

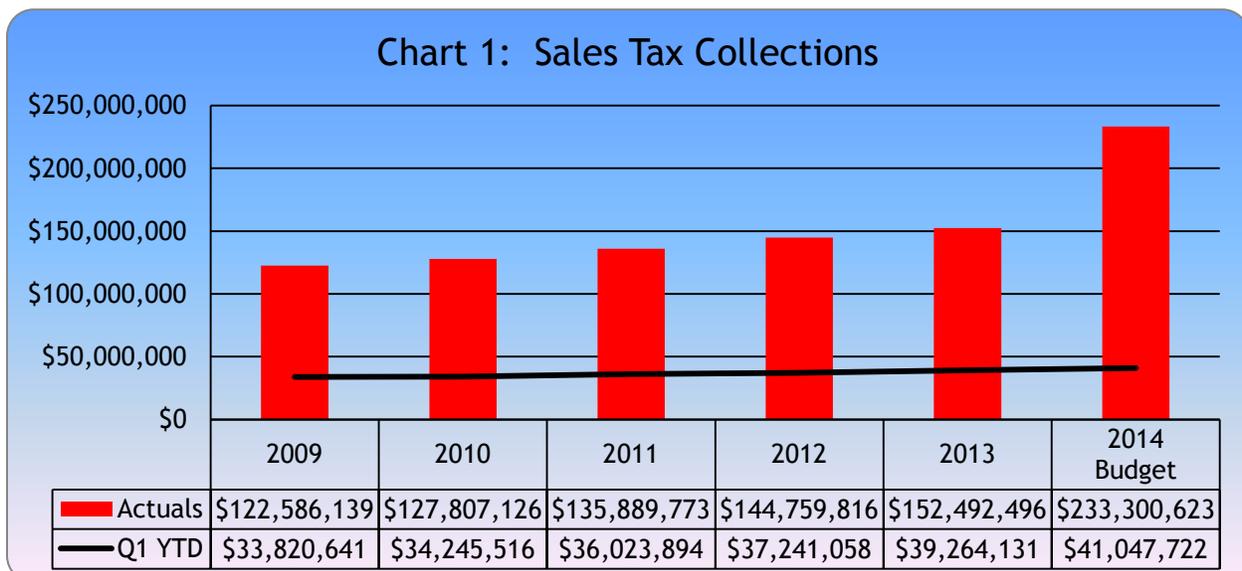
## GENERAL FUND REVENUE ANALYSIS 1<sup>st</sup> Quarter - 2014

### Sales Tax

Franklin County receives the revenue from its sales tax three months after the actual sale occurs. For example, for a sale made in December 2013, the vendor transmits all of the sales taxes collected to the state in January 2014. The state then transmits to the County its share of the sales tax revenue in March 2014. Therefore, the sales tax collections for the 1<sup>st</sup> quarter of 2014 are based on the sales that occurred during the 4<sup>th</sup> quarter of 2013, when the County portion of the sales tax was 0.75%. Revenue from the 0.50% sales tax rate increase that was effective January 1, 2014 will be received beginning in April 2014.

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 2014 approved budget. The revenue adjustment and the necessary appropriations to record this expenditure will be made at the end of the year.

Chart 1 provides the annual sales tax collections, as well as collections through the end of the 1<sup>st</sup> quarter for each year since 2009. As seen in the chart, the amount collected through the end of the 1<sup>st</sup> quarter of 2014 shows a significant improvement over the amounts from the previous five years.



For the 1<sup>st</sup> quarter of 2014, Franklin County collected \$41.0 million in sales tax. This represents a 4.5% increase from the amount collected in 2013, and a 2.1% increase from the 2014 estimate. Table 1 provides the comparison of the sales tax estimates with the actual sales tax collections for the 1<sup>st</sup> quarter.

