advisory committee.
- The league has concern for language altering state Auditor fiscal emergency declarations which permits the state Auditor to elevate a situation from financial watch to financial emergency regardless of a financial recovery plan status and reduces the timeframe for local governments to create a financial plan from 120 days to 90 days. If this language is to remain, we have asked that a sunset provision be added so that current concerns can be addressed without causing unnecessary

difficulties for cities and villages who comply with directives by the state Auditor.

- HB64 includes several changes to the Municipal Income Tax. The league appreciates the inclusion of language originally introduced as HB 84, Rep. Sprague's (R-Findlay) legislation requiring that any civil actions initiated by a taxpayer related to municipal income taxes be brought against the municipal corporation imposing the tax rather than the municipal tax administrator. We hope that this important correction to a previous treatment included in HB5 from the 130th General Assembly remains in the budget bill.

Language included in HB64 by the Ohio House will allow municipalities that use OAGI as the base of their income tax to change their base to mirror state income tax changes and to request an Ohio 1040 form as well as a federal 1040. HB64 also makes due dates for entities with a fiscal year end other than a calendar year end to be consistent with federal, state and current municipal law.

The league is not in support of language being offered to the budget which would require tax administrators to accept a taxpayer request for a six month filing deadline extension regardless if a prior a request has been made by the taxpayer for a federal extension. This new treatment would cause many municipalities to experience potentially significant "cash flow" issues that would further challenge the ability for municipal budgets to have a predictable, stable stream of revenue available to support the funding of basic services. This proposal also goes against the primary principals of HB5, the sweeping uniformity legislation enacted last year to provide greater consistency to the current municipal tax system.

Lastly, language was adopted by the Ohio House and included in the budget proposal which reinstates a mandate that municipalities must publish a summary of taxpayer's rights and responsibilities online.

Mr. Chairman and members of the Senate Finance Committee, I thank you for the opportunity to present these budget issues to you and look

forward to working with you and all of the members of the Ohio Senate
as we together address the challenges facing the great state of Ohio.

Sincerely,

Susan J. Cave
Executive Director