

## **Before the Senate Finance Committee**

### **Testimony on HB 49 – the state biennial budget bill**

#### **Honorable Steven A. Davis, Fairfield County Commissioner**

Good morning Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell and members of the Senate Finance Committee. I am Steve Davis, a Fairfield County Commissioner. Currently, I am President of the Fairfield County Commission and principal member of the law firm of Sitterly, Vandervoort & Davis. Thank you for the opportunity to offer testimony on behalf of Fairfield County.

As you know, counties represent the state by delivering services to residents in critical areas. The partnership between the state and counties is appreciated. I know you have heard many thoughtful requests, such as requests to address the growing pressure of the opioid epidemic, replace voting equipment, and fund indigent defense. All of these requests are very important. However, I would like to address one overarching issue: revenue stability as connected to the Medicaid Managed Care Organization sales tax.

The federal Center for Medicare and Medicaid Services directed Ohio to discontinue collection of state and local sales tax on premiums of Medicaid Managed Care Organizations. In response, the state Administration proposed full replacement of lost MCO sales tax revenue for the state in this budget cycle. However, Ohio should develop a plan of parity. There should be equal treatment for the state and counties (as well as transit authorities).

In Fairfield County, annual sales tax revenue is \$22 Million of a \$46 Million general fund budget. The lion's share of the budget is for public safety. The MCO sales tax loss for Fairfield County is approximately \$1.5 Million annually. To put this figure in perspective, \$1.5 Million keeps 19 Deputies protecting our citizens for one year. Further, Fairfield County has a general fund carryover balance of approximately \$10 Million. Given this, the MCO sales tax loss causes the county general fund to crash in five years.

Without the MCO sales tax loss, Fairfield County finances are relatively stable. Ongoing revenues were covering ongoing expenditures, albeit within a very challenging, complex process. In thinking about ways to deal with this MCO sales tax loss, some have suggested more assistance for those with higher sales tax rates. This approach effectively penalizes those who have been conservative.

Yes, Fairfield County has one of the lowest sales tax rates in the state – and some have suggested temporary solutions which disadvantage well run, conservative governments. We in Fairfield County seek revenue neutral steps to support local government stability. There should be a solution for permanent replacement of lost MCO sales tax dollars for all parties.

Again, thank you for allowing me the opportunity to provide testimony. I am happy to answer questions.