FACT SHEET

FUNDING THE PROVISION OF SERVICES TO OHIO'S CITIZENS – THE PARTNERSHIP BETWEEN STATE AND LOCAL GOVERNMENTS

Prepared by

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Introduction

The historic partnership between the State of Ohio and its general purpose local governments has eroded during the last decade. The erosion in the partnership became further fractured with disproportionate funding cuts in the FY 12-13 state budget. This fracture must, not only be mended, but strengthened, in the years ahead.

Beginning in the early 2000's and continuing to the present, the rope that binds the state to general purpose local governments has been frayed by a series of state actions that challenges the historic partnership. This position paper will outline basic information concerning the current relationship between state and local governments, with a particular emphasis on the vital role of counties as agents of the state in the delivery of services at the local level. It proposes an action agenda for the future.

This paper will consist of the following parts:

1. Background Since 2000
2. Additional Cuts to LGF and TPP Must Be Avoided
3. Restore the Cuts Imposed on the Local Government Fund
4. Uphold the Constitutional Amendment Regarding Casino Revenue Distributions

Background Since 2000

Beginning with the recession of 2001, and continuing to the present, local governments have experienced prolonged erosion in the historic state/local relationship with respect to local government funds and reimbursement for state enacted tax reforms affecting local tax sources.

A look at the aggregate amounts of revenue distributed to local governments from the LGF in CY 2000 versus the amount expected to be distributed in CY 2012 tells quite a story. According to the Department of Taxation Annual Report, approximately $790 million was distributed to eligible local governments in CY 2000. In CY 2012 LGF distributions are expected to be $465 million. This represents a 41% reduction in revenues from CY 2000 to CY 2012.

It all began with a freeze in local government distributions enacted in the FY 2002 – 2003 State Budget. Piggybacking on this "freeze" in LGF revenue was a $30 million cut to the three local government funds. The "freeze" began July 1, 2001 and lasted until January 2008. This "freeze" saved the state over $ 850 million during that time period at the expense of local governments. The $850 million represented natural revenue growth that local governments would have been entitled to under law but did not receive and was collected by state government and used for other state purposes (See Attachment A.)

In January, 2008, based on the recommendations of a Joint Legislative Task Force, the legislature combined the Local Government Fund and the Local Government Revenue Assistance Fund. This legislation also placed the Local Government Fund and the Public Library Fund on separate percentage-of-tax-receipts formulas. These formulas allowed local governments to receive the benefits of state revenue growth when the economy was robust and for revenue declines when the economy was sluggish. This was a fair approach to balancing resources to provide services to constituents.

However, beginning in December, 2007 the U.S. plunged into the most severe recession since the Great Depression. As a result, the recently reconstituted Local Government Fund experienced a $100 million dollar decline. These natural declines came at the same time other county revenue sources such as sales and use taxes, real estate transfer fees, and investment income were reduced due to declining economic activity and lower interest rates.

The recession caused an unprecedented revenue decline for state government. State GRF tax revenues declined 12% from FY 2008 to FY 2009. GRF tax revenues declined an additional 5% between FY 2009 and FY 2010 (See Attachment B.) The cuts experienced by local governments, that traced the economy and declining state revenue, were both fair and expected.

A variety of steps were taken by the state during the Great Recession to maintain a balanced budget including a series of state agency cuts, state employee furloughs, a delay by two years of a planned 4.2% personal income tax cut, and reductions to the state Public Library Fund. However, in 2011, projections showed a two year budget shortfall of $ 7.7 billion for the FY 12-13 state budget.

The FY 2012-13 state budget was balanced disproportionately on cuts to local governments. According to information released by the Office of Budget and Management when the state budget (HB 153) was introduced, 29% or $2.2 of the $7.7 billion shortfall was to be eliminated through “redirection of state revenue.”

This “redirection of state revenue” essentially equated to cuts to local government funds and the accelerated phase down of state reimbursements for Tangible and Public Utility Personal Property taxes. The payments to local governments for lost TPP and public utility taxes resulted from the phased elimination of TPP in 2005 and electric and natural gas deregulation dating to 1999 and 2000. (See Attachment C). The amounts of these cuts were neither fair nor expected.

The FY 2012-13 budget proposed a 50% cut to the Local Government Fund over the biennium. The state budget also proposed, and ultimately eliminated, the portion of the dealers in intangibles tax that went to the LGF to be used for state purposes. As enacted, counties, municipal corporations, townships and parks lost $ 129 million in FY 12 and $406 million in FY 13, for an estimated total loss of $535 million over the biennium. On the other hand, this loss of over a half a billion dollars was a gain used to balance the state budget at the expense of local jurisdictions. (See Attachment D.)

The state budget also reduced funding libraries with cuts to the Public Library Fund (PLF). The cuts to the PLF were more modest than the cuts to LGF partially because of sizable cuts to the PLF during the FY 10-11 budget and also because some libraries receive over 90% of their total funding from the PLF. Never-the-less, the state budget gained another $62 million in FY 12 and $65 million in FY 13 from cuts to libraries.

The balance of the “redirection of state revenue” from local governments was achieved by the accelerated phase down of tangible and public utility personal property payments to schools and other local governments as a result of the phased elimination of TPP and public utility property taxes. The total budgetary loss resulting from the accelerated phase down of reimbursements was $587 million in FY 12 and $845 million in FY 13.

Prior to the enactment of the FY 2012-13 budget, the LGF was to receive 3.68% of state GRF tax receipts and PLF was to receive 1.97% (this was reduced from 2.22% of GRF receipts by the previous state budget). This means that local government and library revenue sharing represented less than 6% of state general revenue fund tax receipts. The LGF was targeted for a 50% reduction when it previously constituted less than 4 % of state GRF tax receipts. If cuts were to be meted out on some proportional basis, clearly an expenditure area that represents less than 4% of total GRF tax receipts should not be targeted for a 50% cut. The cuts to the Local Government Fund were simply disproportionate when you consider that the state budget "hole" was around 17%.

Of particular interest is the approach taken in HB153 in balancing the state budget disproportionately on the backs of local governments is how this approach is at odds with the philosophy that originally resulted in the creation of the LGF during the height of the Great Depression in 1935. During the Great Depression local property tax revenues were declining due to rapid decline in property values and a voter approved reduction in inside millage rates (from 15 to 10 mills) to provide assistance to struggling property tax payers. To compensate local governments for the reduced inside millage rates and declining property values the state created the LGF.

Contrast the actions of state government in 1935 with the actions of the state during the current economic crisis. Rather than boost state assistance during a time when local governments are often struggling with declining property and other local tax revenues, the state is piling state cuts to the LGF and property tax reimbursement to declining local property taxes, lower sales taxes, and a general decline in investment income and other local tax receipts. (See Dayton Daily News article, 1-15-2012, "Schools, governments lose millions after housing crisis." (See attachment E.) It is noteworthy that additional local millage issues are already beginning to appear to make up the difference in lost local revenue. This may be just the beginning as forecasts indicate that revenue shortfalls will worsen by 2013 when state cuts take full effect.

The Department of Taxation estimated state tax receipts at $2.5 billion less in FY 09 than anticipated at the time the FY 08-09 budget (HB 119) was passed. (See Attachment F.) While it is unquestionably true that the Great Recession reduced state revenues significantly, what is generally forgotten in the discussion is that at least part of the significant $ 7.7 billion budgetary shortfall for the FY 2012-2013 budget resulted from comprehensive tax reform enacted as part of the state budget in 2005 (HB 66).

