



Mid-Ohio Regional
Planning Commission

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Interested Party Testimony – Substitute House Bill 49
Ohio Senate Finance Committee
June 14, 2017

Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell, and members of the Ohio Senate Finance Committee, thank you for the opportunity to submit written testimony on HB 49, the 2018-19 operating budget.

My name is William Murdock, and I am the Executive Director of the Mid-Ohio Regional Planning Commission (MORPC). As the regional council for Central Ohio, MORPC is a voluntary association of over 60 political subdivisions and regional organizations in our region. Our team works on behalf of these members to develop innovative and responsive public policies that foster economic prosperity, enhance the quality of life of our residents, and secure a competitive advantage for the region and state.

MORPC's membership consists of cities, townships, counties, villages, and other government entities. Our policy stances reflect the collective voice of a very diverse group of local governments in the 15-county region. We serve the fastest-growing region in Ohio, which is expected to increase by up to one million people by 2050. To prepare for substantial growth and its future challenges, local governments urgently need predictability, resources, and adequate control of local finances to plan for growth.

MORPC's membership is concerned about preparing for growth, so we have pressing concerns about some sections of HB 49 and ideas to further improve it. A vital component of the state's success relies on healthy communities. We view this operating budget as an opportunity to collaborate with the state and also express concerns. We hope to find solutions for our region and ensure all of Ohio's local governments have the necessary tools to thrive.

Removal of Centralized Collection

As an association of local governments, MORPC was pleased with the adopted House amendment that removed the centralized collection of municipal income tax on net profits in the budget. Cities are on the front lines of innovation and economic development. Our mayors and local economic development professionals collaborate with businesses and entities like JobsOhio to attract development and strengthen our communities. A major municipal incentive job-attraction tool such as income sharing agreements would have been compromised and statewide economic development would have been hampered. Over 70 percent of municipalities are self-collectors. Moving to a centralized collection process would have been a significant shift and an extraordinarily complicated transition.

The new language in the budget is more appropriate as it makes filing business net profits through the Ohio Business Gateway optional rather than mandatory. This allows businesses to make the best choice for them. The language mandates that revenues be distributed to municipalities at least twice a month, and documents pertinent to filing for auditing, reviewing, and compliance enforcement purposes be distributed.

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Chair

Rory McGuiness
Vice Chair

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Throwback Rule

We oppose the elimination of the throwback rule added by the House. Central Ohio is a major logistics and distribution hub, and our member municipalities rely on revenue generated through the uniformly applied throwback rule, one component of the three-factor formula for determining sales that originate from mainly warehouse, distribution, or fulfillment centers. In 2014, when the legislature debated and adopted HB 5, legislators determined better tax reform measures were available benefiting businesses and rejected a similar effort to repeal the throwback rule. We ask that this proposal to repeal the throwback rule be removed from the budget.

Local Government Fund

We were concerned with the original version of this budget, which included a capacity-based formula for Local Government Fund (LGF) distribution, and are pleased to see its removal. Such a proposal could not effectively measure the success of our local governments and would have led to instability on the local level.

As you know, the purpose of the LGF is to share revenue that local governments lost when the state began to impose its own sales tax. We are encouraged this budget has more LGF funds allocated than the previous budget, however, ten years ago LGF funding earmark percentage was significantly higher at 3.68 percent of the state General Revenue Fund (GRF). After a decade of transitional changes, the current funding percentage is inadequate at only 1.66 percent.

To ensure a continued level of local services statewide as well as giving our region the ability to deal with pressures of growth, we strongly advocate for the LGF to be restored to its previous 3.68 percent level. This investment to our communities will assist local governments in providing services such as working to retain and recruit new businesses, ensuring needed repairs and improvements to local infrastructure, or solving difficult issues with both rural and urban access to employment and access to senior services.

Transit Funding

We commend Governor Kasich and Director Wray for putting together a forward-looking transportation budget, which MORPC supported. However, this proposed operating budget, as is, would significantly reduce sales tax revenue for Ohio counties and regional transit authorities. This revenue loss is a result of the sunset of sales taxes on Medicaid managed care organizations (MCO). The current budget language simply allows this source of revenue to expire, depriving Ohio counties and regional transit authorities of over \$200 million annually. The Central Ohio Transit Authority (COTA), a MORPC member, would lose \$9 million annually.

