

HAMILTON COUNTY-WIDE PROPERTY TAX PROCESS

At the LWVCA annual meeting in May 2004, members voted to study:

“Evaluation of the Procedure for Voting on Property Tax Levies in Hamilton County.” The study would include a review of the current procedure in Hamilton County; exploring systems used in other urban counties in Ohio; and developing criteria to use in judging a property tax levy review system.”

In this paper, LWVCA County Government Committee describes what the special tax levies are and the present process for putting them before the voters. The study calls for developing criteria to enable LWVCA to advocate for a more efficient property tax system. The committee is proposing the use of a concurrence process to seek agreement.

In the concurrence process for reaching member agreement, another League or study committee has arrived at a position statement. Members are given the opportunity to agree or concur with the statement. If the League Board decides that substantial agreement with the statement has been reached, it becomes part of the program of the League that accepted it. As with all local program, it is reviewed and voted on at the local annual meeting.

League members should note that the League has a number of related positions on service delivery, appropriate funding for services, and public participation in government processes. See Appendix B.

County Government Overview

County government in Ohio is an administrative subdivision of the State. The General Assembly provides for the organization and governance of counties by a commission form that is used in Hamilton County. This form includes the three-member Hamilton County Board of County Commissioners (HCBCC) and eight independently elected officials, all

with specific responsibilities. HCBCC is responsible for policy making and policy execution but does not have legislative authority. The HCBCC has primary authority to raise revenue and budget resources but has limits on allocation of resources. The Commissioners approve the annual budget and determine the levies for county purposes and bond issues for county capital improvement.

Not having powers of local self-government, counties are dependent on specific state enabling authority to perform any service or function. Also, counties are often directed by the state to perform certain functions in a uniform manner on behalf of the state such as the issuance of auto titles, administration of elections and justice, tax collection and delivery of a variety of human services through a state-supervised, county-administered system. Other state-mandated responsibilities are more generally described, giving the counties freedom to choose the amount of expense and extent and type of programs that meet the state guidelines, for example, programs for mentally retarded, mental health, the elderly and children.

Counties are the major delivery agent for state and federal health, human service and workforce investment programs. These programs are grounded in federal law and are funded in part by the federal government, requiring matching funds from state and/or local governments. While federal and state governments set the basic policies and guidelines, local governments are responsible for program administration. For example, The Hamilton County Department of Jobs and Family Services (HCDJFS) administers public assistance and social programs that aid county residents in need. Numerous programs mandated by law and supported by federal, state and local funds are grouped under the HCDJFS umbrella. The County also contracts with agencies such as the Board of Mental Retardation & Developmental Disabilities for service provision; they receive a mix of county, state, fed-

eral and private funds.

Sources of Funds

Major sources of revenues include: county sales tax, property tax, interest on investments, fees, fines, and licenses. Counties may add or piggyback a sales tax in 1/4 % increments up to 1 1/2% to the state sales tax of 5 1/2 %. Hamilton County adds 1% for a total of 6 1/2 %. The County has a number of special revenue or restricted funds for roads, sewers, capital projects, etc. In addition, various state and federal money is transferred to the county for specific programs; these often have local match requirements, which must be budgeted by the County.

Expenditure of Funds

The General Fund is the chief operating fund of the county. It is used for general purposes such as salaries, supplies, contract services and building maintenance. General Funds also pay for the county court system, county law enforcement and jails. Public safety, courts, detention facilities and judicial programs comprised more than 70% of General Fund expenditures over the past five years. Voted Property Tax Levy funds go into a number of separate designated funds and are paid out for the designated purposes.

Real Property Taxes

The real property tax is paid on real estate, public utility, property and tangible personal property. Under the state Constitution, local government may impose a personal property tax levy of up to 10 mills, known as inside millage, without a vote of the electorate. The county receives 2.26 mills of the county's inside or un-voted millage for general operating purposes. The allocation of the remaining inside millage among the local governments in the taxing district is set by State statute. When local government seeks to generate additional property tax revenue beyond the 10-mill limit, voters must approve the outside millage, or voted levy, by means of a ballot question.

