



OHIO HOUSE WAYS & MEANS COMMITTEE

March 12, 2025

Written Opponent Testimony House Bil 28

Chair Roemer, Vice Chair Thomas, Ranking Member Troy, and members of the Ohio House Ways & Means Committee:

My name is Kent Scarrett, and I am the Executive Director of the Ohio Municipal League. On behalf of OML, thank you for the opportunity to provide written opponent testimony regarding the league's position on House Bill 28, a bill that eliminates the authority of political subdivisions to enact replacement property tax levies.

OML represents more than 730 cities and villages, and many of our members have expressed concerns about their residents' abilities to pay certain taxes, including property taxes. And as you know, the ability to afford and access housing of one's choice remains a great concern at the local government level, which we have testified on before. These issues certainly require thoughtful and holistic approaches.

Any time a taxation issue is put on the ballot, we support full transparency and a diligent effort to educate voters on the issue. 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. HB28 has the potential to hinder the sustainability of this revenue.

Municipal funding sources are provided in recognition of the vital role cities and villages play in providing critical services to residents and the limited fiscal capacity of local governments when compared to the state or federal government. On the municipal level, revenue is used for public safety, capital projects, infrastructure maintenance/road improvements, parks and recreation, debt service and more. On public safety, alone, municipalities are generally spending between 65-80% of their revenue for police and/or fire.

Our opposition to House Bill 28 comes into clearer focus when looking at the broader picture of where municipal revenues predominantly come from and how they have been – or are looking to be – altered:

- The municipal income tax is the primary source of revenue for more than 600 cities and villages in Ohio. The municipal income tax is levied at a person's principal place of work and/or where they live -- where they benefit from the services and infrastructure provided by the municipality. Nearly 70% of a typical municipality's general fund revenue is attributable to its municipal income tax. As a reminder, a one percent income tax can be implemented by an act of that community's council. Anything over one percent must be approved by the voting residents. To ensure accountability and good stewardship of

local dollars, it is critical that municipalities continue to have control over the collection and administration of this critical revenue source. Past legislative changes have impacted revenues.

- The Local Government Fund serves as one of the central pillars of the state and local partnership in Ohio. It currently sits at 1.7% of the state's General Revenue Fund, which is nowhere near the 3.68% where it once stood. In the same past budget bill that brought deep cuts to the LGF, the state eliminated Ohio's Estate Tax, which provided roughly \$250 million annually to municipalities around the state. There was also the phase out of the tangible personal property tax that had taken place prior to that in 2005. These cuts were impactful to local budgets and caused significant disruptions to the services provided at the local level.
- Additionally, there exist other revenue sources that are dedicated toward specific purposes, such as the gas tax and water/sewer fees. These additional sources of revenue are critical to a municipality's ability to meet its service responsibilities, but they are seldomly sufficient to support these activities and are supplemented by general operating budgets. Many state and federal grants are essential to the functioning of municipal governments, as well.

State legislative changes related to municipal funding sources, especially the municipal income tax, challenge the sustainability of local revenue generation for municipalities, which serve as Ohio's economic engines. These changes cause disruptions and can result in the request to voters for increased tax rates or other supplemental revenue generators in order to ensure critical services continue. In many cases, that is where property tax levies at the municipal level come into play.

Renewal levies are generally passed by voters at higher rates than replacement levies, yet replacement levies remain an important option for political subdivisions to have in order to maintain needed services for residents in growing areas. Therefore, the Ohio Municipal League urges for you to maintain replacement levies by opposing House Bill 28.

Thank you for the opportunity to comment on this legislation.