THE BUCKEYE INSTITUTE

Streamlining Local Government Will Ease Property Tax Burden

Testimony
Joint Committee on Property Tax Review and Reform

Greg R. Lawson, Research Fellow
The Buckeye Institute

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As Prepared for Delivery

Chairs Roemer and Blessing and members of the Committee, thank you for the opportunity to testify regarding Ohio's complex and the ever-expanding property tax burden.

My name is Greg R Lawson. I am a research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

This Committee has heard from many witnesses regarding the complexity of Ohio's property tax system and the sticker shock inflicted by property tax bills. Although I share those concerns, I will not belabor them here because I want to focus on the heart of the property tax issue: the byzantine structure of Ohio's local government.

Local officials are friends, neighbors, and respected community members, making them responsive to constituents in ways that state and federal officials are not; but if the state does not begin to untie the Gordian Knot of Ohio's local government structure, then Committee recommendations and General Assembly bills will remain unable to solve the perennial problem.

Ohio has **924 cities and villages**, **1,308 townships**, **more than 600 school districts**, and 88 counties, along with hundreds of other special taxing districts. This over-supply of local government reflects its 19th century roots when travel was cumbersome and officials responsible for basic governmental functions needed to be nearby. But times and technologies have changed. Governing bodies tasked with maintaining safety, collecting trash, filling potholes, and managing water supplies need only to perform those functions, not live next door.

Maintaining this abundant, multi-layered structure has saddled Ohio with the **12th highest** local tax burden as a percentage of income in the country. That burden must be eased, and three policy changes can help.

- Require county commissioner approval before putting levies on ballots;
- Expand on **House Bill 331** to more easily dissolve underperforming villages; and
- Limit local property tax breaks for developers and special interests.

Empower County Commissioners

Today, virtually all local levies may be **placed on the ballot** for voters without first receiving approval from county commissioners. Such direct ballot access fails to account for the limited perspective, information, and interests held by individual taxing entities that do not and cannot see the bigger economic picture or the aggregated financial effects of new levies. County commissioners, however, have the benefit of a broader, countywide view and can better assess how new levies will impact residents. With the exception of school levies, county commissioners should be responsible for placing all local levies on the ballot.

Expand on House Bill 331

House Bill 331 takes a necessary first step to remove extraneous local government through a standard, automatic process to determine whether Ohio villages meet the needs of their taxpaying constituents. The bill requires county budget commissions to assess the core services provided in each village and to determine whether at least one candidate appeared on the ballot for each elected village position. Villages not meeting these standards will be barred from imposing additional tax liabilities, and their dissolution will be presented to voters on the next general election ballot. This initial improvement could be streamlined further by placing dissolution resolutions on the first general election ballot after each decennial census's conclusion without going through the budget commission process.

Limit Property Tax Breaks

As The Buckeye Institute has **demonstrated**, many local governments throughout the state offer significant tax abatements to businesses that emigrate to Ohio or expand their operations. Local economic development practices, including tax increment finance (TIF) arrangements and other special abatements and incentives, too often favor real estate developers and employers while shifting tax burdens to families and small businesses. In a transitioning local tax system, reforming these economic development practices will be imperative for local governments to form solid, affordable tax bases that adequately fund essential services. Policymakers can and should reform local government economic development practices by tightening tax incentive requirements.

Other Streamlining Recommendations

The Buckeye Institute has **previously recommended** additional ways to streamline local government, including:

- No more unfunded mandates on local governments;
- Spend state resources on specific, critical needs like public safety and core infrastructure;
- Share state revenues with local communities in dire need;
- Incentivizing local governments to share local resources or consolidate; and
- More spending transparency to improve local accountability.

Those recommendations are included in my written testimony, and I would be happy to discuss them in detail with Committee members, but time constraints prevent me from reciting them here.

No More Unfunded Mandates on Local Governments

Many costs that local governments face arise as they attempt to comply with demands made by the state—demands that Columbus too often declines to pay for. State policymakers must be more circumspect about local finance when asking or requiring local governments to do the state's bidding. Unfunded mandates—ranging from schools to criminal justice to environmental concerns—must be eliminated for local governments to have any chance of sticking to their budgets and meeting the needs of their constituents.

Spend State Resources on Specific, Critical Needs

State policymakers should be more specific and clearer when offering revenue assistance to local governments for infrastructure, emergencies, or crises—such as natural disasters or the opioid epidemic—to provide state funds for the specific purpose for which the funds are needed. Rather than simply deposit state revenues into a local government's broad "general fund" account—as the Local Government Fund generally does—state tax dollars should be appropriately designated for local accounts specifically used to address a specific need.

Share State Revenues with Local Communities in Dire Need

State policymakers should engage in revenue sharing with local governments and communities that genuinely need state revenues to provide critical goods and services to constituents. Since not all local governments enjoy the same revenue-generating tax bases, policymakers need to critically examine which local governments are unable to pay for their services using funds collected at the local level. State officials can and should distinguish between local communities with robust tax bases capable of covering the costs of their programs and those without. Those communities with adequate revenue-raising capacity should not be showered with additional state tax dollars collected from other communities across the state.

Incentivizing Local Governments to Share Local Resources or Consolidate

Local governments can spend local money and use local resources more efficiently by cooperating and sharing their resources and services. Cooperative purchasing and shared government services will help local governments use taxpayer funds more effectively so that locally raised dollars go farther. Smaller communities should also consider service consolidation. Some local governments are ill-equipped to efficiently satisfy their communities' core needs and demands. Neighboring communities, however, could pool and consolidate resources to provide basic or updated services and facilities rather than fail to provide them on their own.

More Spending Transparency to Improve Local Accountability

Local governments should look for ways to make their spending more transparent. The more transparent the spending, the more accountable local officials will be held by their constituents—the taxpayers. Ohio increased its spending transparency with The Buckeye Institute-inspired **Ohio Checkbook**. Additionally, Ohio should also **expand upon** the Franklin County **Levy Estimator**, which shows all of the levies attached to an individual's property. These types of transparency tools empower taxpayers to ask well-informed questions and hold state and local officials accountable for their spending decisions.

Conclusion

Overcoming two hundred years of inertia to untie the tangled knot of Ohio's local government structure will not be easy. But it must be done. Ohio property owners deserve a more efficient, effective, and inexpensive system. To start, state policymakers should empower county commissioners and require commissioner approval to place new levies on the ballot; make it easier for constituents to dissolve unnecessary layers of government; and reduce special local tax breaks and incentives that shift tax burdens to unsuspecting homeowners and businesses.

Thank you for your time and attention. I would be happy to answer any questions that the Committee might have.

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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