



*The Ohio Commission on
Local Government Reform
and Collaboration*

Building a Better Ohio: Creating Collaboration in Governance

August 27, 2010

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This report is the result of the work of the Ohio Commission on Local Government Reform and Collaboration with assistance from Dr. Jennifer Evans-Cowley, Associate Professor and Section Head of City and Regional Planning at the Austin E. Knowlton School of Architecture and Courtesy Associate Professor at the John Glenn School of Public Affairs, Mr. David Wirick, Lecturer at the John Glenn School of Public Affairs, and Daniel Geroni, Graduate Intern

Images courtesy of Paul Crabtree, the City of Green, OZinOH, Mike Quillin, Sycamore Township (Hamilton County), and istockphoto.com

The Ohio Commission on Local Government Reform and Collaboration



THE COMMISSION MET BETWEEN 2009 AND 2010 TO DEVELOP RECOMMENDATIONS FOR HOW LOCAL GOVERNMENTS CAN EFFECTIVELY COLLABORATE

COMMISSION MEMBERS

Anita Lopez, Co-Chair, Auditor, Lucas County

Daniel Troy, Co-Chair, Commissioner, Lake County

Michael Cochran, Executive Director, Ohio Township Association

Dean DePiero, Mayor, City of Parma

Timothy J. Downing, Attorney, Ulmer and Berne

Jennifer Economus, Lobbyist, Ohio School Boards Association

Dan Foley, Commissioner, Montgomery County

Martin Jenkins, Organizational Resource Group

Chester Jourdan, Executive Director, Mid-Ohio Regional Planning Commission

Mark Mallory, Mayor, City of Cincinnati

Lynda Murray, Ohio Library Council

Robert Roland, Attorney at Law, Day Ketterer

Charleta Tavares, Councilwoman, City of Columbus

Tom Weidman, President, Sycamore Township Board of Trustees

Larry Wolpert, Former State Representative, 23rd House District

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Executive Summary

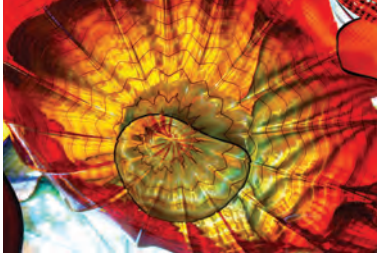


The charge of the Ohio Commission on Local Government Reform and Collaboration was to develop recommendations on how to improve the efficiency and effectiveness of local government operations, thereby reducing costs to taxpayers and helping to facilitate economic development in Ohio. This included exploring ways to catalyze local government cooperation and collaboration, and to restructure local government operations if deemed necessary to that effort. Early in its work, the Commission reached consensus on three particular themes, and created three subcommittees to analyze the issues and develop recommendations related to those respective topics. One of these was to examine how to incentivize local government collaboration on service delivery, another was to analyze and suggest reforms and improvements in the myriad of local tax structures, and the third was to examine the feasibility of alternative or restructured service delivery models. Though each subcommittee focused attention on their respective topic, all proposed recommendations were ultimately discussed and voted upon by all Commissioners.

The subcommittee on local government collaboration recommended that the legislature formulate a system of incentives to encourage all local governmental entities, either general or special purpose, to collaborate on the delivery of public services, especially if it appeared such practices would improve efficiency and/

or effectiveness. The Commission, as a whole, concluded from testimony and research that the citizens of Ohio, in numerous cases, already enjoy some of the benefits of collaboration currently permissible under current law. It also determined, however, that in many cases, it wasn't the "rules of the game" that inhibited cost-saving collaboration, but rather the "players in the game". To change this behavior, the Commission recommends incentivizing further collaboration; as a result the state as a whole can become more effective and efficient at delivering services to its citizens. To help forge such collaboration, the Commission recommended using seed funding to support start-up and transitions costs. Local government entities might otherwise struggle to realize the long-term savings of collaboration without seed financial and technical assistance for the necessary initial steps to commence the effort. Examples of local government collaboration include municipalities working together to use a single point of collection for income taxes, improving the climate of doing business in Ohio through combined one-stop permitting agencies, regionalization of emergency dispatch services, or regional joint purchasing agreements.

The subcommittee on local and state tax structures (and the Commission as a whole) recommends altering state law to enable tax revenue sharing between local governments at the regional level. Ohio's regions encompass



local jurisdictions with a shared economic fate, yet they struggle to coordinate economic development and often experience extremely divergent and inequitable capacity to generate revenue. The Ohio Department of Development, and the Ohio Department of Taxation, should be encouraged to jointly coordinate and possibly incentivize pilot projects that promote revenue sharing and economic development on a regional rather than individual political subdivision basis. The Commission also concluded that while Ohio should always strive to attract new or outside of Ohio businesses to locate here, it should also encourage expansion of our existing Ohio companies at their current locations. What it must do, however, is stem the granting of tax breaks and other incentives to businesses that relocate from one community in Ohio to another. The Commission finds this to be too often a “zero sum” game that decreases the revenues needed to provide government services with no resultant corresponding increase in economic development. Believing that this intra-state competition between communities too often stifles local government collaboration, the Commission recommends limiting the use of tax abatements for companies that relocate within Ohio. The General Assembly should also review joint economic development district and zone (JEDD/Z) laws to make it easier for political subdivisions to understand these important tools for collaboration. While the

Commission found that the utilization of these agreements has resulted in successful economic development collaborations between political subdivision, it is also led to believe that the complexity of current statutes governing their formation has discouraged their utilization.

The subcommittee on alternative service delivery models, and the Commission as a whole, recommends that adoption of regional economic development plans to stress and promote each region’s respective economic strengths would help Ohio more effectively recruit, build and retain businesses. The Commission also found that political boundaries geographically limit services that may enjoy an economy of scale if not so limited, and recommends permitting counties to regionalize traditional services beyond their borders. Geographic areas encompassing numerous local jurisdictions should create, or be permitted to create, more one-stop services centers for businesses and citizens to access applications, licenses, permits and information at a centralized location.

Local government efficiency would benefit from a general “home rule” statute that empowers local political subdivisions to freely and voluntarily collaborate on service delivery. The Commission similarly recommends local governments be given increased flexibility to determine the most efficient operational framework for their community when deciding



a merger, consolidation, or an alternate governance structure. The Commission made recommendations related to Metropolitan Planning Commissions (MPO's) and library systems in Ohio. The Commission concluded MPO's be given a formalized role in state government, as they are federally recognized agencies under direction of elected officials that currently fulfill regional roles related to transportation, land use, and environmental issues. MPO's could serve as entities whose responsibilities could be expanded to offer additional services delivered on a regional basis. The State Library of Ohio should research issues of collaborations, mergers, and consolidation of library systems to insure that Ohio's excellent library services are not compromised by administrative expenses.

All the formal recommendations in the Commission's report are the result of an agreed upon consensus threshold of at least eight favorable votes from the Commission's members. The report also includes numerous "concepts for consideration"; these are proposals that did not receive the required support to be considered as a formal recommendation. The Commission believes, however, that they should stimulate further discussion and review by the Administration and General Assembly, as a number of Commission members considered them important. These proposals are listed at the end of the report.

In that vein, it is the belief of the Commission that this report and its recommendations are a starting point, a snapshot of local government in Ohio and what is perceived to be in order to improve its effectiveness and efficiency at this point in time. The climate needs to be acknowledged and monitored; global economic pressures, rapidly changing technology, shrinking tax revenues, and a general change in attitude by citizens toward government. Local government provides many critically important services to the citizens of our state; unfortunately, the ability to underwrite the cost of providing those services is severely challenged. State and local officials in Ohio will have to constantly, continually and diligently work at redesigning and changing the service provision model to address that reality. The work of suggesting changes to our extensive system of local government in Ohio is not over with the submission of this report; it, in fact, is only beginning.

Introduction



In 2008, the 127th General Assembly established the Ohio Commission on Local Government Reform and Collaboration (HB 562). The Commission is comprised of 15 members, three of whom were appointed by the Governor, three by the Speaker of the House, and three by the President of the Senate (3). The remaining six members were appointed by the following organizations: County Commissioners Association of Ohio (CCAO), Ohio Library Council (OLC), Ohio Municipal League (OML), Ohio Association of Regional Councils, Ohio School Board Association (OSBA), and the Ohio Township Association (OTA).

Commission members represent a wide spectrum of interests. Many are current or former elected officials from many levels of government throughout Ohio. The Commission co-chairs are Anita Lopez, Lucas County Auditor (appointed by the Governor) and Daniel Troy, Lake County Commissioner and former state legislator (appointed by CCAO). The remaining members of the Commission are Michael Cochran, Executive Director of the Ohio Township Association (appointed by OTA); Dean DePiero, former state legislator and current Mayor of the City of Parma (appointed by OML); Timothy Downing, Attorney at Ulmer & Berne (appointed by the Governor); Jennifer Economus, Lobbyist, Government Relations Director for the Ohio School Boards Association, (appointed by OSBA); Dan Foley, Montgomery County Commissioner (appointed by the Speaker of the House); Martin

Jenkins (appointed by the Speaker of the House); Chester Jourdan, Executive Director of the Mid-Ohio Regional Planning Commission (appointed by the Ohio Association of Regional Councils); Mark Mallory, former state legislator and current Mayor of the City of Cincinnati (appointed by the Governor); Lynda Murray, Director of Government Affairs for the Ohio Library Council (appointed by OLC); Robert Roland, Attorney at Day Ketterer, Ltd. and past Chairman of the Canton Regional Chamber of Commerce, (appointed by the President of the Senate); Charleta Tavares former state legislator and current member of Columbus City Council (appointed by the President of the Senate); Tom Weidman, Sycamore Township Trustee and President of Board (appointed by the President of the Senate); and Larry Wolpert, former State Representative and co-author of language creating Commission (appointed by the Speaker).

Under the language creating the Commission (see Appendix A for full text), the Commission is required to develop recommendations on ways to increase the efficiency and effectiveness of local government operations, to achieve cost savings for taxpayers, and to facilitate economic development in this state. In developing the recommendations, the Commission must consider, but is not limited to, the following:

- (1) Restructuring and streamlining local government offices to achieve efficiencies and



cost savings for taxpayers and to facilitate local economic development;

(2) Restructuring and streamlining special taxing districts and local government authorities authorized by the constitution or the laws of this state to levy a tax of any kind or to have a tax of any kind levied on the behalf of both itself and of local government units, including schools and libraries, to reduce overhead and administrative expenses;

(3) Restructuring, streamlining, and finding ways to collaborate on the delivery of services, functions, or authorities of local government to achieve cost savings for taxpayers;

(4) Examining the relationship of services provided by the state to services provided by local government and the possible realignment of state and local services to increase efficiency and improve accountability; and

(5) Reforming or restructuring constitutional, statutory, and administrative laws to facilitate collaboration for local economic development, to increase the efficiency and effectiveness of local government operations, to identify duplication of services, and to achieve costs savings for taxpayers.

The original language creating the Commission required recommendations to be submitted to the Governor, Speaker of the House and President

of the Senate by July 1, 2010. At the request of the Commission, an amendment was included in HB 393 (128th General Assembly) to extend the reporting deadline to September 1, 2010.

Although not originally included in the language creating the Commission, state funds were allotted to the Commission to assist in the charge set forth by the General Assembly. In HB 2 (128th General Assembly), moneys totaling \$160,000, which had not been expended on a separate commission studying reform in Cuyahoga County, were provided to the Commission for its use (see Appendix B for full text). With these funds, the Commission employed the services of The Ohio State University, John Glenn School of Public Affairs to assist in organizing the Commission and facilitating research. The primary contact person at the John Glenn School was Jennifer Evans-Cowley, Associate Professor of City and Regional Planning at the Austin E. Knowlton School of Architecture, The Ohio State University.

Additionally, the John Glenn School of Public Affairs coordinated four research reports that were prepared by the following universities: The Kent State University Center for Public Administration and Public Policy - "Local Government Collaboration in Ohio: Are We Walking the Walk or Just Talking the Talk?"; the Miami University Center for Public Management & Regional Affairs - "Does Collaboration Beget Collaboration?: From Cooperation to Co-production in Township



Government”; Wright State University - “Collaborative Local Government in the State of Ohio”; and The University of Toledo Urban Affairs Center - “Local Government Reform and Collaboration”

The Commission met regularly on the last Friday of each month, and more frequently during the report preparation period. While holidays altered the schedule slightly, the Commission held firm to that meeting time. It scheduled numerous public hearings in Columbus and at multiple locations around the state (Toledo, Dayton, Sycamore Township in Hamilton County, Cleveland, and Canton) to gather ideas and recommendations from citizens, business leaders, and local government leaders. The State of Ohio is not alone in addressing these issues, and other groups, such as Greater Ohio, the Regional Prosperity Initiative, the Ohio Society of CPA’s, and the Fund for Our Economic Future are also looking at these issues. Over 80 people testified, submitted comments, or provided recommendations to the Commission. A review of the all public testimony and comments received may be found in the appendix to this report and all testimony is available on the Commission’s website at www.ohioreformandcollaboration.org.