| Table 1: Franklin County Sales Tax collections versus estimates for 2014 |               |              |                  |                     |
|--|---------------|--------------|------------------|---------------------|
| Month  | 2014 Estimate | 2014 Actual  | Monthly Variance | Percentage Variance |
| January  | \$12,123,311  | \$12,466,707 | \$343,397        | 2.8%                |
| February   | \$11,893,195  | \$12,990,442 | \$1,097,247      | 9.2%                |
| March  | \$16,192,635  | \$15,590,572 | (\$602,063)      | (3.7%)              |
| 1st Quarter  | \$40,209,141  | \$41,047,722 | \$838,581        | 2.1%                |
| YTD TOTAL  | \$40,209,141  | \$41,047,722 | \$838,581        | 2.1%                |

In comparison to other Ohio metro and surrounding counties, Franklin County is above the median when comparing the change in sales tax collections from the 1<sup>st</sup> quarter of 2013 to the 1<sup>st</sup> quarter of 2014. The average percentage change of the eight other counties in Table 2 below was an increase of 6.1% from the previous year (3.8% when excluding Union County), while the collections in Franklin County reflect an increase of 4.5% from the previous year.

| Table 2: Change in Sales Tax Collections<br>Jan.-Mar. 2013 to Jan.-Mar. 2014 |                |
|--|----------------|
| County   | Percent Change |
| Union  | 24.1%          |
| Delaware   | 6.3%           |
| Licking  | 6.2%           |
| <b>Franklin</b>  | <b>4.5%</b>    |
| Hamilton   | 3.8%           |
| Lucas  | 2.9%           |
| Fairfield  | 2.6%           |
| Montgomery   | 2.3%           |
| Cuyahoga   | 2.1%           |

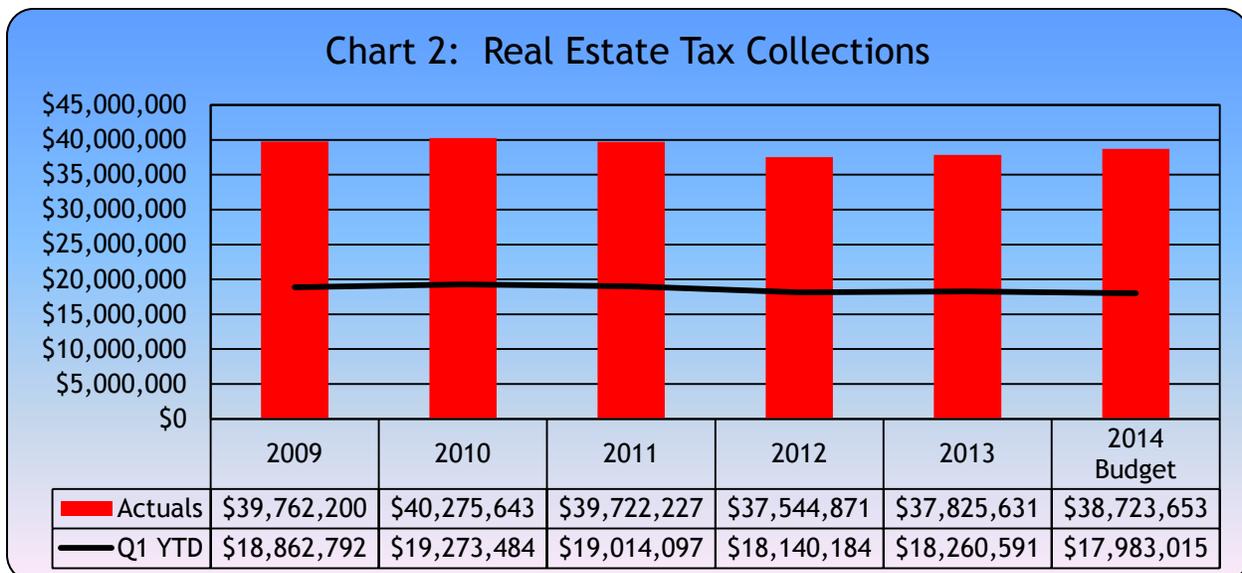
While the 1<sup>st</sup> quarter sales tax revenues have come in above estimates, OMB recommends that no adjustment to the sales tax budget estimates be considered until after the 2<sup>nd</sup> quarter sales tax collections have been analyzed.

