



CTA
COUNTY TREASURERS
ASSOCIATION OF OHIO

**2023 SPRING
CONFERENCE**

April 25-27
Holiday Inn Dayton/Fairborn

Tuesday, April 25

**2:15-3:15 PM
Holiday Inn**

Dayton | Fairborn

The Ohio County Budget & Appropriation Process



**ORC Chapter 5705
Tax Levy Law**

Presented by

Larry L. Long

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Director of Membership Development
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Former Executive Director
County Commissioners Association
of Ohio (1974-2013)



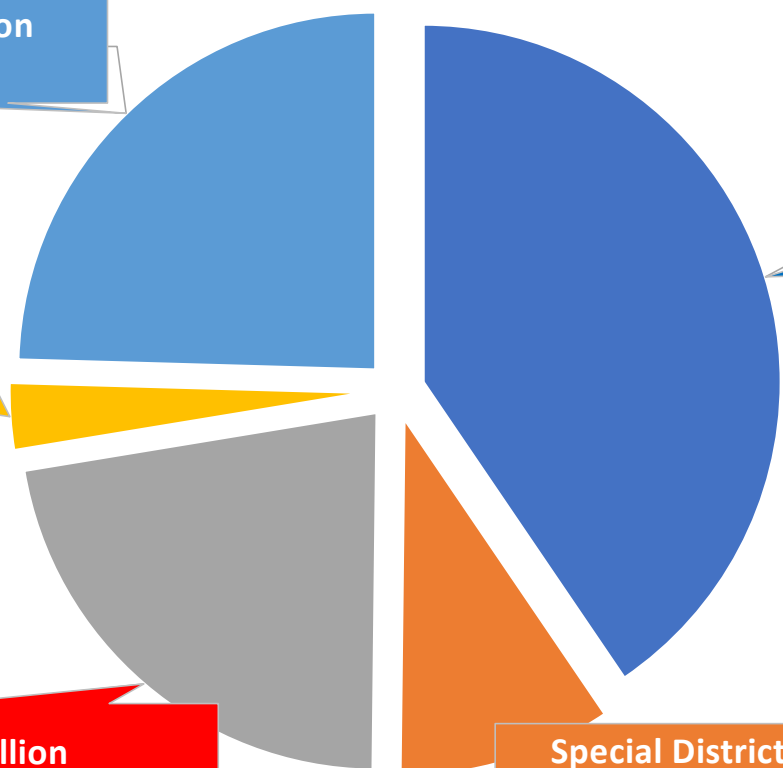


Revenue Sources; Role of Intergovernmental Revenue; Trends

Total Revenue for Ohio Local Governments

Source: 2012 & 2017 Census of Governments

Total Local Government Revenue = 54.5 Billion (2012) • \$60.8 Billion 2017 • 11.6% Increase



Municipalities, \$15.7 Billion
26%



School Districts, \$24.3 Billion
40%

Townships, \$1.7 Billion
3%



**JONATHAN ALDER
PIONEERS**

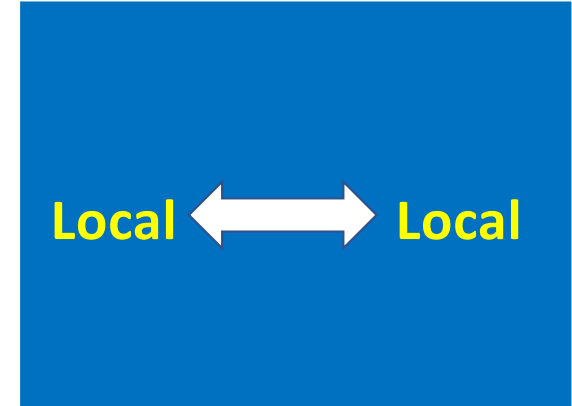
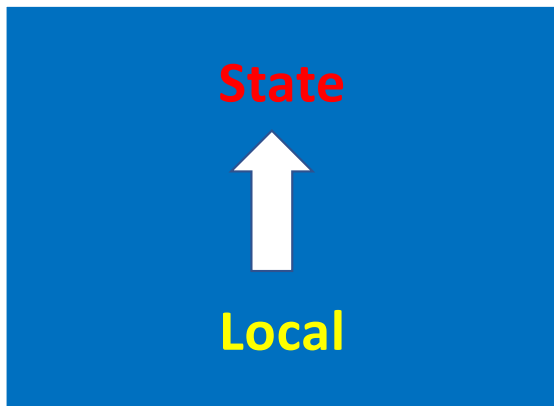
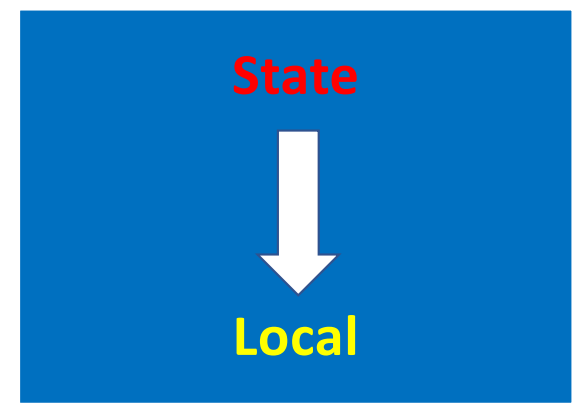
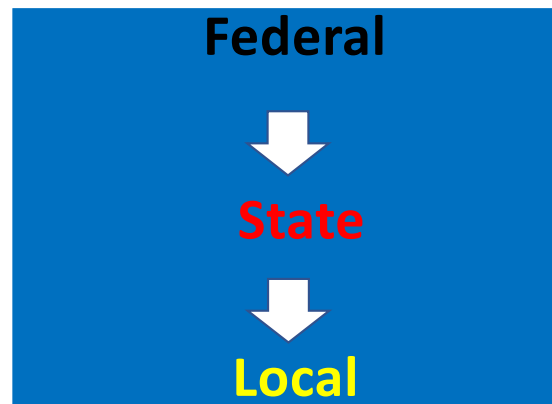
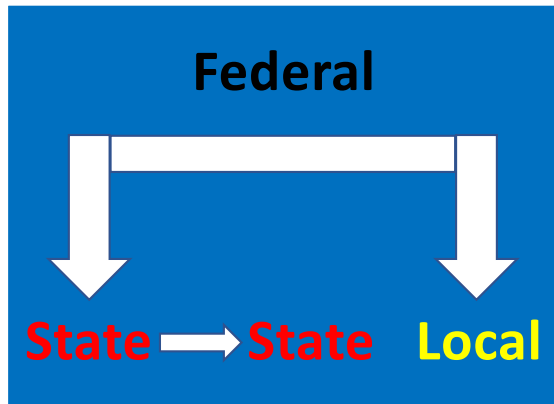
Counties, \$12.9 Billion
21%



