Testimony

To: State of Ohio House—Ways and Means Committee  
From: Michael G. Hyman, President and CEO of the Mandel JCC in Cleveland  
Tuesday October 29, 2019  
Re: Sales Tax Exemption on JCC/YMCA Memberships

I am writing to encourage the State of Ohio House and Senate to support the approval of a sales tax exemption for JCC/YMCA memberships. I will share information about the Mandel JCC in Cleveland to help you more fully understand the impact that such an action on the part of the Ohio House and Senate will have on the quality of life in communities served by JCC’s and YMCA’s in the State of Ohio.

The Mandel JCC is a multi-service organization, as are most JCC’s, that serves 10,800 members (approximately 4,700 households) and an additional 20,000 individuals as non-members who reside primarily on the eastside of Cleveland. 68% of the Mandel JCC’s members are from the Jewish community, 32% from the community at large representing all ethnic and religious groups in the area.

The Mission of the Mandel JCC is to build and strengthen the Jewish community and the community at large, through a robust selection of high quality social, recreational, education and support programs and services for all age groups—birth through the frail aged. The Mandel JCC, and all JCC’s, are much, much more than fitness centers.

First, some brief background information: The Mandel JCC’s primary business drivers are in two areas:

- Fitness/Membership: Fitness is an important but not sole driver of membership at the Mandel JCC. Combined, membership and fitness represents $5.6 million of $14.8 million of total revenues.
- Camping: The Camping Division generates $3.6 of total revenues. Camping services promotes belonging to the JCC as a member as well.

Strong and successful Fitness/Membership and Camping programs support and impact the business of other program areas throughout the organization. How?

Net operating revenues generated by fitness/membership and summer camps partially support the important mission-based work of the Mandel JCC, program areas that do not self-generate sufficient revenues to cover their operating expenses. This differentiates JCC’s and YMCA’s from private for-profit fitness providers. Programs and services that the Mandel JCC must secure funding for annually include:

- **Financial assistance:** Families and individuals who are in need are able to access financial aid for membership which gives them...
access to fitness and for summer camps. Last year the Mandel JCC provided $425,000 of financial assistance to over 400 families based on their financial need.

- **Support services for the frail elderly**: The Mandel JCC has operated its Lunch Plus program that serves this segment of the community for many years. This program provides transportation, hot kosher lunches, social, recreational and other support services to 240 seniors who would otherwise require more costly in-home support services if this program did not exist. The cost of program annually is $300,000 of which $200,000 is funded by the Western Area Reserve Area Agency on Aging and the Cuyahoga County Office of Senior Services. The Mandel JCC must secure $100,000 of funding support for this program each year from other sources.

- **Support services for individuals with disabilities**-
  - **Companion counselor program**: 20-25 children with disabilities each summer who attend Mandel JCC day camps are assigned a trained companion counselor who works with the child to have an inclusive camp experience along with children of the same age in on-going typical daily programs. The JCC must raise $40,000 each year to cover the costs of this program.
  - **Camp for adults with development disabilities**: A 4-day overnight camp experience for 25 adults with developmental disabilities which allows them to enjoy a summer camp experience with their peers.
  - **Rock Steady Boxing**: For adults diagnosed with Parkinson’s disease, this is a partnership program with the University Hospitals System. This program is mostly grant funded, at nearly $100,000 each year. Other fitness-related programs for individuals with disabilities include specialized or adaptive land-based and water exercise programs.
  - **Basketball for teens with disabilities** in partnership with Rec2Connect- a local not-for-profit that provides social and recreation programs for children and teens with disabilities.
  - Special exercise classes are offered for individuals with arthritis and multiple sclerosis.

The Mandel JCC works in partnership with other non-profit organizations in the Cleveland area to provide services that support quality of life:

- Arthritis Association
- Bellefaire
- Big Brothers/Big Sisters program
- Cuyahoga County Office of Senior Services
- CEVEC Consortium
- JFSA Youth Abilities program
- Multiple Sclerosis Society
- Rec2Connect
- Western Reserve Area Agency on Aging

In addition to programs and services that provide support for vulnerable populations in our community, the Mandel JCC also provides a wide range of arts, culture and Jewish life programs that *enrich the quality of life* throughout the community for all age groups. These programs include:
• Festival of Books and Authors
• Film Festival
• Art Classes
• Art Exhibits
• Playmakers Children/Youth Theater program
• Jewish life classes and community events

These programs require $250-300,000 of funding support each year from donors and local foundations.

After factoring in net revenues from Fitness, Membership and Camping the Mandel JCC must seek funding that totals in excess of $3 million each year to cover operating expenses. The Jewish Federation of Cleveland is an important funding partner that provides support of $1.9 million annually. It is necessary for the Mandel JCC to secure annual funding support from donors and foundations to cover the gap.

It is evident that the business model of the Mandel JCC and other JCC’s is very different than the business model of a private for-profit fitness center. What would the impact of an exemption of the State of Ohio Sales Tax for JCC/YMCA memberships be on the Mandel JCC?

• **If there were no sales tax on memberships:**
  - It would be an incentive for members to maintain their membership at the JCC. The average retention rate of members is 75% on an annual basis. An increase in the annual member retention rate will grow membership and ancillary program revenues which will, in turn, increase the profitability of the Membership/Fitness division which supports other program service areas that are not self-supporting.
  - The sales tax exemption on memberships becomes an incentive for the purchase of new memberships. New membership growth will increase profitability in this area as well.
  - Existing members will have an added incentive to purchase services such as personal fitness training, selected group exercise classes and massages that will further grow ancillary revenues.
  - The increase in membership revenue from the sale of new membership and increased membership retention and new ancillary fees could produce between $175,000 and $200,000 in new revenues for the Mandel JCC annually. This will reduce the need to secure outside funding from other sources.