## Real Estate Tax

For Franklin County, first half real estate taxes were due January 20, 2014 (and distributed in March), while second half real estate taxes will be due June 20, 2014 (and distributed in August). State Real Estate Tax reimbursements include a 10% rollback on residential homeowner properties, an additional 2.5% rollback on owner occupied properties, and a rollback of property taxes on the first \$25,000 value of homestead properties. The state reimbursement is generally received one month after the settlement of the applicable real estate tax collection. As a result, this revenue is received in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters.

For the 1<sup>st</sup> quarter, Franklin County received \$17,983,015 in real estate taxes, which represented 51.4% of the budgeted amount of \$34,970,524. The 1<sup>st</sup> quarter collection of real estate taxes for 2014 reflects a 1.5% decrease (\$277,576) as compared to the 1<sup>st</sup> quarter collection in 2013.

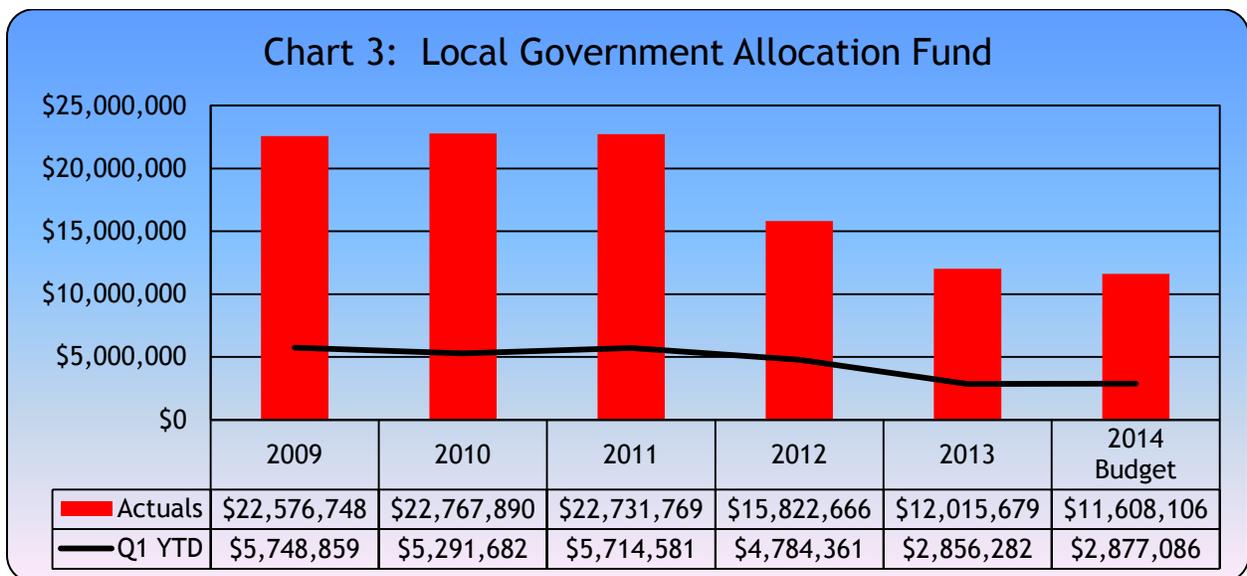
Chart 2 below shows relatively no change in aggregate real estate and state reimbursement receipts from 2009 to 2011. However, the receipts from 2012 to 2014 were lower due to the decline in property values following the sexennial reappraisal performed in 2011. The amount collected in 2013 represents a 0.7% increase (\$280,759) compared to the revenue collections in 2012. In comparison, Hamilton County realized a 0.5% increase, while decreases were realized in Montgomery County (2.5%), Cuyahoga County (6.1%), and Lucas County (11.6%).



## Local Government Fund Allocation

The Local Government Fund allocation from the State included in the 2014 approved budget for Franklin County is \$11,608,106, which is \$407,573 or 3.4% less than 2013 actual receipts. As of March 31, 2014, \$2,877,086 or approximately 24.8% of the original budget has been collected.

