

Testimony on AM. Sub HB 1
Before the Senate Finance and Financial Institutions Committee 5/20/09

By: Susan J. Cave, Executive Director
Ohio Municipal League

Thank you for the opportunity to appear before the committee to comment on those provisions in the “state budget” proposal of special interest to the cities and villages in Ohio.

We recognize that this is a very difficult budget. Municipal officials understand all too well what effect the under performance of major revenue sources have on budgets. Cities and villages that rely on the municipal income tax (550 of them) in many cases have experienced declines beginning back as far as 2007. The 2008 tax year that just ended showed more pronounced declines some reaching double digits. So far 2009 collections are continuing to slide downward. As always, however, there are a few pockets where collections are holding their own. With unemployment figures dismal, local income tax projections are not optimistic.

As with the State of Ohio, municipalities have some basic and essential services that residents expect to occur - police, fire, EMS, water, sewer, public health, streets and garbage collection to name a few. With fewer dollars available municipal officials have had to reduce service levels, freeze wages and even reduce the local workforce.

On behalf of the membership of the Ohio Municipal League, I would respectfully ask that you take into consideration certain items contained in Am. Sub HB 1.

1) We along with other groups representing local governments are most appreciative that the House included a provision that extends out for another year the guarantee for local governments that revenues from the CAT will fund the hold harmless from losses due to the elimination of the Tangible Personal Property Tax. We urge your support for this provision. We would also encourage you to consider the possibility of a more permanent solution to this issue as is contained in SB 111.

2) Am. Sub HB 1 in its current form contains a provision requiring all employers with ten or more employees to put in place and offer a 125 cafeteria healthcare plan. We continue to work with representatives of the Department of Insurance, OTA and other parties to mitigate the cost of this mandate. Many members of the OML already provide health insurance programs. Cities with collective bargaining agreements negotiate such benefits. And contrary to some comments, setting up a “125” plan and IRS compliance is not without costs.

3) There are a number of fee increases included in the budget proposal you are considering. These fees will be used to fund various EPA and ODNR activities and functions. Many of these fees will come from municipalities when they seek various water and wastewater permits or when trash is dumped at the landfill. We respectfully ask that you seriously consider significantly reducing these increases or better yet, eliminate the increases.

4) Once again there is a proposal to increase existing “court costs” that fund state programs and even to add a new one. As state court costs rise, it became increasingly difficult to increase local court costs that fund the operation of Ohio’s lower courts. We would ask that these increases be eliminated.

5) Last week this committee heard from the Department of Administrative Services of a plan to include a rewrite of government construction contracting laws for both state and local governments in the budget bill. Ohio’s construction contracting laws deserve a review and may require changes. But his review needs to occur in a manner where all the affected parties can participate. The construction contracting laws are found in several volumes of the ORC and do at times overlap. This is not an easy subject and therefore should have careful consideration in order to insure that whatever the new provisions may be, that they be acceptable to the widest number of interested parties - and of course, that they work.

I would appreciate your consideration of these matters.