



**TESTIMONY BEFORE THE HOUSE FINANCE SUBCOMMITTEE ON
AGRICULTURE, DEVELOPMENT AND NATURAL RESOURCES**

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HB 166

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Chair Hoops, Ranking Member Hicks-Hudson and members of the House Finance Subcommittee on Agriculture, Development and Natural Resources, thank you for the opportunity to testify as an interested party on HB 166, the executive State Operating Budget proposal.

My name is Thomas Wetmore and I am the Legislative Advocate for the Ohio Municipal League. The League advocates on behalf of municipalities across Ohio, from large urban metropolises to small rural villages. Of the 937 municipalities throughout the state, 751 are members of the Ohio Municipal League.

Ohio's municipalities are home to 8.5 million citizens and 80% of all businesses in the state. We maintain that Ohio's cities and villages are the "economic engines" of the state, the driving force behind Ohio's economy. We also believe that Ohio is stronger when municipalities and the state work together to accomplish our common purpose to serve Ohio's citizens and grow the state's economy.

Multiple cuts to several crucial municipal revenue streams have left many municipalities, particularly smaller cities and rural villages, struggling to fully staff safety personnel, repair failing and dangerous infrastructure and deliver other basic services Ohio citizens deserve. To invest in Ohio, we must first invest in its local governments.

The Governor's proposed budget includes a 9.1% increase to the Local Government Fund (LGF) in FY 20 and a 1.8% increase in FY 21 based on revenue projections over the biennium. However, we believe the state would be best served by a targeted reinvestment of the LGF. Too many municipalities have been unable to recover financially since the 50% reduction in the LGF in 2011. A reinvestment in the LGF means safer streets and reliable services, which in turn attract businesses and a workforce.

The League supports many provisions in the executive budget proposal that affect local governments. On behalf of our members, we want to thank the Governor for including the following provisions:

- **Tax Increment Financing (TIFS).** Allowing local governments to extend TIFS to an additional 30 years for large, high-impact developments.
- **H2Ohio Fund.** Allocating \$900 million to address water quality issues.
- **Local Crisis Services.** Funding local crisis services related to substance use disorder with General Revenue Funds (GRF) rather than diverting funds from the LGF.
- **Opportunity Zones.** Conforming Ohio law to include the Opportunity Zones established in the Tax Cuts and Jobs Act of 2017 for economically-distressed communities in order to attract businesses that will invest in revitalizing local communities.
- **Ohio Business Gateway (OBG).** Increasing funding for the OBG by 295.34% in FY 20.
- **Local Government Audit Support.** Allocating \$10 million each fiscal year for local government audit support.
- **Bureau of Criminal Investigation (BCI) Lab Testing.** Allocating a total of \$21 million over the biennium for BCI lab tests, defraying the cost that would otherwise be passed to local governments.

There are other provisions in the executive budget proposal, however, that would harm municipalities and negatively impact the citizens they serve and the

businesses within their jurisdictions. The League respectfully requests the following provisions be removed from the bill:

- **Municipal Net Profit Estimated Payments.** The executive budget proposal mandates that if a municipality receives a negative distribution from the state for business opt-in net profit filings through the Ohio Business Gateway (OBG), the municipality must pay the amount of the deficiency to the state to balance the state's books. If the state does not receive a payment from the municipality within 30 days, the state can reduce or eliminate the municipality's net profit distribution.

As established during the previous budget cycle, businesses are able to opt-in to file their net profits municipal income tax through the OBG, where it is centrally collected by the state. The state must then distribute those net profits back to the municipalities after a 0.5% administration fee is deducted from the distribution. These distributions are made monthly.

The cause of negative net profit distributions to municipalities is extremely complex. This language, as written, ignores those complexities and instead of finding the true source of the problem and creating a solution, simply seizes money from the municipalities in order to balance the state's books. Not only would cause substantial financial damage to those municipalities, but would also create difficulties for outside auditors.

The League requests that all sections in the budget pertaining to section 718 of the Ohio Revised Code be removed and placed into stand-alone legislation. This very complex issue deserves to be properly vetted.

- **Multi-Agency Radio Communication (MARCS).** MARCS provides state-of-the-art wireless digital communications to first responders and public safety providers and promotes interoperability. The Governor's proposal defunds the MARCS local government fee offset. Without the fee offset, many smaller and economically-distressed cities and villages would no longer be able to participate in MARCS. The resulting lack of connectivity for local governments across the state would jeopardize the lives of citizens across Ohio. The League is requesting the restoration of the fee offset.
- **Property Tax Replacement Phase-Out.** This budget proposes to phase out the Property Tax Replacement for local governments. Municipalities cannot afford to lose revenue more streams on top of the cuts to the LGF, the

elimination of the tangible personal property tax and the estate tax. We ask that this phase-out be removed from the budget.

Thank you for your time and I would be happy to answer any questions you may have.