In 2008, the Local Government Fund freeze was lifted and county allocations were returned to the statutory formula (Section 5747.501 of the Ohio Revised Code). However, based on the FY 2012-2013 State Budget and seen in Chart 3 below, 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. These reductions were maintained in the FY 2014-2015 State Budget

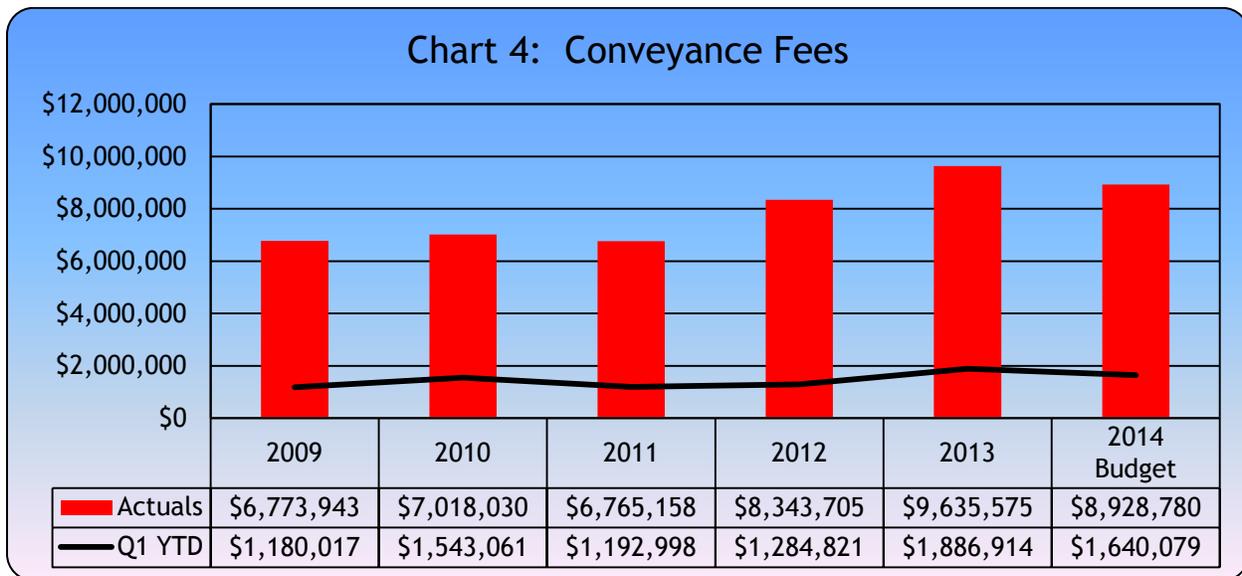


## Conveyance Fees

Conveyance fees are based on property sales, of which Franklin County collects \$2 per \$1,000 of the sale amount. This includes the \$1 fee mandated by state law plus a \$1 permissive fee levied by the County. State law allows counties to levy a permissive fee of up to \$3, resulting in a maximum conveyance fee of \$4 per \$1,000 of the sale amount. Like Franklin County, Hamilton County also collects at the rate of \$2 per \$1,000 of the sale amount, while Montgomery and Cuyahoga counties collect \$3, and Lucas County collects \$4.

Total conveyance fee collections (mandatory and permissive) in the 2014 approved budget are estimated at \$8,928,780. The total amount of conveyance fees collected through the end of the 1<sup>st</sup> quarter reflects a decrease of 13.1% or \$246,835 from the amount collected during the 1<sup>st</sup> quarter of 2013.

