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More state cuts to cities, counties will hamper public services

The proposed state budget for fiscal years 2016 and 2017 includes funding cuts for local communities that will take a toll on basic public services, according to a new report by Policy Matters Ohio.

“New cuts proposed in the state budget will hurt local services like safety, emergency services, road maintenance and recreation,” said Wendy Patton, report author. “Instead of funding new mandates and restoring cuts, the state is cutting deeper and diverting funds from one set of strapped communities for another.”

In the last decade, the legislature phased out local property taxes on tangible personal property (machinery, equipment, furniture, fixtures) of businesses and utilities. The state committed to reimburse schools, local levies and local governments for the loss of revenues during a transitional period; the theory was that the tax cuts would spur economic development. A decade later, the recovery has not happened. But the Kasich administration proposed elimination of tax reimbursements, and the House and Senate support the cut in their respective budget proposals. In addition, \$41 million from the state’s Local Government Fund will be redistributed among jurisdictions or used for new initiatives. Cuts and diversions in the budget for 2016-17 compared to the current two-year budget period, include:

- \$35.9 million less in tax reimbursements – also known as tax replacements - for local government levies, including those for debt service and basic operations;
- \$22 million in local government funds diverted from municipalities and villages larger than 1,000 in population to townships and small villages;
- \$17 million in local government funds diverted to police training and police-community relations.

Tax reimbursements supporting more than 600 local tax levies will be cut or eliminated in the proposed budget. Cleveland loses more than \$1 million in tax replacements. Franklin County loses \$2.6 million and Hamilton County, \$1.4 million.

An appendix shows loss of tax reimbursement in each county by levy and special district. Specific losses due to diversion of local government funds are not yet available.

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