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Local Governments to have \$720 million less over biennium

Loss in State aid, estate tax and property tax rollback to hit in FY 2014-15

Cuts to the Local Government Fund, loss of tax replacements promised when the state eliminated local taxes in the past decade and final elimination of the estate tax on the heirs of Ohio's wealthiest estates leave local government facing a loss of \$720 million in fiscal years (FY) 2014-15 compared to FY 2012-13. Growth in casino revenues does not make up for the reductions. New provisions in the state budget that curtail state property tax relief will make it harder for communities to backfill for the loss.

"Local governments will see \$1.5 billion less in tax revenues and state aid compared with FY 2010-11," said Wendy Patton, Senior Project Director at Policy Matters Ohio and the report author. "Fiscal crisis will continue in many communities."

Over the next two years, locals will get about \$233 million less from the Local Government Fund and \$178 million less from tax replacements when compared with the prior two-year state budget period, FY 2012-13. The biggest loss is the elimination of the estate tax, which provided \$625 million for local governments in FY 2012-13. It was eliminated in the last budget bill, but elimination was put off until January 1 of 2013, so the full impact will be felt this year. Casino revenues are growing, but the estimated \$359 million they will provide will not make up for these other losses.

Elimination of the state's 12.5 percent property tax rollback, a program established in the 1970s, comes as property values recover and as communities may need to backfill for losses in state aid.

"We can expect to see continued loss of local services, from dimmed streetlights to closed pools, curtailed senior services and furloughed police and firefighters," said Patton. "This hurts families and may erode property values. Instead we should support localities and boost the Ohio economy."

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*Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute
with offices in Cleveland and Columbus.*

Three strikes to locals

- **Strike one:** Reduced aid means local governments get \$95 million less than in last budget, \$1 billion less than budget before that.
- **Strike two:** Eliminated estate tax, which had provided locals \$625 million over past two years, also hurts localities.
- **Strike three:** No more state property tax rollback means less help for quality local services.
- The combined impact costs locals \$720 million over the next two fiscal years.