



Ohio Municipal League

Our Cities and Villages ★ Bringing Ohio to Life

Testimony before the House Ways and Means Subcommittee
HB 59, proposed State Biennial Operating Budget
Chairman Jeffrey McClain
March 7, 2013

Chairman McClain and members of the House Ways and Means Subcommittee to study HB 59, I want to thank you for the opportunity to come before you and talk about a few things our members are interested in as it relates to HB 59, the Governor's proposed two year state biennial budget.

My name is Susan Cave and I am the Executive Director of the Ohio Municipal League.

I want to start out my brief testimony by sharing with you how relieved I am that we are not having a continuation of testimony I provided this committee two years ago when I defended our members against the cuts that were proposed and ultimately enacted as part of the last biennial budget. As you are aware, the cutting by half of the Local Government Fund, the elimination of the Estate tax, the accelerated phase-out of the reimbursement schedule for the TPP and the cuts in the dealers intangible tax have had a negative impact on Ohio's municipalities. The results of the changes in state funding to cities and villages has resulted in a reduction of services, a re-examination of current local tax and credit levels and a reduction in the levels of employment. The push for expanding the level of shared services among local governments is a good thing and something our members had been doing prior to the global recession which began in 2008, in an attempt to improve efficiencies in our delivery of services while being responsive to the needs of the constituencies our members serve. I am thankful that I am not here today to

continue this difficult conversation about more reductions from the state to your local partners.

I want to share with the committee that we appreciate the modest increase in funding to the LGF, as it is currently projected as part of the Governor's proposed budget. Although the increase to the LGF funding is projected to rise by 8% over the biennium, our members have had some pause about this amount and feel the state should consider increasing the amount of lost dollars to the LGF and to replenish this critical source of financial assistance to our municipalities. It is my understanding that as currently proposed, HB 59 would divert additional or surplus revenue generated by the state into the state's already well subsidized "rainy day fund", increasing the surplus levels to nearly \$2 billion dollars. As the state continues to add more cushion to the states rainy day fund, your local partners are struggling to continue the level of services residents and businesses depend upon every day. The effects of the state's reduction in financial support to local governments has resulted in the "pushing down" effect of increased pressure to raise taxes on the local level, in an attempt to offset state cuts from the last budget. If additional surplus dollars were to be directed back into the local government fund, this could have a beneficial effect to taxpayers on the local level. These same taxpayers are increasingly being faced with the prospect of higher local taxes or further reduction in basic services. Your consideration to our request for additional funding is greatly appreciated.

One other issue related to the proposed budget that has come to our attention is proposed changes to the current sales tax. Specifically, our greatest concern comes from areas to be included in the proposed expansion of the sales tax. We are seeking greater clarification on how this proposal would affect Ohio municipalities and if the expansion of the application of the sales tax will apply to purchases made by cities and villages. Our members are also concerned with the proposed changes to the sales tax and whether or not our members will be required to apply the tax to goods and services provided by municipalities. If the sales tax were to be applied to these areas of local government operations, our members feel this would be an increase in the cost of providing many of the essential services that enhance the quality of life within our cities and villages. The unintended consequences to already financially struggling Ohio municipalities could be significant, as well as the expense to Ohio citizens.

With that Mr. Chairman, I would like to conclude my testimony. I would be happy to answer any questions you or the other committee members may have.

Thank you.