

## Cleveland, Parma and Cuyahoga County

The City of Cleveland has lost almost \$25 million a year as a result of state tax changes, cuts in revenue sharing and slow growth of gas tax revenues. Casino revenues help, but not that much. Annual loss of local government funds is almost \$20 million alone, while new casino revenues are about \$2.6 million a year.

Table 1: Cleveland and Cuyahoga County				
Cleveland lost nearly \$25 million a year				
<i>Not adjusted for inflation</i>				
Cleveland	CY 2010	CY 2017	\$ change	% change
<b>Change in tax laws</b>				
Elimination of Estate tax	\$2,092,820	\$0	(\$2,092,820)	-100.0%
Phase-out of tax reimbursements	\$8,610,672	\$2,949,325	(\$5,661,347)	-65.7%
<b>Local government funds</b>				
County undivided Fund	\$42,539,320	\$25,357,315	(\$17,182,005)	-40.4%
Municipal Fund	\$4,728,919	\$2,085,541	(\$2,643,378)	-55.9%
<b>Dedicated source funds</b>				
Casino revenues	\$0	2,658,049	\$2,658,049	n/a
<b>Dedicated purpose funds</b>				
Motor fuel	\$9,455,679	\$9,121,573	(\$334,106)	-3.5%
Auto license	\$2,266,246	\$2,547,729	\$281,483	12.4%
<b>TOTAL</b>	<b>\$69,693,656</b>	<b>\$44,719,532</b>	<b>(\$24,974,124)</b>	<b>-35.8%</b>
Source: Policy Matters Ohio, based on Ohio Department of Taxation, Ohio Casino Commission, Ohio Legislative Service Commission, Ohio Department of Public Safety, Ohio Department of Transportation.				
* Notes: Auto license permissive tax collections are not shown. Estimate for 2017 Auto license distribution applies growth in state budget line 762901 between FY 2015 and FY 2017 (8.65%) to 2015 auto license revenue received by Cleveland,				

The Ohio Department of Transportation's 2017 estimates forecast lower motor fuel revenues for Cleveland than in 2010. The city is losing population, yet infrastructure needs, like roads and streets and maintenance, don't necessarily shrink with population. Loss of gas tax funds hurts the city's ability to keep up with road and street maintenance and repairs, a big-ticket item in the city budget.

Cuyahoga County hosts two of the state's largest cities: Cleveland and Parma, a suburb of Cleveland. Parma is much smaller than Cleveland and received much less aid, but the decline in revenues was slightly steeper in Parma (about 39 percent loss) than in Cleveland (about 36 percent loss). In part, this reflects the importance of Parma's estate tax collection in 2010 (Table 2). While estate tax revenues were unpredictable, they provided a flexible source of revenue that many communities placed in savings accounts and used for big ticket items: fire trucks, police

fleets, capital repairs. This saved the cost of debt financing and long-term debt service, which vies with operations for resources in the general fund budget.

Table 2: Parma and Cuyahoga County				
Parma lost nearly \$3.3 million a year				
<i>Not adjusted for inflation</i>				
Parma	CY 2010	CY 2017	\$\$ change	% change
<b>Change in tax laws</b>				
Elimination of the estate tax	\$1,163,033	\$0	(\$1,163,033)	-100.0%
Phase-out of tax reimbursements	\$444,382	\$0	(\$444,382)	-100.0%
<b>Local government funds</b>				
County undivided Fund	\$3,400,084	\$1,823,159	(\$1,576,925)	-46.4%
Municipal Fund	\$361,631	\$159,486	(\$202,145)	-55.9%
<b>Dedicated source funds</b>				
Casino revenues	\$0	\$0	\$0	n/a
<b>Dedicated purpose funds</b>				
Motor fuel	\$2,579,089	\$2,627,886	\$48,797	1.9%
Auto license	\$521,739	\$578,954	\$57,215	11.0%
<b>TOTAL</b>	<b>\$8,469,958</b>	<b>\$5,189,484</b>	<b>(\$3,280,474)</b>	<b>-38.7%</b>
Source: Policy Matters Ohio, based on Ohio Department of Taxation, Ohio Casino Commission, Ohio Legislative Service Commission, Ohio Department of Public Safety, Ohio Department of Transportation.				
Notes: Auto license permissive tax collections are not shown. Estimate for 2017 Auto license distribution applies growth in state budget line 762901 between FY 2015 and FY 2017 (8.65%) to 2015 auto license revenue received by Parma,				

Parma and Cleveland are not unique in their loss. All municipalities in Cuyahoga County are working with less state revenues in 2017, compounded by loss of the estate tax and the final phase-out of the tangible personal property tax reimbursements.