Special Districts, \$6.2 Billion
10%



Movement of Funds Between Levels of Government





Local Government Revenue Snapshot

Magnitude of "Own Source" & Intergovernmental Revenue (All Funds)

Total Ohio State & Local Government Revenue 2017
(In Billions of Dollars (\$) Unless Otherwise Noted)

Type of Revenue	State	Local Governments					
		County	Municipal	Township	Special District	School District	Total Local
Revenue from Own Sources	44.4	8.8	10.7	1.3	2.6	12.6	36.0
Intergovernmental Revenue	24.2	3.9	2.0	368M	3.3	11.6	21.2
Total Revenue (includes Non-General Revenue)	97.7	12.9	15.7	1.7	6.2	24.3	60.8
Intergovernmental Revenue as % of Total Revenue	24.8%	30.2%	12.7%	21.6%	53.2%	47.7%	34.9%

Intergovernmental Revenue as % of Total Revenue 2012 & 2017



“Pushing more Taxes Financial Responsibility to the Local Level”



Type of Government	Intergovernmental % 2012	Intergovernmental % 2017	Intergovernmental % Change 2012-2017
County	36.3	30.2	-6.1
Municipal	17.5	12.7	-4.8
Township	28.2	21.6	-6.5
Special Districts	50.0	53.2	+3.2
School Districts	51.8	47.7	-4.1
All Local Governments	37.6	34.9	-2.7
STATE GOVERNMENT	29.4	24.8	-4.6

Major County General Fund “Own Source” Revenue Sources & Expenditures

Major Revenue Sources

- Sales & Use Tax
- Unvoted Property Taxes (Inside Millage)
- Charges For Services, Fees, Fines, etc.
- Intergovernmental Assistance
- Interest Income



Major Expenditure Categories

- Law Enforcement
- Courts & Criminal Justice
- Generally, from 50% to over 70% (in larger counties) of County GRF Budget is allocated for these two purposes



Major County General Fund “Own Source” Revenue Sources & Expenditures

- Sales Tax now over 50% of General Fund in most counties
- Over 40 Counties Increased Rates since 2007
- 53 Counties now at maximum allowable rate (1.5% or 2.0%)
- Intergovernmental Aide—11%+- **GRF**
- Charges for Services--15%+- **GRF**
- Investment Income—10% of **GRF** in 2007, 3% in 2017. With current rates this year returns have increased

Property Taxes for Counties

Other than Inside (unvoted) Millage most “**county property taxes**” are used for Non-General Fund Purposes (**Special Funds**) through voter approved levies(:

- County DD Board
- County Alcohol, Drug, Mental Health Boards
- Children Services Board
- Public Health
- Senior Citizen Levies
- Other Misc. Voted Levies





