

Testimony of Lucas County Commissioner Pete Gerken
Ohio Senate Finance Committee
June 7, 2017

Chairman Oelslager, Vice Chairwoman Manning, members of the Senate Finance Committee, thank you for the opportunity to testify on House Bill 49. My name is Pete Gerken and I am President of the Board of Lucas County Commissioners. I am testifying today on behalf of myself and my fellow Commissioners, Tina Skeldon Wozniak and Carol Contrada, regarding the potential impact of the loss of the Medicaid managed care sales tax on our county and the region.

Lucas County's economy, historically associated with the glass and automotive industries, has become increasingly diversified and remains the home of three of the nation's largest glass companies (Owens Corning, Libbey Glass, and Pilkington North America), and a fourth, Owens-Illinois, is located within Metro Toledo. Fiat Chrysler Automobiles (FCA), General Motors Corporation, and Dana Holding Corporation also continue to be major private sector employers in the County. In 2016, for the second consecutive year, Site Selection Magazine recognized the State of Ohio generally and more specifically the Toledo Metropolitan Statistical Area (MSA) among the nation's most robust environments for economic development. The Toledo MSA was honored as a top 10 midsize metro area in the United States, with 32 active economic development projects.

For these reasons, the ability of Lucas County government to fulfill its obligations is integral to the economic health of the entire region. The gap in revenue that will occur--should the Medicaid managed care tax funds not be replaced--will have an adverse impact on the health of not only Lucas County, but the whole Northwest corner of the state. In the absence of a full, permanent replacement for the Medicaid managed care sales tax, Lucas County will lose \$11 million annually in sales tax revenue. 70% of the Lucas County General Fund revenue (\$105 million) comes from the sales tax; loss of the sales tax on Medicaid managed care represents an 11% loss in sales tax revenue and a 7% loss of the County's total general fund revenue (GF revenue \$150 million). From 2007-2013, Lucas County lost 54% (\$4.5 million) in Local Government Funds, which has resulted in a significant increase in reliance on sales tax revenue to meet our obligations.

Auditor of State Yost's 2016 Financial Health Indicators Report references a cautionary outlook for our General Fund unassigned balance and condition of our capital assets. This is not the time for further reductions in funding. Lucas County, like many other Ohio counties, has been delegated a wide array of critical services to perform on behalf of the State of Ohio inside county borders. A series of State level policy decisions regarding the delivery of services performed by counties, coupled with economic conditions have led to an extended period of ongoing fiscal challenges. Counties have been subjected to fluctuations in the reimbursement rates for public defender services and unfunded mandates regarding equipment and other costs related to county boards of elections.

While counties face the prospect of losing Medicaid managed care sales tax revenues, receipts in other areas are suffering as well. During the first quarter of 2017, area consumer spending has been flat and new car sales are down 6.25% from the same period last year. If the shortfalls

resulting from these cuts to our sales tax revenue are not replaced, Lucas County will not be able to make the investments that will continue to bolster the renaissance our community is currently enjoying. For example:

- Crucial capital improvements, such as the construction of a new, more efficient jail and a planned social service campus, economically serving the most vulnerable Lucas County residents will be threatened
- Efforts in the cost-saving criminal justice reforms that keep non-violent criminals out of jail will be jeopardized, placing additional burdens on taxpayers related to the cost of incarceration
- Maintaining our current structures will continue to be postponed; by not investing in the structures we're responsible for now, we will only make repair of these structures more expensive in the future
- Innovative investments in economic and workforce development initiatives that have worked to expand the rate of workforce participation and prepare local job-seekers for available jobs will be at risk, compromising opportunities for businesses to locate the workers they need to make their businesses grow
- Protection of our most valuable asset, potable water, will be further endangered, undermining not only community health but business attraction and retention in Lucas County

Lucas County simply cannot afford further reductions to our revenues at this crucial time. We have been exemplary stewards of public funds, not only making cuts when we were asked to due to national economic hardships, but also by making the investments that will ensure a high quality-of-life for our residents and prepare our local economy for the future. By investing in our workforce, technology, and infrastructure, Lucas County can continue to prosper and grow. If these cuts are not replaced by new sources of revenue, all of the progress we have made will be jeopardized. By “kicking the can” down the road, we will only increase the costs of delivering quality services to Lucas County residents later. Lucas County implores the legislature of the State of Ohio to find a solution to the budget shortfall that will inevitably stem from the elimination of the sales tax on Medicaid managed care organizations in our state.

Thank you.