The Local Government Fund, Unfunded Mandates and the TEL.

The Tax Expenditure Limit (TEL) proposal is a Constitutional Amendment scheduled for the statewide ballot in November. Both a Local Government Fund of 5% of all state revenues and permission for local governments to ignore all future unfunded state mandates on them are included.

However, a clear reading of the TEL says municipal and other local governments are neither assured of any funds from the LGF nor guaranteed any relief from unfunded state mandates.

Since the 1930's Ohio has shared a percentage of its revenue with cities, villages, counties and townships. Later a separate, similar fund was established for local libraries. The TEL is, evidently, proposing a new fund to take the place of those funds.

However, this new fund has two very significant differences. First, it expands the pool of those who receives LGF dollars to include school districts (over 600 districts) and dozens, perhaps hundreds, of special districts supported by tax funds. The second distinction is that the LGF is to receive annually 5% of an amount equal to the state's previous year's annual expenditure.

The money, distributed to the counties on a proportionate basis, is to be distributed to the fund's recipients on the basis of legislation written, in the future, by the General Assembly. That legislation is to designate whether one or more political subdivisions receive any money. The General Assembly could declare that only school districts and the county receive all of the money.

The new LGF may have more money in it than the current fund. The "aggregate state expenditure" definition in the TEL includes all state taxes, licenses, fees and sales. Five per cent all revenues from those things go into the fund. On the basis of the TEL language that would include the usual income tax, sales tax and business taxes. However, it would also include five per cent of such things as fishing and hunting licenses, gas taxes, driver's licenses, lottery sales, Medicaid co-pay fees, EPA fees, workers' comp funds and anything sold by a public university, such as football tickets and television rights.

So, while the Fund may be larger and will grow, there is no guarantee that the traditional recipient's (counties, municipalities, townships and libraries) will get a single dime out of the fund or anywhere near what they are receiving currently.

The Fund may also become a refuge for all future state unfunded mandates on local governments. Because the TEL's new LGF does not prohibit the practice, the General Assembly can create a distribution formula for the LGF that earmarks the LGF as the way the General Assembly funds such mandates. Instead of being an unrestricted revenue sharing fund, the new LGF can become a fund that just funds state mandates. As schools and counties suffer the most unfunded mandates, because of their relationship with the state, it is likely that, should such a turn in the LGF occur, counties and school districts would receive the lion's share of the fund.

In reality, the passage of the TEL means municipalities are neither guaranteed mandates covered by new money from the state nor guaranteed that next year we won't face cuts in the municipal share of the LGF of 100%.