Local Government Tax Options



Type of Local Tax	County	Township	Municipality	School	Special District
Property	✗	✗	✗	✗	✗
Income			✗	✗	
Sales & Use	✗			Medina County Used for Schools. Others for specified uses	County & Regional Transit Only
Motor Vehicle License	✗	✗	✗		
Real Estate Transfer	✗				
Utility Service	✗	County Tax Authority Repealed (ORC Chapter 324, in HB 390 of the 131 st General Assembly, effective 9-28-16)			
Lodging	✗	✗	✗		
Admission			✗		
Alcoholic Beverage	✗				
Cigarette	✗				

**Over Half the Counties Collect
Maximum* 1.5% Tax
(Coshocton 2.0% for Jail)**

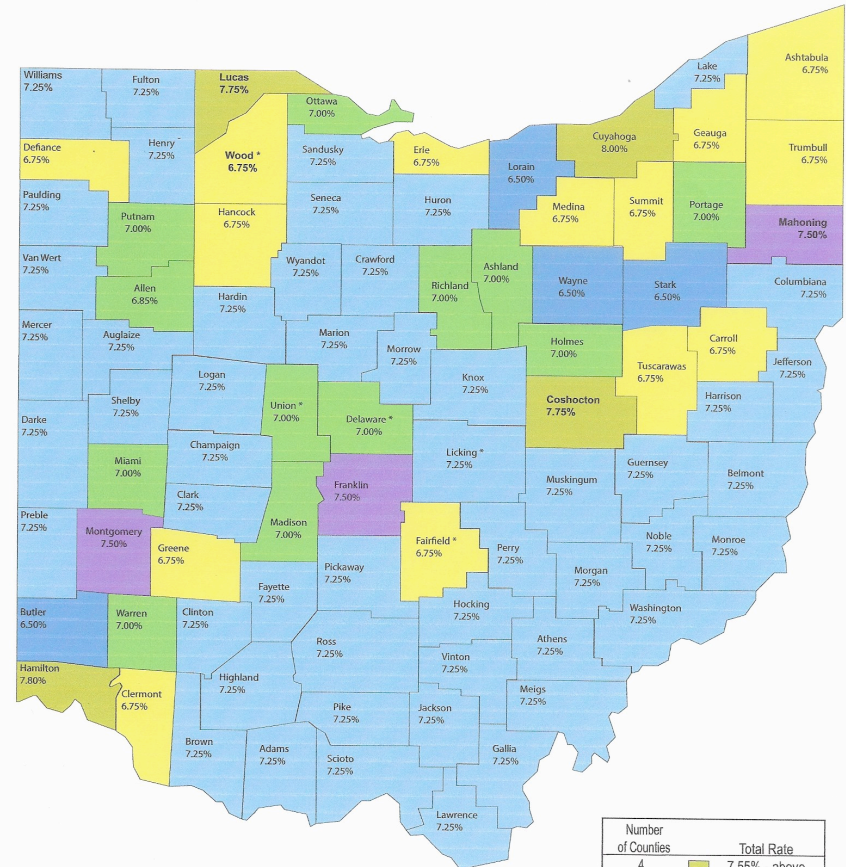


Selected County Rates and Revenue 2021

County	Rate (%)	Revenue (In Millions unless otherwise noted)
Franklin	1.25	359
Cuyahoga	1.25	305
Hamilton	1.25	236
Summit	.50	55
Butler	.75	54
Stark	.50	35
Wayne	.75	14
Paulding	1.5	2.6
Morgan	1.5	2.0
Noble	1.5	2.0
Vinton	1.5	1.8
Statewide	Average 1.49 (2022)	2.6 Billion

Source: Ohio Department of Taxation. Tax Data Series. The Tax Foundation

Total State and Local Sales Tax Rates,
by County, Effective April 2022



New Rate:
 Coshocton county tax rate 7.75% (previously 7.25%)
 Mahoning county tax rate 7.50% (previously 7.25%)
 Lucas county tax rate 7.75% (previously 7.25%)
 Wood county: the City of Rossford 7.25% (previously 6.75%).
 This rate increase is a new transit tax only applicable to the city; it does NOT apply to all of Wood county.

* Portions of Delaware, Fairfield, Licking, Union and Wood counties assess a 0.50% transit authority sales tax levy (not reflected on this map.)

State Intergovernmental Financial Assistance to Local Governments

Five Major Categories of State Financial Assistance

State → Local

- State Sharing of State Taxes—Revenue Sharing
- Property Tax Relief & Tax Reform Replacement Payments
- State General Revenue Fund Program Grants\Subsidy
- State Program Grants\Subsidy Using Fee, Fine, Court Cost & User Fee Revenue
- Capital Improvement Grant Funding Often using State Debt



State Intergovernmental Financial Assistance to Local Governments

State → Local

Revenue Sharing

State Sharing of State Taxes



- **Local Government Fund (LGF)**
- **Public Library Fund (PLF)**
- **Casino Tax Distributions**
- **Motor Vehicle Registration Tax**
- **Motor Vehicle License (Gas) Tax**
- **Local Transportation (LTIP)**
- **Horse Racing Tax**
- **Estate Tax (Repealed)**

