

Local Democracy in Ohio

A Review of City, Village and Township Financial Performance by Size

Executive Summary

As governments around the nation have encountered unprecedented financial difficulties, consolidation of local governments has been proposed to reduce spending and taxes. Proponents assume that smaller governments duplicate services and have higher costs and that spending could be reduced by consolidating with other governments. Recent policy reports in Ohio have supported this “bigger is better” view of local government.

International researcher Wendell Cox recently completed a study on Ohio’s local governments. His data shows that townships have fewer expenditures and incur less debt per capita than its other local government counterparts. Each of these measures indicate greater efficiency, which is a principal goal of efforts to improve local government.

Ohio townships provide similar services to municipalities outside cities and villages, such as police protection, fire protection, emergency medical services, waste management, senior centers, parks and recreation, street lighting, zoning, roads and cemetery maintenance. Townships rely almost exclusively on the local property tax for their funding, and unlike municipalities, are not permitted to collect income taxes. Even still, townships account for only 5.8 percent of property tax collections. Despite their much larger service areas (in square miles), townships represent a far smaller share of local government spending than their population share. Townships account for 35 percent of the state’s population, yet in 2008, Ohio’s local governments spent \$48 billion. Townships spent just 2.7 percent of this amount.

Furthermore, townships have rarely experienced the extent of fiscal crisis to justify entry into Ohio’s Local Government Fiscal Distress Program. In the more than 30-year history of the program, only two out of the 1,308 township governments has been in fiscal distress, a fraction of the municipality rate.

The study also explores the concept of consolidation, citing specific examples. Some of the bigger is better reports acknowledge that smaller local governments are more accessible and responsive, a mantra well known by township residents across the state. Citizens have the ability to more readily contact local government officials and local government officials are able to more directly manage the affairs of a smaller jurisdiction because they do not have to rely on intermediate staff. These reports also provide no evidence of lower expenditures, due to a phenomena known as “leveling up.” As smaller governments consolidate, labor costs and service levels increase to match the more expensive consolidating jurisdiction. In local governments, both townships and municipalities, labor costs are the largest item of expenditure. Some of the lower spending by townships, however, is due to their greater use of part-time employees. This is less costly, not only because of lower wage rates, but also due to less expensive benefit packages. It is also claimed that more governments result in duplication of services. However, governments have exclusive geographic service areas and do not provide the same services to the same residents.

Smaller Ohio local governments, including township governments, are successfully delivering on the democratic values of superior accessibility and responsiveness. They are also delivering on the important economic and competitive issue of lower taxes and spending.

No choice is necessary between governments that spend less and governments that are more accessible and responsive. Smaller local governments are not only more accessible and responsive than larger local governments, but they also spend, borrow and tax considerably less per capita. Forcing government consolidations would likely lead to higher local government spending and taxation, making Ohio less competitive. Ohio’s smaller local governments are more accessible and responsive, *and* they spend less. Smaller governments, which are closer to the people, are better for Ohio.