



Policy Points

SUMMARY & POLICY RECOMMENDATIONS

BASED ON UNIVERSITY OF TOLEDO URBAN AFFAIRS CENTER RESEARCH

A STATE OF INEQUITY IN OHIO

Funding and Service Disparities between Municipalities and Townships in Montgomery County, Ohio

“How is it that Montgomery County townships are able to provide services without taxing the incomes of their residents?”

Background

The sign, advertising new upscale apartments, along State Route 48 in Washington Township just outside of Centerville uses precious space to inform prospective purchasers “No City Tax.” A classified advertisement in the *Dayton Daily News* marketing professional office suites located in Harrison Township, just outside of Dayton, declares “No City Income Tax!” in bold font.

While 80% of Montgomery County residents live in cities or villages, they are excluded from many services provided by the State or the County. Is it fair for them to have to pay full State and County taxes only to be forced to tax themselves to receive services that the State and County provide at no cost to Montgomery County township residents?

Most townships in Montgomery County are no longer exclusively agricultural or rural. They now compete with cities for residential, commercial, and industrial development. In their marketing efforts, townships frequently point to the absence of income taxes as an advantage to choosing their township as a location for residents and businesses. Are such low taxes made possible because their services are subsidized to a significant extent by the State, County and their municipal neighbors?

Questions such as these prompted the Greater Dayton Area Mayors and Managers Association to ask the University of Toledo Urban Affairs Center to examine the issue of service and tax equity in Montgomery County

Recommendations for State and Local Policy Changes

Ohio’s municipalities are challenged to identify ways to lower costs, consolidate or share services, and improve efficiency. Until Ohio State Government reforms the dual system wherein townships do not have responsibility for costs of local services, there will continue to be an obstacle to the sort of change that Ohio needs.

The policies and practices leading to the subsidization of the unincorporated areas can be redressed through statutory, organizational, and/or administrative changes at both the County and State levels. If #1 below is achieved, subsequent recommendations may not be necessary.

1. Require Ohio townships to take responsibility for their own services in the same manner that Ohio municipalities are required to do so now.
2. Require the Ohio Department of Transportation to make equal, the level of services provided in townships and municipalities.
3. Stop requiring municipalities to fund local courts.
4. Reform the taxing and funding obligations for municipalities which are located within townships.
5. If #1, above, is not enacted, additional recommendations must be considered for implementation, including changes in the labeling of roads as township or county, changes to the formula for distribution of vehicle license fees, and changes to the allocation of Local Transportation Improvement Program (LTIP) funds, are included in the full report.
6. Create a mechanism for independent review and public examination to ensure that there are no hidden subsidies provided through service contracts between the counties and townships.

Major Findings

1. Key services provided by Montgomery County and the State of Ohio, although funded by all County taxpayers, are provided only or primarily to township residents. The total cost of results in an annual subsidy of over \$14 million to township residents. See the full report for a detailed description of the specific services.
2. In recent years, Montgomery County has changed local practices to address many subsidies that are within local control. Additionally, although Montgomery County provides no subsidy in certain areas, in other Ohio counties there are multimillion dollar subsidies. See the full report for a detailed description of these subsidies.
3. Montgomery County's population has declined by almost 70,000 residents since 1970. During that time the number of miles of paved roads, water lines, and sewer mains has continued to increase. This results in an increased cost of infrastructure maintenance that is now being borne by fewer taxpayers, which increases the per capita tax burden for all Montgomery County residents. Even with a stable population there would be a significant increased cost and tax burden to support the new infrastructure.

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Data was collected with cooperation from elected and public officials serving various jurisdictions and departments within Montgomery County and the State of Ohio.

Conclusion

While the exact size of the subsidy depends upon one's interpretation of the data, it is indisputable that the 20% of Montgomery County's population who live in townships receive an annual subsidy from the State, County and incorporated areas of many millions of dollars per year.

This subsidy results primarily from the simple fact that under current Ohio law municipalities must take full responsibility for specific basic local services while townships do not have the same level of accountability. Such a system then leaves the State or County to step in to provide or subsidize services where the township refuses to act. Montgomery County municipalities get no such subsidy. While it may be admirable for a community to seek to keep tax rates and expenses low, unjustifiable to maintain those lower tax rates through subsidization by taxpayers in neighboring communities.

Our research has uncovered no rationalization for continuing a system wherein municipal taxpayers are required to take responsibility for local services while their neighboring townships are not required to do so. This dual system is particularly hard to justify after examination of the relative wealth and demographics of some of Ohio's urban or suburban townships. In exploring changes to Ohio law to end the current system of subsidies, policy makers should consider the real differences between sparsely populated rural townships and the more populous urban and suburban townships.

It is worth noting that Ohio's statutory structure for townships is rare compared to other states in the U.S. While many states use the term "township" to describe certain local government subdivisions, in most states, townships either operate similarly to municipalities with specific responsibilities and duties, or as a subdivision of the county in which they are located. Ohio townships do not have such obligations and rarely have a specific duty to provide service.

This study was commissioned by the Greater Dayton Mayors & Managers Association. To download the full report (*A State of Inequity in Ohio: Funding and Service Disparities between Municipalities and Townships in Montgomery County, Ohio*) please visit the University of Toledo Urban Affairs Center Website: uac.utoledo.edu

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If you would need help with policy or program development or analysis, please contact the University of Toledo Urban Affairs Center