State revenue forecasts made by the Department of Taxation in concert with Ohio Office of Budget and Management estimated in the spring of 2005 that the projected loss in state and local revenues resulting from tax reform would exceed $3.7 billion in FY 2010 alone (See attachment G.) The local share of this revenue loss included over $1.6 billion in lost tangible personal property (TPP) taxes. In addition to phasing out TPP, the state reduced state income taxes by 21% over seven years at an estimated cost per year in 2010 of $2.2 billion, eliminated the corporate franchise for payees other than financial institutions at a cost of $1.2 billion, and lowered the state sales tax by ½ % at a cost of $842 million. To replace these significant revenue losses, the state enacted approximately $400 million in new cigarette taxes and the commercial activity tax (CAT). The Commercial Activity Tax was expected to generate over $1.5 billion per year when fully implemented; however, the CAT underperformed due to depressed business activity resulting from the Great Recession.

The bottom line is that tax reform, as adopted by the General Assembly in 2005, was not revenue neutral. While certain provisions of tax reform required more than five years to implement, much of what the state hoped to accomplish with tax reform in terms of implementation of the CAT and the phase out of the collection of TPP and the reduction in personal income tax rates was expected to be completed by 2010. The point that needs to be stressed is that the state knew in 2005 that a very substantial revenue shortfall was on the horizon. Yet no substantial cuts in state programs or services were proposed in 2005 to accommodate the substantial revenue reduction the state knew was coming 5+ years later.

No reasonable person would suggest that state officials in 2005 could have forecast a recession, much less a recession with the ferocity of the Great Recession, would befall Ohio, the U.S. and the world in 2008 – 2009. The severity of the Great Recession and the significant impact that it has had on state revenues is without parallel in modern times. However, as was noted previously, the unfinished business of dramatically reducing state spending to match reduced state revenues was put off by the legislature in 2005. This resulted in what might be called a perfect storm of reduced tax revenues attributable to tax reform coupled with the most severe economic collapse since the Great Depression.

Substantial reductions in state spending resulting from tax reform would have been challenging if addressed in isolation. Likewise, cutting state spending due to the impact of the Great Recession also would have been difficult. Taken together the impact on state revenues was unprecedented. State General Revenue Fund revenues declined in each of FY’s 07, 08, 09, and 10. Total GRF taxes declined 12% in 2009 with the state sales tax and the income tax (the two largest state taxes) declining in FY 2009 by an unprecedented 6.6% and 16.3 %, respectively. The state income tax declined in each of FY 09 and 10, something that had never happened before. Total state GRF tax revenue in FY 2011 was less than it was FY 2004.

Additional Cuts to LGF and TPP Must Be Avoided

The first step in mending the fractured state/local relationship as a result of cuts to local governments in the last state budget (HB153) is to apply a tourniquet to the wound and stop the bleeding. The state budget provides a basis going forward for minimizing additional revenue losses if the statutory commitment to go back to a “percentage of tax receipts formula” is actually embraced.

The state budget provides, beginning in FY 14, percentage of revenue based funding is to resume for the Local Government Fund in July 2013. This means that consistent with the changes to the LGF formula established in 2008, distributions would be tied to revenue growth and reductions in total GRF tax revenues. As state tax revenues increase or decrease, there would be a corresponding increase or decrease in distributions to all 88 county undivided local government funds. The funding percentage would be based on a one time calculation: LGF deposits in FY 13 would be divided by FY 13 state GRF revenues to yield the new LGF funding percentage to be used beginning in FY 14.

Restoring the LGF with a percentage of tax receipts formula will allow local governments to experience revenue growth in line with state revenue growth. To the extent the state is growing and experiencing improved fiscal health, local governments will be able to participate in that growth.

The current state budget also suspends the accelerated phase-out of reimbursement for tax losses on TPP and public utility property tax losses (kilowatt hour-KWH) at CY 2013 levels in subsequent years for non-school local governments. Beginning with the second payment that was made in 2011, reimbursements for lost TPP and public utility property tax (PUPT) were phased out at a rate of 2% of total resources each year for each type of taxing entity. The 2% per year reduction was applied separately to TPP and KWH so each taxing district could lose up to 4% in each year until payments ceased. In 2013, the budget suspends the phase down of reimbursements for entities that are still receiving reimbursements (essentially any county service function, township or municipal corporation with more than a 6% reliance on either TPP or PUPT reimbursement).

Regarding the county service area that is classified as "other county levies" that includes the county general fund, all but six counties will have their TPP reimbursements phased out by 2013 and in the case of KWH reimbursement all but three will have their PUPT reimbursements phased out by 2013. However, for county service functions such as MH/DD, public health, senior services, and children services, many of these individual county service functions are more reliant on TPP or KWH as part of their total resources and thus would benefit from a suspension of the accelerated phase down in reimbursement payments as provided by the FY 12-13 state budget.

Local officials must impress upon state policy-makers the importance of returning the LGF to a percentage of tax receipts formula as recommended by a legislative task force 6 years ago, approved by the legislature with the FY 07-08 state budget, and contained in the current FY 12-13 state budget.

For the hundreds of local taxing districts and county service functions that are heavily reliant (more than a 6 % reliance of total resources) on either TPP or public utility property tax reimbursements, local officials must lobby the administration and the legislature that reimbursement payments must continue to such local governments in order to avoid further deterioration in the financial condition and the quality of services delivered to the citizens of Ohio. This point is particularly important in light of the fact that many of these local governments are heavily dependent for funding on property taxes, and as previously noted, property tax revenues are declining due to the housing crisis and a decline in property tax valuations across Ohio.

Restore the Cuts Imposed on the Local Government Fund

But we need to not only mend the fractured partnership. We also need to strengthen it! It is clear the 50% cut to the Local Government Fund during the current biennium, in the wake of a 17% state budget deficit, imposed disproportionate cuts on local governments. The state should therefore, in the next state budget, restore at a minimum the 33% difference to the LGF. While counties embrace greater collaborative efforts and shared service models, these initiatives cannot make up for all the losses local governments have experienced. Likewise, counties are in a unique position because of the many mandates imposed on counties by state law such as elections, courts and justice, public defender, and veterans services, to name just a few dictated by state law.

In the absence of additional funding the state should consider assuming some of the most onerous mandates listed above, or the General Assembly should provide the tools needed to control the expenditure of local tax dollars for these mandated programs.

Every Ohioan lives within a community that provides services upon which we all depend. The long term welfare of the state depends ultimately on the vitality and quality of life in each community. When businesses come to Ohio or expand in Ohio it is because the quality of life makes Ohio a good place to live, work and do business. In addition to making Ohio an attractive place to live, Ohio's communities provide services that are essential to a civilized society. In the case of counties, most of the major functions of county government are mandated by state law and essentially represent critical services that the state has determined must be provided on a local or regional basis.

Uphold Constitutional Amendment Regarding Casino Revenue Distributions

In November of 2009 Ohioans approved State Issue 3 authorizing casinos in Cincinnati, Cleveland, Columbus, and Toledo.

