



May 10, 2013

The Honorable Bob Peterson
Ohio Senate
Senate Office Building
1 Capitol Square, Ground Floor
Columbus, OH 43215

Re: Proposed Increase to LGF

Dear Senator Peterson,

On behalf of our organizations, we appreciate that the Local Government Fund (LGF) is proposed to slightly increase over the next two years in Am. Sub. HB 59 - 4.5% in FY 2014 and 3.5% in FY 2015 - as a result of being placed back on a formula that is a percentage of the state's GRF tax receipts. However, given that the Administration is projecting a \$2 billion surplus by the end of FY 2013 and that local governments experienced a disproportionate share of the cuts in the last budget, we are respectfully requesting that the LGF percentage be increased to 2.52%, as opposed to 1.69%. The proposed 2.52% reflects a 17% reduction which was the total budget deficit that needed to be addressed in the current biennium.

History of the LGF

We are now in our eighth decade of the state helping support local governments and the many essential, everyday services those governments provide. During the Great Depression, local governments experienced grave financial difficulties. Property tax delinquencies were high. In the 1930s the Ohio Constitution was amended to reduce unvoted property tax millage, and the state's first sales tax was passed. One of the stated purposes of the sales tax was to "support local government activities." The LGF was established at the same time.

The Local Government Fund initially received about 40% of the sales tax, beginning the "revenue sharing" principle between state and local governments. Later, the dealers in intangibles tax became another source of funding, along with the income tax, the corporation franchise tax, the public utility tax, and the kilowatt hour tax. In calendar year 2008, a new funding mechanism was instituted for the state's LGF. With this change, the LGF received 3.68% of total state General Revenue Fund (GRF) tax revenues. In 2011, House Bill 153 funded the LGF during FY 2012 based on 75% of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50% of the July 2010-June 2011 distributions.

Uses of LGF Revenue

At the core of the local government fund program is a belief that local governments can, on the whole, make the most effective use of this money. The LGF is a critical revenue source for general purpose local governments. These funds are used to pay for essential public safety, the courts, homeland security, and first responder initiatives. In some counties they are used to fund critical public health and human service programs that protect children and the elderly. The local government funds are also vital for the provision of many basic day-to-day governmental services that residents not only need but expect, and many of which are mandated by state law. Park districts also receive a portion of these moneys to help maintain parks and provide programs.

LGF & Economic Development

Our organizations agree with the Governor and the General Assembly's desire to make Ohio an even more business friendly and competitive state. It is important to note, a community with good infrastructure, safety services and schools are key factors that businesses look at when scouting locations. The reduction in LGF revenue is counter productive to some of the broad economic development goals of the state. Local governments provide the services that ensure that our communities are strong. But that takes funding.

Disproportionate Cuts to Local Government Funding

The last state budget was a difficult one for all those involved. Local governments had multiple revenue sources decreased or completely eliminated in the last budget and took a disproportionate share of cuts to fill the budget hole. In addition to the 50% cut in LGF revenue, the General Assembly approved an accelerated phase-out of the tangible personal property (TPP) tax and electric deregulation tax reimbursements. Furthermore, the estate tax was eliminated as of January 1, 2013, and municipalities and townships received 80% of the revenue from Ohio's estate tax. In total, local governments lost over \$1 billion in local aid during this biennium.

Proposal to Increase LGF

Local governments respectfully request that the LGF percentage be increased to 2.52%, as opposed to 1.69%. As mentioned above, our proposed percentage reflects a 17% reduction from FY 2011, as opposed to a 50% reduction. The Legislative Services Commission estimates that this increase will cost the state \$396 million for the biennium. Again, given the surplus that is being projected at the end of June and the disproportionate share of the cuts in the last budget that local governments shouldered, we believe this is a fair request.

Additionally, Am. Sub. HB 59 proposes to continue the small county "hold harmless" provision that was included in the last budget. This hold harmless provision ensures that no county will receive less than \$750,000 each year and applies to 23 counties. The last state budget provided additional revenue to the LGF pot to fund the "hold harmless" provision, but Am. Sub. HB 59 does not include additional revenue. Rather, all remaining county undivided funds will be reduced to ensure the \$750,000 minimum threshold is met in those smaller counties. We respectfully request additional funding be allocated to the LGF to fund the "hold harmless" provision.

We appreciate your consideration of these requests. Should you have any questions about our proposal, please do not hesitate to contact any of us.

Sincerely,



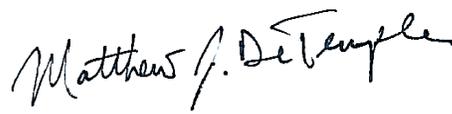
Larry L. Long, Executive Director
County Commissioners Association of Ohio



Susan J. Cave, Executive Director
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Woody Woodward, Executive Director
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Matthew J. DeTemple, Executive Director
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