

Funding Alternatives

The County's comprehensive response to reduce crime and recidivism will require significant resources. Resources are required for operating costs of additional treatment and diversion programs as well as the construction and operation of a new jail facility.

The County Administration researched many funding sources for the construction and operation of a new jail. The funding sources were assessed based on the County's ability to legally implement the source without a change in the Ohio Revised Code, the revenue generating capacity of the source, and other factors. Table I shows the funding sources considered for capital construction and Table II shows funding sources considered for operations.

Table I – Potential Capital Funding Sources

<i>Funding Source</i>	<i>Comment</i>	<i>Advantages</i>	<i>Disadvantages</i>
County Sales Tax	Increase the current sales tax rate in some increment from 6.5% to 7.0%. Each 0.25% generates approximately \$32M annually.	51 of 88 counties are already at 6.75% or higher. Could be set as ending date certain. Approximately 45% of the burden to non-county residents.	Revenue has been relatively flat for 5 years.
Jail Property Tax Levy	A property tax-based levy on the fall ballot. Sized to reflect cost estimate and financing approach.	Could be structured to end date certain.	Adds an additional levy on an already uncompetitive property tax structure.
Per Household Assessment Requires ORC change	Similar to storm water assessment per property. Assessment would be determined by ultimate cost estimate and financing.	Does not require voter approval. Could be structured to target jurisdictions with high arrest rates.	Very visible on tax bill. Individual jurisdictions may change arrest procedures or establish relationships with other jails (if legally possible).
Federal "Cap Funds"	U.S. Marshals Service (USMS) capital funding to assist local jails that house federal prisoners. Local support ranges from \$100,000 to \$2-3 million.	May be able to develop a long-term guaranteed housing agreement.	The CAP Funds program has not been funded in several years in the federal budget. USMS is requesting additional funding in 2008 for CAP.
Federal Earmark	Request an earmark in the federal appropriations process via our congressional delegation.	Does not require a local match.	Uncertain success and the length of time to get the federal budget approved.
State DRC Grant	The Department of Rehabilitation & Correction (DRC) has in the past provided funding assistance (grants) to local jails.	Does not require a local match. Butler County received \$10M in 1999.	Uncertain success given the tight state budget. State capital resources are scarce.
City Contribution	The City would provide an annual contribution to offset the construction of the facility.	Recognizes that the City is a major consumer of jail services.	Singles out the City.

The general fund budget stabilization fund and the sale of County property are not included as funding sources. As reported to the Commissioners in July 2007, the general fund balance was significantly reduced in 2006 and 2007 to pay the legal settlements concerning the Coroner's Office and to support the Butler County inmate boarding and the Over-the-Rhine patrols. The current Commissioner policy

concerning fund balance is 20% of recurring expenditures. The estimated 2007 year-end fund balance was 3.6% of recurring expenditures. Use of the general fund balance for this effort is not recommended. Concerning the sale of County property, the Competition and Efficiency Committee and staff have examined the County's real estate portfolio. There are no land parcels of significance to market that would serve as a significant funding source for a project of this magnitude. The proceeds from the 2006 sale of the Education Services Building are included as a revenue in the approved 2007 budget. Discussions continue concerning the potential sale of the county fairgrounds property.

The ballot initiative in November 2007 includes a 1/2% increase in the County sales tax for a period of 8 years. The increase would drop to ¼% for another 7 years and then ends. The Comprehensive Safety Plan includes the proceeds from the lease and/or sale of the county-owned Drake Hospital. The Drake resources are still a viable resource for the construction of any new facility.

Table II – Potential Operating Funding Sources

<i>Source</i>	<i>Comment</i>	<i>Advantages</i>	<i>Disadvantages</i>
Booking Fee Requires ORC change – currently set at \$5 per the ORC	A \$5 fee included in current court fees.	The users help pay for the operations.	Court fees and fines are not a consistent revenue sources because they are waived at the discretion of the judges and associated collection challenges.
City Contribution	The City of Cincinnati would provide an annual contribution to offset operating costs.	Recognizes that the City is a major consumer of jail services. Specifically, 56% of all arrests.	Singles out the City.
Per diem rates for housing federal prisoners: U.S. Marshals Service (USMS)	Inter-governmental Agreement (IGA) for up to 200 federal inmates per year for 5 years. Current max is 35 inmates.	No cost to the county, provides for immediate use upon completion of the new facility.	To the extent that treatment and diversion programs do not reduce recidivism, the U.S. Marshall revenue will decline over time as the additional 784 beds will be needed for county prisoners.
Sheriff Asset Forfeiture Funding	The Sheriff Department maintains asset forfeiture accounts for various sheriff enforcement actions.	A non-tax.	Not a reliable funding stream. Somewhat restricted use and exclusive control of the Sheriff. Not a significant source of funding.
Court Fines and Fees	Set by ORC and applied by Judges.	Users would be shouldering some of the cost to build.	Court fees and fines are not a consistent revenue sources because they are waived at the discretion of the judges and associated collection challenges.
Expenditure Reductions	Reprioritize expenditures across the entire Hamilton County general fund budget.	Sets funding priority.	Each reduction will have a constituent base to challenge the reduction.
Program Efficiencies	Efforts to provide services for less cost.	Demonstrates good stewardship of limited resources.	Not a consistent funding stream and may be better suited to improved capacity and productivity as opposed to redirecting resources.

Various sin taxes (alcohol and tobacco taxes) were considered as well, but these would require state legislature approval. The board may still want to pursue this option as supplemental funding, but is not recommended for the near-term funding plan.

The 2008 tax budget reflects a operating deficit in the General Fund of \$30.2 million. Including Butler County inmate boarding and other safety initiatives started in 2006 and 2007 increases the 2008 deficit to \$40 million. Major reductions to the general fund for treatment programs as well as constructing and operating a new jail are not practical. This is not to say that targeted county services or programs may not be eliminated, and/or savings achieved through on-going management efficiencies to assist in the comprehensive corrections and rehabilitation program, but as the leading or even major funding source it is not practical.

Current Board of County Commissioners policy concerning taxation limits the growth of property taxes to the rate of inflation. A comparison to neighboring jurisdictions shows the County's property taxation is higher. A property tax levy is not recommended. Comparison to other jurisdictions should be more than just property tax. For example, after accounting for the County's sales tax dedicated for the stadiums, Hamilton County's sales tax rate going to the general fund is less than our neighboring jurisdictions. In developing financing recommendations, County Administration selected funding sources that would help avoid debt service costs and provide maximum flexibility to the Commissioners.