

IT'S YOUR MONEY

A QUARTERLY NEWSLETTER FROM YOUR COUNTY AUDITOR

LOCAL IMPACT OF STATE BUDGET CHANGES - (A County Auditor's Point of View)



CRAWFORD COUNTY

Overview

On June 30, 2011, the Governor signed into law the two-year budget for the State of Ohio. Included in the appropriations measure, which is known as House Bill 153, are State funding cuts to local governments of some \$630 million dollars. At the end of the biennium (June 30, 2013), if the State of Ohio discontinues allocations from the State Local Government Fund (LGF); LGF revenues to Crawford County's political jurisdictions will be reduced by some 72%.

Over the last few months, State leaders, have spoken publically about the cost of local government, and the need for local government to change the way that services are being delivered. There has been a lot of discussion about the need for local communities to share or consolidate services and to consider the possibility of merging smaller governmental units (such as townships or small counties) into larger governmental units.

History of Local Government Fund and Shared Revenues

In the first quarter newsletter, I wrote an article about the Local Government Fund and the concept of "shared revenues".

Basically, this article provided an historical account of why the Local Government Fund was created by the State Legislature more than seventy years ago. Interestingly, the Local Government Fund was created in the wake of the Great Depression when State leaders were trying to leverage local support for the passage of the FIRST State sales tax. This new tax was being implemented by the State of Ohio to help solve a budgetary crisis similar to the budgetary crisis the State government is currently facing. Historical accounts also indicate that in the late 1930's State leaders actu-

ally recognized that certain public services were more EFFICIENTLY delivered at the local level and that is why State leaders enacted the "shared revenue" concept by creating the Local Government Fund.

Policy Matters Ohio expressed its concern regarding the apparent shift in public policy by the State on the Local Government Fund and the "shared revenue" concept, "Ohio's local governments have relied on the Local Government Fund to help provide the public services and to fulfill public mandates." To provide a local perspective on the reliance of the LGF monies, in 2011, LGF revenues represent about 12% of the anticipated revenues for the County's General Operating Fund.

Have State Budget Cuts Done Enough to Reduce the Cost of Local Government?

What is very concerning to me as a local official is that State leaders today seem to be motivated for change much in the same way that they were motivated for change at the end of the Great Depression...purely to solve an immediate financial crisis.

Now anyone who knows me understands that I am not afraid of change, and that I am constantly looking for ways to share services, to reduce the cost of government, and to eliminate the duplication and redundancy of government services where possible.

What also concerns me about some of the changes that have been approved in the State Budget is the fact that these changes do not address the State mandated structural deficiencies of local government that cause duplication and redundancy of government.

In fact, organizations like the conservative Buckeye Institute and the Greater Ohio Policy Center have

both cautioned State leaders that deep cuts to local governments without a thoughtful discussion on how to restructure our governmental units will not solve the long-term issue of increasing governmental costs and therefore taxes.

Interestingly, unlike many other States, Ohio law does not allow County governments to have any home rule authority. What that means is that County government's authority is limited by the Ohio Constitution and the Ohio Legislature, so County officials do not have the legal authority to decide what government services can be eliminated at the County level.

In other words, the cost of COUNTY government is a direct result of the Ohio Legislature passing a law and the Governor approving this law. As such, if the cost of COUNTY government needs to be reduced, then the Governor and the Ohio Legislature are the legal entities to mandate that change.

State Budget Cuts OR State Pushing Its Fiscal Crisis Down TO LOCAL Governments ?

Reducing the Local Government monies or "shared revenues", without a corresponding reduction in the laws that local officials are charged with carrying out, effectively only shifts the cost of government from the State of Ohio's budget to the County's (and other local governments) budget and potentially to the local citizen.

To paraphrase a response from Policy Matters Ohio on the State's decision to cut the LGF shared revenue, "the unprecedented cuts in this revenue sharing program" (LGF) in which the "State is recapturing 50% to help solve its own revenue crisis" effectively pushes the State's fiscal crisis down to the local level.

