



*A 2019 Research Report by Wendell Cox
of Demographia for*
THE OHIO TOWNSHIP ASSOCIATION
&
**THE COALITION OF LARGE OHIO
URBAN TOWNSHIPS**



OHIO'S TOWNSHIPS: SPENDING, TAXING & BORROWING LESS



Townships in Ohio: *Spending, Taxing and Borrowing Less*

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Townships in Ohio: *Spending, Taxing and Borrowing Less*

EXECUTIVE SUMMARY

For decades, political interests and academics have proposed measures to require consolidation of local governments under the assumption that “bigger-is-better,” and that larger governments are inherently more efficient. Often such initiatives equate efficiency with a smaller number of governments. This is a mistake. Efficiency is measured in financial terms, not by totaling the number of units of governments. It is achieved by producing services for no more than necessary.

This study analyzes the latest local government financial data from the Auditor of State. The data leads to four principal conclusions:

1. Current expenditures, local taxes and long-term debt tend to be lower in local general-purpose governments with smaller populations, both statewide and inside metropolitan areas (based on eight population categories). The only exception is the smallest jurisdictions (under 1,000 population), which has higher current expenditures than the next higher population category (1,000 to 2,499 population) but has the lowest local taxation and long-term debt per capita.
2. Current expenditures, local taxes and long-term debt tend to be lower in townships than in municipalities of similar population, both statewide and inside metropolitan areas. The only exception is the smallest jurisdictions (under 1,000 population), in which townships have higher current expenditures and local taxation per capita than similar sized municipalities, but lower than all other population categories and *no* long-term debt per capita.
3. Smaller local general-purpose governments have been less likely to be forced into Ohio’s Fiscal Distress Program.
4. Townships have been less likely than municipalities to be forced into Ohio’s Fiscal Distress Program, typically by two-thirds or more.

1. Government Consolidation Proposals

There have been proposals for government consolidation in Ohio, which have included general purpose local governments, municipalities (cities and villages) and townships. Proponents of consolidation claimed that Ohio had too many local governments, which reduced efficiency. It was even suggested that Ohio’s local governments had “taken on expenses that are unsustainable.”

In response, the Ohio Township Association commissioned a report, *Local Democracy in Ohio*, which was published in 2012 based on Auditor of State 2008 data. The conclusions were the opposite of those claimed by consolidation proponents. Generally, the data showed that Ohio’s smaller local general governments spend *less*, tax *less* and borrow *less* per capita than larger governments. Moreover, smaller local governments were less likely to be placed in the state’s Fiscal Distress program, and thus had a higher likelihood of fiscal sustainability. Further, in each of the population categories, townships tended to perform better than municipalities.

This report *Townships in Ohio: Spending, Taxing & Borrowing Less* provides a review of the latest available Auditor of State data (2015), which has been substantially increased in coverage from the earlier

dataset. The conclusions are virtually the same --- smaller local governments spend less, tax less, and borrow less per capita than larger governments. Townships spend, tax and borrow less in nearly all population categories. Further, smaller local governments are less likely to be declared in Fiscal Distress by the Auditor of State. Declarations of Fiscal Distress are even less likely among township governments. Larger townships are about two-thirds less likely to be declared in Fiscal Distress than similarly sized municipalities.

2: Local Government in Ohio

Overall, municipalities provide local government services to 65 percent of the Ohio's residents, while townships serve the balance of 35 percent. In metropolitan areas, municipalities provide services to 70 percent of residents, and townships 30 percent. Outside metropolitan areas, townships provide services to 53 percent of residents and municipalities 47 percent.

3: Financial Performance by Local Government Size

Financial performance is measured by the size and type of local government, using median measures. This analysis is provided at the overall state level and within metropolitan areas. The data generally shows that current expenditures, local taxes and long-term debt per capita are higher in the larger jurisdictions. Moreover, in similar sized jurisdictions, townships tend to have lower current expenditures, local taxes and long-term debt than municipalities of similar population.

Current Expenditures per Capita: The analysis of current expenditures per capita indicates that smaller local governments spend considerably less than larger governments. In metropolitan areas, smaller governments also spend less than larger governments. Except in the smallest population category (under 1,000 residents), townships spend less per capita than municipalities. Overall, townships spend approximately one-half as much per capita as municipalities.

Local Taxes per Capita: Smaller governments also have considerably lower local taxes per capita than larger governments. A similar relationship is indicated in metropolitan areas, where smaller governments levy lower local taxes per capita than larger governments. In each size category, townships tax less per capita than municipalities. Overall, township tax revenues are more than one-half lower than those of municipalities.

Long-term Debt per Capita: Smaller governments are less likely to incur long-term debt for governmental activities (as opposed to proprietary activities) than larger governments. Moreover, township governments, are less than half as likely to incur debt as municipal governments.

Similarly, smaller governments have considerably less long-term debt per capita than larger governments. For example, the median local government with fewer than 5,000 residents has *no* long-term debt. Above 5,000 population, long-term debt per capita tends to rise with population, though township long-term debt is considerably less.

On a per capita basis, home rule townships have less than one-half of the long-term debt of municipalities with similar populations.

4: Financial Performance in the Larger Townships

A more comprehensive examination of Ohio's larger townships (over 10,000 residents) indicates their considerable advantage to taxpayers. The larger townships spend, tax and have debt that is less than one-half the levels per capita of the municipalities of similar size. These differences, based on population, are

the equivalent of \$861 million less in annual spending, \$577 million less in annual taxation and \$716 million less in long-term debt.

5: Sustainability of Local Governments

Ohio has been a leader among the states in financial oversight of local governments. Pursuant to Ohio law, the Auditor of State reviews local government finances and when certain standards are met, can declare them to be in Fiscal Distress. Larger governments have been associated with a higher degree of Fiscal Distress declarations. Townships have been declared in Fiscal Distress much less frequently than municipalities. The larger townships are about two-thirds (or more) less likely to be declared in Fiscal Distress than similarly sized municipalities.

Employee compensation is the largest element of local government expenditure and has been an important factor in local government fiscal crises across the nation. Township employee wages per capita are two-thirds less than those of municipalities, a factor that generally improves fiscal sustainability.

6: Why Township Governments Tend to be More Efficient

This research concludes that *smaller* units of local government in Ohio, especially townships, are more efficient than larger governments, as evidenced by their spending less per capita for the services that respond to the desires of their electorates. By spending, taxing and borrowing less, smaller governments provide powerful evidence that consolidating into larger units is highly unlikely to improve efficiency.

Despite support for local government consolidation, research on actual spending, taxing and borrowing levels suggests just the opposite --- less efficiency. This can be traced to multiple factors:

- Political necessity tends to require employee compensation, the largest expenditure category, to be harmonized at the rates of the costlier consolidated government.
- Political pressure can force service levels to be leveled up to the highest level among the consolidating governments.
- The political influence of special interests, nearly always favoring more spending, is increased, as the influence of voters is diluted in larger jurisdictions.
- Differing political cultures between the consolidating governments can complicate efforts to improve efficiency, regardless of the factors above.

7: Economic Development: Toward a More Prosperous Ohio

Ohio, much of it located in the “Rust Belt,” has experienced comparatively modest economic growth in recent decades. Yet, current demographic trends could favor improved economic growth for Ohio in the future, especially the revival of manufacturing and continuing expansion of natural gas production.

Domestic migration --- people moving from one part of the nation to another --- has been strongly away from high-cost states with the strongest economies, especially California and New York. Academic research indicates that cost of living differences is a principal factor. High cost states are also losing many businesses, both large to small, to lower cost states.

Ohio could gain from this cost-of-living led domestic migration. Ohio has among the lowest costs of living in the nation (44th out of the 50 states). Ohio has superior housing affordability, which drives the cost of living. Early signs may be appearing of improving domestic migration. Further, Ohio has placed high in recent years in new facility development.

Further, there are important examples of economic development among Ohio's townships.

A more prosperous Ohio, with greater population growth and greater economic growth could well emerge from the nation's changing geographic balance, as indicated by the larger differences in the cost of living. Townships are well positioned for growth, often with large inventories of land for business expansion and the continuing development of single-family homes that are preferred by most households.

Townships in Ohio: *Spending, Taxing and Borrowing Less*

INTRODUCTION

For decades there has been political pressure to force consolidation of local governments into larger entities, while abolishing smaller governments. The underlying philosophy has been that “bigger-is-better,” as proponents claimed that larger governments are inherently more efficient. Proponents of government consolidation have often implied that a larger number of governments reduces efficiency. This constitutes a significant misunderstanding of efficiency. World Bank research defines government efficiency as: “providing the maximum amount of service at a given level of resources.”¹ An efficient government (or other organization) spends no more than necessary to produce its services.

The data in this report leads to four principal conclusions:

1. Current expenditures, local taxes and long-term debt tend to be lower in local general-purpose governments with smaller populations, both statewide and inside metropolitan areas (based on eight population categories). The only exception is the smallest jurisdictions (under 1,000 population), which has higher current expenditures than the next higher population category (1,000 to 2,499 population) but has the lowest local taxation and long-term debt per capita.
2. Current expenditures, local taxes and long-term debt tend to be lower in townships than in municipalities of similar population, both statewide and inside metropolitan areas. The only exception is the smallest jurisdictions (under 1,000 population), in which townships have higher current expenditures and local taxation per capita than similar sized municipalities, but lower than all other population categories and *no* long-term debt per capita.
3. Smaller local general-purpose governments have been less likely to be forced into Ohio’s Fiscal Distress Program.
4. Townships have been less likely than municipalities to be forced into Ohio’s Fiscal Distress Program, typically by two-thirds or more.

1: GOVERNMENT CONSOLIDATION PROPOSALS

Proponents of local government consolidation have made claims such as:

- Ohio's local government structure "creates a staggering array of costs."²
- Ohio's cities and townships have "taken on expenses that are unsustainable."³

¹ Joseph L.T. Blank and C.A. Knox Lovell, 2000. “Performance Assessment in the Public Sector,” In *Public Provision and Performance: Contributions from Efficiency and Productivity Measurement*, pp. 3-21, ed., Joseph L. T. Blank, Amsterdam: Elsevier, cited in Fox and Gurley “Will Consolidation Improve Sub-national Governments?”

² Brookings Institution and Greater Ohio Policy Center, *Restoring Prosperity: Transforming Ohio's Communities for the Next Economy*, <http://greaterohio.org/files/quick-downloads/restoring-prosperity-report.pdf>

³ Brookings Institution and Greater Ohio Policy Center, *Restoring Prosperity: Transforming Ohio's Communities for the Next Economy*, <http://greaterohio.org/files/quick-downloads/restoring-prosperity-report.pdf>

- Ohioans "paid far more than is necessary for the management of thousands of government entities."⁴

At the same time, even proponents of consolidation recognize the desire of citizens for "accessible and responsive " governments, which is associated with smaller units of local government.⁵ Proponents posited that taxpayers had to choose between more responsive and more efficient government.

In response, the Ohio Township Association commissioned our 2012 report, which reviewed 2008 municipal and township financial performance. *Local Democracy in Ohio: A Review of City, Village and Township Financial Performance by Size (Local Democracy in Ohio)* found the opposite of the "bigger-is-better" proposition,⁶ that smaller local general purpose governments in Ohio were associated with *lower* expenditures per capita, *lower* taxes per capita and *less* debt per capita. The report further found that township governments generally spent less, taxed less and borrowed less than municipal governments of similar size.

This led to a conclusion that it *is not necessary* to choose between responsive and efficient government, because greater efficiency is associated with *smaller* units of local general-purpose government in Ohio. This report provides a new analysis, using 2015 data reported to the Auditor of State by local governments.⁷

2: LOCAL GOVERNMENT IN OHIO

The subject of this report is Ohio's 2,245⁸ local non-county general purpose local governments which include 937 municipalities⁹ and 1,308 townships. These governments have jurisdiction, in the aggregate, over all areas of the state for public services not performed by the states, counties, school districts and special districts.¹⁰ Municipalities and townships typically provide services such as police protection, fire protection, emergency medical services, waste management, senior centers, parks and recreation, street lighting, zoning, roads, and cemetery maintenance.

In 2015, approximately 65 percent of Ohio residents lived in municipalities, and 35 percent in townships. Townships are often associated with rural areas and smaller towns. Yet, nearly as large a percentage of residents in metropolitan areas (Figure 1) live in townships (30 percent) as in the state as a whole. Nearly

⁴ Ohio Society of CPAs, *Ohio Budget Advisory Task Force Report*, http://www.ohioscpa.com/docs/ga-docs/oscpa_ohio_budget_advisory_task_force_v-2-10.pdf, 2012.

⁵ Greater Ohio Prosperity Center and the Brookings Institution, *Restoring Prosperity: Transforming Ohio's Communities for the Next Economy*, www.brookings.edu/reports/2010/0222_ohio_prosperity.aspx (referred to as the Brookings/Ohio report).

⁶ Wendell Cox (2012), *Local Democracy in Ohio: A Review of City, Village and Township Financial Performance by Size*, Research Report for the Ohio Township Association, <https://ohiotownships.org/sites/default/files/Report.pdf>.

