

GENERAL FUND REVENUE ANALYSIS 2nd Quarter – 2012

Sales Tax

Franklin County levies a permissive sales tax of 0.75% pursuant to section 5739.021 of the Revised Code. In addition to the County’s collection, the State of Ohio levies a sales tax of 5.50% and the Central Ohio Transit Authority levies a sales tax of 0.50%. As a result, the total sales tax rate in Franklin County is 6.75%.

Franklin County receives the revenue from its sales tax three months after the actual sale occurs. For example, for a sale made in March, the vendor transmits all of the sales taxes collected to the state in April. The state then transmits to the County its share of the sales tax revenue in June. Therefore, the sales tax collections for the 2nd quarter are based on the sales that occurred during the 1st quarter.

The sales tax data in this analysis is reported net of the 1% administrative fee charged by the State for the collection of the County sales tax. While the County does not receive this revenue, the Auditor of State requires the County to record the revenue and the expenditure associated with the sales tax administrative fee. Neither the revenue nor appropriations associated with the sales tax administrative fee are included in the 2012 approved budget. The revenue adjustment and the necessary appropriations to record this expenditure will be made at the end of the year.

Chart 1 plots both the data on Retail and Food Service Sales (not seasonally adjusted) reported by the U.S. Census Bureau with the sales tax collections for Franklin County since January 2009. Note that the sales tax information is plotted in the month that the sale actually occurred rather than the month that Franklin County received the sales tax revenue.

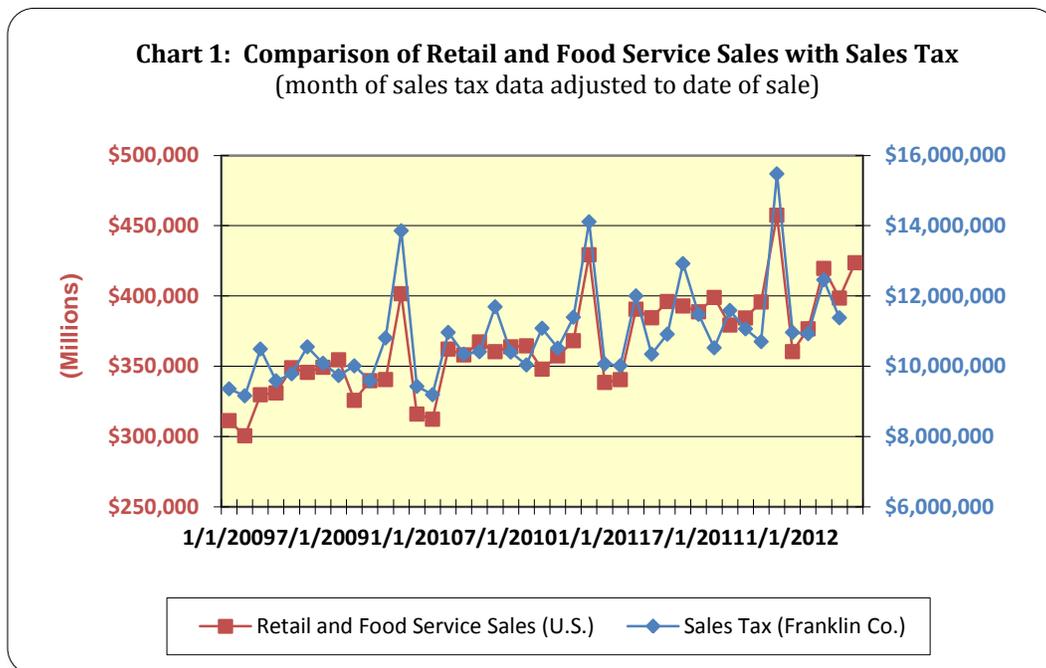


Chart 2 compares the year-over-year percentage change in monthly sales tax collections for Franklin County and the State of Ohio. As with the data in Chart 1, the sales tax information is plotted in the month that the sale actually occurred since the State receives the sales tax revenue in the month following the sale while the County receives the sales tax revenues three months after the sale.

