



**Senate Finance Committee
Interested Party Testimony, Am. Sub. House Bill 166 (Oelslager)
Jason Warner, Greater Ohio Policy Center
Thursday, May 23, 2019**

Chairman Dolan, Vice Chairman Burke, Ranking Member Sykes, and members of the Senate Finance Committee, my name is Jason Warner and I am the Manager of Government Affairs at the Greater Ohio Policy Center. Thank you for the opportunity to provide interested party testimony on House Bill 166 (HB166), the main operating budget for FY2020-2021.

Greater Ohio Policy Center (GOPC) is a statewide non-profit organization that champions revitalization and sustainable growth in Ohio's cities and metros. GOPC is highly respected for its data-driven, nonpartisan policy analysis, research expertise, and policy development, and regularly provides expert analyses to public, private and nonprofit leaders at the local, state and national level. Our vision is a revitalized Ohio.

Today, I wish to draw the committees attention to five issues which either are currently a part of HB166 or which GOPC believes should be addressed as part of HB 166. We believe that these recommendations build on Ohio's recent success by recognizing potential, leveraging momentum, connecting people to places, and reviving our most important assets to ensure a Greater Ohio. Our five recommendations are:

1. Provide ODOT with greater flexibility in determining how to allocate the \$70million approved for transit
2. Enact a dedicated funding source for public transportation
3. Allocate up-to \$50 million annually for a brownfield remediation grant program that is flexible and complements existing programs
4. Utilize the returned liquor profits from JobsOhio to fund the brownfield remediation program
5. Remove from HB166 the proposed property tax freeze for pre-residential development (as originally proposed in HB149)

Public Transportation Funding

GOPC commends the legislature for HB 62, which committed \$70 million to fund public transportation. This is the largest state commitment to public transit in a generation.

As in all things however, the devil is in the details. HB62 essentially states that \$63.5 million of the funds approved through the state GRF are to be spent on capital expenditures and \$6.5 million on operating costs. While this allocation does promise more investment in transit for capital funding needs, this proposal does not move the needle in terms to operational funding.

Many systems across the state recognize the need to update their service routes and innovate how they do business. Yet, Ohio's transit systems are so stretched that many simply cannot find the resources to make these needed transitions, even though such evolutions will result in more timely, relevant service, which would lead to more riders and farebox income.

A recent study published by Cleveland State University found that further cuts in funding to the Greater Cleveland Regional Transit Authority (GCRTA) would put 16,500 jobs at risk. Furthermore, a recent survey found that 45 percent of residents in rural Northern Kentucky and Southeast Ohio rely on methods of transportation other than a personal automobile as their primary means of travel – yet nearly a third of those surveyed indicated they had difficulty at times finding transportation.

With Ohio's senior population expected to increase 66 percent by 2030, most significantly in rural communities, it is imperative that we begin to make the important system improvements now that will help institute innovations that result in reduced costs and greater access to mobility options for all Ohioans.

GOPC recommends that the legislature provide ODOT with greater flexibility in determining how to allocate the previously recommended \$70 million approved in the transportation budget through GRF funding. Providing ODOT with greater flexibility in funding allocations will ensure that the department addresses the most critical of needs statewide. As an urban and rural state, Ohio requires a range of transportation options to facilitate the safe and efficient movement of people, good and services.

Dedicated Transit Funding

As appreciative as GOPC and other advocates for public transit are for the General Assembly's commitment to increased funding for public transportation in the transportation budget, we believe it is important going forward for state-level public transportation support to come from a dedicated source of revenue. Twenty-five states, along with the District of Columbia, currently dedicate funding specifically for public transportation. These funds provide transit agencies with a reliable source of funding for basic services and fleet maintenance.

Last year, GOPC released a white paper, *Fueling Innovation in Transit*, which reported on 3 extensively vetted sources for additional funding for transit. Included among those recommendations was an expansion of the state sales tax to parking facilities. Like the gas tax, we see this as a user-fee: a discretionary charge that consumers choose to pay. Consumers have many options if they do not wish to pay for parking. Increasing mobility options provide a variety of options for those who do not wish to incur the additional cost of paying for parking in urban areas. The Department of Taxation has previously estimated applying the sales tax to parking facilities, and found that such a user fee would generate \$33 million per year.

GOPC also supports an amendment which has been prepared by Representative Thomas West, which would impose a fee on the rental of motor vehicles of \$1.50 per day, up to a maximum of \$22.50 for a rental period of 15 days, with revenues allocated to a new State Public Transit Fund. This new dedicated fund would be available to the Director of Transportation to issue grants to political subdivisions for public transit operations and capital expenditures. This revenue stream is estimated to generate between \$17.8 and \$23.8 million per year directly for public transit agencies.

Dedicated funding will demonstrate a renewed commitment on the part of the state of Ohio – a commitment that Ohioans have access to a multifaceted transportation system that guarantees Ohio maintain its competitive advantage economically, ensures everyone has access to some form of public transportation and links residents to job or job training, health care and basic personal services. A number of other states are already considering the enactment of dedicated

funding, including Georgia. In the past 18 months, Georgia has committed to not only invest more than \$100 million in new state funding for public transit, but is now considering legislation which would create a dedicated funding source of \$60 million per year

GOPC recommends that the legislature enact a dedicated funding source for public transportation.

Brownfield Funding

Ohio was once a national model for brownfield redevelopment. Through the Clean Ohio Revitalization Fund (CORF), Ohio was able to provide funding for the revitalization of these former industrial and commercial sites which were unusable in their condition due to environmental contamination. Found in every county of the state, these blighted properties discourage investment and create barriers to job creation across the state.

