

## **Ohio House Ways and Means Committee**

House Bill 1: Opponent Testimony  
Northeast Ohio Mayors and City Managers Association

March 14, 2023

Good afternoon Chairman Roemer, Vice Chair Merrin and Ranking Member Troy. My name is John Licastro, I am the Mayor of Bratenahl, Ohio and also serve as Chair of the Tax Committee for the Northeast Ohio Mayors and City Managers Association and the Cuyahoga County Mayors and City Managers Association. I am here today to testify in opposition to House Bill 1 (H.B. 1).

I am here today not just on behalf of our mayors, but on behalf of many of the political subdivisions in Northeast Ohio. In response to the introduction of H.B. 1, we formed an informal coalition to evaluate the potential impact of the legislation. In my more than 20+ years as Mayor, this is the first time we have formed such a broad coalition to address a legislative proposal. Members of this informal coalition include Metroparks, libraries, school districts, community colleges, counties, and cities. Out of respect for your time, some of our partners will be submitting written testimony rather than testifying in-person. Not surprisingly, all are concerned about the impacts on revenues, property tax owners, as well as our ability to provide the promised services to our constituents.

H.B. 1 would reduce the assessed value of residential real estate from 35% of market value to 31.5% of market value – a 10% reduction. I should note that this 10% reduction in the proposed legislation is just the beginning. The assessed value would continue to be reduced over time. We are also concerned that over the long term this may impact commercial real estate as well, as there is case law that suggests that assessing commercial and residential real estate at different rates may violate constitutional provisions.

H.B. 1 would also eliminate the roll back payments to local government eliminating nearly \$1.2 billion in state payments to local governments and replacing the 2.5% homestead credit and replacing with a flat \$125 payment.

We have all done some preliminary evaluations as to the fiscal impact of H.B. 1. One of the uncertain factors are the implications of H.B. 920 – our property tax “equalizer” enacted in the 1970’s. Depending on the 920 interpretations, there are varying impacts to H.B. 1. Regardless, the resulting loss of revenue in either scenario impacts our ability to provide the services promised to our constituents. In many instances, we went to our voters promising certain service improvements fully disclosing the cost to the property tax owner. Perhaps unintended, but in some cases, there is the odd result that political subdivisions will receive less money and property tax owners may pay more in property taxes.

Let me explain. With the elimination of the roll back, the property taxpayer loses the benefit and must now pay 100% of the property tax. This in theory is offset to the property tax payer by reducing the assessed value by 10%. However, many taxes – emergency levies and bond levies – will not be impacted by the 10% assessment reduction, as they must produce fixed overall amounts. H.B. 920 may also adjust some levies back up eliminating a portion of the 10% assessment reduction. In each of these situations, the homeowner would lose the benefit of the

rollback for those levies but must pick up the portion previously paid for through the state property tax replacement funds.

As you will hear from many of our coalition partners, our preliminary analyses demonstrate serious impacts. Again, we understand that there will likely be changes and some of this is subject to interpretation, but following are just a few examples:

- The Cleveland Metroparks system could lose up to \$90 million over the next 10 years putting Cleveland Metroparks in immediate deficit and exhausting all available reserves as soon as 2026.
- Cuyahoga Community College estimates it could lose up to \$16.5 million annually.
- Mentor Schools, who is also submitting testimony today, estimates it stands to lose between \$1 million to \$5.5 million per year over the life of its forecast (\$4M to \$22M in total).
- The Cuyahoga County Public Library shows a \$8.3 million annual decrease, which represents approximately 9% of the library's operating budget.

In addition to these examples, there are several situations that have yet to be fully vetted. Last week, several Northeast Ohio Mayors had a meeting with the Cuyahoga County Auditor. Among other concerns, there was serious concern regarding the implications on multiple TIF economic development projects and the concern about the ability of local governments to meet their TIF agreement obligations. This concern will have an impact on current economic development projects under consideration.

We appreciate your consideration and want to stress our willingness to work with you as you consider this and other tax issues.

Mr. Chairman and members of the committee, we appreciate your time, and I'd be happy to take any questions.