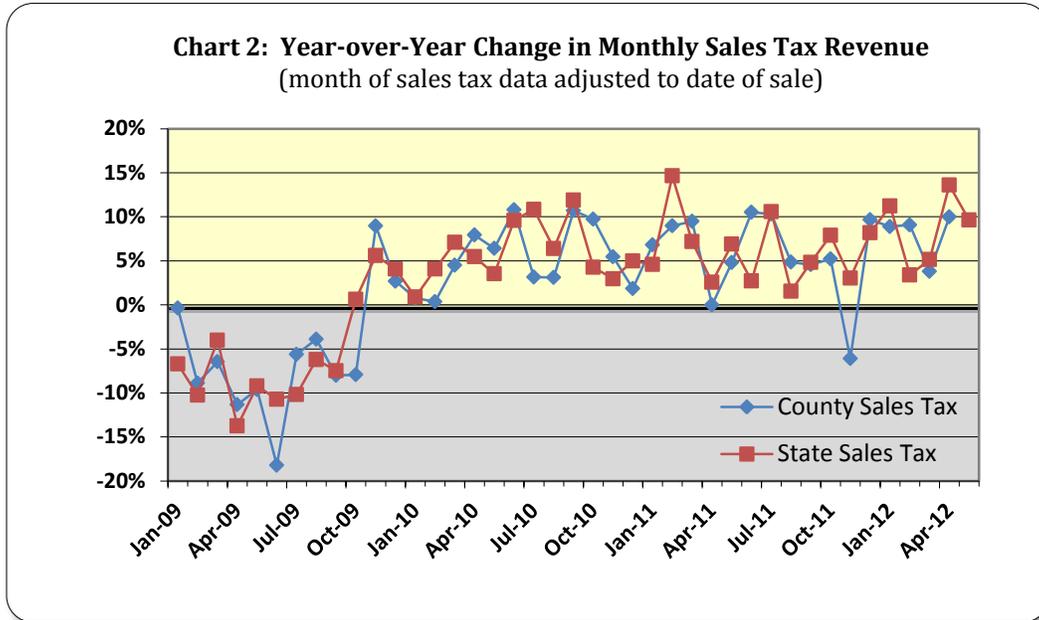
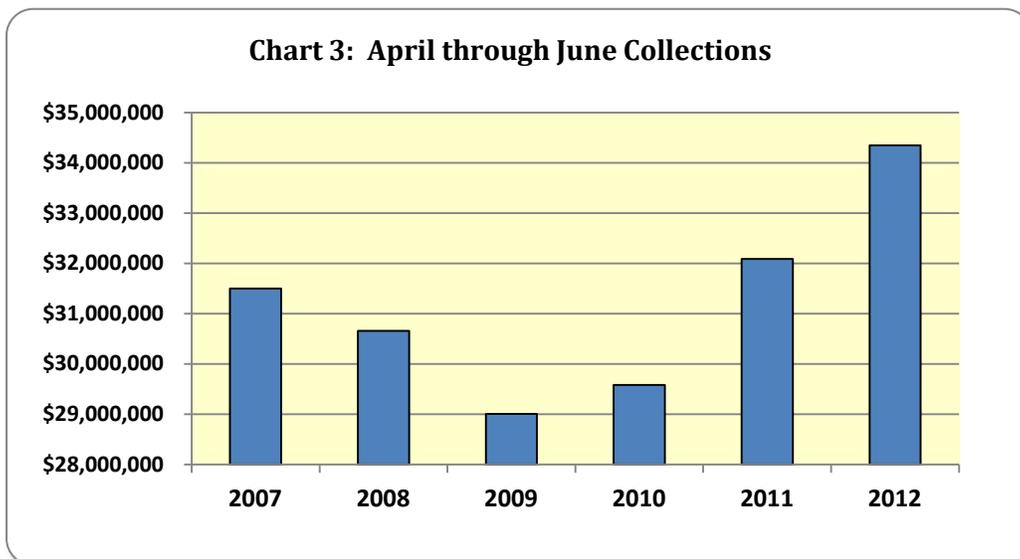


Chart 3 provides the sales tax collections for the 2nd quarter of each year since 2007. Because of changes in the sales tax rate during the period, the table standardized the amount collected to the current rate of 0.75%. As seen in the chart, the amount collected in the 2nd quarter of 2012 shows a significant improvement over the amounts from the previous five years. Note that the sales tax collections in Chart 3 reflect the months in which the revenue was received by the County. Therefore, the collections by the County from the 2nd quarter were for sales that occurred during the 1st quarter.



For the 2nd quarter of 2012, Franklin County collected \$34.4 million in sales tax. This represents a 7.3% increase from the 2012 estimate and a 7.0% increase from the actual 2011 collections. The amount collected in the 2nd quarter of 2012 is higher than any amount collected in the 2nd quarter during the previous five years.

Table 1 provides the comparison of the sales tax estimates with the actual sales tax collections for the 2nd quarter. Note that the sales tax collections in Table 1 reflect the months in which the revenue was received by the County. Therefore, the collections by the County from the 2nd quarter were for sales that occurred during the 1st quarter.

| Month | 2012 Estimate | 2012 Actual | Monthly Variance | Percentage Variance |
|--------------------|---------------|--------------|------------------|---------------------|
| April | \$10,123,989 | \$10,964,135 | \$840,146 | 8.3% |
| May | \$9,974,339 | \$10,926,549 | \$952,210 | 9.5% |
| June | \$11,925,900 | \$12,460,096 | \$534,196 | 4.5% |
| 2nd Quarter | \$32,024,228 | \$34,350,780 | \$2,326,552 | 7.3% |
| YTD TOTAL | \$68,511,456 | \$71,591,838 | \$3,080,382 | 4.5% |

In comparison to other Ohio metro and surrounding counties, the 7.0% increase for Franklin County is lower than the average change of 9.9% in sales tax collections from the 2nd quarter of 2011 to the 2nd quarter of 2012. However, the percentage changes for Union County and Hamilton County are skewed by one-time adjustments to their April collections. Excluding Union and Hamilton counties, the average percentage change of the six other counties in Table 2 below was an increase of 6.3%.

| County | Percent Change |
|-----------------|----------------|
| Union | 45.5% |
| Licking | 8.1% |
| Lucas | 7.9% |
| Franklin | 7.0% |
| Fairfield | 6.9% |
| Delaware | 6.2% |
| Montgomery | 4.5% |
| Cuyahoga | 4.2% |
| Hamilton | -4.2% |

Due to the continuing strength in sales tax collections during the first half of 2012, OMB recommends increasing the sales tax estimate in the 2012 approved budget by \$3.1 million, the same amount as the year-to-date variance through June. OMB recommends that any further adjustment to the estimate for sales tax collections be made after the third quarter sales tax collections have been received.

