Senate Finance Committee
June 9, 2015
Testimony of Rod Goddard

Good morning Mr. Chairman and members of the Senate Finance Committee. My name is Rod Goddard, I submit written testimony today regarding concerns relating to the proposed phase-out of the tangible personal property (TPP) tax reimbursements. Not only am I the Fire Chief for Allen Township in Union County, but I am also an appointed member of our local board of health and sit on the advisory committee for our local 911 dispatch system. I am here to speak to the impact this proposal will have on these services.

I have testified before the General Assembly once before on this very subject. Back in 2004, I asked this body for reconsideration of the elimination of the TPP tax, and the phase-out schedule that was included in HB 66 (126th GA).

In the reading the Administration's comments regarding the phase-down proposal, it refers to the state reimbursement to entities, such as ours, as "Legacy Programs". The State recognized that the hold harmless was necessary in 2004, again in 2010 and it is my hope that this body will recognize it today.

Below is a section from my 2004 testimony, and I feel it necessary to include.

> *"The local entities I'm involved with (Board of Health, 911 Operations, and the Fire Department) stand to lose substantial funds once the 5 years are up. (Health Dept. 25 %, 911 levy 25 % and our Fire Dept. 70%). The school district has already stated that they would need to pass a 14 mill levy to make up the losses they would suffer. With no other means of generating revenue, all local entities would be racing to the ballot to make-up the loss once the 5th year was up. It would also take substantial larger levies to generate the same amount of revenue prior to the loss of TPP. My Fire Dept. currently has an 8 mill levy and it is estimated we would need 20, 30 or more mils to make up the projected loss.*
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> *In our area those increases would be forced onto the local farmers and area residents. They would be faced time and time again with requests to increase levies from schools, Health Dept., MRDD, 911 Operations, County Services, and, yes, even my fire department would see a very dim future. How do you make up a 70% decrease in funds? How do you ask your residents to pass a 20 or 30 mill levies?"*

As you will see, we are in the same situation as we were in 2004. Allen Township is a rural township encompassing approximately 34 square miles. Residential, commercial and agricultural make up the township's tax base. Although we are a rural township, we have a large industrial base, along with other support companies, doing business in the township.

Allen Township provides the residents and industry with a full-time, cross trained fire & EMS department, a road superintendent (who also serves as ground maintenance), an administrative assistant and zoning inspector. In addition, the Township contracts with the County Sheriff's department to provide a Public Safety Officer (PSO), a cross trained individual in law, fire and EMS. The Township is zoned, maintains two cemeteries and has a park that residents enjoy. In addition, Allen Township has mutual aid contracts with neighboring communities and provides fire & EMS service to Zane Township in Logan County.

As I mentioned, we do have a major industrial base in the township. Why is this important? In 2004, 60% of our Township revenue was based on TPP evaluations. When TPP was phased out and the CAT was phased in, we became dependent on the reimbursements. As the CAT is collected and controlled by the state, no other revenue base was established or has been established for townships to help with the loss of TPP.

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In 2010, the General Assembly instituted a reliance factor to determine a 6% phase-down over a three period (HB 153 129th GA). Once the 3 year period was completed, those still receiving funds would continue " and there after" During that time, Allen Township endured the loss like most entities, found ways to survive and yet maintain our standards of operations. There is a big difference in reducing revenue by 6%, versus the total phase-out contained in HB 64, which again, would be a 58% decrease in township funds.

While I agree with the Governor that it is important to attract industry, the primary way a township may generate funding for local services is through a voted property tax levy. If the phase out was to go forward as proposed in HB 64, the challenge Allen Township would face is how do we replace a 58% loss in revenue while trying to maintain that same level of service to both our residents <u>AND</u> our industrial/commercial properties? In 2004, one mill generated $165,000 for the township. Today, one mill generates only $118,000 and we would have to ask Allen Township residents to approve an approximate 10-mill levy in addition to the 8-mills currently being levied for our fire department.

Again, this proposed reduction is in addition to funding that the township has already lost. Allen Township general fund used to receive approximately $30,000 in LGF money and now only receives about $13,500. Because LGF revenue went into the township's general fund, if you include the phase out of the TPP replacement, the general fund will lose $173,258 a year between the two sources. To include the $924,000 loss to the fire fund, will bring a total loss of $1,097,258.

Allen Township is very grateful the 130th General Assembly found an additional $10 million to give back to townships across the state over the next six months of the current fiscal year. Our township will be able to plug a little hole in the general fund with this money. However, the approximately $8,000 Allen Township will receive has only a small impact, as the projected loss of the elimination of the TPP reimbursement will render the township powerless as the Board of Trustees cannot ask the voters to approve 2 mills a general fund levy <u>AND</u> 10 mills for a fire levy.

This is just the township perspective. With the loss of the TPP reimbursement, the Township will be vying for voters' approval in other areas such as county services, local health district and 911 operations, all are levy funded and all, heavily reliant on these reimbursements. The county 911 system operates on a .75 mill levy. Approximately 52,000 residents reside in Union County. Our system receives approximately 15,000 911 calls per year. In 2010, the 911 system levy was reimbursed $117, 000 and today it receives $4,500. The 911 advisory committee is currently considering asking voters for an additional .5 or .75 mills to help address revenue reductions and budget shortfalls.

The Board of Health relies on the TPP replacement for 11.86% of their funding which amounts to $190,900. The local board of health will be faced with asking district voters for additional millage to make up the loss should the replacement be phased out.

In closing, I would once again bring your attention to the word Legacy programs. Entities adversely affected by the unintended consequences of tax changes in 2004 are still adversely affected and are requesting continuation of this funding. Mr. Chairman and members of the Finance, I hope I have left you, with a different perspective relative to the profound effect the elimination of the TPP reimbursements will have not only on Allen Township, but on other entities reliant on property tax revenue.