May 3, 2017

THIS LETTER WILL BE SENT TO:

Michael Ashford, State Representative, 44th District
Teresa Fedor, State Representative, 45th District
Michael Sheehy, State Representative, 46th District
Derek Merrin, State Representative, 47th District
Theresa Gavarone, State Representative, 3rd District
Randall Gardner, State Senator, 2nd District
Edna Brown, State Senator, 11th District

Dear Congressperson:

In 2014, the Ohio government received notice from the federal government that they must change the taxing policy on Medicaid Managed Care Organizations (MCO) to align with federal regulations. The current sales tax applied to Medicaid MCOs generates approximately $597 million to the state and $207 million which is distributed to Ohio's counties and eight of its transit agencies. Governor Kasich's response to this federal mandate in his Executive Budget proposes replacing the Medicaid MCO sales tax with a fee assessed at the state level. The Governor's replacement proposal will allow the state to recoup the entirety of the $597 million per year that had been collected from the sales tax, but it does not replace any of the $207 million that the counties and transit agencies collect each year.

The Governor's proposal does nothing to address the permanent loss of revenue at the local level and leaves counties and transit agencies to shoulder the burden alone. The Governor's plan to provide transition assistance addresses the immediate drop-off in funding, but it does so only for the last quarter of calendar year 2017 and at a reduced rate for most counties and transit agencies in 2018. Once this transition assistance is spent in 2018, there will be no more. When the Medicaid MCO sales tax was first enacted in 2009, the assumption was that it was a permanent revenue stream. Counties and transit agencies alike have worked this revenue into their budgets and will feel severe impacts when large portions of their budgets are gone. Clearly the Governor recognizes the need to replace these funds and the impact that will be felt if they are not replaced. This is illustrated by the way the Executive Budget proposal makes up his own state deficit. However, it abandons counties and transit agencies, leaving them with substantial revenue losses that will impact service for Ohio's citizens.

This change in sales tax collection revenue will only compound the budget shortfalls felt by local entities after the state's local government fund has been cut by 50 percent since 2010. Ohio's transit agencies have suffered a similar cut in state funding. Transit has lost $32.7 million in state funding since 2000, down to just $7.3 million in 2016. The Ohio Department of Transportation's Statewide Transit Needs Study identified a $650 million gap between Ohio's transit needs and Ohio's transit funding. In addition, Ohio's projected tax collections have trailed this fiscal year by $388.1 million. This compounded loss of revenue severely impacts citizens across the state of Ohio. Ohio's citizens will continue to see their quality of life degraded and will face a continued loss of access to jobs and necessary services. It's clear that more state funding is necessary, not less.

TMACOG's Transportation Council urges you to reject the current proposal and establish a permanent fix. If this cannot be done, Ohio's citizens will ultimately shoulder the consequences and Ohio will become a less attractive place to live and work.

Sincerely,

Keith Earley, P.E., P.S.,
County Engineer, Lucas County
Chair, Transportation Council, TMACOG

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