

# TOWNSHIP FUNDING

## Taxes

Tax money is distributed to townships through the collection of inside millage, levies, motor and lodging taxes. Townships are primarily funded through property taxes levied on real property within the township.

### *Inside Millage*

The Ohio Constitution prohibits taxes on property in excess of 1% of true value without voter approval (Article XII, Section 2). Actual implementation of this amendment involved the creation of a statutory limit of ten mills. Apportionment of those ten mills followed a formula by which each local government received two-thirds of the taxes allowed to it under a previous system. Townships usually have somewhere between 1 and 2 1/2 unvoted mills. Generally, unvoted mills are used for general fund purposes. Some townships have divided the millage into two funds: general fund and road and bridge fund.

### *Levies*

When a board of township trustees votes to collect revenue in excess of the ten mill limitation, a levy must be put before the residents of the township for a vote. Ohio Revised Code §5705.19 lists all of the different purposes for which a township may levy a tax in excess of the ten mill limitation.

Pass along taxes, such as the motor vehicle license tax or hotel bed tax may be implemented by a majority vote of the board of township trustees. Both taxes are subject to referendum by township residents.

### *Additional Motor Vehicle Tax*

Pursuant to R.C. §§4504.18 and 4504.181, a township may levy two annual \$5 motor vehicle license plate fees (up to \$10 total) for the purposes of paying the costs of construction, reconstruction, improvement, maintenance and repair of township roads, bridges, cost and maintenance of traffic control devices, purchase and maintenance of township road equipment and the construction, reconstruction, improvement, maintenance, and repair of township road buildings.

### *Lodging Tax*

Ohio Revised Code §5739.08 permits a township to levy an excise tax up to 3% on guests that stay at a lodging facility located within the township. The revenue received from this specific lodging tax may be placed in a township's general fund for use on any lawful township purpose. In addition, townships may impose an "additional" lodging excise tax of up to 3% under authority granted by R.C. §5739.09(B)(1); however, this "additional" tax may not be imposed if the county has already imposed a lodging tax under authority provided by R.C. §5739.09(A)(1).

## Fixed Funding

Fixed funding, for purposes of this document, are monies the Ohio Revised Code provides the authority for townships to collect. They require a limited amount of work on the township's part. These funds include the Local Government Fund, motor vehicle license fees, gasoline tax, TPP reimbursement, public utility taxes, solid waste and C&DD host community fees, cigarette license and liquor permit fees.

### *Local Government Fund (LGF)*

Ohio's Local Government Fund (LGF) was established by the General Assembly in 1934. The LGF was created during the peak of the Great Depression, when many local governments were experiencing severe financial difficulties. The LGF has undergone many changes since its inception, but the basic elements of the program have remained in place over the years: a designated portion of state revenues are deposited into the LGF; a formula is used to allocate the monies to the county undivided local government fund of each Ohio county; and county budget commissions authorize and determine the distribution of the undivided LGF to local subdivisions. Townships use this money to offset operational costs and fund unfunded mandates. The LGF funding levels were reduced by HB 153 (129<sup>th</sup> GA). In FY12, each county undivided LGF will receive about 86% of the level received in FY11; and in FY13, they will receive 50% of the level received in FY11. Qualifying smaller counties are guaranteed to receive the amount distributed to it in FY11 or \$750,000, whichever is less.

**Motor Vehicle License Fee** - The state imposes several motor vehicle license fees upon owners of motor vehicles. The revenue the state receives from these various fees are collected and credited to the state's auto registration distribution fund. The state creates an account for each county and district of registration of the state, including townships. Of the total amount collected and deposited into the fund, notwithstanding some prohibitions listed in R.C. §4501.03, 5% is distributed to townships. The township pot is divided based on a percentage of the total number of miles of township roads in the state and the township's number of miles of road maintained.

**Gasoline Tax** - The General Assembly adopted the first gasoline tax in 1925 and has incrementally increased the rate. The revenue collected from the tax is apportioned to state agencies and for use by counties, municipalities and townships. Townships receive a portion of proceeds from the gas tax under two different formulas: one divided equally and one based on road miles and vehicle registrations. All told, townships receive about 6% of the total 38.5 cents per gallon motor fuel tax to maintain 41,387 miles of township roads. Of the total amount of gas tax funding allocated to local governments, townships receive approximately 21% yet maintain 34% of roads in Ohio. The Ohio Constitution and state law require that any revenue received from any of the gasoline taxes be used only for expenditures on roads and bridges.