Ohio's Local Government Fund

Story of Large State Funding Reductions 🔥 Cut in Half Since 2000

Distributions from State Local Government Funds & Percent Change from 2000
2000, 2005, 2010, 2015, 2017, and 2020 • In Millions of Dollars & Percentages

Year	County Undivided Local Government Fund (LGF) [^]	Direct Distributions to Municipalities Levying Income Taxes*	Total State Local Government Fund (SLGF)	Total Local Government Revenue Assistance Fund (LGRAF) and Direct Distributions to Townships	Total SLGF and LGRAF and Direct Township Funds	Per Cent Change from 2000
2000	645	61	706	99	805	
2005	615	58	673	94	767	-4.7
2010	612	52	664		664	-17.5
2015	351	22	373		373	-53.6
2017	345	4	349	10	359	-55.4
2020	377	23	400	10	410	-49.1



Casino Revenue

Helping Counties Replace Some of LGF Slashed by State

Distribution in Ohio Constitution

SFY22

- **51% County--\$170 M/131 M net**— Cities over 80,000 get half of the big county “pot”— Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, & Youngstown (Total to 8 cities= 39.8M; Net to

88 counties after city deductions = **\$131 M**)

- **34% Schools--\$114 M**
- **5% Host City--\$17 M**
- **3% State Racing Commission--\$10 M**
- **3% Casino Control Commission--\$10 M**
- **2% Gambling Addiction Fund--\$7 M**
- **2% Law Enforcement Training Fund--\$7 M**



Source: Ohio Department of Taxation. Tax Data Series

Total = \$334 Million

State Intergovernmental Financial Assistance to Local Governments

State → Local

**Property Tax Relief
Tax Reform Replacement**



- **Property Tax Credit Programs**
 - Non-Business Credit (10%)
 - Owner Occupancy Credit (2½%)
 - Homestead Exemption
- **Tangible Personal Property Replacement**
- **Public Utility Personal Property Replacement**
- **MCO Sales Tax Replacement**

Ohio's Property Tax Credit Programs

Significant State Fiscal Commitment to Property Owners Without Harming Counties and other Local Governments and Schools: Recent Retrenchment by State

- Homestead was means tested, Strickland removes means test, Kasich reinstates means test.
- Existing properties “grandfathered”
- Non-Business & Owner Occupancy Credits now only apply to **renewal**, not **replacement, new, or increased** levies so credits generally are no longer the full 10% or 2.5%
- **Tax increase** on property owners but local governments do not lose money
- In CY 2020 739,000 homes qualified for homestead exemption program
(Down from 868,000 in 2016)
- Average homestead tax reduction = \$493.00

Program	Cost
Homestead Exemption	\$364 Million
Non-Business Credit (10%)	\$1.2 Billion
Owner Occupancy Credit (2.5%)	\$226 Million
Total	\$1.79 Billion

Source: Ohio Department of Taxation. Tax Data Series.

State Tax Reform: Local Governments Beware!

Estimated Local Government Losses From Base Year from TPP & PUPPT Reform

(in dollars & Percentages)

Type of Tax	Original Base Amount	FY 18	FY 19	FY 21	% Reduction FY 21 from Base
TPP Schools	1.2 B	207 M	165 M	107 M	92%
PUPPT Schools	166 M				
Schools Subtotal	1.37 B				
TPP Other Local Governments	450 M	31 M	17 M	9 M	98%
PUPPT Other Local Governments	71 M				
Other Locals Subtotal	521 M				
Total Schools & Other Local Governments	1.887 B	238 M	182 M	116 M	94%



Recent “Tax Reform” Impacts on Municipalities

2013 Repeal of Estate Tax

Year	Amount (In Millions of Dollars Rounded)
1998	228 M
2003	223 M
2008	227 M
2013	230 M
2014	48 M
2020	124,000



Remote Work From Home Challenge

- Principal Place of Work Rule
- All Changes with Pandemic
- More now working remotely
- Potential major revenue losses especially for large cities

2020 Total	\$5.8 Billion
Collections	
246 Cities	\$5.4 Billion
648 Villages	\$402 Million

MORE TAX REFORM

MCO Sales Tax Replacement



Ohio offers counties a fraction of lost sales-tax revenue

County and transit-authority leaders hoping for a deal to save them from **losing \$207 million** in annual sales-tax revenue are disappointed that GOP legislators are offering a fraction of that amount.