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Points of Interest

- State Budget - A County Auditor's Point of View
- General Fund Revenues vs Expenditures
- Local Financial Impact of State Budget Changes

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DEDICATED TO SERVING CRAWFORD COUNTY WITH ACCOUNTABILITY, INTEGRITY AND PROFESSIONALISM

ON THE YEAR; GENERAL FUND REVENUES, EXPENDITURES AND CASH

The General Fund is the chief operating fund of the County. It is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in a separate fund. There is only one General Fund of the County as contrasted with multiple special revenue, debt service, capital projects, fiduciary and proprietary funds.

Actual operating revenues of the General Operating Fund for the first six months of 2011 were \$4,252,877.83 or 49.16% of the \$8,651,418.78 estimated by the County Budget Commission in January. Operating revenues collected for the same period last year were \$3,943,899.08.

Revenue received in the General Fund for the first six months of 2011 increased by \$308,978.75 when compared to the same period last year. A review of all revenue sources indicates that the increase in General Fund operating revenue can be attributed in large part to additional sales taxes, charges for services revenues, and intergovernmental revenues; offset by smaller decreases in property tax revenue, interest revenue and other revenue collections.

Operating expenditures for the first six months of 2011 totaled \$3,297,544.51 or 48.17% of the \$8,154,183.27 appropriated by the County Commissioners in January. Operating expenditures for the same period last year totaled \$4,934,813.29, indicating a decrease in expenditures of \$1,637,268.78. The decrease in operating expenditures can generally be attributed to the passage of the Criminal Justice Services Levy which authorized the Sheriff Road Patrol expenditures to be moved from the General Operating Fund to a designated fund for the support of the Sheriff's Office.

For the first six months of 2011, operating revenues exceeded operating expenditures by \$955,333.32. For the first half of 2010, General Fund operating expenditures exceeded operating revenues by \$990,914.21. The change between *operating expenditures exceeding revenues in the first half of 2010 to operating revenues exceeding operating expenditures in the first half of 2011*, is the result of the passage of the Criminal Justice Services Levy which authorized expenditures associated with the Sheriff's Road Patrol activities to be moved to a designated fund. The net effect of moving the financial activity of the Sheriff's Road Patrol activity from the General Operating Fund to a designated fund for Criminal Justice Services is a decrease in general operating expenditures for the General Fund. This decrease in expenditures in combination with the increase in revenues received during the first half of 2011 accounts for the improved financial position of the General Fund for the first six months.

When comparing actual revenues and expenditures, advances made to other funds or received as a repayment are not considered as operating revenues and expenditures because these items only affect cash flow. Thus, in order to accurately reflect operating revenues and expenditures these loans have been removed from the totals and the financial data presented in this newsletter.

The cash balance of the General Fund at June 30, 2011 was \$1,138,903.08 as compared to \$472,006.60 at June 30, 2010. The increase in cash position is due in large part to the passage of the Criminal Justice Services Levy which authorizes the Sheriff's Road Patrol expenditures to be moved from the General Operating Fund of the County to a designated fund created for the support of the Sheriff's Office.

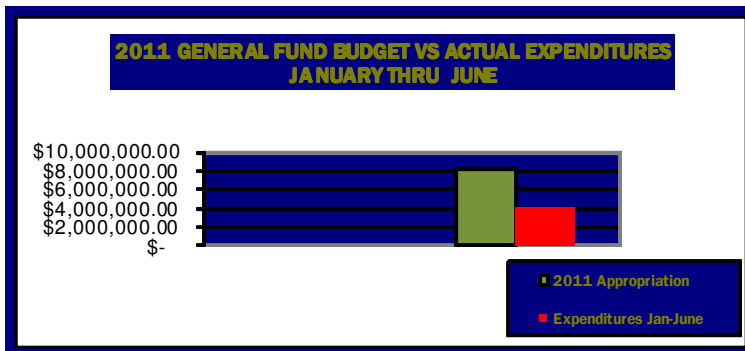
2011 GENERAL FUND BUDGET VS ACTUAL REVENUES