The Commission worked collaboratively to create each of the recommendations found in this report. All of the recommendations were supported by

at least eight votes from Commission members.

Issues of reform and collaboraton that had the support of between three and seven Commission members have also been included. These proposals are discussed under Concepts for Consideration.

To make research reports, public testimony, and other documents, the Commission worked with the Miami University Center for Public Management & Regional Affairs to develop an interactive Web site (www.ohioreformandcollaboration.org). The site allowed Commission members and members of the public to retrieve past agendas, minutes, testimony, and research reports, as well as to receive recommendations. The site will be active until April 1, 2011.

Recommendations

Recommendations



The following 15 recommendations are the culmination of the Ohio Commission on Local Government Reform and Collaboration's research and public outreach. Each recommendation is discussed in greater detail on the following pages. All testimony and research received by the Commission is available in its entirety at the Commission's website at <http://ohioreformandcollaboration.org/>.

LOCAL GOVERNMENT COLLABORATION INCENTIVES

Establish a system of incentives to encourage local governments to collaborate on the delivery of services.	10
Create seed funding to support start-up and transition costs associated with collaborative efforts.	12
Incentivize municipalities to work together to use a single point of collection for income taxes.	14

LOCAL AND STATE TAX STRUCTURES

Alter state law to enable tax revenue sharing between local governments so economic development revenue can be equitably shared within a defined region.	16
Encourage the Ohio Department of Development and the Ohio Department of Taxation to work together to support and incentivize pilot projects involving innovative systems of local revenue sharing that promote economic development.	19
Encourage the General Assembly to overhaul the current joint economic development district (JEDD) and zone (JEDZ) laws to make it easier for political subdivisions to understand and utilize these economic tools.	21
Amend the Ohio Revised Code to limit the use of tax abatements for companies moving within Ohio.	24



ALTERNATIVE SERVICE DELIVERY MODELS

Strongly encourage regions to adopt regional economic development plans that leverage their economic strengths.	26
Create one-stop services for citizens and businesses.	28
Provide a blanket legislative “home rule” statute that will allow local governments to collaborate on the delivery of services.	32
Increase the flexibility of local governments to determine the most effective operational framework.	34
Create a clearinghouse of information and educational programs on best practices in joint purchasing and shared services for citizens and public officials.	37
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Formalize the role of Metropolitan Planning Organizations.	42
Encourage the State Library of Ohio to research issues of collaborations, mergers and consolidation of library systems.	45



Recommendation: Establish a system of incentives to encourage local governments to collaborate on the delivery of services.

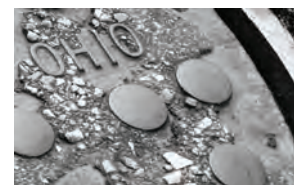
The Commission recommends that incentives be available for all governmental entities, including but not limited to counties, townships, villages, municipalities, school districts, sewer/water districts, library districts, health departments, and regional agencies, to form collaborative agreements for service and/or joint purchasing. The General Assembly should have responsibility for establishing the incentive structure. The incentives should be based upon metrics that identify a clear return on investment.

RATIONALE

Many local governments are collaborating in a variety of services. The Commission believes that further collaborations are possible and should be encouraged by the State. This encouragement could take the form of awarding bonus points on grant proposals when local governments collaborate or through grants to support planning for collaboration. By incentivizing collaboration on service delivery, the state as a whole can become more efficient and effective in delivering services to the citizens of Ohio.

TESTIMONY

Testimony at the Canton, Cleveland, Toledo, and Worthington public hearings recommended incentives to support intra-jurisdictional cooperation. One example would be to support counties and townships working together on snow removal. Others suggested collaboration between and consolidation of agencies in different counties and counties and townships.





Miami University found that collaboration has resulted in greater funding through, for example, the Ohio Public Works Commission infrastructure bond financing program. In eight years of data collected in Southwest Ohio, 90% of collaborations received positive funding decisions (outpacing the overall 67% approval).

RESEARCH

All of the Research reports support incentivizing collaboration, which was found to be essential in supporting collaboration. Examples of incentives identified that would support collaboration on service delivery include:

- Bonus points awarded on joint grant proposals, such as the Ohio Public Works Commission State Capital Improvement Program;
- Local Transportation Improvement Program incentives;
- Grants to foster more regional planning; and
- Funding demonstration projects to encourage regional solutions.

Wright State's study calls for state funds to help pay for local feasibility studies that could document the savings to be gained from service sharing agreements and other collaborative arrangements. They recommend state grants to help spur the establishment of regional collaborations that include multiple local partners. This could allow local governments to move into larger-scale partnerships that entail more than cooperation with immediate jurisdictions. The University of Toledo's study emphasizes the importance of incentives at the initial stages of collaboration development.

EXAMPLE GRANTS SUPPORTING COLLABORATION

In 2008, the Ohio Department of Development administered a \$900,000 grant program, through funds allocated from the Local Government Fund, to support 15 local governments in examining the possibility of combining and/or collaborating on their services with other governments. This one time grant assisted counties, municipalities, and townships with funding for feasibility studies on collaborative services. For example, the City of Cincinnati explored ways to share operation and maintenance of heavy vehicle equipment among jurisdictions in Hamilton County. The City of Gahanna studied the feasibility of combined fleet maintenances and an asset resource management system. Ashland County explored the implementation and maintenance costs of providing a collaborative high-speed internet service for the municipalities, villages, and townships in the County. Other collaboration grants were issued to explore collaboration around water and sewer services, airport construction and operations, storm water management, economic development, and financial management systems. These areas of collaboration are included in the recommendations throughout this report. (Source: Ohio Dept. of Development)



Recommendation: Create seed funding to support start-up and transition costs associated with collaborative efforts.

The Commission recommends the General Assembly create a program or expand current grant programs, such as the Local Government Services and Regional Collaboration Grant program, to provide support for implementing collaborations. Another alternative would be a revolving loan fund to support collaboration that would be paid back through the cost savings achieved.

RATIONALE

Local governments looking to collaborate face obstacles when implementing collaboration initiatives. Seed funding would assist in overcoming the initial up-front costs of transitioning to a cooperative service delivery model or other types of collaboration. A state-level fund would provide essential resources to support and encourage collaboration. Achieving successful cooperation can improve service delivery, as well as potentially save money.

TESTIMONY

Testimony at the Sycamore Township public hearing pointed out that upfront costs can be too high to support collaboration and that incentives to assist with the start-up costs could reward governments for working together. One suggestion was to expand the Local Government Services and Regional Collaboration Grant Program to provide implementation grants.





Research from Kent State reported that collaboration was paid for in part through grants. Below are percentages of survey respondents who reported that they were helped with state or federal grants. Some respondents used both sources, others, neither.

32% state grants

32% federal grants

RESEARCH

All of the Research supports funding to assist the start-up and transition costs of collaboration. The Research found that “front-end” incentives are essential to cover start-up costs and to ease the transition to collaboration. Kent State’s research found that more than two-thirds of operational collaborations indicated that they faced obstacles in implementing their collaborations. Successful collaborations take work, resources, and assistance to overcome a range of challenges. One example of a front-end incentive is the establishment of a fund to incentivize collaborations between school districts. Kent State’s research found that where cost savings was a primary goal of collaboration, 75 % of local governments had realized savings. This indicates that front-end incentives could help the cost delivery of services.

EXAMPLE OF ASSISTANCE WITH STARTUP COSTS

Montgomery County had 17 public safety answering points to handle 911 services in the county in 1996. This included cities, township and county answering points. These answering points employed 192.5 full time equivalent staff and cost \$13.2 million to operate. In a study of the 911 service in Montgomery County several efficiency issues were identified including the frequency with which calls must be transferred from one answering point to another. They also identified that the various agencies did not operate on a common radio system preventing interoperability. Finally they identified that there is not a shared computer aided dispatch system, preventing the agencies from being automatically notified of a need for response. The study recommended a consolidation of the system to improve service by reducing transfers, creating a common radio system, and reducing staffing and operational costs.

The State legislature allocated \$1.5 million to assist Montgomery County with the transition and startup costs for moving to a consolidated 911 system. Many of the jurisdictions in the County chose to join, with the system serving 19 police departments and 10 fire departments. In 2009, the County opened its consolidated answering point. The system is expected to cost approximately \$8.2 million. (Source: Geocom. 2006. 9-1-1 Public Safety Answering Point (PSAP) “Mutual Dispatch” Feasibility Study and Options Analysis. September. Accessed at: <http://www.ketteringoh.org/newweb/pdfs/about/Dispatch/9-19-06ExecutiveSummary.pdf> and Montgomery County Sherrieff’s Office http://www.mcohio.org/Sheriff/Dispatch_Records/dispatch_center.cfm)



Recommendation: Incentivize municipalities to work together to use a single point of collection for income taxes.

The Commission recommends incentivizing municipalities to work together to create a single point of collection that will make the tax system easier to understand, improve service delivery, and minimize compliance costs imposed on taxpayers, as well as reduce government expenditures relating to administration and enforcement.

RATIONALE

Local tax structures, which can be confusing, require firms to pay taxes to several collecting entities. The Regional Income Tax Agency provides income tax collection services to local governments. Regional groups carrying out similar work have been effective in allowing local governments to cooperate on income tax collection. Nonparticipating local governments should be incentivized to participate in single-point of collection. This collaboration could result in reduced confusion on the part of the taxpayer, as well as increases in service efficiency and effectiveness.

TESTIMONY

Testimony from the Sycamore Township and Toledo public hearings explained Ohio's income tax structure can be challenging and confusing for businesses to navigate. This is due to the local taxation structures in the state that are characterized by disparate revenue systems, multiple points of collection, and tax payment methods. One speaker shared the experiences of business owners who are discouraged by the multiple layers of taxation and collection points at the local level. One suggestion was to reform tax collection by allowing counties to combine collection agencies.





68% of local governments reduced service delivery costs as a result of collaboration, according to Wright State's research.

RESEARCH

Wright State's Research found that communities in Cuyahoga County had collaborated on income tax collection. Their research found that joint income tax collection is one of the areas in which local governments have successfully collaborated. However, these entities identified that the state needs to revise the *Ohio Revised Code* to allow for greater regional collaboration.



EXAMPLE OF SINGLE-POINT COLLECTION FOR INCOME TAXES

In 1971, 38 municipalities came together to organize a regional tax collection organization that led to the Regional Income Tax Agency (RITA). This agency serves 173 municipalities throughout Ohio. For example, RITA serves 38 communities in Cuyahoga County. The other regional tax collection agency is the City of Cleveland Central Collection Agency, which serves 43 municipalities. The goal of both of these single-point collection agencies is to provide communities with cost effective tax collection services. (Source: Miami Valley Regional Planning Commission. 2004. Regional Comparison Study: Cleveland, Ohio Metro Area. <http://docs.mvrpc.org/msa/msaClevelandOH.pdf> and Regional Income Tax Agency. 2010. RITA Map. <http://www.ritaohio.com>)





Recommendation: Alter state law to enable tax revenue sharing between local governments so economic development revenue can be equitably shared within a defined region.

The Commission recommends amending state law to enable tax revenue sharing between local governments so economic development revenue can be equitably shared across a region. Funds from new growth would be distributed according to a formula based on population and tax capacity, rather than for targeted projects. For example, a tax base reallocation program could consider property and income taxes. The reallocation program would be administered by a single entity, such as a regional council of governments, and organized by the participating local government and taxation units. This could be achieved through an amendment to Chapter 167 of the *Ohio Revised Code* to allow for a regional agency to coordinate the program and make minor amendments to Chapters 319, 321, 322, 718, and 5705 to support the collection and allocation of tax dollars.

TESTIMONY

Revenue sharing was brought up at multiple public hearings. The speakers all supported regional tax sharing systems, and the public argued that a regional approach to revenue collection and distribution offers a way to address regional disparities in economic wealth. Presently, local jurisdictions, such as first tier suburbs and central cities, are facing challenges generating sufficient revenue to provide basic services. These groups emphasized that participation in such regional organizations should be voluntary. Thus, the regionally pooled revenue may be limited to the “new growth” tax base. One example of an instance that could have been helped by revenue sharing occurred in the cities of Brookpark and Fairview Park. NASA decided to renovate and reorganize its campus, moving buildings from one side of a road to the other. The road is the boundary between the cities, so one community received a tax windfall while the other suffered a tax loss. Revenue sharing would have minimized the impacts of this type of location decision.





