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Sponsor Testimony
Presented by: Senator Charleta B. Tavares
Senate Bill 17
Senate Finance
Chairman Oelslager
Tuesday November 13, 2018

Good afternoon, Chairman Oelslager, Ranking Member Skindell and members of the Senate Finance Committee. Thank you for the opportunity to present Senate Bill 17, which would increase the monthly allocations to the Local Government Fund (LGF) from 1.66% of the total tax revenue credited to the GRF to 3.68%.

In 2011 the 129th Ohio General Assembly passed House Bill 153, the state biennial Operating Budget. H.B. 153, which among other things, cut allocations from the General Revenue Fund (GRF) to the LGF by 50% or $411.2 million dollars. At the time, the cuts to the LGF were proposed as a tough but necessary measure to make sure that the state had a balanced budget, this is ironic when you consider that the LGF was originally established in 1935 to help assist Ohio's counties during the United States' greatest economic disaster; the Great Depression.

The reduction of the LGF in H.B. 153 was devastating to local communities across Ohio. In examination of the H.B. 153 cuts, Policy Matters Ohio found that Ohio's 940 municipalities lost $419 million dollars or 45.5% in CY 2012-13 due to cuts in the LGF, and townships saw a loss of $116.8 million in CY 2012-13 due to LGF cuts and loss of tax re-imbursements.[1] Due to this tremendous shortfall in state aid many local governments had no choice but to rely on local levies to try and provide adequate fire, police, road repair, mental health, and other services. In a time when Ohioans are carefully watching their budgets, many could not afford a raise in their property taxes to fund these necessary services. The results were steep cuts in or the loss of vital governmental services.

[1] Policy Matters Ohio, http://www.policymattersohio.org/wp-content/uploads/2012/11/StateCuts-Nov2012.pdf

Since the initial cuts in 2011, local governments have struggled to come up with ways to raise revenue. All three major tax sources for local governments; property tax, income tax, and sales tax have all failed to make up for the loss of LGF funds.[2] Many have pointed out that some local governments have surpluses in their reserve budgets, so an increase in LGF funding is unwarranted and unnecessary. While it is true that some local governments do have surpluses in their reserve budgets, the amounts in these reserve funds still do not come close to the 60 days of operating funds or two months of revenue recommended by the Government Finance Officers Association. A database created by the Cincinnati Enquirer of local government finances which included complete financial data for 2,276 Ohio local governments found that nearly a third had inadequate reserve funding.[3] Of the 637 villages included in the database 17.3% had smaller than recommended reserves

[2] Policy Matters Ohio, http://www.policymattersohio.org/wp-content/uploads/2015/01/Hard-Times-final5.pdf
[3] Policy Matters Ohio, http://www.policymattersohio.org/wp-content/uploads/2015/01/Hard-Times-final5.pdf

and of the 253 cities included over a quarter had smaller than recommended reserves including 8 of Ohio's 10 largest cities.[4]

In October of this year, Auditor of State Dave Yost released a report on the latest Financial Health Indicators for Ohio's cities and counties which shows 100 cities are spending more than they take in and are heavily relying on reserves to stay in the black.[5] In his own words, Yost stated that, "The newest FHI data show early signs of increasing stress in some local governments." Data up to September 30, 2018, shows that there has been a 33 percent increase in the number of cities that are either facing fiscal stress or are one indicator away. There has been a 46 percent increase in the number of cities facing high fiscal stress with regard to having enough unrestricted net assets (cash, investments, land, etc. minus liabilities) to cover average daily expenses for 30 days.

In the biennial budgets adopted since H.B. 153 Ohio has seen some increase in the allocation to the LGF, however, we can no longer

[4] Policy Matters Ohio, http://www.policymattersohio.org/wp-content/uploads/2015/01/Hard-Times-final5.pdf
[5] https://ohioauditor.gov/news/pressreleases/Details/5112

continue to short change local governments. By increasing the GRF monthly allocations to the LGF from 1.66% to 3.68%, we would essentially be funding the LGF at pre-recession standards. We often hear bragging about how Ohio has a $2 billion surplus; that $2 billion has come off of the backs of local governments, townships, counties, and cities and shifted the reserves from the local communities to the state. The tough choice to cut the LGF was made in a time of fiscal hardship and that time has passed. Now the General Assembly must commit itself to restoring the financial partnership between state and local governments so that local governments may continue to provide much needed direct services at the level Ohioans expect and deserve.

Chairman Oelslager and members of the Senate Finance Committee, thank you for allowing me to testify on Senate Bill 17 and I would be happy to answer any questions you may have at this time.