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Ohio's executive budget proposal and local government

Modest and uncertain gains don't make up for big losses over time

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Revenues for local governments increase in the executive budget for FY16-17 compared with the current budget. But the increase is small compared to earlier losses, leaving local communities still $1.4 billion short of where they were five years ago.

Under the executive proposal, new revenue from an expanded sales tax base, Medicaid expansion and a severance tax on oil and gas production would provide an uptick in revenue for local governments taken as a group. But these policies are fiercely contested and may not make it past the legislature. Nor would they fix fundamental problems from years of state cuts that have reduced important services in many places and killed thousands of public-sector jobs.

The modest revenue increases also would not apply to local governments evenly. A sales tax increase will not help cities, villages, townships and special districts, which don't have sales tax (counties and transit agencies can impose a sales tax). Severance tax from oil and gas well drilling will benefit only communities with drilling, as the tax is intended for infrastructure needs in those areas. Many communities will see additional cuts in state aid.

Key findings

- Local governments would gain $294 million over two years under the executive budget proposal.
- Gains offset little of $1.4 billion cumulative loss in key revenue sharing programs and tax sources since FY 2010-11.
- New revenues from severance tax, expanded sales tax base and Medicaid expansion offset cuts to revenue sharing.
- Counties and transit agencies to benefit from expansion of local sales tax base; other local governments face losses.

In this report, we look at the change in funding across 13 line items relevant to local government funding from "Factsheet: Funding Ohio Communities," a document produced by the Office of Budget and Management in 2013. Across all lines identified as relevant to state revenue distribution to local governments, including the property tax rollback and changes in sales and severance taxes, communities will come out $240 million ahead because of the local tax increases. However, cumulative loss remains high in the biennial budget for FY 2016-17 compared to the two-year budget period in FY 2010-11.