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## **Kasich budget hits some local governments again**

### Changes to Local Government Fund and state sales tax base hurt

In a new Budget Bite released today, Policy Matters calls for state legislators to pass a 2018-2019 budget that restores the Local Government Fund and makes local governments and transit agencies whole after the loss of millions in sales tax revenue.

Federal rules mandate a change in one of Ohio's four health care provider taxes. The Administration chose to make that change outside of the sales tax. Since counties and transit agencies levy sales taxes on the state base, removal of Medicaid managed care organizations (MCOs) from the base means many localities will lose millions – especially places with more residents enrolled in Medicaid.

“The executive budget provides one year of transitional aid, but in 2019, support for many transit agencies and counties falls off a cliff,” said author Wendy Patton. Losses as of 2019 are \$25 million in Cuyahoga, \$14 million in Hamilton and \$3 million in rural Clark County.

Governor Kasich's proposed budget also redistributes a share of the Local Government Fund, the state's main revenue sharing program. The small share of the fund that went directly to municipalities is eliminated. Those and other funds are redistributed to cities, villages, townships and counties based on population and tax capacity.

“The results seem capricious,” Patton said. “Cleveland loses \$2 million a year in 2019. The impoverished suburb of East Cleveland loses aid, but the wealthy Columbus suburb Upper Arlington gains support.”

Policy Matters urged the state to find sustainable revenue to replace the MCO tax revenues lost to localities and transit agencies. “We should close tax loopholes and raise the top bracket of the state income tax so we can restore the Local Government Fund,” Patton said.

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