	2011 ESTIMATED REVENUE	2011 ACTUAL REVENUE JANUARY-JUNE	PERCENT COLLECTED
PROPERTY TAXES	\$ 1,229,142.31	\$ 676,881.46	55.07%
SALES TAXES	\$ 2,938,626.60	\$ 1,598,563.19	54.40%
CHARGES FOR SERVICES	\$ 2,558,407.96	\$ 1,070,598.25	41.85%
LICENSES AND PERMITS	\$ 2,310.00	\$ 1,523.63	65.96%
FINES AND FORFEITURES	\$ 169,000.00	\$ 91,780.70	54.31%
INTERGOVERNMENTAL	\$ 1,508,823.91	\$ 768,034.65	50.90%
INTEREST	\$ 200,000.00	\$ 2,158.34	1.08%
OTHER	\$ 45,108.00	\$ 43,337.61	96.08%
TOTAL OPERATING REVENUE	\$ 8,651,418.78	\$ 4,252,877.83	49.16%
ADVANCES IN		\$ 39,527.68	

NOTE: Local Government Allocations from the State of Ohio represent approximately 12% of the total estimated revenue for 2011.

2011 GENERAL FUND BUDGET VS ACTUAL EXPENDITURES

	2011 <u>Appropriation</u>		Expenditures <u>Jan-June</u>		Unexpended <u>Balance</u>		Percent <u>Expended</u>
General Fund Operating							
Expenditures and Transfers	\$8,154,183.27	\$	3,927,544.51		\$4,226,638.76		48.17%
Department Breakdown							
COUNTY COMMISSIONERS	\$ 325,870.47	\$	166,286.09		\$ 159,584.38		51.03%
COUNTY AUDITOR	\$ 347,551.09	\$	171,071.10		\$ 176,479.99		49.22%
COUNTY TREASURER	\$ 143,424.18	\$	70,447.87		\$ 72,976.31		49.12%
PROSECUTING ATTORNEY	\$ 594,531.40	\$	293,702.61		\$ 300,828.79		49.40%
AUDIT	\$ 75,000.00	\$	25,727.89		\$ 49,272.11		34.30%
REGIONAL PLANNING	\$ 10,000.00	\$	10,000.00		\$ -0-		100.00%
DATA PROCESSING	\$ 103,115.18	\$	53,950.29		\$ 49,164.89		52.32%
COURT OF APPEALS	\$ 24,245.00	\$	21,483.61		\$ 2,761.39		88.61%
COMMON PLEAS COURT	\$ 659,071.90	\$	332,811.56		\$ 326,260.34		50.50%
JUVENILE COURT	\$ 655,207.70	\$	297,784.72		\$ 357,422.98		45.45%
PROBATE COURT	\$ 112,847.83	\$	55,307.32		\$ 57,540.51		49.01%
CLERK OF COURTS	\$ 271,601.76	\$	132,790.85		\$ 138,810.91		48.89%
CORONER	\$ 118,560.12	\$	62,229.08		\$ 56,331.04		52.49%
MUNICIPAL COURT	\$ 461,470.27	\$	230,500.70		\$ 230,969.57		49.95%
BOARD OF ELECTION	\$ 435,313.83	\$	158,054.94		\$ 277,258.89		36.31%
COURT HOUSE & BLDG MAINT	\$ 754,168.50	\$	378,834.22		\$ 375,334.28		50.23%
SHERIFF ROAD PATROL	\$ 11,446.88	\$	9,295.10		\$ 2,151.78		81.20%
COUNTY RECORDER	\$ 135,283.56	\$	66,443.59		\$ 68,839.97		49.11%
EMA	\$ 25,000.00	\$	-		\$ 25,000.00		0.00%
AGRICULTURE	\$ 251,056.92	\$	184,927.82		\$ 66,129.10		73.66%
T.B. HOSPITAL	\$ 1,410.00	\$	-		\$ 1,410.00		0.00%
VITAL STATISTICS	\$ 1,000.00	\$	777.00		\$ 223.00		77.70%
OTHER HEALTH	\$ 69,046.94	\$	66,355.30		\$ 2,691.64		96.10%
VETERANS SERVICES	\$ 354,561.82	\$	153,871.33		\$ 200,690.49		43.40%
PUBLIC ASST - GRANT	\$ 145,000.00	\$	72,212.70		\$ 72,787.30		49.80%
VICTIMS OF CRIME GRANT	\$ 12,841.00	\$	-		\$ 12,841.00		0.00%
SANITARY ENGINEER	\$ 37,914.44	\$	17,984.23		\$ 19,930.21		47.43%
COUNTY ENGINEER	\$ 121,934.81	\$	62,361.74		\$ 59,573.07		51.14%
LIABILITY INSURANCE	\$ 196,000.00	\$	-		\$ 196,000.00		0.00%
TRANSFER/MISCELLANEOUS	\$1,699,707.67	\$	832,332.85		\$ 867,374.82		48.97%
TOTAL OPERATING EXP/TRANSFERS	\$8,154,183.27	\$	3,927,544.51		\$4,226,638.76		48.17%
TOTAL LOANS TO OTHER FUNDS			\$ 332,603.27				
TOTAL EXPENDITURES AND LOANS			\$ 4,260,147.78				