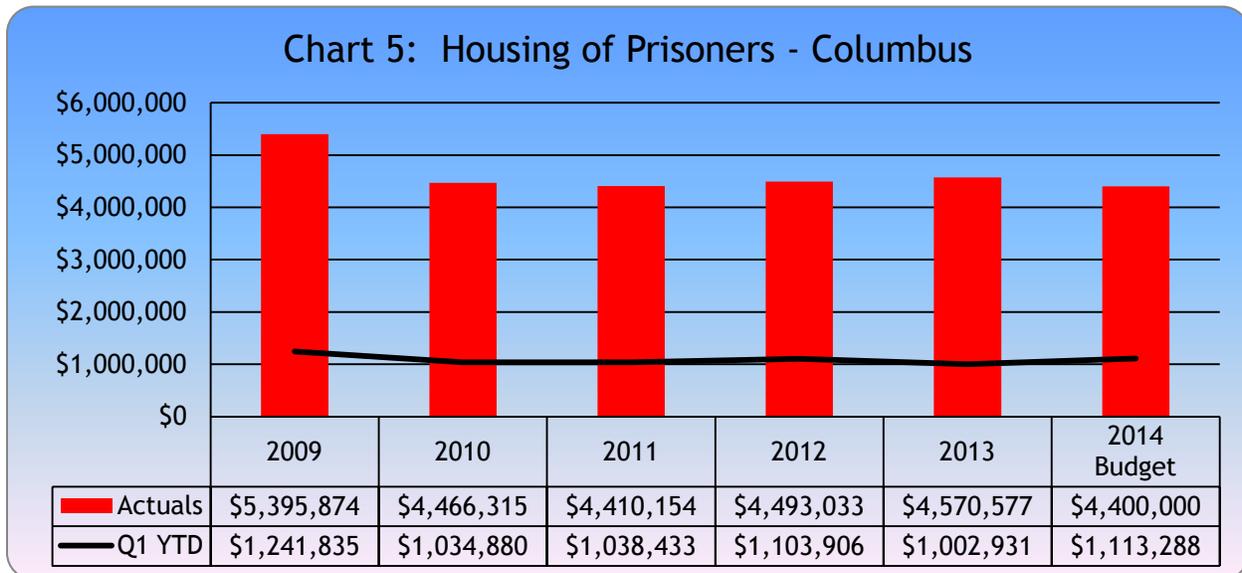
Revenue collections in the 1<sup>st</sup> quarter of 2014 declined year-over-year as a result of severe winter weather coupled with a low inventory of homes for sale within Central Ohio. The Columbus Board of Realtors has estimated that a rebound of home sales may occur in the 2<sup>nd</sup> quarter of 2014 with the transition into a more moderate weather pattern locally as well as pent up market demand. Despite the decline, revenue in the 1<sup>st</sup> quarter of 2014 was higher than any other year except for 2013, as seen in Chart 4 below.



