



## **OHIO SENATE FINANCE COMMITTEE**

**May 30, 2023**

### **Interested Party Testimony House Bill 33 – State Operating Budget**

Chair Dolan, Vice Chair Cirino, Ranking Member Sykes, and members of the Ohio Senate Finance Committee:

Thank you for the opportunity to provide testimony on House Bill 33, the state operating budget. My name is Carrie Schlade and I have the pleasure of representing the Ohio Municipal League and the more than 730 cities and villages it counts as members. In addition to serving as OML's board president, I am currently the mayor of the City of Bryan, in Williams County.

Although OML's member communities differ in population, geography, economic environment and more, the state operating budget contains provisions from which each one can find benefit. Overall, we have been pleased with how the state operating budget has unfolded, but there are some outstanding concerns and additional requests I would like to mention in my testimony today.

I will start by highlighting some of the most notable provisions that will further enable municipalities to carry out their programs and services and, as a result, provide a higher quality of life to Ohio residents. These are all in the current version of the budget bill, and we highly encourage this committee to keep them in place.

Many of these focus on infrastructure and economic development, which are a top concern of OML members due to the financial challenges they create. We support provisions such as the \$350 million for brownfield remediation, \$150 million for building demolition, and \$150 million for downtown revitalization – all of which are important, needed tools for municipalities to experience economic success. They also pair well with other aspects of the budget we support, including \$160 million for water and sewer grants, \$120 million in historic rehabilitation tax credits, \$500 million for the All Ohio Future Fund, \$25 million for innovation hubs, \$50 million for the newly created Broadband Pole Replacement Program, as well as \$307 million for H2Ohio that will, in part, be used for the cleanup and restoration of rivers – many of which flow through municipalities and serve to benefit communities' economic development efforts, as well as their residents' health and recreational opportunities. We appreciate your attention and assistance on these matters.

The need for adequate and affordable housing remains a top issue for the vast majority of Ohio municipalities, and we applaud any efforts made through this budget to address these challenges, such as the currently included low-income housing tax credit that piggybacks on the federal low-income housing tax credit for affordable housing projects. We ask you to continue to

work toward stimulating housing for more families. On top of state investment in affordable housing, this is an area in which such funding can be leveraged with local funding through the LGF, as well as infrastructure related to housing.

From a services perspective, public safety is a large part of what municipalities do, with some spending as much as 70-85% of their budgets for this purpose. In fact, Ohio's cities and villages employ roughly 17,000 municipal police officers and 6,000 fire personnel. We want to thank Gov. DeWine and members of the Legislature for their continued support of our police officers and firefighters. This budget continues the state's investment in police officer training – \$40 million per year for de-escalation, use of force, and crisis intervention training.

The proposed budget also includes several provisions to provide equipment, gear, and training for our fire services. We urge you to keep these public safety-related provisions in the budget, as well as the provisions to provide funding for the Next Generation 911 system in every community, to provide more financial resources for body cameras, and to pay for the use of Multi-Agency Radio Communication System (MARCS) radios.

As I mentioned, we appreciate the additional funding in all these areas. The reason funding from the state is essential is because so many municipalities – especially smaller ones without a large tax base – struggle to carry out the basic services their residents depend upon, such as police and fire, maintaining current infrastructure while investing in new public infrastructure, trash collection, snow removal, parks, and more.

The two most important funding sources that most universally impact the municipalities in your districts and the critical services the cities and villages in your districts provide for residents and the businesses are the municipal income tax and Local Government Fund. When it comes to the municipal income tax, there are some provisions included in the current version of the budget, and our preference is for these issues to be considered through separate legislation and engagement with local officials outside of the state operating budget bill. As for the Local Government Fund, municipalities have faced the challenge of adjusting to the current distribution of 1.66% of the GRF dedicated to this partnership from the 3.68% it previously was over a decade ago. We appreciate the proposal by both Gov. DeWine and the House to increase this percentage to 1.7%, but we believe more can and should be done in this area, and we look to the members of the Senate for assistance.

OML has conducted multiple surveys with our membership to get a better perspective on how our cities and villages would apply the reinvestment if the LGF was increased. The top three responses were: public safety and training; infrastructure projects (water/sewer); and staffing. On top of this, additional LGF dollars would provide greater opportunity for local matching dollars to participate in state and federal grant opportunities at the same time we are left to deal with inflationary price increases.

One of our concerns related to this budget is that that a significant state income tax cut will reduce general revenue for the state and, therefore, indirectly reduce the LGF – meaning less funding will be distributed to local governments. OML does not have a position on the state's tax changes, but we do ask you to ensure our local governments and the services they offer are adequately funded and that we are financially made whole from any additional loss in revenue.

With this in mind, I will transition to some changes we are requesting to further improve the budget. These amendments have been drafted and emailed to all the members of this committee, so I will only briefly touch on them.

**Increase to Local Government Fund** – Having already discussed the importance of the Local Government Fund to our communities, I will simply say that this amendment would increase the LGF percentage to an attainable 2.5%.

**Modifying Municipal Notices** – This amendment would modify the publication of summaries of each municipal ordinance or resolution, as well as all statements, orders, proclamations. Through it, a municipal corporation would be allowed to publish these items either via newspaper, on the state’s publication notice website, or on the municipal corporation’s website and social media accounts. Currently, the Revised Code still specially requires many types of municipal notices to be published via a general circulation newspaper. However, technology has moved beyond newspapers, and charges continue to increase, putting added expense on municipal government. We are asking to take advantage of modern, cost-effective methods.

**Competitive Bid Limit Clean-up** – Competitive bid limits for local governments were altered by the House in HB33, and we appreciate the increase in the threshold to \$75,000. This amendment would simply clean up some of the language in the code while keeping the overall policy the same.

**Removal of Temporary Fire & Building Permits** – The House bill allows a retail establishment to obtain a temporary fire or building permit in the event a local official is unavailable to conduct an inspection or issue a permit for longer than five business days. Not only does this create a safety concern, but it also creates a question of liability. Therefore, it should be removed from the bill.

**Removal of Language Eliminating Replacement Property Tax Levies** – A provision currently included in the bill eliminates the authority of local governments to levy replacement property tax levies starting in 2025. Many municipalities – especially our smaller members – are reliant on such property levies for critical services. A third of municipalities do not have a municipal income tax, making revenue generated from the local property tax an even more critical source of local funding. This provision has the potential to hinder the sustainability of their revenues, and we ask for the removal of the language.

**Railroad Safety Crossings** – The executive budget proposal included transferring \$125 million to the Rail Safety Crossing Fund to help local governments draw down federal funding that could be used for rail crossings. We would like for this to be reincorporated into the budget bill and see this as an important opportunity for many communities across the state to address issues related to rail safety.

**Housing Technical Assistance (DEVCD8)** – The executive proposal included \$1.5 million per fiscal year to be used to offer housing technical assistance grants to local governments seeking to modernize regulations and processes tied to local housing efforts. We are asking that this be reinstated to help address an important need as Ohio faces a housing crisis.

Mr. Chair and members of the committee, on behalf of the OML’s membership, thank you for considering these amendments and for the opportunity to share our views on the proposed state operating budget. I would be happy to answer any questions.