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To: The Ohio Commission on Local Government Reform and Collaboration

From: Greater Ohio (Gene Krebs & Zachary Crafton)

Date: April 15, 2010

Re: Recommendations to the Ohio Commission on Local Government Reform and
Collaboration

The Ohio Commission on Local Government Reform was created 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." Mindful of these objectives and the looming state and local fiscal crises, Greater Ohio Policy Center makes these recommendations to the Commission with the goal of providing a comprehensive and strategic approach to reforming the structure and function of Ohio's local governments with intention of increasing the state's competitiveness in the 21st century economy.

The following recommendations are organized into three categories defined by the scale at which reform and collaborations are originating and/or being encouraged, these are: 1) local government collaboration; 2) state program alignment; and 3) shaping the federal approach to local reform and collaboration. The fourth category of this memo highlights relevant recommendations from the Ohio House Compact with Cities Task Force report that are directed at government collaboration and regional governance

Greater Ohio recognizes that individually these recommendations vary in terms of their implementation time frame and political feasibility, making it particularly difficult to collectively pursue our reform agenda as a whole. Despite the challenges and barriers to adopting a comprehensive strategy for local government reform, we believe that pursuing a small number or even one of the following recommendations will sufficiently advance the Commission's mission to increase the efficiency and effectiveness of Ohio's local governments.

In addition to providing recommendations that support the Commission's core mission, Greater Ohio has further identified which of the following recommendations may also aid in helping state and local officials navigate and solve difficult budget issues emerging in the near future. These "dual purpose" recommendations are accompanied by an asterisk (*) for easy identification,

Local Government Collaboration

It is well known that Ohio has a proliferation of local government jurisdictions, 3,800 in total, including 250 cities, 695 villages, and 1,308 townships. Ohio's "home-rule" structure of government produces disproportionate pressure on generating local tax revenues. Greater Ohio has found that "Ohioans have the ninth highest local tax burden in the U.S., compared to the 34th highest for state taxes."

On one hand, Ohio's proliferation of local government satisfies desire for local control, but on the other hand these tiny fragmented and overlapping local governments create an array of costs most pointedly in the form of duplicative infrastructure, staffing, and services while also hampering regional economic development and competitiveness. Greater Ohio recommends that the state:

***Change state law to make local government tax sharing explicitly permissive** – Tax base sharing plans allow all the communities in a region to benefit from economic growth, unlike the conventional winner-take-all model in which one jurisdiction reaps the vast majority of the benefits of a new retail center or factory despite costs that are spread across a region. Previous tax base sharing agreements, such as Montgomery County's ED/GE program required state legislative approval for townships to share their inside millage revenues. Removing any legislative barriers to regional revenue sharing should be a top priority to ensure that the state is not inadvertently discouraging regional cooperation.

***Create a commission to study the costs of local government and realign state and local funding** – While the goal of this Commission is to make recommendations to improve the effectiveness and efficiency of local government operations to save taxpayer dollars, without proper and reliable data on the cost of local government the effectiveness of the implemented effort will be difficult to measure. Moreover, creating a commission to uncover the true cost of local government will not only serve as a baseline to measure reform efforts, but also as an indicator as to where other savings may exist. We urge the General Assembly to move quickly on this recommendation so that data on local government costs is available in time to inform the next budgetary cycle.

Catalyze a network of public sector leaders to promote high performance government –In order to maximize Ohio's competitiveness in the 21st century economy, efforts to promote regional collaboration and cooperation should not be limited to regional boundaries. Therefore, the state should create an inter-metropolitan network of public leaders to share ideas and best practices for lowering costs while providing better services. The leaders of Ohio's business, university and philanthropic institutions could serve as advisers to this network of public leaders. In the lean years ahead for local governments, such a group could help cities and public agencies engage in permanent restructuring that will allow them to manage emerging short difficulties and thrive once the effects of the recession end.

Support the creation of regional business plans –Metropolitan areas are the functional economic unit in the 21st century global economy. Given this reality Ohio's regions must engage in regional economic development strategies to remain healthy and competitive. The state can facilitate regional economic development by supporting the creation of regional business plans. These regional business plans would be used to guide, shape and reorient the way the state spends its economic development, transportation, higher education, and related dollars in particular regions to create more cohesive economic regions to better meet the demands of today's economy.

***Reward counties and metros that adopt innovative governance and service delivery** – In order to spur innovative and cost-saving collaborative local agreements the state needs to use local investment dollars and funding for operating costs as "carrots," rather than sticks. The state could give preference or other priority consideration to projects that demonstrate multi-jurisdictional collaboration and are able to justify how their use of the incentives will fit into a larger regional governance and/or business plan.