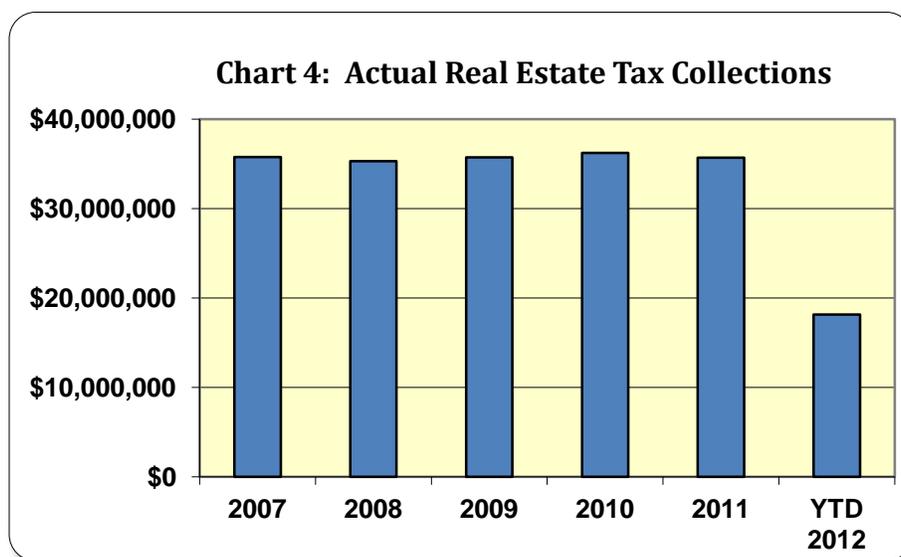
Real Estate Tax

For Franklin County, real estate first half taxes were due January 20, 2012 and distributed in March while second half real estate taxes were due June 20, 2012 and are scheduled to be distributed in early August.

Franklin County's 2012 approved budget included \$35,817,908 in real estate taxes, which was based on no growth from 2011 projections. The Auditor's Office revised the revenue estimate to \$35,077,459, a decrease of \$740,449, during the 1st quarter and then further reduced it to \$34,085,276, a decrease of \$992,183, during the 2nd quarter. Both reductions were certified by the Franklin County Budget Commission. However, due to recurrent delinquent taxes, the Auditor's Office will reduce the estimate further to \$33,854,631 during the 3rd quarter. This additional decrease is \$230,645 less than the current revised budget and a decrease of \$1,963,277 compared to the approved budget. This revenue estimate adjustment will be certified by the Franklin County Budget Commission accordingly in July.

When comparing other metro counties, Franklin County's current revised 2012 real estate tax estimate of \$34,085,276 is 2% lower than the 2011 actual, Montgomery County is a 10% decrease, Hamilton County is a 9% decrease and Lucas County is a 2% decrease; however Cuyahoga County is estimating a 10% increase.

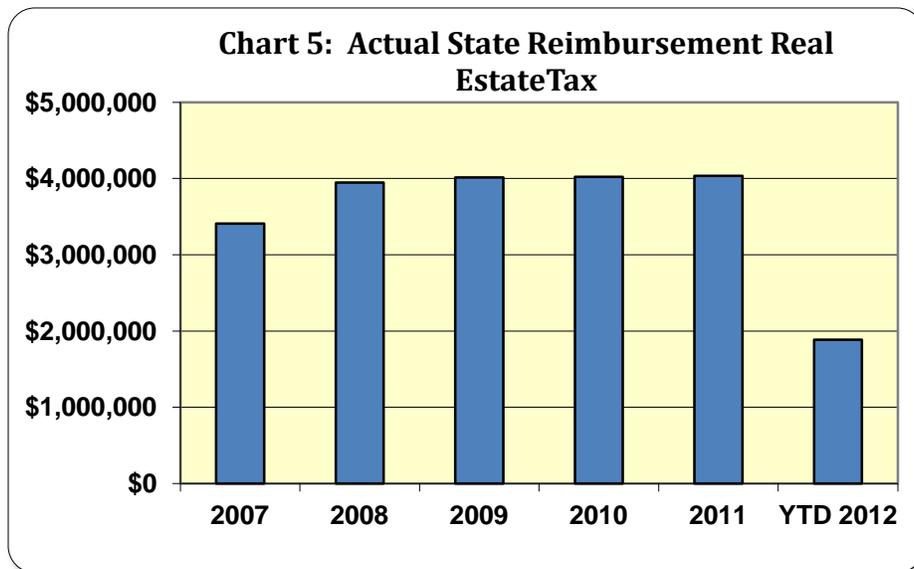
As of June 30, 2012, Franklin County has collected \$18,140,184, which represents 53% of the current revised budget amount of \$34,085,276. In 2011, as of the 2nd quarter, Franklin County had collected 51% of the total real estate taxes. As of the end of June 2012, Lucas County has received 51% of its real estate tax budget, Montgomery County at 60%, Cuyahoga County at 51%, and Hamilton County at 52%. As of the 2nd quarter, Franklin County is anticipated to meet the proposed revised real estate tax estimate of \$33,854,631.



There is no revenue estimate in the 2012 approved budget for Tangible Personal Property Tax Replacement due to the early reimbursement phase-out contained within the FY 2012-2013 State Budget.