But with legislators unwilling to raise more revenue and Gov. John Kasich reluctant to sign a long-term solution, Sen. Matt Dolan, R-Chagrin Falls, proposed a single \$50 million payment to be made in January, and up to \$30 million more in July 2018 if the state budget finishes with a surplus. (9-17-17)

Final Outcome

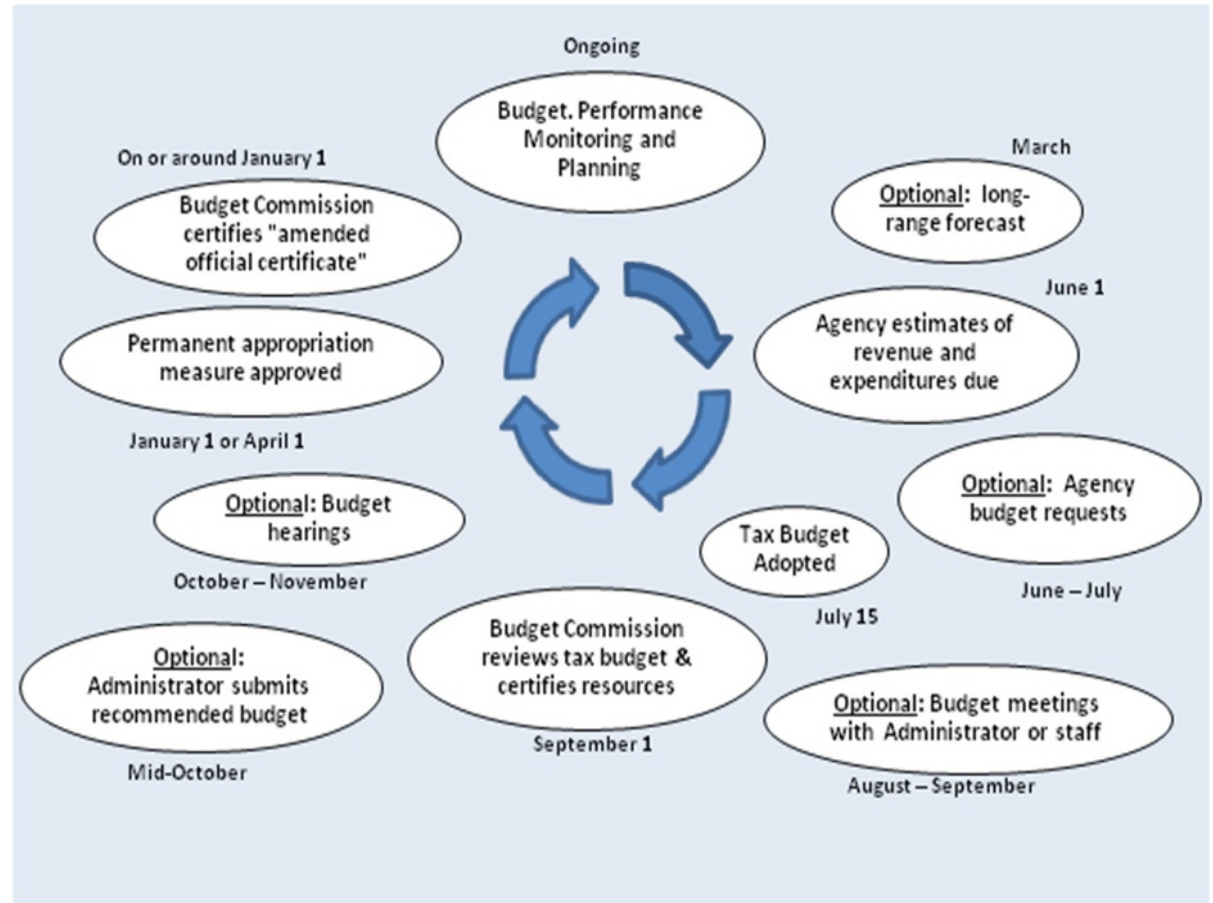
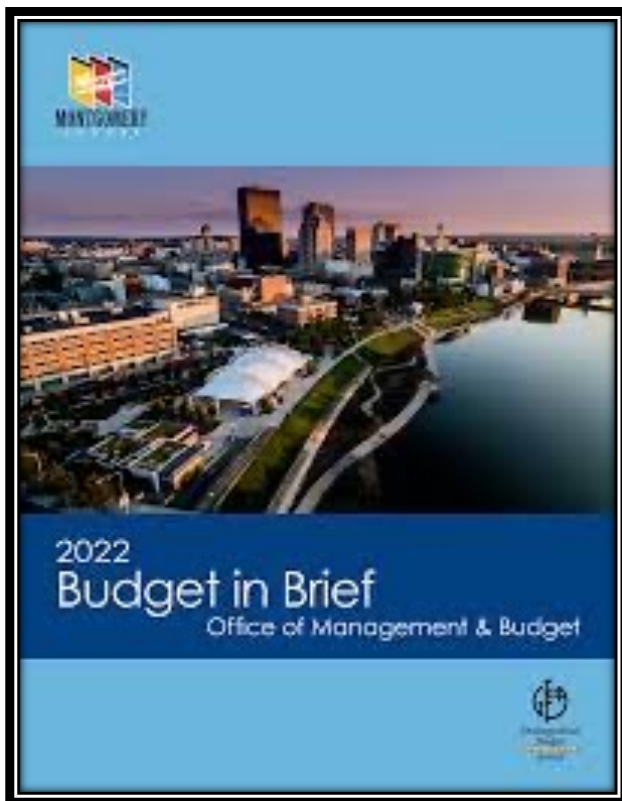
Total One Time Replacement of 287 M; Total CY 2016 Receipts were 209 M.