The constitutional amendment to Article XV, Section 6 of the Constitution provides that "a thirty-three percent tax shall be levied and collected by the state on all gross casino revenue by each casino operator of these four casino facilities." The amendment and enabling legislation (ORC Section 5753.03) provide for the creation of a "casino tax revenue fund" from which monies deposited in such fund must be transferred to each of the following separate funds:

- 51 % to the Gross Casino Revenue County Fund to make payments to counties on the basis of population at the time of distribution
- 34 % to the Gross Casino Revenue County Student Fund to be distributed among all 88 counties in proportion to such counties' respective public school district student populations at the time of distribution
- 5 % to the Gross Casino Revenue Host City Fund to be distributed to the host city where the casino facility that generated such gross casino revenue is located
- 3 % to the Ohio State Racing Commission Fund to support horse racing
- 3 % to the Ohio Casino Control Commission to fund the commission
- 2 % to the Ohio Law Enforcement Training Fund to support law enforcement functions
- 2 % to the Problem Casino Gambling and Addictions Fund to alleviate problem gambling and substance abuse and related research.
- 1 % of the money credited to the Casino Control Commission Fund is credited to the Casino Tax Administration Fund to defray the cost of administering the tax.

Payments to counties and host cities are to be made by the Department of Taxation by the end of the month that follows the end of each calendar quarter.

The constitutional amendment provides clear language prohibiting the state from supplanting existing funding obligations of the state with the new revenue. The amendment reads in pertinent part:

> **Tax collection, and distributions to public school districts and local governments, under sections 6(C) (2) and (3), are <u>intended to supplement, not supplant</u>, any funding obligations of the state. Accordingly, all such distributions shall be disregarded for purposes of determining whether funding obligations imposed by other sections of this constitution are met.**

While one might squabble over the exact legal interpretation of this provision of the constitution as it applies to counties, it is clear that when the voters approved this language they assumed payments to local governments would be made without offsetting cuts or reductions in other revenue sources.

While the language of the constitutional amendment establishes the intent of the electors not to cut existing revenues to counties and other local governments, additional reasons to avoid reductions now include uncertainty as to the timing of the opening of the remaining two casinos, how rapidly the open casinos will take to ramp up operations, and finally the impact of competing video lottery terminals (VLTs) at racetracks.

Another argument on behalf of counties and schools with respect to the casino revenue is that counties and schools are bearing a disproportionate share of the losses as it relates to the phase out of TPP reimbursement. The reason for this is straightforward: approximately 70 % of the ultimate TPP revenue loss is attributable to schools and roughly 30 % of the loss is attributable to other local governments and levy funded agencies. Of $ 482 million in lost TPP revenues attributable to non-school local governments in tax year 2011, $267 million of this loss is to county government and county levy funded agencies. (See Attachment H.)

Finally, since Ohioans voted to provide for the current distribution of casino revenues to supplement revenue, the legislature should not reduce LGF or other county revenue sources because counties are constitutional recipients of casino revenues. Such changes to how casino revenues are distributed should only occur through an amendment to the constitution so as to not thwart the will of Ohioans.

Appendix A

Ohio Department of TAXATION

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To: Frederick Church, Deputy Tax Commissioner

From: Christopher Hall, Tax Analysis Division

CC: Mike O'Leary, Revenue Accounting

Date: July 14, 2006

Re: Impact of the local funds "freeze" since FY 2002, with update for FY 2006 (REVISED)

This is a revised recap of the local funds "freeze", incorporating the impact of the freeze for FY 2006. This revision corrects an erroneously stated figure contained in the memo issued on July 6.

HB 94 (the FY 2002-2003 state budget) contained uncodified language that established a "freeze" on three local funds – LGF (local government fund), LGRAF (local government revenue assistance fund) and LLGSF (library and local government support fund). During the two-year FY 2002-2003 freeze period, the funds received what they received during FY 2001.[1] In contrast, under permanent law the funds receive a designated percentage of revenues from major state tax sources.[2] The freeze was intended to generate savings for the GRF during what was expected to be a rough budgetary period.

However, because of worse than expected state revenue performance, the freeze actually began to cost the state GRF money compared to permanent law (i.e., local fund deposits were larger than they would have been under permanent law). Thus, a semi-annual calculation and adjustment mechanism was enacted (in **HB 405**) to address this situation and protect the state GRF from a loss. These semi-annual calculations resulted in reductions made to the three funds in FY 2002 and FY 2003.[3] The reductions simply made sure that the local funds received no more than they would have received under permanent law, and prevented the state GRF from incurring a large loss due to the freeze in either FY 2002 or FY 2003.[4]

Another bill - **HB 40**, a budget corrections bill - contained a provision that reduced the three funds by a combined $30.0 million in FY 2003, equivalent to a 2.5% annual cut. This cut represents the only savings to the GRF realized during the FY 2002-2003 biennium attributable to the local distribution funds.

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[1] With the exception of the June 2002 and June 2003 deposits, which were equal to the deposits in June 2000 rather than in June 2001.

[2] The LGF and LGRAF receive 4.2% and 0.6%, respectively, of state income tax, sales and use tax, kilowatt hour tax, public utility excise tax, and corporate franchise tax revenue. The LLGSF receives 5.7% of state income tax revenue.

[3] Two reductions were made in FY 2002 (impacting the March 2002 and July 2002 distributions) and one reduction was made in FY 2003 (impacting the July 2003 distribution).

[4] Because of the timing of the HB 405 calculations, there was actually $4.5 million more deposited in the local funds during the FY 2002-2003 biennium than would have occurred under permanent law (i.e., $13.8 million in extra FY 2002 local deposits and $9.3 million reduction in FY 2003 local deposits). The $4.5 million represents a loss to the GRF.

The local fund freeze was re-enacted by **HB 95** for the FY 2004-2005 budget period. Under this freeze, FY 2004 local fund deposits were the same as the FY 2003 deposits, and FY 2005 deposits were the same as the FY 2004 deposits. Because the state GRF experienced net revenue growth in FY 2004 and FY 2005 (over the FY 2003 levels), the freeze generated savings for the GRF in both years. The savings were $127.1 million in FY 2004 and $240.7 million in FY 2005.

In the current FY 2006-2007 budget bill, **HB 66**, the freeze was again extended for the two-year budget period. The FY 2006 deposits equaled the FY 2005 deposits, and the FY 2007 deposits shall equal the FY 2006 deposits. Now that FY 2006 has closed, we are able to report that the actual GRF savings during that year were $241.2 million (compared to an estimate of $228.3 million). The projected GRF savings in FY 2007 are $252.0 million. Note that the FY 2006 and FY 2007 figures incorporate the effects of the HB 66 tax reforms on income and corporate franchise tax revenues.

Impact of the Local Funds "Freeze" on the State General Revenue Fund (GRF), Fiscal Years 2002-2007

Note: LLGSF figures are before the transfers made to the OPLIN Technology Fund in FY 2002-2004.

($ in millions)

Fiscal Year	Hypothetical Permanent Law Deposits to LGF, LGRAF, and LLGSF	Actual "Freeze" Deposits to LGF, LGRAF, and LLGSF	Net Gain/(Loss) to GRF	
2002 (actual)	$1,226.9	$1,240.7	($13.8)	*
2003 (actual)	1,254.6	1,215.3	39.3	**
2004 (actual)	1,342.4	1,215.3	127.1	
2005 (actual)	1,456.0	1,215.3	240.7	
2006 (actual)	1,456.5	1,215.3	241.2	
2007 (est.)	1,467.3	1,215.3	252.0	

*In FY 2002, there was a net loss to the GRF equal to $13.8 million (and a corresponding gain to the local funds). This was caused by the timing of the HB 405 "reconciliation" adjustments. Those adjustments were based on revenues through May 2002 (June 2002 revenues could not be included in the June calculation). As it turned out, June 2000 revenues (upon which the actual June 2002 local fund deposits were based) were well above June 2002 revenues (upon which permanent law local fund deposits would have been based), so the actual local fund deposits in June 2002 exceeded what would have been deposited under permanent law; this caused a loss to the GRF. Note, however, that if it were not for the HB 405 adjustments that *were* made in June 2002, the GRF loss in FY 2002 due to the freeze would have been an additional $73.3 million.