The 2011 appropriation includes all encumbrances carried forward from 2010 and any adjustments to the budget approved by the County Commissioners after January 1, 2011. 2010 encumbrances totaled \$128,136.87 and adjustments made to the 2011 budget during the first six months totaled \$24,177.28.

LOCAL FINANCIAL IMPACT OF STATE BUDGET CHANGES

The information listed below and on the next page is intended to provide readers with a better understanding of the local financial impact of the reductions in the Local Government Fund distributions as APPROVED BY THE OHIO LEGISLATURE, AND AS SIGNED INTO LAW BY THE GOVERNOR ON June 30, 2011.

As statutorily required by the State of Ohio, The County Auditor's Office was notified on July 20, 2011 by the Ohio Department of Taxation, of the \$1,500,430 in Local Government Fund distributions that will be made to Crawford County for calendar year 2012. The \$1,500,430 in anticipated Local Government Fund monies for 2012 can be compared to the \$2,101,625 that was received in 2010. The financial impact in 2011 of the changes made to the Local Government Fund distributions is relatively small because the new law was not enacted until July 1, 2011. The \$1,500,430 in shared revenues from the State of Ohio will be distributed by the County Budget Commission in accordance with State law and in accordance with the formula (in parenthesis below) that was approved by all political subdivisions. In accordance with that formula, listed on page 5 are the actual dollars to be distributed to all political subdivisions within the County.

LGF ALLOCATIONS	PROJECTED LGF	PROJECTED LGF	PROJECTED LGF
	AFTER STATE BUDGET CUTS	AFTER STATE BUDGET CUTS	AFTER STATE BUDGET CUTS
CY 2010	CY 2011	CY 2012	CY 2013 **
COUNTY - (48%)	\$ 1,008,781	\$ 720,204	\$ 284,007
CITIES - (13.20%)	\$ 554,830	\$ 396,112	\$ 156,204
VILLAGES - (.50% Each; N. Wash - 1.92%)	\$ 253,456	\$ 180,951	\$ 71,355
TOWNSHIPS - (10.00% Each)	\$ 210,160	\$ 150,048	\$ 59,168
PARK DISTRICT - (3.54%)	\$ 74,398	\$ 53,115	\$ 20,946
TOTALS	\$ 2,101,625	\$ 1,500,430	\$ 591,680

CY = Calendar Yr

**According to a directive from the Ohio Department of Taxation, "In July, 2013, the "percentage of revenue" funding approach goes back into effect. In July, 2013, a one-time calculation of new funding percentages is to be performed. The new funding percentage shall replace the 3.68 percent rate that was in the law. The new funding percentage will be obtained by dividing fiscal year 2013 LGF deposits by total GRF tax revenues received during fiscal year 2013." As such, estimates beyond June 2013 were not able to be calculated.