Municipalities, special districts, townships and counties are authorized to place outside

millage levies on the ballot for voter approval.

Process for Requests for County Tax Levies Outside the 10-mill Limitation (Outside Millage/ Voted Levies)

In each county, voted levy requests are reviewed by the county administration for alternate means of service provision, inclusion of similar services, the need for the proposed services, alternate funding sources such as general fund, etc. The Hamilton County Board of County Commissioners is empowered to set the amount, term and purpose of any proposed outside millage levy. The auditor sets the millage required to achieve the financial request, which includes 1.25% for auditor and treasurer's fees. The HCBCC sends a certified copy of the requested ballot language to the Board of Elections 75 days before the election date. This must then be approved by the Secretary of State's office for the ballot.

Special Districts and Other Property Tax Levies

The State has authorized the formation of a number of special districts or authorities to serve a specific government purpose. Examples include: school districts, park districts, sewage districts, and economic development authorities. These special districts or authorities are empowered by the State to place outside millage property tax levies on the ballot. If approved by the voters, these taxes are part of the property tax bill and are collected by the county treasurer but are turned over to the appropriate district or authority and are not considered a part of county funds. The County Commissioners have no control over these levies.

Hamilton County's Current Policies

Voted Tax Levy Policy and Tax Levy Review Committee. The Hamilton County Board of County Commissioners (HCBCC) first established a citizen committee in 1995 for the purpose of conducting a review of county-voted levy requests and to make recommendations to the HCBCC. The LWVCA was instrumental in promoting, encouraging and monitoring a citizen tax levy review process. A Voted Tax Levy Policy was adopted on June

17, 1996. The current process reflects the latest policy amendment adopted on October 8, 2003.

- The levy process begins with a formal request from a service agency to the County Commissioners to have a tax levy placed on the ballot. The Commissioners also can initiate the process.
- A Tax Levy Review Committee (TLRC) is convened to review and advise the Commissioners on petitions for tax levies to be placed on the ballot. The TLRC is made up of 9 independent Hamilton County residents, none associated with any board or agency funded in any way by Hamilton County tax dollars. The County Administrator and Director of Administrative Services are non-voting members. Members of the Tax Levy Review Committee serve without pay. The only financial support from the Commissioners is the provision of typing and duplication services and a meeting space.
- Any entity/agency requesting a tax levy must advise the TLRC, in writing, of its intent to place a levy on the ballot no later than 335 days before the election.
- All documentation supporting the request including a copy of a performance review report must be submitted to the commissioners 180 days before the election date and the TLRC must be briefed on the nature and the details of the levy requested and the findings of the consultant's performance review within 20 days after that deadline. Information collection will be completed 120 days before the election
- A performance review of the requesting agency begins 280 days before the election. An outside consultant is selected by the Commissioners to do the review. The consultant works under the direction of the TLRC and collects specific information in the areas of management, operations and finances. The cost of this review is covered by the requesting agency with levy funds.
- 105 days before the election date, the TLRC completes its deliberations and provides a written report to the HCBCC with its recommendations concerning the placement of the levy on the ballot, and suggested provi-

sions for the contract between the County and the agency should the levy be approved.

- The HCBCC has the option to follow or reject the recommendations of the Tax Levy Review Committee and to allow or disallow the levy request's placement on the ballot.
- If the request is placed on the ballot, an independent committee is formed to raise private funds for its passage. Public funds may not be used for campaigns.
- If the voters approve the levy, the County administration contracts with the agencies for the services to be paid out of levy funds. Recommendations by TLRC may be included in contract negotiations with the levy agency. Agencies funded by voted levies must submit an annual budget request to the County Commissioners based on the plan they submitted at the time of the original levy proposal.

