



Legislative Bulletin

June 14, 2017

CALL TO ACTION: MUNICIPAL OFFICIALS ENCOURAGED TO CONTACT MEMBERS OF OHIO SENATE

As we have been reporting through recent legislative bulletins, the Ohio Senate continues their work this week on changes to the House version of the state operating budget bill, Sub. HB 49. Monday, the Senate Finance Committee unveiled the first version of changes they propose through a substitute bill that included items the League supported and policies that will continue to challenge municipal revenues and local control. The Senate Finance Committee will hold hearings this week to receive testimony from interested parties who want to react to the Senate substitute language. Next Monday, the Senate will release a final omnibus amendment to complete the amendment process and present the newly-constructed plan for a full vote on the 21st.

Today, OML Executive Director Kent Scarrett will provide testimony on the substitute budget language to the members of the Senate Finance Committee. A copy of his testimony can be found [HERE](#). We anticipate municipal officials will also present testimony, expressing concerns that will affect their communities' financial stability and management authorities. Particularly, the current version of the Senate plan will negatively impact Ohio cities and villages by:

*Changes to the Municipal Income Tax (MIT)

-Create a "nexus to nowhere" treatment of the current "throwback" provision in municipal tax ordinances, essentially preventing the tax provision from being enforced for the sales of tangible personal property from warehouse and distribution centers originating in municipalities. This revenue loss will impact municipalities statewide and in some cases can reach into the millions of dollars in losses to local budgets.

-The Senate's rejection of the House changes to the Governor's centralized collection proposal, which would have preserved local control and revenues related to the collection of municipal net profit filings via the Ohio Business Gateway (OBG). The Senate instead adopted of the Ohio Department of Taxation's alternative business "opt-In" language allowing the state Tax Commissioner to collect and redistribute municipal revenue that accompanies net profit filings processed through the OBG with an application of a 1% service fee for municipalities to receive their revenues. The plan would make municipalities dependent upon the state redistribution efforts, procedures and timelines, with no way for municipalities to verify that the revenues received reflect the revenues due. The plan would create a second, state-run municipal income tax procedure, sharply limiting the ability of municipalities to perform routine audits to ensure compliance and other enforcement capabilities. The language goes against the tenants of uniformity - the very the goal of previous legislative efforts to "fix" the municipal income tax.

* Changes to the Local Government Fund (LGF)

- \$35.3 million redirected from the Municipal LGF Supplement Distribution Fund to support statewide programs to address the opioid crisis, further limiting municipal resources to treat the epidemic on the front lines.

- \$24 million redirected from the Municipal LGF Supplement Distribution Fund to support all 1,300+ Ohio townships and very small villages with a population below 1,000. The legislature recognizes that there are very financially successful townships in Ohio, but still revenues intended to support cities and villages will subsidize Ohio's unincorporated areas.

- With the reduction in overall state revenues and a smaller total state General Revenue Fund, analysts are forecasting that LGF distribution levels will decrease by almost \$90 million dollars over the biennium. The consequence of depressed revenues from state tax collection efforts will not only create over a \$1 billion dollar state budget hole but the pain will also be felt by Ohio local governments as revenue sharing levels decline.

League staff have been meeting with members of the Ohio Senate continually to ask that these proposals negatively impacting municipal revenues be removed from the budget and language added that would instead provide greater financial support for our member's efforts to address mounting infrastructure demands, providing greater economic development opportunities for the state.

Attached [HERE](#) is the hearing schedule for the Senate Finance Committee. If unable to provide testimony, we strongly encourage our members to contact their individual Senators and impress upon them the need for the Senate to remove these misguided policies from the state operating budget and replace them with proposals that will provide greater support for Ohio's economic engines.