60% of surveyed local governments identified economic development as factor motivating collaboration, according to Kent State's research.

RATIONALE

Revenue sharing has been used in the Dayton region. There are also efforts in the Cleveland area, through the Regional Prosperity Initiative, to explore this opportunity. Currently, the economic development programs in the state, such as JEDD/Z, cooperative economic development agreements and tax increment financing programs, can be complex due to the procedures necessary to implement them. State enabling legislation would allow local governments to work more easily together cooperatively across a region to equitably share economic gains and to reduce competition between jurisdictions.

RESEARCH

Wright State found that 31.5% of surveyed local governments are engaging in formal collaborations on economic development. Miami University's Research recognized that townships identify and act on opportunities to engage in innovative collaborations. The Research found that townships collaborate on diversified formal economic development alliances. However, township officials have found the Ohio Revised Code to be an impediment. For example, townships entering into a collaborative agreement could create a new taxing authority, which is prohibited by the Ohio Revised Code. The Research found that cities report difficulty in sustaining collaborative projects with townships due to their limited ability to impose certain taxes. Altering state law to enable tax revenue sharing would address the barriers to collaboration identified in the Research.





EXAMPLE OF REGIONAL TAX SHARING

In 1992, Montgomery County fully implemented its voluntary tax-sharing program. The program was initiated to promote local government collaboration in order to support economic development and promote business opportunities. More than 85% of Montgomery County's population voted to support the tax-sharing program. The funds contributed through tax sharing are reallocated through the Economic Development/Government Equity grant program. The grants are intended to help the region attract and retain jobs and reduce the competition for development projects. The result is regional cooperation for economic development, rather than balkanized competition.

This program has received national attention as an example of a voluntary revenue sharing compact between local governments. One of the positive outcomes of the program is that it allows the region to discuss and come to consensus around the type of economic development that will benefit the entire region. (Source: Pammer, W.J. and J.L. Dustin. 1993. Fostering Economic Development through County Tax Sharing. *State and Local Government Review*. 25(1): 57-71.)



Recommendation: Encourage the Ohio Department of Development and the Ohio Department of Taxation to work together to support and incentivize pilot projects involving innovative systems of local revenue sharing that promote economic development.

The Commission recommends enacting measures that mitigate location decisions by businesses due to inconsistencies in the regional tax structures. In a program to support pilot projects on revenue sharing, a steering committee would ensure that projects meet specified requirements in accordance with due dates mandated by the legislature. The steering committee could have representatives from diverse organizations, such as the Ohio Chamber, County Commissioners Association of Ohio, the Ohio Municipal League, Ohio Township Association, the Ohio Department of Taxation, and the Ohio Department of Development.

In 2007, the Ohio General Assembly authorized the Ohio Department of Development to conduct a study to review Ohio's economic development financial incentives. The study and analysis was concluded in 2009 and a group of practitioners, known as the Bipartisan Working Group on Local Tax Incentives, is meeting to review the plan. They were convened by the Ohio Department of Development and include state, local and regional economic development practitioners and policymakers. This group, already in existence, may also lend some insight to furthering the goal of developing incentives around revenue sharing and economic development.

TESTIMONY

Testimony at the Canton and Toledo public hearings supported using state funds to create incentives for collaboration.

RATIONALE

Local governments are interested in collaborating on economic development, but there have been limited efforts at revenue sharing, as discussed in the previous recommendation. Pilot projects could help to promote and expand revenue sharing for economic development. Incentivizing pilot projects could lead to successful examples that could then be modeled by other jurisdictions across the state. This could lead to sharing of regional economic gains and regions that act cooperatively rather than competitively to achieve economic development.



40% of surveyed local governments identified economic development as the primary goal for collaboration, according to research by Kent State. Where the primary goal is economic development, 100% report achieving economic development gains:

90% Attracted more businesses

80% Attracted more jobs

30% Retained businesses that would have left

RESEARCH

Wright State's Research found that one-third of surveyed jurisdictions are engaged in formal collaborative agreements on economic development. Local leaders acknowledged Dayton's regional ED/GE program, but expressed concerns about tax sharing. Miami University's Research found that revenue sharing agreements are being used by only a minority of townships.

EXAMPLE LOCAL REVENUE SHARING

Dr. Mark Partridge of the Ohio State University discussed one possible mechanism that could be utilized to address the issue of regional revenue imbalances. His proposal is that the State incentivizes regions to establish regional tax sharing pools for local earnings taxes, possibly at 1%, that could be redistributed among participating entities on a per capita basis. Dr. Partridge and others believe that such a program would motivate communities to work in concert as they attract businesses from outside the region.

Reduced taxes can incentivize businesses to move, increasing the tax burden for those fewer, remaining business. Dr. Partridge suggests that if regional tax sharing is approached on a systematic basis, overall tax rates in the region would be lower instead of higher.

Minneapolis-St. Paul Regional Revenue System

The Twin Cities metro area established a regional tax-base sharing program in 1971 to reduce tax revenue disparities between communities in the region. Each community contributes 40% of the growth of its commercial and industrial property tax base after 1971 to a regional pool, although only 20% of the region's total tax base is redistributed. A rubric is used to distribute the revenue among participating entities based on each jurisdiction's population and fiscal capacity to generate revenue as defined by per capita real property valuation.

The tax base sharing approach is credited with reducing tax base disparities among participating communities from a 50:1 ratio to a 12:1 ratio. (Source: Partridge, M. 2009. Building a Sustainable Ohio: Growth Through Community Cooperation. Presentation to Ohio Commission for Local Government Reform and Collaboration. July.)



Recommendation: Encourage the General Assembly to overhaul the current joint economic development district (JEDD) and zone (JEDZ) laws to make it easier for political subdivisions to understand and utilize these economic tools.

JEDD/Z laws have proven to be crucial instruments for local government economic development. The Commission recognizes that JEDD/Z laws facilitate inter-jurisdictional cooperation and should continue to be an important economic tool for local governments across Ohio. However, ensuring that JEDD/Z laws are simpler and easier to utilize will enable wider use of this already successful collaborative tool. The law had been amended piece-meal over time and the result has created confusion about correct procedures. The legislature has recognized these challenges and has made efforts to address various sections of the statute. The Commission recommends changing the present language of the JEDD/Z to give each municipality the explicit authority to make tax sharing permissible. The Commission encourages a thorough review and revision of the statute to create more clarity.

TESTIMONY

The Commission received testimony during the Canton and Toledo public hearings explaining difficulties associated with joint economic development district (JEDD) and zone (JEDZ) laws. In their current form, proposals for commercial or industrial development often result in boundary disputes. The testimony on this topic noted that much of the confusion in current JEDD/Z language originates in situations where neighboring jurisdictions have different income tax rates.





JEDD is the most common form of collaboration. 48% of surveyed Ohio local governments engaged in collaborations are using JEDDs according to research carried out by Kent State.

EXAMPLES OF JEDD/Z CHALLENGES

The two entities of Butler Township and the City of Vandalia wanted to pursue a JEDD in a commercial area of Butler Township. One JEDD provision (§715.76) requires notification, however, to owners of property and owners of businesses. In some cases this may be the same person, but in commercial “strip” areas this may be different people. An additional complication is that retail chain stores with headquarters out of state may be the official “owner” of the business, but they have no other connection to the local store and consequently no real interest in returning petitions to the township or city. This can make satisfying notification requirements difficult. (Source: The Ohio Township Association).

RESEARCH

The Research supports the conclusion that the JEDD/Z structure is moderately successful and that with simplifying its current language has the potential for greater success. The University of Toledo Research pointed out that JEDD/JEDZ were more effective for greenfield development than for brownfield development, which encourages development in new suburban areas rather than in older, urbanized areas.



EXAMPLES OF JEDD/Z

The City of Akron and the Summit County Townships of Coventry, Springfield, and Copley all engaged in respective JEDD agreements. Water and sewer service to the townships were provided in exchange for enabling the City of Akron to collect income taxes from businesses using the utilities in those townships. The City agreed not to annex township lands in return for the right to charge a 2% municipal income tax on the wages earned by workers in the defined district.

The City of Elyria and Elyria Township created a JEDD in Lorain County to facilitate economic development, to create and preserve jobs, and to improve the economic welfare of the City and Township. The City agreed to provide sewer services to all parcels within the district, the township will keep the land use as currently defined unless the City agrees to changes, and the JEDD board will facilitate and encourage orderly development within the district. The City may impose an income tax on the district and the revenue will be shared 85/15 with the township receiving 15%. (Source: The Ohio Township Association)

RATIONALE

A thorough review and revision of the JEDD/Z statutes would allow local governments to more easily collaborate using a tool that has proven to be successful. The goal is to eliminate difficult to understand language in the existing statutes, which makes political subdivisions less likely to participate with neighboring jurisdictions in mutually beneficial agreements. Some of the existing complexities include:

- Currently there are three different statutes through which a JEDD or JEDZ may be created.
- Only entities in Summit County, a charter county, may create a JEDD under RC §715.70.
- Residential land is prohibited from being included in some JEDDs but not others.
- Contracting parties of a JEDD can include provisions in the JEDD that prohibit annexation. Even so, a neighboring municipality not included in the JEDD, is not prohibited from annexing the territory. If the area is annexed by third entity, this has resulted in additional income taxes imposed upon the JEDD area or the JEDD being dissolved. Why have the JEDD statute if another entity is able to undermine it?
- The word “signed” contract is used in some places yet in others the term is “executed”.
- In some cases the JEDD must go to the voters yet in others the elected officials make the decision.
- JEDD and JEDZ are contracts generally between townships and municipalities. Counties could be a party if the township and municipality bring them into the agreement. Regardless, all JEDD contracts have to go before the Board of County Commissioners even when there is no relevance to the county.

These issues, and others, need to be thoroughly reviewed and possibly changed to enable tax sharing that fosters economic development for neighboring jurisdictions as well as the region in which they are located.



Recommendation: Amend the Ohio Revised Code to limit the use of tax abatements for companies moving within Ohio.

The Commission recommends that the ORC limit the use of tax abatements for companies moving within Ohio. This limitation would remove existing incentives that allow businesses to shop for tax abatements. This shopping violates the intent of the tax abatement statute, which is to provide local governments with a tool to attract companies to move into Ohio, not to allow jobs to move from one jurisdiction to another within a County or the State. In addition, the waivers and exemptions should be examined.

RATIONALE

Local governments in Ohio are engaged in competition to attract businesses from other parts of the region, as well as nationally and internationally, to their jurisdictions. Tax abatements and other local financial incentives often succeed in luring companies to new locations within the state or metropolitan area, often to the detriment of jurisdictions that then struggle to replace the moving companies. When companies move within a region and receive increased tax abatements, there can be a net reduction in tax revenue in the region even as the net job creation remains unchanged¹. In 2009, the Ohio Department of Development undertook a study of economic development incentives to determine whether existing incentive programs meet the needs of business and the state. For example, the report recommends consolidating all tax abatements into one abatement program. Currently, the Bipartisan Working Group on Local Tax Incentives, convened by the Ohio Department of Development, is reviewing the report and developing recommendations. The Commission supports the effort to reform tax abatements.

TESTIMONY

Testimony at a number of public hearings pointed out the challenges for businesses that seek to get the best deal out of current relocation practices. When a business moves from one location to another within a region, the result is not an increase in jobs but a net decrease in tax revenue for the region.

¹ This can also be true for border counties, which must face interstate competition for businesses.



54.6% of surveyed local governments experienced an increase in economic growth as a benefit of collaboration according to research by Wright State.

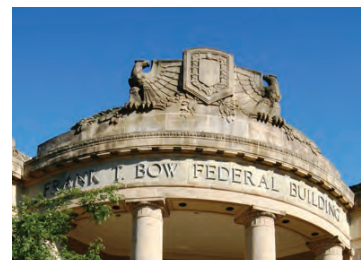
RESEARCH

Kent State's Research found that local governments have been successful in collaborating to retain jobs in a region. However, they also found that there is significant pressure on local governments to foster economic development within their own jurisdictions in order to maintain their tax bases and provide adequate employment opportunities for residents.



EXAMPLE OF TAX ABATEMENT SHOPPING

Eaton Corporation, a power management company that manufactures electrical components and systems for a variety of industrial systems, operated for a number of years in a high rise in downtown Cleveland after the City provided a tax abatement. However, the company decided to shop for a larger tax abatement. They moved to the City of Beachwood, which offered a \$10 million tax credit on income taxes that was supplemented with tax incentives from both the State and Port Authority. (Source: Gorden, M.S. 2009. Eaton Corporation to Move to Beachwood. Beachwood Buzz. April. Page 1)





Recommendation: Strongly encourage regions to adopt regional economic development plans that leverage their economic strengths.