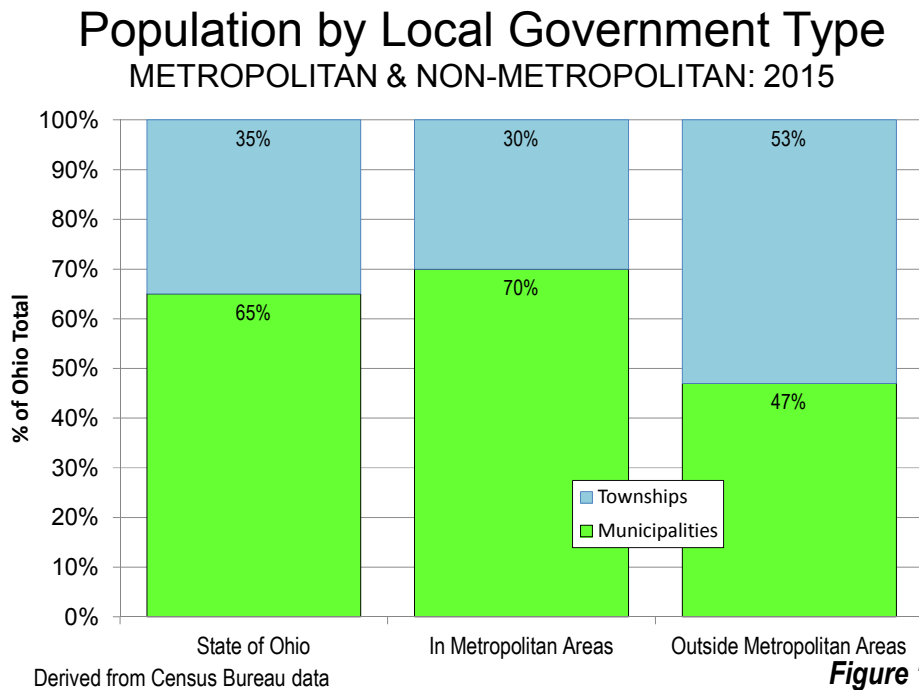
⁷ The datasets in *Local Democracy in Ohio* and *Townships in Ohio* are considerably different, because the number of governments reporting full data in 2008 was considerably smaller than in 2015. Thus, trend analysis between the two reports is invalid.

⁸ US Census of Governments, 2012.

⁹ Among municipalities, cities defined as those with 5,000 or more population and villages have fewer than 5,000 residents.

¹⁰ This is not the case in most states. For example, in the nation's largest county (Los Angeles), approximately 1,000,000 people live in unincorporated areas. Voters must share their county commissioners (county supervisors) with the other 9,000,000 people who also vote in county elections. Unlike Ohio, residents outside municipalities in states without township level government do not have exclusive elected officials.

one quarter (23.8 percent) of local general-purpose governments with more than 15,000 population in Ohio are townships.¹¹



Summary of Local Taxes and Expenditures

General purpose local governments account for a comparatively small share of local government expenditures and taxes in Ohio. More than two-thirds of local expenditures and 65 percent of local taxes in Ohio are by school districts and counties. The municipalities account for 20.5 percent of expenditures and 27.1 percent of taxes, while the townships account for three percent of expenditures and 4.8 percent of taxes (Figures 2 and 3).¹²

Spending and taxation are generally less in townships. Townships have 35 percent of the state’s population, yet account for less than 11 percent of local general purpose¹³ direct general expenditures and 15 percent of local taxes (Figure 4). Township taxes are considerably lower per capita than those of municipalities, though unlike municipalities, townships do not have access to local income taxes (Figure 5).

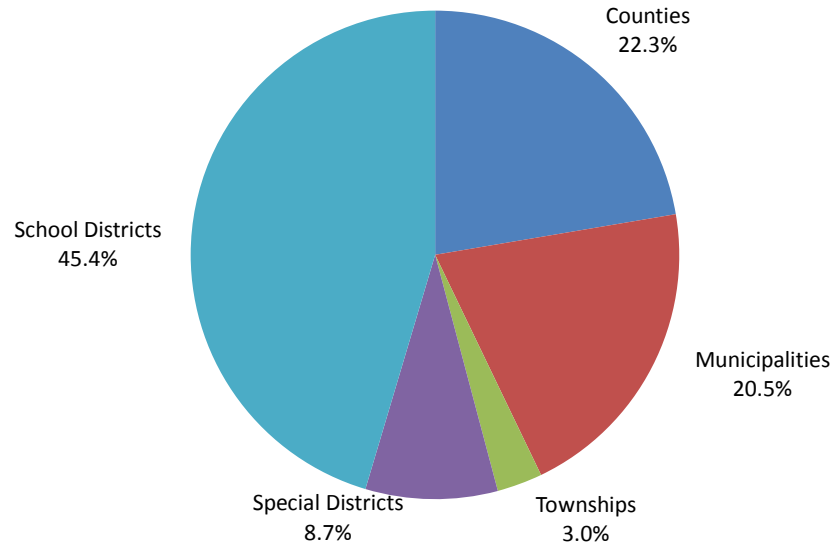
¹¹ Based on analysis by Ohio Township Association of *2017 Population Estimates: Cities, Villages and Townships by County* (May 2018), Ohio Research Office, <https://development.ohio.gov/files/research/P5027.pdf>. A population of 15,000 is required for membership in the [Coalition of Larger Ohio Urban Townships](#), the sponsor of this report.

¹² The United States Census of Governments is the only readily available source of this data. The census is conducted every five years and 2012 is the latest data available.

¹³ Municipalities and townships.

Local Government Expenditures in Ohio

DIRECT GENERAL EXPENDITURES: 2012

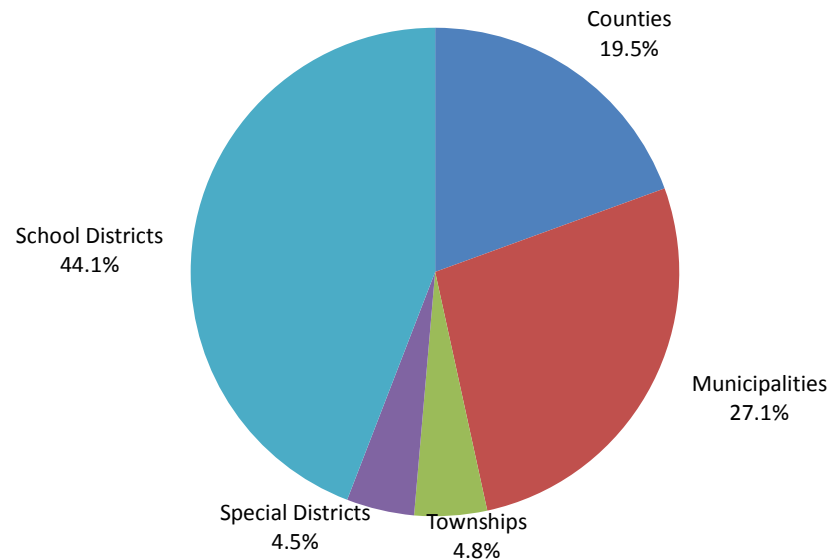


Derived from Census of Governments, 2012

Figure 2

Local Government Taxes in Ohio

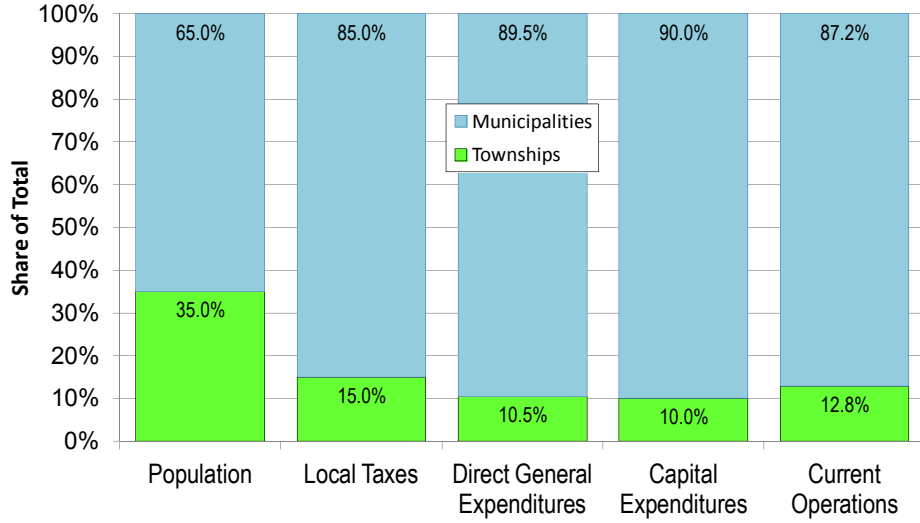
OWN TAXES: 2012



Derived from Census of Governments, 2012

Figure 3

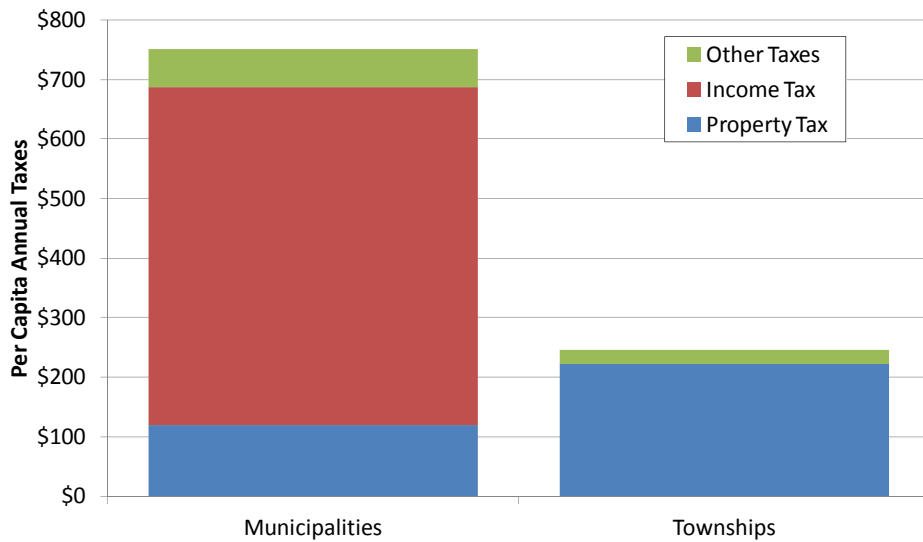
Population & Fiscal Measures OHIO TOWNSHIPS & MUNICIPALITIES: 2012



Derived from Census of Governments, 2012

Figure 4

Local Taxes by Government Type: Ohio PER CAPITA: 2012



Derived from Census of Governments, 2012

Figure 5

3. FINANCIAL PERFORMANCE BY LOCAL GOVERNMENT SIZE

Financial performance is evaluated by population and type of government, using the latest data available from the Auditor of State (2015). The analysis measures median per capita current expenditures, local taxes and long-term debt for governmental activities (as opposed to proprietary activities). Data is also analyzed within metropolitan areas (MSA¹⁴).

3.1: Current Expenditures per Capita

This section provides median current expenditures (operating costs) data by government size and type, and by geographical location (inside or outside metropolitan areas).

Size of Local Government: Smaller local governments have the lowest median current expenditures per capita. The lowest median current expenditures per capita are in jurisdictions with 1,000 to 2,499 residents. Governments with under 5,000 residents have current expenditures far below those with higher populations. Local governments with 100,000 or greater population have median current expenditures per capita approximately five times as great as those with less than 5,000 population (Figure 6).

Type and Size of Local Government: A similar "smaller is better" relationship is shown in current expenditures per capita among both municipalities and townships. Both in the municipalities and the townships, the highest median current expenditures per capita are in larger population categories. In most categories the townships have current expenditures per capita less than one-half that of municipalities (Figure 7).

- The highest median current expenditures per capita are in the municipalities (cities) with 100,000 or greater population. There are no townships with a population of 100,000 or greater.
- In the 50,000 to 99,999 population category, township median current expenditures per capita are 61 percent lower than in the municipalities.
- In the 25,000 to 49,999 category, township median current expenditures per capita are 55 percent lower than in the municipalities.
- In the 10,000 to 24,999 category, township median current expenditures per capita are 55 percent lower than in the municipalities.
- In the 5,000 to 9,999 category, township median current expenditures per capita are 68 percent lower than in the municipalities.
- In the 2,500 to 4,999 category, township median current expenditures per capita are 63 percent lower than in the municipalities.
- In the 1,000 to 2,499 category, township median current expenditures per capita are 49 percent lower than in the municipalities.
- Only in entities with a population lower than 1,000 are township median expenditures per capita higher than municipalities.¹⁵

Overall, median current expenditures per capita in townships are less than one-half that of municipalities (Figure 8).

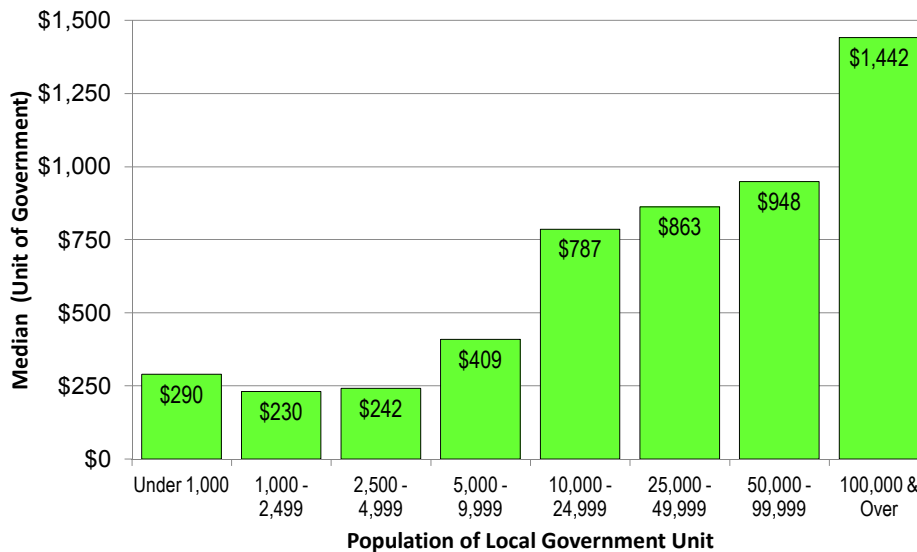
Local Governments in Metropolitan Areas: The metropolitan area analysis indicates similar results, with smaller governments having lower median current expenditures per capita. The lowest current expenditures per capita are in smaller population categories, in both the municipalities and the townships.

¹⁴Abbreviation for metropolitan statistical area.

¹⁵ See Conclusion #1, on page 1.

In all but the smallest population categories, township median current expenditures per capita are lower than those of municipalities. As above, this includes the larger townships, in the 10,000 to 24,999, 25,000 to 49,999 and 50,000 to 99,999 categories (Figure 9).