**In FY 2003, there was a net gain to the GRF equal to $39.3 million. Of this amount, $30 million was attributable to the HB 40 reductions. The remaining $9.3 million gain was due to the HB 405 adjustments amounting to $60.5 million, which were based on the June 2002-May 2003 measurement period; if a July 2002-June 2003 measurement period could have been used, the HB 405 adjustments would have been $51.2 million in FY 2003, and the net impact on the GRF and the local funds would have been zero (i.e., only the $30 million HB 40 reduction would have occurred).

Appendix B

Table 1 - GRF Revenue History, FY 1975-2011 (no LPEF, no LGFs)
Revenue figures are in millions of dollars

Revenue Source	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Tax Receipts														
Auto Sales	$170.6	$208.7	$250.8	$293.2	$310.8	$262.7	$267.4	$274.2	$325.4	$413.3	$469.4	$555.8	$582.1	$631.8
Non-Auto Sales & Use	$726.6	$783.6	$845.0	$960.0	$1,066.3	$1,132.6	$1,317.6	$1,481.5	$1,606.7	$1,825.9	$1,993.4	$2,136.2	$2,286.8	$2,553.3
Total Sales & Use	$897.2	$992.3	$1,095.7	$1,253.2	$1,377.1	$1,395.3	$1,585.0	$1,755.7	$1,932.1	$2,239.1	$2,462.8	$2,692.1	$2,868.9	$3,085.1
Personal Income	$464.9	$493.7	$593.4	$748.4	$837.7	$1,003.3	$1,094.7	$1,200.1	$1,902.9	$2,398.8	$2,680.6	$2,587.1	$2,900.8	$3,015.0
Corporate Franchise	$362.5	$359.4	$427.8	$512.1	$555.8	$519.1	$491.5	$559.3	$403.1	$552.1	$609.9	$669.3	$664.8	$797.7
Commercial Activity	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Public Utility Excise	$149.4	$196.9	$213.5	$297.8	$358.3	$375.9	$466.9	$496.9	$630.3	$597.8	$673.9	$634.3	$605.9	$552.2
Kilowatt Hour	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Natural Gas Consumption	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Major Taxes	$1,874.0	$2,042.2	$2,330.3	$2,811.4	$3,128.8	$3,293.6	$3,638.0	$4,012.0	$4,868.4	$5,787.8	$6,427.1	$6,582.8	$7,040.4	$7,449.9
Percentage Change		9.0%	14.1%	20.6%	11.3%	5.3%	10.5%	10.3%	21.3%	18.9%	11.0%	2.4%	7.0%	5.8%
Foreign Insurance	$76.6	$82.6	$92.9	$105.7	$111.9	$120.7	$123.5	$121.7	$127.9	$129.7	$140.0	$161.0	$181.9	$198.7
Domestic Insurance	$5.7	$5.1	$8.6	$5.1	$7.0	$9.0	$10.6	$34.4	$21.6	$25.0	$26.3	$30.2	$35.4	$35.9
Other Business & Property	$12.5	$13.1	$14.3	$11.1	$12.6	$12.6	$12.4	$15.8	$12.3	$9.9	$14.1	$14.2	$6.5	$7.9
Cigarette	$177.2	$181.4	$183.3	$188.8	$189.5	$193.5	$195.4	$184.2	$174.3	$168.7	$170.8	$168.4	$187.8	$215.6
Alcoholic Beverage	$37.8	$37.6	$40.0	$39.5	$42.4	$42.8	$61.3	$43.2	$40.6	$42.1	$42.4	$42.7	$44.1	$43.7
Liquor Gallonage	$32.6	$33.5	$31.7	$32.2	$32.4	$32.7	$31.5	$30.4	$29.3	$28.6	$27.3	$26.7	$24.6	$23.3
Soft Drink	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$12.7	$17.4	$0.0	$0.0	$0.0	$0.0	$0.0
Estate	$24.7	$32.0	$24.8	$34.1	$42.9	$37.2	$40.6	$49.1	$78.6	$46.0	$34.4	$37.9	$45.4	$45.2
Racing	$18.4	$20.7	$17.2	$18.1	$21.0	$21.3	$19.7	$19.8	$17.9	$11.4	$3.6	$2.3	$2.8	$3.6
Total Other Taxes	$385.5	$406.0	$412.8	$434.6	$459.7	$469.7	$494.9	$511.4	$519.9	$461.4	$458.9	$483.4	$508.5	$573.8

Total Taxes	$2,259.5	$2,448.2	$2,743.1	$3,246.0	$3,588.5	$3,763.3	$4,132.9	$4,523.4	$5,388.3	$6,249.2	$6,885.9	$7,066.2	$7,546.9	$8,023.7
Percentage Change		8.4%	12.0%	18.3%	10.6%	4.9%	9.8%	9.4%	19.1%	16.0%	10.2%	2.6%	6.8%	6.3%
Sales Tax Percentage Change		10.6%	10.4%	14.4%	9.9%	1.3%	13.6%	10.8%	10.0%	15.9%	10.0%	9.3%	6.6%	7.5%
Income Tax Percentage Change		6.2%	20.2%	26.1%	11.9%	19.8%	9.1%	9.6%	58.6%	26.1%	11.7%	-3.5%	12.1%	3.9%