LOCAL FINANCIAL IMPACT OF STATE BUDGET CHANGES, CONTINUED

	<u>Actual LGF</u>	<u>Projected LGF</u>	<u>Projected LGF</u>	<u>Projected LGF</u>
	<u>Allocations</u>	<u>Allocations</u>	<u>Allocations</u>	<u>Allocations</u>
	<u>CY 2010</u>	<u>CY 2011</u>	<u>CY 2012</u>	<u>CY 2013 (Jan.-June)</u>
CRAWFORD COUNTY	\$1,008,781	\$1,008,101	\$720,204	\$284,007
BUCYRUS CITY	\$277,415	\$277,227	\$198,056	\$78,102
GALION CITY	\$277,415	\$277,227	\$198,056	\$78,102
CHATFIELD VLG	\$10,508	\$10,501	\$7,502	\$2,958
NEW WASHINGTON VLG	\$40,351	\$40,324	\$28,808	\$11,360
NORTH ROBINSON VLG	\$10,508	\$10,501	\$7,502	\$2,958
TIRO VLG	\$10,508	\$10,501	\$7,502	\$2,958
CRESTLINE VLG	\$181,581	\$181,458	\$129,637	\$51,121
AUBURN TWP	\$13,135	\$13,126	\$9,378	\$3,698
BUCYRUS TWP	\$13,135	\$13,126	\$9,378	\$3,698
CHATFIELD TWP	\$13,135	\$13,126	\$9,378	\$3,698
CRANBERRY TWP	\$13,135	\$13,126	\$9,378	\$3,698
DALLAS TWP	\$13,135	\$13,126	\$9,378	\$3,698
HOLMES TWP	\$13,135	\$13,126	\$9,378	\$3,698
JACKSON TWP	\$13,135	\$13,126	\$9,378	\$3,698
JEFFERSON TWP	\$13,135	\$13,126	\$9,378	\$3,698
LIBERTY TWP	\$13,135	\$13,126	\$9,378	\$3,698
LYKENS TWP	\$13,135	\$13,126	\$9,378	\$3,698
POLK TWP	\$13,135	\$13,126	\$9,378	\$3,698
SANDUSKY TWP	\$13,135	\$13,126	\$9,378	\$3,698
TEXAS TWP	\$13,135	\$13,126	\$9,378	\$3,698
TOD TWP	\$13,135	\$13,126	\$9,378	\$3,698
VERNON TWP	\$13,135	\$13,126	\$9,378	\$3,698
WHETSTONE TWP	\$13,135	\$13,126	\$9,378	\$3,698
CRAWFORD PARK DIST.	\$74,398	\$74,347	\$53,115	\$20,946

The State Budget bill alters the Public Library Fund structure and allocation formula. Prior to the passage of the State's Budget, Public Library Funding was based on an "entitlement" formula in Ohio law. The table below illustrates the local financial impact that is the result of changing the library distribution formula. For the August 2011 through June 2013 period, libraries will receive 95 percent of what was received during State FY 2011. Also listed below are the approved percentage distributions that are used by the Budget Commission to allocate the monies received from the State of Ohio's Public Library Fund.

	<u>Actual PLF</u>	<u>Projected PLF</u>	<u>Projected PLF</u>	<u>Projected PLF</u>
	<u>Allocations For</u>	<u>Distributions</u>	<u>Distributions</u>	<u>Distributions</u>
	<u>CY 2010</u>	<u>CY 2011</u>	<u>CY 2012</u>	<u>CY 2013 (Jan.-June)</u>
Bucyrus Library - 35%	\$486,106	\$506,369	\$477,703	\$258,434
Galion Library - 35%	\$486,106	\$506,369	\$477,703	\$258,434
Crestline Library - 29%	\$402,772	\$419,563	\$395,811	\$214,131
Mohawk Library - 1%	\$13,889	\$14,468	\$13,649	\$7,384