The 2012 approved budget for State Reimbursement Real Estate Tax was reduced by \$1,477,945 or 29% from \$5,011,044 to \$3,533,099 in the 1st quarter. The adjustment was based on estimates determined by the State and were certified by the Franklin County Budget Commission accordingly. During the 2nd quarter, the Auditor's Office further revised this estimate from \$3,533,099 to \$3,784,843, a \$251,744 increase. This revenue estimate was certified by the Franklin County Budget Commission accordingly in May.

These state reimbursements include a 10% roll back on residential homeowner properties, an additional 2.5% rollback on owner occupied properties and property taxes on the first \$25,000 value of homestead properties. Below, chart 5 shows no change over the last 4 years, however, the current revised estimate of \$3,784,843 will be lower than 2011 actual. Generally, these funds are received in April and September. As of June 30, \$1,884,473 has been collected or 50% of the current revised budget.

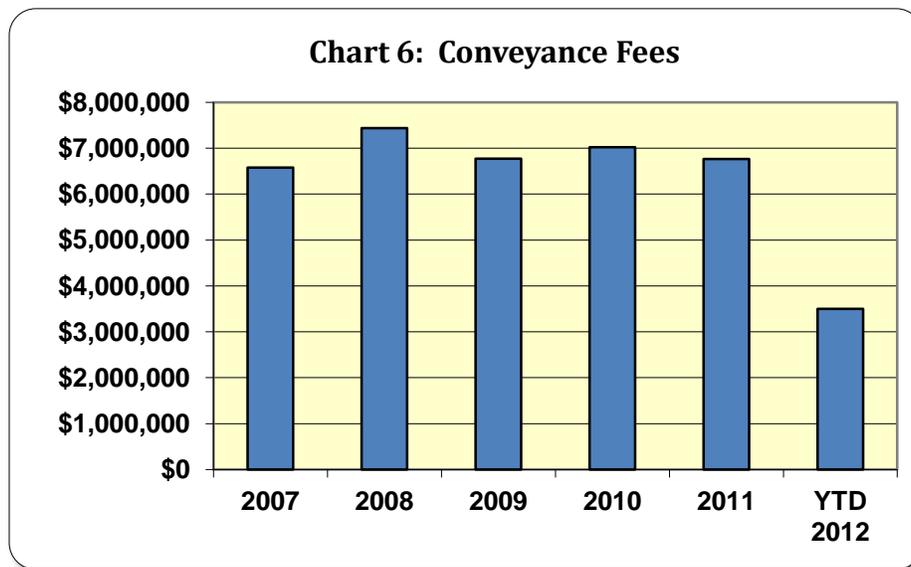


Conveyance Fees

Conveyance fees are based on property sales, of which Franklin County collects \$2 per \$1,000 of the sale. Hamilton County collects at the rate of \$2, Montgomery \$3, Lucas \$4 and Cuyahoga \$3. When comparing 2011 actuals to 2012 approved budgets with other Ohio metro counties, reductions were anticipated by Franklin County (16% decrease), Montgomery County (9% decrease), Hamilton County (4% decrease) and Lucas County (9% decrease), however, Cuyahoga County is expecting a 9% increase.

Sales of new and previously owned homes in the Columbus area during January through May 2012 are higher than the corresponding period of 2011, as illustrated in Chart 7 and explanation within the General Fees section below. Housing sales prices have held steady compared to 2011.

Conveyance fees in the 2012 approved budget were estimated at \$5,692,042. During the 1st quarter, the Auditor's Office increased the approved budget estimate by 15% or \$853,806, from \$5,692,042 to \$6,545,848. The adjustment was certified by the Franklin County Budget Commission accordingly in May. As of June 30, 2012, the County has collected \$3,502,444, 54% of the current revised budget.



Housing of Prisoners

Municipalities within Franklin County, including the City of Columbus, pay a housing per-diem for inmates charged under their municipal ordinances. The Sheriff's Office also has a contract with the U.S. Marshal's Office to house a limited number of inmates on an as-needed basis. The current municipal inmate rate of \$79 per day went into effect on May 1, 2011 and the U. S. Marshal's Office rate of \$60 per day increased to \$68 per day effective April 1, 2012.

Municipal and Federal Housing of Prisoners

The 2012 budgeted revenue estimate for the housing of prisoners for local municipalities, except for Columbus, and for the U.S. Marshal's office is \$3,200,000. Second quarter year-to-date collections are \$1,395,081 or 43.6% of budget. The first payment in 2012 from the U.S. Marshal's Office was not received until March and with the increase in the U.S. Marshal's per diem rate in April, this revenue is projected to meet budget by year-end.

City of Columbus Housing of Prisoners

The 2nd quarter year-to-date collections for the City of Columbus Housing of Prisoners (HOP) revenue is \$2,217,925 or 49.7% of budget. The 2012 budgeted revenue projection for the HOP for the City of Columbus is \$4,465,273. At this point in time, this revenue is projected to meet budget by year-end.