Institutionalize a challenge grant program to reward regional comprehensive redevelopment and planning – Much like the above recommendation, regional land use planning should be encouraged and incentivized through a grant program. A comprehensive, inter-jurisdictional land use plan sets the stage for where future investments and development will occur in a more strategic and predictable manner resulting. Regional land use plans can act as the blueprint to creating stronger and more connected and collaborative regional economies and lay the foundation for regional service delivery.

Educational Reform

Greater Ohio and the Brookings Institution's *Restoring Prosperity* report found that "Ohio ranks 47th in the nation in the share of elementary and secondary education spending that goes to instruction and ninth in the share that goes to administration [and that its] share of spending on school district administration is 49 percent higher than the national average."

Given that the largest share of state spending goes to K-12 education, any serious consideration of local government reform and collaboration must consider measures to improve the efficiency, quality and fiscal sustainability of Ohio's educational system. Greater Ohio recommends that the state:

*** Make the costs of school district administration transparent to Ohioans** – The Ohio Department of Education should require school districts to publicly report their ratio of administration to instructional spending per pupil. The collection and reporting of hard data that details where districts spend their money is the logical starting point to both show local constituents how their tax dollars are being used and to begin conversations about school district collaborations and reform. In addition, collecting and making this data publicly available will help inform state and local officials as they confront difficult budgets in the near future.

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*** Push schools to enter aggressive shared services agreements** – A small number of Ohio's school districts, such as Rittman and Orrville in Wayne County and other districts participating in a shared service project in Greene County have already begun exploring the cost-saving benefits of shared service agreements as a viable alternative to the politically difficult issue of consolidation. The Ohio Department of Education should encourage and ultimately require Ohio's school districts to share services ranging from personnel to health care to save tax dollars and improve educational quality wherever these agreements are mutually beneficial and possible.

*** Create a BRAC-like commission to mandate best practices in education administration and cut the number of school districts in Ohio by at least one-third** – Ohio's educational geography consisting of 611 school districts may no longer align with our communities' educational needs and demographic realities. To better align schooling, resources and community need, the state should conduct a commission to identify and ultimately require the consolidation of school districts where doing so would better serve the educational needs of the community.

Aligning State Programs and Investments

While the Commission's focus is on improving the efficiency and effectiveness of local government, it is critical to recognize that fragmentation and inefficiency is not restricted to the local level; the state government also suffers from fragmentation, in the form of a multiplicity of unrelated programs and inconsistent regional delivery systems. Ohio's executive agencies were established to administer policies and programs designed to focus on distinct areas, such as retaining jobs and businesses and providing social services. However, in reality these divisions of specialization often inhibit coordination across programs and complicate local efforts to make change.

The specialized structure of Ohio's executive agencies has resulted in a situation in which state investments in Ohio's metropolitan areas – our functional economic units – are rarely targeted toward meeting a unified regional goal. The

state cannot expect successful and effective reform of local government without also recognizing the role that state agencies play in encouraging or discouraging regional development through investment patterns and arbitrary administrative boundaries. Greater Ohio recommends that the state:

Align programs to make sure that State investments reinforce each other – The state has several successful economic development programs, such as the Clean Ohio Fund, the Job Ready Sites program, Third Frontier and the newly created Ohio Hubs of Innovation and Opportunity program. However, the state needs to make a concerted effort to ensure that these diverse programs are working in coordination with one another and explicitly encouraging the development of strong regional economies. The benefit of promoting the alignment of state investments to better reinforce each other and maximize regional impact is that it requires no new sources of funding just a concerted and coordinated state effort.

Align state economic development program boundaries with metropolitan regions – Analyses by Greater Ohio and Brookings as well as the Mid-Ohio Regional Planning Commission have observed that there is little alignment between Ohio's metropolitan areas and the boundaries of state economic development programs. While aligning Ohio's economic development programs to metropolitan areas is not directly linked to local government reform and collaboration, it does support a sense of regional identity and an awareness of the state's regional economies. Aligning state economic development programs to a common geography will make it easier for state and local officials to blend and align state investments, while also promoting the notion of regional economic interdependence. State and local recognition of regional economic interdependence may also be an initial step in recognizing the need for local government collaboration.

Shaping Federal Government's approach to Ohio Governance Reform

A comprehensive approach to local government reform and collaboration would be incomplete if it failed to recognize the potential role of the federal government. Federal government spending is a powerful force in Ohio. In FY 2008, the federal government sent more than \$17 billion in grants to the state of Ohio—an amount that's more than half of the state's annual GRF and local government spending.