Revenue Source	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Tax Receipts															
Auto Sales	$524.6	$527.6	$483.3	$493.9	$515.6	$627.9	$657.6	$668.8	$673.7	$722.8	$760.4	$821.7	$811.5	$927.5	$966.2
Non-Auto Sales & Use	$2,735.8	$2,875.6	$2,895.7	$3,060.8	$3,258.1	$3,623.0	$3,854.3	$4,070.7	$4,295.3	$4,542.7	$4,784.9	$5,092.0	$5,124.1	$5,110.4	$5,431.7
Total Sales & Use	$3,260.3	$3,403.1	$3,379.0	$3,554.7	$3,773.7	$4,250.9	$4,511.9	$4,739.5	$4,969.0	$5,265.5	$5,545.3	$5,913.7	$5,935.6	$6,038.0	$6,397.9
Personal Income	$3,394.4	$3,680.2	$3,728.3	$3,911.2	$4,226.6	$4,538.9	$4,880.7	$5,262.8	$5,382.3	$6,212.5	$6,416.8	$7,232.0	$7,263.4	$7,304.2	$7,420.7
Corporate Franchise	$892.0	$812.5	$769.0	$761.6	$801.4	$897.3	$1,043.8	$1,114.0	$1,150.8	$1,196.6	$1,084.1	$969.4	$915.3	$712.3	$747.2
Commercial Activity	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Public Utility Excise	$561.9	$585.1	$578.2	$550.2	$615.3	$608.9	$673.3	$621.6	$639.8	$673.0	$637.6	$642.1	$640.5	$260.1	$218.7
Kilowatt Hour	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$22.8	$323.3	$339.9
Natural Gas Consumption	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Major Taxes	$8,108.6	$8,460.9	$8,454.5	$8,777.8	$9,417.0	$10,295.9	$11,109.7	$11,737.9	$12,141.8	$13,347.7	$13,683.8	$14,757.2	$14,777.6	$14,637.9	$15,124.3
Percentage Change	8.8%	4.3%	-0.1%	3.8%	7.3%	9.3%	7.9%	5.7%	3.4%	9.9%	2.5%	7.8%	0.1%	-0.9%	3.3%
Foreign Insurance	$207.1	$209.2	$224.6	$228.9	$236.8	$272.2	$267.9	$276.1	$283.5	$280.9	$271.6	$252.3	$220.6	$214.3	$216.4
Domestic Insurance	$38.8	$39.6	$39.1	$46.0	$48.2	$47.6	$50.9	$55.3	$56.4	$63.2	$77.5	$88.2	$109.3	$132.4	$160.1
Other Business & Property	$8.3	$6.6	$7.2	$7.7	$8.5	$8.9	$6.7	$9.1	$8.9	$6.5	$6.2	$8.7	$9.5	$7.1	$30.0
Cigarette	$210.4	$206.5	$199.5	$219.2	$248.5	$287.0	$295.7	$294.5	$298.4	$296.6	$290.6	$287.7	$282.5	$281.3	$599.9
Alcoholic Beverage	$43.0	$44.5	$44.5	$44.2	$46.3	$51.6	$51.5	$50.8	$51.9	$52.4	$53.8	$55.3	$55.0	$55.7	$56.6
Liquor Gallonage	$22.3	$21.5	$20.7	$19.6	$22.8	$27.7	$27.4	$27.3	$27.1	$27.3	$27.7	$28.5	$29.0	$29.3	$29.7
Soft Drink	$0.0	$0.0	$0.0	$0.0	$18.3	$59.3	$34.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Estate	$57.0	$56.9	$60.0	$75.9	$75.4	$86.5	$83.4	$89.9	$102.0	$114.8	$141.5	$140.0	$166.0	$116.3	$100.8
Racing	$3.0	$2.4	$2.9	$2.5	$2.4	$2.5	$0.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Other Taxes	$589.9	$587.2	$598.5	$644.0	$707.2	$843.4	$818.5	$802.9	$828.3	$841.8	$868.8	$860.6	$871.9	$836.4	$1,193.5

Total Taxes	$8,698.5	$9,048.1	$9,053.0	$9,421.8	$10,124.2	$11,139.3	$11,928.2	$12,540.9	$12,970.1	$14,189.4	$14,552.6	$15,617.8	$15,649.5	$15,474.3	$16,317.9
Percentage Change	8.4%	4.0%	0.1%	4.1%	7.5%	10.0%	7.1%	5.1%	3.4%	9.4%	2.6%	7.3%	0.2%	-1.1%	5.5%
Sales Tax Percentage Change	5.7%	4.4%	-0.7%	5.2%	6.2%	12.6%	6.1%	5.0%	4.8%	6.0%	5.3%	6.6%	0.4%	1.7%	6.0%
Income Tax Percentage Change	12.6%	7.8%	1.9%	4.9%	8.1%	7.4%	7.5%	7.8%	2.3%	15.4%	3.3%	12.7%	0.4%	0.6%	1.6%

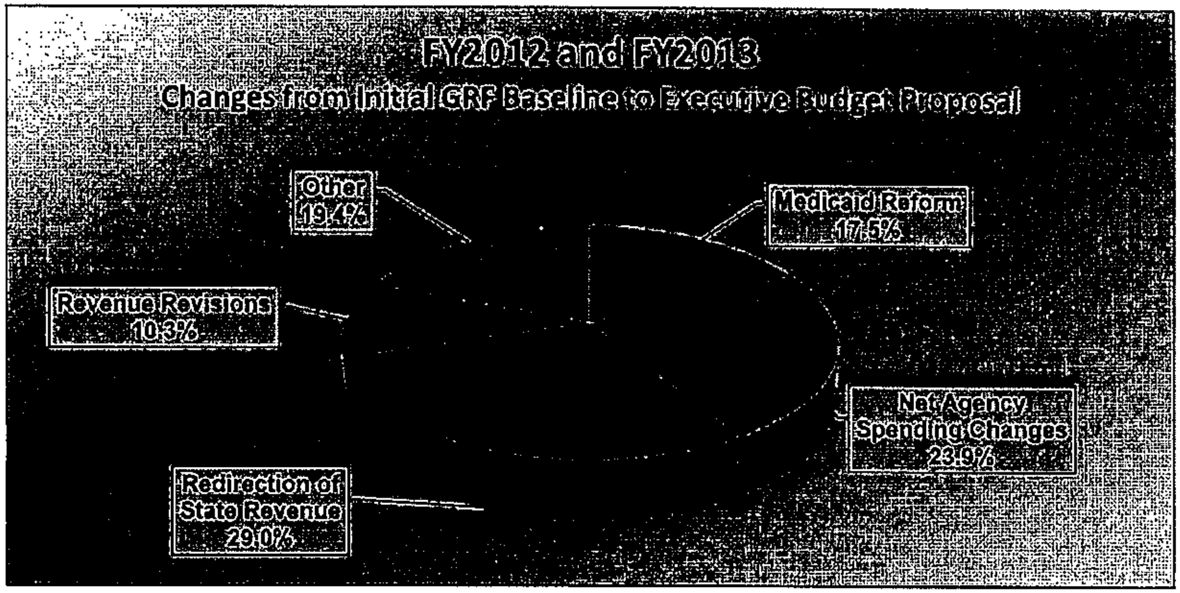
Revenue Source	2004	2005	2006	2007	2008	2009	2010	2011
Tax Receipts								
Auto Sales	$1,122.8	$1,064.1	$936.4	$921.5	$943.5	$873.6	$882.9	$976.9
Non-Auto Sales & Use	$6,407.7	$6,763.0	$6,431.9	$6,502.9	$6,670.7	$6,239.2	$6,194.5	$6,790.8
Total Sales & Use	$7,530.5	$7,827.1	$7,368.3	$7,424.4	$7,614.2	$7,112.8	$7,077.4	7,578.2
Personal Income	$7,696.9	$8,598.9	$8,786.4	$8,885.3	$9,114.7	$7,628.0	$7,247.2	$8,120.3
Corporate Franchise	$809.2	$1,051.6	$1,054.9	$1,076.5	$753.5	$520.8	$141.8	$236.6
Commercial Activity	$0.0	$0.0	$185.1	$0.0	$0.0	$0.0	$0.0	$0.0
Public Utility Excise	$226.4	$104.1	$176.2	$160.2	$157.7	$184.5	$136.7	$124.8
Kilowatt Hour	$339.0	$339.8	$325.3	$326.9	$231.2	$135.9	$156.3	$153.9
Natural Gas Consumption	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Major Taxes	$16,602.0	$17,921.5	$17,896.2	$17,873.3	$17,871.3	$15,582.0	$14,759.4	$16,213.9
Percentage Change	9.8%	7.9%	-1.2%	0.9%	0.0%	-12.8%	-5.3%	9.9%
Foreign Insurance	$230.5	$242.9	$248.8	$256.2	$267.3	$249.2	$250.8	$256.3
Domestic Insurance	$165.9	$171.4	$170.3	$169.5	$154.6	$155.3	$161.7	$189.4
Other Business & Property	$29.9	$25.2	$19.1	$20.8	$22.3	$25.1	$27.3	$28.0
Cigarette	$557.5	$577.7	$1,084.1	$986.3	$950.9	$924.8	$886.9	$855.6
Alcoholic Beverage	$56.5	$56.8	$57.5	$56.3	$56.8	$57.1	$58.1	$55.4
Liquor Gallonage	$30.9	$32.2	$33.4	$34.3	$35.0	$35.8	$36.5	$37.6
Soft Drink	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Estate	$64.2	$60.4	$54.1	$72.1	$61.4	$64.4	$55.0	$72.1
Racing	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Other Taxes	$1,135.4	$1,166.6	$1,852.4	$1,595.6	$1,548.3	$1,511.7	$1,474.2	$1,492.3