General Fees – Recorder

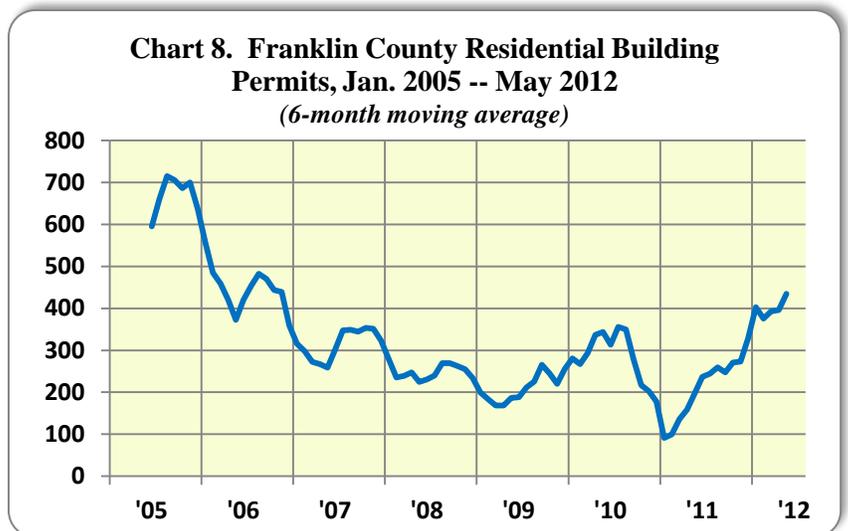
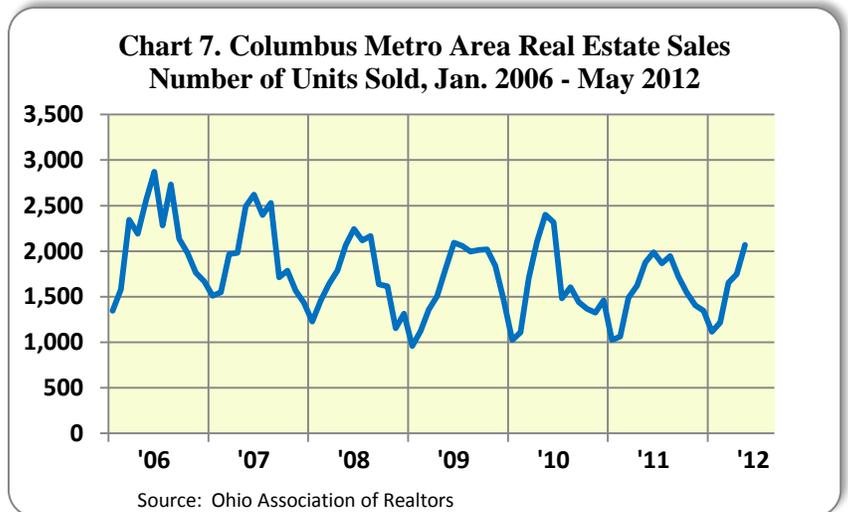
The Recorder's Office makes records of the conveyance and encumbrance of land, and collects fees to file related documents. The Recorder's Office deposits a portion of these fees in the General Fund (a portion also goes to the Recorder's Equipment Fund and a portion to the State's Housing Fund).

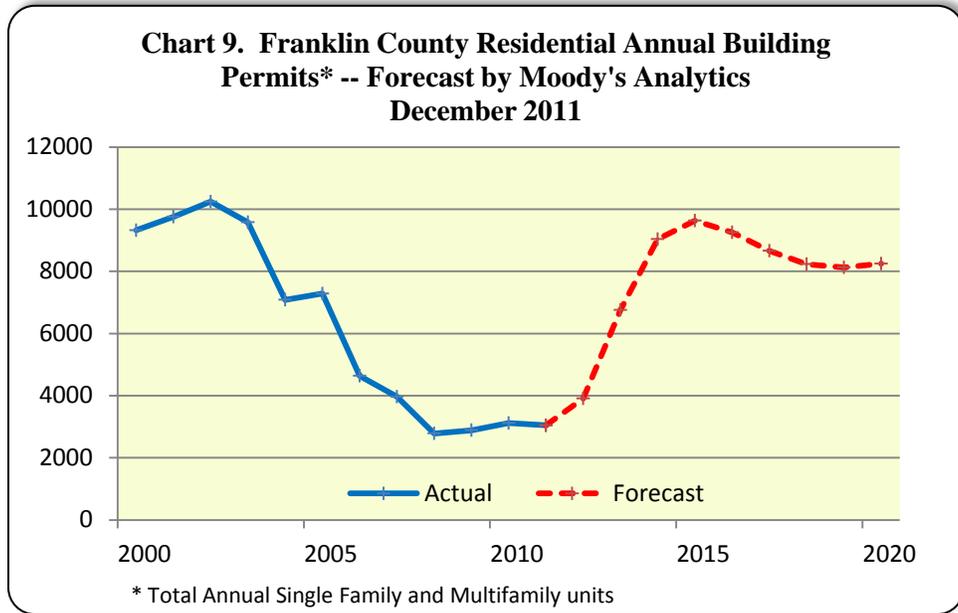
Revenue received from these fees has declined since 2005. This is the direct result of the mortgage crisis and decline of the real estate

market that Ohio and the nation have been experiencing. Sales in the Columbus Metropolitan Listing Area are also generally down since 2005, although there are recent signs that the real estate market has begun to recover. The latest data available show that year-to-date sales in 2012 (January through May) were 7,800 units, while sales for the same period in 2011 were 7,068 units, an increase of 10.4%.

The issuance of building permits in Franklin County also declined from 2005 through 2009. In 2005, there were 7,284 building permits issued for residential units. By 2009, this figure had decreased to 2,661. Although there was a decline in the second half of 2010, the year as a whole showed an increase to 2,944. In 2011, the number of permits increased to 3,396. Recent months have shown a strong increase to a level not seen since 2006.