The Commission strongly recommends the creation of regional economic development plans. These would support both the region as it develops and the allocation of tax incentives or shared revenues.

RATIONALE

Economic development efforts can be strengthened through a regional plan. By analyzing the strengths of a region and capitalizing on those strengths, the region can work together to recruit and build businesses that will benefit the region, which can in turn make it more competitive.

TESTIMONY

Testimony at hearings across the state emphasized the importance of working regionally. It noted that regional approaches to attracting business growth may alleviate infighting and competition between communities. Speakers related that a number of local governments fear losing businesses and tax revenue to neighboring jurisdictions.





Research at Wright State found that 66.1% of local officials cited coordination among local governments as a benefit of collaboration.

RESEARCH

Wright State University recommended that the State consider providing grants to regionally based organizations and local units of government to promote more extensive regional collaborations. As the example of LUARCC in New Jersey shows, private economic organizations can be a catalyst for promoting collaboration at a regional scale. They found that the Northeast Ohio Fund for Our Economic Progress has been successful in organizing collaborative action to reduce costs, increase efficiency, and develop plans for regional economic transformation and growth. Grants from the Fund were used to support a variety of collaborative projects. For example, Cuyahoga and Lorain Counties used one to develop the Westshore Regional Fire District, which provides fire and EMS service to 250,000 residents. Miami University similarly recommended that a regional approach to collaborating on economic development reduces the need to compete interjurisdictionally. They cited Community Improvement Corporations and Port Authorities as examples of organizations that promote regional economic development strategies.



EXAMPLES OF REGIONAL ECONOMIC DEVELOPMENT PLANS

The State of Ohio has been encouraging regions to work together to identify regional industry clusters already in existence as well as those that are emerging. The Northwest Ohio region is also working together to do this. The Regional Growth Partnership, the City of Toledo, Lucas County, the University of Toledo, the Toledo Port Authority, the Toledo Area Chamber of Commerce, and others are developing and implementing an innovative cluster-based economic development strategy.

Local governments in the Dayton metropolitan area are also making efforts to collaborate on regional development initiatives. Dayton was chosen as the first Ohio Hub, a project initiated by the Ohio Department of Development to help Ohio's regions build upon investments and research. Dayton, recognized for its aerospace and aviation cluster, represents an ongoing collaboration between the City of Dayton, University of Dayton, Montgomery County, and the Dayton Development Corporation. (Source: University of Toledo Urban Affairs Center. 2010. Northwest Ohio Economic Research Collaborative. Blog Posting: <http://uac.utoledo.edu/nwoerc/nwoerc.htm>, and <http://www.development.ohio.gov/OhioHubs/Documents/OhioHubsOfInnovationOpportunityInitiative.pdf>)



Recommendation: Create one-stop services for citizens and businesses.

The Commission believes that one-stop shops would make business operations simpler. Businesses would still follow all local laws, but they would go to one place for all information rather than to different county departments or municipal/village/township halls. For example, requests for zoning changes would still go through the municipal, village, or township process, but information would be available in centralized locations. The Commission recommends the following one-stop operations:

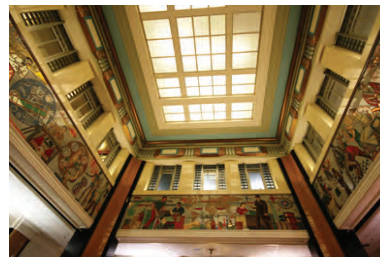
- Require that all geographic districts used by State departments, Soil and Water Conservation Districts, and Metropolitan Planning Organizations be aligned to allow for a “one-stop” services for citizens and businesses (see page 29 for examples).

- Encourage local governments within a county to have a “one-stop” location for economic development purposes, including economic development, zoning, building, and permitting information and applications.

- Provide uniform, consistent methods for inspection of electrical work through the state and make the process for procurement of plan approvals, inspection permits, and inspections faster.

- Require consolidation of city/county health districts into one district per county.

- Require a county or region to be the minimum geographic area for SWAT, HAZMAT, and 911 dispatch service.





TESTIMONY

Testimony in Sycamore Township and Worthington argued for better boundaries to support the economy. State agencies should be organized in such a way that their boundaries are conterminous, focused on each of Ohio's regions. This would reduce inefficient and confusing redundancies (see maps on following page). For example, one speaker called for coterminous boundaries for state agencies to assist with economic development. In Toledo, testimony explained that differences in codes and plan approval processes make it difficult for businesses doing work across jurisdictions. In Worthington and Sycamore Township, testimony supported consolidation of some services such as the opportunity to consolidate city and county health departments. Testimony in Cleveland focused on the potential for joint 911 operations to more efficiently provide dispatch services while increasing service quality. In Canton, testimony focused on the obstacles faced by private businesses due to differences in regulations between jurisdictions.

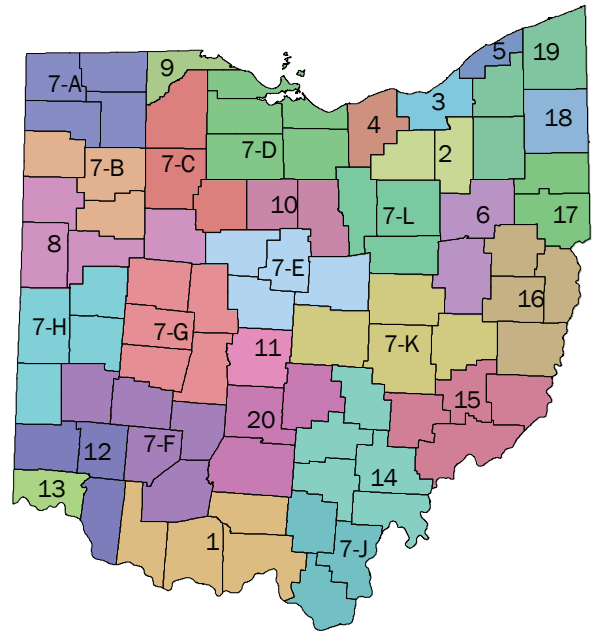


RATIONALE

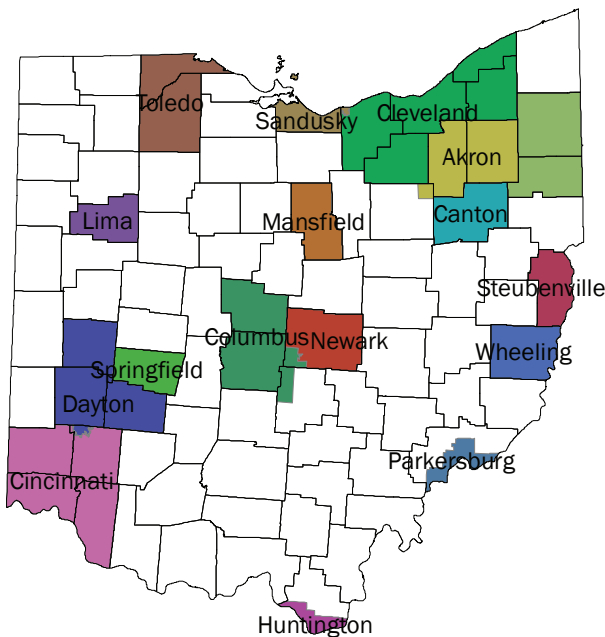
Currently, state districts do not align consistently. Alignment of state districts would create more opportunities for collaboration and potentially improve service delivery through a one-stop service for citizens and businesses. Less frequently used government services may not require a geographically limited service delivery boundary. For example, businesses can benefit from referring a single location for economic development purposes, zoning, and building permits. Inspections and plan approvals could be standardized across larger geographic areas. This reduces confusion for business owners and improves the ease of doing business. Another example, the public health department, could also benefit if there is a single location for citizens to visit. SWAT and HAZMAT teams and 911 dispatch services are further examples of services that could be more efficiently delivered across local government boundaries. All three services represent a function of government that does not differ from community to community based on needs or viewpoints; all aim to fight crime or save lives for the public good. SWAT and HAZMAT teams are not often used by individual jurisdictions on a daily basis, though they may be utilized much more frequently on the county or regional level. Given that jurisdictions already choose to engage in collaboration to deliver these services, the Commission believes that additional counties stand to benefit from centralizing key safety, health, and economic development services. This would potentially result in reduced costs and increased service quality.



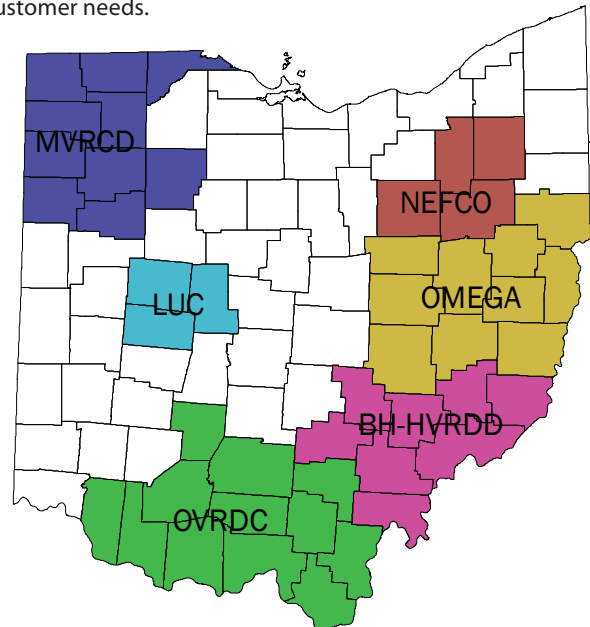
Bureau of Worker's Compensation - OBWC
Employer Compliance Regions



Ohio Department of Job & Family Services - ODJFS
Workforce Development System
The workforce development areas combine economic development, transportation lines, population, and labor markets to create local area systems that focus on customer needs.



Metropolitan Planning Organizations
MPOs are urbanized areas with more than 50,000 people:
MPOs are used for funding and staffing.



Locally Defined Regional Councils
Multi-service entities with state and locally-defined boundaries that deliver a variety of federal, state, and local programs. They are accountable to local governments and effective partners for state and federal programs.

EXAMPLE OF CONFLICTING DISTRICT BOUNDARIES

Currently, the various state department district are configured without coterminous boundaries. The Commission proposes boundaries based on regions. Above are four examples of Economic Development Districts. (Source: Mid-Ohio Regional Planning Commission)

RESEARCH

Wright State's Research found that state programs too often work in silos. They recommend that in order to facilitate interagency and interlocal cooperation, state agencies need to define regions with greater consistency and provide a common geographical basis for joint action. The University of Toledo found that since government officials often want to share facilities and equipment, regional approaches could be beneficial. Kent State's Research found that collaboration that is already in place on such diverse issues as watershed protection and public safety could serve as a starting point for additional collaboration. Research in other states has found that there are significant opportunities to voluntarily consolidate services, such as municipal health departments, libraries, schools, tax collection, and emergency dispatch. Many local government officials already appreciate the importance of collaborating on several of these services. The Miami University Report "Does Collaboration Beget Collaboration," a study that focused exclusively on township government, notes that:

"The majority of townships shared examples of collaboration in the service area of public safety. The most often cited examples included multi-jurisdictional dispatch centers (for fire protection, emergency medical services (EMS), and police protection) and co-location of safety service buildings to house personnel and equipment."



EXAMPLE OF A ONE-STOP SERVICE

The joint SWAT team for the cities of Fairfield and Hamilton in Butler County is an example of a successful local government collaboration. The Hamilton City Council approved it in a 7-0 vote in December 2006. This Joint SWAT team has compared well with other SWAT teams across the country; in a 2007 competition in Florida, it placed third among 53 teams from across the country and 15 from other nations. Five of the members in the competition were from the Fairfield Special Response Team and 23 were from the Hamilton SWAT.

Previously, the City of Fairfield's crime emergency response was limited to the members of its Special Response Team, and it had to resort to a pay-per-use model when an emergency made it necessary to call upon the Hamilton SWAT team. Fairfield now pays \$10,000 annually to purchase and maintain equipment as part of the agreement, and it expects to gain by learning from one of the premier SWAT teams in the country. In addition to the new source of revenue, Hamilton has benefited from an increase in trained officers that do not add to costs.