***The Dynamics of the Statutory Budget Process:
How Does it Work in Your County?***

Ohio's Statutory Budget Process

Ohio Revised Code Chapter 5705



Two Types of Budgets

(ORC Chapter 5705)

Tax Budget

- A tool to assess financial condition in time to place levies on the ballot if revenue is not adequate
- Often involves a “wish list” of what agencies want
- Does not have to balance
- Determines “need” for voted and un-voted property tax levies
- Must show “need” in Tax Budget for property tax levies or millage must to reduced
- If not adopted on time may forfeit an allocation of the ULGF
- Does not authorize expenditure of money

Appropriation Budget

- Authorizes expenditure of monies
- Limits the amount of expenditures by budget categories, line items, or object codes
- Must be based on tax budget
- Must be in balance
- Must be in balance by Fund

BUDGET COMMISSION

LOOKING OUT FOR
YOUR TAX DOLLARS

ROLES &
RESPONSIBILITIES

REVIEWS ALL
PROPERTY TAX
REVENUE
BUDGETS IN
ASHTABULA
COUNTY

MEMBERS:
AUDITOR
TREASURER
PROSECUTOR

ENSURES TAX MONEY COLLECTED FROM
YOU IS REQUIRED AND NEEDED
BY THE LOCAL GOVERNMENT.



Ashtabula County Auditor
David Thomas

County Budget Commission



County Budget Commission

Established in 1911 by the Ohio General Assembly, each County Budget Commission consists of the County Auditor, Prosecuting Attorney, and the Mayor of the largest municipality in the county. In 1915, the County

Treasurer replaced the Mayor as a member.

*The County Budget Commission annually examines the **tax budgets** of taxing districts (county, municipal, townships, and special districts) within the county to insure that **property taxes** levied are within legal limits.*

Should the commission change a budget, the respective taxing district can appeal the decision to the Board of Tax Appeals. The County Auditor serves as secretary of the County Budget Commission.

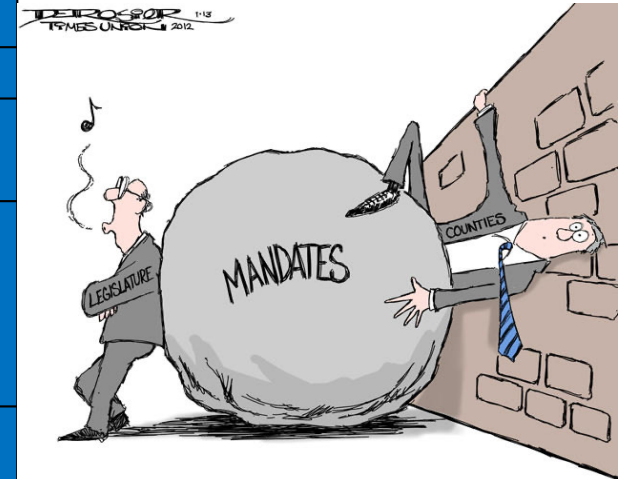
Timetable for Tax Budget & Appropriation Budget

Date	Action
April/May	<u>County Commissioners</u> instruct departments, boards, and commissions to prepare estimates of revenue and expenses during next year; <i>See also ORC 3501.11(O)</i>
1 st Mon. of May	<u>County Auditor</u> certifies \$ needed to pay judgments against the county
Not later than June 1	Departments, boards, & commissions file estimate of revenue and expenses during the next year with the Commissioners
Not later than June 15	Draft of <u>Tax Budget</u> filed with <u>County Auditor</u>

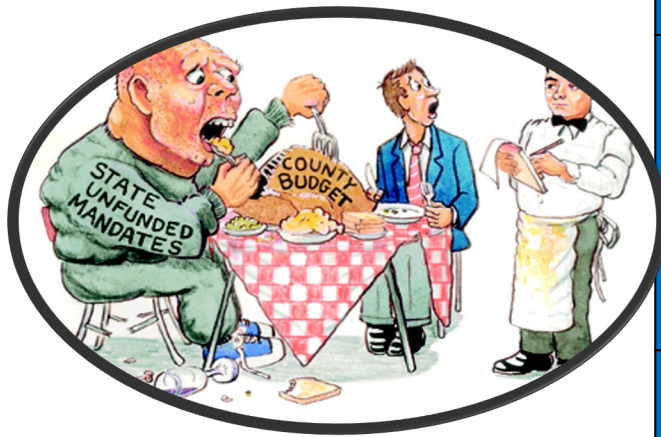


Timetable for Tax Budget & Appropriation Budget

Date	Action
10 days before public hearing	Notice of <u>public hearing on Tax Budget</u> published in Newspaper
Not later than July 15	<u>County Commissioners</u> must adopt <u>Tax Budget</u>
Not later than July 20	<u>County Commissioners</u> must submit adopted <u>Tax Budget</u> to <u>County Auditor</u>
Not later than 1 st Mon. of August	<u>County Budget Commission</u> meets to consider <u>tax budgets</u> and must give opportunity for <u>Commissioners & other taxing authorities</u> to be heard
Not later than Sept. 1	<u>County Budget Commission</u> certifies its action and provides a fund-by-fund <u>official certificate of estimated resources</u> to the <u>Commissioners</u> and the <u>County Auditor</u> estimates of the <u>rate of each property tax</u> necessary to be levied