The data for real estate sales and building permits issued suggest that the Columbus area real estate market has begun to recover. Recent economic forecasts are for an increase in the number of housing starts and building permits over the next few years, with recovery in the market particularly strong in 2013 and 2014. Moody's Analytics has provided the following forecast in Chart 9 for residential building permits in Franklin County:





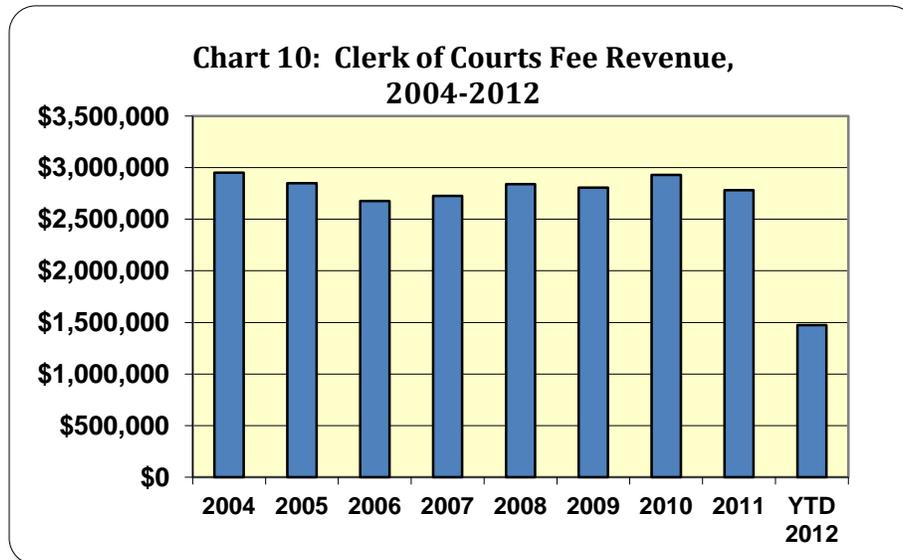
The Recorder's Office General Fund 2nd quarter revenue collections were up significantly from 2011. In the 2nd quarter of 2011, \$898,802 was collected, while in the 2nd quarter of 2012, \$1,194,538 was collected, an increase of 32.9%. For the year to date, collections are 59.7% of the amount budgeted for the year.

| Table 3: Recorder's Office General Fund Fees | | | | | |
|--|-------------|-----------|---------------|----------------------|----------------------------------|
| 2009 | 2010 | 2011 | 2012 Budgeted | 2012 YTD Collections | YTD Collections as % of Budgeted |
| \$4,214,212 | \$4,252,437 | 3,994,778 | \$3,672,991 | \$2,194,258 | 59.7% |

The higher than anticipated revenue collections through the 2nd quarter are partly due to the recovering real estate market. Other factors that could have had an impact are the increased number of mortgage refinances in the last several months, and introduction of a new technology in the Recorder's office that permits an electronic form of payment for services. With the improvement in 1st and 2nd quarter collections it appears that the agency will likely exceed the General Fee revenue estimate for the year.

General Fees – Clerk of Courts

The Clerk of Courts collects fees in the General Fund for each filing in the Clerk's office. All Clerk of Court fees are set by the Ohio Revised Code and are at the maximum levels.

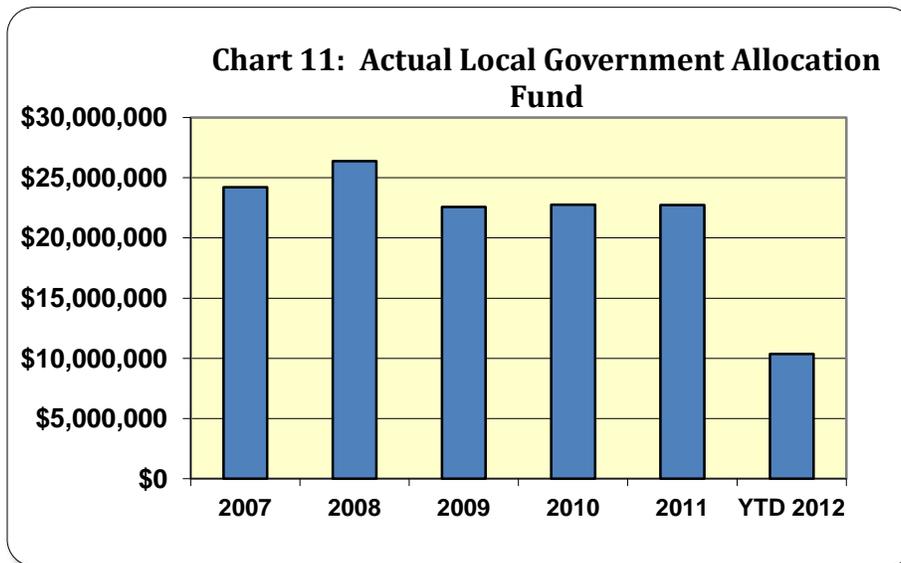


At the close of the 2nd quarter, the Franklin County Clerk of Courts General Fee revenue is \$1,475,357, 51.6% of the 2012 revenue estimate of \$2,857,000. Based on 2nd quarter year-to-date revenue, general fee collections within the Clerk's Office could be slightly above 2012 budget by year-end. No adjustments to revenue estimates are recommended for the Clerk's general fees at this time.