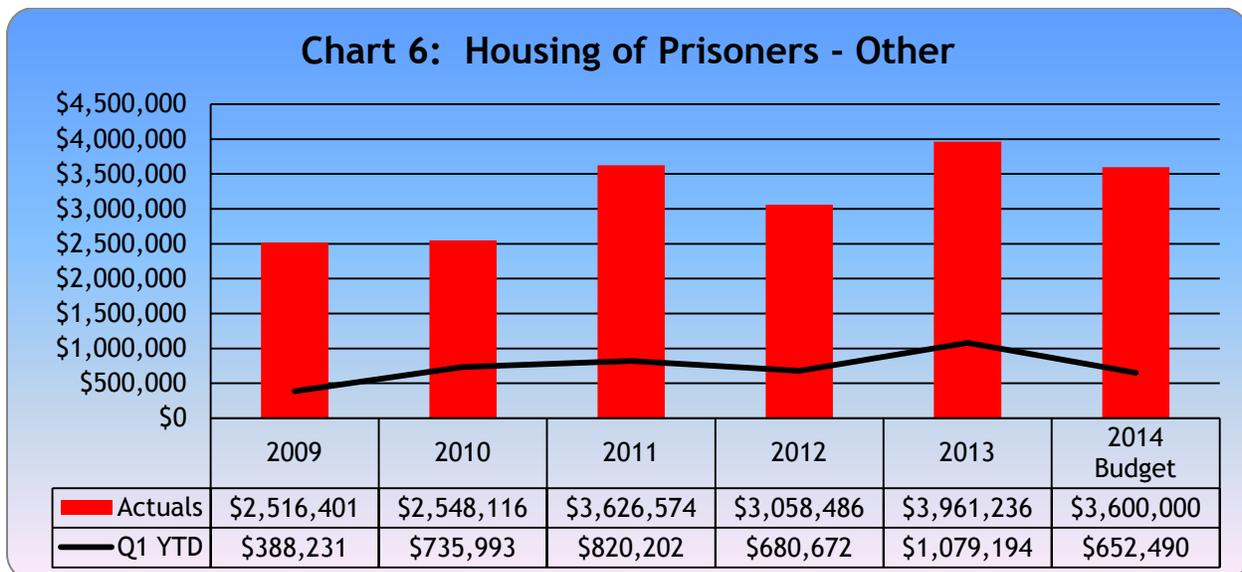
## Housing of Prisoners

Municipalities within Franklin County, including the City of Columbus, pay a housing per-diem rate of \$79 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, at a rate of \$68 per day.

The 2014 budgeted revenue projection for the housing of prisoners for the City of Columbus is \$4,400,000, with 1<sup>st</sup> quarter collections at \$1,113,288 or 25.3% of budget.



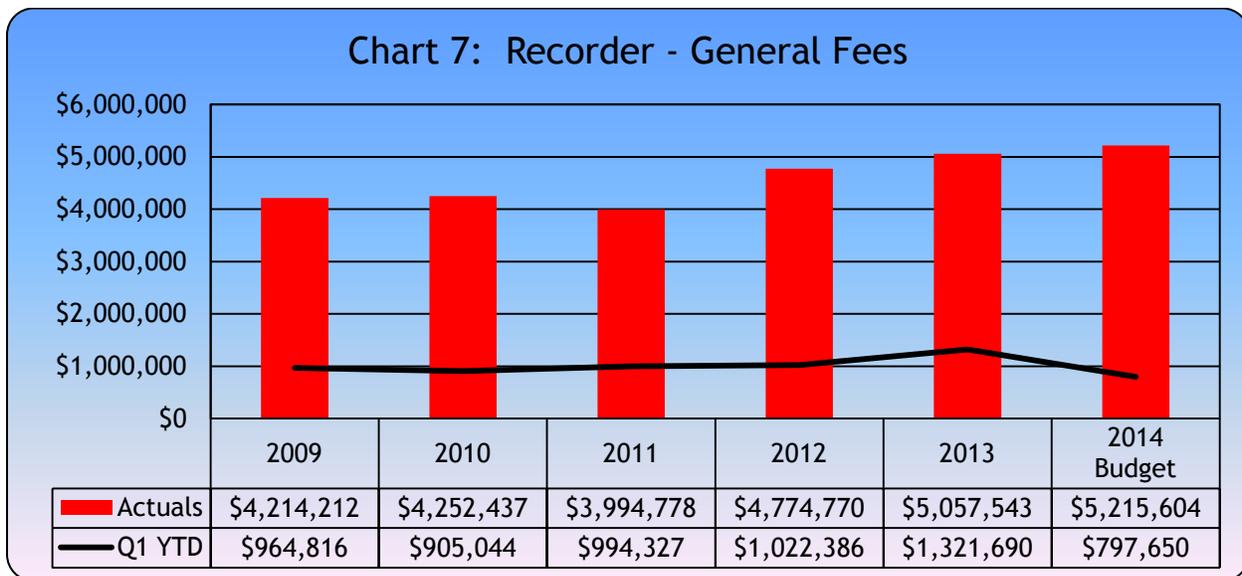
The 2014 budgeted revenue estimate for the housing of prisoners for local municipalities, except for Columbus, and for the U.S. Marshal's office was \$3,600,000, with 1<sup>st</sup> quarter collections at \$652,490 or 18.1% of budget.



## 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 (with the remainder going to the Recorder's Technology Fund and the State's Housing Fund). Annual revenue received from these fees generally declined from 2006 through 2011.