The Hamilton Police Department's Lieutenant Scott Scrimizzi, commander of the city's SWAT team, offered his impression of the collaborative operation in a 2007 Hamilton Journal article. "We've got to leave our egos at the door and do what's best for the community," he told the paper. He suggested that any city with a population of less than 100,000 should consider engaging in collaborative efforts with neighboring jurisdictions to increase the numbers of members on the team, adding that "The regional partnership is part of a national trend to merge services." Butler County officials are now considering a countywide SWAT team as they review options to reduce the county budget. (Source: Hamilton Journal. 2007. Police team SWATS away Competition. http://nl.newsbank.com/nl-search/we/Archives?p_action=doc&p_docid=11D9C85D4F024130&p_docnum=44. Hamilton Journal. 2006. SWAT Pact Strengthens Forces for Fairfield, Hamilton. http://nl.newsbank.com/nl-search/we/Archives?p_action=doc&p_docid=1164D9E780535408&p_docnum=65).



Recommendation: Provide a blanket legislative “home rule” statute that will allow local governments to collaborate on the delivery of services.

The Commission recommends amending the *Ohio Revised Code* relative to providing local governments with the authority to engage in collaborative efforts to deliver services to their citizens. There should be no limitation on the size of the service areas, which should be based on local preferences. This provision would not supersede other provisions of the ORC. It should include explicit liability protection for services provided collaboratively. All service delivery collaborations would be based on the agreement of all the jurisdictions involved.

TESTIMONY

Testimony across the state focused on allowing communities to determine the service delivery models that best suit their needs. Local government leaders explained that several services cannot easily be made joint operations due to the current wording of the ORC. They noted that there are statutory obstacles, such as the inability of townships to create joint police districts with municipalities. At issue is the fact that there is no current enabling legislation that permits such broad collaborative efforts.





In Lucas County, 50% of local governments reported collaborating on more than one service. 100% of collaborations were rated as successful or very successful according to those surveyed in the University of Toledo study.

EXAMPLE OF COLLABORATIVE SERVICE DELIVERY

In 2009, the Villages of Genoa and Clay Center, along with Clay and Allen Townships in Ottawa County conducted a feasibility study to create a joint law enforcement district. The study found that the creation of a district would be financially feasible. However, they were stopped from creating the district due to a legislative barrier. If enabling legislation were passed by the legislature this police district could move forward. (Source: Circuit Rider Management Group. 2009. Allen-Clay-Genoa-Clay Center Join Police District Feasibility Study Report. <http://www.genoaohio.org/Docs/JPDFeasibilityStudyReport.pdf>)

RESEARCH

Miami University's Research noted that township officials are impeded from engaging in certain types of collaboration. Research in other states concluded that easing procedures for consolidation would enable collaborations or consolidations that might otherwise be disincentivized due to confusing procedures or statutory limitations. Kent State and Wright State's Research found that formal collaboration is already occurring around public safety, particularly fire. Miami University found that townships are engaging in merged services, such as regional emergency response units. They found that 54.5% of townships contract for fire services, while 13.1% participate in a joint fire service. The University of Toledo found that collaboration is happening across a wide variety of service areas, including recreation facilities, salt purchases, mortgage/foreclosure mitigation strategies, court case fee collections, document storage, and after-hours bond/bail program, among others. The results of these collaborations were cost savings, more services, increased service quality, faster project completion times, and enhanced relationships between collaborators.

RATIONALE

The *Ohio Revised Code* § 715.02 currently permits political subdivisions to jointly construct or manage infrastructure. *Ohio Revised Code General Provision* § 9.48 permits political subdivisions to participate in a joint purchasing program. *Ohio Revised Code* § 505.371 permits the creation of a joint fire district by two or more townships or one or more townships and one or more municipalities. This has enabled collaborations such as joint purchasing and joint fire districts. ORC §505.481 allows joint police districts between townships but does not allow townships and municipalities to form them. Given that local governments are particularly interested in public safety collaborations, an alteration of the existing statutes ORC §505.375 and ORC §505.481 to allow the creation of joint police districts would enhance flexibility in service delivery for Ohioans. These and other features of the ORC have given communities wide latitude to efficiently provide quality services by taking advantage of economies of scale. There are many services that may potentially benefit from collaboration. When local governments are willing to voluntarily share services, the State should encourage them. The General Assembly should remove barriers to collaboration that exist in the ORC.



Recommendation: Increase the flexibility of local governments to determine the most effective operational framework.

No one local government configuration fits all situations. The Commission recommends maximum flexibility for local officials and residents when deciding whether a merger, consolidation, or an alternate governance structure is right for their community. The Commission recommends the creation of a new statute that would permit the legislative authorities to place the merger, consolidation, or governance structure question to the voters in a more streamlined process. For example, the Commission has identified three approaches that would increase flexibility for the citizens of Ohio to choose the governmental structure that best suits their needs:

- Create a statute that would allow a statutory county to make changes in its structure by a vote of the residents in the county.
- Create a statute that would permit the legislative authorities of a municipal corporation and township to place the merger question directly to the voters when the two entities have 1) worked together on a proposal to merge the two governments using one of the two existing forms as the chosen government structure and 2) unanimously adopted an ordinance or resolution supporting the merger proposal.
- Provide maximum flexibility for mergers between political subdivisions subject to the approval of the voters in those jurisdictions.

TESTIMONY

Testimony across the state focused on allowing communities to determine the service delivery models that best suited their needs. For example, testimony in Canton focused on ORC §709.43-50, including how the length of time and multiple steps required to undergo a merger creates a barrier to communities that want to pursue them. While the public acknowledged that laws have been established with the goal of improving service delivery, those laws have often been ineffective because they do not necessarily allow local governments to determine the most effective operations framework. Testimony at the Columbus hearing held in March, 2010, discussed the potential benefits of county-wide mergers that might generate cost savings on service delivery. It was reported that actual cost savings resulted from the Indianapolis-Marion County consolidation, but that it is too soon to tell if there were similar savings associated with the Louisville-Jefferson County consolidation.





28% of surveyed local governments had improving service delivery as their primary goal of collaboration, according to a study by Wright State. Where service delivery was the primary goal of collaboration, 22% of services reached more people, 11% of services are of higher quality and 11% of services are delivered more cost effectively.

RATIONALE

In order to offer maximum flexibility for counties, townships, and cities, the Commission finds that the following should be addressed:

Counties

The Commission recommends amending current law to allow for the expansion of alternative forms of county governance. County government is operated under a government structure that the General Assembly developed approximately 150 years ago. The size of Ohio's counties and their government structure is generally attributed to the belief that no citizen of Ohio should be more than one day's horseback ride away from the county seat. This government structure, which likely made sense when it was created given the technology of the time, may no longer hold the same relevance for some counties.

The factors that drove the structure of county government have changed, the Ohio Revised Code states that three structures of county government are possible, two of which are used. The two utilized county structures are the statutory form of government, used by 87 of Ohio's 88 counties (soon to be 86), and the county charter form of government, adopted by Summit County in 1980 and Cuyahoga County to be effective in 2011. There is a third alternative, a county statutory government that

allows the number of county commissioners to be up to 21, allowed under Chapter 302 of the ORC. However, no county has enacted this alternative form.

To increase the options available to any particular county and its citizens, the General Assembly should amend ORC Chapter 302 to expand the forms of alternative county governmental structures that may be placed before the voters of that particular county. That chapter currently permits an alternative statutory structure (if voter ratified) of the Board of Commissioners; this recommended change could, for example, permit structural alternatives to any aspect of county governance structures. This statutory change would enable any individual county governmental structure to be reformed while avoiding the extensive restructuring associated with enacting a charter. Any proposed change to the county structure would require placement on the ballot under the provisions of current law. Its enactment would require approval by a majority of those voting in a county-wide election.



EXAMPLE OF OPERATIONAL FRAMEWORK

In Summit County, residents in a portion of Green Township agreed to merge with the Village of Green to become the City of Green in 1992. As of 2000, the City had a population of more than 22,000. The process to merge can be long and arduous. The Commission recommends simplifying the procedures to allow for the voters of the jurisdictions that wish to merge to decide whether the merger should occur. (Source: City of Green)

RATIONALE CONTINUED

Townships and Municipalities

Townships and municipalities must currently engage in a drawn out and arduous process when local officials consider and move toward a merger between the two entities. ORC §709.43-.50 outline this process, which should be streamlined to permit legislative authorities of municipal corporations and townships to place the merger question, as agreed to by legislative authorities of each entity, to voters.

Mergers between Political Subdivisions

Presently, mergers between two political subdivisions are technically possible in Ohio, but only after an extensive process. If a merger is approved by voters, it may be a reasonable option for local policy makers to consider as they review methods that reduce the local government resources needed to provide public services.

In 2005, a report on this subject was submitted to the West Virginia Legislature by the Center for Business and Economic Research at Marshall University. Titled "Local Government Consolidation: Lessons for West Virginia", it reviewed county-municipality mergers that had occurred in other states in the country to see if they would work in West Virginia. Conclusions

of the report included consolidation at the county level is most likely to succeed if it is driven at the local level, change is most successful if it is incremental, the economies of scale achieved through local government mergers "are not abstract – they are demonstrable under prevailing conditions," and consolidation of urban counties can make these entities more attractive business locations. The report made significant mention of the finding that there is no one-size-fits-all solution to the potential merger of a county and a municipality. Therefore, it recommends allowing local governments flexibility as they proceeded through the merger process and streamlining the process through which residents of the county may vote on enacting such a merger.

RESEARCH

The University of Toledo Research recommended that the number of governmental units be reduced through mergers, consolidations, and incorporation to result in more effective governance.



Recommendation: Create a clearinghouse of information and educational programs on best practices in joint purchasing and shared services for citizens and public officials.

The Commission believes that a clearinghouse would effectively support local governments in their efforts to collaborate. This central clearinghouse could be empowered by providing limited incentives to adapt and implement these best practices. It could be operated by the Auditor of the State, the local government entity (proposed in the scope of this Commission's recommendations) or an independent body.

TESTIMONY

Testimony in Canton, Cleveland, Sycamore Township, and Toledo all emphasized the importance of understanding best practices. People at the public hearings shared their stories of success in collaborative efforts, such as the bulk purchases of salt and fuel, and the sharing of public safety services, all of which proved to be cost saving measures for local governments. A number of speakers emphasized the importance of the assistance provided by the Center for Local Government in sharing information, providing training, and supporting collaboration.





RATIONALE

Joint purchasing and shared services are permitted in Ohio. The State should make every effort to encourage their use on a broader scale. The Commission recommends a central clearinghouse that would support best practices by local governments, schools, libraries, and other regional districts. The services rendered by a central clearinghouse have the potential to include a wide range of assistance and information relating to the following:

- Identifying opportunities for governmental collaboration;
- Providing professional development, including training for professionals (This may entail training on proper financial reporting and improper transactions, Ohio sunshine laws, and additional training for a range of collaborative activities);
- Technology;
- Planning and administrative services;
- Expanding access to resources to reduce inequities between agencies/jurisdictions; and
- Maximizing operating and fiscal efficiencies.

EXAMPLE OF JOINT PURCHASING

Presently, Educational Service Centers (ESCs) in Ohio represent a current example of a best practices center, and they may serve as an example of what guidance a best practices clearinghouse may offer once established. ESCs work to implement shared services and purchasing arrangements, among many other items. They also provide school districts with professional development, technology, support, planning and administrative services, and opportunities to maximize operating and fiscal efficiencies. For example, the ESC of Central Ohio, in partnership with the Mid Ohio Regional Planning Commission, has conducted a study of shared transportation services among Franklin County's 16 public school districts.

To further the efficiencies achieved by the ESCs and others, KnowledgeWorks is funding an initiative to review the state's K-12 education system to identify efficiencies, while maintaining a focus on student achievement. KnowledgeWorks is identifying best practices that will be shared in their report, which is due out at the end of 2010. (Source: Ohio Educational Services Centers Association and KnowledgeWorks Foundation)



Kent State found the following types of assistance were identified by local government to help them in their collaborations.

80% Case Studies on successful collaboration

70% Access to successful models and resource contracts

50% Model ordinances, resolutions, and contracts

50% Technical or legal assistance

40% Training on “how to” of collaboration

20% Help in changing state laws, where necessary

RESEARCH

Miami University’s Research found that townships are engaged in formalized regional purchasing cooperatives, and that there are opportunities to share success stories. Miami University found that 50% of respondents would like to have access to model contracts and technical assistance to support collaboration. They recommend educational outreach for elected officials and citizens about the positive benefits of collaboration. Kent State’s Research found that local officials want case studies of successful collaboration; access to successful models of collaboration; and model ordinances, resolutions, and contracts. A central clearinghouse for best practices has the potential to offer professional guidance to local governments, school and other districts, and regional agencies on best practices that are in place in different parts of Ohio. Similar best practice centers are already currently in use in other states, where they are useful tools for local government officials who seek guidance on how to improve efficiency and service delivery in their jurisdictions. Wright State’s Research found that multiple states, such as Wisconsin, New Jersey and New York, serve as models of how a state can assist local governments at all stages of forming shared service agreements. They also point out that Wisconsin provides a variety of best practices to local governments. The Northeast Ohio Sourcing Office (NEOSO), created in 2005, is an example of cooperative purchasing. This organization services communities in 13 counties by securing discounts through pooled purchasing of such items as auto parts, fuel, and maintenance services.