The Voted Tax Levy Policy also requires quarterly reviews by the budget office during the term of the levy. All agencies receiving tax levy funding undergo an evaluation by TLRC in the middle of the levy period.

Inflation Considerations

The HCBCC's 2005 budget goals include holding under the rate of inflation in three ways:

- the growth of general fund expenditures supported by locally generated funds
- total dollars generated by special levy taxation
- locally set fees (excluding MSD)

The county uses 2003 as a base year and uses the Bureau of Labor Statistics Midwest Urban inflation rate to calculate the inflation rate.

Alternatives to Hamilton County's Tax Levy Process

Combined Levy. A combined levy consolidates a number of single purpose levies. This method is used in Cuyahoga and Montgomery Counties (see below). For instance, Hamilton County could create a "Human Services Levy" by combining Senior Services, Children's Services, Mental Health and Mental Retardation; a "Hospital Services Levy" with University

Hospital and Drake Hospital; and/or an “Arts and Culture Levy” for the Zoo and Museum Center. Methods of allocating the revenues from these levies and determining the means for citizen input and participation in the processes would have to be developed.

Advantages:

- Opportunity for short and long range planning for services; discretionary and contingency funds can be included
- Reduce the total number of tax levies and associated costs
- Allows for flexibility to fund changing needs or conditions
- Ability to create a continuing, coordinated public relations and community education campaign (can accept tax deductible contributions)
- Reduce the number of campaign fund raising appeals

Disadvantages:

- Possible loss of individual service constituency support groups
- Greater impact if levy fails
- Corruption/scandal in one agency could negatively affect an entire levy
- Possible under funding or over funding of services
- Less discretion for voters

Multiple Levy Slate All County levies could be presented to voters at one time, and voters could vote “For” or “Against” each item on the list. They might support all, none, or some of the services in the list. This is sometimes referred to as a “shopping list” method.

Advantages:

- Voters have a clear overview of all levy issues and can make decisions with full knowledge of the county-wide service levy roster
- Voters can decide how to allocate their tax dollars among services
- Each service has an equal chance on the ballot

Disadvantages:

- Fosters competition rather than cooperation among agencies
- Could increase the expense of levy campaigns because of competition

- Popular services win with no planning for actual service needs
- Lacks flexibility

Property Tax Levies in Other Counties in Ohio

In many Ohio counties, property tax levies are placed on the ballot by the County Commissioners with a straightforward process that may include an administrative review.

Some urban Ohio counties have different approaches to the levy process in an effort to provide efficiency, flexibility, accountability, and less duplication for funding services.

1. Franklin County (Columbus)

Franklin County uses a Human Services Levy Review Committee (HSLRC) to evaluate levy requests and provide recommendations regarding proposed millage amounts and timing of levy requests to the County Commissioners. The HSLRC also conducts ongoing financial reviews of levy funded social service agencies. This HSLRC only concerns itself with levy requests from the Alcohol, Drug Addiction and Mental Health Board (10 year levy); Children Services (10 year levy); Mental Health & Retardation (10 year levy); and the Office on Aging (5 year levy). Other levy requests for Parks and the Zoo are submitted directly to the County Commissioners for approval to go on the ballot.

The Franklin County HSLRC was created in 1999 by the Franklin County Board of Commissioners and operates with seven (7) members appointed by the Commissioners and two budget analysts from the county providing staff support. The HSLRC evaluates levy requests from both a financial and a programmatic aspect based on committee staff reports, which compile, analyze and present findings based on data provided by the requesting agency. There is no outside audit of agencies or levy funds nor are there contracts with the various agencies spending levy funds. The county does get quarterly data from all agencies and looks at their spending in the yearly budget process.

2. Cuyahoga County (Cleveland)

For the past 40 years, Cuyahoga County has had two human services levies. One levy funds the County Hospital and other human services including the Department of Human Services, the County Nursing Home, the Mental Health Board and the Alcohol and Drug Addiction Board. The second levy is reserved for MRDD funding. The two levies are placed on the ballot alternately every three to five years. The Office of Management and Budget for the County Commissioners conduct the review process. Commissioners are involved in the evaluation and monitoring process of the levy-funded agencies. Levy campaigns are a product of collaboration among the commissioners, consultants and a special committee.