In a region that could add up to one million people and 300,000 jobs by 2050, it is essential that we continue to invest in our transit system. We support finding a long-term solution to a major impending revenue loss for Ohio's local transit agencies and counties.

Water Quality and Quantity

MORPC also places a high priority on water quality and availability. We support our partner and associate member Franklin County Soil and Water Conservation District and other SWCDs across the state in continuing to make a positive impact on our water resources. In order for SWCDs to fulfill their mission it is imperative that state funding be restored to a one-one match with localities. Historically, the Legislature strived to meet this match level each budget cycle, however, SWCD funding declined with the state's financial challenges during the recession and has not been restored. The current proposal in the budget stands at 69 percent state funding.

Data Sharing

With data collection and analysis being a key service to the public and our communities, MORPC serves as an information hub for the Columbus Region. We provide demographics, maps, and tools to inform everything from business expansion decisions to local government safety investments. We know advances in technology can increase efficiency, heighten safety, and provide better public services.

Data allows communities to identify strengths and weaknesses in their business practices, open paths to new opportunities, and benchmark themselves against best practices. Therefore we were disappointed to hear of the removal of the DataOhio Board and an accompanying local government information exchange grant program from the budget in the Senate's substitute version of the budget legislation.

MORPC supports a provision in the budget that utilizes advanced data analytics by requiring all state agencies, boards, and commissions to share the data they now store in more than 1,600 separate databases. By better connecting and correlating these individual data resources and applying advanced analytical technologies, the state can better tackle complex problems with solutions that improve Ohioans' health, security and well-being. We look to further our partnership with state agencies as this endeavor begins.

Making Ohio More Age-Friendly

Central Ohio's population over 65 is expected to double in the next 35 years. This poses a great opportunity and several challenges. In 2016 MORPC, the City of Columbus and AARP Ohio launched Age-Friendly Columbus. Over the course of two years, the project will assess the age friendliness of Columbus.

Last year, MORPC and Columbus conducted a survey to learn the strengths and weaknesses of older residents in Columbus. The Findings Report outlines the need for new and improved sidewalks. 52 percent of older adults indicated sidewalks are uneven or unsafe, while 40 percent reported sidewalks were not present in areas they wished to walk. This is a personal issue for many of us with loved ones whose freedom and safety in their own neighborhoods are threatened as they age.

We seek an appropriation, over the biennium, that would be distributed by the Ohio Department of Transportation for the purpose of awarding grants through a Safe Sidewalks for Seniors Initiative to eligible age-friendly cities or metropolitan planning organizations serving eligible cities. The initiative will identify neighborhoods with a high population of older adults that lack the sidewalk infrastructure to services, amenities, and opportunities. Such an investment in a community will make our region an even better place for older adults and everyone else.

Public Library Funding

We also support maintaining the Public Library Fund at 1.7 percent of the state GRF. This will ensure that members of our region will continue to have access to the breadth of educational resources, job search assistance, and workforce development support provided by our state's public libraries.

Sharing of Business Tax-Related Information within Local Governments

Income tax and job information is critically needed by economic development professionals and school districts to determine the economic impact of employers and for evaluating the effectiveness of municipal job-creation programs. It is also critical for monitoring compliance with income tax sharing arrangements between municipalities and school districts that are often entered into to distribute new revenue from job-creating projects. This information is collected as a regular part of the income tax

collection process. However, municipal tax administrators have asserted that current law prevents them from sharing this information for these purposes, and therefore, they have declined to disclose the information for these purposes.

Without the ability to use the information that they have already gathered, municipal corporations either go without this information or, when possible, request it from the business in question. This information-gather process is cumbersome and slow as businesses often do not rapidly respond to the request. This alternative process imposes redundant information reporting and gathering processes on municipalities and businesses, and may not be as reliable as information submitted for income tax purposes.

With MORPC being a strong proponent of local government efficiency and enhancing economic development, we support an amendment being offered by Senator Kevin Bacon for inclusion in the budget that would allow tax administrators to share information for these limited purposes in order to relieve these additional burdens and improve accuracy and efficiency. The amendment would also allow municipalities and school districts to better assess the potential negative impact caused by businesses that may choose to leave the municipality for a variety of reasons, or to verify commitments made by businesses in exchange for tax incentives.

Thank you for your consideration of these items of concern and opportunity. We look forward to continuing our important work together.

Please do not hesitate to contact me, at 614-233-4101 or at wmurdock@morpc.org with any questions or when MORPC can be of assistance.