Unfortunately, brownfield redevelopment is down in Ohio after the sunset of the CORF program. Current brownfield programs in Ohio often target specific site types or only offer loans, both of which have limited redevelopment possibilities and are not always community-responsive. As a result, private development continues to pass over brownfields for less costly sites that do not include an environmental component. Without state investment, Ohio's older communities remain at an economic disadvantage to tackle blight and cannot access the economic potential locked in these sites which are often located in prime locations. Communities are unable to reactivate their downtowns, provide housing for their residents, and attract economic activity through industry and job growth.

The average cost of remediating one brownfield acre can be between \$15,000 and \$35,000. Research by GOPC and others shows that the high cost of brownfield remediation is more than paid back through the economic output of the cleanup itself. GOPC found that for every one dollar invested by the state, CORF generated an additional \$4.67 in new economic activity. In cleanup alone, CORF contributed an annual \$1.4 billion to Ohio's GDP. Additionally, new construction and ongoing tax revenues from the new businesses or homes on the remediated site contribute to the state's economy.

GOPC recommends a funding allocation of up to \$50 million annually for a statewide brownfield grant program, which would be flexible, sustainable, and complementary to existing environmental remediation programs.

Today I would like to share with you our recommendation for how this money could potentially be generated.

GOPC has worked with public and private sector stakeholders to solicit feedback on potential funding sources for our recommended \$50 million program. I am attaching a white paper GOPC has produced with potential funding sources. Today, I would like to highlight one recommendation in the white paper: the allocation of returned liquor profits from JobsOhio to the CORF program.

The CORF program was originally funded by bonds backed by the state liquor sales. When JobsOhio was established, the state transferred the state-owned liquor agency to provide operating capital for the organization, with profits earned from sales returned to each year to state. In FY2019, the returned profits to the state's GRF were \$36.8 million. Estimates provided in the Governor's Blue Book show this number will continue to rise through FY21. As identified

in Ohio law, these returned liquor profits can be used to: pay off bonding debts from the creation of JobsOhio; fund the GRF; or, fund CORF.

The program structure of the CORF program still exists in Ohio law; however, funding has not been allocated since it was last bonded in 2008. **As the original CORF program was funded by the state liquor sales, GOPC recommends the legislature allocate the returned liquor profits to fund the CORF program.** While minor tweaks to the program's structure would be necessary to ensure its sustainability, public and private stakeholders acknowledge CORF as a community-responsive and successful state-operated program that leveraged a more than 4:1 return for every state dollar invested.

Property Tax Freeze for Pre-residential Development

Very late in the budget process in the House, the Finance Committee included the omnibus amendment language similar to that from House Bill 149. This proposes to exempt from property tax the value of unimproved land subdivided for residential development in excess of the fair market value of the property from which that land was subdivided, apportioned according to the relative value of each subdivided parcel. While House Bill 149 proposed that the period the exemption be for either eight years, or until construction begins or the land is sold, the provisions incorporated into House Bill 166 provide for an exemption of three years, or until either sexennial reappraisal is completed, along with the same provisions for sale of the property or the commencement of construction.

The bill specifies that residential construction is not deemed to have begun even if streets, sidewalks, curbs, driveways or water, sewer, or other utility lines being constructed or installed. While this is intended to create an incentive for developers to retain and develop land and promote an increase in residential development, the fiscal impacts on local government will negatively impact local governments and school districts.

GOPC's underlying concern with this proposal is that the provisions essentially subsidize sprawl by incentivizing and promoting economically and environmentally unsustainable development across the state at a time when Ohio's population growth has essentially flat lined.

It has been noted by the proponents of this change that while Ohio is the seventh most populous state, housing starts in the state are very low per capita, and the major share of the growth in Housing starts is in the Cincinnati and Columbus areas. This however aligns with population growth in those areas, where Census Bureau statistics show rates of growth in Hamilton and Franklin Counties at 1.8 percent and 12.6 percent respectively.

The United States Census Bureau estimates that Ohio's population has grown by a modest 1.3 percent since 2010, placing Ohio 40th among all states and the District of Columbia in terms of population growth since 2010. GOPC does not suggest that the need for development does not exist; indeed, as we have noted, there are communities throughout Ohio where the need for increased housing development does exist. It is our firm belief the financial risk of building-up an undeveloped area must be carried by the developer, not the local government in which the development is proposed to occur.

Likewise, we know that there may be some communities who are willing to shoulder the financial risks of building-up an undeveloped area and providing such an exemption for developers. GOPC does not object to any community that deliberately chooses to enter into

such an agreement. However, to enact such a provision as a state mandate will undercut the redevelopment plans of many Ohio communities.

The inclusion of these provisions in House Bill 166 were frankly premature, as House Bill 149 has only received two hearings in the House Economic and Workforce Development Committee, with no opportunity for opponent testimony to be heard. These provisions will subsidize unnecessary urban and suburban sprawl and fuel economically and environmentally unsustainable development across the state of Ohio. At a time when the state has an abundant supply of available housing and the lowest rate of population growth in thirty years, it simply does not make sense to incentivize this dangerous build-up at the expense of local governments. **It is for this reason that GOPC opposes the enactment of these provisions in House Bill 166 and respectfully requests that the Senate remove them from the budget.**

Conclusion

Chairman Dolan and members of the committee, thank you for your thoughtful consideration of these recommendations for House Bill 166, the main operating budget for Fiscal Years 2020 and 2021.