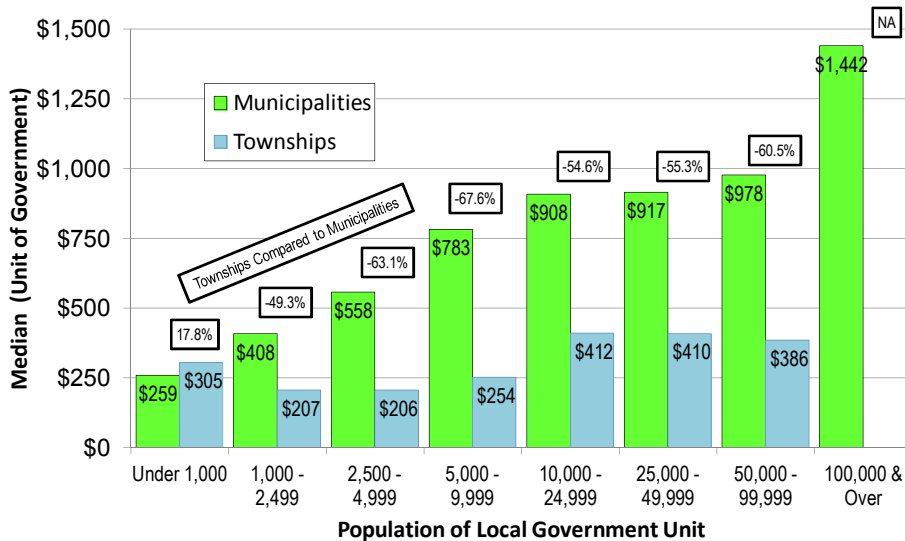
Current Expenditures per Capita: 2015 OHIO LOCAL GOVERNMENTS BY POPULATION



Derived from Auditor of State data, 2015

Figure 6

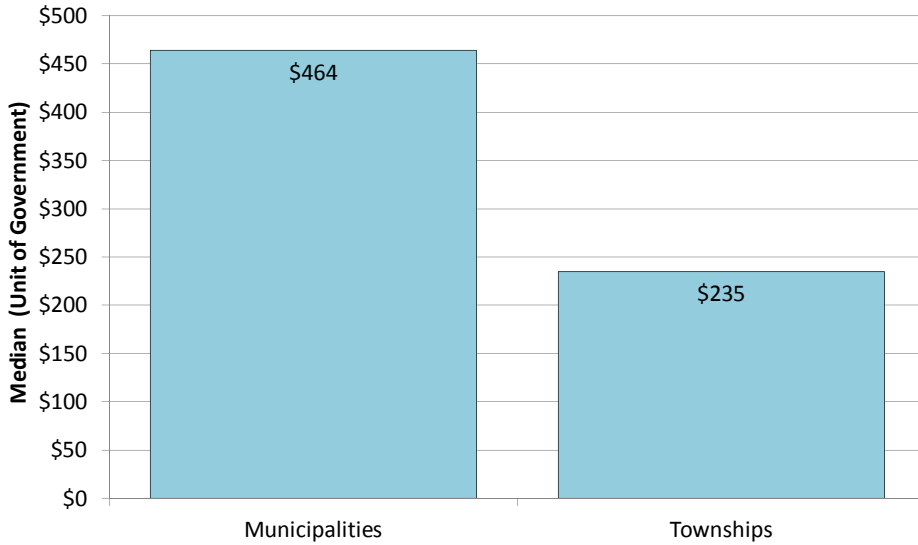
Current Expenditures per Capita: 2015 OHIO TYPE OF GOVERNMENT BY POPULATION



Derived from Auditor of State data, 2015

Figure 7

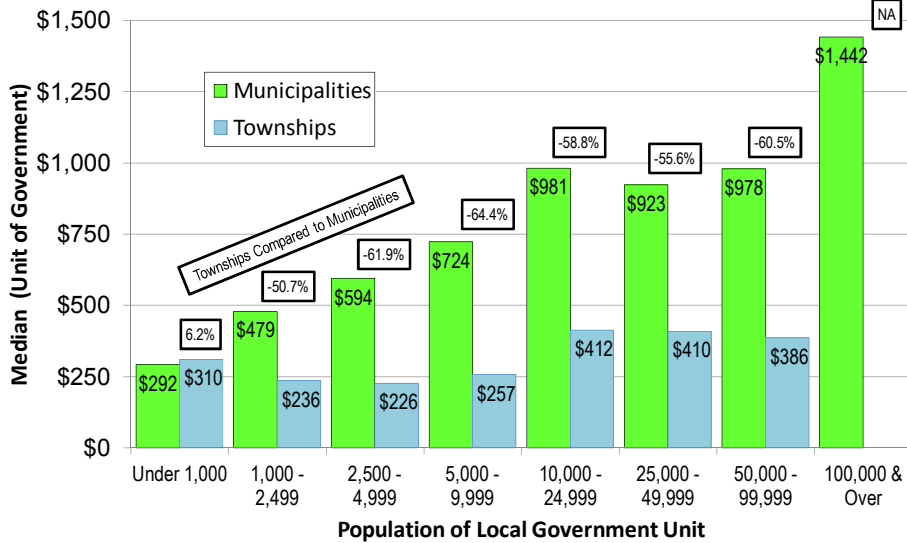
Current Expenditures per Capita: 2015 OHIO LOCAL GOVERNMENTS BY TYPE



Derived from Auditor of State data, 2015

Figure 8

Current Expenditures per Capita: 2015 METROPOLITAN AREAS: TYPE OF GOVT. BY POPULATION



Derived from Auditor of State data, 2015

Figure 9

3.2: Local Taxes per Capita

A similar “smaller-is-better” relationship is indicated in median local taxes per capita.

Size of Local Government: The lowest median local taxation per capita is in the smallest population category (under 1,000 residents). Local governments with 1,000 to 4,999 population are somewhat higher. Among governments with more than 10,000 residents, local taxation is more than three times as high as among governments with fewer than 5,000 residents. Higher rates of taxation by municipalities contributes disproportionately to increase this disparity. Local taxes among the governments with 100,000 or greater population are more than five times as high as among governments with less than 5,000 population (Figure 10).

Type and Size of Local Government: Among both municipalities and townships, smaller governments tend to have lower median taxes per capita. The highest taxation per capita is in the municipalities with 100,000 or greater population. In most categories the townships have considerably lower median taxation per capita than the municipalities (Figure 11).

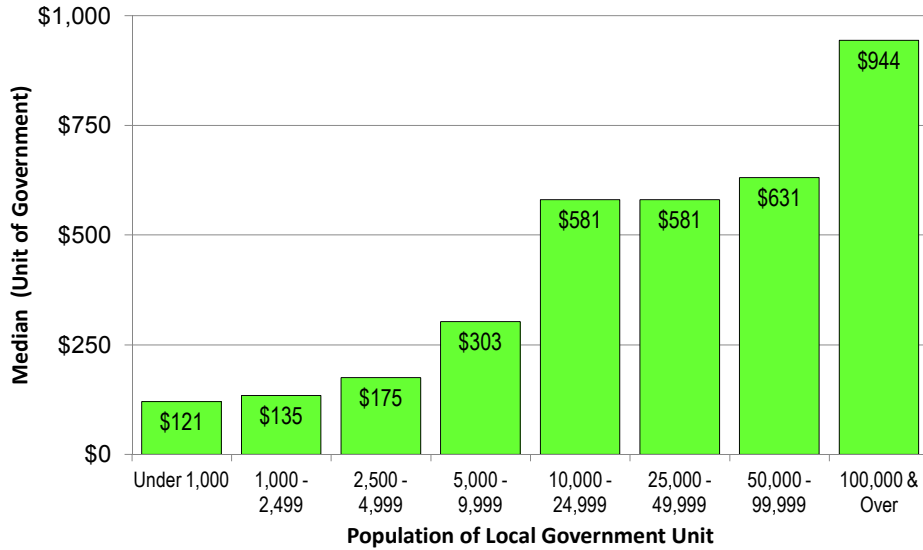
- The highest median taxation per capita is in the cities with 100,000 or greater population.
- In the 50,000 to 99,999 population category, township median taxation per capita is 54 percent lower than in the municipalities.
- In the 25,000 to 49,999 category, township median taxation per capita is 46 percent lower than in the municipalities.
- In the 10,000 to 24,999 category, township median taxation per capita is 53 percent lower than in the municipalities.
- In the 5,000 to 9,999 category, township median taxation per capita is 65 percent lower than in the municipalities.
- In the 2,500 to 4,999 category, township median taxation per capita is 68 percent lower than in the municipalities.
- In the 1,000 to 2,499 category, township median taxation per capita is 59 percent lower than in the municipalities.
- Only in entities with a population lower than 1,000 is township median taxation per capita higher than those of municipalities.¹⁶

Overall, median taxes per capita in townships are less than one-half that of municipalities (Figure 12).

Local Governments in Metropolitan Areas: The median per capita taxation results in metropolitan areas are similar, with smaller governments taxing less than larger governments (Figure 13).

¹⁶ See Conclusion #2, on page 1.

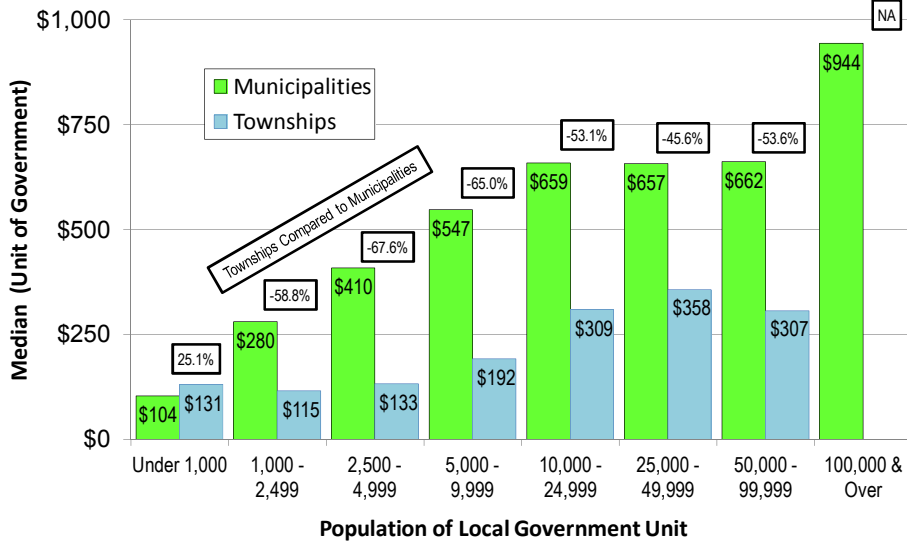
Local Taxes per Capita: 2015 OHIO LOCAL GOVERNMENTS BY POPULATION



Derived from Auditor of State data, 2015

Figure 10

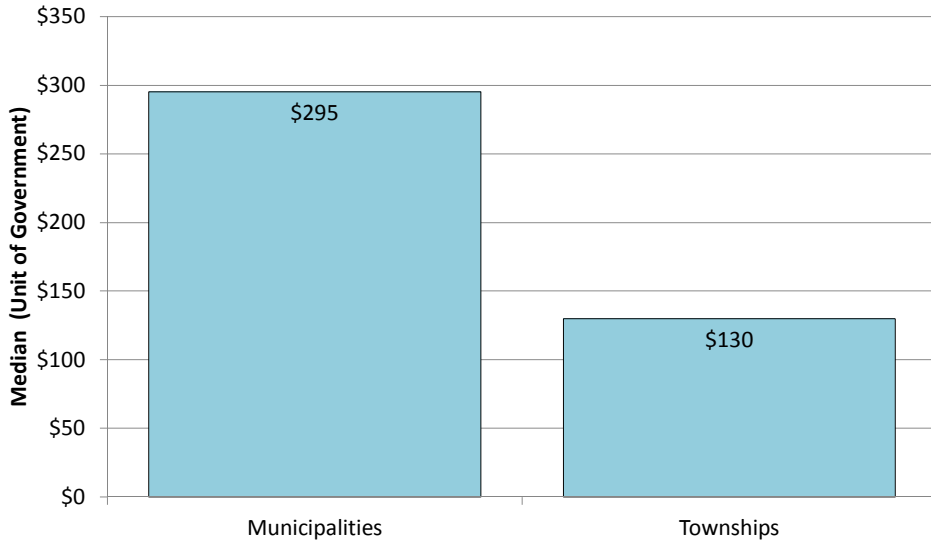
Local Taxes per Capita: 2015 OHIO TYPE OF GOVERNMENT BY POPULATION



Derived from Auditor of State data, 2015

Figure 11

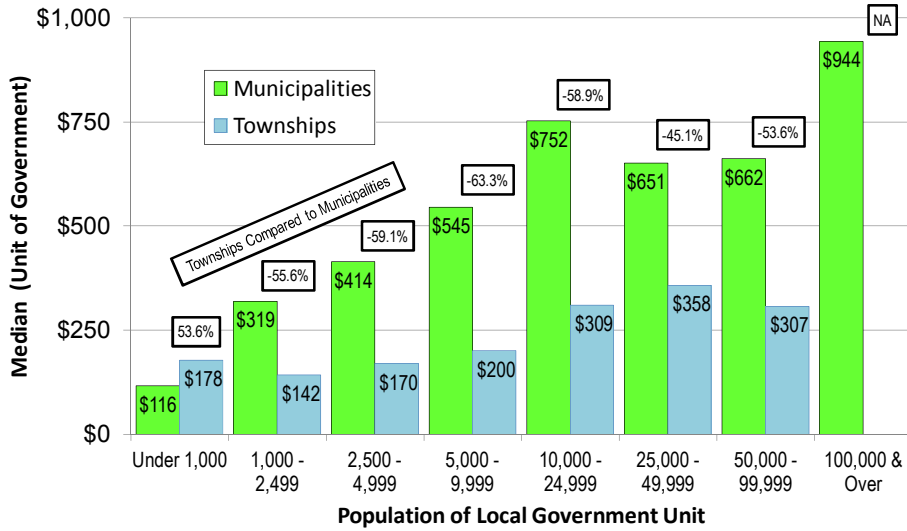
Local Taxes per Capita: 2015 OHIO LOCAL GOVERNMENTS BY TYPE



Derived from Auditor of State data, 2015

Figure 12

Local Taxes per Capita: 2015 METROPOLITAN AREAS: TYPE OF GOVT. BY POPULATION



Derived from Auditor of State data, 2015

Figure 13

3.3: Long-term Debt per Capita

Smaller local governments also tend to rely less on long-term debt (long-term obligations) than larger governments to support governmental activities. This is indicated in Figure 14, which illustrates that only one-third of Ohio municipalities and townships had long-term debt at the end of fiscal year 2015.¹⁷ The incidence of long-term debt rises steadily from a low of 19 percent in the under 1,000 population categories, to 100 percent among governments with populations of 50,000 and over.