Total Taxes	$17,737.4	$19,088.1	$19,563.5	$19,468.8	$19,419.6	$17,093.7	$16,233.6	$17,706.2
Percentage Change	8.7%	7.6%	2.5%	-0.5%	-0.3%	-12.0%	-5.0%	9.1%
Sales Tax Percentage Change	17.7%	3.9%	-5.9%	0.8%	2.6%	-6.6%	-0.5%	7.1%
Income Tax Percentage Change	3.7%	11.7%	2.2%	1.1%	2.6%	-16.3%	-5.0%	12.0%

Appendix C

FY2012 and FY2013
Changes from Initial GRF Baseline to Executive Budget Proposal

	FY2012	FY2013
Medicaid Related Change from Initial Baseline (State and Federal)	(1,133.89)	(1,090.36)
Change in Federal Medicaid Reimbursement	611.02	416.82
Tax Receipts-Expansion of Medicaid Managed Care Program	(52.93)	(94.82)
Medicaid Reform Total	(575.79)	(768.36)
Net Spending Changes from Initial Baseline	(916.84)	(921.61)
Net Spending Change Total	(916.84)	(921.61)
Medicaid Reform and Spending Change Total	**(1,492.63)**	**(1,689.97)**
Local Government Fund Change	(180.00)	(399.00)
Public Library Fund Change	(62.00)	(65.00)
CAT-Phase Out Hold Harmless	(289.70)	(589.20)
CAT Hold Harmless GRF Subsidy Reduction	(235.90)	(187.60)
Kilowatt Hour Tax Phase Out Hold Harmless	(105.40)	(120.20)
Redirection of State Revenue Total	(873.00)	(1,361.00)
Revenue Revision Tax Sources (change in base)	(381.80)	(440.20)
Revenue Revision Policy Changes	12.20	13.50
Non-Tax Revenue Revisions	8.90	(6.35)
In-Process Revenue Revisions Total	(360.70)	(433.05)
Debt Restructuring	(440.00)	-
Debt Baseline Change	(33.37)	(6.41)
FY11 Payment of Assumed Lapses	(567.08)	-
Loss of Federal Revenue on Assumed Lapses	280.28	
Non-GRF Payment of Unemployment Compensation Interest	(110.00)	(193.00)
Net Changes in Transfers	(41.28)	(39.08)
Liquor Enterprise Income	(500.00)	-
Prison Sale Income (GRF only)	(50.00)	-
Liquor Profit Phase Out	69.50	139.00
Other Total	(1,391.95)	(99.48)
Grand Total	**(4,118.28)**	**(3,583.50)**
Total Biennium Change	(7,701.78)	



Changes to Initial Baseline (dollars in millions)

	FY2012	FY2013	Total
Medicaid Reform	(575.8)	(768.4)	(1,344.2)
Net Agency Spending Changes	(916.8)	(921.6)	(1,838.4)
Redirection of State Revenue	(873.0)	(1,361.0)	(2,234.0)
Revenue Revisions	(360.7)	(433.1)	(793.8)
Other	(1,391.9)	(99.5)	(1,491.4)
	(4,118.3)	(3,583.5)	(7,701.8)

Appendix D

LGF deposits (in millions)				
		Projected	Projected	Proj FY12-13
	FY 11	FY 12	FY 13	biennium
LGF funding at 3.68% of GRF tax revenue (Note: FY12 & 13 figures do not reflect additional GRF tax revenue resulting from TPP and utility personal property tax reimbursement reductions, but do reflect GRF tax impact caused by tax law changes in HB 153)	$687	$702	$743	$1,446
Enacted reduced "freeze" funding: FY12 equals 75% of FY11 deposits (plus $49.27 mil supplement, and with July 2011 based on percentage of revenue); FY13 equals 50% of FY11 deposits	--	$584	$348	$933
Est state savings from enacted LGF funding changes (excludes dealer in intangibles tax change)		$118	$395	$513
Redirect all dealer in intangibles tax revenue to GRF	--	$11	$11	$22
Est state savings from enacted LGF funding changes, including DIT redirection	--	$129	$406	$535

Source: Ohio Department of Taxation

Appendix E

Updated: 12:56 a.m. Sunday, Jan. 15, 2012 | Posted: 8:53 p.m. Saturday, Jan. 14, 2012

Schools, governments lose millions after housing crisis

Current levy revenues won't recover even if home prices rebound.

By Jeremy P. Kelley

Staff Writer

A little-known piece of Ohio law, paired with falling property values, will eliminate millions in tax revenue local school and government leaders expected to receive for years into the future.

The impact is immediate — this year it will cost Dayton Public Schools $2.57 million, Montgomery County Human Services $8.75 million, and 20 other agencies at least $145,000 each.

Many officials expected falling property values to take a toll on their budgets, but not many knew that much of that damage is permanent. That's because Ohio law has a provision to protect taxpayers when property values go up, which historically they have done, but no lever to compensate taxing districts when values go down, which has happened during the past three years.

Thanks to that provision, dozens of levies that voters recently agreed to pay for will now collect at a lower dollar amount for as long as the levy exists.

Northmont Schools Treasurer Sandra Harris said her district expected to stay in the black until 2014-15, but the new data — starting with a loss of $747,000 this year — now has Northmont projecting a deficit in 2013-14.

"It was not something we were expecting."

How it works

Ohio House Bill 920, passed in 1976, created a system where each voter-approved levy would raise a predetermined amount every year. For example, Dayton Metro Library officials were confident their 1.75-mill permanent levy passed in November 2009 would always raise $13.6 million in taxes per year, based on estimates from the Montgomery County auditor.

The purpose of the law was to protect the taxpayer. It prevented schools, libraries and governments from automatically collecting more taxes on each levy when an individual's property value rose.

At the time the law was written, and in the 30 years since, most cities and townships were growing, and property values were rising, so there was an always-increasing tax base to pay the amount each levy required.

But Montgomery County Auditor Karl Keith says lawmakers didn't anticipate a scenario like the past three years, when existing home values dropped, and there was little new construction to make up the difference. Today, most local communities have a smaller property value base than they did in 2009.

In the library's case, the 2009 levy's tax rate legally can't go above 1.75 mills. But the county tax base has fallen enough — from $28 billion to $26 billion — that 1.75 mills of tax can't produce $13.6 million anymore. The levy only raises $12.5 million.

That's painful enough for library officials, but Keith said HB920 also mandates that $12.5 million is the new annual maximum that the levy can ever collect, whether property values bounce back or not.