3. Montgomery County (Dayton)

Until the mid-1980's, Montgomery County, like Hamilton County, had separate single-purpose levies that were periodically presented to the voters. Each levy funded human services for a single agency's needs. In the early 1980's, a community-wide planning effort resulted in a collaborative approach to consolidating the funding of needs through the use of multi-purpose property tax levies.

Beginning in 1983, citizens voted to gradually consolidate from six separate levies into two multipurpose human services levies, Levy A and Levy B. Each levy is the primary local source of funding for mandated and essential human service needs. Levy A and Levy B each cover an eight-year period and overlap, thus the voter is presented with a levy every four years. The millage from the two levies remained at 10.24 mills since Levy A was first passed in 1993 until recently, when it was increased to 11.24 mills.

The combined levy approach to funding encompasses services covered by all former special purpose levies, and includes the ability to fund emergencies and emerging community needs. The principal programs supported include:

- Board of Mental Retardation & Developmental Disabilities
- Children Services

- Combined Health District
- Stillwater Creek (residence for persons with profound disabilities)
- Juvenile Court
- Alcohol, Drug Addiction, and Mental Health Services (ADAMHS)
- Indigent Ill Health Services
- Senior Services
- Community Agencies
- Community Initiatives and Projects

The Montgomery County Commissioners put in place the following process that entrusts the oversight authority for the use of human services levy resources to citizens in the community who are appointed by the County Commissioners to the Human Services Levy Council.

The twelve-member Council represents business and community organization leaders, agency leaders (e.g., ADAMHS), and the County Administrator (non-voting). The Council makes funding allocation recommendations to the Commissioners based, in part, on input from Community Review Teams (CRT). The Council makes extensive use of the business community for validation of its performance and support of its levies. The Commissioners' levy review process, by design, requires collaboration.

A separate Community Review Team (CRT) is appointed by the Council to perform the external review for each agency or program. Each CRT usually has three members, including a business community representative, a practitioner representative whose background is closely related to the program being reviewed, and an at-large representative.

The leadership of each program is required to meet frequently with its CRT. Before each levy, such meetings are devoted to program review, budget requests, and justifications. Following the passage of each combined levy, a meeting is devoted to a CRT presentation to the agency of the actual allocations. A letter of understanding, which serves as a contract, is established with each agency. At other regularly scheduled meetings throughout the year, emerging needs can be identified and account-

ability is assessed. A Levy Agency Reserve Fund, approximately 10% of each combined levy, serves as a source of additional funds that may be used to meet unexpected needs. Two years after the levy passage, the CRT and agencies conduct a Mid-Point Review meeting.

The Levy Council manages each levy campaign, providing information and justification for the need of the levy. The Council can accept tax-deductible contributions. There is ongoing attention to promoting Council, agency and levy credibility. The Office of Family and Children First provides support staff and levy management for the Levy Council.

Conclusion

By voting, citizens have chosen special tax levies to fund services that they believe are important for our county.

Do citizens have the best way of determining what current needs are and how they can be efficiently funded with property tax dollars?

Based on the facts about county finances and our own study of the systems used here and in other urban counties in Ohio, the County Government Study Committee developed criteria as a means to review and take action on future processes that may be proposed.

LWVCA Proposed Criteria for Hamilton County-wide Voted Property Tax Levies November 2005

A model tax levy process would include:

- A committee of citizens with the authority to review tax levy proposals and tax levy recipient organizations; to review the requesting agencies' financial, management and performance audits; and make recommendations to the Hamilton County Board of County Commissioners. This committee must be adequately funded and staffed.
- Reduction of the total number of voted levies without sacrificing needed services.
- Timing that prevents placing all levies on a ballot at the same time.
- Funding county services based on a determined level of need that balances funds, services and resources.
- Funding broadly defined services that can respond to changing conditions and needs.
- The provision of meaningful opportunities for citizen involvement, input, monitoring and review.
- Assuring agency accountability to the Hamilton County Board of County Commissioners for the appropriate use of tax levy dollars.
- Ballot language that is understandable to citizens and accurately describes services funded by the proposed levy.