A QUARTERLY NEWSLETTER FROM YOUR COUNTY AUDITOR

Robin Hildebrand, County Auditor

112 E. Mansfield Street

Bucyrus, Ohio 44820

Phone: 419-562-7941

Fax: 419-562-2139 Email: robinh@crawford-co.org

ABOUT YOUR COUNTY

With 11 employees, the County Auditor serves as both the Chief Financial Officer and the Real Property Assessor for all political subdivisions within the County. It is the goal of this office to provide the citizens of Crawford County with the most cost effective and efficient office possible while never forgetting the people we serve. In addition to the County Auditor, there are seven elected administrative officials and three judges who operate independently as set forth by Ohio law. These officials are: Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Recorder, Sheriff, Treasurer, two Common Pleas Judges and a Municipal County Judge. All of these officials serve four-year terms except for the judges, who serve six-year terms. The County was formed by an act of the General Assembly on April 1, 1826 and includes 400 square miles and has an estimated population of 43,784.

UPCOMING DATES TO REMEMBER

- July 1, 2011 - Monthly financial statements filed with County Commissioners.
- On or before July 20, 2011 - 2012 County budget to be filed with County Auditor for public inspection.
- August 1, 2011 - Last day to pay 2nd half mobile home taxes without penalty.
- August 1, 2011 - Monthly financial statements filed with County Commissioners.
- August 1, 2011 - Budget Commission required to meet to review local government distributions from State.
- On or before August 10, 2011 - County Auditor required to make real property tax distribution to schools, townships, villages and cities.
- September 1, 2011 - Monthly financial statements filed with County Commissioners.
- October 3, 2011 - As extended by Tax Commissioner - Budget Commission to complete work relating to the setting of tax rates for calendar year 2012.

LOCAL IMPACT OF STATE BUDGET CHANGES - continued from page 1

The Greater Ohio Policy Center actually challenged the Governor and the Legislature to “smooth the transition from the existing, antiquated structure of local governance to a modernized one”, and the Greater Ohio Policy Center asserts that “without adequate tools for restructuring government, places that are currently struggling to stay afloat will flounder even further and affluent places will be forced to rely even more heavily on raising local sources of tax revenue, an inadequate strategy for long-term growth”.

How do we begin to restructure Ohio's government?

The Greater Ohio Policy Center responded to the Governor's budget proposal by stating, “To move Ohio's economy into the 21st century, increased efficiency and savings MUST be combined with strategic and targeted investment. Creating mechanisms and funds for investments is critical anywhere, but particularly in Ohio where most of our cities, towns, villages and counties are ALREADY ECONOMICALLY DEPRESSED. Cuts alone will not bring about a climate of prosperity”.

It would appear that the Legislature heard the concerns of The Greater Ohio Policy Center because the approved State budget does include an appropriation of \$45 million beginning in State Fiscal Year 2013 (July 1, 2012) to establish the Local Government Innovation Fund.

The purpose of the Local Government Innovation Program is to award loans and grants on a competitive basis to local governments who submit proposals demonstrating a plan towards shared services, consolidation efforts, and which demonstrates a clear return on investment. However, at this point it is unclear whether the savings realized through consolidation, merger or through the sharing of services, will be enough to offset the deep cuts imposed by the State.

Summary

I think we all can agree that government needs to change its business model. Having said this, I do not believe that the State Legislature made the necessary changes to reduce the many State mandates that contribute to the cost of local government.

With the deep cuts that were made to local governments, State leaders seem to be changing their position on “shared revenues”, and on how local government services should be delivered. Unfortunately, the State Legislature did not approve corresponding reductions in State mandates. As such, local citizens are the ones who will potentially pay the price as local government officials struggle to fulfill State mandates with significantly less money. In the end, let us hope that State revenue collections continue to exceed projections and that some of these additional monies will be allocated to local governments to rebalance the inequitable financial burden that was imposed by the State. Let us also hope that State leaders are intending to pass enabling legislation that will make the long-term sustainable reductions in State imposed mandates that are necessary to reduce the cost of local government.

Sources: <http://www.policymattersohio.org/pdf/LGFBudgetBrief2011.pdf>

<http://www.greaterohio.org/files/pdf/go-budget-response-2011.pdf>

<http://www.plunderbund.com/2011/03/17/conservative-buckeye-institute-on-kasichs-budget-ted-strickland-did-better-on-controlling-spending/>