Futures Commission: Recycled tax-and-spend policies cloud city's bright future

by Greg R. Lawson   Apr 26, 2024

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The Cincinnati Futures Commission assembled by Mayor Aftab Pureval projects a **nearly $500 million** budget shortfall for the city by 2033. That's the bad news. And it gets worse.

The commission's recent **report** includes strong policy recommendations that city officials and civic leaders should embrace, such as divesting unproductive assets, selling six municipal golf courses, leasing the Lunken Airport, and re-envisioning city properties not yielding top value. But the report then reverts to recycling a tax-and-spend agenda that has failed everywhere it has been tried and calls for raising Cincinnati's municipal income tax from 1.8 to 1.95%.

Cincinnati's 1.8% income tax is a competitive advantage. It helps the city attract and retain workers by allowing them to keep more of their paychecks than other big Ohio cities do. **Columbus** and **Cleveland**, for example, tax income at 2.5%. But the **majority** of Cleveland's suburban municipalities tax income at least 2%, with some like Bedford and Parma Heights taking up to 3% of wages, while Cincinnati competes for workers and residents against low-tax centers like **Loveland** and **Blue Ash**, which charge just one and 1.25%, respectively. And many large townships in southwest Ohio levy no municipal income tax at all. The higher Cincinnati's income tax climbs, the less its advantage and the harder it will be to keep earners and businesses from leaving.

The General Assembly has been busy **reforming the state income tax** to make Ohio regionally more competitive by streamlining tax brackets and moving toward a single flat rate – but the Cincinnati Futures Commission recommends the city take the opposite approach, raise income tax rates and put the bulk of any increased revenue into an economic development slush fund for the politically well-connected. See, the bad news got worse.

Tax-and-spend initiatives do not develop or grow economies. They do not spur innovation. They do not attract new talent or encourage more investment. Instead, they siphon money (taxes) from the productive private sector, funnel it through an administrative bureaucracy that must be paid, and then repurpose (spend) the money (minus the administrative costs) as government officials see fit – and only rarely is that ever the most efficient or effective use of the remaining money.

Rather than retread this failed financial cycle, Cincinnati leaders should carefully reconsider how to free up money to pay for core government services, public safety, and infrastructure without hiking taxes or running up a $500 million deficit over the next 10 years. One long-term reform that could help reduce city costs, for example, would be shifting Cincinnati's expensive but underfunded public pension plan from a defined-benefit system to a defined-contribution system. The Buckeye Institute suggested this sustainable **solution** more than a decade ago, but the city continues to prefer the proverbial **Band-Aid** of short-sighted fixes rather than stitching the gaping fiscal wound to stop the bleeding.

The Cincinnati Futures Commission has made some valuable recommendations for city officials to consider. And they should. But raising municipal income tax rates for a civic "development" slush fund is not among them and returning to outmoded tax-and-spend policies instead of creatively curbing public spending and attracting more workers, more residents, and more businesses will cost the city in the long run – perhaps even more than $500 million.

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