

Three blows to local government

Loss in state aid, estate tax, property tax rollback

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Legislators' changes to tax law and the budget continue to clobber Ohio communities. Local governments face the next two fiscal years with \$720 million less for services than in fiscal years (FY) 2012-13 and \$1.5 billion less than in FY 2010-11. The dimmed streetlights, furloughed emergency workers and reduced pool hours that have plagued many communities over the past two years are likely to continue.

The state budget for FY 2014-15 further reduces revenue sharing and other aid provided to local government, and continues changes in tax law that diminish local resources. The Local Government Fund, cut in half over the past two years, will provide less aid than in 2012-13. Replacement funding for local taxes eliminated by the legislature over the past decade will continue to dwindle. These losses are not offset by growth in casino revenues, and are compounded by loss of the estate tax. Finally, the new state budget eliminated property tax aid for new and replacement levies, which will make it harder for local communities to raise funds to backfill for other funding losses. The impact of these changes include:

- Property tax relief through the rollback and the homestead exemption are expected to rise in the current biennium, but will be cut in future years by elimination of the rollback from new and replacement levies, and means testing of the homestead exemption.
- The Local Government Fund provides \$234 million less for local government in the new biennial budget for FY 2014-15 than in the last one. It provides \$627 million less than in FY 2010-11.
- Tax replacements over the FY2014-15 period will fall \$178 million below the last budget, and \$834 million below FY 2010-11.
- The estate tax, eliminated in 2013, provided communities with an estimated \$625 million for local services in FY 2012-13, funds that will not be available in the current biennium.
- New casino revenue funds, most of which are constitutionally allocated to local governments and schools, will provide \$359 million to county funds and host cities in FY 2014 and 2015.

Overall, in FY 2014-15, state aid to local governments will fall by \$95 million compared to FY 2012-13 and by \$1 billion compared to FY 2010-11. When combined with loss of the estate tax as well as gains from casino revenues, local governments will be working with \$720 million less in FY 2014-15 than in FY 2012-13, and \$1.5 billion less than in the two-year budget period prior to that.

Key findings

- **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.