Even so, the incidence of long-term debt between types of government varies considerably. Approximately 51 percent of municipalities had long-term debt, more than twice that of townships at 22 percent. In all categories under 50,000 population, the incidence of long-term debt is considerably less among township governments than municipal governments. Municipalities of 25,000 to 49,999 population are more than 60 percent more likely to have long-term debt than townships. Under 1,000 population, municipalities are one-third more likely to have long-term debt. Among governments with from 1,000 to 24,999 population, municipalities are more than twice as likely to have long-term debt as townships. The largest difference is among governments with 5,000 to 9,999 population, where municipalities have 3.3 times the incidence of long-term debt as townships (Figure 15).

Reflecting the larger size of governments within metropolitan areas, the incidence of long-term debt is higher among both municipalities and townships. Nonetheless, metropolitan townships borrow at less than one-half the rate of municipalities (25 percent of townships, 61 percent of municipalities). In all categories under 50,000 population, the incidence of long-term debt is considerably less among township governments than municipal governments. Municipalities have at least a 60 percent higher incidence of long-term debt in the under 1,000 and the 25,000 to 49,999 categories. Municipalities in the 5,000 to 9,999 category are more than three times as likely to have long-term debt as townships of similar size (Figure 16).

Size of Local Government: Median long-term debt per capita is the lowest in the local governments with less than 10,000 population, at zero. This indicates that more than one-half of such governments had no long-term obligations. Among the local governments with more than 10,000 residents, the lowest median obligations were in the smallest category, those with between 10,000 to 24,999 residents. Again, the highest figures are in the local governments with 100,000 or greater population.

Type and Size of Local Government: Among both municipalities and townships, smaller governments tend to have lower median per long-term debt per capita (Figure 17). Townships have considerably lower long term debt per capita than municipalities by population category (Figure 18).

- The highest median long-term obligations per capita are in the municipalities (cities) with 100,000 or greater population.
- In the 50,000 to 99,999 population category, township median long-term obligations per capita are 67 percent lower than in the municipalities.
- In the 25,000 to 49,999 category, township median long-term obligations per capita are 86 percent lower than in the municipalities.
- In the 2,500 and 24,999 category, township median long-term obligations per capita are 100 percent lower than in the municipalities.
- Below 2,500 population the median municipality and township have no long-term obligations.

¹⁷ This excludes net pension liabilities, for which insufficient data is readily available and does not include debt for proprietary activities.

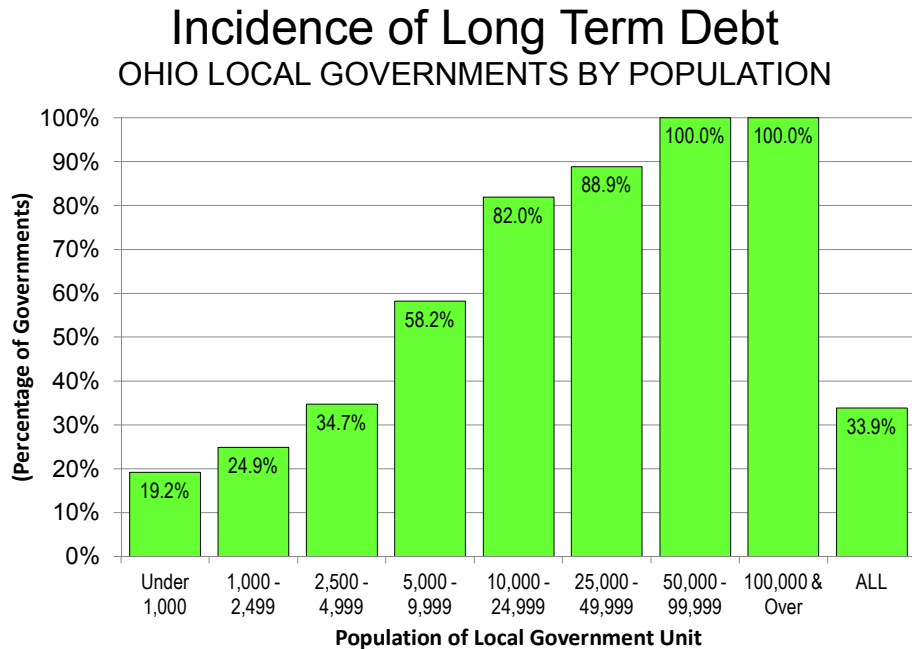
Local Governments in Metropolitan Areas: Most local governments using long-term debt are in metropolitan areas. Larger governments borrow more, while smaller governments generally have little or no long-term debt (Figure 19).

3.4: Long-term Debt in Limited Home Rule Townships

Ohio statutes allow limited home rule in townships meeting certain criteria. Limited home rule allows townships to have a higher debt capacity. There are currently 33 limited home rule townships. Their borrowing is much smaller compared to municipalities of the same size.

- Among government units with 50,000 to 99,999 population, limited home rule townships have 67 percent less long-term debt than municipalities in the same category.
- Among government units with 25,000 to 49,999 population, limited home rule townships have 68 percent less long-term debt than municipalities in the same category.
- Among government units with 10,000 to 24,999 population, limited home rule townships have 87 percent less long-term debt than municipalities in the same category.

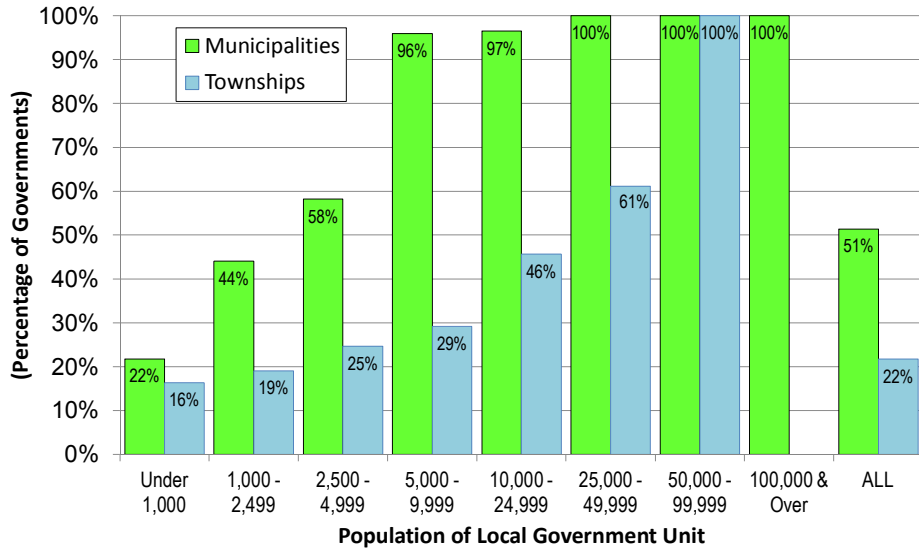
Compared to municipalities, limited home rule townships have, on average, less than 60 percent the long-term debt of municipalities in the same population classifications (Figure 20).



Derived from Auditor of State data, 2015

Figure 14

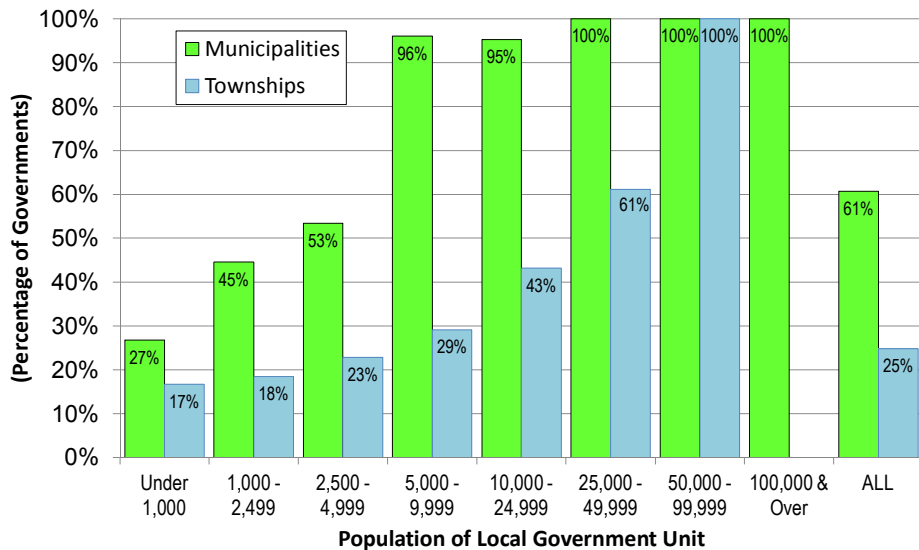
Incidence of Long Term Debt OHIO TYPE OF GOVERNMENT BY POPULATION



Derived from Auditor of State data, 2015

Figure 15

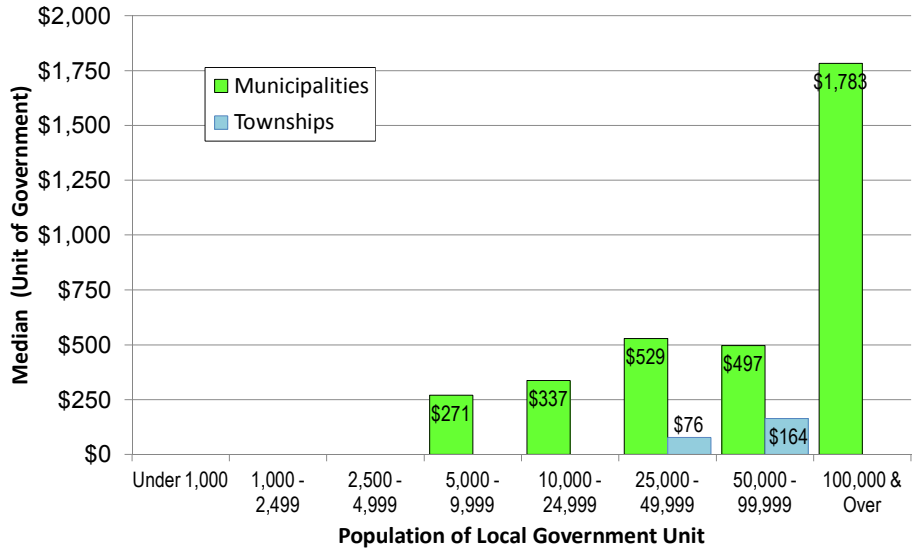
Incidence of Long Term Debt METROPOLITAN AREAS: TYPE OF GOVT. BY POPULATION



Derived from Auditor of State data, 2015

Figure 16

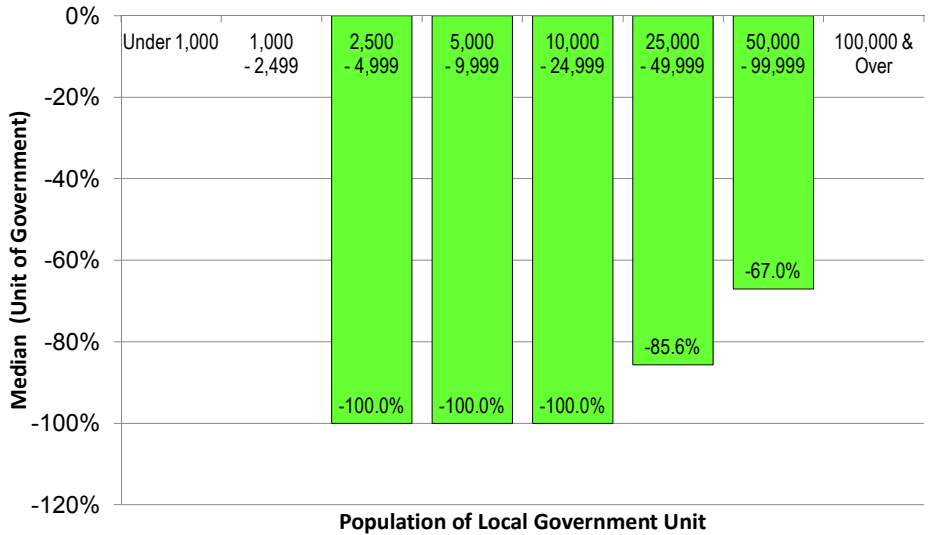
Long Term Debt per Capita: 2015 OHIO TYPE OF GOVERNMENT BY POPULATION