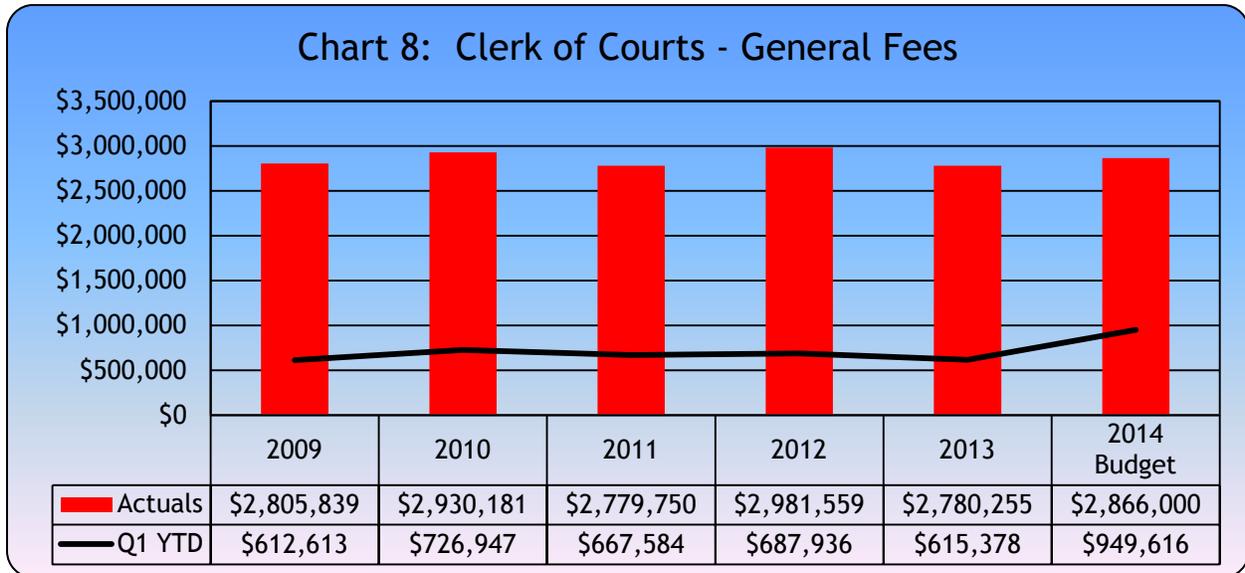
2013 revenue collections for the Recorder's Office were up marginally as compared to 2012. Through the end of the 2013, revenue collections increased 5.9%, from \$4,774,770 in 2012 to \$5,057,543 in 2013. The higher than anticipated revenue collections for 2012 and 2013 as a whole are partly due to the recovering real estate market. Other factors that could have had an impact are the increased number of mortgage refinances within the last two years, which stem from historically low interest rates.



For 2014, 1<sup>st</sup> quarter revenues declined by 39.6% when compared to the same period from 2013. The reduced collections are attributed to severe winter weather along with a low inventory of houses available for sale, as well as the allocation of an additional dollar to the Recorder's Technology Fund.

## General Fees - Clerk of Courts

The Clerk of Courts collects fees in the General Fund for each filing in the Clerk's Office.

