**Press release**



For immediate release

January 7, 2015

Contact: Wendy Patton, 614.221.4505

**Hard times at city hall:**

State cuts, lagging property values impact public services in communities

Many Ohio communities have not recovered from the recession. State funding cuts have worsened the situation. Localities employ 41,100 fewer people than they did in November 2007. Almost a third of Ohio communities and counties have reserves below recommended levels.

These are some of the findings of a new analysis of tax data, Ohio Office of Budget and Management forecasts, and other information completed by the non-partisan think tank Policy Matters Ohio.

Statewide, local tax rates have risen as the tax base stagnated, according to the study. Voted tax increases of a handful of jurisdictions bolstered overall collections in some years, masking decline in many places. The analysis also reports that the OBM does not expect the value of taxable property to recover to 2008 levels until 2017.

“Communities are struggling to pay for basic public services in the face of shortfalls from state funding cuts and the lagging tax base,” said Wendy Patton, Senior Project Director at Policy Matters. “Although many had to raise tax rates, 41,100 local government jobs have vanished since November 2007.”

Study findings include:

* Ohio’s value of taxable property peaked in 2008 at $241 billion dollars, and will not recover to that level until 2017, when OBM forecasts anticipate the value of taxable property will be $240 billion statewide.
* Property tax rates are forecast to rise by 2.8 percent (not adjusted for inflation) between 2008 and 2017. Since the property tax base has been flat, growth in taxes charged has been driven by rising tax rates.
* Recovery in property value varies widely across metropolitan areas. Some communities have seen median home values drop by half or more since 2007; others have experienced gains.
* Ohio’s local governments will receive $418.2 million a year less in state revenue sharing and program subsidies in 2015 than they received in 2010, according to OBM factsheets. In inflation-adjusted dollars, the loss is $813.2 million. The factsheets do not include all losses, like the elimination of the estate tax.
* In 2012, almost a third of local governments with financial information included in a database compiled by the Cincinnati Enquirer had less than the level of reserves recommended by the Government Finance Officers Association, or, in the case of townships, had expenditures that exceeded revenues.
* Local tax revenues amounted to 2.3 percent of Ohio’s Gross State Product (GSP) in both 2007 and 2013.

The economic recovery in Ohio has been slow and unevenly spread across communities. Revenues from the three major local tax sources grew slowly between 2007 and 2013, due in large part to rising tax rates. Revenues needed to repair the damage of the recession were not available to many communities. The General Assembly continues to cut local resources – most recently through House Bill 5, which changed municipal income tax provisions and has the potential of costing municipalities millions of dollars. The $10 million given to to aid townships in the last hours of the 130th General Assembly is helpful to those communities, but does not address larger cuts and stubbornly weak property tax values in many places which undercut their ability to fully recover from damage of the recession.

“The impression given by some state officials that across Ohio, local governments have recovered from the recession and are flush with cash and surpluses is not supported by a close examination of the data,” said Patton.

The study relies on data from the Ohio Department of Taxation and from forecasts for local revenues provided by OBM.

###

*Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute*

*with offices in Cleveland and Columbus.*