



OHIO MAYORS ALLIANCE

MAIN OPERATING BUDGET (FY 2020-21) Amended Substitute House Bill 166 Interested Party Testimony

Chairman Dolan, Vice-Chairman Burke, Ranking Member Sykes, and members of the Ohio Senate Finance Committee, my name is Keary McCarthy and I am the Executive Director of the Ohio Mayors Alliance. Formed in 2016, the Ohio Mayors Alliance is a bipartisan coalition of mayors in Ohio's largest cities and suburbs.

Ohio's larger cities and suburbs are engines for innovation, opportunity, and economic growth. Nearly one third of the state's total population (3.4 million) lives in Ohio's largest cities, and 90 percent of the state's GDP is created in our eleven largest metropolitan regions. We believe that reinvesting in Ohio's cities is one way to help foster increased economic growth and a stronger statewide economy.

We were **encouraged that the Senate has provided a modest reinvestment into Ohio's local communities. Increasing the Local Government Fund ratio from 1.66 to 1.68 is a step in right direction to help renew the important partnership between our state and local leaders.** We also appreciate the additional resources for the local government fee offset for the MARCs radio system, and the restoration of the Motion Picture Tax Credit.

This tax credit is an important economic development tool, so too are TIFs. **That is why we would like to see the Senate put back into the budget bill the language that would allow local governments to renew large, high-impact Tax Increment Financing (TIF) developments.**

Restoring funding to the municipal direct fund, which is also referred to as the Supplemental Municipal LGF Distribution Fund is also greatly appreciated. As you know, these funds had been diverted away from municipalities in previous years, with the last full distribution occurring in 2016 totaling about \$10.3 million primarily going to Ohio cities. **While we appreciate this reinvestment into our cities, we do not understand the reasoning for the formula changes that cap the gains in this population-driven formula for cities with populations over 50,000.**

We are also **concerned about the financial impact on our cities as a result of the language that prohibits cities from taxing Supplemental Executive Retirement Plans (SERP), which are defined by most local ordinances as deferred compensation plans not pensions.** We appreciate that this

language is not being retroactively applied, which would have forced cities to pay refunds. However, the loss of this taxing authority will still have an adverse financial impact locally. The city of Akron estimates that this will be a loss of between \$1.1 and \$1.3 million a year. Columbus estimates that it could lose \$1.2 and \$1.8 million annually. Several other communities such as Dublin, Cincinnati, Grove City, and others will see revenue losses as a result of this change.

It is fair to point out that both the federal government and the state of Ohio tax SERPs, but this language in HB 166 is only specific to municipalities. It's also fair to note, that **the cities that will likely be most adversely impacted by the SERP changes, are larger than 50,000 and will also be impacted by the somewhat arbitrary caps being placed on the revised formula in the newly replenished municipal direct fund. Therefore, we ask that you remove the language regarding SERPs or remove the gain caps being imposed for our larger cities in the Municipal Direct Fund.**

Lastly, our cities and local governments are working to bring their communities together to support the work of the 2020 Census. The role that mayors play in this process is to convene public- and private-sector partners to form local Complete Count Committees (CCCs). These local committees are responsible for supporting the US Census Bureau and raising awareness in their communities about the Census. The activities are wide ranging and include such things as including census information on utility bills and other correspondence to residents, helping promote the census at community festivals, and coordinating with other community partners for census advocacy.

This work is supported locally and with the goodwill of the partners that come to the table. The local philanthropic community often provides some resources to these committees, but an additional pool of resources from the state would be hugely impactful. **That is why we are requesting a modest \$1.1 million grant to support local complete count committees, particularly those with designated hard-to-count populations.** In addition to providing direct support to locals, we believe these grant dollars could also be used as an important tool to raise additional resources from the private sector and the philanthropic community. We hope the committee will support this grant program in the omnibus amendment.

We also support **several amendments related to the state administration and collection of municipal income tax net profits being offered by the Ohio Municipal League and others.** The amendments help address some municipal concerns and will allow business to opt out of the centralized collection process, improve auditing functions, and provide clarity for municipalities when negative balances occur.

Lastly, we **support the Senate's decision to increase the FY 2019 General Revenue Fund (GRF) surplus allocation to the H2Ohio fund up to \$172 million.** Water infrastructure is very important to Ohio's cities and we strongly support the purpose of the H2Ohio Fund.

Thank you for time and attention. I would be happy to answer any questions at this time.