Derived from Auditor of State data, 2015

Figure 17

Townships Compared to Municipalities LONG TERM DEBT PER CAPITA: 2015

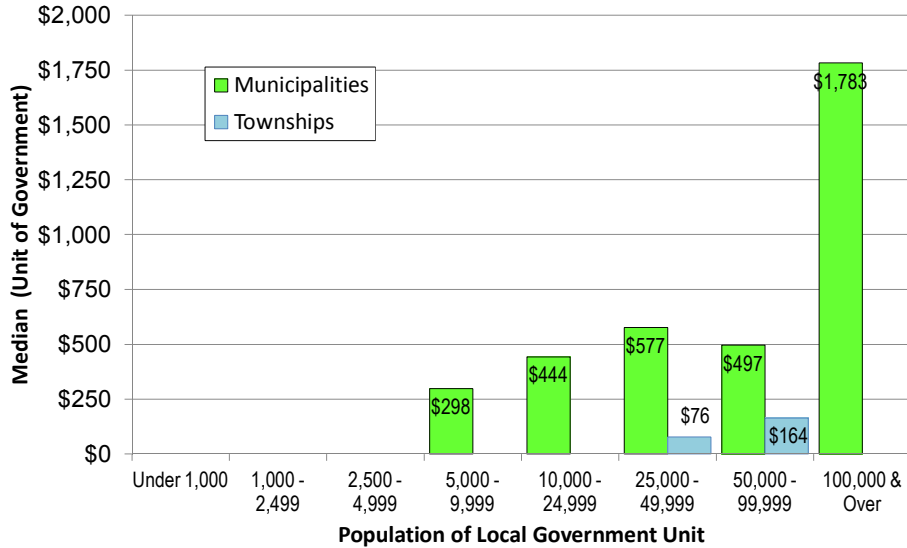


Derived from Auditor of State data, 2015

Figure 18

Long Term Debt per Capita: 2015

METROPOLITAN AREAS: TYPE OF GOVT. BY POPULATION

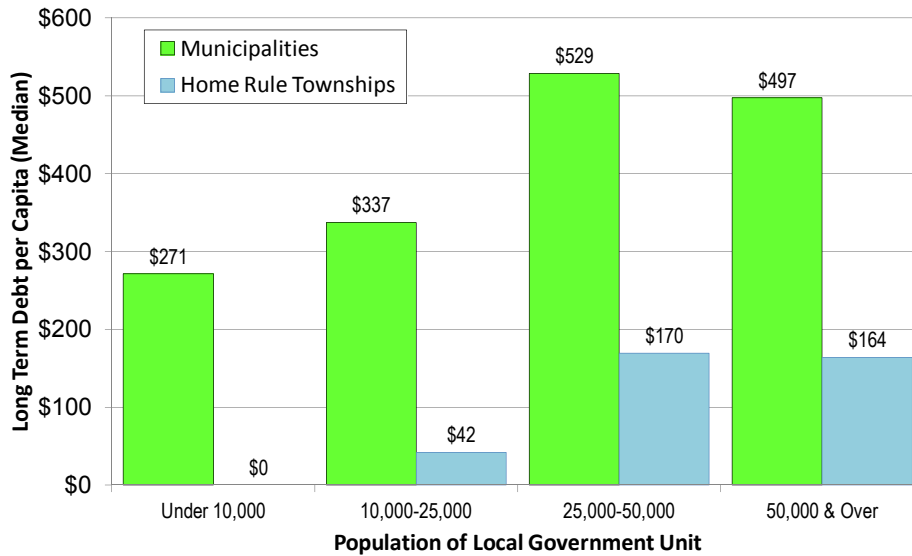


Derived from Auditor of State data, 2015

Figure 19

Limited Home Rule Township Debt

COMPARED TO MUNICIPALITIES BY POPULATION



Derived from Auditor of State information, 2015

Figure 20

4: FINANCIAL PERFORMANCE IN THE LARGER TOWNSHIPS

Township government may be thought of as having small populations and being largely rural. However, as the analysis shows above, many townships are located within metropolitan areas. A more in-depth examination provides a perspective of the role of the larger townships (populations between 10,000 and 99,999).

There are 169 municipalities (cities) with populations between 10,000 and 99,999 and 67 townships. Their average populations are similar. These cities have an average population of 23,800, while the townships have an average population of 21,800. Figure 21 lists randomly selected municipalities and townships in population categories for illustration.¹⁸

The larger cities and townships are compared below:

- The larger townships have less than one-half the spending, taxation and debt levels per capita of similar sized cities. Current expenditures in these townships is 58 percent lower per capita than in the cities. Local taxation in the larger townships is 53 percent lower than the cities. Long-term debt for township governmental activities is 73 percent lower than those of cities (Figure 22).
- Overall, the larger townships spend the equivalent of \$861 million annually less than the cities based on per capita data. Larger township local taxation is \$577 million less than the cities. Long-term debt for township governmental activities is \$716 million less than the cities (Figure 23).

For a family of three, this equates to the following (Figure 24):

- The lower current expenditure level of the larger townships relative to the cities converts to \$1,768 annually for a family of three.
- The long-term debt level in the larger townships relative to the cities is \$1,471 less per a family of three than in the cities.
- The lower local taxation levels represent a savings to a family of three of \$1,185 in the larger townships compared to the cities.

Another way of describing the situation is to note that if municipalities had the same financial metrics per capita as the larger townships, current expenditures would be \$5.7 billion less annually, local taxes \$3.7 billion less and long-term debt \$6.2 billion less.

Townships spend, tax and borrow at less than one-half the rate of similar sized municipalities. This is a powerful indication that the notion to abolish townships or force their consolidation with other governments would lead to materially higher spending, taxation and debt.

Fiscal Distress: In addition, larger townships, like smaller townships are less likely to be placed in the state's Fiscal Distress program than municipalities (See: Section 5.2).

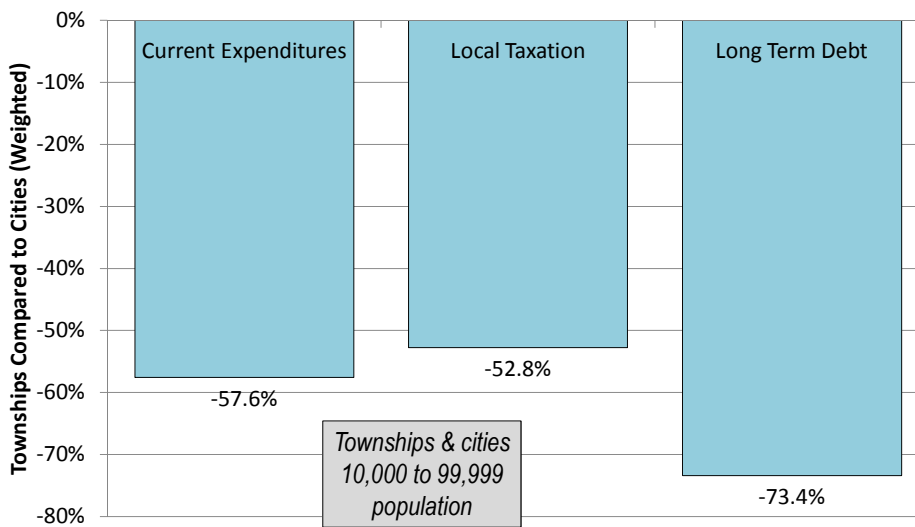
¹⁸ The selection of these government units is only for illustration and is not intended to convey any information beyond population classification for the listed municipality or township.

Larger Townships & Municipality Examples RANDOMLY SELECTED FOR ILLUSTRATION

Population Category	Municipalities	Townships
10,000-24,999	Athens City Sharonville City Clayton City	Brimfield Township, Portage County Bainbridge Township, Geauga County Shawnee Township, Allen County
25,000-49,999	Xenia City Euclid City Huber Heights City	Miami Township, Clermont County Jackson Township, Stark County Orange Township, Delaware County
50,000-99,000	Zanesville City Warren City Medina City	West Chester Township, Butler County Colerain Township, Hamilton County Green Township, Hamilton County

Figure 21

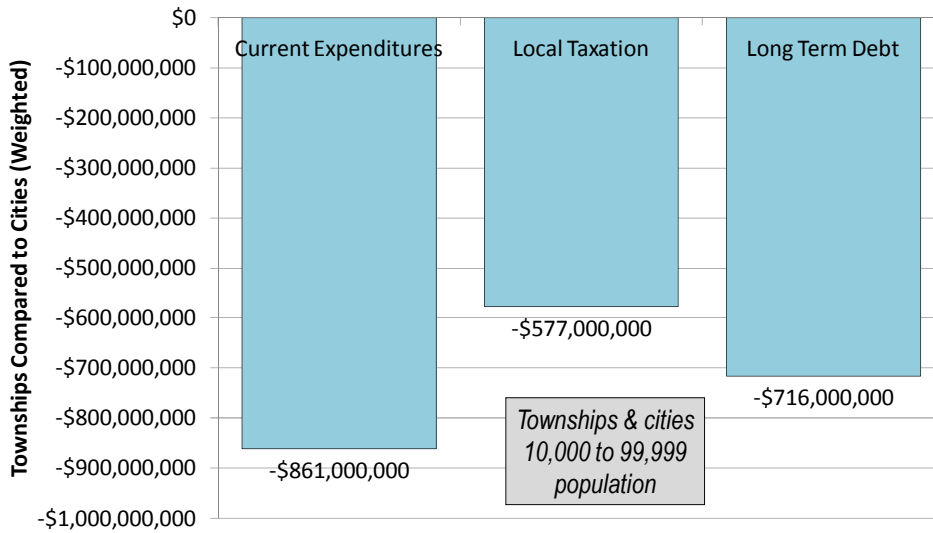
Larger Townships: Fiscal Indicators: 2015 COMPARED TO SIMILAR SIZED CITIES



Derived from Auditor of State information

Figure 22

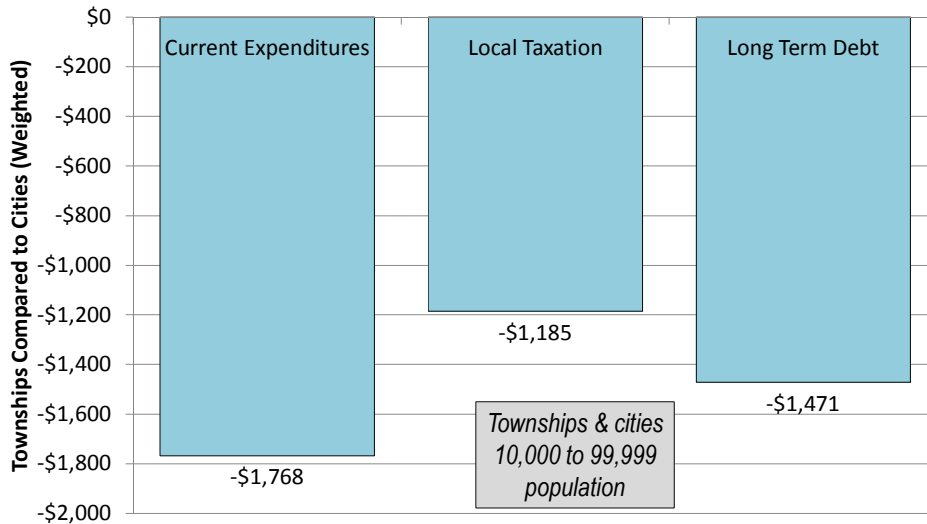
Larger Townships: Fiscal Indicators: 2015 GROSS DIFFERENCE COMPARED TO CITIES



Derived from Auditor of State information

Figure 23

Larger Townships Fiscal Indicators: 2015 PER FAMILY OF 3 COMPARED TO CITIES



Derived from Auditor of State information

Figure 24

5: SUSTAINABILITY OF LOCAL GOVERNMENTS

The financial stability of local governments is important not least because political pressure can be brought for financial bailouts by taxpayers of other jurisdictions (such as the state or the federal government). This was evident when New York City tottered on the brink of bankruptcy in the 1970s, there were proposals for a federal bailout. In the intervening years, a number of local governments have faced serious financial challenges, extending even to affluent Orange County, California which entered bankruptcy.

5.1: Ohio's Fiscal Distress Program

The state of Ohio has been a leader in the oversight of local government finances. According to the Pew Charitable Trust, only Ohio, Washington, Nevada and Oregon publish annual reports on the financial condition of local governments.¹⁹

Ohio's Local Government Fiscal Distress program was established in 1979 "...as a response to a financial crisis in the city of Cleveland."²⁰ Cleveland was the first municipality in the nation to default on its debts after the Great Depression.²¹ At the time of the financial crisis, Cleveland was Ohio's largest municipality,²² as it had been in every US census after 1890. Since that time a number of other local governments around the nation have seen their financial difficulties intensify to near or actual bankruptcy. Local government bankruptcies are rare but increased nationally in response to the Great Financial Crisis that began in 2008.

The Fiscal Distress program originally had two categories, "Fiscal Emergency," the most serious classification and "Fiscal Watch." By all accounts, the program has been very successful. Among the 82 municipal and township governments placed in Fiscal Emergency or Fiscal Watch since 1997, 64 have been resolved.²³ Eighteen local governments remain in Fiscal Emergency or Fiscal Watch. No Ohio municipality or township has filed for bankruptcy since the program's inception (Figure 25).

Local Democracy in Ohio found that financial distress generally occurred much less frequently among the state's smaller municipalities and that financial distress in townships was even more rare. The same remains true today. Among units of local government, municipalities have been 19 times as likely to enter Fiscal Emergency or Fiscal Watch than townships since they were added to the program in 1997. None of the state's townships over 25,000 population have entered Fiscal Emergency or Fiscal Watch (Figure 26).

The percentage of taxpayers living in jurisdictions that have been declared in Fiscal Emergency or Fiscal Watch has also been lower among townships. The municipalities entering Fiscal Emergency or Fiscal Watch have had six times the population in relation to the total municipality population than the townships (Figure 27). Townships also remain in Fiscal Emergency or Fiscal Watch to a lesser extent than municipalities (Figure 28)..

¹⁹ Mary Murphy (November 13, 2017), "Ohio Seeks to Identify, Help Local Governments Headed for Distress," *The Pew Charitable Trusts: Analysis*, <http://www.pewtrusts.org/en/research-and-analysis/analysis/2017/11/13/ohio-seeks-to-identify-help-local-governments-headed-for-distress>

²⁰ Ohio Auditor of State, *Fiscal Distress*, <https://www.ohioauditor.gov/fiscaldistress.html>.