"The thing that surprised us is how the language is written so you can't collect more in future years," library Director Tim Kambitsch said. "That's something we weren't expecting."

Who is affected?

Because of tax reduction factors in Ohio law, most levies approved in 2004 or earlier aren't impacted by this issue. Their tax rate, or percentage, has been reduced over the years, and can be adjusted back up, still staying under the millage that voters approved.

But in Montgomery County alone, there are 74 different levies passed since 2001 that will lose money, both in 2012 and for the life of the levy, because of the drop in property values and HB 920.

The issue came up in Montgomery and Greene counties, which were the only local counties to do property revaluations in 2011. Both counties will see lower property tax revenues on levies passed since 2005, but values dropped more severely in Montgomery County.

Twelve of Montgomery County's 17 school districts are hit, from Oakwood, where three "capped" levies will lose money, to Dayton and Centerville with one capped levy, to Trotwood with five.

Eight of the nine townships lose money. Washington Twp. faces five capped levies and Miami Twp. has six on the books, all passed since 2007. Cities including Clayton, Miamisburg, Riverside and Trotwood have police, fire and street levies that will be limited.

And four major countywide bodies — Five Rivers MetroParks, Sinclair Community College, the Human Services group and Dayton Metro Library — have passed levies since 2008, all of which are now capped at lower dollar amounts.

Former Montgomery County Administrator Don Vermillion, who now teaches at the University of Dayton and directs public projects for UD's Fitz Center, said the intent of the law was to protect residents from hidden tax increases.

"I don't think they were looking for this reduction in property values," Vermillion said. "I have a feeling that township and county governments will be talking with their state legislators."

What to do next?

State Sen. Peggy Lehner, R-Kettering, was surprised to hear of the "capped levy" impact Friday.

"Obviously, it's a very serious unintended consequence of legislation written years ago that has never been tested in this fiscal environment. I think the legislature needs to take a close look at this," Lehner said.

Lehner specifically pointed to the Montgomery County human services levy losing $8.75 million as a crucial issue.

"That money has to come from someplace, because those are critical human services," she said. "But if the choice is asking taxpayers for a new levy, or fixing a problem with the law on the old levy, I'd rather fix the old levy."

County Auditor Keith said short of a change in the law, the only way for a school or government to recoup its lost revenue is to pass a new, additional levy. That's because a renewal levy keeps revenue the same, and a replacement levy applies the millage rate to the updated property values — which, of course, have dropped.

Vermillion said he thinks agencies will struggle with the decision to go back on the ballot or not. In the Dayton area, three-fourths of the school districts that have asked voters for new levy money since May have been rejected.

"I think local entities will try to develop partnerships to provide services," Vermillion said. "That's been happening and there's going to be even more pressure to have service sharing ... given fiscal realities."

For Northmont Schools, one positive is that the district's 2011 bond issue to build a new high school and pre-K to first grade building is not affected, as bonds are exempt from HB 920. But the district, which already closed an elementary school and made staff reductions, has to address a 5.9-mill levy that expires this December, plus a projected deficit for 2013-14.

"At least we have two years to look at more cost reductions to see what we need to do," said Harris, the treasurer. "... That is, unless we have more surprises like this."

Kambitsch called the Dayton Metro Library's $1.06 million annual loss "a hard pill to swallow" because its 2009 levy is a permanent levy.

"We had put together a 'budget of sustainability' that corresponded to knowing what our levy revenues were going to be," he said.

The library had already reduced operating hours and spending on materials because of state cuts, and thought it could go through at least 2016 with its levy receipts. Kambitsch complimented unionized library workers for taking pay and benefit concessions, but he said decisions still remain, primarily on a plan to replace aging branches.

Keith said having the "capped levy" system in place makes some sense, because if the tax base has declined, the taxpayers' ability to pay has likely declined as well. But he said the situation likely will send more agencies back to the ballot sooner. He joked that some local officials called him Darth Vader when he made the rounds, informing them how much tax money they would lose.

"As we started meeting with schools and county officials, very few people understood that this affected their revenues permanently," Keith said. "We've just never experienced this before."

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Montgomery County agencies affected by 'capped' levies:

Countywide		
	Capped levies	Loss per year
MetroParks	1	$1,189,829
Human services	2	$8,751,686
Sinclair	1	$2,115,179
Metro Library	1	$1,063,003
Countywide total	5	$13,119,697
Schools		
	Capped levies	Loss per year*
Brookville	1	$52,331
Centerville	1	$249,384
Dayton	1	$2,566,752
Huber Heights	2	$313,974
Kettering	3	$1,123,735
Northmont	3	$747,177
Northridge	2	$140,884

Oakwood	3	$148,797
Trotwood	5	481,161
Vandalia-Butler	1	$460,263
West Carrollton	1	$274,901
Miami Valley CTC	1	$0#
Schools total	24	$6,559,359
Townships		
	Capped levies	Loss per year*
Butler	3	$83,342
Clay	2	$22,663
German	1	$15,329
Harrison	3	$1,033,753
Jackson	5	$26,424
Jefferson	2	$68,101
Miami	6	$347,022
Washington	5	$396,991
Townships total	27	$1,993,625
Cities/other		
	Capped levies	Loss per year*
Clayton	2	$193,063
Farmersville	2	$8,825
Miamisburg	1	$147,606

New Lebanon	1	$18,306
Phillipsburg	1	$5,169
Riverside	1	$96,042
Trotwood	7	$433,034
Wright Library	2	$7,778
Cent-Wash Parks	1	$55,408
City/other total	18	$965,231
All levies total	74	$22,637,912*

*—Dollar impact includes inside millage loss in some cases #—No year-to-year dollar loss because levy is new.

Appendix F

GRF Tax Receipts in FY 2009 Compared to FY08-09 Budget (HB 119) Conference Committee Estimates

Millions of $

FY09 Revenue			
	Conference Committee: FY08-09 Budget	Actual Receipts	Actual vs. Estimate
Income Tax	$9,201.00	$7,628.00	-$1,573.00
Non-Auto Sales Tax	6,923.60	6,239.20	-684.40
Auto Sales Tax	1,023.90	873.60	-150.30
All Other Taxes	2,415.10	2,352.90	-62.20
Total GRF Taxes	**$19,563.60**	**$17,093.70**	**-$2,469.90**

Source: Ohio Department of Taxation

Appendix G

Impact of Am. Sub. House Bill 66 (FY 2006-2007 state operating budget and tax reform bill)
Estimates by Ohio Dept of Taxation, in concert with Ohio OBM