Local Government Fund Allocation

The Local Government Fund allocation from the State included in the 2012 approved budget for Franklin County was \$15,820,680, a \$6,911,089 or 30.4% reduction from 2011 actual receipts. As of June 30, 2012, \$10,355,999 or approximately 65% of the approved budget has been collected. However, county allocations will be lower in the 2nd half of 2012 based on the distribution formula set out in the FY 2012-2013 State Budget.

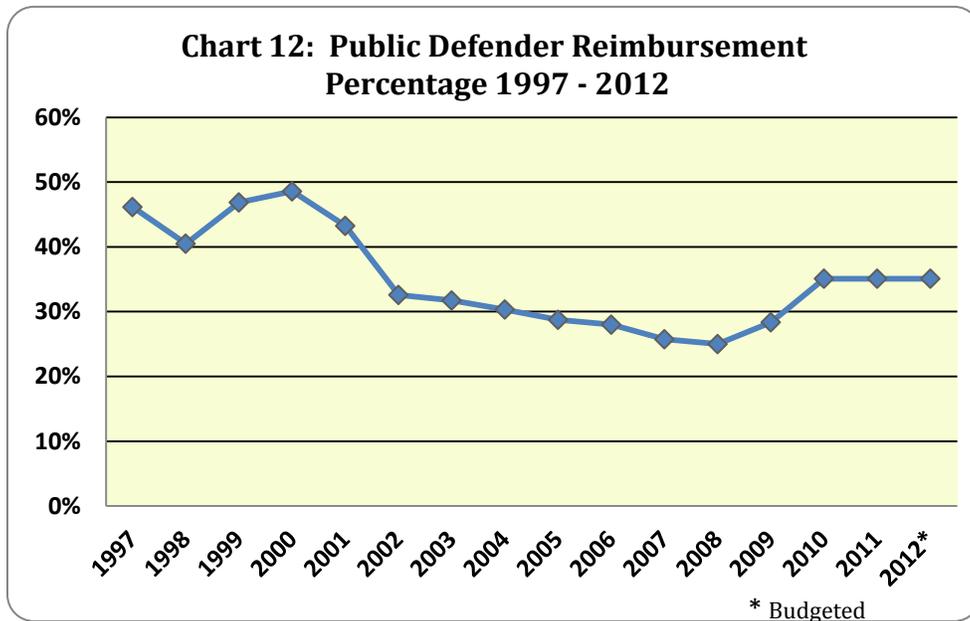
In 2008, the Local Government Fund freeze was lifted and county allocations were returned to the statutory formula (Section 5747.501, Ohio Revised Code). However, based on the FY 2012-2013 State Budget, county allocations were reduced by approximately 25% from the previous year's allocation beginning in August 2011, with an additional 25% reduction (for a total reduction of 50%) starting in July 2012. In 2013, the Local Government Fund Allocation is expected to decrease by \$4,115,273 from \$15,820,680 to \$11,705,407.



State Public Defender Reimbursement

The 2012 budgeted revenue estimate for State Public Defender reimbursement is \$6,499,822. Second quarter year-to-date collections are \$3,529,751, or 54.3% of budget. At this point in time, this revenue is projected to exceed budget by approximately \$500,000 by year-end. OMB will continue to monitor these revenues and recommends that any adjustment to the estimate for Public Defender Reimbursement be made after the 3rd quarter.

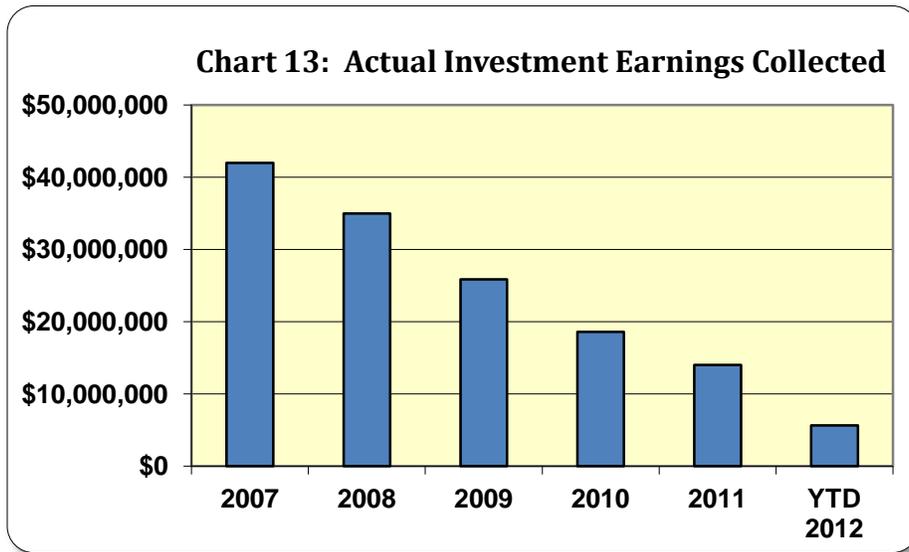
The State Public Defenders office increased the reimbursement rate to 35.1% in September 2009; previously, the County was receiving 25.0%. This increase in the reimbursement rate was due to increased funding in the State's Indigent Defense Support Fund (IDSF). The State Public Defenders office has indicated that the reimbursement rate will remain at 35.1% for the remainder of 2012. Below is a chart showing the state reimbursement percentage since 1997. The reimbursement rate has risen as high as 48.58% in 2000 and as low as 25% in 2008.