²¹ Amanda Ruggeri (December 15, 2008), "Three Decades After Cleveland Defaulted on Its Debts, Cities Face Recession Budget Woes: Today, facing a deepening downturn, many cities are struggling to avoid default—or even bankruptcy," *U.S. News & World Report*, <https://www.usnews.com/news/national/articles/2008/12/15/three-decades-after-cleveland-defaulted-on-its-debts-cities-face-recession-budget-woes>

²² Cleveland retained this population leadership through the 1980 census.

²³ Ohio Auditor of State, *Local Governments & Fiscal Distress*, <https://www.ohioauditor.gov/fiscal/local.html>. As of January 18, 2018.

In 2011, the Ohio legislature added “Fiscal Caution” to the Fiscal Distress program, to “identify fiscal practices and budgetary conditions that, if not corrected, could result in a declaration of Fiscal Watch or Fiscal Emergency.”²⁴ Five townships and three municipalities are in Fiscal Caution.

Townships and Fiscal Distress: Finally, as in each size category of townships, the larger townships are considerably less likely to have ever been placed in Fiscal Emergency or Fiscal Watch. The larger townships (10,000 to 99,999 population) are 64 percent less likely to be placed in Fiscal Distress than the cities, when measured by the number of government units and 74 percent less likely when measured by population (Figure 29).

Townships: Avoiding Expenses that are “Unsustainable:” Forced consolidation proponents have claimed that “Ohio’s cities and townships have taken on expenses that are unsustainable” (Section 1) The overwhelming majority have not, as the experience of the Fiscal Distress program indicates. Where unsustainable (or potentially unsustainable) expenses have been taken on, it has been *larger*, not *smaller* local general-purpose governments. Among these, townships have been placed in Fiscal Distress program to an even lesser extent. The experience of Ohio’s Fiscal Distress program demonstrates the comparative financial stability of townships, another advantage for taxpayers, along with less spending, taxing and borrowing.

5.2: Government Employee Compensation:

Employee compensation represents the largest share of local government expenditures. Control of labor costs is important to the sustainability of local governments and have contributed to financial crises and ultimately, municipal bankruptcies.²⁵

According to the 2015 Census Bureau survey of local government wages, townships had per capita wage expenditures barely one-third that of municipalities for general government functions (Figure 30).²⁶ This does not include paid employee benefits, which for general government functions in the United States added 42 percent to the cost of government employee compensation.²⁷

²⁴ Ohio Auditor of State, “Local Governments & Fiscal Distress,” <https://ohioauditor.gov/fiscal/local.html>, accessed September 1, 2018.

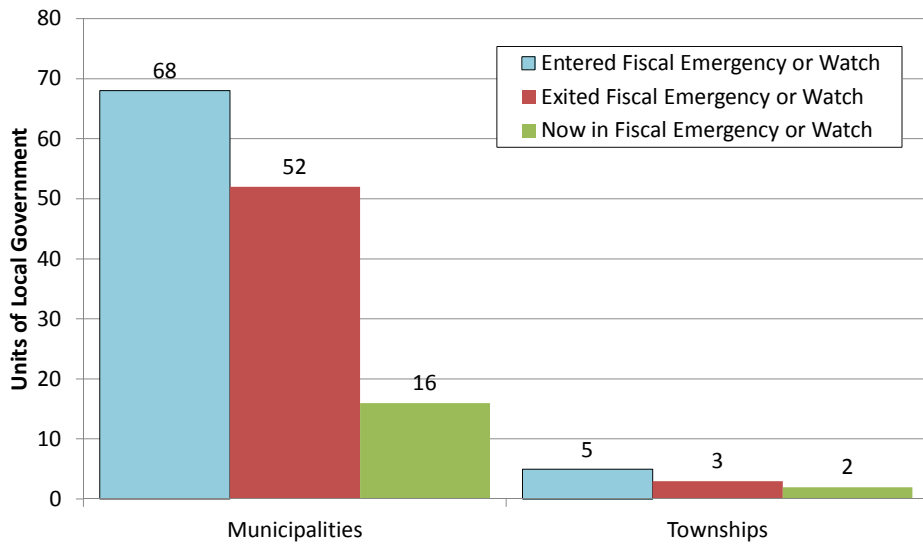
²⁵ See: Kil Huh, Mary Murphy, Stephen Fehr and Adrienne Lu (August 2015), *After Municipal Bankruptcy: Lessons from Detroit and Other Local Governments*, <http://www.pewtrusts.org/~media/assets/2015/08/after-municipal-bankruptcy-pdf.pdf>.

²⁶ This latest survey data included 129 municipalities, with an average population of 38,000 and 38 townships, with an average population of 20,000. (derived from US Census Bureau, *2015 Annual Survey of Public Employment and Payroll*, https://www2.census.gov/programs-surveys/apes/datasets/2015/annual-apes/2015_downloadable_data.zip).

²⁷ The national figure is from the Department of Commerce Bureau of Economic Analysis, National Income and Product Accounts Table 6D for 2012. Total government employee compensation costs, including wages, salaries and the cost of all employer paid benefits are available only at the national level.

Fiscal Emergency & Fiscal Watch

UNITS OF LOCAL GOVERNMENT ENTERED SINCE 1997

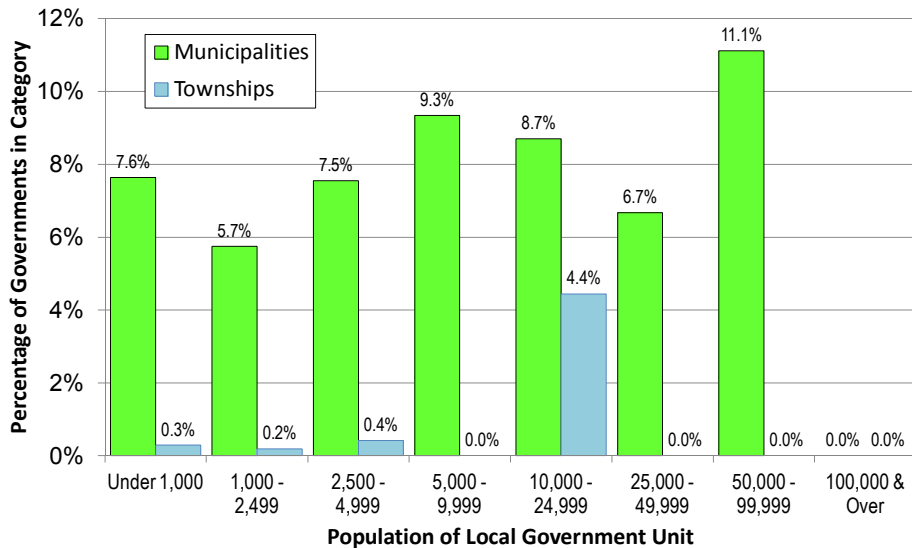


Derived from Auditor of State information

Figure 25

Financial Distress by Government Units

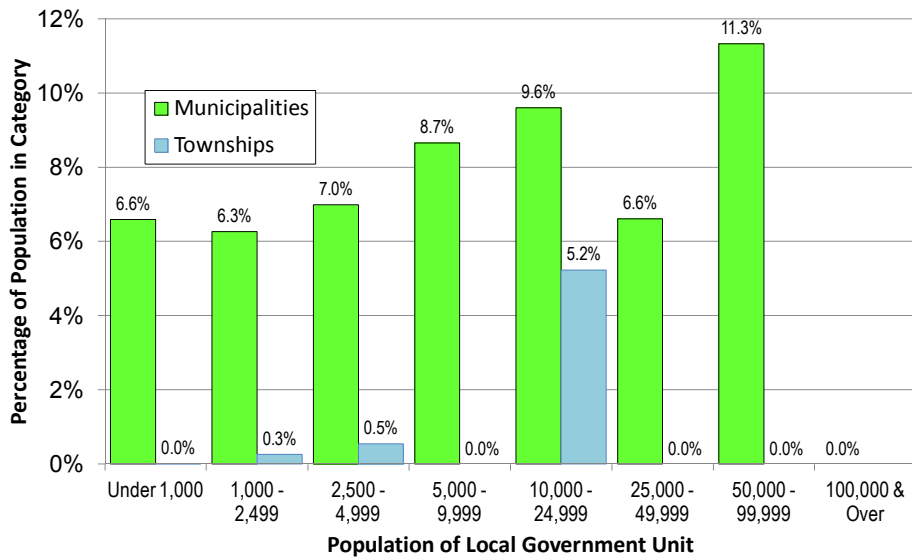
EVER IN FISCAL EMERGENCY OR WATCH SINCE 1997



Derived from Auditor of State information

Figure 26

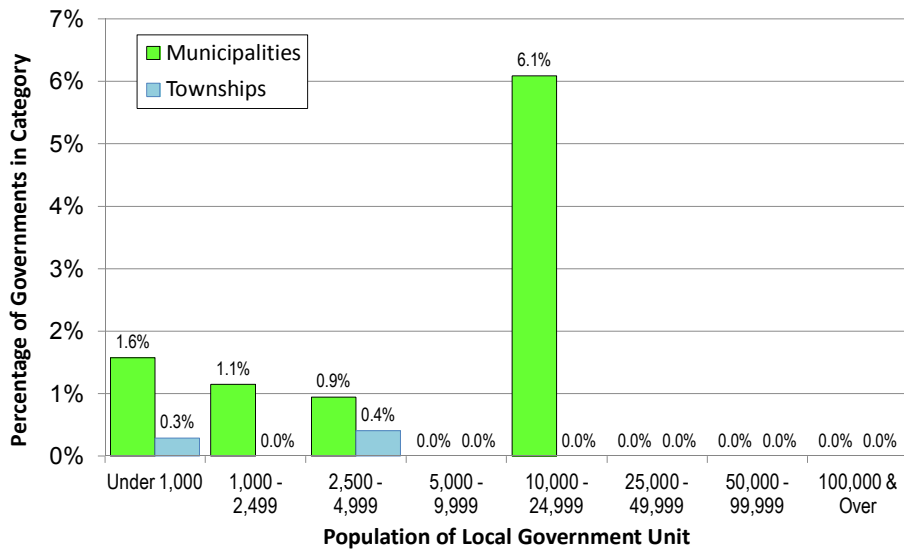
Financial Distress by Population EVER IN FISCAL EMERGENCY OR WATCH SINCE 1997



Derived from Auditor of State information

Figure 27

Financial Distress by Government Units IN FISCAL EMERGENCY OR FISCAL WATCH: 2018

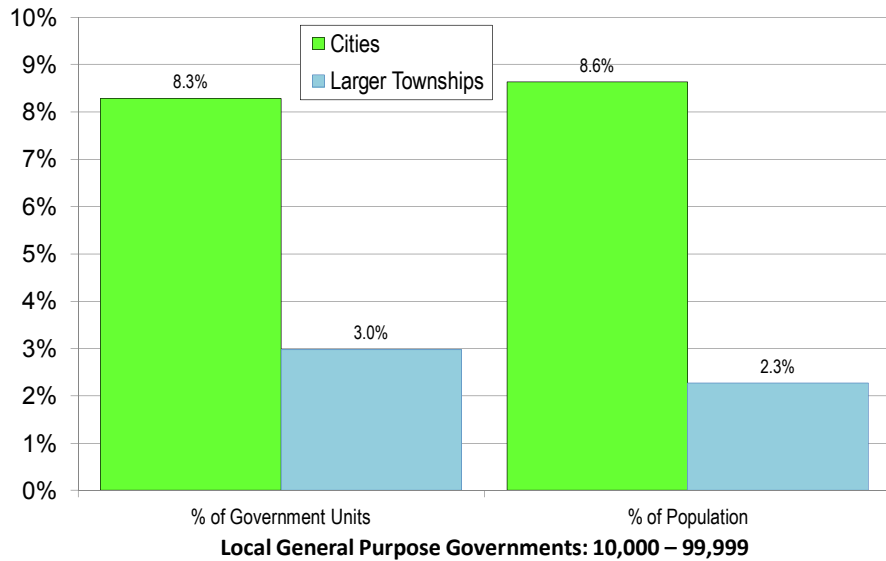


Derived from Auditor of State information

Figure 28

Financial Distress & Larger Townships

EVER IN FISCAL EMERGENCY OR WATCH SINCE 1997

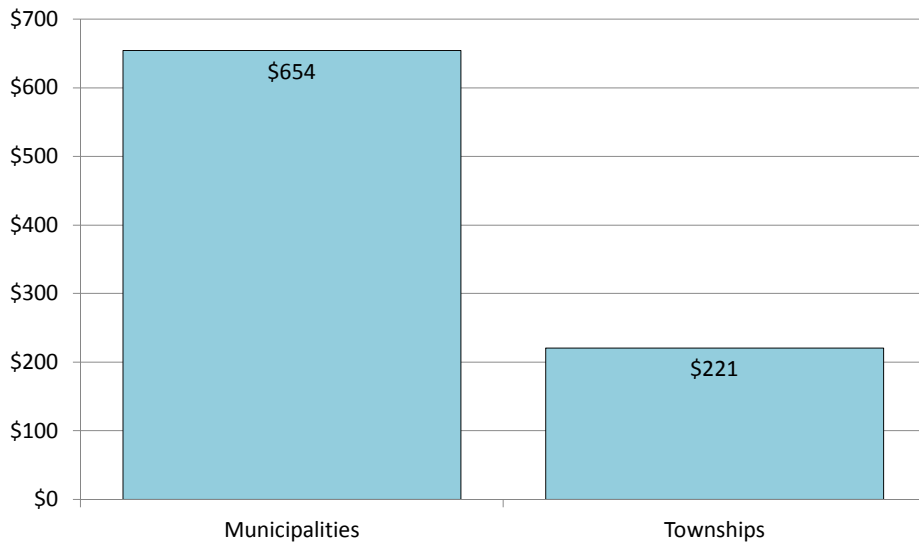


Derived from Auditor of State information, 2015

Figure 29

Government Employee Wages per Capita

TYPE OF GOVERNMENT PER CAPITA: 2015



Derived from Census Bureau Annual Survey of Public Employment & Payroll

Figure 30

6: WHY TOWNSHIP GOVERNMENTS TEND TO BE MORE EFFICIENT

The conclusions of this report again show that Ohio’s smaller local general-purpose governments tend to spend less, tax less and borrow less per capita than larger governments. The gaps are *material*. These conclusions are similar to those of our parallel reports in Pennsylvania, New York, and Illinois, which found that smaller (not larger) units of general-purpose local government spend *materially* less per capita, tax less and have lower long-term debt burdens.²⁸

The record of Ohio’s Fiscal Distress program indicates that smaller governments are in better fiscal health and that townships are in the best fiscal health among general purpose local governments. These conclusions are the opposite of claims that larger governments are inherently more efficient and that smaller governments are more prone to fiscal crises.