## Fixed Funding (continued)

**\$10 Million Transfer to Townships** - Townships received a cash infusion of \$10 million per year in FY 15 (SB 243 130<sup>th</sup> General Assembly), FY 16-17 (HB 64 131<sup>st</sup> General Assembly) and FY 18-19 (HB 49 132<sup>nd</sup> General Assembly). The \$10 million is divided two ways. The first \$5 million is equally divided among Ohio's 1,308 townships. The remaining \$5 million is divided by the number of miles of road in each township.

**Tangible Personal Property Tax Reimbursement** - By 2010, the tax on tangible personal property (TPP) of non-utility businesses was eliminated. Townships are partially reimbursed for the loss of tax revenue due to the elimination of the TPP tax. Replacement payments are based on those levies approved prior to Sept. 1, 2005 (but only if the levy is still in place) and on TPP values that existed as of Aug. 31, 2005. Replacement payments to townships peaked in CY 2010 and began to decline in CY 2011. In 2011 replacement payments for fixed rate levies were reduced by an amount equal to 2% of the township's "total resources," as that term is defined in Ohio law. Additional 2% annual incremental reductions occurred in CY 12 and CY 13. Included in HB 64 (131<sup>st</sup> General Assembly) was the reinstatement of the phase-out of these payments by 2% each year.

**Kilowatt Hour & Natural Gas Distribution Taxes** - These taxes were created to replace revenues lost due to tax changes made by Senate Bill 3 & Senate Bill 287 (123<sup>rd</sup> General Assembly). Since 2002, townships have received “replacement” revenues in the form of payments from this tax. Initially, the amount distributed to each township was based solely on the amount of money that each jurisdiction lost due to public utility personal property tax changes made by the two bills. Since 2007, these “direct replacement” payments had begun to be phased-out and continued until 2013, at which time the payments were to continue for the life of the levy. The phase-out schedule changed beginning with the August 2011 payment; replacement payments were reduced by 2% of the township’s “total resources,” as that term is defined in Ohio law. Payments were reduced by additional 2% in 2012 and 2013 and then held harmless thereafter. Included in HB 64 (131<sup>st</sup> General Assembly) was the reinstatement of the phase-out of these payments by 2% each year in combination with TPP reimbursements.

**Solid Waste Community Host Fee** - For the purposes of defraying the added costs to a township of maintaining roads and other public facilities and providing emergency and other public services, a township in which such a solid waste disposal facility is located may levy a fee of not more than 25 cents per ton on the disposal of solid wastes at the facility. All revenue collected from this fee is to be deposited into the township’s general fund pursuant to R.C. §3734.57(C).

**Construction and Demolition Debris Community Host Fee** - Similar to solid waste law, R.C. §3714.07(C) permits a township in which a construction and demolition debris (C&DD) facility is located to levy a C&DD host community fee of up to 4 cents per cubic yard or up to 8 cents per ton of the disposal fee required to be paid by the facility. Money received shall be paid into the township’s general fund and may be used for the same purposes as the solid waste community host fee.

**Cigarette License Fee** - Ohio levies a charge on every person desiring to engage in the wholesale or retail business of trafficking in cigarettes. The township in which the charge originates shall receive 37.5% of the total wholesaler fees and 62.5% of the total retailer fees.

**Liquor Permit Fee** - Similar to the cigarette tax, a township that has liquor permit establishments located within the unincorporated territory are entitled to receive 35% of the undivided liquor permit fund, which is comprised of all liquor permit fees, except B-2a and S permit fees from B-2a and S permit holders who do not also hold A-2 permits.

**Ambulance or Emergency Medical Services Fee** - A board of township trustees, pursuant to R.C. §505.84, may establish reasonable charges for the use of ambulance or emergency medical services. The board may charge a different rate for residents and non-residents, but the non-resident rate can be no less than the authorized Medicare reimbursement rate. The moneys shall be used for the payment of the costs of the management, maintenance, and operation of fire and rescue services, ambulance services, and emergency medical services in the township.

**False Alarm Fee** - A board of township trustees may charge commercial or residential building owners a fee for false alarms. Ohio Revised Code §505.391 permits a board of trustees to charge up to \$300 for more than three false fire alarms in one year. Additionally, R.C. §505.511 permits a board of trustees to charge for false alarms responded to by police officers or constables protecting the township. If officers or constables respond to the same commercial or residential building more than three times in one year, the fourth call in the same year may be charged \$50, the fifth call \$100 and any subsequent calls may be charged \$150. Both types of false alarm fees shall be collected and used for fire and police services, respectively.

## Assistance Programs

In addition to the above funding, townships receive help from a limited number of state and federal grants and donations from residents, local businesses and/or foundations.