**APPENDIX A:
HAMILTON COUNTY-WIDE VOTED PROPERTY TAX LEVY SUMMARY**

NAME OF LEVY	Yr 1st Authorized	Most Recent Vote	Levy Expires	Millage	Approx. \$M Income per yr
Health & Hospitalization services including University Hospital (includes Children's Medical Center)	1966	2001	2006	5.39	54,400 (2)
Children's Services & Care and Placement of Children (1)	1981	2001	2006	2.73	40,600 (2)
County wide Public Safety System	1967	1982	Continuing	0.54	4,900
Community Mental Retardation & Developmental Disabilities (1)	1974	2004	2009	3.62	51,600
Mental Health programs and facilities	1980	2002	2007	2.74	32,900
Health & Hospitalization services including Daniel Drake Memorial Hospital & various Drug Court programs	1966	2004	2009	0.84	18,500 (4)
A system of Home Care through the Council on Aging (or other service providers) for elderly residents	1992	2002	2007	1.16	18,300 (2)
Zoological park services and facilities	1982	2003	2008	0.40	6,200
Debt service (Museum Center)	1986	1986	2009	0.15	2,900
Maintenance, operation & repair of a public building (Cincinnati Union Terminal occupied by the Cincinnati Museum Center)	2004	2004	2009	0.2	3,668
Hamilton County Park District (3) (a special district)	1988	2002	2017	1.0	17,749
Hamilton County General Fund (unvoted inside millage)			Continuing	2.26	42,000

- (1) Service mandated, level of service not mandated
(2) Extra services included
(3) Not a part of County oversight
(4) 16% for County Drug Court programs

Appendix B LWVCA Positions on Government Service Delivery

The LWVCA believes that there are certain features of primary importance in regard to service delivery whether directly by government unit, public/private contract or a special district. In regard to accountability and responsiveness, there should be 1) clear responsibility for planning and delivery of the service, 2) a clear line of recourse for unsatisfactory service, 3) pre-announced open board or council meetings, 4) accountability to citizens through an elected official and 5) annual financial and program reports readily available to the public.

We also believe that the service delivery plan should be the best service delivery option in terms of cost-effectiveness (assuming cost-effectiveness means the best service for a reasonable price, not just low bid); provide for qualified staff to plan, to write requests for proposals and contracts and to monitor and evaluate the service.

Other important features are:

- 1) the service provision not be duplicated by another source;
- 2) the proposal not have an adverse effect on prospects for change in county structure;
- 3) annual financial and program reports be reviewed at state and local level with results of that review published; and
- 4) there be a public referendum on new taxes.

Appendix C Program Administration of Levy Funds

The human service programs funded by levies are administered by governing boards and professional staff and generally contract with various agencies to provide some or all of their services. The governing boards consist of citizens who serve without pay and are appointed by specific entities. For example, the Board of Trustees of Drake Center consists of 9 members, 6 appointed by the University of Cincinnati and 3 appointed by the Hamilton County Commissioners. The Hamilton County Community Mental Health Board has 18 members, 12 appointed by the Hamilton County Board of County Commissioners and

6 appointed by the Ohio Mental Health Board for 4-year terms. It is charged with coordinating a county-wide mental health system.

When there are vacancies on boards of the various county service agencies, the appointments are made by the Commissioners. In most cases, nominees are located via networking with groups and colleagues who might know individuals interested in serving on the board in question. If the board vacancy requires specific technical expertise, there is a search to find a qualified individual via professional organizations, etc.

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