



Rick Carfagna, Senior Vice President
Ohio Chamber of Commerce
Proponent Testimony - Senate Bill 158
October 3, 2023

Good afternoon, Chairman Peterson, Vice Chair Thomas, Ranking Member Humphrey, and Members of the House Government Oversight Committee, and thank you for allowing me to provide testimony in support of Senate Bill 158. My name is Rick Carfagna, and I am the Senior Vice President of Government Affairs for the Ohio Chamber of Commerce.

For 130 years the Ohio Chamber has served as the state's leading business advocate, and our mission is to aggressively champion free enterprise, economic competitiveness, and growth for the benefit of all Ohioans.

Senate Bill 158 would prohibit municipal corporations having a charter provision or ordinance that allows the legislative authority to appropriate, allocate, or draw money from the treasury for the funds to instead be distributed or otherwise disbursed by a vote of the residents. In short, the bill prevents municipalities from circumventing the current appropriations law by abdicating these fiduciary responsibilities over to unelected and unaccountable citizens. This legislation cleared the Senate General Government Committee unanimously and passed with a floor vote of 25 to 6.

The impetus for this legislation involves Issue 38, a proposed charter amendment on the City of Cleveland's ballot in November. As reported by local media, if approved by voters Issue 38 would annually set aside the equivalent of 2% of the City of Cleveland's general fund. Residents would then choose how they want to spend the funds by a voting process governed by an 11-person steering committee. Given Cleveland's general fund budget is approximately \$711 million, 2% would translate to just over \$14 million.

The City of Cleveland presently collects an income tax of 2.5%, which was last increased in 2016 from 2%. The stewardship of these taxpayer-derived funds falls to its locally elected, 17-member City Council representing the 17 city wards each encompassing approximately 25,000 people. This basic and essential function is one of the bedrocks of our republic. Issue 38, however, would create a compensated 11-member panel (with members as young as 16 permitted to serve) that would accept spending proposals for the \$14 million, and residents aged 13 and older then can participate in a vote on ways to spend the money. The idea that such a small number of unelected individuals would have the latitude to determine spending priorities is alarming.

Ohio already has a significant number of local jurisdictions imposing an additional local income tax, and Ohio is second only to Pennsylvania at 848 local income tax jurisdictions. For comparison, Pennsylvania has 2,978 local income tax jurisdictions and Indiana is 3rd with 98. More than 3.2 million Ohioans pay an additional 2% or more for local income tax on top of state income tax, and with over 800 local taxing jurisdictions Ohio's businesses struggle to navigate a complex and burdensome municipal tax code.

The Ohio Chamber recently unveiled the [Blueprint for Ohio's Economic Future](#), a constructive look at policy areas where Ohio can better capitalize on opportunities and position itself as a leader in the coming decade. Our "Taxes and Costs" section specifically recommends improving municipal tax complexities and burdens and encourages policymakers to compare Ohio's incentives to peer and aspirational peer cities and states across the country to ensure our economic development incentive landscape remains competitive.

Allowing "participatory budgeting" measures such as Issue 38 to proliferate in cities across the state will result in the diversion of taxpayer funds away from the delivery of core services and instead towards pet projects. Furthermore, transitioning the power of the purse to unelected individuals jeopardizes the fiscal stability of our communities. Finally, this proposal raises several questions about what sort of accountability measures apply to this unelected panel. Besides answering to voters at the ballot box, our locally elected officials are subject to ethics reporting requirements, campaign finance laws, and financial disclosures to safeguard against conflicts of interest or hidden agendas. A transfer of spending authority to any individuals lacking voter recourse or public transparency would be disastrous.

This past April, the "Big 6" statewide business organizations unveiled the 2023 Ohio Economic Competitiveness Study. The report, produced by Miami University and Northwood University, shows Ohio's competitive standing jumped from 24th in 2018 to 13th in 2023 among all fifty states. These gains were primarily generated via:

- improvements in Ohio's tax structure;
- a drop in Ohio state debt per capita;
- an improved reputation among business leaders of Ohio's business climate;
- dramatically improved auto insurance rates; and
- several tax rate reductions

With so many of these gains derived from prudent tax policies, we would stress the importance of preserving the requirement for all appropriation decisions to be made by a municipal corporation's legislative authority. Senate Bill 158 safeguards this public trust in our locally elected officials and budget processes. Our local governments should identify ways to reduce and simplify the overall tax burden on businesses and their employees, rather than adding more local complexities such as these types of spending initiatives.

Thank you again for the opportunity to voice the Ohio Chamber's support for Senate Bill 158.