Recommendation: Permit counties to regionalize services beyond political boundaries.

The Commission recommends amending the Ohio Revised Code to allow for the regionalization of services beyond county boundaries. Regionalization could potentially eliminate the need for existing traditional service delivery providers and allow for the elimination or downsizing of multiple providers. This could include: coroner/forensic medical examination services, traditional sheriffs' department services, administration of justice services (courts, prosecutors, public defenders, etc.) and other services that are currently limited to an intra-county (within the border) status.

RATIONALE

Elements of the ORC, including ORC §307.14-307.18, rightfully give counties the charge to undertake meaningful and important functions of government at the county level. To this end, the ORC stipulates that the county government structure include administrative functions. However, many of these administrative functions have changed, and they can now be effectively carried out by larger multi-county structures or can be achieved more efficiently if counties are permitted to outsource services to, or combine them with, neighboring counties. For example, a well-equipped coroner's office is capable of handling substantially more investigative functions than was possible in the past. However, the technological equipment needed today to adequately perform the investigative functions of this office may be fiscally unobtainable in less populated counties; in fact, many of the state's more rural counties already contract with better equipped counties to perform these functions. Collaboration through regionalization of these coroner services could improve efficiency and service quality. The ORC should be reviewed to ensure that regionalization of all services is possible when supported by the jurisdictions. If contracting beyond political boundaries accomplishes the intended delivery of service, then the original delivery structure should be downsized, phased out or eliminated.





Responding to a Wright State Survey, 67.1% of participants indicated that collaboration reduced duplication of services, while 60.7% reported improvements in service quality.

TESTIMONY

Public testimony in Canton and Worthington suggested reducing the number of offices through consolidation and addressed current challenges to collaborating for services beyond the county boundary.

RESEARCH

Wright State's Research found that state law can limit the willingness of local officials to undertake joint service arrangements. They call for confronting structural barriers.



EXAMPLE OF REGIONALIZATION OF SOLID WASTE

The Solid Waste Authority of Central Ohio (SWACO) serves as an example of a regionalized service. SWACO operates a landfill, three transfer stations, and more than 200 residential recycling locations. By operating regionally, SWACO is able to reduce the per-unit cost of production and enhance service delivery. Even though solid waste districts operate at a regional scale, there are 52 districts across the state, some of which are at the county level and some of which are at the multi-county level. The Director of SWACO, Ron Mills, recommends that the existing districts be consolidated into four or five districts. This would require the removal of statutory barriers on the formation and dissolution of multi-county districts and the use of funding. (Source: Mills, R. 2009. SWACO Ohio Commission on Local Government Reform. Presentation to Ohio Commission on Local Government Reform and Collaboration. July.)





Recommendation: Formalize the role of Metropolitan Planning Organizations.

The Commission recommends that Metropolitan Planning Organizations (MPOs), which are federally recognized agencies that already fulfill a variety of regional functions in the state of Ohio relating to land use, transportation, and environmental issues, be formally recognized in the Ohio Revised Code. MPOs function under formal guidelines that stipulate how they may operate within the state and local government's legal frameworks as they pursue a set of goals on a regional basis.

RATIONALE

Ohio law does not acknowledge MPOs in current state legislation. Given that MPOs are regional entities under the direction of elected local officials, the Commission recommends that state law formalize the important role of MPOs within Ohio government. The role of Metropolitan Planning Organizations, which serve local communities on primarily land use issues, may eventually be expanded, both to offer additional services that can be delivered on a regional basis and to regulate regional land use planning and infrastructure. As regional agencies under the direction of locally elected officials, these organizations may serve as starting points to and forums for regional tax revenue sharing discussions. The expanded roles of MPOs have the potential to do the following:

- Incentivize planning at the regional level;
- Serve as conduits for state and federal funding;
- Serve as research bodies for information and data;





Kent State found 16% of surveyed local governments use a regional government to implement their intergovernmental collaboration.

RATIONALE CONTINUED

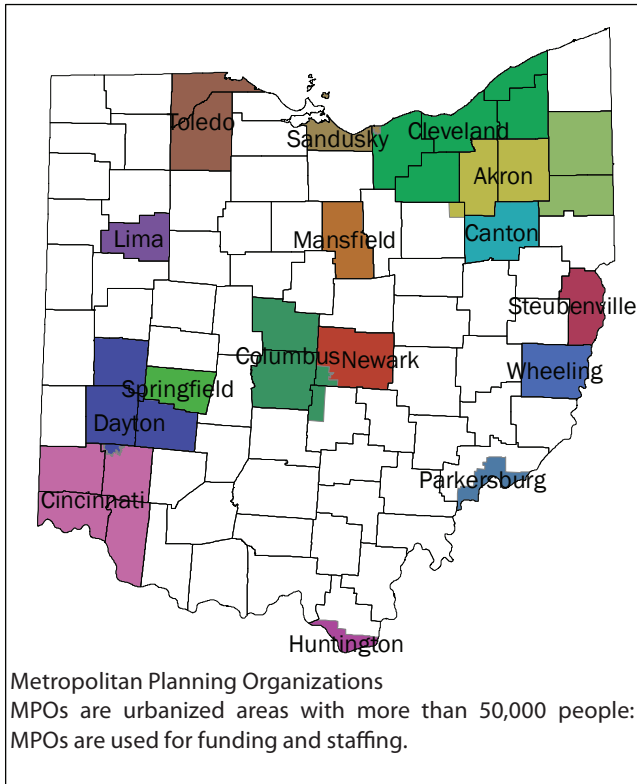
- Provide incentives and tools to encourage more collaboration and coordination. For example, MPOs can partner with Regional Councils such as the Ohio-Kentucky-Indiana Regional Council of Governments, to implement these tactics. Regional Councils are associations of local governments that facilitate and promote intra- and inter-governmental cooperation.
- Link more funding decisions and grant opportunities to Ohio's already existing regions that fall within existing MPO boundaries.

The Commission recognizes Metropolitan Planning Organizations as unique in that they are currently existing agencies that are equipped to assume further regional responsibilities. Commission members recognized that MPOs have demonstrated experience and success serving as coordinators with various levels of government to address a host of diverse issues.

TESTIMONY

Public testimony in Cleveland emphasized the importance of Metropolitan Planning Organizations, but noted that they could not reach their full potential unless they were given greater authority under state law.





EXAMPLE MAP OF MPOS IN OHIO FROM MORPC
(Source: Mid-Ohio Regional Planning Commission)

EXAMPLE OF FORMAL ROLE OF REGIONAL GOVERNMENT

The San Diego Association of Governments serves a population of more than 3 million people in 18 cities within San Diego County, with the County also being the 19th member. This agency serves as a forum for decision-making on a regional level to support the region's quality of life. They focus on services such as consensus building, strategic planning, resource allocation, public transportation, information analysis, and service provision.

In 2002, California passed a law that increased SANDAG ability to operate regionally by designating it as one of the state's transportation commissions. This statutory change treats SANDAG as an agency rather than a planning organization. This has increased the level of regional authority and resources that can be used to accomplish regional goals. SANDAG operates as both an MPO and a Regional Council. The board is made up of elected officials within the region and has advisory members representing other service agencies in the region. SANDAG is funded through a half-cent sales tax. (Source: National Association of Regional Councils)

RESEARCH

All of the university research studies point to the importance of regional approaches to regional problems. They discuss the potential efficiency benefits of collaborating on a multi-jurisdiction basis.





Recommendation: Encourage the State Library of Ohio to research issues of collaborations, mergers and consolidation of library systems.

The Commission recommends that the State Library of Ohio look at areas of services, delivery and costs and the benefits associated with various collaboration and consolidation models.

TESTIMONY

Public testimony in Sycamore Township and Worthington supported the value of libraries, but also pointed to opportunities for consolidation.

RATIONALE

Ohio has the most effective public libraries in the United States. Libraries in Ohio have the highest number of patrons, visitors and circulation per capita in the nation. There are 251 public library systems in Ohio. In the current economic climate, some libraries are looking at ways to maintain their high level of service on reduced levels of funding. Public libraries in Ohio have statutory authority to merge or consolidate. There were a number of library consolidations in the 1960's, following the school consolidations. However, there has been limited research on mergers/consolidation and on the impact and effectiveness of a reduced number of public library systems. The Commission believes that a study of public libraries would allow for library boards of trustees to make informed decisions about the merits of mergers/consolidations.





57.4% of survey respondents indicated that a benefit of collaboration was bringing additional expertise to local problem solving, while 54.5% reported improving responsiveness to resident's needs, according to research by Wright State.

RESEARCH

The Wright State Research report pointed out that library resources can be shared through collaborative agreements. For example, the City of Centerville and Washington Township share library services. They also point to a library collaboration between the City of Lancaster and the Village of Potosi, Wisconsin that has resulted in cost savings and improved service.



EXAMPLE OF LIBRARY COLLABORATION

Public libraries united to form the Ohio Public Library Information Network (OPLIN). This collaborative effort provides Internet access and some data bases to all public libraries. The mission is to ensure that all Ohio residents have fast and free public Internet access through the 251 public library systems in Ohio. (Source: Ohio Public Library Information Network. <http://oplin.org>.)



Concepts for Consideration

Concepts for Consideration



In addition to the recommendations listed on the previous pages, the Commission has generated a group of concepts that deserve further consideration. These concepts are designed to stimulate discussion around further possibilities for collaboration and reform of local government in Ohio. They were thought to be important by some Commission members. While they were considered, they did not receive adequate support for inclusion in the report and, as such, are not recommendations of the Commission.

PROPOSALS TO ENCOURAGE AND INCENTIVIZE LOCAL GOVERNMENTS TO COLLABORATE

1. Pass a law requiring each county to create a Local Government Services and Collaboration Commission.

The Commission would include a representative from each local government and each entity, including quasi-governmental agencies such as libraries but excluding schools, which receive tax dollars. Each Commission would be required to establish a plan for sharing or collaborating on services. If the plan is not adopted, state funds would be withheld.

2. Restrict current revenue streams. For example, the formula for Local Government Fund distribution could be altered to favor jurisdictions that engaged in collaborative initiatives that meet specified criteria.

If collaboration is highly valued, then local governments that engage in collaborative efforts should be rewarded for that effort.

PROPOSALS FOR LOCAL AND STATE TAX STRUCTURE CHANGE THAT WOULD ENCOURAGE COLLABORATION OR IMPROVE SERVICE EFFECTIVENESS

1. Encourage the State to establish a grant program to support municipalities known as “first-ring suburbs” in redeveloping land currently within their jurisdictions.

This grant program would foster development and economic activity in first-ring suburbs that are otherwise landlocked and have limited opportunities for growth.

2. Reinstitute municipal income tax reciprocity to support economic development.

This could be achieved through either voluntary agreement or legislative directive.

3. Alter tax law to limit tax revenue gains/losses when businesses expand or consolidate operations in two neighboring political subdivisions.

The Commission previously recommended limiting the use of tax abatements to support businesses that are moving within a region or within Ohio. Further consideration should be given to a statute that would limit tax revenue gains and losses when businesses expand or consolidate operations within neighboring political subdivisions.



PROPOSALS THAT IDENTIFY CURRENT/ALTERNATIVE SERVICE DELIVERY MODELS

1. Require the Ohio Department of Transportation to take over road maintenance on all state routes located within a municipal corporation.

The Ohio Department of Transportation (ODOT) is actively studying the viability of taking over maintenance of state routes (House Bill 2 from the 128th General Assembly). The Ohio Compact for Cities recently issued a report to the General Assembly recommending that exploratory hearings be held on this issue. This Commission supports the exploration of methods that would allow ODOT to take over road maintenance.

2. Create regional public transportation districts that permit taxes over city/county lines.

Currently, public transit authorities are limited in their taxation districts, but they may provide services within a region. For example, the Central Ohio Transit Authority collects tax revenue in Franklin County, but it provides service to Licking County. Regional Public Transportation Districts would allow for taxation across county lines and into other counties that receive public transit services.

3. Alter state law to permit the use of design build for construction projects by all political subdivisions.

Currently ORC §5543.22 state law limits the ability of some local governments to engage in design build construction projects, such as counties for bridges. This law should be examined and expanded to allow

all political subdivisions to engage in design build construction projects.

