County of Hamilton

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Ohio's Shift and the Shaft

The State of Ohio's war on local governments continues. There have been at least six major changes by the current State Administration and Legislature in the past three years that have transferred literally billions of dollars of traditional state expenses back to Ohio citizens and communities. It was done directly and indirectly by cuts to communities which provide basic local services. During this same period the State government has modestly cut taxes as the State's tax revenues increased by approximately 30%.

In 2005, the state began to phase out the Tangible Personal Property tax (TPP) and replaced it with the Commercial Activity Tax (CAT). The TPP provided significant income to local governments. The CAT went to the state treasury. In order to keep local governments somewhat whole, the TPP amount was frozen and, as collections dwindled the state made up the difference from the CAT.

The TPP reimbursement for Hamilton County and all local communities in 2010 was $4,929,463. In the Fiscal Year 2012 – 2013 state biennial budget, that reimbursement is now $493,571. Hamilton County communities lost about 90% of these funds. With the CAT going to the state, the state has confiscated a local income source and has replaced it with virtually nothing in return.

In 2009, voters passed a Constitutional Amendment to allow four Ohio casinos. Taxes from them were earmarked for counties and schools with a smaller portion going to host cities. Hamilton County was estimated to receive over $8 million per year. When Governor Kasich took office, he declared that, although voters had approved the amendment by a significant majority, the people of Ohio had gotten a bad deal. What he meant was the state treasury didn't get any of the money. Voters were told the money would go to local communities when the amendment was passed.

Governor Kasich then negotiated a deal to establish casino-like entities at seven race tracks in Ohio. These "racinos" compete with the casinos and are estimated to drain off at least one-third of casino revenues. The racinos were slipped in under the Lottery law which puts those funds under the control of the state.

In 2013, Hamilton County received about $4.8 million (just over half of projections) from the casinos. If the racinos take a third our casino revenue will be about $3.2 million per year instead of the original projection of over $8 million, about 67% less.

Also in the 2012 - 2013 state budget, the Local Government fund, first frozen at the already recession-reduced level, was cut in half. The $53 million to Hamilton County communities in 2010 was reduced to $26.6 million in 2013. The County's share dropped from $21.5 million in 2010 to $10.7 million in 2013. That is about a 50% decrease.

This was billed as a "sharing of the pain" by local governments along with state government cuts. That was a deliberate misrepresentation. The state's total revenue (in spite of the much-publicized income tax cuts) is projected to grow by 33%

between June 30, 2010 and June 30, 2015. All of this additional money has found its way into the state budget but there has been no restoration of local government funding.

The money taken from local governments during the 2012-13 biennium is almost equal to the amount that now sits in the state's rainy day fund. In the most recent state budget, the state passed an income tax cut for small businesses and individuals. Those revenues have been almost entirely replaced by a ¼% increase in the state sales tax, certain "adjustments" in various state taxes, and by the continued pillaging of local government funding.

Another part of the budget, the unpopular Ohio Estate Tax, was eliminated. Once again, this was money that had gone to local municipalities and townships. (Counties did not share in this). Legislators claimed credit for cutting taxes. It had negligible effect on the state's own revenue. No new revenue was offered to make up for the local government losses. In many cases, they were quite significant.

In the most recent biennial budget, the focus was shifted from additional cuts to local governments to offloading traditional state expenditures directly onto taxpayers. This was done in two ways:

One was "means testing" of the homestead exemption on real estate property taxes. Judging from history this will eventually reduce eligibility by about 80% in Hamilton County. I estimate once the new rules are fully in place Hamilton County seniors and disabled property owners will be paying more than $19 million additional per year in real estate taxes due to Ohio's new restrictions.

The second is the phased elimination of the 10% and 2½% rollbacks on real estate taxes. These rollbacks were offered in the 1970's and 1980's when the state income tax was instituted and then increased. The promise was to reduce real estate taxes as a trade-off for new and additional income taxes. So they are exactly reversing it with slightly less state income tax and way more property taxes. For Hamilton County, I have calculated that, under the current law, once the new rules have fully worked their way into the system, local taxpayers will be paying out over $108 million more per year due to the State's arbitrarily changing yet another long-time commitment.

Those last two seemingly innocuous changes in the law will, in time, save the state billions per year. But those state savings will come from higher property taxes. The current state administration is shifting funds to make its finances look good. Welcome reductions in the state income tax won't come close to making up for the additional costs for most taxpayers and communities. We get the shaft.

Rewritten by Dusty Rhodes, Hamilton County Auditor from an original draft prepared by Denny York, Shelby County Auditor.

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