Investment Earnings

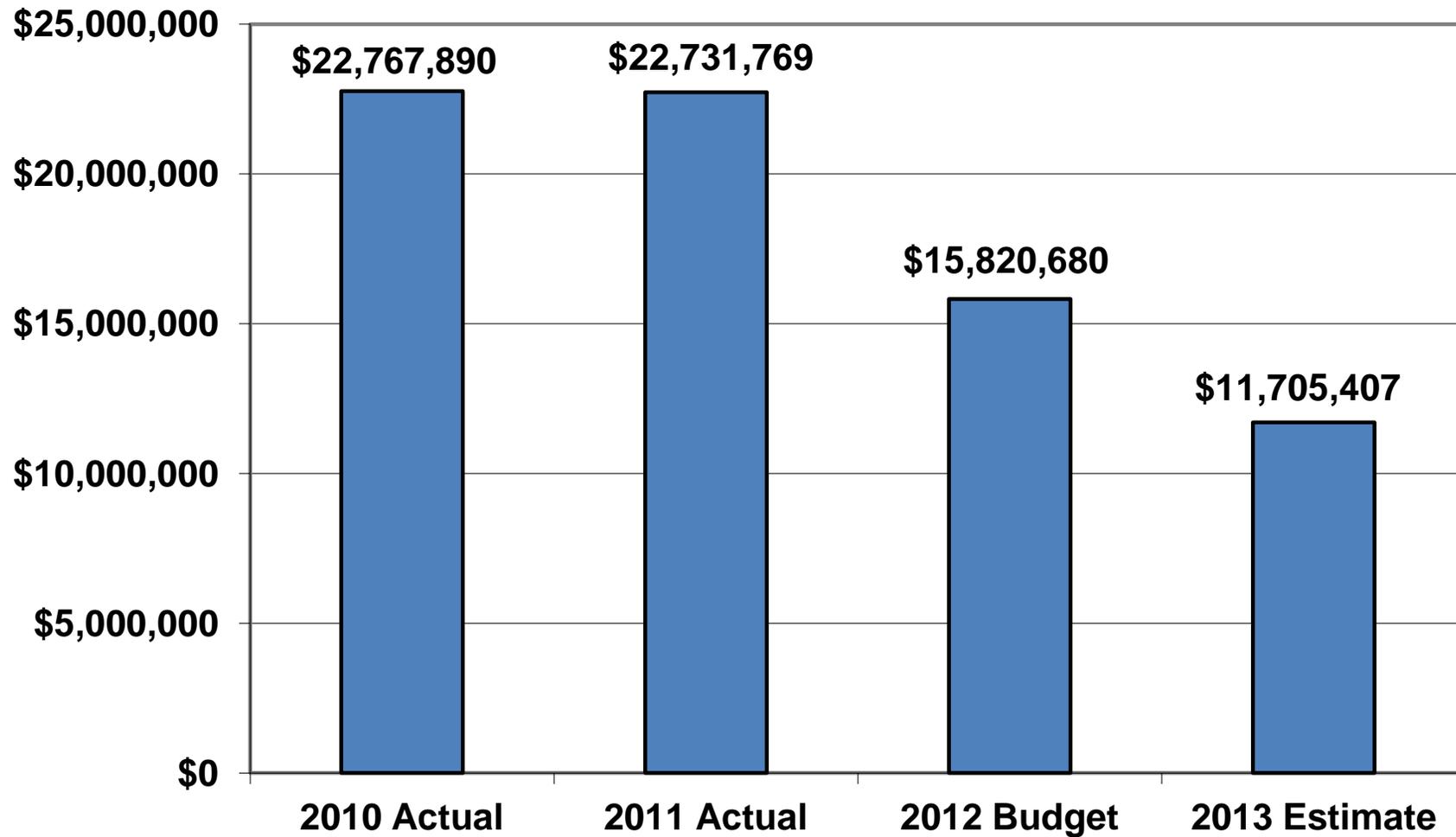
The Treasurer's Office 2012 revenue estimate for Investment Earnings is \$11,726,625. As of June 30, 2012, Franklin County has collected \$5,633,123 or 48% of budget. In 2011, as of the 2nd quarter, Franklin County earnings reflected 58% of the year-end totals. Due to recent earning conditions, the Treasurer's Office is currently estimating investment earnings to be \$1,200,000 less than budget by year end, an 11.4% reduction from \$11,726,625 to \$10,526,625 (liquid portfolio remains to be \$100,000,000 and the core portfolio at \$850,000,000, totaling \$950,000,000). The Treasurer's Office will re-evaluate investment earnings after the 3rd quarter to determine if an adjustment to the 2012 revenue estimate should be certified by the Franklin County Budget Commission accordingly.

When comparing 2011 actuals to 2012 estimates, all of the metro counties are forecasting reductions starting with Franklin County by 16%, Lucas County 16%, Montgomery County 13%, Hamilton County 11%, and Cuyahoga County 20%.



The 2012 approved budget also includes interest earnings within the Franklin County Clerk of Courts. The Clerk's 2012 interest earnings budget is \$50,000 and 2011 actual interest earnings were \$69,727. The Clerk's 2012 revenue estimate attempted to take into account current economic circumstances. During the 2nd quarter, the Clerk received \$13,229 in interest earnings, a year-to-date total of \$30,673, which is 61.5% of budget.

Local Government Fund Allocation



Intergovernmental Revenue - All Funds