4. Mandate county-wide purchasing and administrative services for school districts.

Currently, school districts can participate in joint purchasing through Educational Service Centers. Consideration should be given to mandating county-wide purchasing and other administrative services for school districts.

5. Enable municipal courts, mayors, or other courts to merge into multi-jurisdictional courts.

There are a number of separate courts that operate in Ohio jurisdictions. Courts should be allowed to consolidate into a configuration that best suits the needs of the community, county, or region.

PROPOSALS FOR REFORM AND COLLABORATION FROM OTHER STATES

1. Regularly review local government reform and collaboration reports from other states.

The Commission found value in learning about innovative solutions from other states related to cooperation. The Commission encourages review of ideas from outside the state and exploring the feasibility of implementing these ideas in Ohio. For example, Georgia, Indiana, Wisconsin, Pennsylvania, and New Jersey have all created commissions with scopes similar to the Ohio Commission on Local Government Reform and Collaboration.



COST OF DOING BUSINESS/EFFICIENCY MEASURES THAT THE GENERAL ASSEMBLY SHOULD PERIODICALLY REVIEW

1. Conduct periodic reviews of certain components of state law to ensure efficiency in the cost of doing business at the local government level.

The Commission encourages the General Assembly to periodically review, in terms of cost efficiency, state laws that impose requirements on the conduct of local government business. This would include the methods and costs associated with, including, but not limited to, competitive bidding requirements, audits (both financial and performance), public notice and legal advertising requirements and prevailing wage regulations.

Summary of Citizen Testimony and Research Findings

Summary of Citizen Testimony: Local Government Collaboration Incentives



Based on their own experiences and observations, the public testified that while there may be real economic benefits and savings in collaboration, there is not always sufficient impetus to move the process forward. The public believed that incentives may be needed to cover some costs in order to encourage collaboration. Speakers gave examples of collaboration that had already been implemented, and they held up these successes as models for the Commission. Examples include joint fire districts and transportation studies, service sharing between townships, and health department sharing between counties and cities, as well as other local government services.

Several speakers called for the reduction of the total number of local governments, districts, and other government agencies in Ohio. In general, the public suggested using incentives and voluntary action to facilitate collaboration between local governments. Others suggested the use of mandates to force collaboration. Below is a list of recommendations made to the Commission by the public on how to incentivize collaboration.

Multiple approaches to incentivizing collaboration were recommended. These may be subdivided into the following categories:

1. Expand or Create Incentives

Expanding or creating incentives, such as state grants and other programs that are already in place, such as Joint Economic Development Zones, Tax Increment Financing, Cooperative Economic Development

Agreements, and Community Reinvestment Areas.

2. Simplify or Streamline Legislation

Simplifying or streamlining current legislation and address “onerous” state mandates that make the collaboration process daunting. Examples of this include:

- a) Simplify regulations and processes relating to Joint Economic Development Districts/Zones.
- b) Streamline the processes for merging neighboring jurisdictions through legislation and with financial incentives.
- c) Simplify processes for annexation to enable municipalities to expand more easily.
- d) Streamline the process for merging city and county services when appropriate. One example given to the Commission was to consolidate city and county health departments.

3. Enable Collaboration

Pass enabling legislation to permit collaboration that current law does not allow.

Create and expand grants, such as Local Government Service and Regional Collaboration Grants, to fund feasibility studies.

Summary of Research Reports: Local Government Collaboration Incentives



The reports indicated that local officials have had favorable experiences with collaboration, and they have found their communities collaborative efforts to be successful. As discussed in the reports, the most common approaches to enabling or encouraging collaboration align themselves along one of the four following categories.

1. Financial incentives

Financial incentives appeared multiple times as a means of encouraging collaboration. This approach encompasses enlarging or creating grant programs or other funds that are used to incentivize collaboration.

In virtually all of the reports, it was noted that “front-end” incentives were used to cover start-up costs and ease the transition phase. Examples of successful front-end incentives include:

- Bonus point awards for joint grant proposals, such as the State Capital Improvement Program of the Ohio Public Works Commission (OPWC).
- Local Transportation Improvement Program incentives.
- The Maine GrowSmart Initiative recommended establishing a fund that could incentivize collaborations between school districts. It also recommended the use of grants to foster more regional planning.
- Local Government Efficiency Grants and 21st Century Demonstration Projects were recommended by the New York Commission as a means to

encourage regional solutions, cooperative services, and consolidation.

- West Virginia’s Commission on Governing implemented processes for consolidation to enable communities in that state to begin a consolidation process if their communities so chose.

2. Townships as Opportunistic Collaborators

The Miami Report discussed the potential of creating statutory incentives to promote public/private partnerships. The research indicated that there are townships that are “Opportunistic Collaborators” that look for unique conditions to adopt innovative collaborations. These townships are open to undertaking types of collaboration that may be less common. For example, quasi-public and quasi-private partnerships bring non-governmental entities into cooperative ventures that address regional issues. The townships that are opportunistic collaborators are often less rural in nature and have a larger population base than do typical townships. These opportunistic collaborators engage in the following agreements:

- Merged services, such as regional emergency response services;
- Diversified formal economic development alliances, such as development districts or comprehensive economic development agreements; and
- Formalized joint administrative support ventures, such as regional purchasing cooperatives.



3. Streamlining Regulations

Many local officials recommended “streamlining” excessive guidelines or regulations that currently burden the collaboration or consolidation processes.

- The New York Commission came to the conclusion that easing procedures for consolidation, citizen petitions, and coterminous town-villages would enable collaborations or voluntary consolidations that might otherwise be disincentivized by the confusing procedures presently in place.
- The Miami University report noted that here in Ohio, many township officials cite the ORC as impeding or prohibiting certain types of collaboration. The report offers an example of a township that intended to enter into a collaborative agreement. However, this would have created a new taxing authority, which is prohibited by the ORC.

process to incorporate public input on the issue be established. The Wright State University noted that to “Err on the side of maximum public participation before adoption” can lend legitimacy to collaboration and strengthen the public’s confidence in their community’s collaborative efforts.

To help initiate a dialogue among the public and local government officials, the Wright State University report also recommended creating a guide for collaboration and shared services agreements. Similar guides have already been created in New York, Wisconsin, and New Jersey.

4. Technical Assistance and Public Education

There was repeated mention of the need for technical assistance to help educate local government officials on how to make a transition during a consolidation or collaboration process effectively. The Indiana Commission chose to address this by recommending that Indiana’s Office of Management and Budget create an office of technical assistance to local government.

Similarly, it was recommended both that the public be educated on governmental motives for embarking on collaboration processes and that a

Summary of Citizen Testimony: Local & State Tax Structures



When discussing local and state tax structures, the public most frequently cited issues relating to central cities, first tier suburbs, and townships.

First Tier Suburbs

Testimony discussing tax structure in Ohio made note of the unique needs of first tier suburbs and how their issues can be addressed using alternative tax structures. There were recommendations to offer tax-based incentives that targeted the needs of these communities; not just programs that targeted urban, “blighted” communities or suburban greenfield sites.

Cities

Speakers raised economic issues in cities, and central cities in particular, in their testimony. A commonly cited issue is that cities are mandated to provide services that non-incorporated communities do not need to provide. These services are provided to non-incorporated communities through the county government, which in turn gathers revenue from both non-incorporated and incorporated jurisdictions (the latter of which are still paying for their own services). It was argued that this tax structure places an asymmetric fiscal burden on cities.

Townships

Some members of the public suggested that Ohio’s most populous townships assume more responsibilities as their populations grow, including law enforcement, engineering, inspection and planning, and maintenance of county and state roads within their jurisdictions.

Regional Tax Structures

In their recommendations related to regional tax structures and economic development, the public argued that an approach to revenue collection and distribution may be a means to address regional disparities in economic wealth. Presently, many local jurisdictions, such as first tier suburbs and central cities, are having difficulty generating sufficient revenue to provide basic services. Voluntary participation in regional tax sharing organizations was emphasized. The regionally pooled revenue could be limited to “new growth” tax base.

Several pieces of legislation that may impede tax base sharing were brought to the Commission’s attention. These are H.B. 920 and Article 12, Section 5 of the Ohio Constitution. Variations on revenue sharing include the following:

- Revenue should be redistributed according to a formula based on population, need, and revenue generating capacity.
- Revenue should be redistributed based on how efficiently a local government is operated.
- The regionally pooled revenue may be limited to “new growth” tax base.
- The regional tax structure may be voluntary instead of mandatory for individual municipalities. (All written testimony indicated a preference for voluntary participation.)

Summary of Research Reports: Local & State Tax Structures



The material related to local and state tax structures was dominated by the use of such programs as Joint Economic Development/Zones or focused on the limited ability of townships to raise income/payroll taxes.

1. Tax Incentive Programs

A number of different programs demonstrated potential in incentivizing reform and collaboration in Ohio. Joint Economic Development Districts/Zones were deemed as moderately successful, but with greater potential. However, the authors of the University of Toledo report indicated that JEDD/JEDZ were more effective for greenfield development than for brownfield development. Consequently, the programs most often encourage development in new suburban areas rather than in older, more urbanized areas.

In addition to JEDD/JEDZ, other programs discussed in the University of Miami report, such as Tax Increment Financing and Revenue Sharing Agreements, are being used in only a minority of townships. This raises the question of whether these programs could be applied in townships that currently do not employ more complex institutionalized collaboration.

2. Ability of Townships to Impose Taxes

The University of Toledo report found that cities report difficulties in sustaining long-term collaborative projects with townships due both to their limited ability to impose income/payroll taxes and to the concern that the township may not be able to sustain its end of the collaborative effort. Therefore, townships have necessarily been creative in finding ways to pay for and provide services.

Summary of Citizen Testimony: Alternative Service Delivery Models



There were a variety of recommendations regarding regional approaches to economic development. In some cases, “regional” implied metropolitan area, although some speakers suggested that counties could also be large enough to fulfill a “regional” role.

1. Economic Development

- Members of the public discussed issues concerning the economic development of their communities and competition between local jurisdictions for new businesses.
- Regional approaches to land use, economic development, and transportation planning were recommended.
- Communities within regions need coordination in order to speak with one voice when attempting to attract new business. Some of these speakers were also concerned that there is presently no organization held responsible for a region’s economic success.
- Metropolitan Planning Organizations were recognized as regional organizations that presently serve a limited role in governance, but they could be expanded to assume greater responsibility in areas of land use and transportation planning, environmental issues, and economic development.

2. Township Service Delivery

The public provided a variety of perspectives on the role of townships in service delivery, including:

- Testimony described how the current political

structure was originally adopted and refined during the 1800s. Some individuals indicated that the clearly demarcated political categories of “city” and “township” mask nuances in Ohio’s current development patterns (e.g., Townships were originally structured to serve smaller, rural populations; today Ohio has many populous townships that do not assume the same responsibilities as cities.)

- Some speakers wanted to address collaboration on service delivery by enabling townships to assume the responsibilities of a municipality. The speakers were requesting home rule authority like municipalities have, as townships are statutory governments.

- The public discussed the importance of the role of the township, stating that the townships are more easily held accountable by their constituents than large units of government.

- Speakers also argued that smaller units of government may be more efficient than a single, larger one.

3. Reducing State Agencies’ Overlap

State agencies should be organized in such a way that their boundaries are conterminous, focused on each of Ohio’s regions. This would reduce inefficient and confusing redundancies.

4. Consolidation of Local Governments

Other speakers recommended decreasing the total number of local governments in the state, and allowing cities to merge with surrounding townships. It was also noted in the testimony that small villages



be dissolved, and also that smaller counties may want to consider merging if they believe they may benefit from improved economies of scale.

5. Potential Role of Counties

Counties were cited as jurisdictions that may assume responsibilities currently performed by townships and cities, as their size may make them better suited to Ohio's modern economy. Examples of services that could be assumed by counties included coordinating law enforcement agencies and land use and transportation projects.

6. Quantifying Success

It was noted that collaborative and service sharing arrangements can be politically risky. In order to reward successful examples of collaboration, there should be a way to quantify successful collaborative arrangements.

7. Collaborating with the Business Community

Members of the business community said that local businesses are willing to lend their talent and expertise to work on short-term, task-oriented teams to analyze more cost effective operations that can improve local governance. Local chambers of commerce were cited as vehicles for government-business collaboration.

8. Standardize Building and Other Regulatory Codes

Standardize the diverse building and electrical codes,

plan approvals, and inspections. Presently, these vary widely between jurisdictional lines, and they were cited as an impediment to business productivity.

