



Dale Miller

Cuyahoga County Council District 2

Committee Chair: Finance & Budgeting

Committee Vice Chair: Public Works, Procurement & Contracting

Committee Member: Council Operations & Intergovernmental Relations

Committee Member: Health, Human Services & Aging

Committee Member: Human Resources, Appointments & Equity

OHIO SENATE BUDGET TESTIMONY

Ohio Senate Finance Committee, State Senator Scott Oeslager, Chairperson

Testimony by Dale Miller, Cuyahoga County Councilperson

Testimony on House Bill 49, General FY 2018-9 Operating Budget

June 14, 2017 at 10:40 AM

Chairman Oeslager, Ranking Member Skindell, Distinguished Senators:

I'm Dale Miller, Chairperson of the Finance & Budget and Chairperson of the Public Transportation Advisory Sub-Committee of Cuyahoga County Council.

I greatly appreciate the difficult decisions you face, having served as the Ranking Member on Senate Finance for the 2008-9 and 2010-11 biennial budgets. It is truly an honor and a privilege to come back before this esteemed Committee and testify regarding the potential local impact of several provisions currently being considered as part of House Bill 49, the proposed FY 2018-9 Biennial General Operating Budget.

My primary ask is that you create a permanent and complete correction to the impacts on counties and public transportation systems of the Federal policy on Sales Tax on Managed Care Organizations.

Implementation of the Federal policy creates an approximately \$25 million annual hole in Cuyahoga County's General Fund Budget, an impact which is 10% of Sales Tax Revenue and almost 7% of total General Operating Revenue.

Because of increasing costs, minimal increases in revenues, state reductions in LGF and other programs, acceleration of the opiate crisis, and capital project expenses, Cuyahoga County had to make significant cuts in programs, particularly in the 2016-17 budget. The result is that the relatively easy reductions have already been made, meaning that reductions needed to close a \$25 million per year hole would have significant impacts to our operations.

Cuyahoga County is implementing a front-end, prevention-oriented approach, designed to head off problems early, foster independence, and reduce the need for government services over time. This means working heavily on infant mortality prevention, early childhood education and health, opiate crisis response, drug and alcohol abuse treatment and prevention, post-secondary education assistance, economic development, and career path focused workforce development aligned with the State of Ohio's CCMEP Program.

The failure of the Legislature to permanently address the Medicaid Sales Tax problem would derail our strategy, as we would have to apply reduced revenues to meet statutory obligations and we would have to severely curtail efforts that will have long-term favorable impacts. This would put us in an extended rut of responding primarily to crises and dependency resulting from adverse social conditions without having the resources to meaningfully improve the underlying conditions. Enable us to continue applying our forward-



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looking strategy of prevention focus, opportunity for all, and economic self-sufficiency by correcting the MCO Sales Tax problem.

State Representative Dave Greenspan ably served as Chairperson of Finance and Budget at Cuyahoga County Council before me and can provide you more information on how critically important this issue is to our community. We at the new Cuyahoga County Council have worked on a bipartisan basis to achieve positive movement in our basic economic and social conditions. We need your help resolving the MCO Sales Tax Issue to continue that progress.

The MCO Sales Tax policy would also have a devastating impact of approximately \$18 million annually on our public transportation system in Cuyahoga County. Greater Cleveland does not have the population density of New York City. We need strong public revenue support to run an effective public transportation system with moderate population density. Even prior to this issue, our Regional Transit Authority was forced last year to reduce service and increase fares due to cost pressures and declining public revenue support. Correcting the MCO Sales Tax problem will enable our RTA to avoid an estimated additional 10% reduction in service along with additional fare increases.

RTA is doing its part to make the best possible use of available resources. RTA is participating next month in a forum, hosted by the national Transit Center, on system redesign. The Transit Center has identified methods for prioritizing interlocking high-frequency bus and rail routes that can substantially increase ridership and better serve the public within existing revenue. Public transportation is not a luxury in our community—thousands rely in it to get to work and medical appointments. Your action to correct the MCO Sales Tax problem is vitally important for our public transportation system and the other systems around the state that rely on sales tax as their primary source of public funding.

Failure to address the MCO Sales Tax issue would have a huge impact on Cuyahoga County, but would have an even greater impact on many rural counties, such as Vinton, Meigs, and Perry Counties where MCO tax makes up 25%, 22%, and 18% of their sales tax revenue. This is truly a statewide issue that requires a statewide solution.

It has been said that MCO sales tax has been with us a relatively short time and therefore there is no entitlement to receive this revenue on a permanent basis, and from a narrow perspective that makes some sense. From a broader perspective, however, we must remember that over the last decade we have seen major reductions to the Local Government Fund, elimination of the estate tax, and significant program reductions. The counties are the local implementers of state policy and the State of Ohio will do well only if the state-county partnership is healthy. We need the permanent MCO sales tax correction to have that healthy state-county partnership.

Acknowledging the good intent in the one-year fix that is in the current budget version, my plea, therefore, is that you create a permanent solution if at all possible, and otherwise create a solution that is a complete correction for the upcoming biennium, enabling the next legislature to have time to develop a permanent solution.



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While MCO Sales Tax is my primary concern, I will briefly touch on a few other areas of concern that are having or will impact on our local budget, which strengthens the argument for a permanent correction or replacement of money to be lost from MCO Sales Tax.

I ask that you restore the indigent defense reimbursement rate to the 50% target, or at least to the 48% rate that was in place during the current biennium, prior to January, 2017. Reduction of the reimbursement rate to the approximately 40% that is provided for in the current version of House Bill 49 would result in an annual revenue reduction of approximately \$2 million per year in Cuyahoga County.

Also, please restore GRF funding for public transportation at least to the current biennium level of \$7.3 million per year, which even at that level is an 84% reduction from the \$45.6 million provided in 2002. Ohio is among the bottom five states in the county in state support for public transportation, and long-term, this lack of support must be corrected. For now, restoration of GRF support to \$7.3 million per year, combined with a permanent solution on MCO sales tax, and the increase in Federal Flexible Funds for public transportation provided in the Transportation Bill earlier this year would provide initial positive movement.

Please approve the Dolan amendment, which would provide Cuyahoga County some flexibility on investment policy, at no cost to the State. We are currently operating under overly restrictive policies put in place in the wake of the SAFE scandal of the 1980's. Passage of the amendment would enable Cuyahoga County to safely earn an estimated additional \$2-3 million per year on its investments.

Finally, I ask that you preserve the authority of local communities to do lead paint abatement and enforcement work. Our children must survive to age 1 and also be free of lead poisoning at age 3. This is an all-hands-on-deck situation that requires serious effort at all levels of government. We have a Housing Court and numerous Local Development Corporations in Cleveland and the inner ring suburbs that can implement effective programs based on local knowledge that would be very difficult to replicate at the state level. The devastating way the Foreclosure Crisis of 2007 hit the State of Ohio shows what happens when the state pre-empts local authority and then puts very little in its place. We simply cannot go down that road again.

Lead paint remediation is an integral part of our strategy to take action on the front end to enable our children to grow up healthy, mentally and socially strong, well-educated, drug and alcohol addiction free, independent, and economically successful. Please help us achieve that goal by resisting the lobby of those who don't want to be bothered by local regulations, and do what's right for the health of our children.

Thanks very much for your careful consideration of my testimony.

Sincerely yours,

Dale Miller,

Cuyahoga County Councilperson