



OHIO HOUSE FINANCE COMMITTEE

April 20, 2023

Interested Party Testimony House Bill 33 – State Operating Budget

Chair Edwards, Vice Chair LaRe, Ranking Member Sweeney, and members of the Ohio House Finance Committee:

My name is Kent Scarrett, executive director of the OML, and on behalf of the 730 cities and villages that make up our membership, I appreciate the opportunity to share some perspectives with you on issues that are impactful to our municipal government members that are included in the substitute version of the state operating budget bill before you.

Although we are still looking into many aspects and digesting the new language included in the substitute bill that impacts municipalities, I want to start by highlighting a few of the changes being proposed that we are most appreciative of and had requested this committee to consider including in this body's budget proposal.

These items that will directly benefit our members include:

- \$500 million for brownfield redevelopment and demolition
- \$150 million for downtown revitalization

Such grants are important, needed tools for the municipalities in every part of the state to experience more economic success. We thank you for including them.

Likewise, we appreciate the increase in the competitive bidding threshold to \$75,000, the assistance to our members for below-ground infrastructure investments through the appropriation of \$160 million for water and sewer grants, and the \$1 billion for the Connect4Ohio fund – all of which will be used to further invest in our community's infrastructure. Infrastructure is a top concern for our members and a top financial challenge, and we appreciate your attention and assistance with these challenges.

Even with these helpful changes incorporated into substitute HB33, there are additional changes that could be made through the forthcoming omnibus amendment that would benefit municipalities that serve as the backbone to Ohio's continued success:

Low-Income Housing. The substitute bill includes a provision that requires a resolution of support from a board of county commissioners before the Ohio Housing Finance Agency (OHFA) can move forward with the financing, financial assistance, and a housing tax credit for a project. It appears that the language would be retroactive and apply to projects already

approved but not yet closed. We are very concerned that this language would unnecessarily interfere in planning decisions made on the municipal level and will interfere in the ability for some cities and villages to participate in the housing tax credit, ultimately inhibiting the ability to provide more affordable housing opportunities throughout the state.

All Ohio Future Fund. We would like to see the original funding proposal reinstated towards the All Ohio Future Fund and support the project as initially proposed at \$2.5 billion, consistent with the executive proposal, to further prepare infrastructure for large economic development sites.

Rail Safety Crossing Fund. The executive budget proposal included transferring \$125 million to the Rail Safety Crossing Fund to help local governments draw down federal funding that could be used for rail crossings, but that language no longer appears in the substitute bill. We would like for this to be reincorporated into the budget bill and see this as an important opportunity for many communities across the state to address issues related to rail safety and rail crossings.

Temporary Building Permits. The substitute bill allows a retail establishment to obtain a temporary fire or building permit in the event a local official is unavailable to conduct an inspection or issue a permit for longer than five business days. Not only does this create a safety concern, but it also creates a question of liability. We encourage the removal of this issue from the budget and feel it should be considered separately by the General Assembly.

Replacement Property Tax Levies. A provision is currently included in the bill that eliminates the authority of local governments to levy replacement property tax levies starting in 2025. 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. This provision has the potential to hinder the sustainability of their revenues, and we ask for the removal of the language.

I want to close my testimony with a few comments on the two most important funding sources that most universally impact the municipal partners in your districts and the critical services the cities and villages in your districts provide for residents and the businesses: the municipal income tax and Local Government Fund. Both of these funding sources are critical to keeping our 17,000 statewide municipal police officers on the streets and our roughly 6,000 fire personnel in service, maintaining and repairing current infrastructure while investing in new infrastructure, maintaining safe roads, providing clean drinking water, providing trash collection/snow removal/pothole patching, as well as providing parks and recreational, cultural and educational opportunities and much more.

Municipal Income Tax. The overriding objection we have with the substitute budget language related to the municipal income tax is that changes are being made to the tax in the budget bill while our members strongly believe any changes made by the legislature should be done in separate legislation, not legislation that has over 5,000 pages and dozens of state-related policy decisions. In fact, the addition of the changes incorporated into substitute HB33 related to reducing the penalty for late municipal filers is currently HB105 that had a second hearing in the House Ways & Means committee this week. If the legislature feels changes are necessary to the most significant funding source for municipalities across the state, we believe these important discussions should occur through separate legislation so it can stand alone for examination on what the impacts will be to

municipal revenues and, ultimately, municipal taxpayers. In addition to incorporating HB105 into the state operating budget, the sub bill would also reduce municipal revenues by exempting from municipal income tax withholding the income of individuals 18 years of age and younger. We believe changes to municipal income taxes are not germane to the state operating budget and should be handled deliberately and outside of the state operating budget bill.

Local Government Fund. In previous testimony, you heard of the importance of the LGF and the challenges local governments have faced adjusting to the current distribution of 1.66% of the GRF dedicated to this partnership, from the 3.68% it previously was over a decade ago. We appreciate the governor's proposal to increase this percentage to 1.7% but we believe more can and should be done in this area. We appreciate the continued dialogue we are having with members on this issue and are very hopeful that this committee will support an increase closer to 2.5% than where we currently are.

It may be helpful for members to know that the league has conducted multiple surveys with our membership to get a better perspective on how our cities and villages would apply the reinvestment if the LGF was restored, or at least increased enough to be productive. The top three responses were: public safety and training; infrastructure projects (water/sewer); and staffing. These three are critical services our members provide and where they need your help. Many of our members shared that they have had to delay repairs to roadways and other infrastructure, as well as cut back on staff, including first responders, as a result of past cuts and current fiscal conditions.

Similar to what the state is experiencing, every municipality in Ohio is doing its best to manage the significant cost overruns being experienced for ongoing and future infrastructure projects caused by inflationary pressures, rising prices, and limiting resources. These realities are impacting the ability of our local governments to continue to recover economically, and they challenge our ability to prepare for the future. We believe the state has an important opportunity to rebuild the partnership with our municipalities by reinvesting in the LGF and continuing to support the tremendous progress that is being made all throughout our state.

On behalf of the Ohio Municipal League's membership, thank you all for the opportunity to share our views on Substitute House Bill 33, and I would be happy to answer any questions you have.