

FROM THE PRESIDENT'S DESK

**LOCAL GOVERNMENT FUNDS:
LET'S KEEP WORKING TO PRESERVE THE LEGACY**

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The importance of county government to the lives of Ohio's people has never been greater. As I noted in our last issue of *County News*, we saw a perfect illustration of that this summer in the days following the massive power blackout that enveloped a wide swath of our state. We saw how vital it was for counties --- and the state --- to work together to keep Ohio functioning smoothly and successfully no matter what challenges may be placed in our path. And given the fact that since the horrific tragedy of 9-11, our nation has been targeted for destruction by a group of dedicated, violent terrorists, those challenges could be as great as any that we as a people have ever faced --- or greater.

Bearing the dangerous threat we face and the events of this past summer's blackout in mind, we must set ourselves to the task of preserving the strong state-county partnership that lies at the heart of all we do. Key to the partnership is the state's longstanding and strong tradition of sharing its revenue with local governments through the local government funds. Given the state's own budget shortfalls, and the changing environment at the Statehouse, that tradition is today threatened with extinction. We must work to make sure that doesn't happen.

There are really three “local government funds.” The Local Government Fund (LGF) provides revenue to counties, townships, municipalities and park districts that is distributed on the basis of population and municipal property tax values. The smaller Local Government Revenue Assistance Fund (LGRAAF) provides additional revenue to those same entities strictly on a population basis. The Library and Local Government Support Fund (LLGSF) primarily benefits Ohio’s libraries, although small amounts of this revenue also benefit other local governments in some counties.

Each of the local government funds has its own unique purpose and history. During the Great Depression, local governments experienced grave financial difficulties. Property tax delinquencies and mortgage foreclosures were high, much higher than they are even today. In 1933, the Ohio Constitution was amended to reduce the allowable unvoted property tax millage from 15 mills to 10 mills. The next year, the Ohio General Assembly enacted the state’s first sales tax of three cents per dollar. The Local Government Fund was established at the same time, and one of the stated purposes of the sales tax was to “support local government activities.” In 1935, the LGF received around 40% of the sales tax, thus beginning the revenue sharing principle that is in jeopardy today.

In 1947, the intangibles tax revenue collected by the state was added as a second source of funding. In 1972, portions of the personal income tax and corporate income tax were added to the pot. Later, the public utility excise tax and the kilowatt hour tax were added as revenue sources. The LLGSF was established in 1985 to provide

revenues to libraries. The LGRAF was established in 1989 to provide additional assistance to the LGF recipients.

The result of the General Assembly's ongoing efforts was a generous, strong, and stable source of funding for Ohio's local governments, placed in permanent law to lessen the chances of it being buffeted by changing political winds. Unfortunately, there is a movement afoot in the Statehouse now to take all three funds out of permanent law and instead place them on the table during each budget cycle, to be used as bargaining chips in the horse trading process that inevitably arises during the crafting of each of the state's spending plans.

We cannot afford to let the local government funds become bargaining chips in some poker game being played around Capitol Square in Columbus. Too much is at stake to be a part of that game. How much money are we talking about? Instead of using raw numbers, let me give you a different way of looking at it. Counties, as a whole, would need an increase of almost one-quarter of one percent (0.216%) in their piggyback sales tax rate to replace their LGF and LGRAF distributions. Cities and villages, as a whole, would need a 12% increase in municipal income taxes to replace their LGF and LGRAF distributions. Townships would need to double the amount of taxes they collect from business inventory, equipment and fixtures to match their distributions.

As for libraries, 176 out of the state's 250 library districts receive *all* of their tax revenue from the LLGSF. The other 49 library districts receive 59% of their revenue from the LLGSF.

Local government funds provide a mechanism by which all local governments and libraries share in the cumulative wealth of the state. The revenue sharing formulas in permanent law are fair. During good economic times, the revenues go up. During bad economic times, the revenues go down. The funds also reduce reliance on local property taxes. Finally, and most important, they provide essential funding for police officers, sheriffs and their deputies, fire fighters, EMS personnel, and all of the other public servants working in our state on behalf of the people.

In our counties, the need for the local government funds has never been greater. We are entrusted to implement state policy at the local level. We are the primary agents of the state in administering justice and prosecuting criminals, providing health and human services to needy individuals and families, managing the property tax system, and maintaining and improving roads and infrastructure to foster safety, quality of life, and economic development. To do our jobs effectively, we must have the support of the governor and our state lawmakers, and we must have a recognition on their part that they play the pivotal role in delivering the resources we need.

The battle we face over the local government funds is far from over. No matter what the outcome of the current budget debate is, and no matter what decisions are made today, the reality of our state's fiscal situation is that the debate will arise again in the future. We have a long, strong tradition in Ohio of counties and the state working together. Let's put our hearts and our minds in gear and work to keep it that way.