Item Description		FY 06	FY 07	FY 08	FY 09	FY 10
STATE TAXES						
Personal Income Tax						
Make trust tax permanent		$19.0	$56.0	$52.0	$50.0	$47.0
Cut tax rates across the board by 21%, with 4.2% cut each year over 5 years; no bracket indexing during those 5 years; new credit so filers under $10,000 in OTI pay no tax.		($340.0)	($727.0)	($1,164.0)	($1,659.0)	($2,170.0)
Replace tuition deduction with grant program		$0.0	$13.4	$13.4	$13.4	$13.4
Cigarette Tax						
Increase cigarette tax by 70 cents per pack (new total would be $1.25 per pack) for FY 2006 onward		$435.0	$425.0	$416.0	$407.0	$398.0
Floor tax of $0.70 per pack in FY 2006		$70.0	$0.0	$0.0	$0.0	$0.0
New, additional discounts against floor stocks tax		($3.0)	$0.0	$0.0	$0.0	$0.0
Allow purchases of $300 per month without Ohio tax		($30.0)	($43.0)	($55.0)	($56.0)	($55.0)
Corporate Franchise Tax						
Eliminate franchise tax over 5 years, except on financial institutions.		($202.4)	($452.2)	($687.7)	($916.7)	($1,151.7)
Remove manufacturing machinery and equipment credit on new purchases (i.e. purchases after June 30, 2005). Note that TPP tax does not apply to M&E purchased on or after Jan-01-2005.		$7.2	$10.5	$7.8	$3.2	$0.0
Litter tax left in place with GRF receiving revenue (to be used for recycling and litter prevention)		$8.0	$7.2	$4.8	$2.4	$0.0
Allow full tax credit for the communicatively impaired to be claimed in tax year 2005 (instead of only 50% of the credit, per the tax year 2005 phase-in language enacted in HB 95)		($3.1)	$0.0	$0.0	$0.0	$0.0
CFT from financial institution affiliates and insurance affiliates not subject to the CFT phase-out		$5.0	$5.0	$5.0	$5.0	$5.0
Estate Tax						
Eliminate Ohio additional estate tax (sponge portion of tax) - reflects state impact only (local impact excluded)		($2.0)	($8.0)	($8.0)	($8.0)	($8.0)
New Commercial Activity Tax						
Impose a Commercial Activity Tax on gross receipts of all businesses at tax rate of 0.26%. Exemption of $1 million in sales for all taxpayers ($150 minimum fee if receipts less than $1 million but above $150,000). Five year phase-in.		$267.3	$551.6	$881.1	$1,192.8	$1,551.6
Exemptions created by legislature		($46.9)	($107.4)	($79.2)	($108.8)	($150.0)
Credit filing fee against CAT tax		($6.0)	($0.5)	($0.5)	($0.5)	($0.5)
Credit for deferred tax assets		$0.0	$0.0	$0.0	$0.0	($15.0)
Credits formerly allowed against CFT that will apply to CAT (JCTC, JRTC, R&D expenses credit and R&D loan credit))		$0.0	$0.0	$0.0	($70.0)	($75.0)
Sales and Use Tax						
Reduce sales tax from 6.0% to 5.5%		($712.0)	($735.0)	($778.0)	($811.0)	($842.0)
Increase vendor and seller discount to 0.9% in FY 2006 and FY 2007		($8.6)	($10.2)	$0.0	$0.0	$0.0
Repeal exemption for investment coins and bullion		$3.3	$3.6	$3.9	$4.2	$4.5
Miscellaneous Items						
Allow insurance companies to claim job creation tax credit		($1.1)	($2.2)	($3.3)	($4.4)	($5.5)
New tax amnesty program		$10.0	$0.0	$0.0	$0.0	$0.0
Sub-Total State Tax Changes [illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LOCAL TAXES*						
Property Taxes						
Local tax revenue increase and reduced state expenditure from eliminating 10% real property tax rollback on commercial and industrial property begins in tax year 2005, with first state gain (1/2 yr) in FY 2006.		$165.0	$314.0	$320.0	$348.0	$365.0
Local tax loss and additional state expense from reducing assessment percentages on tangible property to 18.75% in tax year 2006, 12.5% in tax year 2007, 6.25% in tax year 2008, 0% in tax year 2009. New Machinery and Equipment is exempt from tax (purchased on or after Jan-01-2005). State reimburses locals for losses.		($70.5)	($527.2)	($804.1)	($1,250.4)	($1,517.8)
Telephone property TPP phase-out: 20% assessment in tax year 2007, 15% in tax year 2008, 10% in tax year 2009, 5% in tax year 2010, 0% in tax year 2011. Because switch from public utility to general taxpayer schedule creates double payment in tax year 07/fiscal year 08, state reimbursement not needed until FY 2009.		$0.0	$0.0	$0.0	($15.8)	($108.7)
Sub-Total Local Tax Revenue Impacts (General TPP tax and telephone TPP tax reductions are reimbursed by State, while the State's expenses for the real property 10% rollback are reduced) [illegible]		$15.5	[illegible]	[illegible]	[illegible]	[illegible]
State and Local Tax Net Impact		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

5-year sum
($7,351.9)
does not include withholding cuts

5-year sum
($10,224.4)
does not include withholding cuts

*Reflects only those changes that impact state finances. The local impact of repealing the estate additional tax is not included in the table ($8 million in local revenue loss in FY 2006 and $32 million in local revenue loss in FY 2007 and thereafter). The state impact of lost estate tax revenue from reducing the interest rate on underpayments is included in the table but the local impact (80% of the total $100,000) is not. The local impact of repealing the grain handling tax ($200,000 per year by full phase-out) is also not shown in the table.

Appendix H

Table 1: Fixed Rate General and Telephone Company Personal Property Tax Loss, TY10*

Levy Purpose	County	Municipal	Special	Township	Total
MRDD	92,966,877		90,323		93,057,200
General	40,424,196	27,976,089		8,467,366	76,867,651
Fire		8,685,841	2,448,802	31,889,341	43,023,984
Children	31,092,733		426,148		31,518,880
Mental Health	22,916,194		2,778,740		25,694,934
Health	20,487,545	67,116	3,048,139	110,338	23,713,138
Library	2,006,587	271,068	18,510,049	14,956	20,802,660
Charter		19,477,913			19,477,913
Police	1,847,751	3,945,320		13,510,159	19,303,230
Park	6,492,670	1,595,453	10,309,101	514,851	18,912,075
Debt	3,340,487	10,954,664		1,138	14,296,288
Road	828,319	1,262,086		12,074,681	14,165,086
Community College	1,409,511		10,614,397		12,023,908
Hospital	11,709,304	195,927		4,086	11,909,316
Human Services	11,365,211				11,365,211
Aging	9,682,218	30,952	272,734	31,221	10,017,125
EMS	1,314,866	2,042,859	1,127,600	1,540,652	6,025,977
Current Expense		5,524,922			5,524,922
Zoo	4,505,691				4,505,691
Police Pension		3,432,918			3,432,918
Fire Pension		2,849,090			2,849,090
Other	1,160,768	43,369	1,278,443	1,414	2,483,994
Transit			2,455,782		2,455,782
911 System	1,582,889		99,034		1,681,923
County Home	1,668,816				1,668,816
Cemetery		191,718	36,491	767,722	995,930
Capital	240,446	499,708		12,489	752,642
Garbage		480,597		265,126	745,722
Port Authority		89,621	631,263		720,884
Financing			580,867		580,867
Historical	399,029			5,398	404,427
Sewer		352,574			352,574
Tuberculosis	245,877				245,877
Lights		234,866		5,500	240,366
Conservancy	35,667	93,317			128,985
Museum		68,718			68,718
Extension	68,370				68,370
Preservation				37,185	37,185
Veterans Relief	35,357				35,357
Water		26,048	2,403		28,451
Flood		27,615			27,615
Community Services				25,703	25,703
Community Center				785	785
Dust				524	524
Statewide Totals	**$267,827,377**	**$90,420,367**	**$54,710,317**	**$69,280,633**	**$482,238,695***

* Note that the figures in Table 1 do not include the $9.7 million in lost Telephone TPP revenues in TY 2011.