9. Elected versus Appointed County Positions

Speakers discussed the importance of maintaining numerous county positions as elected rather than appointed. This ensures accountability and faithfulness to the public interest.

Conversely, other speakers suggested that specific county positions, such as the coroner, engineer, and clerk of courts, be appointed rather than elected, given that they fulfill technical administrative roles rather than policymaking roles.

Several speakers also called for some level of minimum qualifications as a requirement for elected county positions.

10. Education on Best Practices

Testimony noted the importance of providing technical assistance to local government officials to educate them on best practices and help disseminate skills that can improve the quality and quantity of work accomplished in local government.

11. Performance Audits and Strategic Planning

Performance audits may be a means of finding inefficiencies in local government practices. Whether conducted by auditors, accountants, or outside contractors, they were generally recommended.



Strategic planning was discussed as a way to encourage members of local government to think beyond a one- to two-year cycle, instead incentivizing them to consider revenue sources in a five- to seven-year time frame.

12. Enable Restructuring of County Government

Representatives of Ohio county government said that the residents of individual counties in Ohio should be able to vote on restructuring their county governments. Different possible forms include the charter form of county government and the alternative statutory county government. Chapter 302 of the ORC was cited as possibly needing revision to enable further restructuring of county government.

Summary of Research Reports: Alternative Service Delivery Models



A wide variety of alternative models for delivering services are suggested in the reports. Many of the points are concerned with mechanisms that may be used to bring about or develop alternative service models.

1. A Permanent Commission to Oversee Collaboration and Consolidation

The most prominent example of a Commission established to facilitate collaborative and/or consolidation efforts is the Local Unit Realignment, Reorganization, and Consolidation Commission (LUARCC). LUARCC was established in New Jersey to develop criteria and gather research in order to recommend consolidation of and shared services between local government units. This Commission was established to address the lack of political will on the part of legislators to carry out the processes with which LUARCC was charged.

2. Consolidation and/or Centralization of Public Services

In many cases, consolidation related only to local government services, not entire jurisdictions. Recommendations generally included different measures that could enable voluntary consolidation of services, of which several examples are provided below.

- The New Jersey Committee recommended that the power of county superintendents be strengthened to oversee school-related budgetary issues and other decisions and to facilitate purchasing arrangements between school districts. Similarly, the Indiana

Commission recommended the creation of a local school restructuring committee to examine service sharing and consolidation and authorize regional collective bargaining contracts for new hires.

- The Indiana Commission on Local Government Reform recommended that certain services, such as municipal health departments and libraries, be consolidated at the county level.

- The New York Commission concluded that many services, such as tax collection and emergency dispatch, could be centralized to the county.

- Reports from other states including Pennsylvania, New York, and Michigan concluded that consolidation was not always the most beneficial approach to improving efficiency. These reports noted that there may be diseconomies associated with consolidation as well as economies of scale, and that prospective consolidations should be closely examined before political commitments are made.

3. Consolidation of Local Jurisdictions

The reports detailed efforts in other states that concluded that the efficiency of local government in a state may be increased by reducing the overall number of local jurisdictions. Indiana and New Jersey both provide examples of addressing this issue.

- As previously noted, the Local Unit Realignment, Reorganization, and Consolidation Commission (LUARCC) was established in New Jersey to develop criteria and gather research on opportunities to consolidate or share services between municipalities.



- A recommendation put forth by the Indiana Commission is another example of shifting services that may not be consolidation, per se, but still results in centralizing many services. The Commission recommended that all township functions be shifted to the county level in an effort to cut costs and reduce overall complexity in local government.

4. Examples of Formal Collaboration in Ohio

The Kent State University report succinctly points out that although there is great potential for future collaboration, it is worth analyzing the already wide host of diverse issues, including economic development, urban sprawl, watershed protection, and public safety, in which collaboration is already practiced in Ohio. The report indicates that these collaborative efforts can be used as a starting point for additional collaboration in the state.

Appendices

Appendix A Commission Language from Enacted H.B. 2



SECTION 701.20. (A) The Ohio Commission on Local Government Reform and Collaboration shall develop recommendations on ways to increase the efficiency and effectiveness of local government operations, to achieve cost savings for taxpayers, and to facilitate economic development in this state. In developing the recommendations, the commission shall consider, but is not limited to, the following:

(1) Restructuring and streamlining local government offices to achieve efficiencies and cost savings for taxpayers and to facilitate local economic development;

(2) Restructuring and streamlining special taxing districts and local government authorities authorized by the constitution or the laws of this state to levy a tax of any kind or to have a tax of any kind levied on its behalf, and of local government units, including schools and libraries, to reduce overhead and administrative expenses;

(3) Restructuring, streamlining, and finding ways to collaborate on the delivery of services, functions, or authorities of local government to achieve cost savings for taxpayers;

(4) Examining the relationship of services provided by the state to services provided by local government and the possible realignment of state and local services to increase efficiency and improve accountability; and

(5) Ways of reforming or restructuring constitutional, statutory, and administrative laws to facilitate collaboration for local economic development, to increase the efficiency and effectiveness of local government operations, to identify duplication of services, and to achieve costs savings for taxpayers.

(B)(1) There is hereby created the Ohio Commission on Local Government Reform and Collaboration, consisting of fifteen voting members. The President of the Senate shall appoint three members, one of whom may be a person who is recommended by the Minority Leader of the Senate. The Speaker of the House of Representatives shall appoint three members, one of whom may be a

person who is recommended by the Minority Leader of the House of Representatives. The Governor shall appoint three members. One member shall be appointed by, and shall represent, each of the following organizations: the Ohio Municipal League, the Ohio Township Association, the Ohio School Boards Association, the County Commissioners' Association of Ohio, the Ohio Library Council, and the Ohio Association of Regional Councils. The initial appointments shall be made not later than ninety days after the effective date of this section. Vacancies shall be filled in the manner provided for original appointments. Members are not entitled to compensation for their services.

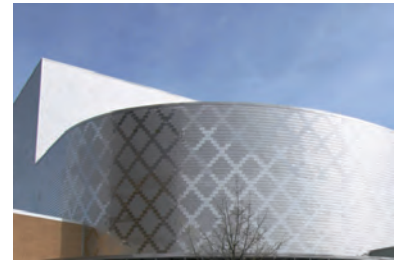
(2) The initial meeting of the commission shall be called by the Governor within forty-five days after the initial appointments to the commission are complete. The commission shall elect two of its members to serve as co-chairpersons of the commission.

(C) The commission may create an advisory council consisting of interested parties representing taxing authorities and political subdivisions that are not taxing authorities. The appointment of members to the advisory council is a matter of the commission's discretion. The commission may direct the advisory council to provide relevant information to the commission. Advisory council members are not members of the commission, and may not vote on commission business.

(D) The commission may consult with and obtain assistance from state institutions of higher education (as defined in section 3345.011 of the Revised Code) and from business organizations for research and data gathering related to its mission. State institutions of higher education and business organizations shall cooperate with the commission.

(E) The commission shall issue a report of its findings and recommendations to the President of the Senate, the Speaker of the House of Representatives, and the Governor not later than July 1, 2010. The commission ceases to exist upon submitting its report.

Appendix B Funding Language for the OCOLGRC



SECTION 610.30. That Section 503.40 of Am. Sub. H.B. 562 of the 127th General Assembly be amended to read as follows:

Sec. 503.40. All appropriation items in this section are appropriated out of the money in the state treasury to the credit of the designated fund. For all appropriations made in this section, the amounts in the first column are for fiscal year 2008 and the amounts in the second column are for fiscal year 2009.

LSC LEGISLATIVE SERVICE COMMISSION

General Revenue Fund

035-321 Operating Expenses	\$ 0	\$ 200,000
GRF 035-407 Legislative Taskforce on Redistricting	\$ 0	\$ 750,000
TOTAL GRF General Revenue Fund	\$ 0	\$ 950,000
TOTAL ALL BUDGET FUND GROUPS	\$ 0	\$ 950,000

COMMISSION COMMISSIONS ON CUYAHOGA COUNTY GOVERNMENT REFORM AND LOCAL GOVERNMENT REFORM AND COLLABORATION

The foregoing appropriation item 035-321, Operating Expenses, shall be used to support the Commission on Cuyahoga County Government Reform and the Ohio Commission on Local Government Reform and Collaboration, both created in this act Am. Sub. H.B. 562 of the 127th General Assembly.

An amount equal to the unexpended, unencumbered portion of the foregoing appropriation item 035-321, Operating Expenses, at the end of fiscal year 2009, is hereby reappropriated for the same purpose for fiscal year 2010.

LEGISLATIVE TASKFORCE ON REDISTRICTING

An amount equal to the unexpended, unencumbered portion of the foregoing appropriation item 035-407, Legislative Taskforce on Redistricting, at the end of fiscal year 2009 is hereby reappropriated to the Legislative Service Commission for the same purpose for fiscal year 2010.

The appropriations made in this section are subject to all the provisions of Am. Sub. H.B. 119 of the 127th General Assembly that are generally applicable to such appropriations ~~except for Section 809.03 of Am. Sub. H.B. 119 of the 127th General Assembly.~~ Expenditures from appropriations contained in this section shall be accounted for as though made in Am. Sub. H.B. 119 of the 127th General Assembly.

SECTION 610.31. That existing Section 503.40 of Am. Sub. H.B. 562 of the 127th General Assembly is hereby repealed.

Appendix C Language Extending Report Deadline



SECTION 6. That Section 701.20 of Am. Sub. H.B. 562 of the 127th General Assembly, as amended by Am. Sub. H.B. 1 of the 128th General Assembly, be amended to read as follows: Sec. 701.20. (A) The Ohio Commission on Local Government Reform and Collaboration shall develop recommendations on ways to increase the efficiency and effectiveness of local government operations, to achieve cost savings for taxpayers, and to facilitate economic development in this state. In developing the recommendations, the commission shall consider, but is not limited to, the following:

- (1) Restructuring and streamlining local government offices to achieve efficiencies and cost savings for taxpayers and to facilitate local economic development;
- (2) Restructuring and streamlining special taxing districts and local government authorities authorized by the constitution or the laws of this state to levy a tax of any kind or to have a tax of any kind levied on its behalf, and of local government units, including schools and libraries, to reduce overhead and administrative expenses;
- (3) Restructuring, streamlining, and finding ways to collaborate on the delivery of services, functions, or authorities of local government to achieve cost savings for taxpayers;
- (4) Examining the relationship of services provided by the state to services provided by local government and the possible realignment of state and local services to increase efficiency and improve accountability;
- (5) Ways of reforming or restructuring constitutional, statutory, and administrative laws to facilitate collaboration for local economic development, to increase the efficiency and effectiveness of local government operations, to identify duplication of services, and to achieve costs savings for taxpayers;
- (6) Making annual financial reporting across local governments consistent for ease of comparison; and

(7) Aligning regional planning units across state agencies.

(B)(1) There is hereby created the Ohio Commission on Local Government Reform and Collaboration, consisting of fifteen voting members. The President of the Senate shall appoint three members, one of whom may be a person who is recommended by the Minority Leader of the Senate. The Speaker of the House of Representatives shall appoint three members, one of whom may be a person who is recommended by the Minority Leader of the House of Representatives. The Governor shall appoint three members. One member shall be appointed by, and shall represent, each of the following organizations: the Ohio Municipal League, the Ohio Township Association, the Ohio School Boards Association, the County Commissioners' Association of Ohio, the Ohio Library Council, and the Ohio Association of Regional Councils. The initial appointments shall be made not later than ninety days after the effective date of this section. Vacancies shall be filled in the manner provided for original appointments. Members are not entitled to compensation for their services.

(2) The initial meeting of the commission shall be called by the Governor within forty-five days after the initial appointments to the commission are complete. The commission shall elect two of its members to serve as co-chairpersons of the commission.

(C) The commission may create an advisory council consisting of interested parties representing taxing authorities and political subdivisions that are not taxing authorities. The appointment of members to the advisory council is a matter of the commission's discretion. The commission may direct the advisory council to provide relevant information to the commission. Advisory council members are not members of the commission, and may not vote on commission business.

(D) The commission may consult with and obtain assistance from state institutions of higher education (as defined in section 3345.011 of the Revised Code) and from business organizations for research and data gathering related to its mission. State institutions of higher education



and business organizations shall cooperate with the commission.

(E) The commission shall issue a report of its findings and recommendations to the President of the Senate, the Speaker of the House of Representatives, and the Governor not later than ~~July~~ **September** 1, 2010. The commission ceases to exist upon submitting its report.

SECTION 7. That existing Section 701.20 of Am. Sub. H.B. 562 of the 127th General Assembly, as amended by Am. Sub. H.B. 1 of the 128th General Assembly, is hereby repealed.