Consistent with the analysis in this report, there have been new publications focusing on the advantages of local democracy, within the last year.²⁹ In one, Stanford University lecturer Leo Linbeck III suggests turning away from centralization:

What is needed is a new approach to changing human institutions that reverses relentless centralization. This new approach uses concepts and frameworks borrowed from software engineering but is inspired by the principle of subsidiarity... The Oxford English Dictionary defines subsidiarity as “the principle that a central authority should have a subsidiary function, performing only those tasks which cannot be performed at a more local level.”³⁰

The fact that smaller governments tend to spend, tax and borrow less than larger governments is powerful evidence that combining governments into larger units is highly unlikely to improve efficiency.

Performance: Townships and Municipalities of Similar Size

In fact, however, there seems to be substantial evidence that the leaner township form of government tends to exhibit lower taxes, spending and debt per capita than municipal governments of similar population and location in metropolitan areas.

²⁸ Wendell Cox, “Government Efficiency: The Case for Local Control,” commissioned by the Association of Towns of the State of New York, May 2008. <http://www.nyassessor.com/Portals/3/documents/caseforlocalgovernment.pdf>; Wendell Cox, “Government Consolidation in Indiana: Separating Rhetoric from Reality,” commissioned by the Indiana Township Association, February 2009. <http://demographia.com/db-indianatpreport.pdf>; Wendell Cox, “Local Democracy and the Townships of Illinois: A Report to the People,” commissioned by the Township Officials of Illinois, January 2011. <http://demographia.com/IL-CoxReport2011.pdf>; Wendell Cox Consultancy, “A Research Report on Growth, Economic Development, and Local Government Structure in Pennsylvania,” Commissioned by the Pennsylvania State Association of Township Supervisors, June 2005. <http://demographia.com/localgovtPA.pdf>; Wendell Cox, “Local Democracy and Townships in the Chicagoland Area,” prepared for the Township Officials of Illinois, January 2012. <http://demographia.com/IL-CoxChicagolandReport.pdf>; Wendell Cox, “Local Government Efficiency and Size in Illinois: Counting Tax Revenues, Not Governments,” prepared for the Township Officials of Illinois, February 2016. <https://www.toi.org/Resources/Download-Center/>.

²⁹ For example, see: Ryan Streeter and Joel Kotkin (2018), *Localism: Why We Should Tackle Our Biggest Challenges at the Local Level*, American Enterprise Institute and the Center for Opportunity Urbanism, https://www.aei.org/wp-content/uploads/2018/02/Localism_Feb22B.pdf (The author of this report was a contributor) and Mike Hais, Doug Ross, and Morley Winograd (2018), *Healing American Democracy: Going Local*, <https://www.golocal.us.com>.

³⁰ Leo Linbeck III, “Refactoring for Subsidiarity,” in Streeter and Kotkin (2018).

Our previous report³¹ found that township governments in Ohio tend to spend, tax and borrow less per capita than municipal governments of the same size. These findings were mirrored in our Pennsylvania and New York research, where township type governments (called “towns” in New York), tended to spend, tax and borrow less per capita than other forms of local general-purpose government of similar populations. The Ohio finding is particularly significant, because there is a larger number of similar sized municipal and township governments in the state.

The Government Consolidation Research

There is little or no after-the-fact research on per capita spending, taxing, and borrowing demonstrating that consolidation improves efficiency. Nobel Laureate Elinor Ostrom noted that the benefits of such reforms “are presumed to lead to the postulated consequences without need for empirical investigation of the relationships involved.”³² In her Nobel Prize lecture, Ostrom indicated that “small to medium-sized cities are more effective monitors of performance and costs.”³³ Generally, the empirical research largely finds no material efficiency improvements from local government consolidations, as is indicated by various reviews of academic research.³⁴

Part of the problem is an assumption that local governments can be structured to deliver non-political, neutral policies. Jack Knott of the University of Southern California and Gary Miller of Washington University in St. Louis have noted that proponents sought “an ideal structure, one whose structural characteristics would legitimize its policy outcomes.” Since governance structures are the “result of politicized choices by political actors” Knott and Miller say that “it is pointless and perhaps harmful to maintain the myth of administrative neutrality.” They conclude, “There is no neutral political structure; there is not a structure whose neutrality, expertness, or other characteristics can automatically legitimize the policy choices it makes.”³⁵

Government Consolidation and Efficiency: Challenges

These challenges appear to generally prevent improved efficiency from local government consolidation:

- **Leveling up of labor costs.** Labor costs are by far the largest expenditure item. Political reality tends to require leveling up of labor costs (wages and benefits) to the most expensive level among the consolidating governments.³⁶

³¹ Cox (2012), *Local Democracy in Ohio*.

³² Elinor Ostrom, “Metropolitan Reform: Propositions Derived from Two Traditions.” *Social Science Quarterly*

³³ [Elinor Ostrom, *Beyond Markets and States: Polycentric Governance of Complex Economic Systems*, Nobel Prize Lecture, Stockholm, Sweden, December 8, 2009. <http://docplayer.net/41021548-Beyond-markets-and-states-polycentric-governance-of-complex-economic-systems-elinor-ostrom.html>.](http://docplayer.net/41021548-Beyond-markets-and-states-polycentric-governance-of-complex-economic-systems-elinor-ostrom.html)

³⁴ See, for example, Eric Scorsone, *Local Government Consolidation: Assessing the Evidence for Cost Savings and Economic Improvement*, *State Notes: Topics of Legislative Interest*, Michigan State Senate, Senate Fiscal Agency, 2010. <http://www.senate.michigan.gov/sfa/Publications/Notes/2010Notes/NotesSum10es.pdf>, Marc Holzer, John Fry, Etienne Charbonneau, Norma Riccucci, Alex Henderson, Sunjoo Kwak, Alicia Schatteman and Eileen Burnash, *Literature Review and Analysis Related to Municipal Government Consolidation*, Rutgers-Newark, School of Public Affairs and Administration, 2009 and Wendell Cox and Ailin He (2018), “Inter-municipal Co-operation and Reform: Municipal Amalgamations,” Frontier Centre for Public Policy, https://fcpp.org/wp-content/uploads/FC201_MunicipalAmalg_SP2217_F1.pdf.

³⁵ Jack Knott and Gary Miller (1987), *Reforming Bureaucracy: The Politics of Institutional Choice*, Englewood Cliffs, NJ: Prentice Hall.

³⁶ Toronto City Summit Alliance, *Enough Talk: An Action Plan for the Toronto Region*, April 2003. http://civicaaction.ca/wp-content/uploads/2010/12/TCSA_report.pdf.

- **Leveling up of service levels.** Local electorates choose differing public services and service levels. These tend to be level up to the most expensive level among the consolidating entities.³⁷
- **Dilution of Local Voter Influence:** In larger local governments, individual voters have less influence and special interests, which generally seek greater spending, tend to be stronger.³⁸
- **Differing Cultures:** Jurisdictions have differing political and management cultures, which make it difficult to improve efficiency regardless of the three factors above.³⁹

Given that local government consolidations do not inherently improve efficiency, government policy should generally not force government consolidation and should not establish incentives encouraging governments to combine.

7: ECONOMIC DEVELOPMENT: TOWARD A MORE PROSPEROUS OHIO

Ohio, long known as a “Rust Belt” state, has grown more slowly than most other states for decades. However, Ohio’s prospects are improving materially. There is important manufacturing growth across the United States and Ohio, with its strong manufacturing history, is well positioned to take advantage of this improving situation. Moreover, after decades of concern about supply shortages and reliance on foreign oil, the United States is reported by the US Energy Information Administration to have led the world in oil production in 2017.⁴⁰ Ohio, with its considerable natural gas resources, has been an important beneficiary of this growing trend.

There are already benefits. Recently announced Census Bureau median income data indicates that Ohio’s median household income rose the second fastest among the states from 2016 to 2017 (inflation adjusted). The 8.4 percent single year increase was more than the total 2010 to 2016 increase, which was only 1.1 percent annually over six years.⁴¹ As a result, Ohio improved from 37th highest median income in 2016 to 26th highest in 2017 (Figure 31).

Ohio’s Supplemental Poverty Rate (adjusted principally for the cost of housing) was 11.4 percent, well below the national 14.1 percent and California’s 19.0 percent, which is the highest in the nation.⁴²

Ohio’s economic prospects appear to be substantially improved.

³⁷ Robert L. Bish, *The Public Economy of Metropolitan Areas*, Chicago: Markham Publishing Company, 1971, and Naomi Enid Slack, *Managing the Coordination of Service Delivery in Metropolitan Cities: The Role of Metropolitan Governance*, Vol.4317, World Bank Publications, 2007.

³⁸ See: Robert Bish, “Local Government Amalgamations, Discredited Nineteenth-Century Ideals Alive in the Twenty-First.” *The Urban Paper, C.D. Howe Institute Commentary*. No. 150, Toronto, March 2001 <http://www.cdhowe.org/pdf/bish.pdf> and Colin Woodard, “Can New Brunswick and Nova Scotia teach Maine a lesson about consolidation?” *Portland Press Herald*, August 9, 2015. <http://www.pressherald.com/2015/08/09/can-new-brunswick-and-nova-scotia-teach-maine-a-lesson-about-merging-towns-to-save-money/>.

³⁹ William F. Fox, and Tami Gurley, “Will Consolidation Improve Sub-national Governments?” *World Bank Policy Research Working Paper* 3913 (2006).

⁴⁰ United States Energy Information Administration, “What countries are the top producers and consumers of oil,” <https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>

⁴¹ Derived from CPS Income Data Tables, <https://www.census.gov/topics/income-poverty/income/data/tables/cps.html>.

⁴² US Census Bureau (September 2018), *The Supplemental Poverty Measure: 2017* (September 2018), <https://www.census.gov/content/dam/Census/library/publications/2018/demo/p60-265.pdf>.

7.1: Ohio's Improving Economic Performance and Trends

Emerging demographic trends could improve Ohio's prospects for even greater economic growth. For some time, there has been a shift of population and business headquarters locations away from the coasts to the middle of the nation. Ohio has advantages that could improve its ability to take advantage of these trends.

Domestic Migration and the Cost of Living

Recent trends indicate that domestic migration --- people moving from one part of the nation to another -- is strongly away from high-cost states with the strongest economies, especially California and New York, which have experienced net domestic out-migration of more than 500,000 and 1,000,000, respectively, since 2010 and the rate has been increasing. This is a particular turnaround for California, which had been a national growth leader virtually since being admitted to the union in 1850, and which in 2017 grew at a rate less than that of the nation.

There is an increasing body of academic literature demonstrating a strong movement of jobs and residents from some of the nation's historically most productive areas, such as California and New York, to other parts of the nation. These reports cite two related influences, higher costs of living, which is largely the result of housing costs that have risen well above the rest of the nation. In response, households (especially middle-income) seek better and more affordable standards of living in other areas.⁴³ These cost of living gaps seem likely to continue, since housing costs tend to remain elevated once they have reached severely unaffordable levels. Stronger land use and housing regulation has been cited as a principal cause of these higher house prices⁴⁴

There have also been many business relocations from the higher cost states to those that are less costly (see "Business Relocation to Lower-Cost States," below). This has made attraction of new economic development very difficult in the higher cost areas.

Business Relocation to Lower-Cost States

The high cost states are also losing businesses to lower cost states,⁴⁵ such as high-profile moves by Toyota and Nissan headquarters from higher-cost California to lower-cost Texas and Tennessee respectively. Many smaller companies have moved as well, including an improbable move of an information technology company from Southern California to the heart of Appalachia, Pike County,

⁴³ See: Peter Ganong and Daniel Shoag, "Why Has Regional Income Convergence in the U.S. Declined?" Research Working Paper Series, March 28, 2013.

http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2241069_code1638787.pdf?abstractid=2081216&mirid=5 and Chang-Tai Hsieh and Enrico Moretti, "Why Do Cities Matter? Local Growth and Aggregate Growth," The National Bureau of Economic Research, May 2015. <http://www.nber.org/papers/w21154>

⁴⁴ For a description of the relationship between regulation and rising house prices in California, see: William A. Fischel (1995). *Regulatory Takings: Law, Economics, and Politics*. Harvard University Press. More general economic descriptions may be found in Paul C. Cheshire, Max Nathan and Henry G. Overman, *Urban Economics and Urban Policy: Challenging Conventional Policy Wisdom*, Edward Elgar Publishing, 2014 and Edward L. Glaeser, and Joseph Gyourko (2017), "The Economic Implications of Housing Supply, Samuel Zell and Robert Lurie Real Estate Center, University of Pennsylvania.

<http://realestate.wharton.upenn.edu/research/papers.php?paper=802>, Wendell Cox and Hugh Pavletich (2018), *14th Annual Demographia International Housing Affordability Survey*, <http://www.demographia.com/dhi.pdf>.

⁴⁵ Relocations from California are detailed in: Joseph Vranich (January 2016), *California Business Disinvestment Events: An Eight-Year Review 2008-2015*, Spectrum Locations Solutions.

Kentucky.⁴⁶ More recently, a California company has moved its California manufacturing to Ohio, in Miami Township (Montgomery County), which is described below.