Timetable for Tax Budget & Appropriation Budget



Date	Action
Not later than October 1	<u>County Commissioners</u> must <u>authorize necessary property tax levies</u> as estimated by <u>County Auditor</u> in order for to be collected the next year
Not later than Dec. 31	County Commissioners must revise Tax Budget to that total of anticipated expenses from each fund do not exceed the amount certified on the official certificate of estimated resources. Revised Tax Budget Serves as the basis for <u>Appropriation Budget</u> . County Auditor must report year end balances to County Budget Commission and may result in an <u>Amended Certificate of Estimated Resources</u> .
January 1	Must adopt a permanent or temporary <u>Appropriation Budget</u> and for each fund the appropriation may not exceed the amount certified by the County Budget Commission. <u>Temporary Appropriation Budget</u> may be in effect until April 1
January 1	<u>County Auditor</u> issues a <u>Certificate of Compliance</u> to assure that the actual appropriations do not exceed, by fund, the amount in the official certificate

Waiver of Tax Budget

ORC 5705.281 Waiving requirement of adoption of tax budget.

(A) Notwithstanding section [5705.28](#) of the Revised Code, the county budget commission, by an affirmative vote of a majority of the commission, **including an affirmative vote by the county auditor**, may waive the requirement that the taxing authority of a subdivision or other taxing unit adopt a tax budget as provided under section [5705.28](#) of the Revised Code, **but shall require such a taxing authority to provide such information to the commission as may be required by the commission to perform its duties under this chapter**, including dividing the rates of each of the subdivision's or taxing unit's tax levies as provided under section [5705.04](#) of the Revised Code.

Powers of County Budget Commission

5705.38 Annual appropriation measures - classification. (in part)

Nothing in this section or any section of the Revised Code **shall permit or require the levying of any rate of taxation**, whether within the ten-mill limitation or whether the levy has been approved by the electors of a taxing district, political subdivision, library district, or association library district, or by the charter of a municipal corporation in excess of such ten-mill limitation, **unless such rate of taxation for the ensuing fiscal year is clearly required by a budget of the taxing district or political subdivision properly and lawfully adopted under this chapter, or by other information that must be provided under section 5705.281 of the Revised Code if a tax budget was waived.**

Powers of County Budget Commission

5705.32 Budget commission to adjust amounts required - revision of estimate - distribution - hearing. (in part)

(A) The county budget commission **shall adjust the estimated amounts required from the general property tax for each fund, as shown by the tax budgets** or other information required to be provided under section 5705.281 of the Revised Code, so as to bring the tax levies required therefor within the limitations specified in sections 5705.01 to 5705.47 of the Revised Code, for such levies, but no levy shall be reduced below a minimum fixed by law. **The commission may revise and adjust the estimate of balances and receipts from all sources for each fund and shall determine the total appropriations that may be made therefrom.**

Options for Taxing Authority on Action by County Budget Commission

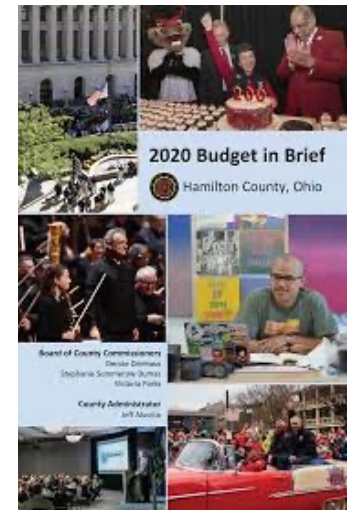
Upon receipt of the **Official Certificate of Estimated Resources**, the County Commissioners have several options:

- Accept the budget commission's decision and **certify each property tax levy** to the County Auditor by October 1
- **Appeal** any action of the County Budget Commission to the Board of Tax Appeals within 30 days after receipt of the Official Certificate
- If the funds available are insufficient, **reduce proposed expenditures** in accordance with the anticipated revenue and unencumbered, unexpended funds prior to adoption of the annual appropriation.
- Place a **property tax levy on ballot** for next current year operating expenses, enact a sales tax or other permissive tax, or attempt other ways to increase revenue

Legal Level of Control

5705.38 Annual appropriation measures - classification. (in part)

(C) Appropriation measures shall be classified so as to **set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.**