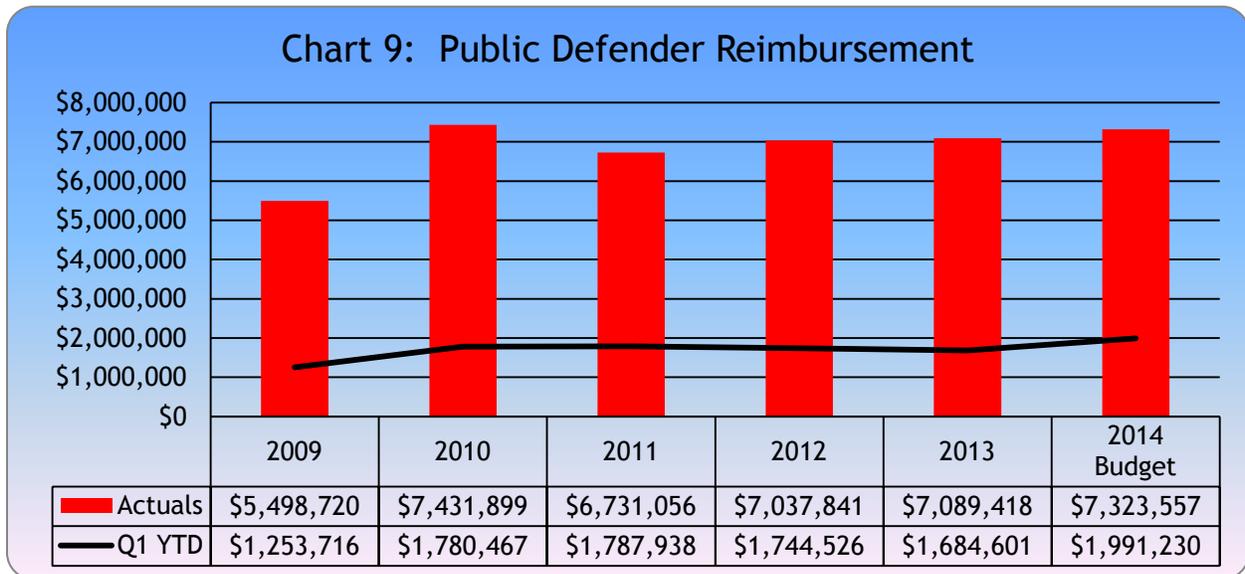


For 2014, 1<sup>st</sup> quarter revenue increased by 35.2% when compared to the same period from 2013. The increased collections are attributed to an initiative to collect incurred fees on open cases rather than waiting for the case to be closed to collect all outstanding fees.

## State Public Defender Reimbursement

The revenue estimate for State Public Defender reimbursement in the 2014 approved budget was \$7,323,557. The 1<sup>st</sup> quarter collections are \$1,991,230 or 27.2% of the budgeted amount.

The State Public Defender's Office reimbursement rate increased from 35.1% to 40% as of July 1, 2013 due to changes in the state biennial budget. This has contributed to the increase of \$306,629 or 18.2% from the amount collected in the 1<sup>st</sup> quarter of 2013.



## Investment Earnings

The 2014 revenue estimate by the Treasurer’s Office for Investment Earnings was \$6,072,000. As of March 31, 2014, Franklin County collected \$1,539,866 or 25.4% of budget.

When compared to the 2013 actuals of \$7,699,959, Investment Earnings for Franklin County are expected to decrease by 21.1%. The decline is due to the continuation of the impact of the policy to maintain low interest rates by the Federal Reserve, which can be seen in Chart 10 below.

Despite the decline in investment earnings, the County’s average investment portfolio in 2014 is estimated to increase to approximately \$1 billion, with \$940 million allocated to the core portfolio and \$60 million in the liquid portfolio.



Not reflected in the table above are the investment earnings within the Clerk of Courts. The Clerk of Courts receives interest on all moneys held by that office, such as filing fees or other custody deposits. In the 1<sup>st</sup> quarter, the Clerk of Courts received \$5,948 in interest, which is 24.8% of the budgeted amount of \$24,000.

## Casino Tax Revenue

Casino taxes have been collected by the State of Ohio since the first of four casinos opened in May 2012. Fifty-one percent (51%) of the gross casino revenue is distributed quarterly to each of the 88 Ohio counties proportionally based on population size. In addition, if the largest city in a respective county has a population size greater than 80,000, the total quarterly casino tax distribution will be split evenly between the specific county and city.

Chart 11 displays the quarterly casino tax revenue collected by Franklin County since inception. The general increase in collections from the 2<sup>nd</sup> quarter of 2012 through the 2<sup>nd</sup> quarter of 2013 is attributed to the tiered openings for each of the four casinos with Ohio.

For 2013, a total of \$6,747,440 was collected, which reflects a decrease of \$2,199,644 or 24.6% from the estimate in the 2013 Original Budget. The 3<sup>rd</sup> quarter of 2013 represents the first quarter in which all four casinos were open for the entire time period.

The revenue from this source is estimated at \$7,400,000 in the 2014 approved budget. Should the amount of revenue received in the 1<sup>st</sup> quarter of 2014 continue for the remainder of the year, total revenue collected would be \$7,256,060 or 98.1% of the total estimated revenue for the year.