Ohio's Low Cost of Living

Ohio has not yet benefitted substantially from the domestic migration and business relocation trends from higher cost of living states. Yet, the cost of living differences has become so great that Ohio could begin to attract more population growth from the rest of the nation. Ohio has among the lowest costs of living in the nation (44th out of the 50 states). As a result, if the gaps in the cost of living continue to expand, Ohio could benefit, creating substantial opportunities for economic development.

Ohio's net domestic migration has shown important recent improvement. Census Bureau estimates show that net domestic migration had dropped to a minus 8,000 in 2017, a substantial improvement from the near 40,000 in 2011 as well as 2012. Net domestic migration improved markedly to the Columbus metropolitan area, which *gained at a higher rate than fast growing Seattle, Denver and Portland* in 2017. Columbus now has the highest net domestic migration rate in the Midwest, and its gain of more than 12,000 in 2017 was more than three times the 2011 and 2012 rate.

Recent Corporate Facility Trends

Economic factors are also trending in Ohio's favor. Overall, manufacturing is improving, and Ohio is benefitting from increased energy production.

Site Selection magazine found that in 2017, Ohio had the second most new or expanded corporate facilities, following Texas. Ohio placed third in new facilities per million population. Further, the Cincinnati (parts of which are in Indiana and Kentucky) and Columbus metropolitan areas were among the top 10 major metropolitan areas (over 1,000,000 population) in new or expanded corporate facilities. Three Ohio metropolitan areas were among the top 10 in the 200,000 to 1,000,000 population category, Toledo, Akron and Dayton.⁴⁷

Site Selection magazine also found that Ohio leads the nation in new or expanded corporate facilities among the smallest category of metropolitan areas (micropolitan areas). Ohio's count was more the double that of second place Georgia. Findlay placed number one, in each of the last four years. This is a remarkable achievement, given that there are 575 micropolitan areas. Wooster and Ashland also placed in the top 10.⁴⁸

⁴⁶ Wendell Cox (January 4, 2018), "California Lithium Battery Manufacturer Moves to Appalachia," *newgeography.com* <http://www.newgeography.com/content/005840-california-lithium-battery-maker-heads-appalachia>

⁴⁷ *Site Selection* (March 5, 2018), "Texas, Nebraska Repeat as Winners of Site Selection Magazine's Governor's Cup Awards: Top Metro and Micropolitan Areas for Corporate Facility Investment Also Named," https://siterelection.com/press/releases/180305_GOV_CUP.html

⁴⁸ *Site Selection* (March 2018), "Crowning Achievement Findlay makes it a four-peat as Batavia closes in," <https://siterelection.com/issues/2018/mar/top-micros-2017-crowning-achievement.cfm>

7.2: Townships and Economic Development

With their large inventories of land, lower tax, spending and debt levels, townships have an important opportunity to advance economic development as Ohio's economy becomes more prosperous.

There is virtually no systematic economic or employment data readily available for townships in Ohio or elsewhere. Some demographic, household data can be extracted from the Census Bureau's American Community Survey, but only at the aggregate level, rather than by township.⁴⁹ Nonetheless, there are encouraging indications of success at the end of this section.

Residential Construction

Townships account for a large portion of Ohio's residential construction. Comprehensive building permit data is not readily available by municipality and township but can be estimated from housing unit construction data. According to the latest American Community Survey data,⁵⁰ 54.5 percent of the new owner-occupied housing units in the state constructed from 2010 has been in the townships. Slightly less than one-half (47.3 percent) the new owner-occupied construction in the metropolitan areas⁵¹ has been in the townships. Outside these metropolitan areas, townships have accounted for 81.3 percent of the owner-occupied residential construction over the same period (Figure 32).

Economic Development Examples in Townships

There are important examples of economic development among Ohio's townships, such as:

- Miami Township (Montgomery County) has received business migration from California. Steiner Optics amalgamated its California and Ohio manufacturing operations. The company produces military and law enforcement optical products.⁵² Miami Township has also seen the recent development of Austin Landing, a center that includes shopping, entertainment, offices, hotels and residences along Interstate 75.⁵³ The township is also home to Dayton Mall, the sixth largest shopping mall in Ohio, and the largest in the Dayton metropolitan area, at more than 1.4 million square feet.⁵⁴
- Over the past 18 years, West Chester Township (Butler County) has reaped more than \$3.4 billion in new investment, more than 32 million square feet in new construction, more than 35,000 new jobs.⁵⁵
- Boardman Township (Mahoning County) has emerged as a principal shopping, entertainment and employment center in the Youngstown metropolitan area. In recent years, there has been substantial new investment in health care facilities.⁵⁶

⁴⁹ Detailed data is limited to municipalities among local general-purpose governments. There is no data routinely referring to areas, outside of municipalities, that are under the jurisdiction of township governments.

⁵⁰ Derived from American Community Survey, 2012-2016.

⁵¹ Wholly in Ohio

⁵² "Ohio's Research and Engineering Talent Leads to Dayton Region Expansion for Steiner eOptics," *Ohio Jobs*, <https://jobs-ohio.com/ohio-success/steiner-eoptics/>

⁵³ Austin Landing, <http://austinlanding.com/>. Map at http://austinlanding.com/images/uploads/documents/AL_Site_Plan_Colored.compressed.pdf

⁵⁴ "Ohio's biggest shopping center rankings" (October 21, 2014), https://www.bizjournals.com/dayton/blog/morning_call/2014/10/ohios-biggest-shopping-centers-rankings.html

⁵⁵ West Chester Community Development Department; Butler County Auditor

- Springfield Township (Lucas County) plans to participate in funding an important new interchange on Interstate 475, which is intended to encourage economic development and reduce traffic congestion.⁵⁷
- Sylvania Township (Lucas County) has had a pro-active planning and cooperation program for 50 years with the private sector, the city of Sylvania, and the school system through the Sylvania Area Community Improvement Corporation.⁵⁸
- Liberty Township (Butler County) has been the location for a major hospital, three expansions of another, and a new 1.1 million square foot mixed use development over the last decade.⁵⁹
- Etna Township (Licking County) is the site of an Amazon distribution center, which opened in 2017. The 850,000 square foot facility has created more than 3,000 full time jobs.⁶⁰
- Bath Township (Allen County), is home to a Proctor and Gamble facility, which has expanded to assume production that was moved from a plant that closed in New Jersey.⁶¹ In addition, Ford is investing half a billion dollars to outfit its plant to produce a newly designed pickup truck engine.⁶²
- An important example of Ohio's growing petrochemical development, Mead Township (Belmont County) has been selected by PTT Chemical for a "a world-scale petrochemical complex that would serve as a dynamic economic anchor" for the area.⁶³

The increased oil and gas exploration activity has also led the building transmission pipelines in many areas of Ohio.

In addition, the state's Joint Economic Development District program provides a means for cooperative economic development efforts between municipalities and townships.⁶⁴

⁵⁶ Sherry Karabin (May 18, 2013), "Mahoning County township continues to grow and diversify" *Akron Legal News*, <http://www.akronlegalnews.com/editorial/6740>.

⁵⁷ Jane Maiolo (March 2, 2018), "Dorr Street Interchange Receives Significant TRAC Funding," *Point and Shoreland Journal*, <https://www.pointandshoreland.com/holland-springfield-journal-news/dorr-street-interchange-receives-significant-trac-funding>

⁵⁸ Information from the Sylvania Area Community Improvement Corporation.

⁵⁹ Information from the Liberty Township Economic Development Department.

⁶⁰ "Kasich, others tout new Etna Township Amazon center" (April 4, 2017), <https://www.newarkadvocate.com/story/news/local/pataskala/2017/04/04/kasich-others-tout-new-etna-township-amazon-center/99979252/>

⁶¹ "P&G to sell East Coast plant, shift work to Ohio" (August 2, 2016), <https://www.bizjournals.com/cincinnati/news/2016/08/02/p-g-to-sell-east-coast-plant-shift-work-to-ohio.html>

⁶² "Ford investing \$500 million to make new engine at Ohio plant" (March 28, 2014), <https://www.reuters.com/article/us-autos-ford-plant/ford-investing-500-million-to-make-new-engine-at-ohio-plant-idUSBREA2R1IW20140328>

⁶³ "PTTGC America Investing in Eastern Ohio," <http://pttgcbelmontcountyoh.com> and Ray Booth, "World Scale" petrochemical plant planned in Belmont County, *The Daily Jeffersonian*, <https://www.daily-jeff.com/news/20190331/world-scale-petrochemical-plant-planned-in-belmont-county>.

⁶⁴ "Joint Economic Development Districts," Ohio State University Extension Fact Sheet: Community Development, <https://archive.is/20121214211954/http://ohioline.osu.edu/cd-fact/1560.html#selection-49.91-49.128>

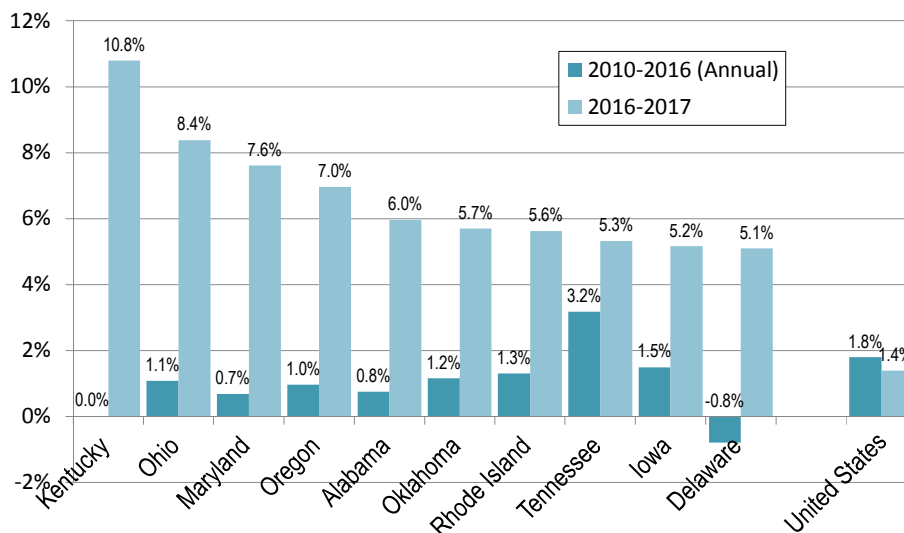
For example, Pickaway Township and the City of Circleville entered into a JEDD to enable development of a paper mill by Sofidel Group (Italy), located in the township. The new plant was opened in October 2018 and, according to Sofidel chairman Emi Stefani, the “facility is our largest, most modern and sustainable to date and employs the best technology available in the tissue paper industry” The plant covers 1.4 million square feet on a 280-acre site and is expected to employ 700.⁶⁵

In addition, from December 2016 to March 2019, 47 townships received approval for tax credit projects to establish or expand commercial facilities. These projects are projected to create more than 4,700 jobs, generating a total increased payroll of \$270 million. The largest project, a cooperative venture between Perry Township (Logan County) and Allen Township (Union County) and Midwest Express, is projected to create more than 1,100 new jobs. Other projects are expected to create more than 600 jobs. These include an Etna Township (Licking County) project with Kohl’s Department Store and a Mad River Township (Logan County), project with Speedway LLC.⁶⁶

The Future of Ohio and Townships

A more prosperous Ohio, with greater population growth and greater economic growth could well emerge from the nation’s changing geographic balance, as indicated by the larger differences in the cost of living. Townships are well positioned for growth, often with large inventories of land for business expansion and the continuing development of single-family homes preferred by most households.⁶⁷

Median Household Income Growth: Leaders 2016-2017 COMPARED TO ANNUALIZED 2010-2016



Derived from Census Bureau data & City Sector Model

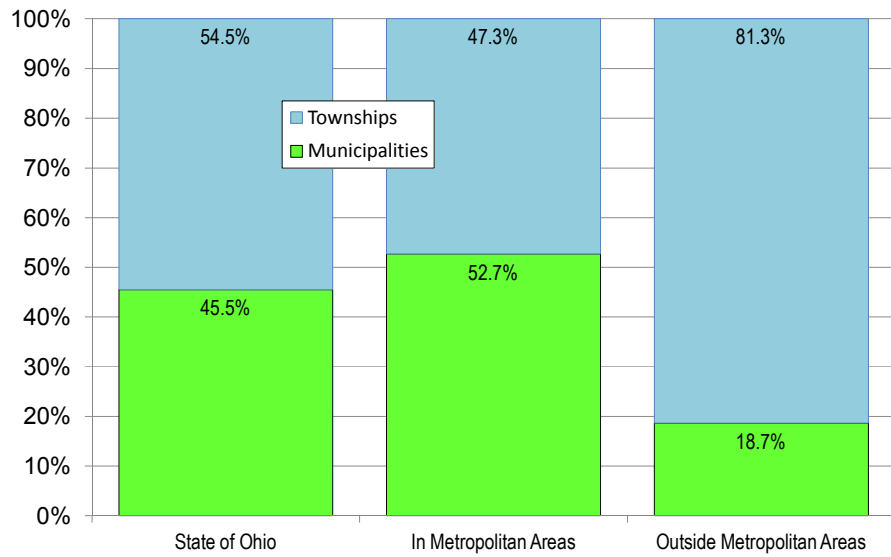
Figure 31

⁶⁵ “Sofidel Tissue Company Opens Manufacturing Plant in Circleville, Ohio, Its Largest Worldwide,” <https://www.prnewswire.com/news-releases/sofidel-tissue-company-opens-manufacturing-plant-in-circleville-ohio-its-largest-worldwide-300723607.html>

⁶⁶ Based on a review of [Ohio Tax Credit Authority](#) minutes.

⁶⁷ Rose Quint (March 1, 2016), “Housing Preferences Across Generations,” National Association of Home Builders. <https://www.nahbclassic.org/generic.aspx?genericContentID=249797>.

Owned Housing Built in Ohio Since 2010 BY LOCATION (MUNICIPALITIES AND TOWNSHIPS)



Derived from American Community Survey 2012-2016.

Figure 32