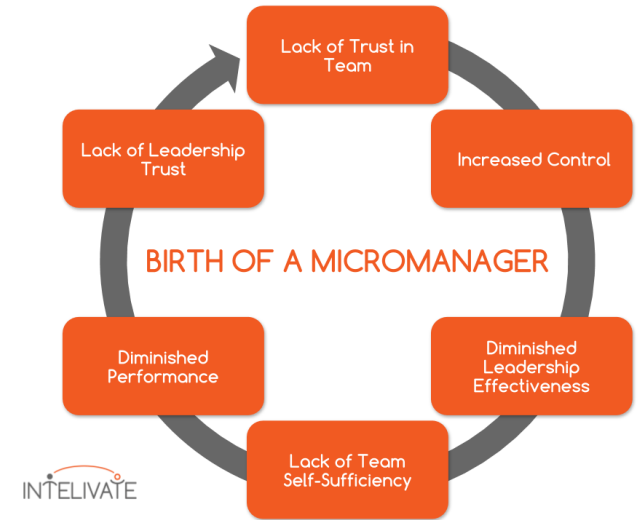


Structure of Appropriation Budget

- **Varies considerably from jurisdiction to jurisdiction**
- **Usually broken down by agency and programs within the agency**
- **Line items define the level of control —some want a lot of control and thus have many line items. Others trust the departments and allow flexibility and appropriate fewer lines items**

CONTROL v. FLEXIBILITY EXAMPLE ON NEXT SLIDE

<u>Budget Category</u>	<u>Amount \$</u>	<u>Budget Object</u>	<u>Amount \$</u>	<u>Budget Sub-Object</u>	<u>Amount \$</u>
Materials & Services	40,000				
		Materials	20,000		
		Supplies	20,000		
				Salt	10,000
				Vehicle Materials	5,000
				Gas	5,000
				Collision Repair	15,000
				Windshield Repair	5,000
TOTAL APPROPRIATION	40,000		40,000		40,000



Significant Limits of Discretion of County Commissioners as Appropriating Authority

Agencies/Officials with Constitutional/Statutory Authority to Challenge Budget Discretion of County Commissioners

- Courts—Constitution Grants Judicial Powers to Courts: Inherent Powers Under Separation of Powers Doctrine
- Veterans Service Commission—Entitlement to .1 Mill of Property Tax—ORC 5901.11
- County Prosecuting Attorney—“compensation of assistants, clerks, and stenographers”—ORC 309.06

Board of Elections

“Necessary & Proper Expenses”—ORC 3501.17(A)

BOE Statutory Authority to Petition Court on BOE Appropriation Budget—An Example

ORC 3501.17 (A)

“ . . . If the board of county commissioners fails to appropriate an amount sufficient to provide for the necessary and proper expenses of the board of elections pertaining to the conduct of elections, the board of elections may apply to the court of common pleas within the county, which shall fix the amount necessary to be appropriated and the amount shall be appropriated. . . .”





Cardinal
Rule

Cardinal Rule when Communicating with County Commissioners





***Managing the Budget after Adoption of Permanent
Appropriation Resolution***



Supplemental Appropriations

- After the adoption of the permanent annual appropriation resolution the taxing authority may do any number of supplemental appropriations.
- May **increase or reduce** amount appropriated.
- Must be based on a new **Amended Official Certificate of Estimated Resources** from County Budget Commission.
- Must follow same procedures as in adoption of original appropriation resolution



Transfer of Funds

TRANSFERS BETWEEN ACCOUNTS WITHIN A FUND

- State Auditor likes to call these **Appropriation Amendments or Modifications**, not transfers
- By Resolution of the **County Commissioners**
- Reduces one **line-item, category, object or sub-object code** and increases another in the same fund



Transfer of Funds

TRANSFERS BETWEEN FUNDS

- May transfer from **general fund** to **any other fund** but once this is done it becomes restricted money
- To transfer from **any other fund to the General Fund County Commissioners** must:
 - Petition to Common Pleas Court (eliminated in recent state budget)
 - Obtain Approval from the Tax Commissioner
 - After approval of the Tax Commissioner must have journal entry from court (eliminated in recent state budget)

Advance v. Transfer of Funds

- Advances are essentially **internal loans** from funds that have a lot of cash to funds with temporary cash deficiencies
- **Advances** are a **temporary reallocation** of cash
- **Transfers** are **permanent reallocation** of cash
- A general fund **advance** can be moved back to the general fund without going to court. A **transfer** from the general fund to another fund involves **approval of the Tax Commissioner**



Making Expenditures After the Adoption of the Appropriation Resolution

- Before **expenditures, purchase orders, or contracts** are entered into there must be proof that there are **adequate funds appropriated and available to the line item** in the appropriation resolution.
- The County Auditor must issue a **CERTIFICATE OF AVAILABILITY OF FUNDS** that certifies that the amount required to meet the contract, order, or expense:
 - Has been lawfully appropriated for the purpose
 - Is in the treasury or in the process of collection to the proper fund, and
 - **Is free from previous encumbrances**