In light of the role that federal spending plays in Ohio, the state should do all it can to ensure that discretionary funds are used catalyze local government reform and collaboration. Greater Ohio recommends that the state:

Press federal agencies to explicitly reward multi-jurisdictional land use and transportation plans – Federal policies should reward counties and political jurisdictions within a metropolitan area for adopting regional transit plans and cross-jurisdictional comprehensive land use and reuse plans. Local leaders need incentives to cross municipal and state borders (the state line issue is particularly relevant to Cincinnati, Youngstown, and Toledo), and federal incentives work. The Neighborhood Stabilization Program (NSP) II encouraged (almost inadvertently) comprehensive, regional planning, and in a sharp deviation from past practices, Youngstown-area jurisdictions developed a regional proposal. While Youngstown did not receive an NSP II grant, the very act of coming together to create a regional proposal tends to build trust and foster further cooperation.

Encourage the federal government to create incentives for shared service delivery programs – Ohioans, historically and culturally, have resisted thinking and acting regionally, because of the central importance of local control—and fear of the loss of it—as well as opposition to wealth transfer that is perceived to occur with the regionalizing of services. To help overcome these fears, the federal government—in its regulations and grant guidelines—could encourage not just multi-jurisdictional planning, but shared service delivery. Like regional planning, shared service agreements, driven primarily by cost efficiencies, establish the all-important element of trust that lays the foundation for future and more sophisticated cross-jurisdictional collaboration or governance.

Compact with Cities Task Force Recommendations (excerpted)

In addition to the above Greater Ohio-specific recommendations, we suggest that the Commission review the recent work and relevant recommendations of the Compact with Cities Task Force, whose foremost conclusion was "that the existing paradigm of single-jurisdictional planning is not only antiquated, but also harmful to every community in Ohio." Many of the Task Force's recommendations directly relate to and supplement the Commission's goals especially on the subject of regional governance and its associated cost savings, which is evidenced by the report's claim that:

[f]uture prosperity in this state hinges upon sharing municipal services, coordinating economic and transportation construction, and maximizing investments by directing them to locations in a region where they will leverage the highest payoff. These goals require difficult discussion at the local level about land use, revenue sharing, and voluntary consolidation of programs and services. They also require recognition of the enduring interdependence between Ohio's urban and rural communities

Greater Ohio served as a key member in the Compact with Cities Task Force and we believe the recommendations found in both the *Restoring Prosperity* and Compact with Cities' report nicely complement and dovetail with one another. Greater Ohio recommends that the Commission review the following recommendations taken from the Compact with Cities Task Force Report:

The state should encourage communities to recognize that regional movements exist in this state, and that they can serve as valuable starting points for discussion in every region (i.e. Montgomery County ED/GE Program; Agenda 360; and Northeast Ohio Regional Prosperity Initiative)

The state should examine regional tax sharing and its implications with the Ohio Constitution

The Ohio Constitution requires that taxes be levied for a specific purpose, and restricts the use of revenues from each tax to its stated purpose. For this reason, the expenditure of revenues from many taxes levied by local jurisdictions may be limited to use in that locality, only. This could be a legal impediment to revenue sharing proposals that call for currently levied taxes, especially property taxes, to be shared between jurisdictions. In order to facilitate better co-ordination and co-operation, it may be necessary to develop new mechanisms to distribute revenues between jurisdictions. Such mechanisms might involve a payment in-lieu of tax structure, or newly enacted taxes for the specific purpose of regional economic development and collaboration.

The General Assembly should hold exploratory public hearings on regional cooperation with specific consideration for Greater Ohio's Local Government Insurance Fund proposal. This recommendation will continue the House's involvement in the discussion of regionalism and provides a common forum for localities throughout Ohio to share ideas, opinions, and practices. This will bring more parties to the table and increase the transfer of information; offering greater potential for success.

The LGIF proposal would allow for regional boards to be elected and utilize revenue pools that communities may call upon to fund economic development and transportation projects, and to draw down federal funds. Each fund would be repopulated by payments in lieu of taxes from recipient projects as well as other possible revenue streams.

*Local governments should begin dialogues with neighboring communities to standardize and merge civil service testing, consolidate emergency service dispatching centers, and merge fire districts. Additionally, the Compact encourages efforts to determine where healthy improvements can be made by coordinating or merging these services and expenses: recreation departments, parks, human resource services, animal control, property maintenance and abatement, demolition, trash collection and recycling, senior transportation and activity centers, health coverage, building and vehicle maintenance, jails and holding cells, and special response forces such as SWAT, Homicide, and HazMat personnel.