Casino revenues are new sources of funding, providing almost \$9 million to the county and \$2.7 million to Cleveland. Casino revenues only help the largest cities, host cities and counties, so places like Parma receive none. These gains for counties and large cities, do not make up for other losses.

Table 3 shows loss to Cuyahoga County itself, which will operate in 2017 with \$38.6 million less than in 2010. The biggest loss comes from the phase-out of tax reimbursements for the state's elimination of significant local business taxes – the tangible personal property tax – in 2005. The elimination of this component of the tax pummeled the locally voted property tax levies, because it narrowed the base of taxable property.

Table 3: Cleveland, Parma and Cuyahoga County				
<b>Cuyahoga County has lost almost \$1.5 million a year before inflation</b>				
	CY 2010	CY 2017	Change	% change
TPP tax reimbursement	\$30,490,222	\$1,955,976	(\$28,534,246)	-93.6%
County undivided fund	\$33,543,674	\$19,258,721	(\$14,284,953)	-42.6%
Casino revenues	\$0	2,658,049	\$2,658,049	n/a
Motor fuel taxes	\$2,366,745	\$2,372,647	\$5,902	0.2%
License tax distribution	\$12,398,430	\$13,975,288	\$1,576,858	12.7%
<b>TOTAL</b>	<b>\$78,799,070</b>	<b>\$40,220,680</b>	<b>(\$38,578,390)</b>	<b>-49.0%</b>

Source: Policy Matters Ohio, based on Ohio Department of Taxation, Ohio Legislative Service Commission Budget in detail, Ohio Department of Transportation, Ohio Department of Public Safety, Ohio Casino Commission. Notes:

1. TPP tax reimbursement includes levies for county operations, debt and health and human service levels.
2. Casino revenue estimate applies share of county distribution received by Cuyahoga County in fiscal year 2016 to statewide county casino tax appropriation for fiscal year 2017 in the current budget bill.
3. Auto license registration does not include permissive tax. Estimate for 2017 auto license tax applies growth indicated in 2016-17 state budget in ALI 762901 between FY 2015 and FY 2017 (8.65%) and applies to the 2015 revenues for the county.

Table 4 illustrates the impact on health and human service levies. More than \$27 million was lost to health and human service levies providing services for community mental health, developmental disabilities, adult protection, children and public health.

Table 4: Cleveland, Parma and Cuyahoga County				
<b>Cuyahoga County human service levies lost \$27.1 million before inflation</b>				
Cuyahoga County	CY 2010	CY 2017	Change	% change
Health	\$6,903,446	\$0	(\$6,903,446)	-100.0%
MH/DD	\$8,974,480	\$0	(\$8,974,480)	-100.0%
Health & Welfare	\$11,275,629	\$0	(\$11,275,629)	-100.0%
<b>TOTAL</b>	<b>\$27,153,556</b>	<b>\$0</b>	<b>(\$27,153,556)</b>	<b>-100.0%</b>

Source: Policy Matters Ohio, based on Ohio Department of Taxation

Across all municipalities, townships and Cuyahoga County itself, including the libraries, Port Authority, debt levies, pension levies, road levies, emergency services levies, there is \$65 million less for public services in 2017 compared to 2010 because of eliminated tax reimbursements.

Sales taxes on Medicaid managed care plans has grown with Medicaid expansion. This benefits counties, which “piggyback” a local tax on the state sales tax. Cuyahoga County garnered \$21 million in 2015, partly mitigating the loss of \$38.6 million in other forms of local taxes and state aid. However, the federal government has deemed that states like Ohio that place a narrow tax on Medicaid managed care companies, which can recoup the expense in Medicaid payments, must change this tax to avoid the “gaming” of federal rules. Ohio should follow the example of other

states and simply expand the sales tax base to include all managed care services, not just Medicaid managed care services. This would prevent loss to the counties and transit agencies that piggyback on the tax. If they do not, Cuyahoga County could lose more than \$12.8 million in sales tax revenues. The Regional Transit Authority serving the Cleveland area faces a loss of a projected \$18 million.